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My intention for this letter was to unveil some new things to expect here at Sculati Wealth for 2025 that will benefit you. We have major upgrades coming this year in multiple areas and when you call in you will find a new phone system has been launched that should make it easier for you to get the person you need in the fastest way possible. We can save the rest for another quarter.

I am writing to you now during what could be the largest economic self-inflicted wound in modern history. Or what could turn out to be the greatest change in policy for the United States in modern history. Time will tell which one of those sentences comes to fruition. Regardless, this policy change has shocked the global markets and is far greater than any assumptions anticipated. What does this mean to you? How does it change our approach to managing money? It will depend on many variables that have yet to be decided. There will be moderate adjustments to the holdings we have in your portfolio, but your financial plan does take these instances into account. Those stress tests we run in your plan are there for a reason, and this is exactly the time that they come into play. We are prepared for this, and your portfolio is too.

In terms of how our clients are reacting to this volatility, I can tell you that I have had less than 5 calls from clients that are panicked or worried about their long-term financial security. There is \$7.4 Trillion dollars in money market funds that will be looking for a home when the dust settles. When markets sell off like this, the saying "Be greedy when others are fearful and fearful when others are greedy" really becomes appropriate. We have very sophisticated clients, and they know that this type of market activity is not to be avoided but instead lived through. This reset will set the stage for higher highs and higher lows in the future.

My belief is that the President has wanted lower interest rates, lower inflation, and lower energy prices. The Federal Reserve is not going to help with his agenda and will only respond to data that confirms unemployment is rising and the economy has slowed. He may force a recession to accomplish those goals without the Fed and force them to act. A recession is not a depression and is not something to be avoided. They typically last 6 months and with the strength of our economy heading into this period, it is not likely we would see anything more than a mild downturn. But that could be the way this plays out, and we should be prepared for it.

The tariffs are an attempt to reset the trading relationship the US has with the world. He also wants permanent tax cuts and deregulation which he hopes to get through the House and the Senate in the proposed budget. If we are in a recession and or a bear market by the mid-terms and he loses the majority, he will be a lame duck and not get anything done going forward. I believe that part of his plan is to get things back on the growth track by then. He knows this risk and does not want a bad outcome.

My description of what is happening is not an endorsement or support of the way all of this is being done. It has created chaos and become a major disruption to the United States and our trading partners. It has caused widespread anxiety and worry for our citizens and has the appearance of not being well thought out in its conception and execution. With that being said, the markets will survive whatever comes and our country will too. It has never been wise to bet against the United States, and I do not believe it will be a good bet now.

I will leave you with a poem that Warren Buffet has used over the years to describe the best response to decline in the markets. It seems especially appropriate now:

"If you can keep your head when all about you are losing theirs . . . If you can wait and not be tired by waiting . . . If you can think – and not make thoughts your aim . . . If you can trust yourself when all men doubt you... Yours is the Earth and everything that's in it."

We will do our best to reach out to you during this time. If you have not been contacted and you want to talk, please call us. We are here and ready to be of support. Thank you for your continued trust and confidence during this time and all the time that you have let us be of help.



David J. Sculati
President
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DJS/sam

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