

March 2, 2022

## **Welcome Dana Dell!**



We are proud to announce that Dana Dell came on board with our team in December 2021. She is now our office manager handling the day-to-day office management and administrative projects such as client billing and supplies. She is also Alex's right hand in completing multiple administrative projects as they arise. She will be cross-training with Jeannine to assist in scheduling, establishing new accounts and paperwork for transfers and withdrawals.

Ann Kloser left the firm last year to return to work in the legal sector. She was a wonderful person and great asset, and we were sad to see her leave, but know that Dana will do a wonderful job. Dana has a rich work history and has a lifetime of customer service experience. She has worked at the busy TWA call center, Humana and recently completed 7 years of client services with Waddell and Reed. Welcome Dana!

## **2021 Tax Season is Here – Jeannine Shaffer**

Raymond James began sending tax form packages January 23 to Clients who have Individual Retirement Accounts. Some clients may have received two 2021 tax packages, due to the custodial change in September 2021 from Raymond James & Associates, Inc. to Raymond James Trust Company of New Hampshire. Clients who took retirement distributions before AND after the change will receive two sets of tax forms. Please be sure to use both sets when completing your 2021 tax return.

Clients who only took one distribution either before OR after September 3, 2021 will receive one 2021 tax package.

The retail composite Form 1099 tax statements will be mailed in three main groups which depends on the holdings where issuers have finalized income reallocation or accounts holding less-complex securities in a client's account:

February 15<sup>th</sup>, February 28<sup>th</sup> and March 15<sup>th</sup>. Please contact us if you have questions or concerns.



## **Five Years Later: Dad, Thank You and We Love You – Alex Petrovic, CFP®**

It's been five years since my father passed away suddenly. After battling a very late diagnosis of Acute Myeloid Leukemia (AML), he died on February 18, 2017. My brother John and I are quite fortunate to have been raised by both, an amazing mother and father.

Without him, I would not be the person I am today, and I would not have been afforded the opportunity to own my own business and try to carry on his legacy of serving others.

On one hand, I can't believe it's been five years since his passing. Time does move on, and the pain of losing him has lessened over the years, but his impact on me, our family and our business continues steadfast.

Papa Alex, as my wife Dasha called him, we love you and miss you dearly.

## **The War for Ukraine – Alex Petrovic, CFP®**



The past few weeks have been tense, angry and depressing. As you may know, I lived in Ukraine as a Peace Corps Volunteer for two and half years, and my wife Dasha is from Ukraine. Thankfully, most of her family are safe, but Putin's decision to invade one of its Slavic brothers is immensely distressing. Dasha and I send a heart-felt 'thank you' to those of you who have reached out to us the past week. It does help!

Even though Ukrainian heroics have initially repelled Putin's forces, I unfortunately do not believe Ukraine will be able to resist forever as Russia may continue to escalate the conflict by causing more widespread urban damage and civilian casualties. Putin's ego, and desire to be seen as a strong leader without weakness, leads me to believe he will not choose the path of negotiation and de-escalation. If some of Ukraine is able to resist, it may result in a protracted war or insurgency that leads to years of chaos, a sizable

humanitarian crisis, poverty, and wanton destruction. Our thoughts are with the Ukrainian people, and those good Russian people who are forced to live under Tsar Putin.

America and Europe's reaction post-invasion has been fairly swift. This has included sending supplies and advanced weaponry, sanctioning specific banks and the Russian Central Bank, along with Europe finally waking up to the fact that Russia, or at least Putin, is not interested in mutually beneficial economic ties more than 'glory' and empire building. How far, and for how long, the West goes to cutting off Russia from the world remains to be seen, but the West has for now united around punishing one of the most influential countries in world.

It's too early of course to understand the short, medium, and long-term effects of Russia's war with Ukraine, but we'll spend a bit of time in the next section discussing the economic and investment ramifications.

## **Impact of the Russia-Ukraine War – Alex Petrovic, CFP®**

Events are so fluid at the moment, and, as mentioned above, the impact is uncertain. However, I'll give some of my thoughts, along with excerpts from articles I have read the past several days.

In summary, I do not think it is time for U.S. investors to panic.

First, the stock selloff that started in early January was due to investors resetting their expectations about the U.S. Federal Reserve raising interest rates faster than previously expected due to sticker inflation. In February the S&P 500 Index finally had a 10% correction since the big one in early 2020 at the start of the pandemic. In 2021 the S&P 500 Index only had one 5% correction. Also, after an amazing 3-year and 6-year runs for U.S. stocks, the more speculative stocks (think Peloton, Zoom, etc.) have been crushed. In mid-January, according to Ned Davis Research more than 36% of the stocks in the NASDAQ Index were down at least 50% from their 52-week highs. There has been SO much speculation in the markets the past couple of years that it's not surprising lower-quality stocks, those that have little to no profits, have finally taken a hit. In my opinion, this was long overdue. As inflation and rising interest rates take hold, broadly speaking both U.S. bonds and stocks are down year-to-date. To be sure, not a fun time to be an investor, but we should remember the markets do not always go up! We were long overdue for a correction in stocks.

By one measure, valuations for S&P 500 stocks fell below their five-year average for the first time since 2020, according to FactSet. Under the stock market's surface, the turmoil is more apparent. Around 67% of stocks in the Nasdaq and 29% of stocks in the S&P 500 are down at least 20% from their highs, according to Dow Jones Market Data. Source: [https://www.wsj.com/articles/ukraine-crisis-upends-investing-playbook-for-2022-11645957800?mod=hp\\_lead\\_pos1](https://www.wsj.com/articles/ukraine-crisis-upends-investing-playbook-for-2022-11645957800?mod=hp_lead_pos1)

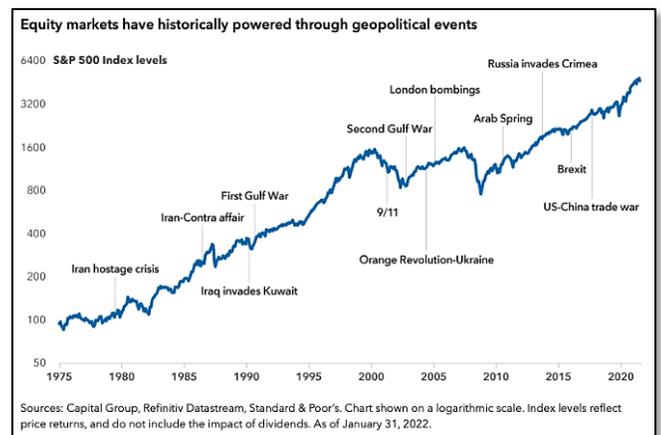
Second, Russia's economic ties to the U.S. are not as deep as they are with Europe. Still, inflation and supply chain disruptions are expected to be exacerbated due to this war. As Dirk Hofschire of Fidelity's Asset Allocation Research Team says:

“In general, these types of crises tend to only have a significant and lasting impact on global financial markets if they have a sustained macroeconomic impact on major economies. While Russia's economy ranks as the world's 11th largest, according to the International Monetary Fund, at only 1/20th the size of the US and 1/15th the size of China, it is likely not big enough by itself to affect global markets or economic growth, even if it were to suffer significant economic damage as a result of sanctions or other measures taken against it by the US and Europe. Still, because Russia is also the source of 10% of the world's energy—and nearly 50% of the energy consumed in Europe—the conflict does pose risks that could extend beyond the 2 countries' borders including higher energy prices and increased financial market volatility.”



An escalated Russia-Ukraine conflict would add uncertainty about the strength of the economic expansion in Europe. While that would inject some uncertainty into the global outlook, he says, the US economy would appear to be relatively insulated from the conflict. For individual investors and consumers in the US, the effects would most likely take the form of additional inflationary pressures due to higher energy prices.

Finally, most but not all stock bear markets are caused by a recession. Even with potentially higher inflation and more supply chain disruptions, we think the U.S. economy is robust enough at this time to absorb some or all of these war-related shocks in the near-term. Yes, inflation is up dramatically over the past 9 months, but the rest of the economy appears to be on strong footing. Per Keith Lerner, chief market strategist at Trust Advisory Services, “The invasion is a worse scenario than some investors anticipated. That’s why we are seeing the negative reaction because it caught some investors off guard,” he said in an interview. “When we look back historically at geopolitical events, what tends to happen is that you have a short-term market dip. But markets rebound as long as the geopolitical events don’t push the economy into recession,” which he says the U.S. will avoid.



Per Jack Janasiewicz, lead portfolio strategist at Natixis Investment Managers: “I’m hearing a lot of words like stagflation being thrown around in the media. I think that might be a little bit aggressive. When I look at the pillars for the U.S. growth backdrop, the U.S. economy is still fairly domestically driven. I don’t want to say we’re a closed economy, but a lot of these things that we’re seeing are going to have at the margin impacts. We’re not quite as heavily reliant on exports.”

As I admitted at the beginning, the situation is fluid, and much of the uncertainty at this time lies in Putin’s reply to the West’s post-invasion response. The West has decided, particularly Europe who heavily relies on Russian energy and trade, to stand up to Putin. By doing so Europe, and America too, will have to pay some price for standing up to an authoritarian leader who cares little about the loss of human life, democratic European order, the sovereignty of nations, as well as the shared wealth integration and globalization has brought to Europe and Russia. **Long live Ukraine!**

## Let's do the numbers – Jim Stoutenborough, CFP®

Let's do the numbers:

The final quarter of 2021 ended strong, and the S&P 500 was up 11%, to end the year up 28.7%. The Russell 2000 Index (small U.S. companies) was up 2% in the final 3 months to coast in up 14.8% for 2021. The international index, the MSCI World ex US, ended up the October to December session at 3% pushing foreign stocks up 12.6% for the year.

Quality bonds were still off for the 2021 with the U.S. Aggregate Bond Index (quality U.S. corporate and gov't bonds) were flat for the final quarter and ended down (-1.5%) at year-end. The yield on the 10-year treasury bond went from 0.92% at the beginning of the year to 1.75% at the end of March, back down to 1.30% at the end of August and back up to 1.56% at the end of October ending the year at 1.51%.



The first two months of the year were tough, as all the indexes were down, with February holding up a little better than January. Thru February, the S&P 500 ended up down (-8.0%). The small-cap Russell 2000 down (-8.7%) but was up +1.1% in February providing a little positivity for the Valentines month. International has held up a little better only down (-5.9%) for 2022 so far. Bonds were also down (-3.3%) for 2022 with interest rates in flux, the interest on the 10-year treasury note this year has ranged from 1.53% to 2.07% ending February at 1.84%.

| Asset Class                | Index/Category                   | YTD Thru 2/28 | 2021     | 2020     |
|----------------------------|----------------------------------|---------------|----------|----------|
| Cash and cash alternatives | Average 1-yr CD Rate             | 0.19% **      | 0.14% ** | 0.21% ** |
| U.S. Bonds                 | Barclays US Aggregate Bond Index | -3%           | -1.5%    | 8%       |
| U.S. Large Companies       | S&P 500 Index                    | -8%           | 29%      | 18%      |
| U.S Small Companies        | Russell 2000 Index               | -9%           | 15%      | 20%      |
| International Stock Market | MSCI World ex US NR USD          | -6%           | 13%      | 8%       |

Source: Morningstar, Raymond James and \*\*Bankrate.com

## Inside & Outside of PFS

**Alex Petrovic** - Most years February is my least favorite month, usually due to the bad weather here in the Midwest. However, 2022 initially lead me to reconsider. First, the stock market took a dive starting in early January... then, my beloved Chiefs lost on January 30<sup>th</sup> to the Bengals. January was at the top of my list for 'Least Favorite Month of 2022'. However, our family got Covid in mid-February, and then the Russian invasion of Ukraine definitely made February, yet again, my least favorite month of the year.

Aside from this, all has been good around our household since the last newsletter. Even though the Omicron variant has definitely impacted our social scene, we tried to gather safely with close family and friends for Thanksgiving and Christmas.



Our 6-year-old Benjamin enjoyed his Christmas and winter break. He has adapted well to a new school and kindergarten, and we are proud of him for being a sweet, loving kid who loves to play with his little brother!

In between Covid and the flu I now have, we were lucky enough to recover from Covid to take our long-planned family ski trip to Breckenridge, Colorado. We went with two other families who have children around the same ages. It was the first time any of the kids got on skis. Ben (in the middle of the photo) had two days of lessons and really enjoyed it! I was able to snowboard two days, and Dasha was able to ski one day. During our time off the slopes, all three families (with 6 adults and 6 kids) stayed in one large house together. The kids had a great time running amok while us parents enjoyed relaxing and catching up.

Little Alex is now 13 months old, and he is ALL about moving and exploring. Little ‘Winky’, as he is occasionally known in our house, has an intense focus on the world around him. So far, he is not the cuddliest kid because he always wants to know what is going on around him and ideally wants to be a part of the action too! Little AP took his first steps in mid-February while we were all at home with Covid. He is now up to about 10-15 steps and is soon to be “on the loose”! In the last couple of months, he has taken a keen interest in books! We have enjoyed reading some of Richard Scarry’s board books. I grew up on Richard Scarry books, and I enjoyed sharing them with Ben and now little AP! Overall, little Alex has a happy demeanor, and we are enjoying seeing him turn into a toddler... however, his stubbornness is developing at a faster pace than we would like! 😊



**Marsy Gordon** – As I write this, the Holidays have come and gone, it is a mild and sunny day with a winter storm in the forecast, and we have learned we don’t care who wins the Super Bowl.

Enjoying Thanksgiving and Christmas with family in 2021 was ever so much more enjoyable than being isolated as we were in 2020. The weather variations of a Kansas City winter are legendary, and it is nice to notice a little more daylight each day. The Chiefs gave us a most entertaining season, but now we look ahead to next fall – and maybe the Royals have a fun season planned for us to watch this summer.

We hope you are well and enjoying each day. By the time our next newsletter goes to press, we will be well into what hopefully will be a beautiful Kansas City springtime.

**Dana Dell** – Hello everyone! I am so happy to be chosen as the new Office Manager here at Petrovic Financial Services. I look forward to meeting and working with all of you.

It has been a busy two months learning the ropes. I appreciate your patience as I get into the rhythm of this fast-paced business.

As for office life, I feel very fortunate to work with this great group of people every day. Life doesn’t get much better than this!!! Take care and stay safe!

**Jim Stoutenborough** – The Holidays went well. My son got me a gift card to the NFL Online Shop and I used it to help purchase a Joe Namath jersey. I tried to explain to my son how cool Broadway Joe was, but he didn’t quite get it. Believe me – Patrick Mahomes is cool, but Broadway Joe was the original cool quarterback. It was great to see Joe Willie as part of Halle Berry’s Super Bowl intro.

I have entered into my cold weather depression where I go into hibernation mode and really don’t want to do anything. I even started streaming some TV stations from San Diego, Tucson, Tampa and Orlando so I could follow the weather forecasts of some warm places. Fortunately, January is over. It, along with February are the two months I dislike the most and because they are usually the coldest and January has the full 31 days but fortunately February has only 28. I did

have a thought that if all the winter months were just 28 days that winter would be shorter, but I was told that was flawed logic.

I got the new iPhone 13 and I decided to order a new case to go with, something unique. I had narrowed it down to three, the Chicago Bulls, Rolling Stones or John Wick and then I saw one with a Star Wars theme that showed the twin suns of Tatooine and I had to have it. It actually does look pretty cool.

**Jeannine Shaffer** – Christmas was a wonderful day with the entire family, even though after everyone had negative Covid tests, masks were still required to keep our four-year-old granddaughter safe. To add to my usual stress of getting ready for Christmas, this year my husband decided at the beginning of December that it was time to look for new family room furniture. Thus, the 2022 phase of home updates has begun. We felt lucky when the new sofa we ordered came a month earlier than expected, but it would not fit through the family room door by about a half inch. We now have time to paint, redo the floor, tile the fireplace, and rebuild shelves while we figure out the sofa dilemma. Hope your New Year has begun with fun and exciting plans too.

**Bryson Slater** – I hope everyone has had a good winter so far! My holiday season was a little unconventional compared to prior years. I tested positive for Covid just before Christmas, so I was not able to be around any family. Luckily, I was asymptomatic and had multiple friends who also tested positive around the same time. Our little quarantine club was able to spend both Christmas and New Year's together. Crazy times we are living in! Since then, I went to Colorado for an annual ski trip. It's always a great time in the mountains! I'm now looking forward to warmer weather and Royals baseball (assuming they can get this lockout resolved)!

**Marilyn Brohm** – I just returned from 2 weeks in Puerto Vallarta, Mexico. My friend and I had a wonderful time however, the flights were a nightmare both coming and going. We stayed at an oceanfront condo and really enjoyed the perfect weather, good food, great music and Margaritas. I've been there several times but had never visited their botanical garden. It was worth the trip – thousands and thousands of beautiful, exotic plants over many acres in the jungle. It all seems like a dream to me now...