

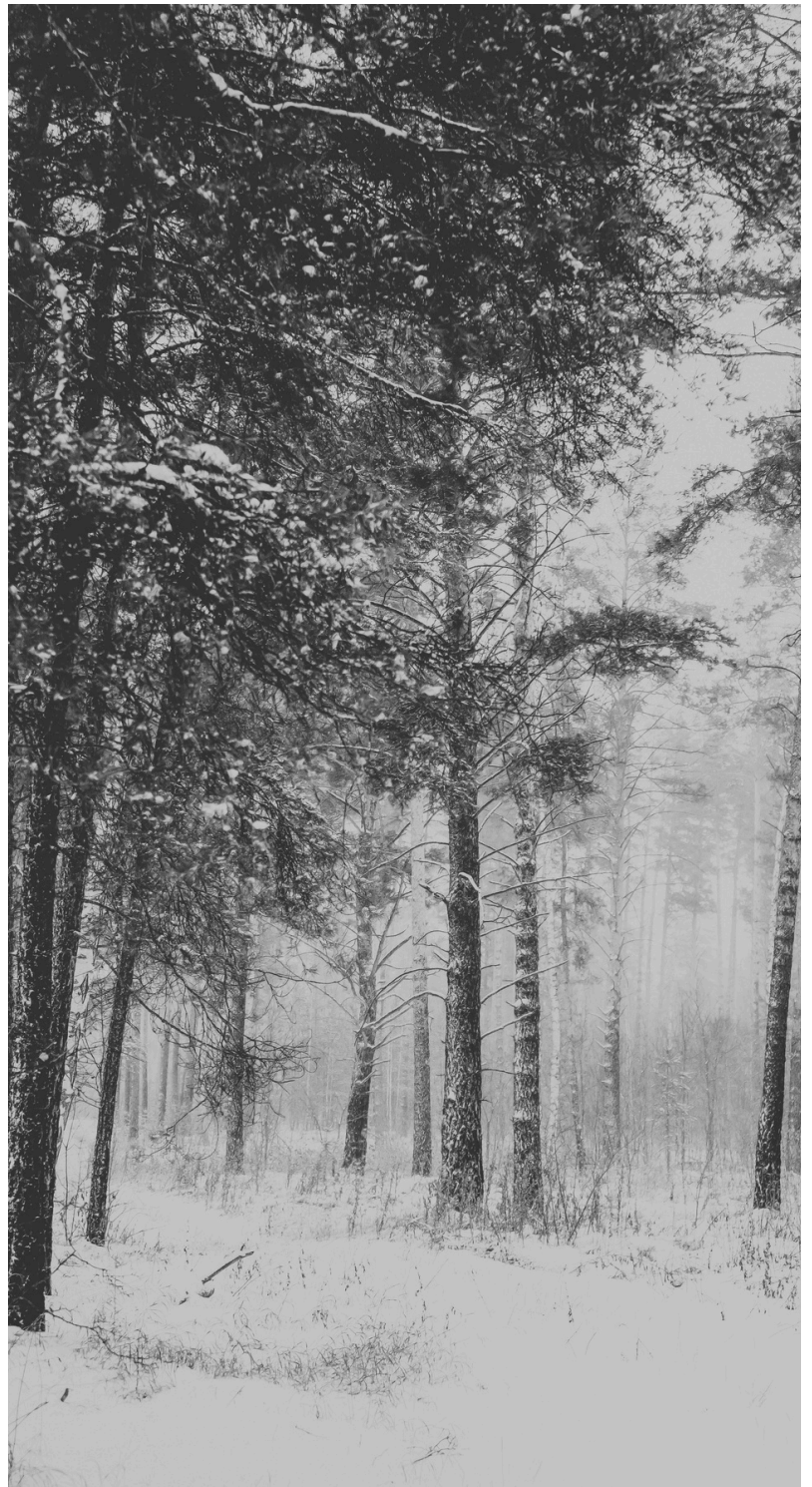
FSA INSIGHTS

QUARTERLY UPDATE

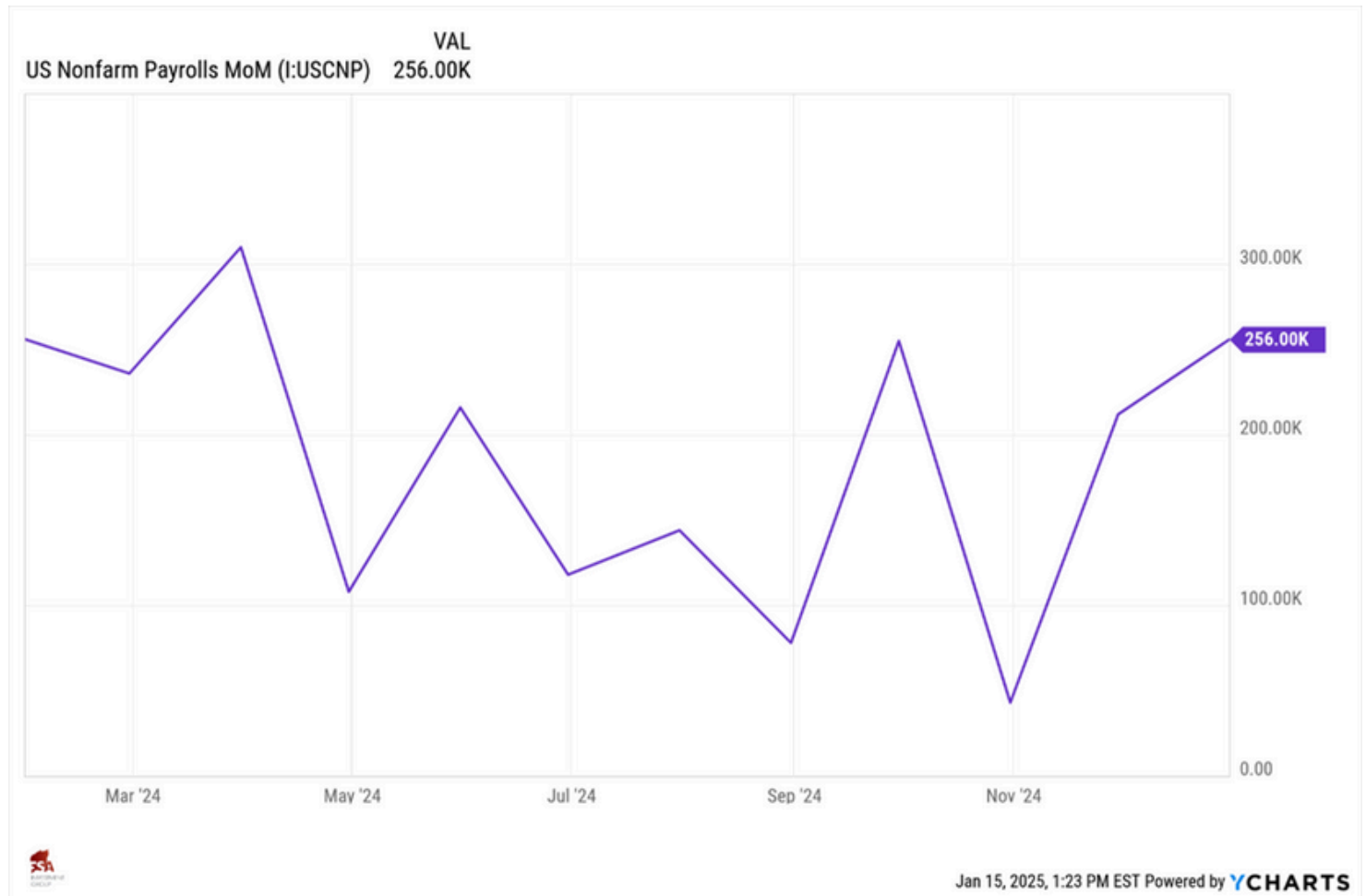
As we look back on 2024, we close this year with a sense of resilience and optimism for the economy entering 2025. While the market did not deliver the traditional Santa Claus rally many of us have come to expect, diversified portfolios had another good year, and we maintain our views of cautious optimism and a favorable outlook for the year ahead.

The fourth quarter of 2024 brought us a rollercoaster of emotions; what began as nervousness surrounding U.S. elections quickly turned into a market sigh of relief, only to end with investors fretting their level of optimism with the Feds' change in tone with rate cuts and the outlook on future economic conditions. The result of this ride meant that U.S. Stocks, which was poised to finish the year strongly, ended the quarter with a muted gain of 2.4%. If Santa was considered generous to U.S. Stock investors, he would be a world-class grinch by delivering investors lumps of coal with the Bond Market down 3.1% and International Stocks down 7.5% for the quarter.

Overall, the quarter provided some pause as the U.S. continued another stellar year of double-digit returns, with U.S. stocks delivering a 25% return. In comparison, bonds returned 1.3%, and international stocks returned 6.1% for 2025.



Economically speaking we closed out the year with core inflation remaining steady at 3.3%. Payrolls added 256,000 jobs (see chart below for the last 12 months of payrolls), a big jump from the prior month, and the unemployment rate ticked down slightly to 4.1%. While the number of jobs has bounced around, it has remained positive throughout the last year.



The consumer remained intact as retail sales rose 0.7%, and single-family home sales rebounded 5.9%. The Federal Reserve quickly added itself to the naughty list of every investor when they cut rates in mid-December while casting doubt on the expected rate cut scenario for 2025, sending markets downward. Although inflation has cooled significantly in the past two years, providing the Fed with greater flexibility for monetary policy adjustments, the "last mile" of inflation reduction may prove most challenging. While markets still anticipate further rate cuts in 2025, all eyes will be on Washington to see if and how tariffs will be implemented and the implications for inflation and growth trends.

Looking ahead, maintaining a diversified and balanced portfolio remains essential. The threat of tariffs in foreign markets and the continuation of U.S. exceptionalism have markets searching for beneficiaries of the new presidential term. U.S. stocks may benefit from focusing on sectors aligned with structural growth, such as technology, healthcare, and renewable energy, while it may be prudent to pare back international exposure. Active management will remain critical for fixed-income investors as market conditions create opportunities for income generation. Furthermore, real assets and private market investments provide diversification and potential resilience against market volatility.



As we embark on 2025, we anticipate more volatility in the news cycle as the country enters the second term of a familiar presidency. However, we find reassurance in the relative resilience of the economy, which has weathered repeated recession forecasts over the past two years. Despite geopolitical uncertainties and inflation challenges, the foundation for a constructive investment landscape remains intact. Thoughtful planning and disciplined investing will be key as we navigate the opportunities and risks of the year ahead.

We deeply value your trust and partnership. As always, please reach out with any questions or discuss updates to your financial plan.

Thank you for your confidence and support.

Respectfully,

Handwritten signature of Andy Webb in black ink.

Andy Webb
Chief Investment Officer

Handwritten signature of Brett Akers in black ink.

Brett Akers
Director of Investments

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