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*For the second consecutive year, the equity markets surged on the expectation of Fed rate cuts, cooling inflation, and the AI revolution. Over the last six years, the S&P 500 has posted an annual gain of more than 16% a staggering five times. This phenomenon transpired despite massive stockpiles of cash sitting on the sidelines in money market and PE funds. Concurrently, high yield credit spreads narrowed in the fourth quarter to the tightest levels since 2007. However, this strong market performance in 2024 occurred during a year of multiple surprises. The most significant surprise was the Federal Reserve delaying its pivot until the second half of the year as well as the recent statement that the central bank will be more cautious moving forward in 2025. The subsequent victory of former President Trump and the Republicans winning control of both houses of Congress spurred a strong rally in the equity markets. On the geopolitical front, the governments of France, Germany, Canada, Japan, South Korea, Brazil, and Syria experienced political turbulence, with many countries shifting toward populism. Conversely, the conflict in the Middle East and the prolonged war in Ukraine failed to meaningfully rattle investor sentiment. For 2025, the Trump Administration's stated agenda of higher tariffs, lower taxes, and deregulation could be a recipe for a rebound in inflation. The era of unpredictability is upon us, which could lead to bouts of market volatility.*

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The ISM Manufacturing Index is a monthly gauge on the level of economic activity in the U.S. manufacturing sector versus the previous month.

The ICE BofA Current 10-Year U.S. Treasury Index (GA10) is a one security index comprised of the most recently issued 10-year U.S. Treasury Note.

The ICE BofA U.S. Corporate Index (COA0) has an inception date of December 31, 1972 and tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofA U.S. High Yield Index (HOA0) has an inception date of August 31, 1986 and tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

The Morningstar LSTA US Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon weightings, spreads and interest payments.

The Refinitiv US All-Cap Focus Convertible Bond Index has an inception date of December 1993, is a subset of the Refinitiv US Convertible Bond Index and includes securities that have a price between 60 and 140 and a conversion premium of < 100%, among other criteria. The Refinitiv US Convertible Bond Index includes convertible securities that are denominated in USD, have a market value of over \$300mm, and have underlying stocks that trade on US equity markets.

The Dow Jones Industrial Average is a price-weighted average of thirty blue-chip stocks that are generally the leaders in their respective industries.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The S&P 500 Index is designed to reflect the U.S. equity markets and focuses on the large-cap sector of the market, which includes the 500 leading companies in leading industries of the U.S. economy.

The NASDAQ composite index is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American Depositary Receipts, Common Stock, Limited Partnership Interests, Ordinary Shares, Real Estate Investment Trusts, Shares of Beneficial Interest, and Tracking Stocks. The index includes all Nasdaq listed stocks that are not Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. With 1,398 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World Index, which is part of The Modern Index Strategy, is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World Index does not offer exposure to emerging markets.

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