TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

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Quarterly Insights

EXECUTIVE SUMMARY

Fourth Quarter 2024

In This Issue

www.trivant.com

1-866-4-TRIVANT

toll free

2024 - The S&P 500 Index Was Up 25.02%

In 2024, the domestic S&P 500 Index was up 25.02% to lead global developed and emerging markets performance. Our initial 2024 market prediction for the S&P (up 8%-10%) was way off. The main event we did not anticipate was how much the area of artificial intelligence (AI) would drive the market. The "Magnificent 7", seven of the largest technology growth stocks (most are active in AI), dominated performance. The Bloomberg Barclay's Aggregate Bond Index was up 1.25%.

We Believe The S&P 500 Index Will Be Up 8% In 2025

We believe the S&P 500 Index will be up 8% in 2025. Conditions point to a year of favorable trends for stocks. Right now we have:

- Rate cut expectations
- Cooling inflation
- A healthy labor market and consumer resilience
- A strong case for an economic soft landing versus a recession
- Favorable earnings expectations
- A stock market that showed broader strength in the last six months of 2024

Deliberate Investing

For Your

Peace Of Mind

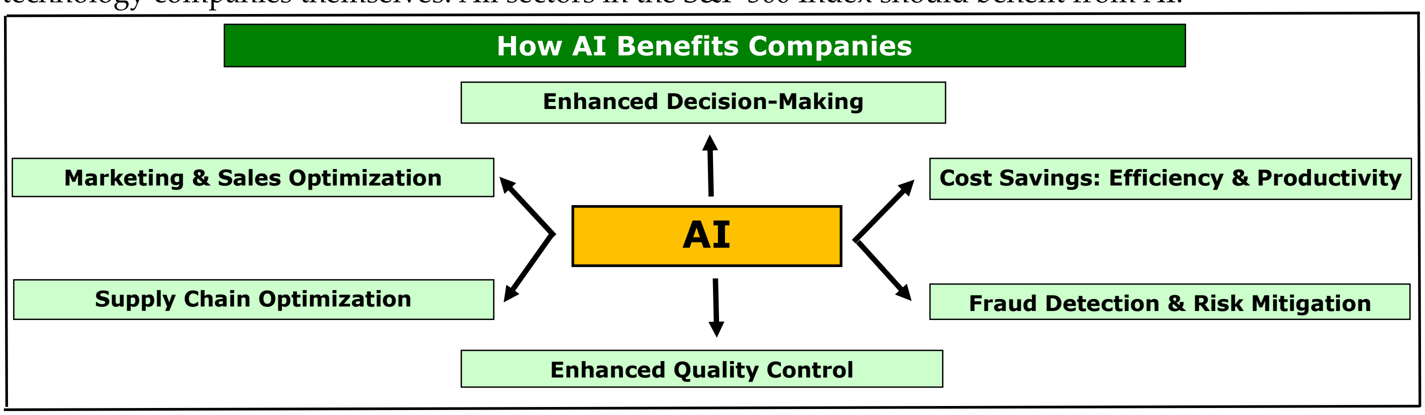
Stock Outlook: We Believe The S&P 500 Index Will Be Up 8% In 2025

We believe the S&P 500 Index will be up 8% in 2025. Conditions point to a year of favorable trends for stocks that include interest rates, inflation, and economic resilience. Possible market deterrents include fewer than expected rate cuts, higher than expected inflation, and tariffs (which would further push up inflation if enacted). Right now we have:

- Rate cut expectations - the Fed expects a total 0.50% rate cut in 2025 (two 0.25% rate cuts)
- Cooling inflation - the Fed sees core inflation peaking at 2.5% next year, very close to its 2% target
- A steepening (normalized) yield curve, which is a positive sign for economic stimulation (see page 3)
- GDP growth (the CBO projects 1.9% in 2025) and a strong consumer (retail sales up 0.7% in November)
- A healthy labor market—the current unemployment rate is 4.2%
- Projected 11% increase in 2025 S&P 500 earnings, which implies a Price/Earnings ratio of 24X (a little high)
- Anticipated bank deregulations with the new Administration
- A stock market that showed broader strength in the last six months of 2024
- History - since 1928, the S&P 500 has averaged 7.85% in the first year of a Republican presidency

Artificial Intelligence (AI) - The Buzzword For 2025

A big driver for the top-performing stocks in 2024 was AI and its current/potential applications. We expect this trend to continue in 2025, only this time we anticipate the benefits will broadly extend beyond the technology companies themselves. All sectors in the S&P 500 Index should benefit from AI.



Goldman Sachs estimates that AI adoption could boost productivity growth by 1.5% a year over 10 years. This would increase the S&P 500's earnings per share (EPS) annual growth rate to 5.4% over the next 20 years as compared to the current 4.9% assumption. Why is this important? It represents a potential 9% increase in the S&P 500's fair value through increased profit margins. Also, improving productivity lowers inflation.

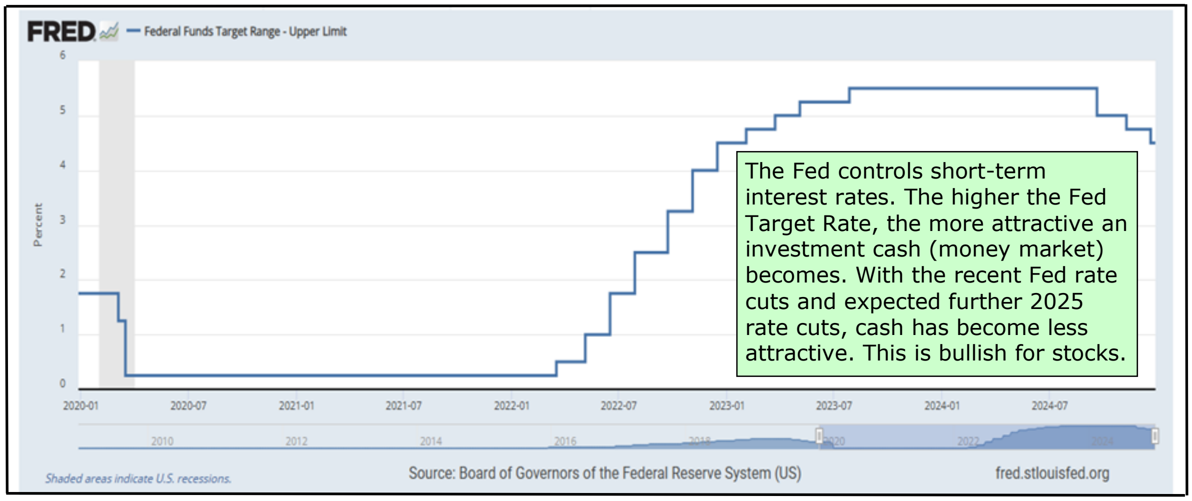
How We Are Using AI

We looked at several AI products available and concluded that the best product for us is perplexity.ai.

Perplexity gives us tremendous efficiency/time savings in the market research needed for our portfolio decisions. We simply type in questions and follow-up questions, and receive immediate responses. What used to take us hours to research can now be done in minutes and seconds! Perplexity cannot provide us the final determination of portfolio decisions, but it does give us much more efficient information to make those decisions.

Stock Outlook: Continue To Emphasize Large Cap US Exposure

The Fed Target Rate went from 5.50% to 4.50% in 2024, and is expected to drop to 4.00% in 2025. Holding cash is not as attractive as it recently was. Investors will inevitably want to move more cash to stocks.



Why Emphasize Large Cap Stocks?

We seek "great companies" for the portfolio. Great companies have a sustainable competitive advantage. These advantages may include superior resources, operations systems, distribution capabilities, cost controls, product/service differentiation, supplier relationships, and considerable switching costs. We believe the larger companies are in a better position to optimize AI to sustain competitive advantage.

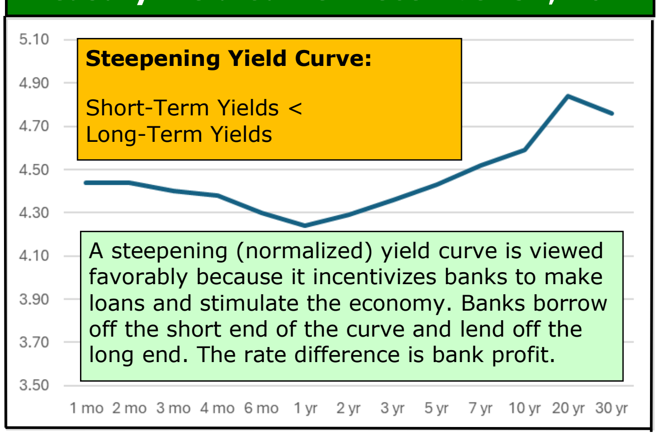
Why Emphasize US Exposure?

Europe is a mess (see page 5) due to weak economic growth, political and trade uncertainty, weak currency, and very low earnings expectations (3%) versus the S&P 500 Index (11%). We don't see improvement. China still has many challenges, and tariffs (if they materialize) will be detrimental. There is no place like home.

Bond Outlook: Good News, The Treasury Yield Curve Is Steepening

Remember the inverse relationship between bond prices and bond yields. As prices rise, yields fall (and vice versa). The 20-year Treasury was down in 2024 by roughly 11% as yields rose. The Fed controls short-term interest rates but longer term yields are controlled by inflation expectations. Therefore, the market is showing concerns about inflation likely related to the Fed cutting interest rates and the possible impact of tariffs (which would increase prices and inflation). These concerns could prove to be over-blown. Yields remain attractive. Our bonds are positioned to avoid substantial bond price declines. We may purchase longer-term bonds should prices continue to decline, and may consider corporate bonds if taxes remain low.

Treasury Yield Curve: December 31, 2024



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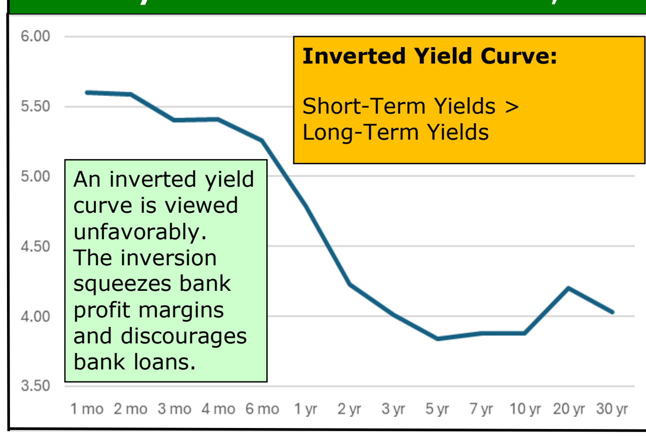


Our 2024 Market Prediction Was Way Off

We predicted the S&P 500 Index would be 8%-10% in 2024 - the index rose 25.02%. These were our thoughts:

We believe the S&P 500 Index will be up 8%-10% in 2024. The market ascent might not be smooth. Conditions point to a year of favorable trends for stocks that include interest rates, inflation, and economic resilience. Possible market deterrents include fewer than expected rate cuts, higher than expected inflation, and a recession versus a soft landing. Right now we have:

- *Rate cut expectations - the Fed expects a total 0.75% rate cut, the market expects a total 1.50% rate cut*
- *Cooling inflation - the Fed sees core inflation peaking at 2.4% next year, very close to its 2% target*
- *A strong case for an economic soft landing versus a recession - the CBO projects 1.5% 2024 GDP growth*
- *A healthy labor market - the current unemployment rate is 3.7%*
- *Consumer resilience - retail sales grew 0.3% in November (economists had expected a 0.1% decline)*
- *Favorable earnings expectations - analysts project S&P 500 earnings will increase 11.6% in 2024*
- *A stock market that finally showed broad strength in the last two months of 2023*
- *Historical precedence - the S&P 500 Index has averaged a 9% return in the year following a 20%+ return*
- *A Presidential election - since 1952, the S&P 500 has never been down in an incumbent re-election year*

What Did We Miss?

Why was our market prediction so far off the mark? What did we miss? It wasn’t the assumptions that drove our prediction - they proved fairly accurate. We had a resilient economy (GDP was 2.80% in Q3), low unemployment (4.2% in November) and technological innovation. Fed rate cuts totaled 1.00% in 2024, close to what we expected. The Fed rate cuts were done while keeping inflation in a reasonable target range (inflation was 2.7% in November). Market valuation remained above-average (forward P/E is 24).

As was the case in 2023, the main event we did not anticipate was how much the area of artificial intelligence (AI) would drive the market. While the S&P 500 Index was up 25.02% in 2024, it was not a broad rally. Only four of 10 sectors out-performed (see page 5). The “Magnificent 7”, seven of the largest technology growth stocks, catapulted due to AI excitement and was attributable to over half of the S&P 500 return.

Our Portfolio Did Reasonably Well

Stocks

We had no exposure to Emerging Markets, China, or Japan - and minimal European exposure. Our heavy US large cap exposure was the right place to be (see page 5). Given their weightings in the S&P 500 Index, we were hurt from a benchmark standpoint in 2024 by no exposure to Tesla (+70%) and Broadcom (+121%).

Bonds

We out-performed the Bloomberg Barclay’s Aggregate Bond Index. Early in 2024 when the Treasury yield curve was inverted, we purchased a considerable amount of short-term (less than one-year maturity) bonds at the higher yields (5%+) and locked in to those rates during the year at a time where the longer-term bonds were yielding less. The short-term Treasurys significantly out-performed the bond index (up 1.25%) in 2024. Now that the yield curve has steepened (normalized), we will look at other bond opportunities for 2025.

2024 - Another Year Where Portfolio Diversification Was Sub-Optimal

We reflect on 2024 as another unusual year where relatively few companies drove most of the returns. Holding all "Magnificent 7" stocks at their index weights would have been aggressive and counter to our investment approach. We advocate portfolio diversification and risk control but it hurt in 2024.

The "Magnificent 7"	S&P 500 Weight*	2024 Performance	Performance Attribution	2023 Perf.
Apple (AAPL)	7.04%	38.22%	2.69%	48.83%
Microsoft (MSFT)	6.93%	14.62%	1.01%	56.80%
Amazon (AMZN)	3.47%	51.05%	1.77%	80.88%
Nvidia (NVDA)	3.04%	173.50%	5.27%	238.87%
Alphabet Class A (GOOGL)	2.07%	39.47%	0.82%	58.32%
Facebook (META)	1.98%	66.36%	1.31%	101.72%
Tesla (TSLA)	1.80%	70.04%	1.26%	194.13%
Alphabet Class C (GOOG)	1.76%	38.61%	0.68%	58.83%
TOTAL:	**28.05%**	**The "Magnificent 7":**	**14.81%**	
Attribution = Weight * Perf		**S&P 500 Index 2024:**	**25.02%**	
*** As at Dec. 31, 2023**		**Other 493 Stocks:**	**10.21%**	Our prediction: 2024

1. The US Was The Place To Be

Heavy emphasis on US stocks helped us as the US led global developed market performance. Our larger-cap focus slightly helped us as the small cap Russell 2000 Index (+10.02% for 2024) lagged the S&P 500 Index. We had no Emerging Markets exposure, no China or Japan exposure, and minimal European exposure.

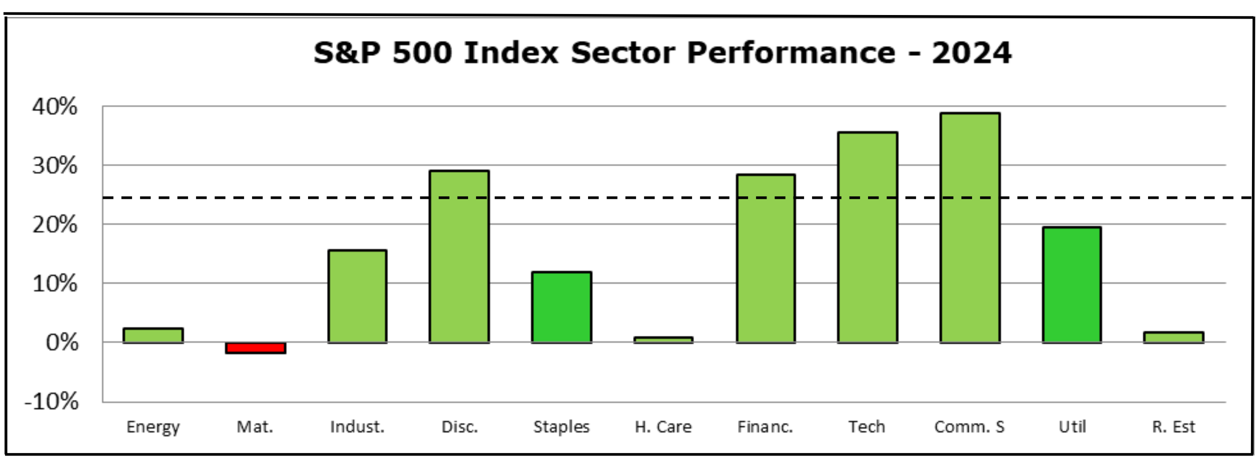
Equity Index Performance

Index	Q4 2024	2024
S&P 500 (Domestic)	**2.41%**	**25.02%**
MSCI EAFE (Foreign) *	**(8.11%)**	**3.82%**
MSCI Emerging Markets	**(8.01%)**	**7.50%**
MSCI EMU (European Monetary Union)	**(9.02%)**	**2.64%**
MSCI Japan	**(3.60%)**	**8.31%**

* Europe, Australia and the Far East

2. Technology, Communication Services, Consumer Discretionary, & Financials Out-Performed

Technology (+35.68%) and Communication Services (+38.89%), as was the case in 2023, were led by the "Magnificent 7". Financials (+28.43%) were spurred by lowered Fed Target Rates and a steepened (normalized) yield curve. Notable sector laggards were Staples and Health Care, a repeat scenario of 2023.



What's New In 2025

There are many changes in 2025 financial regulations and taxes of which we want you to be aware. These adjustments are summarized on this page and the next page. While we are neither tax professionals nor legal professionals, with your permission we are pleased to interact with your designated professionals. We regularly monitor required minimum distributions (RMDs) to ensure everyone meets their annual requirements. We also regularly monitor capital gains/losses and strive for tax efficiency.

1. Age For RMDs

Before the SECURE Act (January 1, 2020), the age for RMDs (required minimum distributions) from tax-deferred accounts was 70.5. The SECURE Act increased that age to 72. The SECURE Act 2.0 (year-end 2022) further increased the age to 73, beginning on January 1, 2023. The RMD age will be increased to 75 beginning on January 1, 2033.

2. Higher Catch-Up Contribution Limit

For a Regular or Roth IRA, an individual can contribute a maximum $7,000. If you are age 50 or older, the catch-up provision remains at $1,000, bringing your maximum 2025 Regular or Roth IRA contribution to $8,000. If you are age 60-63, the new catch-up provision is $11,250. To contribute to a Roth IRA, a single filer must have income below $165,000 and a joint filer must have income below $246,000.

Workers who are younger than age 50 can contribute a maximum $23,500 to a 401(k) in 2025. If you are age 50-59 or 64 and older, the catch-up provision remains at $7,500 and the maximum 2025 401(k) contribution is $31,000. If you are age 60-63, the catch-up provision is $11,250 and your maximum 2025 401(k) contribution is $34,750.

3. Tax-And-Penalty-Free Rollover From A 529 Plan To A Roth IRA

Money in a 529 Plan that is distributed for non-education purposes may be subject to penalties and taxes. Under the new SECURE Act 2.0 provision, starting in 2024 beneficiaries will be able to do a rollover of up to $35,000 from a 529 to a Roth IRA. The rollovers would be subject to the Roth IRA annual contribution limits and the 529 would need to have been open for at least 15 years.

The main benefit of this provision is to remove the uncertainty that happens if you over-fund a 529 or if your kids ultimately don't need it. Now you can reposition up to $35,000 from a 529 to a Roth IRA for your child. Remember that a Roth IRA is the most tax-advantaged account.

4. Inherited IRAs

For Inherited IRA accounts inherited before January 1, 2020, the normal Required Minimum Distribution (RMD) schedule applies. We are pleased to help you calculate your RMD.

For Inherited IRA accounts inherited January 1, 2020 and onward, all the assets must be distributed within 10 years of the date of death. There is new legislation to mandate annual distributions (please see Outside The Box, page 8).

Highlights Of Other Changes In 2025

1. Standard Deductions

Year	2025	2024
Single	$15,000	$14,600
Above 65 (Additional) (Single/Head of Household)	$2,000	$1,950
Married Filing Jointly	$30,000	$29,200
Above 65 (Additional, per person (Married Filing Jointly)	$1,600	$1,550

2. 2025 Federal Ordinary Income Tax Brackets

Single	Married Filing Jointly	Rate
Up to $11,925	Up to $23,850	10%
$11,926 - $48,475	$23,851 - $96,950	12%
$48,476 - $103,350	$96,951 - $206,700	22%
$103,351 - $197,300	$206,701 - $394,600	24%
$197,301 - $250,525	$394,601 - $501,050	32%
$250,526 - $626,350	$501,051 - $751,600	35%
Over $626,351	Over $751,601	37%

3. 2025 Federal Long Term Capital Gains Tax Brackets

Single	Married Filing Jointly	Rate
Up to $48,350	Up to $96,700	0%
$48,351 - $533,400	$96,701 - $600,050	15%
Over $533,400	Over $600,050	20%*

* Subject to an additional 3.8% Net Interest Income Tax above MAGI Limits

4. Federal Estate Taxes

	2025	2024
Basic Exclusion Amount	$13,990,000	$13,610,000
Annual Gift Tax Exclusion	$19,000	$18,000

5. 2025 IRA and 401(k) Contribution Limits

Account Type	Under 50 Years Old	Age 50-59, Age 64+	Age 60-63
IRA	$7,000	$8,000	$8,000
401(k)	$23,500	$31,000	$34,750

Income Limits To Contribute To A Roth IRA (MAGI)	2025	2024
Single Tax Filer	< $165,000	< $161,000
Married Filing Jointly	< $246,000	< $230,000

6. Social Security Inflation Adjustment

Social Security benefits and Supplemental Security Income (SSI) payments will increase by 2.5% in 2025. This is the annual cost-of-living adjustment (COLA) required by law. The increase will begin with benefits that Social Security beneficiaries receive in January 2025.

The SECURE Act 2.0 of December 2022 implemented changes to Inherited IRA Distribution Rules that were initially implemented by the SECURE Act of 2019, which affected beneficiaries of IRAs inherited January 1, 2020 and later. Please note that for beneficiaries where the original account owner passed December 31, 2019 or earlier, there are no changes - required minimum distributions (RMDs) continue under the "stretch rule" based on the beneficiary's age.

The specific RMD rules for Inherited IRAs were finalized by the IRS in July 2024, with the changes taking effect in 2025. Years 2020-2024 were waivered from the RMD changes, as the rules had not been finalized.

The rules for Inherited IRAs are complex and depend on several factors, including the type of account, when it was inherited, the beneficiary's relationship to the deceased, and the age of death.

In most circumstances for IRA beneficiaries that are non-spouses with the original account owner passing January 1, 2020 or later, there are two factors to consider:

1. The 10-year rule requiring the account to be fully distributed by December 31 of the 10th year following the decedent passing
2. For accounts where the beneficiary was of RMD age at the time of passing (72 or older in 2020-2022, 73 or older in 2023), the beneficiary must take RMDs starting in 2025 based on their own life expectancy

This new rule affects numerous accounts at TriVant. If you are an affected beneficiary, we will be in touch to discuss your unique situation and establish a plan to meet your RMD requirements within the 10-year rule.

We will continue to closely monitor the market and adjust your portfolio as needed. Please feel free to contact us anytime to discuss questions or comments you may have. We will keep you informed of portfolio progress.

Respectfully submitted,

TRIVANT

CUSTOM PORTFOLIO GROUP, LLC