

MARKET MINUTE

An investment report from the Kansas Methodist Foundation

Rate of Return:

As of December 31, 2024 net-of-investment fees

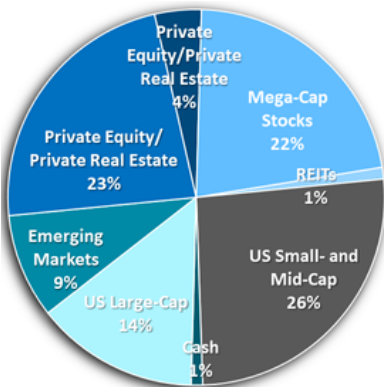
Fund Name	Annualized						
	Dec '24	4th Qtr	1 Year	2 Years	3 Years	5 Years	10 Years
Balanced Fund	-2.86%	-1.62%	8.85%	11.55%	1.05%	5.90%	6.58%
Benchmark	-2.28%	-1.27%	11.61%	13.58%	2.71%	6.67%	6.98%
Equity Fund	-3.59%	-0.99%	13.94%	16.98%	2.58%	8.57%	8.75%
Benchmark	-2.73%	-0.48%	17.71%	19.98%	5.50%	10.00%	9.39%
U.S. Equity Index Fund	-3.04%	2.72%	23.87%	24.98%	7.84%	13.81%	-
Benchmark	-3.06%	2.63%	23.81%	24.88%	8.01%	13.86%	12.55%
Fixed Income Fund	-1.51%	-2.64%	2.73%	5.32%	-1.09%	0.70%	2.24%
Benchmark	-1.47%	-2.61%	2.28%	4.38%	-1.90%	0.29%	1.98%
Short Term Income Fund	0.53%	1.26%	5.01%	4.58%	3.49%	2.68%	1.95%

*Historical returns are not indicative of future performance. The Balanced Fund returns represent the historical return for the Wespath Multiple Asset Fund (100%) until October 2024, when the asset allocation changed to Wespath U.S. Equity Fund (25%), Wespath U.S. Equity Index Fund (20%), Wespath International Equity Fund (20%), and Wespath Fixed Income Fund (35%). The Equity Fund returns represent the historical data for the Wespath U.S. Equity Fund (55%) and the Wespath International Equity Fund (45%) until October 2022, when the asset allocation changed to Wespath U.S. Equity Fund (45%), Wespath U.S. Equity Index Fund (20%), and Wespath International Equity Fund (35%), and subsequently changed October 2024 to Wespath U.S. Equity Fund (40%), Wespath U.S. Equity Index Fund (40%), and Wespath International Equity Fund (30%). The U.S. Equity Index Fund is the Wespath U.S. Equity Index Fund. The Fixed Income Fund performance is the Wespath Fixed Income Fund. More information about the funds and benchmarks can be found at <https://www.wespath.com/funds>. The Short Term Income Fund is a combination of multiple investment instruments of the Foundation. The Foundation hired Wespath Institutional Investments on November 1, 2019. The Administration Fee of the Foundation is not included.

KMF Funds:*

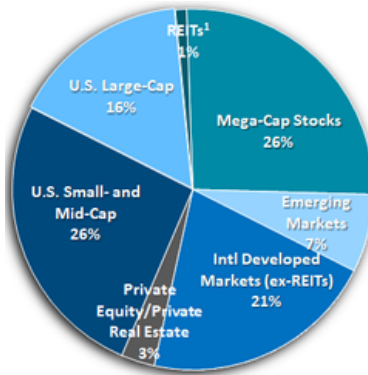
Balanced Fund

65% Equities
35% Fixed Income



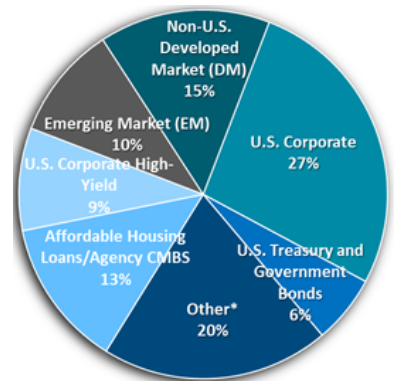
Equity Fund

45% US Equities
20% US Equity Index Fund
35% International Equities



Fixed Income Fund

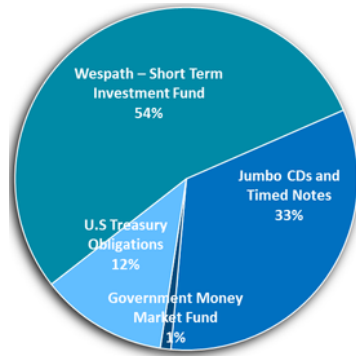
100% Fixed Income



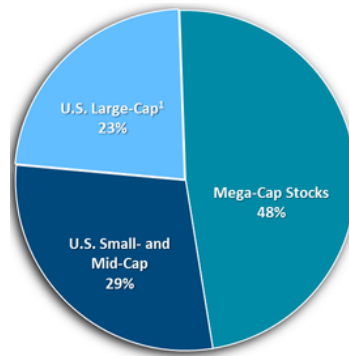
*Fund allocations as of March 31, 2024. Investors can choose a mix of their choice from the funds provided by KMF.

KMF Funds cont'd:*

Short Term Income Fund**



US Equity Index Fund (Track Russell 3000)



Certificate of Participation

A Certificate of Participation provides the security of a fixed income type vehicle at competitive rates for 1-year and 2-year investments. Certificates of Participation are the funding source of KMF's Church Development Loan Fund, providing loans throughout the Great Plains Conference.

The current rates KMF is offering for our Certificates of Participation are:

- 2.25% for one year
- 2.25% for two years

*Fund allocations as of March 31, 2024. Investors can choose a mix of their choice from the funds provided by KMF. WII stands for Wespath Institutional Investments.

“Magnificent 7” Continue to Lead, National Deficit Continues to Grow

U.S. small-cap stocks rallied in the wake of the election, in part because they were the winning asset class after the 2016 election—but also thanks to expectations of deregulation and tariffs that may favor smaller companies. However, as yields continued to rise in December and the Fed signaled fewer rate cuts in 2025, the broad U.S. market pared gains and small caps closed the quarter behind large caps. The “Magnificent 7” stocks (Apple, Amazon, Alphabet, Meta, Tesla, Microsoft and Nvidia) once again outperformed the broad market in Q4, gaining 20%, fueled by Tesla’s gains of more than 50%.

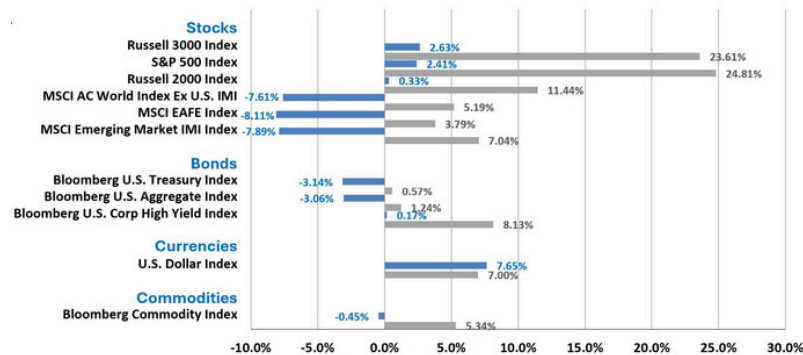
International stocks fell on the quarter as the macro background for international markets remains soft. Economic growth is weak around the globe, and international earnings are growing slower than in the tech-heavy indexes of the United States. This sluggishness was exacerbated following the U.S. elections in November, as investors continue to evaluate how much of the tariff talk is meant for negotiating versus real policy that could impact international companies.

Observers could argue that a major factor driving the current “U.S. exceptionalism” is our fiscal deficit of an eye-watering 6.2% of GDP. In Q4, the Congressional Budget Office reported an 8% increase in the deficit for the fiscal year ended September 30, 2024, bringing the total national debt close to \$36 trillion. As the U.S. continues to grow its deficits, the need for U.S. Treasury debt issuance also grows, which helps explain some of the rise in yields.

Still, even as yields have risen, credit spreads on corporate and high-yield bonds remain near all-time lows. This implies continued confidence in the strength of the economy and low concerns about defaults. Amid very-low spreads, bonds’ total yield-to-worst—a popular valuation metric for bonds which measures the lowest possible yield for a bond held to maturity without default—likely remains attractive for investors concerned about the expensive valuations of certain equities.

Key Takeaways from Q4

- **GDP**—U.S. GDP growth for the fourth quarter is estimated at 3.1%, per the U.S. Federal Reserve (Fed) Bank of Atlanta’s GDP Now forecast. Full-year GDP growth is expected to be 2.7%. This is slightly stronger than the 2.5% growth seen in 2023.
- **Inflation**—U.S. inflation is leveling out, with the Consumer Price Index (CPI) rising 2.7% year over year in November, in line with expectations and modestly higher than the 2.5% rate recorded in August.
- **Jobs**—The unemployment rate in the U.S. remained relatively stable at 4.2% for November. However, this rate is higher than a year ago; in November 2023, the unemployment rate was 3.7%.
- **The Fed**—On December 18, the Federal Reserve (Fed) cut its benchmark rate by 25 basis points to 4.25% – 4.50%. This was the third consecutive rate cut, but the Fed’s post-meeting statement indicated a more balanced view. Futures markets are now pricing in just two cuts of 25 basis points in 2025.
- **Stocks**—The S&P 500 gained 2.4% for the quarter and 24.8% for 2024. In international stock markets, the MSCI ACWI ex-U.S. IMI fell 7.6% and the MSCI Emerging Market IMI Index dropped 7.9% in Q4.
- **Bonds**—Yields spiked in Q4, with the U.S. 10-year yield bottoming near 3.65% in September and pushing higher to end the year near 4.57%. The yield curve has risen on expectations of stronger U.S. growth and inflation in 2025.



Fund Portal Access

Throughout the past year, KMF has moved our sub accounting system to a new platform. This upgrade allows our donors and partners to view their funds via an online fund portal. To access this portal, you can go to our website, www.kansasmethodistfoundation.org and click on a button called Access My Fund at the top right of our homepage. You can also use this link: <https://kmf.fcsuite.com/erp/portal>.

You will need to establish a username and password. The ideal username is the email address where the fund statement is emailed to. If you click on “Forgot Password,” then you will receive a link via email to create your password. If this process does not work, please contact the Foundation to manually set up your username.

This portal will allow you to see asset allocations, documents related to each fund linked to you, and recent activity. Additionally, you can review past activity and see previous statements. Another benefit provided by this new upgrade is that fund advisors can initiate distributions or withdrawals from the online portal.

If you have questions or problems, please contact Gloria Markus, Director of Finance, at gloria@kansasmethodistfoundation.org or 620-664-9623. Thank you for your partnership and generosity.

Wespath Announcement

Looking Ahead

Heading into 2025, Wespath and other investors will continue to watch for signs that the U.S. economy is robust and that inflation is contained under 3%. But perhaps even more than growth and inflation, we may expect a heightened focus this year on earnings. Can U.S. companies continue to deliver earnings growth at a double-digit pace? And will U.S. earnings growth continue to outpace those of international markets?

Notably, earnings for small- and mid-cap companies are currently estimated to grow faster than the Magnificent 7 in 2025, which would reverse the trend of the past two years. And at the same time, U.S. small caps are the cheapest they've been in terms of price-to-earnings relative to large caps in about two decades.

As for whether the U.S. exceptionalism theme is likely to continue, investors may need to see another catalyst or two for a reversal. The U.S. remains the world's dominant growth engine for both GDP and earnings. We're not seeing any immediate indications of lower deficit spending to come, and U.S. companies will likely continue to benefit from the AI trend. Plus, a strong U.S. dollar and "higher for longer" U.S. interest rates could add additional headwinds for international markets since investors can earn relatively high interest rates in a stable currency.

Of course, U.S. outperformance will not last forever. Perhaps the trend reversal will be triggered by softer-than-expected earnings results, especially from the Magnificent 7. We know that markets climb a "wall of worry," and satisfying earnings expectations will be a theme on that wall this year. Some others that could impact both U.S. and international results include:

- Tightening of liquidity
- An unexpected sharp uptick in inflation leading to interest rate hikes
- The implementation of higher tariffs, leading to slower growth and higher inflation
- Continued turbulence in G20 governments, leading to political uncertainty and the continued rise of populism globally
- Escalations of the wars in Ukraine and the Middle East
- Further economic weakness in China, dragging global growth lower
- Widening of credit spreads off near-record lows

And many more unknowns and uncertainties. But remember: We're constantly climbing this wall. A long list of potential risks at the beginning of a new year is neither unprecedented nor an endorsement of a particular strategy. As we've written many times before, our investment approach is intentional about taking a long-term view and weathering these types of near-term question marks. Truly patient investing means aligning our strategies with a focus on intrinsic value rather than popularity contests or short-term trends.

As an organization, we're excited for another year of growth and opportunity. We're focused on deepening our relationships with the clients we support, while also building new relationships and connections. And as always, we'll be seeking to do so while continuing to deliver the exceptional service and tailored solutions you've come to expect. We look forward to the progress we'll make together!

Let's Connect

If you have questions about your account or fund performance, contact Dustin Petz, President and CEO of the Kansas Methodist Foundation.

Email: dustin@kansasmethodistfoundation.org

Phone: 620-664-9623



"You will be enriched in every way so that you can be generous on every occasion, and through us your generosity will result in thanksgiving to God."

- 2 Corinthians 9:11