Halftime Report 2024

Michael Clark, President
Zack Clark, Vice President

Aspect
WEALTH MANAGEMENT

ELECTION 2024

Agenda

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Review of 2024 so far

Inflation and the Fed
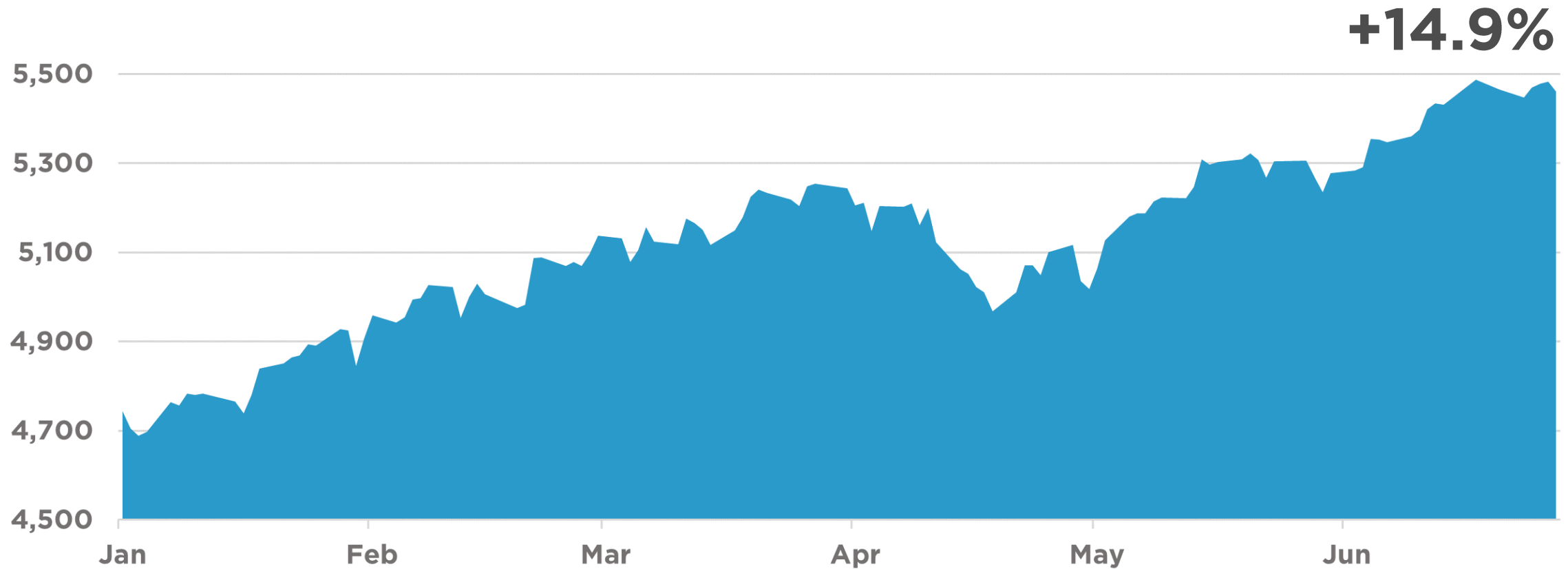
Recession and the Stock Market

Politics and Investing

Daily Use of Artificial Intelligence
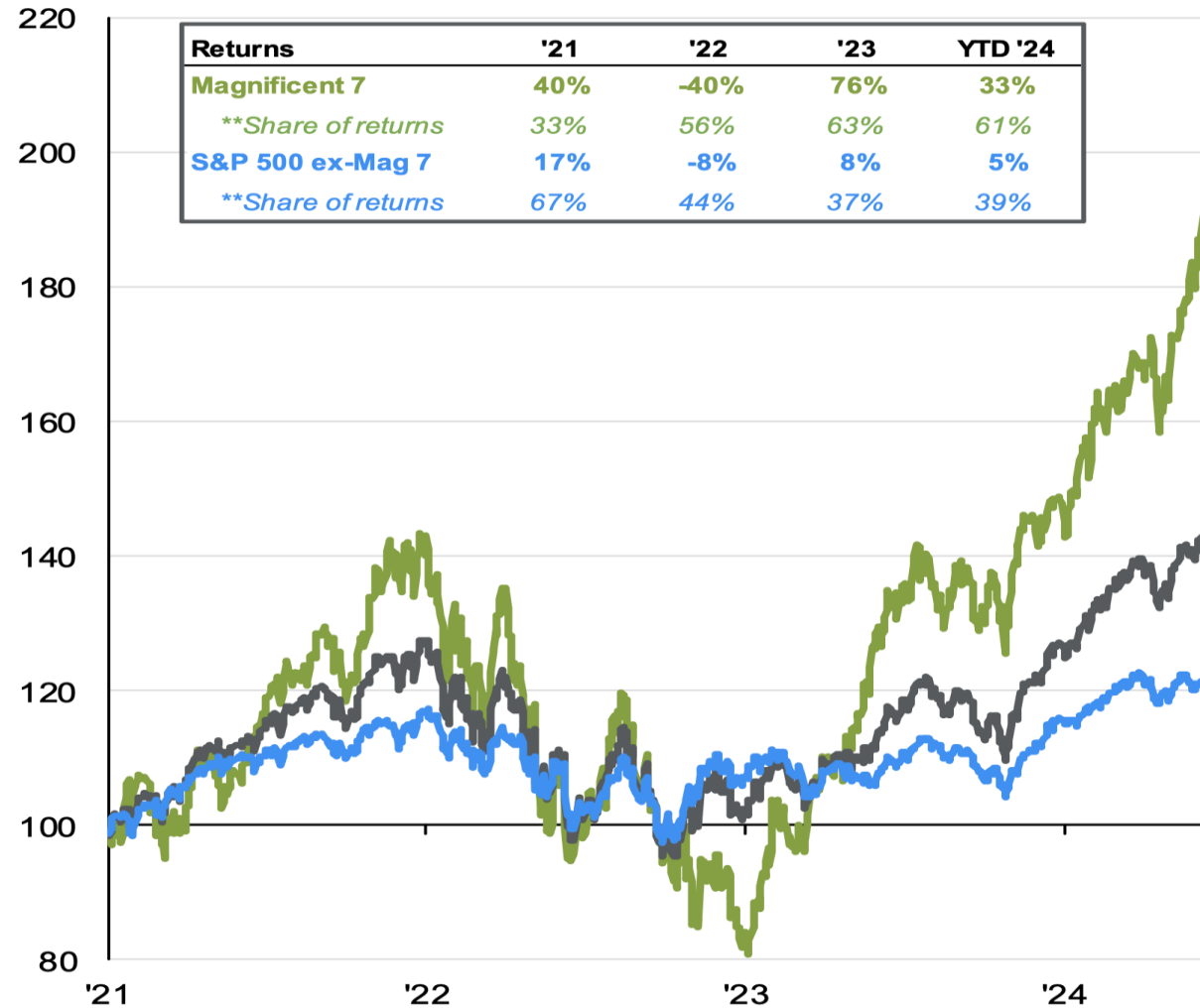
Review of 2024 so far

S&P 500 First Half

S&P 500

+14.9%

S&P 500 Concentration

Performance of "Magnificent 7" stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return

Returns	'21	'22	'23	YTD '24
Magnificent 7	**40%**	**-40%**	**76%**	**33%**
**Share of returns*	33%	56%	63%	61%
S&P 500 ex-Mag 7	**17%**	**-8%**	**8%**	**5%**
**Share of returns*	67%	44%	37%	39%

Dow Jones First Half

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Dow Jones

+3.8%

42,000	
41,000	
40,000	
39,000	
38,000	
37,000	
36,000	
35,000	

Jan   Feb   Mar   Apr   May   Jun
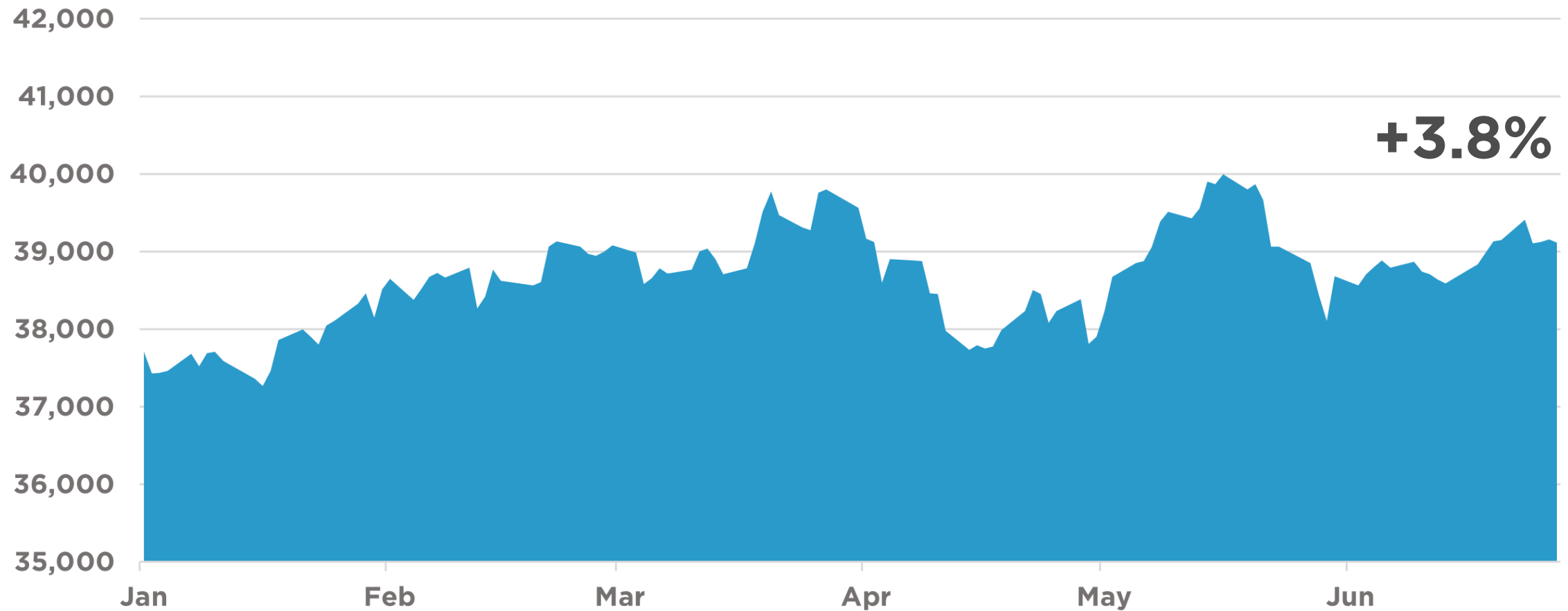
Inflation and the Fed

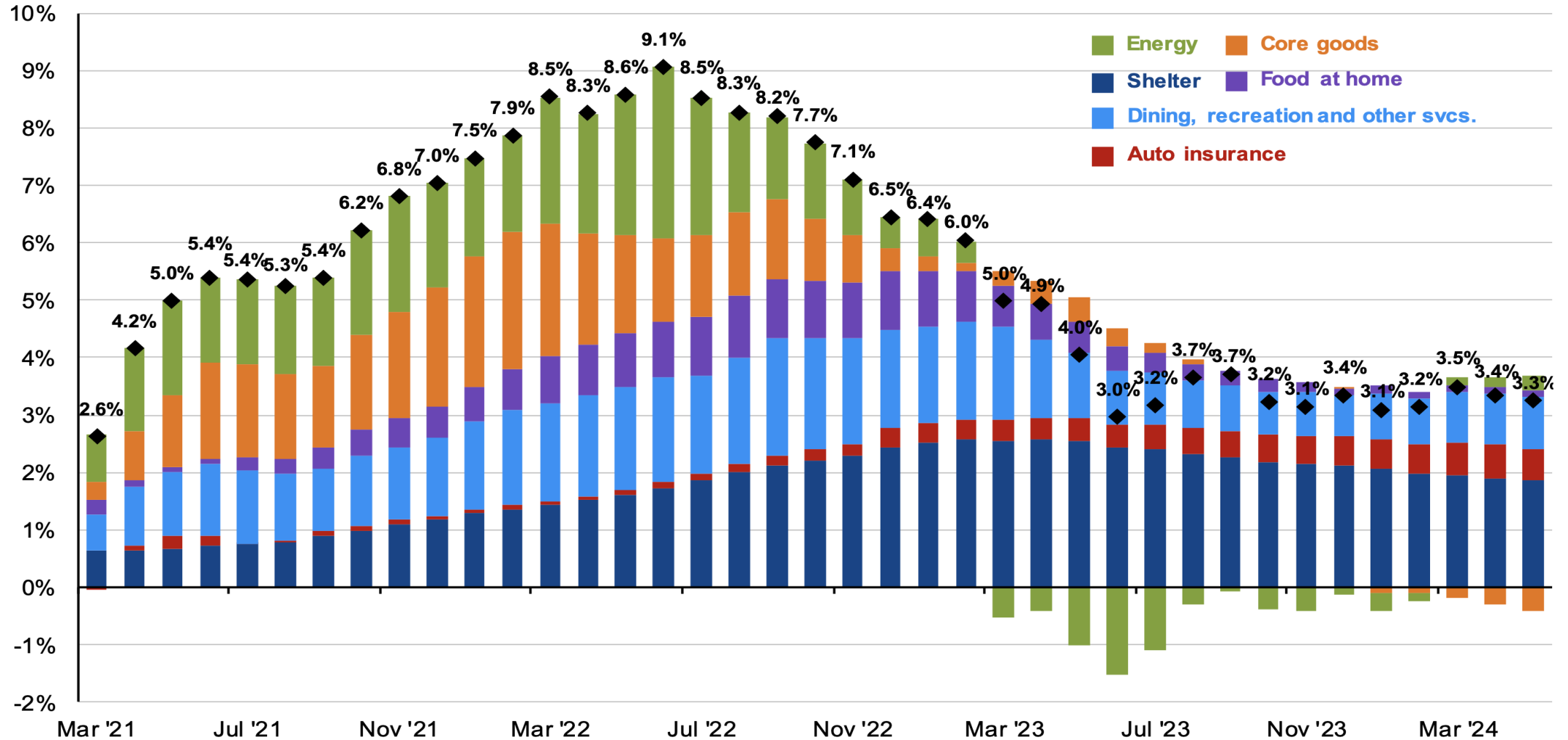# Is it over?

Drivers of Inflation

Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted

Legend: Energy, Core goods, Shelter, Food at home, Dining, recreation and other svcs., Auto insurance
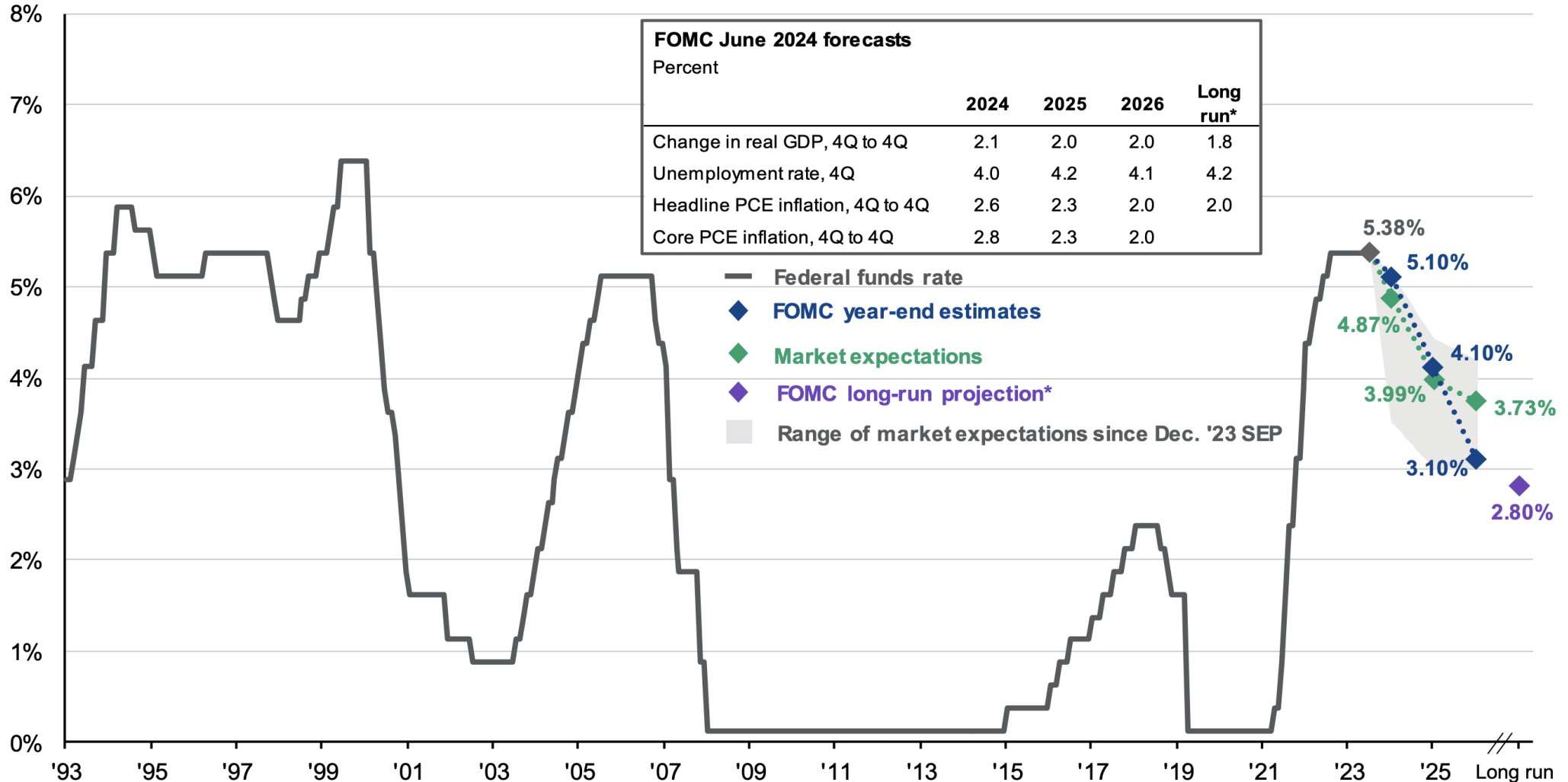
Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance.
Guide to the Markets – U.S. Data are as of June 30, 2024.

The Fed and Interest Rates
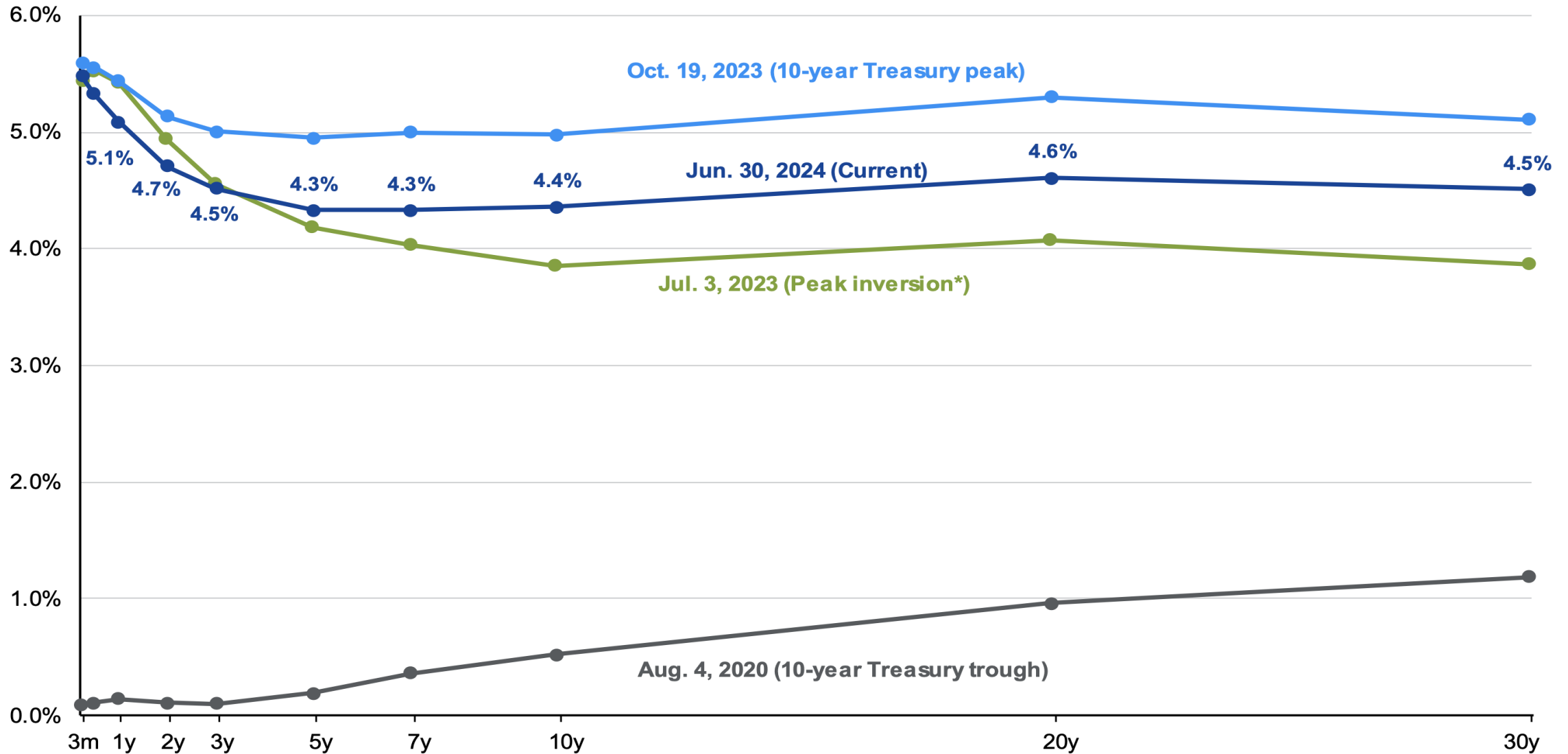

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

FOMC June 2024 forecasts
Percent

	2024	2025	2026	Long run*
Change in real GDP, 4Q to 4Q	2.1	2.0	2.0	1.8
Unemployment rate, 4Q	4.0	4.2	4.1	4.2
Headline PCE inflation, 4Q to 4Q	2.6	2.3	2.0	2.0
Core PCE inflation, 4Q to 4Q	2.8	2.3	2.0	

— Federal funds rate
◆ FOMC year-end estimates
◆ Market expectations
◆ FOMC long-run projection*
▨ Range of market expectations since Dec. '23 SEP

5.38%
5.10%
4.87%
4.10%
3.99%
3.73%
3.10%
2.80%

US Treasury Yield Curve

Oct. 19, 2023 (10-year Treasury peak)

Jun. 30, 2024 (Current)

Jul. 3, 2023 (Peak inversion*)

Aug. 4, 2020 (10-year Treasury trough)

5.1% 4.7% 4.5% 4.3% 4.3% 4.4% 4.6% 4.5%

Commercial Real Estate

Commercial Real Estate

NCREIF Property Index Total Return (1978-2023)

Only 5 Down Years in 46-Year History

■ NCREIF Property Index (NPI) Total Return   ▨ Recession

Sources: Bluerock, National Council of Real Estate Investment Fiduciaries Property Index (NPI). Morningstar Direct.
Past performance is not necessarily indicative of future results. You can not invest directly in an index.

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Existing Home Inventory

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TTM Average National Existing Home Inventory[2] (MM-Units)

Existing home inventory levels have normalized at ~50% below the long-term average due, in part, to homeowners locked into low-rate mortgages
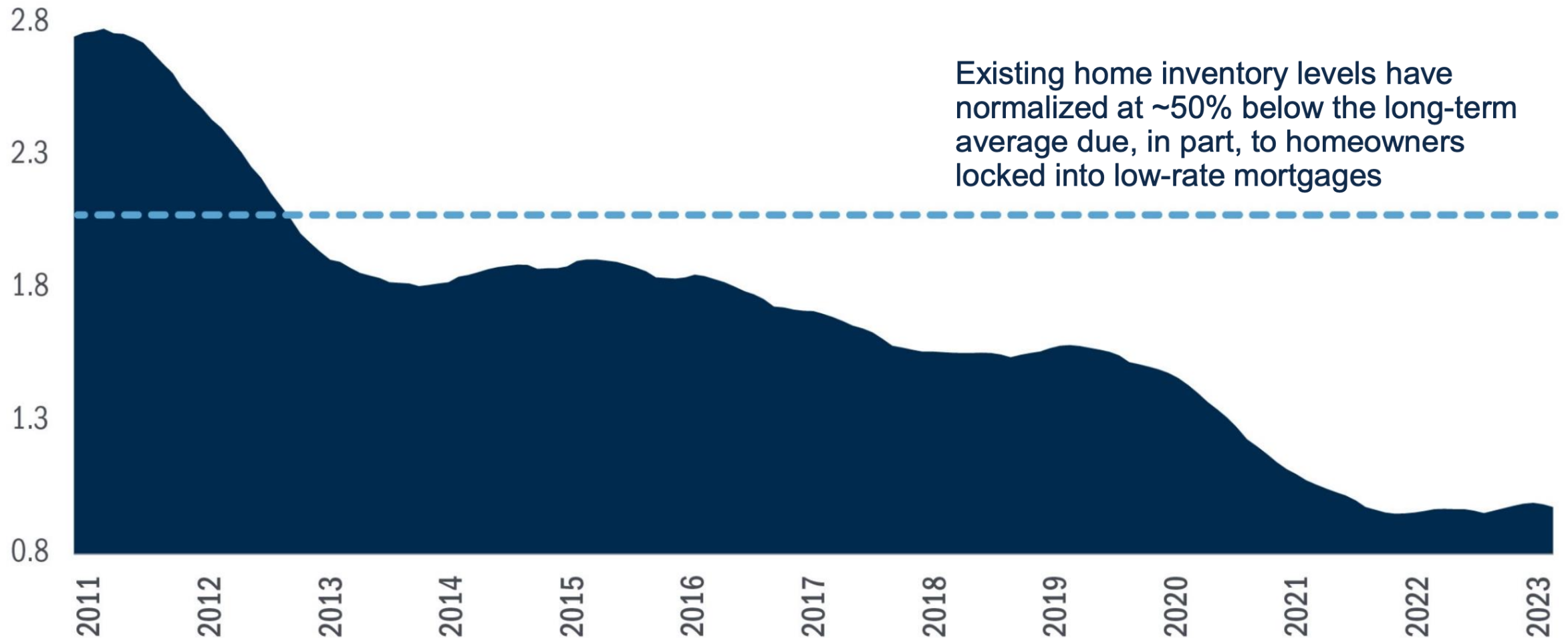
Affordability Gap

Affordability Gap

	Housing affordability index (% disposable income)			Adjustment required to return to pre-Covid average affordability		
	Latest	Pre-Covid 10Y Average	Pre-GFC peak	House prices (%)	Income (%)	Mortgage rates (ppts)
U.S.	23	14	26	-41	69	-4.3
Germany	34	21	30	-36	60	-3.4
NZ	56	35	56	-35	59	-4.2
Canada	38	25	29	-33	55	-3.5
U.K.	31	21	35	-33	50	-3.5
Australia	45	32	44	-25	41	-2.8
Japan	32	25	25	-23	26	-1.7
Sweden	27	20	29	-19	25	-1.7
Korea	39	35	--	-11	22	-1.0

Source: Bloomberg, Haver, Corelogic, MLS, Morgan Stanley Research

WHAT you own REALLY matters.

Countercyclical Demand ▶ Student Housing

AI Revolution ▶ Data Centers

E-Commerce Surge ▶ Industrial

Supply/Demand Imbalance ▶ Affordable Housing

Recession and the Stock Market

Are we headed for a recession?

Corporate Earnings Growth

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S&P 500 year-over-year pro-forma EPS growth
Annual growth broken into changes in revenue, profit margin and share count

Share of EPS growth	2024*	Avg. '01-'23
Margin	9.7%	2.7%
Revenue	1.1%	4.2%
Share count	0.0%	0.3%
Total EPS	10.8%	7.5%

'26F: $310
'25F: $279
'24F: $244

Economic Growth

Real GDP
Trillions of chained (2017) dollars, seasonally adjusted at annual rates

GDP (%)	2Q23	3Q23	4Q23	1Q24
Q/Q saar	2.1	4.9	3.4	1.4
Y/Y	2.4	2.9	3.1	2.9

Trend growth: 2.0%
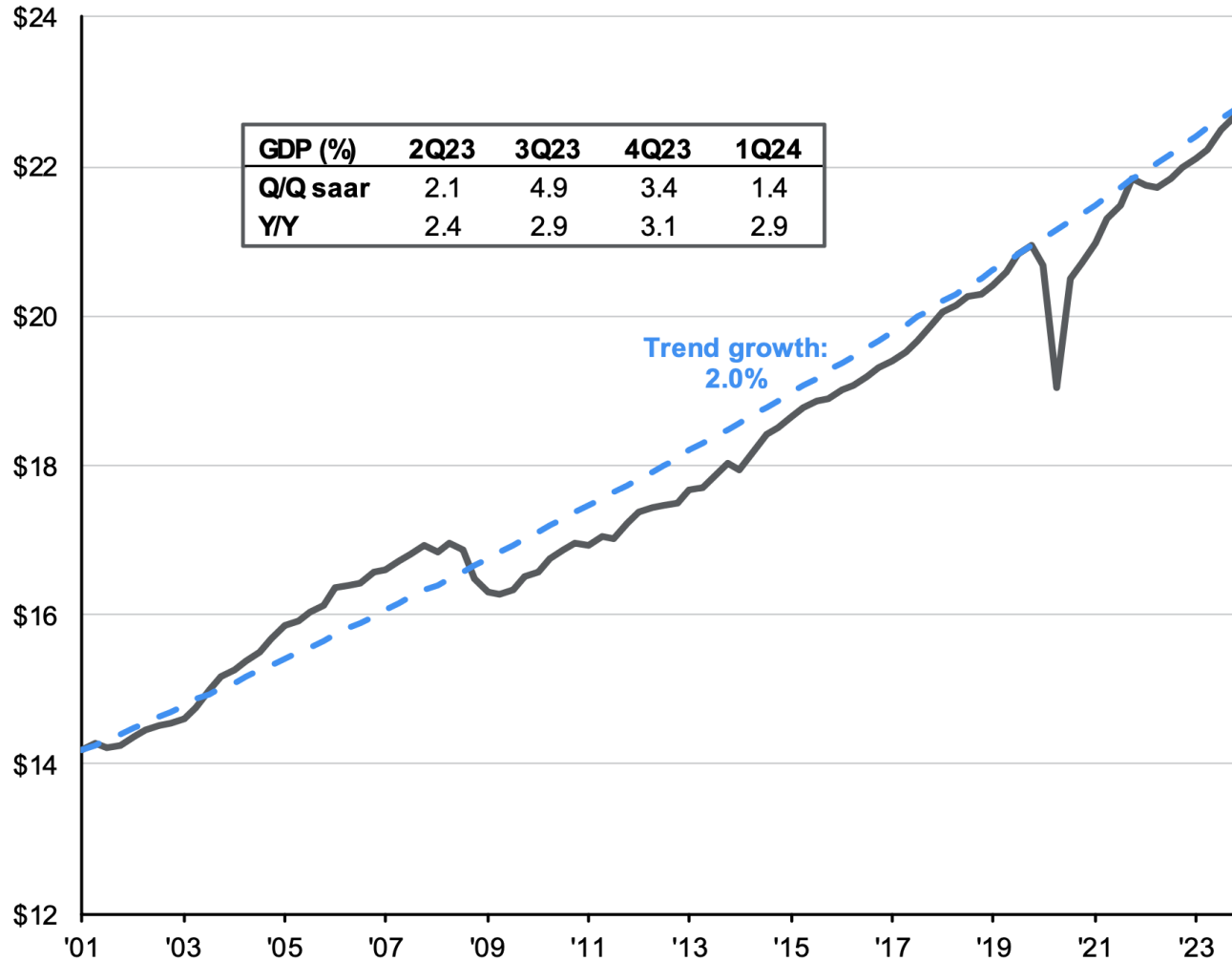
Components of GDP
1Q24 nominal GDP, USD trillions

4.0% Housing

13.7% Investment ex-housing

17.5% Gov't spending

67.7% Consumption

-3.0% Net exports

Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
Guide to the Markets – U.S. Data are as of June 30, 2024.

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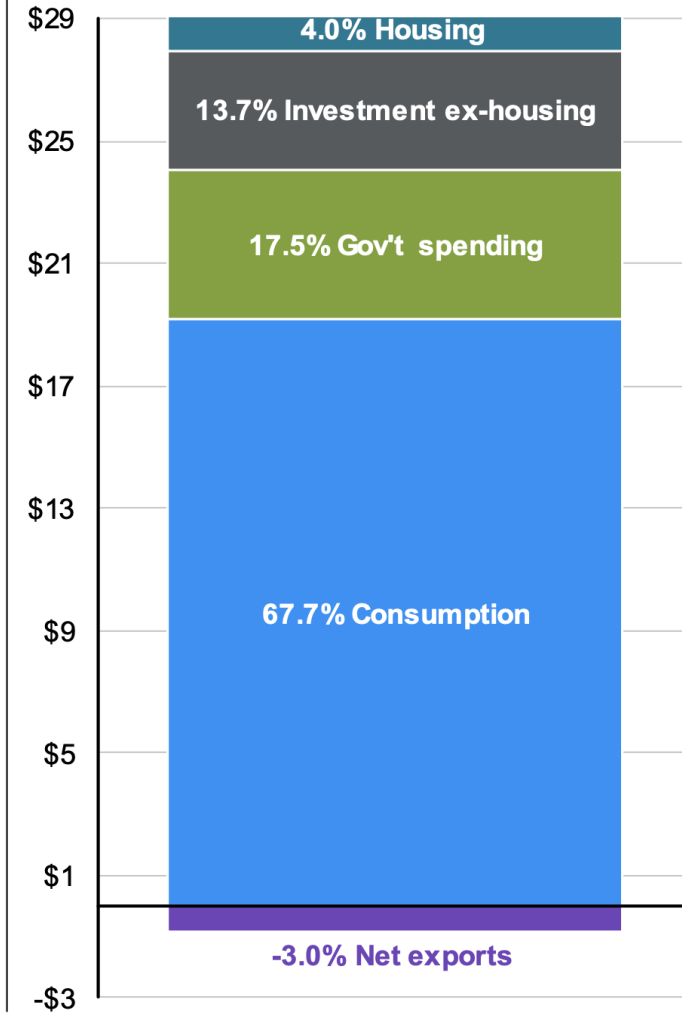
Investing at All-Time Highs?

Average cumulative S&P 500 total returns

Jan. 1, 1988 - Dec. 31, 2023

Legend:
- ■ Invest on any day**
- ■ Invest at a new high

Period	Invest on any day**	Invest at a new high
3 months	2.9%	2.3%
6 months	5.8%	5.9%
1 year	11.9%	13.4%
2 year	25.0%	28.9%
3 year	40.2%	48.1%
5 year	73.8%	79.6%

Headwinds and Tailwinds

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Tight Federal Reserve policy

Strong corporate earnings

Global tensions

Cash still on the sidelines

High cost of debt

Low unemployment

Politics and Investing

Election 2024

Election 2024

Percentage of Republicans and Democrats who rate national economic conditions as excellent or good

Legend: Republican / Lean Republican; Democrat / Lean Democrat

Election Day

Final values: 37% (Democrat), 10% (Republican)
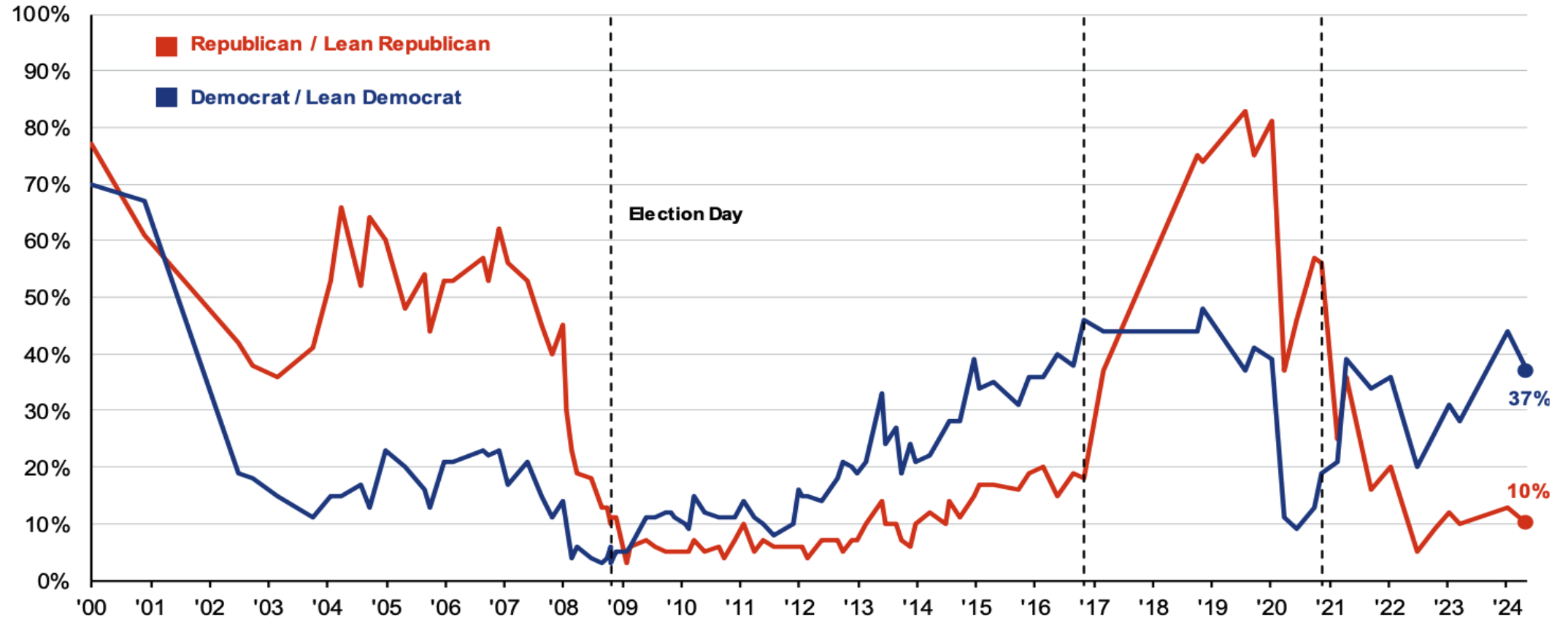
Administration	Bush	Obama	Trump	Biden
Dates in office	Jan '01 – Jan '09	Jan '09 – Jan '17	Jan '17 – Jan '21	Jan '21 – Today
S&P 500 return	-4.5%	16.3%	16.0%	12.4%
Real GDP growth	1.9%	2.2%	1.8%	2.7%

Profits Drive Price

S&P 500 Price Index vs. U.S. Corporate Profits

- After Tax Corporate Profits (LHS)
- Stock Price Index: Standard & Poor's 500 Composite (RHS)
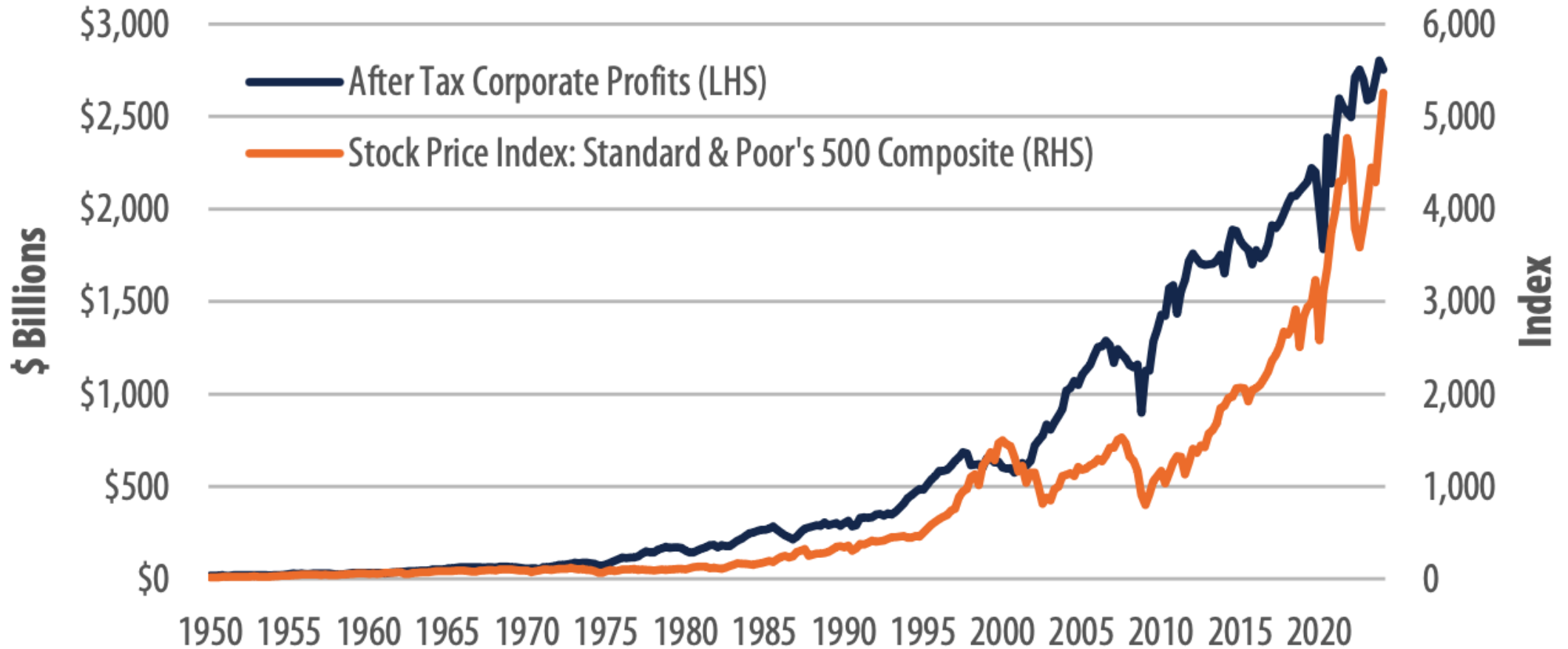
S&P 500 Performance

Average S&P 500 Index Total Return Annual Performance 1949-2023

Democratic President | **Republican President**

Makeup of Congress	Democratic	Republican	Split	Republican	Democratic	Split
Return	13.9%	18.5%	18.1%	10.7%	7.5%	17.6%
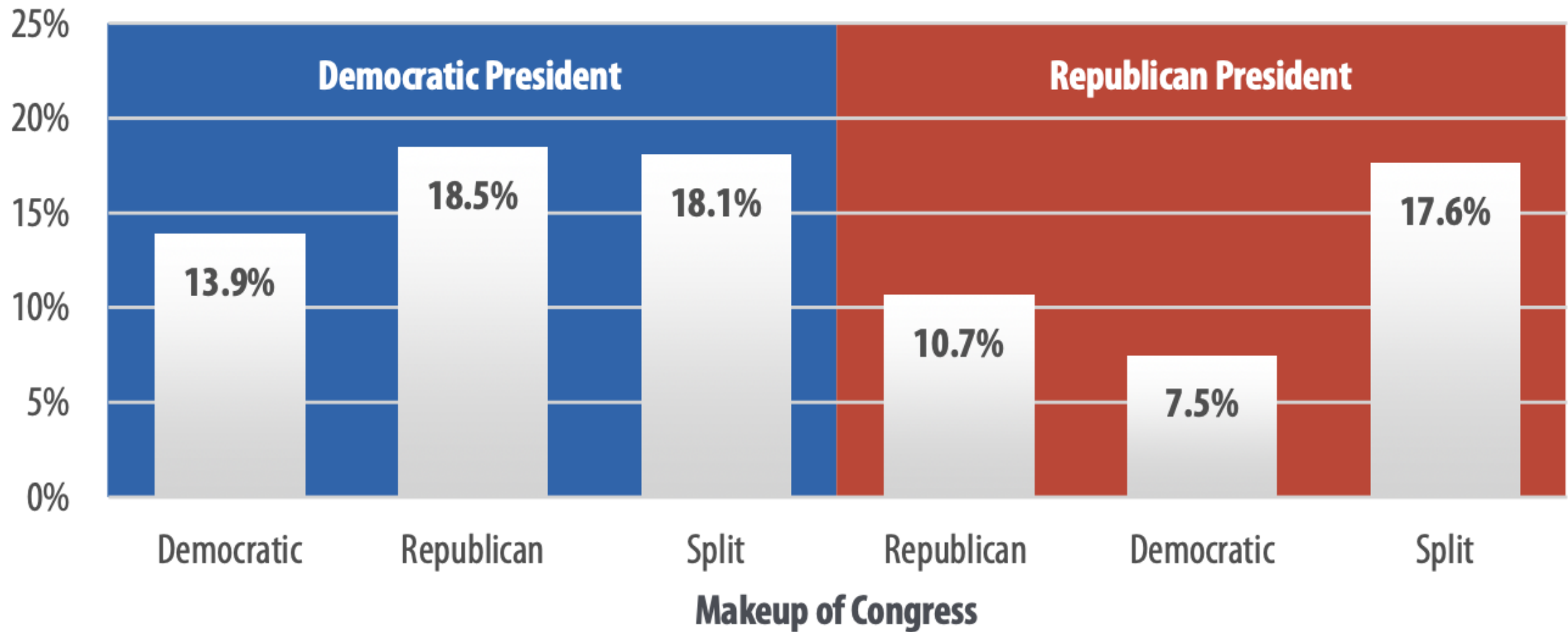
Non-partisan investing pays off

Legend:
- Fully Invested
- Only Invested During a Republican President
- Only Invested During a Democratic President

$3,460,000

$414,703

$83,360
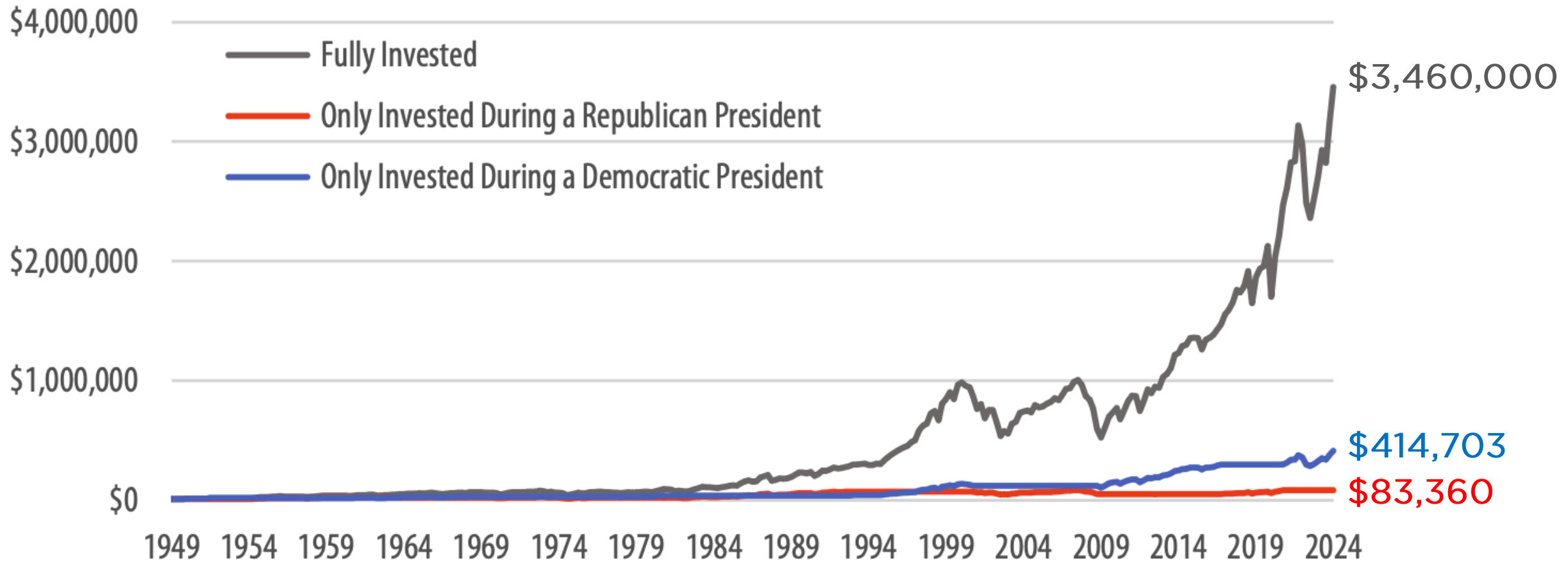
Daily Use of Artificial Intelligence

Should you use it?

In Summary

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- The election is front and center, but a long-term investment focus is key to success.

- Risk management strategies will continue to be a key tool in mitigating the potential risk going forward.

- The Fed tightening cycle has most likely ended and we expect a pivot in September.

- Through it all, our focus: quality investments, proper diversification and a disciplined process.

Wealth Management Matrix

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Investment Management	Retirement Planning	Risk Management	Estate Planning	Tax Planning	Business Planning
Asset Allocation	Income Distribution	Asset Protection	Document Review	Corporate Benefits	401(k) Plan Design
Manager Research	Scenario Analysis	Liability Insurance	Estate Tax Mitigation	Deferral Techniques	Deferred Comp.
Performance Analysis	Benefit Planning	Long-term Care Insurance	Beneficiary Review	Loss Harvesting	Succession Planning
Education Funding	Social Security Optimization	Life/Disability Insurance	Charitable Planning	Dividend Strategies	Buy/Sell Agreements
Trust Management	Tax Efficiency	Prop/Casualty Insurance	Proper Use of Trusts	"Stretch" Planning	Key Man Insurance

Our Team!

Aspect WEALTH MANAGEMENT

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CFP®

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CPA®

Chip Tencza*
Operations Analyst

Justin Horsman**
Financial Advisor
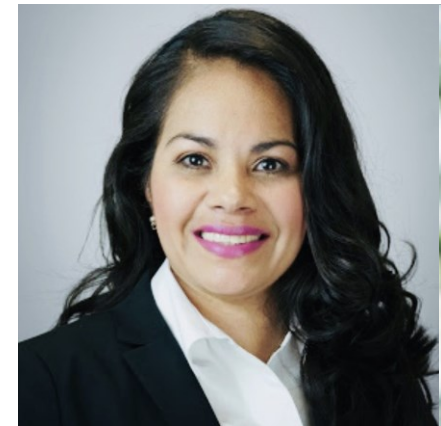
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Patrick Lane
Client Services

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Client Services

Micah Wakefield
Portfolio Consultant

Thank you!