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# ADVISORY Notes

JUNE 2025

## The Second Half of 2025, Will There Be Any More Fireworks?

The second quarter of 2025 ended on a very positive note with technology leading the market after the tariff lows in April. The NASDAQ led the charge with a 17% gain, followed by the S&P 500 and then the Dow Jones. The Corporate Bond Index and rates held steady with a slight gain (see Market Table).



Although the “bark was bigger than the bite” when it came to the tariffs, the bite was most certainly bigger than the bark when it came to the geopolitical unrest in the Middle East. Surprisingly, the markets took both in stride as the fallout could have been much more serious. Year-to-date, the leading sectors have consistently been Industrials, Financials,

Communication Services and Information Technology, respectively. Lagging behind were the Healthcare and Energy sectors, with Consumer Discretionary at the bottom.

Interest rates remain stable at the Federal Reserve and data dependent on monetary policy. Although the White House administration has threatened to remove Chairman Powell if he doesn't lower interest rates, we believe this to be an idle threat. Powell's tenure will most likely expire at the end of his term on May 15, 2026.

With earning season right around the corner, this will dictate how the market positions itself into the end of the year. The consensus is earning per share (EPS) estimates for the second quarter of 2025 earnings growth for the S&P 500 will fall within the single-digit range. Although more than 75% of the S&P 500 companies exceeded first quarter expectations, these expectations have been lowered due to tariffs and geopolitical uncertainty. The first to report in the upcoming earnings cycle will be the Banking Sector,

followed by Healthcare mid-month, and then Consumer Staples and Industrials thereafter. Later in the earnings release cycle will be the Information Technology and Energy sectors. Consumer Discretionary earning will be reported last, around mid-August.

At Valicenti Advisory Services, our team remains dedicated to actively managing your portfolio with careful attention to your strategic objectives. We strive to align our guidance with both your short-term needs and long-term financial goals, ensuring your investments stay on track in a dynamic market environment.

As always, we value the trust you place in us and look forward to continuing our partnership. Wishing you and your family a joyful and relaxing summer season.

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Joseph M. Valicenti  
President/CEO

MARKET TABLE	VALICENTI ADVISORY SERVICES, INC. Comparative Index Period Returns From 03-31-25 THROUGH 06-30-25								
	Dow Jones Industrial Average	S&P 500 Equal Weight Index	S&P 500 Index	NASDAQ	Russell 2000	BBG Barclays AGGR Bond Index	BBG Barclays Muni Bond Index	FTSE USBIG Corporate Bond Index	US Treasury Bill Index (90 day)
03-31-25 to 04-30-25	-3.08	-2.29	-0.68	0.88	-2.31	0.39	-0.87	-0.07	-0.04
04-30-25 to 05-31-25	4.16	4.35	6.29	9.65	5.34	-0.72	0.07	-0.02	0.01
05-31-25 to 06-30-25	4.47	3.43	5.09	6.64	5.44	1.54	0.67	1.79	0.02
<b>Cumulative Returns</b> 12-31-25 to 06-30-25	5.46	5.46	10.94	17.96	8.50	1.21	-0.13	1.70	0.00

## Director's Chair: Wets vs. Dries

As we finish the first half of 2025 we have enjoyed a 3.6% rise in the stock market as represented by the S&P 500 benchmark. Sounds like it was a nice tranquil start of the year. As was highlighted in May's Bull & Bear Bulletin, financial markets suffered under the hysterical media pronouncements as if the end of the world was coming, exacerbating a shifting policy towards international trade.

The "smart money" typically refers to institutional investors, while the "dumb money" historically refers to retail investors, a.k.a. regular people. Usually it is the dumb money that sells in a panic; however, during April's media-driven market meltdown, it was the so-called smart money that was the majority of the selling pressure. The so-called dumb money was actually buying the market in April,



which enjoyed almost a 20% rebound in stock prices through the end of the half, rewarding their bold move.

Retail investors (individual) decisive move is reminiscent to Meryl Streep's Oscar winning portrayal of Margaret Thatcher in the 2011 film *The Iron Lady*. The biopic covers Thatcher's eleven year run as the United Kingdom's Prime Minister under the Tory Party and her decisive actions to embrace free market capitalism to revive a perpetually stagnant economy hobbled by years of top down command and control economic policies from the preceding Wilson-Callaghan Labour governments.

Thatcher supported a hard and fast move toward the free market, often fighting her own party members, as well as the opposition, that desired a more gradual change in economic policy. Thatcher referred to her opposition as "wets," which is a slang for weak or weakness in England. In time, those who supported Thatcher's policies were called "dries," as in the wets versus the dries. In 70s and 80s parlance, those of us who were buying were the dries,

while those stock selling institutions unnerved by a media-driven narrative are the wets.

As of this writing on June 24th the market is up 3.6% and is 0.9% away from its all-time high. The majority of the market decline this year was centered on the Magnificent 7 (seven largest stocks) that drove the majority of market returns in 2023 and 2024. The Magnificent 7 are still down 0.2% on the year, but what we call the S&P 493 (the remainder of the stock market) is up 6.7% as under-loved and ignored stocks finally caught a bid due to much more reasonable valuation multiples.

Warren Buffet and Margaret Thatcher both had an appreciation for the works of economist Milton Friedman that supported free-market capitalism. So in the case of April's and May's stock market moves, perhaps it can be said that the "dries" followed Buffet's saying, "be fearful when others are greedy and be greedy when others are fearful."

Louis F. Ruize

*Director of Research/Portfolio Manager*

## The Real Cost of Pet Ownership

Whether your animal companion is a cat, a dog, a parrot, or something more exotic like a hedgehog or even a goat, one thing is certain: caring for them can become a surprisingly expensive endeavor.



Many people assume pet costs are limited to food, toys, and the occasional grooming session, however, responsible pet ownership also includes regular veterinary check-ups, vaccinations, preventative treatments, and in the event of illness or injury, medications, hospitalizations, or even surgery. Like any other member of the family, when our pets are in pain or unwell, we want to do whatever it takes to help them. Depending on the situation, that

commitment can come with a price tag ranging anywhere from \$1,000 to \$15,000 or more.

One way to offset those potential costs is to purchase pet insurance. The average monthly premium in New York currently hovers around \$54, but the actual amount varies depending on your pet's age, breed, and medical history. For a generally healthy pet, insurance premiums may feel like an unnecessary expense – until the unexpected happens. If your dog develops cancer or your cat needs emergency surgery, that monthly premium could suddenly feel like a wise investment.

It is important to understand the terms of any pet insurance policy before you sign up. Pay close attention to:

- Annual policy limits
- Monthly premiums
- Coverage details (what is and isn't included)
- Deductibles and reimbursement rates

Not all policies are created equal, so doing your research can help ensure you make a choice that aligns with your overall financial plan.

If insurance doesn't feel like the right fit for you, another approach is to set aside funds in a dedicated savings account for your pet's healthcare needs. This is particularly helpful if your pet is older and premiums are already high.

A high-yield savings account or money market account can provide better interest than a standard savings account, allowing your funds to grow modestly over time while still being accessible when needed.

Your pet may not need braces or college tuition, but they still deserve a place in your long-term financial picture. By factoring pet care into your budget and planning for unexpected expenses, you can protect both your furry friend and your financial well-being. If you have questions about building veterinary expenses into your financial plan, we are here to help.

Ann S. Nolan, FPQP™

*Administrative Assistant*

## Volatility and Resilience at Mid 2025

As we hit mid 2025, “volatile” and “resilient” best describe the economic landscape. Markets have navigated a “wall of worry”, driven by geopolitical tensions, uneven economic data, inflation concerns, and cautious corporate outlooks.

Despite the turbulence of early April’s selloff — followed by a rebound and record highs for the S&P 500 — economic fundamentals have remained sturdy and most company earnings results and guidance were better than initially feared. From strong employment and consumer spending to resilient corporate earnings, the U.S. economy continues to outperform expectations.

The Federal Reserve maintains a neutral stance on rates, emphasizing data dependency as they assess inflation and economic momentum.

Front and center in the second half of 2025 will be issues such as trade developments, which could reshape growth and the inflation paths, as well as corporate earnings and forward guidance. Fed data signals focusing on the trajectory of inflation and employment metrics will guide rate decisions.

Mega-cap tech (“Magnificent Seven”) currently dominate the rally, though leadership is broadening. Industrial and cyclical sectors are drawing attention as investors seek diversification. Meanwhile, AI and cybersecurity remain strategic defensive/complementary growth themes.

We continue to focus on quality companies with strong balance sheets, pricing power, solid margins, and strong cash flows. That said, our asset mix remains flexible with 5–10% in money markets and short-term government securities, 40–60% in equities, and 30–40% in fixed income. Our asset allocation continues to be responsive to both market conditions and client specific needs. A balanced approach anchored in quality equities, liquid bonds, tactical flexibility, along with continued vigilance on macro shifts, earnings signals, and Fed data will be essential as the second half of 2025 unfolds.

Thank you again for your trust and partnership. We look forward to navigating this dynamic landscape together.

Jeffrey S. Naylor

*Executive Vice President/CFO*



## Schwab Update - Remote Access Tools (RATs) Can Give Criminals Control

Schwab has identified a recent trend where fraudsters have been using Remote Access Tools (RATs) in combination with phishing attacks to compromise digital devices like mobile phones, tablets, laptops and desktops. These RATs are tools that are used for legitimate purposes—IT support for example. However, bad actors can abuse them to steal assets and data.

### How a RAT-based attack works:

1. First, the fraudster sends a phishing email with a link or attachment that appears legitimate.
2. Once the victim clicks, the RAT is installed on that device without any notification to the user, and automatically connects to a remote server controlled by the attacker.
3. At this point, the attacker can:
  - Steal sensitive data (passwords, financial details, etc.)
  - Monitor user behavior through keylogging and screen recording
  - Gain access to anything the user accesses using the infected device,
4. This type of attack is difficult to detect for many reasons, including:
  - The fraudulent activity is generated by a device that’s trusted by the user.
  - These attacks may use legitimate applications, so the problem may not show up in antivirus/malware scans.

Unlike many other scams, RAT-based attacks do not require interaction with a scammer or taking action to download malicious software—for that reason, these attacks can seem “invisible.” **RAT-based attacks are versatile and difficult to detect, so they are particularly dangerous.**

### It’s important to look out for these red flags:

- Clicking a link or attachment in a seemingly legitimate communication from a government department or trusted institution may appear to do nothing, unfortunately, a RAT may have been installed with no other notification.
- If your device suddenly displays a blue or black screen and a message like “Do not turn off your computer. Computer is currently being scanned,” this may be a sign that a RAT attack is in progress. Immediately shut down the device, contact your IT professional and report the incident to Schwab or any other custodian whose platform you may have interacted with ASAP.

### Example: Client online account takeover

A client receives a text message that appears to be from their financial institution, asking them to verify account information by clicking a link. This phishing text directs the user to a spoofed website, a RAT is downloaded to the device, and then the bad actor uses the remote tool to gain access to the user’s online accounts to steal data or funds.

### In case of suspected RAT infection:

- Disconnect from the internet immediately. This prevents the RAT from communicating with the attacker. Remove any apps on your device that you don’t recognize. **Caution: If you are unsure or un-**

*See RATs on Page 5*



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## Analyst Corner

The first half of 2025 saw the S&P 500 index experience an over 20% price drop on an intraday basis from late February into early April. The second quarter saw



much of this down move erased as significant earnings events, trade developments, and geopolitical situations began to settle, perhaps, with more benign consequences than earlier feared. On the inflation front, Q2 saw further evidence corroborating a disinflationary impulse to price pressures. Mega-cap technology earnings beat expectations while the “trade wars” turned into something more like long and drawn out trade negotiations. Finally, the fear of an actual wider war in the Middle East resolved within weeks towards an asymmetrical outcome that possibly will restore some deterrence against a legacy of malign action.

Information Technology and Communication Services once again assumed the leadership role and gained 23.7% and 18.5%, respectively. Pro-cyclical Industrials advanced 12.9%, deserving a mention. The overall total return rebound for the S&P 500 for the quarter was 10.9%. The Energy & Healthcare sectors were the laggards, declining 8.6% and 7.2% respectively, largely driven by a lower oil prices, excepting a brief spike during the breakout of hostilities between Israel and Iran, and a rather significant over 50% decline in the price of UnitedHealth Group stock.

The 10YR U.S. Treasury rate did move higher recently. The move higher largely faded by quarter end and, by the end of the quarterly

### Positive Market Influences

Disinflation  
Earnings  
Regained Trend

### Negative Market Influences

Trade Policy  
Dollar Weakness  
Monetary & Fiscal Policy

period, rates were relatively unchanged. The 10YR rate sat at 4.22% at the end of June. Pricing in the corporate bond space was mildly constructive, as spreads contracted slightly. The FTSE USBIG Corporate Index returned 1.7% in Q2.

While concerns about the business cycle for the remainder of the year have somewhat moderated due to the resilience of recent economic data, lingering potential tailwinds still exist and the rest of the year will likely see market participants laser focused on the labor market, credit provisioning, and consumption patterns. Most importantly, there seems to be upon us, fresh fiscal and monetary policy actions which may need to be assessed. Passage of legislation may soon be realized, and later this year we may see the resumption of Federal Reserve rate policy easing.

### Positive Market Influences

- **Disinflation** – Headline CPI YoY for May came in at 2.8% with the MoM figure coming in much better than expected at 0.10%. Similarly, Core PCE inflation came in at 2.7%, which is mildly elevated relative to a 2% target, but not at levels likely to be jarring for market participants.
- **Earnings** – The most recently reported quarterly earnings for the S&P 500 showed close to 13% growth YoY according to FactSet. This may have alleviated some near-term concerns about corporate profitability.
- **Regained Trend** – The S&P 500 has rebounded to levels near all-time highs by

quarter end. This seems to have repaired a lot of technical damage done by the market drop earlier in the year.

### Negative Market Influences

- **Trade Policy** – While the movement into negotiations from initially what was perceived as a more hard line protectionist stance has softened, there still exists some uncertainty about trade deals and the global trading backdrop.
- **Dollar Weakness** – The other side of trade is capital flow into dollar assets. The current trade discussions and recent attempts at re-ordering trading arrangements, combined with foreign allied nations needing to perhaps re-prioritize capital direction home for things like defense spending has likely softened the bid for dollar assets such as stocks and bonds. This is marginally showing up in the relative exchange rate of the dollar.
- **Monetary & Fiscal Policy** – With a disinflationary trend in place, the Federal Reserve has yet to resume a cutting cycle. Significant legislation is passing through Congress and a final law is not yet in place. While there is some visibility to where monetary and fiscal policies are headed, at present, there still exists some uncertainty on these matters half way through the year.

Daniel P. Burchill  
*Security Analyst*



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## Summer 2025 Tax Updates and Reminders

1. **Standard Deduction Increase:** for tax year 2025, the standard deduction has been increased for all filers.
  - Single filers and those married filing separately: \$15,000 (up \$400 from 2024).
  - Married filing jointly or qualifying surviving spouse: \$30,000 (up \$800 from 2024).
  - Head of household: \$22,500 (up \$600 from 2024).
2. **Retirement Plan Contribution Limits:** adjustments have been announced for 2025 retirement plan contribution limits.
  - 401(k) Limits:
    - > Employee Salary Deferral (under 50): \$23,500
    - > Employee Salary Deferral (50 and older): \$23,500 + \$7,500 (catch-up) = \$31,000
    - > Combined Employee and Employer (under 50): \$70,000
    - > Combined Employee and Employer (50 and older): \$70,000 + \$7,500 (catch-up) = \$77,500
  - IRA Limits:
    - > Under 50: \$7,000
    - > 50 and older: \$7,000 + \$1,000 (catch-up) = \$8,000
  - SIMPLE IRA Limits:
    - > Employee Contribution (under 50): \$16,500
    - > Employee Contribution (50 and older): \$16,500 + \$3,500 (catch-up) = \$20,000
    - > Catch-up Contributions: available for those who are age 50 or older in most plans, and some plans may offer enhanced catch-up contributions for those aged 60-63.
    - > SEP IRA: contribution limits are generally 25% of compensation, up to a maximum of \$70,000.
3. **Gift Tax Exclusion:** annual gift tax exclusion has risen to \$19,000 in 2025.
4. **Estate Tax Exemption:** lifetime estate tax exemption amount has increased to \$13.99 million in 2025.
5. **Paper Check Phase-Out:** Federal agencies are directed to phase out paper checks by September 30, 2025.
6. **Standard Mileage Rates:** standard mileage rate for business use of a vehicle has increased to 70 cents per mile.

## Reminders for 2025

1. September 15, 2025 – third estimated tax payment due.
2. September 15, 2025 – extended deadline for partnerships and S Corporations that filed for extension.
3. October 15, 2025 – extended deadline for C Corporations and sole proprietors who filed for extension.
4. October 15, 2025 – extended deadline for individual tax payers that filed for extension.
5. December 31, 2025 – deadline to take required minimum distributions (RMD's) from retirement accounts, if required to do so.
6. December 31, 2025 – deadline for charitable donations to be deductible for the 2025 tax year.

## RATs

(Continued from Page 3)

- able to identify and/or remove the RAT yourself, consult a cybersecurity expert as soon as possible.**
- If you are still unable to remove the software, consider factory resetting your device—this may be required to ensure complete removal of the RAT.
  - Assume your credentials have been compromised, but don't change them until after you have successfully removed the RAT. Otherwise, the attacker may be able to discover and leverage your new credentials.

## Reminder:

- Close the browser window you use to access Schwab Alliance or other secure websites as soon as your session is over.
- Discuss the limited view option for Schwab Alliance with your advisors—this view can help to prevent unauthorized money movements in the event of an account breach.
- Be sure reputable antivirus/anti-malware software is active on each device you use.
- Avoid clicking on unknown or unsolicited links or attachments.
- To avoid landing on spoofed websites, type its full URL into your browser's address bar, and then add it as a favorite for your convenience later.
- Remove recently downloaded applications that you do not recognize.
- Add unique, strong passwords to your Schwab accounts, and consider the use of a password manager.
- Take advantage of advanced security features, such as multi-factor authentication, and biometrics.
- Keep devices updated and patched.

**Remember:** Report any suspicious activity and unauthorized transactions by contacting Schwab Alliance immediately at 800-515-2157.



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## Personal Insurance Trends: What to Expect as We Move Through 2025

The personal insurance market was fraught with challenges in 2024. Insureds faced difficulty in obtaining coverage, and premiums continued to increase on property, auto, and excess liability policies. Severe weather events, inflation, a complex regulatory environment, fluctuations in reinsurance rates and terms contributed to the hard market, negatively impacting carrier profitability. Unfortunately, 2025 is proving to bring more of the same.



In the homeowner's insurance arena California faced a devastating wildfire event. J.P. Morgan reports the Los Angeles area fires resulted in nearly \$50 billion in damages, with only approximately \$20 billion covered by insurance.

State regulators have also negatively impacted the homeowner's insurance market by limiting insurers' ability to adjust premiums in response to rising property values, construction costs, and increased wildfire risks. Consequently, many insurers have stopped renewing policies.

Expect to see major insurance companies continuing to withdraw from states with severe weather events. Homeowners in these states might receive insurance offers that require resiliency action plans. Those unable to meet these requirements may have to seek coverage through state-organized insurers. Nationally, homeowners can anticipate an average premium increase of 21% in 2025.

Inflation is significantly contributing to the rise in insurance premiums. Rebuilding a home in 2025 is more costly than it was a few years ago. As inflation increases, so do reconstruction expenses. The rising prices of lumber and other materials necessary for home construction contribute to inevitable premium hikes. Additionally, labor shortages persist in 2025, and home insurance premiums must rise to cover the higher costs of materials and skilled labor needed to rebuild a home after a covered disaster.

Auto insurance rates continue to rise in 2025. Increased repair costs, claim frequency, and severe weather events are impacting rates. However, insurers are investing in new technology, which will bring better underwriting, claims handling and overall efficiency in 2025. AI-powered risk analysis models scan through large amounts of data to research prior claims and review social media to predict future behavior. Using AI technology will increase accuracy and efficiency in underwriting.

Telematics, a technology that tracks driving behaviors, is transforming auto insurance. The technology monitors speed, braking patterns and mileage, allowing insurers to tailor premiums to individual driving habits. Safe drivers benefit from reduced premiums. Data-driven, usage-based insurance models appeal to drivers who are comfortable with technology, and simultaneously reduces loss ratios for insurers.

Uninsured drivers are also impacting auto insurance. Many states require drivers to maintain a minimum amount of car insurance; however, the number of drivers who have no insurance has grown. Uninsured drivers increase the cost of auto insurance for everyone. As the number of uninsured drivers grows, the risk for insurance companies increases, which increases rates for all drivers.

As we move through 2025, expect to see more emphasis on educating homeowners about the need for flood insurance. The focus will include non-coastal areas, which many homeowners consider safe from flooding. For example, Hurricane Helene caused severe flooding in western North Carolina, devastating communities. Less than 3% of properties in North Carolina have flood insurance. There is a common misconception that regular home insurance covers flooding, which is rarely the case.

Please contact Valicenti Insurance Services for a comprehensive review of your existing insurance program. We are an independent insurance agency with access to many insurance companies that allow us to provide the most comprehensive coverage at a competitive premium.

Suzanne M. Valicenti, *President/CEO*  
Valicenti Insurance Services



**For ALL Your Insurance Needs**

### Personal Insurance

- Auto
- Homeowners
- Umbrella
- Recreational Vehicles
- Motorcycle
- Watercraft

### Group Benefits Plan

- Health Insurance
- Dental Insurance
- Life Insurance
- Disability Insurance
- Customized Benefit Insurance

### Business Insurance

- Property
- Liability
- Automobile
- Professional Coverages
- Workers Compensation
- NYS Disability

### Life & Health Insurance

- Life
- Long Term Care
- Disability

*The mission of Valicenti Insurance Services, Inc. is to provide personalized insurance products and services with unparalleled customer service to protect the assets of individuals, families and businesses that we serve.*



## For ALL Your Tax and Business Services Needs

### Taxation

- Personalized tax preparation: Individual, Partnership, Corporation, Estates, Trusts and exempt organizations
- Tax planning for individuals and businesses
- Audit assistance or representation before tax authorities
- Online research capabilities for Federal and all 50 states
- Semi-annual client newsletter

### Accounting Services

- Financial statement analysis and preparation
- Bookkeeping
- Sales tax returns

### Business Consulting

- Business entity design: Sole Proprietor, Partnership, Corporation and Limited Liability Company (LLC)
- Business plan design and execution
- Analysis of business direction and strategic planning
- Fringe benefit evaluation

## For ALL Your Wealth Management Services Needs

### Portfolio Management

- Individual and joint accounts
- Individual retirement accounts (IRA's)
- Trust and estate accounts
- Endowment and Foundation accounts
- Business retirement plans
- Agent for the Fiduciary

### Planning and Consulting

- Estate
- Financial
- 401(k) review and analysis
- Income
- Retirement
- Taxes



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