NEPSIS®

3rd QUARTER
2024 UPDATE

Meet a Member of Our Growing Team

Malia Haskins, Vice President of Estate Planning

For almost three decades, Malia has been privileged to guide families and business owners in finding value and purpose for their wealth. Her focus is to design tax efficient estate planning strategies to carry forward those family values, often for multiple generations. At Nepsis, Malia is the Vice President of Estate Planning and will continue to engage with clients focusing on estate strategies and business succession planning with a comprehensive and holistic approach.

Malia has also earned the Certified Exit Planning Advisor designation. This credential reflects Malia's dedication to helping business owners maximize their company's value and plan for a successful transition. With this, she will be able to guide our clients through the complexities of exit planning, aligning personal and business goals to ensure a seamless and rewarding future.

Personally, Malia is passionate about sharing quality time with family and friends. She enjoys golf and yoga, listening and singing to most any genre of music, and walks with her husband and furry family member Si.

"I have seen significant changes in how the industry values and offers estate planning advice to its clients over the years. By embracing planning as an integral part of the process, I believe clients are better served by our industry."

Can you please tell a bit about your background?

After practicing law for six years, I began my second career in wealth management in 1997. I have worked with several large financial firms where my focus has been been working with high-net-worth and ultra-high-net worth clients to design, implement and maintain their estate and legacy plans. My passion is bringing the process of planning to life—helping families and individuals find the purpose in their wealth.

What inspired you to pursue a career in this field?

Once I began working in advanced planning, I realized that my legal knowledge about estate planning and taxation was useful in advising clients as to how to proactively mitigate taxes and create plans to transfer wealth to family or charity efficiently.

What are some of your hobbies or interests outside of work?

This is always a tough question for me as I truly don't have much time to develop outside hobbies or interests. I invest much of my free time to taking care of my elderly mother and up until this spring parenting my now 22-year old son. When I do have time, I enjoy walks with my senior dog, Si and my husband, Kurt. I practice yoga and enjoy golf. And love spending time at our little cabin in the woods in Northern Wisconsin.

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Advanced Planning Services & Strategies

Advanced Estate Planning is the suite of planning and advice services for high-net-worth clients that aligns all aspects of financial, personal and business objectives into a customized, actionable plan. The process incorporates legal, financial, and regulatory services to help individuals and families protect and preserve their net worth. Beyond drafting a simple will, advanced estate planning encompasses a range of strategies aimed at asset protection, tax reduction for heirs, and efficient estate management. This includes trusts, charitable giving, family partnerships, and strategic tax planning to meet specific financial and familial goals. **It can include strategies for:**

- **Asset Protection:** Protecting assets from creditors and other risks
- **Tax Reduction:** Minimizing or eliminating estate taxes for heirs
- **Charitable Giving:** Facilitating tax-efficient charitable donations
- **Business Transitions:** Creating smooth transitions for businesses
- **Family Values:** Perpetuating family values with appropriate estate strategies

There are many ways to legitimately capitalize on the tax code and legal system to protect and sometimes enhance personal wealth. A well-crafted estate plan can minimize estate and gift taxes and ensure assets pass to intended family members and charities in the timeframe that best serves the objectives of the family overall. Additionally, in an increasingly litigious society, the wealthy are prime targets for unfounded, many times silly and malicious lawsuits. Advanced planning offers an effective way to structure assets to discourage lawsuits and provide legal shelter from potential plaintiffs. **Some Advanced Planning strategies that might be used include:**

INDIVIDUALS AND FAMILIES

- **Irrevocable Life Insurance Trusts (ILITs)**
- **Qualified Personal Residence Trusts (QPRTs)**
- **Dynasty Trusts**
- **Family Limited Partnerships**
- **Charitable Remainder Trusts (CRATs and CRUTs)**
- **Private Foundations**
- **Grantor Retained Trusts (GRATs, GRUTs, and GRITs)**
- **Charitable LLCs**
- **Donor Advised Funds**
- **Intentionally Defective Grantor Trusts**

BUSINESS OWNER STRATEGIES

Business owners have personal wealth goals and financial goals, and competent advanced planners will implement personal planning in tandem with planning for the business. Having a transition strategy is important for both the owner personally and for the future of the business. There is a significant disconnect between perception and reality when it comes to business succession. According to the Exit Planning Institute (EPI), roughly 75% of business owners profoundly regret selling their business post sale. EPI also indicates that 63% of owners plan to transition their business over the next 10 years, yet 49% have no written transition plan. Notably, over 70% of businesses put on the market do not sell—and if the transition is to family, only 30% of family-owned businesses transition to the second generation, and only 12% survive to the third generation.

We believe that a successful succession plan asks and answers all the right business, personal, financial, legal and tax questions involved in transitioning a privately owned business. Our Advanced Planning process helps to ensure that our clients maximize the value of their business at the time of transition, minimize taxes, and ensure the owner is able to accomplish all of his or her personal and financial goals in the process.

I look forward to helping you with any questions you may have,

Malia Haskins
Vice President of Estate Planning

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So, where do we go from here?

Charles D. Etzweiler, *MBA, CIMA®, CMT, CFP®*
Chief Research Officer & Senior Vice President

We thought this question to be most appropriate when viewing the much anticipated Federal Open Market Committee's (F.O.M.C.) decision made on September 18, 2024, to reduce interest rates by 0.50% or 50 basis points. With so much anticipation built into the decision, it greatly resembles the proverbial balloon that all of sudden releases its air.

Although we can't predict the future, we can use history as a guide in deciding how we may proceed given the decision made by the Fed to cut rates by 50 basis points. How should we interpret the Fed's move? We suggest five areas of focus as we look out over the horizon of the next six-twelve months.

In the past, when the Fed has cut interest rates near stock market all-time-highs (ATH), it has been a good reason to stay invested. As of the drafting of this report at 5,702 we sit 0.05% from the previous ATH set on the S&P 500 of 5,733.

Yes, The Fed Has Cut Near ATHs And The Bulls Loved It

S&P 500 Returns After Fed Cuts Within 2% Of An All-Time High

Date of Cut	% Away From ATH (Day Before Fed Cut)	S&P 500 Index Returns			
		Next Month	Next 3 Months	Next 6 Months	Next Year
7/25/1980	-0.59%	3.6%	7.2%	7.5%	7.6%
1/11/1983	0.00%	-0.5%	6.9%	13.5%	15.2%
2/28/1983	0.00%	2.4%	11.1%	9.5%	7.6%
1/15/1985	-1.24%	7.3%	6.1%	14.0%	21.9%
5/20/1985	0.00%	-1.6%	-1.8%	4.7%	24.5%
3/7/1986	-0.78%	3.5%	8.9%	11.0%	28.9%
4/21/1986	-0.26%	-3.5%	-3.5%	-2.4%	16.9%
8/26/1986	-1.94%	-8.3%	-2.1%	12.3%	33.2%
7/31/1989	0.00%	1.1%	-3.2%	-6.0%	2.6%
7/13/1990	-0.65%	-8.1%	-19.8%	-14.2%	3.5%
3/8/1991	-0.41%	-0.3%	1.3%	4.1%	8.1%
8/6/1991	-1.23%	-0.1%	0.2%	6.1%	8.8%
10/31/1991	-1.01%	-2.8%	4.3%	5.2%	7.4%
7/2/1992	-1.88%	3.2%	1.1%	5.8%	9.0%
9/4/1992	-1.67%	-2.4%	3.6%	9.0%	10.6%
7/6/1995	-0.69%	0.9%	5.0%	11.5%	21.4%
1/31/1996	0.00%	1.3%	2.9%	0.6%	21.5%
7/31/2019	-0.42%	-1.9%	1.9%	10.2%	8.9%
9/18/2019	-0.67%	-0.3%	6.2%	-19.9%	11.6%
10/30/2019	-0.08%	3.1%	5.9%	-7.1%	8.6%
9/18/2024	-0.58%	?	?	?	?
Average		-0.2%	2.1%	3.8%	13.9%
Median		-0.2%	3.3%	6.0%	9.8%
% Higher		45.0%	75.0%	75.0%	100.0%

Source: Carson Investment Research, FactSet 09/18/2024
@ryandetrick

CARSON

https://aptuscapitaladvisors.com/the-market-in-pictures-september-20/

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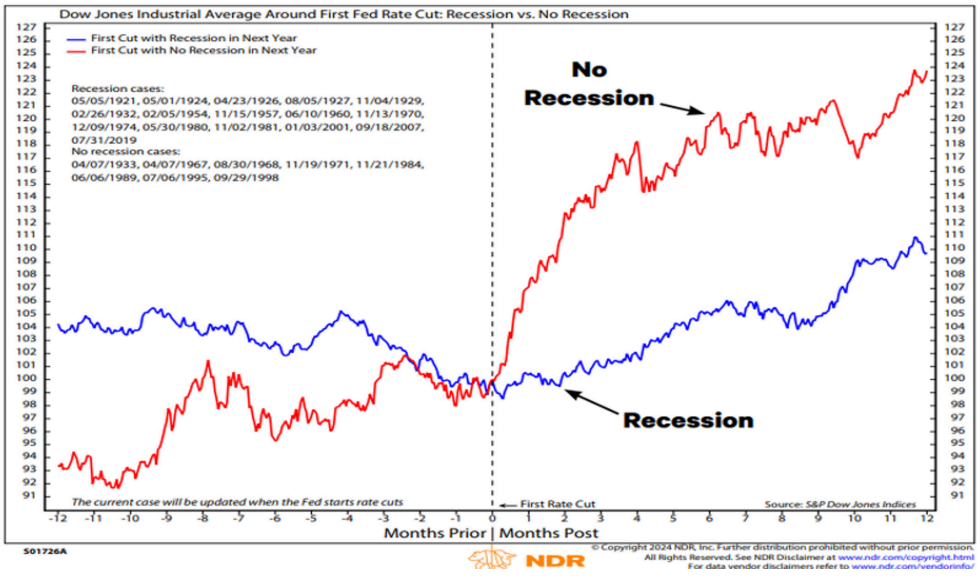
SO, WHERE DO WE GO FROM HERE? *(Continued from last page.)*

#2

The Fed has slashed by more than 25 basis points in nine out of the 18 initial cuts since 1954. What is unusual is that the Fed has opted for big cuts when they perceived large risks to the economy, which is not the Fed's current expectation. We found two somewhat close analogs: 1984 and 1967. The main conclusion for equity investors is that easing cycles into soft landings have been bullish for stocks.

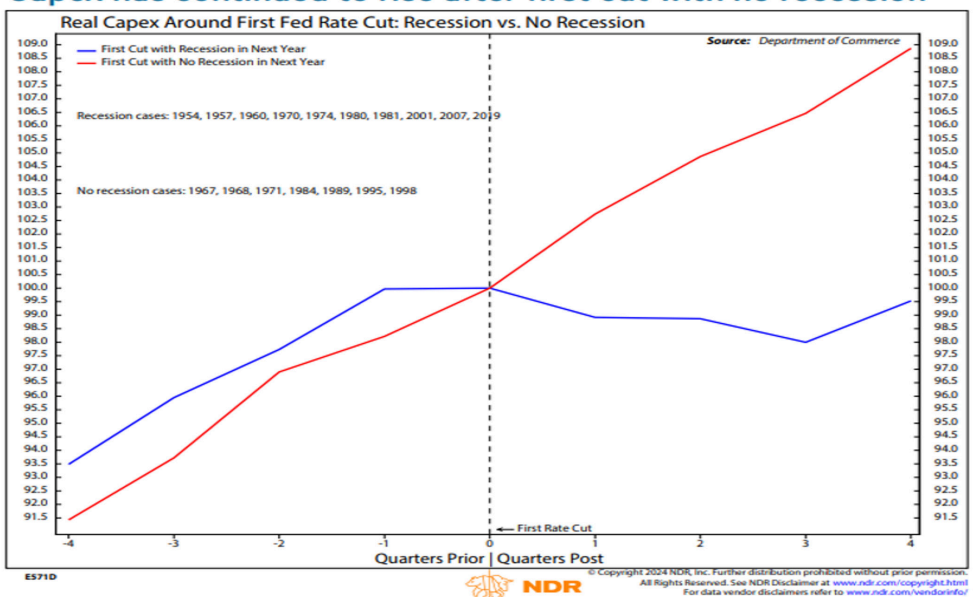
Stocks have rallied more after rate cuts with no recession



#3

The chart to the right shows that when the economy has dodged a recession, Capital Expenditures (Capex) have historically risen heading into the easing cycle, with the ascent continuing after the first cut (red line). During recessionary cycles, capital expenditures have fallen after the first cut, on average (blue line). Assuming with GDP growing just below 3% and with no Recession insight for now, we should follow the pathway of the red line.

Capex has continued to rise after first cut with no recession



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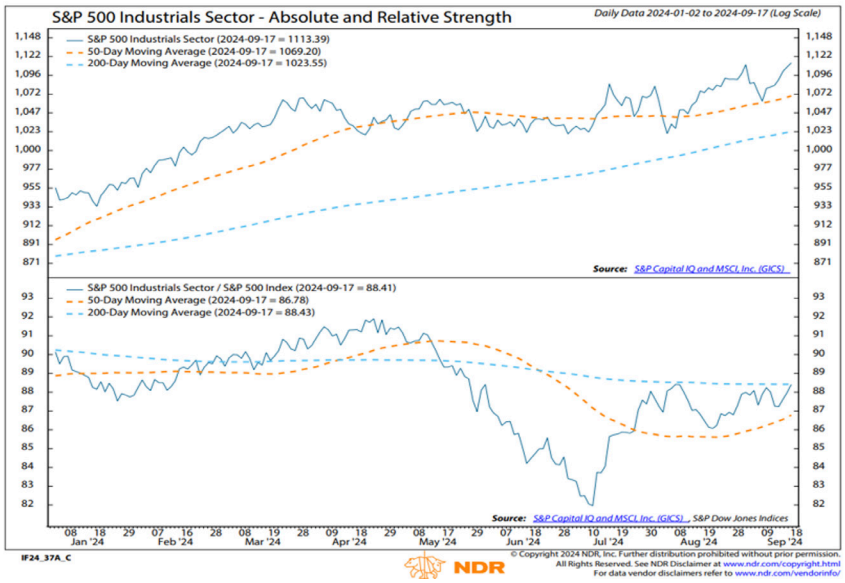
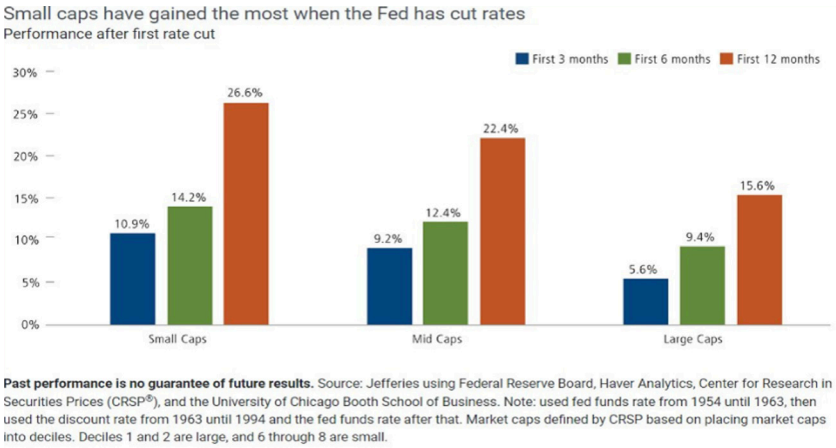
SO, WHERE DO WE GO FROM HERE? *(Continued from last page.)*

#4 This chart shows that the Industrials Sector had a strong start to 2024, rising on an absolute basis (top portion of the chart) and outperforming relative to the S&P 500 (bottom portion of the chart). The sector lost momentum starting in April, as AI enthusiasm propelled Growth stocks at the expense of Value stocks. However, Industrials set a record high on September 17th, and have performed better of late, and outperforming since mid-July. If lower interest rates and a resilient economy result in rising confidence and Capex spending, the Industrials Sector should benefit. A focus sector of ours since May, said reduction in rates could help Capex spending and ultimately the Industrials Sector.



#5 As stated above, historically, after a Fedrate cut, stocks across all market caps tended to rally, but small caps outperformed. That's likely because small caps collectively rely more heavily on external financing than their larger-cap peers, so falling borrowing costs are a tailwind. The adjacent chart to the right does a great job in describing this price action.



Past performance is no guarantee of future results. Source: Jefferies using Federal Reserve Board, Haver Analytics, Center for Research in Securities Prices (CRSP®), and the University of Chicago Booth School of Business. Note: used fed funds rate from 1954 until 1963, then used the discount rate from 1963 until 1994 and the fed funds rate after that. Market caps defined by CRSP based on placing market caps into deciles. Deciles 1 and 2 are large, and 6 through 8 are small.

Date as of August 2024. https://aptuscapitaladvisors.com/the-market-in-pictures-september-20/

So where do we go from here?

As we stated at the beginning of this article, no one knows what will happen in the future. All that being said, we lean on historical precedence and what previously happened in similar timeframes. We know the Fed reduced rates 50 basis points and is telling us that seven more rate cuts are set through yearend 2025. Assuming an Economic Recession is not forthcoming over the next year, we could see an overall rally in stocks in general and specifically in Industrials and Small Caps. **Only time will tell, but for now, our gameplan will rely on this set of facts.**

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SNEAK PEEK OF THE 2025 ACRONYM

Knowing that our readers are waiting with bated breath for our 2025 Theme (ha-ha and lol) we decided to provide a preliminary summary. With the tremendous focus on the need to generate electrical power for so many initiatives, we have chosen P.O.W.E.R. as our forthcoming annual acronym. **So here you go:**

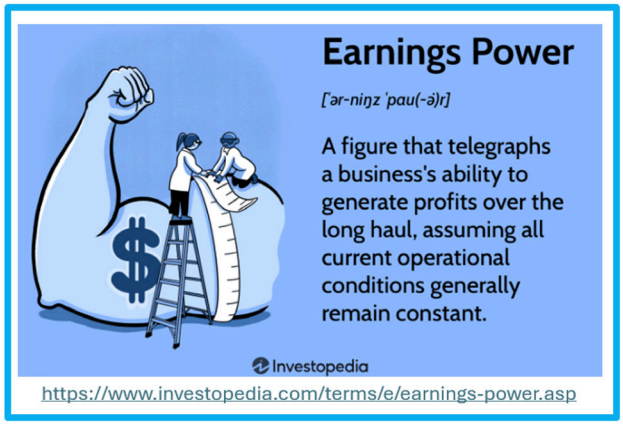
POWER

- **P** **PRODUCTIVITY** – gains will be immensely important for business and government moving forward.
- **O** **OBESITY/ONCOLOGY** – owning companies focused on eradicating disease will be a major focus.
- **W** **WORLD ALLIANCE** – the era of deglobalization and reshoring/friendshoring is upon us.
- **E** **ELECTRIFICATION** –harnessing the Power needed to fuel the Automation Revolution is paramount.
- **R** **RESHORING** – bring back jobs, factories and intellectual property to our own soil is crucial.

WE LOVE THE INVESTOPEDIA'S REFERENCE THAT REFLECTS THE IMPORTANCE OF THE POWER OF EARNINGS IN THE HIGHER INTEREST RATE AND INFLATION ERA THAT LIES AHEAD OF US.

THE P.O.W.E.R. ACRONYM WILL HAVE A DUAL MEANING COMBINING THE DESCRIPTION ABOVE WITH THE NEED TO OWN HIGH-QUALITY COMPANIES WITH SOLID EARNINGS.

A LOT MORE TO COME ON THIS IN OUR NEXT PIECE, THE Q4 UPDATE 2024… SO PLEASE STAY TUNED!



https://www.investopedia.com/terms/e/earnings-power.asp

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IS POLITICAL GRIDLOCK REALLY GOOD FOR EQUITIES?

As polarizing as the topic of politics is in our culture, we just wish we could set it aside and focus on investing and economic concepts. Unfortunately, there is a tether to both politics and investing that is deep and wide—one that is undeniably linked. Because of that, we would be remiss if we did not discuss the connection. The chart below, which was compiled by Bespoke, hopefully answers the question as to whether Political Gridlock in D.C. is better or worse for the stock market based on the last 125 years of data.

Average DJIA Performance During Sessions of Congress: 1901 - 2024*

President	Senate	House	Occurrences	DJIA Change (%)	Annualized Return (%)	% of Time Up
D	D	D ←	21	16.97	7.44 ←	66.7
D	D	R	2	23.96	11.25	100.0
D	R	D	0			
D	R	R	6	21.46	9.53	66.7
R	D	D	11	9.68	3.92	72.7
R	D	R	1	-21.42	-11.35	0.0
R	R	D	6	7.79	1.29	66.7
R	R	R ←	14	18.39	7.94 ←	78.6
All Periods			**61**	**15.12**	**6.34**	**70.5**
DDD & RRR ←			35	17.54	7.64	71.4
All Possible Combinations of Gridlock ←			26	11.87	4.58	69.2
Gridlock - Republican President			18	7.32	2.19	66.7
Gridlock - Democratic President			8	22.09	9.96	75.0
Republicans Control Both Houses			**20**	**19.31**	**8.42**	**75.0**
Democrats Control Both Houses			**32**	**14.47**	**6.23**	**68.8**
Republican President (By Sessions of Congress)			32	12.17	4.71	71.9
Democratic President (By Sessions of Congress)			29	18.38	8.14	62.5

Performance Includes 118th Congress through 3/25/24.

https://www.bespokepremium.com/interactive/posts/chart-of-the-day/chart-of-the-day-election-cycle-biden-and-investing-politics

We would add to Bespoke's timely work and suggest that based on the annual median return of the Dow Jones Industrial Average over the last 125 years and despite the repeated claims that market participants favor gridlock, that position does not compute with the data.

Could it be that if they bring anything positive to the table, Blue and Red Waves allow for consistency in policy? At any given time, half of the nation may not like said policy depending on the party in power, but at least we know what we are getting. That suggests the power of the known vs. that of the unknown is a paramount principle of investing. We call that Clarity and find it immensely impactful.

In closing, although the data in our estimation supports this thesis, for some reason we believe several will be dismissive of it and simply choose to lean on emotion and deny the facts as presented.

As Nepsis, Inc. continues to grow, we appreciate your continued confidence and support. We believe successful investing requires Investing with Clarity®. We look forward to continually providing you with the Clarity needed to be a successful investor long-term.

If you have questions or need additional information about your portfolio, please contact your advisor for more information.

Respectfully,

Mark Pearson
CEO, Founder & CIO
Nepsis, Inc.

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