Starboard Advisors
The Navigator, Vol. 29
April 2025

In This Edition:

"The four most dangerous words in investing are: This time it's different." – Sir John Templeton

EMBRACING THE CYCLES:

PLANNING THROUGH MARKET EBBS AND FLOWS

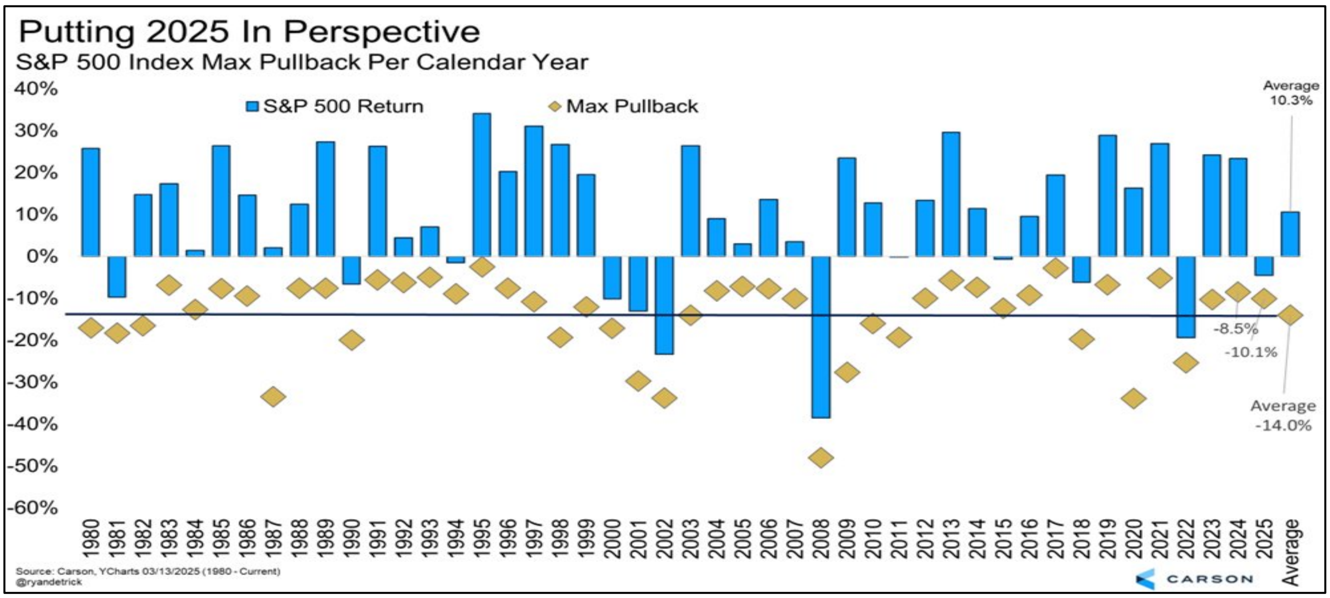
By ***Neil Cataldi,*** *Chief Investment Officer*

As we reflect on the first few months of 2025, it's worth acknowledging that market corrections are not anomalies—they are part of the natural rhythm of investing. Risk, often overlooked in times of calm, has reasserted itself this year, reminding us that volatility is an inherent feature of financial markets. The S&P 500's historical data highlights this reality: while average annual returns over the past decades have been positive at 10.3%, the average maximum pullback within those years has been -14.0%. These cycles of growth and decline are not disruptions; they are the essence of how markets function.

This year has already seen a maximum drawdown of **17%, a figure that falls just outside of the historical norms.** Such pullbacks, while unsettling, serve as reminders of why thoughtful planning and disciplined strategies are essential. They underscore the importance of maintaining perspective—recognizing that short-term volatility is often the price paid for long-term growth.

Markets do not rise in perpetuity, nor do they decline indefinitely. Like the tides, they ebb and flow, shaped by forces such as policy changes, geopolitical events, and economic cycles. Whether it's tariffs reshaping trade dynamics or broader uncertainties rippling through global economies, these moments demand clarity and preparation.

Our approach remains steadfast: to help you navigate these cycles with a focus on protecting capital and pursuing opportunities. By reviewing asset allocation policies and removing emotion from decision-making, we aim to ensure your portfolio remains resilient through periods of turbulence.



Risk may rear its head unpredictably, but it is neither new nor insurmountable. With thoughtful planning and a long-term perspective, we can embrace these moments as opportunities to reaffirm our commitment to your financial goals.

My very best regards,
Neil

To read Neil's recently published commentary on Market Volatility,

Click here: **Recent Market Volatility**

ON TO THE MARKETS

Analysis and Review co-written by
Thomas Burnett, CFA, Vice Chairman & Director of Research and Neil Cataldi, Chief Investment Officer

FIRST QUARTER TAKEAWAYS:

INDEX	% Change YTD as of 03/31/2025
Dow Jones Industrial AVG. (TR)	-0.8%
S/P 500 Index (TR)	-4.3%
NASDAQ	-10.4%
STOXX Euro 600	5.1%
Nikkei 225 (Japan)	-10.7%
China (Shanghai)	-0.4%
GOLD ($ per oz.)	19.5%
Crude Oil ($ per bbl.)	-0.4%
Rate on Ten-Year UST Note	4.24%
VIX Volatility Index	26.6%

Source: WSJ.com April 1, 2025
**(TR) indicates an index return that includes dividends.*

INCREASED VOLATILITY AND MARKET ROTATION

The first quarter of 2025 was a challenging period for U.S. equity markets, particularly for growth-oriented sectors. The NASDAQ's double-digit decline marked its worst quarter in over two years, driven largely by the underperformance of mega-cap technology stocks. While U.S. markets struggled, European equities delivered strong gains, reflecting different economic conditions and relative valuation advantages. Commodities were mixed, with metals—particularly gold—surging nearly 20% as investors sought safe-haven assets amid rising volatility. Meanwhile, crude oil prices remained flat, signaling that inflationary pressures from energy were not a primary driver of recent market turbulence. Volatility, as measured by the VIX, spiked 26.6%, reinforcing the uncertainty surrounding global conflicts, potential tariff-driven trade wars, and shifting economic policies.

Despite these headwinds, earnings expectations remain constructive. According to FactSet (March 26, 2025), S&P 500 earnings growth is projected to reach 10% this year and 11% in 2026. These estimates suggest that while sentiment has weakened, corporate fundamentals continue to support a constructive longer-term outlook.

INFLATION, INTEREST RATES, AND FISCAL CONSTRAINTS

Inflation remains a persistent challenge, with structural and cyclical factors keeping price pressures elevated. Wage growth, tight labor markets, and higher interest costs on government debt continue to strain fiscal flexibility. Although the Federal Reserve began easing rates in 2024, its ability to cut further is constrained by ongoing inflation concerns. The bond market has responded accordingly—despite the Fed's shift, the 10-year Treasury yield has climbed to 4.24%, suggesting skepticism about the sustainability of an easing cycle.

LOOKING AHEAD: BALANCING OPPORTUNITY AND RISK

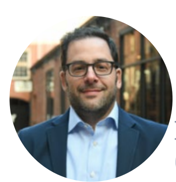
As we move forward, our investment approach remains rooted in selectivity and quality. With market leadership shifting, we continue to emphasize opportunities beyond the crowded mega-cap segment, where valuations remain stretched. While the unwinding of mega-cap dominance has begun, there is still considerable room for further rotation. Meanwhile, passive investing continues to amplify market distortions, as ETF flows disproportionately benefit the largest index constituents. The equal-weight S&P 500, which outperformed its market-cap-weighted counterpart in the first quarter, remains a compelling alternative.

Portland, ME: Photo by Laura Sunderland

High-quality investments remain our priority. We seek managers focused on companies with strong fundamentals, reasonable valuations, and durable cash flows. Elevated interest rates also make Treasury Bills (T-bills) particularly attractive, offering yields of 4%-4.5% while remaining state tax-free and fully liquid. From a financial planning perspective, ensuring stability is critical. We continue to recommend that families, particularly retirees, maintain 3 to 5 years of annual cash flow in reserve. This strategy provides a safeguard against market volatility and prevents the need for forced selling in uncertain conditions. T-bills, with their attractive yields and full liquidity, remain a core safe-harbor asset.

For those considering new investments, the path forward remains uncertain. While certain valuations have adjusted, broader market risks and political uncertainties persist. Our investment team remains focused on identifying opportunities where the balance of risk and reward is most favorable, and we anticipate that client portfolios will continue to reflect these insights.

Thomas Burnett, CFA®
Vice Chairman and Director of Research



Neil Cataldi
Chief Investment Officer

CLIENT SERVICES AT STARBOARD

Clients can now collectively reach **R**ita, **P**am & **H**annah by using our dedicated *Starboard Client Services* email address: **RPH@starboardadvisorsllc.com**, in addition to contacting Rita, Pam or Hannah at their individual email addresses.

Rita M. Newland
Principal

Pamela W. Lessard
Principal

Hannah R. Andrews
Principal

ABOUT US

DEFINITION OF STAR•BOARD: Starboard is the traditional nautical term for the "right" side of a ship's hull and represented by the color green for navigational purposes. In addition, sailing vessels must give the "right of way" to sailboats on starboard tack (where the wind is coming over the right side of the vessel) and be provided clearance for safe passage.

Starboard Advisors was founded by Barton Weisenfluh and partners with the Kelleher Family and Kelleher Financial Advisors, LLC, a registered investment adviser with the United States Securities and Exchange Commission. The firm provides a dedicated platform exclusively serving families as a single point of accountability for the stewardship of their financial lives.

The Kelleher Family business interests were founded by Denis Kelleher and have grown into a diversified financial service enterprise that strives to be one of the best managed and best capitalized independent firms in the industry. Today the entrepreneurial spirit is alive and well where the second generation, led by Sean Kelleher, continues to press on with secure and sustained growth with likeminded professionals.

Barton W. Weisenfluh, CFP®
Founder & CEO

Michael Ouellette
President