



MYTHS THAT CONCEAL REALITY

STRATEGIC OUTLOOK

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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.
- ***Restored Inflation-Yield Paradigm***: Higher interest rates than accustom with 3% CPI inflation and Fed Funds: 3½%, increased yield volatility with steeper global yield curve.
- ***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.

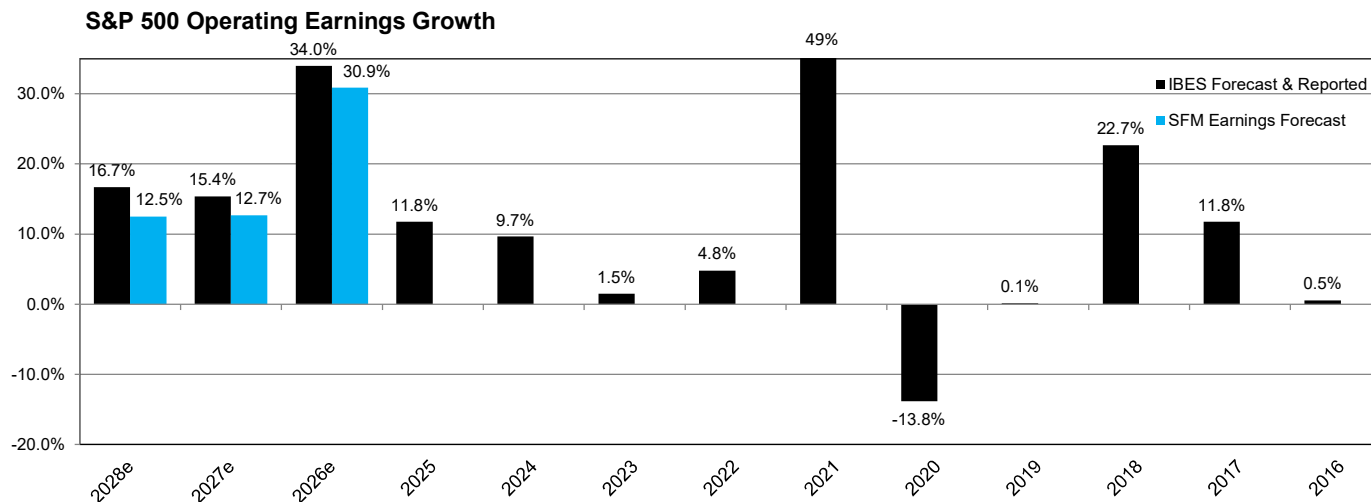
<i>Economic Forecasts</i>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025e</u>	<u>2026e</u>	<u>2027e</u>	<u>2028e</u>
GDP Growth (Y/Y Real)	1.4	3.3	2.6	2.9	3.0	3.0	3.0
S&P500 Op Earnings Gr	4.8	1.5	9.7	11.8	30.9	12.7	12.5
CPI Inflation (Y/Y)	6.4	3.3	2.9	2.4	2.8	3.0	3.0
Unemployment	3.5	3.7	4.3	4.4	4.5	4.7	4.8
Fiscal Deficit (vs.GDP%)	-4.5	-6.1	-6.5	-5.3	-4.9	-4.5	-4.0
Fed Funds Target ¹	4.50	5.50	4.50	3.75	4.00	4.00	3.50
10y Treasury Notes	3.83	3.87	4.57	4.16	5.20	5.30	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	10.9	9.4	7.7

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

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

S&P 500 EARNINGS—KEY TO EQUITY OUTLOOK

- Earnings Growth accelerating with higher profit margins with global competitiveness and productivity
- *Supply-Side Economics*: Extending 2017 tax cuts for business and individuals, accelerated depreciation, and deregulation incentivized innovation, boosts productivity to drive higher margins
- Large-cap & Growth Valuations are concerning—potential for AI-led correction in 2026, if not already
- Strong Small-cap earnings growth: Russell 2000: **42%** in 2025, **44%** forecast in 2026 (similar P/E)



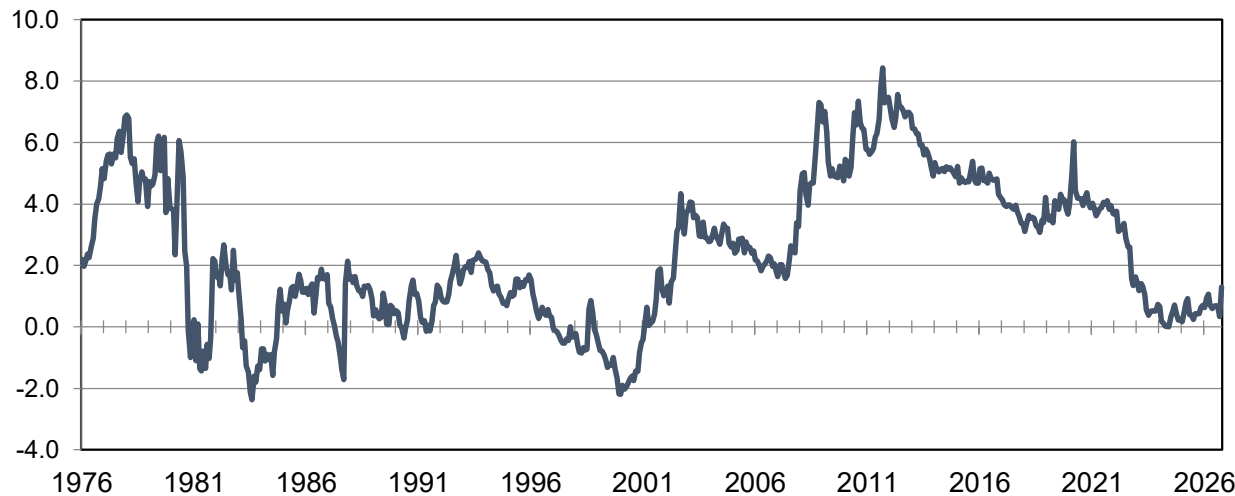
Extreme volatility in U.S. earnings growth for over a decade with flip-flopping economic policies, COVID, stalling growth and inflation (2022-24),

Operating Earnings		2028e	2027e	2026e	2025	2024	2023	2022	2021	2020
■	IBES Forecast & Reported	16.7%	15.4%	34.0%	11.8%	9.7%	1.5%	4.8%	49.0%	-13.8%
	SFM Earnings Forecast	12.5%	12.7%	30.9%						
■	SFM S&P500 Target	8600	8100	7500	6845.5	5882	4770	3840	4766	3756
	Index Return (no Div)	6.2%	8.0%	9.6%	16.4%	23.3%	24.2%	-19.4%	26.9%	16.3%
	Dividend Yield %	1.52	1.43	1.37	1.15	1.28	1.47	1.75	1.29	1.48
	Total Return	7.7%	9.4%	10.9%	17.9%	25.0%	26.3%	-18.1%	28.7%	18.4%
S&P 500 @18x SFM TE		8100	7200	6390	4883	4369	3984	3926	3746	2515
S&P 500 P/F12 (SFM)		16.3	16.6	18.8	19.3	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 Oct 1, 2026

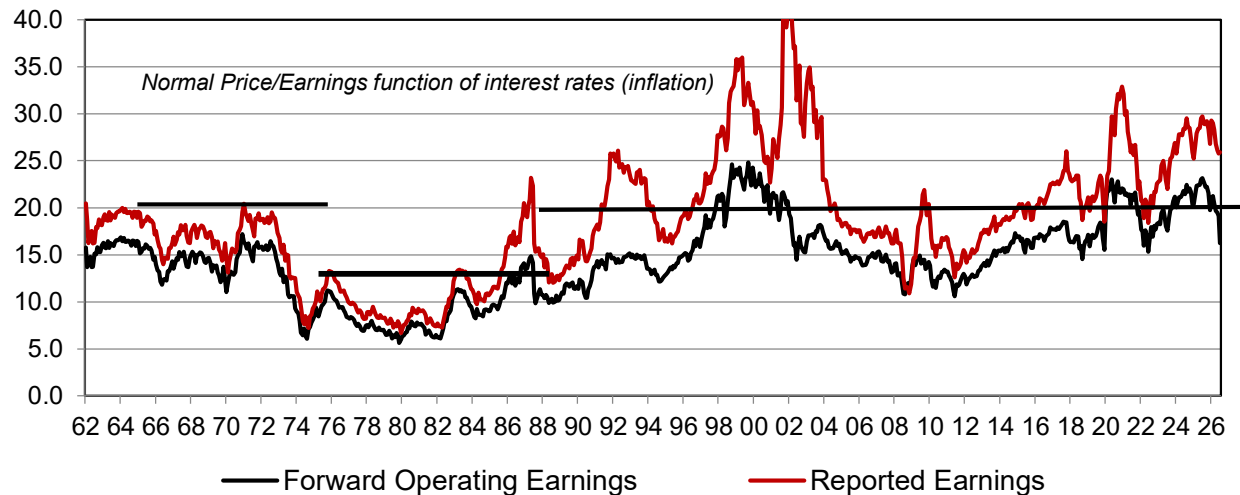
US EQUITY VALUATION DEPENDS ON RATES

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.

S&P 500 Price / Forward Operating Earnings



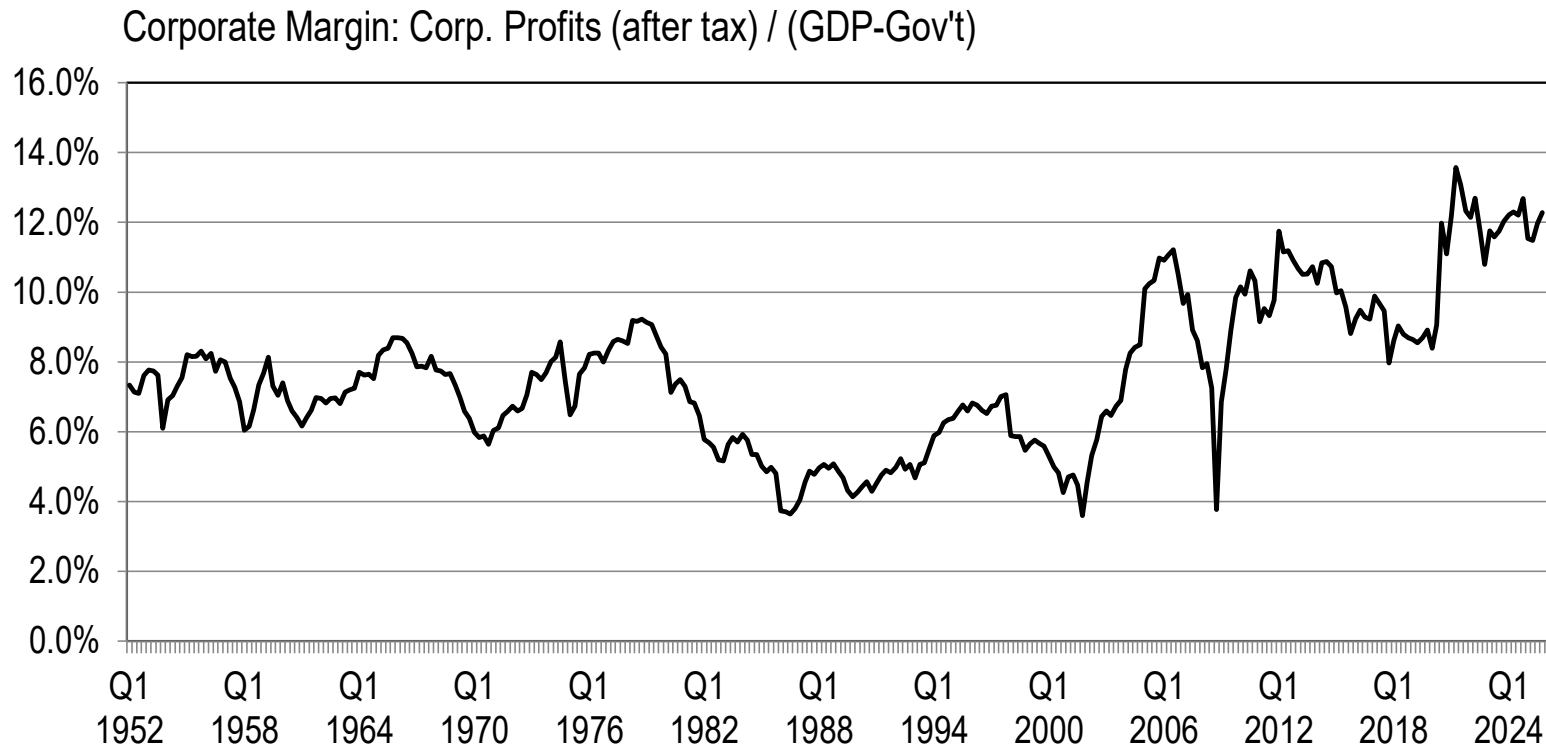
Price/Earnings & P/FE rose as rising index prices outpaced earnings growth.

Earnings growth has been remarkable in 2025-2026, yet concern Earnings Growth could disappoint vs consensus has increased.

Source: Strategic Frontier Management

U.S. CORPORATE PROFIT MARGINS

Remarkable Profit Margin recovery despite inflation/stagflation during Biden Admin



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, Materials, Industrial and Investment ascendant reform policies, as regulation is rolled back
- **One Big Beautiful Bill** Act included depreciation benefits and tax cuts with extension of tax cut provisions, alongside deficit-reducing elimination of waste, fraud, redundancy, and misappropriation
- **Future Themes:** Quantum Computing, AI (beyond GenAI/LLMs), Additive Manufacturing, Logistics, Adaptive Robotics, Additive Printing, Commercializing Space, Power/Energy Services, Advanced Materials, Global Defense spending increase—NATO: 2% → 5%

Artificial Intelligence Goes Beyond Hyped Generative AI

- GenAI infrastructure investment slows: Competition, Foundation LLMs vs. smaller focused models
- Investment: depreciating GPUs, competition lower ROI expectation—energy investment needed
- Agentic AI, Reinforcement Learning elevated—greater payback at lower cost, token prices plunge
- Overinvestment: Competition, Quantum computing, Software vs. Hardware (creative destruction)

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

- Affordability impaired by misguided policies of 2022-2024→inflation spike (regulation, stimulus, etc.)
- Sticky inflation: Wages, Housing, Services, basic resources, maturing 4th Indus. Revolution
- *Higher-Forever Rates*—Fed's equilibrium $r^*=3.5\%$, *Steeper Global Yield Curves* 10y-3m [$\sim 1.5\%$]
- US rates flat to higher 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 → $r^* = 3.5\%$, steeper yield curves.

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

<i>Drivers of Cyclical Economic Growth Dynamics</i>					
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 (TL²) 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 Central Bank bond holdings (QT) vs. interest rates
- Private Credit, Leveraged Loans: Significant risk remains for bonds, wider High Yield spreads.
- New Fed Chair Kevin Warsh is constructive after dismal succession

Market Interrelationships

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

AN AUDACIOUS RESET

America First policies bolster global competitiveness, lower energy and material costs, reduce trade and fiscal deficits, as well as incentivize productivity, potential growth, job creation, and investment. An *Audacious Reset* seeks to bolster U.S. Economic, Trade, Foreign Relations, Energy, Health Care, Immigration, and Regulatory policies, while targeting waste, fraud, misappropriation, and corruption of government spending.

- **FY 2025 Budget Reconciliation Act** (H.R. 1) made permanent expiring tax provisions from 2017 Tax Cuts and Jobs Act and Included "No Tax on Tips" or "...Overtime", reformed Medicaid, and reallocated priorities.
- **DOGE** recovered more than \$214 B in savings, some one-time but much being annual recurring, in asset sales, contract/lease cancellations or renegotiations, eliminating fraud, waste, redundancy and improper payments, grant cancellations, program changes, regulatory savings, workforce reductions, and interest savings.
- Enabled **\$9.4 B Recission Package** (H.R. 4) of State Department annual recurring foreign aid further reducing wasteful, misappropriated, and redundant spending.
- Constitutional values of Life, Liberty and the Pursuit of Happiness are re-emboldened, as Equal Opportunity is ascendant. (Stakeholder Capitalism, Social Justice, Equity, Diversity quotas in retreat) Law and Order restored.
- Reset decades of failed **trade policies**, focused on new *bilateral trade* deals, accelerating re-shoring of manufacturing in decline since 1990s. US Treasury collected \$90+ B in tariff duties, including \$27 B in June.
- Immigration enforcement dramatically slowed illegal crossings. Deported alien criminals, including vicious gang and drug cartel associates, declaring they are terrorist organizations. Self-deportation has been a success.
- Inflation slowed as oil and natural gas prices declined with increasing permits and relaxing regulations. However, unleashed inflation expectations will be difficult to restrain given sticky wage, housing, and services inflation.
- Foreign Direct Investment commitments soared by \$7.6 trillion, with countless other US corporate commitments.
- NATO members committed to increasing national defense spending to 5%, and US Army, Navy, Air Force are reporting record recruitment, far exceeding their goals.
- Capitalism and Free Market Enterprise is crushing Progressive Socialist and totalitarian Communist dreams.

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
- Explicit Moral Hazard of extended yield curve manipulation, low rates, QE, and forward guidance distorted risk, fostered yield curve inversion, amplified volatility, financial crisis risk
- Central Bank holdings normalize (\$4 trillion), global yield curves steepen, interest burdens increase
- 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>
S&P 500 Index	2.3	12.7	15.7	22.9	13.8	15.3	11.2	10.3
NASDAQ Composite	2.7	16.4	19.8	27.5	14.0	18.3	14.1	12.3
Russell 2000	-7.2	13.7	16.2	17.7	6.3	9.8	8.4	8.6
Russell 1000 Value-Gwth	1.7	13.2	16.6	-4.1	-1.7	-6.7	-4.8	-1.2
Non-US (World xUS)	1.0	10.6	16.5	19.5	10.2	9.8	6.0	6.5
Emerging Markets	-0.2	23.7	29.6	24.7	9.4	9.5	6.9	7.9
Small-cap Global	-3.6	10.3	12.6	16.5	6.7	9.5	8.0	
US 10-Year Treasury	-5.2	-5.1	-4.1	2.5	-2.3	0.0	2.9	3.9
US Aggregate Bonds	-3.5	-2.9	-1.8	4.1	-0.6	1.1	3.0	4.1
BAML High Yield Bonds	1.1	3.2	4.4	7.9	3.5	4.9	6.3	6.4
Short-term Bonds	-0.9	-0.4	0.8	4.3	1.5	1.9	2.2	3.2
JPM Non-US Bonds	-2.4	-5.0	-6.2	2.1	-4.2	-1.8	1.1	2.3
Cash (US T-Bills)	0.9	2.7	3.7	4.4	3.7	2.4	1.6	2.3
US Dollar (TWI)	-0.8	0.6	1.3	-1.4	1.3	0.4	0.8	0.3
CRB Commodity Index	17.2	41.2	41.7	18.1	16.8	10.9	3.2	5.1
WTI Oil (US\$)	37.7	69.7	53.8	2.3	5.3	7.3	2.2	4.7
Gold (US\$)	3.2	-3.7	8.6	30.9	18.8	12.2	10.2	8.3
Bitcoin	42.8	-4.5	-26.7	45.9	13.8	63.6		

Source: Strategic Frontier Mgmt. Returns as of Sept 30, 2026 in US\$. Performance exceeding 1-year annualized.

S&P 500 SECTOR TOTAL RETURNS

- US Value-Growth finally reverting to normal, but bond returns suffering (3m → 20 yrs)
- Only Technology and Energy outperforming in 2026, Utilities and Consumer Disc lags
- Rotation: Overvalued *Growth* to Fundamental Value, Small-cap still struggling
- Emerging themes: Quantum computing, Fuel Cells/Nuclear, AI/Reinforcement Learning

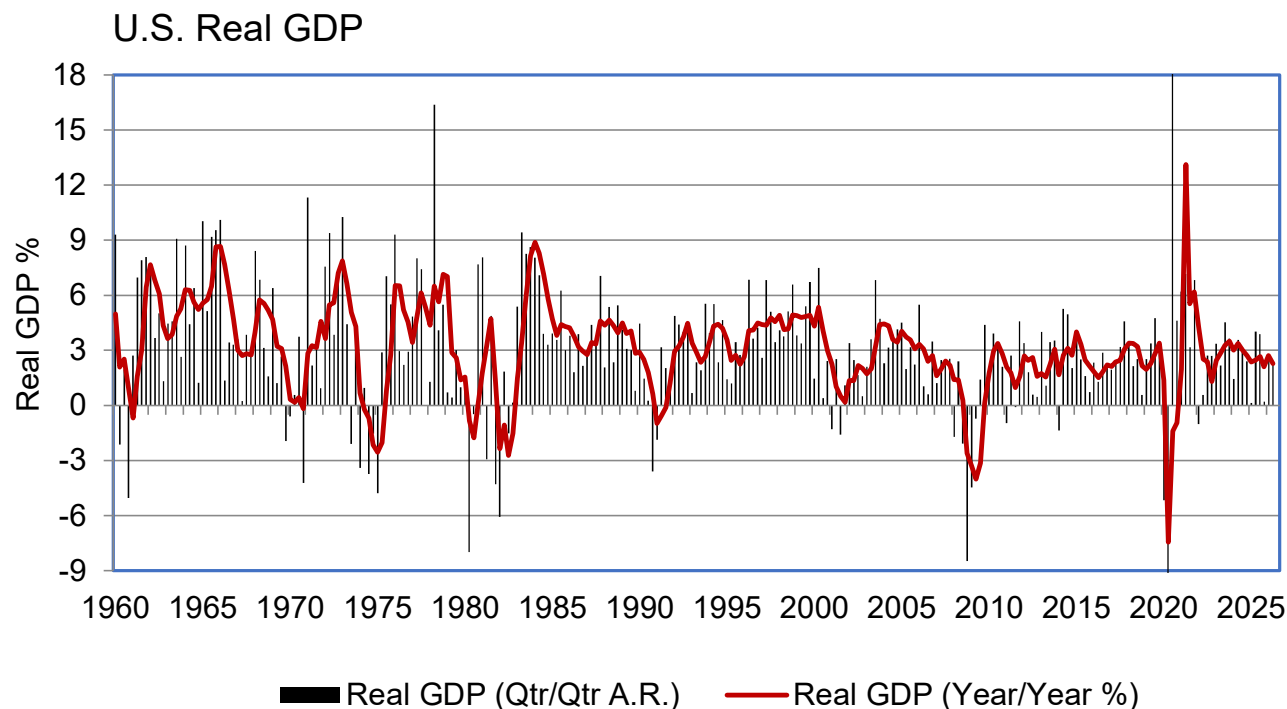
<u>S&P 500 Sector Return</u>	<u>3 mo</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-year</u>	<u>5-year</u>	<u>10-year</u>	<u>20-year</u>	<u>30-year</u>	<u>U.S. Dollars</u>
Energy	17.2%	40.3%	42.4%	14.5%	23.3%	10.1%	7.4%	9.6%	SPENGY
Technology	7.2%	28.4%	30.2%	36.6%	23.5%	26.0%	18.0%	14.2%	SPINFT
S&P 500	2.3%	12.7%	15.7%	22.9%	13.8%	15.3%	11.2%	10.3%	SP500RI
Real Estate	-10.9%	11.7%	23.3%	9.0%	6.7%	9.1%	7.6%	7.7%	SPREIT
Health Care	6.5%	10.2%	23.0%	11.3%	7.6%	10.8%	10.5%	10.2%	SPHCAR
Materials	-2.8%	8.8%	10.0%	9.7%	6.5%	9.7%	8.2%	7.6%	SPBASIC
Industrials	-9.7%	8.5%	9.5%	19.8%	13.1%	12.8%	10.2%	9.7%	SPINDU
Consumer Staples	-1.9%	6.0%	6.0%	10.1%	7.4%	8.0%	9.4%	8.7%	SPCONS
Communication Services	3.6%	4.5%	12.1%	29.5%	12.9%	12.7%	9.7%	8.0%	SPTELE
Financials	-0.1%	-1.3%	0.7%	19.1%	9.2%	12.9%	5.4%	7.8%	SPFINL
Utilities	-12.4%	-5.7%	-7.0%	13.6%	7.6%	8.3%	8.1%	8.1%	SPUTIL
Consumer Discretionary	-5.1%	-5.8%	-5.2%	13.5%	5.6%	12.1%	11.3%	10.5%	SPCAPG
S&P 500 Quality	-6.5%	13.1%	16.2%	20.5%	13.3%	14.8%	12.2%	11.2%	Quality
S&P 500 Low Volatility	-5.3%	0.6%	-1.6%	8.8%	5.5%	8.0%	8.5%	9.3%	Low Vol
S&P 500 Low Vol+Hi Div	-4.1%	4.4%	2.5%	12.0%	7.3%	6.8%	9.4%	10.6%	Low Vol + Hi Div
Invesco Revenue Wgt ETF	1.0%	13.5%	17.8%	19.8%	13.8%	13.9%			Rev Weighted
S&P Global Infrastructure	-7.4%	1.9%	4.3%	16.8%	9.9%	7.9%	6.7%	9.4%	Infrastructure
S&P Global Property	-5.3%	2.4%	2.0%	10.5%	1.6%	3.6%	3.9%	6.1%	Property

Source: Refinitiv DataStream and Strategic Frontier Management

Note: Market returns as of September 30, 2026. Performance longer than 1-year is annualized.

REAL GROWTH IN GROSS DOMESTIC PRODUCT

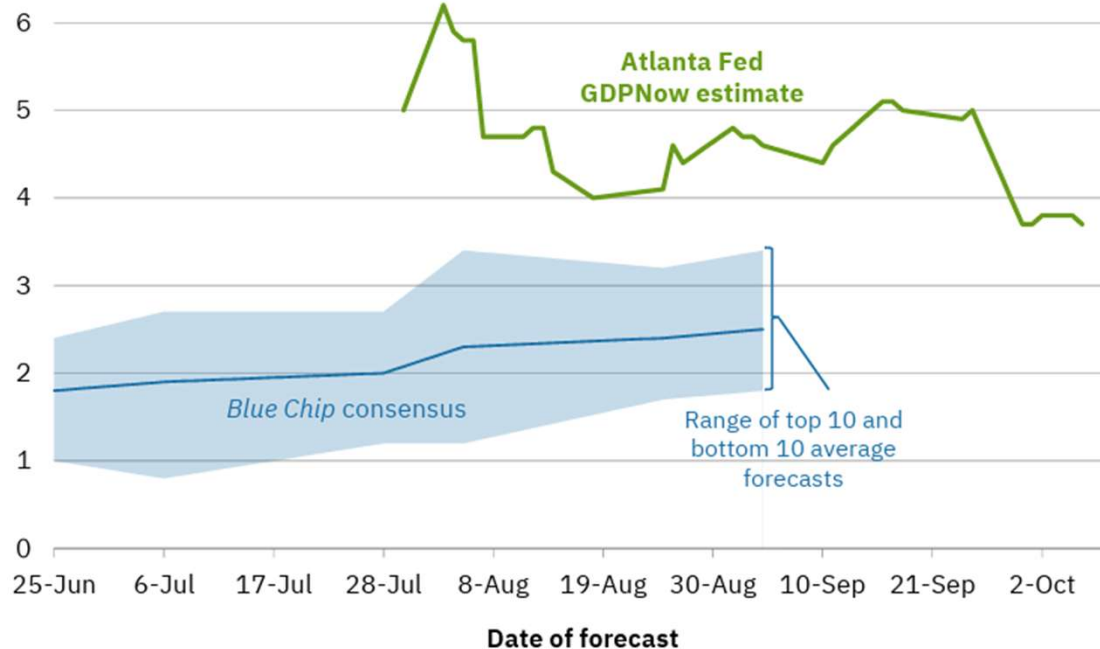
- Observed expected ***Economic Hangover*** (2022-2024) of declining economic productivity, competitiveness, margins, and earnings growth due to years of poor US policy decisions.
- Upgraded Potential Growth: $<1.8\% \rightarrow 2.5\%$ due to fiscal, regulatory, energy, trade reforms
- Inflation wasn't ***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 boosted GDP and government jobs



Source: U.S. Government Data

ATLANTA FED GDPNOW REAL GDP ESTIMATE

Atlanta Fed GDPNow real GDP estimate



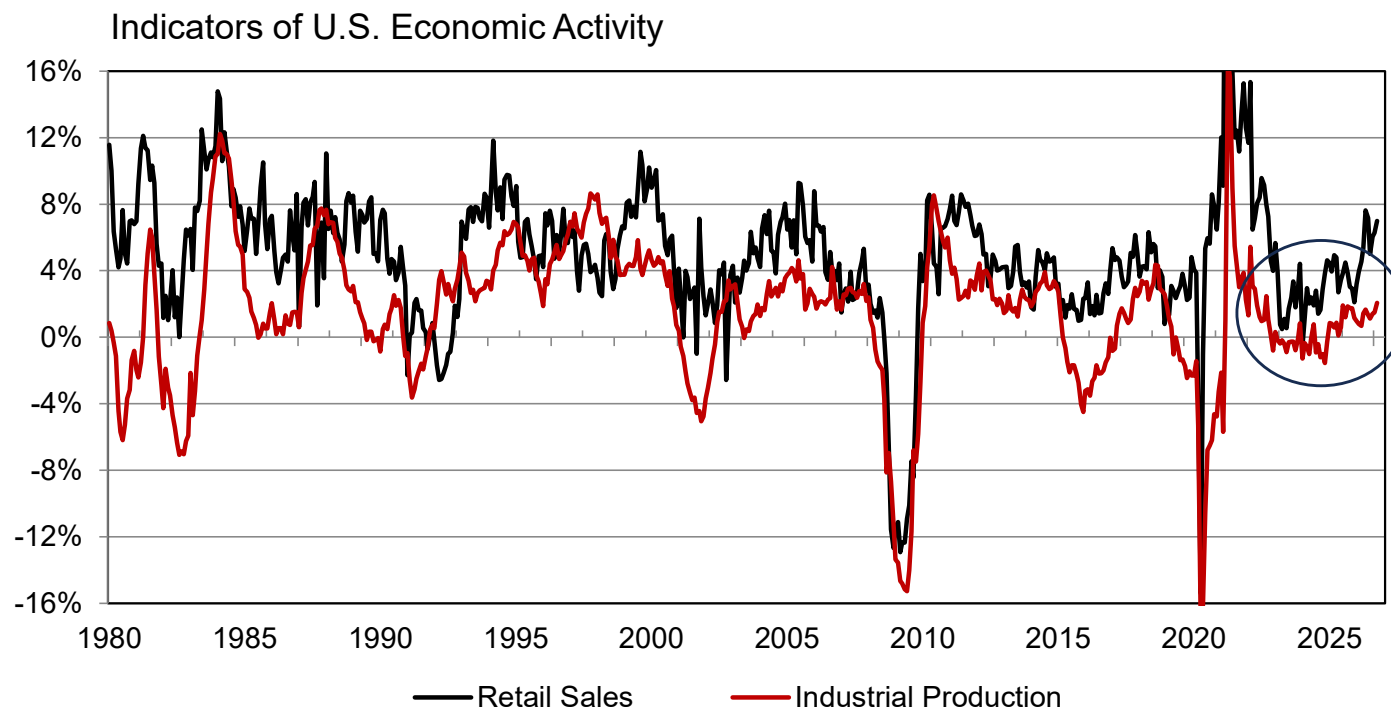
3Q GDP growth based on available economic data for the current measured quarter. Net exports is a distinct drag on GDP for now.

Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

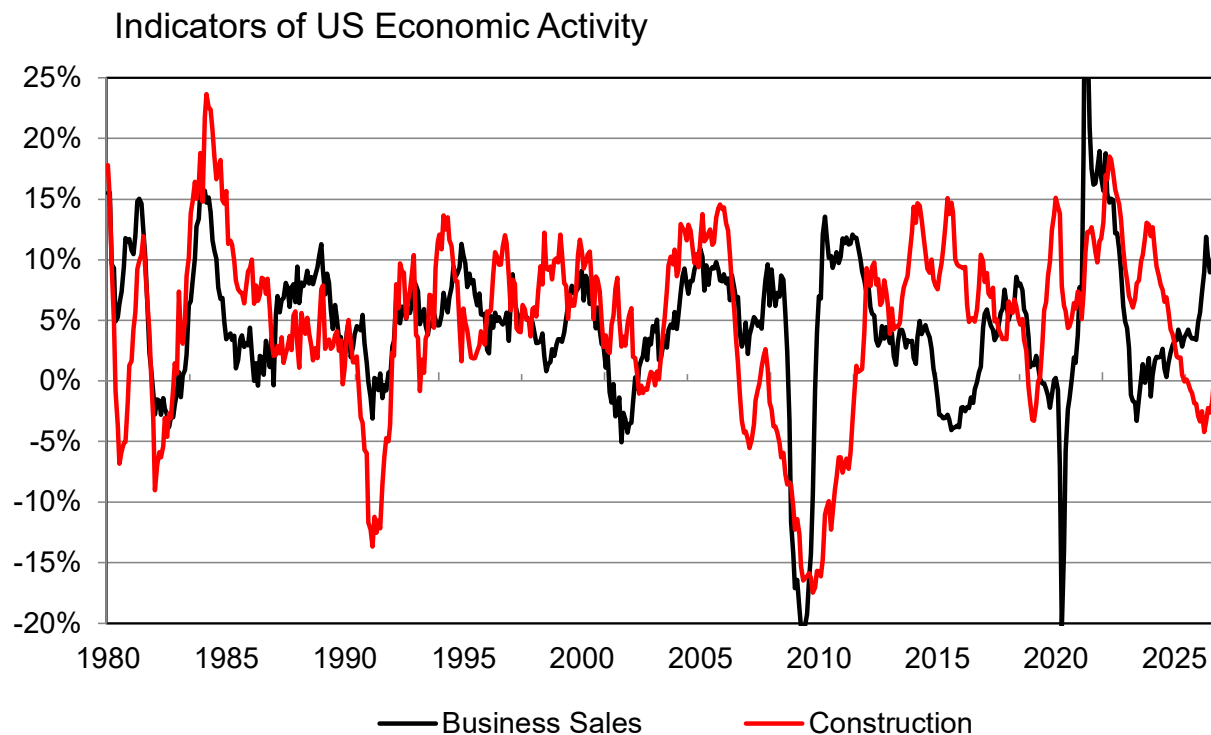
MONTHLY ECONOMIC GROWTH INDICATORS

- Terrible fiscal and regulatory policies undermined US Potential Growth—***real retail sales and industrial production*** suggest economy was flirting with recession for years
- No Recession risk with improved U.S. fiscal, trade, energy, regulatory policies, and economic incentives of U.S. Budget Act of 2025
- Hangover of excessive spending and monetary stimulus reversing, which artificially boosted incomes. pulled forward consumption that stalled real growth, boosted inflation



INVESTMENT AND BUSINESS ACTIVITY

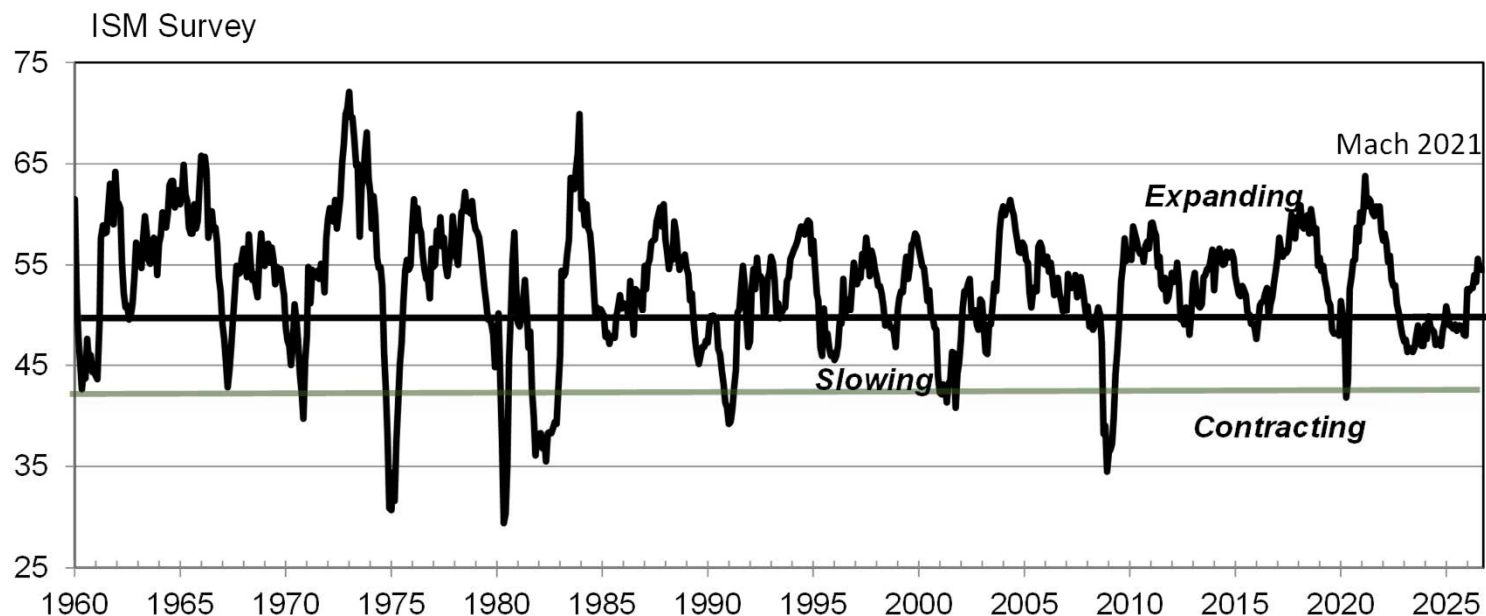
- Higher frequency economic growth indicators, including business sales and construction also suggest diminished risk of recession in the U.S.
- U.K., Eurozone, and Canada are struggling with adopted Socialist policies.
- Liberal U.S. states (CA, IL, NJ, NY) enacting poor public policies continue to struggle with stagnant growth, program fraud with higher fiscal deficits, homelessness, taxes, crime, and departures to more business-friendly states



Source: U.S. Government

U.S. MANUFACTURING TRENDS

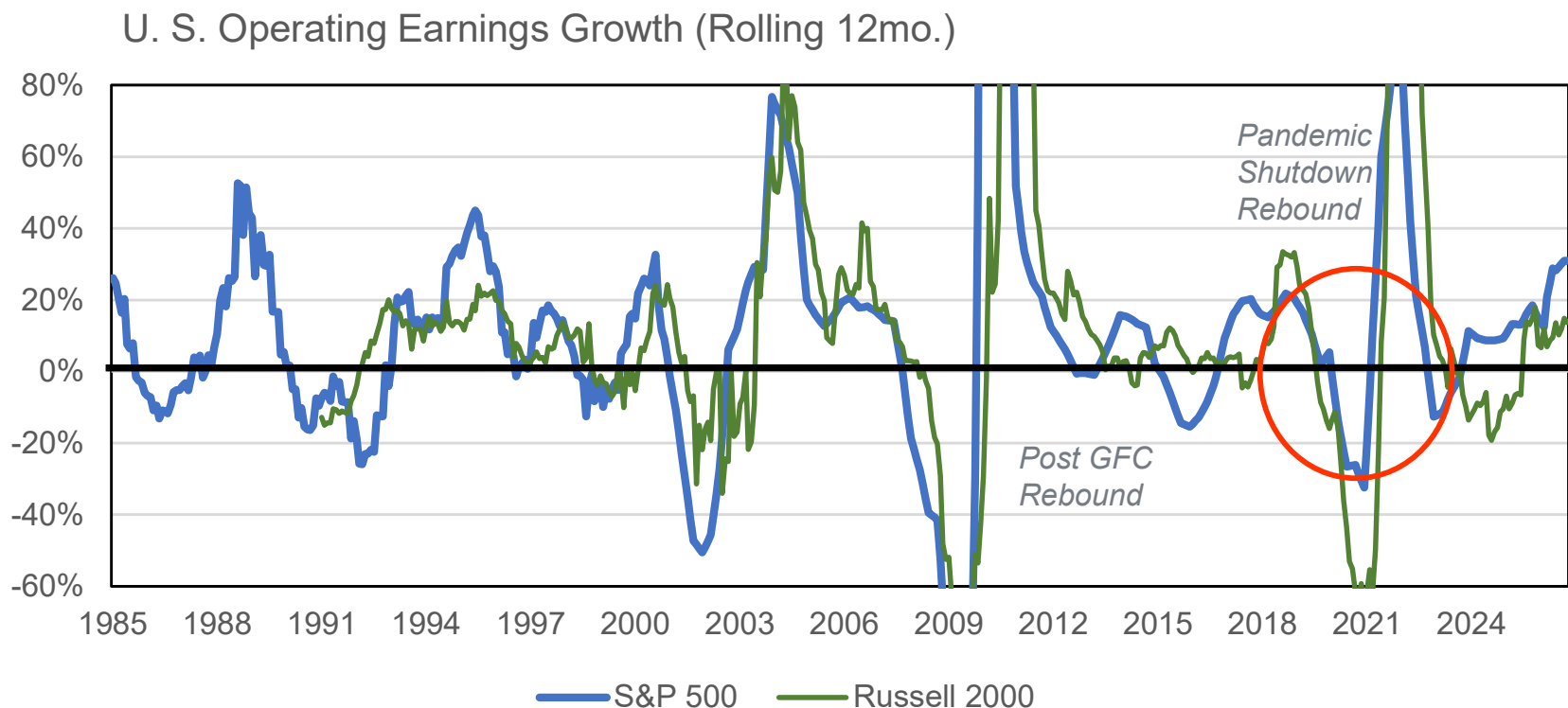
- ISM Survey retreated during Biden Administration but picked up over last 2 years as expected due to poor policy decisions replaced by better policies, and interest rates jumped due to higher inflation.
- ISM aligned with Retail Sales, Industrial Production – wasteful Government spending boosted GDP with egregious deficit spending, but was not sustainable.
- We expected, now observe, a rebound in ISM Survey over 50 again in 2026.
- ISM has been and continues to be the best indicator of real growth trends.



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.

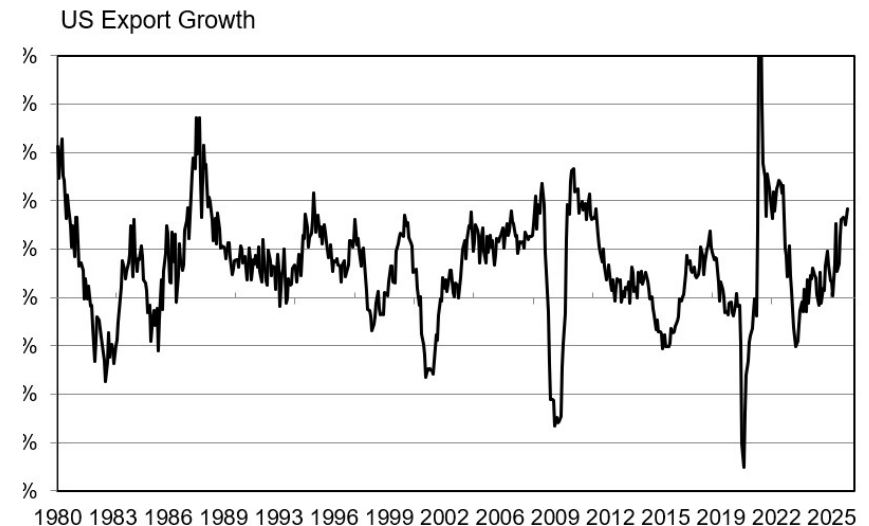
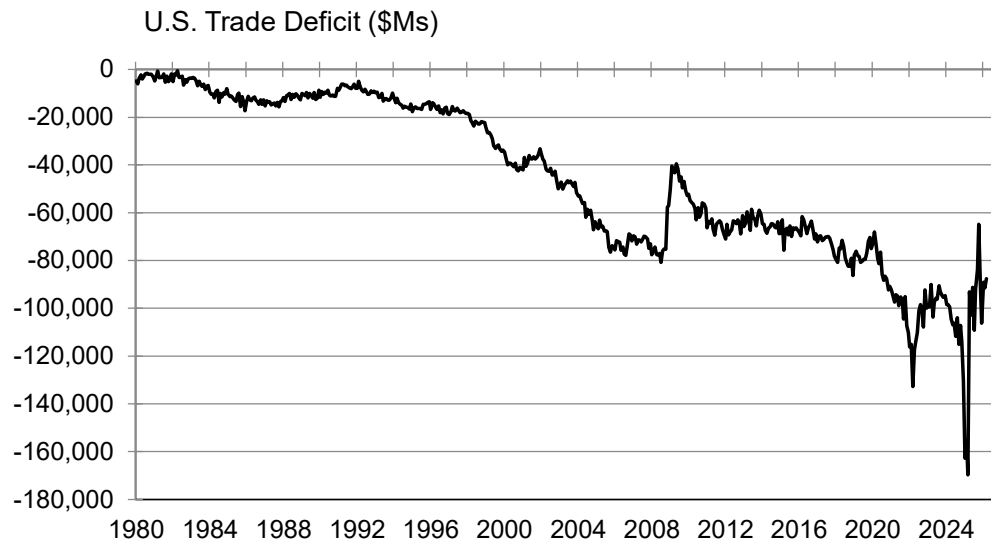
U.S. EARNINGS GROWTH RATE DEPRESSED

- 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.



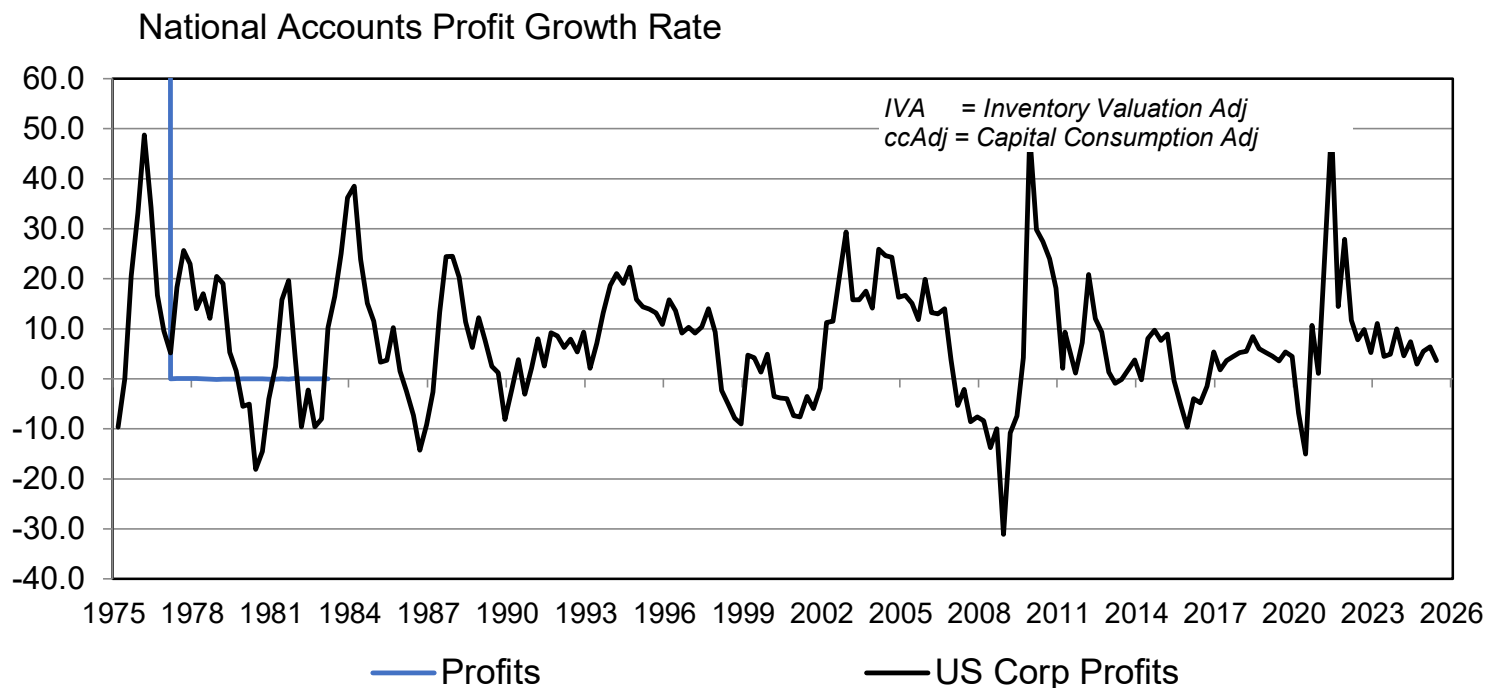
US TRADE POLICIES IMPROVED TRADE DEFICIT

- 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)

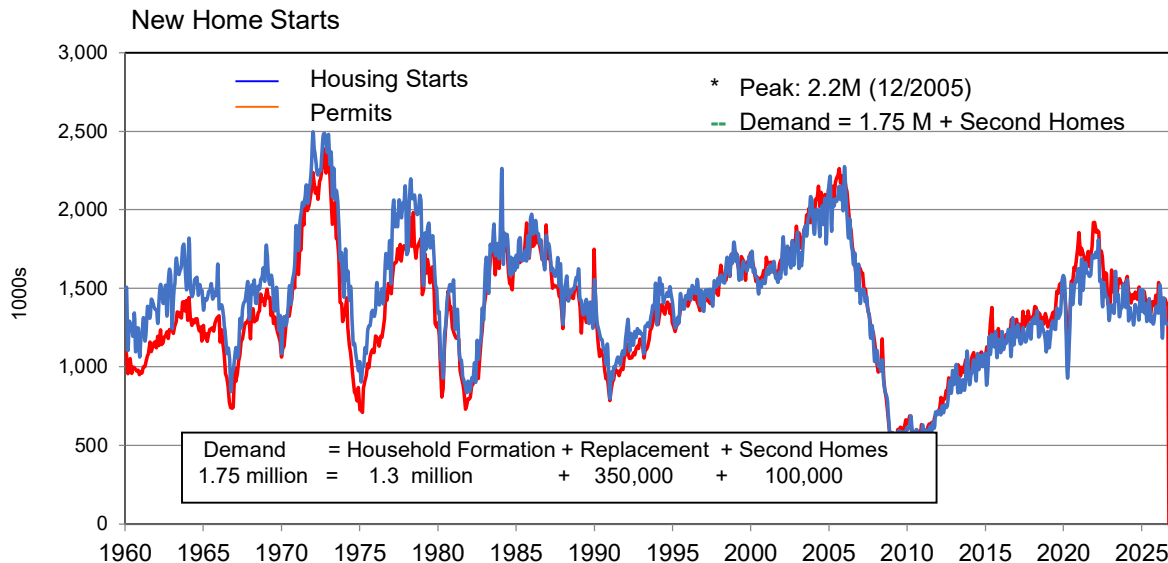


NATIONAL ACCOUNTS CONTRAST WITH S&P500

- Exceptional growth among Large Tech washes out---illustrates how much US Real Economy struggled over 2022-2024
- Current profit growth rate for broad economy is good, but not the exponential growth observed in the S&P 500 and NASDAQ. Also suggests a lot of upside for margins to come as AI workflows improve.



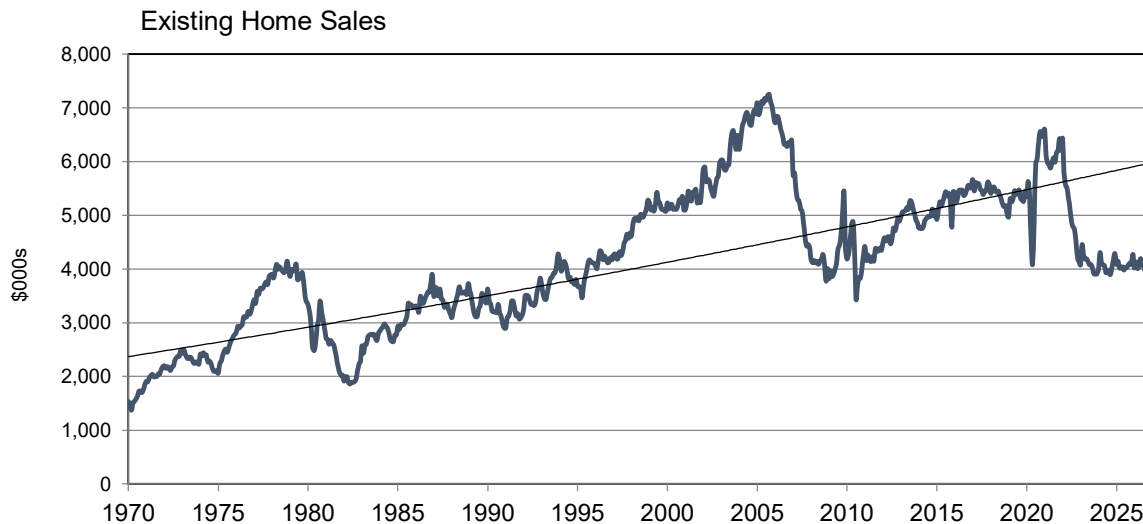
HOUSEHOLD FORMATION DRIVES HOUSING



Sales and Starts slowed as interest/mortgage rates rose, and supply is still limited.

Household formation drive demand.

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



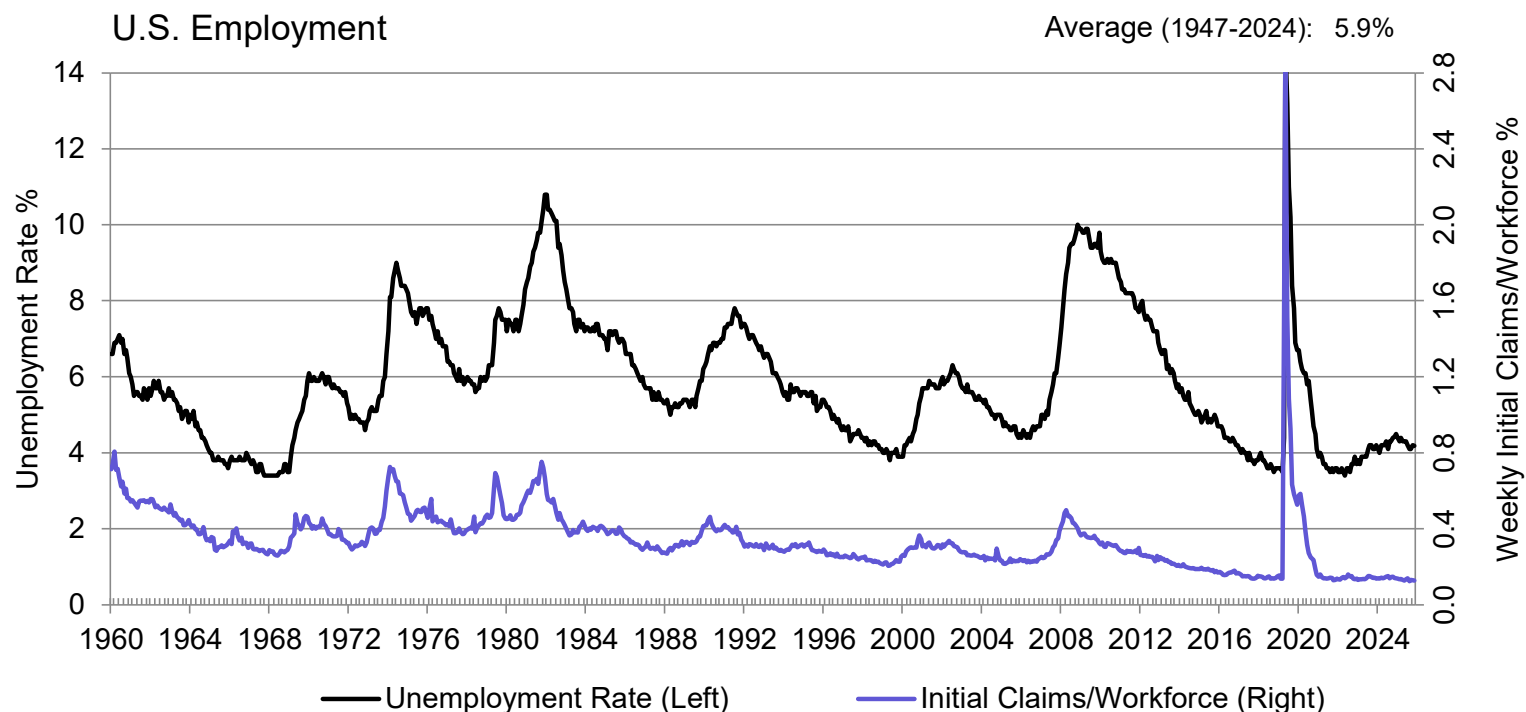
It isn't surprising housing cost inflation continues with housing starts limited. Rent also rising with low inventory levels. We expect construction to increase.

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

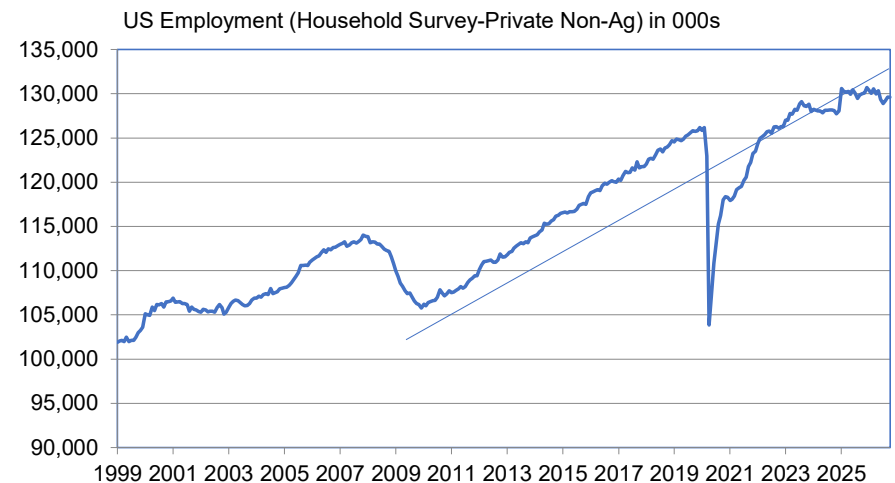
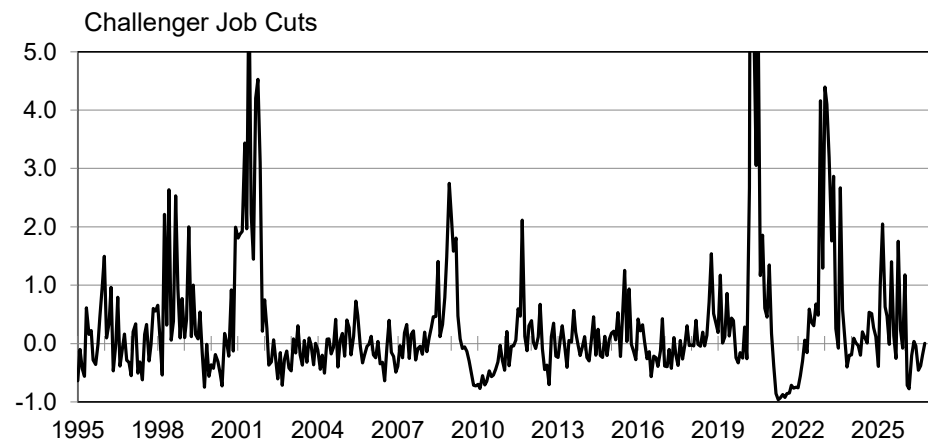
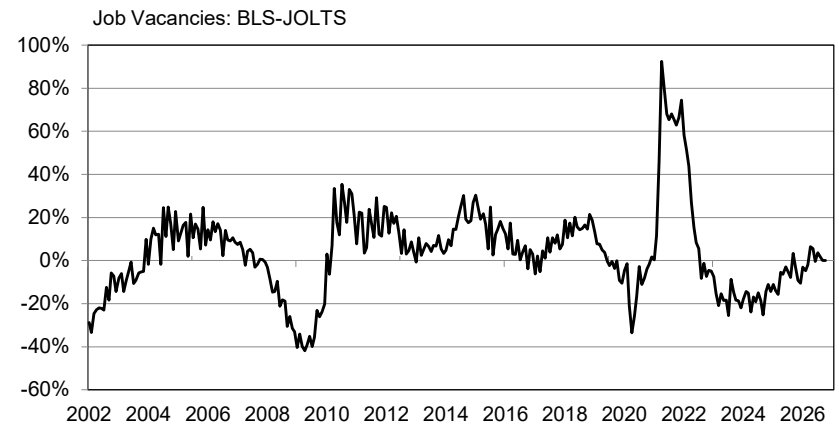
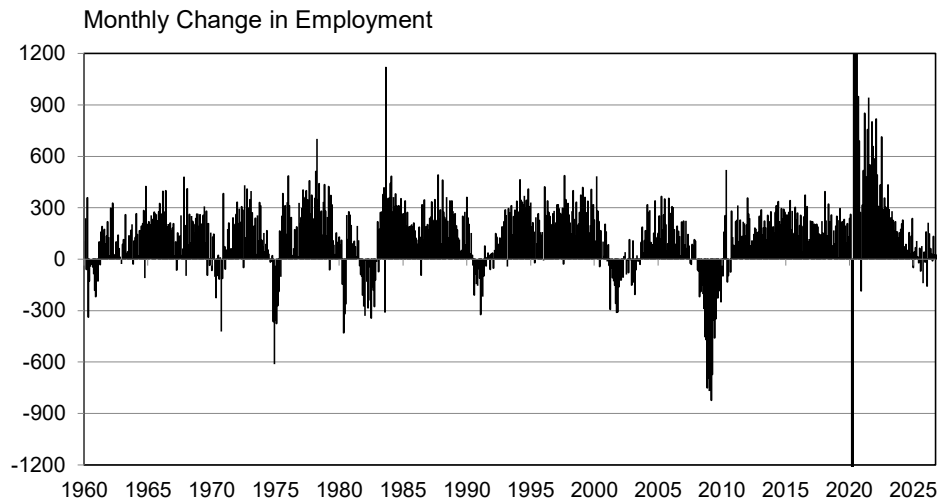
- No indication of recession with 4.2% Unemployment after peaking over 14% - April 2020
It is trending higher from 3.5% toward 5% equilibrium and 5.9% average since 1960.
- Existential concerns about AI are exaggerated. AI Disruption, employment uncertainty, cyber threat, *Race Against the Machines*—toll on recent graduates.
- Cheap Energy + Investment vs. Declining Labor Intensity:.. *The Game has Changed*



Source: U.S. Government Data

U.S. EMPLOYMENT CONDITIONS

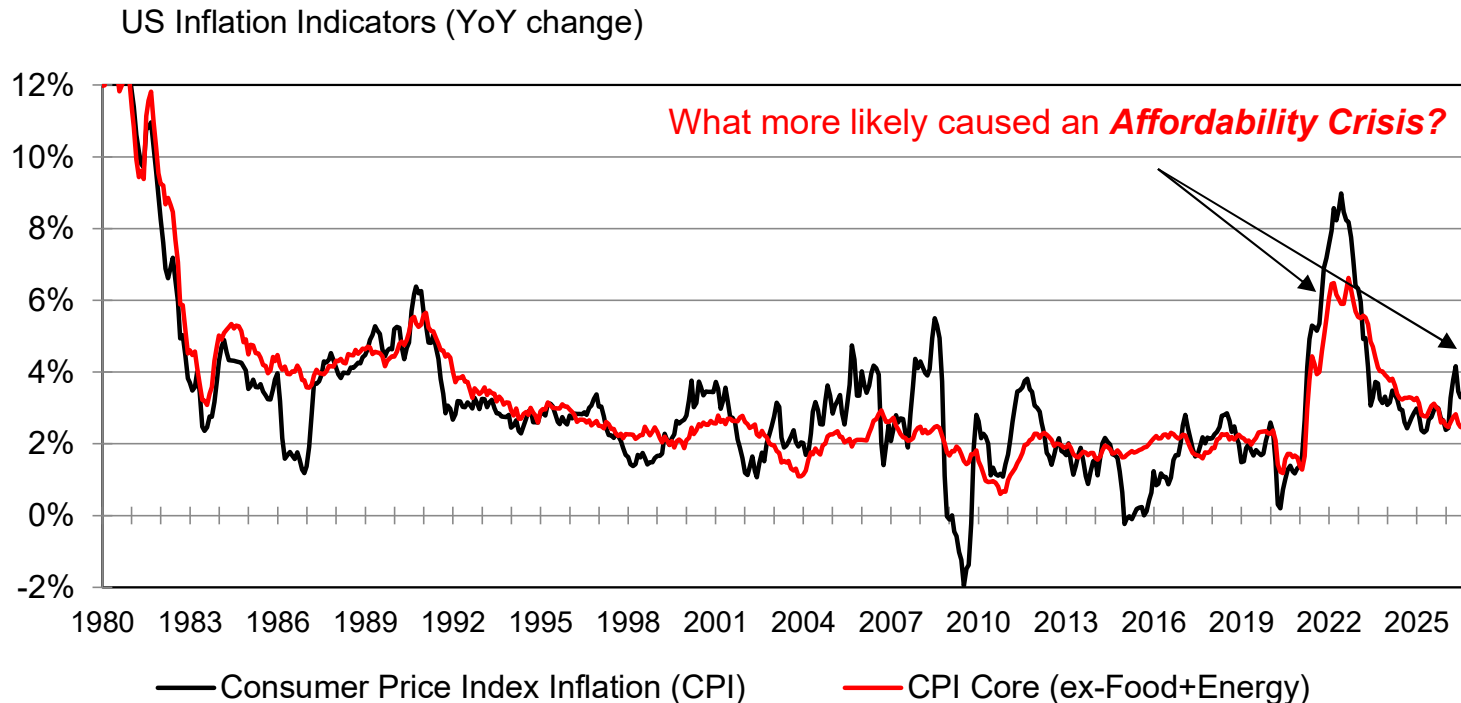
Low Recession likelihood below 5% unemployment, but rate to drift higher as government job growth reverses with immigration and trade policy reform.



Source: U.S. Government Data

US CPI INFLATION WILL SETTLE HIGHER ~3%

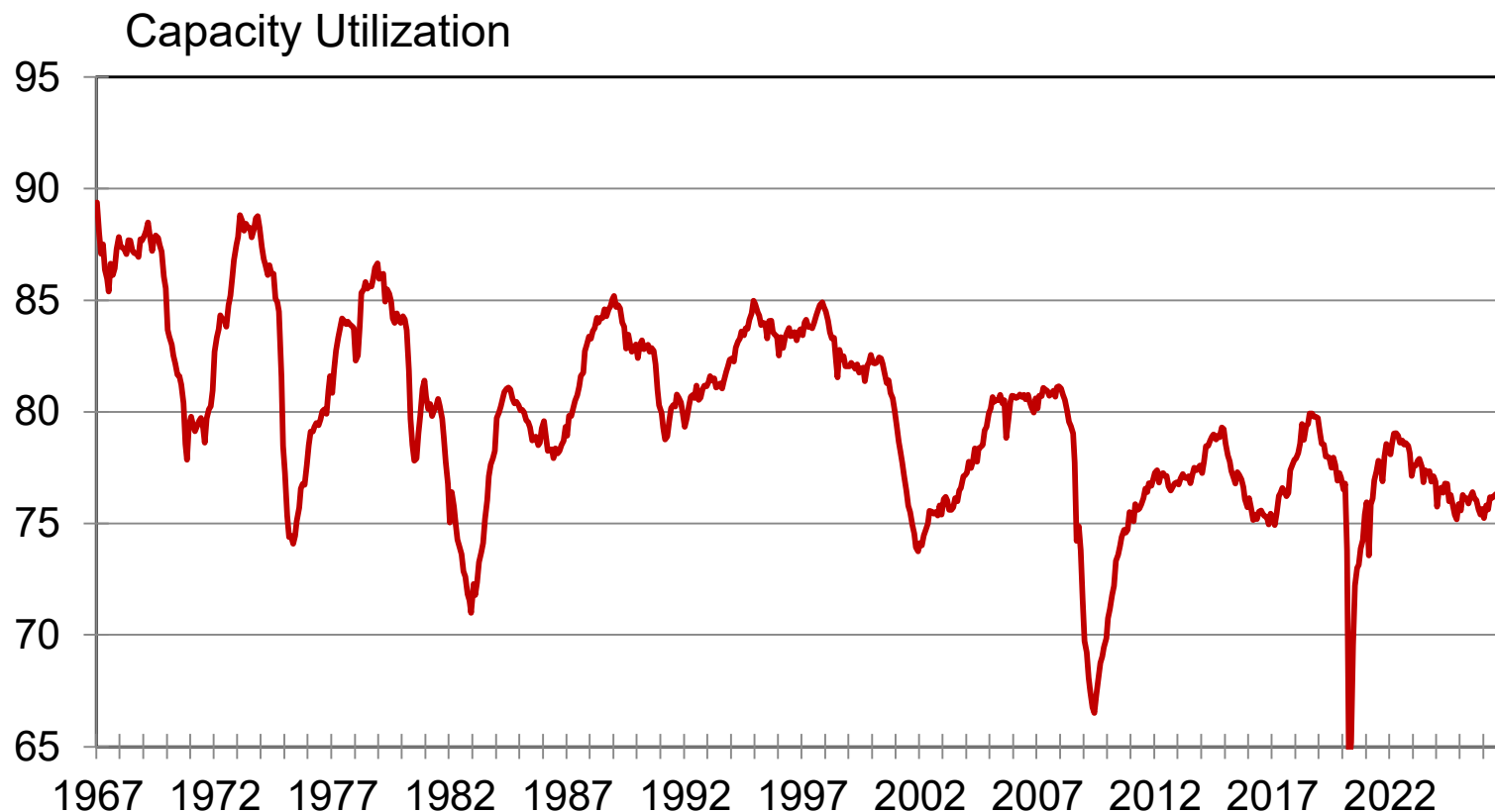
- Inflation rolled over, sticky inflationary forces remain (housing, labor), plus food, energy
- Higher *inflation expectations* persist, supported by labor, housing, transportation costs
- Inflation now settled near longer run equilibrium, higher inflation expectations
- *Disinflation* receding—innovation, comparative advantage, creative destruction
- The Affordability Crisis was caused by 2022-2024 policies, not the Iran War in 2026, but we are just getting around to recognizing it.



Source: U.S. Government Data

RANGE-BOUND CAPACITY UTILIZATION

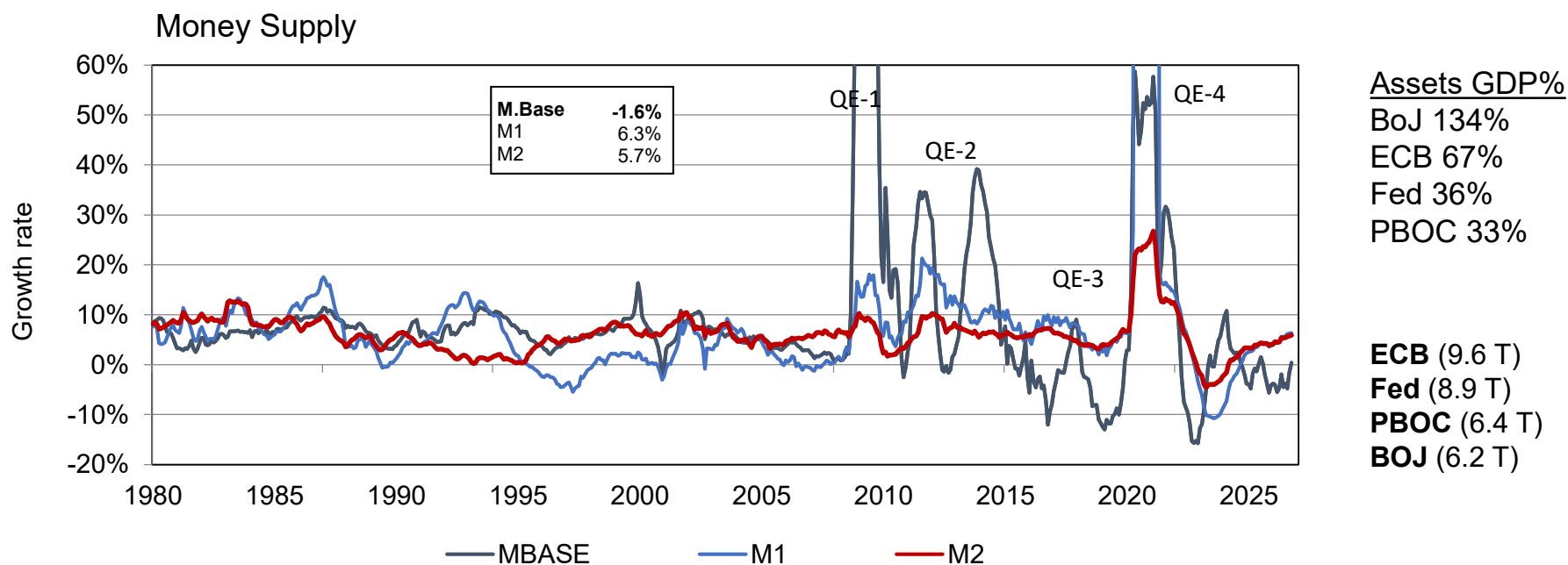
- Capacity Utilization can drive inflation and investment, particularly as forces of secular disinflation and *Fourth Industrial Revolution* are now waning. **Not a problem now.**
- Transportation, energy, basic material costs increasingly more critical than labor costs, but labor costs are rising as much as, if not faster than inflation.



Source: U.S. Government Data

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 downturn, boosted inflation.
- Must continue to reverse QE (Fed/ECB/BoJ bond holdings) despite hangover effect or risk greater inflation.



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.S. Fed %	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	Fed	SFM
GDP	5.90	0.50	2.60	2.50	1.70	2.30	2.40	2.10	2.10	2.00	2.20
U.Rate	4.80	3.70	3.80	4.20	4.40	4.10	4.10	4.10	4.10	4.20	4.80
PCE	4.20	5.60	2.30	2.40	3.70	2.30	2.10	2.00	2.00	2.00	2.50
Core PCE	3.70	4.80	2.60	2.80	3.00	3.40	2.50	2.20	2.00	2.00	2.50
Implied CPI	3.50	6.10	2.80	2.90	4.20	2.80	2.60	2.50	2.50	2.50	3.00
Federal Funds Avg.	0.13	4.38	5.38	4.38	3.63	4.15	4.10	3.68	3.48	3.31	3.50

Interest Rates	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	Longer Run
FOMC Avg.	0.13%	4.38%	5.38%	4.38%	3.63%	4.15%	4.10%	3.68%	3.48%	3.31%
SFM Forecast ¹	0.25%	4.50%	5.50%	4.50%	3.75%	4.00%	4.00%	3.50%	3.50%	3.50%
Rate Change	0.00%	4.25%	1.00%	-1.00%	-0.75%	0.25%	0.00%	-0.50%	0.00%	0.00%

1. Top-end of indicated Fed Funds range

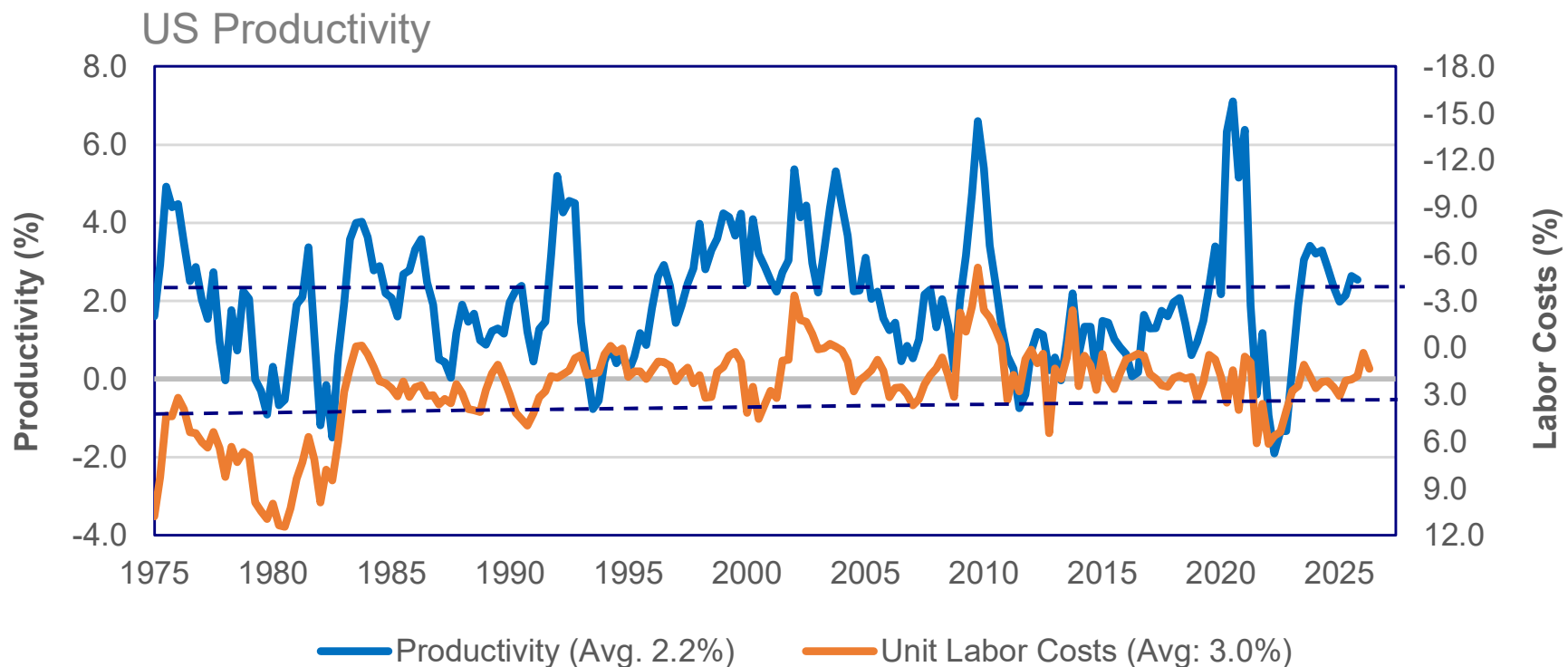
Source: U.S. Federal Reserve (September 2026) and Strategic Frontier Management

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

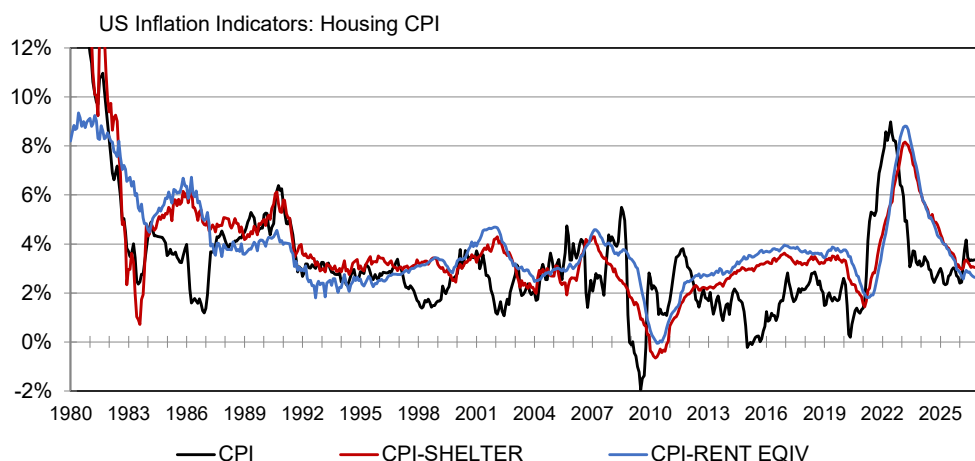
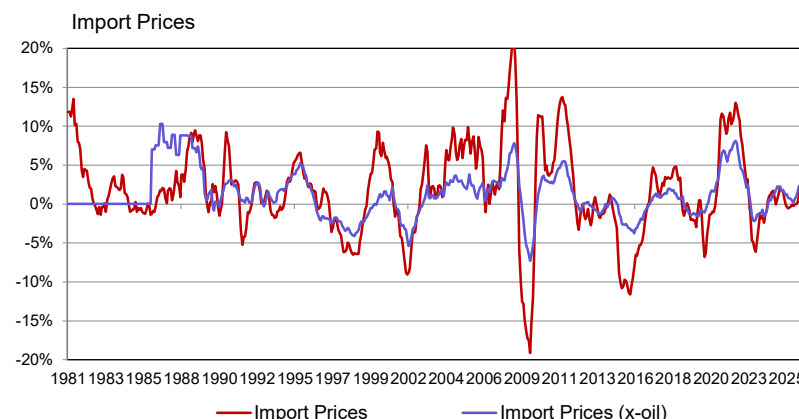
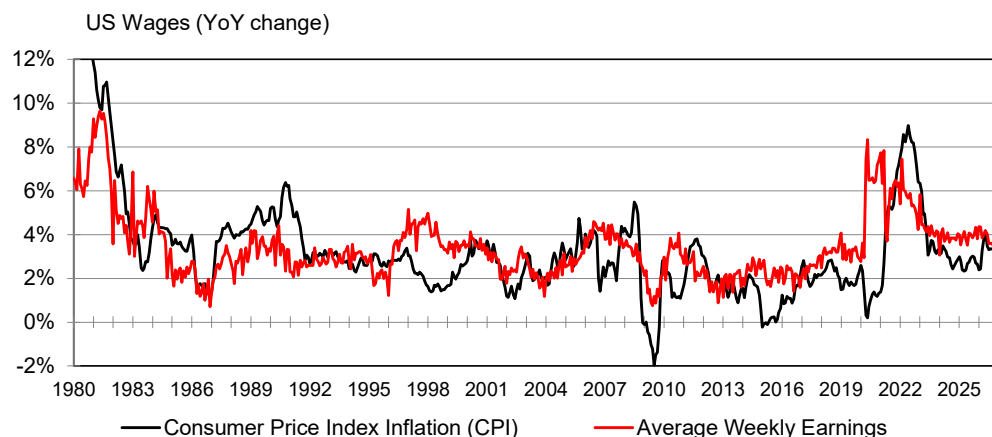


Source: U.S. Government Data

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

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



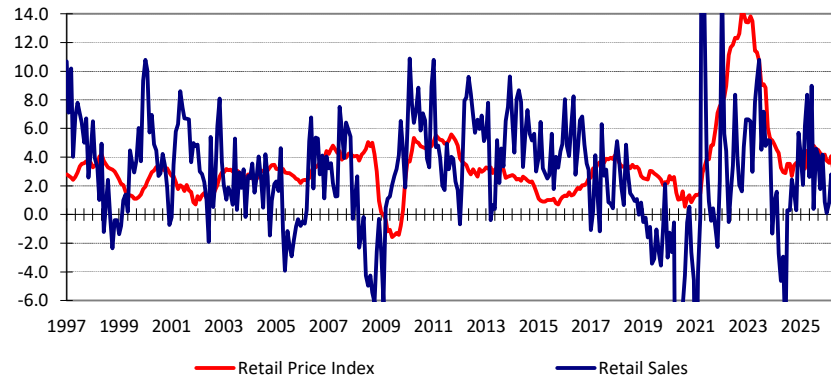
Global Inflation Tracking (CPI)

United States	2.6%
Europe (EMU)	2.0%
United Kingdom	4.0%
Japan	1.7%

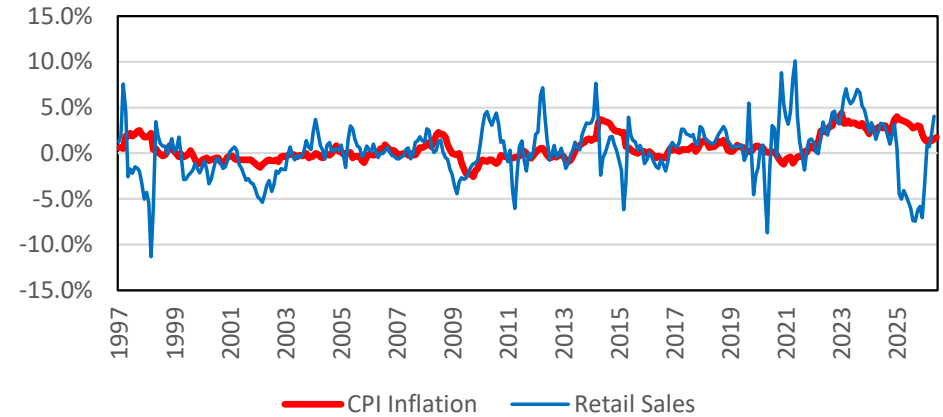
Nations need to keep rates higher,
 should not be cutting yet (ECB)

GLOBAL ECONOMIC COMPARISON

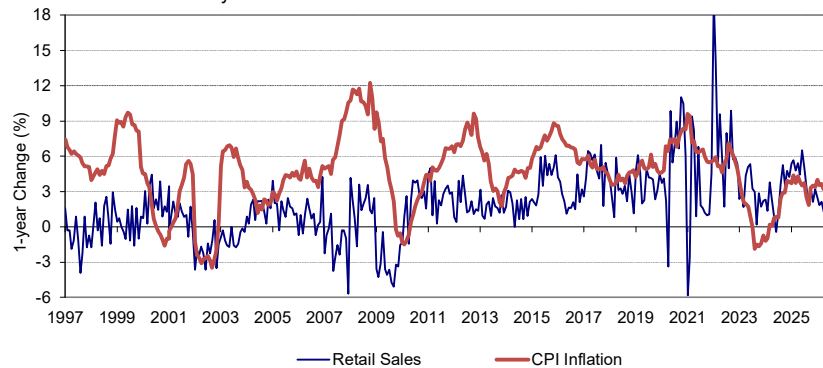
UK IEconomic Indicators



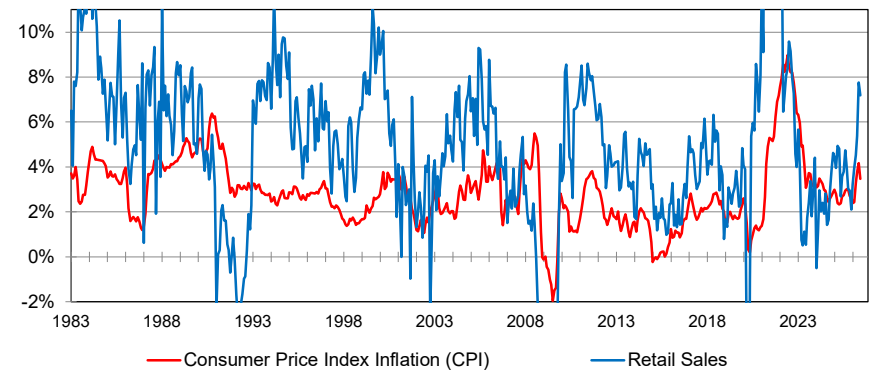
Japan Inflation



German Economy



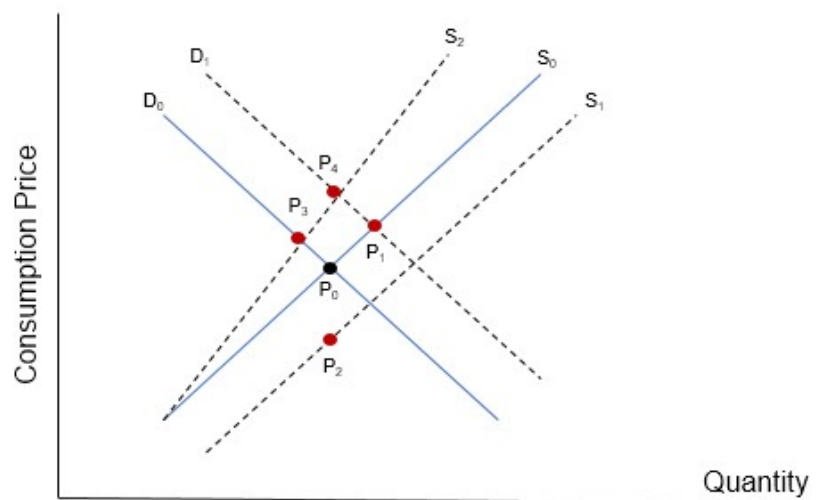
US Economic Indicators (Retail Sakes vs. CPI)



INFLATION: FUNCTION OF SUPPLY VS. DEMAND

- Cutting interest generally rates lowers financing costs, pulling forward demand of business and consumption ($D_0 \rightarrow D_1$), but yield curves inverted muting effect
- Increasing productivity drives increased supply at lower price ($S_0 \rightarrow S_1$)
- Increasing barriers to entry (patents/IP, regulation, tight labor conditions, resource scarcity, etc.) or monopolistic conditions, prices are more price inelastic ($S_0 \rightarrow S_2$)
- Similarly, a flatter slope of S_0 realizes benefit from competition or increased price transparency (Amazon, secular disinflation)
- Supply vs. Demand relationships often evolve, although constructive disinflation now moderating—myth of deflation/disinflation risk distorting symmetric inflation targeting

Inflation: Function of Supply vs. Demand Curve Changes



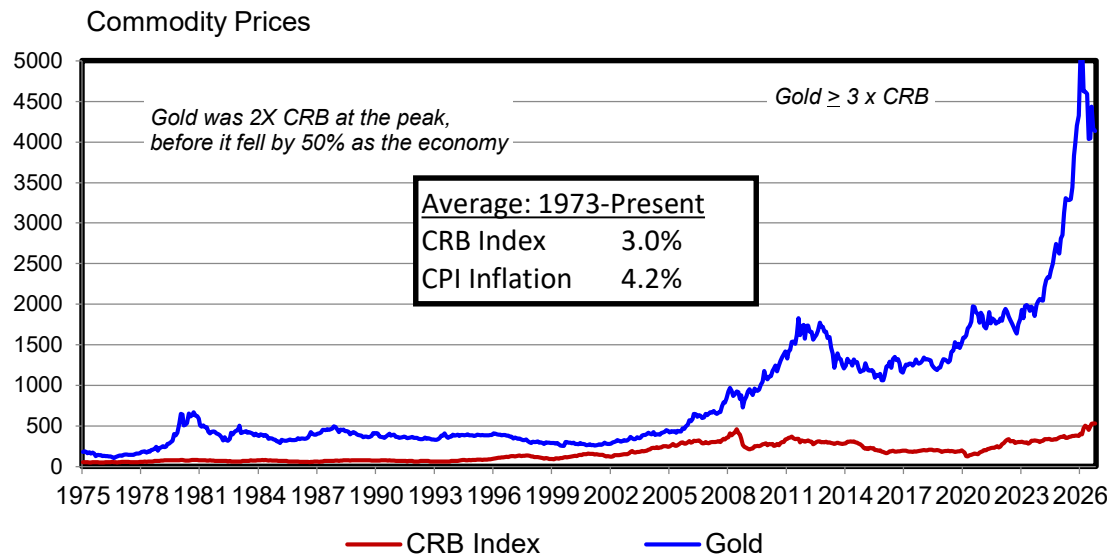
Source: Strategic Frontier Management

Milton Friedman famously stated that inflation is "always and everywhere a monetary phenomenon," meaning it is caused by the money supply growing faster than economic output.

- S_1 = Innovation lowers prices for a given quantity ($P_0 \rightarrow P_2$: Secular disinflation, productivity)
- S_2 = Inelastic prices result in greater rise in prices ($P_0 \rightarrow P_4$)
- D_1 = Increasing demand drives price increases ($P_0 \rightarrow P_1$: Consumption and wage inflation)

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%

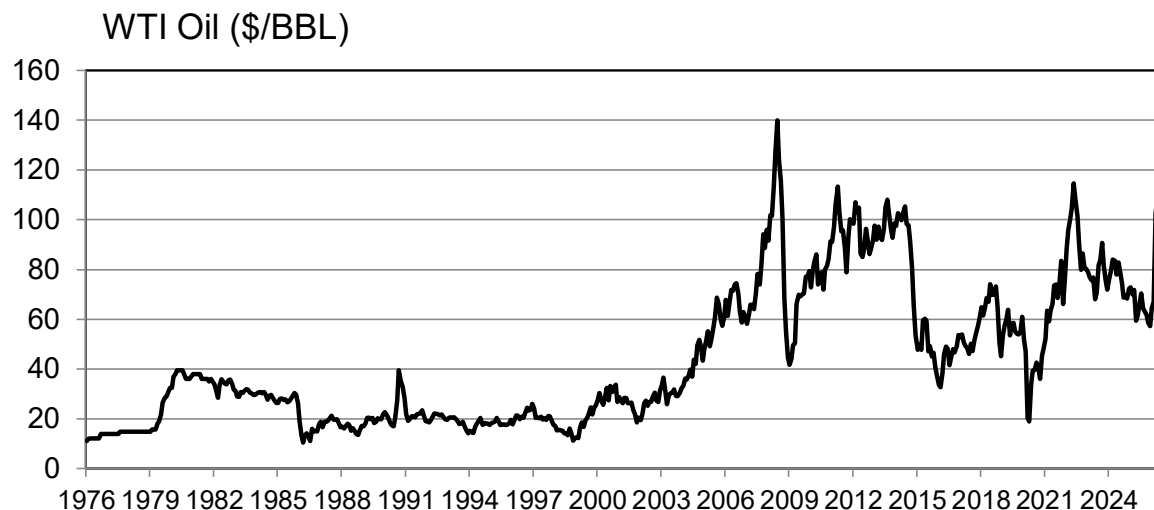
1973 – 2009: 4.75% vs. 4.5% (inflation) Real return = 0.25%

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 of household, but data centers increasing demand

- Climate regulation limit exploration, production, pipelines (transport) drive higher prices
- Energy Innovation: new engines, lighter vehicles, greater efficiency, and alternative fuel formulations lower emissions, intensity faster than EV push, natural gas restriction
- Abundance of natural gas/oil supply—yet, draining America's SPR was foolish
 - Alternative power still expensive, unreliable, and growing more slowly than needed
 - Increasing US CAFE standards reduced overall demand, even with miles/yr growth
- Inflation impacted by changes in oil prices, supply/demand—**OPEC cartel in decline**
- U.S. reduced/eliminated a global threat to terrorism & nuclear war by challenging Iran

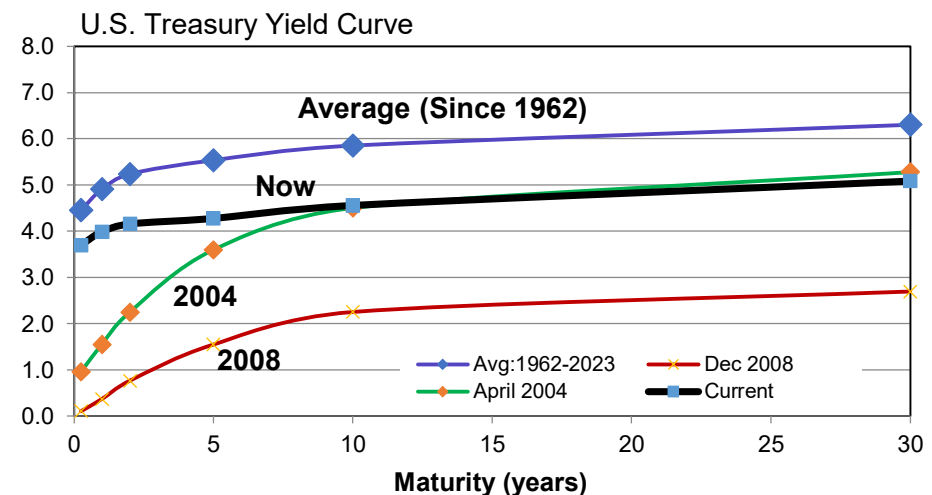
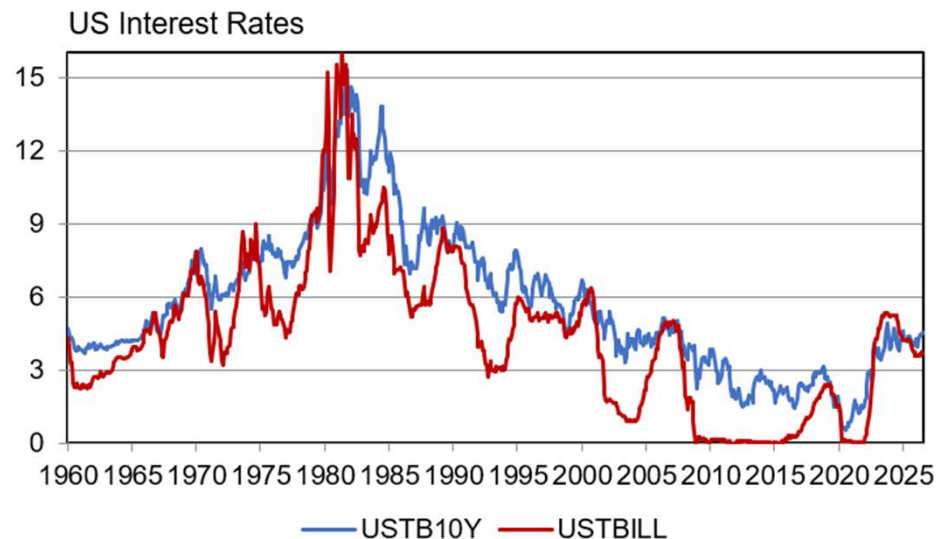


Normal equilibrium price for WTI was \$55-60 thru 2020, but is likely **\$65-75** with more regulation and reduced energy infrastructure investment

Source: EIA

INTEREST RATES MUST NORMALIZE

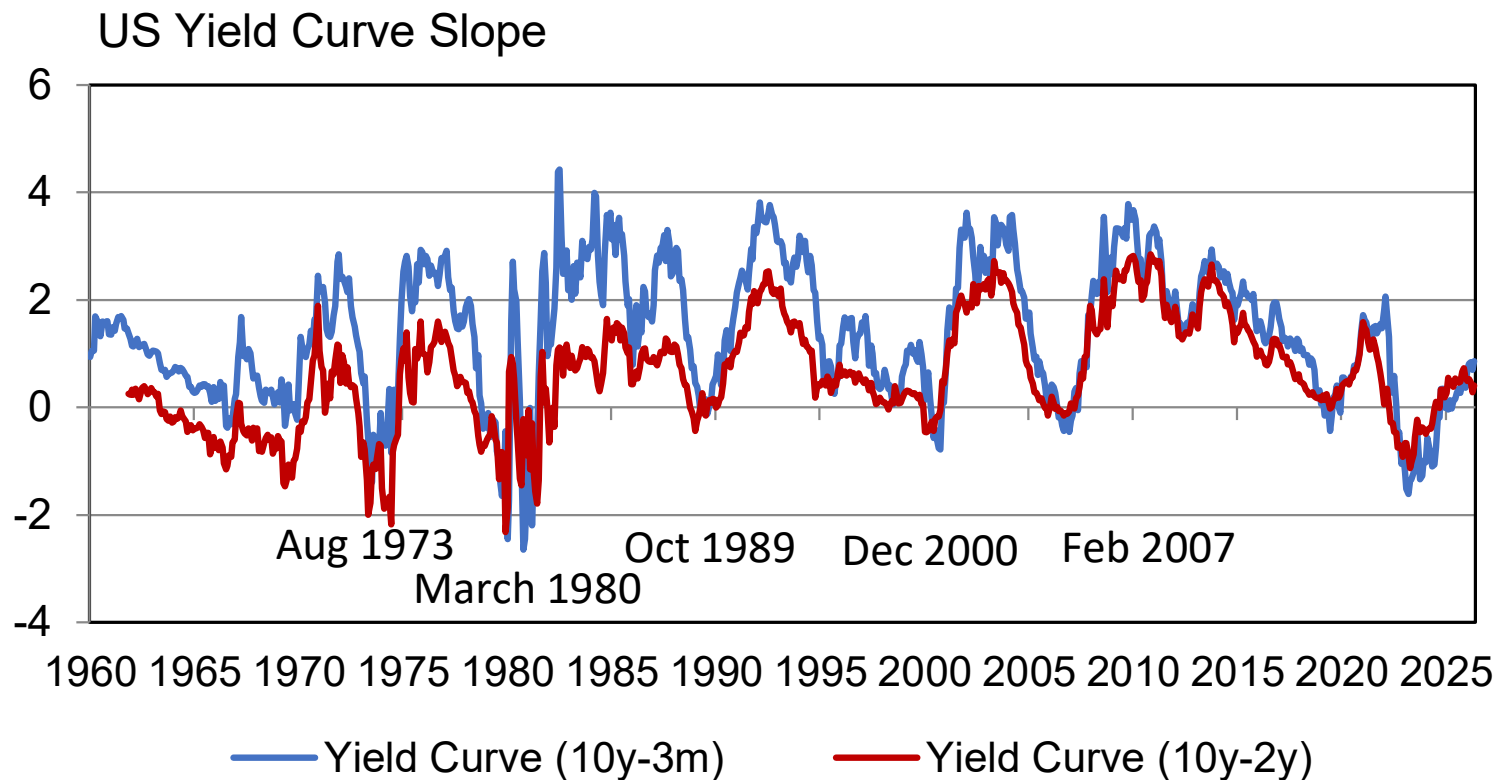
- Global interest rates manipulated with unsustainable monetary policy, inc. QE: Too Low for Too Long induced *Explicit Moral Hazard* and extinguished the inflation risk premium.
- Mislead investors, business, and consumers, increased systemic risk. Prolonged misguided policy has boosted inflation expectations—Thus, 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

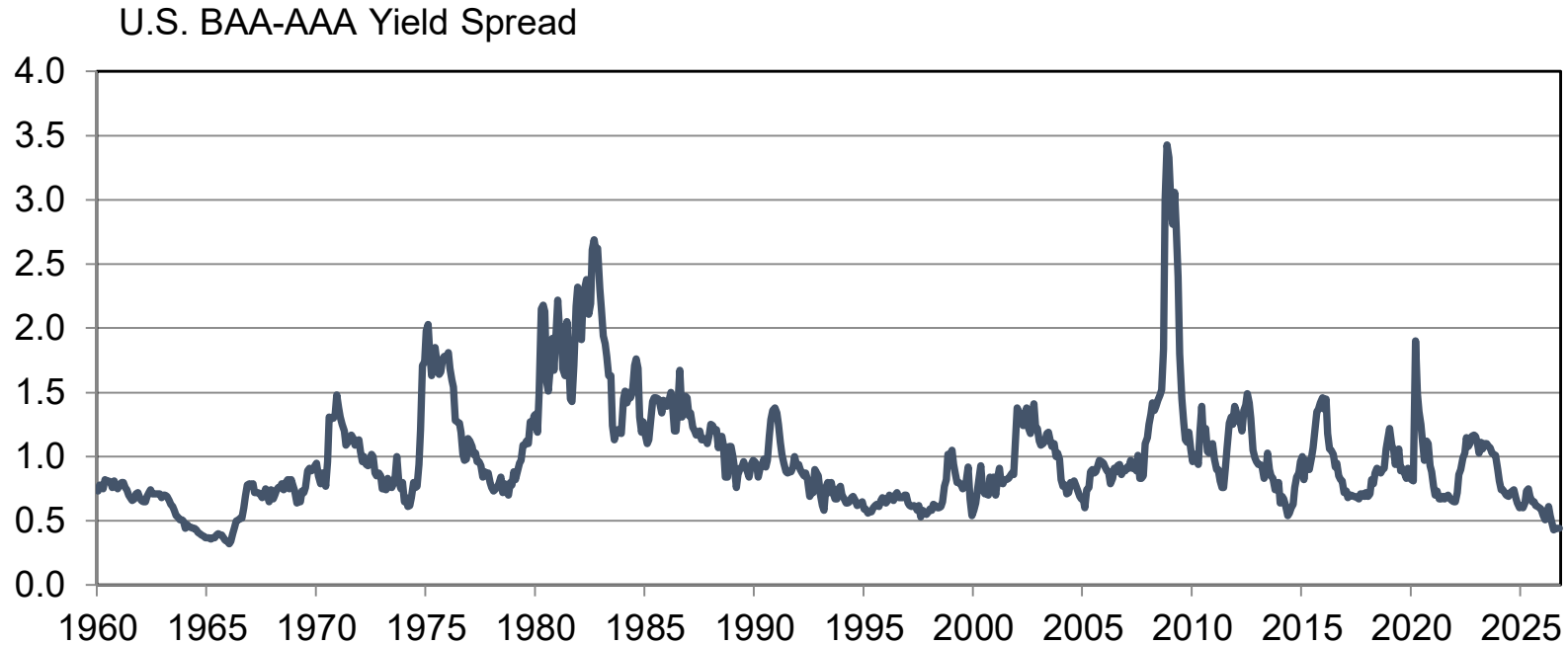
US YIELD CURVE INVERSION UNSUSTAINABLE

- 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



CREDIT SPREAD: INVESTMENT GRADE

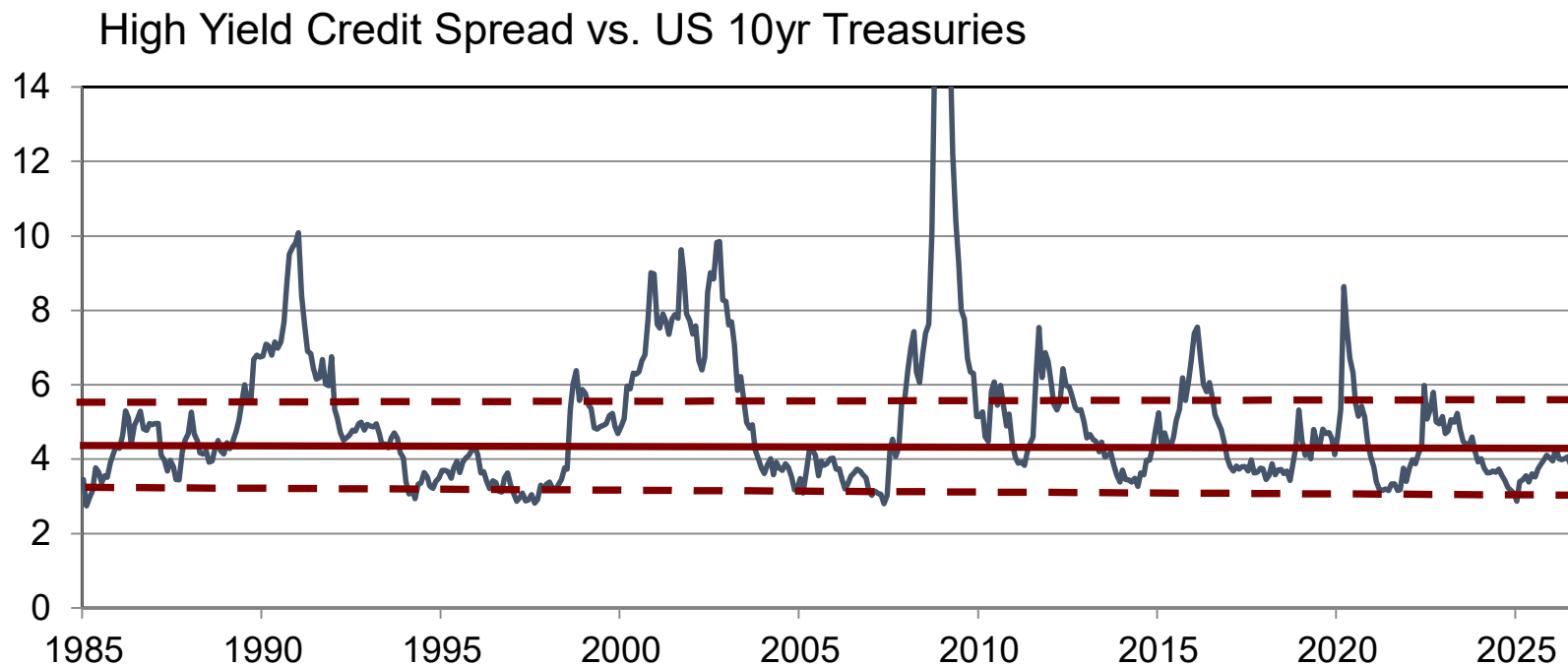
- Investor demand for yield drove credit spreads to lower levels--investors still chasing yield, and credit spreads are tight again, but inconsistent with private credit concerns.
- Thus, should expect credit spreads to widen/normalize.



Source: Moody's

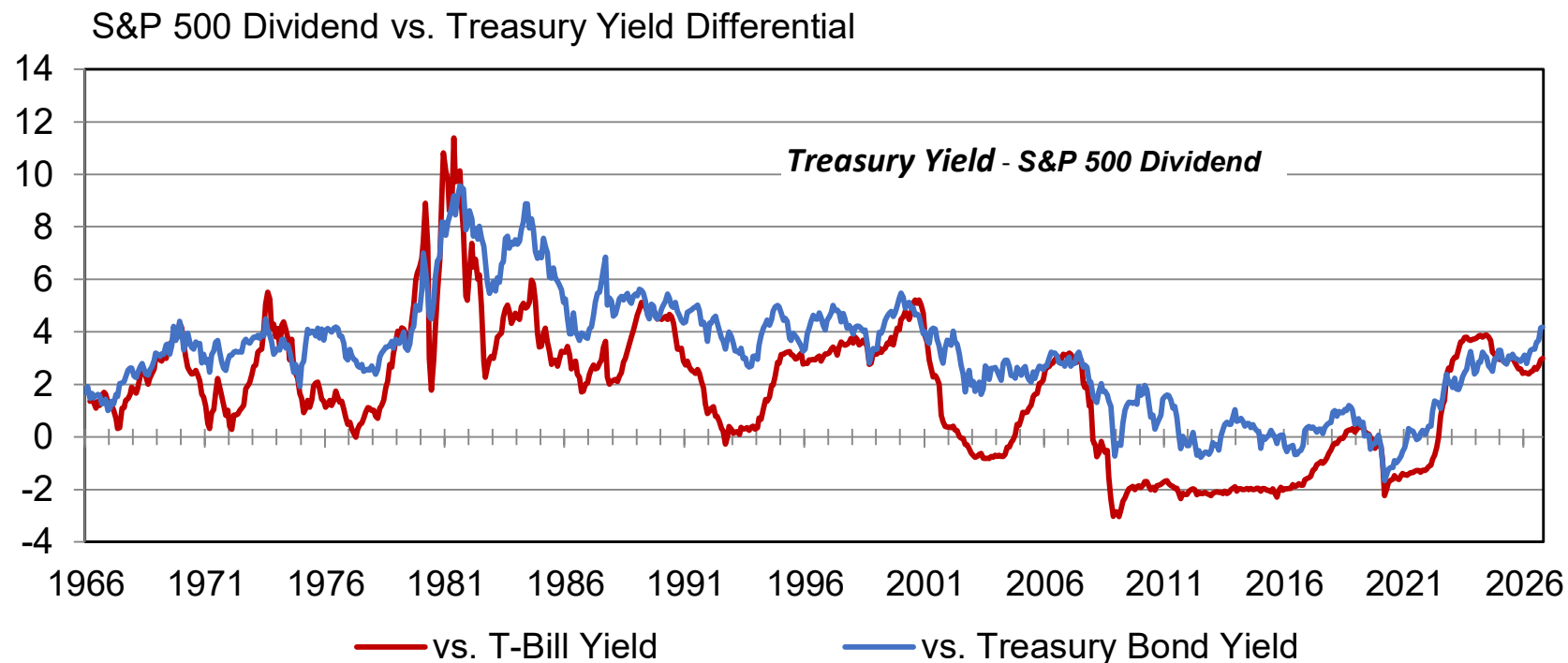
CREDIT SPREAD: HIGH YIELD

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

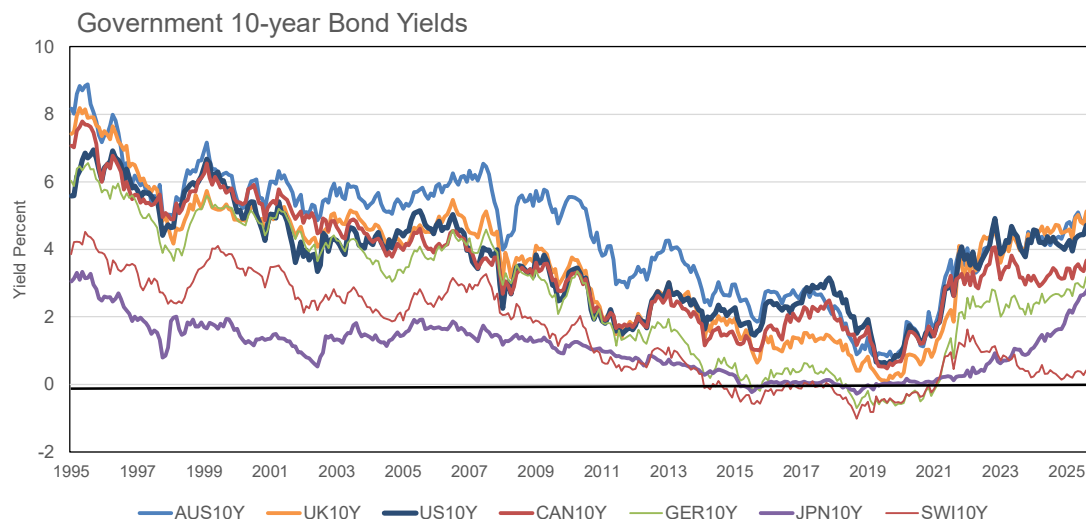
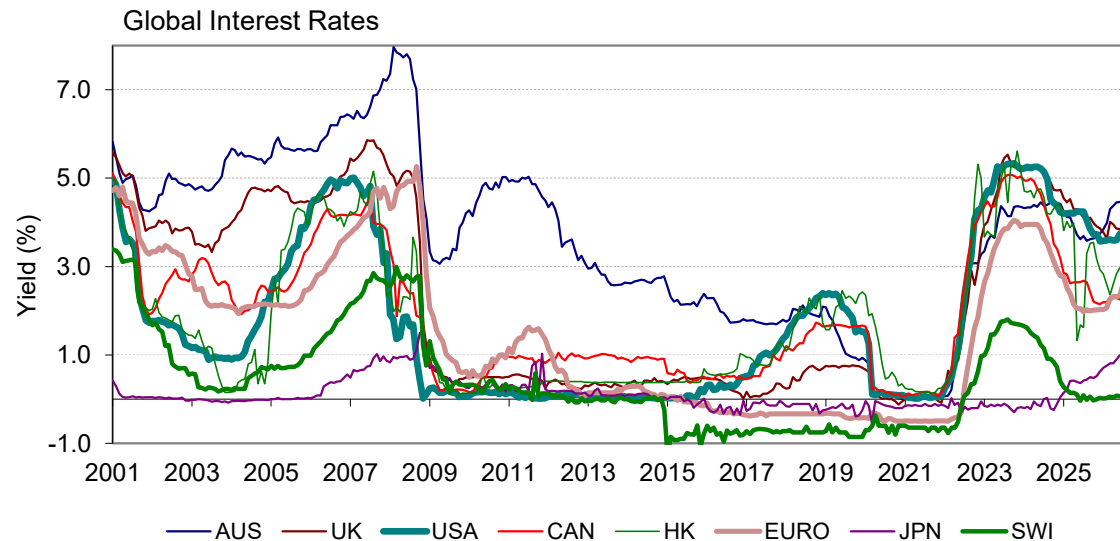


TREASURY BILLS EXCEED VS DIVIDEND YIELD

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



GLOBAL INTEREST RATES

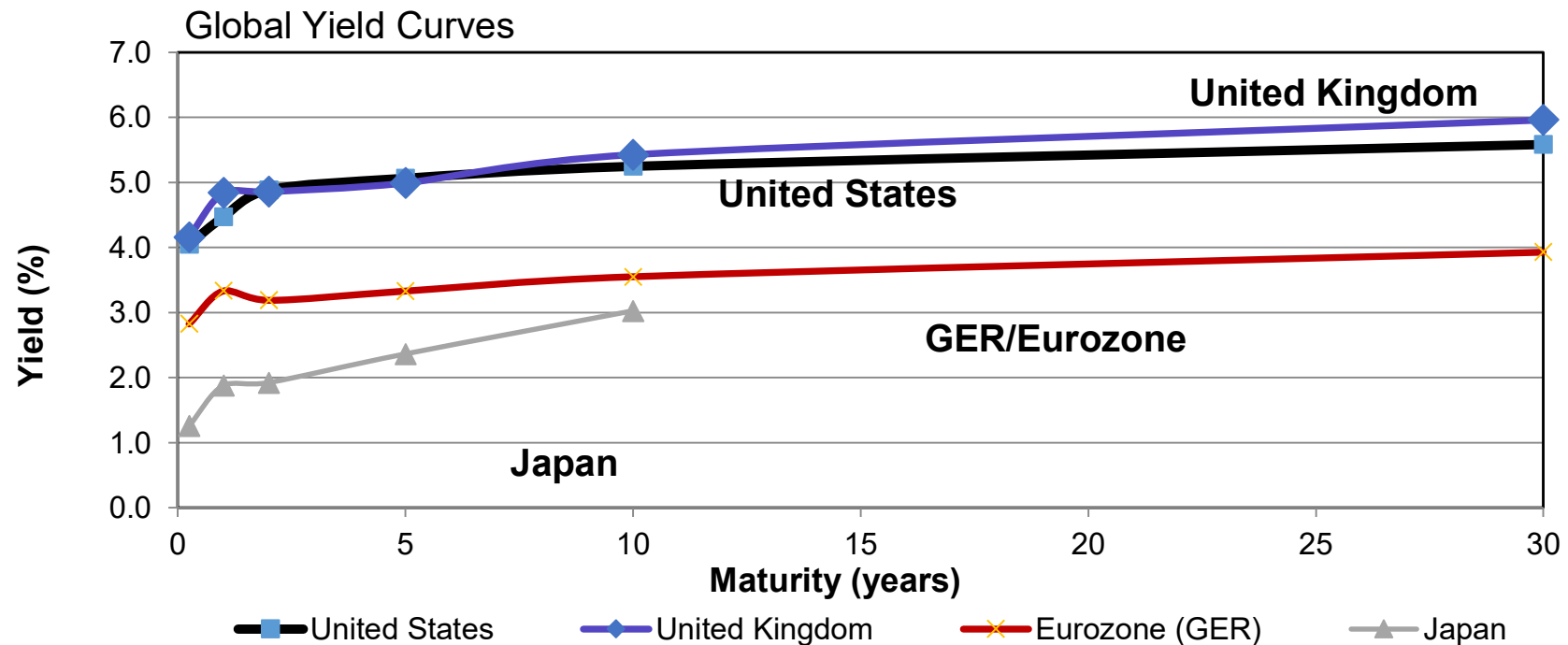


- What a mess central banks caused-- Global policy interest rates were too low for too long or negative. Reversing QE→QT should steepen yield curves. Expect greater bond volatility.
- Central Banks -- including U.S Fed, U.K. BoE, BoC, ECB, BoJ, and Bank of China -- have a lot work to do reducing QE bond holdings.
- 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). Chair Warsh will reverse much of this.
- New US interest rate regime anchored at higher level of 3.5% vs. Fed target (2½%, now 3¼%) after two decades of misguided policy experimentation.

Source: Refinitiv DataStream & Strategic Frontier Management

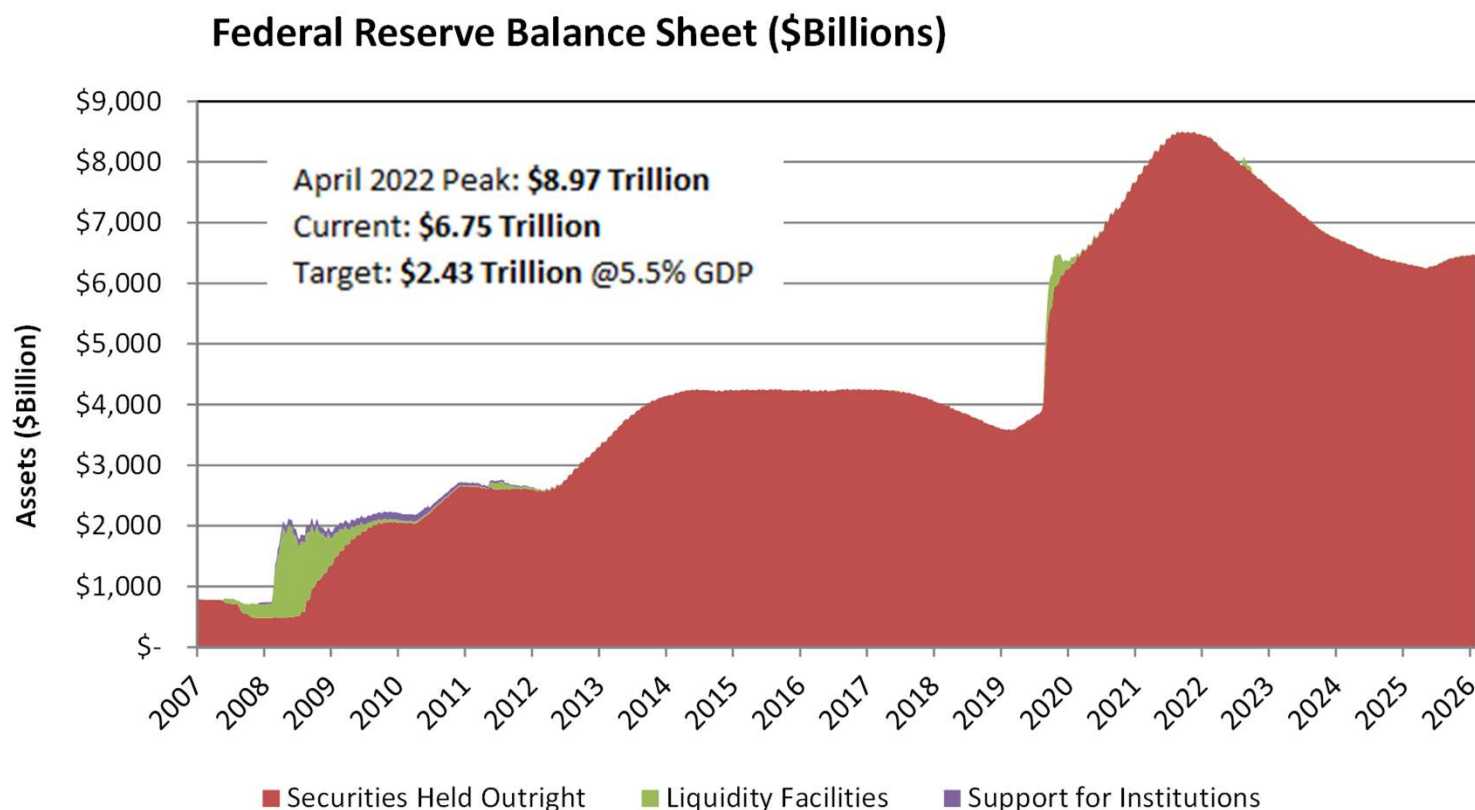
GLOBAL YIELD CURVES

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



FEDERAL RESERVE HOLDINGS MUST DECLINE

- Federal Reserve must reduce holdings by \$4 trillion, plus \$1.6 trillion in fiscal deficit
- Peak holdings in April 2022 coincided with spike in consumer prices at \$9 trillion
- Excess fiscal and monetary stimulus was unnecessary, particularly doubling the Fed's holdings after cutting interest rates to 0%



Inflation is always and everywhere a monetary phenomenon.

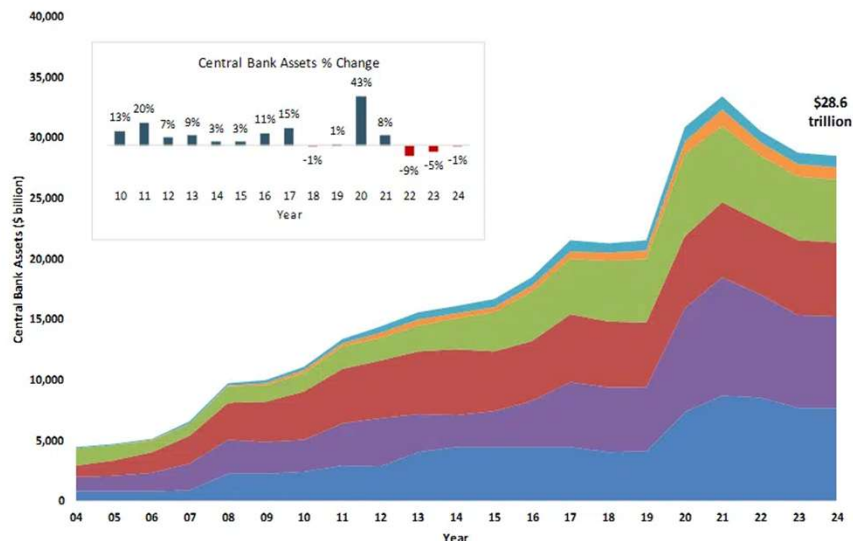
– Milton Friedman

Source: Federal Reserve

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 \$4 trillion of QE at a time of high fiscal deficits ~\$1.6 trillion with higher interest rates on \$40.2 trillion of US debt (125% Debt/GDP)
- Unwinding central bank QE holdings plus increasing fiscal deficits boost debt overhang and will be a global drag on money growth for years.
- Expect greater economic and money supply volatility—Fed+BoJ+ECB+China = \$25.2 Trillion, yet ECB and China are increasing holdings – so is the U.S. recently.

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



REFORM MINDED FED CHAIR KEVIN WARSH

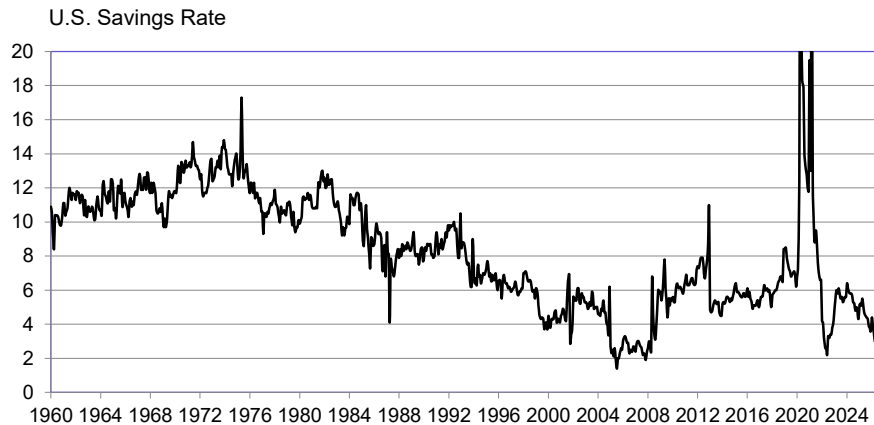
Kevin Warsh named Chair of the Federal Reserve—welcome replacement for dismal era of Bernanke, Yellen, Powell. Expect 15 years at Stanford's Hoover left impression.

US Federal Reserve will undergo significant change with conclusions of 5 Task Forces, many aligned with reforms we've suggested over the last decade at SFM:

1. Balance Sheet Policy: QE was fit for crisis, not extended use. SFM - \$4 trillion reduction needed to normalize—wind-down excess QE holdings, IOER reduced.
2. Communications: SFM - Eliminate forward guidance, Suspend Economic Projections of SEP/Dot-plot, fewer speeches and press conferences.
3. Inflation Framework: Revisit how to understand/respond to inflation drivers. SFM- Restore CPI measure (and variants thereof, disregard errant measure of PCE.
4. Data: Improve quality and timeliness of Fed data (published and used by staff).
5. Productivity and Jobs: Economic impact of new technology. SFM - Growth is not inherently inflationary, productivity and margins are disinflationary.

Fiercely defend independence of Federal Reserve, improve respect in the Fed's operational duties (regulatory, monetary policy), manage inflation better, focus on Dual Mandate (full employment, stable prices). Task forces useful to provide political cover as a consensus building tool. Leadership from both academia and private sector—not internal FRB staff, although they will certainly play a critical role. RIF will reduce redundancy and overlapping functions of reserve system banks.

HOUSEHOLDS: SAVINGS RATE TOO LOW



Not Your Father's Household Balance Sheet

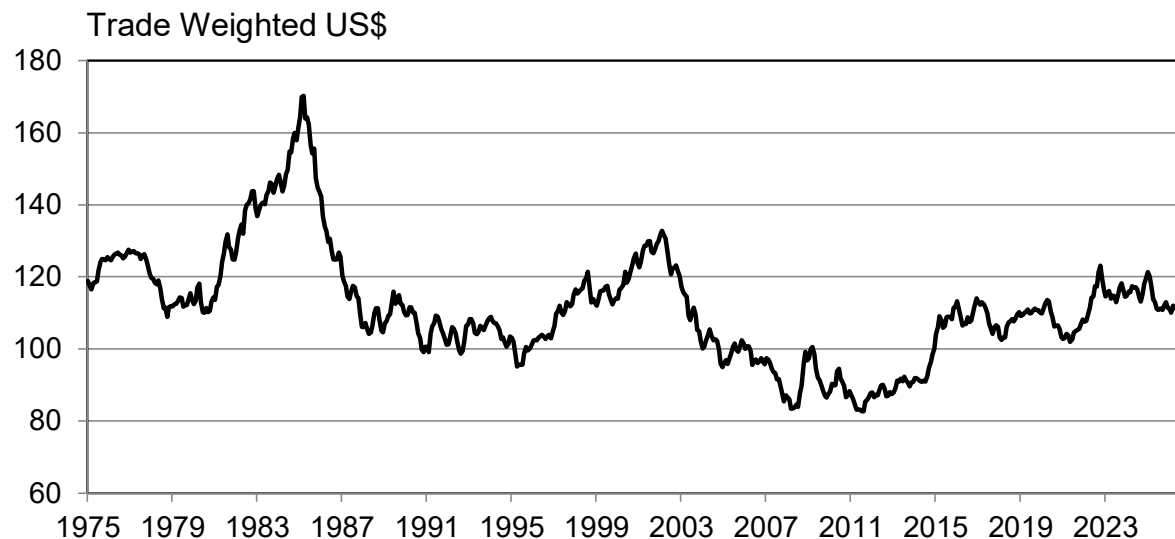
- Household Net Worth increased to **\$177 Trillion**
- Financial Assets increased to **\$118 Trillion**
- 2022 brutal on retirement savings, how about 2025? Savings Rate has declined to 2008 lows.
- Net worth has been growing faster than inflation

Household Balance Sheet (\$Bs)	2000	2005	2010	2015	2020	2025	2026:Q2	vs. 2005	5Year	3Year	1-Year
Total Assets	51,998	75,817	80,137	104,357	148,842	203,779	217,751	5.3%	6.2%	8.0%	10.9%
Households: Real Estate	14,172	25,399	20,736	25,975	36,665	52,015	54,074	3.8%	6.2%	3.2%	2.9%
Financial Assets (inc. retirement)	34,437	46,036	54,469	72,833	105,352	142,083	153,487	6.1%	6.2%	10.1%	14.2%
Pensions	11,031	14,516	18,301	23,431	29,794	34,493	35,728	4.5%	2.9%	5.8%	7.0%
Investments	16,218	20,967	27,360	36,524	58,380	89,421	79,852	6.7%	4.7%	4.4%	-3.2%
Deposits (Bank Acct + Money Fund)	4,773	6,493	8,521	10,940	16,351	19,904	20,262	5.7%	2.9%	4.5%	5.3%
Change in Financial Assets%	-0.5%	8.1%	-2.2%	7.0%	22.4%	5.6%	5.3%				
Liabilities	7,150	11,900	13,596	13,971	16,509	20,697	21,052	2.8%	4.3%	2.7%	3.8%
Home Mortgages	4,817	8,940	9,992	9,493	10,919	13,788	13,977	2.2%	4.4%	2.9%	3.0%
Consumer Credit	1,741	2,321	2,647	3,400	4,185	5,099	5,120	3.9%	3.8%	1.2%	2.5%
Household Net Worth	44,543	63,476	65,972	89,794	131,717	182,274	195,871	5.7%	6.5%	8.6%	11.8%
Growth Rate (y/y)	2.8%	9.7%	7.2%	3.6%	12.7%	8.0%	11.8%				
Disposable personal income (NIPA)	7,589	9,616	11,541	13,881	17,596	23,113	23,642	4.5%	5.3%	5.4%	3.8%
Growth Rate (y/y)	7.6%	4.2%	4.9%	3.0%	5.8%	5.5%	3.8%				
Financial Assets/Total Assets	66%	61%	68%	70%	71%	70%	70%	115%	100%	127%	130%
House/Total Assets	27%	34%	26%	25%	25%	26%	25%				
Liabilities/Assets	14%	16%	17%	13%	11%	10%	10%				

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

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.



COMPETITION BETWEEN FOUNDATIONAL MODELS CAN'T YIELD MARGINS OR PROFITS PROMISED

Claude Opus 4.8 costs \$3,700 to run a standard benchmark. It scores 56. DeepSeek V4 Pro (Max) scores 44 on the same test. It costs \$186. --79% of the AI performance @ 5% of the price.

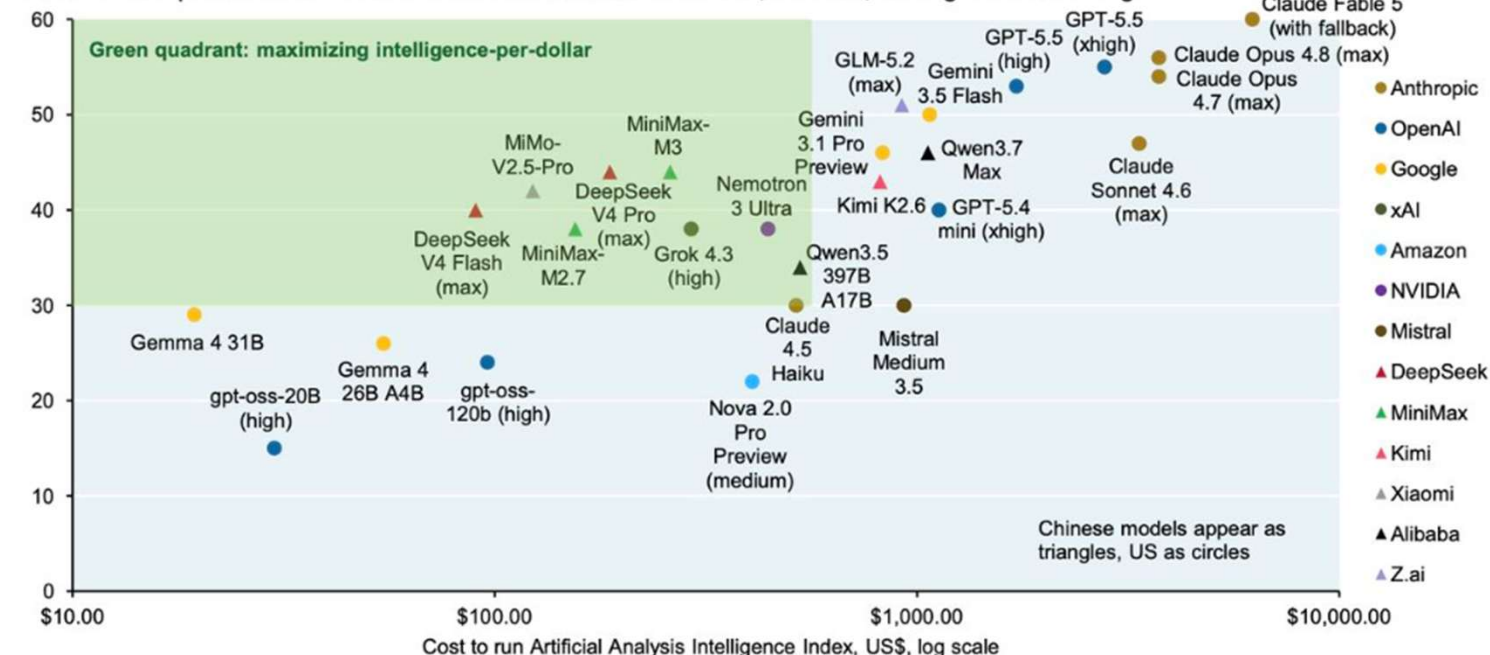
Fine-tuning plus open model trained on specific workflows with proprietary data closes intelligence gap. Ramp, Cursor, and Intercom conclude models trained on key data match or beat frontier behemoths.

Proprietary data use buys you the moat at a fraction of the cost with competitive speed for a unique model you own---yet leverage constantly improving with *open source* innovation.

Enterprise more reliant on open source AI models, exposing OpenAI, Anthropic, Google. Open source models require less compute power, reducing infrastructure demand, yet lower cost increase demand

Artificial Analysis Intelligence Index score vs cost to run by model

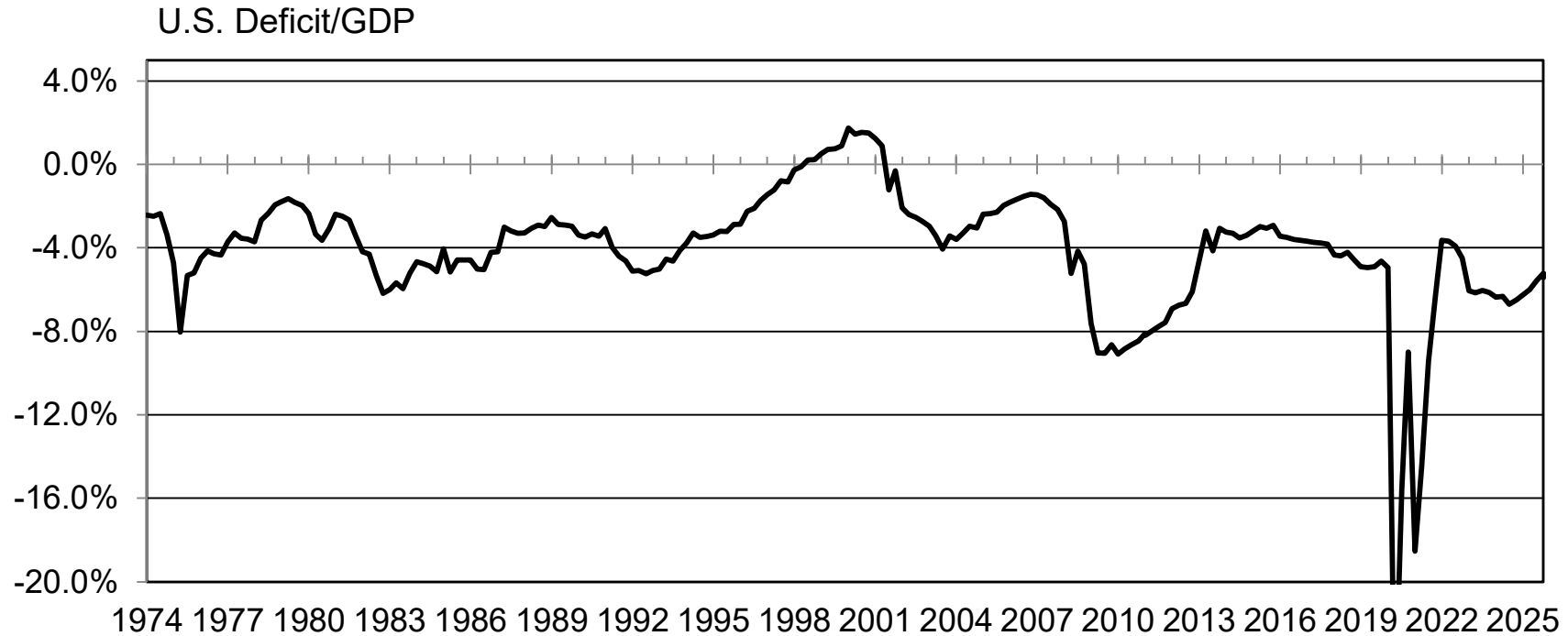
Score on composite benchmark of ten evaluations across math, science, coding and reasoning



Source: Artificial Analysis, June 2026

US DEFICIT IS STILL UNSUSTAINABLE

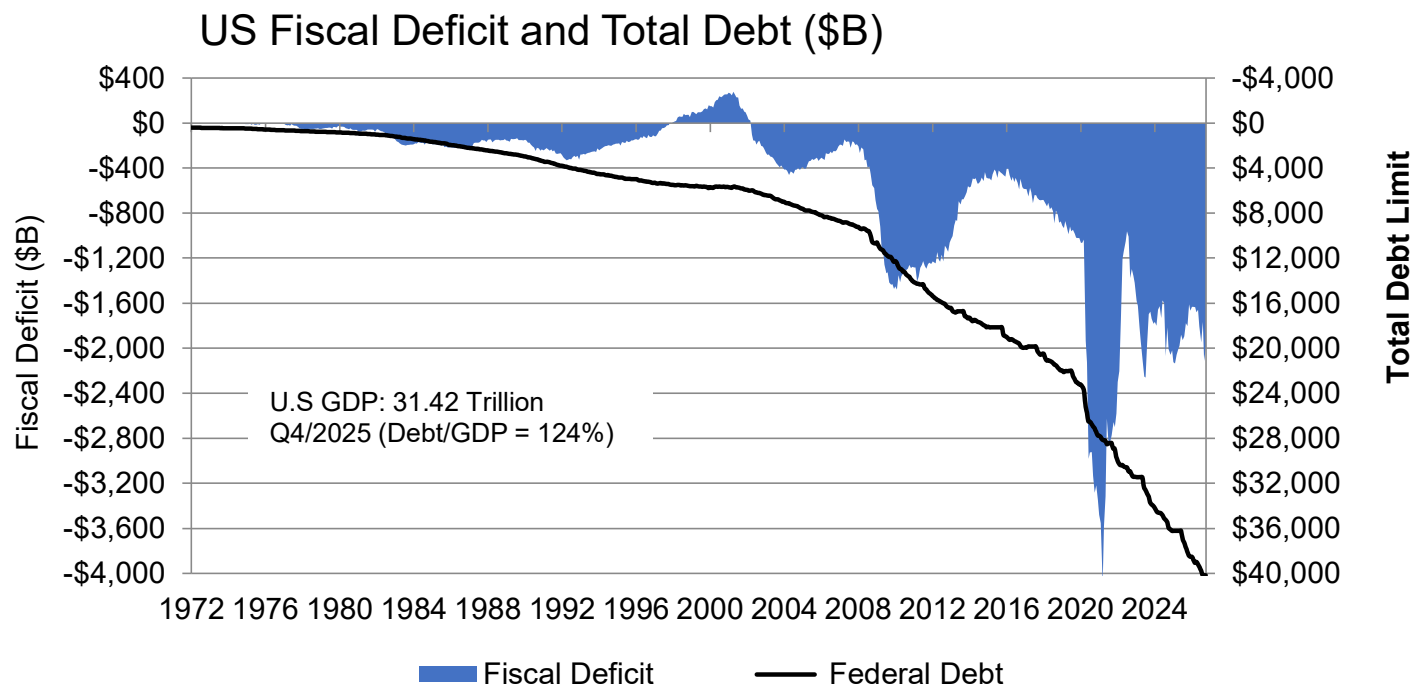
- Real fiscal spending must **decline -0.5%/year** to extinguish fiscal deficit
- U.S. Deficit/GDP declined to -5.3% in 2025 on track for -4.9% in 2026 from 6.5% in 2024 with spending cuts and extinguishing waste, redundancy, and fraud in Medicare, Medicaid, Social Security, Payroll Protection Act (COVID), and other welfare benefit programs.



Source: US Treasury

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 boosted Fiscal Deficit over \$1.6 trillion on US Debt of **\$40 trillion** Interest exceeds \$1 trillion—shorter maturity issuance increases causes fiscal instability
- Supply: Fed needs to refund/sell \$4 Trillion of QE + \$1.6 trillion annual deficit

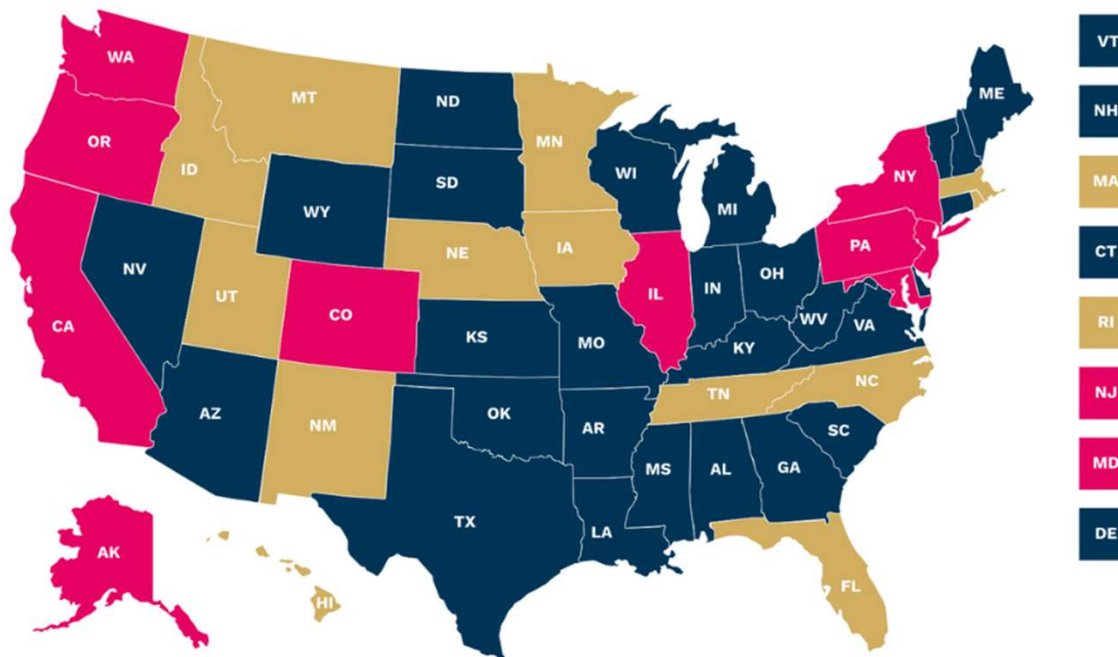


Source: US Government, OMB

Many Democratic governed states facing significant fiscal shortfall, including California projecting an \$18 billion deficit for 2026-27. Spending to grow 5.3% A.R. through 2030.

■ Stable short-term fiscal outlook ■ Challenging short-term fiscal outlook

■ Conditional short-term fiscal outlook



(In Millions)

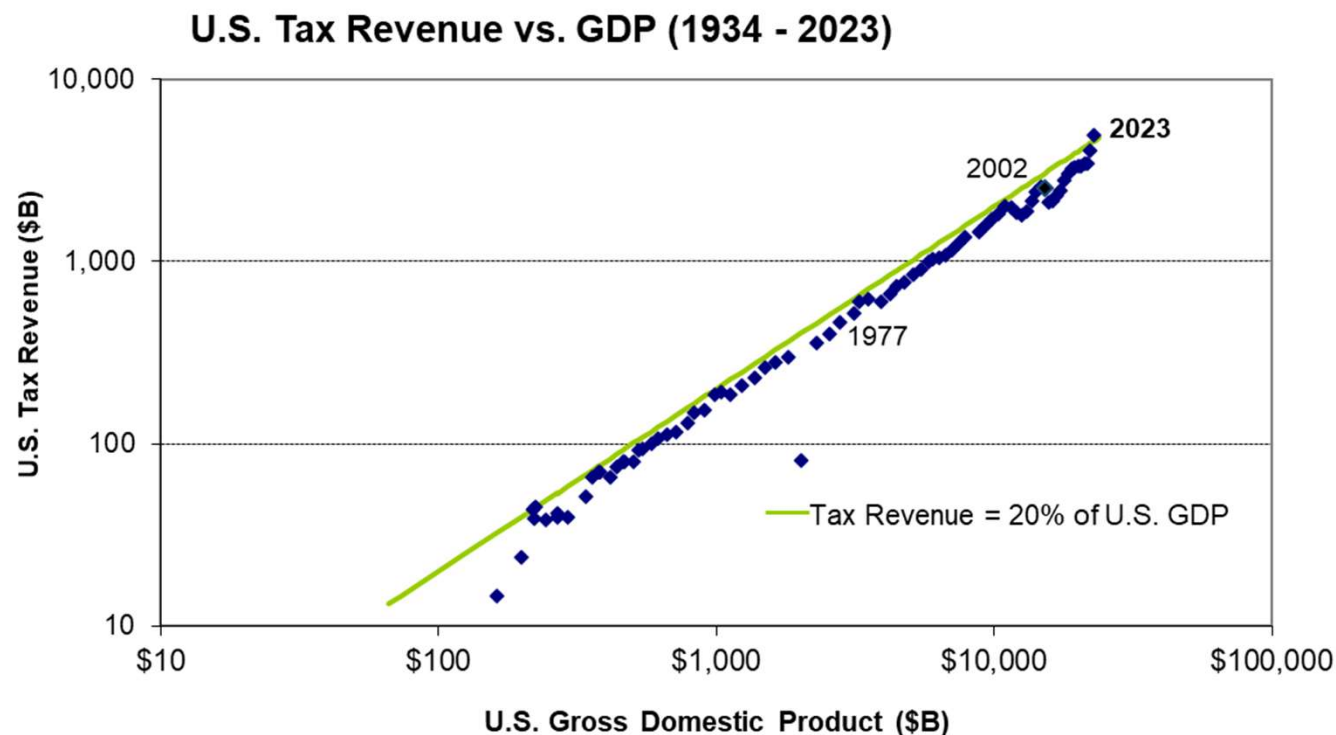
	2024-25	2025-26	2026-27
Revenues and transfers	228,694	222,639	212,400
Total expenditures	237,286	232,193	235,931
Fiscal Surplus/Deficit	-8,592	-9,554	-23,531
Ending fund balance	\$33,386	\$23,833	\$302

Source: MultiState collection of state revenue estimates. Data as of December 2025.



HAUSER'S LAW

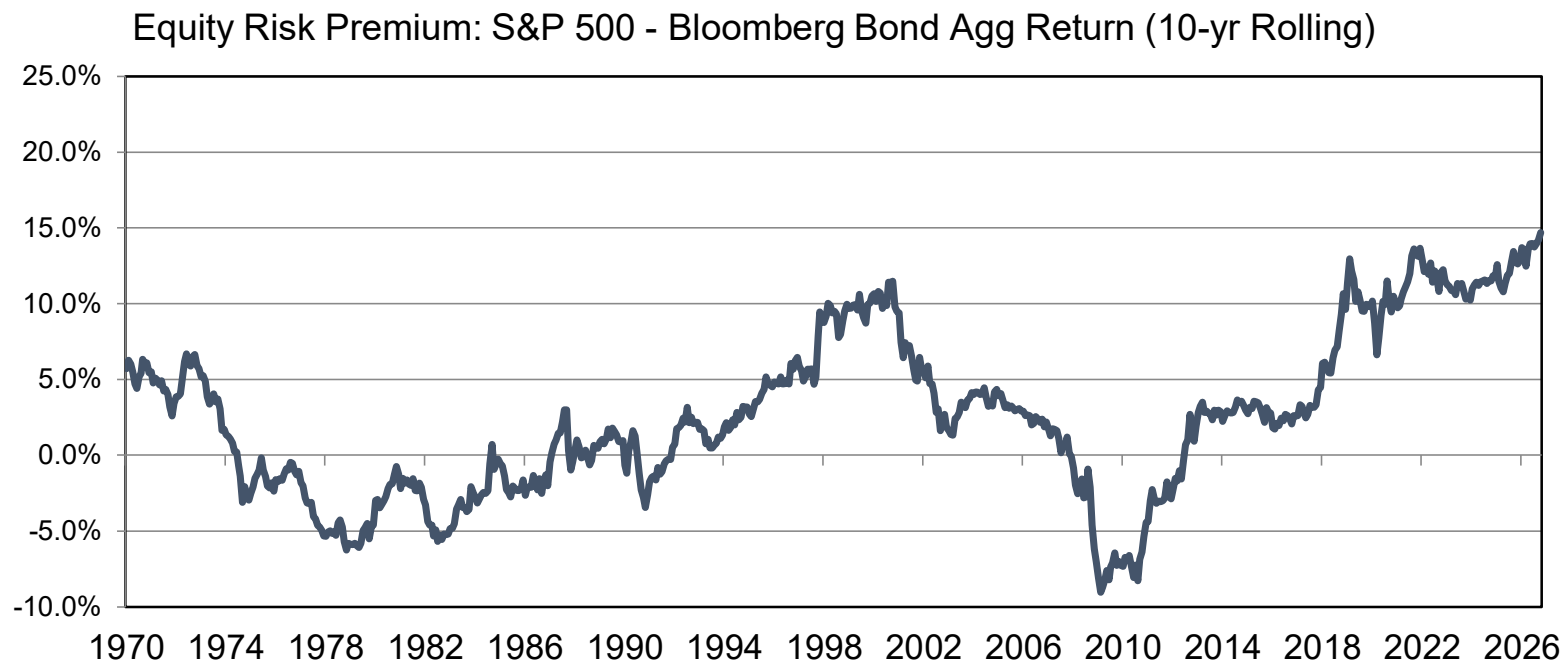
- U.S. Government has a spending problem, not a revenue problem
- U.S. Government never exceeded revenue collection of 18-20% of GDP since 1934, irrespective of varying individual tax rates (35-90%).
- Raising tax rates never boosted tax revenue, because it slows economic growth, personal income, and earnings, which reduces growth in tax revenue.
- 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

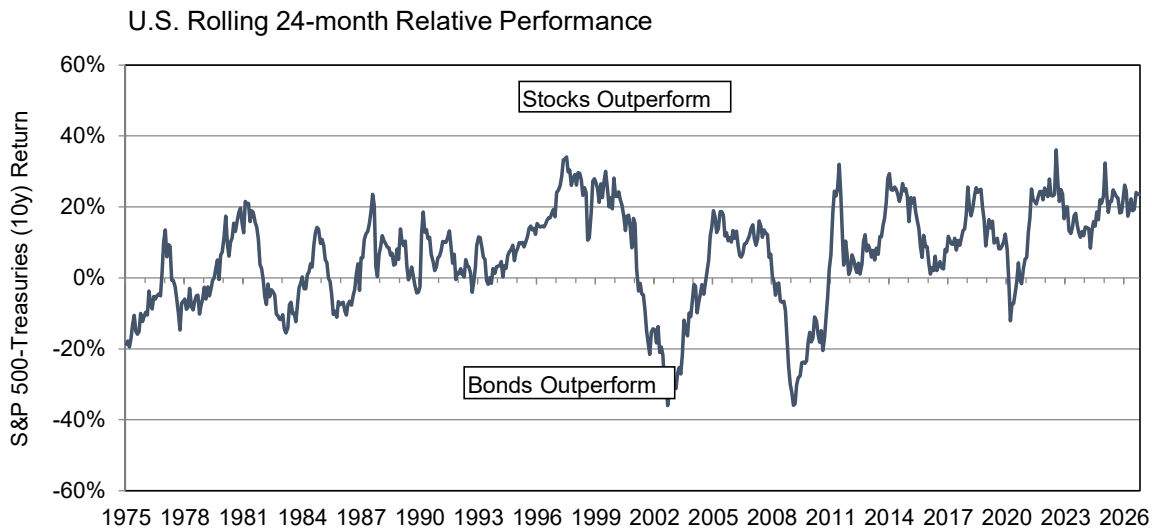
ROLLING 10-YR STOCK VS. BOND RETURN

- 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?



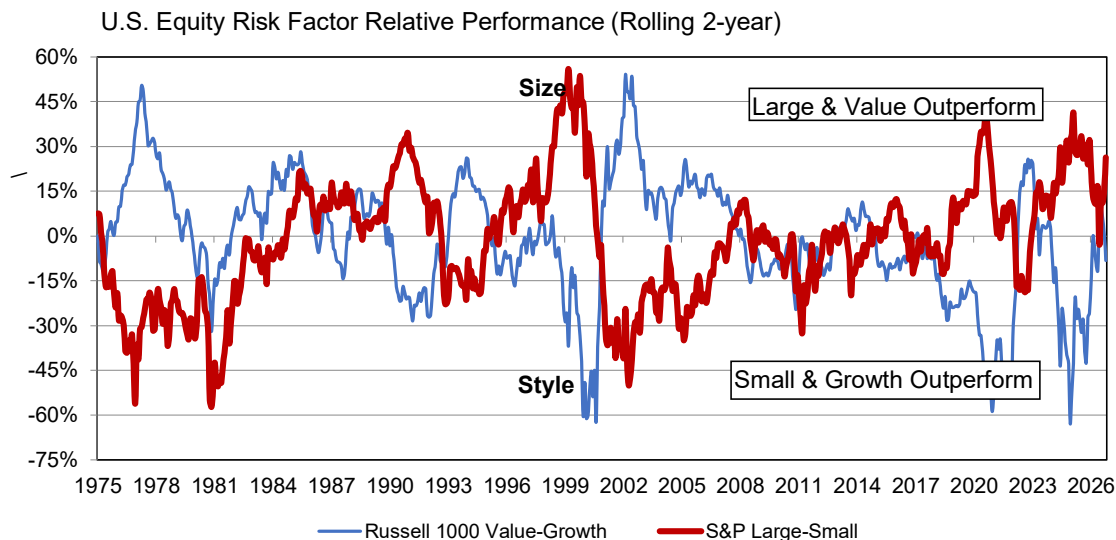
Source: Strategic Frontier Management, Standard & Poor's, Bloomberg-Barclays Indices

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

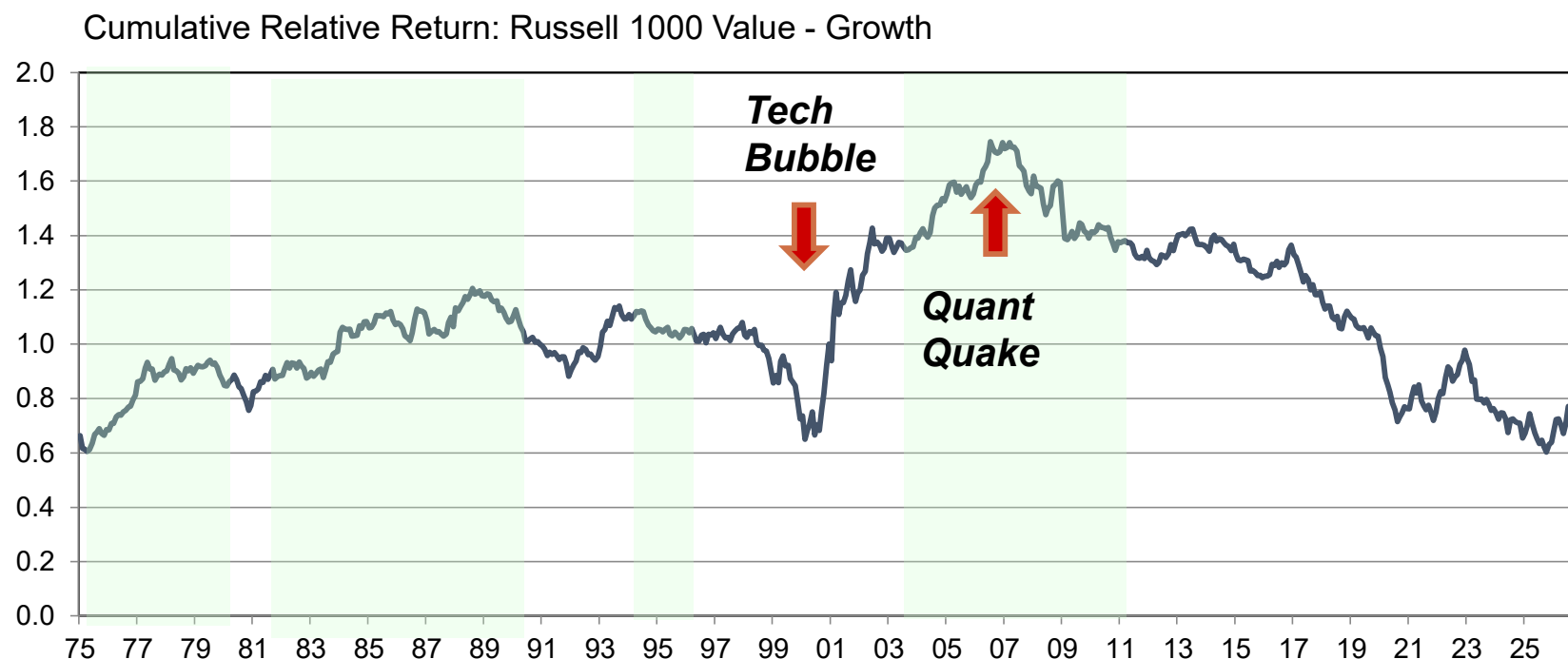
Equity style investing can benefit from differential returns, and often cycles are not synchronized—small-cap is expected and has begun to rebound, as value!

Value and Small-cap tilts outperformed over the really long-run (risk premiums)

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.)

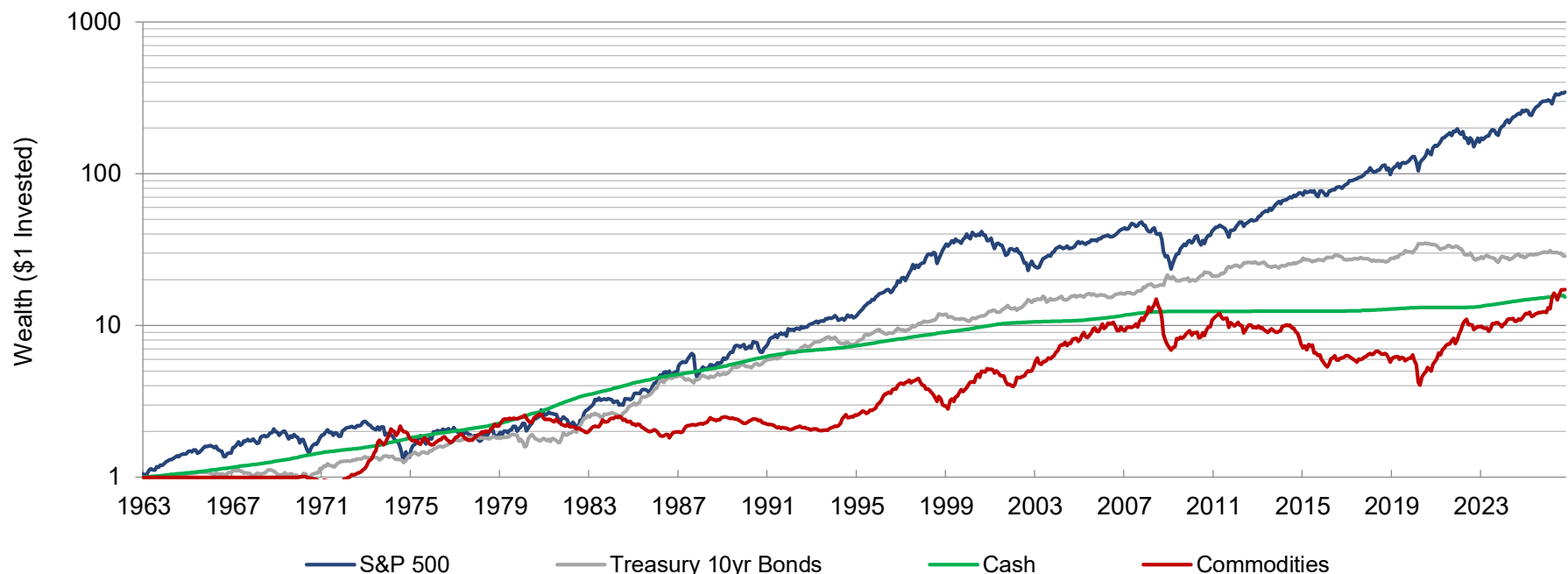


Source: Refinitiv DataStream & Strategic Frontier Management

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.

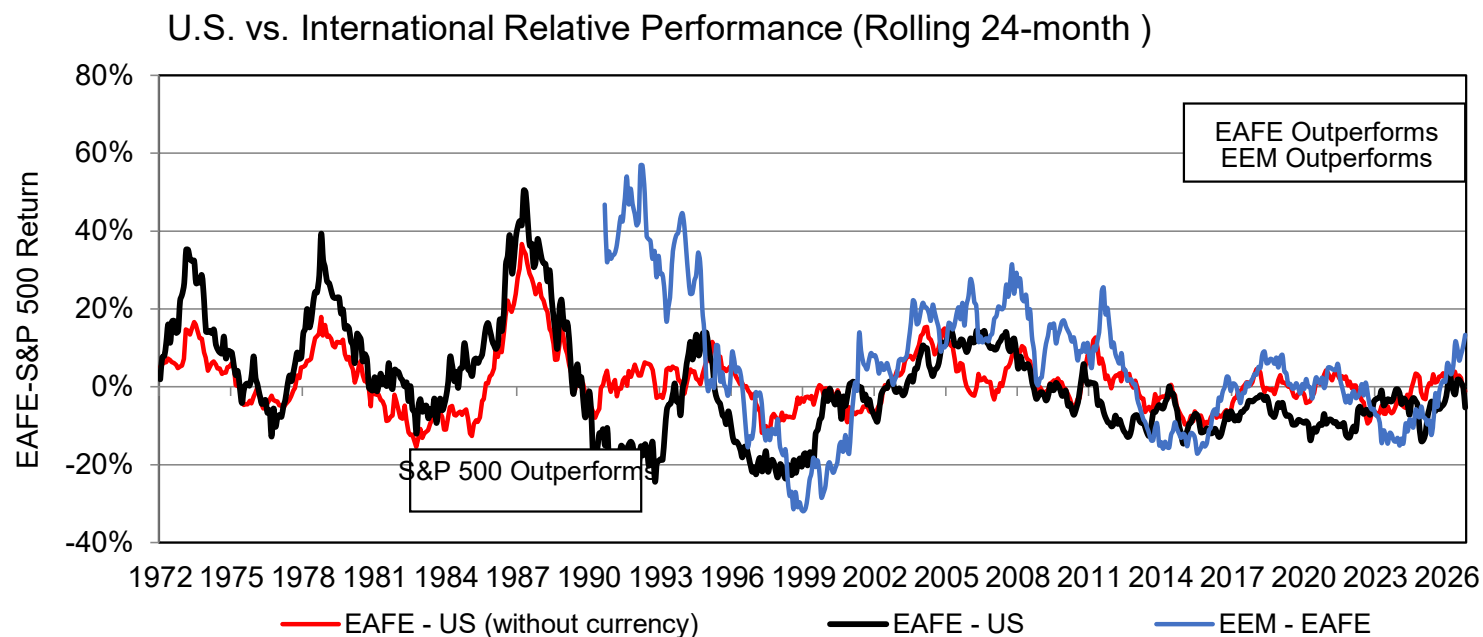
U.S. Stocks, Bonds, Cash and Commodities



Source: Refinitiv DataStream and Strategic Frontier Management

CURRENCY IMPACT CAN BE DRAMATIC

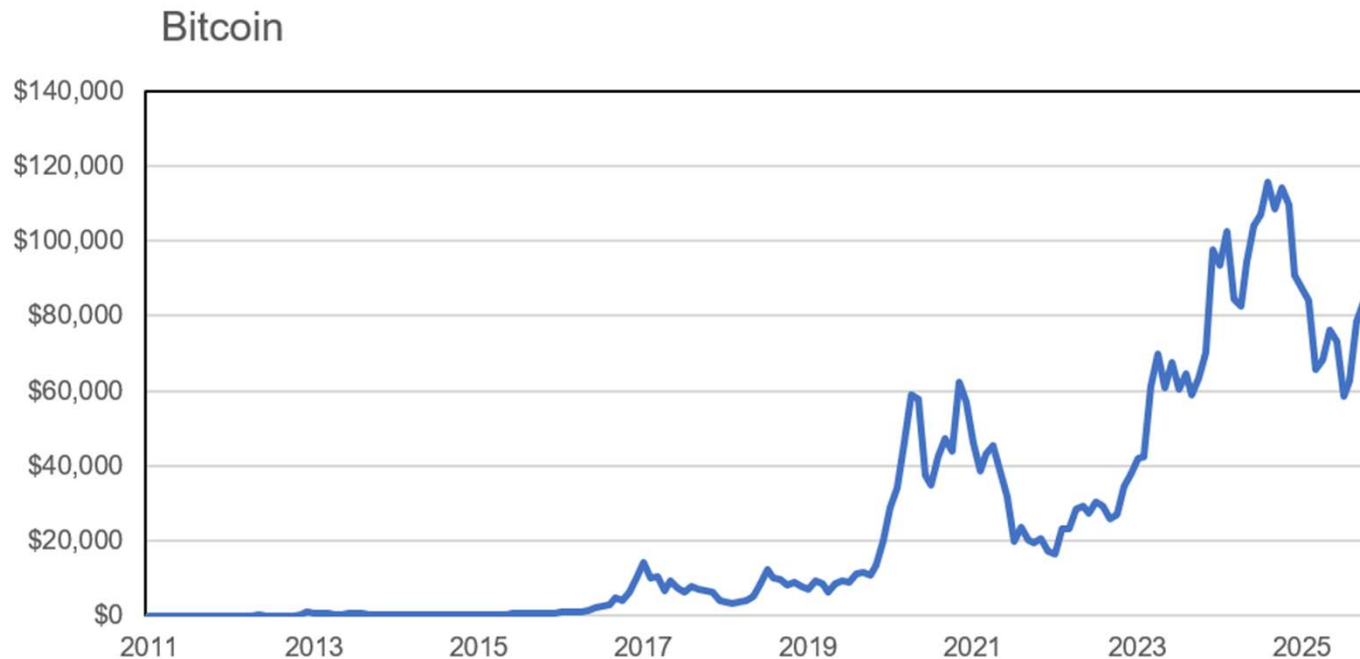
- *Currency can play a more pivotal role than many investors realize*
- *Emerging markets lagged with dispersion of BRICs, but EEM firming now*
- *Expect currency and EEM effects become “noisier” over next two years*



Source: Refinitiv DataStream & Strategic Frontier Management

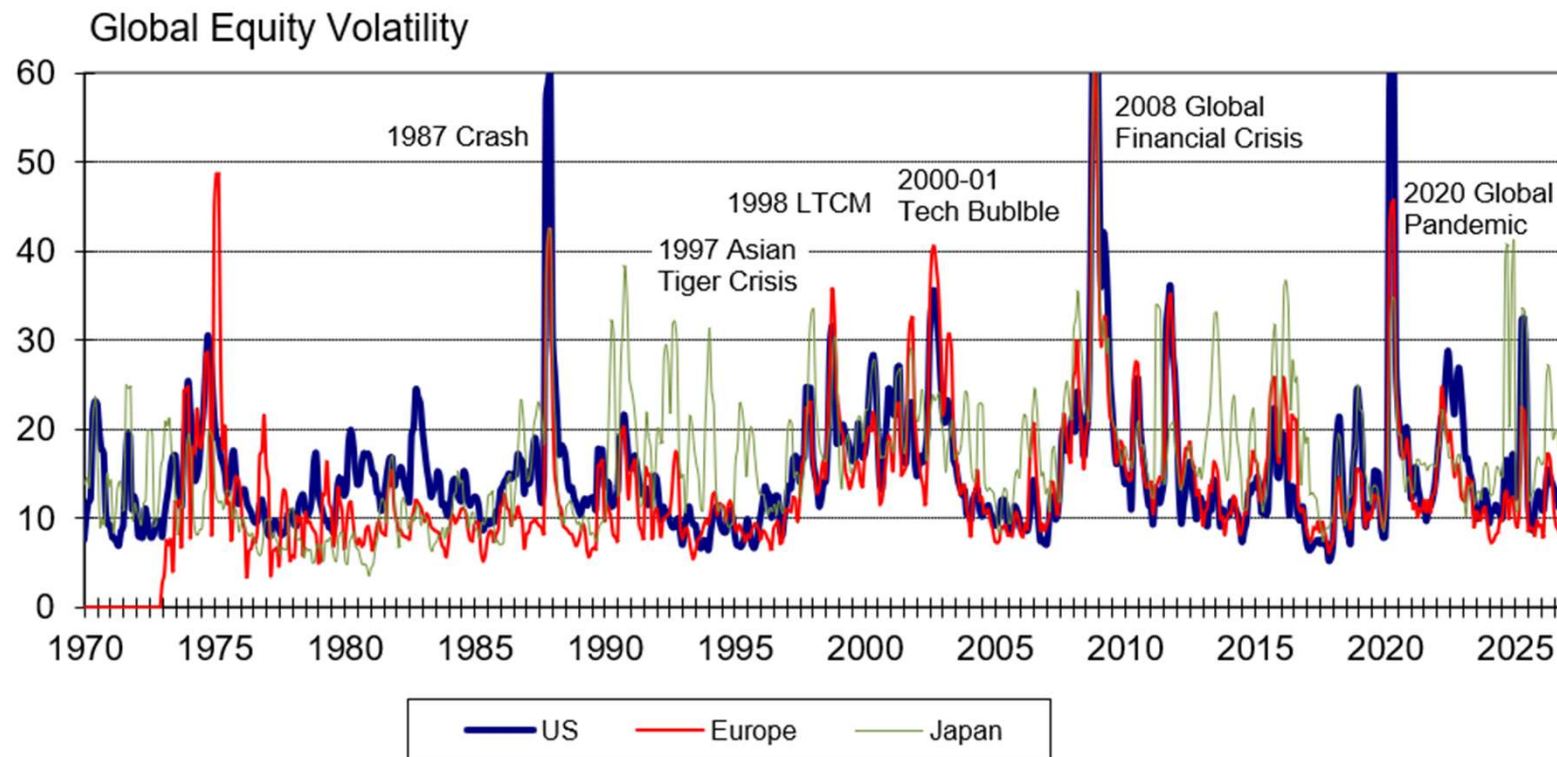
BITCOIN WAS NEVER A STORE OF VALUE

- 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

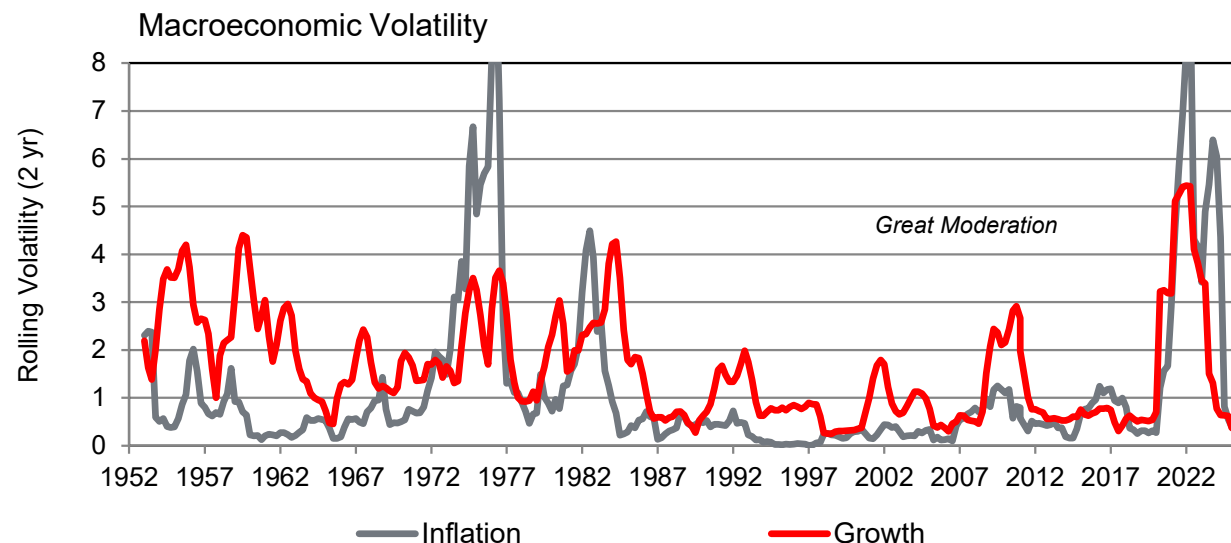
- Risks: Reciprocal Tariffs. Persistent elevated inflation, higher for longer rates, declining productivity and profit margins → limited or no earnings growth and higher capital costs
- Risk of global debt crisis—interest burdens, greater defaults, leverage, margin calls
- Normalizing higher volatility in Equities, Bonds, Commodities & Currencies: US Equity: 14-16, not 10-12.



Source: Strategic Frontier Management

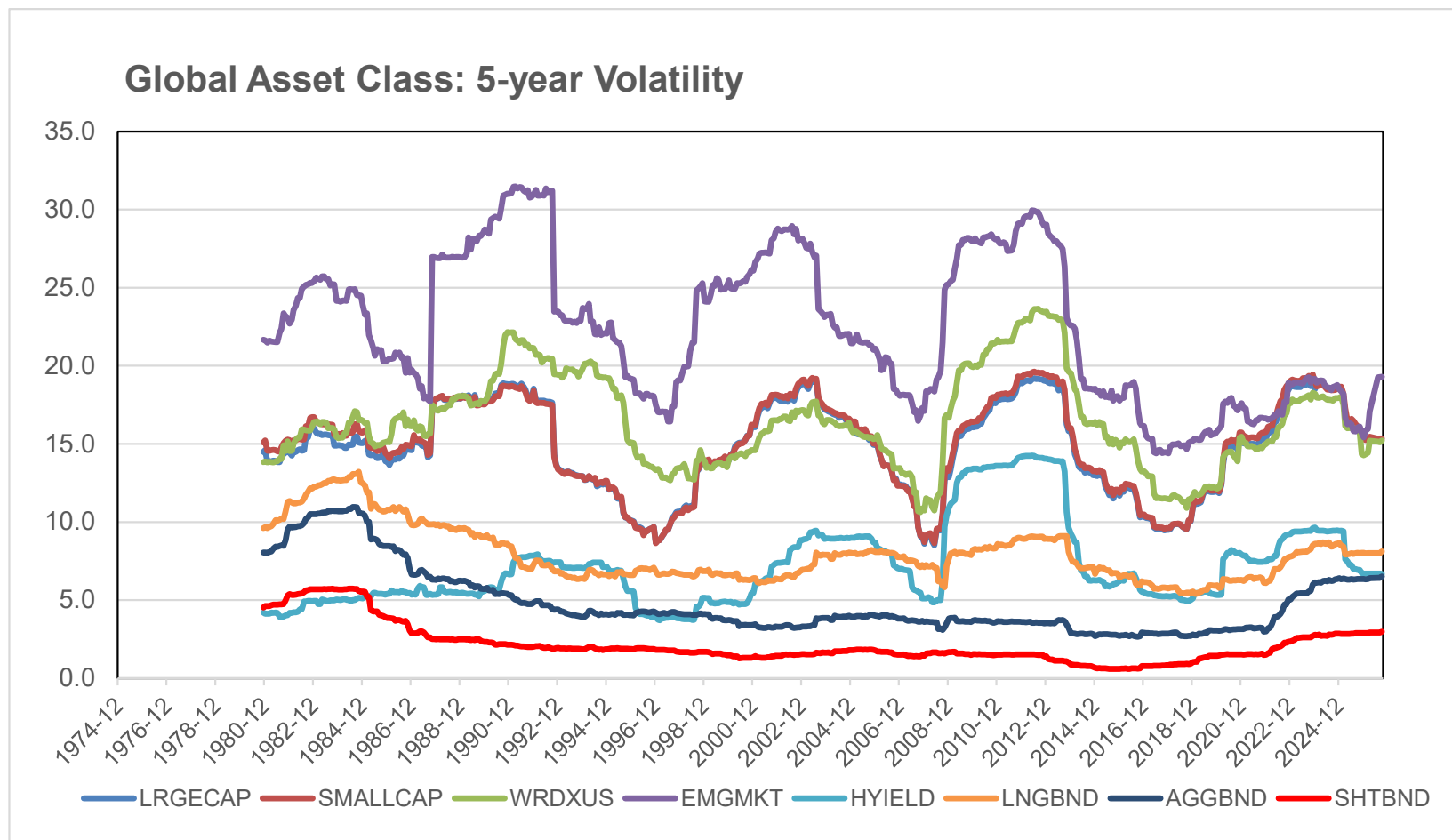
TAMING HIGHEST MACRO VOLATILITY SINCE 1970s

- Federal Reserve's explicit moral hazard of forward guidance, SEP (economic forecasts, dot-plot), quantitative easing are being retired.
- New Fed Chair Kevin Warsh will execute monetary policy of less intervention. Dismal legacy of Bernanke, Yellen, Powell written-off with coming Fed reform.
- Expect normalizing Fed Funds equilibrium (3.5%), lower IOER (higher since 2008), real rate vs CPI inflation (avg: 2.7-3.0%) -- PCE: no longer primary.



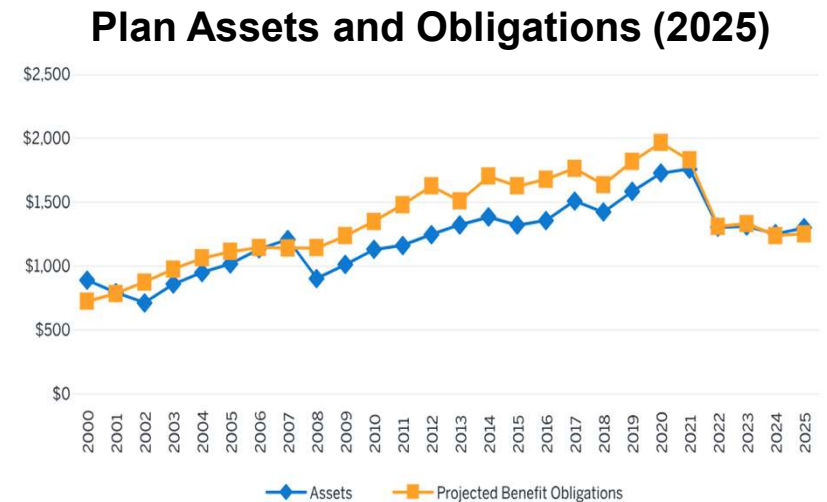
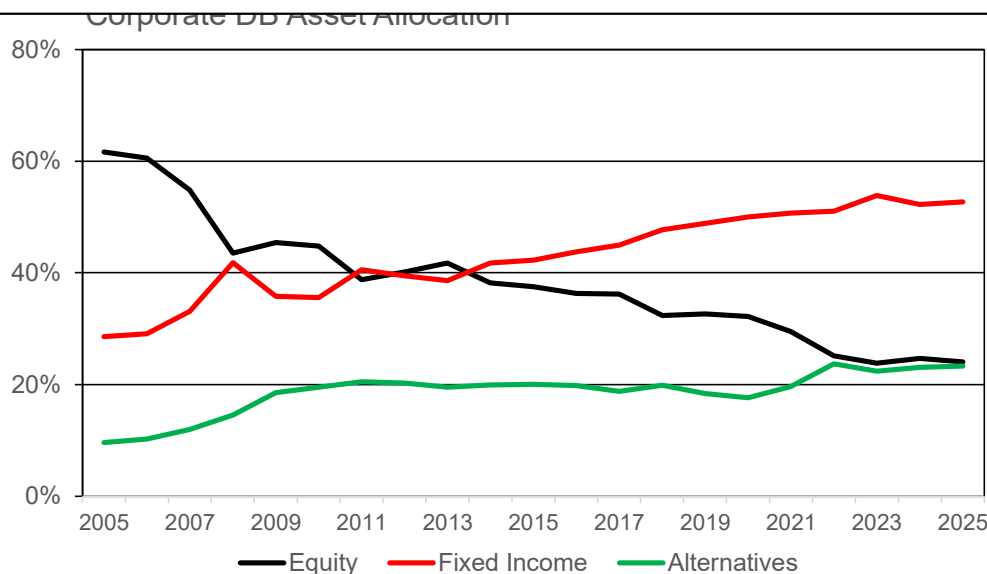
GLOBAL ASSET CLASS VOLATILITY TRENDS

- Emerging Markets reverting to normal relative volatility
- However, High Yield has declined to Aggregate levels—should be higher
- Bonds experiencing higher volatility approaching 40-year levels



PENSION FUNDS AT LOWEST EQUITY AND HIGHEST BOND EXPOSURE EVER

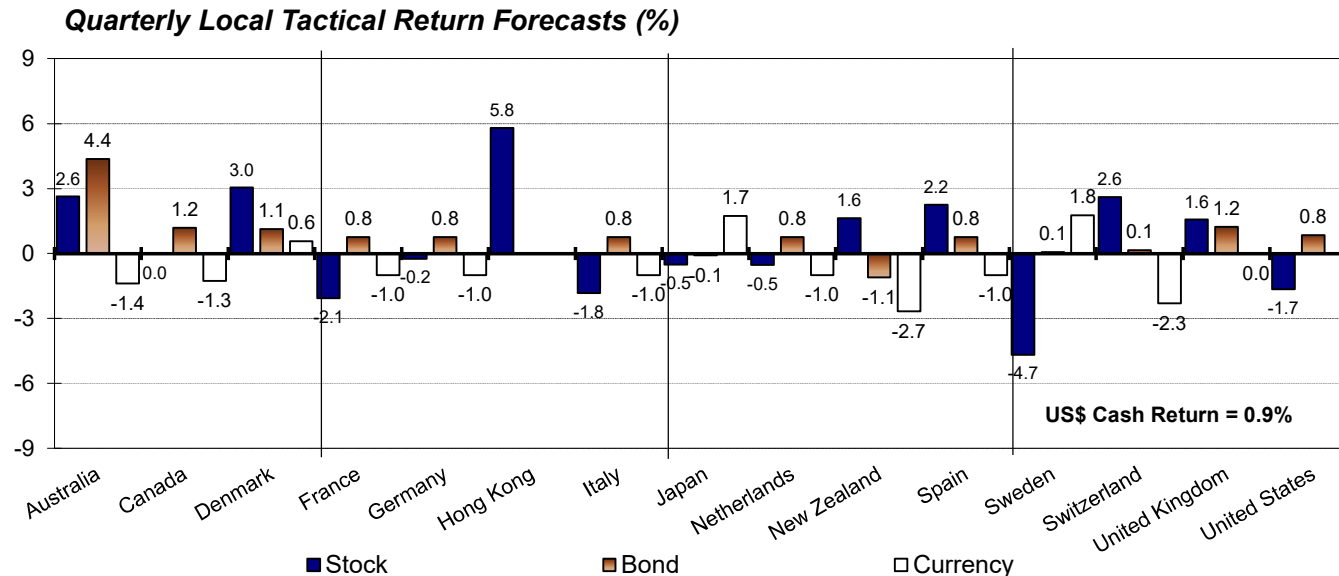
- Expected return of 6.61% for 2026 still too high, particularly given low Equity + high Bond allocation as interest rate normalization continues (steeper yield curve, higher rates)
- Trend continues, never rebalanced after Financial Crisis. Pension gap narrowed given exceptional equity returns, and sponsor contributions (\$Bs), but our concerns about bond market returns continue,
- Plans with high Bond allocations following universally terrible consultant driven LDI and Risk Parity – asset-liabilities not improving-- real bond losses (1, 5, 10, 20 yrs) as 10-yr Treasury rising toward 5-6%.
- Years of explicit moral hazard manipulating the yield curve/bond market have come home to roost.
- Push into Private Alternatives across all institutional channels problematic if net return continues to lag.
- With equities at extreme valuation, behavioral cognitive biases preclude rationalization of asset mix.



Source: 2026 Milliman Corporate Pension Funding Study

***Lower Equity Allocations Can't Close Funding Gap if Bonds Decline
Regret & Envy Should Fuel Rotation away from LDI & Risk Parity***

GLOBAL TAA FORECASTS FAVOR EQUITIES



Low returns Expected overall

Global Tactical Asset Allocation Quarterly Forecasts(%)

<u>MSCI</u>	<u>WrldGvt</u>	<u>Apr 2024</u>	<u>Local Markets</u>		<u>In (US\$)</u>		<u>US\$</u>
			<u>Equity</u>	<u>Bond</u>	<u>Equity</u>	<u>Bond</u>	<u>Currency</u>
100%	100%	World	-1.1	0.7	-1.2	0.7	0.0
13%	34%	Europe	0.1	0.8	-0.7	0.0	-1.0
10%	19%	Pacific Basin	0.5	0.3	1.6	1.8	1.2
28%	55%	Non-US World	0.2	0.6	0.1	0.6	-0.2
72%	45%	US	-1.7	0.8	-1.7	0.8	
		Cash		1.0		1.0	

Plot Area

	<u>Lq-Sm</u>	<u>Va-Gr</u>	<u>High Yield - 10yT</u>
US Style	1.0%	2.7%	-1.0%
	<u>Large - Value</u>		<u>10yTs</u>

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

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

Ref Index	Asset Class	10-year Returns		30-Year Returns		1900-2025 LT Return	10-year Forecast		Sharpe Ratio	2025
		Return	Risk	Return	Risk		E[Return] ¹	Risk		
S&P 500	U.S. Stocks (S&P 500)	14.3%	13.5%	10.2%	15.2%	10.2%	7.8%	15.2%	0.27	12.8%
Russell 2K	U.S. Small-cap	9.7%	18.9%	8.6%	20.1%	8.1%	11.5%	20.1%	0.39	13.8%
MSCI Wx	World (ex-US)	9.0%	15.0%	6.3%	16.2%	4.1%	6.8%	16.2%	0.19	31.5%
MSCI EEM	Emg. Market Equity	8.8%	17.7%	6.6%	21.6%		9.7%	21.6%	0.28	34.2%
US10Y Treasuries	U.S. 10Yr Treasury	1.2%	7.4%	4.0%	7.3%	4.6%	4.6%	7.3%	0.12	8.0%
US BBG Agg	US BBG Agg Bond	2.0%	5.0%	4.2%	4.1%	--	5.1%	5.3%	0.28	7.3%
US BBG G/C 1-5	US BBG Gov/Cr 1-3y	2.1%	2.3%	3.3%	1.8%	--	4.6%	1.8%	0.53	6.3%
BoA/ML HY	US High Yield (ML/BoA)	6.2%	7.3%	6.5%	8.4%	--	5.2%	9.3%	0.16	6.2%
JPM Non-US Bond	JPM Non-US Bond	-0.3%	8.4%	2.5%	8.3%	--	3.4%	8.3%	-0.03	5.7%
CRB	Commodities (CRB)	10.3%	16.9%	5.6%	16.9%	2.9%	2.6%	16.9%	-0.06	32.0%
Gold	Gold (US\$)	15.8%	15.1%	8.6%	16.1%	4.3%	2.1%	21.2%	-0.07	76.1%
3m Tbills%	Cash (T-Bills)	2.3%	0.6%	2.4%	0.6%	3.3%	3.7%	0.6%	0.00	5.1%
CPI	US Inflation (CPI)	3.3%	1.1%	2.6%	1.0%	3.0%	3.0%	1.0%	-0.68	4.0%
MSCI World	Global Equity	12.3%	23.5%	8.4%	15.2%	7.1%	7.3%	15.7%	0.23	17.4%
Global 60/35/5	Global Multi-Asset	7.7%	12.6%	6.6%	13.7%	4.7%	7.0%	13.7%	0.24	14.5%
MSCI World Infra	Infrastructure	10.3%	15.8%	9.7%	15.7%		6.4%	15.7%	0.17	32.7%
SSgA PCI-Buyout	Private Equity ⁴	13.0%	18.9%	7.4%	19.8%		7.7%	19.0%	0.21	10.3%
SSgA PCI-Venture	Venture Capital	14.0%	24.6%	8.6%	26.1%		11.5%	24.6%	0.32	21.9%
	Small-cap Equity	-4.6%		-1.6%		--	3.8%			1.0%
	Stock-Bond	13.1%		6.2%		5.6%	3.2%			4.8%
	Stock-Cash	12.0%		7.8%		6.9%	4.1%			7.7%
	Bond-Cash	-1.0%		1.6%		1.2%	0.9%			2.9%

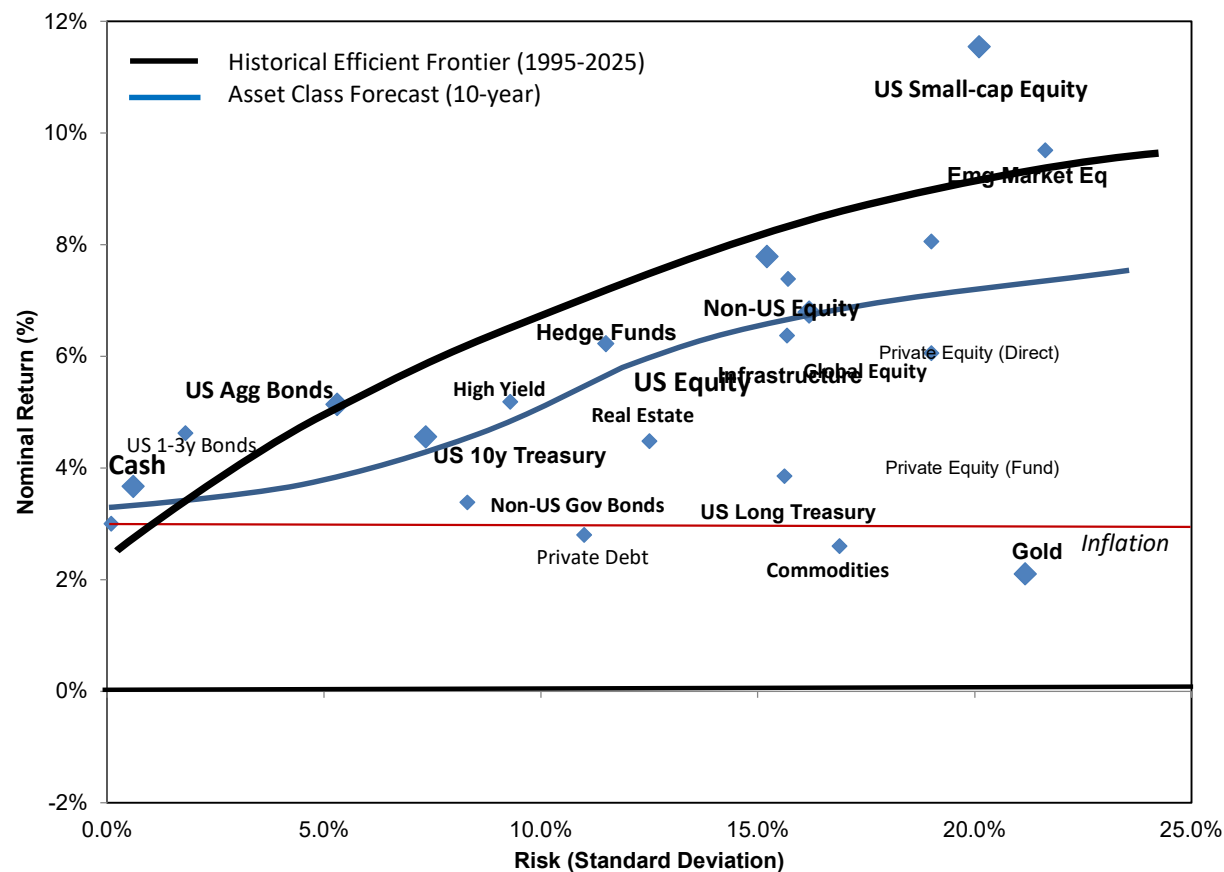
(1) Strategic Frontier Management, Morningstar SBBI (1926-1950) & Credit Suisse Global Investment Returns Yearbook

(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 October 2026

ILLUSION OF SIMPLICITY, ENDURING COMPLEXITY

AMERICA'S KEVLAR RESILIENCE left other countries at a competitive disadvantage

- Potential Growth increased from 2% to 3% with pivot in tax, regulatory, and trade policy that lifted secular productivity, potential growth, and profit margins.
- Expect **Normalization** monetary policy Interest rates: 3.5%, 10yr Treasuries to 5%, Federal Reserve holdings must decline toward \$2.5-3.0 trillion from over \$6 trillion.
- Rapid Innovation that lifted living standards, also drove lower labor and energy intensity, which bolstered secular disinflation and slowed job growth—America's resilience rooted in: Free Market Capitalism, free trade, liberty, rule of law, lower cost of capital.
- Can we afford *Alternative Reality (updated June 2026)* of subpar private market fund performance if risk premiums are diminished (liquidity, size), capacity is limited, rebalancing impossible, and costs/fees still too high with poor transparency and liquidity?
- Active management *alpha* is a novel *alternative investment* at lower cost with greater transparency--Value added is critical in lower return environments.
- Incentivized high margin and profit growth bolstering unique investment opportunities—Our many future themes available through listed securities and thematic ETF allocations (i.e., quantum computing, AI, material science, adaptive robotics, commercializing space, 3D/Additive manufacturing, logistics/transportation, energy production/power efficiency)
- Capital market volatility flirting with record lows again, but still need courage to defy behavioral bias and misguided myths, while sorting out geopolitical risks.

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