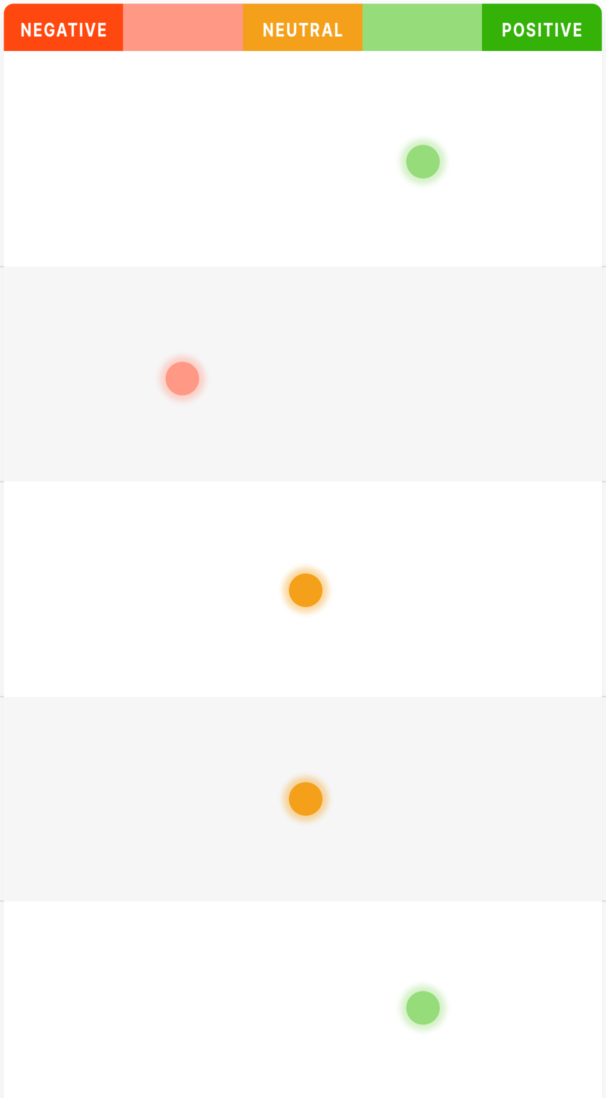
JANUARY 2025

Brinker Capital US Stock Market Barometer



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.

- According to FactSet's Earnings Insight, earnings growth is expected to accelerate to 15% in calendar year 2025 vs. the 10% rate in 2024.
- Of the 106 companies in the S&P 500 that have issued 4Q EPS guidance, 71 (67%) have issued negative guidance. This exceeds the 5-year average negative guidance of 57%.
- Real GDP growth for 3Q24 was 3.1% (QoQ annualized) per the final reading. The Atlanta Fed's GDP estimate for 4Q growth stands at 2.7%.
- The composite economic leading indicator turned positive in November which is the first positive reading in over 12 months.

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 21.4 vs. the 5-yr average of 19.7.
- The market capitalization of the S&P 500 is approximately 225% of US GDP which is approaching the highest readings since the 1960s.
- Despite high overall valuations, pockets of 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.

- Despite recent Fed rate cuts, inflation-adjusted (real) interest rates remain high, and this is typically a headwind for risk assets.
- The 10-year US Treasury yield is roughly 4.6%; historically, yields in the 4.5-5.0% range have been an indicator of weaker equity markets.
- Credit spreads continue to be tight vs. historical averages but remain "well-behaved"; widening spreads are often a precursor to equity weakness.
- The yield curve was inverted for the longest consecutive period in history and despite most of the curve having un-inverted, economic impacts of this inversion may not have fully played out. The short end of the curve (<1 year) remains inverted.

Policy

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

Policy indicators include factors such as monetary and fiscal policy.

- With GOP sweep of presidency and both houses of Congress, fiscal policy is expected to be pro-cyclical; regulatory burden should be eased.
- The Fed cut rates by 100 bps in 2024; with the US economy remaining resilient, we expect a more patient Fed and fewer rate cuts in 2025.
- Money supply growth (M2) is off its pandemic peak; however, the YoY growth rate has accelerated to ~4%.
- Rising federal debt service continues to pose risk of "crowding out" more productive fiscal spending.

Behavioral

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

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

- The US equity market is in a longer-term bullish trend.
- US factor and sector returns have had a positive skew towards more aggressive assets; high volatility and high beta stocks have outperformed low volatility and low beta stocks while more aggressive sectors (technology) have outperformed conservative sectors (consumer staples).
- Investor sentiment cooled in December with the bull/bear spread in AAII's Investor Sentiment survey turning negative (-2.7%); consumer sentiment remained positive as the Conference Board Consumer Confidence Index increased more than 10 points in December to 110.7.

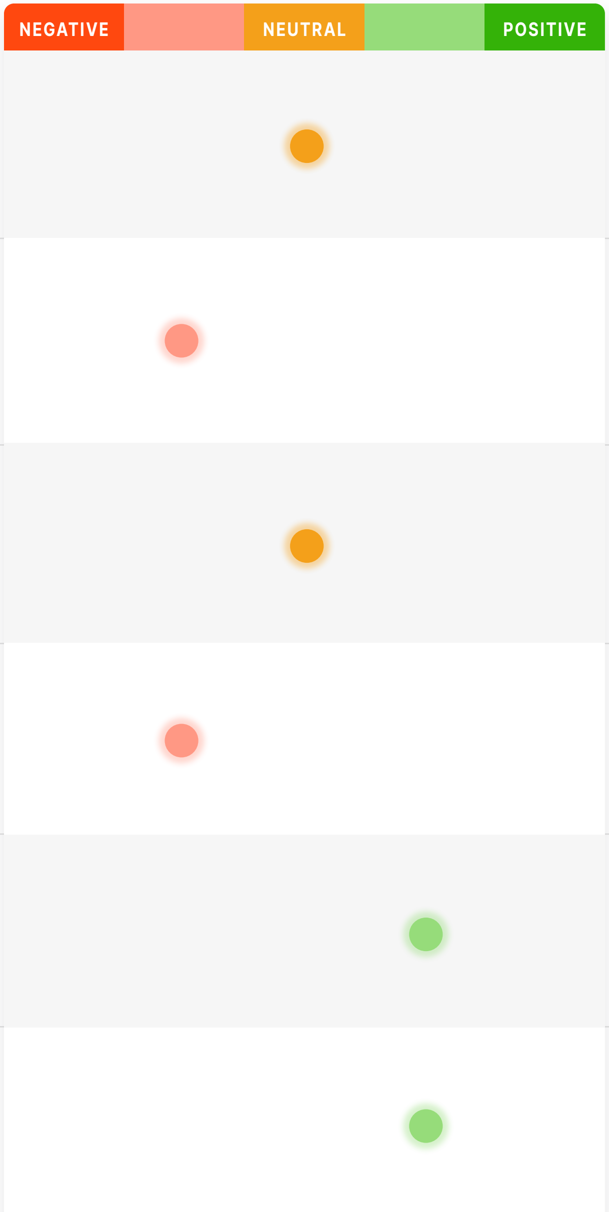
THE MARKET BAROMETER

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.

FIRST QUARTER 2025

Brinker Capital Asset Class Barometer

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY



Domestic Equity

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

- Fundamentals remain strong—economic growth is resilient and corporate earnings growth is forecast to accelerate from 10% in 2024 to 15% in 2025.
- Valuations are elevated by historical standards, suggesting below-average longer-term returns; however, behavioral factors (momentum/sentiment) are supportive of prospects over shorter time horizons.
- The interest rate outlook is becoming less supportive as the Fed has signaled a pause in rate cuts and longer-term bond yields ended the year at six-month highs.
- The valuation gaps between value and growth stocks as well as large and small cap stocks are extended, presenting opportunities outside of mega-cap growth stocks if relative fundamentals in these 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.

- Relative valuations are favorable for non-US stocks, but fundamentals are more tepid; earnings growth for 2025 is expected to top out below 10% and economic survey data for European countries (e.g. PMIs) have weakened.
- Elevated geopolitical risk bears monitoring with Germany, France, and the UK facing domestic challenges at the same time as the Russia-Ukraine conflict rages on and uncertainty about Trump tariffs weighs on numerous foreign economies; the renewed strength of the US dollar post-election acts as a headwind.
- Despite skepticism on the Chinese equity market, the resilience of other EM countries (particularly India and emerging Asia) causes us to favor EM vs. DM.

Core Fixed Income

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

- The yield environment continues to be attractive with the 10-yr Treasury yield at 4.6%.
- Absolute yields for corporate bonds remain healthy and corporate balance sheets are broadly solid; however, credit spreads are at their tightest levels in twenty years, introducing downside risk if fundamentals deteriorate.
- Agency MBS remains attractive given similar default and duration risk as Treasuries but currently offering enhanced yields.
- The Treasury yield curve has almost completely "un-inverted"; fixed income volatility remains elevated with the term premium at its highest level in over a decade.

Global Credit

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

- Strategically, we believe the global credit asset class is an attractive building block within globally diversified portfolios, but tight credit spreads across a range of sub-asset classes continue to tilt our intermediate-term outlook toward greater caution.
- Absolute yields on US high yield debt remain attractive and corporate balance sheets are reasonably healthy relative to historical averages; however, spreads are at their tightest levels in the past fifteen years.
- Emerging markets debt has also seen spread compression over the past year to levels near the tightest in the past decade; conversely, European high yield debt remains more compelling when comparing 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, enhancing the attractiveness of alternatives as a portfolio diversifier and a complement to core fixed income.
- Elevated 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 would extend the benefit from this tailwind.
- The likelihood of a less active regulatory regime (but perhaps greater macro volatility) improves the outlook for event driven, market neutral, and multi-strategy approaches.

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.
- Natural resource equities have compelling relative valuations and fundamental growth drivers with clean energy and infrastructure resiliency enhancing prospects for a variety of resources.
- Global infrastructure should benefit from secular tailwinds tied to re-shoring and deglobalization as well as AI; e.g. data centers/surging electricity demand.
- Gold remains within 6% of its recent all-time high on the back of central bank demand, geopolitical tension, and sovereign debt concerns.

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.

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[1] 2024 Top 100 RIA Firms, Barron's, 2024.

Source: Brinker Capital. Information is accurate as of January 2, 2025. Themes and specific funds utilized to implement themes are discussed within the context of Brinker Capital's managed asset allocations and are based on current market conditions and constitute Brinker Capital's judgment and opinions, which are subject to change without notice. Past performance does not guarantee future results. Statements referring to future actions or events, such as the future financial performance of certain asset classes or market segments, are based on the current expectations and projections about future events provided by various sources, including Brinker Capital's Investment Management Group. These statements are not guarantees of future performance and actual events may differ materially from those discussed. Orion Portfolio Solutions, LLC d/b/a Brinker Capital Investments a registered investment advisor.