



2026 OUTLOOK

MISSION:

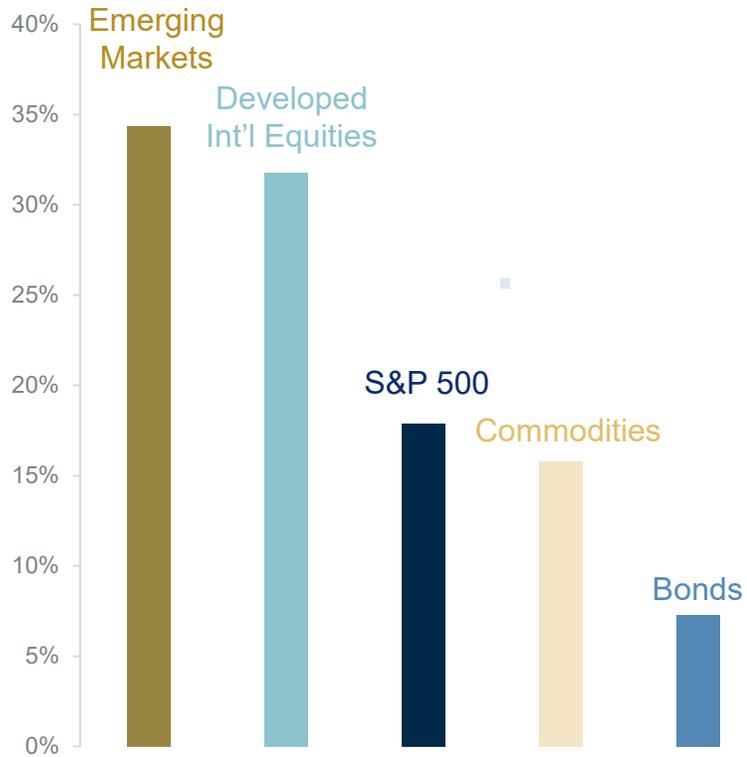
POSSIBLE

Lawrence V. Adam III, CFA, CIMA®, CFP®
Chief Investment Officer

WHY THE MISSION: IMPOSSIBLE THEME?

2025 WAS AN EXTRAORDINARY YEAR FOR INVESTORS; BUT CHALLENGES ARE BUILDING

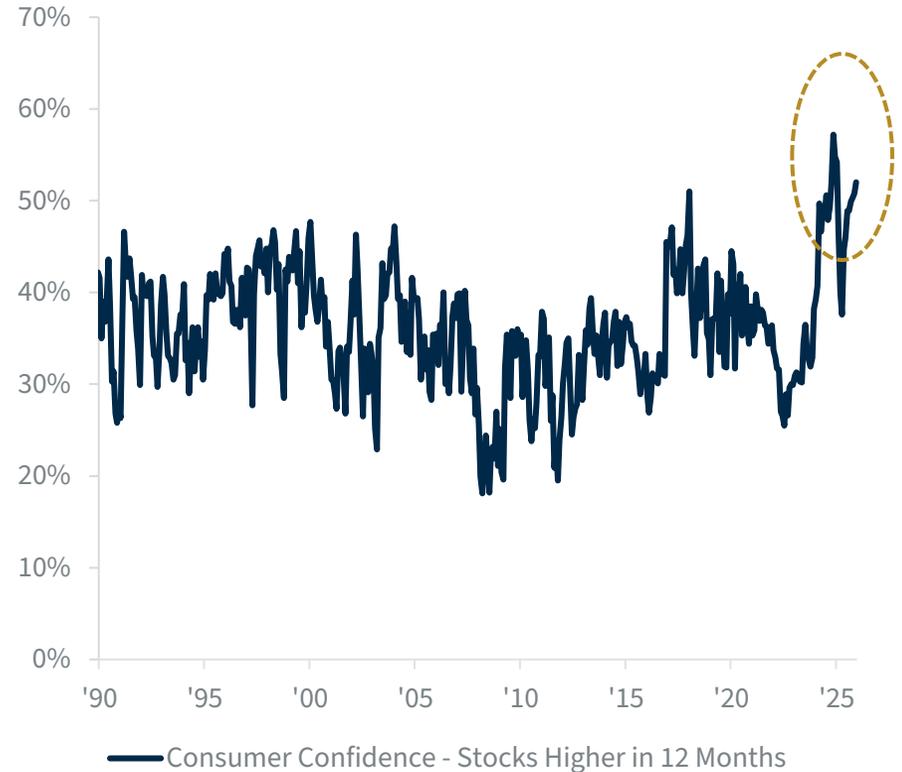
Excellent Performance in 2025



Valuations Stretched

- S&P 500 LTM P/E in the **95th Percentile** over the last 20 years
- Tightest Bond Spreads **Since 1998**
- 2025 Performance Gold **+64%** Silver **+140%**

Complacency Setting In



Source: RJ Economics, Data as of 12/31/2025.

Emerging Markets: MSCI EM; Developed International: MSCI EAFE; Commodities: Bloomberg Commodity Index. Bonds: Bloomberg Aggregate Bond Index.

10 THEMES FOR 2026

1 Economy:
Defying the Odds, Resilience Continues

2 The Fed:
The “Impossible Mission Force” of Monetary Policy

3 Volatility Returns:
Expect Unexpected Plot Twists

4 Bonds:
A Stronghold for Stability

5 Identity Shift:
The New Face of US Equities

6 Cracking the Code:
The Next Phase of AI

7 The Hidden Allies:
Thinking Beyond the Obvious

8 Power Shift:
Spotting the Double Agents

9 Global Allocation:
Your Next Assignment

10 Asset Allocation:
Your Blueprint for Success



1

Economy

Defying the Odds, Resilience Continues

INSIGHT:

Just as Ethan Hunt repeatedly defied the odds—emerging from impossible situations with grit and ingenuity—the US economy has shown similar resilience. Despite the turbulence of 2025, including trade conflicts and global uncertainty, America not only endured but continued to lead in growth, innovation, and capital markets.

BOTTOM LINE:

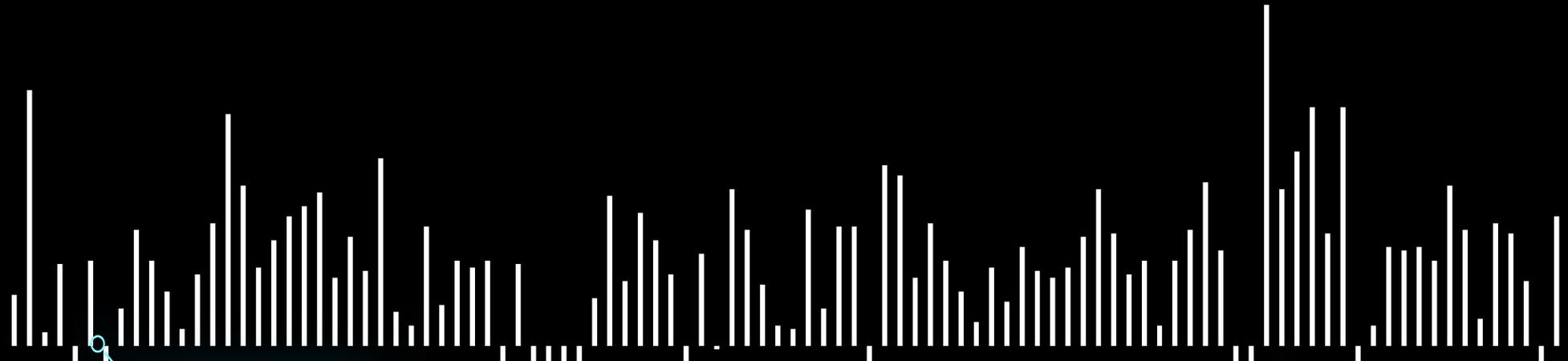
We believe tax cuts and the subsiding of tariff uncertainty will propel the US economy to higher growth in 2026.

MISSION POSSIBLE

The US Economy has been like Ethan Hunt

LOADING...

75%



Dot-Com
Bubble

Euro Zone
Debt Crisis

COVID-19
Pandemic

Future
Recessions

Great Financial
Crisis

+355.6



+254.8

Resilient

Resourceful

Adaptable

Innovative

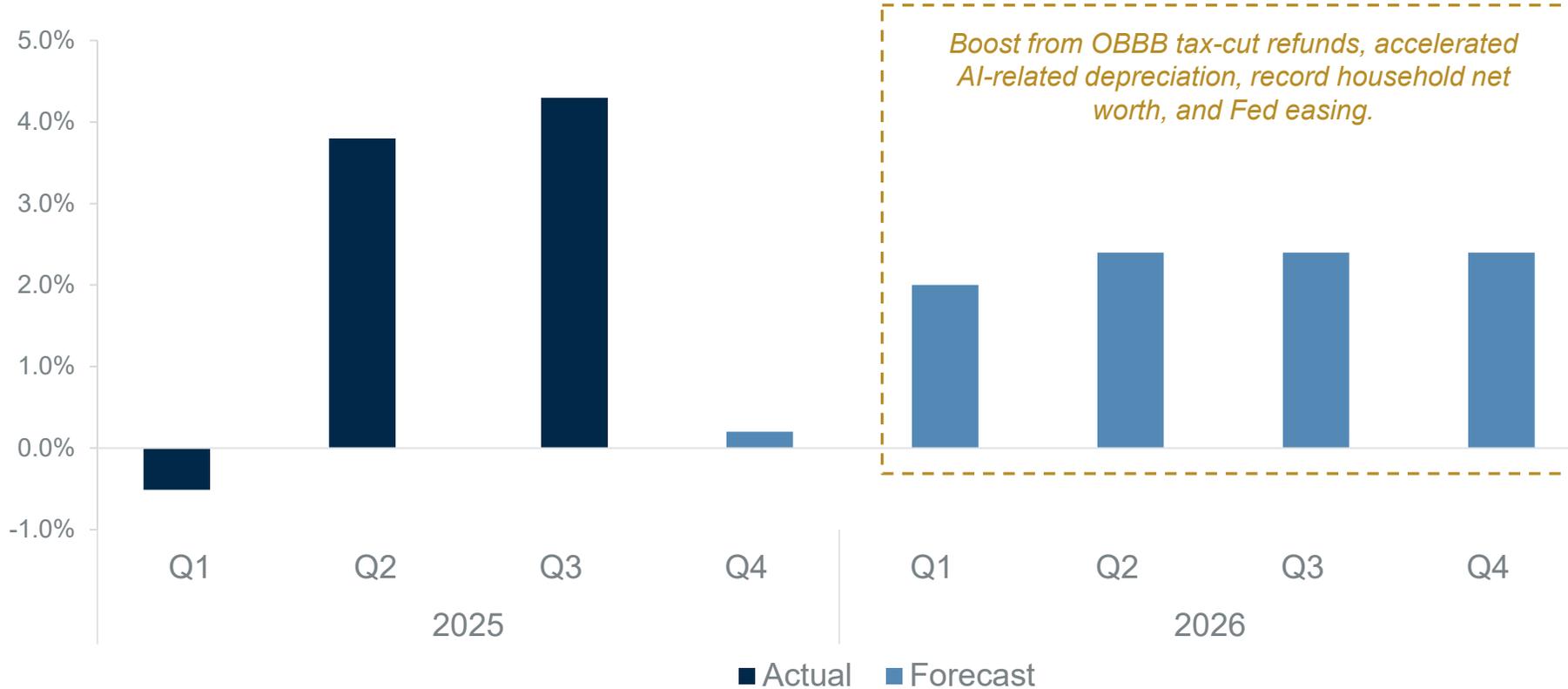
Determined



THE RESILIENT US ECONOMY

RAYMOND JAMES 2026 ECONOMIC FORECASTS

Annualized Quarterly GDP Growth Rate



2.0%

2025 US GDP Forecast

2.2%

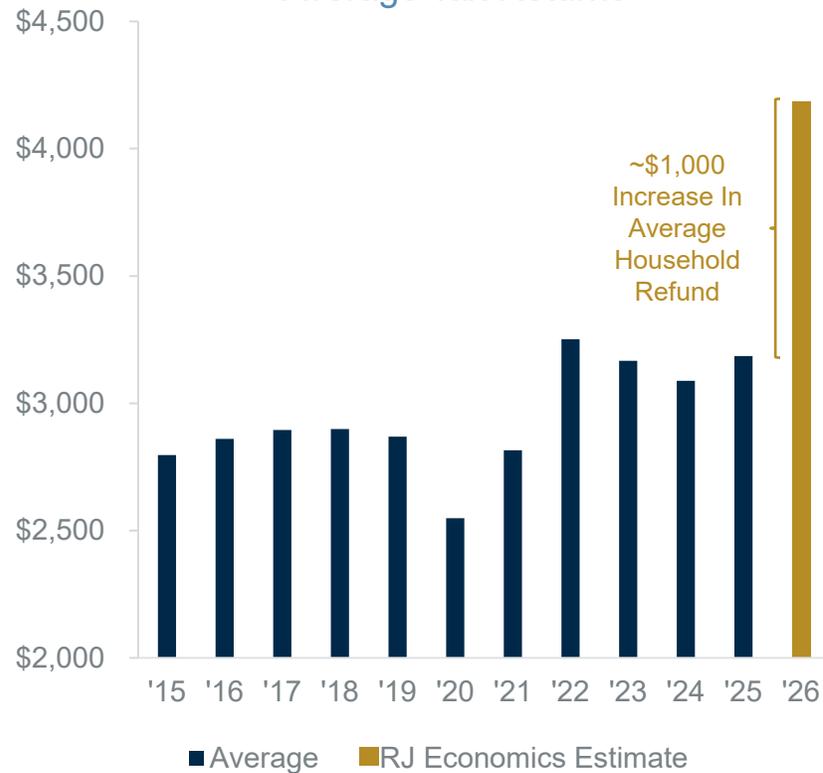
2026 US GDP Forecast

Source: RJ Economics, Data as of 12/31/2025

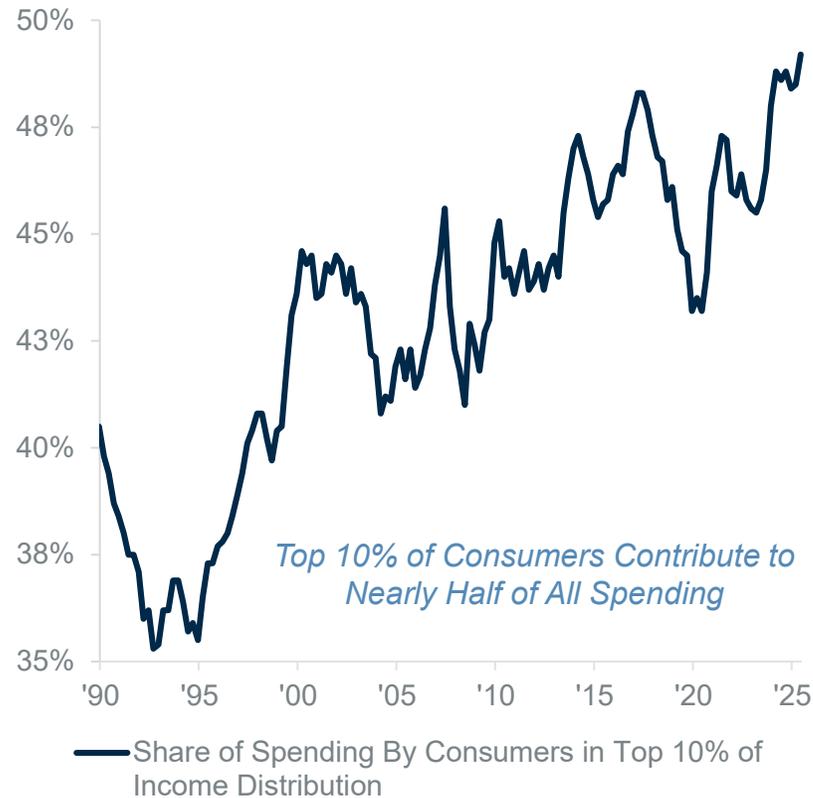
DRIVERS FOR 2026 GROWTH

FIVE FORCES TO DRIVE 2026 ECONOMIC SUCCESS

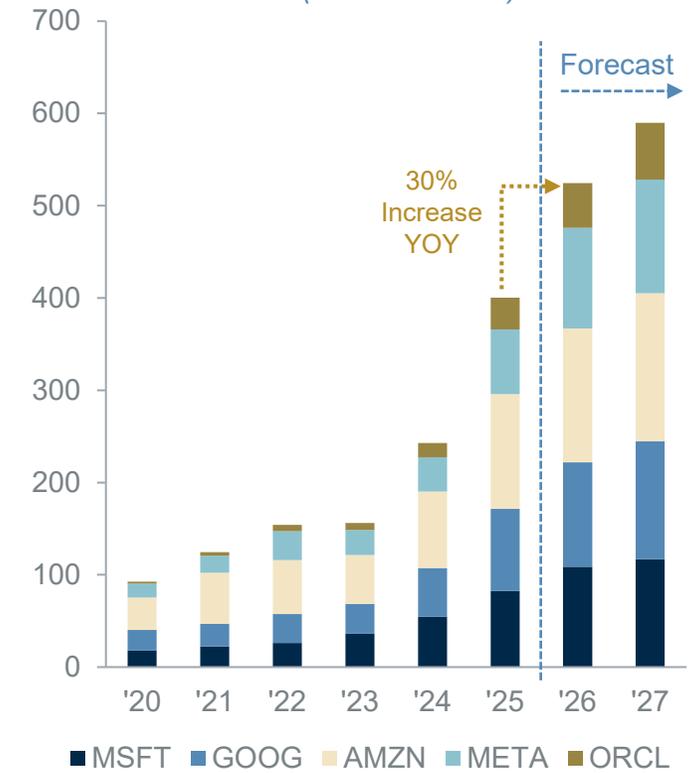
One Big Beautiful Consumer Stimulus Average Tax Returns



High-End Consumer Powers Spending



Business Spending Accelerates (in Billions of \$)

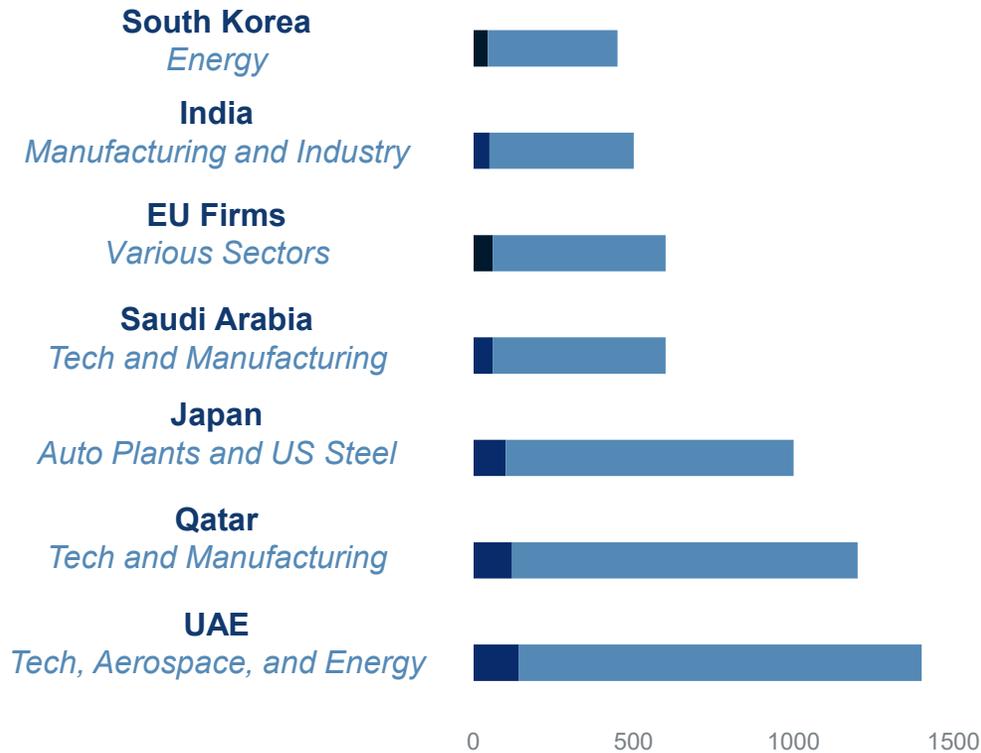


Source: RJ Economics, Bloomberg, Data as of 12/31/2025

DRIVERS FOR 2026 GROWTH

FIVE FORCES TO DRIVE 2026 ECONOMIC SUCCESS

Committed Foreign Direct Investment Over the Next Decade
(in Billions of \$)



\$9.6
Trillion
Total US and Foreign
Investment
Commitments
Over 10 Years



The Intangibles

Soccer World Cup

Co-hosting the World Cup puts the US in the global spotlight, boosting tourism, driving investment, and consumer spending.



America's 250th Anniversary

The 250th anniversary draws worldwide attention, spurring infrastructure, tourism, and cultural investment to project prosperity.



Midterm Elections

Midterm elections heighten scrutiny of US policy, motivating stability and growth to reinforce economic leadership.

Source: RJ Economics, Data as of 12/31/2025



2 Monetary Policy

The Impossible Mission Force (IMF) of Monetary Policy

INSIGHT:

In 2026, a new ‘mission leader’ will take charge at the Federal Reserve. The incoming Chair faces a high-stakes assignment: steering policy through uncertainty while balancing data and political pressures.

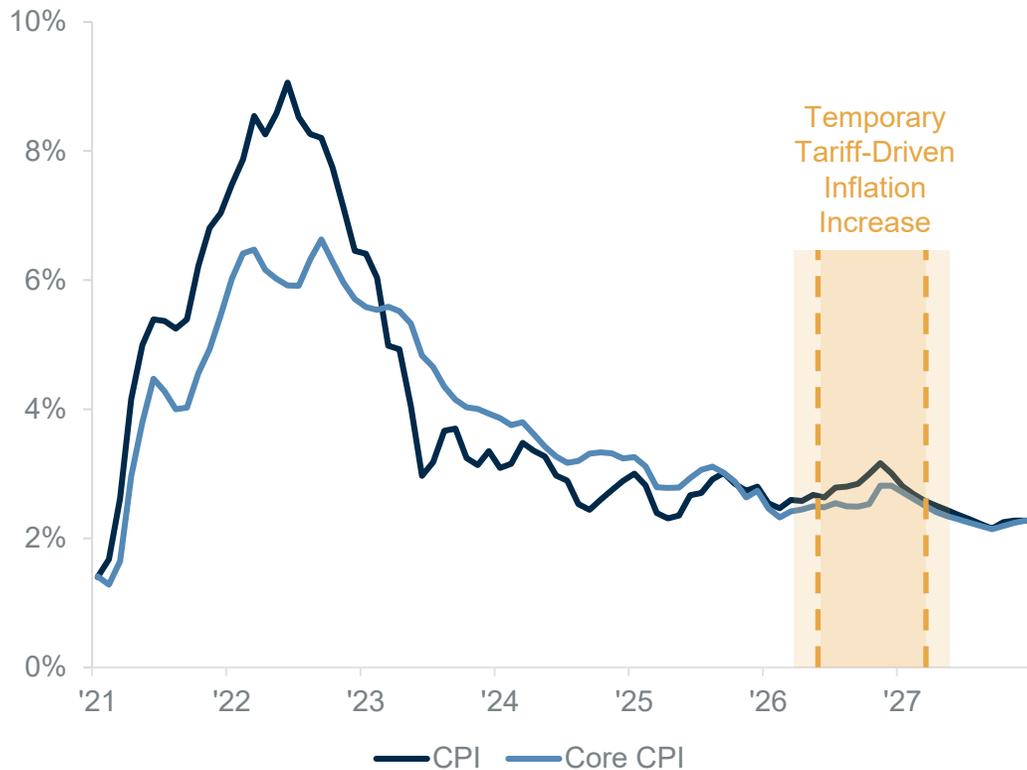
BOTTOM LINE:

We expect only one additional cut in 2026. More cuts could signal that the mission is in jeopardy, and the economy is weakening.

INFLATION EXPECTATIONS

NEAR-TERM INFLATION TO GIVE WAY TO DISINFLATIONARY TREND

One-Time Hike, Not a Structural Shift



Source: RJ Economics, FactSet, Data as of 12/31/2025

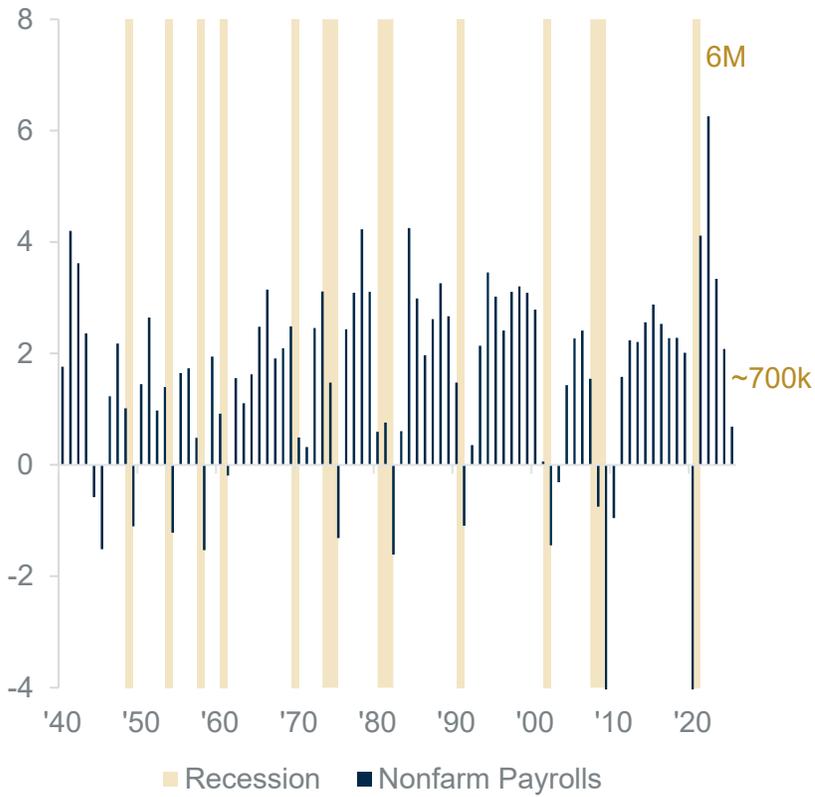
Goods Inflation Weights About One Third of the CPI Basket



EMPLOYMENT EXPECTATIONS

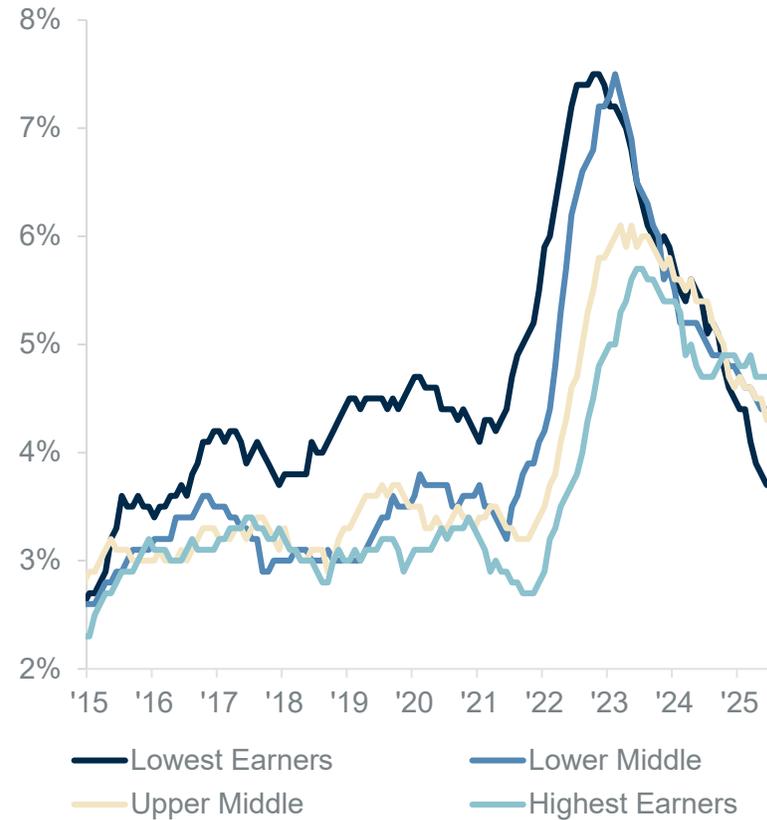
FED FOCUS WILL BE ON SOFTENING EMPLOYMENT CONDITIONS

Monthly Job Growth Yearly Average
(in Millions)

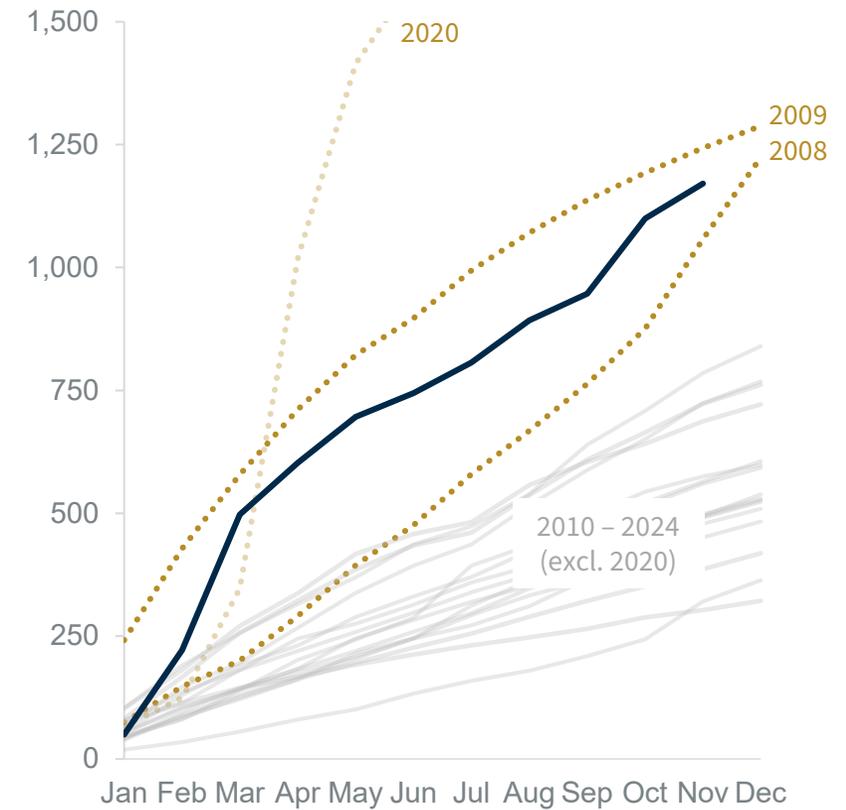


Source: FactSet, Data as of 12/31/2025

Changes in Wages
(Year-over-year, 12-month moving average)



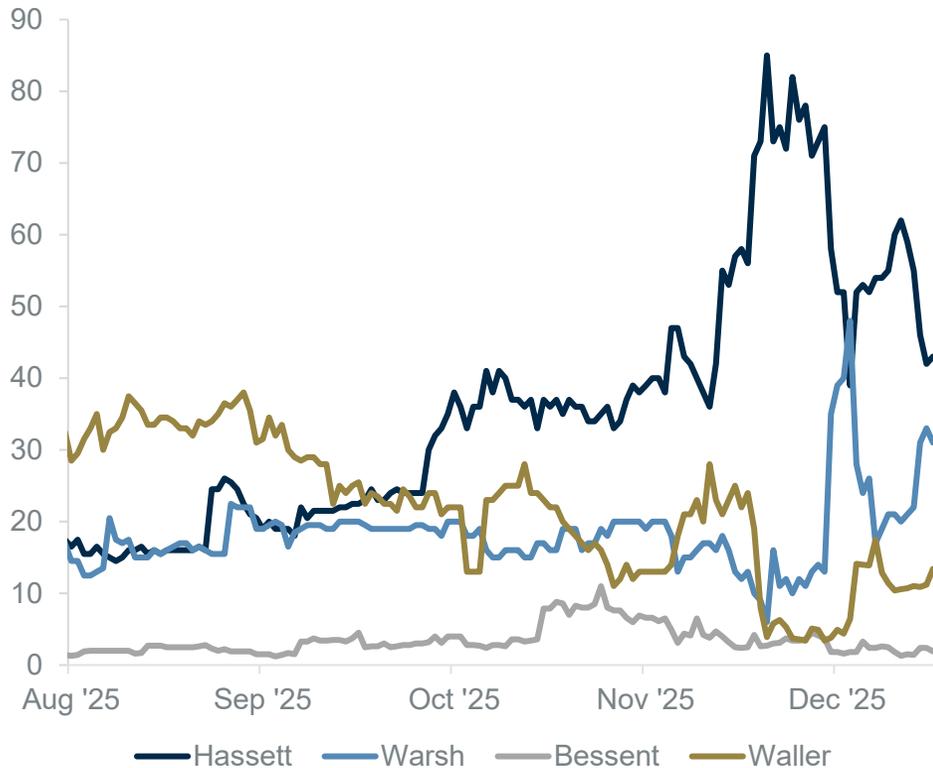
Challengers Layoffs YTD at 2008/9 levels
(in thousands)



FED EXPECTATIONS

A NEW 'MISSION LEADER' WILL BE GUIDING THE FED; BUT INDEPENDENCE REMAINS CRITICAL

A New Fed Chair in 2026



One

Rate Cut
in 2026

3.50%

Year-End
Upper Bound
Fed Funds
Forecast

Five Pillars of Fed Autonomy

1 Consensus Builder

The Federal Reserve makes decisions as a group, not by just one person.

2 Wealth of Expertise

Leveraging the perspectives of more than a thousand economists within its national network.

3 Staggered and Long Terms

Prevents any single president from dominating appointments, safeguarding institutional independence.

4 Autonomy by Design

The Fed's autonomy mirrors the Supreme Court as they are both independent entities.

5 Credibility

Interest rates could rise if political influence undermines monetary policy integrity.

Source: Polymarket, Data as of 12/31/2025



3 Volatility Returns

Expect Unexpected Plot Twists

INSIGHT:

Despite the dramatic headlines of 2024 and 2025, market volatility has been surprisingly subdued—but that calm may not last. We expect volatility to intensify across most asset classes in 2026.

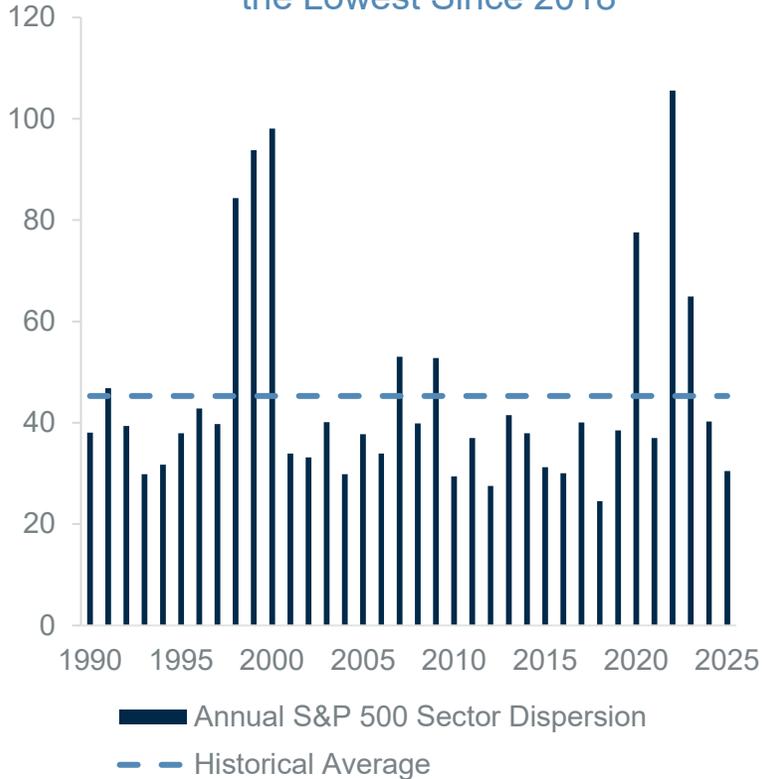
BOTTOM LINE:

While sentiment appears optimistic about economic growth and return prospects, we recommend a healthy dose of caution. Risks such as slower growth, sticky inflation, earnings shortfalls, and abrupt political or regulatory changes could challenge performance.

VOLATILITY EXPECTED TO INCREASE

LOW VOLATILITY MARKET UNLIKELY SUSTAINABLE

S&P 500 Sector Dispersion is the Lowest Since 2018

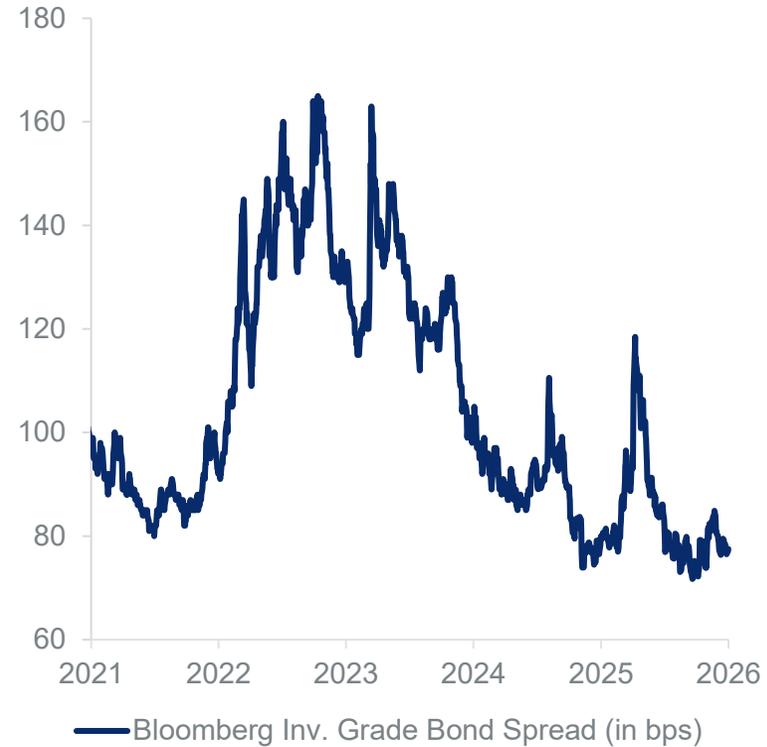


2 Five Percent Pullback

1 Ten Percent Pullback

All Equity Sectors Positive

Investment Grade Bonds Spreads Remain Healthy



Lowest 10-Year Yield Range Since **2018**

Bloomberg Agg Best Performance **Since 2020**

All Fixed Income Sectors Positive

Source: RJ Economics, FactSet, Data as of 12/31/2025

PLENTY OF POTENTIAL CATALYSTS FOR VOLATILITY

WE'RE NOT CLAIMING ALL THESE RISKS WILL COME TO PASS—BUT TO OVERLOOK THEM WOULD BE A PERILOUS TURN

Economics



**Inflation
Reaccelerates**



**Negative
Job Growth**



**Fed Pivots Back
To Rate Hikes**

Equities



**AI and Tech
Disappoint**



**Unsuccessful
Tech IPOs**



**Major Margin
Contraction**

Fixed Income



**Treasury
Auction
Demand Fades**



**Fed
Independence
Concerns
Resurface**



**Rating Agencies
Downgrade
US Debt**

Political/Geopolitical



**Geopolitical
Conflicts
Escalate**



**New Energy
Shock Causes
Oil Spike**



**Midterm
Elections**

Source: FactSet, Data as of 12/31/2025



4 Bonds

A Stronghold for Stability

INSIGHT:

The bond market has often served as a ‘stronghold’ or ‘fallback point’ for investors in times of trouble. We do not expect dramatic bond market moves in 2026, with the 10-year Treasury yield likely ending the year in the 4.25%–4.50% range.

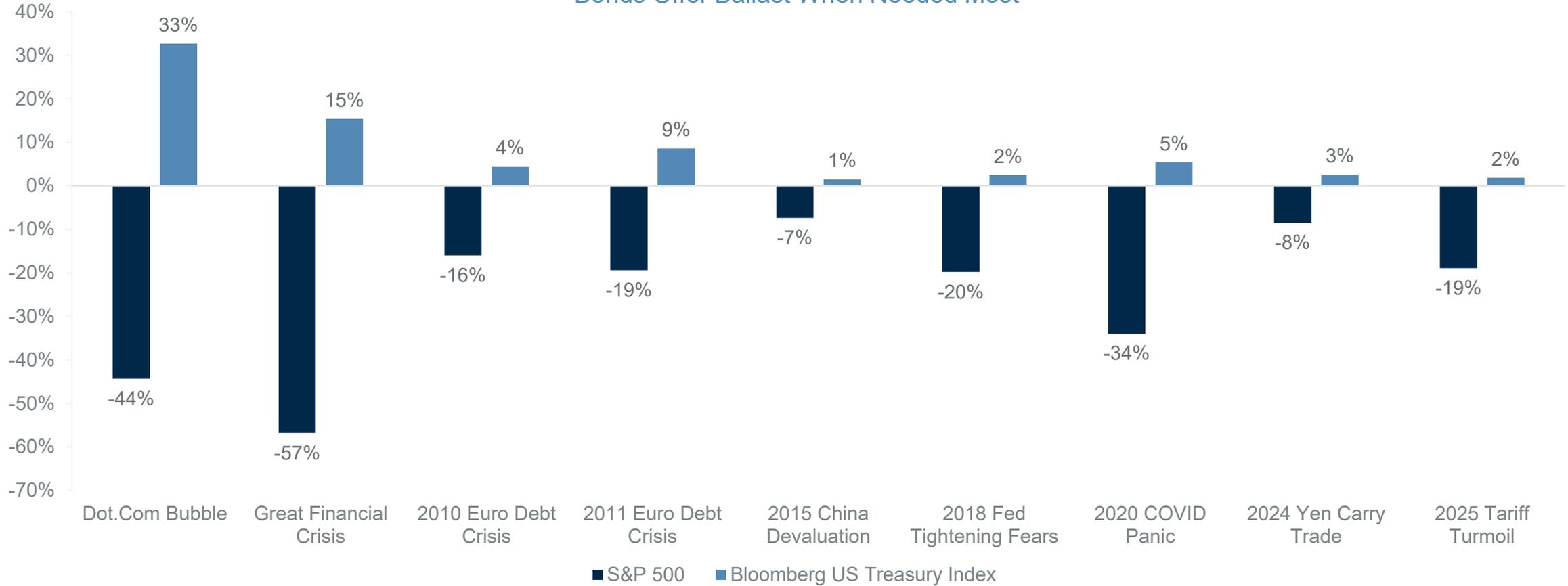
BOTTOM LINE:

For fixed income investors, the mission is clear: focus on income rather than capital gains. With long-term rates poised to rise only modestly, coupon payments—not price appreciation—will drive returns.

BONDS: A STRONGHOLD FOR STABILITY

BOND EXPOSURE HAS HELPED MITIGATE PORTFOLIO VOLATILITY DURING TIMES OF EQUITY DURESS

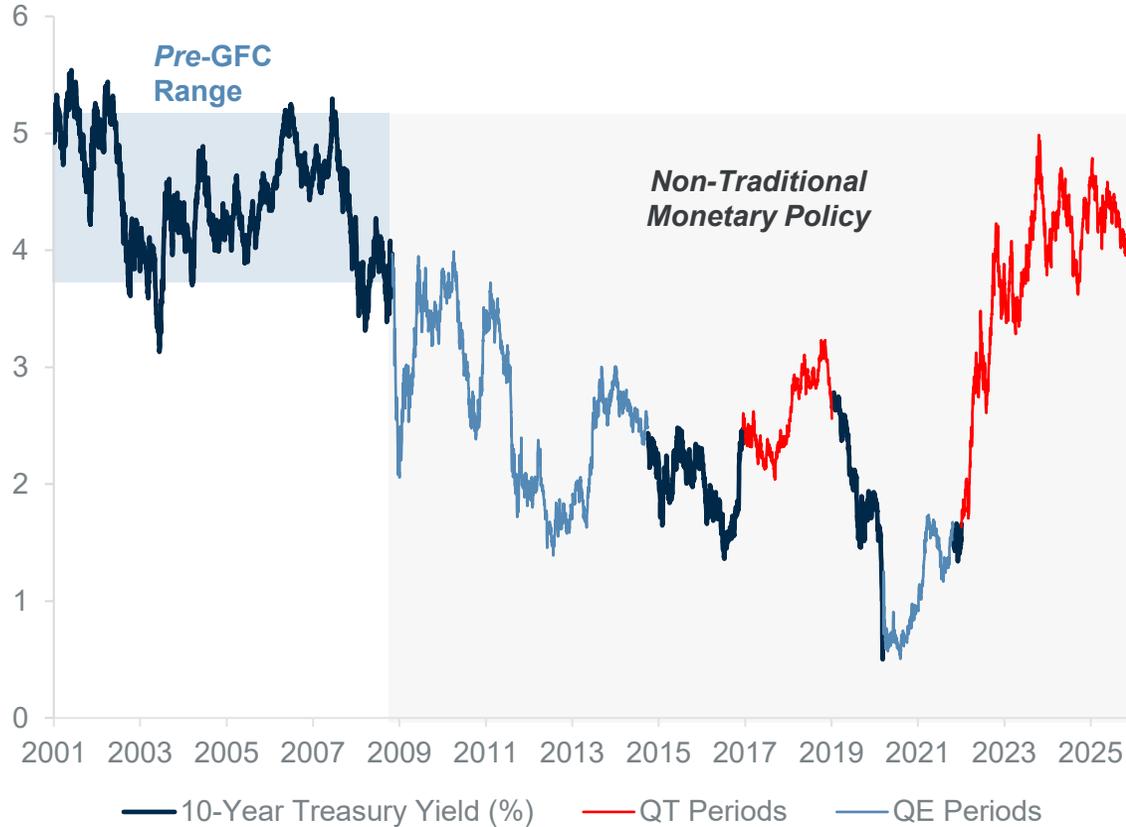
Bonds Offer Ballast When Needed Most



Source: FactSet, Data as of 12/31/2025

10-YEAR US TREASURY YIELD: WE DO NOT EXPECT DRAMATIC MOVES

10-Year Treasury Yields Likely To Range Bound



Source: FactSet, Data as of 12/31/2025

BASE CASE

(60% Probability)

4.25% - 4.50%

10-Year Treasury Yield Forecast

Gently Improving Economy, One Fed Rate Cut, Healthy Treasury Demand, Moderate Job Gains

<3.75%

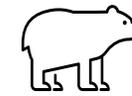


BULL

(20% Probability)

Recession Fears Build
Inflation Subsides
Improved Treasury Demand
Lower Coupon Issuance

>5.00%



BEAR

(20% Probability)

Economic Reacceleration
Sticky Inflation
Treasury Demand Fades
Increased Treasury Supply

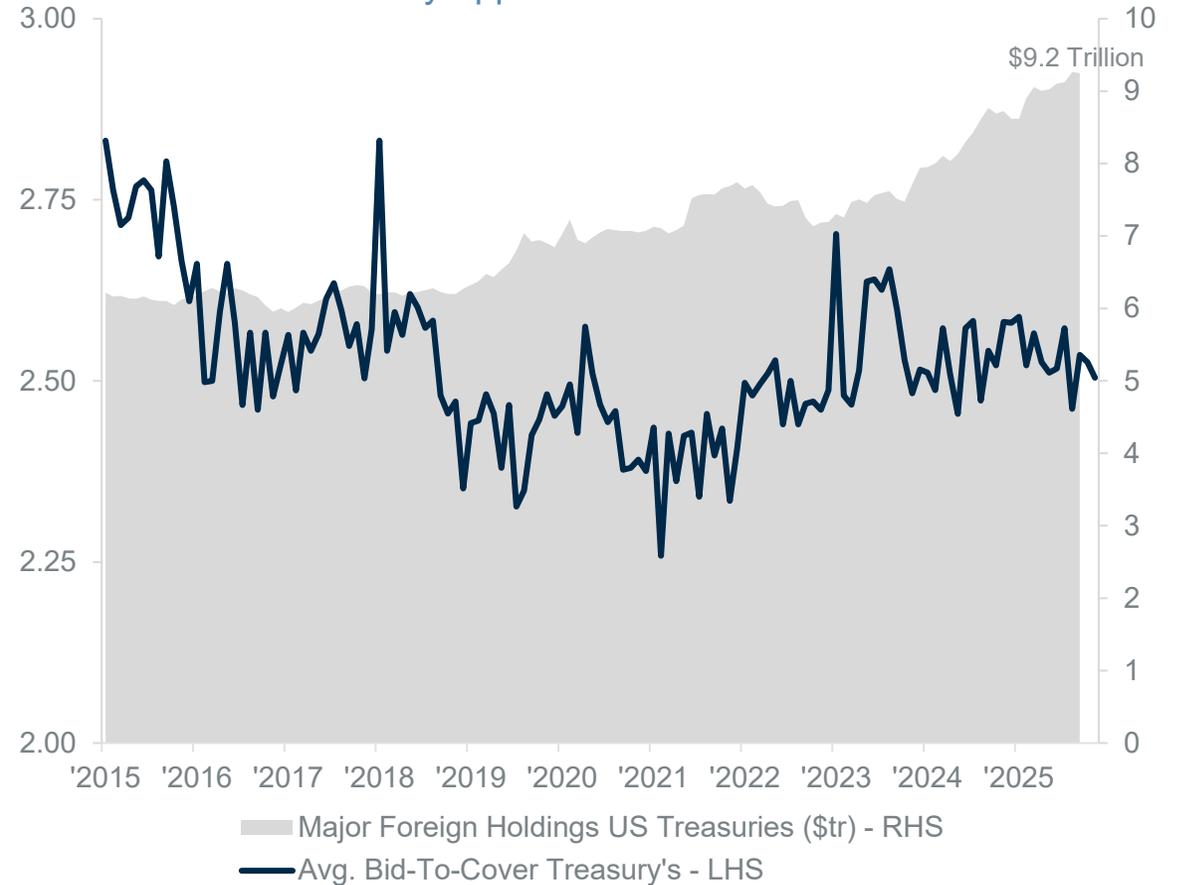
A MODEST STEEPENING OF THE YIELD CURVE

ROBUST DEMAND FOR TREASURY BONDS IS EXPECTED TO KEEP YIELDS FROM RISING EXCESSIVELY

Yield Curve Remains Biased To Steepen



Still Healthy Appetite For US Treasuries

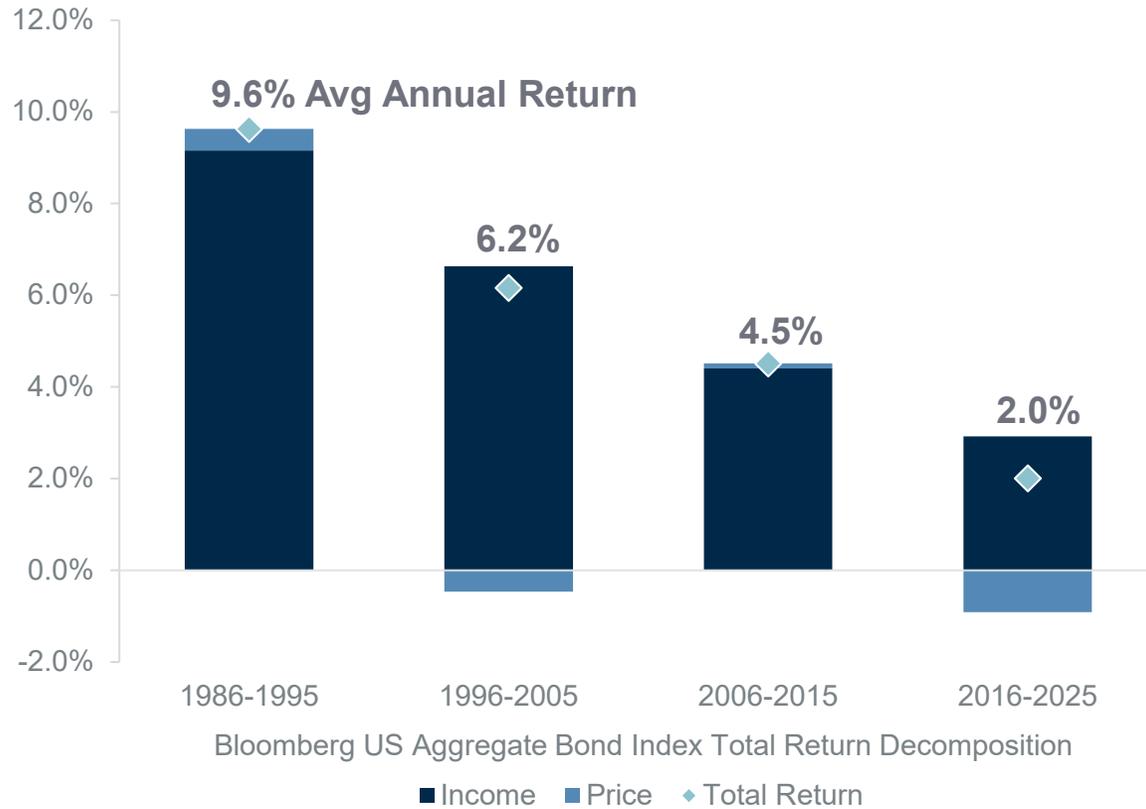


Source: FactSet Data as of 12/31/2025

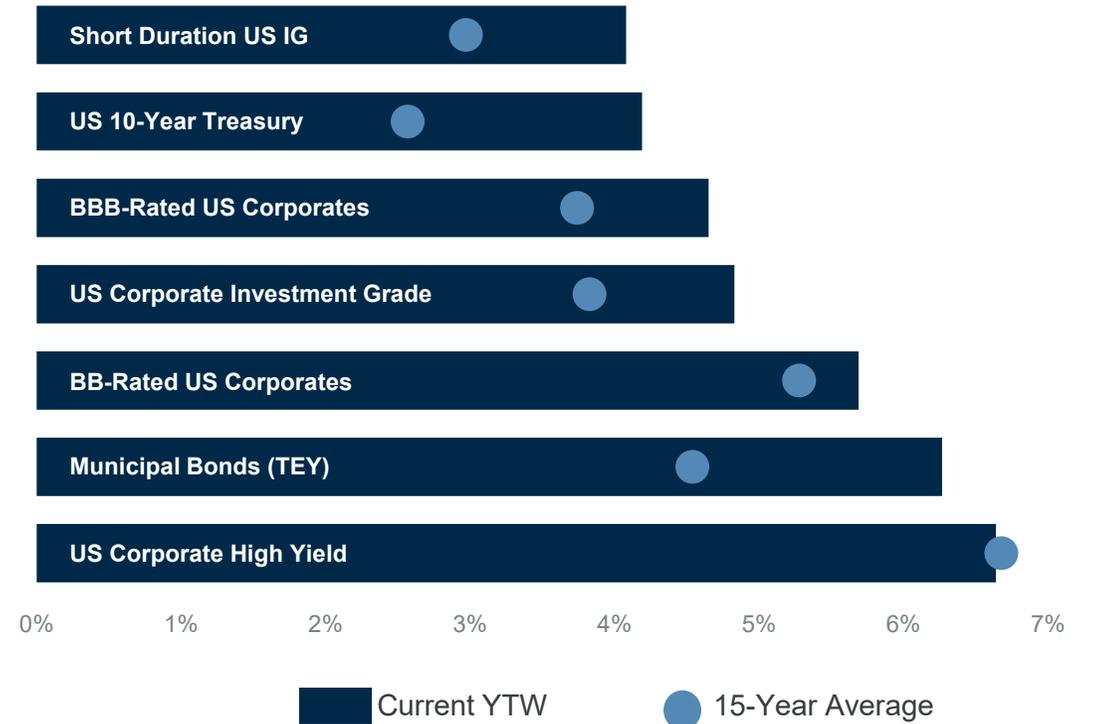
BONDS' INCOME-GENERATING DYNAMIC

THE VAST MAJORITY OF BOND RETURNS ARE ATTRIBUTED TO INTEREST PAYMENTS

Income Is The Main Driver Of Returns



High-Quality Yields Remain Attractive Vs. History



Source: FactSet Data as of 12/31/2025. Municipal yield is tax-equivalent and assumes 40.8% tax bracket.



5 Identity Shift

The New Face of US Equities

INSIGHT:

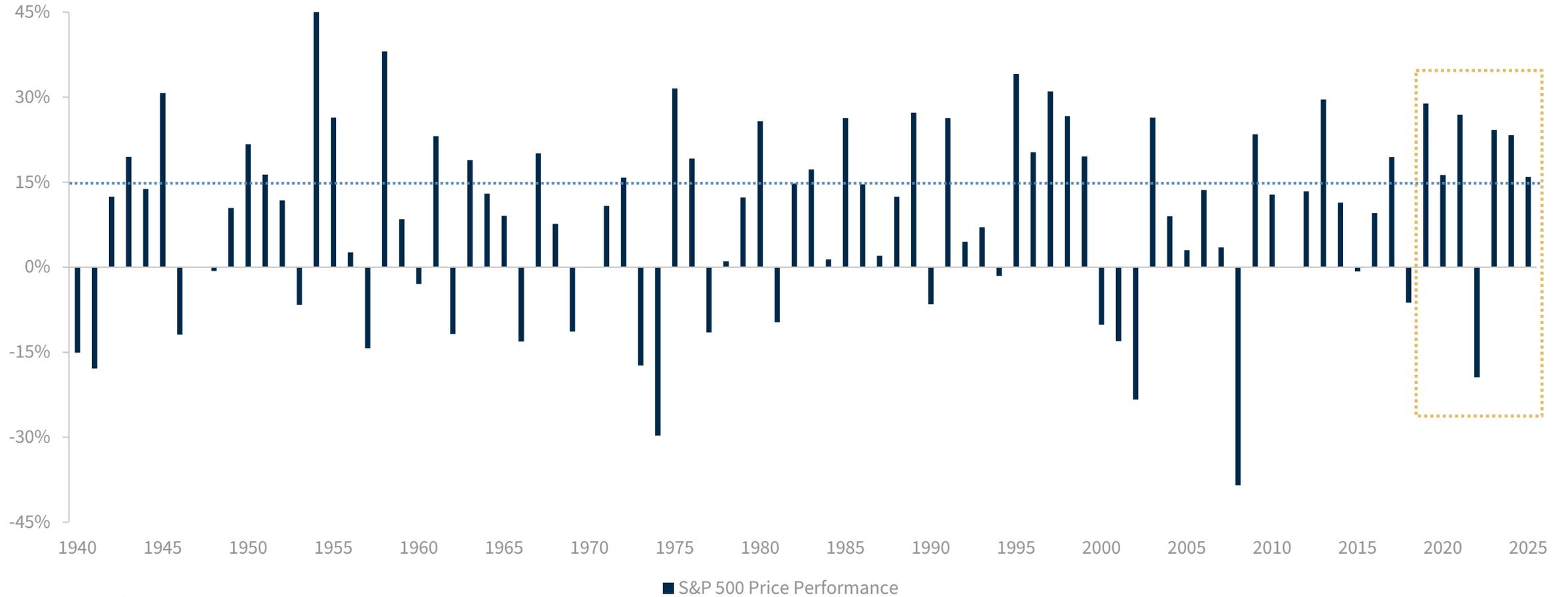
After an historic run, multiple expansion can no longer carry the equity market. Now the S&P 500 must shift its identity to rely on earnings growth.

BOTTOM LINE:

We expect earnings to rise about 12%, supporting our year-end target of 7,250. That means the return profile shifts from blockbuster double-digit gains to high-single digits—still outpacing long-term averages.

UNCHARTED TERRITORY IN PERFORMANCE

S&P 500 HAS GAINED 15%+ IN 6 OUT OF THE LAST 7 YEARS FOR THE FIRST TIME EVER



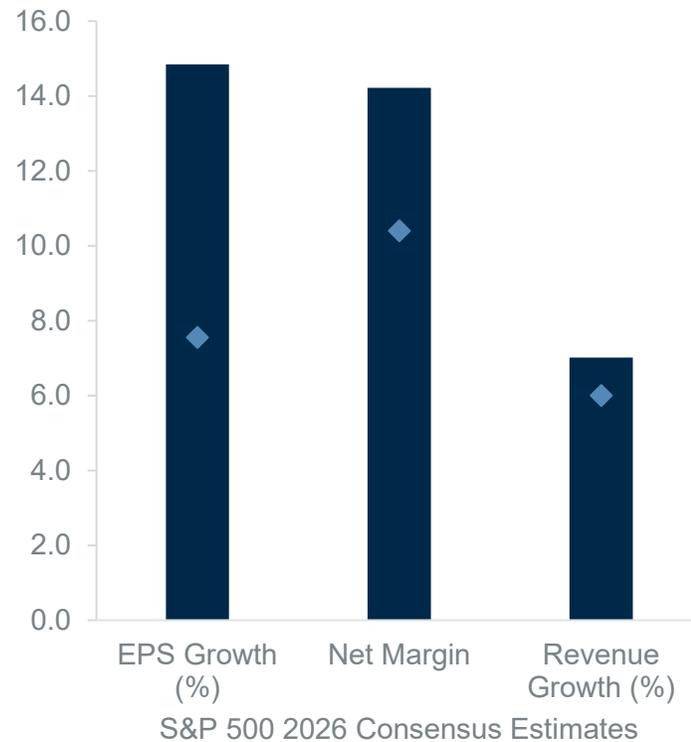
Source: FactSet, Data as of 12/31/2025

UNVEILING THE POWER OF THE EQUITY DOSSIER

MANY DYNAMICS REMAIN FAVORABLE FOR THE EQUITY MARKET

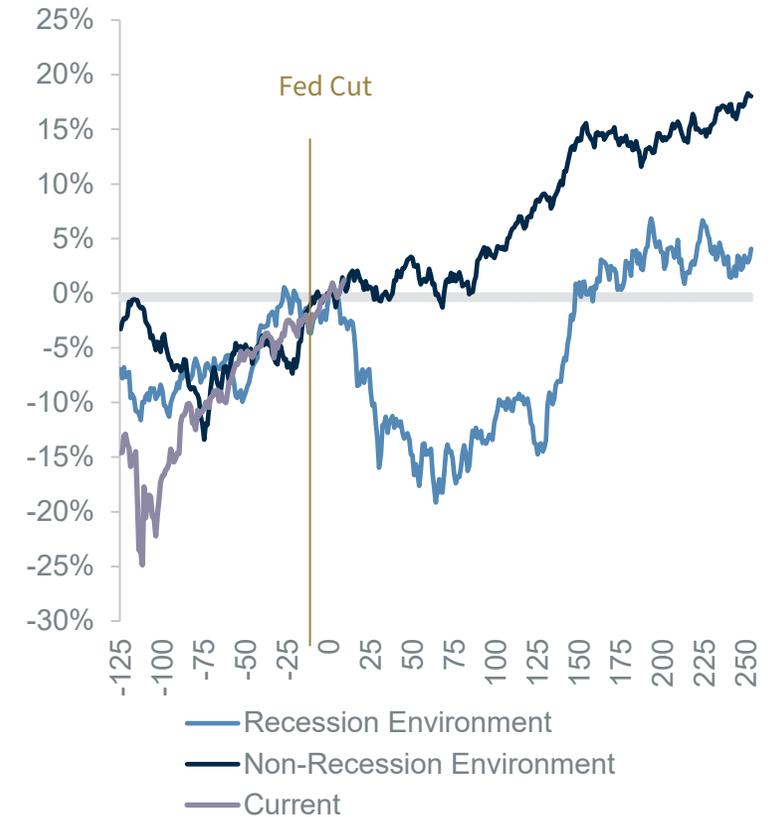


Strong Fundamentals Continue To Support The Market



■ Current ◆ 20-Year Average

Fed Cuts in Non-Recessionary Environment are Supportive



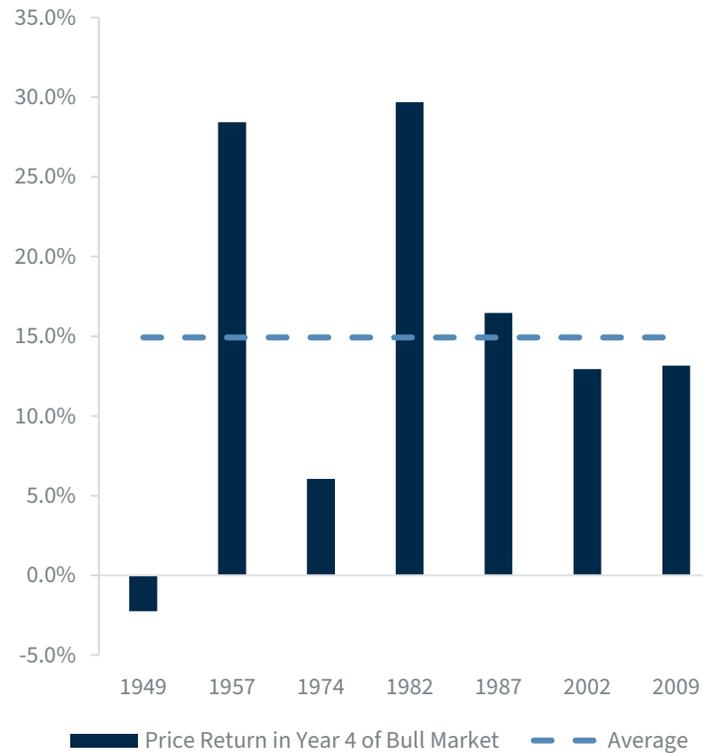
Source: FactSet, Data as of 12/31/2025

UNVEILING THE POWER OF THE EQUITY DOSSIER

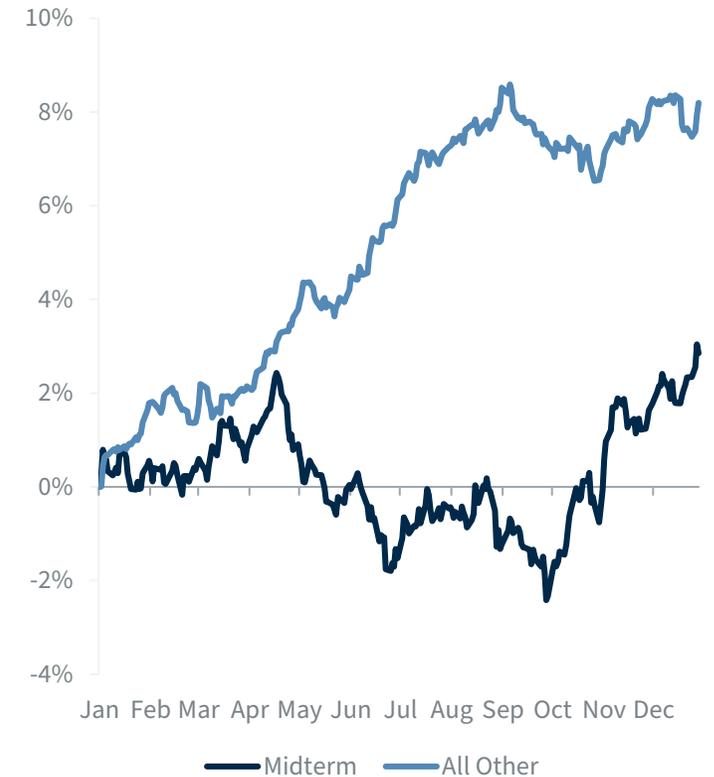
MANY DYNAMICS REMAIN FAVORABLE FOR THE EQUITY MARKET



4th Year Of Bull Market Has Historically Delivered Strong Results



Muted Returns Consistent With Midterm Election Year



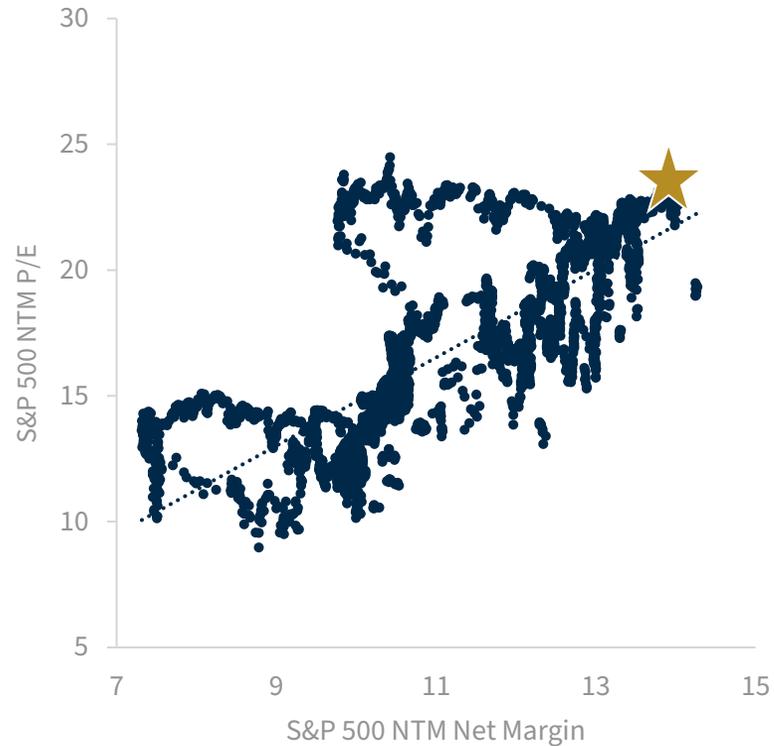
Source: FactSet, Data as of 12/31/2025

UNVEILING THE POWER OF THE EQUITY DOSSIER

VALUATIONS AND POSITIONING REMAIN A HEADWIND



Elevated Margins Support Valuations



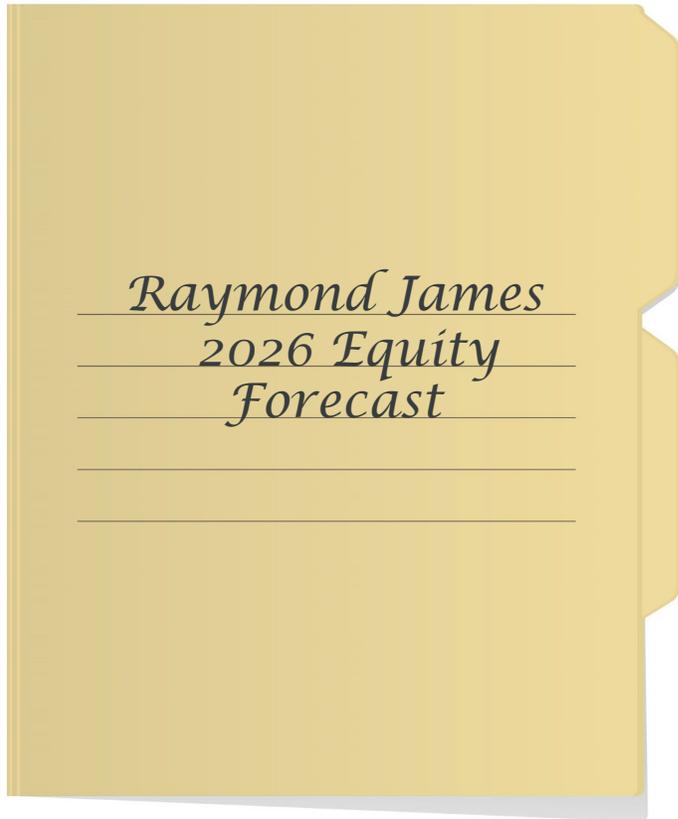
Returns Set to Moderate



Source: FactSet, Data as of 12/31/2025

S&P 500 YEAR-END 2026 TARGET DETAILED

BASE CASE REMAINS SUPPORTIVE OF CONTINUATION OF BULL MARKET



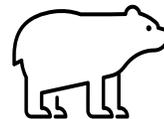
BASE CASE

(60% Probability)

$$\text{\$300} * 24x = \sim 7,250$$

Resilient Economy, 1 Fed Rate Cut, Positive Earnings Growth, Disinflation Continues

6,200

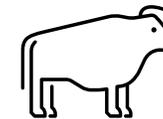


BEAR

(15% Probability)

Inflation Reaccelerates
Hawkish Policy Response
Tariffs Weigh on Margins
Economic Growth Softens

8,200



BULL

(25% Probability)

Economic Reacceleration
Margin Expansion Above Expectations
Sentiment Keeps Multiple Elevated
Dovish Federal Reserve

Source: FactSet, Data as of 12/31/2025



6 Cracking the Code

The Next Phase of AI

INSIGHT:

Up until now, the 'code' for outperformance has been the artificial intelligence (AI) trend. Now that the secret's out, investors must be more strategic about how to invest in this world-changing technology.

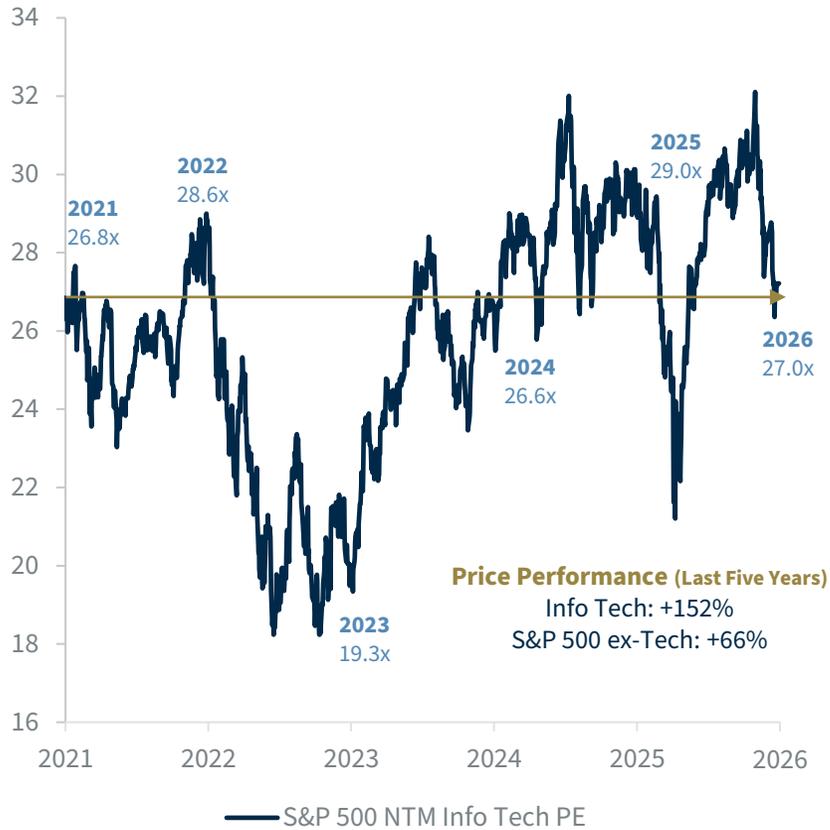
BOTTOM LINE:

Companies within the Technology sector, such as semiconductor suppliers, will remain a potent force for the mainstreaming of AI, but we expect the next wave of beneficiaries to emerge in two somewhat lower-profile sectors: Consumer Discretionary and Industrials.

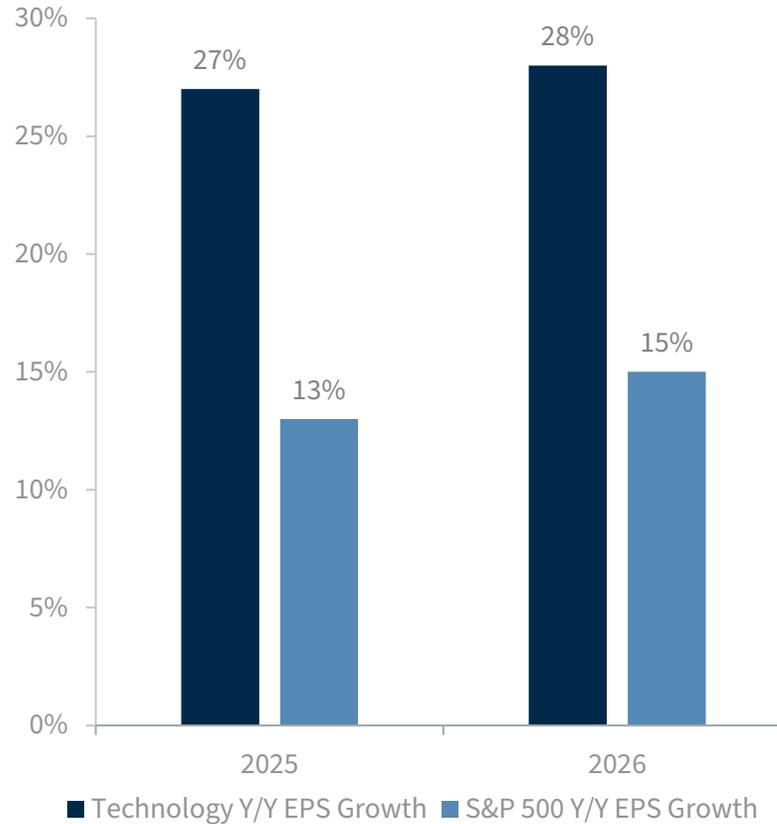
TECHNOLOGY SECTOR IN FOCUS

DISPELLING THE PERCEIVED RISK CIRCULATING AROUND THE TECH SECTOR

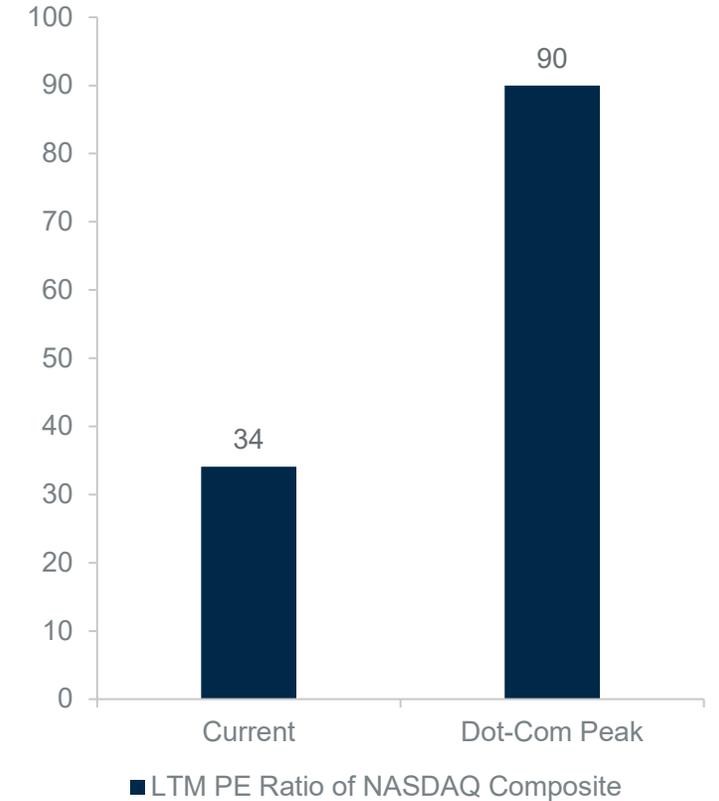
A Lower Valuation Versus A Year Ago



Superior Earnings Growth



This Is Not Dotcom Bubble 2.0

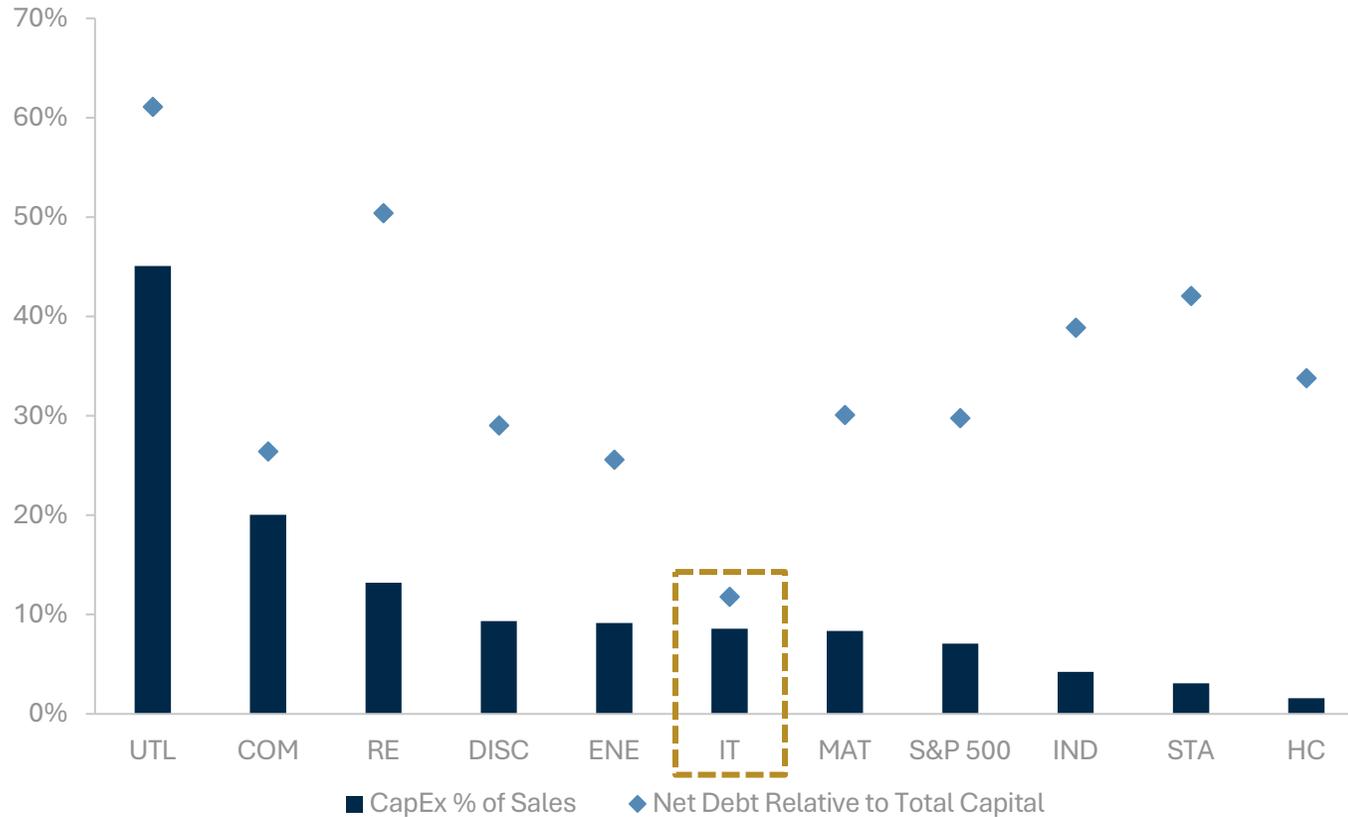


Source: FactSet, Data as of 12/31/2025

TECHNOLOGY SECTOR IN FOCUS

DISPELLING THE PERCEIVED RISK CIRCULATING AROUND THE TECH SECTOR

Both Increased Capex and Debt Risks Appear Manageable



Potential Policy Risk

More than 200 environmental groups demand halt to new US datacenters

Cities starting to push back against data centers: Study

Anti-data center protests held in 7 Wisconsin cities

Trump admin's top 'scientific priority is AI,' energy secretary says

DOE Identifies 16 Federal Sites Across the Country for Data Center and AI Infrastructure Development

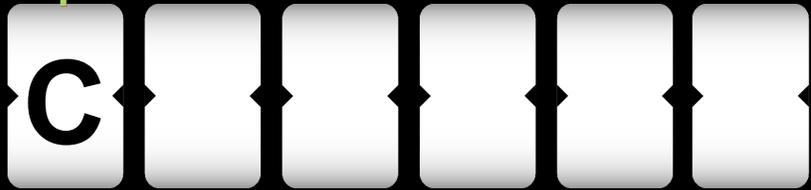
Source: FactSet, Data as of 12/31/2025



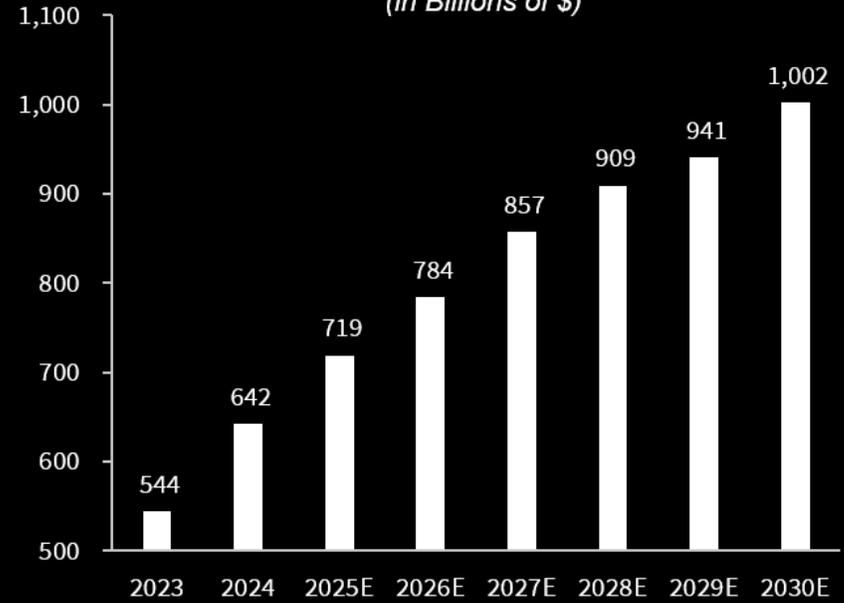
Source: RJ Economics, Data as of 12/31/2025

What is AI's foundation?

CHIPS



Global Semiconductor Total Addressable Market
(in Billions of \$)



What is AI's foundation?

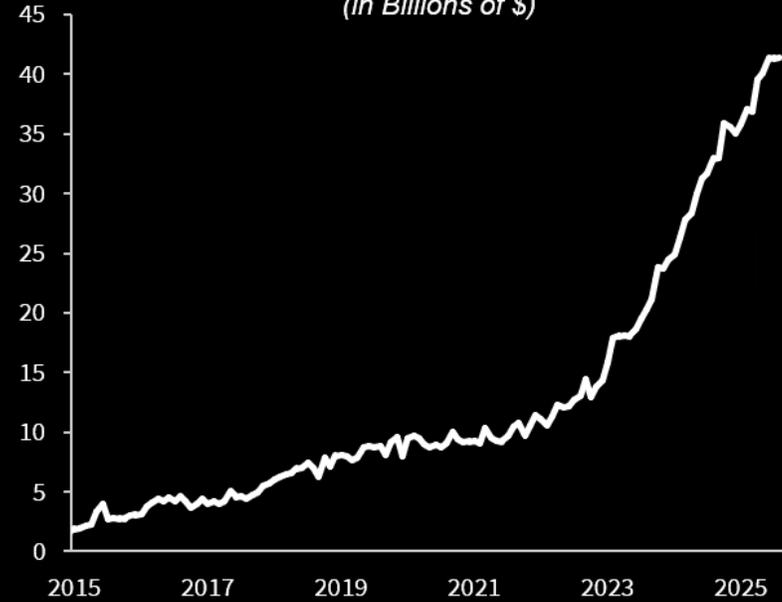
CHIPS

What does AI need to scale?

INDUSTRIALS

C I

Data Center Construction Value Put-in-Place
(in Billions of \$)



What is AI's foundation?

CHIPS

What does AI need to scale?

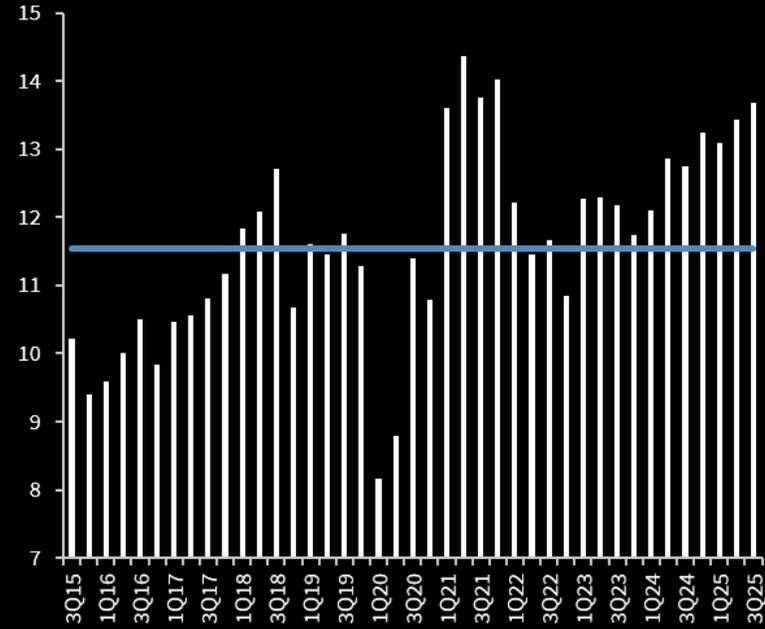
INDUSTRIALS

Why AI Enterprise?

PRODUCTIVITY

C I P

S&P 500 Net Margins



What is AI's foundation?

CHIPS

What does AI need to scale?

INDUSTRIALS

Why AI Enterprise?

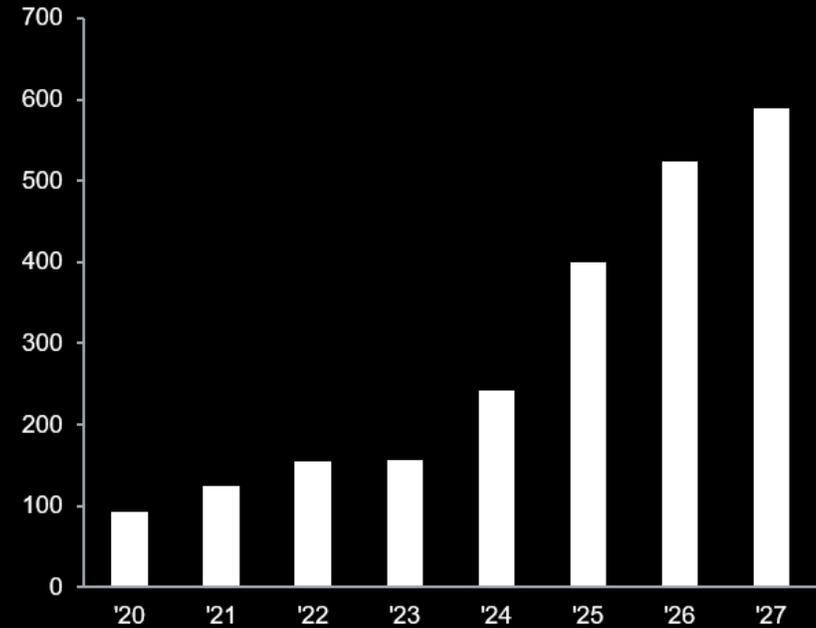
PRODUCTIVITY

Who is driving AI?

HYPERSCALERS

C I P H

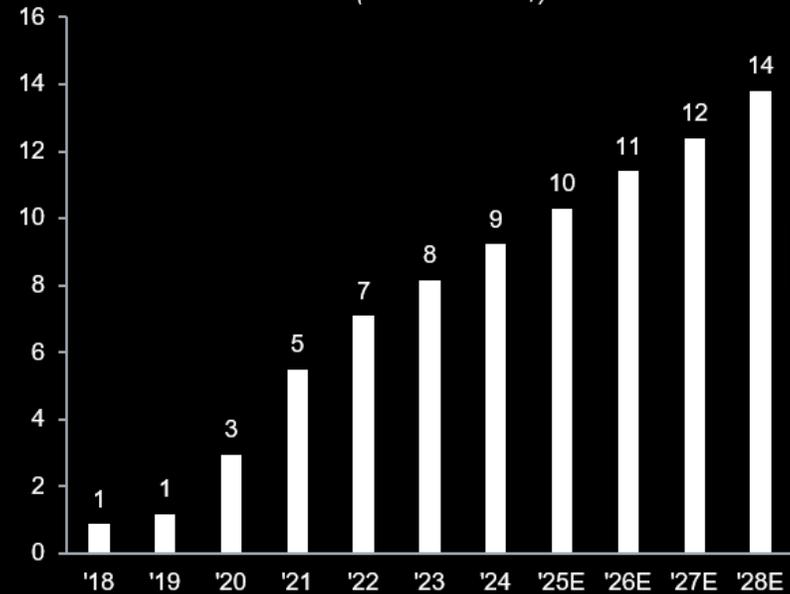
AI CapEx expected by US Hyperscalers in 2026





CIPHER

Annual Cost of Global Cybercrime
(in Trillions of \$)



What is AI's foundation?

CHIPS

What does AI need to scale?

INDUSTRIALS

Why AI Enterprise?

PRODUCTIVITY

Who is driving AI?

HYPERSCALERS

What maintains integrity?

ENCRYPTION

What is next for AI?

ROBOTICS

CIPHER

One million robots drive Amazon's operation during holidays

- CNN

Amazon Accelerates Robotics Expansion, Potentially Automating 600,000 Jobs by 2033

- Yahoo Finance

Tesla Robotaxis Now Testing Without Safety Drivers - TechCrunch



7 The Hidden Allies

Thinking Beyond the Obvious

INSIGHT:

In most Mission: Impossible films, the person everyone trusts often turns out to be the mole, while the real hero operates in the shadows. For investors, the sectors that dominate headlines and attract the most attention aren't always the best choices.

BOTTOM LINE:

Consumer Discretionary should benefit from its exposure to the AI trend and government stimulus, while Health Care has priced in its worst-case scenarios and is poised to surpass earnings expectations.

CONSUMER DISCRETIONARY SECTOR

CONSUMER SPENDING SURGE SUPPORTIVE OF THE RESURGENCE IN THIS SECTOR

Tailwinds for Consumers in 2026

80K

Estimated
Monthly Jobs
Creation in 2026

9.5

Trillion Dollars
in Wealth
Added in 2025

140

Billion Dollars
in Tax Refunds
in 2026

500

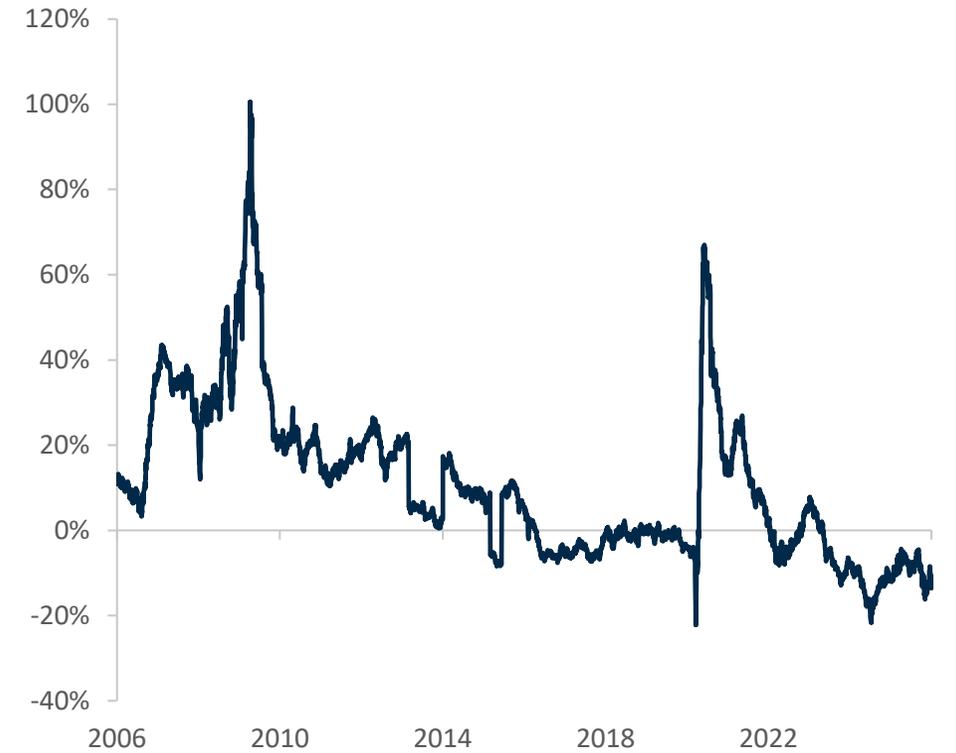
Billion Dollars
Total Expected
Increase in
Spending in 2026

Least Favored Sector

In the RJ Investment Strategy Survey



Valuations Mostly Below Average



— Consumer Discretionary (ex TSLA/AMZN) NTM PE Relative to S&P 500

Source: RJ Economics, FactSet, Data as of 12/31/2025

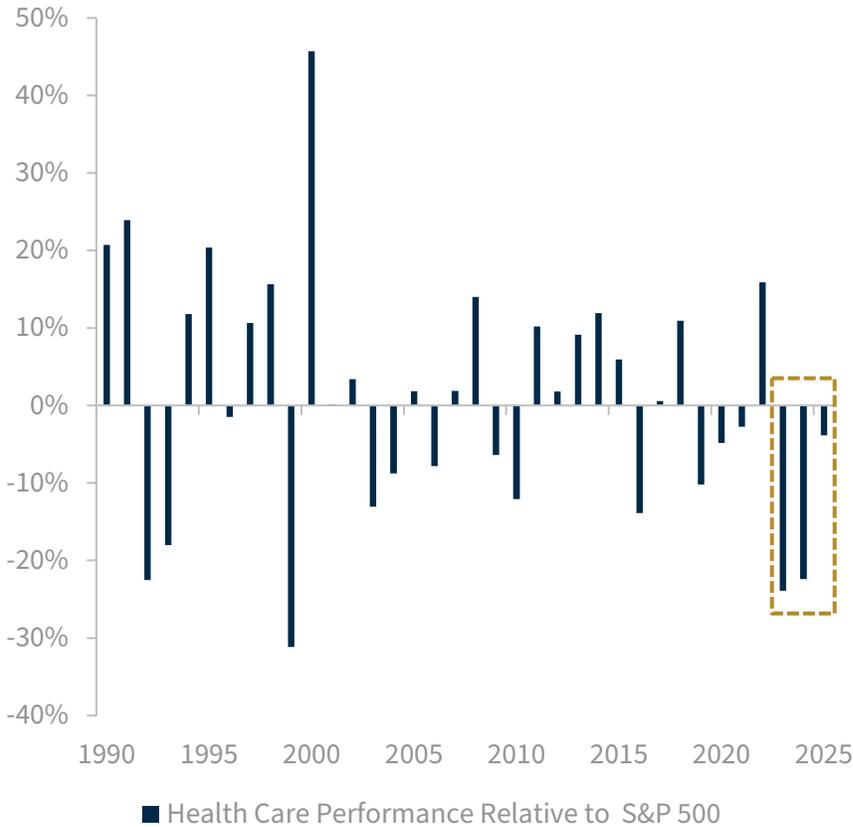
HEALTHCARE SECTOR

VALUATIONS SHOULD EXPAND AS WORST CASE SCENARIOS FADE

Historic Stretch of Underperformance

Relative Valuations Reached Historic Lows

Policy Rhetoric Creates Opportunity



- Aug 5, 2025** Trump says pharma tariffs could eventually reach up to 250%
- Sep 18, 2025** Most Favored Nation Drug Pricing Aiming at Pharma's Achilles Heel
- Oct 1, 2025** Trump administration backs off 100% pharma tariffs threatened to start Oct. 1
- Dec 3, 2025** Lobbyists are salivating for more of Trump's drug price deals
- Dec 20, 2025** Trump announces 9 pharmaceutical companies will lower drug prices
- Dec 22, 2025** US regulators approve first oral medication to treat obesity

Source: FactSet, Data as of 12/31/2025



8

Power Shift

Spotting the Double Agents

INSIGHT:

For years, oil was the driver of the energy story. Now, the data center boom has flipped the script, shifting the focus to electricity. But what is the best way to get exposure to the electrification trend without the Utilities sector?

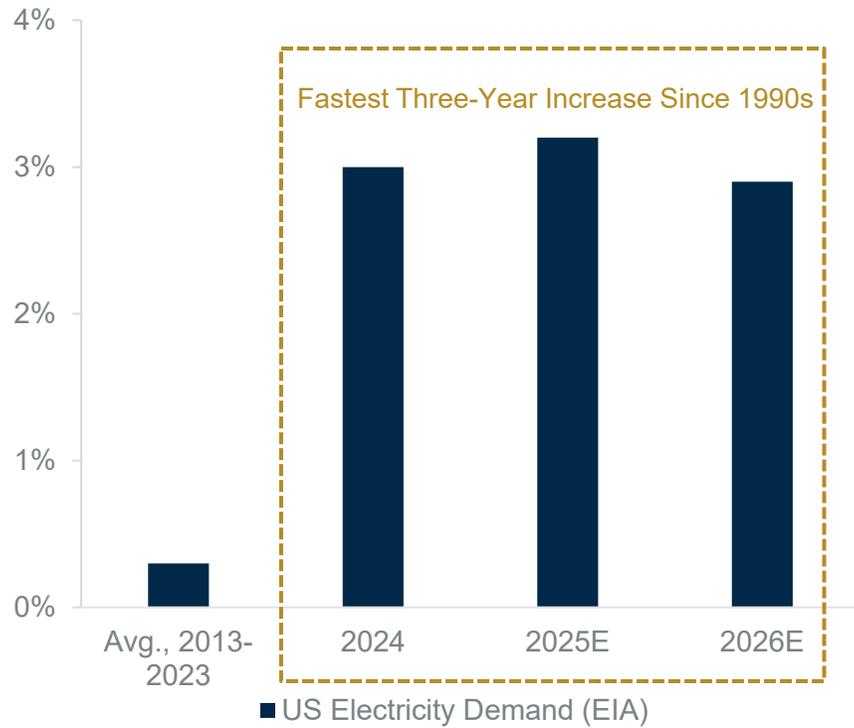
BOTTOM LINE:

The more dependable recruits in the electrification trend are found in Industrials—the companies making the proverbial ‘picks and shovels’ for this new energy era. This sector also includes the defense contractors helping to keep America secure.

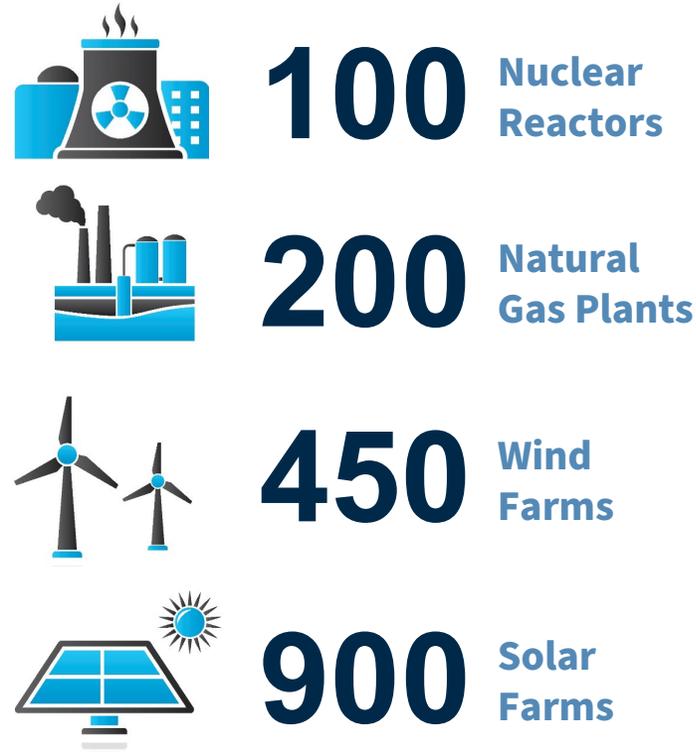
AS ELECTRICITY DEMAND SURGES, UTILITIES FACE PUSHBACK AGAINST RISING POWER PRICES

REGULATION AND INCREASED CAPEX HAMPER UTILITY SECTOR UPSIDE

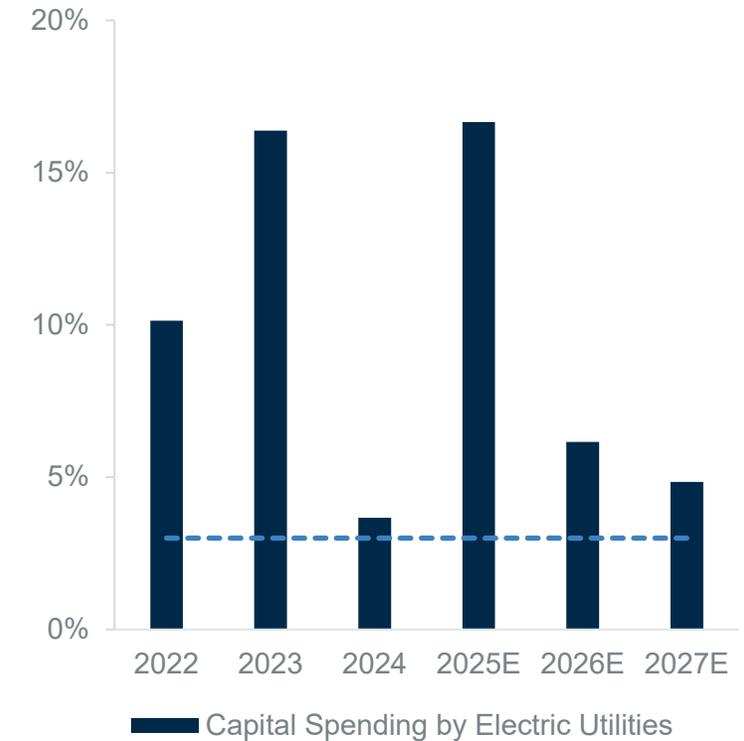
US Electricity Demand Is Surging at the Fastest Pace in 30 Years



How Much Electricity Will AI Require by 2035?



Growth of Utility Spending Outpaces Increases in Electricity Prices (YoY % Change)

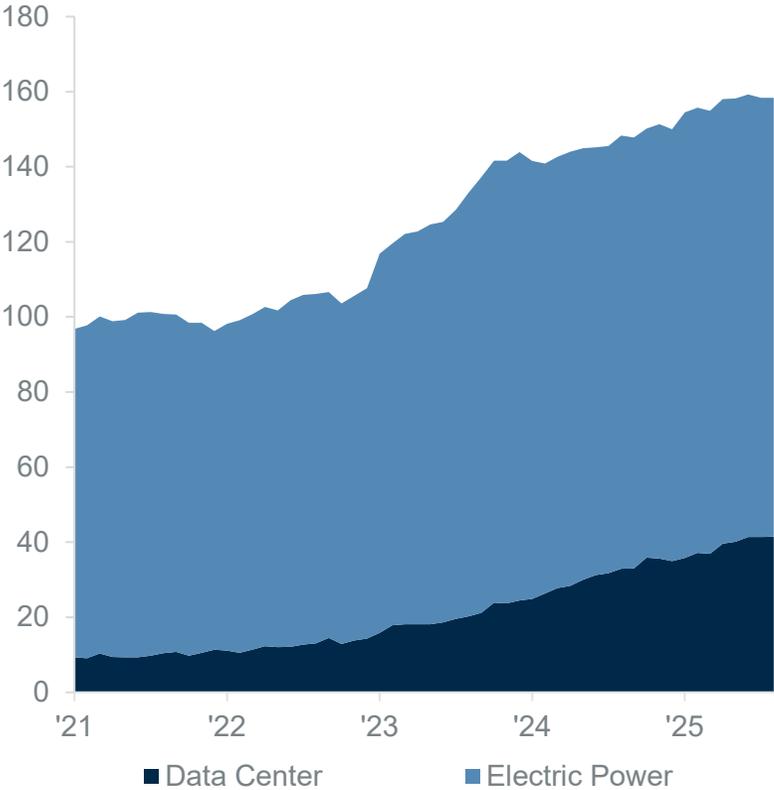


Source: FactSet, Data as of 12/31/2025

WE PREFER THE INDUSTRIALS SECTOR OVER UTILITIES TO PLAY THE DATA CENTER BOOM

INVESTING IN THE 'PICKS AND SHOVELS' BEHIND THIS POWER BUILDOUT

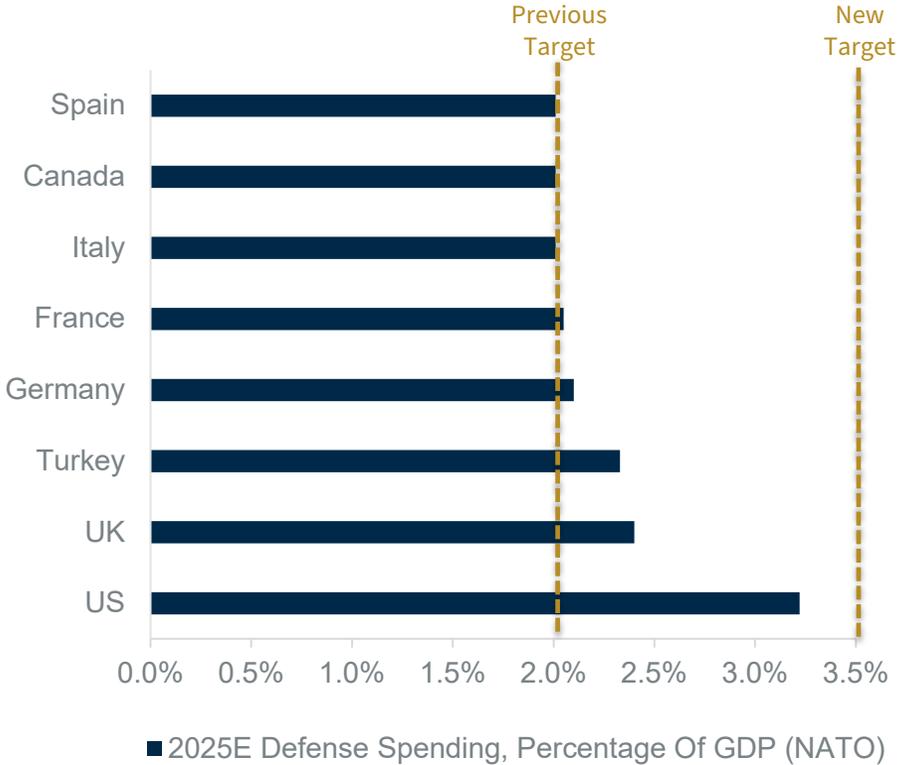
Construction Put in Place
(in Billions of \$)



What Do Industrial Companies Provide?

- Heavy Machinery
- Transmission Lines
- Batteries
- Fighter Jets
- Defense

Defense Spending On The Rise

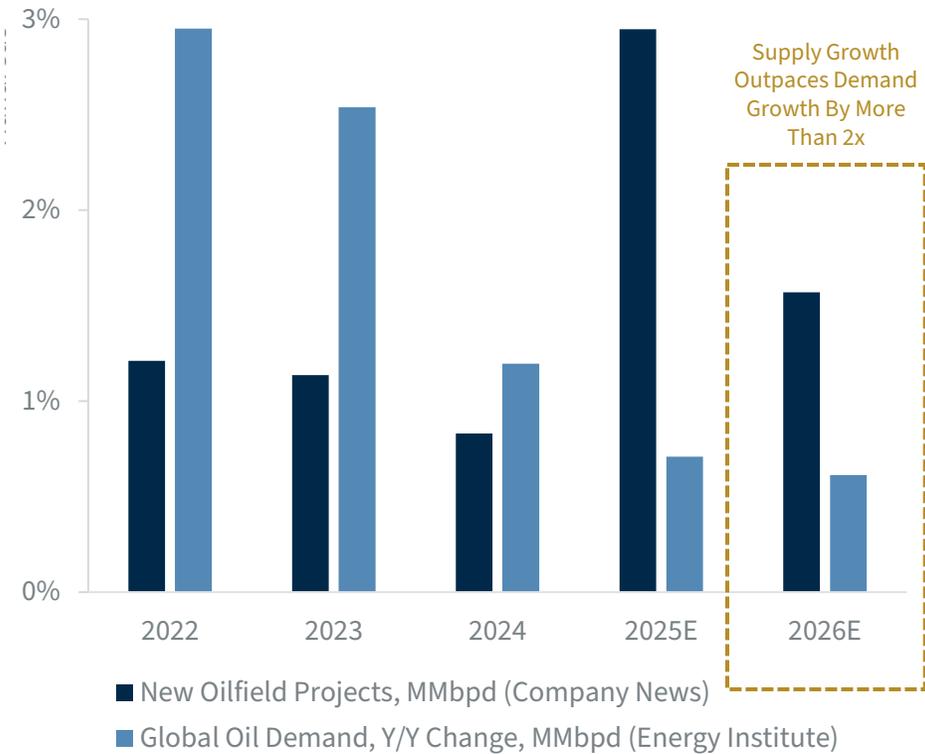


Source: FactSet, NATO, Data as of 12/31/2025

AS GLOBAL OIL OVERSUPPLY PERSISTS, SHOULD INVESTORS BE LOOKING AT CRITICAL MINERALS?

OIL TO BE RANGE BOUND AS GLUT PERSISTS; RARE EARTH INVESTMENT OPPORTUNITIES LIMITED

Sluggish Oil Demand And Plentiful Supply



\$55-60

Year-End WTI
Crude Price
Target

~ZERO

Exposure to
Rare Earth
Metals in the
S&P 500

Rare Earths: What Are They Used For?

Refinery Catalysts



Weapons



Laptops



Electric Powertrains



Aircraft



MRI Machines



Source: FactSet, Data as of 12/31/2025



9 Global Allocation

Your Next Assignment

INSIGHT:

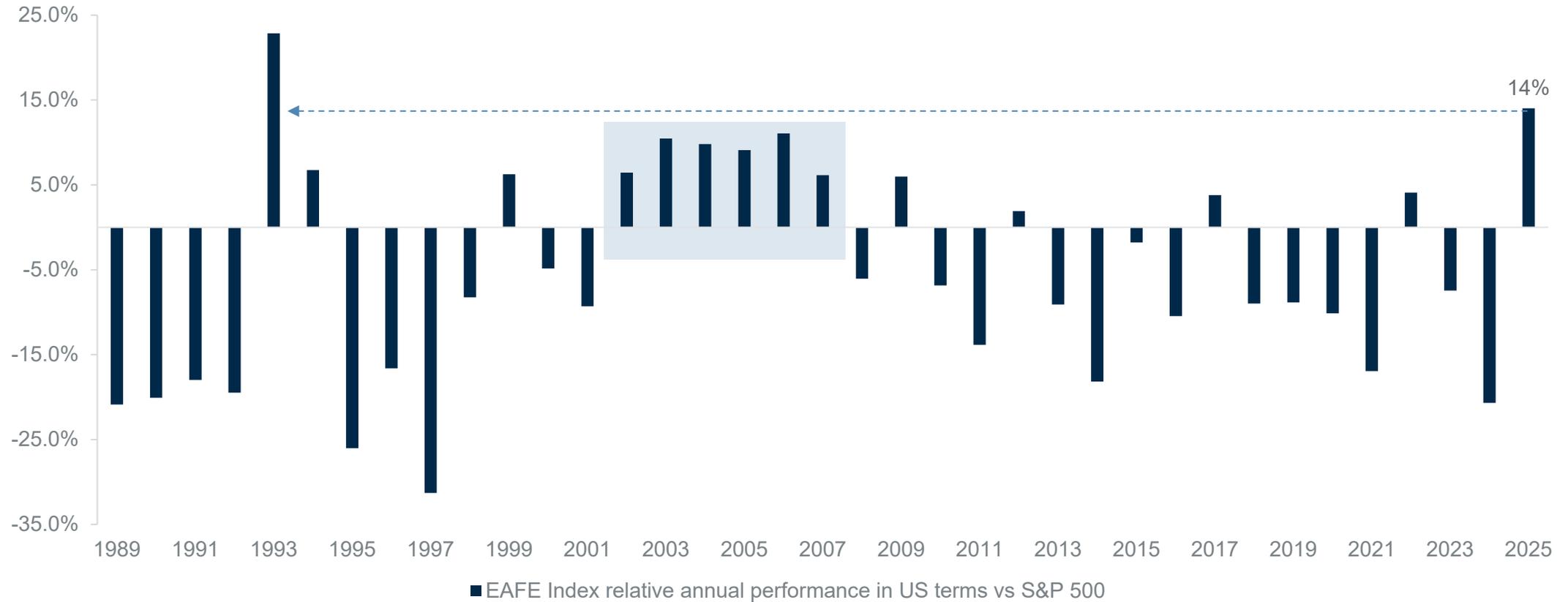
Diversification is the first benefit of having a world-traveled portfolio, but the real question is: which regions are most likely to deliver value now?

BOTTOM LINE:

In the international investing landscape, we have a preference for emerging markets, especially India. While India posted the fastest 2025 GDP growth among the G20 economies, its equity market underperformed, and valuations remain attractive.

ONE AND DONE OR A SUSTAINABLE TREND?

INTERNATIONAL MARKETS NOTCHED THEIR BEST PERFORMANCE VS. US EQUITIES SINCE 1993



Source: FactSet Data as of 12/31/2025

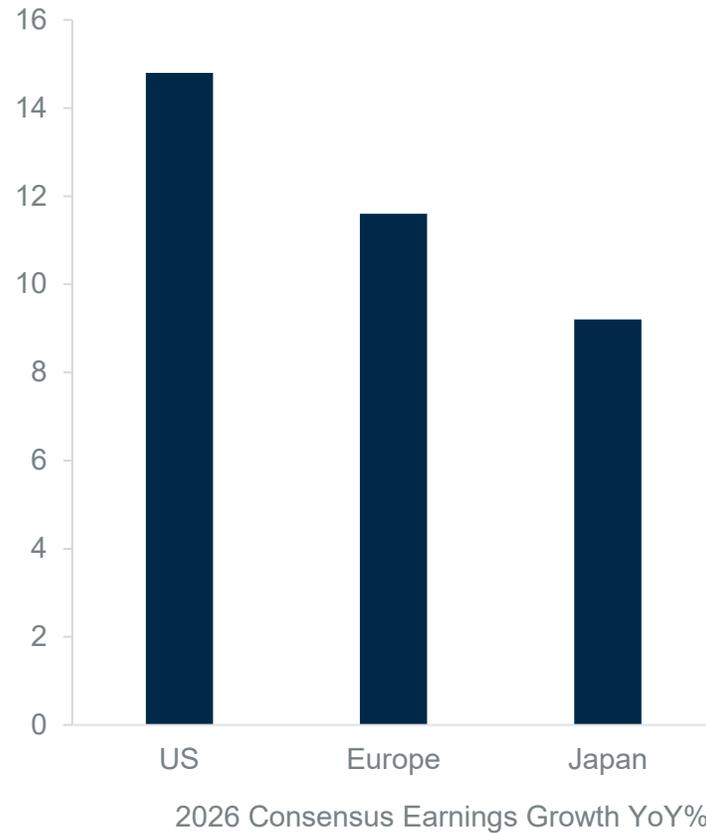
STILL FAVOR US OVER DEVELOPED MARKETS

US EQUITIES STILL POISED TO LEAD DEVELOPED INTERNATIONAL MARKETS

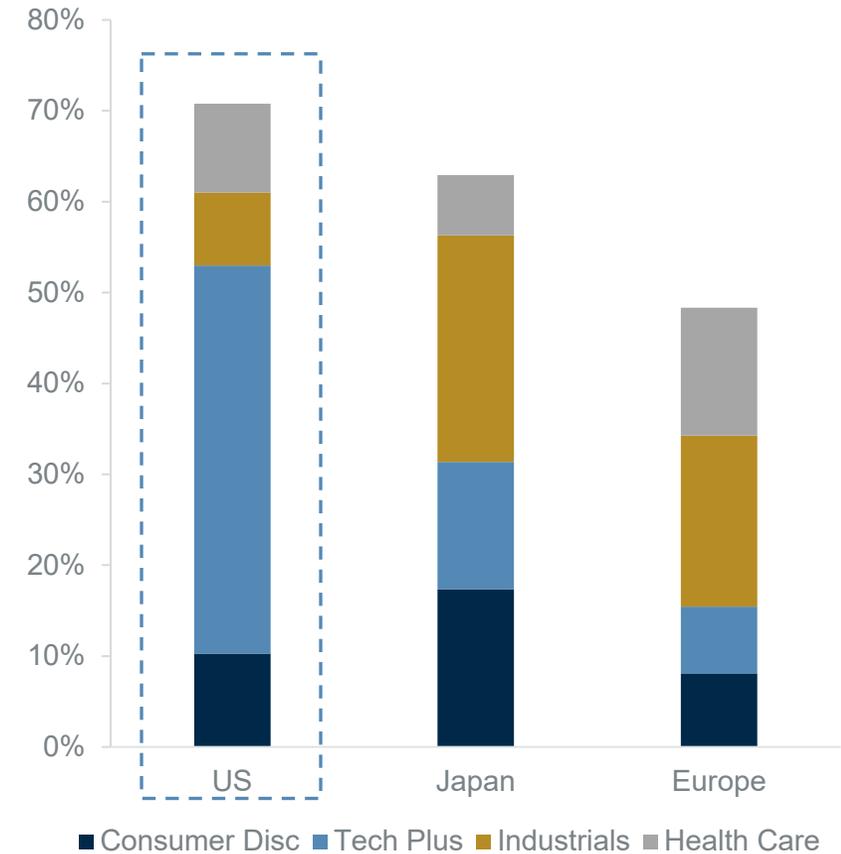
Four Reasons Why The US Remains On Top

- 1 **Currency Tailwinds Are Over**
Steady US Dollar in 2026 will end currency tailwinds for overseas returns.
- 2 **Market Friendly Policy Mix**
Another Fed rate cut and upcoming fiscal stimulus should support US equities.
- 3 **US Has Stronger Fundamentals**
The US has more resilient growth, stronger earnings and better profitability metrics.
- 4 **Sector Weights Favor US**
Sector composition in the US remains tilted to our favored sectors.

Earnings Trends Favor US



Sector Weights Favor US Equities

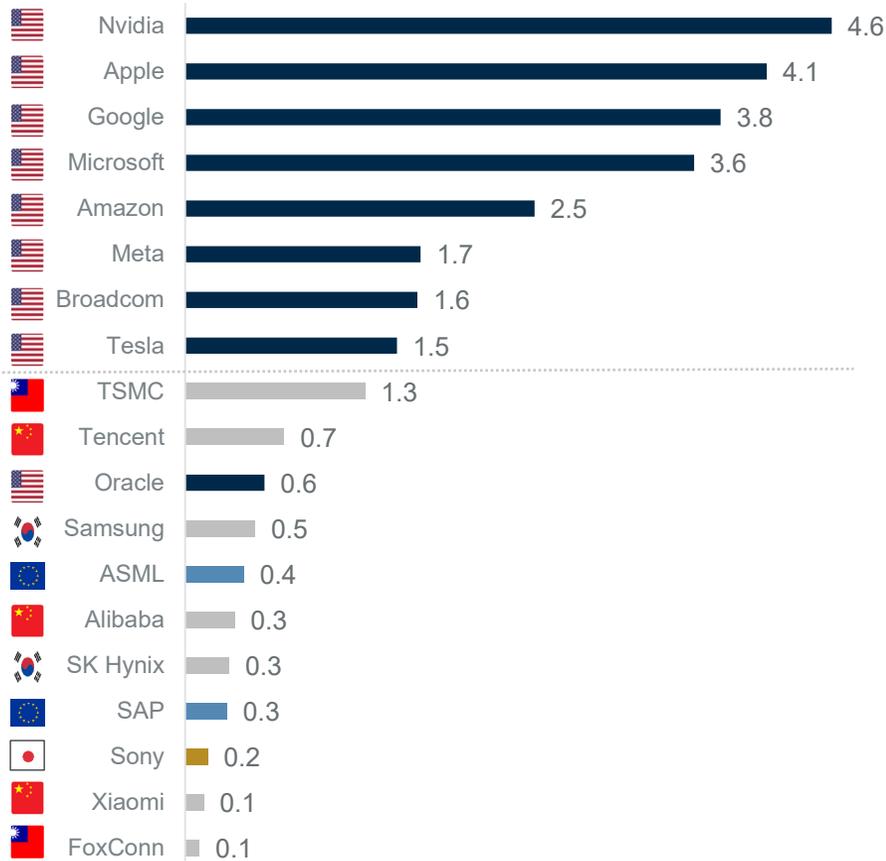


Source: FactSet Data as of 12/31/2025

STILL CONSTRUCTIVE ON EMERGING MARKETS

EM ASIA STILL POISED TO RIDE THE 'AI WAVE'

Asia Has Some Leading Tech Players (in trillions of \$)



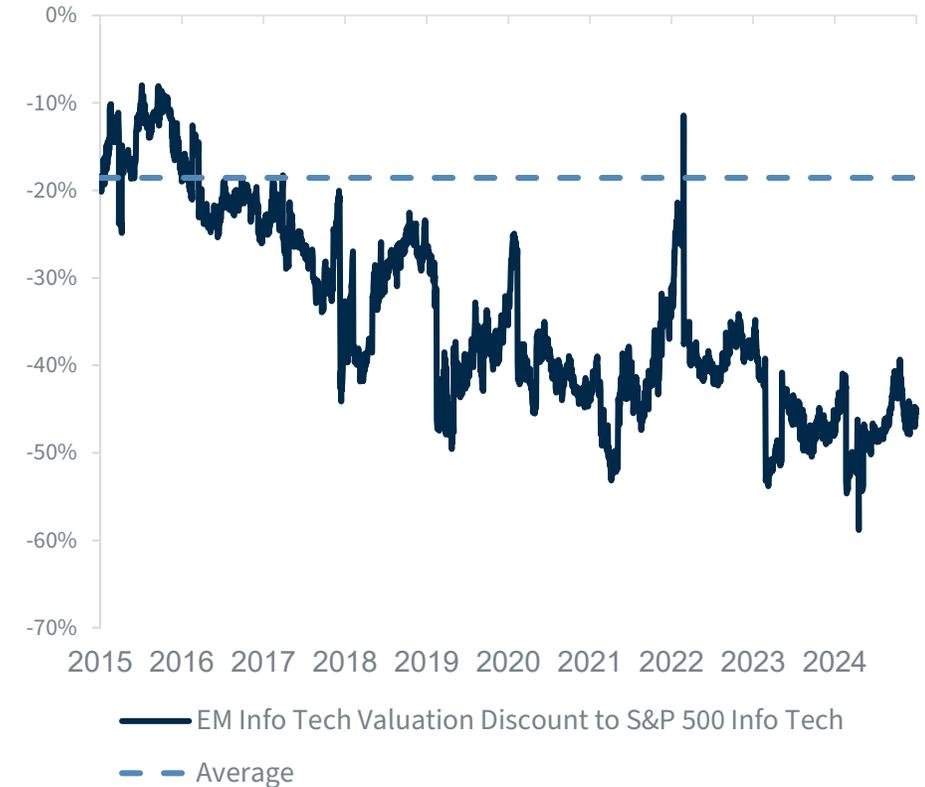
~27%

Info Tech Weight
in 2025

~18%

Info Tech Weight
in 2015

Attractive Valuations



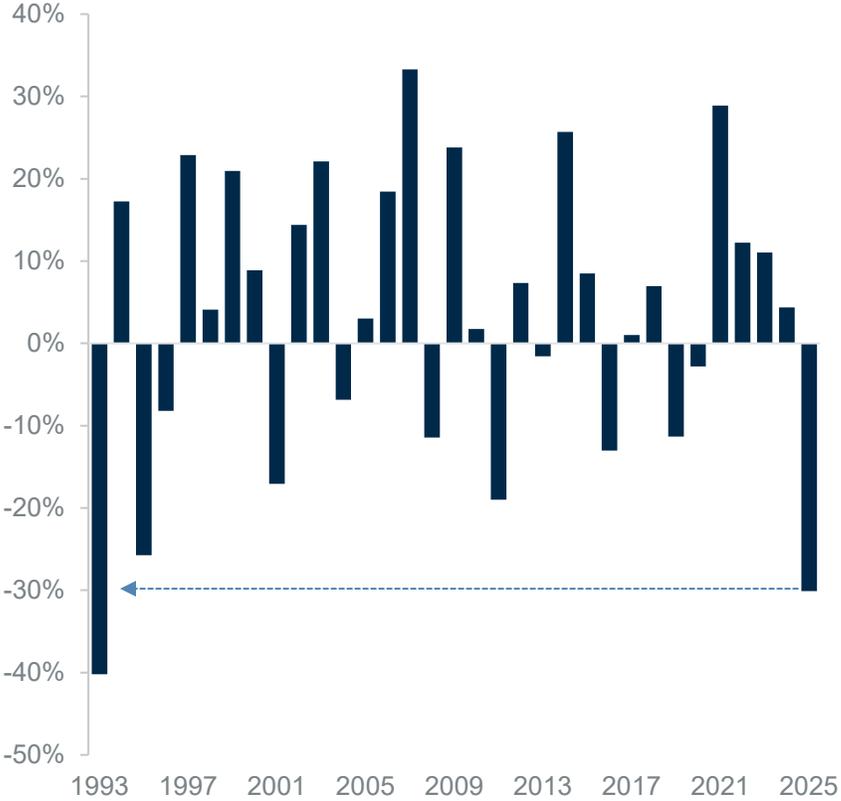
Source: FactSet, Data as of 12/31/2025

This is not a recommendation to purchase or sell the stocks of the companies pictures/mentioned.

INDIA REMAINS A LONG-TERM FAVORITE

INDIA POISED TO BE A BRIGHT SPOT IN 2026 AFTER LAGGING IN 2025

Worst Performance In Over Three Decades



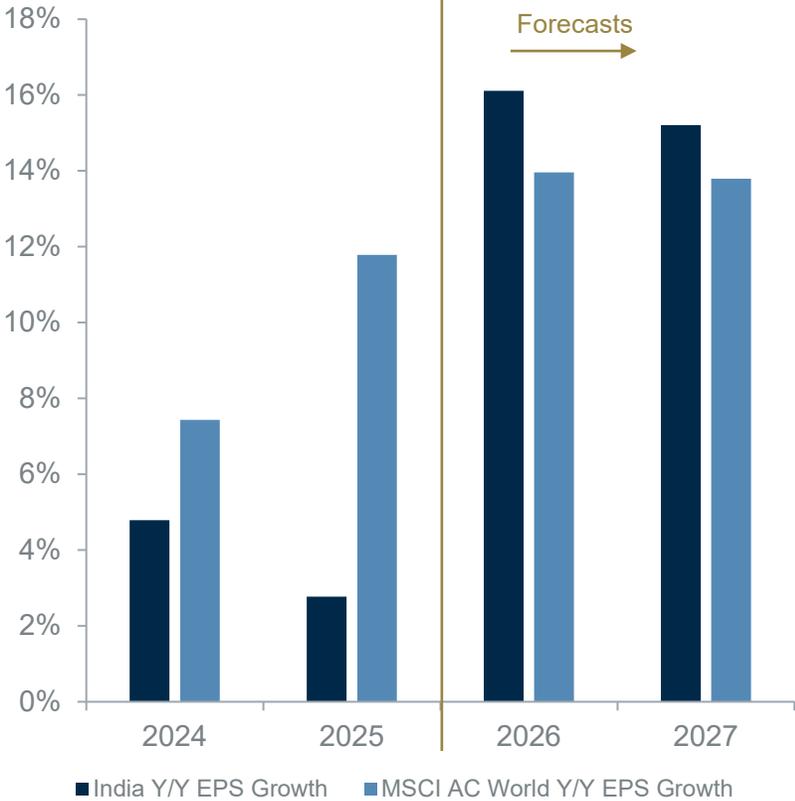
MSCI India Performance Relative to MSCI Emerging Markets

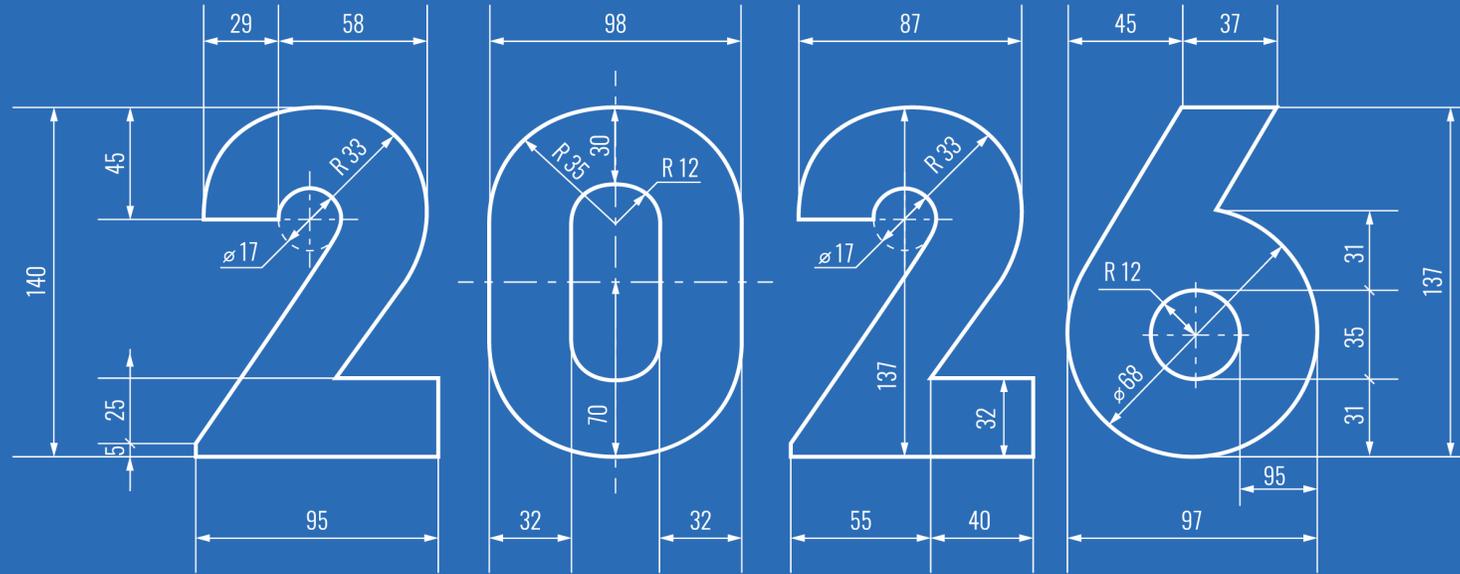
Source: FactSet Data as of 12/31/2025

Reasons To Favor India

- 1 **Fastest GDP Growth Among G20**
India's robust growth (6%+) has consistently outperformed other emerging markets.
- 2 **Favorable Demographics**
As the most populous nation in the world, India is set to become a consumer powerhouse.
- 3 **Benefits of Diversification**
India's stock market has a lower correlation to the S&P 500 and other foreign markets.
- 4 **Rising Foreign Investments**
India continues to be a magnet for foreign direct investments.

Projected EPS Growth Moving Forward





10

Asset Allocation

Your Blueprint for Success

INSIGHT:

Like any Mission: Impossible storyline, the mission is never truly over—there's always another challenge, another risk to manage. Investing works the same way. Alongside your advisor, we help you stay prepared for what's next with a diversified portfolio to meet your objectives.

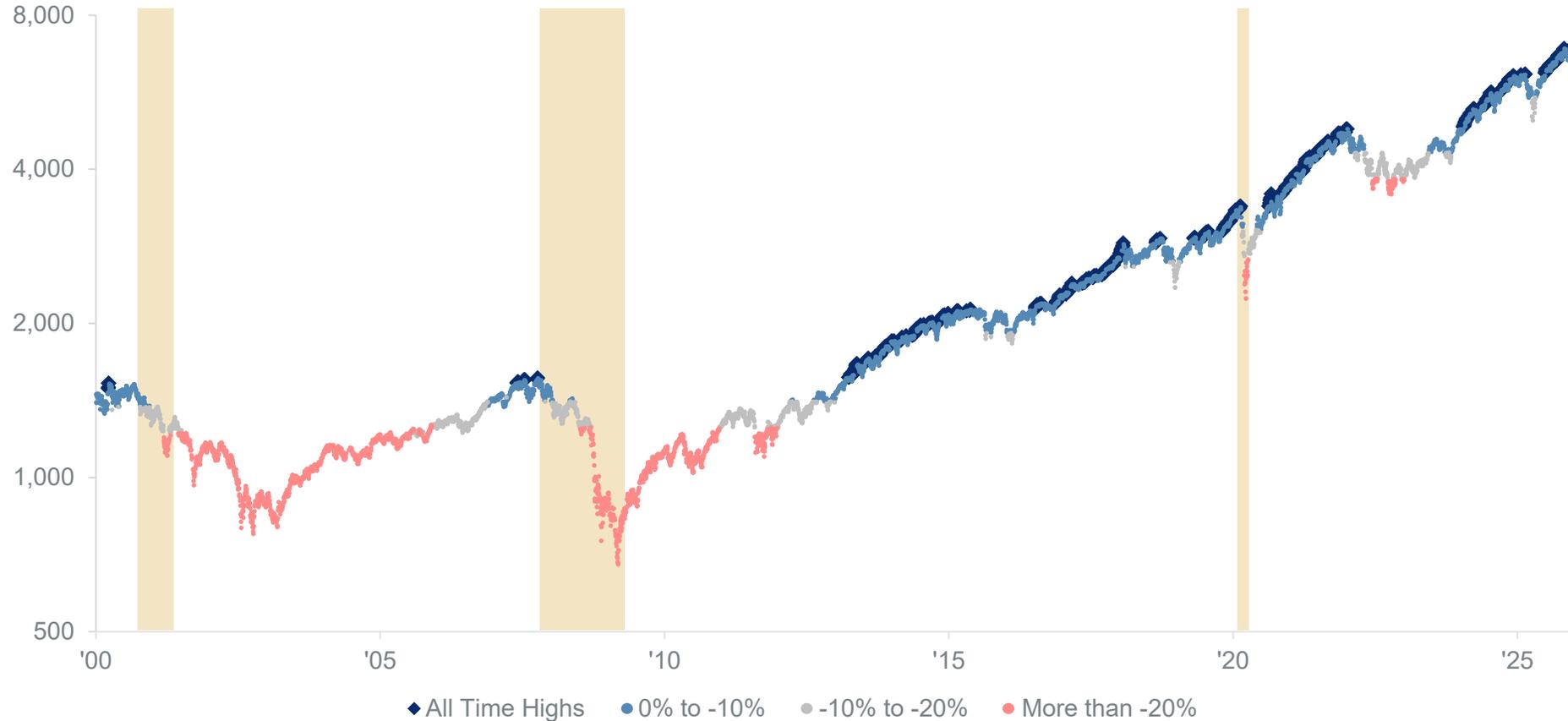
BOTTOM LINE:

Asset allocation is your blueprint for navigating market twists and turns—without dangling from a ceiling.

YOUR MISSION, SHOULD YOU CHOOSE TO ACCEPT IT...

LONG-TERM INVESTING REQUIRES RIDING THE WAVE OF VOLATILITY

S&P 500 Performance Since 2000



23

>10% Corrections

Five

Bear Markets
(>20% Decline)

Three
Recessions

660%

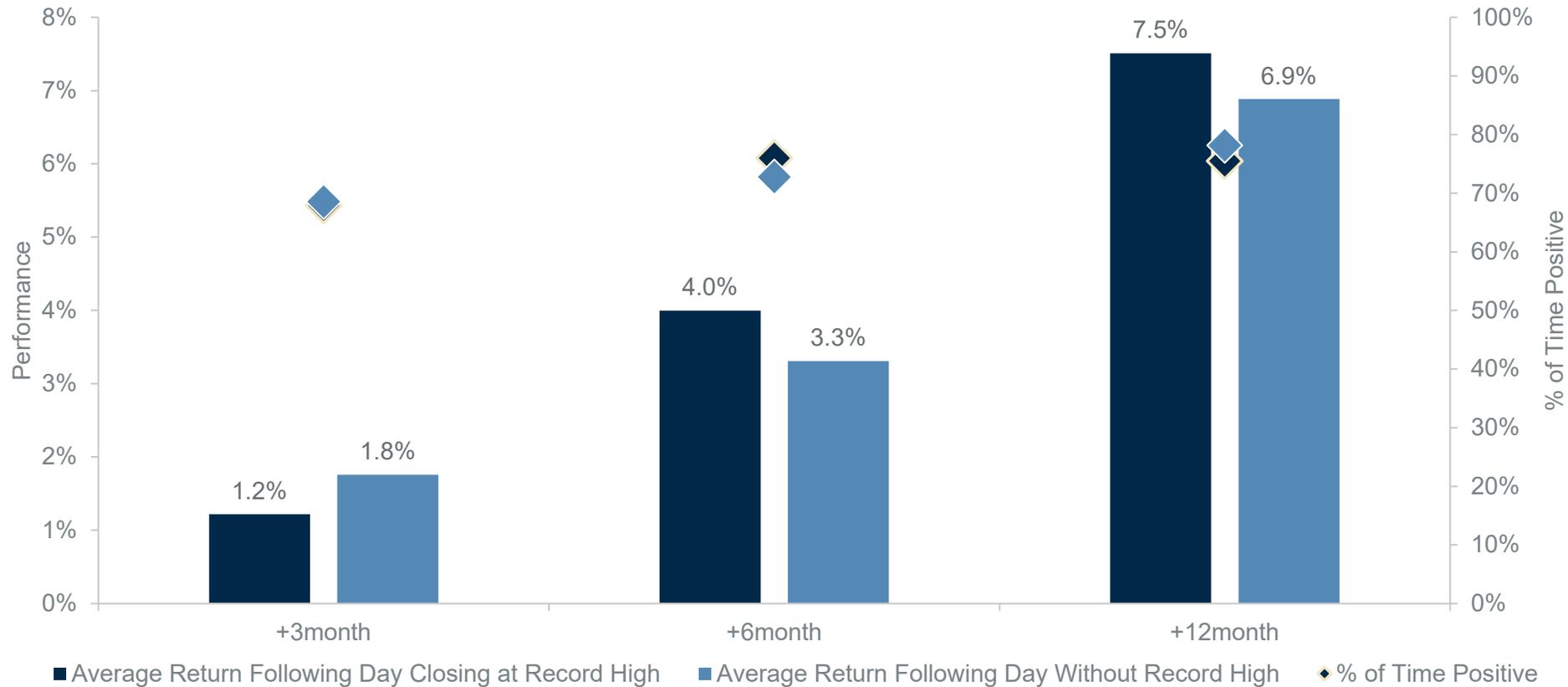
Total Return

Source: FactSet, Data as of 12/31/2025

YOUR MISSION, SHOULD YOU CHOOSE TO ACCEPT IT...

TIME IN THE MARKET IS MORE IMPORTANT THAN TIMING THE MARKET

Investing After Record Highs Vs. Not Record Highs



78%

Of the Time
Performance
is Positive 12
Months Later

Source: FactSet, Data as of 12/31/2025

YOUR MISSION, SHOULD YOU CHOOSE TO ACCEPT IT...

BUILD A PORTFOLIO THAT SURVIVES MARKET VOLATILITY AND ACHIEVES LONG-TERM OBJECTIVES

	Long-Term Horizon	Contributions and Compounding	Diversification Strategy
TOM CRUISE 	<i>After more than 40 years and multiple nominations, Tom Cruise finally received his Oscar in November 2025</i>	<i>The Academy Honors are awarded for a lifetime of exceptional work, not a single performance</i>	<i>Cruise didn't earn the Oscar just as an actor—his entire body of work in stunts, producing, and elevating cinema did</i>
ASSET ALLOCATION 	Long-term investors often wait years or decades to see their investments mature. Consistency and staying the course can lead to breakthrough rewards.	Successful portfolios are built gradually through cumulative gains, professional guidance, reinvested dividends, and strategic compound growth.	Stocks, bonds, cash, and other asset classes play different roles. Success rarely comes from a single standout; instead, it comes from thoughtful strategy.

“Making films is not what I do,” Cruise said. “It’s who I am.”

“Making Investment Strategy is not what I do,” Adam said. “It’s who I am.”

2025 IN REVIEW | GRADING OUR 2025 TEN THEMES

	Themes	Rationale	Grade
1	Volatility: Coming into the year, both investor and business confidence were near recent highs. This backdrop could lead to periods of volatility.	Volatility increased in 2025 due to policy uncertainty, increasing tariffs, geopolitical tensions, sticky inflation, high rates, and shifting investor sentiment.	
2	US Economy: US economic growth will achieve its fifth consecutive year of positive growth, driven by consumer spending and investments in AI.	Both the consumer and AI investments proved to be resilient in 2025, as US economic growth was positive (~2%), but decelerated slightly from the 2.7% pace in 2024.	
3	Monetary Policy: The Fed is likely to ease rates further, as moderating inflation (although still above target) and slowing employment supports cuts.	Despite tariff-related impacts, inflation remained contained on a downward trajectory. With labor conditions also easing, the Fed cut interest rates by ~75bps.	
4	Fixed Income: Yields should stay rangebound while supporting positive fixed income returns. Favor investment-grade in the credit space.	Fixed income assets generated mid single-digit returns in 2025 due to higher carry and price appreciation. Investment grade and municipal bonds were positive.	
5	US Equity Market: Strong fundamentals persist, but high valuations call for a tempered equity outlook. Expect positive, but slower price gains.	Driven by resilient earnings, the S&P 500 rallied >15% for the third consecutive year, albeit at a slower pace than the exceptional 20%+ gains of the previous two years.	
6	Market Capitalization: Favor mid caps over small caps as they benefit from US economic strength, Tech exposure, Fed easing, and less tariff risk.	While large-cap equities remained the standout, mid-cap equities (S&P 400: +7.0%) outperformed small cap (S&P 600: +5.6%) in 2025.	
7	Equity Sectors: Tech will continue to outperform on the back of AI investment. Also favor Industrials (reshoring) and Health Care.	On the back of robust AI investment, Technology (+25%) and Industrials (+20%) were two of the best-performing sectors in 2025. Health Care (+15%) also rallied.*	
8	International Equities: The US will outperform international markets due to superior earnings growth and exposure to our preferred sectors.	International markets outperformed the US during the year, but a softer US dollar significantly amplified returns. On a local basis, returns were more balanced.	
9	Selectivity: We anticipate that increased dispersion across regions, sectors, and industries will highlight the value of active management.	As markets rallied more strongly than most market participants anticipated and sector dispersion was more limited, active money managers lagged in aggregate.	
10	Asset Allocation: Despite elevated confidence following two robust equity years, a well-structured asset allocation approach remains critical.	The 60-40 portfolio was strongly positive in 2025 (+14%) and more muted drawdowns vs. the S&P 500 (20% max drawdown) – providing meaningful risk-adjusted returns.**	
2025 Ten Themes Grade			85%

*The S&P 500 Information Technology comprises those companies included in the S&P 500 that are classified as members of the GICS information technology sector. The S&P 500 Industrials comprises those companies included in the S&P 500 that are classified as members of the GICS Industrials sector. The S&P 500 Health Care comprises those companies that are classified as members of the GICS Health Care sector.

** The 60/40 portfolio consists of 60% S&P 500 Index and 40% Bloomberg Aggregate Bond Index.

UPCOMING WEBINARS

FEBRUARY 9 | 4:00 PM ET

Market Outlook and Timely Investment Topics

This presentation will discuss recent market and economic trends and impacts.

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DISCLOSURES

The views expressed in this commentary are the current opinions of Investment Strategy and Ellen Ehrnrooth, Carter Eades, Brian Vaccaro, and RJ Milligan, but not necessarily those of Raymond James & Associates, and are subject to change. The information contained in this report was received from sources believed to be reliable, but accuracy is not guaranteed. Past performance is not indicative of future results. No investment strategy can guarantee success. There is no assurance that any of the trends mentioned will continue or that any of the forecasts mentioned will occur. Economic and market conditions are subject to change. Investing involves risks, including the possible loss of capital. The material is provided for informational purposes only and does not constitute a recommendation. Asset allocation does not ensure a profit or protect against a loss. Diversification and asset allocation do not ensure a profit or protect against a loss. Dollar-cost averaging cannot guarantee a profit or protect against a loss, and you should consider your financial ability to continue purchases through periods of low price levels.

INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Investing in emerging markets can be riskier than investing in well-established foreign markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors, including the Technology sector, are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

AGGREGATE BOND | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

TREASURY INDEX | **Bloomberg US Treasury Index:** The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

US DOLLAR | The **U.S. Dollar Index** is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

MOVE INDEX | The MOVE Index (Bond Volatility Index) is a yield curve weighted index of the normalised implied volatility on 1-month Treasury options which are weighted on the 2, 5, 10, and 30 year contracts over the next 30 days.

MUNICIPALS | Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Please consult an income tax professional to assess the impact of holding such securities on your tax liability.

US INDEXES AND EQUITY SECTORS DEFINITION

S&P 500 | The **S&P 500 Total Return Index**: The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

S&P MIDCAP 400 | The **S&P Midcap 400 Index** is comprised of 400 companies that broadly represent companies with midrange market capitalization between \$3.6 billion and \$13.1 billion.

S&P SMALLCAP 600 | The **S&P SmallCap 600 Index** is a stock market index established by Standard & Poor's. It covers roughly the small-cap range of American stocks, using a capitalization-weighted index.

RUSSELL 2000 | **Russell 2000 Total Return Index**: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

INTERNATIONAL EQUITY DEFINITION

MSCI EMERGING MARKETS | **MSCI Emerging Markets**: This is a specific equity index designed to capture large and mid-cap companies in countries classified as "emerging markets." It aims to represent approximately 85% of the free float-adjusted market capitalization in each emerging market country included in the index.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

SMALL CAP | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

LARGE-CAP STOCK | also known as big caps are shares that trade for corporations with a market capitalization of \$10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

NASDAQ COMPOSITE INDEX | **The Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange

MSCI AC WORLD EX-US | **The MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

MSCI AC WORLD INDEX | The MSCI ACWI (All Country World Index) is a broad, market-capitalization-weighted index tracking large and mid-cap stocks across both Developed Markets (DM) and Emerging Markets (EM), covering roughly 85%line of the global investable equity market and serving as a key benchmark for global stock performance and portfolio diversification.

LATAM | **MSCI EM Latin America Net Return Index**: The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

ASIA EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index**: The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

INDIA | The MSCI India Index tracks the performance of large and mid-cap Indian equities, covering about 85% of the market, acting as a benchmark for the country's equity market, with key holdings like Reliance Industries, Infosys, and HDFC Bank

JAPAN | **MSCI Japan Net Return Index**: The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

DEFINITIONS

BLS NEW TENANT RENT INDEX | The New Tenant Rent Index (R-CPI-NTR) measures prices renters would face if they changed housing units every period. The rent component of the official CPI measures the change in all rents, including new leases, renewals, and rents in the middle of a lease.

PCE PRICE INDEX | The Personal Consumption Expenditures Price Index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services.

NFIB SMALL BUSINESS INDEX | The National Federation of Independent Business (NFIB) Small Business Optimism Index is a composite of ten seasonally adjusted components. It provides a indication of the health of small businesses in the U.S., which account of roughly 50% of the nation's private workforce.

DEFINITIONS

ISM SERVICES PMI INDEX: The Institute of Supply Management (ISM) Non-Manufacturing Purchasing Managers' Index (PMI) (also known as the ISM Services PMI) report on Business, a composite index is calculated as an indicator of the overall economic condition for the non-manufacturing sector.

UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT SURVEY: A consumer confidence index published monthly by the University of Michigan. The index is normalized to have a value of 100 in the first quarter of 1966. Each month at least 500 telephone interviews are conducted of a contiguous United States sample.

EMPIRE STATE MANUFACTURING INDEX: The Empire State Manufacturing Index (ESMI) is a monthly survey conducted by the Federal Reserve Bank of New York to gauge the health of the manufacturing sector in New York State. It measures the relative level of general business conditions in the state, with a reading above 0 indicating improving conditions and below 0 indicating worsening conditions.

NAHB INDEX: The NAHB Housing Market Index is a monthly survey conducted by the National Association of Home Builders (NAHB) that measures homebuilder sentiment regarding current and future single-family home sales and traffic. The HMI is designed to range from 0 to 100, where a reading above 50 suggests a generally positive outlook for the housing market.

S&P/CASE-SHILLER HOME PRICES INDEX: The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index is a monthly index that measures changes in the sale prices of single-family homes across the United States. It tracks the purchase and resale prices of homes that have undergone at least two arm's-length transactions, meaning transactions between unrelated parties at market value.

RICHMOND FED MANUFACTURING INDEX: The Richmond Manufacturing Index is a monthly survey conducted by the Federal Reserve Bank of Richmond that measures manufacturing activity in the Fifth Federal Reserve District. It's a gauge of the relative level of business conditions in the region. The index is a composite of three key components: shipments, new orders, and employment.

THE CONSUMER CONFIDENCE INDEX (CCI) is a survey, administered by The Conference Board, that measures how optimistic or pessimistic consumers are regarding their expected financial situation. A value above 100 signals a boost in the consumers' confidence towards the future economic situation, as a consequence of which they are less prone to save, and more inclined to consume. The opposite applies to values under 100.

KANSAS CITY FED MANUFACTURING INDEX: The Kansas City Fed index offers a monthly assessment of change in the region's manufacturing sector. Positive readings indicate monthly growth and negative readings monthly contraction. Readings at zero indicate no change.

CONSUMER PRICE INDEX is a measure of inflation compiled by the US Bureau of Labor Statistics. Currencies investing is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

THE ISM MANUFACTURING INDEX: The GDP Now Institute of Supply Management (ISM) Manufacturing Measures the health of the manufacturing sector by surveying purchasing managers at manufacturing firms. The survey asks about current business conditions and expectations for the future, including new orders, inventories, employment, and deliveries.

CONSUMER PRICE INDEX (CPI) A consumer price index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

PRODUCER PRICE INDEX: A producer price index (PPI) is a price index that measures the average changes in prices received by domestic producers for their output.

IMPORT PRICE INDEX: The import price index measure price changes in goods or services purchased from abroad by US residents (imports) and sold to foreign buyers (exports). The indexes are updated once a month by the Bureau of Labor Statistics (BLS) International Price Program (IPP).

CBOE Volatility Index®: The CBOE Volatility Index® (VIX® Index) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

[LOGISTICS MANAGERS INDEX](#) | The Logistics Managers Index (LMI) is a tracking metric of logistics activity in the United States.

[GLOBAL SUPPLY CHAIN PRESSURE INDEX](#) | Global Supply Chain Pressure Index | a barometer developed by the New York Federal Reserve, to attempt to integrate commonly used metrics to provide a comprehensive summary of potential disruptions affecting global supply chains.

[EIA](#) | The U.S. Energy Information Administration (EIA) is a principal agency of the U.S. Federal Statistical System responsible for collecting, analyzing, and disseminating [energy](#) information to promote sound policymaking, efficient markets, and public understanding of energy and its interaction with the economy and the environment.

[CITI ECONOMIC SURPRISE INDEX](#) | The **Citigroup Economic Surprise Index** represents the sum of the difference between official economic results and forecasts. With a sum over 0, its economic performance generally beats market expectations. With a sum below 0, its economic conditions are generally worse than expected.

[GOLDMAN SACHS FINANCIAL CONDITIONS INDEX](#) | A weighted average of riskless interest rates, the exchange rate, equity valuations, and credit spreads, with weights that correspond to the direct impact of each variable on GDP

[VISA SPENDING MOMENTUM INDEX](#) | Visa's Spending Momentum Index is a new way to gauge the health of consumer spending—and overall participation by consumers in driving economic trends.

[MAGMAN](#) | MAGMAN stocks is a term used to describe six of the current largest and least volatile technology companies listed on the NASDAQ – Microsoft, Apple, Google, Meta, Amazon, and NVIDIA.

[TRADE POLICY UNCERTAINTY INDEX](#) | The Trade Policy Uncertainty (TPU) Index measures how often newspapers discuss trade policy and uncertainty. It's a monthly index that's based on automated searches of major newspapers.

[GLOBAL ECONOMIC POLICY UNCERTAINTY INDEX](#) | The Global Economic Policy Uncertainty (GEPU) index measures how often newspapers mention economic policy uncertainty. It's a GDP-weighted average of national economic policy uncertainty (EPU) indices.

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