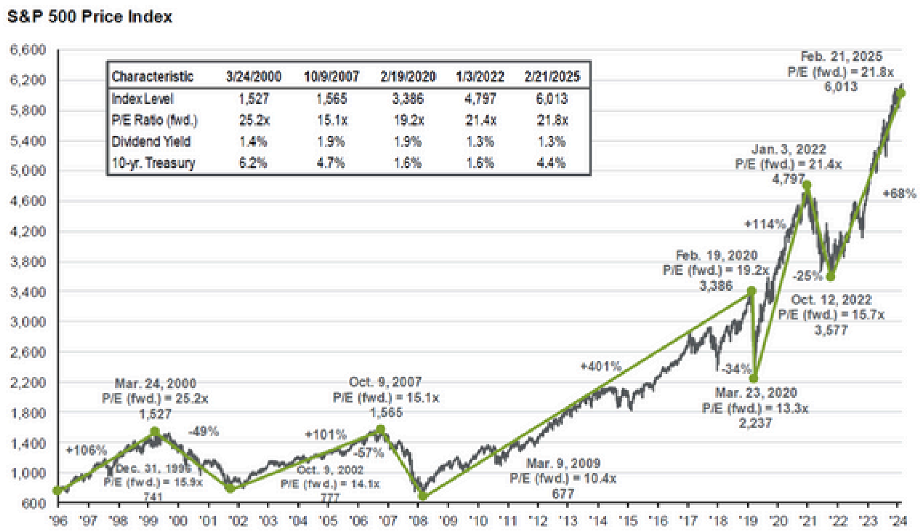
Investment Update

February 2025

Market Overview

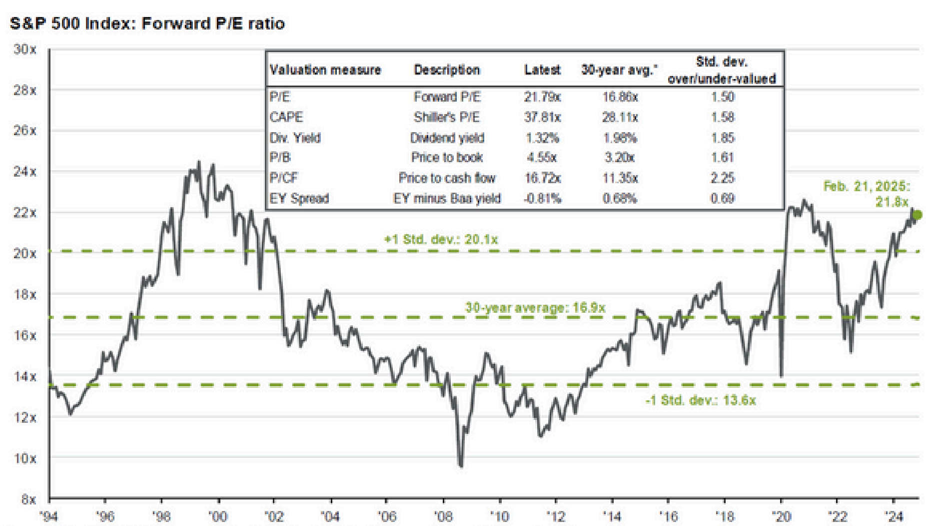
2024 began on the heels of the regional banking crisis, and ended with pro-business sentiment amid an AI boom. It was another banner year for Large US stocks with the S&P 500 returning 25%. Company earnings explain about half of this return, while the other half was driven by improving expectations. The result is that the S&P 500 is just about as expensive as it has ever been (price relative to a given level of earnings).

2024 was another banner year for Large US Stocks



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of February 21, 2025.

J.P.Morgan ASSET MANAGEMENT



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1994 and by FactSet since January 2022. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Bloomberg US corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability.
Guide to the Markets – U.S. Data are as of February 21, 2025.

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The result is that the S&P 500 is nearly as expensive as it has ever been

Portfolios

Some investors see a booming market and want to add more risk to their portfolios. Others see lower potential returns ahead and want to reduce risk. Both approaches can make sense. Our team is always here to help craft a portfolio that reflect your desired risk & return profile that fits with your overall financial plan.

It's still a fair question whether it makes sense to continue buying the US stock market given its recent strong performance. Our response is that diversification can be really helpful in such an uncertain environment.

US stocks have largely been flat since inauguration day in contrast to other markets around the world. Most of us probably wouldn't have predicted the Chinese stock market to be the top performer.

Country ETFs: % Change Since Inauguration Day (1/21/25)

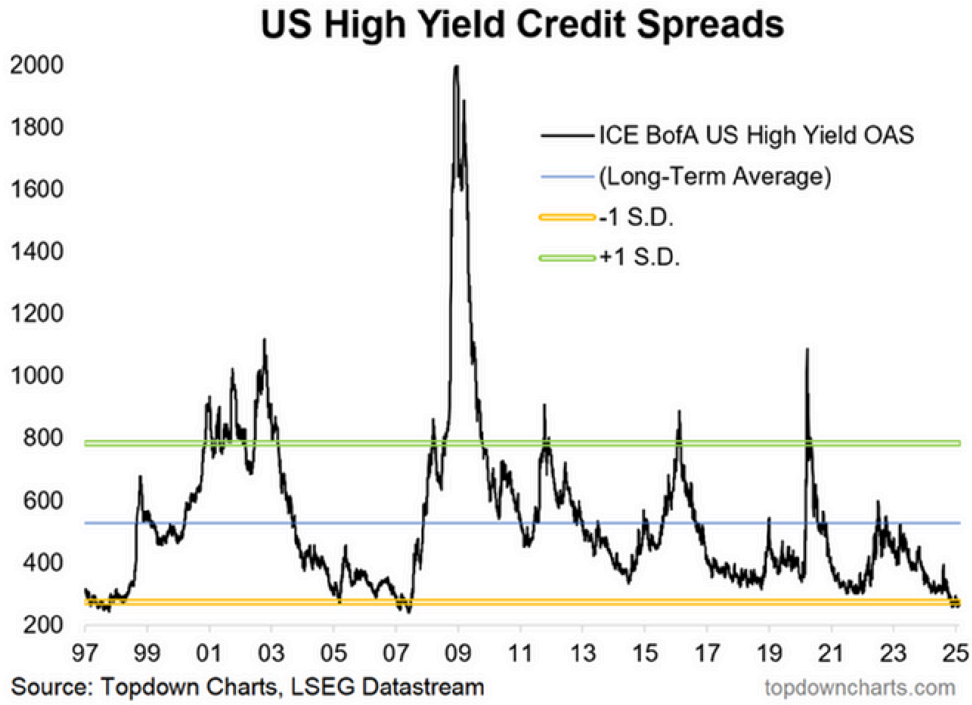
Ticker	Country	ETF Name	% Chg Since Inaug.	Ticker	Country	ETF Name	% Chg Since Inaug.
MCHI	China	iShares MSCI	19.7	EWN	Netherlands	iShares MSCI	3.0
GXG	Columbia	Global X MSCI	17.4	VNAM	Vietnam	Global X MSCI	3.0
EPOL	Poland	iShares MSCI	13.9	EIRL	Ireland	iShares MSCI	2.9
ECH	Chile	iShares MSCI	9.6	NORW	Norway	Global X MSCI	2.9
EWD	Sweden	iShares MSCI	8.8	EWJ	Japan	iShares MSCI	2.8
EWP	Spain	iShares MSCI	8.8	ENOR	Norway	iShares MSCI	2.4
EWW	Mexico	iShares MSCI	7.6	UAE	UAE	iShares MSCI	1.8
EWO	Austria	iShares MSCI	7.5	EWM	Malaysia	iShares MSCI	1.7
EZA	South Africa	iShares MSCI	7.3	QAT	Qatar	iShares MSCI	1.1
EWZ	Brazil	iShares MSCI	6.8	EWC	Canada	iShares MSCI	0.9
EWL	Switzerland	iShares MSCI	6.7	EPU	Peru	iShares MSCI	0.7
EFNL	Finland	iShares MSCI	6.3	ARGT	Argentina	Global X MSCI	0.0
EWI	Italy	iShares MSCI	6.0	SPY	US	SPDR S&P 500	-0.2
KWT	Kuwait	iShares MSCI	5.9	EWT	Taiwan	iShares MSCI	-0.2
EWG	Germany	iShares MSCI	5.7	KSA	Saudi Arabia	iShares MSCI	-0.6
EWS	Singapore	iShares MSCI	5.6	EWA	Australia	iShares MSCI	-0.9
EWQ	France	iShares MSCI	4.5	EPHE	Philippines	iShares MSCI	-1.6
EDEN	Denmark	iShares MSCI	4.5	EIS	Israel	iShares MSCI	-2.0
EWH	Hong Kong	iShares MSCI	4.5	INDA	India	iShares MSCI	-2.9
GREK	Greece	Global X MSCI	4.4	ENZL	New Zealand	iShares MSCI	-3.3
EWK	Belgium	iShares MSCI	4.0	EIDO	Indonesia	iShares MSCI	-5.6
EWY	South Korea	iShares MSCI	3.5	THD	Thailand	iShares MSCI	-5.7
EWU	UK	iShares MSCI	3.5	TUR	Turkey	iShares MSCI	-6.8
						Average	3.6
						Median	3.2

Bespoke Investment Group - February 21

For now, the US stock market is expensive due to its concentration in high-growth technology companies. We would describe this as a “best house, best corner” scenario where they should trade at a premium to slower growing companies. That said, all things equal, higher starting prices suggest lower returns in the future.

We continue to think it makes sense to own a globally diversified portfolio. Global stocks still give you exposure to the US economy, but you also get the diversification of less demanding international prices. People forget that US stocks went nowhere from 2000 to 2010 unwinding the excessive valuations of the late 90's.

Bonds now offer mid-single digit yields, and can be a good diversifier if you’re concerned about a potential selloff. Our portfolios own higher quality bonds as the additional yield for risky bonds (spreads) to compensate for default risk is near all-time lows.



The additional yield from owning risky bonds is at all-time lows

Overall, it makes sense to see performance broadening out to the rest of the world given their lower valuations. And though bond yields look reasonable, they are susceptible to potential surges of inflation. Now is not the time to go too far out the risk spectrum.

Flower City CAPITAL

Outlook

We continue to be a bit more active in private markets for accredited investors, and we continue to develop our research program to potentially broaden some of those strategies into more liquid investments. Right now there isn't much to choose from, though we do see pockets of opportunity in small international stocks, off-the-run bond issues, and US commercial real estate lending where a multi-year bear market in apartment prices is beginning to bottom.

One thing is clear - the world is an uncertain place, even policy makers aren't quite sure what's going to happen. We are prepared for more volatility. A little perspective is also helpful. Market returns have been quite strong in recent years. It's a great time to revisit your plan and risk tolerances. It's times like these where being a patient, long-term investor can work to your advantage.