

Breakout to New Highs Increases Conviction in U.S. Equities Overweight

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 July:

- Exited thematic equity exposure to U.S. minimum volatility
- Initiated thematic equity exposure to U.S. quality

STAAC Asset Class Tactical Views as of 08/01/26 (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	*	*	*	●	*
Thematic Equity	*	*	*	●	*

STAAC Sector Tactical Views as of 08/01/26

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

Source: STAAC as of August 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

U.S. stocks kicked off the second half on a muted note with major averages finishing a dizzying month mixed. The S&P 500 edged lower in July, displaying some noteworthy resilience as sharp bouts of momentum and leverage unwinding in the semiconductor and memory spaces were generally offset by extended market broadening — powering outperformance for the equal-weight S&P 500 Index. Simultaneously, the artificial intelligence (AI) narrative shifted from demand and spending promises to showing returns on massive outlays amid spending scrutiny and open-source model competition concerns. Nonetheless, hyperscaler earnings reinforced AI demand and improving monetization during a broadly strong start to the earnings season. Meanwhile, equity markets generally shrugged off geopolitics.

Core bonds, measured by the Bloomberg U.S. Aggregate Index (Agg), declined in July, marking their first monthly drop since March. Treasuries posted a loss as well, weighed down by a sell-off on the backend of the curve as 10- to 30-year yields peaked at month's end on Federal Reserve (Fed) credibility jitters. The 30-year yield reached its highest level since 2007 after another ambiguous press conference from Chairman Warsh left markets mulling the central bank's reaction function. Meanwhile, corporate and mortgage-backed securities (MBS) underperformed the Agg.

We expect 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. STAAC maintains a moderate equity overweight recommendation, while staying diversified across the AI theme and potential rotation beneficiaries. The technical analysis picture has gotten more supportive on the recent breakout to new highs.

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. equities backed by resilient economic growth, AI innovation, and relative insulation from possible additional energy shocks.
- Balanced Style Exposure. Despite strong earnings on the growth side, the bar for technology is high and our technical analysis work suggests at least market weighting the value style.
- Favor industrials. Strong earnings momentum, a favorable technical backdrop, and a beneficiary of the AI buildout.
- Energy. Oil prices may remain higher for longer given ongoing disruptions to tanker traffic in the Middle East. The sector offers a desirable hedge against potential additional energy disruptions and delays in 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 08/01/26

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. Quality	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 While Targeting More Upside Participation Following S&P 500 Breakout

We maintain our moderate equity overweight recommendation, while staying diversified between the AI theme and potential rotation beneficiaries. We recommend an implementation of the overweight that achieves more upside participation following the S&P 500 breakout to new highs in early August. As such, we are shifting from low volatility strategies toward a quality-factor tilt.

By style, despite strong earnings on the growth side, the bar for technology is high and our technical analysis work suggests at least market weighting the value style.

By region, the Committee favors the U.S. for continued growth potential and innovation driven by AI and fiscal stimulus, alongside relative insulation from high oil prices and dwindling global energy supplies. The Iran conflict and heightened AI scrutiny 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	Stretched positioning and overbought technical conditions within the technology sector have mostly reset, but we have not seen enough technical progress by the growth style to consider a shift back in that direction. While AI-driven earnings growth prospects remain very strong, expectations are high. Our energy overweight and consumer discretionary underweight give us a slight value bias.
	Large/Mid Value	* * ● * *	Positive	In the near term, if the AI trade continues to consolidate and/or experience an intra-theme rotation (to software from semis), then the value style may have an opportunity to make up some ground near term. The value-heavy energy sector may be underpricing upside risk to oil prices. If markets are choppy near-term, a high-quality factor tilt may be helpful. Slight positive bias.
	Small Growth	* * ● * *	No Trend	A risk-friendly market environment, resilient economy, and resurgent earnings growth are supportive. But the possibility of Fed rate hikes, rising long-term rates, and sticky inflation dampen the near-term outlook. Further, small growth stocks are not insulated from volatility around AI scrutiny. Staying neutral.
	Small Value	* * ● * *	No Trend	Attractive relative valuations, financial deregulation, booming capital investment, and a more domestic focus are positives, offset by potential Fed rate hikes, sticky inflation, and relatively weaker balance sheets. Technicals slightly favor small growth over small value.
Region	United States	* * * ● *	Positive	Favor the U.S. for continued economic growth potential and innovation driven by AI, booming earnings and fiscal stimulus, alongside relative insulation from high oil prices and dwindling global energy supplies. The Iran conflict, scrutiny on heavy AI investment, and potential Fed rate hikes are among key market risks.
	Developed International	* * ● * *	No Trend	Increased deficit/defense spending in Europe, corporate reforms in Japan, Japanese and U.S. Treasury 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.
	Emerging Markets	* * ● * *	No Trend	With the Iran conflict unresolved, and Asian chipmaker volatility still high, a neutral stance still seems prudent for EM equities. The MSCI EM Index has a higher weighting in the technology sector than the S&P 500, essentially making EM an AI trade. Improved China performance is notable.

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 Favor Industrials for Growth and Energy for Defense

STAAC recommends a slightly conservative equity sector mix, underweighting consumer discretionary while overweighting energy and industrials. Once a sustained resolution to the Iran conflict is reached and the Strait of Hormuz clears, we would consider a shift away from energy, while industrials remain well positioned to benefit from the ongoing and massive AI buildout. Businesses have the strongest balance sheets and more opportunities to benefit from AI, while consumers still face inflation pressures, supporting our recommended underweight to consumer discretionary. Among neutral sectors, technical trends suggest healthcare, financials, and technology are among potential second half upgrades, while utilities are a potential second half downgrade.

Color Key:

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

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	Basic Materials	* * ● * *	No Trend	1.8	Slight underperformer in July (-1.7%) on weakness in chemicals and commercial and residential construction related names, partly offset by strength in copper and steel stocks. Fiscal stimulus and the data center buildout help, but Chinese demand is soft.
	Consumer Discretionary	● * * *	Negative	9.3	Modest gain in July (+0.8%) but roughly unchanged YTD. Higher oil prices, lingering inflation pressure, and 26% drop in Tesla (TSLA) shares offset by Amazon (AMZN), up 14%, and earnings boosts to some restaurants and specialty retailers. Biased toward upgrade to modest underweight. Technicals still negative.
	Financial Services	* * ● * *	Positive	12.3	Strong July outperformer with a 6.2% gain. Robust capital markets activity, product innovation by exchanges, and a steep yield curve were supportive, while private credit fears have eased. Bank de-regulation and valuations are supportive, and technicals have started to improve, but earnings growth is poised to slow.
	Real Estate	* * ● * *	No Trend	1.8	Outperformed for second straight month in July (+2.5%). YTD outperformer despite upward pressure on interest rates. Technology sensitivity helped in July, offsetting weakness in residential REIT segment. Reasonable valuations. Improving technicals.
Sensitive	Communication Services	* * ● * *	Negative	9.7	Gained 0.6% in July as cable and entertainment stock weakness offset solid gains in TV networks and legacy telecom players. Still solid growth at reasonable valuations, but technicals are weakening and mega-cap sector leaders have stalled.
	Energy	* * * ● *	No Trend	3.2	Top performing sector in July (+12.6%) and YTD (+34.7%). Crude prices jumped 20% last month on re-escalation of the U.S.-Iran conflict and ongoing disruptions to tanker traffic in the Mideast. STAAC expects oil prices to stay higher for longer. Attractive risk hedge. Attractive valuations. Favorable technicals.
	Industrials	* * * ● *	Positive	8.8	Lagged in July (-3.0%) but still strong 16.5% YTD gain, second only to energy. Payroll processors and defense stocks were strong in July, offsetting some weakness in AI-levered names. Business tax incentives and AI buildout remain tailwinds. Earnings expectations still look conservative, but valuations and positioning are full.
	Technology	* * ● * *	Positive	37.7	Lagged for second straight month in July (-3.4%) on chips/memory losses. Still YTD winner (+15.7%). Software/services +13.2% last month. Stretched positioning and overbought conditions that drove our June downgrade have mostly reset. Reasonable valuations. Restored momentum. Volatility likely to continue amid AI scrutiny.
Defensive	Consumer Staples	* * ● * *	No Trend	4.5	Up 2.1% in July on food and beverage strength, partly offset by weakness in household products, and in line YTD (+10.1%). Defensive sectors were bid in July, but slow growth, rich valuations, and sub-par technicals point to neutral.
	Healthcare	* * ● * *	No Trend	8.9	Up 2.4% in July as some technology proceeds ended up chasing this early-year laggard. Still lagging YTD (+6%). Potential beneficiary from midterms based on history. Attractive valuations, low earnings bar to clear, mixed technicals.
	Utilities	* * ● * *	Negative	2.1	Laggard in July (-2.2%) on rising interest rates and mixed performance of the AI infrastructure/power names. Slight first half laggard (+5.3%). Defensive bid may not be there near-term following S&P 500 breakout. Sub-par technicals. Negative bias.

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

Municipal Market Midyear Outlook: Carry Is the Strategy

Municipal bonds remain attractive for long-term investors who value income, particularly in a market where interest rates are expected to stay relatively elevated. While credit conditions are becoming more selective, current yields and strong investor demand continue to create meaningful opportunities for disciplined investors.

In taxable markets, with yields still elevated, particularly for high-quality sectors within the fixed income universe (Treasury, 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 at or below longer-term averages, so we think the risk/reward favors owning core bond sectors over the riskier sectors.	
		Short	Inter.	Long		Rationale	
	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	
	Municipal Bond View		✓			Record demand has helped keep prices contained despite the record pace of new supply. Fiscal support has run off, downgrades are picking up, and dispersion is widening so selection matters again. We favor maintaining exposure to high-quality municipal bonds, emphasizing intermediate maturities and allowing attractive tax-exempt income to compound over time.	
		Overall View		Overall Trend		Rationale	
Core Sectors	U.S. Treasuries	•	•	●	•	Negative	Treasury yields have largely decoupled from oil prices and are trading more on renewed growth expectations. Term premium expanded in July after the poorly-received Fed meeting. We think the 10-year could end the year between 4.0–4.5% but would look to 4.75–5.0% as potentially an attractive entry point.
	Mortgage-Backed Securities	•	●	•	•	No Trend	With the uncertainty surrounding Fed forward guidance, interest volatility will likely increase, which is negative for MBS. 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.
	Investment-Grade Corporates	•	●	•	•	No Trend	We prefer high-quality intermediate credit and would take spread risk in the front-to-belly of the curve, not the long end where AI supply is expanding and the buyers aren't. At these spread levels you aren't paid to be a hero in the sector absorbing the largest capital cycle in a generation. Corporate ladders remain attractive
	TIPS	•	•	●	•	No Trend	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.
	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.
	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.
	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.
	EM Debt	•	•	●	•	Positive	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 Market Comeback

After two consecutive monthly declines, commodities staged an impressive comeback in July. The Bloomberg Roll Select Commodity Total Return Index gained 6.8%, supported by relatively broad-based buying across the complex. The rebound repaired some of the technical damage sustained earlier this summer, as the index reversed its short-term downtrend and reclaimed its 50-day moving average. A close above resistance near 900 would provide further evidence that the recovery is durable rather than simply a relief rally off oversold levels.

A significant advance across most energy components drove much of the monthly gain. Brent crude oil surged more than 20% as geopolitical tensions between the U.S. and Iran intensified, with both sides accusing the other of violating the Memorandum of Understanding reached in June. Attacks by Iranian-backed Houthis in the Red Sea added another layer of supply-disruption risk. More recently, tensions and oil prices have eased as the White House indicated that negotiations with Iran to reopen the Strait of Hormuz were “moving along very nicely.” Nevertheless, sporadic attacks on tankers continue to expose the oil market to elevated volatility and headline risk. At the other end of the energy spectrum, natural gas materially underperformed, falling 16% in July. Prices tumbled to three-month lows as above-average inventories and forecasts for a “Super El Niño” winter weighed on the supply and demand outlook.

Outside energy, agricultural commodities were broadly higher, led by double-digit gains in wheat and cotton. Wheat prices benefited from concerns over Black Sea supply disruptions as attacks between Russia and Ukraine escalated across the region. Precious metals also finished higher across the board. Silver and palladium led the group with gains of just over 7%, while gold advanced 5% as buyers returned to an oversold market.

Color Key: ● Positive ● Neutral ● Negative

Sector	Overall View			Overall Trend	Rationale
Energy	-	-	●	Positive	Brent crude rebounded in July after finding support near \$70, though the rally has recently lost momentum as the U.S. and Iran reportedly move closer to an agreement to reopen the Strait of Hormuz. Technically, Brent is trading near support at its 200-day moving average, and implied volatility is beginning to normalize. However, demand for near-term upside tail-risk protection remains elevated. With Brent also falling from \$102 to below \$80 in recent weeks, the market appears to have largely priced in a high probability of a successful agreement with Iran. We believe this creates a potentially favorable risk-reward profile, particularly if negotiations break down. We remain positive on the energy sector.
Precious Metals	-	-	●	Positive	Gold has reversed a downtrend off the January highs and recaptured its 50-day moving average (dma). The October 2025 highs near 4,380 and the 200-dma near 4,492 represent the next key resistance levels. Physical gold ETF inflows have returned and central banks ramped up gold purchases in Q2. Silver is painting a similar technical story after reversing a downtrend early this month. We maintain our positive view on precious metals.
Industrial Metals	-	-	●	Positive	Industrial metals rallied last month. Copper climbed over 4% and reached record highs on the back of signs of tightening supply. Imports into the U.S. continue to climb ahead of potential tariffs, while China demand remains strong. AI-related capital spending, global infrastructure investment, and electrification trends also remain key tailwinds. We maintain our positive view on industrial metals.
Agriculture (Ag) & Livestock	-	●	-	Neutral	Agricultural commodities advanced last month. Wheat prices jumped 10% due to Black Sea supply disruptions. Cotton rallied 11% and broke out from a bullish flag pattern following reports of adverse crop conditions in Texas. Soybeans climbed out of a bottom/reversed a downtrend and are now trading at YTD highs. In livestock, live cattle futures dropped 10% after facing overbought conditions and mostly higher-than-expected supply. We maintain our neutral view on ag & livestock.
U.S. Dollar	-	●	-	Neutral	The U.S. Dollar Index declined 1.3% in July and moved back into its prior trading range after completing a short-term double-top pattern. The greenback has faced a complicated mix of crosscurrents and a break below 99 would take out an emerging uptrend/200-dma.
Crypto	●	-	-	Negative	Bitcoin rebounded from a late-June low near \$57,500 to finish July near \$63,000. Oversold conditions supported the recovery, while weak ETF demand, waning risk appetite, and uncertainty around the CLARITY Act limited any major technical progress last month. Overall, July marked a stabilization period rather than a return to a bullish trend.

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

Equity Volatility

Alternative investment strategy performance reversed sharply in July, with equity-oriented strategies giving back part of a strong first half. While there was significant diversion at the manager level, long/short strategies were the principal detractor, as the HFRX Equity Hedge Index declined 2.1%, with losses concentrated in managers carrying elevated AI exposure. Much of the dispersion was due to an active reduction in gross positioning and an unwind in factor risk caused by one the largest hedge fund deleveraging events in history by dollar amount. An active month end of reporting also saw mixed interpretations, as market participants digested earning beats and how soon firms are expected to see a return on investment from their AI infrastructure capital expenditures. At the macro level, directional equity strategies also faced a Federal Reserve that held rates steady while the 30-year Treasury yield pushed above 5.2%, near 2007 highs. Volatility within the energy complex continued and has driven an increase in focus on the eventual impact on earnings. The HFRX Equity Market Neutral Index declined 0.7% and was also negatively impacted by the rapid unwind in more crowded AI-related positioning.

On a positive note, the HFRX Macro: Systematic Diversified Index edged out a gain of 0.01% during the month, with short bond exposure and smaller gains from commodities contributing. Overall, the industry's largest exposure remains long the equity market, while currency and commodity exposure has recently been more volatile as the dollar and oil prices have been whipsawed on macro news. For the year, trend-followers remain the best performing sub-strategy, as all four major asset classes have contributed to gains (long equity, short bonds, long U.S. dollar, and long oil). Event-driven managers continued to operate in the most active deal environment since 2007, with first-half global M&A volume up sharply year over year. The rise in long-term rates, however, has made financing cost rather than antitrust the main constraint on completion.

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	.	.	●	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.
	Event Driven	.	.	●	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, in particular, have pipelines of mega-cap deals, which has resulted in a period of active index rebalancing.
Tactical	Global Macro	.	.	●	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.
	Managed Futures	.	●	.	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	.	.	●	Multi-strategy funds should continue to benefit from the ability to dynamically invest across alternative investment strategies.
	Specialty Strategies	.	●	.	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 HFRX 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

Asset Class	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
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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Not Insured by FDIC/NCUA or Any Other Government Agency	Not Bank/Credit Union Guaranteed	Not Bank/Credit Union Deposits or Obligations	May Lose Value
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