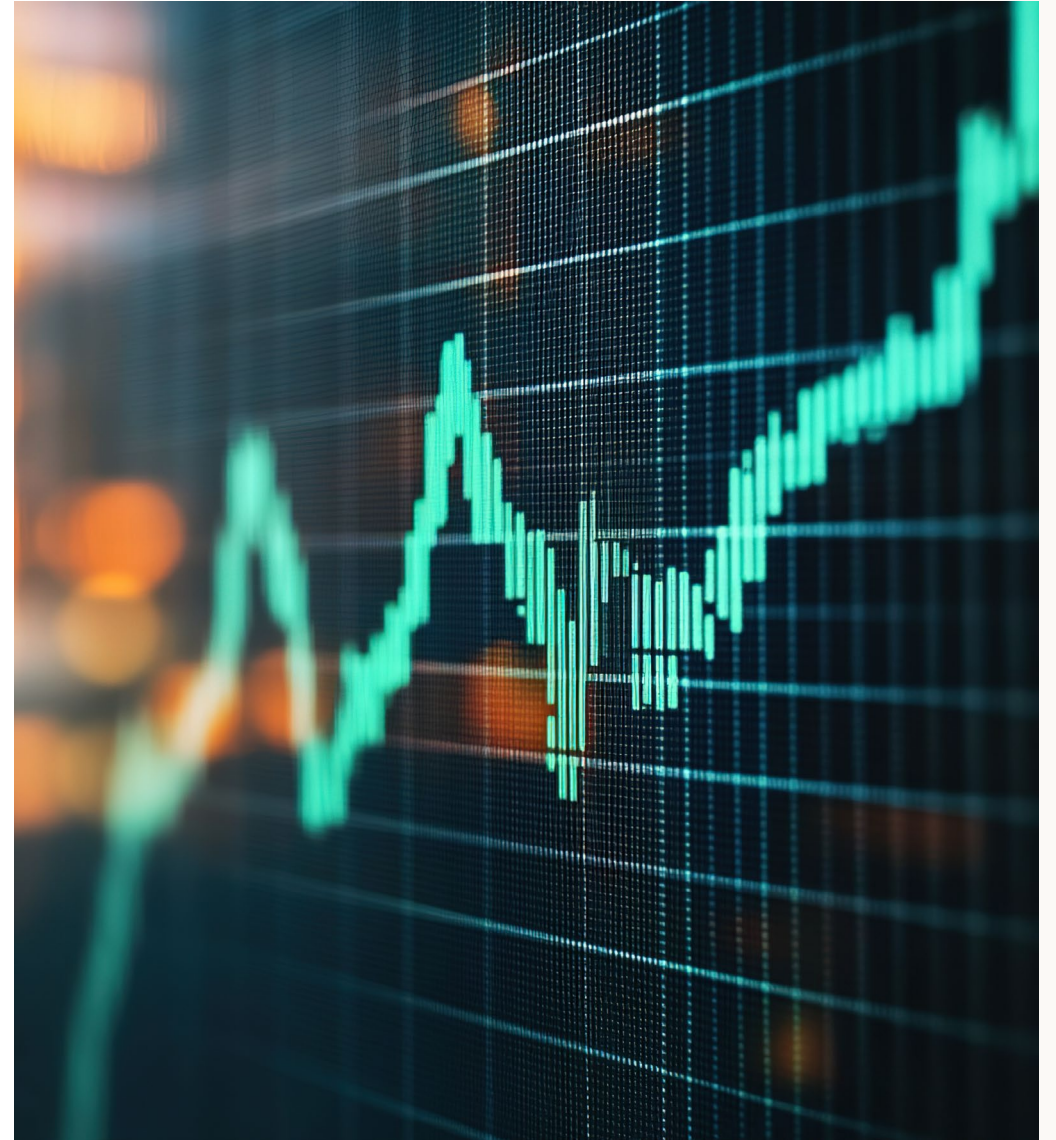


January 23, 2026

State of the Markets

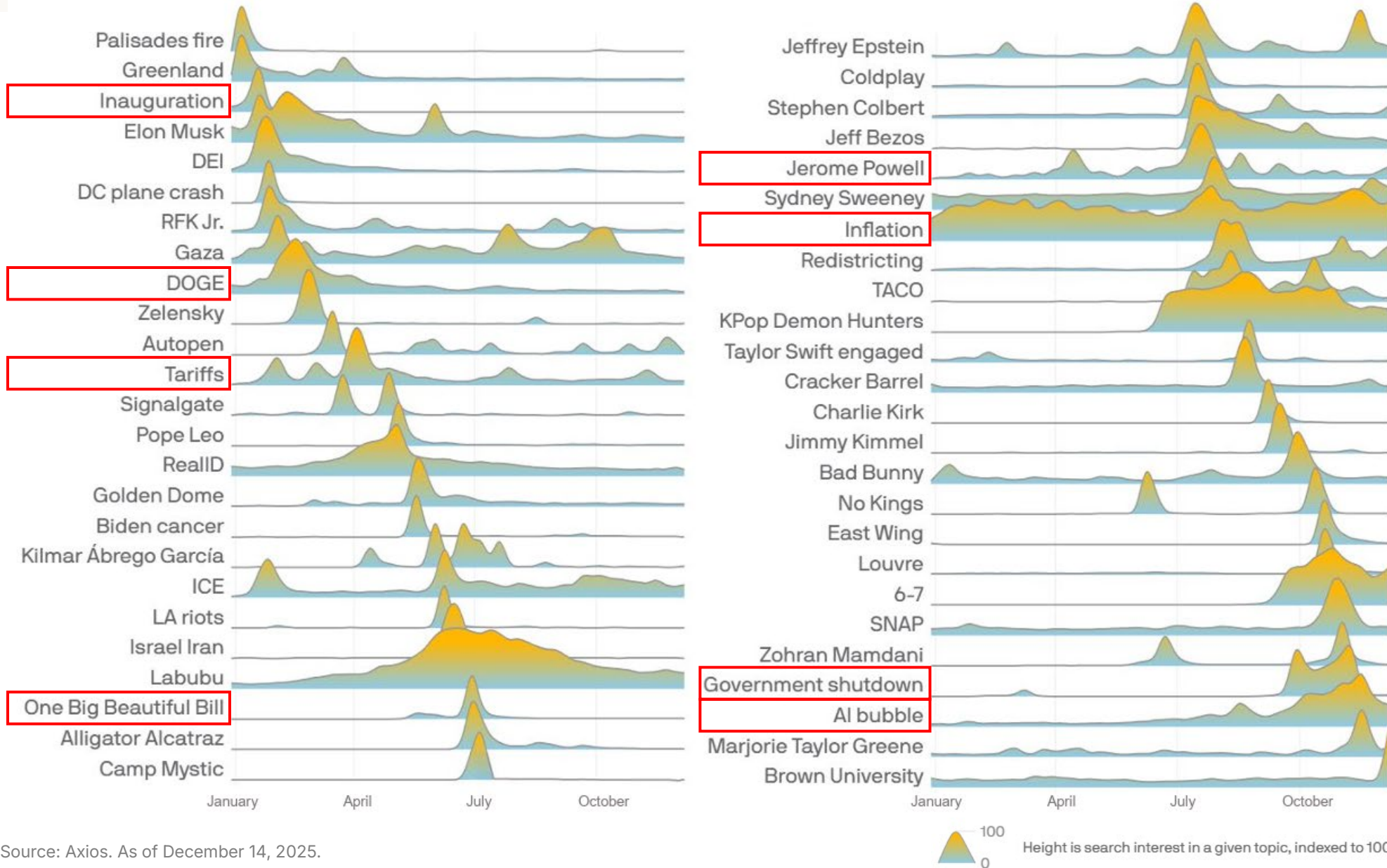
David Wrigley, CFA, CAIA – Chief Investment Officer



Diversify State of the Markets Agenda

- **Review the 2025 Landscape**
 - Major Headlines
 - Broad Public Market Performance
- **Key Investment Themes: 2025 vs. 2026**
- **Key Economic Themes: 2025 vs. 2026**
- **Assess Investment Opportunities**
 - Fixed Income
 - Equities
- **Reasons for Optimism and Pessimism in 2026**

What Were the Major 2025 Headlines?

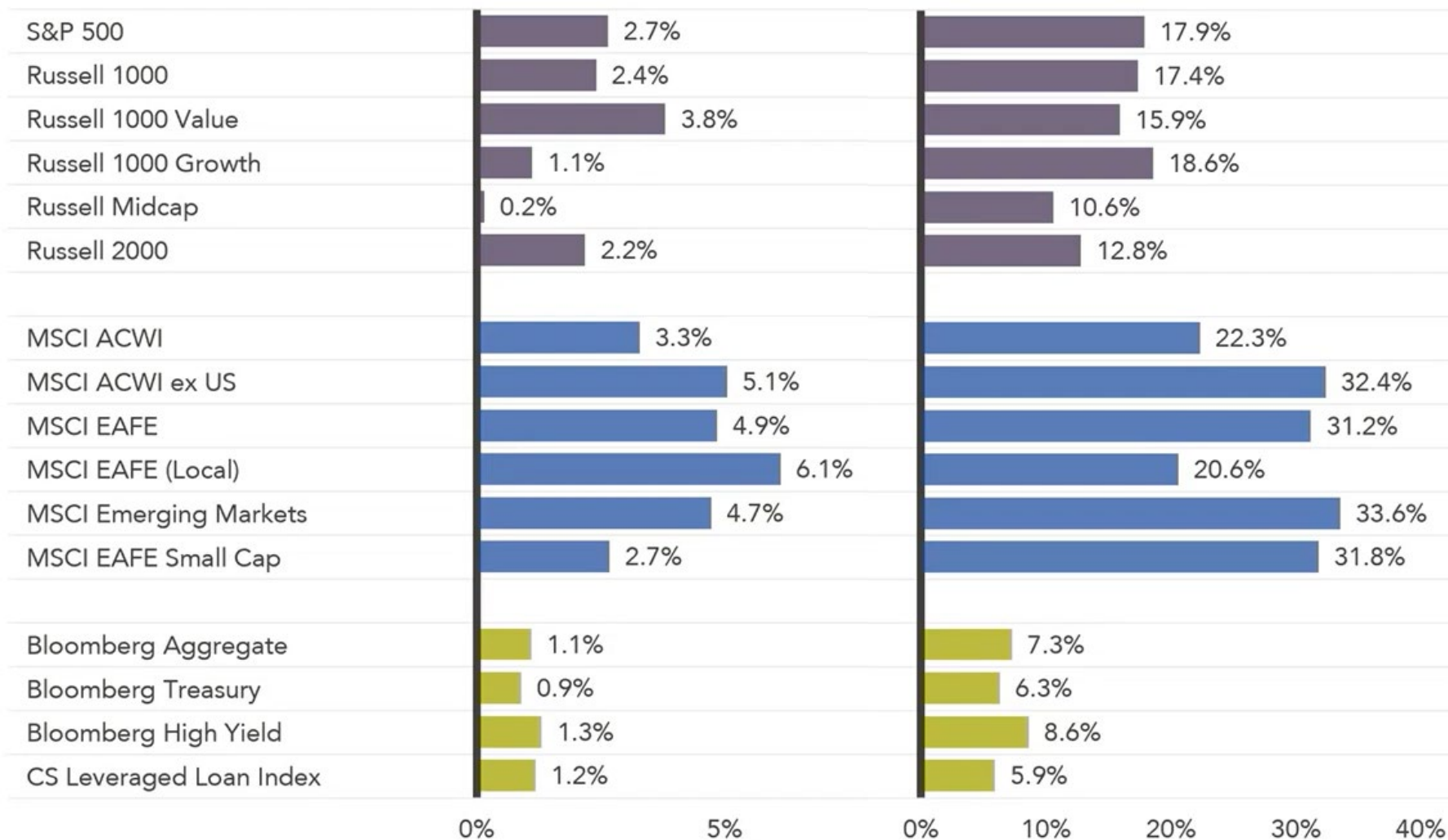


How Did the Public Markets Perform in 2025?

Total Returns

Q4

2025



- Stocks and bonds both performed well in 2025.
- Cash was the laggard of major asset classes with a +4.3% return.
- International stocks were the stars in 2025, fueled mostly by multiple expansion and a weaker dollar.
- In Q4, we began to see an equity rotation take hold.

Key Investment Themes: 2025 vs. 2026

2025

Asset class diversification was somewhat additive

Extreme equity concentration and return contribution

Within equity, high beta dominated low volatility

Within equity, earnings did the heavy lifting

Most fixed income segments performed well

2026

Asset class diversification may be more additive

Broader equity participation

More balanced, with help from the quality factor

Within equity, earnings may have to do all the lifting

Fixed income performance may require more discernment

Change

Favorable

Favorable

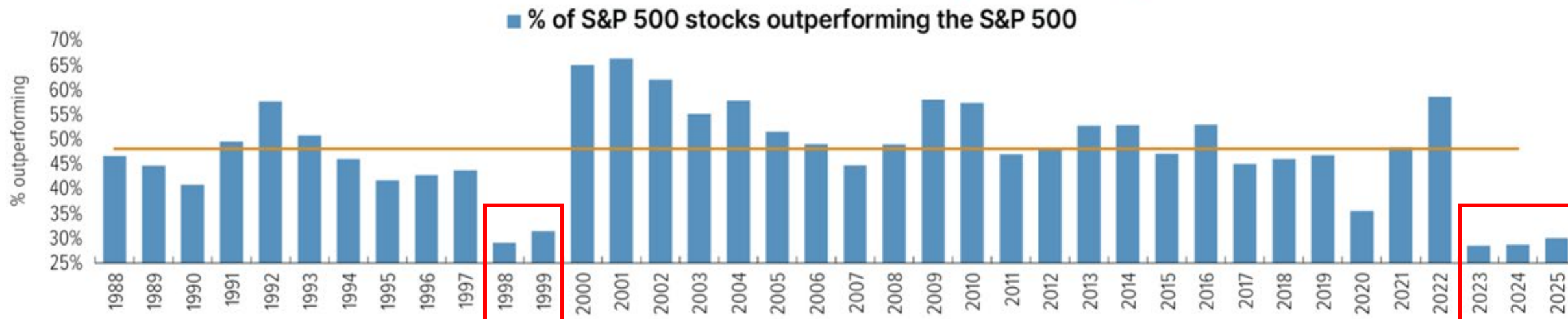
Neutral

Neutral

Cautionary

What Drove the U.S. Equity Market in 2025?

Percentage of S&P 500 Stocks Outperforming the S&P 500:

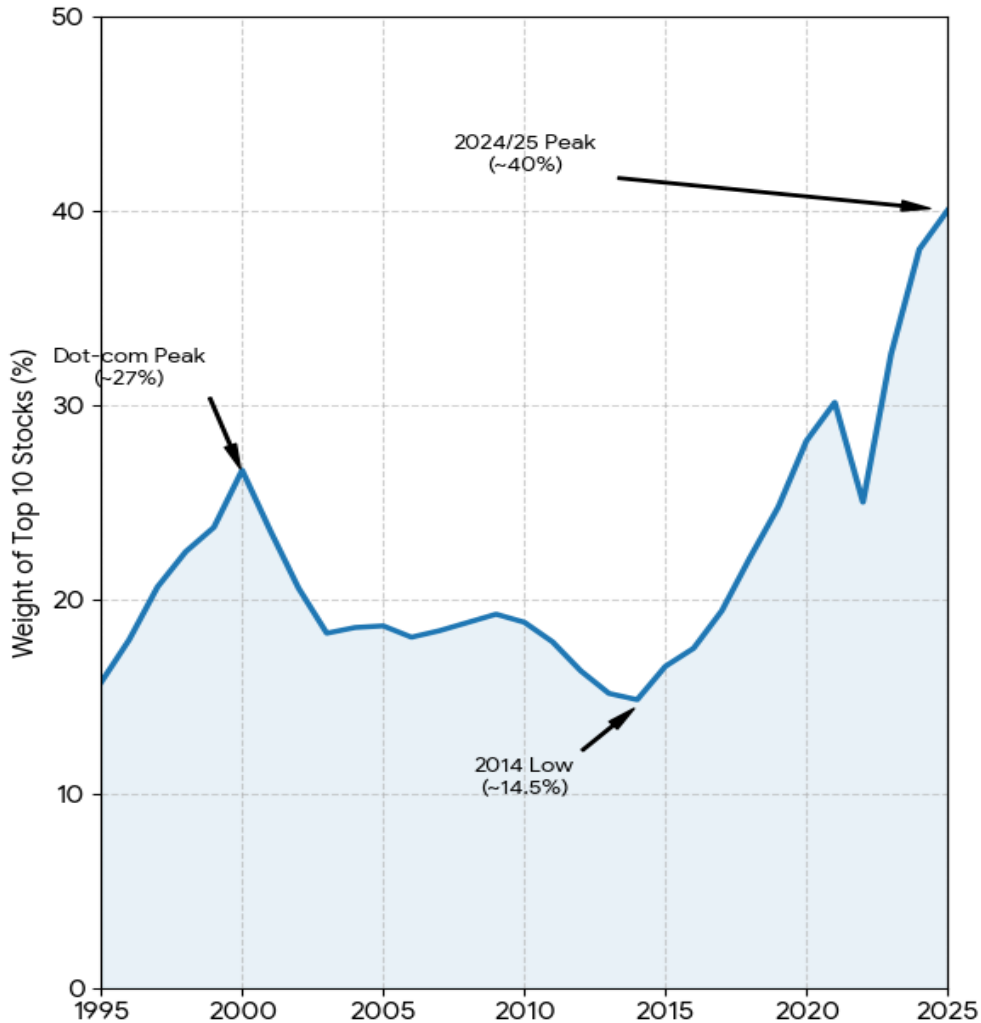


Source: Brown Brothers Harriman. As of December 31, 2025.

- The percentage of S&P 500 companies that outperformed the index remains historically low.
- Over the last three decades, the only other time the index's performance has been as narrow as the last three years was in the late 1990s during the tech bubble.

What Drove the U.S. Equity Market in 2025?

Concentration of Top 10 S&P 500 Companies:



Performance Contribution of the Top 10 S&P 500 Stocks:

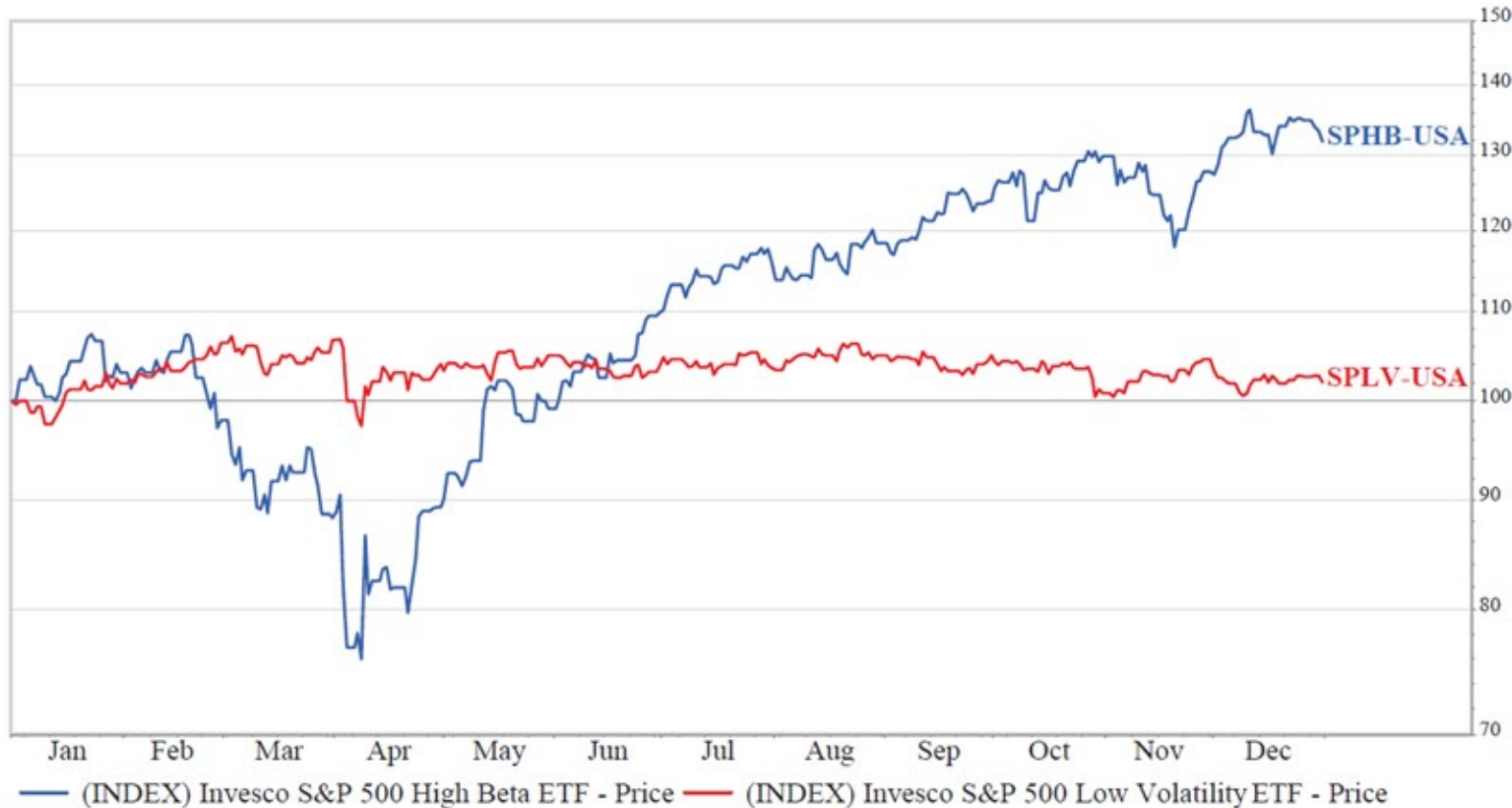
Year	Top 10 as % of Total	S&P 500 % Perf.
2007	78.7%	3.5%
2023	68.4%	24.2%
2024	68.1%	23.3%
2020	58.9%	16.3%
2025	57.3%	16.4%
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%
2006	27.6%	13.6%
2016	26.6%	9.5%
2003	23.6%	26.4%
1995	22.3%	34.1%
2014	22.2%	11.4%
2004	21.1%	9.0%
2005	20.5%	3.0%
2010	19.6%	12.8%
2012	19.2%	13.4%
1997	19.1%	31.0%
2013	17.6%	29.6%
2009	15.5%	23.5%
1992	14.9%	4.5%
1993	12.2%	7.1%

Source: Strategas, Bloomberg, 12/31/25

- The S&P 500 is historically concentrated, with ~40% in the top 10 companies.
- Return concentration is in rare company, mirroring historic peaks like 2007, 2020, and 1999.
- Prior concentration eras have resulted in market resets, where the other companies begin to participate.

What Drove the U.S. Equity Market in 2025?

High Beta vs. Low Volatility in 2025:



Source: Dearborn Partners. As of December 31, 2025.

2025 S&P 500 Sector Performance:

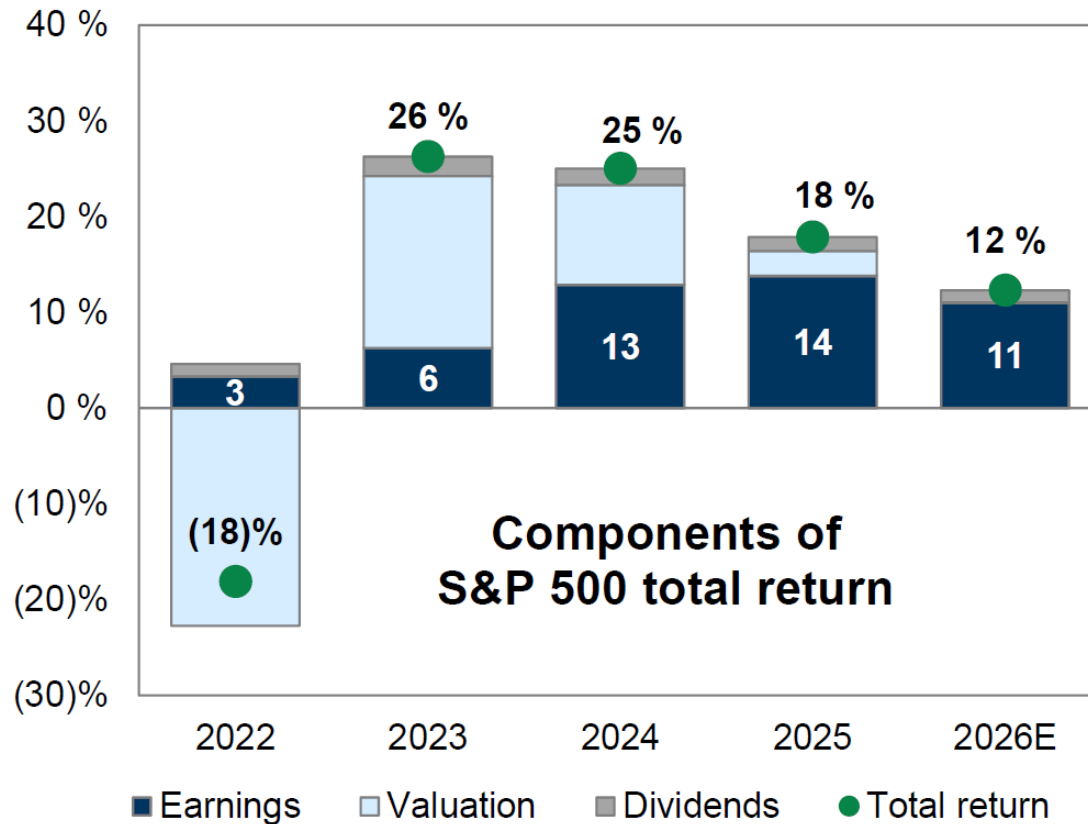
RANK	SECTOR	RETURN (%)
1	Comm Services	34%
2	Tech	24%
3	Industrials	19%
—	S&P 500	18%
4	Utilities	16%
5	Financials	15%
6	Healthcare	15%
7	Materials	11%
8	Energy	9%
9	Cons. Disc	6%
10	Cons. Staples	4%
11	Real Estate	3%

Source: Diversify. As of December 31, 2025.

- High beta stocks concentrated in the technology and communications sectors led the charge in 2025, with low volatility stocks trading water. Note the different “risk on” return regime following April’s Liberation Day.

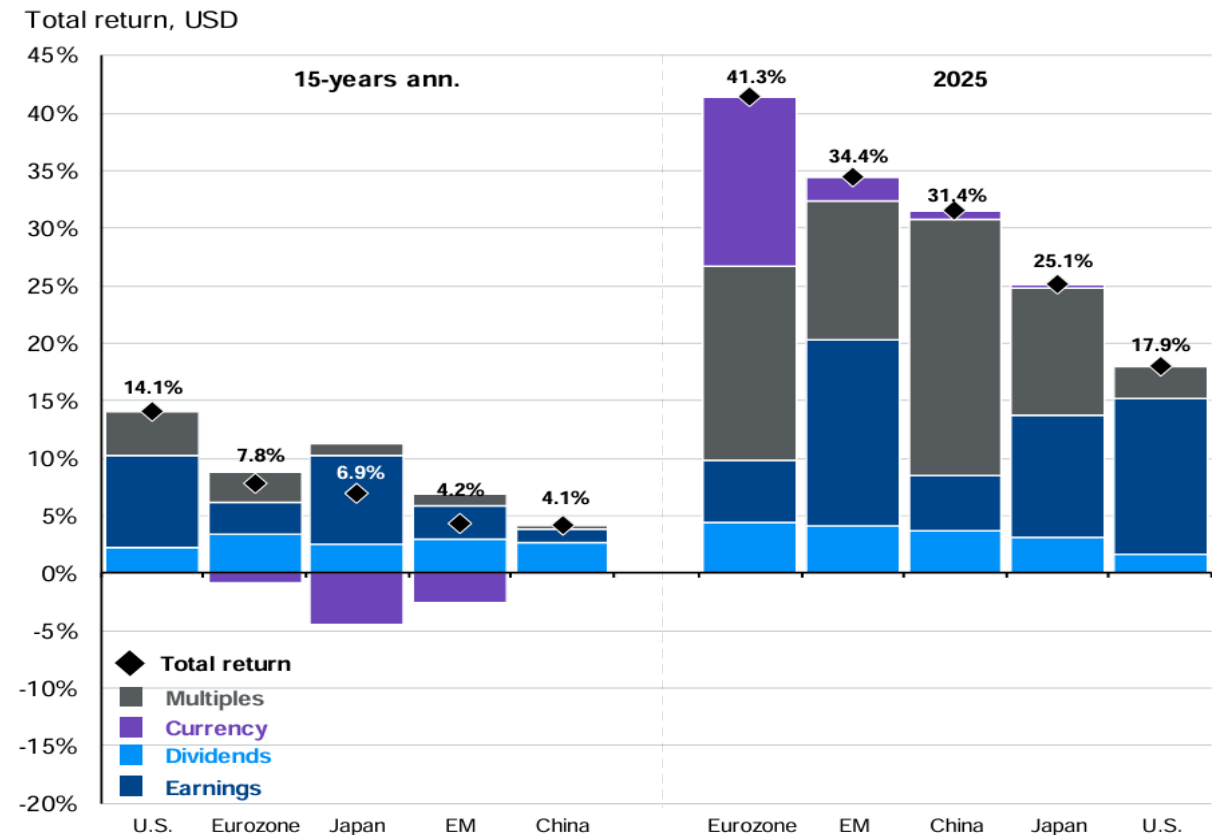
What Drove Equity Returns in 2025?

S&P 500 Total Return Contribution:



Source: Goldman Sachs Global Investment Research. As of January 16, 2026.

International Market Total Return Contribution:



Source: J.P. Morgan Asset Management As of December 31, 2025.

- Most of the S&P 500's 2025 performance was driven by earnings.
- Despite their spectacular returns, unlike in the U.S., much of the gains from international stocks were from currency appreciation and rising valuations. 2025 was the posterchild for geographic diversification.

Key Economic Themes: 2025 vs. 2026

2025

U.S. economy was resilient

Inflation modestly retreated

Expansionary fiscal policy

Three Fed rate cuts

Political/geopolitical noise was deafening

2026

U.S. economy may be accelerating

Inflation's "last mile" appears sticky

More expansionary fiscal policy

Policy rate near neutral

Potential for even more headline risks

Change

Favorable

Cautionary

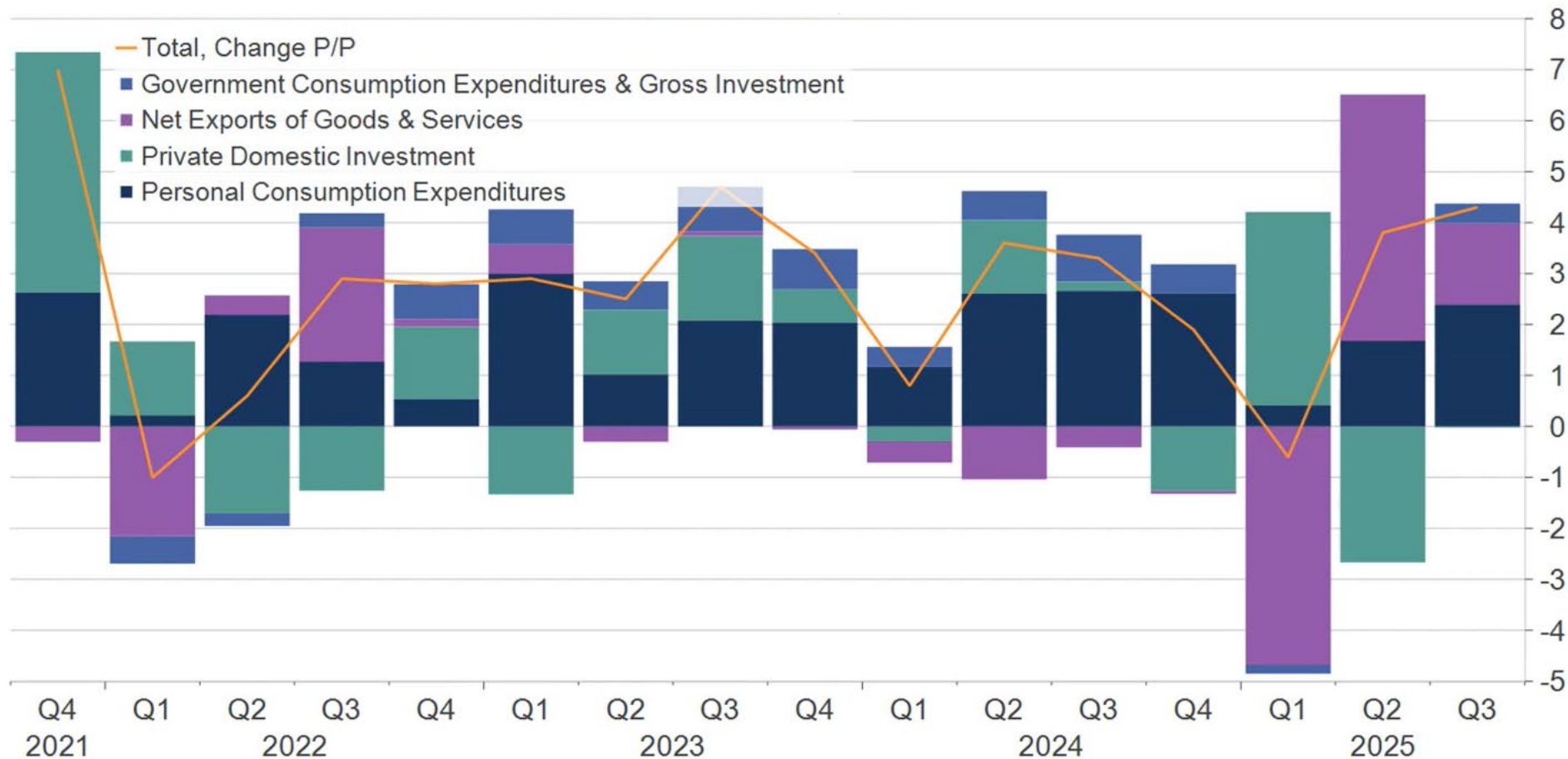
Favorable

Neutral

Cautionary

What's Driving the Resilient U.S. Economy?

Contribution to Quarterly U.S. Real GDP Growth:



- Pending the Q4 print, U.S. real GDP in 2025 will likely be +2.0-2.5%.
- The U.S. consumer continues to power much of the economy, with an incremental boost from AI capex spending.

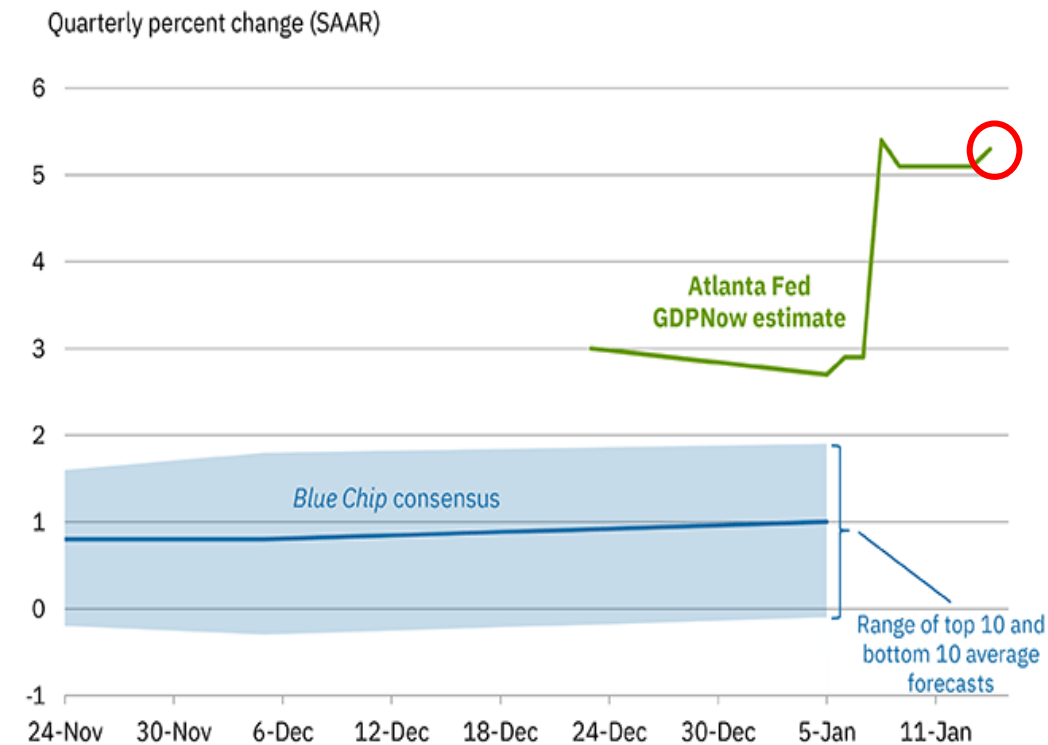
What's the Forecast for U.S. Economic Growth?

2026 Consensus U.S. Real GDP Forecast:



Source: Apollo. As of January 17, 2026.

Atlanta Fed's Estimate of Q4 2025 Real GDP:

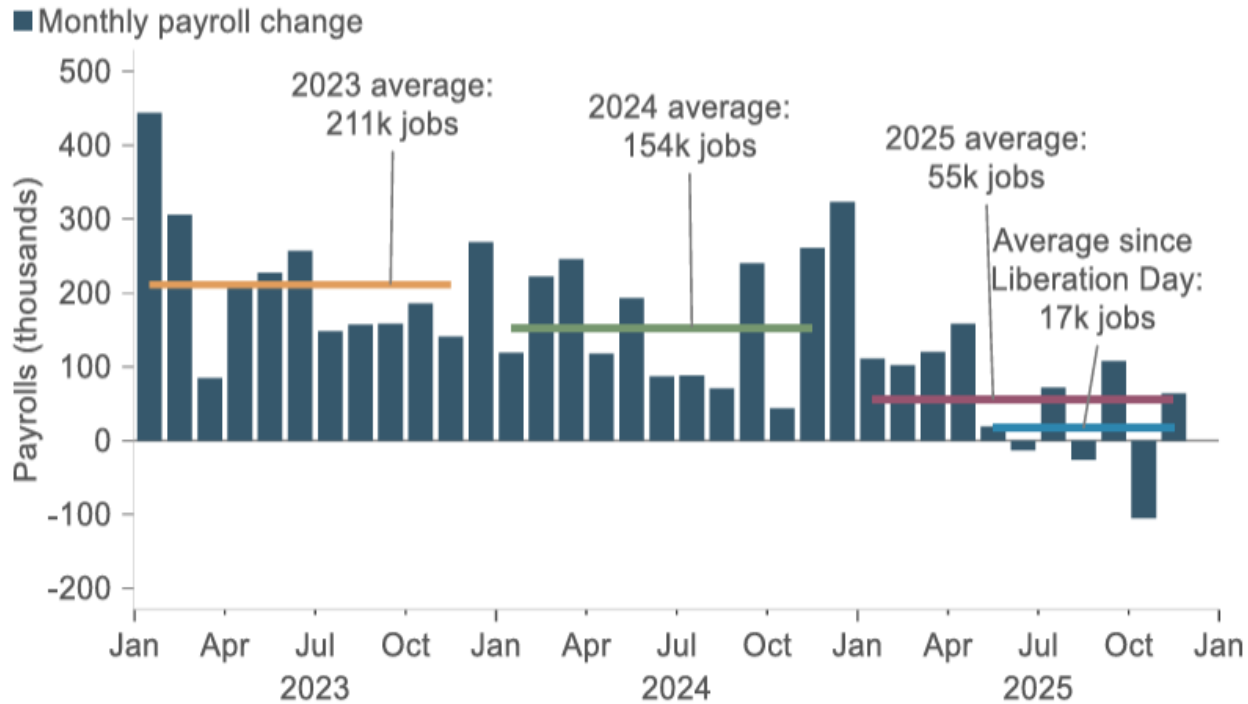


Source: Atlanta Fed. As of January 14, 2026.

- One year ago, the consensus expectation for 2026 U.S. real GDP was +2.0%. Growth forecasts were swiftly revised lower due to tariffs. The easing of trade tensions, combined with strong consumer spending and AI capital expenditures, has pushed GDP forecasts back to +2.1%.
- Following a higher-than-expected Q3 GDP print of +4.4%, most economists have Q4 GDP moderating to +1.0%, in part due to the government shutdown. GDPNow suggests the U.S. economy may have accelerated in Q4.

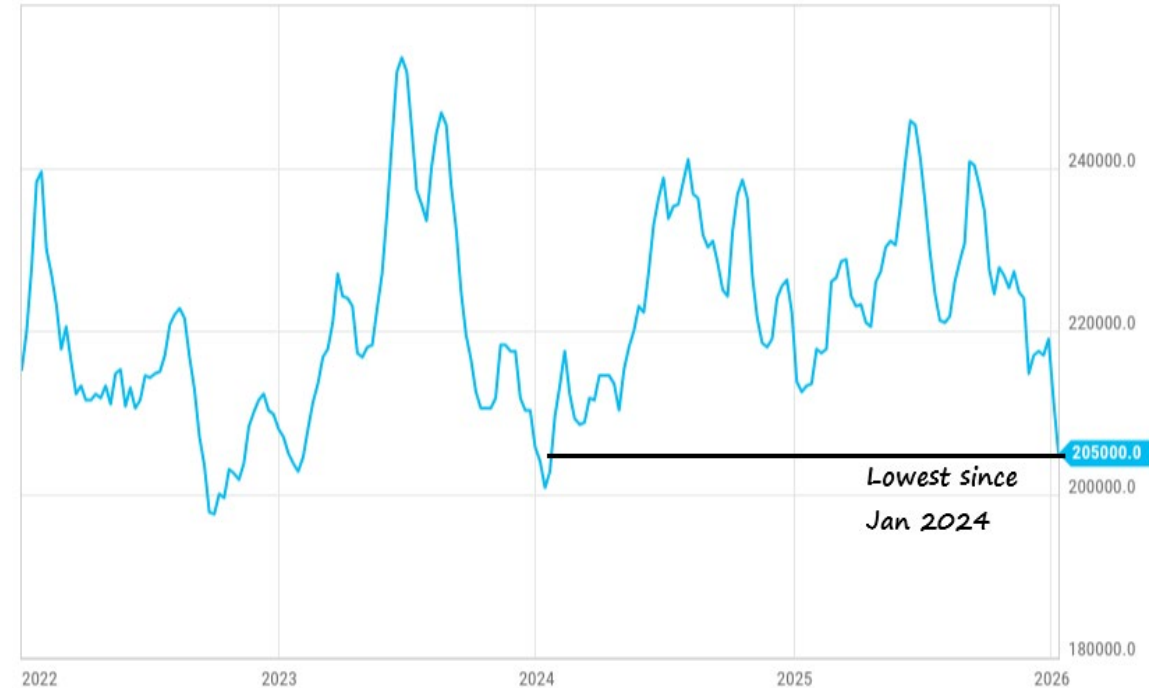
What's the Outlook for the Labor Market?

U.S. Job Creation Continues to Slow:



Source: New York Life Investments. As of December 31, 2025.

Four-Week Average of Initial Jobless Claims:

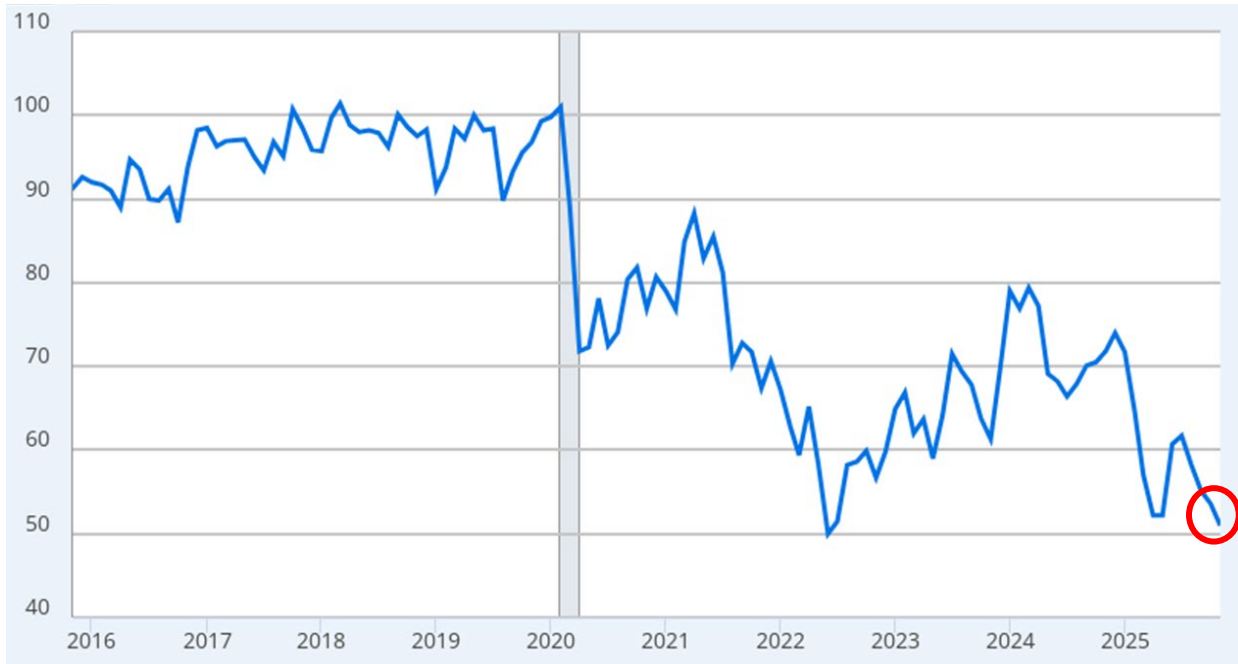


Source: Charlie Bilello. As of January 20, 2026.

- Job creation has softened materially due to shifting policy (immigration) and tech (AI) forces, which are combining to stunt job creation. This remains a low hiring, low firing environment.
- Companies are finding ways to be more productive with their existing workforce and don't feel compelled to let them go. As evidence of this, jobless claims just hit a 2-year low.

Does Weak Job Creation Mean a Weak Consumer?

University of Michigan Consumer Sentiment:



Source: The Conference Board. As of December 23, 2025.

Month-Over-Month Change in Retail Sales:

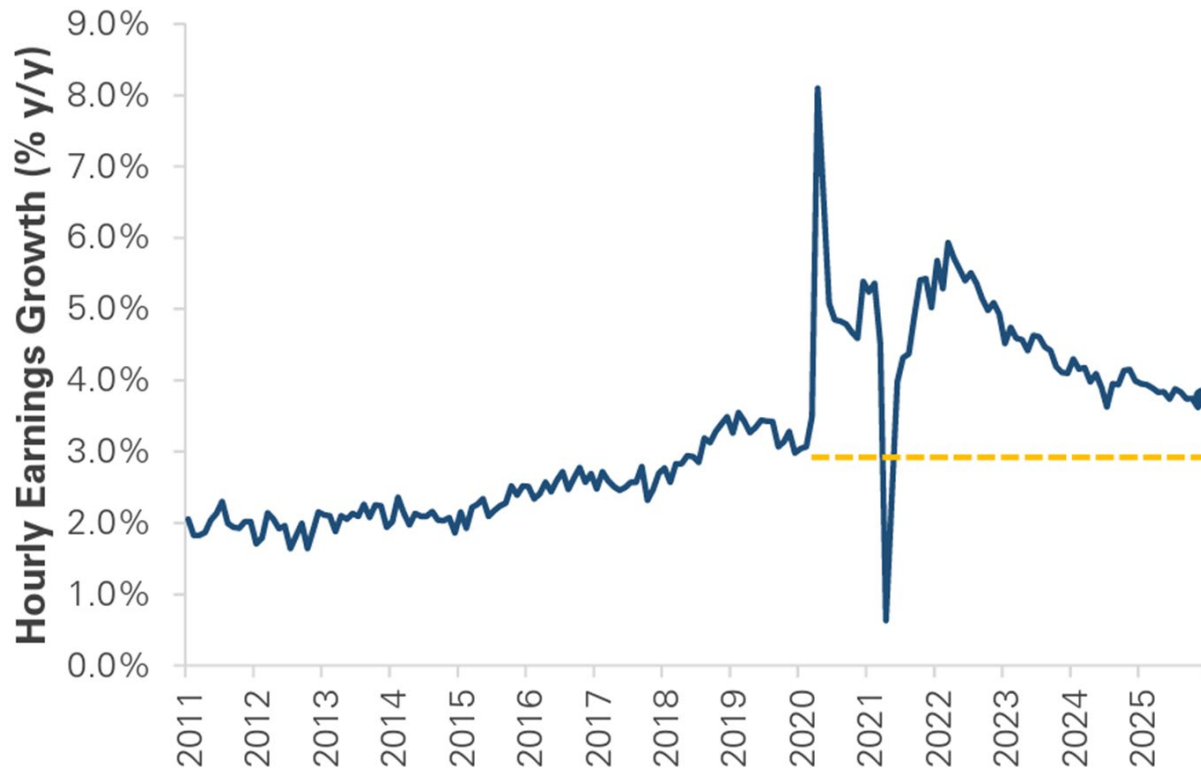


Source: Oxford Economics. As of January 19, 2026.

- This remains a “watch what they do, not what they say” environment. Consumer sentiment has rarely been lower, yet consumer spending marches on unabated.
- Various measures of retail sales and real-time credit card data point to a continuation of robust spending, including healthy holiday spending in 2025. The household wealth effect and the K-shaped economy is driving much of the consumer spending.

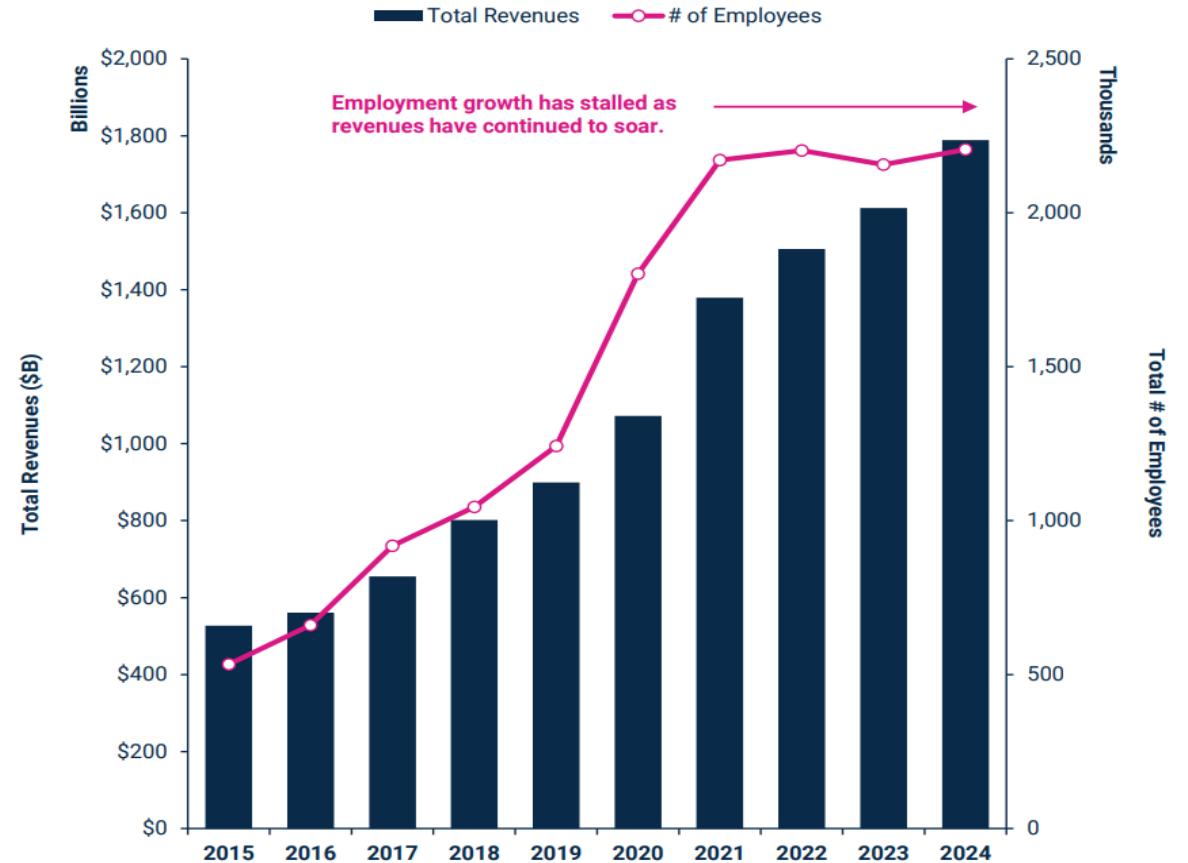
Can the Economy Diverge from the Labor Market?

Wage Growth Remains Elevated and Above the Inflation Rate:



Source: MarketDesk. As of January 16, 2026.

Tech Employees vs. Revenues:

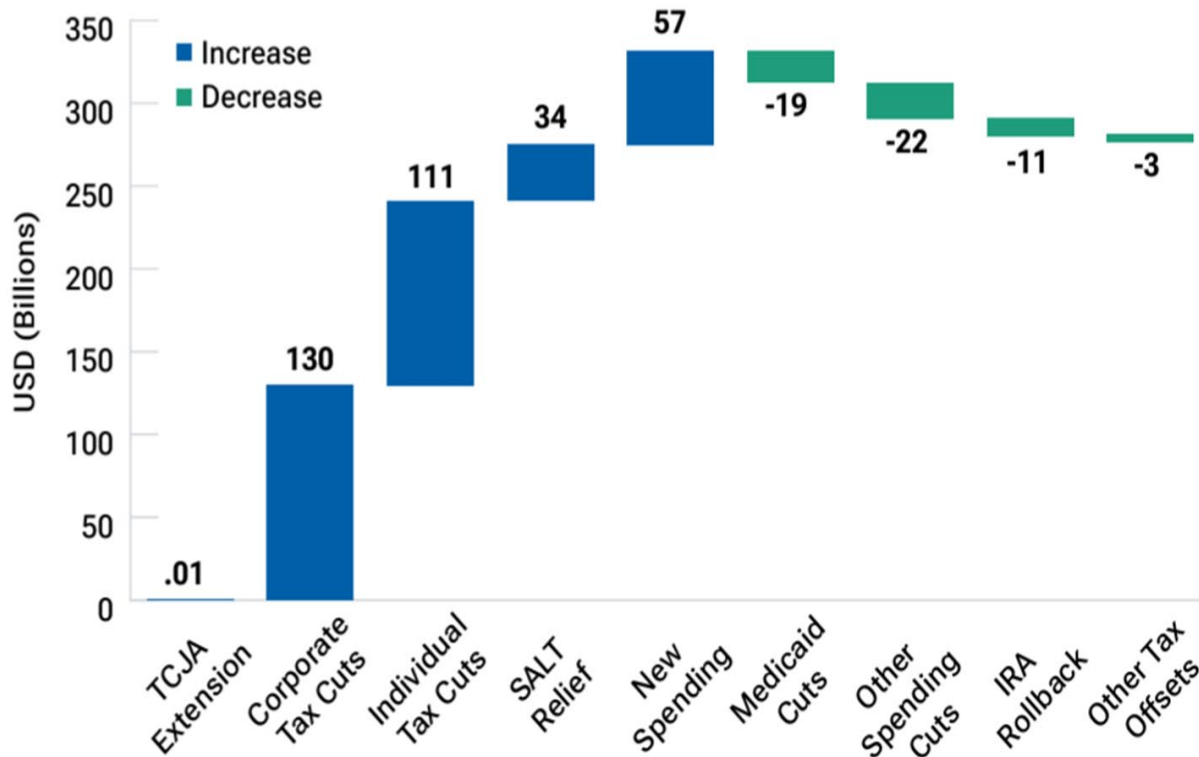


Source: Harbor Capital. As of January 16, 2026. Companies: AMZN, META, GOOG, MSFT, AAPL

- Consumers appear both willing and able to continue spending. Overall wage growth continues to outpace inflation.
- Companies are starting to use AI to drive productivity. Shown on the right, mega cap tech revenues have surged while the aggregate employee count has been flat for four years. This supports both the economy and earnings.

What is the Expected Economic Impact from OBBB?

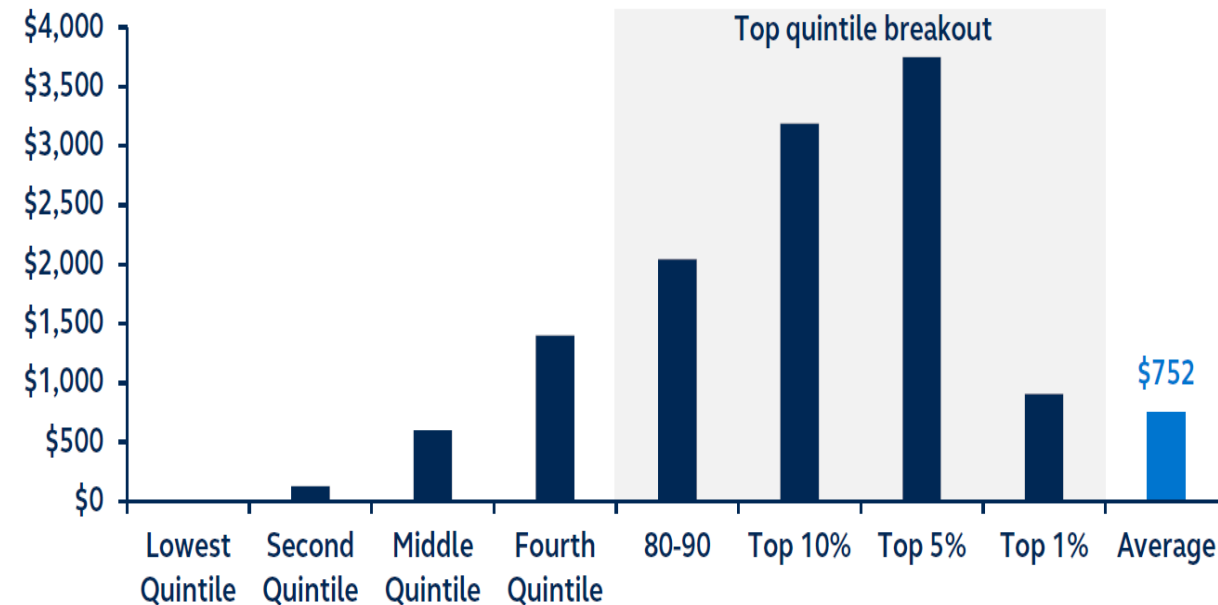
Net Fiscal Impulse from OBBB in 2026 (\$BN vs. Current):



Source: T. Rowe Price. As of December 31, 2025.

Net Impact on Income from OBBB by Income Cohort:

Change in after-tax income



Source: Principal Asset Management. As of December 31, 2025.

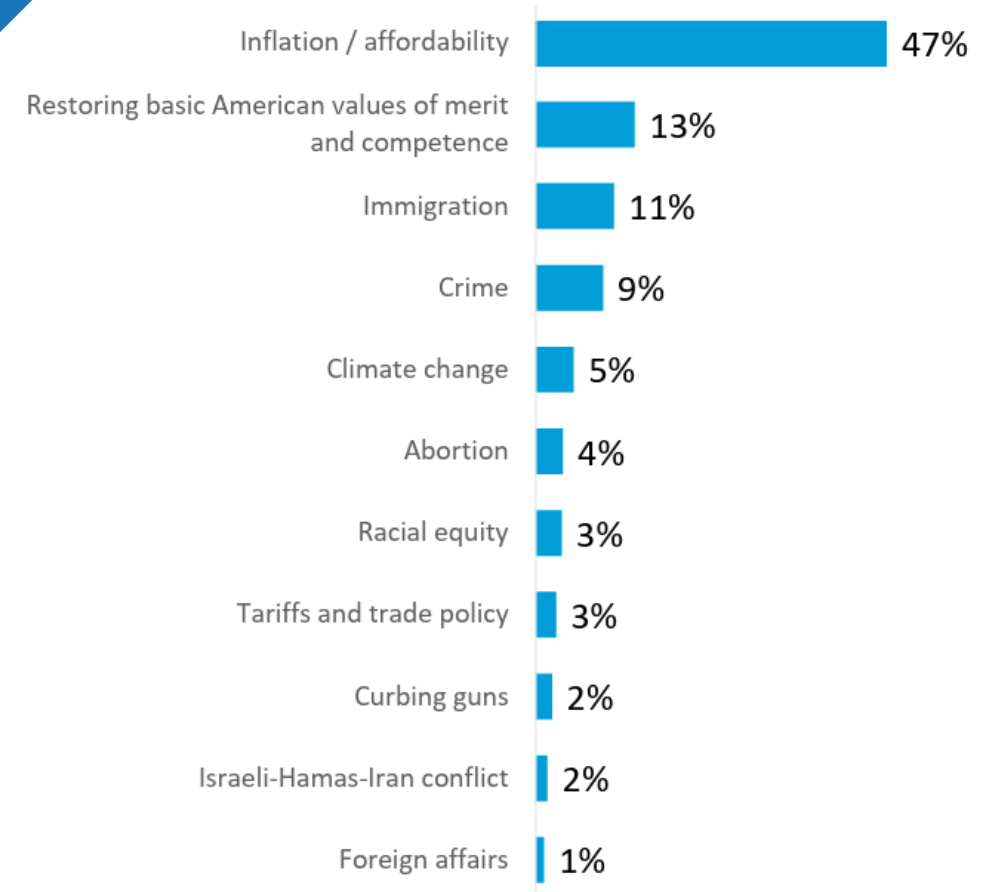
- The fiscal stimulus from the OBBB is beginning to take hold. Many estimates have the net contribution to 2026 real GDP at +0.9%.
- The retroactive tax relief is projected to produce a “refund wave” for households this spring, fueling consumption.
- For corporations, the permanent 100% bonus depreciation and R&D expensing is driving meaningful onshoring.

What is the Trump Administration's Policy Roadmap?



- Potential midterm losses of GOP seats could compel the Trump administration to increasingly focus on deregulation, additional fiscal stimulus, and a focus on affordability.
- Recent polls suggest Americans are increasingly concerned about inflation.
- Focus may shift to deregulation of various industries to stimulate growth.
- Recent protectionist policies include:
 - Affordability
 - Cap on credit card interest rates
 - Creative ways to lower housing prices
 - Block defense and aerospace companies from returning capital to shareholders

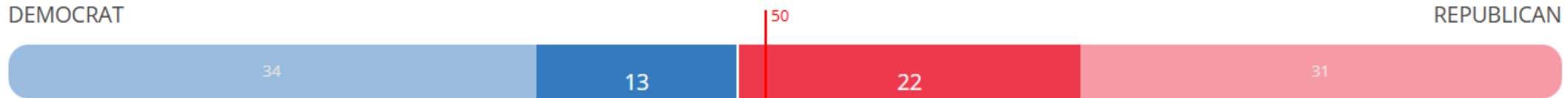
Current Concerns from American Voters:



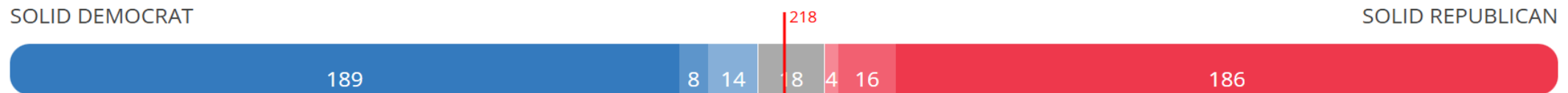
Source: Harvard Harris Poll. As of December 4, 2025.

How Might the U.S. Midterm Elections Shape Up?

2026 Midterms – Senate Projections:



2026 Midterms – House Projections:

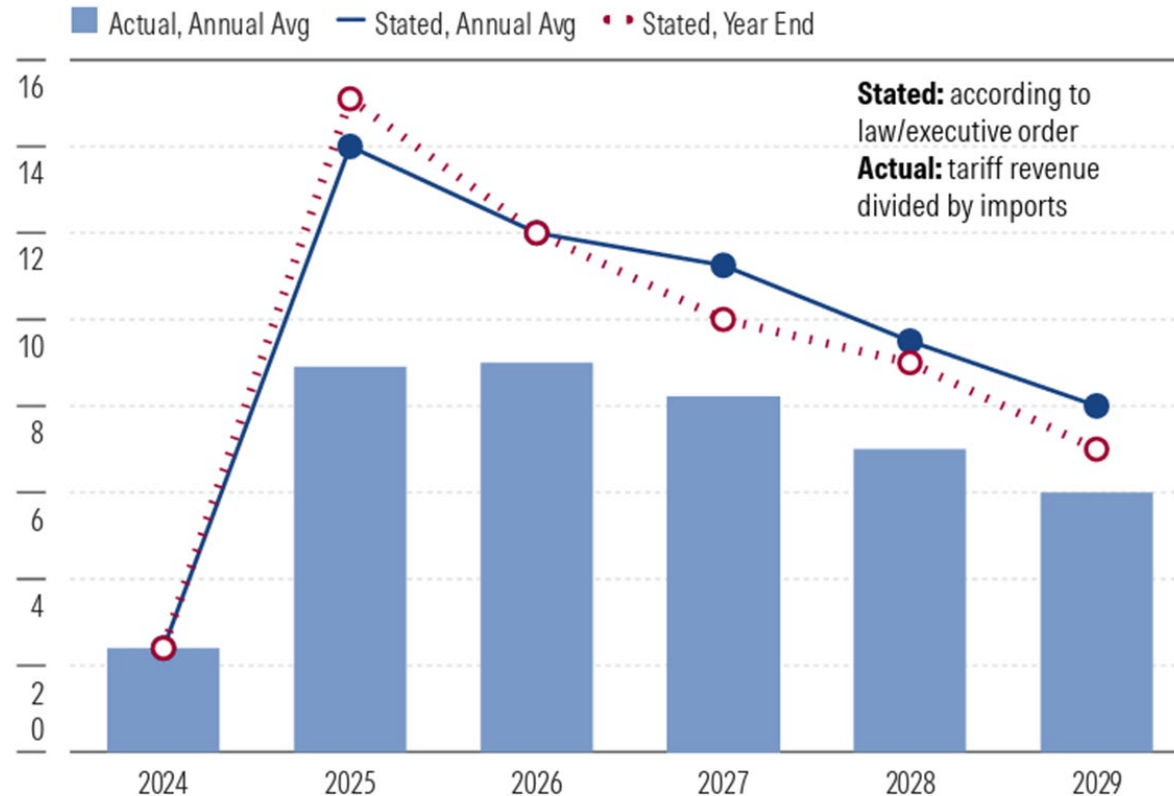


Source: Cook Political. As of January 12, 2026.

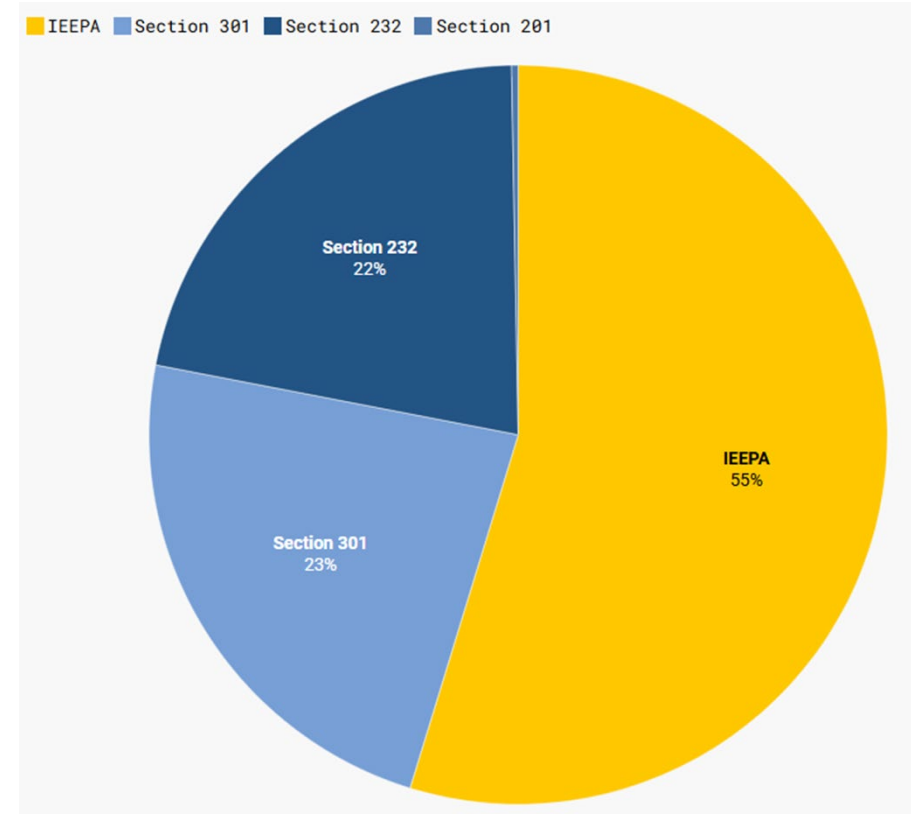
- The outcome of midterm elections will have an impact on the direction of policy.
- Potential midterm losses of GOP seats could compel the Trump administration toward a moderation of tariff focus, greater deregulation, and potential additional fiscal stimulus.
- A GOP hold will point to a continuation of current policy leading into the 2028 general and presidential election.

Will the Effective Tariff Rate Rise or Fall in 2026?

Weighted Average Tariff Rate Percentage Estimates:



Composition of FY 2025 Tariff Revenue:



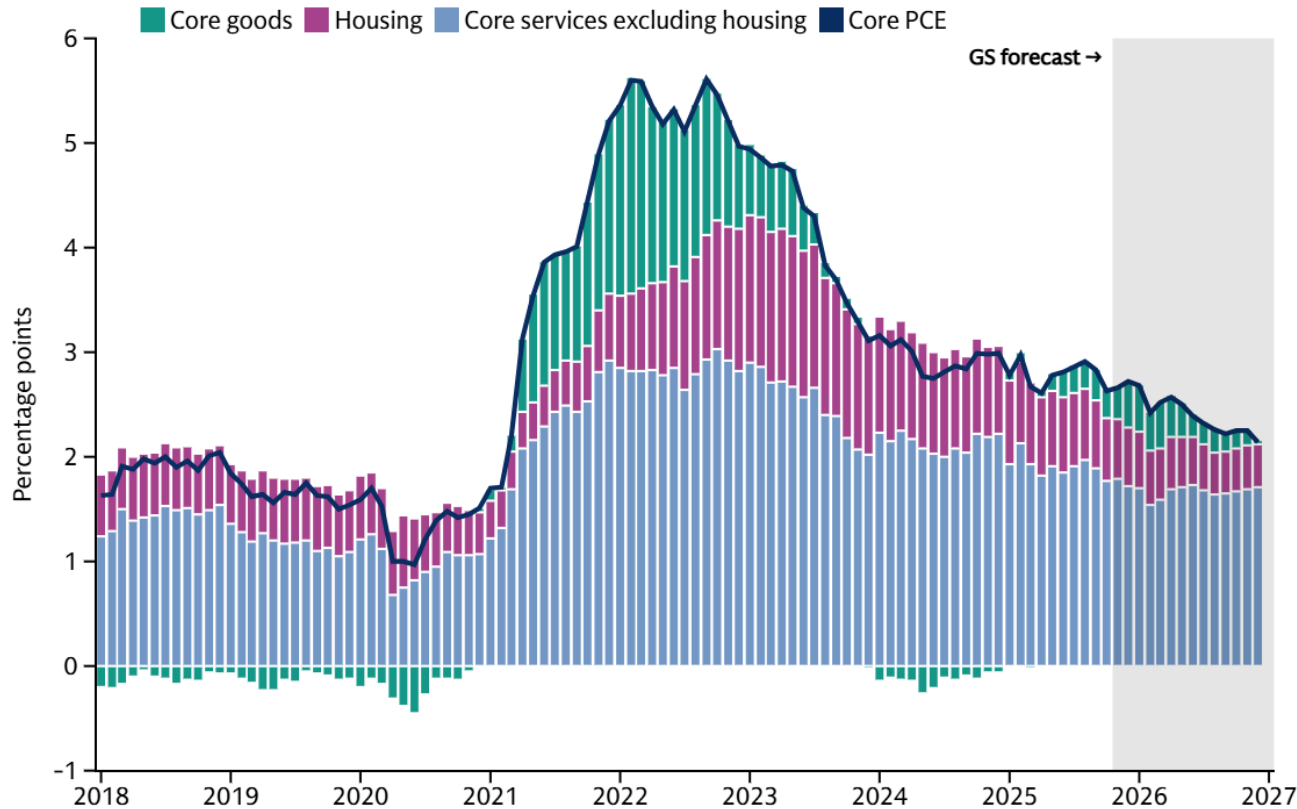
Source: Morningstar. As of December 31, 2025.

Source: Tax Foundation. As of November 7, 2025.

- The effective tariff rate has been a moving target.
- The Supreme Court is hearing a challenge to the legality of the IEEPA tariffs from Liberation Day. IEEPA tariffs comprise ~55% of overall 2025 tariff revenues. That ruling has been pushed back to late February.

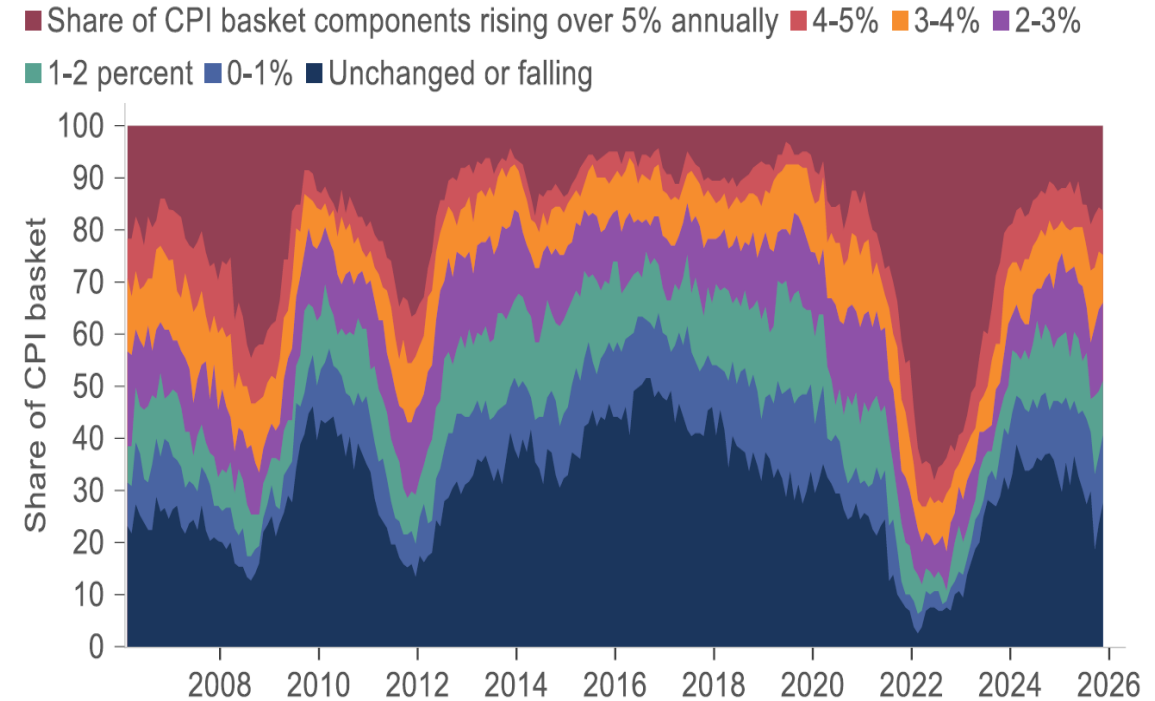
What's the Outlook for Inflation this Year?

Contribution to YoY Core PCE Inflation:



Source: Goldman Sachs Global Investment Research. As of December 31, 2025.

Distribution of Price Changes in the CPI Basket:



Source: New York Life Investments. As of December 31, 2025.

- It appears that U.S. inflation in 2026 will settle into the 2.5-3.0% range. The “last mile” of inflation is proving to be sticky. Services inflation isn’t receding and shelter disinflation may be nearing an end.
- We think the risk is building that inflation’s progress stalls out or turns higher due to the combination of economic strength and further fiscal stimulus.

How Much Could the Fed Cut Rates in 2026?

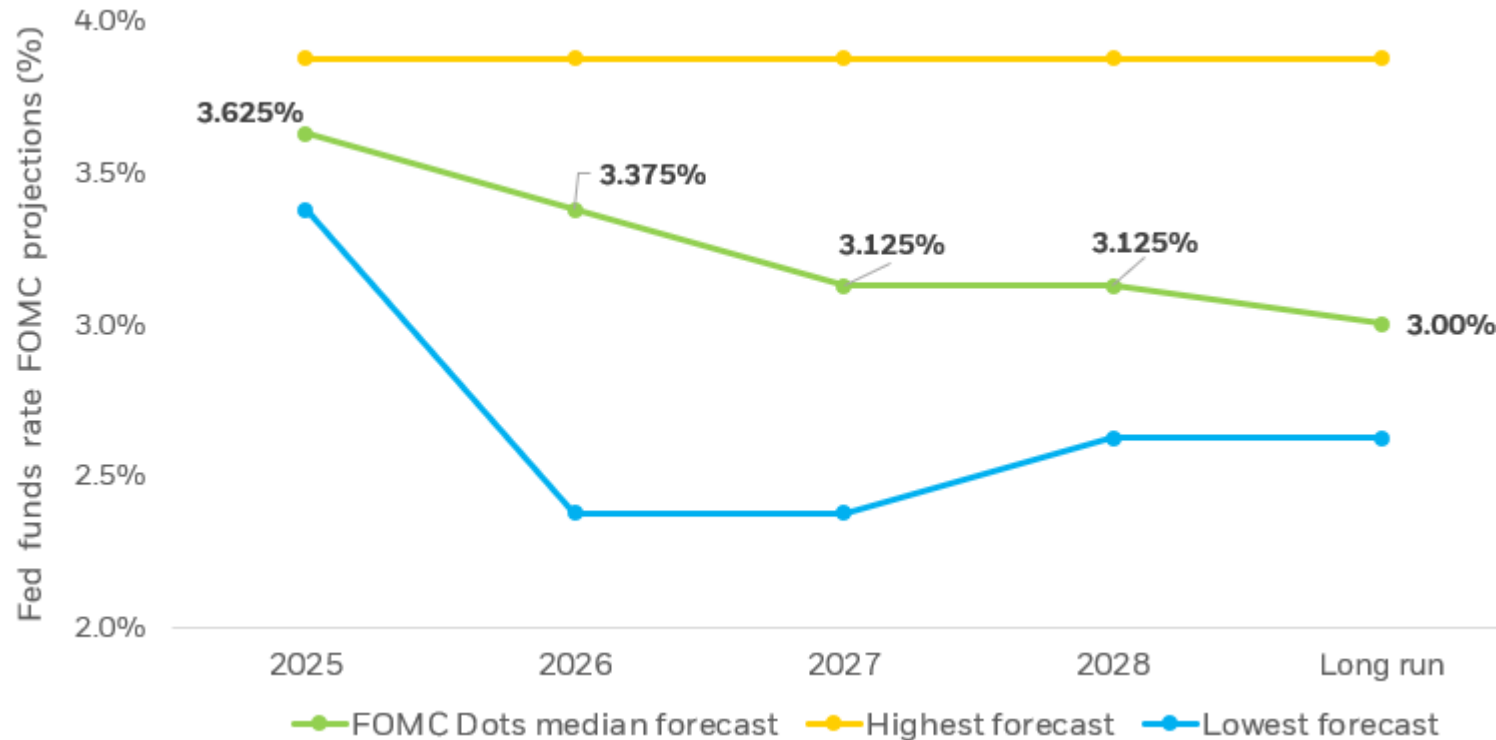
The Potential Path of Rate Cuts Ahead:

MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375
1/28/2026		0.0%	0.0%	0.0%	0.0%	5.0%	95.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.7%	17.1%	82.2%
4/29/2026	0.0%	0.0%	0.0%	0.1%	3.4%	27.9%	68.6%
6/17/2026	0.0%	0.0%	0.0%	1.5%	13.8%	45.1%	39.6%
7/29/2026	0.0%	0.0%	0.4%	4.6%	21.8%	43.7%	29.4%
9/16/2026	0.0%	0.2%	2.0%	11.2%	30.2%	38.2%	18.2%
10/28/2026	0.0%	0.5%	3.7%	14.6%	31.6%	34.7%	14.9%
12/9/2026	0.1%	1.1%	5.9%	18.0%	32.2%	30.7%	11.9%

- At a policy rate of 3.50-3.75%, the Fed Funds rate appears close to the neutral rate.
- The rates market now thinks the Fed will cut 1-2 times in 2026.
- A higher for longer interest rate environment may persist given the building tension between the Fed's dual mandate of price stability and full employment.

How Might Changing Fed Composition Impact the Fed?

The Fed's Current Dot Plot:



Source: Blackrock. As of December 10, 2025.

- Economic crosscurrents are creating confusion at the Fed, shown by the range of the dot plot. On top of that, the Trump administration is exerting political pressure on the Fed to lower the policy rate.
- Fed independence is essential to allow it to fulfill its dual mandate.
- When Chair Powell's term is up in May, the next Fed Chair will likely be incrementally dovish.

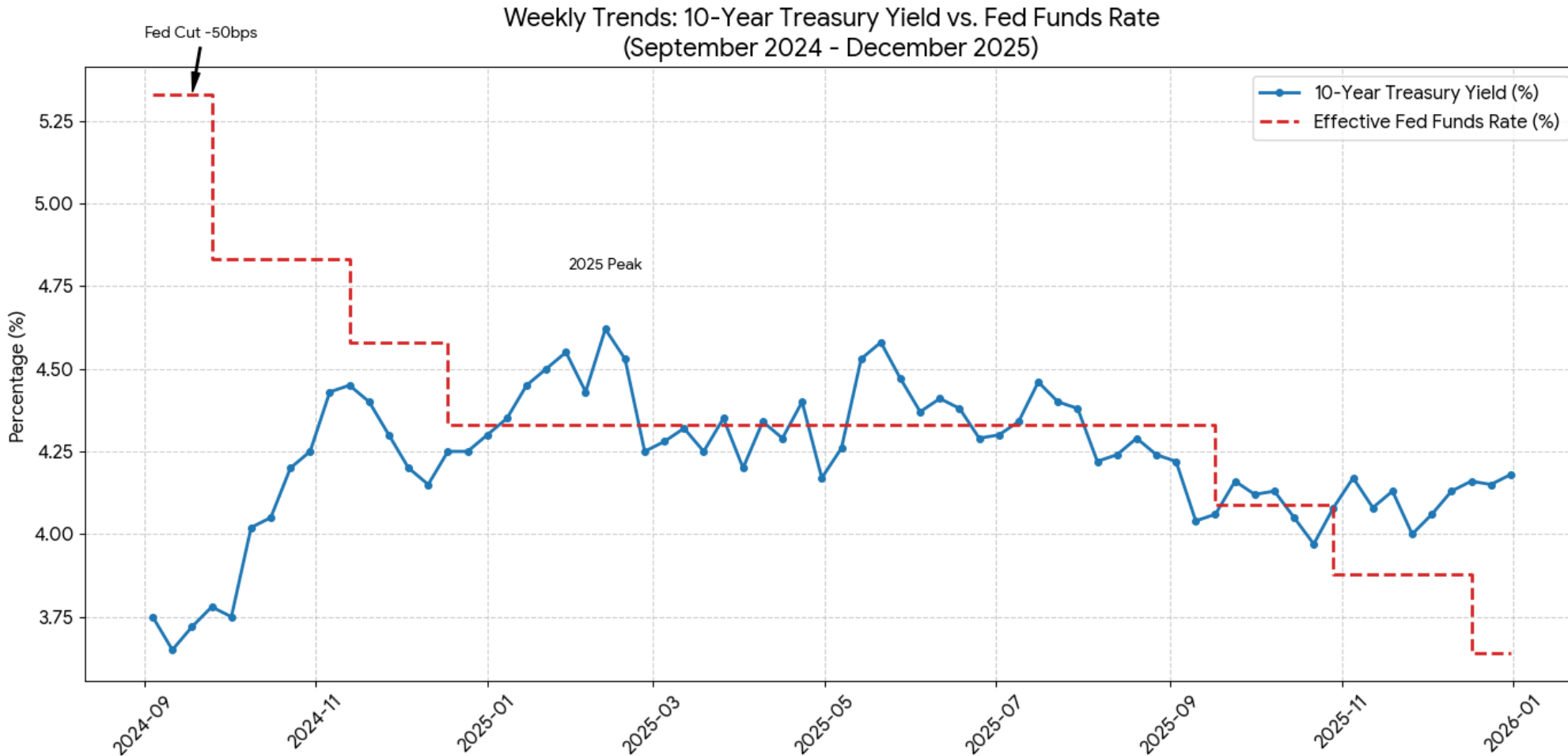
FOMC Hawkish/Dovish Scores:

Name	Position	Hawk Scale
Most Dovish		
Miran	Board	[Dovish]
Waller	Board	[Dovish]
Bowman	Board	[Dovish]
Jefferson	Vice Chairman	[Dovish]
Paulson	Philadelphia	[Dovish]
Cook	Board	[Dovish]
Powell	Chairman	[Dovish]
Williams	New York	[Dovish]
Daly	San Francisco	[Dovish]
Barr	Board	[Dovish]
Collins	Boston	[Dovish]
Goolsbee	Chicago	[Dovish]
Kashkari	Minneapolis	[Dovish]
Bostic	Atlanta	[Neutral]
Musalem	St Louis	[Hawkish]
Logan	Dallas	[Hawkish]
Barkin	Richmond	[Hawkish]
Schmid	Kansas City	[Hawkish]
Hammack	Cleveland	[Hawkish]
Most Hawkish		

Source: ITC Markets Research. As of December 19, 2025.

Will the 10-Year Follow Fed Funds Modestly Lower?

U.S. 10-Year Treasury Yield vs. Fed Funds Rate:



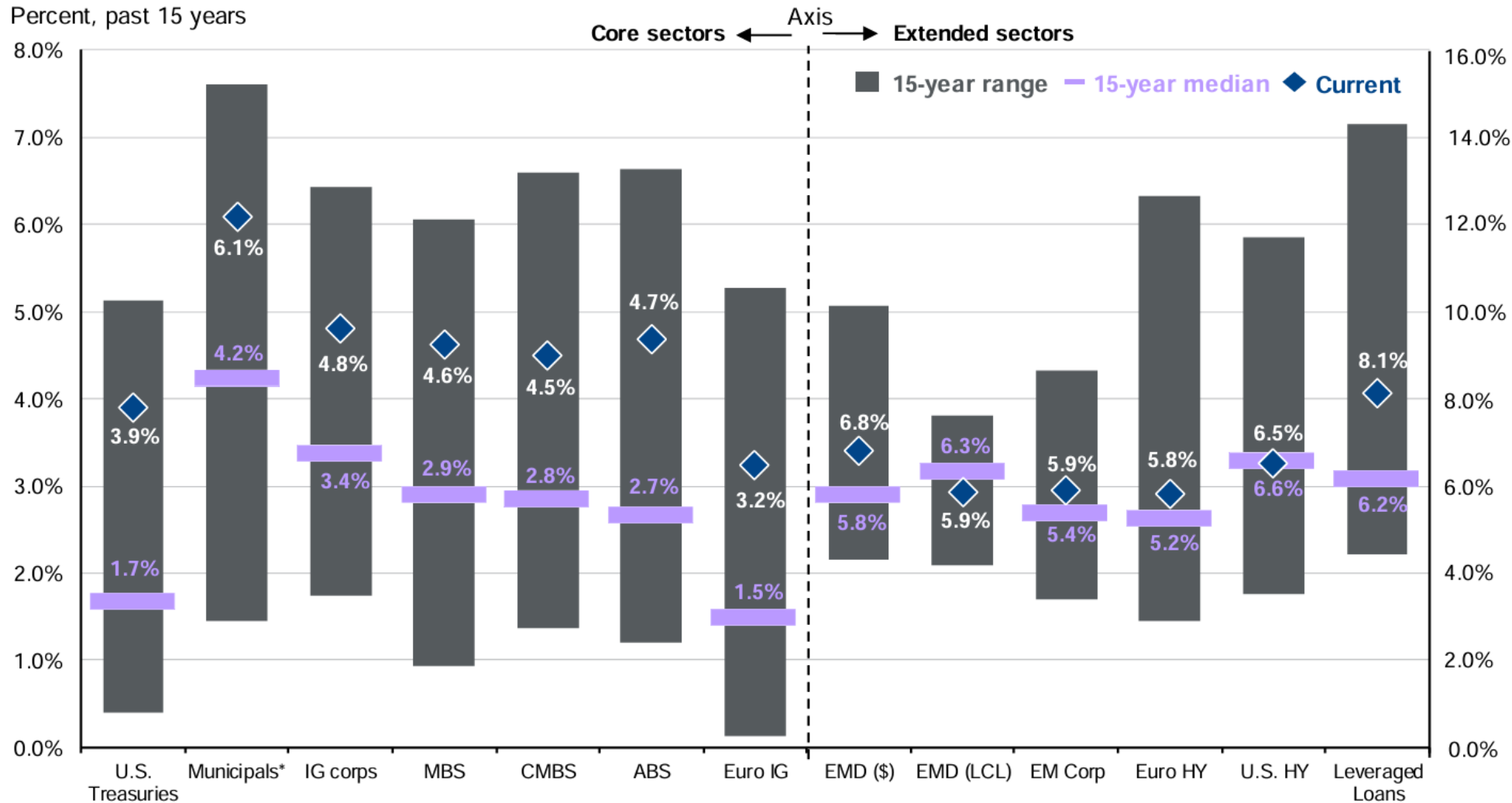
Source: Diversify. As of December 31, 2025.

- The Fed has reduced short-term rates by 175bps since September 2024 while the 10-year has gone up by 50bps since then.
- The 10-Year fluctuates according to the market's views on expected inflation, economic growth, and the desirability of U.S. debt.

How Attractive Are Fixed Income Yields?

Fixed Income Yields by Segment:

Percent, past 15 years

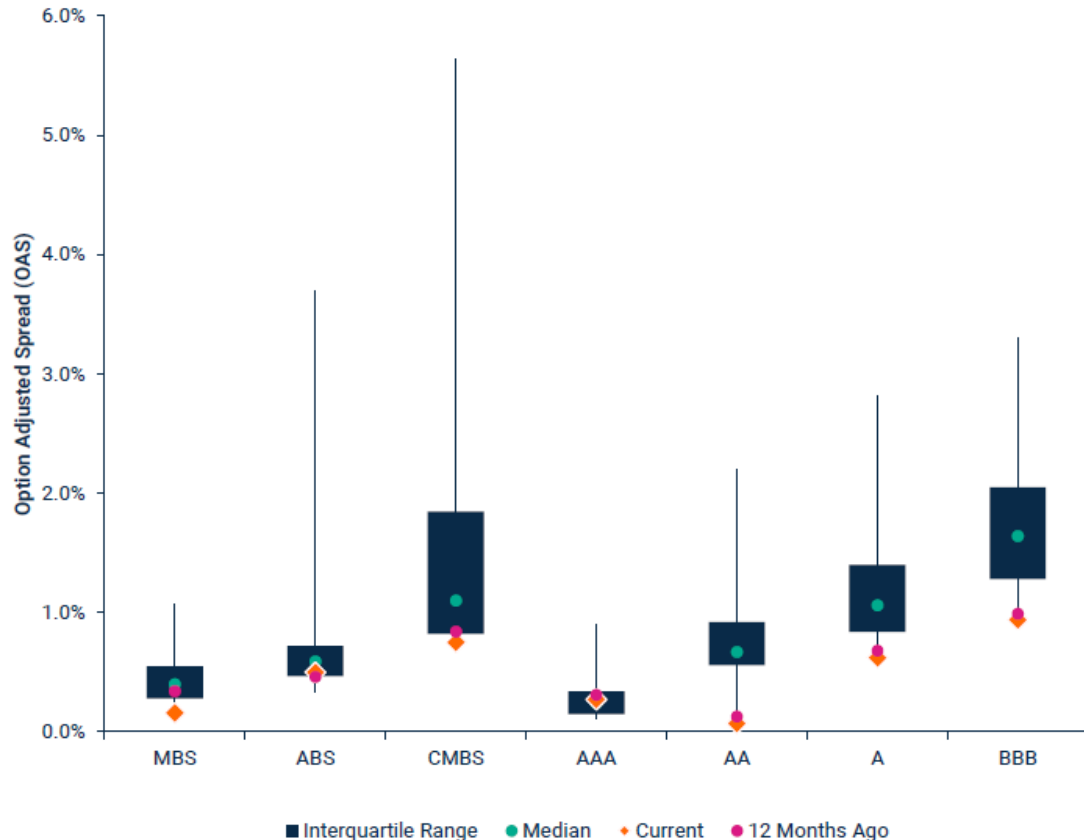


- Although fixed income yields moderated in 2025, they remain compelling relative to the 15-year historical range.
- Investment grade corporates currently yield 4.8%.

Source: J.P. Morgan Asset Management. As of December 31, 2025.

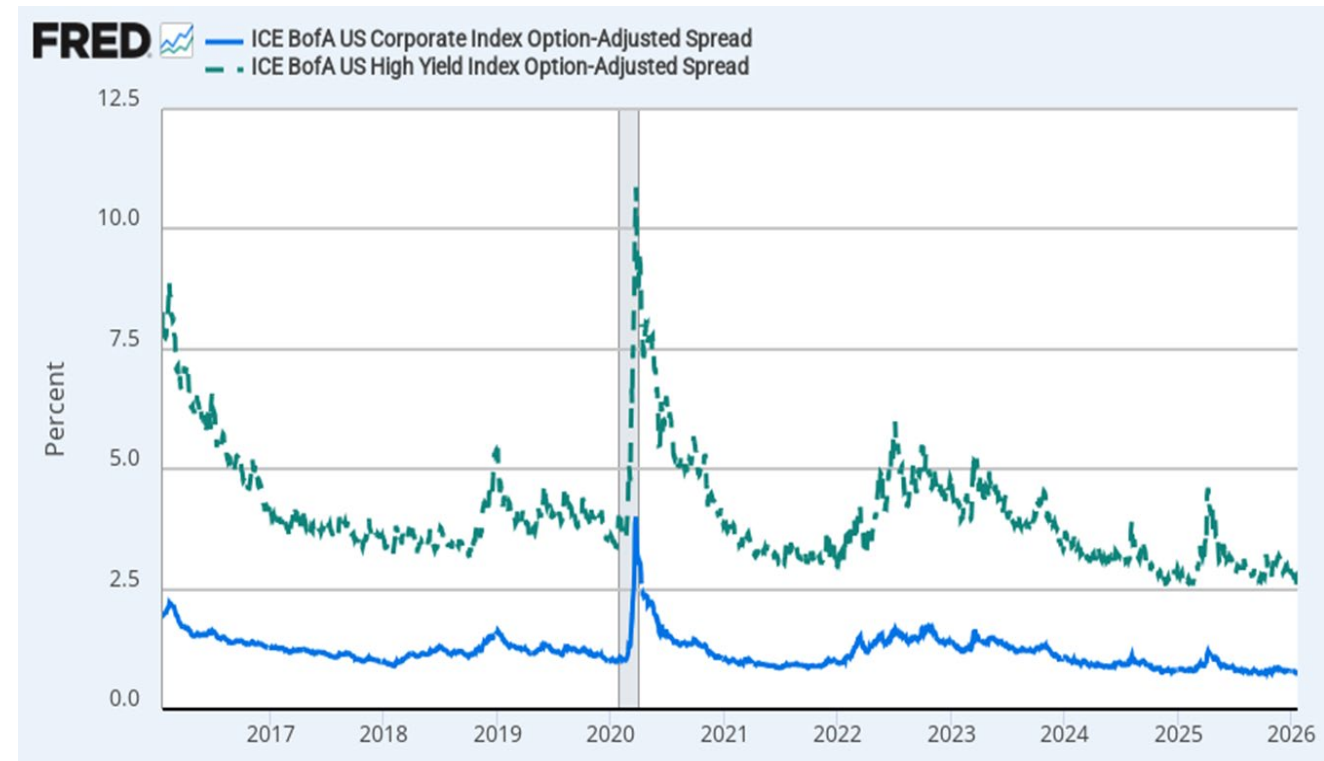
How Tight Are Credit Spreads?

Taxable Bond Spreads:



Source: Harbor Capital. As of January 16, 2026.

Investment Grade and High Yield Credit Spreads:



Source: FRED. As of January 20, 2026.

- Credit spreads have remained at cycle tight levels, reflecting a strong economy and a perceived low default rate risk.

How Tight Are Credit Spreads and Return Implications?

Potential Bond Returns Given Treasury Yield and Spread Changes (12-month Forward Return):

		Spread Movement (bps)								
		-100	-75	-50	-25	0	25	50	75	100
Treasury Yield Movement (bps)	-100	16.1%	14.6%	13.2%	11.7%	10.3%	8.9%	7.4%	6.0%	4.5%
	-75	14.6%	13.1%	11.7%	10.3%	8.8%	7.4%	5.9%	4.5%	3.0%
	-50	13.1%	11.7%	10.2%	8.8%	7.3%	5.9%	4.4%	3.0%	1.5%
	-25	11.6%	10.2%	8.7%	7.3%	5.8%	4.4%	2.9%	1.5%	0.0%
	0	10.1%	8.7%	7.2%	5.8%	4.3%	2.9%	1.4%	0.0%	-1.5%
	25	8.6%	7.2%	5.7%	4.3%	2.8%	1.4%	-0.1%	-1.5%	-3.0%
	50	7.1%	5.7%	4.2%	2.8%	1.3%	-0.1%	-1.6%	-3.0%	-4.5%
	75	5.6%	4.2%	2.7%	1.3%	-0.2%	-1.6%	-3.1%	-4.5%	-6.0%
	100	4.1%	2.7%	1.2%	-0.2%	-1.7%	-3.1%	-4.6%	-6.0%	-7.5%

Source: Bloomberg. As of December 31, 2025.

- Forward-looking bond returns may be range-bound given the expectation of fewer rate cuts and the potential of spreads remaining tight. It seems unlikely that spreads compress further.

Where Are Opportunities within Fixed Income?

Steepness in Municipal Curve Prevalent Between 10- and 20-Year Issues:

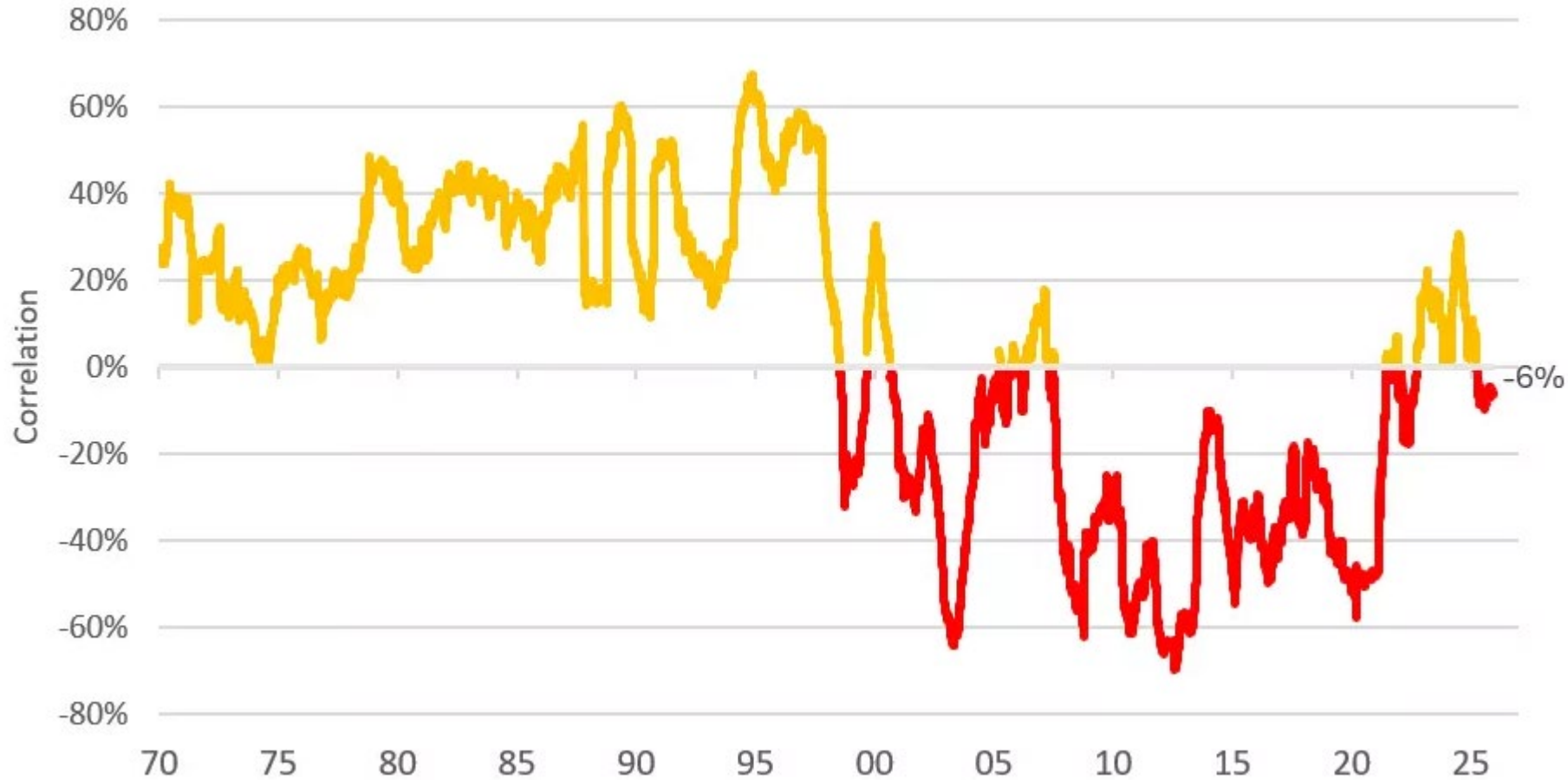


Source: Eaton Vance. As of December 31, 2025. Assumes a Federal tax rate of 40.8%.

- For high-income investors, longer-dated municipal bonds present attractive opportunities.
- Barbell strategies may provide both portfolio duration control and attractive after-tax yields.

Can Fixed Income be an Effective Diversifier?

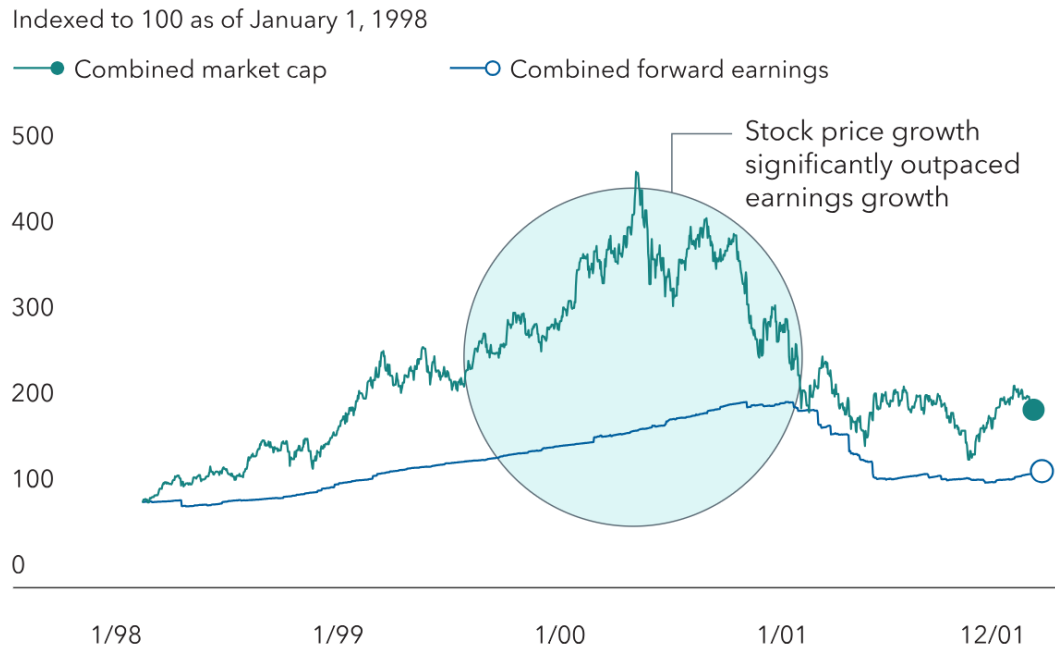
Equity and Bond Correlations:



- After 2022, which saw both stocks and bonds correlated and move sharply downward, the correlation between equities and fixed income is now once again negative.
- That implies that bonds may now provide better diversification.

How Does AI Compare to the Dotcom Bubble?

Market Cap vs Forward Earnings (Dotcom Era):



Market Cap vs Forward Earnings (AI Era):

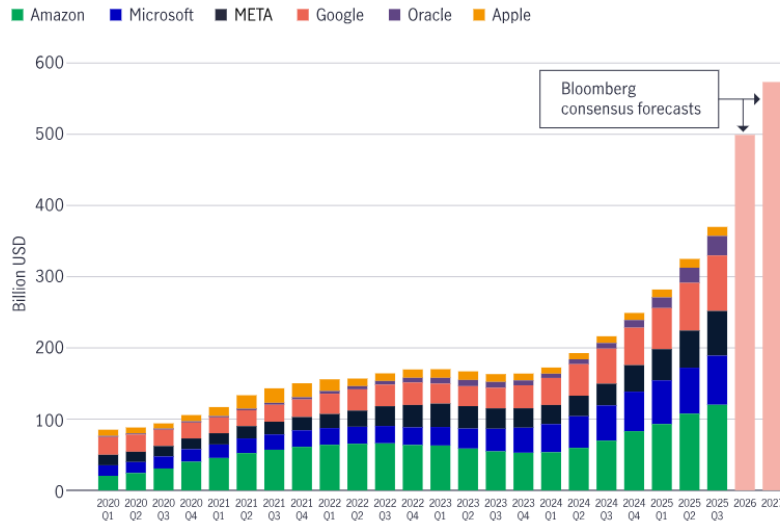


Source: Capital Group. As of December 31, 2025.

- A company's value is generally a reflection of its earnings power. During the dotcom era, stock prices and associated size (market cap) disconnected meaningfully from underlying earnings expectations.
- Today, the market is following expected earnings much more closely.
- Unlike the small, unprofitable startups of the 90s, the current AI movement is led by massive, profitable conglomerates with strong cash flows.

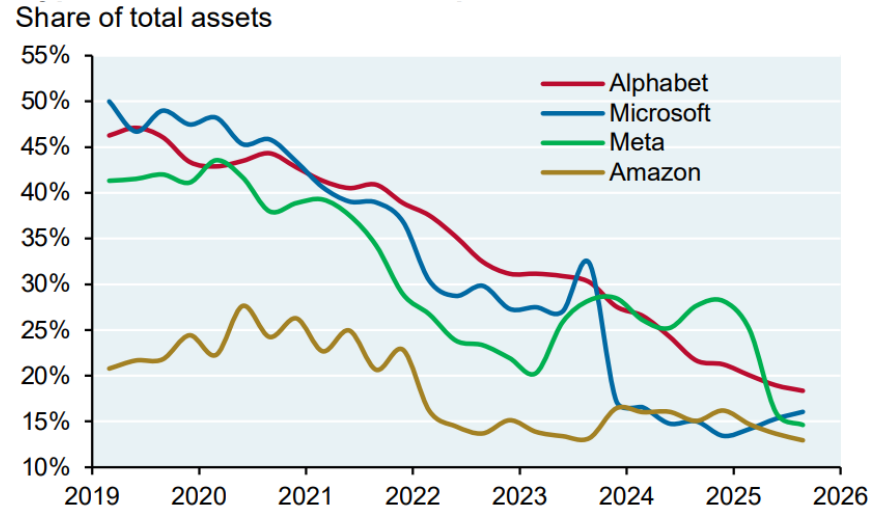
Are Hyperscalers' Fundamentals Still Healthy?

Projected Capex Spending:



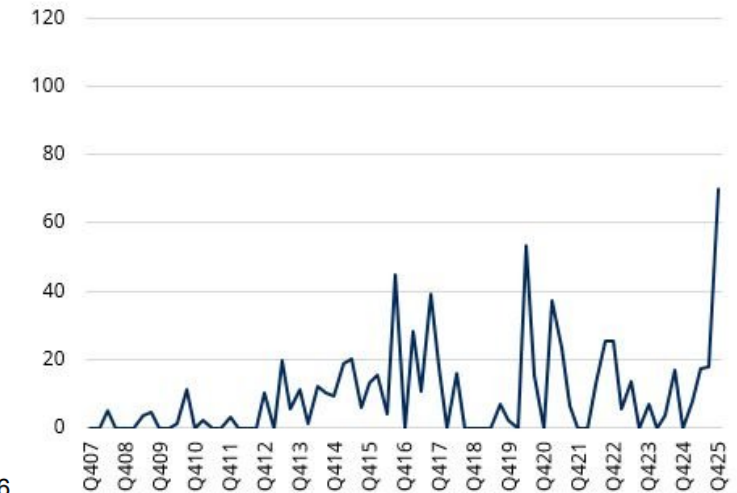
Source: Manulife. As of November 10, 2025.

Cash & Cash Equivalents Shrinking:



Source: J.P. Morgan Asset Management. As of September 30, 2025.

Quarterly Debt Issuance (\$BN):

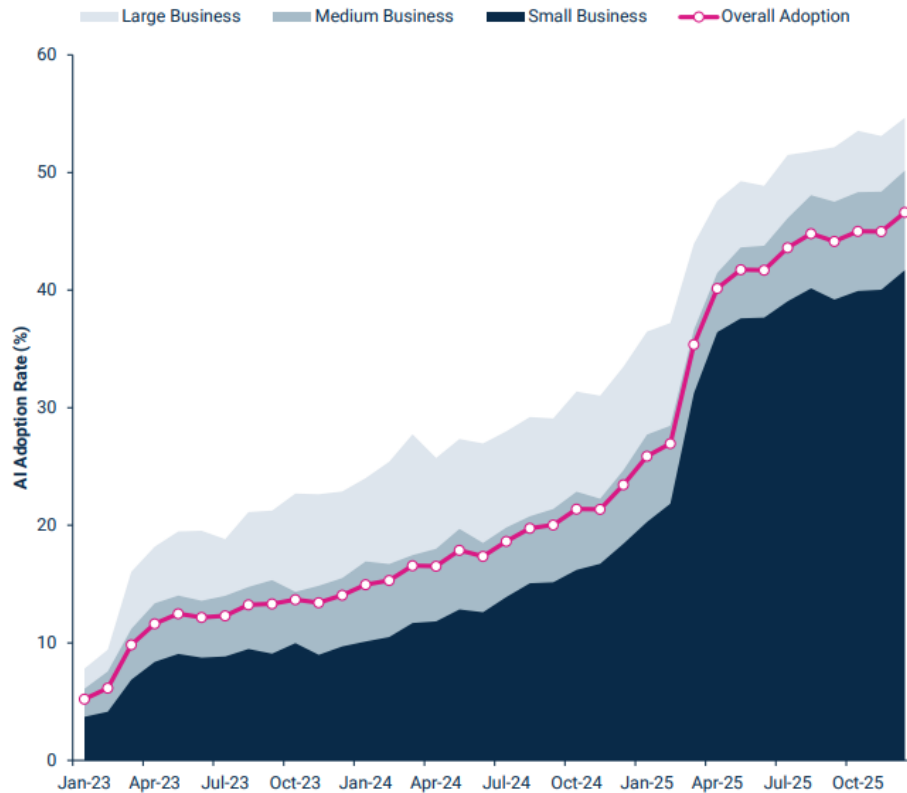


Source: Schroders. As of December 10, 2025.

- The largest tech companies ("hyperscalers") are signaling heavy spending increases through 2026 and 2027.
- As spending ramps up, the massive cash piles once held on their balance sheets have begun to shrink for some.
- While these businesses still generate strong day-to-day cash flow, several have recently begun borrowing money to fund their AI ambitions. Excluding 2017, Q4 debt issuance reached a level higher than any single year dating back to the GFC.

How is AI Impacting Companies?

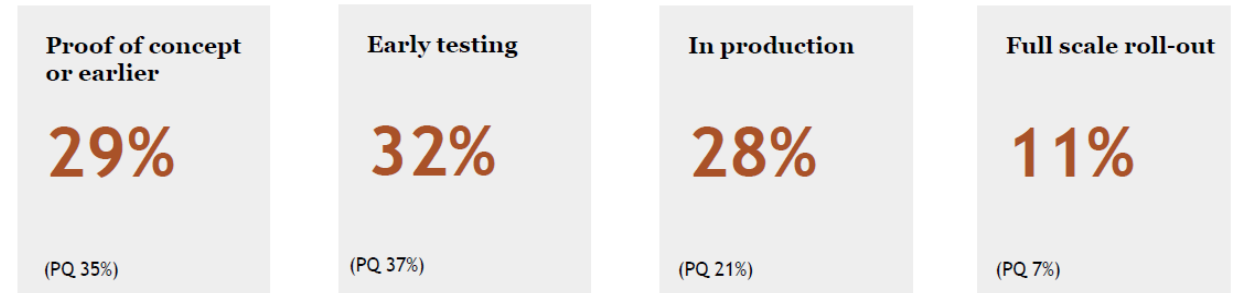
AI Adoption Rate:



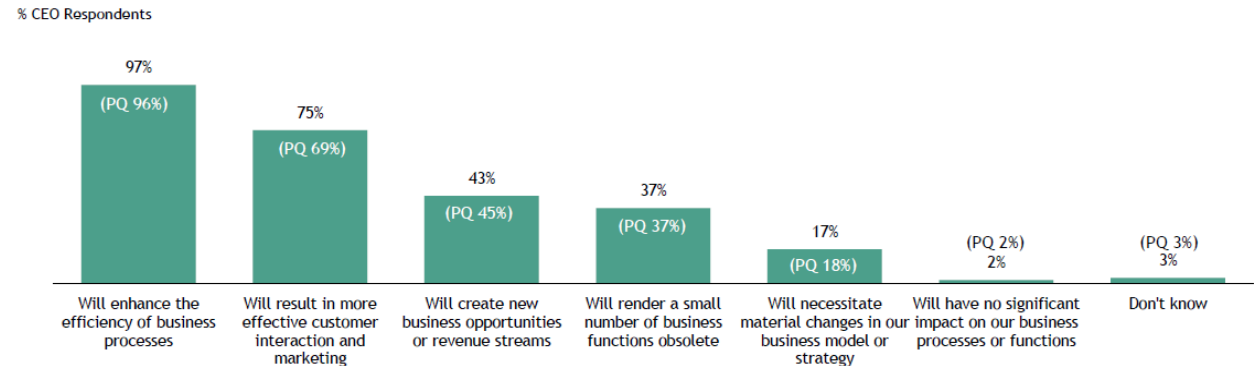
Source: Harbor Capital. As of January 16, 2026.

CEO Survey:

In what stage are you using AI in your business?



What impact do you believe AI services will have on your business?^(a)

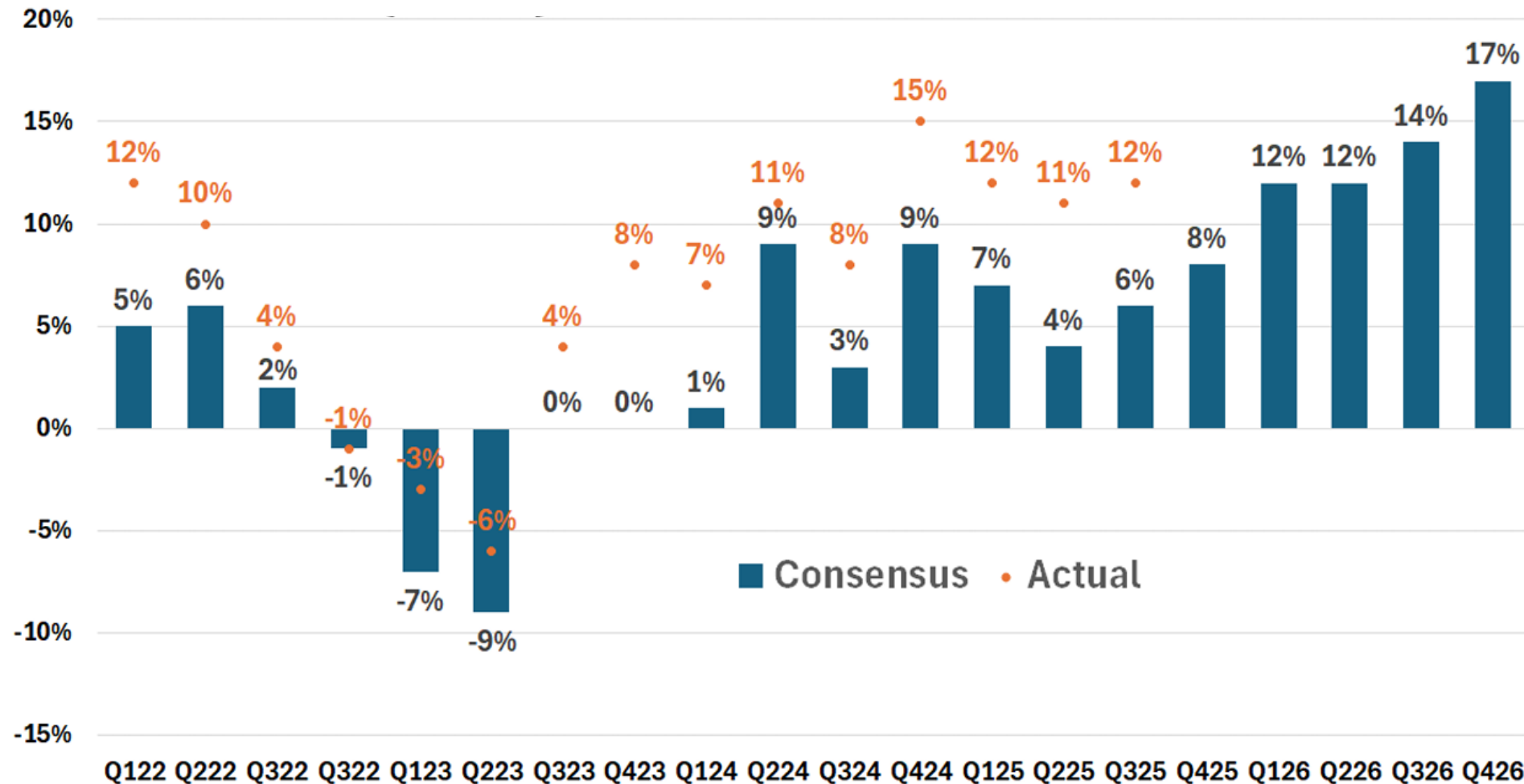


Source: Blackstone. As of October 9, 2025.

- While Artificial Intelligence headlines have pushed the forward-looking stock market higher, only 11% of CEOs surveyed by Blackstone report a full-scale roll-out within their companies.
- CEOs are anticipating a wave of gains in efficiency, customer interactions, and marketing. Suggesting the full range of AI business benefits is not yet reflected in company financial statements.

What is the Outlook for Earnings Growth?

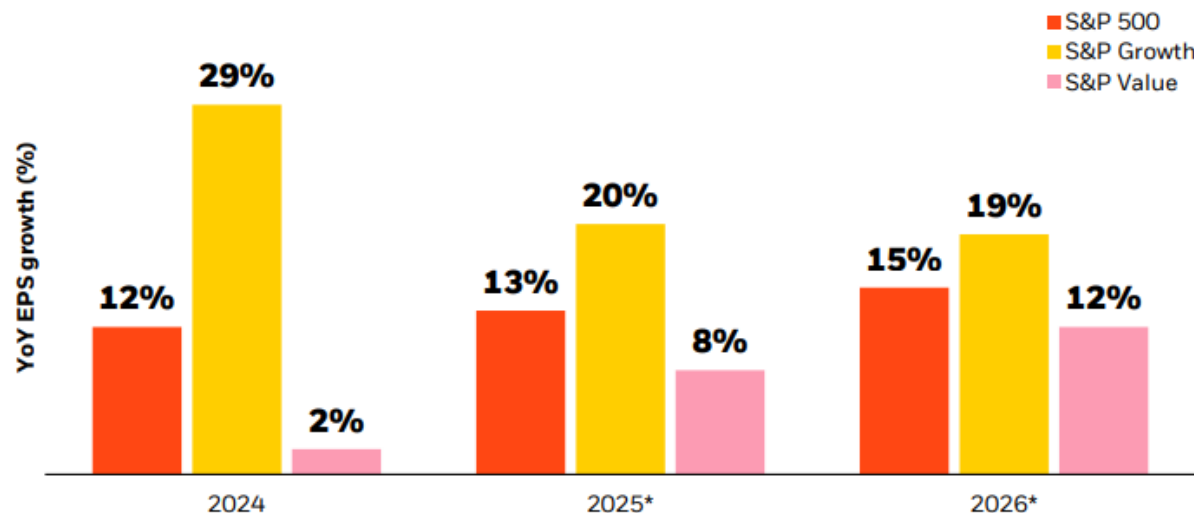
S&P 500 YoY EPS Growth by Quarter (Consensus vs. Actual):



- Companies delivered better-than-expected Q3 earnings, with growth of +12% compared to a forecast of +6%.
- After several quarters of very beatable earnings growth expectations, the earnings “bar” for 2026 is now much higher.

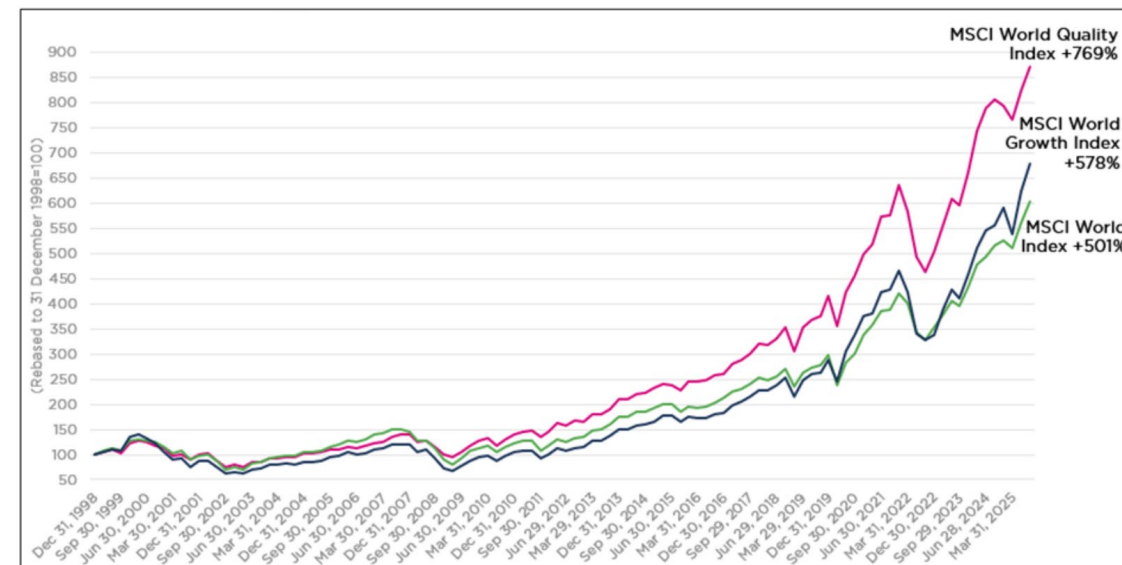
What is the Outlook for Earnings Growth?

YoY Earnings Growth by Segment:



Source: Blackrock, Bloomberg, Refinitiv. As of December 9, 2025.

Long-term Outperformance of the Quality Factor:

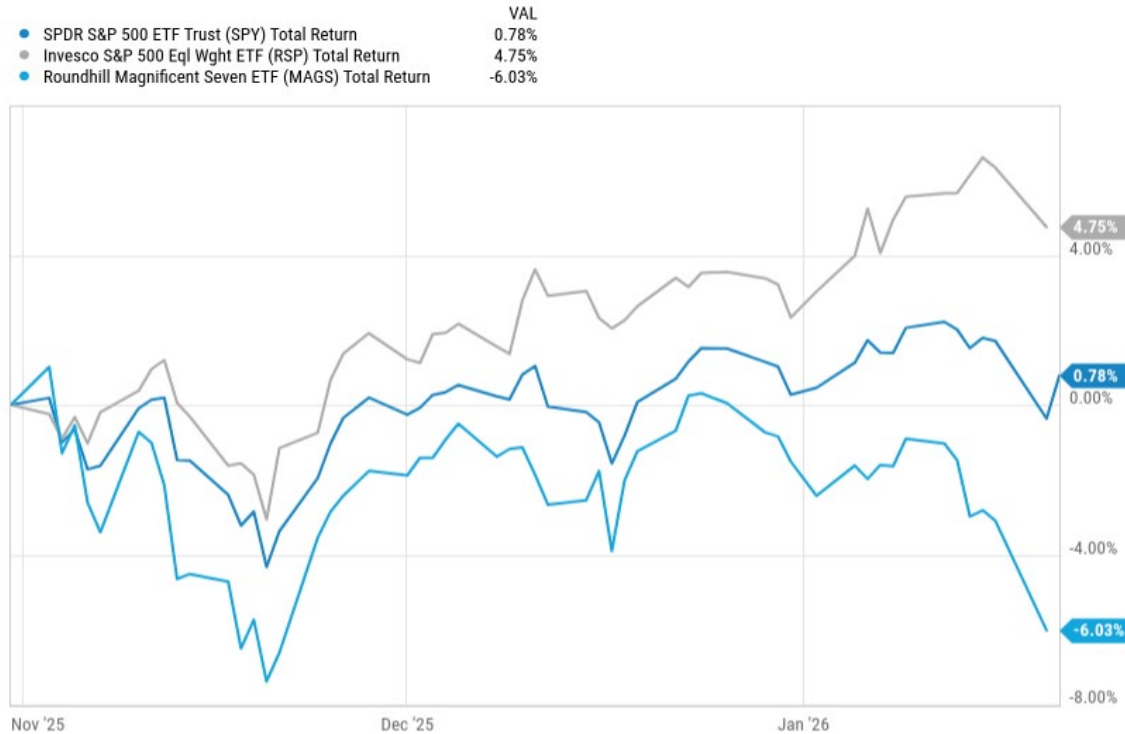


Source: CCLA, MSCI. As of September 30, 2025.

- Financially healthy and efficiently run companies (i.e. high profitability, stable earnings, low debt levels, etc.) are categorized as "quality factor" stocks. Several empirical studies have shown that quality companies outperform the generic index over the long-term.
- For years, growth stocks earnings per shares (EPS) has grown at a significantly faster clip compared to value stocks. Projections for 2026 reveal a narrowing gap in EPS growth, suggesting improving business results for value stocks.

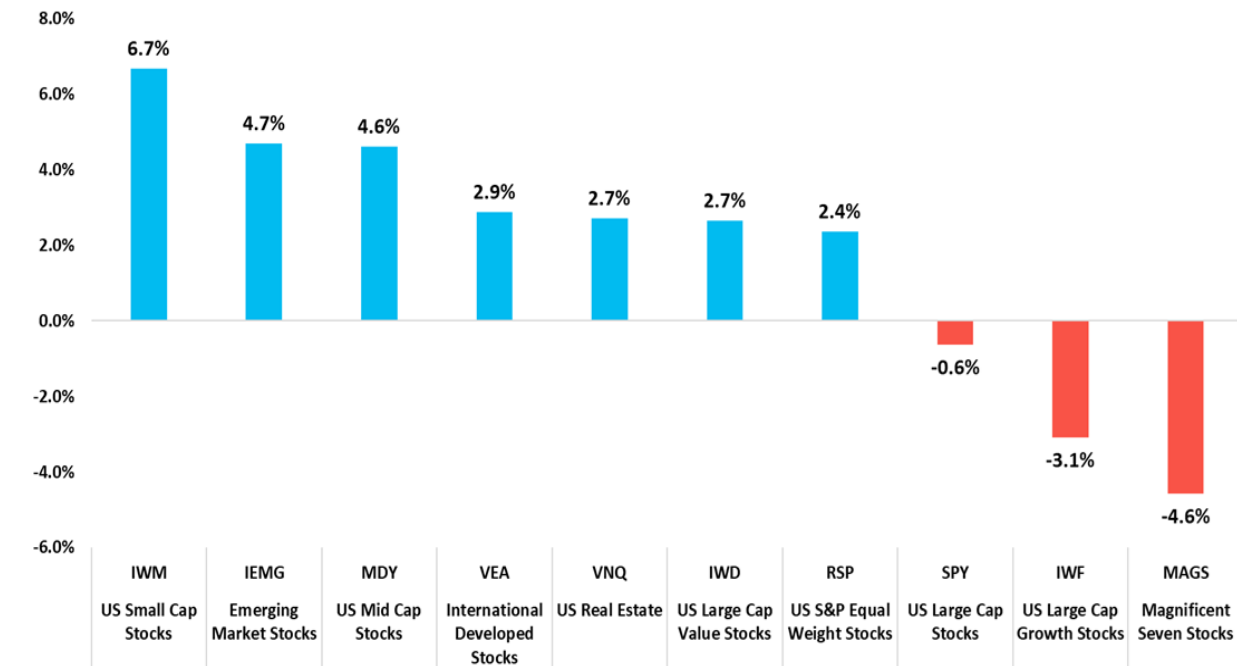
Is the Recent Broadening Another Head Fake?

Performance Divergence Since Oct 31, 2025:



Source: Diversify, YCharts. As of January 21, 2026.

2026 YTD Total Returns by Market Segment:

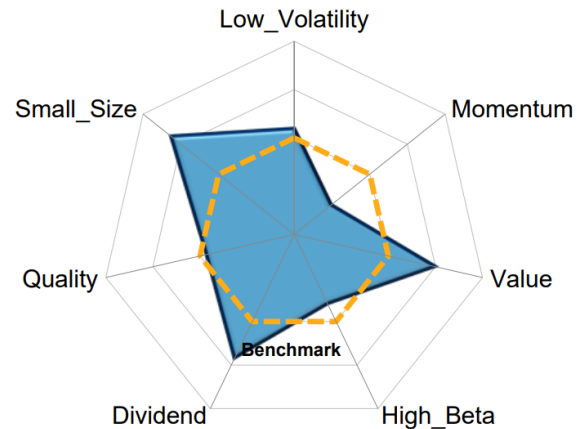


Source: Charlie Bilello. As of January 20, 2026.

- The end of October marked a clear reversal as the Magnificent 7 cooled off, allowing the average company in the S&P 500 to take the lead.
- This trend is gaining steam. We are seeing smaller and mid-sized companies, as well as international markets, outpace the previous leaders.

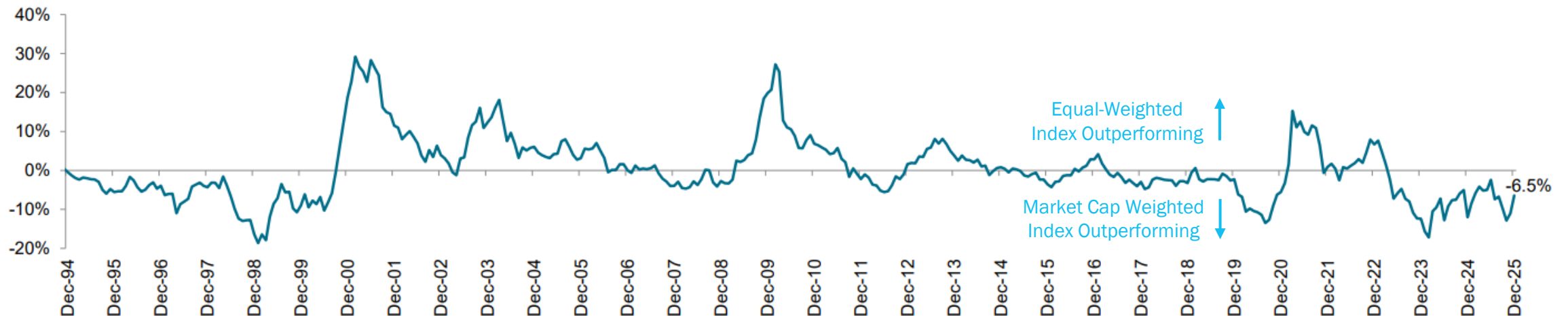
What Might a Broadening Equity Market Look Like?

Equal-Weighted S&P 500 Factor Tilts:



- Breakthrough technologies can power rapid innovation and long bull markets, though growth cycles may pause as bottlenecks, implementation challenges, and pricing pressures temper investor optimism.
- When this happens, the average S&P 500 stock often benefits.

Rolling 12 Month Return Differential (Equal Weight vs Market Cap Weight):

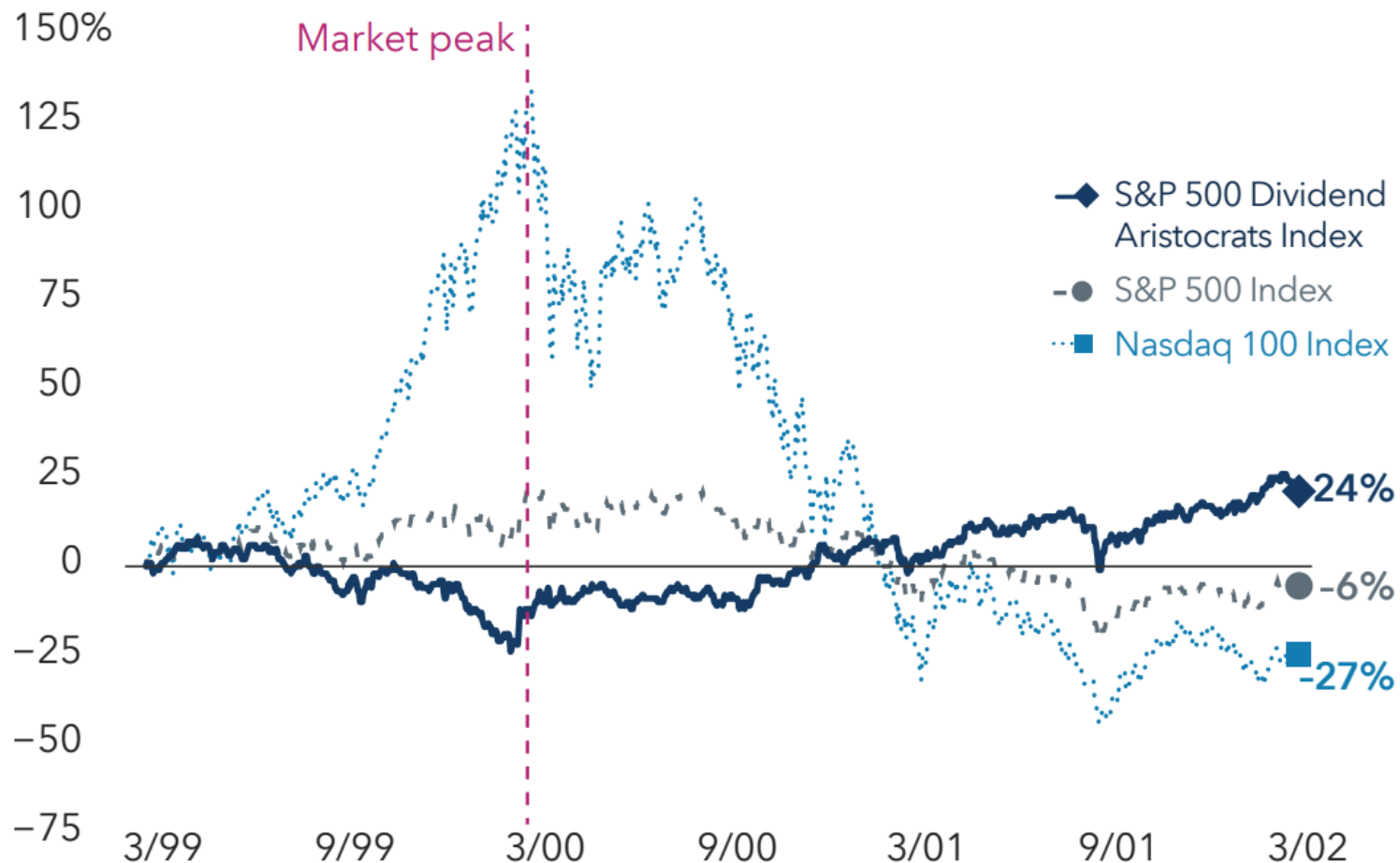


Source: S&P Global. As of December 31, 2025.

What Might a Broadening Equity Market Look Like?

Total Return of Dividend Index vs. Broad Indices:

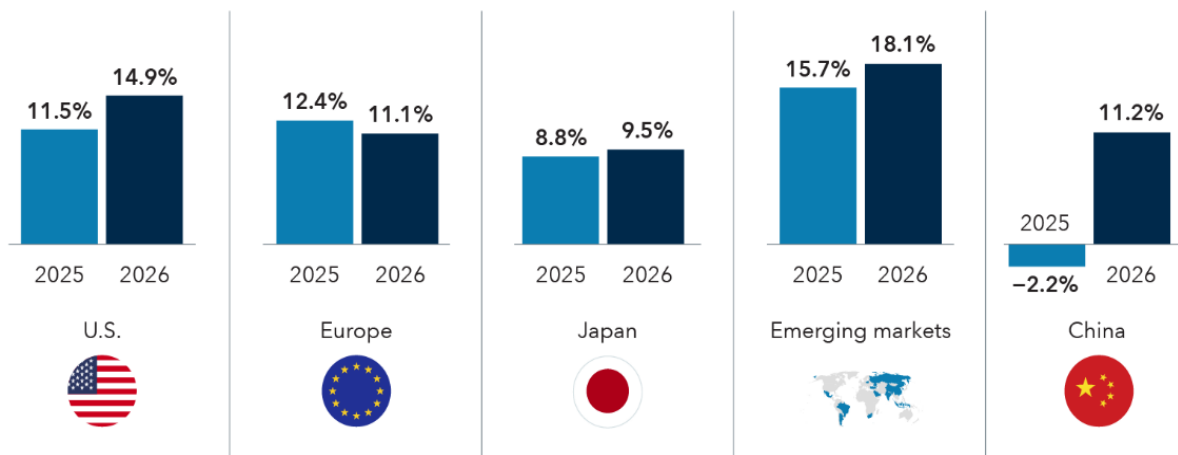
Cumulative total return % indexed to one year prior to dot-com bubble peak



- Investing in companies with a history of paying consistent and growing dividends can provide ballast to equity portfolios in times of market decline.
- These businesses are generally later in their lifecycle and have stability built into their strategy to support consistent and growing dividend payments regardless of market and economic cycles.

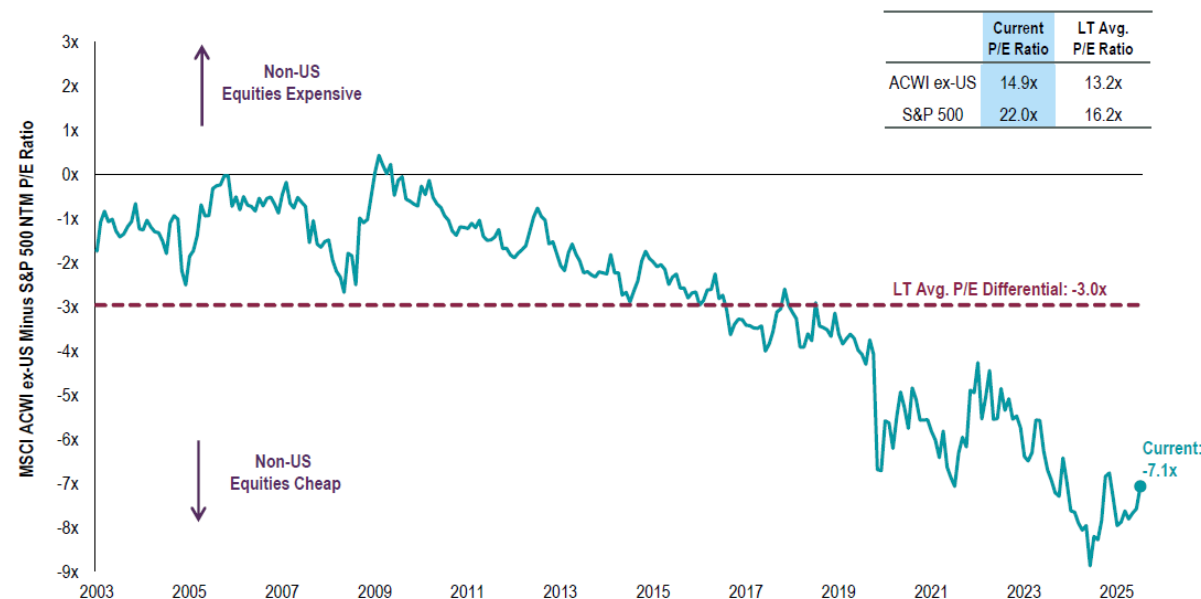
What Might a Broadening Equity Market Look Like?

Expected Earnings Growth by Geography:



Source: Capital Group. As of December 31, 2025.

International Valuations vs S&P 500 Valuations:



Source: ClearBridge. As of December 31, 2025.

- Several nations and geographies outside the U.S. are anticipating strong earnings growth.
- International stocks had a great 2025, in part due to multiple expansion. Despite that valuation expansion, they are trading at a much deeper discount to U.S. stocks than we normally see - trading at nearly 2.4x their usual differential.

Are Current Equity Valuations Justified?

S&P 500 Forward P/E Ratio:



Source: J.P. Morgan Asset Management. As of January 20, 2026.

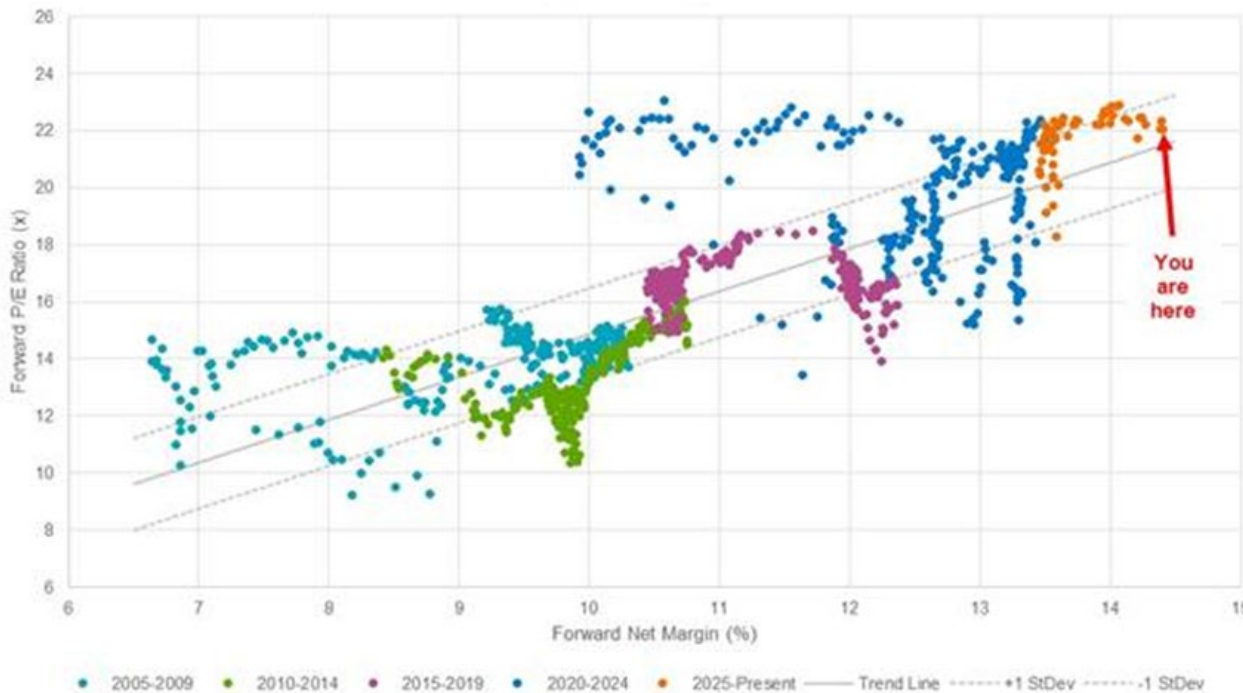
S&P 500 Forward P/E Ratio as % of 20-Year Average:

	Value	Blend	Growth
Large	126.3%	136.9%	142.2%
Mid	112.4%	109.7%	128.6%
Small	109.2%	108.2%	116.1%

- While valuations have notched modestly higher, the S&P 500 index forward P/E is only 0.7x higher than it was at the end of 2024.
- The “expensive” label is expressly visible in Growth and Large Cap companies who are currently trading notably higher than their 20-year average.

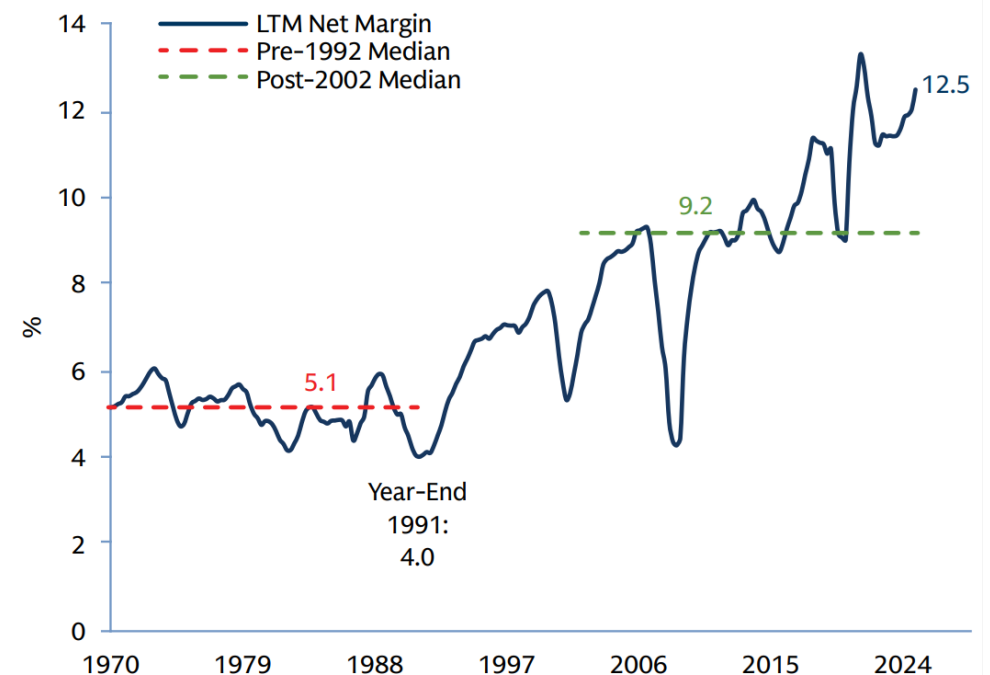
Are Current Equity Valuations Justified?

S&P 500 Valuation vs Profitability (2005 thru 2025):



Source: Natixis, FactSet. As of January 2, 2026.

S&P 500 Net Profit Margin Over Time:

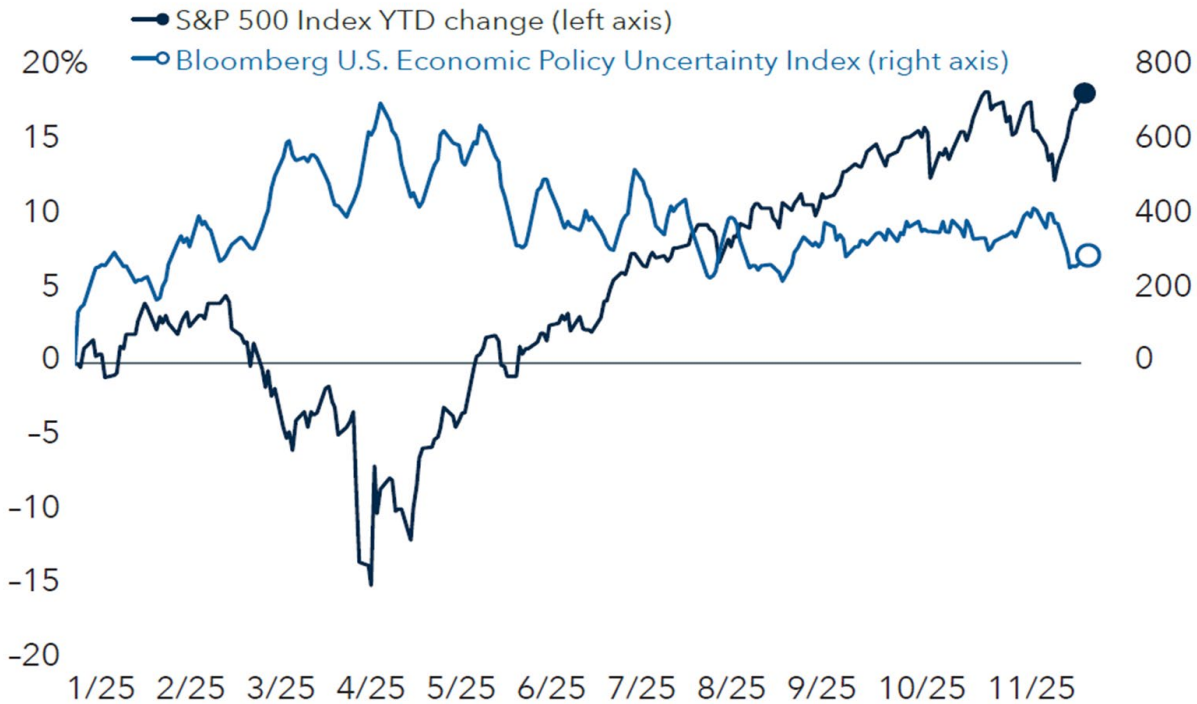


Source: Golman Sachs. As of January 7, 2026.

- In our opinion, a big misconception is that stock market valuations should always return to its long-term historical averages.
- The S&P 500 today is fundamentally different than it was in the 1990s or 2000s. Modern companies often enjoy higher profit margins and more stable earnings due to better business models.
- While the current 22.2x P/E is likely too high, the 30-year average of 17.1x is likely too low unless we face an economic recession.

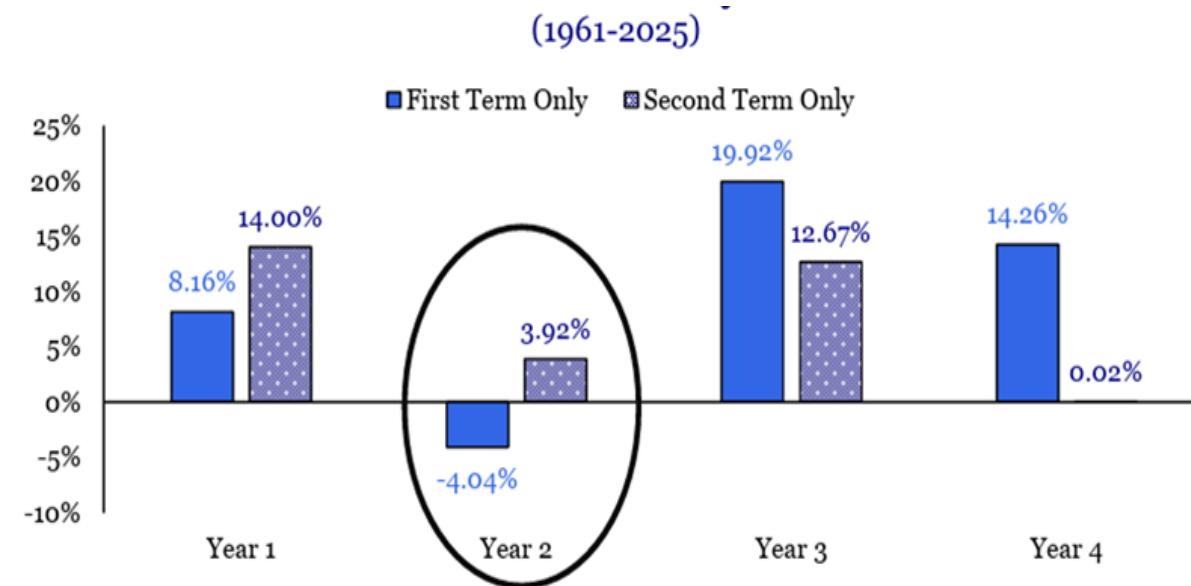
What Are the Biggest Risks for Equities?

2025 S&P 500 Return vs. Economic Policy Uncertainty Index:



Source: Capital Group. As of November 30, 2025.

Average S&P 500 Price Returns During Presidential Cycles:



*Cycles beginning 1965 (LBJ), 1973 (Nixon/Ford), and 2025 (Trump) are counted as second terms

Source: Strategas. As of December 31, 2025.

- When the future rules of the game are unclear, confidence in long-term business outcomes becomes less secure. As the list of global regions in conflict with the U.S. grows, the predictability of international business outcomes decreases.
- While fundamentals remain strong, these external wildcards often lead to increased market volatility as investors react to headlines rather than earnings. This is especially the case during historical midyear elections.

Reasons for Optimism

- AI-related capex and consumer spending remain strong.
- More dovish stance of incoming Fed Chair (May 2026) may stimulate growth through lower policy rate.
- We're entering the de-regulation phase of the policy agenda.
- Roughly \$150 billion in consumer aid from the OBBB is set to be released in 2026.
- The dominant tech companies continue to post solid fundamentals, which is beginning to trickle down to other beneficiaries.

Reasons for Pessimism

- Geopolitical conflicts are surging (e.g., China, Iran, Venezuela, Greenland).
- Trade war uncertainty is very high.
- The labor market continues to show signs of weakness, forcing the Fed to choose between allowing further softening or risking a rebound in inflation.
- Equity valuations remain elevated, leaving less upside and requiring earnings growth to drive returns.
- Should inflation persist, bond yields may rise and erode prices.

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