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A DIVISION OF KELLEHER FINANCIAL ADVISORS, LLC

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In This Edition:

"Change is the law of life. And those who look only to the past or present are certain to miss the future."
– John F. Kennedy

2025: OUTLOOK AND OPPORTUNITIES

By ***Neil Cataldi,*** *Chief Investment Officer*

Portland, ME: Photo by Laura Sunderland

As we look ahead to 2025, the outlook remains constructive, though tempered by ongoing risks. Earnings growth projections for the year are promising, with expectations for double-digit increases that could underpin further gains across major indices. However, the elevated valuations of mega-cap technology stocks—often dubbed the "Magnificent 7"—warrant caution. The "Magnificent 7" stocks are a selection of seven leading companies known for high performing and fundamentally strong performance. This curated group of stocks is made up of Alphabet (the parent company of Google), Amazon, Apple, Meta (owner of Facebook, WhatsApp and Instagram), Microsoft, Nvidia and Tesla.

These companies, which have contributed an astonishing 70% of the S&P 500's gains since the October 2022 market bottom, now represent over 20% of the index. With several exceeding $3 trillion in market capitalization, their sheer size and high valuations may challenge the sustainability of their recent growth trajectory.

In contrast, small-cap stocks are trading at more attractive valuations, presenting compelling opportunities for diversification and long-term growth. Historically, market cycles have favored broader participation over time, and we believe the pendulum could begin to swing away from concentrated mega-cap leadership toward other sectors and market capitalizations in the coming year.

Artificial Intelligence remains a transformative force and a significant investment theme. While the sector's adoption is still in its early stages, its long-term potential is undeniable. That said, we remain selective, favoring investments where risk-reward dynamics align with reasonable valuation levels.

Portland, ME: Photo by Laura Sunderland

Several risks could shape 2025's market performance. Rising bond yields—evident in the nearly 100-basis-point increase in the Ten-Year Treasury yield since September 2024—signal potential skepticism about the Fed's ability to maintain its easing cycle amidst persistent inflation. Geopolitical tensions, economic challenges in China, and potential earnings disappointments in mega-cap technology also loom as possible headwinds.

Despite these risks, we remain optimistic about the macroeconomic environment for 2025. Our approach emphasizes a balance between high-quality equity investments, tactical opportunities, and U.S. Treasuries. We will continue to focus on companies with strong fundamentals, reasonable valuations, and sustainable growth prospects while remaining mindful of market risks. This strategy positions us to navigate the complexities of the year ahead while seizing opportunities to generate returns across our portfolios.

My very best regards,
Neil

2024: A YEAR OF STRONG RETURNS AND MARKET DYNAMICS

Analysis and Review co-written by
Thomas Burnett, CFA, Vice Chairman & Director of Research and Neil Cataldi, Chief Investment Officer

The year 2024 proved to be another remarkable period for global equity markets, led by stellar performance in U.S. indices. The S&P 500 surged 26.7%, while the Dow Jones Industrial Average posted a robust 14.7% gain. Notably, the S&P 500 achieved its best two-year stretch since 1997–1998, with consecutive annual returns exceeding 20%. Small-cap stocks, however, lagged behind, as the S&P Small Cap 600 Index rose a more modest 6.8% for the year.

Stocks continued to climb despite a challenging bond market, where the Ten-Year Treasury yield increased from 3.9% at the end of 2023 to 4.6% by year-end. Commodity prices offered a mixed picture: the Bloomberg Commodity Index declined by 1.0%, with sharp gains in gold and silver contrasting with declines in corn and wheat.

INDEX	% Change YTD as of 12/31/2024
Dow Jones Industrial AVG. (TR)	14.7%
S/P 500 Index (TR)	25.1%
NASDAQ	28.6%
STOXX Euro 600	6.0%
Nikkei 225 (Japan)	19.2%
China (Shanghai)	12.6%
GOLD ($ per oz.)	27.4%
Crude Oil ($ per bbl.)	flat
Rate on Ten-Year UST Note	4.6%
VIX Volatility Index	26.7%
Bloomberg Commodity Index	-1.0%

Source: WSJ.com January 2, 2025
**(TR) indicates an index return that includes dividends.*

The year began with cautious optimism as markets extended their 2023 rally. Technology stocks, particularly those tied to artificial intelligence (AI), were key drivers of the S&P 500 and Nasdaq's gains. By year-end, the communication services and information technology sectors had led the market with impressive returns of 42.3% and 38.9%, respectively. However, the rally broadened as the year progressed, with all market sectors delivering positive returns. The Federal Reserve played a pivotal role in shaping investor sentiment. Early in the year, expectations of rate cuts gave way to a more measured approach due to resilient economic growth and persistent inflation. The Fed initiated its first rate cut in September, lowering rates by 50 basis points, followed by two additional cuts by year-end, bringing the target range to

4.25%-4.50%. This policy shift, combined with continued U.S. economic strength, sustained the market's upward trajectory.

Globally, developed markets outperformed, delivering a 20.79% return, while emerging markets gained 9.43%. China's markets faced headwinds from an ailing property sector and geopolitical tensions but rebounded following a substantial stimulus package announced in September. The year concluded on a strong note, setting the stage for 2025 amid the implications of the U.S. Presidential election and evolving global economic dynamics.

Sources:

Review of Markets over 2024 | J.P. Morgan Asset Management

ii investment performance review 2024

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4Q 2024
YEAR-END PORTFOLIO APPRAISAL & PERFORMANCE REPORTS

4Q 2024 Portfolio Appraisal & Performance Reports are now available. Our team will be reaching out to clients with year-end reports and scheduling on-line or in-person review meetings for those who are interested. Please contact **Rita Newland**, **Pam Lessard,** or **Hannah Andrews** if you have any questions or need assistance.

CLIENT SERVICES AT STARBOARD

Clients can now collectively reach **R**ita, **P**am & **H**annah by using our dedicated *Starboard Client Services* email address: **RPH@starboardadvisorsllc.com**, in addition to contacting Rita, Pam or Hannah at their individual email addresses.

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Portland, ME: Photo by Laura Sunderland

ABOUT US

DEFINITION OF STAR•BOARD: Starboard is the traditional nautical term for the "right" side of a ship's hull and represented by the color green for navigational purposes. In addition, sailing vessels must give the "right of way" to sailboats on starboard tack (where the wind is coming over the right side of the vessel) and be provided clearance for safe passage.

Starboard Advisors was founded by Barton Weisenfluh and partners with the Kelleher Family and Kelleher Financial Advisors, LLC, a registered investment adviser with the United States Securities and Exchange Commission. The firm provides a dedicated platform exclusively serving families as a single point of accountability for the stewardship of their financial lives.

The Kelleher Family business interests were founded by Denis Kelleher and have grown into a diversified financial service enterprise that strives to be one of the best managed and best capitalized independent firms in the industry. Today the entrepreneurial spirit is alive and well where the second generation, led by Sean Kelleher, continues to press on with secure and sustained growth with likeminded professionals.

Barton W. Weisenfluh, CFP®
Founder & CEO

Michael Ouellette
President