

NEWSLETTER – JANUARY 2025

MARKET TRENDS 12.31.2024

| Asset Class | 3 Mo | 1 Yr |
|-----------------------------|-------|-------|
| Global Stocks | | |
| MSCI World | -0.2% | 18.7% |
| US Stocks | | |
| S&P 500 | 2.4% | 25.0% |
| Large Cap Value | -2.0% | 14.2% |
| Large Cap Growth | 7.0% | 33.1% |
| Mid Cap | 0.3% | 13.9% |
| Small Cap | 0.3% | 11.4% |
| International Stocks | | |
| Developed Markets | -8.4% | 3.4% |
| Emerging Markets | -6.9% | 6.9% |
| Fixed Income | | |
| Taxable Bonds | -3.0% | 1.4% |
| Municipal Bonds | -1.0% | 1.1% |
| Alternatives | | |
| EM Bonds | -2.2% | 6.1% |
| Floating Rate | 1.4% | 6.4% |
| Preferred | -3.0% | 7.9% |
| Gold | -0.8% | 26.1% |
| Real Estate | -7.9% | 4.5% |

Source: Factset

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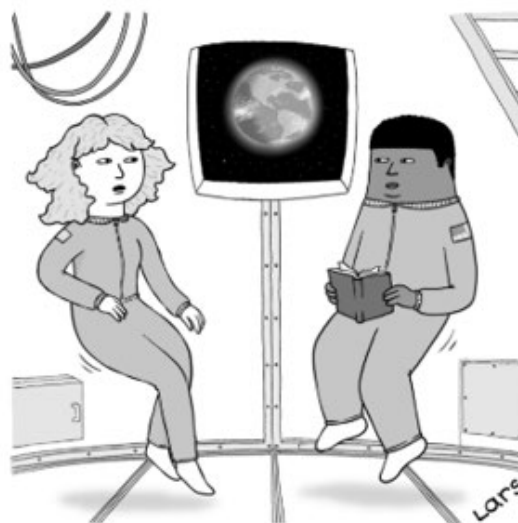
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Shorepoint
Capital Partners

We Live in Interesting Times

The fourth quarter of 2024 ended with a variety of significant news events. There were massive storms on Florida's west coast, a Presidential comeback along with a Republican sweep of Congress, wars raging in both Russia/Ukraine as well as the Middle East, martial law declared for a heartbeat in South Korea, and the sudden fall of Assad's regime in Syria.

We aren't a news organization here at Shorepoint, but we'll focus on how the markets and economy fared, highlighting risks and opportunities for investors heading into the new year.



"I'm not actually an astronaut—I just came up here to get away from the news."

Cartoon by Lars Kenseth

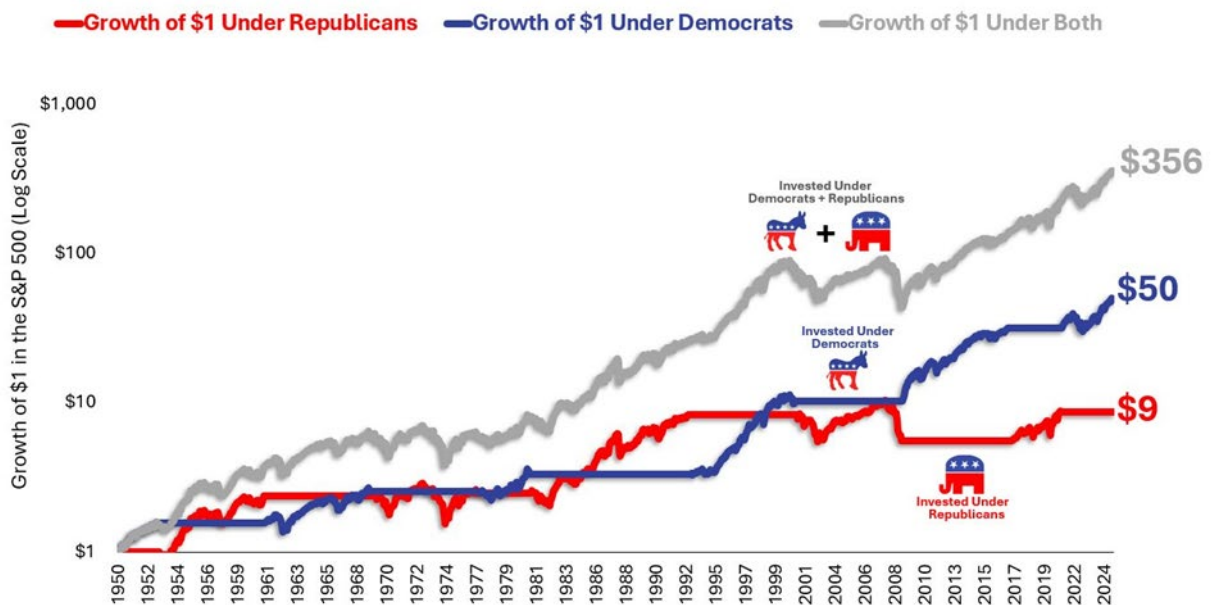
Not Good Enough

For most of Q4 2024, the equity markets hovered near all-time highs. Unemployment stayed low at around 4%, indicating a full-employment economy. Oil prices remained manageable, keeping gas prices steady. Several reports showed inflation was moderating, and the Fed could continue cutting rates after engineering a soft landing for the economy.

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Despite these positives, a malaise persisted across the U.S. Why? At Shorepoint, we believe it stems from the inflationary period post-pandemic under the Biden administration, which frustrated voters enough to oust the Democrats.

There's a nuanced discussion about how much Presidents influence the economy, but we won't delve into it here. Instead, we'll focus on market reactions and the incoming administration's policies. While the overall market's rise and fall isn't heavily tied to a President's party affiliation, government policies often influence specific sectors and asset classes in the short to intermediate term.



Source: [Matt Cerminaro](#)

Traders Gotta Trade

The immediate market reaction to Trump's clear win and the Republican sweep: stocks up, bonds down, crypto, and Tesla up. Stocks rallied as Republicans -- especially Trump -- are perceived as pro-business and anti-regulation, sparking optimism for renewed "animal spirits." Recent history puts momentum in that camp, as we follow two back-to-back years of record level performance by stocks in 2023 and again in 2024.

Bonds, however, struggled post-election, with fears mounting over Trump's fiscal policies, which may exacerbate the national debt. His previous term saw significant debt expansion, compounded by the COVID-19 pandemic.

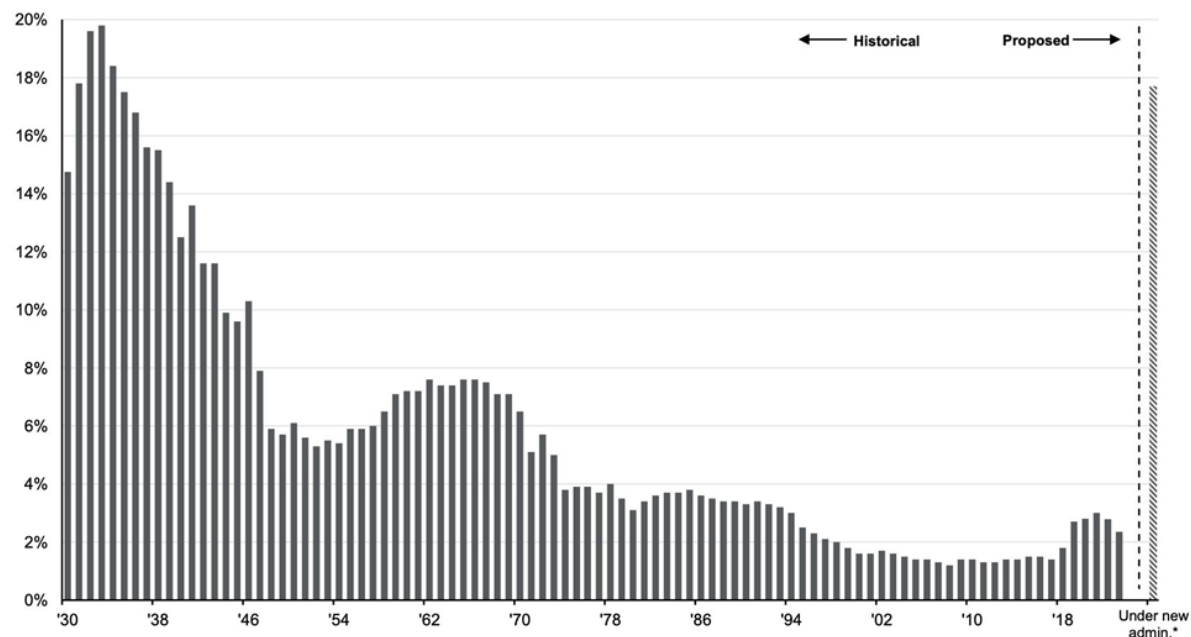
At Shorepoint, we're fiscally prudent and note that no political party consistently demonstrates fiscal restraint. Bond investors will likely continue demanding higher yields until the government adopts a more disciplined approach. Trump's tariff threats only cloud interest rate and inflation expectations—let's hope they're more bluster than beef!

Tariffs on U.S. imports

GTM U.S. 31

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption



Source: Tax Foundation, United States International Trade Commission, U.S. Department of Commerce, J.P. Morgan Asset Management. Imports for consumption; goods brought into a country for direct use or sale in the domestic market. *Estimate is by the Tax Foundation as of October 2024 and assumes a 20% universal tariff as well as a 60% tariff on Chinese imports. May not be updated as of the latest announcements regarding tariffs and U.S. trade policy and is subject to change. Forecasts are based on current data and assumptions about future economic conditions. Actual results may differ materially due to changes in economic, market and other conditions. *Guide to the Markets – U.S.* Data are as of December 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

Tech Bro Billionaires and MAGA Populists Make Strange Bedfellows

The “bond vigilantes,” as they are called, will discipline any administration that pushes the debt envelope or balloon too far. There are also signs that a fracture in the GOP is forming; tech bro billionaires, who are more pro-immigration, have parked themselves in Mar A Lago.

On the other hand, the MAGA populists are mistrustful of immigration and have a significant strain of tea party and debt hawks as well. We saw an initial skirmish within these factions when the debt limit needed to be increased at year end. A brief standoff ensued which almost closed the government down for Christmas, but a short-term compromise was reached.

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It also remains to be seen how DOGE, which is an acronym for the Department of Government Efficiency, indicating a government spending austerity, will fare when it wasn't really what voters voted for!

Santa Claus Rally? Nope. Santa Got Run Over by a Sell-Off

The equity markets did not rally as often happens at the end of the year. In fact, they swooned, as compared to Q3. The VIX, which is a measure of market volatility, jumped higher as traders took profits after 2 historically strong years. Wall Street loves it when the Fed cuts rates.

Recent comments by Fed Governors suggest that the prospect of multiple cuts in 2025 has diminished due to the strength of the economy and persistent fears of inflation. This is a reminder that politicians spend copious amounts on attaining power, but the Fed and interest rates, as expressed by those who buy bonds, are a quiet but extraordinarily strong force that may hem in the whims and plans of polls and policymakers.

US Equity Style Box Performance

| | Q4 2024 | | | Q3 2024 | | | 2024 | | |
|-------|---------|-------|--------|---------|-------|--------|-------|-------|--------|
| | Value | Blend | Growth | Value | Blend | Growth | Value | Blend | Growth |
| Large | -2.51 | 0.53 | 8.90 | 8.67 | 7.93 | 2.22 | 14.69 | 23.99 | 27.75 |
| Mid | -2.31 | -2.44 | 7.24 | 9.59 | 10.80 | 5.98 | 12.28 | 13.47 | 20.33 |
| Small | 0.77 | -1.83 | 1.79 | 9.69 | 8.81 | 7.01 | 9.67 | 9.68 | 12.98 |

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Identifying Opportunities. Navigating Risks. Shorepoint-15 Years and Counting

We started Shorepoint Capital Partners in 2010 during the aftermath of the worst market crash in modern history. From managing \$30 million with one assistant, we've grown to over \$800 million with a team of 9 moving to 11; yes, we're hiring!

Thank you to our clients for enabling us to do impactful, rewarding work. Our focus remains the same: to serve clients thoughtfully, personally, and in their best interests over the long term.

Since our founding, U.S. large cap growth stocks have dominated markets, outperforming other asset classes by wide margins. International stocks, dividend payers, and value stocks continued to lag in 2024, while tech remains expensive. Whether this valuation premium reflects justified expectations of AI-driven growth remains to be seen.

US growth stocks have left global value stocks in the dust

MSCI mid & large-cap, total return in US dollars



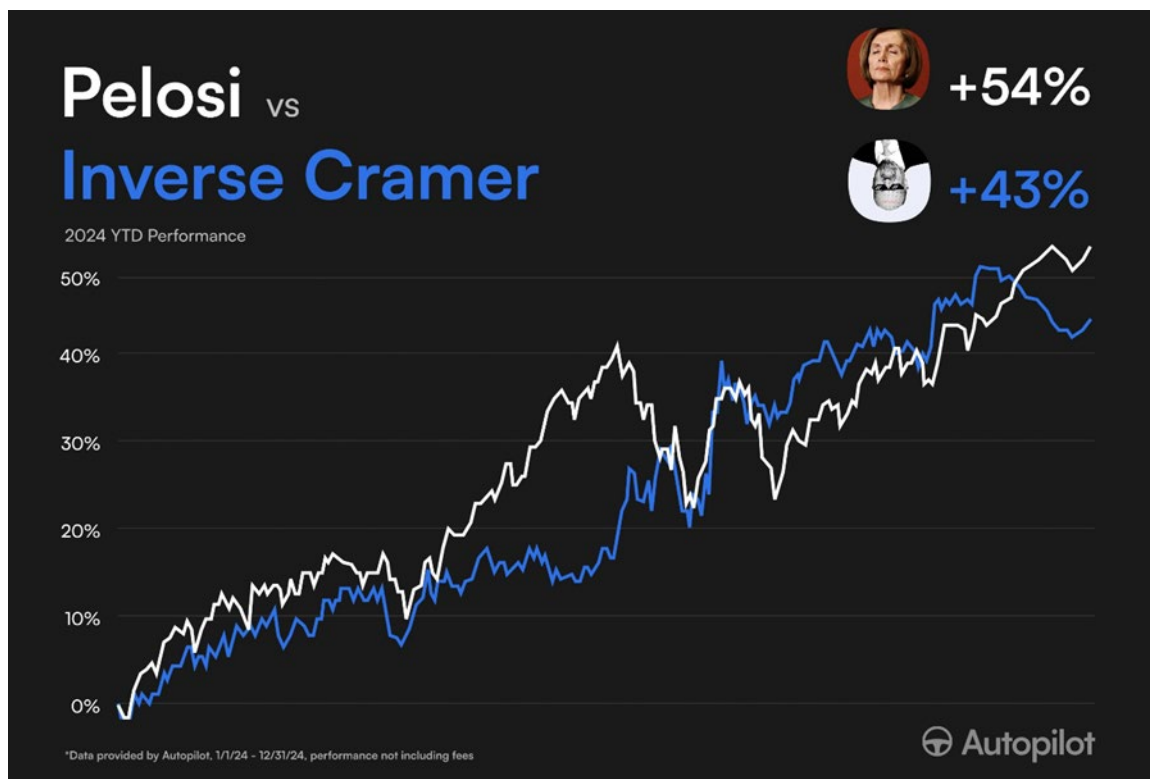
Gavekal Research/Macrobond

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That said, there have been signs of life in small and mid-cap stocks and a continued renewed shift in interest is possible, as valuations in this space remain relatively attractive. Historically, small-cap stocks have shown resilience during periods of economic recovery, often outperforming their large-cap counterparts as investor sentiment shifts toward growth potential in underappreciated areas.

Beyond small caps, value stocks also presented renewed opportunities in 2024. Despite being overshadowed by growth stocks for much of the past decade, value stocks demonstrated strong performance in sectors like energy, industrials, and financials. This resurgence highlights the importance of balancing portfolios to capture returns from multiple styles, as market leadership can shift unexpectedly.

Of course, while we firmly believe in disciplined investing and diversification, it's hard not to chuckle at some of the "strategies" that have gained notoriety lately. Whether it's tracking the stock picks of Nancy Pelosi or doing the exact opposite of Jim Cramer's recommendations, these approaches have sparked endless memes—and even some surprisingly strong returns.



Alternatives – Shorepoint Income Fund II, LP

Our new LP is off and running, with over \$13 million raised to date.

We have made seven investments, four equity investments in small food companies, one private multifamily credit investment, one multifamily equity investment and another with a firm that acquires large data centers throughout the US.

The goal of the new fund is like Shorepoint Income Fund I, which held a mix of private debt, private real estate, and private equity and a key focus on generating income for investors.

Today, the opportunities are plentiful, however, we remain focused on balancing risk and return in the face of attractive risk-free returns.

If you aren't an investor or know someone who could be interested in the fund, please have them get in touch: chris@shorepointpartners.com

Note: The Shorepoint Income II Fund is only appropriate for some investors, given the limited liquidity and income/net worth requirements; however, it can be attractive alternative.