SALEM PARTNERS
WEALTH MANAGEMENT

4th Quarter 2024 Investment Letter by Erik Ridgley, CFA
CEO & Chief Investment Officer of Salem Partners Wealth Management January 1, 2025

- We are very pleased with an exceptional +25.0% total return in 2024 for U.S. large cap equities after an outstanding +26.3% total return in 2023.
- S&P 500 earnings growth consensus forecasts are +9.9% in 2024, +12.5% in 2025, +13.2% in 2026. We forecast a below average 15% chance of recession in 2025.
- The highest interest rates in over 17 years mean excellent income opportunities for tax-exempt municipal bond investors… and unfortunately hardships for firms that borrowed too much money.
- The new Fed rate-cutting cycle will be elongated because CPI inflation keeps falling (now 2.7%), unemployment is gradually rising (now 4.2%), and the U.S. economy continues to outperform expectations.
- We think the tailwinds to markets that predominated in 2024 will continue in 2025.

Asset Class Benchmark Returns – Full Years 2024 and 2023

2024	2023	Asset Class
2024: +25.02%	2023: +26.29%	U.S. Large Cap Equities: S&P 500 Index
2024: +17.49%	2023: +22.20%	Global Equities: MSCI All Country World Index (ACWI)
2024: +3.82%	2023: +18.24%	Foreign Developed Equities: MSCI EAFE Index (EAFE)
2024: +10.91%	2023: +15.88%	60/40 Allocation: 60% ACWI / 40% Muni Bond
2024: +11.54%	2023: +16.93%	U.S. Small Cap Equities: Russell 2000 Index
2024: +7.50%	2023: +9.83%	Emerging Markets Equities: MSCI Emerging Markets Index
2024: +8.44%	2023: +13.77%	Real Estate: S&P U.S. REIT Index
2024: +8.19%	2023: +13.44%	Junk Bonds: U.S. Aggregate Corporate High Yield Index
2024: +1.25%	2023: +5.53%	U.S. Fixed Income: U.S. Aggregate Bond Index (AGG)
2024: +1.05%	2023: +6.40%	Municipal Bonds: Bloomberg Barclays Muni Bond Index
2024: +5.32%	2023: +5.14%	Cash: U.S. T-Bills (1-3 Months) Bloomberg Index

What to Know About Tariffs

Tariffs are the most frequently asked question by clients, because both political parties now favor higher tariffs against China, and this new bipartisan consensus is an inflection point for global trade policies that will impact businesses and investors for decades. For over 50 years in America, it was accepted wisdom (amongst economists, governments, Wall Street, large corporations, and investors) that tariffs are bad and we should always seek to lower tariffs to increase global trade. This pivot is a reaction to communist China's persistent excess manufacturing exports and support of Russia's war on Ukraine, and it might be a tip of the spear that leads to more changes to our global trade systems. For example, Treasury Secretary Janet Yellen determined that Chinese electric vehicle imports are a "national security risk" in April 2024.

Broad Tariffs vs. Narrow Tariffs

Broad tariffs imposed by America on all goods from all countries would subsidize U.S. manufacturers (exporters) at the expense of all U.S. households (importers), and would probably lead to retaliatory tariffs or currency devaluations by other governments. Narrow tariffs imposed by America on certain products from China are similar in effect to industrial policies, in that they are designed to subsidize certain

American industries at the expense of their Chinese competitors (this can also raise prices of tariffed goods for U.S. households, depending on competition and substitution effects). There is general agreement that broad tariffs would trigger proportionate one-time increases in broad measures of inflation in America, which would be unpopular with voters. In contrast, the inflationary impacts of narrow tariffs on finished goods are generally limited to the tariffed goods themselves. Broad tariffs would be opposed vociferously by important constituencies and powerful interests in America and abroad i.e., a return of the "bond vigilantes", but there is a critical mass of support in the markets for narrow tariffs on China.

What is Our Tariff Rate?

U.S. tariff revenues collected divided by imports equals our effective tariff rate, which was 1.2% in 2016, 2.9% in 2020, and 2.1% in 2023. The U.S. does not impose tariffs on all imports from China, but it has significant tariffs on many Chinese products under Section 301 of the Trade Act of 1974. These narrow tariffs, initiated under the Trump administration and then expanded by the Biden administration, target strategic industries such as steel, semiconductors, electric vehicles, and solar panels, with rates ranging from 25% to 100% on specific goods.

Tariffs Are Industrial Policies

Industrial policymaking in America has been ridiculed (i.e., "government picking winners and losers") by free trade maximalists during the last few decades, but in our hyper-connected modern world the actual industrial policies experienced by U.S. manufacturers are the net sum of the industrial policies of all our trade counterparties. Thus, America's industrial policies in effect in 2015 were the obverse of the export-driven development models of China, Germany and Japan, which is to say industrial policies and tariffs that subsidized Chinese, German, and Japanese manufacturers at the expense of U.S. manufacturers (and their American workers).

History Shows Tariffs and Industrial Policies Must Be Changed When They Stop Working

The tariffs and industrial policies of China, Germany, and Japan worked well for everyone in the decades of recovery after World War II, but they are no longer fit for purpose in today's modern era of persistently unhealthy trade imbalances and global manufacturing supply chains running through communist China. Treasury Secretary Alexander Hamilton designed America's first industrial policies to nurture our country's nascent manufacturing sectors and protect them from powerful European competitors. Secretary of State Henry Clay established highly successful industrial policies called the "American System" in 1824, which was comprised of protective tariffs to support domestic industries, a national bank to stabilize commerce, and federal funding for roads and canals. Of course, some tariff policies were bad on day one.

Ghosts of Smoot-Hawley Roam the Halls of Congress

The most famous failure of tariff policies was the Smoot-Hawley Tariff Act of 1930, which raised broad tariffs on over 20,000 imported goods by an average of 40%-60% during the Great Depression. At the time, America produced and exported far more than it consumed, which is the opposite of our condition today. Ironically, it is China that now manufactures and exports far more than it consumes. Chinese leadership has realized in recent years that they must transition away from their investment- and export-driven development models towards domestic consumption-driven models, but it is much harder to do it than to say it, and the transition itself could impose painful adjustments on its people and its institutions.

How Can Tariffs and Industrial Policies Help Lower Our Federal Debt?

If America can increase its production and exports faster than its consumption, then this will lead to lower federal debt, all else being equal. If China can increase its consumption faster than its manufacturing and exports, then the global trade will become more balanced, resources will be more efficiently allocated, and unsustainably high growth of government debt in the U.S. and China will decelerate. The rapid growth of government debt in both China and America is a litmus test that the status quo is unsustainable for both.

U.S. tariffs and industrial policies, if they are well designed and implemented, can contribute to better outcomes for everyone, but we will also need to convince China to get with the program and cooperate by updating their industrial policies to better serve their own workers and their biggest customer i.e., the United States. Until that can be done, we must focus on getting our own house in order, which was discussed in detail in our last quarterly investment letter i.e., "when you are in a hole, stop digging."

Will the U.S. Dollar Remain the Primary Global Reserve Currency?

Yes. The dollar has been the primary global reserve currency since the end of World War II and is the most widely used currency for international trade and commodities transactions. The International Monetary Fund recognizes eight major reserve currencies, of which the U.S. dollar is the most commonly held, making up 59% of official global foreign exchange reserves, followed by the euro at 20%, the Japanese yen at 6%, the British pound sterling at 5%, the Chinese renmimbi at 3%, the Canadian dollar at 2½%, the Australian dollar at 2%, and the Swiss franc at less than ½%.

Updated Estimates for Earnings, Revenues, Margins, GDP Growth, Valuations, Interest Rates

Consensus estimates for S&P 500 EPS growth are +9.9% in 2024, +12.5% in 2025, and +13.2% in 2026 per I/B/E/S data by LSEG. Year-over-year quarterly EPS actuals were -1.5% in 4Q22, -3.1% in 1Q23, -5.8% in 2Q23, +4.3% in 3Q23, +7.5% in 4Q23, +6.6% in 1Q24, +11.3% in 2Q24, +8.2% in 3Q24 (act.), and forecasts are +8.2% in 4Q24 (est.), +10.6% in 1Q25, 10.8% in 2Q25, +11.2% in 3Q25, and +15.2% in 4Q25. Thus, the 4Q22 to 2Q23 corporate profits recession ended 1-½ years ago.

Consensus estimates for S&P 500 revenues per share are forecasted to grow +6.8% in 2023 (act.), +4.2% in 2024 (est.), +5.1% in 2025, and +4.9% in 2026. Consensus estimates for net profit margins are projected to expand from +11.9% in 2023 to 12.4% in 2024, 13.4% in 2025, and 14.4% in 2026, per I/B/E/S data by LSEG.

Wall Street's full year consensus forecast for U.S. real GDP is +2.7% in 2024, +2.1% in 2025, and +2.0% in 2026, and the quarterly consensus forecasts (QoQ%, SAAR) are +1.6% in 1Q24, +3.0% in 2Q24, +3.1% (up from +1.6% in July) in 3Q24 (act.), +2.3% (up from +1.7% in Oct.) in 4Q24 (est.), +1.9% in 1Q25, 2.0% in 2Q25, +2.0% in 3Q25, and +2.0% in 4Q25, per Bloomberg <ECFC>. Average U.S. real GDP growth has been 2.3% over the past ten years. Like we did throughout 2023 and 2024, we continue to think U.S. real GDP quarterly reports will come in stronger than consensus forecasts.

The European Union and Japan are both forecasted per Bloomberg <ECFC> to accelerate growth in 2025. Europe's economy is forecasted to grow +0.4% in 2023, and +0.9% in 2024, +1.3% in 2025, and +1.6% in 2026, vs. its trend rate of +1.0% real GDP growth. Japan's economy is forecasted to grow +1.5% in

2023, -0.2% in 2024 (down from +0.9% in Dec.), +1.2% in 2025, and +0.9% in 2026, vs. its trend rate of +0.5% real GDP growth.

China is forecasted per Bloomberg <ECFC> to decelerate growth in 2025. China's real GDP is forecasted to grow +5.2% in 2023, +4.8% in 2024, +4.5% in 2025, and +4.2% in 2026.

Price/earnings (P/E) multiples are 21.7 for S&P 500 large cap, 15.7 for S&P 400 mid cap, 15.2 for S&P 600 small cap, 14.1 for foreign developed, and 11.9 for emerging markets, where E is EPS for 2025, per Bloomberg consensus. The long-term average for U.S. large cap next four quarters P/E multiples is approximately 15-½. Thus, U.S. large cap equity valuations are 40% above average. S&P 600 small cap equity P/E multiples are cheaper than their historical averages. Foreign developed and emerging markets P/E multiples are in line with their historical averages.

The Treasury yield curve is currently pricing in Fed Funds Rates to be cut from 4.50% currently to 4.25% six months from now, and 10-year Treasury yields to rise to 4.65% one year from now, per Bloomberg <FWCM>. The yield curve is also priced for 10-year Treasury yields to gradually increase to 5.0% during the next 5 years. The Treasury yield curve represents the "real money" pricing of many trillions of dollars of U.S. Treasury securities across maturities from 7 days to 30 years, based on bond investors' expectations for the future, which is why it commands the respect of equity investors and the Fed. Of course, the yield curve always reserves the right to change its mind.

The yield curve is upward sloping, with 10-year Treasury yields higher than 2-year Treasury yields by 29 basis points (bps), which signals future economic growth. The yield curve was inverted (downward sloping) from July 2022 until September 2024, with a nadir of 106 bps inverted on June 30th, 2023. Yield curve inversions have historically been reliable leading indicators of future economic downturns, but not this time, due to pandemic-related distortions. Inverted yield curves have (in the past) dis-incentivized banks from lending to corporate borrowers, but rapidly growing private credit funds have partially replaced commercial banks as key sources of capital to private businesses.

High yield bond spreads (over 10-year Treasuries) tightened from 305 bps to 292, after tightening to lows of 272 bps on November 13th, indicating that credit markets continue to price in a soft landing (i.e., not a recession).

Our Forecast: 15% Probability of Recession vs. 50% "Soft-ish Landing" vs. 35% "No Landing"

We estimate a 15% probability of a recession (i.e., "hard landing"), a 50% probability of a "growth recession" (i.e. soft-ish landing, per Fed Chair Powell) which is defined as two or more quarters of 0.0% to +1.0% real GDP growth (QoQ% SAAR) and a material increase in unemployment rates, and a 35% probability of no recession (i.e., "soft landing" or "no landing" with no increase in unemployment rates). Economists have been divided over whether the Fed can defeat inflation without throwing the U.S. into a "hard landing" recession. The bearish case is that "long and variable lags" of tight monetary policy take time to work through the economy, and they will cause a recession in the next six months, and that everything we are seeing is consistent with the late-cycle phase of the business cycle. The bullish case is bolstered by low unemployment rates (caused in part by the retiring generation of baby boomers) and war-time levels of fiscal spending (i.e., $1.8 trillion federal deficit, American Rescue Plan Act, Chips and Science Act, Inflation Reduction Act, and Infrastructure Investment and Jobs Act).

The Fed's Updated Economic Projections for Falling Inflation and Fed Funds Rates Cuts in 2025

The FOMC December quarterly "dot plot" summary of economic projections signaled the Fed will cut the Fed Funds Rate to 4.50% by December 2024, and then to 4.00% by December 2025, and then to 3.50% by December 2026, and then to 3.25% by December 2027. The rule of thumb is that Fed Funds Rates should be 1% higher than inflation rates to force inflation down. The Fed is now forecasting core personal consumption expenditures (PCE) inflation rate, its preferred measure of inflation, which excludes energy and food, of 2.8% by December 2024 (and Fed Funds Rate of 4.4%), and then 2.5% by December 2025 (and Fed Funds Rate of 3.9%), and then 2.2% by December 2026 (and Fed Funds Rate of 3.4%), and 2.0% by December 2027 (and Fed Funds Rate of 3.1%). Bond market investors agree with the Fed i.e., fed funds futures pricing implies the Fed Funds Rate will be 4.50% by Dec 2024, 4.00% by Dec 2025, and 3.75% by Dec 2026, per Bloomberg <WIRP>. Notably, the ends of Fed Funds Rate hiking cycles (this one ended 7/26/2023) have historically been followed by 12-month periods of well above average equity returns, using data from the past 30 years, with the one exception being 5/15/2000. The Fed is also forecasting stable U.S. real GDP growth of 2.0% and low unemployment rates of 4.3% for 2025-2027.

Review of 4th Quarter of 2024: Strong U.S. Economy + Fed Rate Cuts = Bull Market

The S&P 500 index of stocks rose +2.41% including dividends in the 4th quarter of 2024, from 5,762 to 5,882. 10-year Treasury yields bounced from 3.78% to 4.57%, while Fed Funds Rates were cut from 5.00% to 4.50%. West Texas Intermediate (WTI) crude oil prices per barrel steadied from $68.17 to $71.77. The U.S. Dollar currency index bounced from 100.78 to 108.44. U.S. unemployment rate was unchanged from 4.2% to 4.2%. The Fed's 5-yr/5-yr forward inflation expectation rate gyrated from 2.29% to 2.30%, after bouncing to 2.41% on October 22nd and then bottoming at 2.15% on December 5th, per Bloomberg <T5YIFR Index>.

Both real and *nominal* U.S. economic activity decelerated in the 4th quarter due to the lagged cumulative weight of 4.25% of net Fed Funds Rate hikes over 33 months. The U.S. economy real GDP (QoQ% SAAR) estimates are +2.3% in 4Q24 (est.), +3.1% in 3Q24 (act.), +3.0% in 2Q24, +1.6% in 1Q24, +3.2% in 4Q23, +4.9% in 3Q23, +2.1% in 2Q23, +2.1% in 1Q23, +2.6% in 4Q22, +3.2% in 3Q22, -0.6% in 2Q22, -1.6% in 1Q22. 1H22 would have been called a recession except there weren't any net job losses.

But earnings, revenues, and expenses are all reported in *nominal* terms, not real terms. The U.S. economy ***nominal* GDP** (QoQ% SAAR) was +5.0% in 4Q24 (est.), +5.7% in 3Q24 (act.), +6.2% in 2Q24, +4.9% in 1Q24, +6.4% in 4Q23, +8.4% in 3Q23, +6.1% in 2Q23, +8.0% in 1Q23, +9.7% in 4Q22, +11.5% in 3Q22, +8.1% in 2Q22, and +6.4% in 1Q22 (Note: the relevant formula is "*nominal* GDP = real GDP + CPI Inflation Rate").

The Fed's preferred measure of inflation, **Core PCE** (YoY%), estimates are +2.8% in 4Q24 (est.), +2.7% in 3Q24 (act.), +2.7% in 2Q24, +3.0% in 1Q24, +3.2% in 4Q23, +3.8% in 3Q23, +4.6% in 2Q23, +4.8% in 1Q23, +5.1% in 4Q22, +5.0% in 3Q22, and +5.0% in 2Q22. The Fed's target rate is +2.0%.

U.S. headline CPI inflation (YoY%) estimates are +2.7% in 4Q24 (est.), +2.6% in 3Q24 (act.), +3.2% in 2Q24, +3.3% in 1Q24, +3.2% in 4Q23, +3.5% in 3Q23, +4.0% in 2Q23, +5.8% in 1Q23, +7.1% in 4Q22, +8.3% in 3Q22, +8.7% in 2Q22, and +8.0% in 1Q22. The Fed's target rate is +2.0%.

Taxes Are Your Biggest Investment Expense Item

For wealthy investors, taxes often represent the most significant expense item, overshadowing other costs like management fees or transaction charges. This stems from the various forms of taxes they encounter, including capital gains tax, income tax on dividends and interest, and estate taxes. Capital gains taxes can be substantial due to the large profits generated from investments. Additionally, high-income brackets face progressive tax rates, leading to a higher percentage of their earnings being taxed. Strategic tax planning and the utilization of tax-efficient investment vehicles and portfolio management methodologies become crucial for wealthy investors to mitigate their overall tax burden and optimize their net returns.

Estate Tax Law Changes in 2026 Will Cause Some Wealthier and Older Individuals to Revise Plans

We at Salem Partners Wealth Management try to make sure that we are planning well ahead of any potential tax or regulatory changes in order that our clients can be ready for new environments. One such significant change on the horizon is a reduction in the amount of money that individuals can give away during their lifetimes, or pass along upon death, free of estate or gift tax. This amount gets cut in half starting on January 1, 2026. We encourage clients to start understanding whether they may want to address these changes in their current estate plan in anticipation of this change in the laws.

In 2025, individuals will be able to pass along an estimated $14.4 million free from estate or gift tax during their lifetime or as part of their estate. In 2026, that amount will be cut in half. That means a couple which today could pass along $28.8 million to their children or grandchildren tax free can only pass along half of that tax free in 2026. The most obvious clients who may want to think about doing something to take advantage of current laws would be those who are older (70+) and with an estate valued comfortably over the limit in 2026 ($7.2 million for an individual and $14.4 million for a couple) and a clear beneficiary.

Clients that check the net worth box but are younger may also want to consider strategies that take advantage of the laws but leave access to the capital in the hands of the donor during the donor's lifetime.

As always, we are happy to discuss considerations regarding your estate plan at your convenience. We understand that the implications of these and other estate plan issues are complex and want to support you to the greatest extent possible. We also want to make sure that our clients who do want to address the changes can do so before the high demand for planning that is likely to occur in 2025.

Business and Income Tax Planning Can Result in Significant Tax Savings

Business owners looking to contribute up to $300,000 per year of pre-tax money into their retirement plans should consider cash balance defined benefit pension plans. Founders launching start-ups with high growth potential can utilize qualified small business stock (QSBS) to exclude from their taxable income a portion of gain on the sale — up to $10 million or 10 times the investor's cost basis, whichever amount is greater. QSBS can be "stacked" to multiply the tax savings for a spouse, children, and multiple trusts. Private investors and limited partners can also receive the tax benefits of QSBS. Incentive stock options (ISOs) are typically offered to executives and key employees, with potential tax advantages, and non-qualified stock options (NSOs) can be granted to any employee, as well as to consultants and board members. For clients with significant wealth and liquidity, they can use private placement life insurance (PPLI) to place large sums of money in domestic entities that grow free of any taxation while maintaining access to liquidity. The US code contains various tax benefits to incentivize entrepreneurs to start and

grow businesses, and we help make sure our clients don't miss out on them, so they can focus on building great businesses.

Proven and Repeatable Processes: Portfolio Rebalancing, Tax Loss Harvesting, and Tax Deferral

Portfolio rebalancing is a useful tool for long-term investors because it serves two important purposes. First and foremost, it keeps asset allocations in line with targets that have been codified in clients' investment policy statements (IPS). Second, it can be a mechanism to naturally "buy low, sell high", because it involves adding to an asset class that has decreased in price (e.g., >10%) relative to the overall portfolio, and cutting back an asset class that has increased in price relative to the overall portfolio. Good judgement, disciplined decision-making, and operational excellence are necessary to obtain the best results for every client from portfolio rebalancing.

Another proven methodology for long-term investors to take advantage of market volatility is tax loss harvesting. Unlike tax loss selling, tax loss harvesting precludes adverse impacts to investment returns, by simultaneously replacing the sold securities with very similar securities, while avoiding IRS wash sale rule violations. We actively implement tax loss harvesting throughout the year whenever material market declines create opportunities.

Tax losses provide economic value because investors can use them to offset capital gains tax, and unused tax losses can be carried forward into future years until they are fully used. The maximum federal tax rate on short-term capital gains is 40.8%, including the 3.8% net investment income tax, and for Californians the maximum combined state and federal tax rate is 54.1%. Although no one likes down markets, tax loss harvesting can effectively reduce negative returns by up to 54.1%, without sacrificing full participation in the inevitable market recovery for long-term investors.

Tax deferral strategies involve delay or avoidance of realization of capital gains through judicious planning and portfolio management. Unrealized capital gains can be permanently eliminated over time with prudent trust & estate planning, via step up in cost basis when wealth transfers from one generation to the next.

Risk Management

Asset allocations should be based on well-designed investment policy statements to enable investors to get through bear markets without selling equities, by using fixed income or cash to draw upon until stock markets have recovered, which is common sense short-term risk management. However, comprehensive risk management should also account for the long-term shortfall risk of not achieving long-term portfolio growth objectives due to sub-optimal asset allocations and portfolio construction. Along the way, contingency risks (i.e., low probability and high impact) need to be efficiently managed with various tools including adequate liquidity, appropriate insurance protection (note: we do not sell insurance), coordination with clients' trusts & estate attorneys, and proactive tax planning with clients and their CPAs.

Long-Term Investing

To paraphrase Warren Buffett, successful investors need to invest for the long-term and avoid being swayed by the fear and greed of others that can cause irrational swings in the market. We do not let the daily noise and volatility of the markets deter us from our mission to be faithful stewards of our clients'

capital. As long-term investors, we and our clients have committed ourselves to adhere to well-defined investment policy statements, which have been custom-built for each individual client, to achieve their long-term investment objectives, while accepting the inevitable price fluctuations of the public markets.

As fiduciaries, we relentlessly seek out the lowest costs and best terms for our clients. As trusted advisors, long-term relationships are of primary importance to helping our clients achieve successful outcomes through personalized financial planning and disciplined implementation.

Conclusions

We are very pleased with an exceptional +25.0% total return in 2024 for U.S. large cap equities after an outstanding +26.3% return in 2023. S&P 500 earnings growth consensus forecasts are +9.9% in 2024, +12.5% in 2025, and +13.2% in 2026. We forecast a below average 15% probability of a recession. The highest interest rates in over 17 years mean excellent yield income opportunities for tax-exempt municipal bond investors, and unfortunately hardships for private businesses that borrowed too much money. The new Fed rate-cutting cycle will be elongated because CPI inflation keeps falling (now 2.7%), unemployment is gradually rising (now 4.2%), and the U.S. economy continues to outperform expectations. We believe the tailwinds to markets that predominated in 2024 will continue in 2025.

The biggest risks to investors are valuations, as U.S. large cap equity P/E multiples are 40% above their historical averages. However, U.S. small cap P/E multiples are cheaper than their historical averages. Foreign developed and emerging markets P/E multiples are in line with their historical averages.

We wish all our clients and friends a wonderful winter. We will keep working hard to generate superior long-term after-tax investment returns for each of our clients with personalized financial planning and customized portfolios, and we are grateful for the trust and confidence our clients have placed in us.

Please let us know if you have any questions. Thanks!

Best Regards, Erik

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- Fiduciary registered investment adviser (RIA) founded in 2004. We celebrated our 20th anniversary!

• Personalized financial planning and customized portfolios combined with institutional investment management expertise to drive superior long-term after-tax outcomes.
• Assets under management custodied at Charles Schwab ($7.8 Trillion in client assets across 34 million customer accounts) in segregated accounts under clients' names.
• Welcoming new clients with over $10 million to invest with us.

Selected to Los Angeles Business Journal's List of Leaders of Influence: Wealth Managers in 2023, 2022, 2021, 2020, 2019 (see website for disclosures)

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Disclosures

- **Past performance is not a guarantee of future results. Investments can lose money.**
- This analysis is not a guarantee, prediction, or projection of any particular result and your actual results may vary materially from those presented herein.
- Total return is the industry standard and our method of measuring investment performance in client reports. Total return is the investment income received or accrued plus the change in market value over a specified period divided by the market value at the beginning of the period.
- All total account performance returns in client reports are time-weighted total returns, displayed as net of all fees.
- Recognizing that past performance does not guarantee future results and that indices differ from actual portfolios, the data presented are based on the historical performance of their respective asset classes. When necessary, indices are used as proxies for the asset classes. The indices are not managed, not subject to fees nor transaction costs, nor available for direct investment. In certain instances, assumed rates of return or inflation are incorporated as part of the presentation. However, there is no guarantee that these assumptions will be realized in the future, and they shall not be deemed as a guarantee of future results.
- Investment returns portrayed are subject to the effect of material market or economic conditions during the specified time periods.
- Investment returns of indexes reflect the reinvestment of dividends and interest income.
- Investment returns of indexes do not reflect the effect of any fees or expenses since they do not ever pay any fees or expenses. You cannot invest directly in an index.
- Investments portrayed can generate profits, but they can also incur losses.
- Equity (stocks), fixed income (bonds), and other investments do not always gain or lose value at the same time. Historically, volatility has been reduced over time by holding multiple non-correlated asset classes in a portfolio.
- Diversification within an asset class is important because it can eliminate idiosyncratic (i.e., individual security) risk within an asset class, but it cannot eliminate systemic (i.e., market) risk of an asset class. No investment strategy or allocation can eliminate risk or guarantee investment returns.
- Although single-asset class diversification is an important tool in the toolbox of investing, relying on it alone might cause an investor to forego the benefits of other non-correlated asset classes that may help them achieve their long-term goals. Asset allocation differs from single-asset class diversification because it involves being diversified across multiple diversifying asset classes.
- Assets are broken out by market cap and style using data supplied from S&P, MSCI, Bloomberg, Morningstar, Inc. and other sources.
- This presentation does not constitute an offer to sell or a solicitation to buy any securities or an offer of any investment advisory services.
- Please see our website at www.SalemPartners.com/Wealth-Management and our Form ADV, Form ADV 2, and Form ADV 3/CRS at www.sec.gov for additional disclosures.

IMPORTANT:
The projections or other information shown in this presentation regarding the likelihood of various investment outcomes are based on publicly available information, or our opinions, and are not guarantees of future results.