OneAscent INVESTMENTS

Weekly Update – February 24, 2025

Market Returns Ending 2/21/2025			
Category	1 Week	YTD	1 Year
US			
Large Cap	-1.6%	2.4%	19.8%
Mid Cap	-3.5%	-0.4%	10.5%
Small Cap	-3.7%	-1.4%	10.5%
International			
Developed	-0.1%	8.2%	10.7%
Emerging	2.0%	6.9%	14.7%
Bonds			
Aggregate	0.3%	1.5%	5.0%
High Yield	0.0%	1.6%	9.8%

US Equity Style Returns

Weekly

	Value	Core	Growth
Large	-0.9	-1.9	-2.8
Mid	-1.4	-2.6	-5.9
Small	-3.2	-3.7	-4.2

YTD

	Value	Core	Growth
Large	4.1	2.4	0.9
Mid	1.3	1.7	3.0
Small	-1.2	-1.4	-1.7

Source: Bloomberg

Key Events: Walmart exposes current vulnerabilities

Walmart reported healthy earnings before the market opened on Thursday, but the market reacted negatively to the company's forecast. Citing "uncertainties related to consumer behavior and global economic and geopolitical conditions", the company delivered an outlook that calls for slower revenue growth and earnings well below expectations[i].

The uncertainties that Walmart highlighted reflect ongoing tariff announcements and rising inflation expectations that are incrementally weighing on the market outlook.

Market review: Stocks retrench on stagflation fears

After reaching a new all-time high on Wednesday, domestic equities fell sharply on Friday to end the week in negative territory[ii]. International stocks outperformed and Emerging Markets showed surprising upside in a risk-off environment.

Bonds gained ever so slightly as the 10-year yield fell for the fifth straight week.

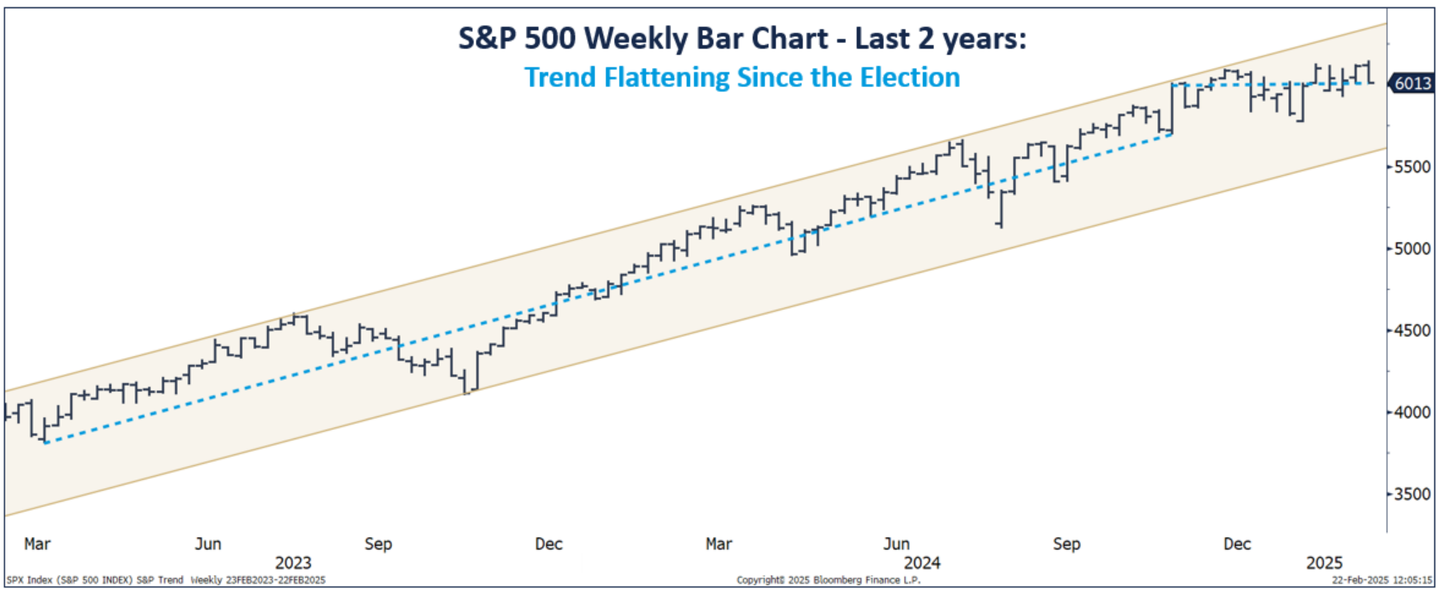
Outlook: Trend weakening suggests incremental caution

The level of stock prices is ultimately determined by two key variables: 1) earnings and 2) the price you pay for them. This makes sense since these variables comprise the oft cited P/E ratio. We referenced this in our most recent monthly update.

Breaking down this valuation metric further, we find that the denominator (earnings expectations for forward PE) has an implied ***growth*** component, and the numerator (price) is primarily influenced by the ***discount rate,*** a factor that is derived from *interest rates* and *inflation expectations*.

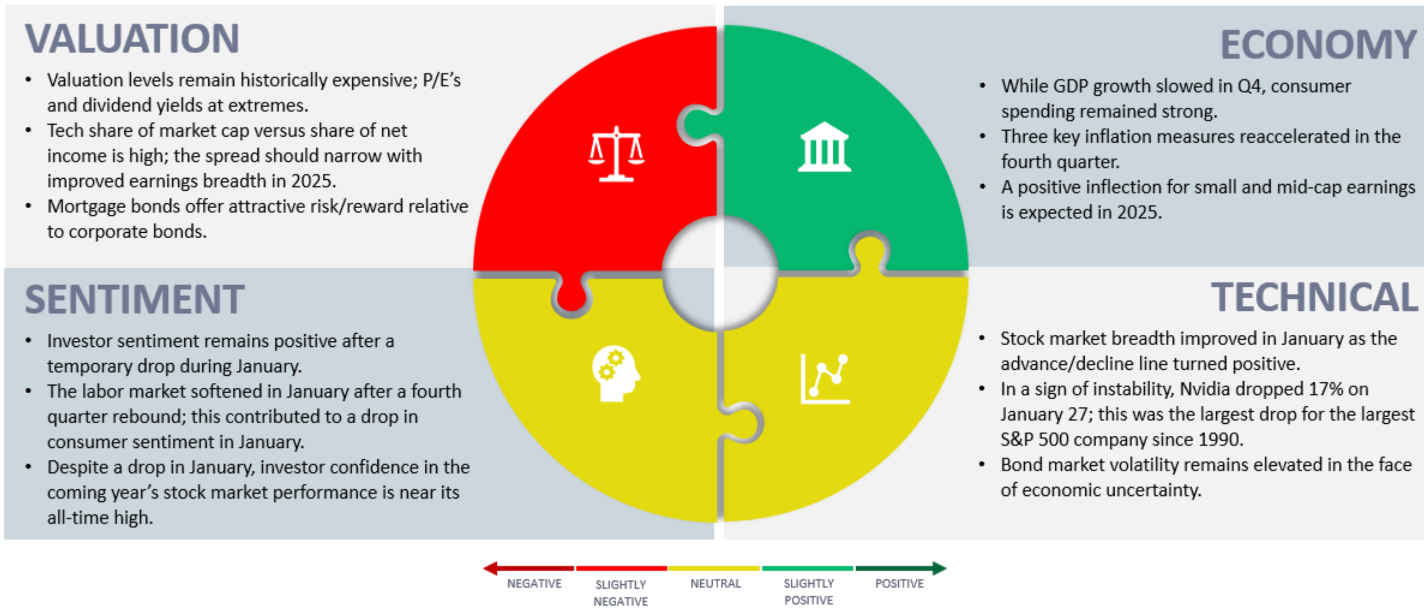
Commentary from Walmart and headlines surrounding tariffs and global economic uncertainty would indicate that investors would be wise to contain their optimism regarding 'growth' and increase their 'discount rate' factor due to uncertainty surrounding inflation expectations. In essence, the past week was an incremental move towards stagflation and the market's reaction is rational and understandable.

As shown in the following chart, the market has been digesting changes to the outlook since the election and has developed a flattening trend over the last 4 months. Consolidation of this nature should be expected following 2 years of advances greater than 20% driven largely by P/E multiple expansion[iii]. Earnings should continue to be solid even though the growth rate is slowing and that is the good news. The risks are the uncertainties (inflation, trade, global growth) related to the economic outlook which may in turn lead to a period of P/E multiple contraction. On balance, we are still progressing within a broad uptrend channel and the developments we have seen thus far in 2025 are largely consistent with our capital markets assumptions.



Source: Bloomberg

OneAscent Navigator Outlook: February 2025



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[i] Source: Washington Post story *"Walmart Predicts Lower-than-expected Profits, Citing Cloudy Economy" by Jaclyn Peiser,* via Bloomberg.

[ii] Source: Bloomberg data.

[iii] Source: S&P Global data representing the S&P 500 via Bloomberg.

[iv] Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield