Chris Hyzy: This is Chris Hyzy, Chief Investment Officer, for the February Viewpoint titled “The Boom Environment Has Started.” 2026, in our opinion, is an extension of 2025, but with better growth and broader participation in the markets. And we ask the question, “Why?” Starting right out the top, we expect over 300 to 350 billion in stimulus and tax breaks for consumers and corporations to hit in the first half of this year, propelling a better growth environment than what many believe.

Number two, Federal Reserve has been leading towards cuts, obviously, post-May, in our opinion, than anything to the latter which would be hikes. We continue to expect easing financial conditions, including with that could be potential further deregulation in the banking sector.

Number three, productivity has been gathering momentum is above average, and we expect it to continue to stay at a very high level, most notably driven by artificial intelligence efficiencies.

Four, inflation appears to have peaked at least financial inflation, in our opinion. And overall, we expect inflation to still remain above average according to the 2% target rate that the Federal Reserve has issued some time ago, but an above average rate that has peaked.

Five, peak tariff rates have more than likely occurred in our opinion as well. We continue to see new frameworks, new deals announced overall at lower tariff rates, and we expect a Supreme Court ruling soon on the overall ruling as it relates to the Emergency Powers Act.

Number six, non-U.S. regions have not only been additive to global growth. They have been a flywheel, in our opinion, to global growth and it's all to do with a movement towards creating private sector growth in almost every region of the world.

Number seven, global earnings have been revised upward, and we expect continued beats on revenues and earnings and margins to stay healthy on a go-forward basis.

Finally, short-term market positioning is not extended at this time. In fact, we continue to expect market breadth to improve a rotation to continue and areas of the market that have been left behind to continue to garner new highs as we move forward in this higher than expected growth environment.

All of this leads to more of a risk on environment in our opinion that benefits the capital markets, not just vertically in certain small corners of the market, but horizontally.

Nominal growth is running in what we call boom territory. This supports higher profits, which supports an investment environment that helps buying on weakness despite headline risk and geopolitical concerns that remain elevated. It's rare to have an environment like this in which a flywheel is cranking up at the same time with the following. Global and earnings - a global and U.S. growth surprising to the upside. Global earnings per share being revised up, base and precious metals also rising, or at least in an uptrend. U.S. dollar, weaker, not stronger, stable and range-bound U.S. rates, and finally, rising long yields overseas, such as Japan and parts of Europe.

We expect new highs in equities overall and investors should consider the following six portfolio adjustments for 2026. We call them the “Six for ‘26.” Number one, increasing exposure to small-caps and emerging markets if you are currently underweight or neutral. We are overweight small-caps and emerging markets in the chief investment office.

Two, maintaining an overweight overall in equities relative to your benchmarks and diversify overseas in general as those markets continue to move towards private sector growth for the first time in many decades.

Three, looking for new sector leadership here, not just technology or communication services, not just the so-called Magnificent Seven of the past. We prefer financials, consumer discretionary, industrials and utilities but also, healthcare is now gathering momentum due to efficiency gains primarily from artificial intelligence. We expect continued leadership from parts of technology and communication services, but be wary of overall too much exposure to those areas to further we get into the cycle.

Number four, leverage fixed income as a ballast on risk assets as volatility is typically above average during midterm election years. We believe fixed income is now back to its traditional roots, fixed income and an ability to dial down risk in a portfolio and overall without a default cycle coming, at least in our opinion, we expect the areas of credit to do well.

Five, leverage excess cash to increase exposure to major fundamental growth themes. We are back into a longer term fundamental thematic market in which the drivers of growth are being driven by clear themes, digital infrastructure build out, mergers and acquisitions overall increasing. In other words, deal activity rising, biotechnology renaissance, data and cybersecurity build out further into phase three and four, global defense spending increasing and Japan and emerging markets experiencing rising earnings just to name a few.

Finally, six, leveraging alternative assets for qualified investors to complement public market exposure the further we move into this higher growth environment.

That'll do it for today. Thanks for listening.

Operator: Please see important information provided in this report.

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