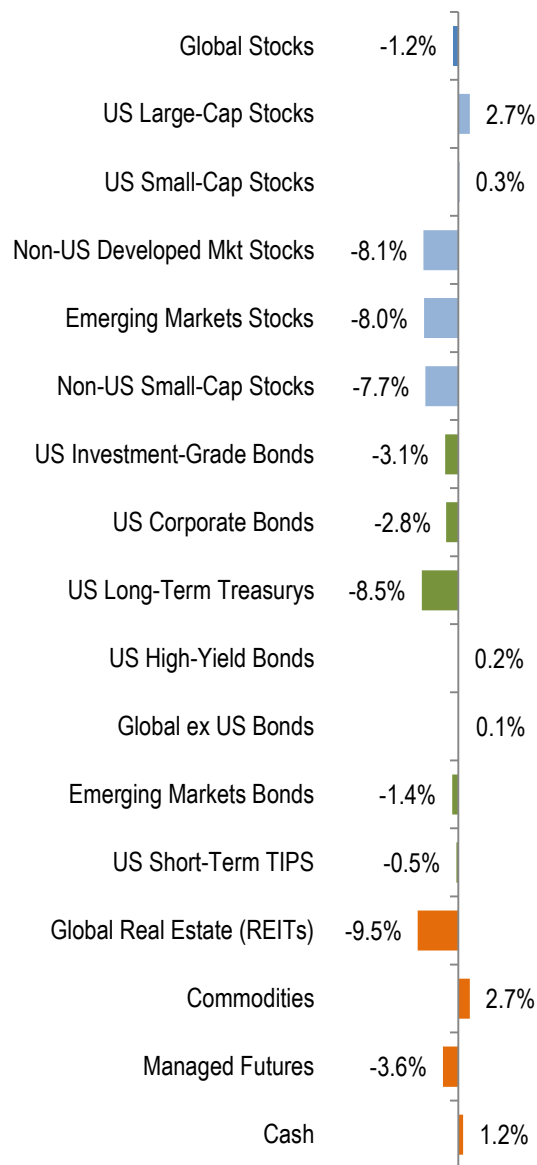


As of December 31, 2024

Fourth Quarter 2024



Fourth Quarter 2024: Saddle Up: Magnificent Seven Leave Others in the Dust

Amid worrisome global turmoil, more modest rate cuts than anticipated, and a US election reversal, mega-cap tech giants powered the S&P 500 to 57 record closes in 2024, along the way to a 25% gain for the full year. The strong year followed an impressive (26%) performance for the index in 2023, making these past two years the strongest back-to-back years for large US stocks since the late 1990s. Despite the extraordinary year, returns in the fourth quarter were muted as investors parsed potential policy changes anticipated under the new administration and fretted stickier-than-anticipated inflation.

Once again, US market returns were driven by the largest technology companies possessing the resources to scale artificial intelligence. The so-called Magnificent Seven, now comprising more than a third of the S&P 500 index, averaged more than a 60% gain for the year, while the average stock in the S&P 500 rose a more modest 13%. Smaller companies and value stocks performed well but still trailed large tech. Non-US shares, negatively impacted by a strong post-election US dollar rally in the fourth quarter, finished the year in modest positive territory.

Investors spent the fourth quarter digesting and anticipating potential policy changes under the incoming Trump administration. Top of mind for investors are taxes, tariffs, immigration, and deregulation. After a brief post-election bounce, the stock market retreated to pre-election levels.

Meanwhile, bonds had a positive but lackluster year as the Fed continued to battle sticky inflation. Following the Fed's apparent declaration of victory over inflation with its first rate cut in four years, bond markets sold off and interest rates rose as fears for resurgent inflation, and a slower pace of future Fed cuts, returned. Although inflation expectations remain higher than in the previous decade, they retreated since reaching highs in 2022, oscillating around a modestly elevated "new normal," above the Federal Reserve's 2% inflation target. Federal Reserve interest rate projections adjusted accordingly; Fed officials now anticipate just two or three rate cuts in 2025.

	QTD	YTD	1 Year	3 Years	5 Years	20 Years
Global Stocks	(1.2%)	16.4%	16.4%	4.9%	9.7%	7.7%
US Large-Cap Stocks	2.7%	24.5%	24.5%	8.4%	14.3%	10.4%
US Large-Cap Value	(2.0%)	14.4%	14.4%	5.6%	8.7%	7.9%
US Large-Cap Growth	7.1%	33.4%	33.4%	10.5%	19.0%	12.6%
US Small-Cap Stocks	0.3%	11.5%	11.5%	1.2%	7.4%	7.8%
US Small-Cap Value	(1.1%)	8.1%	8.1%	1.9%	7.3%	7.0%
US Small-Cap Growth	1.7%	15.2%	15.2%	0.2%	6.9%	8.3%
Non-US Developed Markets (USD)	(8.1%)	3.8%	3.8%	1.6%	4.7%	4.8%
Non-US Developed Markets (Local)	(0.6%)	11.3%	11.3%	6.3%	7.6%	6.2%
Emerging Markets (USD)	(8.0%)	7.5%	7.5%	(1.9%)	1.7%	6.0%
Emerging Markets (Local)	(4.4%)	13.1%	13.1%	1.6%	4.5%	7.9%
US Investment-Grade Bonds	(3.1%)	1.5%	1.5%	(2.4%)	(0.3%)	3.0%
US Long-Term Treasurys	(8.5%)	(5.8%)	(5.8%)	(11.4%)	(4.9%)	3.4%
US Short-Term TIPS	(0.5%)	4.5%	4.5%	1.5%	3.1%	2.8%
Global Real Estate (REITs)	(9.5%)	2.0%	2.0%	(5.1%)	(0.0%)	5.0%
Cash	1.2%	5.2%	5.2%	3.9%	2.5%	1.7%

Returns for periods longer than 1 year are annualized.

Sources: Sellwood Investment Partners LLC, Morningstar, Federal Reserve Economic Data, MSCI, FTSE Russell, ICE BofA, Credit Suisse

Prices ticked up in December and paychecks grew, delivering real wage gains in 2023 for the first time in three years. The CPI inflation rate increased to 3.4%, up from 3.1% the prior month.

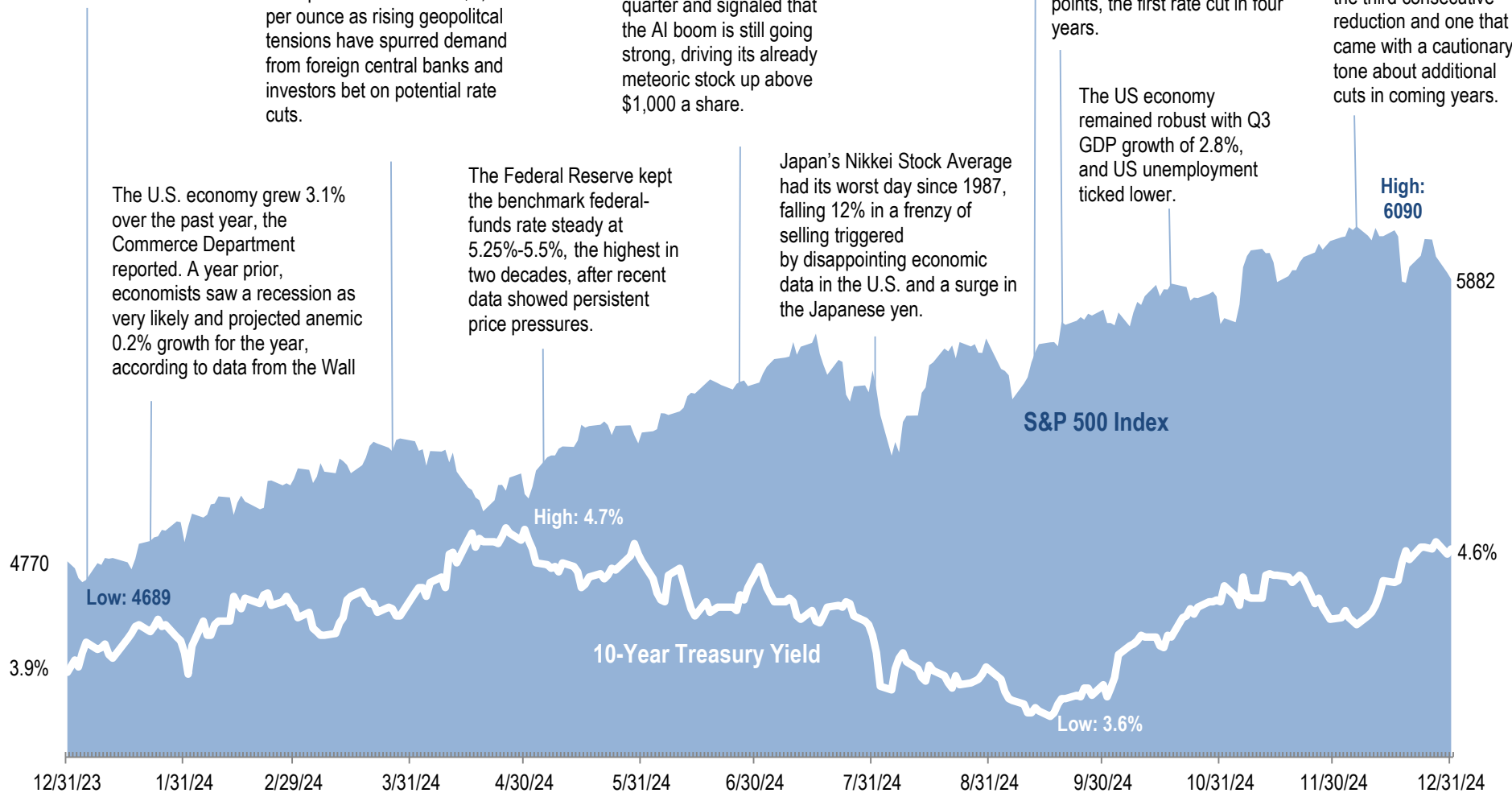
The consumer-price index rose 2.9% from a year earlier, the lowest reading since 2021.

Gold prices broke above \$2,100 per ounce as rising geopolitical tensions have spurred demand from foreign central banks and investors bet on potential rate cuts.

Nvidia delivered a record quarter and signaled that the AI boom is still going strong, driving its already meteoric stock up above \$1,000 a share.

The Federal Reserve lowered interest rates by 50 basis points, the first rate cut in four years.

The Federal Reserve lowered its key interest rate by 25 basis points, the third consecutive reduction and one that came with a cautionary tone about additional cuts in coming years.



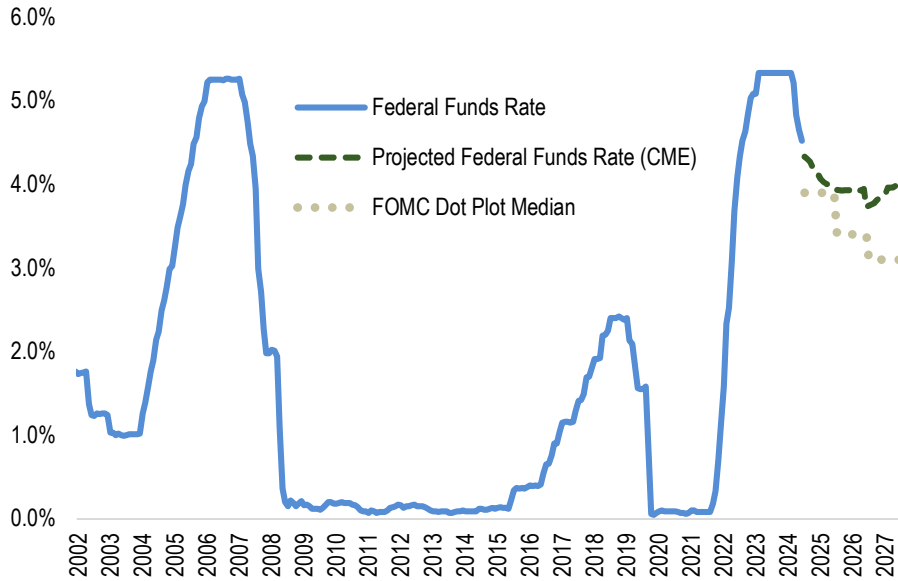
The U.S. economy grew 3.1% over the past year, the Commerce Department reported. A year prior, economists saw a recession as very likely and projected anemic 0.2% growth for the year, according to data from the Wall

The Federal Reserve kept the benchmark federal-funds rate steady at 5.25%-5.5%, the highest in two decades, after recent data showed persistent price pressures.

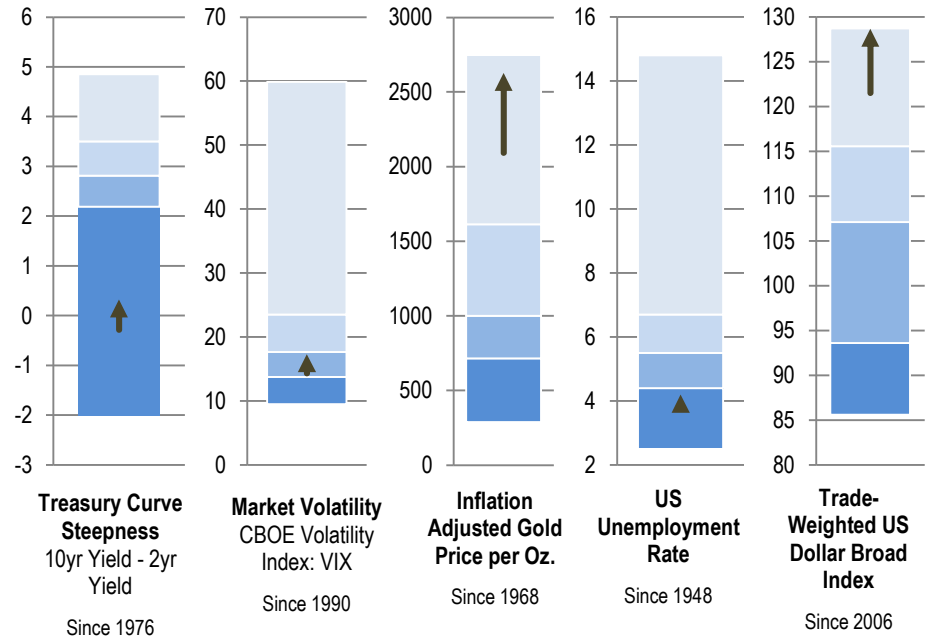
Japan's Nikkei Stock Average had its worst day since 1987, falling 12% in a frenzy of selling triggered by disappointing economic data in the U.S. and a surge in the Japanese yen.

The US economy remained robust with Q3 GDP growth of 2.8%, and US unemployment ticked lower.

Federal Funds Rate

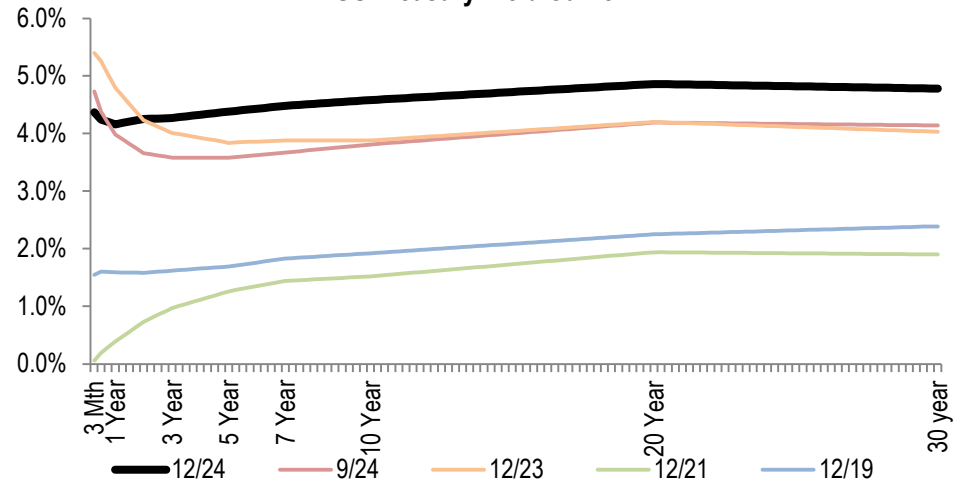


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	<u>12/2024</u>	<u>9/2024</u>	<u>12/2023</u>	<u>12/2021</u>	<u>12/2019</u>
Market Inflation Expectations					
5 Year	2.4	2.1	2.1	2.9	1.7
10 Year	2.3	2.2	2.2	2.6	1.8
20 Year	2.5	2.4	2.4	2.6	1.9
CPI Year-over-Year	---	2.4	3.4	7.0	2.3
West Texas Crude Oil	72.4	68.8	71.9	75.3	61.1
Consumer Sentiment Index	74.0	70.1	69.7	70.6	99.3
S&P 500 Operating EPS	61.1*	59.2	53.9	56.7	39.2
Real GDP Growth YoY	---	3.1	3.2	7.4	2.8
Federal Funds Rate	4.33	4.83	5.33	0.08	1.55

US Treasury Yield Curve



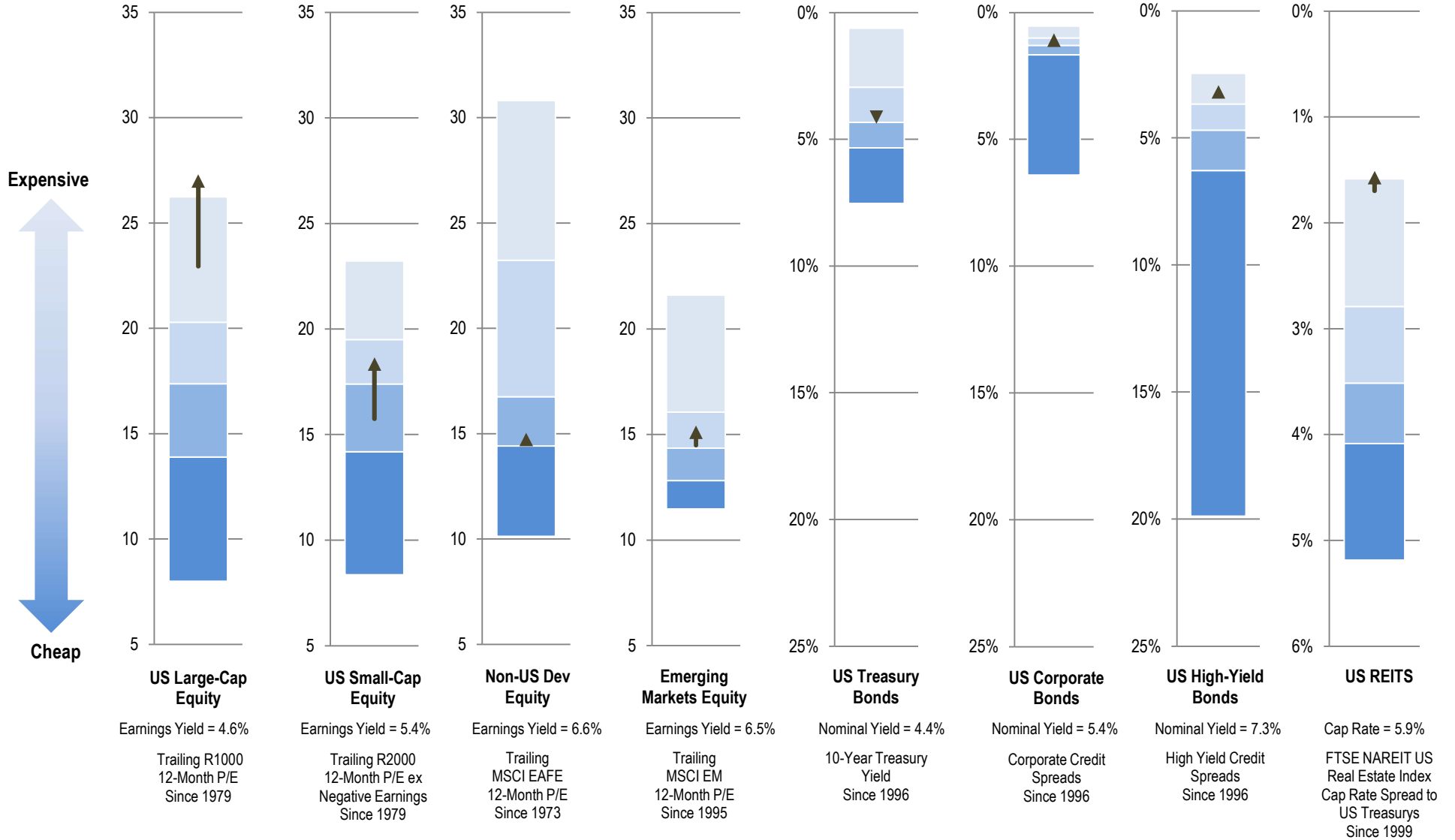
Sources: Sellwood Investment Partners LLC, Morningstar, Federal Reserve Economic Data, CME Group, S&P Dow Jones Indices

Arrows in the top-right charts represent year on year change.

*Estimate, provided by S&P Dow Jones Indices.

Global Market Valuations - One Year Change

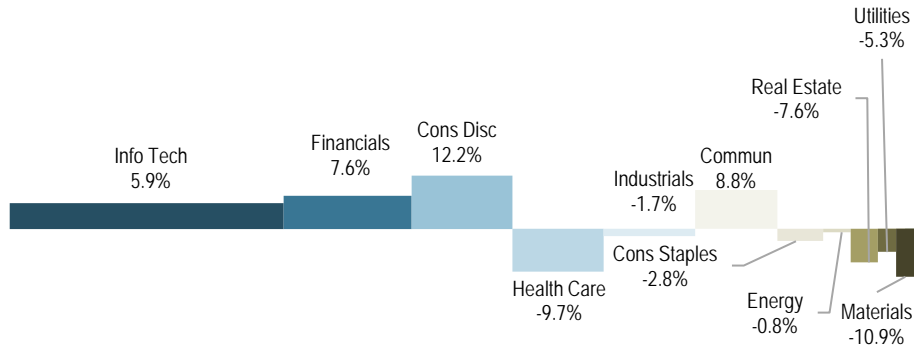
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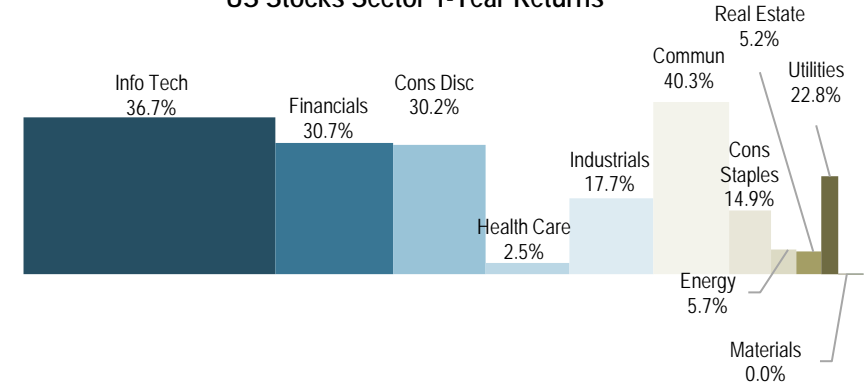
Arrows represent year on year change. Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%. P/E metrics calculated by Investment Metrics and Morningstar may use different methodology. Sources: Sellwood Investment Partners LLC, Robert Shiller Data, S&P Dow Jones Indices, FTSE Russell, MCSI, Federal Reserve Economic Data, NAREIT

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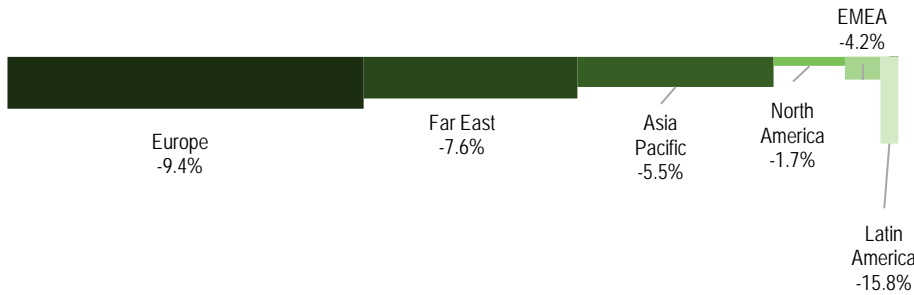
US Stocks Sector Quarter Returns



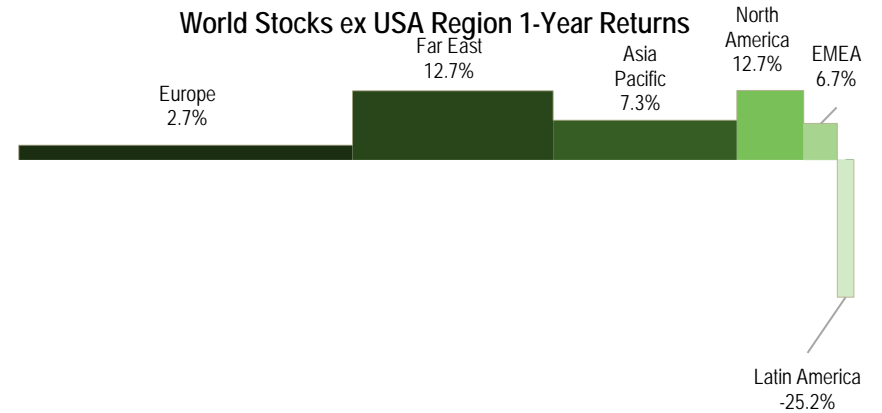
US Stocks Sector 1-Year Returns



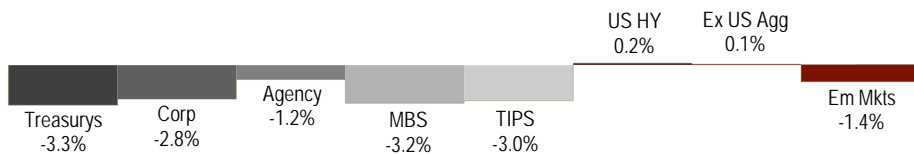
World Stocks ex USA Region Quarter Returns



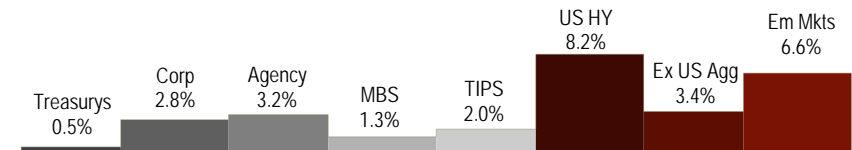
World Stocks ex USA Region 1-Year Returns



Fixed Income Sectors Quarter Returns



Fixed Income Sectors 1-Year Returns



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights. The Far East includes Hong Kong, Japan and Singapore.

Sources: Sellwood Investment Partners LLC, Morningstar, S&P Dow Jones Indices, MSCI, ICE BofA