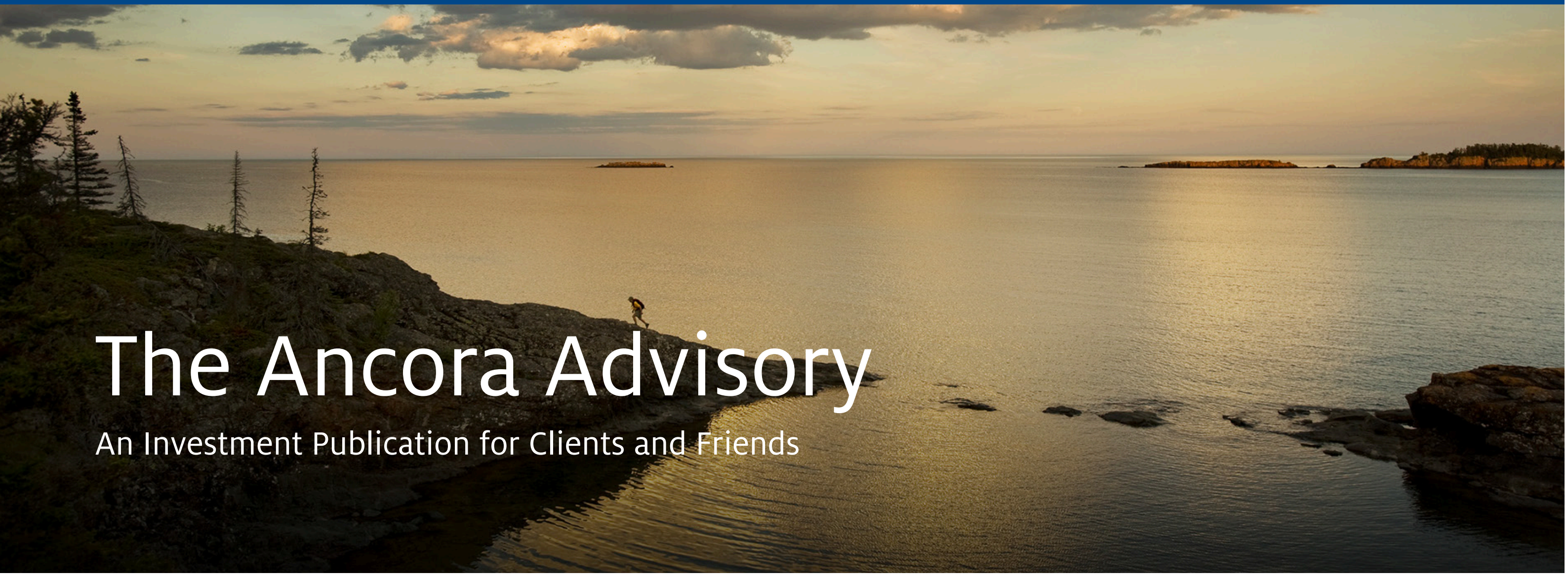


The Ancora Advisory

An Investment Publication for Clients and Friends

Ancora is a private wealth advisor and institutional asset manager focused on building distinctive investment strategies and robust wealth and risk management solutions that help you achieve more

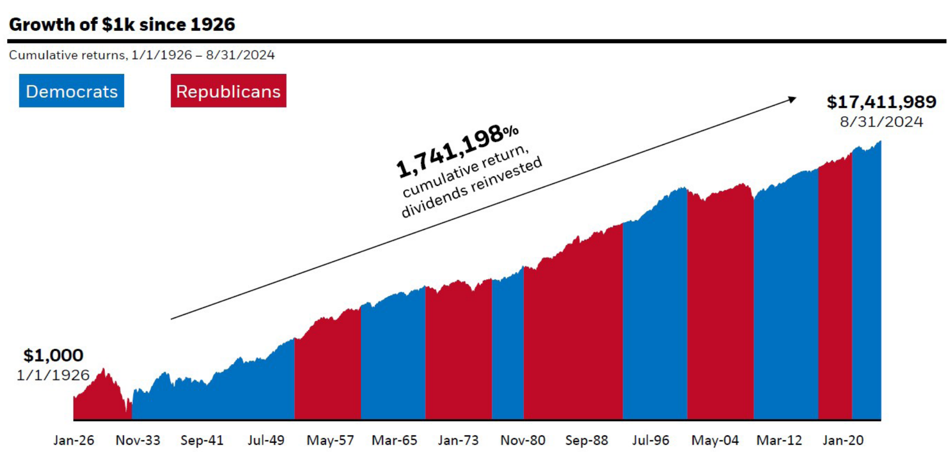
Why Discipline Outweighs Election Noise

John Micklitsch, CFA, CAIA
President & Chief Investment Officer

As we navigate through the outcome of the recent presidential election, it is imperative to remember the fundamental principles that guide our asset and wealth management strategies. The outcomes of elections, while significant in many respects, should not deter us from our long-term financial goals and the disciplined approach that we have adhered to over the years.

History has shown us that markets are influenced by a myriad of factors, of which political changes are just one. While election outcomes can lead to heightened near-term market movements, it is the steadfast commitment to a well-considered investment strategy that ultimately determines success. It is important not to let the transient noise of the current political landscape result in impulsiveness or sway our long-term investment decisions.

We understand that it can be challenging to remain impassive in the face of headlines and market speculations about industries and investments that will do better or worse under a new administration. However, our experience and historical market analysis suggest that a reactionary approach is often counterproductive. We encourage you to focus on the long-term horizon, as it is this



BlackRock Election year special Student of the Market, 11/1/24. Source: Morningstar as of 8/31/24. Stock market represented by the S&P 500 Index from 1/1/70 to 8/31/24 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

perspective that has proven to be most beneficial for wealth accumulation and preservation. One of our favorite illustrations of this point is the preceding chart from BlackRock that highlights the persistence of returns from a diversified stock portfolio across both political parties holding the presidency.

Our teams are dedicated to monitoring the economic and planning implications of the 2024 election outcomes and will continue to provide our clients with informed guidance. We are committed to adjusting our strategies as necessary to align with the evolving economic landscape while maintaining the core principles of our investment and planning philosophy. ◊

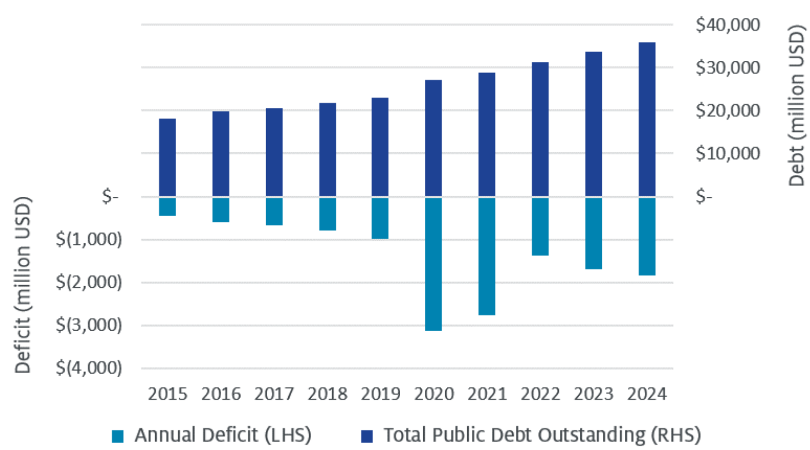
A Warning Shot from Treasury Investors

Kevin Gale
Managing Director, Head of Fixed Income

The bond market has sent a warning shot across the bow to President-elect Donald Trump. The day after the election, treasury yields spiked 15-20 basis points across the board on fears of increased deficits and an uptick in inflation under the new Trump administration. Going back to his days as a businessman, the president-elect is no stranger to debt, and neither is the U.S. Government. Since 2002, the United States has run annual deficits and there is no sign that this will change anytime soon.

Over the past 10 years, the annual deficits in the U.S. have gradually increased (with two outlier years during the pandemic), causing concerns for investors that the United States is taking on more debt than it can handle. The annual deficit for fiscal year 2024 was $1.83 trillion (yes, trillion with a "T"), up from $1.70 trillion the prior year and $410 billion 10 years ago. Total debt in the U.S. has ballooned to $35.46 trillion as of September 30, 2024, up from $12.25 trillion 10 years ago. That translates to U.S. debt reaching 120% of our GDP versus just 60% 10 years ago.

Annual Deficits vs. Public Debt



Source: U.S. Department of the Treasury, showing fiscal years

To add to the deficit issues, over the past two years as interest rates have risen from their historic lows the cost to refinance existing debt and to finance the annual deficit are rising. Annual interest expense for the United States now tops $1.1 trillion, more than double what it was just four years ago. As a percentage of tax receipts, interest expense is now 35%, up from 19.8% in the first quarter of 2022.

President-elect Trump has expressed interest in lowering taxes for many. Some of the proposed tax changes include lowering the corporate tax rate to 15%, making the Tax Cuts and Jobs Act permanent (enacted during his first term as president and set to expire at the start of 2026), making tips and overtime pay tax-free and reinstating SALT (the state and local tax deduction), to name a few. In addition, the president-elect has expressed interest in significant tariffs on foreign goods. While the hope of all of this is to drive production of goods back to the U.S. and increase growth to put more money in the pockets of the consumer, the end result is likely to be bigger deficits and higher inflation if all proposals issued on the campaign trail are enacted.

President-elect Trump's policies have the potential to significantly impact the U.S. deficit and interest rates. While his proposed policies aim to stimulate growth, most economists consider them inflationary, at least in the short term. The bond market is keeping a close eye on the policies that are enacted and how they may impact the deficit and inflation. As a result, treasury yields are likely to experience significant volatility over the next several months. A laddered well-diversified bond portfolio across multiple asset classes within fixed income may help mute the volatility in yields as well as provide solid income to investors. Your advisor would be happy to discuss your fixed income exposure and how you can be better prepared for a potential increase in volatility. ◊

Corporate Cash Flow and the Merits of Capital Allocation

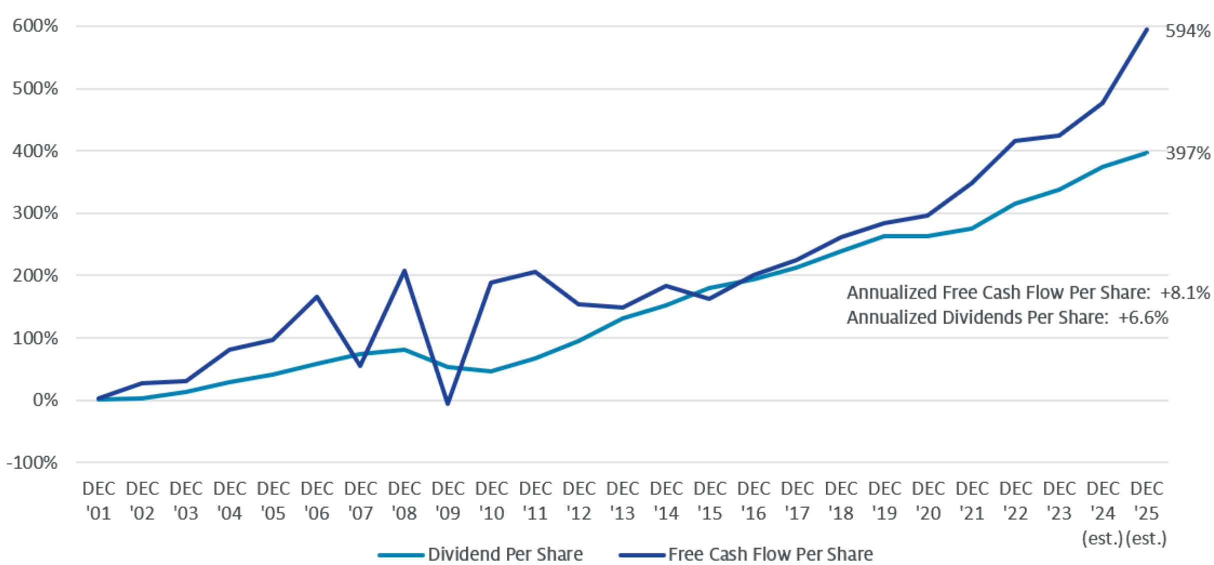
David Sowerby, CFA
Managing Director, Portfolio Manager

U.S. corporate profit and cash flow performance has been a key to the favorable gains achieved for the domestic stock market. Third quarter profitability was impressive and is an important reporting season given companies traditionally provide more commentary on the upcoming calendar year. October and November are the months that both public and private companies typically prepare their upcoming estimates for sales, expenses, earnings and cash flow. Interestingly, mentions of recession during earnings calls have dissipated and the often-used term "soft landing" has gotten more mentions than "hard landing." A soft landing for the economy, meaning no recession, would certainly be welcome, however a bumpy landing is still a distinct probability. For the time being, corporate balance sheets and profit margins remain quite healthy. For households, their balance sheets are in better-than-average condition and the often-discussed health of the U.S. consumer supports strength in spending.

Corporate cash flow is one metric I believe investors should focus on. The chart below shows the long-term case for U.S. stocks backed by favorable free cash flow growth and the accompanying growth in dividends. In the last twenty years, U.S. companies have been better skilled at free cash flow generation. With that free cash flow, the best companies are adept at capital allocation for their shareholders. That can include increasing dividends paid, share repurchases, increased capital spending, mergers and acquisitions and retaining the cash for future growth. As a testament to better free cash flow and capital allocation decision making, the S&P 500 Index has achieved an annualized total return of +11.1% (from 12/31/2002 through 10/31/2024).

Fortunately, we believe the next two years are likely to witness high single-digit growth in U.S. companies' free cash flow and dividends per share. This could become even more important, acknowledging that current market valuations are getting more expensive following stock price gains over the last year.

S&P 500 Index: Dividends & Free Cash Flow Cumulative Growth



Source: FactSet, 2024 and 2025 are estimates based on historical trends

Now that the election is over, investment focus will importantly return to identifying companies that create shareholder value even when Washington policy is still largely uncertain. While the outcome of the election is now known, policy, including spending, taxes and regulation are still uncertain. Companies that are good capital allocators transcend Washington politics for creating shareholder value. ◊

Tracking your Intangibles

Howard Essner, JD
Managing Director, Wealth Advisor

We find that digital assets are often overlooked in estate planning and can seem harder to keep track of than your tangible assets. However, digital assets can also have value and should be accounted for within your estate.

Digital assets can include:

- Email accounts
- Social media accounts
- Online bill paying services (banks, PayPal, etc.)
- Bitcoin and other cryptocurrencies
- Non-fungible tokens (NFTs)
- Domain names for websites
- Digital photos and videos
- Digital rights to literary, musical composition, motion picture, or theatrical works
- Digital accounts in an online betting account
- Blog contents
- Airline miles, hotel points, or any other transferable rewards programs
- Online video channels where the content is monetized and producing an advertising revenue stream for its owner
- Online gaming avatars that offer online goods or services that may be worth real-world money

Without proper documentation and planning, it might be very difficult, or even impossible, for heirs or beneficiaries to access these assets. In many cases, the providers of these accounts may present significant obstacles to access or may completely deny access.

Here are some steps that we recommend taking to keep your digital assets organized and accounted for to ease this process:

- Start by listing all of your digital assets. Include all important passwords, online accounts (including email and social media accounts) and digital property (including domain names, virtual currency and money transfer apps). Note: avoid storing keys and passwords for cryptocurrencies digitally to reduce the chance of digital theft.

- Store your list in a secure location, but make sure a trusted contact knows how to access it. If possible, store the list in a secure cloud vault (such as the one available in your MyAncora client portal), but also save a backup to a local drive on your personal computer.

- Consider using a reputable password manager tool (like Dashlane, LastPass or 1Password) to store your passwords online. Make sure that your trusted contact has access to the master password, or, even better, is authorized as a legacy contact in the software.

- Make a list of all regular bills and how they are paid, especially those set up for autopay.

- For important online and social media accounts, check with the service provider to see if it allows the designation of a legacy contact who can access the account after death of the account owner. Most large online service providers (such as Facebook, Apple, Google) offer this option. Review this data regularly.

- Work with your estate planning lawyer to ensure that your heirs and fiduciaries have access to what they need, especially if documents have not been updated recently. Many states have enacted laws that give fiduciaries greater access, but in some cases, special language may be needed. ◊

As always, don't hesitate to contact your Ancora advisor or relationship team if you have any questions or would like to learn more about these topics. Visit our website at www.ancora.net to find other news and insights from the investment professionals at Ancora.

Market Data Center

As of 10/31/2024

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	-0.9%	3.6%	14.0%	20.7%	37.6%	28.1%
Dow Jones	-1.3%	2.7%	11.4%	12.2%	28.5%	22.1%
Russell 2000	-1.4%	-2.4%	11.8%	9.4%	33.9%	-1.1%
Russell 1000 Growth	-0.4%	4.6%	16.1%	23.8%	43.4%	27.4%
Russell 1000 Value	-1.1%	2.9%	10.4%	15.1%	30.5%	20.0%
MSCI EAFE	-5.3%	-1.4%	4.3%	7.0%	21.9%	7.0%
MSCI EM	-3.1%	3.5%	9.1%	11.3%	23.9%	-6.8%
NASDAQ 100	-0.9%	2.9%	14.3%	18.6%	38.8%	27.2%

Dividend Yield	NTM P/E	P/B
1.21%	21.8x	4.9x
1.63%	19.2x	4.9x
1.16%	24.8x	1.2x
0.48%	28.9x	12.4x
1.83%	16.7x	2.7x
2.92%	14.1x	1.8x
2.32%	12.4x	1.7x
0.57%	26.5x	7.6x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.73%	-2.5%	0.2%	1.9%	10.4%	-6.7%
U.S. Corporates	5.19%	-3.2%	0.6%	1.7%	14.7%	-9.2%
Municipal Bonds	3.97%	-1.2%	0.1%	0.9%	9.1%	-0.8%
High Yield Bonds	7.39%	-1.0%	2.3%	6.9%	15.5%	5.7%

Key Rates	10/31/2024	9/30/2024	7/31/2024	4/30/2024	10/31/2023	10/31/2021
2 yr Treasury	4.16%	3.64%	4.26%	5.03%	5.06%	0.49%
10 yr Treasury	4.28%	3.79%	4.05%	4.68%	4.90%	1.55%
30 yr Treasury	4.48%	4.13%	4.34%	4.79%	5.06%	1.94%
30 yr Mortgage	7.23%	6.68%	7.04%	7.55%	8.06%	3.14%
Prime Rate	8.50%	8.00%	8.50%	8.50%	8.50%	3.25%

Commodities	Level	1 month	YTD
Oil (WTI)	70.61	3.6%	-1.5%
Gasoline	1.89	-5.7%	-8.3%
Natural Gas	2.71	-7.2%	16.6%
Propane	0.81	20.5%	21.1%
Ethanol	1.47	-6.1%	-9.0%
Gold	2,757	3.7%	33.1%
Silver	32.83	4.3%	36.3%
Copper	4.33	-3.7%	11.5%
Steel	735	-5.2%	-35.2%
Corn	4.11	-3.2%	-12.7%
Soybeans	9.80	-5.7%	-23.9%

Data Reflects Most Recently Available As of 10/31/2024