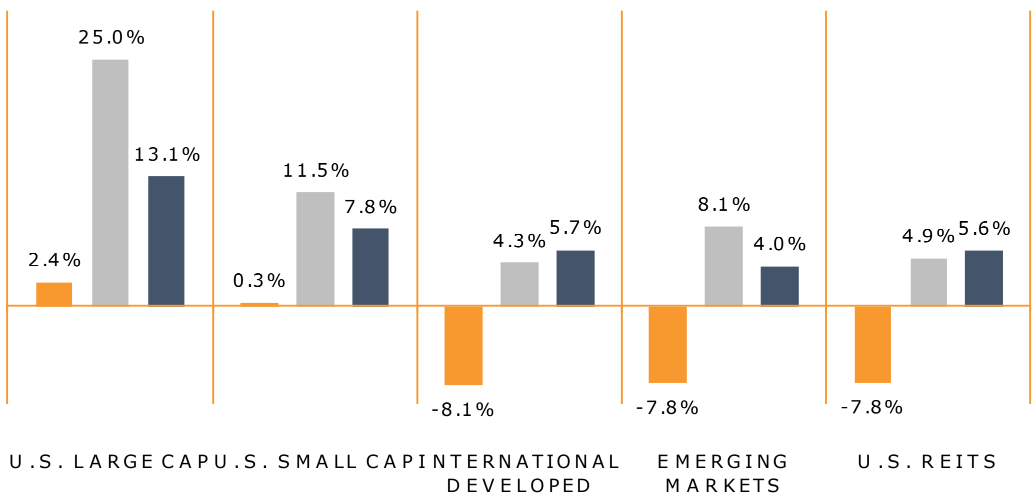
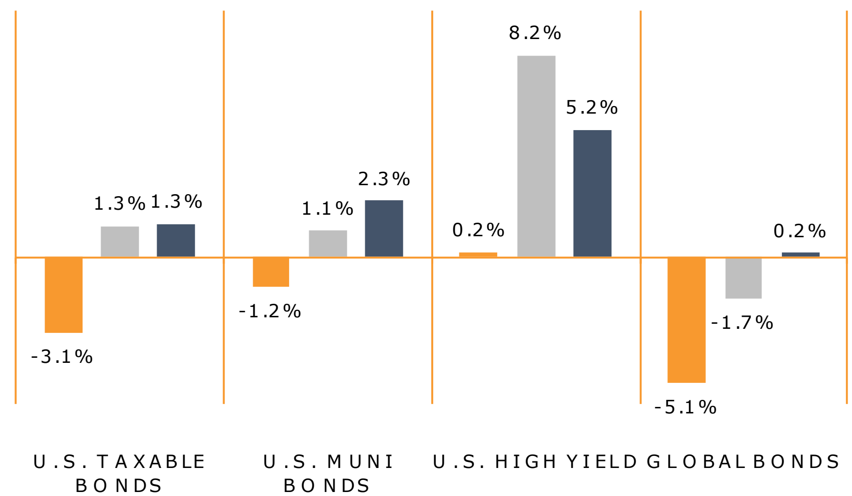
Q4'24 Market Review

3 Month: 12/31/24 YTD 10 Year*

EQUITY MARKETS HIGHLIGHTS



FIXED INCOME MARKETS HIGHLIGHTS



- **U.S. Large Cap Stocks** trended higher+2.4% in Q4 and +25.0% YTD, returning to the leadership position for the final quarter of the year.
  - Markets were tepid until the election and experienced a broad surge post-election, but only momentum driven Large Growth +6.9% was able to sustain those gains through year-end.
- **U.S. Small Cap Stocks** were slightly up +0.3% for the quarter, delivering +11.5% YTD. The surge in small caps post-election waned as economic data, and the Fed themselves, admitted this cutting cycle might be shallower than expected.
- **International Developed Stocks** performed poorly, down -8.1% for the quarter, finishing the year up +4.3%. The US Dollar strengthened throughout the quarter to its highest level since the Q4 2022 hiking cycle peak.
- **Emerging Markets Stocks** were also down significantly -7.8% in the quarter, returning +8.1% for the year. China stimulus was unable to offset the strengthening US Dollar impacts.
- **U.S. REITS** pulled back as well -7.8% in the quarter following the strong Q3 as rates at the longer end of the curve moved higher despite Fed cuts.

- **U.S. Taxable Bonds** fell -3.1% in Q4, up +1.3% for the year. Despite the Fed initiating its cutting cycle, the bond market reacted poorly, selling off at the long end. Continued strength in economic data forced investors to grapple with the reality that they had priced in far too many cuts ahead of time.
- **U.S. Muni Bonds** did better in Q4 down -1.2%, up +1.1% for the year. After not participating as much in the Q3 rally, this was not a total surprise to see the opposite response to fluctuating interest rates.
- **U.S. High Yield** credit markets were up +0.2% in Q4, and +8.2% YTD. Again, high yield continued to benefit from shorter duration and tight credit spreads.
- **Global Bonds** were down -5.1% in Q4, dropping -1.7% for the year. The strengthening U.S. dollar was a headwind to global bonds, despite global central bank policy shifts from restrictive to accommodative stances.

*Annualized daily returns as of 12/31/2024.

Market conditions and trends will vary. Past performance is no guarantee of future results. Investments cannot be made in an index.

Source: YCharts, Inc.; underlying indices are S&P 500® TR Index, Russell 2000® TR Index, MSCI EAFE TR, MSCI Emerging Markets Index TR, Dow Jones US Real Estate Index TR, Barclays Municipal Bond Index, Barclays U.S. Aggregate Bond Index, Barclays U.S. Corporate High Yield Bond Index and the Barclays Global Aggregate Bond Index.

INTEGRATED

Q4'24 U.S. Market Snapshot

US Equity Market Snapshot	12/31/24
Sector	3 Month Return
Consumer Cyclical	12.2%
Comm. Services	7.4%
Financials	7.1%
Technology	3.2%
Energy	-1.6%
Industrials	-2.2%
Consumer Defensive	-4.6%
Utilities	-5.5%
Real Estate	-8.0%
Health Care	-10.3%
Materials	-12.2%

CRSP Equity Style Snapshot			12/31/24
3 Month	Value	Blend	Growth
Large	-2.5%	2.8%	7.0%
Mid	-3.0%	0.5%	4.5%
Small	-0.8%	1.7%	4.8%

Market Indicators

Name	As of	Last Month**	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.
Key Interest Rates							
1 Month Treasury	12/31/24	4.40%	4.76%	-7.6%	5.60%	-21.4%	Daily
2 Year Treasury	12/31/24	4.25%	4.13%	2.9%	4.23%	0.5%	Daily
10 Year Treasury	12/31/24	4.58%	4.18%	9.6%	3.88%	18.0%	Daily
30 Year Mortgage	12/26/24	6.85%	6.84%	0.1%	6.67%	2.7%	Weekly
US Corporate AAA	12/30/24	4.90%	4.64%	5.6%	4.51%	8.6%	Daily
US Corporate BBB	12/30/24	5.50%	5.27%	4.4%	5.35%	2.8%	Daily
US Corporate CCC	12/30/24	11.65%	11.46%	1.7%	12.53%	-7.0%	Daily
Effective Federal Funds	12/30/24	4.33%	4.58%	-5.5%	5.33%	-18.8%	Daily
U.S. Economy							
Consumer Sentiment	12/31/24	74.00	71.80	3.1%	69.70	6.2%	Monthly
Unemployment Rate	11/30/24	4.20%	4.10%	2.4%	3.70%	13.5%	Monthly
Inflation Rate	11/30/24	2.75%	2.44%	12.7%	3.14%	-12.4%	Monthly
Manufacturing PMI	11/30/24	48.40	47.20	2.5%	46.70	3.6%	Monthly
Non Manufacturing PMI	11/30/24	52.10	54.90	-5.1%	52.70	-1.1%	Monthly

Source: YCharts, Inc.

Q4’24 Froth, Fraud & Flows

After almost two years of deep inversion, the yield curve ended 2024 with a “normal” upward slope following the Fed’s latest rate cut in December. Market action outside of fixed income was anything but normal. Usual signs of speculative excess: Froth, Fraud & Flows were all present in Q4 ’24 as the US election unleashed unusually strong risk-on sentiment.

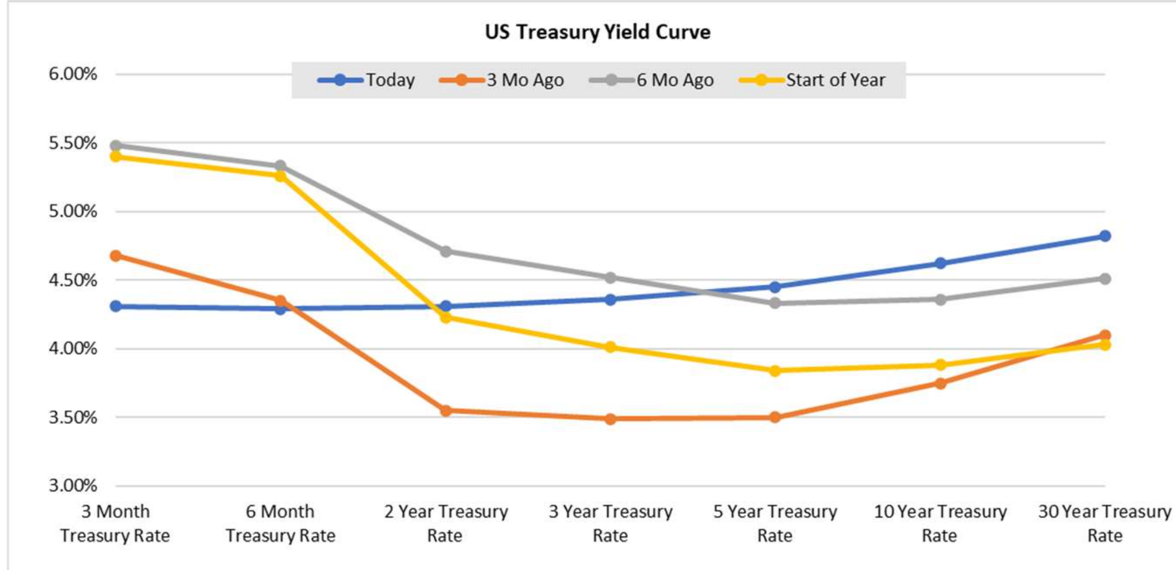
Strength in US economic data forced markets to grapple with the potential reality that the US rate cutting cycle might be shallower than hoped. Outside the US, however, data continued to weaken, bolstering the case for further easing from ex-US central banks. This dissonance pressured the US dollar to its highest level since the 2022 hiking cycle peak and consequently weighed on most risk assets.

US stocks were the spared asset class, and while the full Q4 ‘24 returns were modest, the interim period saw levels of exuberance not seen since at least 2021. In the election's aftermath, markets surged higher, forecasting the bright future a new, hopefully less restrictive administration would bring. Hundreds of billions of dollars flowed into US stocks from home and abroad in a matter of weeks, despite markets making all-time highs daily.

It would not be until mid-December, as Fed Chair Powell delivered his most recent press conference and rate cut, that markets began questioning whether the recent surge in returns was justified. Powell also for the first time sounded far less confident that the central bank’s policies were having their intended effects on both inflation and the job market. The US market cooled off into year end, failing to deliver the hoped for Santa Claus rally, but it was still a very robust year of gains regardless.

Entering 2025 with the yield curve normalized, fixed income hopefully has found its near-term equilibrium and will pull more of its weight as the portfolio ballast through uncertainty. The cooling of equity markets over the final weeks of the year also provided some relief from overheating short-term, but two consecutive +25% years for the S&P 500 has created high expectations from investors.

The biggest risk for 2025 is the same one highlighted in 2024. If inflation proves to not be under control, tougher policy choices are likely to have significant consequences for highly priced asset markets. Until then, the liquidity backdrop and strong sentiment may prove enough to stave off more significant declines.



Sources:YCharts, Inc.

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