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Portfolio Manager
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Let the Cake Bake

Successful investing can be likened to baking a homemade cake using a treasured family recipe. The cake must include the right ingredients, combined in the appropriate quantities, and, perhaps most importantly, allowed the time and patience to cook to perfection. Similarly, a comprehensive investment plan includes diversified asset classes, combined together to fulfill specific client objectives, and the benefit of a desired time horizon. Even with the precise investment allocation, time horizon is critical in the pursuit of a successful result.

During a bull market, the average intra-year drawdown typically ranges between a loss of 12% and 15%. A bear market drawdown may be more prolonged and severe. While we are not yet halfway through 2025, it has already been a bumpy ride. The S&P 500 maximum drawdown has been -18.9% for the year, just slightly larger than the average correction but not quite enough to be classified as a bear market—usually defined as a decline of greater than 20%. Nonetheless, through the end of May, the index

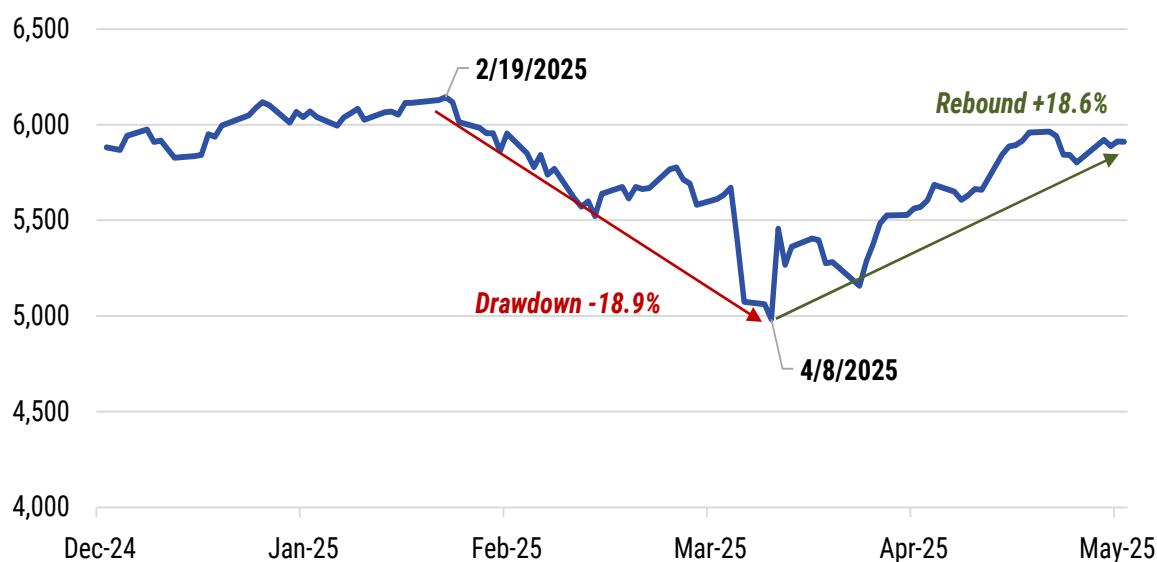
has rebounded and is up 0.5% year to date (**Chart 1**). What will happen from here? *Who knows?* The challenge for investors is having the fortitude to remain committed to their long-term investment goals when the future is unknown.

Uncertainty can instill fear, but investors waiting on the sidelines could be sacrificing returns that are critical to both recouping losses and building long-term wealth. While it may not feel like it at the time, often the best daily market returns occur during bear markets when investor sentiment is low. We believe a disciplined investment strategy—using key ingredients—may help investors to weather any bumps in the road. To counteract the emotional stress of continued volatility, we advocate a balanced approach—investing in quality dividend-paying stocks for income, coupled with secularly-advantaged global growth companies for capital appreciation, supplemented by a fixed income allocation to provide ballast and stability over the long run.

Stay Invested Amid Market Volatility

Chart 1

S&P 500 Index (dividends excluded) | 12/31/2024 – 5/30/2025 | Source: Bloomberg Finance, LP



The Ingredients

Baking is a science that requires careful combination of quality ingredients. While some may prefer to follow traditional family recipes that are comprehensive and tested, others may like to tweak the formula a bit. At EquityCompass, we offer traditional recipes that provide a complete plan for long-term investing. These diversified portfolios offer a variety of asset classes to pursue long-term investment goals while seeking to minimize risk. For investors who like to put their own spin on things, we also have a menu of “ingredients” that can be used separately or together to create a custom recipe in the pursuit of wealth accumulation. Whether you prefer dividends, growth, or a combination that includes fixed income, our strategies can be combined together to create individual “recipes” to pursue specific investment goals. No matter the recipe, some of the most important steps in the baking process are in understanding the ingredients (**“what do I own, and why do I own it”**) and not opening the oven too soon at the risk of compromising the bake time.

A Balanced Recipe

The precise combination of ingredients is also a crucial component when following a recipe. Despite what any strategy may try to promise, no one can effectively time the markets. Amid stock market volatility, the magnitude of rotations can often be swift and severe. Having exposure to various asset classes, economic sectors, geographic areas, and investment styles can work in concert to provide portfolio balance between risk and return. A successful investment allocation takes a diversified approach that is designed to address the enduring objectives of growth, income, and stability. Once again dissecting returns in 2025 illustrates that lack of diversification amid extreme performance disparities may be difficult to overcome in the pursuit of long-term investment success (**Table 1**).

Table 1

Performance (2/19/2025 – 4/8/2025)	
S&P 500 Low Volatility High Dividend Index	-10.0%
S&P 500 Growth Index	-22.2%
Bloomberg U.S. Aggregate Bond Index	+1.0%
Performance (4/8/2025 – 5/30/2025)	
S&P 500 Low Volatility High Dividend Index	+7.6%
S&P 500 Growth Index	+25.2%
Bloomberg U.S. Aggregate Bond Index	+0.5%

Dividends included; Source: Bloomberg Finance, LP

Time to Bake

A snapshot in time—as if pulling a cake from the oven halfway through baking—does not necessarily depict the bigger picture or the final outcome. Stock returns thus far in 2025 remind us that an investment allocation should not be judged based on a single day, week, month, or even year. Volatility continues to persist, and an unwillingness to stay with a carefully considered investment plan may lead to ill-timed decisions and unwanted results. The ups and downs that investors have experienced just this year reiterate not only the importance of strategic diversification, but also the potential power of patience and a long-term perspective.

The path to the future may not always be smooth, but, over time, given quality of investment and a diversified allocation aligned with individual goals, investing has proven its worth for long-term wealth creation. Likewise, when devoting the designated cook time, whether a chef in the kitchen or an investor in financial markets, in the words of advice from a seasoned Financial Advisor and friend of EquityCompass, *“Let the cake bake.”*

About EquityCompass

EquityCompass Investment Management, LLC ("EquityCompass") is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets of approximately \$5.3 billion as of May 31, 2025.* EquityCompass is a wholly owned subsidiary of Stifel Financial Corp.

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

Lauren E. Loughlin joined the EquityCompass team in May 2014. As a Portfolio Manager, she helps manage the Global Leaders Portfolio and is a member of the EquityCompass dividend investment team. Lauren is involved in all aspects of the portfolio management process, including investment research and analysis, portfolio strategy, stock selection, product marketing, asset and performance measurement, and client communications. Additionally, she leads the women's investing initiative at EquityCompass, has hosted several client events focused on women investors, and has written extensively on the topic. Prior to joining EquityCompass, Lauren was a member of the Stifel Nicolaus Institutional Equity Sales group, and she also previously worked at Morgan Stanley as an analyst in equity derivative client service. Lauren graduated magna cum laude with a B.S. in business administration from Washington and Lee University.

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The **S&P 500® Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The **S&P 500® Growth Index** measures constituents from the S&P 500 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum. The **S&P 500 Low Volatility High Dividend Index** measures the performance of the 50 least-volatile high dividend-yielding stocks in the S&P 500. The index is designed to serve as a benchmark for income-seeking investors in the U.S. equity market. The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

*Total assets combines both Assets Under Management and Assets Under Advisement as of May 31, 2025. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

PAST PERFORMANCE CANNOT AND SHOULD NOT BE VIEWED AS AN INDICATOR OF FUTURE PERFORMANCE.

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