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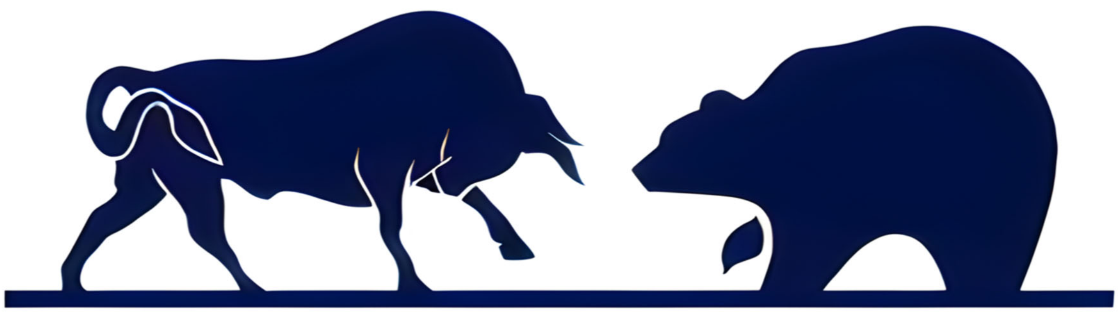


OUTLOOK 2024

MID-YEAR UPDATE

Bulls, Bears, and Blurred Horizons

Presented by the Investment Policy Committee of
Clearwater Capital Partners

Third Quarter 2024

Outlook 2024—Lead Authors

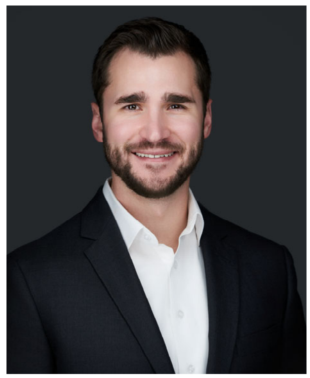
John Chapman
CEO / CIS

John Sleeting
Executive Partner

Jeff DeHaan
Senior Partner

Greg Davis
Senior Partner

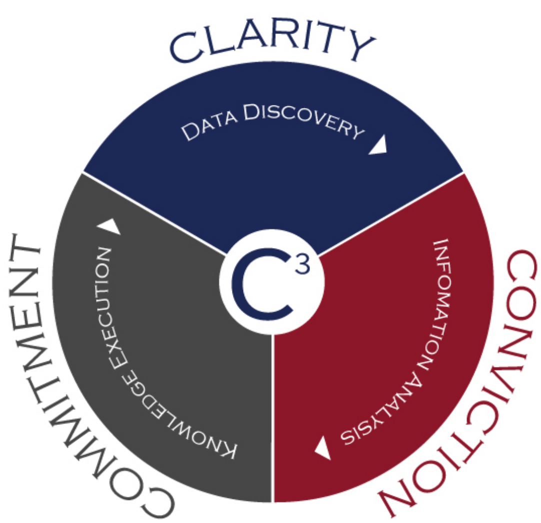
James Chapman
Wealth Advisor



Tyler Beachler
Partner

About Clearwater Capital

Successful wealth management is the product of clear thinking, hard work, and consistent follow-through. The professionals of Clearwater Capital Partners have developed a rigorous framework for decision-making that we call Clearwater C3. This disciplined process guides successful individuals and families through the prioritization of long-term objectives, the evaluation of high impact tactics, and the implementation of comprehensive strategies.



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Al R. Krause, CPA
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Wealth Advisors

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John W. Sleeting
Jeffrey P. DeHaan, CFP®
Greg W. Davis, CFP®, CTFA
James F. Chapman, AWMA®
Valerie N. Hogan, JD, CFP®
Joshua M. Beachler, CFP®, AWMA®
Melissa Dailey-Newman, AWMA®
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Karie M. OConnor, CIMA®, CPFA®, AIFA®, QKA®

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Rocky A. Byrd, CIMA®
Noah Mulé

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Hunter J. Sims

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Jacob M. Clark
Andrea L. Patterson
Braden Maher

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Liza D. Alexanian

Human Resource / Accounting

Al R. Krause, CPA
Danuta Garb

Introduction

We are pleased to share with you the Clearwater Capital Partners ***Outlook 2024 Mid-Year Update*** report entitled:

"BULLS, BEARS, AND BLURRED HORIZONS"

Exactly two years ago the rate of inflation peaked at a year-over-year rate of 9.1%. The Federal Reserve responded to the spike in consumer prices by raising interest rates 11 consecutive times over a period of just 16 months. The Fed's pursuit of tighter financial conditions was meant to bring the rate of inflation down to a 2% target level – a goal that remains elusive with prices continuing to rise at a pace of about 3.3%.

At the end of last year, the conventional narrative in the capital markets was that global central banks would ease in 2024, stimulating markets with lower rates as inflation fell. The Fed would move less aggressively than the rest of the world, however yields would fall in response to lower policy rates, and yield curves would steepen.

This narrative, including an expectation for as many as six rate cuts in 2024, has yet to fully materialize. Still, the equity markets have been able to shrug off any disappointment they might have had with rates remaining higher for longer.

Instead of cutting rates, the Fed has "paused" monetary policy waiting for stronger evidence that inflation is approaching its target. The Fed ended its rate hiking campaign on July 23, 2023. At just over 350 days, this pause is now the second longest since the 1970s. The longest pause came in 2006-07, spanning 446 days

Pauses have generally been good for stocks, especially the longer ones, with gains for the S&P 500 during five of the last six occurrences. The S&P 500 rose 22.1% following the 2006-07 pause and is up during the current pause, with the S&P 500 up 20.6% since the last hike back in July of last year.

It is certainly true that the pace of inflation has slowed considerably from the 2022 highs, and that is a good thing. It is also true that prices are still rising, just at a slower rate.

Inflation reports are published on a moving, 12-month time period. It is important to recognize that the latest twelve-month number ignores the total movement in prices over a longer period of time. From the point in time when inflation first began to accelerate (early 2021), consumer prices have risen cumulatively by over 20%. This means it now takes on average $120 to purchase something that cost $100 in early 2021. Mathematically, this also means $1.00 is now worth only $0.83.

Since the Fed paused further changes to monetary policy, the U.S. economy has proven far more resilient than many, including ourselves, have been expecting. While economic activity has slowed somewhat, the U.S. economy still expanded an annualized 1.4% in the first quarter of 2024. Most economists now believe this pace of slower growth will persist for the next couple of quarters.

Regular readers of our commentary will recognize an oft-repeated phrase: "long and variable lag." This is in reference to the traditional understanding that monetary policy affects economic activity over time and in unpredictable ways. Milton Friedman, the conservative University of Chicago economist and Nobel Prize winner, started talking about long and variable lags in the late 1950s. He believed that the lag between monetary policy action and its economic effect ranged between four and 29 months, but also that there was little basis for knowing where in this range it would fall.

With signs that the U.S. economy is losing momentum becoming more numerous, it is entirely possible that the lagged and variable effects of tighter financial conditions have yet to fully impact activity. The Citigroup U.S. Economic Surprise Index recently fell to its lowest level since August 2022 and May retail sales numbers came in well below expectations. Long believed to be the harbinger of economic resiliency, the labor market is beginning to show signs of weakness. Employment metrics such as hours worked, job openings (JOLT), and temporary worker data have all deteriorated in recent months.

Alternatively, some economists and market watchers have embraced the concept of a soft landing in which Fed policy will deftly bring inflation down while simultaneously supporting the continued expansion of the economy. The soft-landing narrative sees the Fed threading the needle. While over the past 80 years, the Fed has never managed to bring inflation down substantially without sparking a recession, we cannot entirely dismiss the possibility that we are witnessing the first ever soft landing.

Lastly, we must not ignore the extraordinary geopolitical environment that currently exists. In this regard, it is not our place to offer political predictions, but rather to simply observe that the range of possible outcomes is unprecedented. In our original Outlook 2024 report we made the following observations:

> ***"The coming year will indeed be a pivotal time around the globe with 40% of countries, 41% of the global population, about 60% of global GDP, and nearly 80% of global capitalization having national elections."***
>
> ***"One significant difference in the upcoming election cycle is the risk that malicious actors implement wide ranging disinformation campaigns on social media platforms via artificial intelligence systems."***
>
> ***"For many years we have embraced the notion that investors are best served by keeping their politics and investment strategies separate. While we continue to see the wisdom in this, we do recognize that 2024 will be a momentous political year with the potential for unexpected disruptions."***
>
> ***"We believe investors should remain constructive in 2024 while being especially attentive to the unique risk patterns present in our economy and around the globe. The potential headwinds we may encounter in the coming year suggest a range of possible outcomes that are wider than we would normally expect."***

Thes words accurately represent our current world view. Given recent headlines however, we find these observations more prescient today than when we first made them in January.

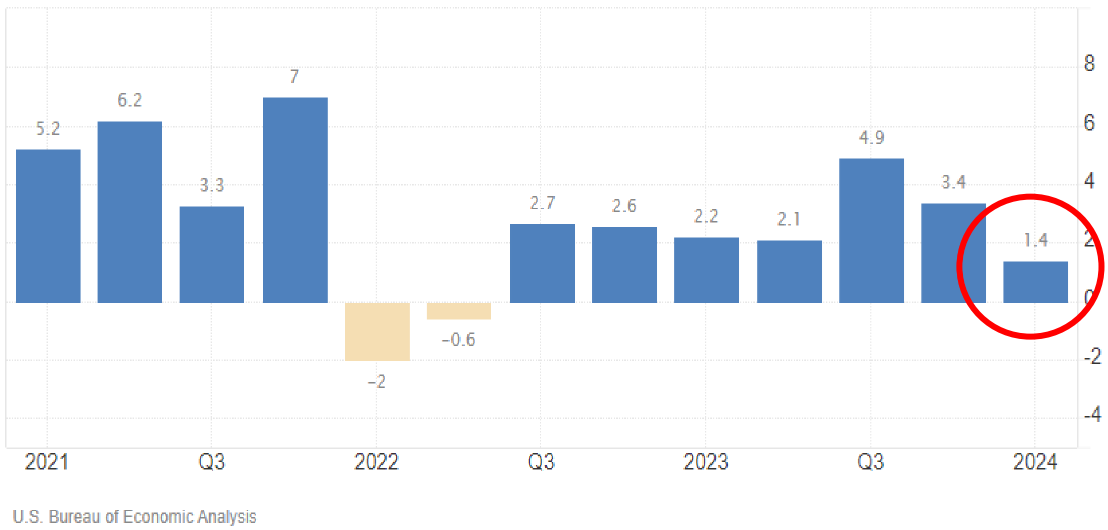
Conditions can be expected to change quickly and in surprising ways. Accordingly, we will remain vigilant, providing timely updates through monthly letters, virtual presentations, and various speaking engagements throughout the year, offering multiple opportunities for our readers to stay informed.

Thank you for your continued confidence in our ability to deliver meaningful value to you and your family. We work hard to earn your trust every day, in everything we do.

John E. Chapman, July 2024

Economic Backdrop

The U.S. economy expanded an annualized 1.4% in first quarter of 2024 continuing to point to the lowest growth since the contractions in the first half of 2022. Non-residential investment was revised higher and residential investment jumped more than initially expected. Consumer spending slowed more than initially anticipated due to lower consumption of both goods and services.



Current economic growth is on the historically slower end and there are a few warning signs that the pain from higher interest rates is coming with a lag. Banks are keeping credit conditions tight and delinquency rates in the U.S. have been rising. Additionally, consumer confidence is still fairly weak across the board.

Our base case for the balance of 2024 is that consumer spending growth will cool further and overall GDP growth will slow to under 1% over the Q2 to Q3 2024 period. Most economists expect GDP growth will remain lackluster this year but, as the shift in monetary policy begins to boost spending, growth should reaccelerate in 2025.

U.S. Manufacturing and Services

The ISM Manufacturing Index measures the activity level of manufacturing sectors in the U.S. economy based on factors such as new orders, production levels, employment, supplier deliveries, and inventories. A reading above 50 indicates expansion in manufacturing activity, while a reading below 50 indicates contraction.

The ISM Services Index provides a snapshot of the non-manufacturing sector, covering industries such as retail, construction, healthcare, finance, and transportation. It assesses business activity, new orders, employment, supplier deliveries, and prices.

Similar to the manufacturing index, the ISM Services Index above 50 indicates expansion and below 50 indicates contraction. It helps gauge the overall health of the services sector, which constitutes a significant (and growing) portion of the U.S. economy.

Simply put, the U.S. ISM manufacturing and services data are vital economic indicators that provide valuable information about the state of the economy, sentiment within key sectors, and potential future economic trends.

The ISM Manufacturing index closed out the first half of 2024 worse off than it began, as the index missed consensus expectations once again in June and fell deeper into contraction territory to 48.5. Activity in the U.S. manufacturing sector has now contracted for nineteen out of the last twenty months.

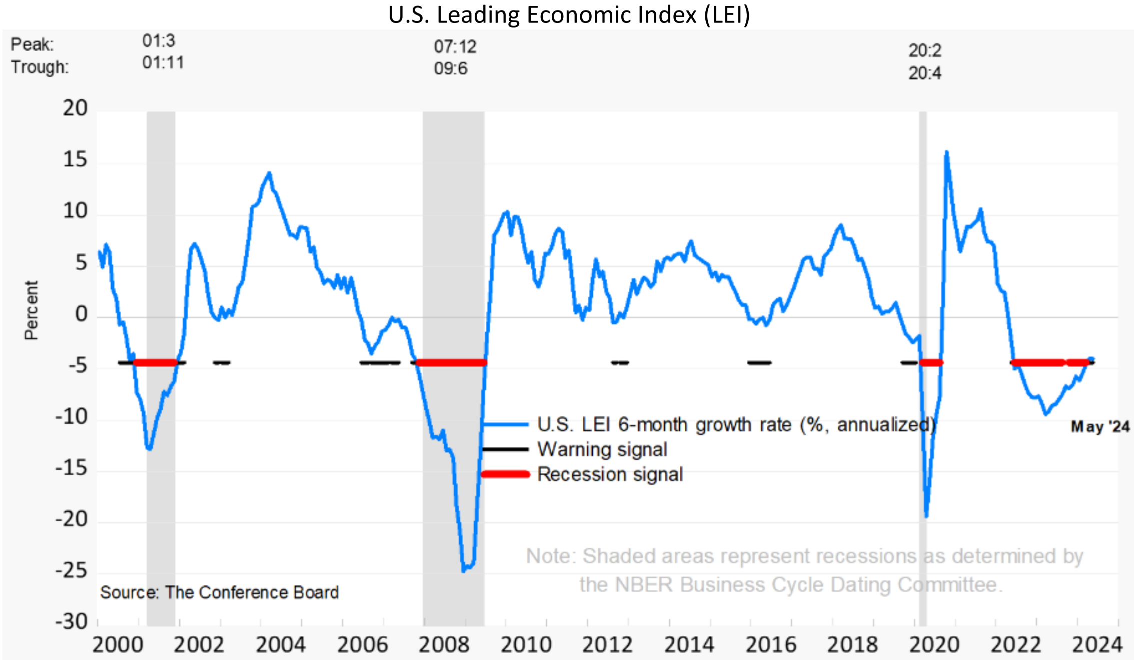
During the COVID lockdowns goods-related activity was artificially boosted. When the economy reopened consumers started shifting their spending preferences back to services and away from goods. The ISM manufacturing index peaked in the last month federal stimulus checks were sent out (March 2021) and has been weaker ever since.

Just as manufacturing has consistently been weak over the past few years, the ISM Services data has represented a lifeline for the U.S. economy in this same timeframe. The ISM Services index surprised sharply to the downside in June, falling to the lowest level in more than four years (outside of the COVID lockdown months) and the lowest since July 2009. With June's abrupt decline, activity in the U.S. service sector has now contracted in two out of the last three months, adding to evidence that the U.S. economy is potentially losing momentum.

Leading Economic Index (LEI)

The Leading Economic Index (LEI) is regarded by many economists as providing an early indication of significant turning points in the business cycle and where the economy is heading in the near term. The U.S. LEI fell again in May, driven primarily by a decline in new orders, weak consumer sentiment about future business conditions, and lower building permits.

U.S. Leading Economic Index (LEI)



The LEI is not a single measure of current economic activity, but rather an index of ten different measures combined into a single index. The components of the LEI are as follows: average weekly hours in manufacturing, average weekly initial claims for unemployment insurance, manufacturers' new orders for consumer goods and materials, ISM® Index of New Orders, manufacturers' new orders for nondefense capital goods excluding aircraft orders, building permits for new private housing units, S&P 500® Index of Stock Prices, Leading Credit Index™, interest rate spread (10-year Treasury bonds less federal funds rate), and average consumer expectations for business conditions.

While the Index has been below its 6-month moving average for 23 months and below its 12-month moving average for 17 months, it has been trending higher. Accordingly, the Index reflects a general level of weakness in the U.S. economy, it is ***not currently*** signaling an imminent recession (crossing just above the red-line recession signal in the most recent reading).

The Conference Board, which publishes the LEI every month, now projects real GDP growth will slow further to under 1 percent (annualized) over Q2 and Q3 2024, as elevated inflation and high interest rates continue to weigh on consumer spending.

When back tested to 1959, the LEI has had a flawless track record of predicting U.S. recessions under a very specific set of circumstances. Every previous instance where the LEI has fallen by at least 4% on a year-over-year basis has been followed by an eventual recession. While the LEI signaled a recession earlier in the current long cycle, critics have suggested that this once reliable indicator of economic activity is no longer as useful as it once may have been.

We do not count ourselves among the critics. As a recession-forecasting tool, the LEI has not been wrong in 65 years. Despite a recent year-over-year decline of up to 8% in the LEI, no recession has materialized, and the year-over-year drop in the LEI has moderated to less than 5% as of May 2024. While we recognize the LEI is more heavily weighted to manufacturing versus the service sectors, we believe it is still worth monitoring.

The U.S. Labor Market

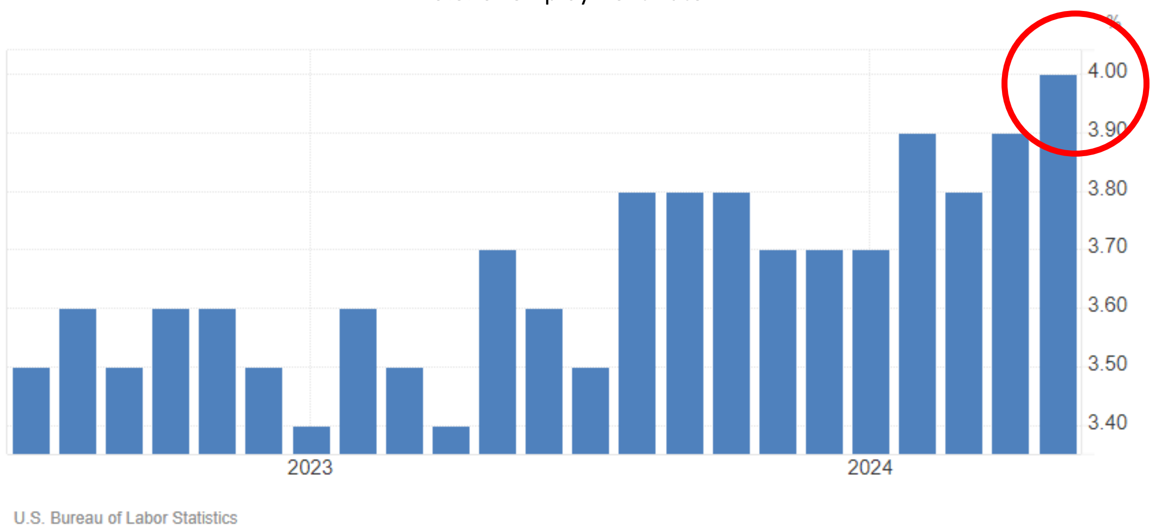
Those commentators favoring the soft-landing narrative have consistently observed that a recession was unlikely given the persistently tight labor market in the U.S. While gainfully employed consumers are important for a healthy economy, we have observed that employment readings tend to be a lagging indicator. In other words, companies do not generally start cutting back on payrolls until after the economy weakens and demand begins to decline.

In fact, changes in employment levels are often seen as confirming trends that have already been identified through leading indicators like consumer confidence, business sentiment, or manufacturing activity. During economic cycles, employment tends to ***follow*** broader economic movements. For example, during an economic slowdown, unemployment typically increases after other indicators such as GDP growth, consumer spending, and business investment have already shown declines.

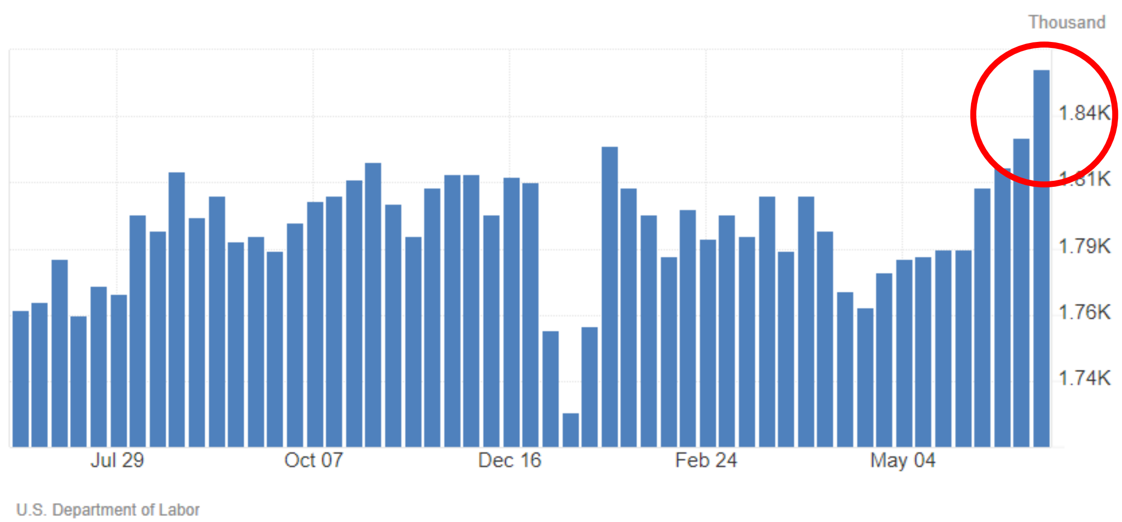
Nonfarm payrolls grew by 206,000 in June with a slight uptick in the unemployment rate. Excluding government activity, private payrolls grew by 136,000 with concentration in social assistance, health care, and construction. Both retail and professional services payrolls declined in June, including a decline in temporary workers. Businesses often cut temp help during periods of impending weakness as we've seen in previous cycles.

Overall, the unemployment rate rose to 4.1% in June (chart below), the highest since 2021 and the household survey also shows employment among full-time workers down 1.5 million versus a year ago, with all the household job gains among part-time workers. Historically, a rise in the unemployment rate above 4% typically indicates a slowdown in economic growth.

U.S. Unemployment Rate



U.S. Continuing Jobless Claims



The long-term unemployed accounted for over 22% of all unemployed people in June, indicating some early signs of a cooling labor market. It is now taking longer for unemployed workers to find new jobs. The median duration of unemployment hit 9.8 weeks in June, the highest since January 2023 and compared to 8.8 weeks a year ago in June 2023. The rise in the amount of time it takes to find a new job is also consistent with the recent upward creep in continuing jobless claims (chart above).

Another troubling trend in recent employment reports has been recurring revisions to the previous month's data. The revisions appearing in the June report subtracted 111,000 from recent payroll gains. In the private sector, payrolls rose 136,000 in June itself but were revised down by 86,000 in prior months, bringing the net gain of just 50,000. This is not nearly as strong a number as the headline number would suggest.

Looking at the details of recent employment reports suggests a modest cooling of the labor market. We would prefer to see stronger job growth for full-time workers in the private sector as opposed to the labor market being supported primarily from additions to government payrolls.

U.S. Equity Markets

At the start of the year, Wall Street analysts on average expected limited gains for the S&P 500 in 2024. Fearing that consumer exhaustion, sticky inflation, lofty valuations, and punitive interest rates would weigh on economic activity and corporate earnings.

America's biggest bank, JP Morgan, had the lowest target, expecting the S&P 500 to close 2024 at 4,200 after finishing 2023 at 4770, for a loss of 12%. Ed Yardeni, one of our favorite commentators, predicted a more uplifting gain of 13% to 5,400. The consensus averaged a forecasted gain of less than 2% (Bloomberg ANR Data as of 12-29-2023).

We did not forecast a 2024 year-end target for the S&P 500 as we believed the market had a higher probability of downside surprises than upside surprises. We observed at the beginning of the year that risks were asymmetric to the downside, meaning we believed more could potentially go wrong than right.

We have now reached the halfway point and investors have experienced more robust gains than Wall Street strategists expected to begin the year. For now, momentum appears to favor modest upside in the second half. If history is a guide, strong first halves have historically been followed by above-average second half returns.

However, this is no ordinary year and bull markets are not linear. Given the concentrated gains in a narrow number of big tech stocks and stretched valuations, pullbacks or a correction must not be ruled out in the second half.

Clearly our sense of caution so far this year has not been warranted. Stocks finished the first half of the year the same way they started — with solid gains from big tech names. We have seen the S&P 500 mark its seventh monthly gain in the past eight months and set dozens of new record highs along the way.

While earnings rose in the first half of 2024, much of the gains have been the result of investor optimism and multiple expansion. Market breadth has been exceedingly narrow, and the average U.S. stock has performed well below what the S&P 500 index would indicate as the market cap weighted index was pulled higher by its biggest names.

A narrow market rally means that fewer stocks are contributing to the overall market gains. Ideally, a healthy market rally is characterized by broad participation across various sectors and industries, indicating underlying strength in the economy and corporate performance.

Narrow breadth can make the market uniquely vulnerable to sudden shifts if the performance of these leading stocks or sectors falters.

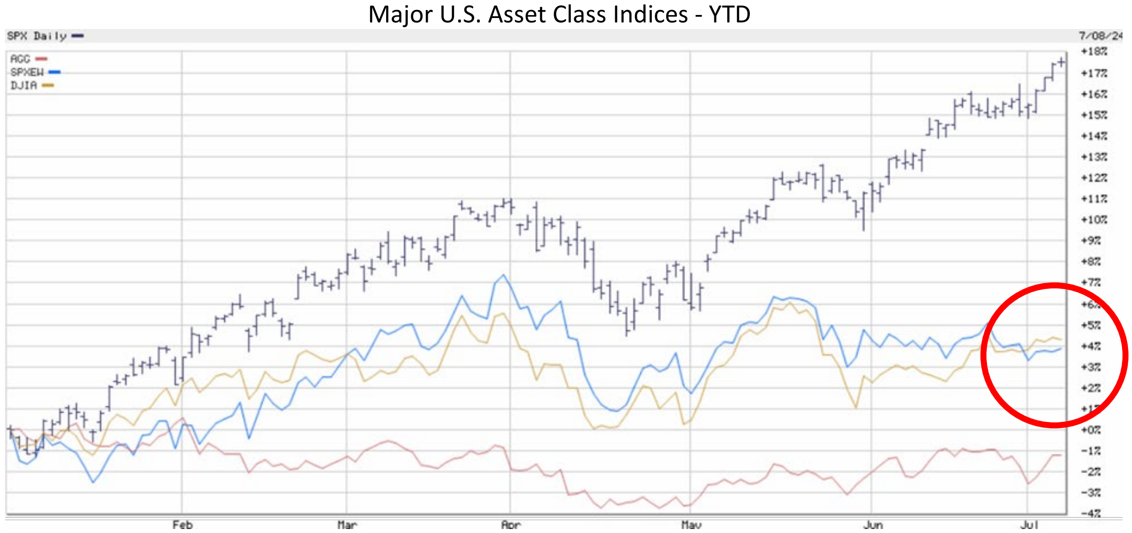
The chart below demonstrates how the S&P 500 (dark blue line below), a stock index weighted by the company market capitalization, has dramatically outperformed different representations of U.S. equities.

The S&P 500® Equal Weight Index (SPXEW) (bright blue line below) is the equal-weight version of the widely used S&P 500. This index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. This broader measure of the market shows gains of only 4%.

Even the Dow Jones Industrial Average (gold line below), once the bellwether measure of U.S. stocks, vastly underperformed the S&P 500 which is dominated by a handful of big tech companies.

The chart below also presents how bonds (as measured by iShares Core U.S. Aggregate Bond ETF) (red line below) experienced modest negative price movement in the current higher-for-longer interest rate environment.

Major U.S. Asset Class Indices - YTD



The major takeaway here is that investors focused on risk management through proper diversification most likely underperformed investors oriented primarily to the S&P 500 in 2023 and thus far in 2024.

While the large technology stocks have been the stock market darlings over the past eighteen months, it is helpful to observe that the six biggest tech names contributing to this year's outperformance for the S&P 500 Index experienced very different results in 2022 when:

META declined approximately 65%
AMZN declined approximately 50%
NVDA declined approximately 50%
GOOG declined approximately 40%
AAPL declined approximately 30%
MSFT declined approximately 30%

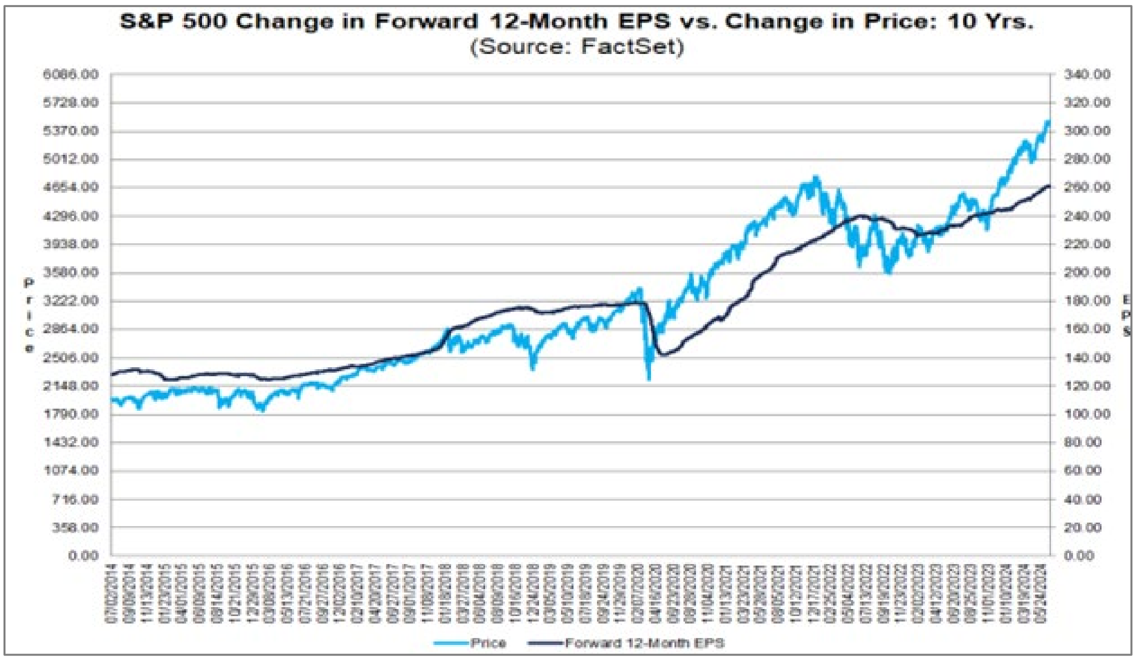
For reference, the Dow Jones Industrial Average declined by about 10% in 2022.

Our preference is for the traditional disciplines of portfolio management, and we accept that the aggregate performance of our balanced investment strategies has lagged the S&P 500 as an all-equity market cap weighted index. Should a market cycle like what we saw in 2022 again materialize, we will be pleased that we adhered to the investment disciplines that have served us well since our firm's inception 18 years ago.

S&P 500 Earnings Estimates

Equity analysts remain quite positive on the prospects for corporate earnings growth.

Given concerns in the market about a possible economic slowdown, it is interesting to note that analysts have recently lowered EPS estimates for the quarter by a smaller margin than average. It is also interesting to see that while analysts decreased earnings estimates in aggregate for the second quarter 2024, they increased earnings estimates for calendar year 2025 by 1.0% (to $278.80 from $276.14).



For the second quarter 2024, the estimated (year-over-year) earnings growth rate for the S&P 500 is 8.8%. If 8.8% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q1 2022 (9.4%). The forward 12-month price-earnings ratio for the S&P 500 is 21.2. This price-earnings ratio is above the 5-year average (19.3) and above the 10-year average (17.9) (source FactSet).

As is readily apparent in the graph above, equity prices (as measured by the S&P 500 – bright blue line) have been rising much faster than the forward earnings estimate this year. This has made the market somewhat expensive, absent a surge in productivity or an aggressive interest rate-cutting cycle from the Fed.

We remain quite optimistic that many disruptive technologies (example: Artificial Intelligence) will eventually reshape our economy in exciting and profitable ways, and that the Fed's next step is likely one to lower interest rates.

We simply wonder if higher productivity from disruptive technologies or the Fed's easing of financial conditions will be big or fast enough to propel stocks higher in the near-term. Only time will tell.

Conclusion

Rarely has there been a more confusing or conflicted environment for investors to navigate. Beginning with the COVID shutdown of our economy there have been extraordinary distortions in our economy that are both without precedent and exceedingly difficult to interpret. So much of what has happened in the past few years does not come with historical context or perspectives on which traditional interpretations may be drawn.

The markets have been very focused on the rate of inflation for most of the past few years and have largely ignored economic data that has signaled trouble ahead. The recent release of the Fed's preferred inflation metric was roughly unchanged in May from a month ago, giving investors relief from the hot inflation prints from earlier this year. This was the smallest advance in six months. The annual rate of inflation also cooled a bit to 2.6% in May. This was encouraging news for capital markets, but the challenges we face extend well beyond inflation alone.

Currently, there are numerous indicators that economic activity in the U.S. is decidedly slowing. Consumer spending is softening, credit delinquency rates are rising, the housing market is struggling with low affordability issues, U.S. Manufacturing, and now U.S. Services, are contracting, and there are conflicting signals in the labor markets. Leading economic indicators are soft, the yield curve remains inverted.

Any, or all, of these indicators could improve unexpectedly - especially if inflation readings were to decline rapidly and the Fed chose to loosen financial conditions. Still, this is a challenging fact pattern for future corporate earnings and a market that appears priced for perfection.

Given the somewhat singular focus on inflation, economic activity and market performance for the balance of 2024 and into 2025 will likely be determined by the efficacy of monetary policy in the U.S. and abroad. What remains to be seen is if central bankers can "stick" the soft-landing narrative (bringing inflation down while avoiding a recession).

Optimistic investors believe they will, while the pessimists believe it is more likely we will see inflation remain stubbornly high with little hope for cuts in interest rates, or the lagged effects of tighter financial conditions will eventually cause the economy to weaken into a mild recession.

The U.S. economy has remained stronger for longer than most expected. While the economy's flight path has been relatively smooth over the past 18 months, it doesn't mean there won't be turbulence ahead. A bullish case for the balance of the year in many ways remains just as plausible as the bearish case. Hence the title of this year's ***Outlook*** report: Bulls, Bears and Blurred Horizons.

We were correct in our original predictions that inflation would remain sticky and the Fed would **not** cut interest rates six times in 2024. However, we have misjudged (so far) the investor's willingness to push valuations higher in the absence of much higher earnings or lower interest rates.

While we remain hopeful for a soft-landing scenario, we still believe there is plenty of time for the lagged effects of higher interest rates to negatively impact economic activity (to the point where a short and shallow recession is inevitable). Accordingly, we believe it is prudent to remain cautious as we navigate many extraordinary challenges in the months ahead. This cautious stance may be especially warranted given how global geopolitical tensions have deepened and domestic political uncertainties have intensified over the past year – and in recent days.

Thank You

As we often say, we do not get to choose the circumstances, the challenges, or the opportunities we will face. The best we can ask of ourselves is that we lean into them as we always have and do everything possible to shape a bright future for ourselves and those we care about.

That's what we do. Proper wealth management demands a sound framework for decision-making. It is about planning over long horizons of time and not becoming overly distracted by the inevitable twists and turns along the way. Our thesis will shift as new information becomes available, but our commitment to understanding the big picture will not.

The economy and the markets are cyclical. Good times follow bad times, and bad times follow good times. While creating and growing wealth is an exciting challenge, we recognize that the road forward will not be easy, comfortable, or quick. The journey will be asymmetrical, volatile, and incredibly frustrating at times. Volatility and market drawdowns are often painful for even the most seasoned investor. Please know we will work tirelessly to maintain relevant perspectives that will help us navigate the difficult times.

Thank you for taking the time to review our mid-year perspectives. We look forward to a prosperous future and are deeply grateful for the many relationships of trust and commitment we share with our clients.

Clearwater Capital Partners
July 2024

Why Clearwater Capital Partners

Clearwater Capital Partners (CCP) is an independent Registered Investment Advisor registered with the Securities and Exchange Commission (SEC). The firm was founded in 2006, by John Chapman, as a locally owned, privately held professional services firm.

The firm provides comprehensive wealth management services to successful individuals and families through its Private Wealth and Family Office Practices. The firm's Institutional Advisory Group offers a suite of professional services to businesses, non-profit organizations, foundations, and ERISA governed retirement plans.

Our services are designed to help simplify the increasing demands and complexities related to making sound financial decisions.

As an independent advisory firm, we embrace the fiduciary responsibilities we have for our clients and are at liberty to deliver solutions we believe best reflect their unique needs.

We believe that our firm's only allegiance is to our client.

We do not represent the interests of any financial institution, brokerage firm or portfolio manager. We believe that the only valid wealth management strategy is one that accurately and objectively reflects the needs, preferences, and goals of the individual client.

Wealth management is a process; one that takes place over long spans of time, and one that is best served through dedicated expertise, meticulous evaluations, and disciplined judgment. Our process adheres to these precepts and seeks to create an intelligent framework for consistent and rational decision making.

Our process, named Clearwater C^3, is a consistent system for prioritizing goals and setting forth a course of deliberate action with deep commitment. Our methods are focused on each client's most critical objectives and are designed to achieve congruity between values and actions.

Wealth management firms vary widely in their philosophies and in the services they offer. Clearwater Capital is dedicated to a well-organized process that places the client at the center of our business model. We are uniquely qualified in the disciplines of wealth management, and our clients have entrusted us with the care of their most cherished ambitions. In return, we endeavor to meet this privilege with diligence and accountability.

We place a premium on commitment, objectivity, and transparency. We embrace the fiduciary duty we have for our clients, putting their objectives before all else. Our independence allows us the freedom to develop world-class solutions - without interference or a proprietary product bias.

We exist to inspire and empower our clients to live with confidence, joy, and a spirit of abundance.

What can we do for your family in 2024?

Notes:

Notes:

IMPORTANT DISCLOSURES

The opinions presented are those of Clearwater Capital Partners and John Chapman, Chief Executive Officer, and Chief Investment Strategist, as of July 2024 and may change, without notice, as subsequent economic and market conditions vary.

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International investing involves additional risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments.

Index performance is referenced for illustrative purposes only. You cannot invest directly in an index. The Dow Jones Industrial Average is owned by S&P Global, the S&P 500 is a registered trademark of The McGraw-Hill Companies, and The Russell 3,000 Index is maintained by FTSE Russell. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

The two main risks related to fixed-income investment are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

The payment of dividends is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time.

Nothing contained herein is offered as tax advice. Please consult qualified professionals with any tax planning needs or tax questions you may have.

Investment Advice offered through Clearwater Capital Partners, a registered Investment Advisor. Please consult with a qualified investment professional before investing.

2800 W. Higgins Road – Suite 1025
Hoffman Estates, Illinois 60169

www.ccpwealth.com

ph 847-841-8650
fax 847-841-1866