

Baker Avenue
WEALTH MANAGEMENT

2025 Market Outlook

Regime Change: Rates, Earnings, Leadership, and Participation



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Welcome & Introductions

Doug Couden, CFA, Chief Investment Officer, Partner

Doug leads the firm's multi-disciplined (technical, fundamental and macro) investment approach, including BakerAvenue's Impact Strategy. He is a member of the firm's executive committee, is responsible for managing the investment team, the firm's research process, and the overall performance of the strategies.

King Lip, CFA, CMT, Chief Strategist, Partner

King leads the firm's specialized strategies on Concentrated Stock management and Options. King is also a member of the S&P Dow Jones Indices U.S. Index Committee Advisory Panel and a member of BlackRock's RIA Advisory Council. He is a regular commentator on CNBC and has been nominated as a Top 100 Independent Wealth Advisor in Barron's magazine and the San Francisco Business Times. King was named as one of the Top 10 Rising Stars of ETF investing by ETF Report and was named as an expert ETF strategist in the book, "ETF Investment Strategies".

Moderated by Michael Tideman, CFA, CFP®, Wealth Advisor, Managing Director

Michael has over 15 years of financial planning and investment management experience working with high-net-worth families, including advising on their charitable foundations and endowments. He is passionate about helping clients achieve their financial goals so they can focus on what matters most to them.





TODAY'S
DISCUSSION

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Welcome & Introductions

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A Quick Look Back at 2024

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2025: Addressing The Key Issues

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Q & A

Looking Back
Before We Move Forward

A Quick Look Back at 2024...



January 2024 – Shifting Tides?

Markets finished the year on a high note. Steady economic growth surprised many (not us), and a dovish shift in Fed posture spurred a rising tide that benefitted stocks and bonds alike. We continue to believe the themes that dominated the year, from historically concentrated markets to the sharp tightening of financial conditions, are shifting.

May 2024 – Rates Repricing, Earnings Surprising

April volatility was catalyzed by the hawkish repricing of Fed rate-cut odds. Fortunately, the headwinds associated with higher interest rates have been more than offset by another quarter of robust corporate earnings that have come in much better than expected.

August 2024 – Summertime Unwind

Volatility has resurfaced in the past few weeks, catalyzed by a growth scare and concerns that the Fed is behind the curve. The outsized market moves have been amplified by the unwind of over-extended and leveraged positions.

November 2024 – Uncertainty Ease

Uncertainty is often the biggest headwind to economic activity, valuations, and investor sentiment. A clear election outcome eased one key uncertainty while the prospects of a pro-growth agenda and light positioning catalyzed the market response.

Grow and Protect Investment Philosophy

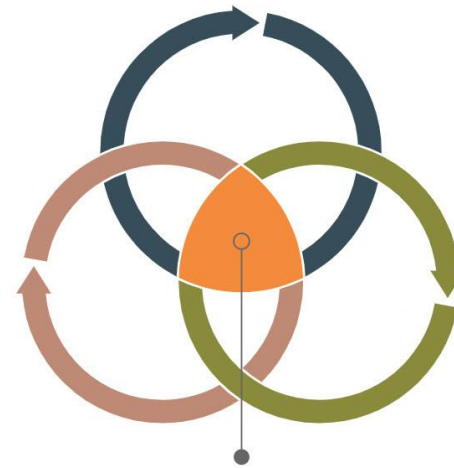
We utilize in-depth fundamental, technical and macro analysis for long-term capital appreciation and risk control.

Macroeconomic Analysis

- Monetary Policy
- Fiscal Policy
- Interest Rate Analysis
- Currency Moves
- Geopolitical Issues
- Business Cycle Analysis
- Inflation Direction
- Credit Cycle Analysis

Technical Analysis

- Relative Strength
- Intermarket Analysis
- Market Trends
- Moving Averages
- Support & Resistance Levels
- Seasonal Patterns



Fundamental Analysis

- Revenue & Cost Drivers
- Competitive Analysis
- Positioning
- Identifiable Catalysts
- Forecasts vs. Expectations
- Sustainability Profile
- Valuation

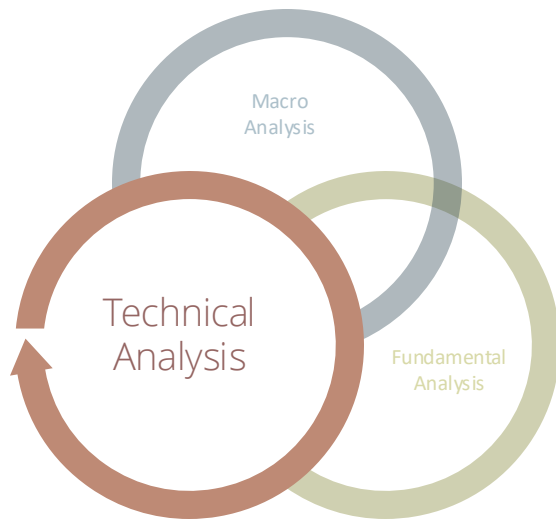
BakerAvenue Investment Committee

- Risk Exposure
- Thesis Challenges
- Portfolio Characteristics
- New Securities Selection

Polling Question #1

After two strong years of market returns, how do you think markets will do in 2025?

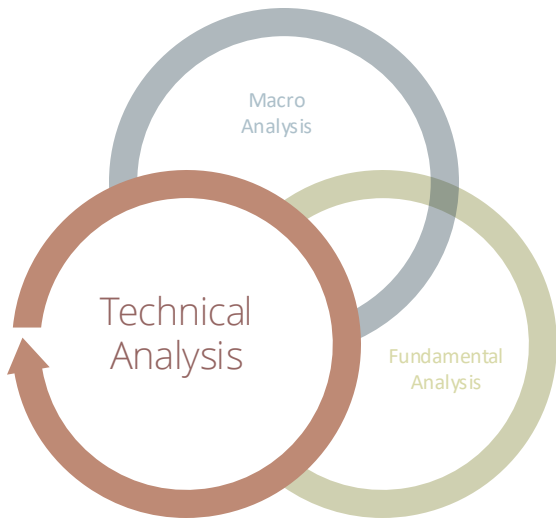
Technicals



Strong Returns After A 20% Gain Is Normal, As Well As After Back-To-Back 20% Gains

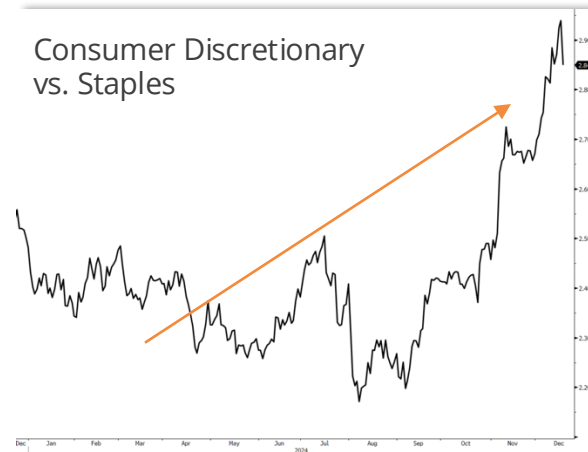
20% Annual Gains For The S&P 500 And What Happened Next

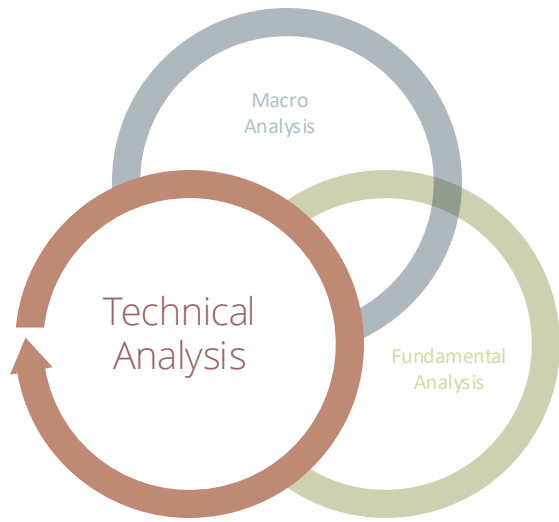
S&P 500 Index Returns			
Year	Return	Next Year	Back-To-Back 20% Years
1950	21.7%	16.3%	X
1954	45.0%	26.4% (1955)	2.6% (1956)
1955	26.4%	2.6%	X
1958	38.1%	8.5%	X
1961	23.1%	-11.8%	X
1967	20.1%	7.7%	X
1975	31.5%	19.1%	X
1980	25.8%	-9.7%	X
1985	26.3%	14.6%	X
1989	27.3%	-6.6%	X
1991	26.3%	4.5%	X
1995	34.1%	20.3% (1996)	31.0% (1997)
1996	20.3%	31.0% (1997)	26.7% (1998)
1997	31.0%	26.7% (1998)	19.5% (1999)
1998	26.7%	19.5%	X
2003	26.4%	9.0%	X
2009	23.5%	12.8%	X
2013	29.6%	11.4%	X
2019	28.9%	16.3%	X
2021	26.9%	-19.4%	X
2023	24.2%	23.3% (2024)	? (2025)
2024	23.3%	? (2025)	? (2026)
Average		10.6%	20.0%
Median		12.8%	23.1%
% Higher		81.0%	100.0%
Count		21	4
1950 - 2024			
Average		9.5%	
Median		12.3%	
% Higher		72.0%	



Relative Strength Pro-Growth

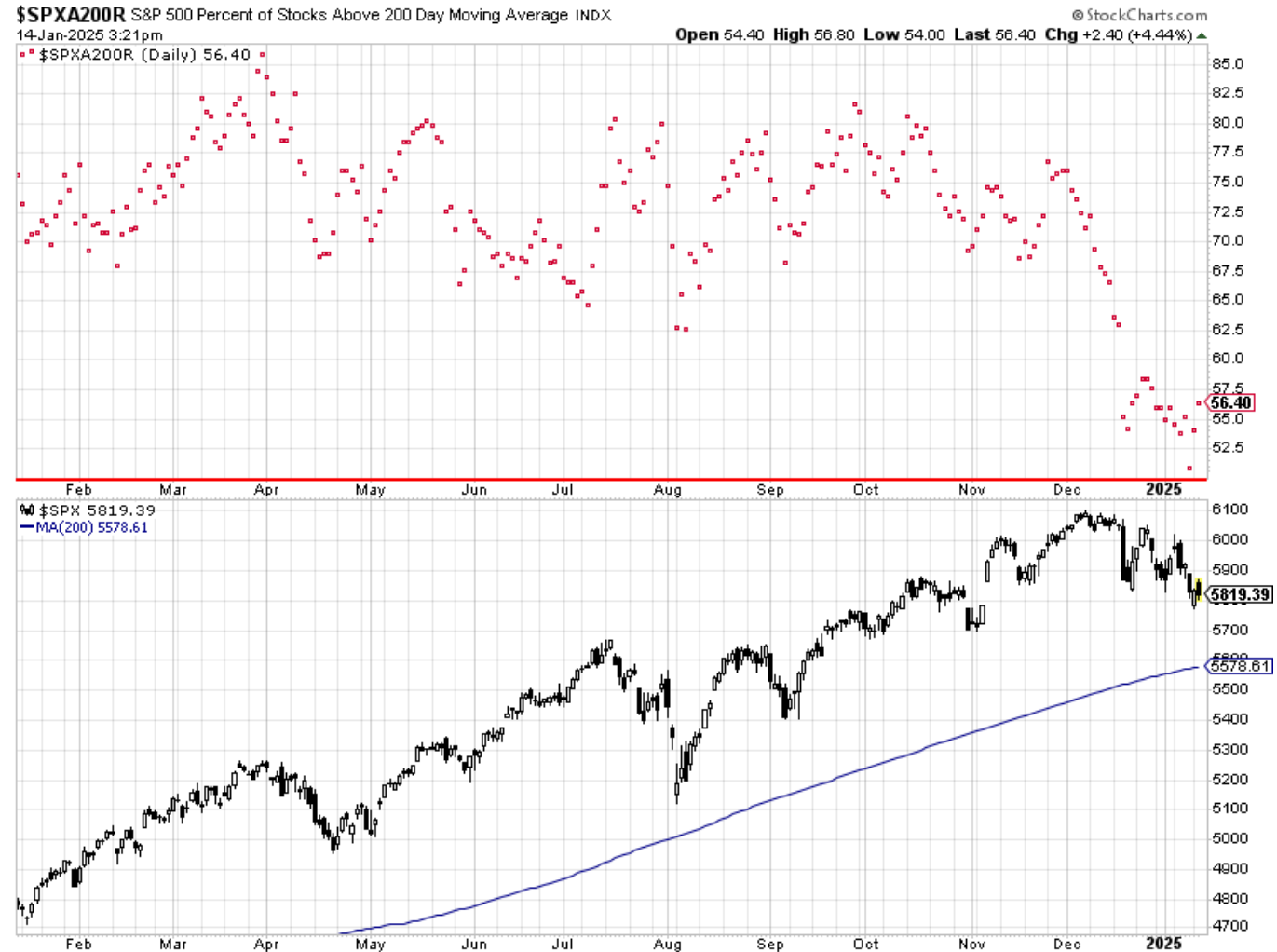
Leadership is evolving as leadership amongst sectors and industries shift. For the past year, relative strength takeaways have been supportive.





Holding Trend, Internals “OK”

Stocks are off recent highs, but long-term trends are holding for now.



Polling Question #2

What do you think will have the most macro influence this year?

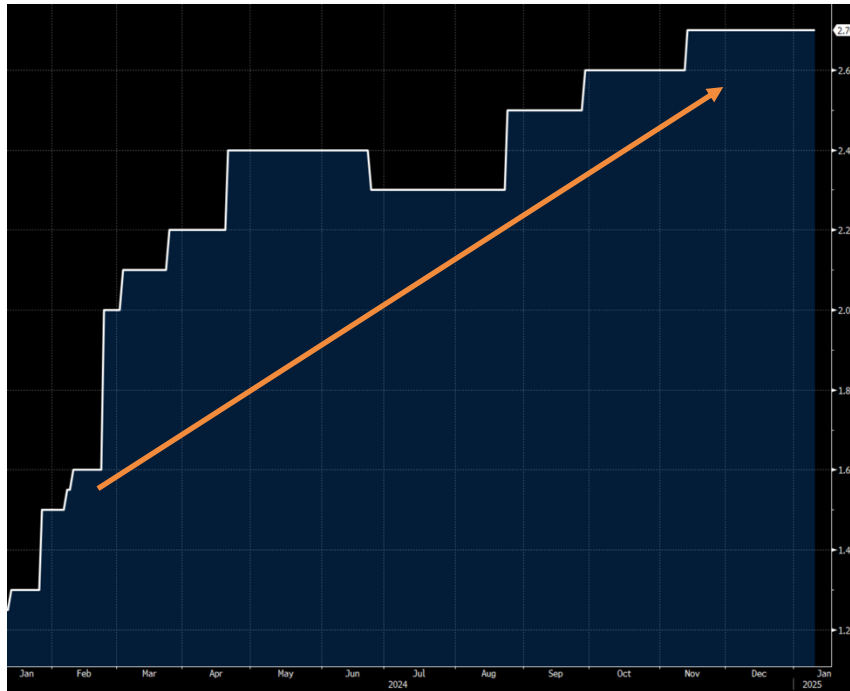
Macro



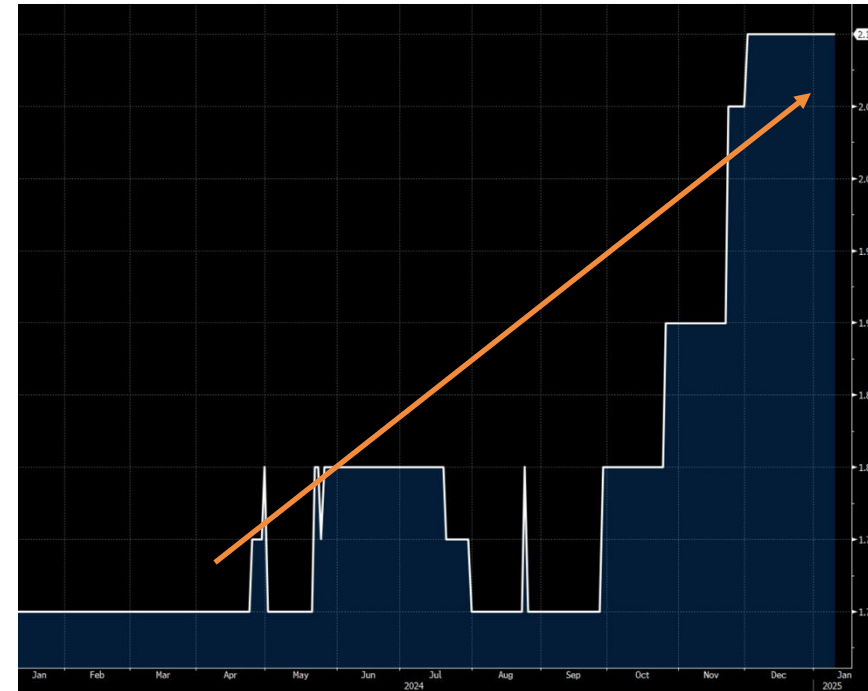
A Resilient Economy

The US economy has been resilient. We continue to expect slow, but non-recessionary growth and see current expectations as conservative.

US '24 GDP Growth Expectations



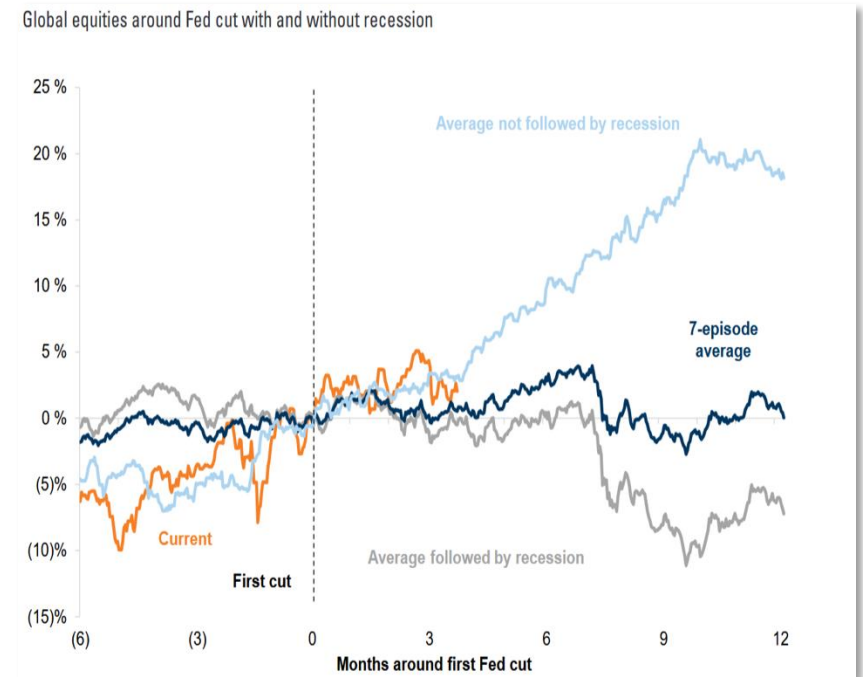
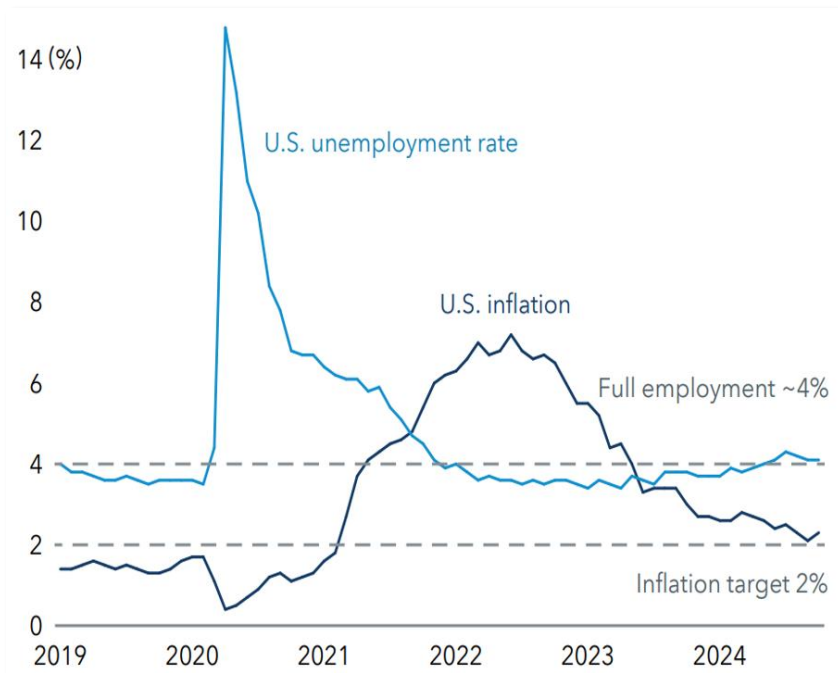
US '25 GDP Growth Expectations





Finding “Neutral” Policy

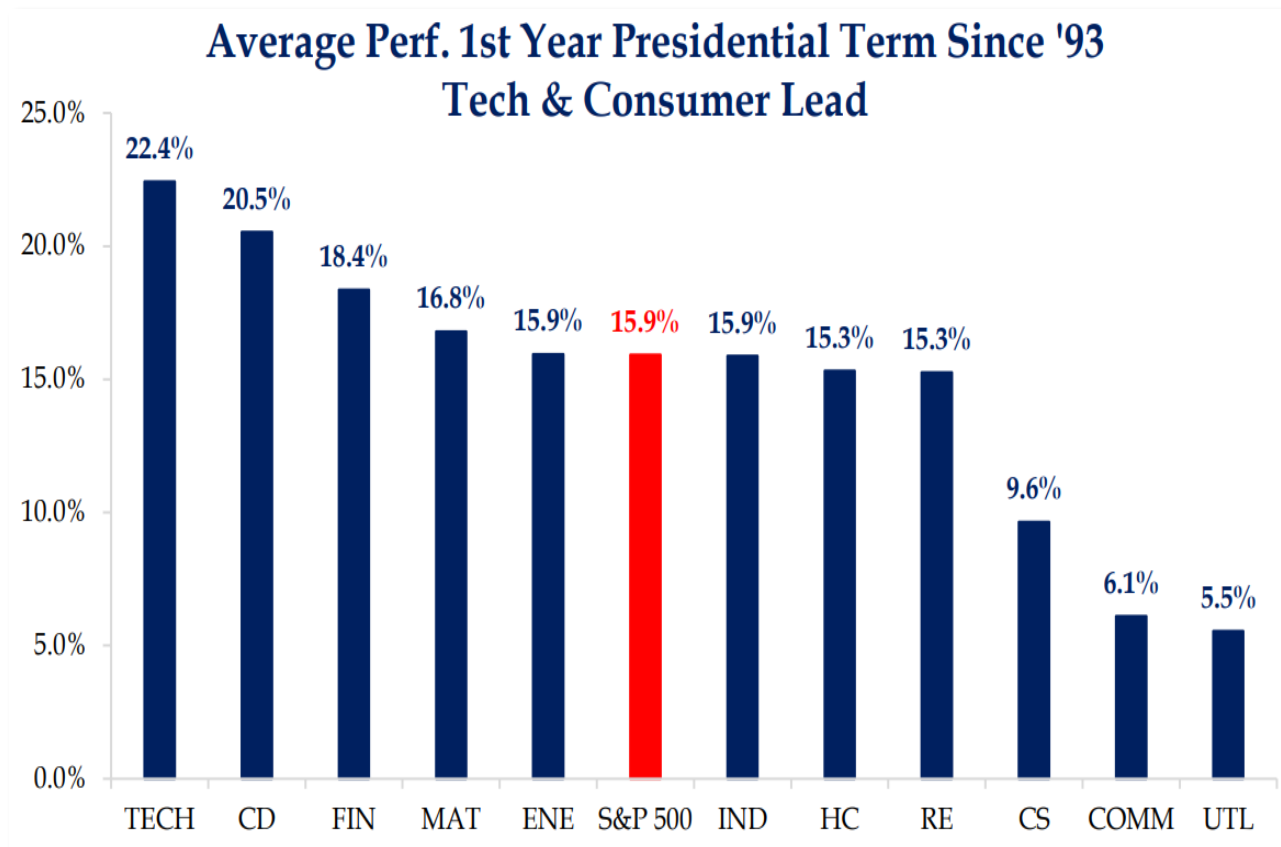
The Fed has largely accomplished its goal (full employment and price stability). The next step is to find the “neutral rate” that is not too restrictive or too accommodative. Growth is the key input.





The Political Cycle

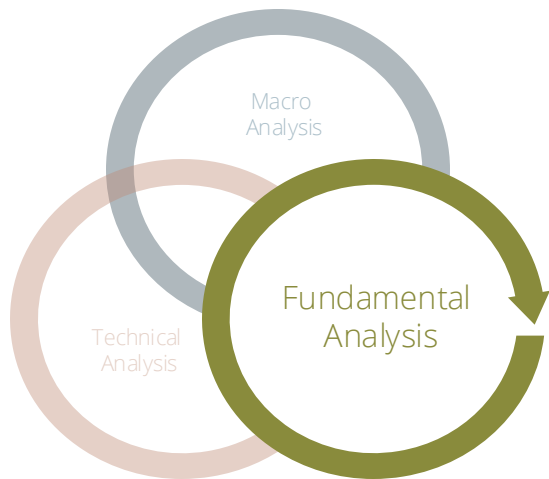
Recently, the first year of a new presidential term has favored growth over defensive sectors.



Polling Question #3

What do you think will have the most fundamental influence this year?

Fundamental



Profit Growth Continues

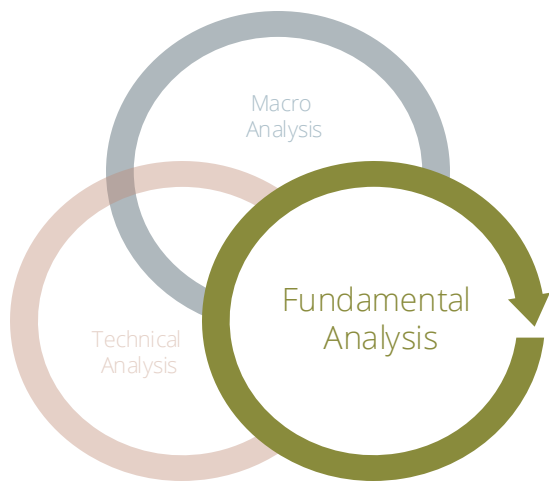
We continue to expect solid earnings growth ('25 growth rates are expected to accelerate vs. '24).

S&P 500 sector pro-forma EPS growth

Year-over-year

		2022				2023				2024				2025			
	Weight*	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF	1QF	2QF	3QF	4QF
Tech.	32%	14%	1%	-1%	-9%	-8%	4%	14%	23%	25%	20%	8%	15%	17%	20%	31%	20%
Financials	13%	-19%	-21%	-18%	-13%	-5%	-2%	12%	-21%	9%	17%	7%	39%	6%	2%	7%	15%
Health Care	10%	15%	8%	0%	-4%	-15%	-27%	-18%	-15%	-25%	19%	14%	13%	42%	13%	13%	13%
Cons. Disc.	12%	-29%	-16%	7%	-19%	38%	48%	38%	27%	21%	10%	8%	11%	12%	8%	9%	17%
Comm. Services	9%	-1%	-21%	-23%	-26%	-14%	20%	44%	44%	42%	8%	26%	23%	10%	33%	5%	13%
Industrials	8%	38%	33%	20%	40%	24%	12%	9%	4%	2%	-3%	-11%	-4%	11%	10%	30%	20%
Cons. Staples	6%	8%	2%	1%	1%	3%	8%	7%	6%	6%	4%	4%	0%	1%	5%	6%	9%
Energy	3%	282%	301%	140%	58%	19%	-49%	-34%	-23%	-24%	0%	-28%	-29%	-12%	-4%	15%	21%
Utilities	2%	28%	-4%	-9%	11%	-23%	-3%	10%	31%	28%	22%	-1%	-1%	9%	4%	18%	8%
Materials	2%	47%	17%	-12%	-18%	-20%	-24%	-16%	-21%	-21%	-8%	-11%	2%	8%	8%	29%	26%
Real Estate	2%	19%	6%	11%	8%	-1%	5%	-1%	3%	6%	0%	2%	2%	1%	3%	6%	7%
S&P 500		10%	7%	3%	-3%	-1%	-4%	6%	4%	6%	11%	5%	12%	12%	11%	16%	16%

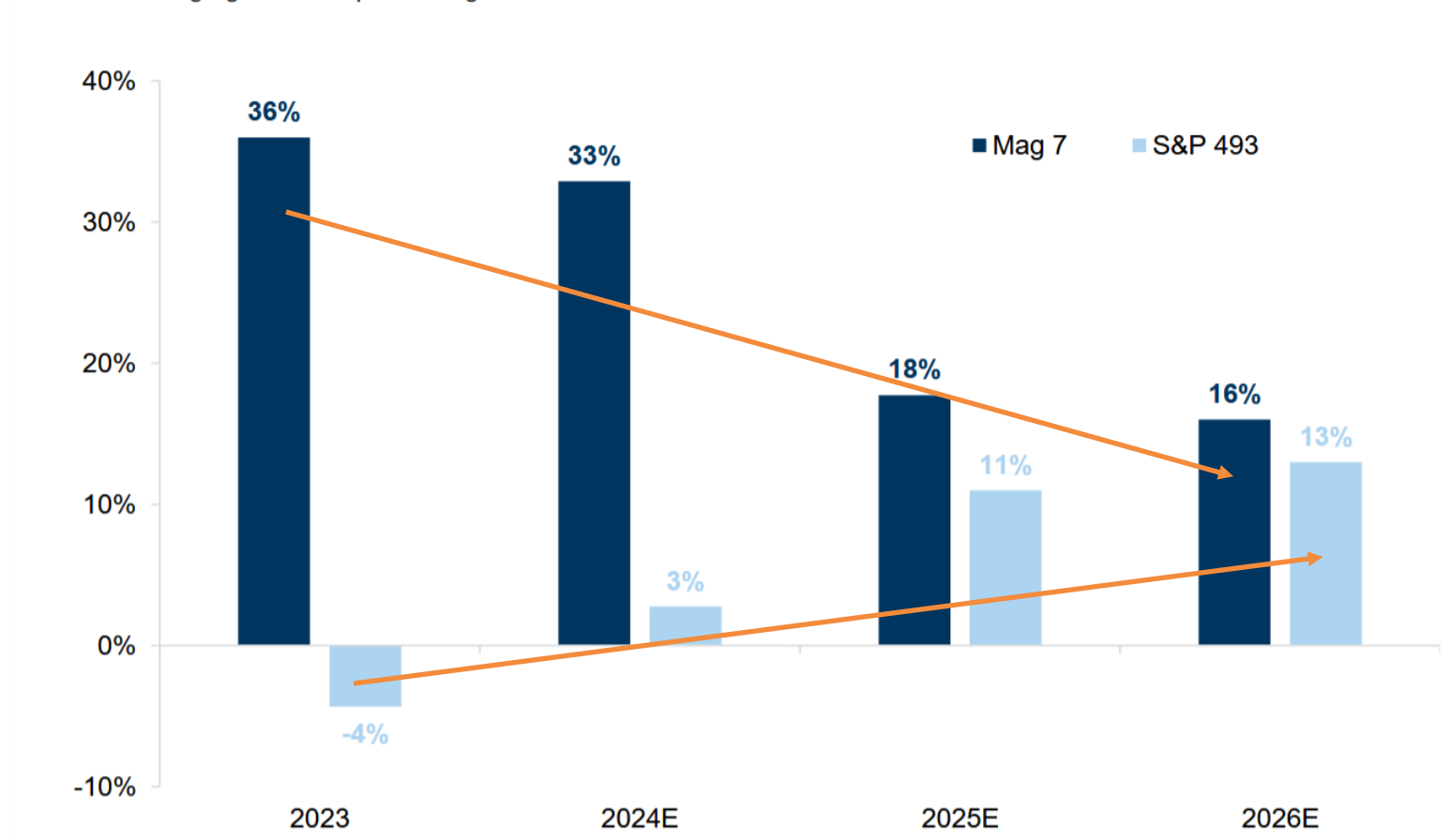


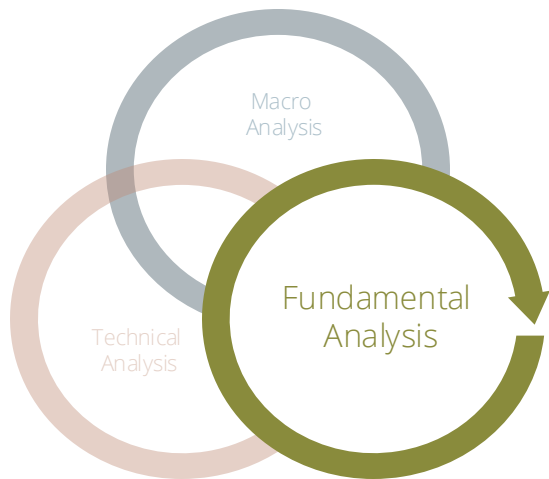


Growth Rate Rebalancing

The growth gap between the Mag-7 and the rest of the market is expected to close.

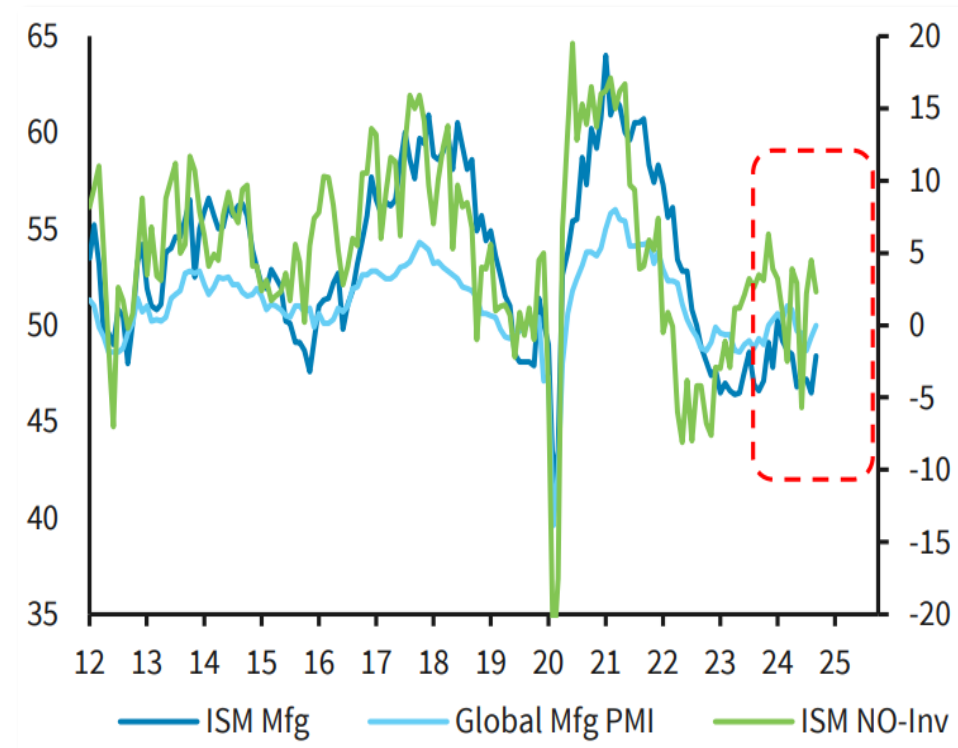
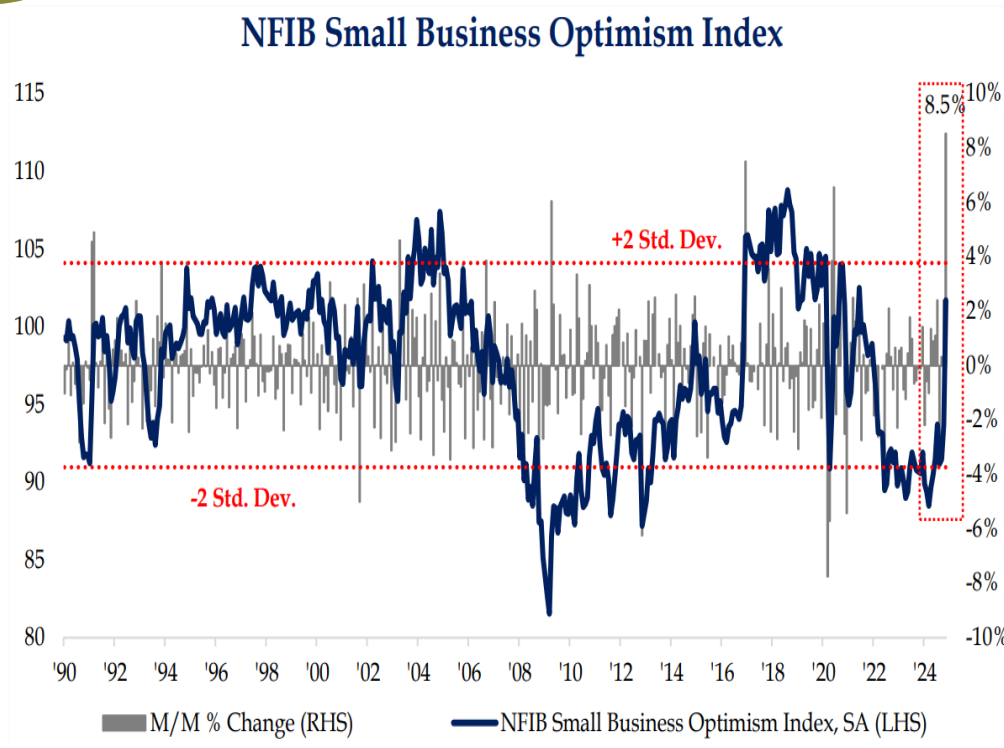
Annual earnings growth. Expected figures are based on consensus estimates





Business Confidence

CEO confidence remains at healthy levels. We remain encouraged by the prospects for elevated capital spending.



Themes for 2025

Actionable Opportunities in 2025



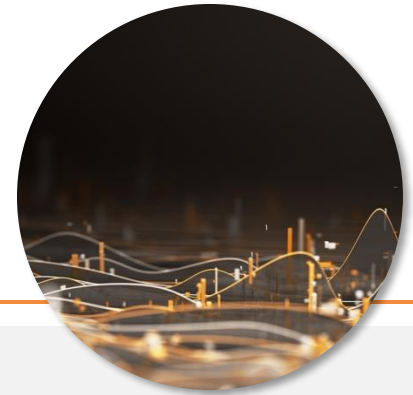
AI / POWER GENERATION

- AI is a new industrial revolution
- Power generation inadequate
- Widespread adoption of AI technologies is still in its infancy



CAPITAL INVESTMENT

- Financials: M&A, IPO revival, deregulation
- Industrials: CapEx spending has been below trend over the past several years



STAY ACTIVE

- Narrowness will likely broaden out – “barbell” approach
- Increased volatility will provide opportunities for stock selection due to mispricings

Q & A

Thank You

For additional questions or to schedule an introductory consultation, please contact us at bakerave.com/contact or email us at info@bakerave.com



Purpose. Passion. Performance.

Since 2004, BakerAvenue has guided clients through personal and professional transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations and endowments.

We're headquartered in San Francisco with offices in New York, Dallas, Houston, Seattle, San Diego, Sun Valley and Naples.