FEBRUARY 26, 2024

Weekly Wire

BRINKER CAPITAL INVESTMENTS
AN ORION COMPANY

New All-Time Highs All Around

By Rusty Vanneman, CMT, CFA, BFA™

Last week, the S&P 500, Dow Jones, and NASDAQ 100 stretched to new all-time highs. Japan hit new highs. Europe hit new highs.

The highlight in the stock market last week was the NVIDIA (NVDA) 4Q23 earnings call that was released last Thursday. In short, it positively beat expectations, and those expectations were high coming into the report. Record quarterly revenue grew a whopping 22% quarter over quarter and a stunning 265% from year ago (for comparison, the S&P 500 grew revenues only 4% last year, and that included NVDA's earnings. Source: Factset). In turn, NVIDIA added approximately $277B to their market cap on Thursday representing the greatest single-day gain in stock market history. The total market cap for NVDA is now about $2 trillion, as NVDA's stock price is now higher by over 200% over the last 12 months. Should the Magnificent Seven now just be considered the Magnificent One? Expectations remain high, though. The price to sales ratio for NVDA is now over 32x. For comparison, the S&P 500's P/S ratio is under 3x (which is near its own all-time P/S high at just over 3x).

Speaking of new reported all time-highs, this past week-end was the release of the annual Berkshire Hathaway (BRK) Shareholder Letter written by Warren Buffett. Berkshire now has — by far — the largest GAAP net worth recorded by any American business (BRK is also now closing in a $1 trillion market cap.) As always, there were a lot of takeaways from the shareholder letter, including the massive cash that BRK has accumulated. Buffett's comments on this cash: "(We hold) a cash and U.S. Treasury bill position far in excess of what conventional wisdom deems necessary...We (do) not predict the time of an economic paralysis, but (are) always prepared for one... In most years — indeed in most decades — our caution will likely prove to be unneeded behavior — akin to an insurance policy on a fortress-like building thought to be fireproof. (We do) not want to inflict permanent financial damage — quotational shrinkage for extended periods can't be avoided... (our portfolio) is built to last." I would consider those words of wisdom to consider for most diversified and resilient long-term investment portfolios.

This coming week we will get a fresh print of the Fed's preferred inflation indicator, Personal Consumption Expenditures (PCE), along with quite a bit of Fed speak. After last week's reiteration in higher-for-longer interest rate sentiment, this new data could be telling on regarding the future direction near-term direction of inflation and interest rate expectations.

Add it all up...

Stay invested. Stay diversified. Stay disciplined.

If you have any questions or comments, please let us know at strategists@brinkercapital.com or at Rusty@Orion.com. See you next week.

Interest Rates as of February 23, 2024

Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.24%	0.02%
10-Yr Treasury Yield	4.26%	-0.04%
Bloomberg US Agg Yield	5.05%	-0.01%
Avg Money Mkt Yield	5.14%	-0.01%
Avg 30-Yr Mortgage Rate	7.28%	-0.01%

Sources: Yahoo Finance, S&P Global, Crane Data, BankRate

Key Economic Data This Week

Point	Expectation	Release Date
New Home Sales	680,000	2/26/2024
Consumer Confidence	115.0	2/27/2024
GDP (First Revision)	3.3%	2/28/2024
Personal Income	0.3%	2/29/2024
Personal Consumption Expenditures (PCE)	2.4%	2/29/2024
Core PCE	2.8%	2/29/2024

Source: MarketWatch

Key Economic Data Last Week

Data Point	Expectation	Actual
US Leading Economic Indicators	-0.3%	0.4%
Existing Home Sales	3.97M	4.0M

Source: MarketWatch, First Trust

Stocks, Bonds, Alternatives, & Real Assets as of February 23, 2024

Security Name	Risk Score	1 Wk	1 Mo	QTD	YTD	1 Yr	3 Yr Ann.
Global Equities (60% US, 40% Intl)	100	1.41%	4.70%	4.54%	4.54%	21.45%	6.08%
S&P 500 Total Return	102	1.68%	4.76%	6.91%	6.91%	28.88%	11.17%
Dow Jones Industrial Average	97	1.30%	3.41%	4.10%	4.10%	20.54%	9.65%
NASDAQ 100 Total Return	122	1.44%	3.16%	6.73%	6.73%	48.49%	11.68%
TV Benchmark	107	1.47%	3.78%	5.91%	5.91%	32.64%	10.83%
Morningstar US Large Cap	102	1.70%	5.02%	8.04%	8.04%	33.85%	11.34%
Morningstar US Mid Cap	113	1.25%	4.04%	3.16%	3.16%	12.81%	5.26%
Morningstar US Small Cap	125	-0.06%	1.89%	0.03%	0.03%	10.38%	0.84%
Morningstar US Value	98	1.36%	3.12%	2.77%	2.77%	12.80%	9.71%
Morningstar US Growth	126	0.34%	4.16%	5.15%	5.15%	31.18%	3.66%
MSCI ACWI Ex USA	98	1.33%	4.96%	1.82%	1.82%	12.36%	0.79%
MSCI EAFE	101	1.44%	4.78%	2.51%	2.51%	14.67%	3.98%
MSCI EM	98	1.23%	6.12%	0.59%	0.59%	7.28%	-7.07%
Bloomberg US Agg Bond Index	27	0.25%	-0.40%	-1.77%	-1.77%	2.92%	-3.21%
Bloomberg Commodity Index	70	-0.78%	-1.81%	-2.49%	-2.49%	-5.09%	6.09%
Wilshire Liquid Alternative Index	25	0.52%	1.43%	1.68%	1.68%	6.54%	1.53%
US Dollar	10	-0.33%	0.61%	2.59%	2.59%	-0.60%	4.92%
Bloomberg US Treasury Bill 1-3mo	1	0.09%	0.48%	0.80%	0.80%	5.32%	2.48%

Source: Morningstar
The TV Benchmark represents an average of the S&P 500, Dow Jones IA, and NASDAQ 100 return indexes
Orion Risk Score represents risk relative to the global equity market.

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Brinker Capital Five Factor Stock Market Barometer

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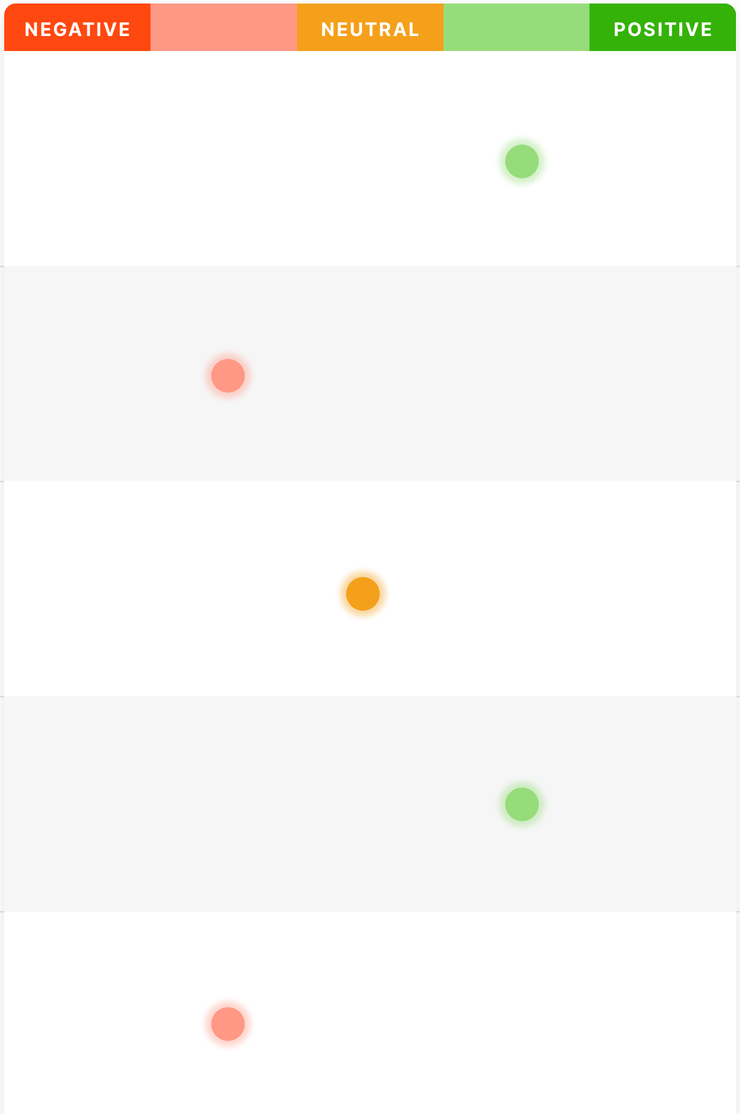

Fundamentals

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 into 2024 and 2025. At year-end, earnings growth expectations are for double-digit growth in 2024 and 2025. have likely troughed, leading to a more constructive forward-looking outlook.
- GDP growth continues to surprise to upside. 4Q23 real GDP growth was 3.3%. GDP grew well above expectations in 2023 at +2.5%.
- Several leading indicators, however, such as an inverted yield curve, still suggest some potential weakness in 2024.

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.

- Valuation measures point to an expensive domestic equity market.
- Current CAPE ratio is well above historical average which is consistent with below-average returns.
- Fed Funds rate exceeds the forward earnings yield of the S&P 500.
- Small cap, foreign developed, and emerging markets are relatively attractively valued.

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.

- Yield curve has been inverted for the longest consecutive span since 1980; inversion has been a bearish market signal and fairly accurate indicator of future recessions.
- Inflation-adjusted interest rates remain high which is typically a headwind for risk assets.
- Investment grade and high yield spreads remain tight vs historical averages. They are “well-behaved” but potentially vulnerable. Wider spreads are often a precursor of equity weakness.
- Markets are aggressively pricing the end of the Fed’s rate hike cycle with deep cuts currently expected in 2024. If that’s the case, that will be a plus for risk assets.

Policy

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

Policy indicators include factors such as monetary and fiscal policy.

- Domestic liquidity backdrop remains market-friendly.
- Fiscal policy is expected to be accommodative with current election cycle.
- Year-over-year change in M2 money supply remains negative, but is still above long-term trend. Year-over-year money supply, however, may have bottomed.
- Increased government spending in the face of rising debt service continues to pose longer-term threats to government funding and potential for robust fiscal policy response.

Behavioral

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

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

- Price trends were positive at year-end and into the new year.
- New highs typically mean above-average returns moving forward.
- Seasonality is also bullish in the fourth year of the presidential election cycle, though not necessarily at the beginning of the fourth year.
- Investor (and consumer) optimism, however, is at higher levels, suggesting below average (albeit positive) returns in the months and quarters to follow.

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 forward below average returns for the broad benchmarks.
- The interest rate environment isn't friendly for stocks: high real rates and inverted yield curve are two leading reasons.
- Fundamentals, however, are improving. Better economic and corporate earnings growth rates are expected.
- The valuation gaps between value and growth stocks as well as large and small cap stocks are highly extended, thus favoring value-oriented and smaller market capitalization companies

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. International equities broadly have higher dividends than US equities providing a buffer to volatility and higher total return potential.
- US economic growth, however, remains competitive.
- The US dollar has been strong of late, and if US interest rates move higher, that could provide more strength. A strong dollar would be a headwind for non-US relative performance. The upcoming Presidential Election could also be a factor for dollar performance.
- Neutral on favoring either developed vs emerging markets

Core Fixed Income

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

- Modestly positive on core fixed income with the most attractive yield environment in nearly two decades; higher starting yields generally point to higher expected forward returns
- Absolute yields are attractive for corporate bonds, but still cautiously navigating given tight credit spreads and anticipation of Fed cutting.
- Fixed income sectors that look attractive given current spreads include agencies, mortgage-back bonds and CMBS.
- Though still short duration, the "T-Bill and Chill" strategy is not attractive for long-term investors due to potential reinvestment risk.

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 global credit but currently neutral on a tactical basis.
- High yield bond spreads are tight by historical standards. High yield has been resilient so far, but the asset class is not on sale.
- Emerging market debt, however, have much more attractive credit spreads.
- Despite spreads being tight relative to long-term averages, starting absolute yields still remain attractive in light of US equity valuations.

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.
- Liquid alternatives offer a relatively stable risk profile with the potential for little correlation to equity beta or fixed income duration
- Tactically, neutral on liquid alternatives as core fixed income has become more attractive
- Liquid alt strategies that are more attractive include event driven, trend-following and multi-strategy.

Real Assets

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

- Real assets remain a powerful diversifier, especially during period of high/rising inflation.
- Tactically, neutral on real assets though geopolitical risks and potential for reacceleration in inflation are potential tailwinds for 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
- REITs have been strong performers of late but likely need stable/lower rates to sustain outperformance.

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.

Disclosures

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The S&P 500 Index is an unmanaged index of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks. 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.

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