Tactical Asset Allocation Guide

*3-12 Month View Across Asset Classes*

July 2026

# Policy, Buildouts, and Bottlenecks to Shape Markets in the Second Half

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 in June:

- **Updated 2026 S&P 500 fair value target range to 7,650–7,750**
- **Updated 2026 S&P 500 earnings per share forecast to $320**
- **Updated 2026 10-year Treasury yield target range to 4.00–4.50%**

## STAAC Asset Class Tactical Views as of 07/01/26 (GWI)

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

## STAAC Sector Tactical Views as of 07/01/26

| Sector | | | | | |
|---|---|---|---|---|---|
| Materials | | | ● Neutral | | |
| Consumer Staples | | | ● Neutral | | |
| Financials | | | ● Neutral | | |
| Real Estate | | | ● Neutral | | |
| Communications Services | | | ● Neutral | | |
| Energy | | | | ● Overweight | |
| Industrials | | | | ● Overweight | |
| Information Technology | | | ● Neutral | | |
| Consumer Discretionary | ● Strong Underweight | | | | |
| Healthcare | | | ● Neutral | | |
| Utilities | | | ● Neutral | | |

Source: STAAC as of July 1, 2026. 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.

# Investment Takeaways

Major averages capped the first half on a mixed note, with the Dow Jones and small cap Russell 2000 gaining ground, while the S&P 500 and Nasdaq fell slightly in June. Nonetheless, the S&P 500 logged its best quarterly result since 2020, with a 15.2% total return, and sealed double-digit gains for the first six months of 2026. After posting fresh records earlier in the month, the equity benchmark was weighed down by falling Magnificent Seven and big tech names, broadly credited to overheating technical indicators as well as a source of funds for the SpaceX (SPCX) initial public offering. As such, the equal weighted S&P 500 outpaced the traditional market cap-weighted index by around 3% amid a broadening under the surface and easing geopolitical tensions following the interim U.S.-Iran truce.

Core bonds edged higher for a second straight month, measured by a 0.2% rise in the Bloomberg U.S. Aggregate Index (Agg). Treasuries outperformed on the margins with a 0.3% advance as the yield curve flattened with easing inflation expectations leading longer-dated yields lower, while the short end of the curve was pressured higher by a decidedly hawkish Federal Reserve (Fed) hold and resilient economic data leading traders to price in tighter monetary policy. Meanwhile, corporate bonds and mortgage-backed securities (MBS) rose, slightly underperforming the Agg.

Looking ahead, an improving but still challenging macro backdrop and AI-driven earnings strength will continue to be the key pillars of support that may help the broader equity advance continue through year-end. We expect modest equity market gains in the second half and maintain a moderate equity overweight to take advantage, while staying diversified between the AI theme and potential rotation beneficiaries.

In fixed income, sticky inflation and resilient growth are likely to keep the Fed on an extended pause, leaving Treasury yields range-bound, with the 10-year expected to finish the year between 4.00% and 4.50%. In this environment, bond market returns may remain primarily driven by income, and we favor owning core bond sectors over lower quality riskier sectors.

The STAAC's recommended tactical asset allocation includes:

- A modest overweight stance toward equities, with a preference for U.S. for resilient economic growth, AI innovation, and relative insulation from possible additional energy shocks.
- Balanced Style Exposure. Despite strong earnings on the growth side, the risk of technology disappointments has risen.
- Industrials. Strong earnings momentum, a favorable technical backdrop, and more balanced way to play AI buildout.
- Energy. Oil prices may remain higher for longer given the ongoing disruption to tanker traffic in the Strait of Hormuz. The sector offers a desirable hedge against potential additional energy disruptions and delays restoring global production.
- Within fixed income, the Committee continues to believe the risk/reward favors owning core bond sectors over the riskier sectors.
- Within taxable markets, with yields still elevated, particularly for high-quality sectors within the fixed income universe (Treasuries, MBS and shorter-maturity corporates), income opportunities remain attractive.

## 2026 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** | $320 |
| **S&P 500 Index Fair Value** | 7,650–7,750** |

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

*Our 2026 year-end target for the 10-year Treasury yield is based on a Fed on pause throughout the year but also a slight steepening of the Treasury yield curve due to ongoing concerns about sticky inflation and Federal debt/deficits.

**Our year-end 2026 fair-value target range for the S&P 500 is 7,650–7,750, based on a price-to-earnings ratio (PE) of 22 and our S&P 500 earnings per share (EPS) forecast of $350 in 2027.

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

All data, views, and forecasts herein are as of 07/01/26.

## 2026 ECONOMIC FORECASTS

### U.S. Economy Expected to Slow This Year

| | 2026 (Y/Y, real GDP) |
|---|---|
| **United States** | 2.0% |
| **Eurozone** | 0.6% |
| **Advanced Economies** | 1.5% |
| **Emerging Markets** | 3.7% |
| **Global** | 2.2% |

Source: LPL Research, Bloomberg 07/01/26
The economic forecasts may not develop as predicted. Advanced Economies are the G-8.

# Tactical Asset Allocation as of 07/01/26

**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** | 98.0% | 95.0% | 3.0% | 84.0% | 80.0% | 4.0% | 63.0% | 60.0% | 3.0% | 42.0% | 40.0% | 2.0% | 21.0% | 20.0% | 1.0% |
| **U.S. Equity** | 79.0% | 76.0% | 3.0% | 68.0% | 64.0% | 4.0% | 51.0% | 48.0% | 3.0% | 34.0% | 32.0% | 2.0% | 17.0% | 16.0% | 1.0% |
| Large/Mid Growth | 28.5% | 28.5% | 0.0% | 24.0% | 24.0% | 0.0% | 18.0% | 18.0% | 0.0% | 12.0% | 12.0% | 0.0% | 6.0% | 6.0% | 0.0% |
| Large/Mid Value | 28.5% | 28.5% | 0.0% | 24.0% | 24.0% | 0.0% | 18.0% | 18.0% | 0.0% | 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 | 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% |
| **Thematic Equity** | 3.0% | 0.0% | 3.0% | 4.0% | 0.0% | 4.0% | 3.0% | 0.0% | 3.0% | 2.0% | 0.0% | 2.0% | 1.0% | 0.0% | 1.0% |
| U.S. Minimum Volatility | 3.0% | 0.0% | 3.0% | 4.0% | 0.0% | 4.0% | 3.0% | 0.0% | 3.0% | 2.0% | 0.0% | 2.0% | 1.0% | 0.0% | 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% | 12.0% | 15.0% | -3.0% | 32.0% | 35.0% | -3.0% | 53.0% | 53.0% | 0.0% | 74.0% | 70.0% | 4.0% |
| **U.S. Core** | 0.0% | 0.0% | 0.0% | 12.0% | 15.0% | -3.0% | 32.0% | 35.0% | -3.0% | 53.0% | 53.0% | 0.0% | 74.0% | 70.0% | 4.0% |
| Treasuries | 0.0% | 0.0% | 0.0% | 7.0% | 7.0% | 0.0% | 16.5% | 16.5% | 0.0% | 27.5% | 25.5% | 2.0% | 37.5% | 33.5% | 4.0% |
| MBS | 0.0% | 0.0% | 0.0% | 1.5% | 4.0% | -2.5% | 7.5% | 9.5% | -2.0% | 13.0% | 14.0% | -1.0% | 19.5% | 19.0% | 0.5% |
| 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** | 0.0% | 0.0% | 0.0% | 2.0% | 0.0% | 2.0% | 3.0% | 0.0% | 3.0% | 3.0% | 0.0% | 3.0% | 3.0% | 0.0% | 3.0% |
| Tactical: Global Macro | 0.0% | 0.0% | 0.0% | 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% | 0.0% | 0.0% | 0.0% | 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. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Bloomberg US Aggregate Bond Index. The bond sector allocations in the TAA and benchmark will be updated twice per year, or as necessary, in January and July where the absolute values are subject to change, but the difference between the TAA and benchmark will remain constant (absent any Tactical Asset Allocation changes from the STAAC).

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: 80% Large Cap 20% Mid Cap. For a more detailed breakdown and explanation, please refer to the Supplemental Mid Cap Reference Guide on page 9.

# Equity Asset Classes

### Maintaining Equities Overweight With Slightly More Conservative Mix as Second Half Begins

The Strategic and Tactical Asset Allocation Committee (STAAC) expects modest equity market gains in the second half and maintains a moderate equity overweight to take advantage, while staying diversified between the AI theme and potential rotation beneficiaries.

The Committee recommends balanced style exposure. Despite strong earnings on the growth side, the risk of technology disappointments has risen and positioning in AI trades has gotten stretched. A risk-friendly environment, resilient economic conditions, and resurgent earnings growth have supported small caps recently, but delayed Fed rate cuts and sticky inflation may limit further upside.

By region, the Committee favors the U.S. for continued growth potential and innovation driven by AI and stimulus, alongside relative insulation from high oil prices and dwindling global energy supplies. The Iran conflict and heightened scrutiny on AI investment remain key risks.

**Color Key:**

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

| | Sector | Overall View | Relative Trend | Rationale |
|---|---|---|---|---|
| Market Capitalization and Style | **Large/Mid Growth** | · · ● · · | No Trend | The outsized rally in the technology-heavy growth style and stretched institutional and retail investor positioning suggest some caution toward the growth style is warranted. While AI-driven earnings growth prospects remain very strong and an opportunity may present itself after a period of consolidation, the risk of technology disappointments has risen. |
| Market Capitalization and Style | **Large/Mid Value** | · · ● · · | No Trend | In the near term, if the AI trade is due for a pause, then the value style may be a rotation beneficiary. The value style may also get support from an energy sector that we believe may be underpricing upside risk to oil prices. If markets pull back in the near-term, defensive, high-quality value stocks, such as those that make up much of the low-volatility strategies, may get a bid. |
| Market Capitalization and Style | **Small Growth** | · · ● · · | Positive | A risk-friendly environment, resilient economy, and resurgent earnings growth supported small cap growth stocks in the first half. But delayed Fed rate cuts and sticky inflation dampen the near-term outlook, and small growth stocks are not insulated from a potential technology-led pullback or broad market volatility. |
| Market Capitalization and Style | **Small Value** | · · ● · · | Negative | STAAC's upgrade in April reflected attractive relative valuations, an improved technical analysis backdrop, and the potential for a bounce on de-escalating Middle East tensions. Financial deregulation, booming capital investment, and a more domestic focus are also positive, offset by delayed Fed rate cuts, sticky inflation, and relatively weaker balance sheets. |
| Region | **United States** | · · · ● · | Positive | Favor the U.S. for continued growth potential and innovation driven by AI and stimulus, alongside relative insulation from high oil prices and dwindling global energy supplies. The Iran conflict, scrutiny on AI investments, and delayed Fed rate cuts are among key market risks. |
| Region | **Developed International** | · · ● · · | Negative | Added deficit/defense spending in Europe, corporate reforms in Japan, alongside Bank of Japan support for the yen, and valuations are supportive. Short term, an opening of the Strait of Hormuz could provide Europe and Asia with a performance boost, balanced against slower growth and a firm U.S. dollar. |
| Region | **Emerging Markets** | · · ● · · | Positive | With geopolitical tensions still high, the Iran conflict not yet resolved, and Asian chipmakers having surged, EM equities may have moved too far, too fast. The MSCI EM Index has a higher weighting in the technology sector than the S&P 500, essentially making EM an AI trade that may need further consolidation. |

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

### Continue to Recommend Slightly Conservative Sector Positioning as Second Half Begins

STAAC recommends a slightly conservative equity sector mix as the second half begins given the extent of gains in the AI-related areas of the market. Low-volatility equity strategies may be beneficiaries of periodic rotations out of AI names near term. Once a sustained resolution to the Iran conflict is reached and the Strait of Hormuz clears, consider a shift from energy to AI buildout beneficiaries. For now, the Committee favors energy and industrials, while maintaining an underweight position in consumer discretionary. Businesses have the best balance sheets and opportunities to benefit from AI, while inflation pressures continue to challenge consumers.

**Color Key:**

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

| | Sector | Overall View | Relative Trend | S&P Wgt. | Rationale |
|---|---|---|---|---|---|
| Cyclical | **Basic Materials** | Neutral | No Trend | 1.9 | Flat June but solid first half (+12%) on strength in agricultural chemicals, steel, and metals. Fiscal stimulus and data center builds are supportive, but Chinese demand is not particularly strong. |
| Cyclical | **Consumer Discretionary** | Strong Underweight | Negative | 9.4 | Underperformed in June (-4.7%), capping off a challenging first half (-0.8%) as high oil prices and broader inflation pressures weighed on certain retailers, even as upper income consumers held up well. Nothing compelling in valuations or technicals. |
| Cyclical | **Financial Services** | Neutral | Negative | 12.3 | Disappointing first half (-1.3%) but showed some lift in June (+4.4%) with solid outperformance. Robust capital markets activity, strength in insurance, and easing of AI disruption were supportive amid ongoing private credit angst. Bank de-regulation and valuations are supportive, offsetting slow earnings growth, and soft technicals. |
| Cyclical | **Real Estate** | Neutral | Negative | 1.9 | Outperformed in June (+0.8%) and first half (+11.5%) despite upward pressure on rates. Technology sensitivity helped until June, but group showed resilience in the face of rising interest rates. Reasonable valuations. Improving technicals. |
| Sensitive | **Communication Services** | Neutral | Negative | 10.1 | Worst performing sector in June (-7.8%) amid weakness in Meta (META), Netflix (NFLX), and legacy telecom. Lagged in first half (+0.8%) on weakness in NFLX, cable providers, AT&T (T), and Disney (DIS). Still solid growth at reasonable valuations. |
| Sensitive | **Energy** | Overweight | Positive | 3.1 | Underperformed in June (-5.1%) as crude prices fell sharply on de-escalation of the Iran conflict but gained 19.7% in strong first half. STAAC expects oil prices to stay higher for longer. Attractive risk hedge. Attractive valuations. Favorable technicals. |
| Sensitive | **Industrials** | Overweight | No Trend | 8.8 | Top sector performer in first half (+20.2%) and in June (+7.3%) on AI boost and airline gains as oil prices fell. Business tax incentives and AI investment remain tailwinds. Earnings expectations look conservative, but valuations and positioning are full. |
| Sensitive | **Technology** | Neutral | Positive | 36.7 | Lagged in June (-3.3%) on software weakness despite semiconductor gains. Similar story in first half (+19.8%). Overall, stretched positioning and extreme overbought conditions led to STAAC's June downgrade. Volatility likely to continue as scrutiny on AI increases. Reasonable valuations given the growth. Due for pause/consolidation. |
| Defensive | **Consumer Staples** | Neutral | Negative | 4.7 | Up 0.5% in June as defensive sectors perked up but slight first half laggard (+8.0%). Solid June gains for household products, offsetting staples retailer weakness. Tobacco and Coca-Cola (KO) big year-to-date winners, despite consumer stress. Little to get excited about with slow growth, rich valuations, and sub-par technicals. |
| Defensive | **Healthcare** | Neutral | Negative | 9.2 | Strong performer in June (+6.6%) on rotation out of tech, biotech gains, but only +3.5% in first half. Potential second half beneficiary from midterms. Attractive valuations on low earnings bar to clear. Improving but still challenging technical analysis backdrop. |
| Defensive | **Utilities** | Neutral | Negative | 2.2 | Outperformed in June (+2.4%) despite upward pressure on interest rates and a cooler AI trade. Slight first half laggard (+6.2%). May get a defensive bid near-term, especially if interest rates fall. Earnings growth is solid, but technicals are sub-par and valuations are not compelling. |

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

## Higher for Longer: Keep Calm and Carry On

A still resilient economy coupled with sticky inflation likely means the Fed is on a prolonged pause. As such, Treasury yields are likely in a trading range until a) inflation falls meaningfully this year and/or b) the economy weakens. As neither represents our base case, we think the 10-year Treasury yield will end the year within a 4.00–4.50% range. As such, returns will likely continue to come from income.

In taxable markets, with yields still elevated, particularly for high-quality sectors within the fixed income universe, (Treasuries, MBS and shorter-maturity corporates) income opportunities remain attractive.

**Color Key:**

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

| | | Low | Med | High | Rationale |
|---|---|---|---|---|---|
| Current Stance | **Credit Quality Preference** | | | ✓ | Recommend an up-in-quality approach in allocating to fixed income sectors. All-in yields for lower quality remain near or below longer-term averages, so we think the risk/reward favors owning core bond sectors over the riskier sectors. |
| | | **Short** | **Inter.** | **Long** | **Rationale** |
| Current Stance | **Duration Preference** | | ✓ | | The combination of still high inflation due to the Iran conflict and ongoing AI-related growth uncertainty argues for continued caution in interest-rate exposure. For now, we remain neutral duration relative to benchmarks, waiting for more attractive entry points. We would look for the 10-year Treasury yield to reach the 4.75–5.00% range before reconsidering duration positioning. |
| | | **Neg.** | **Neut.** | **Pos.** | **Rationale** |
| Current Stance | **Municipal Bond View** | | ✓ | | Record demand has helped keep prices contained despite the record pace of new supply. And despite the recent rally, tax-equivalent yields remain above longer-term averages. Credit quality remains strong and technical supply/demand dynamics will improve over the next several months. We think the intermediate parts of the muni market offer the best risk/reward. |

| | | Overall View | Overall Trend | Rationale |
|---|---|---|---|---|
| Core Sectors | **U.S. Treasuries** | · · ● · · | Negative | Treasury yields have largely decoupled from oil prices so a decline in prices will likely have a minimal impact on yields. Yields are trading more on renewed growth expectations. Term premium remains low and could continue to move higher the longer the Iran conflict stretches out. We recently increased our 2026 year-end forecast to 4.0–4.5% but would look to 4.75–5.0% as potentially an attractive entry point. |
| Core Sectors | **Mortgage-Backed Securities** | · ● · · · | No Trend | We recently downgraded MBS due to valuations as spreads are below our fair value estimates. But supply/demand dynamics remain favorable, so it's unlikely, absent a resumption of rate hikes by the Fed, that spreads would widen much from current levels. All-in bond yields remain compelling. |
| Core Sectors | **Investment-Grade Corporates** | · ● · · · | No Trend | 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 spreads remain tight to historical averages. |
| Core Sectors | **TIPS** | · · ● · · | Positive | Despite recent high inflation prints, inflation expectations remain well anchored. But all-in real yields for TIPS remain attractive, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises. |
| Plus Sectors | **Preferred Securities** | · · ● · · | No Trend | 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** | · · ● · · | Positive | High-yield markets have priced out most risks with spread volatility collapsing. 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 leaving current valuations fair. |
| Plus Sectors | **Bank Loans** | · · ● · · | Positive | The loan market is highly concentrated in software loans so downgrades and defaults will likely increase if AI risks are real. The Iran conflict has pushed out rate cut expectations and while broader default activity has moderated of late, "higher for longer" could increase repayment risks. |
| Plus Sectors | **Foreign Bonds** | · · ● · · | No Trend | Yields have moved higher recently and are at their highest level in decades. Near term pressures could keep yields high but dollar-hedged investments look attractive for those investors that can take off benchmark exposures. |
| Plus Sectors | **EM Debt** | · · ● · · | No Trend | Valuations/yields are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries. It's an environment for active management. |

# Commodities and Currencies

## Commodity Markets Log Back-to-Back Declines

The broader commodity complex retreated for a second consecutive month in June. The Bloomberg Roll Select Commodity Total Return Index fell 8.6%, dropping below its 50- and 100-day moving averages (dma) before steadying amid sharply oversold conditions. Energy markets remained in the spotlight as Washington and Tehran reached an interim memorandum of understanding, sending Brent crude down roughly 20% for the second straight month on anticipation of a gradual restoration of trade flows through the Strait of Hormuz. Natural gas was a relative outperformer again, shedding just 0.5% after remaining rangebound in the wake of May's rally off oversold levels, while weather forecasts showing a mix of temperatures across the lower 48 states did not point to a surge in cooling demand.

However, precious metals led the complex lower, as shorter-dated Treasury yields continued to rise amid reduced Fed rate cut expectations, while the dollar posted its strongest month since March. Gold erased year-to-date gains as an uptick in volatility pushed the yellow metal below its 200-dma, while silver also sold off sharply. Industrial metals also declined, with copper easing from record levels ahead of the White House's review on refined copper imports on June 30 (despite still strong demand dynamics) before catching support. In currencies, the U.S. Dollar Index gained 2.3%, breaking above its year-long trading range following June's decidedly hawkish Fed meeting.

**Color Key:** Positive Neutral Negative

| Sector | Overall View | Overall Trend | Rationale |
|---|---|---|---|
| **Energy** | · · ● | Positive | Oil prices continued to fall last month following the U.S.-Iran peace deal, with Brent crude prices gapping below key support levels and pulling back near late-February levels. Implied oil market volatility also extended declines but continues to hover slightly above its long-term average. Nonetheless, questions over when the strait fully reopens, at what cost, and how quickly supply returns remain unanswered. Reopening the strait is unlikely to create a linear path to replenished supply and stockpiles remain tight. **We maintain a constructive view on the energy sector.** |
| **Precious Metals** | · · ● | Positive | Rising real yields and hawkish leaning takeaways from the June Fed meeting were headwinds for precious metals last month. We still believe that the longer-term structural drivers for gold remain intact, but the yellow metal is retesting key support levels from the fourth quarter of 2025. We remain respectful of gold's long-term uptrend and are monitoring for signs that support is holding, along with an improvement in momentum. **We maintain our positive view on precious metals.** |
| **Industrial Metals** | · · ● | Positive | Industrial metals declined last month but outperformed their precious metal peers and the broader commodity complex. Strong demand tied to AI-related capital spending, global infrastructure investment, and electrification trends remain as key tailwinds, while supply remains constrained by years of underinvestment, mining outages, and a growing critical minerals arms race. These supply-demand imbalances will likely support prices and offset potential trade policy headwinds. **We maintain our positive view on industrial metals.** |
| **Agriculture (Ag) & Livestock** | · ● · | Neutral | Ag broadly traded lower last month amid mixed performance. Corn prices extended May's drop with a 7.6% decline, falling through key support at the 200-dma after global stocks and crop estimates rose more than expected. Wheat prices also declined on early U.S. harvest progress running ahead of schedule. Livestock was a bright spot, as live cattle futures rose slightly and held above its 50-dma, supported by ongoing screwworm concerns. **We maintain our neutral view on ag & livestock.** |
| **U.S. Dollar** | · ● · | Neutral | After being confined within a year-long trading range, the dollar rose strongly in response to a hawkish Fed hold with additional support from the yen nearing 40-year lows. However, structural headwinds, such as central bank diversification away from the dollar, widening global monetary policy expectations, and the U.S. fiscal trajectory, remain in place. While the longer-term secular uptrend remains intact, further gains will require the greenback to breach resistance levels from early 2025. |
| **Crypto** | ● · · | Negative | Bitcoin sold off 20.1% in June, ending near two-year lows. Selling from large investors ramped up after May's decline, while exchange-traded funds (ETFs) continued to face net outflows. Technically, Bitcoin staged a mid-month bounce attempt but ended near monthly lows while approaching support from September 2025 levels. Given the prevailing downtrend and continued momentum weakness, we maintain a cautious outlook on Bitcoin until further technical evidence suggests a durable bottom has been established. |

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

## Sector Dispersion

Alternative investment strategy performance was mixed in June, with equity-oriented hedge fund strategies participating in continued gains across many risk assets despite a more volatile market backdrop. Global markets traded through a wide intra-month range as investors navigated shifting sentiment around AI-related equities, geopolitical developments in the Middle East, and changing interest-rate expectations, Against this backdrop, alternative investment strategies generally delivered positive returns while continuing to offer diversification benefits relative to traditional stock and bond allocations.

Long/short equity strategies remained a key contributor to performance, with the HFRX Equity Hedge Index gaining 1.7% in June. Value-oriented managers benefited from strength in large-cap U.S. banks and healthcare firms, while growth managers encountered elevated volatility within technology- and AI-related sectors despite elevated volatility. Dispersion across sectors, regions, and factors remained high, creating a favorable environment for active stock selection on both the long and short sides of portfolios.

One of the more notable developments during the month was the strong performance of equity market-neutral strategies, with the HFRX Equity Market Neutral Index advancing 1.81%. Market-neutral managers benefited from mean-reverting and factor-based opportunities as leadership broadened beyond the concentrated AI winners that had dominated much of the prior market cycle. These results reinforce the role of market-neutral strategies as a source of diversified return streams that are less dependent on overall market direction.

In contrast, trend-following and managed-futures strategies experienced a more challenging environment. The HFRX Macro Index lost 0.88%, while the HFRX Macro Systematic/CTA Index fell 1.36% during the month. Currency trends, particularly the strengthening U.S. dollar, and reversals across several commodity markets, created headwinds for systematic trend-following models. Oil prices fell sharply during June, and movements across commodities and rates were generally less favorable for sustained trend capture than earlier in the year.

We continue to favor strategies that can capitalize on elevated dispersion and changing market regimes, including equity market-neutral, nimble discretionary global macro, and event-driven approaches. Recent performance has reinforced our view that a diversified allocation to alternatives can enhance portfolio resilience while providing differentiated sources of return across varying market environments.

**Color Key:** Positive  Neutral  Negative

| | Sector | Overall View | Rationale |
|---|---|---|---|
| Fundamental | **Long/Short Equity** | Positive | Elevated volatility and ongoing stock dispersion should 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 market, in particular, have a pipeline of mega-cap deals, which has resulted in a period of active index rebalancing. |
| 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 large long equity and short bond exposure. 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 approximately 20% 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 07/01/2026

*The 80% Large Cap / 20% 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. The Supplemental Mid Cap Reference Guide will be updated twice per year, or as necessary, in January and July.*

**Investment Objective as of 07/01/2026**

| | 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 | 22.795% | 22.795% | 0.000% | 19.200% | 19.200% | 0.000% | 14.400% | 14.400% | 0.000% | 9.600% | 9.600% | 0.000% | 4.800% | 4.800% | 0.000% |
| Mid Growth | 5.705% | 5.705% | 0.000% | 4.800% | 4.800% | 0.000% | 3.600% | 3.600% | 0.000% | 2.400% | 2.400% | 0.000% | 1.200% | 1.200% | 0.000% |
| Large Value | 22.795% | 22.795% | 0.000% | 19.200% | 19.200% | 0.000% | 14.400% | 14.400% | 0.000% | 9.600% | 9.600% | 0.000% | 4.800% | 4.800% | 0.000% |
| Mid Value | 5.705% | 5.705% | 0.000% | 4.800% | 4.800% | 0.000% | 3.600% | 3.600% | 0.000% | 2.400% | 2.400% | 0.000% | 1.200% | 1.200% | 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 issued 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 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.

Precious metal investing involves greater fluctuation and potential for losses.

# Important Disclosures

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

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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