Atrani Capital

Corrections Happen—Don’t Panic

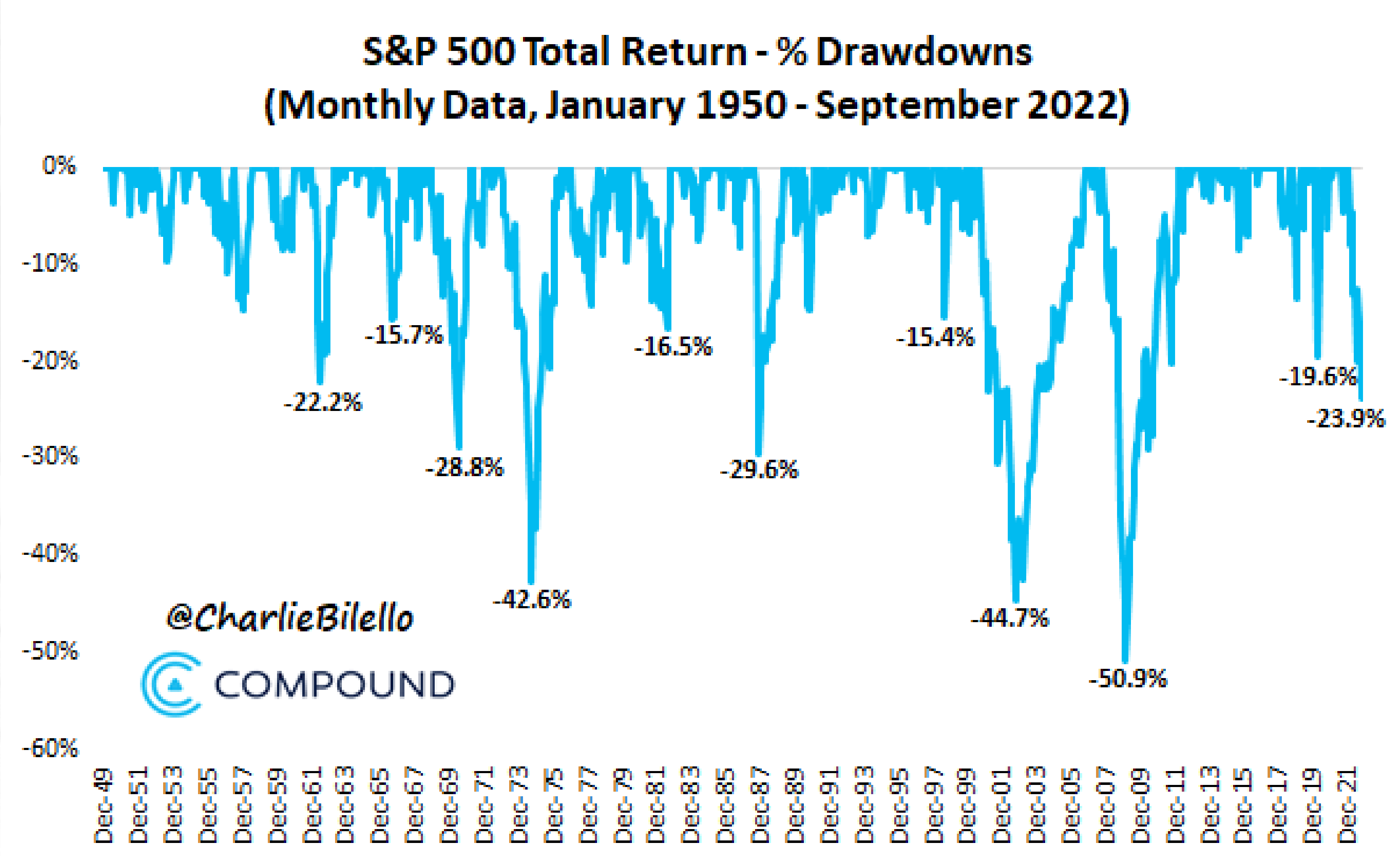
A Reassuring Perspective on the Market’s Ups and Downs

Crisis Headlines Are Nothing New

August 25, 2015	Reuters - China share plunge smacks world markets; S&P, Nasdaq in correction
December 24, 2018	Stocks Close in on Bear Market as Trump and Mnuchin Fuel Christmas Eve Drop
February 27, 2020	U.S. Stocks Slide Into a Correction as Virus Fears Show No Sign of Easing
March 8, 2022	Wall St slides as oil prices surge, Nasdaq confirms bear market
March 10, 2025	Stocks Tumble Most This Year With Recession Warnings Blaring
March 13, 2025	Stocks Tumble Into Correction as Investors Sour on Trump

Corrections Happen. Don't Panic

Historical Corrections & Why They're Normal.



Market Volatility is Normal

Despite an average intra-year decline of 14.1%, the S&P 500 ended positive in 34 out of 45 years (1980-2024).

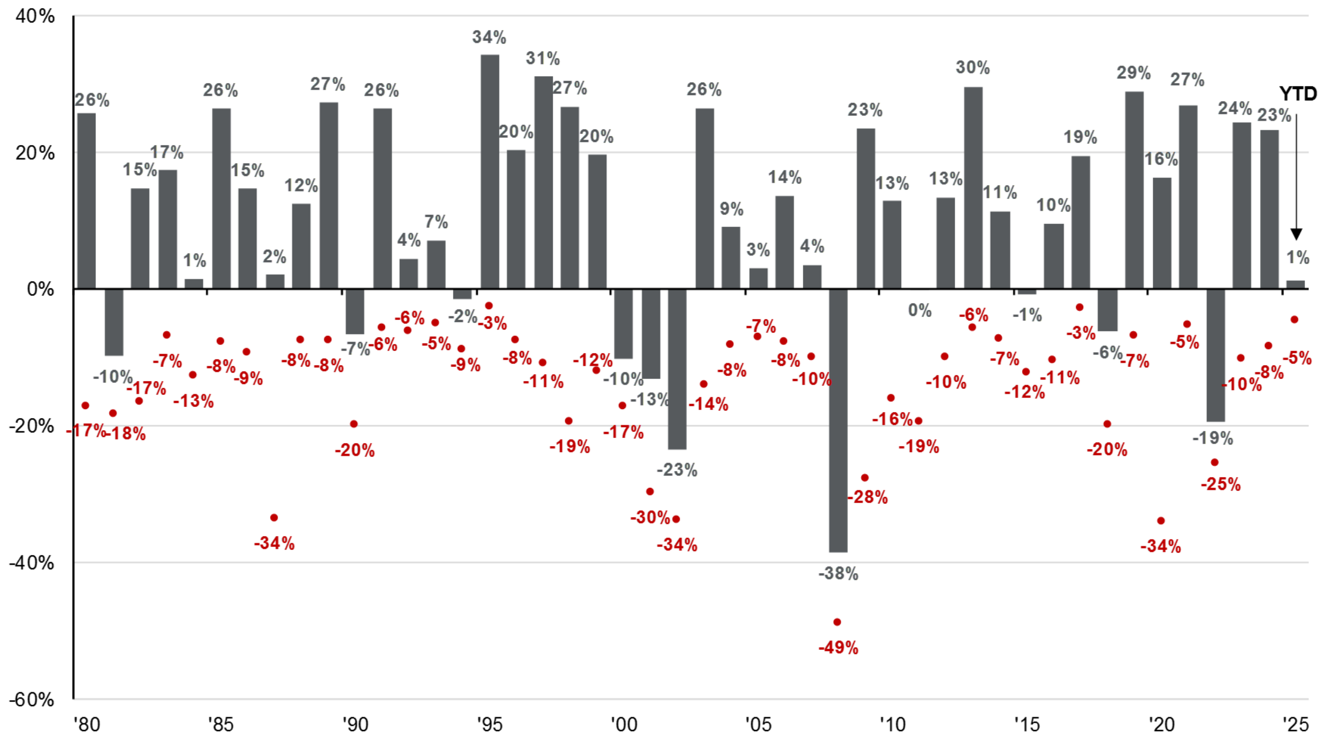
Equities

Annual returns and intra-year declines

GTM | U.S. | 16

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which time period the average annual return was 10.6%.
Guide to the Markets – U.S. Data are as of February 28, 2025.

J.P.Morgan
ASSET MANAGEMENT

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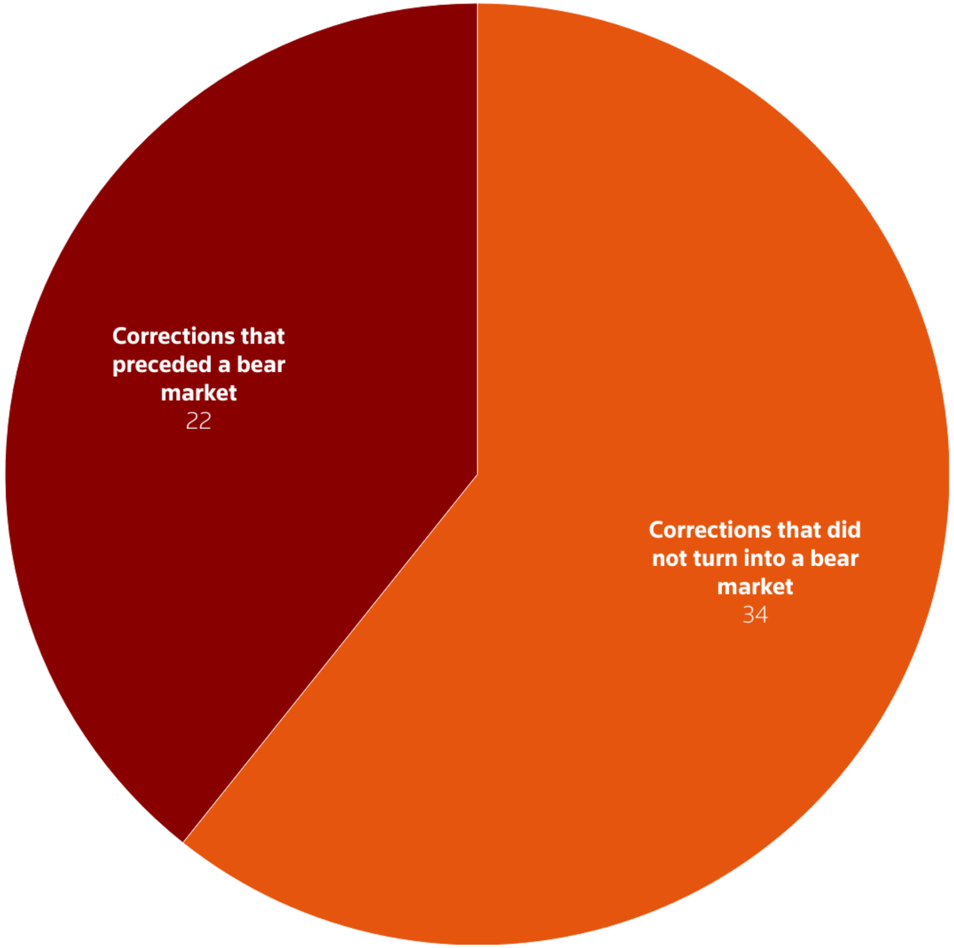
https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/

Not All Corrections Lead to Bear Markets…

- Since 1929, the S&P 500 has logged 56 corrections (≥10% drop).
- Of these, **only 22 (39%) turned into bear markets** (≥20% drop).

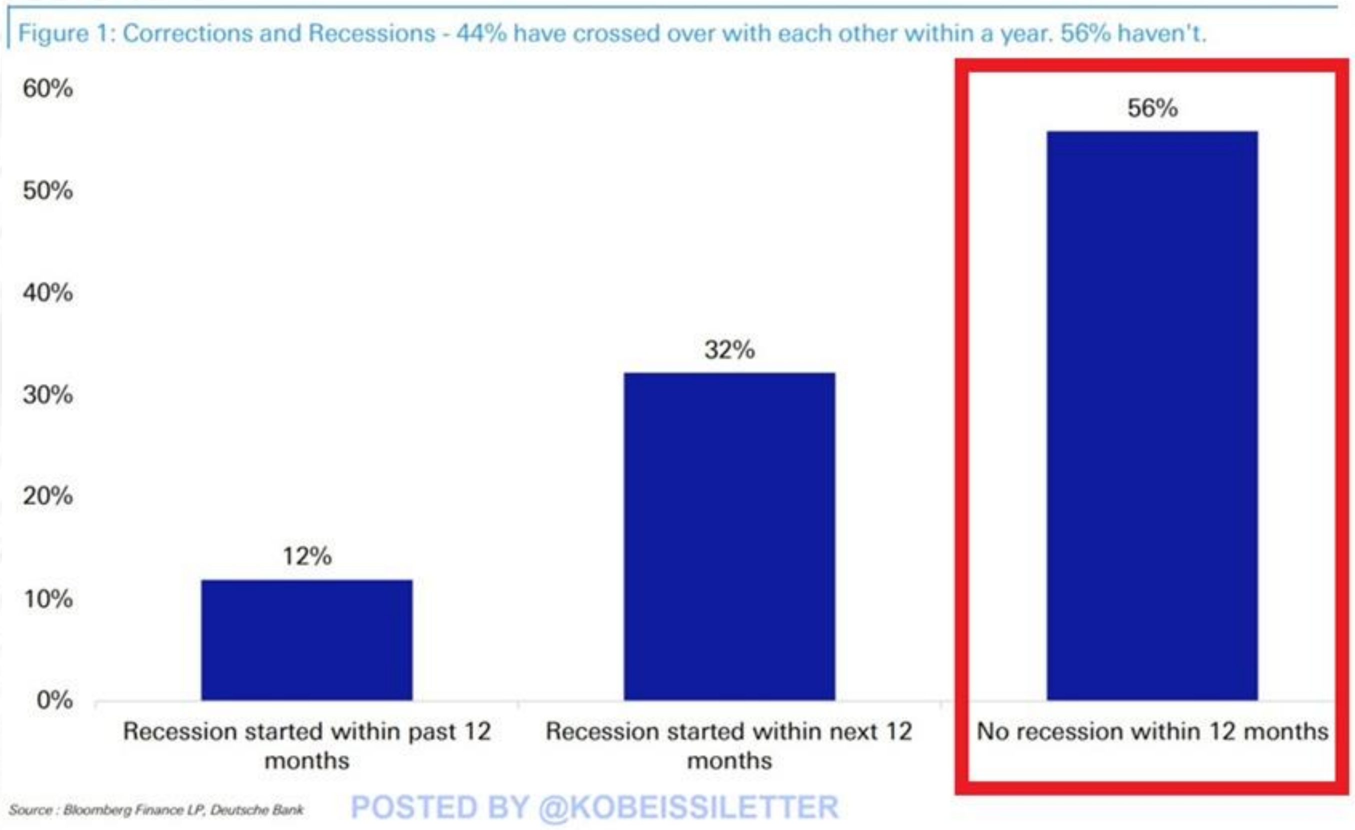


https://www.reuters.com/markets/wealth/sp-500-correction-six-charts-2025-03-13/

…or to Recessions

Alternatively, Deutsche Bank analysis of 60 S&P 500 corrections including the most recent one shows:

- In 12% of corrections, a recession had already begun in the previous 12 months
- In 32% of corrections, a recession took place within the next 12 months
- In 56% of corrections, the US avoided an economic downturn within the next 12 months.



https://x.com/KobeissiLetter/status/1902123877184020482

Wall Street Targets Often Lag the Market

Analysts often wait for market shifts before adjusting forecasts—a behavior known as conservatism bias.

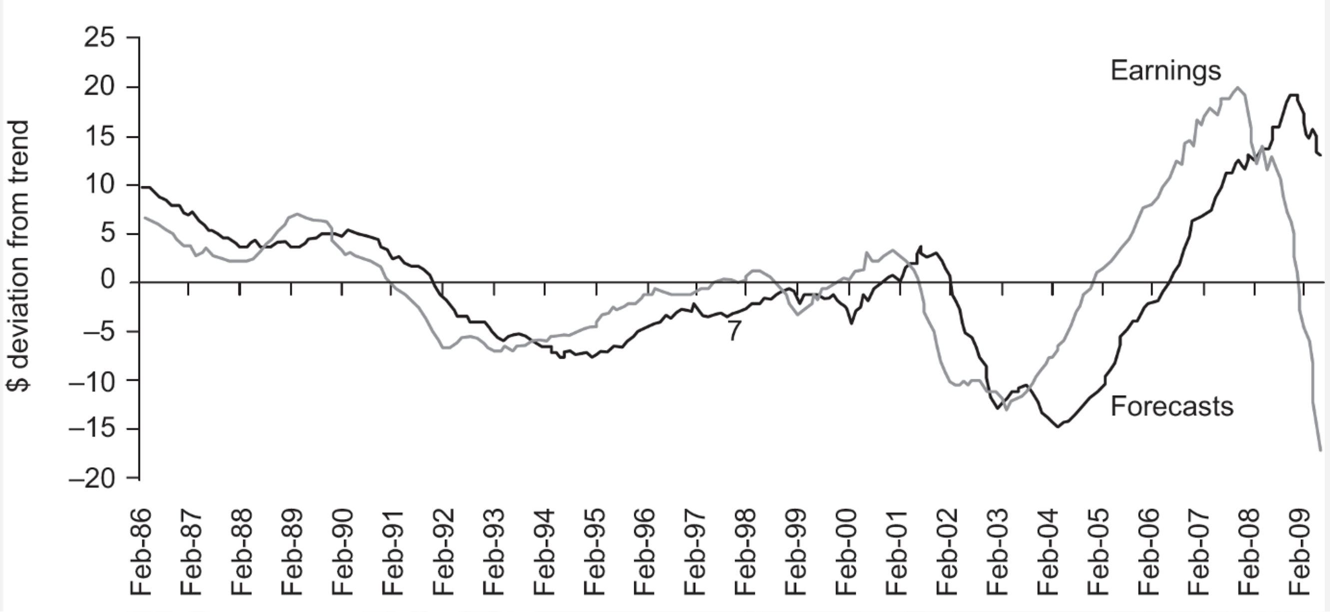
Recent 2025 S&P 500 Revisions:

- Goldman Sachs: 6,500 → 6,200
- Yardeni Research: 7,000 → 6,400

GMO's "Analysts Lag Reality" study[1] shows analysts frequently update earnings expectations only after undeniable proof of market shifts—long after investors have already adjusted prices.

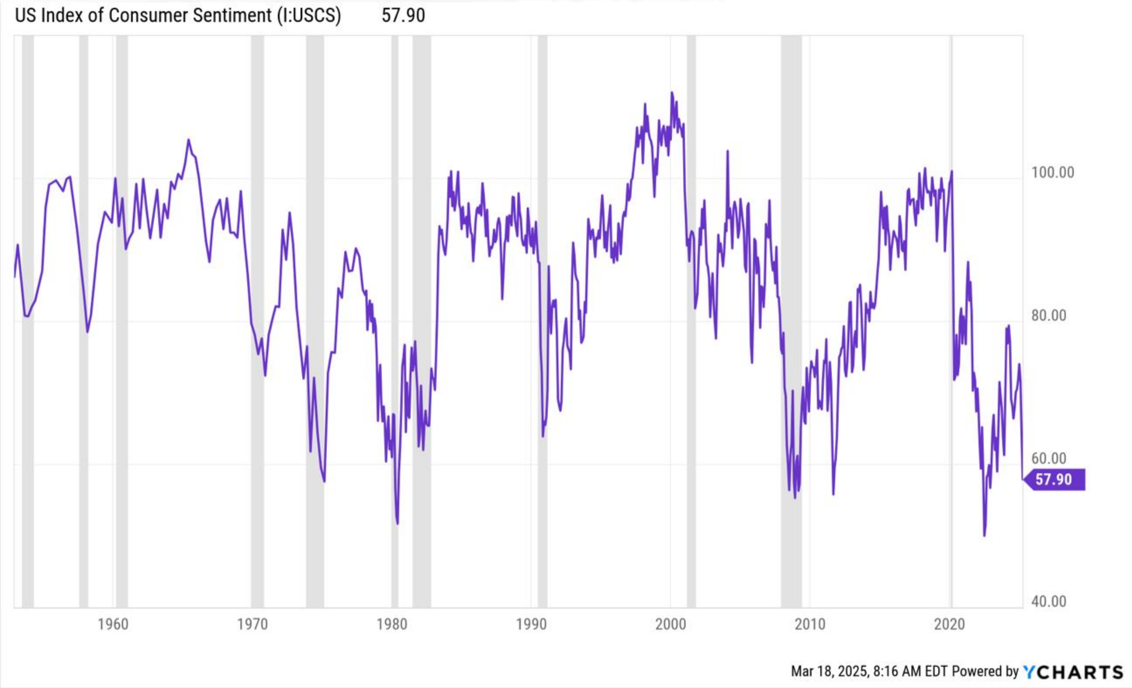
Piper Sandler & Co.[2] likewise finds that consensus targets typically lag the market by ~60 days.

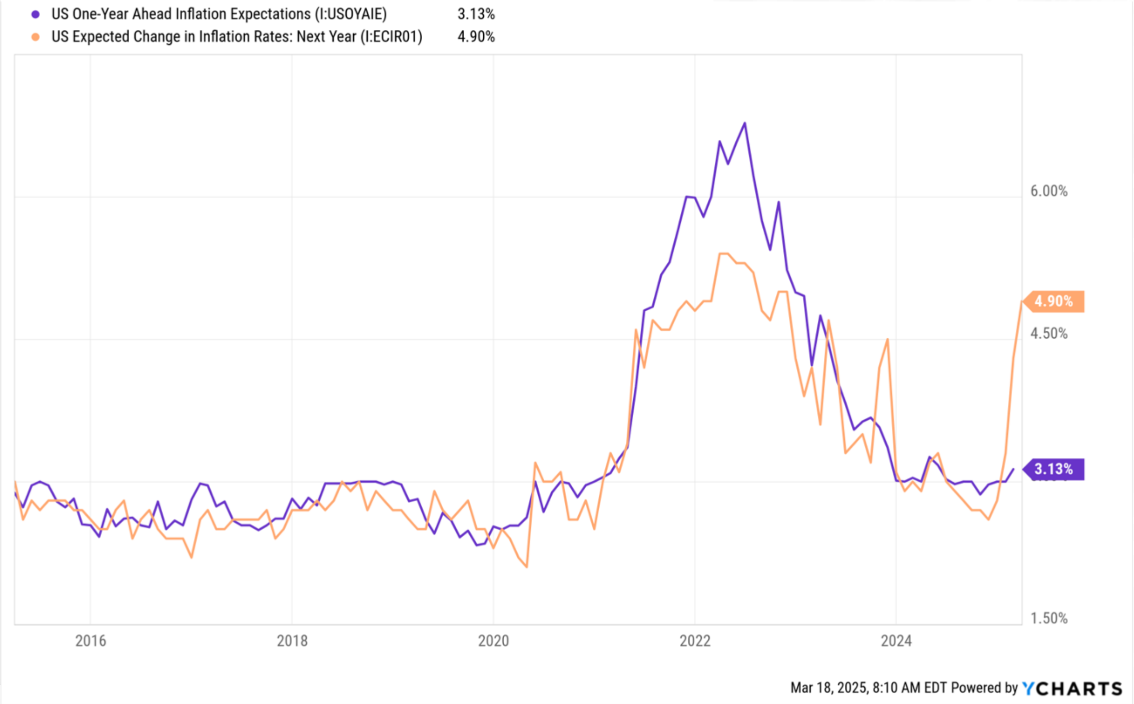
Exhibit 1 Analysts Lag Reality



1. James Montier. The Little Book of Behavioral Investing: How not to be your own worst enemy (2010)
2. https://www.bloomberg.com/news/articles/2025-03-10/wall-street-starts-to-rethink-lofty-s-p-500-forecasts-for-2025

Macro Clouds on the Horizon?





- **Consumer sentiment has dropped significantly this month.**

Historically, declines in sentiment can coincide with—or even precede—economic slowdowns.

- **Inflation expectations have ticked up in March,**

potentially pressuring monetary policy and consumer spending power.

- **The NY Fed’s Nowcast recently lowered its Q1’25 GDP growth estimate**

from 3.12% to 2.69%—all within the past month.

Market Volatility and the "Behavior Gap"

Reacting emotionally to short-term declines can be detrimental to long-term investment success.

Morningstar findings:

- Over the 10 years ended Dec. 31, 2023, the average mutual fund produced 7.3% per year.
- In reality, the average investor earned only 6.3% per year.
- That's **a 15% shortfall** of the total gains the funds generated.

U.S. Category Group	Investor Return %	Total Return %	Gap
Allocation	5.9	6.3	–0.4
Alternative	–0.4	0.6	–1.0
International Equity	4.0	4.7	–0.7
Municipal Bond	1.4	2.8	–1.3
Nontraditional Equity	1.0	3.3	–2.3
Sector Equity	7.0	9.6	–2.6
Taxable Bond	1.2	2.2	–1.0
US Equity	10.0	10.8	–0.8
Overall	**6.3**	**7.3**	**–1.1**

Why?

- Panic-Selling.
- Performance-Chasing.
- Volatile Funds = Bigger Gaps.

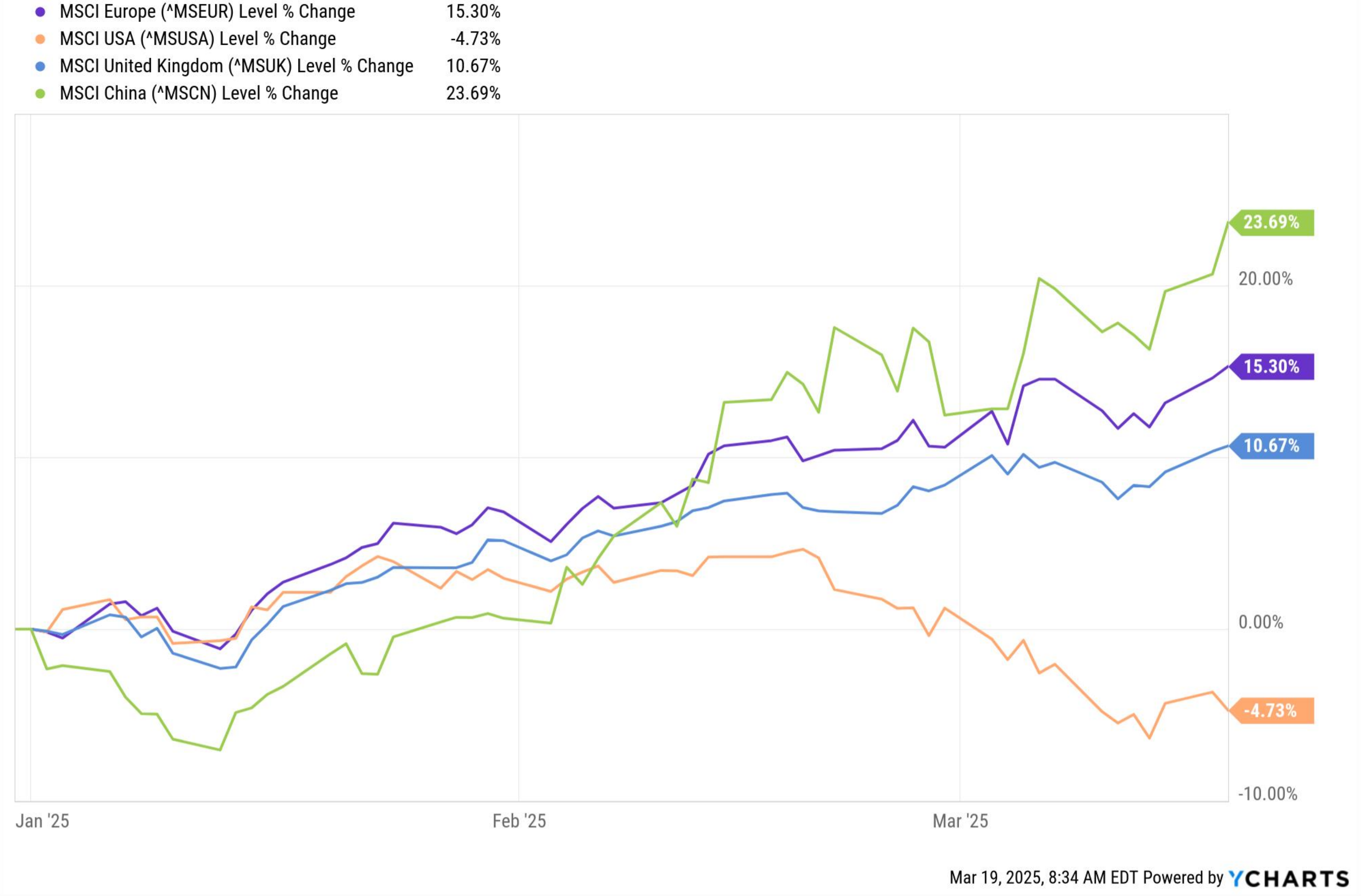
What Can Investors Do?

- Stay invested and avoid knee-jerk reactions, which helps preserve more of a fund's returns.
- Consider a steady approach—like dollar-cost averaging or using diversified "all-in-one" funds—to narrow the gap between what the fund earns and what you actually pocket.

https://www.morningstar.com/personal-finance/fund-investors-who-kept-it-simple-captured-more-return

Global Picture—Not So Pessimistic

International stock markets have performed very well this year.



As of 2/28/2025 forward P/E:

- MSCI Europe – 14.3x (35% discount to the U.S.)
- MSCI China – 11.2x (49%)
- MSCI UK – 12.1x (45%)
- MSCI USA – 22.0x
- MSCI ACWI – 18.2x

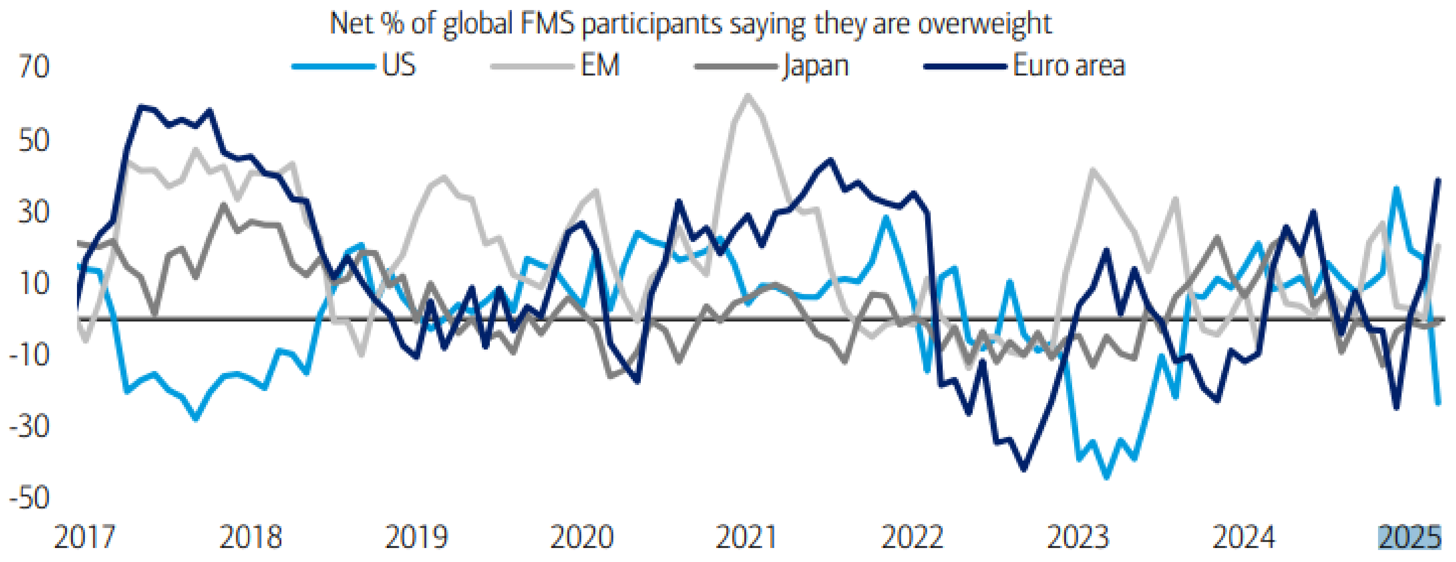
Data as of 3/18/2025

Shifts In Investors' Preferences

Global funds are pulling money from the U.S. and investing in Europe.

Exhibit 21: A net 39% of global investors say they are overweight European equities in a global allocation context, the highest since mid-2021. A net 23% report being underweight US equities, the highest since mid-2023, while a net 17% said they were overweight last month

ow overweight or underweight do you consider your position to be relative to your internal benchmark



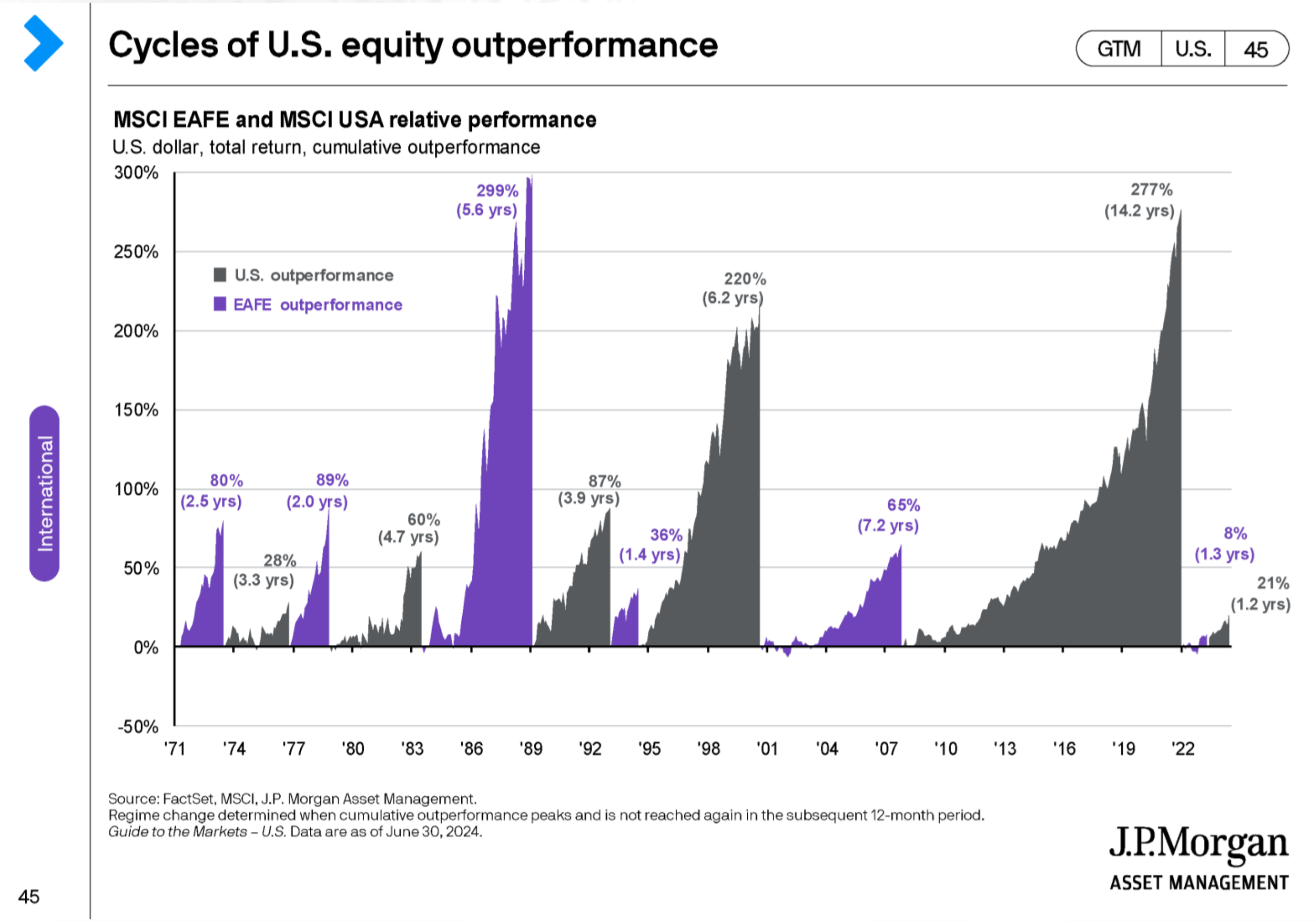
Source: BofA Global Fund Manager Survey

A net 39% of global managers are now overweight European equities—the highest since mid-2021, up from just 12% in February and 1% in January.

It's unclear if this is a short-term repositioning or the start of a multi-quarter trend, but it may signal growing confidence in Europe's prospects.

A Possible Shift in Leadership?

International markets have been overshadowed by the U.S. for so long—could this time be different?



Historically, U.S. equities have outperformed for long stretches (gray areas). International markets (purple) have had their own multi-year runs.

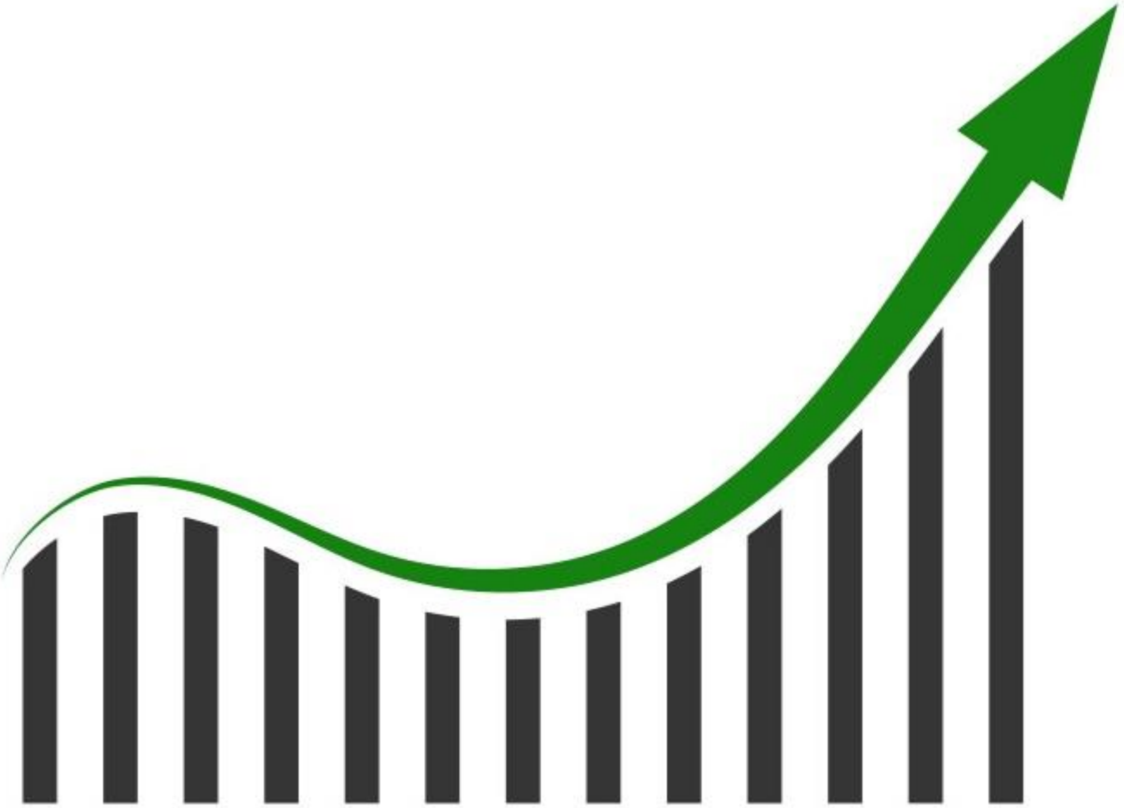
Recent valuations or macro dynamics might tilt favor back to international equities.

https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/

Key Takeaways: Staying Focused Through Corrections

“The stock market is a device for transferring money from the impatient to the patient.” — Warren Buffett

- **Corrections are normal**: Many don’t evolve into bear markets or recessions.
- **Analyst forecasts often lag**: Don’t rely solely on consensus targets for strategy.
- **Behavior gap is real**: Emotional trading can cost ~15% of returns (Morningstar).
- **Global perspective matters**: Market leadership can rotate; international equities may shine.
- **Final Note**: Remember your personal goals and time horizon—don’t let headlines derail a sound plan.



Our team’s approach focuses on staying disciplined through market noise, seeking global opportunities, and avoiding emotional pitfalls. We help clients navigate corrections and seize long-term gains.

Atrani Capital Investment Team

Dmitry Mikhnov is responsible for business development. Entrepreneur and private trader since 2010. He founded a successful trading school in 2012 (with more than 2000 students). By the end of 2016, he organized a fund to manage the assets of private clients in the US market, raised $10 million. He is an expert in investing in pre-IPO transactions. Graduated from Insead Executive MBA in 2018.

Igor Rotor, with a robust background in portfolio management since 2007, now leads the investment process in a multi-strategy hedge fund, concentrating on the active ETF Momentum Strategy. His expertise, honed through managing about $1 billion in non-state pension funds, now focuses on creating dynamic, growth-oriented portfolios. As a CFA charter holder since 2021, Igor combines his deep understanding of conservative, low-volatility strategies with a fresh approach to harness market momentum, aiming to deliver exceptional returns in changing market landscapes.

Sergey Romanov is a distinguished figure in the financial sector, boasting over 9 years of hands-on experience. Throughout his illustrious career at "Freedom Finance", he ascended from an agent to a senior personal manager, mastering asset management, brokerage activities, and providing intricate consultancy on the U.S. stock market, encompassing stocks, bonds, ETFs, options, and IPOs. Furthermore, at "Allianz Life", Sergey excelled in the domain of investment and insurance products. He also held a position at "Homepolis", specializing in insurance services. His vast expertise undeniably brings significant value to his current team.