



Q4 2024 Market Update

AllGreen Growth Partners

December 30, 2024

To our valued partners and investors,

Introduction

The final quarter of 2024 felt a bit like the holiday rush. Investors scrambled to capture the year's strong returns, chasing after the final opportunities in much the same way shoppers seek out that last must-have gift before it's gone. But as we know, the most popular items aren't always the best value—and the frenzy can often leave risks overlooked.

In Mid Cap Growth, the frenzy came in the form of concentrated leadership and speculative momentum. Much of the market's gains were driven by a narrow group of companies, fueled by multiple expansion rather than earnings growth. This late-cycle behavior is often accompanied by complacency, and we believe the persistence of inflation adds yet another underappreciated risk to the mix.

Executive Summary

- The Mid Cap Growth index delivered strong headline gains in Q4, fueled largely by multiple expansion and concentrated market leadership. However, the persistence of inflation above 2% continues to present underappreciated risks.
- AllGreen Growth Partners' strategies balanced opportunities in innovation-driven sectors with disciplined risk management, navigating headwinds in areas affected by inflationary pressures and valuation distortions.
- Looking ahead, we believe investors must remain vigilant as lingering inflation risks and stretched valuations increase the potential for volatility and demand a disciplined approach.

Market Recap

The fourth quarter of 2024 saw Mid Cap Growth indexes deliver impressive returns, driven primarily by multiple expansion. The S&P MidCap 400 Growth Index advanced 7.9%, yet much of this performance was concentrated in a narrow subset of companies, with the top decile of

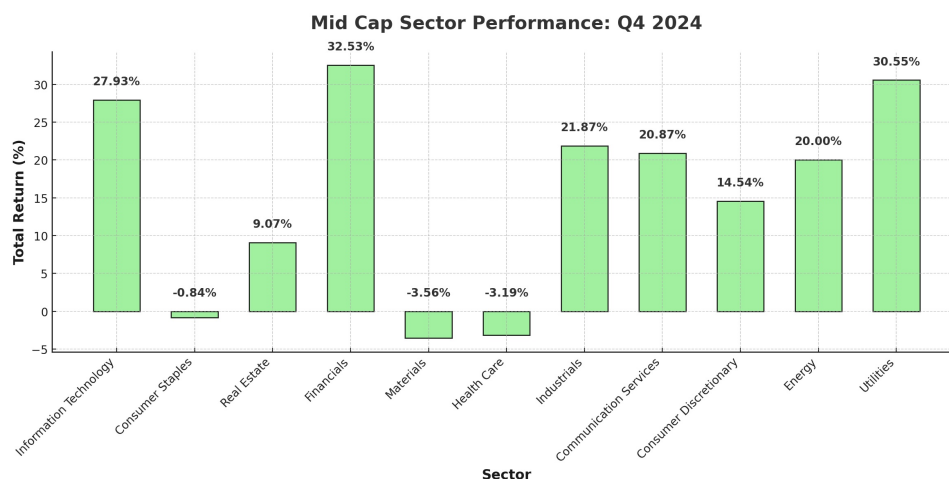
names accounting for over half of the index’s gains. This level of concentration reflects late-cycle behavior often characterized by speculative momentum and elevated valuations.

While investors celebrated a perceived victory in the inflation battle, the persistence of core inflation above 2% continues to erode purchasing power and create headwinds for long-term growth. Moreover, risks of reignition—through supply chain disruptions, commodity price shocks, or wage pressures—are being broadly overlooked. These risks underscore the fragility of market optimism and the importance of disciplined portfolio construction.

Performance Overview

AllGreen Growth Partners’ strategies navigated a challenging environment in 2024, as rising inflation and concentrated market leadership weighed on performance. Our portfolios, designed to prioritize durable growth and risk-adjusted returns, faced headwinds in an environment dominated by multiple expansion and speculative momentum.

Innovation-Driven Sectors: Overweight positions in Technology and Industrials supported returns in the second half of the year, with select holdings benefiting from pricing power and resilient demand. However, these contributions were offset by the broader challenges of valuation compression and investor rotation into mega-cap names.



Inflation-Sensitive Sectors: Exposure to Consumer Discretionary and Healthcare created hurdles, as higher input costs and slower demand impacted margins. This underperformance reflected the broader challenges in navigating inflationary pressures.

Structural Dynamics: The concentrated leadership within Mid Cap Growth indexes presented additional obstacles, with gains disproportionately driven by a narrow subset of names. Our disciplined avoidance of speculative momentum left us underexposed to these high-multiple leaders, impacting short-term results.

While our strategies lagged the S&P MidCap 400 Growth Index for the year, they demonstrated resilience during periods of volatility, particularly in Q3, when market participation broadened. This aligns with our core philosophy: we do not chase momentum at the expense of long-term fundamentals. Instead, we focus on positioning portfolios to capture sustainable growth while protecting against downside risks.

Looking Ahead

As we enter 2025, we remain cautious about the risks posed by persistent inflation and stretched valuations in the Mid Cap Growth space. While inflation has moderated, it remains above target, and the risks of reignition are far from negligible. History has shown that complacency in the face of these dynamics often leads to sharp corrections when markets recalibrate to fundamental realities.

Mid Cap Growth companies that combine innovation with financial discipline will be best positioned to navigate this environment. At AllGreen Growth Partners, we continue to focus on identifying opportunities in businesses with pricing power, sustainable margins, and a commitment to returning value to shareholders.

As the year begins, we encourage investors to avoid the impulse of chasing what's hot and instead focus on what matters most—resilience, durability, and value. Just as thoughtful preparation is key to a stress-free holiday season, a disciplined approach to portfolio construction will be essential to navigating the year ahead.

Thank you, as always, for your trust and partnership. We look forward to continuing this journey together.

Disclaimer

This letter is a fictional sample created for demonstration purposes only.