



Chart book

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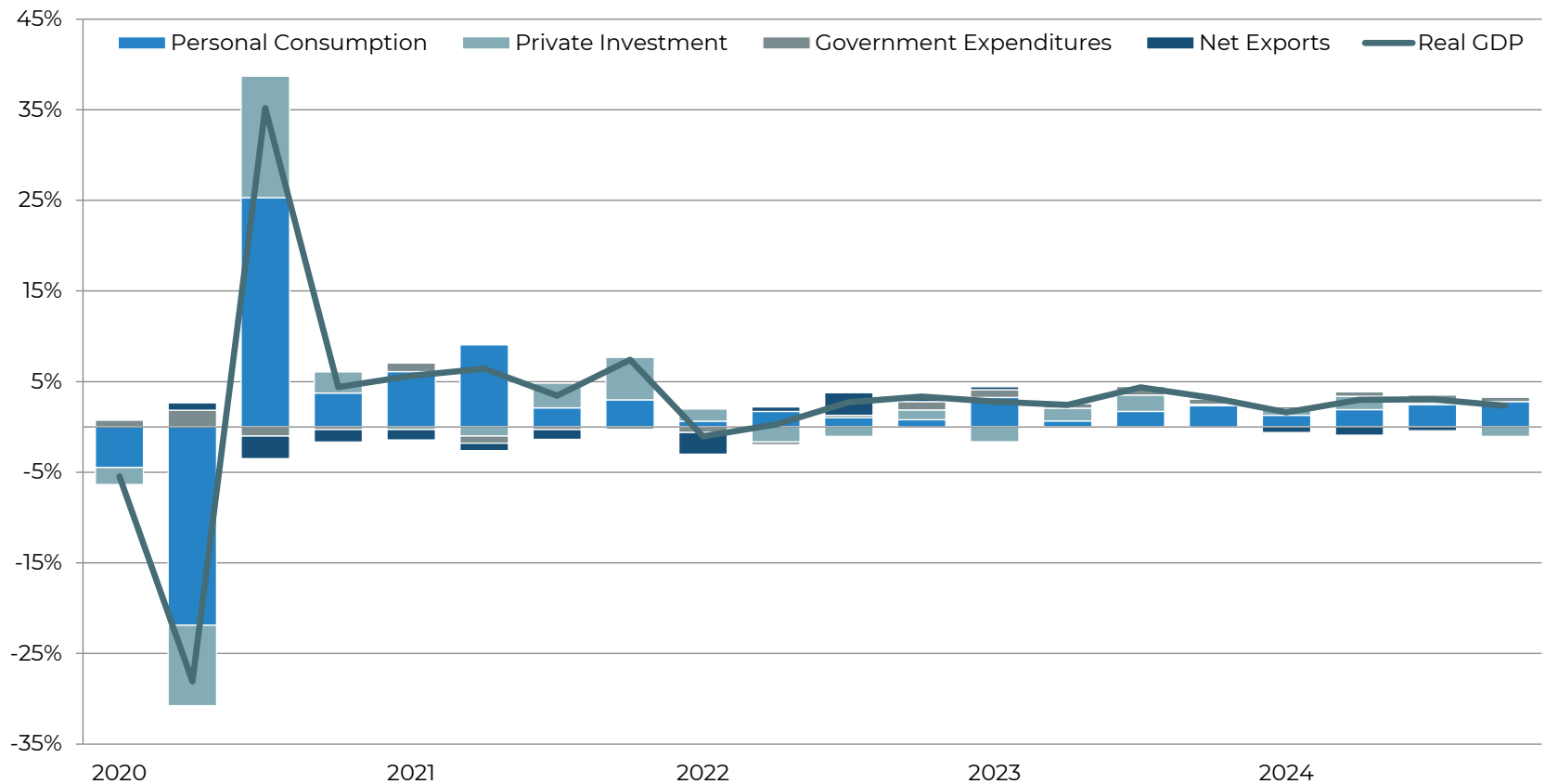


**ECONOMIC
PERSPECTIVE**

According to the Commerce Department, U.S. economic growth slowed in the fourth quarter of 2024, with GDP increasing at an annualized rate of 2.3%, down from 3.1% in the previous quarter. Consumer spending remained strong at 4.2%, but overall growth was impacted by colder weather, lower retail sales, and concerns over tariffs imposed by President Trump, which could raise prices and limit the Federal Reserve's ability to cut interest rates. Government spending cuts and federal worker layoffs also posed risks to the economy. Inflation, measured by the core PCE price index, rose to 2.7%, exceeding earlier estimates. The Fed paused interest rate cuts in January after previously reducing rates by 100 basis points, citing concerns about inflation tied to Trump's policies.

Economic Growth

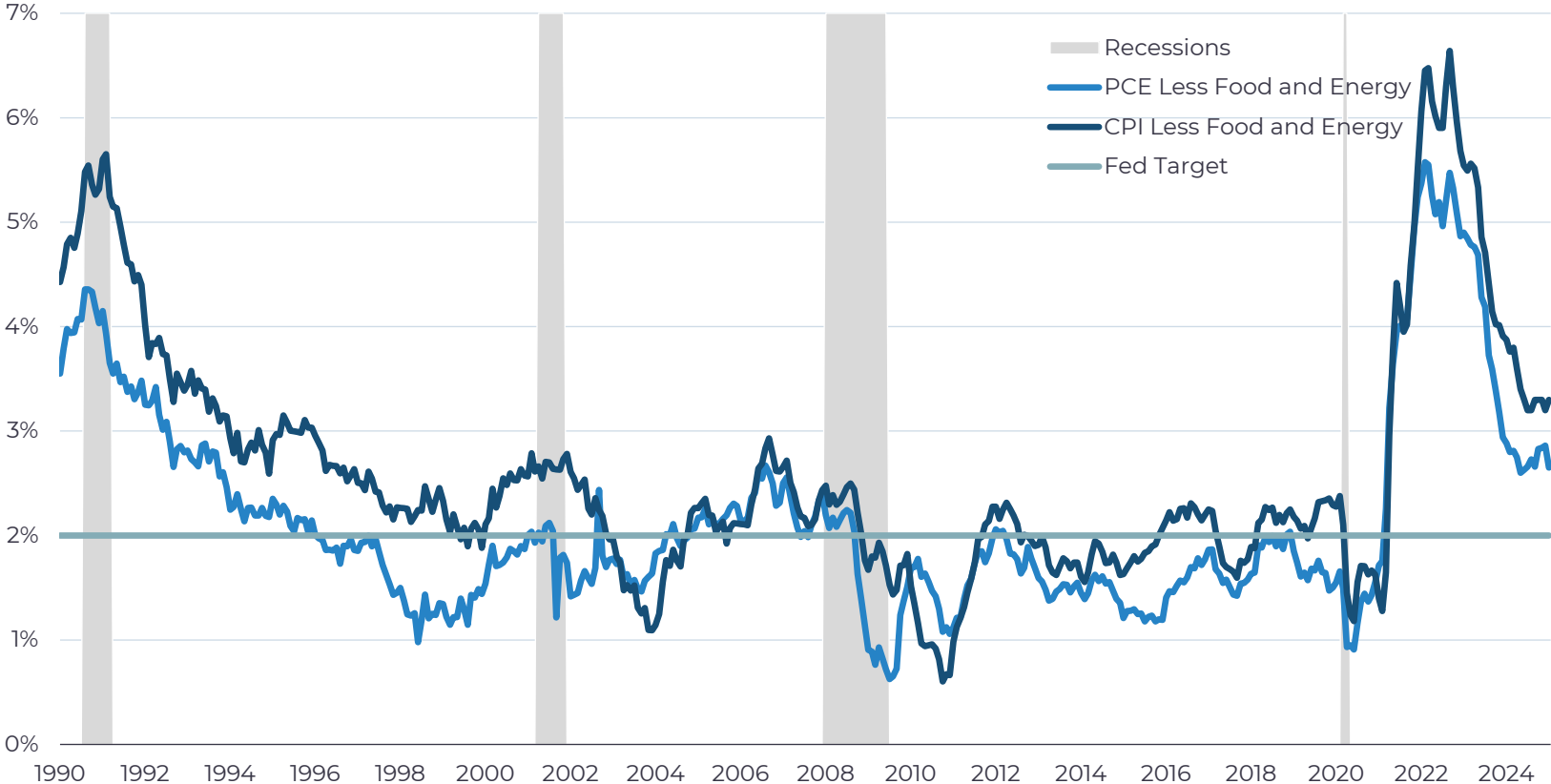
Contributions to Percent Change in Real GDP (Annualized Q/Q % Change)



The January Consumer Price Index (CPI) report showed inflation rising more than expected, with annual inflation hitting 3.0% and core CPI at 3.3%. Higher shelter and transportation costs contributed to inflation, while some categories like clothing and furniture saw declines. President Trump's proposed tariffs may further elevate costs, adding uncertainty for businesses and markets. The unexpectedly high inflation data is delaying expectations for rate cuts, with investors now seeing little chance of a reduction before mid-2025. The Fed has stated they plan on being patient and remaining data-dependent in a wait-and-see holding period until there are clearer signs of economic direction.

Inflation Outlook

Consumer Price Index (Core) and Personal Consumption Expenditures Price Index (Core) (Y/Y % Change)

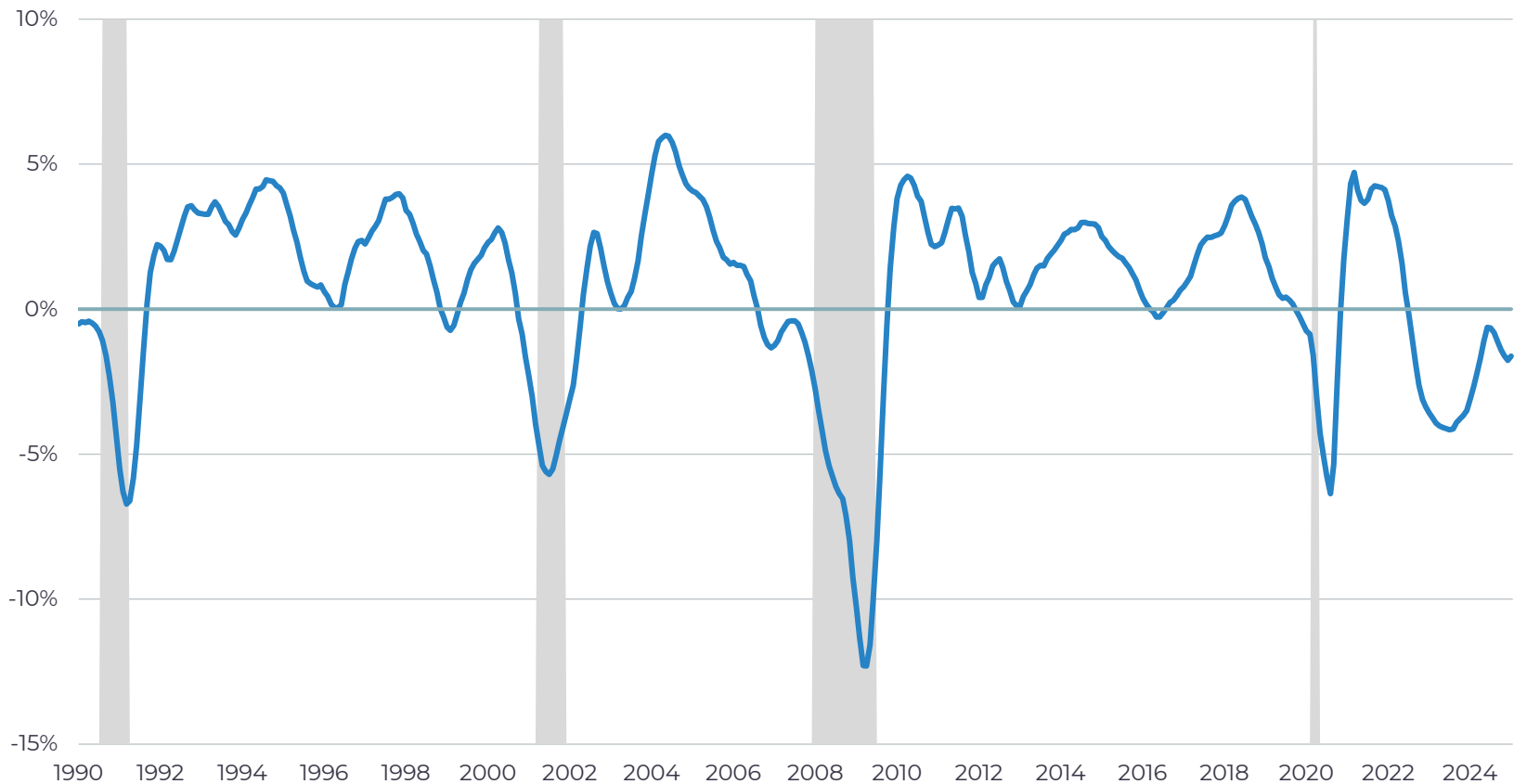


Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (Reported monthly)

According to the Conference Board, the U.S. Leading Economic Index (LEI) declined by 0.3% in January, reversing gains from the previous two months. This drop was primarily due to more pessimistic consumer outlooks and reduced hours worked in manufacturing. Despite the decline, the LEI's six-month and annual growth rates showed improvement, suggesting mild economic challenges ahead. The U.S. Coincident Economic Index (CEI) rose by 0.3%, reflecting positive contributions from industrial production, personal income, and payroll employment. Meanwhile, the Lagging Economic Index (LAG) increased by 0.5%, marking its first positive six-month growth since mid-2024.

U.S. Economic Outlook

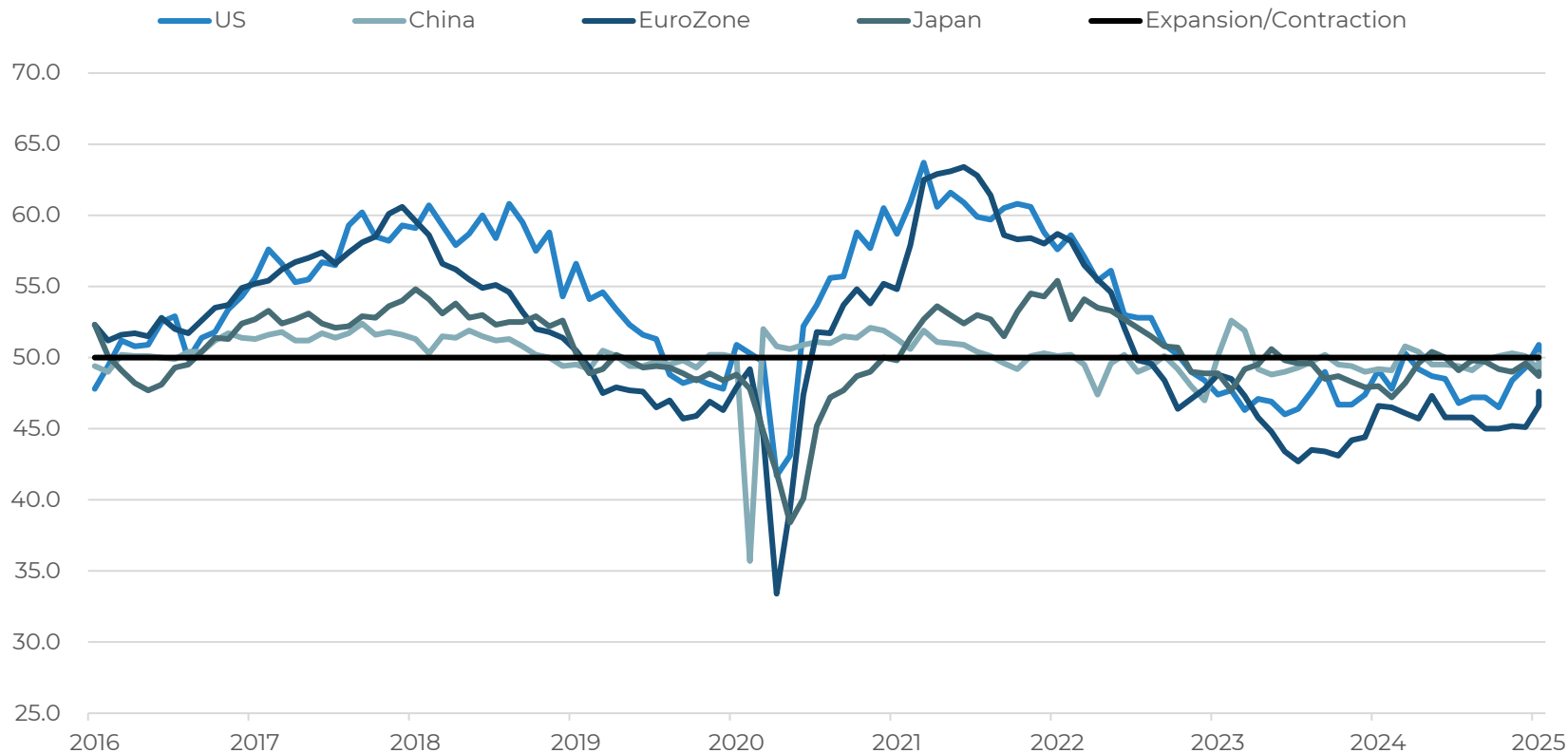
Leading Economic Index (Six-Month Moving Average of the Six-Month Rate of Change)



In February, global economic growth slowed for the second month, with the J.P. Morgan Global Composite PMI falling to 51.5, signaling weaker, but continued expansion. Globally, manufacturing production grew at its fastest pace since June 2024, while the service sector saw a slowdown, particularly in business and consumer services. Growth in new business eased, and employment declined slightly. The U.S. lost momentum, with Japan overtaking it as the fastest-growing major economy. Overall, price increases moderated, but manufacturing cost inflation, especially in the U.S., rose.

Global Economic Outlook

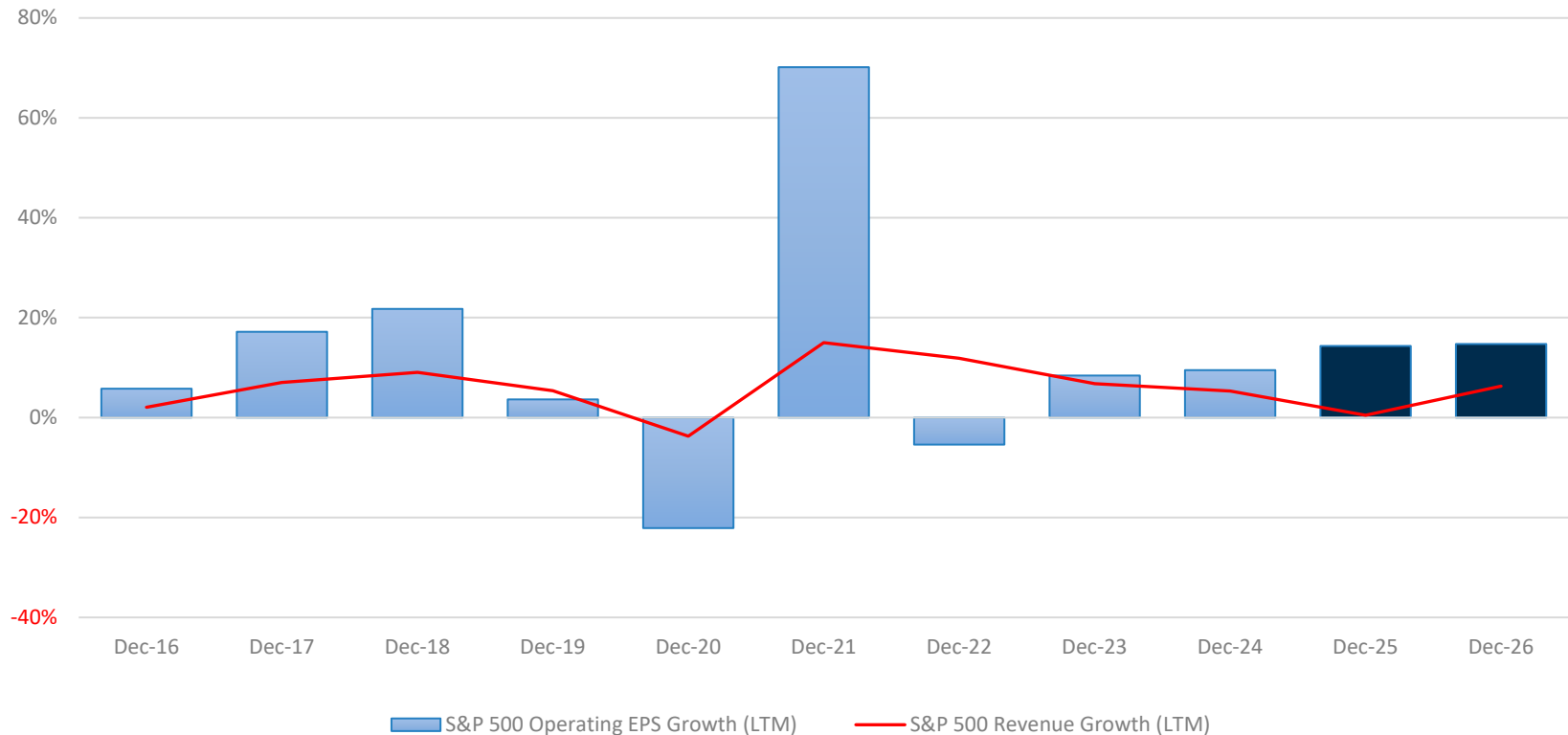
Manufacturing Purchasing Managers Index (PMI) (A PMI over 50 represents growth in manufacturing)



According to FactSet, the bottom-up price target for the S&P 500 over the next 12 months is 6943, which is 21.0% above the closing price of 5739. At the sector level, the Information Technology (+29.2%) and Consumer Discretionary (+28.0%) sectors are expected to see the largest price increases. On the other hand, the Consumer Staples (+7.4%) sector is expected to see the smallest price increase. Overall, there are 12,250 ratings on stocks in the S&P 500. Of these 12,250 ratings, 55.3% are Buy ratings, 39.1% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (64%), Communication Services (63%), and Information Technology (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

Corporate Profitability

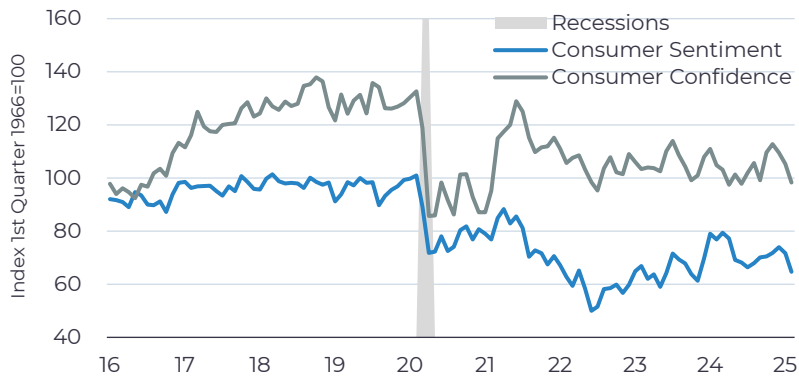
S&P 500 Operating Earnings Per Share and Revenue Per Share Growth (Y/Y % Change)



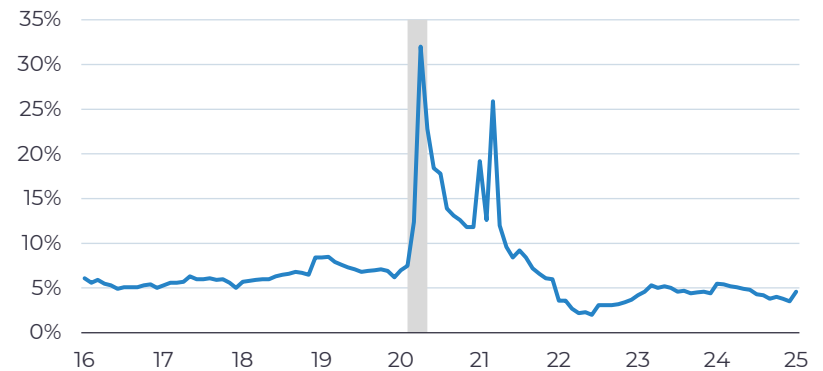
In February 2025, the Conference Board Consumer Confidence Index dropped by 7 points to 98.3, marking the largest monthly decline since August 2021. This decline was driven by reduced optimism about future business conditions, income, and employment prospects, with the Expectations Index falling to a recession-indicating level below 80 for the first time since June 2024. Consumer confidence fell across all age groups, especially those between 35 and 55 years old, and was broadly seen across income groups, except for those earning less than \$15,000 and \$100,000–\$125,000 annually. Inflation expectations increased to 6%, influenced by rising prices on household staples and anticipated tariffs. Pessimism about future financial situations grew, and more consumers expected a recession within the next year.

Consumer Outlook

Consumer Sentiment & Confidence Indexes



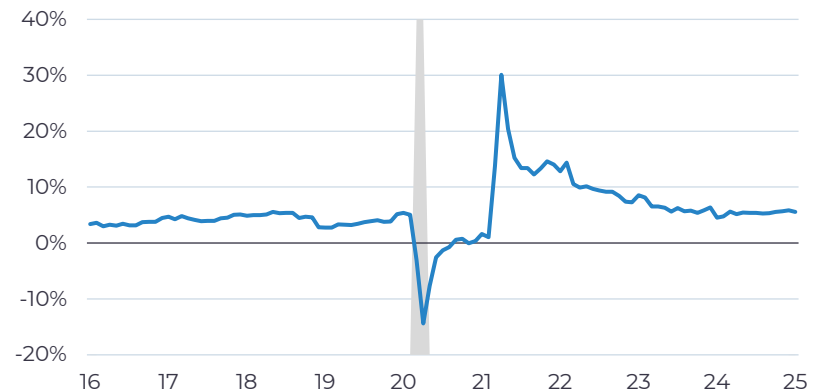
Personal Saving Rate (Seasonally Adjusted Annual Rate)



Disposable Personal Income (Y/Y % Change)



Personal Consumption Expenditures (Y/Y % Change)



Source: Thomson Reuters/University of Michigan, Conference Board, U.S. Bureau of Economic Analysis (Reported monthly)

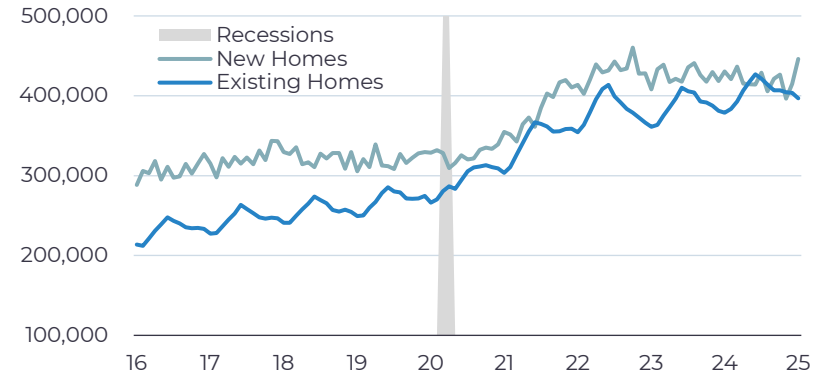
The U.S. housing market is seeing an increase in for-sale supply, with five months of inventory on the market, the highest since early 2019. New listings increased by 7.4% year-over-year, reaching their highest level since 2022, as the "lock-in effect" from rising mortgage rates begins to ease. However, pending home sales have fallen by 6%, and homes are taking longer to sell, with the typical sale taking 57 days. Although high housing costs continue to slow sales, there is a slight uptick in homebuyer demand, with Redfin's Homebuyer Demand Index showing improvement. Some sellers are listing early this year due to slower home value increases or because they're downsizing. While buyers remain cautious due to high mortgage rates and economic uncertainty, more are starting to re-enter the market.

Housing Market Outlook

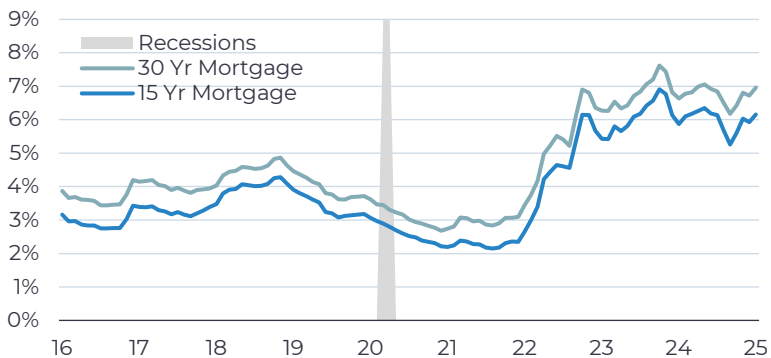
Housing Affordability (higher = more affordable)



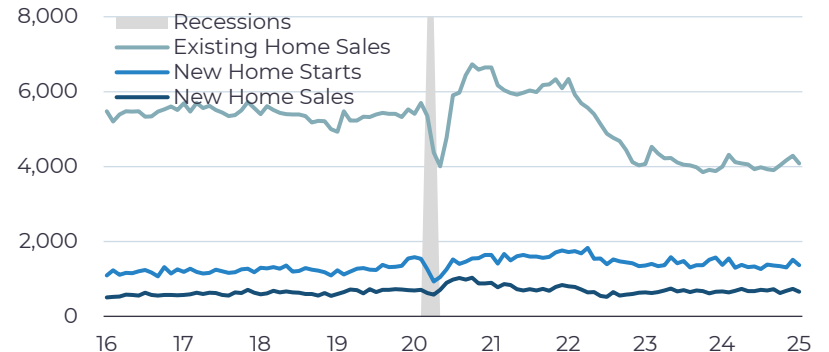
Median Selling Price of New and Existing Homes



Average Fixed Rate Mortgage in the U.S.®



Housing Starts, Existing Home Sales and New Home Sales (000's)

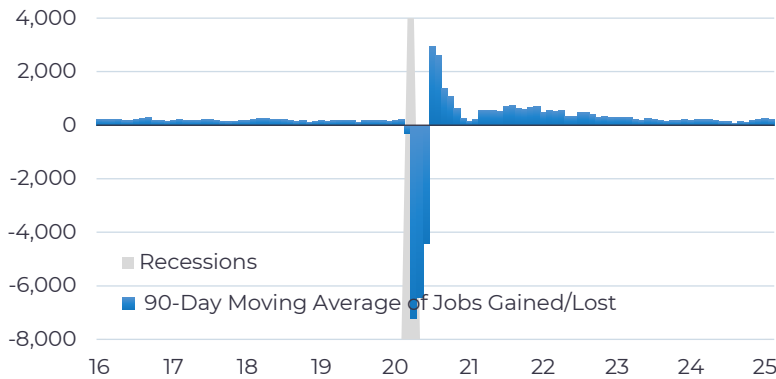


Source: National Association of Realtors, Freddie Mac, U.S. Bureau of the Census (Reported monthly)

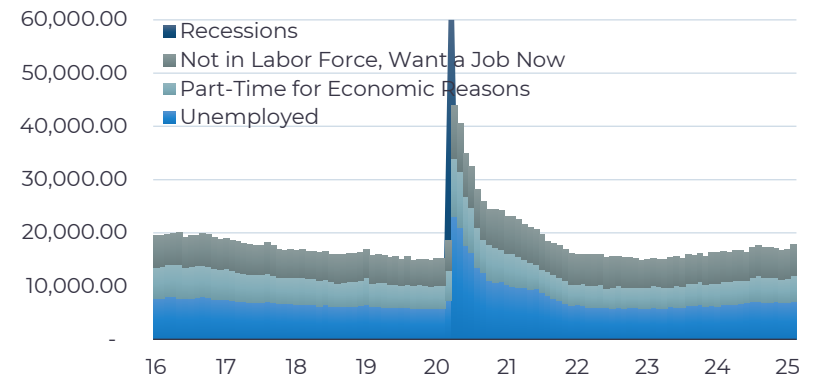
U.S. job growth picked up in February, with nonfarm payrolls increasing by 151,000 jobs, but cracks are appearing in the labor market amid challenges such as chaotic trade policies and federal spending cuts. A broader measure of unemployment, which includes people who want to work but have given up searching (Labor Market Slack), surged to its highest level in nearly 3.5 years, driven by an increase in part-time workers and a rise in multiple job-holders, the highest since the Great Recession. Business sentiment has declined since January, with the labor market showing signs of cooling, as the unemployment rate rose to 4.1%, and the labor force participation rate fell to a two-year low. Despite these trends, economists are not yet predicting an imminent recession. However, uncertainty is rising as the economy enters March.

Labor Market Outlook

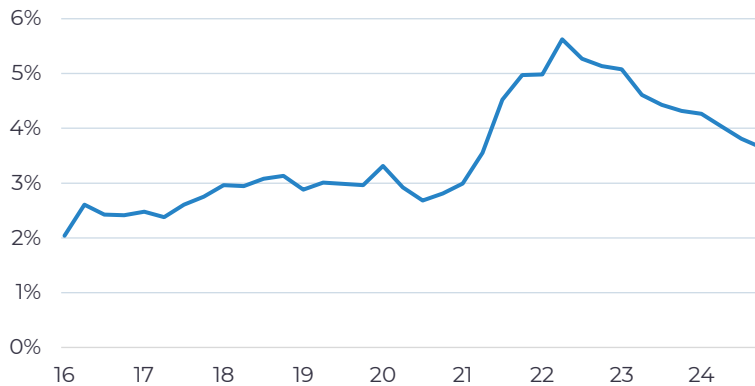
Jobs Gained/Lost (000's) with 12-Month Moving Average



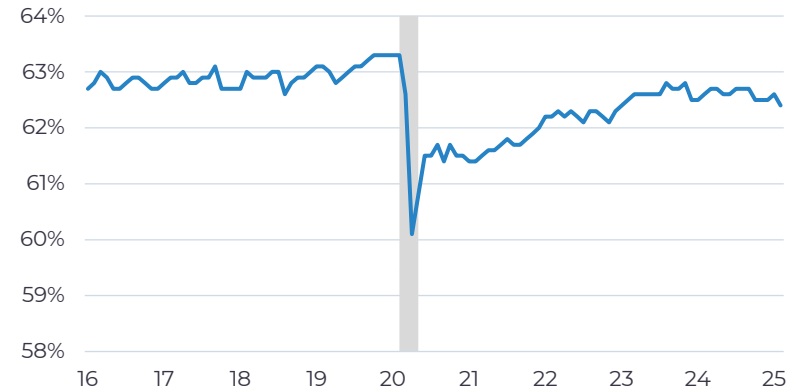
Labor Market Slack (000's)



Wage Growth (Y/Y % Change)



Labor Force Participation Rate



Source: U.S. Bureau of Labor Statistics, (Reported monthly, Wage Growth reported quarterly)

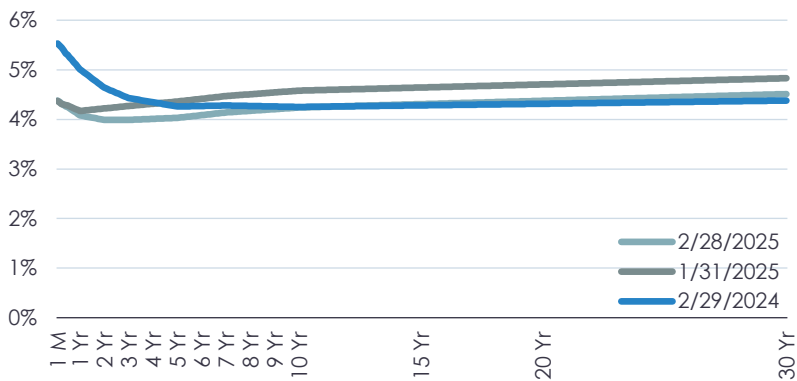


**BOND MARKET
PERSPECTIVE**

Escalating growth concerns fueled downward pressure in interest rates and drove gains across most fixed-income securities. In the U.S., yields fell across the curve, with 10- and 30-year Treasury yields falling 33 and 30 basis points, respectively. In response, longer-duration indexes outperformed last month. Within credit, option-adjusted spreads widened, particularly among lower-quality names. The spread on the Bloomberg U.S. High Yield Corporate Index increased 20 basis points to 280; however, this level remains within long-term median spread levels. The spread widening weighed on credit indexes on a relative basis: the Bloomberg U.S. High Yield Corporate Index underperformed its quality/Treasury peers, adding 0.7% in February.

U.S. Treasury Market

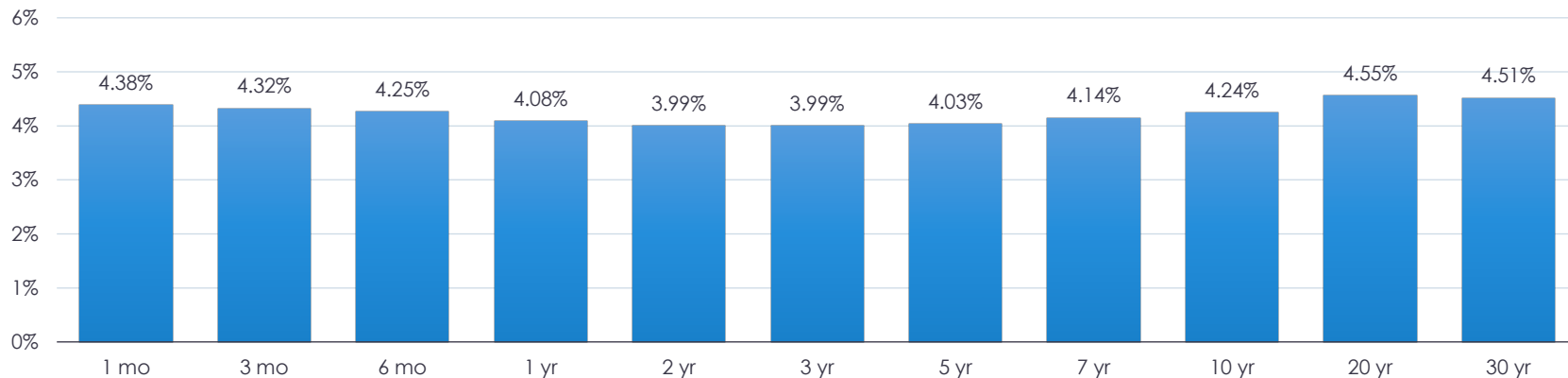
U.S Treasury Yield Curve



Historical U.S. 10-Year Treasury Rate

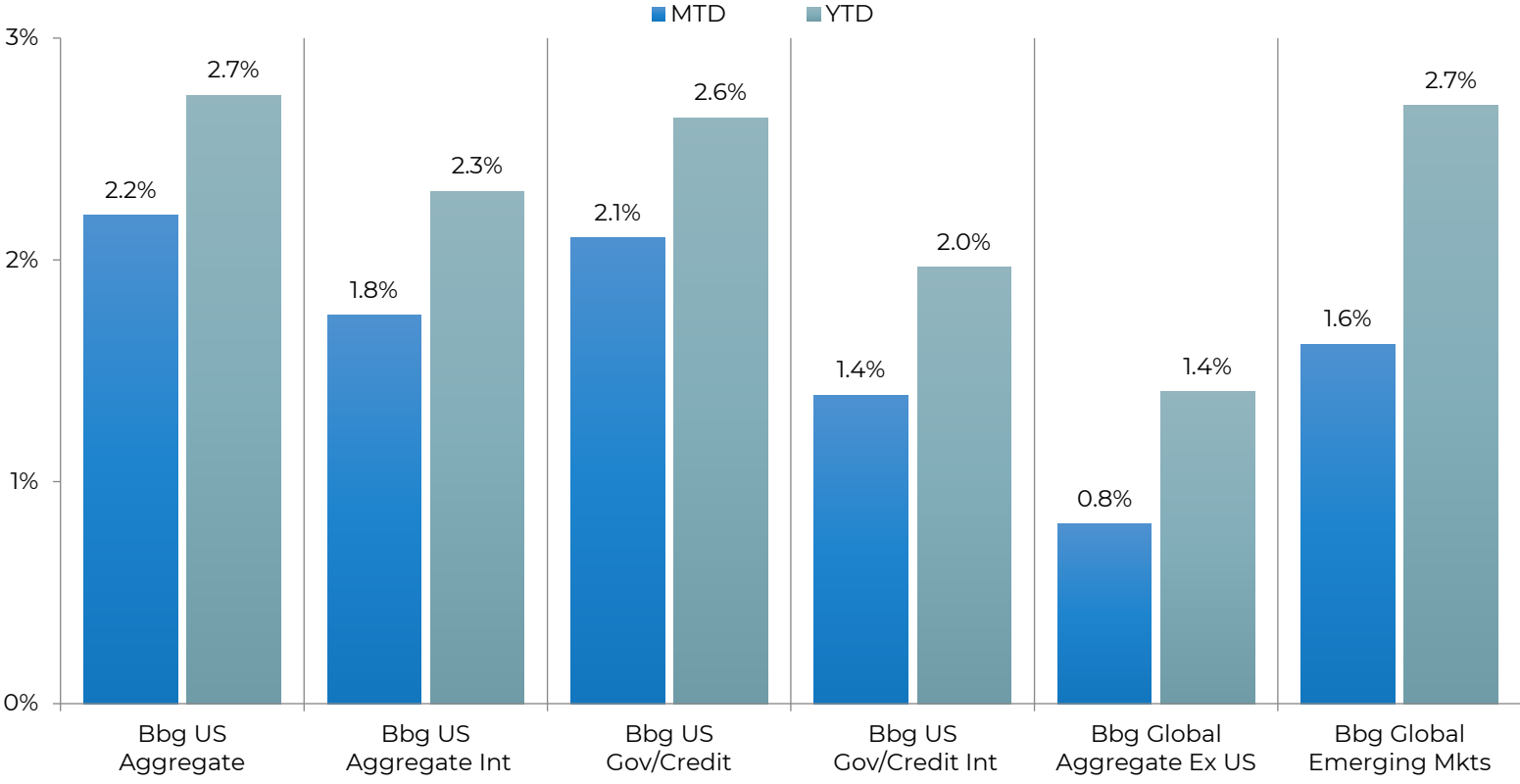


Current U.S. Treasury Yields by Maturity



Source: U.S. Department of Treasury

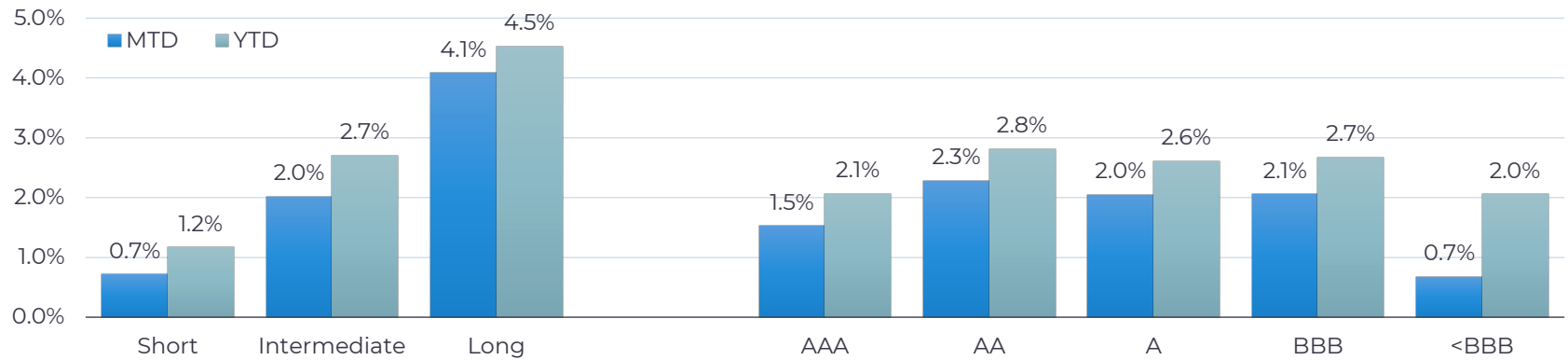
Global Fixed Income Returns by Bellwether Index



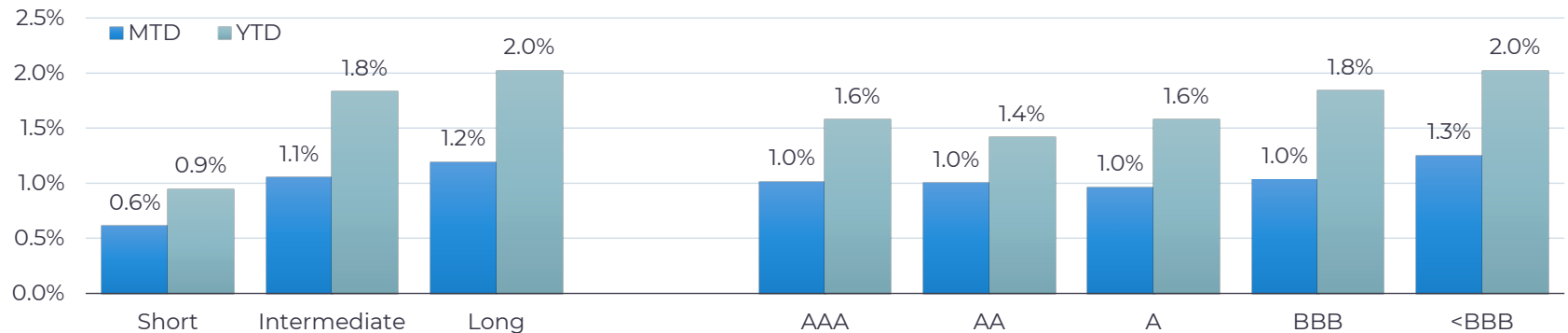
Source: Bloomberg Barclays (BB)

Domestic Fixed Income Returns by Maturity and Credit Quality

Domestic Bond Market - Taxable



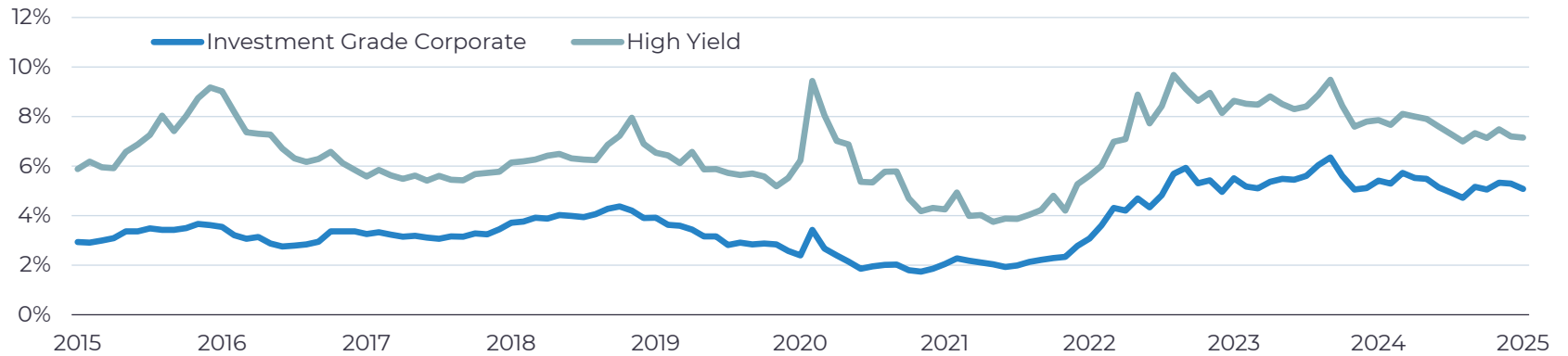
Domestic Bond Market - Municipal



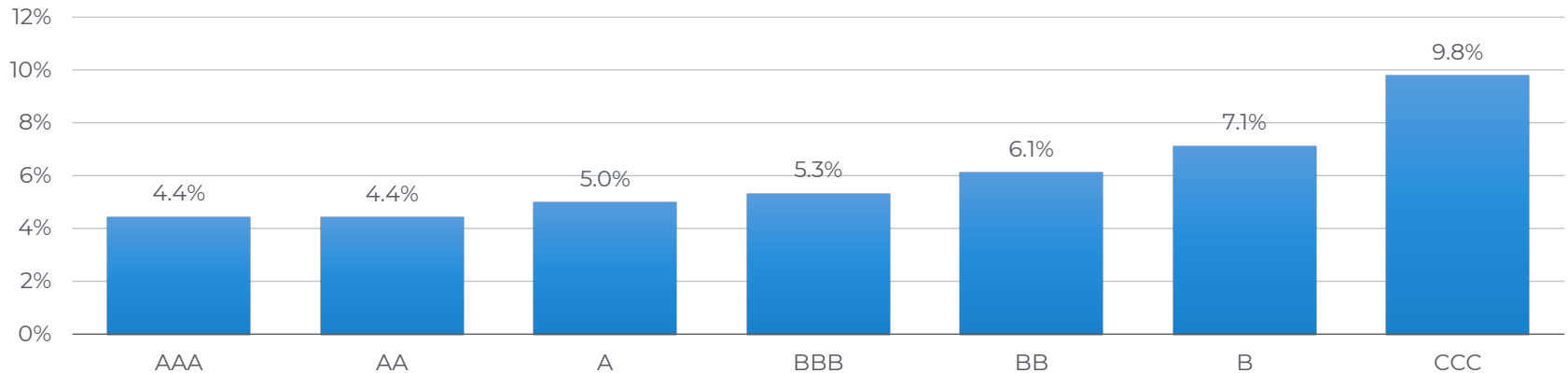
Short is defined as 1-3 years for taxable and 3 years for municipal, Intermediate is 5-7 years for taxable and 6-8 years for municipal, Long is 10+ years for taxable and 8-12 years for municipal. Source: Bloomberg Barclays Aggregate Bond Index (taxable bond market) and Bloomberg Barclays Municipal Index (municipal bond market).

Domestic Fixed Income Bond Yields

Historical Corporate Bond Market Yield to Worst



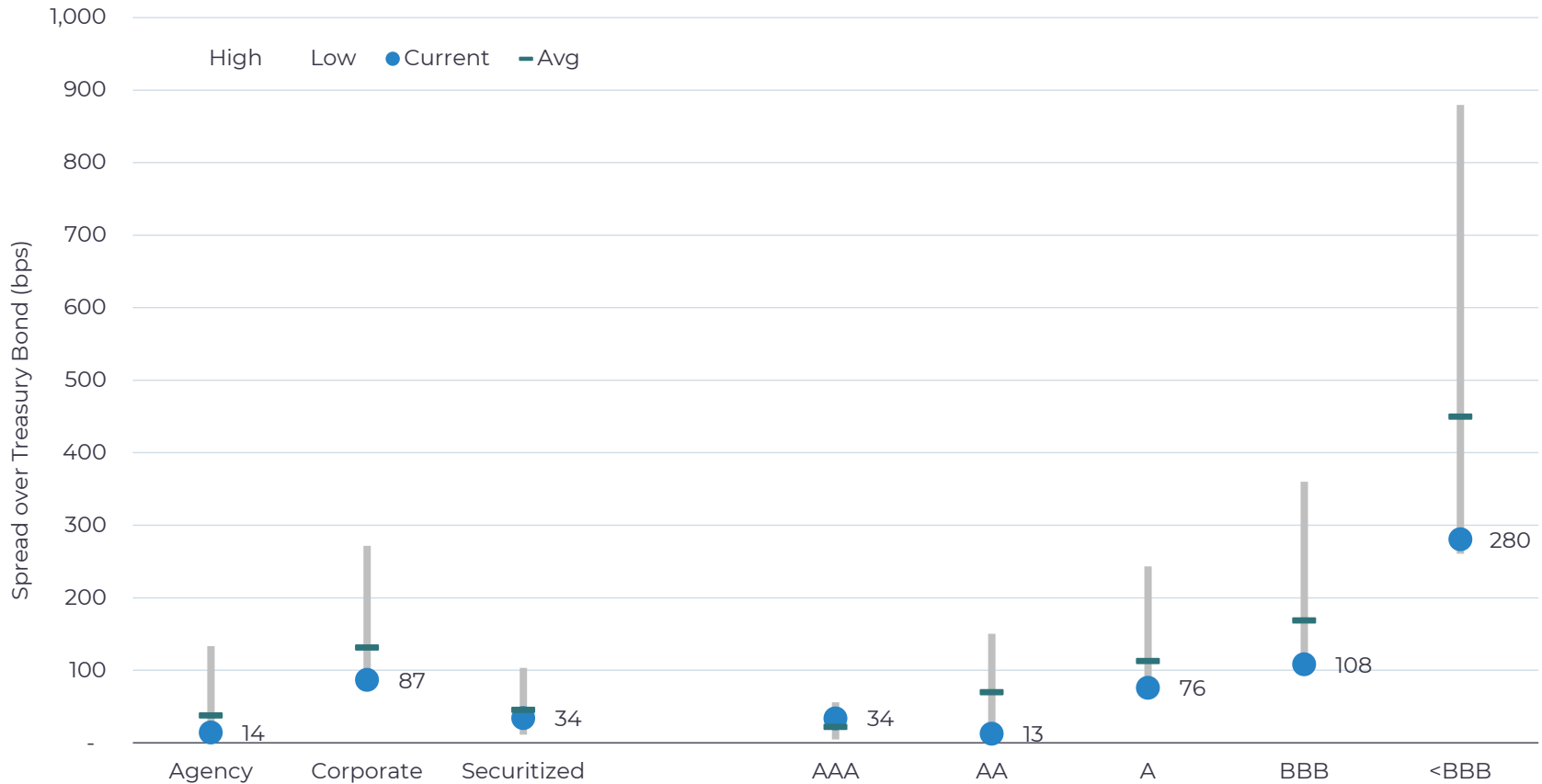
Current Corporate Bond Market Yields by Credit Quality



Investment Grade Corporate bonds are represented by the Bloomberg Barclays U.S. Corporate Investment Grade index. High Yield bonds are represented by the Bloomberg Barclays U.S. Corporate High Yield index. Source: Bloomberg Barclays

Domestic Fixed Income Bond Spreads

Current Bond Spreads Compared to 15-Year Range and 15-Year Average



The length of each bar represents the Range of the highest and lowest spread to the Treasury benchmark over the past 15 years. Average represents the average spread over the past 15 years. Current represents the most recent month. Source: Bloomberg Barclays

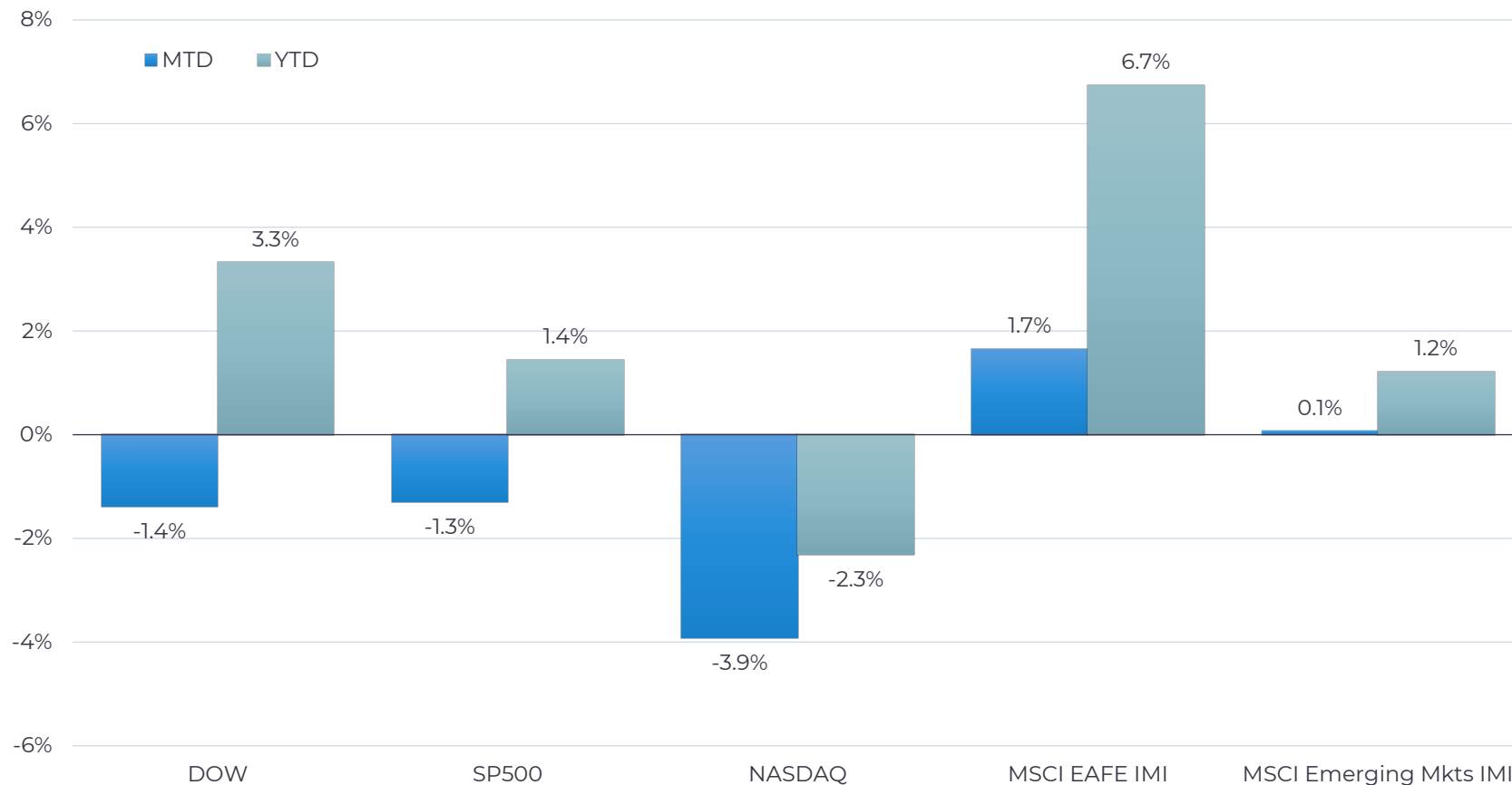


**EQUITY MARKET
PERSPECTIVE**

In another noisy month for markets, headlines around potential policy changes from the Trump Administration fueled widespread uncertainty, weighing down sentiment and reigniting concerns around economic growth. The S&P 500 posted a total return of -1.30%, with six out of 11 sectors showing positive returns. Consumer Staples led with a 5.70% increase, while Consumer Discretionary was the worst performer, down -9.4%. The MidCap and SmallCap indices dropped by 2.8% and 5.4%, respectively. Outside the U.S., local returns were bolstered by a weaker dollar and improving economic data: the MSCI EAFE IMI and MSCI Emerging Markets IMI indexes gained 1.7% and 0.1%, respectively, last month. China was the best performing market with the MSCI China Index adding 11.8% in February.

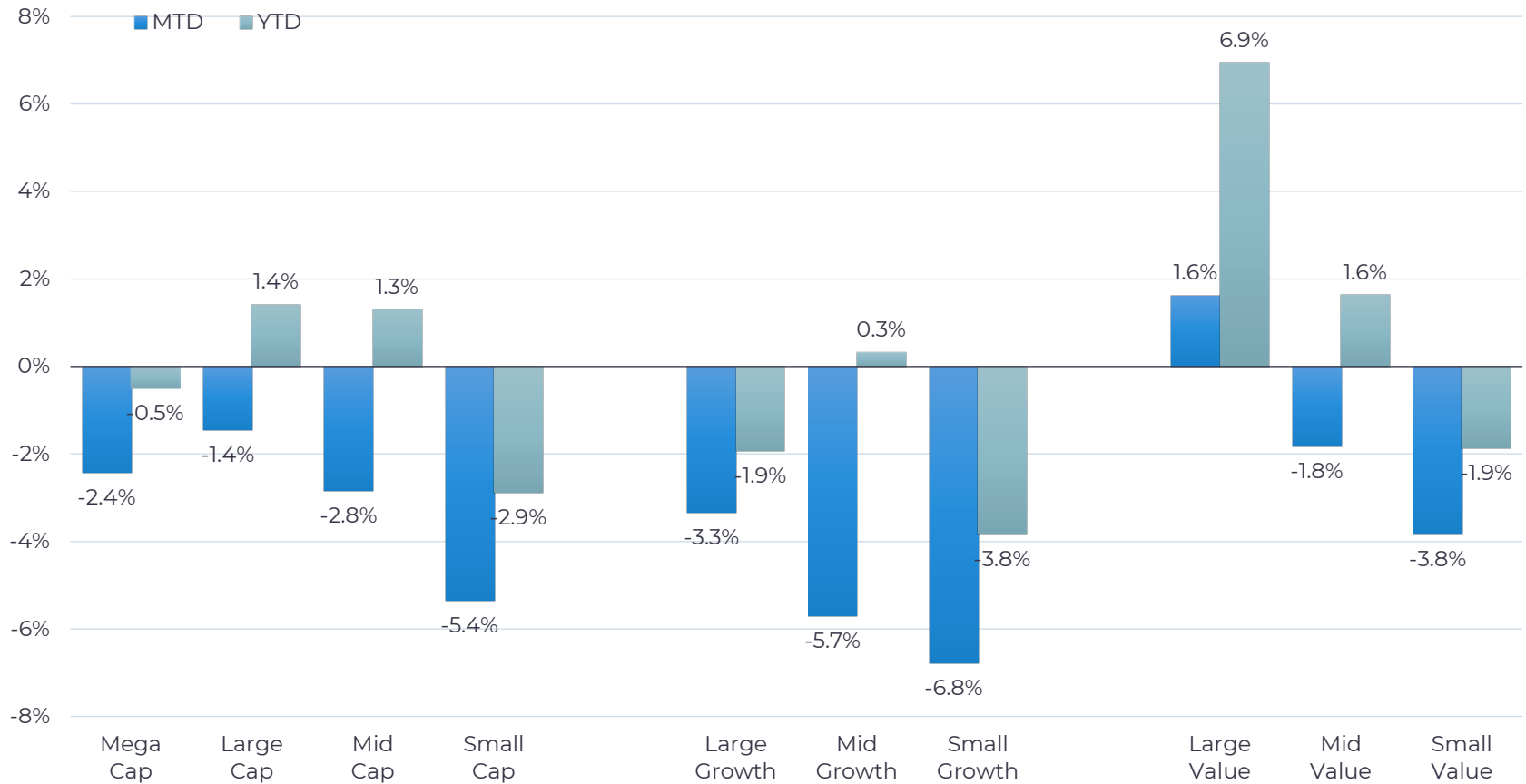
Global Equity Returns by Bellwether Index

Global Equity Markets



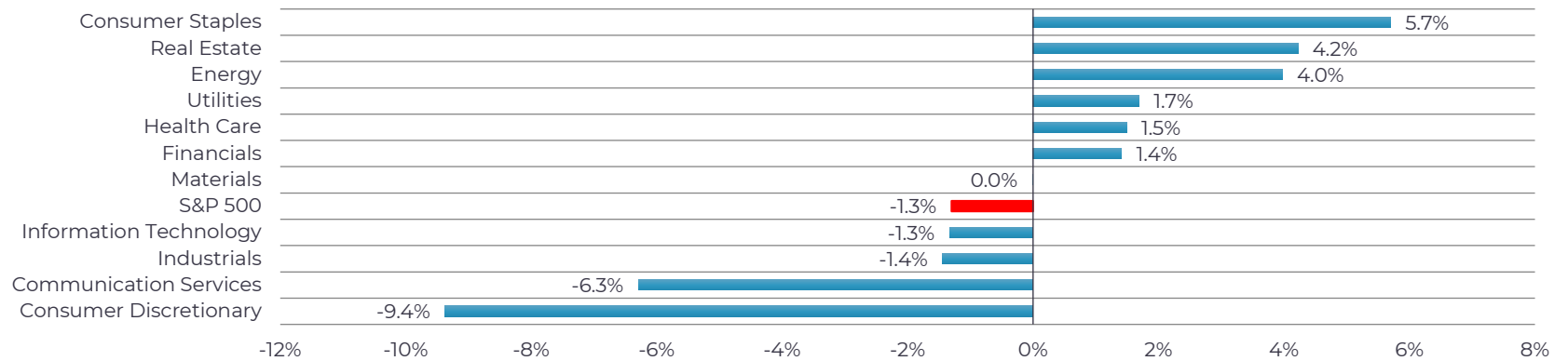
Domestic Equity Returns by Market Cap & Style

Domestic Equity Markets

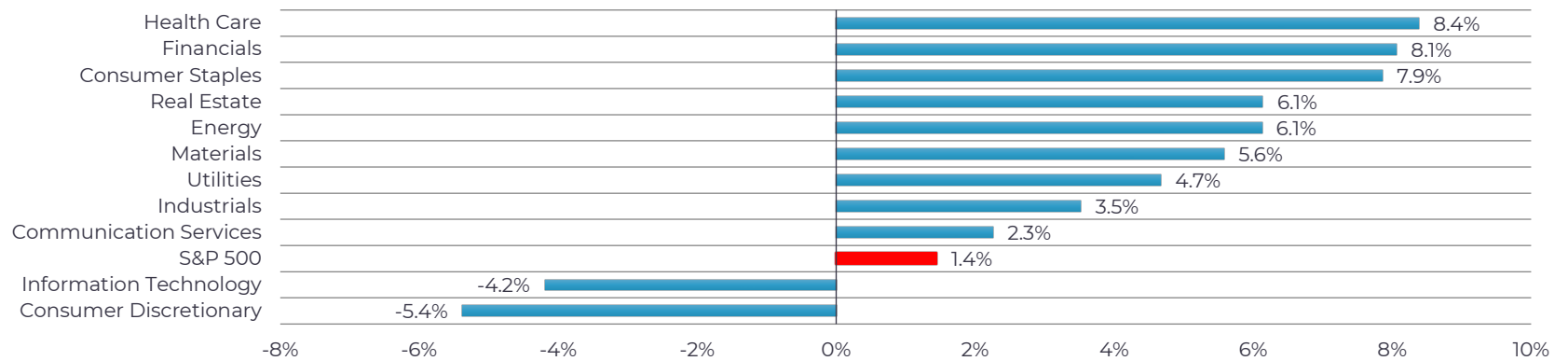


Domestic Equity Returns by Sector

MTD S&P 500 Returns by Sector

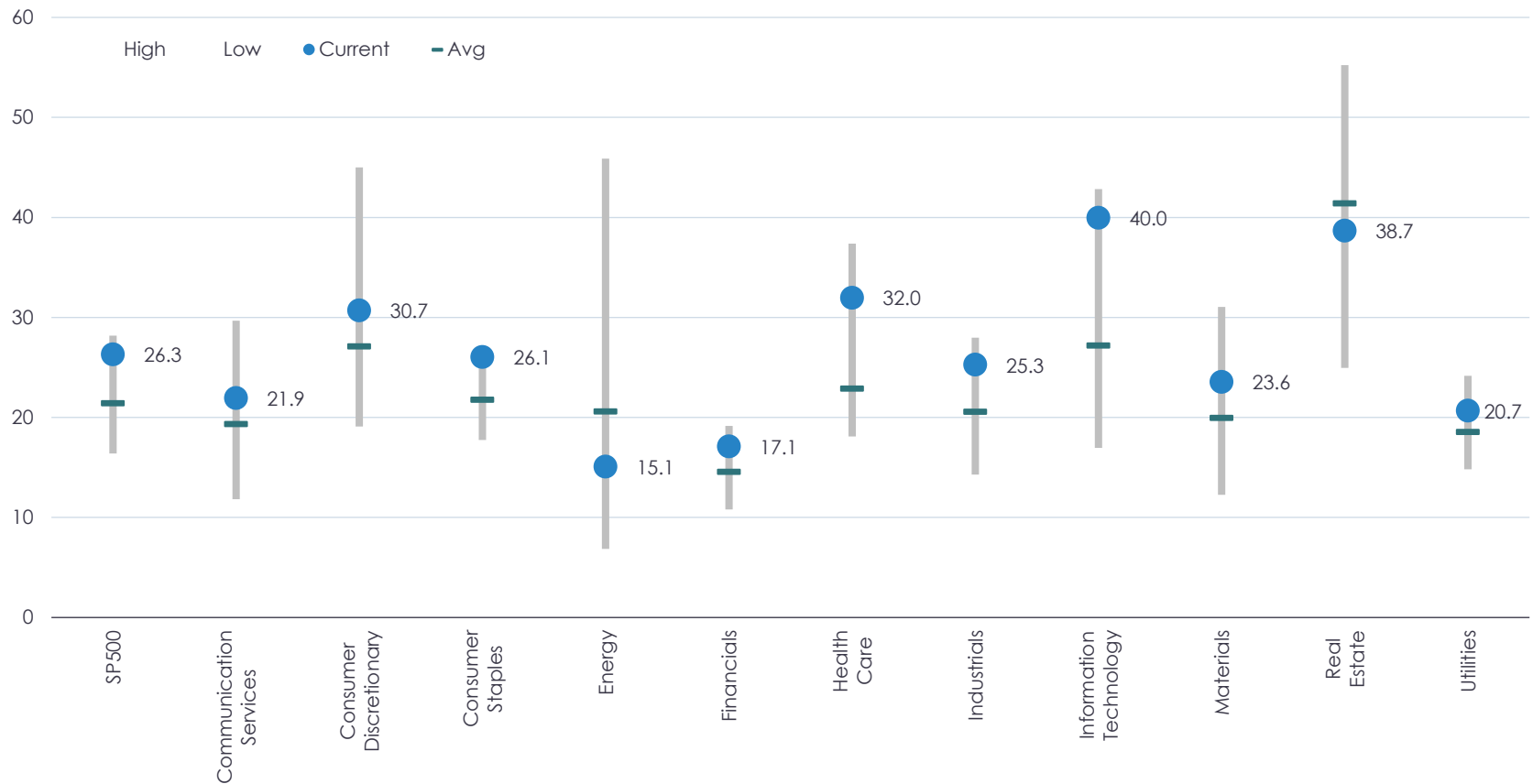


YTD S&P 500 Returns by Sector



Domestic Equity Valuations by Sector

Trailing 12 Month P/E Ratio Compared to 10-Year Range and 10-Year Average



P/E ratios are based on trailing 12 months earnings (LTM) excluding negative earnings. The length of each bar represents the Range of the highest and lowest P/E ratio over the past 10 years. Average represents the average P/E ratio over the past 10 years. Current represents the most recent month. Source: Bloomberg

Economic Indicator Descriptions

- **Real Gross Domestic Product (GDP):** GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive GDP growth signals an expanding economy.
- **Consumer Price Index (CPI):** Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services.
- **Personal Consumption Expenditure Chain-type Price Index (PCEPI):** Measuring the change in the PCEPI provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.
- **Conference Board Index of Leading Economic Indicators (LEI):** The LEI is designed to signal peaks and troughs in the business cycle. The ten components include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.
- **The Institute for Supply Management (ISM) PMI Index:** The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.
- **The Institute for Supply Management (ISM) Non-manufacturing Index (NMI):** The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.
- **Consumer Confidence Index (CCI):** The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards the business climate, personal finances and spending. This index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.
- **Consumer Sentiment Index (MCSI):** The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy. The MCSI is becoming more useful for investors because it gives a monthly snapshot of whether consumers feel like spending money by accessing their views on the business climate, personal finance, and spending in order to judge their level of optimism/pessimism. This is important because consumer spending accounts for a large portion of U.S. GDP.
- **Disposable Personal Income per Capita (DPI):** DPI is the amount of money that households have available for spending and saving after income taxes have been accounted for. DPI is monitored to gauge the overall state of the economy.
- **Personal Consumption Expenditures (PCE):** PCE consists of the actual and imputed expenditures of households including durables, non-durables and services.
- **Retail Sales:** The retail sales report captures in-store sales as well as catalog and other out-of-store sales. The report also breaks down sales figures into groups such as food and beverages, clothing, and autos. The results are often presented two ways: with and without auto sales being counted, because their high sticker price can add extra volatility to the data.
- **Housing Affordability Index (HAI):** Published monthly by the National Association of Realtors, the HAI index has a value of 100 when the median-income family has sufficient income to purchase a median-priced existing home. A higher index number indicates that more households can afford to purchase a home.
- **Unemployment Rate:** Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.
- **Wage Growth:** Calculated quarterly by the Bureau of Labor Statistics, the employment cost index measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The index tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company. We are using the wage component of this index.

Benchmark Descriptions

- **U.S. Aggregate Bond:** The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS, ABS, and CMBS sectors. Securities included in the index must have at least one year until final maturity.
- **U.S. Treasury:** The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.
- **U.S. Agency:** The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade USD-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.
- **U.S. Corporate:** The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- **U.S. MBS:** The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- **U.S. Municipal Bond:** The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least one year until final maturity.
- **General Obligation Bond Index:** The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.
- **Revenue Bond Index:** The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.
- **Investment Style:** Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).
- **Large Cap vs. Small Cap:** Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.
- **Value vs. Growth:** Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.
- **Mega Cap:** The Russell Top 50 Index measures the performance of the top 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the Russell 1000 index.
- **Large Cap:** The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the Russell 1000 index.
- **Mid Cap:** The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.
- **Small Cap:** The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- **Large Cap Growth:** The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.
- **Large Cap Value:** The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- **Mid Cap Growth:** The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
- **Mid Cap Value:** The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.
- **Small Cap Growth:** The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.
- **Small Cap Value:** The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.



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