ACKERMAN
CAPITAL MANAGEMENT

Quarterly Valuation & Trend Report

Quarter Ending

June 30, 2024

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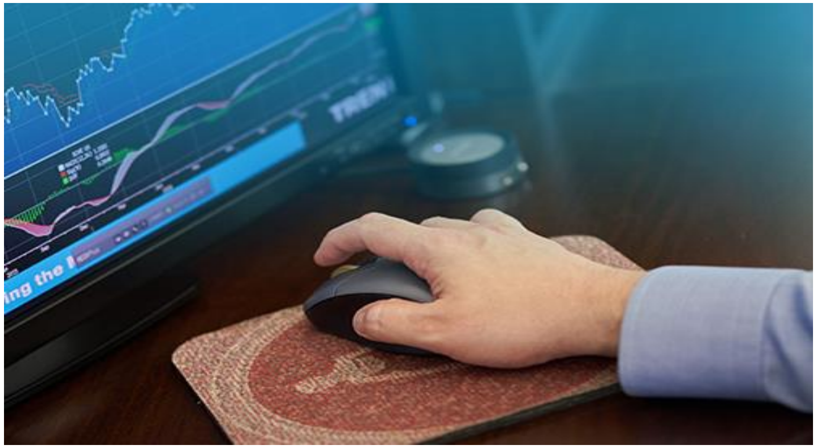
CHART EXPLANATION GUIDE

Color indicates overall attractiveness based on our proprietary combination of relative valuations and price trends.



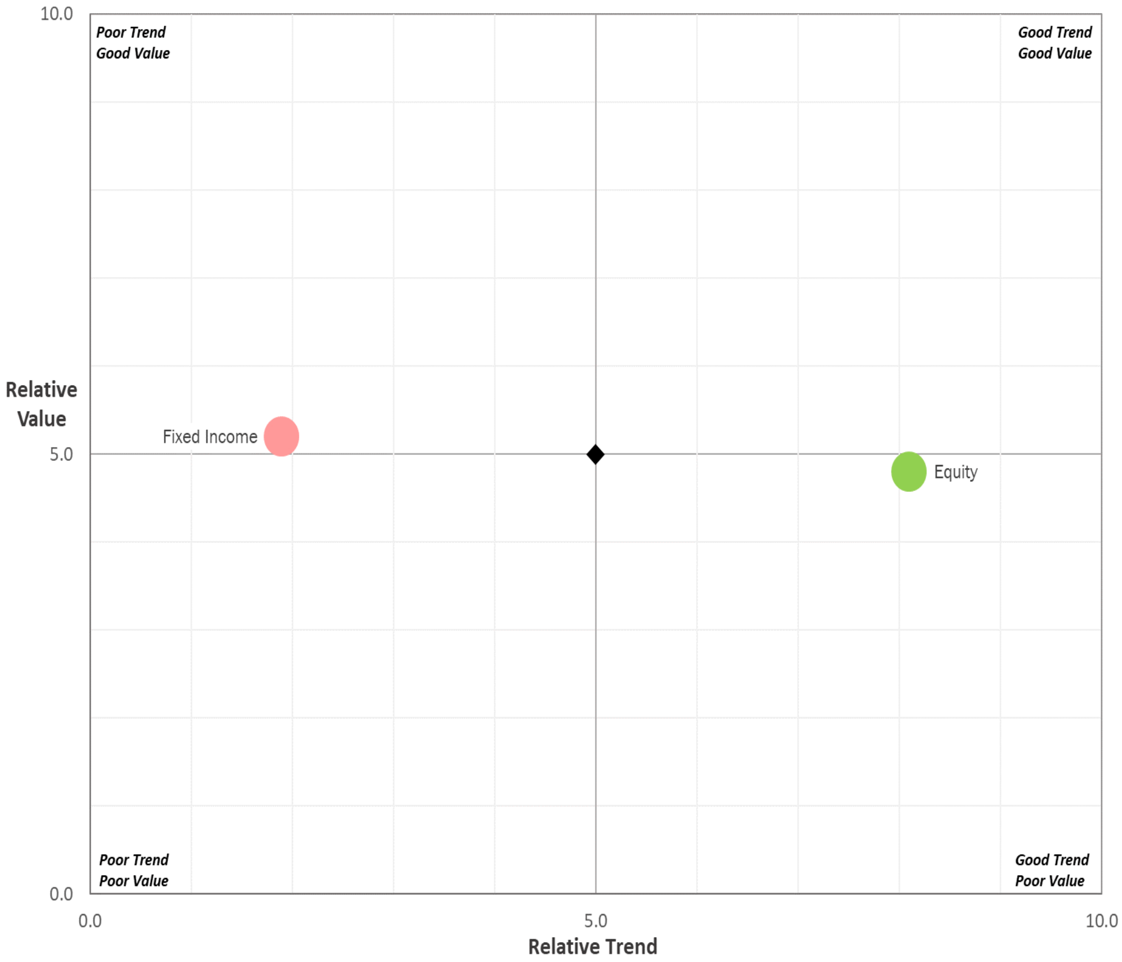
Ackerman Capital Management uses a combination of proprietary valuation and price metrics to dynamically adjust exposure among and within the two major asset classes. Both valuation and price trends are evaluated on a relative basis versus the asset class benchmark and are scaled from 0 to 10, with 10 being the highest score. In our portfolios, we emphasize funds which have attractive relative valuations and the strongest and most consistent relative price strength (top right quadrant) and de-emphasize funds with unattractive relative valuations and weak relative price trends (bottom left quadrant). Because investor sentiment can drive the price of risk assets to extremes, our equity model places greater weight on relative price trends than valuation. As such, we may overweight equity funds that are relatively expensive, but continue to display relative price strength (bottom right quadrant). In contrast, our fixed income model places the greatest emphasis on valuation. As such, we may overweight fixed income funds with attractive valuations and but poor relative price trends (top left quadrant).

The datapoints in each chart are also coded, as shown below, to highlight their attractiveness based on our combined relative valuation and relative trend analysis.

- MOST ATTRACTIVE
- ATTRACTIVE
- NEUTRAL
- UNATTRACTIVE
- LEAST ATTRACTIVE

EQUITY vs. FIXED INCOME

Stocks continued to rise in the second quarter, while bonds were flat. Stocks are now modestly expensive relative to bonds, but this secular bull market is likely to continue.



- Global stocks corrected by 5% in April but quickly recovered with a 2.9% gain for the quarter. Bonds, meanwhile, were flat. Year-to-date, global stocks are up 11.4%, while bonds remain down a modest 0.7%

- The most recent U.S. economic and inflation data showed some desired cooling in our otherwise resilient economy. Both stocks and bonds received the news well, with stocks adding 3.8% and bonds rallying 1.7% in the first two weeks of July. The capital markets are now discounting two to three Fed rate cuts beginning as early as September. Signs still point to a soft economic landing with gradually falling inflation expectations - an ideal scenario.

- The current equity risk premium of 0.5% for global stocks is the lowest it has been since 2008. This is just slightly below the median reading going back to 1965. While stocks may now be a touch expensive, they still have plenty of room for relative gains given that during the 1980's and 1990's, the equity risk premium spent plenty of time in the negative 1%-3% range.

- Based on historical comparisons, the secular bull market that began in March 2009 and the cyclical bull market that began in October 2022 both have plenty of runway. We are modestly overweight equity targets across our portfolios.

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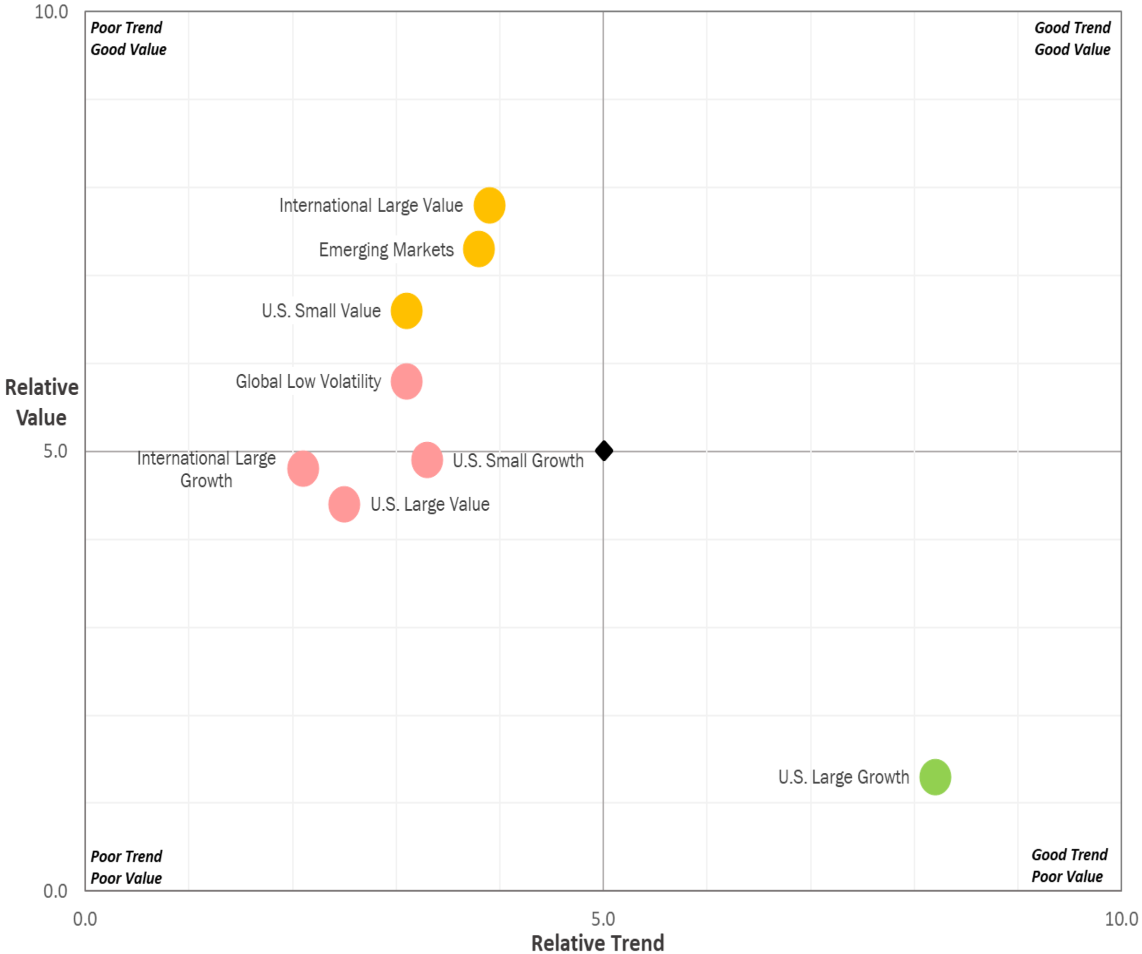
EQUITY

Global stocks added to their strong first quarter performance. Large U.S. Growth stocks remain the market leader, but a recent rally in small cap stocks demonstrates improved breadth.



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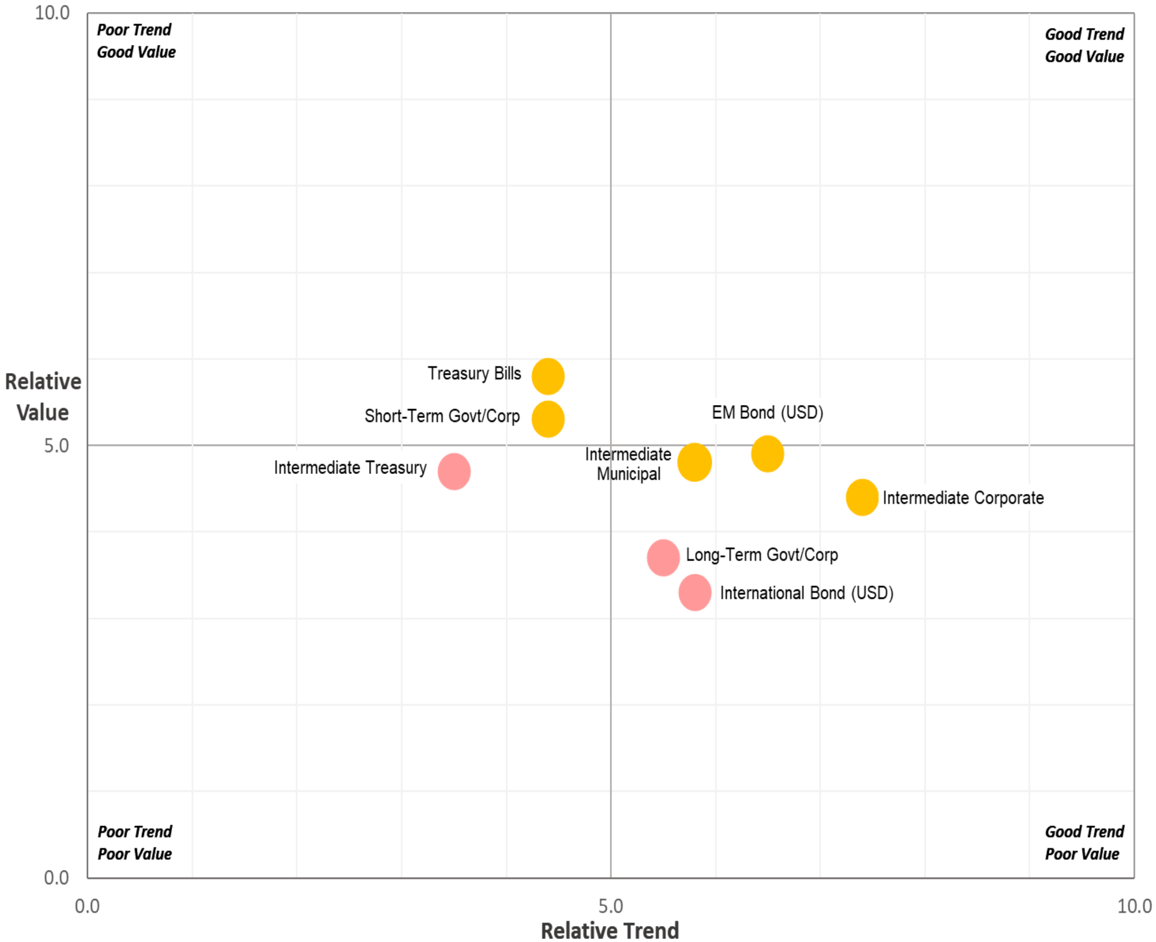
- Despite a 5% correction in April, Global Stocks rose 2.9% in the quarter and are now up 11.4% on the year.
- The second quarter advance was singularly fueled by the continued strength in Large U.S. Growth stocks, as investors remain excited about future growth related to artificial intelligence applications. Large U.S. growth stocks gained 8.9% and are now up a stunning 21.8% over the past six months.
- Market breadth was disturbingly weak in the second quarter. However, an improved inflation picture has sparked a more than 10% rally in small cap stocks to begin the third quarter. This advance was badly needed to resolve a number of worrisome technical divergences. Similarly sharp moves in small stocks over the past twenty five years have typically preceded sizeable gains over the next twelve months for them and larger stocks as well.
- Despite their lofty valuations, we continue to emphasize Large U.S. Growth stocks in our portfolios given their strong relative price trends.
- Eventually, market leadership will change and our methodology ensures that our portfolios will be adjusted accordingly.

FIXED INCOME

Interest rates rose sharply in April, but bonds ended basically flat for the quarter. The yield curve remains inverted with treasury bills still offering the best risk-adjusted yields.



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- U.S Aggregate Bonds where flat in the quarter, while Municipal Bonds declined 0.2%. U.S. Aggregate Bonds and Municipal Bonds are down 0.7% and 0.5% on the year, respectively.
- With interest rates ending the quarter higher, not surprisingly, Treasury Bills were the top performers in fixed income with a 1.3% return, while Long-Term Govt/Corp Bonds lost 1.7%.
- Interest rates moved sharply higher in April as the 10-Year U.S. Treasury jumped 0.5% to 4.7%. Importantly, rates have been on a rocky but downward path since. Better inflation readings in the first weeks of July have accelerated that trend with this key interest rate back below 4.2%. This most recent move has turned bond returns to positive for the year.
- Compared to our benchmark, our portfolios continue to exhibit a modest tilt toward shorter maturities, corporate credit, and emerging market bonds.

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