CORBETT ROAD
CAPITAL MANAGEMENT

MACRO MUSINGS

October 16, 2024

Third Quarter 2024 Market Review: The Rally Broadens Out

Rush Zarrabian, CFA®
Corbett Road
Managing Partner, Portfolio Manager

For Advisor Use Only – Not for Client Distribution

SUMMARY

- **macro**cast™ remains positive and continues to suggest the risk of a recessionary bear market in 2024 is low. Our **micro**cast™ signal was recently upgraded from recommending a neutral allocation to an aggressive allocation..
- The **macro**cast™ score has risen to levels typically seen during bull markets, driven by improving economic growth and broader stock market participation. High valuations continue to act as a headwind, though these indicators alone do not signal an imminent downturn.
- In Q3, most asset classes, including stocks and bonds, saw strong gains, driven by expectations of lower interest rates and diminishing recession risks. Notable trends included a rebound in small-cap stocks, a boost for international markets due to a weaker dollar, and the best quarter for bonds this year. Meanwhile, commodities lagged due to declining oil prices.
- Historical data indicates that, despite the upcoming election and potential shifts in congressional power, the stock market generally performs well under a variety of political scenarios. This underscores the idea that markets are primarily driven by economic fundamentals and monetary policy, rather than political outcomes. The election may create noise, but the long-term drivers remain the same.

Charts and graph depicted in this presentation are for educational purposes only. Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index does not include the deduction of various fees and expenses which would lower returns.

See content within for additional information on the summary items discussed above

THE MESSAGE FROM **macro**cast™:
IMPROVED ECONOMIC GROWTH AND BROADER PARTICIPATION

As a reminder, **macro**cast™ is Corbett Road's proprietary investment model. **macro**cast™ measures the appeal of risk assets by looking at the **VITALS** of the market—**V**aluation, **I**nflation, **T**echnical Analysis, **A**ggregate Economy, **L**iquidity, and **S**entiment. By looking at multiple factors, we seek to better gauge market conditions and the probability of a sustained, recessionary market decline.

The current **macro**cast™ score has climbed to levels commonly associated with bull markets, driven primarily by stronger market breadth and improving consumer spending.

Our valuation indicators continue to be the biggest drag on the score. However, as we've highlighted before, high valuations don't necessarily signal an imminent market decline, as valuation alone is not a reliable short-term market signal.

A higher **macro**cast™ score typically bodes well for risk assets. In the near-term, we expect inflation will continue to be manageable while economic growth remains strong. As we continue to monitor incoming data, we will adjust our tactical strategies based on the signals from both **macro**cast™ and **micro**cast™, ensuring our positioning aligns with evolving market conditions.

Please see important disclosures at the end of this article

THIRD QUARTER **ASSET CLASS REVIEW**

The following table highlights major asset class returns from the third quarter of the year (from Charles Schwab):

	BENCHMARK	Q3 2024	YTD
U.S. Large-Cap Stocks	S&P 500® Index	5.9%	22.1%
U.S. Small-Cap Stocks	Russell 2000® Index	9.3%	11.2%
International Developed Stocks	MSCI EAFE Index	7.3%	13.4%
Emerging Market Stocks	MSCI Emerging Markets Index	8.8%	17.1%
U.S. Bonds	Bloomberg US Aggregate Bond Index	5.2%	4.4%
Treasury Inflation Protected Securities	Bloomberg US Treasury Inflation Protected Securities (TIPS) Index	4.1%	4.9%
High Yield Bonds	Bloomberg US Corporate High Yield Bond Index	5.3%	8.0%
International Developed Bonds	Bloomberg Global Treasury ex-US Index	9.6%	2.2%
Commodities	S&P GSCI Index	-5.3%	5.2%
REITS	Dow Jones U.S. Select REIT Index	15.6%	14.9%

Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index is not an actual client portfolio, which is subject to the deduction of various fees and expenses which would lower returns.

Some additional insights from the table:

1. **In Q3, every major asset class saw gains, except for commodities.** Stock and bond markets delivered broad-based returns across different regions and company sizes. The sole exception was commodities, which declined due to falling oil prices—a drop that, while hurting that sector, benefited U.S. consumers by easing energy costs.
2. **Small-cap stocks, after a rough start to the year, bounced back with a nearly 10% gain.** This surge was driven by growing expectations of lower interest rates and diminished recession risks. Smaller companies are especially sensitive to these shifts because they tend to have more cyclical business models and higher levels of floating-rate debt, making them more reactive to changes in economic conditions and borrowing costs.
3. **International stocks also performed well, with both developed and emerging markets surging.** A weaker dollar boosted returns, and China's late-Q3 stimulus added support, especially for emerging markets where China represents nearly a third of the index.
4. **Bonds enjoyed their strongest quarter of the year, with the aggregate bond index gaining over 5%.** Falling interest rates, as investors anticipated future Fed rate cuts, drove bond prices higher, delivering solid returns.

Please see important disclosures at the end of this article

THE PRESIDENTIAL ELECTION IS NEAR:
FOCUS ON LONG-TERM MARKET DRIVERS

The presidential election is just three weeks away, and polls and betting markets suggest a close race. While the spotlight is on this immediate outcome, when it comes to investing, it's often more productive to zoom out and consider the bigger picture. Political cycles—whether 4 or 8 years—tend to be short-term relative to the longer time horizons most investors are working with. Keeping this broader perspective helps in navigating market uncertainties without overreacting to election-driven noise.

The following table serves as a valuable reminder that, historically, stocks have performed well regardless of which party holds the presidency. While political outcomes can create short-term volatility, long-term market trends tend to be driven by broader economic factors (from RBA):

TABLE 1:
S&P 500® Annualized Total Return by Presidential Term*

President	Return
Carter	12.0%
Reagan	15.1%
Bush 1	14.6%
Clinton	17.5%
Bush 2	-4.5%
Obama	16.3%
Trump	16.3%
Biden**	12.9%

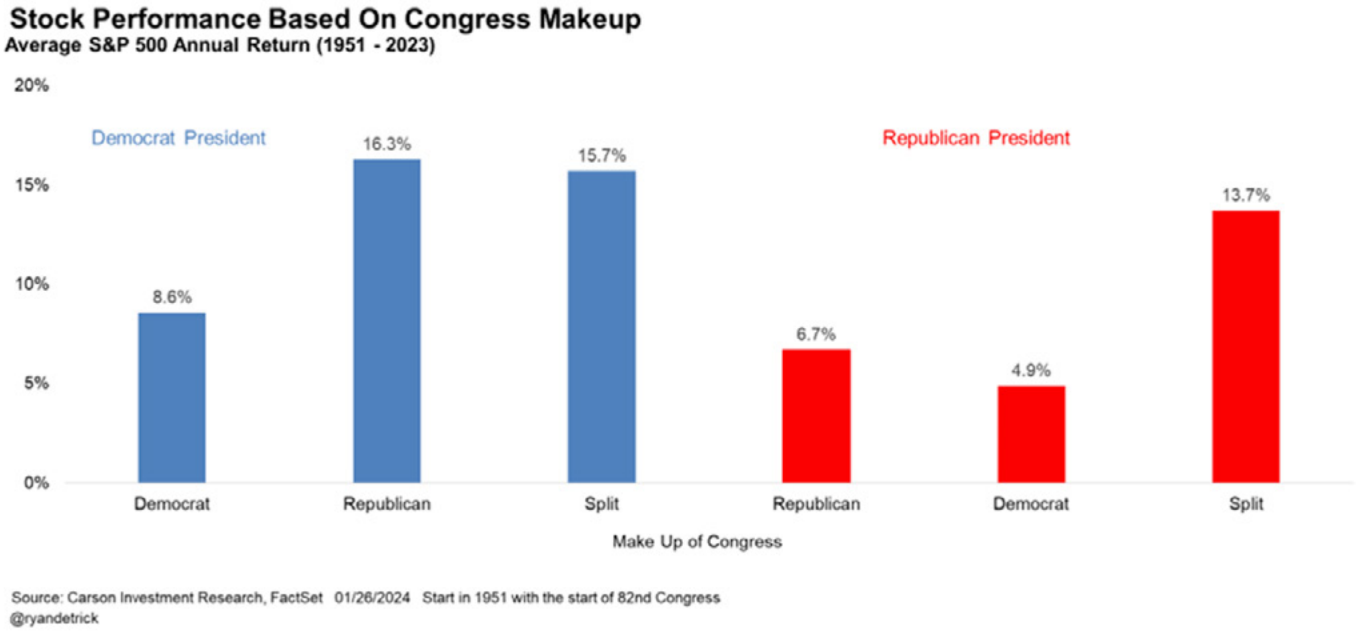
Source: Richard Bernstein Advisors LLC, Bloomberg Finance L.P.
*Presidential Term measured by Inauguration dates.
**Biden returns are calculated through 8/31/2024.

Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index is not an actual client portfolio, which is subject to the deduction of various fees and expenses which would lower returns.

Regarding the composition of Congress after this election cycle, the most likely scenarios are either a Republican sweep or a Democrat in the White House and a GOP/Split Congress. When considering the impact of congressional makeup on the markets, historically, split Congresses have seen better stock market returns. This could be coincidental or perhaps due to the gridlock that often results when different parties control the presidency and Congress, limiting major policy shifts. However, regardless of

Please see important disclosures at the end of this article

the makeup, stock market returns have typically been positive (from Carson Group):



Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index is not an actual client portfolio, which is subject to the deduction of various fees and expenses which would lower returns.

The key takeaway from these studies is that, historically, stocks have risen over the long term, despite occasional downturns. This upward trend has persisted regardless of which political party holds power, and there's little reason to think the upcoming election will change that. Long-term market performance is primarily driven by fundamentals—economic growth, corporate earnings, and sound monetary policy—not by politics.

In summary, the **macro**cast™ outlook has strengthened, and **micro**cast™ was recently upgraded to an aggressive allocation after being neutral for the past few months. Asset class performance broadened in Q3, with both risk assets and fixed income delivering strong returns. As the election approaches in three weeks, historical data suggests that the results are unlikely to cause significant shifts in long-term market performance, which is the most critical time horizon for most investors.

IMPORTANT DISCLOSURES

Corbett Road Capital Management, LLC ("Corbett Road") is a federally registered investment advisor with the Securities Exchange Commission ("SEC") and has been in business since 2019. Registration with the SEC does not imply their approval or endorsement of any service provided by Corbett Road. This presentation contains information based on the views of Corbett Road. Other organizations or persons may analyze investments and the approach to investing from a different perspective than that reflected in this presentation. Nothing included herein is intended to infer that the approach to investing discussed in this presentation will assure any particular investment results.

Nothing in this presentation is to be considered investment advice and should not be relied upon as the basis for entering any transaction or advisory relationship or making any investment decision. All investments involve the risk of loss, including the loss of principal. Performance information included on this presentation is solely to demonstrate the potential benefits historically associated, with commercial asset classes. Past performance is not an indicator of future results.

Charts and graph depicted in this presentation are for educational purposes only. Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index does not include the deduction of various fees and expenses which would lower returns. Advisory fees charged to Corbett Road clients, whether directly or indirectly through an ETF, are described in Corbett Road's Form ADV Part 2A and Form CRS, available at https://adviserinfo.sec.gov/firm/summary/305063. Past performance is no guarantee of future results.

The presentation includes data, graphs, charts, or other material reflecting the performance of a security, an index, an investment vehicle, a composite or other instrument over time ("Performance Material"). Past performance, and any performance reflected in Performance Material, is not an indication of future results.

All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. **macro***cast™ and* **micro***cast™ are proprietary indexes used by Corbett Road Capital Management to help assist in the investment decision-making process. Neither the information provided by* **macro***cast™ or* **micro***cast™ nor any opinion expressed herein considers any investor's individual circumstances nor should it be treated as personalized advice. Individual investors should consult with a financial professional before engaging in any transaction or strategy. The phrase "the market" refers to the S&P 500 Total Return Index unless otherwise stated. The phrase "risk assets" refers to equities, REITs, high yield bonds, and other high volatility securities.*

Use of Indicators

Corbett Road's quantitative models utilize a variety of factors to analyze trends in economic conditions and the stock market to determine asset and sector allocations that help us gauge market movements in the short- and intermediate term. There is no guarantee that these models or any of the factors used by these models will result in favorable performance returns.

Individual stocks are shown to illustrate market trends and are not included as securities owned by CRCM. Any names held by CRCM is coincidental. To be considered for investment by CRCM, a security must pass the Firm's fundamental review process, meet certain internal guidelines, and fit within the parameters of the Firm's quantitative models.

CORBETT ROAD
CAPITAL MANAGEMENT

McLean, VA
7901 Jones Branch Dr, Suite 800
McLean, VA 22102

Toll Free: 844.878.4897
info@croadcap.com
www.corbettroadcapital.com

CRCM_MM_10.16.2024