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# INVESTMENT REVIEW
## 4Q 2024

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# ECONOMIC COMMENTARY

**BY HAROLD G. KOTLER, CFA**

*Founder-Chairman, Chief Investment Officer*

For those unfamiliar with local Boston, MA politics, the recent debate around the rebuilding of a stadium in Boston exemplifies why Democrats lost the presidential election. Local leadership proposed refurbishing the stadium for a cost of $50 million dollars.

During the legislative review, however, the estimated cost ballooned to nearly $200 million. Despite the increase, local leadership persisted. Separately, but similarly, they have also asked for a huge tax on commercial real estate while proposing a much smaller tax increase on residential real estate.

Let me connect the dots. The city needs more revenue and is trying to extract it from real estate at a time when vacancy rates are near all-time highs. Local leadership also suggested implementing rent control. Tellingly, they have yet to propose budget cuts as an alternative.

We are all too young to remember the Great Depression, but some may recall that Commonwealth Avenue and Beacon Street in downtown Boston were dominated by nonprofit institutions for almost 50 years. Why? Homeowners lost their homes in the 1920s, not due to mortgage costs, but because of taxes. People simply walked away. It took almost 50 years to come full circle.

While proposing the rebuilding of the stadium, local leaders have also opposed a privately funded plan to build another $500 million project just outside the city. Their reason? The potential traffic impact on Boston.

This kind of irresponsible governance cannot continue. Republicans will soon take office, including the White House, House, and Senate, and are promising to shift the prevailing spend-and-tax mindset. While it's uncertain what policies will be passed by the legislature or by executive order, significant changes are assured. I think back to leaders like Margaret Thatcher and Ronald Reagan, who significantly reshaped government policy, though little was expected from either. Excessive rules and regulations have stifled this country. Government has a role, but it should be to encourage entrepreneurial spirit and innovation.

*"I think back to leaders like Margaret Thatcher and Ronald Reagan, who significantly reshaped government policy, though little was expected from either. Excessive rules and regulations have stifled this country. Government has a role, but it should be to encourage entrepreneurial spirit and innovation."*

Immigrants came to the US seeking opportunity. Many achieved great success. Forty percent of America's billion-dollar startups were founded by highly skilled immigrants. Europe has created only 14 companies worth more than $10 billion in the past 50 years, with a total market value of $400 billion. By contrast, the US has created 250 such companies, valued at $30 trillion during that period. So, despite our regulations, the US remains the

*Continued on next page*

most successful country in the world. Imagine what could be achieved without so much bureaucratic interference.

Change is coming in a meaningful way. In my letter two quarters ago, I discussed how artificial intelligence (AI) will drive growth and improve business profit margins. Concerns that inflation will increase due to tariffs and the deportation of undocumented immigrants may prove unfounded.

Trump has pledged to end the war in Ukraine. He's promised to secure the release of the hostages from Hamas. I believe he'll do both. Why? The same reason that Reagan was able to get the hostages out of Iran. Teddy Roosevelt said, "Speak softly and carry a big stick." Donald Trump says, talk loudly and follow through.

Like it or not, the world needs a strong America, unafraid to use its might. Our withdrawal from Afghanistan unfortunately diminished our global stature. Since then, Israel and Ukraine have endured heavy military casualties defending values we hold dear. The US was a critical arms provider, but also the back seat driver. War is brutal, but if another nation starts it, the US and her allies must finish it. We live in a tough world with bad actors. Strength at home and abroad is essential. We must be a reliable partner and foster an environment where positive energy can thrive.

There is no doubt we are at an inflection point both domestically and internationally. While many are understandably worried about the future, I believe that in four years, the world and our economy will be in a better place.

Wishing you a healthy and happy new year.

Harold G. Kotler, CFA
*Founder-Chairman, Chief Investment Officer*

# GW&K NEWS

## GW&K RECOGNIZED AS A BEST PLACE TO WORK IN MONEY MANAGEMENT FOR THE FOURTH CONSECUTIVE YEAR!

Pensions&Investments 2024
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MULTIYEAR WINNER
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*Pensions & Investments*, the global news source of money management, conducts this annual survey and recognition program to identify and recognize the best employers in the money management industry. We are thrilled to announce this is the fourth consecutive year that GW&K has participated and been recognized with this honor in the large employer category (100 - 499 US employees).

This recognition feels especially meaningful this year as we celebrated our 50th anniversary. For half a century, we've been committed to fostering a culture of collaboration, innovation, and excellence — a culture that wouldn't be possible without the incredible people who make up our team.

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180 | EMPLOYEES

49 | INVESTMENT PROFESSIONALS

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# FOURTH QUARTER 2024

## ECONOMY

- The economy maintains remarkable strength, with Atlanta Fed Q4 growth estimates at 3.1%, matching Q3's pace and far exceeding the Fed's 1.8% estimate of long-term potential. Consumer spending and services activity continues to drive growth.
- Labor markets remain historically strong despite modest cooling, with November's unemployment rate at 4.2%. Steady job and wage growth continue to support consumer spending.
- Inflation progress has faced some setbacks, with core PCE inflation at 2.8% for the year ended November, significantly above the Fed's 2% target and a bit higher than earlier projections.
- Following Donald Trump's victory in the US presidential election, policy uncertainties around tax cuts, tariffs and immigration cloud the 2025 inflation outlook. Still, the mix of strong growth and moderate inflation suggests continued economic expansion.

## FED ACTION

- The FOMC delivered the expected quarter-point rate cut in December, marking its third consecutive reduction while signaling a more cautious approach to future easing. The federal funds rate now stands at 4.25%-4.5%.
- Since initiating rate cuts in September, the Fed has reduced rates by a full percentage point, though officials now project a more gradual pace of easing ahead.
- The FOMC's latest projections show most officials expecting just two rate cuts in 2025, down from four projected in September, reflecting heightened concerns about inflation persistence.
- Officials have raised their core inflation forecast for 2025 to 2.5% from 2.2%, suggesting a more hawkish policy stance as price pressures prove stickier than previously anticipated.

## BOND MARKETS

- The Bloomberg Aggregate Bond Index declined -3.1% in Q4, giving back most of its Q3 gains and reducing its 2024 return to 1.3%.
- A stronger-than-expected economy renewed the market's concerns about persistent inflation, sending rates significantly higher and curves steeper, including the 3mo10yr curve that entered into positive territory for the first time in two years.
- Corporate bonds continued to benefit from favorable market dynamics, strong investor demand, and supportive fundamentals. Investment grade spreads tightened through their post GFC-tights and briefly reached levels not seen since the late 1990s. High yield narrowly posted a positive return, with higher yields and shorter duration mitigating the impact of curve steepening.
- Municipal bonds mirrored the broader market's selloff, but managed to slightly outperform Treasuries bolstered by mutual fund inflows and seasonally high reinvestment demand.

## INDEX PERFORMANCE

| 12/31/24 | QUARTER | YEAR TO DATE |
|---|---|---|
| Bloomberg 10-Year Municipal Bond Index | -1.34% | -0.33% |
| Bloomberg Aggregate Bond Index | -3.06% | 1.25% |
| Bloomberg High Yield Index | 0.17% | 8.19% |
| Dow Jones Industrial Average | 0.93% | 14.99% |
| S&P 500 Index | 2.41% | 25.02% |
| Russell 2000 Index | 0.33% | 11.54% |
| MSCI World Small Cap ex USA Index | -7.86% | 2.76% |
| MSCI World Index | -0.16% | 18.67% |

## DOMESTIC EQUITY MARKETS

- US equity markets advanced modestly in Q4 supported by a decisive election outcome, optimism around forward economic growth prospects and policies, and solid corporate earnings results. The November rally faded in December though as interest rates rose on concerns around the potential inflationary impacts of tariffs and immigration policies leading to a higher for longer Fed regime in 2025.
- Market leadership narrowed considerably in Q4. The S&P 500 gained 2.4% and outperformed the Russell 2000 (+0.3%) as well as the Equal Weighted S&P 500 (-1.9%).
- Within large caps, Growth sectors led. Consumer Discretionary and Communication Services performed best, followed by Financials and Information Technology. Materials, Health Care, Real Estate, and Utilities lagged most meaningfully.
- Growth outperformed Value, especially among large caps, and investors demonstrated a preference for low-quality factors.

## GLOBAL EQUITY MARKETS

- Non-US developed markets fell modestly in local currency this quarter, but a 7.7% rally in the US Dollar Index saw the MSCI World ex USA Index fall -7.4% (-0.1% local); the MSCI World ex USA SC Index declined -7.9% (-0.3% local).
- Asia outperformed the broader Index as MSCI Japan gained 5.9% in local currency, offsetting some of the negative currency impact.
- European markets ended the quarter mostly lower due to weak economic growth, political turmoil in France, and generally bearish sentiment.
- Financials, Information Technology, and Consumer Discretionary delivered positive local currency returns and were among the top sector performers for both the MSCI World ex USA and MSCI World ex USA SC Indexes. Materials, Health Care, and Real Estate trailed in both Indexes.

# INVESTMENT STRATEGIES

## MUNICIPAL BOND

We combine a rigorous, research intensive, credit selection process with active management. Our goal is to take advantage of market inefficiencies and find opportunities across the yield curve to protect and grow principal and income.

## TAXABLE BOND

Our multi-sector approach takes advantage of the relative valuation among distinct bond sectors and the increased opportunities to generate income and capital appreciation. We build diversified, yield-advantaged portfolios that generate steady, incremental income and provide downside risk protection.

## DOMESTIC EQUITY

We develop a deep understanding of the companies in which we invest through disciplined and intensive fundamental research. Our focus is on finding well-managed, quality companies, that are resilient.

## GLOBAL EQUITY

We take advantage of market inefficiencies to find quality growth companies that may be undervalued, underappreciated, or under-researched. Our rigorous, bottom-up process focuses on a company's upside potential and downside risk.

# MUNICIPAL BOND STRATEGIES

Municipal bonds posted significant losses in the fourth quarter, dragged down by a broader Treasury market selloff. Interest rates surged across the curve as solid economic data challenged expectations for an aggressive Fed easing cycle. Strong consumer spending, resilient labor markets, and robust GDP growth all painted a picture of continued economic momentum. Meanwhile, inflation remained above target with progress seemingly stalled. Core inflation showed signs of leveling off, with some components, like housing services, declining more slowly than expected. The Republican sweep in November only added to the volatility as it raised questions about the impact of fiscal policy, including the extension of tax cuts and potential tariff and immigration measures that could stoke longer-term price pressures. The Fed responded by taking a more cautious policy approach, signaling fewer rate cuts in 2025 than markets had anticipated. The 10-year Treasury yield, which hit a low of 3.61% in September, jumped nearly 100 basis points to end the year over 4.50%.

Municipal bonds mirrored the broader market's selloff, but managed to slightly outperform Treasuries. October's record surge in issuance — almost 70% from the prior year — initially strained the market, but a sharp slowdown in November and December provided some relief. Despite the rising-rate environment, investor appetite for municipal bonds remained strong throughout much of the quarter, bolstered by mutual fund inflows and seasonally high reinvestment demand. Municipal/Treasury ratios, already historically rich, tightened further as solid technicals mitigated the move higher in yields. After steepening through the middle of the year, the municipal bond yield curve flattened in the fourth quarter, reflecting the now less aggressive, more data-dependent Fed. The market limped into year-end as a surge of eleventh-hour tax-loss selling was met by an indifferent buyer base with no primary issuance to provide price discovery. The predictable spike in yields, however, felt more like a technical correction than a fundamental shift in sentiment.

Our trading activity in the fourth quarter capitalized on many of the same factors that defined the year: record issuance and thin secondary activity. In 2024, over $500 billion came to market, including a wave of "mega deals" exceeding $1 billion. Significant dealer concessions were necessary to clear the surge, creating abundant opportunities for those able to identify and participate in the action. Over two-thirds of our purchases for the year came from the primary market, where we selectively targeted deals offering the most value and potential upside. Most of the deals we bought saw spreads tighten back to norms once the temporary issuer saturation dissipated and scarcity value returned, delivering immediate benefits for our clients. We funded these purchases through sales across the curve, though primarily at the shorter end, focusing on bonds with the tightest spreads. Given the rich ratio environment and relatively flat curve, we maintained a cautious stance on extending duration further.

**16** MUNICIPAL INVESTMENT PROFESSIONALS

**22** AVERAGE YEARS EXPERIENCE

## INVESTMENT TEAM

| | |
|---|---|
| **John B. Fox, CFA** | Partner, Director, Fixed Income |
| **Brian T. Moreland, CFA** | Partner, Portfolio Manager |
| **Kara M. South, CFA** | Partner, Portfolio Manager |
| **Martin R. Tourigny, CFA** | Partner, Portfolio Manager |

## GW&K MUNICIPAL BOND STRATEGIES

SHORT-TERM MUNICIPAL BOND
2–8 YEAR ACTIVE MUNICIPAL BOND
2–8 YEAR ACTIVE MUNICIPAL BOND ESG
MUNICIPAL BOND
MUNICIPAL BOND ESG
MUNICIPAL BOND PLUS
MUNICIPAL ENHANCED YIELD

*"The municipal bond market enters 2025 with solid fundamentals and a promising technical backdrop. State and local governments remain in strong financial shape, bolstered by healthy reserves and stable revenues."*

The municipal bond market enters 2025 with solid fundamentals and a promising technical backdrop. State and local governments remain in strong financial shape, bolstered by healthy reserves and stable revenues. Meanwhile, historically attractive yields and favorable supply and demand dynamics should provide added support into the new year. Persistent inflation risks and fiscal policy developments could introduce headwinds, possibilities that have led the Fed to adopt a more cautious stance only a few months into the current easing cycle. Even so, we see opportunities to lock in elevated tax-equivalent yields, particularly in segments of the curve where roll and spread potential are most attractive. For long-term investors, any near-term turbulence could be a chance to build positions at improved valuations.

# TAXABLE BOND STRATEGIES

**12** TAXABLE INVESTMENT PROFESSIONALS

**22** AVERAGE YEARS EXPERIENCE

## INVESTMENT TEAM

| | |
|---|---|
| **John B. Fox, CFA** | Partner, Director, Fixed Income |
| **Mary F. Kane, CFA** | Partner, Portfolio Manager |

## GW&K TAXABLE BOND STRATEGIES

SHORT-TERM TAXABLE BOND
INTERMEDIATE TAXABLE BOND
CORE BOND
CORE BOND ESG
ENHANCED CORE BOND
ENHANCED CORE BOND ESG
TOTAL RETURN BOND
CORPORATE BOND OPPORTUNITIES
SHORT-TERM FOCUSED HIGH INCOME

*"The ongoing strength of the US economy, alongside gradually moderating inflation and some of the highest yields seen in the bond market post-GFC, offers a compelling setup for risk assets to be emphasized for the positive carry."*

A stronger-than-expected economy renewed the market's concerns about persistent inflation, driving fourth quarter bond market returns well into negative territory. The market found its direction from a strong labor market, resilient consumer, and the Fed's hawkish surprise. A brief bout of volatility following the Republican sweep in the November elections did little to deter rates from moving higher. While the Fed delivered two widely anticipated 25 basis-point cuts, the Committee provided an unexpected shift in forward guidance. Highlighting projections for faster growth in 2025 and slower progress toward the 2% target inflation level, the Committee signaled a shallower easing cycle and a higher-for-longer rate environment. Guidance included two fewer cuts in 2025 than anticipated in September and a 25 basis-point increase to the longer-term fed funds rate.

The Bloomberg Aggregate Bond Index dropped -3.1% for the fourth quarter, giving back most of its strong third-quarter gains and reducing its full-year return to 1.3%. In what is typically a strong period, the market stumbled to its worst fourth quarter in decades. A series of strong economic data releases, starting with employment data in early October, drove most of the curve steeper. The 2-year and 10-year Treasury yields rose sharply, climbing 70 and 96 basis points, respectively, from their year-to-date lows in September. This steepening pushed the 2s-to-10s yield curve farther into positive territory, while the 3 month-to-10s yield curve steepened by 110 basis points, entering positive territory for the first time in over two years.

Corporate credit markets reflected a benign outlook for risk with spreads tightening further and lower-rated securities outperforming in both investment grade and high yield segments. Bolstered by a resilient economy and yield-driven demand, investment grade spreads tightened through their post-GFC tights. Although spreads eased slightly by the end the quarter, finishing nine basis points tighter, they briefly reached levels not seen since the late 1990s. The high yield sector narrowly posted a positive return, with higher yields and shorter duration mitigating the impact of curve steepening. The corporate sector continued to benefit from favorable market dynamics as investor demand for attractive all-in yields fully absorbed a heavier-than-expected issuance calendar. Fundamentals also remained supportive, with economic conditions and corporate financial policies buoying earnings and credit measures.

Within securitized, Agency MBS slightly underperformed other high-quality sectors due to large swings in rate volatility during the quarter. Mortgage rates retraced higher, lowering refinance activity and providing a favorable carry environment for premium mortgage pools. Low refinance activity and slow seasonal housing turnover led to benign supply, offering a tailwind to the sector. Spreads remain attractive relative to historical levels and the sector should benefit from a positive technical environment next year. Asset-backed securities were a standout within both securitized and the broader Index, driven by strong demand for front-end securities with the steepening yield curve. The sector remains an attractive source of income.

Heading into 2025, the combination of a remarkably resilient US economy, stalled progress on inflation and the potential for inflationary measures from the new administration has the market fretting about the direction of monetary policy. Heightened sensitivity to the inflation outlook, coupled with the Fed's recent guidance shift, has sent longer-term rates back toward their 2024 highs.

The aggressive backup in yields and the significant recalibration of Fed policy is now fully discounted in the market, leading us to believe we may have seen the peak in rates. The Fed's reaction function remains skewed toward an easing path as inflation normalizes. The magnitude and direction of the impact of Trump's policies on inflation won't be understood for quite some time, and not fully until at least 2026. This backdrop should help anchor the short-to-intermediate part of the yield curve, while investor appetite for absolute yield should continue to limit further weakness in longer maturities.

The ongoing strength of the US economy, alongside gradually moderating inflation and some of the highest yields seen in the bond market post-GFC, offers a compelling setup for risk assets to be emphasized for the positive carry.

# DOMESTIC EQUITY STRATEGIES

**14** EQUITY INVESTMENT PROFESSIONALS

**26** AVERAGE YEARS EXPERIENCE

## INVESTMENT TEAM

| | |
|---|---|
| **Daniel L. Miller, CFA** | Partner, Director, Equities |
| **Aaron C. Clark, CFA** | Partner, Portfolio Manager |
| **Joseph C. Craigen, CFA** | Partner, Portfolio Manager |
| **Jeffrey W. Thibault, CFA** | Partner, Portfolio Manager |
| **Jeffrey O. Whitney, CFA** | Partner, Portfolio Manager |

## GW&K DOMESTIC EQUITY STRATEGIES

- EQUITY DIVIDEND PLUS
- DIVERSIFIED EQUITY
- SMALL/MID CAP CORE
- SMALL/MID CAP GROWTH
- SMALL CAP VALUE
- SMALL CAP CORE
- SMALL CAP GROWTH

Despite a difficult December, with stocks impacted by a hawkish Fed pivot, rising yields, and uncertainties around potential Trump administration policy initiatives, fourth quarter returns remained slightly positive for equities, with large cap stocks posting their fifth consecutive quarterly gain. For the full year, large caps posted their second consecutive year of 20%+ returns, as the economy managed to avoid a recession, the Fed began its rate-reduction cycle, markets responded positively to the Trump election, and investors ascribed higher multiples to corporate earnings. The S&P 500 Index gained 2.4% for the quarter. Consumer Discretionary, Communication Services, and Information Technology were among the S&P's strongest sectors, with particular strength by trillion-dollar companies Tesla, Nvidia, Google, Amazon, and Broadcom. Financials also rallied strongly on the back of gains by the money center banks. Weakness among the industrial metals stocks pushed Materials to the bottom of the pack with double-digit losses, while political concerns had the Health Care sector down by a similar amount. Full-year returns for the S&P 500 reached 25.0%, driven by strength in the same four sectors. Yet, these returns belie market trends under the surface, as the Magnificent 7 accounted for nearly half of the gain, with the Equal Weighted S&P 500 up a less impressive 13.0% for the year.

The Russell 2000 Index of small cap stocks participated in the quarter's rally, although just barely, with a gain of 0.3%. Strong gains across Information Technology were offset by losses in the Health Care sector. For the full year, the Russell 2000 still managed a respectable return of 11.5%. The AI-related names within Information Technology and Industrials, including hardware, software, and data center construction, provided strength within small caps, while the Energy sector was the only one to register a loss for the year.

Growth was the name of the game in 2024, as the growth components of all large-cap sectors outperformed their Value counterparts. This was particularly evident in the Information Technology, Health Care, and Communication Services sectors. In the fourth quarter, Growth outperformed Value by 9.1 %, pushing its full-year advantage to 19.0%. Among small caps, the advantage was not nearly as extreme, with a 2.8% and a 7.1% advantage, respectively. Style factors favored lower quality in the quarter, especially among small caps, as smaller size, low ROE, and non-earners outperformed. For the year, style factors were more mixed, with a slight advantage to quality factors.

The US economy showed surprisingly strong resilience throughout 2024, with the new year expected to be even better with respect to earnings and economic growth. Most economic statistics, especially regarding the labor market, housing, and consumer spending, remain quite strong. Even the ISM Manufacturing Index, a laggard for quite some time now, has been showing improvement, especially in its new orders component. And this backdrop has created a conundrum faced by the Fed, as its latest 25 basis-point cut was combined with a somewhat hawkish statement suggesting only two rate cuts are to be expected in 2025. Inflation has proven to be a bit stubborn relative to the Fed's 2% target. In addition, uncertainty around various Trump policy initiatives has the Fed less sanguine about further aggressive rate cuts at this time.

> *"...we remain committed to investing in quality, whether measured by financial ratios, competitive positioning, or management expertise."*

Yet, the path of least resistance still appears to be upward, as the growing economy is combined with strong corporate balance sheets to be used for acquisitions, stock buybacks, and dividends. Personal balance sheets remain similarly healthy with high cash balances and record net worth, leaving investors still poised to invest in risk assets and extend the market rally, although perhaps also at risk for potential speculative excess.

Lastly, we remain committed to investing in quality, whether measured by financial ratios, competitive positioning, or management expertise. This can, and does, impact our relative performance when speculative investment characteristics overrule quality factors. However, our experience and historical results give us confidence that quality will continue to outperform in the long term.

# GLOBAL EQUITY STRATEGIES

**9** EQUITY INVESTMENT PROFESSIONALS

**25** AVERAGE YEARS EXPERIENCE

## INVESTMENT TEAM

| | |
|---|---|
| **Daniel L. Miller, CFA** | Partner, Director, Equities |
| **Reid T. Galas, CFA** | Partner, Portfolio Manager |
| **Karl M. Kyriss, CFA** | Partner, Portfolio Manager |

## GW&K GLOBAL EQUITY STRATEGIES

GLOBAL SMALL CAP

INTERNATIONAL SMALL CAP

Global equity markets ended the year with a modestly positive return, but in the fourth quarter gave back much of the prior quarter's gains. The large cap, MSCI World ex-USA Index fell -7.4%, which was slightly better than small cap performance with the MSCI World ex USA Small Cap Index down -7.9%. As has been the case for some time, local returns were much better, but US Dollar Index strength (+7.7% in the quarter) was a stiff headwind for US investors in non-US markets. For the full year, the MSCI World ex USA Small Cap eked out a positive USD return of just 2.8%.

The same returns for a euro (+9.9%) or yen (+14.8%) investor would have been much more attractive and in-line with what we see as the fundamental returns of the underlying businesses. This is not to make excuses, but to highlight a key point to US-based investors; returns are often made up of two key components, currency and price. In the last 15 or so years, the US market has delivered outsized returns on both. Further, within the US markets, large cap stocks have significantly outperformed small caps. So, the largest market in the world has been the best performing with a strong currency. This outperformance attracts flows, which in turn, boosts the performance in a classic positive feedback effect.

Given that a meaningful portion of US performance during this period has come from multiple expansion, while earnings have been boosted by historically high[1] profit margins, it is time for investors to revisit geographic country weights. Investors who have been exposed to US assets for the last decade have seen an extraordinary run in appreciation, especially compared to other countries. They have in fact "won" and should consider taking some of their winnings (e.g., large, expensive stocks) and use the strong currency to buy much cheaper, small cap stocks in non-USD denominated markets.  No one can predict forward returns, but by most metrics the gap between the two makes a similar outperformance of US assets going forward unlikely.[2]

At this time last year, we made the claim that 2024 would be a year of elections. It did not disappoint. 2025 will be the year where policies and changes to policies from those elections are likely to matter. Rather than forecast, we will speculate on some areas we think will change. China-US relations will be critical, and while our base case is for higher tariffs and potential renminbi devaluation, it is possible that instead we will get an economic détente with a dramatic shift in Chinese policy away from investment and towards consumption.[3] In the Middle East the humbling of Iran and return of the Trump administration may open the door to a completion of the Abraham accords, ushering in a period of stability and prosperity to a long-suffering region.

Within the EU we see the changes as less hopeful as this year's elections have not resolved underlying issues. France remains a fulcrum country with potentially major changes in its politics driving market concerns over its finances. However, it probably does not hurt that the head of the European Central Bank is likely to have political ambitions, which would be helped by some French bond buying. In Germany, almost any policy change would be positive for markets. Post February elections we may see some reform of the debt break, which has hamstrung the German government's ability to boost public investment at a time when it sorely needs it. Japan remains a potential powerhouse if only they are able shake off their post-bubble lassitude and find a bit of that Shōwa-era spirit.

Finally, we remain upbeat about many of the smaller markets on the periphery, which are composed of interesting investment opportunities outside the spotlight of major markets.

*"...we remain upbeat about many of the smaller markets on the periphery, which are composed of interesting investment opportunities outside the spotlight of major markets."*

[1] And traditionally thought of as mean reverting.
[2] The same argument could have been made almost any time since 2018, and while we did not make that case as strongly at the time, there is nothing to say we will not be making it again in future years.
[3] This is what is required to fix Chinese economic malaise. They know it too.

Our passion for providing thoughtful and highly disciplined investment strategies, combined with a deep commitment to personal service, results in long-term relationships built on trust. We believe accessibility, a willingness to listen, and a desire to educate can be just as important as investment acumen. With 50 years' experience managing assets for individuals and families, we are a partner you can trust.

## GET IN TOUCH

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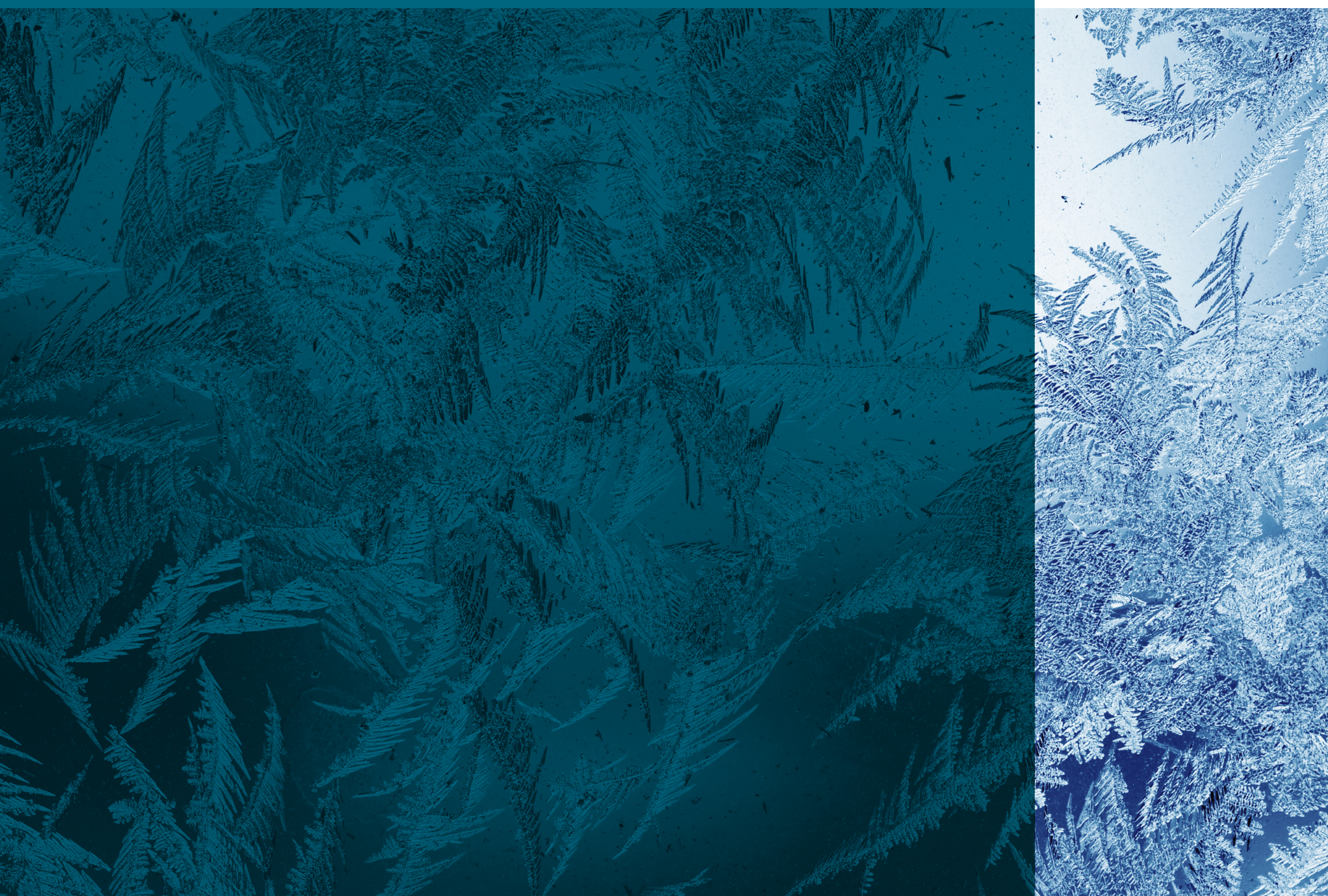


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