LPL RESEARCH

Global Portfolio Strategy

December 2025

November Pullback Could Set the Stage for Year-End Rally

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm's investment outlook and asset allocation that helps define LPL Research's investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

- ● Strong Overweight View
- ● Overweight View
- ● Neutral View
- ● Underweight View
- ● Strong Underweight View

Key changes from STAAC:

- **Upgraded view on Event Driven alternative strategies to positive**
- **Downgraded view on alternative Managed Futures strategies to neutral**

STAAC Asset Class Tactical Views as of 12/01/2025 (GWI)

Asset Class					
Equity	·	·	●	·	·
U.S.	·	·	●	·	·
International Developed (EAFE)	·	·	●	·	·
Emerging Markets	·	·	●	·	·
Large/Mid Growth	·	●	·	·	·
Large/Mid Value	·	·	●	·	·
Small Growth	·	·	●	·	·
Small Value	·	·	·	●	·
Fixed Income	·	·	●	·	·
Treasuries	·	·	●	·	·
MBS	·	●	·	·	·
IG Corporates	·	·	·	●	·
TIPS	·	·	●	·	·
International Developed	·	·	●	·	·
Preferred	·	·	●	·	·
High-Yield	·	·	●	·	·
Bank Loans	·	·	●	·	·
Emerging Markets	·	·	●	·	·
Cash	·	·	·	●	·
Alternatives	·	●	·	·	·

STAAC Sector Tactical Views as of 12/01/2025

Sector					
Materials	·	·	●	·	·
Consumer Staples	·	·	●	·	·
Financials	·	·	●	·	·
Real Estate	·	·	·	●	·
Communications Services	·	●	·	·	·
Energy	·	·	●	·	·
Industrials	·	·	●	·	·
Information Technology	·	·	●	·	·
Consumer Discretionary	·	·	●	·	·
Healthcare	·	·	●	·	·
Utilities	·	·	●	·	·

Source: STAAC as of December 1, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

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Investment Takeaways

Major averages ended November mixed, with the S&P 500 eking out a monthly gain on the final day of trading after dropping nearly 4.5% earlier in the month. A mid-month slide was sparked by a brief reduction in rate cut expectations, an unwind of popular momentum trades, and elevated artificial intelligence (AI) scrutiny. Healthcare led gains and technology was the biggest laggard with the bulk of Magnificent Seven names ending lower. Nonetheless, stocks rebounded to end November, and the upbeat fundamental picture remained intact. As earnings season drew to a close, S&P 500 companies in aggregate posted another quarter of double-digit earnings growth at 13.5%, with an 83% beat rate, solidly above the five-year average of 74%. November earnings reports were highlighted by AI-theme bellwether NVIDIA (NVDA), which delivered a beat and raise.

Core bonds extended year-to-date gains to 6.7% last month, measured by a 0.6% advance in the Bloomberg U.S. Aggregate Index. U.S. Treasuries declined early in the month after the Treasury Department's quarterly funding announcement indicated the Treasury is mulling increased auction sizes, before rallying to a fourth consecutive monthly advance as December rate cut expectations bounced back. Mortgage-backed securities (MBS) and high-yield bonds posted healthy gains, while municipal bonds were a relative underperformer with a more measured advance.

Looking forward, investors may be well served by bracing for additional bouts of volatility amid a slowing economy, AI investment scrutiny, and continued policy uncertainty. While the November pullback aided stretched positioning, valuations remain elevated and recent rotation dynamics suggest potential market swings remain on the table. But given the powerful AI trend, big tech's significant earnings power, potential forthcoming Fed rate cuts, and the fiscal stimulus boost when 2026 begins, pullbacks are likely to be shallow.

LPL Research advises against increasing portfolio risk beyond benchmark targets currently with stock valuations reflecting a lot of positive news.

The fixed income market remains rangebound, although downside pressure on yields could emerge as the Fed continues its rate-cutting cycle.

The STAAC's recommended tactical asset allocation includes:

- A neutral stance toward U.S. equities as elevated valuations, increasing tariff costs, and a cooling economy (that likely skirts recession) offset the opportunity for meaningful upside, in our view, despite strong earnings-driven gains for technology stocks.
- The Committee favors growth over value for exposure to the AI theme and compelling earnings growth as the economy slows.
- The Committee favors large caps over small caps, partly due to superior balance sheet quality and relatively better position to manage tariffs.
- The Committee recommends well diversified regional exposures, with benchmark-level allocations to the U.S., developed international, and emerging markets. Non-U.S. equities offer upside from a potentially weaker U.S. dollar.
- Within fixed income, the STAAC holds a neutral weight in core bonds, with a slight preference for mortgage-backed securities (MBS) over investment-grade corporates. The Committee believes the risk-reward for core bond sectors (U.S. Treasury, agency MBS, investment-grade corporates) is more attractive than plus sectors.

2025 MARKET FORECASTS

S&P 500 Tracking Above Bull Case Scenario

		Current
10-Year U.S. Treasury Yield		4.00% to 4.50%*
S&P 500 Index Earnings per Share		$260
S&P 500 Index Fair Value		6,450**

Source: LPL Research, FactSet, Bloomberg
All indexes are unmanaged and cannot be invested into directly.

*Our year-end 2025 forecast for the U.S. 10-year Treasury yield is now 4.00% to 4.50% up from 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target.

**Our initial year-end 2025 fair-value target range for the S&P 500 of 6,000–6,100 was based on a price-to-earnings ratio (PE) of 22 and our S&P 500 earnings per share (EPS) forecast of $275 in 2026. Our bull case is 6,450, or 23 times $280 in S&P 500 EPS.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

2025 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2025 (Y/Y, real GDP)
United States	1.5%
Eurozone	0.9%
Advanced Economics	1.5%
Emerging Markets	3.8%
Global	2.5%

Source: LPL Research, Bloomberg.
The economic forecasts may not develop as predicted.

Tactical Asset Allocation as of 12/01/2025

Investment Objective

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
STOCKS	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. Equity	76.0%	76.0%	0.0%	64.0%	64.0%	0.0%	48.0%	48.0%	0.0%	32.0%	32.0%	0.0%	16.0%	16.0%	0.0%
Large/Mid Growth	32.0%	28.5%	3.5%	27.0%	24.0%	3.0%	20.5%	18.0%	2.5%	14.0%	12.0%	2.0%	7.0%	6.0%	1.0%
Large/Mid Value	29.5%	28.5%	1.0%	25.0%	24.0%	1.0%	18.5%	18.0%	0.5%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Small Growth	9.5%	9.5%	0.0%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
Small Value	5.0%	9.5%	-4.5%	4.0%	8.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.0%	2.0%	-1.0%
International Equity	19.0%	19.0%	0.0%	16.0%	16.0%	0.0%	12.0%	12.0%	0.0%	8.0%	8.0%	0.0%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	7.0%	7.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. Core	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	26.5%	24.5%	2.0%	36.5%	32.5%	4.0%
MBS	0.0%	0.0%	0.0%	4.5%	4.0%	0.5%	11.0%	10.0%	1.0%	16.0%	15.0%	1.0%	21.5%	20.0%	1.5%
IG Corporates	0.0%	0.0%	0.0%	3.5%	4.0%	-0.5%	8.0%	9.0%	-1.0%	12.5%	13.5%	-1.0%	17.0%	17.5%	-0.5%
Alternatives	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Cash	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

To better align with STAAC's asset allocation framework, mid caps have been combined with large caps in the TAA. Accounts with distinct mid cap allocations may disaggregate mid caps from the “Large & Mid” exposure shown in the table roughly in-line with relative market cap values: 75% Large Cap 25% Mid Cap. For a more detailed breakdown and explanation, please refer to the Supplemental Mid Cap Reference Guide on page 9.

Equity Asset Classes

Still Leaning Into the AI Trade and Large Cap Growth Stocks as 2026 Approaches

LPL Research continues to advise against increasing portfolio risk beyond benchmark targets with stock valuations reflecting a lot of positive news. While investor positioning is not as stretched following the November pullback, valuations remain elevated and recent rotation dynamics suggest additional potential market swings. Given the powerful AI trend, big tech's significant earnings power, likely impending rate cuts, and the fiscal stimulus boost in 2026, we believe pullbacks are likely to be shallow. Consider adding on weakness.

The Strategic and Tactical Asset Allocation Committee (STAAC) continues to favor large caps slightly over small caps and growth slightly over value. From a geographic perspective, the STAAC recommends benchmark level exposures to U.S., developed international, and emerging markets, with U.S. upside potential from AI, and non-U.S. upside potential if the U.S. dollar weakens.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large/Mid Growth**	Overweight	Positive	The technology-driven earnings on the growth side help justify rich valuations. Large cap companies continue to offer compelling earnings power. Outperformance is more likely as economic growth moderates, but AI scrutiny will only increase. The rotation to value many called for a year ago could arrive in 2026.
	Large/Mid Value	Neutral	Neutral	An increase in market volatility along with weakness in the AI theme may be needed for value stocks to outperform in 2026. Valuations are relatively attractive, and the One Big Beautiful Bill Act (OBBBA) will drive helpful capital investment and aid cyclicals. Waiting for more evidence of a sustained rotation to value.
	Small Growth	Neutral	Positive	Attractive valuations and impending Fed rate cuts are supportive, but a slowing economy, potentially tighter credit markets in 2026, and ongoing AI investment that favors large caps could present headwinds, especially if volatility picks up.
	Small Value	Underweight	Negative	Attractive valuations, financial deregulation, a likely pickup in capital investment, and Fed rate cuts are supportive. While some policy uncertainty has cleared, STAAC favors balance sheet strength in a slowing economy.
Region	**United States**	Neutral	No Trend	AI investment, Fed rate cuts, fiscal stimulus, and a resilient U.S. dollar are among keys to potential U.S. outperformance through year end and into 2026. Rich valuations may limit upside, but these powerful cycles and the U.S. innovation advantage make it very difficult to underweight U.S. equities here.
	Developed International	Neutral	No Trend	The STAAC remains neutral on developed international. International economies have become more competitive, with significant deficit/defense spending in Europe, and valuations are attractive, but the firming U.S. dollar and U.S. tech strength are headwinds for international outperformance. Watch for a dollar reversal lower as a potential catalyst.
	Emerging Markets	Neutral	No Trend	Fundamentals have improved some in emerging markets (EM), but not enough to recommend the asset class over the U.S. right now, despite attractive valuations. China's economic outlook has stabilized, or perhaps improved some, as trade tensions with the U.S. have eased. Watching for technical analysis picture to improve and for a potential bearish move in the dollar

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

Equity Sectors

Sticking With Economically Sensitive Posture as Bull Market Continues

The STAAC continues to recommend a slight tilt toward more economically sensitive sectors, but the Committee has taken a slightly more cautious stance with the November downgrade of financials on waning relative strength. The Committee continues to favor the communication services sector amid robust investment in AI and reasonable valuations. The real estate underweight reflects deteriorating relative strength and a preference for economic sensitivity. Some sectors to watch as 2026 approaches include healthcare and industrials, which could be beneficiaries of a broadening bull market with gains less concentrated in the AI theme.

Color Key:

● Strong Overweight ● Overweight ● Neutral ● Underweight ● Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Basic Materials**	· · ● · ·	Negative	1.7	November outperformer (+4.0%) on gains across commodities. Strength across metals and packaging more than offset weakness in agriculture. Fiscal stimulus in the U.S. in 2026 may provide support, but China remains a wildcard.
	Consumer Cyclical	· · ● · ·	No Trend	10.3	Underperformer in November (-2.4%) as weakness in cruise lines and some specialty retailers weighed as consumer spending slowed. Travel related stocks and value-oriented retailers were standouts to the upside. Wealth effects and 2026 tax cuts will help. Valuations are reasonable overall. Layoffs remain a near-term risk.
	Financial Services	· · ● · ·	Negative	13.1	Outperformer in November with a 1.7% gain. Confidence in the leveraged loan market appears to have been restored, for now. Reasonable valuations, healthy capital markets, a steep yield curve, and de-regulation are supportive.
	Real Estate	· · · ● ·	Negative	1.9	November outperformer (+1.8%) on stable interest rates, despite weakness in data center REITs. Iron Mountain (IRM) fell 16%. Recent downgrade was mostly technical analysis driven. Defensive income has been out of favor. Valuations are reasonable.
Sensitive	**Communication Services**	· ● · · ·	No Trend	10.7	Second best sector in November (+6.4%) on Alphabet's (GOOG/L) 13%+ gain on the month and strength in legacy telecom, which offset weakness in Netflix (NFLX) and Disney (DIS). Good growth outlook at a reasonable price. Technicals holding up.
	Energy	· · ● · ·	Negative	2.9	Outperformed in November (+1.8%) on surging natural gas prices, which offset weakness in oil on improved Russia-Ukraine peace prospects. Abundant global supply and slowing global growth weighing on sentiment. Reasonable valuations.
	Industrials	· · ● · ·	Negative	8.1	Underperformer in November (-1.0%) on weakness in engineering and construction, which offset strength in airlines and logistics. Beneficiary of AI data center buildouts and near-shoring. Full valuations and mixed technicals suggest waiting for a dip.
	Technology	· · ● · ·	Positive	34.8	Uncharacteristic laggard in November with a 4.4% decline amid increase AI scrutiny and competition. AI skepticism reflected in double-digit declines in Palantir (PLTR), Arista Networks (ANET), Oracle (ORCL), and Super Micro (SMCI). Valuations are high but earnings are set to grow nearly 30% in Q3. Strong momentum still.
Defensive	**Consumer Defensive**	· · ● · ·	Negative	4.8	Outperformer in November (+3.9%) on strength in value-oriented retailers and some rotation out of high-fliers in tech and into cheaper names. Restored SNAP benefits a positive and stimulus in 2026 will help. Reasonable valuations. Weak technical trend.
	Healthcare	· · ● · ·	Positive	9.5	Top November performer (+9.1%) as policy headwinds have cleared around drug pricing, the acquisition environment improved, and Eli Lilly (+24.6%) rode the GLP-1 wave. Attractive valuations. Firming technicals. Mean reversion/rotation beneficiary.
	Utilities	· · ● · ·	No Trend	2.3	Slight November outperformer (+1.3%) despite cooling in AI power demand theme. Stable interest rates helped. Recent upgrade to neutral mostly a technical analysis call, but still the AI power demand lift is real. Likely outperformer in a market sell-off.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services.

Fixed Income

Stuck in Neutral

U.S. Treasury yields have been rangebound recently as the market grapples with the ongoing Fed rate cut campaign and, more specifically, how low the Fed will take the fed funds rate before ending its current campaign. Currently, markets think the Fed will take the fed funds rate to around 3% before stopping. If markets are right, that means Treasury yields will likely continue to be in a trading range until economic data suggests otherwise. As such, we remain neutral duration relative to benchmarks.

We continue to think high-quality sectors within the fixed income universe (Treasuries, MBS and shorter-maturity corporates) offer attractive risk-return opportunities. Spreads for most bond sectors, particularly plus sectors, remain at or near secular tights.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

Current Stance

	Low	Med	High	Rationale
Credit Quality Preference			✓	Recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain near longer-term averages, we think the risk-reward favors owning core bond sectors over the riskier sectors.
	Short	**Inter.**	**Long**	**Rationale**
Duration Preference		✓		Yields remain under pressure from conflicting narratives: slowing growth (lower yields) but stickier inflation and large budget deficits (higher yields), which will likely keep rates directionless (but volatile) until/unless the economic data softens enough to price in a deeper rate cutting campaign by the Fed. We think the yield curve can continue to steepen, led by a fall in shorter maturity yields. We remain neutral duration.
	Neg.	**Neut.**	**Pos.**	**Rationale**
Municipal Bond View		✓		Over the past few months, the muni market has mostly overcome record levels of supply and has outperformed many taxable alternatives. Tax-equivalent yields remain attractive, particularly relative to taxable corporate bonds. Curve steepness suggests intermediate term allocations are worth a look.

		Overall View	Overall Trend	Rationale
Core Sectors	**U.S. Treasuries**	Neutral	Positive	Treasury yields were generally lower in November with the 10-year Treasury yield lower by 0.07%. We think the 10-year will trade between 4.0–4.5% throughout the rest of the year. To get Treasury yields much lower though, economic data will need to show further deterioration. Technically, 10-year yields remain in a downtrend, but more recently, have been stuck in a consolidation range between support at 4.00% and resistance at the 4.16%–4.20% range.
Core Sectors	**Mortgage-Backed Securities**	Overweight	Positive	We remain constructive on agency MBS. Yields and spreads have come down recently but are still attractive, particularly relative to lower-rated corporates. Interest rate volatility has fallen, and bank demand has increased — both remain supportive for future outperformance.
Core Sectors	**Investment-Grade Corporates**	Underweight	Positive	We recommend an underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid, but valuations are stretched.
Core Sectors	**TIPS**	Neutral	Positive	Inflation expectations have come down recently making the "hurdle" to invest in TIPs (versus nominals) lower. All-in yields for TIPS remain attractive, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors	**Preferred Securities**	Neutral	Negative	Valuations/spreads are back to historical averages, but all-in yields remain attractive for income-oriented investors. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but the environment favors active management.
Plus Sectors	**High-Yield Corporates**	Neutral	Positive	High-yield markets have priced out most risks with spread volatility collapsing and spreads near secular tights across quality buckets. Yields for high-yield bonds are below historical averages, and we think the risk/reward is unattractive for most investors. The quality of the market has improved recently though. The asset class is better suited for income-oriented investors.
Plus Sectors	**Bank Loans**	Neutral	No Trend	Downgrades and defaults have increased and could increase still if the economy slows/contracts. Given current economic uncertainty, high-risk credit sectors could underperform safer "core" sectors.
Plus Sectors	**Foreign Bonds**	Neutral	No Trend	Yields have moved higher recently but are still generally lower than U.S. markets, despite ongoing political dysfunction in France and monetary policy normalization in Japan. Currency volatility is a risk. The asset class is more attractive for U.S. dollar hedged investors.
Plus Sectors	**EM Debt**	Neutral	Positive	Valuations are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries.

Commodities and Currencies

Commodity Market Winning Streak Continues

The winning streak for commodities continued in November as the Bloomberg Roll Select Commodity Total Return Index (BCOMRST) — an index developed to address the issue of negative roll yields — rose for a fourth straight month. Precious metals maintained their leadership pace, while most of the energy patch continued to underperform. Lower rates, powered by rising optimism for Fed rate cuts, and a modest pullback in the dollar underpinned buying pressure. Furthermore, easing trade tensions between the U.S. and China following a successful President Trump-Xi meeting further supported upward momentum.

Precious metals continued to shine last month with silver leading the charge. The "poor man's gold" rallied 16% and notched fresh record highs. A short squeeze in the London market along with rising demand from India and silver-related ETFs supported the rally. Gold added 6% as buyers stepped in to buy the dip from oversold conditions at the start of the month. Platinum and palladium rose 6% and 1%, respectively.

Industrial metals were mostly higher in November. Steel and lithium carbonate outperformed with gains of around 7–8%. Copper added 2% and continued to pare sharp losses incurred at the end of July. Renewed optimism in AI infrastructure spending and surging withdrawals from London warehouses due to growing fears over potential U.S. tariffs helped underpin the advance.

Energy lagged against the broader commodities complex, weighed down by weaker oil and gasoline prices. West Texas Intermediate (WTI) crude oil fell 4% and extended its losing streak to four consecutive months. The prospect for a Russia-Ukraine ceasefire removed some of oil's geopolitical risk premium, while oversupply concerns remained an overhang. Record-high domestic production and rising expectations for non-OPEC+ supply next year further weighed on the supply side and offset OPEC+'s expected decision to pause production quota increases through the first quarter of 2026.

The U.S. Dollar Index edged down 0.4% after struggling with resistance from the August highs. A jump in Fed rate cut expectations weighed on the greenback, along with more hawkish outlooks from the European Central Bank (ECB) and Bank of Japan (BOJ).

Color Key: ● Positive ● Neutral ● Negative

Sector	Overall View	Overall Trend	Rationale
Energy	· ● ·	Neutral	Global supply concerns remain a major overhang for oil markets. The bear market in WTI has shown some signs of relief, but we remain respectful of oil's longer-term downtrend. Recent lower highs and the lack of bearish positioning last month suggest seller enthusiasm could be easing. A close above $62.50 would reverse a short-term downtrend and raise the probability of a potential low near $55 being set. Natural gas jumped 18% last month on the back of unseasonably cooler weather across most of the U.S. and bullish liquified natural gas (LNG) feedgas demand. **We maintain our neutral view on the energy commodity sector.**
Precious Metals	● · ·	Positive	Precious metals continued to outperform. Strong momentum in the space has been supported by a weaker dollar/lower rates, central bank buying in gold, lingering tariff uncertainty, and bullish supply/demand dynamics. **We continue to view pullbacks within the space as buying opportunities and maintain our positive view on precious metals.**
Industrial Metals	· ● ·	Neutral	Industrial metals were mostly higher last month. Renewed optimism in AI infrastructure spending and surging withdrawals from London warehouses supported buying pressure in copper. Tailwinds from accelerating electrification trends and an expanding U.S. Critical Minerals list have been other supportive factors that has helped offset weakening economic activity in China. **We maintain our neutral view on the industrial metals group.**
Agriculture (Ag) & Livestock	· ● ·	Neutral	Ag outperformed livestock last month, with notable outperformance in sugar and coffee. Soybeans rallied 3.5% as China buying returned following an extension of the U.S.-China trade truce. An improving technical backdrop points to further runway for the rally. Impressive year-to-date momentum in cattle markets stalled last month. The closure of a major Tyson Foods processing facility, White House scrutiny on meat pricing, and the removal of Brazil's 40% beef tariff weighed on price action. **We maintain our neutral view on the ag & livestock space.**
U.S. Dollar	· ● ·	Neutral	The U.S. Dollar Index slipped 0.4% last month after failing at key overhead resistance. A close above 100.40 would validate a breakout from the current bottoming process, while a break below 96 would trigger the break of a secular uptrend.

The Bloomberg Commodity Index (BCOM) is made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and potential for losses.

Alternative Investments

Trend-Followers Continue to Recoup Losses

Alternative investment strategy performance was mixed in November, with above average dispersion between managers across the main sub-strategies. The HFRX Macro: Systematic Diversified CTA Index led returns with a monthly gain of 1.1%, as trend-followers continue their attempt to recoup losses suffered during the past two quarters. Commodity trading was the main positive contributor, as long gold and silver exposure continued to perform well. Bond trading was also positive, as short positioning in Japanese bonds were profitable. For the year, the index has now gained 3.2%.

Long/short and equity market neutral funds were among the strategies experiencing higher levels of return dispersion, as strength in the value factor, combined with weakness in the growth style, caught certain managers off guard on both their long and short positioning. However, more defensively positioned equity market neutral funds that maintain sector and factor neutrality were able to better navigate the changes in equity market leadership. The HFRX Event Driven: Merger Arbitrage Index was the main laggard during the month with a loss of 0.1%, however, year to date the industry has gained 8.2%. Looking ahead, a more favorable regulatory environment, potentially lower interest rates, and increasing levels of deal flow are expected to support the space.

Given the evolving market dynamics, we are refining our alternative investment strategy as we head into 2026. We continue to favor strategies that offer enhanced diversification, downside risk mitigation, and the potential for excess returns less reliant on broad market direction — specifically equity market-neutral and nimble discretionary macro approaches. We are also more positive on merger arbitrage and private equity, which could benefit from the recent pickup in corporate dealmaking. Within private markets, we remain constructive on infrastructure and secondaries, both of which have demonstrated resilience and steady growth throughout the year. At the same time, we are moderating our tactical view on trend-following strategies, given their current heavy long exposure to risk assets. We also believe a more selective approach is warranted in private credit, given signs of deterioration in select segments of the market. The overall space remains fundamentally healthy and continues to offer historically attractive yields. That said, the recent uptick in episodic bankruptcies, loan write-offs, elevated payment-in-kind (PIK) issuance, and multi-year lows in interest coverage ratios call for a more cautious and selective approach.

Color Key: Positive Neutral Negative

	Sector	Overall View	Rationale
Fundamental	**Long/Short Equity**	Positive	Elevated volatility and ongoing stock dispersion continue to create a favorable environment for low-net, stock-picking strategies. For long-biased long/short equity managers, expanding beyond U.S. markets into regions with supportive policy frameworks may offer more compelling opportunities.
Fundamental	**Event Driven**	Positive ←	Mergers and acquisitions (M&A) and initial public offerings (IPO) have improved relative to the low levels of prior years. Distressed debt opportunities remain limited as credit spreads continue to tighten. The M&A and IPO markets have begun to show signs of recovery, expanding the investable universe for merger arbitrage managers which they should benefit from.
Tactical	**Global Macro**	Positive	Agile discretionary macro managers should continue to capitalize on economic and policy shifts, along with intermittent spikes in market volatility. Tactical discretionary macro strategies are well-positioned to capitalize on opportunities emerging from shifting economic conditions, evolving policy landscapes, and elevated market volatility.
Tactical	**Managed Futures**	→ Neutral	We continue to favor holding a diversified mix of sub-strategies, including but not limited to, short-term momentum, volatility breakout, pattern recognition, and trend following. Diversification within trend following in terms of markets and time frame is encouraged as well. We remain mindful of the significant long exposure to risk assets — particularly equities — among trend-following strategies. In this environment, a broadly diversified allocation across sub-strategies is preferred.
Multi-Strategy	**Multi-PM Single Funds**	Positive	Multi-strategy funds should continue to benefit from the ability to dynamically invest across alternative investment strategies.
	Specialty Strategies	Neutral	Volatility arbitrage and cross-asset tail risk strategies with minimal carrying cost may be good additional diversifiers in portfolios. Volatility arbitrage and tail risk with reduced/no negative carry can potentially add value to portfolios.

Please see https://www.hfr.com/indices for further information on the indices.
Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

Supplemental Mid Cap Reference Guide

Rationale for Large and Mid Cap Aggregation

The STAAC's decision to aggregate mid cap equities with large caps is driven by a desire to construct asset allocation models using distinct and efficient building blocks that either a) materially enhance expected returns, or b) materially reduce expected risk relative to our benchmark. We believe that a four-box framework, segmented by size and style, provides the most impactful differentiation for our investment decision making. Additionally, this is most aligned with our investment universe, given most active large cap managers benchmark to the Russell 1000 (which has significant overlap with the Russell Midcap Index, 800 stocks representing over 25% of market cap).

We also believe that reducing the number of style boxes improves capital efficiency and lowers trading costs and turnover. By streamlining these classifications, we can avoid such inefficiencies.

Disaggregated U.S. Mid Cap and Large Cap Tactical Asset Allocation as of 09/01/2025

The 75% Large Cap / 25% Mid Cap decomposition provided below is intended as a general reference for advisors who prefer to maintain a distinct mid cap allocation. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Russell 1000. The STAAC's official position is to treat large and mid caps as a combined category within the TAA as shown on page 3.

Investment Objective

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
Asset Class	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Large Growth	24.000%	21.375%	2.625%	20.250%	18.000%	2.250%	15.375%	13.500%	1.875%	10.500%	9.000%	1.500%	5.250%	4.500%	0.750%
Mid Growth	8.000%	7.125%	0.875%	6.750%	6.000%	0.750%	5.125%	4.500%	0.625%	3.500%	3.000%	0.500%	1.750%	1.500%	0.250%
Large Value	22.125%	21.375%	0.750%	18.750%	18.000%	0.750%	13.875%	13.500%	0.375%	9.000%	9.000%	0.000%	4.500%	4.500%	0.000%
Mid Value	7.375%	7.125%	0.250%	6.250%	6.000%	0.250%	4.625%	4.500%	0.125%	3.000%	3.000%	0.000%	1.500%	1.500%	0.000%

Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

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

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

Floating rate bank loans are loans issues by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Alternative investments are include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD $500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

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Important Disclosures

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.

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