



INVESTMENT STRATEGY BRIEF

Outlook 2026: *Rewiring Growth*

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Outlook 2026: *Rewiring Growth*



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WASHINGTON IN A MIDTERM ELECTION YEAR

Contributed by Brian Gardner | Chief Washington Policy Strategist

As investors look ahead to 2026, policy uncertainty will remain an important driver of economic outcomes and market sentiment. With midterm elections approaching and several major policy debates converging, Washington is likely to exert an outsized influence on markets in the coming year.

GEOPOLITICAL RISKS AND THE 2026 MIDTERM ELECTIONS

Geopolitical risks and the 2026 midterm elections are likely to influence policy and financial markets in the coming year. The former, a constant factor for markets, will share many characteristics with 2025, though the focus may shift from announcing new tariffs to enforcing – and in some cases adjusting – them.

The emerging Trump doctrine could cast the review of the U.S.-Mexico-Canada Agreement (USMCA) in a new light. Affordability will be a frequent theme as the midterms approach, though questions remain about how political messaging will translate into policy. While stimulus will feature in the affordability debate, midterm dynamics will make passing a large package difficult. More broadly, the legislative window ahead of the elections will likely be short, placing greater responsibility for policy implementation on the Fed and the Trump administration rather than Congress.

AFFORDABILITY AND THE ECONOMY

Concerns about the cost of living were a key driver in the 2025 state and local elections, where Democrats scored significant victories. Voters' dissatisfaction with affordability has resonated with the Trump administration and congressional Republicans, who are likely to address the issue ahead of the 2026 midterms. However, despite the rhetoric, Republicans have limited tools with which to materially improve affordability.

WASHINGTON IN A **MIDTERM ELECTION YEAR**

Geopolitical Risks and Midterm Elections

Affordability and the Economy

Trade and Tariffs

Changes at the Federal Reserve

Sector-Specific Considerations



GEOPOLITICAL DASHBOARD: A FRAGMENTED WORLD

The world is shifting from an era of globalization to one marked by increased localization and protectionism, increasing geopolitical risks, and uncertainty. The Stifel Geopolitical Dashboard aims to identify and assess the likelihood and investment considerations of key geopolitical risks and events that have the potential to create market volatility over the next three to five years.

LEGEND	Certain	Expected to occur; strong evidence or clear trends already in motion	Unlikely	Possible; there are some signals, but it's not expected
	Highly Likely	Strong possibility; multiple indicators suggest it will occur	Highly Unlikely	Very rare; little to no evidence to suggest occurrence
	Likely	Reasonable chance of happening; emerging signals present, uncertainty remains		

RISK	HOW IT COULD UNFOLD	LIKELIHOOD (3-5 YEARS)	INVESTMENT CONSIDERATIONS
U.S.-China Competition	Strategic competition for global leadership intensifies across various fronts, including technological, economic, and social influence.	Certain	Tariffs, trade restrictions, and protectionist policies will challenge companies reliant on China for supply chains and revenue. India and Mexico may benefit.
Cyberattack(s)	A major cyberattack on the world's leading companies, government agencies, or infrastructure that paralyzes an entire industry or sector.	Highly Likely	Cybersecurity firms stand to benefit as demand for robust data protection and security measures rises. Increasing focus on and awareness of data privacy.
Escalating Cold War(s)	Emergence of competing geopolitical blocs and tensions rise through increasingly hostile actions, sanctions, or military posturing.	Highly Likely	Defense and cybersecurity companies may benefit from increased militarization and higher defense spending, while some corporations might deem certain regions as not investable.
U.S. Financial Instability	Rising debt levels and higher interest costs accelerate the <i>Fiscal Transition</i> , weakening confidence in U.S. creditworthiness and financial markets.	Likely	Diminished confidence in U.S. Treasuries and the U.S. dollar, both of which are pillars of global capital markets. Likely sharp economic and market downturn.
Climate Policy Error	Net-zero commitments and regulations without economic and societal readiness spark inflation and an economic slowdown.	Likely	Look for companies focused on energy efficiency and innovative solutions for potential opportunities. Nuclear power is an example.
Structurally Higher Inflation	A combination of deglobalization, supply chain reconfiguration, and labor shortages keep inflation above the Federal Reserve's 2% target for a prolonged period of time.	Likely	Consider sectors and companies with strong pricing power and the ability to pass on costs or asset classes that can provide a diversification benefit or hedge against inflation.
European Fragmentation	Disagreements on key political and policy issues lead to a withdrawal from the European Union by a member nation.	Unlikely	Increased market volatility. Likely weakness in the euro as well as sectors impacted by trade disruptions.
Aging Population Strain	Longer lifespans drive up healthcare demand and cost, placing added pressure on budgets and economic stability.	Unlikely	Focus on investment opportunities arising from an aging population, including the increased demand for healthcare, leisure and travel, and financial services.
Introduction of BRICS Currency	Brazil, Russia, India, China, and South Africa (BRICS) establish a new reserve currency backed by a basket of their respective currencies.	Unlikely	Potential decline in demand for U.S. dollars and a weakening of its value. Consider diversifying in markets outside the U.S.

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GEOPOLITICAL DASHBOARD: A FRAGMENTED WORLD

MILITARY CONFLICTS

RISK	HOW IT COULD UNFOLD	LIKELIHOOD (3-5 YEARS)	INVESTMENT CONSIDERATIONS
South China Sea Military Conflict	Competing claims over territory escalate into military confrontation, drawing U.S. involvement.	Likely	More than \$3 trillion worth of global trade, or a third of maritime trade, passes through the South China Sea annually. A conflict would severely disrupt supply chains.
Middle East War	While other regional conflicts are possible, a primary risk is that Israel and Iran enter into a full-scale aerial war.	Likely	Global oil market will be disrupted, driving up energy prices and impacting global supply chains. Defense and energy sectors would likely benefit.
Militarization of Space	Nations deploy technologies designed to disable or disrupt rival satellites, increasing the risk of space becoming an active conflict zone and threatening commercial networks.	Likely	Defense and aerospace contractors will likely outperform. Commercial satellite operators may face soaring insurance costs while global logistics would be severely disrupted.
Venezuela/ Caribbean Escalation	U.S. involvement in Venezuela expands beyond isolated strikes, or pressure broadens to other regional actors (e.g., Cuba, Colombia), increasing the risk of spillover tensions and episodic regional instability.	Unlikely	Energy price and inflation risk sensitivity rise. Episodic "risk-off" bids may favor quality balance sheets and defensives; elevated dispersion across emerging markets credit/equities.
Russia-NATO Confrontation	An accidental strike, miscalculation, or aggressive interference by Russia triggers direct engagement with NATO.	Unlikely	This will likely lead to a spike in oil prices. Perceived safe-haven assets such as gold, U.S. Treasuries, and the U.S. dollar may benefit.
Indian-Pakistan Tensions	The fragile ceasefire breaks down and the two countries enter into a war, disrupting regional stability and drawing in international powers.	Unlikely	A nuclear war is the worst-case scenario. India, the world's most populous country, is emerging as a "swing state" in the context of geopolitics.
China Invades Taiwan	China asserts its claim over Taiwan and attempts to achieve "reunification," triggering a major geopolitical crisis.	Unlikely	Severe disruption in global trade, potentially crippling the semiconductor industry given Taiwan's central role in chip production.
North Korea War	A provocation, miscalculation, or perceived threat leads North Korea or South Korea toward direct military conflict.	Highly Unlikely	War remains unlikely given the Kim regime's priority on preserving the dynasty and the overwhelming military disparity favoring the U.S.-South Korea alliance. Investors should monitor deepening Russia-North Korea ties as a potential destabilizer.

LEGEND

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Economy

2025 YEAR IN REVIEW

INFLATION

Consumer Price
Index Inflation

2.8%

Cumulative Fed
Funds Rate Cuts

0.75%

POLICY

Executive
Orders

225

GDP
growth*

2.0%

MARKETS

S&P 500
Return

17.9%

10-Year U.S.
Treasury Yield

4.17%

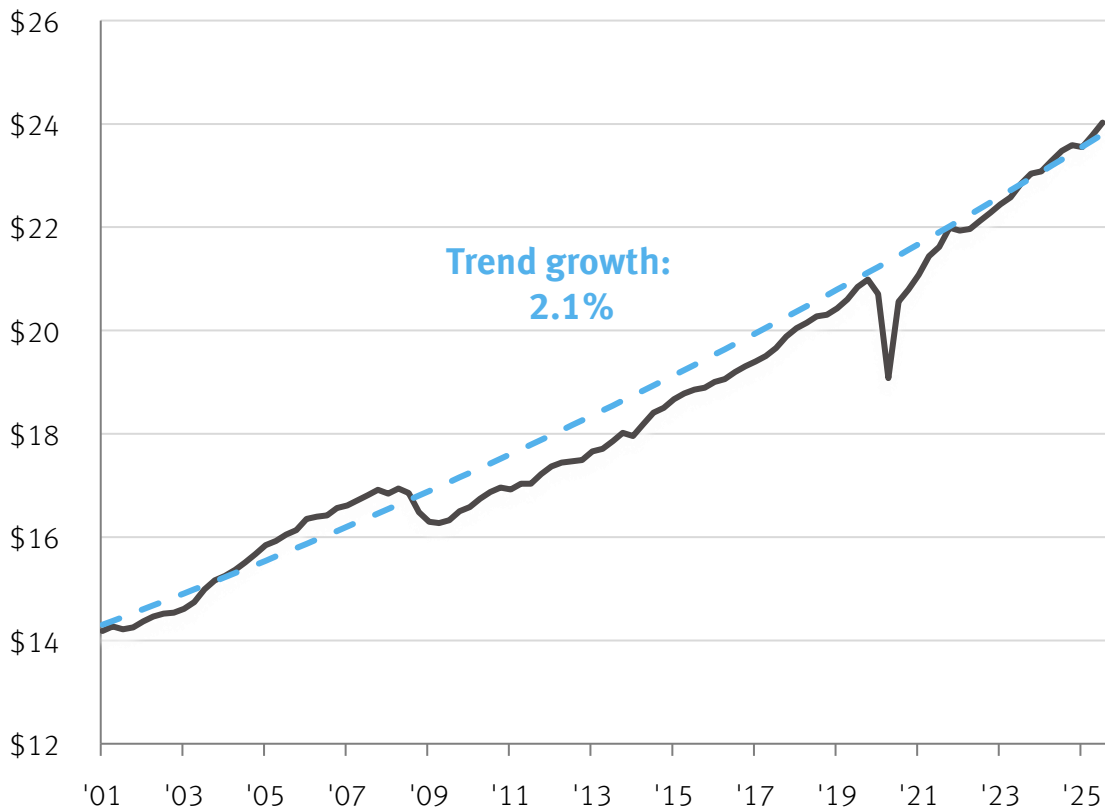
* Numbers are estimates and do not yet reflect the final result.

Past performance is no guarantee of future results. Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees. Indices are unmanaged and are not available for direct investment. The S&P 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

STIFEL

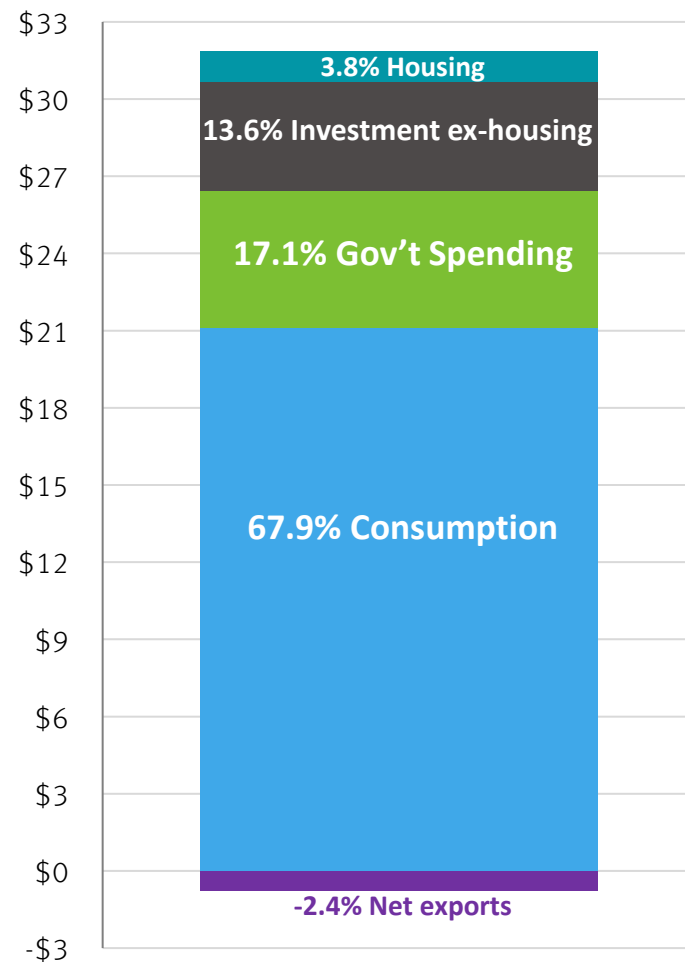
Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Components of GDP

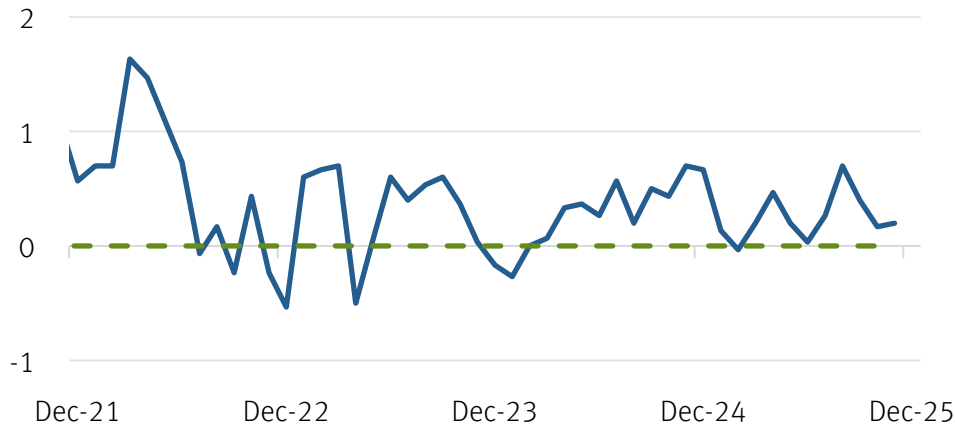
3Q25 nominal GDP, USD trillions



Source: Stifel CIO Office via Bloomberg, as of January 16, 2026.

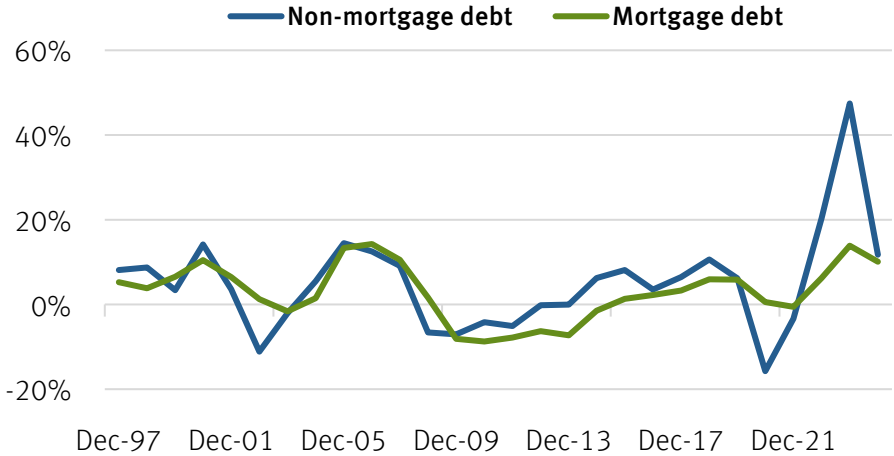
Retail Sales

Month-over-Month, 3-month Moving Average

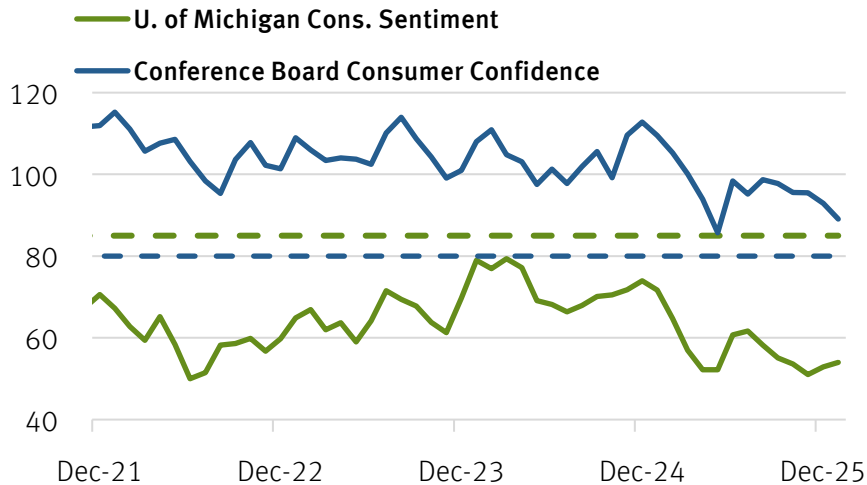


Interest Paid on Consumer Debt

Year-over-year %

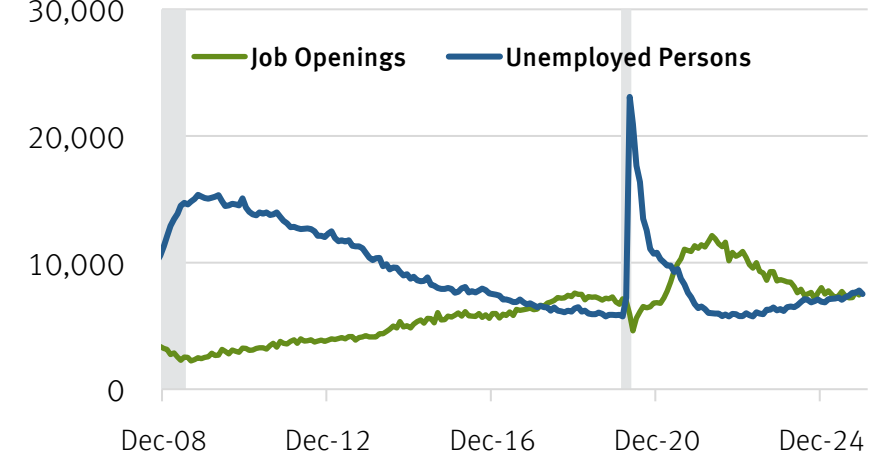


Consumer Confidence and Sentiment



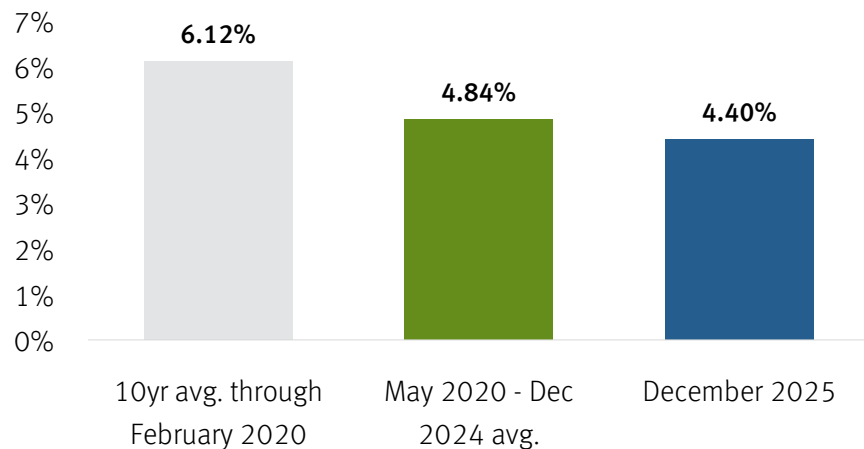
Job Openings and Unemployed Persons

Monthly, in Millions

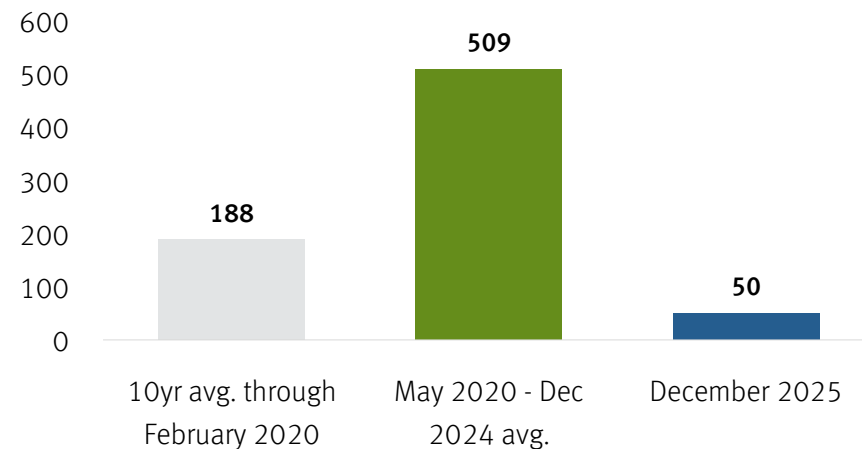


Unemployment Rate

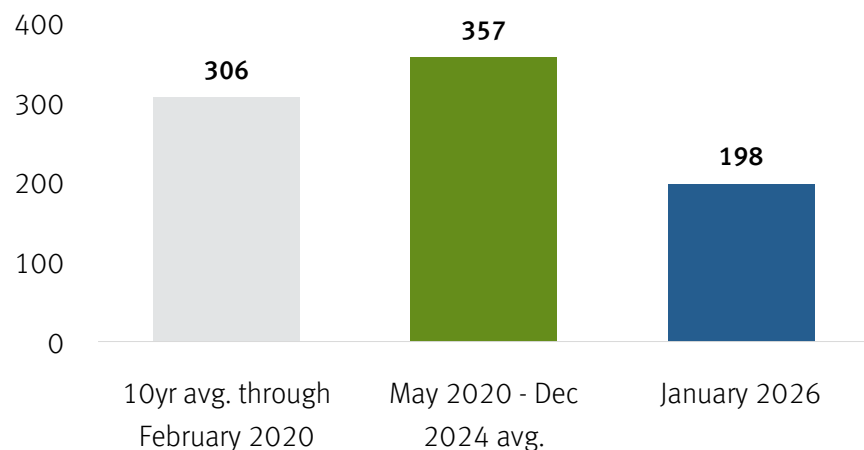
Monthly

**Nonfarm Payrolls**

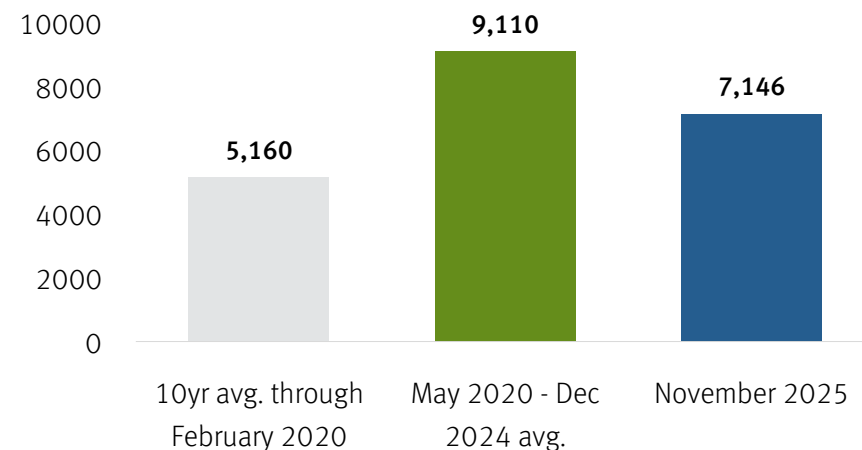
Monthly, thousands

**Jobless Claims**

Weekly, thousands

**JOLTS - Job Openings**

Thousands

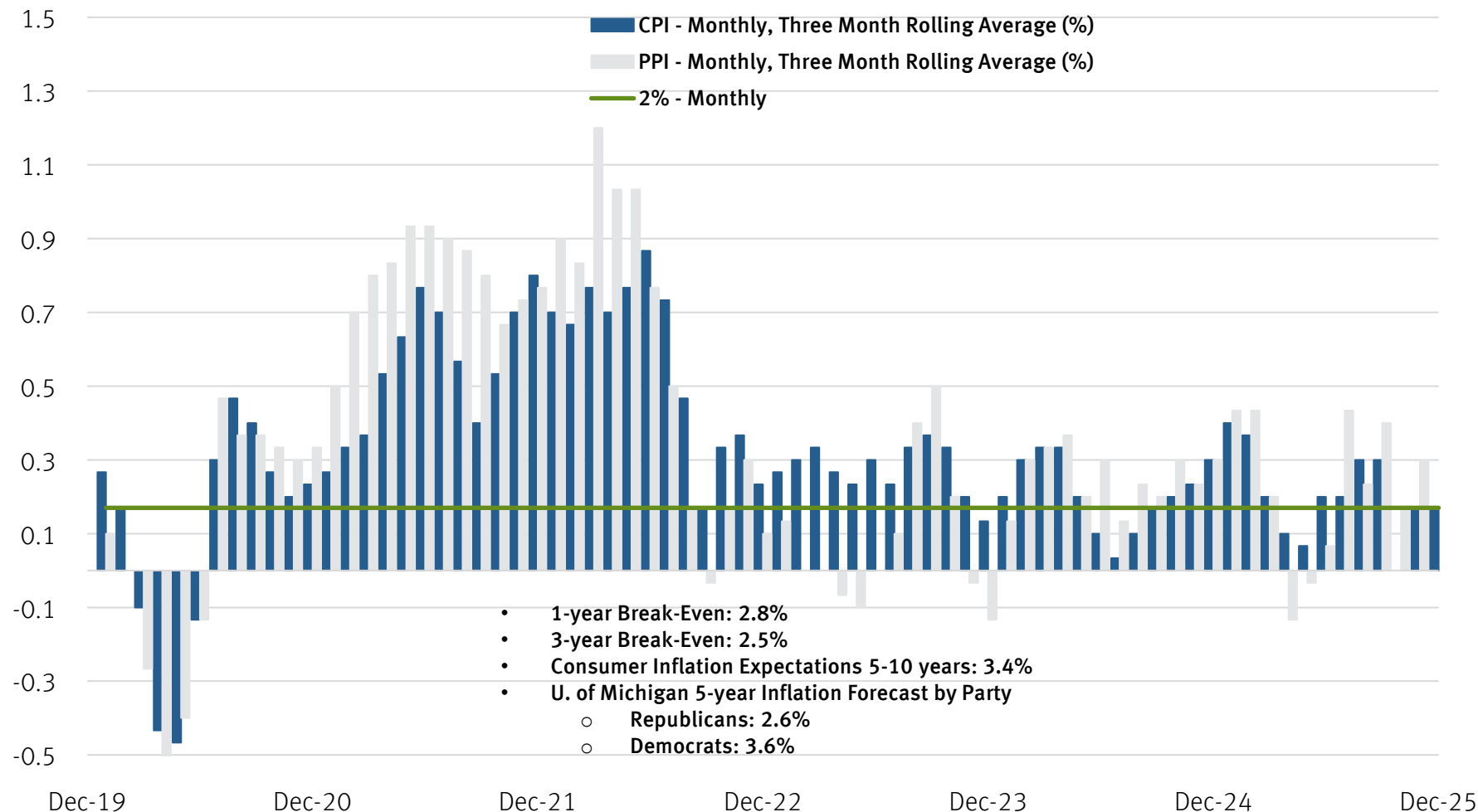


U.S. GDP	Date of Estimate	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	2025	2026	2027
Actual		2.8	3.3	1.9	-0.6	3.8	4.3								
Consensus	1/15/2026							1.1	2.1	2.0	2.0	2.0	2.0	2.1	2.0
Stifel	12/18/2025	2.8	2.1	2.2	0.3	0.6	3.2	2.1	2.2	1.8	2.2	2.5	2.2	2.5	
Goldman Sachs	1/14/2026	2.8	3.0	1.8	-0.2	2.7	3.5	2.2	3.1	2.6	2.1	2.1	2.2	2.9	2.1
Capital Economics	1/9/2026	2.8	3.4	2.8	0.1	2.5	4.3	4.0	2.8	2.3	2.1	2.5	2.3	3.1	2.5
Strategas	1/12/2026	2.8	2.7	2.5	0.0	2.5	2.5	2.5	1.5	3.5	2.5	2.3	2.2	2.8	2.0
UBS	1/9/2026	2.8	3.0	2.0	0.4	2.5	2.7	0.4	1.8	2.4	1.8	1.9	2.1	2.1	2.0
Wells Fargo	1/14/2026	2.8	3.2	2.7	0.4	1.8	3.7	2.1	3.3	1.5	2.1	2.3	2.2	2.7	2.3
Bloomberg Economics	1/14/2026	2.8	3.1	2.5	0.4	2.6	3.2	2.0	2.8	2.7	2.6	2.7	2.2	2.8	2.6
Barclays	1/9/2026	2.8	3.0	2.5	1.0	1.5	2.5	1.0	3.0	2.0	2.0	2.0	2.1	2.5	1.7
JPMorgan Chase	1/9/2026	2.8	3.2	2.8	0.0	2.5	3.0	2.5	2.0	2.0	1.5	1.8	2.2	2.4	2.0
Morgan Stanley	1/12/2026	2.8	3.0	2.5	1.8	2.1	2.0	2.2	2.1	2.4	2.7	2.4	2.2	2.6	2.1
Federal Reserve**	12/10/2025	2.5											1.7	2.3	2.0

Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively. Stifel estimates based on Stifel sell-side Economics department estimates. **Percent change from fourth quarter to fourth quarter one year ago. "Consensus Estimates" for time periods that have passed represent actual results and consensus estimates in grey shaded boxes represent first estimate of year.

Source: Stifel CIO Office via Bloomberg, as of January 15, 2026. Federal Reserve estimates are as of December 10, 2026.

Monthly Inflation Trends

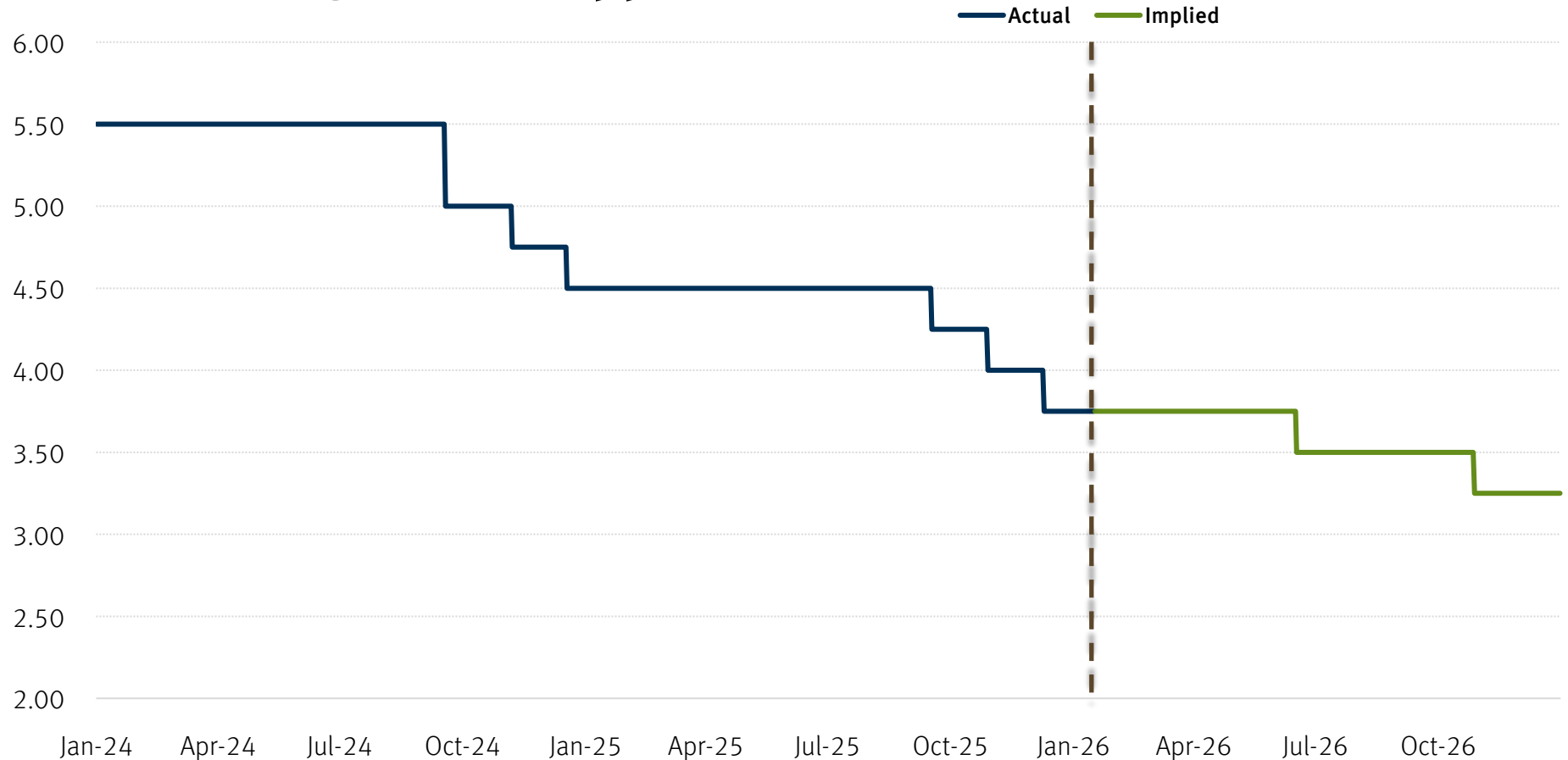


Source: Stifel CIO Office via Bloomberg, as of January 16, 2026.

CPI = Consumer Price Index

PPI = Producer Price Index

Fed Funds Target Rate - Upper Bound



Source: Stifel CIO Office via Bloomberg, as of January 16, 2026.

In a higher rate regime, the cost of debt increases, especially as the debt levels keep growing for all segments of the economy: the consumer, business, and government

Current Government Debt

2025 Deficit: \$1.8 trillion, 5.9% GDP

Current Debt: \$39 trillion, 124% GDP

2025 Estimated Net Interest:

16% revenue

12% spending

34% discretionary

Quotes

“The... federal government’s fiscal path... is on an unsustainable path... you’ve got a very large deficit... So, it’s important... they be dealt with. It is ultimately a threat to the economy...” – Jay Powell

“Any country can borrow money and drive growth, but it may not always lead to good growth, so I think America should be quite aware that we’ve got to focus on it more.” – Jamie Dimon

“We must work to get our fiscal house in order and adjust federal domestic discretionary spending that has grown by an astonishing 40 percent over the past four years.” – Scott Bessent

We remain optimistic that the U.S. will ultimately get through a fiscal transition stronger. But what are the possible scenarios?

FISCAL TRAJECTORY: **BORROWED TIME**

The U.S. enters 2026 with federal debt above \$38 trillion — 125% of GDP.

BASELINE DRIFT: MANAGED IMBALANCE

Persistent deficits and limited reform continue amid market tolerance, setting a slow-burn fiscal path toward a sharper future reckoning.

DISCIPLINED STABILIZATION: REFORM BY NECESSITY

Market pressure forces reform, prompting measured fiscal adjustment that stabilizes debt and gradually restores confidence and policy credibility.

CRISIS SPIRAL: DISCIPLINE THROUGH SHOCK

Fiscal and political failures trigger a loss of market confidence, forcing abrupt austerity, deep recession, and externally imposed discipline.

GROWTH RENAISSANCE: A PRODUCTIVE ESCAPE

Productivity-driven growth lifts potential output, easing fiscal pressures and improving debt dynamics without disruptive austerity.

FORCES OF **CHANGE**

Productivity

Interest Rates

Inflation

Political Will

STIFEL

OUTLOOK 2026

2026 FORECAST

U.S. Real GDP	1.75% – 2.5%
Core PCE Inflation (4Q/4Q)	2.25% – 2.75%
Federal Funds Rate (upper bound)	3.25% – 3.5%

2026 FORECAST

S&P 500	7,450 10% Total Return
10-Year Treasury (%)	4.0% – 4.5%
Market Pulse Publications*	15
Investment-Grade Spreads (bps)**	100 – 150 bps
High-Yield Spreads (bps)	325 – 375 bps

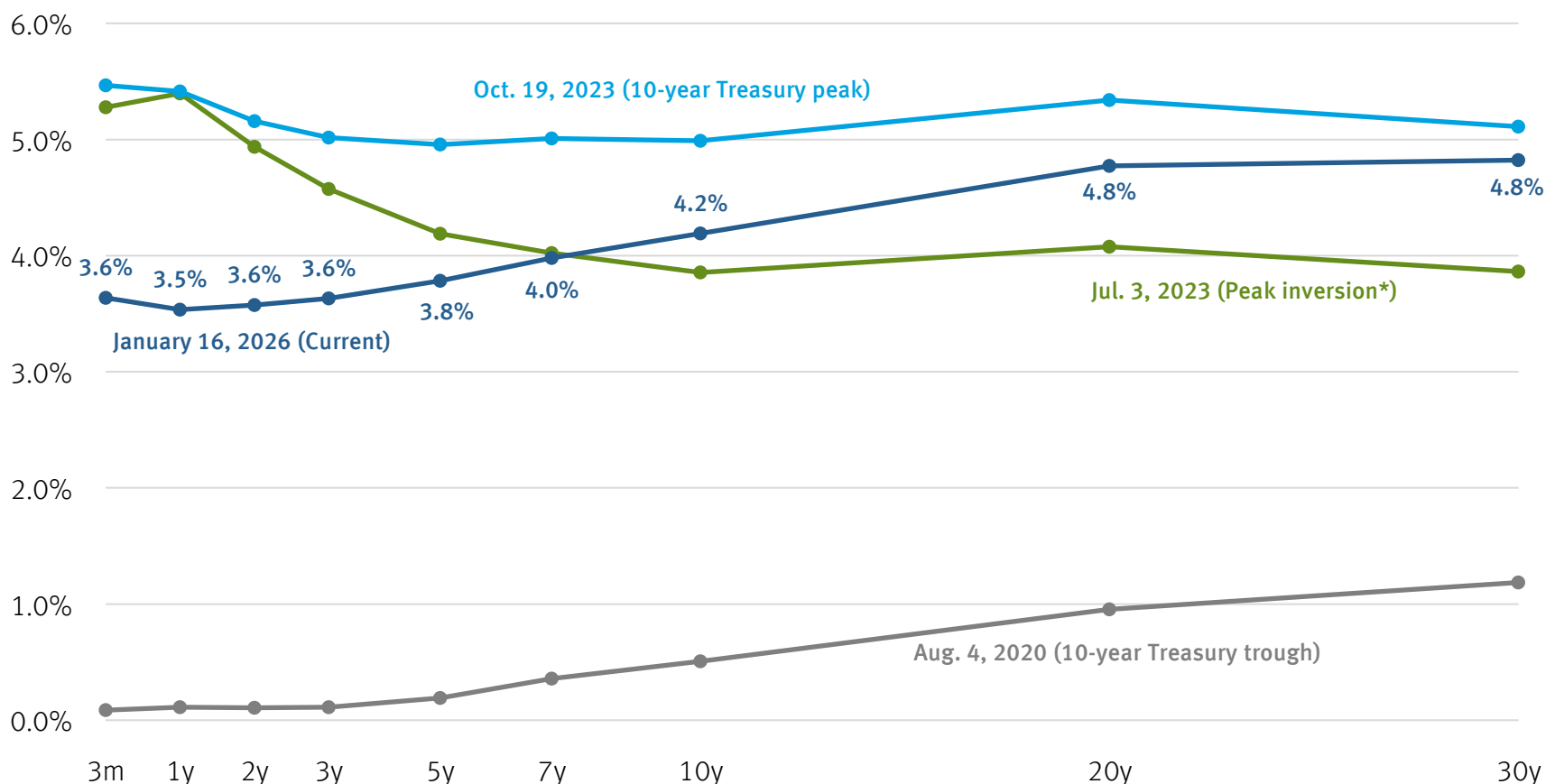
* The Stifel CIO Office issues a Market Pulse publication when the S&P 500 closes up or down by at least 2% on a given day.

** bps is basis points. 1 basis point is 0.01%.

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Markets

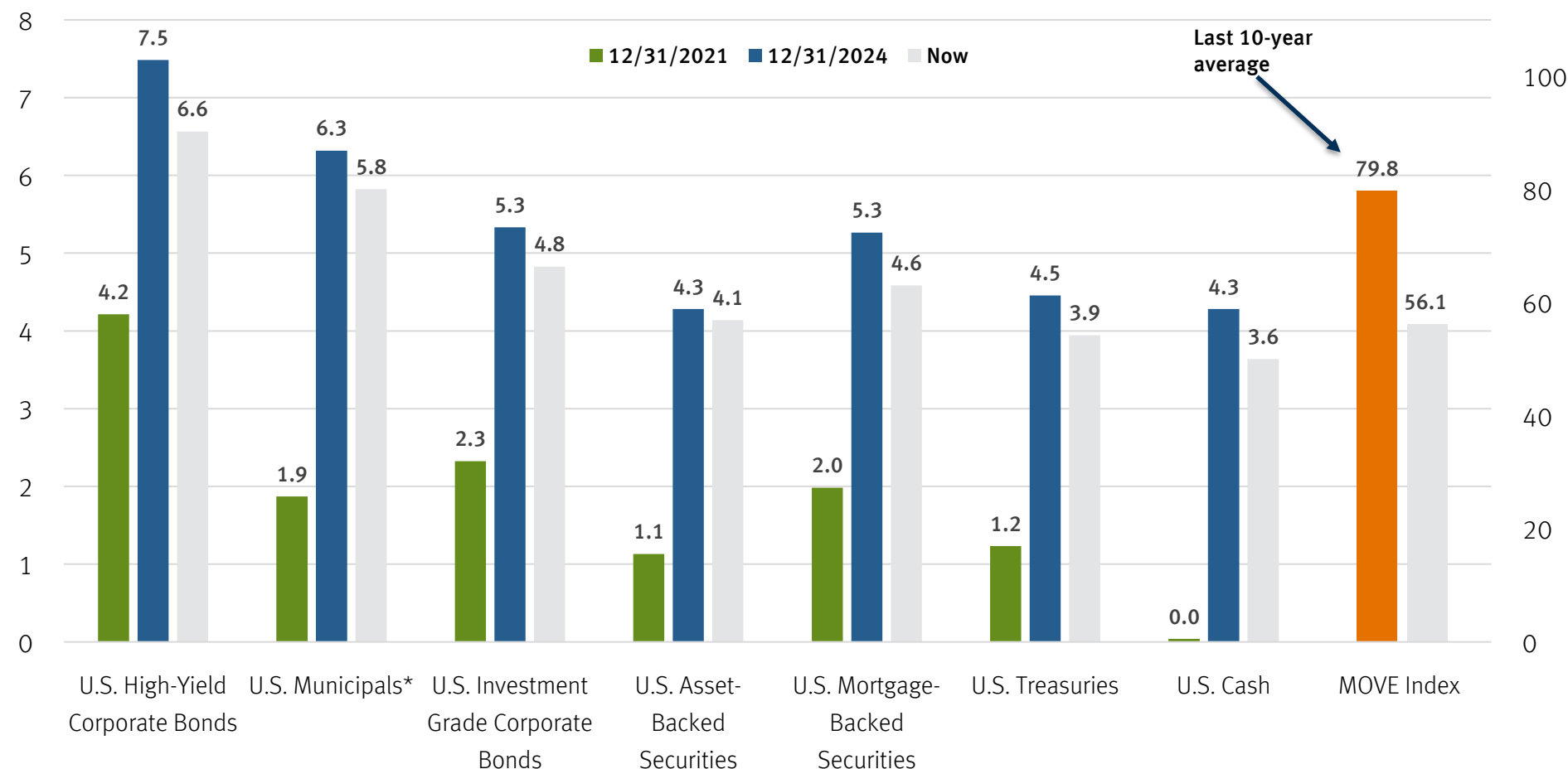
U.S. Treasury Yield Curve



*Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.

Source: Stifel CIO Office via Bloomberg, as of January 16, 2026.

Fixed Income Yield (Percentage)

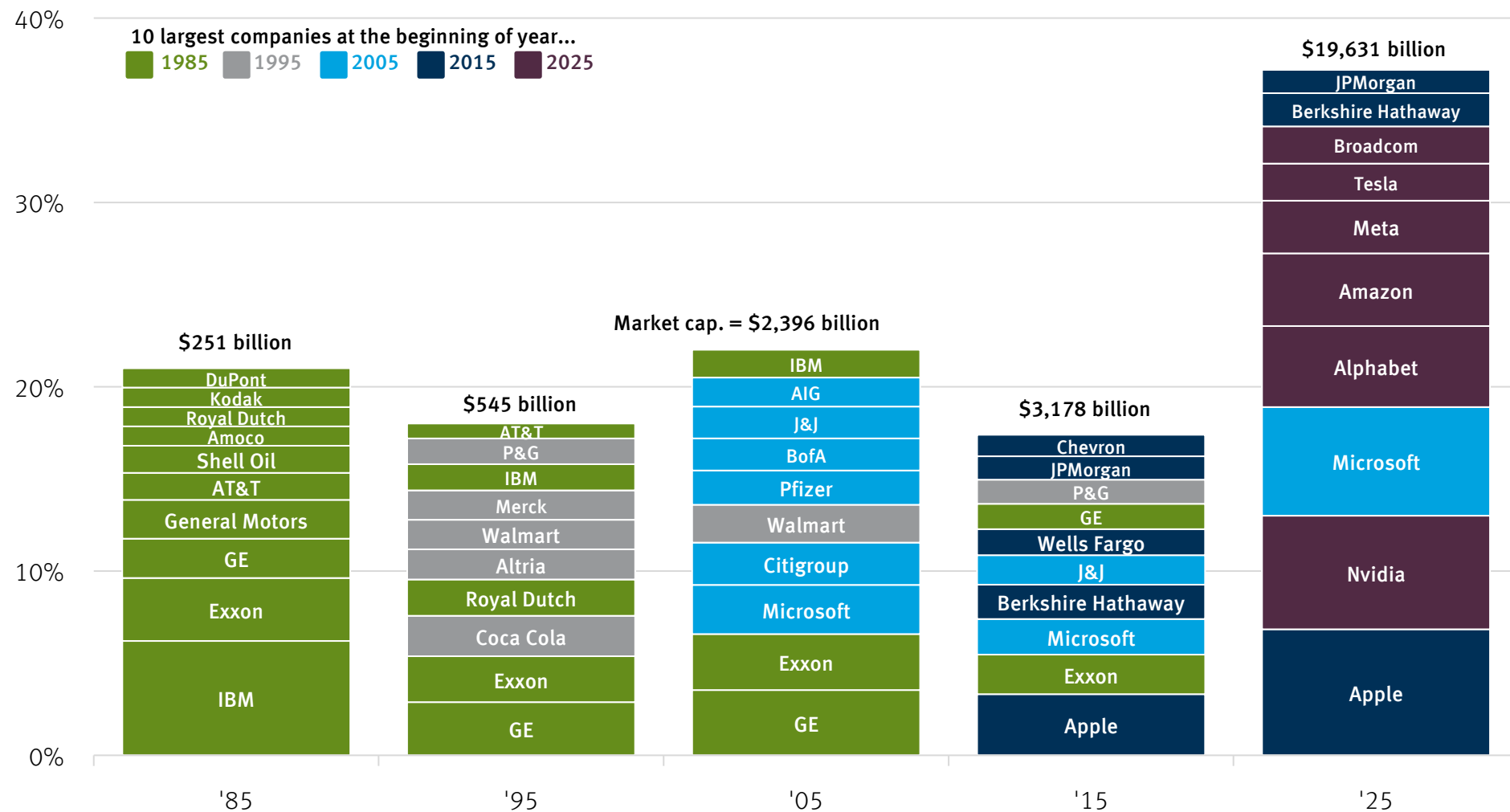


*Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax.
Move Index is shown on right-hand scale.

Source: Stifel CIO Office via Bloomberg, as of January 15, 2026.

Top 10 U.S. Companies by Market Capitalization

Percent of S&P 500 Market Capitalization as of the First Day of the Indicated Year



OUR FIVE
INVESTMENT THEMES**FOURTH
INDUSTRIAL
REVOLUTION**

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

Quantum Leaps

Rise of Bionics

**SECURING
STRATEGIC
RESOURCES**

Companies and governments are prioritizing the development and protection of critical industries, resources, and services.

*Farm Fields
Go Vertical*

*Nuclear Will
Power the U.S.*

**SHIFTING
DEMOGRAPHICS**

Changes in global population dynamics will bring about challenges and opportunities.

Beating Cancer

*Meet Your
Digital Twin*

**THE NEW
CONSUMER**

Consumer preferences, expectations, and behavior are altering business models and corporate strategies.

*The Sky's
the Limit*

*Your Next Hire:
An AI Agent*

**PRODUCTIVE
COMPETITION**

Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

*Advanced Warfare:
Humanoid Robots*

*Space Means
Business*

ARTIFICIAL INTELLIGENCE: RUNWAY FOR GROWTH

Artificial intelligence is reshaping how people work, create, and invest, unlocking a super-cycle of productivity with multitrillion-dollar effects on global GDP. AI's impact will expand to touch every major sector, transforming how industries operate, compete, and create value.

HEALTHCARE



- Drug Discovery
- Personalized Medicine
- Robotic Surgery

FINANCIALS



- Credit Scoring
- Fraud Detection
- Portfolio Optimization

REAL ESTATE



- Listing Descriptions
- Tenant Screening
- Virtual Staging

CONSUMER DISCRETIONARY



- Forecasting
- Hyper-Personalized Commerce
- Customer Service

INDUSTRIALS



- Quality Control
- Robot-Assisted Assembly
- Predictive Maintenance

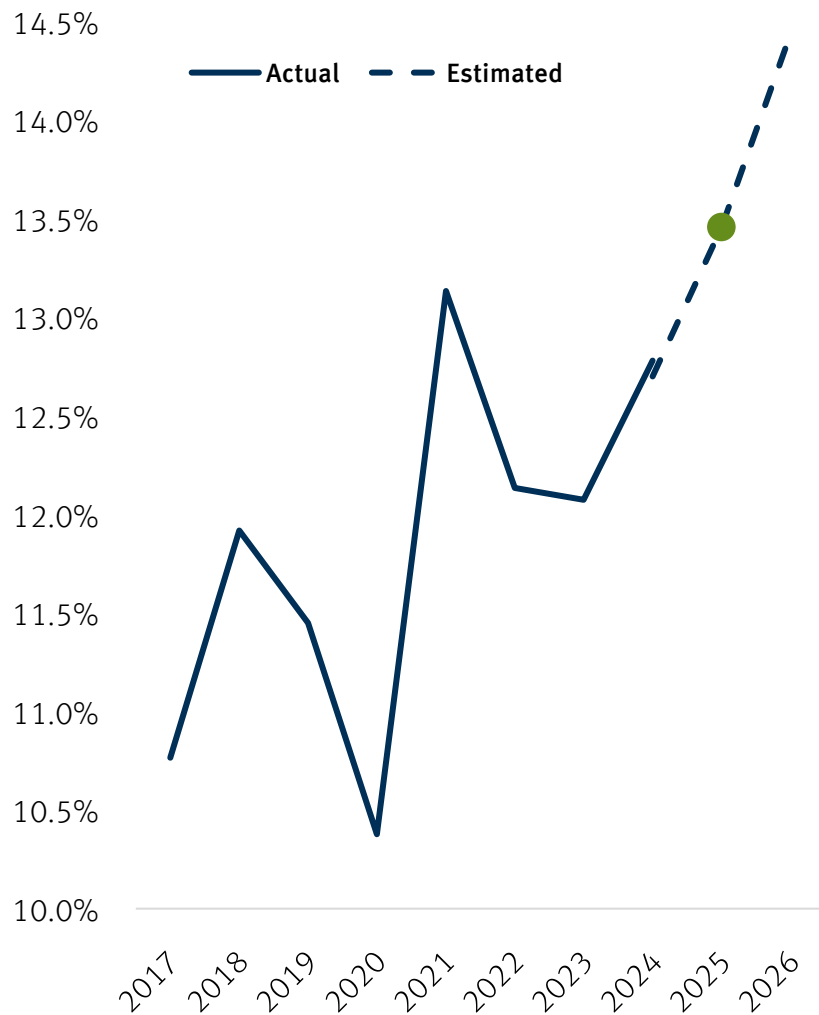
INFORMATION TECHNOLOGY



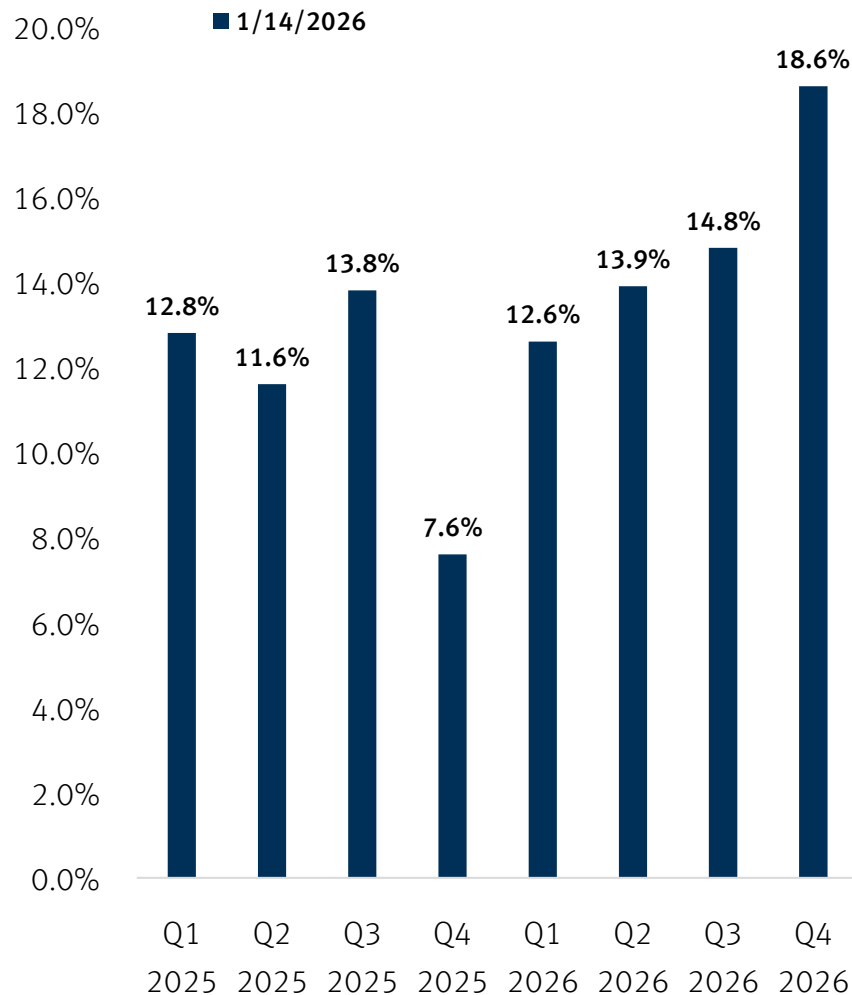
- AI Agents
- Software Development
- Cybersecurity

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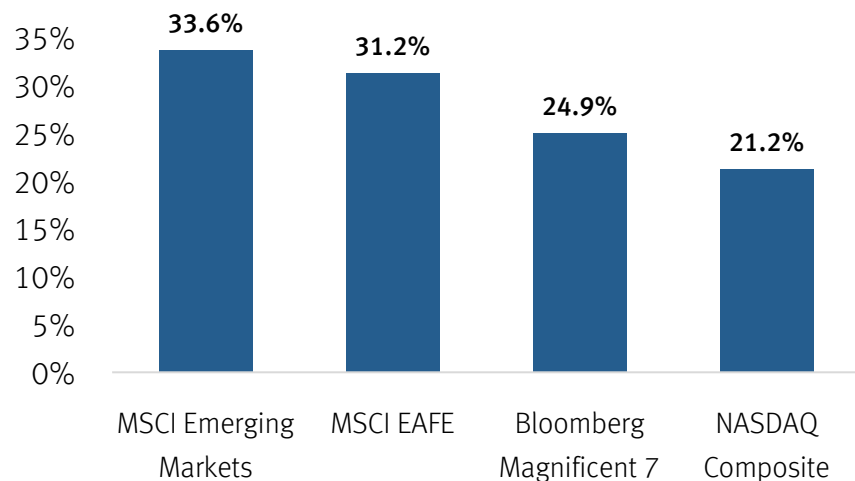
S&P 500 Profit Margin



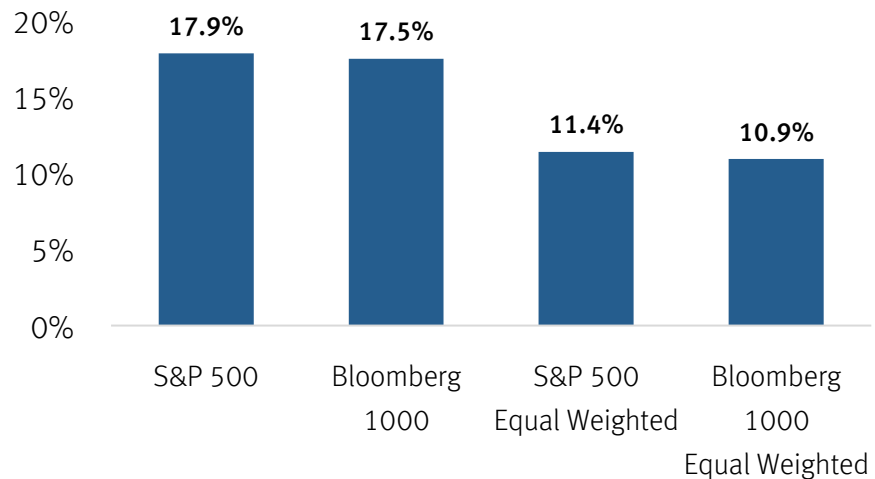
S&P 500 EPS YoY %



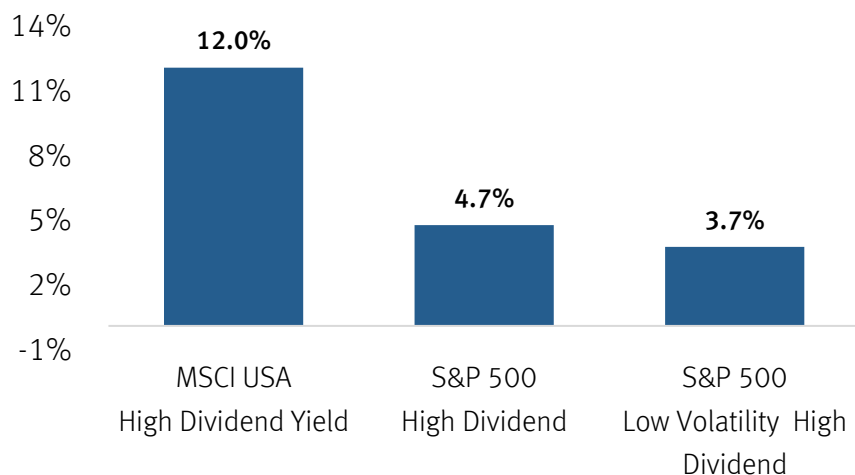
2025 Strong Market Performers



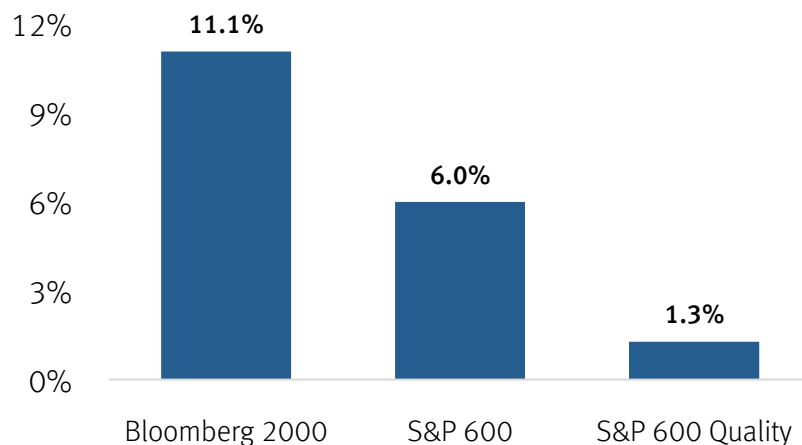
U.S. Cap-Weighted vs Equal-Weighted Benchmarks



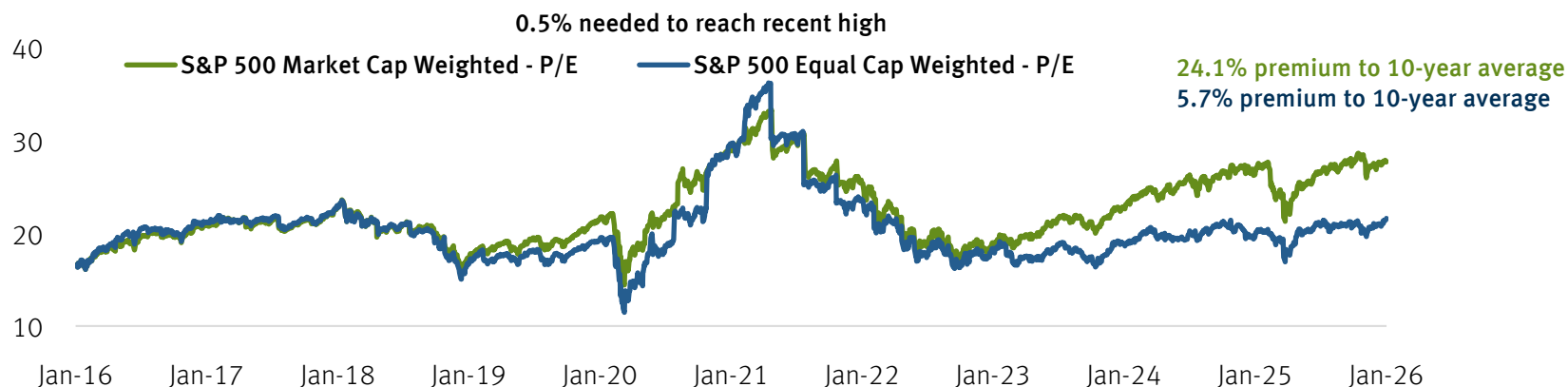
U.S. Large Cap Yield and Quality Focused Returns



U.S. Small Cap vs Small Cap Quality Returns



	EPS	S&P 500 P/E						Current S&P 500 Index Level
		21x	22x	23x	24x	25x	26x	
Consensus 2026 EPS	\$320	6,720	7,198	7,360	7,680	8,000	8,270	8,640
	\$309	6,483	6,944	7,101	7,410	7,718	7,979	8,336
	\$300	6,300	6,748	6,900	7,200	7,500	7,753	8,100
	\$290	6,090	6,523	6,670	6,960	7,250	7,495	7,830
Consensus 2025 EPS	\$280	5,880	6,298	6,440	6,720	7,000	7,236	7,560
	\$269	5,643	6,044	6,180	6,449	6,718	6,944	7,255
	\$260	5,460	5,848	5,980	6,240	6,500	6,719	7,020



Earnings

- For 2026, analysts are projecting earnings growth of 14.9%, in line with 14.9% at the beginning of the year.
- For 2027, the forecast has been revised slightly upward to 15.3%, compared to 15.0% at the beginning of the year.

EPS = Earnings Per Share

*Source: Stifel CIO Office, FactSet, and Bloomberg, as of January 15, 2026.

OUTLOOK 2026

AI MONETIZATION

AI investment is surging, but the payoff path remains uncertain. When and whether AI delivers broad-based productivity gains, or falls short of its promise, will be a decisive swing factor for growth, earnings, and market leadership in 2026.

WIRES CROSSED | BEAR CASE

AI adoption and monetization disappoint, with productivity gains confined to select sectors. Overbuilding of data centers and chips leads to a sharp capex pullback and a valuation reset. Power constraints limit deployments, margins compress, and layoffs increase in the tech sector.

WIRES CONNECTED | BULL CASE

AI adoption broadens rapidly, delivering measurable productivity gains and accelerating earnings growth across the economy. AI monetization improves, infrastructure bottlenecks prove manageable, and robust capex persists, propelling a more productive, innovation-driven phase of economic growth.

THE CONSUMER

Consumption makes up about two-thirds of U.S. GDP, making household behavior a critical determinant of economic outcomes in the year ahead.

WIRES CROSSED | BEAR CASE

Job losses rise and wage growth slows. Squeezed budgets and spending fatigue hit even higher-income consumers and trigger a sharp pullback in demand, undermining the U.S. economy's core growth engine and heightening the risk of recession.

WIRES CONNECTED | BULL CASE

Inflation eases faster than expected and rising real incomes strengthen confidence and demand. AI accelerates job retraining, keeping unemployment low. The economy grows above our base case range.

POLICY PATH

The interplay between Fed policy, the administration's agenda, and fiscal policy forces will ultimately determine whether policy acts as a stabilizing force for growth or amplifies volatility across markets and the broader economy.

WIRES CROSSED | BEAR CASE

Policy missteps emerge as labor market softening accelerates and the Fed responds too slowly, undermining confidence. The administration's policies reintroduce uncertainty, while budget and fiscal policy execution falters through gridlock or shutdown risk, weighing on business and consumer sentiment.

WIRES CONNECTED | BULL CASE

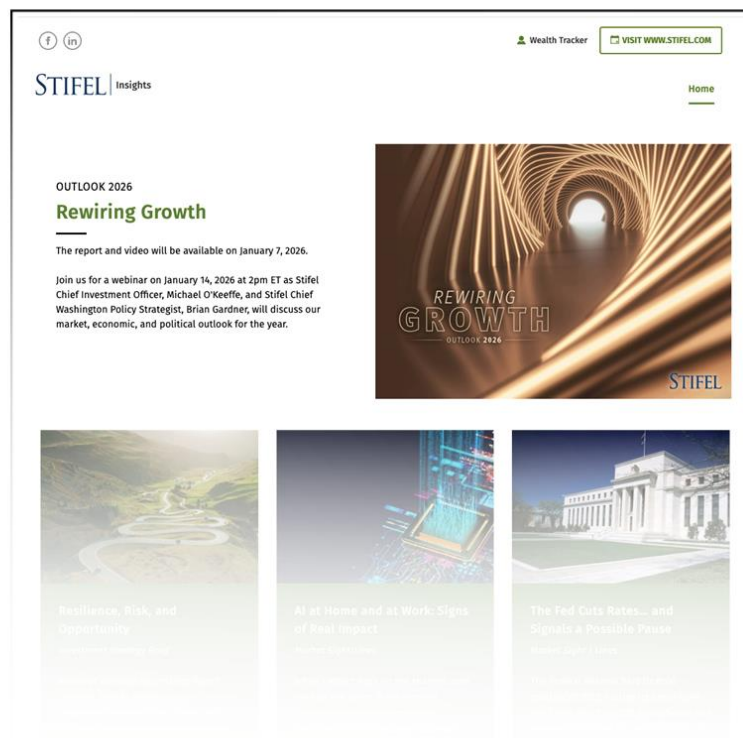
Inflation cools while labor softening remains orderly, giving the Fed room to ease policy more than expected without stress. The administration's fiscal, industrial, and trade initiatives prove more growth-supportive than anticipated, improving policy clarity and confidence.

Looking Forward

WHERE TO FIND STIFEL GUIDANCE

The Stifel CIO Office develops economic and market analysis, and corresponding investment guidance, for the benefit of Stifel clients. You can find all of our Stifel Guidance at:

stifelinsights.com



*Popular insights from
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ALLOCATION **INSIGHTS**

DYNAMIC ASSET ALLOCATION

VIEW LEGEND

U

N

O

Underweight Neutral Overweight

	ASSET CLASS		VIEW	COMMENTS
U.S. Equity	U.S. Large Cap Equity		N	While easing policy supports small caps, higher absolute rates and weaker earnings visibility offset the case; large caps offer greater earnings durability, supporting a neutral, quality-focused stance.
	U.S. Small Cap Equity		N	
	U.S. Large Cap Growth Equity		N	We believe investors should remain diversified across both growth and value styles. Rather than a wholesale style rotation, we expect leadership to broaden gradually.
	U.S. Large Cap Value Equity		N	
Regional Equity Views	U.S. Equity		N	U.S. equities continue to benefit from resilient economic growth and innovation-led earnings. Elevated valuations and market concentration increase sensitivity to earnings execution.
	Non-U.S. Equity		N	Attractive valuations outside the U.S. are tempered by slower growth, policy divergence, and elevated geopolitical risk.
	Europe	U		Renewed fiscal stimulus and accommodative monetary policy is supportive, but growth remains uneven and policy uncertainty persists, warranting selectivity rather than broad exposure.
	Japan		O	Improving growth, rising capex, and corporate governance reforms continue to support relative outperformance despite near-term volatility.
	Emerging Markets		N	Select opportunities are supported by a weaker U.S. dollar and supply chain realignment linked to AI investment and evolving U.S. trade policy.
	China	U		Valuations are low, but policy uncertainty, weak consumer confidence, and structural headwinds continue to weigh on earnings visibility.

ALLOCATION **INSIGHTS**

DYNAMIC ASSET ALLOCATION

	ASSET CLASS	VIEW			COMMENTS
Fixed Income	Treasuries	U			While Treasuries remain an important source of liquidity and portfolio ballast, heavy issuance, persistent fiscal deficits, and a higher-for-longer or volatile rate environment limit their return potential.
	Investment-Grade Credit			O	A resilient economy and strong corporate fundamentals support investment-grade corporates as a high-quality income source.
	Mortgage-Backed Securities			O	Agency MBS provide higher income and wider spreads than Treasuries, while offering comparable risk and stronger yields than most credit sectors.
	High Yield		N		Credit fundamentals remain solid, but spreads are tight. High yield offers income but less margin for error if growth slows. Neutral positioning reflects a preference for selectivity over beta exposure.
Alternatives	Private Assets		N		For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of alternatives can be considered as part of a diversified portfolio.
	Hedge Funds		N		

VIEW LEGEND

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Underweight Neutral Overweight



Past performance is no guarantee of future results.

Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Neither Stifel nor its associates render legal or tax advice. Please consult with your legal and tax advisors regarding your particular circumstances.

Dollar-cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices.

Rebalancing may have tax consequences, which you should discuss with your tax advisor.

Alternative Investments or Non-Traditional Assets – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

Real Estate – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Commodities and Futures – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Hedge Funds – *Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.*

Venture Capital – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies' business concepts generally are unproven and the companies have little or no track record.

Limited Partnerships – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Bonds – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

Duration – 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. Duration is expressed as a number of years.

Standard Deviation – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

International and Emerging Markets – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Private Equity – *Private equity funds are not appropriate for all investors. Investors should be aware that private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Private equity funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.*

Short Positions – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral, and the manager might have to close out that short position at an inopportune time to limit any further losses.

Small Company Securities – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

Structured Investments – Structured investments can be an integral part of a well-diversified portfolio and an important complement to traditional investments. Recommendations of structured investments are subject to alignment of the client's investing needs with the specific features offered and the client's ability and willingness to bear the liquidity and issuer-default risks that may be associated with a particular investment.

Bloomberg U.S. Treasury Bills 1-3 Months Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have \$250 million or more of outstanding face value.

Bloomberg U.S. Corporate IG Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Aggregate Corporate Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Corporate High Yield is an unmanaged index considered representative of fixed-rate, noninvestment-grade debt.

Bloomberg U.S. Government Bond Index is an unmanaged index considered representative of fixed-rate, investment-grade U.S. Government debt.

Bloomberg Global Aggregate This index provides a broad-based measure of the global investment-grade, fixed-rate debt market.

DXY Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

S&P 500 Equal Weight Index is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

S&P 500 Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

Bloomberg U.S. 1000 Value Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Growth Index provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Index is a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

Bloomberg U.S. 2000 Index is a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

MSCI EAFE Index captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 914 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Morgan Stanley Market implied pace of hikes index (MSPOKE) is the number of Fed rate hikes in the 12 months following the first rate hike implied by the Eurodollar interest rate futures market.

The **MSCI World Index** is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets.

The **Bloomberg Magnificent 7 Total Return Index** is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

The **Economic Policy Uncertainty Index** quantifies the level of uncertainty surrounding economic policy decisions. It combines data from newspaper articles, federal tax code expirations, and forecasts from economic forecasters. A higher index value suggests greater economic risks due to policy ambiguity, potentially leading businesses and consumers to delay decisions..

Wilshire 5000 Index is a market-capitalization-weighted index of the market value of all stocks actively traded in the United States.

VIX Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

EURO STOXX 50 is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is "to provide a blue-chip representation of Supersector leaders in the Eurozone

Cash & Cash Equivalent is represented by the Bloomberg U.S. Treasury 3-6 months Bill Index, comprised of treasury bills issued by the U.S. government with less than one year to maturity.

U.S. Government Bonds is represented by the Bloomberg U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

U.S. Corp IG Bonds is represented by the Bloomberg U.S. Corporate Bond Index, comprised of the investment grade, fixed-rate, taxable corporate bond market.

High-Yield Bonds is represented by the Bloomberg U.S. Corporate High Yield Bond Index, comprised of U.S. Dollar denominated, high-yield, fixed-rate corporate bond market securities.

U.S. LC (Large Cap) equities is represented by the Bloomberg U.S. 1000 Index, comprised of a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

U.S. SC (Small Cap) equities is represented by the Bloomberg U.S. 2000 Index, comprised of a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

S&P 500 Quality High Dividend Index is designed to measure the performance of S&P 500 members that exhibit both high quality and high dividend yield characteristics.

Moderate Bench stands for moderate benchmark portfolio return which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg U.S. Agg Gov/Credit).

MSCI AC World Index is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

Bloomberg U.S. Government/Credit Bond Index is comprised investment grade, dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.

KBW Nasdaq Regional Banking Index seeks to reflect the performance of U.S. companies that do business as regional banks of thrifts.

NYSE FANG+ Index is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

NCREIF Property Index is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only.

MOVE Index measures U.S. bond market volatility by tracking a basket of OTC options on U.S. interest rate swaps. The Index tracks implied normal yield volatility of a yield curve weighted basket of at-the-money one-month options on the 2-year, 5-year, 10-year, and 30-year constant maturity interest rate swaps.

National Federation of Independent Business Small Business Optimism Index measures the overall optimism and outlook of small business owners regarding the economic conditions, sales expectations, hiring plans, and capital expenditures. It provides valuable insights into the sentiment of small businesses, which are a vital component of the U.S. economy.

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