



STARBOARD ADVISORS

— YOUR RIGHT OF WAY —

A DIVISION OF KELLEHER FINANCIAL ADVISORS, LLC

Checking In

Hello and Happy New Year to those we have not had a chance to speak with yet in 2022. At Starboard, we are currently in production of year end reports and our quarterly letter. Given the recent market volatility and sell off we thought it would be prudent to touch base with clients on the evolving investment environment. On Monday, January 24th, the S&P 500 at one point was down nearly -4% but remarkably finished a “touch” positive by the 4PM closing bell (source: WSJ). It was a wild few hours of trading and asset pricing. By definition, intraday, we hit “correction territory” and have been reaching out to families who had strategic cash to invest and communicating with clients in general as we march into 2022.

What’s Going On?

In the 4QTR alone the market had a run up of +11% and essentially, in the first couple of trading weeks of 2022, the market has given back most of that performance (source: WSJ). The S&P 500 and majority of our client’s equity portfolios still have a 12-month rolling return (including today) of +14%. Wall Street analysts and investors continue to have a difficult time in pricing in all the new factors effecting long-term investing such as rising inflation coupled with the continued short term ripple effect COVID is leaving behind. Artificially low interest rates and an excess of government spending has juiced the economy. The upside of that has been a softer economic landing from a black swan event. The downside, however, is a frothy investment environment that has been devoid of risk that historically keeps speculation in check. As a result, the upper end of the risk spectrum (be it the SPACs, crypto, EVs, data streaming companies, online exercise equipment, etc.) have crashed. Market valuations have come tumbling down as well but we are optimistic quality companies will endure and stay on track with their profitability and earnings growth. However, as with every market repricing, there will be days, weeks, months and even years with dismal or at the very least volatile price performance. As fiduciaries and investors our recommendations to clients have been consistent – always have 3-5 years of annual cashflow (especially in retirement) in safe harbor assets easily available, know your holdings with a bias to quality, and have an eye for the long haul.

What's this Mean for Me?

Many families ask us, “OK, I understand what I heard, but what do I need to do?” The answer most often lies in the long term planning we’ve done with our clients – in other words, the “hay is already in the barn”. A cornerstone of our counsel is ensuring you have the necessary funds to endure volatile markets WITHOUT the need to sell quality holdings at distressed prices. Although cash has not kept up with inflation in the last few months, it has remained a pillar of stability in uncertain times like now. And, equities, although under pressure currently have more than kept up with inflation pressures, especially measured on a rolling average over the last 3, 5 and 10 years. Of course, family circumstance, financial plans, and longer-term intent change and we pride ourselves at Starboard at being able to help families adapt to their changing needs in addition to the environment around them.

You will be hearing from us frequently in the coming weeks with additional information on portfolio reviews, our newsletter and other announcements. As always, we welcome client visits, texts and emails.

My very best regards,

Bart