



# THE GAME CHANGED—IS IT SECULAR?

## STRATEGIC OUTLOOK

David Goerz  
CEO & Chief Investment Officer  
Strategic Frontier Management

2<sup>nd</sup> Quarter 2026

**Investment Outlook:** This publication is for general information only and is not intended to provide specific advice to any individual. Some information provided herein was obtained from third party sources deemed to be reliable. We make no representations or warranties with respect to the timeliness, accuracy, or completeness of this publication, and bear no liability for any loss arising from its use. All forward looking information and forecasts contained in this publication are the opinion of this author, and future market returns may differ from our expectations. Performance, data, and forecasts are provided for illustrative purposes only, thus may not be indicative of the performance of any particular portfolio. Performance shown herein is no guarantee of future results. The value of holdings and returns will fluctuate over time and investments may lose value. © Strategic Frontier Management 2026. All rights reserved.

# ECONOMIC & MARKET FORECASTS

- **New Dawn:** US potential growth exceeds 2.5%, improved productivity, competitiveness, low recession risk. Supply side trade, growth, energy, rule-of-law, and deregulation policies limit inflation, narrow fiscal and trade deficits. Spending cuts eliminate waste, fraud, corruption, misappropriation. Support free-market Capitalism, Liberty, Equal Justice
- **Restored Inflation-Yield Paradigm:** Higher-Forever rates with 3% CPI inflation and Fed Funds: 3½%, increased yield volatility with steeper global yield curves, bond returns lag.
- **Reckoning of Private Debt** manifests as Liquidity Squeeze or Credit Crunch—Illiquid Private Alts don't provide risk premium or diversification assumed. Higher bond volatility.
- **Return to Natural Order:** Normalizing valuations & risk premiums, steeper yield curve, higher volatility—avoid Longer Maturity Bonds (>7yrs) and lower quality/unrated credit.

| <b><i>Economic Forecasts</i></b> | <b><u>2022</u></b> | <b><u>2023</u></b> | <b><u>2024</u></b> | <b><u>2025e</u></b> | <b><u>2026e</u></b> | <b><u>2027e</u></b> | <b><u>2028e</u></b> |
|----------------------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| GDP Growth (Y/Y Real)            | 1.4                | 3.3                | 2.6                | 2.9                 | 3.0                 | 3.0                 | 3.0                 |
| S&P500 Op Earnings Gr            | 4.8                | 1.5                | 9.7                | 11.8                | 10.6                | 10.0                | 9.1                 |
| CPI Inflation (Y/Y)              | 6.4                | 3.3                | 2.9                | 2.4                 | 2.8                 | 3.0                 | 3.0                 |
| Unemployment                     | 3.5                | 3.7                | 4.3                | 4.4                 | 4.6                 | 4.7                 | 4.8                 |
| Fiscal Deficit (vs.GDP%)         | -5.3               | -6.7               | -7.1               | -5.2                | -4.5                | -3.5                | -3.5                |
| Fed Funds Target <sup>1</sup>    | 4.50               | 5.50               | 4.50               | 3.75                | 3.50                | 3.50                | 3.50                |
| 10y Treasury Notes               | 3.83               | 3.87               | 4.57               | 4.16                | 4.75                | 5.00                | 5.00                |
| S&P 500 Target                   | 3840               | 4770               | 5882               | 6846                | 7200                | 7900                | 8600                |
| S&P 500 Total Return %           | -18.1              | 26.3               | 25.0               | 17.9                | 6.4                 | 10.8                | 10.1                |

Source: Strategic Frontier Management (Year-end or Y/Y change)

1. Target denotes top of published ¼% policy target range

# THEMES FOR 2026

Robust **Earnings Growth** and **Profit Margins** as productivity, economic impact of policies takes hold

- Continuing Economic, Fiscal (supply-side + spending cuts), Trade, Energy, Immigration, Health, and National Defense ascendant reform policies, as excessive Regulation rolled back
- **Future Themes:** Quantum Computing, AI (beyond GenAI/LLMs), Additive Manufacturing, Logistics, Adaptive Robotics, Power/Energy Services, Advanced Materials, Global Defense spend--NATO 5%

## Artificial Intelligence Goes Beyond Hyped Generative AI

- GenAI infrastructure investment slows: GPU competition, LLMs vs. smaller focused models
- Investments in depreciating GPUs and competition lower ROI expectations—energy investment
- Agentic AI, Reinforcement Learning elevated—greater payback at lower cost

**Disinflationary forces recede**—3% normal CPI Inflation (sticky), reverting toward long-term average

- Sticky inflation: Wages, Housing, Services after inflation spike, maturing 4th Indus. Revolution
- *Higher-Forever Rates*—Fed's equilibrium  $r^*=3.5\%$ , *Steeper Global Yield Curves* 10y-3m [ $\sim 1.5\%$ ]
- Single  $\frac{1}{4}\%$  cut in US rates as global yield curves steepen—*inflation expectations* normalizing
- *Re-engineering Federal Reserve:* New Fed Chair embraces *rule-based policy*, suspends forward guidance (inc. SEP), reduces IOER, reduces QE holdings  $\rightarrow r^* = 3.5\%$ , steeper yield curves.

**Private Debt Reckoning:** \$3 trillion of private, rapidly growing: direct lending (family offices, pensions, endowments), funds, structured products, collectors (listed BDCs, closed-end and interval funds, etc)

- Liquidity Squeeze, credit spreads widen—Fiscal Deficits imperil Global Gov Debt, credit crunch risk
- Realization: No illiquidity premium (vs. *discount*)—lagged *mark-to-market not risk diversification*

## America First Policies Begin to Payoff

- Trade reforms/Reciprocal Tariffs, Deregulation (inc., DEI, Climate), Tax and Budget reforms, DOGE-Gov't Fraud & Waste, Illegal Immigration, voting fraud/clean voter rolls
- Expose dire economic policy consequences of Progressivism, Socialism, Equity vs. Equality

# SECULAR THEMES & CYCLICAL DRIVERS

## *Drivers of Cyclical Economic Growth Dynamics*

Consumer Demand

Net Trade Export

Housing Starts

Investment

Inventory

Gov't Spending

- America First policies **Boost U.S. Potential Growth** from < 1.8% to > 2.5% given reduced regulation, lower energy and material costs, extended sunseting tax reform, narrowing trade deficit, deregulation, which can bolster global competitiveness, productivity, margins, yet moderate inflation.
- **Monetary Policy Normalization**: Adverse financial and economic consequences of *Explicit Moral Hazard* in Too-Low-Too-Long (TL<sup>2</sup>) required rate hikes and Quantitative Tightening (QT).
- **New Dawn**: Government Reforms—A new paradigm of fiscal spending and workforce rationalization (DOGE: audit, expose, cut spending) to root out waste, fraud, misappropriation, and corruption. America First seeks to restore commitment to Life, Liberty, and Pursuit of Happiness, including natural rights beyond wealth or property, Freedom of Speech, Equality, and Self-Governance.
- **Trade, Energy, Tax, and Regulatory** policy reforms increase productivity, potential growth with net exports, margins, and global competitiveness, while containing inflation. Tax & Budget Reforms, Deregulation, Securing US Border, DOGE-targeted fraud and wasteful spending
- **New Order in Global Trade** (*TheHill.com--Sept 2018*): Seek *Bilateral* Trade deals, *reducing* trade deficit, boost manufacturing, reduce strategic dependency, ease trade barriers on US exports. Reciprocal tariff policy although has targeted other foreign policy issues too—for better or worse.
- **Fourth Industrial Revolution** and our **Future Themes**: AI, Quantum Computing, automation, adaptive robotics, additive manufacturing with advanced materials, logistics, power innovations (natural gas, fuel cells, nuclear energy) will boost productivity competition, and industrial re-shoring.

# EQUITY & BONDS—A NEW DAWN IN AMERICA

## Asset Valuation

- *Curb your Enthusiasm* for Large Growth, Global Bonds, Private Credit.
- US equity valuations remain stretched as stock prices outpaced earnings growth. Steeper global yield curves vs higher inflation expectations
- Favor US Value, Small-cap, Non-US, but avoid China, Russia, Brazil, etc.
- Favor short-term bonds as yield curve steepens, credit spreads widen with private credit concern as cost of capital increases

## Economic Conditions

- *America First* policies bolster global competitiveness, lower energy and material costs, reduce trade & fiscal deficits, limit regulation, incentivize productivity, potential growth, jobs, and foreign investment.
- Trade reforms target unfair trade barriers (tariffs, restrictions), net exports
- Reciprocal tariffs absorbed in foreign manufacturers' margin, improve fiscal & trade balance, Tariff-led inflation or recession concern overblown
- Short duration of Iran conflict limited inflation impact, longer-term lower oil prices with geopolitical risks of Iran/Venezuela taken off board.

## Interest Rates

- Unleashed inflation expectations drive higher-for-longer interest rates, global yield curves steepen (inflation/term risk premium vs. 3% CPI)
- Focus on rates vs. declining Central Bank bond holdings (QT)
- Significant risk remains for extended and leveraged bond holders.
- *Explicit Moral Hazard* of extended yield curve manipulation distorted risk, fostered yield curve inversion, amplified rate volatility, financial crisis risk.

## Market Interrelationships

- Gov't spending cuts root out waste, fraud, and misappropriation.
- Defense exports could double with NATO partners
- Private markets not insulated from strained public market valuations

# TURNING POINT: RE-WILDING U.S. ECONOMY

## Restoring Common Sense Policies and *America First* Reforms

- Expect higher U.S. potential growth of >2.5% given policy pivot, trade reforms for net export growth
- Policy reforms reduce Fiscal and Trade Deficits, promote prosperity, lower energy costs to bolster U.S. productivity, potential growth, global competitiveness. *Supply Side* policies beget lower inflation.
- Prior stagflation forces receding – only modest inflationary impact of tariffs. Recession odds low.
- *Secular Disinflation* moderating as *Fourth Industrial Revolution* matures, despite AI advancements

## However, US Equity and Bond Valuations Stretched

- Global Equities still outperform Bonds, but favor U.S. Value/Dividend Yield/Small-cap tilts
- Emerging Markets, particularly China, Brazil, Russia, MENA, etc.--still worrisome
- Preference for Fundamental Value and small-cap equity risk premium are key to Active Management
- Dependency on low-rate debt marginalized Zombie companies (low/no earnings) now struggling

## Normalizing Yield Curves vs. Inflation and Quantitative Tightening (QT)

- Inflation/Interest Rate Normalization→3.0% CPI Inflation, 3.5% Fed Funds, 5% US 10yr Treasuries
- *Risky Business of Regime Change (4Q/2024)* implies continuation of *Higher-Forever* inflation & rates
- Central Bank holdings must normalize after extended period of low rates, QE, forward guidance
- Global yield curves steepen with realization of excessive debt/leverage, interest burden, deficits
- Excessive leverage: Public + Private debt issuance crowding out--Private Debt exceeds \$3 trillion

## *How Policy Asset Allocations* should differ?

- Alpha-driven excess return uncorrelated: Global Tactical Asset Allocation, Hedge Funds, Value + Small-cap, security selection (inc. long/short) – active managers benefit when small/value favored
- Increasing concern about private markets with high fees, limited capacity, and crowded sandbox.
- **Private Market Funds lag/stumble**, particularly private debt as illiquidity premium myth exposed
- Small-cap stocks lagged, but offer opportunity as liquid VC alternative, Value as PE/LBO alt—Active Management performance depends on Small and Value working.

# CAPITAL MARKETS—CHAOTIC RISK PREMIUMS

| <u>Total Return</u>            | <u>3-mon</u> | <u>YTD</u> | <u>1-Yr</u> | <u>3-Yr</u> | <u>5-Yr.</u> | <u>10-Yr</u> | <u>20-Yr</u> | <u>30-Yr</u> |
|--------------------------------|--------------|------------|-------------|-------------|--------------|--------------|--------------|--------------|
| <b>S&amp;P 500 Index</b>       | -4.3         | -4.3       | 17.8        | <b>18.3</b> | <b>12.1</b>  | <b>14.2</b>  | <b>10.5</b>  | <b>10.0</b>  |
| <b>NASDAQ Composite</b>        | -6.6         | -6.6       | 25.9        | 21.6        | 10.9         | 16.8         | 12.7         | 12.0         |
| <b>Russell 2000</b>            | 0.9          | 0.9        | 25.7        | <b>13.0</b> | <b>3.8</b>   | <b>9.9</b>   | <b>7.5</b>   | <b>8.4</b>   |
| <b>Russell 1000 Value-Gwth</b> | -5.1         | -5.1       | -8.0        | 5.1         | 7.6          | 4.1          | 2.9          | 1.6          |
| <b>Non-US (World xUS)</b>      | -0.8         | -0.8       | 23.6        | 14.9        | 9.0          | 9.2          | 5.7          | 6.2          |
| <b>Emerging Markets</b>        | -0.1         | -0.1       | 30.3        | 15.4        | <b>4.2</b>   | <b>8.0</b>   | <b>5.8</b>   | <b>6.4</b>   |
| <b>Small-cap Global</b>        | 1.0          | 1.0        | 23.7        | 13.3        | 5.7          | 10.4         | 7.6          | 9.3          |
| <b>US 10-Year Treasury</b>     | -0.1         | -0.1       | 3.8         | <b>1.8</b>  | <b>-0.9</b>  | <b>0.8</b>   | 3.4          | 4.1          |
| <b>US Aggregate Bonds</b>      | 0.0          | 0.0        | 4.3         | 3.6         | 0.0          | 1.7          | 3.3          | 4.3          |
| <b>BAML High Yield Bonds</b>   | 1.1          | 1.1        | 4.5         | 7.9         | 3.9          | 5.9          | 65.4         | 6.5          |
| <b>Short-term Bonds</b>        | 0.1          | 0.1        | 4.2         | <b>4.3</b>  | <b>1.7</b>   | <b>2.0</b>   | 2.4          | 3.3          |
| <b>JPM Non-US Bonds</b>        | -2.3         | -2.3       | 2.7         | 0.3         | -4.1         | -1.1         | 1.5          | 2.6          |
| <b>Cash (US T-Bills)</b>       | 0.9          | 0.9        | 3.9         | <b>4.6</b>  | <b>3.3</b>   | <b>2.2</b>   | 1.6          | 2.3          |
| <b>US Dollar (TWI)</b>         | -0.2         | -0.2       | -5.0        | -0.2        | 1.1          | 0.4          | 0.6          | 0.3          |
| <b>CRB Commodity Index</b>     | 25.8         | 25.8       | -25.3       | 17.0        | 19.1         | 10.7         | 2.3          | 5.1          |
| <b>WTI Oil (US\$)</b>          | 79.6         | 79.6       | 43.1        | 10.8        | 11.7         | 10.4         | 2.2          | 5.4          |
| <b>Gold (US\$)</b>             | <b>8.9</b>   | <b>8.9</b> | <b>47.9</b> | <b>32.7</b> | <b>22.1</b>  | 14.1         | 10.9         | 8.5          |
| <b>Bitcoin</b>                 | -22.0        | -22.0      | -17.4       | <b>33.8</b> | <b>3.0</b>   | <b>66.6</b>  |              |              |

Source: Strategic Frontier Mgmt. Returns as of March 31, 2026 in US\$. Performance exceeding 1-year annualized.

# S&P 500 SECTOR TOTAL RETURNS

- Many interesting comparisons: Triggered big reversal of US Value-Growth
- Tariff and trade barrier concerns impacting Technology and Consumer Discretionary
- Rotation: Overvalued *Growth* to Fundamental Value, Small-cap still struggling
- Emerging themes: Quantum computing, Fuel Cells/Nuclear, AI/Reinforcement Learning

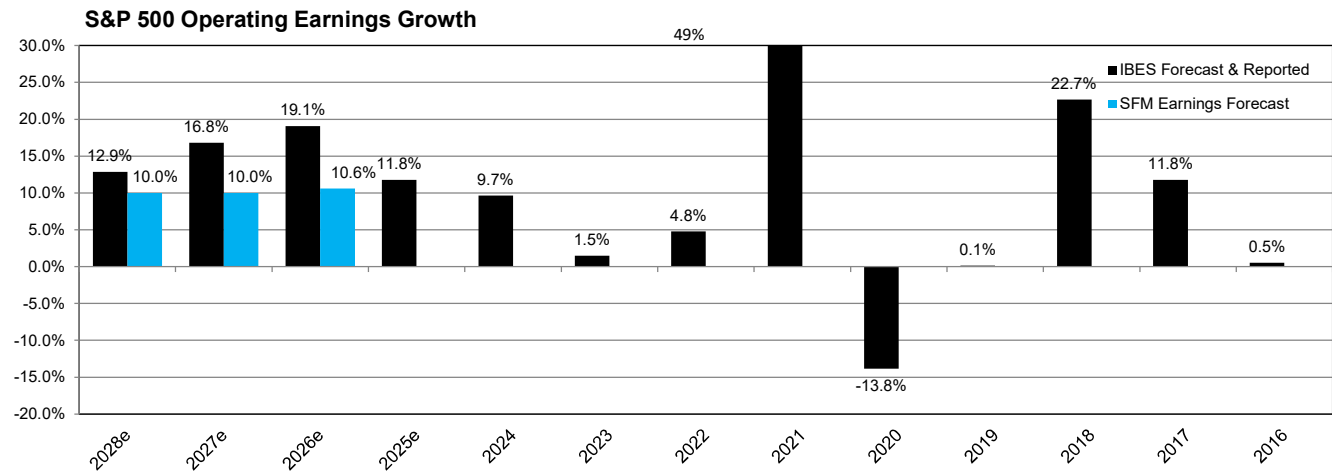
| <u>S&amp;P 500 Sector Return</u> | <u>3 mo</u>  | <u>YTD</u>   | <u>1-Year</u> | <u>3-year</u> | <u>5-year</u> | <u>10-year</u> | <u>20-year</u> | <u>30-year</u> | <u>U.S. Dollars</u> |
|----------------------------------|--------------|--------------|---------------|---------------|---------------|----------------|----------------|----------------|---------------------|
| Energy                           | 38.2%        | 50.2%        | 36.3%         | 18.0%         | 25.1%         | 11.5%          | 7.4%           | 9.8%           | SPENGY              |
| Utilities                        | 8.3%         | 25.6%        | 19.7%         | 14.2%         | 10.9%         | 9.9%           | 9.5%           | 8.6%           | SPUTIL              |
| Industrials                      | 4.6%         | 24.9%        | 25.2%         | 18.8%         | 12.2%         | 13.0%          | 10.0%          | 9.9%           | SPINDU              |
| Communication Services           | -6.9%        | 24.3%        | 32.5%         | 31.1%         | 12.9%         | 11.5%          | 9.6%           | 7.3%           | SPTELE              |
| Materials                        | 9.7%         | 21.3%        | 18.0%         | 9.4%          | 6.9%          | 10.6%          | 8.2%           | 7.6%           | SPBASIC             |
| Real Estate                      | 7.2%         | 17.1%        | 26.2%         | 8.8%          | 4.9%          | 8.9%           | 7.3%           | 7.5%           | SPREIT              |
| <b>S&amp;P 500</b>               | <b>-4.3%</b> | <b>12.8%</b> | <b>17.8%</b>  | <b>18.3%</b>  | <b>12.1%</b>  | <b>14.2%</b>   | <b>10.5%</b>   | <b>10.0%</b>   | <b>SP500RI</b>      |
| Technology                       | -9.1%        | 12.7%        | 29.0%         | 25.9%         | 18.2%         | 22.8%          | 15.8%          | 13.6%          | SPINFT              |
| Consumer Staples                 | 7.7%         | 11.9%        | 6.3%          | 8.6%          | 8.5%          | 8.4%           | 9.9%           | 9.2%           | SPCONS              |
| Health Care                      | -4.9%        | 9.0%         | 2.3%          | 6.0%          | 6.5%          | 10.0%          | 9.9%           | 10.1%          | SPHCAR              |
| Financials                       | -9.3%        | 4.3%         | 0.7%          | 17.4%         | 9.7%          | 12.7%          | 5.3%           | 7.8%           | SPFINL              |
| Consumer Discretionary           | -9.2%        | -3.7%        | 11.7%         | 15.4%         | 6.3%          | 11.9%          | 11.3%          | 10.5%          | SPCAPG              |
| S&P 500 Quality                  | 0.6%         | 14.1%        | 15.0%         | 18.4%         | 12.9%         | 13.8%          | 11.7%          | 11.2%          | Quality             |
| S&P 500 Low Volatility           | 3.1%         | 7.5%         | 0.3%          | 8.0%          | 7.2%          | 8.7%           | 9.1%           | 9.6%           | Low Vol             |
| S&P 500 Low Vol+Hi Div           | 4.7%         | 8.6%         | 3.4%          | 10.3%         | 7.5%          | 7.6%           | 9.9%           | 10.8%          | Low Vol + Hi Div    |
| Invesco Revenue Wgt ETF          | 0.7%         | 19.5%        | 17.3%         | 16.5%         | 12.3%         | 13.0%          |                |                | Rev Weighted        |
| S&P Global Infrastructure        | 8.3%         | 8.3%         | 26.9%         | 16.2%         | 12.1%         | 9.4%           | 7.7%           | 9.7%           | Infrastructure      |
| S&P Global Property              | 0.2%         | 0.2%         | 9.9%          | 8.3%          | 2.6%          | 3.9%           | 4.2%           | 6.4%           | Property            |

Source: Refinitiv DataStream and Strategic Frontier Management

Note: Market returns as of March 31, 2026. Performance longer than 1-year is annualized.

# S&P 500 EARNINGS—KEY TO EQUITY OUTLOOK

- Earnings Growth accelerating with higher profit margins as global competitiveness and productivity
- *Supply-Side Economics* by extending tax cuts, more business-friendly policies, terms of trade, and deregulation with incentivized innovation boosts productivity, thereby higher margins
- Large-cap & Growth Valuations are concerning—potential for a correction in 2026, **if defaults spike**
- Strong Small-cap earnings growth: Russell 2000: **42%** in 2025, **44%** forecast in 2026 (similar P/E)



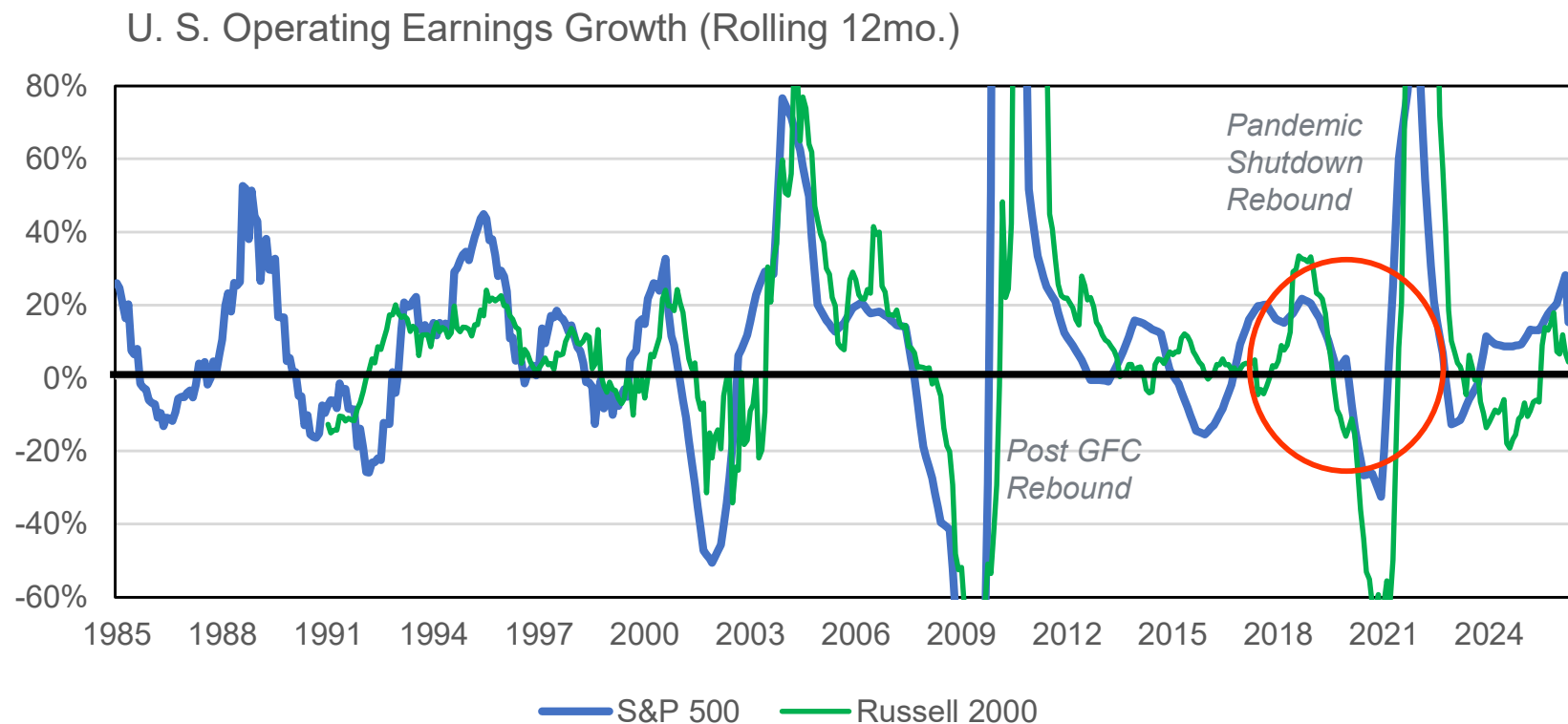
*Extreme volatility in U.S. earnings growth for over a decade with flip-flopping economic policies & COVID, inc. 2022-2024*

|                           | 2028e        | 2027e        | 2026e       | 2025e  | 2024  | 2023  | 2022   | 2021  | 2020   |
|---------------------------|--------------|--------------|-------------|--------|-------|-------|--------|-------|--------|
| <b>Operating Earnings</b> |              |              |             |        |       |       |        |       |        |
| IBES Forecast & Reported  | 12.9%        | 16.8%        | 19.1%       | 11.8%  | 9.7%  | 1.5%  | 4.8%   | 49.0% | -13.8% |
| SFM Earnings Forecast     | 10.0%        | 10.0%        | 10.6%       |        |       |       |        |       |        |
| SFM S&P500 Target         | <b>8600</b>  | <b>7900</b>  | <b>7200</b> | 6845.5 | 5882  | 4770  | 3840   | 4766  | 3756   |
| Index Return (no Div)     | 8.9%         | 9.7%         | 5.2%        | 16.4%  | 23.3% | 24.2% | -19.4% | 26.9% | 16.3%  |
| Dividend Yield %          | 1.22         | 1.21         | 1.21        | 1.15   | 1.28  | 1.47  | 1.75   | 1.29  | 1.48   |
| Total Return              | <b>10.1%</b> | <b>10.9%</b> | <b>6.4%</b> | 17.9%  | 25.0% | 26.3% | -18.1% | 28.7% | 18.4%  |
| S&P 500 @18x SFM TE       | 6534         | 5940         | 5400        | 4883   | 4369  | 3984  | 3926   | 3746  | 2515   |
| S&P 500 P/F12 (SFM)       | 18.7         | 18.5         | 21.8        | 22.8   | 21.7  | 19.7  | 17.3   | 21.9  | 18.0   |

Source: LSEG I/B/E/S and Strategic Frontier Management estimates and actuals as of March 31, 2026

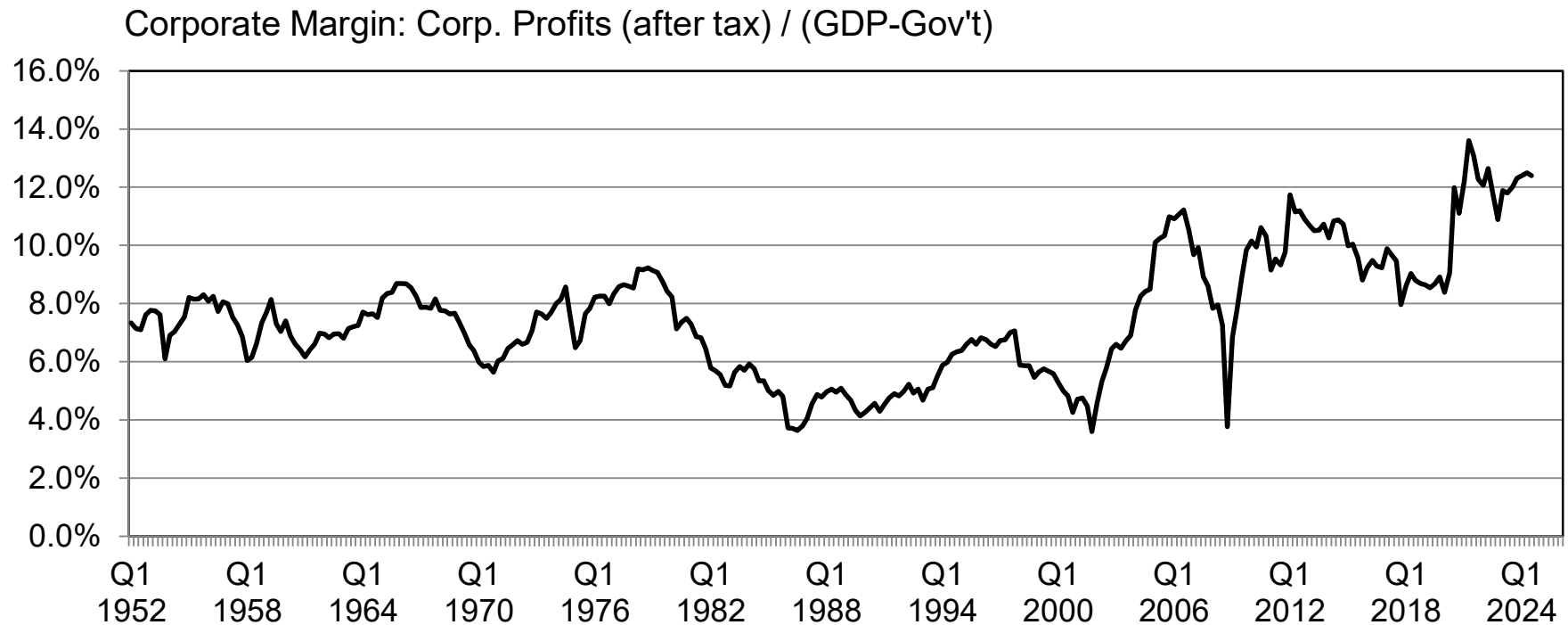
# U.S. EARNINGS GROWTH RATE DEPRESSED

- *Weak Earnings Growth 2022-2024* consistent with intermittent Recession or Stagflation
- 2022-24 GDP growth reflected excessive government spending & hiring, not real activity
- Small-cap earnings growth accelerating quickly now 40%+ growth for 2026
- Misguided policy decisions of *Progressive Socialist* ideology yielded lower productivity and margins—*America First* policies has been reversing these policies, increasing potential growth, global competitiveness, and margins, while moderating inflation.



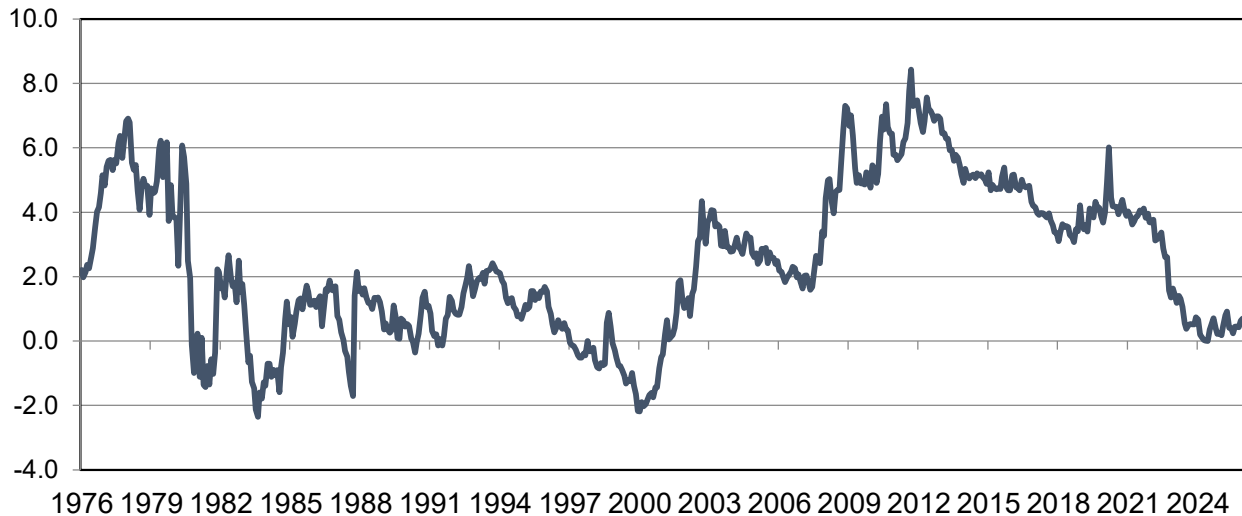
# U.S. CORPORATE PROFIT MARGINS

Remarkable Profit Margin recovery despite inflation/stagflation during Biden Admin



# US EQUITY VALUATION DEPENDS ON RATES

Equity Valuation: S&P500 Earnings Yield - Treasury Yield Gap

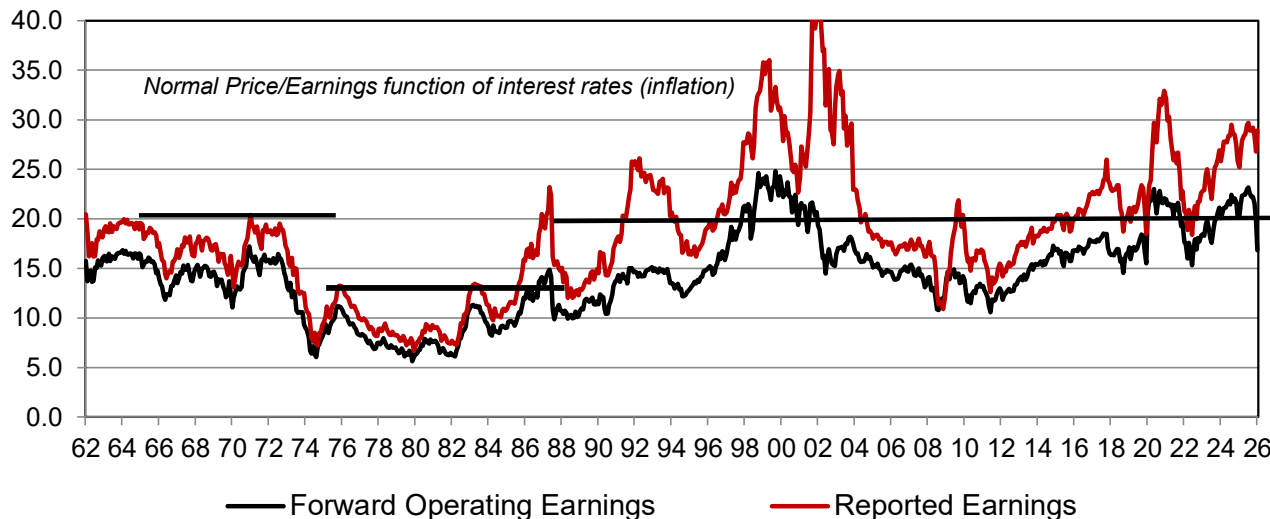


*Equity Valuation Worst since 2001—Similarities suggest S&P 500 is ripe for a correction. Treasury Yields closer to 5.5% would drive valuations even lower.*

*Price/Earnings & P/FE rose as rising index prices outpaced earnings growth.*

*Earnings growth has been remarkable in 2025, be we are concerned Earnings Growth could disappoint vs consensus estimates that have risen dramatically.*

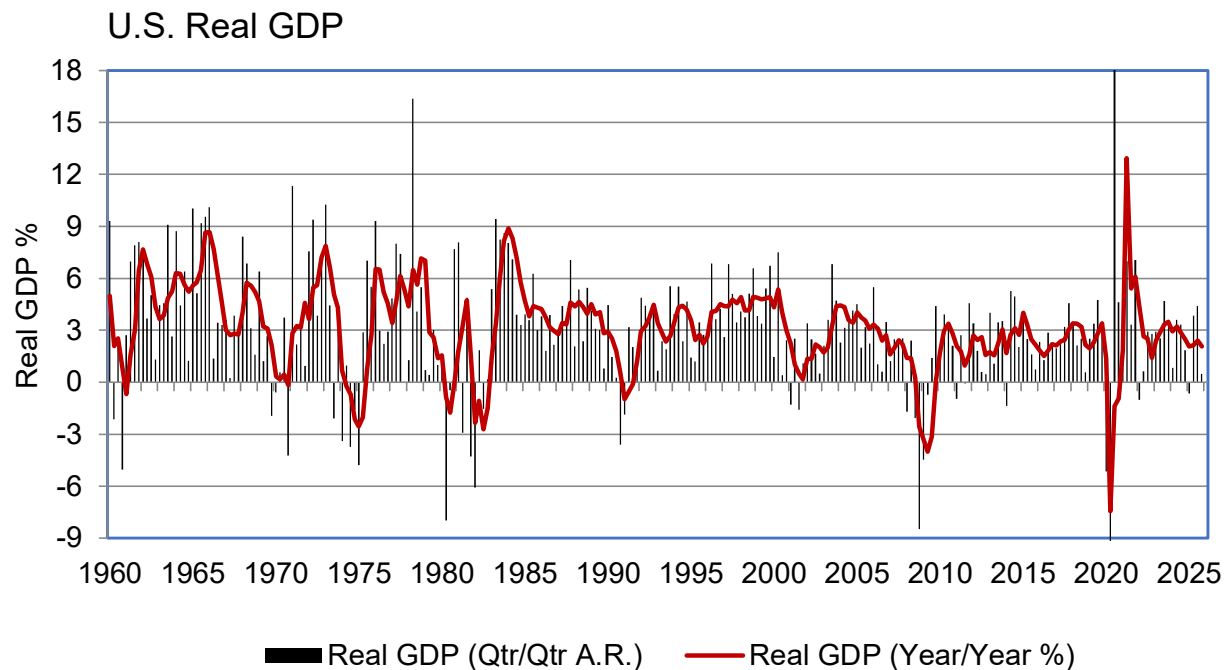
S&P 500 Price / Forward Operating Earnings



Source: Strategic Frontier Management

# REAL GROWTH IN GROSS DOMESTIC PRODUCT

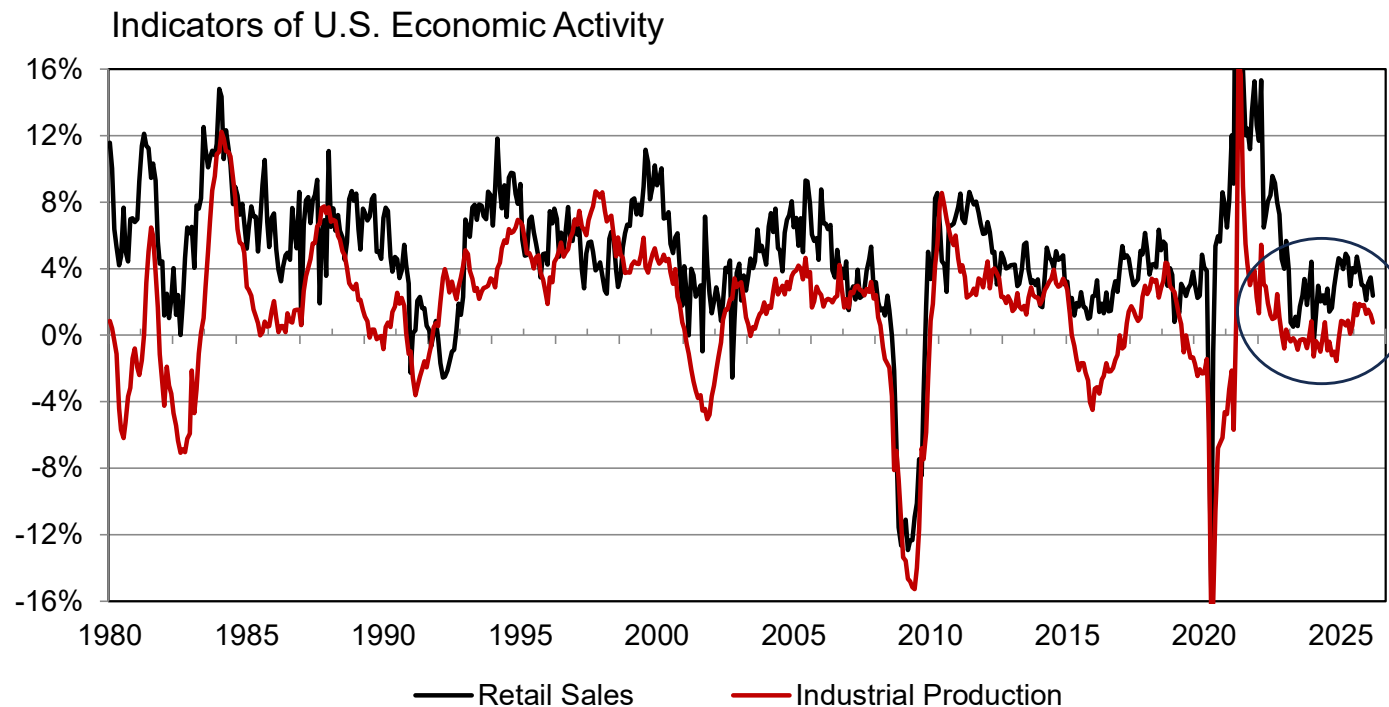
- Observed expected **Economic Hangover** (2022-2024) of declining economic productivity, competitiveness, margins, and earnings growth due to years of poor US policy decisions.
- Upgraded Potential Growth:  $<1.8\% \rightarrow 2.5\%$  due to fiscal, regulatory, energy, trade reforms
- Inflation wasn't **transitory**, and expect new higher inflation regime. Higher inflation expectations (CPI:  $2\% \rightarrow 3\%$ ) requires higher average interest rates ( $2.5\% \rightarrow 3.5\%$ ).
- Excessive Government Spending bolstered GDP and government jobs, but Private (x-Gov't) lagging. Real fiscal spending must **decline  $-0.5\%/year$**  to extinguish fiscal deficit.



Source: U.S. Government Data

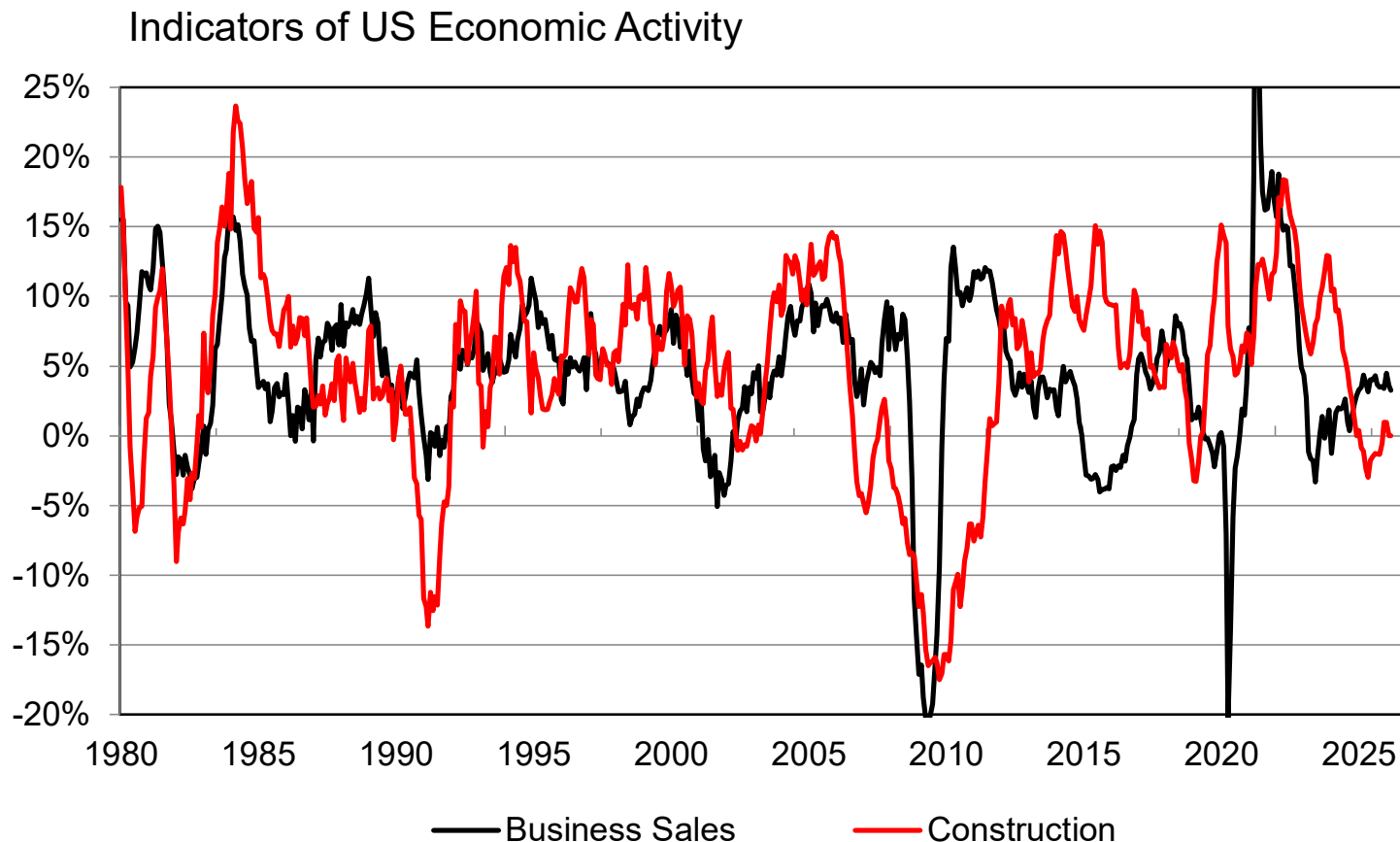
# MONTHLY ECONOMIC GROWTH INDICATORS

- Terrible fiscal and regulatory policies undermined US Potential Growth—***real retail sales and industrial production*** suggest economy was flirting with recession for years
- Recession risk diminished with U.S. fiscal, trade, energy, and regulatory policies, and economic incentives of U.S. Budget Act of 2025 (aka: *Big Beautiful Bill*)
- Hangover of excessive spending and monetary stimulus reversing, which artificially boosted incomes and pulled forward consumption



# INVESTMENT AND BUSINESS ACTIVITY

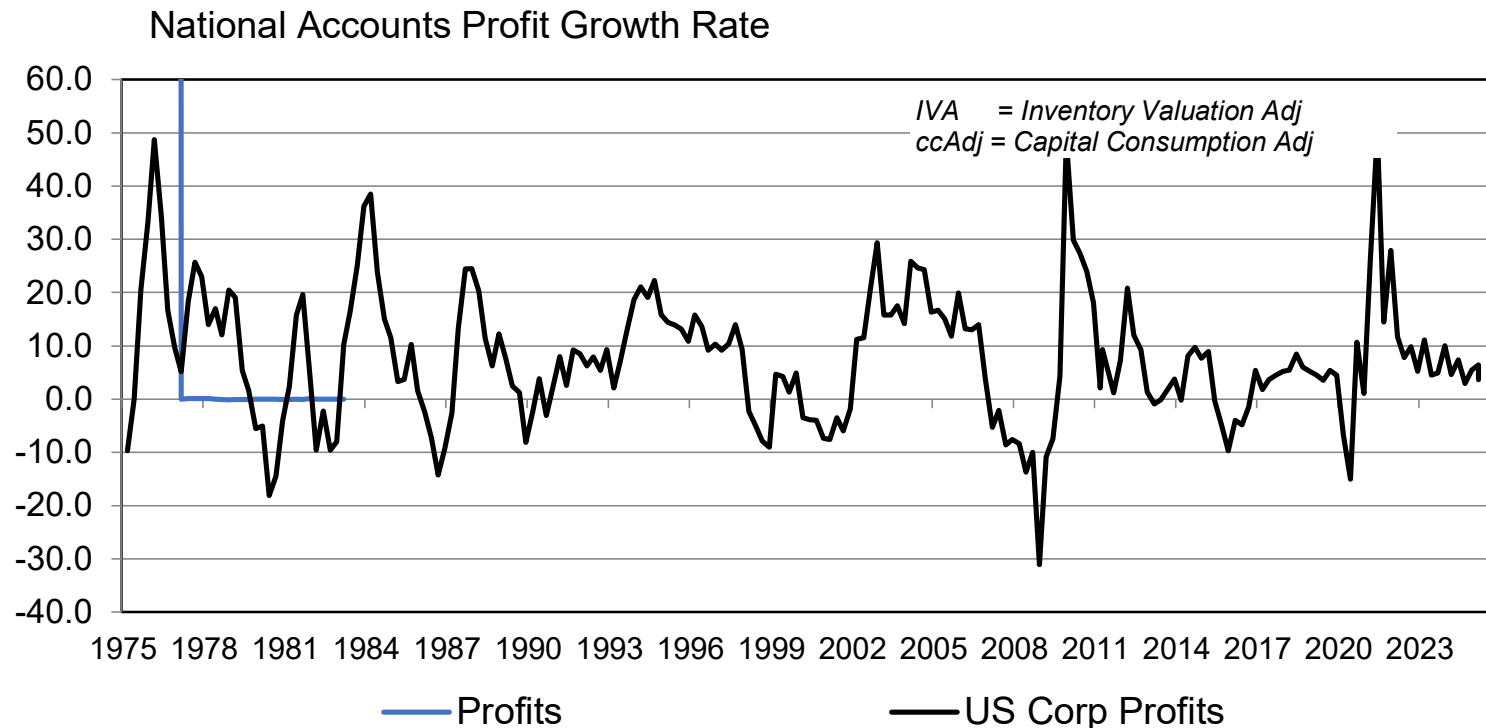
- Higher frequency economic growth indicators, including business sales and construction also suggested risk of intermittent recession in the U.S.
- Expect Business Sales and Construction also to be more cyclical in 2025



Source: U.S. Government Data

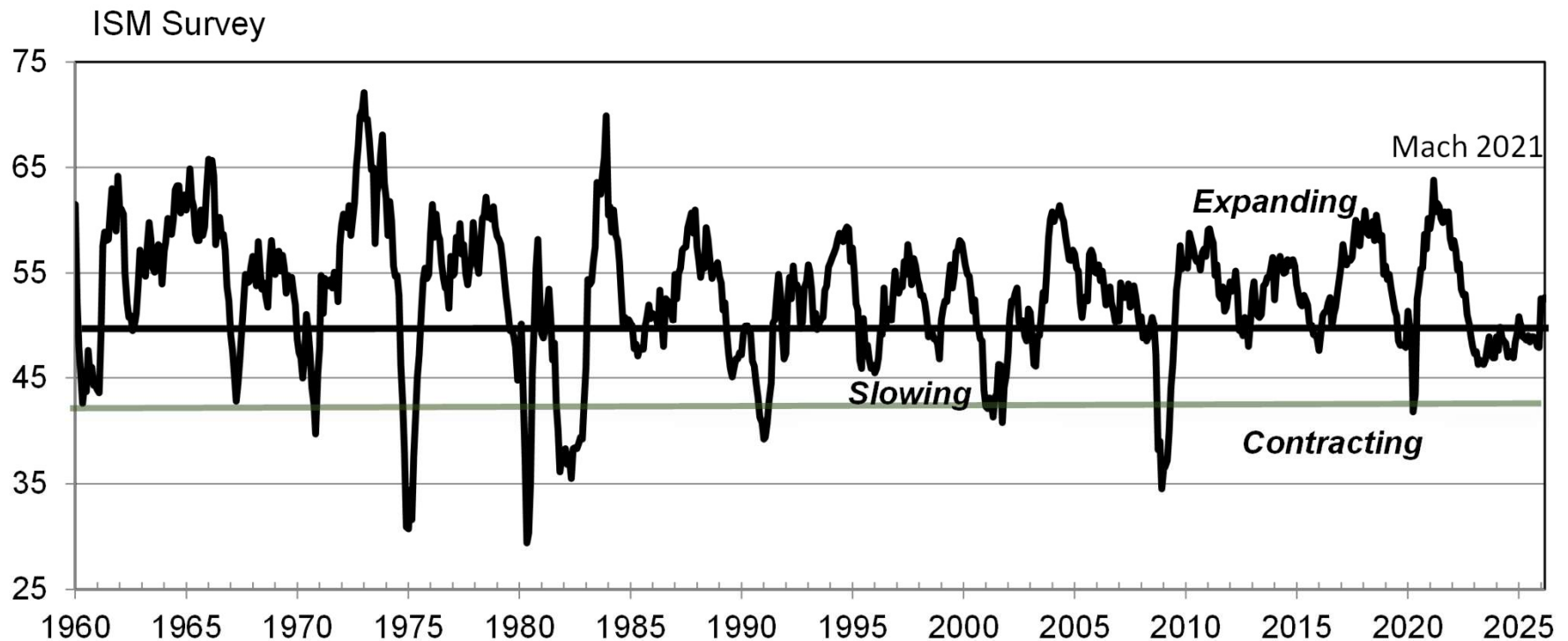
# NATIONAL ACCOUNTS CONTRAST WITH S&P500

Exceptional growth among Large Tech washes out---illustrates how much US Real Economy struggled over 2022-2024



# U.S. MANUFACTURING TRENDS

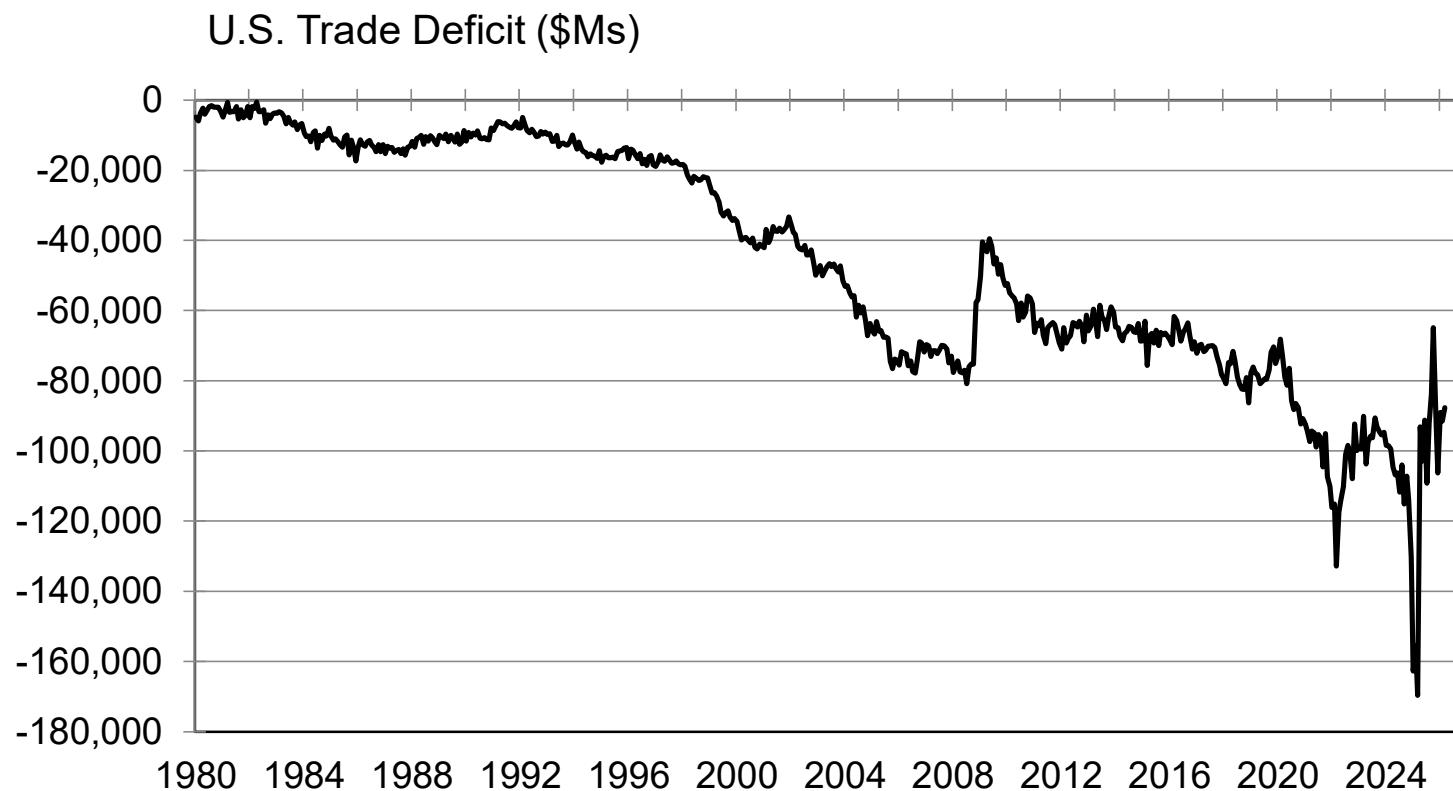
- After peaking in 2021, ISM (<50) retreated during the Biden Administration as anticipated due to consequences of poor policy decisions and higher interest rates.
- Observed level/trend in ISM aligned with Retail Sales, Industrial Production, but not GDP – Government spending boosted GDP given egregious deficit spending.
- Expect a rebound in ISM Survey materially over 50 again in 2026.



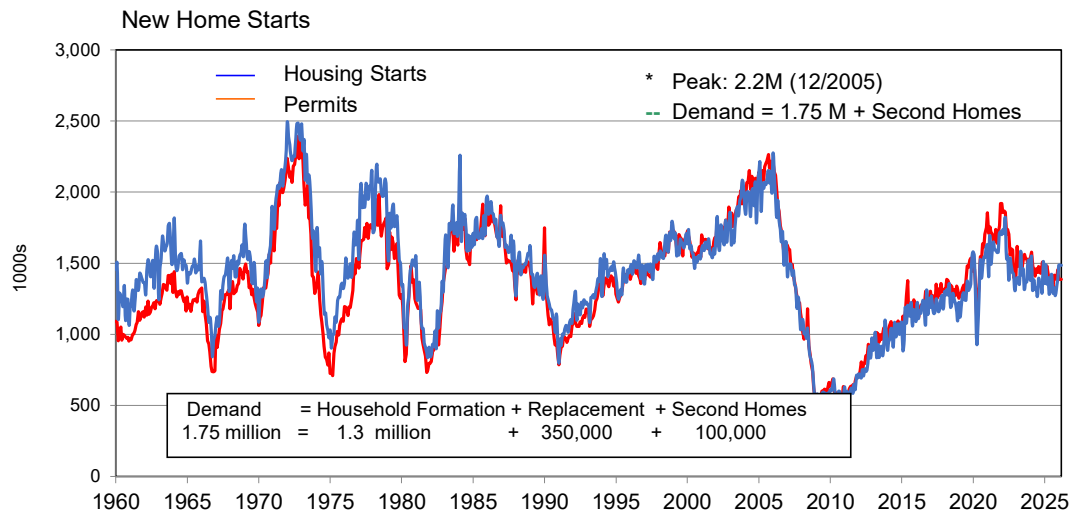
Source: ISM Purchasing Managers Survey -- one of the most timely and best predictors of the business cycle. "50" equates to ~2.7% potential growth, 50-42 suggests slowing economy, below 42 suggests contraction.

# US TRADE POLICIES IMPROVED TRADE DEFICIT

- Tariffs leveraged America's buying power to restore fair trade practices and reduce trade barriers exploited for decades by our global trading partners
- Reducing America's trade deficit boosts real potential growth and income/earnings, as well as bolsters the US dollar (lower inflation)

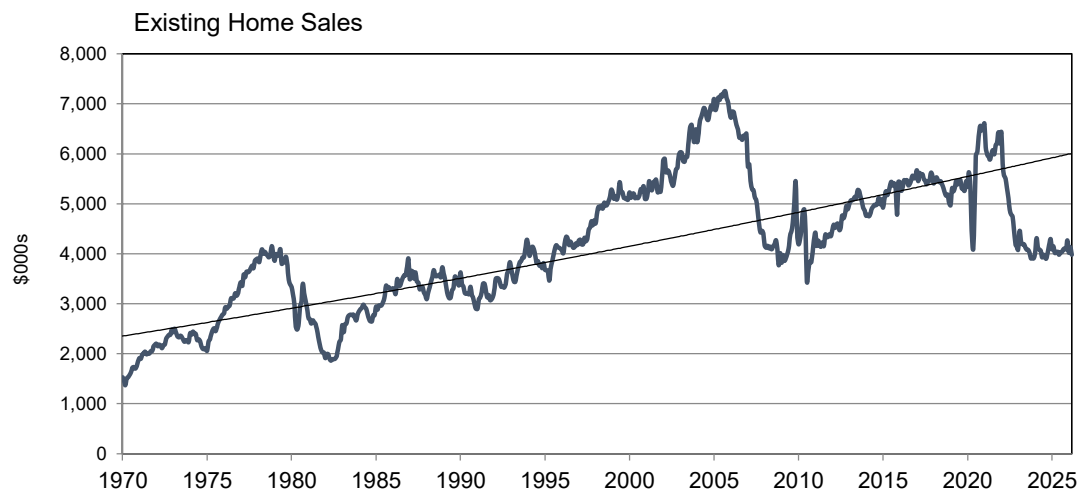


# HOUSEHOLD FORMATION DRIVES HOUSING



Sales and Starts slowed as interest/mortgage rates rose, but supply is still limited. Household formation drive demand.

Limited new starts hovering near 2008-2009 low, can't overcome household formation, replacement (fire, flood, old), plus second home demand, so inventory remains lean.



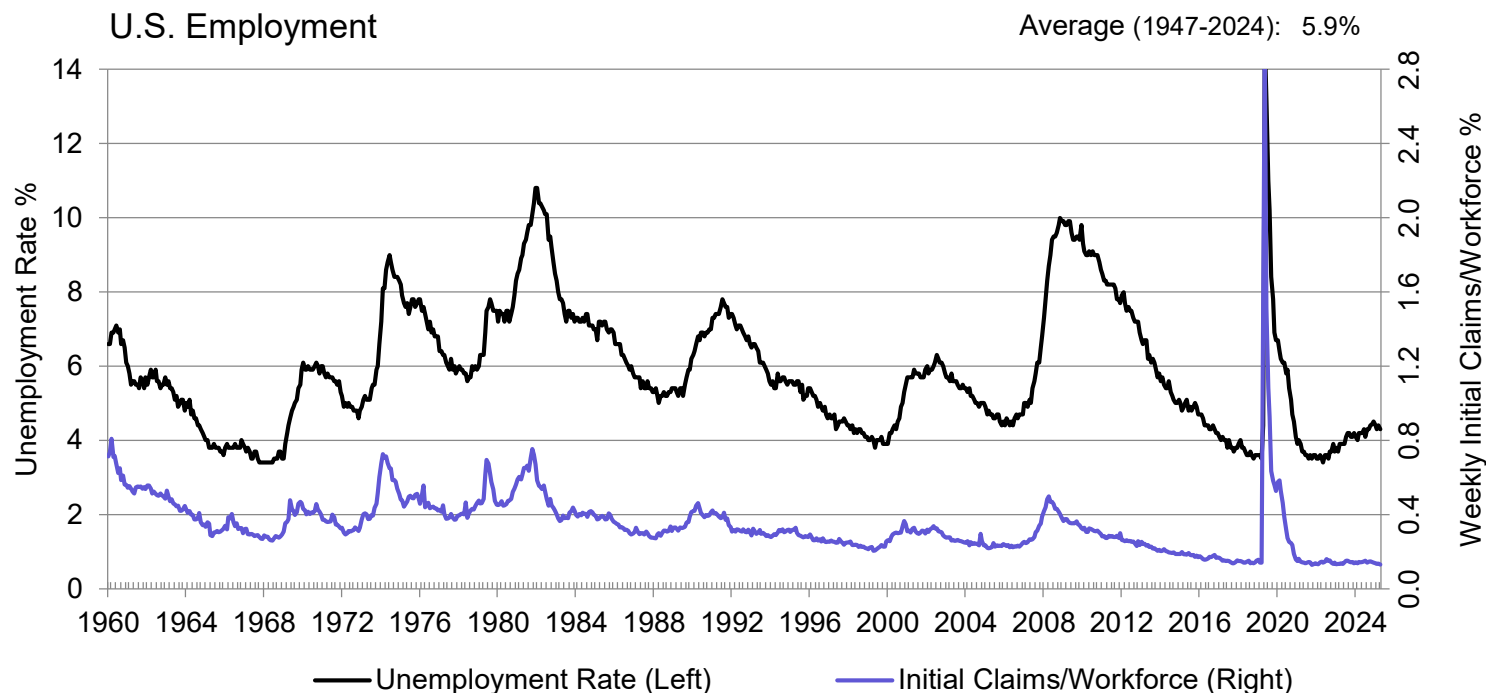
It isn't surprising housing cost inflation continues with housing starts limited. Rent also rising with low inventory levels. We expect construction to increase.

High basic material, labor, and energy prices coincide with lower starts and still low inventory of new homes for sale.

Source: U.S. Government Data

# UNEMPLOYMENT KEY TO FED OUTLOOK

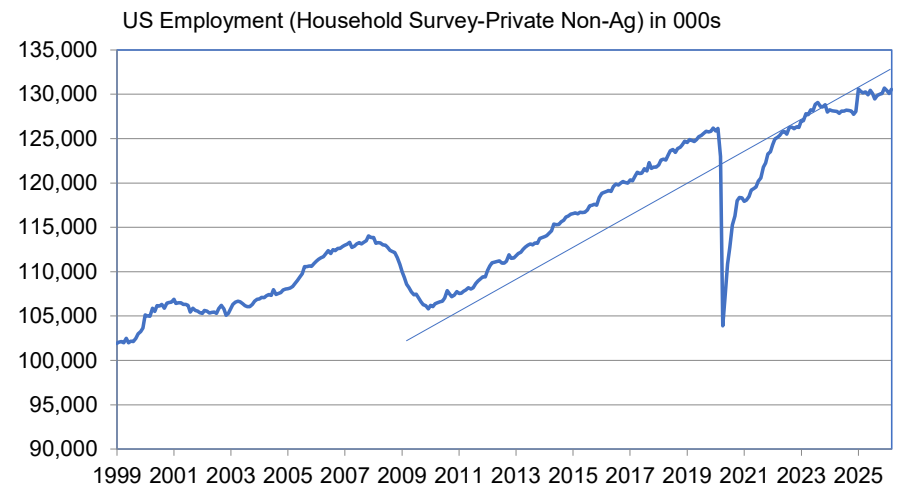
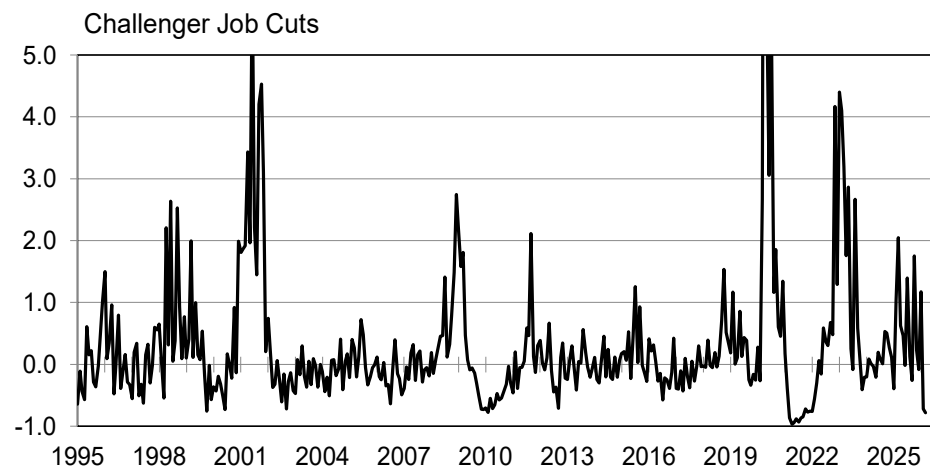
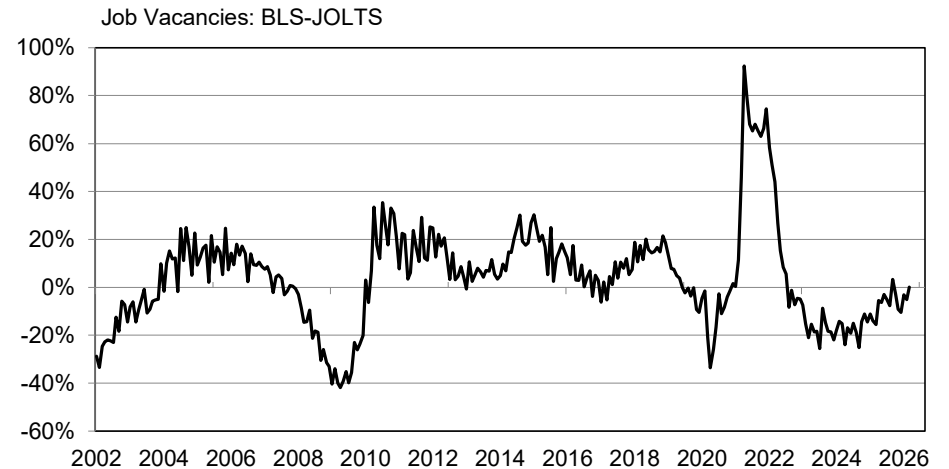
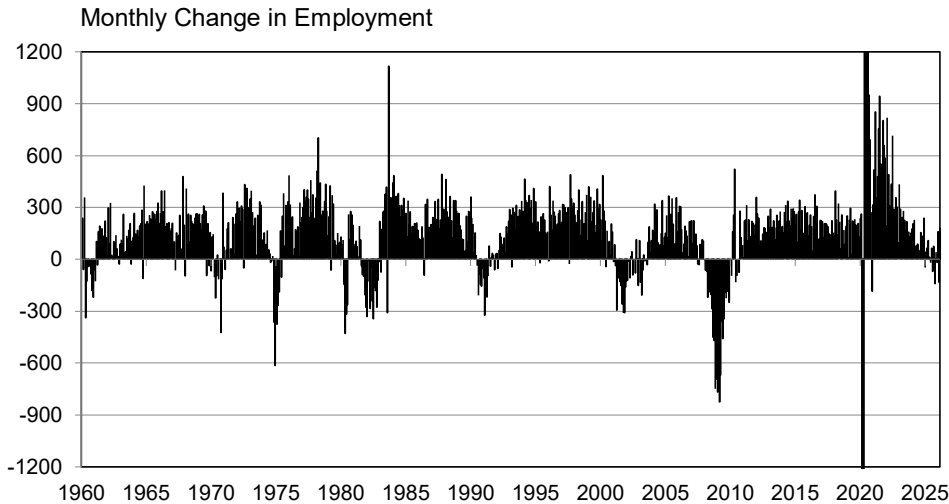
- Unemployment peaked over 14% (April 2020). Now trending higher from 3.5% low vs. 5% equilibrium and 5.9% historical average. Secular change affected workforce needs
- Higher inflation expectations + minimum wage increases drive higher labor costs. Cheap Energy + Investment vs. Declining Labor Intensity: *Race Against the Machines*
- AI Disruption causing significant uncertainty for hiring companies and applicants, thus higher unemployment for graduates, even computer science and engineering disciplines



Source: U.S. Government Data

# U.S. EMPLOYMENT CONDITIONS

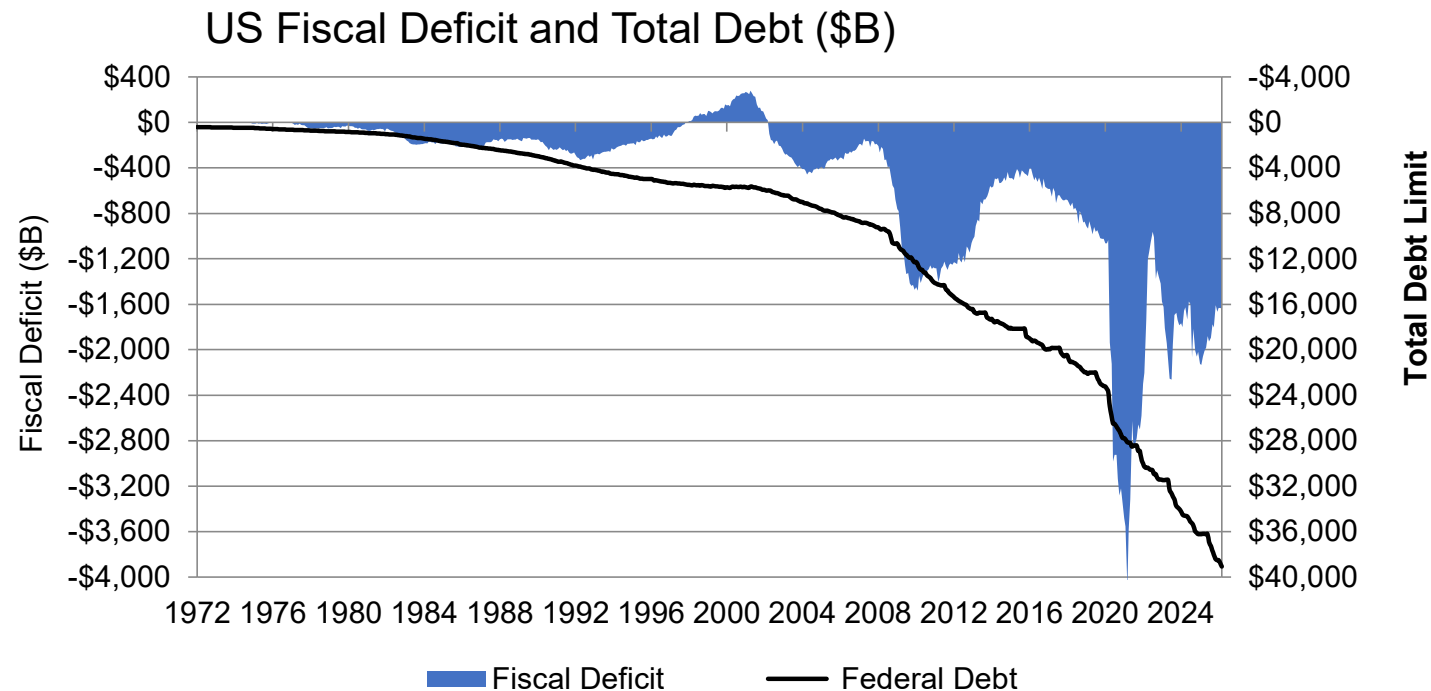
Low Recession likelihood below 5% unemployment, expect rate to drift higher as government job growth reverses, offset by immigration and trade policy



Source: U.S. Government Data

# US FISCAL DEFICIT (ROLLING YEAR)

- US Fiscal Deficit is Unsustainable with soaring nondiscretionary liabilities on top of reckless, wasteful, unnecessary, and inefficient stimulus spending programs since 2020
- DOGE exposed wasteful, ineffective programs of *Build Back Better* boondoggle, expansive fraud (MN, CA), and expensive progressive policies of Biden Administration
- Rising interest rates boosting Fiscal Deficits--\$1.8 trillion on US Debt over **\$39 trillion** Interest exceeds \$1 trillion—short maturity issuance exposed US as yield curve steepens



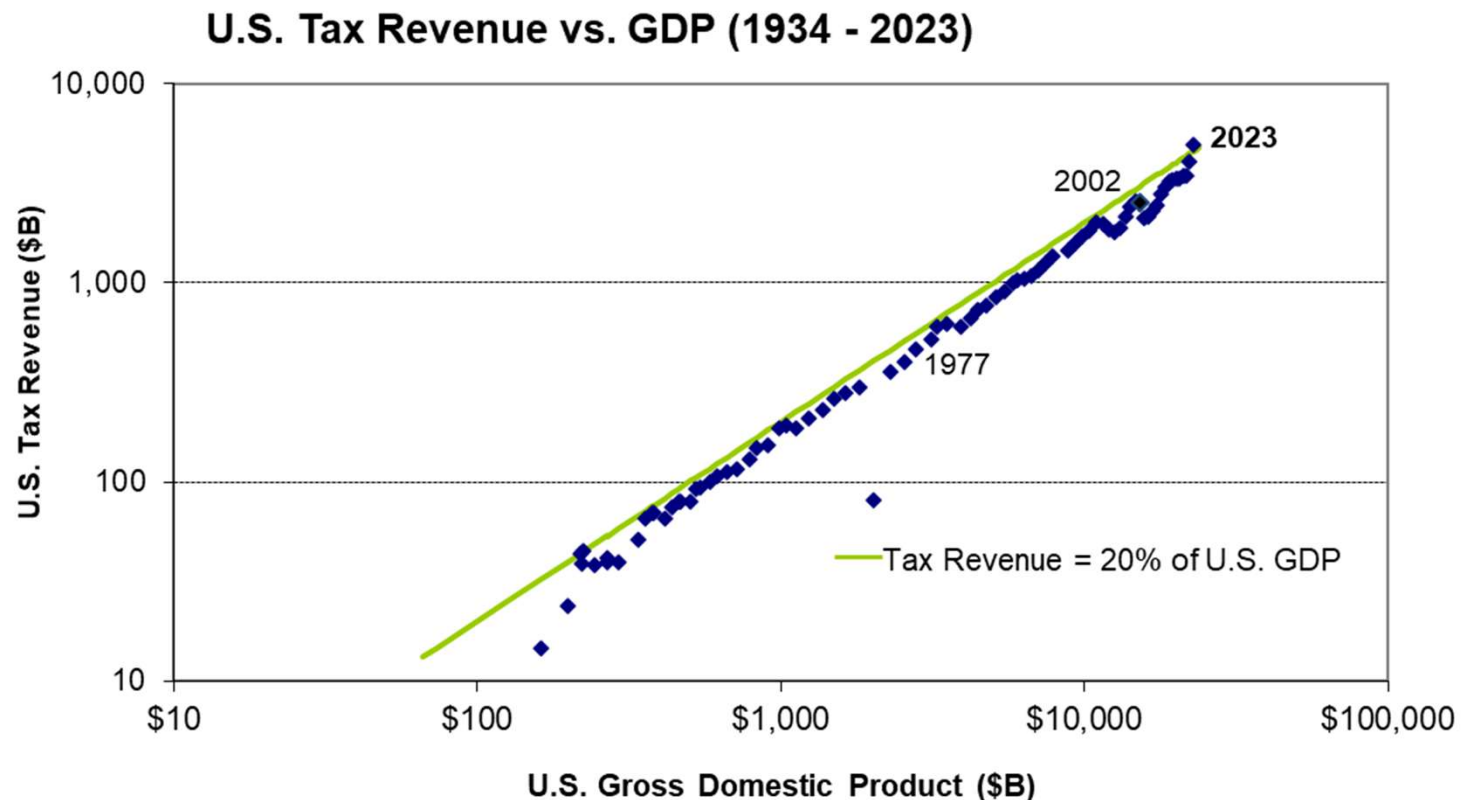
**U.S GDP: 31.42 Trillion Q4/2025 (Debt/GDP = 124%)**  
**Federal Reserve needs to refund/sell \$5 Trillion of QE**

Source: US Government, OMB



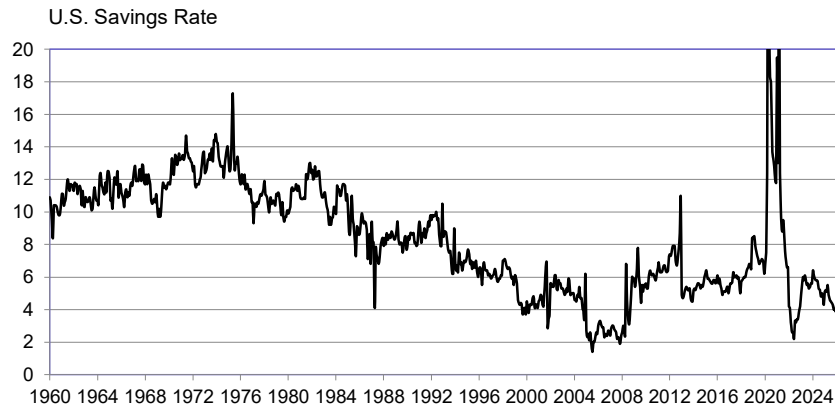
# HAUSER'S LAW

- Empirical observation that U.S. Government never exceeded revenue collection of 18-20% of GDP since 1934, irrespective of varying individual tax rates (35-90%).
- Raising tax rates never boosted tax revenue, because it slows economic growth and earnings, which reduces growth in tax revenue.
- Similarly, cutting tax rates increases real growth and productivity, thereby boosting tax revenue—rather than reducing tax revenue.



Note: Total U.S. Tax Revenue includes: Individual, Corporate, Social Security, Exise & Other Sources

# HOUSEHOLDS: SAVINGS RATE TOO LOW



## Not Your Father's Household Balance Sheet

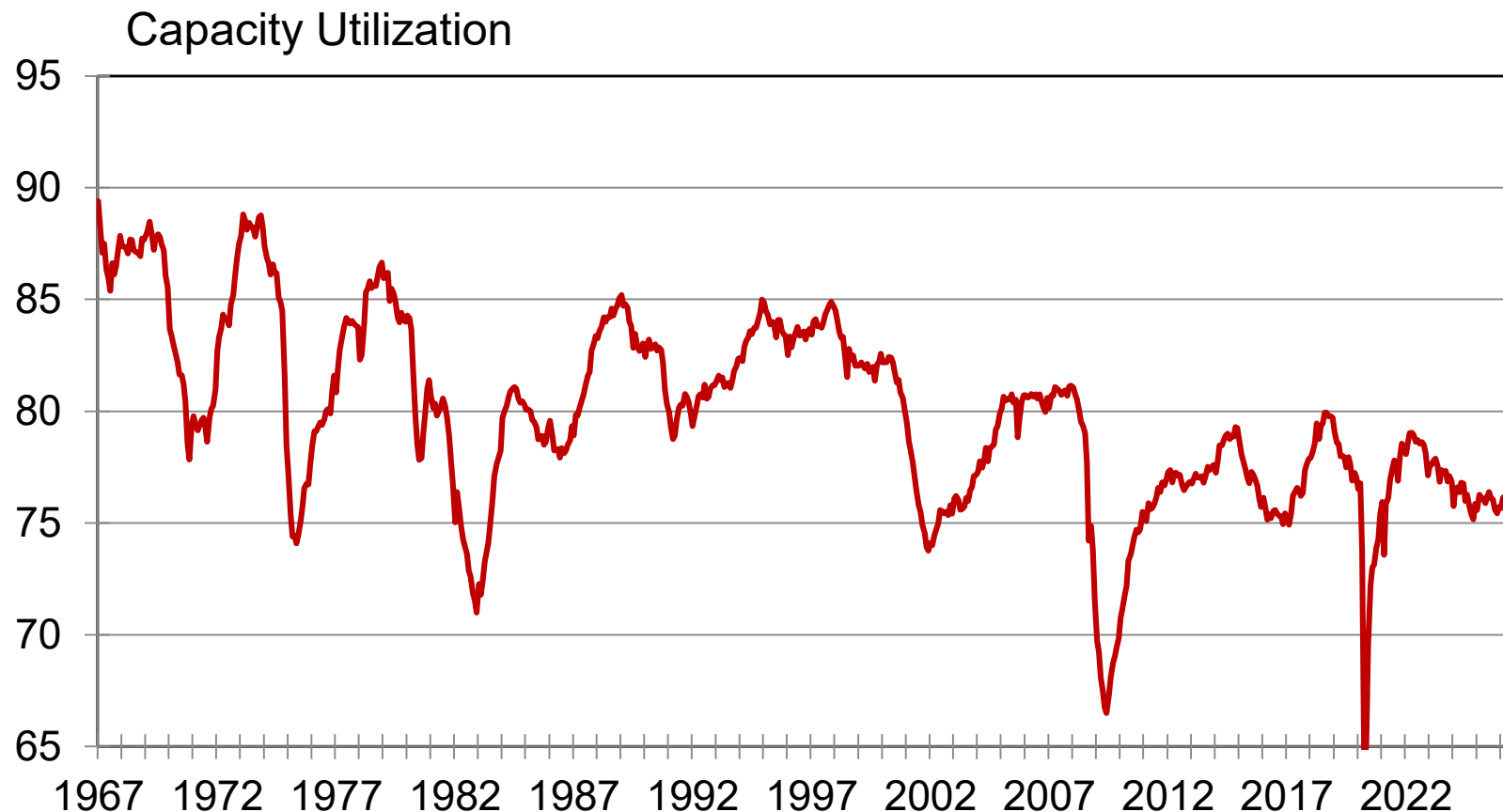
- Household Net Worth increased to **\$177 Trillion**
- Financial Assets increased to **\$118 Trillion**
- 2022 brutal on retirement savings, how about 2025? Savings Rate has declined to 2008 lows.
- Net worth has been growing faster than inflation

| Household Balance Sheet (\$Bs)            | 2000   | 2007   | 2018    | 2019    | 2020    | 2021    | 2022    | 2023    | 2024    | 2025 Q2 | vs. 2005 | 5Year | 3Year | 1-Year |
|---|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|----------|-------|-------|--------|
| <b>Total Assets</b>                       | 51,998 | 84,661 | 120,177 | 133,358 | 148,842 | 170,112 | 164,832 | 176,980 | 191,731 | 197,280 | 4.9%     | 7.8%  | 6.1%  | 5.6%   |
| Households: Real Estate                   | 14,172 | 25,828 | 31,647  | 33,397  | 36,665  | 43,294  | 46,976  | 49,026  | 52,205  | 53,224  | 3.8%     | 8.9%  | 3.8%  | 0.7%   |
| <b>Financial Assets (inc. retirement)</b> | 34,437 | 54,041 | 82,388  | 93,576  | 105,352 | 119,012 | 109,352 | 119,179 | 130,383 | 134,590 | 5.5%     | 7.4%  | 7.3%  | 7.6%   |
| Pensions                                  | 11,031 | 16,415 | 25,795  | 28,006  | 29,794  | 31,576  | 28,368  | 30,609  | 32,517  | 33,334  | 4.2%     | 3.5%  | 3.9%  | 5.1%   |
| Investments                               | 16,218 | 25,975 | 42,634  | 51,809  | 58,380  | 69,528  | 66,074  | 75,222  | 84,728  | 70,203  | 6.2%     | 7.3%  | 8.6%  | -12.5% |
| Deposits (Bank Acct + Money Fund)         | 4,773  | 8,117  | 12,298  | 13,360  | 16,351  | 18,055  | 18,012  | 18,342  | 19,223  | 19,671  | 5.7%     | 5.0%  | 2.2%  | 6.5%   |
| Change in Financial Assets%               | -0.5%  | 6.3%   | -1.1%   | 13.6%   | 12.6%   | 13.0%   | 3.8%    | 0.1%    | 19.2%   | 17.1%   |          |       |       |        |
| <b>Liabilities</b>                        | 7,150  | 14,096 | 15,388  | 15,883  | 16,509  | 17,995  | 19,158  | 19,670  | 19,986  | 20,149  | 2.7%     | 4.8%  | 3.3%  | 1.4%   |
| Home Mortgages                            | 4,817  | 10,625 | 10,204  | 10,476  | 10,919  | 11,815  | 12,654  | 13,017  | 13,381  | 13,533  | 2.1%     | 5.0%  | 3.7%  | 2.8%   |
| Consumer Credit                           | 1,741  | 2,609  | 4,007   | 4,192   | 4,185   | 4,513   | 4,859   | 4,988   | 4,950   | 4,998   | 3.9%     | 4.1%  | 2.9%  | 0.3%   |
| <b>Household Net Worth</b>                | 44,543 | 70,048 | 104,177 | 116,857 | 131,717 | 151,407 | 144,935 | 156,537 | 170,933 | 176,293 | 5.2%     | 8.2%  | 6.5%  | 6.1%   |
| Growth Rate (y/y)                         | 2.8%   | 2.6%   | 0.6%    | 11.2%   | 12.0%   | 13.4%   | 9.2%    | 3.4%    | 15.3%   | 13.9%   |          |       |       |        |
| Disposable personal income (NIPA)         | 7,589  | 10,695 | 15,946  | 16,626  | 17,596  | 18,714  | 18,844  | 20,914  | 21,925  | 22,532  | 4.3%     | 4.2%  | 7.0%  | 4.5%   |
| Growth Rate (y/y)                         | 7.6%   | 5.0%   | 6.2%    | 4.3%    | 5.8%    | 6.4%    | 7.1%    | 11.8%   | 16.3%   | 11.7%   |          |       |       |        |
| Financial Assets/Total Assets             | 66%    | 64%    | 69%     | 70%     | 71%     | 70%     | 66%     | 67%     | 68%     | 68%     | 113%     | 95%   | 118%  | 137%   |
| House/Total Assets                        | 27%    | 31%    | 26%     | 25%     | 25%     | 25%     | 28%     | 28%     | 27%     | 27%     |          |       |       |        |
| Liabilities/Assets                        | 14%    | 17%    | 13%     | 12%     | 11%     | 11%     | 12%     | 11%     | 10%     | 10%     |          |       |       |        |

Source: Federal Reserve, US Financial Accounts (Z1-Table B.101)

# RANGE-BOUND CAPACITY UTILIZATION

- Capacity Utilization can drive inflation and investment, particularly as forces of secular disinflation and *Fourth Industrial Revolution* are now waning.
- Offshoring/globalization trends reversing with automation reducing labor intensity.
- Transportation, energy, basic material costs increasingly more critical than labor costs



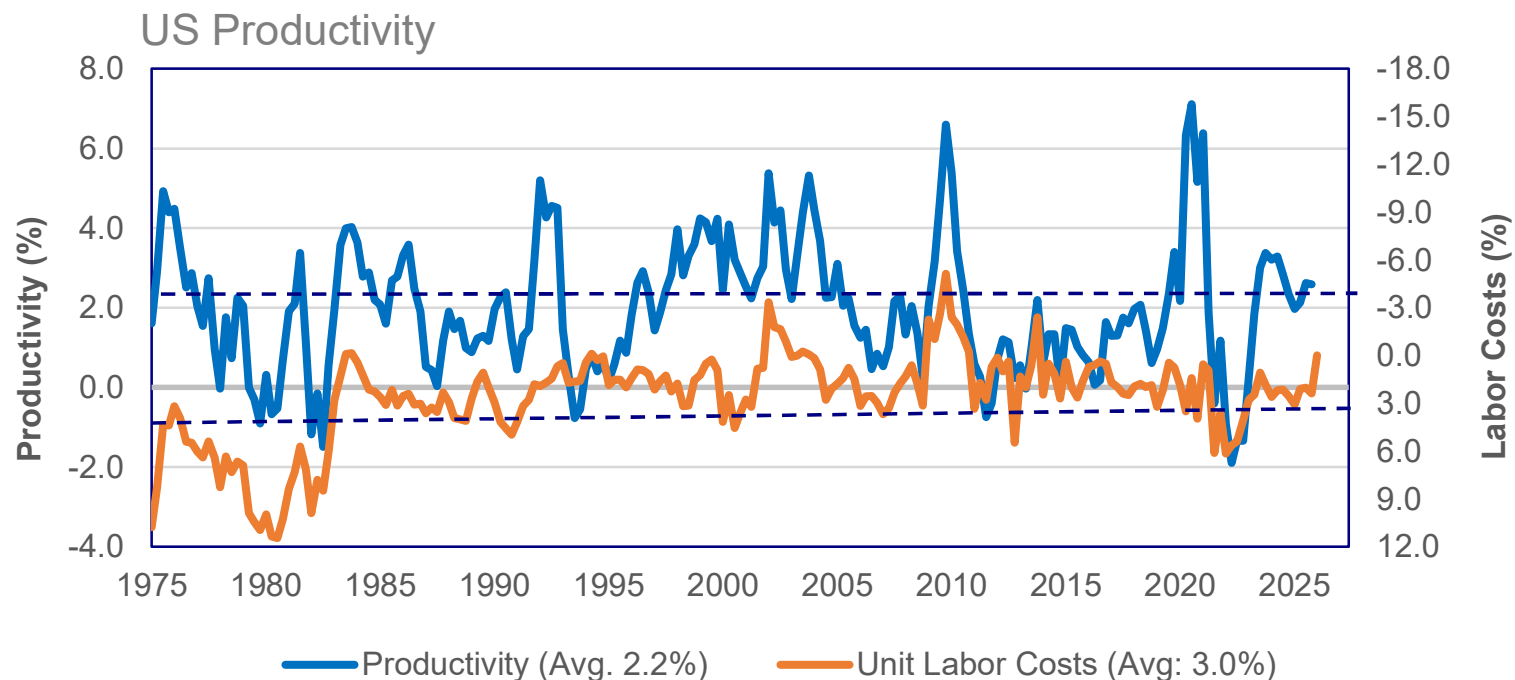
Source: U.S. Government Data

# GROWTH, PRODUCTIVITY AND LABOR COSTS

**Real GDP = Gov't + Consumption + Income + Net Trade = Workforce Growth + Productivity**

Higher Labor Costs can undermine higher productivity expectations, yet reduced government spending should be more than offset by improved Net Trade

Productivity declined from over 3% to less than 2% during the Biden Administration---uptick in 2Q/25

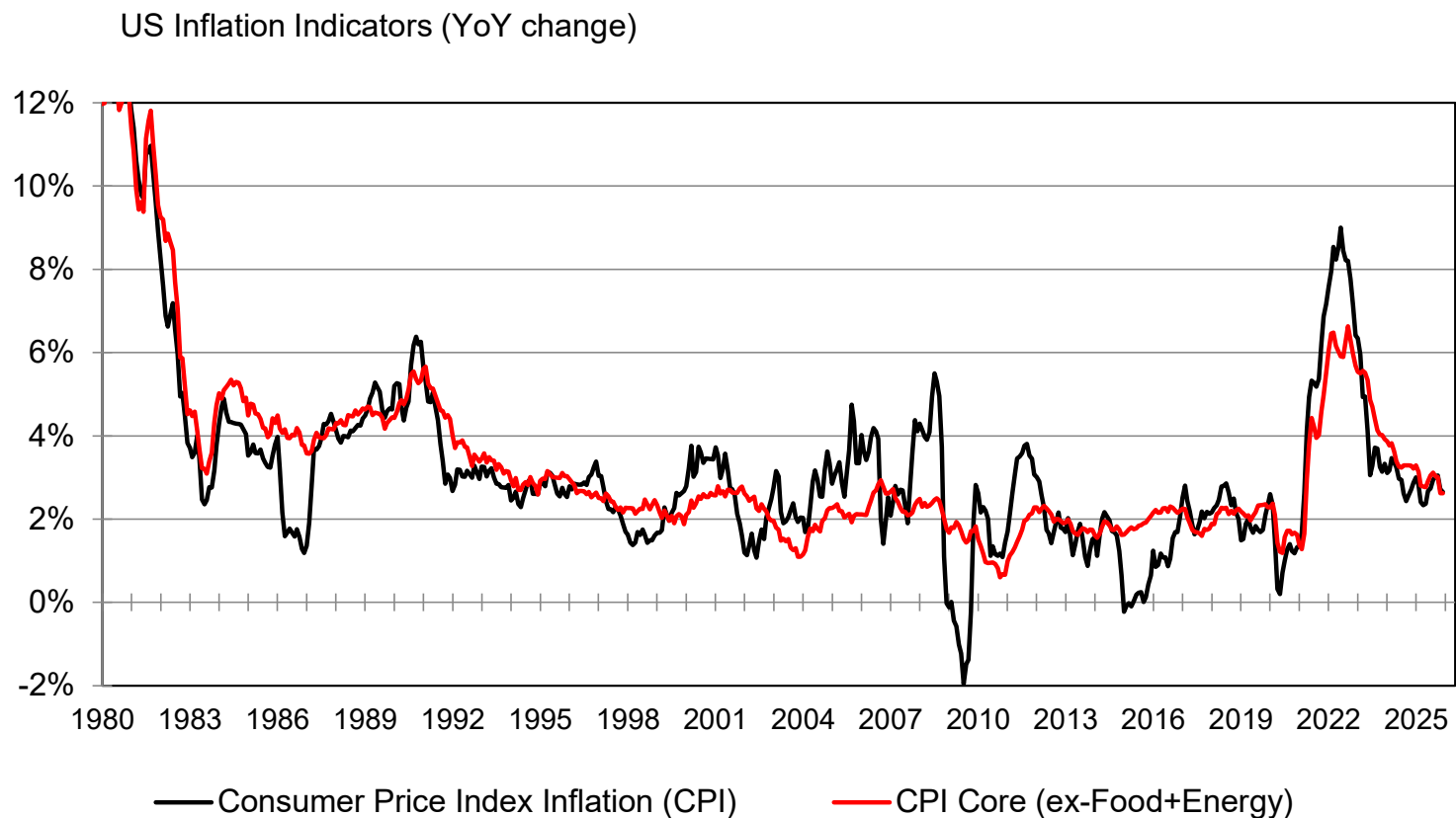


Source: U.S. Government Data

G = Gov't Spending  
 C = Consumption  
 I = Investment  
 T = Net Exports (Trade)

# US CPI INFLATION WILL SETTLE HIGHER ~3%

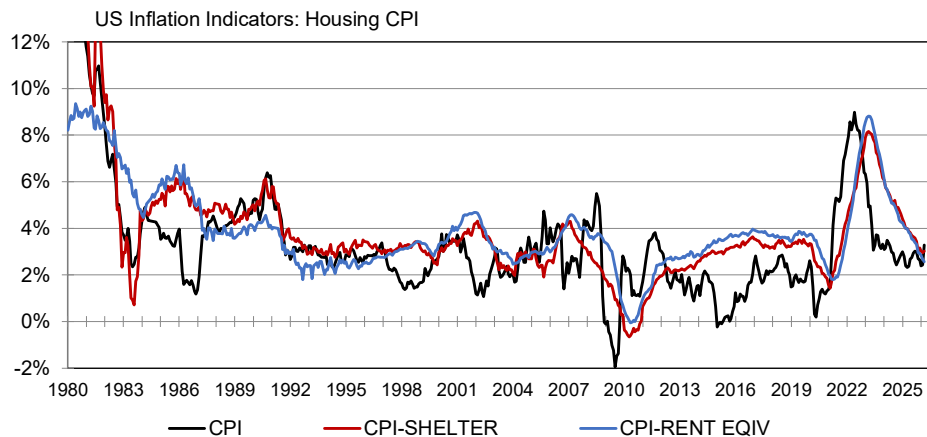
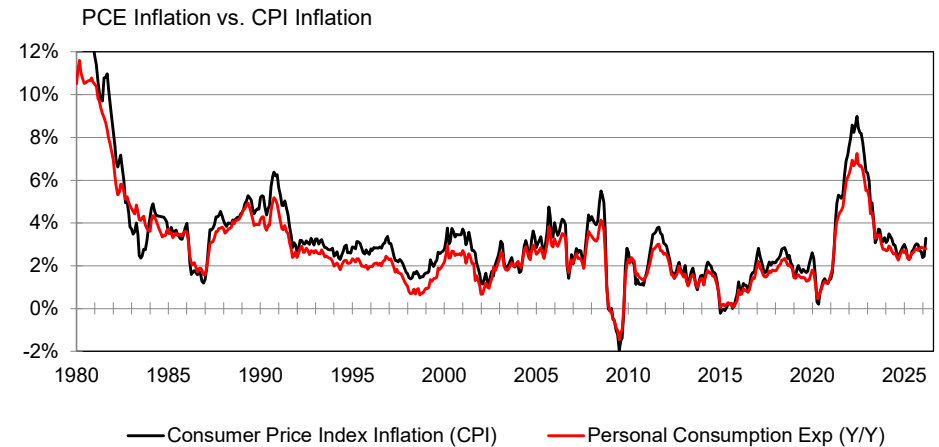
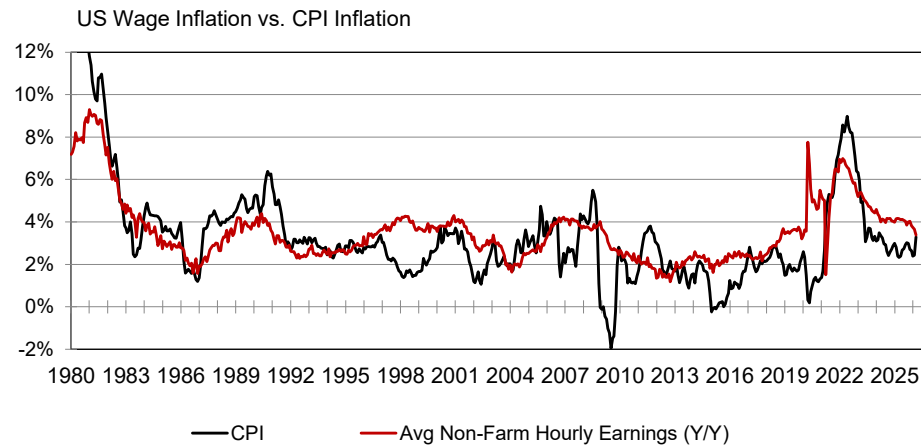
- Inflation finally rolled over, but sticky inflationary forces still remain (housing, labor)
- Higher *inflation expectations* persist, supported by labor, housing, transportation costs
- Inflation now settled near longer run equilibrium, higher inflation expectations
- *Disinflation* receding—innovation, comparative advantage, creative destruction



Source: U.S. Government Data

# BROAD-BASED INFLATION SPREAD GLOBALLY

Broad-based US Inflation accelerated from Jan. 2021, and spread globally  
 Wasn't transitory, impacting energy, basic resources, commodities, and labor  
 Rising inflation expectations embedded labor, housing, transportation costs



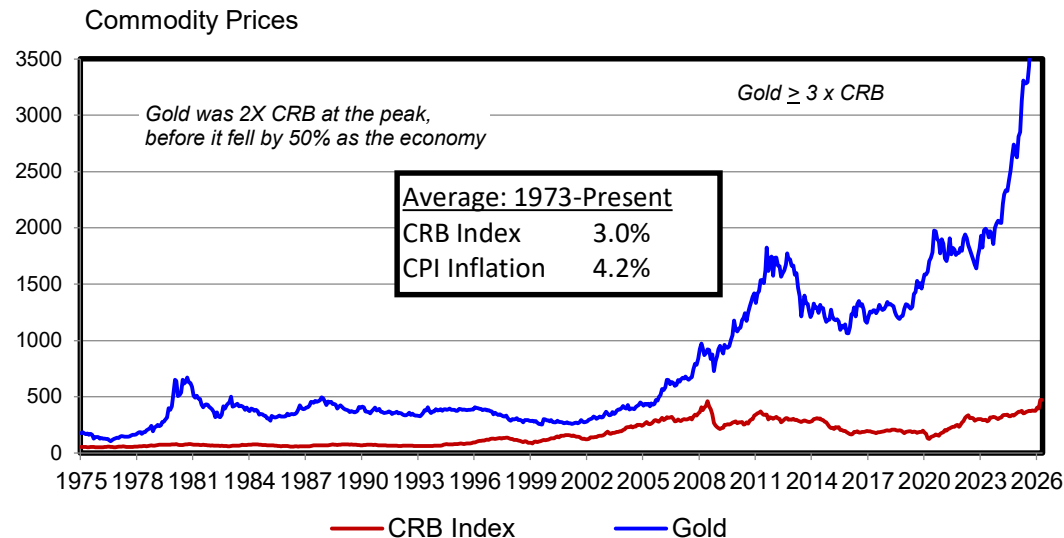
## Global Inflation Tracking (CPI)

|                |            |
|----------------|------------|
| United States  | 2.6%       |
| Europe (EMU)   | 2.0%       |
| United Kingdom | 4.0%       |
| Japan          | 4.6% ←WOW! |

Nations need to keep rates higher,  
 should not be cutting yet (ECB)

# BASIC RESOURCE INTENSITY DECLINING

- Yet, supply and distribution were restricted, resulted in higher prices, now falling
- Input costs can't exceed output prices, thus commodity returns can't exceed inflation. Commodity return = Inflation – Holding costs, so given volatility are not a prudent strategic allocation. Exposure adds to portfolio risk more than is diversified.
- Gold too volatile to be *store of value* and will likely lag inflation as interest rates rise.
- *Cash* is better store of value and market hedge than Commodities, Gold or *Crypto*.



| Correlation | Commodity | Gold |
|-------------|-----------|------|
| S&P 500     | 18%       | 1%   |
| UST 10yr    | -24%      | 3%   |
| Cash        | -9%       | -3%  |
| Inflation   | 25%       | 21%  |

Note: Monthly returns for 1s3-2017 CRB Index

## Commodity Returns:

1871 – 2007: Goldman/The Economist/IMF: Real return = -0.4%

1900 – 2020: Credit Suisse 2.6% vs. 2.9% inflation Real return = -0.3%

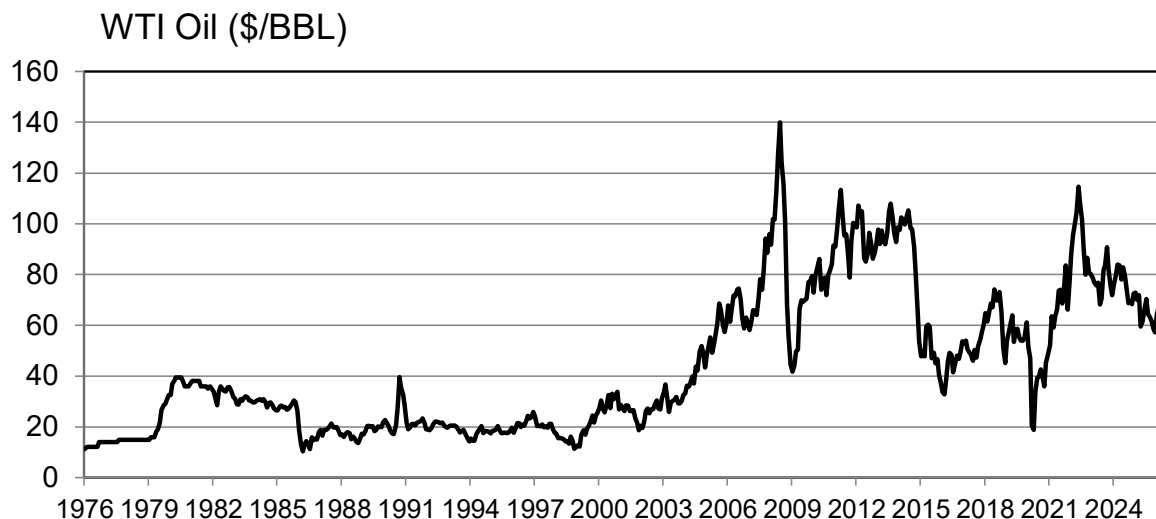
1973 – 2009: 4.75% vs. 4.5% (inflation) Real return = 0.25%

Source: Refinitiv DataStream & Strategic Frontier Management

# WHAT IS THE EQUILIBRIUM OIL PRICE?

Natural demand destruction from *Conservation, Substitution, and Innovation* (C-S-I), and declining energy intensity

- CPI inflation impacted by changes in oil prices—Oil price decline driving lower inflation
- Efforts to limit exploration, production, and pipelines (transport) drove higher prices
- Energy Innovation: new engines, lighter vehicles, greater efficiency, and alternative fuel formulations can lower emissions faster than EV push, natural gas restrictions
- Growth in oil consumption limited despite abundance of natural gas/oil supply, limitation exporting natural gas--Draining SPR was a foolish short-sighted idea
  - Alternative power still expensive, unreliable, and growing more slowly than needed
  - Increasing US CAFE standards reduced overall demand, even with miles/yr growth



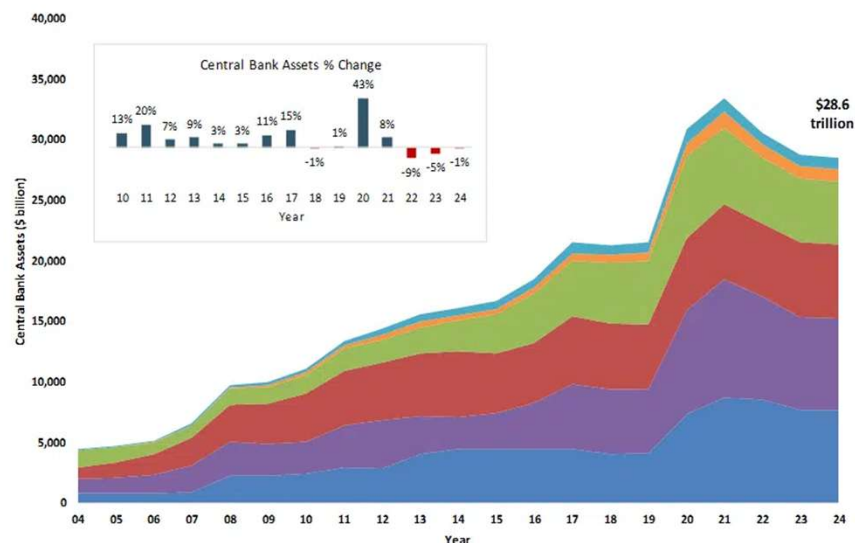
Normal equilibrium price for WTI was \$55-60 thru 2020, but is likely **\$65-75** with more regulation and reduced energy infrastructure investment

Source: EIA

# THE PROBLEM: INFLATION & MONEY GROWTH

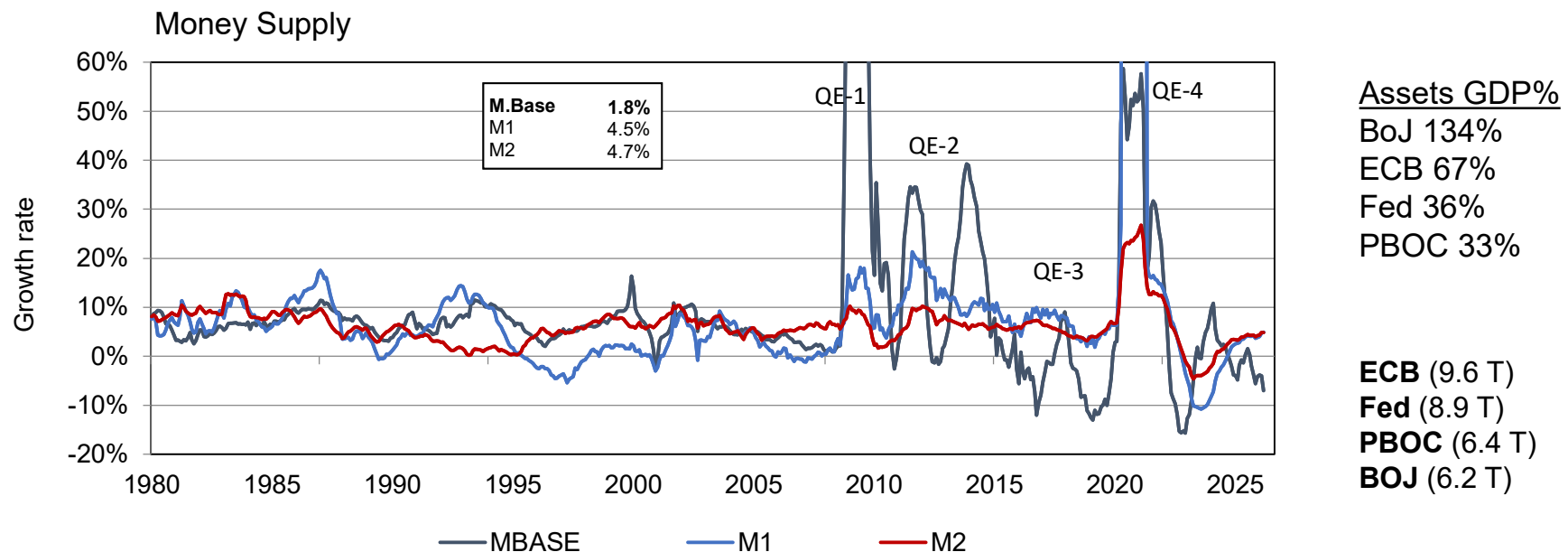
- Massive money growth and low rates for an extended period increased **explicit moral hazard**, but monetary normalization is now difficult (QT particularly)
- United States, Japan, European Central Bank, and China hold similar balances
- Federal Reserve needs to unwind about \$5 trillion of QE at a time of high fiscal deficits ~\$2 trillion, with higher interest rates on US debt of \$35 trillion (120% Debt/GDP)
- Unwinding central bank QE holdings will be a global drag on money growth for years, notwithstanding induced volatility of adjusting money supply—Fed+BoJ+ECB+China = \$25.2 Trillion – ECB and China have been increasing holdings, US not reducing lately.

**Global Central Bank Balance Sheets**  
Cumulative assets of the top 6 global central banks (US\$ billions)  
Source: Bloomberg



# MONEY SUPPLY VOLATILITY INCREASES EQUITY VOL, BUT HARDLY HELPS ECONOMY

- Excessive money growth and low rates for an extended period manipulated bond markets, thereby flattening yield curves and increased *explicit moral hazard*
- Normalization of monetary policy needed to restore financial stability—terrible policies compromised ability to respond to the next financial crisis or economic downturn.
- Must continue to reverse QE (Fed/ECB/BoJ bond holdings) despite hangover effect.



Source: U.S. Federal Reserve

# EXTINGUISHING EMERGENCY MONETARY POLICY RISKS HIGHER BOND VOLATILITY, DEBT CRISIS

- Federal Reserve should continue to reduce QE holdings, normalize interest rates--Unwinding ~\$5 trillion in Fed holdings (QE→ QT) cause low to negative money growth. US Debt + Fiscal Deficit + QT increase bond supply and issuance→steeper yield curve, macro volatility, Gov't liquidity issues
- Current Fed policy target converging on our long-run equilibrium forecast, within ¼% now, but its inflation target is woefully too low.
- Expect improved respect, Taylor Rule more relevant, reduced QE holdings under Chair Kevin Warsh.
- SFM US Long-run CPI Inflation to average 3% (equivalent to PCE: 2.5%), so Long-run Fed Funds: 3½ based on historical relationships. *Our 2026 ¼% cut forecast now aligned with Federal Reserve..*

| Median Forecast    |             |             |             |             |              |              |              |             | LongRun Forecast |            |
|--------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|-------------|------------------|------------|
| <u>U.S. Fed %</u>  | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025e</u> | <u>2026e</u> | <u>2027e</u> | <u>2028</u> | <u>Fed</u>       | <u>SFM</u> |
| GDP                | 5.90        | 0.50        | 2.60        | 2.50        | 1.70         | 2.40         | 2.30         | 2.10        | 2.00             | 2.20       |
| U.Rate             | 4.80        | 3.70        | 3.80        | 4.20        | 4.40         | 4.40         | 4.30         | 4.20        | 4.20             | 4.80       |
| PCE                | 4.20        | 5.60        | 2.30        | 2.40        | 2.90         | 2.70         | 2.20         | 2.00        | 2.00             | 2.50       |
| Core PCE           | 3.70        | 4.80        | 2.60        | 2.80        | 3.00         | 2.70         | 2.20         | 2.00        | 2.00             | 2.50       |
| Implied CPI        | 3.50        | 6.10        | 2.80        | 2.90        | 3.40         | 3.20         | 2.70         | 2.50        | 2.50             | 3.00       |
| Federal Funds Avg. | 0.13        | 4.38        | 5.38        | 4.38        | 3.63         | 3.35         | 3.19         | 3.19        | 3.16             | 3.50       |

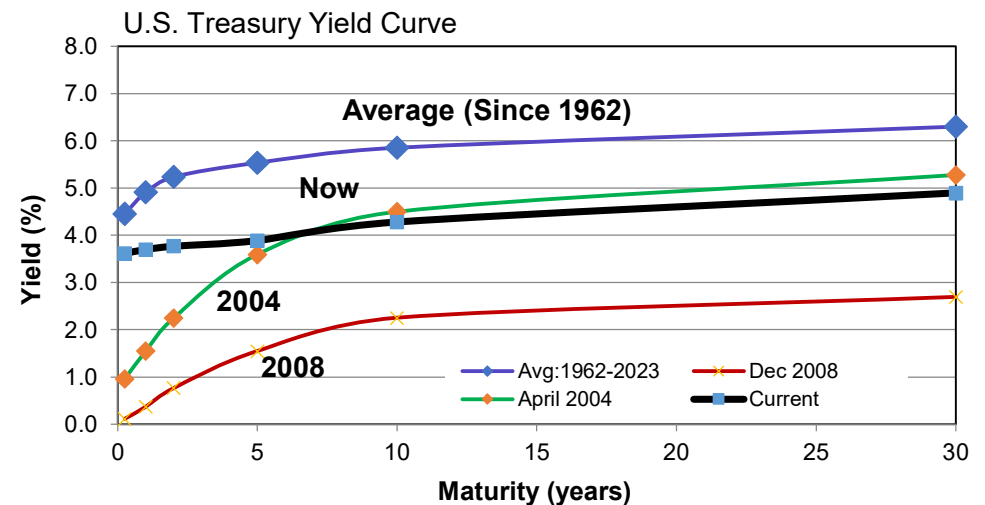
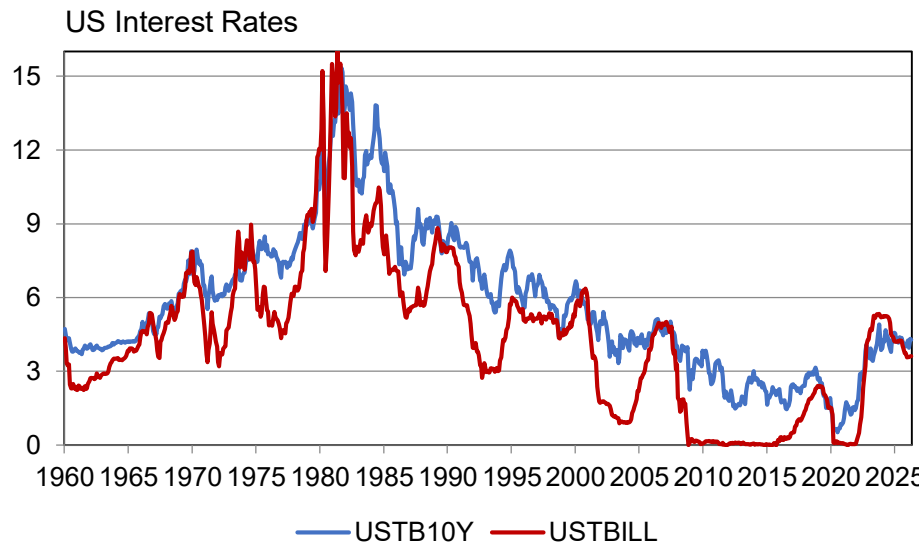
| Interest Rates            | 2021  | 2022  | 2023  | 2024   | 2025e  | 2026e  | 2027e | 2028  | Longer Run |
|---------------------------|-------|-------|-------|--------|--------|--------|-------|-------|------------|
| FOMC Avg.                 | 0.13% | 4.38% | 5.38% | 4.38%  | 3.63%  | 3.35%  | 3.19% | 3.19% | 3.16%      |
| SFM Forecast <sup>1</sup> | 0.25% | 4.50% | 5.50% | 4.50%  | 3.75%  | 3.50%  | 3.50% | 3.50% | 3.50%      |
| Rate Change               | 0.00% | 4.25% | 1.00% | -1.00% | -0.75% | -0.25% | 0.00% | 0.00% | 0.00%      |

1. Top-end of indicated Fed Funds range

Source: U.S. Federal Reserve (March 18, 2026) and Strategic Frontier Management

# INTEREST RATES MUST NORMALIZE

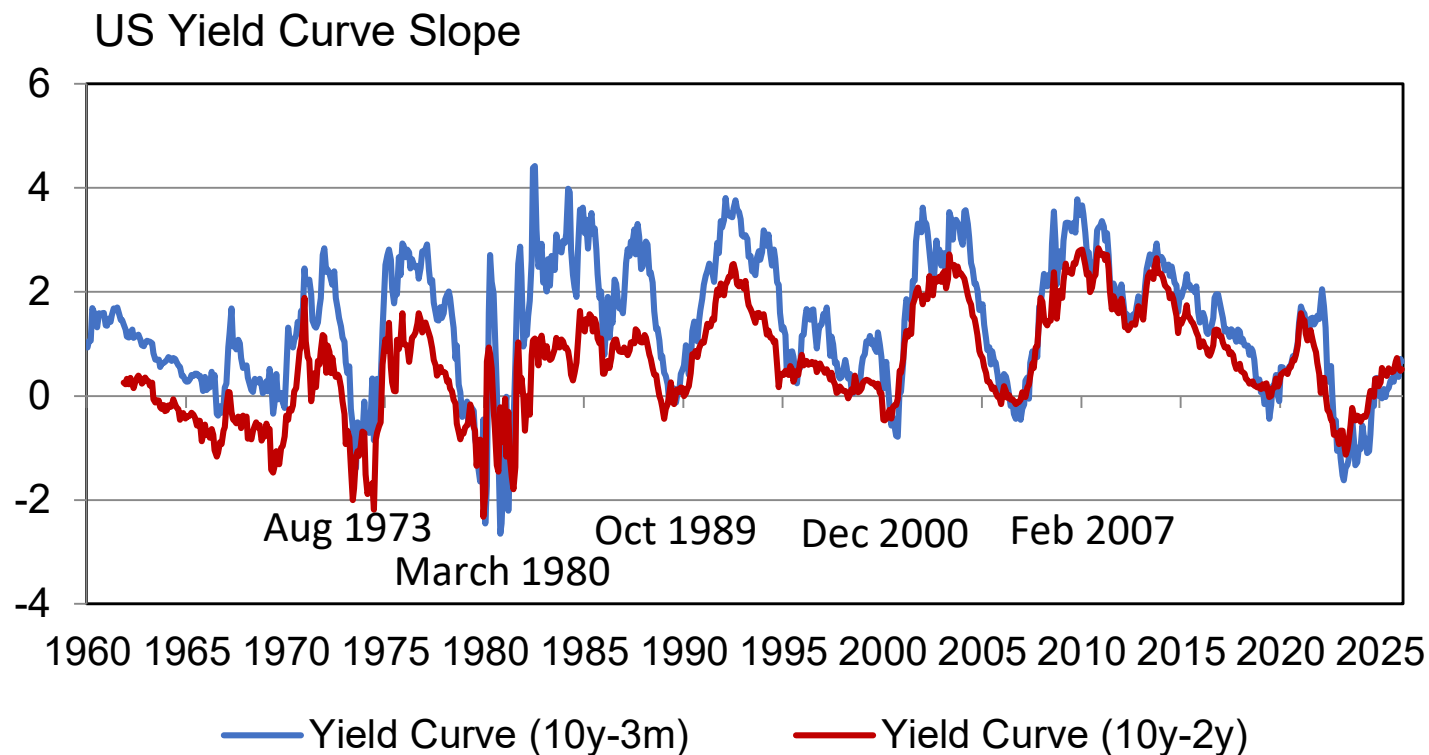
- Global interest rates manipulated with unsustainable monetary policy, inc. QE: Too Low for Too Long induced *Explicit Moral Hazard* and extinguished the inflation risk premium.
- Mislead investors, business, and consumers, increased systemic risk. Prolonged misguided policy has boosted inflation expectations—Thus, expect negative real bond returns for years.
- Extended Leverage and Government Debt have increased financial systemic risk, illiquidity, and extreme deficits that boost debt issuance with already extended bond overvaluation.
- Charts below highlight how far central bank monetary policy and interest rate expectations strayed from equilibrium. Flat or inverted yield curves are unsustainable, risk premiums must exist to keep financial system in check reflect risk aversion.



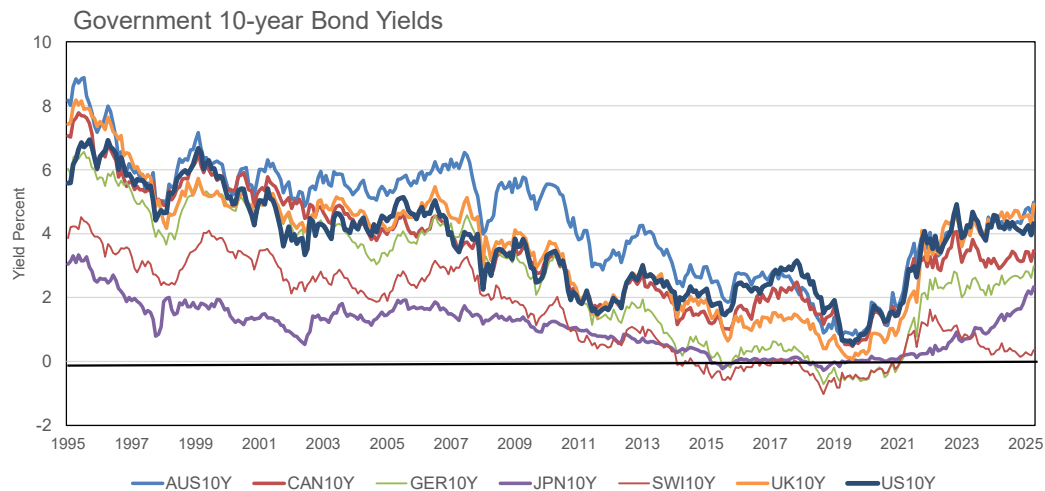
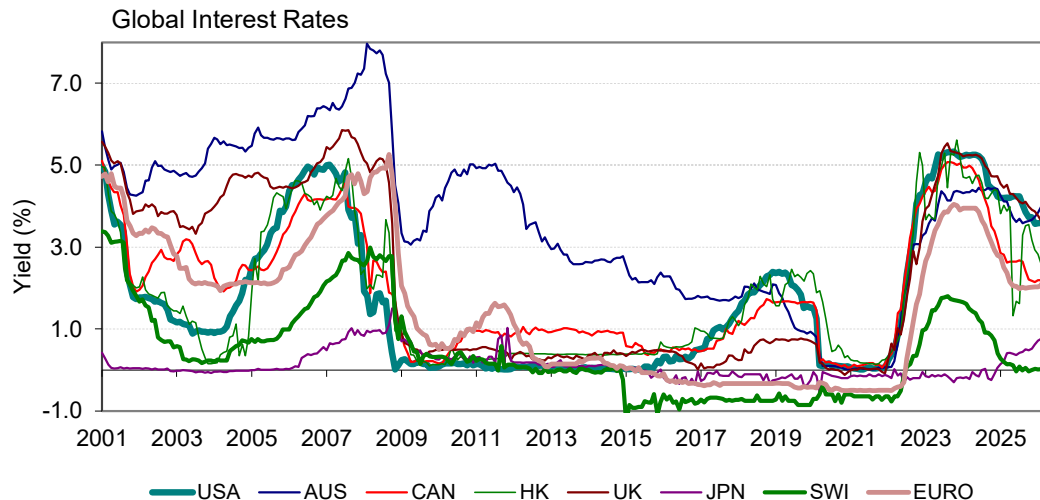
Source: Federal Reserve

# US YIELD CURVE INVERSION UNSUSTAINABLE

- Nothing good happens with a sustained flat to inverted yield curve of less than 1.5%
- Misguided monetary policies and stimulus have wrecked havoc on financial system
- Yield curve must steepen to reflect new paradigm of normalized interest rates
- Risk seeking behavioral bias result of Fed's *explicit moral hazard* for extended period



# GLOBAL INTEREST RATES

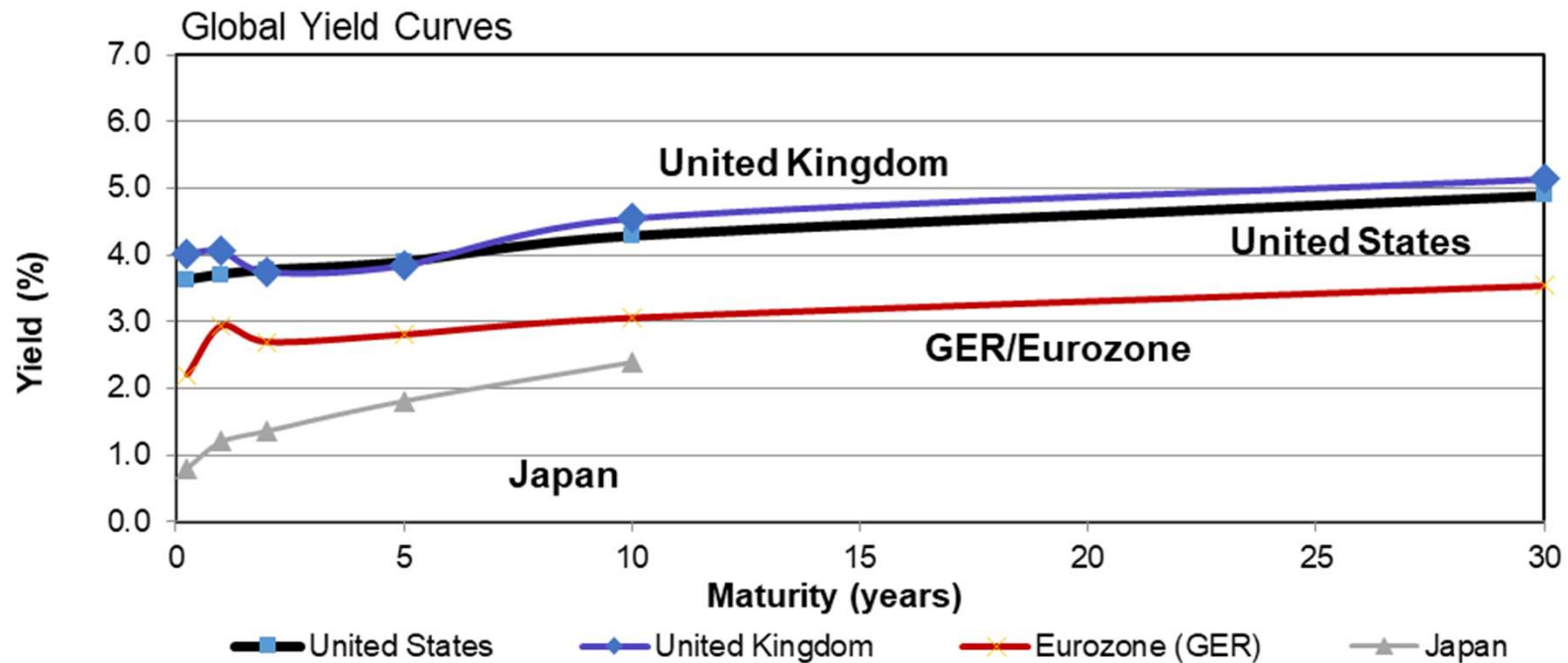


- What a mess central banks caused-- Global policy interest rates were too low for too long. Reversing QE→QT should drive steeper yield curves, as global bond volatility increases too,.
- New US interest rate regime anchored at higher level of 3.5% vs. 2.5% Fed target (now 3¼%) after two decades of misguided policy experimentation causing financial imbalances.
- Central Banks -- including U.S Fed, U.K. BoE, BoC, ECB, BoJ, and Bank of China -- have a lot work to do reducing bond holdings to unwind QE.
- The Fed attempted to manage yield curve (flatter) for extended period, but caused explicit moral hazard with forward guidance, SEP, rates too low, quantitative easing (QE).

Source: Refinitiv DataStream & Strategic Frontier Management

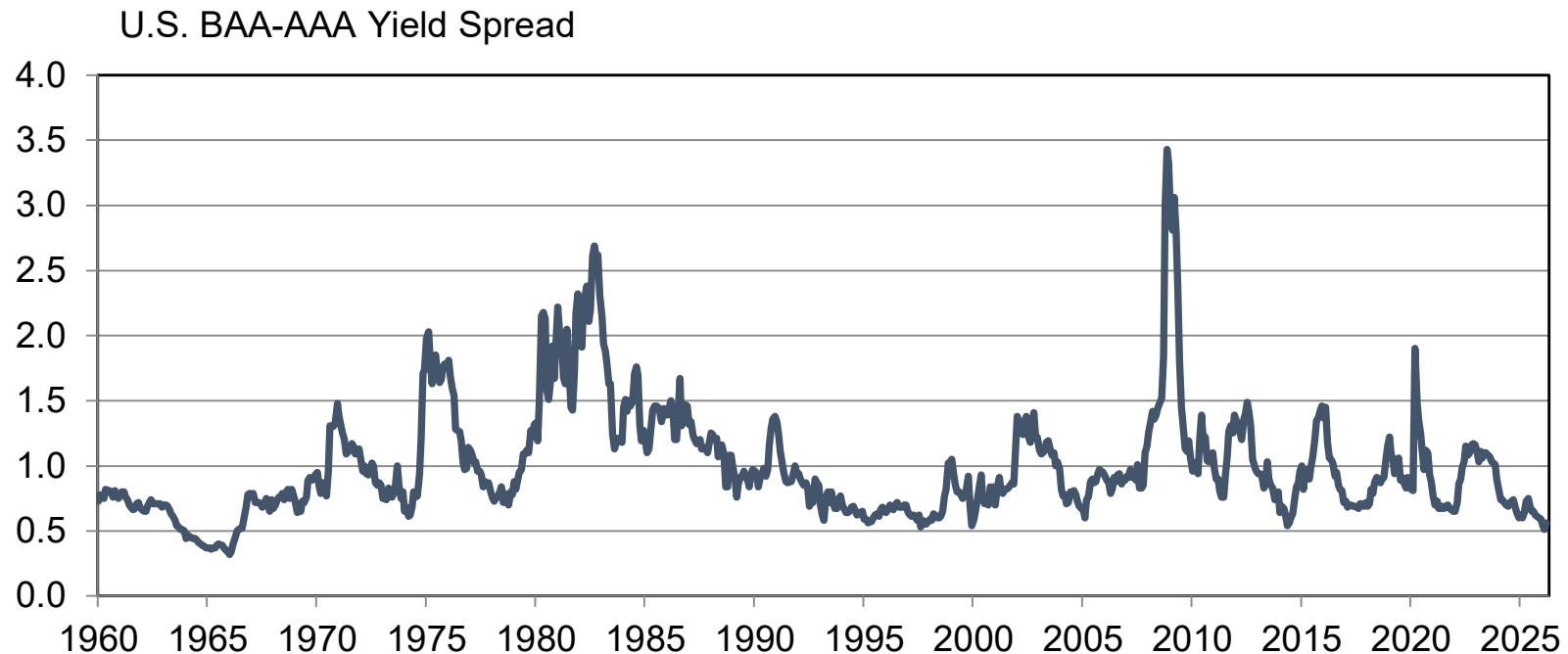
# GLOBAL YIELD CURVES

Yield curves should be and finally are upward sloping---we expect they will continue to steepen until they normalize vs. equilibrium interest rates.



# CREDIT SPREAD: INVESTMENT GRADE

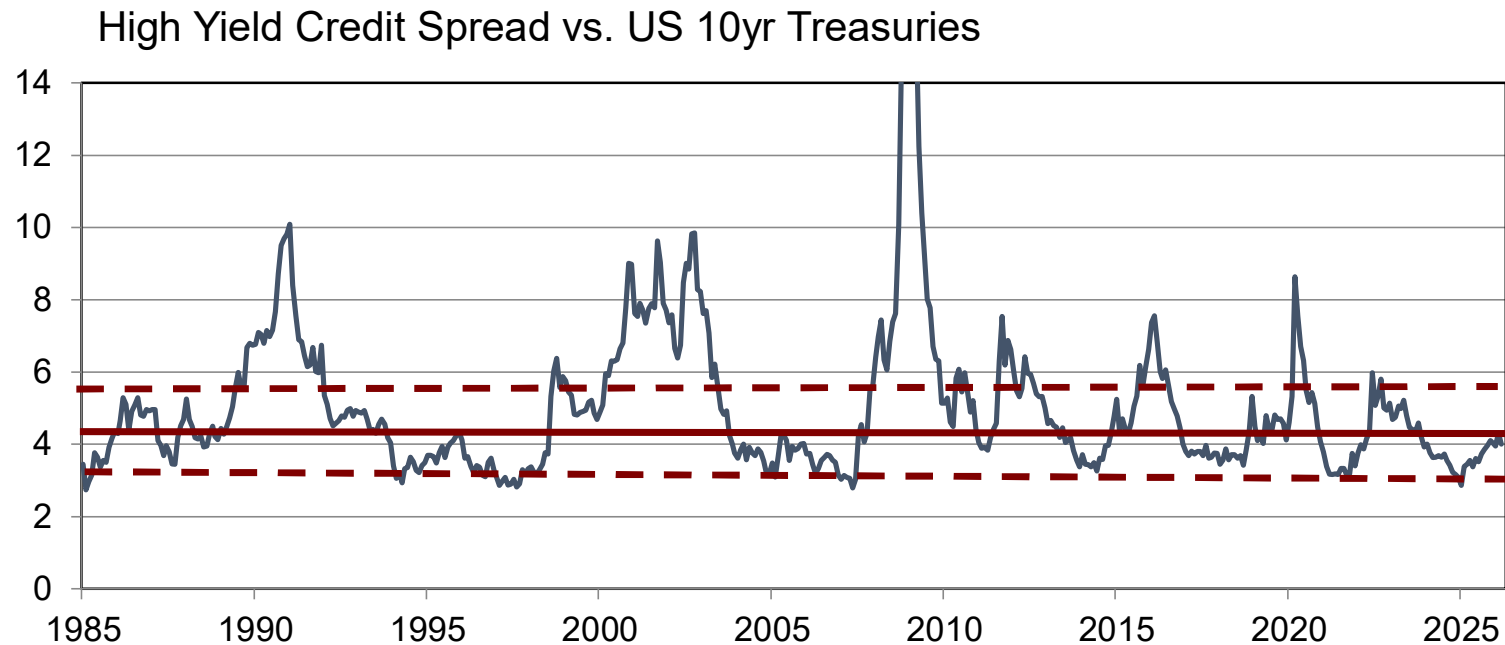
Investor demand for yield drove credit spreads to lower levels--investors are still chasing yield, and credit spreads are tight again, but this is inconsistent with private credit concerns. Thus, we expect credit spreads to widen/normalize.



Source: Moody's

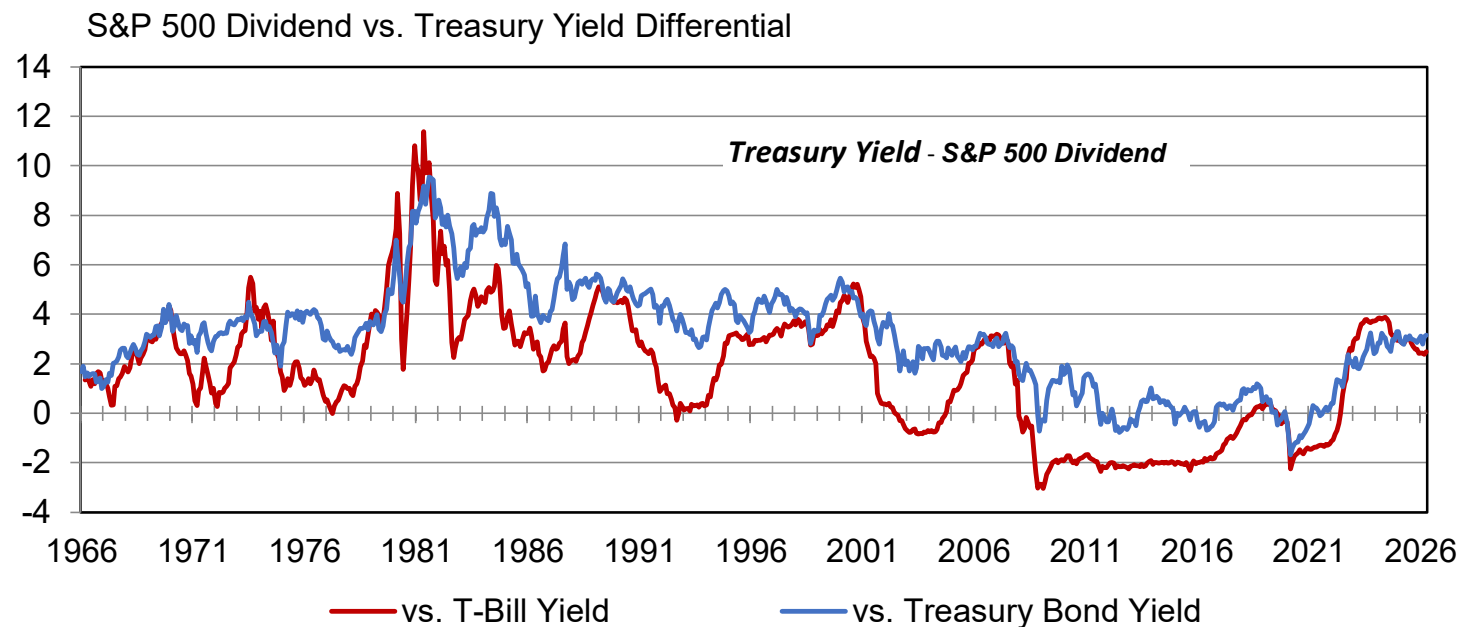
# CREDIT SPREAD: HIGH YIELD

- High yield credit spreads widened in Q1 as expected, and reflected concern about defaults increasing and private credit concerns.
- Government and corporate debt burdens soared resulting in crowding out, which increases cost of capital. Investment grade tight, but should normalize.



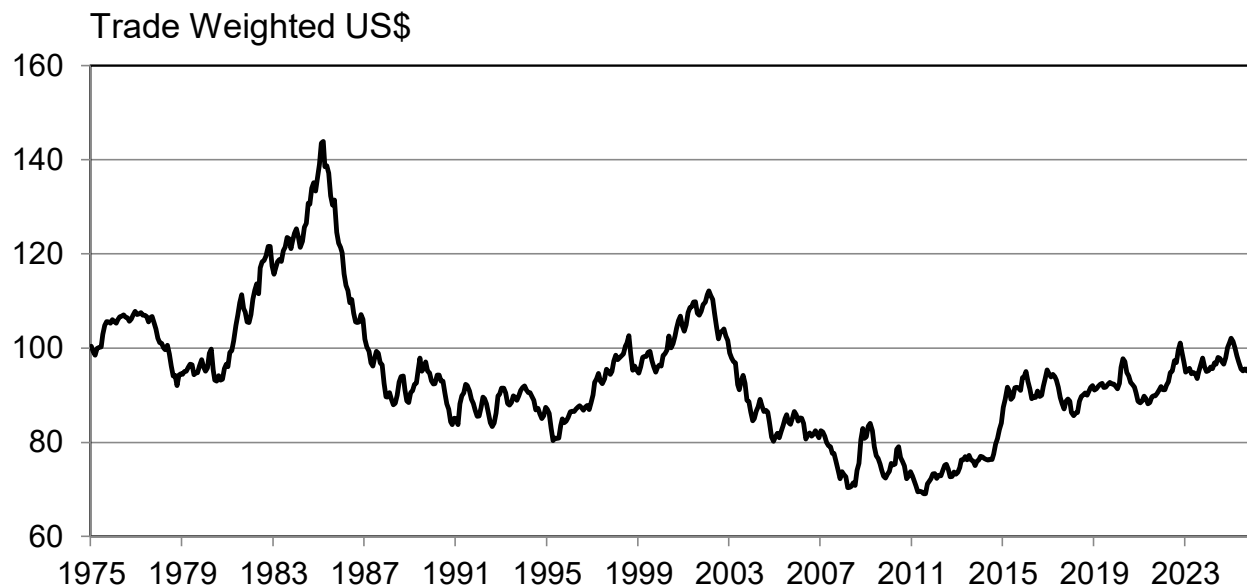
# TREASURY BILLS EXCEED VS DIVIDEND YIELD

Treasury Bill, Note, and Bond yields should exceed dividend yields by 2-3%, and have finally normalized after Treasury yields were abnormally low for a decade following the Financial Crisis.



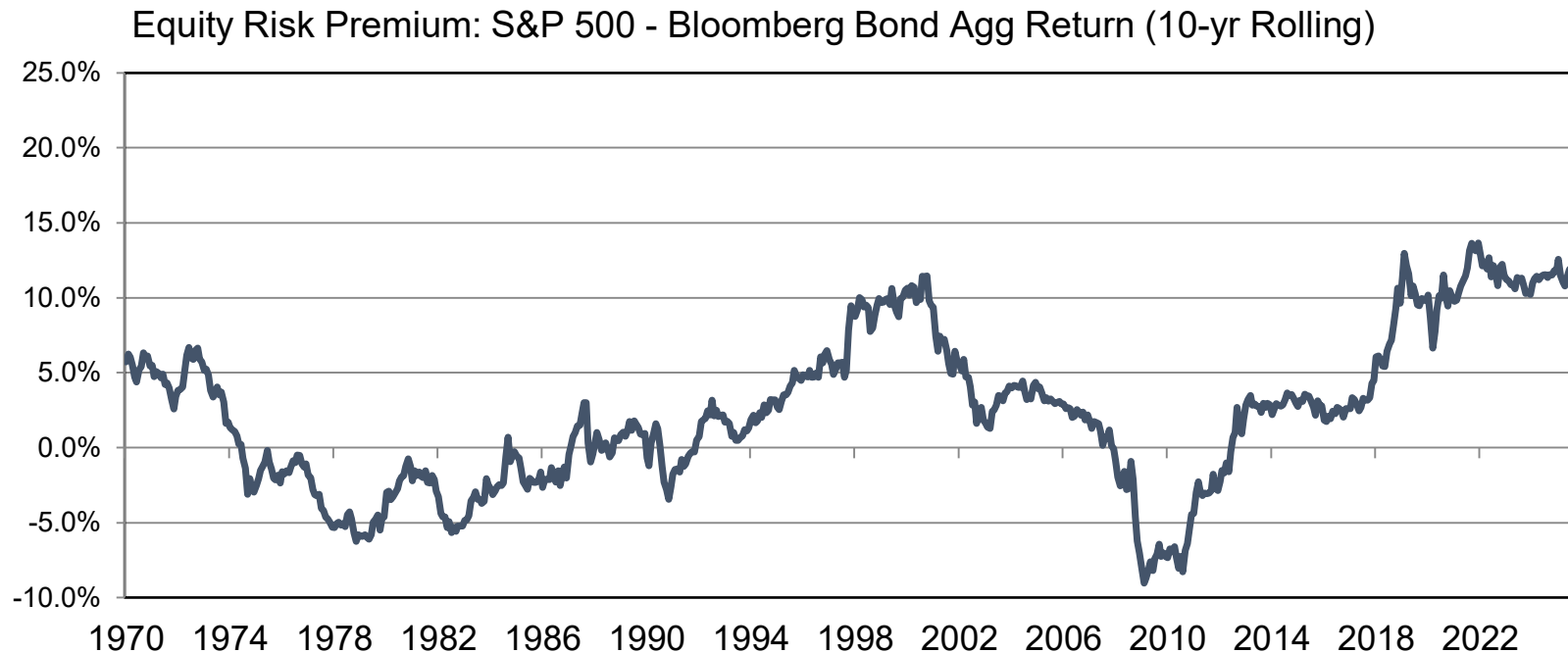
# US DOLLAR ADVANTAGE DIMINISHING

- US\$ remains world's reserve currency—which has trended higher since 2012, thereby limiting inflation by lowering import and basic material costs
- Recent correction in US\$ is still negligible on a trade-weighted basis—but US interest rates remain higher than most other developed nations supporting US dollar.
- US Treasuries have least currency volatility and best liquidity for quasi-linked currencies, which limited the downside for the US dollar.
- Fairer trade conditions (lower trade barriers, tariffs) will reduce America's trade and budget deficits, as well as increase potential growth, further supporting the U.S. dollar.



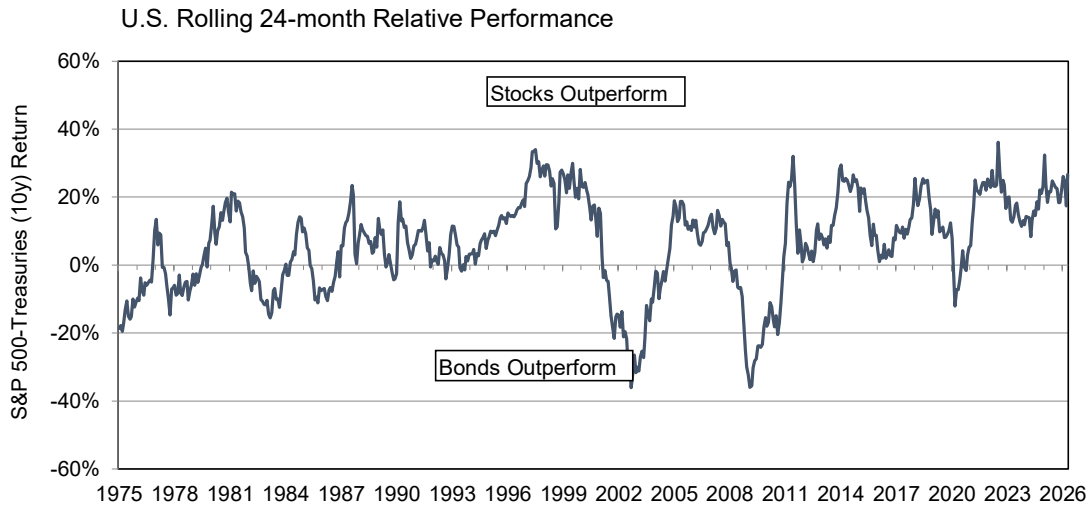
# ROLLING 10-YR STOCK VS. BOND RETURN

- Outperformance of equities reinforces equity sentiment, similarly so for large-cap and growth equity tilts despite relative valuation extremes
- US Treasuries overvaluation can trigger an Asset Allocation rotation. But what happens when both equities and bonds decline?



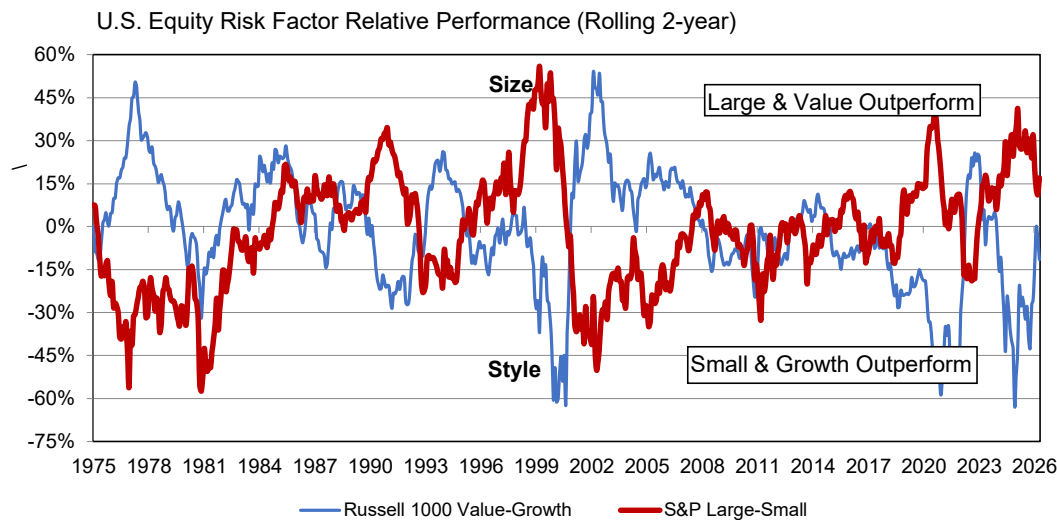
Source: Strategic Frontier Management, Standard & Poor's, Bloomberg-Barclays Indices

# RELATIVE ROLLING 2-YR PERFORMANCE



## **U.S. Stocks vs. Bonds**

Returns diverge and risk varies, but Stocks outperform Bonds over long term horizons.



## **U.S. Equity Styles**

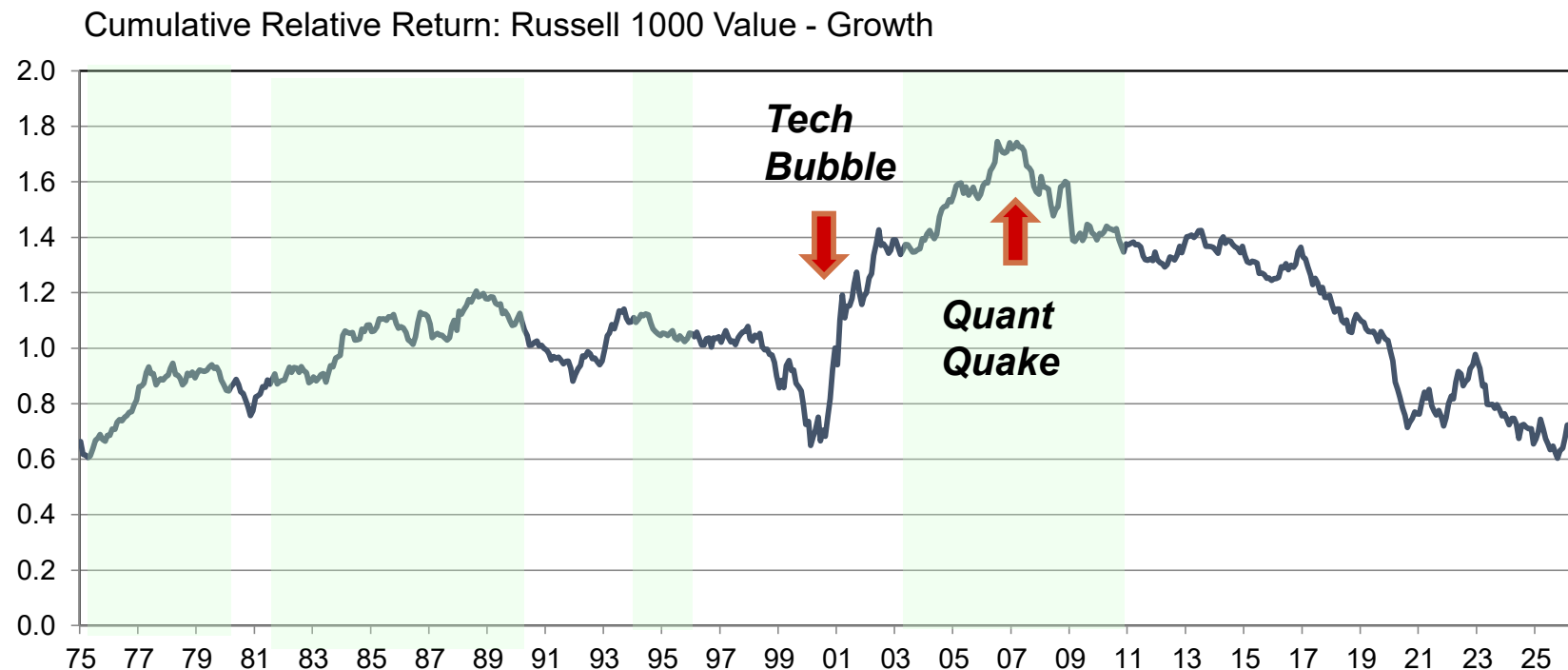
Equity style investing can benefit from differential returns, and often cycles are not synchronized—small-cap is expected and has begun to rebound

Value and Small-cap tilts have outperformed over the really long-run

Source: Refinitiv DataStream & Strategic Frontier Management

# VALUE INVESTING MIA SINCE 2007-QUANT QUAKE

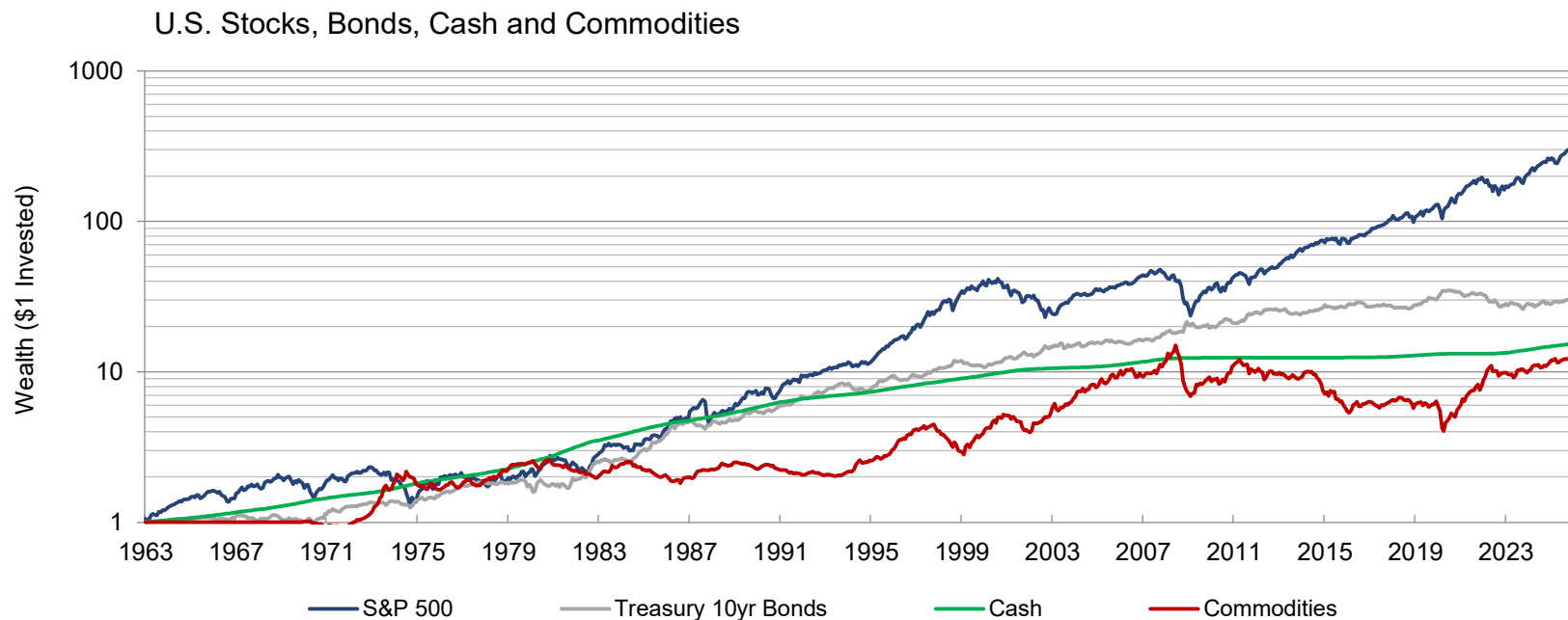
- Fundamental Value Investor may be an Endangered Species, yet Investors should differentiate and reward value, rather than momentum and growth.
- Historical advantage of value tilt absent since the Quant Quake/Financial Crisis, but style and size risk premiums should rebound for fundamental **active management** to be revived—triggering an *Age of Active* with vengeance.
- Long-term risk premiums such as Value-Growth and Small Size (large vs. small) are cyclical, but should persist, and can be tactically exploited in asset allocation (TAA.)



Source: Refinitiv DataStream & Strategic Frontier Management

# LONG-TERM ASSET CLASS RETURNS

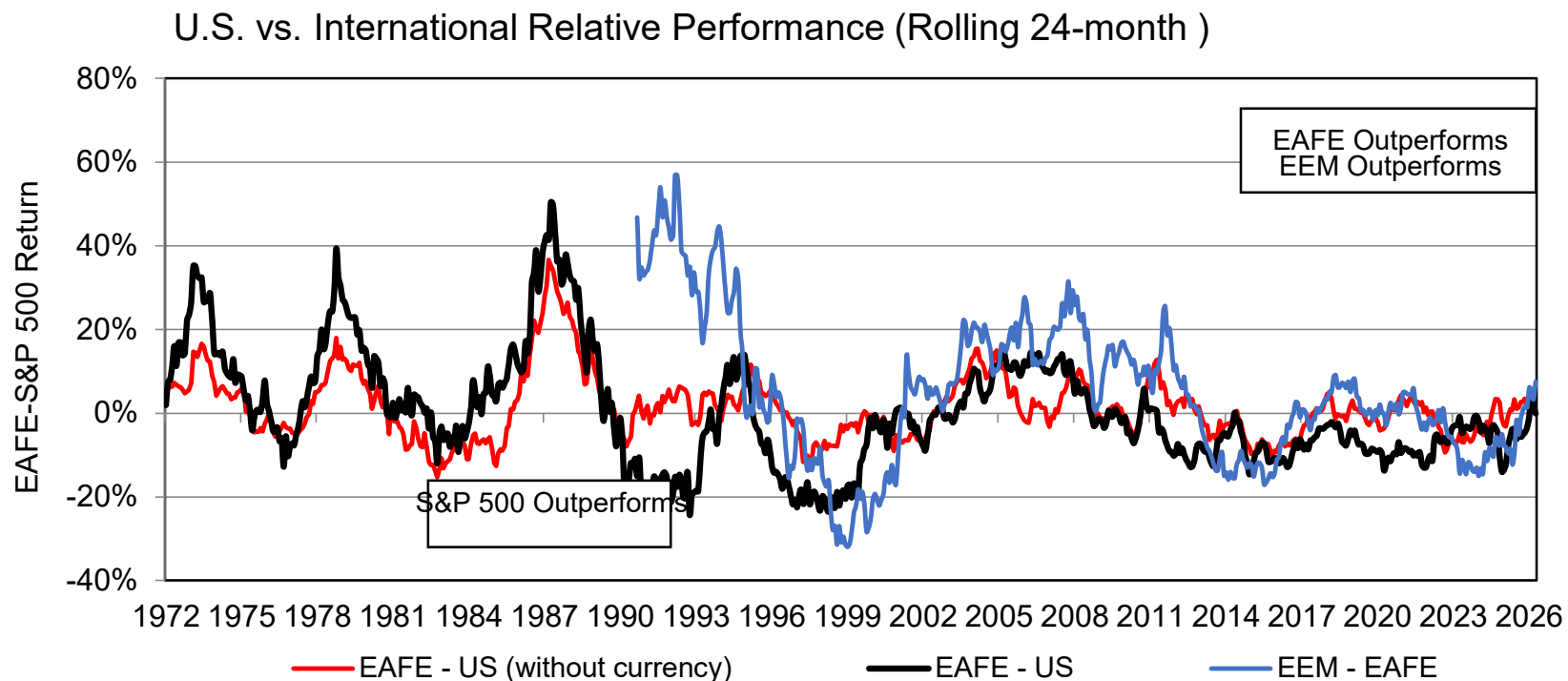
- Global Equity is the best way to stay ahead of inflation, particularly as overvalued bonds struggle with normalization (raising rates, reducing bond holdings)
- Commodities lag both cash and inflation by definition over longer horizons.
- Cryptocurrencies are speculative commodities, and too volatile to be a store of value, without benefit of yield (interest), intrinsic value, or inflation support.
- Cash should be a better store of value than volatile Gold or Commodities (inc. Crypto) with better risk-adjusted return (high fees) and liquidity than alternative assets.



Source: Refinitiv DataStream and Strategic Frontier Management

# CURRENCY IMPACT CAN BE DRAMATIC

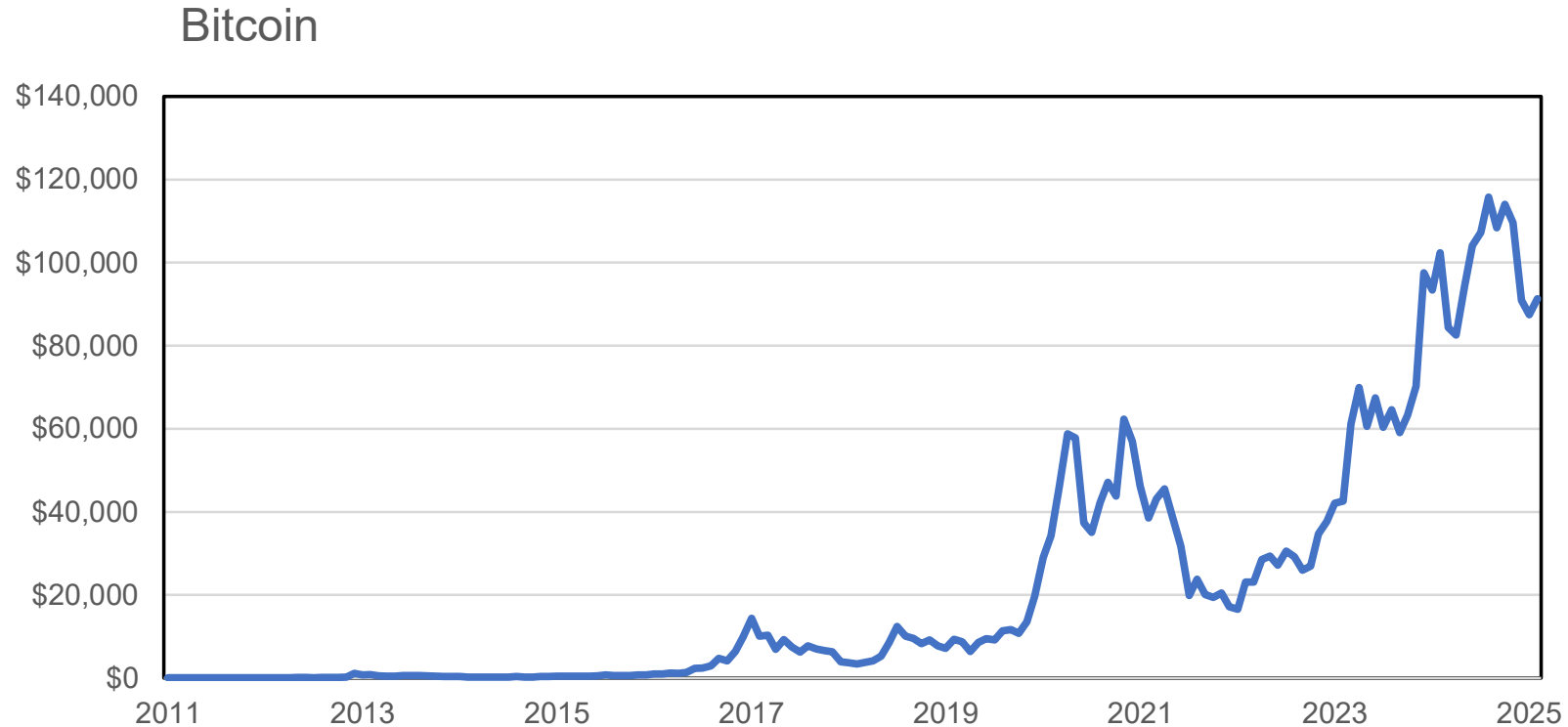
- *Currency can play a more pivotal role than many investors realize*
- *Emerging markets lagged with dispersion of BRICs, but EEM firming now*
- *Expect currency and EEM effects become “noisier” over next two years*



Source: Refinitiv DataStream & Strategic Frontier Management

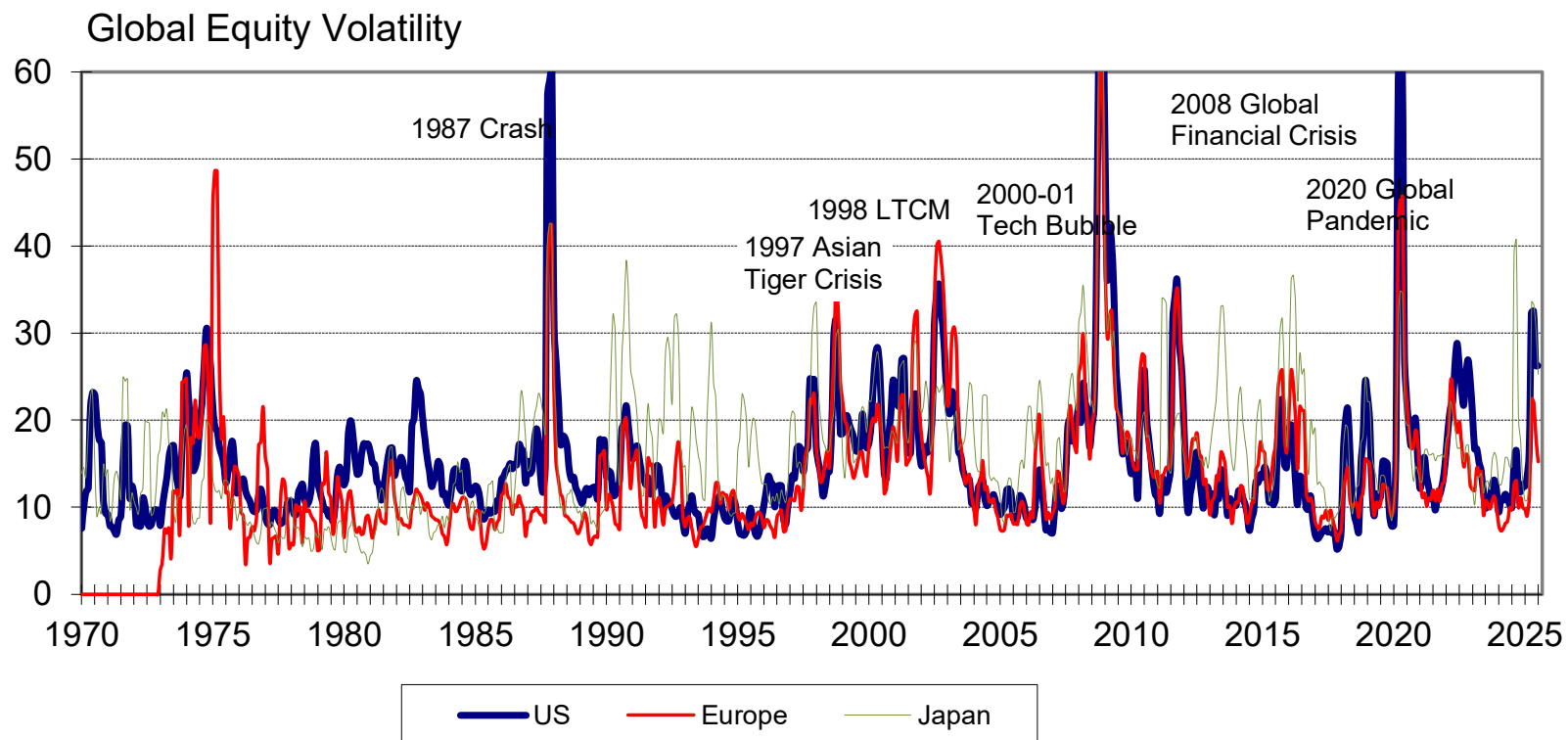
# BITCOIN WAS NEVER A STORE OF VALUE

- Gold too volatile to be *store of value* and should lag inflation as interest rates rise.
- *Cash* is a better store of value and better market hedge than *Commodities or Cryptocurrencies*
- *Gold, commodities, and cryptocurrencies* should lag Cash returns when interest rates (hurdle rate) are high, but more compelling when interest rates are low.



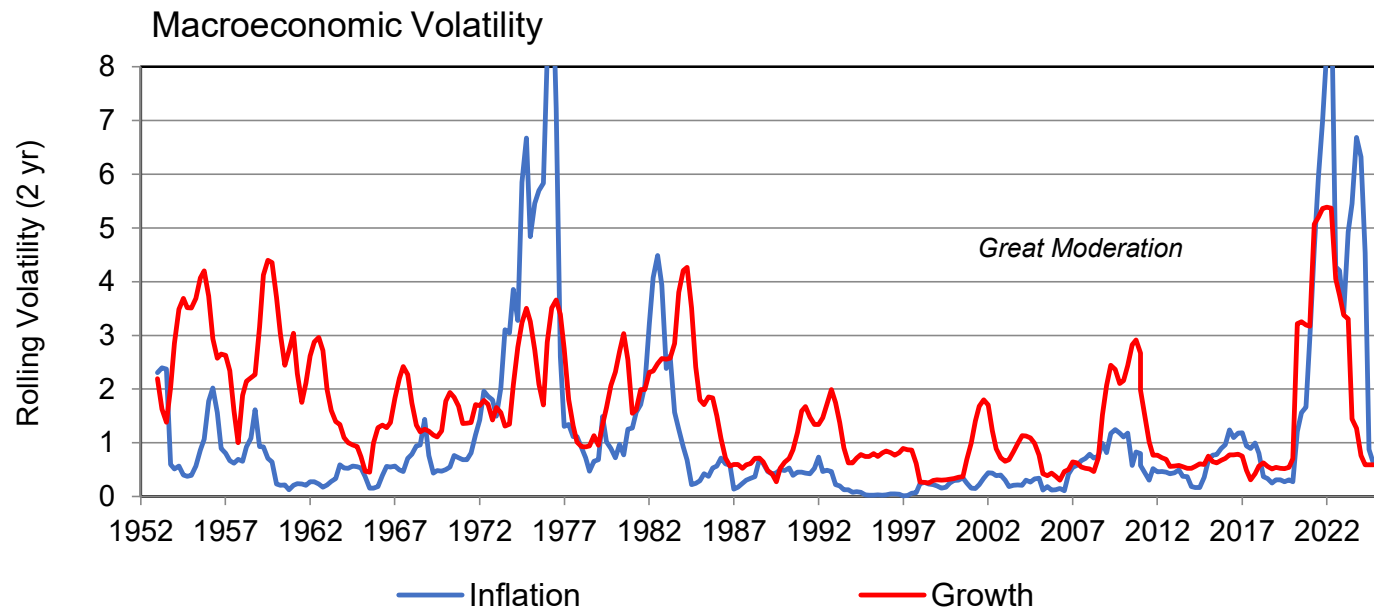
# GLOBAL EQUITY MARKET VOLATILITY

- Risks: Reciprocal Terriffs. Persistent elevated inflation, higher for longer rates, declining productivity and profit margins → limited or no earnings growth and higher capital costs
- Risk of global debt crisis—interest burdens, greater defaults, leverage, margin calls
- Higher volatility in Equities, Bonds, Commodities & Currencies
- Market volatility too low again, should normalize: Expect US Equity: 14-17, not 10-12.

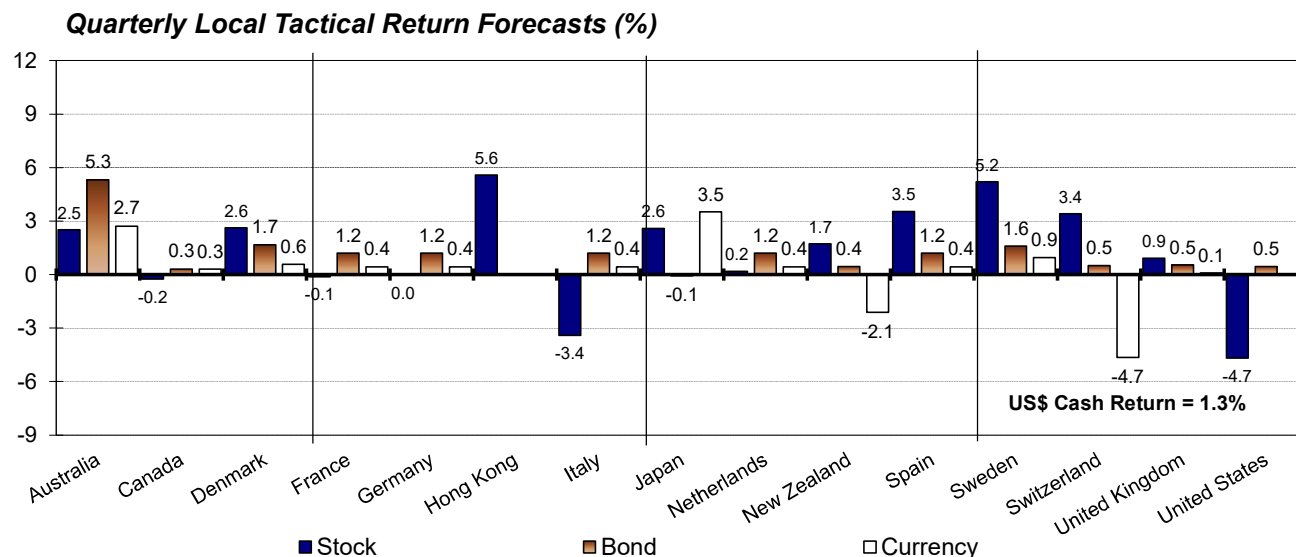


Source: Strategic Frontier Management

# NOT OBSERVED MACRO VOLATILITY SINCE 1970s



# GLOBAL TAA FORECASTS FAVOR EQUITIES, LOW RETURNS EXPECTED OVERALL



## Global Tactical Asset Allocation Quarterly Forecasts(%)

| MSCI | WrldGvt | Apr 2024      | Local Markets |       | In (US\$)         |      | US\$     |
|------|---------|---------------|---------------|-------|-------------------|------|----------|
|      |         |               | Equity        | Bond  | Equity            | Bond | Currency |
| 100% | 100%    | World         | -3.0          | 0.7   | -2.7              | 1.4  | 0.3      |
| 14%  | 34%     | Europe        | 0.7           | 1.1   | 0.5               | 1.9  | -0.2     |
| 10%  | 19%     | Pacific Basin | 2.9           | 0.3   | 5.9               | 3.8  | 3.3      |
| 28%  | 55%     | Non-US World  | 1.3           | 0.8   | 2.4               | 2.2  | 1.1      |
| 72%  | 45%     | US            | -4.7          | 0.5   | -4.7              | 0.5  |          |
|      |         | Cash          |               | 0.9   |                   | 0.9  |          |
|      |         | US Style      | Lg-Sm         | Va-Gr | High Yield - 10yT |      |          |
|      |         |               | 0.6%          | 4.2%  | -1.3%             |      |          |
|      |         |               | Large - Value |       | 10yTs             |      |          |

Source: Strategic Frontier Management - Global TAA Models (April 2026)

# ASSET CLASSES: LONG-TERM (10-YEAR) RETURN

| Ref Index        | Asset Class                 | 10-year Returns |       | 30-Year Returns |       | 1900-2025<br>LT Return | 10-year Forecast       |       | Sharpe<br>Ratio | 2025  |
|------------------|-----------------------------|-----------------|-------|-----------------|-------|------------------------|------------------------|-------|-----------------|-------|
|                  |                             | Return          | Risk  | Return          | Risk  |                        | E[Return] <sup>1</sup> | Risk  |                 |       |
| S&P 500          | U.S. Stocks (S&P 500)       | 0.0%            | 13.5% | 10.4%           | 15.2% | 10.1%                  | 5.5%                   | 15.2% | 0.12            | 17.9% |
| Russell 2K       | U.S. Small-cap              | 0.0%            | 18.9% | 8.6%            | 20.1% | 8.1%                   | 10.4%                  | 20.1% | 0.34            | 12.8% |
| MSCI Wx          | World (ex-US)               | 0.0%            | 15.0% | 6.3%            | 16.1% | 3.9%                   | 6.3%                   | 16.1% | 0.16            | 32.5% |
| MSCI EEM         | Emg. Market Equity          | 0.0%            | 17.7% | 6.6%            | 21.5% |                        | 7.3%                   | 21.5% | 0.17            | 34.4% |
| US10Y Treasuries | U.S. 10Yr Treasury          | 0.0%            | 0.0%  | 4.0%            | 7.3%  | 4.5%                   | 4.3%                   | 7.3%  | 0.09            | 8.1%  |
| US BBG Agg       | US BBG Agg Bond             | 0.0%            | 0.0%  | 4.2%            | 4.1%  | --                     | 3.4%                   | 5.3%  | 0.00            | 7.3%  |
| US BBG G/C 1-5   | US BBG Gov/Cr 1-3y          | 0.0%            | 0.0%  | 3.3%            | 1.8%  | --                     | 4.3%                   | 1.8%  | 0.35            | 6.6%  |
| BoA/ML HY        | US High Yield (ML/BoA)      | 0.0%            | 0.0%  | 6.5%            | 8.5%  | --                     | 4.8%                   | 9.3%  | 0.13            | 5.1%  |
| JPM Non-US Bond  | JPM Non-US Bond             | 0.0%            | 0.0%  | 2.6%            | 8.3%  | --                     | 3.4%                   | 8.3%  | -0.03           | 8.8%  |
| CRB              | Commodities (CRB)           | 0.0%            | 0.0%  | 4.8%            | 16.5% | 2.9%                   | 2.6%                   | 16.5% | -0.06           | 5.0%  |
| Gold             | Gold (US\$)                 | 0.0%            | 0.0%  | 8.4%            | 15.7% | 4.0%                   | 2.1%                   | 21.2% | -0.07           | 64.7% |
| 3m Tbills%       | Cash (T-Bills)              | 0.0%            | 0.0%  | 2.3%            | 0.6%  | 3.3%                   | 3.6%                   | 0.6%  | 0.00            | 4.1%  |
| CPI              | US Inflation (CPI)          | 0.0%            | 0.0%  | 2.5%            | 1.0%  | 3.0%                   | 3.0%                   | 1.0%  | -0.63           | 2.6%  |
| MSCI World       | Global Equity               | 0.0%            | 0.0%  | 8.5%            | 15.2% | 7.0%                   | 5.9%                   | 15.7% | 0.15            | 21.6% |
| Global 60/35/5   | Global Multi-Asset          | 0.0%            | 12.1% | 6.6%            | 13.7% | 4.7%                   | 5.8%                   | 13.7% | 0.16            | 15.8% |
| MSCI World Infra | Infrastructure              | 0.0%            | 0.0%  | 9.5%            | 15.6% |                        | 5.1%                   | 15.6% | 0.09            | 22.6% |
| Private Equity   | Private Equity <sup>4</sup> | -2.0%           | 18.9% | 7.5%            | 20.1% |                        | 6.0%                   | 19.0% | 0.12            |       |
|                  | Small-cap Equity            | 0.0%            |       | -1.8%           |       | --                     | 4.9%                   |       |                 | -5.1% |
|                  | Stock-Bond                  | 0.0%            |       | 6.4%            |       | 5.6%                   | 1.2%                   |       |                 | 9.8%  |
|                  | Stock-Cash                  | 0.0%            |       | 8.0%            |       | 6.8%                   | 1.9%                   |       |                 | 13.8% |
|                  | Bond-Cash                   | 0.0%            |       | 1.7%            |       | 1.2%                   | 0.7%                   |       |                 | 4.0%  |

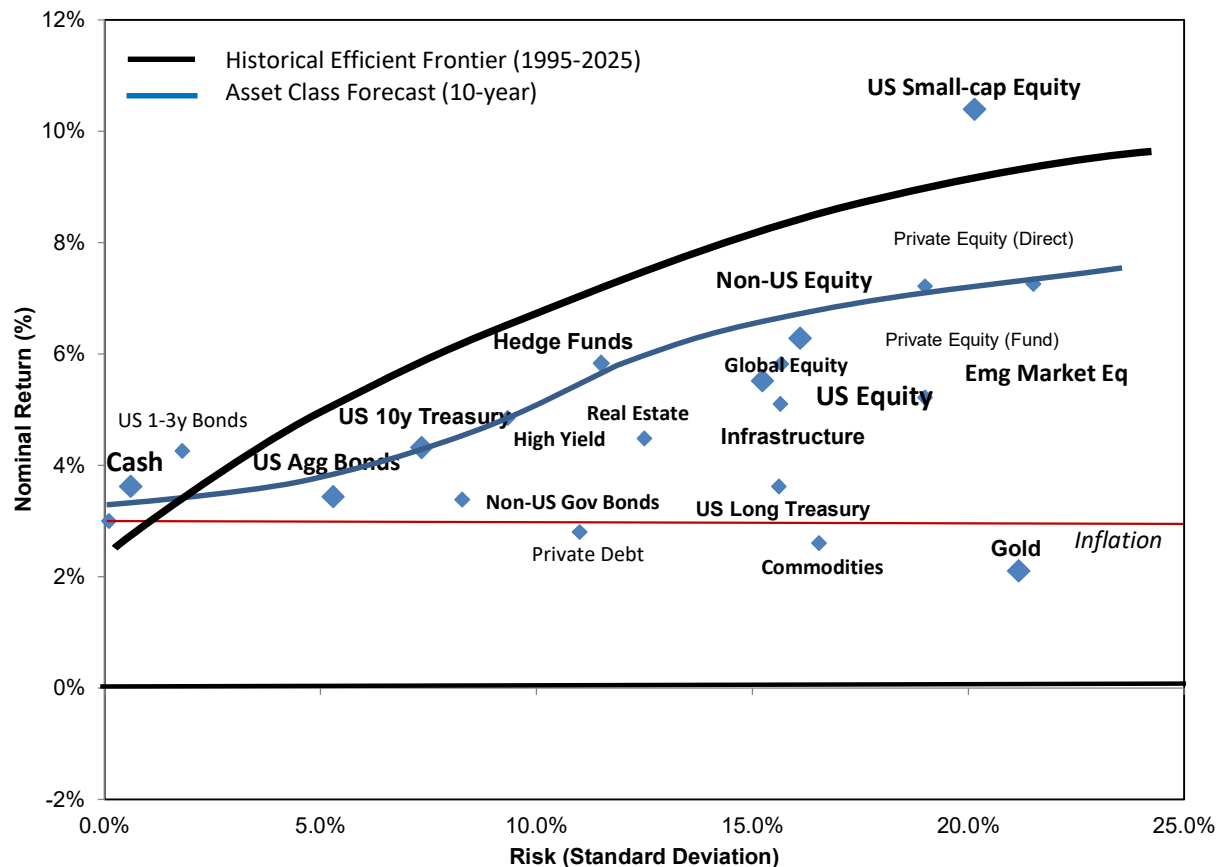
(1) Strategic Frontier Management, Morningstar SBBI (1926-1950) & Credit Suisse Global Investment Returns Yearbook

(2) Periods greater than 1-year are annualized.

Source: Strategic Frontier Management, April 1, 2026

# STRATEGIC 10-YEAR EXPECTED RETURNS

- Continued disappointing Gov't Bond returns near term with normalizing interest rates, reversing QE
- Cash is preferred low risk store of value, not Crypto-commodities or Gold
- Emerging Market, Gold forecasts suggest inefficient allocations on risk-adjusted basis
- More normal *strategic frontier* after a general Return to Natural Order—favor Small-cap Equity, which is driving our outlook for VC & Private Equity despite high fees and crowded sand box



*Forward looking information and forecasts contained herein are the opinion of Strategic Frontier Management. Future market returns may differ significantly from our expectations. As of April 2026*

# DISCLOSURES

**This presentation is for general information only and is not intended to provide specific advice to any individual or institutional investor. Some information provided herein was obtained from third party sources deemed to be reliable. Strategic Frontier Management, nor its affiliates, make any representations or warranties with respect to the timeliness, accuracy, or completeness of this publication, and bear no liability for any loss arising from its use. All forward looking information and forecasts contained herein, unless otherwise noted, are the opinion of Strategic Frontier Management. Future market movements may differ significantly from our expectations. Any graphs, tables and samples discussed in this presentation are for conceptual illustration purposes only, and they are not intended to represent specific investment recommendations. Investments in Strategic Frontier Management strategies are not deposits or guaranteed by the investment adviser or its affiliates, and may lose value or underperform their investment objective. Past performance is not a guarantee of future results. Investment return and principal value will fluctuate, so that investors' shares, when sold, may be worth more or less than their original cost. Investments recommended by Strategic Frontier Management involve risk, including the possible loss of principal. Entire publication © 2026 Strategic Frontier Management. All rights reserved.**