



FINANCIAL INSIGHTS

FOURTH QUARTER COMMENTARY 2024

The Socha Financial Group team expresses our gratitude for your continued trust throughout the past year. We aspire to continued improvements and providing you with exceptional service and guidance in the coming year. We truly wish everyone a New Year of personal success and fulfillment.

Socha Financial Group portfolios performed well in 2024, as we were significantly underweight in international markets as well as low capitalization stocks and overweight in large cap US equities. The low-risk portion of the portfolio also performed well relative to the US aggregate bond index.

Seven stocks, better known as the Magnificent Seven have contributed 55% of the performance in the S&P. These stocks are Apple, Microsoft, Nvidia, Amazon, Google, Meta (formally Facebook) and Tesla. Since their inception these companies have had tremendous earnings growth. The remaining companies within the S&P ex-the Magnificent Seven have performed positively but, with much slower growth.

The world index excluding the US markets, i.e. the performance of all equity markets outside of the US, has significantly underperformed the US markets. For this reason, our portfolios continue to avoid direct exposure to international markets.

The US aggregate bond index returned 1.31%. The aggregate bond index represents the returns of fixed income investments. Fixed income investments are vehicles which pay a dividend on borrowed money and tend to have lower returns and volatility compared to equities. Their role in a portfolio is primarily for diversification and capital preservation. The long-term return of the US aggregate bond index is disappointing. To improve the risk/reward of the low-risk portion of the portfolio, we have added market neutral long/short and private lending positions to the portfolio to complement a traditional bond portfolio. 2022 was a poor year for bonds as interest rates increased. As inflation has subsided stubbornly, interest rates are slowly coming down, which will benefit traditional fixed income investments.

We don't know what the future will bring; however, the historical 10-year outperformance of the S&P 500 is directly attributed to the very large growth companies of the index. As we noted in our Third Quarter commentary, we did finish a portfolio rebalance in the fourth quarter. On the equity portion of the portfolio, we have allocated an overweighting to US large cap companies like the S&P 500. To achieve diversification, we added alternative investments such as long/short funds which provide good returns but have less volatility than the S&P 500. We believe that these investments will add value to the portfolio beyond the traditional international and equal-weight S&P 500. Additionally, we adjusted our lower risk investments to reflect the current interest rate environment. Active and diversified selection of funds in the lower risk portfolio is intended to increase the opportunity for growth vs. the low performance of the Aggregate Bond Index.

As we begin 2025, there is uncertainty regarding policy and potential for volatility, yet we do have a positive outlook for the markets in the coming year. We feel strongly that having a balanced and diversified portfolio is the path toward controlling the uncontrollable. Our team will continue to actively monitor the landscape to take advantage of opportunities or adjust as policy or the economic environment changes.

All our best,

The Management Team

A handwritten signature in cursive script that reads "Michael, Michelle, Jolie".

Michael, Michelle, and Jolie

Important Disclosure Information

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Socha Financial Group, LLC (“SFG”), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from Socha. Please remember to contact Socha, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Socha is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the SFG’s current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Socha account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Socha accounts; and (3) a description of each comparative benchmark/index is available upon request.

Please Note: Limitations: *Neither rankings and/or recognition by unaffiliated rating services, publications, media, or other organizations, nor the achievement of any designation or certification, should be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if Socha is engaged, or continues to be engaged, to provide investment advisory services. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser. Rankings are generally limited to participating advisers (see link as to participation data/criteria, to the extent applicable). Unless expressly indicated to the contrary, Socha did not pay a fee to be included on any such ranking. No ranking or recognition should be construed as a current or past endorsement of Socha by any of its clients. ANY QUESTIONS: SFG’s Chief Compliance Officer remains available to address any questions regarding rankings and/or recognitions, including the criteria used for any reflected ranking.*