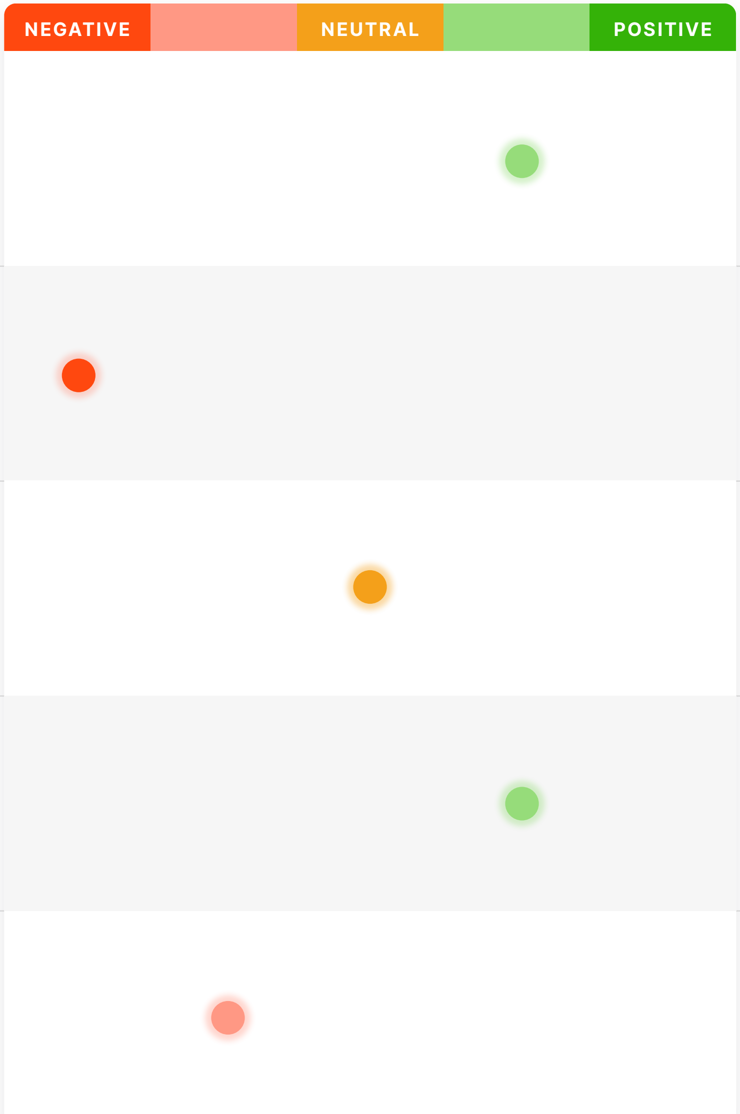
SEPTEMBER 2024

Brinker Capital Five Factor 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.

- Earnings growth is expected to continue improving throughout 2024 and into 2025. Current analyst expectations for US large cap stocks call for 11% earnings growth in CY 2024 and 15% earnings growth in 2025.
- Thus far through Q2 earnings season, 79% of S&P 500 companies have reported a positive EPS surprise and 60% have reported a positive revenue surprise.
- 2Q24 real GDP growth surprised to the upside at 2.8%. Current estimates for Q3 GDP are around 2.5%. For a frame of reference, the 20-year average growth rate of real GDP is 2.0%.
- Concerns include interest rates that remain elevated which could increase pressure on the consumer later this year. Continued yield curve inversion and weakening of leading economic indicators highlight potential cracks in the Goldilocks economy narrative.

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.

- Numerous valuation measures point to an expensive domestic equity market.
- The current CAPE ratio is well above historical average which is consistent with below-average forward returns.
- Fed Funds rate exceeds the forward earnings yield of the S&P 500 which is historically a bearish indicator.
- Small cap, mid-cap, natural resource equities are relatively attractively valued; pockets of opportunity exist in the US equity market despite valuations and concentration levels near all-time-highs.

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 interest rates remain high which is typically a headwind for risk assets.
- The first Fed rate cut is expected in September, with potentially 1-2 additional cuts before year-end. Lower rates are a tailwind for risk assets.
- Yield curve has been inverted for the longest consecutive period in history; we are closely watching this relationship as we approach "un-inversion", as this has historically been a bearish indicator for risk assets.
- Investment grade and high yield spreads remain tight vs historical averages. They are "well-behaved" but potentially vulnerable in a slowing economic environment. Wider spreads are often a precursor to equity weakness.

Policy

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

Policy indicators include factors such as monetary and fiscal policy.

- Fiscal policy is expected to be accommodative with current election cycle.
- Though the Fed hasn't cut short-term rates as soon as many expected, the bias remains for a downward trajectory in short-term rates.
- Money supply growth has contracted off its peak, but the 5-year growth in money supply remains well above-average; one-year M2 growth is also now positive.
- 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 stock market is in a longer-term bullish trend.
- Equity markets proved resilient in their rebound after August's correction. Notably, the rebound exhibited stronger market breadth relative to the rest of 2024.
- Investor (and consumer) optimism is at higher levels. Retail investor interest is also back at new highs. These sentiment readings typically suggest below average (albeit positive) returns in the months and quarters to follow.
- The VIX index spiked in early August but has settled back near its 5-year average.

THE MARKET BAROMETER

The Market Barometer captures the Brinker Capital's 12-month plus market outlook. It is updated each month by the Orion Asset Allocation Committee. Standard inputs include proprietary reports produced by the Orion Discretionary Investment Team. The Barometer reflects current positioning in investment portfolios. The Barometer is also used as a basis for market outlook presentations.

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Brinker Capital Asset Class Barometer

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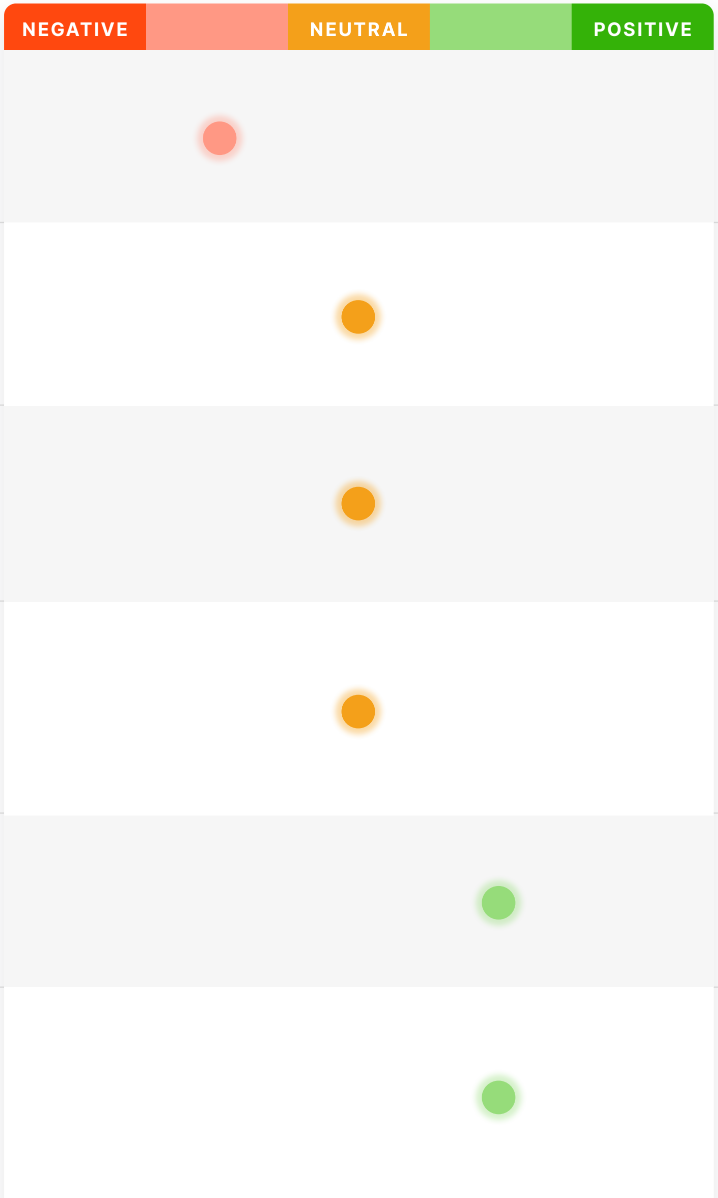

Domestic Equity

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

- Valuations are high by historical standards, suggesting below-average intermediate- and longer-term returns relative to broad global equity markets.
- The interest rate environment isn't supportive of stocks; though bond yields are lower than 2023 peak, high real rates and inverted yield curve are headwinds.
- Fundamentals, though, are improving. Economic growth remains resilient and expectations for corporate earnings growth are improving.
- The valuation gaps between value and growth stocks as well as large and small cap stocks are highly extended which point to pockets of opportunity.

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 considerably more favorable for non-US stocks although elevated geopolitical risk bears monitoring.
- Economic survey data for European countries (e.g. PMIs) are weakening although Asian economies have been stronger, led by South Korea, Japan, and India.
- Interest rate and economic stage differentials abroad may provide an attractive source of diversification.
- Currently favor emerging markets relative to developed markets given access to cheaper inputs, demographics, and higher potential growth rates.

Core Fixed Income

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

- Neutral on core fixed income. Yield environment is the most attractive in nearly two decades but recent declines in yields reduce forward expected returns.
- Absolute yields for corporate bonds are compelling, but we remain cautious on this sector given tight credit spreads; as a result, we favor higher quality credit.
- Agency MBS is an attractive sector given similar default and duration risk as Treasuries, but currently offer enhanced yields.
- Yields on the front end of the curve are currently attractive; however, a barbell approach between shorter and longer maturities could benefit long term investors.

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 in the benefits of an allocation to global credit but currently neutral on a shorter-term basis.
- High yield bond spreads are tight by historical standards, offering little excess return relative to excess risk. High yield has been resilient so far, but the tight spreads increase downside risk if economic conditions become less favorable.
- Despite spreads being tight relative to long-term averages, absolute yields still remain attractive in light of US equity valuations.
- High yield market looks healthy from a credit perspective relative to historical averages when considering leverage, interest coverage, and default rates.

Alternatives

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

- Correlations between stocks and bonds have risen, making alternatives an attractive diversifier and complement to core fixed income.
- Liquid alternatives offer a relatively stable risk profile with the potential for little correlation to equity beta or fixed income duration. Higher base interest rates provide a solid foundation for the liquid alternatives performance outlook.
- Liquid alts strategies that are more attractive include event driven, market neutral, trend-following, and multi-strategy.
- More wary of merger arbitrage strategies given FTC's increased challenging of merger activity.

Real Assets

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

- Historically, real assets have been an effective diversifier, especially during periods of high/rising inflation.
- A decline in inflation toward the longer-term trend would remove one of the tailwinds from the relative attractiveness of real assets.
- Within real assets, natural resource stocks have compelling relative valuations; the green energy transition provides elevated demand for a variety of industrial metals. Gold hit all-time highs despite high real interest rates on the back of central bank demand, geopolitical concerns, and inflation.
- Publicly traded REITs provide an attractive opportunity given their current valuations relative to history and their current out-of-favor view. Lower interest rates would provide an additional tailwind.

ASSET CLASS BAROMETER

The Brinker Asset Class Barometer serves as the team's outlook on the six major asset classes that comprise the multi-asset class portfolios. It is updated each month by the Orion Asset Allocation Committee. Standard inputs include proprietary reports produced by the Brinker Discretionary Investment Team as well as industry-leading external research providers.

About Orion

Orion is a premier provider of the tech-enabled fiduciary process that transforms the advisor-client relationship by enabling financial advisors to Prospect, Plan, Invest, and Achieve within a single, connected, technology-driven experience. Combined, our brand entities, Orion Advisor Tech, Orion Portfolio Solutions, Brinker Capital Investments, Redtail Technology, and Orion OCIO create a complete offering that empowers firms to attract new clients seamlessly, connect goals more meaningfully to investment strategies and outcomes, and ultimately track progress toward each investor's unique definition of financial success. With the addition of Redtail and Orion OCIO, the combined platform services $3.6 trillion in assets under administration and $61.7 billion of wealth management platform assets (as of March 31, 2023). Supporting over 5 million technology accounts and thousands of independent advisory firms, Orion is the platform of choice for all growth-focused advisory firms looking to strengthen their client relationships, gain a competitive edge in a crowded marketplace, and build strong, profitable businesses.

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