



Hanging in There

Markets entered a period of heightened volatility at roughly the midpoint of the quarter as talks around tariffs began to ramp up. While stock price declines have been relatively steep over the past five weeks, corrections like this have been common historically. The S&P 500 bottomed (at least for the moment) at -10% off its high. The Nasdaq Composite fared worse at -14.1% off the high. Though it seems like ancient history, we actually saw similar declines as recently as last August!

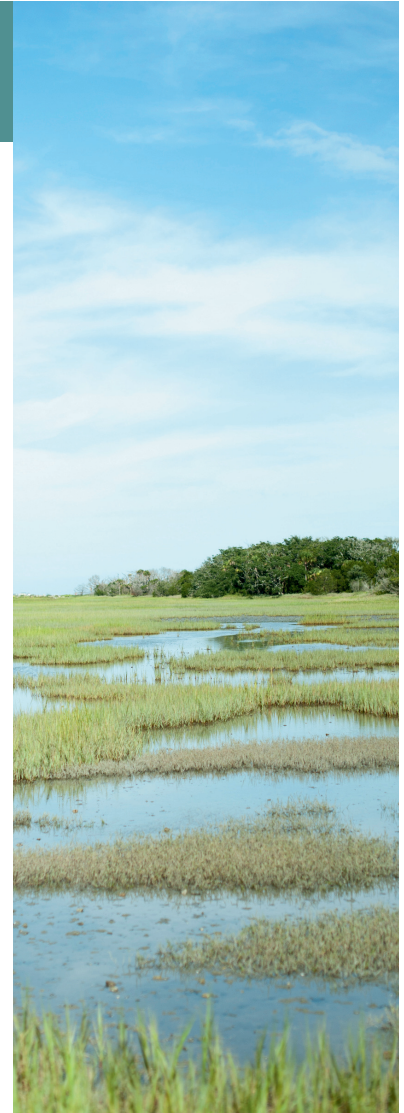
For the first time in several years, bonds acted as a nice hedge for the stock market volatility, returning 2.7% during the quarter. We spent most of the quarter overweight on bonds and cash, which helped offset volatility in US stocks.

Foreign stocks were a bright spot, returning about 5.6% year-to-date. There was substantial conversation in financial media around the relative valuations between US stocks and their foreign counterparts at the end of 2024. US stock valuations, supported by fast-growing companies in technology, had swelled since the 2022 bear market bottom, making foreign stocks appear more attractive. To a degree, we anticipated this shift in performance by paring back positions in technology and reinvesting those proceeds in bonds and foreign stocks around the turn of the year.

We are somewhat skeptical of the durability of foreign stock outperformance. High-dividend US stocks (which have similar attributes to foreign developed market stocks) performed roughly in line with foreign stocks during the quarter- indicating the country of domicile is likely not the driving factor here. US stock valuations have come in now, and we continue to believe the US is home to the majority of companies poised for substantial growth going forward.

Continued on page 2

Index	Q1 Total Return	YTD Total Return	1 Year Total Return
S&P 500	-4.3%	-4.3%	8.5%
DJIA	-0.9%	-0.9%	8.1%
Nasdaq Comp	-10.3%	-10.3%	6.3%
MSCI EAFE	7.6%	7.6%	5.9%
Russell 2000	-9.5%	-9.5%	-3.0%
US Aggregate Bond	2.7%	2.7%	5.6%



INSIDE THIS ISSUE

Hanging in There.....	1-2
A Note on Muni Bonds.....	3
Exciting Updates!.....	3
Investment Performance by Account.....	4

SPECIAL POINTS OF INTEREST

- If you would like to schedule a meeting for planning or portfolio questions, don't hesitate to contact us!
- Q2 Market & Office Closures:
 - Good Friday- April 18th, 2025
 - Memorial Day- May 26th, 2025
 - Juneteenth- June 19th, 2025



Policy in Washington

Policy changes in Washington continue to dominate the news cycle. Both the substance and intent of many of the policy proposals remain unclear- leaving markets to price potential risks into stocks in volatile trading sessions. Tariff proposals have riled the markets the most and there is concern they could lead to stagflation- a possibility that wasn't thought to be on the table entering the year.

Stagflation is anemic economic growth paired with inflation. It is a difficult economic problem for the Fed to address because raising rates likely causes higher unemployment, but cutting rates likely causes additional inflation. Because tariffs both curb demand (they are a tax, after all) and raise prices, the market considers them potentially stagflationary.

I wrote in our last market update that progress on inflation (even before the tariffs) had stalled at best and was reversing at worst. PCE, the Fed's preferred measure of inflation, has remained virtually unchanged over the past year. The inflation problem doesn't seem to be licked, and certain categories appear to be very sticky—auto insurance rates rose 2.25% in the first two months of the year, a 14.3% annual rate!

The standard thinking (based on the Fed's 2018 "Tealbook") has been that the Fed would be willing to hold interest rates steady in the face of rising price levels due to tariffs because they represent a one-time price shock. Many forget that this strategy was contingent on "firmly anchored inflation expectations." With measures of expectations for future inflation (both market-based and survey-based) having risen substantially, it's unclear how the Fed would react to any tariff-led inflation or economic slowdown.

The US economy has proven to be remarkably resilient in the post-COVID period, and it's our view that resiliency will continue. However, it's not lost on us that a big policy mistake could disrupt an otherwise healthy economy, and we will adapt if we believe that's beginning to happen.

Looking Ahead

Despite a volatile quarter, most client portfolios were relatively flat (+/- 1%). We view that as a win in a tough market. It's also important to remember that most of the portfolios we manage are tax-constrained, and we don't feel it's prudent to generate large capital gains for the sake of chasing the hot sector (foreign stocks). We have been quite pleased with the performance of the higher dividend stocks we own. The table below shows a selection of these stocks.

Stock	Q1 Total Return
Abbvie	18.4%
Chevron	17.3%
ConocoPhillips	6.8%
Duke Energy	13.4%
Exelon	23.4%
Johnson & Johnson	15.6%
Phillips 66	8.4%
RTX Corp	14.8%
Southern Co	12.5%

In general, we are slightly overweight bonds and cash. Bonds are performing well for the first time in a few years, and we plan on maintaining our overweight positions until we get more clarity on the direction of the market and the economy.

We know this is a turbulent time, and we want to remind you that we are always available to talk. Please do not hesitate to call or email us if you have any questions or concerns.



A Note on Municipal Bonds

We often buy municipal bonds for clients who have higher levels of income, large taxable accounts, and who live in states with state income tax. Municipal bonds are attractive for these clients because their income is exempt from federal taxation and state taxation if the bonds are issued by municipalities in the client's state of residence.

It hasn't received much airtime, but one of the proposals in a House Budget Committee document released in January would strip municipal bonds of their tax-exempt status as a potential revenue offset to help "pay for" an extension of the 2017 Tax Cuts and Jobs Act. Because the removal of tax-exempt status would cause yields on municipal bonds to rise to the level of their taxable peers, the proposal significantly impacted the returns on municipal bonds in Q1 (bond prices move inversely to their yields). Municipal bonds lost -0.53% during the quarter versus a total return of 2.74% for the aggregate bond index.

If Congress proceeds with legislating this proposal, which we view as unlikely given that these bonds are used to finance local projects in each congressional district, it's unclear exactly how outstanding municipals would be handled. It's possible their tax-exempt status could be grandfathered in, meaning this underperformance could quickly reverse.

Most of our clients do not own municipal bonds, so this proposal may not affect you, but we wanted to write about it given its potential to dramatically alter the landscape of the municipal bond market.

Exciting Updates!

- We will be in the process of transitioning from a state registered firm to a federally registered firm. Due to our growth we are now required to register with the SEC. This will not change anything for our clients, but it is a milestone for us!
- We completed a total redesign of our website. It had been 6 years since our website was designed, so it was time for a refresh. The address has not changed, but the look has, please check it out at : www.metiswealthllc.com



5 Red Cedar St., Suite 201

Bluffton, SC 29910

Phone: (843) 271-6088

www.metiswealthllc.com



Jenn Sokolowski, CFP®
Owner & Financial Planner
jenn@metiswealthllc.com

Robert Sokolowski, CFP®
Owner & Investment Manager
rob@metiswealthllc.com



[About](#) [Services](#) [Process](#) [Blog](#) [Newsletter](#) [Contact](#) [Client Portal](#)

[Schedule a call](#)

Small Firm, Mighty Results

As an independent, fee-only firm, we provide personalized attention you won't find at Wall Street giants. We're young enough to be innovative, experienced enough to be trusted, and small enough to care deeply about each client relationship.

- ✓ University of Vermont graduates who chose the Lowcountry lifestyle
- ✓ Active investors who understand both markets and client goals
- ✓ Certified Financial Planners® who earned their designations in 2020
- ✓ Outdoor enthusiasts who understand what makes life here special

[Meet Us](#) →



Why Does Investment Performance vary by Account?

Clients with larger accounts often notice a difference in daily performance in each of their accounts, and depending on market conditions, the difference can be quite large. When we assess clients' portfolios, we consider all their accounts aggregated together, but our custom portfolios are constructed differently depending on the tax treatment of each account to help optimize after-tax returns for clients. Because particular styles of stocks and bonds fall in and out of favor over time, you may notice a variance in the performance of each of your accounts. Below are the three main account types we deal with and how we try to steer the portfolios in each account.

Taxable Accounts

Other Common Names: Brokerage, Trust, Joint Tenant, Tenants in Common, UTMA/UGMA, Corporate, Estate

Taxability: Bank, CD, and corporate bond Interest is subject to state and federal income tax at ordinary income rates. Treasury bond interest is subject to federal income tax at ordinary income rates. Municipal bond interest is subject to state income tax (unless the bonds are issued by a municipality in the client's state of residence) at ordinary income rates. Most dividends (qualified) are taxed at lower capital gains rates. Net short-term capital gains are taxed at ordinary income rates. Net long-term capital gains are taxed at capital gains rates.

Portfolio Tilt: In taxable accounts, we prefer stocks with strong growth prospects that typically pay lower dividends. This allows us to avoid unnecessary portfolio income while benefiting from the reduced tax rate on capital gains. We often invest in more treasuries, which are exempt from state income tax. Clients in high tax brackets will often see municipal bonds in these accounts.

We try to aggressively "harvest" tax losses in these accounts when they occur. Realized losses can offset gains in the current year and offset up to \$ 3,000 in income, while any excess losses can be carried forward to offset future gains or income. We also strive to avoid incurring unnecessary capital gains in these accounts.

Traditional Retirement Accounts

Other Common Names: Traditional IRA, Rollover IRA, Beneficiary IRA, 401(k), SEP, SIMPLE

Taxability: You receive a tax deduction when you make contributions. Contributions grow tax-free. Distributions are subject to ordinary income tax. Distributions prior to age 59 ½ are typically subject to penalties.

Portfolio Tilt: For clients who also have taxable or Roth accounts, we utilize traditional retirement accounts to shield portfolio income from taxation. Consequently, we steer these portfolios toward stocks that pay higher dividends and corporate bonds. We generally underweight low dividend-paying stocks, municipal bonds, and treasuries. If we have a position that needs to be pared back and a client owns the same security in both their taxable account and a retirement account, we often sell part of the position in their IRA to avoid capital gains tax.

Roth Retirement Accounts

Other Common Names: Roth IRA, Beneficiary Roth IRA, Roth 401(k)

Taxability: You do not receive a tax deduction when you contribute. Contributions grow tax-free. Distributions after age 59 ½ are tax-free. Distributions prior to age 59 ½ may be subject to penalties.

Portfolio Tilt: In these accounts, we try to strike a balance between growth and income by selecting dividend-paying stocks that we believe have strong growth prospects. We will favor corporate bonds over treasuries and municipals. Our strategy with Roth accounts varies based on the exact mix of account types each client has.

Please note that the taxability descriptions above are simplified and incomplete. These abbreviated descriptions should not be used as tax advice. Please contact us or a CPA if you have tax questions.

Important Disclosure: Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter, will be profitable, equal any corresponding indicated historical performance levels, or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of or as a substitute for, personalized investment advice from Metis Wealth Management & Planning. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request. Metis Wealth Management may discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.