Capital Market Review / *Fourth Quarter 2024*

The Big Picture

Flip Flop

The market has been flip-flopping for a while now, and while most seem not to notice, I am really getting tired of it. If one pays attention only to the S&P 500 index, then it may not seem like there is any inconsistency as it just keeps going up each quarter, or at least it has over the last couple of years. However, it is what happens under the surface that really tells an investor what is happening.

In the first quarter of 2024, everything worked: Large growth had an 11.4 percent gain, but large value returned 9 percent, and small companies were up nicely as well. We had a broad-based market rally. Then the market flipped: In the second quarter of 2024, large growth was up 8.3 percent, and every other category actually lost money. Then, the market flopped: In the third quarter of 2024, small value stocks were the best place to be, up 10.2 percent, while small growth stocks were up 8.4 percent and large value stocks were up 9.4 percent. Large growth stocks were still positive, up 3.2 percent.

This trend lasted through November, but in December, the market didn't just flip; it flipped out: The entire market dropped 7 to 8 percent, except for large growth, which was up just under a percent.

> *"The market didn't just flip; it flipped out."*

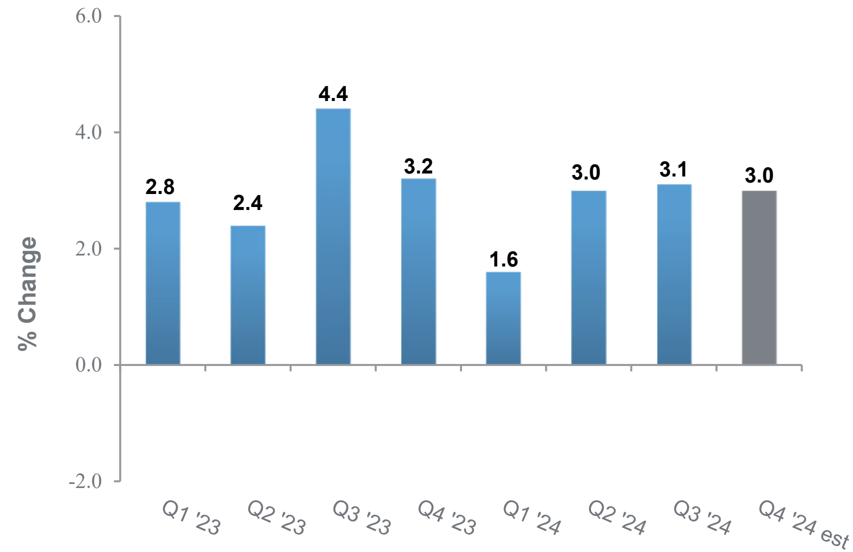
The Economy

The 3rd quarter 2024 GDP growth came in up 3.1 percent, which was better than we expected. GDPNow shows 3.0 percent growth in the 4th quarter. The economy just keeps rolling along despite all the doomsayers.

The official unemployment rate was 4.1 percent through December. The labor market remains steady. After a slight rise in unemployment the rate came back to the same place we were in September. We are in the middle of the economic cycle and not near the end.

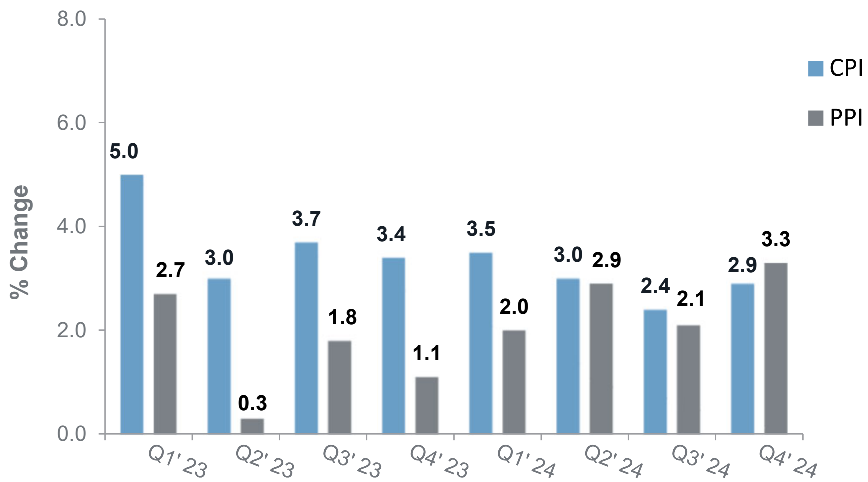
Inflation is 2.9 percent based on the latest consumer price index report. The slowdown has predictably gotten slower, but that is how real-world data works. The producer price index, which tracks wholesale prices, is up 3.3 percent over the last 12 months.

Domestic GDP



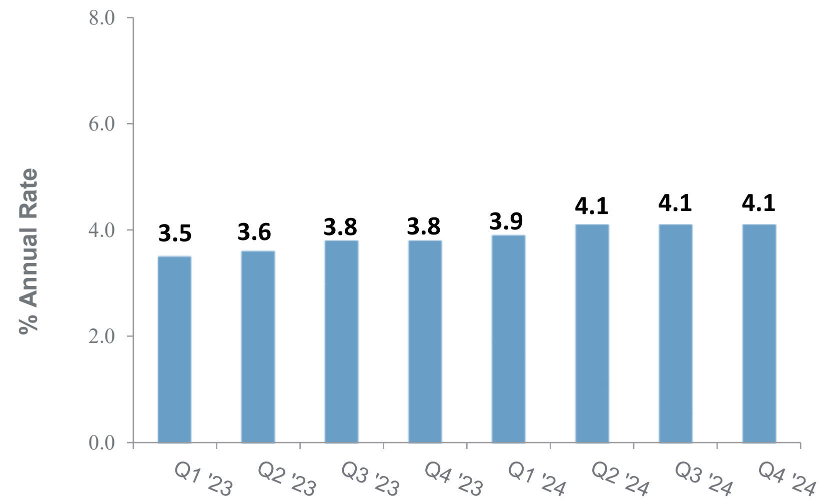
Source: Bureau of Labor Statistics, GDPNow Federal Reserve Bank of Atlanta

Inflation Indicator
12 month unadjusted



Source: Bureau of Economic Analysis

Unemployment Rate

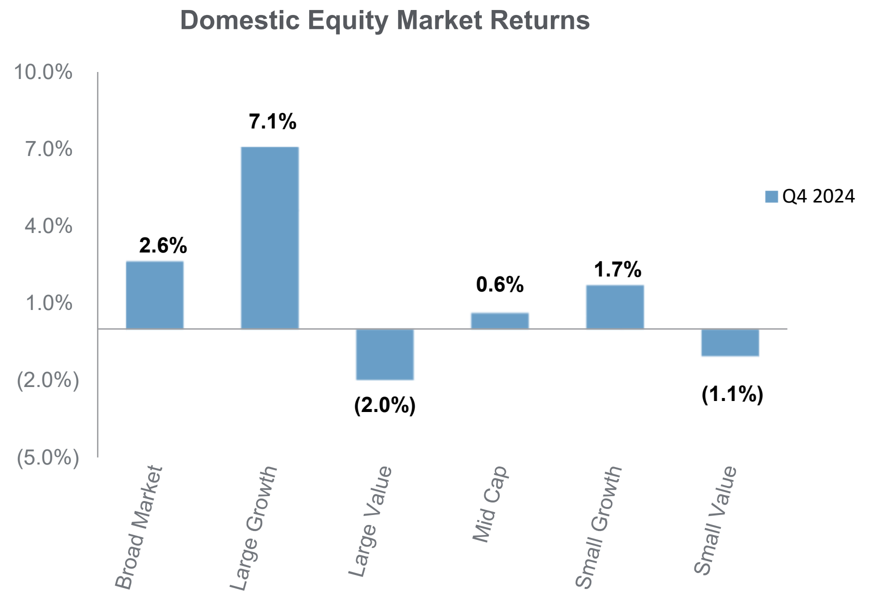


Source: Bureau of Labor Statistics

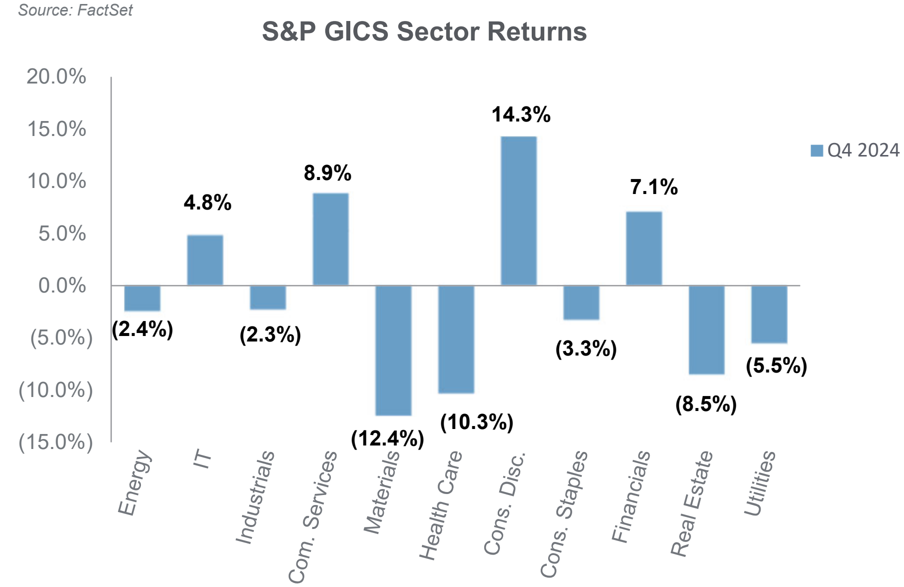
Domestic Equity Markets

The market narrowed once again. For the quarter the S&P 500 finished up 2.41 percent, while small company stocks represented by the Russell 2000 index were up only 0.33 percent. Growth dominated with the Russell 1000 Growth index up 7.07 percent while the value index was down 1.98 percent. For small companies the value index was down 1.06 percent, and the growth index was up 1.70 percent.

Materials was the worst place to be, followed by healthcare. The majority of sectors were down for the quarter. The headline may say the market was up, but this is far different than the broad-based third quarter led by utilities.



Source: FactSet

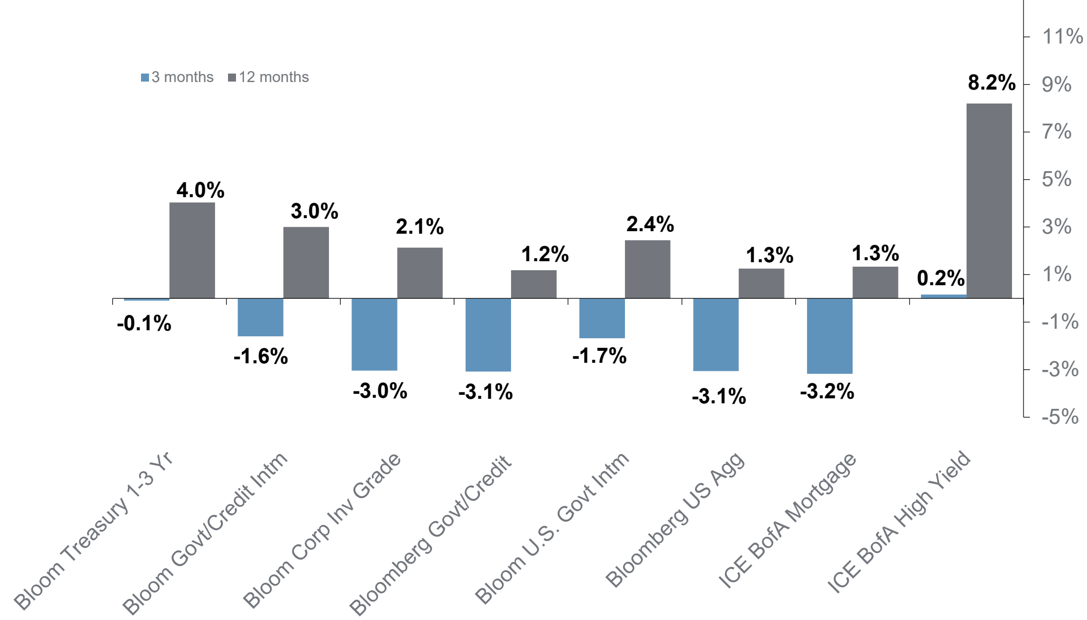


Domestic Fixed Income Market

Bonds were down after a big up quarter previously. The Bloomberg U.S. Aggregate Bond index ended down 3.06 percent. High yield bonds rose 0.16 percent. Bond yields went from the lows of their range to the highs of their range. Still, they remain range bound in the longer-term.

The ten-year Treasury ended the quarter with a 4.57 percent yield. The yield curve remains negative on the short end and extremely flat overall. However, the curve from 2 to 30 is positive. This could be another sign of the return to normal.

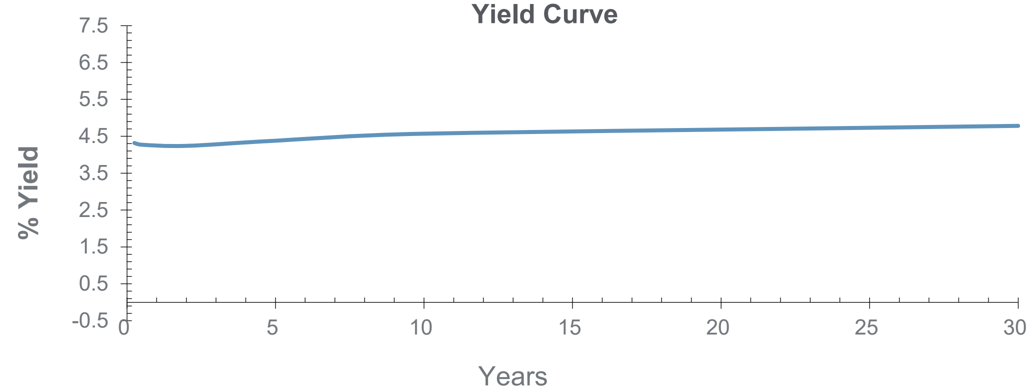
U.S. Fixed Income Market Performance as of December 31, 2024



Yield Curve as of December 31, 2024

Time to Maturity	Interest Rate
3 Month	4.32
6 Month	4.27
2 Year	4.24
5 Year	4.38
10 Year	4.57
30 Year	4.78

Yield Curve

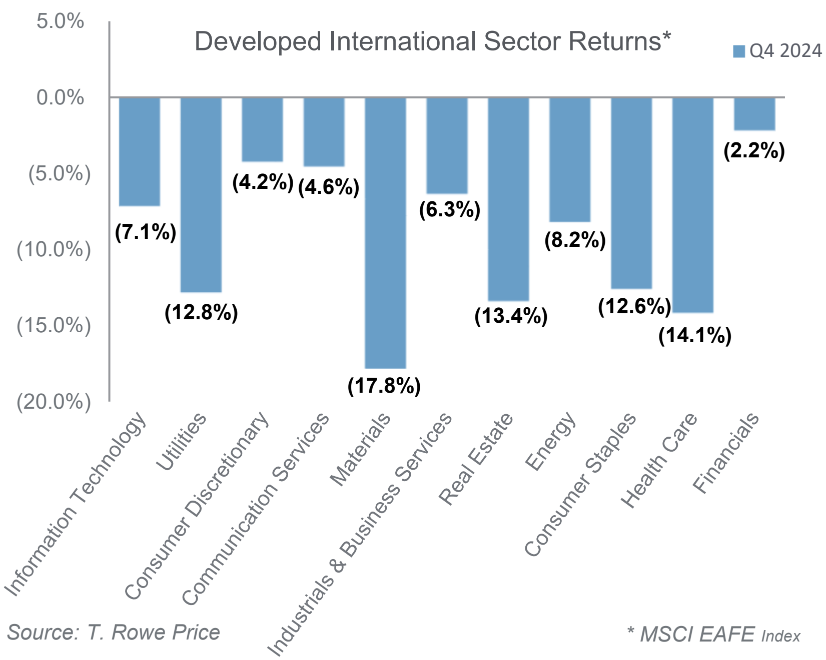


International Markets

International stocks were down. The EAFE index finished down 8.06 percent and the MSCI Emerging Markets index ended the quarter down 7.84 percent.

Stocks in Japan were actually up 5.94 percent, but the yen was down 9.52 percent versus the dollar, causing the US investor to lose 3.58 percent. Currency markets continue to be extremely volatile.

Currency played such a big role this quarter that there was not a single positive sector in US dollar terms. The strong dollar is great for the US tourist but is killing the US based international investor. We are once again at an extreme which cannot last.



Source: T. Rowe Price

** MSCI EAFE Index*

MSCI Country Returns
Three Months Ending December 31, 2024

	Return US$ (%)	Return Local Currency (%)	Currency Effect (%)
Austria	1.07%	8.94%	-7.86%
Belgium	-7.89%	-0.73%	-7.17%
Denmark	-21.48%	-15.34%	-6.14%
Finland	-12.82%	-6.04%	-6.78%
France	-10.18%	-3.19%	-6.99%
Germany	-5.71%	1.63%	-7.34%
Ireland	-12.45%	-5.63%	-6.81%
Italy	-6.34%	0.95%	-7.29%
Netherlands	-12.37%	-5.87%	-6.50%
Norway	-5.15%	2.28%	-7.43%
Portugal	-22.72%	-16.70%	-6.01%
Spain	-8.99%	-1.91%	-7.08%
Sweden	-13.93%	-6.23%	-7.70%
Switzerland	-11.25%	-4.65%	-6.60%
UK	-6.82%	-0.20%	-6.62%
Europe Total	**-9.68%**	**-2.81%**	**-6.87%**
Australia	-11.36%	-0.68%	-10.68%
Hong Kong	-9.80%	-9.80%	-0.01%
Japan	-3.58%	5.94%	-9.52%
New Zealand	-5.94%	6.83%	-12.76%
Singapore	3.17%	8.58%	-5.41%
Pacific Total	**-5.45%**	**3.57%**	**-9.02%**
Brazil	-19.26%	-9.99%	-9.28%
Canada	-1.64%	4.71%	-6.35%
China	-7.66%	-6.99%	-0.67%
Greece	-6.14%	1.16%	-7.30%
Hungary	-2.25%	9.13%	-11.38%
India	-10.63%	-8.70%	-1.93%
Indonesia	-15.34%	-10.00%	-5.34%
Korea	-19.16%	-8.99%	-10.17%
Mexico	-10.46%	-5.02%	-5.44%
Poland	-11.52%	-3.64%	-7.87%
Thailand	-10.06%	-4.70%	-5.36%
Emerging Markets	**-7.84%**	**-4.24%**	**-3.60%**

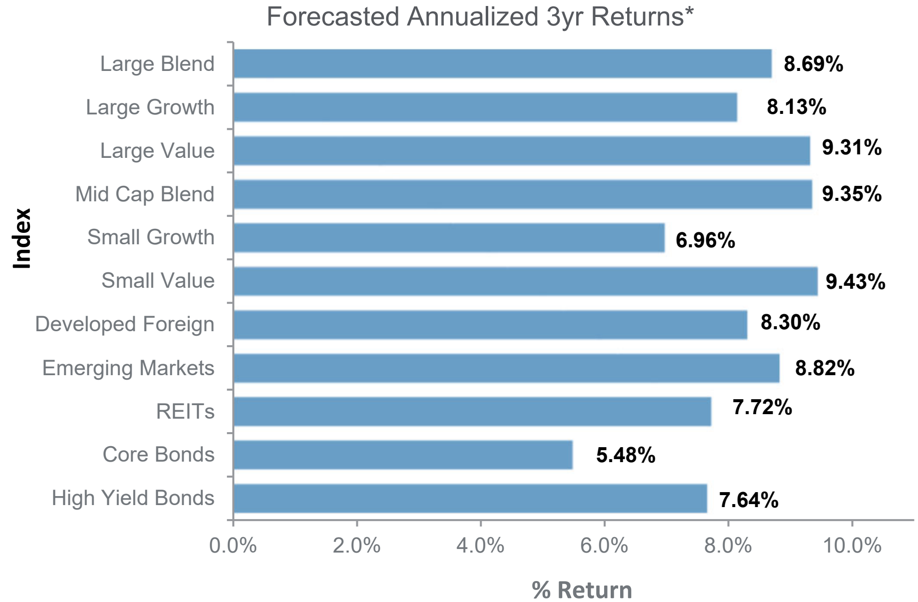
Source: MSCI

Market Forecast

I am aware that we sound like a broken record, but this market keeps acting like a broken record. The market should broaden out and stay that way for a while. It may go in fits and starts, but the valuations tell us we still have a long way to go for the rest of the market to catch up to the large growth stocks.

AI driven technology still has legs, so while tech may underperform it should still deliver positive results. International remains attractive from a valuation standpoint and the dollar is now unsustainably strong. That has hurt international investment, but it will help as it unwinds. We should see outperformance from overseas, but caution is in order.

Bond yields ended the quarter near the top of their range. That will likely bode well in the very short-term, but longer-term bonds look fine in this range around 4 percent yield.



Changes in Return Expectations
as of December 31, 2024

Asset Class	Change Over Quarter	Change Over Year
Large Blend	0.01%	-0.36%
Large Growth	-0.02%	-0.09%
Large Value	0.12%	-0.37%
Mid Cap Blend	0.04%	-0.15%
Small Growth	0.05%	-0.42%
Small Value	0.06%	-0.32%
Developed Foreign	0.21%	-0.52%
Emerging Markets	0.31%	-0.62%
REITs	0.00%	-0.40%
Core Bonds	0.27%	0.06%
High Yield Bonds	0.17%	-0.52%

*Forecasted 3-year annualized returns represent Iron Capital's investment return expectations for various asset classes over the next 3 years. They are calculated using a weighted average of historic returns and forward return assumptions. They are meant to be a tool to judge relative attractiveness of asset classes and not a guarantee of future investment returns.

SELECTED INDEX RETURNS - PERIODS ENDING December 31, 2024

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
US EQUITIES						
Broad Stock Market - Russell 3000	2.63%	23.81%	23.81%	8.01%	13.86%	12.55%
Large Stocks - S&P 500	2.41%	25.02%	25.02%	8.94%	14.53%	13.10%
Dow Jones Industrial Average	0.93%	14.99%	14.99%	7.56%	10.55%	11.57%
Medium-Size Stocks - Russell Mid-Cap	0.62%	15.34%	15.34%	3.79%	9.92%	9.63%
Small Stocks - Russell 2000	0.33%	11.54%	11.54%	1.24%	7.40%	7.82%
Small Value Stocks- Russell 2000 Value	-1.06%	8.05%	8.05%	1.94%	7.29%	7.14%
Small Growth Stocks- Russell 2000 Growth	1.70%	15.15%	15.15%	0.21%	6.86%	8.09%
Large Value Stocks - Russell 1000 Value	-1.98%	14.37%	14.37%	5.63%	8.68%	8.49%
Large Growth Stocks - Russell 1000 Growth	7.07%	33.36%	33.36%	10.47%	18.96%	16.78%
US FIXED INCOME						
1-3 Yr Treasury (Gov't) Bonds - Bloomberg	-0.10%	4.03%	4.03%	1.43%	1.36%	1.38%
US Government Bonds Int - Bloomberg	-1.68%	2.44%	2.44%	-0.47%	0.49%	1.24%
US Corporate Inv Grade Bonds - Bloomberg	-3.04%	2.13%	2.13%	-2.27%	0.30%	2.43%
Government/Credit (Corp) Bonds - Bloomberg	-3.08%	1.18%	1.18%	-2.59%	-0.21%	1.50%
Int Govt/Credit (Corp) Bond - Bloomberg	-1.60%	3.00%	3.00%	-0.18%	0.86%	1.71%
US Aggregate Bond Market - Bloomberg	-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%
Mortgage Backed Securities - ICE BofA	-3.18%	1.33%	1.33%	-2.13%	-0.73%	0.92%
US High Yield Bonds - ICE BofA	0.16%	8.20%	8.20%	2.91%	4.04%	5.08%
INTERNATIONAL (Measured in US Dollars)						
Non-US Stocks - MSCI EAFE	-8.06%	4.35%	4.35%	2.17%	5.24%	5.71%
World Stocks (includes US) - MSCI World	-0.07%	19.19%	19.19%	6.85%	11.70%	10.52%
European Stocks - MSCI Europe	-9.68%	2.43%	2.43%	1.85%	5.53%	5.61%
Japanese Stocks - MSCI Japan	-3.57%	8.68%	8.68%	3.18%	5.19%	6.62%
Asian Stocks (Ex-Japan) - MSCI Pacific ex-Japan	-9.10%	4.68%	4.68%	1.64%	3.25%	4.53%
Chinese Stocks - MSCI China	-7.66%	19.67%	19.67%	-5.92%	-3.29%	2.05%
Indian Stocks - MSCI India	-10.63%	12.41%	12.41%	8.05%	13.11%	9.01%
Emerging Markets - MSCI EM	-7.84%	8.05%	8.05%	-1.48%	2.10%	4.04%
Int'l Gov't Bonds -FTSE Non-USD World Gov't Bond	-7.10%	-5.32%	-5.32%	-7.91%	-4.81%	-1.53%
REAL ESTATE						
FTSE NAREIT Equity-Reits Index	-6.21%	8.73%	8.73%	-2.20%	4.27%	5.68%
SHORT TERM INTEREST RATES						
T-Bills	1.23%	5.46%	5.46%	4.06%	2.54%	1.79%

Note: Returns for periods longer than 12 months are annualized.