

Atherean Asset Management

Atherean Asset Management LLC
101 Hudson Street, 21st Floor
Jersey City, NJ 07302
Ph: 1-347-409-1499
cgetting@atherean.com
<https://www.atherean.com>

October 30, 2024

Dear Atherean Asset Management Client:

Enclosed is your portfolio summary report for the quarter ending September 30, 2024, a summary of your investment objectives and target asset allocation as per our records, and an investment advisory fee statement for the fourth quarter of 2024. It is important that you review your investment objectives and target asset allocation and let us know if any of it is incorrect or if there are any changes to your financial profile or liquidity needs. For a full report of the holdings in your accounts we encourage you to refer to your statements generated by the custodian.

Market and Economic Environment

Despite dispersed economic performance throughout the various sectors, industries, income quartiles, and local geographies of the U.S., in aggregate the U.S. economy continues to churn out healthy readings as GDP grew at a 2.8% annualized rate in the third quarter of 2024. The unemployment rate has ticked up in recent months, however this is more a result of an increase in the labor supply due to immigration than an increase in economic slack. Credit spreads, especially investment-grade spreads, remain tight, a sign of expectations of low defaults and thus solid economic health.

Equity and Fixed Income Markets – Recent Performance and Valuation

U.S. equity markets continued to climb higher in the third quarter and the large-cap S&P 500 index is up 22% year-to-date, the mid-cap S&P 400 is up 14% year-to-date, and the small-cap S&P 600 is up 9% year-to-date¹. The U.S. equity market remains richly valued with its market cap recently comprising 45% of the global equity market capitalization² and about two times U.S. GDP, with the trailing 12 month PE ratio of the S&P 500 currently sitting just under 28.

Portfolio Management and Investment Philosophy

With the U.S. equity markets richly valued, safe and cheap stocks have been hard to come by, and accordingly we have made no new additions to our model equity portfolio³ this quarter, and only one new addition this year. As expected, our

¹ All return figures are total return (including dividends) year-to-date as of 9/30/2024

² Source: T. Rowe Price, "Market concentration: Facts versus opinions", July 2024 and Goldman Sachs Global Research, March 11, 2024

³ Our model equity portfolio is a collection of individual equity securities which comprise a portion of the securities which are held in our wealth management client accounts. Your account(s) may contain some, all, or none of the stocks in our model equity portfolio, and may contain securities which

portfolio activity is very much impacted by where we are in the market cycle. When the rare opportunity does present itself to purchase a high-quality stock⁴ at an attractive price, such as in the year subsequent to the Fed pivot of 2021 or during the COVID crash of 2020, our hope is that we are able to hold such a stock for a very long time. When such a high-quality stock reaches a high valuation, we would rather hold it than sell, as attractive entry points for such stocks are hard to come by. High-quality stocks are popular and hence more frequently expensive than they are cheap, and attractive entry points are statistically rarer than attractive exit points. We say this emphasizing that not all of the stocks in our model equity portfolio are statistically expensive, as the weighted price-to-earnings ratio of our model equity portfolio is currently lower than that of the S&P 500 index.

We say all of this also emphasizing that, depending on your risk tolerance and time-horizon, you may have fixed-income securities in your portfolio as well as individual stocks and in some cases equity index-tracking securities. The reason for this is that, while in many cases we do not consider volatility to necessarily be equivalent to risk over long time frames, volatility can and does result in greater risk in situations where there a shorter-term liquidity need exists. The purpose of having fixed-income securities in a portfolio is to attempt to reduce the volatility of the portfolio and hence reduce the risk of losses in the event that securities need to be sold to meet a near-term cash need. Please reach out to us if you would like to review your risk tolerance, time horizon, liquidity needs and asset allocation in greater detail.

Operational Updates

Going forward these quarterly letters are expected to become more concise and brief than they have been in the past, and we plan to spend less time discussing the intricacies of the markets, the economy, and individual stocks and more time discussing big-picture and practical topics related to your wealth. This does not at all change what is going on behind the scenes as relates to how we manage your portfolio, and you are of course always welcome to reach out to us if you would like to discuss the markets or your portfolio in greater detail.

As communicated to you in August, our custodial relationship with Pershing, LLC will come to an end in the fourth quarter, and unless you have indicated to us your desire to move your account(s) to the Schwab platform your account(s) will migrate to the Altruist platform some time in late October or early November.

We rebranded our firm over the past few months as we have expanded our focus and client base. This is not in any way expected to impact our advisory relationship with you as we will strive to continue to offer and provide you with the same level of service related to the management of your wealth which we have provided to you in the past.

Thank you for entrusting us to manage a significant portion of your wealth. As always, we are available to discuss your investment portfolio, discuss your financial plan, or address any other questions or concerns which you may have. Please feel free to reach out via phone or email if you would like to speak with us.

Sincerely,



Atherean Asset Management LLC

are not part of the model portfolio. Please refer to your statements generated by the custodian for a full accounting of the securities which are held in your account(s)

⁴ Our definition of a high-quality company is one that possesses monopolistic characteristics or is a leader in its industry, and/or has high margins and/or high return-on-invested capital and/or low debt, and/or has seasoned and experienced management and/or management whose incentives are aligned with shareholders, whether through share-ownership or well-designed compensation schemes. We may also own securities in client accounts which we would not consider to be high-quality, if we believe that the price which we are able to pay for such a security is attractive. Nothing printed in this letter should be construed as a solicitation or an attempt to effect transactions in securities.