Optimize Wealth Management

Optimize Monthly Snapshot

December 2024

Our model portfolio returns

	Last Month			Year-to-Date (YTD)		
Model Portfolio	**Optimize**	**Benchmark**	**Outperformance**	**Optimize**	**Benchmark**	**Outperformance**
All Growth Portfolio	**4.62%**	4.92%	**-0.30%**	**27.49%**	20.20%	**7.29%**
Growth Balanced Portfolio	**4.43%**	4.55%	**-0.12%**	**26.50%**	18.30%	**8.20%**
Balanced Growth Portfolio	**4.23%**	4.11%	**0.12%**	**25.50%**	16.22%	**9.28%**
Income Balanced Portfolio	**3.71%**	3.08%	**0.63%**	**22.58%**	11.08%	**11.50%**
Income Portfolio	**3.18%**	2.27%	**0.91%**	**19.65%**	7.03%	**12.62%**

As of November 29, 2024

Key drivers to our outperformance

- ### Top Company: NVIDIA Corp

  NVIDIA, the largest company in the S&P 500 by market cap, continues to deliver exceptional results. NVIDIA's biggest customers Microsoft, Meta, Google and Amazon are heavily spending on AI infrastructure and their sequential CAPEX growth is in line with NVIDIA's expected revenue growth. These solid fundamentals underscore its market leadership and growth potential. Our significant allocation to NVIDIA reflects its strategic importance and consistent value generation within our portfolios.

- ### Top Sector: Consumer Discretionary

  Financial stocks have seen significant gains since President-elect Trump's win in the U.S., as investors react to the expectation of a lighter regulatory approach from the newly elected administration. The sector thrived during the previous Trump administration, and this recent macro development has positioned large-cap financial stocks for increased profitability and growth. Our overweight allocation to this sector, relative to the benchmark, has positioned us to capture outsized returns as the sector benefits from improved efficiency and expanded market opportunities.

- ### Top Asset Class: U.S. Equities

  U.S. Equities' uniqueness in terms of earnings and revenue growth continues to leave its global peers in the dust and investors worldwide are taking a hint. The U.S. continues to hold a dominant share of the global equity market, attracting investors worldwide with its depth and stability. This ongoing global interest reinforces the strength of U.S. large-cap equities, where we have a significant allocation to capture attractive growth opportunities. Key sectors such as Technology, Financials, and Consumer Goods are leading performance, further supporting our strategy in a market that remains a global investment hub.

Model Portfolio	**Returns (YTD)**	**Outperformance (YTD)**	**Upside Capture**	**Downside Capture**
All Growth Portfolio	22.81%	8.16%	117.18%	37.65%
Growth Balanced Portfolio	22.08%	9.04%	122.96%	45.18%
Balanced Growth Portfolio	21.29%	9.94%	116.32%	54.20%
Income Balanced Portfolio	18.73%	11.49%	158.59%	65.51%
Income Portfolio	16.19%	12.12%	151.45%	48.61%

As of October 31, 2024

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Opportunities Ahead:

▪ FED Rate Cutting Cycles Have Historically Boosted Equities

The U.S. Federal Reserve continued cutting rates and cut another 25bps in its last meeting. The U.S. FED's rate cuts have historically created a supportive environment for equities. Since 1971, S&P 500 has delivered an impressive average annualized return of 14.9% during periods of rate cuts. In particularly resilient economic environments, large-cap stocks in the S&P 500 averaged an annualized return of 25.2%. Even in more challenging conditions, equities still performed well, with average annualized returns of 11% during easing cycles. Notably, equities have performed strongly even when rate cuts occurred during periods of elevated inflation. These easing cycles often bolster economic growth and market stability, reinforcing our confidence in U.S. large-cap equities as a key driver of portfolio outperformance.

Source: Bloomberg, Optimize Wealth Management (Data 1971-2024)

▪ U.S. GDP Growth Trend Back to Pre-Pandemic Level, Grows at a Healthy 2.8% Pace

The U.S. and Japan are the only two major economies in the world where the GDP growth in Q3 is back to the pre-pandemic level growth trend. The U.S. economy grew at a solid 2.8% annualized rate in Q3, driven by a 3.5% increase in consumer spending, the economy's primary growth engine, along with steady business investment. This growth underscores the resiliency of the economic expansion despite challenges such as price pressures, high borrowing costs, and political uncertainty. Corporate profit margins improved as well, with non-financial corporate profits as a share of gross value added edging up to 15.6% from 15.5% in Q2. The government's gross domestic income measure, which reflects income generation, also grew by 2.2%, reinforcing the economy's strength. As Donald Trump returns to the White House in January, businesses and consumers await details of his economic agenda, which could shape the next phase of growth

Source: Optimize Wealth Management, U.S. Bureau of Economic Analysis - As of November 27, 2024

▪ U.S. Equities Often Rise During the Holiday Season: Is a Santa Claus Rally Ahead?

U.S. equities have historically performed well in November and December. Since 1964, the average monthly return for the S&P 500 Index in November and December has been 1.5% and 1.3%, respectively. In November 2024, the S&P 500 posted a 5.73% gain. Given this strong performance in November, well above the historical average, and the current positive macroeconomic backdrop in the U.S. economy, there is increasing expectation of a potential Santa Claus rally for U.S. equities.

Source: Refinitv - As of December 31, 2023

"Time is the friend of the wonderful company, the enemy of the mediocre"

- Warren Buffett