DAVIES WEALTH MANAGEMENT | CLIENT EDUCATION SERIES

Navigating Market Corrections

How We Protect and Grow Your Wealth Through Volatile Markets — and Why Discipline Always Wins

✦ Fee-Only Fiduciary | ✦ Evidence-Based | ✦ Since 2001

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Why Corrections Happen — and Why They Always Will

–10% to –20%	–20% or More
Market Correction — Normal, frequent, recovers in weeks to months	Bear Market — Less frequent, tied to recessions, fully recoverable

Why do corrections occur? Markets are driven by human behavior — and human behavior is rarely rational. Four forces repeatedly combine to produce volatility: **sentiment shifts**, **economic cycles**, **geopolitical events**, and **monetary policy changes**.

> *Corrections are a feature of markets, not a flaw. Since 1950, the S&P 500 has corrected 10%+ roughly every **1.6 years** — and yet $10,000 invested in 1950 would be worth **more than $3 million today**.*

Historical Corrections at a Glance

Period	Event / Cause	Decline	Recovery	Lesson
2000–02	Dot-com Bubble & 9/11	–49.1%	~5 years	Overvaluation corrects
2008–09	Global Financial Crisis	–56.8%	~5.5 years	Resilient allocation matters
2011	U.S. Credit Downgrade	–19.4%	~7 months	Political shocks are short-lived
2015–16	China Slowdown / Oil	–14.2%	~8 months	Global interconnection
Q4 2018	Fed Rate Hikes / Trade War	–19.8%	~6 months	Policy uncertainty spooks markets
2020	COVID-19 Pandemic	–33.9%	~5 months	Fastest recovery in history

Sources: S&P 500 historical data. Past performance does not guarantee future results.

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The Emotional Trap: Why Smart People Make Poor Decisions

Markets don't destroy wealth on their own. **Emotional reactions to markets** do. Decades of behavioral finance research reveal that even intelligent, well-educated investors routinely undermine their own success — not from lack of knowledge, but from deeply hardwired psychological biases.

Loss Aversion Losses feel 2× more painful than equivalent gains — driving premature selling	**Recency Bias** We assume recent trends continue forever — selling after drops, buying after peaks	**Herd Mentality** When everyone panics, the instinct to follow is overwhelming — even when irrational
Media Amplification Financial media profits from fear — making temporary events feel permanent	**Overconfidence** Bull market profits create false confidence — leading to outsized risk before corrections	**Anchoring Bias** Fixating on prior peaks creates distress that pushes investors to sell at the worst time

The Cost of Emotional Investing: The Dalbar Data

Dalbar's *Quantitative Analysis of Investor Behavior* tracked actual investor returns vs market returns over 30 years:

S&P 500 Index	**10.5% annualized**	$10K → $185,000+
Average Investor	**3.6% annualized**	$10K → ~$29,000
The Gap	**$156,000 in lost wealth**	per $10K invested

Your greatest investment risk isn't the market going down. It's your reaction to the market going down.

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Our 4-Pillar Approach: Institutional Discipline for Personal Wealth

We don't play the guessing game. Our approach is rooted in **financial science** — academic research into how capital markets actually behave. Four interconnected pillars form the foundation that helps your portfolio withstand — and recover from — market disruptions.

1. Factor-Based Allocation

We tilt portfolios toward proven return drivers: **Value, Size, and Profitability** — based on Nobel Prize-winning research by Fama & French. Systematic, evidence-driven, not stock-picking.

↑ Academically grounded · Evidence over opinion

2. Direct Ownership via SMAs

Through **Separately Managed Accounts**, you own individual securities directly — enabling hyper-efficient **tax-loss harvesting** at the position level that mutual funds cannot achieve.

↑ Tax-efficient · Fully transparent · Personalized

3. Institutional Fee Mitigation

As a fee-only RIA, we earn no commissions. Clients access **endowment-class investment vehicles** at institutional pricing — eliminating retail markups, 12b-1 fees, and hidden costs.

↑ No conflicts · Pure fiduciary alignment

4. Global Diversification

True diversification spans **40+ countries** across developed and emerging markets. No single economy's downturn can permanently derail your plan.

↑ 40+ countries · Developed & emerging markets

Together, these four pillars create a portfolio designed not just to grow — but to endure.

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What We Do During Corrections: Your Plan in Action

The moments that define long-term wealth outcomes are not the calm periods — they are the volatile ones. Here is exactly how Davies Wealth Management responds when markets correct, step by step.

1 **Proactive Communication — You Hear From Us First**

Within **24–48 hours** of a meaningful market move, you receive direct, personal communication from our team. No generic newsletters. A clear, jargon-free explanation of what happened, why, and what it means for *your specific plan*. We believe silence during volatility is a form of negligence. **We are — and you'll know it.**

2 **Disciplined Rebalancing — Turning Volatility Into Opportunity**

When markets fall, we **systematically rebalance** — buying assets that have declined to their target weight. Our SMA structure enables **strategic tax-loss harvesting** — realizing losses on individual positions to offset gains elsewhere. This "tax alpha" turns a painful correction into a financial planning advantage that compounds for years.

3 **Plan Integrity — Your Strategy Was Built For This Moment**

Before investing a single dollar, we **stress-test your portfolio** against historical corrections. You already know how your portfolio is expected to behave. Selling at the bottom converts a **temporary paper loss into a permanent, realized loss**. Our role is to hold the line when emotion pushes toward the exit.

The biggest risk in a correction isn't the market going down — it's making a permanent decision based on a temporary situation.

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Ready to Stress-Test Your Strategy?

If reading this guide has prompted questions about your current approach — your asset allocation, your fee structure, your withdrawal plan, your exposure to the next correction — we want to help you find the answers. At no cost and with no obligation.

In Your Complimentary Portfolio Review, We Will:

• **Evaluate your current investment mix** for hidden concentration risks and gaps in diversification that could amplify losses during a correction

• **Identify fees you may not know you're paying** — including 12b-1 fees, fund expense ratios, advisory markups, and transaction costs that silently erode wealth

• **Assess whether your withdrawal strategy can survive** a prolonged downturn without forcing you to sell assets at depressed prices

• **Show you how our evidence-based approach compares** to what you have now — with specific, side-by-side analysis of costs, diversification, and tax efficiency

> *"There's no cost, no obligation, and no pressure. Just a clear-eyed look at where you stand — and whether there's a better path forward."*

Schedule Your Complimentary Portfolio Review

tdwealth.net/appointment-page

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