FIDELIS CAPITAL

Monthly Market Recap

December 2024

From the Investment Committee

Equity markets stumbled to the finish line in December, with the S&P 500 declining roughly 2.4% and the Dow dropping about 5%. This was the worst S&P 500 monthly return since April, while the Dow experienced its worst month since September 2022. Despite a weaker December, equity markets were definitively positive for the year, with the S&P 500 up 25%, the Dow up 13% and the Nasdaq up 29%.

The much-anticipated "Santa Claus" rally failed to materialize for several reasons. After starting the month relatively flat and range-bound, equity markets weakened after the Federal Reserve's December 18th meeting. While the Fed cut rates by 25bps, as the market expected, Chairman Jay Powell indicated he now only sees two additional cuts in 2025, signaling a potentially higher-for-longer rate environment across the curve. It's interesting to note that since the Fed began cutting rates in September, longer-term yields have moved in the opposite direction, with the 10-year Treasury adding about 90 basis points of yield.

Additionally, investors began showing signs of fatigue after a historically strong rally in risk assets. In November alone, the S&P 500 was up over 5.8% on the back of post-election optimism. The S&P 500 hit over 57 all time-highs during the year — the most since 1928 — and posted back-to-back annual gains of 20% for the first time since the mid-1990s and for only the fourth time in history. Given this exceptional performance, it is natural and expected for investors to take profits and rebalance their portfolios.

What does 2025 hold in store for investors? Wall Street expectations are high, with the average sell-side S&P 500 target around 6500, or about 10% annual gain. The U.S. consumer is still showing signs of strength, earnings are projected to be strong, and there is optimism around the new administration's approach to taxes and regulations. While we acknowledge there is positive momentum flowing through the economy, we are also watching trends around inflation, rates and health of the consumer for any signs of potential weakness.

From a portfolio perspective, we continue to advocate balance in our allocations and higher-quality assets in our security selection process. As always, we are here to answer your questions or discuss any concerns you may have.

Key Takeaways

S&P 500 Posts Back-to-Back Years of +20%	• The S&P 500 returned 25% in 2024 after returning 26% in 2023. • This has happened only three other times in the past century and last occurred 1997-1998. • The S&P 500 hit 57 all-time highs in 2024. • Expectations for 2025 remain optimistic, with the average year-end Wall Street forecast at 6,500.
Inflation Remains Stubborn	• November's CPI report revealed headline inflation ticked up to 2.7% YOY. • The report was in line with expectations but higher than the 2.6% annual increase reported in October. • This represented the second consecutive monthly increase in CPI. • PCE inflation reported at 0.1% monthly increase, which was slightly below expectations.
Consumer Sentiment Rises	• The University of Michigan Consumer Sentiment Index rose in December, marking the fifth consecutive monthly increase and the highest level since April 2024.
Higher Mortgage Rates in 2024 Despite Fed Rate Cuts	• Since September, the FOMC lowered interest rates by a total of 1.00%, cutting by 0.50% that month, 0.25% in November and 0.25% in December. • Despite the decline in the fed funds rate, longer-term rates moved higher for the year and quarter, including mortgage rates, as both the Fed and markets remain wary of a resurgence in inflation. • The housing market has slowed as a result — homeowners looking to refinance and homebuyers waiting for better rates have been disappointed.

FIDELIS CAPITAL

Asset Class Performance

Equities

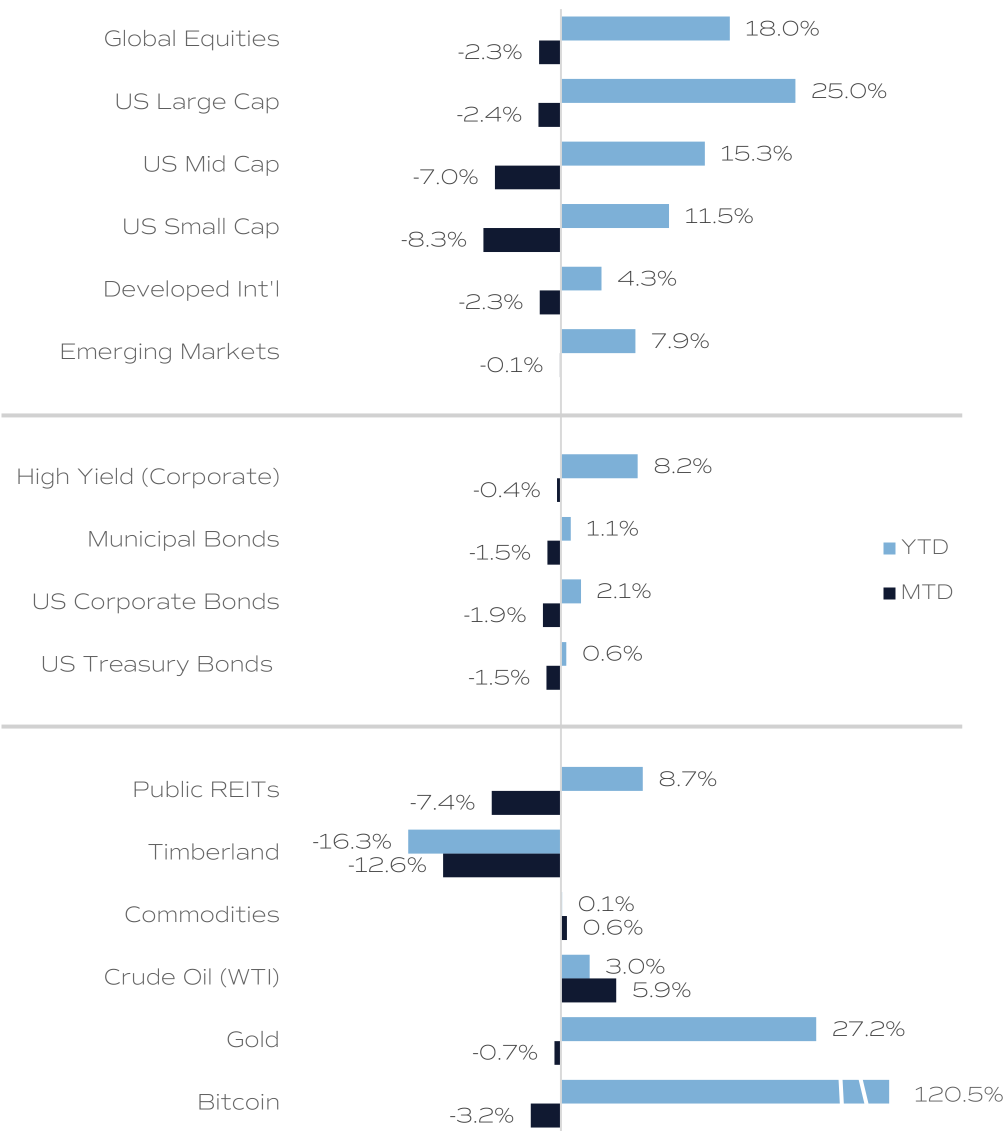
- Markets struggled in December, with only three S&P sectors posting positive returns: Communications Services, Consumer Discretionary and Technology.
- Emerging Markets were negative again in December, however, relative to the S&P 500, it outperformed by more than 200 basis points.

Fixed Income

- Bond market returns for Q4 were mostly negative as expectations for aggressive Fed cuts through 2025 were scaled back.
- For the year, fixed income returns are positive across sectors, with lower-quality bonds in both the taxable and tax-exempt markets leading the way higher.

Real Assets

- Diversified commodities, precious metals and cryptocurrencies were only modestly changed for the month, while REITs continued their Q4 slide as long-term interest rates approached annual highs.
- Despite the uneventful month, precious metals and cryptocurrencies completed a tremendously strong 2024 with annual returns in excess of 20%, while Bitcoin returns easily surpassed 100% for the year.



Source: Bloomberg as of December 31, 2024.

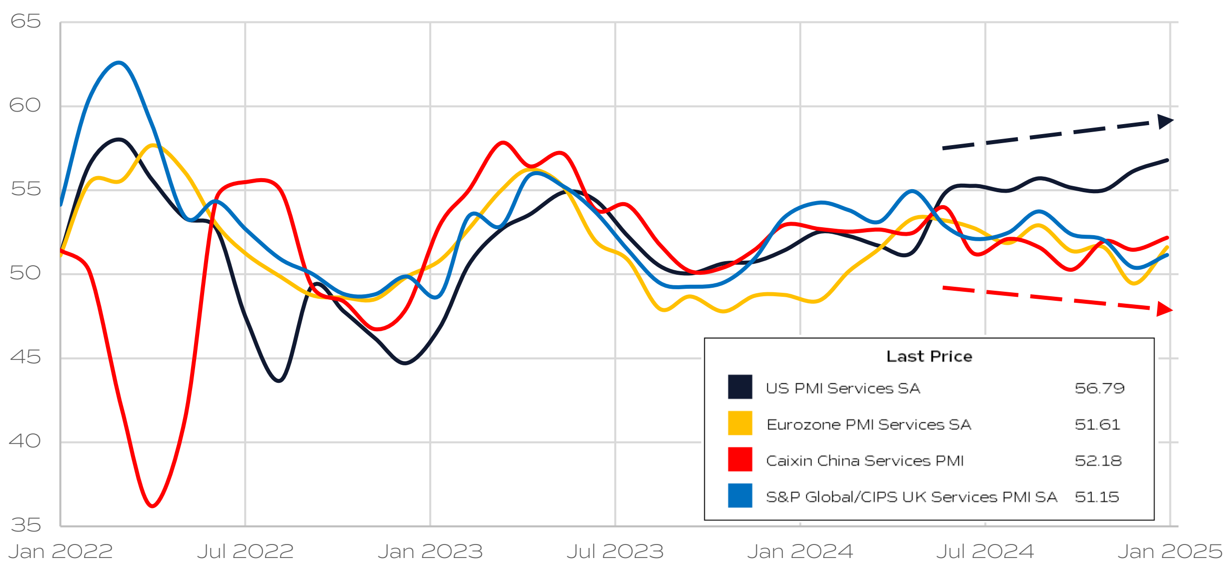
FIDELIS CAPITAL

Macroeconomic Overview

	Year End 2023 %	Recent Period %	Prior Period %	YTD Change %
GDP* (YoY Change)	3.20	2.70	3.20	(0.50)
Conference Board - LEI**	(0.20)	0.30	(0.40)	0.50
Unemployment Rate**	3.70	4.20	4.10	0.50
CPI (YoY Change)**	3.40	2.70	2.60	(0.70)
CPI ex. Food & Energy**	3.90	3.30	3.30	(0.60)
PCE**	3.04	2.82	2.79	(0.22)
Effective Fed Funds Rate	5.33	4.58	4.58	(0.75)
10-Year U.S. Treasury	4.57	4.57	4.19	0.00

- Stocks are trading at above-normal valuations, and the market's goodwill can carry them further. As we head into the first quarter, it would not be surprising to see some profit-taking and elevated volatility.
- The NFIB Small Business Optimism Index rose by eight points in November to 101.7, after 34 months of remaining below the 50-year average of 98. This is the highest reading since June 2021.
- Small Business can be very additive to the economy and job availability, so this bodes well for the economy although likely has some associated inflationary impulses.

Major Global Purchasing Managers' Index (PMI) Services*



- **US Services PMI:** US PMI continues to distance itself from the rest of the world, however, consumer confidence reset lower following a surge into the election. We continue to favor a home country bias for U.S. investors.

Source: Bloomberg as of December 31, 2024. *As of September 30, 2024. **As of November 30, 2024. ***FactSet as of December 31, 2024.

U.S. Equity Markets

	MTD %	YTD %	1 Yr %
Communications Services	3.58	40.23	40.10
Consumer Discretionary	2.39	30.14	30.05
Technology	1.16	36.61	36.49
S&P 500	*(2.39)*	*25.00*	*24.92*
Consumer Staples	(4.97)	14.87	14.83
Financials	(5.46)	30.50	30.41
Health Care	(6.21)	2.58	2.57
Utilities	(7.93)	23.43	23.36
Industrials	(7.98)	17.30	17.25
Real Estate	(8.60)	5.23	5.21
Energy	(9.47)	5.72	5.71
Materials	(10.72)	(0.04)	(0.04)

	Value	Core	Growth
Large	-2.0	2.7	7.1
Mid	-1.8	0.6	8.1
Small	-1.1	0.3	1.7

QTD (%)

	Value	Core	Growth
Large	14.3	24.5	33.4
Mid	13.1	15.3	22.1
Small	8.0	11.5	15.1

YTD (%)

Best

- ***Communications Services:*** The sector led all others in December, with a 3.58% return. Relative to the S&P 500, it continued the outperformance seen throughout the year, leading by more than 5% for the month and 15% for the year. The strong 2024 performance is thanks to a handful of mega-cap stocks with exposure to artificial intelligence.

Worst

- ***Materials:*** Materials posted a -10.76% return for the final month of 2024, 8% below the return of the broader index. For the year, Materials underperformed the S&P 500 by more than 23%, the widest margin since 1998. Much of the underperformance in the sector has come from China's economic slowdown.

- December was a weak month for much of the market, however, large-cap growth stocks were able to muster a slightly positive return.

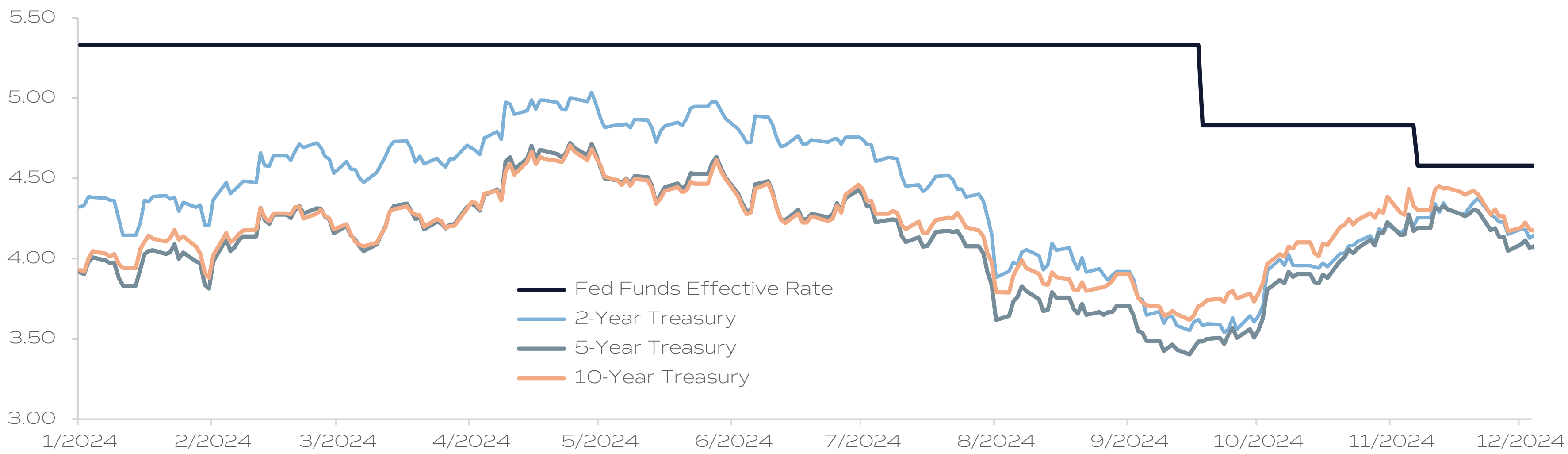
- Reviewing the year, growth stocks outperformed other styles within each capitalization, with large-cap growth leading the way with a 33.4% return. This was largely driven by the Technology sector and the continued buzz that surrounds artificial intelligence.

Source: Bloomberg as of December 31, 2024.

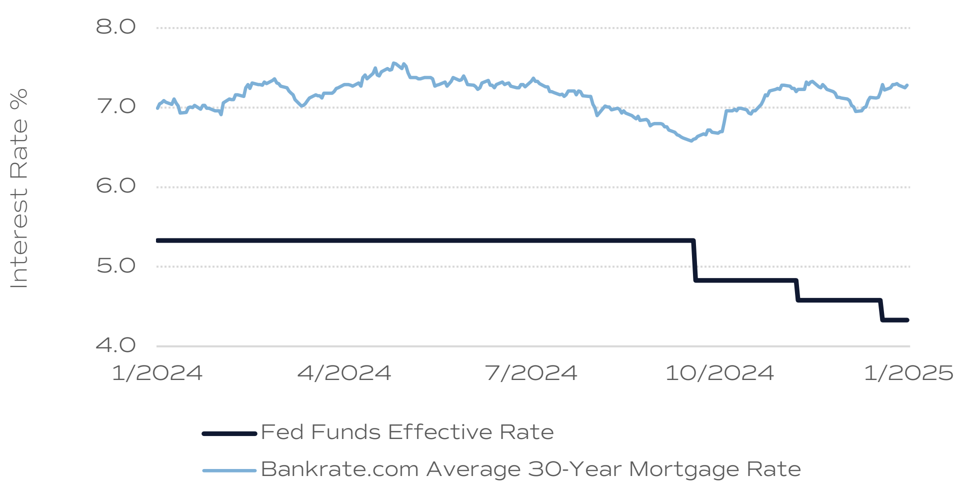
FIDELIS CAPITAL

Fixed Income

Fed Funds Rate & Treasury Yields



*Fed Funds Rate and Mortgage Rates**



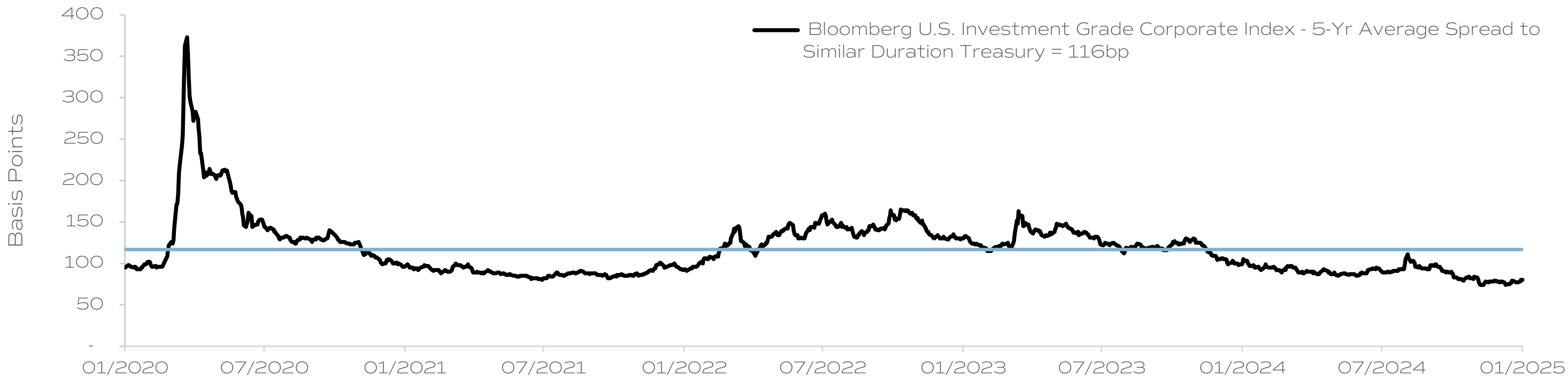
- Fixed income markets posted negative returns for Q4 as expectations for a more aggressive Fed easing path were pulled back.
- Although the Fed cut short-term rates, mortgage rates remain stubbornly high. The 10-year Treasury rates rose in 2024 because markets are not convinced that inflation is under control.

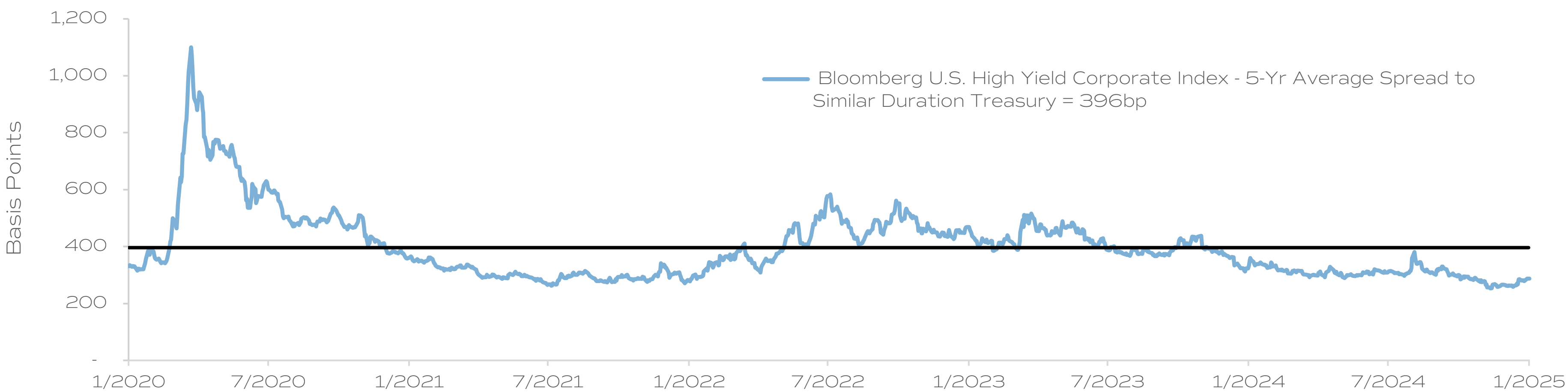
Source: Bloomberg as of December 31, 2024. *Bankrate.com and Bloomberg as of December 31, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Corporate Bond Spreads

- Investment grade corporate bond spreads remained near record lows at the close of the year. High Yield bond spreads widened a bit but remain near record lows as well.
- Spread levels remain significantly below long-term averages, which is an indication that corporate bonds are relatively expensive in relationship to comparable Treasuries.



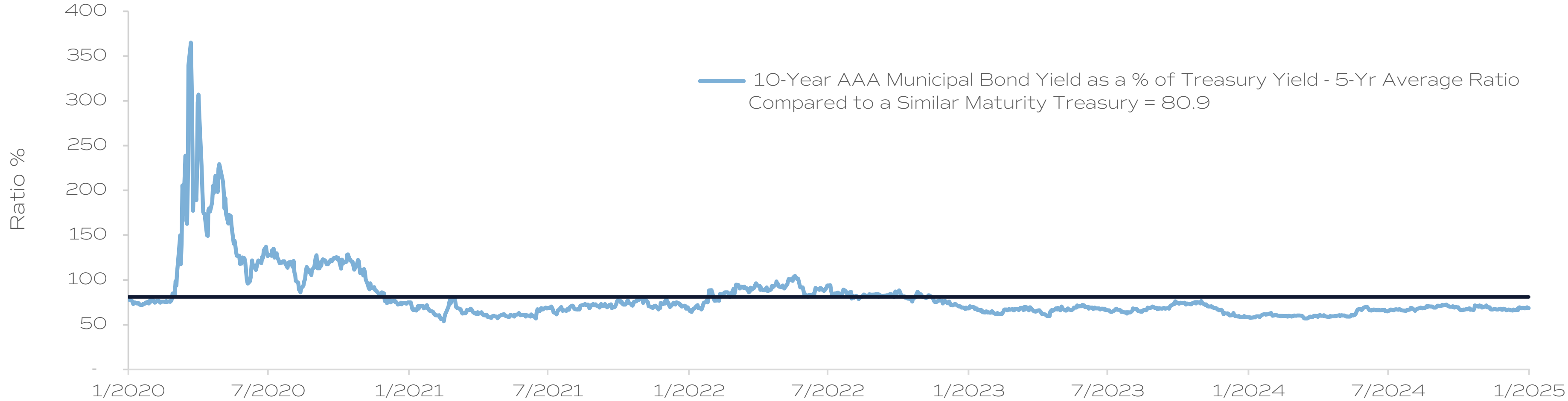


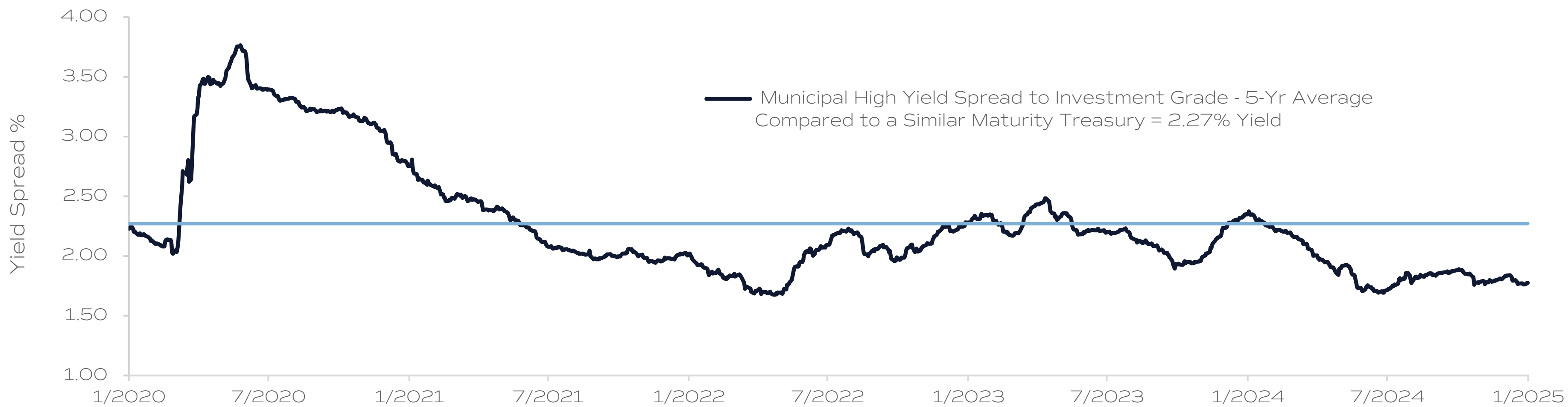
Source: Bloomberg as of December 31, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Municipal Bond Spreads

- Investment grade municipal bond spreads remained low and could move even lower supply subsides in the first few months of each year.





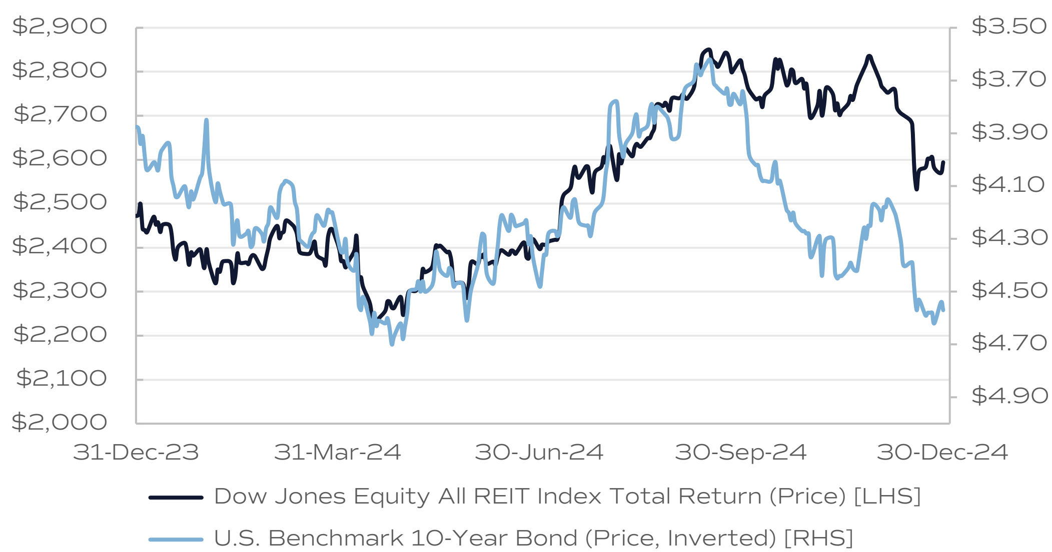
Source: Bloomberg as of December 31, 2024.

FIDELIS CAPITAL

Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NARREIT	807.08	-7.38%	8.72%	8.70%
FTSE NARREIT - Timberland	164.92	-12.55%	-16.28%	-16.24%
Bloomberg Commodity Index	98.14	0.63%	0.12%	0.12%
Crude Oil (WTI) [bbl.]	71.72	5.91%	3.05%	3.05%
Natural Gas [MMBtu]	3.40	0.89%	31.78%	31.78%
Copper [lb.]	8,768.00	-2.69%	2.44%	2.44%
Gold [oz.]	2,624.50	-0.71%	27.22%	27.22%
Silver [oz.]	28.90	-5.63%	21.46%	21.46%
Bitcoin	93,714.04	-3.23%	120.46%	120.46%
Ethereum	3,346.49	-10.10%	46.63%	46.63%

REITs Sink, 10-Year Spikes to Close 2024*



Summary: It was a quiet December for most real assets, with diversified commodities, precious metals and cryptocurrencies within +/- 5% for the month. Real estate and timberland slipped notably, however, as long-term interest rates spiked back towards the annual highs last seen in the late spring.

Year-End Observations:

- Returns for real assets in 2024 proved highly differentiated.
- Currency-related assets, such as crypto and precious metals, produced very strong double- and triple-digit returns as the Fed began a fresh easing cycle and global liquidity conditions started to improve.
- Assets tied more directly to the broader economy, such as copper and crude oil, however, were largely unchanged for the year.
- REIT returns were a bit of a ride for the year, driven largely by widely range-bounded, long-term interest rates. Weakness in the early spring and late fall coincided with spikes in the 10-year U.S. Treasury bond, but diversified REITs still managed to produce mid-single-digit returns for the year.

Source: Bloomberg as of December 31, 2024. *Source: FactSet as of December 31, 2024.

FIDELIS CAPITAL

Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	862.49	-2.34%	-0.90%	17.99%	17.94%	5.91%	10.59%
U.S. Equity							
S&P 500	6,032.38	-2.39%	2.39%	25.00%	24.92%	8.91%	14.49%
Russell 1000	3,317.38	-2.79%	2.74%	24.50%	24.42%	8.38%	14.24%
Russell Mid Cap	3,807.43	-7.04%	0.62%	15.34%	15.29%	3.77%	9.89%
Russell 2000	2,434.73	-8.26%	0.33%	11.53%	11.49%	1.21%	7.37%
International Equity							
MSCI ACWI ex US	332.66	-1.92%	-7.52%	6.04%	6.02%	1.28%	4.65%
MSCI EAFE	2,315.77	-2.26%	-8.08%	4.31%	4.30%	2.11%	5.33%
MSCI Europe	170.79	-2.54%	-9.64%	2.16%	2.15%	1.71%	5.49%
MSCI Japan	1,647.29	-0.85%	-3.70%	8.40%	8.38%	3.12%	5.19%
MSCI Emerging Markets	1,078.57	-0.12%	-7.86%	7.94%	7.92%	-1.59%	2.05%
Global Fixed Income							
Bloomberg US Corporate High Yield	2,694.63	-0.43%	0.17%	8.19%	8.17%	2.91%	4.21%
Bloomberg Municipal Bond Index	1,355.53	-1.46%	-1.22%	1.05%	1.05%	-0.55%	0.99%
Bloomberg US Corporate Total Return	3,354.42	-1.94%	-3.04%	2.13%	2.12%	-2.26%	0.30%
Bloomberg US Treasury Total Return	2,326.08	-1.54%	-3.14%	0.58%	0.58%	-2.88%	-0.68%
Bloomberg Global Aggregate	473.60	-2.15%	-5.10%	-1.69%	-1.68%	-4.52%	-1.96%
Bloomberg U.S. Aggregate	2,225.45	-1.64%	-3.06%	1.25%	1.25%	-2.41%	-0.33%
Bloomberg Gov't/Credit	2,581.21	-1.67%	-3.08%	1.18%	1.17%	-2.58%	-0.21%
Bloomberg High Yield Municipal Bond Index	465.85	-1.66%	-1.08%	6.32%	6.30%	0.30%	2.66%

Source: Bloomberg as of December 31, 2024.

FIDELIS CAPITAL

Tactical Views

Asset Class	Underweight		Neutral		Overweight
Cash		●			
Equities			●		
U.S. Large Cap				●	
U.S. Mid Cap				●	
U.S. Small Cap				●	
Developed Int'l	●				
Emerging Markets		●			
Fixed Income			●		
U.S. Government				●	
MBS			●		
Corporates			●		
Municipals				●	
High Yield		●			
Developed Int'l		●			
Emerging Markets		●			
Real Assets			●		
Commodities			●		
Timberland			●		
Private Real Estate			●		
Alternatives				●	
Hedge Funds			●		
Private Equity				●	
Private Debt			●		

Equity Sectors	Underweight		Neutral		Overweight
Energy				●	
Healthcare		●			
Consumer Discretionary			●		
Industrials			●		
Technology				●	
Communications			●		
Financials				●	
Real Estate				●	
Utilities		●			
Materials			●		
Consumer Staples		●			

FIDELIS CAPITAL

Investment Committee

Matt Michaels, CFA, CFP®
Founding Partner,
Co-Chief Investment Officer
Tampa, FL

Christopher Gunster, CFA
Partner,
Head of Fixed Income
Greenwich, CT

Aaron Wall, CFA
Partner,
Portfolio Manager
Washington, D.C.

Nick Smith, CFA
Investment Research Analyst
Tampa, FL

Christy Fabian
Chief Compliance Officer,
Chief Human Resources Officer
Tampa, FL

Kelly Hartzell
Brand & Communications Manager
Tampa, FL

Neale Ellis, CFA, CPWA®
Founding Partner,
Co-Chief Investment Officer
Dallas, TX

Michael J. Sellers
Partner,
Portfolio Manager
Washington, D.C.

Libby Lohmeier, CFA, CFP®
Investment Specialist,
Relationship Manager
Dallas, TX

Joe Diffley
Investment Specialist
Tampa, FL

Justin Jones
Director of Operations
Dallas, TX

Contact Us

Email us at *info@fideliscapital.com* to learn more about Fidelis Capital Partners, LLC, or visit our website at *www.fideliscapital.com*

Charlotte, NC
Main: (704) 594-7105

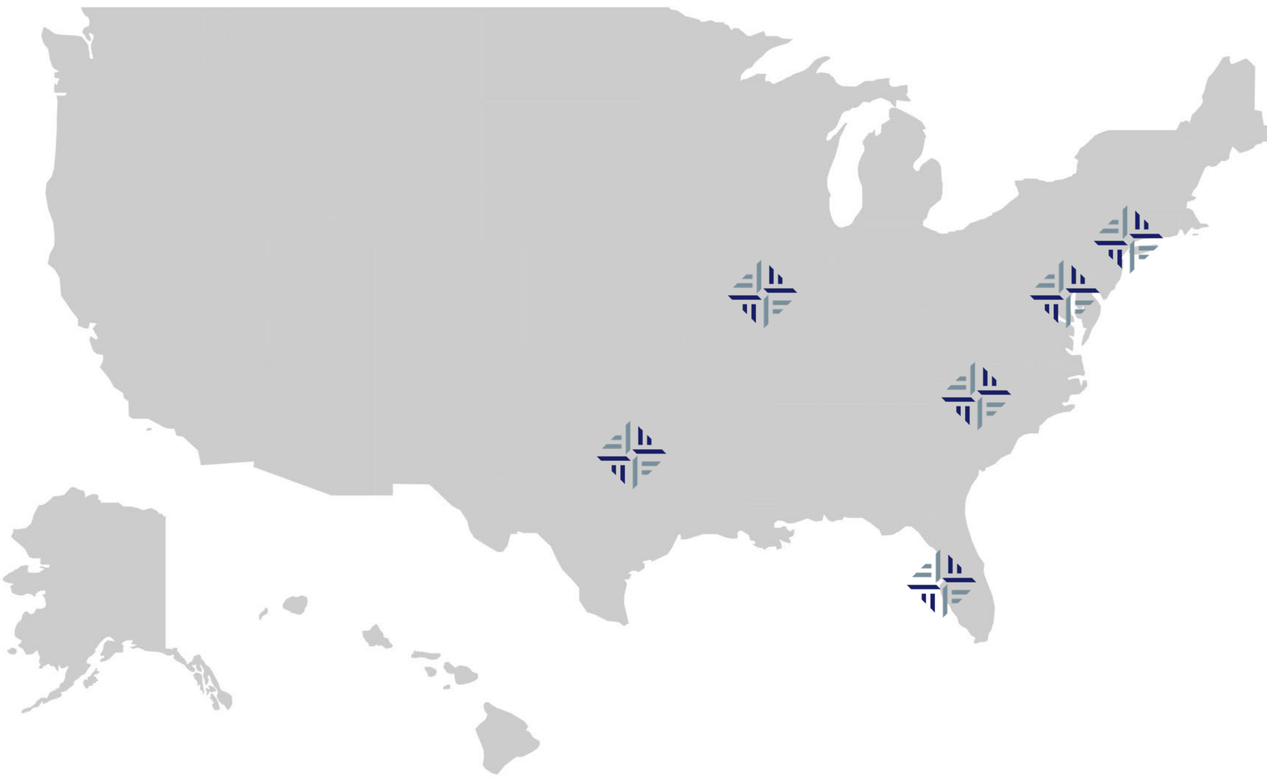
Dallas, TX
Main: (469) 708-0225

Greenwich, CT
Main: (203) 293-2719

St. Louis, MO
Main: (314) 900-9762

Tampa, FL
Main: (813) 934-6246

Washington, D.C.
Main: (202) 571-5807



FIDELIS CAPITAL

Disclosures & Definitions

This report is intended for the exclusive use of clients or prospective clients of Fidelis Capital Partners, LLC. The information contained herein is intended for the recipient, is confidential and may not be disseminated or distributed to any other person without the prior approval of Fidelis Capital Partners, LLC. Any dissemination or distribution is strictly prohibited. Information has been obtained from a variety of sources believed to be reliable though not independently verified. Any forecasts represent future expectations and actual returns; volatilities and correlations will differ from forecasts. This report does not represent a specific investment recommendation. The opinions and analysis expressed herein are based on Fidelis Capital Partners, LLC's research and professional experience, and are expressed as of the date of this report. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice. Past performance does not indicate future performance and there is a possibility of a loss.

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg US Aggregate Total Return Index USD
High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long
Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
Real Assets: S&P Real Assets
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged
U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD
U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index
U.S. All Cap: Russell 3000 Total Return Index
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
US Value: Russell 3000 Value Total Return Index
US Growth: Russell 3000 Growth Total Return Index
Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index
Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index
Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index
Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index
Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index
EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index
EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index
EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index
EM Value: MSCI Emerging Markets Value Net Total Return USD Index
EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

FIDELIS CAPITAL

Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.