APTUS CAPITAL ADVISORS

Quarterly Market Update

Q1 2025

Aptus Quarterly Market Update – Q1 2025

APTUS CAPITAL ADVISORS

APTUS CAPITAL ADVISORS

Equity Markets Review

A Market in Review – Q1 2025

Policy Hyperactivity Now Overshadowing Animal Spirits: Q1 delivered a classic third-year bull market correction, falling 10% from its highs before rebounding and finishing only –4.28% in the quarter. The recent selloff has been centered around three prevailing culprits: momentum unwind, tariff uncertainty, and a growth slowdown. A key highlight of the quarter was the market broadening that drove the previously unloved international markets higher (+7.03%), as investors rotated from the Magnificent 7 (“Mag 7”) which became a funding mechanism into the cheaper areas of the market. Well, except U.S. Small Caps (-9.51%).

When investors take a step back, it’s stunning how much is going on right now – and, even if implied volatility has settled down, the market continues to digest a huge range of significant variables. The result will likely be a trading environment profoundly different from the past few years.

The Root of the Market Hesitancy: The single biggest obstacle in the market that remains is uncertainty. Tariff and trade policy is a total unknown and headlines are volatile, major government institutions (USAID, Department of Education, Consumer Financial Protection Bureau) are being gutted or outright closed and administration officials are openly acknowledging the possibility of a recession. This cocktail of uncertainty has hit consumer and business confidence, slowing economic momentum. Combine that with elevated earnings and a lot of bullish optimism entering the quarter, and you’ve got the recipe for a correction, which we saw in the S&P 500 during Q1.

Where Do Investors’ Concerns Lay?: Concerns are centered around three key realities. 1) U.S. growth is slowing; 2) US fiscal dominance is narrowing; and 3) Trade and tariff policy remains unpredictable. This is why we feel safe saying that the animal spirits provoked by Trump's victory in November have given way to serious and widespread concerns about a new world economic order. The duration of the current anxieties regarding tariffs could have a significant impact on our future odds of recession.

Source: Bloomberg, Aptus as of 3.31.25

	1M	QTD	YTD	1-YR	3-YR	5-YR	10-YR
S&P 500	-5.63%	-4.28%	-4.28%	8.23%	9.04%	18.57%	12.49%
NASDAQ	-8.14%	-10.26%	-10.26%	6.39%	7.64%	18.52%	14.58%
U.S. Average Stock	-4.06%	-0.87%	-0.87%	7.40%	8.75%	16.20%	11.43%
MSCI EAFE	-0.29%	7.03%	7.03%	5.46%	6.68%	12.43%	6.00%
MSCI EM	0.64%	2.97%	2.97%	8.54%	1.84%	8.33%	4.09%
Bloomberg US Agg Index	0.04%	2.78%	2.78%	4.88%	0.52%	-0.40%	1.46%
U.S. Small Caps	-6.85%	-9.51%	-9.51%	-4.04%	0.43%	13.17%	6.24%
Investment Grade Bonds	-0.31%	2.49%	2.49%	4.42%	0.53%	1.08%	2.45%
High Yield Bonds	-0.94%	1.15%	1.15%	7.82%	4.79%	6.45%	4.46%

Source: Bloomberg. Data as of 03/31/2025. 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**

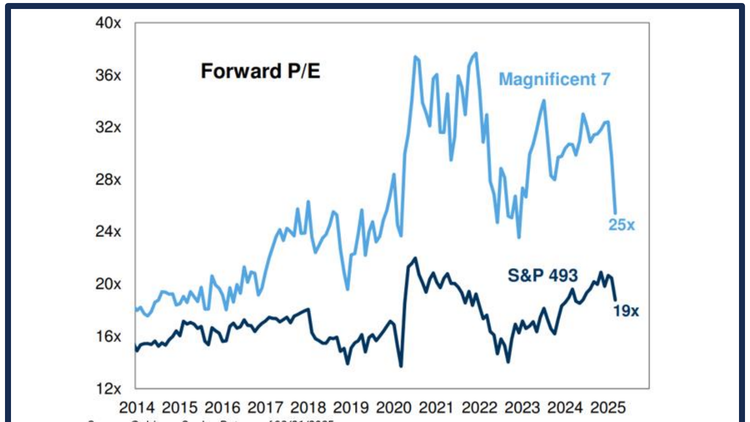
S&P 500 Dividend Yield: 1.27%

+

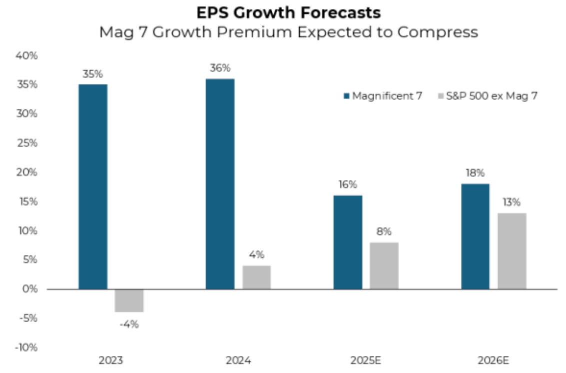
S&P 500 '24 EPS Growth: 10.20%

+/-

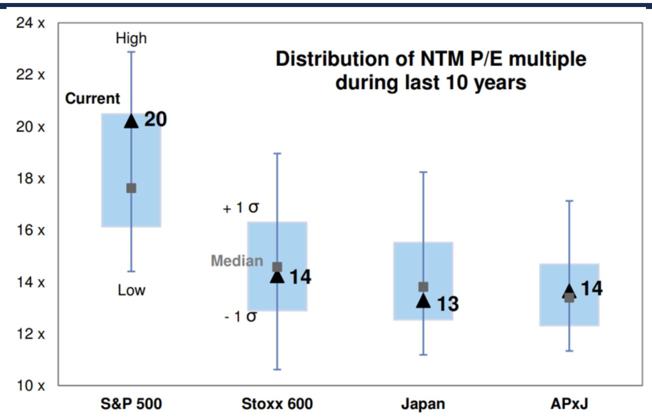
S&P 500 Forward Valuation: 20.76x



Source: Goldman Sachs, Data as of 03/31/2025.



Source: Goldman Sachs as of 3/31/25



Source: Goldman Sachs, Data as of 03/31/2025. APxJ is Asia Pacific ex. Japan

Perspective on Market Pullbacks

Pullbacks are Normal…and Healthy. Markets Do Not Move in a Straight Line.

Perspective on the Current Pullback

- *Consumer Behavior is Simple* – people hate losses and have little patience for D.C. policies that might not contribute positively to stock market returns immediately.
- The recent 10 percent drop in the S&P 500 fits squarely within the range of typical market behavior; the market averages three pullbacks of 5 percent or more each year. These corrections are healthy, not alarming.
- Since 1928, the average annual drawdown has been 16 percent, yet year-end returns often remain positive. Volatility creates opportunity, and staying patient typically pays off.
- The last six times the S&P 500 experienced a 10 percent or greater decline, the index was higher one year later in every case. That historical pattern reinforces the value of discipline during temporary setbacks.

S&P 500 Index (1942 - Today)			
Type of Decline	Avg. Frequency	Avg. Length	Last Occurrence
-5% or More	About 3x Per Year	39 Days	Now
-10% or More	About Every 16 Months	128 Days	Now
-15% or More	About Every 3 Years	230 Days	October 2022
-20% or More	About Every 5.5 Years	335 Days	October 2022

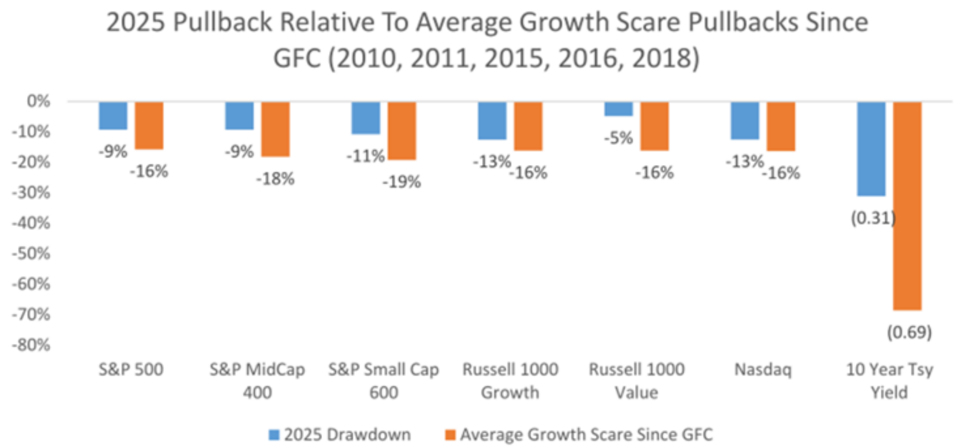
Source: Bloomberg, Data as of 3/31/2025

A History of Growth Corrections

- While the intra-day volatility has been headline-driven regarding tariffs, the core driver of this pullback is slowing growth. Why do we believe this?

  1) U.S. Large Caps > U.S Small Caps
  2) Defensive Stocks > Cyclical Stocks
  3) The stocks leading this downturn are impervious to tariffs.

- *Corrections Are a Function of Price and Time* – Growth scares typically result in drawdowns of roughly 16 percent. The current environment aligns with that historical precedent. Consumers and corporations remain in relatively strong financial positions, and the bond market is not signaling major distress. That distinguishes today's pullback from past episodes.



Source: Raymond James, Data as of 03/31/2025

Underneath the Market's Hood

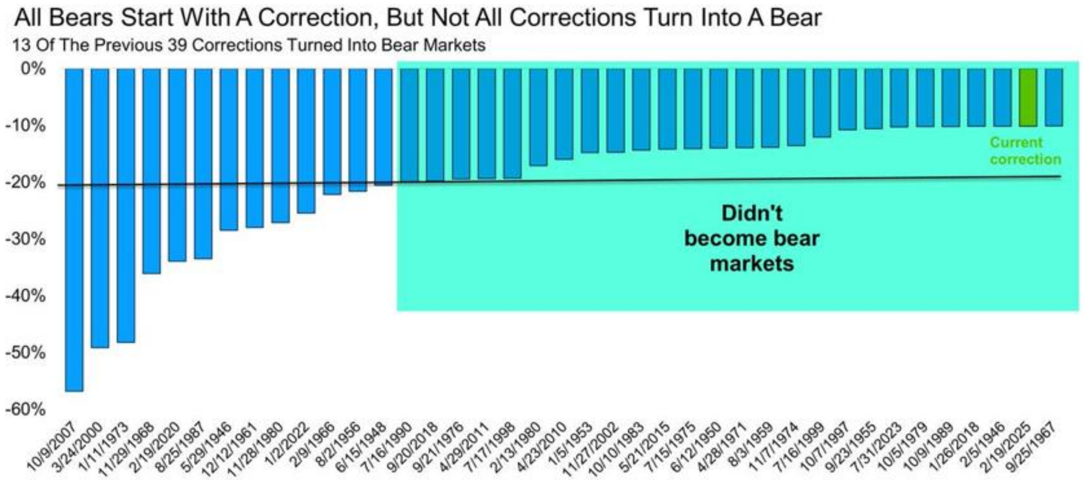
Market Corrections and the Root Cause

All Bear Markets Start with a Correction, But Not all Corrections Turn into Bear Markets

- Since World War II, there have been 39 instances where the S&P 500 declined by 10 percent or more. Only 13 of those events turned into bear markets, where losses exceeded 20 percent – only 33% of the time.

- It is also worth noting that the market has already endured two bear markets in the past few years. These were the two closest bear markets on record, based on the number of days between them:

- February 19, 2020 to March 23, 2020: -33.79%
- January 22, 2022 to October 12, 2022: -24.02%
- February 19, 2025 to March 13, 2025: -10.04%
- July 31, 2023 to October 27, 2023: -9.94%



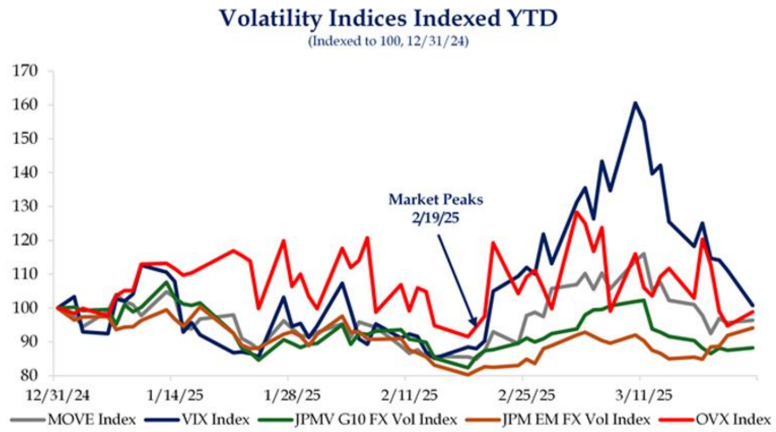
Source: Carson Group, Data as of 03/31/2025.

The Momentum Unwind

- It may come as a surprise, but capital flows can significantly impact market pricing. In 2025, we've seen meaningful outflows from U.S. Mega-Caps into international equities.

- It's highly recognized that the selloff in Q1 2025 has been centered around three prevailing culprits: 1) momentum unwind, 2) growth slowdown, and 3) tariff uncertainty.

- However, the absence of follow-through across most major volatility indicators, including oil, interest rates, and both developed and emerging market currencies, suggests that the key driver is likely the momentum unwind. If tariffs were the primary catalyst, we'd expect heightened volatility in currency markets. If growth concerns were at the core, oil and interest rate volatility would be spiking. Instead, the broad lack of volatility confirms what the chart is signaling: a momentum unwind is the dominant force behind the recent market moves.



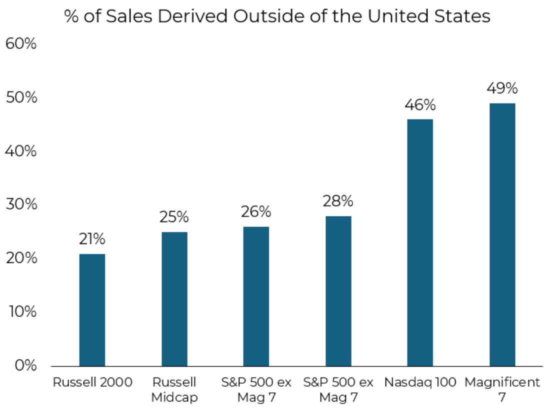
Source: Strategas, Data as of 3/31/2025

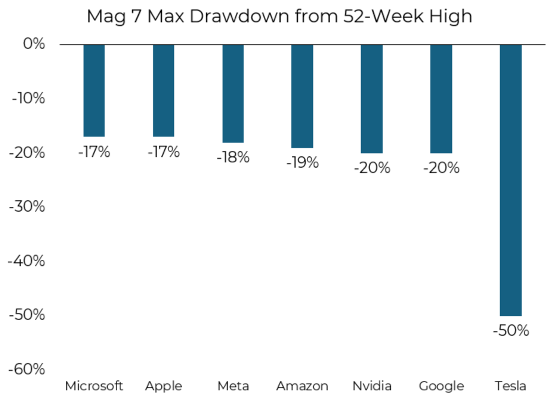
Underneath the Market's Hood

What Didn't Work in the U.S. Market?

"Mag 7"? ... More like "Lag 7"

- There have only been one week since December 21, 2024 (14 weeks ago) where the Magnificent 7 ("Mag 7") has outperformed the S&P 500. This is a useful signal of hedge fund de-leveraging and global equity flight from the U.S. There has been no panic, just very consistent underperformance for essentially a full quarter. One gets the sense the global rotation out of U.S. equities has not stabilized until this trend reverses.
- In 2024, the Mag 7 drove more than half of the S&P 500's 25% total return. Historically, the cap-weighted index tends to experience 10% drawdowns in most years, similar to what we've seen recently. In contrast, the equal-weighted index, a proxy for the typical stock, has fallen 6% during the recent bout of volatility and remains 8% below its all-time highs. Key drivers of the decline appear to be tariff-related policy uncertainty, concerns over growth, and a positioning unwind, particularly among hedge funds.

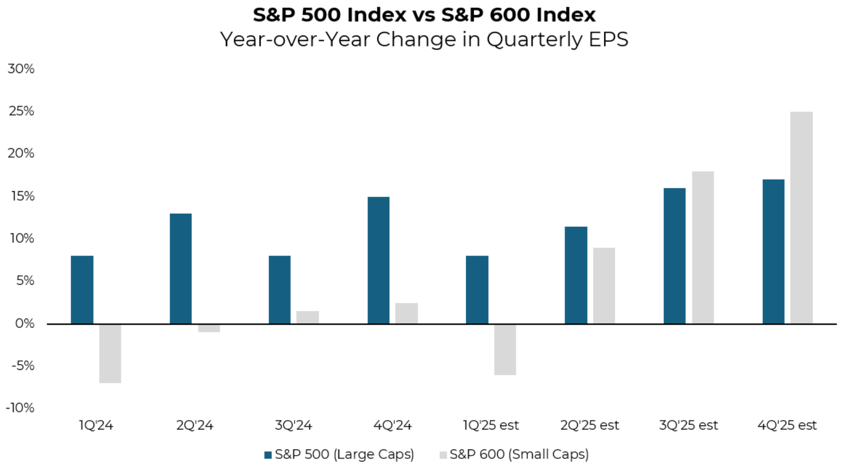




Source: Goldman Sachs as of 3/31/25

...But the Increase in Market Breadth Didn't Buoy Small Caps

- *The "R" Word is Very Bad for Small Caps:* Whether it's regional bank stress, meme stock volatility, or rising rates, something always seems to hold back small caps. With recession concerns resurfacing, small and mid-caps have taken a hit more than you'd typically see in the early stages of a slowdown.
- Fundamentally, it's also been a tough stretch. As of Q1 2025, small cap earnings growth is projected to outpace large caps in the second half of the year. But unless growth reaccelerates meaningfully, that potential leadership shift may never materialize.
- One reason investors are eyeing small caps is valuation. They remain historically cheap, trading roughly one standard deviation below large caps for three straight years, making them look attractive if the macro picture improves.



Source: Strategas, Bloomberg as of 3/31/25

Underneath the Market's Hood

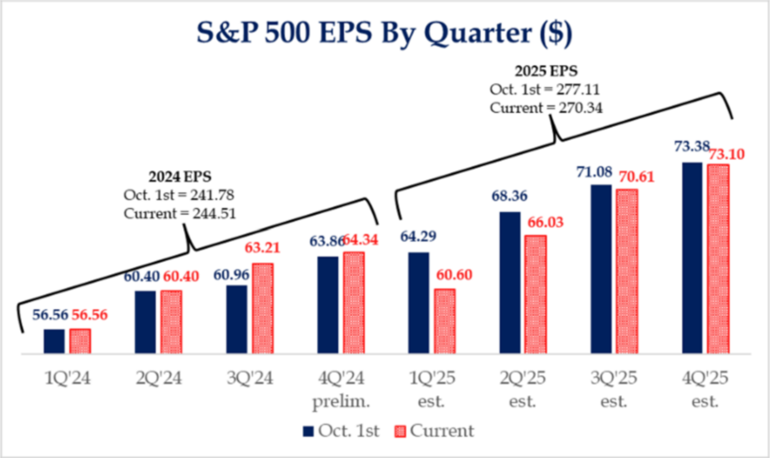
It's All About Earnings, Earnings, and More Earnings

Lessons from Q4 2024 Earnings Season

2024 marked the third consecutive year in which U.S. Large Caps outperformed U.S. Small Caps, though the gap narrowed significantly. The S&P 500 grew earnings by approximately 15%, while Small and Mid Caps grew by around 5%. However, earnings expectations have ticked down recently due to a few key factors:

- When companies significantly beat EPS expectations, markets often revise future growth lower, assuming the prior quarter reflected demand pulled forward.
- Consumer spending appears to have started the year on weak footing. While this has raised concerns, much of it may be explained by seasonal headwinds such as cold weather and the flu, rather than underlying economic weakness.

Recessions Tend to Begin When EPS Growth Falls Toward 2%: One reason recession concerns are relatively muted is that next-twelve-month (NTM) EPS growth for the S&P 500 remains around 11%. Historically, recessions have begun when NTM EPS growth is closer to 2%. Over the last 40 years, average EPS growth entering recessions has been ~2%, with the highest pre-recession level being 8.1% in December 2007, just before the global financial crisis.



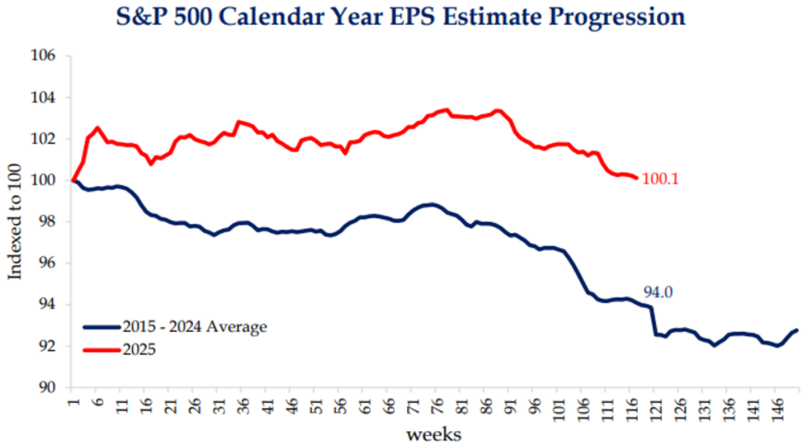
Source: Strategas, Data as of 03/31/2025

Focusing on Growth

- Broadly speaking, the historical norm is for earnings expectations to be gradually revised down from overly optimistic starting points for the S&P 500. But this year is a standout from recent history as expectations have remained relatively high.

- Said differently, with all the noise coming from Washington and concerns about slower growth, 2025 S&P 500 EPS projections have yet to fully reflect these challenges. For the full year, earnings are still expected to grow by 10.2%, which would slightly surpass this year's growth rate. So far, EPS estimates have been revised down for Q1 and, to a lesser extent, Q2. However, compared to expectations from about six months ago, the projections for the second half of the year remain nearly unchanged. If what we're experiencing now is more than just a soft patch, these estimates will likely need further downward revisions.

- More detailed, the industries most closely tied to tariff announcements (such as autos) and cuts related to DOGE (aerospace and defense) have seen the most significant downward revisions for 2025.



Source: Strategas, Data as of 3/31/2025

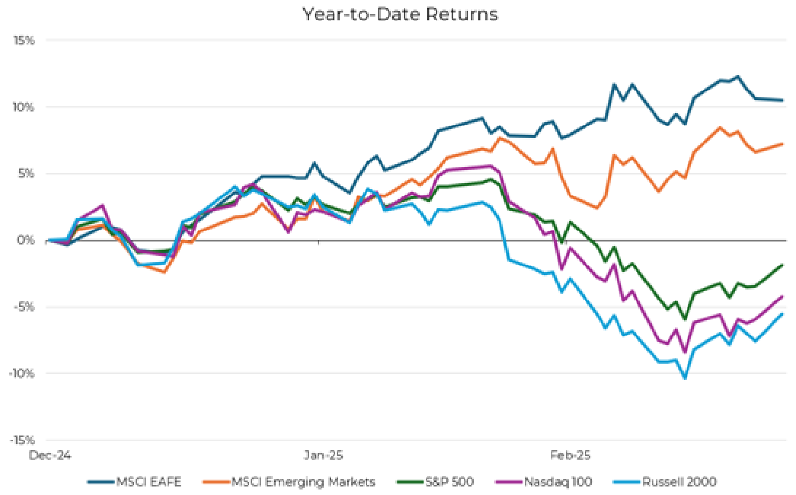
A Secular Shift or Another Head Fake?

The International Debate: It Seems That Donald Trump Has Started to Make International Equities Great Again.

What Has Been Driving the International Outperformance?

U.S. equities have underperformed International due to the following reasons:

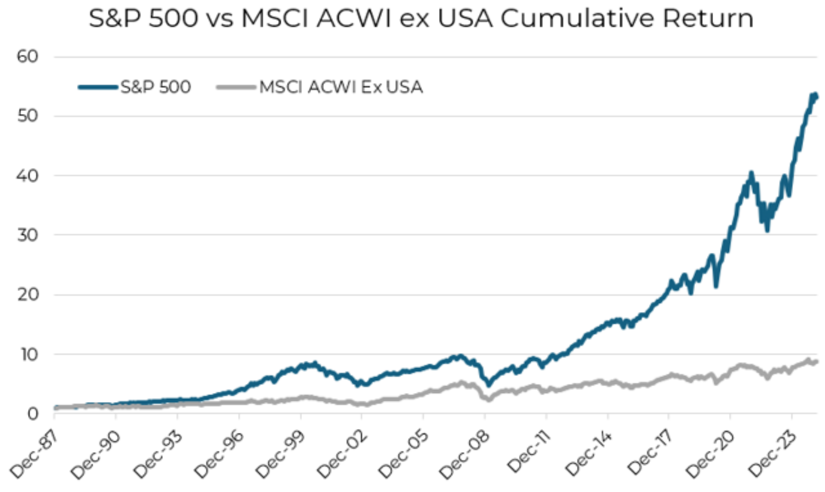
- Europe is still easing monetary policy, even as inflation remains above 2%, while the U.S. appears to have finished its tightening cycle.
- Germany and other European nations are expected to expand fiscal stimulus, increase defense budgets, and reduce reliance on long-standing EU constraints; in contrast, the U.S. is beginning to cut its fiscal deficit, which may act as a drag on domestic growth while Europe is still in expansion mode.
- After years of overweighting U.S. equities, global investors are beginning to reallocate into international markets, seeking broader exposure.
- Earnings growth has become more evenly distributed across global markets. While the Magnificent 7 posted outsized earnings over the past two years, many international markets saw modest or even negative growth, setting the stage for potential catch-up.
- The valuation gap between recent outperformers and underperformers had become extreme. The consistent dominance of specific sectors and styles was unlikely to persist, and we may now be seeing the beginning of mean reversion.



Source: YCharts, Data as of 3/31/2025

Do We Chase International?

- The rally in international equities appears to be driven more by capital flows than by improving fundamentals. These markets were significantly under-owned coming into 2025, and many global managers are now rebalancing.
- Rather than a broad endorsement of international growth, this rotation looks more like a repositioning away from concentrated U.S. exposures, particularly in mega cap tech.
- Despite the strong start, much of the return seems valuation-driven, and many investors remain skeptical about the durability of recent policy shifts.
- We believe it is perfectly reasonable to wait for more confirmation before chasing international exposure. If structural changes take hold, there will be time to participate, and patience may help avoid rotating based on hopes rather than evidence.



Source: YCharts, Data as of 3/31/2025

Is the Market Expensive?

For the Last Decade, It's Either You Owned Domestic Large Caps or You Underperformed.

U.S. Large Cap Stocks

There's rarely a time when investors believe the market is cheap relative to history, but maybe they are improperly comparing it to the past:

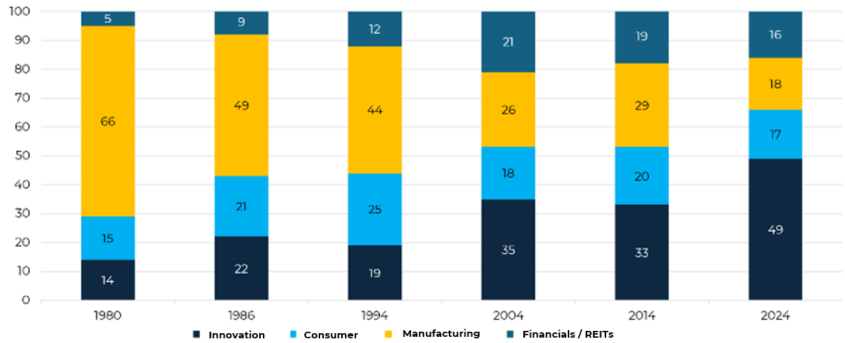
Question: Which stock should warrant a higher valuation – all things considered equal (i.e. what the company does, their growth, etc.)

- Stock A: 8% Profitability, or
- Stock B: 17% Profitability.

Answer: Most people would argue that "Stock B" should warrant a higher valuation, given its higher profitability. This concept can be applied to the U.S. Market (i.e., S&P 500). Why compare the valuation of the S&P 500 in 1980 (which had ~8% operating margin) to the S&P 500 of today (17.5% next twelve-month operating margin)? It's clear that the S&P 500 should warrant a higher valuation today relative to the past, especially because its constituents are more asset-light (better profitability) and more innovative (higher long-term growth).

U.S. Large Caps embody the characteristic of "operating leverage", which warrant a higher valuation.

% of S&P 500 Market Cap by Sector: 1980 – Present
as of 3/31/2025



Innovation = Tech, Comm Services ex Telecom & Health Care
Consumer = Staples / Discretionary
Manufacturing = Industrials, Energy, Utilities, Telecom

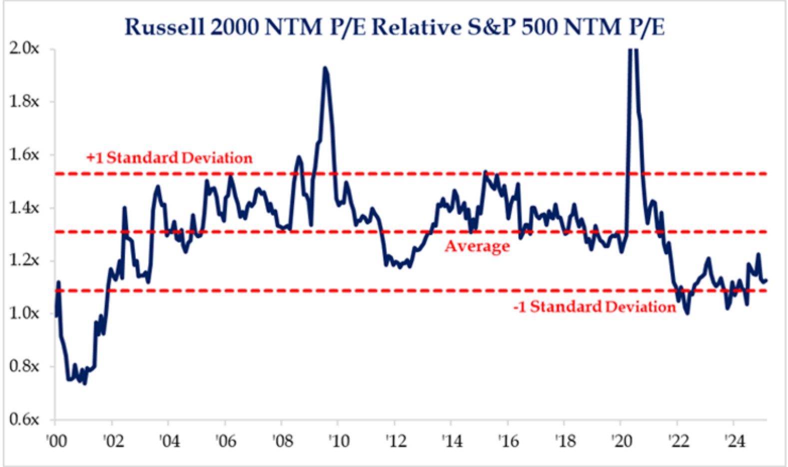
Source: Aptus. BofA

Small Caps Continue to Trade at a Discount

Over the past decade, the investment landscape has been fairly binary; investors who owned U.S. Large Caps generally outperformed, while those overweight Small Caps largely underperformed. Historically, U.S. Small Caps have traded at a modest premium to their large-cap counterparts. Today, however, that relationship has reversed, with Small Caps trading at a nearly 30% discount. This shift has prompted many to question when a mean reversion trade might emerge.

Why the Discount?

- U.S. small caps lack the same level of exposure to technology proxies as the S&P 500, meaning that they have an underweight to the artificial intelligence narrative.
- Over the past few years, U.S. Large Caps have garnered the characteristic of operating leverage. U.S. Small Caps are more of a service-based asset class, which does not have this characteristic.
- From an earnings perspective, Small Caps have consistently lagged their larger peers. After 18 consecutive months of negative earnings growth, Small Cap earnings have finally turned positive. If growth begins to reaccelerate meaningfully, we would expect fundamentals to follow, along with renewed investor interest.



Source: Strategas, Data as of 3/31/2025

Is Market Concentration an Issue?

The Top 10 Stocks in the S&P 500 Account for ~35% of the Index

What is the Current Landscape?

- S&P 500 returns last year were nothing short of spectacular, with the index rising an impressive 25%. However, it's no secret that this strong performance is largely driven by a handful of technology stocks — the so-called Magnificent 7 — which returned 64% year-to-date versus only 13% for the remaining 493 stocks, accounting for a substantial amount of the index's return. This has let the concentration of the top 10 stocks to ~39%. While the concertation helped last year, it's hurt this year.

- *What Are the Arguments?*

Negative: Investors do not need to be concerned about high market concentration over the short run; research has found no relationship between market concentration and S&P 500 returns over the subsequent week, month, six months, or year — when factors such as valuation, near-term economic and earnings growth, money flow, share buybacks/dividend policy, etc. drive returns

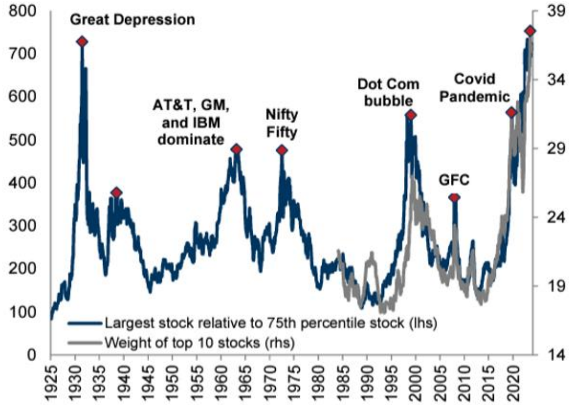
However, over the longer term—especially across 10-year horizons—market concentration has shown a more meaningful relationship with forward returns. Historically, high levels of concentration have been associated with lower returns when valuations are stretched.

Positive: Others argue that fears around market concentration are overstated. Concentrated markets are not inherently more risky, nor do they guarantee weaker performance. In many cases, valuation is the more relevant factor. In a global context, today's U.S. stock market is not uniquely concentrated. There have been more concentrated periods in U.S. history, such as in the 1950s and 1960s, and many international markets today show even greater levels of concentration.

Market concentration in and of itself should not be a source of investor concern, as it often reflects a natural outcome of profit growth becoming increasingly concentrated in the largest companies, which are then rewarded with higher valuations.

US equity market concentration today is particularly high relative to history

Market cap of the largest stock relative to 75th percentile stock (x, lhs), weight of top 10 stocks in S&P 500 (%, rhs)*



Source: Goldman Sachs, Data as of 3/31/2025

iShares Country ETFs			
Country	**Ticker**	**Top 10% Weight**	**MSCI ACWI Weight**
Spain	EWP	76.62%	0.57%
Italy	EWI	68.32%	0.52%
Hong Kong	EWH	67.73%	0.43%
Switzerland	EWL	66.30%	2.23%
Netherlands	EWN	63.62%	1.10%
Australia	EWA	60.88%	1.49%
Mexico	EWW	60.83%	0.18%
Norway	ENOR	60.06%	0.12%
Germany	EWG	59.97%	1.89%
France	EWQ	58.32%	2.06%
Brazil	EWZ	57.43%	0.50%
Sweden	EWD	55.14%	0.63%
South Korea	EWY	50.91%	0.90%
United Kingdom	EWU	47.43%	3.03%
China	MCHI	46.71%	2.69%
Taiwan	EWT	46.33%	0.13%
Canada	EWC	42.39%	2.73%
India	INDA	37.76%	1.89%
S&P 500	IVV	34.74%	67.03%
Japan	EWJ	27.06%	4.65%

Source: YCharts, Bloomberg, Data as of 3/31/2025

Keeping Things in Perspective

Macro News Can Seem Overwhelming, Just Remember, It's Still All About Stocks, Which Are All About Underlying Businesses:

What are the Big Questions for 2025?

- What is the State of the U.S. Consumer? Arguably, the most important story in the U.S. economy over the past two years has been the durability of the consumer. Strong labor markets have led to accelerating real disposable income, which in turn has fueled robust household spending. Add to that significant wealth creation since 2019, and the U.S. consumer has been empowered to do what it does best—spend.

- What is the Character and Sequence of Trump 2.0 Policy? The first 70 days were jam-packed. Markets reacted strongly to policy headlines, especially around immigration and tariffs. Despite this, we continue to believe the overarching bias will be pro-growth, pro-business, and pro-markets. Moving forward, it will continue to be noisy and uneasy at times, but the broad thrust of policy will be net positive for US equities, particularly around de-regulation.

- Will Fiscal Concerns Come to Roost in 2025? Last year, one of the surprises in 2024 was the lack of market stress over debt and deficits. Though bond markets showed signs of concern late last year, there was no major reckoning. This theme has a way of fading in and out of focus, but it is reasonable to expect renewed attention at some point in 2025.

What are the Big Questions for 2025 Continued

- Does the Equity Investor Market Need to Worry about the Recent Tightening of U.S. Financial Conditions? Since the recent Fed tightening, the broad set of market moves would constitute a headwind to growth (a stronger dollar, lower stocks and wider credit spreads, and, most notably, higher US rates). The main driver has been the tone of the Fed, some renewed concerns on the trajectory of US inflation, and the flow of capital.

- Does the Market Remain Priced for Perfection? Over the course of time, investors have arguably become too focused on valuation and may have been hurt more than helped by this obsession. It's important to distinguish between a fairly valued market and an overvalued one. By nearly any measure, today's market does screen as expensive relative to history.

- How Dependent is the Market on the AI Theme? The Magnificent Seven added $6B of market cap in 2024, and the AI story was as powerful as any in that mix. At times, it felt like the entire market revolved around one theme. The question now is, what happens if one of those key stocks falters? Historically, the S&P 500 has often rallied after periods of extreme concentration, with the rest of the market catching up. If that happens again, it could be a more benign outcome than a broad correction.

Facts About What is Going on In the Current Market:
There's a soft patch developing in the U.S. data to start 2025 due to trade policy uncertainty
There have been some cracks in the U.S. employment situation, as the under-employment rose sharply to 8.0%
Doemstically, we are watching credit spreads, which have been benign, as a great signal for the economy
There's likely a floor in growth if the new U.S. gov't creates cushions wih tax policy & cheap energy
The Fed has paused their rate cutting cycle. Given unvertainty on other policies (trade, fiscal & regulatory), the policy makes sense
Inflation is likely not a large problem in 2025, as rents continue to moderate.
Tariffs would likely be a quick one-time move in the price level, but inflationary pressures could build over time
Individual tariffs may be a level shift in prices, but a retaliatory trade war also threatens continues price hikes
How the US. tax code will shape up at the end of 2025 should matter, especially for small businesses
Wage growth data is key for measuring balance in the labor market. Increased productivity could help unit labor costs moderate

Source: Aptus' PM's Brains, Thoughts as of 3/31/2025

FY 2025 Market Outlook – Airplane!

For the time being, it looks like the prospects for continued monetary accommodation, relatively easy fiscal policy, and regulatory easing should continue to keep animal spirits alive for both investors and dealmakers.

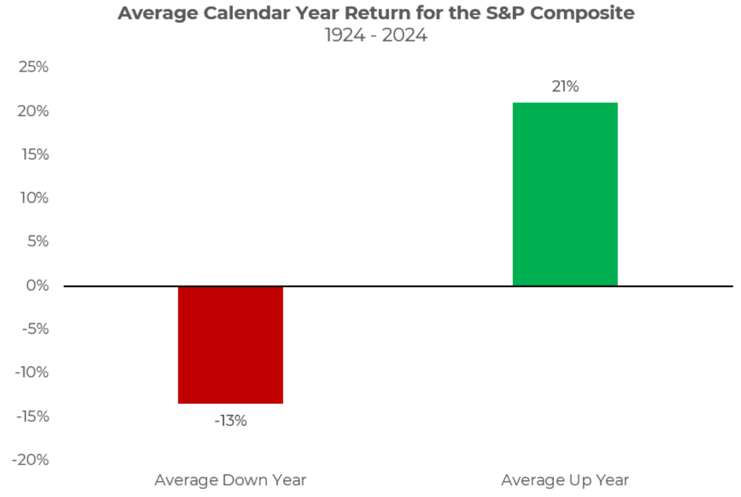
This is why we believe that investors need to own stocks for the long haul… *Surely You Can't Be Serious. I Am, and Don't Call Me Shirley.*

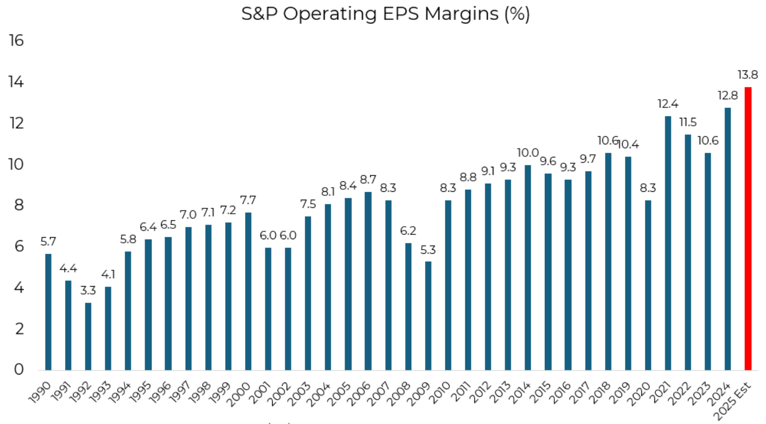
The S&P 500 has Evolved Over the Past Few Decades … For the Better

- A byproduct of the S&P 500 becoming a more asset-light, innovative market is that it now embodies the characteristic of operating leverage, which benefits margins. Operating leverage can be an investor's best friend or their worst enemy.
- And next year's estimated growth is a perfect example of why operating leverage can be the S&P 500's best friend. In 2025, the index is expected to grow its revenue by 5%, which equates to an earnings expansion of ~15%. *But operating leverage can cut both ways…*
- This should be the focal point – the potential ramifications to market return activity. If the index is characterized by operating leverage, then the market should incur more tails. The good years are great, and the bad years are tough. This plays right into one of Aptus' main investment methodology: *Doing Better in the Tails*.
- Historically, the S&P 500 has posted returns above 25% in 26 of the last 96 years. That's 27% of the time—proof that big upside years are not unusual.

The Hurdle Rate for Investors May Be Higher, Necessitating Ownership in Risk Assets

- When it comes to managing the debt, there are three basic paths: 1) default, 2) inflate it away, or 3) grow out of it. Given recent stimulus, we believe inflation and growth are the most likely outcomes.
- With ample liquidity still in the system and valuations relatively fair, many investors are underestimating the risk of being too defensive. Avoiding risk assets could mean missing out on growth and ending up in tough conversations with clients about lagging returns. Because if you do underweight risk assets, you may end up having more of an awkward conversation with your clients about sub-par returns than [little Joey did with Clarence Oveur about Turkish prisons].
- If nominal growth outpaces the increase in the deficit, the market can digest the debt problem. If not, the bar for returns will rise. This reinforces the importance of owning a full plate of risk assets—especially stocks—while using hedges as insurance in case rates stay elevated or volatility returns.
- In times of turbulence, volatility becomes an asset class in itself. Think of it like salt: not very appealing on its own, but it makes the full meal better. You can't eat salt alone, but you'd miss it if it weren't in the mix.





Source: Strategas, Aptus as of 3/31/25

APTUS CAPITAL ADVISORS

Fixed Income Markets Review

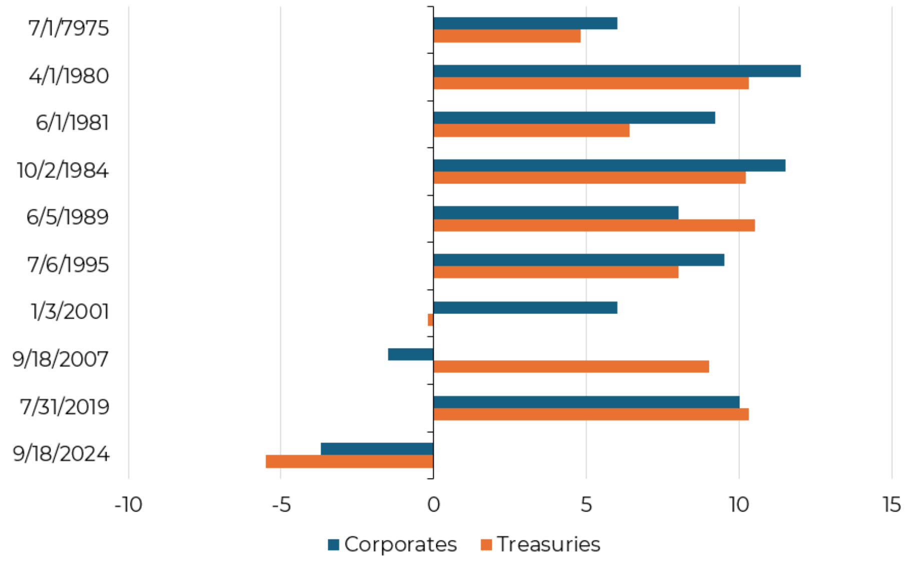
A Bond Market Review – Q1 2025

Bonds Zigged, While Stocks Zagged: It was a choppy but generally positive quarter for Fixed Income. Investors will likely welcome the decent start to the year, especially after a volatile post-Covid bond market. While yields drifted slightly lower to end the quarter, the journey included significant swings. The broader trend lower in rates can largely be attributed to market volatility, macro uncertainty (e.g., tariffs and DC policy), and renewed concerns about growth. One common theme over the last several years has been the positive correlation between stocks and bonds, especially notable on the downside. Short and Intermediate duration bonds served as a decent diversifier in the first quarter, but we remain hesitant to make the "all clear" call. Keep in mind that long term treasuries (measured by TLT) have exhibited risk asset volatility over the past several years with negative returns (in the face of a -40% drawdown since August 2020).

The Fed and Rate Expectations: Markets are pricing in approximately 2.5 rate cuts in 2025 (vs. ~2 for the Fed), with the terminal rate expected to fall to ~3.4% by late 2026. We continue to view it unlikely that we see preemptive aggressive rate cuts barring significant economic degradation. We believe the more likely outcome will either be the lower end of the spectrum on rate cuts if the economy continues growing or substantially more cuts if the labor market and economy rapidly deteriorate. Luckily, the Fed has options: cuts, completely halting QT, targeted facilities, etc.

Slowing the Pace of Quantitative Easing: Officials voted to slow the pace of quantitative tightening ("QT") by lowering the cap on their monthly balance sheet runoff from $60B to $40B. The monthly cap for Treasury runoff was lowered from $25B to $5B. The monthly cap for MBS run-off was unchanged at $35B, a cap that has yet to come into play since it was raised to $35B at the July 2022 meeting, given the slow prepayment speeds for MBS securities. The balance sheet has declined to $6.82T after peaking at $8.99T in April 2022.

Long Duration Fixed Income Performance +6 Months Following First Rate Cut of Cycle (%)



Source: Strategas, Bloomberg as of 3/31/25

	1M	QTD	YTD	1-YR	2-YR	3-YR	5-YR	10-YR
Bloomberg US Agg Index	0.04%	2.78%	2.78%	4.88%	0.78%	-0.89%	-0.40%	1.46%
U.S. Investment Grade Bonds	-0.31%	2.49%	2.49%	4.42%	0.80%	-0.99%	1.08%	2.45%
U.S. High Yield Bonds	-0.94%	1.15%	1.15%	7.82%	7.26%	4.52%	6.45%	4.46%
iShares 20+ Year Treasury Bond	-1.21%	4.93%	4.93%	0.19%	-12.66%	-8.92%	-8.85%	-1.07%
International Bond Index	-0.87%	0.14%	0.14%	4.36%	2.91%	0.59%	0.73%	
U.S. Treasury TIPS	0.97%	3.04%	3.04%	6.98%	4.90%	4.57%	4.10%	2.84%

Source: Bloomberg. Data as of 03/31/2025. Returns include Dividends. Returns over 1YR are Annualized.

The Fundamental Bond Backdrop

The Bad Math of Drawdowns – Fixed Income Edition

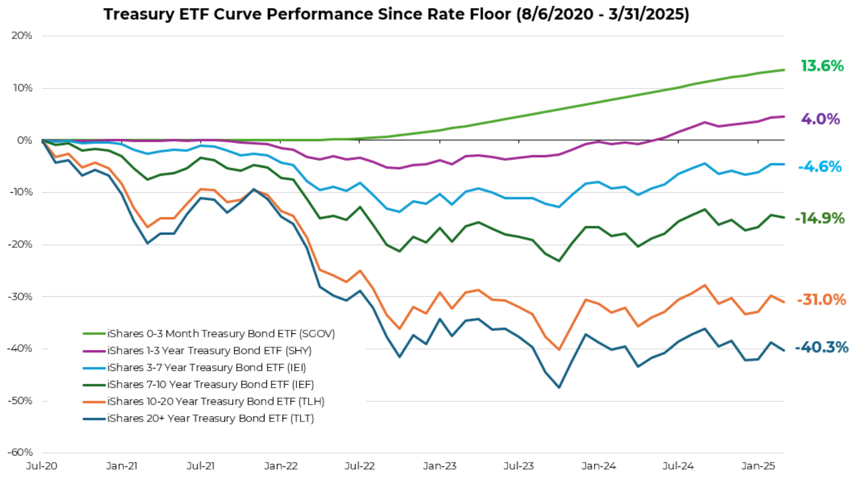
It Has Been the Worst Environment for Fixed Income…Ever

While stock market corrections are well studied, fixed income drawdowns are less explored, mostly because they've historically been rare. Bonds are generally considered safe and less volatile than stocks… until recently.

As interest rates rise, bond prices fall. When rates rise quickly, bond prices fall quickly. The latter is what has occurred over the past five years as the Fed did its best to keep inflation anchored by raising rates.

The Bloomberg Aggregate Bond Index is currently experiencing its largest and longest drawdown since its inception in 1976, both in terms of magnitude and duration.

Said differently, long duration bond funds are more than 9 years away from breaking even from yield…in nominal terms.



Source: Blackrock, Aptus, Bloomberg as of 3/31/2025

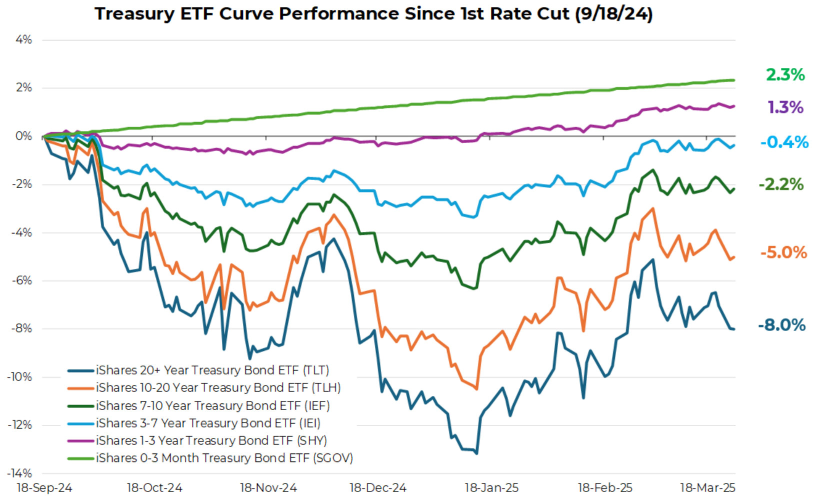
The Long Duration Puzzle: Bond Like Returns With Equity-Like Risk

Here are three stats we think you should know about long duration Treasuries:

1) Performance is negative since the 1st rate cut over 6-months ago (an outlier),
2) Long Treasury ETFs are still mired in a -40% drawdown since 2020 (multiples beyond any comparison), and
3) It's been over 1,100 trading days since their last all-time high (longest in history).

Volatility within bonds with duration has mirrored the volatility in equity markets. High yield and other riskier segments of the bond market have led performance, as they benefited from spread compression and the softening in interest rates.

Wild Statistic: Long duration exposure has come with equity-like volatility, with 10 of the last 13-years seeing long duration Treasuries with larger intra-year declines.



Source: Blackrock, Aptus, Bloomberg as of 3/31/2025

Let's Talk Credit Spreads

Even With All of the Recent Noise, It's All Quiet on the Credit Front

Why Do Investors Focus on Credit Spreads?

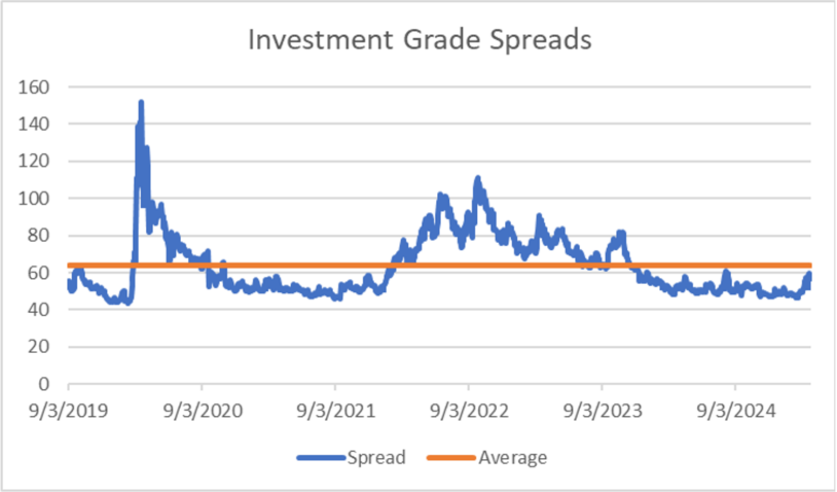
What Are They: If the bond market is the "smart market" (as it's often described) then credit spreads, which are a part of the bond market, are the "graduate school" of the global asset markets.

Credit spreads are the difference in yields between two bonds with the same (or similar) maturities but different credit qualities. For instance, the difference between the yield on a 10-year Treasury bond (which is still viewed in corporate finance as the "risk-free" rate) and the yield on a 10-year corporate bond, or more realistically, an index of corporate bonds with a maturity around 10 years.

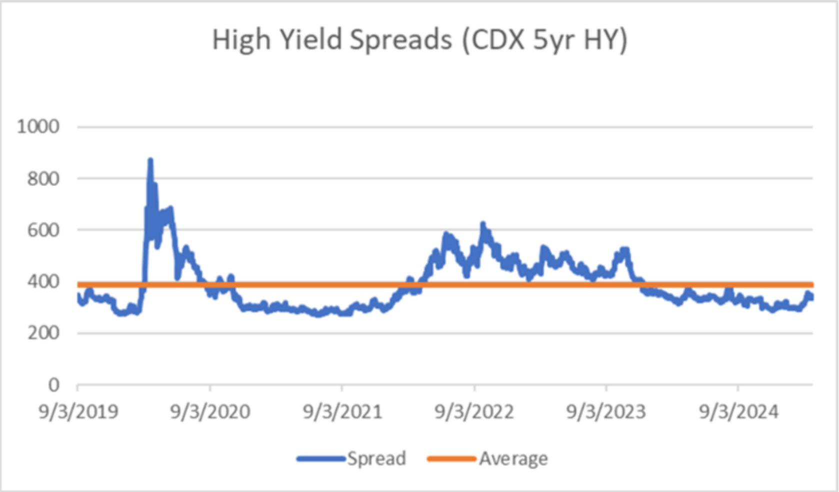
What Do They Tell Us?: Credit spreads offer insight into investors' view of the economic cycle. If recession fears rise, spreads tend to widen as investors anticipate higher default risks in corporate bonds. In that scenario, investors often sell riskier corporate bonds (driving their yields up) and buy safer Treasuries (driving their yields down). That divergence increases the credit spread—a signal of market stress or slowing growth.

Where Do We Currently Stand?: Despite recent headlines and market volatility, credit spreads remain well-behaved. The market saw a quick uptick in spreads during the volatile year of 2022, alongside the instability in the banking sector in March 2023. Since then, it's been all quiet on the credit front spread.

Even though we are overall optimistic about the economy, credit spreads for both Investment Grade and High Yield have remained resilient.



Source: Bloomberg, Data as of 3/31/2025



Source: Bloomberg, Data as of 3/31/2025

Bond Outlook – FY 2025

What Worries Us?

Treasury Supply: A significant concern remains regarding the growing supply of Treasuries, which will be entering the market at increasingly higher rates over the next several months, particularly as the duration profile shifts longer.

We believe that issuance will continue to put a floor under yields. With demand remaining neutral, the potential for a rally in rates, even now that the Fed has begun cutting rates, is limited.

What Does This Mean? Treasury supply will likely keep rising as the government's budget deficit persists. The increase in deficits has been driving term premiums across the curve higher. Though term premiums for 10-year Treasuries are currently around 43 basis points (per FRED) and remain in a secular uptrend, they are still not far off their 10-year average. In fact, during 2023, term premiums increased to over 1.0%, suggesting that rates may stay higher for longer.

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

Time Required to Reach Total U.S. Debt Levels	
Of:	
$10 Trillion	232 Years
$20 Trillion	9 Years
$30 Trillion	4.5 Years
$31 Trillion	8 Months
$32 Trillion	8 Months
$33 Trillion	3 Months
$34 Trillion	3 Months
$35 Trillion	7 Months
Latest Level	***$36.7 Trillion***

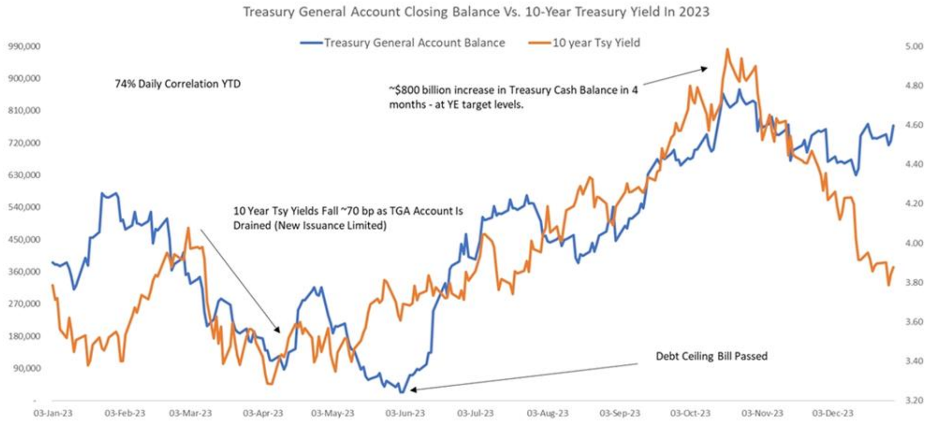
Source: Strategas, Data as of 03/31/2025

Rate Volatility in the Future

In 2023, the 10YR Treasury yield was 74% correlated with the balance of the Treasury General Along-term as the debt ceiling became an issue.

We expect a repeat of this pattern in early 2025, with the Treasury likely draining its TGA and limiting net issuance. In 2023, this caused yields to drop meaningfully. Given current positioning, the "pain trade" for many investors remains lower long-term yields.

Since 2022, we have been witnessing a clear cycle in yields, where higher yields seem to lead to lower yields due to increased recession expectations. It's fair to say that the transition from winners to losers in equities can only occur if Treasury yields decline. However, we believe there is a strong case for this happening in the first half of 2025.

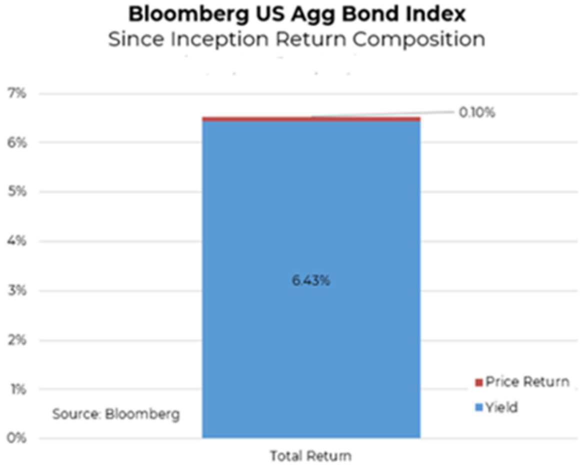


Source: Raymond James, Data as of 3/31/2025

Remember Where the Bulk of Returns Come From

When investing in investment-grade bonds, many investors are often surprised to discover that the majority of returns come from coupon payments rather than price appreciation. Historically, 99.9% of the return for the Bloomberg Aggregate Bond Index comes from the coupon, with only 0.1% coming from price returns.

Bond investors need to pay close attention to the yield of their investments. With the Bloomberg Aggregate Bond Index currently yielding less than 4%, the real return after accounting for taxes and inflation may approach 0%. For those seeking a safe store of value, this yield might suffice. However, for investors looking to grow their capital for retirement or other long-term financial goals, this return will likely prove inadequate.



Source: Aptus Capital, Bloomberg, Data from 12/31/1975 – 03/31/2025

APTUS CAPITAL ADVISORS

Important Topics of Discussion

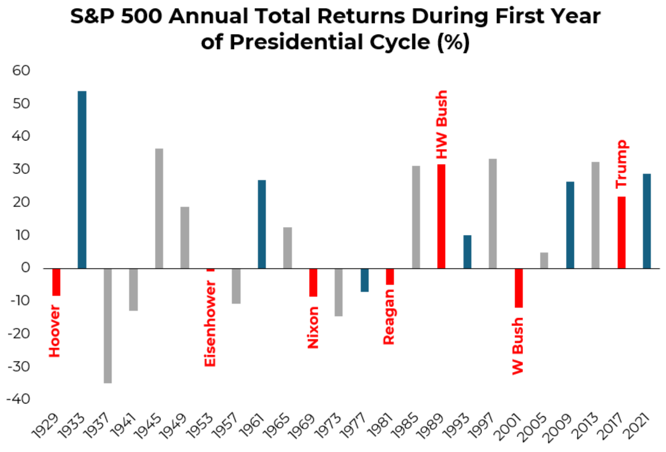
Volatility of Emotions; Not the Market

Washington, D.C. Has a Lot to Navigate in 2025, e.g., Tariffs, Corporate and Individual Taxes, Debt Ceilings, etc.

Stocks Gain in the 1st Year of a New President…Unless there is a Recession

- The uncertainty over a new president's agenda is normal and we remember similar conversations happening with Obama, Trump, and Biden entering the presidency. Yet all three went on to produce +20% S&P 500 total returns during their first year. In fact, over the past two decades, the first year of a new presidency has historically been the strongest of the four-year term, with positive returns in 9 of the past 10 cycles.

- Not coincidentally, the biggest risk factor for stocks in the first year of a presidency is whether the US enters a recession, which was the last time the S&P 500 declined during the first year of a new president's term (2001). Nine of the past 15 recessions have occurred in the first year of a president's term. Interestingly, seven of these nine recessions occurred under Republican presidents. Trump broke that trend in 2017. He was the first Republican to follow a Democrat without a first-year recession since Harding in 1921.



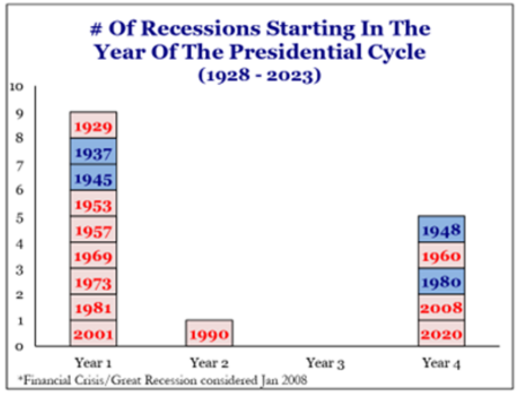
Source: S&P, Bloomberg of 3/31/25

Will Growth Slow Enough to Trigger a Recession?

- The key question for markets is how significant and lasting the drag on growth will be from today's high level of policy uncertainty. In other words:
  - Will tariffs continue to weigh on sentiment and act as a drag on economic momentum?
  - With tariffs potentially capped, tax rates likely stable or lower, and regulatory policy possibly easing, will these factors provide a more meaningful boost to markets going forward?

- The critical judgment investors need to make is whether or not they think a recession is coming.

- Recessions Tend to Begin When Earnings Growth is Closer to 2%: One of the reasons we believe the bar for a recession is still high is that next twelve months ("NTM") earnings per share ("EPS") growth remains at around ~11%.



Recession Began During Presidency?	
Hoover	Yes (1st Year)
FDR	Yes
Truman	Yes
Eisenhower	Yes (1st Year)
Kennedy	-
Johnson	-
Nixon	Yes (1st Year)
Ford	-
Carter	Yes
Reagan	Yes (1st Year)
HW Bush	Yes
Clinton	-
W Bush	Yes (1st Year)
Obama	-
Trump	Yes
Biden	-

Source: Strategas, Data as of 03/31/2025.

D.C. Policy: Like Golf, Play the Ball as it Lies

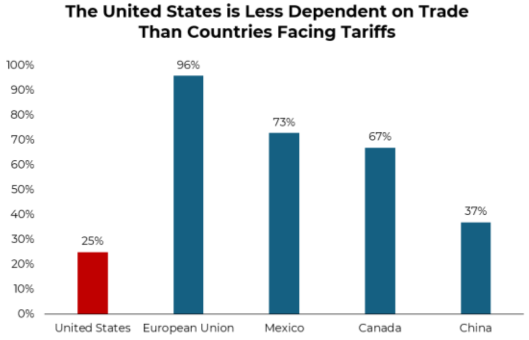
We Invest in the World That We Have; Not The One We Want.

The Market Dislikes Uncertainty

Policy Uncertainty 1: Tariffs/Trade:
Investors still face two unknowns: 1) the extent and 2) the size of looming tariffs on major trading partners, including Canada, Mexico, the EU, and others. The unpredictable and spontaneous nature of the tariff threats has led investors to worry that even currently well-regarded trade partners aren't safe from potential threats. Investors need clear and consistent policy to have more conviction.

Stat Note: Imports only account for 15% of GDP. The other 85% is domestic. So what ever demand destruction is caused by tariffs, could easily be soaked up by demand increases for tax cuts, lower regulation, and lower energy prices.

Policy Uncertainty 2: Federal Workforce Shakeup:
The chaotic nature of the DOGE efforts to make the Federal government more efficient could affect consumer and corporate sentiment. The firing of federal workers has rattled the 2-million-plus federal workforce, as well as companies who hire thousands of contracted employees to fulfill federal contracts. This could have a real impact on these workers and they are likely collectively "tightening" their financial belts. The bottom line is that two million gov't employees are a little over 1% of the entire U.S. workforce, so they can't directly cause an economic slowdown.



Source: Strategas, World Bank as of 3/31/25

Are Tariffs Not "Tariffic" for Returns?

- An old macro wisdom states that economics (and earnings) supersede politics (and geopolitics). *It always has and always will*.
- How Can We Prove This to You? In the short term, markets often react to headlines with volatility, but it's nearly impossible to determine any lasting impact without knowing whether policies will be implemented, enforced, or reversed. That's why short-term noise rarely translates into long-term significance.
- The table below compares sector performance during Trump's first term to that of Obama's two terms. Despite stark differences in policy agendas and governing philosophies, the leaders and laggards among sectors were strikingly similar

Annualized Return by Sectors W/ in S&P 500		
	Trump 1.0	Obama
Sector	Jan '17 - Jan '21	Jan '09 - Jan '17
Information Technology	31.0%	20.0%
Cons. Discretionary	21.0%	22.0%
Health Care	16.0%	16.0%
Materials	13.0%	15.0%
Industrials	11.0%	17.0%
Utilities	10.0%	11.0%
Financials	10.0%	19.0%
Comm. Services	10.0%	13.0%
Cons. Staples	9.0%	14.0%
Real Estate	8.0%	19.0%
Energy	-8.0%	8.0%

Source: Bloomberg, Data as of 3/31/2025

The Recent Federal Reserve Meeting

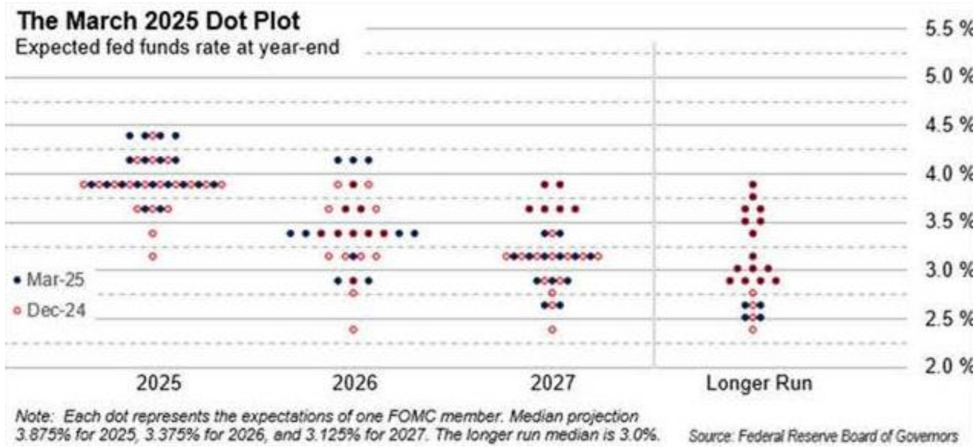
Relative to All of the Recent Fireworks in the Foreground, the Fed Has Occupied a Less Consequential Spot in the Background.

March 2025 Fed Meeting Recap

- The Federal Reserve left rates unchanged in a 4.25%-4.50% range, with the interest rate on reserve balances at 4.4%. In the statement, the Fed noted the economy “continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.”

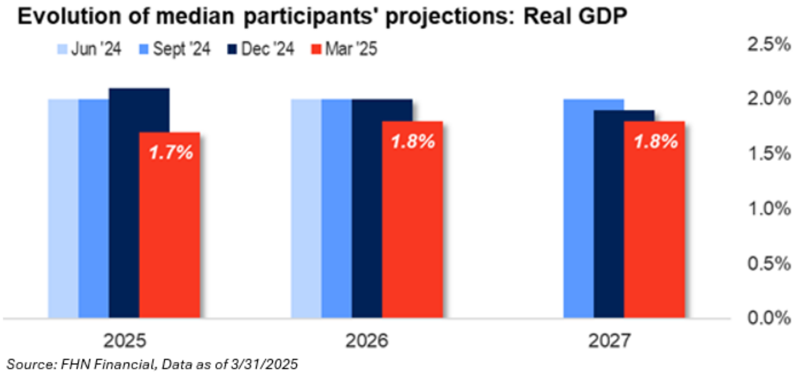
- There was no indication in its discussion of current conditions that the Fed is looking at January, February, or March data given how much activity slowed, although the dot plot does show expectations for slower growth and higher inflation.

- The bottom line is that the Fed left policy unchanged but slowed the pace of Treasury roll-off by 80%. The implication is a significant increase in Fed reinvestment starting in April. The Fed’s new forecast suggests heightened uncertainty this year, with growth expected to be weaker but inflation momentarily higher.

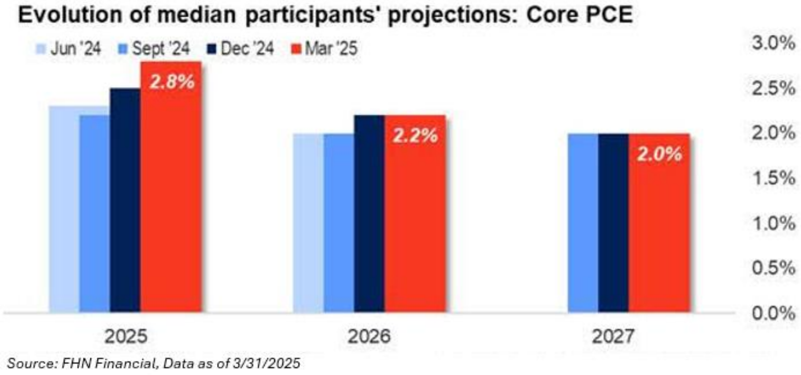


The Updated Numbers:

- *Gross Domestic Product*: The median GDP forecast was cut from 2.1% to 1.7% this year, from 2.0% to 1.8% next year and from 1.9% to 1.8% in 2027.



- *Core PCE Inflation (The Fed’s Preferred Measure of Inflation)*: Revised from 2.5% to 2.8% this year; unrevised at 2.2% and 2.0%, respectively, in 2026-27, suggesting the FOMC believes tariffs will cause short-run price increases but no lasting inflation.



An Update on the Fed's Dual Mandate

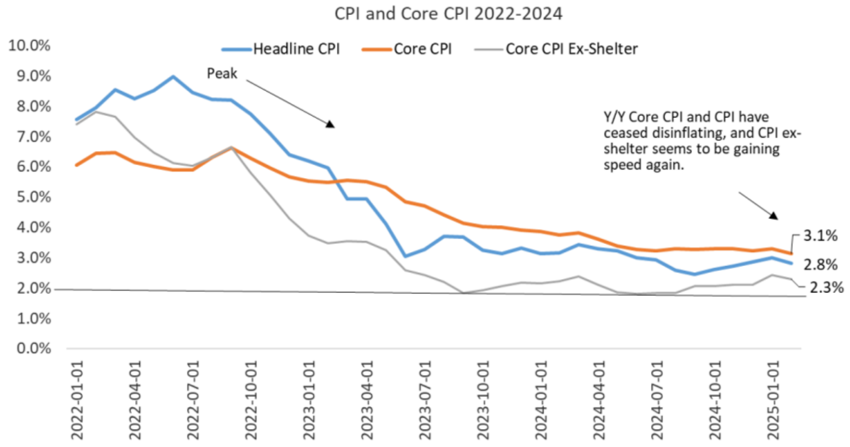
With Monetary & Fiscal Policy Being Restrictive, Consumers May Balk at the Higher Prices. We're More Worried About Growth vs. Inflation Over Time.

The Inflation Update

- Recent data shows that inflation, which surged in early 2024, has moderated to 2.8% year-over-year while being impacted by seasonal effects. More recently, inflation has proven stubbornly sticky.

- However, markets aren't interpreting the recent CPI reports that inflation is bouncing back. The main contributor to inflation continues to be shelter costs, which include tenants' rents and "owners' equivalent rent." These are believed to overstate true inflation due to modeling inaccuracies.

- The PCE price index, the Fed's preferred measure of inflation, continues to be stubbornly sticky, making no progress this year and remaining between 2.5% and 3%. The question of 2025 continues to be: Is ~2.5%-3% "good enough", or how stubborn will the Fed be, even if it risks recession, to get inflation all the way down to 2%?



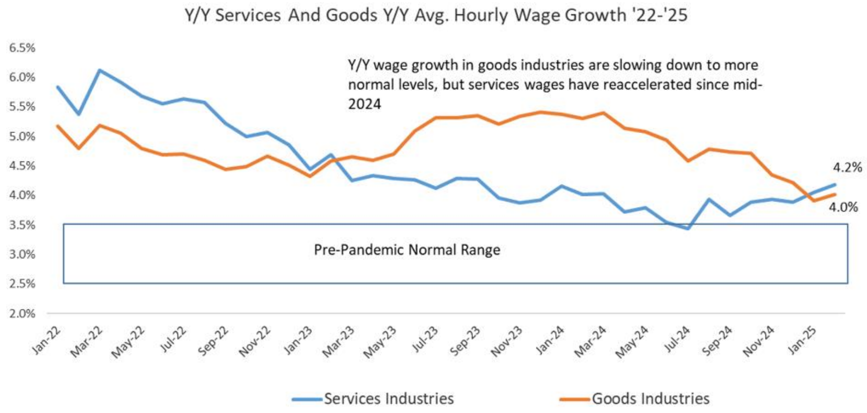
Source: Raymond James, Data as of 3/31/2025

The Labor Update

- The BLS (Establishment) continues to be volatile in Q1 2025, especially relative to the Household survey data. It does highlight the slowing growth of the labor market and the increasing softness of the labor market.

- The market has experienced three years of "full employment" in the U.S., approaching the historical duration when full employment (<5%) has ended for various reasons. The bull case is that just like post-WWII, fiscal support during COVID will elongate the economic cycle longer as private sector balance sheets were, in effect, recapitalized during COVID (in aggregate). The bear case is that this time is no different, and we're in the late innings of an economy with full employment. Of note, in all of these periods except for the GFC and COVID, the equity market peaked one year+ before a 5% unemployment rate was reached.

- Our focal point continues to be on wage growth.



Source: Raymond James, Data as of 3/31/2025

Fed Up With Real Rates

A Summary of the Fed and their Outlook

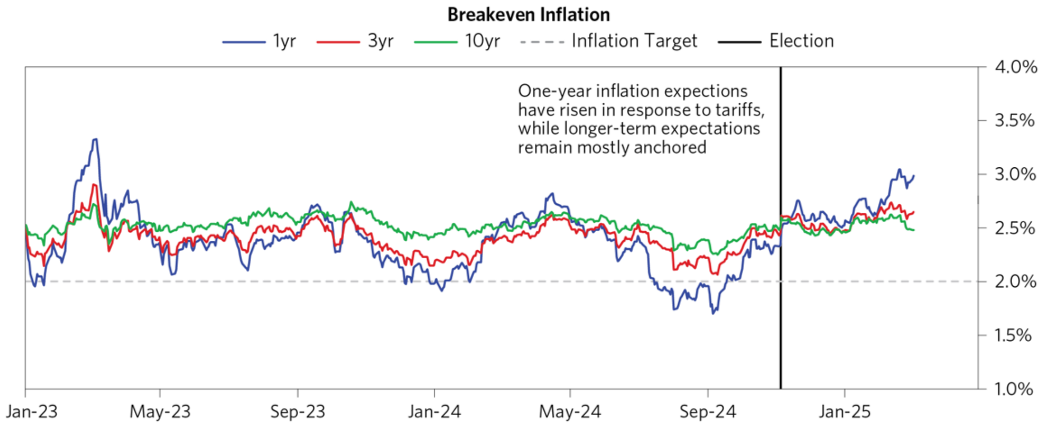
What is the Terminal Fed Funds Rate for this Cutting Cycle?

At the start of last year, the terminal rate was projected to be around 3.0%. But with inflation proving stickier and the potential for reacceleration still present, that target has shifted higher.

Why Does the Market Not Like This?

1. <u>Lower Rate Cuts Next Year</u>: This implies the Fed may not provide as strong a tailwind for markets, potentially weighing on growth expectations.
2. <u>Recent Change in Fed Language</u>: There was a change in language that some view as signaling it may be done with rate cuts for the time being.

Put differently, while fewer-than-expected rate cuts are a disappointment in the near term compared to market expectations, the facts seem to show that the rate-cutting cycle is still in place, and, as a result, Fed policy remains supportive for stocks—just less so than before.



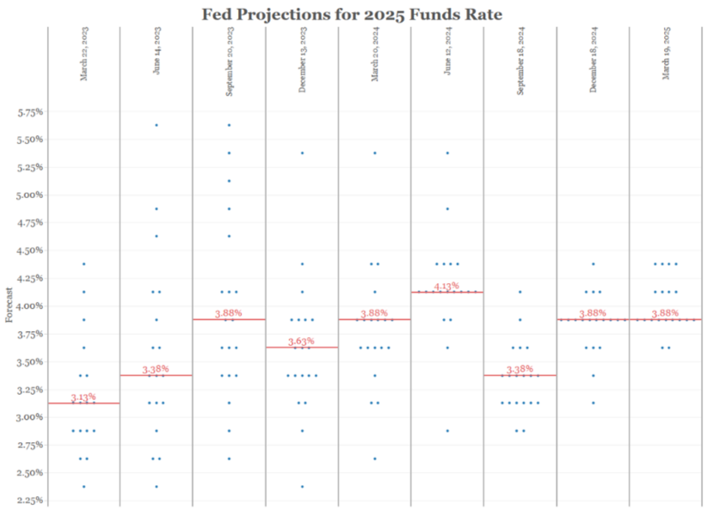
Source: Bridgewater, Data as of 3/31/2025

The Economy May Slow, But it Won't Stop

Economic growth has been impressive since the middle of 2023, despite high interest rates and price-level fatigue among consumers. We see some signs that growth will moderate in 2025 and perhaps into early 2026 but are optimistic about the potential for growth to accelerate later and beyond to around 2 1/2% on trend (GDP) given recent Fed action.

"It's a Myth That Expansions Die of Old Age"

As Janet Yellen said in 2016, the U.S. economy doesn't enter a recession without an outside catalyst. We had expected that the "catalyst" would be tight monetary policy, leading to a change in consumer behavior. However, the data suggests that monetary policy isn't as tight or restrictive as we anticipated at these interest rate levels. Even more importantly, U.S. consumer behavior has not changed much—they still love to spend.



Source: Bianco, Data as of 3/31/2025

Impact of the Fed Rate Cut on Markets

With Inflation Now Easing, Though Sticky, Can the Fed Lower Rates Quickly Enough to Support a Slowing Economy?

Implications for Fixed Income Markets

There are three reasons the Fed would cut rates:

1. **The Economy is at Risk of Recession:** This is not a significant risk in the current environment with recent Atlanta Fed GDP projections at 3.1%… about as unrecessionary as it gets.
2. **Inflation Falling at a Rate Likely to Drop Below 2%:** This too is unlikely, as inflation seems to be edging down, but not quickly.
3. **The Economy no Longer Supports Maximum Employment:** This is the likely reason for the recent cut.

AGG Returns After Fed Cuts within 2% of All-Time High				
Date of Cut	1M	3M	6M	1YR
7/25/1980	-2.07%	-6.56%	-5.29%	-5.15%
1/11/1983	0.17%	3.31%	4.91%	8.36%
2/28/1983	0.26%	3.06%	-0.59%	7.33%
1/15/1985	2.28%	2.23%	10.95%	22.10%
5/20/1985	5.23%	5.97%	10.89%	26.78%
3/7/1986	3.11%	1.67%	7.87%	12.61%
4/21/1986	0.53%	1.19%	3.59%	8.73%
8/26/1986	2.49%	2.94%	6.25%	4.52%
7/31/1989	-1.42%	1.32%	1.07%	7.07%
7/13/1990	-0.06%	0.21%	5.11%	10.71%
3/8/1991	1.48%	2.05%	6.53%	12.36%
8/6/1991	0.83%	3.90%	6.51%	13.68%
10/31/1991	0.92%	2.53%	3.43%	9.83%
7/2/1992	1.02%	3.25%	3.53%	10.97%
9/4/1992	0.54%	-0.80%	4.87%	10.49%
7/6/1995	-1.26%	1.41%	5.28%	2.56%
1/31/1996	-1.15%	-2.97%	-2.18%	2.87%
7/31/2019	2.59%	1.63%	3.83%	10.07%
9/18/2019	0.51%	0.76%	4.14%	7.95%
10/30/2019	0.48%	1.85%	5.12%	6.83%
9/18/2024	-1.67%	-3.20%	-1.09%	?
Average	0.70%	1.23%	4.29%	9.53%
Median	0.53%	1.67%	4.89%	9.28%
% Higher	71.4%	81.0%	81.0%	95.0%

Source: Aptus, Bloomberg, Data as of 3/31/2025

Strong Equity Markets Post Cuts at All-Time Highs

- The last twenty times that the FOMC cut policy rates when the S&P 500 was within 2% of all-time-highs, the index performed well over the following twelve months. During Q3 '24, the Fed cut rates when the market was at all-time highs, marking the 21st time this occurrence has happened.
- Historically, the market has been higher on every single occasion, resulting in an average return of 13.9% during the period. Though shorter periods, after the first rate cut tend to be more volatile. This probably shows the dichotomy between the reason why the Fed cut before a Fed Put was enacted

S&P 500 Returns After Fed Cuts within 2% of All-Time High				
Date of Cut	1M	3M	6M	1YR
7/25/1980	3.60%	7.20%	7.50%	7.60%
1/11/1983	-0.50%	6.90%	13.50%	15.20%
2/28/1983	2.40%	11.10%	9.50%	7.60%
1/15/1985	7.30%	6.10%	14.00%	21.90%
5/20/1985	-1.60%	-1.80%	4.70%	24.50%
3/7/1986	3.50%	8.90%	11.00%	28.90%
4/21/1986	-3.50%	-3.50%	-2.40%	16.90%
8/26/1986	-8.30%	-2.10%	12.30%	33.20%
7/31/1989	1.10%	-3.20%	-6.00%	2.60%
7/13/1990	-8.10%	-19.80%	-14.20%	3.50%
3/8/1991	-0.30%	1.30%	4.10%	8.10%
8/6/1991	-0.10%	0.20%	6.10%	8.80%
10/31/1991	-2.80%	4.30%	5.20%	7.40%
7/2/1992	3.20%	1.10%	5.80%	9.00%
9/4/1992	-2.40%	3.60%	9.00%	10.60%
7/6/1995	0.90%	5.00%	11.50%	21.40%
1/31/1996	1.30%	2.90%	0.60%	21.50%
7/31/2019	-1.90%	1.90%	10.20%	8.90%
9/18/2019	-0.30%	6.20%	-19.90%	11.60%
10/30/2019	3.10%	5.90%	-7.10%	8.60%
9/18/2024	4.47%	4.85%	0.57%	?
Average	0.05%	2.24%	3.77%	13.89%
Median	-0.10%	3.60%	5.95%	9.80%
% Higher	47.6%	76.2%	76.2%	100.0%

Source: Aptus, Bloomberg, Data as of 03/31/2025

Can Monetary Policy Throw a Lifeline to D.C.?

Recent Fed Actions Have Tossed D.C. a Lifeline via the Opportunity to Refinance at Lower Rates

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

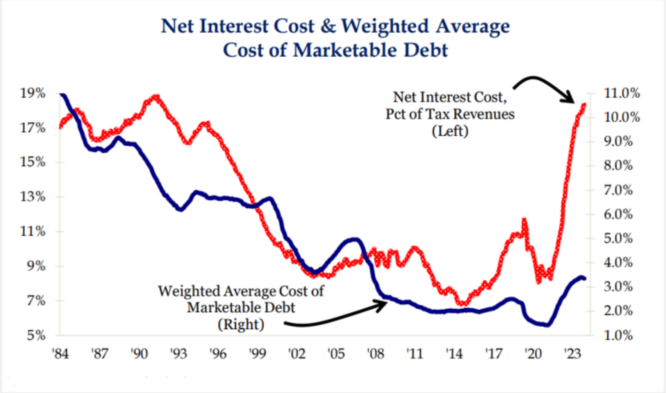
- The Fed has managed to keep rates higher for about 10 months on average after a pause. However, there appears to be a timing difference depending on the Treasury's debt servicing cost. Interestingly, with low debt servicing costs, the Fed was able to keep rates higher for longer. But when debt servicing costs were high, like they are today, the Fed's ability to keep rates higher lasted just a couple of months. The market just witnessed a string of rate cuts over the past 4 months (-1%).
- Yet; the recent Fed pause was only ~13 months. Janet Yellen, Head of the U.S. Treasury Department, had been issuing debt on the short end of the curve. With the recent 100 basis points in cuts and the expectation of more to come in June '25, the Fed is giving D.C. a lifeline to lower interest expense, opening capital to be utilized elsewhere, i.e., different ways to stimulate the economy.
- At the end of the day, it remains difficult to short stocks given the supportive liquidity environment from D.C.

FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
12/19/2024	-25	4.25% - 4.50%
11/8/2024	-25	4.50% - 4.75%
9/18/2024	-50	4.75% - 5.00%
7/25/2023	+25	5.25% - 5.50%
5/3/2023	+25	5.00% - 5.25%
3/22/2023	+25	4.75% - 5.00%
2/1/2023	+25	4.50% - 4.75%
12/14/2022	+50	4.25% - 4.50%
11/2/2022	+75	3.75% - 4.00%
9/21/2022	+75	3.00% - 3.25%
7/27/2022	+75	2.25% - 2.50%
6/17/2022	+75	1.50% - 1.75%
5/5/2022	+50	0.75% - 1.00%
3/17/2022	+25	0.25% - 0.50%

Source: FOMC, Aptus, Data as of 03/31/2025

Fiscal Policy (Expansionary): D.C. Will Continue to Spend

- Over the next 12 months, the U.S. government will have to refinance over 1/3rd of its debt, making lower rates preferable to keep interest expense more palatable, though this rhetoric flies in the face of what Jerome Powell and the Fed have been conveying to the market, especially after the recent Summary of Economic Projections.
- Additionally, Washington, D.C. continues to spend – once the water spigot has been turned on, it's difficult to turn off. Thus, the overall debt load continues to increase, even after a great season of tax collections. Coincidentally, when the market does well, D.C. gets increased tax revenue – a self-fulfilling prophecy to prop up the market, as it has the reverse effect if the market goes down. A common theme is that the rapid increase in the deficit is helping to prevent a recession, with the recent rise in discretionary federal spending contributing to the U.S. real growth rate over the past few years.
- The weighted average **coupon rate of over 3.96% will likely increase.**



Source: Strategas, Data as of 12/31/2024

"Government is like a baby. An alimentary canal with a big appetite at one end and no sense of responsibility at the other." – 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

Despite tighter financial conditions, U.S. consumer strength continues to buoy the economy. Employment remains high, wages have held up, and the consumer has absorbed inflationary pressures better than expected. This resilience has been crucial in supporting ongoing economic growth into 2025.

Resilient S&P 500 Earnings

Despite some evidence of slowing growth, corporate earnings have remained robust. We believe that will continue in 2025 because A) growth won't become a structural headwind on earnings, and B) corporations still have ample room to increase productivity and reduce costs.

The market is expecting annual earnings growth of ~11% in 2025.

The Bad

Fed Policy Error

The Fed paused rate cuts after a historic tightening cycle. While bonds have responded more favorably to the pause this year, the longer the Fed stays on hold, the more uncertainty builds around the timing and strength of economic reacceleration.

The Labor Market is Seeing some "Cracks"

The balance of risks has shifted more towards failing on the employment side of the dual mandate than the inflation side

There has never been a recession that did not witness a material increase in the unemployment rate, which remains "full employment." But cracks have started to form over the past few quarters. Simply said, if employment and wage growth slows, so should the growth rate of the economy.

The Ugly

Slowing Economic Growth

When it comes to the economy, it's all about growth. We believe that investors don't need to see a significant increase in recession risk to cause a substantial pullback in stocks; genuine growth concerns can be enough, given current market valuations. The bottom line is to focus on growth, as slowing growth is likely to halt any rally.

Tariffs & Policy Uncertainty Add to Market Jitters

With trade tensions heating up and the 2024 election cycle still casting a shadow, renewed tariffs and unclear policy direction have emerged as headwinds. Business confidence and capital spending could be at risk if policy noise escalates further.

APTUS CAPITAL ADVISORS

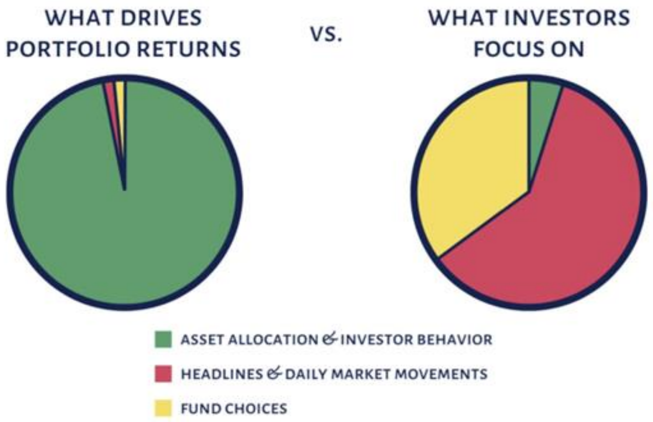
Asset Allocation

The Importance of Allocation Structure

Many Allocators Believe that Conviction of Exposures Drives Long-Term Results, But Research Shows That Structure is the Key to Success, Especially in Today's Environment

Why the Structure of the Asset Allocation is So Important

- When building a portfolio to meet specific objectives within investor constraints, it is critical to select a combination of assets that maximizes the likelihood of meeting that objective. The asset mix will ultimately dictate both returns and the variability of returns for the entire portfolio.
- The idea that structure outweighs exposures in importance is well-supported by research. The landmark 1986 study by Brinson, Hood, and Beebower found that asset allocation decisions account for 91.1% of a diversified portfolio's long-term return.
- Focus less on tilts and let your stocks act like stocks.



Source: Money Visuals

The 1980's-00's Experience of a 40% Bond Allocation is Unlikely to Repeat

- Investors often view fixed income through the lens of safety. However, an overemphasis on it in an allocation will likely erode purchasing power.
- After accounting for taxes and inflation, long-term Fixed Income returns is nearly 0.00%, which can silently inject longevity risk into a portfolio by not contributing to compounded growth.
- Investors should rethink traditional wisdom and heed to Yoda for investment advice: "You must unlearn what you have learned," as an over-reliance on the "40%" fixed income allocation may be doing your portfolio a disservice.

Source: Aptus Capital Advisors, Data as of 3/31/2025

Asset Allocation Woes

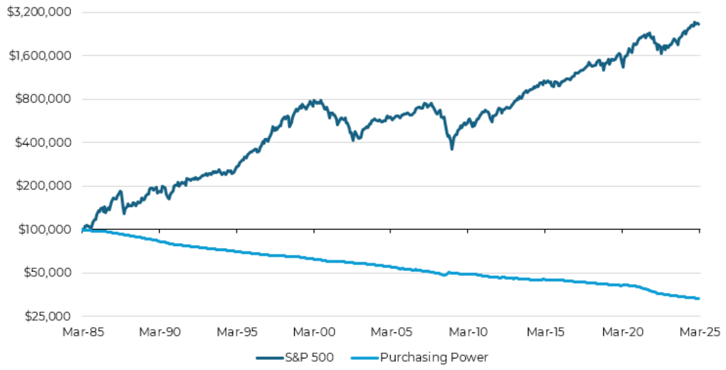
Navigating the Increasing Complexity of Future Asset Allocation Decisions

The Hurdle Rate for Investors is Higher Than They Think

- Investors face a choice between owning risk assets that can appreciate or holding a currency that can debase – there is no middle ground. While 'real returns' (nominal returns minus inflation) are often seen as a benchmark for wealth growth, we believe this view underestimates the actual hurdle rate required for long-term financial stability.
- We assert that the hurdle rate will align more closely with the increase in the money supply (M2) in the future. As the U.S. government continues to run a deficit, funding this debt through Treasury bond issuances leads to money supply growth, which in turn drives inflation.
- With money supply growth approaching 7%, we believe owning a significant allocation of risk assets (such as stocks) is essential to preserve and grow wealth.

Real Growth of S&P 500 and Purchasing Power

Starting with $100,000 in March 1985



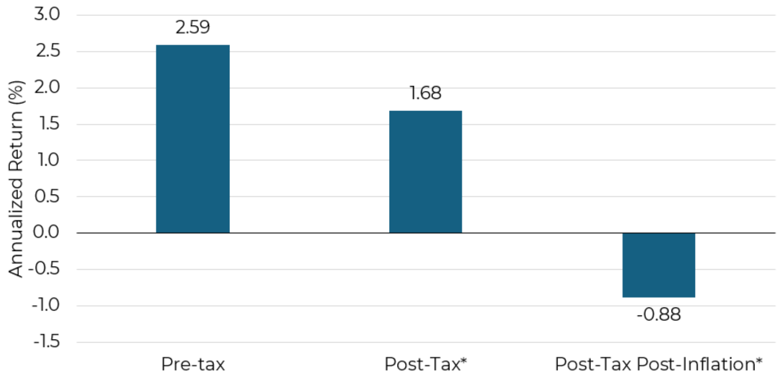
Source: Bloomberg, BLS, Aptus as of 3/31/25

Bonds Haven't Kept Up with Inflation

- Over the past decade, bonds have consistently lagged behind inflation, eroding real returns for investors relying on fixed-income assets.
- In contrast, stocks have materially outperformed inflation, delivering substantial gains and demonstrating the value of holding risk assets.
- This disparity highlights the importance of a diversified portfolio that leans toward equities, especially in an environment where inflation diminishes the purchasing power of bond returns.

Bloomberg 1-3 Year Treasury Index Annualized Return

25 Years Ending 3/31/25



** assumes 35% tax rate on coupon*

Source: Bloomberg, Aptus as of 3/31/25

Historically, our government has been a beneficiary of inflation, as it has effectively reduced the real burden of large levels of debt. Funding initiatives through the erosion of purchasing power has proven to be less transparent and potentially less politically contentious compared to explicit taxation.

What Does Sitting in Cash Cost You?

While short term rates may appear attractive relative to equity valuations, history tells us that equity markets rarely are near their long-term averages.

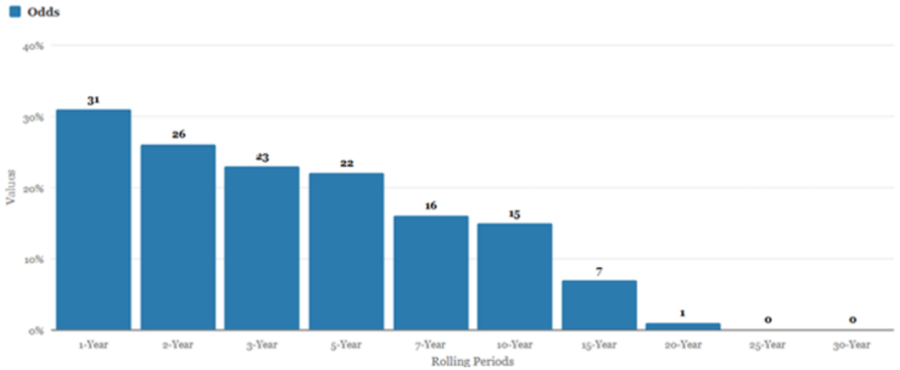
Odds of Cash Outperforming Equities

- The average yield on cash since 1928 has been 3.3% (using 3-month Treasury bills as a proxy), but yields have fluctuated considerably over time, from 0% on the low end all the way up to 14% on the high end.

- Historically, the longer an investor holds cash, the lower their odds of beating the market. Over a five-year period, those odds dropped to 22%, and after 10 years, they fell to 16%. In every 25-year period (including for those who invested at the peak in 1929), an investment in the S&P 500 has outperformed cash.

- *What Does Sitting on Cash Cost an Investor?* Sometimes nothing, when markets are going down. This is particularly true during long bear markets. But much more often, it’s costing you something, with that something increasing as the years go by. Over one-year periods, the average cost of holding cash has been roughly 8%. But over 30-year periods, this grows to more than 2,000%.

Odds of Cash Outperforming the S&P 500 (Total Returns, 1928 - 2023)



Source: Creative Wealth Planning, Data as of 3/31/2025

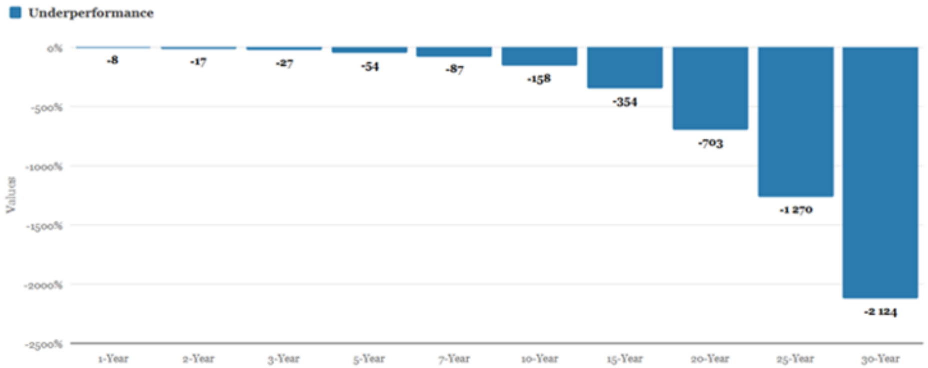
Will Waiting for a Bear Market Allow an Investor to Buy in at a Better Time?

- One of the main reasons that an investor holds onto cash is that they are waiting for a better entry point. For example, an investor is waiting for a 20% pullback in the market to put cash on the sidelines to work.

- *Looking at the Data:* How often would waiting for such a drawdown (i.e., 20%) allow you to buy in at a lower level than today? Going back to 1928, only 20% of the time. That means 80% of the time, even if an investor has the discipline to wait for a 20% decline before investing), when it finally comes, the market will likely be at a higher level than today.

- The lesson here is clear: If an investor is waiting for a large decline to get invested, one must be prepared to wait a very long time with the understanding that when the decline eventually comes, it could very well leave stocks at a higher level than today.

Average Underperformance: Cash vs. S&P 500 (1928 - 2023)



Source: Creative Wealth Planning, Data as of 3/31/2025

Cash Does Not Rule Everything Around Me (C.D.N.R.E.A.M.)

Effectively Timing the Market Requires Exceptional Skill. Fortunately, Diversification Allows Investors to Reap Comparable Performance Benefits.

Assets Historically Outperform Cash with High Frequency and Magnitude

- In 2022, cash had a rare year in which it outperformed almost every asset class as most investments experienced drawdowns, delivering positive nominal returns. In today's environment, investors may feel further encouraged to sit out of the market given the view that there is not a big yield penalty to sit on cash. While investors may be torn between holding cash and taking on risk, history tells a clearer story: market timing requires an exceptional level of skill to improve returns.

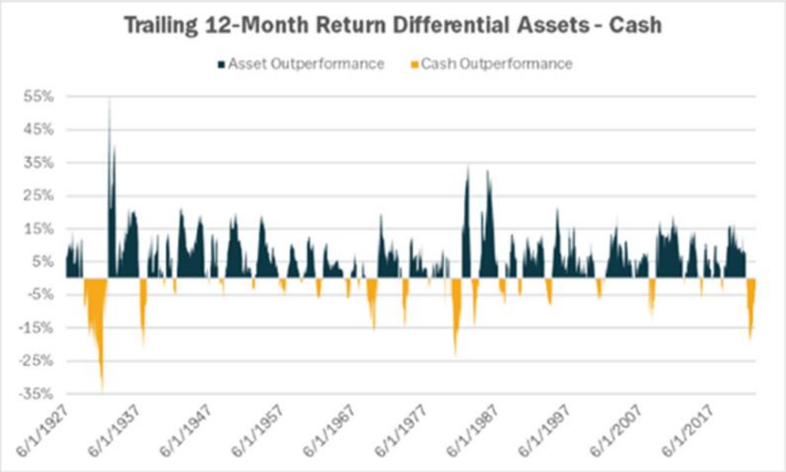
- Cash rarely outperforms a diversified basket of assets, as shown by the figure below showing trailing 12-month return differentials. A basket that includes stocks (30%), bonds (55%), and broad commodities (15%) outperformed cash in 65% of the months.

How Skilled at Market-Timing Do You Have to Be?

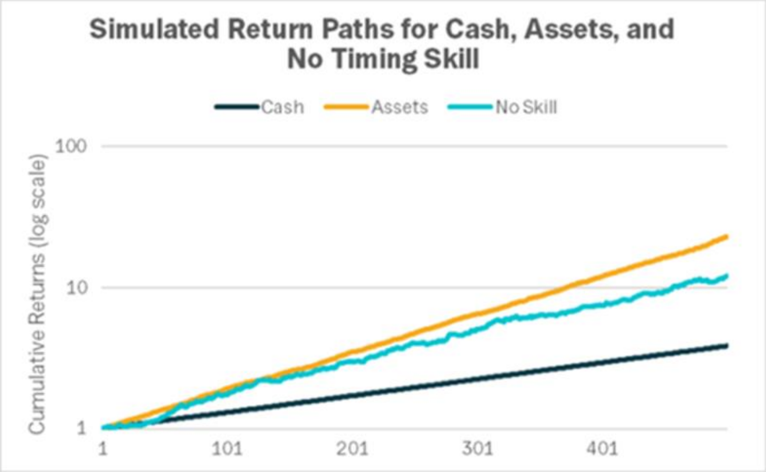
- The chart below illustrates a random selection between cash and assets each month, simulating an investor with a 50% success rate (i.e. no skill) in market timing. The results show that such random market timing yields significantly lower returns compared to staying fully invested. Consistent exposure to assets It pays to remain invested.

- Even a 67.5% accuracy (i.e. better in a bit more than 2 of 3 months) only achieves a similar gross return as a consistent asset allocation over the course of 500 months aligned with how often a diversified allocation outperforms cash.

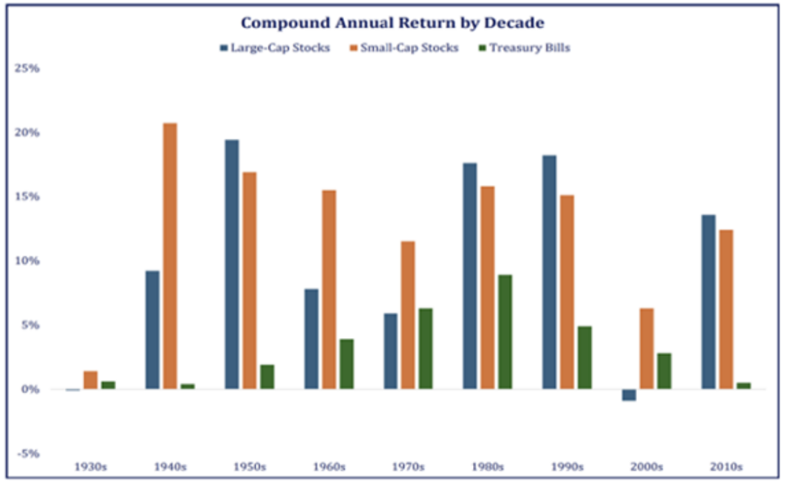
- Diversification is the primary strength of any portfolio. Timing is hard.



Source: Unlimited Analysis, FRED, Data as of 3/31/2025



Source: Unlimited Analysis, FRED, Data as of 3/31/2025



Source: Strategas, Data as of 3/31/2025

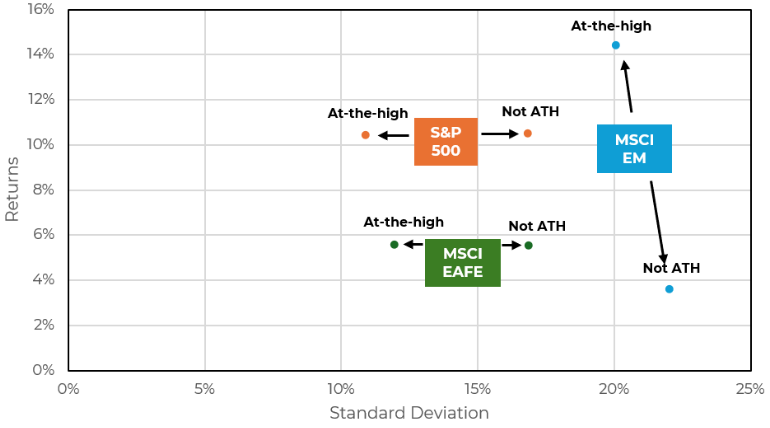
Don’t Fight the Market

Strong Performance Tends to Beget Stronger Performance – Don’t Sell at All-Time Highs - *Stay Invested*

It Pays More to be Patient than Clever

- Contrary to common belief, approaching or hitting new all-time highs in the equity markets may not be the harbinger of impending downturns that some perceive. In fact, historical data reveals an intriguing trend: stock markets around the globe have generally exhibited stronger risk-adjusted performance (often similar or higher returns with lower risk) when scaling new heights.
- This empirical evidence challenges the notion that market peaks should evoke caution or push investors out of return-seeking investment strategies. Instead, it suggests an opportunity for investors to reassess their perspectives of all-time highs, viewing them not as warning signs but as potential indicators of continued growth and stability in the markets.

Returns At-the-High (vs Not At-the High)
(12/31/1993 - 3/31/2025)



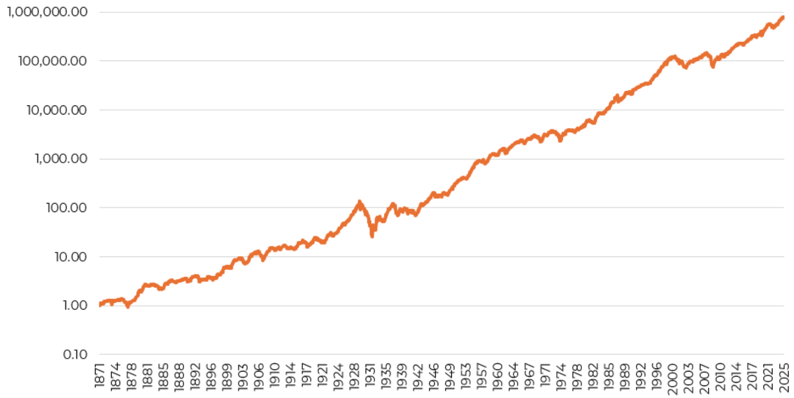
Source: Bloomberg, Aptus as of 3/31/25

At Every Point on this Chart, Investors Could Have Made a Plausible Case That:

- The S&P 500 is overvalued,
- The future was dim,
- That two world wars would cause a market collapse,
- The young generation was lazy, and
- Politicians were going to screw something up.

....And they’ve been wrong.

S&P 500 Total Return (Growth of $1)



Source: Bloomberg, Aptus as of 3/31/25

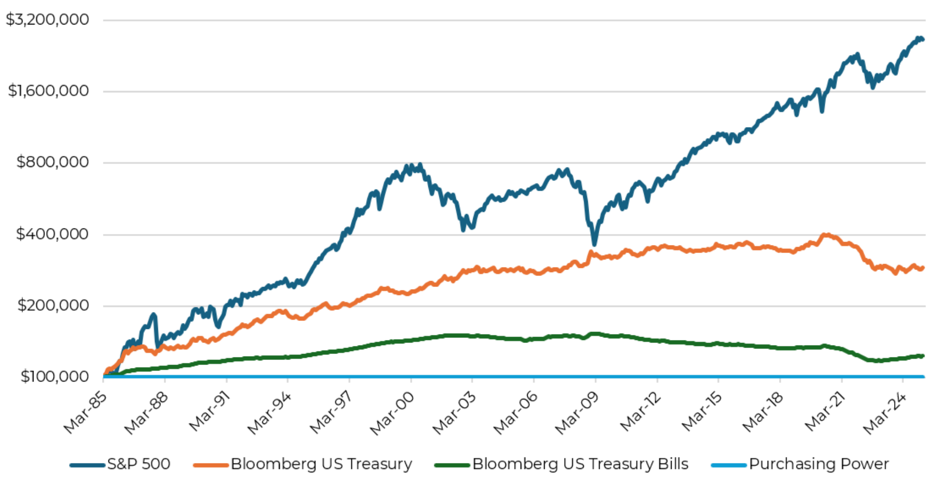
Asset Allocation Hot Spots

Time to Retire the Phrase: *T-Bill and Chill*

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

- Historically, stocks have outpaced other asset classes, supporting our preference for "More Stocks, Less Bonds." This reinforces the value of looking past short-term noise and embracing strategies that combine growth potential with downside protection.
- Risk assets tend to reward long-term investors.
- Long-term compounding benefits can be missed by those stuck in "T-Bill and Chill" mode.

Stocks, Bonds, and T-Bills after Inflation
Starting with $100,000 in March 1985

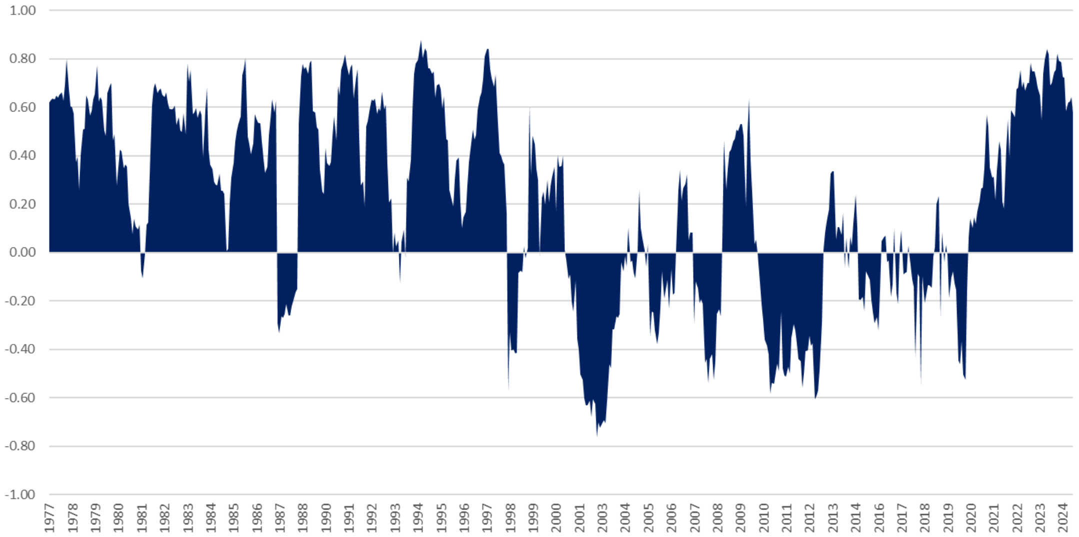


Source: Bloomberg, Aptus as of 3/31/25

Portfolio Volatility as Correlations Rise

- Historically, stock/bond correlations were negative during low-inflation periods and turned positive in high-inflation environments. We're mindful of near-term disinflationary pressures but believe inflation is likely to stay above the Fed's 2% target for longer.
- Although there are short-term catalysts for disinflation, we expect stickier than expected inflation, leading to positive stock/bond correlations and favoring alternative sources of protection.

S&P 500 Index vs. Bloomberg Agg Bond Index
Rolling 1YR Correlation, 12/31/1975-03/31/2025



Source: Aptus Capital Advisors, Data as of 03/31/2025

It Pays More to Be Lazy Than Confident

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

It Pays to Be a Rational Optimist

- While it's easy to fall into the trap of long-term pessimism, history shows that markets have navigated through challenges. Progress, despite setbacks, has been a constant. Betting against this trend means betting against the resilience of human nature and innovation.
- Recognize that market fluctuations are normal, and maintaining rational optimism can align your investment strategy with historical trends.

S&P 500 Annual Forward Performance 1994-2024

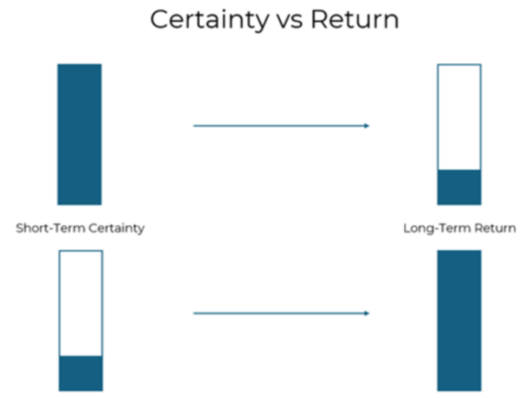
# of Years Forward	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1	1%	38%	23%	33%	29%	21%	-9%	-12%	-22%	29%	11%	5%	16%	5%	-37%	26%	15%	2%	16%	32%	14%	1%	12%	22%	-4%	31%	18%	29%	-18%	26%	26%
2	18%	30%	28%	31%	25%	5%	-11%	-17%	0%	19%	8%	10%	11%	-18%	-11%	21%	8%	9%	24%	23%	7%	7%	17%	8%	12%	25%	23%	3%	2%	26%	
3	20%	31%	28%	28%	12%	-1%	-15%	-4%	4%	14%	10%	9%	-8%	-6%	-3%	14%	11%	16%	20%	15%	9%	11%	9%	15%	14%	26%	8%	10%	9%		
4	23%	31%	26%	17%	6%	-7%	-5%	-1%	4%	15%	9%	-5%	-1%	-1%	-2%	15%	16%	16%	15%	14%	12%	7%	14%	16%	18%	13%	12%	14%			
5	24%	29%	18%	11%	-1%	-1%	-2%	1%	6%	13%	-2%	0%	2%	0%	2%	18%	15%	13%	15%	16%	8%	12%	15%	18%	9%	16%	15%				
6	24%	21%	13%	4%	4%	1%	-1%	3%	6%	2%	2%	3%	2%	2%	6%	17%	13%	12%	16%	12%	12%	13%	17%	11%	12%	17%					
7	18%	16%	7%	8%	5%	2%	1%	3%	-2%	6%	4%	3%	4%	6%	7%	15%	13%	14%	13%	15%	13%	15%	11%	13%	14%						
8	14%	10%	9%	8%	5%	3%	2%	-3%	2%	7%	4%	4%	7%	7%	7%	14%	14%	11%	15%	15%	15%	10%	13%	15%							
9	9%	12%	10%	8%	6%	4%	-4%	0%	3%	6%	5%	7%	8%	6%	7%	15%	12%	13%	15%	17%	11%	12%	15%								
10	11%	12%	9%	8%	6%	-1%	-1%	1%	3%	7%	7%	8%	7%	7%	8%	13%	14%	14%	17%	13%	12%	13%									
11	11%	11%	10%	8%	1%	1%	0%	1%	4%	9%	8%	7%	8%	8%	7%	15%	14%	15%	13%	14%	13%										
12	11%	12%	9%	3%	3%	2%	1%	3%	6%	10%	7%	7%	9%	7%	9%	15%	15%	12%	14%	15%											
13	11%	11%	5%	5%	4%	2%	2%	5%	7%	9%	8%	9%	8%	9%	10%	16%	12%	13%	15%												
14	11%	7%	6%	6%	4%	3%	4%	5%	6%	9%	9%	8%	9%	9%	11%	13%	13%	14%													
15	10%	6%	6%	6%	4%	3%	3%	5%	6%	9%	9%	8%	9%	9%	11%	14%	14%														
16	6%	8%	7%	6%	5%	4%	4%	5%	7%	10%	8%	9%	10%	10%	9%	15%															
17	7%	9%	7%	6%	6%	5%	4%	6%	8%	9%	9%	9%	11%	9%	11%																
18	8%	8%	7%	7%	6%	5%	5%	7%	7%	10%	10%	10%	9%	10%																	
19	8%	9%	8%	8%	6%	5%	6%	6%	8%	11%	10%	9%	11%																		
20	8%	9%	8%	7%	7%	6%	5%	7%	9%	11%	9%	10%																			
21	9%	10%	8%	8%	7%	6%	6%	7%	9%	10%	10%																				
22	9%	9%	8%	9%	7%	7%	7%	8%	8%	11%																					
23	9%	10%	9%	8%	8%	7%	7%	7%	9%																						
24	9%	10%	9%	9%	8%	8%	7%	8%																							
25	10%	10%	9%	9%	9%	7%	8%																								
26	9%	10%	9%	9%	8%	8%																									
27	10%	10%	10%	9%	9%																										
28	10%	11%	9%	10%																											
29	11%	10%	10%																												
30	10%	11%																													
31	11%																														

Source: Bloomberg, Aptus, Data as of 3/31/2025

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 and the lower your long-term returns are, the probability of achieving your investment goals will decrease in lockstep.
- Just $1 invested in the S&P 500 in 1922 would be worth nearly $13,800 today, so where are all the historical could-have-been billionaires? The missed opportunities are not because of wars, recessions, or crises, but because of investor behavior.
- Conclusion: It is not adverse market conditions that derail compounding; it's investors' reaction to them.

Investor behavior derails compounding.



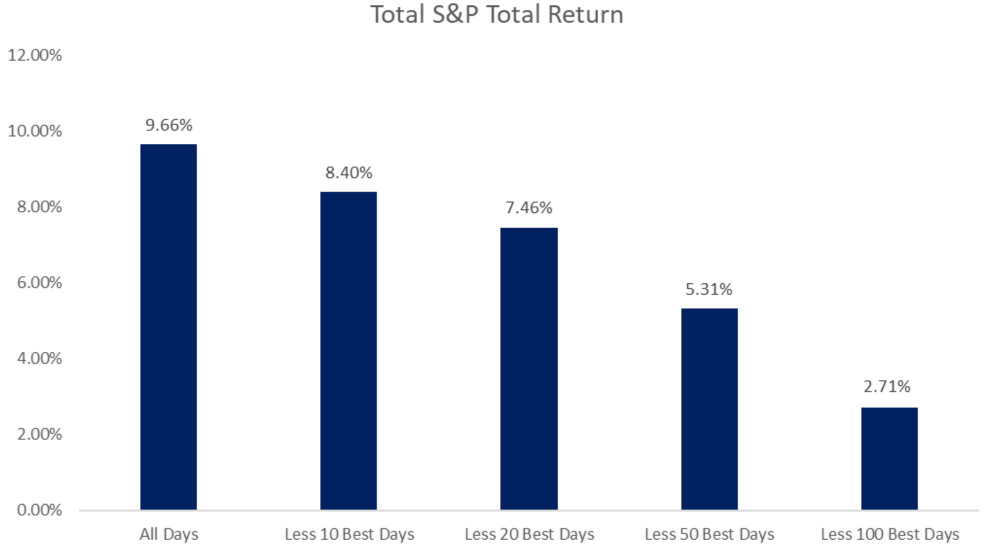
Source: Money Visuals, For Illustration Purposes Only

Conceptual Illustration
Information presented in the above charts are for illustrative purposes only and should not be interpreted as actual performance of any investor's account. As these are not actual results and completely assumed, they should not be relied upon for investment decisions. Actual results of individual investors will differ due to many factors, including individual investments and fees, client restrictions, and the timing of investments and cash flows.

Consistent Behavior Breeds Winners

Stay Invested for Long-Term Gains

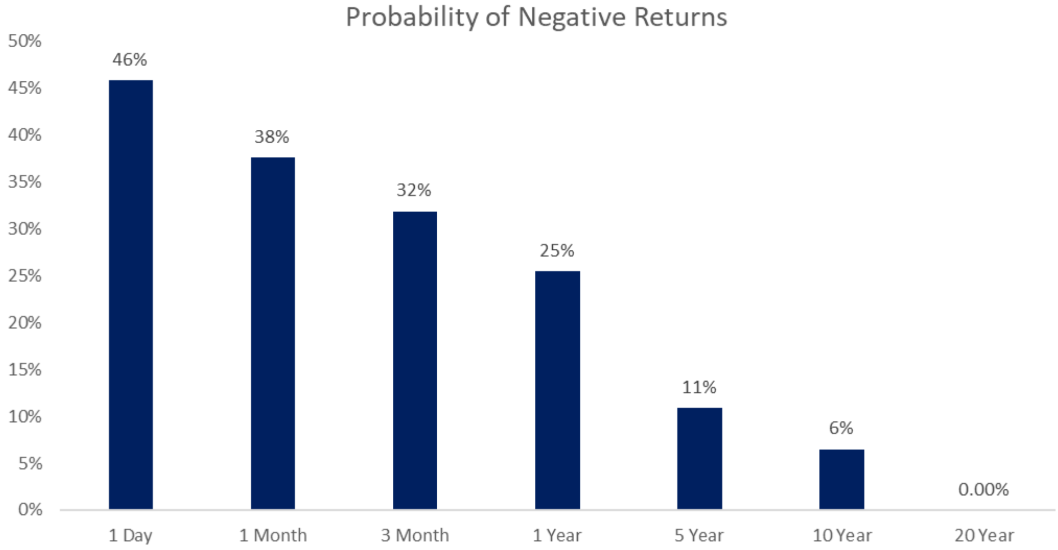
- **It Pays to Stay Invested:** The U.S. stock market has a history of resilience, consistently recovering from short-term crises to achieve long-term growth. Staying invested through volatility is essential.
- **Timing the Market is Dangerous:** Attempting to time the market by predicting the best moments to buy and sell often leads to missing significant gains. Expanding your time horizon is the most reliable strategy to avoid losses.
- **Eliminate the Behavior Gap:** A shorter time frame can lead to emotional decisions and excessive trading, known as the 'behavior gap.' This often results in poor outcomes. Focus on long-term goals instead.



Source: Bloomberg LP, Aptus Research. Data 12/31/1927 - 03/31/2025

Expand Your Time Horizon for Better Results

- No one ever knows what the market is going to do – especially on a daily basis – volatility tends to breed more volatility – whether it's up or down.
- Investors focus too much on the short-term "noise" in the market. There is usually a great deal of variability in the day-to-day, with different economic, geopolitical, and company-specific news constantly moving markets.
- Focus on a long-term investment horizon, where the probability of negative returns diminishes significantly.



Source: Bloomberg LP, Aptus Research. Data 12/31/1927 - 03/31/2025

Staying Focused on Long-Term Goals

We Continue to Advise That Clients Stay Invested

Avoid Emotional Investing

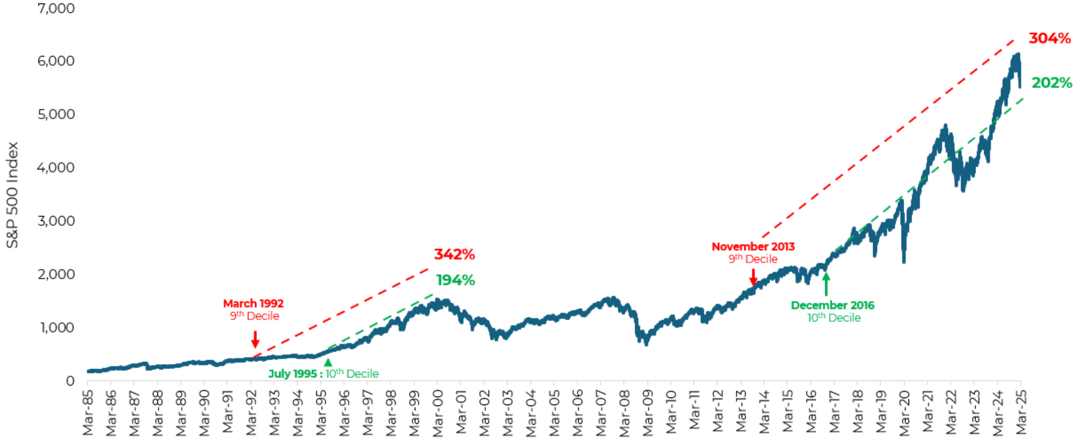
- **Problem:** Investors often make poor decisions when emotions drive actions.
- **Solution:** Stay focused on your long-term goals and carefully consider all options.
- **Don't Buy High, Sell Low:** Have you heard the old investment adage, "Buy low, sell high"? Strong emotions during market swings can tempt investors to do the opposite.
- **The Impulse to "Do Something":** Taking action during a downturn may feel right, but sometimes, inaction—staying invested—is the best choice for long-term success.

Source: Money Visuals, For Illustrative Purposes Only

Valuation Alone Shouldn't Dictate Investment Decisions

- Although valuations "feel" elevated— standing in their 8th historical decile— high absolute valuations have not been a reliable timing signal in the past. As seen in the chart below, previous periods where the market entered the 9th or 10th valuation decile still experienced strong subsequent returns, highlighting the penalty for exiting equities prematurely based on valuation alone.
- Don't let high valuations scare you away from staying invested.

S&P 500 Forward Returns After Crossing 9th and 10th Deciles of Valuation



Source: Aptus, Data as of 3/31/2025

Conceptual Illustration
Information presented in the above charts are for illustrative purposes only and should not be interpreted as actual performance of any investor's account. As these are not actual results and completely assumed, they should not be relied upon for investment decisions. Actual results of individual investors will differ due to many factors, including individual investments and fees, client restrictions, and the timing of investments and cash flows.

APTUS CAPITAL ADVISORS

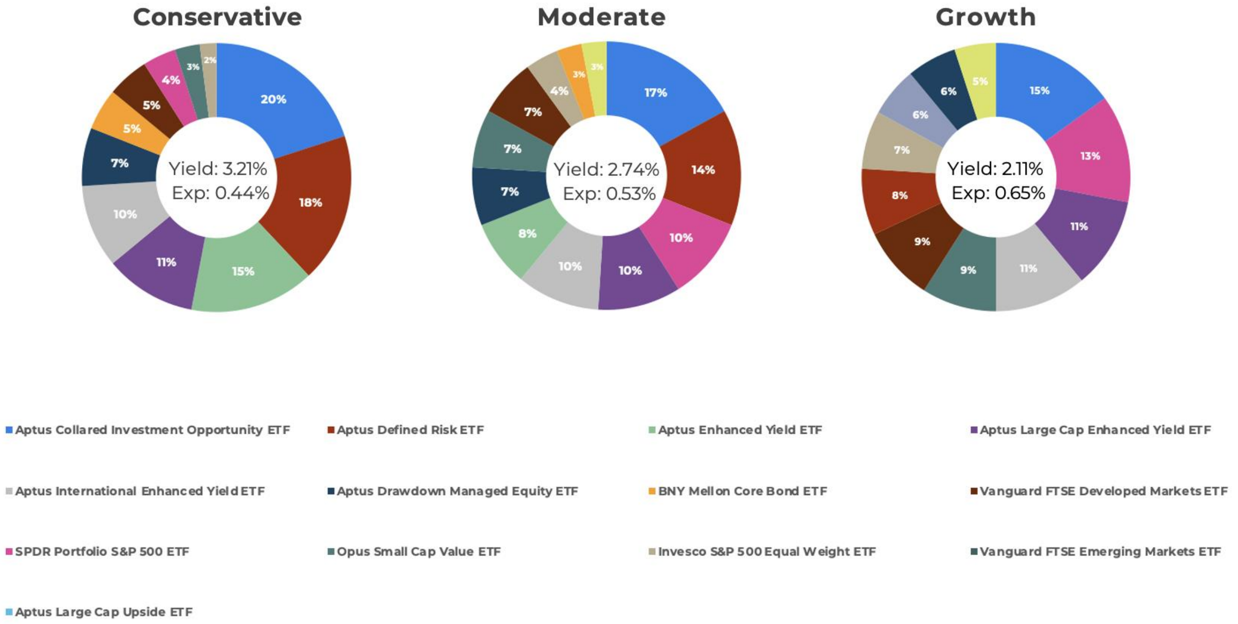
The Aptus Impact Series

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

AMT	MSFT
AMZN	NVDA
BR	PGR
CHE	PWR
CPRT	ROP
FANG	UNH
JPM	V
	WMT

Holdings as of 03/31/2025 Please see attached disclosures.

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-2503-29