2024 MARKET OUTLOOK

Investment Insights for the Year Ahead

MODELIST

ADVISOR USE ONLY

AGENDA

- Introduction
- What is Modelist?
- Quick 2023 Recap
- 2024 Outlook
    - Economy
    - Equities
    - Fixed Income
    - Wild Cards
- Actionable Insights
- Modelist Overview
- Q&A

MODELIST FILLS THE INDUSTRY BLIND SPOT

DO IT YOURSELF

Value to Clients
Your Brand
Customized

Not Your Expertise
Lacks Compliance
High Cost (Time/Staff)

MODELIST

OUTSOURCE

Deep Expertise
Consistent Experience
Compliance

Lacks Transparency
Limited Control
Selling Someone Else

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OUR TEAM

Joe Mallen

CEO

MSc from London Business School
BSB from University of Minnesota

Joe has garnered a significant following among financial advisors, recognized for his insightful market analysis and expertise. He's a source for financial media, quoted by CNBC, Bloomberg, The Wall Street Journal, Barron's, Reuters, MarketWatch, and Yahoo. His thought leadership extends to appearances on prominent industry platforms, including Animal Spirits, The Sherman Show, and TD Ameritrade.

Kent Peterson, PhD

CIO

PhD from Princeton University
BA from Cornell University

Kent has spent much of his career between Wall Street and London, excelling in global macro research for some of the world's top investment firms. He started his career at Bridgewater Associates and was recently Head of Global Market Solutions at Santander. His expertise in identifying economic trends has distinguished him as a leading strategist in the finance sector.

QUICK 2023 RECAP

Style Box	2023 Total Return (%)
Russell 1000	26.50
Russell 1000 Value	11.41
Russell 1000 Growth	42.67
Russell Midcap	17.19
Russell 2000	16.88

MSCI Index	
EAFE	18.95
Emerging Markets	10.12

S&P 500 Sector	
Communications	55.80
Consumer Disc.	42.30
Consumer Staples	0.52
Energy	-1.42
Financials	12.10
Health Care	2.06
Industrials	18.08
Information Tech	57.84
Materials	12.55
Real Estate	12.27
Utilities	-7.08

Bloomberg Index	2023 Total Return (%)
US Aggregate	5.53
US T-Bills: 1-3 M	5.14
Short Treasury	5.09
US Treasury	4.05
US Long Treasury	3.06
US TIPS	3.90
Municipal Bond	6.40
US Corporate	8.52
US Corp HY	13.45

Alternatives	
Commodities	-7.91
Gold	14.59
Wilshire Liquid Alts	4.54

- In Equities, the headline came from the Big 7, which produced outsized gains for market-cap weighted and Growth indices, while everything else lagged, with the weakest returns coming in Value and EM

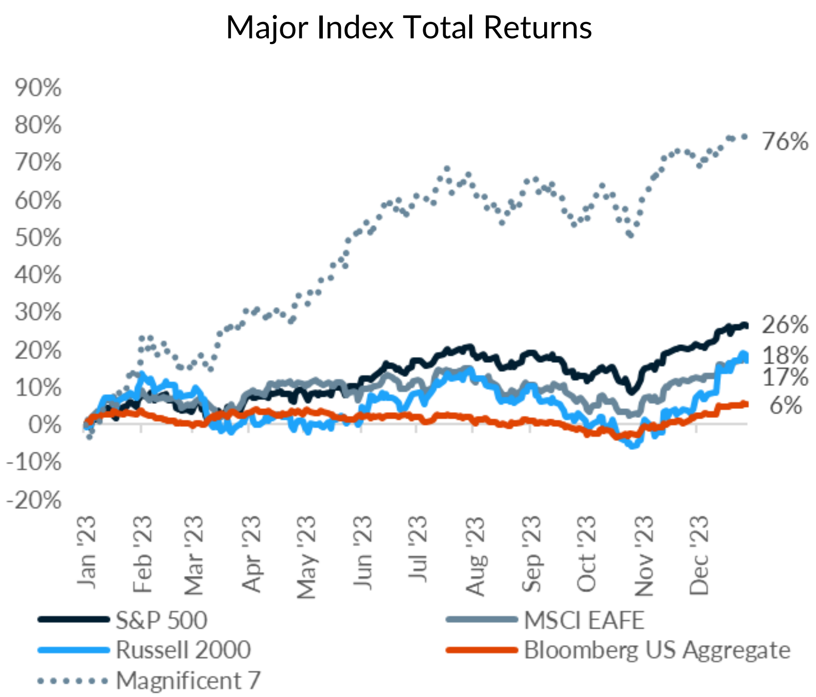
- The same narrative holds when you examine US sectors. Communications, Cons Discretionary, and IT had extraordinarily high double-digit returns, while Energy and Utilities, by contrast, were in negative territory

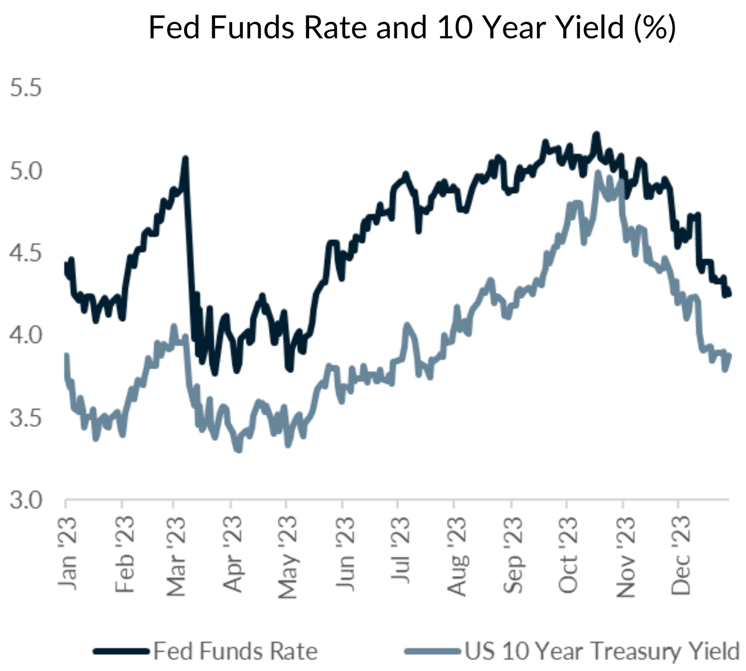
- The risk-on trade spilled over into fixed income as US Corporates and High Yield handily outperformed safer government bonds, though total returns were positive no matter where you invested in Bonds

- Alternatives were mixed. Gold had a strong year, probably because of the many active global conflicts underway, while commodities had a down year as inflation pressures lessened globally, and Liquid Alts had anemic positive returns that couldn't beat T-Bills

Source: Bloomberg, Modelist
Returns greater than 1-year are annualized.

QUICK 2023 RECAP





Source: Bloomberg, Modelist
Returns greater than 1-year are annualized.

ADVISOR USE ONLY

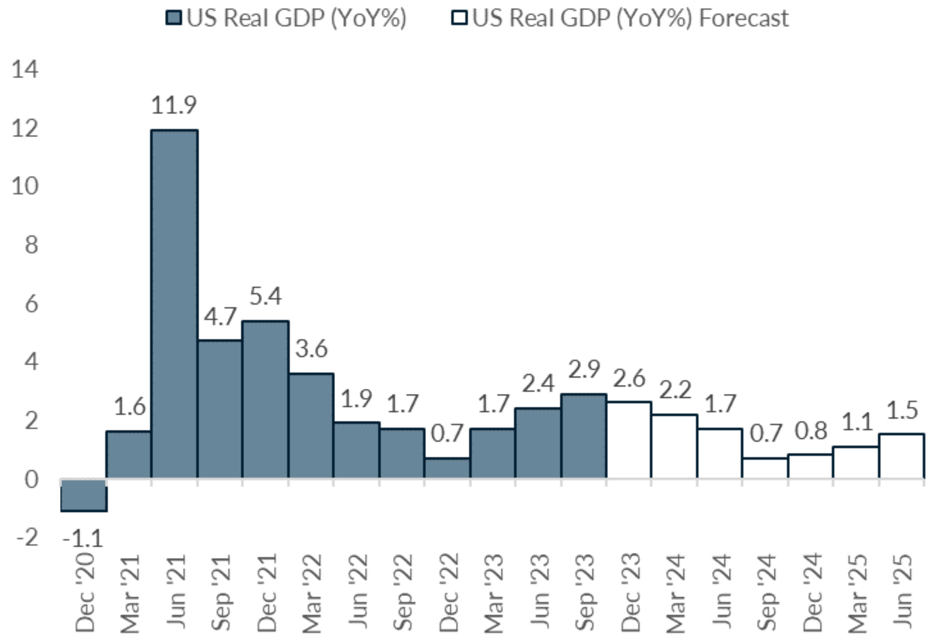
ECONOMIC OUTLOOK

ECONOMIC OUTLOOK

1

A Look Back & Forward: Growth

In the face of one of the most aggressive Fed tightening sequences in decades, the US economy showed enormous resiliency in 2023. Households and corporations continued to spend and invest, and the higher rates that would normally have curbed borrowing in the private sector, have not yet dented growth this cycle. This is mostly because under the post-Covid stimulus both households and businesses were able to burn down cash from their balance sheets. As these reserves run lower in 2024 and debt gets rolled over, we may see debt service costs rise and some moderation on growth as higher interest rates creep into different sectors of the US economy.



Data as of December 31, 2023

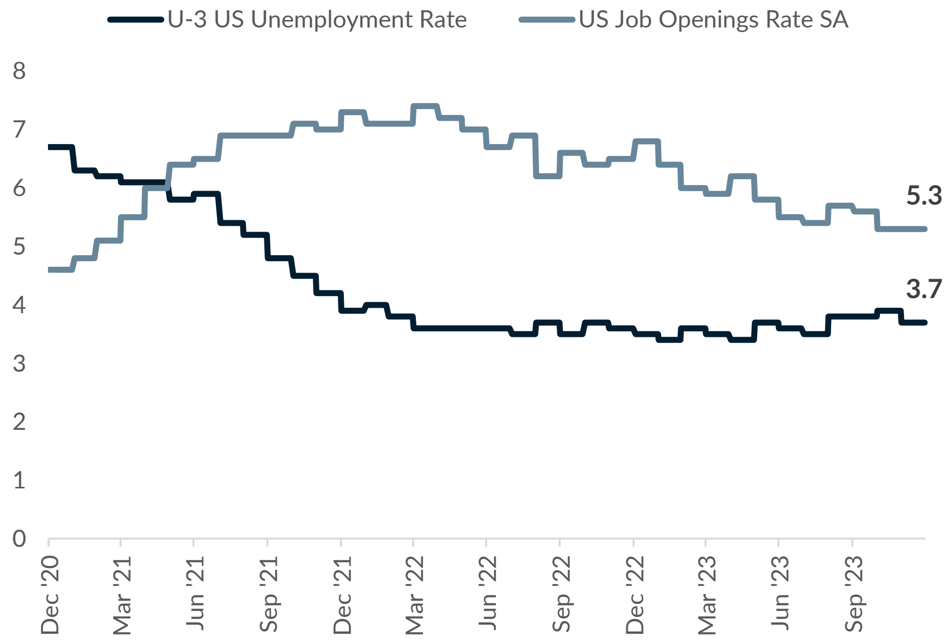
Source: Bloomberg, Modelist

ECONOMIC OUTLOOK

2

Unemployment

Unemployment has been, and likely will continue to be strong for the foreseeable future. Demographics, decoupling from Mainland China and immigration continue to constrain the labor force supply part of the market. The demand side of the labor market remains harder to predict with higher interest rates starting to impinge on corporate spending and hiring. But even changes in the demand side are likely to be gradual with the labor force gradually adjusting.



Data as of December 31, 2023

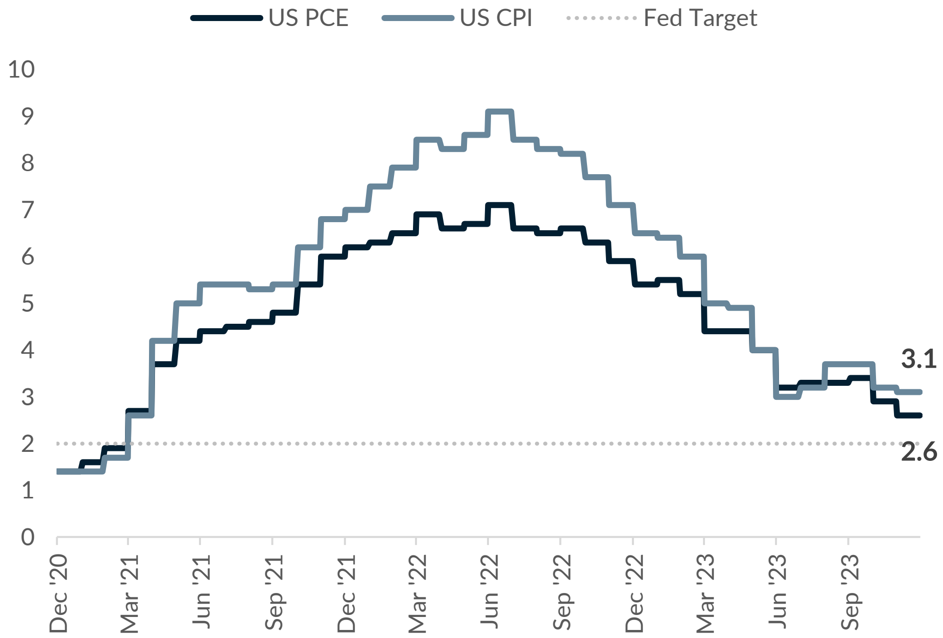
Source: Bloomberg, Modelist

ECONOMIC OUTLOOK

3

Inflation

For the time being inflation appears to be contained and much closer to its long-term average of 3.5%, but this is still a decent distance from where the Fed would like it to be at 2%. We don't foresee how inflation could suddenly fall lower, given the strength in the labor market (wage growth remains way above Core or any inflation metric we track). The optimism priced into equity markets also implies a level of continued growth in 2024 that might cause prices to rise further and the Fed to step in.,



Data as of December 31, 2023

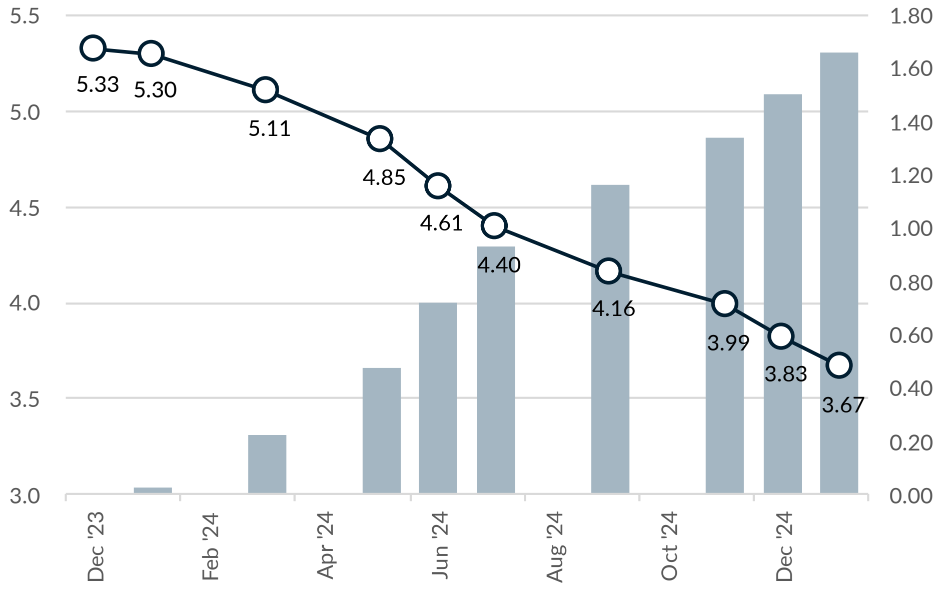
Source: Bloomberg, Modelist

ECONOMIC OUTLOOK

4

Fed Policy

Fed policy has obviously been very aggressive over the last 2 years as tightening has been necessary to take out the threat of run-away inflation. That threat for now has abated and markets are starting to price in actual cuts over the next 18 months. Whether this pricing is overly optimistic and in line with the optimism priced into equities, or a good predictor of monetary policy, we don't really know. We do expect the Fed to continue to be extremely vigilant about the pricing threats from the labor market and potential upticks in prices or wages. Our guess is that they would rather send the economy into a mild recession than let prices get out of hand. With that said, there probably remains a Fed put in place, and we would expect to see aggressive easing in the face of any large decline in asset prices.



Data as of December 31, 2023

Source: Bloomberg, Modelist

5

Fiscal Policy

We don't see anything on the horizon from fiscal policy in 2024 that could materially affect economic growth, inflation or employment stats. Fiscal policy tends to be slow. That said, expect to see markets start to price in the impact of the policies of the party they expect to win the 2024 election.

Debt service costs also continue to be a concern for the US. At the moment, the Treasury has put an enormous mount of issuance into the short-end of the curve, though we expect them to roll that out to the intermediate and longer-dated bonds in the future, perhaps pushing yields higher.

Long-Term Budget Outlook, June 2023, by Fiscal Year
Percentage of Gross Domestic Product

	Average, 1993–2022	Actual, 2022	2023	2033	2043	2053
Revenues, Total	**17.2**	**19.6**	**18.4**	**18.1**	**18.6**	**19.1**
Individual income taxes	8.0	10.5	9.6	9.7	10.1	10.7
Payroll taxes	6.1	5.9	6.0	5.9	5.8	5.8
Corporate income taxes	1.7	1.7	1.8	1.4	1.4	1.4
Other	1.4	1.4	1.0	1.1	1.2	1.3
Outlays, Total	**21.0**	**24.8**	**24.2**	**24.4**	**26.7**	**29.1**
Mandatory, subtotal	12.0	16.3	15.1	15.3	16.5	16.9
Social Security	4.5	4.8	5.1	6.0	6.2	6.2
Major health care programs	4.3	5.6	5.8	6.6	8.0	8.6
Medicare, net of offsetting receipts	2.6	2.8	3.1	4.0	5.1	5.5
Medicaid, CHIP, and marketplace subsidies	1.7	2.8	2.7	2.6	2.9	3.1
Other	3.3	5.8	4.2	2.6	2.4	2.1
Discretionary	7.1	6.6	6.5	5.6	5.4	5.4
Net interest	1.8	1.9	2.5	3.6	4.8	6.7
Deficit, Total	**-3.7**	**-5.2**	**-5.8**	**-6.4**	**-8.1**	**-10.0**
Deficit, Primary	-1.9	-3.3	-3.3	-2.8	-3.4	-3.3
Debt Held by the Public	57	97	98	115	144	181

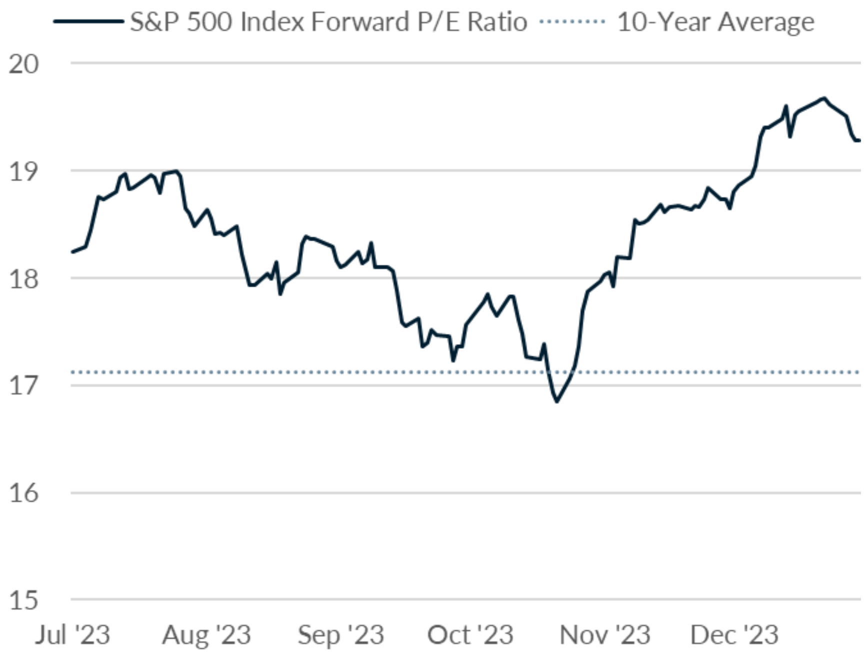
Source: Modelist, Congressional Budget Office (2023 Long-Term Budget Outlook, June 2023)

EQUITY OUTLOOK

EQUITY MARKETS

Markets at their core are a discounting mechanism that contain a set of expectations about the future and adjust those expectations (prices) as new information is digested. Looked at in this way, we see from forward PE Ratio projections a fairly rosy picture of greater expected future earnings baked in. Earnings can rise either because sales grow and/or margins increase. Margins only rise when productivity rises or costs (often borrowing rates) fall.

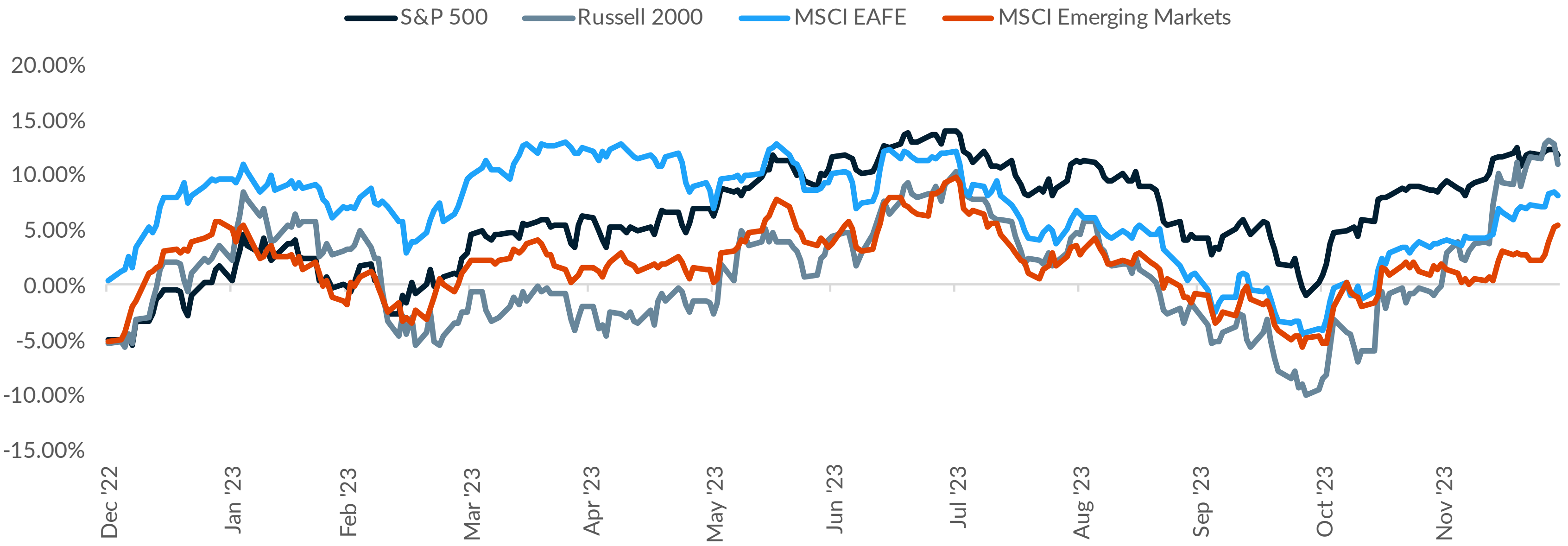
When you look at current market pricing, both greater sales growth and margin expansion are baked into stock prices. On a market-cap weighted basis, much of this is coming from the magnificent 7, all of whom share: above GDP sales growth, high margins from their economic moat, and a front seat at the AI revolution. Essentially, what the equities markets are discounting right now is a combo of above trend sales growth, lower interest rates from the Fed and an AI-induced productivity boom that will expand profit margins which, in combo, will increase earnings for stocks in 2024.



Source: Bloomberg, Modelist

EQUITY MARKETS

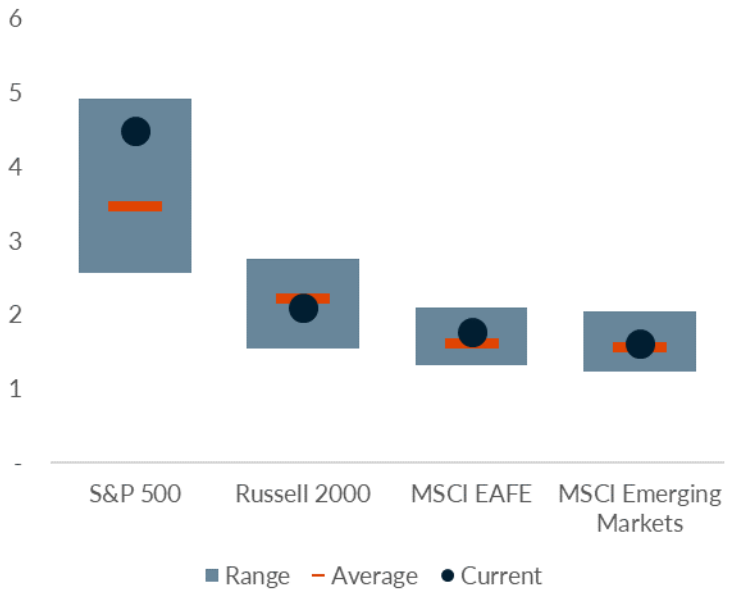
Index Level Above/Below 12-Month Moving Average



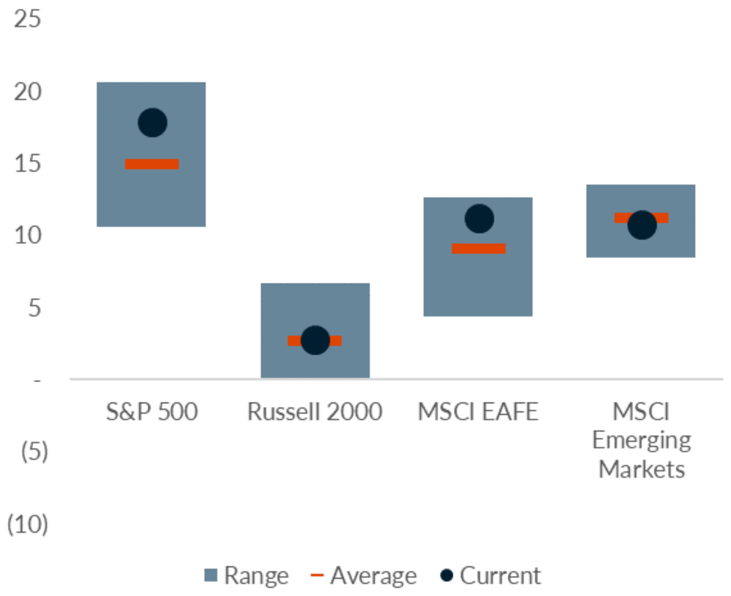
Source: Bloomberg, Modelist

EQUITY MARKETS

Price to Book Ratio (10 Years)



Return on Common Equity (10 Years)



Data as of December 31, 2023

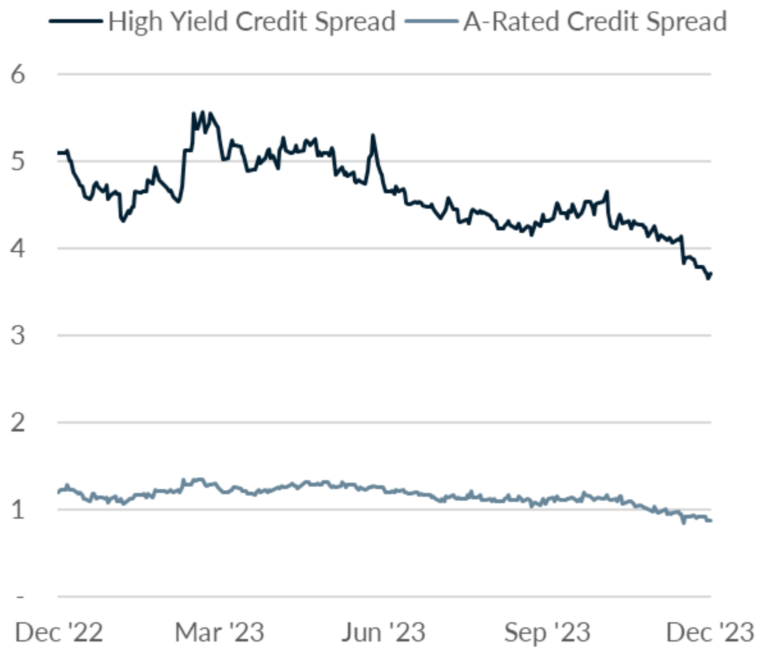
Source: Bloomberg, Modelist

FIXED INCOME OUTLOOK

FIXED INCOME MARKETS

What's being discounted in Fixed Income markets at present, when you look at both compressed credit spreads and Fed Fund Futures is a) continued risk-on world with little credit volatility and few defaults, and b) future lower interest rates for borrowers with minimal inflation risk. This is consistent with equity pricing. We don't know whether reality will be this rosy, and we note that there are some tensions here, but that should productivity gains from AI materialize, then this pricing may be realistic, and evenly overly negative, and markets would rise.

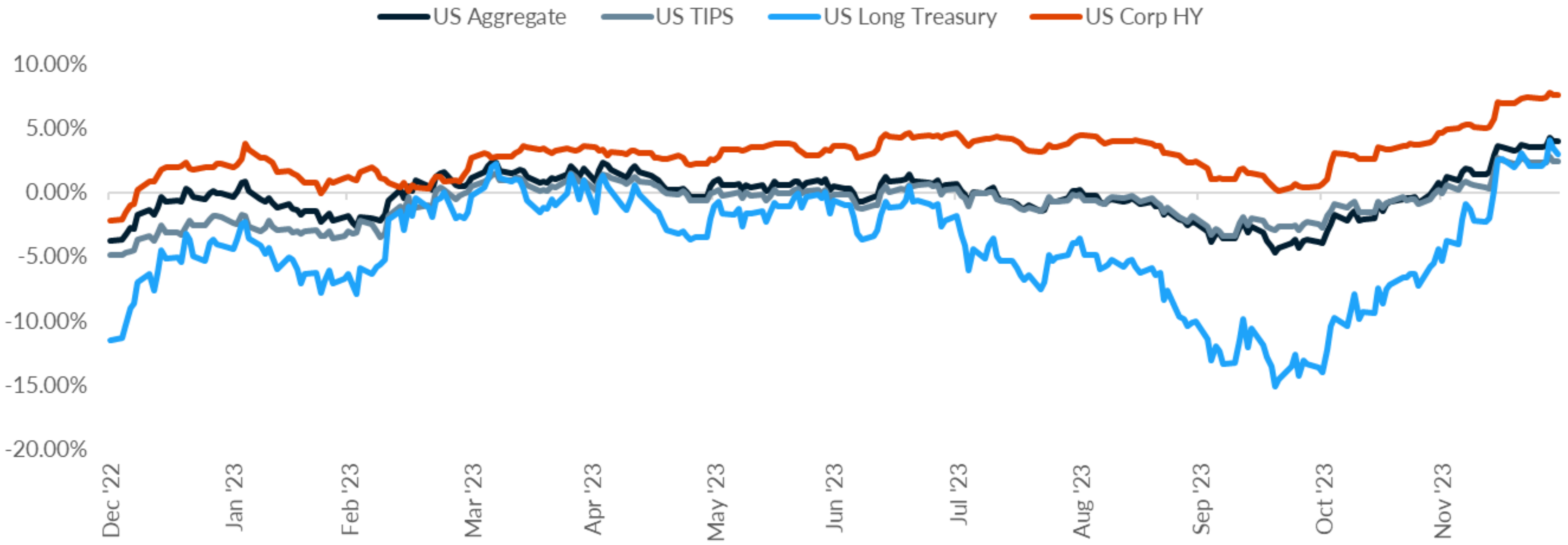
What concerns us slightly is the tension between, on the one hand, pessimistic consumers and the higher cost of debt for marginal companies as debt matures and needs to be rolled over at high rates, and, on the other hand, the risk–on, high growth pricing in equities, High Yield and Corporate spreads that could be inflationary and change the current neutral message of the Fed.



Source: Bloomberg, Modelist

FIXED INCOME MARKETS

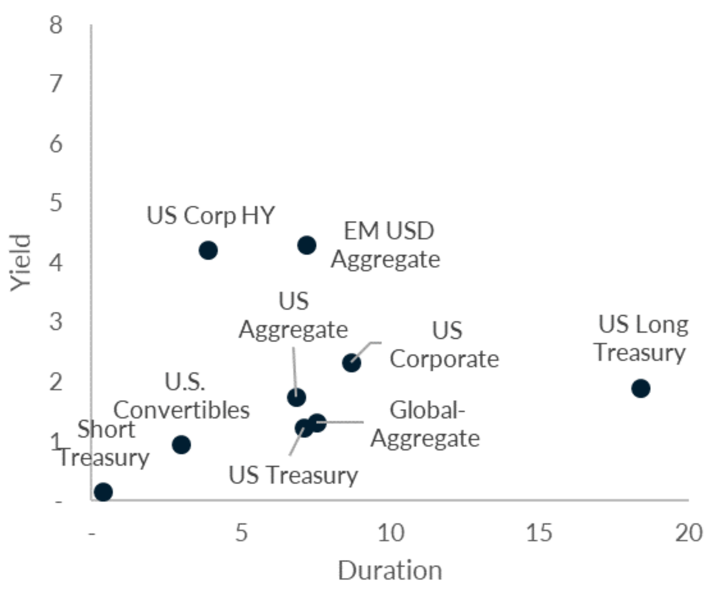
Bloomberg Index Level Above/Below 12-Month Moving Average



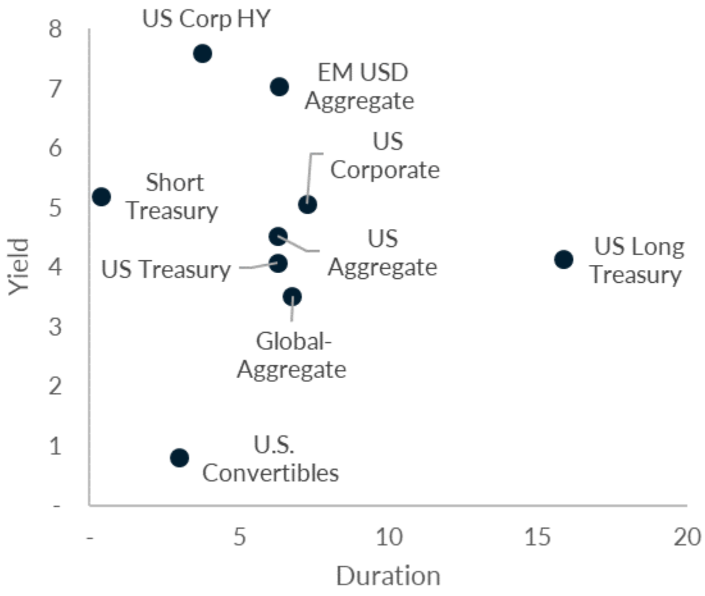
Source: Bloomberg, Modelist

FIXED INCOME MARKETS

Bloomberg Index Yield / Duration 12/31/2021



Bloomberg Index Yield / Duration 12/31/2023



Source: Bloomberg, Modelist

WILD CARDS

WILD CARDS

1

Election

The election remains many months off, but nevertheless quite important. A lopsided victory by either party would probably be viewed with hesitancy by the markets. We imagine the market would prefer gridlock, so the more extreme policies of either party would be kept in check.

In either case, our research of recent elections makes clear that stocks, on average, do well no matter who gets elected President. Incumbents make for modestly better returns before and after the election than new presidents. Markets seem excited before a Republican gets elected and then less so after, while Democrats have the opposite effect.

Election Results and the S&P 500 Index Total Returns

			S&P 500 Index Total Return		
Year	Party	President	Election Year	6 Months Prior	6 Months Post
1960	Democratic	John F. Kennedy	0.5%	2.4%	15.3%
1964	Democratic	Lyndon B. Johnson	16.4%	7.8%	5.3%
1968	Republican	Richard Nixon	11.0%	6.1%	1.3%
1972	Republican	Richard Nixon	19.0%	8.4%	-3.5%
1976	Democratic	Jimmy Carter	23.9%	3.5%	-3.6%
1980	Republican	Ronald Reagan	32.5%	25.4%	4.5%
1984	Republican	Ronald Reagan	6.3%	9.7%	0.3%
1988	Republican	George H. W. Bush	16.6%	9.0%	11.7%
1992	Democratic	Bill Clinton	7.6%	3.4%	6.0%
1996	Democratic	Bill Clinton	22.9%	12.6%	18.6%
2000	Republican	George W. Bush	-9.1%	0.5%	-0.2%
2004	Republican	George W. Bush	10.9%	3.0%	2.2%
2008	Democratic	Barack Obama	-37.0%	-28.1%	-12.5%
2012	Democratic	Barack Obama	16.0%	5.5%	13.0%
2016	Republican	Donald Trump	11.9%	5.2%	14.6%
2020	Democratic	Joe Biden	18.4%	20.1%	24.1%
		Average	**10.5%**	**5.9%**	**6.1%**
		Incumbent Win	**15.0%**	**7.8%**	**6.1%**
		New President	**9.2%**	**5.3%**	**5.1%**
		Democrat	**8.6%**	**3.4%**	**8.3%**
		Republican	**12.4%**	**8.4%**	**3.9%**

Source: Bloomberg, Modelist

WILD CARDS

2

War in Taiwan

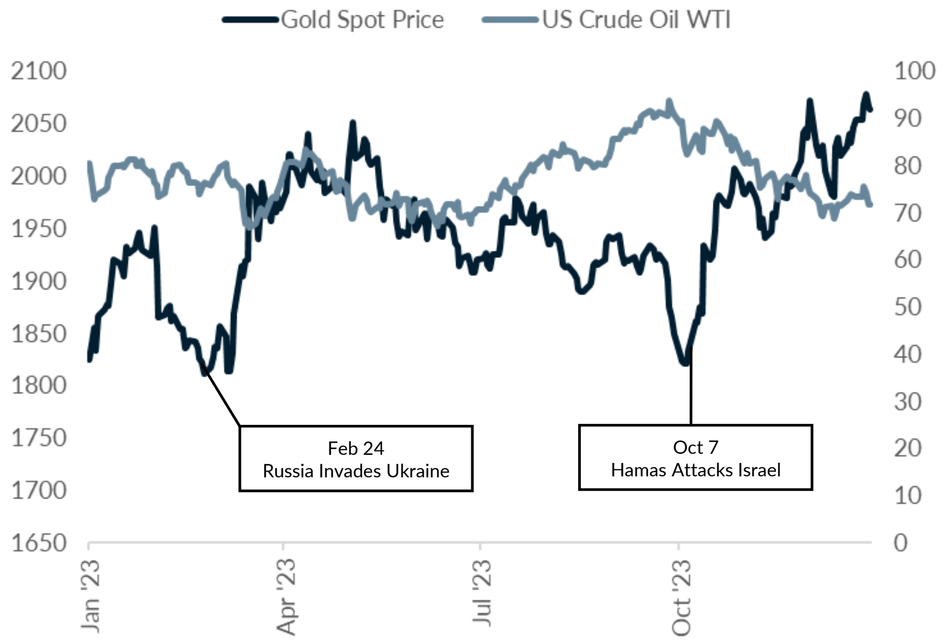
While a very low probability event, the invasion of Taiwan by China would be disastrous for global and US markets and is not inconceivable. Whether the US would abide by its promise to defend the island is an open but separate question. China is currently in worsening economic shape with a deflating real-estate bubble, increasing defaults, anemic growth and a inward-looking government more focused on extending party control than enriching its citizens. In the short run, an invasion would rally the country and provide a distraction from domestic troubles. That said, China probably has not reached the state of military readiness to achieve this victory and its leaders are aware of the dire longer-term economic consequences of such a move.

Source: Bloomberg, Modelist

3

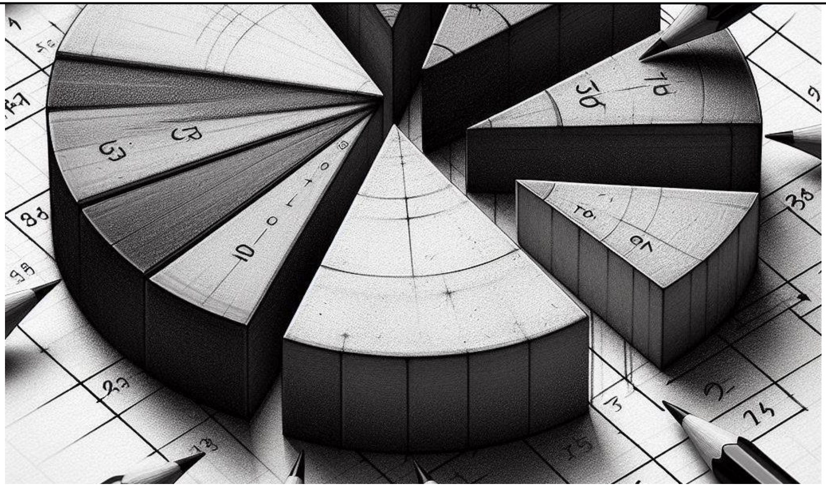
War Bleed Over

Similarly, its possible that the current conflicts in the Middle East or Ukraine could bleed beyond their current borders into larger regional conflicts. How this might happen is anyone's guess, though the conflict in Israel seems more likely to catch fire given the historical animosities in the region. If this were to happen, we would expect a flight to safe haven assets like gold and an increase in oil prices.



Source: Bloomberg, Modelist

ACTIONABLE INSIGHTS



SELECTED CURRENT THEMES

Don't Fight the Relative Strength

Overweight:
US Large Cap Growth
US Small Cap
US Mid Cap
&
High Yield Bonds
Corporate Bonds
Global Bonds

Economic Status versus Economic Expectations

Current Economic Data:
Overweight Equity

Leading Economic Data:
Underweight Equities

Global Growth is Expanding

Overweight:
Global Growth Equity
High Yield Bonds
Emerging Market Bonds
Commodities

Cash In on Short Term & Cash Yields

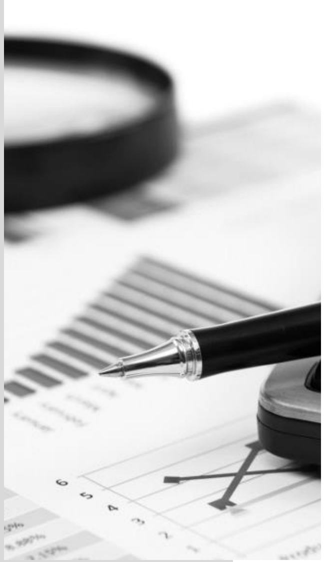
The spike in interest rates and inverted yield curve should please the most conservative investors.

Short-Term Treasuries
Short-Term Corporate Bonds
Bank Loans

MODELIST OVERVIEW

EVIDENCE-BASED APPROACH

Our team conducts thorough research into global macroeconomic trends, technical indicators, and fundamental factors. We distill this data into concise, comprehensible, and actionable insights, enabling financial advisors to seamlessly integrate these valuable perspectives into their models. This approach ensures that advisors can leverage the benefits of our in-depth research in a practical and easily understandable manner.



Repeatable Process

At Modelist, we build upon a strong foundation of evidence-based investing strategies rooted in robust research and market analysis

Informed Decisions

By leveraging these proven strategies, financial advisors gain the insights needed to make well-informed decisions aligned with their clients' goals

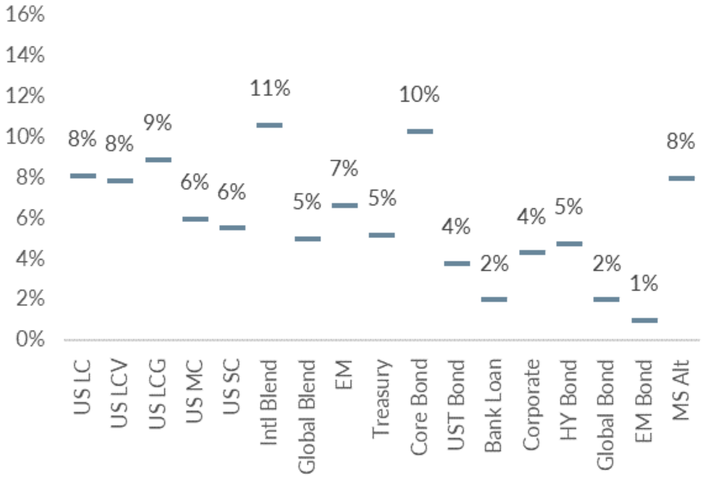
Data-Driven Advantage

Trust in your choices and enhance client experiences through research-backed approaches that stand the test of time

BUILDING INVESTMENT MODELS

We skillfully blend various investment strategies into a unified, cohesive design that aligns with your clients' needs.

Diversified Model

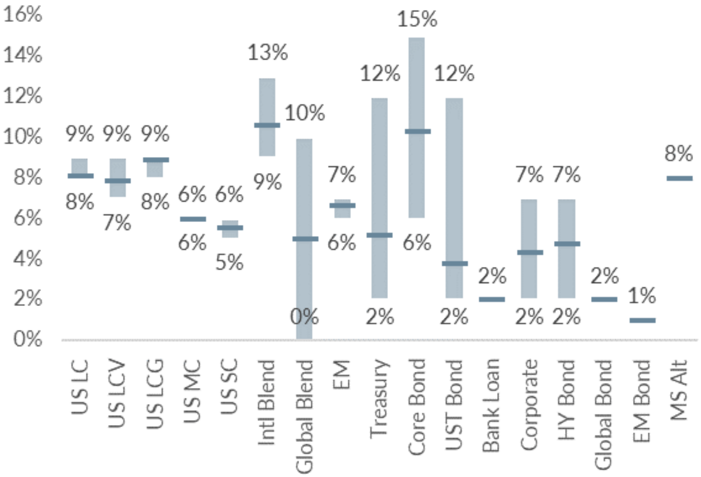


Coincident Economic Indicators

Duration Management

Asset Class Relative Strength

Model with added Tactical Strategies



SUPPORTING COLLATERAL AND WHITE-LABELED BRANDING

Access to Research

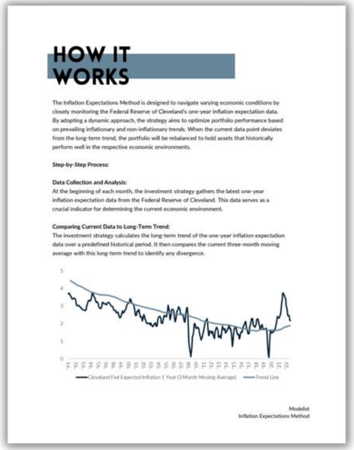
Benefit from our in-depth research on investment strategies to strengthen your compliance documentation.

White-Labeled Branding

Access supporting collateral, including educational resources, marketing materials, and more.

Comprehensive Collateral

Customized resources to your brand, effectively showcasing the value of your investment approach to clients.



HOW IT WORKS

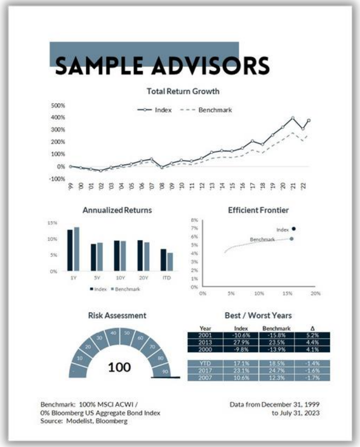
The Inflation Expectations Method is designed to navigate varying economic conditions by closely monitoring the Federal Reserve of Cleveland's one-year inflation expectation data. By adopting a dynamic approach, the strategy aims to optimize portfolio performance based on prevailing inflationary and non-inflationary trends. When the current data point deviates from the long-term trend, the portfolio will be rebalanced to hold assets that historically perform well in the respective economic environments.

Step-by-Step Process:

Data Collection and Analysis:
At the beginning of each month, the investment strategy gathers the latest one-year inflation expectation data from the Federal Reserve of Cleveland. This data serves as a crucial indicator for determining the current economic environment.

Comparing Current Data to Long-Term Trend:
The investment strategy calculates the long-term trend of the one-year inflation expectation data over a predefined historical period. It then compares the current three-month moving average with this long-term trend to identify any divergence.

Modelist
Inflation Expectations Method



SAMPLE ADVISORS

Best / Worst Years

Year	Index	Benchmark	Δ
2001	-10.6%	-15.8%	5.2%
2013	27.9%	23.5%	4.4%
2000	-9.8%	-13.9%	4.1%
YTD	17.1%	18.5%	-1.4%
2017	23.1%	24.7%	-1.6%
2007	10.6%	12.3%	-1.7%

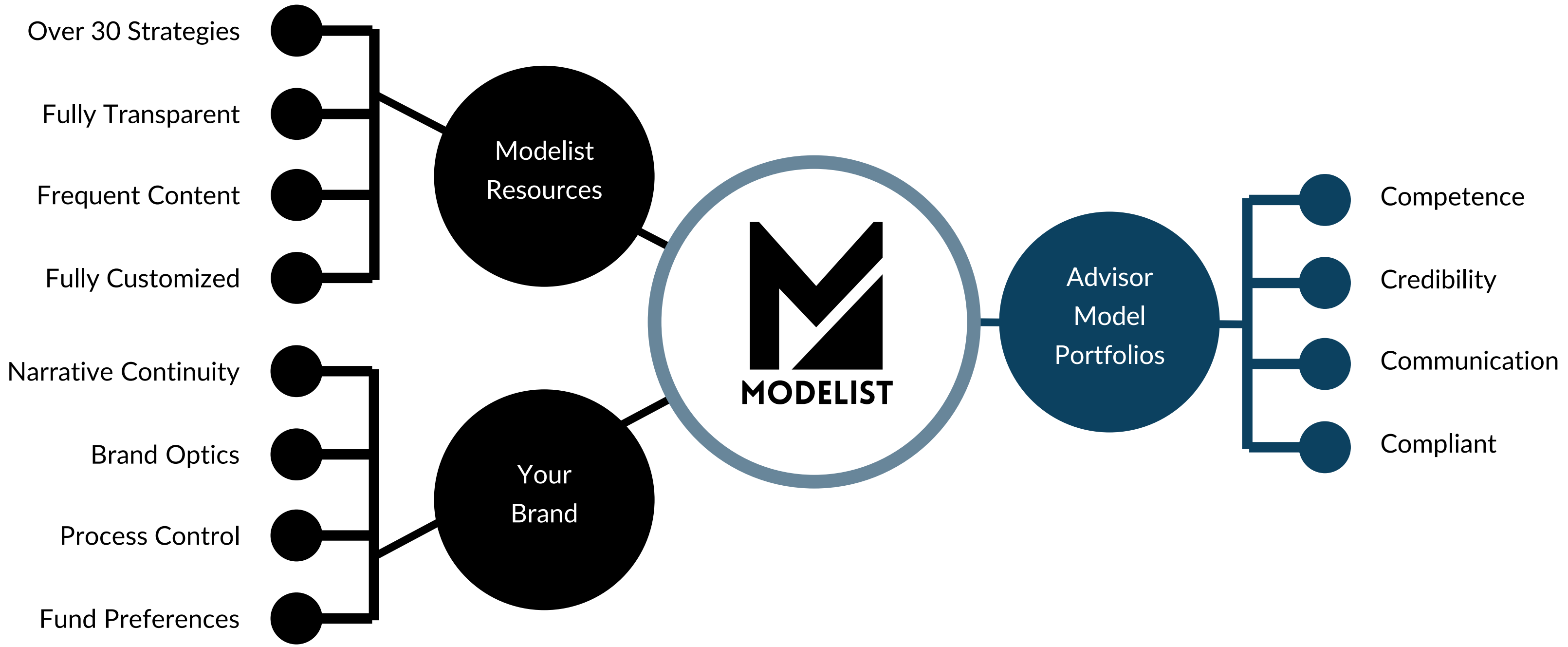
Benchmark: 100% MSCI ACWI / 0% Bloomberg US Aggregate Bond Index
Source: Modelist, Bloomberg

Data from December 31, 1999 to July 31, 2023

SAMPLE ADVISORS

The **Sample Advisors Aggressive Tactical Model** is an innovative investment strategy focused on short- to medium-term opportunities. It dynamically adjusts asset allocations to exploit market fluctuations, aiming for higher returns than traditional strategies. With an assertive approach, the model strategically targets riskier assets like equities and commodities. It relies on quantitative analysis, technical indicators, and fundamental insights for decision-making. Risk is managed through diversification and predefined exit strategies. The model adapts to changing market conditions and is actively monitored by professionals. Its performance is compared to market indices. Designed for risk-tolerant investors willing to actively manage their portfolios, the model offers the potential for increased returns but carries higher risk due to its dynamic nature and exposure to volatile assets.

PERSONALIZED MODELS FOR THE FIDUCIARY ADVISOR



QUESTIONS & AND ANSWERS

LEARN MORE

Elevate Your Business with Modelist

612-887-9897

hello@modelist.me

www.modelist.me

<u>Unlock Opportunities</u>

Modelist empowers you with tailored investment models, evidence-based strategies, and comprehensive support.

<u>Explore Further</u>

Dive deeper into the advantages that Modelist offers and discover how it can transform your advisory approach.

<u>Take Action</u>

Elevate your advisory business by partnering with Modelist. Join us today and experience the difference for yourself.

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