

Atherean Asset Management

January 21, 2025

Dear Atherean Asset Management Client:

Enclosed is your portfolio performance report, a summary of your investment objectives and target asset allocation as per our records, and an investment advisory fee statement for the first quarter of 2025. 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 and reports generated by the custodian.

Portfolio Performance

The mega-cap heavy S&P 500 had its second straight year of double-digit gains and was up 25.0% for 2024, however smaller cap stocks continued to struggle comparatively with the mid-cap S&P 400 up 13.6% and the small-cap S&P 600 up just 8.5% for the year. In aggregate non-U.S. equities continued to underperform the U.S. and the Europe, Australasia and Far East index (“EAFE”) was up only 3.5% for the year, and bond markets underperformed their long-term average return as the U.S. Aggregate Bond Index was up just 1.3% for the year¹. As your portfolio contains securities which are a mix of assets represented by the returns above it likely underperformed the double-digit S&P 500 and NASDAQ returns which are currently making headlines. As wealth managers our goal is not to beat the headline S&P 500 index each and every year but to build balanced portfolios which contain a wide variety of asset classes. While we attempt to enhance the returns by being selective as relates to which individual stocks and bonds we purchase, we expect the asset allocation decisions to account for the majority of the returns which your portfolio experiences. History shows that the asset class which outperforms all the others varies substantially from year to year. According to Callan, the institutional consulting firm, large-cap stocks were the top-performing asset class in 2015, 2019, 2021, 2023 and 2024, however small-cap stocks were the top-performing asset class in 2010, 2013, 2016, 2020, and bonds and/or cash were the top-performing asset class in 2008, 2011, 2018, and 2022. We encourage you to review Callan’s very insightful “periodic table of investment returns” (available at www.callan.com) for more information. From where we currently sit, large-cap stocks have outperformed everything else for the past five or so years, and current valuations for the S&P 500 imply long-term annualized returns of 7-8% going forward based on an the current S&P 500 earnings yield of about 4% and an assumed anticipated GDP growth of 3-4%. If this explanation is too dry and/or esoteric than the phrase “what goes up must come down” should be sufficient to make our point.

Operational Updates

As your account(s) were migrated from Pershing to Schwab last year, keep in mind that you will receive tax reporting documents from both Pershing and Schwab for the 2024 tax year. Let us know if you need any assistance with this or have any questions related to these documents are any other tax-related questions. We appreciate your patience with the Schwab and Altruist conversion this last year. While it undoubtedly caused many headaches (certainly for us, hopefully less so for you) we hope that it will provide more ease and convenience going forward as Schwab and Altruist have both invested substantially in their client-facing technology over the past few years.

¹ All return figures are total return (including dividends) for the year as of 12/31/2024

We appreciate the trust you have given 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

Disclosures:

This information is not an attempt to render investment advice nor is it an offer or sale of any security, investment product, or investment advice. Descriptions of valuations and/or models and capital market assumptions contained herein may or may not be accurate. Past performance is not a guarantee of future results.

Statements in this document are made as of the date of this document unless stated otherwise, and there is no implication that the information contained herein is correct as of any time subsequent to such date.

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