# Alexis Investment Partners

Practical | Tactical



**Stocks gained in November as election uncertainty faded. 2024 continues to surprise to the upside,** benefiting those of us who held off the fears of "what if" and stuck with their long-term portfolio plans. Periodic pullbacks stoked by geopolitical events and reinforced by media pushed significant cash to the sidelines. Fortunately, **we continue to enjoy strong participation in what looks to be a solid year for opportunistic equity investors.**

**Market leadership is being challenged.** Many fear that tech leaders have become too dominant and expensive; and there is considerable historical support for their concerns. We often note that trees don't grow to the sky as a reminder that paying too much to invest in even the best companies hasn't proven to be a good investment decision. **Where we differ from many pundits currently is in their assessment that tech leadership has run its course – current observations suggest that conclusion is premature.**

**Stocks surged post-election.** This may reflect optimism about the extension of the 2017 tax cuts and potential for a less stringent regulatory environment, or it may simply be relief from an uncertain outcome. **Regardless of why, the S&P500 index gained +5.9% in November.** Global stocks were up +4%. Bonds rose +1.1%. **Our portfolios enjoyed strong participation, and I expect you'll be pleased with your portfolio results.**

We welcome any updates, questions or concerns. Open and frequent communication is our best defense against losses in volatile times. Any remaining required minimum distributions and Roth conversions must be completed before the calendar year end. Roth and traditional IRA contributions may be made until your tax filing deadline. **If you have any tax planning questions, please schedule time as soon as possible.**

## What to Expect in Portfolios

Last month we wrote: "**We are cautiously optimistic and expect further gains as seasonal headwinds turn favorable, and uncertainty dissipates.**"

November was stronger than expected, perhaps because many had turned too defensive going into the election?

**Seasonal tailwinds persist through year-end.** Stocks are due for some consolidation but any weakness would likely be a buying opportunity and **we expect to see further gains through year-end.**

The reason **we remain neutral to our benchmark as opposed to overweight stocks** is **prudent risk management given high valuations and the potential for mean reversion** should any future news prove disappointing against increasingly elevated expectations.

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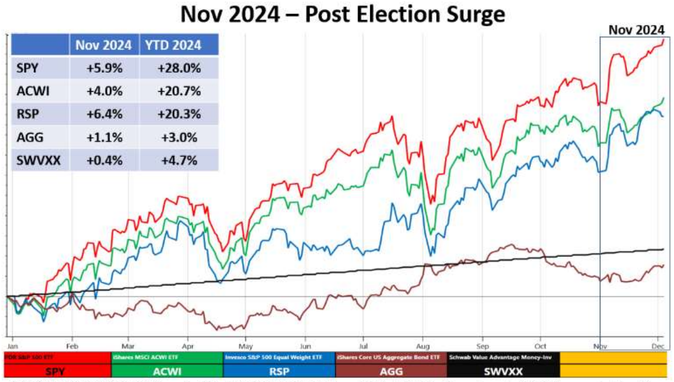
Last month we suggested, "as election uncertainty fades, momentum favors the bulls." That was an under-statement as **stocks surged post-election. 2024 uptrends are intact.**
**The Nov. rally was broad as the equal weight S&P500 outpaced the cap weighted index** – within the context that both had great results.

**The chart below shows the net performance of our most popular composite** since inception (120 accounts – see disclosures on page 4). The 5+ years shown have been volatile including COVID and the 2022 Bear market. **Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.**

**Nov 2024 – Post Election Surge**




SPY (S&P500), ACWI (All Country World), RSP (S&P500 Equal Weight), DIA (Dow Jones), AGG (Aggregate Bond), SWVXX (Cash)
Source: Investors FastTrack

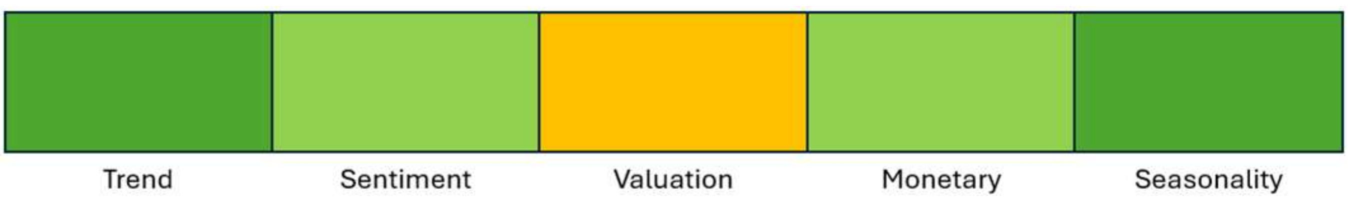
**Net Performance Since Inception (4/30/2019 – 11/30/2024)**


Source: Black Diamond (see Disclosures)

# Insights and Commentary

*Investing can be an emotional roller coaster, leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenants,*

*(Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes) The tiles below summarize current conditions:*




Stocks are strong but not cheap…

The math of investing is simple: **if you invest in something that appreciates over time, the price you pay has a substantial impact on the near-term and long-term performance of your investment.**

For example, an investor who held the S&P500 index for nearly **30 years from 12/31/1994-11/30/2024 enjoyed an 11% annualized gain.** If, instead, one held for the **25 years from 12/31/1999-11/30/2024 earned only 7.5% annualized.**

Price Matters: even for long-term investors

**12/31/1994-11/30/2024 (11% Ann)**

**12/31/1999-11/30/2024 (7.5% Ann)**

Source: Investors FastTrack

**Sitting on the sidelines just because stocks are expensive is also not a good investment strategy.** Former Fed Chairman was famous for coining the term, "irrational exuberance" to describe unusually high valuations in 1996.

**1997 through 1999 including periodic pullbacks as high as -19% but stocks gained 33%, 29% and 21% in those 3 years** following Greenspan's assessment. This was followed by **a horrible bear market that gave back most of those gains, but that hardly justifies staying sidelined for 3 great years waiting for the eventual fall.**

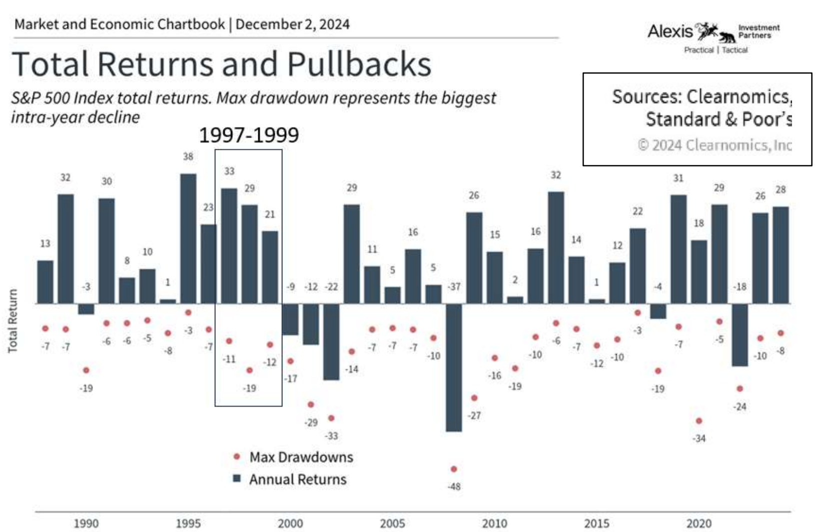
Acknowledging that high valuations invite greater volatility and offers less upside potential for long-term investments due to an eventual bear market, **we use our models and indicators overlaid with decades of experience to help us navigate through the challenging period ahead.**

In fact, the main reason we tactically adjust our asset allocation over time is because markets are cyclical. **Investing in stocks is very valuable over time.** That said, there are times when the risk/return relationship is more favorable than others. **We are currently optimistic but with a healthy respect that the bull market is aging.**

## Update, Observations, Indicators and Outlook:

In terms of our current Market Pulse (right), **the Bull Market remains intact.** November's surge is the latest in a series of examples of the danger of excess pessimism in a bull market. Many investors sold stocks leading into the election out of fear and are now stuck paying higher prices to get back in or risk getting stuck on the sidelines.

We usually feature the chart below when stocks are falling as a reminder that corrections don't necessarily lead to bear markets. This time we put a box around 1997-1999 to tell an equally important story.




Valuations are high and that suggests risk is elevated. We can expect volatility, especially as interest rates normalize and supportive policies put in place during the pandemic are no longer backstopping all risks.

**This doesn't detract from a very strong bull market fueled by the potential for improved productivity thanks to AI and innovation.** Trillions of dollars in money market funds are likely to look for another home as the Fed reduces short-term yields. We believe a portion of that cash will find its way into the stock market.

The current market is similar to the late 1990s. The implication is that **we want to participate in potentially significant continued gains but also be mindful of significant risks and prepared to defend our gains so we can capitalize on future opportunities.** We appreciate your confidence and welcome any feedback.

## Market Pulse:

*We try to avoid jargon, but a few terms are helpful when describing financial conditions.*

**Bull Market**: markets trending up (making higher highs on rallies and higher lows in periods of decline). **We can expect periodic pullbacks and corrections, but these should be relatively short and shallow – followed by resumption of the up-trend.**

**Consolidation**: after a period of strong gains or steep declines sometimes markets become range bound, moving up and down by 3-5% over several weeks. After consolidation, the prior trend resumes.

**Pullback**: a decline of 3-5% that generally happens at least twice per year. Pullbacks often resolve within a few weeks.

**Correction**: a decline of 5% to 10% that typically happens once per year. Like pullbacks, markets recover quickly after corrections, generally within 3- 6 months.

**Bear Market**: a decline of 20% or more. Many bear markets are fully recovered within 18- 24 months, but severe bear markets like 2000-2003 and 2007-2009 can take 5-7 years or longer to recover from.

**Bottoming Process**: After a correction or bear market, stocks often bounce and re-test lows multiple times before recovery.

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## Closing Comments:

Several clients have recently been speaking with friends who are looking to make a change either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance and we are very grateful for your confidence and support!

Although our focus is on financial planning and investments, we also have relationships and resources to help with life and LTC insurance and annuities.

AIP acts as a 3(38) Fiduciary Advisor to 401k plans and has been able to help several small business owners reduce costs, significantly improve their plans and offload some of their liability as plan sponsors while creating a better experience for employees.

Please call and/or email me personally for most of your account servicing needs and especially when you have questions or concerns.

*Disclosures*

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*Rebalancing assets in a portfolio can have tax consequences. Selling assets in a taxable account may result in a taxable gain. Alexis Investment Partners, LLC. is neither a law firm nor a certified public accounting firm and no portion of this newsletter should be construed as legal or accounting advice.*

*AIP Composite Performance is calculated by Black Diamond based on the performance of all discretionary managed accounts with a Growth and Income objective that are assigned a 70/30 benchmark. Performance is net of all fees and expenses. From April 30, 2019, until Alexis Investment Partners, LLC registered with the SEC as an investment advisory firm in May 2021, Jason Browne offered advisory services using Alexis Investment Partners, LLC as a trade name through Sowell Management, LLC an SEC Registered Investment Adviser. Alexis Investment Partners, LLC and Sowell Management, LLC are independently owned and operated.*

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