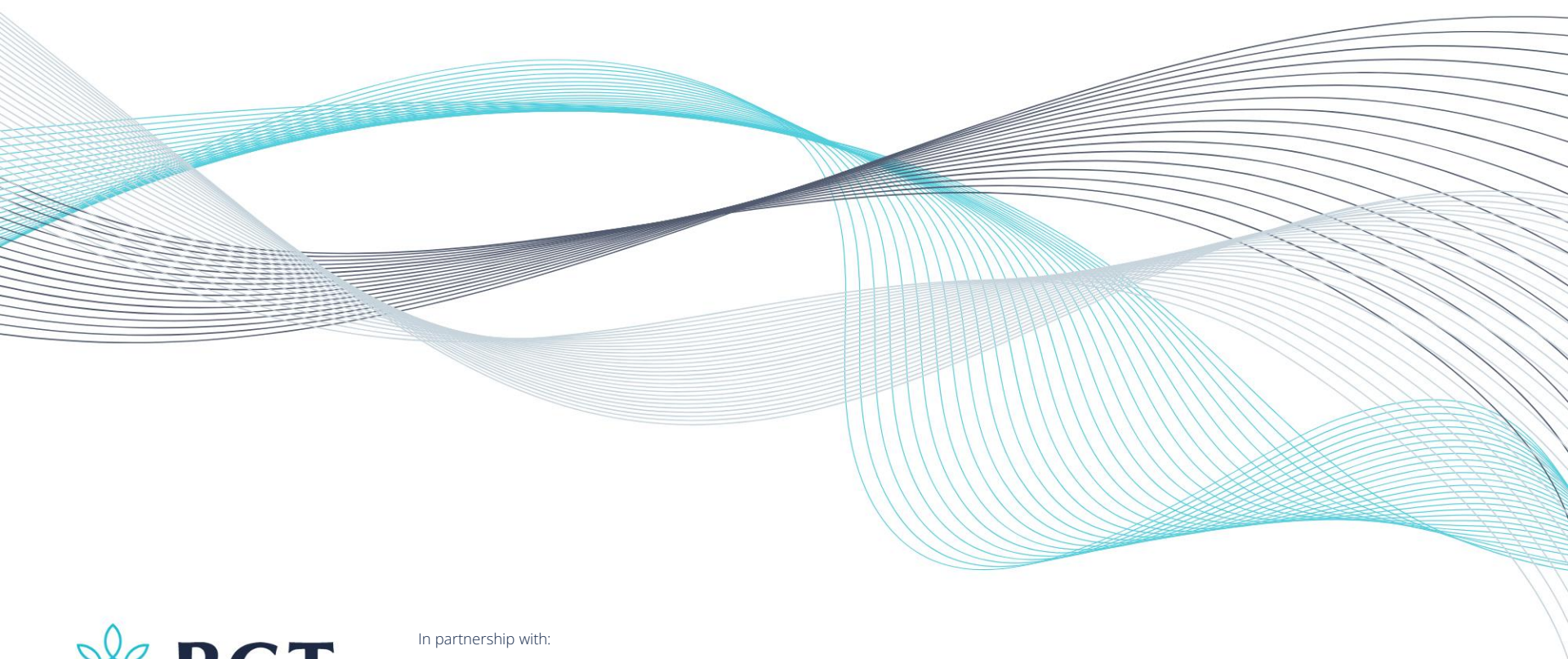


# ECONOMIC & MARKETS OVERVIEW



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# FIRST QUARTER 2024 | EXECUTIVE OVERVIEW

## Economic Overview

- Global growth is slowing
- Stubborn inflation moving gradually down bumpy road to 2%
- Fed will remain patient because they can
- Consensus shifts from seven Fed rate cuts beginning in March to three cuts beginning in June
- Consumer fatigue, debt refunding are challenges
- Geopolitical risks are elevated – elections will impact sentiment and outlook
- Growth/Inflation/Interest rate dynamic will define investor behavior for remainder of 2024

## Bond Market Update

- Bonds yields rose in Q1 as inflation/Fed outlook evolved
- Short and intermediate term bonds offer best yields in decades, opportunity to move from cash to lock in yields
- Conservative duration positioning in 2022 and 2023 protected capital
- Yield curve remains relatively flat, short rates remain attractive
- Corporate bonds offer enough additional yield to be enticing
- Most important question now is when and how much to extend duration

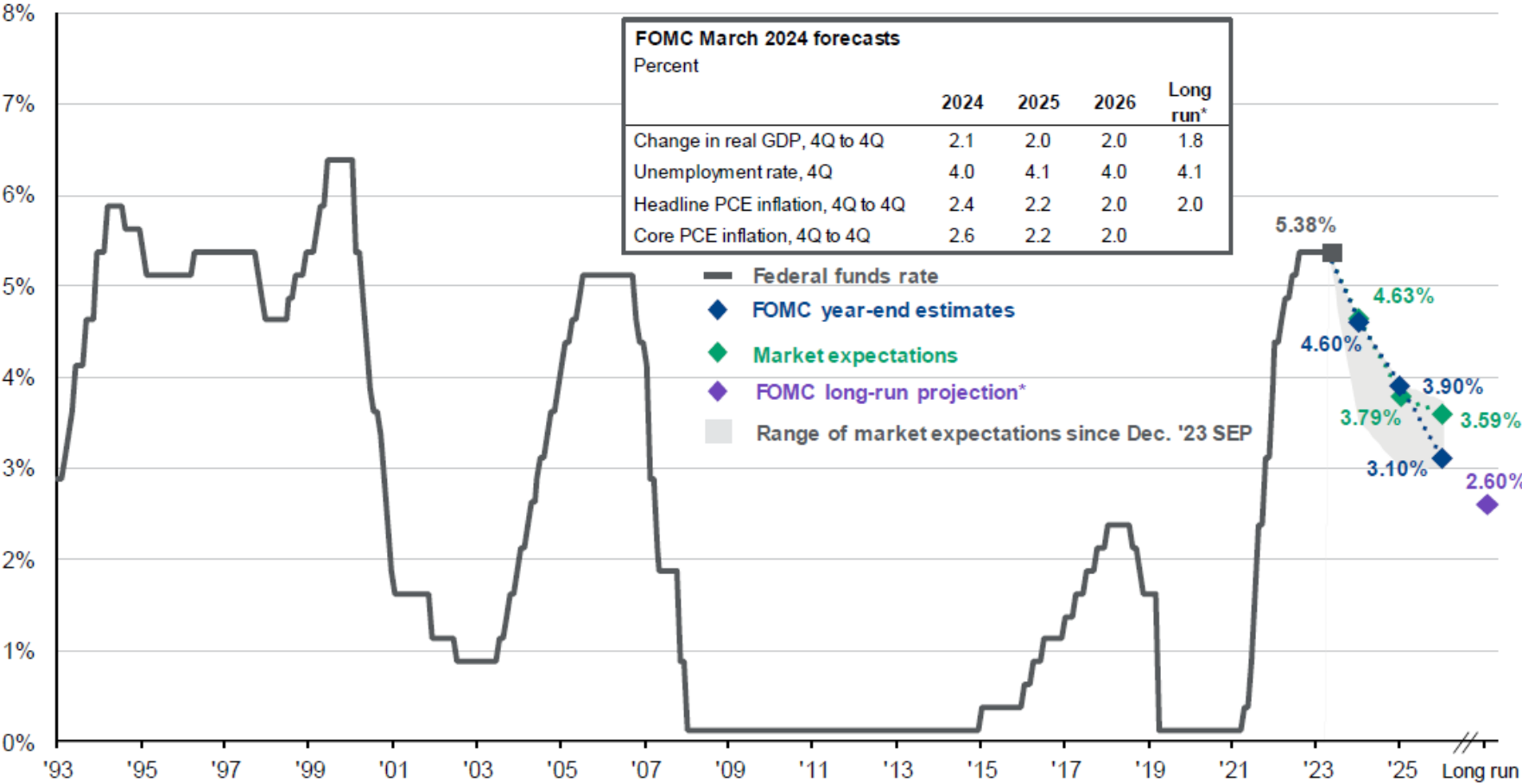
## Stock Market Update

- Market proves remarkably resilient given macroeconomic and geopolitical backdrop
- Full equity market valuations and narrow leadership create heightened risk of correction
- Valuations are expensive, especially for large cap growth stocks, but others sectors less so

# GAP BETWEEN FED GUIDANCE AND MARKET EXPECTATIONS CLOSED IN Q1

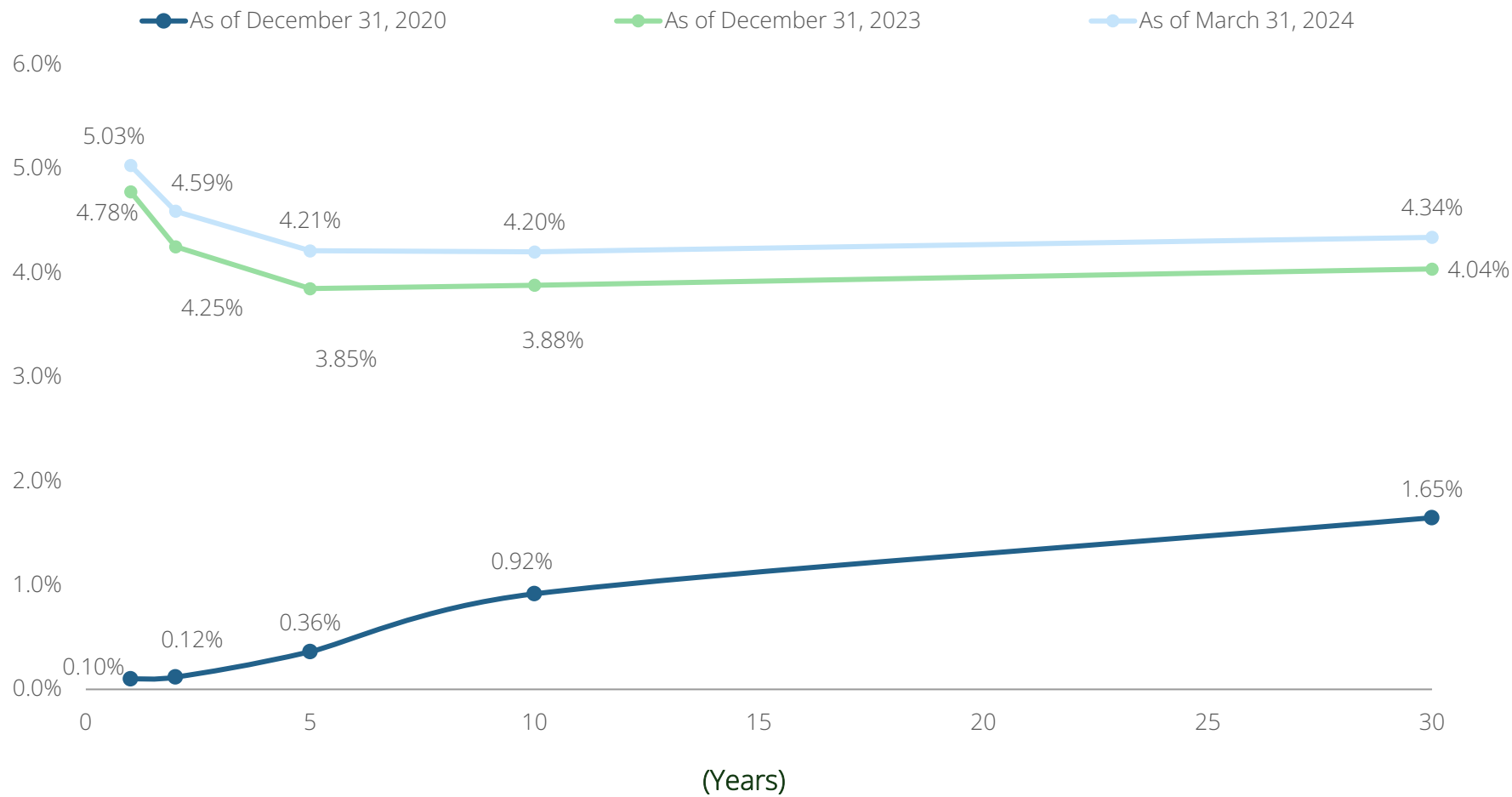
## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



# SHORT TERM RATES STILL ELEVATED, YIELDS RISE AS FED DELAYS RATE CUTS TO LATE 2023

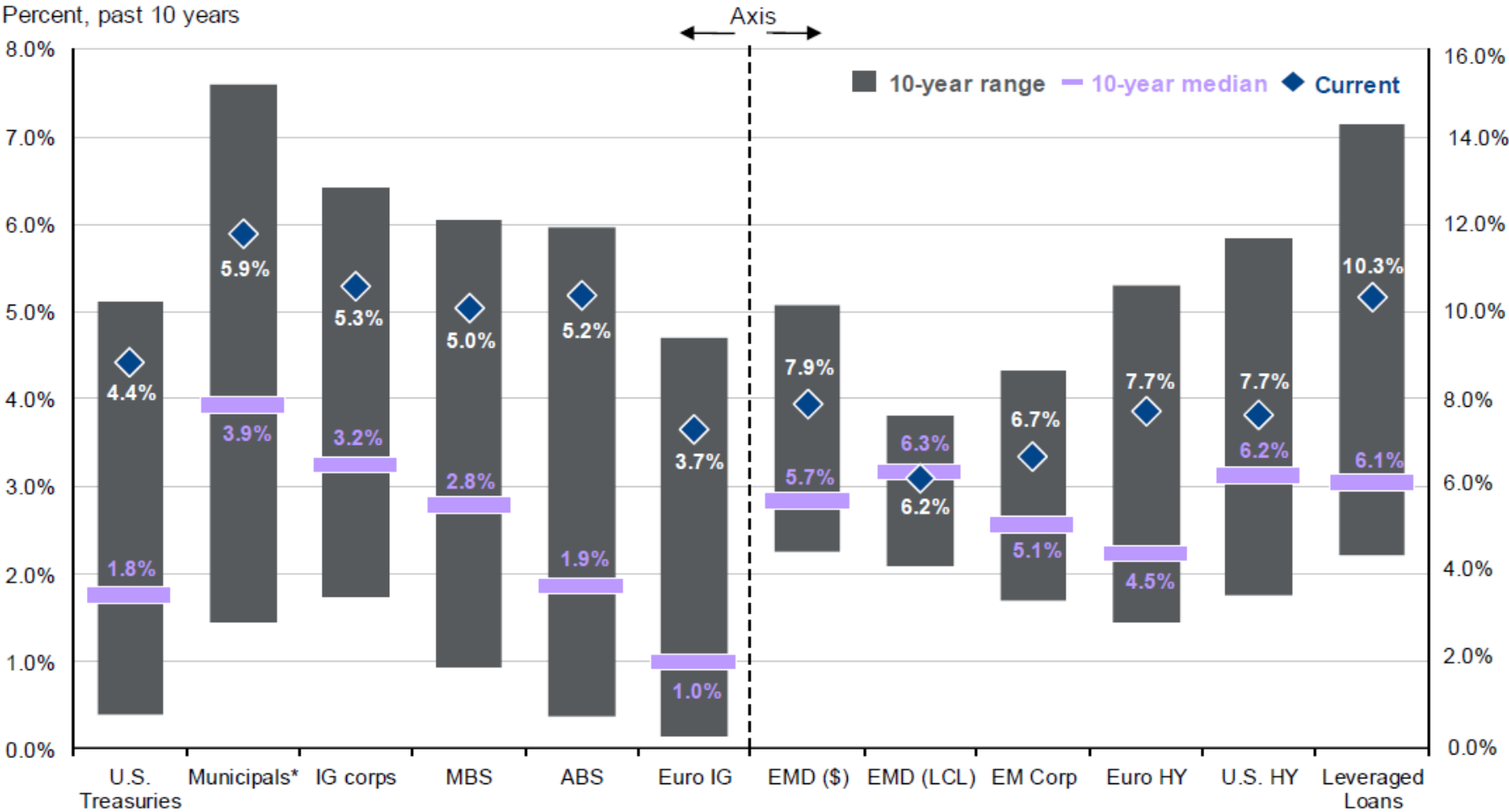
U.S. TREASURY YIELD CURVES



# IT'S A WHOLE NEW BALLGAME IN FIXED INCOME

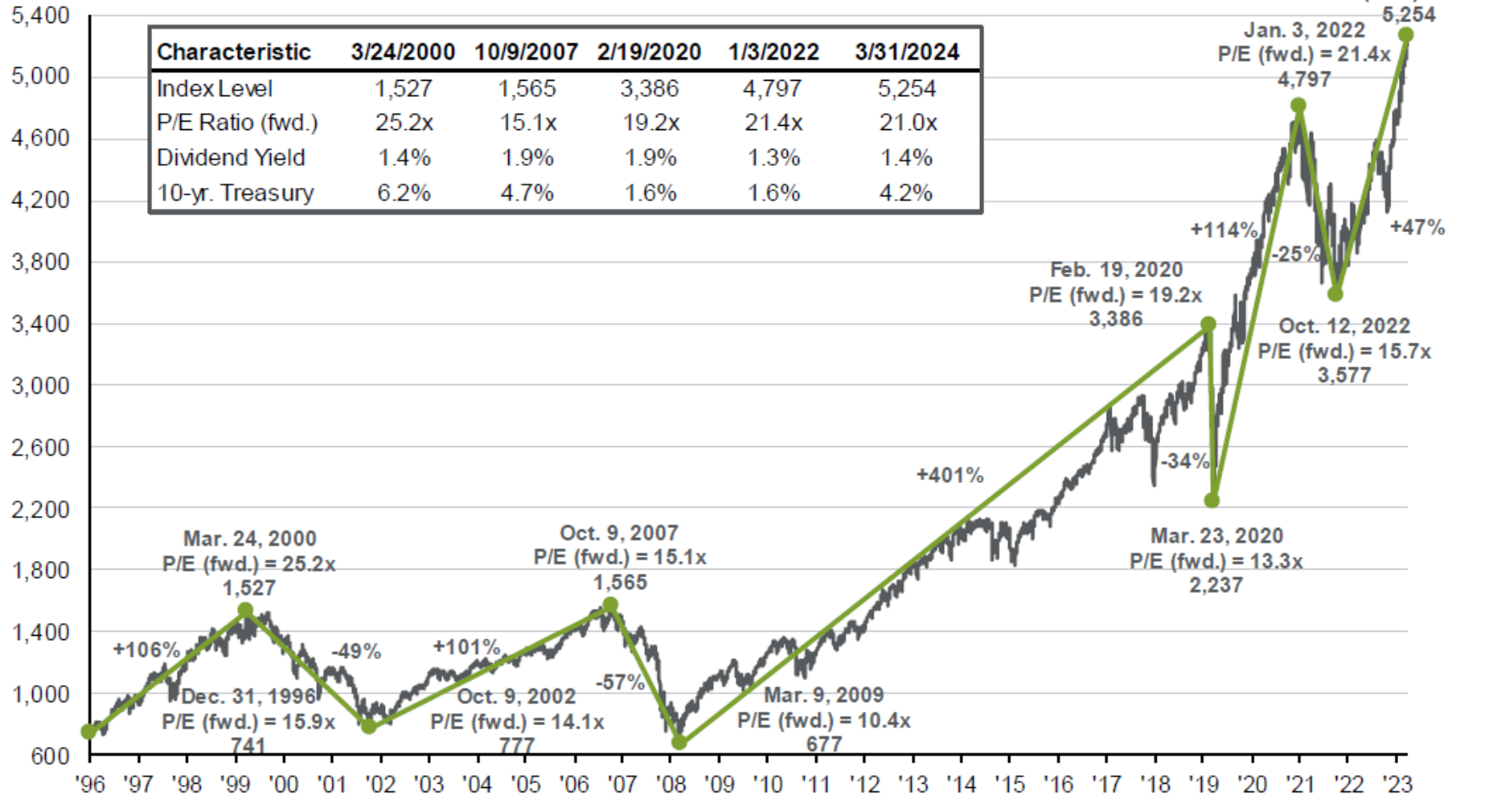
## Yield-to-worst across fixed income sectors

Percent, past 10 years



# STRONG GAINS, FLAT EARNINGS IN 2023 MEAN STOCKS ARE PRICEY NOW

## S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.

Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of March 31, 2024.

# S&P 500 CONCENTRATION REACHES WORRISOME LEVEL

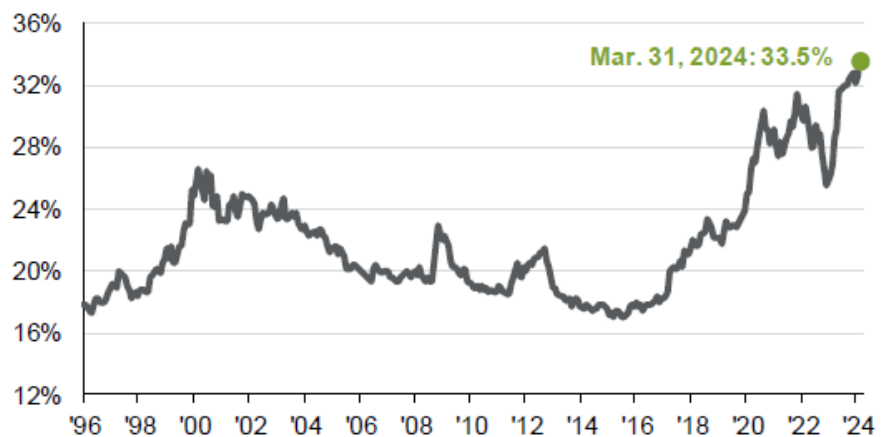
## P/E ratio of the top 10 and remaining stocks in the S&P 500

Next 12 months, 1996 - present



## Weight of the top 10 stocks in the S&P 500

% of market capitalization of the S&P 500



## Earnings contribution of the top 10 in the S&P 500

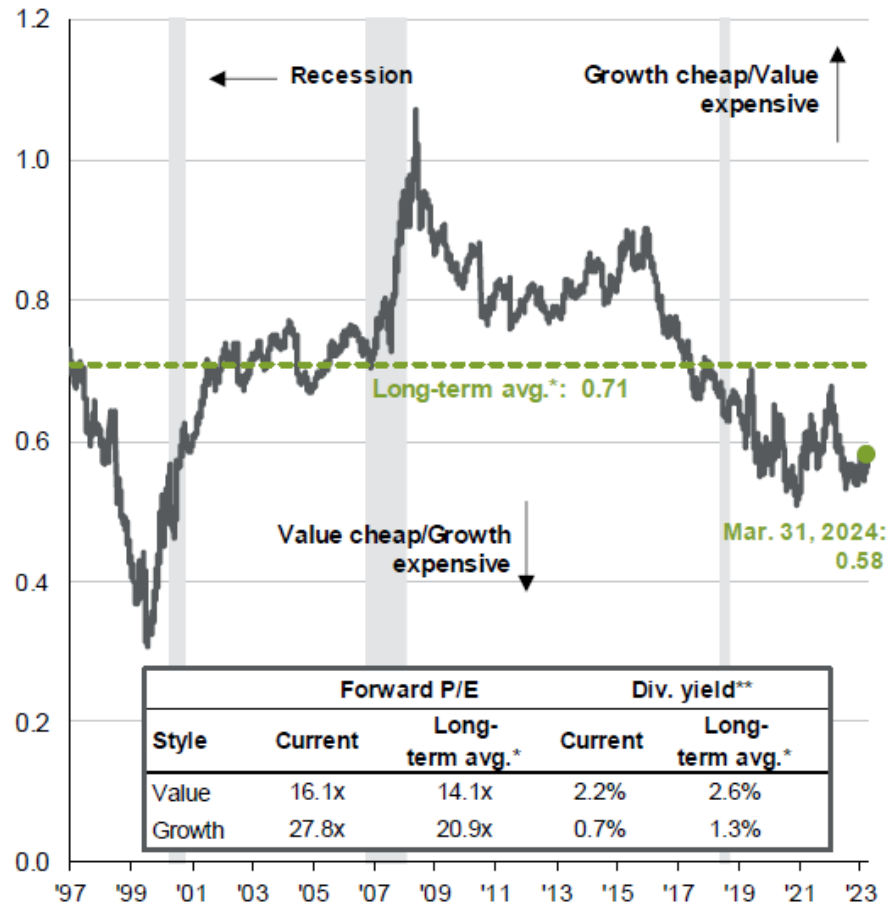
Based on last 12 months' earnings



# VALUE STOCKS OFFER COMPELLING VALUE

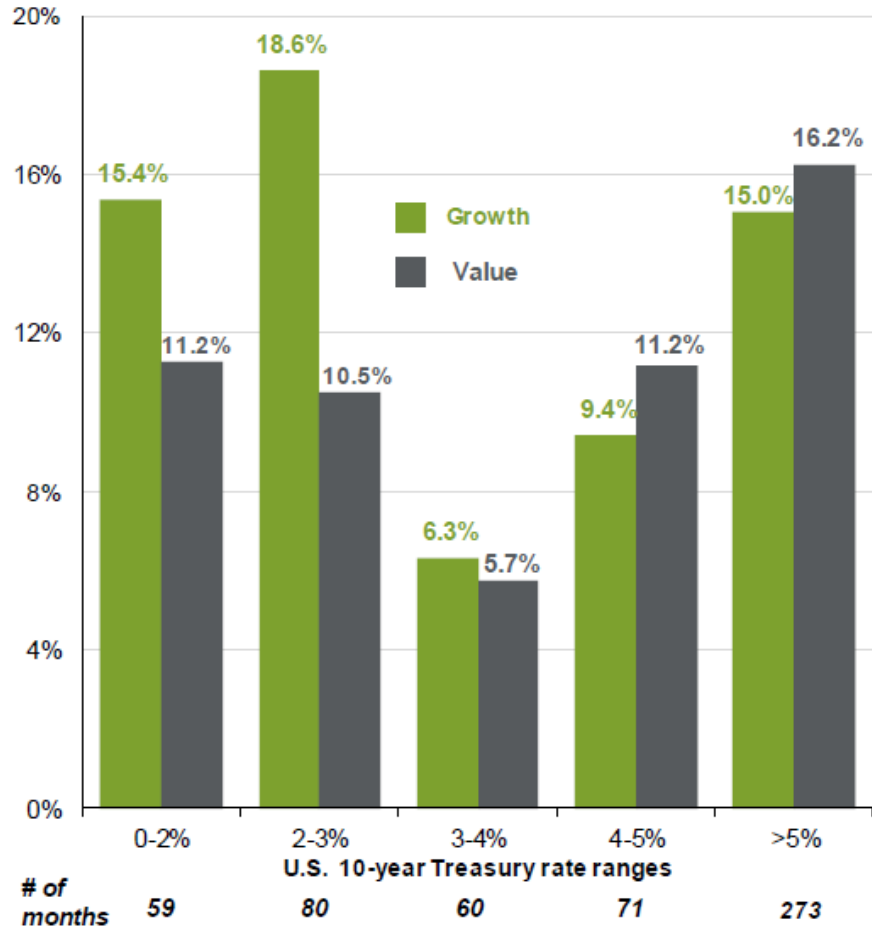
## Value vs. Growth relative valuations

Rel. fwd. P/E ratio of Value vs. Growth, 1997 - present



## Value vs. Growth in different interest rate environments

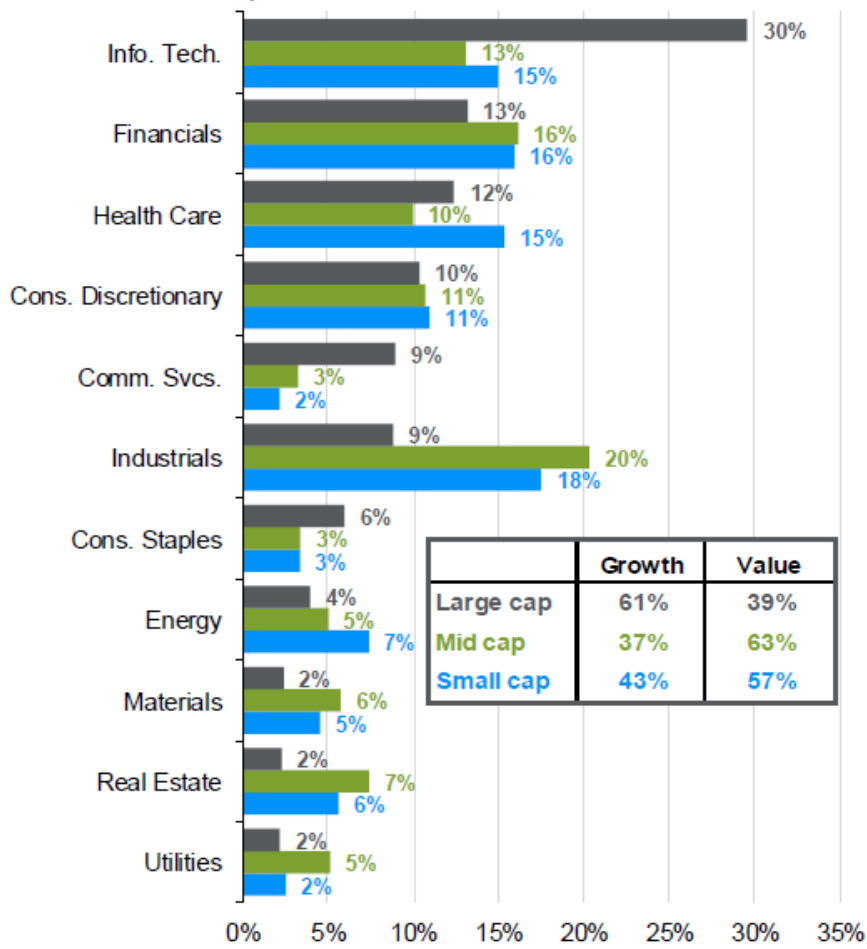
Annualized total return by 10-year Treasury rate ranges, 1979 - present



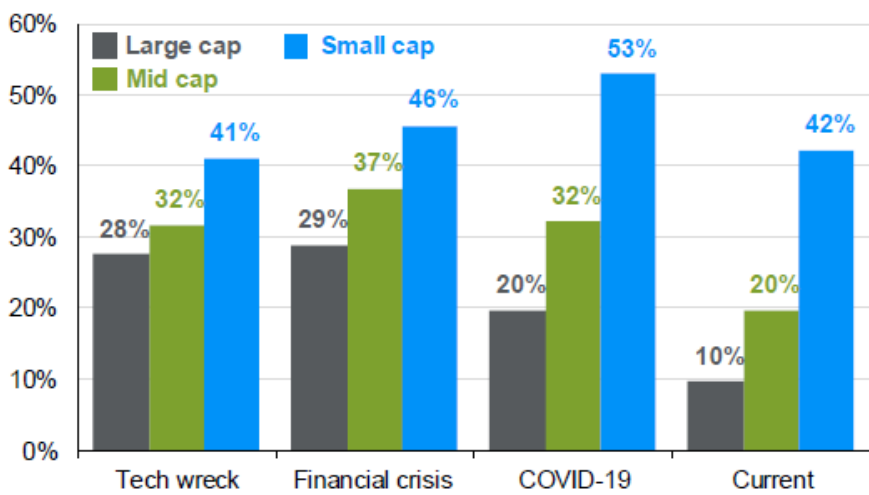


# SMALL CAPS ARE CHEAP, BUT FACE STRUCTURAL HEADWINDS

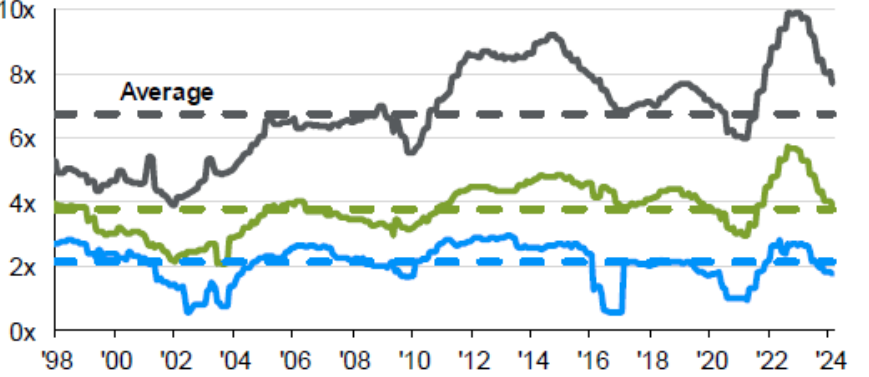
Sector composition  
% of index market capitalization



Percent of unprofitable companies  
Pro-forma EPS



Interest rate coverage ratios  
EBIT/interest expense on debt, monthly, LTM, 1998 - present



# INTERNATIONAL STOCKS ARE VERY INEXPENSIVE RELATIVE TO U.S.

## International: Price-to-earnings discount vs. U.S.

MSCI All Country World ex-U.S. vs. S&P 500, next 12 months



## International: Difference in dividend yields vs. U.S.

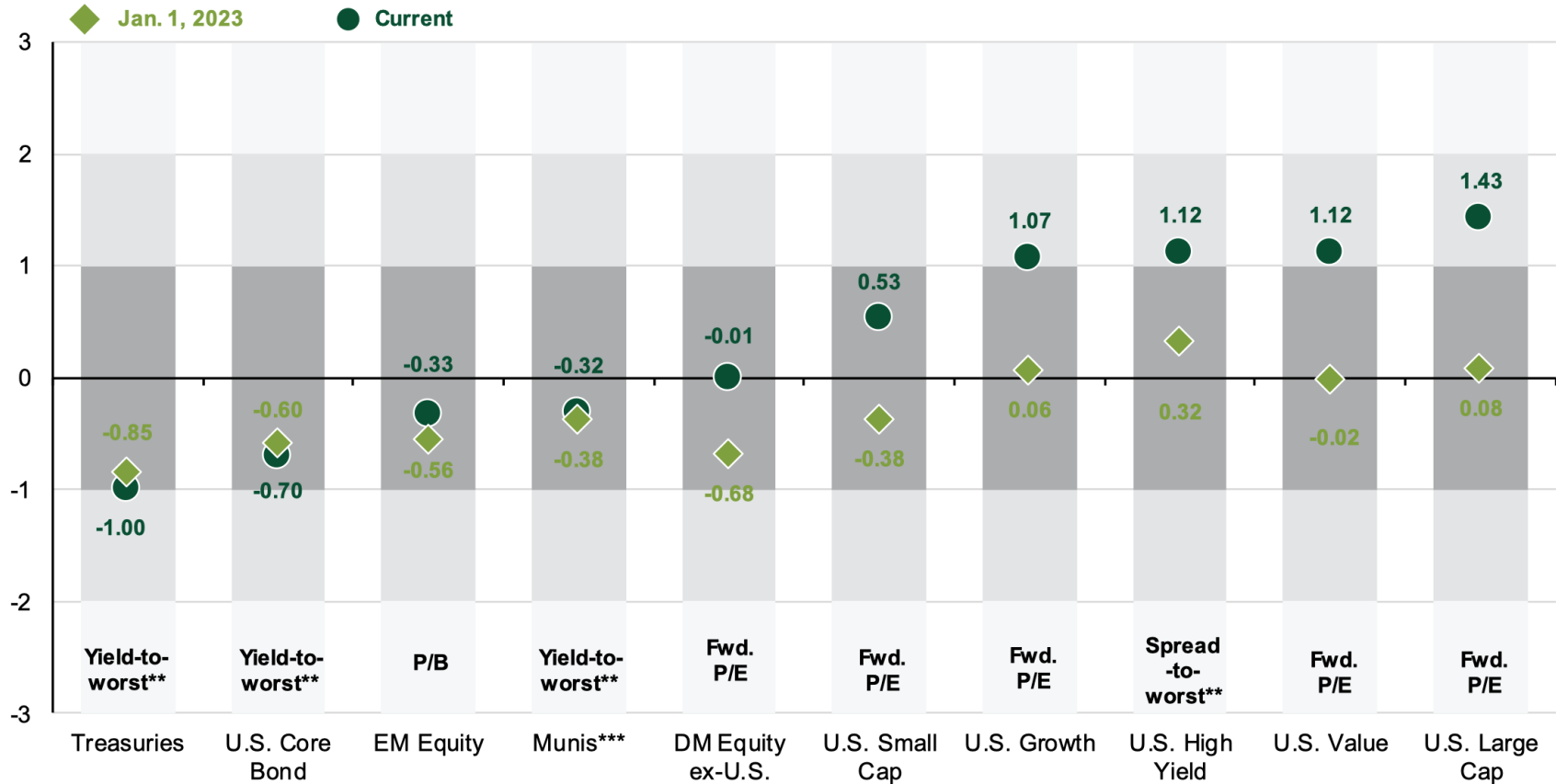
MSCI All Country World ex-U.S. minus S&P 500, next 12 months



# VALUATIONS MATTER

## Asset class valuations

Z-scores based on 25-year average valuation measures\*



## MARKET RETURNS SUMMARY | MARCH 31, 2024

Equity Index	1 Week	MTD	1 Month	QTD	YTD	1 Year	2 Year	3 Year	5 Year
Dow Jones Industrial Average	0.8	2.2	2.2	6.1	6.1	22.2	9.4	8.6	11.3
S&P 500 Index	0.4	3.2	3.2	10.6	10.6	29.9	9.5	11.5	15.0
Large Cap Stocks (Russell 1000)	0.5	3.2	3.2	10.3	10.3	29.9	9.1	10.4	14.7
Growth	-0.6	1.8	1.8	11.4	11.4	39.0	11.3	12.5	18.4
Value	1.8	5.0	5.0	9.0	9.0	20.3	6.4	8.1	10.3
Small Cap Stocks (Russell 2000)	2.6	3.6	3.6	5.2	5.2	19.7	2.9	-0.1	8.1
Growth	2.2	2.8	2.8	7.6	7.6	20.3	3.7	-2.7	7.3
Value	3.0	4.4	4.4	2.9	2.9	18.8	1.7	2.2	8.1
MSCI All Country World Index	0.4	3.2	3.2	8.3	8.3	23.8	7.3	7.4	11.4
International Stocks (MSCI EAFE)	0.2	3.4	3.4	5.9	5.9	15.9	7.2	5.3	7.8
Growth	-0.2	2.4	2.4	7.1	7.1	13.6	5.3	3.1	8.1
Value	0.6	4.5	4.5	4.7	4.7	18.2	8.9	7.3	7.1
Emerging Markets Stocks (MSCI EM)	0.5	2.5	2.5	2.4	2.4	8.6	-1.3	-4.7	2.6
Fixed Income Index/ETF	1 Week	MTD	1 Month	QTD	YTD	1 Year	2 Year	3 Year	5 Year
Barclays U.S. Aggregate Bond Index	0.2	0.9	0.9	-0.8	-0.8	1.7	-1.6	-2.4	0.4
iShares 1-3 Year Treasury Bond ETF	0.0	0.3	0.3	0.3	0.3	2.8	1.5	-0.1	1.0
iShares 3-7 Year Treasury Bond ETF	0.0	0.4	0.4	-0.7	-0.7	1.0	-0.6	-2.2	0.3
iShares 20+ Year Treasury Bond ETF	0.7	0.8	0.8	-3.7	-3.7	-7.8	-12.7	-9.0	-3.5
iShares TIPS Bond ETF	0.1	0.6	0.6	-0.1	-0.1	0.1	-3.1	-0.7	2.3
iShares National AMT-Free Municipal Bond ETF	-0.3	-0.1	-0.1	-0.3	-0.3	2.7	1.6	-0.3	1.6
SPDR Barclays Intermediate Term Corporate Bond ETF	0.0	0.9	0.9	0.3	0.3	4.7	1.3	-0.6	1.8
SPDR Barclays High Yield Bond ETF	0.1	1.2	1.2	1.6	1.6	9.6	2.7	1.2	3.1
PowerShares Senior Loan ETF	0.5	0.8	0.8	1.9	1.9	11.0	6.1	4.5	3.9
SPDR Barclays International Treasury Bond ETF	-0.1	0.4	0.4	-3.7	-3.7	-2.1	-6.1	-7.4	-3.2
iShares JPM USD Emerging Market Bond ETF	-0.1	2.0	2.0	1.5	1.5	9.2	0.6	-1.9	0.4

## **APPENDIX**

## NOTES & DISCLOSURES

Clearstead Advisory Solutions ("CAS" or the "Firm") is a division of Clearstead Advisors, LLC. Prior to the April 2024 acquisition of the CAS division, the firm was defined as Wilbanks, Smith & Thomas Asset Management, LLC ("WST"), an SEC registered investment adviser headquartered in Norfolk, VA. Registration as an investment adviser does not imply any level of skill or training. The information presented in the material is general in nature and is not designed to address your investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from a professional regarding whether any particular transaction is relevant or appropriate to your individual circumstances. This material is not intended to replace the advice of a qualified tax advisor, attorney, or accountant. Consultation with the appropriate professional should be done before any financial commitments regarding the issues related to the situation are made.

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Barclays US Aggregate Bond Index: Benchmark covering the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

Yield to Call is the yield of a bond or note if you were to buy and hold the security until the call date. This yield is valid only if the security is called prior to maturity.

Yield to Maturity is the rate of return anticipated on a bond if it is held until the maturity date.

During the period(s) shown, there were no material market or economic conditions which affected the results portrayed. With the exception of several market corrections during the period(s), the overall market as measured by the S&P 500 was generally rising. If such trends are broken, the clients may experience real capital losses in their managed accounts.

Foreign investments involve greater risks than US investments, including political and economic risks and the risk of currency fluctuation, all of which may be magnified in emerging markets.

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Past performance is not necessarily indicative of future results. Results portrayed reflect the reinvestment of dividends, capital gains and other earnings when appropriate.

Small company issues can be subject to increased volatility and considerable price fluctuations.

Commodities and futures generally are volatile and are not suitable for all investors. The value of commodity funds relate directly to the value of the futures contracts and other assets held within the fund and any fluctuation in the value of these assets could adversely affect an investment in commodities.

High yield bonds are rated in the lower rating categories by the various credit rating agencies; investors must take into account the special nature of such securities and certain special considerations in assessing the risk associated with such investments. Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.

## DISCLOSURES CONTINUED

MSCI EAFE Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Emerging Markets Index: A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

S&P 500 Index: The S&P 500 Index is a market capitalization-weighted index, including reinvestment of dividends and capital gains distributions that is generally considered representative of the U.S. stock market.

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