Core Balanced Portfolio—Tax-Advantaged

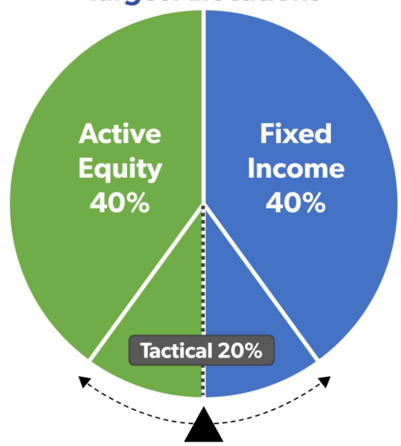
Portfolio Manager Commentary

As of 12/31/2024

Q4 2024 Overview

The **Core Balanced Portfolio—Tax-Advantaged (MCBAL)** reached a milestone as we head into the new year, marking its 15-year anniversary since inception. Designed to seek conservative growth, wealth preservation, and managed with a "safety first" mentality, the portfolio has endured numerous challenges over the past decade and a half—the aftermath of the Financial Crisis, U.S. debt downgrade, global pandemic, geo-political issues, the highest inflation in 30 years, and record low interest rates—just to name a few.

Core Balanced Portfolio—Tax-Advantaged Target Allocations



Tactical Position
As of 12/31/2024

Last year was no different. Recessionary fears, sticky inflation, conflicts in Ukraine and the Middle East, Federal Reserve (Fed) uncertainty, and the November elections all posed potential threats for financial markets. Fortunately for investors, markets were resilient. The S&P 500 posted its second consecutive year of 20% plus gains, rising 25.02%, while the Bloomberg U.S. Aggregate Bond Index rose 1.15%.

For the fourth quarter, MCBAL declined 1.79% (-2.54% net of maximum potential fees), versus the blended benchmark, which declined 0.03%. For the full year, MCBAL advanced 10.23% (6.96% net) versus a 10.62% gain for the benchmark. MCBAL's target asset allocation remained consistent throughout the year and finished at 50.9% equities and 49.1% fixed income—including 10.6% cash and higher-yielding short-term Treasuries. The Morningstar Moderate Target Risk Index—which incorporates a target 60% stock/40% bond allocation and risk profile—posted a yearly and quarterly return of 8.27% and -2.86%, respectively.

Dividend growth in 2024 was remarkable within the actively managed equity allocation. Of the portfolio's 45 individual equity positions, two—Alphabet Inc. (GOOGL) and Meta Platforms Inc. (META)—initiated dividends for the first time. Currently, only two stocks—Airbnb, Inc. (ABNB) and Amazon.com, Inc. (AMZN)—do not pay a dividend, bringing the total number of payers in the portfolio to 43 out of 45 (96%). Of those 43, 42 companies announced

Objective

Seeks to effectively capture market returns while minimizing volatility; allocates the fixed income component to municipal bonds appropriate for tax-sensitive investors

Portfolio Management Team

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About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets of approximately $5.2 billion as of December 31, 2024.*

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

	Total Returns			Annualized Returns					Calendar-Year Returns									
	3-Mos	6-Mos	YTD	1-year	3-year	5-year	10-year	Incp.	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Gross %	-1.79	3.33	10.23	10.23	2.45	5.32	5.67	7.20	1.12	4.36	15.40	-5.40	16.28	5.71	14.02	-11.77	10.56	10.23
Benchmark %	-0.03	4.39	10.62	10.62	3.59	7.11	6.84	7.42	1.40	5.64	13.35	-3.50	17.27	12.51	12.70	-12.04	14.25	10.62
Net %	-2.54	1.79	6.96	6.96	-0.59	2.22	2.56	4.05	-1.83	1.26	12.02	-8.22	12.90	2.62	10.70	-14.40	7.32	6.96

As of 12/31/2024; Inception — January 1, 2010; Benchmark = 32% S&P Composite 1500 Index / 8% MSCI World ex USA Index / 20% HFRI Equity Hedge Index, / 40% Bloomberg U.S. Municipal Bond Index, rebalanced monthly. Please note the above returns reflect representative portfolio performance. See important disclosures at the end of this presentation.

Net returns reflect the deduction of the potential maximum managed account fee of 3.00% which includes the wrap sponsor fee and EquityCompass investment management fees. Actual fees may vary.

dividend increases during the year. On a weighted basis, the average change in periodic dividends throughout the year increased 8.5%. Most importantly, there were no dividend cuts in 2024.

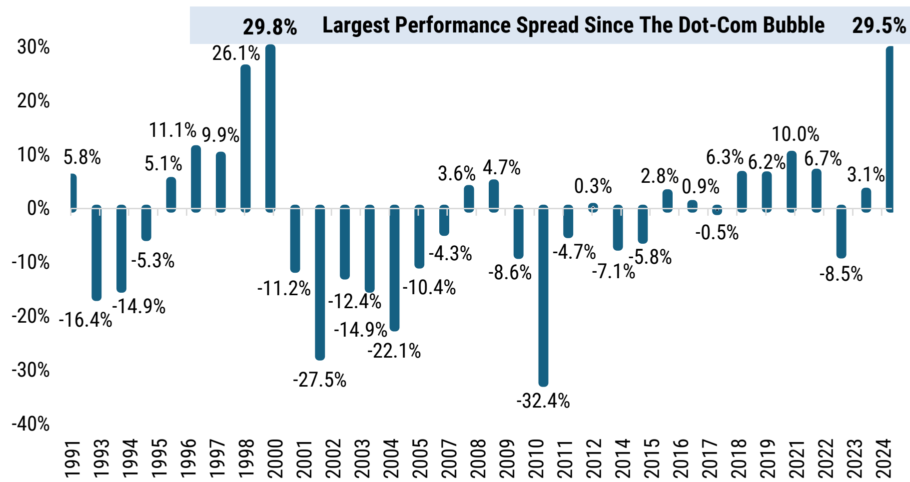
Equity Overview

While gains were positive across the board for equities, the wide performance disparities witnessed over the past several years between sectors, styles, and market cap, accompanied by record market concentration, persisted throughout 2024 and the fourth quarter.

Among S&P 500 constituents, only 29.4% outperformed the index—just above the record low of 28.3% set in 1998. This created a very challenging environment for active management. Meanwhile, the top 10 largest stocks in the S&P 500 accounted for a record-high 40% of the index. A dominant market theme throughout the year, the Magnificent 7 contributed 13.7%—or more than half—of the S&P 500's 25.0% gain, of which MCBAL currently invests in six of the seven companies.

S&P 500 Performance Spread Trailing Two-Calendar Years **Chart 1**

Cap Weight *Minus* Equal Weight | Through Calendar Years Ending 1991—2024 |
Source: Bloomberg Finance, LP



The average stock in the S&P 500, as measured by the S&P 500 Equal Weight Index, captured just slightly more than half the gains of its market cap-weighted counterpart, rising 13.0% for the year. The two-year performance spread between the indices is now the widest since the late 1990s dot-com bubble. During the fourth quarter, the S&P 500 Equal Weight Index declined 1.9%, compared to a 2.4% gain for the cap-weighted S&P 500 Index (**Chart 1**).

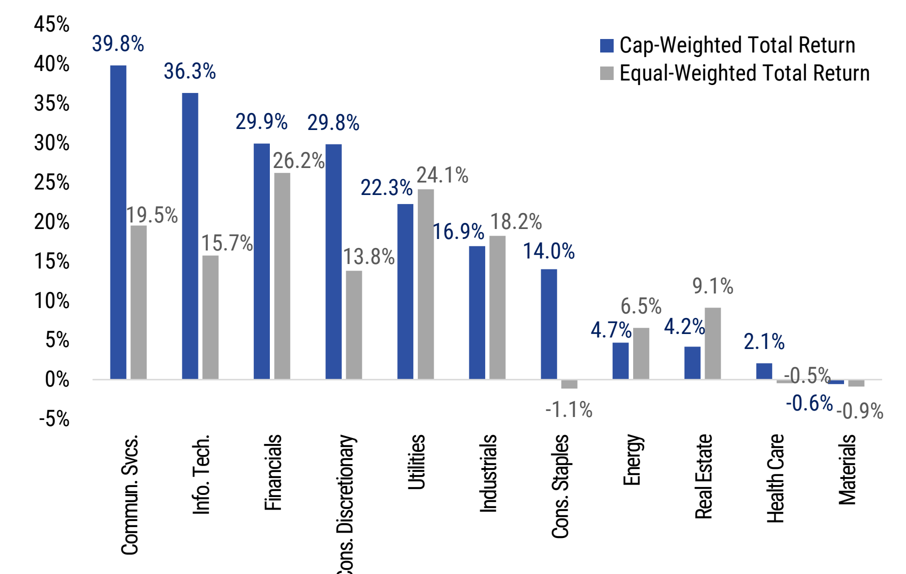
Sector performance during the year and quarter also reflected this anomaly. In 2024, the Information Technology and Communication Services sectors accounted for more than 60% of the S&P 500's 25.0% gain. However, even among those sectors, performance varied widely, with the average stock in the sector capturing less than half of the cap-weighted index return (**Chart 2**). Further, the cap-weighted NASDAQ-100 Index rose 25.9% last year versus a return of 7.3% for its equal-weight counterpart—only modestly ahead of the 5.2% return for 1-3 month U.S. Treasury bills.

As it had throughout the year, growth continued its dominance over value. During the fourth quarter, the S&P 500 Growth Index rose 6.1% versus a 2.7% decline for the S&P 500 Value Index. For the year, the growth (35.8%) and value (12.0%) performance spread reached its widest levels since the dot-com bubble.

MCBAL seeks to accomplish its portfolio objectives through a balanced diversification focusing on capital

2024 Total Returns By S&P 500 Economic Sector **Chart 2**

Source: EquityCompass and Bloomberg Finance, LP



The market cap-weighted returns for the Communication Services, Information Technology, and Consumer Discretionary sectors were all more than double that of their equally-weighted counterparts for 2024.

appreciation, dividend growth, and current income generation, resulting in broad exposure across economic sectors and investment styles. During periods of extreme performance disparities, this balance can weigh on overall portfolio performance. However, over the long-term it offers a more favorable risk profile. Since inception, MCBAL has delivered an annualized return of 7.20% (4.05% net) consistent with its target allocation.

Tactical Overview

MCBAL's tactical equity allocation, which represents 20% of the overall portfolio, remained in a neutral position during the fourth quarter, as it had throughout the full year. The allocation was split between 50% equity and 50% cash and higher yielding short-term 1-3 month Treasuries.

Corporate earnings expectations, while upward trending, paint a mixed outlook. Earnings growth during the third quarter of 2024 was largely driven by a handful of companies. During that time period, the Magnificent 7 collectively grew their earnings by 54%—representing 25% of S&P 500 earnings—versus -2% for the other 493 S&P 500 constituents. While earnings expectations currently suggest a more favorable growth outlook, we will continue to monitor those trends for materialization across a broader range of companies.

From an economic perspective, although high-frequency data showed signs of improvement during the fourth quarter, it continues to confirm the mixed picture for corporate earnings and the economy. At the end of the year, economic conditions were generally healthy—characterized by solid growth (2.5%–3.0%) and moderate inflation. However, the economy remains heavily reliant on consumption from upper-income households, with major sectors, including housing and manufacturing, providing little contribution to overall growth. While recession odds over the next 12 months are reasonably low, there continues to be a relatively small margin for error against potential adverse developments, which we believe supports our continued neutral positioning within the tactical strategy.

From a technical perspective, during the year, the market experienced two meaningful and sudden increases in volatility as measured by the CBOE Volatility Index (VIX)—also referred to as the "Fear Index." The most notable spike in the VIX first occurred in early August on global concerns over Japanese interest rates and their respective equity markets, which had suffered substantial volatility on the heels of unexpected monetary policy changes. As a result, the VIX briefly spiked to its third highest level on record, hitting an intra-day high of 65.7 on August 5.

In mid-December, the VIX sustained a lesser, but significant, spike after the Fed signaled a lower-than-expected pace along its interest rate easing trajectory. As a result, on 12/18/2024 the VIX observed its third largest percentage daily change in volatility in its history. While both events signaled a rapid shift in investor sentiment and heightened fear, neither were long-lived, as the VIX subsided almost as quickly as it rose. In both cases, the VIX retreated to lower than pre-event levels within the same month.

While 2024 delivered a few moments of heightened implied risk, as a whole it was fairly complacent, with the daily VIX level averaging 15.6 over the full year—well below its long-term daily average level of 19.5.

Another measure of implicit risk we monitor is the yield spread between investment-grade corporate bonds and the 10-year U.S. Treasury. Throughout the year, these spreads continued to move lower, ending 2024 near their narrowest levels since 1997—a 27-year low.

With yields on short-term 1-3 month U.S. Treasury bills offering a compelling opportunity to lower the risk profile of the portfolio, without deterring from its long-term objectives, we remain comfortable with the current positioning of the tactical allocation as we enter 2025.

Fixed Income Overview

As part of a diversified portfolio, investment-grade municipal bonds primarily seek to produce a positive and sustainable tax-advantaged real income stream. With yields starting at their highest levels in over a decade at the beginning of the year, municipal bonds were well positioned to satisfy that goal in 2024. While the income generated by MCBAL's municipal bond holdings was significantly greater compared to the past several years, price depreciation detracted from the allocation's total return. Municipal bond yields rose across the maturity spectrum and the yield curve steepened, due primarily to an adverse shift in the market's expectations for the timing and magnitude of Fed rate cuts. The largest upward movement in rates occurred on the long-end of the AAA municipal bond yield curve, with the 10-year yield increasing by 80 basis points (bps) to 3.1%—its highest year-end level since 2010.

MCBAL's municipal bond allocation outperformed the Bloomberg U.S. Municipal Bond Index (MBI). For 2024, the MBI reported a total return of 1.05%, marking its second consecutive year of positive returns, following a down year in 2022. MCBAL's municipal bond strategy outperformance versus its benchmark was primarily attributable to the portfolio's 10% allocation to closed-end municipal bond funds, which benefitted from the steeper yield curve.

We remain constructive on municipal bonds for 2025, given the generally favorable risk/reward profile of the municipal fixed income market. Consistent with last year, income should once again produce the bulk of annual total returns. The MBI started the year with a yield-to-worst (YTW) of 3.7%, which marked a 50 bps improvement compared to January 2024. This represented the MBI's highest YTW at the beginning of a year since 2010 and provided a 75 bps upgrade over its 20-year average. From a historical perspective, municipal bonds have generally recorded above-average forward total returns when their initial yields were significantly higher than their longer-term averages.

Outlook

As the calendar flips to 2025, uncertainty surrounding the future of monetary policy, the potential impact of policy decisions by the Trump administration, high valuations, and continuing geo-political issues provide investors with several reasons to proceed with caution. Perhaps December's "wobbly" market action was a preview of what to expect in the days, weeks, and months ahead.

As we noted at the beginning of our commentary, each year is filled with challenges. How markets react to these challenges is unpredictable at best and, oftentimes, emotionally driven. Warren Buffett said, *"it pays to conduct your affairs so that no matter how foolish other people get, you're still around to play the game the next day."* As portfolio managers, our responsibility is to navigate these challenges, and take advantage of the opportunities they may present, in the pursuit of building and maintaining wealth to meet current and future needs.

Over the past several years, historically low interest rates led many to declare the death of the 60/40 portfolio. However, with yields on most fixed income instruments back to approximately 4%, and equity valuations at the higher end of their historical range, we believe the 60/40 portfolio might once again be in the sweet spot of risk and return.

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Exchange Traded Funds (ETFs) represent a share of all stocks in a respective index. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal. The value of ETFs will fluctuate with the value of the underlying securities. Investors should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.

Representative Portfolio Performance: Returns reflect the performance of two representative portfolios that have been strung together for the life of the strategy. One portfolio was selected because it is the oldest existing account in the strategy with a continuous track record that also did not have large cash flows or mandate changes. The other portfolio was selected to capture returns from the strategy's inception up to the open date of the oldest existing account referenced above. EquityCompass believes the representative performance is useful in terms of presenting the objectives and character of the strategy, however, returns are calculated separately for each portfolio, and therefore, performance may differ from one portfolio to another. There is no assurance that EquityCompass will make any investments with the same characteristics as the representative account presented. Portfolio 1 reflects returns from 1/1/10 – 8/31/19 and Portfolio 2 reflects returns starting 9/1/19.

The composite uses a custom benchmark comprising 32% S&P Composite 1500 Index / 8% MSCI World ex USA Index / 20% HFRI Equity Hedge Index / 40% Bloomberg U.S. Municipal Bond Index, rebalanced monthly. The **S&P 1500™** combines the S&P 500, S&P MidCap 400, and S&P SmallCap 600 to cover approximately 90% of U.S. market cap. The index is designed for investors seeking to replicate the performance of the U.S. equity market as a whole or benchmark against a representative universe of tradable stocks. The **MSCI World ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries—excluding the United States. With 934 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The **HFRI Equity Hedge Index** is a fund-weighted index of strategies that maintain positions both long and short in primarily equity and equity derivative securities. The **Bloomberg U.S. Municipal Bond Index** is an unmanaged index that is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

The **S&P 500® Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The **S&P 500 Equal Weight Index** is based on the S&P 500. All index constituents are members of the S&P 500 and follow the eligibility criteria for that index. The S&P EWI is maintained in accordance with the index methodology of the S&P 500, which measures 500 leading companies in leading U.S. industries. The S&P EWI measures the performance of the same 500 companies, in equal weights. As such, sector exposures in the S&P EWI will differ. The **S&P 500® Growth Index** measures constituents from the S&P 500 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum. The **S&P 500® Value Index** measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings and sales to price. **S&P sector indices** serve as precise measures of the market segments that drive and respond to market dynamics around the world. Since partnering with MSCI to introduce the Global Industry Classification Standard (GICS®) in 1999, S&P sector indices have tracked the sector ups and downs of economies around the world. Each sector index offers a unique set of characteristics that are distinct from the broad-market index while also providing diversification that guards against the risk associated with single-stock investing. The **Morningstar Target Risk Index** series consists of five asset allocation indexes that span the risk spectrum from conservative to aggressive. All of the indexes are based on a well-established asset allocation methodology from Ibbotson Associates, a Morningstar company and a leader in the field of asset allocation theory. The family consists of five indexes covering the following equity risk preferences: Aggressive Target Risk, Moderately Aggressive Target Risk, Moderate Target Risk, Moderately Conservative Target Risk, and Conservative Target Risk. The **Nasdaq-100®** is one of the world's preeminent large-cap growth indexes. It includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization. The **Nasdaq-100® Equal Weighted Index** is the equal weighted version of the Nasdaq-100 Index which includes 100 of the largest non-financial securities listed on The Nasdaq Stock Market based on market capitalization. The Index contains the same securities as the Nasdaq-100® Index, but each of the securities is initially set at a weight of 1.00% of the Index which is rebalanced quarterly. The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). The Chicago Board Options Exchange (CBOE) created the VIX (**CBOE Volatility Index**) to measure the 30-day expected volatility of the US stock market, sometimes called the "fear index". The VIX is based on the prices of options on the S&P 500 Index and is calculated by aggregating weighted prices of the index's call and put options over a wide range of strike prices. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Yield to worst (YTW) is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures.

*Total assets combines both Assets Under Management and Assets Under Advisement as of December 31, 2024. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Past performance does not guarantee future performance or investment results.