

Investments Group

April 23, 2025 at 1:30PM

Ron Reedy and Mike Flannery Co-chairs

In-person and Zoom Meeting This Month

Disclaimer: The information provided here is for informational purposes only and does not constitute individual investment advice. Investing involves inherent risks, and past performance is not necessarily indicative of future results. Always consult with a qualified financial professional before making any investment decisions. We are not your financial advisor and no advisor-client relationship is created by your use of this information.

Agenda

- ❖ Markets review
- ❖ Guest speaker: Paul Cummings
- ❖ Investment competition scorecard
- ❖ Review of recent interesting investments articles

Market Update – U.S. Equities

<u>Index/Market/Stock</u>	<u>1Q '25</u>	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total US Stock Market	-4.8%	7.1%	23.8%	26.0%	-19.5%	25.7%
S&P 500	-4.3%	8.3%	25.0%	26.3%	-18.2%	28.7%
S&P 500 Equal Weight	-0.7%	3.7%	13.0%	13.8%	-11.5%	29.6%
NASDAQ 100	-8.2%	6.0%	25.9%	54.4%	-32.4%	26.9%
Russell 2000	-9.5%	-4.0%	11.5%	15.1%	-21.5%	13.6%
S&P 500 Value Index	0.3%	4.2%	11.5%	22.2%	-5.2%	24.9%
S&P 500 Growth Index	-8.5%	10.3%	35.8%	30.0%	-29.4%	32.0%

Note: returns/data from outside sources presumed to be reliable

Market Update – International Equities

Index/Market/Stock	<u>1Q '25</u>	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total International Stock Mkt (MSCI ACWI ex-USA)	4.6%	5.7%	5.5%	15.6%	-16.0%	7.8%
China (CSI 300)	2.0%	13.4%	14.5%	-12.3%	-25.7%	-3.3%
India (Nifty 50)	0.0%	10.7%	13.5%	17.4%	1.9%	22.4%
Europe (STOXX 600)	5.8%	6.9%	8.8%	11.3%	-11.8%	22.3%
Japan (NIKKEI 225)	-10.0%	-10.0%	21.3%	28.0%	-9.4%	22.6%

Note: returns/data from outside sources presumed to be reliable

Market Update – Topical/Commodities

Index/Market/Stock	<u>1Q '25</u>	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Magnificent Seven (equal weighted)	-15.7%	18.1%	64.0%	111.0%	-45.0%	
Nvidia	-22.0%	20.0%	171.2%	239.0%	-50.0%	125.0%
Bitcoin	-12.0%	23.0%	124.8%	164.3%	-64.9%	63.3%
Gold (COMEX)	19.5%	41.0%	26.0%	13.3%	0.6%	
PCE (at end of period)	2.5%		2.8%	4.9%	5.3%	
Oil (WTI)	0.0%	-17.8%	-3.0%	0.0%	0.0%	53.0%
Natural Gas (NYMEX near-month futures)	37.0%	177.0%	19%	-60%	22%	90%

Note: returns/data from outside sources presumed to be reliable

Market Update - Fixed Income

<u>Index/Market/Stock</u>	<u>1Q '25</u>	<u>1 Year</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
US T Bond 10-year return	3.3%	4.3%	1.2%	3.9%	-17.8%	
Bond Agg Index return	2.8%	4.9%	1.2%	5.7%	-13.0%	-1.8%
Intermediate Term Tax-Exempt (Bloomberg Muni 1-15)	-0.1%	1.4%	0.9%			
Cash (Vanguard Fed MMkt Fund)	1.1%	5.0%	5.2%	5.1%	1.6%	0.0%
10 yr T yield (at end of period)	4.3%		4.6%	3.9%	3.9%	1.5%
2 yr T yield (at end of period)	4.0%		4.3%	4.2%	4.4%	0.73%
Fed Funds (at end of period)	4.3%		4.3%	5.3%	4.3%	0.07%

Note: returns/data from outside sources presumed to be reliable

Guest Speaker

Paul Cummings

- Ridgewood Resident
- Experienced investment professional
 - Managing Director at Geller Advisors
 - Previous experience includes senior positions at Fiduciary Trust International, Wells Fargo Private Bank, Bank of America, BNY

Friendly Investments Competition

- How would each of you allocate a total of \$100,000 to these options to maximize overall return for 2025:
 - Cash (Vanguard Federal Money Market Fund)
 - Bonds (Bloomberg Float Adj Agg Index)
 - International Stocks (MSCI ACWI ex-US)
 - U.S. Stocks (S&P 500). Can also divide between S&P 500 Growth and S&P 500 Value and S&P 500 Equal Weight
- Rules:
 - \$ investment by asset class submitted by 1/31
 - Return period: full year 2025
 - Will announce who is leading competition at each quarterly meeting
 - Full year winner will be announced at January 2026 meeting
- Note: Average returns by asset class (approx.):
 - Last 20 years: Cash: 1.5%, Bonds: 3%, International Stocks: 5%, U.S. Stocks: 10%
 - Last 10 years: Growth Stocks: 17%, Value Stocks 11%

Friendly Investments Competition Scorecard

	<u>Cash</u>	<u>Bond Agg</u>	<u>Intl</u>	<u>S&P 500</u>	<u>SP Gr</u>	<u>SP Val</u>	<u>SP EW</u>	<u>Total</u>	<u>Value end 1Q</u>
Number of Players								22	
Top Allocation to Each Option	100	100	40	100	100	100	30		
Average Allocation to Options	7.5	12.7	5.7	12.7	37.5	19.1	4.8	100	97
Returns by Investment Option	1.1%	2.8%	4.6%	-4.3%	-8.5%	0.3%	-0.7%		
# players that made \$ in Q								4	
Leading player: Bill Rooney		100							102.8

Interesting Articles – Impact of Announced Tariffs

Trump Can't Win This Trade War. The Stock Market is the Loser. Barron's April 7, 2025.

- Ed Yardeni: “It’s a shame to see the administration take a perfectly good economy and hit it with a wrecking ball.”
- Announced tariffs are at the highest levels since the 1930’s when the Smoot-Hawley Tariff Act helped turn a recession into the Great Depression.
- UBS believes US GDP will take a 1.5-2% hit, while inflation will rise to 5%.
- Average bear market last nine months but can be much longer if they are not immediately headed off with massive Fed action and increased government spending.

Interesting Articles – Investment Strategy

Ways to Recession Proof Your Life. Fidelity Viewpoints April 2025.

- Before taking any big money moves, pause and reflect on what's driving your choices.
- Knowing that you have a plan in place that accounts for good times and bad can be reassuring.
- It's always a good idea to review your spending and savings. If you feel nervous about the future, bolstering your emergency fund can help.
- Try to stick to your investment plan through stock market downturns. Missing the best days of the recovery can affect your long-term results.

Interesting Articles – Investment Strategy

Ways to Recession Proof Your Life. Fidelity Viewpoints April 2025 (continued).

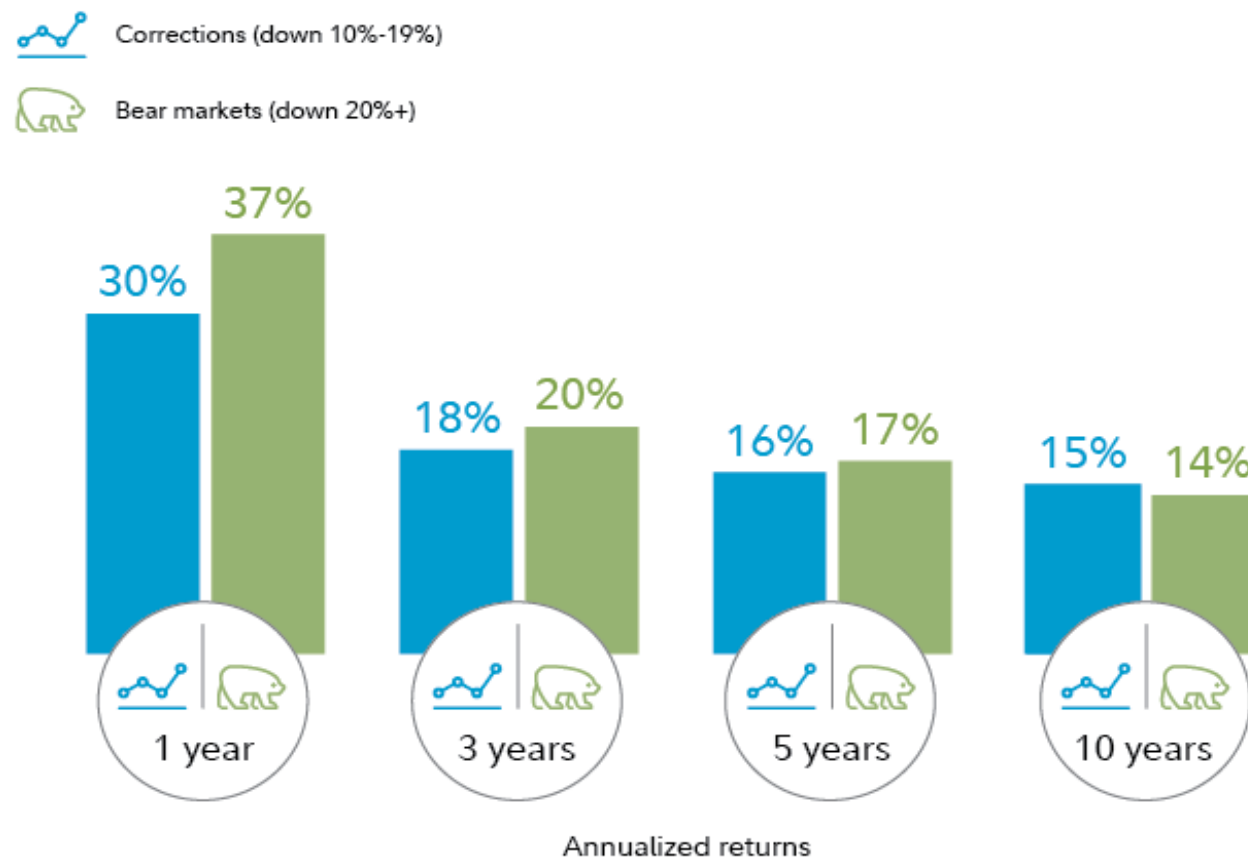
Stock market trade-offs

Historically, on average, investors

have received:	have tolerated:
~8% annual return	3 downturns of 5% per year
Positive calendar returns ~75% of the time	1 correction of 10% per year
	1 correction of ~15% every 3 years
	1 bear market greater than 20% every 6 years

Past performance is no guarantee of future results. It is not possible to invest directly in an index. Index performance is not meant to represent that of any Fidelity mutual fund. Source ("Receive"): macrotrends.net, via Investopedia; Source ("Tolerate"): RIMES, Standard & Poor's; Source: Forbes, Steve Vernon; all as of 10/29/2021.

Median returns following large stock market selloffs (1950–2022)



Past performance is no guarantee of future results. Returns were calculated using daily market returns for the S&P 500 for the time period following the market low after each correction and bear market from 1950 to 2022. Source: Fidelity Asset Allocation Research, as of June 30, 2022. The impact of taxes and fees are not considered in this hypothetical illustration.

Interesting Articles – Investment Strategy

Are Stocks a Sure Thing Over the Long Run? Not Necessarily (NYT 3/16)

- 10- and 20-year losses are infrequent but do occur – last one ended Feb, 2009 (-37.4%). Note all returns are in real terms adjusted for inflation and all portfolio were of indices.
 - Other periods ended: Sep. 1974; Aug, 1939; June, 1921; Oct. 1857.
- Still US has better than international markets where frequency and troughs have been deeper.
- In the period 1925-2023, 52% of individual stocks had negative cumulative returns, most others were modest, and a handful were spectacular

Interesting Articles – Investment Strategy

Stressed Out? How to Ease Your Money Anxiety. NYT April 13, 2025.

- The urge for people to do something to make themselves feel better can be overwhelming. But it is hard to make sound decisions when you are scared.
- Start Thinking Rich book: investors should focus on long-term as many have a 20+ year investment horizon.
- Recessions are a routine part of the economic cycle – happening on average every few years or so.
- Look at balances over a longer period, don't anchor on the highest balance ever
- Investors shifted from stocks to fixed income in 401k's:
 - highest level in nearly five years during 1Q
 - 10x normal levels on April 7

Interesting Articles – Investment Strategy

Stressed Out? How to Ease Your Money Anxiety. (continued)

- Don't Look at Your Balances
 - The pain of losing money is more powerful than the pleasure of making it.
 - If you check your account daily, you're likely to see losses 30-40% of the time and that may lead to behavior that does not benefit long-term returns
 - Advisors suggest only looking quarterly (or annually)
- Practice Self-Compassion
 - Humans are hardwired to behave in certain ways under certain circumstances
 - Remind yourself you did the best you could knowing what you knew then
 - Take a deep breath and take the next step forward to helping your financial position

Interesting Articles – Investment Strategy

What to Do Now That Tariffs Have Decimated Your 401(k). WSJ April 5, 2025.

- Intense uncertainty automatically triggers fear and stress.
- First step, stop obsessing about the damage to your portfolio. Instead, imagine a simple pyramid. The pyramid has three layers, each representing a different likelihood of regret.
 - First bottom layer consists of actions that you can take now that you are extremely unlikely to regret later.
 - e.g. tightening family budget, tax-loss harvesting (sell losing stocks and reallocate to low-cost diversified funds),
 - The second layer consists of actions that you might later feel some regret over.
 - Consider taking fund distributions as cash rather than reinvesting them, reallocate some money away from S&P 500 to international stocks or bonds (especially TIPS)
 - The third layer consists of drastic actions that are difficult if not impossible to reverse – making them prime candidates for intense regret down the road.
 - Dumping all of your stocks or betting big on a rebound
- We can and should engage in extreme thinking. We should not engage in extreme acting.

Interesting Articles – Investment Strategy

Four Questions Investors Need to Ask Themselves. WSJ April 12, 2025.

- U.S. stocks have averaged a return of 10.3% annually over the past century. In just two days, April 3 and 4, the S&P 500 lost 10.5%. Then on April 9, it gained 9.5% - only to dive the next day. Days have become years.
- Four questions to ask before taking any actions:
 - What do you own and why do you own it?
 - Review allocations. If selling, do so first in tax-advantaged retirement accounts
 - Why do you own stocks?
 - Participate in the long-term growth of the U.S. (and global) economy
 - What Has Changed?
 - If you can't wait until the market eventually recovers, consider moving equity exposure to TIPS, over time.
 - If you didn't already own this asset, would you buy it at this price?
 - Review cost basis of investments

Interesting Articles – Investment Strategy

Is the S&P 500 Enough? Clues from 125 Years of Returns. Barron's March 10, 2025.

- US stocks returned an annualized 9.7% over the last century and one-quarter, or 6.6% after inflation.
- US's share of the world's stock market value rose from 14% in 1900 to 64% in 2024. UK was 24% in 1900, now 3%. Japan was at 40% in 1989, now below 6%.
- 2018 study: 57% of individual stocks had lifetime returns worse than T-bills. The net gain for the US stock market over the past century is explained by just 4% of stocks. Argument for broadly diversified index funds.
- The average real, or after-inflation, return on government bonds since 1900 was just 0.9% a year. Bonds have experienced much longer periods to breakeven after downturns. Rebound after the Great Depression took stocks 15 years, but bonds took 50 years to recover after their 1940's peak. But bonds add diversification.

Interesting Articles – Investment Strategy

The Market has an Entry Point. We are Not There Yet. Barron's April 14, 2025.

- S&P 500 finished this week at 5363, down 13% from its record high of 6144 hit in late February.
- S&P 500 aggregate earnings estimate for 2025 sat at \$273 in early November. It is currently at \$267 and some think it will soon be at \$258 (up just 5% from 2024).
 - Based on the \$258 and an 18 PE (reasonable but down from a recent peak of 23), the next support level for the S&P may be roughly 4,800

Interesting Articles – Investment Ideas

Dividend Stocks to Buy in Periods of Turmoil. Barron's April 14, 2025.

- All hell broke loose after Trump's "Liberation Day" tariffs announcement.
 - Odds of a recession jumped to 60%, from 20%.
 - S&P fell by 12.1% over four days.
- Makes high-quality dividend stocks a good place to be.
 - Dividend aristocrats, those companies that have increased dividends each of the past 25 years, total 69 in the S&P 500.
 - Can buy all of them with ProShares S&P 500 Dividend Aristocrats ETF (NOBL).
 - Current yield: 2.8%
 - Have cash flow to support dividends
 - PE slightly higher than S&P 500, at 20, but also slightly more profitable

Interesting Articles – Investment Ideas

Retirees Should Limit Their Gold Exposure. Barron's April 7, 2025.

- Gold just finished its best quarter since the Reagan administration. Up 19%, best quarter since 1986. Long viewed as a haven amid turmoil.
- Advisors: 3-8% allocation to gold.
- Average return in market declines of 10%+, -4.6%.
- Easiest way to own is thru iShares Gold Trust, which has a 25bps expense ratio, or the more popular SPDR Gold, with a 40bps fee.
- In taxable accounts, gold ETF shares held for more than one year are taxed at the “collectibles” rate of 28% when sold for a gain, higher than long-term gains on other assets of 0-20%, depending upon income level. So best held in a tax-advantaged account.

Interesting Articles – Investment Ideas

The Hidden Problem with Active Bond ETFs. Barron's April 14, 2025.

- More funds invested in actively managed bond ETFs (\$311B) than active stock ETFs (\$283B).
- ETFs typically trade at a premium vs. the value of the underlying assets. But premium is significantly greater for active bond ETFs, especially where the bonds are longer dated or more illiquid.
 - e.g.: Fidelity Total Bond (FBND), an ETF, has an expense ratio of 0.36% and a current premium of 0.13%. The similar Fidelity Total Bond (FYBFX) mutual fund has an expense ratio of 0.44%. Therefore, it is currently cheaper to buy the mutual fund and you don't have to worry about what the premium/discount is on the ETF when you want to sell.

Q&A/General Discussion

Open forum

- Would anyone like to share any investment moves made during the past few months?
 - Ron can start

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