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ADVISORS
A Prime Capital Financial Company

Annette A. VanderLinde
MBA, CWS®, AIF®
President

Dear Valued Friends and Clients,

Happy New Year to you all! I'm always a bit surprised when another year seems to fly by so quickly – how is it already 2025? Yet, when I stop to do an inventory of this past year, both personally and professionally, I'm always pleased to see progress and forward momentum. Typically, I strive to be a glass-half-full person and when I look back upon 2024, there's much to be happy about.

During a year that was rife with global conflict, environmental upheaval (hurricanes and extreme heat), and a US Presidential election, US domestic large cap equity markets brought double-digit returns in 2024. Other areas of our global economy also brought positive returns to varying degrees. It's important to remember, however, that we don't overly focus on any given twelve-month calendar period. Overly fixating on recent performance can often lead to a myopic viewpoint and can prompt "return chasing" behavior – which doesn't serve investors well over the long-term. At Liberty Wealth Advisors®, there's a reason we've been building portfolios the way we do for over 25 years – our focus on strategic allocations, building globally diversified portfolios is a tried-and-true approach. Despite the headlines yet to come in 2025, we'll continue to employ appropriate portfolios to manage risk according to each client's individual goals and objectives.

There was also plenty of good news in 2024 for Liberty Wealth Advisors®. We hosted 4 client educational webinars last year. Feedback from our clients has been very positive: you are enjoying the content we put out and are finding value in these discussions. We've also been talking with more clients about our expanded services when additional planning assistance is needed.

Also noteworthy is the number of referrals you are sending our way! Truly, a referral to a friend or family member is the highest compliment you can give us, and we greatly appreciate this. As our firm continues to grow and help more families with their financial needs, our team will need to expand as well to meet the high service standards we have in place for our clients. Building out our talent pool will be an area of focus for me in 2025, and I hope to introduce you to a new team member later this year.

Our success is truly driven by your success, which is why we focus on our clients as people and NOT just a portfolio. What happens in your life matters to us greatly, and so no matter the need, just know we'll be here with you every step of the way.

Thank you for your continued confidence and loyalty. It is truly a privilege to serve you!

Happy 2025!

Warm Regards,

Annette

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President

2024 Q4 Global Market Report

Executive Summary

The final quarter of 2024 capped off a noteworthy year in financial markets, marked by strong US equity performance, concentrated growth among mega-cap stocks, lagging relative returns in international markets, and mixed results in fixed income. Our newsletter provides an overview of the year's market dynamics, portfolio positioning considerations, and emerging trends for 2025.

US Markets: A Strong, Concentrated Year

The S&P 500 delivered a robust 25% return in 2024, driven largely by the "Magnificent Seven" mega-cap growth stocks (Apple, NVIDIA, Microsoft, Amazon, Meta, Alphabet and Tesla, which comprise 33% of the S&P 500). In addition, large-cap growth stocks, as measured by the Russell 1000 Growth Index, saw a gain of 33.4%. QQQ, the Nasdaq 100 ETF, mirrored the S&P 500's annual return of about 25%, underscoring a year where the tech-heavy Nasdaq index didn't outperform broader benchmarks. While producing decent absolute returns, small-cap stocks lagged, with the Russell 2000 up 11.5% and the S&P Small Cap 600 up around 8%, highlighting a narrow market rally, led by mega-cap stocks.

While mega-cap growth stocks led the charge, the broader market faced headwinds. Small caps struggled due to persistent issues with profitability and zombie companies within indices like the Russell 2000. Meanwhile, value-oriented, and small-cap value stocks traded closer to average historical valuations, which could position them for future outperformance, as large cap and growth valuations are much more stretched.

KEYS TO THE QUARTER:

- Large cap growth continues to dominate
- Merits of diversification remain strong
- Risks and opportunities abound in 2025

International Markets: A Strong Dollar Headwind

International equities underperformed US markets in 2024, with notable gains seen only in Asia (7.0%) and emerging markets (7.5%). While Europe (1.8%) saw somewhat flat returns. Strength in the US dollar was a headwind for unhedged international investments, limiting gains for US-based investors. However, relative valuations between US and non-US equities may provide an opportunity for international stocks over the medium-to-longer term.

Fixed Income: A Ho-Hum Year for Bonds

Fixed income markets faced a challenging environment as rising long-term interest rates continued to weigh on bond prices, particularly in the fourth quarter. The Bloomberg US Aggregate Bond Index ended the year up just 1.25%. Longer-duration bonds were particularly painful for investors, especially in the final quarter of the year, as the US ten-year Treasury yield rose following the US presidential election and bond investors indicated concerns regarding the potential for inflationary trade and immigration policies. Overall, short-term bonds and managed cash provided the best returns, given limited interest rate sensitivity and compelling cash yields prior to the Fed easing rates in September. Returns of short-term bonds and money market funds ranged from 3.5-5%.

International bonds, however, provided a bright spot, benefiting from less-volatile rate movements abroad. Currency hedged international exposures (3.4%) outperformed unhedged due to the dollar's strength. In addition, riskier high-yield bonds (7.5%) led fixed income performance, bolstered by their equity-like risk characteristics in a strong US equity market.

Key Portfolio Themes

1. Diversification Under Pressure?

With narrow leadership of US markets in 2024 it is tempting to challenge the effectiveness of traditional diversification strategies. Large-cap growth stocks have extended their valuation premiums, trading at 150% above their 20-year P/E averages. In contrast, small-cap value stocks, which have underperformed in recent years, now trade at more reasonable valuations (as do international stocks) and could present a compelling opportunity. We continue to advocate for holding well-diversified equity positions in client portfolios.

2. International Exposure Poised for Reversion?

The resilient US dollar and strong US corporate earnings have caused our international equity exposure to underperform relative to US markets. Our portfolios are built to emphasize the long-term benefits of diversification, and we'd note the relative attractiveness of international valuations.

3. Emerging Asset Classes: Cryptocurrency

Cryptocurrency gained increased attention in 2024, with Bitcoin entering the mainstream after the introduction of ETFs based on the actual price of Bitcoin. While still extremely speculative, digital assets' evolving role in financial systems and potential linkage to AI-driven networks continue to spark discussion. Although there may be opportunities with cryptocurrencies, the substantial risk and volatility associated with these investments cannot be denied. Although we do not recommend cryptocurrency as part of our investment line up, your Liberty Advisor can help you walk through important considerations when it comes to cryptocurrency.

Macro Outlook for 2025

RISKS TO MONITOR

1. **US Fiscal Policy:** The large outstanding US government debt combined with persistent budget deficits that will be difficult to cut will limit the new administration's policy choices as long-term interest rates approach 5%.

2. **Post-Election Policies:** The new Trump administration has promised substantial policy changes to tariffs, immigration, taxes, and regulations. With Republicans also in charge of the House and Senate, changes are likely with uncertain ramifications to financial markets.

3. **Potential Inflation Resurgence:** Persistent inflation (partly due to increased tariffs) could prompt the Federal Reserve to reconsider its rate-cutting stance. Figure 1 illustrates a notable spike in inflation expectations in December.

4. **Recession Probabilities:** While the US is projected to avoid recession, risks remain elevated globally, particularly in China and Germany.

5. **Geopolitical Uncertainty:** Global conflicts and tensions could disrupt markets. 2024 was a historic year with a large number of elections in democratic countries that resulted in a large number of incumbents losing or relinquishing power.

6. **Earnings Growth:** Analysts are currently projecting earnings growth for US corporations to be in the mid-teens for 2025. These are lofty expectations with valuations already stretched.

(Figure 1)

Source: LinkedIn - Liz Ann Sonders, Chief Investment Strategist at Charles Schwab

Opportunities Ahead

1. **Potential Valuation Reversion:** International equities, particularly in emerging markets, offer potential upside as valuation gaps close. Non-US equities are currently trading at a two-standard-deviation discount compared to US stocks over the past 20 years (see Figures 2 & 3 below). While the timing of mean reversion is, of course, difficult to predict, especially given the expectations for a continuation of strong earnings growth in the US, this likely presents a long-term opportunity for non-US stocks.

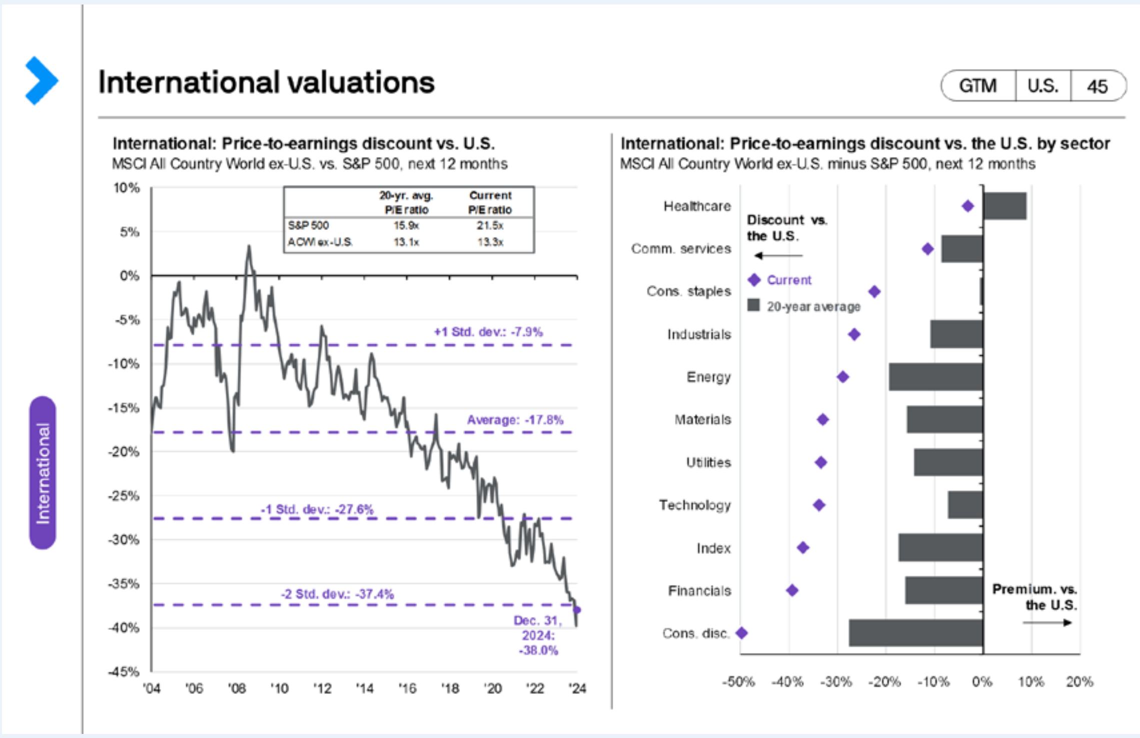

Figure 2
JP Morgan

2. **Small-Cap and Value Stocks:** As with non-US stocks historically average valuations position these segments for future gains relative to large cap and growth stocks, where valuations are stretched.

3. **Fixed Income Stability:** With long-term interest rates in the US at the highest level in years, bonds may offer more stable returns going forward.

What It Means to You

Understanding the dynamics of 2024 helps us align your portfolio with your long-term goals. Here are the key takeaways:

- **Stay Focused on the Long Term:** Market volatility and short-term performance shouldn't deter you from your broader financial objectives. We build portfolios designed to weather diverse market conditions and provide consistent returns over time.

- **Context for Underperformance:** Certain areas like international equities and real estate have lagged this year. While frustrating, these exposures could rebound as market cycles evolve. They represent one piece of well diversified portfolios.

- **Tailored Approach:** Every portfolio decision reflects your unique needs. We balance diversification, cost-efficiency, and risk to ensure your investments remain aligned with your personal objectives.

Closing Thoughts

2024 was a year defined by concentrated leadership, valuation extremes, and shifting dynamics across asset classes. Looking ahead to 2025, maintaining disciplined portfolio strategies will be key to navigating potential market volatility and capturing opportunities. With a new President that has promised substantial change to many areas of US policy, we anticipate that this year's winners and losers could be very different from last year's. Diversification remains essential, even as it faces scrutiny, and we remain confident in the value of our investment approach. This report reflects our commitment to delivering insights that align with your goals and evolving market conditions.

Source: Sources for this market commentary derived from Bloomberg.
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Past performance is no guarantee of comparable future results. No guarantees expressed or implied. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Investing involves risk. Investors should be prepared to bear loss, including total loss of principal. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Fixed insurance and annuity product riders, features, and guarantees are subject to the claims paying ability of the issuing company.

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Select Index Measures

(As of 12/31/2024)

	Quarter End	Year-To-Date	Last 5 Years Annualized
CRSP US Total Market Index Total Return	2.63	23.77	13.72
S&P 600 Value	1.42	5.15	8.32
CRSP US REIT Index Total Return	-7.29	5.85	3.17
MSCI Europe Total Return	-9.74	1.79	5.19
MSCI Pacific Total Return	-5.47	7.04	3.88
MSCI Emerging Markets Total Return	-8.01	7.50	1.20
Bloomberg US Aggregate	-3.06	1.25	-0.51
Bloomberg Global Aggregate ex-USD USD Hedged	-0.95	3.40	0.30
Bloomberg US TIPS (Series-L)	-2.88	1.84	1.71
Bloomberg US High Yield Very Liquid Index	-0.03	7.63	3.54
Bloomberg Municipal 1-15 Year	-1.06	0.88	0.94

Sources: Liberty Wealth Advisors® using data from Bloomberg

Appendix

MARKET UPDATE

Bloomberg

Asset Class Snapshot	12/31/24
Asset Class	YTD Return
U.S. Stock	23.77%
U.S. High Yield	7.63%
Global Stock Ex U.S.	5.53%
Global Bond Ex U.S.	3.40%
U.S. Bond	1.25%

Region Snapshot	12/31/24
Region	YTD Return
U.S. Stock	23.77%
Asia Pacific Stock	9.56%
Emerging Markets	7.50%
Global Stock Ex U.S.	5.53%
Europe Stock	1.79%
Latin America Stock	-30.43%

Equity Style Snapshot			12/31/24
YTD	Value	Blend	Growth
Large	16.00%	23.51%	32.73%
Mid	14.05%	15.25%	16.48%
Small	12.42%	14.22%	16.48%

Asset Class Summary							12/31/24
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
U.S. Stock	-2.51%	-3.02%	2.63%	23.77%	24.55%	9.00%	13.72%
Global Stock Ex U.S.	0.15%	-1.94%	-7.60%	5.53%	7.60%	1.16%	4.00%
U.S. Bond	0.19%	-1.64%	-3.06%	1.25%	1.73%	-2.03%	-0.51%
Global Bond Ex U.S.	0.13%	-0.77%	-0.95%	3.40%	3.62%	-0.36%	0.30%
U.S. High Yield	0.16%	-0.50%	-0.03%	7.63%	8.55%	3.07%	3.54%

Region Summary							12/31/24
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
U.S. Stock	-2.51%	-3.02%	2.63%	23.77%	24.55%	9.00%	13.72%
Global Stock Ex U.S.	0.15%	-1.94%	-7.60%	5.53%	7.60%	1.16%	4.00%
Emerging Markets	-0.82%	-0.14%	-8.01%	7.50%	10.37%	-2.18%	1.20%
Europe Stock	0.39%	-2.44%	-9.74%	1.79%	4.28%	2.29%	5.19%
Asia Pacific Stock	0.14%	-0.90%	-6.76%	9.56%	11.10%	-0.04%	3.05%
Latin America Stock	-1.37%	-7.31%	-17.20%	-30.43%	-21.92%	4.14%	-2.52%

Equity Style Summary							12/31/24
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
Large Growth	-3.74%	0.47%	6.98%	32.73%	33.34%	11.57%	17.94%
Large Blend	-2.68%	-2.52%	2.43%	23.51%	25.63%	9.75%	14.44%
Large Value	-1.19%	-6.32%	-2.51%	16.00%	16.25%	7.12%	10.10%
Mid Growth	-2.83%	-6.01%	4.52%	16.48%	20.28%	4.08%	10.55%
Mid Blend	-1.90%	-6.83%	0.46%	15.25%	17.26%	4.46%	9.90%
Mid Value	-1.12%	-7.60%	-2.95%	14.05%	14.58%	4.78%	8.97%
Small Growth	-2.09%	-6.92%	4.82%	16.48%	20.96%	3.13%	7.68%
Small Blend	-1.47%	-7.33%	1.66%	14.22%	17.25%	4.75%	9.40%
Small Value	-1.00%	-7.69%	-0.76%	12.42%	14.39%	5.73%	10.13%

Sources: Liberty Wealth Advisors® using data from Bloomberg

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MARKET UPDATE

Bloomberg

Sector Snapshot	12/31/24
Sector	YTD Return
Comm. Services	33.24%
Financials	28.54%
Consumer Cyclical	25.47%
Technology	20.80%
Utilities	19.52%
Industrials	15.59%
Consumer Defensive	9.14%
Energy	2.17%
Real Estate	1.52%
Health Care	0.87%
Materials	-1.64%

S&P 500 Sector Weights*	12/31/24
Sector	Weight
Technology	32.45%
Financials	13.57%
Consumer Cyclical	11.16%
Health Care	10.24%
Comm. Services	9.48%
Industrials	8.17%
Consumer Defensive	5.44%
Energy	3.22%
Utilities	2.32%
Real Estate	2.06%
Materials	1.88%

Sector Summary							12/31/24
Sector	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
Cyclical							
Consumer Cyclical	-4.32%	0.92%	11.97%	25.47%	27.45%	4.88%	12.98%
Financials	-1.35%	-5.86%	6.64%	28.54%	30.16%	7.67%	11.75%
Materials	-1.63%	-11.23%	-12.70%	-1.64%	2.46%	0.42%	9.35%
Real Estate	-0.34%	-9.62%	-8.95%	1.52%	4.89%	-3.11%	4.23%
Sensitive							
Comm. Services	-2.38%	-1.62%	7.09%	33.24%	33.33%	9.66%	13.02%
Energy	1.21%	-10.33%	-2.44%	2.17%	11.45%	17.08%	12.92%
Industrials	-1.79%	-8.49%	-2.72%	15.59%	19.88%	9.84%	11.76%
Technology	-3.33%	-0.52%	2.99%	20.80%	23.45%	13.05%	20.97%
Defensive							
Consumer Defensive	-1.04%	-5.54%	-5.29%	9.14%	9.57%	2.92%	7.09%
Health Care	-1.26%	-6.68%	-10.68%	0.87%	1.19%	2.75%	8.14%
Utilities	-1.03%	-8.73%	-6.30%	19.52%	21.57%	6.05%	6.71%

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	4.24%	4.17%	1.7%	4.25%	-0.2%	Daily
10 Year Treasury	12/31/24	4.57%	4.28%	6.6%	3.88%	17.8%	Daily
30 Year Mortgage	12/31/24	7.28%	7.28%	0.0%	6.99%	4.1%	Daily
US Corporate AAA	12/31/24	4.98%	4.74%	5.1%	4.45%	12.0%	Daily
US Corporate BBB	12/31/24	5.51%	5.35%	2.8%	5.28%	4.3%	Daily
US Corporate CCC	12/31/24	10.16%	10.10%	0.6%	12.11%	-16.1%	Daily
Effective Federal Funds	12/31/24	4.50%	5.00%	-10.0%	5.50%	-18.2%	Daily
U.S. Economy							
Consumer Sentiment	12/31/24	74.00	69.10	7.1%	69.70	6.2%	Monthly
Unemployment Rate	12/31/24	4.20%	4.20%	0.0%	3.80%	10.5%	Monthly
Inflation Rate	11/30/24	2.70%	2.60%	3.8%	3.10%	-12.9%	Monthly
Manufacturing PMI	11/30/24	48.40	46.50	4.1%	46.60	3.9%	Monthly
Non Manufacturing PMI	11/30/24	52.10	56.00	-7.0%	52.50	-0.8%	Monthly
Retail Sales	11/30/24	4.00%	4.60%	-13.0%	4.20%	-4.8%	Monthly
Building Permits	11/30/24	1,505	1,419	6.1%	1,508	-0.2%	Monthly

Sources: Liberty Wealth Advisors® using data from Bloomberg

Appendix

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Asset Class Indices

Name	Index	Index Start Date
U.S. Stock	CRSP US Total Market Index Total Return	3/31/11
Global Stock Ex U.S.	MSCI ACWI Ex USA Net Total Return	12/31/98
U.S. Bond	Bloomberg US Aggregate	1/30/76
Global Bond Ex U.S.	Bloomberg Global Aggregate	1/31/90
U.S. High Yield	Bloomberg US High Yield Very Liquid Index	1/4/10

Region Indices

Name	Index	Index Start Date
U.S. Stock	CRSP US Total Market Index Total Return	3/31/11
Global Stock Ex U.S.	MSCI ACWI Ex USA Net Total Return	12/31/98
Emerging Markets	MSCI Emerging Markets Net Total Return	12/29/00
Europe Stock	MSCI Europe Net Total Return	12/31/69
Asia Pacific Stock	MSCI AC Asia Pacific Net Total Return	12/29/00
Latin America Stock	MSCI Emerging Markets Latin America Net Total Return	12/31/87

Equity Style Indices

Name	Index	Index Start Date
Large Growth	CRSP US Large Cap Growth Index Total Return	9/7/12
Large Blend	CRSP US Large Cap Index Total Return	3/31/11
Large Value	CRSP US Large Cap Value Index Total Return	9/7/12
Mid Growth	CRSP US Mid Cap Growth Index Total Return	9/7/12
Mid Blend	CRSP US Mid Cap Index Total Return	3/31/11
Mid Value	CRSP US Mid Cap Value Index Total Return	9/7/12
Small Growth	CRSP US Small Cap Growth Index Total Return	9/7/12
Small Blend	CRSP US Small Cap Index Total Return	3/31/11
Small Value	CRSP US Small Cap Value Index Total Return	9/7/12

Sector Indices

Name	Index	Index Start Date
Consumer Cyclical	Consumer Discret Sel Sect SPDR® ETF	12/22/98
Financials	Financial Select Sector SPDR® ETF	12/16/98
Materials	Materials Select Sector SPDR® ETF	12/22/98
Real Estate	Real Estate Select Sector SPDR®	10/8/15
Comm. Services	Communication Services Sel Sect SPDR®ETF	6/18/18
Energy	Energy Select Sector SPDR® ETF	12/22/98
Industrials	Industrial Select Sector SPDR® ETF	12/22/98
Technology	Technology Select Sector SPDR® ETF	12/22/98
Consumer Defensive	Consumer Staples Select Sector SPDR® ETF	12/16/98
Health Care	Health Care Select Sector SPDR® ETF	12/22/98
Utilities	Utilities Select Sector SPDR® ETF	12/16/98

Sources: Liberty Wealth Advisors® using data from Bloomberg