

Market Commentary

The fourth quarter of 2024 saw mixed returns across asset classes with domestic stocks showing resilience (S&P 500 up 2.4%) while core bonds generally sold off (Bloomberg U.S. Agg Bond Index down 3.1%) in a quarter with substantial volatility. The full year was another exceptionally strong year for equities (S&P 500 up 25.0%) while bonds squeaked out a positive return (Bloomberg U.S. Agg Bond Index up 1.3%).

The U.S Presidential election was front and center as the fourth quarter kicked off with elevated volatility in many asset classes given an expected close race and uncertain policy implications. After the election, optimism in the business and investor community improved due to expectations for a relaxed regulatory and tax environment. US economic metrics continued to roll in strongly, specifically a robust retail sales print, which highlighted the continuing strength of the American consumer. In addition, business and consumer confidence picked up meaningfully, a change from the past few years as high interest rates and inflation became significant headwinds for optimism. After the Fed's December meeting, they cut interest rates by another 25 basis points, marking the 3rd rate cut in 2024. Fed members released their expectations for the path of interest rate policy in 2025 and beyond, which now included several rate cuts being taken out of the 2025 forecast, a notable shift from prior meetings. The hawkish pivot was due to potential upside risks in future inflation and the impact of potential policies from the incoming administration. With a less favorable path for interest rates expected, much of the gains in risk assets post-election were clawed back. While less interest rate sensitive parts of the equity market held up, small cap stocks and broad fixed income lagged.

Despite the volatility seen to end the year, there are still reasons to be optimistic about 2025. US economic growth looks to continue to be strong driven by a consumer that generally has a healthy balance sheet and is starting to have a more optimistic forward-looking view. While parts of the equity market look overextended from a valuation standpoint, there are areas that look more attractively valued and could benefit from a shift in investor sentiment away from the Magnificent 7 names.

Insurance products issued by Principal National Life Insurance Company (except in NY), Principal Life Insurance Company®, and the companies available through the Preferred Product Network, Inc. Securities and advisory products offered through Principal Securities, Inc. member SIPC. Referenced companies are members of the Principal Financial Group®, Des Moines, IA 50392. Richard C. Orvis, and Wes Wadkins III, Principal National and Principal Life Financial Representatives, Principal Securities Registered Representatives, Financial Advisors, and members of the Principal® Financial Network. Orvis & Wadkins Financial Advisors, LLC and Horizon Investments are not affiliates of any company of the Principal Financial Group. 2611855-122022

The commentary in this report is not a complete analysis of every material fact in respect to any company, industry, or security. The opinions expressed here are not investment recommendations, but rather opinions that reflect the judgment of Horizon as of the date of the report and are subject to change without notice. Forward-looking statements cannot be guaranteed. We do not intend and will not endeavor to provide notice if or when our opinions or actions change. This document does not constitute an offer to sell or a solicitation of an offer to buy any security or product and may not be relied upon in connection with the purchase or sale of any security or device.

Equity markets are represented by the S&P 500 Index. The S&P 500 is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities. References to indices, or other measures of relative market performance over a specified period of time are provided for informational purposes only. Reference to an index does not imply that any account will achieve returns, volatility, or other results similar to that index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Indices are unmanaged and do not have fees or expense charges, both of which would lower returns. It is not possible to invest directly in an unmanaged index.

This commentary is based on public information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such.

Horizon Investments and the Horizon H are registered trademarks of Horizon Investments, LLC.

© 2025 Horizon Investments