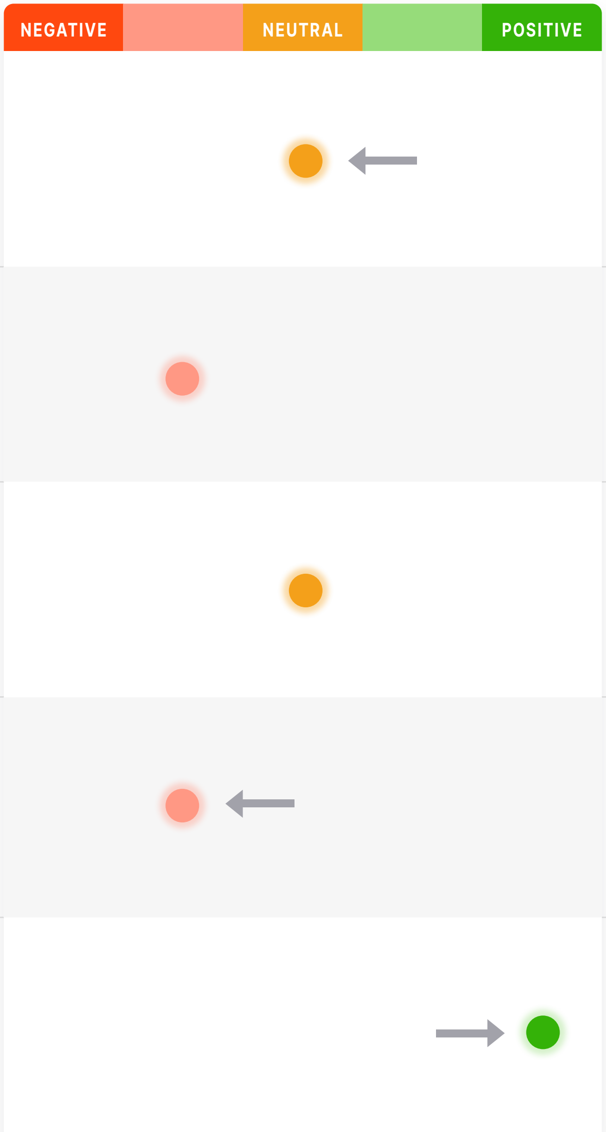
APRIL 2025

Brinker Capital US Stock Market Barometer

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY



Fundamentals

We invest to participate in company success. Over time, stock prices follow earnings.

Fundamental indicators include factors such as corporate earnings, profitability, and the credit environment.

- S&P 500 EPS expectations continue to be reset downwards for the first and second quarter due to cracks (stagflation concerns) in the US economy, attributed to a slowing labor market, sticky inflation, and increased consumer uncertainty.
- According to FactSet's Earnings Insight (3/28/2025), the estimated YoY earnings growth rate for the S&P 500 for 1Q25 is 7.3%, further, for 1Q25, 68 S&P 500 companies have issued negative EPS guidance, and 39 S&P 500 companies have issued positive EPS guidance.
- The Atlanta Fed's estimate for 1Q 2025 real GDP growth stands at -2.8%. The alternative forecast (adjusts for gold imports and exports) is -0.8%.
- Despite a strong jobs number, the unemployment rate ticked up to 4.2% in March from 4.1% in February as the pace of hiring slows.

Valuation

How much do we pay for those fundamentals? Starting points matter.

Valuation indicators include factors such as price multiples, the CAPE ratio, and earnings yield vs. other asset classes.

- Most standard valuation metrics for the domestic equity market are handily above historical averages which has been consistent with below-average forward returns over longer-term horizons; the S&P 500's forward 12-month P/E ratio is currently 19.4 vs. the 10-yr average of 18.3 (FactSet 4/4/25).
- The market capitalization of the US stock market is approximately 166.8% of US GDP which is approaching the highest all-time readings.
- Despite high overall valuations, pockets of relative opportunity exist in the US equity market within small cap, mid-cap, and natural resource equities.

Interest Rates

Both the level and trend of interest rates impact earnings and valuations.

Interest rate indicators include factors such as the interest rate environment, credit spreads, and inflation.

- Inflation-adjusted (real) interest rates remain high, and this is typically a headwind for risk assets.
- The 10-year US Treasury yield has declined to roughly 4.20%, driven lower by factors such as increased liquidity, economic softening, and political/business uncertainty.
- Credit spreads remain fairly tight vs. historical averages but have begun to widen substantially; widening spreads often foretell equity weakness.
- The recent "re-inversion" of the Treasury yield curve signals market concerns about economic growth prospects.

Policy

Monetary and fiscal policy impact interest rates, valuations, and earnings.

Policy indicators include factors such as monetary and fiscal policy.

- President Trump's second term was expected to usher in pro-growth government policies that ranged from deregulation to tax cuts, but markets have been disappointed in the direction that government policy has turned as governmental job cuts and tariffs threaten sentiment and growth prospects.
- Future Fed actions remain a wildcard as they weigh concerns over slowing growth with rising inflation. All-in, we continue to expect a more patient Fed in 2025, but cross currents are very strong. In particular, will the Fed allow equity market weakness to impact future rate cuts?

Behavioral

Over the short term, the market is like a voting machine.

Behavioral indicators include factors such as sentiment, momentum, trend, and breadth.

- Market volatility measures such as the VIX have spiked recently (over 45 as of 4/7). Higher VIX readings have historically rewarded investors with positive equity market returns if market volatility can be stomached over short-term horizons.
- Investor sentiment has weakened significantly this year with AAII's Bearish Investor Sentiment survey recently topping 60. Readings over 60 have occurred during crisis periods (e.g. 2008 Global Financial Crises) and readings at this level or above have historically led to well-above average returns for US stocks on a 12-month forward basis, but be advised that market valuations are still above prior historical crises periods.
- As a result of market pullbacks, the US equity market's longer-term bullish trend is in danger of being broken but we are placing less emphasis on market trends at this time.

THE MARKET BAROMETER

The US Stock Market Barometer captures Brinker Capital's 12+ month market outlook. It is updated each month by the Orion Asset Allocation Committee. Standard inputs include proprietary reports produced by the Brinker investment team as well as industry-leading external research providers. The Barometer reflects current positioning in investment portfolios.

SECOND QUARTER 2025

Brinker Capital Asset Class Barometer

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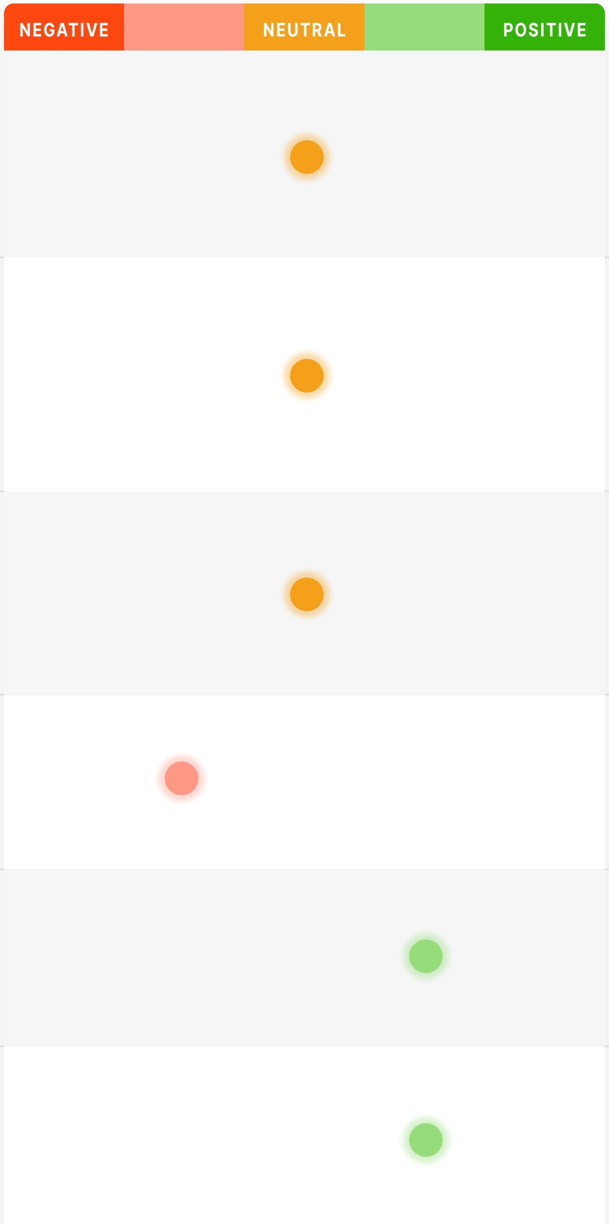

Domestic Equity

Factors considered within domestic equity include allocations to the traditional style box asset classes.

- Fundamentals remain supportive despite a deceleration in economic growth and negative analyst earnings revisions for CY25 that have trimmed estimated earnings growth to 11%.
- Valuations are elevated by historical standards, suggesting below-average longer-term returns; however, behavioral factors (technicals and sentiment) are supportive of brighter prospects over shorter time horizons.
- The policy backdrop is becoming less supportive with a patient Fed and fiscal policy that, to date, has seen more spinach (tariffs/job cuts) than dessert (tax cuts/deregulation).
- Despite recent underperformance by mega-cap growth stocks, the valuation gap between these stocks and the rest of the US equity market remains elevated, presenting compelling opportunities if relative fundamentals in these other segments begin showing more meaningful improvement.

International Equity

Factors considered within international equity include a breakdown between developed and emerging markets as well as allocations across the traditional style box.

- Despite strong relative performance in Q1, valuations remain attractive for non-US stocks with relative P/E multiples at a 20% discount to long-term averages; at the same time, corporate fundamentals have improved over the past three months with positive analyst earnings revisions and a narrowing of the earnings growth gap to US equities.
- Prospects for European equities have brightened as a result of an historic agreement by Germany's governing coalition partners to loosen its debt brake and support elevated defense spending and a deficit-financed infrastructure fund; this sea change is supported by a recent EU plan to unlock nearly €800B for defense spending.
- Elevated geopolitical risk continues to bear monitoring as domestic European politics remains messy, the Russia-Ukraine conflict rages on, and the impact of US tariff/trade policy on the global economy remains uncertain.

Core Fixed Income

Factors considered within core fixed income include credit quality and duration of the broad fixed income universe.

- Treasury yields moved broadly lower during Q1 2025 alongside negative US economic surprises and weaker equity markets; the 10-yr US Treasury currently yields about 4.2%.
- Although absolute yields are attractive for most segments of the core fixed income market, spreads remain uninspiring with investment grade corporate spreads hovering near their tightest levels in the past quarter century. As a result, risk is skewed to the downside.
- Agency MBS remains attractive given similar default risk as Treasuries but currently offering enhanced yields and wider-than-average spreads.
- Fixed income volatility has moved higher recently, with the MOVE Index (bond version of VIX) near five-month highs.

Global Credit

Factors considered within global credit include allocations to various spread and/or non-core fixed income sectors as well as duration.

- Despite compelling longer-term characteristics, our intermediate-term outlook remains tepid as a result of historically tight credit spreads across a range of sub-asset classes at a time when economic headwinds are building.
- US high yield debt retains healthy fundamentals relative to historical averages and attractive absolute yields; however, credit spreads near their tightest levels in the past fifteen years offer little margin of safety in the event that fundamentals begin deteriorating.
- Emerging markets debt has also experienced spread compression over the past year to levels that dampen our outlook; European high yield debt (especially B and CCC-rated bonds) provides a compelling combination of spreads and fundamentals.

Alternatives

Factors considered within liquid alternatives include high versus low beta sub-asset classes.

- Correlations between stocks and bonds have been positive for much of the past four years which has enhanced the attractiveness of alternatives as a portfolio diversifier; this positive stock-bond correlation tends to be more common during periods of elevated inflation.
- Higher base rates (short-term rates) provide a solid foundation for performance of liquid alternatives; market consensus of a more patient Fed and fewer rate cuts in 2025 have extended the benefit from this tailwind.
- Elevated volatility across equity, fixed income, commodities, and currencies provides a more constructive backdrop for alternatives.

Real Assets

Factors considered within real assets include allocations to infrastructure, real estate, natural resource equities, and commodities.

- Historically, real assets have offered investors the ability to benefit from growth in the real economy and to serve as an inflation hedge.
- Global infrastructure, global REITs, and natural resource equities are all trading at relative valuation discounts of 15-20% relative to their long-term averages.
- Fundamentals for real assets are attractive, with improving earnings growth forecasts and secular tailwinds from electricity consumption growth (infrastructure), data center/logistics demand (REITs), and deglobalization/infrastructure resiliency (natural resources).
- The favorable backdrop would be compromised by a global trade war that dampens economic growth; commodities and natural resource equities would be most heavily impacted.

ASSET CLASS BAROMETER

The Asset Class Barometer serves as Brinker Capital's intermediate-term outlook on the six major asset classes that comprise its multi-asset class portfolios. It is updated quarterly by the Orion Asset Allocation Committee. Standard inputs include proprietary reports produced by the Brinker investment team as well as industry-leading external research providers.

About Orion

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[1] 2024 Top 100 RIA Firms, Barron's, 2024.
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An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.

The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks.

The CBOE Volatility (VIX) Index is a calculation designed to produce a measure of constant 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of the S&P 500 Index (SPX) call and put options.

The Merrill Lynch Option Volatility Estimate (MOVE) Index reflects the level of volatility in U.S. Treasury futures. The index is considered a proxy for term premiums of U.S. Treasury bonds (i.e., the yield spread between long-term and short-term bonds).

Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor.

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