

CENTURION COUNSEL, INC.

Investment Management

Fourth Quarter Performance Review

While the fourth quarter ended positively for most of the market, it didn't start that way as anxiety over the election and an increased focus on the fiscal state of the U.S. weighed on investor sentiment in October. Presidential polls tightened materially in October and left the race too close to call, increasing political and national policy uncertainty. Additionally, much of the financial media's focus in October was on the potentially negative fiscal consequences of both candidates' policies. As noted in a *Wall Street Journal* article, large future increases in the deficit and national debt could cripple future economic growth. Those fiscal concerns and stronger-than-expected economic data pushed 10-year Treasury yields from 3.75% at the start of October to over 4.20% by Halloween. That rise in yields combined with political and policy uncertainty pressured stocks and the S&P 500 to finish October with a modest 0.91% decline.

Then Donald Trump convincingly won re-election, and Republicans took control of both houses of Congress, completing a "Red Sweep." Reminiscent of 2016, the Trump and Republican victories proved to be bullish catalysts as investors embraced the idea of future tax cuts, deregulation and a pro-business administration. That helped the S&P 500 to rise above 6,000 for the first time. Shortly following the election, however, investors were reminded of the volatile nature of a Trump presidency as the president-elect nominated several unorthodox supporters to prominent cabinet positions.

Despite the late-year dip in stock values, all four major U.S. stock indices finished the quarter with a positive return. The Nasdaq was the best-performing major index in the fourth quarter, outperforming the other three major indices due to earnings-driven AI enthusiasm and growing uncertainty about when future pro-growth economic policies could be enacted.

Internationally, foreign markets underperformed the S&P 500 in the fourth quarter, producing solidly negative returns thanks to lackluster growth prospects and bouts of political uncertainty in developed and emerging markets. Emerging markets and foreign developed markets saw similar negative returns in the fourth quarter. Political crises in South Korea and worries about Chinese growth pressured emerging markets, and political turmoil in France and Germany weighed on developed market performance. Foreign markets again greatly lagged behind the S&P 500 in 2024, but finished with modestly positive returns. Emerging markets outperformed developed markets on a full-year basis thanks to Chinese stimulus announcements in the second half of 2024 that raised investors' hopes for an economic rebound and boosted emerging market performance relative to those foreign developed markets.

Commodities saw mixed performance in the fourth quarter as a late surge in the U.S. dollar weighed on parts of the commodity complex. Gold finished the quarter with a slightly negative return thanks mostly to a drop in December, and the U.S. dollar rose to

its highest level in over two years. Oil, meanwhile, saw a solid gain in the fourth quarter thanks to better-than-expected Chinese economic data which boosted future demand expectations. For 2024, most commodities saw positive returns on rising demand expectations following global rate cuts. Gold logged strong returns for the year thanks to consistent geopolitical uncertainty and sticky inflation. Oil rose slightly due to OPEC supply discipline and more optimistic global growth estimates in 2025.

Switching to fixed income markets, the leading benchmark for bonds (Bloomberg Barclays US Aggregate Bond Index) realized a moderately negative return in the fourth quarter due to concerns about U.S. federal deficits as well as expectations for fewer rate cuts in 2025, but a slightly positive annual gain for 2024.

Q1 and 2025 Market Outlook

Markets begin 2025 with great expectations. Anticipation of tax cuts, pro-business deregulation, a continued economic soft landing, and ongoing Fed rate cuts helped propel stocks higher throughout 2024 as the S&P 500 completed its best two-year run since the late 1990's.

Starting with politics, investors are eagerly awaiting the implementation of pro-growth policies from the Republican Congress and the Trump administration, which includes an extension of the 2016 Tax Cuts and Jobs Act and possible additional corporate and personal tax cuts, along with sweeping deregulation. If executed, those policies should result in increased corporate earnings, personal income, and spending -- all of which are positive for stocks.

Turning to growth, the Federal Reserve appears to have achieved the elusive economic soft landing. Economic activity is solid, unemployment is historically low, and inflation has declined substantially. That allowed the Federal Reserve to aggressively cut interest rates in 2024 and investors expect rate cuts to continue in 2025 and to further support continued economic growth.

Finally, while geopolitical tensions remained high, investors finished the year with hopes for progress on ceasefire agreements between Israel and its antagonists (Hamas and Hezbollah) as well as between Russia and Ukraine.

If all these expectations are realized, we should all expect another strong year of market returns in 2025. However, as we all know, nothing in the markets is guaranteed. Although the outlook is positive as we begin 2025, we must acknowledge significant risks to it.

Politically, Republicans hold small majorities in the House and Senate, and large, complicated tax-cut bills could easily be delayed (or derailed). Additionally, while investors have focused on the potential positives of pro-growth policies, increased trade tensions and possible tariffs could create unanticipated market and economic headwinds.

On growth, the economy remains in a “sweet spot” with solid--but not spectacular--growth and the Fed can claim a soft landing has been achieved. However, growth can still slow as rates remain historically high and elevated stock valuations imply complacency in the markets, suggesting the possibility of an economic slowdown.

Bottom line, while the outlook for markets is positive as we start the year, we won't allow that to create a sense of complacency because -- as the past several years have shown -- markets and the economy don't always perform according to Wall Street's expectations. As such, while we are prepared for the positive outcome currently expected by investors, we are also focused on managing both risk and return potentials because the past several years demonstrated that a well-planned, long-term focused and diversified financial plan can withstand virtually any market surprise and a related bout of volatility, including multi-decade highs in inflation, historic Fed rate hikes, and geopolitical unrest.

Bitcoin

Several clients asked us to discuss Bitcoin investment. We believe the rise -- and in our opinion, the eventual fall -- is due to a person little known outside of Wall Street: Michael Saylor, the co-founder and chairman of MicroStrategy. Micheal Saylor engineered one of the most fascinating business pivots in recent history. In 2020, COVID-19 threatened his company, and bankruptcy was a real threat. Seemingly overnight, Saylor transformed his business intelligence company into a highly leveraged Bitcoin investment vehicle. His initial strategy was simple but a massive gamble. He used MicroStrategy's existing capital to purchase Bitcoin and then leveraged that position to acquire more. Between August and December 2020, MicroStrategy purchased more than 70,000 Bitcoins, using debt and equity to buy additional Bitcoin. MicroStrategy issued bonds or convertible notes at low interest rates to acquire more Bitcoin. The company then raised additional funds by issuing new shares and reinvesting the proceeds into more Bitcoin. The company's holdings boosted its market value as Bitcoin increased, making issuing more debt or equity at favorable terms easier. This created a self-reinforcing cycle to accumulate even more Bitcoin. Today, they own roughly 439,000 BTC (about \$46.5 billion). Since they started this, the stock is up almost 2,500%. Saylor's leveraged bet on Bitcoin's future could fuel an eternal bubble, produce a massive liquidity crunch, or even produce a Bear Stearns moment for crypto.¹ We at Centurion Counsel believe this artificial price increase is a replay of the tulip bulb mania of 200 years ago. I suggest reading the book *Extraordinary Popular Delusions and the Madness of Crowds* for more information about market psychology and a better understanding of how greed, fear, and excitement can drive the collective behavior of crowds -- defying logic and rationality, and leading to catastrophic consequences.

Conclusion

¹ The “Bear Stearns moment” refers to the collapse of Bear Stearns during the 2008 subprime mortgage crisis. The collapse was a key event in the financial crisis that led to a wider market downturn.

At Centurion Counsel, we understand the opportunities and risks facing both the markets and the economy, and we are committed to helping you effectively navigate this challenging investment environment. Successful investing is a marathon, not a sprint, and even intense volatility is unlikely to alter a diversified approach set up to meet your long-term investment goals.

Therefore, you must stay invested, remain patient, and stick to the plan we've worked with you to establish -- a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Account Updates

Please inform Centurion Counsel of any significant life style changes that may have recently occurred such as your retirement, or a change in your employment, health, or housing situation.

Should you have any questions about your portfolio, the contents of this communication, or any other issue, please give us a call. We would be happy to answer your questions on the phone or at our next meeting.

Cash Balances

Occasionally, you might notice cash balances in your performance reports. These balances reflect unsettled transactions that have not been posted to the money market.

Advance Billing Notice

This is to provide you with notice that Centurion Counsel will charge your account for the **first quarter 2025** management fee. Your management fee for this quarter will be **\$ 240.22**. This was calculated by multiplying your account value as of the end of the previous quarter by 1/4 of your annual fee rate, as stated in your client agreement. If assets are deposited into your account during the quarter, a pro-rata share of the quarterly fee will be charged. If you are currently paying your management fee by check, your check should be received by **February 5, 2025**. All checks should be made payable to **Centurion Counsel**. Please direct any questions regarding this advance billing notice to your registered representative.

SEC Rule 11Ac1-6: Quarterly Report on Routing of Customer Orders

SEC Rule 11Ac1-6 requires all brokerage firms to make publicly available quarterly reports on the order routing practices. This report provides information on the routing of "non-directed orders" – any order that the customer has not specifically instructed to be routed to a particular venue for execution.

<i>Total Centurion</i>	<i>Market</i>	<i>Limit</i>	<i>Material Aspects</i>
<u><i>Institutional Orders</i></u>	<u><i>Orders</i></u>	<u><i>Orders</i></u>	<u><i>Relationship</i></u>

NYSE, NASDAQ,
AMEX, Options

>1%

+99%

Clearing
Broker/Dealer

FINRA – SIPC Information Rule 2342

FINRA Conduct Rule 2342 requires us to inform clients of registered broker-dealers of their rights under the Securities Investor Protection Corporation (SIPC). SIPC, created under the Securities Investor Protection Act of 1970, protects customers of registered securities broker-dealers from certain losses if a SIPC member fails financially and is unable to meet obligations of its securities customers. SIPC does not, however, protect clients against losses from changes in market value of their securities. For further information regarding your rights under SIPC, including a brochure, you can contact SIPC directly by phone at 202-371-8300 or at their website address, www.sipc.org.

Information about Our Company

A copy of our Privacy Policy is enclosed.

Summary Disclosure Statement

Enclosed is our Strategic Asset Allocation (SAA) Program Brochure. This document is also available at the SEC website at www.adviserinfo.sec.gov. Our Client Brochure describes the services offered through Centurion Counsel, Inc. and other important information.

Sincerely,

Jack K. Heilbron
Chairman
Centurion Counsel, Inc.

Jack K. Heilbron