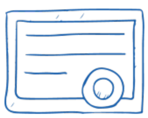
Where We Stand

John Stoltzfus, Chief Investment Strategist at Oppenheimer Asset Management, explains his top-down view of markets, the economy and asset allocation.

Fourth Quarter 2024 *Current View*

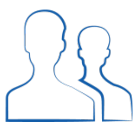
Economic Growth
The U.S. economy showed resilience over 2024 despite a still relatively restrictive policy stance by the Federal Reserve. The outlook for the U.S. economy over 2025 suggests sustainability even as growth slows and inflation remains above the Fed's 2% target.

Equities
The rally that began in Q4:23 continued through 2024 as resilience in economic data and better than expected earnings results led to some broadening across sectors, market capitalizations and styles in equities. This suggests further upside ahead particularly if the Fed continues to ease policy.



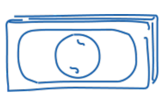
Fixed Income
After a dramatic rally in Q4:23 that sent yields sharply lower, rates rose over 2024 as expectations of rate cuts adjusted to sluggish progress on reducing inflation. Longer term rates began to move higher on concerns about the Federal deficits and debt.

Inflation
The effect of eleven Fed interest rate hikes since 2022 (which peaked in July 2023) have blunted the trajectory of inflation. Though the inflation rate has come down it remains above the Fed's 2% target rate.



Employment
Job postings have remained relatively robust as some employers look to maintain headcount even as the economy shows signs of slowing.

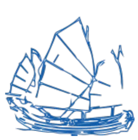
Oil
Resilient economic growth in the U.S. as well as some acceleration abroad kept prices in a range between $65 and $85 per barrel over 2024 even as OPEC+ eased its policy to restrain production. Geopolitical risks have contributed to price volatility.



Currencies
On a trade-weighted basis the U.S. dollar index strengthened in 2024. Geopolitical tensions have led to interim dollar rallies on "flight to quality" trades, lending resilience to the dollar.

Monetary Policy
Even as inflation remains above target, the Fed began to ease its monetary policy stance to support jobs growth. Recession risk appears mitigated by resilience in employment and corporate earnings.

Public Policy
As the second Trump Administration moves to extend tax cuts and enact import tariffs the change in public policy adds a level of uncertainty to the financial markets.



International Markets
We believe developed international and emerging equities have the potential to see improved performance as policymakers address structural issues. The potential for a weakening in the dollar could provide tailwinds for foreign assets held by U.S. investors.

Positive Neutral Negative

Keys to Allocation

1
Core-Satellite Approach We advocate for combining individual securities and actively managed portfolios around a core of other broadly diversified and strategically allocated investments.

2
Broad Market-Cap Exposure We favor exposure across large-, mid- and small-cap equities when making stock- and sector-specific allocations as global markets remain prone to frequent rotation and rebalancing.

3
Knowing What You Own Understanding how different investments interact with each other and how they behave in certain market environments is helpful for investors in achieving their long-term investment goals.

Sector Views

Sector — Rating

Technology — Outperform
Rationale: Products vital to business and consumers are poised to deliver greater efficiencies and convenience from innovation. Newer technologies are likely to benefit from M&A activity as established companies seek cost-effective synergies.

Financials — Perform
Rationale: Potential reduction in regulation stateside offers opportunity. Sector should benefit if the Fed continues to cut rates.

Health Care — Perform
Rationale: Longer-term fundamentals remain solid for the sector as AI brings potential innovation. Regulation and litigation risks persist.

Consumer Discretionary — Outperform
Rationale: Leisure, hospitality, entertainment and furnishings spending supportive. Valuations create prospects for M&A.

Industrials — Outperform
Rationale: Aerospace, infrastructure, robotics, agriculture, energy, and defense equipment needs likely to drive demand for products.

Consumer Staples — Perform
Rationale: This defensive sector remains attractive given the economic outlook. Although valuations remain relatively full, opportunities may arise on market downdrafts.

Energy — Perform
Rationale: Energy prices likely to remain in a range as global demand improves and as OPEC+ allows for increased production.

Utilities — Perform
Rationale: Prospects for stability in interest rates create opportunity while sector's role as bond proxy lessens. Increased demand for electricity from data centers support the sector longer term.

Real Estate — Underperform
Rationale: Pressure on valuations of commercial buildings in major U.S. cities remains a drag but whets appetite of distressed asset buyers.

Materials — Perform
Rationale: Sector is likely to benefit as domestic and international infrastructure spending continues.

Communications — Perform
Rationale: Exposure to tech-driven segments (AI, 5G, search, advertising and streaming) provide opportunity.