



Market Outlook

2025 Q&A

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Our Investment Team

With more than 80 years of collective experience in a wide variety of market environments, the California Team maintains a consistent approach of buying relatively undervalued stocks for their appreciation potential.



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- FIRM START: 1987
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Portfolio & Research Analyst

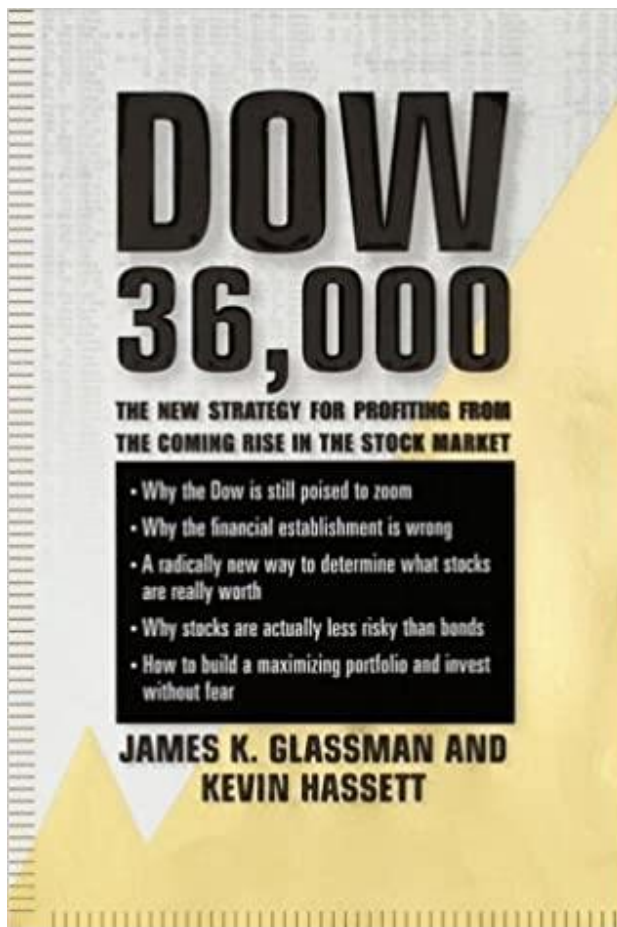
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**“Prediction is very
difficult, especially if
it’s about the future!”**

— Neils Bohr

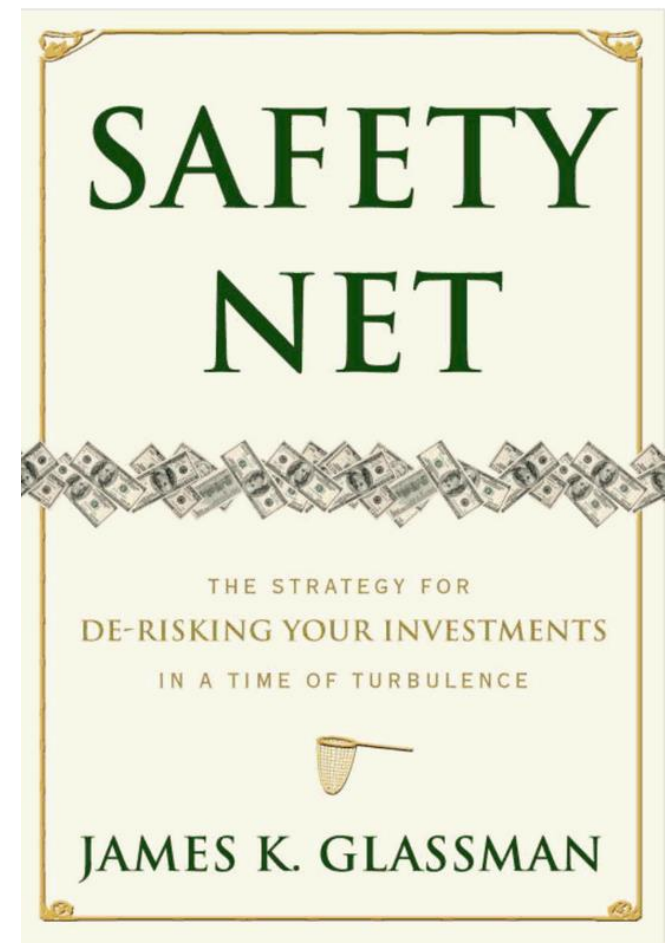
The Dow Jones Industrial Average now resides above the 44,000 mark, having eclipsed James K. Glassman's famous Dow 36,000 projection in 2021. Alas, Mr. Glassman advised loading up on stocks at Dow 10,000 in 1999 and de-risking portfolios at Dow 12,000 in 2011. The only problem with market timing is getting the timing right.



September 20, 1999

“In theory, historical averages show that stocks are a good buy if you can hang on through the miserable periods. But most investors find that excruciatingly difficult to do—a fact that I never fully appreciated in my 30 years of writing about investing.”

— James K. Glassman,
February 24, 2011



February 22, 2011

Ray Dalio predicts a coronavirus depression: 'This is bigger than what happened in 2008'

Published Thu, Apr 9 2020-5:09 PM EDT

Tom Huddleston Jr.

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April 9, 2020

Hedge fund Elliott says stocks could fall 50% from February highs

PUBLISHED THU, APR 16 2020-9:58 AM EDT | UPDATED THU, APR 16 2020-11:50 AM EDT

REUTERS

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KEY POINTS

- The novel coronavirus erupted against a backdrop of record low interest rates coupled with record high leverage as markets were propped up by excessive government debt, the fund said.
- "Our gut tells us that a 50% or deeper decline from the February top might be the ultimate path of global stock markets," the letter said.



April 16, 2020

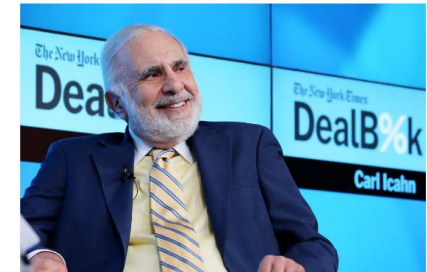
Icahn Sees Further Market Crash From Coronavirus, Says He's Shorting Commercial Real Estate



Sergei Klebnikov Forbes Staff
Markets
I cover billionaires and their wealth.

Updated Apr 25, 2020, 03:27pm EDT

TOPLINE One of Wall Street's most successful investors, billionaire Carl Icahn, warned in a recent interview with Bloomberg that stocks are overvalued, and although there will be "good opportunities" to buy, he expects that the coronavirus will lead to a further market sell-off.



The billionaire investor said he isn't buying stocks right now. NELSON BARNARD/GETTY IMAGES

April 25, 2020

Jeffrey Gundlach is shorting the market, says a retest of the low 'very plausible'

PUBLISHED MON, APR 27 2020-12:49 PM EDT | UPDATED MON, APR 27 2020-7:08 PM EDT

Yun Li @YUNLI026

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KEY POINTS

- DoubleLine CEO Jeffrey Gundlach said the market could retest its March low as investors could be underestimating the social disruptions from the coronavirus.
- "I think a retest of the low is very plausible," Gundlach said. "People don't understand the magnitude of ... the social unease at least that's going to happen when ... 26 million-plus people have lost their job."
- The so-called bond king revealed he just initiated a short position against the stock market.

Legendary investor Stanley Druckenmiller says he doesn't like the way the market is set up

PUBLISHED TUE, MAY 12 2020-5:39 PM EDT | UPDATED TUE, MAY 12 2020-6:03 PM EDT

Jesse Pound @JESSEPOUND

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KEY POINTS

- Hedge fund manager Stanley Druckenmiller told the Economic Club of New York on Tuesday that, "the risk-reward for equity is maybe as bad as I've seen it in my career," Druckenmiller said, according to the organization's Twitter account.
- The hedge fund manager also said he thought the market was overreacting to news of progress on antiviral drugs, such as Gilead's remdesivir.
- "I don't see why anybody would change their behavior because there's a viral drug out there," he said, according to the club.



May 12, 2020

David Tepper says this is the second-most overvalued stock market he's ever seen, behind only '99

PUBLISHED WED, MAY 13 2020-12:04 PM EDT | UPDATED WED, MAY 13 2020-2:39 PM EDT

Yun Li @YUNLI026

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KEY POINTS

- Appaloosa Management founder David Tepper's comments helped escalate a stock sell-off.
- The S&P 500's forward price-earnings ratio based on estimates for the next 12 months has ballooned to above 20, a level not seen since 2002.
- "The market is pretty high and the Fed has put a lot of money in here," Tepper said. "There's been different misallocation of capital in the markets ... The market is by anybody's standard pretty full."
- He also said some Big Tech stocks like Amazon, Facebook and Alphabet may be "fully valued."



May 13, 2020

April 9, 2020

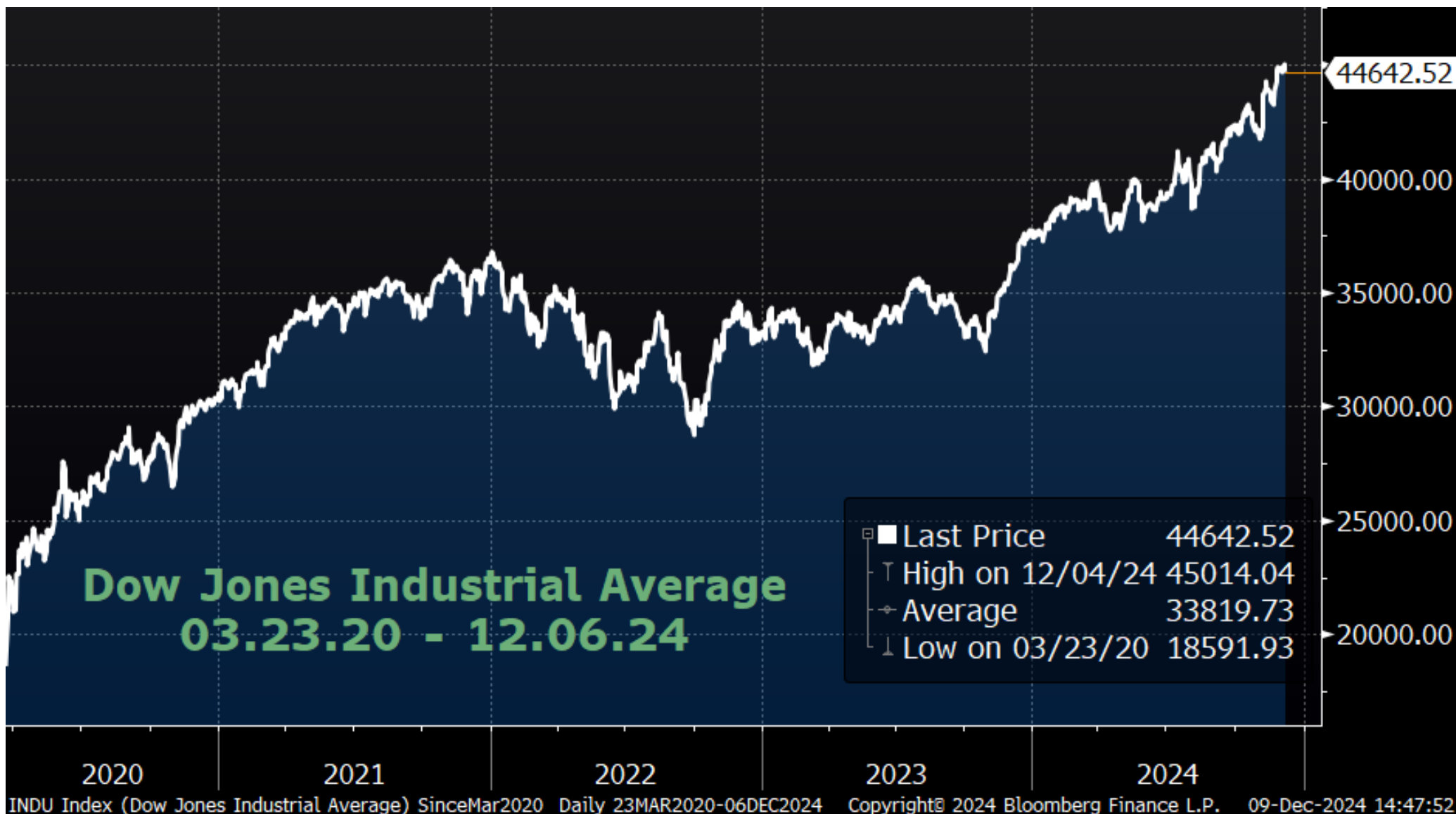
April 25, 2020



VIDEO 01:44
David Tepper: This is second-most overvalued market, behind only '99



Fear Attracts Eyeballs, but Stocks Reward Over Time



The Fall of 2022 again saw the airwaves filled with purveyors of doom-and-gloom, which is par for the course whenever stocks have headed south. Of course, about all the supposed experts have proved over the years is to remind that time in the market trumps market timing.

PRO: FOLLOW THE PROS

Ray Dalio says higher interest rates to squash inflation could tank stock prices by 20%

Billionaire investor Ray Dalio issued a dismal outlook for the markets and the economy, predicting a 20% plunge in stock prices, as the Federal Reserve ...



Yun Li 9/15/2022 6:42:14 AM PST

PRO: FOLLOW THE PROS

Hedge fund Elliott Management sees world on path to hyperinflation and worst crisis since WWII

Elliott Management, one of the world's biggest hedge funds, issued a dire warning on the markets and the economy, saying the world could be headed ...



Yun Li 11/3/2022 2:53:40 PM PST

MARKETS

Carl Icahn says he still thinks we are in a bear market despite Thursday's rally

Famed investor Carl Icahn said Thursday's relief rally didn't change his negative view on the market, and he believes a recession is still on the ...



Yun Li 11/10/2022 1:03:56 PM PST

PRO: FOLLOW THE PROS

Jeffrey Gundlach says yield curve inversions are 'reliable signals of economic trouble'

DoubleLine Capital CEO Jeffrey Gundlach urged investors to pay attention to the worsening recession signals from the bond market. In a tweet Tuesday evening, Gundlach pointed ...



Yun Li 8/31/2022 6:02:36 AM PST

DELIVERING ALPHA

Stanley Druckenmiller sees 'hard landing' in 2023 with a possible deeper recession than many expect

Billionaire investor Stanley Druckenmiller believes the Federal Reserve's attempt to quickly unwind the excesses it helped build up for a decade with easy monetary policy ...



Yun Li 9/28/2022 6:00:01 AM PST

PRO: FOLLOW THE PROS

Leon Cooperman still sees a recession coming, but he is finding stocks to buy

Billionaire investor Leon Cooperman cautioned that the final bottom of the stock market is yet to come as the economy is poised to hit a ...

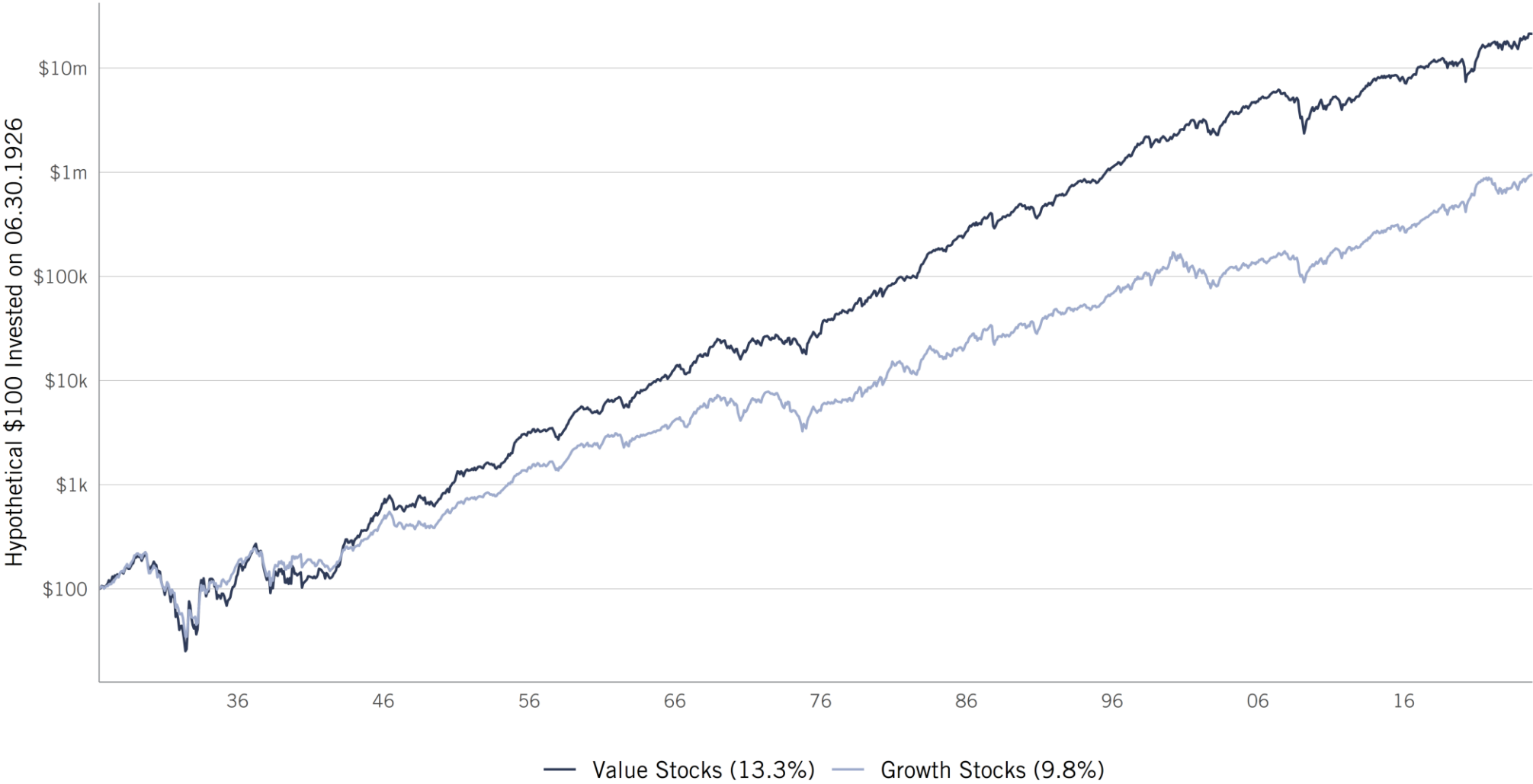


Yun Li 11/1/2022 5:49:42 AM PST



**“The first rule of
compounding is to never
interrupt it unnecessarily.”**

— Charlie Munger



From 06.30.1926 through 10.31.2024. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Logarithmic scale. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French



Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Russell 3000 Value Index

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	76.1%	856	8	2.9	9/30/2022	11/29/2024
17.5%	54.9%	553	13	2.0	9/30/2022	11/29/2024
15.0%	49.4%	470	15	1.8	9/30/2022	11/29/2024
12.5%	47.2%	444	16	1.7	9/30/2022	11/29/2024
10.0%	30.0%	242	30	0.9	10/27/2023	11/29/2024
7.5%	21.6%	150	51	0.6	10/27/2023	11/29/2024
5.0%	13.6%	73	105	0.3	4/17/2024	11/29/2024

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-30.6%	218	8	2.9	1/12/2022	9/30/2022
-17.5%	-26.1%	195	13	2.0	1/12/2022	9/30/2022
-15.0%	-24.2%	170	16	1.7	8/16/2022	9/30/2022
-12.5%	-24.0%	163	16	1.7	8/16/2022	9/30/2022
-10.0%	-18.1%	82	30	0.9	7/26/2023	10/27/2023
-7.5%	-14.2%	55	51	0.6	7/26/2023	10/27/2023
-5.0%	-10.0%	30	104	0.3	3/28/2024	4/17/2024

From 10.19.95 through 11.29.24. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg.

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.9%	18.0%
Growth Stocks	11.1%	18.8%
Dividend Paying Stocks	12.5%	14.6%
Non-Dividend Paying Stocks	12.1%	22.2%
Large-Company Stocks	11.9%	15.1%
Small-Company Stocks	13.0%	20.3%
Long-Term Corporate Bonds	7.6%	10.3%
Long-Term Gov't Bonds	7.1%	11.4%
Intermediate Gov't Bonds	6.2%	5.3%
Treasury Bills	4.2%	1.0%
Inflation	3.6%	1.3%

From 03.31.1977 through 10.31.2024. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. Non-dividend payers = stocks that do not pay a dividend. Small company stocks, via Ibbotson Associates, are the bottom twenty percent of the New York Stock Exchange. Large company stocks, via Ibbotson Associates, are represented by the S&P 500 index. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

THE PRUDENT SPECULATOR

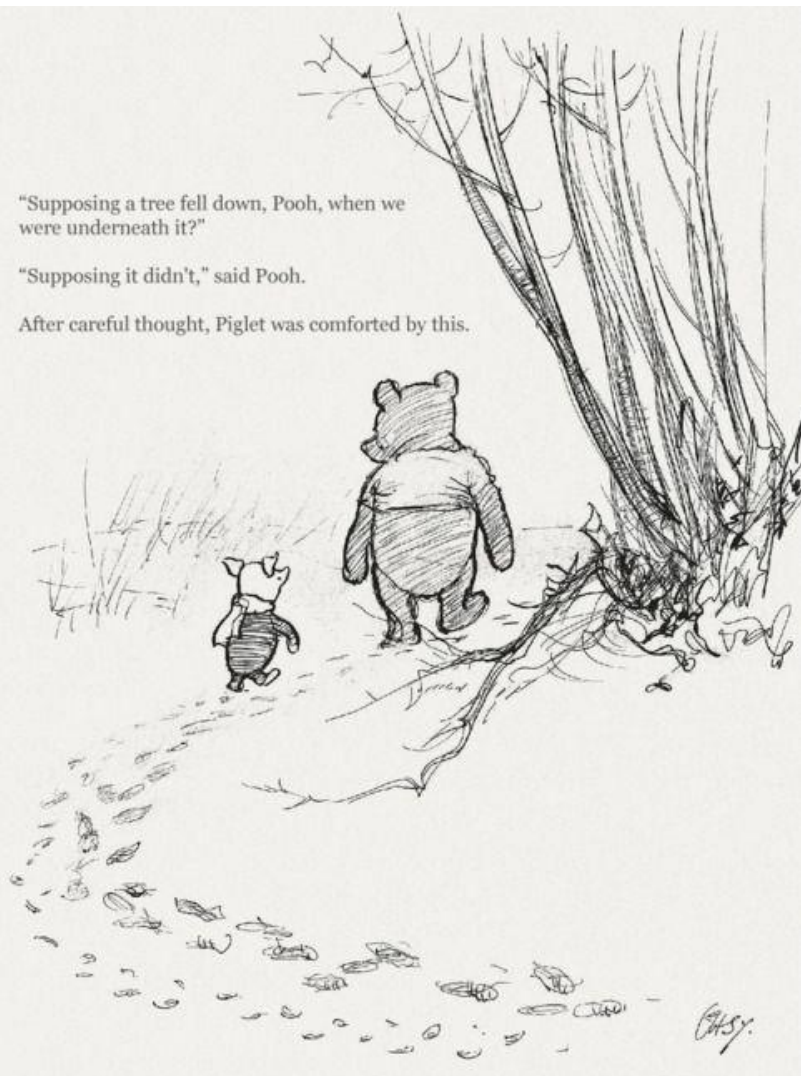


There is usually something about which to worry, yet equities have proved very rewarding through the years for those who remember that the secret to success in stocks is not to get scared out of them.

"Supposing a tree fell down, Pooh, when we were underneath it?"

"Supposing it didn't," said Pooh.

After careful thought, Piglet was comforted by this.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present	
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	70064%	
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	40502%	
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	36391%	
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	14193%	
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	13262%	
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	15524%	
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	11286%	
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	8649%	
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	6428%	
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	7973%	
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	6508%	
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	8602%	
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	5688%	
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	6101%	
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	4998%	
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	3662%	
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	2388%	
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2609%	
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1826%	
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1518%	
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1379%	
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1274%	
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	1232%	
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	1105%	
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	594%	
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	535%	
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	395%	
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	354%	
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	531%	
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	565%	
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	458%	
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	408%	
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	800%	
Price Changes Only - Does Not Include Dividends					Averages:	-7%	18%	39%	66%	8418%

As of 12.06.24. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates



Since 1994, **DALBAR's Quantitative Analysis of Investor Behavior (QAIB)** has measured the effects of investor decisions to buy, sell and switch into and out of mutual funds over short and long-term time frames. These effects are measured from the perspective of the investor and do not represent the performance of the investments themselves. The results consistently show that the average investor earns less – in many cases, much less – than mutual fund performance reports would suggest.

SUMMARY RETURNS: DALBAR'S 2023 QAIB STUDY

Period	Average Equity Fund Investor	S&P 500 Index Return	Difference	Average Fixed Income Fund Investor	Bloomberg U.S. Aggregate Bond Index Return	Difference	Inflation (U.S. Consumer Price Index)
1 Year	20.8%	26.3%	-5.5%	2.9%	5.5%	-2.6%	3.4%
3 Years	4.2%	10.0%	-5.8%	-4.3%	-3.3%	-1.0%	5.6%
5 Years	12.1%	15.7%	-3.6%	-1.2%	1.1%	-2.3%	4.1%
10 Years	8.5%	12.0%	-3.6%	-0.8%	1.8%	-2.6%	2.8%
20 Years	8.7%	9.7%	-1.0%	-0.2%	3.2%	-3.4%	2.6%
30 Years	8.0%	10.2%	-2.1%	-0.1%	4.4%	-4.5%	2.5%

A 3.6% return gap over 10 years compounds to 42.4%. Put another way, a \$500,000 portfolio would have missed out on \$212,144 of appreciation over the decade. A 2.1% return gap over 30 years compounds to 86.5%, which would mean a \$500,000 portfolio would have forgone an additional \$432,701 of appreciation over the three decades.



While fixed income investments generally boast lower volatility than equities, it is nice to see the historical odds of Value Stocks and Dividend Payers outperforming the recent 4.15% yield on the 10-year U.S. Treasury increase markedly as the level of patience rises.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >4.15%	Count <=4.15%	Percent >4.15%
1 Month	708	460	60.6%
3 Months	741	425	63.6%
6 Months	768	395	66.0%
1 Year	781	376	67.5%
2 Year	866	279	75.6%
3 Year	930	203	82.1%
5 Year	945	164	85.2%
7 Year	976	109	90.0%
10 Year	992	57	94.6%
15 Year	961	28	97.2%
20 Year	929	0	100.0%

DIVIDEND PAYERS

	Count >4.15%	Count <=4.15%	Percent >4.15%
1 Month	703	465	60.2%
3 Months	747	419	64.1%
6 Months	779	384	67.0%
1 Year	804	353	69.5%
2 Year	889	256	77.6%
3 Year	901	232	79.5%
5 Year	919	190	82.9%
7 Year	956	129	88.1%
10 Year	947	102	90.3%
15 Year	953	36	96.4%
20 Year	918	11	98.8%

From 07.31.1927 through 10.31.24. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

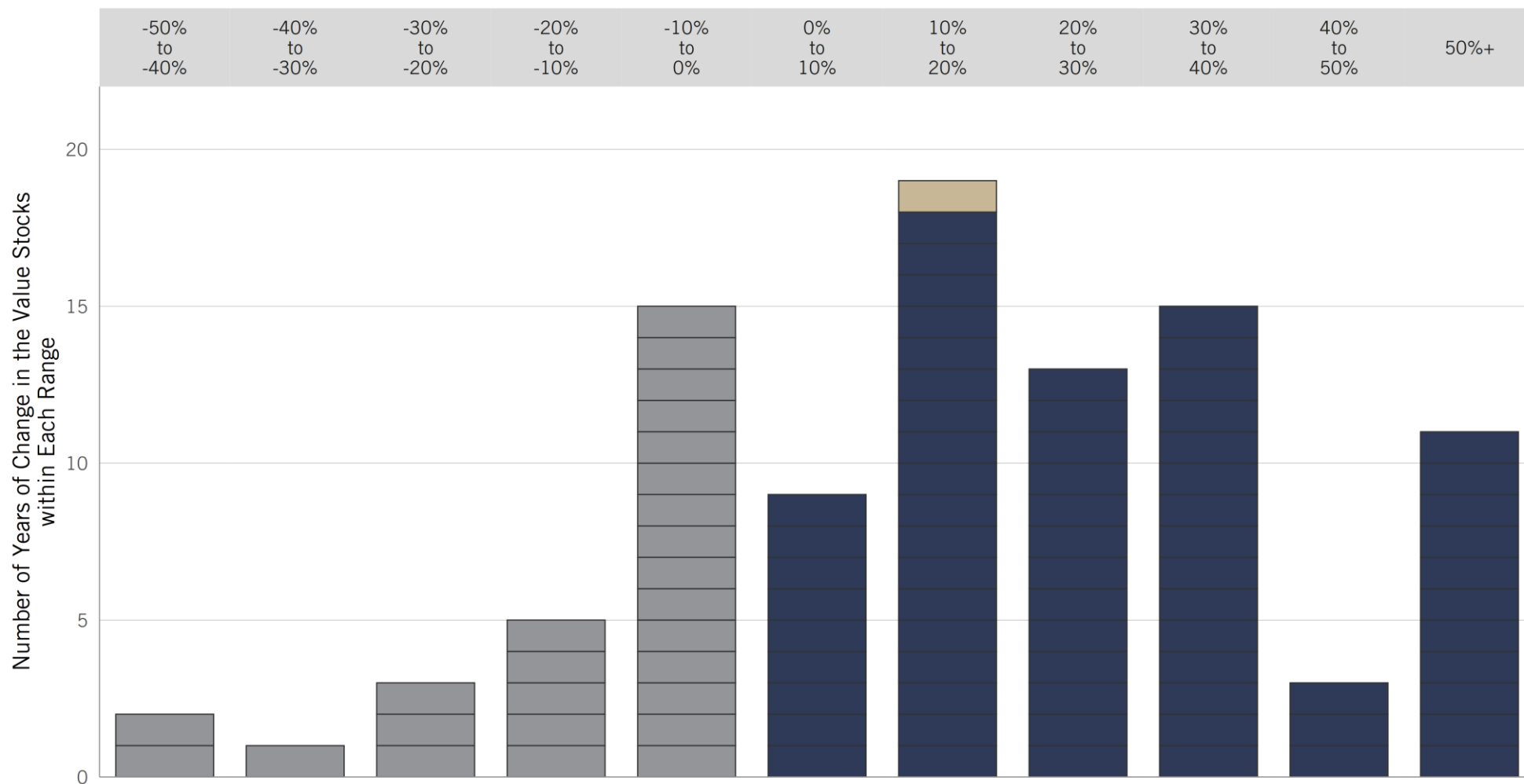


“The secret to making money in stocks is not to get scared out of them.”

—Peter Lynch



Certainly, there have been many years in which stocks did not appreciate in value. However, there have been far more years in which returns have been in the black, with more than a few decidedly so. The stock market is NOT a casino, but the odds definitely favor the player.



Yellow box denotes latest year. From 12.31.1927 through 10.31.2024. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

THE PRUDENT SPECULATOR



Q3 report cards generally have been favorable with 75.8% of companies in the S&P 500 topping bottom-line expectations though only 52.6% have exceeded top-line estimates. Year-over-year EPS growth remained solid and the outlook for the balance of this year and 2025 is healthy, which is a good thing as if a business does well, its stock eventually follows.

S&P 500 Earnings Per Share

Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
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ESTIMATES		
12/31/2025	\$72.48	\$272.92
9/30/2025	\$70.70	\$261.77
6/30/2025	\$66.91	\$250.47
3/31/2025	\$62.83	\$241.92
12/31/2024	\$61.33	\$233.72
9/30/2024	\$59.40	\$226.29

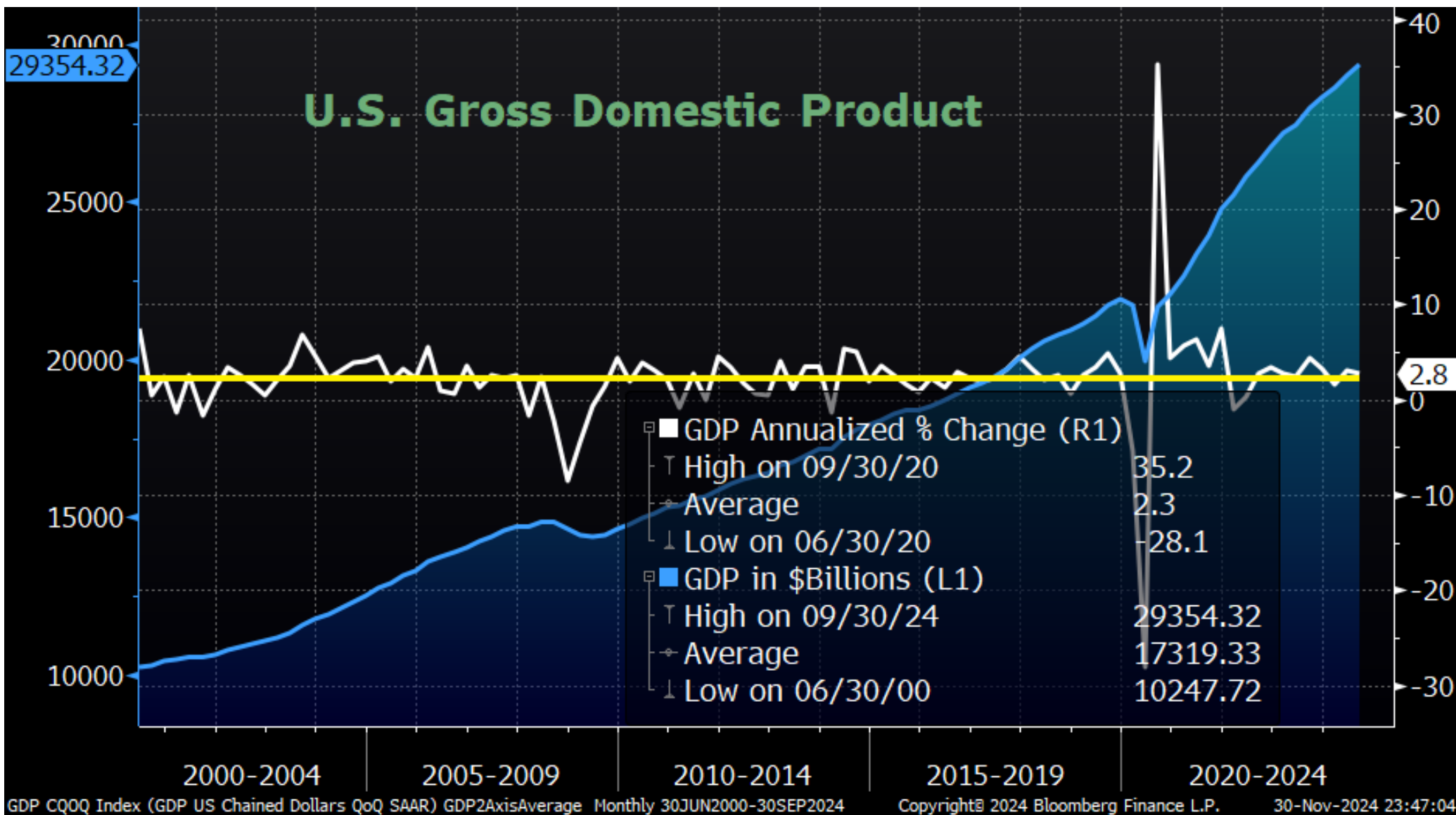
ACTUAL		
6/30/2024	\$58.36	\$219.14
3/31/2024	\$54.62	\$215.62
12/31/2023	\$53.90	\$213.53
9/30/2023	\$52.25	\$210.00
6/30/2023	\$54.84	\$208.10
3/31/2023	\$52.54	\$200.13
12/31/2022	\$50.37	\$196.95
9/30/2022	\$50.35	\$203.31
6/30/2022	\$46.87	\$204.98
3/31/2022	\$49.36	\$210.16
12/31/2021	\$56.73	\$208.21
9/30/2021	\$52.02	\$189.66
6/30/2021	\$52.05	\$175.54
3/31/2021	\$47.41	\$150.28
12/31/2020	\$38.18	\$122.37

Source: Standard & Poor's. As of 12.05.24





Ups and Downs But the Economy Grows Over Time





Favorable Outlook for Q4 GDP Growth

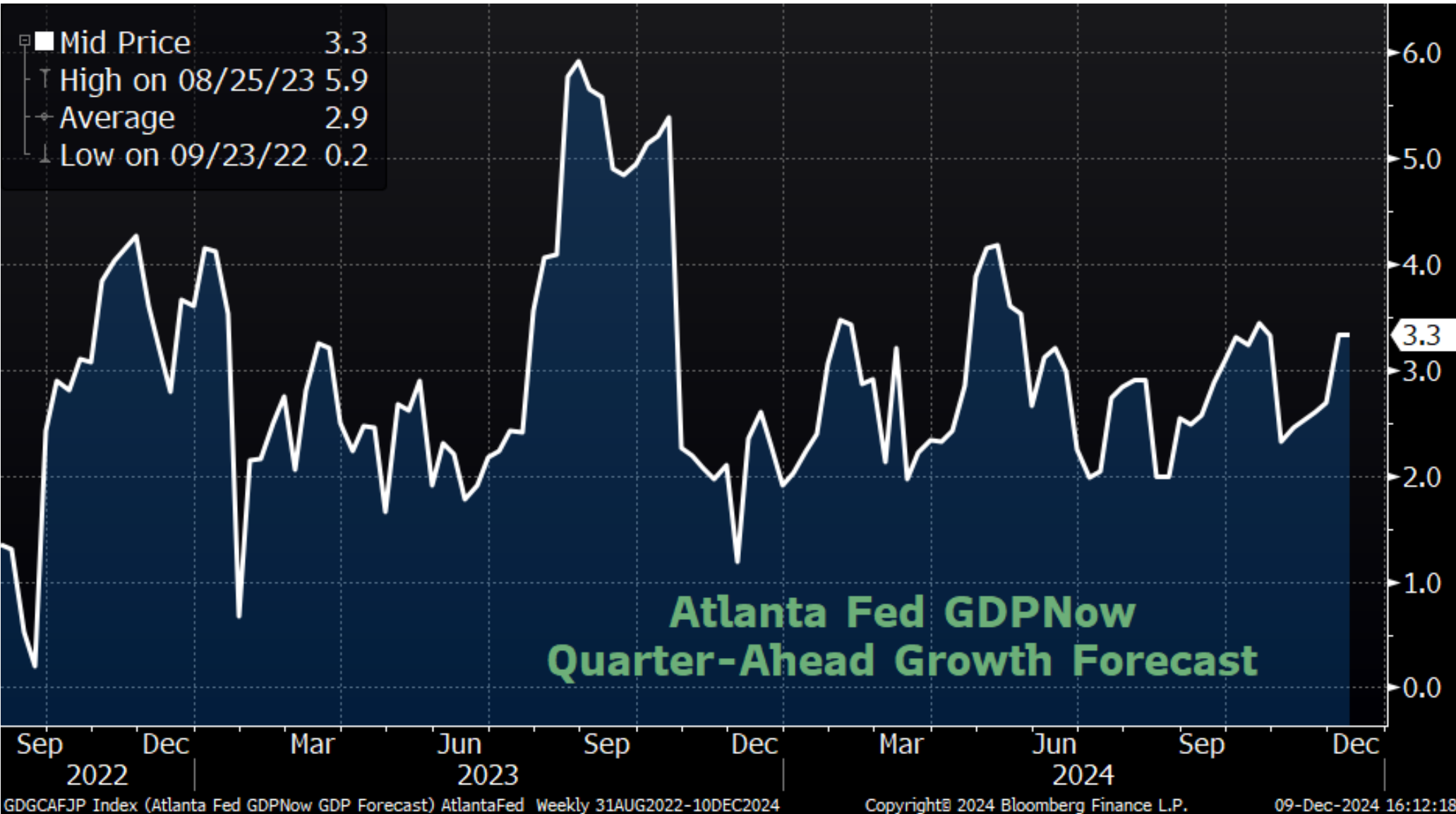




Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2024

Percent

Variable	Median ¹					Central Tendency ²					Range ³				
	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8	1.9–2.1	1.8–2.2	1.9–2.3	1.8–2.1	1.7–2.0	1.8–2.6	1.3–2.5	1.7–2.5	1.7–2.5	1.7–2.5
June projection	2.1	2.0	2.0		1.8	1.9–2.3	1.8–2.2	1.8–2.1		1.7–2.0	1.4–2.7	1.5–2.5	1.7–2.5		1.6–2.5
Unemployment rate	4.4	4.4	4.3	4.2	4.2	4.3–4.4	4.2–4.5	4.0–4.4	4.0–4.4	3.9–4.3	4.2–4.5	4.2–4.7	3.9–4.5	3.8–4.5	3.5–4.5
June projection	4.0	4.2	4.1		4.2	4.0–4.1	3.9–4.2	3.9–4.3		3.9–4.3	3.8–4.4	3.8–4.3	3.8–4.3		3.5–4.5
PCE inflation	2.3	2.1	2.0	2.0	2.0	2.2–2.4	2.1–2.2	2.0	2.0	2.0	2.1–2.7	2.1–2.4	2.0–2.2	2.0–2.1	2.0
June projection	2.6	2.3	2.0		2.0	2.5–2.9	2.2–2.4	2.0–2.1		2.0	2.5–3.0	2.2–2.5	2.0–2.3		2.0
Core PCE inflation ⁴	2.6	2.2	2.0	2.0		2.6–2.7	2.1–2.3	2.0	2.0		2.4–2.9	2.1–2.5	2.0–2.2	2.0–2.2	
June projection	2.8	2.3	2.0			2.8–3.0	2.3–2.4	2.0–2.1			2.7–3.2	2.2–2.6	2.0–2.3		
Memo: Projected appropriate policy path															
Federal funds rate	4.4	3.4	2.9	2.9	2.9	4.4–4.6	3.1–3.6	2.6–3.6	2.6–3.6	2.5–3.5	4.1–4.9	2.9–4.1	2.4–3.9	2.4–3.9	2.4–3.8
June projection	5.1	4.1	3.1		2.8	4.9–5.4	3.9–4.4	2.9–3.6		2.5–3.5	4.9–5.4	2.9–5.4	2.4–4.9		2.4–3.8

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The June projections were made in conjunction with the meeting of the Federal Open Market Committee on June 11–12, 2024.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.



Set Default
World Interest Rate Probability

Hide Models <<

Model	Meeting	%Hike/Cut
North America		
US - Fut	12/18/2024	-85.1% ▼
US - OIS	12/18/2024	-84.6% ▼
CA - OIS	12/11/2024	-181.8% ▼
Europe		
EZ - OIS	12/12/2024	-110.7% ▼
GB - OIS	12/19/2024	-6.0% ▼
SE - OIS	12/19/2024	-34.0% ▼
CH - OIS	12/12/2024	-144.7% ▼
NO - OIS	12/19/2024	-11.5% ▼
APAC		
AU - Fut	12/10/2024	-6.2% ▼
AU - OIS	12/10/2024	-8.5% ▼
NZ - OIS	02/19/2025	-171.6% ▼
JP - OIS	12/19/2024	+36.2% ▲
IN - OIS	02/07/2025	-58.6% ▼
LATAM		
CL - OIS	12/17/2024	-78.4% ▼

Region: United States »

Instrument: Fed Funds Futures »

Target Rate 4.75

Effective Rate 4.58

Pricing Date 12/06/2024

Cur. Imp. O/N Rate 4.581

Enable Overrides

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M. ▲
12/18/2024	-0.851	-85.1%	-0.213	4.368	0.250
01/29/2025	-1.172	-32.1%	-0.293	4.287	0.250
03/19/2025	-1.807	-63.5%	-0.452	4.129	0.250
05/07/2025	-2.197	-39.0%	-0.549	4.031	0.250
06/18/2025	-2.667	-47.0%	-0.667	3.914	0.250
07/30/2025	-2.932	-26.5%	-0.733	3.848	0.250
09/17/2025	-3.214	-28.2%	-0.804	3.777	0.250
10/29/2025	-3.412	-19.8%	-0.853	3.728	0.250
12/10/2025	-3.572	-16.0%	-0.893	3.687	0.250
01/28/2026	-3.692	-12.0%	-0.923	3.658	0.250

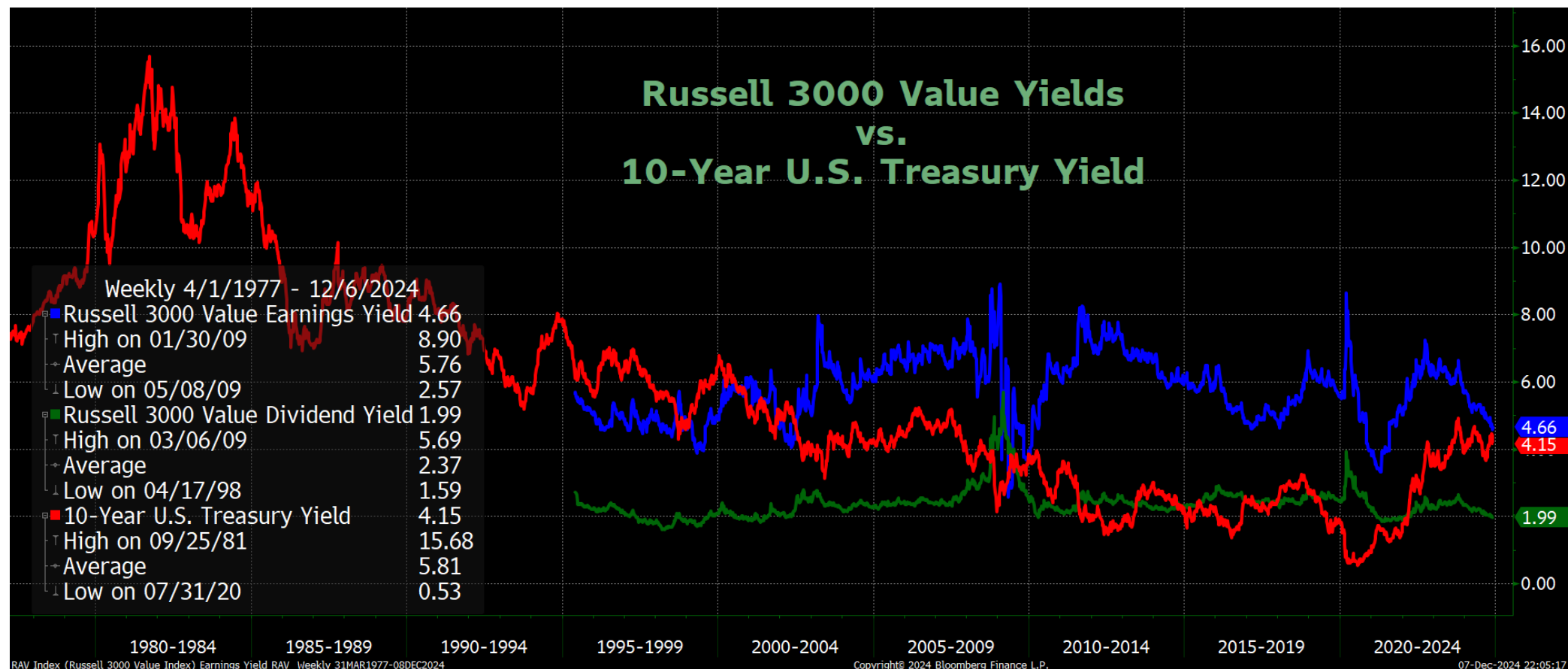
Implied Overnight Rate & Number of Hikes/Cuts

Date	Implied Overnight Rate (%)	Number of Hikes/Cuts Priced In
Current	4.581	0.0
01/29/2025	4.368	-0.851
03/19/2025	4.129	-1.807
05/07/2025	4.031	-2.197
06/18/2025	3.914	-2.667
07/30/2025	3.848	-2.932
09/17/2025	3.777	-3.214
10/29/2025	3.728	-3.412
12/10/2025	3.687	-3.572
01/28/2026	3.658	-3.692
12/09/2026	3.45	-3.7

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 4565 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
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 SN 3536221 EST GMT-5:00 ba1910-173 08-Dec-2024 01:19:15



While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (3.67%) is still reasonable relative to the current (and well below average) 4.15% yield on the 10-Year U.S. Treasury, we like that Value stocks, as measured by the Russell 3000 Value index, boast a much higher Earnings Yield (4.66%) AND a generous dividend yield (1.99%), both of which are not too far from the historical norms for those measures dating back to 1995.





“Whether we’re talking about socks or stocks, I like to buy quality merchandise when it is marked down.”

—Warren Buffett



Valuations for the S&P 500 certainly are on the high side, but it is a Market of Stocks and not simply a Stock Market. Indeed, those who construct their own portfolios of individual stocks know very well that there are plenty of inexpensively priced bargains available.

STREETWISE | JAMES MACKINTOSH

Is the Stock Market Doomed? Yes, But Maybe Not in 2025

Equities are wildly overvalued right now, but history shows no link between nosebleed valuations and the next year's returns



Here are two particularly scary forecasts for investors: Goldman Sachs thinks the S&P 500 will make just 3% a year over the next 10 years, as Big Tech dominance eventually falters. Bank of America expects 0%-1% a year for a decade, a catastrophic investment prospect.

Their conclusion: Buy stocks anyway, because the next year looks great.

The underlying problem is simple to understand, and hard to do much about. Stocks are super expensive on just about every measure. That historically has meant low returns in the long run. Hence the dire 10-year forecasts.

But history also suggests no link

at all between nosebleed valuations like we have today and returns over the next year. Expensive stocks can always get more expensive, and often do.

The S&P 500 and Nasdaq are at record highs, and U.S. stocks are really expensive. Six of the Magnificent Seven—Apple, Amazon.com, Meta Platforms, Microsoft, Nvidia and Tesla—are more expensive still, though Alphabet lags behind a little.

The justifications the bulls trot out become less convincing the more stocks rise. Three are popular: AI, rising earnings and American exceptionalism.

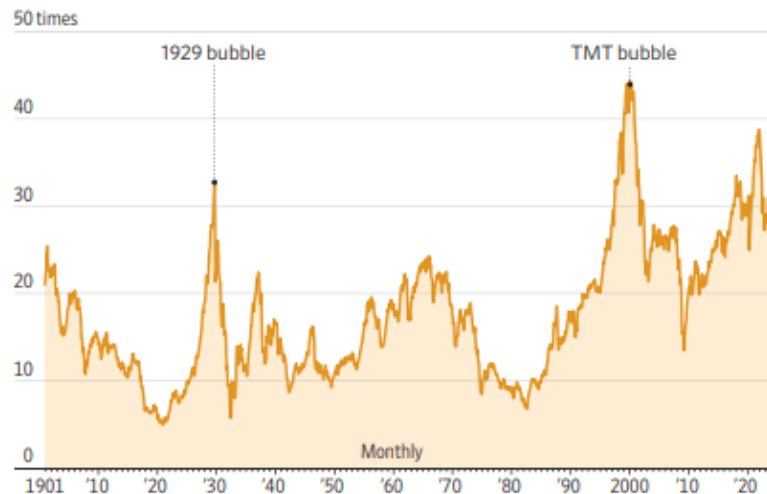
■ **Artificial intelligence** has supercharged the performance of the biggest stocks as the companies

plow vast sums into data centers and specialized microchips. JP-Morgan estimates that capital spending and research by just the Magnificent Seven will be \$500 billion in the next year, with a total corporate AI spend of more than \$1 trillion in the U.S., bigger than the defense budget.

Investors anticipate fat returns from this capital. History begs to differ. In the past, stocks of companies with higher capital spending lagged badly behind those that spent less.

This time there is a particular reason to worry. Either this spending will produce useful products, in which case there will be lots of competing AI models, and the monopoly-like profit margins investors anticipate won't be possible.

Cyclically adjusted price/earnings ratio



Source: Prof. Robert Shiller

Or it won't, in which case most of it will have to be written off, even if there are one or two high-margin winners.

"Investors are assuming all this capital spending will be worthwhile," said Peter Berezin, chief global strategist at BCA Research. He has turned negative on stocks because of this and his view that a recession is looming. He predicts the S&P 500 will drop to 4100 by the end of next year. That is far

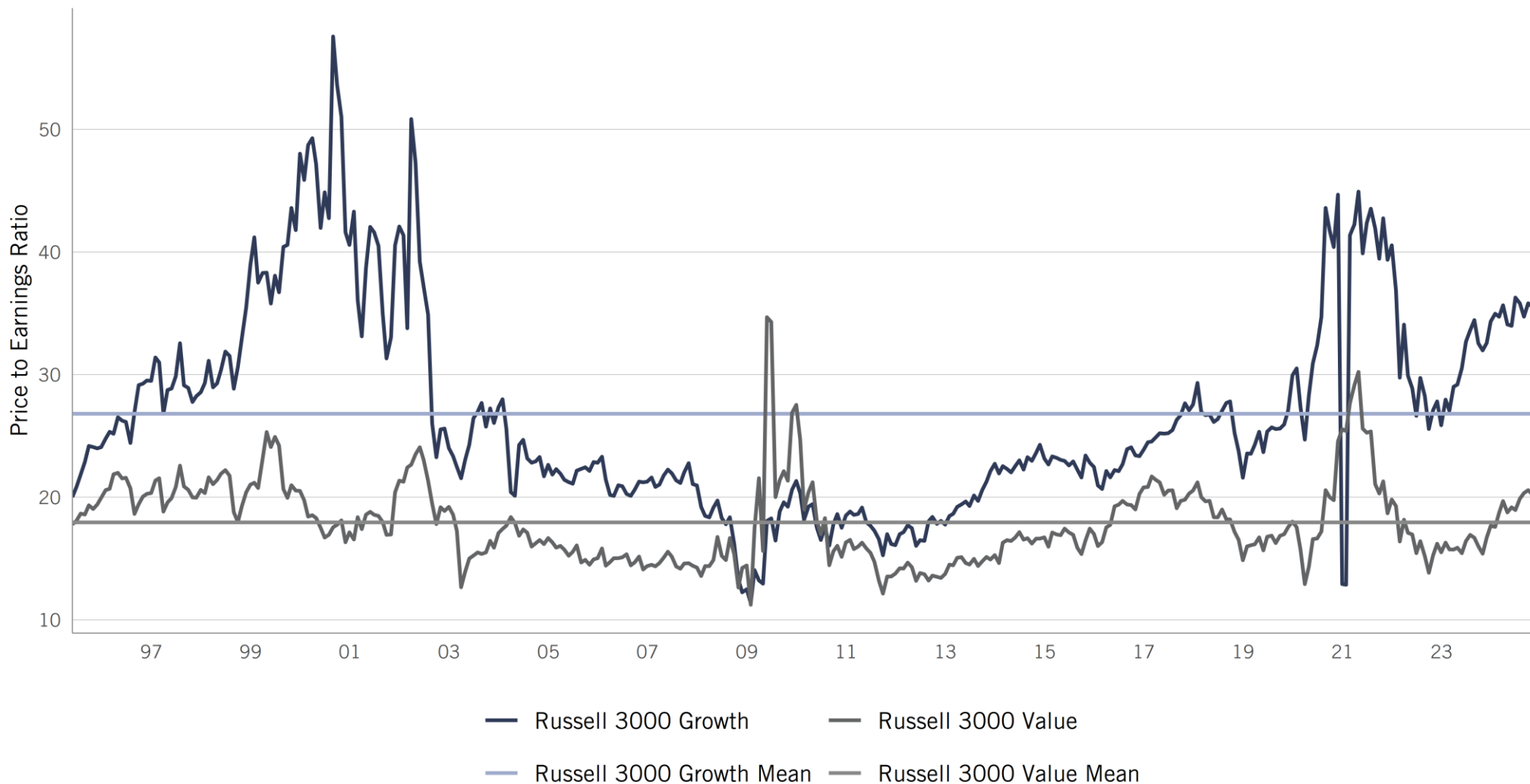
below the 6500 and 6666 forecasts from Goldman and BofA strategists, respectively.

Lots of companies are experimenting with generative AI, but if actual use cases don't come fast enough—perhaps because of genAI's continued problems with facts and logic—investors won't get the earnings they expect. I don't know how to predict whether genAI will be widely ad-

Please turn to page B3



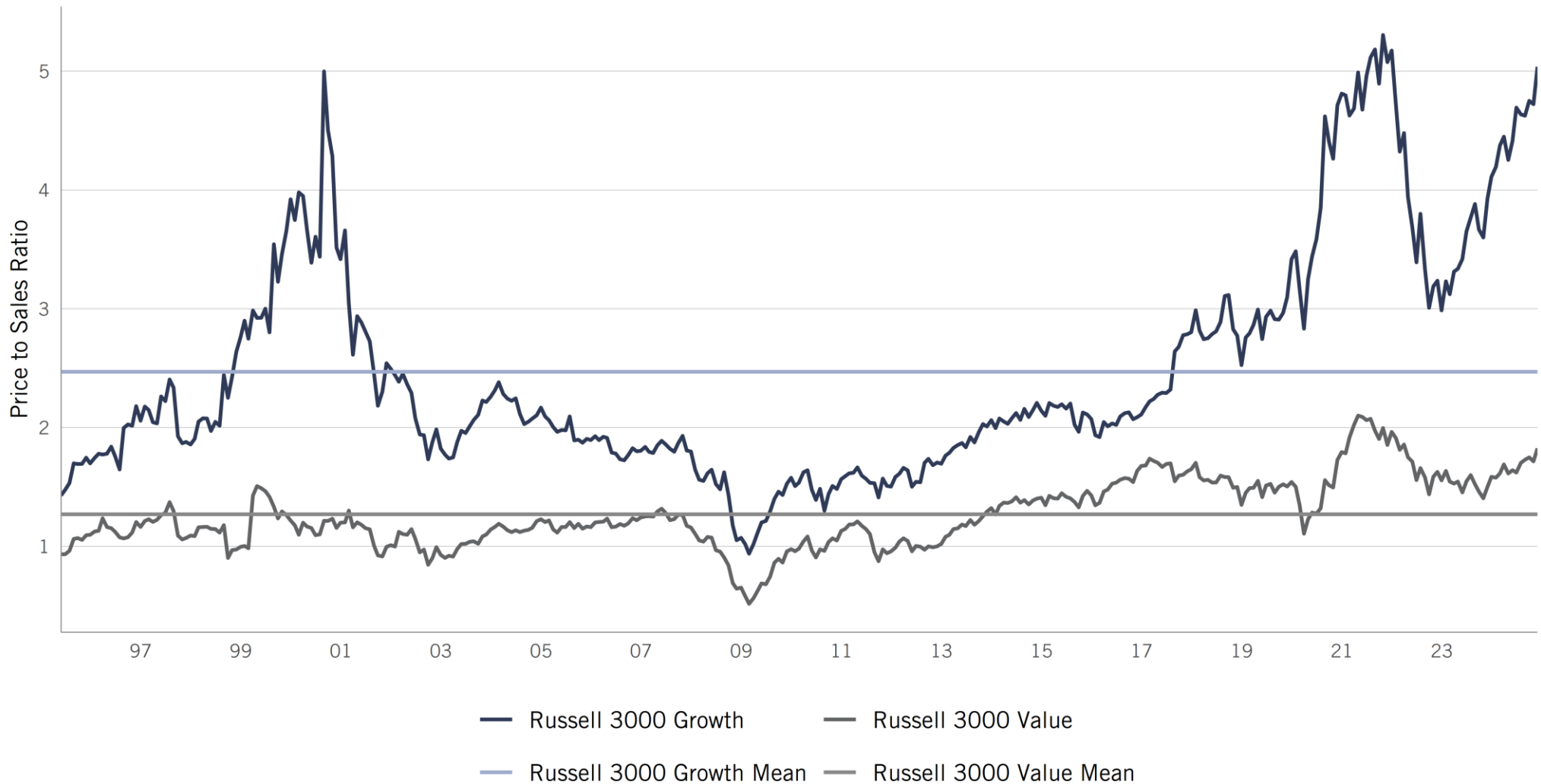
Valuation Comparison: Price to Earnings Ratio



From 05.31.1995 through 11.29.2024. SOURCE: Kovitz using data from Bloomberg Finance L.P.

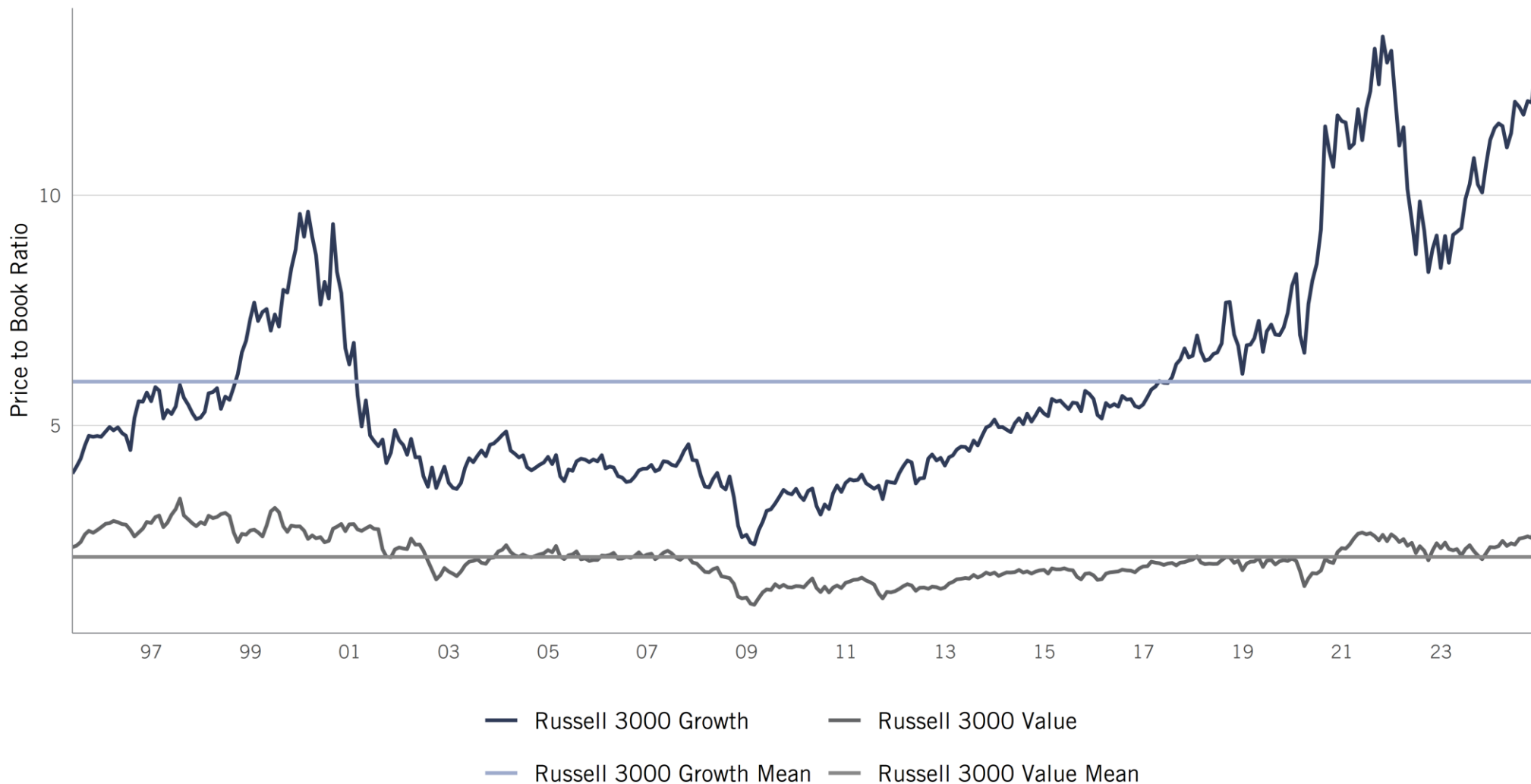


Valuation Comparison: Price to Sales





Valuation Comparison: Price to Book Value



From 05.31.1995 through 11.29.2024. SOURCE: Kovitz using data from Bloomberg Finance L.P.



Inexpensive Valuation Metrics for our Portfolios

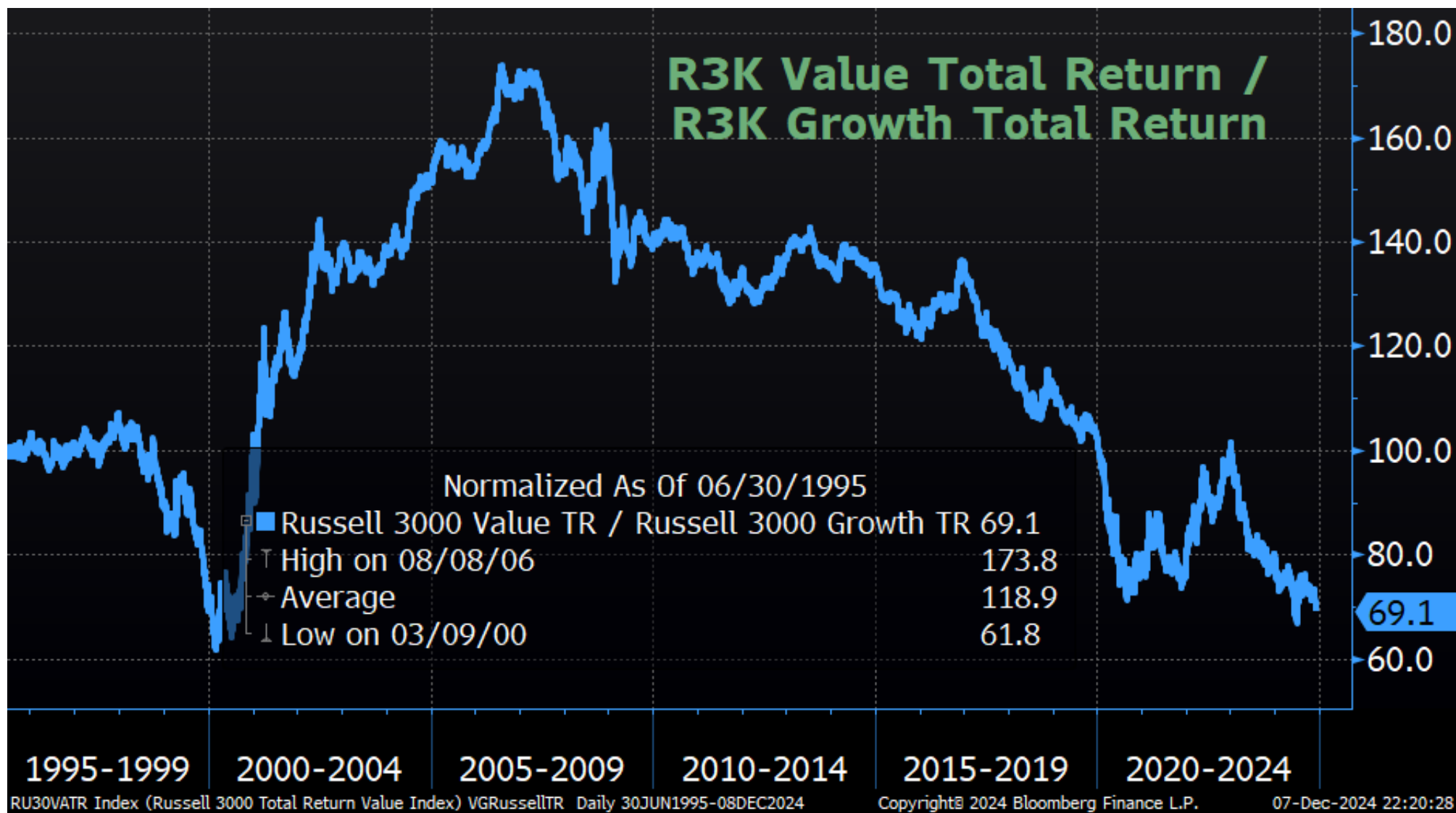
CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	18.7	14.9	1.0	2.4	2.4
ValuePlus	19.9	15.7	1.2	2.4	2.1
Dividend Income	19.0	15.3	0.9	2.2	2.6
Focused Dividend Income	17.8	13.8	1.1	2.2	2.8
Focused ValuePlus	18.1	14.9	1.1	2.4	2.4
Small-Mid Dividend Value	14.0	13.0	0.5	1.6	2.7
Russell 3000	28.4	26.4	2.8	4.8	1.2
Russell 3000 Growth	39.2	36.0	5.7	13.0	0.6
Russell 3000 Value	21.4	20.2	1.8	2.7	2.0
Russell 1000	27.6	25.9	3.0	5.0	1.2
Russell 1000 Growth	37.9	35.1	6.1	14.1	0.6
Russell 1000 Value	20.9	19.9	1.9	2.9	2.0
S&P 500 Index	27.3	25.8	3.1	5.3	1.2
S&P 500 Growth Index	35.6	33.7	6.6	12.1	0.6
S&P 500 Value Index	20.5	19.5	1.8	3.0	2.1
S&P 500 Pure Value Index	11.2	12.2	0.5	1.3	2.4

As of 12.09.2024. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.



While Value has won the century-long performance war, the Russell 3000 Growth Index has been the victor over the Russell 3000 Value in recent battles, so much so that the return difference today is not much different than it was when the Tech Bubble burst back in 2000.





Despite enduring significant volatility along the way, not to mention suffering through a miserable 2002, 2008 and 2011, Value strategies performed admirably, with the S&P 500 Pure Value index the easy winner, following the bursting of the Tech Bubble in March 2000.

Total Returns Matrix Post March 31, 2000

Name	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Symbol
Dow Jones Industrial Average TR	-8.21	-22.70	6.14	30.81	25.09	132.79	224.39	DJITR Index
Russell 3000 Total Return Growth Index	-42.52	-58.70	-43.96	-31.70	-33.57	37.77	119.25	RU30GRTR Index
Russell 3000 Total Return Value Index	1.48	-17.20	33.14	76.71	41.17	167.78	190.12	RU30VATR Index
Russell 3000 Total Return Index	-22.26	-40.39	-11.79	12.17	-0.73	97.19	161.01	RU30INTR Index
S&P 500 Growth Total Return Index	-38.19	-50.50	-34.68	-23.23	-25.53	54.87	143.54	SPTRSGX Index
S&P 500 Value Total Return Index	-1.07	-30.12	10.04	46.09	15.97	114.98	154.67	SPTRSVX Index
S&P 500 Total Return Index	-21.68	-40.93	-14.84	6.40	-6.35	84.03	154.83	SPXT Index
S&P 500 Pure Growth Total Return Index	-31.60	-54.66	-26.15	-10.93	-8.12	119.03	177.90	SPTRXPG Index
S&P 500 Pure Value Total Return Index	23.92	3.59	103.40	183.68	140.69	438.00	352.33	SPTRXPV Index

Source Kovitz using data from Bloomberg. Forward returns starting 03.31.00



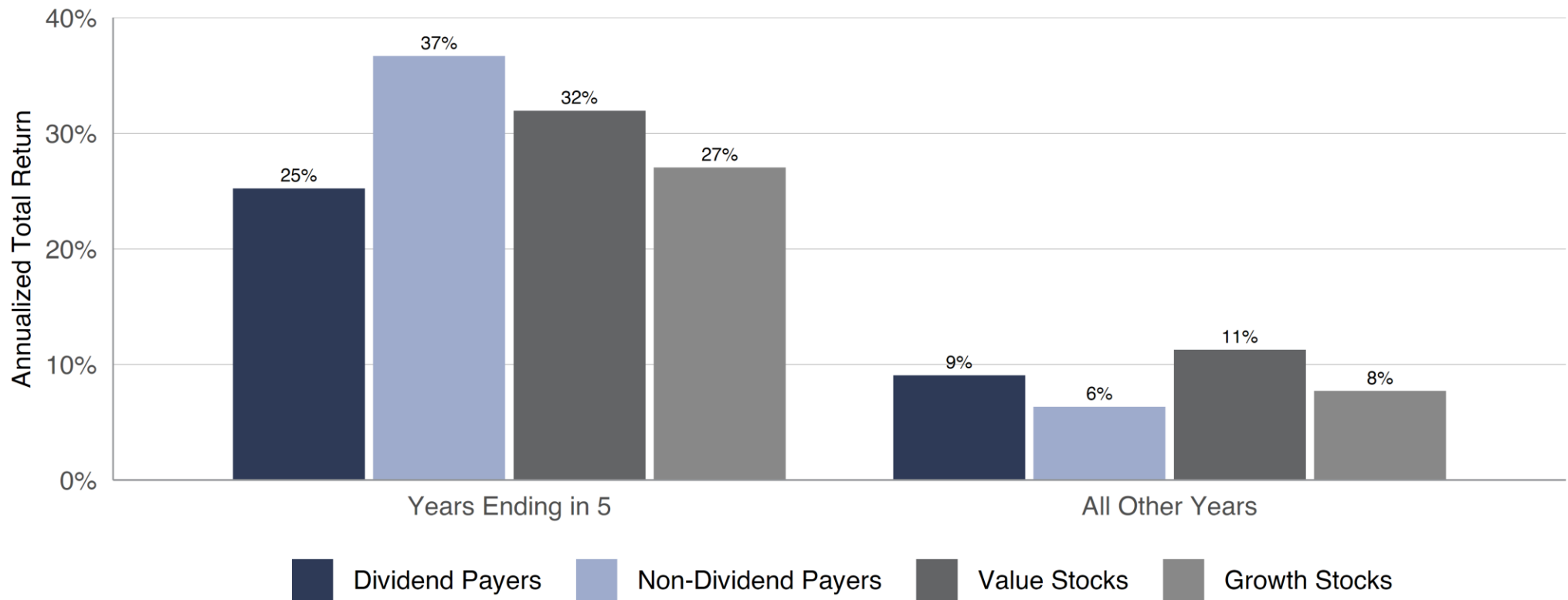
Handsome Annualized Long-Term Returns for Value: Absolute & Relative

Name	Index	1-Year	3 Year	5 Year	7 Year	10-Year	20-Year
Value Stocks							
Russell 3000 Value Index	Russell 3000 Value	26.9%	8.6%	10.2%	9.3%	8.9%	8.2%
Russell 2000 Value Index	Russell 2000 Value	27.1%	5.1%	9.4%	7.3%	8.1%	7.5%
Russell 1000 Value Index	Russell 1000 Value	26.9%	8.8%	10.3%	9.5%	9.0%	8.3%
S&P 500 Value Index	S&P 500 Value	24.7%	12.6%	12.2%	11.3%	10.5%	8.7%
S&P 500 Pure Value Index	S&P 500 Pure Value	25.3%	9.4%	9.8%	8.3%	8.3%	9.4%
MSCI USA Value Net Total Return USD Index	MSCI USA Value	26.1%	7.9%	9.3%	8.5%	8.4%	7.4%
MSCI World Value Index	MSCI World Value	23.6%	9.0%	9.4%	8.1%	7.8%	7.2%
Global Equities							
MSCI ACWI Excluding United States Index	MSCI ACWI excluding United States	15.5%	3.7%	6.2%	5.2%	5.4%	5.9%
MSCI EAFE Index	MSCI EAFE (Europe, Australasia, Far East)	13.7%	4.9%	6.8%	5.7%	5.9%	5.8%
MSCI Europe Index	MSCI Europe	11.6%	4.9%	7.2%	5.9%	5.6%	5.7%
MSCI Emerging Markets Index	MSCI Emerging Markets	16.5%	-0.1%	3.9%	2.9%	4.0%	6.7%
CAC 40	CAC 40 Index - France	0.8%	3.5%	6.7%	6.1%	6.9%	5.6%
Deutsche Boerse AG German Stock Index DAX	Deutsche Boerse - Germany	19.7%	7.4%	8.1%	5.0%	5.7%	6.9%
FTSE 100 Index	FTSE 100 Index - United Kingdom	16.0%	7.1%	5.8%	4.9%	3.9%	4.5%
S&P/ASX 200	S&P/ASX 200 - Australia	19.5%	7.4%	8.5%	8.0%	7.6%	8.7%
Hang Seng Index	Hang Seng - Hong Kong	26.6%	-1.4%	-2.1%	-1.5%	1.6%	5.3%
Ibovespa Brasil Sao Paulo Stock Exchange Index	Ibovespa - Brazil	-19.1%	3.3%	-5.0%	-1.2%	0.3%	4.0%
Shanghai Stock Exchange Composite Index	Shanghai - China	16.3%	-3.3%	5.2%	1.7%	2.2%	7.8%
BSE SENSEX TR	Sensex - India	16.8%	10.0%	12.5%	11.0%	9.1%	11.4%
Nikkei 225	Nikkei 225 - Japan	16.8%	4.0%	6.0%	6.1%	7.9%	6.4%
Korea Stock Exchange KOSPI Index	KOSPI - Korea	-8.3%	-10.3%	1.6%	-1.9%	1.6%	5.5%
Other Assets							
S&P GSCI Index Spot	S&P GSCI Commodities	1.2%	-0.2%	4.7%	3.6%	1.1%	2.7%
Philadelphia Stock Exchange Gold and Silver Index	Gold & Silver Index	24.9%	7.1%	10.8%	11.4%	9.0%	3.1%
Bloomberg US Agg Total Return Value Unhedged USD	Bloomberg Barclays U.S. Agg Bond	5.7%	-1.8%	0.1%	1.3%	1.6%	3.1%
Bloomberg Global-Aggregate Total Return Index Value Unhedged USD	Bloomberg Barclays Global Agg Bond	3.9%	-3.9%	-1.4%	-0.2%	0.4%	2.0%
ICE U.S. Treasury 7 - 10 Year TR Index	ICE U.S. Treasury 7 - 10 Year	4.3%	-3.6%	-0.9%	0.6%	1.1%	3.3%
ICE U.S. Treasury 3 - 7 Year TR Index	ICE U.S. Treasury 3 - 7 Year	4.6%	-0.9%	0.4%	1.3%	1.4%	2.8%
ICE U.S Treasury 1 - 3 Year TR Index	ICE U.S Treasury 1 - 3 Year	4.9%	1.4%	1.4%	1.7%	1.4%	2.0%

As of 12.06.24. Source: Bloomberg. In US Dollars



A very small sample set, to be sure, but it is fascinating how well equities have performed in years ending in the number 5. Of course, it isn't as if stocks should not be owned in the other years, but there could 2025 could have an extra bounce in its step.





**“If you do not change
direction, you may end
up where you are
heading.”**

— Lao Tzu



Stocks on Sale: Investment Themes for 2025

A Pivot Home

Power & Energize the U.S.

Fond of Financials

Make America Healthy Again?

Driving Us Crazy

Intelligent Ways to Play A.I.

Small Company, Big Potential



Stocks on Sale: TPS Bargains for 2025 & Beyond

The Prudent Speculator Undervalued Stock Selections

Symbol	Name	12.09.24 Price	Target Price	YTD TR	Industry Group	P/E	NTM P/E	P/S	Yld	MarCap
ALB	Albemarle	\$109.66	\$180.16	-23.2%	Chemicals	182.8	nmf	2.0	1.5%	12,889
ARE	Alexandria Real Estate	\$106.75	\$195.23	-13.1%	Health Care REITs	nmf	nmf	6.0	4.9%	18,656
BMJ	Bristol-Myers Squibb	\$58.71	\$85.34	20.2%	Pharmaceuticals	7.9	8.4	2.5	4.1%	119,074
CE	Celanese	\$72.42	\$134.52	-52.5%	Chemicals	10.8	8.8	0.8	3.9%	7,916
CIVI	Civitas Resources	\$47.35	\$95.70	-25.7%	Oil, Gas & Consumable Fuels	5.3	5.6	0.9	4.2%	4,570
COHU	Cohu	\$27.46	\$35.04	-22.4%	Semiconductors	nmf	nmf	2.9	0.0%	1,280
CVS	CVS Health	\$56.07	\$90.69	-26.0%	Health Care Providers & Services	8.8	9.8	0.2	4.7%	70,559
DINO	HF Sinclair	\$39.30	\$66.12	-26.4%	Oil, Gas & Consumable Fuels	13.7	13.4	0.2	5.1%	7,394
OZK	Bank OZK	\$47.26	\$66.85	-1.7%	Banks	7.8	8.2	nmf	3.5%	5,361
TAP	Molson Coors Beverage	\$61.57	\$82.94	3.7%	Beverages	10.5	10.5	1.1	2.9%	12,672
TSN	Tyson Foods	\$62.64	\$75.80	20.4%	Food Products	20.2	17.6	0.4	3.2%	22,291
UPS	United Parcel Service	\$128.53	\$198.37	-14.4%	Air Freight & Logistics	17.3	15.2	1.2	5.1%	109,684
WHR	Whirlpool	\$124.45	\$176.80	9.4%	Household Durables	10.9	9.7	0.4	5.6%	6,862



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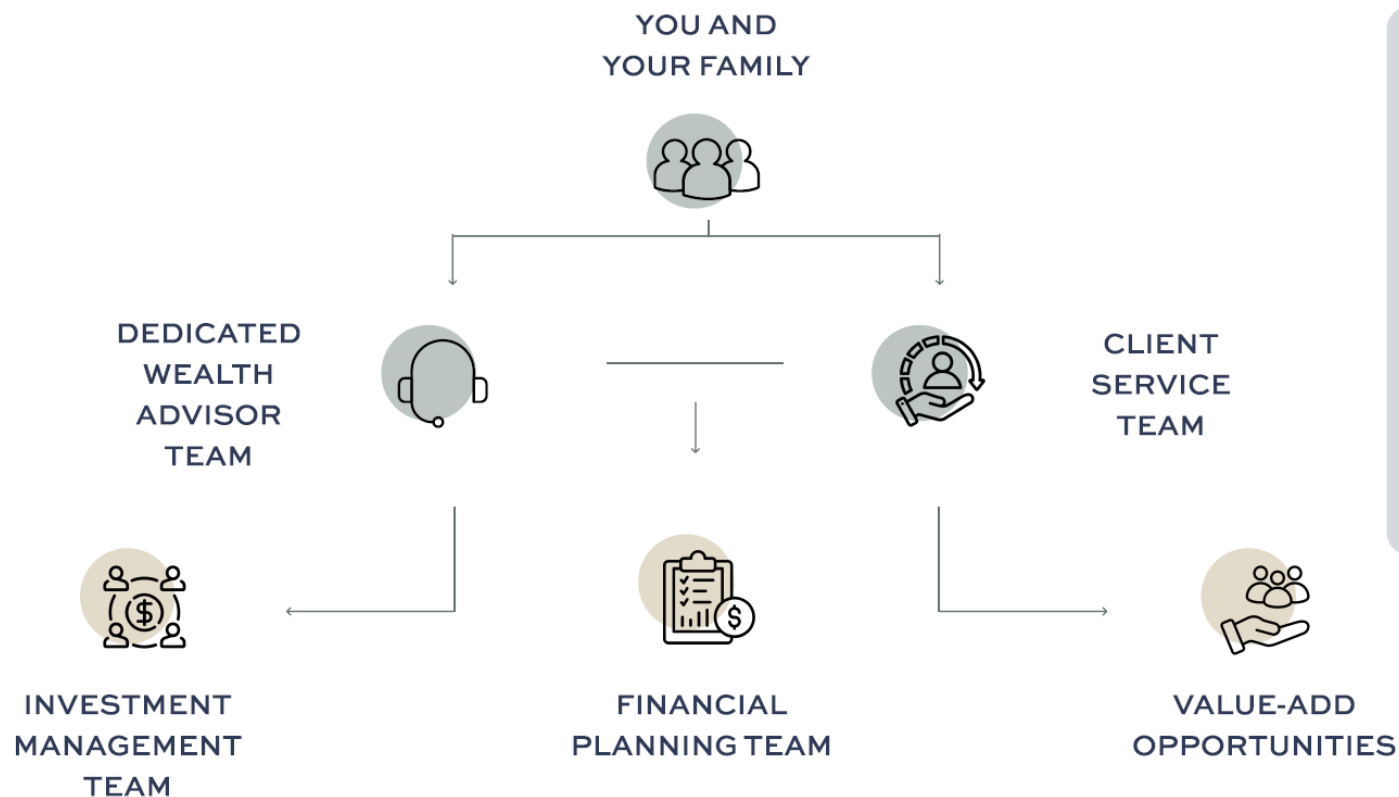
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The list of stocks on Slide 34 represents what we believe to be stocks that offer capital appreciation potential. The full list of recommendations comprises the Kovitz California Strategies, which is part of Kovitz Investment Group Partners, LLC (KIG).

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Market Outlook

2025 Q&A

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