

Economic and Market Update

First Quarter 2026



Stevens
VISIONARY STRATEGIES

Market Issues

- US Stock market +16% in 2025
 - Large growth beats large value style, but growth more overvalued
 - All styles overvalued
 - Top ten stocks make up 40% of S&P 500 index
 - Rest of S&P returned closer to 13% after “Magnificent 7” stocks
 - Check composition of index or pseudo index funds
 - Tilt to large growth should be factored into target allocation
 - Counter large growth tilt with small-cap value stocks
- International stocks beat US stocks in 2025
 - Due to declining US dollar, make sure allocation to foreign stocks is on target

Market Issues

- Cash and Bonds
 - Many position traded money markets paying 3-4%, but many sweep money market accounts paying much less
 - Consider locking in rates in individual CDs in bond ladders
 - See how much of your income is taxable. Consider adding in some muni funds if you want to decrease how much is taxable.
 - Keep the term closer to intermediate-
 - Change in Fed leadership implies interest rates will go lower. How quickly that happens is up for debate.

Asset class returns

2011 - 2025																
Ann.	Vol.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Large Cap 14.1%	Small Cap 20.3%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 26.3%	Large Cap 25.0%	EM Equity 34.4%
Small Cap 9.5%	EM Equity 17.5%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 18.9%	Small Cap 11.5%	DM Equity 31.9%
REITs 7.8%	REITs 16.4%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Alloc. 10.0%	Large Cap 17.9%
Asset Alloc. 7.3%	DM Equity 15.7%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 14.1%	High Yield 9.2%	Asset Alloc. 15.8%
DM Equity 7.1%	Comdty. 15.4%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 14.0%	EM Equity 8.1%	Comdty. 15.8%
High Yield 5.7%	Large Cap 14.7%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	REITs 11.4%	Comdty. 5.4%	Small Cap 12.8%
EM Equity 4.2%	Asset Alloc. 10.1%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 10.3%	Cash 5.3%	High Yield 12.1%
Fixed Income 2.4%	High Yield 9.1%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income 5.5%	REITs 4.9%	Fixed Income 7.3%
Cash 1.5%	Fixed Income 4.6%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	DM Equity 4.3%	Cash 4.3%
Comdty. -1.1%	Cash 0.9%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -7.9%	Fixed Income 1.3%	REITs 2.3%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large Cap: S&P 500, Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio is for illustrative purposes only and assumes annual rebalancing with the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Normalized (Ann.) return and volatility (Vol.) represents the period from 12/31/2010 to 12/31/2025. Please see the disclosure page at the end for index definitions. All data represent total return for stated period. Past performance is no guarantee of future results.

Guide to the Markets - U.S. Data are as of December 31, 2025.

Returns and valuations by style

Equities

10-year annualized			2025			Forward P/E vs. 20-year avg. P/E		
	Value	Blend	Value	Blend	Growth	Value	Blend	Growth
Large	10.5%	14.8%	18.1%	15.9%	17.9%	18.6%	17.1	22.0
	9.8%	11.0%	12.5%	11.0%	10.6%	8.7%	14.0	16.2
	9.3%	9.6%	9.6%	12.6%	12.8%	13.0%	28.8	19.8
Since market peak (January 2022)			Since market low (October 2022)			Forward P/E as % of 20-year avg. P/E		
Large	Value	Blend	Growth	Value	Blend	Growth	Value	Blend
	36.1%	51.4%	58.7%	64.9%	100.6%	132.7%	122.5%	135.8%
	24.4%	24.0%	23.6%	55.0%	62.4%	78.4%	107.1%	125.9%
Mid	17.8%	15.7%	12.4%	48.2%	54.1%	59.5%	102.1%	101.6%
Small			U.S.			Growth		
Small	Value	Blend	Growth	Value	Blend	Growth	Value	Blend
	12.6%	12.8%	13.0%	16.9	23.4	34.5	144.9%	110.1%
	17.2	23.4	34.5	23.0	23.0	31.3	105.2%	125.9%

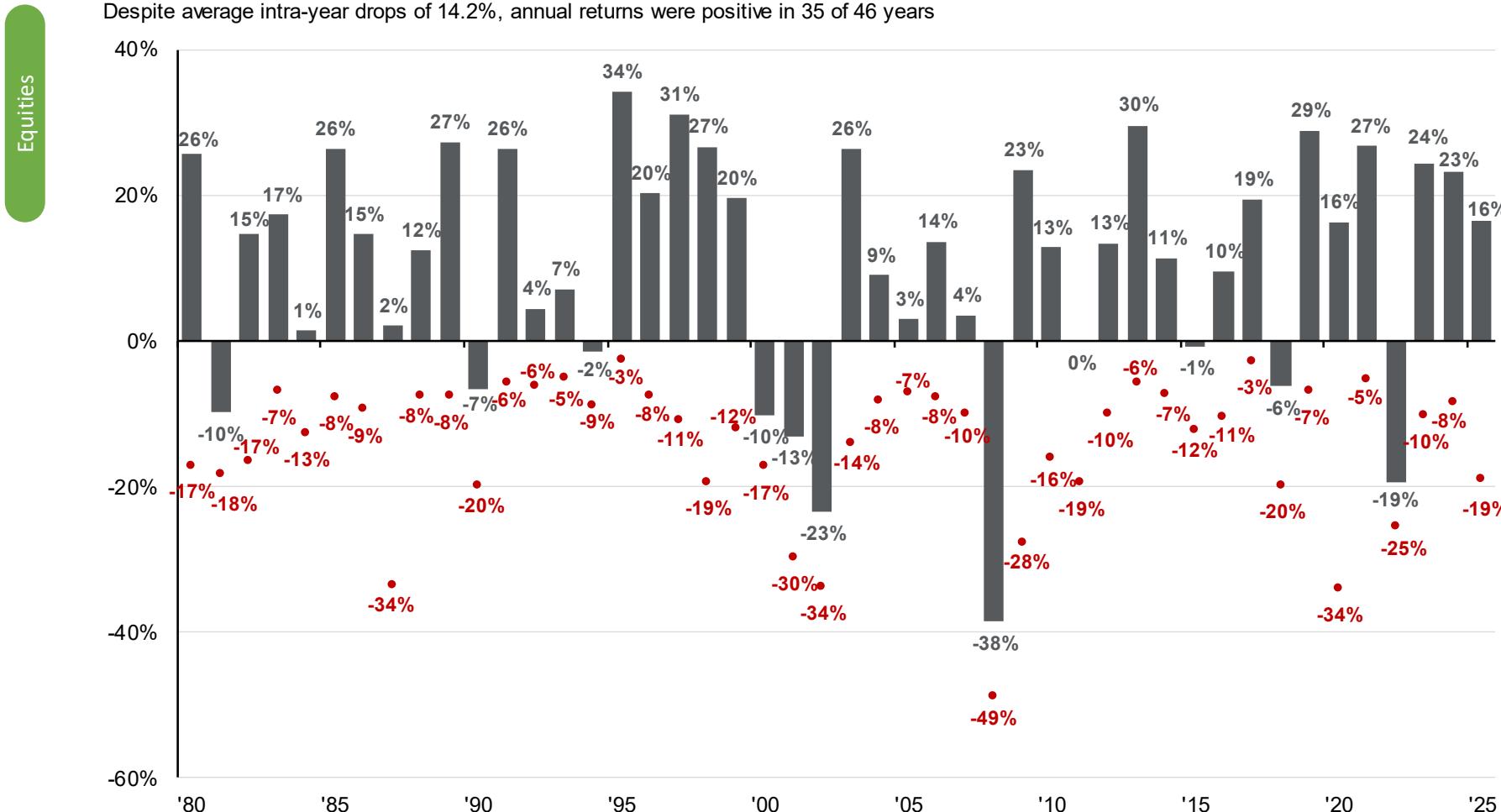
Source: FactSet, FTSE Russell, Standard & Poor's, J.P. Morgan Asset Management.

All calculations are cumulative total return, including dividends reinvested for the stated period. Returns are not annualized. Since market peak represents the period from 1/3/2022 to the present. Since market low represents the period from 10/12/2022 to the present. For all time periods, total return is based on Russell style indices except for the large blend category, which is based on the S&P 500 index. Forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by FactSet. Past performance is no guarantee of future results.

Annual returns and intra-year declines

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

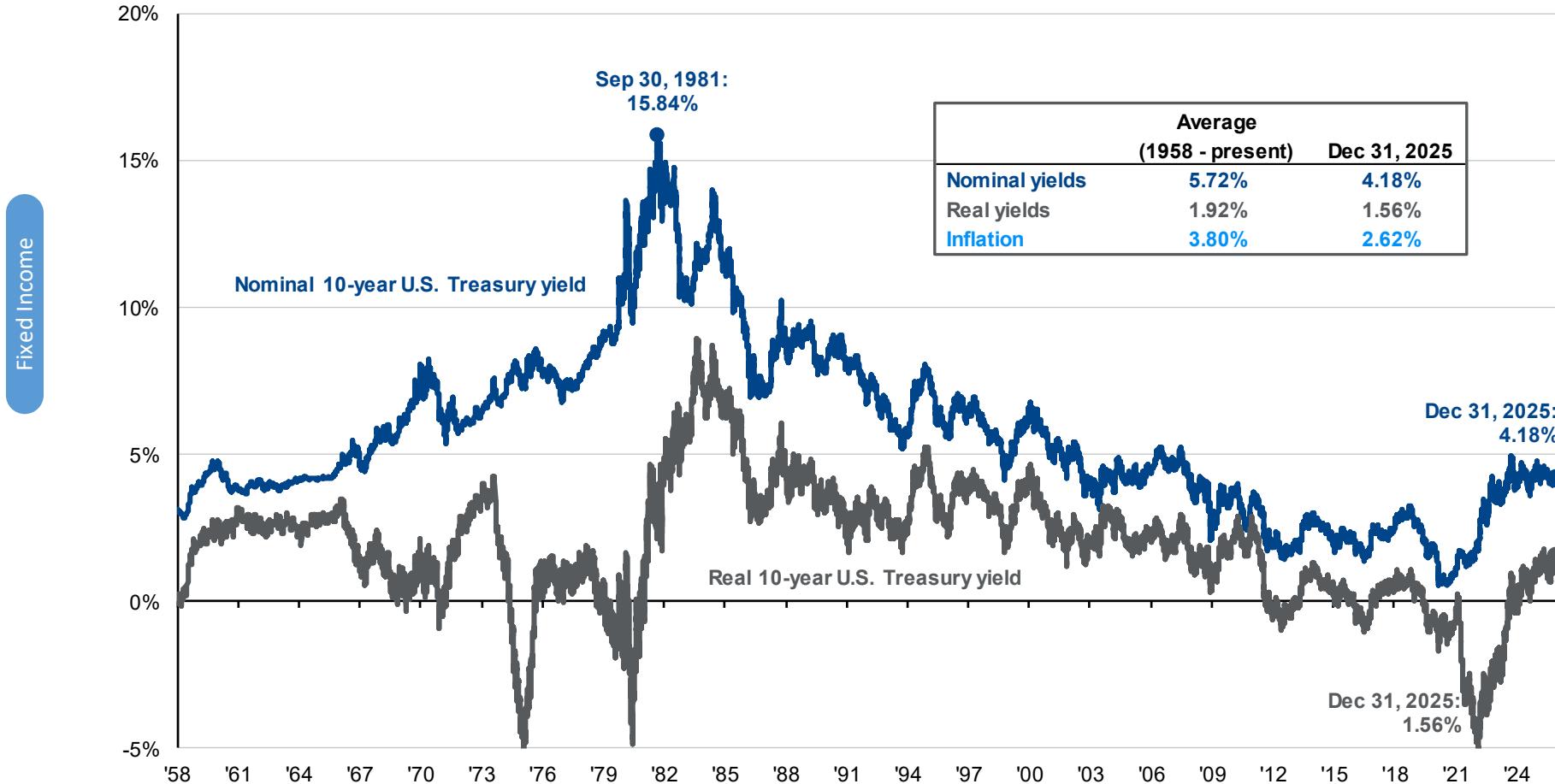
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results.

Economic Issues

- Inflation
 - Inflation has dwindled from fifty-year high of 9.1% in June 2022 to 2.62% in December 2025.
 - Ten-year Treasury yielding 4.18% is really only yielding 1.56% after inflation
- Risks
 - US political uncertainty casts a large shadow; loss of checks and balances
 - Midterm elections may have significant impact; a tilt of electoral redistricting?
 - Immigration policy and National Guard deployments revolutionary; cracks in the MAGA coalition?
 - Geopolitical world reordering – unexpected consequences
 - Weaker EU – End of NATO?
 - Stronger China, Russia
 - US imperialism plays out: Venezuela, Greenland
 - Drugs or oil? Is Mexico next?
- Outlook for economic growth is still OK, but could become weaker depending on so many wild cards around the world

Interest rates and inflation

Nominal and real U.S. 10-year Treasury yields

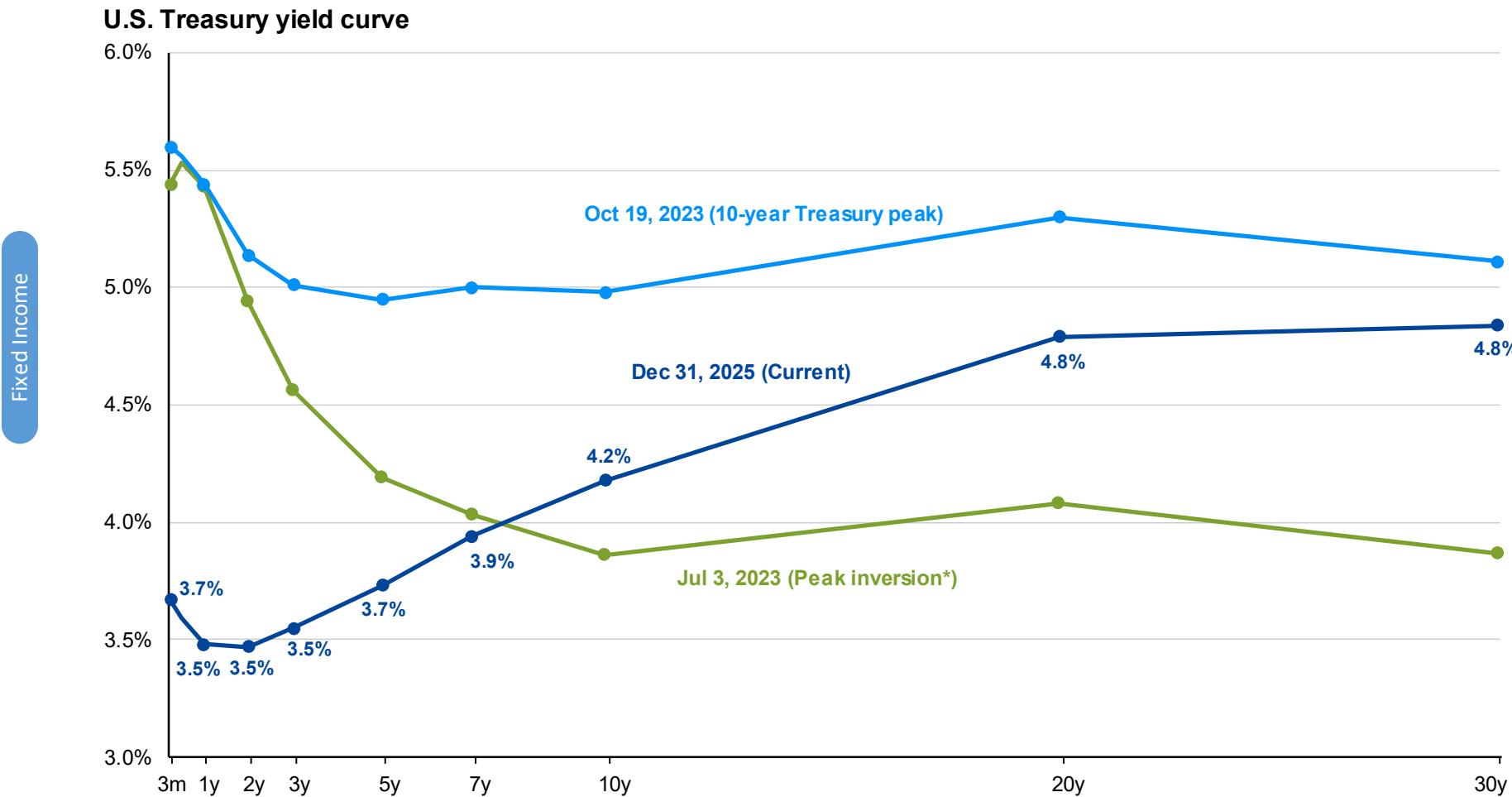


Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Real 10-year Treasury yields are calculated as the daily Treasury yield less y/y core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data are available.

Guide to the Markets – U.S. Data are as of December 31, 2025.

Yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.

Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.

Guide to the Markets – U.S. Data are as of December 31, 2025.

Considerations

- Review cash holdings
 - Deploy excess cash (beyond emergency fund levels)
 - Watch interest rates on money market accounts throughout the year
- Review fixed income holdings
 - Consider locking in higher rates on individual fixed income securities
 - Consider shifting out to intermediate-term fixed income funds
- Review stock holdings
 - Look at composition of index funds and stock allocations across styles
 - Small value stocks are cheaper than large growth stocks
 - Make sure international stock allocations are on target

Disclosures

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