Tactical Asset Allocation Guide

3-12 Month View Across Asset Classes

May 2026

Repositioned for an Improving Macro Backdrop

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm's investment outlook and asset allocation that helps define LPL Research's investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

- Strong Overweight View
- Overweight View
- Neutral View
- Underweight View
- Strong Underweight View

Key changes from STAAC in April:

- **Upgraded U.S. equities to overweight**
- **Downgraded fixed income to underweight**
- **Downgraded MBS to underweight**
- **Upgraded small value to neutral**
- **Downgraded communication services to neutral**
- **Upgraded technology to overweight**
- **Upgraded view on energy commodities to positive**

STAAC Asset Class Tactical Views as of 05/01/2026 (GWI)

Asset Class					
Equity	·	·	→	●	·
U.S.	·	·	→	●	·
International Developed (EAFE)	·	·	●	·	·
Emerging Markets	·	·	●	·	·
Large/Mid Growth	·	·	·	●	·
Large/Mid Value	·	·	●	·	·
Small Growth	·	·	●	·	·
Small Value	·	→	●	·	·
Fixed Income	·	●	←	·	·
Treasuries	·	·	●	·	·
MBS	·	●	←	·	·
IG Corporates	·	●	·	·	·
TIPS	·	·	●	·	·
International Developed	·	·	●	·	·
Preferred	·	·	●	·	·
High-Yield	·	·	●	·	·
Bank Loans	·	·	●	·	·
Emerging Markets	·	·	●	·	·
Cash	·	●	·	·	·
Alternatives	·	·	·	●	·
Thematic	·	·	·	·	·

STAAC Sector Tactical Views as of 05/01/2026

Sector					
Materials	·	·	●	·	·
Consumer Staples	·	·	●	·	·
Financials	·	·	●	·	·
Real Estate	·	●	·	·	·
Communications Services	·	·	●	←	·
Energy	·	·	●	·	·
Industrials	·	·	·	●	·
Information Technology	·	·	→	●	·
Consumer Discretionary	·	●	·	·	·
Healthcare	·	·	●	·	·
Utilities	·	·	●	·	·

Source: STAAC as of May 1, 2026. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

Investment Takeaways

U.S. equities bounced back in April with the S&P 500 surging over 10%, capping its best month since late-2020 at record levels. Optimism around a temporary ceasefire in the Middle East started the month off on a positive note, and signs that both sides were open to a diplomatic approach buoyed sentiment. While peace talks remained fluid and the Strait of Hormuz effectively closed, systematic buying and artificial intelligence (AI) enthusiasm were broadly flagged for the upside in stocks. April saw several deals unveiled in the AI space, while markets also refocused on fundamentals amid a stronger-than-average start to the first quarter earnings season and a resilient economic backdrop. Among earnings highlights, Magnificent Seven names highlighted insatiable AI demand and raised spending plans.

While equities were able to broadly shrug off geopolitical risks, bonds were more reflective of lingering uncertainty. Core bonds edged higher in April, measured by a 0.1% rise in the Bloomberg U.S. Aggregate Index, with Treasuries ending fractionally lower. Treasuries initially rallied on de-escalation hopes, before dropping again as inflation concerns, rising oil prices, and some hawkish Federal Reserve meeting takeaways sent prices back below the monthly flatline. Meanwhile, corporates outperformed and mortgage-backed securities ended fractionally higher.

Looking ahead, as geopolitical risk fades, we expect the strong technology-driven earnings outlook to provide support for additional equity market gains in 2026. LPL Research upgraded equities to a modest overweight in mid-April to reflect an improving macroeconomic backdrop and sees upside to its current earnings and stock market forecasts for 2026. The stock market's resilience during geopolitical events is reassuring, although investors may be well served by continuing to brace for bouts of volatility.

In fixed income, we expect yields to remain rangebound, although high oil prices may delay Fed rate cuts until later this year.

Underpinning the outlook is an economy still growing above trend, though surging oil prices and damaged infrastructure in the Persian Gulf have increased the risk of a near-term slowdown in growth. Tailwinds to growth are expected to come from higher-than-expected tax refunds, business tax incentives, and clarity on trade policy. Risks to the economic outlook include further spikes in oil from the Iran conflict, sticky inflation, a softening job market, and potential business disruption from AI.

The STAAC's recommended tactical asset allocation includes:

- An overweight stance toward U.S. equities. With a path to the end of the Iran conflict emerging and related lessening risk of extreme negative outcomes, we expect equities to broadly outperform on the back of strong earnings.
- Growth over Value. The Committee favors growth over value for exposure to AI, and slightly favors large caps over small caps, partly due to balance sheet quality as credit markets may tighten further. Massive AI investment also favors large caps.
- Industrials. The positive industrials stance is supported by strong earnings momentum, a favorable technical backdrop, and continued tailwinds from fiscal spending and AI investment.
- Technology. The Committee recommends an overweight to the technology sector on strong and accelerating earnings, abating AI investment skepticism, and a supportive technical picture.
- Within fixed income, the STAAC keeps a neutral allocation to core bonds. Spreads remaining near secular tights potentially caps returns, and in an environment that is likely to get more supportive of risk-taking, favoring equities seems prudent.

2026 MARKET FORECASTS

S&P 500 Tracking Above Bull Case Scenario

	Current
10-Year U.S. Treasury Yield	3.75% to 4.25%*
S&P 500 Index Earnings per Share	$290+ (under review)
S&P 500 Index Fair Value	7,350+ (under revew)**

Source: LPL Research, FactSet, Bloomberg
All indexes are unmanaged and cannot be invested into directly.

*Our 2026 year-end target for the 10-year Treasury yield is based on further Fed rate cuts but also a steepening yield curve due to ongoing concerns about sticky inflation and Federal debt/deficits.

**Our year-end 2026 fair-value target range for the S&P 500 is 7,300–7,400, based on a price-to-earnings ratio (PE) of 23 and our S&P 500 earnings per share (EPS) forecast of $320 in 2027.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 05/01/26.

2026 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2026 (Y/Y, real GDP)
United States	2.3%
Eurozone	0.9%
Advanced Economies	2.0%
Emerging Markets	4.0%
Global	2.8%

Source: LPL Research, Bloomberg.
The economic forecasts may not develop as predicted.

Tactical Asset Allocation as of 05/01/2026

	Investment Objective														
	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Stocks	98.0%	95.0%	3.0%	84.0%	80.0%	4.0%	63.0%	60.0%	3.0%	42.0%	40.0%	2.0%	21.0%	20.0%	1.0%
U.S. EQUITY	79.0%	76.0%	3.0%	68.0%	64.0%	4.0%	51.0%	48.0%	3.0%	34.0%	32.0%	2.0%	17.0%	16.0%	1.0%
Large/Mid Growth	32.0%	28.5%	3.5%	27.0%	24.0%	3.0%	20.5%	18.0%	2.5%	14.0%	12.0%	2.0%	7.0%	6.0%	1.0%
Large/Mid Value	29.5%	28.5%	1.0%	25.0%	24.0%	1.0%	18.5%	18.0%	0.5%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Small Growth	9.5%	9.5%	0.0%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
Small Value	8.0%	9.5%	-1.5%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
International Equity	19.0%	19.0%	0.0%	16.0%	16.0%	0.0%	12.0%	12.0%	0.0%	8.0%	8.0%	0.0%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	7.0%	7.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	12.0%	15.0%	-3.0%	32.0%	35.0%	-3.0%	53.0%	53.0%	0.0%	74.0%	70.0%	4.0%
U.S. Core	0.0%	0.0%	0.0%	12.0%	15.0%	-3.0%	32.0%	35.0%	-3.0%	53.0%	53.0%	0.0%	74.0%	70.0%	4.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.5%	16.5%	0.0%	27.0%	25.0%	2.0%	37.5%	33.5%	4.0%
MBS	0.0%	0.0%	0.0%	1.5%	4.0%	-2.5%	7.5%	9.5%	-2.0%	13.5%	14.5%	-1.0%	19.5%	19.0%	0.5%
IG Corporates	0.0%	0.0%	0.0%	3.5%	4.0%	-0.5%	8.0%	9.0%	-1.0%	12.5%	13.5%	-1.0%	17.0%	17.5%	-0.5%
Alternatives	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Cash	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Bloomberg US Aggregate Bond Index. The bond sector allocations in the TAA and benchmark will be updated twice per year, or as necessary, in January and July where the absolute values are subject to change, but the difference between the TAA and benchmark will remain constant (absent any Tactical Asset Allocation changes from the STAAC).

Treasuries include other government related debt. MBS includes other securitized debt.

To better align with STAAC's asset allocation framework, mid caps have been combined with large caps in the TAA. Accounts with distinct mid cap allocations may disaggregate mid caps from the "Large & Mid" exposure shown in the table roughly in-line with relative market cap values: 80% Large Cap 20% Mid Cap. For a more detailed breakdown and explanation, please refer to the Supplemental Mid Cap Reference Guide on page 9.

Equity Asset Classes

Mid-April Upgrade to Overweight Reflected Improving Macro Backdrop

The Strategic and Tactical Asset Allocation Committee (STAAC) upgraded its equities stance to overweight in mid-April, reflecting an improved macro economic backdrop as a path to the end of the Iran conflict began to come into view.

In terms of equity style, the Committee maintains its preference for growth over value for exposure to AI-driven earnings strength and is encouraged by the recent outperformance of technology and the other top growth sectors.

In terms of market cap, the Committee favors large caps over small caps, partly due to a preference for high-quality balance sheets and partly to capture the benefits of massive AI investment in large cap technology stocks.

Regionally, the STAAC has a slight preference for the U.S. but maintains a neutral position on developed international and EM equities.

Color Key:

Strong Overweight Overweight Neutral Underweight Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large/Mid Growth**		Positive	April outperformance of growth stocks is encouraging as AI fears (overbuilding, disruption, circular financing, etc.) have abated some. If markets can focus more on fundamentals and less on geopolitics, growth stocks should benefit. Large cap companies offer compelling tech-driven earnings growth. Valuations have become reasonable for large cap growth broadly.
	Large/Mid Value		No Trend	Until April, value stocks had garnered support from defensive and cyclical value sectors, notably energy. Our reluctance to get more positive on value, though STAAC's view is neutral, is driven by our expectation that the AI trade and technology will lead post-Iran conflict, as they did in April, and energy may lag. The growth/value valuation gap has shrunk to its 10-year average.
	Small Growth		Positive	A risk-friendly environment in April and resurgent earnings growth has supported small cap growth stocks. Economic growth headwinds have seemed limited, while market volatility has abated. But delayed Fed rate cuts and sticky inflation dampen the near-term outlook, and small growth may struggle to keep up if large cap tech leads. Favorable technical analysis picture.
	Small Value		No Trend	Mid-April upgrade reflected improved performance, attractive relative valuations, and the potential for small caps to lead in a market bounce on de-escalating Mideast tensions. Financial deregulation, robust capital investment, and a more domestic focus are also positive. Negatives include delayed Fed rate cuts, sticky inflation, weaker balance sheets, and less AI exposure.
Region	**United States**		Positive	Mid-April upgrade reflected strong outlook for AI investment and earnings. Fiscal stimulus is also supportive of potential U.S. outperformance in 2026, while the Iran conflict is the key risk. Heightened scrutiny on AI investment and the likely delay in Fed rate cuts are secondary concerns. STAAC favors the U.S. for its innovation and growth advantage.
	Developed International		Negative	Added deficit/defense spending in Europe, corporate reforms and Bank of Japan support for the yen in Japan, and valuations are supportive. And in the short-term, an opening of the Strait of Hormuz to shipping traffic could provide Europe and Asia with a performance jolt. But U.S. technology strength and inferior economic and earnings growth outlooks remain headwinds.
	Emerging Markets		Positive	Heading into the Iran war, fundamentals, valuations and technicals were all aligning, moving us close to an upgrade. EM brings substantial AI exposure in Asia, strong earnings growth, attractive valuations, and supportive technicals. But given EM's dependency on Mideast oil through the Strait of Hormuz, we believe patience is prudent and stay neutral. Favor Latin America over China.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

Equity Sectors

Favor Technology and Industrials after Mid-Month Positioning Change

STAAC's mid-April upgrade of the technology sector to overweight reflected AI-driven earnings strength. The corresponding downgrade of communication services reflected a more muted, but still strong, earnings growth outlook and mixed technical conditions. STAAC continues to favor industrials, which offer strong earnings momentum and a favorable technical backdrop, and is poised to benefit from fiscal stimulus and AI investment. Consumer discretionary remains underweight but will benefit if oil prices reverse lower. Healthcare valuations are very attractive, but performance has been disappointing. Technical analysis trends suggest waiting for a better opportunity in the second half.

Color Key:

Strong Overweight | Overweight | Neutral | Underweight | Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Basic Materials**	Neutral	Positive	1.9	Lagged in April (+2.6%) as weakness in chemicals and fertilizer stocks perceived as beneficiaries of the Iran conflict weighed on the sector as markets began to price in a reopened Strait of Hormuz. Fiscal stimulus and data center builds are still supportive.
Cyclical	**Consumer Discretionary**	Underweight	Negative	10.0	Outperformer in April (+11.7%). Got a boost as optimism increased that the Iran conflict would end soon. Amazon (AMZN)'s 27% gain for the month a key driver as traditional retail lagged on high oil prices. High valuations and sub-par technicals.
Cyclical	**Financial Services**	Neutral	Negative	11.7	Lagged in April (+5.4%) on weakness in insurance. Concerns about private credit lingered, but traditional asset managers and leading alternative asset managers outperformed. A steep yield curve, bank de-regulation, and reasonable valuations offset by credit concerns, slow earnings growth, and lackluster technicals.
Cyclical	**Real Estate**	Underweight	Negative	1.9	Solid performer in April (+8.6%) even as interest rates crept higher. Some of the technology-oriented segments of real estate performed well, particularly data center REITs. Reasonable valuations but little growth overall. Technicals aren't compelling.
Sensitive	**Communication Services**	Neutral ←	No Trend	11.0	Top sector performer in April (+18.4%) on strength in Meta (META), Alphabet (GOOG/L), and Disney (DIS). Sector still offers a solid growth at a reasonable valuation, but mid-month downgrade reflected a more muted, but still strong, earnings growth outlook and mixed technical conditions.
Sensitive	**Energy**	Neutral	Positive	3.2	Worst sector performer in April (-3.5%) after leading in March despite higher oil prices. Natural gas prices came down and the market started to price in a reopening of the Strait of Hormuz, leaving energy as a funding source for technology. Eventual landing spot for oil may be $80s, not $50s or $60s, helping energy stocks hold up.
Sensitive	**Industrials**	Overweight	Positive	8.6	Lagged in April with a solid 7.9% gain. Defense stocks lagged as the market started to price in an end to the Mideast conflict, which offset strength in segments tied to AI data centers. Business tax incentives and AI investment remain tailwinds. Solid earnings growth, full valuations, but supportive technicals.
Sensitive	**Technology**	→ Overweight	Positive	36.3	Big gainer in April (+17.4%) on strength in semiconductors/memory. Mid-April upgrade reflected AI-driven earnings strength. Skepticism about AI investment and concerns about business disruption have eased. Earnings growth still under-appreciated by the market based on reasonable valuations. Improving technicals.
Defensive	**Consumer Staples**	Neutral	Negative	4.8	Lagged in April (+3.0%) as defensive sectors could not keep up with the AI rally. Supercenters held up relatively well, but inflation and consumer stresses hurt food and consumer products companies. Rich valuations. Weak technical trend.
Defensive	**Healthcare**	Neutral	Negative	8.3	Underperformer in April (-0.6%) and worst sector performer year to date. Disappointing performance despite strength in health insurers on higher Medicare Advantage reimbursements. Attractive valuation but slow growth, weak technicals.
Defensive	**Utilities**	Neutral	No Trend	2.2	Underperformed in April (+2.1%) but AI power stocks showed relative strength. Interest rates stayed rangebound, offering no help for income sectors. Below average yields, full valuations, and lackluster technicals balanced against solid growth.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services.

Fixed Income

Jerome Powell's Swan Song Turned Hawkish

April's FOMC meeting left rates unchanged, but attention centered on dissents opposing any easing bias and Chair Powell's signal that the Committee is shifting toward a more neutral stance. Market pricing now aligns with this "higher for longer" view, implying no cuts through 2028 and a higher terminal rate. With hawkish risks persisting, along with still elevated geopolitical risks, we believe it remains premature to extend duration.

In taxable markets, with yields still elevated, particularly for high-quality sectors within the fixed income universe, (Treasuries, MBS and shorter-maturity corporates) income opportunities remain attractive.

Color Key:

● Strong Overweight ● Overweight ● Neutral ● Underweight ● Strong Underweight

Current Stance

	Low	Med	High	Rationale
Credit Quality Preference			✓	Recommend an up-in-quality approach in allocating to fixed income sectors. All-in yields for lower quality remain near or below longer-term averages, so we think the risk/reward favors owning core bond sectors over the riskier sectors.
	Short	**Inter.**	**Long**	**Rationale**
Duration Preference		✓		The combination of rising inflation expectations due to the Iran conflict and ongoing AI-related growth uncertainty argues for continued caution in interest-rate exposure. For now, we remain neutral duration relative to benchmarks, waiting for more attractive entry points. We would look for the 10-year Treasury yield to reach the 4.75–5.00% range before reconsidering duration positioning.
	Neg.	**Neut.**	**Pos.**	**Rationale**
Municipal Bond View		✓		Bucking seasonal trends, munis had their best April since 2014. And despite the recent rally, tax-equivalent yields remain above longer-term averages. Credit quality remains strong and technical supply/demand dynamics improve over the next several months. We think the intermediate parts of the muni market offer the best risk/reward.

	Overall View					Overall Trend	Rationale
Core Sectors							
U.S. Treasuries	·	·	●	·	·	No Trend	Treasury yields remain at the mercy of oil prices and interest rate volatility has increased recently (but below longer-term averages). Term premium remains low and could continue to move higher the longer the Iran conflict stretches out. That said, the 10-year yield is only slightly higher than our 2026 yearend forecast but would look to a 4.75–5.0% as potentially an attractive entry point. Technically, 10-year yields have surpassed resistance near 4.30%, creating near-term potential upside risk to the 4.50–4.60% range.
Mortgage-Backed Securities	·	●	←	·	·	No Trend	We recently downgraded MBS due to valuations as spreads are below our fair value estimates. But supply/demand dynamics remain favorable so it's unlikely, absent a resumption of rate hikes by the Fed, that spreads would widen much from current levels. All-in bond yields remain compelling.
Investment-Grade Corporates	·	●	·	·	·	No Trend	We recommend an underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid, but spreads remain tight to historical averages.
TIPS	·	·	●	·	·	Positive	Inflation expectations have widened recently making the "hurdle" to invest in TIPs (versus nominals) higher. However, all-in yields for TIPS remain attractive, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors							
Preferred Securities	·	·	●	·	·	No Trend	Valuations/spreads are back to historical averages, but all-in yields remain attractive for income-oriented investors. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but the environment favors active management.
High-Yield Corporates	·	·	●	·	·	Positive	Software concerns have pushed tech sector spreads wider, but the broader market remains tight to historical averages. High-yield markets have priced out most risks with spread volatility collapsing. Yields for high-yield bonds are below historical averages, and we think the risk/reward is unattractive for most investors. The quality of the market has improved recently though.
Bank Loans	·	·	●	·	·	Positive	The loan market is highly concentrated in software loans so downgrades and defaults will likely increase if AI risks are real. The Iran conflict has pushed out rate cut expectations and while broader default activity has moderated of late, "higher for longer" could increase repayment risks.
Foreign Bonds	·	·	●	·	·	No Trend	Yields have moved higher recently but are still generally lower than U.S. markets, despite ongoing political dysfunction in France and monetary policy normalization in Japan. Currency volatility is a risk. The asset class is more attractive for U.S. dollar hedged investors.
EM Debt	·	·	●	·	·	Positive	Valuations are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries.

Commodities and Currencies

Commodity Markets Approach Record-High Territory

Commodities have been on a remarkable run. Nine consecutive months of gains have pushed the Bloomberg Roll Select Commodity Total Return Index close to levels we haven't seen since the 2008 peak. April added another 4.5% advance, with buying interest showing up across a relatively wide range of commodities. A shift toward de-escalation in the Middle East underpinned renewed risk appetite, which was further supported by tailwinds from a weaker dollar. From a technical standpoint, the index has now cleared its 2011 highs and sits within roughly 3% of the next major resistance level near 950. That suggests momentum remains strong, though we're approaching levels where gains could face more friction.

Industrial metals outperformed and were led by a 14% rally in nickel. Reduced production quotas in Indonesia, a key global supplier of the battery metal, along with increased demand from Chinese smelters supported the outsized advance. Copper climbed 5.5% and is back near record highs as the essential closure of the Strait of Hormuz has sparked sulfur supply fears, which were exacerbated earlier this month after China halted exports of sulfuric acid.

Precious metals were mixed last month. Gold fell around 1% as investors rotated back into risk assets. Higher rates and reduced Fed rate expectations amid the ongoing war in Iran created additional headwinds for the yellow metal. From a technical perspective, gold appears to be trying to find its footing after failing to breach the 50-day moving average. Importantly, gold's longer-term uptrend remains intact along with a well-catalyzed fundamental backdrop.

Energy lagged last month as the extended U.S.-Iran ceasefire helped remove worst-case scenario risk from the conflict. Brent crude tumbled close to 6% but continues to hold above support near $98. The brent futures curve also continues to price in risk of a higher-for-longer regime. Gasoline futures rallied 14% and outperformed within the energy patch. The lack of clarity around the potential reopening of the Strait of Hormuz and timeline back to supply returning to the market has propped up gas prices ahead of the summer driving season.

Color Key: ● Positive ● Neutral ● Negative

Sector	Overall View	Overall Trend	Rationale
Energy	· · ● (Positive)	Positive	Oil prices have come off their recent highs but remain uncomfortably elevated. Brent and WTI crude have formed potential topping patterns that are yet to be validated by a break below key support. Implied oil market volatility has receded but remains well-above the longer-term average. While the reopening of the Strait of Hormuz would significantly ease supply shock fears, there is little clarity on the timing of supply chains normalizing or what risk premium gets baked into oil in the aftermath of a peace deal. **We maintain our positive view on the energy sector.**
Precious Metals	· · ● (Positive)	Positive	Precious metals underperformed last month as investors returned to riskier assets. Reduced rate cut expectations and higher interest rates created additional headwinds. While gold has struggled to gain traction over the last month, its longer-term trend along with its fundamental drivers remain in place. Silver has followed a similar path; a close above the April highs near $83 would suggest the corrective phase is likely over. **We maintain our positive view on precious metals.**
Industrial Metals	· · ● (Positive)	Positive	Industrial metals outperformed last month amid broad buying pressure. Demand remains supported by surging AI capex, rising global infrastructure spending, and building electrification trends. Underinvestment in production and global trade policy have added to the supply/demand imbalance, which for many metals is being exacerbated by export and/or production restrictions. **We maintain our positive view on industrial metals.**
Agriculture (Ag) & Livestock	· ● · (Neutral)	Neutral	Ag traded higher last month and continued to make technical progress. Fertilizer shortages stemming from the closure of the Strait of Hormuz (and rising diesel prices) have created supply concerns. Corn and wheat gained over 1% with buyers stepping in on pullbacks. Livestock underperformed, with live cattle receding from overbought conditions underpinned by tight supply. **We maintain our neutral view on ag & livestock and acknowledge the technical backdrop of the space is improving.**
U.S. Dollar	· ● · (Neutral)	Neutral	The dollar closed out the month near the midpoint of its range after briefly retesting resistance near 100.50. There is no shortage of crosscurrents as the greenback navigates around volatile monetary policy expectations, diverging global growth expectations, and recent yen currency intervention in Japan. While the longer-term secular uptrend remains intact, near-term technical evidence suggests further consolidation ahead.

The Bloomberg Commodity Index (BCOM) is made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and potential for losses.

Alternative Investments

Upside Capture

Alternative investment strategy performance turned broadly positive in April, with all major sub-strategies participating in the market recovery following March's sell-off. The S&P 500 surged over 10.0% for the month, unwinding their March decline, as alternative investment strategies captured a meaningful portion of that upside.

Long/short equity strategies staged a significant reversal as the HFRX Equity Hedge Index gained 4.3% in April, their strongest month of the year. The growth factor once again lead returns from a style perspective, with the information technology sector returning 19.9%. For the year through the end of April, the market has seen significant dispersion with the energy sector up over 34% and the health care market down 5.3%. On the short side, managers who have been more tactical managing their exposure have fared better, as factor rotations are occurring more often and with greater levels of volatility.

In the trend-following industry, managed futures delivered another constructive month, as the HFRX Macro: Systematic Diversified Index gained 3.1%, bringing year to date returns to 7.4%, leading all sub-strategies. Long exposure across the energy complex continues to drive returns, however, long agriculture exposure has recently added value. Following the equity rally in April, most managers have now repositioned their U.S. equity exposure, moving to a moderate net long position. The HFRX Event Driven index was up 2.0%, as previously announced deals moved closer to their transaction price as part of the broader markets rally. Overall, the regulatory backdrop remains favorable, however, unexpected change in tariffs and uncertainty in the future path of interest rates may impact the future flow of new deals.

Overall, with economic and policy uncertainty likely to continue into 2026, we remain positive on alternative investment strategies, as we believe they can help strengthen portfolio stability during periods of volatility. The events of the first quarter reinforced this thesis — strategies like managed futures and market-neutral equity provided a meaningful offset during March's drawdown, and active long/short approaches capitalized on the dispersion environment in April. Our preferred approaches include equity market-neutral, nimble discretionary global macro, and event-driven strategies.

Color Key: Positive Neutral Negative

	Sector	Overall View	Rationale
Fundamental	**Long/Short Equity**	Positive	Elevated volatility and ongoing stock dispersion should continue to create a favorable environment for low-net, stock-picking strategies. For long-biased long/short equity managers, expanding beyond U.S. markets into regions with supportive policy frameworks may offer more compelling opportunities.
	Event Driven	Positive	Mergers and acquisitions (M&A) and initial public offerings (IPO) have improved relative to the low levels of prior years. Distressed debt opportunities remain limited as credit spreads continue to tighten. The M&A and IPO markets have begun to show signs of recovery, expanding the investable universe for merger arbitrage managers which they should benefit from.
Tactical	**Global Macro**	Positive	Agile discretionary macro managers should continue to capitalize on economic and policy shifts, along with intermittent spikes in market volatility. Tactical discretionary macro strategies are well-positioned to capitalize on opportunities emerging from shifting economic conditions, evolving policy landscapes, and elevated market volatility.
	Managed Futures	Neutral	We continue to favor holding a diversified mix of sub-strategies, including but not limited to, short-term momentum, volatility breakout, pattern recognition, and trend following. Diversification within trend following in terms of markets and time frame is encouraged as well. We remain mindful of the significant long exposure to certain contracts such as oil and gold. In this environment, a broadly diversified allocation across sub-strategies is preferred.
Multi-Strategy	**Multi-PM Single Funds**	Positive	Multi-strategy funds should continue to benefit from the ability to dynamically invest across alternative investment strategies.
	Specialty Strategies	Neutral	Volatility arbitrage and cross-asset tail risk strategies with minimal carrying cost may be good additional diversifiers in portfolios. Volatility arbitrage and tail risk with reduced/no negative carry can potentially add value to portfolios.

Please see https://www.hfr.com/indices for further information on the indices.
Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

Supplemental Mid Cap Reference Guide

Rationale for Large and Mid Cap Aggregation

The STAAC's decision to aggregate mid cap equities with large caps is driven by a desire to construct asset allocation models using distinct and efficient building blocks that either a) materially enhance expected returns, or b) materially reduce expected risk relative to our benchmark. We believe that a four-box framework, segmented by size and style, provides the most impactful differentiation for our investment decision making. Additionally, this is most aligned with our investment universe, given most active large cap managers benchmark to the Russell 1000 (which has significant overlap with the Russell Midcap Index, 800 stocks representing approximately 20% of market cap).

We also believe that reducing the number of style boxes improves capital efficiency and lowers trading costs and turnover. By streamlining these classifications, we can avoid such inefficiencies.

Disaggregated U.S. Mid Cap and Large Cap Tactical Asset Allocation as of 01/01/2026

The 80% Large Cap / 20% Mid Cap decomposition provided below is intended as a general reference for advisors who prefer to maintain a distinct mid cap allocation. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Russell 1000. The STAAC's official position is to treat large and mid caps as a combined category within the TAA as shown on page 3. The Supplemental Mid Cap Reference Guide will be updated twice per year, or as necessary, in January and July.

Investment Objective

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
Asset Class	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Large Growth	25.390%	22.615%	2.775%	21.425%	19.045%	2.380%	16.265%	14.285%	1.980%	11.110%	9.520%	1.590%	5.555%	4.760%	0.795%
Mid Growth	6.610%	5.885%	0.725%	5.575%	4.955%	0.620%	4.235%	3.715%	0.520%	2.890%	2.480%	0.410%	1.445%	1.240%	0.205%
Large Value	23.410%	22.615%	0.795%	19.835%	19.045%	0.790%	14.680%	14.285%	0.395%	9.520%	9.520%	0.000%	4.760%	4.760%	0.000%
Mid Value	6.090%	5.885%	0.205%	5.165%	4.955%	0.210%	3.820%	3.715%	0.105%	2.480%	2.480%	0.000%	1.240%	1.240%	0.000%

Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issued by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Alternative investments include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD $500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

Precious metal investing involves greater fluctuation and potential for losses.

Important Disclosures

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.

This research material has been prepared by LPL Financial, LLC.