Dear xxxx;

The first ten weeks of the fourth quarter were far more enjoyable as an investor and as an investment advisor than were the final three and a half weeks. During those initial 48 trading days, the S&P 500 closed at a new record high eighteen times. On December 6th, the S&P hit its all-time intra-day high of 6099.97, which represented a YTD gain of 27.89%. A few days later, the CIO of Oppenheimer issued the most bullish forecast on Wall Street by calling for the S&P 500 to finish 2025 at 7100, corresponding to an additional 17% gain.

Unlike the more pleasant part of the quarter, during the final three and a half weeks almost every publicly traded asset class declined in value. For some classes this was due to profit-taking, for others it was the effect of a strong dollar, and yet for others it was the hawkish tone from the Federal Reserve. Either way, the market euphoria and exuberance displayed on December 6th dissipated by the close of the year. Looking at the performance of the broad market indices we track, commodities (Q: +3.81%) performed slightly better than US equities (Q: +2.31%); US fixed income (Q-3.06%) performed poorly, and international equities (-7.84%) had a dismal quarter. This letter will provide an analysis of the major geopolitical, financial, and thematic events that shaped the fourth quarter and our thoughts on 2025 and beyond.

Election Recap

On November 5th, Donald Trump and the Republican party not only won their elections, but they also dismantled the democratic party. Pundits who surmised the race would be close were wrong. Renowned pollster J. Ann Selzer retired from election polling after predicting Kamala Harris was leading in Iowa only to watch Trump win the state by 13%. As quickly as the United States3 turned red, the dollar, interest rates, the stock market and cryptocurrencies all exploded higher.

After the republican sweep, investors and analysts alike quickly realized that President Trump could potentially have the freedom to pass laws that favor US-based businesses. While the S&P 500 increased by 5% in the immediate aftermath of the election, the Russell 2000 gained more than 10%. The Russell 2000 is comprised of smaller US domiciled companies that manufacture and sell most of their goods and services within the United States. Equities outside the US had an opposite reaction, decreasing by more than 3% following the conclusion of the US election.

Unlike most political candidates, President Trump views the performance of the US stock market as an indicator of his success. For this reason, we expect the future performance of US equities to be heavily correlated to the directives coming out of Washington.

Cryptocurrencies

While campaigning, Donald Trump branded himself as the pro-crypto candidate, promising to launch a strategic national crypto stockpile should he be elected. Cryptocurrencies have been on a tear since the election. Unlike other traditional markets which gave up their election gains after a few days, Bitcoin continued trudging along and reached its all-time high of $108,319.87 on December 17th. A hawkish Fed coupled with profit taking has helped take almost $15,000 off the price to finish the year at 93,465.70.

Another reason the price of a Bitcoin continued to rise while equities pulled back is that Gary Gensler, Chairman of the SEC, resigned, allowing Trump to propose the nomination of crypto currency advocate, Paul Atkins. Where Gensler routinely antagonized the crypto industry, Atkins, if confirmed, will have the ability to shape the rules and regulations surrounding the future of digital assets.

Broadly speaking, our view on cryptocurrencies, NFTs, and meme coins has not changed. They are a shadow industry with a useless product that promotes illegal behaviors. Using the "currencies" is almost impossible due to the gas fees. Cryptocurrencies, and digital assets in general, are lottery tickets. Bitcoin could go to a million or to zero. GA Pincus Funds continues to believe the intrinsic value of all digital assets is zero.

The Federal Reserve & Inflation Updates

After reaching a near-term low of 2.4% in September, inflation had crept back up to 2.7% before the final meeting of the Federal Reserve on December 17-18, 2024. On the morning of December 18th, the S&P 500 was within a fraction of a percent of its all-time high. Chairman Powell and the Board of Governors should have observed the increase in inflation coupled with the hot stock market and left rates where they were. Instead, Chairman Powell, seemingly more concerned with appearances than data, bowed to pressure and cut rates by 0.25%. During his press conference, Chairman Powell announced that future cuts would be data dependent, and that there would be fewer cuts than previously expected. It is unfortunate that the Federal Reserve is required to make predictions by way of a dot plot because the Board then feels obligated to follow through, even if the data disagrees.

Not the Magnificent 7 or Precious Metals

Last year, the Magnificent 7 increased by 66.31% and gold and silver were up 26.11% and 21.35% respectively. You may be surprised to read this but outside of the Magnificent 7 and precious metals, the rest of the market performed on average quite poorly in 2024. The "Trump Bump" dissipated by the end the year with most companies, commodities, and fixed income securities essentially flat or negative during the last three months. Some of these losses were enough to turn entire indices flat or negative for the year. While a dollar in a high yielding savings account earned at least 4% last year, a dollar invested in US-fixed income via the Barclays US Aggregate Index increased by only 1.37%.

2025+ Topics for Consideration

As we look toward 2025 and beyond, GA Pincus Funds would like you to consider various views that may or may not be on your radar.

- In our opinion, it is not a bullish sign that every stock market analyst's prediction for 2025 is positive. Quoting Warren Buffet, "be fearful when others are greedy." Continued diversification will be key in 2025 as the potential for equity market underperformance is greater than financial pundits would have you believe.

- There are a few people and special interest groups who campaigned and donated heavily to help Donald Trump win the US Presidency. These individuals and groups will need to be properly thanked for their efforts. We expect President Trump will loudly announce his agenda while quietly creating carveouts that benefit himself and his friends. Like the 2017 Job Cuts & Tax Act which disproportionately favored entrepreneurs and real estate professionals, President Trump's policies in his second term should favor his newest allies. Our goal will be to find the sectors of the market that have the best chance of sustained growth throughout the next four years.
- Taking the Fed at its word, if rates hold relatively stable in 2025, we believe the broad-based US fixed income market should be much stronger next year. The heavily diversified 60/40 portfolio has the potential to gain traction as fixed income sectors outside of ultra short duration bonds deliver more significant risk-adjusted returns.
- Now that most stock market participants have become comfortable with the potential of AI, the possibilities of Quantum computing could upend everything. This article suggests quantum computing could hack the underlying algorithm that supports the blockchain. As we look toward the back half of the decade, we need to determine the role of quantum computing, and which company(s) will be the darling(s) of this technological breakthrough.
- The number and magnitude of intra-national wars has steadily increased since Russia attacked Ukraine in February 2022. Aside from a few specific industries, these wars have not caused major stock market disruptions. President Trump will need to decide how the US approaches foreign policy to help stabilize the world. The impact of these policies will likely be observable through the performance of the US stock market.

Conclusion

All in all, 2024 was a better year for the US economy and equity market than it was for most other countries' economies and their respective stock markets. As we close out 2024, the only view on Wall Street seems to be bulls trying to one up each other with their 2025 predictions. We foresee a more difficult year. Unlike 2024, which was flush with upward momentum, we believe 2025 will see day-to-day politics guide the performance of the US stock market. Furthermore, we believe extreme diversification will be necessary to achieve continued success in the markets. Hopefully we are wrong, and the market continues to soar upward. However, should we be correct, please know that your assets are well protected as we enter this new year.

APPENDIX

Diversification

As you know, GA Pincus Funds uses a proprietary algorithm embedded within custom software to deliver tax-adjusted returns that aim to out-perform your blended benchmark. We aim to use a broad set of asset classes so that each of your portfolios represents the global stock, bond, and commodity markets. Each year there will always be a best performing asset class and a worst performing asset class. Diversification ensures stability since your portfolios own a blend of the global market. Part of our investment strategy involves shifting portfolio weightings to minimize the exposure to the underperforming asset classes while maximizing exposure to the stronger asset classes. We will continue to monitor the changing ETF landscape to further diversify each of your portfolios when it is applicable.

Client Referral Network

One of the oldest and most successful methods to grow a business is through word of mouth. GA Pincus Funds has been fortunate and has grown substantially due to referrals made by you and your fellow clients. We would like to use our future quarterly newsletters to return the favor to our clients. We plan to dedicate a section of our newsletters to our client's businesses. Rather than list your name or company name, we will instead indicate the category of business and location where you operate. For example, Real Estate Professional in Chicago, or Employment Lawyer in Georgia, or Public Relations Professional in New York, etc. If you would like to participate in this program, please let us know. This referral program is **free marketing** for your business. **We will not accept payments for these referrals.**

Performance Calculations

The performance of your accounts is calculated daily, taking into consideration daily deposits and withdrawals, and those daily returns are combined to form your quarterly, YTD, and since inception returns. When we round off this enhanced precision it may shift your performance by 0.01-0.02% when compared to the calculation ((end date value – start date value)/start date value). Please note, the performance figures in your statement are accurate and are GIPS (Global Investment Performance Standards) compliant.

Exchange Traded Funds (ETFs) are required to distribute all excess cash, net income, and dividends received from their constituent companies to their shareholders annually. These distributions take the form of dividends. Many ETFs issue special dividends at the end of the year to ensure compliance with this rule. The amount of the dividend is removed from the ETF on x-date, and the shareholder receives the funds on the pay date. The x-date and the pay date can at times straddle New Year's Day. Please be aware, your full year returns may be slightly lower than expected due to this nuance.

It is impossible to predict whether and by how much the market will increase or decrease. Our algorithm rebalances your accounts according to changes in the relative weightings of the securities you hold. As one security becomes too heavily weighted the algorithm sells shares in that security. Conversely, as one security becomes too lightly weighted, the algorithm purchases shares of that security. Instead of rebalancing based on time (as most managers do), this algorithm rebalances based on a securities' relative weighting in the portfolio. This gives GA Pincus Funds a long-term advantage. No matter what the market does in the future or has done in the past, if your time horizon is long enough (>1 year), this algorithm has proven itself to be successful.

Please stay safe and healthy. I am always available to answer any questions you may have.

Best regards,

Gabriel

GA Pincus Funds
Gabriel Pincus, President
1574 Woodberry Court
Brentwood, TN 37027

www.gapincusfunds.com
m: 917-597-1450
e: gabriel@gapincusfunds.com