VOLUME 16, ISSUE 1

JANUARY 2024

THE AEGIS

Quarterly insights from your friends at Armor Investment Advisors

FINANCIALLY INDEPENDENT

by Adam J. Morgan, CFA, CMT

In the spring of 2003, yours truly was unceremoniously eliminated in the very first round of tryouts for a new television show set to begin airing on NBC the following year. That show was to be hosted by a well-known real estate developer from New York who would later go on to coin the catch phrase, "You're Fired." In an interesting twist of fate, years later that same man would survive multiple rounds of tryouts in an effort to work for me, but eventually found himself on the receiving end of his own catch phrase.

"Well, what does your financial plan say?"

It's no secret that 2024 will play host to a highly contested U.S. Presidential election, and it's no secret that politics have become difficult to discuss, even amongst friends. Unfortunately, it's also no secret that investors are prone to make bigger mistakes in election years. The stories of investors taking aggressive action to avoid what they believe will be the negative impact of a presidential election on the stock market are not as uncommon as you may think. I witnessed firsthand investors liquidating their portfolios entirely at the election of each of the last three U.S. Presidents. In each case those were not the best investment decisions. So with things promising to be contentious this year and even potentially a bit mean-spirited at times, how should investors be thinking about the upcoming election?

Well, what does your financial plan say?

That one simple question can help save investors from making a mistake and here's why. If your financial plan has been constructed properly then it is supported by longer-term assumptions and expectations around growth rates of earnings, inflation, income, and expenses. That allows you to monitor your progress ongoing over time against a benchmark tailored to reflect a proper expectation of what is needed to achieve your financial objectives given your own personal risk tolerance, time horizon, etc. The very exercise of constructing a financial plan of this kind forces one to think of things from a longer-term perspective. That in turn helps us to put the upcoming election in the right context and should ease the worried mind a bit.

Analyzing stock and bond market returns around every presidential election in the modern era leads any objective analyst to the clear and simple conclusion that the data is clearly inconclusive. Obviously, leadership and public policy are important to our country, but according to the data, the effect of election outcomes on the price of stocks and bonds is not obvious at all, at least not during that particular election year. And that realization alone allows us to avoid making a rash decision. That's the power of having a financial road map.

I believe the question investors should be asking themselves as we enter 2024 is not, "Should I be invested in stocks and bonds?" but rather, "How should I be invested in stocks and bonds?"

To answer that question, we'll have to look under the hood a bit more closely at some of the key policy differences of the front-runners in the polls, and then assess their likelihood to become the eventual party nominee, and ultimately, the President of the United States.

Fortunately, you don't have to be an expert on politics to know the key policy differences among the candidates. They are happy to tell you themselves. Control over the White House and both houses of Congress could influence a number of important aspects of our economy which in turn could present some interesting investment opportunities in the coming years. The candidates are likely to disagree on individual and corpo-

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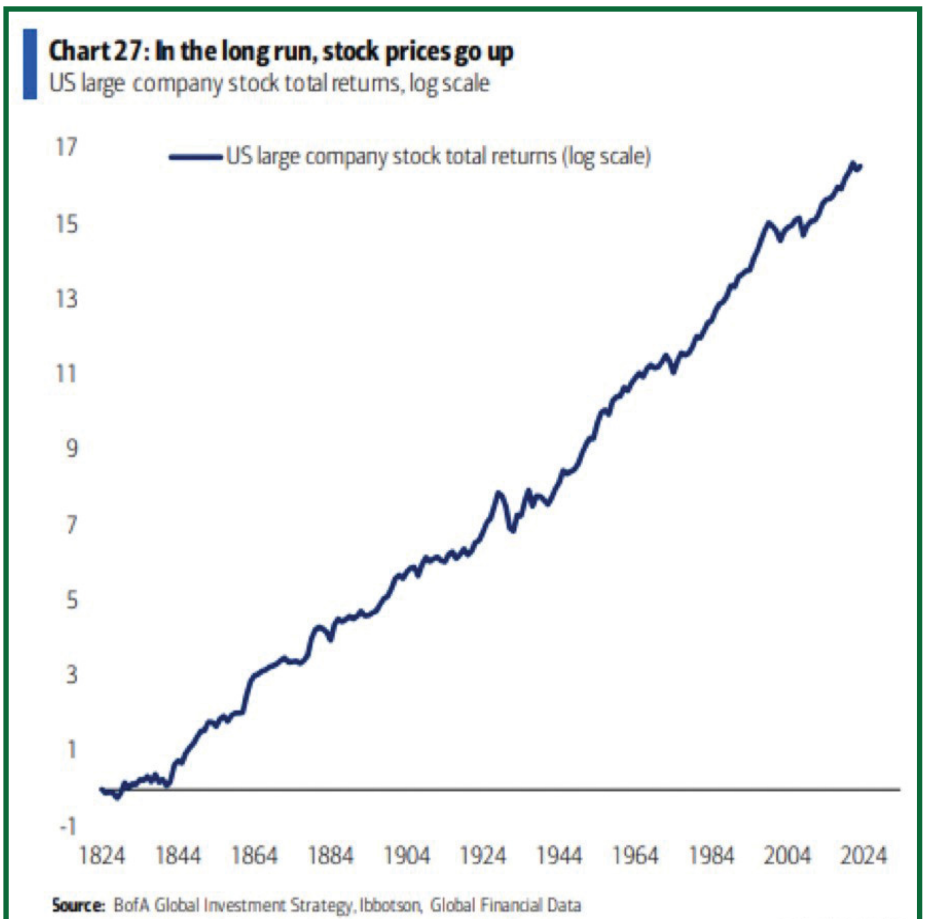
rate tax policy, including state and local tax deductions (SALT), their approach to a regulatory framework on global trade and important industries such as health-care, as well as spending priorities in key sectors such as energy, infrastructure, and military defense.

In my view, it makes a lot more sense to monitor the candidate's respective positions on these key policy areas because the resulting investment thesis is more likely to be rooted in information that is more trustworthy, ultimately making our analysis more robust than simply speculating on an election winner and how the stock market might react to that news.

After all, if the Presidential race in 2024 does wind up being a contest between the two current frontrunners in the polls, it will be a race between two men who both presided over a stock market that surprised to the upside but did so in very different ways. So, instead of abandoning our long-term financial plan altogether, let's instead lean into a smart asset allocation strategy that allows us to overweight favored sectors and industries to take advantage of the policy path of the eventual election winner. I believe that to be a much better way to protect and grow capital.

If you disagree or think my approach to the election is too cavalier, that's okay. Reasonable minds can differ. But, before making any big sweeping changes to your investment portfolio that run counter to your long-term financial plan, take a look at this chart produced by Bank of America's Global Research group this past month. There's a lot of evidence baked into this chart that suggests that despite our biggest fears, everything is going to be okay. Our country has survived many different elections and unique political situations to continue to prosper because of the dynamism of our economy and capital markets, and I simply do not believe that there will be anyone on the ballot in 2024 who will change that.—*A. Morgan*



(Past performance does not guarantee future results.)

(Please see disclosures on page 4.)

NET PROMOTER SCORE

by John V. Purrington, CFP®

"Don't keep us a secret."

Frederick Reichheld, in 2003, published a groundbreaking study on loyalty in the Harvard Business Review. He identified a simple question to quickly and accurately measure the loyalty of a company's customers. I am sure you have seen it. "How likely are you to recommend company X to a friend or colleague?" It is known as the 'Net Promoter Score' (NPS) and it is now widely used.

I discovered the NPS soon after it was introduced and became an immediate fan. I remain a fan because it is a simple, yet powerful way to measure the alignment of our services with our mission.

Armor's mission is:

To make a positive impact on our community by providing objective advice, proactive financial planning, and goal-based investment management to a growing number of clients, thereby reducing their financial stress, simplifying their complex financial lives, and helping them turn goals into realities.

We are passionate about achieving our mission. When clients rate us highly on the 'how likely are you to recommend' question, we have succeeded.

Since 2010, Armor has surveyed clients every two or three years. In 2023, we worked with an independent, third-party consultant, Absolute Engagement, to help us gather feedback on how we're doing, as well as to understand how we may need to evolve our clients' experience to not only meet but exceed their expectations today and into the future. This is the first year where we have been able to include the Net Promoter Score question. Strange as it may seem, this is the stuff that gets me excited.

The NPS question is scored on a scale of 1-10. Ratings of 9 and 10 are 'promoters', 7 and 8 are 'passives', and ratings of 6 and below are 'detractors'. The score is calculated by subtracting the percent of detractor responses from the percent of promoter responses.

Bain & Company (Reichheld's employer and the creators of NPS) note that a good NPS score is 0 and above. Above 50 is excellent and above 80 is world-class. For context, the average NPS in the banking industry is 34, and among firms similar to ours, the average is 48.

We are ecstatic to report that Armor's NPS score was 86. We had no 'detractors' and 97% of our respondents scored us 8 or above. There are always areas where we can improve, but these results demonstrate that we are doing a world-class job for our clients. Don't keep us a secret.

A couple of other data points from the survey also stood out to me.

- 37% of our respondents have referred a friend or colleague who could benefit from our services in the last 12 months. (This represents an increase from 33% in 2021.)
- 100 percent of our respondents are satisfied with the relationship with their advisory team at Armor, 92% are Very Satisfied. This is our highest reading from our six previous surveys.
- One component of our Mission is reducing stress for our clients. 69% of our respondents agreed with the statement "I/we feel less stress when it comes to our financial future" (This is an improvement from 54% in 2021).

Thank you to all of our clients who participated in the survey in 2023. We will continue to pursue our mission and hope to see even better scores on our next survey.—*J. Purrington*

(The NPS score is based on unique experiences from current clients and are not representative of all clients experiences with the firm. Survey responses were solicited, no cash or non-cash compensation was provided.)

(Please see disclosures on page 4.)

FOUNDER'S CORNER: BRAVE NEW WORLD

by Jeffrey R. Miller, CFA

We have been waiting for the long-predicted recession, soft landing, or whatever we want to call it. In the meantime, markets delivered a powerful rally in the fourth quarter which no one saw coming. Let's all celebrate.

The Market is fond of reminding us that we cannot predict the future, even in the short run. It toys with the human desire to believe we are smarter than we are, constantly reminding us that the future is unknowable. This is why day-traders fail. There have been a number of predictions by the new kid on the block — Artificial Intelligence — which have been all over the map, predicting economic collapse, or a technology-driven boom.

I will continue to be optimistic and positive about the future. The alternative can be very depressing. The big picture is that humanity, outside of a few hot spots is healthier, better fed, and living longer than a hundred years ago. War, plague and pandemics have come and gone through history; we simply have not been reminded of it constantly.

Adam's commentary is spot on. Financial planning and appropriate investment management is a long-term plan, not panic and day-trading. It recognizes trend changes and opportunities, then adjusts accordingly.

Using a golf metaphor, play through!
—J. Miller

ARMOR GIVES BACK

Last quarter Armor hosted a Holiday Pocket Tree through Note in the Pocket. Thank you so much to everyone who participated! Every holiday season the Pocket Trees aim to provide each child with 2 weeks of clothes – 10 tops, 5 bottoms, and new underwear and socks.

We extend an invitation for all to join us, as well as welcome any suggestions for volunteer initiatives you are passionate about. Reach out to Allison at amiller@armorinvestmentadvisors.com with suggestions for future events, requests to participate, or if you would like to donate to this cause.

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