

M.K. BROWN

WEALTH

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Is it Spring yet? Update.

Dear Clients,

Market

Markets haven't been going anywhere as of late and I'm not sure they are quite ready. It still looks to me as if they are figuring out where they will head next, and, in my experience, patience is the best course of action while they figure it out. Both markets and the economy look to maintain momentum from previous years, however, the year ahead may present challenges. Potential challenges: Too much optimism maybe? Will inflation rise again? Rate cuts too slow/too fast? New policies/tariffs? These potential challenges mean there may be little room for error regarding economic and earnings disappointments. The bright side: A resilient consumer. Steady job growth. Earnings growth. Continued investment in transformative areas like AI. All of these support another year of economic growth. I do believe though that equity market expectations need to be dialed back in the upcoming year due to high valuations and potential complacency and we can expect stock prices to rise more slowly as company earnings grow faster, helping earnings catch up to current prices. Gains of the past two years will be harder to come by in 2025 and stretched valuations are likely to generate more volatility and muted returns, pushing fundamentals to the forefront. In a shifting policy landscape, 2025 will likely be a year where active management proves its worth. Having balanced exposure across sectors and markets makes sense. Something we have continued to preach for years. Indeed, the secret of successful investors is to control the risks and manage the downside.

Portfolios

In my last newsletter, I described changes we were making to our Balanced w/Growth portfolios. Those changes were implemented in October. Quick recap – we added fixed income as bonds, in the right market conditions, provide stability and consistent income. Although it appears interest rates won't be lowered at the pace originally anticipated, diversified fixed income has the potential to benefit as rates fall over the next couple years. We continue to believe in U.S.-focused companies, so sectors such as utilities, consumer staples and healthcare. Our Core Growth portfolios are next up for changes – mostly a rebalance back to our original weights of roughly 4% in each stock. Some of you may have noticed sales at the end of 2024 in those portfolios which was part of our yearly tax loss harvesting. The cash proceeds from those sales will be reinvested during the rebalancing.

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Personal

Winter has been slow for my family. No sports. A welcome rest if you ask me. Croix (10) declared he quit golf for good this past Fall - probably after a bad round. Seems like a thing among golfers though?! It took him a few weeks, but he mastered a Rubix cube. He is looking forward to soccer season this Spring. He is very good and surprises even his soccer loving Mom at times. Bear (12) has put in a lot of time this winter improving his golf game. On his own - proud of him. BoBo's work ethic for sure. Soccer starts in a few short weeks for him, so golf tournaments take a backseat for a bit. I was looking forward to the turn of the calendar. For obvious reasons. Felt fresh and could catch my breath a bit. The end of 2024 did bring a bit of joy...got my Mom a puppy - Sukey & Ziggy, ha!

I appreciate each and every one of you.

All for now,



Elizabeth Brown Kussman
Financial Consultant

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