Staying the Course

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:

- **Upgraded industrials to overweight and downgraded consumer discretionary to underweight.**

STAAC Asset Class Tactical Views as of 03/01/2026 (GWI)

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

STAAC Sector Tactical Views as of 03/01/2026

Sector					
Materials	•	•	● Neutral	•	•
Consumer Staples	•	•	● Neutral	•	•
Financials	•	•	● Neutral	•	•
Real Estate	•	● Underweight	•	•	•
Communications Services	•	•	•	● Overweight	•
Energy	•	•	● Neutral	•	•
Industrials	•	•	→	● Overweight	•
Information Technology	•	•	● Neutral	•	•
Consumer Discretionary	•	● Underweight	←	•	•
Healthcare	•	•	● Neutral	•	•
Utilities	•	•	● Neutral	•	•

Source: STAAC as of March 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

Major averages ended February mixed as the Dow and small cap Russell 2000 gained ground, while the S&P 500 and tech-heavy Nasdaq ended below the flatline. The S&P 500 remained rangebound, masking a bit of turbulence under the surface as artificial intelligence (AI) disruption concerns weighed on big tech names and the software sub-sector — although rotation dynamics rather than risk-off moves were flagged by Wall Street chatter, as capital broadly remained within equities. On the earnings front, AI bellwether NVIDIA (NVDA) topped expectations, alongside fellow Magnificent Seven members Amazon (AMZN) and Alphabet (GOOG/L); however, elevated spending plans took the spotlight. As the calendar flipped to March, a build up of military assets in the Middle East put geopolitics in focus ahead of U.S.-Iran airstrikes.

Core bonds posted a strong monthly gain, measured by a 1.75% gain in the U.S. Bloomberg Aggregate Index, as U.S. Treasuries snapped a two-month losing streak to deliver their strongest month in a year. Yields pulled back as soft consumer inflation readings aided demand, as well as the Supreme Court striking down some of the Trump administration's tariffs, pushing out supply increases of notes and bonds. The 10-year yield dipped back below 4%, while the two-year yield broke below 3.4%. Both mortgage-backed securities and corporates also advanced.

Looking forward, investors may be well served by bracing for additional bouts of volatility as concerns about AI disruption and over-investment linger, while the conflict in Iran continues. Pullbacks may be shallow given technology-fueled earnings strength, likely additional Fed rate cuts in late 2026, and the fiscal stimulus boost this year.

LPL Research expects mid-to-high single digit returns for equities in 2026 amid policy crosscurrents and surging AI investment, as discussed in Outlook 2026: The Policy Engine.

Underpinning the outlook is an economy still growing above trend, though surging oil prices have increased the risk of a near-term slowdown in growth. The tailwinds to growth will come from higher-than-expected tax refunds, resolution of trade uncertainty, and AI investment. Risks to the outlook include further spikes in oil from the Iran war, nagging inflation, a softening job market, and potential business disruption from AI. The fixed income market remains rangebound, although downside pressure on yields could emerge as the Fed continues its rate-cutting cycle.

The STAAC's recommended tactical asset allocation includes:

- A neutral stance toward U.S. equities. Watch for opportunities to add equities on further weakness.
- The Committee slightly favors growth over value for exposure to AI and compelling earnings growth, but recent value strength is nearing an inflection point that could prove sustainable.
- The Committee favors large caps over small caps, partly due to balance sheet quality as credit markets may tighten further. Massive AI investment favors large caps.
- Upgraded industrials to overweight as the sector is supported by strong earnings momentum, a strong technical backdrop, and continued tailwinds from fiscal spending and AI-driven investment. The committee downgraded consumer discretionary due to rising energy-related headwind risks, stretched valuations and weak relative strength.
- Within fixed income, the STAAC keeps a neutral allocation to core bonds and shows a slight preference for mortgage-backed securities over investment-grade corporates. The Committee views the risk-reward profile of core sectors such as Treasuries, agency MBS, and high-quality corporates as more attractive than that of the plus sectors.

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
S&P 500 Index Fair Value	7,350**

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 03/01/26.

2026 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2026 (Y/Y, real GDP)
United States	2.7%
Eurozone	1.0%
Advanced Economics	2.3%
Emerging Markets	4.1%
Global	3.0%

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

Tactical Asset Allocation as of 03/01/2026

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	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. EQUITY	76.0%	76.0%	0.0%	64.0%	64.0%	0.0%	48.0%	48.0%	0.0%	32.0%	32.0%	0.0%	16.0%	16.0%	0.0%
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	5.0%	9.5%	-4.5%	4.0%	8.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.0%	2.0%	-1.0%
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%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. Core	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
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%	4.5%	4.0%	0.5%	10.5%	9.5%	1.0%	15.5%	14.5%	1.0%	20.5%	19.0%	1.5%
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	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	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%	1.0%	0.0%	1.0%	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

Staying the Course as Iran Conflict Not Expected to Last More Than a Few Weeks

Investors may be well served by bracing for additional bouts of volatility as concerns about AI disruption and over-investment linger, while oil prices remain elevated amid war in Iran. While volatility may persist, stock market pullbacks could be shallow given technology-fueled earnings strength, likely additional Fed rate cuts in late 2026, and the fiscal stimulus boost this year. In addition, the stock market has historically been resilient in the face of geopolitical events that do not cause recessions. While still early, we don't believe this one will.

The Strategic and Tactical Asset Allocation Committee (STAAC) continues to favor large caps slightly over small caps and growth slightly over value. From a geographic perspective, STAAC continues to recommend benchmark-level allocations to the U.S., developed international, and emerging markets (EM), but the Committee is watching short-term technical trends, global energy markets, and currency markets to identify potentially attractive opportunities to add EM exposure.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large/Mid Growth**	Overweight	Negative	The technology-driven earnings of the growth style help justify rich valuations, but recent underperformance of growth stocks on AI disruption fears and the oil price spike leave the growth style chart near an inflection point that may trigger a downgrade. Large cap companies continue to offer a compelling earnings outlook, but AI scrutiny isn't going away. Watching technicals closely. Slightly negative bias.
	Large/Mid Value	Neutral	Positive	Value stocks have garnered support from defensive and cyclical value sectors and energy this year, although growth stocks have fared well to start March as the AI trade has started working again. The persistence of AI skepticism may be the key to potential value outperformance once shipping bottlenecks clear in the Persian Gulf. The Committee hasn't seen enough yet to consider favoring value.
	Small Growth	Neutral	Positive	Attractive valuations, resilient economic growth, and impending Fed rate cuts are supportive, but elevated volatility and tighter credit markets are headwinds. Key to outperformance is a risk-on environment and one not led convincingly by mega-cap tech. Soft technicals.
	Small Value	Underweight	Negative	Attractive valuations, financial deregulation, booming capital investment, more domestic focus, and presumed second half Fed rate cuts are supportive. While some policy uncertainty has cleared and the outlook for banks has improved, balance sheet strength matters as volatility ramps up. Improved technicals.
Region	**United States**	Neutral	No Trend	AI investment, Fed rate cuts, and fiscal stimulus are keys to potential U.S. outperformance in 2026. Flight-to-quality on Iran war may also be supportive relative to non-U.S. AI scrutiny and valuations remain concerns, but the earnings growth outlook and the U.S. innovation advantage remain. Staying neutral.
	Developed International	Neutral	No Trend	Added deficit/defense spending in Europe, corporate reforms in Japan and attractive valuations are supportive. But U.S. dollar strength may be a near-term drag and U.S. technology underperformance, a key piece of international outperformance, may not continue much longer. For those looking for more non-U.S. exposure, STAAC prefers EM.
	Emerging Markets	Neutral	Positive	Heading into the Iran war, fundamentals, valuations and technicals were all aligning and moving us closer to an upgrade. Earnings are accelerating as EM is an AI play, valuations remain attractive, and technicals were positive. But given EM's dependency on Mideast oil and ongoing uncertainty, patience is prudent. And U.S. dollar strength may be a near-term drag on EM performance.

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

Continuing to Watch our "Shopping List" For Ideas Amid Market Rotation

STAAC has made one upgrade from the sector "shopping list" presented in LPL Research's *Outlook 2026: The Policy Engine* and that is industrials. Industrials enjoy strong earnings momentum and a favorable technical backdrop, while benefiting from fiscal stimulus and AI investment. The technology sector, where valuations have become attractive given near 30% earnings growth, remains on the shopping list, while another possible candidate for upgrade is healthcare, which benefits from greater policy clarity and relative insulation from AI disruption risk and high energy prices. The downgrade to consumer discretionary reflects weak relative strength, consumer spending fatigue as oil prices rise, and elevated valuations.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Basic Materials**		Positive	2.1	Outperformed for the fourth straight month in February (+8.3%) on chemicals and metals strength. Fiscal stimulus, the data center buildout, and shortages provided support through February, but the strong dollar has hurt so far in March.
	Consumer Discretionary	←	Negative	10.0	Worst sector performer In February (-5.4%) as oil prices rose and retailers continued to struggle with the K-shaped economy and tariffs. Job market slowed in February, though weather and strikes suggest weakness could soon reverse. Energy spike is a clear headwind to watch and valuations are elevated. **Downgrade to underweight.**
	Financial Services		Negative	12.5	Worst performing sector through the first two months of 2026 after losing 3.8% in February. AI-related stress in software loans and a potential oil-driven economic slowdown offset reasonable valuations, a steep yield curve, and de-regulation.
	Real Estate		No Trend	2.0	Second straight month of outperformance in February (+6.2%), led by storage and data center REITs, which offset losses in Costar Group (CSGP) and CBRE Group (CBRE). Defensive and income-oriented sectors have been in favor. Reasonable valuations but little growth.
Sensitive	**Communication Services**		Positive	10.5	Lagged in February (-5.1%) as AI plays Meta (META) and Alphabet (GOOG/L) were out of favor, which was only partly offset by strong gains in Paramount Skydance (PSKY) and Netflix (NFLX) as the merger drama played out. Sector still offers a solid growth at a reasonable valuation, but technical analysis conditions have softened.
	Energy		Positive	3.5	Added to year-to-date strength with strong February (+8.8%) as oil rose in anticipation of miliary action in Iran. U.S. natural gas gave back its weather-driven surge last month. War in Iran caused oil and gas prices to spike as March began and is the key driver near term; 20% of global oil goes through the Strait of Hormuz.
	Industrials	→	Positive	9.2	Outperformed for third straight month in February (+7.0%), as transports, defense, and machinery continued to perform well amid a sturdy economy. Business tax incentives, AI investment, and defense spending are tailwinds. Positive technicals. **Upgrade to overweight.**
	Technology		No Trend	32.8	Lagged for fourth straight month in February (-4.0%) amid increasing skepticism about massive AI investment and concerns about business disruption. Software disruption is a risk, but strong hardware and chip earnings are hard to ignore.
Defensive	**Consumer Staples**		Negative	5.3	Solid outperformer in February (+7.9%), benefiting from the rotation out of the AI theme and demand for defensive sectors insulated from AI risk. Not sure the growth justifies elevated valuations following strong YTD performance.
	Healthcare		No Trend	9.6	Solid performance in February (+3.4%) on big gains in Davita (DVA), Moderna (MRNA), and McKesson (MCK). Defensives have been in favor. Policy uncertainty is clearing. Attractive valuations. Improving technicals. Candidate for upgrade.
	Utilities		No Trend	2.5	Best sector performer in February (+9.9%), helped more by falling yields and the sector's defensive characteristics than the AI power demand narrative. Keys to near-term outlook centered on energy prices and rate response to Iran War.

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

Stuck Between the Iran Conflict and AI Displacement Concerns

The Treasury market is stuck between AI-driven job displacement concerns and the ongoing conflict in Iran. Earlier in the year, Treasury yields fell sharply as investors weighed the possibility that accelerated AI adoption could slow economic growth by displacing labor. Since the start of the Iran conflict, Treasury yields reversed sharply as investors began fearing the impact of rising energy prices on inflation. Taken together, the combination of rising inflation expectations and ongoing AI-related growth uncertainty argues for continued caution in interest-rate exposure. 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 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 4.50–4.75% range before reconsidering duration positioning.
		Neg.	**Neut.**	**Pos.**	**Rationale**
	Municipal Bond View		✓		Munis are off to a hot start in 2026 but the seasonal set-up for munis warrants attention as March through April have historically been weak months. Curve steepness suggests intermediate term allocations still offer the best risk/return but longer-term allocations worth a look as well.

		Overall View	Overall Trend	Rationale
Core Sectors	**U.S. Treasuries**	Neutral	No Trend	After initially falling throughout February, Treasury yields have reversed course on higher inflation concerns due to the ongoing conflict in Iran. Moreover, Fed rate cut expectations continue to get pushed out. That said, the 10-year yield is still within our 2026 forecast but would look to a 4.5–4.75% as potentially an attractive entry point. Technically, 10-year yields continue to consolidate between resistance near the 200-dma/4.20% area and support from the October lows at 3.93%.
Core Sectors	**Mortgage-Backed Securities**	Overweight	No Trend	Spreads have widened recently but are below longer-term averages. And while near-term momentum of falling interest rate volatility and constrained net supply will likely continue into the first half of the year, already tight spreads and eventually lower mortgage rates, which will increase prepayment risks, potentially cap returns for 2026.
Core Sectors	**Investment-Grade Corporates**	Underweight	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.
Core Sectors	**TIPS**	Neutral	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**	Neutral	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.
Plus Sectors	**High-Yield Corporates**	Neutral	No Trend	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.
Plus Sectors	**Bank Loans**	Neutral	Negative	The loan market is highly concentrated in software loans so downgrades and defaults will likely increase if AI risks are real. With Fed rate cuts expected to continue in 2026, yields will continue to fall. Broader default activity has moderated of late but "higher for longer" could increase repayment risks.
Plus Sectors	**Foreign Bonds**	Neutral	Negative	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.
Plus Sectors	**EM Debt**	Neutral	Positive	Valuations are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries.

Commodities and Currencies

Commodity Market Winning Streak Continues

Commodities continued to advance in February, with the Bloomberg Roll Select Commodity Total Return Index — built to reduce negative roll yield — rising 1.6%. This marked the seventh consecutive monthly gain for the complex, the longest such streak since 2003. The move was supported by broad-based buying, though volatility remained elevated. Heavy selling pressure in metals early in the month eased as geopolitical tensions in the Middle East intensified, culminating in late February U.S.–Israeli airstrikes on Iran. Safe haven demand strengthened initially, but rising oil prices reintroduced inflation concerns and weighed on precious metals. The U.S. dollar also firmed, supported by short covering among speculators holding sizable bearish positions.

Energy outperformed in February as markets continued to build a geopolitical risk premium into oil. The late month U.S.–Israel strike pushed Brent and West Texas Intermediate sharply higher, with momentum extending into March as prices reached their highest levels since 2022. The effective closure of the Strait of Hormuz temporarily removed roughly 20% of global oil supply from the market and contributed to disruptions in regional production. With crude briefly nearing $120, investors began to question how much additional geopolitical premium could be justified, particularly given the administration's focus on containing oil prices and reopening the Strait. More recently, momentum has faded following comments from Iran's Foreign Affairs Ministry that tankers "must be careful," a remark widely interpreted as de escalatory. Reports that Iran has already moved an estimated 11–12 million barrels through the waterway since the conflict began, along with comments from President Trump indicating the conflict is "very complete, pretty much," have further eased the war premium.

Precious metals staged a broad recovery in February following a historic late January collapse in silver. Silver plunged 26% on January 30 as crowded long positions rapidly unwound from extremely overbought levels, triggering sharp declines across the complex. Gold fell 14% from its January peak, while platinum and palladium saw even larger drawdowns. Oversold conditions and an increase in U.S. military presence in the Middle East helped revive safe haven demand. By month end, silver had rebounded 10% and gold gained 8%.

Industrial metals produced mixed results as new tariffs, geopolitical uncertainty, and rising oil prices weighed on the global growth outlook. Comex copper rose 1.4% in a volatile trading environment. Steel advanced 4.6%, supported by expectations of constrained supply from Iran, which accounts for roughly 3% of global iron ore output. Uranium, however, declined 13% and lagged the broader group.

Color Key: Positive Neutral Negative

Sector	Overall View	Overall Trend	Rationale
Energy	Neutral	Neutral	WTI's run toward $120 has raised doubts about how much additional geopolitical risk premium oil can absorb. The recent dip below the 2024 highs near $95 is encouraging, but volatility will likely remain elevated until there's clarity on reopening the Strait of Hormuz and the timeline for the U.S. exiting the Iran conflict. Natural gas also remains volatile after a 9% drop last month, with warmer weather limiting demand. Holding support near $2.77 will be important. **We acknowledge recent technical improvements in oil, but we're maintaining a neutral view on the energy sector until clearer signs of stability emerge.**
Precious Metals	Positive	Positive	Gold and silver have recovered after breaking parabolic uptrends at the end of January. We continue to view weakness as buying opportunities. Emerging relative strength trends point toward potential gold outperformance over silver. **We do not believe the bullish fundamental backdrop has changed and maintain our positive view on precious metals.**
Industrial Metals	Positive	Positive	Industrial metals remain volatile but continue to trend higher. Demand remains supported by surging AI capex, rising global infrastructure spending, improving global growth, and building electrification trends. Underinvestment in production and global trade policy have added to the supply/demand imbalance. **We maintain our positive view on industrial metals.**
Agriculture (Ag) & Livestock	Neutral	Neutral	Grains had a strong month, driven by a combination of weather uncertainty, Ukraine supply concerns, and rising demand for biofuel. Wheat and soybeans broke out from major bottoms, while corn appears ready to follow suit. Lean hogs jumped 10% last month and outperformed in livestock. **We maintain our neutral view on the ag & livestock space.**
U.S. Dollar	Neutral	Neutral	Safe-haven buying and reduced Fed rate cut expectations pushed the dollar above resistance at the 200-day moving average. A close above 100.40 would validate a breakout from the current range, while a sustained move below 96 would break a longer-term secular uptrend.

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

Trends Begin to Break Down

Alternative investment strategy performance remains mixed on the year and was broadly down in February. The HFRX Systematic Diversified CTA was the main laggard, with a decline of 2.5%. Losses were concentrated in their equity positioning, as many funds entered the month with long exposure across most domestic and international developed markets. On the year, these strategies are positive, led by strong gains in their long oil and crude oil exposure. While their equity exposure has been a headwind as markets decline on the Iran conflict, in the event of a prolonged sell-off, these strategies would be expected to go outright short and profit during a drawdown. 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. Our preferred approaches include equity market-neutral, nimble discretionary global macro, and event-driven strategies. In private markets, infrastructure, secondary private equity investments, and private credit remain our preferred strategies. Secondary private equity investments have seen strong momentum in deal volumes and a pickup in the number of participants. With more limited partners, including pensions and endowments, looking to monetize some of their holdings and rebalance their portfolios, as well as general partners looking to create continuation funds, the space has become more liquid and efficient, making it a more viable standalone strategy. There are several flags rising in the private credit market that we are actively considering. For example, there is an increased reliance on PIK structures (payment-in-kind interest) — where borrowers accrue, rather than pay interest — as companies seek to preserve cash. While PIK structures can be a useful tool in certain circumstances, higher usage levels can mask underlying stress and impact recovery values.

Color Key: Positive Neutral Negative

	Sector	Overall View	Rationale
Fundamental	**Long/Short Equity**	Positive	Elevated volatility and ongoing stock dispersion 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. The recent style rotation has been a headwind for managers who increased their growth and technology holdings last year.
Fundamental	**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.
Tactical	**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 asset classes, specifically equities and precious metals. 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 issues 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 are 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

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.

Not Insured by FDIC/NCUA or Any Other Government Agency	Not Bank/Credit Union Guaranteed	Not Bank/Credit Union Deposits or Obligations	May Lose Value