

Your Top Questions, Answered

Glenn Dorsey, CFA[®], CAIA[®]



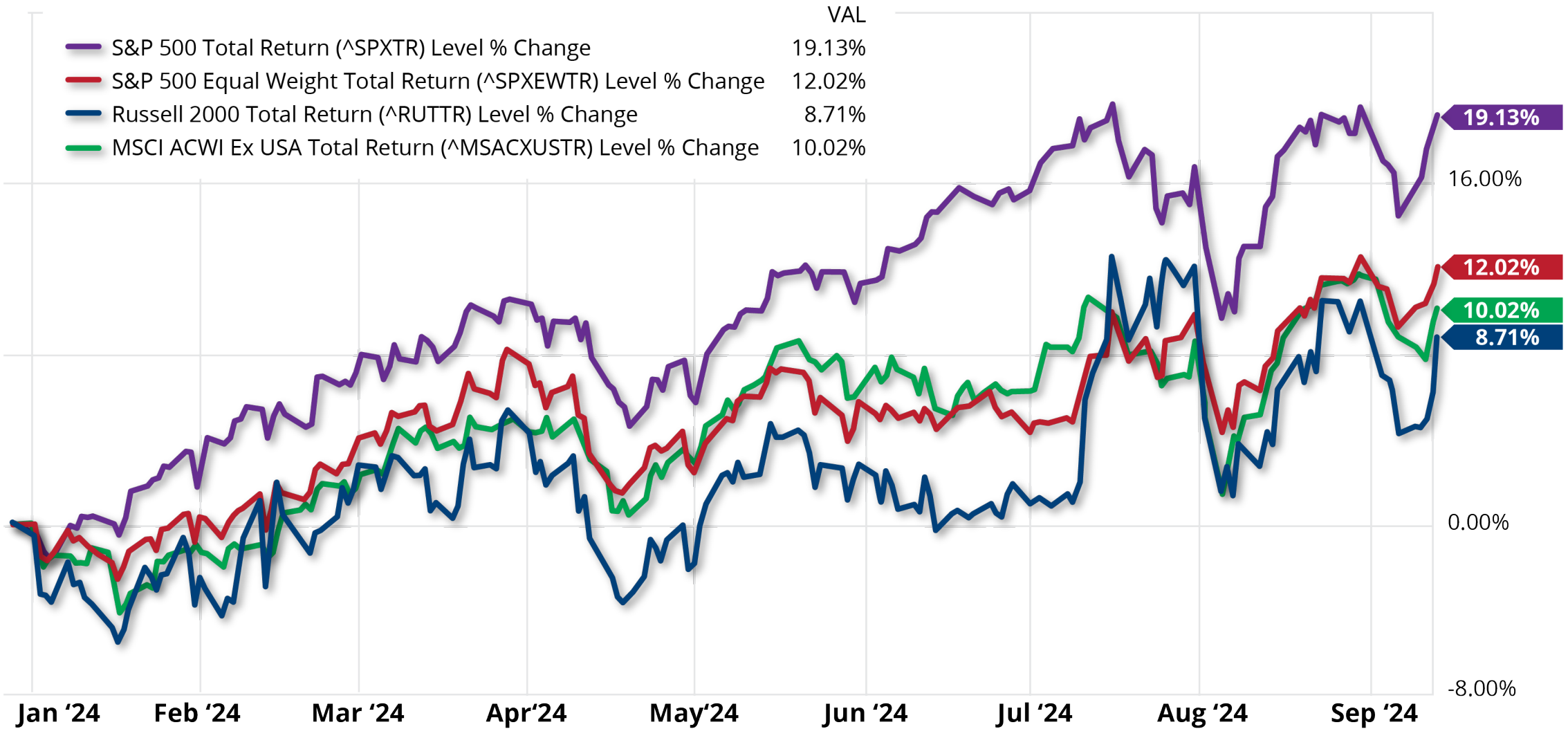
Agenda

- I am nervous because stocks are so high!
- What about the election?
- Will there be a recession?
- What about inflation?
- Is the Fed going to cut rates?
- Will government debt effect my portfolio?
- Bonds — buy, sell, or hold?
- Turn it off!



Trend Continues to be Positive

01/01/2024 to 09/16/2024



Source: YCharts

For illustrative purposes only. Past performance is not indicative of future results. It is not possible to invest in these indices. Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.



Turbulence is Normal



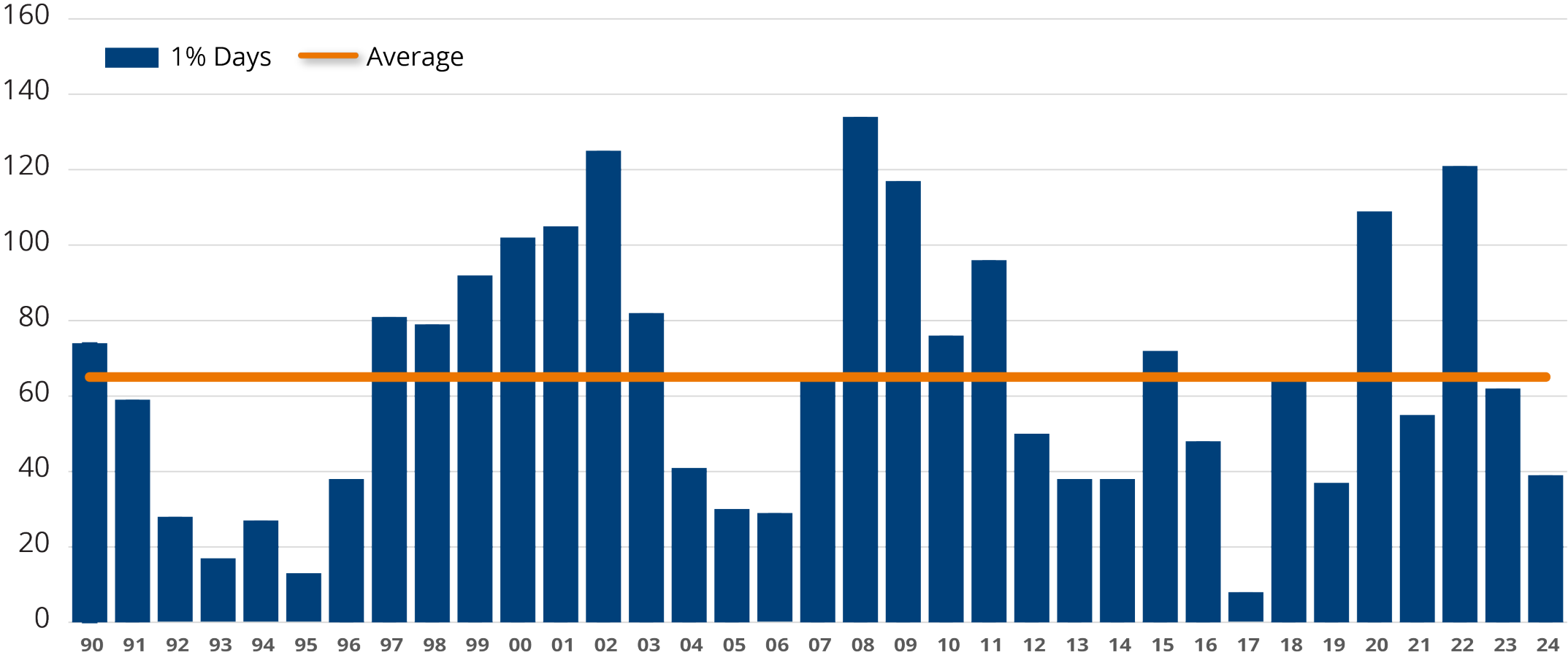
For illustrative purposes only.

Source: <https://simpleflying.com/laws-around-airplane-seatbelt-signs/>

Volatility is at Normal Levels

S&P 500 1% Moves

1990 to 2024



Source: Bloomberg, Clark Capital Research



Corrections Are Normal — Frequency of Declines

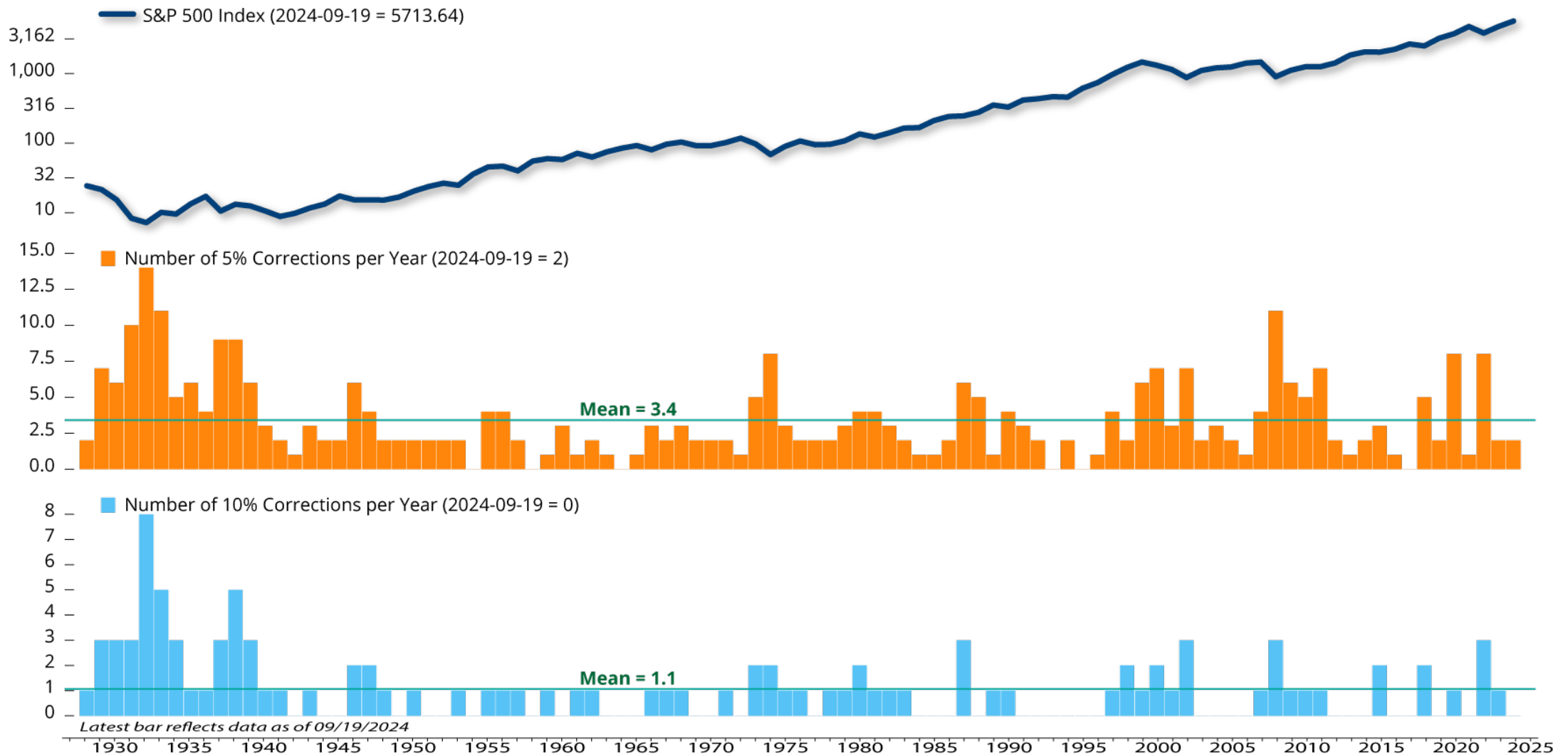
S&P 500 Declines	Occurrences Per Year	Frequency Average	Probability of Decline Moving to Next Stage	Mean Decline
-5% or more	3.4	Every 14 weeks	32%	-10.9%
-10% or more	1.1	Every Year	45%	-19.5%
-15% or more	0.5	Every 2 years	58%	-28.2%
-20% or more	0.3	Every 3 years	N/A	-35.7%



Only Two 5% Pullbacks So Far This Year

S&P 500 Index - Number of 5% and 10% Corrections per Year

Yearly Data 1928-12-31 to 2024-12-31 (Log Scale)



S01800A

Source: Ned Davis Research, Inc.

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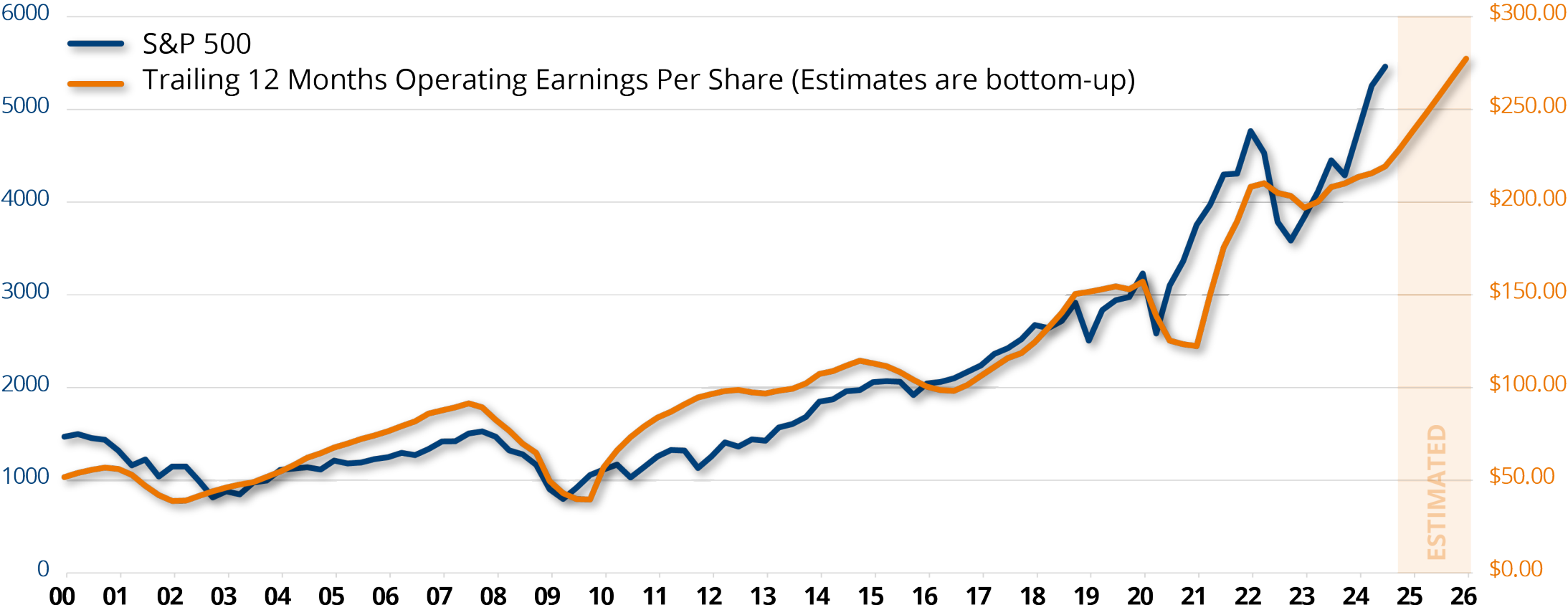
Source: Ned Davis Research.



Earnings and Prices at/near Highs

S&P 500 vs. Operating Earnings

12/31/1988 to 12/31/2025 (est.)



Source: Clark Capital, S&P Global, Bloomberg

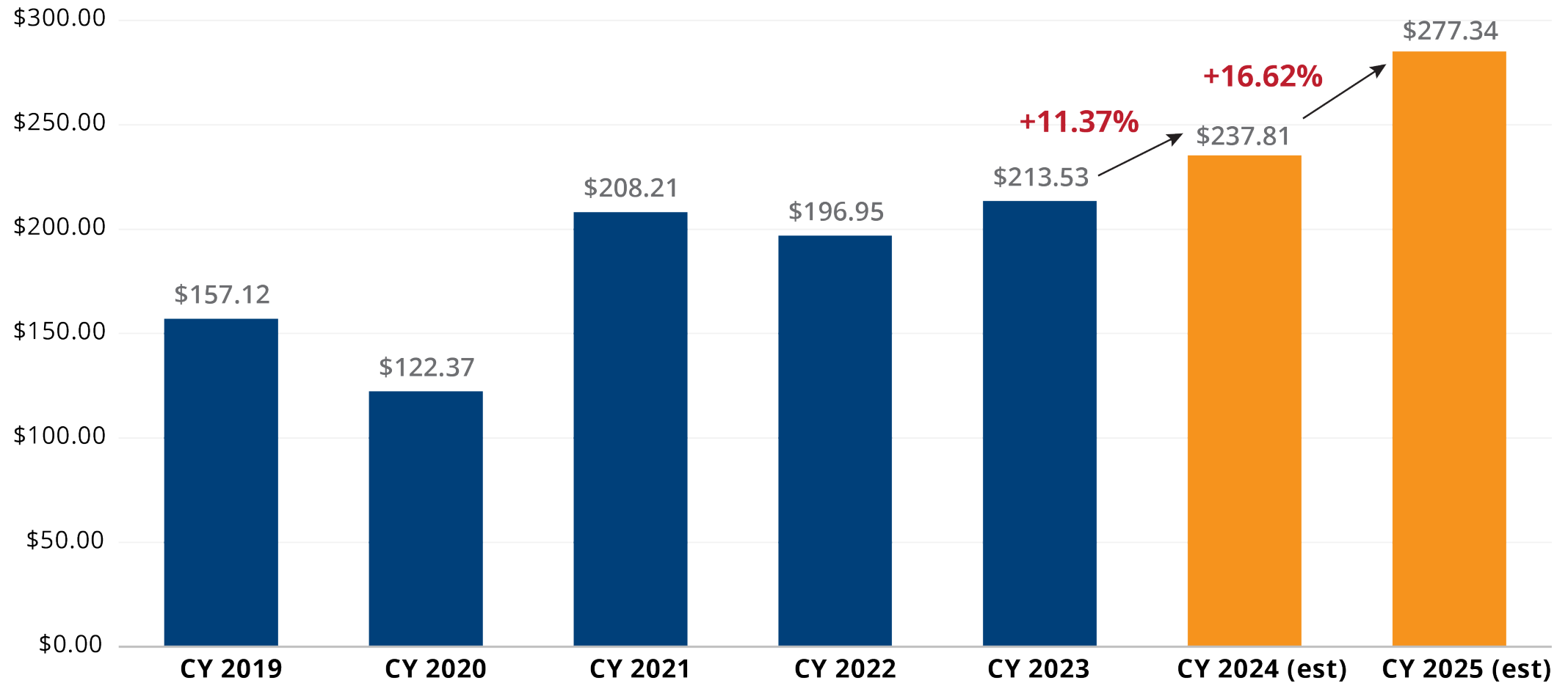
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S&P 500 Operating Earnings Are Expected to Grow

S&P 500 Calendar Year Operating EPS Actuals & Estimates

01/01/2019 to 08/31/2024



For illustrative purposes. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

Source: S&P Global

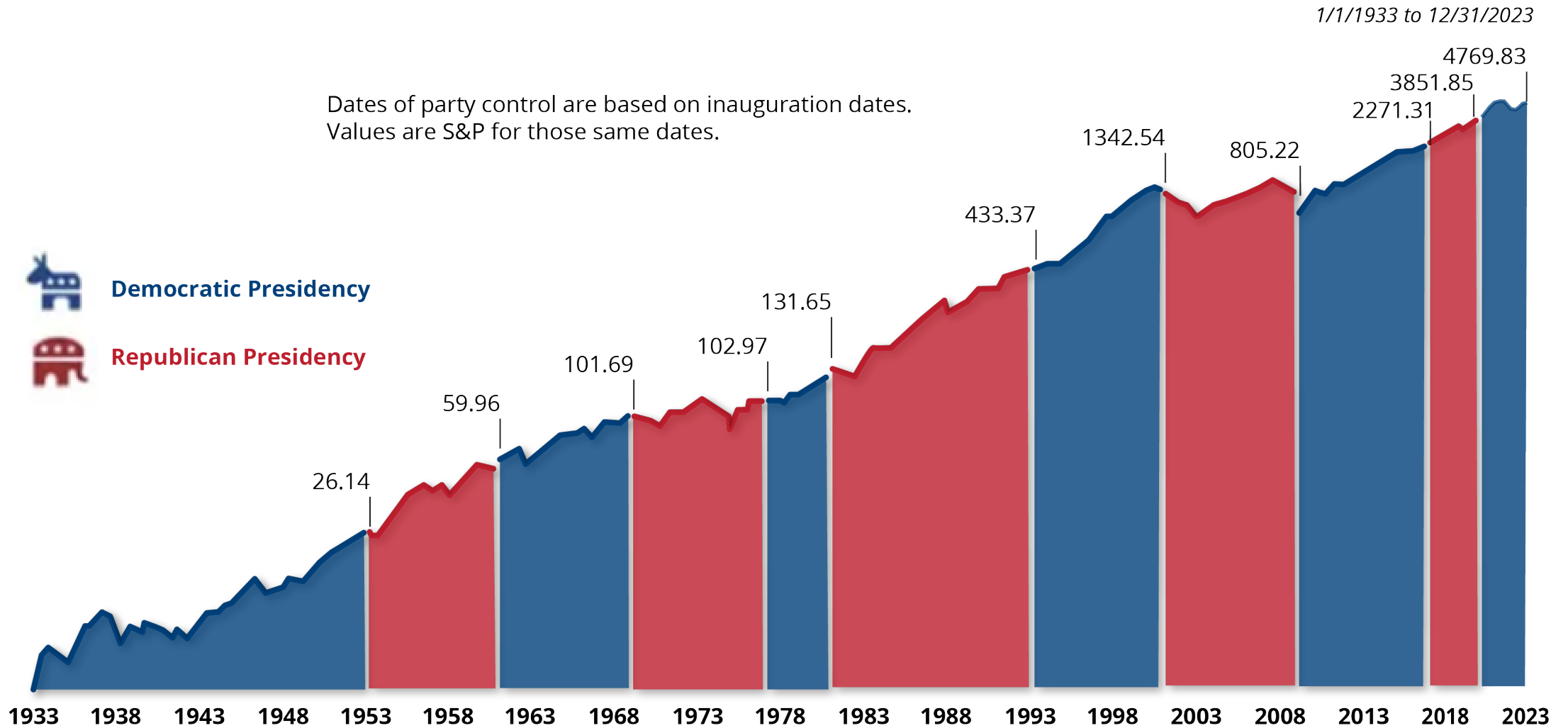


How Will the 2024 Election Impact the Markets?



Over Time Stocks Have Gone Up...Despite Washington!

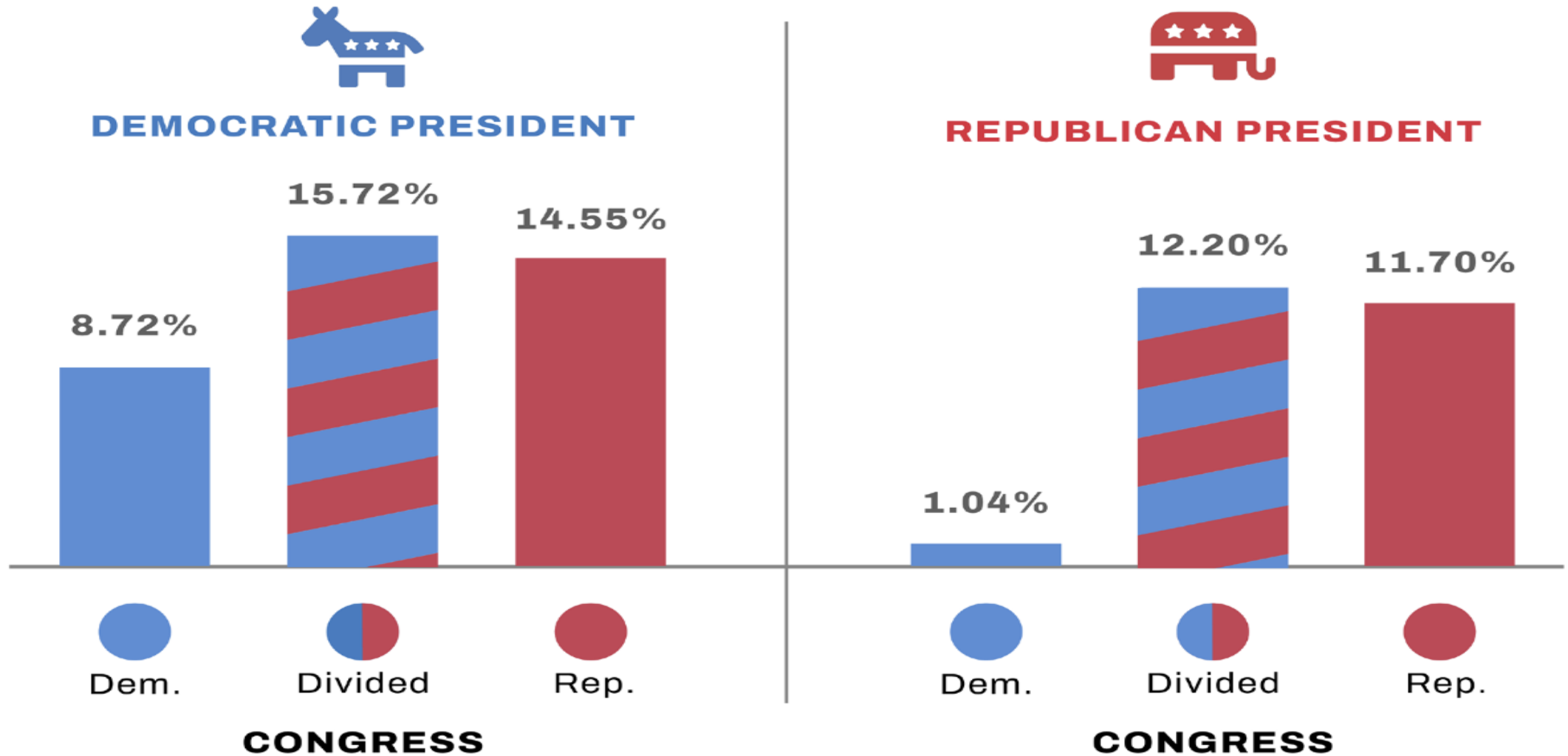
S&P 500 Index Performance



Source: Morningstar, Standard & Poor's, Financialsamurai.com

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Average Annualized S&P 500 Performance 1950-2023



For illustrative purposes only. Past performance is not indicative of future results.



Recent Election Results

S&P Price Only Returns		
During Trump	60.60%	<i>Election to election under Trump, 11/2/2016-11/3/2020</i>
Since Biden Election	65.16%	<i>Election to election under Biden, 11/3/2020-7/23/2024</i>

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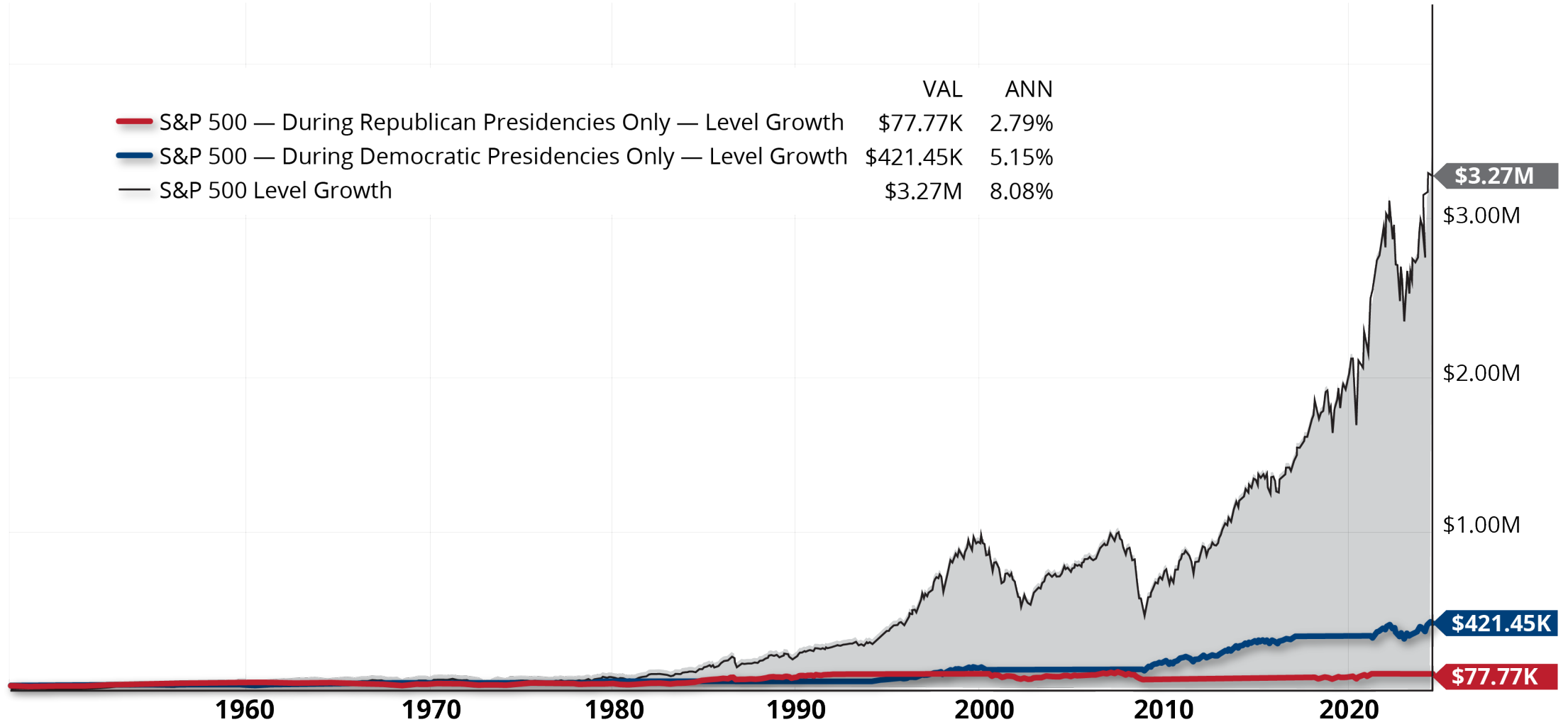
Source: Bloomberg, Clark Capital Research



Over Time Stocks Have Gone Up...Despite Washington!

Investing Based on Preferred Political Party (Growth of \$10,000)

01/03/1950 to 06/28/2024



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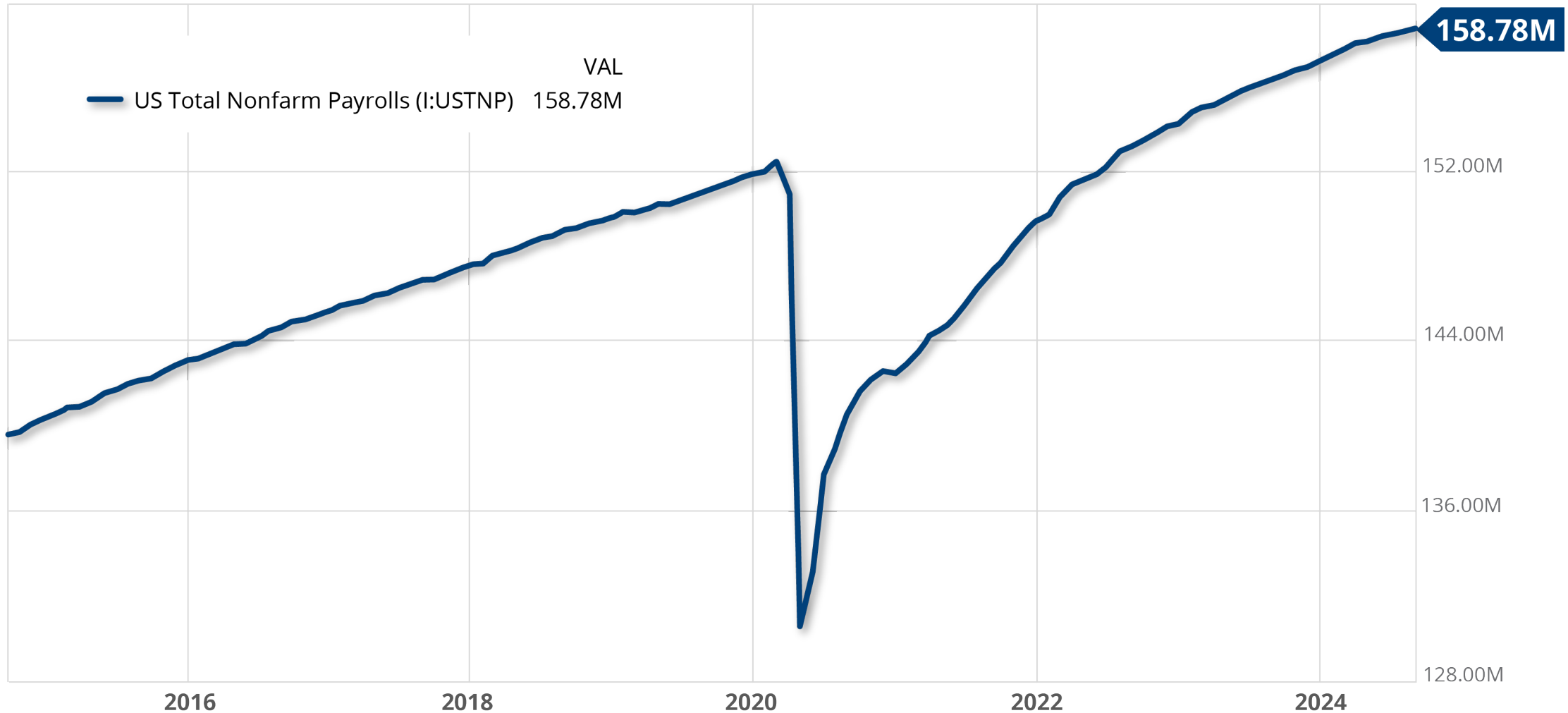
Source: YCharts



Payrolls Still Expanding

US Total Nonfarm Payrolls (I:USTNP)

1/1/2015 to 9/1/2024



Source: YCharts



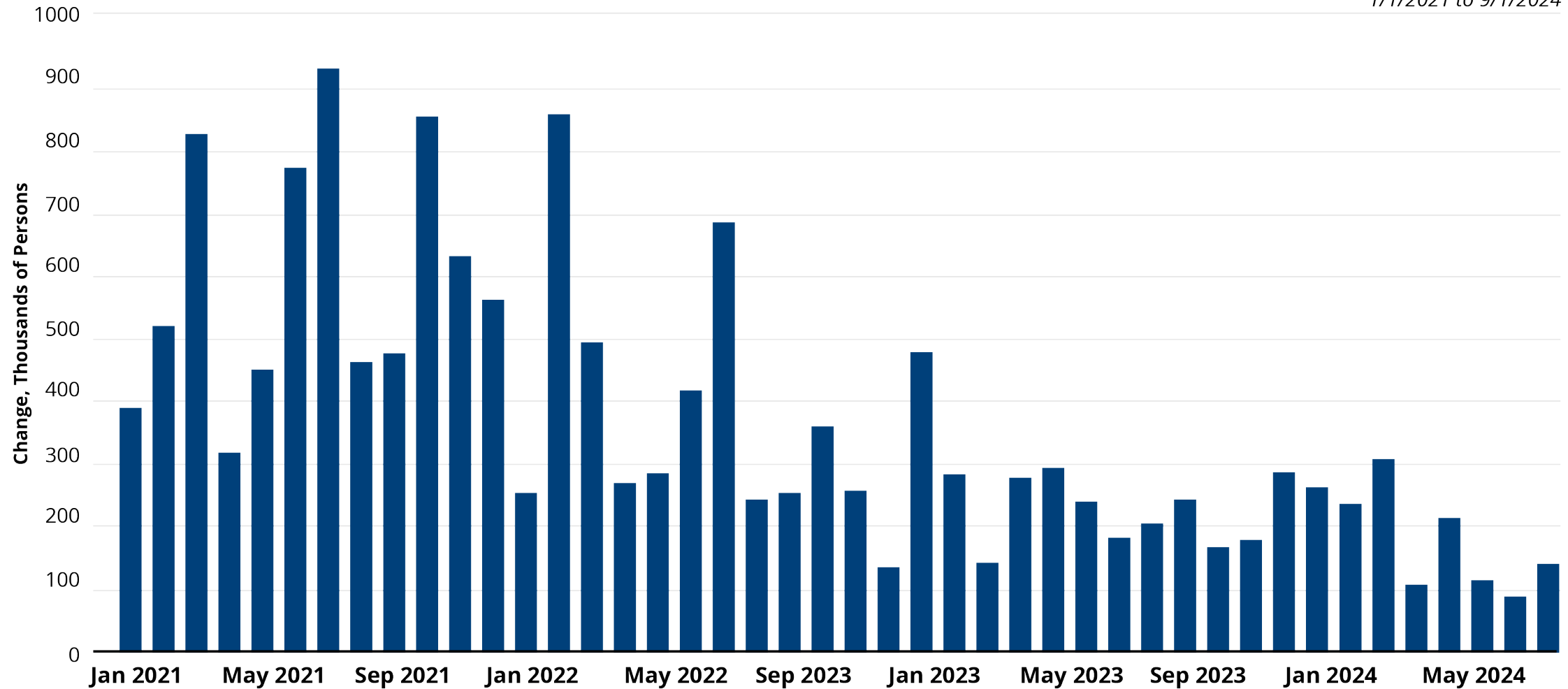
For illustrative purposes only.

Source: Y-Charts

The Pace Has Definitely Slowed

All Employees, Total Nonfarm

1/1/2021 to 9/1/2024



Source: FRED, U.S. Bureau of Labor Statistics



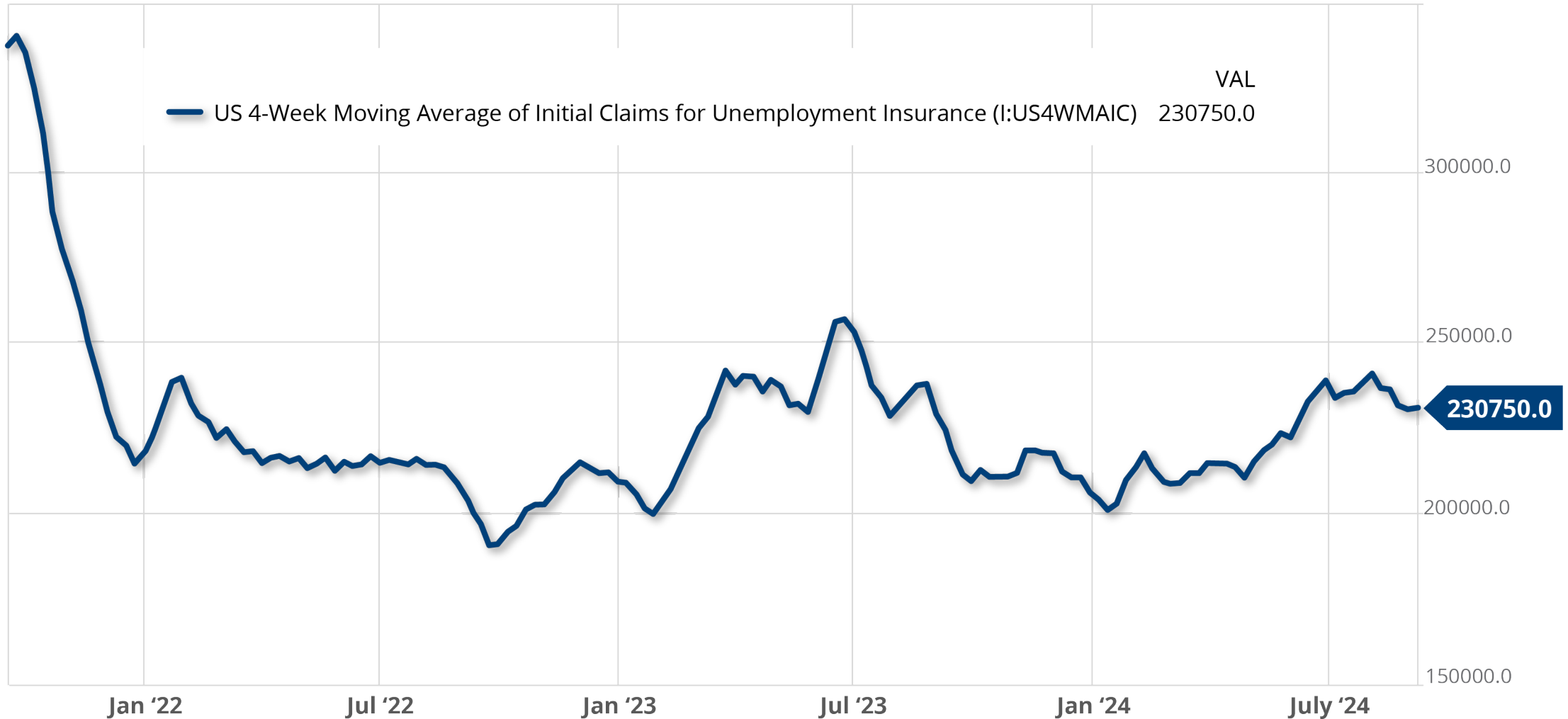
For illustrative purposes only.

Source: fred.stlouisfed.org

There is Some Modest Softening

US 4-Week Moving Average of Initial Claims for Unemployment Insurance (I:US4WMAIC)

9/1/2022 to 9/1/2024



Source: YCharts



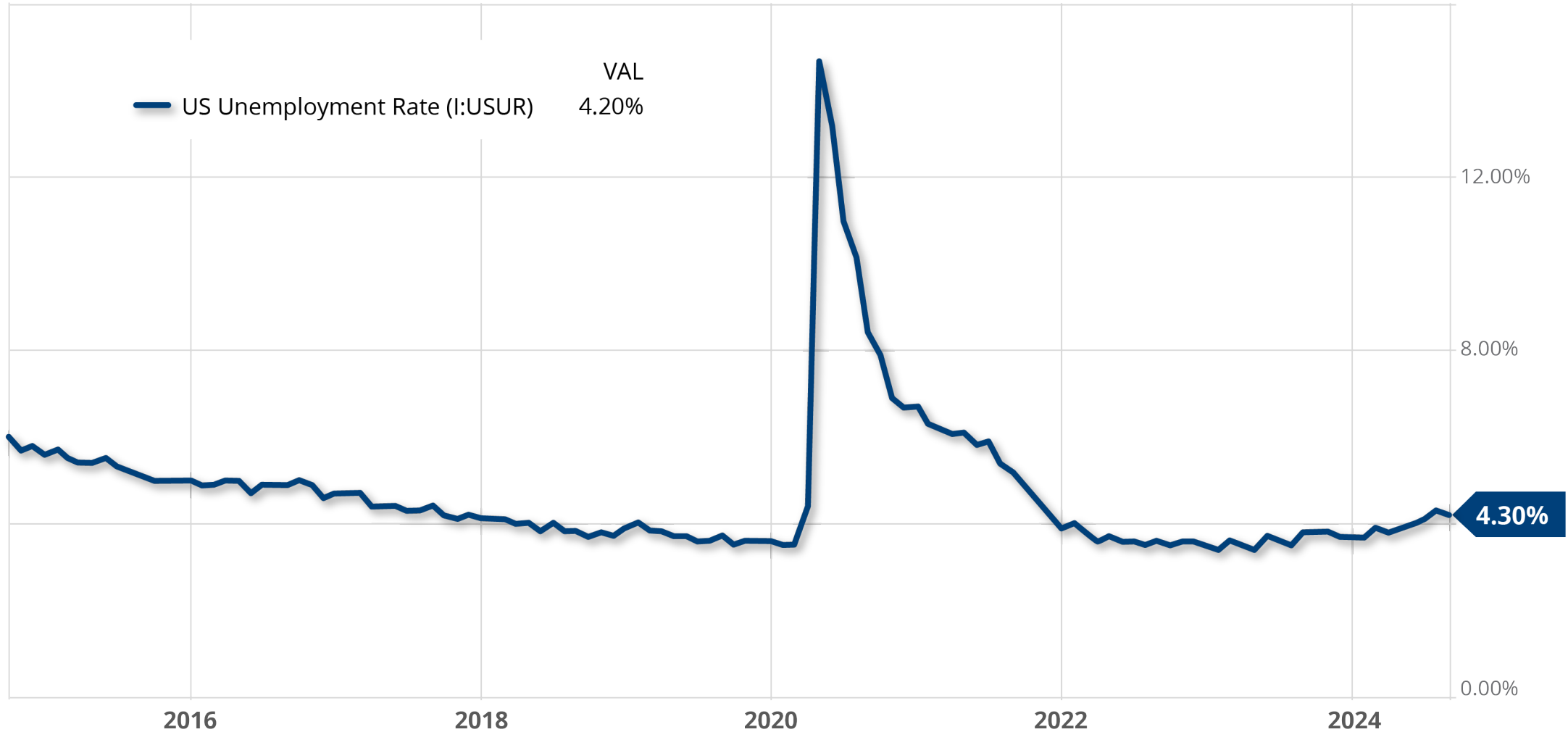
For illustrative purposes only.

Source: Y-Charts

Unemployment Creeping Higher

US Unemployment Rate (I:USUR)

9/1/2015 to 9/1/2024



Source: YCharts



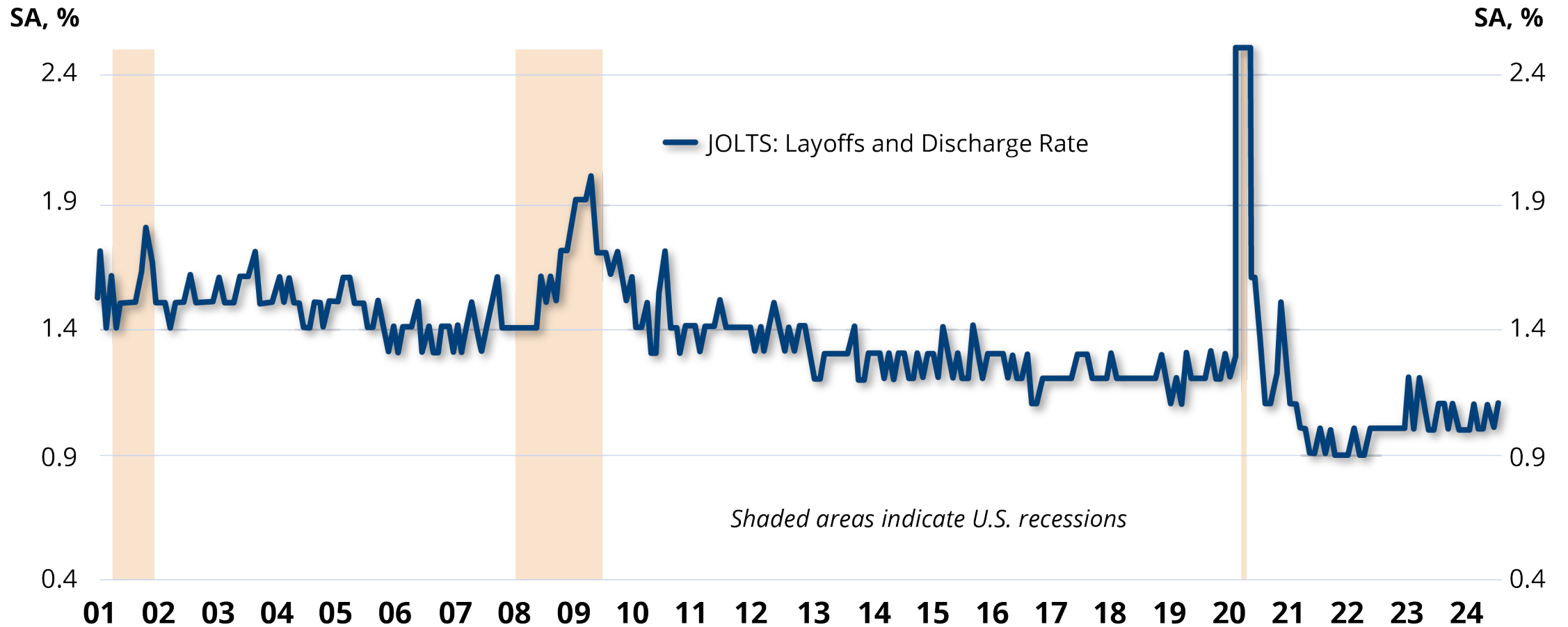
For illustrative purposes only.

Source: Y-Charts

Companies Still Hoarding Employees

Very Low Level of Layoffs

01/01/2001 to 01/01/2024



Source: BLS, Haver Analytics, Apollo Chief Economist



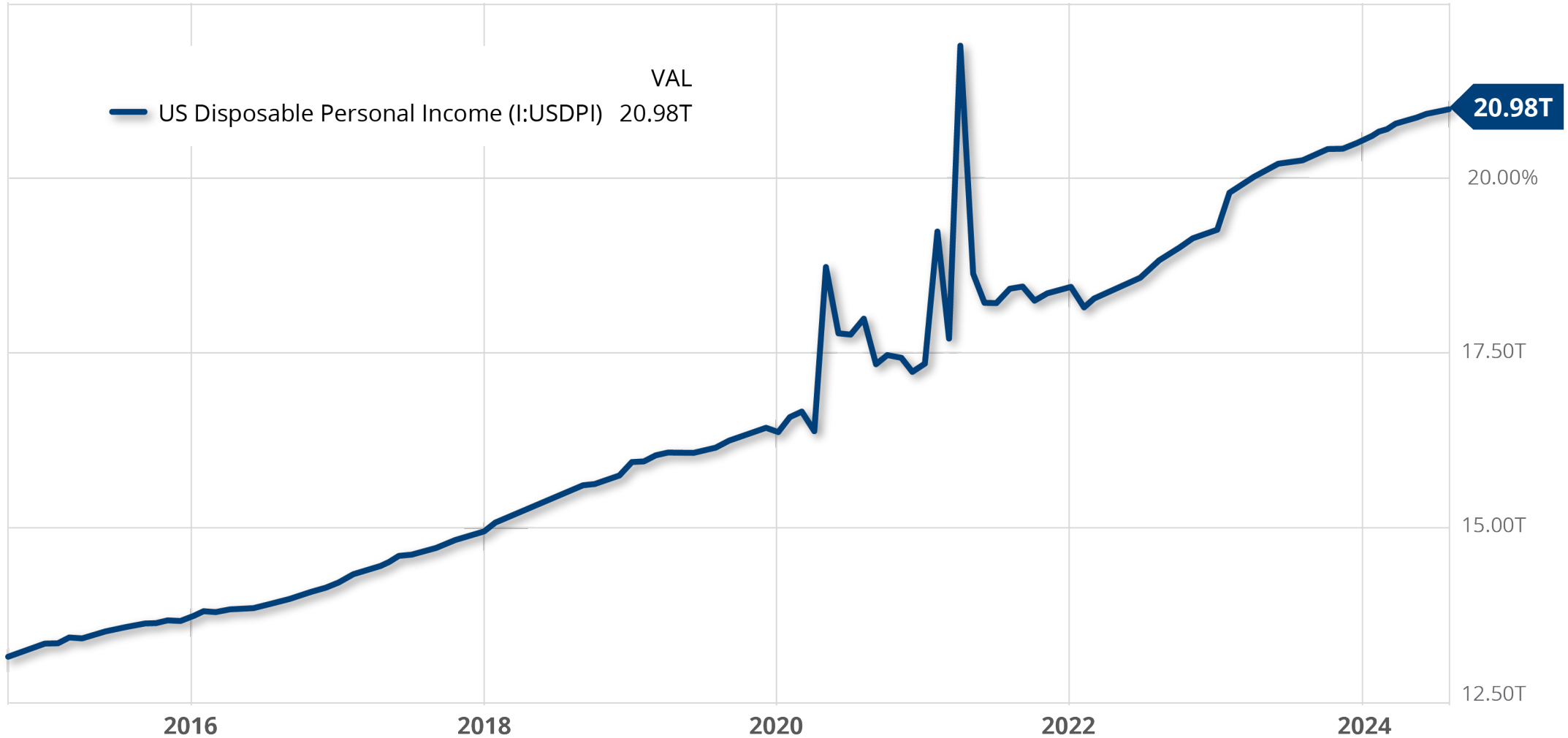
For illustrative purposes only.

Source: Apollo Global Mgt

Consumer Is Making Money

US Disposable Personal Income (I:USDPI)

9/1/2015 to 9/1/2024



Source: YCharts



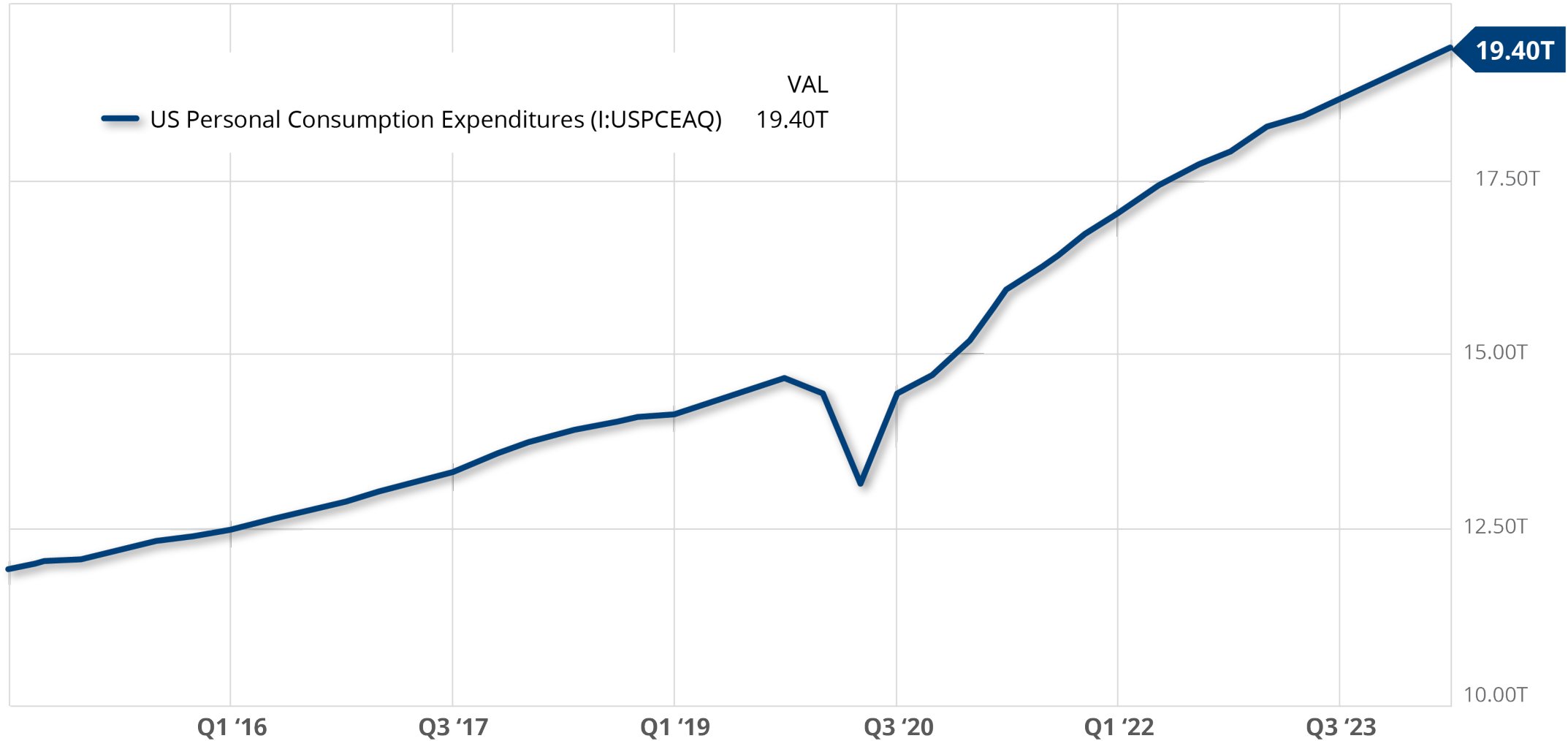
For illustrative purposes only.

Source: Y-Charts

Consumer Is Spending

US Personal Consumption Expenditures (I:USPCEAQ)

9/1/2015 to 9/1/2024



Source: YCharts

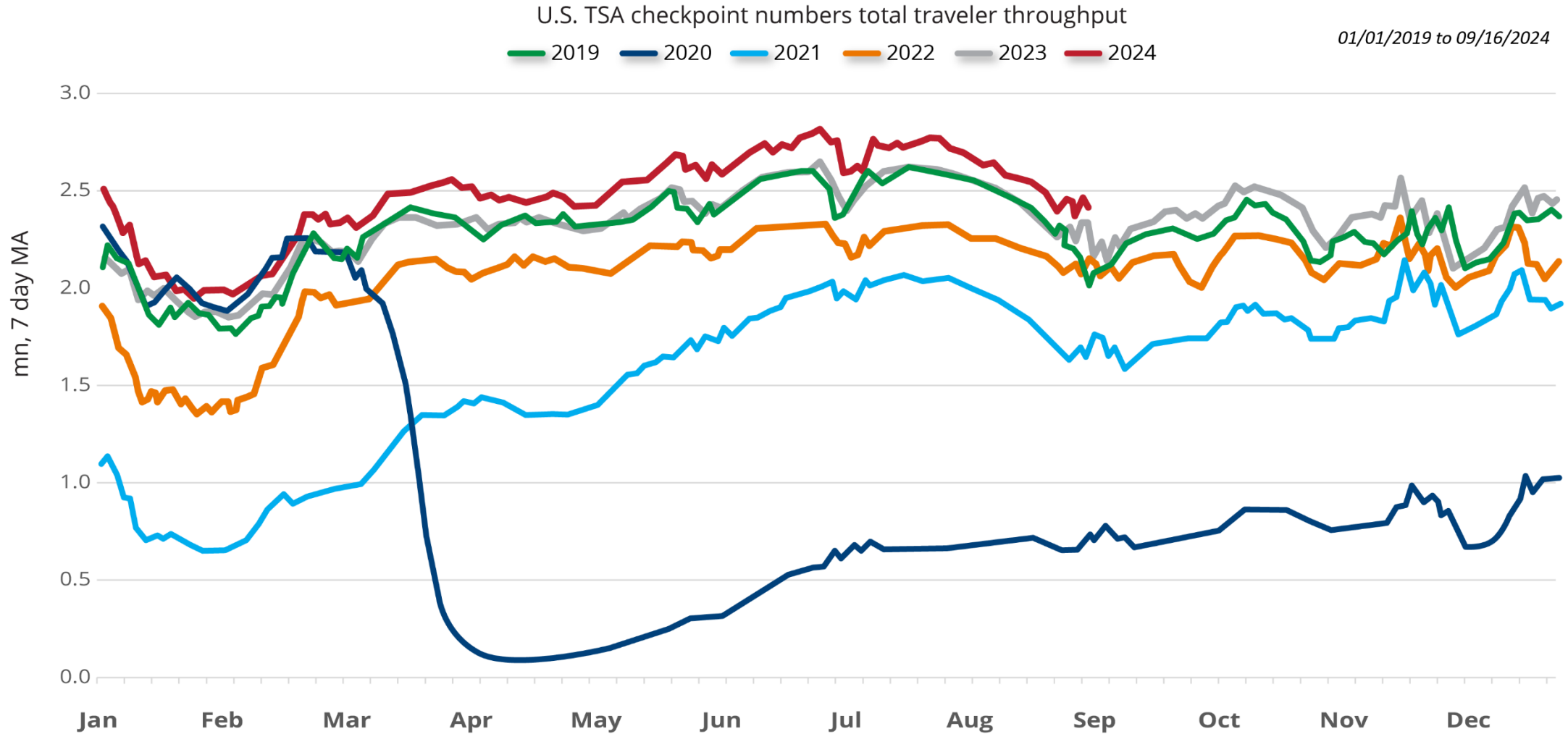


For illustrative purposes only.

Source: Y-Charts

Consumer Is Traveling

Daily Data for U.S. Air Travel



Source: Apollo Global Mgt.



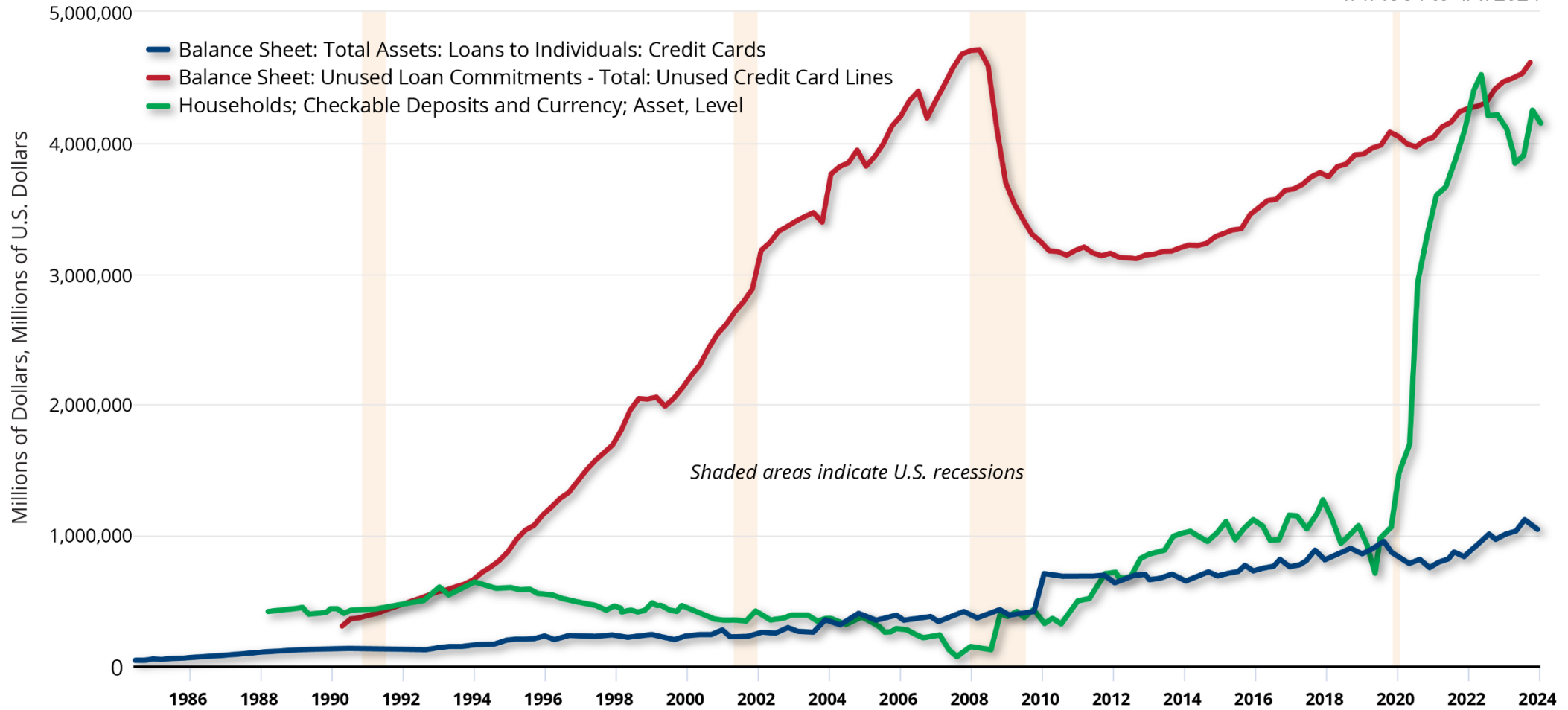
For illustrative purposes only.

Source: Apollo Global Mgt.

Consumer is Liquid

Credit Card Balance Sheets, Household Checkable Deposits

1/1/1984 to 4/1/2024



Source: fred.stlouisfed.org

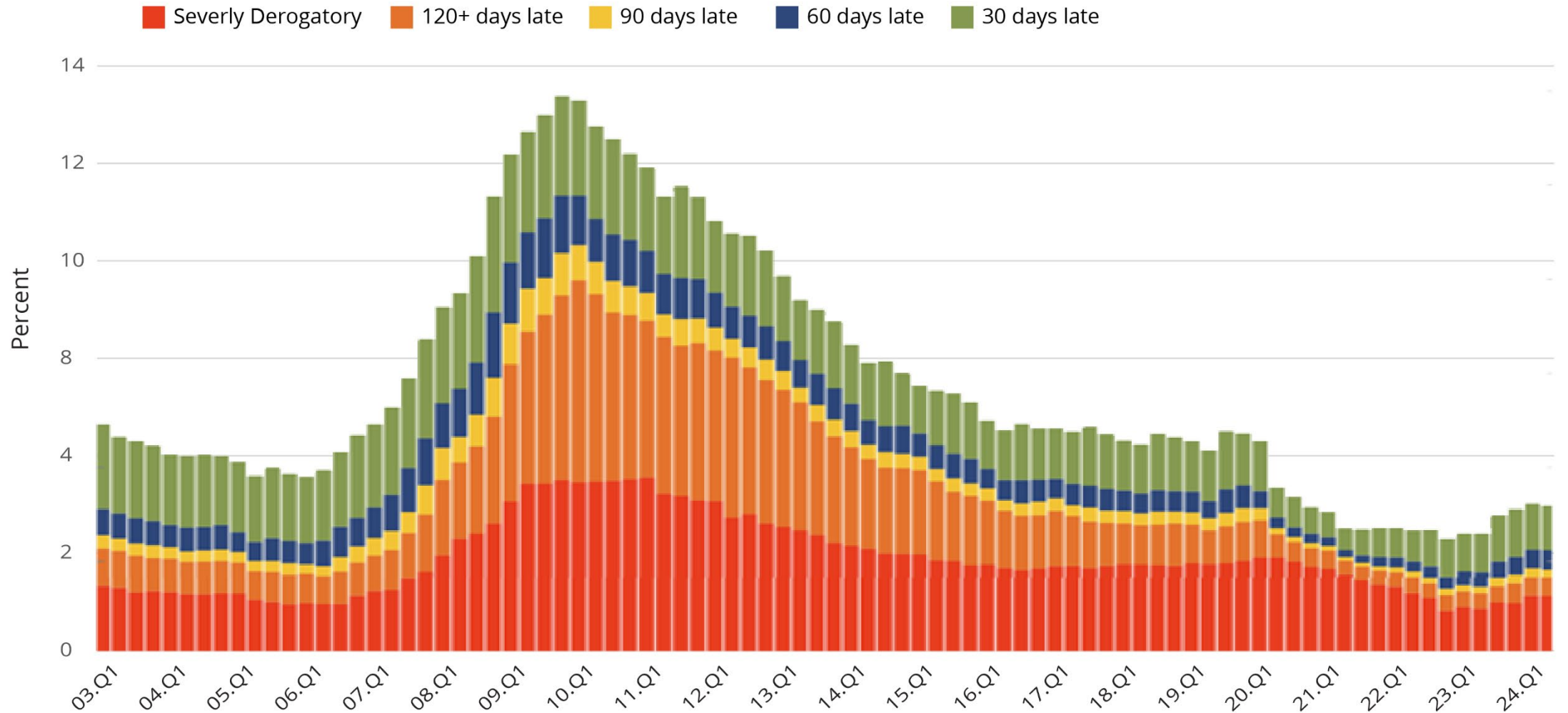


For illustrative purposes only.

Source: fred.stlouisfed.org

Consumer is Paying Bills on Time

Total Balance by Delinquency Status



Source : New York Fed Consumer Credit Panel/Equifax



For illustrative purposes only.

Source: https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2024Q2

Prices Haven't Come Down



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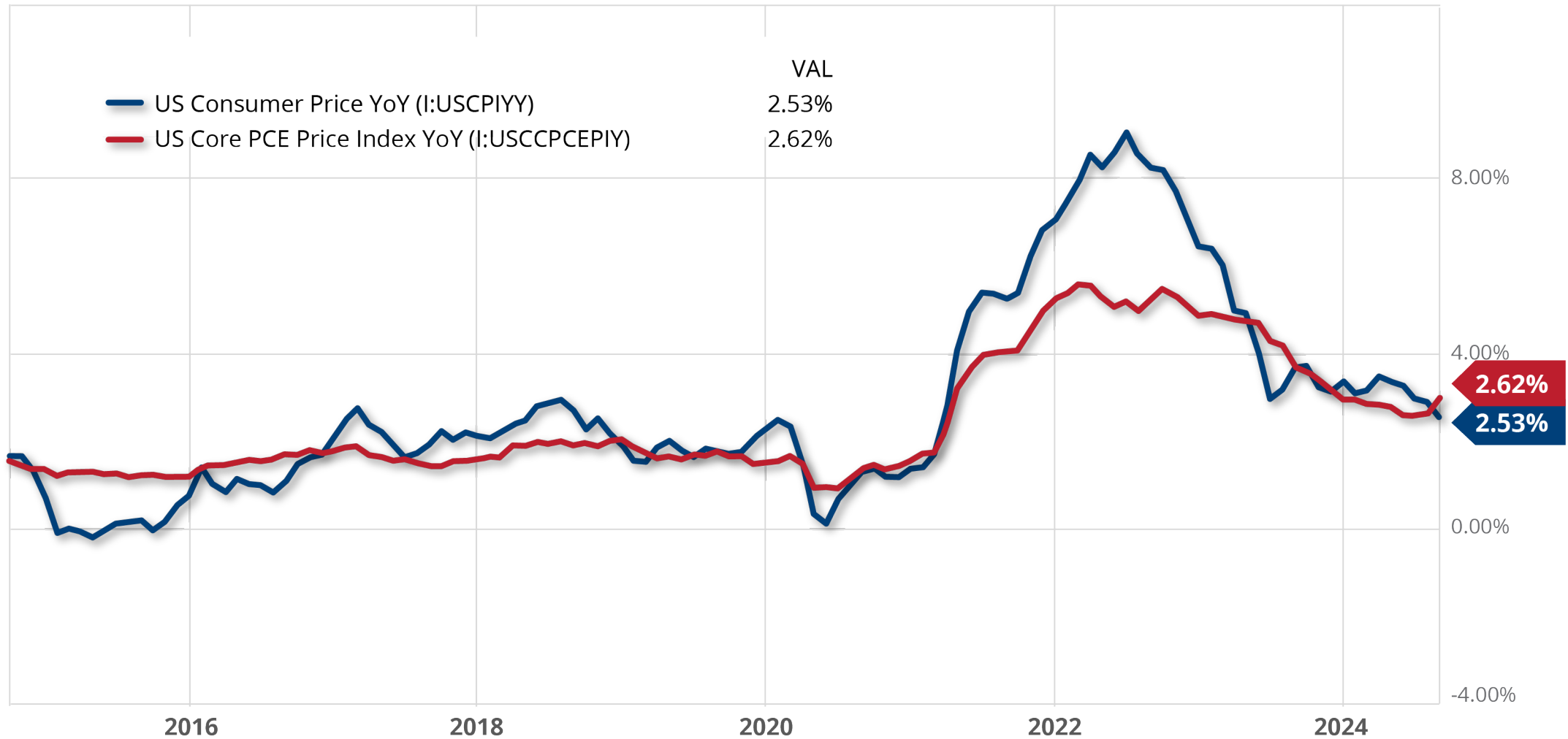
Source: <https://economictimes.indiatimes.com/news/economy/indicators/prices-of-essential-items-see-rising-trend-on-high-input-cost/articleshow/12249031.cms?from=mdr>

But Inflation Is Coming Down

US Consumer Price YoY (I:USCPIYY)

US Core PCE Price Index YoY (I:USCCPCEPIY)

9/1/2015 to 9/1/2024



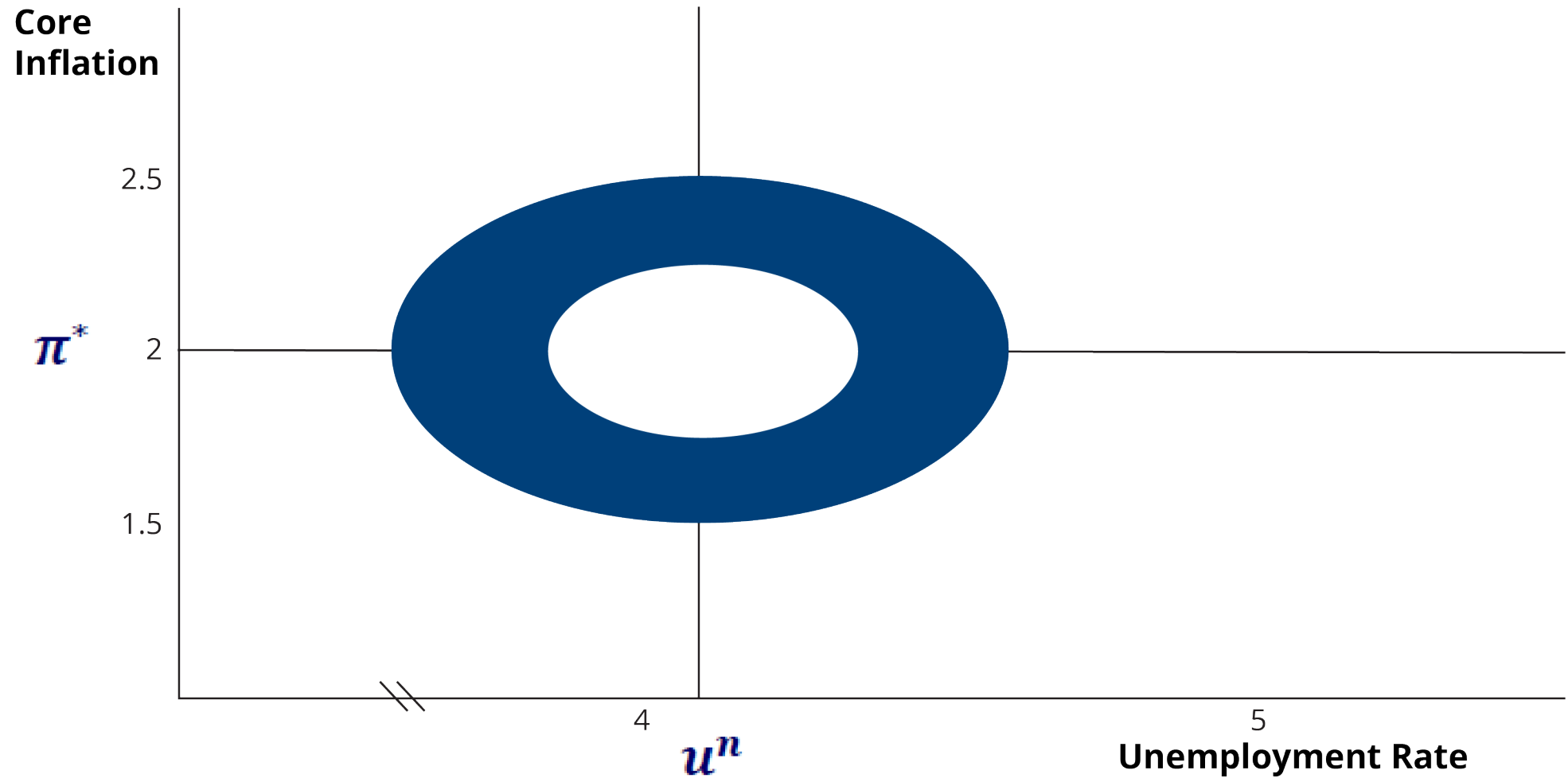
Source: YCharts



For illustrative purposes only. Past performance is not indicative of future results.

Source: Y Charts

The Dual Mandate Bullseye (percent)



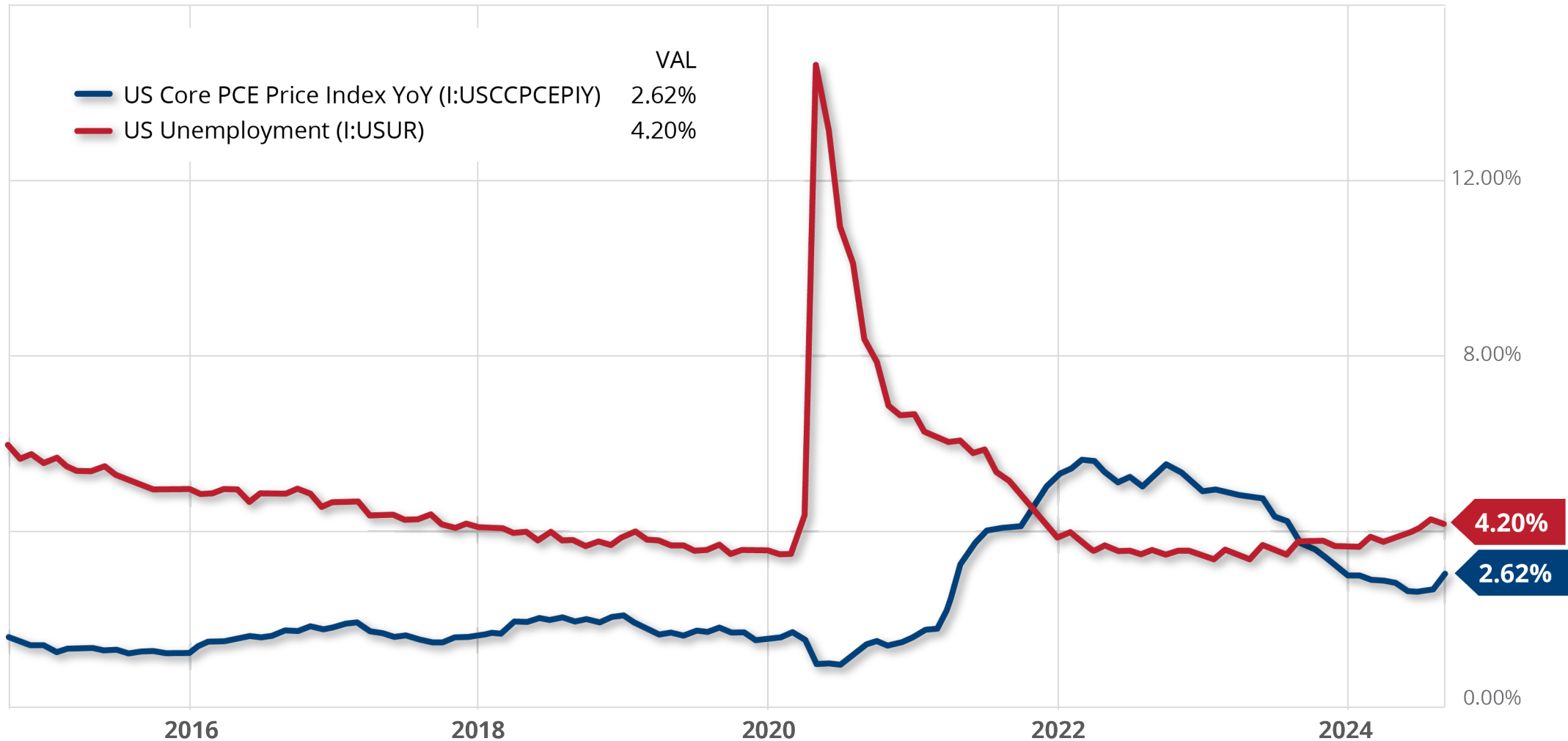
Source: The Federal Reserve Bank of Chicago.



The Fed's Dual Mandate: Full Employment and Price Stability

US Core PCE Price Index YoY (I:USCCPCEPIY)
US Unemployment (I:USUR)

9/1/2015 to 9/1/2024



Source: YCharts



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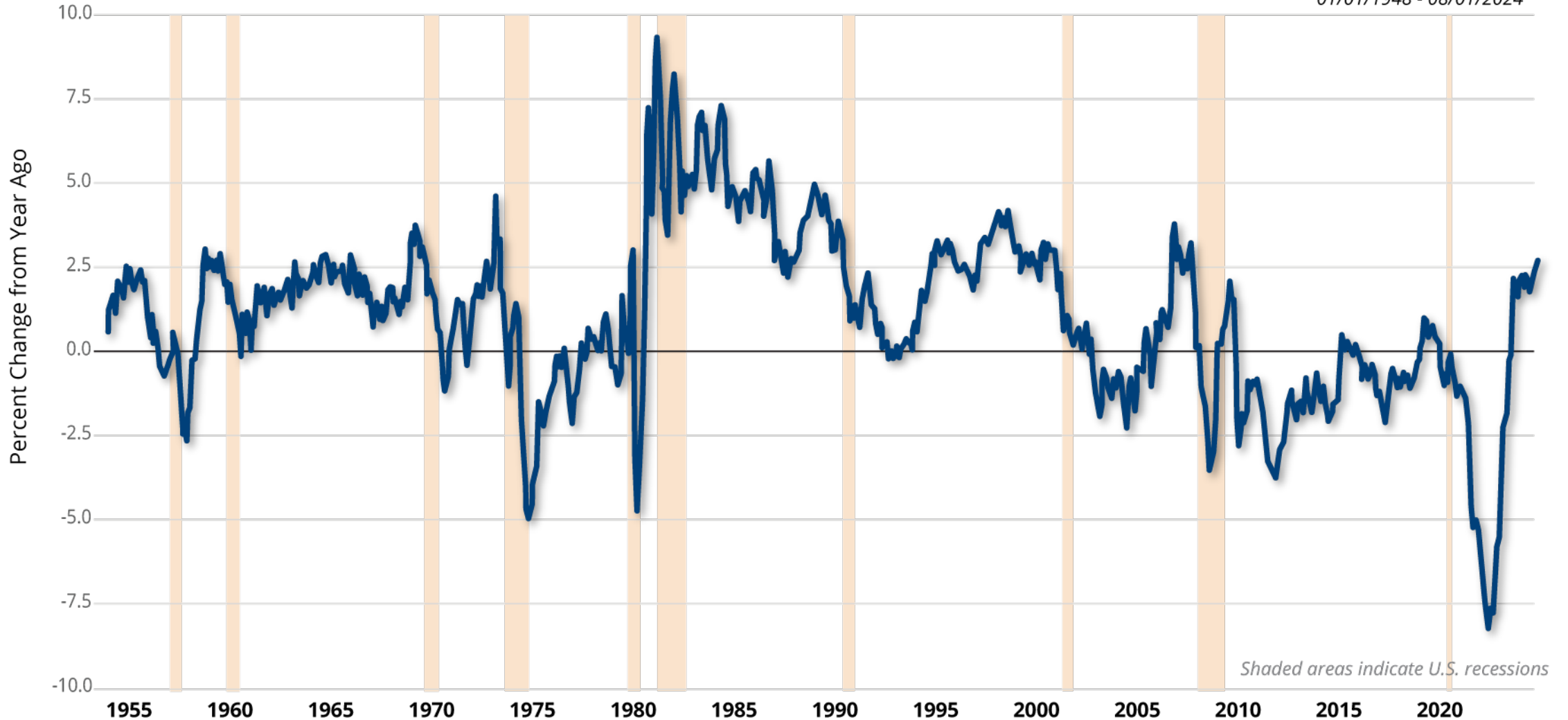
Source: FRED Board of Governors of the Federal Reserve System

Fed Policy Looks Restrictive

Real Federal Funds Rate

Federal Funds Effective Rate-Consumer Price Index for all Urban Consumers: All Items in U.S. City Average

01/01/1948 - 08/01/2024



Shaded areas indicate U.S. recessions

Source: FRED Board of Governors of the Federal Reserve System

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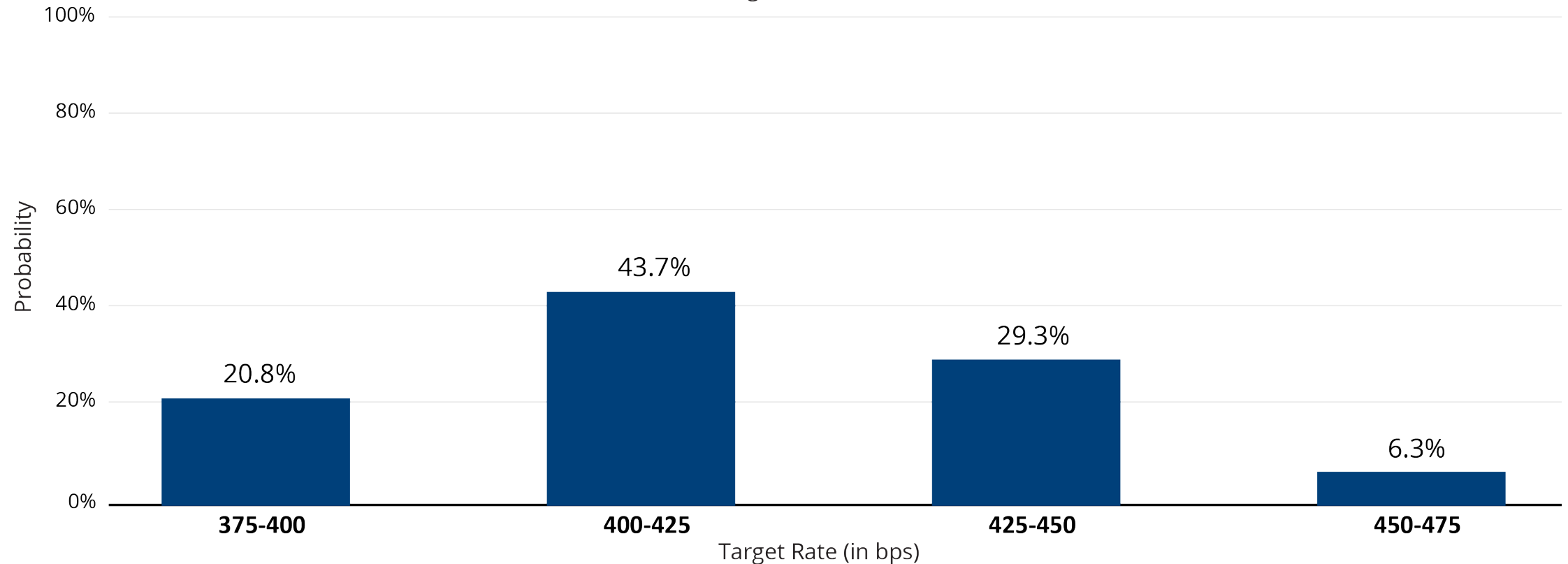
Source: FRED Board of Governors of the Federal Reserve System



Market Looking for FOMC Rate Cuts This Year...

Target Rate Probabilities for December 18, 2024 Fed Meeting

Current target rate is 525-550



Sources: CME Fed Watch Tool

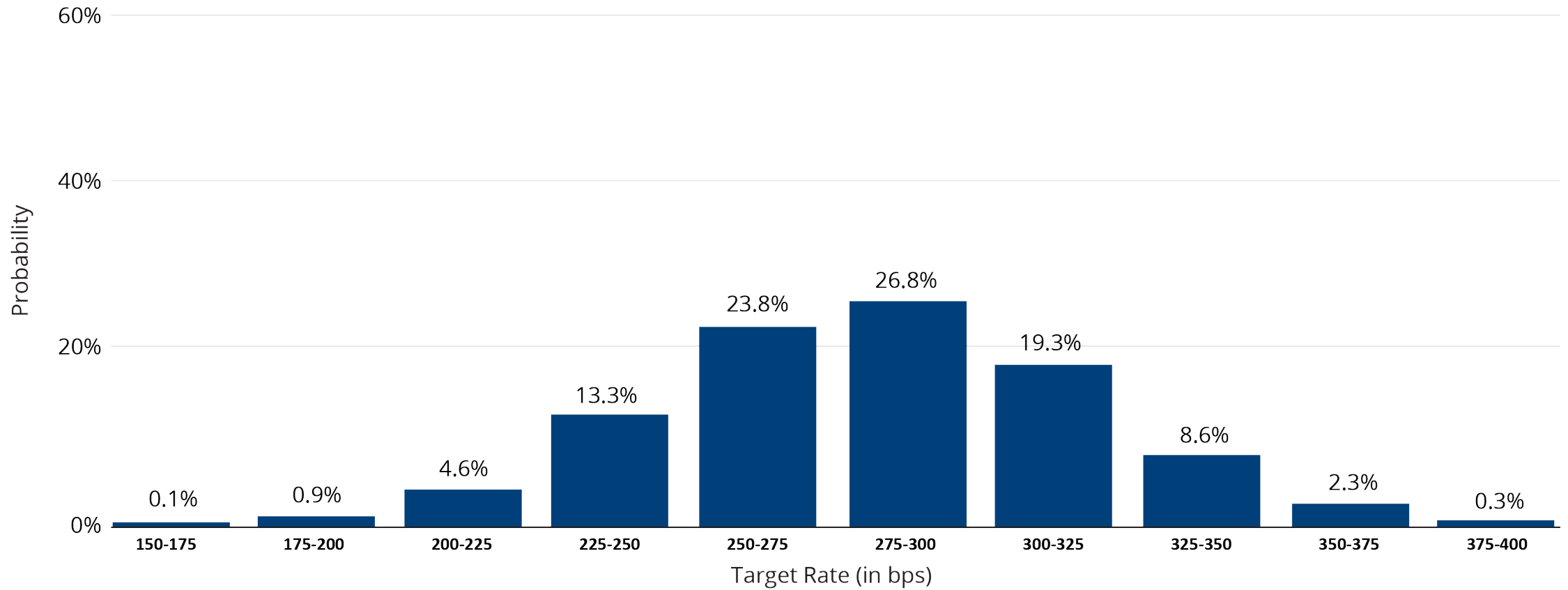
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... And Next

Target Rate Probabilities for December 10, 2025 Fed Meeting

Current target rate is 525-550



Sources: CME Fed Watch Tool

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Stocks Have Historically Done Better When the Fed Is Cutting

S&P 500 Total Return (Over Cycle)

Start Date	End Date	Length (Calendar Days)	Start Value	End Value	% Change	GPA%
1970-11-13	1971-02-19	96	83.37	96.74	16.04	74.02
1971-11-19	1971-12-17	28	91.61	100.26	9.44	224.19
1974-12-09	1976-11-22	714	65.60	102.59	56.39	25.68
1980-05-30	1980-07-28	59	111.24	121.43	9.16	71.98
1981-11-02	1982-12-15	408	124.20	135.24	8.89	7.92
1984-11-21	1986-08-21	638	165.52	249.67	51.76	26.95
1989-06-06	1992-09-04	1,188	324.24	417.08	28.63	8.06
1995-07-06	1996-01-31	209	553.99	636.02	14.81	27.27
1998-09-29	1998-11-17	49	1,049.02	1,139.32	8.61	84.98
2001-01-03	2003-06-25	903	1,347.56	975.32	-27.62	-12.25
2007-09-18	2014-10-31	2,600	1,519.78	2,018.05	32.79	4.06
2019-07-31	2022-03-15	958	2,980.38	4,262.45	43.02	14.60
Mean					20.99	46.46
Median					15.42	26.32

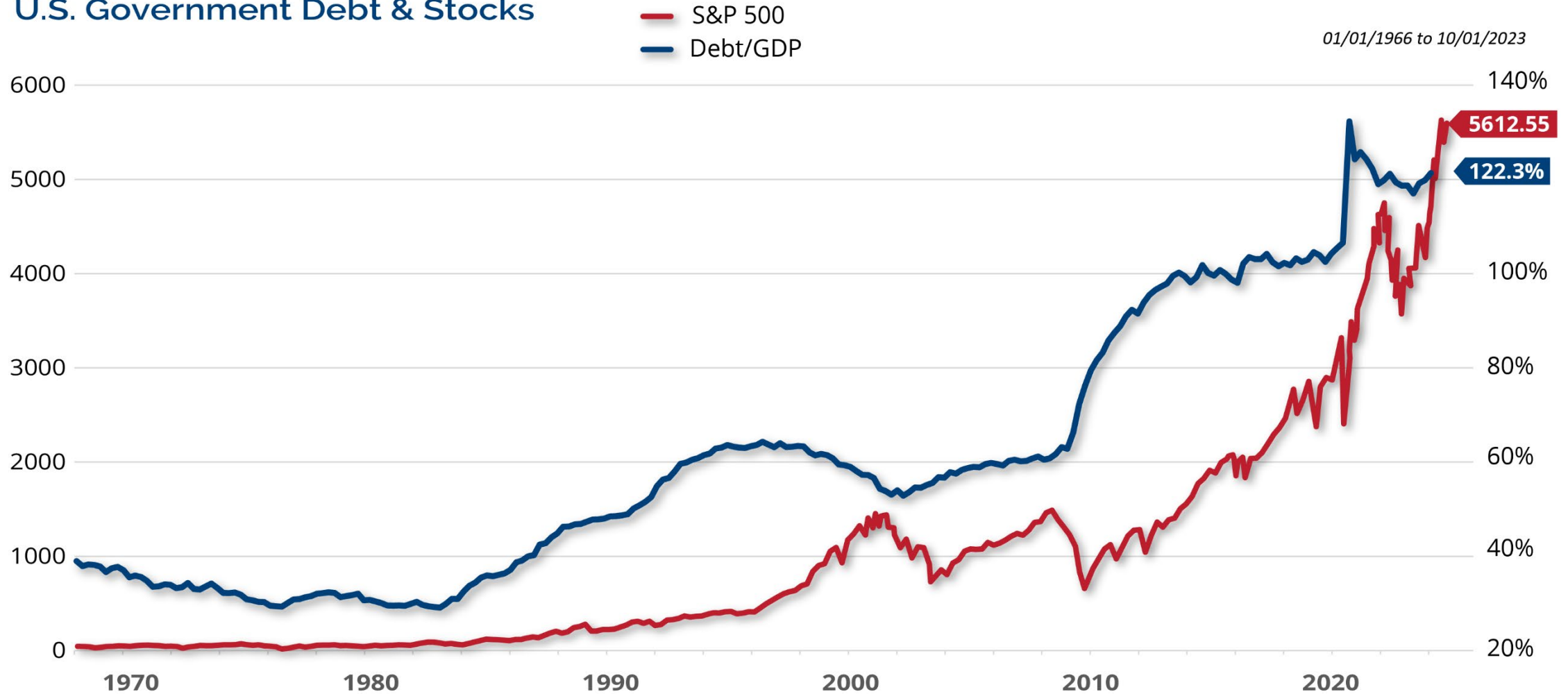
For illustrative purposes only. Past performance is not indicative of future results.

Source: S&P Dow Jones Indices. Extracted from BMS_598RPT



Government Debt Matters...

U.S. Government Debt & Stocks



01/01/1966 to 10/01/2023

Source: Y Charts

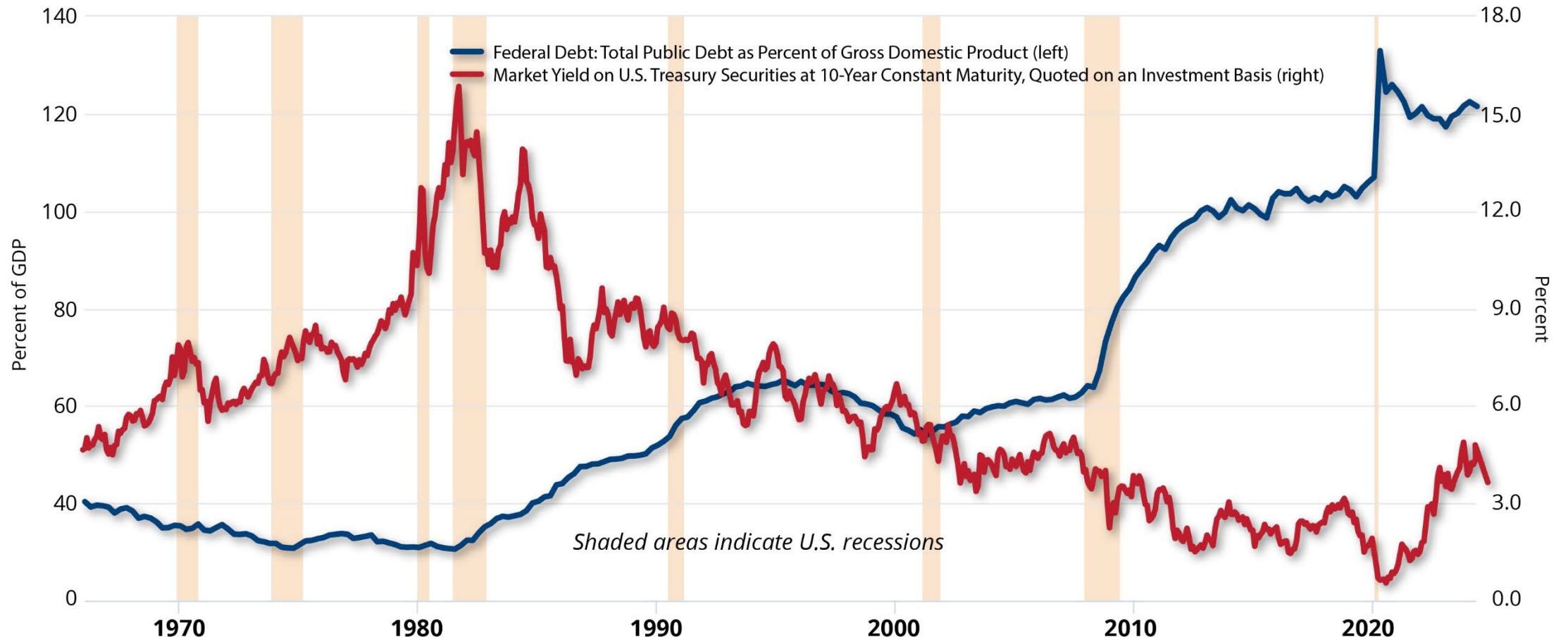
For illustrative purposes only. Past performance is not indicative of future results.

Source: Y Charts

...But Maybe Not the Way You Think

Federal Debt: Total Public Debt as Percent of Gross Domestic Product Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity

01/01/1966 to 09/16/2024



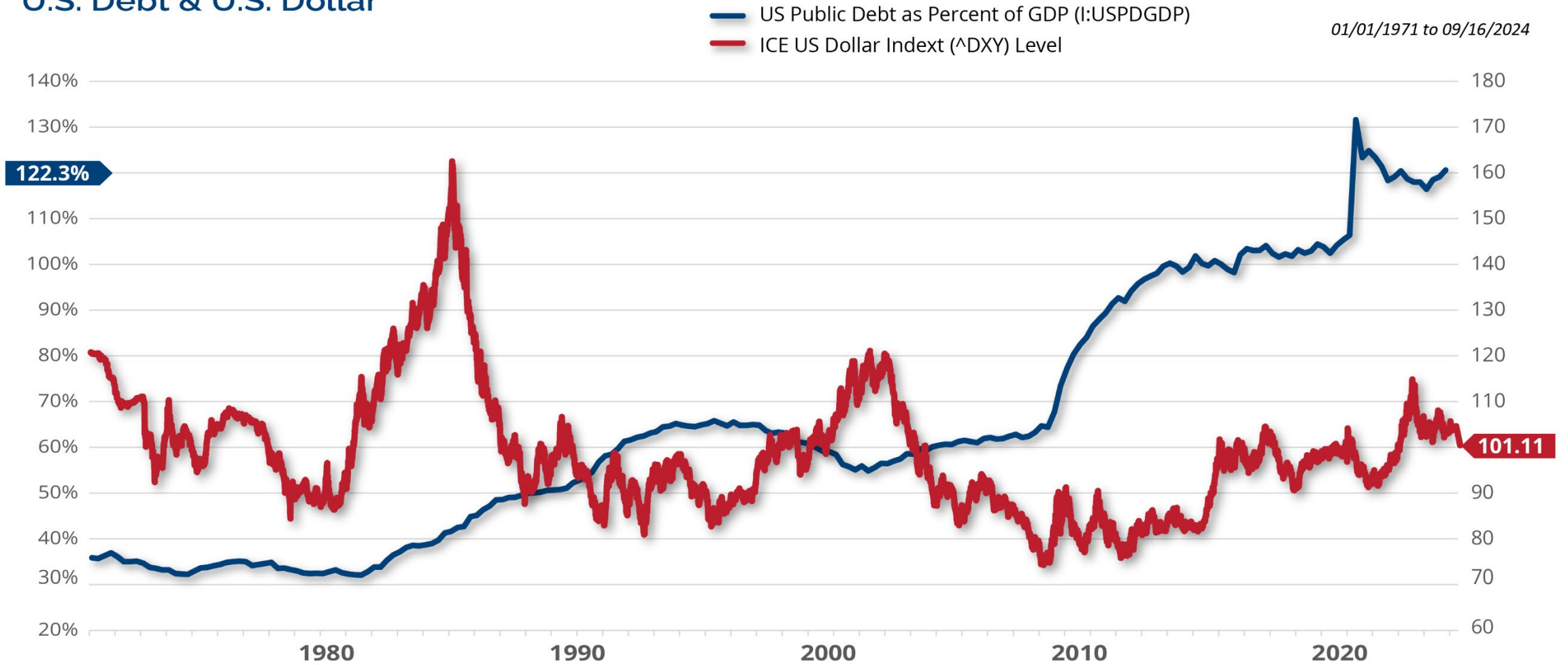
Source: OMB; St. Louis Fed; Board of Governors

For illustrative purposes only. Past performance is not indicative of future results.

Source: fred.stlouisfed.org

Still the Cleanest Shirt in the Dirty Laundry Pile

U.S. Debt & U.S. Dollar



Source: Y Charts



For illustrative purposes. Past performance is not indicative of future results.

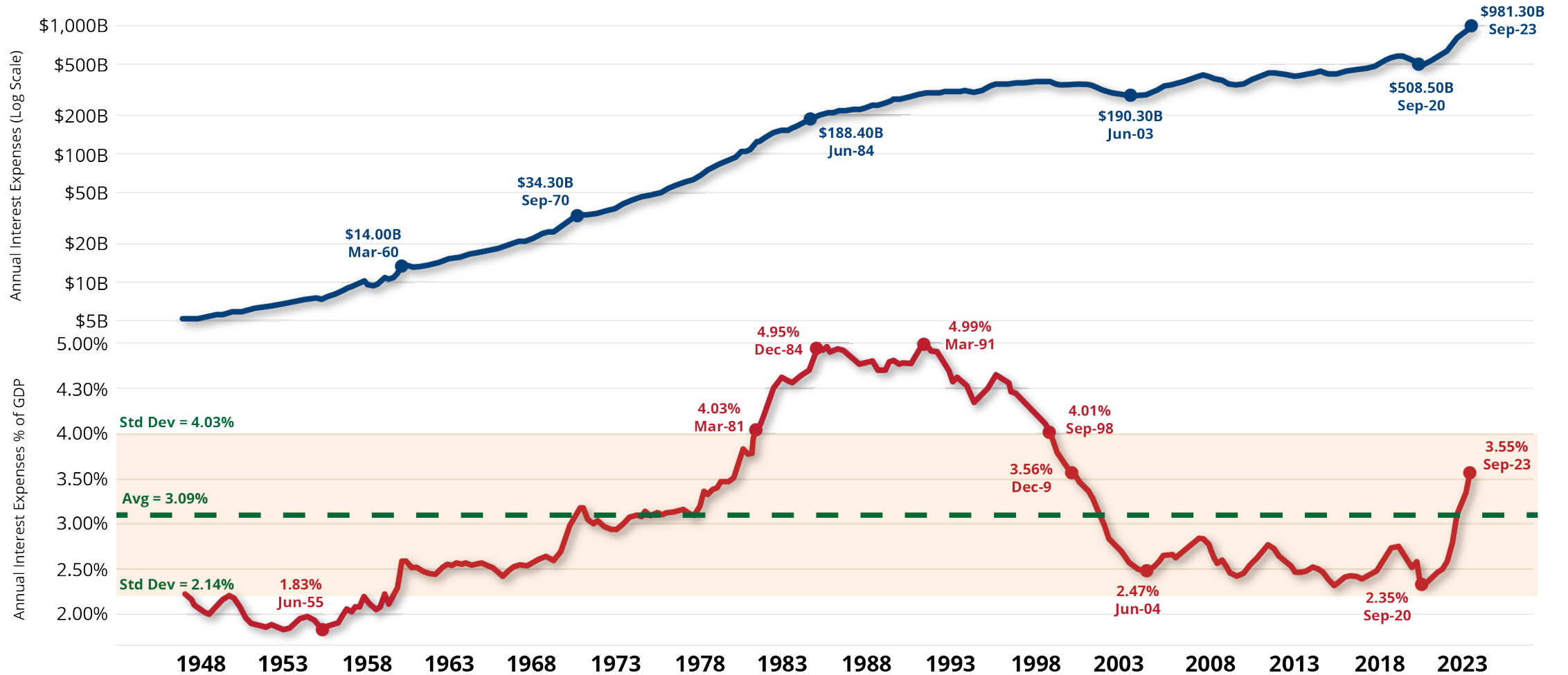
Source: Y Charts

Interest payments/GDP Lower Now than the 80s and 90s

How Much Interest Does the U.S. Treasury Pay on Its Debt in a Year?

Nominal Dollars and as Percentage GDP

01/01/1948 to 09/30/2023



Source: U.S. Treasury, BEA, Bianco Research

For illustrative purposes. Past performance is not indicative of future results.

Source: U.S. Treasury, BEA, Bianco Research



Returns By Decade

	Stocks	Bonds	Cash	Inflation
1930s	-0.9%	4.0%	1.0%	-2.1%
1940s	8.5%	2.5%	0.5%	5.5%
1950s	19.5%	0.8%	2.0%	2.0%
1960s	7.7%	2.4%	4.0%	2.3%
1970s	5.9%	5.4%	6.3%	7.1%
1980s	17.3%	12.0%	8.8%	5.5%
1990s	18.0%	7.4%	4.8%	3.0%
2000s	-1.0%	6.3%	2.7%	2.6%
2010s	13.4%	4.1%	0.5%	1.8%

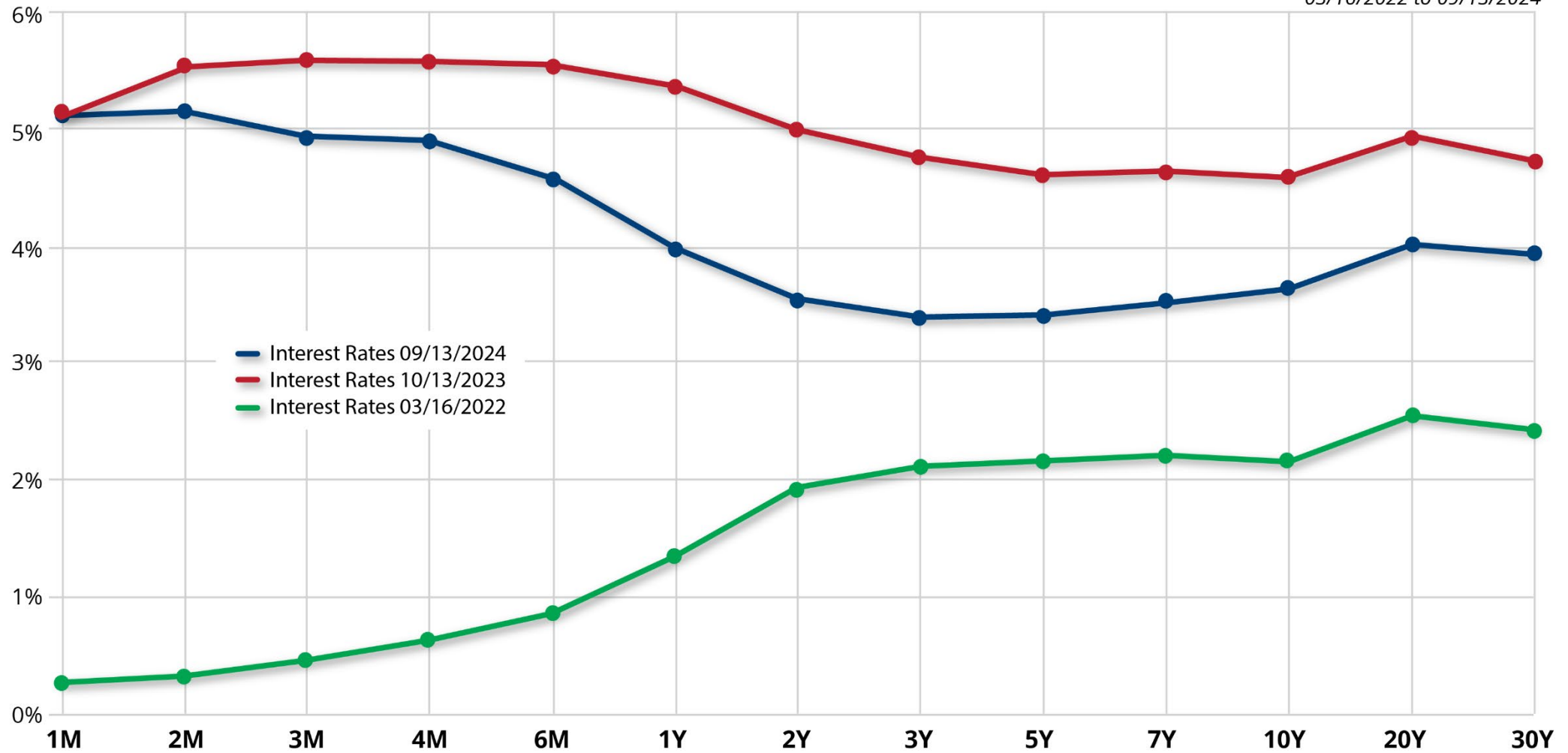
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Short Rates Likely Headed Down, Think Longer Term

US Treasuries Yield Curve

03/16/2022 to 09/13/2024



Source: USTreasuryYieldCurve.com

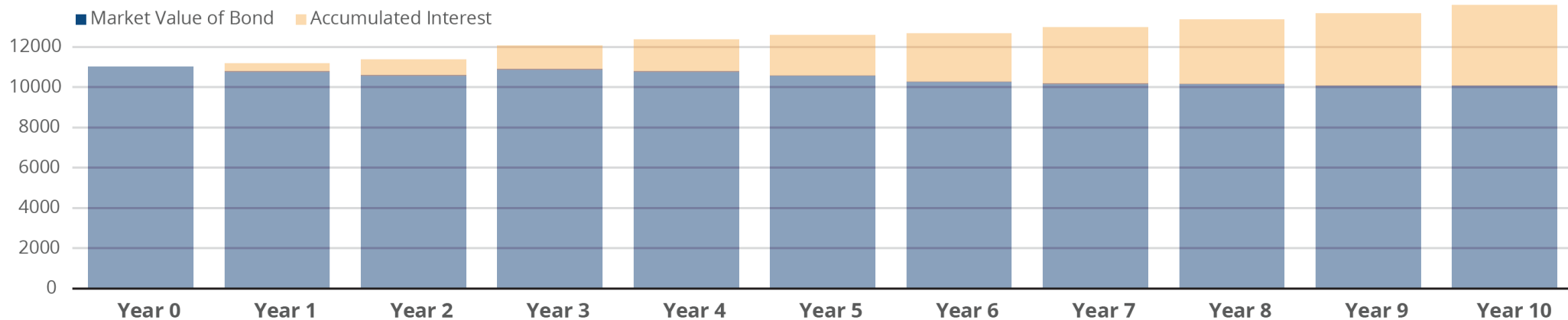
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Bonds at a Premium

In the example below, you can see how bonds build value over time, even when prices go down. **After 10 years of regular interest payments, the portfolio increased from \$11,000 to an ending value of \$14,000.**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Linear Price Movement	110	109	108	107	106	105	104	103	102	101	100
Market Fluctuations	110	108	106	109	108	106	103	102	102	101	100
Interest Payments		\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00
Accumulated Interest		\$ 400.00	\$ 800.00	\$ 1,200.00	\$ 1,600.00	\$ 2,000.00	\$ 2,400.00	\$ 2,800.00	\$ 3,200.00	\$ 3,600.00	\$ 4,000.00
Price - No Market Fluctuations	\$11,000.00	\$10,900.00	\$10,800.00	\$10,700.00	\$10,600.00	\$10,500.00	\$10,400.00	\$10,300.00	\$10,200.00	\$10,100.00	\$10,000.00
Price - With Market Fluctuations	\$11,000.00	\$10,800.00	\$10,600.00	\$10,900.00	\$10,800.00	\$10,600.00	\$10,300.00	\$10,200.00	\$10,200.00	\$10,100.00	\$10,000.00
Market Value of Bond Plus Interest	\$11,000.00	\$11,200.00	\$11,400.00	\$12,100.00	\$12,400.00	\$12,600.00	\$12,700.00	\$13,000.00	\$13,400.00	\$13,700.00	\$14,000.00



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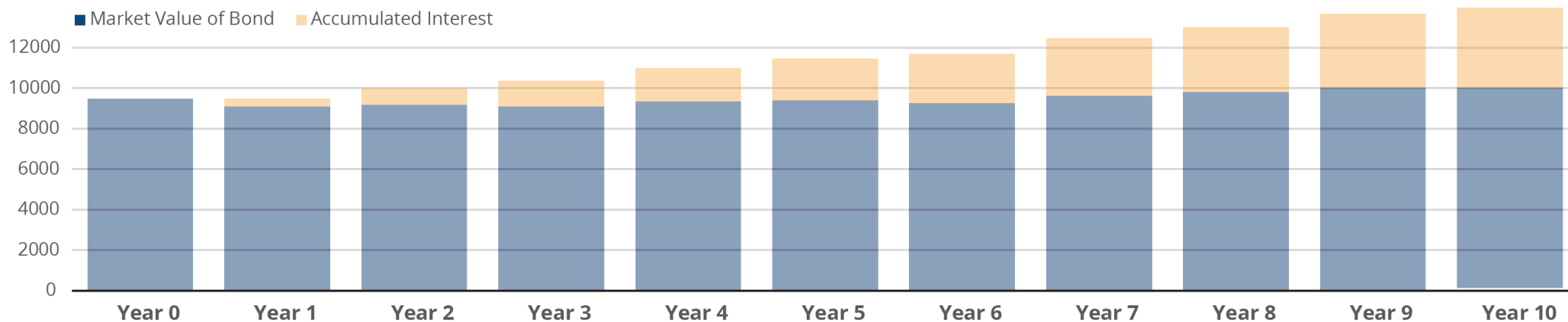
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Bonds at a Discount

In the example below, you can see how bonds build value over time, even when prices go up. **After 10 years of regular interest payments, the portfolio increased from \$9,500 to an ending value of \$14,000.**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Linear Price Movement	95	95.5	96	96.5	97	97.5	98	98.5	99	99.5	100
Market Fluctuations	95	91	93	92	94	95	93	97	99	101	100
Interest Payments		\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00	\$400.00
Accumulated Interest		\$400.00	\$800.00	\$1,200.00	\$1,600.00	\$2,000.00	\$2,400.00	\$2,800.00	\$3,200.00	\$3,600.00	\$4,000.00
Price - No Market Fluctuations	\$9,500.00	\$9,550.00	\$9,600.00	\$9,650.00	\$9,700.00	\$9,750.00	\$9,800.00	\$9,850.00	\$9,900.00	\$9,950.00	\$10,000.00
Price - With Market Fluctuations	\$9,500.00	\$9,100.00	\$9,300.00	\$9,200.00	\$9,400.00	\$9,500.00	\$9,300.00	\$9,700.00	\$9,900.00	\$10,100.00	\$10,000.00
Market Value of Bond Plus Interest	\$9,500.00	\$9,500.00	\$10,100.00	\$10,400.00	\$11,000.00	\$11,500.00	\$11,700.00	\$12,500.00	\$13,100.00	\$13,700.00	\$14,000.00



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Turn It Off!



Q&A



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Investing involves risk, including loss of principal.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and

periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to adverse market, economic, regulatory, political, or other developments affecting those sectors.

Fixed incomes securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase), and inflation risk (rising prices will lower the purchasing power of the investment at maturity).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

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Benchmark Descriptions

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an “index”) are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The volatility (beta) of an account may be greater or less than its respective benchmark.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

The Composite Index of Leading Indicators, otherwise known as the Leading Economic Index (LEI), is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months. It is used to predict the direction of global economic movements in future months. The index is composed of 10 economic components whose changes tend to precede changes in the overall economy.

Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.

The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the “risk free” rate when valuing the markets or an individual security. GDPNow is a forecasting model that provides a “nowcast” of the official GDP estimate prior to its release by estimating GDP growth using a methodology similar to the one used by the U.S. Bureau of Economic Analysis.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The nonfarm payroll measures the number of workers in the U.S. except those in farming, private households, proprietors, non-profit employees, and active military.

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS).

The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

The Personal Consumption Expenditures Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

The 3-month Treasury yield is the effective annual interest rate paid by the U.S. government to a bondholder with a maturity of 3 months.

The 50-day simple moving average (SMA 50) is a trendline that shows the average of 50 days of closing prices for a stock, plotted over time.

The 200-day simple moving average (SMA 200) is a trendline that shows the average of 50 days of closing prices for a stock, plotted over time.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

Treasury bond yields (or rates) are tracked by investors for many reasons. The yields are paid by the U.S. government as interest for borrowing money via selling the bond. Treasury Bills are loans to the federal government that mature at terms ranging from a few days to 52 weeks. A Treasury Note matures in two to 10 years, while a Treasury Bond matures in 20 or 30 years. The 10-year Treasury yield is closely watched as an indicator of broader investor confidence. Because Treasury bills, notes, and bonds carry the full backing of the U.S. government, they are viewed as one of the safest investments.

The ICE BofA US Corporate Index Total Return Index tracks the performance of investment grade rated corporate bonds in the U.S.

The ICE BofA US High Yield Index Total Return Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

BVAL’s AAA Municipal Curves use real-time trades and contributed sources to reflect movement in the Municipal market as it is happening. The curves are produced hourly (9:00 am — 4:00 pm ET) and are available on the Terminal shortly after each hour. The AAA curves are monitored on an hourly basis by BVAL’s team of municipal evaluators. The production of these curves rely on sophisticated modeling techniques that normalizes credit differences of eligible AAA-rated credits, removes outlier trades and contributed levels, intelligently seeks corroboration within the data sources, and leverages BVAL’s proprietary curve building technique. The BVAL AAA Municipal Curves are transparent, timely and easy to use.

BBgBarc U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

A 6-month certificate of deposit (CD) is a short-term savings option that provides a fixed interest rate for six months. CDs are a type of financial product that allow you to earn a higher rate than a savings account while still having a shorter withdrawal period than longer-term CDs.

The implied rate is an interest rate equal to the difference between the spot rate and the forward or futures rate. The implied rate gives investors a way to compare returns across investments. An implied rate can be calculated for any type of security that also has an option or futures contract.

