4th Quarter 2024

80 YEARS

JAG CAPITAL MANAGEMENT LLC

Quarterly Comments

Back to Back Bulls

Market Overview

The S&P 500 rose to an all-time high in the fourth quarter and extended 2024's gains as the Presidential election (finally!) moved into the rear-view mirror. Despite a few modest wobbles during the year, corporate earnings growth topped most expectations, the US economy remained on solid footing and the Fed began easing interest rates. The S&P 500 logged a modestly positive return for the fourth quarter, delivering the second-straight year of 20%+ ("Up a Lot") returns.

S&P 500 Total Returns by Year 1926 - 2024

Up a Little (14 out of 99 years, 14.1%)		Up a Lot (59 out of 99 years, 59.6%)					
1947	5.7%	1926	11.6%	1963	22.8%	1996	23.0%
1948	5.5%	1927	37.5%	1964	16.5%	1997	33.4%
1956	6.6%	1928	43.6%	1965	12.5%	1998	28.6%
1960	0.5%	1933	54.0%	1967	24.0%	1999	21.0%
1970	4.0%	1935	47.7%	1968	11.1%	2003	28.7%
1978	6.6%	1936	33.9%	1971	14.3%	2004	10.9%
1984	6.3%	1938	31.1%	1972	19.0%	2006	15.8%
1987	5.2%	1942	20.3%	1975	37.2%	2009	26.5%
1992	7.6%	1943	25.9%	1976	23.8%	2010	15.1%
1994	1.3%	1944	19.7%	1979	18.4%	2012	16.0%
2005	4.9%	1945	36.4%	1980	32.4%	2013	32.4%
2007	5.5%	1949	18.8%	1982	21.4%	2014	13.7%
2011	2.1%	1950	31.7%	1983	22.5%	2016	12.0%
2015	1.4%	1951	24.0%	1985	32.2%	2017	21.8%
		1952	18.4%	1986	18.5%	2019	31.5%
		1954	52.6%	1988	16.8%	2020	18.4%
		1955	31.5%	1989	31.5%	2021	28.7%
		1958	43.4%	1991	30.5%	2023	26.3%
		1959	12.0%	1993	10.1%	2024	25.1%
		1961	26.9%	1995	37.6%		
1929	-8.4%	1930	-24.9%				
1932	-8.2%	1931	-43.3%				
1934	-1.4%	1937	-35.0%				
1939	-0.4%	1941	-11.6%				
1940	-9.8%	1957	-10.8%				
1946	-8.1%	1966	-10.0%				
1953	-1.0%	1973	-14.7%				
1962	-8.7%	1974	-26.5%				
1969	-8.5%	2001	-11.9%				
1977	-7.2%	2002	-22.1%				
1981	-4.9%	2008	-37.0%				
1990	-3.1%	2022	-10.1%				
2000	-9.1%						
2018	-4.4%						
Down a Little (14 out of 99 years, 14.1%)		Down a Lot (12 out of 99 years, 12.1%)					
Up a lot > 10%, Up a Little > 0% <= 10%, Down a Little <0% >= -10%, Down a Lot < -10%							

Source: Morningstar Ibbotson, FactSet, JAG Capital Management

From an investment-style standpoint, growth significantly outperformed value both in the fourth quarter and for the full year. As we have noted repeatedly over most of the past two years, the advent of **Artificial Intelligence** has been attracting heavy investment, leading to strong revenue and earnings growth for a relatively small group of dominant companies. Although the outsized appreciation in the stocks of the so-called "Mag 7" has contributed to the highest market concentration in decades, there is no obvious reason to expect that the market regime will change in the near-to-intermediate future.

Firm Highlights

Time flies when you're having fun! 2025 marks JAG's 80th year in business. Although lots of things have changed over the eight decades since Joseph A. Glynn founded J.A. Glynn & Co. in 1945, our client-first philosophy remains constant. We are grateful to those who came before us at JAG, including Joe and his successor, Dan Ferry. We will continue to do our best to live up to their legacies.

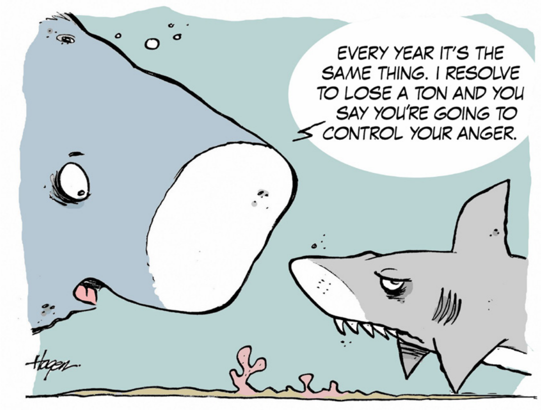
Congratulations to our valued team members, **Bob Berger** and **Charles O'Rourke**. Bob was recently promoted to Fixed Income Trading Supervisor & Senior Operations Specialist. Charles was recognized for embodying our **Collaborative** Core Value. Since joining JAG in July 2023, Charles has quickly become a key member of our investment research team. As a Fixed Income Analyst, he has delivered excellent client service and collaborates daily with his colleagues across our firm.

The team at JAG is blessed to have the opportunity to work with Bob and Charles.

Wgt of Largest 7 (blue) and 10 (red) Members of the S&P 500
March 1979 - Dec 2024

Source: Siblis Research, JAG Capital Management

As we described in our **Growth Equity Thematic Insight** last quarter, market history has shown that it is not unusual for a handful of stocks to drive the majority of long-term shareholder returns. Hendrik Bessembinder, a finance professor at Arizona State University, examined the performance of 28,114 individual stocks from 1926 to 2022. He uses Shareholder Wealth Creation (SWC) as a key metric to evaluate each stock's performance by measuring the wealth the stock generates above the returns of 1-month Treasury Bills (T-Bills) since it came public.



Source: CartoonStock.com

To us, Bessembinder's most striking finding is that only 41.4% of stocks outperformed T-Bills during their lifetime. Effectively, this means that most stocks failed to outperform cash and equivalents. Furthermore, Bessembinder finds that a small group of strong-performing companies have had an outsized impact on the long-term performance of market-capitalization weighted indexes like the S&P 500. For example, Apple (AAPL) alone is responsible for nearly 5% of the total $55.1 trillion of wealth created by the stock market since 1926. The top five wealth-creating stocks (Apple, Microsoft, Exxon, Alphabet, and Amazon) accounted for more than 14% of all shareholder wealth created over the last 99 years. The reasons that these companies have been so successful are varied, but they have all shared an ability to address large market opportunities and consistently fend off competitors.

Market Outlook

Markets begin 2025 with high expectations. Along with AI enthusiasm, investors appear to be expecting favorable changes in tax policy, potentially accompanied by pro-business deregulation under the incoming Trump administration, continuation of Fed rate cuts, and smooth sailing for corporate earnings growth and the economy. There are even reasons to hope for a cooling of geopolitical tensions in 2025, as President-elect Trump has publicly advocated for a cessation of hostilities in the Middle East and Ukraine. Reflecting widespread investor optimism, stock valuations are relatively high.

If most of these good things materialize, it would be reasonable to expect another blockbuster year in the stock market. For our part, we begin the year with more measured expectations. Politically, Republicans hold small majorities in the House and Senate. This could make it difficult to delay or derail large, complicated tax cut legislation. Additionally, while investors have focused on potential positives of pro-growth policies, increased trade tensions and possible tariffs could create unanticipated market and economic headwinds.

The economy remains in a sweet spot with solid - if not spectacular – growth, and the Fed can claim a soft landing has been achieved. However, interest rates remain near 15-year highs and inflation appears to be a bit stickier than the Fed had hoped. To us, this creates a potentially negative feedback loop between the stock market and the bond market. If bond investors begin to be displeased with heavy government spending deficits or the rising national debt, they could demand higher interest rates as compensation for real or perceived risks. Although it is difficult to pinpoint "how high is too high" when it comes to interest rates, we can expect that a large increase in borrowing costs would eventually dampen economic growth and act as a headwind to the continuation of the bull market in stocks.

Source: CartoonStock.com

We have no special insight into geopolitics, and we fervently hope progress is made towards resolving the wars in Eastern Europe, Gaza, and Lebanon. Despite our best hopes, any study of the history of human conflict informs us that nothing is guaranteed. To the contrary, it is at least possible that these tragic wars could heat up rather than cool down in the coming year.

For most of the past couple of years, we have described our market stance as "cautiously optimistic." As such, we have been pleasantly surprised by the fabulous returns generated by stocks since the end of 2022. Here in early 2025, we now think that "optimistically cautious" is a more apt description of our mindset. While we would welcome yet another year of strong gains for stocks, we are prepared for more volatility than the markets have experienced in recent years.

Thank you for your ongoing trust and confidence in JAG. We wish you and yours a healthy, safe, prosperous, and Happy New Year.

Best,

Norm

Norm Conley
CEO, Chief Investment Officer & Portfolio Manager

Disclosures

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Ownership: Fifty-one percent ownership by a Veteran or Veterans. The applicant must share in all risk and profits commensurate with their ownership interest.

Control and Management: Proof of active management of the business. Veteran must possess the power to direct or cause to direct the management and policies of the business.

Contribution of Expertise and Capital: Contribution of capital and/or expertise by Veteran owner(s) to acquire their ownership interest shall be real and substantial and be in proportion of the interest acquired.

Independence: The Veteran owner(s) shall have the ability to perform in their area of specialty/expertise without substantial reliance on non-Veteran-owned businesses.

About JAG

JAG Capital Management (JAG) actively invests for institutions and individuals in highly selective, customizable, and nimble equity and fixed income strategies. JAG is a boutique, independent, employee-owned investment management firm in St. Louis.

Learn More About JAG

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