



THREE CORNERS
CAPITAL

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2025 Annual Client Letter

In 2018, we began writing our clients an annual letter to share our personal and practice goals to help vision cast for the year ahead. We pride ourselves on continuous improvement and accountability, and we believe our comments here help underscore that. In reviewing our past letters, one thing stands out: our ability to implement tools, techniques, and tactics that add value to our practice internally, and to our clients externally. It's always our goal to avoid inundating clients with unnecessary communications (i.e. why you don't get something for every holiday etc.). We hope that when you receive communication from us, you know that it matters and is worth your time and attention.

In 2025, we plan to move to a monthly newsletter format to help us streamline content and the number of emails you receive from us around market reviews, events, and reminders. We will also be updating our website regularly under "Insights".

May your 2025 bring new growth and opportunities!

Personal Updates

Amber

In 2024, my kids and I went on several camping adventures – to Shenandoah National Park, Mohican State Park, and East Fork Lake State Park. In Shenandoah, we tackled the hardest hike we had ever done by far, pushed ourselves to new limits we did not know possible, and overcame the challenge which was truly a euphoric accomplishment. This year I deepened relationships with amazing friends and made new relationships that I will cherish for life. I expanded my vegetable and herbal garden and continued to learn ways for my kids and I to live a more natural and healthy life.

In 2025, I am really looking forward to more adventures with my kids. This year our plan is to visit a beach somewhere, a big city (perhaps Chicago), and of course go camping a few times (locations TBD). I will also continue my family's journey to greater physical and mental health.

Chris

In 2024, I set out to begin sharing more about my experiences in wealth management, generous living, charitable planning, and the role companies play in human flourishing. I was able to take some steps forward and will continue to build more consistency and excellence on these topics in the New Year.

Heading into 2025, there are certain parts of my life where I plan to rest more. There are other areas where my wife and I have said “yes” to new things, and we plan to grow in those areas. My big focus for the New Year isn’t a measurable goal that I typically set but rather a heightened consciousness of taking daily steps into the person I was created to be. While arbitrary, there are clear actions I can take (like daily exercise, prayer/meditation, reading etc.) that would lead to demonstrable impacts on my goal.

Jason

This past year has been one of growth and exciting foundation building for the future. Notably, I started my journey with Three Corners Capital. I am excited to have found a place where I can continually learn new things while solving complex issues in order to improve the lives of others. In the spirit of establishing new foundations, my family celebrated our first year of being in our new home and the start of hosting various family dinners/cookouts for loved ones. I am excited to watch my children (5 and 2) continue to grow and to create a past for them that they will love in the future. In 2025, I look forward to expanding my skill and knowledge set as well as perfecting new recipes on the grill and in the kitchen.

Steve

2024 was an exciting year for my family. In the spring, our daughter Emily became engaged, and so the wedding planning began earnestly. The date is July 4th, 2025, in Mt. Adams, with plenty of celebratory fireworks for free!

Also in the spring, Amy and I finally decided to accept a new pet after our 16-year-old dog passed away over 3 years ago. First, we decided on a cat versus a dog, then realized we should welcome 2 kittens for companionship. They have brought much joy to our home.

I ran the Flying Pig Half Marathon again in May, finishing better than in 2023. My goal for this year’s Half Marathon is to finish 15 minutes earlier than 2024. Other goals for this year involve reading; first, to read more books and with more variety, and second, to volunteer my time as a literacy mentor for elementary students.

Practice Updates

SAVE THE DATE:

- 1) Family friendly client event on **Saturday, June 7 at the Cincinnati Zoo**. Lunch and live animals at the brand-new Elephant Overlook. Children and grandchildren welcome! Come and go as you please so that you can experience one of the best Zoo’s in the nation.
- 2) To accommodate our growing client base outside of Ohio and Northern Kentucky, we’re pleased to share that we’ll be hosting our 2nd Annual Virtual Investment Forum on **Monday, February 10 from 12pm – 12:45pm ET**. Please be on the lookout for more information.

We mentioned in 2024 that we had plans to grow. We did that on several fronts: new clients (thank you for the continued referrals), hiring Jason Jones as planning associate, and beginning our quarterly educational webinars which discussed residential real estate, career development, tax planning, and stress management. We also wanted to post more content to our website so that people can watch or read at their convenience. You can search more here:

<https://www.threecornerscapital.com/insights/>

In 2025 our planning calendar will include the following:

- Build upon our tax planning work launched in 2024. We've deepened partnerships with CPAs to ensure that clients have access to top professionals.
- Continue to host investment webinars to help you stay informed about market and economic happenings (February, May, August, November).
- Continue to host educational webinars on lifestyle topics that have a direct or indirect impact on your health and wealth (March, June, September, December).
- In the 1st quarter we will be updating investment policy statements to ensure alignment with goals and objectives.
- In the 2nd quarter, we'll be focused internally on risk management, estate planning, and business valuation planning. A key estate planning concept we'll be diving into is centered around "digital assets" (i.e. how to ensure you're properly planning for your technology assets: phone, email, and social media).
- In the 3rd quarter and bleeding into the 4th quarter (October and November), we will be updating financials plans for all clients. We'll be seeking additional information that might be outdated from what we have on file. Additionally, we'll be providing information to coincide with fall open enrollments for benefits.
- The 4th quarter, as usual, will focus on year-end planning, tax planning, and charitable planning.

Financial Planning – Important Notes

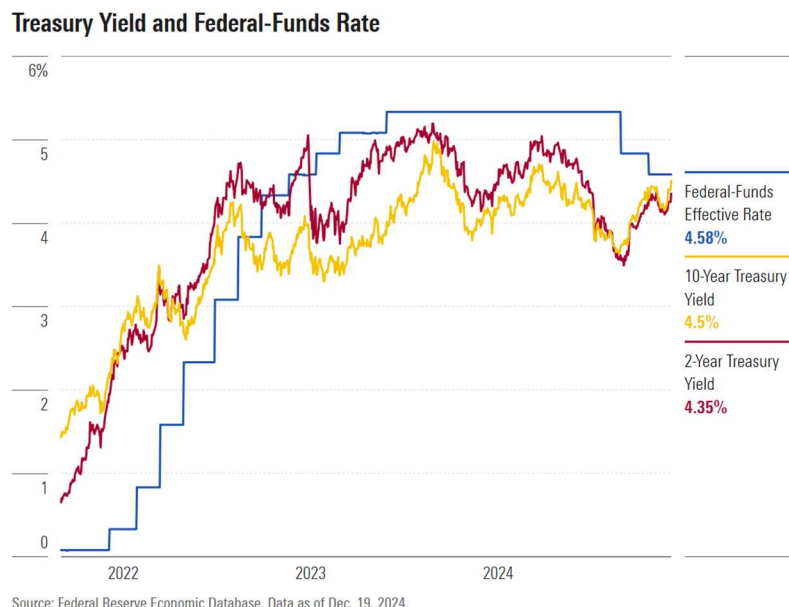
- 1) 1099 tax document delivery will begin in the middle of February. For many, these will come electronically, so remember to check your email. As always, timing of delivery will vary from account to account (even within the same household). This stems from various reporting requirements and the needs of investment firms and is out of our control. If you have any questions, please let us know.
- 2) On January 5th 2025, the Social Security Fairness Act was signed into law. This means that Social Security benefits will increase for those that paid into Social Security **AND** had Social Security benefits reduced because of a Federal or State-sponsored pension plan through either the Government Pension Offset or Windfall Elimination Provision. We will continue to monitor this new update.

- 3) While not a “financial” topic per se, please remember that by May 7, 2025, you will need a REAL ID to fly domestically. You can learn more here: <https://www.dhs.gov/real-id>
- 4) With Secure Act 2.0 in full effect, we’ll continue to work with clients on changes related to required IRA distributions, 529 plan to Roth IRA conversions, and several other planning matters related to the Act that became effective in 2023, but with IRS clarifications since then.
- 5) Secure Act 2.0 also brings a “super catch up” contribution for those ages 60 to 63. In 2025, the 401(k)/403(b)/457(b) super catch up amount for those age 60 to 63 is now \$11,250. For SIMPLE IRA plans through an employer, the super catch up is now \$5,250.
- 6) 2025 will also bring more clarity around how Congress will act on the Tax Cut and Jobs Act slated to sunset at the end of the year. We know that if nothing is done, tax law reverts to prior law. Congress could take action to extend the Tax Cuts and Jobs Act or implement a new tax law. Either way, we’ve been closely monitoring for the last two years and will address any changes as they become known.

Economic/Market Review

- After the post-election rally in stocks but sell-off in bonds and mixed figures on inflation, The Federal Reserve (“The Fed”) changed their projections for 2025 interest rate cuts. The Fed cut rates by 1.0% in 2024 and is now projecting just 2 more cuts in 2025. A strong US workforce, continued deficit spending by the Federal Government, proposed increases in tariffs, reduced immigration, and other factors could continue to keep inflation above the Fed’s 2% target and closer to long-term averages of 3% to 4%. Higher expected inflation could lead to volatility and higher yields for bond investors.

Interestingly, as The Fed began to cut rates in September (the first cut in 4 years), we’ve seen overall yields increase, as shown in the chart below. The bond market may be anticipating a too-hot economy and thus elevated inflation, which could lead to the Fed pausing or even raising rates. Higher rates can slow major parts of the economy such as housing and small-business borrowing.



- Mega-cap technology stocks continued to shine in 2024. The top 10 stocks in the S&P 500 index represent nearly 39% of the index value as of year-end, as shown in the chart below. This degree of concentration, which hasn't been seen in quite some time, can lead to higher volatility for the index overall as any surprise can trigger sharp selloffs of stocks which have had great gains. Valuations across the other 490 stocks are more reasonable.

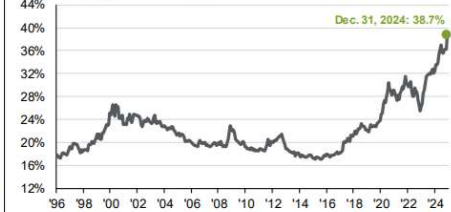
S&P 500: Index concentration and valuations

GTM U.S. 11

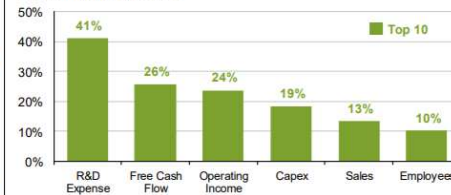
P/E ratio of the top 10 and remaining stocks in the S&P 500
Next 12 months, 1996 - present



Weight of the top 10 stocks in the S&P 500
% of market capitalization of the S&P 500



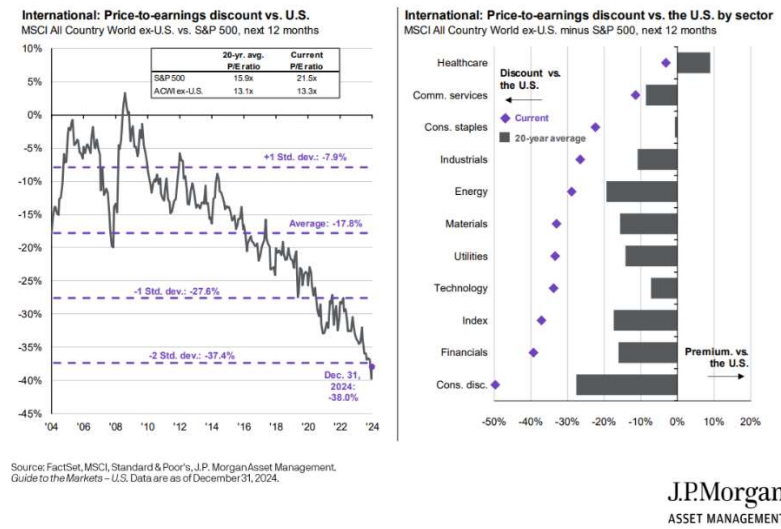
Economic concentration in the S&P 500
% of S&P 500 metric, 3Q24



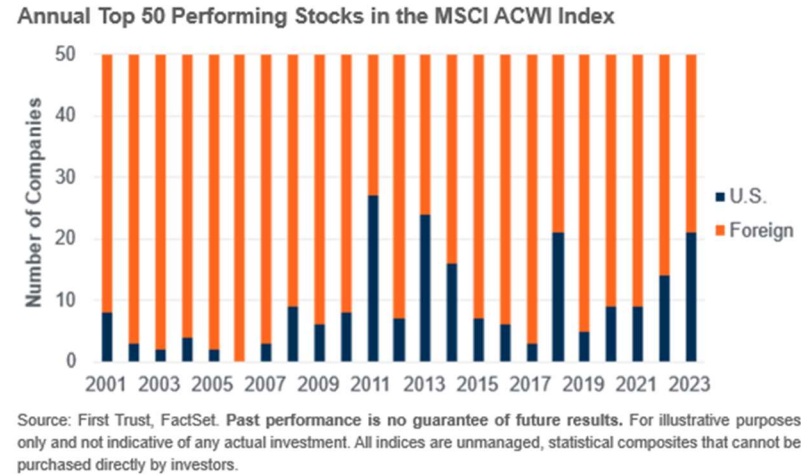
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. The top 10 S&P 500 companies are based on the 10 largest index constituents at the beginning of each quarter. As of 12/31/2024, the top 10 companies in the index were AAPL (7.6%), NVDA (6.6%), MSFT (6.3%), AMZN (4.1%), GOOGL/GOOG (4.0%), META (2.6%), TSLA (2.3%), AVGO (2.2%), BRKB (1.7%) and JPM (1.4%). The remaining stocks represent the rest of the 492 companies in the S&P 500.
Guide to the Markets - U.S. Data as of December 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

- As the Fed cut rates in September, we saw the market gains broaden out to include many areas outside mega-cap technology. Though valuations are high for many stocks, there is also much dispersion; many names are undervalued or underappreciated. This is good for active, patient and diversified investors.
- Additionally, with the Fed preferring to lower versus raise rates, and as current policy uncertainties alleviate, we may continue to see the economy and markets broaden and offer a relatively benign environment for diversified investors.
- However, many risks remain and it's healthy for markets to have pullbacks/corrections. Investors shouldn't be surprised if we see a 10% pullback which, on average, happens about once per year. In fact, we had a roughly 9% pullback in July/August of 2024. Concerns over Washington policy uncertainty, geopolitics, expensive valuations, stubborn inflation etc. could all be factors. Oftentimes, it's the unexpected factors that cause volatility for markets.
- Valuations outside of the United States are historically low. There has almost always been a discount due to concerns about geopolitics, liquidity, information flow and currency fluctuations. However, as shown below, the current discounts appear to be larger than warranted.



- Much has been written about the structural challenges facing the Chinese economy which is important for investors given its position as the world’s 2nd largest economy. Political and trade disputes are also serious concerns for China and other countries.
- We believe that the U.S. remains well positioned in this environment and we’ll be increasing our domestic allocations where appropriate. We also believe there are still select opportunities to invest in great companies outside of the United States. As seen in the chart below, since 2001, on average, about 81% of the top 50 best performing stocks were outside the United States.



Please reach out with any questions. Thank you for your continued trust.

Best Regards,

Steve & Chris

www.ThreeCornersCapital.com

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