



NORTHSTAR

FINANCIAL COMPANIES, INC

With the US stock market officially entering correction territory – defined as a decline of 10% or more from a recent high point – this is the time to revisit the goals-first approach to investing that forms the basis for decision making at Northstar.

It has been, and remains, our core belief that – because market fluctuations are impossible to predict with any certainty, especially when non-economic factors (such as war, or a pandemic) impede upon economic expectations – prudent investment management must take a wide variety of possible market environments into account at all times.

The idea that risk and return are positively correlated is something we speak to every quarter when we review your investments. Without accepting a higher level of risk, the possibility of a higher level of return is unlikely. This is why determining what each of our clients really need for growth is the first investment decision we make – followed immediately by a discussion about how to mitigate the risk that might be needed to attain that growth.

The primary tools we have available to us to mitigate that risk and stabilize your portfolio return are diversification, asset allocation, and planning. Diversification requires having a broad range of asset types whose returns are driven by different economic variables. This allows for our client's portfolio to continue to make gains, as a whole and over time, even when certain parts are underperforming in the near-term.

Asset allocation is how we establish what level of exposure each client should have to each of those different asset types, and it is determined not just by concrete needs and time frames, but also by each client's attitudes toward risk and, most importantly, their behavior in the face of unexpected changes in the market – both positive and negative.

And this leads directly to the third and, for us at Northstar, most important, tool. Planning. We use planning techniques, such as managing liquidity so that you have enough cash on hand to weather several months of market volatility, to ensure that our investment management decisions are not abandoned at the first sign of trouble. The last thing we want to do is make decisions under duress.

During periods of crisis, like that which we find ourselves in now, you may feel that our knee-jerk "Don't just do something, stand there!" response is dismissive of your concerns. Please rest assured that we share your concern – but experience has taught us that reactionary investment management is one of the surest ways of sabotaging performance over the long term. We are revisiting cash positions and foreign exposures today, and plan on taking a broader view of client allocations this week to ensure that we need not make any adjustments.

In the event we find we should make a change, we will be in touch with you directly – but please do not hesitate to reach out to us if you would like to discuss your investments, or the situation, in more detail.