

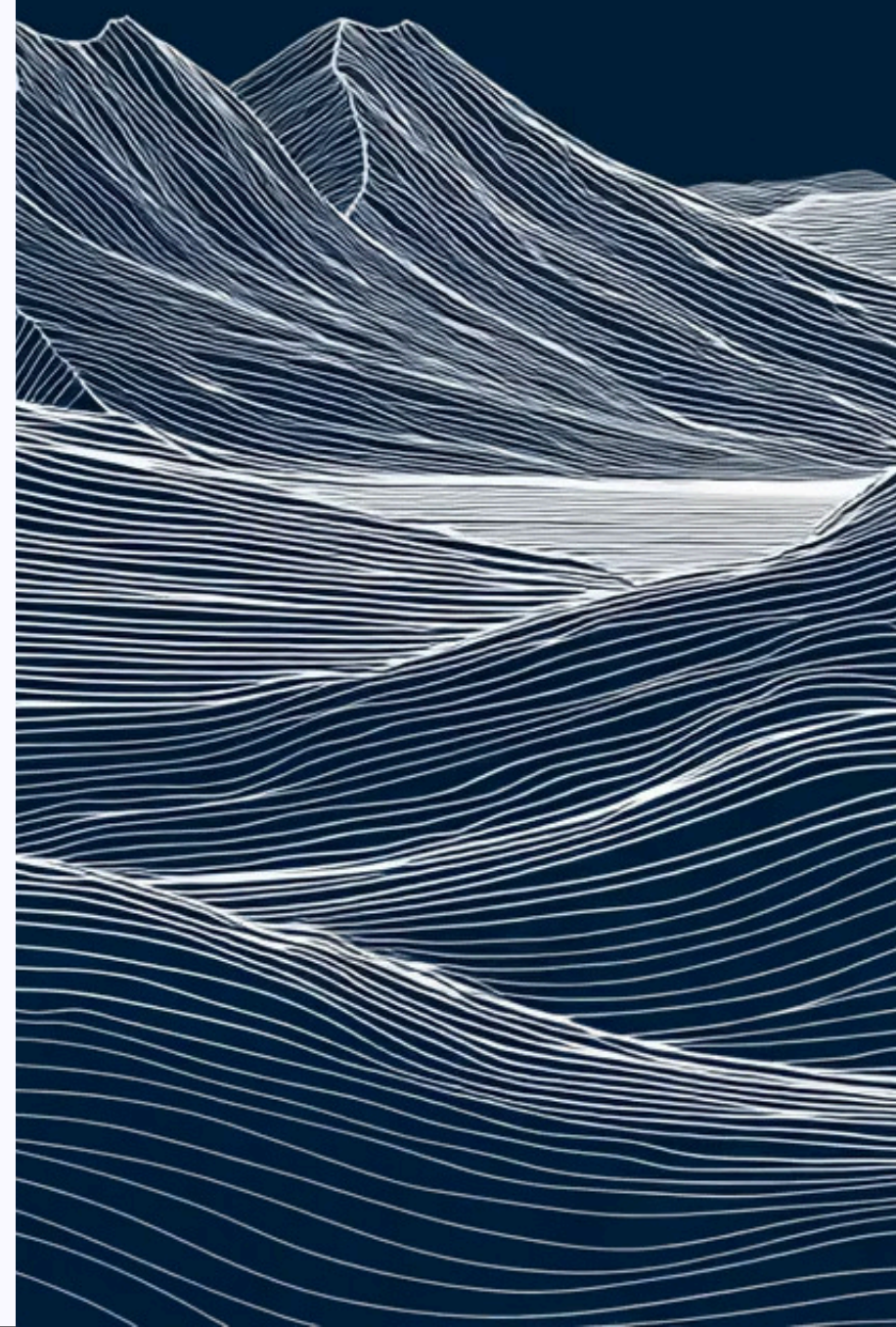
Q1 2025 Market Highlights

Coming into 2025 the US was showing solid demand, strong employment numbers, and increasing productivity. Businesses were optimistic with hopes that the new administration would provide less regulation and lower taxes.

Market Performance Overview

The first quarter saw the market experience solid gains despite some volatility. The S&P 500 peaked at 6,147 points, supported by strong earnings reports and positive economic data. However, concerns about inflation and international tensions led to periodic corrections throughout the period.

US GDP grew at a rate of 2.4% in the 4th Quarter of 2024. But economic data released in February showed signs of weakness coming in below consensus expectations. This led to many Wall Street firms lowering their 1st Quarter growth forecasts.





Economic Indicators

Consumer Confidence

Consumer confidence declined during the quarter as concerns over tariffs, future economic growth, and inflation fears grew. Consumer spending is a large component of GDP.

Employment

Employment numbers held up even with news of heavy government lay-offs. The government numbers will show up in unemployment figures in the future, but whether or not other sectors also show signs of lay-offs will be telling.

Inflation

Inflation numbers in January were high and sparked concern. February's numbers came in lower and has led the Fed to take a patient "wait and see" stance. Chances for up to 3 rate cuts during 2025 have increased.



Q1 Portfolio Summary

With equity valuations at elevated levels as 2024 came to a close we (Peak American) were expecting a market pull back at some point during 2025. In preparation we increased our cash position and took an overweight position in value. That has served us well.

-4.6%

S&P 500 Q1 Performance

Overall market decline

0-2%

Peak Performance Equity

Flat to positive returns

The S&P 500 was down almost 4.6% for the 1st quarter. In contrast our Peak Performance Equity portfolios, depending on the Risk Level, were flat (no loss) to mostly positive for the quarter.

Portfolio Performance Drivers



Gold Performance

Gold had the biggest positive impact on the portfolio. GLD was up roughly 19% for the quarter.



Value Stocks

Mega Cap Value (MGV, up over 3%) and Large Cap Value (IWD, up over 1.6%) also contributed.



Fixed Income

On the Fixed Income side our Principal Protected Income holding provided 100% downside protection with its guaranteed yield. The Peak Performance Fixed Income Portfolios were mostly flat for the quarter.



Q2 2025 Market Outlook

Before April 2nd, Trump's "Liberation Day", the President had enacted several tariffs on many countries and certain goods. He had also mentioned the use of reciprocal tariffs as a way to level the trade deficit. This led to a lot of uncertainty and market volatility. Many were looking to April 2nd as a day that would give clarity to Trump's tariff plans.

What was eventually revealed was a tariff structure much harsher than expected and led to more questions, not clarity. This threw world markets into a steep downturn. The President has since paused reciprocal tariffs for 90 days (other than China) as countries hold discussions with the US. Markets reacted positively to this news.

The effects of tariffs on corporate profits (if they decide to absorb tariffs), inflation (if corporations pass tariffs to consumers), and economic growth are just some of the headwinds facing markets as we move through the 2nd Quarter.

Economic Forecast



Economic Growth Concerns

Looking forward, we are more concerned with economic growth than we are with sustained inflation. With consumer sentiment already declining consumers are likely to balk at higher prices and lead to lower corporate profits.



Federal Reserve Outlook

We think the Fed will remain patient and keep rates at their current level in May and foresee a rate cut at the June meeting.



Positive Factors

Lower energy prices (less inflation) and the extension of the 2017 tax cuts (more growth) are other boosts that could counter disruptive economic policies.

Portfolio Strategy Adjustments

Going into the 2nd quarter we have adjusted our equity portfolios to reduce our exposure to Small Caps and our overweight position in the Aerospace sector.

Reduced Exposure

- Small Caps
- Aerospace Sector

Increased Exposure

- Utilities
- Global Financials
- Large Caps

We also increased our position in Large Caps. In our bond portfolios we added some broader bond exposure, both US and International. We believe we are well positioned for the changes that lie ahead and will continue to adjust to market conditions and take advantage of information / market disconnects when and if they occur.



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