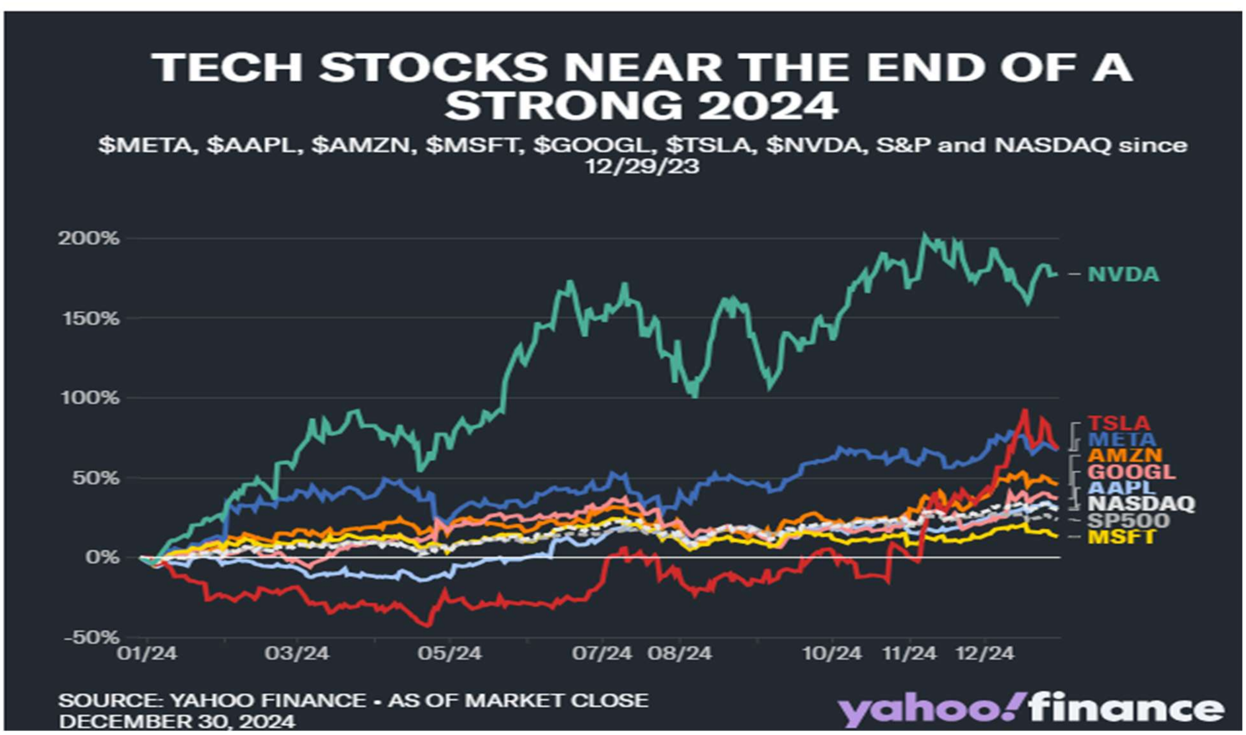
2024 Review:

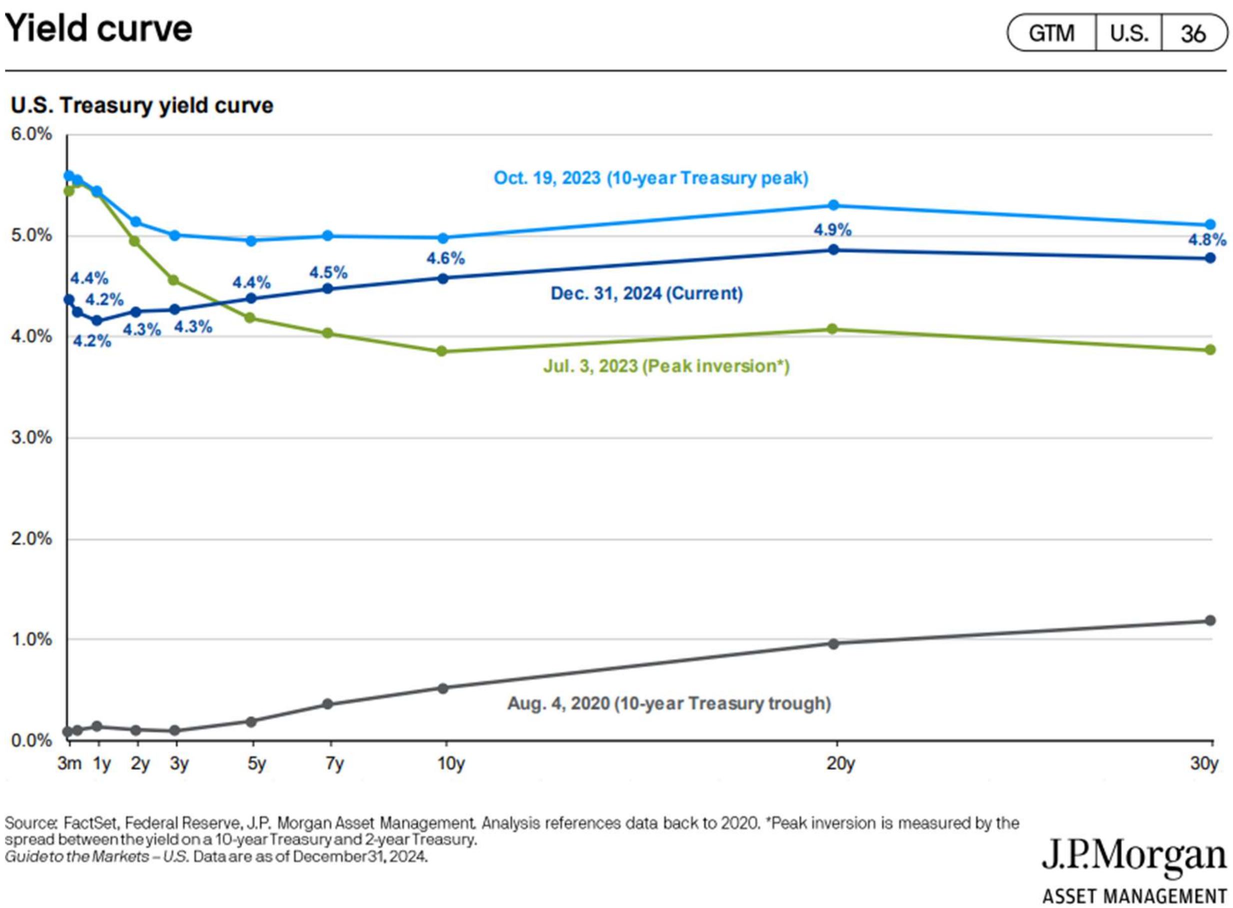
Equity:

For the S&P 500, 2024 was much like 2023. All expectations were exceeded as the index set 57 new all-time highs and returned 23%! All indexes aren't created equally though as the Blue-Chip Dow Jones was up 15%, Russell 2000 Small Caps +11%, and All Country World Index x-US was only up 5%.



Fixed Income:

On the Fixed Income side, the Federal Reserve Committee was able to cut interest rates 100bps on the strength of the economy and cooling inflation. The Aggregate Bond Index was up 1.3% on the year, High Yield bonds returned 7.7% and Long Treasuries -8%. Fixed Income had a strong sell-off at the end of the year as Fed expectations changed from 4 interest rate cuts in 2025 to only two.



Political Landscape:

Geopolitics grabbed plenty of headlines throughout the year. There were elections in more than sixty countries. Mexico elected their first female President. The South Korean President declared martial law to which was quickly overturned. Israel and Iran began fighting directly with each other. The war in Ukraine continues, and China has continued threats on Taiwan. The U.S. made headlines as President Biden was a late drop from the election, Donald Trump was nearly assassinated, and the Republicans won the Presidency, Senate, and House.

2025 Outlook:

The path of 2025 will be influenced by the results of the Presidential Election in the United States. President Trump has vowed to cut taxes, reform immigration, add tariffs, end wars, and gut government inefficiencies. In general, corporate profits are predicted to continue their growth in the US and globally. If protectionist policies such as tariffs are put in place it could stunt global growth and risk inflation rising.

The uncertainty of inflation and its effect on interest rates is one of the main headwinds for the year. If inflation continues to decline and the Fed can cut rates, growth estimates will increase and participation in growth will widen out. Technology and financials are poised to be successful with friendlier government policies, while healthcare and energy could get hurt for the same reasons. Below is how the sector weights have changed since Trump's first term.

Value is underweighted compared to Trump's first term

Sector Weights at Start of Trump's First and Second Terms

Sector	2017 (%)	Current (%)	Difference (% points)
Technology	14.4	31.7	17.3
Consumer Discretionary	9.0	10.8	1.8
Real Estate	2.8	2.2	-0.6
Utilities	3.1	2.4	-0.7
Materials	2.8	2.1	-0.8
Communication Services	10.8	9.1	-1.7
Industrials	10.8	8.5	-2.3
Financials	16.4	13.7	-2.7
Health Care	13.4	10.5	-2.9
Consumer Staples	9.2	5.7	-3.5
Energy	7.3	3.4	-3.9

Source: S&P DJ Indices and MSCI (GICS).

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The sectors of the market are forward-looking, speculative and can move faster than ever. This will add to volatility in the market as news and numbers are processed. The market will adjust quickly to any change in information. Inflation, earnings, and geopolitics are the largest headwinds in 2025.

Rovin View:

The ability to lower volatility and participate in earnings and growth is why we favor Alternative investments. Structured Notes, Private Funds, and Buffered ETFs provide protection from the unknown and allow for participation in upside growth. Below are investment ideas that we see as attractive for 2025.

ATTRACTIVE INVESTMENT IDEAS

	INVESTMENT IDEA	RATIONALE	ASSET CLASSES TO CONSIDER
FIXED INCOME	**Redeploy cash**	Bonds should outperform cash given the Fed's policy pivot towards steady-to-lower rates. Shorter-duration assets can provide attractive income with compelling total return potential.	• Ultra-short bonds • Short-duration fixed income
FIXED INCOME	**Target the front end of the yield curve**	Potential for further Fed easing amid flat yield curve conditions with elevated short-term rates creates attractive opportunities on the curve's front end.	• Ultra-short bonds • Short-duration fixed income
FIXED INCOME	**Extend duration**	Intermediate bonds can help diversify equity risks and provide attractive risk-adjusted return potential by extending duration. Using a barbell approach (i.e., combining short- and long-duration strategies) may potentially smooth the return sequence.	• Intermediate bonds • Short-duration fixed income • Ultra-short bonds
FIXED INCOME	**Take advantage of attractive taxable equivalent yields**	With tax-free yields near their highest levels in over two decades, municipal bonds offer investors compelling opportunities to shield income from taxes.	• Municipal bonds
EQUITIES	**Focus on disruptive secular growth areas**	Innovative secular themes are both disruptive and resilient to macro conditions, with artificial intelligence driving revolutionary change across most industries.	• U.S. growth stocks • Global equities • International equities • Emerging market equities
EQUITIES	**Participate in the market's upside with a downside buffer**	Investors worried about market volatility may benefit from defined outcome solutions that enable them to participate in the market's upside to an agreed-upon level while limiting downside exposure.	• Defined outcome solutions
EQUITIES	**Capitalize on small- and mid-cap valuations**	Lower valuations than large caps and potential tailwinds from Fed rate cuts foster attractive opportunities among small- and mid-cap stocks.	• Small-cap stocks • Mid-cap stocks
EQUITIES	**Benefit from REIT tailwinds**	Improving macro conditions, strong fundamentals, and heightened M&A activity underpin mean reversion potential in REIT valuations that supports a continued rebound.	• Public REITs
ALTERNATIVES	**Seek private credit opportunities**	Increased bank competition in larger market segments creates increasingly attractive opportunities in the underserved middle market for investors looking for potentially higher yields and total returns.	• Private credit
ALTERNATIVES	**Capture the new real estate cycle**	Private real estate returns turned positive in the third quarter as real estate values trended upward, with lower rate potential and strong structural trends providing tailwinds for a prolonged upcycle.	• Private real estate
TAX MANAGEMENT	**Access tax alpha potential in equity allocations**	Investors may be able to build better beta through direct indexing strategies that enable them to participate in equity markets while capturing tax-loss harvesting opportunities.	• Direct indexing

In addition to these attractive investment ideas, we have added additional charts and commentary in Appendix A that emphasize interesting data. Please reach out to your advisor if you have any questions and would like to discuss more.

Thank you for your continued support and trust. Your financial peace of mind is our highest priority.

Your Portfolio Management Team,

Chris Heyman, Dave Dietz, and Dave Fraser

APPENDIX A

S&P 500 Index at inflection points

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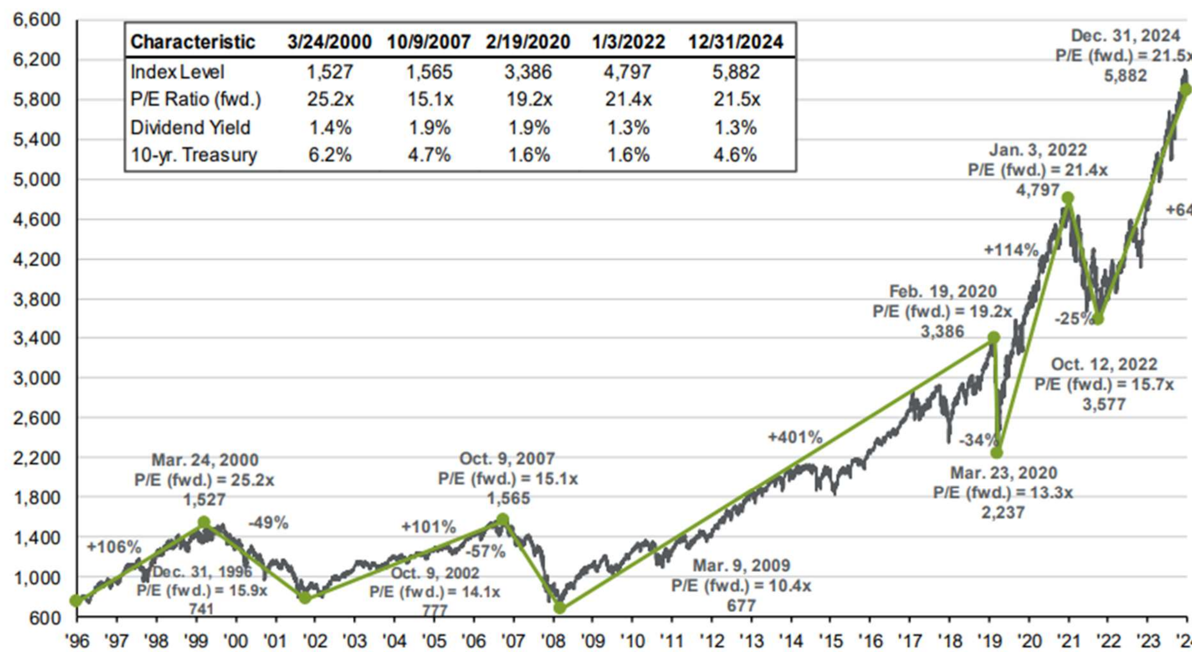
S&P 500 Price Index



Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	12/31/2024
Index Level	1,527	1,565	3,386	4,797	5,882
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	21.5x
Dividend Yield	1.4%	1.9%	1.9%	1.3%	1.3%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	4.6%

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 December 31, 2024.

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Small caps, mid caps and large caps

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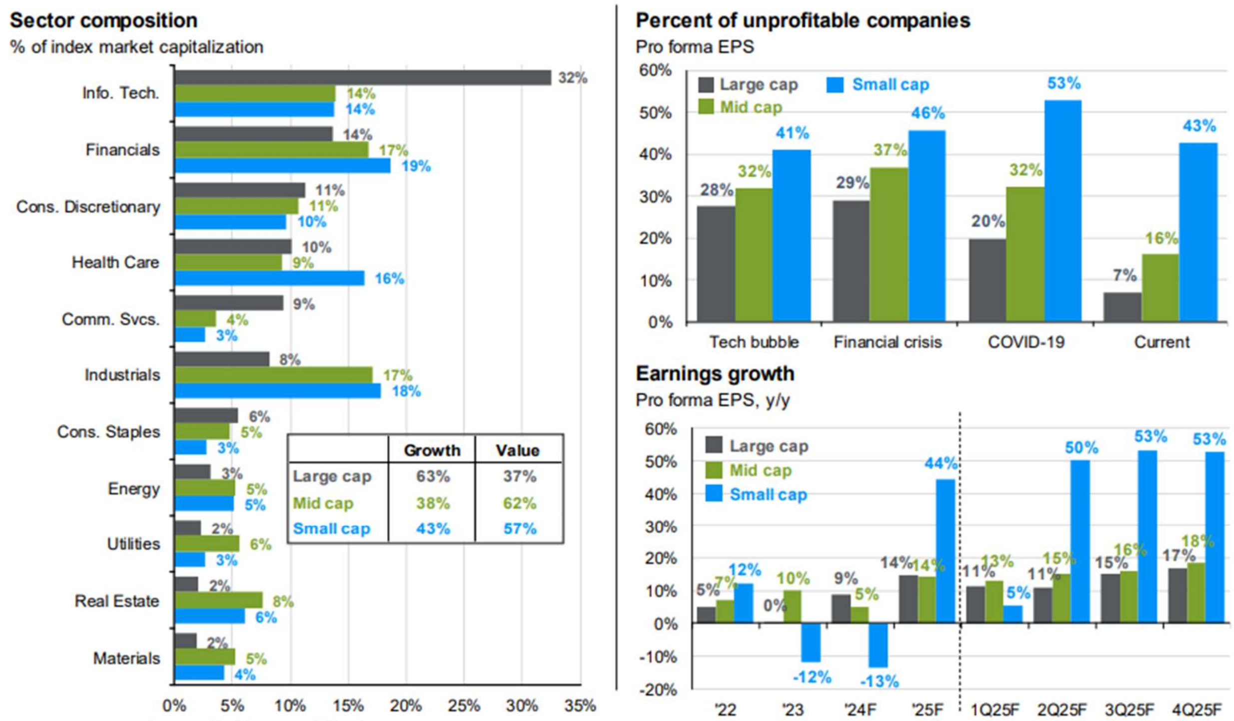

	Growth	Value
Large cap	63%	37%
Mid cap	38%	62%
Small cap	43%	57%

Source: Compustat, FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.
The S&P 500 is used for large cap. The Russell Mid Cap is used for mid cap. The Russell 2000 is used for small cap. Data for the percent of unprofitable companies in each index are from the following quarters: Tech bubble = 4Q01, Financial crisis = 4Q08, COVID-19 = 1Q20 and Current = 3Q24.
Guide to the Markets – U.S. Data are as of December 31, 2024.

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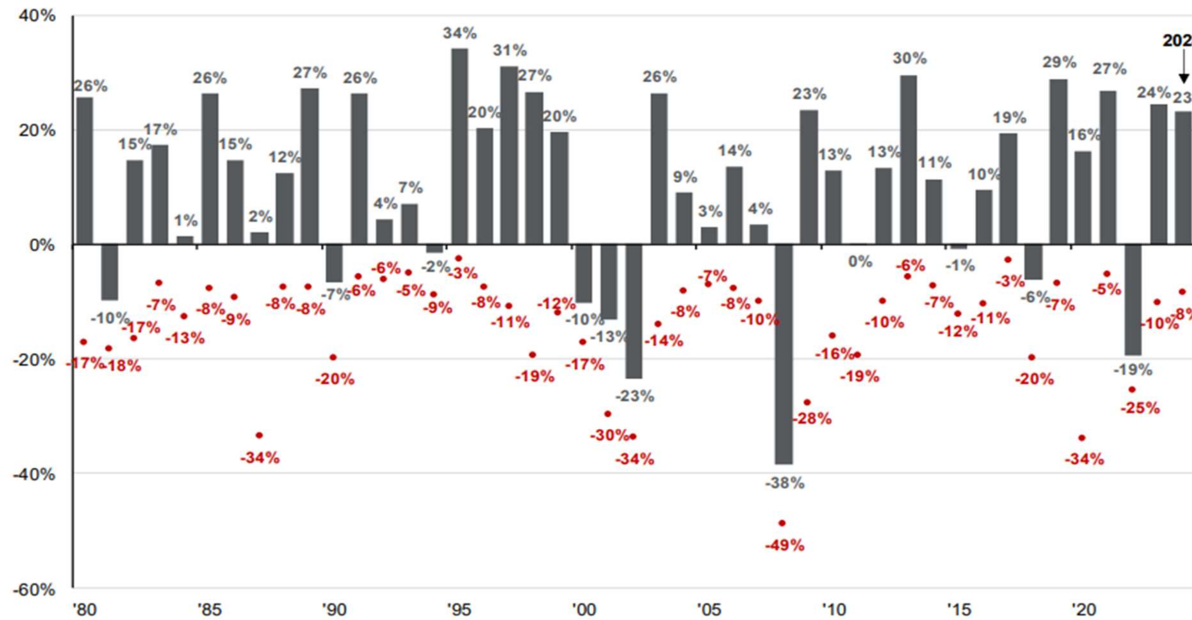
Annual returns and intra-year declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which time period the average annual return was 10.6%.
Guide to the Markets – U.S. Data are as of December 31, 2024.

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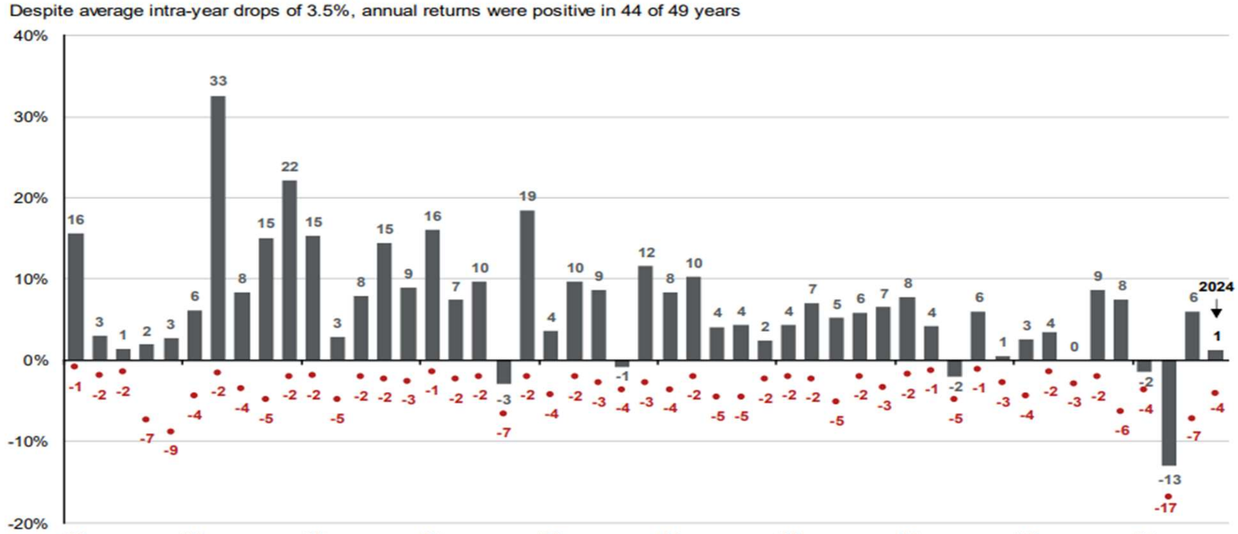
Bloomberg U.S. Agg. annual returns and intra-year declines

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.5%, annual returns were positive in 44 of 49 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2024, over which time period the average annual return was 6.5%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterward.
Guide to the Markets – U.S. Data are as of December 31, 2024.

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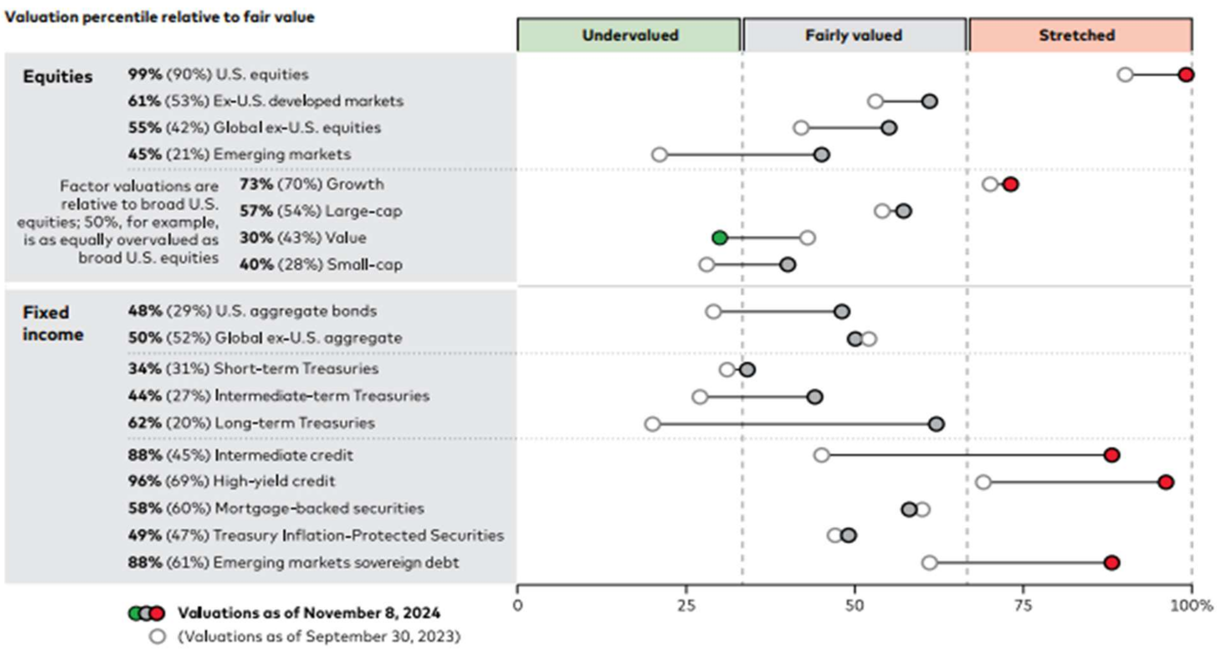
How stock and bond valuations have changed in the last year

Risk asset valuations are more stretched, but opportunities exist



The Fed and interest rates

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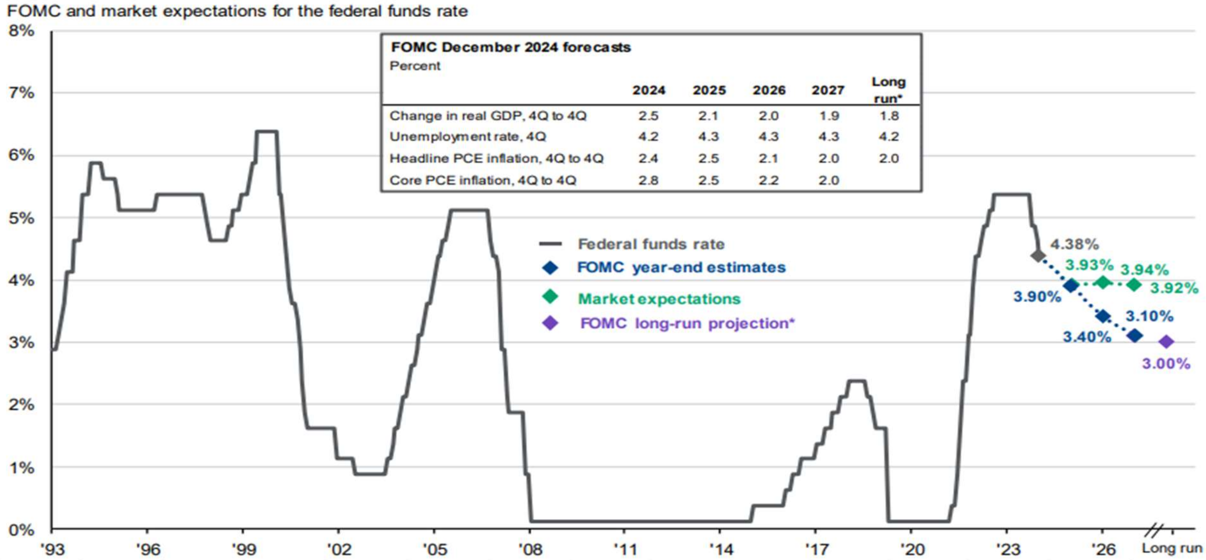
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



	2024	2025	2026	2027	Long run*
Change in real GDP, 4Q to 4Q	2.5	2.1	2.0	1.9	1.8
Unemployment rate, 4Q	4.2	4.3	4.3	4.3	4.2
Headline PCE inflation, 4Q to 4Q	2.4	2.5	2.1	2.0	2.0
Core PCE inflation, 4Q to 4Q	2.8	2.5	2.2	2.0	

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of December 31, 2024.

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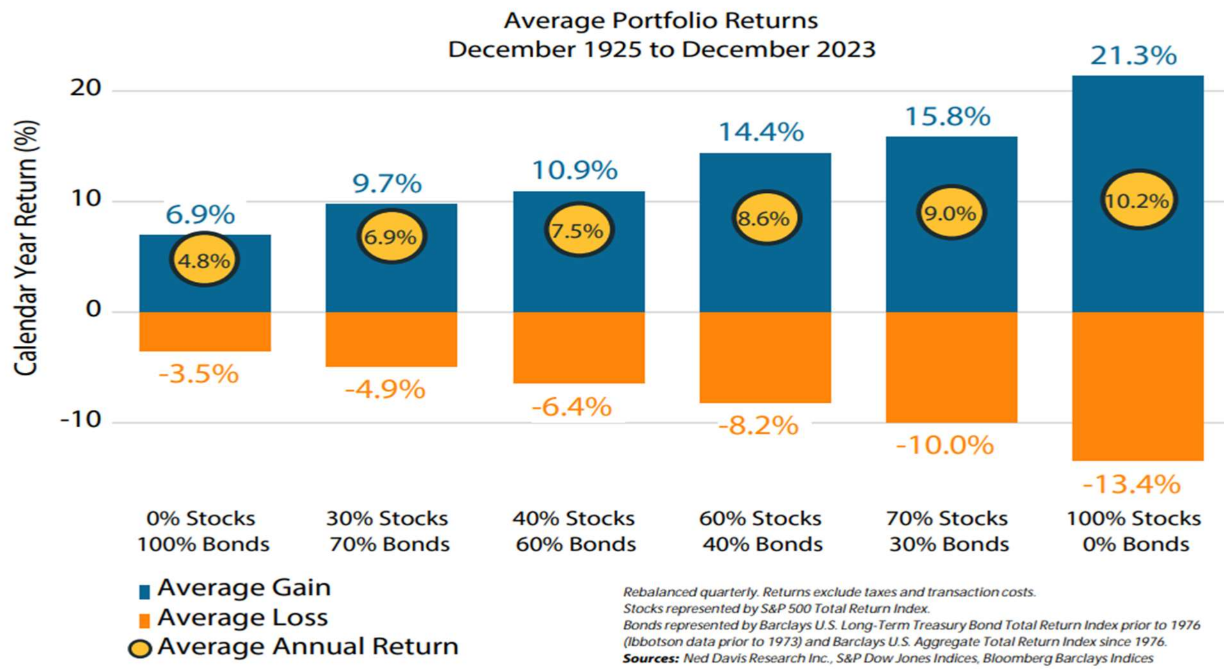
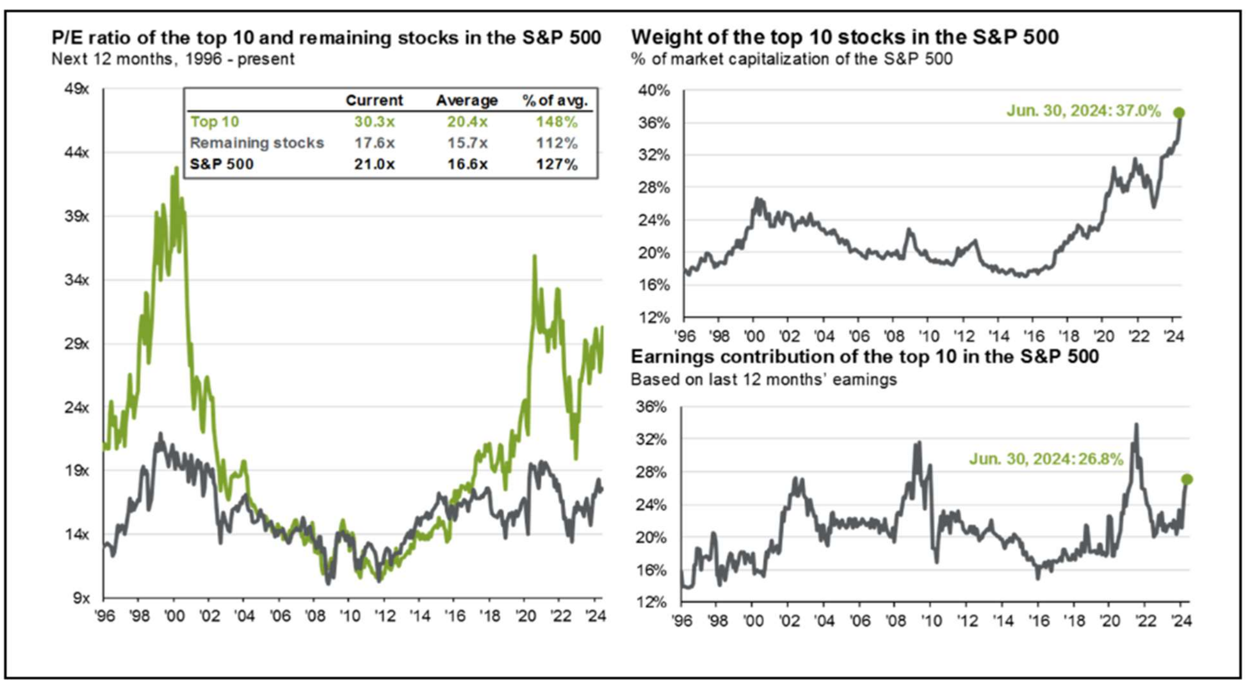
2025 Outlook

Historical returns for stock/bond portfolios - average



S&P 500: Index concentration, valuations and earnings

Actions



Key Market Calls	
Above Consensus Growth In the U.S.	We expect 2.5% GDP growth in the U.S. during 2025, 40 basis points above consensus. Meanwhile, we assume 11% year-over-year S&P 500 EPS growth in 2025, which implies an above-consensus EPS of $273 per share (versus the 'top-down' consensus estimate of $266 per share.)
Below Consensus Growth in Europe and China	We assume Eurozone 2025 GDP growth of 0.8%, which is 40 basis points below consensus. Meanwhile, in China we expect 4.4% growth, compared to the consensus of 4.5%.
Higher SPX Target	We maintain a 'Glass Half Full' posture for U.S. Equities, expecting the S&P 500 to reach around 6,850 in 2025 versus a top-down consensus of 6,359.
No Surge Higher in Rates, But Entering a Period of Steeper Yield Curves	We assume the Fed cuts twice in 2025, compared to consensus expectations of three cuts. On the long end, we move our 10-year target to a range of 4.25% to 4.5% for 2025 (versus consensus of 4.1%) to account for tariff-related pressures as well as policy stance uncertainty in 2025.
Above Consensus Inflation in the U.S., But Below in Most Other Economies	In the U.S., we think inflation will have a higher resting rate than the consensus thinks. In the U.S., we forecast inflation of 2.6% in 2025 versus consensus of 2.4%. Embedded in our forecast is that tariffs boost inflation by 30 basis points in 2025. Separately, in Europe and China, we think inflation will continue to cool. We are at 1.9% for Euro Area inflation in 2025, versus consensus of 2.0%. In China, we are 30 basis points below consensus at 0.9% for 2025.
Oil	Our forecasts for 2025-26, at $65 per barrel, are now slightly below current futures prices. In contrast, our longer-term projections for 2027-28, at $70-75 per barrel, are well above the futures price of approximately $64 per barrel.

Toplines for NDR's 2025 U.S. Outlook

Broad Market

- Our year-end 2025 S&P 500 target is 6600 (+9%), with the possibility of a stronger first half and weaker second half.
- The pillars of the bull market – disinflation, EPS acceleration, and broad participation – may not remain in place throughout the year.
- We enter the year favoring mid-caps and neutral on Growth/Value, but are prepared to rotate to large-caps and defensive Value.

U.S. Fixed Income

- Policy uncertainty to drive a wide range of outcomes. Fair value ranges from 4.00% to 5.25% on the 10-year Treasury.
- Expect 75 bp of Fed rate cuts and a modestly steeper curve in 2025.
- Credit remains richly valued. Continue to favor loans over fixed-rate debt.

U.S. Economy

- We project real GDP growth of 2.0%-2.5%, as Fed easing and pro-growth Trump policies feed the expansion.
- We project near-steady CPI inflation of 2.75%-3.25%, as services inflation remains sticky.
- Supply-side disruptions, including tariffs and mass deportations, are downside risks to growth and upside risks to inflation.

U.S. Sectors

- The priority Trump gives to policy initiatives will likely be a key influence on leadership trends in the year ahead.
- Mag 7 earnings growth should remain strong in 2025, but its lead on the rest of the market should narrow.
- Leadership could be choppy between cyclical and defensive.

Thematic Opportunities

- We see several transitions impacting our thematic outlook for 2025.
- Moving to a crypto-friendly SEC, a greater software focus in AI, and more durables in demographic spending top our list.
- ETFs including Global X FinTech (FINX), iShares Future AI & Tech (ARTY), and iShares Home Construction (ITB) would benefit.