EAGLE WEALTH STRATEGIES SUMMER 2024

THE EAGLE'S VIEW

AN INDEPENDENT FIRM

IN THIS ISSUE:

Chris Tully, CFP®, RICP®, CIMA®
President

Investment Markets

What was already an eventful start to the year at the halfway point became increasingly eventful in the past several weeks (and in a few cases, the past several days, as of this writing on August 3rd , with an update on August 7th).

Through mid-year, stock markets around the globe continued to chug higher. The US continued to lead the way, particularly the larger companies, and especially the companies tied to technology and artificial intelligence (a continuation of the 2023 story). Bonds continued to meander, mostly lower through June 30th.

Over the past few weeks, we've seen a reversal in a few key categories. The chart below includes various stock and bond indexes, along with performance through June 30th and through Tuesday, August 6th:

Index	Description	Thru 6/30	Thru 8/6	Difference
MSCI ACWI	Global Stock	10.20%	6.34%	-3.86%
S&P 500	US Large Cap	15.29%	10.74%	-4.55%
Nasdaq	US Tech-Centric	18.13%	9.03%	-9.10%
Russell 3000 Value	US All Cap Value	6.18%	6.96%	0.78%
Russell 3000 Growth	US All Cap Growth	19.90%	11.00%	-8.90%
Russell 2000	US Small Cap	1.73%	2.63%	0.90%
MSCI EAFE	Foreign Developed	5.34%	2.19%	-3.15%
MSCI EM	Foreign Emerging	7.49%	2.49%	-5.00%
Barclays Global	Global Bond	-3.16%	0.94%	4.10%
Barclays Agg	US Bond	-0.71%	2.51%	3.22%

Even before the significant stock declines of August 1st, 2nd, and 5th, we began seeing a turn away from technology and "growth" companies (represented by the Nasdaq and Russell 3000 Growth indices) and into categories that have primarily underappreciated since the upswing began in October 2022 ("value" companies, represented by the Russell 3000 Value, and smaller US companies, represented by the Russell 2000). Within our managed portfolios, we have already been tilted towards these underappreciated categories in 2024.

Technology and artificial intelligence-related companies have dominated over the past ~2 years, but their upswing has increased their company valuations into extreme territory. We have discussed this in prior newsletters and during client calls and meetings. The "stock concentration" issue will continue to be at the forefront of our decision-making. In this case, the "concentration" we're referring to focuses on the high weighting of the S&P 500 towards a small subset of companies. The chart on page 2 shows the top 6 contributors to the performance of the index as of June 30th ("Bp" stands for basis points; 457 bps is synonymous with a positive 4.57% increase). As you total the bps (954, or 9.54%), and divide by the total return of the index through mid-year (15.29%), you can see that over 60% of the markets return this year was driven by a mere 6 companies.

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Top 25 contributors to YTD S&P 500 return

Ticker	Company	Sector	Starting mkt cap weight	Total return	Contribution to index return
NVDA	NVIDIA Corp.	Information Technology	3.1 %	149 %	457 bp
MSFT	Microsoft Corp.	Information Technology	7.0	19	134
GOOGL	Alphabet Inc.	Communication Services	3.8	31	117
AMZN	Amazon.com Inc.	Consumer Discretionary	3.5	27	94
META	Meta Platforms Inc.	Communication Services	2.0	43	84
AAPL	Apple Inc.	Information Technology	7.0	10	68

Since the index has been driven in large part by a small subset of companies, we believe that active management within certain categories could add value in the coming years, as active managers have the ability to underweight and overweight specific companies within their funds.

If you have been watching the markets or have been reading the news the past few days, you'll note that all eyes have turned towards the July jobs report which showed hiring of only 114,000 workers in the month. This is considered negative as it is dramatically lower than what economists believed would happen (175,000).

July 31st was the complete opposite. The Federal Reserve kept interest rates as is, but sent a strong signal that cuts were on the way, likely in September, followed by perhaps 1 or 2 more before the year is out. That excited the market, then the jobs report let the air out. The jobs market is important, as the current negative view is that the Fed has waited too long to begin cutting interest rates. Markets tend to overreact in the short term in both directions, so it remains to be seen what the next big move will be. Though, even with the steep drops in prices over the past week, broad markets – MSCI ACWI (represented many countries around the world) and the S&P 500 (large, US-based companies) – are not significantly changed since the end of June.

In a positive sign, bonds – which experienced a horrid prior 3-year period – rallied over the last 4-5 weeks. Both the global and US-only index were negative as of mid-year. Fast forward a few short weeks later, and we've experienced a positive ~4% within each. Diversification didn't fare well over the past few years; however, with bonds increasing as stocks have fallen, it's a reminder of the strategy's value.

The second half of the year has gotten off to a bumpy start. On the political and geopolitical fronts, we've experienced quite the roller coaster recently. An upcoming election will bring uncertainty, and possibly investment volatility along with it; and overseas the possibility of a ramp up in intensity in the Middle East is ever-present. The bumpy start may lead to a continuation of choppiness. The economy grew by 2.8% in the second quarter and interest rate cuts are likely on the way. There will be a balancing act, of sorts, to come, but the recent pullback in the market may just be an ordinary pullback in a rising market environment. We'll continue to analyze changes and manage portfolios accordingly.

Paul's Perspectives

Paul J. Tully, CFP®, RICP®
Founder

Another exciting/confusing quarter mixed economic news pertaining to jobs, inflation, investment markets, and interest rates. Depending on your news source, these are either nirvana or disasters, but from my perspective, somewhere on the nirvana side of the middle. Inflation remains better than it was, but higher than it should be.

Our long anticipated recession is later than a Spirit Airlines arrival and it is possible we will avoid a classic recession altogether. Some people still believe a downturn is on the horizon and while there is data that supports that, that same data that has been there quite a while without anything happening.

More than any other election I can remember, people ask more questions about "what will happen if…" is elected. My only answer is, "I have no idea". Already one candidate is gone.

I can only say that we have had a wide variety of presidents in our past and for reasons uniquely American, we seem to plow forward in spite of them all. I don't like to bring politics up with you, but the past few weeks have made it tough to ignore. Hospitals and health care experts are reporting a large spike in anxiety and stress related illnesses.

The best recommendation I've heard is to stay informed and consume information, but don't let it consume you. Keep in mind the media feeds into our anxiety as they fight for clicks and viewership.

People deal with stress in their own way. Taking breaks from current events and getting outside or spending time with friends and family (not talking politics) seems to be a good game plan.

I just read an interesting article from Vanguard. It is light on other details, but it demonstrates what happened if you invested based on your politics - 100% invested in the S&P 500 when your party is in power, and 100% in a money market when the other party is in power. Since January 1977, one party's presidential term portfolio grew from $10,000 to $162,578. The other party's presidential term portfolio grew to $849,016. An apolitical portfolio, invested 100% of those years in the S&P 500, grew to $1.6 million. Party tenure was even during that time period.

I've seen this presented in different formats, so the results don't surprise me, but I think the message is clear, don't let politics impact anything but your vote on election day, unless you feel so strongly that you are willing to be wrong and pay a significant price.

In terms of election years' results, going back to 1927, presidential election years have averaged +9.9%, non-election years +12.5%, and all years +11.9%. Not much difference really.

I have mentioned in past letters that in the coming years I expect more modest rates of return from the stock markets, and probably better returns from the bond/fixed income/CD market than I have in the past 15 years. So far, my outlook has produced mixed results, at least for the past 18 months. Stocks have done quite well, led by a small group (7 companies), which have "hidden" the very modest results for both the stock and bond markets generally. As of mid-June, the top 10 largest stocks in the S&P 500 represented over 35% of that 500 index, the first time that has ever happened. That small group also represented over 60% of this year's to date percentage gain!

My belief is that lower returns coupled with longer and generally healthier life spans will create potentially serious financial stress for many Americans, including the affluent. This at a time when there will already be twists and turns, challenging conversations about protecting assets, cognitive issues, health and financial legacy.

My philosophy is that if returns on their own won't be enough, we need to get additional benefits from tax planning, cost reduction, and increased diligence on portfolio components.

I really hope I'm wrong and that inflation drops to 2% or lower and interest rates and investment markets allow

...continued from page 3 (Paul's Perspectives)

you to earn 8 to 10% per year, but I've read and heard too much from people who I respect and who have a history of being right (or close) to ignore what think the financial future looks like. But I am an "optimistic realist" and I see $35 trillion in US government debt, well on its way to $50 trillion in a financial blink of an eye, as well as a Social Security looming shortfall that our elected representatives are apparently terrified to address. In the very near future, government interest payments on its debt will exceed both defense spending and Medicare. Social Security could mandate a 21% reduction in benefits in less than a decade. Hard choices are coming, we will make them, and emerge in better shape.

Our planning strategies include the idea that based on my background going back almost 50 years (can it be that long?), using some income/assets to create additional multi-generational (or for the benefit of a spouse) assets via life insurance planning. Some of these ideas and policy types weren't available until recent years.

Also, many of our clients have significant untaxed retirement assets that will be greatly reduced at their death before passing to their heirs. Insurance may be an option to preserve those assets, which otherwise could be taxed at combined rates of close to 40%. Something to think about!

I have done this personally, using life insurance to pay for income taxes on my retirement accounts with any "extra" going to my family.

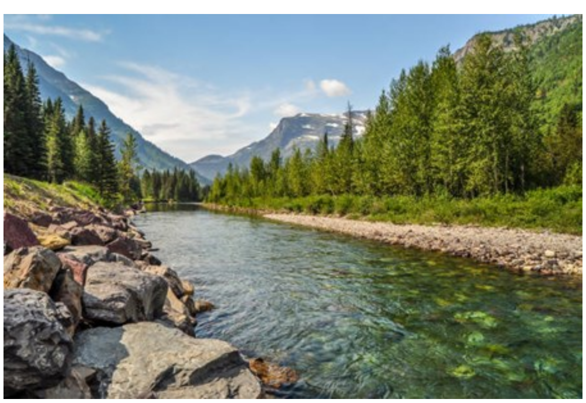
I realize that part of my thoughts this quarter may seem a bit negative, but I think painting too sunny an outlook that I have concerns about is a ticket to trouble. So, while I see significant challenges not far ahead, we will get through them, and I like to finish this column on a positive note.

Although professionally and personally we/I seem to be "rethinking everything" because the world requires it, we are beyond fortunate, especially in the US, with what we already have.

We have the world's strongest economy, the most trustworthy financial markets, the strongest military, an incredibly good university system that other countries envy. We have a few political challenges. Our justice system is a model for the world and our freedom is unparalleled. We have the 3rd largest population in the world, after India and China but no one is going out of their way and risking their lives to get into those countries. Quite the opposite.

Most of the medicines and technologies that are changing the world are invented here. So, while we are all sometimes overly influenced by the negative slant that we hear and see from media and especially social media, we have a life in the US that most people in the world would trade for in a second.

As we head toward the "dog days of Summer" our Phillies are as of this writing crushing the rest of baseball. Great team, very interesting and likeable players - we are totally enjoying this season as much as any I can remember and I've been watching for over 50 years.



By the time you will read this, I will have enjoyed some great family time either at home in Linwood or in Montana.

Montana is a very different place than the east coast and we really enjoy the times we have been there. White water rafting, boating on the Yellowstone River, horseback riding, camping, rodeo and national championship bull riding in Big Sky. I even have a cowboy hat and boots that I wear so I fit in!

We will be with all three of our sons, daughters in law and grandchildren during this period, though not at the same time. I'm confident that it will have been a really great Summer!

Melissa Phillips
Director of Operations
Chief Compliance Officer

Continuing Education

Most of us are voracious readers, whether the topic is finance, leadership, or even health and longevity, and whenever we read a good one, we will share with each other and even put a copy in our own “EWS Little Library” in the employee lounge!

In that same vein, we are always on the lookout for valuable designations that serve to enhance our services and commitment to you, our clients. We wanted to share with you all the hard work and dedication that our team members are putting forth with an eye toward the future.

After several months of study, **Frank** recently earned the Certified Administrative Professional certification. Combined with professional and educational prerequisites, the study material and exam covered a wide range of office management and administrative professional expertise, further sharpening Frank’s skills as he continues to be a key member of our team. *Congrats, Frank!*

In Progress

Ryan is currently studying for the CIMA® – Certified Investment Management Analyst – designation and hoping to sit for the exam by the end of 2024. The course of study focuses on investment and portfolio management theory and construction.

Erin has passed the first of eight exams on her way to earning the ChFC®- Chartered Financial Consultant - designation. The coursework takes about 18 months to complete and includes a wide range of financial planning topics and their practical applications.

And lastly, I am studying for the IACCP® - Investment Adviser Certified Compliance Professional – designation with the hope of sitting for the exam in the first half of 2025. The coursework will deepen my understanding of the Investment Advisers Act of 1940 and associated SEC rules and regulations, allowing me to better administer our compliance program at EWS.

Each of these designations, including others currently held by other team members, require a certain amount of continuing education credits each year to maintain, helping to keep our knowledge fresh as the regulatory landscape changes.

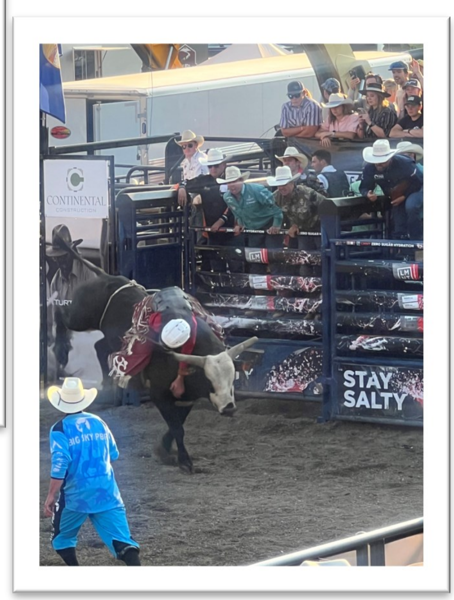
Changes to Social Security Online Access

The Social Security Administration is transitioning all online users who created accounts prior to September 18, 2021 to the Login.gov platform. The change is made with the intention of simplifying the login process while making it more secure. If you’re an affected user, you should have received an email with instructions—if you did, be sure to complete the steps outlined in the email by September 2024 as your old username will be retired.

News at EWS

Congratulations to **David and Kim** on their new baby girl, Corrinne Drew Koehler, born on July 3rd! Olivia seems to be enjoying the role of big sister, so far!

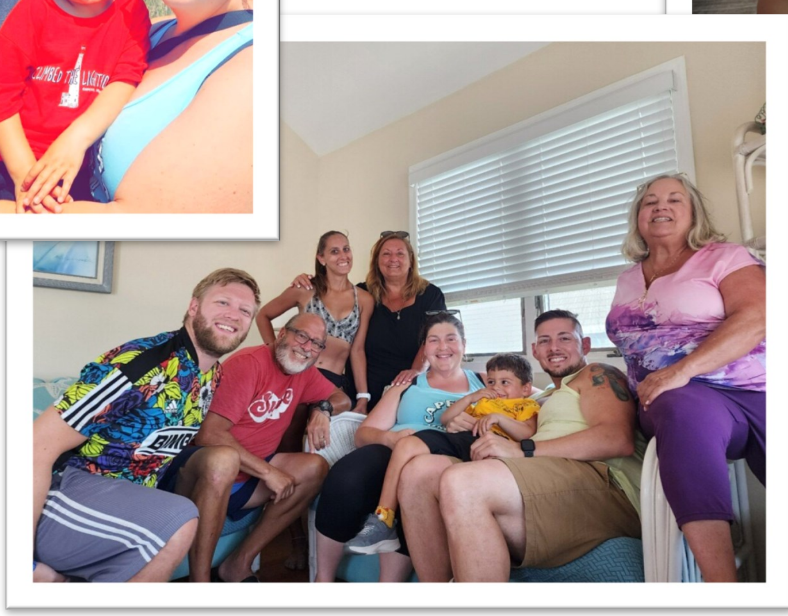
Chris and Molly's vacation included stops in Montana and Napa, featuring fly fishing, rafting, and even bull riding, among other adventures.



News at EWS (continued)

Continuing our outdoors theme, **Paul and Kathy** braved the rapids in Montana with their son Brad, his wife Lindsey, and granddaughters Graycen and McKenna while vacationing in Big Sky Montana.

Frank and his family enjoyed their annual trip to Cape May. Good times had all around!



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