# Mission Wealth

## MARKET PERSPECTIVES

Q1 2026

# Presented By

## Kieran Osborne, MBus, CFA

PARTNER & CHIEF INVESTMENT OFFICER

Kieran Osborne is responsible for portfolio management, trading, analysis, investment, and economic research functions and leads the firm's Investment Committee.

Mr. Osborne oversees portfolio construction and implementation, conducts in-depth manager research and due diligence, and monitors fund performance on an ongoing basis.

# Key Themes

| KEY THEMES | COMMENTARY |
| --- | --- |
| **Market Update** | Despite some recent volatility, stocks have rebounded from April 2025 lows as the economy has done better than anticipated, the Fed cut interest rates, and positive company earnings helped underpin investor sentiment. On the other hand, more recent volatility and divergence in returns has been associated with AI disruption concerns, stock market concentration, and stretched valuations. Recent divergence in performance across asset classes underscores the importance of diversification over concentration and a disciplined approach to rebalancing. Bond yields trended lower as the Fed cut rates, but have more recently traded range-bound as the Fed is again on pause. |
| **The Economy** | Underlying economic growth has been more robust than anticipated and GDP growth estimates have been revised higher, with the economy currently expected to grow 2.1% in 2026. Macro data remains supportive for growth and the probability of a near-term recession has reduced. Despite some recent concerns surrounding AI, we believe increased AI adoption is likely to drive enhanced productivity and will be key in extending the current economic expansion. We are watching the labor market, cost of tariffs, and inflation closely. Recent Fed commentary indicates favorable growth and improving inflation. Given the economic backdrop, we believe the Fed is in "wait-and-see" mode, with a bias towards lower interest rates. |
| **Asset Class Outlook** | The current economic backdrop may be positive for stocks and bonds. However, we are cautious about stock market valuations and concentration. International stocks still trade at a discount to the U.S. market and may continue to be supported by fiscal and monetary policies and intra-region trade dynamics. Current bond yields remain relatively attractive, with many of our preferred bond funds yielding mid- to high-single digits. Moving forward, we believe alternative strategies may offer attractive risk-adjusted return potential. |

# Mission Wealth Actions

- The ongoing divergence in performance across asset classes continues to provide us with **enhanced rebalancing opportunities.**
    - Ahead of 2025, we were trimming Growth stocks and adding to Value, international, and emerging markets.
- We believe **broad diversification, disciplined investment decision-making, and a focus on the long term** are critical to portfolio performance.
- Where appropriate, we have taken the opportunity to **tax-loss harvest** select positions to **enhance our clients' after-tax returns**.
- We are **constructive on bonds.** Many of our preferred bond funds yield **mid- to high-single digits**, and the **current yield is the strongest determining factor** for forward-looking bond total returns.
- We continue to **favor alternative investment strategies**, which we believe offer **attractive risk-adjusted returns and limited correlation** to public markets.

# Part 1:

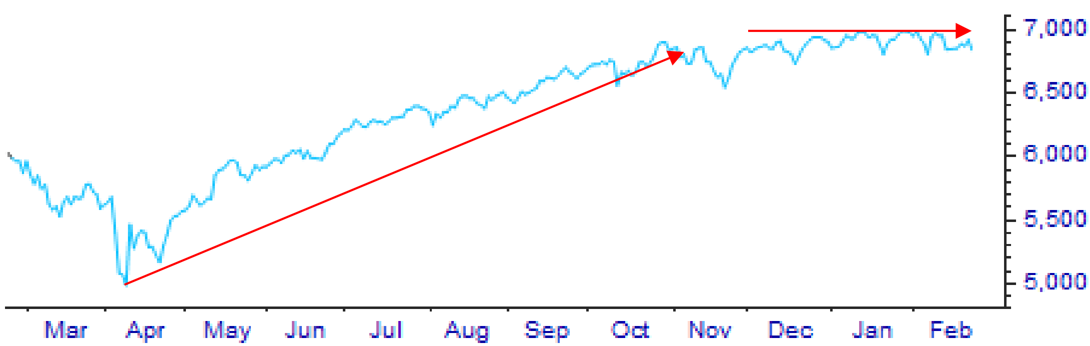
# MARKET UPDATE

# Market Update

## Stocks Positive but Moderating

- Despite some recent volatility, stocks have rebounded from April 2025 lows and followed historic precedent for a **Fed rate cutting cycle without a recession**.
- The economy has done **better than anticipated**, the **Fed cut interest rates**, and **positive company earnings** all helped underpin investor sentiment.
- On the other hand, more recent volatility and divergence in returns has been associated with **AI disruption concerns, market concentration,** and **stretched valuations**.

S&P 500 (SP50-USA)

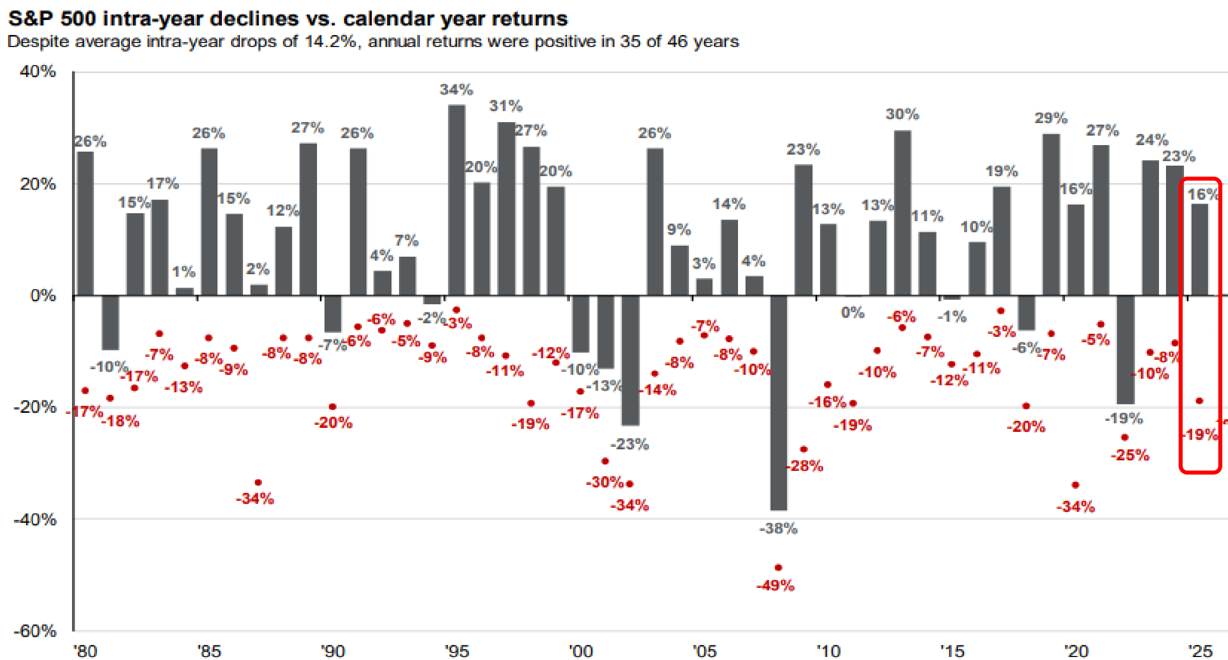



Source: FactSet

# Market Update

## Stock Performance in Perspective

- Stock market volatility should be expected: 2025 is a prime example. Despite **average intra-year declines of -14.1%,** annual returns have historically been positive more than 75% of the time. **Staying fully invested and focused on the long haul is critical to investment success.**

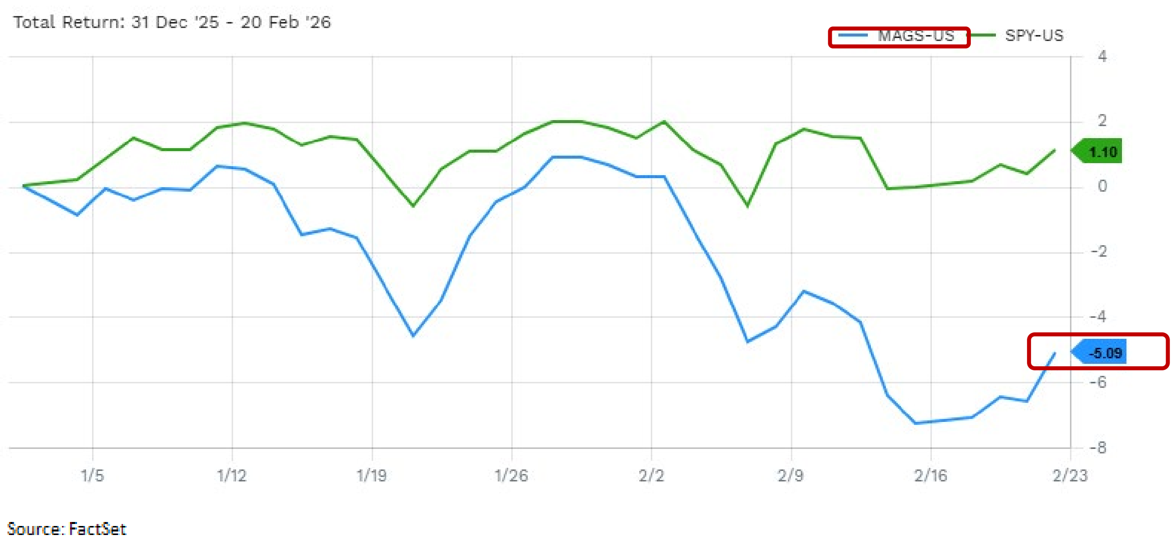



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

# Market Update

## Divergence in Returns

- Mag 7 stocks have underperformed the broad S&P 500 year-to-date and over recent months, leading to an increase in stock market volatility.
- Concerns surrounding outsized artificial intelligence (AI) investment, stretched valuations, and slowing earnings growth have particularly weighed on these stocks.
- Underscores the **importance of diversification over concentration**.




Mag 7 stocks = Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla

# Market Update

## Divergence in Returns

- U.S. Growth stocks have underperformed U.S. Value stocks year-to-date and over the past 12-months.
- U.S. Small Cap has outperformed U.S. Large Cap year-to-date and marginally over the last 12-months.
- International and Emerging Market stocks have both significantly outperformed U.S. stocks on a year-to-date and one-year basis.

➢ The divergence in performance across asset classes underscores the **importance of well-constructed, broad-based portfolio diversification and a disciplined approach to rebalancing.**

**Stock Performance**

| | **Year-to-date** | **1-Year** |
|---|---|---|
| S&P 500 | 1.10% | 14.27% |
| U.S. Growth | -4.68% | 9.81% |
| U.S. Value | 8.32% | 18.48% |
| *Growth vs. Value* | *-13.00%* | *-8.67%* |
| U.S. Small cap | 8.21% | 15.04% |
| *Small vs. Large* | *7.11%* | *0.77%* |
| International Stocks | 9.47% | 33.53% |
| *Int'nl vs. U.S. stocks* | *8.37%* | *19.26%* |
| Emerging Markets | 13.72% | 41.27% |
| *EM vs. U.S. stocks* | *12.62%* | *27.00%* |

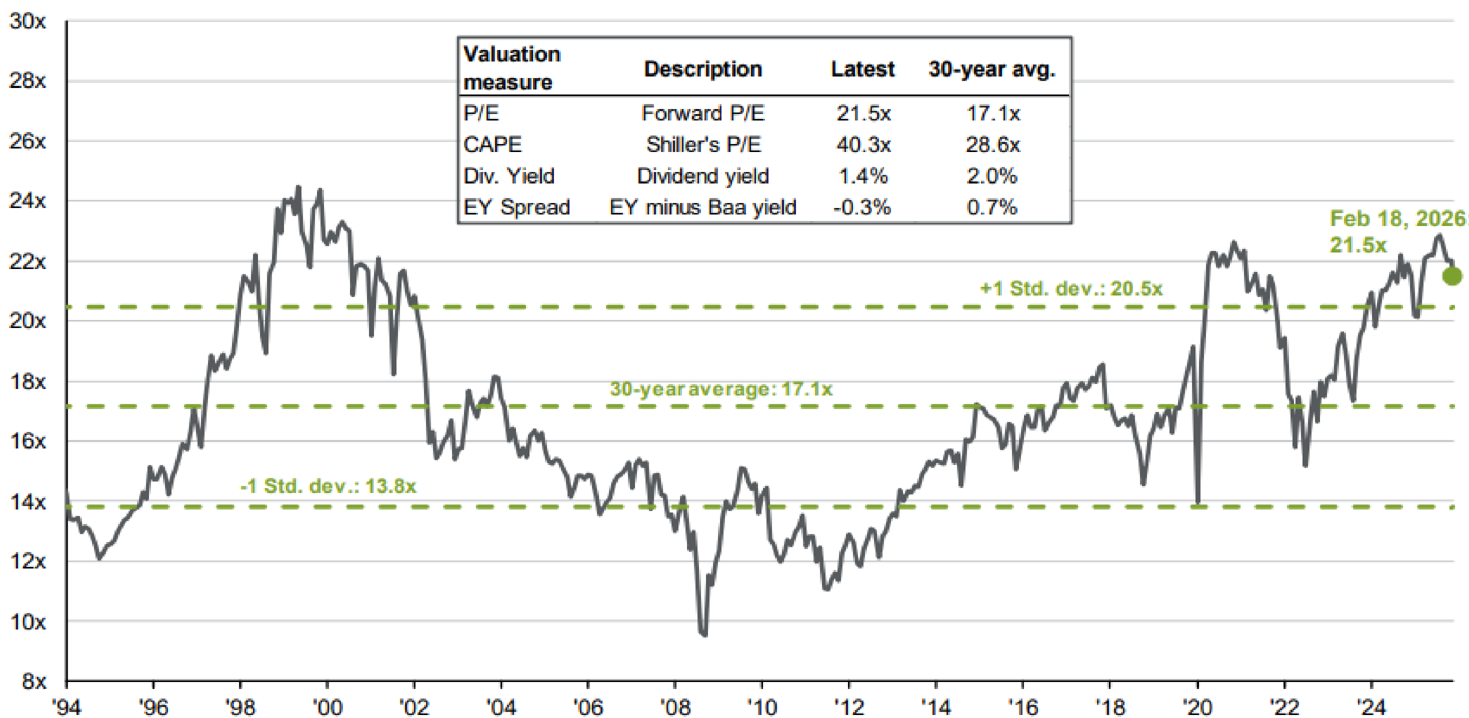
Source: FactSet. All data as of 2/20/2026

# Market Update

## Stretched Valuations

- Despite some recent volatility, U.S. stock valuation measures remain high by historic standards, which may lead to future moderation in returns.

**S&P 500 index: Forward P/E ratio**




| Valuation measure | Description | Latest | 30-year avg. |
|---|---|---|---|
| P/E | Forward P/E | 21.5x | 17.1x |
| CAPE | Shiller's P/E | 40.3x | 28.6x |
| Div. Yield | Dividend yield | 1.4% | 2.0% |
| EY Spread | EY minus Baa yield | -0.3% | 0.7% |

Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.

# Market Update

## U.S. Valuations Still Higher Than International

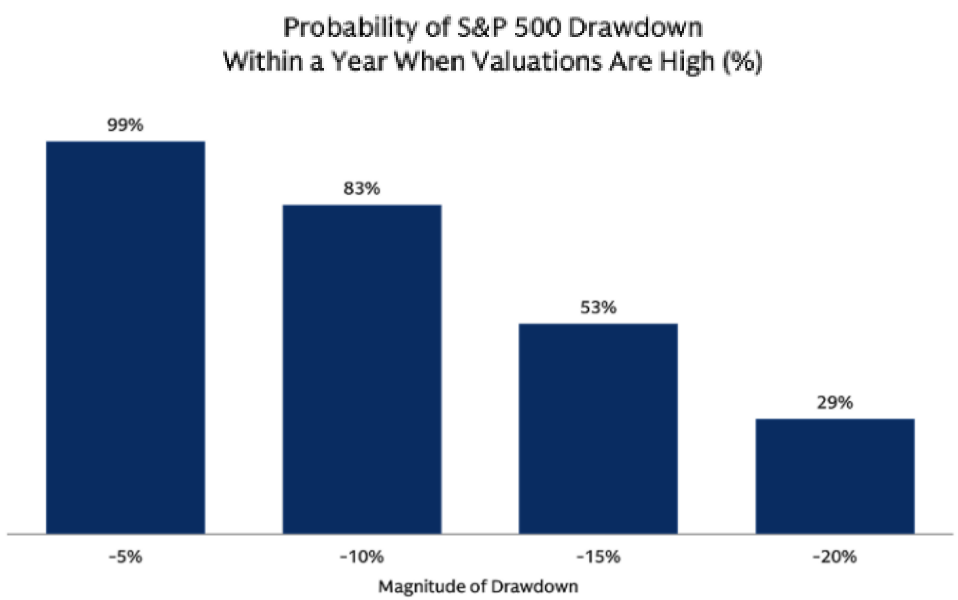
- Post-GFC, the P/E ratio for U.S. and International stocks was approx. the same.
- Today, the U.S. P/E ratio is around 40% higher than the P/E ratio for the rest of the world.


Note: US=SPX Index, World ex-US=MSCI World ex-USA Index. Sources: Bloomberg, Macrobond, Apollo Chief Economist

# Market Update

## Stock Performance in Perspective

- Elevated stock market valuations can increase the likelihood of corrections.
- When stock valuations are stretched, historically there is a **99% probability of at least a -5% drawdown within a year**.
- These moves are normal but underscore the **importance of portfolio diversification**.

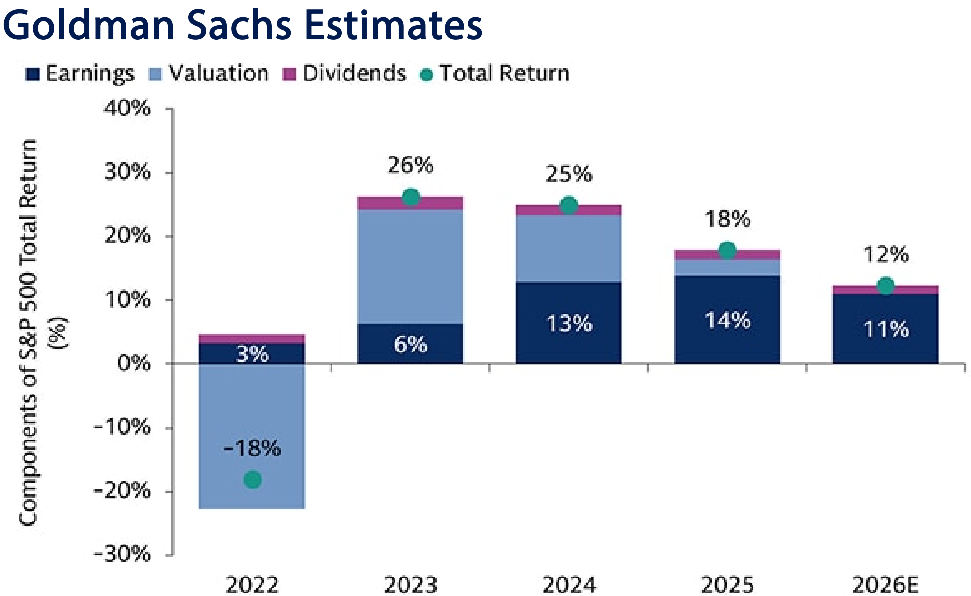



Source: Bloomberg and Goldman Sachs Investment Strategy Group. As of December 31, 2025.

# Market Update

## Moderation in Returns

- After three consecutive years of strong US equity returns driven by valuation multiple expansion, expect some moderation in returns.
- Further **valuation multiple expansion is unlikely**. Analysts predict earnings to be the primary driver of performance in 2026, contributing 11% to total return for the S&P 500.

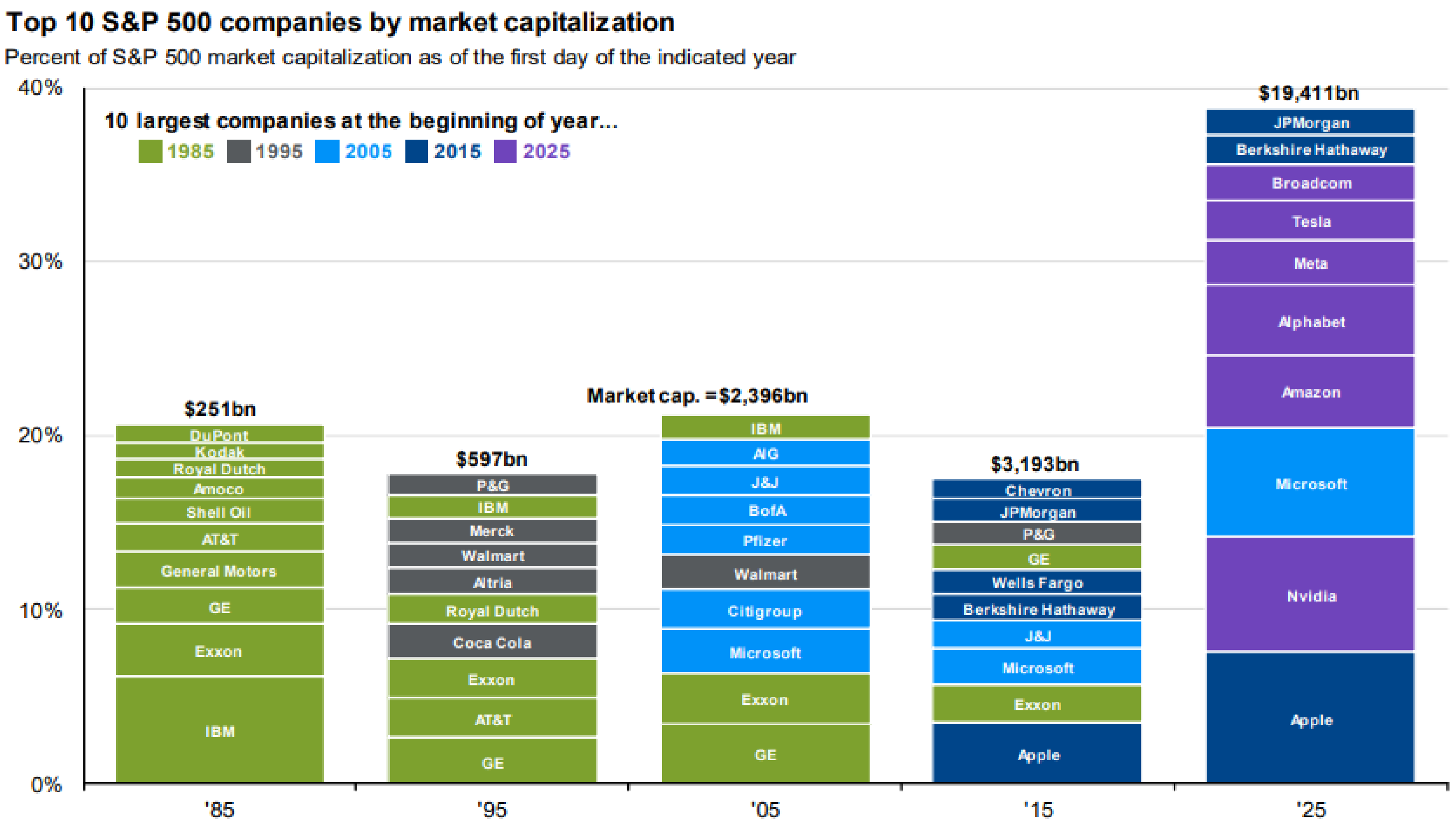



Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of January 6, 2026.

# Market Update

## Largest Companies Don't Stay Largest Forever

- Only one of the largest companies from 2005 remained in the top 10 in 2025; three of the top 10 companies in 2015 remained in the top 10 in 2025.




Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management.

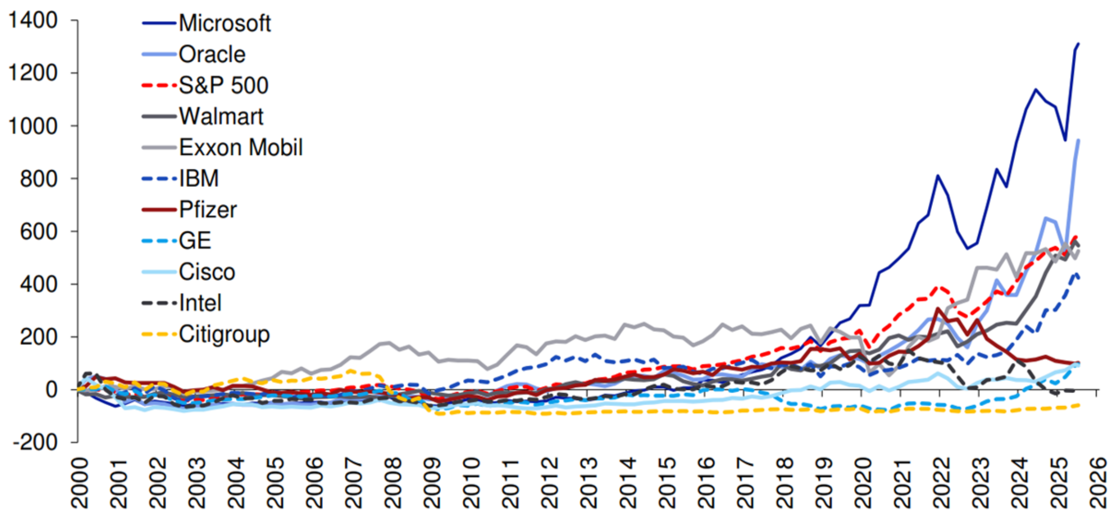
# Market Update

## Largest Companies Don’t Stay Largest Forever

- **Only two of the top 10 companies at the beginning of 2000 have since outperformed the S&P 500**.
- ***Four of the top 10 posted lower earnings*** *in 2024 vs. 2000.*

➢ Underscores the **importance of diversification within investment portfolios**.

Cumulative total % return of the Top 10 US companies at the end of 1999 to current day. Legend in order of performance. Only two have outperformed the S&P 500.




*Source : Bloomberg Finance LP, Deutsche Bank*

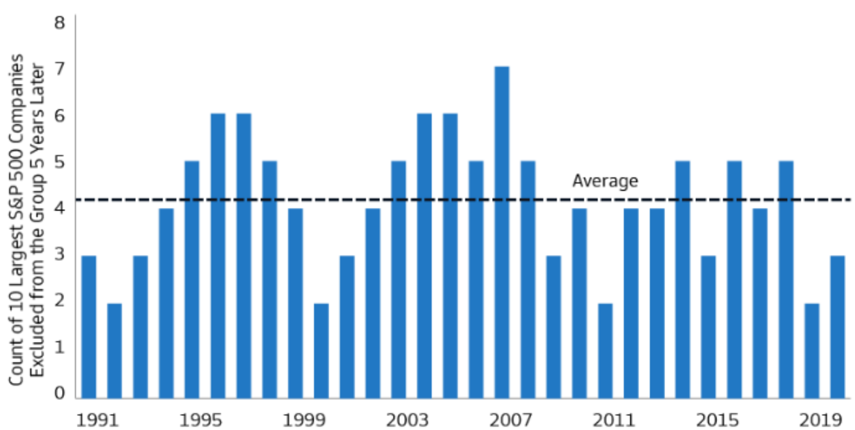
# Market Update

## Largest Companies Don't Stay Largest Forever

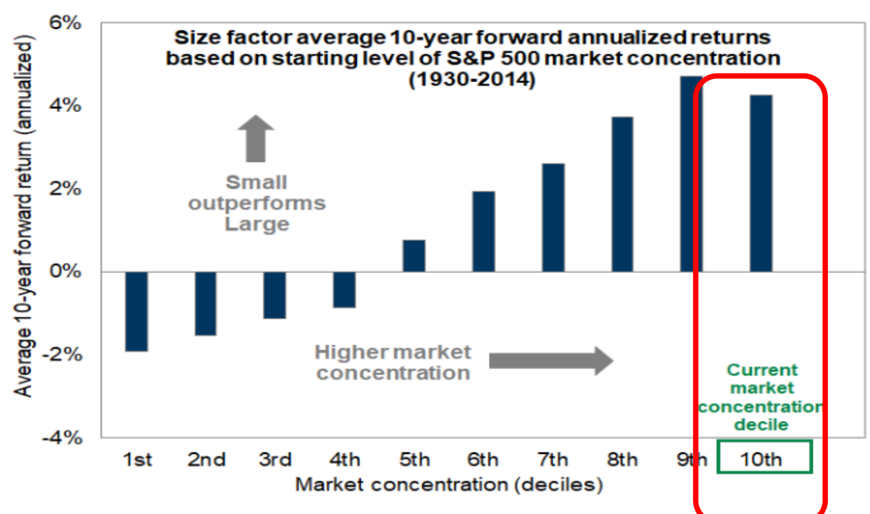
- It is **very difficult for market leaders to maintain their dominance** indefinitely.
- Historically, **four of the largest ten S&P 500 companies fell out** of the top ten in the following five years.
- Higher levels of stock concentration historically have led to **larger-cap stocks underperforming smaller-cap stocks.**

➢ ***Consider diversifying large, concentrated stock exposures.***

**Number of 10 Largest S&P 500 Companies No Longer in Top 10 5 Years Later**




Source: Bloomberg and Goldman Sachs Asset Management. As of March 31, 2024.

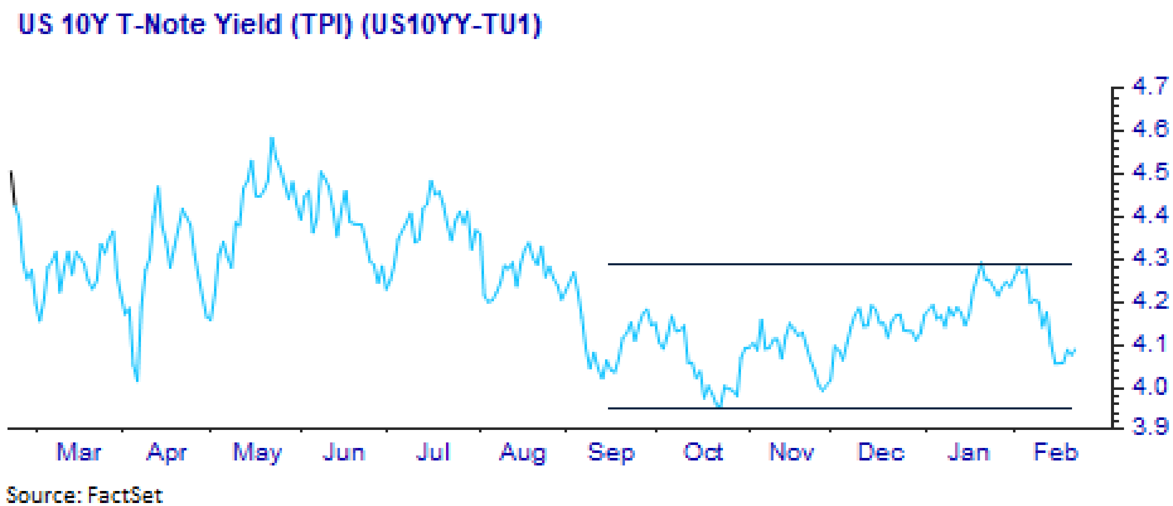



Source: Kenneth R. French, Goldman Sachs Global Investment Research

# Market Update

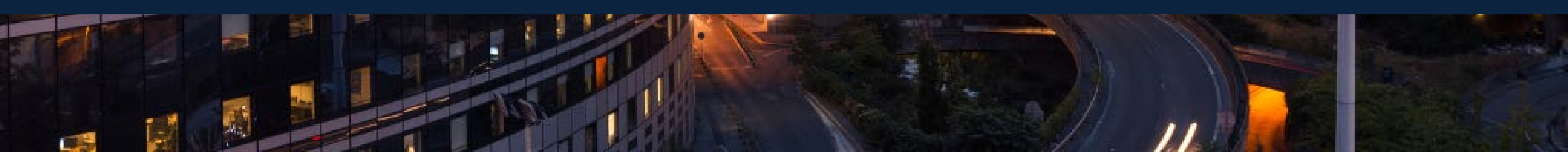
## Bond Yields Range Bound

- Bond yields trended lower as the Fed restarted its rate cutting cycle but have more recently **traded range-bound** as the Fed is again on pause.
- **Yields remain relatively attractive**, and a Fed on pause with a downward bias may help to continue to **support bond prices**.



# Part 2:

# THE ECONOMY



# The Economy

## Economic Outlook

- Underlying **economic growth has been more robust** than anticipated.
- **2026 GDP growth estimates have been revised higher, and the economy is currently expected to grow 2.1%**, improved from recent expectations as economic data has come in ahead of expectations.
- Measures of inflation are anticipated to **remain above the Fed's long-term target of 2% through at least 2028.**

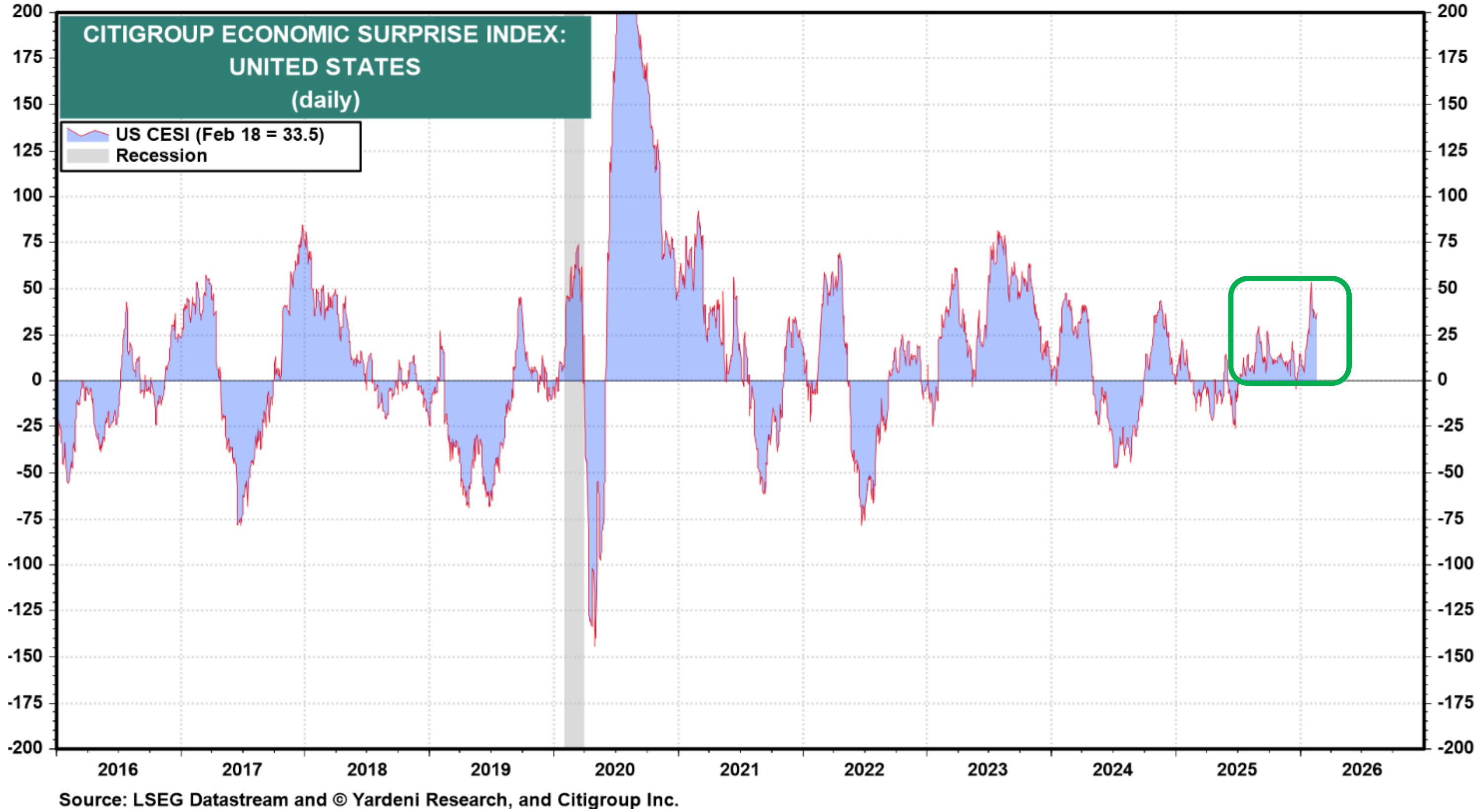
| United States Economy | 2023 | 2024 | 2025 | *2026 Est.* | *2027 Est.* | *2028 Est.* |
|---|---|---|---|---|---|---|
| Real GDP (%y/y) | 2.9 | 2.8 | 2.2 | *2.1* | *2.0* | *1.8* |
| Household Consumption (Real, %y/y) | 2.6 | 2.9 | 2.7 | *2.0* | *1.8* | *2.0* |
| Government Consumption (Real, %y/y) | 3.5 | 3.8 | 1.2 | *1.0* | *1.2* | *1.2* |
| Gross Private Domestic Investment, Residential (Real, %y/y) | -7.8 | 3.2 | -2.2 | *-0.3* | *2.0* | *1.8* |
| Gross Private Domestic Investment, Non-Residential (Real, %y/y) | 7.3 | 2.9 | 4.2 | *3.2* | *3.0* | *2.4* |
| **Inflation** | | | | | | |
| CPI (%q/q, SAAR) | 4.1 | 3.0 | 2.6 | *2.8* | *2.4* | *2.5* |
| Core CPI (%q/q, SAAR) | 4.8 | 3.4 | 2.8 | *2.8* | *2.4* | *2.3* |
| PPI (%y/y) | 2.0 | 2.4 | 3.0 | *2.1* | *1.8* | *1.7* |

Source: FactSet

# The Economy

## Economic Data Better Than Expected

- **Economic data surprises** – in aggregate – have **trended positively** through the back half of 2025 and into 2026.

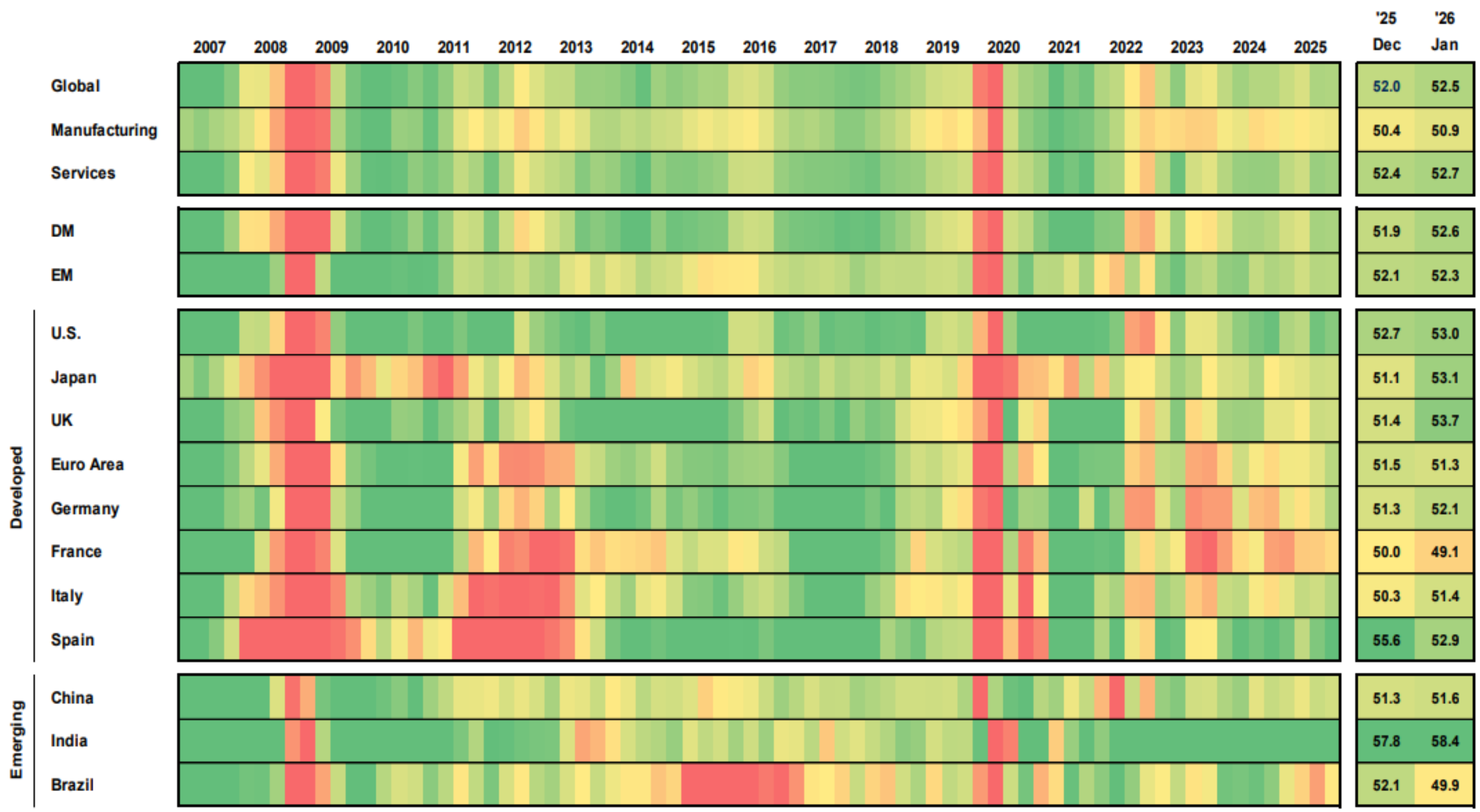


# The Economy

## Global Economy in Good Shape

- Global economic data is positive and points to **global economic expansion**.

**Global Composite (manufacturing & services combined) Purchasing Managers' Index, quarterly**

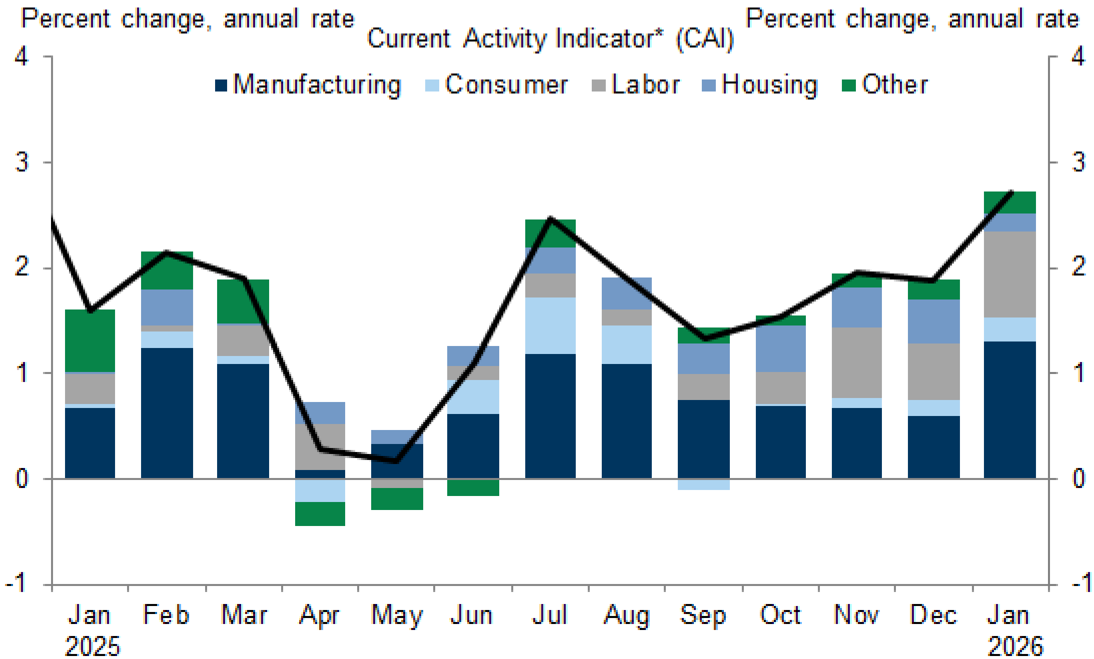



Source: J.P. Morgan Economic Research, Standard & Poor's, J.P. Morgan Asset Management.

# The Economy

## Positive Economic Data

- Measures of current economic activity are showing broad improvement.



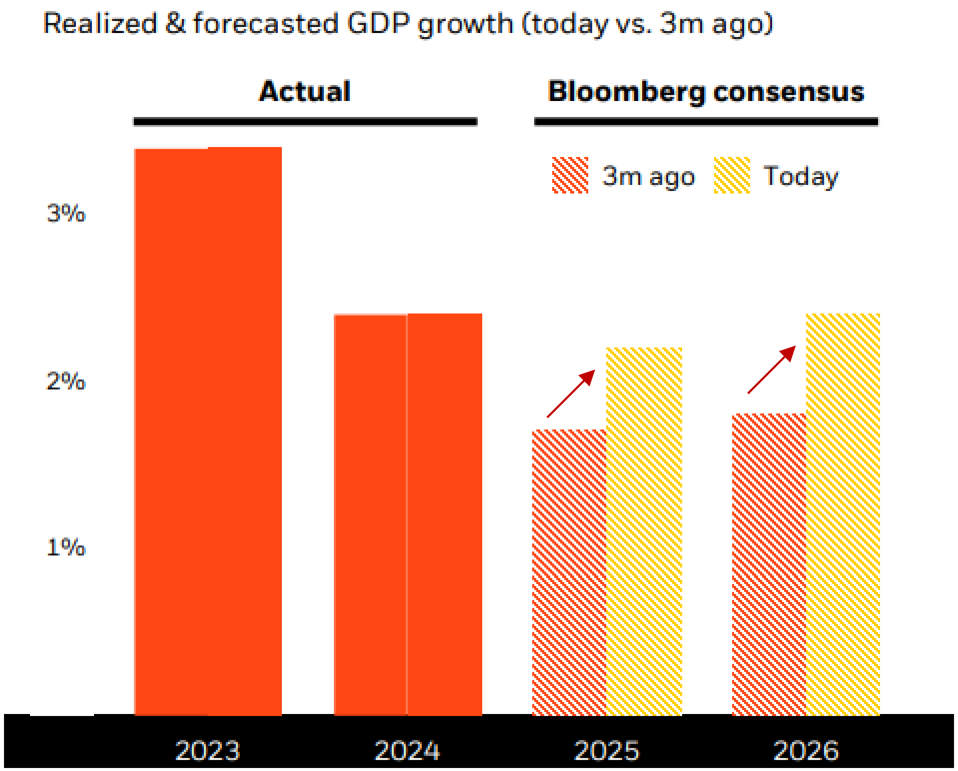

*First principal component of 37 key weekly and monthly US economic indicators.

Source: Goldman Sachs Global Investment Research

# The Economy

## Economic Growth Expectations Revised Higher

- Macro data continues to **remain supportive**.
- **Economic growth has surprised to the upside**, with momentum likely to continue in 2026.

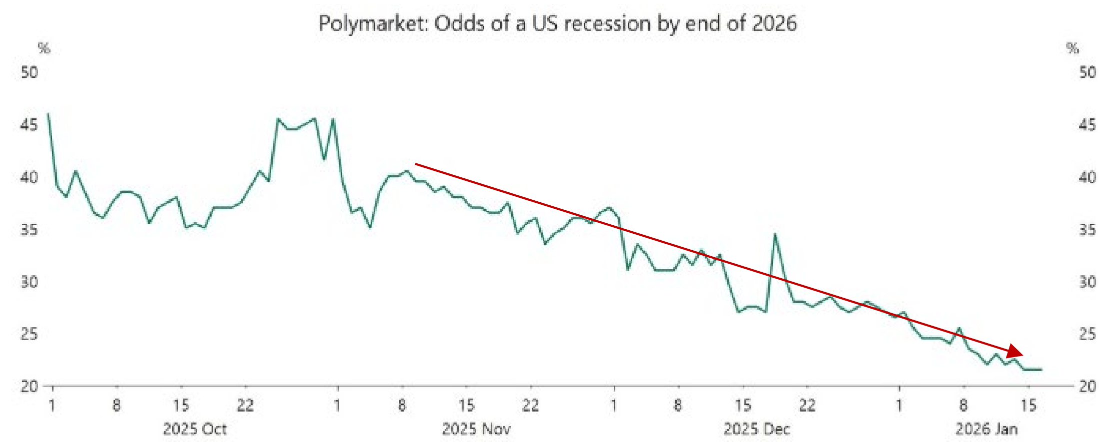


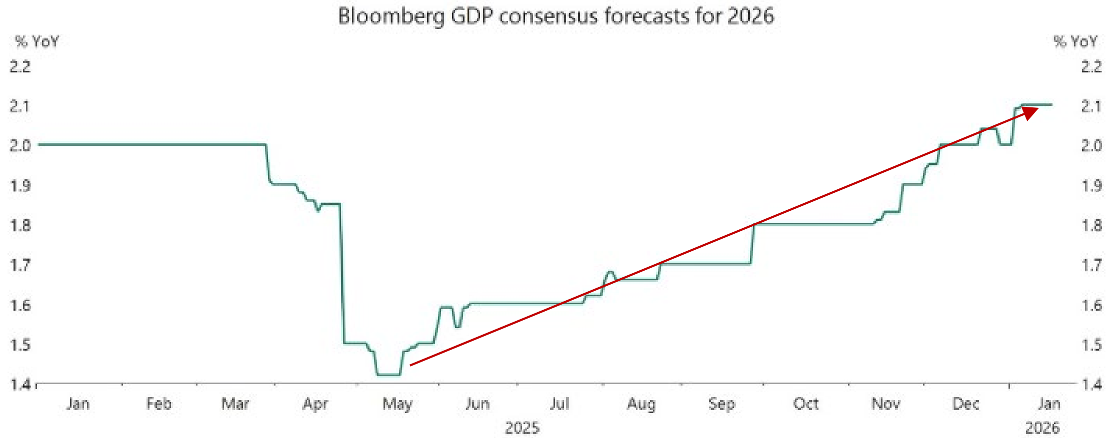

Source: Bloomberg, Blackrock. Bloomberg consensus reflects 1/21/2026.
Bloomberg consensus 3m ago reflects 10/1/2025.

# The Economy

## Reduced Recession Risks

- Given the relatively robust economic backdrop, the **probability for a near-term recession has been reduced.**
- Better than expected economic data has led to **revisions higher in economic growth.**



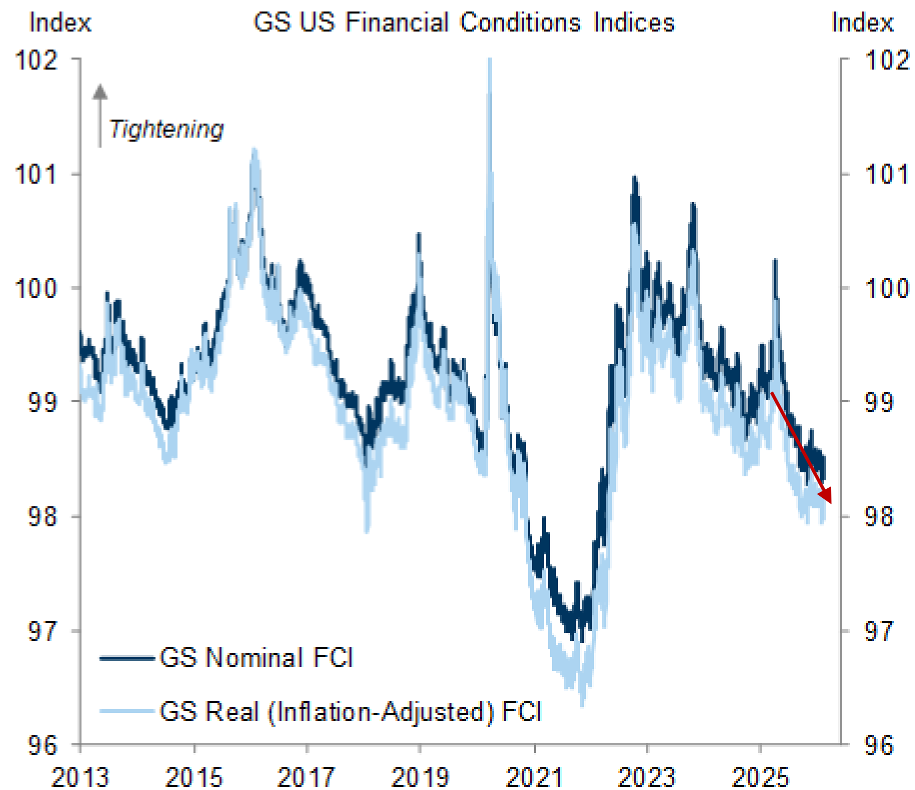




Sources: Polymarket, Macrobond, Apollo Chief Economist

# The Economy

## Easier Financial Conditions

- Measures of **financial conditions have eased** over recent months, indicating a more **supportive environment for business investment,** which may bode well for future economic growth.
- A lower interest rate environment is likely to support **improved capital market activity and investment.**



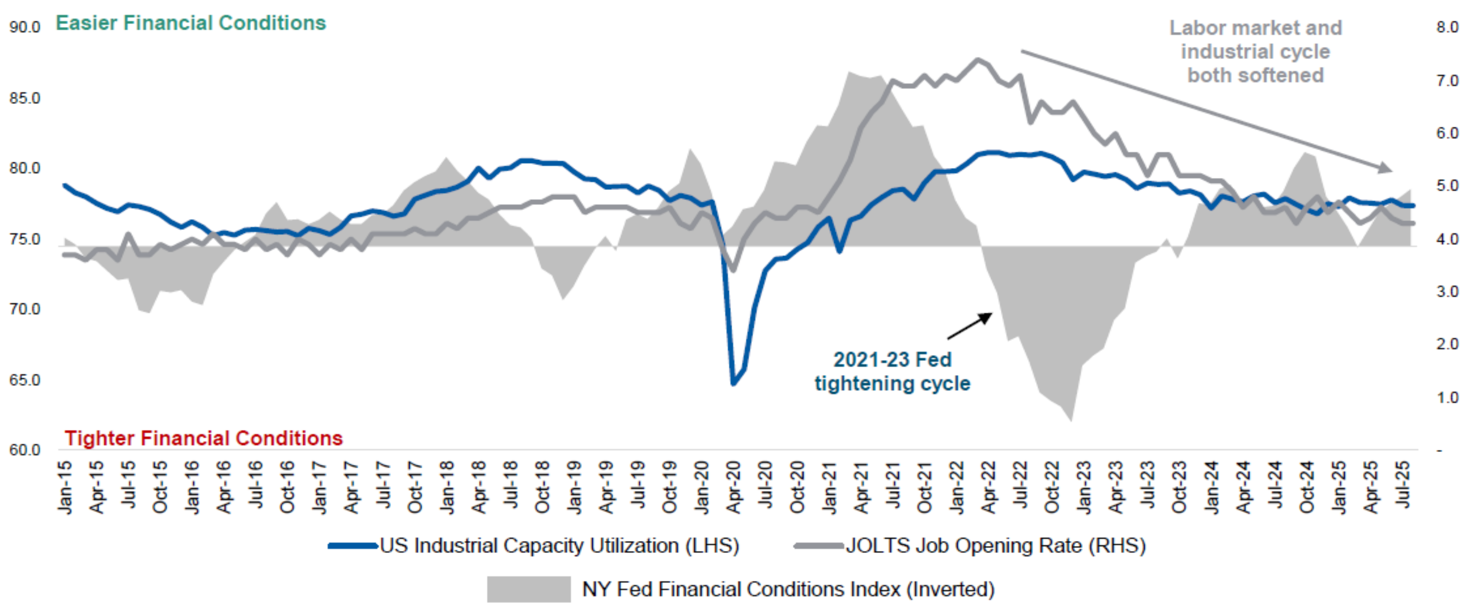

Source: Goldman Sachs Global Investment Research

# The Economy

## Easier Financial Conditions

- The 2021-23 Fed hiking cycle led to tighter financial conditions and a softening in industrial production and the labor market.
- **Financial conditions more recently eased** as the Fed cut rates, and this may **bode well for future economic growth.**

*U.S. Industrial Capacity Utilization, JOLTS* Job Opening Rate, and NY Fed Financial Conditions, 2015-25*

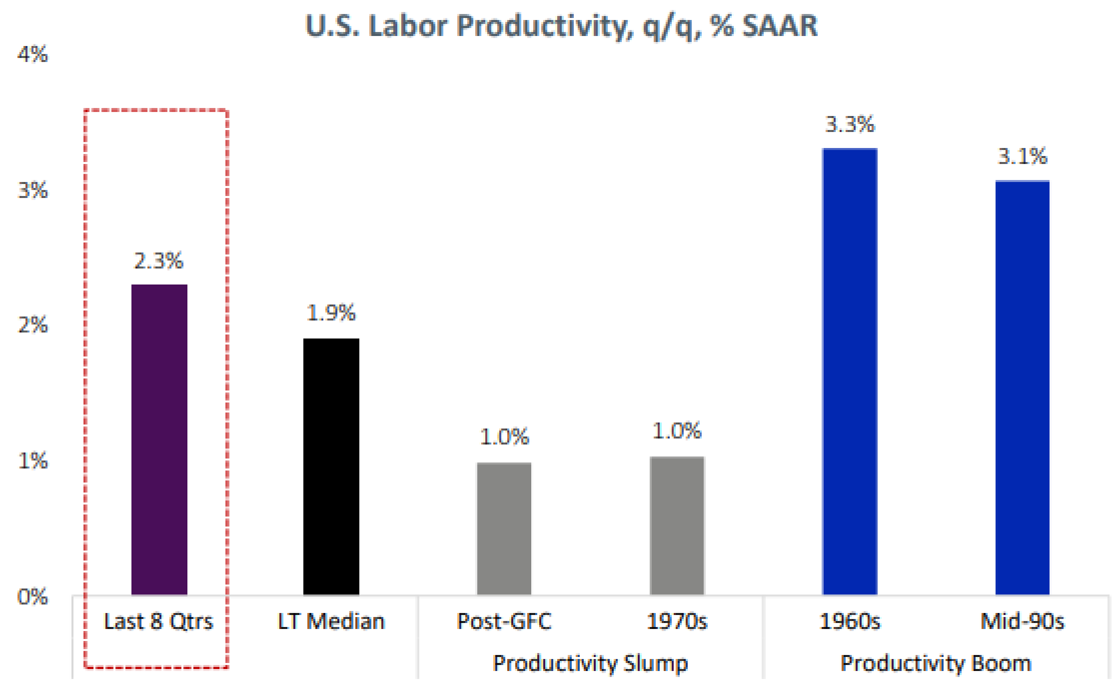



Source: Bloomberg, US Federal Reserve, Bureau of Labor Statistics, MSIM PSG. As November 24, 2025. *JOLTS stands for Job Openings and Labor Turnover Survey.

# The Economy

## AI Productivity Enhancements

- We appear in a **new productivity cycle** underpinned by automation, digitalization, and AI.
- The current productivity cycle resembles those of the 1960s and 1990s.
- **Productivity improvements** are key to **extending the current economic expansion.**

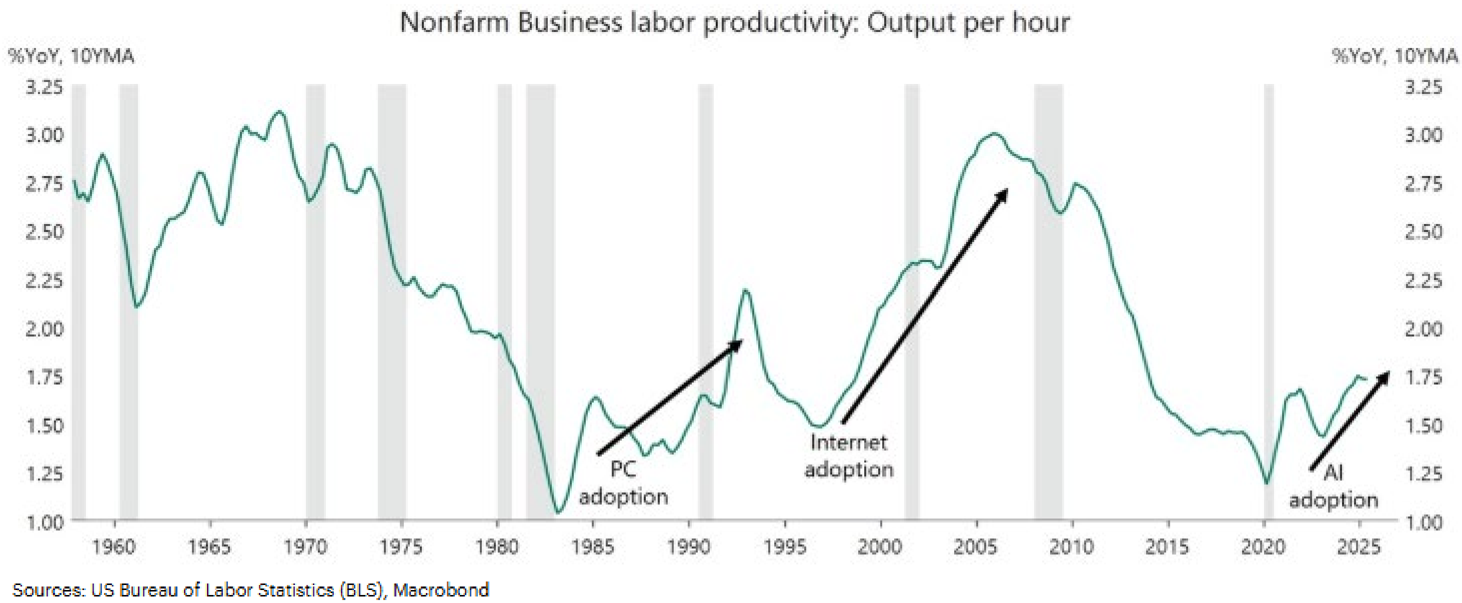



1960s refers to 1959-68; Mid-90s refers to 1995-05; 1970s refers to 1973-79.. Data as at 3Q25. Source: Bloomberg, Federal Reserve Bank of San Francisco.

# The Economy

## AI Productivity Enhancements

- We are likely in the **early stages of an increase in labor productivity**, driven by increased AI adoption rates.
- Balancing act: on the one hand, AI may **increase productivity**; on the other hand, it may have **labor market implications**.

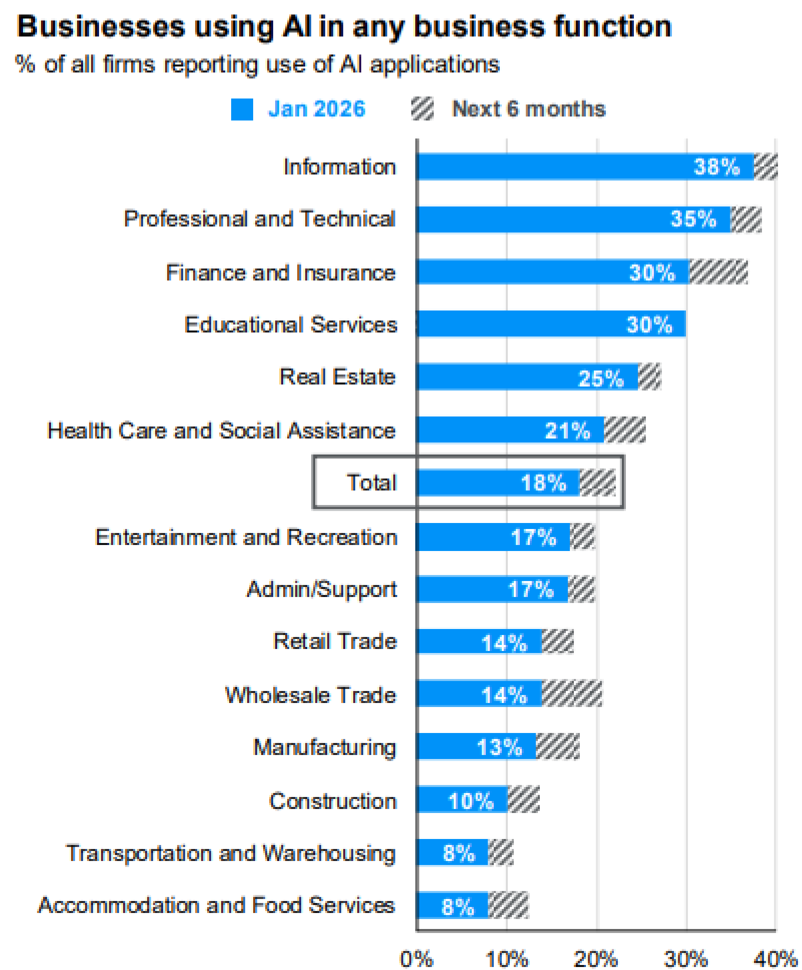


# The Economy

## AI Productivity Enhancements

- AI is no longer just a Tech story: **every sector will be impacted** in one form or another.
- Some of the **recent market reaction may be overdone.** There will be *winners* and *losers*.
- Those that can adopt and adapt, **leveraging AI to improve** products and services, may **ultimately benefit.**

➢ More broadly, we believe **increased AI adoption is likely to drive enhanced productivity and will be key in extending the current economic expansion.**

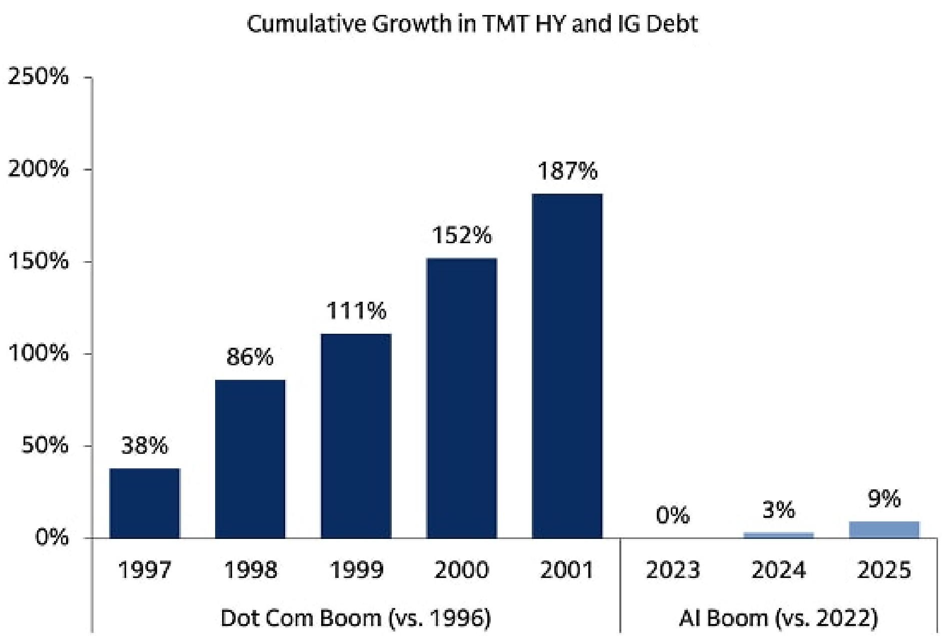



Source: J.P. Morgan Asset Management; Census Business Trends and Outlook Survey

# The Economy

## AI Debt: Not Dot.Com

- AI hyperscalers' use of debt issuance has raised concerns and drawn parallels with the Dot.Com bubble.
- While there has been an increase in debt issuance associated with the Tech, Media, and Telecommunications (TMT) sectors, it **pales in comparison to the growth in debt witnessed in the lead up to the dot-com crash.**
- **Limited use of leverage indicates any bubble risks may be well-contained.**

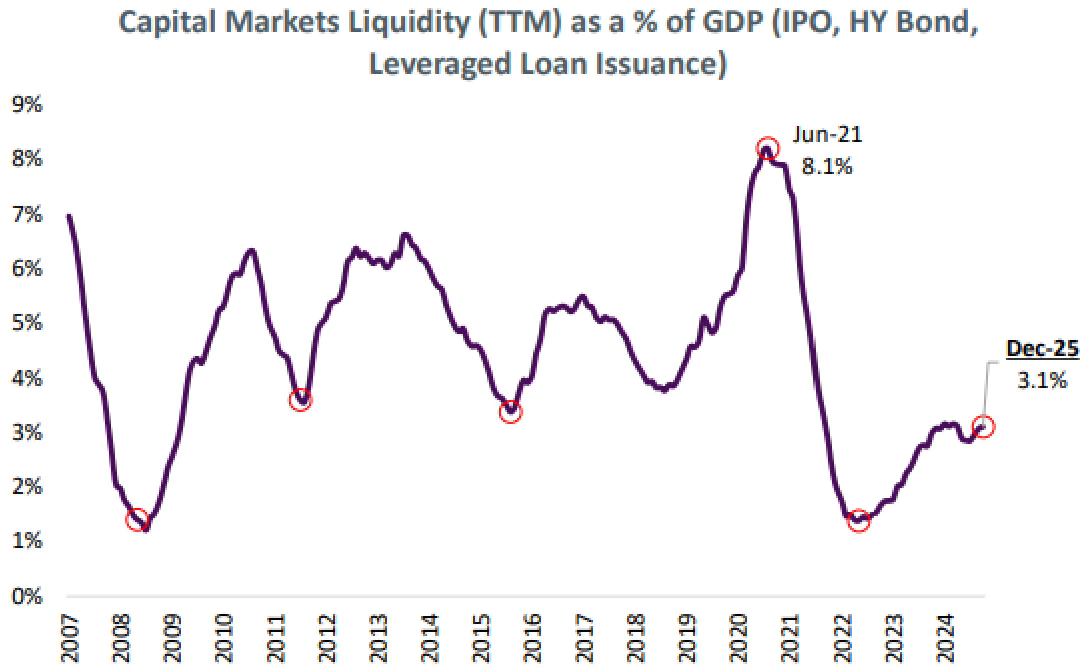



Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of January 6, 2026. Chart shows the cumulative growth in high yield (HY) and investment grade (IG) debt related to the Technology, Media, and Telecommunications (TMT) sector from 1996 for the Dot-Com Boom and from 2022 for the AI boom. "AI" refers to Artificial Intelligence. Illustrative Purposes Only. 'We' refers to Goldman Sachs Asset Management.

# The Economy

## Capital Markets Improving

- **Capital Markets activity continues to improve** from very low levels, which may help spur **increased business investment.**




Data as at December 31, 2025. Source: Bloomberg.

# The Economy

## New Business Creation Expanding

- The number of new businesses created has expanded recently, which **bodes well for investment and economic growth**.

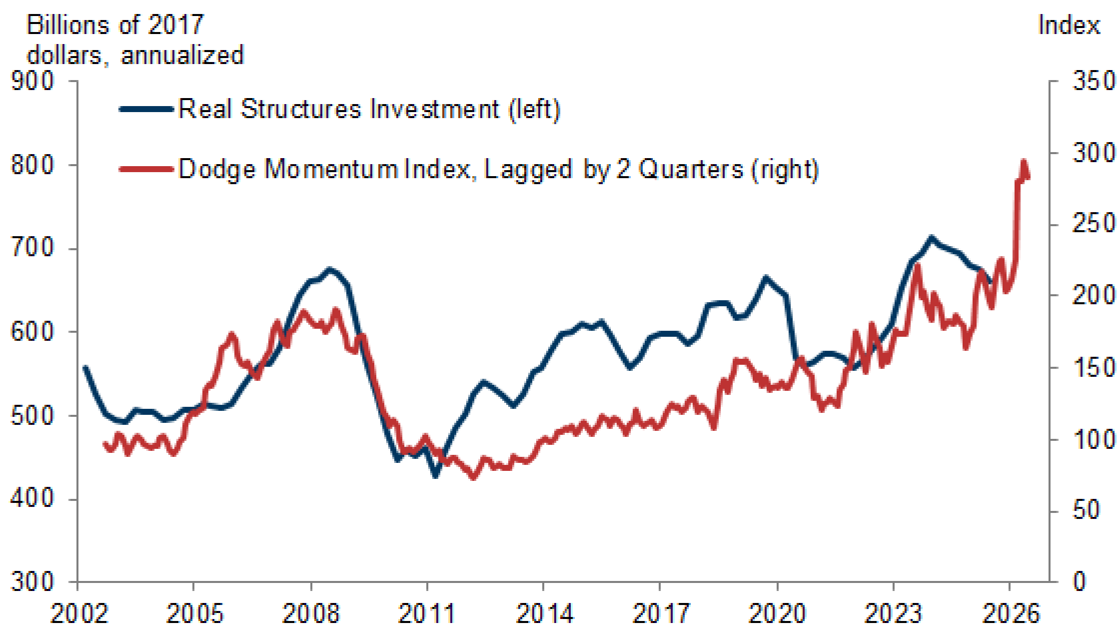

Sources: US Census Bureau, Macrobond

# The Economy

## Real Estate Investment Set to Rebound

- Indicators of real estate investment point towards an **increase in non-residential structures investment, a key component of GDP.**

The Dodge Momentum Index—Which Tracks the Monthly Value of Nonresidential Building Projects Entering Planning Stages Points to a Rebound in Structures Investment in 2025H2

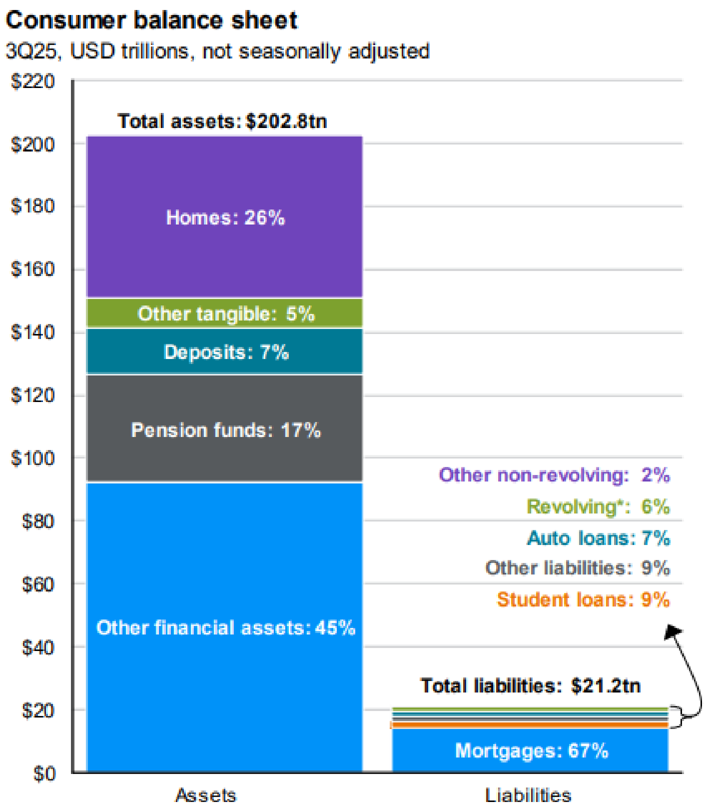



Source: Goldman Sachs Global Investment Research, Department of Commerce, Dodge Construction

# The Economy

## Healthy Fundamentals

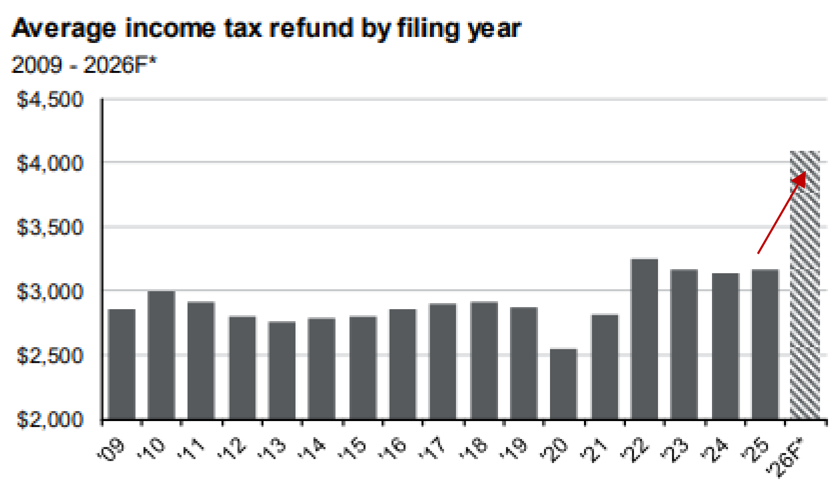
- **Consumer balance sheets are strong.**




Source: FactSet, FRB.

- Measures of the U.S. consumer point towards ongoing **robust spending backed by very strong balance sheets.**

- **Consumer spending may be supported** by tax cuts that may add roughly **$100bn to household tax refunds** in 2026.



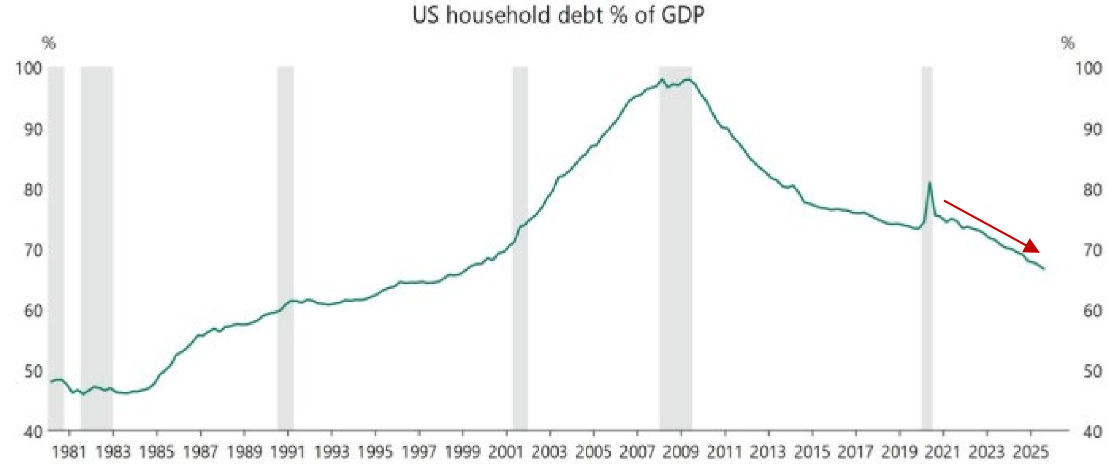

Source: J.P. Morgan Asset Management; IRS.
*2026 figure is a J.P. Morgan Asset Management forecast.

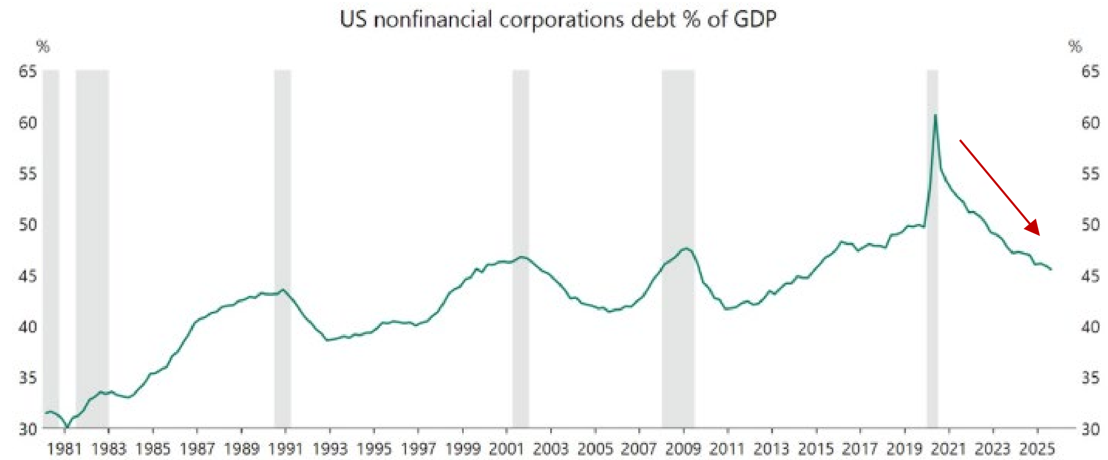
# The Economy

## Healthy Fundamentals

- Business and consumer **leverage levels have decreased during this cycle.**
- These dynamics may help **buffer against an outsized default cycle.**

➢ Increased leverage tends to perpetuate downside economic outcomes.



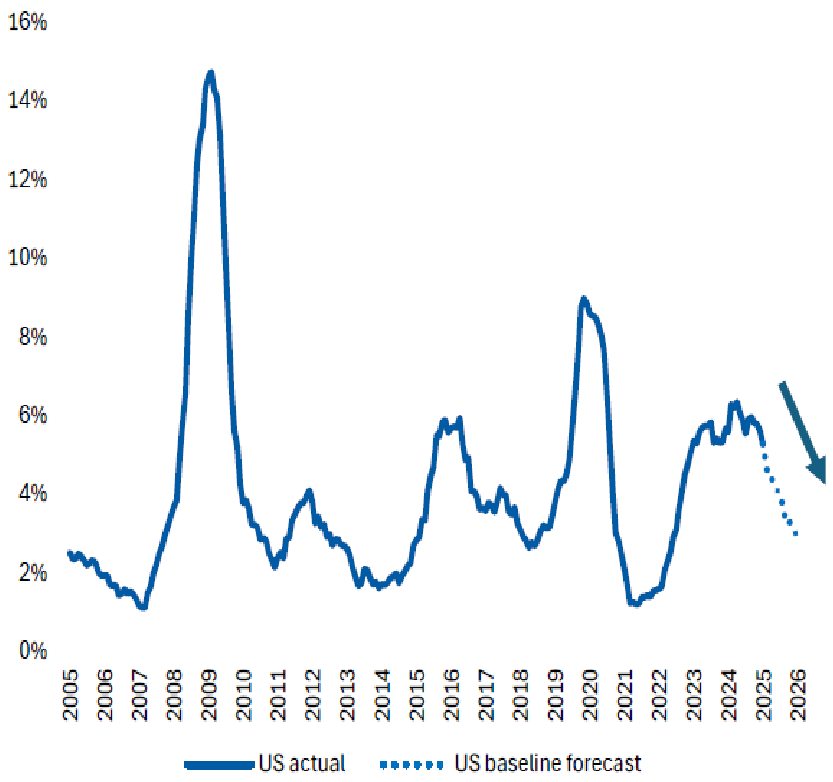

Sources: Federal Reserve, US Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

# The Economy

## Healthy Fundamentals

- Despite headlines and some isolated issues, **underlying business fundamentals have continued to improve**, which may be further supported in a lower interest rate environment.
- Indeed, **forecasts show default rates falling** through 2026.
- Our investment partner data indicates broadly **top-line revenue growth and bottom-line earnings growth** for businesses across industry sectors.

*Moody's U.S. trailing 12-mo speculative grade default rate with forecasts*



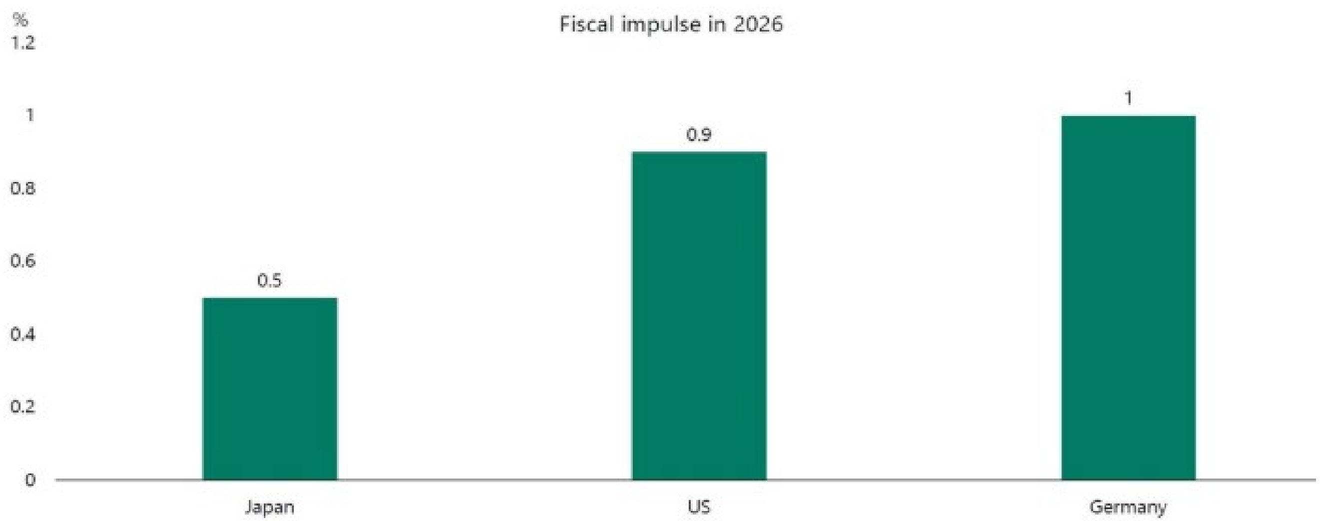

Source: Moody's, MSIM

# The Economy

## Fiscal Policy Expansionary

- Fiscal policy in the G3 is expected to be **expansionary over the coming quarters**.
- The IMF estimates that fiscal policy will boost growth by 1% in Germany and 0.5% in Japan in 2026. The CBO estimates that fiscal policy will boost US growth by 0.9%.

Strong fiscal boost coming in 2026




Note: Fiscal impulse calculated using cyclically adjusted primary balance for Japan and Germany, and the estimated Impact of the OBBBA from the CBO. Sources: IMF Fiscal Monitor, CBO, Haver Analytics, Apollo Chief Economist

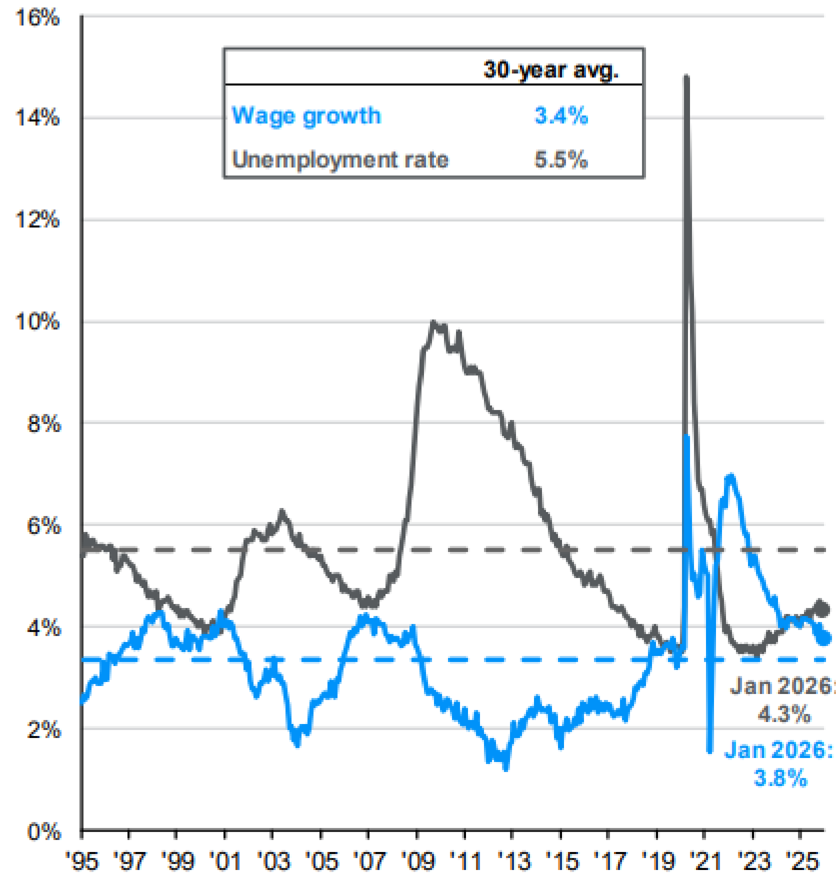
# The Economy

## What We Are Watching: Labor Market

- Labor market conditions have eased, though recently improved, and **wage growth has moderated.**
- The **unemployment rate has trended** higher but remains historically low.
- Should we experience further weakness in the labor market, it may **weigh on consumer spending and economic growth.**
- **Consumer spending is the most important contributor to the U.S. economy,** making up ~70% of GDP.

**Civilian unemployment rate and annual wage growth**

Private production and non-supervisory workers, seasonally adjusted, %

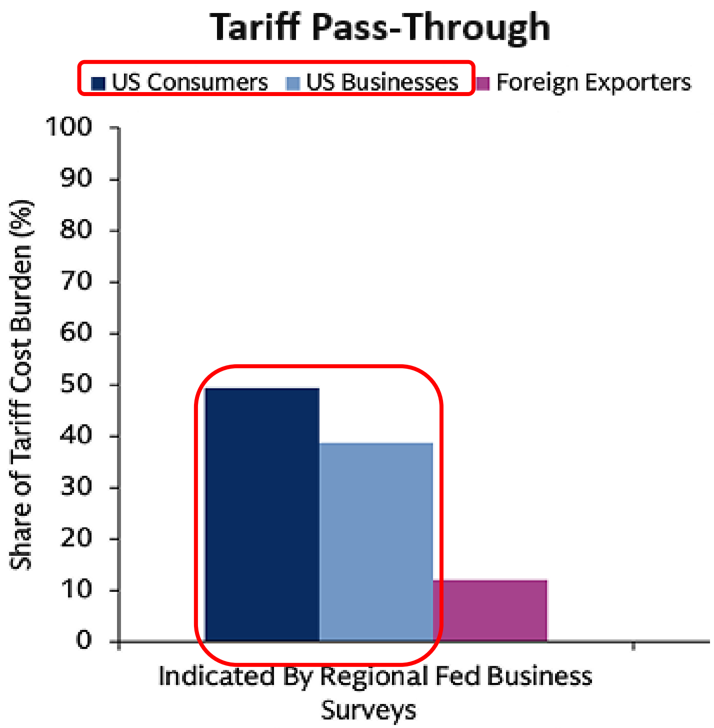



Source: BLS, FactSet, J.P. Morgan Asset Management.

# The Economy

## What We Are Watching: Cost of Tariffs

- Business surveys indicate that **~50% of the cost of tariffs has been transferred to consumers**, causing increased **inflationary pressures.**
- **Another 35-40% of the cost of tariffs has been borne by businesses.**
- Should businesses continue to bear a large portion of tariff expenses, we may see **downward pressure on margins and earnings.**




Source: GS GIR and GS Asset Management. As of July 30, 2025. Chart shows the share of tariff cost that will be shared by US consumers, US businesses, and foreign exporters according to Regional Federal Reserve Business Surveys as of June 23, 2025

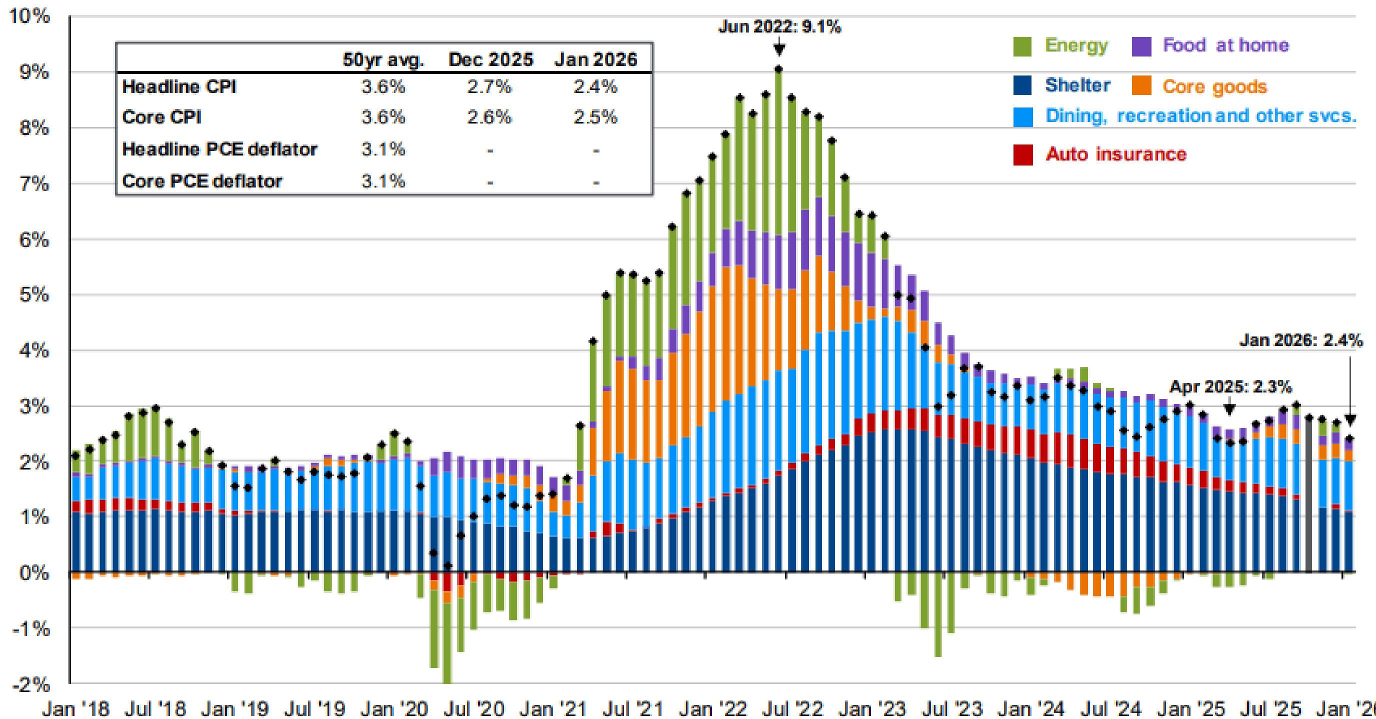
# The Economy

## What We Are Watching: Inflation

- **Inflation remains elevated** on the back of increased tariff costs and is expected to stay **above the Fed's 2% target**, though it has trended lower more recently.

**Contributors to headline CPI inflation**

Contribution to year-over-year % change in CPI, non-seasonally adjusted



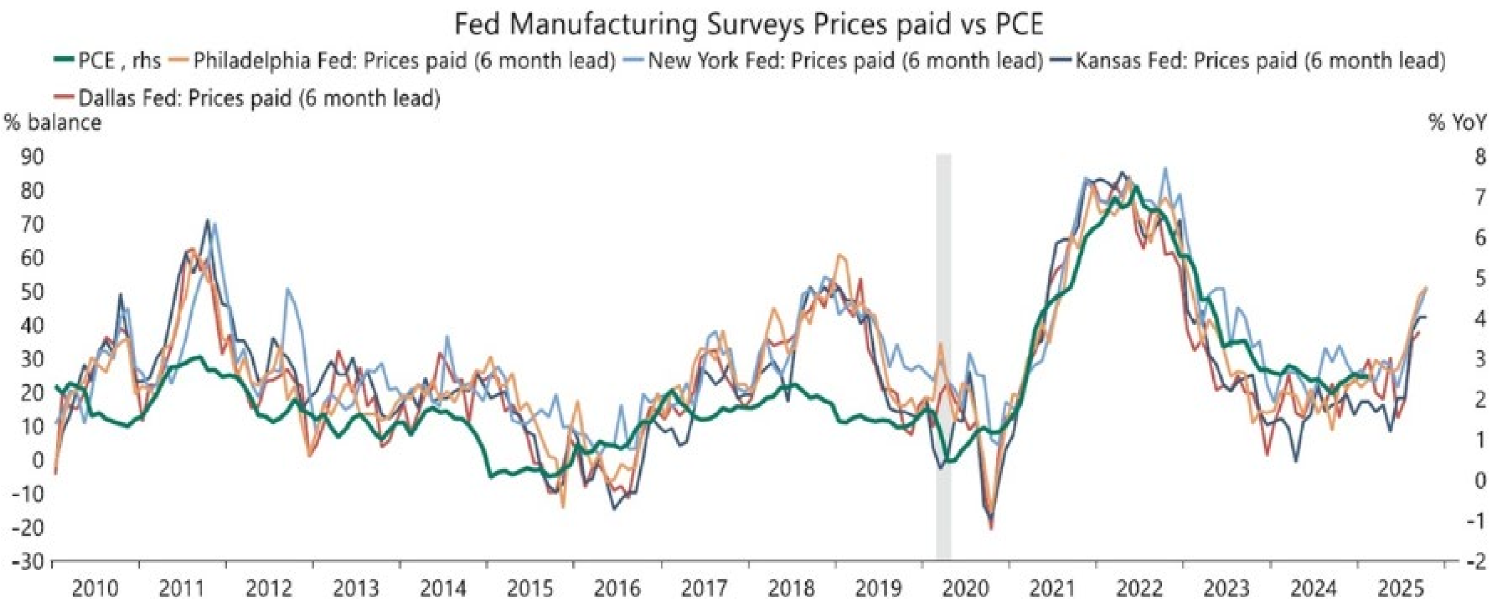

| | 50yr avg. | Dec 2025 | Jan 2026 |
|---|---|---|---|
| Headline CPI | 3.6% | 2.7% | 2.4% |
| Core CPI | 3.6% | 2.6% | 2.5% |
| Headline PCE deflator | 3.1% | - | - |
| Core PCE deflator | 3.1% | - | - |

Source: BLS, FactSet

# The Economy

## What We Are Watching: Inflation

- Manufacturing surveys indicate **upward pressure on inflation**.
- With that said, we anticipate the impact of tariffs to result in a **one-time price adjustment**, with most of that adjustment already having taken place.




Sources: Federal Reserve Bank of Dallas, Federal Reserve Bank of Kansas City, Federal Reserve Bank of New York, Federal Reserve Bank of Philadelphia, US Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

# The Economy

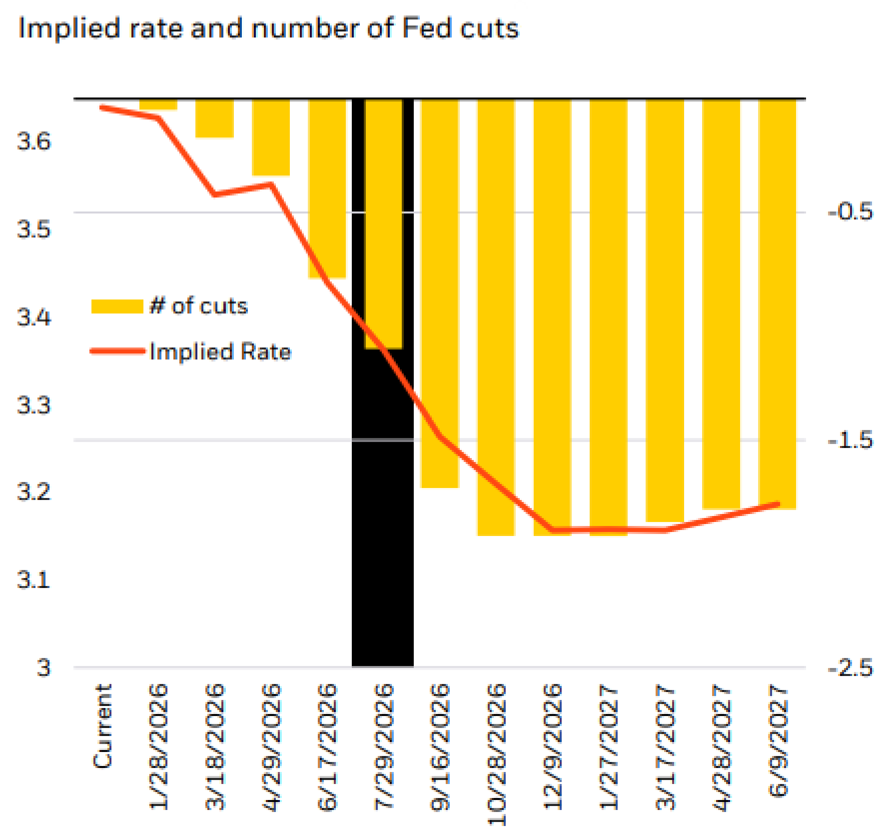
## Fed Policy: Wait-And-See with a Bias Towards Lower Rates

- The Fed is expected to stay **on pause over the near-term** with the market currently expecting a 0.25% cut in July.

- Recent Fed commentary indicates **favorable growth and improving inflation**.

- The Fed wants to move to a more neutral rate (~3%) over time.

  ➢ We believe the Fed is in **"wait-and-see" mode, with a bias towards lower interest rates.**




Source: Bloomberg, as of 1/29/26

# The Economy

## Fed Policy: Warsh Unlikely to Materially Change Trajectory

- In some respects, the nomination of Kevin Warsh as Fed Chair was an interesting one. Warsh was widely perceived as the **most hawkish** of the potential candidates

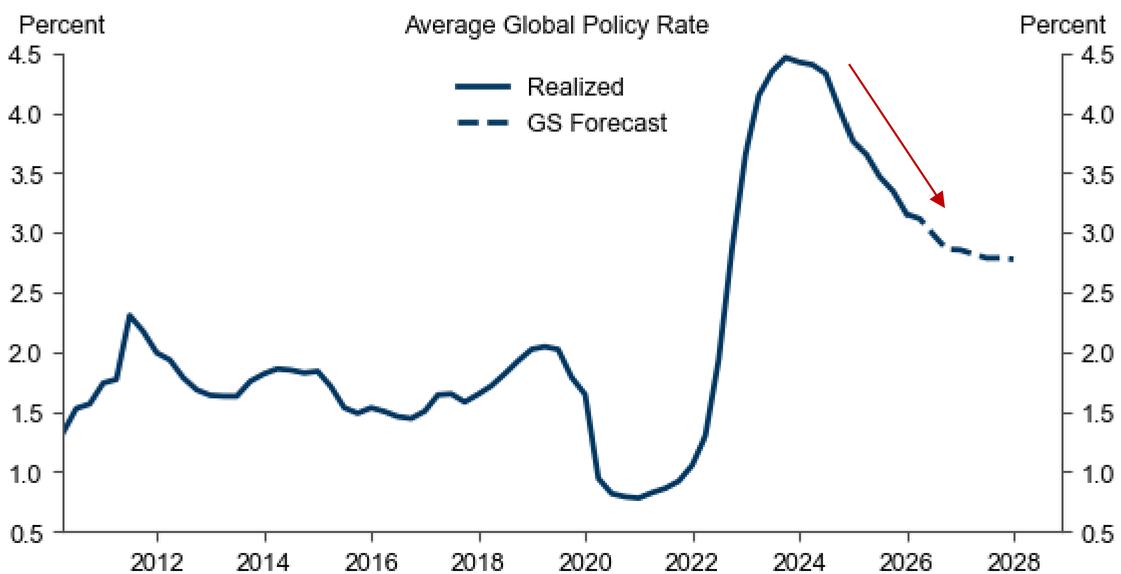
- With that said, recent comments on deflationary impacts associated with AI and tariffs being a one-time hit to inflation **suggest a more dovish stance**.

- We don't anticipate Warsh's nomination materially changes the trajectory of future Fed policy. All else equal, we **anticipate a slow migration towards a neutral rate of ~3% on the fed funds rate** over time.

# The Economy

## Global Central Banks: Easier Policies

- Globally, central banks are **mostly cutting interest rates**, which may bode well for the global economy.




Source: Goldman Sachs Global Investment Research

# The Economy

## International Trade

- In 2018, the share of Chinese exports going to the U.S. was 20%. Today it is 10%.
- Current U.S. trade policy may result in **closer trade co-operation abroad**, potentially **resulting in increased intra-Asia and intra-Europe trade volumes**.


Note: Data is six-month moving average. Sources: China General Administration of Customs (GAC), Macrobond, Apollo Chief Economist

# Part 3:

# OUTLOOK

# Outlook

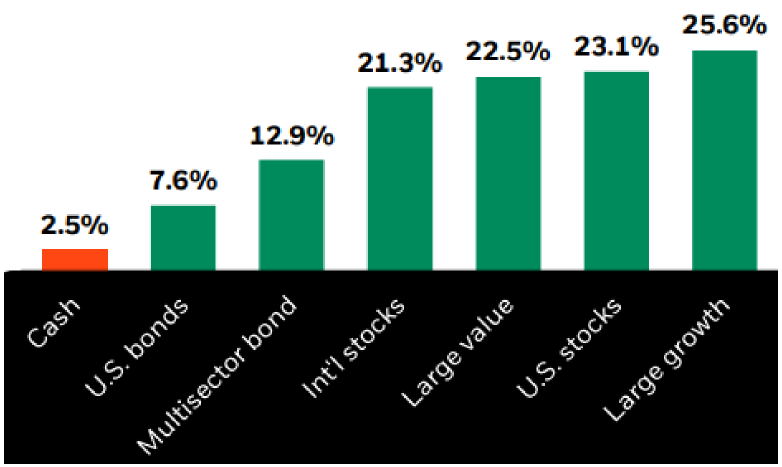
## Fed on Pause Again…Additional Cuts May be Positive

- Currently, the Fed is on hold after cutting interest rates last year. Should the Fed resume rate cuts, it has historically been **positive for both stocks and bonds**.
- The market is currently pricing in ~2 additional 25bp rate cuts in 2026.

**Historically, Fed rate cycle pauses don't last long**
Periods of 3 months or more between rate cuts, 1/1/1990 - 1/31/2026

| Dates between Fed rate cuts | Length of pause |
|---|---|
| 7/13/90 - 10/29/90 | 3.5 months |
| 12/20/91 - 4/9/92 | 3.5 months |
| 7/6/95 - 12/19/95 | 5 months |
| 11/6/02 - 6/25/03 | 7 months |
| 4/30/08 - 10/18/08 | 6.5 months |
| 10/31/19 - 3/3/20 | 4 months |
| 12/18/24 – 9/17/25 | 9 months |
| 1/28/26 - ? | ? |

**Historical performance after the Fed resumes cutting interest rates**
1-year average return after rate cuts resumed, 1/1/1990 - 1/31/2026

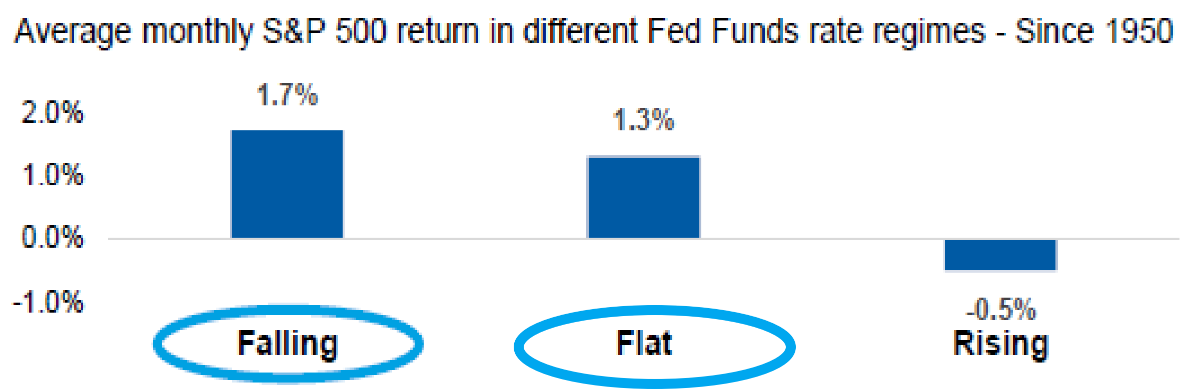



Source: BlackRock, Bloomberg, Morningstar and the St Louis Federal Reserve as of 1/31/2026.

# Outlook

## Fed's Downward Bias May be a Tailwind

- While the Fed is currently on hold, we believe the **Fed maintains a downward bias for interest rate policy**.
- If history is a guide, **flat to falling interest rate environments tend to be positive** for stock market performance.

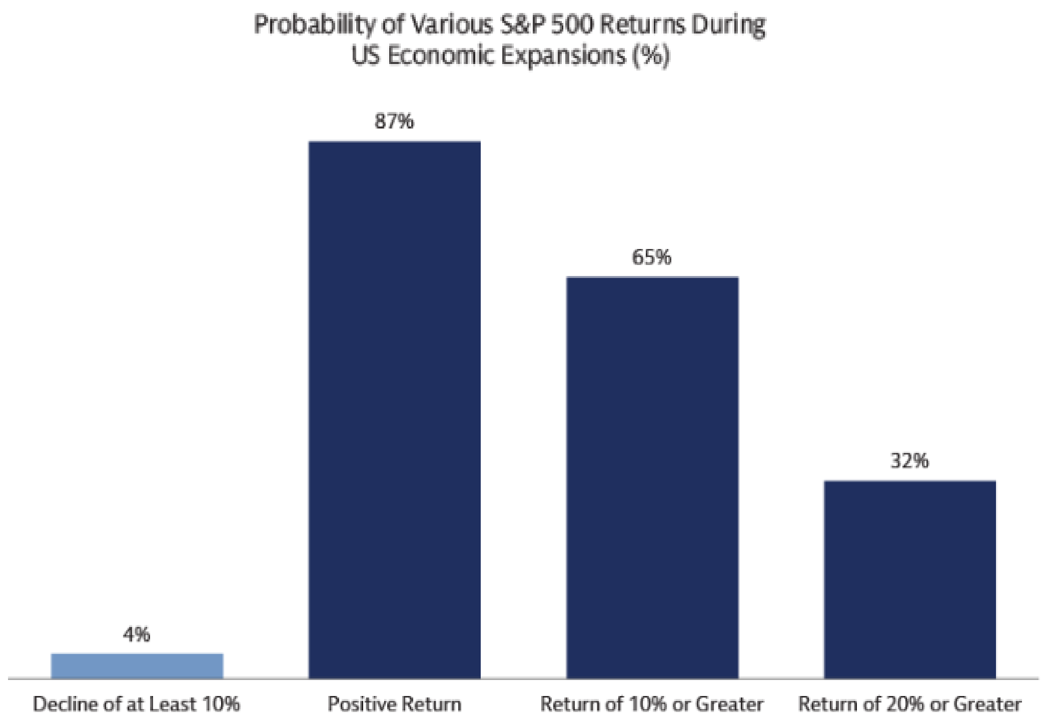



Source: Strategas, Bloomberg, Factset, Morgan Stanley Research.

# Outlook

## Economic Growth a Tailwind

- Historically, the S&P 500's 12-month return is positive 87% of the time when the economy is growing.




Source: Bloomberg, Goldman Sachs Investment Strategy Group and Goldman Sachs Asset Management. As of December 31, 2025.

# Outlook

## …But Valuations Are Stretched

- Stocks are trading at **expensive valuation multiples.**
- It is **unlikely that valuation multiples drive stock market returns** moving forward.

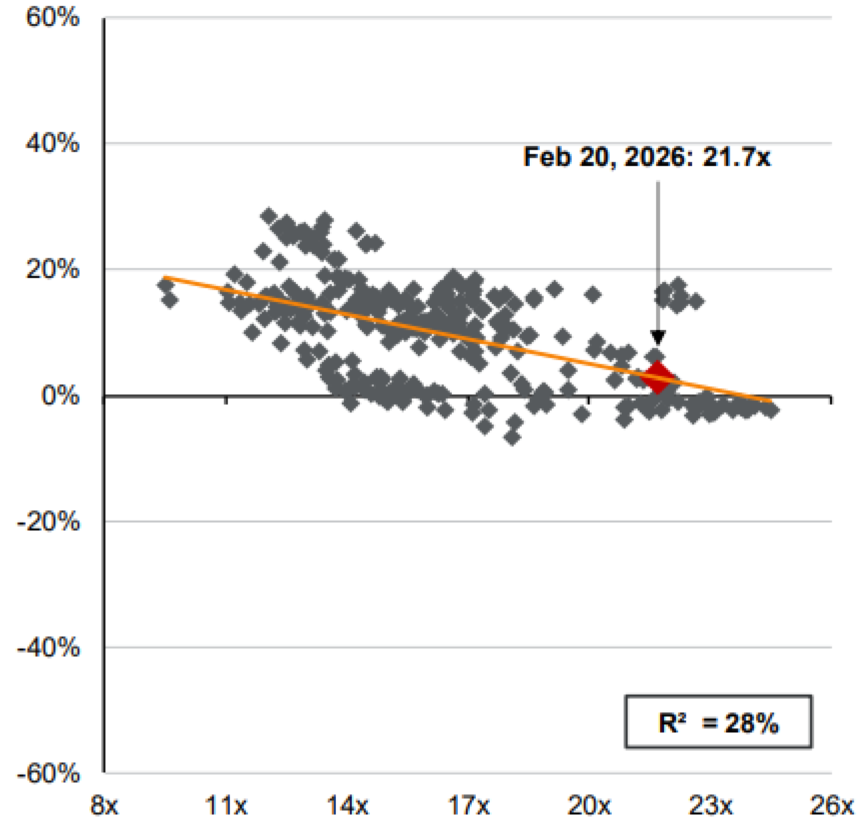
➢ Implication: While there may be further upside potential, **expect more moderate returns.**

**S&P 500 Index**

| Valuation measure | Description | Latest | 30-year avg. |
|---|---|---|---|
| P/E | Forward P/E | 21.7x | 17.1x |
| CAPE | Shiller's P/E | 40.5x | 28.6x |
| Div. Yield | Dividend yield | 1.4% | 2.0% |
| EY Spread | EY minus Baa yield | -0.3% | 0.7% |

As of 02/20/2026

**Forward P/E and subsequent 5-year annualized returns**
S&P 500 Total Return Index

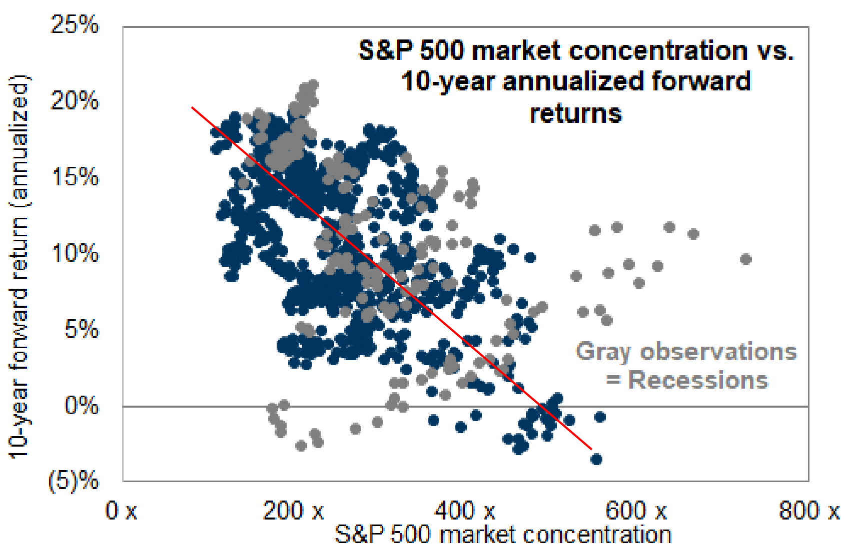



Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

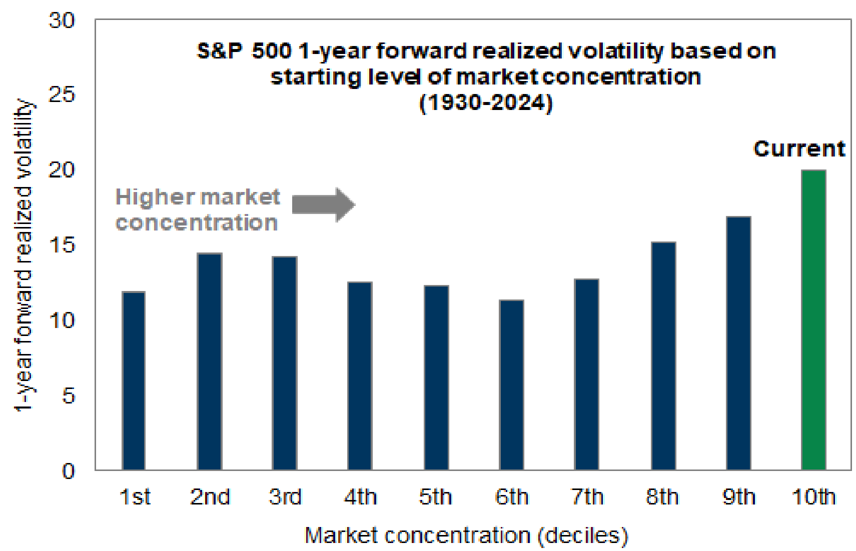
# Outlook

## …And Stock Market is Concentrated

- Higher stock market concentration also tends to be **associated with lower forward returns.**
- **Higher levels of stock concentration** also tends to be associated with **higher levels of volatility.**




Source: Goldman Sachs Global Investment Research



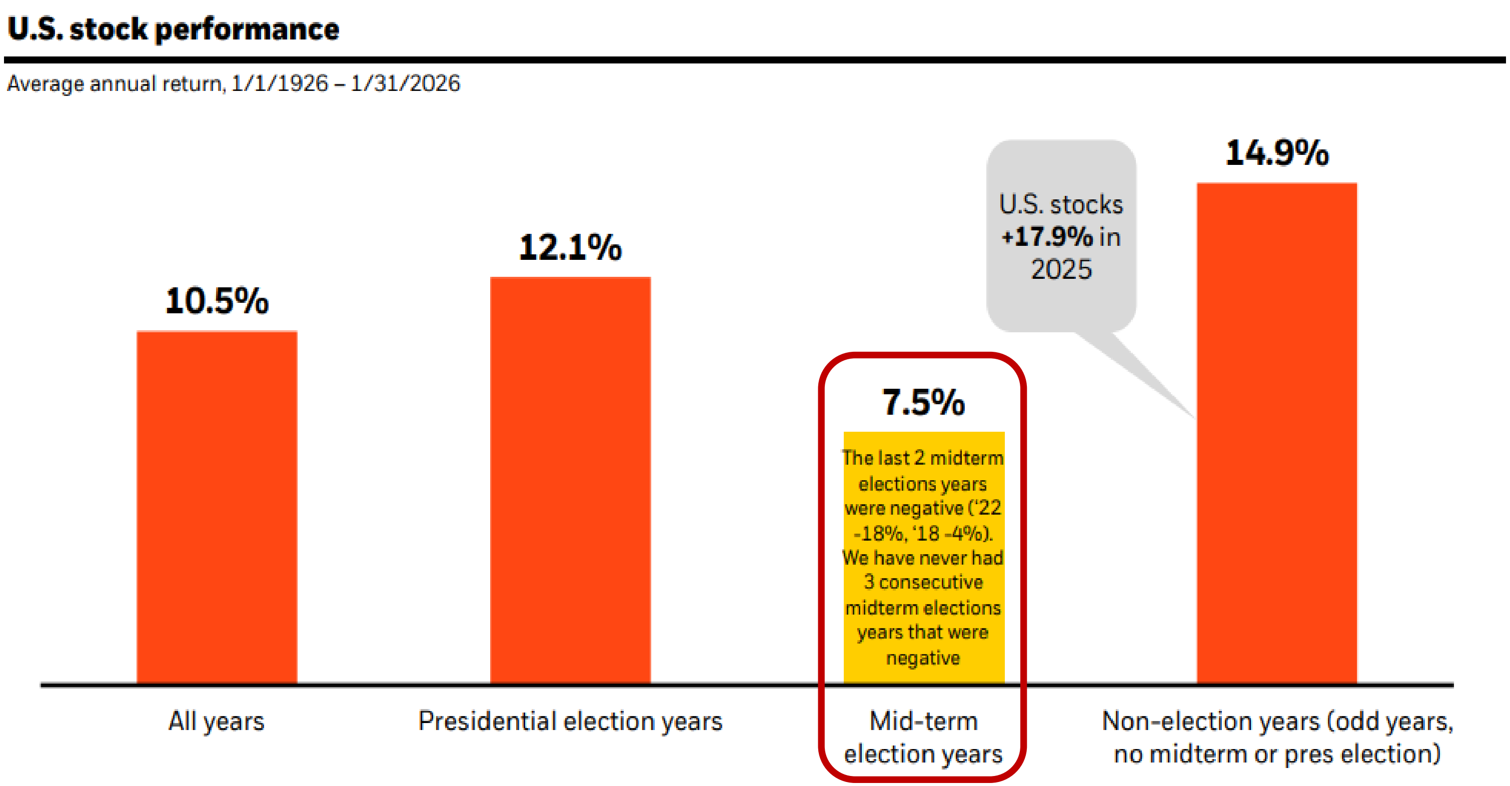

Source: Goldman Sachs Global Investment Research

Market concentration defined by largest stock / 75th percentile stock.

# Outlook

## Mid-Term Election Years

- Historically, mid-term election years tend to produce more moderate returns.



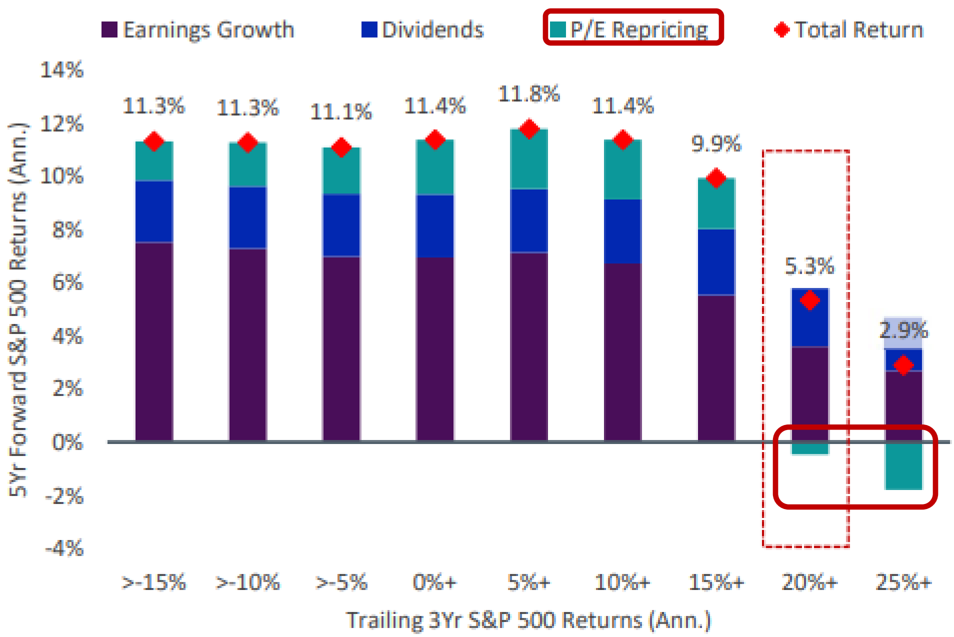

Source: Morningstar as of 1/31/26.

# Outlook

## Moderation in Longer-Term Stock Returns

- Very strong recent stock market returns tend to indicate lower forward-looking stock returns.
- Over the last 15 years, stock **valuation multiple expansion drove approximately 1/3rd of the total returns for U.S. stocks**.
- Given that stocks are **currently trading at expensive valuation multiples**, it is **unlikely that multiple expansion will contribute positively** to future U.S. stock market returns.

S&P 500 3-Year Trailing vs. Future Performance, Annualized, 1983-2025

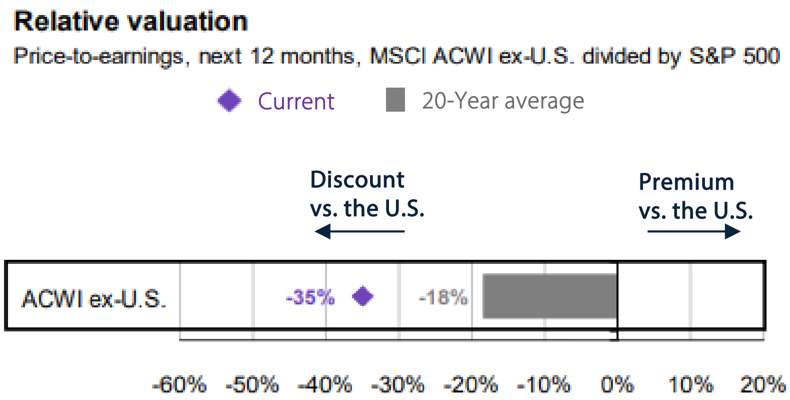



Data as at October 31, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

# Outlook

## International Relatively Cheaper

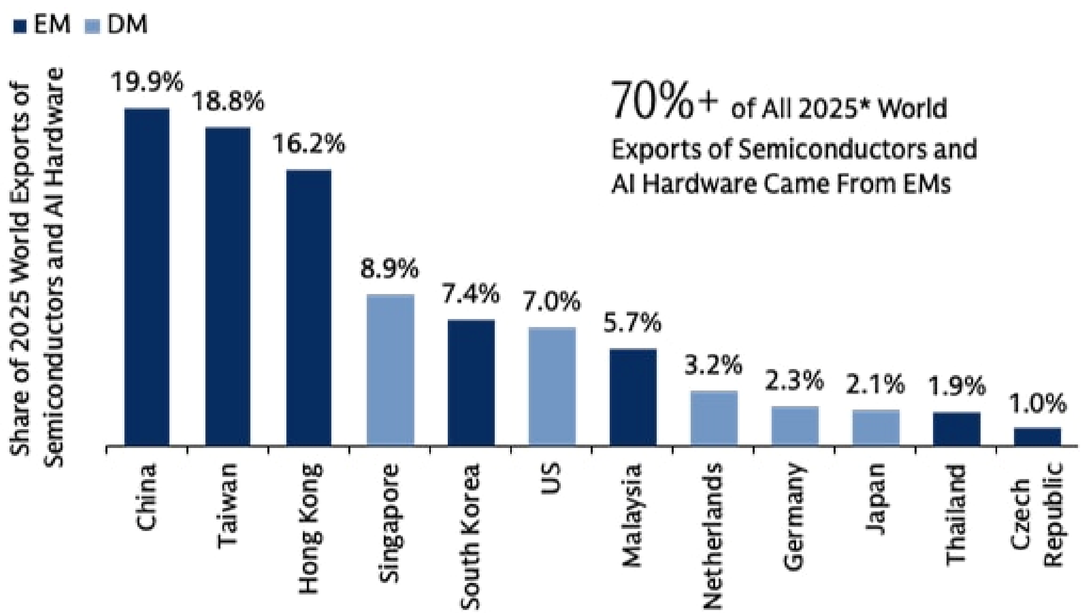
- International stocks continue to trade at **historic discounts** to the U.S. market.
- International stocks may be **supported by fiscal and monetary policies and increased trade coordination.**




# Outlook

## AI: Emerging Markets Set to Benefit

- Roughly **70% of global semiconductor and AI hardware exports** in 2025 **came from EMs.**
- EMs have manufacturing depth and a strategic role in global AI supply chains.
- EM stocks offer relatively attractive valuations vs. U.S. stocks
- These dynamics may **position EMs as a beneficiary as AI demand continues to increase globally.**

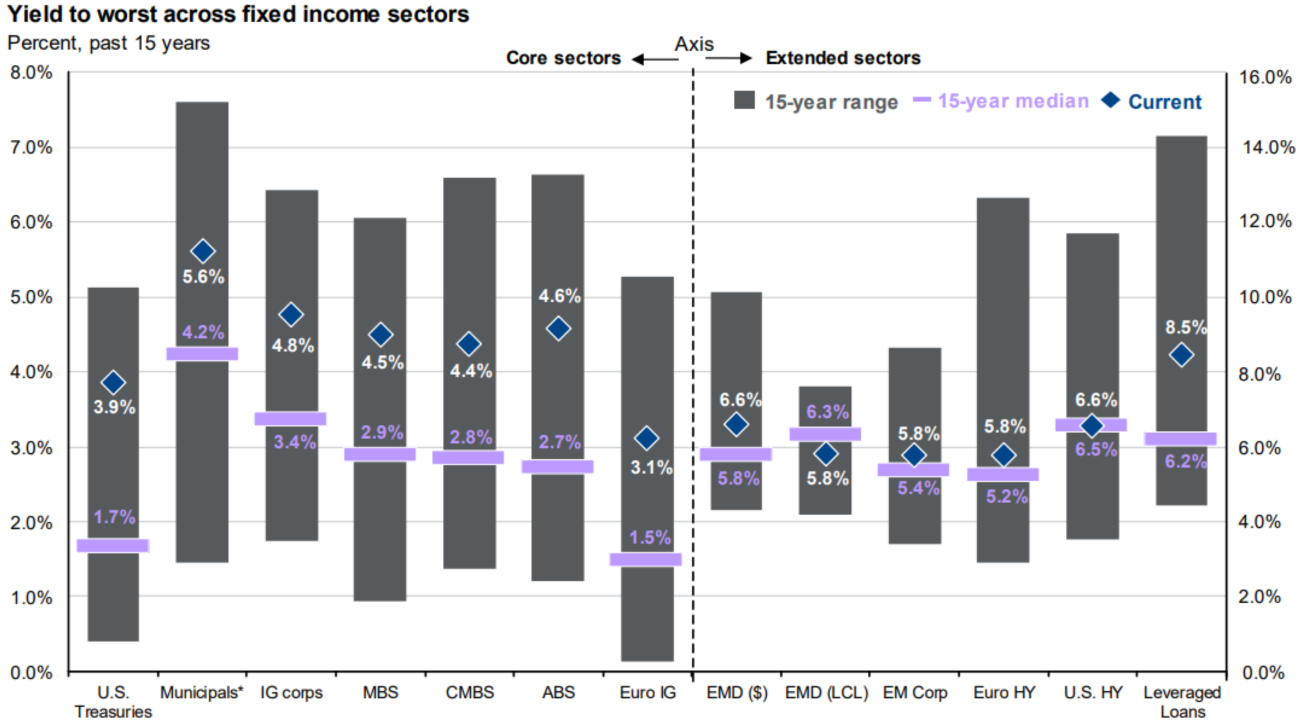



Source: ITC Trade Maps and Goldman Sachs Asset Management. As of January 5, 2026. * Includes data up to and including October 2025. Chart shows the share of global exports for Semiconductors and Artificial Intelligence related hardware across a variety of developed and emerging market countries. "EM" refers to Emerging Markets. "AI" refers to artificial intelligence. "HS" refers to the Harmonized System. Export data reflects a sum of HS 8541, 8542, 8471 and 8473. For Illustrative Purposes Only. 'We' refers to Goldman Sachs Asset Management.

# Outlook

## Bond Yields Relatively Attractive

- Current **bond yields remain attractive** relative to recent history.
- Mission Wealth preferred bond funds are **yielding mid- to high-single digits,** implying a **healthy forward-looking return expectation for our bond allocations.**




Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.

# Outlook - Alternatives

## Private Equity

- We believe private equity (PE) offers **attractive upside potential.** PE has historically **outperformed public stock markets with less volatility.** PE represents a **large, untapped investment opportunity** for many investors.

## Real Assets

- A lower interest rate environment may **bode well for Real Estate transaction volumes and valuations**. We have a positive outlook, particularly for residential, industrial logistics, medical office, and data centers.
- We believe infrastructure offers the potential for long-term **consistency in returns and yield,** and a **hedge against inflation**, in assets like power and utilities, ports, airports, toll roads, data centers, cell towers, and fiber networks.

## Direct Credit

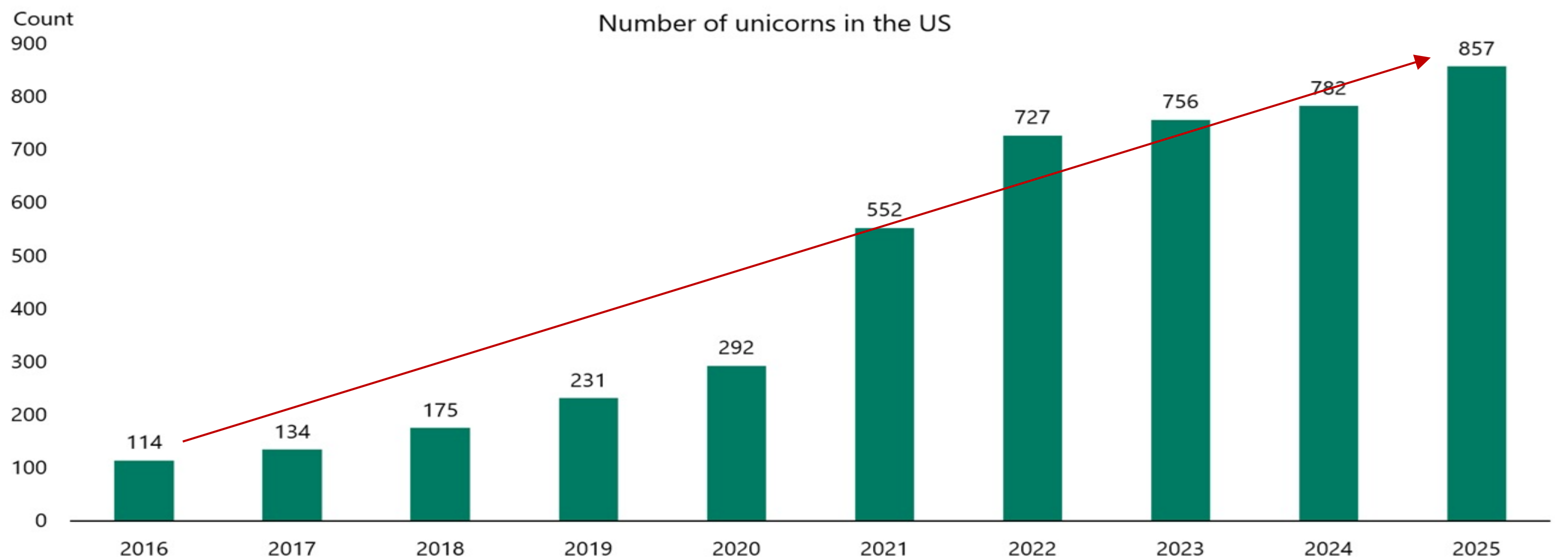
- We have high conviction in **direct lending strategies**, with **robust underlying business fundamentals** supporting credits and underpinning relative consistency in yield and total returns.

# Outlook - Alternatives

## Private Equity

- Private companies are staying private for longer, **increasing the opportunity set outside of public markets:** the number of unicorns (a privately owned company valued at more than $1 billion) has increased from 114 to 857 over the last decade.

- With a growing number of privately owned large companies, there is a **larger opportunity than ever before for private debt and equity solutions**.

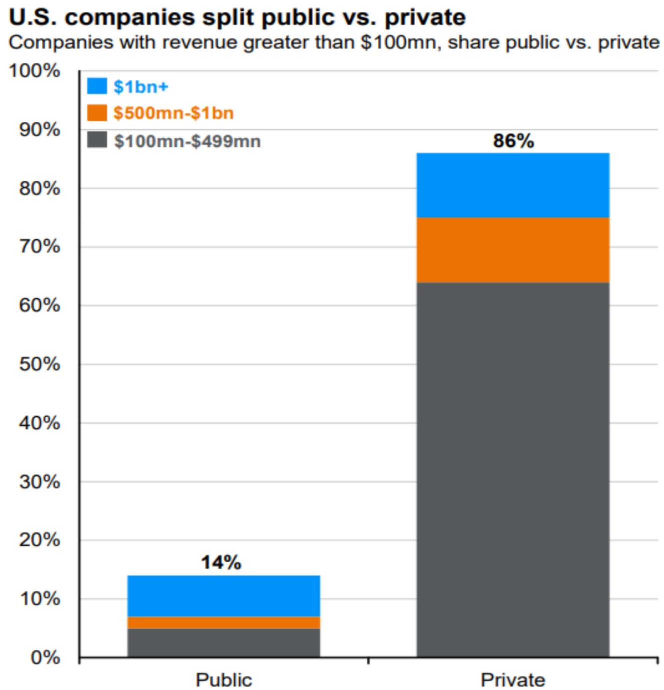



Note: The term unicorn describes startups that are privately held and valued at more than $1 billion. Sources: PitchBook, Apollo Chief Economist

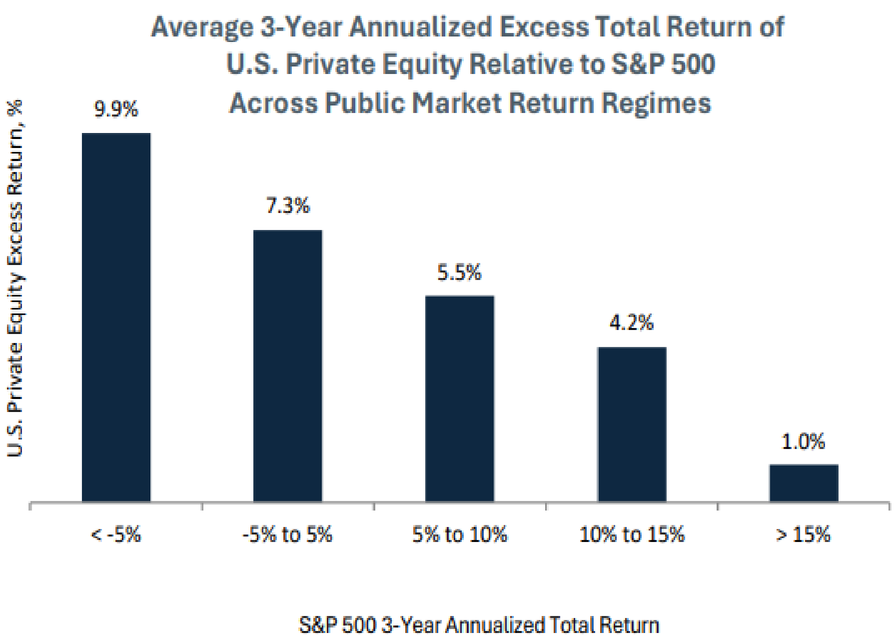
# Outlook - Alternatives

## Private Equity

- **86% of the equity opportunity set is found in private markets**, yet many investors still have 100% of their equity exposure in the 14% that is public.
- PE may become even more **compelling should public market returns moderate**.




Source: Bain and Company, FactSet, Jay Ritter – University of Florida, S&P Capital IQ, World Federation of Exchanges, J.P. Morgan Asset Management.




Data as at January 2, 2026. Source: BofA Research, KKR Global Macro & Asset Allocation analysis.

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Fixed income yields are based on Bloomberg indices and from the following sources: US Treasury, FactSet, PIMCO, JP Morgan Asset Management, and are represented by Broad Market, U.S. Treasuries, Municipals, U.S. Corporate bonds, MBS, ABS, Euro Corporates, Emerging Markets Debt, Emerging Markets Corporates, U.S. High Yield, Euro High Yield, Leveraged Loans. Yield-to-worst is the lowest possible yield that can be received on a bond, apart from the company defaulting, and it considers factors like call provisions, prepayments, and other features that may affect the bond's cash flows.

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