Champion Advisors LLC
Wealth Management

January 2025

Dear Client,

Global Equity Markets showed solid returns, continuing their positive performance for the fifth consecutive quarter by the end of 2024. Historically, stocks have delivered positive returns in three out of four years from 1926-2024, and, with that, have produced a growth rate above 10%. While performance over the past five years has been excellent, 2022 saw a downturn generating negative outlooks for many investors.

Returns have been good and optimism is higher; however, downside risk remains. The Goldman Sachs *Global Strategy Paper No. 71* made headlines this past fall predicting the S&P 500 will deliver returns of only 3% over the next 10 years based on two main ideas:

- **Current valuations for the S&P 500 are high.** The price relative to a dollar of earnings is near its all-time high since 1930. Starting valuations are far from a perfect predictor of performance but they currently point to muted returns going forward.
- **Market concentration is at an elevated level.** The authors of this paper showed that it is extremely difficult for a company to maintain high levels of sales growth and profit margins over long periods. The same goes for a highly concentrated index. According to the report, "As sales growth and profitability for the largest stocks in an index decelerate, earnings growth and therefore returns for the overall index will also decelerate."

Major changes to investor portfolios may not be recommended, but that does not mean that it is not an ideal time to conduct a portfolio review. It may be appropriate to update your financial plan to see if there is an opportunity to realize gains in US stocks and redeploy into international stocks with more attractive valuations, lower risk fixed income assets, or Champion endorsed alternative strategies.

As you know, Champion Advisors has enjoyed a 20+ year business relationship with Dimensional Fund Advisors, and we believe they are still the finest investment firm out there. Attached to this letter is an article from DFA that does an excellent job of detailing our reasoning behind our opinion. You can rest assured that your long-term investment portfolios are in the best hands.

As always, please do not hesitate to contact Barrett or myself to discuss anything regarding your financial plans, changes in your personal circumstances, or if you have any questions about your individual portfolio. We are here to help in any capacity, and we look forward to seeing you in the new year!

All the best,

Thomas E. Tucker

Tommy Tucker

Champion Advisors LLC
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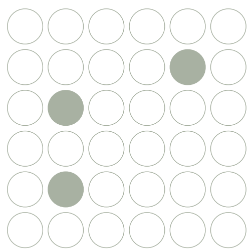
Dimensional

There's Stock Picking. There's Indexing. Then There's Dimensional Investing.

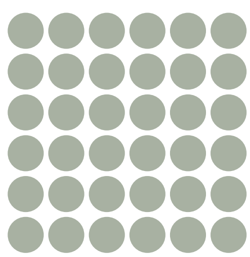
STOCK PICKERS

Try to outguess the market by finding pricing "mistakes."



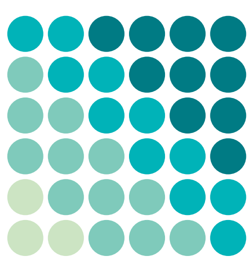
INDEXERS

Seek market returns by tracking an index.



DIMENSIONAL

Trust the market. Use information in market prices and a systematic approach to target higher expected returns.



There are many types of investing, from active methods that seek to outguess the market to passive approaches that try to track market indices. Dimensional Investing is different.

- Stock pickers and market timers look for what they believe are pricing mistakes, making bets on what they think the stock market has missed. But research shows little evidence of any consistent success with these traditional active investing approaches.
- Indexers rely on index providers to tell them what to hold and when to buy and sell, which can result in lower returns and higher trading costs. Long periods between index rebalancing can also lead to style drift—holding assets that don't align with an index's targeted asset class.
- Dimensional draws on insights from financial science and our internal research team to emphasize areas of the market that have higher expected returns. Then we seek to add value through daily implementation, using a systematic yet flexible approach to buy and sell securities.

Dimensional isn't held back by the constraints of index investing, but we take a more systematic approach than active stock picking. That's how we aim to deliver better outcomes for investors.

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