HCM Volatile Market Guide

Don't Fear the Drop

At Howard Capital Management, Inc. we understand many investors may feel uncertain about how to navigate today's increasingly complex market. This document combines research and strategy to serve as a guide for investors who feel unprepared or worried about investing. It is our mission to offer the knowledge, innovation and a defined plan in an effort to help investors maximize gains and minimize losses, even during volatile markets.

"We aim to take emotion completely out of the equation. Trading with emotions, in our opinion, ruins long-term returns."

– Vance Howard, Howard Capital Management
CEO + Portfolio Manager

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The Problems Investors Are Facing Today

It's not always about how much money you *make*, but rather how much money you *keep*.

Markets are constantly evolving, as have investor needs. The events of recent years prove the increasing complexity that has gripped the market and its performance. The end of the longest bull market run on record came due to an unprecedented event that had the whole world worrying about the immediate future. While the gears of economic policy making triggered a quick recovery from the short downturn in 2020, the situation today seems to be far from stable. At times like this, investors' approach to navigating downtrends is critical. Not just for the present, but also for the future when the bull market returns and to capitalize on that impending growth. While no one can predict when bear markets, recessions or depressions will hit, understanding how to prepare for market turmoil and knowing when the end is at the horizon is key for survival and growth.

Factors
that worry investors:

- Geopolitical risks
- Inflation
- Large government debt
- Getting stuck in a bond bubble
- Uncertainty of changing interest rates

Obstacles
investors face:

- Rise of computerized trading
- Volatile equity and bond return on investments
- Identifying opportunities for diversification
- Interest rates that impact rate of return

Solutions
investors should consider:

- Utilizing math-based strategies to identify risks and opportunities without emotion
- A more tactical investing approach with the goal to minimize losses and maximize gains
- Defining financial goals through appropriate risk tolerance and diversification
- Gaining insight of market trends

The Rise of Computerized Trading

In the last decade, computerized and math-based trading has started to dominate the market. The evolution of trading is inevitable.

The practice of high-frequency, algorithmic trading to identify beneficial trading opportunities is becoming increasingly popular in today's fast-paced market. Many investors are no longer trading or investing in a market based on fundamentals, technical analysis or chart reading; they are competing against a machine running complex and numerous algorithms each second. This current market structure positions everyday investors against highly sophisticated trading systems.

High-frequency traders, also known as quantitative traders, identify profitable trading opportunities based on mathematically-driven computer systems and research. It has grown increasingly more evident quantitative traders can push the market in the direction they want it to go, causing much of the extreme volatility we see today. The systems are gaining momentum and becoming so fast; they can buy and sell based off a few words from individual statements seen throughout the day.

It has grown increasingly more evident, quantitative traders can push the market in the direction they want it to go, causing much of the extreme volatility we see today.

The challenges in the investment world are as significant as they've ever been as we compete in a market driven by computerized trading. Going forward, investors working with firms who have already adapted to algorithmic trading might find themselves benefiting in the long-run.

> **The global high frequency trading market size was valued at USD 10.4 billion in 2024 and is projected to grow at a CAGR of 7.7% from 2025 to 2030, reaching USD 16 billion by 2030.**[1]
>
> – Global High Frequency Trading Industry Research Report, December 2024

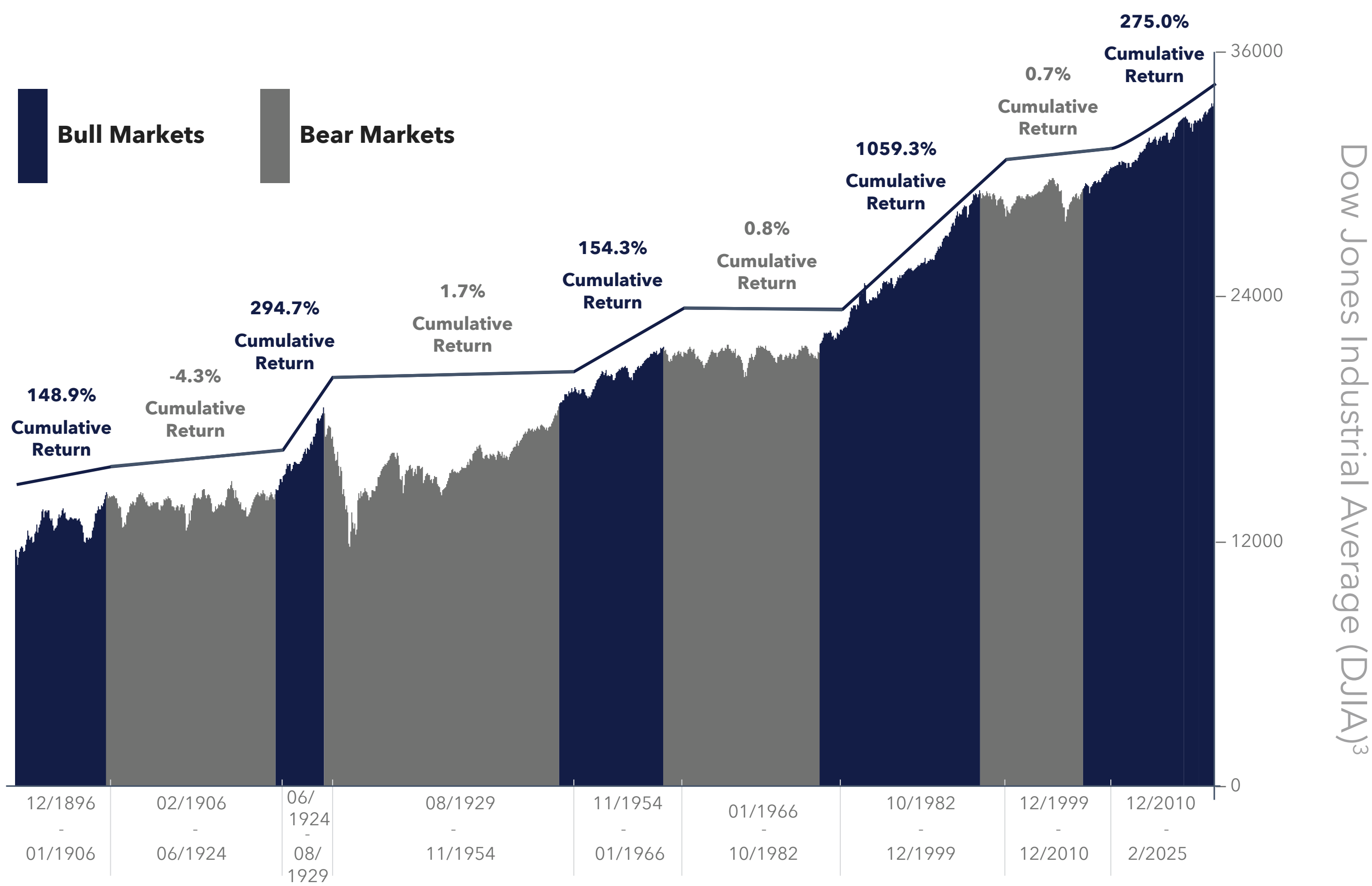
1. Global High Frequency Trading Industry Research Report, December 2024: https://www.grandviewresearch.com/industry-analysis/high-frequency-trading-market-report

Equity Returns in a Volatile Market

Volatility, or the frequency and rate of change in a security's value, is important to consider when determining an investing strategy for portfolios.

History shows the market typically moves in cycles. In the past 150 years (1870-2020), there have been six secular bull markets and six secular bear markets2. Investment strategies that work in bull markets may not be effective in bear markets. Market volatility can make it hard to capitalize on growth opportunities. Take the "lost decade" for example. The term has been used to refer the U.S. economic conditions from 2000 to 2010, during which there was little or no return from the broad stock market. The economic boom that occurred in the middle of that decade was not enough to make up for all the losses from the bear markets in 1999 and 2008.

Even in bull markets, market volatility can take a toll on portfolios. It is typical to see at least an average 10% correction per year.



2. A Perspective on Secular Bull and Bear Markets: advisorperspectives.com/dshort/updates/2023/02/03/a-perspective-on-secular-bull-and-bear-markets
3. Chart Source: finance.yahoo.com/quote/%5EDJI/history/

Settling into an era of volatility

Vanguard founder John Bogle's prediction of declines stretching up to 50% during the 2010-2020 decade did come true, albeit in the short-term. Overall, for the decade, the S&P 500 remains firmly in positive territory and the bear market for decade-long perspective remain firmly in place. That said, volatility can deter even the most seasoned investor. In recent times, we have witnessed growing volatility in the markets.

> **"One of the big differences between 2024 and 2025 may well be the nature of the factors driving market volatility. 2024 was about waiting (elections, central bank action), and markets mostly responded to shifts in expectations. In 2025, markets are expected to focus more on actual events and announced policy than speculation on social media."**
>
> – "What will drive market volatility in 2025" by MAN Group

From 2019-2023, the markets experienced a frenzied reaction to numerous events that were of somewhat an unprecedented combination. The covid-19 pandemic, the unexpected Russia-Ukraine war and supply chain problems, all combine to present a very complicated picture for any investor. This extends beyond just equities, as commodities also experienced volatility. Even though there were signs of recovery and sustained growth, all of them seem to have come with certain conditions.

In the information age, this unique combination of economic challenges have given rise to numerous opinions about what that could mean for the immediate future of the markets. While the more seasoned investors believe in holding strong on their beliefs and practices, the newer generation may not be so patient. The massive sell offs of 2020, the surge in energy prices and the supply side inflation concerns were all borne out of investors' emotional response to such events. While a somewhat deep recession is being heavily mooted for 2023, as spring is sure to arrive after winter, so will prosperity and growth at the end of this recession.[4]

4. Source: https://www.man.com/documents/download/21c4e-b21fb-c5ca0-b8c10/FRM_Early_View_The_Early_View_November_2024_-_What_Will_Drive_Market_Volatility_in_2025%3F_English_%28United_States%29_06-12-2024.pdf

The Challenge of Recovering from Losses

2024 was a year of many geopolitical and global events that could have been major volatility events in the market.

Both implied volatility as well as realized volatility fell in 2024 despite continual market events. After the shaky start to 2025, it is clear the environment for equities should be less stable this year and investors need to be more tactical than passive.

Remember, markets are cyclical, as shown in the chart on page 6. Shaky upswings followed by market drawdowns can be destructive to a portfolio's performance, primarily because on a percentage basis, you must earn more than you lost to get back to even.

The table below demonstrates how much an investment needs to gain to break even for a number of downward price movement scenarios.

The Mathematics of Losses and Gains

If a $10,000 investment loses X%, how much in gains are needed to break even?

% of Losses	Value Remaining after Loss	% of Gain Needed to Break Even
10%	$9,000	11%
15%	$8,500	18%
20%	$8,000	25%
25%	$7,500	33%
30%	$7,000	43%
40%	$6,000	67%
50%	$5,000	100%
60%	$4,000	150%

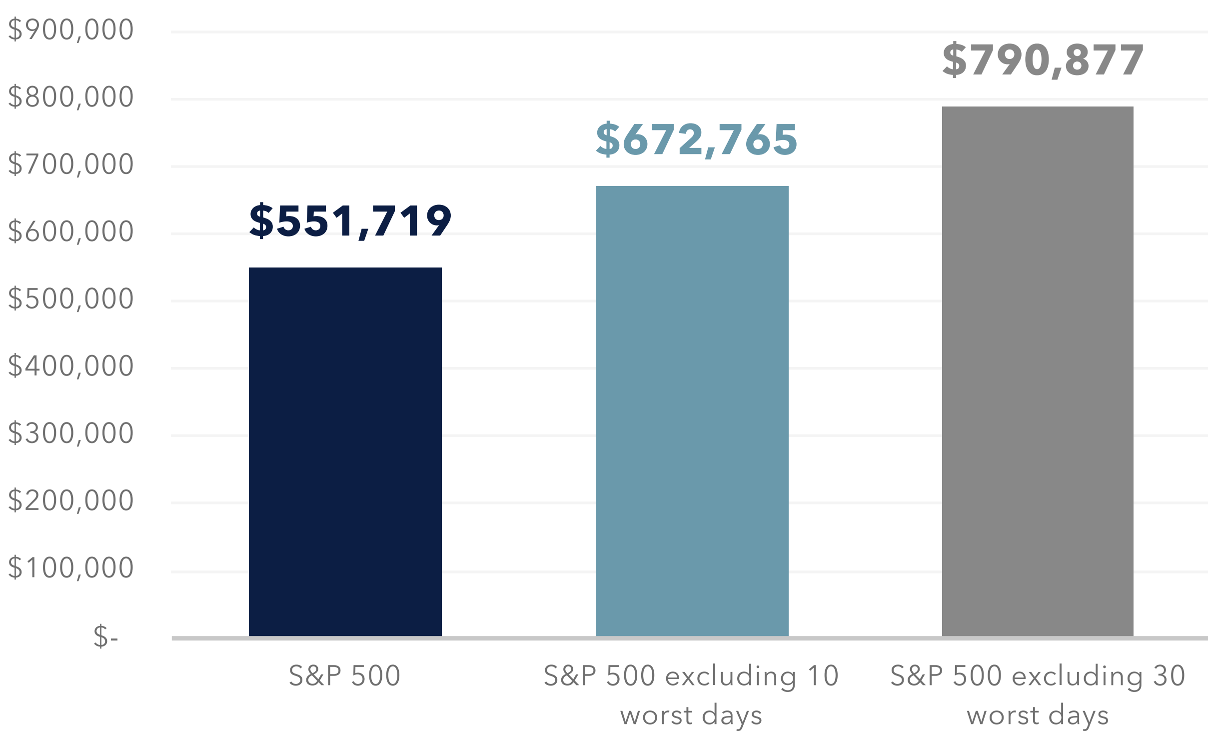
Benefits of Missing the Worst Days in the Market

One way to minimize downside risk is to miss the worst days of the market. It could save you more than you think.

As mentioned on page 4, the way a portfolio weathers downturns could go a long way in defining its investors' experience over the next decade. It's important to note, bear markets are a common part of investing. There have been roughly 25 cyclical bear markets since the Great Depression of 1929. Utilizing faster, computerized trading trends might allow investors to be more confident about their portfolios.

Based on historical returns from Yahoo Finance, missing some of the worst days in the market could save investors more than they think. Below is an illustration of the S&P 500® Index vs. S&P 500® Index excluding some of the worst days from 12/31/1979 to 02/25/2025.

Growth of $10,000 From 12/31/1979–02/25/2025



5. Source: Gain/Annum (%) and Growth of $10,000 of S&P 500® Stock Index Excluding Worst Days. S&P 500 Market price data - Yahoo Finance finance.yahoo.com/quote/%5EGSPC/history?p=%5EGSPC

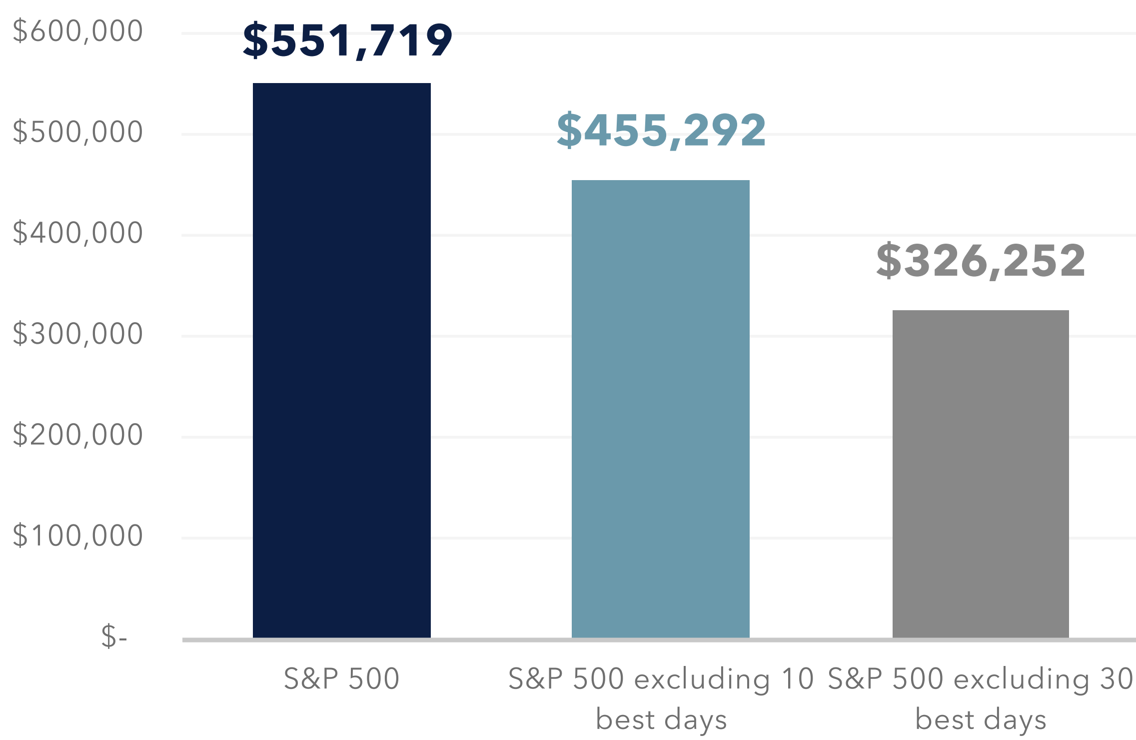
The Difference of Missing the Best Days in the Market

Conversely, not entering back into the market at the right time could cause set backs.

Missing the worst days of the market can save an investor's portfolio quite a bit, but failing to enter the market and capture some of the best days of the market can also hurt long-term performance.

Based on historical returns from Yahoo Finance, missing some of the best days in the market could hurt investors more than they think. Below is an illustration of the S&P 500® Index vs. S&P 500® Index excluding some of the best days from 12/31/1979 to 02/25/2025.

Growth of $10,000 From 12/31/1979–02/25/2025



6. Source: Gain/Annum (%) and Growth of $10,000 of S&P 500® Stock Index Excluding Best Days. S&P 500 Market price data - Yahoo Finance finance.yahoo.com/quote/%5EGSPC/history?p=%5EGSPC

Proprietary Risk Management with The HCM-BuyLine®

Mathematically striving to minimize downside risk with our proprietary trend indicator.

The HCM-BuyLine® is our proprietary, math-based trend indicator designed to mitigate downside risk. It is a quantitative, disciplined strategy that aims to take the emotion out of investing. Driven by mathematical market ratios, the model attempts to avoid significant market downturns by moving out of equities while seeking to take advantage of market upturns. The symbols indicated on the chart below represents the signals given by the HCM-BuyLine®.

When the HCM-BuyLine® turns negative, the indicator signals to move clients' investments to cash, cash equivalents, or lower volatility investments. When the HCM-BuyLine® turns positive, those investments will then be redeployed as indicated.

During the financial meltdown in 2008, the HCM-BuyLine® signaled to exit the stock market, avoiding much of the worst market draw-down in the past decade (as indicated below).

The Line indicated on this the S&P 500. Historical performance for the SPDR® S&P 500® ETF Trust (Symbol: SPY) is provided for informational and illustrative purposes only. SPY seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the S&P 500® Index, a diversified large cap U.S. index that holds companies across all eleven Global Industry Classification Standards sectors. SPY performance is shown net of internal fund expenses, including fund management fees and transaction costs. It should not be assumed that your account or any Howard CM strategy or model holdings correspond directly to SPY or any comparative benchmarks. There can be no guarantee that the HCM-BuyLine® indicator will perform as anticipated.

HCM Pivot Points® – A Structured Approach

We utilize proven technical analysis strategies including HCM Pivot Points® coupled with the HCM-BuyLine®, to help you navigate the ever-changing market landscape.

HCM Pivot Points® provide a clear framework for analyzing market movements, helping us make informed decisions and manage risk more effectively.

HCM Pivot Points® are calculated using historical price data (Close, Open, High, Low) of individual stocks and ETFs to assist in determining potential short to intermediate term support and resistance levels. Additionally, the HCM Pivot Points® utilizes a "buffer" in an effort to avoid false breakouts and limit trading due to intraday volatility.

HCM Pivot Points® Highlights

- **Enhanced Entry & Exit:** By identifying support and resistance levels, HCM Pivot Points® assist in pinpointing potential entry and exit points for trades, aiming to increase profitability and minimize losses.
- **Improved Risk Management:** The defined levels provided by HCM Pivot Points® help us set stop orders more strategically, limiting potential losses if the market moves against our position.
- **Potential for Trend Identification:** Analyzing HCM Pivot Points® alongside other indicators can offer insights into the overall market trend, allowing us to align our strategies accordingly.

HCM Pivot Points® is a trading strategy only and will not automatically allocate and/or re-allocate client assets. Actual trading activity may take time to research and implement and, as a result, trading activity may lag behind the signals provided by the HCM-BuyLine® indicator. There can be no guarantee that the HCM-BuyLine® indicator or HCM Pivot Points® will perform as anticipated or that following any signals provided by HCM Pivot Points® indicator will result in a profitable trade.

Five Ways to Navigate a Volatile Market

1. **Seek to avoid major losses through risk management**

   Overlaying investments with a risk management strategy can potentially help identify major market downturns to avoid portfolio devastation.

2. **Seek to implement a math-based strategy**

   The rise of computerized trading is consequently making investing challenging. With a math-based strategy, investors can seek to move in and out of the market faster, striving to minimize losses and maximize gains.

3. **Move to cash/lower volatility investments during major market declines**

   It could take months or even years to recover from devastating losses. Investors who avoid much of a significant drop by moving to safety not only attempt to preserve assets in major market declines, but positions them ready to capture major upturns (and potentially at attractive prices).

4. **Seek to remove emotion from the equation**

   Investors can be emotional with the swings of the market – holding a stock as it falls or selling it before it reaches its full potential can wreak havoc on a portfolio. An emotional approach to investing can hinder the ability to effectively manage investments.

5. **Stay the course**

   Commit to a strategy and risk level that not only could help one sleep at night, but also with the objective of meeting current income needs and long-term financial goals.

About Howard Capital Management, Inc.

Howard Capital Management (HCM) is an SEC-registered investment advisory firm, specializing in money management services for private clients, brokers, and broker dealers since 1999.

The vision for HCM originated during the 1987 stock market crash with the opinion that incurring financially devastating losses from market volatility may not be necessary. We developed a methodology with the objective to help protect capital during market downturns.

After years of research, we developed a quantitative, disciplined, math-based indicator called the HCM-BuyLine®. In 2000-2002 as the market dropped, we reduced clients' exposure to equities as signaled by the indicator, and in 2008, the HCM-BuyLine® again signaled to exit the stock market, consequently moving clients' investments to the sidelines during much of these declines.

HCM offers a variety of investment options through separately managed accounts, proprietary mutual funds, ETFs, and retirement tools. For more information regarding our services, please visit www.howardcm.com.

> **"We practice tactical money management. We do not believe in buy and hold, nor do we favor asset allocation. We must be tactical and mathematical to bring our best defense against a market that does not think or feel."**
>
> – Vance Howard, Howard Capital Management CEO + Portfolio Manager

Disclosure

Howard Capital Management, Inc. ("HCM") is an SEC-registered investment advisor with its principal place of business in the State of Georgia. SEC registration does not constitute an endorsement of HCM by the SEC, nor does it indicate that HCM has arraigned a particular level of skill or ability. HCM only transacts business where it is properly registered or is otherwise exempt from registration. Howard Capital Management, Inc. (Howard CM) offers its investment methodology through multiple programs that may invest in exchange traded funds, variable annuities, Bonds and Mutual Funds. There is no certainty that any investment or strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable or successful in achieving investment objectives.

The HCM- BuyLine® graph represents some of the dates on which our proprietary indicator, the HCM-BuyLine®, identified changes in the market trend. Buys and sells may or may not have occurred on the exact dates shown. These dates do not necessarily reflect transactions applied to every individual account. Also, certain products, custodians and portfolios may have a delay in execution. When the HCM-BuyLine® indicates a bull market, HCM then identifies the particular mutual funds, ETFs or individual stocks that we believe have the best return potentials in the current market from the universe of assets available in each given program and invests in them. When the HCM-BuyLine® indicates a bear market, HCM moves clients' investments to less risky alternatives. Howard CM's performance results: 1) are presented net of advisory fees of 2.2% paid monthly in arrears, 2) are net of transaction fees and commissions, 3) are not net of custodial fees, and 4) reflect the reinvestment of dividends and capital gains. Past performance is not a guarantee or a reliable indicator of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable or equal to past performance levels.

The HCM Pivot Point® graph represents an illustrative example of how our proprietary indicator, the HCM Pivot Point®, could identify potential entry and exit points for the subject security. HCM Pivot Point® is not an automated trading program, and not all HCM Pivot Point® signals will result in securities transactions. Securities transactions that are placed in response to HCM Pivot Point® signals may not have occurred on the exact dates shown. Consequently, these dates do not necessarily reflect transactions applied to every individual account pursuant to HCM Pivot Point® signals. In addition, certain products, custodians and portfolios may have a delay in execution, which could cause actual transaction dates to differ from the dates when HCM Pivot Point® produced buy or sell signals. Please note the chart represented here is not trying to show how well the strategy actually performed only on how it may look in practice.

HCM Pivot Point® (in practice) uses historical price data (e.g., opening and closing prices, daily highs, daily lows, etc.) in an attempt to identify short-to-intermediate term support and resistance levels and potential changes in trends in a security's market. When the HCM Pivot Point® identifies a potential entry or exit point for a security, HCM will assess the security and signal in light of the subject investment strategy and/or portfolio to determine whether a resulting security transaction(s) is appropriate. The chart is intended to be for illustrative purposes only to demonstrate how the Pivot Points operate, that the Pivot Points and chart shown are purely fictional.

Use of HCM Pivot Point® and/or HCM-BuyLine® does not guarantee outperformance of any strategies not employing such programs and does not insulate an investor from the risk of loss.

The S&P 500® Index includes a representative sample of 500 leading companies in chief industries of the U.S. economy and is generally considered a proxy for the total market; it is an unmanaged investment measure and is not available for investment purposes. Barclays Aggregate Bond Index includes government securities, mortgage-backed securities, asset-backed securities, and corporate securities, and is generally considered the best overall simulation of the universe of bonds in the market; it is an unmanaged investment measure and is not available for investment purposes. The S&P500® is not affiliated with HCM.

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HOWARD
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Howard Capital Management, Inc.
1145 Hembree Road
Roswell, GA 30076

770.642.4902
info@howardcm.com
howardcm.com