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Brinker Capital quarterly:

A look at the markets 2Q 2019

For client use.
Brinker Capital Inc., a registered investment advisor

Brinker Capital Market Barometer

SHORT-TERM FACTORS (< 6 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Momentum				●	Market momentum still strong
Trend	→			●	Global equity market indices above 200-day moving averages
Investor sentiment			●		Survey data in optimism territory; equity fund flows neutral
Seasonality	→			●	Seasonality more supportive in second quarter

INTERMEDIATE-TERM FACTORS (6-36 months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Fiscal policy				●	Fiscal stimulus in 2019; watching trade
Monetary policy	→			●	Fed on an extended pause and will end balance sheet reduction
Inflation			●		Few signs of broad-based inflation
Interest rate environment					Longer-term rates have fallen; yield curve inversion at short end
Macroeconomic				●	Global growth moderating but still positive; strong US labor market
Business sentiment			●		Decline in CEO confidence; small business confidence off record high
Consumer sentiment				●	Measures slightly higher in February; levels still supportive
Corporate earnings				●	US earnings growth still solid; softer outside US
Credit environment				●	Credit spreads still behaved; few signs of credit market stress

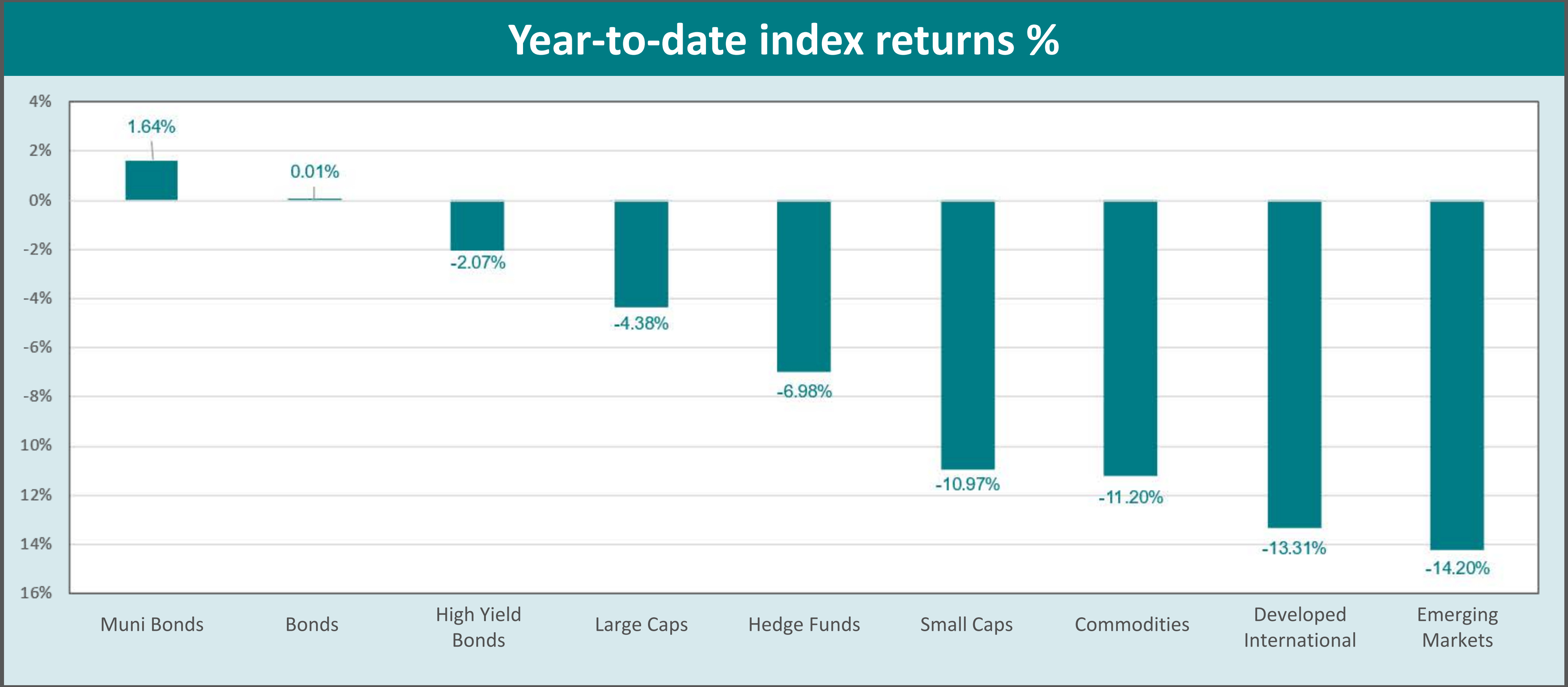
LONG-TERM FACTORS (36+ months)

	CHANGE	NEGATIVE	NEUTRAL	POSITIVE	
Valuation			●		US equity valuations at long-term averages; more attractive ex-US
Business cycle				●	Long recovery but has been muted; few signs point to recession
Demographics			●		Mixed (US and emerging markets positive; developed intl negative)

Themes and specific funds utilized to implement themes are discussed within the context of Brinker Capital's managed asset allocations and are based on current market conditions and constitute Brinker Capital's judgment and opinions, which are subject to change without notice. Past performance does not guarantee future results. Statements referring to future actions or events, such as the future financial performance of certain asset classes or market segments, are based on the current expectations and projections about future events provided by various sources, including Brinker Capital's Investment Management Group. These statements are not guarantees of future performance and actual events may differ materially from those discussed.

Source: Brinker Capital. Information is accurate as of April 1, 2019

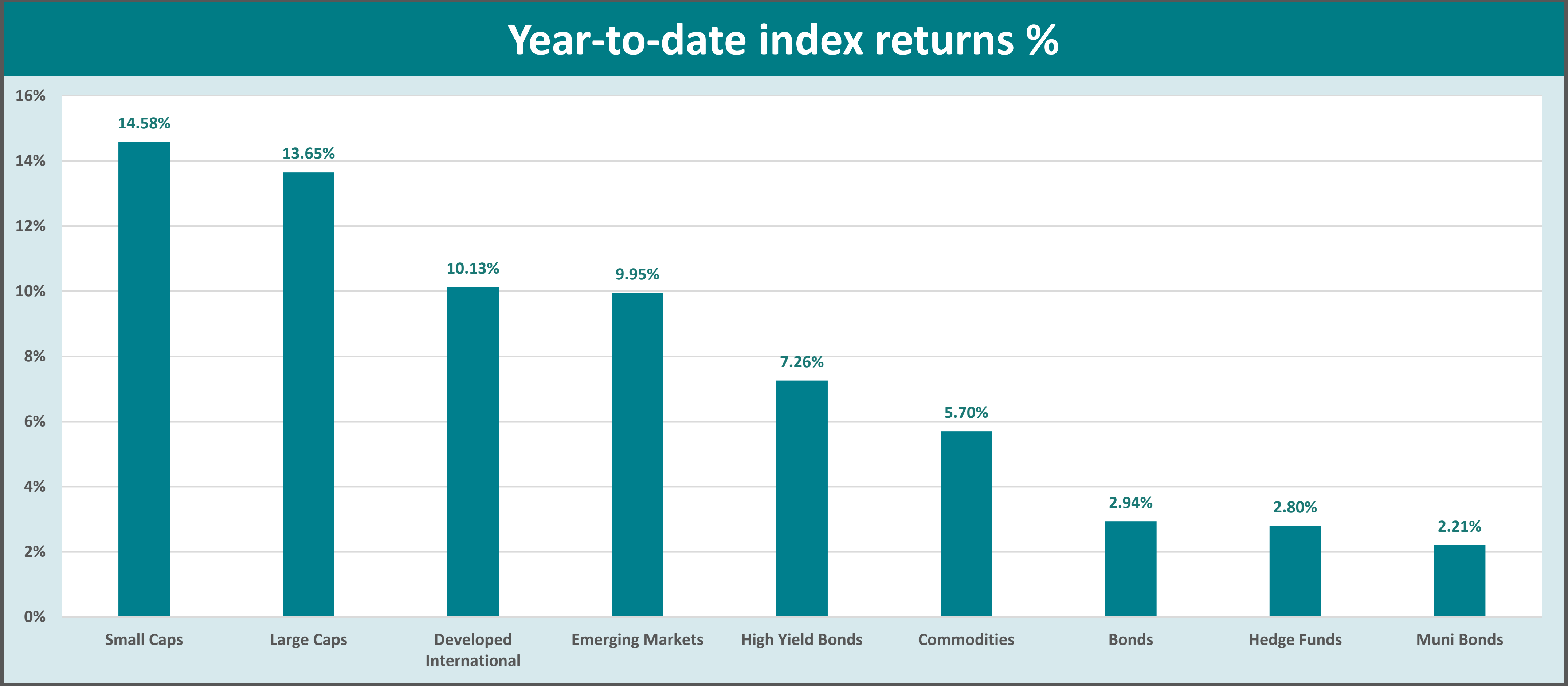
2018 was a forgettable year



Large Caps: S&P 500 Index, Small Caps: Russell 2000 Index, Developed International: MSCI EAFE Index, Emerging Markets: MSCI Emerging Markets Index, Bonds: Bloomberg Barclays US Aggregate Index, Muni Bonds: Bloomberg Barclays Municipal Bond Index (1-10Y), High Yield Bonds: Bloomberg Barclays US Aggregate High Yield Credit Index, Hedge Funds: HFRX Global Hedge Fund Index, Commodities: Bloomberg Commodities Index

For use with intended audience only.
Source: FactSet, as of December 31, 2018.

Q1 2019 risk assets bounce back



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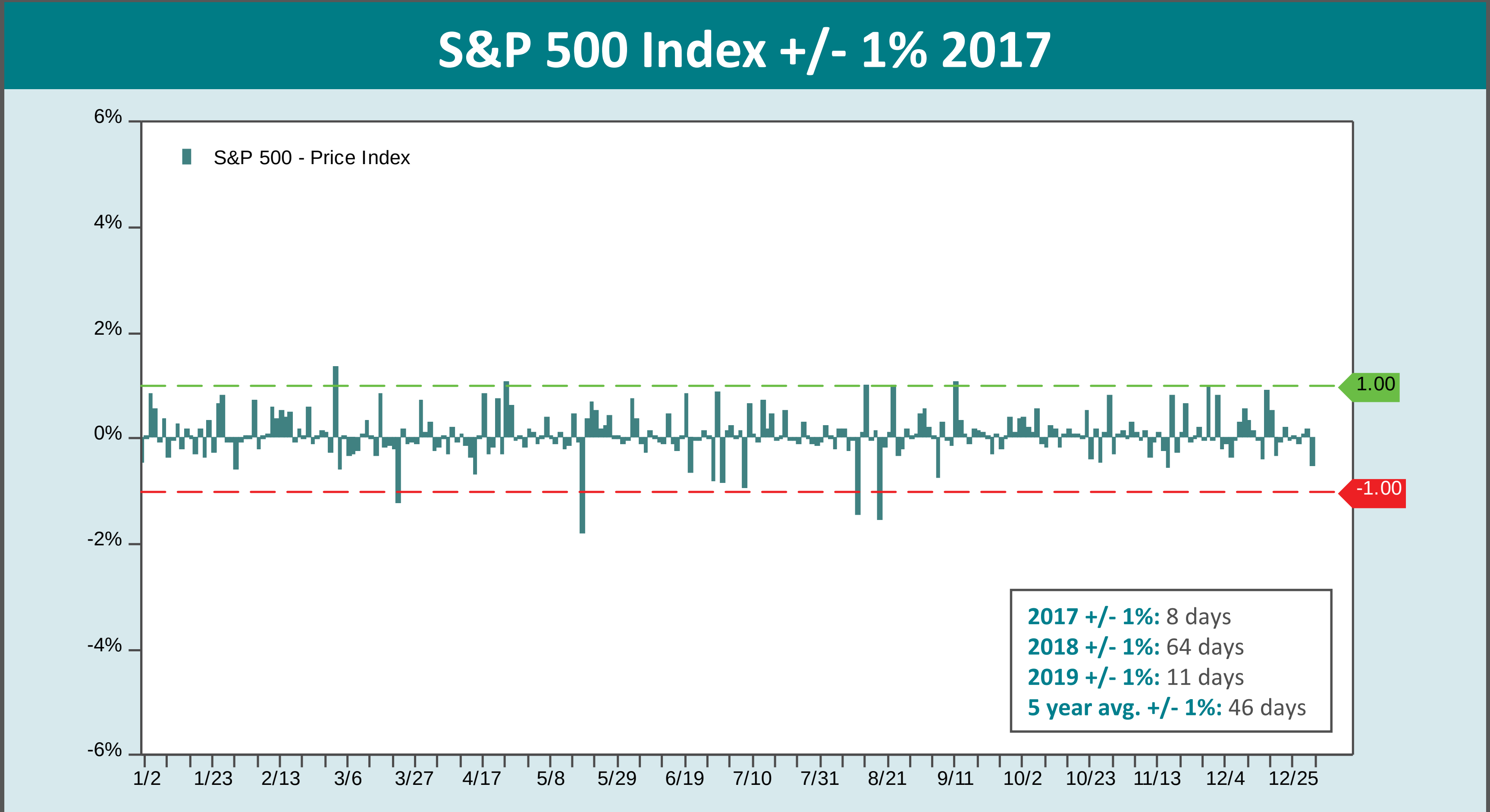
Source: FactSet, as of March 31, 2019.

Volatility: 2017, a quiet year



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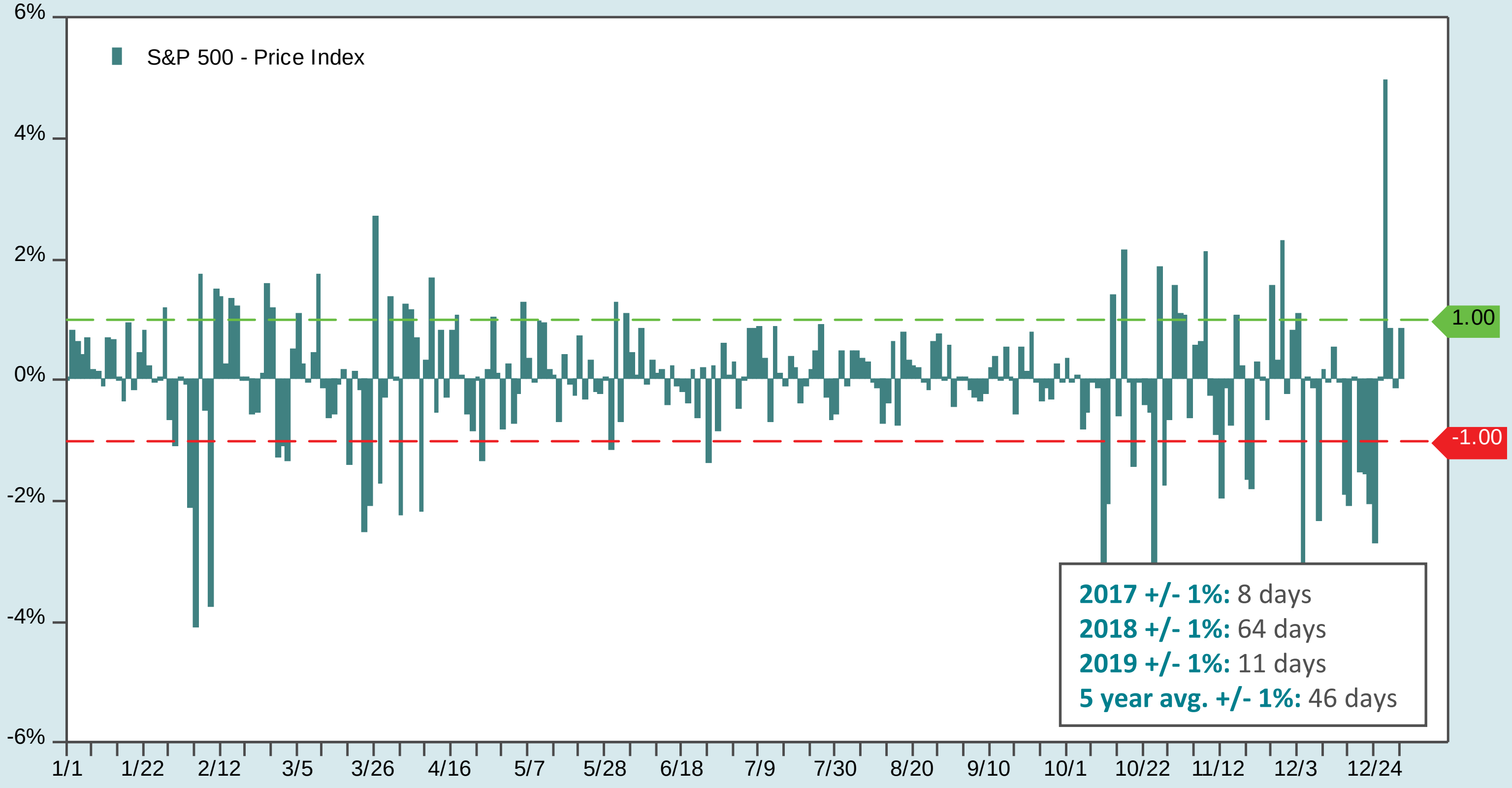
Source: FactSet, as of March 31, 2019.

Volatility: 2018, a bumpy year

S&P 500 Index +/- 1% 2018



Source: FactSet, as of March 31, 2019.

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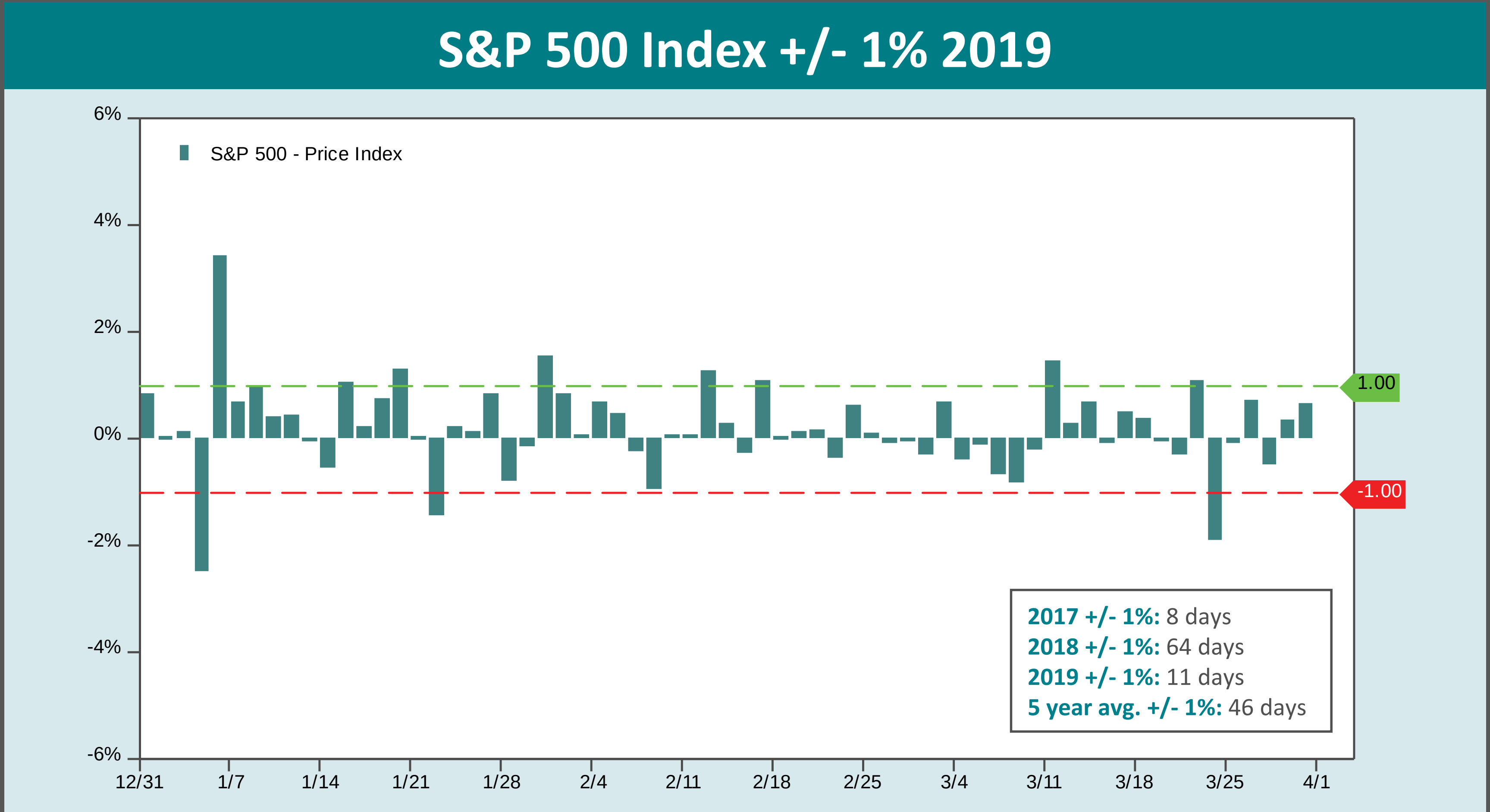
Volatility: 2019, a normal year (so far)



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Source: FactSet, as of March 31, 2019.

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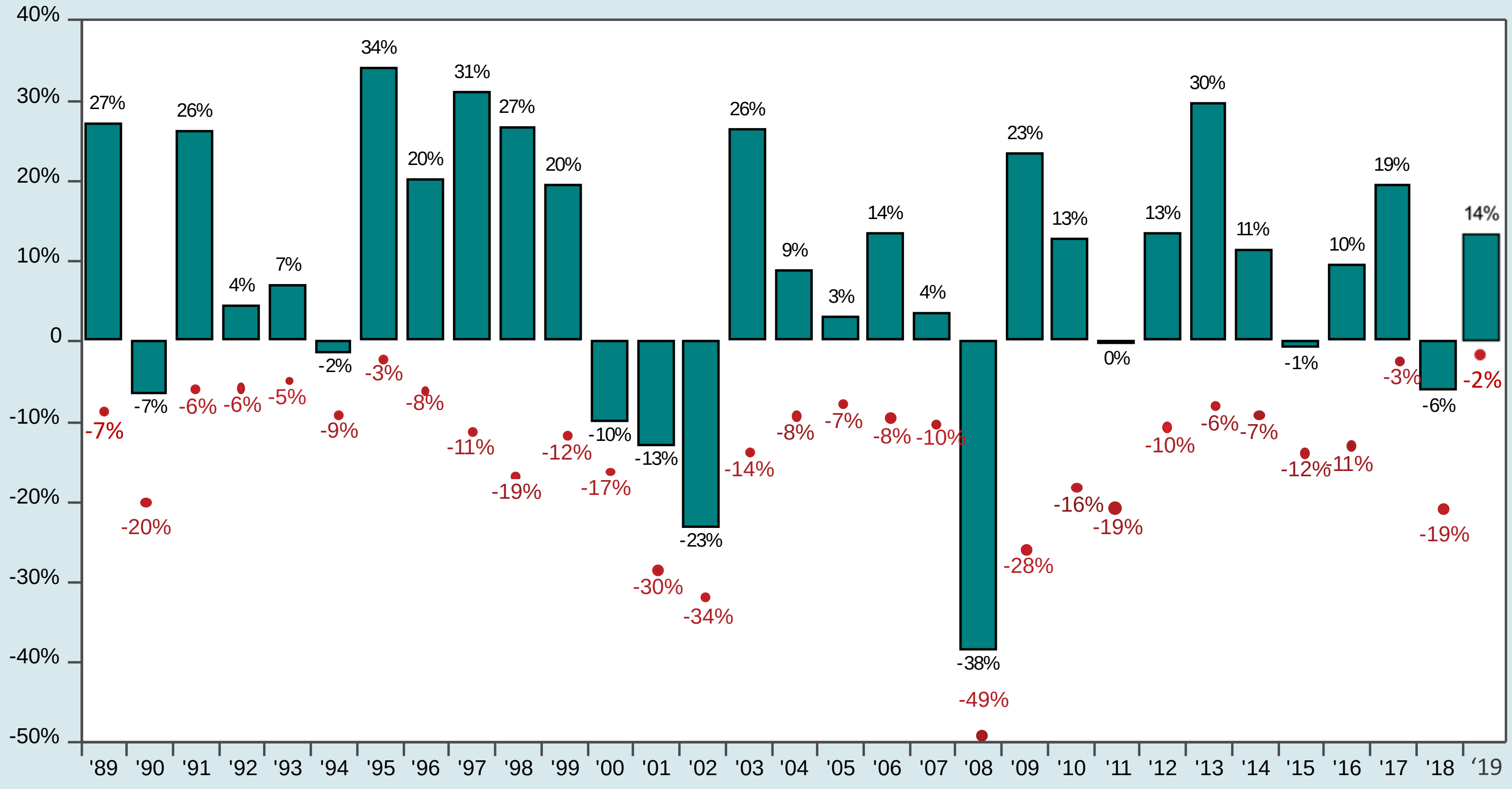
Putting 2018 in perspective

S&P 500 Index intra-year declines vs. calendar year return (price)



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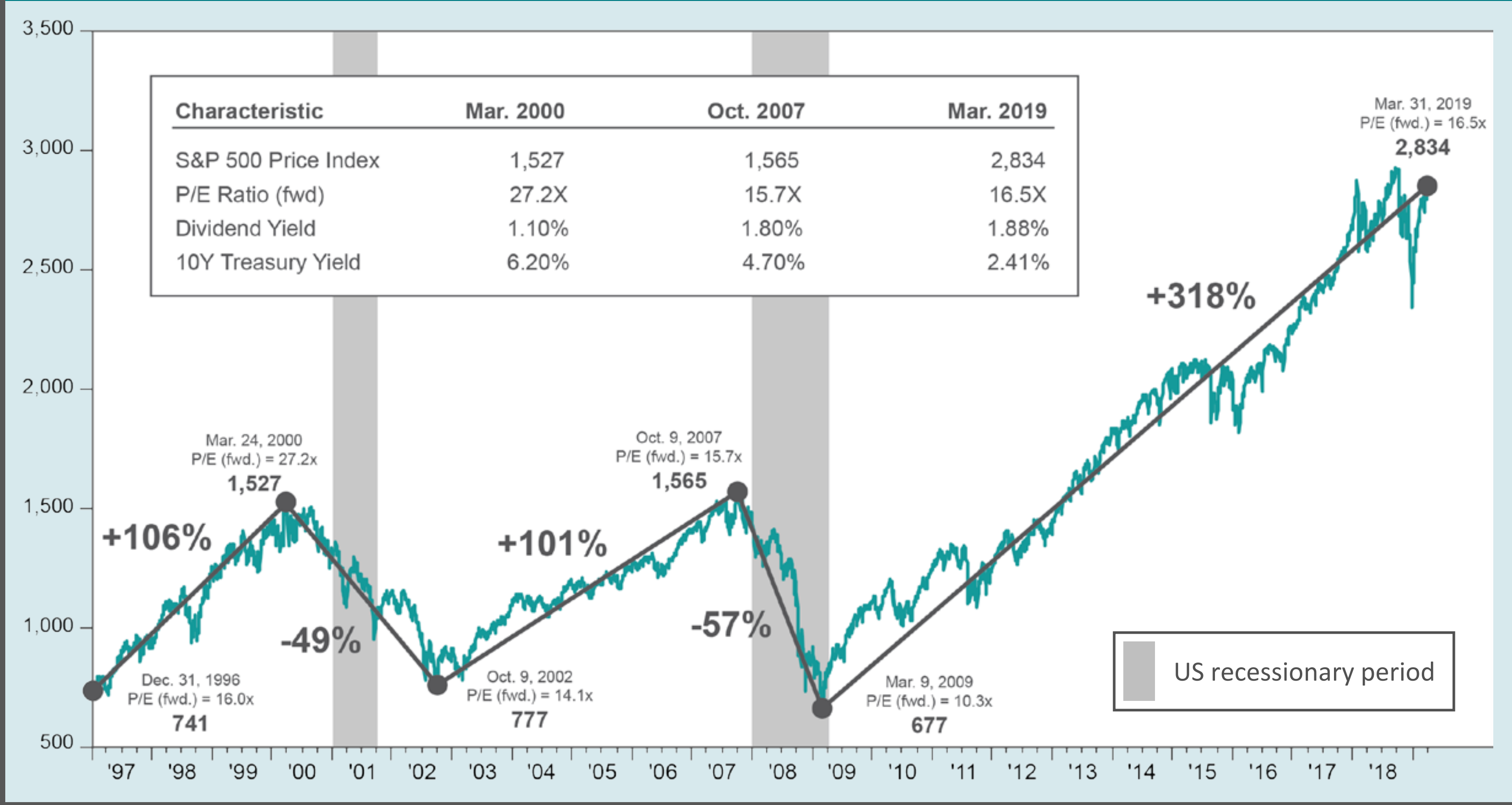
S&P 500 Index at inflection points

S&P 500 Price Index

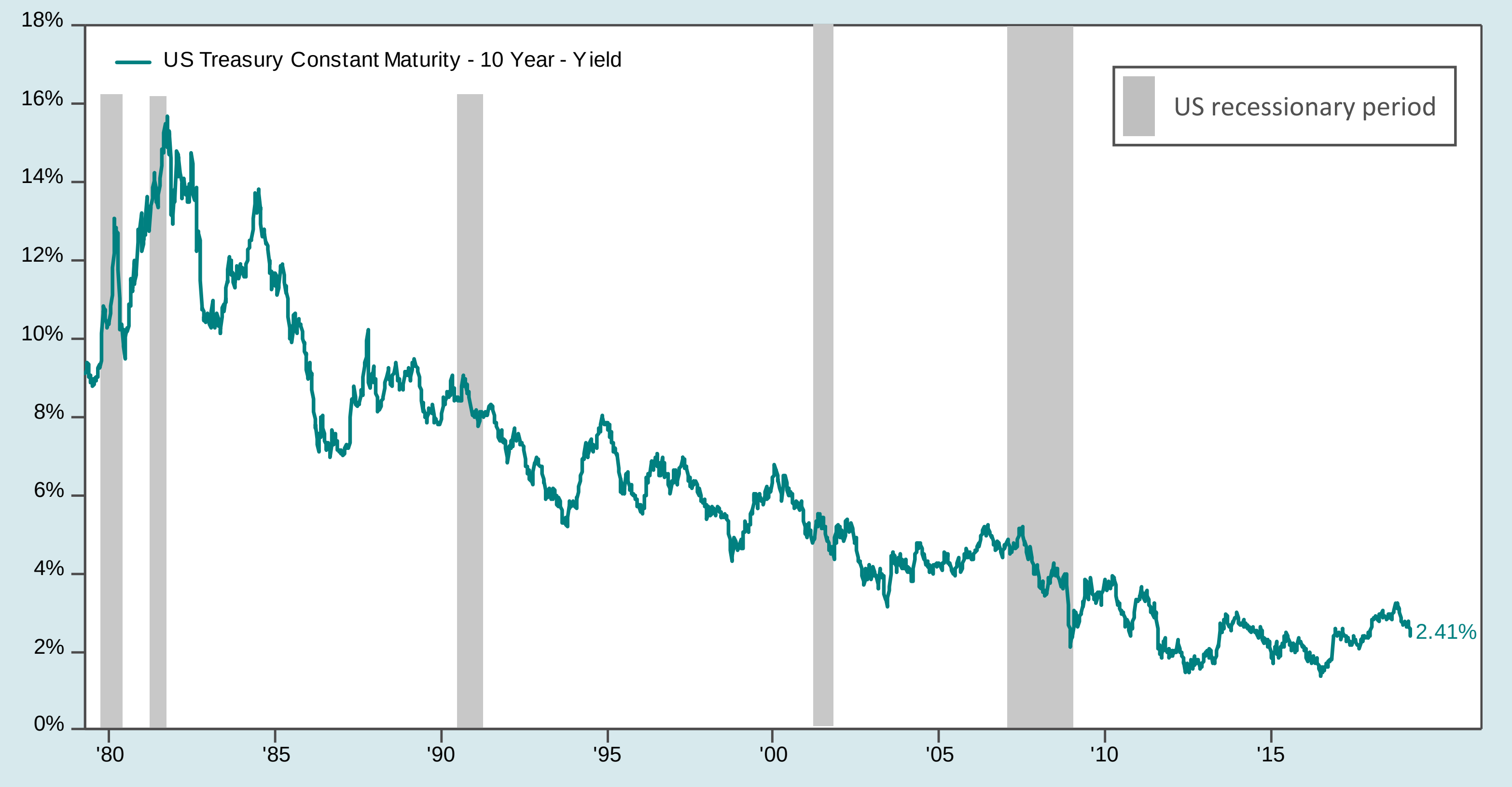


Characteristic	Mar. 2000	Oct. 2007	Mar. 2019
S&P 500 Price Index	1,527	1,565	2,834
P/E Ratio (fwd)	27.2X	15.7X	16.5X
Dividend Yield	1.10%	1.80%	1.88%
10Y Treasury Yield	6.20%	4.70%	2.41%

Source: FactSet, as of March 31, 2019.

Is the fixed income bull market over?

Treasury yield: 10 year maturity



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Source: FactSet, as of March 31, 2019.

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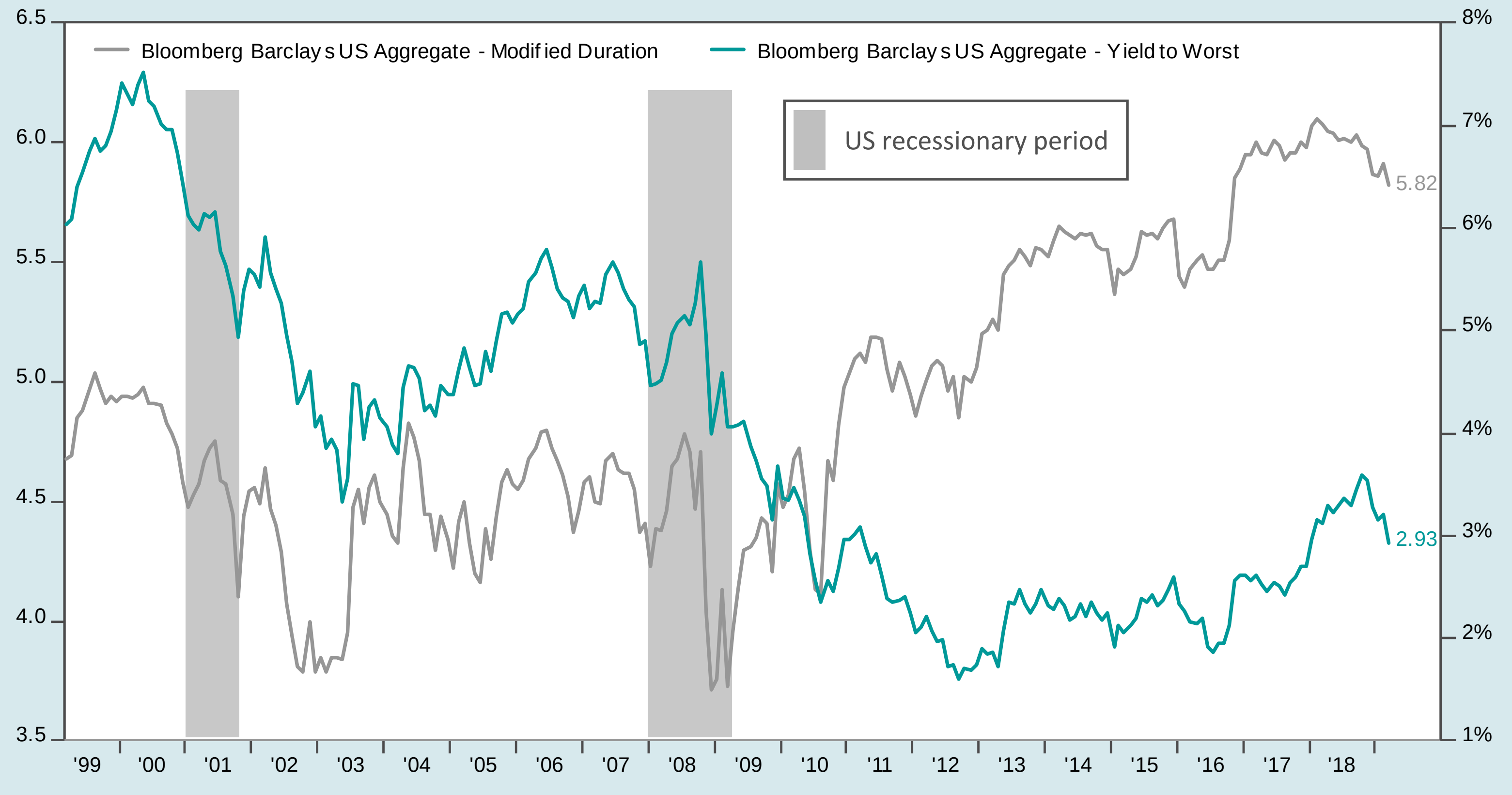
Passive fixed income exposure could be problematic

Bond market duration and yield



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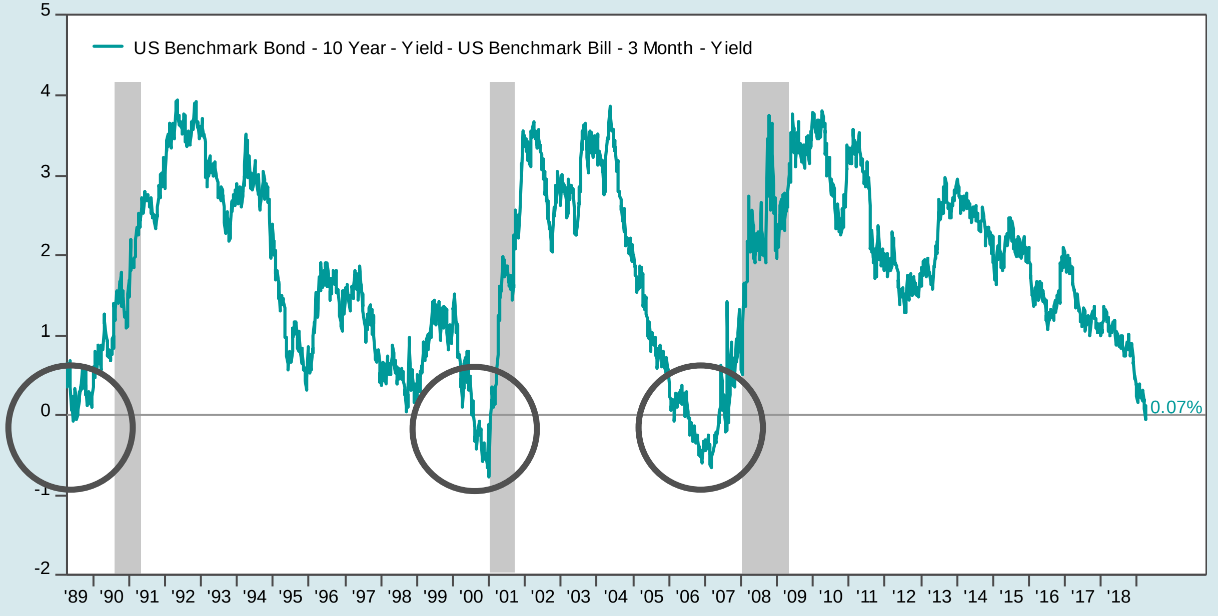
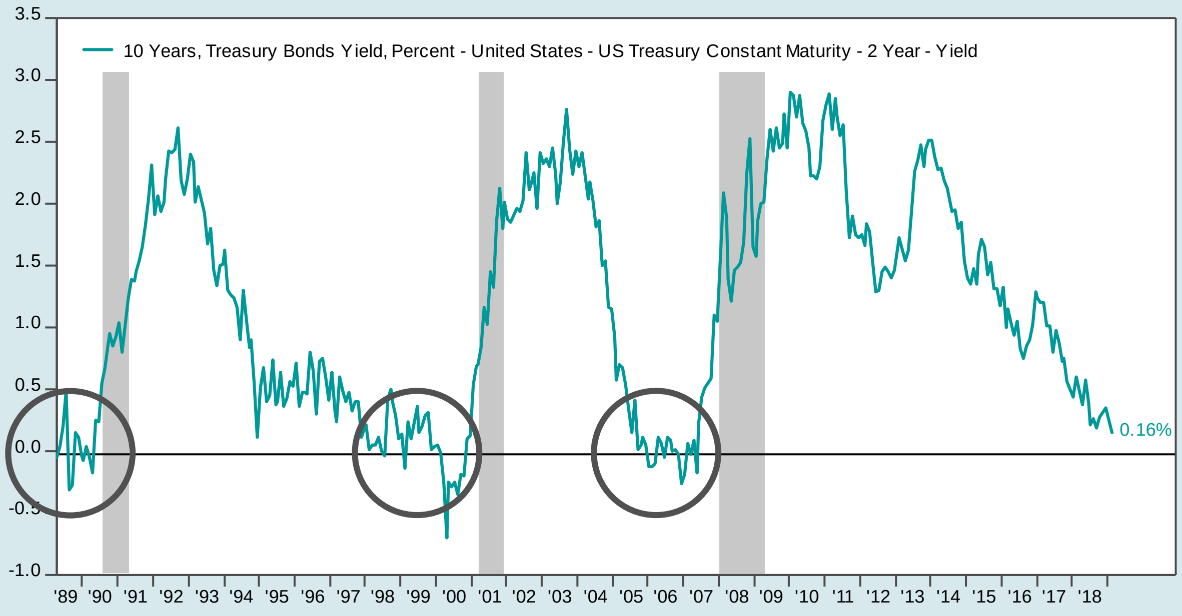
The yield curve is worrisome

US Treasury Spread: 10Y – 3M (bps)



10/2 Treasury Spread (bps)



US recessionary period

Source: FactSet, as of March 31, 2019.

Asset class performance quilt

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (YTD)
39.82%	5.24%	79.02%	26.85%	7.84%	18.63%	38.82%	13.69%	2.45%	21.31%	37.75%	1.64%	14.58%
16.23%	4.23%	58.21%	19.20%	7.62%	17.90%	32.39%	5.97%	1.38%	17.13%	25.62%	0.01%	13.65%
11.63%	-23.25%	32.46%	16.83%	4.98%	16.35%	23.29%	**5.33%**	0.55%	11.96%	21.83%	-2.08%	10.13%
10.35%	**-25.21%**	27.17%	15.12%	2.11%	16.00%	**12.68%**	4.89%	-0.39%	11.77%	**15.79%**	-4.38%	9.95%
6.97%	-26.16%	26.46%	15.06%	**-0.60%**	15.81%	7.44%	4.66%	**-0.64%**	11.60%	14.65%	**-5.25%**	**8.53%**
5.49%	-33.79%	**23.65%**	**10.92%**	-4.81%	**11.86%**	6.72%	2.45%	-3.64%	**6.36%**	7.50%	-6.72%	7.26%
4.79%	-35.65%	18.91%	8.21%	-8.87%	4.21%	-0.32%	-0.58%	-4.41%	2.65%	5.99%	-11.01%	6.32%
4.23%	-37.00%	13.40%	6.54%	-11.73%	3.56%	-2.02%	-1.82%	-4.47%	2.50%	3.54%	-11.25%	2.94%
1.87%	-43.06%	7.18%	5.19%	-13.32%	3.51%	-2.27%	-4.48%	-14.60%	1.51%	3.49%	-13.36%	2.60%
-1.57%	-53.18%	5.93%	3.13%	-18.17%	-1.06%	-9.52%	-17.01%	-24.66%	-0.10%	1.70%	-14.25%	2.21%

- MUNI BONDS
- BONDS
- HIGH YIELD BONDS
- LARGE CAPS
- BLENDED PORTFOLIO
- HEDGE FUNDS
- SMALL CAPS
- COMMODITIES
- DEVELOPED INTERNATIONAL
- EMERGING MARKETS

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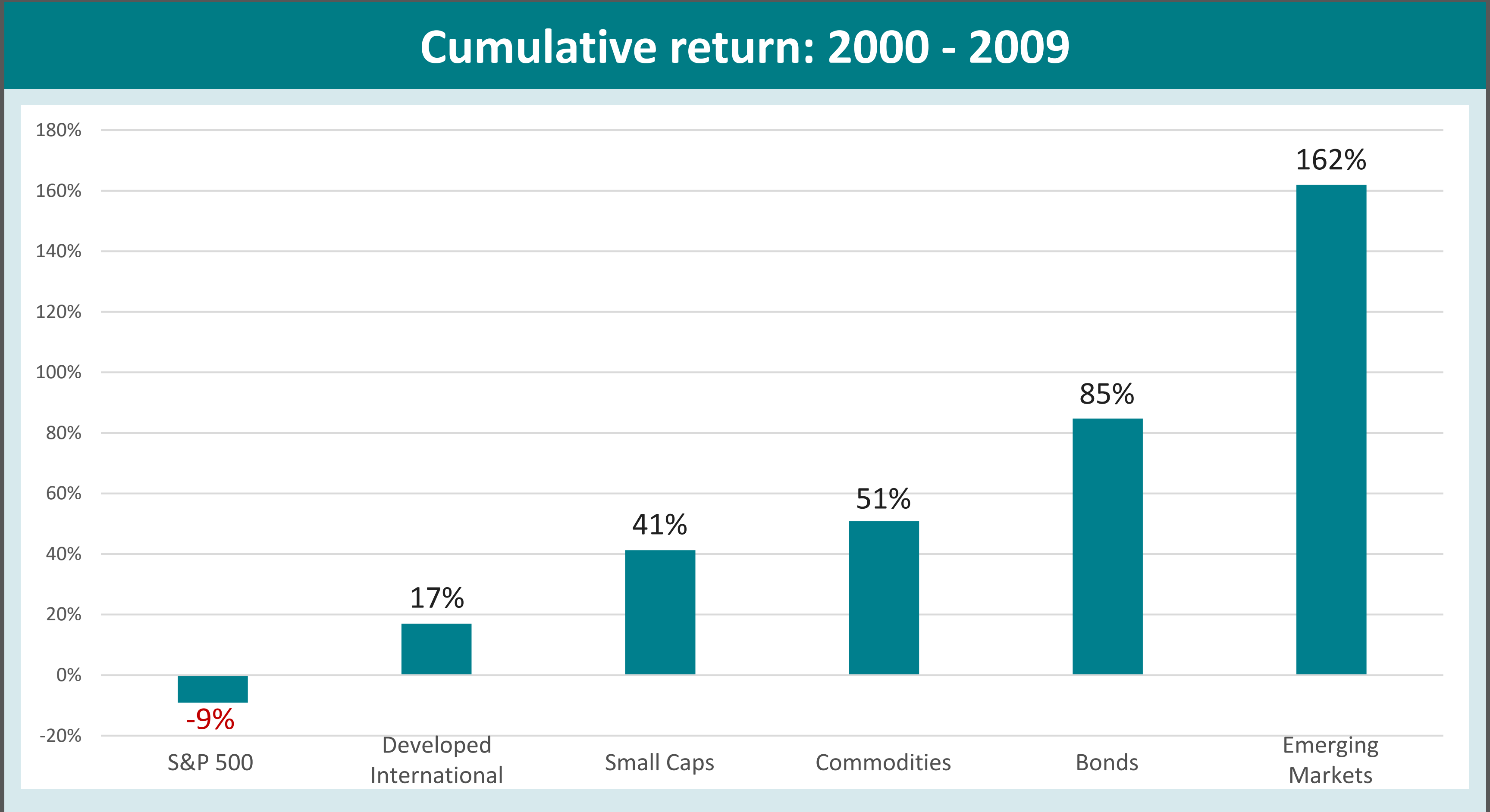
Source: FactSet, as of March 31, 2019.

The “lost decade” for the S&P 500



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Source: FactSet, as of March 31, 2019.

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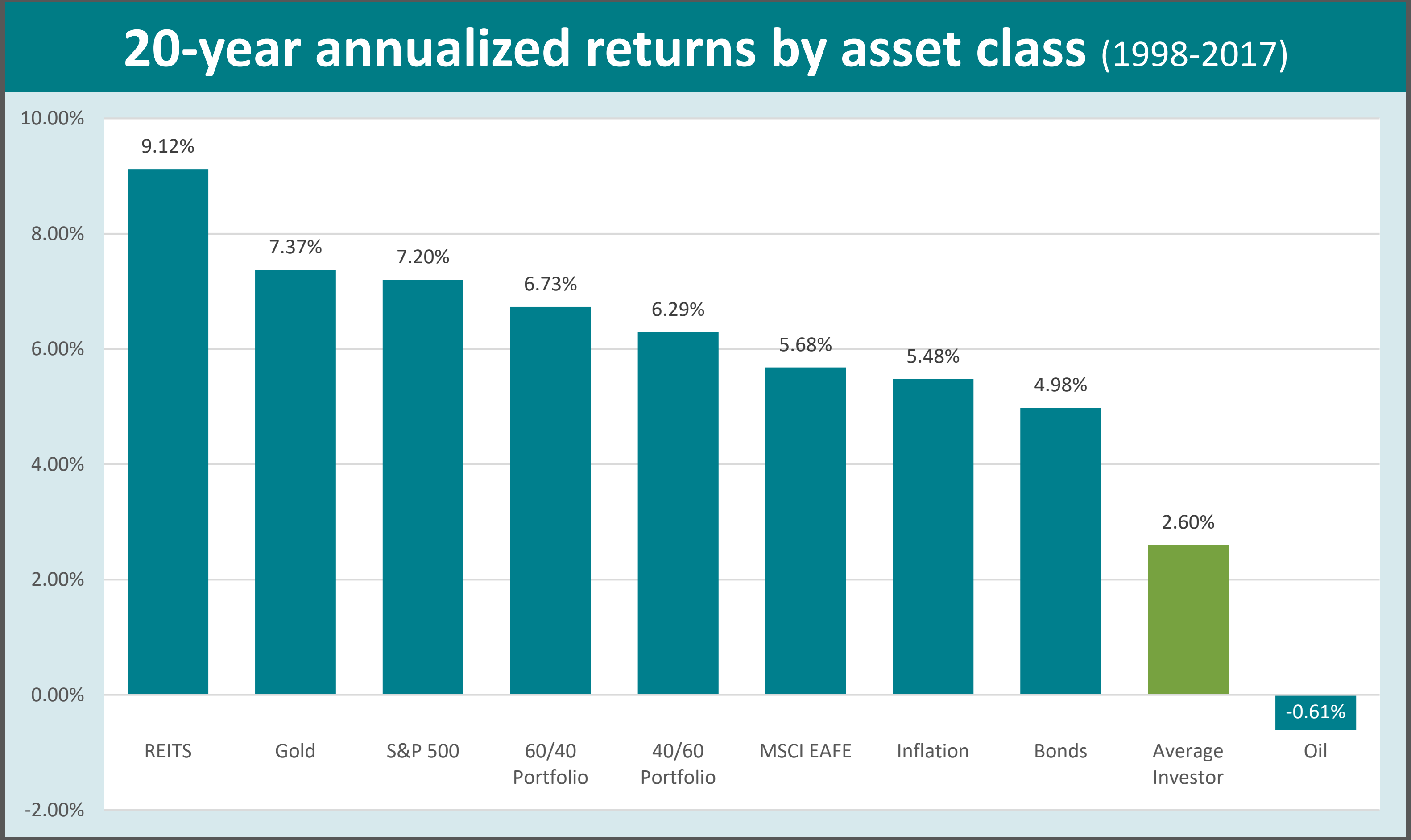
The average investor does not stay invested



For use with intended audience only.
Source: FactSet, as of December 31, 2017.

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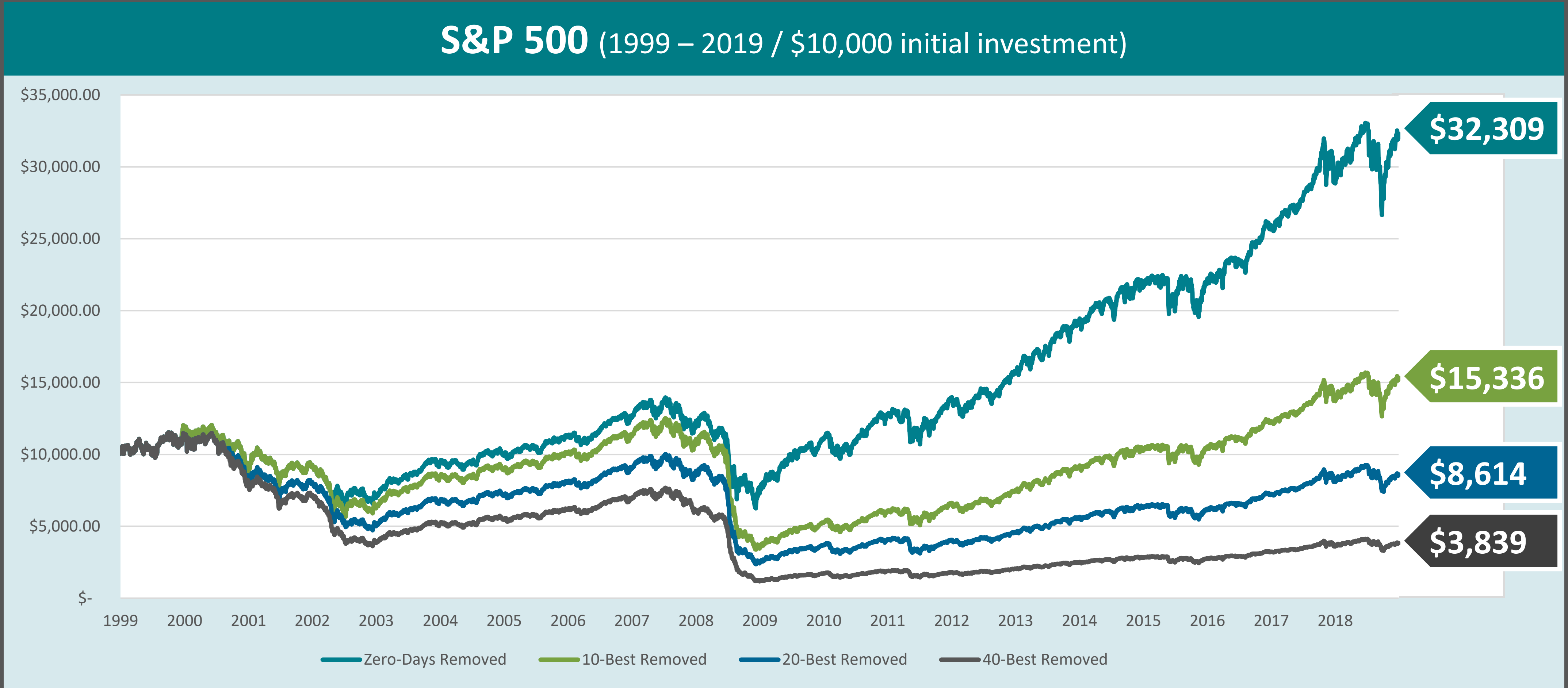
Staying invested



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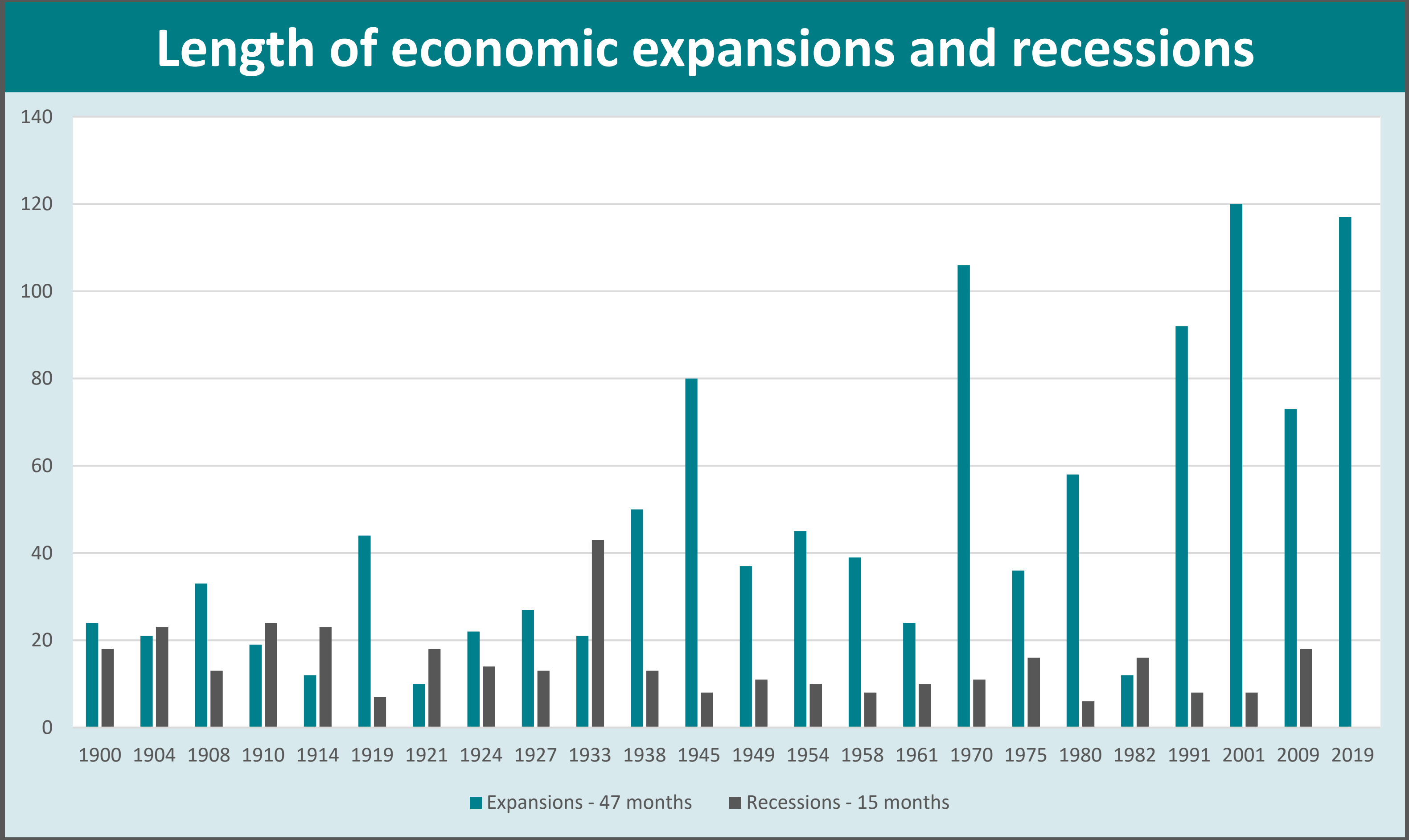
Source: FactSet, as of March 31, 2019.

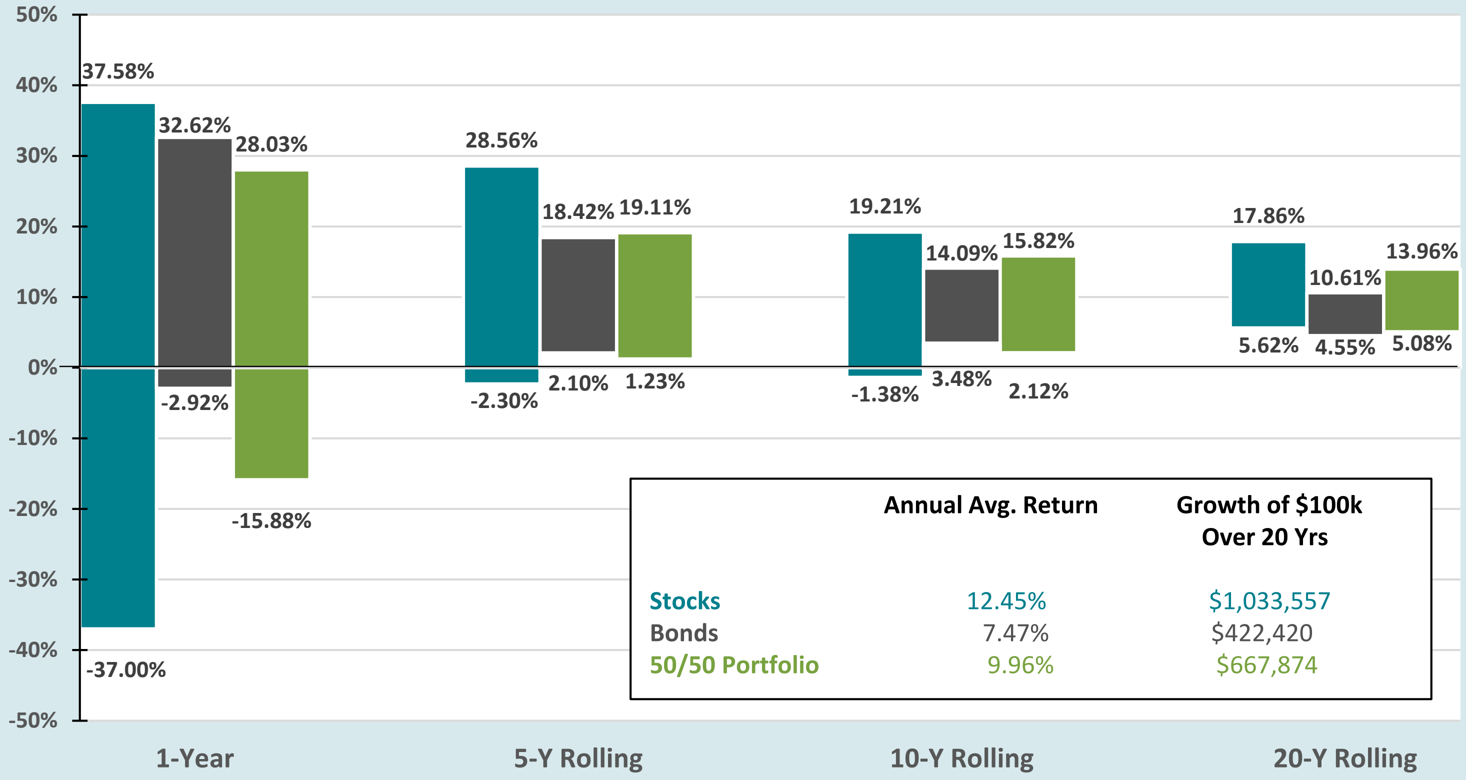
Short-term pain, long-term gain



Source: NBER as of March 31, 2019.

Staying invested increases consistency of returns

Range of stock, bond, and blended total returns (1976 – 2018)



	Annual Avg. Return	Growth of $100k Over 20 Yrs
Stocks	12.45%	$1,033,557
Bonds	7.47%	$422,420
50/50 Portfolio	9.96%	$667,874

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Source: FactSet, as of December 31, 2018.

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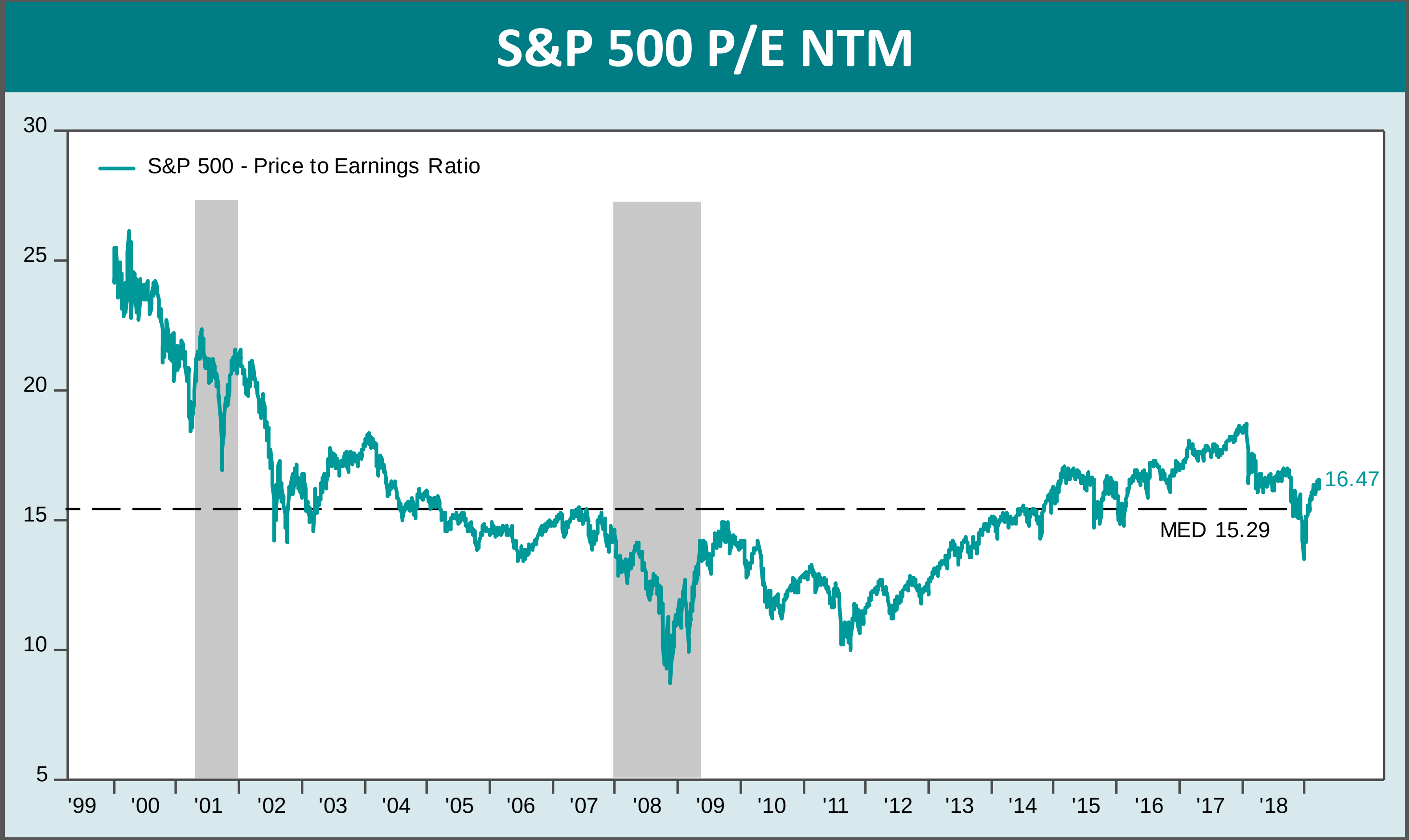
Valuations are fair



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Spotting the turn | The market

Bull market top checklist

	2000	2007	Current	Comments
Blow-off top	✓	✓	X	Equity market expectations remained constrained since the low in 2009. There is no evidence that investors paid peak multiples for peak earnings.
Heavy inflows into equity market funds	✓	✓	X	Net inflows into equity mutual funds and ETFs is underwhelming while inflows into bond funds remains robust.
Big pick-up in M&A activity	✓	✓	✓	M&A activity has picked up significantly from years in the past. In absolute dollar terms, activity is near the historical highs.
IPO activity	✓	✓	X	While IPO activity has been rather lack luster this bull market, the current list of expected IPOs will be an important litmus test as to whether fear will ultimately give way to greed among retail investors.
Rising real interest rates	✓	✓	X	Real rates have declined meaningfully after peaking back in early November.
Weakening upward earnings revisions	✓	✓	X	Earnings revisions have come down more recently, but still remain at safe growth levels. Our main concern will be any changes in our first derivative growth expectations.
Erosion in number of stocks making new highs	✓	✓	X	Breadth has expanded significantly during the current rally.
Shift toward defensive leadership	✓	✓	X	Following the sell-off at the end of last year, Cyclical shares have outpaced defensives.
Widening credit spreads	✓	✓	X	High-yield and investment grade credit spreads have moved higher recently but compared to a longer-term history remain contained.

Source: Strategas Research Partners as of March 31, 2019.