APTUS CAPITAL ADVISORS

Quarterly Market Update

Q1 2024

APTUS CAPITAL ADVISORS

Equity Markets Review

A Market in Review – Q1 2024

The Market Rally Continued: The S&P 500 returned 10.6% in Q1 - on a combination of two very powerful forces -- dovish central banks and a continued broadening of the AI narrative. The S&P 500 rallied for the fifth straight month in March (a 99th percentile return of +28%). This is only the 5th time in the past 30 years when Q1 returns were 10%+ - In fact, ~40% of all trading days in Q1 were record closing highs for the S&P 500, the most since Q1 2013.

The Everything But Bonds Rally – An Official Broadening: If there's anything to note about the anatomy of the US rally, I'd argue it was improved breadth within the market. The 2023 rally in stocks was driven by the tech sector, as the artificial intelligence ("AI") linked stocks, coined the "Magnificent Seven", handily outperformed the "rest" of the market. However, since late 2023, many investors have stated that if the rally was going to keep going, it would broaden out and include non-tech sectors and that's exactly what's occurred. And if the rally continues into Q2, we expect that broadening to also continue.

Moving Forward, It's All About Growth: Inflation around 3% isn't a threat to the market or economy by itself, but the Fed's response to that sticky inflation could be to keep rates "higher for longer" and the impact of that will be increased chances for an economic slowdown—which remains a real risk to this rally. Bottom line, focus on growth. Growth is the rally killer.

How Bad are Things? 1) Stocks are close to all-time-highs, 2) Home values are at all-time-highs, 3) Bonds recently bounced back from a historic 2-year bear market, 4) Net wealth is at all-time-highs, and 5) Debt relative to incomes are nowhere near historic highs.

Things appear to be better than most think.

Source: Strategas, Data as of 3/31/2024

	1M	QTD	YTD	1-YR	3-YR	5-YR	10-YR
S&P 500	3.22%	10.55%	10.55%	29.86%	11.47%	15.03%	12.94%
NASDAQ	1.85%	9.32%	9.32%	35.14%	8.21%	17.24%	15.80%
Dow Jones Industrial	2.21%	6.14%	6.14%	22.18%	8.65%	11.31%	11.75%
MSCI EAFE	3.40%	5.94%	5.94%	15.94%	5.40%	7.94%	5.40%
MSCI EM	2.50%	2.41%	2.41%	8.50%	-4.73%	2.57%	3.32%
U.S. Barclays Agg.	0.92%	-0.78%	-0.78%	1.70%	-2.46%	0.36%	1.54%
Investment Grade Bonds	1.56%	-0.72%	-0.72%	4.02%	-2.41%	1.54%	2.78%
High Yield Bonds	1.24%	1.26%	1.26%	10.29%	1.92%	3.54%	3.85%

Source: Bloomberg. Data as of 03/31/2024. Returns include Dividends. Returns over 1YR are Annualized.

Composition of Returns

The Known: Dividend Yield **+ The Unknown:** Growth Rate **+/- Market Sentiment:** Valuation Change **= TOTAL RETURN**

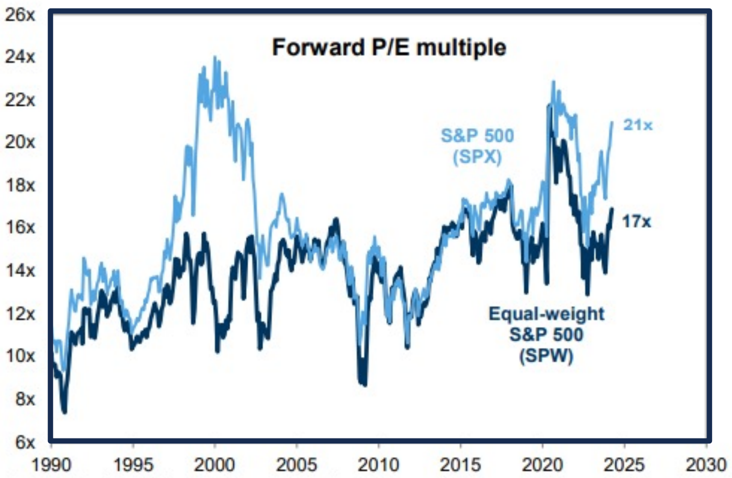
S&P 500 Dividend Yield: 1.31%

+

S&P 500 '24 EPS Growth: 10.66 %

+/-

S&P 500 Forward Valuation: 21.52x



Source: Goldman Sachs, Data as of 3/31/2024

Source: Strategas, Data as of 3/31/2024

Source: Goldman Sachs, Data as of 3/31/2024

Underneath the Market’s Hood

What Worked and What Did not Work in the Market?

History Suggests That it is Too Soon to Fade Equities + Strong Earnings

- While it wouldn’t surprise us if equity markets pulled back in the near term, history would suggest that it’s too soon to fade equities. With the S&P 500 up +27% in the five months off the October low, we looked back at the previous five-month periods where the S&P was up also +27%. Since 1950, there have been thirty instances of this, including the most recent. In all but 2 of the prior 28 cases the market was higher, with an average gain of 12.5% and 93% win rate. To put into perspective, average one-year returns are 9% with a 74% win rate in all other periods.

- Earnings continue to muddle sideways - at $243.63 for 2024, consensus is expecting earnings to grow 10.7%. What remains encouraging for equities is that 2025 growth is expected to be 13.3%. We view the acceleration of growth expected next year a positive for market fundamentals.

- The S&P 500 ended the month at another all-time high, its 22nd of the year. Over the last 12 years, the S&P 500 has hit 369 all-time highs, which is more than any 12-year period in history.

S&P 500 Index: Number of All-Time Highs (1929 - 2024)

Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH
1929	45	1949	0	1969	0	1989	13	2009	0
1930	0	1950	0	1970	0	1990	6	2010	0
1931	0	1951	0	1971	0	1991	22	2011	0
1932	0	1952	0	1972	32	1992	18	2012	0
1933	0	1953	0	1973	3	1993	16	2013	45
1934	0	1954	27	1974	0	1994	5	2014	53
1935	0	1955	49	1975	0	1995	77	2015	10
1936	0	1956	14	1976	0	1996	39	2016	18
1937	0	1957	0	1977	0	1997	45	2017	62
1938	0	1958	24	1978	0	1998	47	2018	19
1939	0	1959	27	1979	0	1999	35	2019	36
1940	0	1960	0	1980	24	2000	4	2020	33
1941	0	1961	53	1981	0	2001	0	2021	70
1942	0	1962	0	1982	2	2002	0	2022	1
1943	0	1963	12	1983	30	2003	0	2023	0
1944	0	1964	65	1984	0	2004	0	2024	22
1945	0	1965	37	1985	43	2005	0		
1946	0	1966	9	1986	31	2006	0		
1947	0	1967	14	1987	47	2007	9		
1948	0	1968	34	1988	0	2008	0		

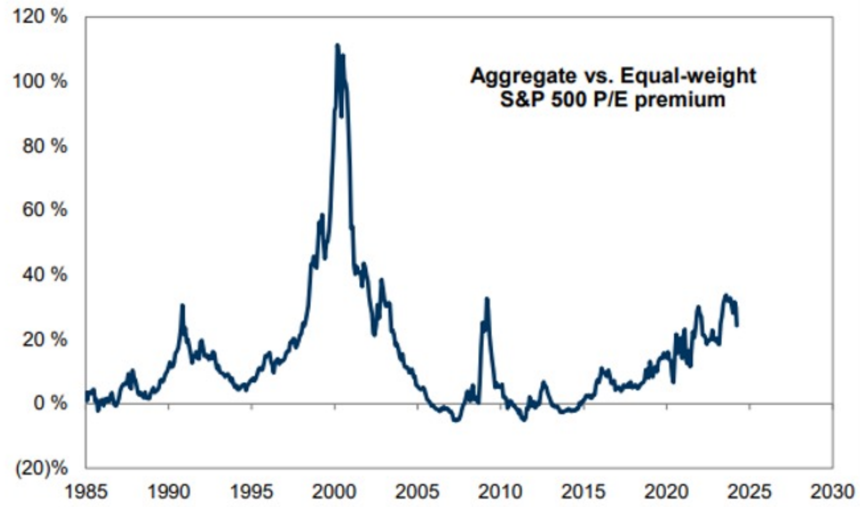
Source: Creative Planning, Data as of 3/31/2024

Don’t Compare the Current Period to Other Periods – It Doesn’t Rhyme

- *We Don’t Believe that the Market Should Be Compared to the Dot.com Bubble or the ’21/’22 bubble* - We previously argued that the current growth stock rally is different from the 2021 and Tech Bubble experiences because investors today focus on profitability. In addition, although AI optimism appears high, long-term growth expectations and valuations for the largest TMT stocks are still far from “bubble” territory.

- For example, the market-cap-weighted S&P 500 Index traded at a greater than 100% valuation premium to the equal-weight index during the Tech Bubble and at a 30% premium in 2021. Currently, the premium is below both period’s highs.

Exhibit 6: Historical aggregate vs. equal-weight S&P 500 P/E premium



Source: Goldman Sachs, Data as of 3/31/2024

The Market in Stages

The Market is Working in a Four Part Harmony, in Which, Jerome Powell is Trying to Navigate a 'Massacree'.

Part 1: Pandemic Stimulus

Part 2: Surge in Inflation Thanks to Stimulus

Part 3: Central Bank Tightening in Response to the Surge in Inflation

Part 4: The Economic Slowdown that Comes from Fed Tightening

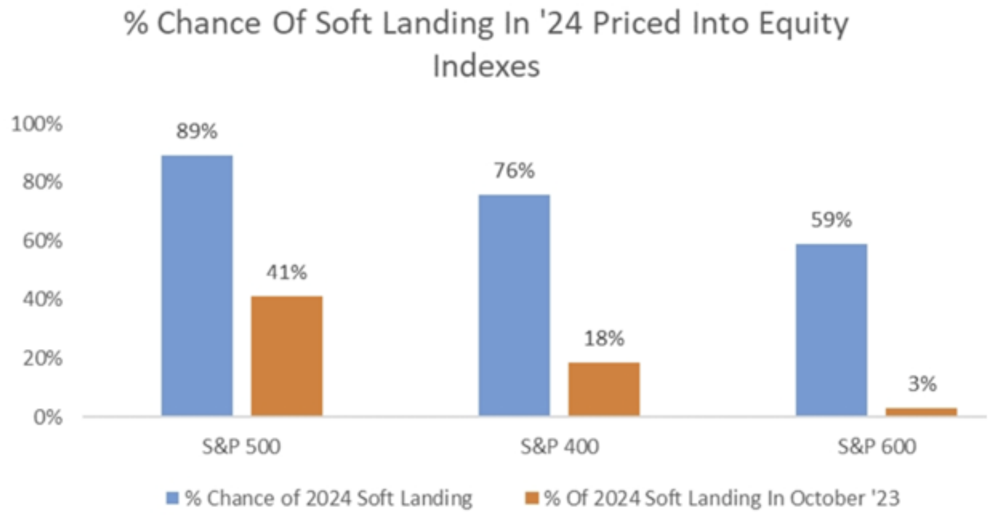
What is Required for a Soft Landing? *Every Recession Feels Like a Soft Landing at First*

First, a lot of water still needs to cross beneath the bridge before the market can officially claim a "soft landing". It's very hard to claim an "all clear" sign for a recession until the yield curve is positively sloped or at least flattened. At the end of Q1 2024, it remains ~42bps negative, along with a materially restrictive Fed policy relative to history.

Looking ahead to next year, we believe that the argument between a "soft" and a "hard" landing is far from over. The average time between the last rate hike and job losses in the last three recessions is 15 months—we're only six months in.

What is Required for a "Soft" Landing?

- Labor market must remain resilient.
- The personal savings rate has to stay historically low – basically, consumers need to continue spending like they only live once.
- Inflation needs to finish off the last mile and get closer to 2%
- This likely means that commodity prices have to decline meaningfully from 2022 levels and stay low.
- The Fed has to be willing to lower rates before the economy starts losing jobs; and likely be willing to lower quickly if the data deteriorates, and
- All this has to continue until the Fed Funds rate is "neutral" and yield curve is positively sloped.



Source: Raymond James, Data as of 3/31/2024

Keeping Things in Perspective

Valuation is a Metric that Measures Investor Sentiment in the Market.

What are the Bulls Saying?

- *Inflation Continues to Decline:*

The entire 2021- 2022 spike in inflation was caused by supply chain issues that are rapidly being fixed. Even if "Greedflation" has kept prices higher than they otherwise would have been, the mild slowing in growth will lead to companies cutting (or no longer raising) prices to keep market share and inflation will continue to gradually drift lower.

- *No Hawkish Surprise from the Fed:*

We don't need rate cuts for the S&P 500 to rally in 2024. Instead, we just need the Fed to hold off from giving any hawkish surprises while letting slowing, but stable expected growth and declining inflation put consistent downward pressure on Treasury yields. That decline in yields will 1) Support economic growth and 2) Keep the market multiple elevated, paving the way to higher stock prices in 2024.

- *No Reduction in 2024 Earnings:*

If 2023 has taught us anything, it's that U.S. corporations are adept at maintaining the bottom line through cost-cutting; despite some evidence of slowing growth, corporate earnings have remained robust. That will continue in 2024 as A) Growth won't become a structural headwind on earnings and B) Corporations still have ample room to increase productivity and reduce costs. The result? 2024 expected earnings will remain around $245/share.

What are the Bears Saying?

- *Economic Growth Doesn't Slow, It Contracts:*

There are no absolute certainties in markets, but one near certainty is that high interest rates will eventually kill economic expansions. The Fed has just finished the most dramatic rate hike cycle in decades and interest rates now sit at multi-decade highs. The prolonged duration of these higher rates will initially slow growth (likely happening now) and an outright contraction in later 2024. That contraction would validate classic recession signals like the inverted yield curve, dashing the bulls' hopes of a mild slowdown.

- *Inflation Stabilizes and Does Not Decline Further:*

Transitioning from an unsustainably high 9% CPI to a more moderate 3%-4% was the easier phase of disinflation. Now that companies and consumers are used to higher prices, achieving further declines in inflation will be difficult to manufacture. While an inflation bounce isn't likely, it's not going to decline substantially either. Instead, it'll stay solidly above the Fed's 2% Core CPI target.

- *The Fed Doesn't Cut Rates, Making "Higher for Longer" a Reality:*

Inflation still solidly above target will prevent the Fed from materially cutting rates in 2024. Yes, a growth contraction will likely result in the Fed cutting rates, but stubbornly high inflation prevents any meaningful cuts. As a result, we have "higher for longer" rates, which only further pressures economic growth and results in stagflation.

What Could Go Right?	What Could Go Wrong?
AI Productivity Boom	CRE Financial Crisis
Global Mfg. Recovery (Already had Recession)	Inflation Mean no Fed Cuts
U.S. Consumer Sentiment Picks Up	Treasury Supply Pushes 10YR Rates > 5%
Growth Expectations Improve for Small Caps	Earnings Revisions Deteriorate & Margins Contract
Trendwork for Markets Remain Robust	Credit Spreads Widen & Exhibit Stress
Defense Sectors Continue to Lag Market	Bullish 2/10 Curve Steepener
China Goes "Big Fiscal" and Uplifts Global Global Growth	Labor Market Weakens
Copper Breakout Signals Global Growth Improvement	Geopolitical Conflict Escalation in Ukraine or Middle East
USD Lack of Volatility Helps Global Commodities & Equities	Cracking of Market Heavyweights Hinders Aggregate Earnings

Source: Strategas, Data as of 3/31/2024

Market Outlook – FY 2024

Following a Year Where Interest Rates Helped Create a Narrative That There is Light at the End of the Tunnel, We Believe That Only Consumer Strength Can Carry the Soft Landing Across the Finish Line – ***But Will They Shrug*?**

Market invests in the CHANGE in the near term, and the LEVEL in the long term.

The Absolute Level of U.S. Household Net Worth Remains Strong Showing the Strength of the Consumer

- Consumer balance sheets are well positioned to deal with an adverse shock or continued inflation. Household assets rose to all-time highs in Q4 '23, outpacing the previous record in Q2 '23 by 2.56%. Relative to ten years ago, the consumer is much healthier.

- On the liability side, the share of household debt balances that were current (rather than late) was 98.2%, which is close to an all-time high. This shows that debt-service and financial obligation ratios are both below pre-COVID levels.

U.S. Household Net Worth ($T)

	Current Q4 2023	Previous Peak	Since Previous High (%)	Q1 2020	COVID 18-QTR Change (%)	Q4 2013	10-YR Change (%)
Total Assets	$ 177.00	$ 171.20	3.39%	$ 127.10	39.26%	$ 94.90	86.51%
Deposits	$ 18.00	$ 17.90	0.56%	$ 14.30	25.87%	$ 9.95	80.90%
Total Stock Inv.	$ 47.50	$ 42.20	12.56%	$ 26.50	79.25%	$ 23.25	104.30%
Other Fin'l Assets	$ 10.98	$ 10.58	3.78%	$ 9.57	14.73%	$ 7.21	52.29%
Real Estate	$ 44.80	$ 42.10	6.41%	$ 30.50	46.89%	$ 21.60	107.41%
Other Fin'l Assets	$ 42.29	$ 43.28	-2.29%	$ 36.67	15.33%	$ 29.74	42.20%
Less: Total Liabilities	$ 20.50	$ 18.60	10.22%	$ 16.60	23.49%	$ 14.10	45.39%
Total Net Worth	$ 156.50	$ 152.60	2.56%	$ 110.50	41.63%	$ 80.80	93.69%

Source: Federal Reserve, FRED, Data as of 3/31/2024

The Consumer Should Hold Up as Long as the Labor Market Does

- All things considered, the lynchpin to consumption is the labor market and barring a meaningful deterioration in the months ahead consumption should hold up irrespective of the level of interest rates. Higher rates have curtailed activity in certain pockets of the economy, ultimately helping balance out supply/demand, but the strength in the labor market has watered down the impact of higher interest rates.

- The rise in consumer cash balances is more broadly a story about rising consumer asset values. Adjusting for inflation (which has been substantial), real consumer assets are currently back in line with their long-term trend growth rate. The same is true for real consumer net worth (assets minus liabilities). With these variables normalized, other data (especially employment) will likely be key for understanding swings in consumer spending.

Source: Strategas, Data as of 3/31/2024

APTUS CAPITAL ADVISORS

Fixed Income Markets Review

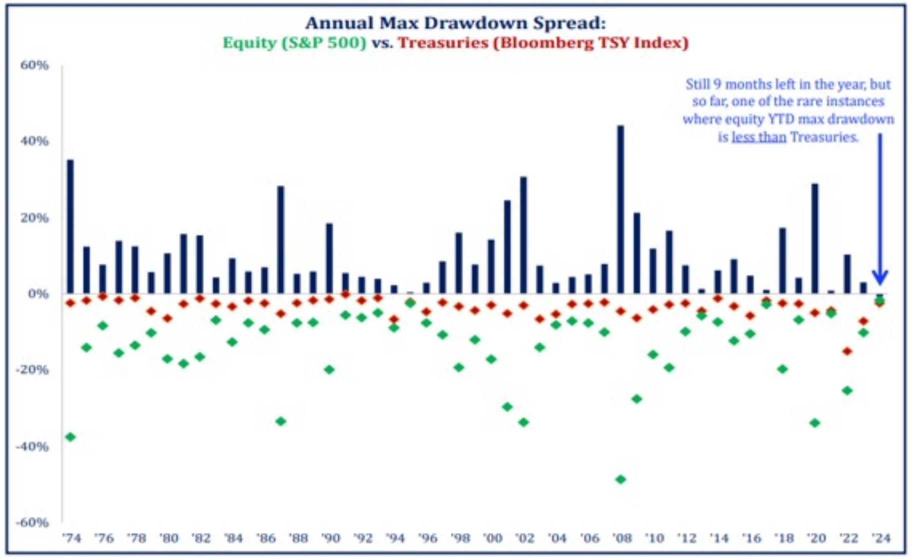
A Bond Market Review – Q1 ‘24

What Happened to Bonds in 2024? Coming off the bond market’s best two-month run (Nov. ’23 / Dec. ’23) in over 40 years, fixed income took a breather.

The bond market started off 2024 on a sluggish note (particularly in comparison to risk assets) following the pivot narrative that ensued in the last couple of months of 2023. Interest rates generally drifted higher for the quarter as economic and inflation data remained robust, which took the steam out of the market's hope for rate cuts in Q1.

Markets came into 2024 expecting 6-7 rate cuts for the year with the first happening in March, as expectations for disinflation and economic weakness pursued. Not to our surprise, the data remained resilient and pushed out the expectations for the first rate cut towards the middle of the year.

Moving Forward: The backdrop for the bond market remains centered around when we see the first rate cut and the ebb and flow of economic/ employment data. Given sticky inflation and a generally robust economy, we continue to see a pathway of higher for longer. One consideration that hasn’t happened yet but we think could be a risk moving into the next quarter is a market that reprices for no cuts in 2024.



Source: Strategas. Data as of 3/31/2024

	1M	QTD	YTD	1-YR	2-YR	3-YR	5-YR	10-YR
U.S. Aggregate	0.92%	-0.78%	-0.78%	1.70%	-1.60%	-2.46%	0.36%	1.54%
U.S. Investment Grade Bonds	1.56%	-0.72%	-0.72%	4.02%	-1.35%	-2.41%	1.54%	2.78%
U.S. High Yield Bonds	1.24%	1.26%	1.26%	10.29%	3.30%	1.92%	3.54%	3.85%
iShares 20+ Year Treasury Bond	0.78%	-3.71%	-3.71%	-7.84%	-12.75%	-8.98%	-3.49%	1.00%
International Bond Index	0.87%	0.30%	0.30%	5.71%	0.73%	-0.83%	0.86%	
U.S. Treasury TIPS	0.63%	0.85%	0.85%	3.20%	1.42%	2.25%	3.20%	2.05%

Source: Bloomberg. Data as of 03/31/2024. Returns include Dividends. Returns over 1YR are Annualized.

The Fundamental Bond Backdrop

What is the Yield Curve Saying – Besides a Tough Bond Environment?

In a nutshell, an inverted yield curve hints at a recession when rate cut expectations outweigh the term premium. Historically, an inverted yield curve has typically presaged bad outcomes for the market, i.e., a recession. However, the re-steepening of the yield curve is usually the signal that the recession is coming, and we don't appear to be there just yet. Of course, this could change quickly.

The US Yield Curve (10-year minus 3-month) has been inverted for almost 500 consecutive days, the longest streak in history. It became the longest inversion ever in February 2024.

An inverted yield curve should continue to slow growth within the economy as the higher front-end rates continue to attract capital and tighten credit conditions.

Bloomberg US Aggregate Bond Index: Longest Drawdowns
Monthly Data, (1976 - 2024)

Start of Drawdown	End of Drawdown	# Months	Max Drawdown During Period (Monthly)
Aug-20	?	44	-17.2%
Jul-80	Oct-81	16	-9.0%
May-13	Apr-14	12	-3.7%
Aug-16	Jul-17	12	-3.3%
Feb-94	Jan-95	12	-5.1%
Mar-87	Nov-87	9	-4.9%
Aug-79	Apr-80	9	-12.7%
Apr-08	Nov-08	8	-3.8%
Feb-96	Sep-96	8	-3.2%
Jun-03	Nov-03	6	-3.6%
Feb-84	Jun-84	5	-4.9%
May-83	Aug-83	4	-3.5%

Source: Creative Planning, Data as of 3/31/2024

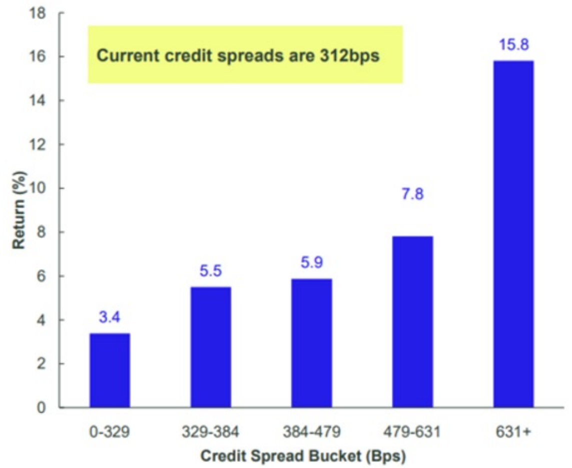
All Quiet on the Credit Front

Spreads have continued to be our focus as we believe they are pricing in a lot of optimism. At the beginning of last year, spreads started to widen as the market was focused on the instability of the banking sector. Yet, in the past four quarters, alongside the rally in equity markets, spreads once again started to tighten.

Volatility within duration has been equivalent to that of the equity markets. The high-yield and riskier segments of the bond market led performance, as they benefited from both spread compression and the softening in interest rates. Corporate credit has also performed well, as rates have stabilized and credit spreads have tightened, though now at a level that has historically meant much reduced forward returns.

Short duration continued to outperform as rates remain elevated and have provided stability to allocations given limited sensitivity to rate volatility and high current income.

High Yield Credit Spread Quintile Buckets
Starting Spread and Subsequent Twelve-Month Return, Median (%)



Source: State Street, Data as of 3/31/2024

Bond Outlook – FY 2024

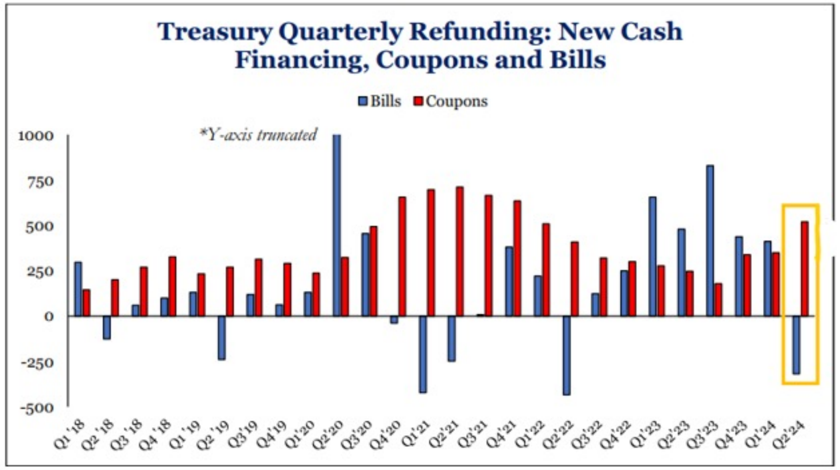
What Worries Us? What Question Do We Want an Answer To?

Treasury Supply: A big question remains as to the amount of supply of Treasuries that will be hitting the market at a continually higher rate over the months to come, especially as the duration profile shifts longer.

We do think that issuance will continue to put a floor under yields, as demand remains neutral, and limit the impact of a rally in rates even if the Fed cuts rates in the back half of the year.

What Does This Mean? Treasury supply continues to rise and coupled with sticky inflation, is driving term premiums across the curve higher; though off their highs, term premium for 10-year Treasuries are ~30bps and remain in a secular uptrend. For context, this term premium isn't far off its 10-year average. In fact, during 2023, term premium increased to over 1.0%. Meaning that rates could stay higher for longer.

Keep an eye on Treasury issuance, as that will likely be the main driver of rates.



Source: Strategas, Data as of 3/31/2024

Yield Curve Inversion

Market Occurrences Regarding a Yield Curve Inversion:

- *Uncommon For Inversions To Not End In Recession, But Not Unheard Of*: There is only one instance where the curve inverted, and it did not end in a recession: 1998. To be fair, that inversion only lasted a few days. However, the data from the 2/10 curve only goes back to 1976. When looking at the 1/10 curve, which has more history, 1966 actually stands out as a period in which the curve was deeply inverted like it is today and a recession was avoided. Furthermore, 1967 and 1968 were solid years for the stock market as well.

- *Is the Yield Curve Stating that "This Time is different"?*: Half of the recessions over the last seven decades (meaning 5 out of 10) featured a lag of one year or longer. Since we are currently 19 months into inversion, it is woefully premature to presume the yield curve has given a false signal and the fabled soft landing is in the bag.

- *Post-Inversion Equity Market Rallies are Not Uncommon:* This tends to occur as growth slows and a "soft landing" appears to be unfolding. On average, equity markets tend to rally double-digits in the immediate aftermath of an inversion.

Average U.S. 10-Year Yield by Decade	
1930s	2.97%
1940s	1.99%
1950s	2.94%
1960s	4.69%
1970s	7.51%
1980s	10.59%
1990s	6.64%
2000s	4.41%
2010s	2.36%
2020s	2.48%
Average	**4.66%**

Source: Aptus Capital, Bloomberg, Data as of 3/31/2024

APTUS CAPITAL ADVISORS

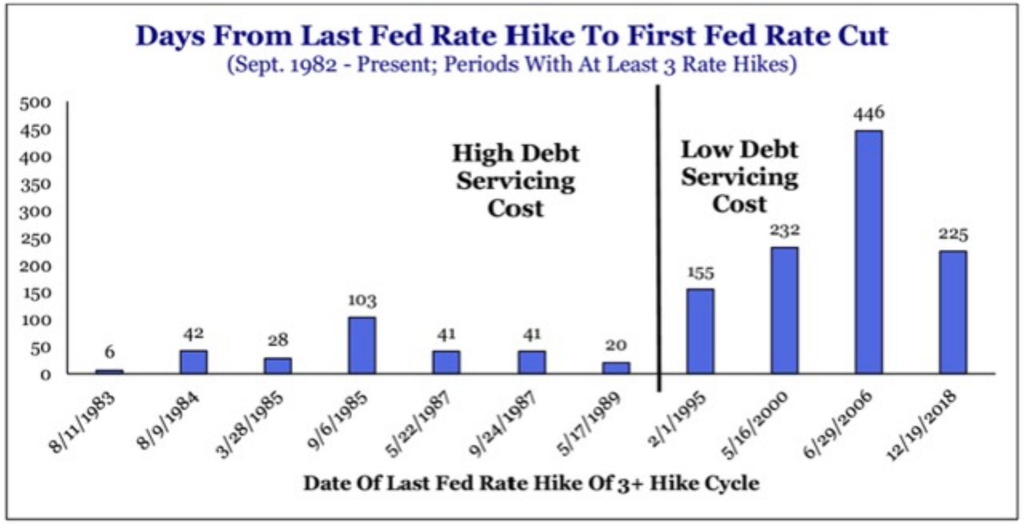
Important Topics of Discussion

Tug-of-War Between Monetary & Fiscal Policy

Liquidity Has Served as a Useful Cushion to the US Economy with Yellen's Stealth QE Overpowering the Fed's QT by $433bn Since October 2022.

Monetary Policy (Restrictive): Can the Gov't Strong Arm the Fed?

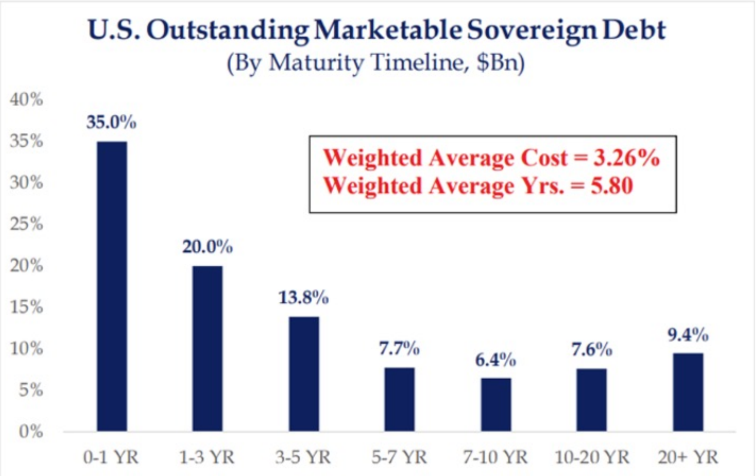
- If investors look at how long the Fed has been able to keep interest rates higher after pausing (without cutting), the average is ~10/11 months. However, there appears to be a timing difference depending on the Treasury's debt servicing cost.
- Interestingly, with low debt servicing cost, the Fed was able to keep rates higher for longer. But when debt servicing costs were high, like they are today, the Fed's ability to keep rates higher lasted just a couple of months.
- Remember, the longer the pause, the better the environment for stocks.



Source: Strategas, Data as of 3/31/2024

Fiscal Policy (Expansionary): Will There Be Austerity in Washington, D.C.?

- Over the next 12 months, the U.S. Government will have to refinance over 30% of its debt. This means that they would prefer if rates were lower because their effective interest expense would be more palatable. Yet, this rhetoric flies in the face of what Jerome Powell and the Fed have been conveying to the market.
- Additionally, during election years, spending tends to remain robust, thus increasing the overall debt load. Over the past 12 months, the US budget deficit increased to over $800B, despite an economy near full employment. A common theme is that the rapid deficit increase is helping to prevent a recession. And no doubt the recent increase in discretionary spending at the federal level has added to the real growth rate of the US in the past 12 months.
- The weighted average. **coupon rate of over 3.0% will likely increase.**



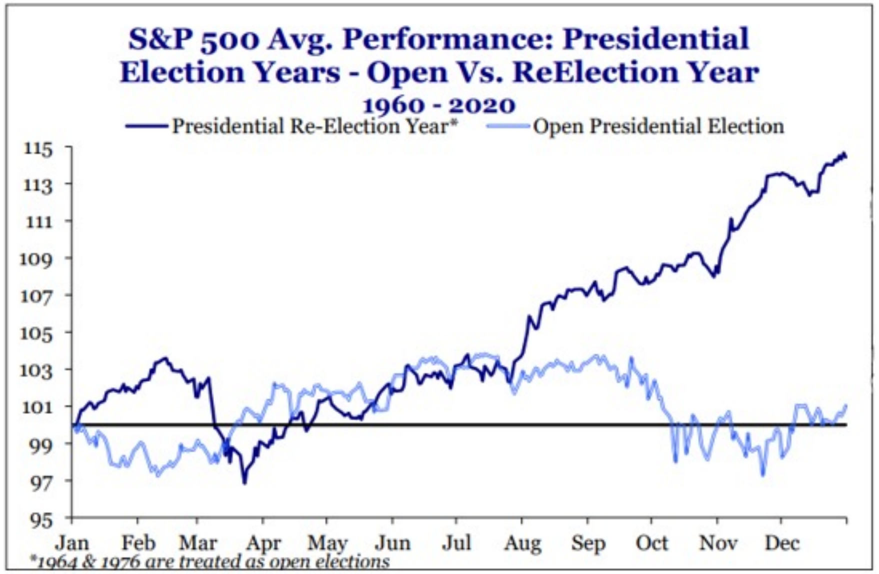
Source: Strategas, Data as of 3/31/2024

The Market and Election Cycles

The S&P 500 Has Not Declined in a Presidential Re-Election Year since 1952, with One Caveat.

Is Political Volatility a Worry?

- Stocks have been quite strong in presidential re-election years, with the S&P 500 increasing in every presidential re-election year since 1944, with an average of nearly 16%.
- Since 1952, the S&P 500 has not declined in a year in which an incumbent president was running for re-election. Stocks have declined in presidential election years, but in each case it was a year in which there was an open election with no incumbent running (1960, 2000, and 2008).
- During Presidential election years, there tends to be more emotional volatility than market volatility.



Source: Strategas, Data as of 3/31/2024

Market Returns Over Various Political Regimes

- We don't believe historical returns under various configurations in terms of party control of Congress, divided government, etc. are of great value either. But for what it is worth, the table below shows how the market has performed in the post WWII era under different partisan control.
- This makes sense. Presidents want to be re-elected and will use whatever policy levers are needed to boost the US economy. In fact, every president who avoided a recession two years before their re-election went on to win the election. And every president who had a recession in the two years before their reelection went on to lose.

S&P Performance Under Different Partisan Control

	S&P Avg Annual Return	Number of Years
Total 1945-2023	9.1	79 yrs
Divided Govt	8.3	47 yrs
Same Party	10.2	32 yrs
All Dem Govt	9.3	24 yrs
All GOP Govt	12.9	8 yrs
Dem President	11.0	39 yrs
GOP President	7.1	40 yrs
All Dem Congress	7.2	46 yrs
All GOP Congress	13.0	18 yrs
Split Chambers	10.1	15 yrs

Source: Bloomberg, Piper, Data as of 3/31/2024

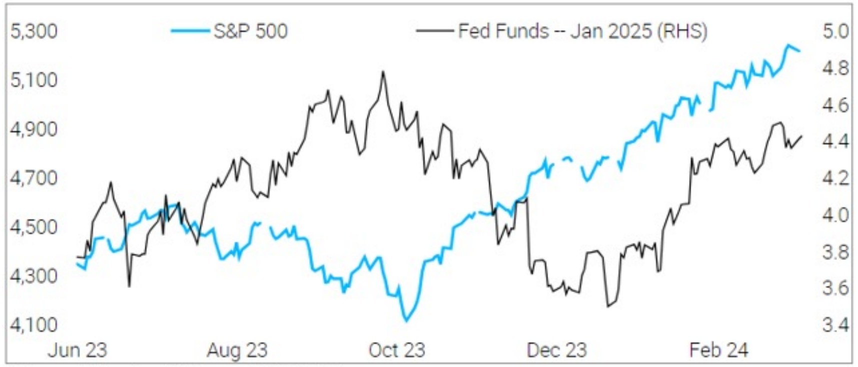
The Fed Dilemma

The Fed's Dual Mandate Has Started to Duel Each Other. The Fed's Dual Mandate is: 1) Price Stability, and 2) Maximizing Employment

The Market is Enamored with Rate Cuts Benefitting the Market:

- ***Fed Recap***: The FOMC maintained its expectation for three rate cuts this year while simultaneously upgrading their outlook for domestic economic growth. The uptick in inflation expectations was largely dismissed because as long as growth holds up, "slightly sticky" high inflation will be tolerated.

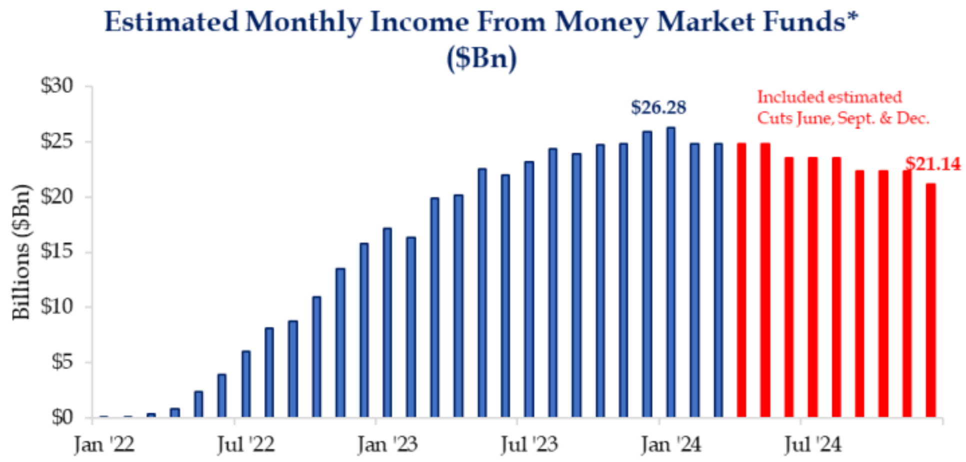
- ***Cause & Effect***: Inflation around 3% isn't a threat to the market or economy by itself, but the Fed's response to that sticky inflation could be to keep rates "higher for longer" and the impact of that will be increased chances for an economic slowdown—which remains a real risk to this rally. So far, the economy has had enough momentum to withstand higher rates, but that will not last forever. The trick to a soft landing is the Fed being able to cut rates before the economy begins to lose notable momentum, and that is why sooner rather than later rate cuts are so positive for markets, as they reduce the chance of a slowdown. However, if inflation stays sticky and rates stay high, then the chances the Fed can cut in time to prevent a slowdown fall.



Source: TS Lombard, Data as of 3/31/2024

But There May Be Unintended Consequences From Rate Cuts:

- ***Cuts From the Fed Would Actually Hurt Savers:*** If the Fed were to cut rates three times this year (as expected), it would actually hurt savers to the tune of $5B dollars a month by December. The real impact of this would not be felt on corporations until 2025 but it is going to be a real challenge that companies will have to deal with as it reduces passive income by approximately $60bn. The extra dollars that consumers and corporations have made from higher rates has likely boosted consumption or allowed companies to retain employees they may have otherwise parted ways with.



Source: Strategas, Data as of 3/31/2024

Historically, when Monetary Policy is restrictive, spending tends to drop. Thus, companies don't sell as much stuff and make less money. They react by slowing hiring or laying off people. Bottom line, raising interest rates can be really hard on jobs… <u>except in this cycle so far. Thus, begin the duel</u>.

A Rebel With~~out~~ a Pause

Fed Policy Continues to Take Center Stage, as the Market Has Endured One of its Fastest Hiking Cycles in History.

What Does a “Pause” Mean for the Markets?

The Longer the Pause, the Better Equity Market Returns: Looking at previous periods when the Fed was on hold shows that the current pause now ranks second in terms of duration at 248 days. The good news is that the longer they hold, the more the market has historically moved higher. In periods where the pause is greater than 100 days, the market is up on average 13% compared to when the pause is less than 100 days and the market on average is down. The best performance occurred during the 2006/2007 pause which was also the longest and resulted in the S&P rising 22%.

Length of Fed Pauses & S&P 500 Performance

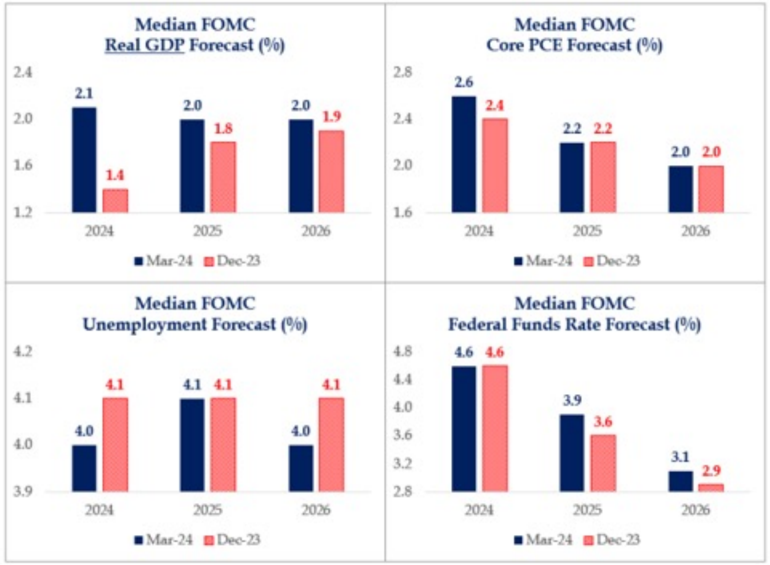
Last Hike Date	First Cut Date	Days	S&P 500 Return During Fed Pause
5/1/1974	7/1/1974	61	-6.1%
3/3/1980	4/1/1980	29	-8.7%
5/8/1981	6/1/1981	24	1.0%
8/21/1984	10/2/1984	42	-1.8%
2/24/1989	6/5/1989	101	13.3%
2/1/1995	7/6/1995	155	19.2%
5/16/2000	1/3/2001	232	-7.4%
6/29/2006	9/18/2007	446	22.1%
12/19/2018	8/1/2019	225	19.2%
7/26/2023	3/31/2024	248	16.3%
	Average	156	6.7%

Source: Strategas, Data as of 3/31/2024

Fed Meeting Recap – March 2024

It Appears the Fed is Willing to Accept Higher Inflation: The changes in the median forecasts of the Federal Reserve suggest that the FOMC believes growth will be stronger, inflation will be hotter, employment will improve yet the median forecast for the Federal Funds rate was unchanged.

Perhaps this suggests there is an acceptance of higher inflation but what was the more intriguing takeaway from the dot plot is that there are 9 members that now believe there should be just 2 cuts or less this year. A major shift from December and a confirmation there should be a bias toward fewer cuts.



Source: Strategas, Data as of 3/31/2024

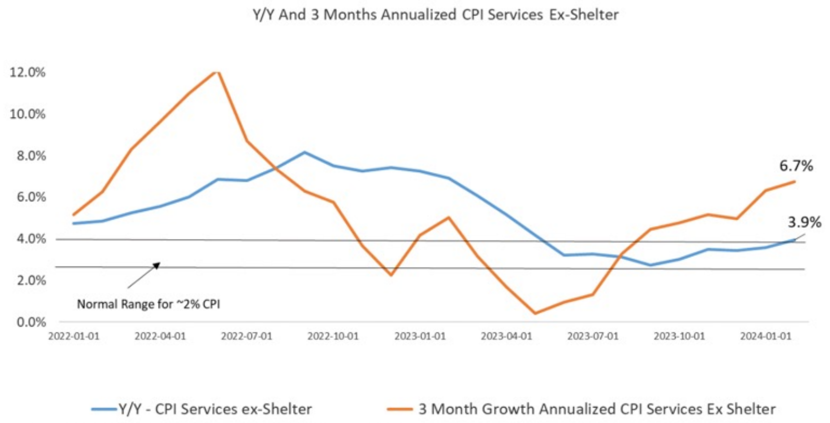
The Inflation Picture

CPI Continuing to Come Down – The Game Switched From Timing the Pause, to Determining Whether a Soft Landing Is Achievable at 5%+ Fed Funds.

The Inflation Update

- ***Why is Inflation Sticky?*** There are numerous reason: 1) Consumers still have jobs and the labor market is still robust, 2) High-end consumers still have excess savings à net worths at all-time highs, and 3) Low-end consumers are still willing to borrow and have jobs. These points (+ strong fiscal) are keeping aggregate demand strong.

- ***Update on Numbers***: Though as one can see, on a 3-month annualized basis, these figures have been accelerating the last few months – especially on the services side of the ledger. To what degree this is related to some latent seasonality regarding COVID, lagging indicators showing more inflation in recent months (insurance as an example), or a reality of broad-based inflation getting worse is unclear.

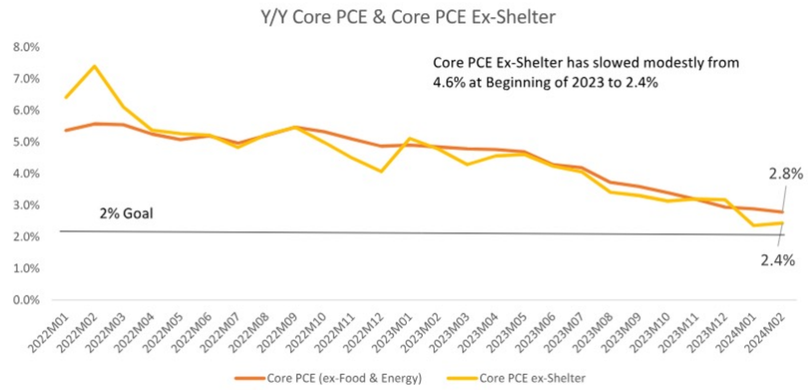


Source: Raymond James, Data as of 3/31/2024

The Other Side of the Equation, Monthly Headline CPI Comps are Becoming More Difficult. Focus on Core PCE, the Fed's Preferred Inflation Calculation

- One of the biggest questions bothering investors is: *how will the market react to inflation data once comps become much easier?* If inflation proves to be stickier-than-expected alongside easier comps, which start in July '23 / July '24, then the data will look more structural. This becomes even more of an issue in 2024.

- The rate of inflation appears to be declining to a point at which the Fed will feel comfortable in cutting rates in 2024 in its pursuit of the much sought after "immaculate disinflation" – an economic policy in which the inflation slows without any meaningful impact on employment.



Source: Raymond James, Data as of 3/31/2024

"Inflation is as violent as a mugger, as frightening as an armed robber, and as deadly as a hit man"
-Ronald Reagan

APTUS CAPITAL ADVISORS

The Good, The Bad, The Ugly

The GOOD / The BAD / The UGLY

The Good

The U.S. Consumer Continues to be Resilient

We believe the aggregate consumer remains flush with cash, and the once pent-up demand continues to be unleashed, which has allowed the U.S. economy to be very resilient. The average U.S. Household is worth 41% more than pre-COVID. Consumer balance sheets are also well fortified.

Soft Landing - Labor Market Remains VERY Resilient

There has never been a recession that did not witness a material increase in the unemployment rate, which remains "stubbornly" below 4%. And while the labor market does appear to be slowly weakening, it has thus far remained very resilient, with respectably high wage growth as well.

The Bad

Inflation is Persistent, Can It Finish the Last Mile?

The last mile of inflation isn't necessarily the hardest – it just takes longer to accomplish.

The magnitude of the policy actions used to counteract deflation may, in the end, be hugely inflationary. Higher-than-expected inflation tends to be a major headwind to equity valuations, but it appears that inflation has peaked. For markets, how the Fed chooses to address inflation is as important as the inflation itself. The battle isn't over, as services and wage inflation continue to be "sticky".

The Ugly

Fed Policy Collateral Damage

The yield curve officially inverted in 2022, creating speculation of a recession. This means caution in communication by the Fed to avoid the mistakes of the Yellen Fed and the "stop-and-go" policy from the '70s. The Fed's number one goal is to anchor inflation, even if it puts the economy into a recession. With this, there may be some collateral damage in parts of the speculative market, as we've already seen in the banking sector.

Hard Landing – Economic Slowdown

When it comes to the economy, it's all about growth. We believe that investors don't need to witness increasing recession risk to cause a material pullback in stocks. Just legitimate growth concerns could do it given market valuations. . Bottom line, focus on growth. Slowing growth is likely the rally killer.

APTUS CAPITAL ADVISORS

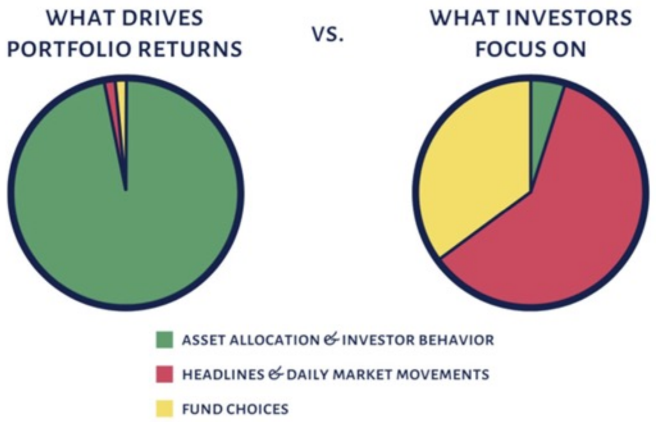
Asset Allocation

The Importance of Allocation Structure

Many Allocators Believe that Conviction on Exposures Drives LT Results, When in Fact, it Adds Virtually No Benefit Over Longer Periods of Time. Especially in the Current Environment, Focus on the Structure.

That's Why the Structure of the Asset Allocation is so Important

- When building a portfolio to meet specific objectives, it is critical to select a combination of assets that offers the best chance of meeting that objective, subject to the investors' constraints. Assuming that an investor uses broadly diversified holdings, the mix of those assets will determine both the returns and the variability of returns for the aggregate portfolio.
- The theory that the "structure" is more important than the individual "exposures", is well documented in theory and in practice. For example, the seminal 1986 study by Brinson, Hood, and Beebower, showed that asset allocation decisions were responsible for 91.1% of a diversified portfolio's return pattern over time.
- Focus less on tilts and let your stocks act like stocks.



Source: Money Visuals

"Lost Decades" of the 60/40 Occur More Often Than You'd Think

- We believe that the current environment necessitates the importance of focusing on a consistent, time-tested structure.
- Most started with expensive stocks or bonds – today, both are.
- Historically, negative stock/bond correlations have coincided with low inflation regimes and vice versa. This may not be the case moving forward, which we believe could impact long-term results of the 60/40 portfolio.

Source: Bloomberg, JPMorgan Asset Management, Data as of 3/31/2024

Asset Allocation Woes

Asset Allocation Decisions Become More Difficult During Periods on Inflation.

It Pays to Be a Rational Optimist

- Pessimism about the long-term does not align in any way with a historic worldview. Investors can choose to believe that right now is the beginning of the end, but that is a bet against all of human history and against human nature itself. As has always been the case, progress occurs against an inevitable backdrop of catastrophe. Always has, always will. Invariably, you can always find what you go looking for and your investment results will probably mimic that worldview.

Many Investors Have Been Caught Offsides

- Investors entered '23 with a lot of pessimism in market and its future path of returns, which should not be a surprise, given that the 60/40 portfolio had just had its worst year since 1937. Unfortunately, the investors that "T-Bill and Chilled" were left much worse off than risk-parity, as the market rallied in '23 and is already up +10.6% in 2024.

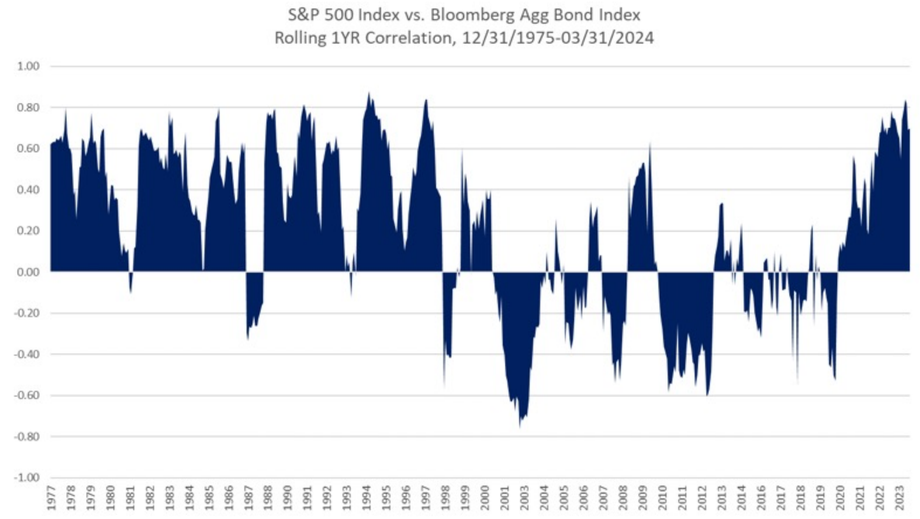
60/40 Portfolio: S&P 500 US 10YR Treasury (Total Returns)			
Best Years		Worst Years	
1954	32.9%	1931	-27.3%
1995	31.7%	1937	-20.7%
1933	30.7%	2022	-17.5%
1935	29.8%	1974	-14.7%
1985	29.0%	2008	-13.9%
1928	26.6%	1930	-13.3%
1989	26.0%	1941	-8.5%
1958	25.4%	1973	-7.1%
1982	25.4%	2002	7.1%
1991	24.1%	1969	-7.0%
2023		18.0%	
2022		-17.5%	
2021		15.9%	

Source: Bloomberg, Data as of 03/31/2024

Portfolio Volatility as Correlations Rise

- Historically, negative stock/bond correlations have coincided with low inflation regimes and vice versa. We're mindful of the disinflationary impulse from a probable credit contraction due to stress in the U.S. banking system but we remain of the view that inflation will be above the Fed's target (i.e., > 2.0%) for longer than expected.

- Therefore, although there are certainly catalysts for disinflation in the near-term, over the long-term we believe inflation will be stickier than what the consensus expects, creating an environment where risk parity correlations could be positive.



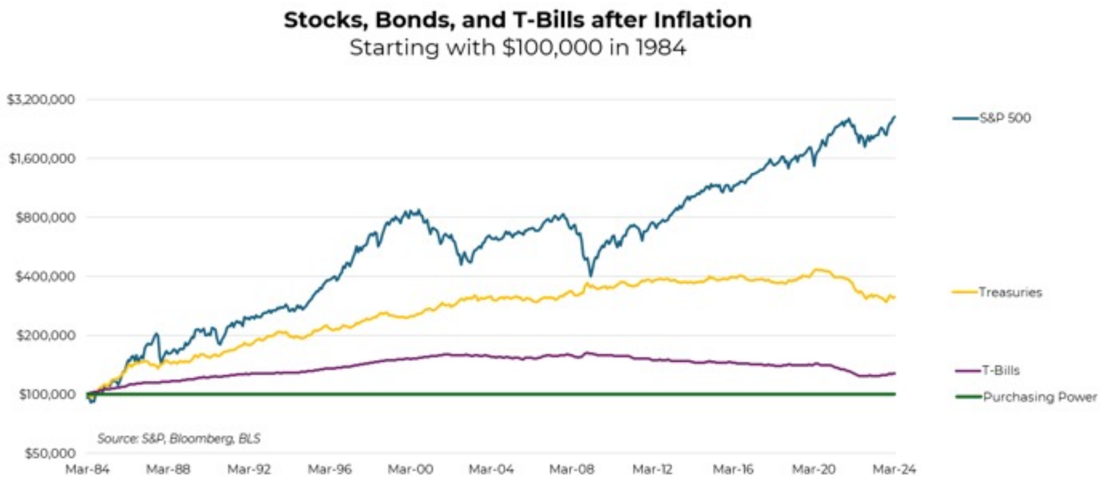
Source: Aptus Capital, Bloomberg, Data as of 3/31/2024

Asset Allocation Hot Spots

It's Time to Retire the Phrase: *T-Bill and Chill*

Though Investors May Feel "Safe", *T-Bill and Chill* Has Not Worked

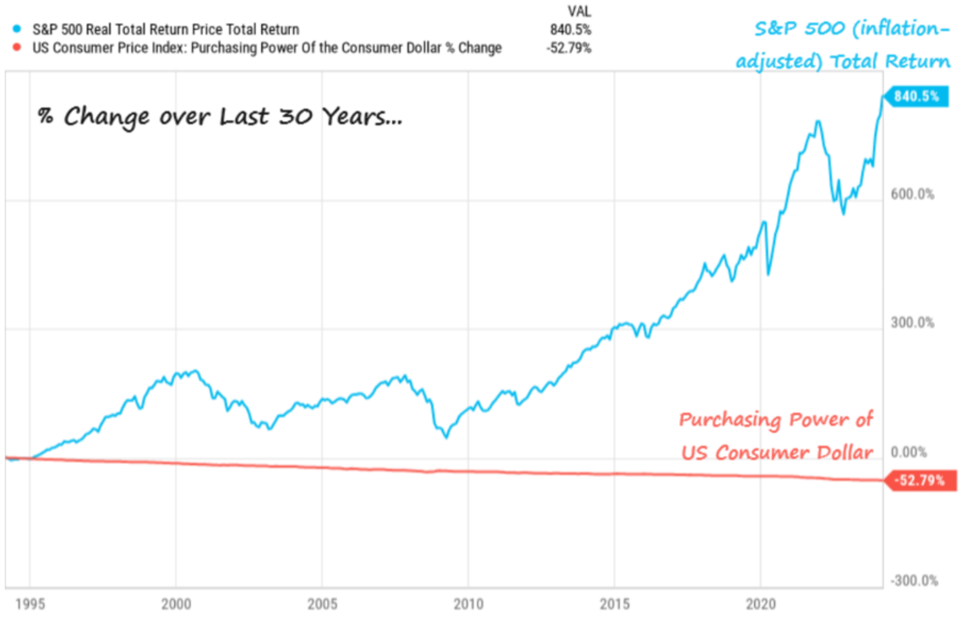
- Stocks have been lights-out; we talk about "More Stocks, Less Bonds" all the time and this run is the latest example of why clients need to see past the media fog and know that hedged equities allow them to own more growth assets (i.e., stocks) and still be in shape for the storms that sometimes hit.
- A reminder of long-term compounding if they're in "T-bill and Chill" mode:



Source: Aptus Capital, Data as of 3/31/2024

Why Shouldn't Investors *T-Bill and Chill*?

- Over the last 30 years, the purchasing power of the US consumer dollar has been cut in half due to inflation.
- At the same time, the S&P 500 has gained 840% (7.8% per year) after adjusting for inflation.
- Why you need to invest, in one chart:



Source: Creative Planning, Charlie Bilello, Data as of 3/31/2024

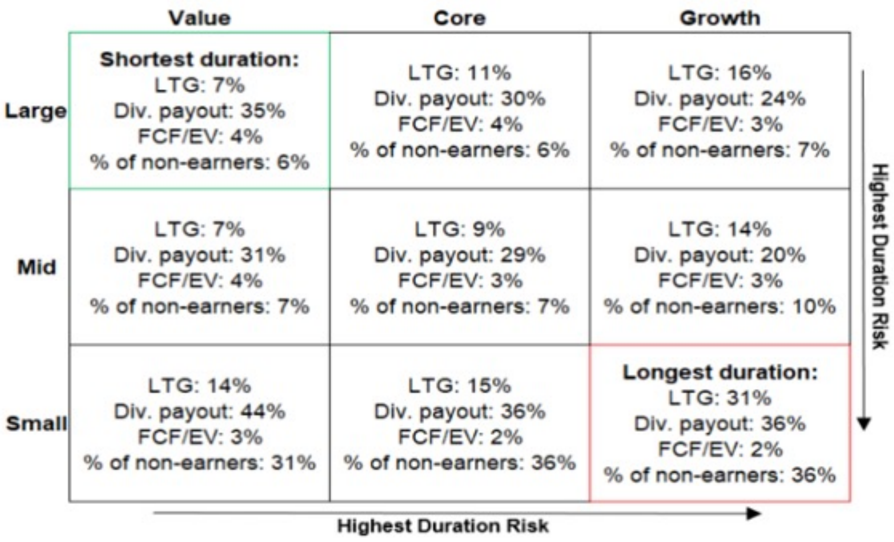
It Doesn’t Pay to be Confident

There’s a Lot of Certainty in an Environment Where There is a Lot of Uncertainty

A Generation of Investors Trained on “Price Predicts Price“

- Most investors have seen a period during which momentum and technical factors have driven the largest gains. However, the outperformance of price momentum factors was likely driven by a liquidity-fueled multi-decade period of falling interest rates, globalization, and central bank stimulus that resulted in high serial correlation across price returns.

- Prior to the Global Financial Crisis (GFC), ***valuation was a far better signal than using past price returns to predict future price returns***. As we transition into a more “restrictive” policy phase, we would imagine that valuation be a better predictor of future returns.



	Value	Core	Growth
Large	Shortest duration: LTG: 7% Div. payout: 35% FCF/EV: 4% % of non-earners: 6%	LTG: 11% Div. payout: 30% FCF/EV: 4% % of non-earners: 6%	LTG: 16% Div. payout: 24% FCF/EV: 3% % of non-earners: 7%
Mid	LTG: 7% Div. payout: 31% FCF/EV: 4% % of non-earners: 7%	LTG: 9% Div. payout: 29% FCF/EV: 3% % of non-earners: 7%	LTG: 14% Div. payout: 20% FCF/EV: 3% % of non-earners: 10%
Small	LTG: 14% Div. payout: 44% FCF/EV: 3% % of non-earners: 31%	LTG: 15% Div. payout: 36% FCF/EV: 2% % of non-earners: 36%	Longest duration: LTG: 31% Div. payout: 36% FCF/EV: 2% % of non-earners: 36%

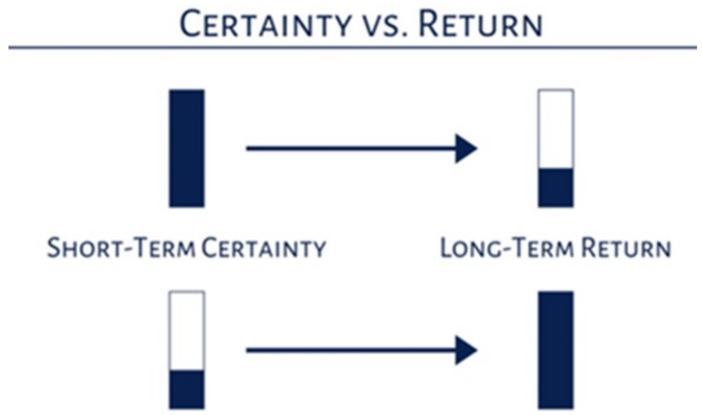
Source: BofA, Data as of 3/31/2024

Invest Unemotionally for Better Long-Term Results

- The more certainty you seek from your portfolio in the short term, the lower your long-term returns will be. It's obvious that the lower your long-term returns are, the probability of achieving your investment goals will decrease in lockstep.

- What happened to all the could-have-been billionaires? Why do more investors not reap the benefits of compounding? We believe that the reason has little to do with wars, recessions, financial crisis, inflation, etc. The stock market’s return includes all of these terrible things. Yet, the market has compounded wealth to the point where every $1 invested in the S&P 500 in 1922 and left untouched would be nearly $13,800.

- *Our Conclusion*: It is not adverse market conditions that derail compounding; it’s investors’ reaction to them. In short, ***investor behavior derails compounding***.

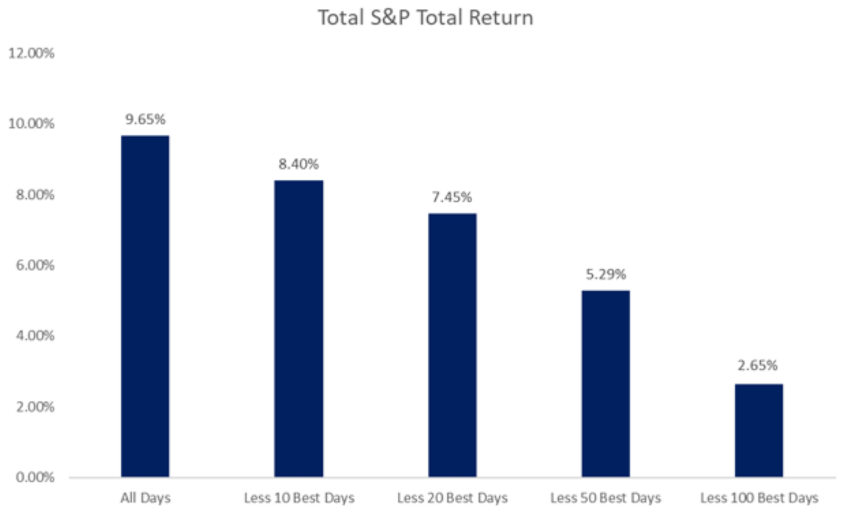


Source: Money Visuals, Data as of 3/31/2024

Consistent Behavior Breeds Winners

Failure to Stay Invested

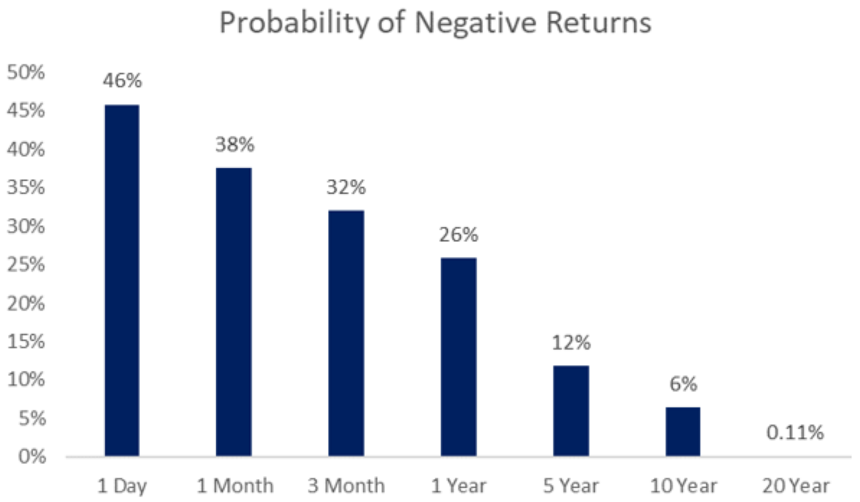
- *It Pays to Stay Invested* - The US stock market has been resilient through its history. Stocks routinely recovered from short-term crisis events to move higher over longer time periods.
- *Timing the Market* - By trying to predict the best time to buy and sell, you may miss the market's biggest gains. Attempting to guess short-term swings make it very difficult to produce consistent results. The best method for loss avoidance is to expand your time horizon.
- *Behavior Gap* - We have found the shorter time frame you choose the more apt you are to get whiplash and trade excessively. This behavior challenge often leads to emotions driving decisions over your goals.



Source: Aptus Capital Advisors, Data as of 3/31/2024

Remember to Expand Your Time Horizon

- No one ever knows that the market is going to do – especially on a daily basis – we know that volatility tends to breed more volatility – whether it's up or down.
- In our view, investors also tend to focus too much on the short-term "noise" in the market. There is usually great deal of variability in the day-to-day, with different economic, geopolitical, and company-specific news constantly moving markets.
- We believe the best method for loss avoidance is to expand your time horizon.



Source: Aptus Capital Advisors, Data as of 3/31/2024

Staying Focused on a LT Goal

We Continue to Advise That Clients Stay Invested.

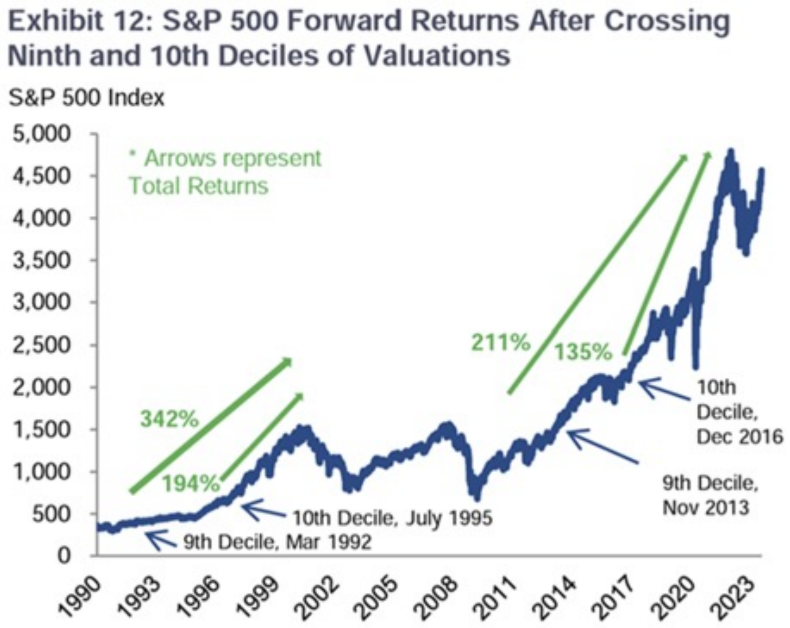
Emotions Can Cloud Your Judgment

- *Problem*: Investors often make poor decisions when they let their emotion take over.
- *Solution*: Stay focused on your long-term goals and carefully consider all options.
- Have you heard the old investment adage, “buy low, sell high”? Strong emotions during market swings can tempt investors to do the opposite.
- You may also feel that doing something – anything – during a downturn is better than doing nothing. Although inaction might seem counterintuitive, staying invested in the market could be the better choice.

Source: Money Visuals, Data as of 3/31/2024

Valuation is Not a Standalone Reason to Not Invest

- Although valuations are elevated— standing in their 8th historical decile— high absolute valuations have not been a reliable timing signal in the past. As seen in the photo below, previous periods where the market entered the 9th or 10th valuation decile still saw substantial subsequent returns, highlighting the penalty for exiting equities prematurely based on valuation alone.
- Don’t let market valuations always scare you.



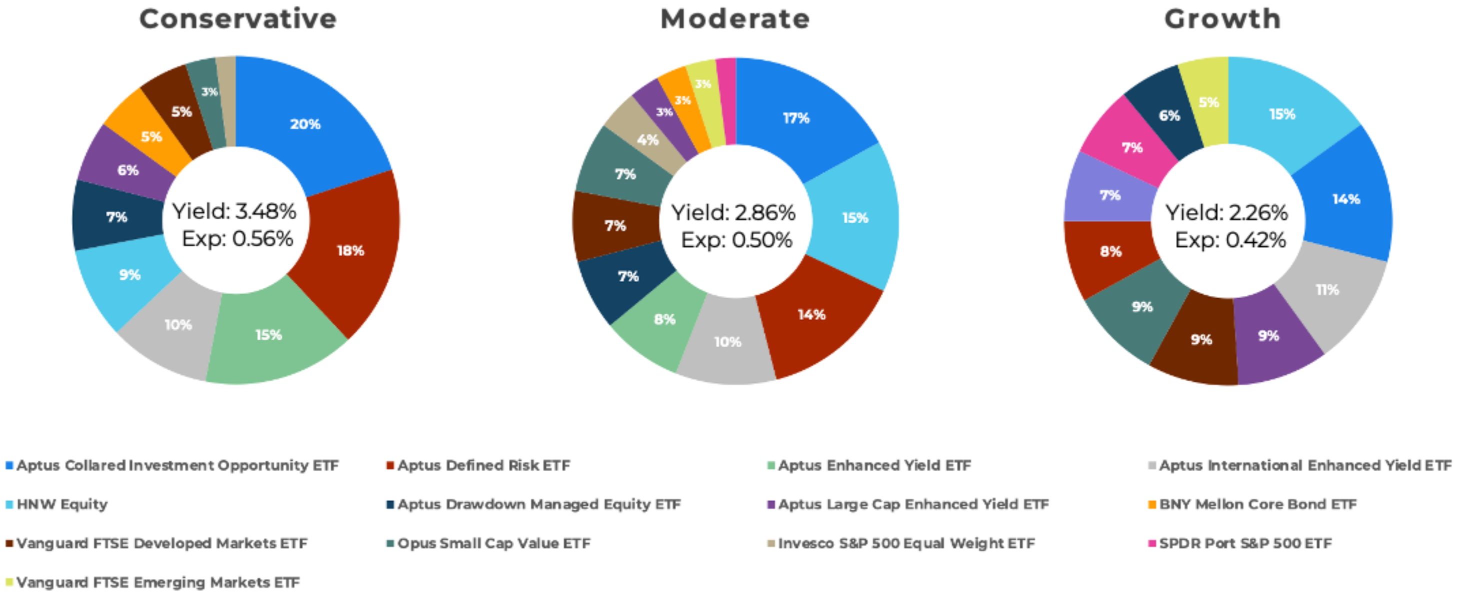
Source: Goldman Sachs, Investment Strategy Group, Data as of 3/31/2024

Client-Specific Growth & Income Targets

Conservative Allocation: Designed with the primary objective of stability and protection, plus opportunity for appreciation. Reducing drawdown is the foundation, with lower exposure to traditional equities.

Moderate Allocation: Designed with flexibility to dynamically adjust exposure as risks & opportunities change. Balancing the reduction of both drawdown and longevity risk is the goal, designed to capture market returns while mitigating significant declines. Nearly half of the equity exposure contains some form of explicit hedging.

Growth Allocation: Designed to accumulate wealth through equities. Reduced drawdown remains a feature, but with a greater emphasis on reducing longevity risk by harnessing the compounding power of stocks.



Equity Sleeve

ADBE	FANG
AMT	JPM
AVGO	MSFT
BR	PGR
CHE	ROP
CPRT	UNH
GOOGL	V
	WMT

Holdings as of 03/31/2024

Disclosures

Past performance is not indicative of future results. This material is not financial advice or an offer to sell any product. The information contained herein should not be considered a recommendation to purchase or sell any particular security. Forward looking statements cannot be guaranteed.

Projections or other forward-looking statements regarding future financial performance of markets are only predictions and actual events or results may differ materially.

Aptus Capital Advisors, LLC is a Registered Investment Advisor (RIA) registered with the Securities and Exchange Commission and is headquartered in Fairhope, Alabama. Registration does not imply a certain level of skill or training. For more information about our firm, or to receive a copy of our disclosure Form ADV and Privacy Policy call (251) 517-7198.

The 2 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 2 year.

The 10 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. 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.

This is not a recommendation to buy, sell, or hold any particular security. The holdings shown above are target portfolio weights and do not reflect the entire portfolio. The holdings are sorted by target portfolio percentage weight then alphabetized within each asset range. Actual portfolio investments will vary when invested. A complete list of holdings is available upon request.

Information presented on this presentation is for educational purposes only and offers generalized speech. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Information specific to the underlying securities making up the portfolios can be found in the Funds' prospectuses. Please carefully read the prospectus before making an investment decision. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy.

The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing). The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

The Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

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+A70 to the beginning of the century. The Dow is computed using a priceweighted indexing system, rather than the more common market cap-weighted indexing system.

Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Derived from the price inputs of the S&P 500 index options, it provides a measure of market risk and investors' sentiments.

Treasury Inflation-Protected Securities, or TIPS, provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index.

The Bloomberg US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. The MSCI EAFE Index consists of the following 21 developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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.

Investment-grade Bond (or High-grade Bond) are believed to have a lower risk of default and receive higher ratings by the credit rating agencies. These bonds tend to be issued at lower yields than less creditworthy bonds.

The S&P 500® Index is the Standard & Poor's Composite Index and is widely regarded as a single gauge of large cap U.S. equities. It is market cap weighted and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

The opinions expressed are those of the Aptus Capital Investment Team. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Forward looking statements cannot be guaranteed.

Investing involves risk. Principal loss is possible. Investing in ETFs is subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of the shares may trade at a discount to its net asset value (NAV), an active secondary market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact a fund's ability to sell its shares. Shares of any ETF are bought and sold at Market Price (not NAV) and are not individually redeemed from the fund. Brokerage commissions will reduce returns. Market returns are based on the midpoint of the bid/ask spread at 4:00pm Eastern Time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Diversification is not a guarantee of performance and may not protect against loss of investment principal. ACA-2404-3.