

Raising S&P 500 Target and Yield Forecast and Moving Up in Market Cap and Quality

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 September:

- Upgrade Large Value Overweight, Emphasis on Quality
- Downgrade Small Growth to Underweight
- Upgrade Consumer Discretionary to Underweight, Technology to Overweight.
- Downgrade Real Estate to Underweight, Industrials to Neutral.
- Increase S&P 500 Year-End Fair Value Target Range to 7,950 - 8,050.
- Increase 10-Year U.S. Treasury Yield Year-End Forecast to 4.75% - 5.25%.

STAAC Asset Class Tactical Views as of 10/01/26 (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 Equity	*	*	*	●	*

STAAC Sector Tactical Views as of 10/01/26

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

Source: STAAC as of October 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 the final month of the third quarter on a mixed note with the S&P 500 posting a slight loss. Gains in the technology and communication services were offset by declines across the nine remaining sectors as the seasonally weak month of September was marked by weak breadth. Several moving pieces were in play, but equity markets broadly took cues from the bond and energy markets. Risk sentiment was dampened as hot inflation inputs, ongoing fiscal jitters, and the first Federal Reserve (Fed) rate hike since 2023 spurred a big rally in Treasury yields, while intermittent ramps in hostilities and little diplomatic progress in the Mideast pushed oil prices up over 7%. However, the artificial intelligence (AI) theme provided some index-level resilience on new model and agentic AI enthusiasm.

Core bonds fell sharply last month, measured by a 3.5% loss in the Bloomberg U.S. Aggregate Index. The long-end led a backup in yields across the Treasury curve, leaving 10- and 30-year yields at multi-decade highs. Rising oil prices and sticky inflation angst played a role in the rate backup, but weak auctions, resilient economic data, lackluster buybacks, robust corporate issuance, and a shift toward hawkish Fed takeaways were all factors in government bonds' weakest month in two years. Corporate and mortgage-backed securities (MBS) underperformed.

Looking forward, LPL Research expects the AI-driven earnings strength will remain a key pillar of support for stocks through year-end despite a tricky macro and geopolitical backdrop. STAAC maintains its moderate equity overweight recommendation. A pickup in volatility related to policy uncertainty ahead of midterm elections is possible, but seasonal forces start to increasingly favor stocks in October.

In fixed income, sticky inflation and resilient economic growth will likely mean a reversal of (some of) the Fed maintenance rate cuts

that took place in 2025 (but we're not expecting a new rate hiking campaign), leaving Treasury yields range-bound, with the 10-year now expected to finish the year between 4.75% and 5.25%. In this environment, bond market returns may remain primarily driven by income, and we favor owning core bond sectors over lower quality riskier sectors.

The STAAC's recommended tactical asset allocation includes:

- A modest overweight stance toward equities, with a preference for high-quality large cap U.S. equities backed by resilient economic growth, AI innovation, and relative insulation from possible additional energy shocks.
- Slight preference for the value style over its growth counterpart. Strong earnings and an improved outlook for the growth-heavy technology sector are offset by cyclical tailwinds, relatively more attractive valuations, and energy strength on the value side.
- Favor technology. Strong earnings growth, significant technical momentum, and the reset of extreme positioning back to normal underpin our October sector upgrade.
- Energy. Oil prices may remain higher for longer given ongoing disruptions to tanker traffic in the Middle East. The sector offers a desirable hedge against potential additional energy disruptions and delays in restoring global production.
- Within fixed income, the Committee continues to believe the risk/reward favors owning core bond sectors over the riskier sectors.
- Within 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.

2026 MARKET FORECASTS

S&P 500 Tracking Above Bull Case Scenario

	Current
10-Year U.S. Treasury Yield	4.75% to 5.25%*
S&P 500 Index Earnings per Share	\$350
S&P 500 Index Fair Value	7,950–8,050**

Source: LPL Research, FactSet, Bloomberg

All indexes are unmanaged and cannot be invested into directly.

*Our updated 2026 year-end target for the 10-year Treasury yield is based on a Fed reversing (some of) the maintenance rate cuts from 2025 but also an elevated Treasury term premium 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 7,950–8,050, based on a price-to-earnings ratio (PE) of 20.5 and our S&P 500 earnings per share (EPS) forecast of \$390 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 10/01/26.

Member FINRA/SIPC

2026 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2026 (Y/Y, real GDP)
United States	2.0%
Eurozone	0.6%
Advanced Economies	1.5%
Emerging Markets	3.7%
Global	2.2%

Source: LPL Research, Bloomberg 10/01/26

The economic forecasts may not develop as predicted. Advanced Economies are the G-8.

Tactical Asset Allocation as of 10/01/26

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	28.5%	28.5%	0.0%	24.0%	24.0%	0.0%	18.0%	18.0%	0.0%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Large/Mid Value	31.5%	28.5%	3.0%	26.5%	24.0%	3.0%	20.0%	18.0%	2.0%	13.5%	12.0%	1.5%	6.5%	6.0%	0.5%
Small Growth	1.5%	9.5%	-8.0%	1.5%	8.0%	-7.0%	1.0%	6.0%	-5.0%	0.5%	4.0%	-3.5%	0.5%	2.0%	-1.5%
Small Value	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%
Thematic Equity	8.0%	0.0%	8.0%	8.0%	0.0%	8.0%	6.0%	0.0%	6.0%	4.0%	0.0%	4.0%	2.0%	0.0%	2.0%
U.S. Quality	8.0%	0.0%	8.0%	8.0%	0.0%	8.0%	6.0%	0.0%	6.0%	4.0%	0.0%	4.0%	2.0%	0.0%	2.0%
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%	27.5%	25.5%	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%	13.0%	14.0%	-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

Shifting From Small Growth to Large Value and Increasing Emphasis on Quality

We maintain our equity overweight recommendation, with an increased emphasis on large caps over small caps, value over growth, and an increased thematic preference for quality. This equity mix diversifies the AI theme and potential rotation beneficiaries, while limiting interest rate sensitivity with less small cap exposure. As October begins, historical seasonal patterns are turning positive and broad market indexes remain in solid uptrends at or near record highs, underpinned by steady economic growth and strong earnings.

By style, despite strong earnings on the growth side and our increasingly positive near-term outlook for the technology sector, our technical analysis work, cyclical tailwinds, and our sector preferences support a small tilt toward the value style. Regionally, the Committee favors the U.S. for continued growth potential and innovation driven by AI, alongside relative insulation from high oil prices. The Iran conflict, rising interest rates, heightened AI scrutiny, and policy uncertainty ahead of midterm elections remain key risks.

Color Key:

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

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	Large/Mid Growth	* * ● * *	No Trend	Stretched positioning and overbought technical conditions for technology have reset and growth style earnings remain strong, supporting our market weight position in large growth. But cyclical tailwinds and relatively more attractive valuations tilt slightly toward value. Our preference for large and midcaps over small caps reflects interest rate risk and technical analysis conditions.
	Large/Mid Value	* * → ● *	No Trend	Large value overweight reflects attractive relative valuations, cyclical tailwinds, and broader positive technical trends. Despite increasingly positive technology sector outlook, our energy overweight, consumer discretionary underweight, and emphasis on the quality factor are consistent with a tilt toward the value style.
	Small Growth	* ● ← * *	Negative	Downgrade reflects interest rate sensitivity and deteriorating technical conditions. Small growth stocks have not been getting credit for the resilient economy or strong profit rebound due to elevated inflation, rising rates, tighter monetary policy, and market's focus on large cap technology stocks.
	Small Value	* * ● * *	Negative	Positives including reasonable valuations, financial deregulation, booming capital investment, cyclical tailwinds, strong earnings growth and a domestic focus. While Fed rate hike fears and rising Treasury yields remain a headwind, relative valuations and technical analysis conditions support a neutral stance for now.
Region	United States	* * * ● *	Positive	Favor the U.S. for continued strong growth, AI innovation, booming earnings, and relative insulation from high oil prices and dwindling global energy supplies. The Iran conflict, scrutiny of heavy AI investment, potential Fed rate hikes, and narrow breadth are among the key market risks. Seasonality has turned positive.
	Developed International	* * ● * *	Negative	Fiscal expansion and more defense spending in Europe, corporate reforms in Japan, a strengthening yen, and valuations are supportive. Short term, an opening of the Strait of Hormuz could boost Europe and Asia, but the brewing French debt crisis, slow overall economic and earnings growth, and a firm U.S. dollar present headwinds that cause us to slightly favor EM over developed international.
	Emerging Markets	* * ● * *	No Trend	With the Iran conflict unresolved, global energy supplies tight, and China's lackluster economic growth and lagging stock market, a neutral EM stance seems prudent despite strong Asian chip and memory demand. EM is largely an AI trade given high semiconductor/memory allocations, which can create volatility.

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

Continue to Favor Energy to Help Mitigate Geopolitical Risk

STAAC recommends a slightly conservative equity sector mix, underweighting consumer discretionary while overweighting energy and industrials alongside a quality factor tilt within equities. Once a sustained resolution to the Iran conflict is reached and tanker flows in the Persian Gulf normalize, we anticipate a shift away from energy. Industrials remain well positioned to benefit from the ongoing AI buildout, but deterioration in technical conditions suggest patience. Generally, businesses with strong balance sheets have the best opportunity to benefit from AI, while consumers face more inflation pressure, supporting our recommended consumer discretionary underweight. Among neutral sectors, technology has exhibited the best recent technical trends and remains a potential upgrade.

Color Key:

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

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	Basic Materials	* * ● * *	Negative	1.6	Big laggard in September (-6.7%) on weakness in some specialty chemical, steel, and agricultural names. Lower gold and copper prices plus strong USD were headwinds. Data center buildout, tight supplies are helping, while China is not. Staying neutral.
	Consumer Discretionary	➡ ● * * *	Negative	8.6	Tough September (-5.8%) and 2026 (also down 5.8%) amid higher oil prices and sticky inflation. Weakness in travel booking sites autos, and casinos weighed on performance for the month. Negative technicals. Maintaining underweight.
	Financial Services	* * ● * *	Negative	11.4	Biggest September decliner (-7.2%) as banks face a flattening yield curve, capital markets cooled off, and alternative asset managers suffered outsized declines. YTD underperformer (-1.4%). Healthy IPO pipeline may help going forward.
	Real Estate	* ● ← * *	Negative	1.7	Lagged for second straight month in September (-6.1%) on rising interest rates. YTD laggard (+5.3%). Weakness in communication infrastructure and office hurt September performance. Rate sensitivity and technical weakness drove downgrade.
Sensitive	Communication Services	* * ● * *	No Trend	9.8	Big gainer in September (+4.3%) on Meta (META) rally and gains in Alphabet (GOOG/L), which offset weakness in cable and entertainment stocks including Netflix (NFLX). YTD laggard (+4.5%). Reasonable valuations.
	Energy	* * * ● *	Positive	3.5	Lagged in September (-2.7%) after outperforming the prior two months despite the 8% increase in WTI crude for the month. Still the top YTD performer (+40.3%). Refiners and majors held up best, while services and pipelines lagged. Attractive risk hedge against additional Gulf tanker disruptions. Attractive valuations. Strong technicals.
	Industrials	* * ● ← *	Negative	8.1	Lagged for third straight month in September (-4.5%) on weakness in trucking and logistics amid high diesel prices. Strength in power and airlines mitigated losses. Underperformer YTD (+8.5%). Business tax incentives and AI buildout remain tailwinds. Reasonable valuations. On watch due to deteriorating technical conditions.
	Technology	* * ➡ ● *	Positive	40.0	Second straight strong month in September (+4.5%) on strength in chips including AMD (AMD), Intel (INTC), and Marvell (MRVL). Strong YTD outperformer (+28.4%). Upgrade underpinned by positioning reset to neutral, strong AI buildout-driven earnings, fair valuations, improved technical momentum, and favorable seasonality.
Defensive	Consumer Staples	* * ● * *	No Trend	4.4	Down 3.3% in September on consumer headwinds, slow growth, and margin pressure. Walmart (WMT), Target (TGT), and tobacco names held up relatively well while food products lagged. Laggard YTD (+6.0%). Rich valuations. Middling technicals. Defensives out of favor.
	Healthcare	* * ● * *	Positive	9.1	Roughly in line in September (-0.9%) despite outsized gains for Moderna (MRNA) and Illumina (ILMN) as equipment group lagged Still up YTD (+10.2%) and third among 11 S&P sectors. Potential beneficiary of post-midterms policy clarity. Accelerating earnings. Attractive valuations. Much improved technical picture. Positive bias.
	Utilities	* * ● * *	Negative	1.9	Lagged again in September (-5.9%) with second straight monthly loss over 5%. Down 5.7% YTD. Rising interest rates and California wildfire related losses offset benefits of AI infrastructure/power demand tailwinds. Sub-par technicals. Negative bias.

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

Higher for Longer, Again

The Fed hiked short-term rates in September and signaled that additional rate hikes were likely. Importantly, we don't think this marks the start of a prolonged rate-hiking campaign. Rather, the Fed appears to be reversing some of the maintenance rate cuts that took place in 2025. With markets already pricing in three additional hikes through 2027, Treasury yields will likely remain elevated until economic data suggest further tightening is no longer necessary.

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

Color Key:

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

		Low	Med	High		Rationale
Current Stance	Credit Quality Preference			✓		We recommend an up-in-quality approach to fixed income allocations. Yields in lower-quality sectors remain at or below longer-term averages, so we believe the risk/reward favors core bonds over riskier sectors. Higher yields are also beginning to pressure lower-quality issuers.
		Short	Inter.	Long		Rationale
	Duration Preference		✓			The combination of still high inflation 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.
		Neg.	Neut.	Pos.		Rationale
Core Sectors	Municipal Bond View		✓			Tax-loss harvesting and record supply weighed on municipal bond returns in September. However, higher yields in this still high-quality market present attractive opportunities. We favor maintaining exposure to high-quality municipal bonds, emphasizing intermediate maturities and allowing attractive tax-exempt income to compound over time.
		Overall View		Overall Trend		Rationale
	U.S. Treasuries	• • ● • •		Negative		Treasury yields have steadily moved higher recently, with the 10-year reaching its highest level since 2007. Increased rate-hike expectations and a normalization of the Treasury term premium have been key drivers of the move. We recently raised our year-end 10-year yield target and now expect it to finish the year between 4.75% and 5.25%.
	Mortgage-Backed Securities	• ● • • •		Negative		With uncertainty around Fed guidance, interest-rate volatility will likely remain elevated, creating a headwind for MBS. However, supply-demand dynamics remain favorable, and attractive yields and wider spreads have improved the asset class's appeal. Still, elevated volatility will likely limit meaningful spread tightening from current levels.
Plus Sectors	Investment-Grade Corporates	• ● • • •		Negative		We prefer high-quality intermediate credit and would take spread risk in the front-to-belly of the curve, not the long end where AI supply is expanding and the buyers aren't. At these spread levels you aren't paid to be a hero in the sector absorbing the largest capital cycle in a generation. One – five-year corporate ladders remain attractive.
	TIPS	• • ● • •		Negative		Despite recent high inflation prints, inflation expectations remain well anchored. But all-in real yields for TIPS remain attractive, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
	Preferred Securities	• • ● • •		Negative		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	• • ● • •		Negative		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. Higher rates are starting to weigh on lower rated issuers as well.
Plus Sectors	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	• • ● • •		Negative		Yields have moved higher recently and are near multi-decade highs. Near-term pressures could keep yields elevated, though dollar-hedged investments remain attractive for investors able to move away from benchmark exposures. French sovereign risks could also create regional contagion and further upward pressure on yields.
	EM Debt	• • ● • •		Negative		Valuations/yields are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries. It's an environment for active management.

Commodities and Currencies

Overcoming Headwinds

The broader commodities complex inched higher in September, with the Bloomberg Roll Select Commodity Total Return Index gaining 0.3% for a third straight monthly advance. Strength in energy drove the gains as geopolitical tensions, a temporary disruption to Saudi Arabia's East-West pipeline, and rising European natural gas prices offset headwinds from a stronger dollar and higher rates.

Outside of energy, commodities struggled. Precious metals came under pressure as the dollar strengthened and real yields moved higher, with gold and silver falling 6.3% and 9.2%, respectively. Gold eventually found support near \$4,100, highlighting how even structurally supported assets remain sensitive to shifts in rates, the dollar, and positioning. Copper was a bright spot, gaining 0.4% on tight supply, front-loaded U.S. imports ahead of potential tariffs, and continued demand tied to electrification, power-grid investment, and AI infrastructure.

The U.S. Dollar Index rallied roughly 2% in September as rising real yields and a more hawkish Fed supported the greenback. Additional pressure on the euro from fiscal and growth concerns in France helped push the dollar above its June highs near 101.75, with 102.86 and the 106-107 area representing the next key resistance levels.

Color Key: ● Positive ● Neutral ● Negative

Sector	Overall View			Overall Trend	Rationale
Energy	.	.	●	Positive	Supply risks continued to support energy prices last month. Brent crude rallied more than 14%, holding above support near \$102. A close above \$108 would confirm a breakout from the current bullish flag pattern and open the door to a retest of the March-April highs. Despite signs of easing geopolitical tensions, tight physical supplies and a strong technical backdrop continue to favor higher prices. We remain positive on the energy sector.
Precious Metals	.	.	●	Positive	Precious metals lagged last month due to rising rates and a stronger dollar. Gold pulled back over 6% but managed to hold support at \$4,100. A close above the 20-day moving average (dma) would validate a breakout from the current falling wedge pattern and introduce upside potential back toward the 200-dma. Silver has followed a similar price path but remains above support off the July lows near \$55. The longer-term fundamental backdrop remains constructive, and we view the recent weakness as part of a broader bottoming process, provided the summer lows remain intact. We maintain our positive view on precious metals.
Industrial Metals	.	.	●	Positive	Industrial metals broadly declined in September, with copper remaining a notable exception. Nickel fell 5.6% and broke below several key support levels, while copper advanced further into record-high territory. Despite the mixed performance, the broader group remains in an uptrend and is testing support near its 200-dma. Longer-term tailwinds from AI-related capital spending, constrained supply growth, global infrastructure investment, and electrification remain intact. We maintain our positive view on industrial metals.
Agriculture (Ag) & Livestock	.	●	.	Neutral	Agricultural commodities faced selling pressure last month, with softs notably underperforming. Grains were led lower by nearly an 11% drop in wheat. Overbought conditions coming into month end and speculation over easing supply disruptions in the Black Sea underpinned selling pressure. Soybeans rose just over 1%, supported by lower-than-expected production and increased China buying. In livestock, feeder cattle rose nearly 5% as supply tightened, while lean hogs dropped 6%. We maintain our neutral view on ags and the livestock sector.
U.S. Dollar	.	.	●	Positive	The U.S. Dollar Index rallied roughly 2% in September as rising real yields and the shift toward tighter monetary policy supported the greenback. Fiscal and growth concerns in France added pressure to the euro, the largest component of the index. Technically, the dollar surpassed its June highs around 101.75, leaving 102.86 and the 106-107 range as the next resistance hurdles to clear.
Crypto	.	.	●	Positive	Bitcoin rallied 6% in September during a volatile month of trading. Congress' failure to advance the Clarity Act weighed on sentiment intra-month before risk appetite returned. Technical evidence continues to suggest the bear market lows were likely reached this summer.

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

Narrow Leadership

Alternative investment strategies faced a challenging but increasingly differentiated environment in September as higher interest rates, firmer energy prices, and narrow artificial intelligence leadership divided markets. Long/short managers generally declined but experienced wide dispersion. The HFRX Equity Hedge Index fell 1.0%, failing to outperform the 0.4% decline of the S&P 500. Narrow leadership was a headwind for diversified strategies, as the information technology sector gained 4.5% and was responsible for preventing any additional losses in the broader benchmark. The HFRX Equity Hedge: Market Neutral fared better with a gain of 0.2%, as managers often balance long and short exposure across sectors and were not as impacted by the larger moves across sectors.

Macro-oriented strategies navigated the cross-asset repricing more constructively. The HFRX Macro/CTA Index gained 2.8%, while trend followers, as measured by the HFRX Macro: Systematic CTA Index gained 1.3%. The 10-year Treasury yield rose 54 basis points to 5.29%, its largest monthly increase in four years, while the 30-year yield increased 34 basis points to 5.62%. The Federal Reserve raised its policy rate by 25 basis points to 3.75–4.00%, reinforcing expectations for tighter policy as officials emphasized persistent inflation and resilient growth. Short fixed-income exposure likely contributed positively to trend-following strategies, while higher oil prices and a stronger dollar provided additional directional opportunities. Equity trends were less straightforward, as resilient headline indexes masked broad weakness below the surface. The HFRX Event Driven Index declined 0.33% through mid-month, while the HFRI Event Driven: Merger Arbitrage Index declined 0.2%. Deal activity continued to provide opportunities, but higher financing costs and discount rates increased the importance of transaction quality, balance-sheet strength and deal-specific catalysts.

We continue to favor strategies positioned to capitalize on elevated dispersion and changing market regimes, including equity market-neutral and nimble discretionary global macro approaches. September's combination of narrow equity leadership, tightening monetary policy, rising Treasury yields, and stronger energy prices broadened the opportunity set for flexible managers. Within managed futures, we favor diversified exposure across trading speeds and asset classes rather than reliance on a single dominant trend. September also reinforces the potential portfolio value of alternatives when stocks and bonds are simultaneously pressured by higher discount rates. Long/short and market-neutral managers can target the widening divide between AI beneficiaries and rate-sensitive companies, while macro managers can reposition around monetary-policy, currency, and commodity trends.

Color Key: ● Positive ● Neutral ● Negative

	Sector	Overall View			Rationale
Fundamental	Long/Short Equity	.	.	●	An increase in 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	.	.	●	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, in particular, have pipelines of mega-cap deals, which has resulted in a period of active index rebalancing.
Tactical	Global Macro	.	.	●	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	.	●	.	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 large long equity and short bond exposure. In this environment, a broadly diversified allocation across sub-strategies is preferred.
Multi-Strategy	Multi-PM Single Funds	.	.	●	Multi-strategy funds should continue to benefit from the ability to dynamically invest across alternative investment strategies.
	Specialty Strategies	.	●	.	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/less 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 10/01/2026

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 as of 10/01/2026

Asset Class	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
Large Growth	22.795%	22.795%	0.000%	19.200%	19.200%	0.000%	14.400%	14.400%	0.000%	9.600%	9.600%	0.000%	4.800%	4.800%	0.000%
Mid Growth	5.705%	5.705%	0.000%	4.800%	4.800%	0.000%	3.600%	3.600%	0.000%	2.400%	2.400%	0.000%	1.200%	1.200%	0.000%
Large Value	25.195%	22.795%	2.400%	21.195%	19.200%	1.995%	16.000%	14.400%	1.600%	10.800%	9.600%	1.200%	5.200%	4.800%	0.400%
Mid Value	6.305%	5.705%	0.600%	5.305%	4.800%	0.505%	4.000%	3.600%	0.400%	2.700%	2.400%	0.300%	1.300%	1.200%	0.100%

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.

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
--	-------------------------------------	--	----------------