

WealthBuilder Equities Portfolio Updates

November 15, 2024

MRA Investment Committee

On November 11, 2024, the MRA Investment Committee (The Committee) held its regularly scheduled quarterly meeting to review the WealthBuilder equities portfolios, the Strategic Opportunities Portfolio and the Dividend Focus Portfolio. We discussed the current holdings and recommended additions and deletions to the portfolios. We also discussed the current state of the economy and the continued challenges that we see ahead.

In the WealthBuilder **Strategic Opportunities Portfolio**, we are making the following sells and purchases:

SELLS

Alnylam Pharmaceuticals Incorporated	ALNY
ASML Holding Registry shs (netherlands)	ASML
Cooper Companies Incorporated	COO
CrowdStrike Hldgs Incorporated Class A	CRWD
Danaher Corporation	DHR
Dominos Pizza Incorporated	DPZ
EOG Res Incorporated	EOG
Garmin Limited shs (Switzerland)	GRMN
Hubspot Incorporated	HUBS
Lowe's Companies Incorporated	LOW
Oracle Corporation	ORCL
Procter and Gamble Company	PG

BUYS

Axon	AXON
Booking Holdings Inc Com	BKNG
Chipotle Mexican Grill Inc Cl A	CMG
Chubb Ltd Com	CB
TKO Group Holdings Inc	TKO
Hubbell Inc Com	HUBB
Kratos Defense	KTOS
Monolithic Power Systems Inc Com	MPWR
NuScale Power Corp	SMR
Palantir Technologies	PLTR
Progressive Corp Com	PGR
Regeneron Pharmaceuticals Com	REGN
Servicenow Inc Com	NOW
T Mobile Us Inc Com	TMUS
Tesla Inc Com	TSLA
Transdigm Group Inc Com	TDG
V2X Inc	VVX
Vertiv Holdings Co Cl A	VRT
Visa Inc Cl A	V

In the WealthBuilder **Dividend Focus Portfolio**, we are making the following sells and purchases:

SELLS

<u>AUTOMATIC DATA PROCESSING INC</u>	<u>ADP</u>
<u>CHUBB CP THE</u>	<u>CB</u>
<u>COLGATE PALMOLIVE</u>	<u>CL</u>
<u>COMCAST CORP</u>	<u>CMCSA</u>
<u>EATON CP</u>	<u>ETN</u>
<u>GEN DYNAMICS CP</u>	<u>GD</u>
<u>GOLDMAN SACHS GRP</u>	<u>GS</u>
<u>HONEYWELL INTL INC</u>	<u>HON</u>
<u>INTEL CORP</u>	<u>INTL</u>
<u>LOWES COMPANIES</u>	<u>LOW</u>
<u>LyondellBasell industries NV</u>	<u>LYB</u>

MEDTRONIC INC	MDT
Mondelēz International, Inc.	MDLZ
NextEra Energy, Inc.	NEE

BUYS

Apple Inc Com	AAPL-US
Blackrock Inc Com	BLK-US
Costco Wholesale Corp Com	COST-US
Fastenal Co Com	FAST-US
Ford Motor Co Com	F-US
Linde Plc Com	LIN-US
Mastercard Inc Cl A	MA-US
Mcdonalds Corp Com	MCD-US
Altria Group Inc Com	MO-US
Oracle Corp Com	ORCL-US
Visa Inc Cl A	V-US
Wells Fargo & Co Com	WFC-US

If you would like to discuss any of our changes, please contact your MRA Advisor. They will be happy to share our philosophy and methodology behind the portfolio changes.

Investment Committee Commentary

While the political world will focus on the election for some time, financial markets have already shifted their attention to the next administration's policies, Federal Reserve rate cuts, and the underlying economy.

In the remainder of the week following election day, the S&P 500 gained 3.7%, the Dow 4.2%, and the Russell 2000 index of small-cap stocks surged 6.1%. Bitcoin also rose above \$80,000 for the first time. Even though this sudden market jump is positive for portfolios, it's always important to stay disciplined by maintaining a long-term perspective and focusing on fundamentals.

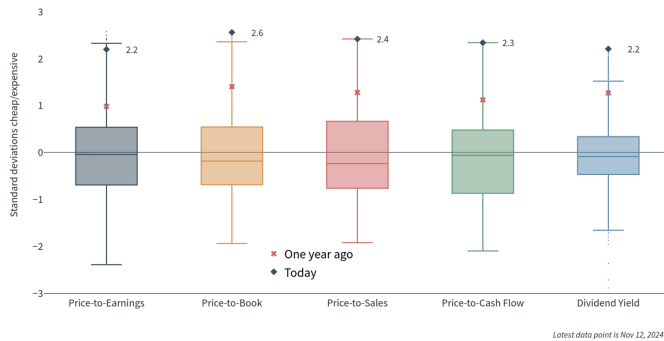
Valuations are above historical averages

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MRA Advisory Group

Stock Market Valuations

S&P 500 Index valuations today, one year ago, and ranges since 2003



Sources: Clearnomics, LSEG
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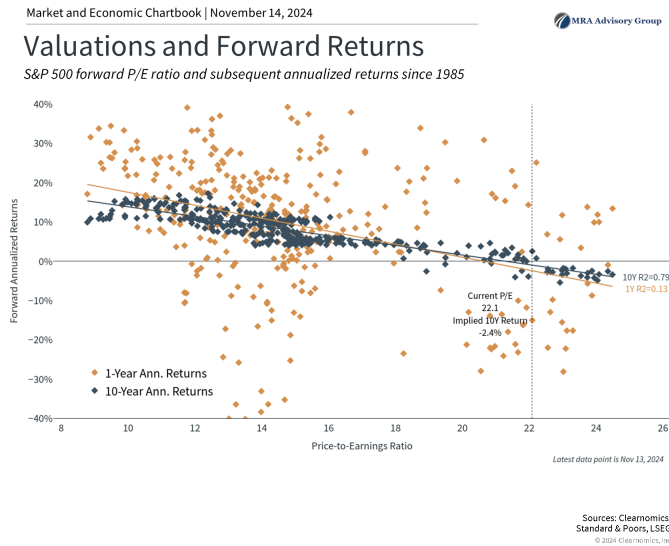
Putting politics aside, chances are that the next administration will inherit strong economic tailwinds. While it's clear that voters struggled with inflation over the past few years, rising prices resulted from supply chain disruptions during the pandemic and the significant government stimulus that followed. These shocks to the system have faded as inflation has fallen back toward 2%, prompting the Fed to cut rates, which supports the economy.

At the same time, the bull market rally since late 2022 means that valuations across an array of asset classes are well above average, suggesting that many investments are no longer as attractive. The post-election rally in recent days has only pushed valuations higher. For instance, the price-to-earnings of the S&P 500 is nearing post-pandemic highs and is only a few points away from its historic dot-com bubble peak.

History shows that markets can move back and forth between extremes as investors overreact to positive and negative events. This occurred after the 2016 election as well. Markets rallied throughout 2017 before facing a market correction in early 2018, which ended the year negative for the first time in a decade. Markets then experienced a strong rally in 2019 until it was derailed by the pandemic in early 2020. While the past is no guarantee of the future, this shows that the market never moves up in a straight line, despite how positive the situation may seem at the time.

In uncertain situations, a north star that can guide investors is valuations. In the long run, there is nothing more correlated with returns than whether the market is cheap or expensive compared to measures such as corporate earnings. While valuations are not market timing tools – stocks can run well above fundamentals in the short run – they do tell us how to set expectations that reflect long-term trends.

Higher valuations correspond to lower expected returns



Today, market enthusiasm is the result of the “Trump trade,” which refers to investments that benefit from the expected policies of the next administration. This includes lower individual and corporate taxes, tariffs, light regulation, and deficit spending in areas such as infrastructure. The Trump trade propelled markets for a time after the 2016 election due to optimism in financial markets, the strengthening of the U.S. dollar, and higher bond yields as investors anticipated pro-growth economic policies.

As the famous investor Benjamin Graham observed, "in the short run, the market is a voting machine but in the long run, it is a weighing machine." This is relevant today because many of the investments with stretched valuations, including tech stocks and cryptocurrencies, are especially prone to booms and busts. When things go well, it seems foolish in hindsight to focus on valuations and earnings. However, the reason to do so is exactly because it is difficult to predict the exact winners.

As the accompanying chart shows, elevated valuations often correspond to lower or even negative longer-run returns. This occurs if those valuations take place later in the business cycle, just before a correction. The hope is that this time is different and the economy continues to grow steadily. But even in that scenario, markets that are rallying ahead of fundamentals could mean that returns are “pulled forward.”

Many asset classes beyond U.S. stocks have performed well this year

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Asset Class Performance

Total Returns

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EM 39.8%	Fixed Inc. 5.2%	EM 79.0%	Small Cap 26.9%	Fixed Inc. 7.8%	EM 18.6%	Small Cap 38.8%	S&P 500 13.3%	S&P 500 1.4%	Small Cap 21.3%	EM 37.8%	Fixed Inc. 0.0%	S&P 500 31.5%	Small Cap 20.0%	S&P 500 28.7%	Commod. 16.1%	S&P 500 26.3%	S&P 500 27.0%
Commod. 16.2%	Balanced -23.8%	EAFE 32.5%	EM 19.2%	S&P 500 2.1%	EAFE 17.9%	S&P 500 32.4%	Balanced 6.4%	Fixed Inc. 0.5%	S&P 500 12.0%	EAFE 25.6%	S&P 500 -4.4%	Small Cap 25.5%	EM 18.7%	Commod. 27.1%	Fixed Inc. -13.0%	EAFE 18.9%	Small Cap 18.2%
EAFE 11.6%	Small Cap -33.8%	Small Cap 36.8%	Commod. 16.8%	Balanced 0.8%	Small Cap 16.3%	EAFE 23.2%	Fixed Inc. 6.0%	EAFE -6.4%	Commod. 11.8%	S&P 500 21.8%	Balanced -4.0%	EAFE 22.7%	S&P 500 18.4%	Small Cap 14.8%	EAFE -14.8%	Small Cap 16.9%	Balanced 13.3%
Balanced 8.5%	Commod. 35.6%	S&P 500 36.5%	S&P 500 15.1%	Small Cap -4.2%	S&P 500 16.0%	Balanced 35.5%	Small Cap 4.2%	Balanced -1.9%	EM 11.6%	Balanced 35.2%	Small Cap -11.0%	Balanced 29.9%	Balanced 19.5%	Balanced 14.1%	Balanced -14.4%	Balanced 15.8%	EM 9.6%
Fixed Inc. 7.0%	S&P 500 -37.0%	Balanced 22.2%	Balanced 12.3%	EAFE -11.7%	Balanced 11.4%	Fixed Inc. -2.0%	EM -1.8%	Small Cap -4.4%	Balanced 8.1%	Small Cap 14.6%	Commod. -11.2%	EM 18.9%	EAFE 8.3%	EAFE 11.8%	S&P 500 -18.1%	EM 10.3%	EAFE 4.9%
S&P 500 5.5%	EAFE -43.1%	Commod. 18.9%	EAFE 8.2%	Commod. -13.3%	Fixed Inc. 4.2%	EM -2.3%	EAFE -4.5%	EM -14.6%	Fixed Inc. 2.6%	Fixed Inc. 3.5%	EAFE -13.4%	Fixed Inc. 8.7%	Fixed Inc. 7.5%	Fixed Inc. -1.5%	EM -19.7%	Fixed Inc. 5.5%	Commod. 2.6%
Small Cap -1.6%	EM -53.2%	Fixed Inc. 5.9%	Fixed Inc. 6.5%	EM -18.2%	Commod. -1.1%	Commod. -9.5%	Commod. -17.0%	Commod. -24.7%	EAFE 1.5%	Commod. 1.7%	EM -14.2%	Commod. 7.7%	Commod. -9.1%	EM -2.2%	Small Cap -20.4%	Commod. -7.9%	Fixed Inc. 1.4%

Latest data point is Nov 13, 2024

The Balanced Portfolio is a 60/40 historical index calculation consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 3% Emerging Market Equities, 30% U.S. Bonds, and 1% Commodities.

Sources: Clearmatics, LSEG
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High valuations don't mean we should avoid the stock market. Instead, they suggest we should carefully construct and adjust portfolios in a risk-aware manner, using diversification as a key tool. The accompanying chart shows that while U.S. stocks have performed well this year, many other asset classes have generated positive returns too.

International stocks, for instance, continue to have much more attractive valuations than U.S. stocks. And while bonds have not performed as well recently with rates rising again, they still provide income and diversification benefits, especially in periods of market volatility.

Perhaps most importantly, long-term fundamentals suggest that the trends are still moving in the right direction. Corporate earnings have grown steadily in recent quarters, and GDP figures have been surprisingly strong. After the election, the Federal Reserve also implemented its second rate cut of the cycle, lowering the fed funds rate by 25 basis points to a target range of 4.5% to 4.75%.

In its official statement, the central bank acknowledged evolving labor market dynamics, noting that conditions have generally eased while unemployment, though higher, remains at historically low levels. It highlighted that while inflation has eased substantially and the economy remains strong overall, labor market conditions have moderated compared to pre-pandemic levels.

During the post-meeting press conference, Fed Chair Powell presented a balanced view of the economic landscape, emphasizing both progress and continued vigilance. Your portfolio should be viewed similarly, balancing progress and vigilance.

The bottom line? Slower-moving economic trends drive financial success for long-term investors, not short-term market movements over a few days or weeks. As 2016 to 2020 demonstrates, investors should maintain portfolios that can take advantage of market rallies while also protecting against periods of uncertainty.

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