Optimize Wealth Management

Optimize Monthly Snapshot

January 2025

Our model portfolio returns

	Last Month			Year-to-Date (YTD)		
Model Portfolio	**Optimize**	**Benchmark**	**Outperformance**	**Optimize**	**Benchmark**	**Outperformance**
All Growth Portfolio	**-0.14%**	-2.09%	**1.95%**	**-0.06%**	0.86%	**-0.92%**
Growth Balanced Portfolio	**-0.13%**	-1.98%	**1.85%**	**-0.06%**	0.75%	**-0.81%**
Balanced Growth Portfolio	**-0.11%**	-1.86%	**1.75%**	**-0.05%**	0.62%	**-0.67%**
Income Balanced Portfolio	**-0.02%**	-1.58%	**1.56%**	**-0.03%**	0.31%	**-0.34%**
Income Portfolio	**0.07%**	-1.36%	**1.43%**	**0.00%**	0.07%	**-0.07%**

As of January 3, 2025

Key Contributors to Our Outperformance

- ### Top Company: Toyota Motor Corp

Global automakers are faced with increasing inventory and rising incentive spending as normalizing industry supply fuels competition. Toyota's lean inventory and strong demand for hybrid vehicles give it an edge over rival automakers, reflecting better operating margin, and profitability. Toyota Motor Corp. continues to deliver strong financial results, reporting revenue growth of 24% year-over-year in its latest quarter. Toyota's electrification strategy remains a key driver of growth, with electrified vehicles accounting for 44.4% of total sales in the first half of fiscal year 2025, up from 35.3% a year earlier. Our significant allocation to Toyota reflects its strategic positioning in the industry, innovation in sustainable mobility, consistent financial strength, and long-term value generation across our portfolios.

- ### Top Sector: Information Technology

The Technology sector continued its momentum in December. The S&P 500 Technology sector has gained 36% in 2024, and the sector as a whole led in fund flows for the year. With the exception of September, net flows into the sector had been largely positive. The sector also leads in earnings growth, with an expected 21.7% EPS growth over the next twelve months. In 2024, Technology, which represents most growth stocks, posted its best performance in at least a decade. Since the U.S. election on November 5, the sector has risen 5.21%, driven by expectations of tax cuts, deregulation, and additional rate cuts from the U.S. Federal Reserve in 2025. Not to mention, AI adoption remains a strong catalyst for future growth in the sector.

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

U.S. equities continue to lead as our top asset class, driven by their consistent earnings and revenue growth that outpace global peers. The U.S. holds a dominant share of the global equity market, attracting investors with its unmatched depth, stability, and growth opportunities. Key sectors such as Technology, Financials, and Consumer Goods are delivering strong performance, reinforcing the U.S. market's leadership as a global investment hub. This strength is further supported by a resilient economic backdrop, highlighted by solid consumer spending and robust corporate earnings. With U.S. large-cap equities at the core of our strategy, we remain confident in their ability to capture long-term growth while navigating evolving market dynamics.

Model Portfolio	**Returns (YTD)**	**Outperformance (YTD)**	**Upside Capture**	**Downside Capture**
All Growth Portfolio	26.60%	5.91%	114.24%	37.65%
Growth Balanced Portfolio	25.71%	7.23%	120.20%	45.18%
Balanced Growth Portfolio	24.76%	8.63%	114.20%	54.20%
Income Balanced Portfolio	21.69%	11.20%	156.77%	65.51%
Income Portfolio	18.65%	12.47%	150.99%	48.61%

As of November 30, 2024

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Opportunities Ahead:

- ### Growth Stocks Outperformed in 2024, While Value Stocks Gained Traction

  As we wrapped up 2024, looking back at sector performance, it was a story that felt familiar in many ways. Communications, Technology, and Consumer Discretionary stocks led the charge, while Materials, Energy, and Real estate trailed behind. Perhaps the most surprising development to some was the strong performance of Utilities, driven largely by the growing influence of AI infrastructure—an emerging theme that continues to reshape even the most traditional sectors. Putting the sectors into Growth and Value baskets, the narrative remained largely consistent. Growth stocks dominated throughout 2024, maintaining their leadership. However, there was noticeable traction gained by Value stocks, particularly in sectors like Financials and Utilities, where performance began to align more closely with their Growth counterparts.

- ### Earnings Estimates Indicate the Magnificent 7's Outperformance Could Continue into 2025

  The S&P 500 posted a 23.3% return in 2024. Deconstructing these returns, we find that the majority—15.9%—came from the Magnificent 7. This raises the question of whether this trend will continue into 2025. Earnings estimates suggest the Magnificent 7's outperformance could persist into the new year.

  Earnings Estimates for the Magnificent 7 continue to accelerate higher. As we enter 2025, the earnings outlook for U.S. equities appears robust. While earnings estimates for the broader market follow their typical pattern—rising sequentially year-over-year, but at a gradual pace—the Magnificent 7 are in a league of their own. As shown in the chart below, earnings estimates for these stocks continue to accelerate higher. For now, the mighty Magnificent 7 are outpacing the rest of the market.

  The Magnificent 7 includes Alphabet Inc., Amazon.com Inc., Apple Inc., Meta Platforms Inc., Microsoft Corp., NVIDIA Corp., and Tesla Inc.

- ### U.S. Added 256,000 Jobs in December, Crushing Expectations

  The U.S. economy added 256,000 jobs in December, smashing the economists' expectations of 155,000. This marks the strongest job creation since March of last year. Driven by this surge in job creation, the unemployment rate fell to 4.1%. December's jobs report was solid across the board, providing economists with an encouraging signal that the U.S. job market is stabilizing. The U.S. added 2.2 million jobs in 2024, more than double the number economists had forecast heading into the year. This latest report will likely shift the Federal Reserve's focus back to inflation and slow the pace of interest rate cuts. However, December's data underscores the resilience of the labour market, which remained strong despite high borrowing costs, persistent inflation, and political uncertainty. It is the latest sign that the U.S. economy continues to thrive in the face of elevated interest rates.

Source of All Economic Data: Bloomberg

"Rule No. 1: Never lose money.
Rule No. 2: Never forget Rule No. 1."
- Warren Buffett