

Annual Letter on the 2024 Financial Markets

January 2025

Dear Clients and Partners,

As we step into a new year, it's an ideal time to reflect on the past twelve months in the financial markets—what shaped investor behavior, where we found resilience, and how we are positioned for the future. The year 2024 proved once again that markets are as much about managing uncertainty as they are about identifying opportunity.

Economic Landscape and Market Performance

2024 was a year of transition. Global central banks, led by the U.S. Federal Reserve, began cautiously pivoting from aggressive rate hikes toward a more neutral stance. Inflation continued to trend downward across most developed economies, but remained elevated in pockets, requiring a delicate balancing act from policymakers.

Equity markets responded with cautious optimism. The S&P 500 ended the year with moderate gains, buoyed by strong corporate earnings in sectors like technology and energy, and a renewed appetite for growth stocks. Canadian equities followed suit, with the TSX seeing a more modest uptick, reflecting commodity price volatility and a softer real estate market.

Global markets showed mixed results. While emerging markets struggled with currency pressures and geopolitical uncertainty, certain Asian economies showed renewed strength, particularly those benefiting from supply chain reconfigurations and increased Western investment.

Fixed Income and Interest Rates

After a challenging 2023 for bond investors, fixed income markets staged a modest comeback. Yields peaked mid-year and began to decline as central banks signaled potential rate cuts in 2025. Long-duration bonds recovered, while short-term instruments remained attractive for income-focused investors.

Themes That Defined 2024

Artificial Intelligence & Innovation: AI-related investments dominated headlines and portfolios alike. While valuations were stretched in certain segments, the broader trend toward automation and digital transformation remained a powerful force.

Energy Transition: The shift toward sustainable energy solutions continued, with increased capital flowing into renewable infrastructure. However, traditional energy sectors also performed well amid geopolitical tensions and supply constraints.

Geopolitical Risk: From ongoing conflicts to global elections, 2024 was marked by uncertainty. These events underscored the importance of diversification and long-term planning.

Consumer Behavior Shifts: Inflation reshaped consumer spending patterns, with implications for retail, travel, and housing. Companies that adapted quickly to these changes outperformed peers.

Looking Ahead to 2025

As we look forward, the path remains complex but navigable. The global economy is expected to slow modestly, but avoid recession in most major regions. With inflation stabilizing and potential rate cuts on the horizon, 2025 may mark the beginning of a new cycle—one characterized by gradual growth, innovation, and cautious optimism.

At times like these, it's critical to stay grounded in long-term strategy. While we cannot predict every twist in the road, we can ensure our approach remains disciplined, diversified, and aligned with your goals.

Thank you for your continued trust and partnership. We remain committed to guiding you through the complexities of the market with clarity, care, and confidence.

Wishing you a prosperous and healthy year ahead.

Warm regards,