LPL RESEARCH

Tactical Asset Allocation Guide

3-12 Month View Across Asset Classes

September 2026

Higher Rates, Higher Hurdles

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 August:

- **No Changes**

STAAC Asset Class Tactical Views as of 09/01/26 (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 09/01/26

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

Source: STAAC as of September 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

The S&P 500 snapped back-to-back monthly losses with a healthy 2.6% advance in August, led by the natural resources and technology sectors. Stocks rallied early in the month as risk sentiment received a lift during a blockbuster second quarter earnings season and a cleaner positioning setup following July's momentum unwind. Artificial intelligence (AI) bellwether NVIDIA (NVDA) concluded the stellar reporting season with a blowout 2027 revenue forecast. However, the theme saw a succession of sell-offs and rebounds as headlines shifted between compute demand, upbeat revenue guidance, and expanding spending plans versus datacenter pushback, circular financing, and supply constraints. Otherwise, a hawkish-tilted Jackson Hole speech and mixed economic data kept a lid on equity market gains.

Core bonds, measured by the Bloomberg U.S. Aggregate Index (Agg), added 0.4% in August. Rates markets faced quite a bit of noise last month as 30-year Treasury yields briefly touched their highest level since 2007 after the Treasury Department announced increased buyback plans following a meaningful run-up in yields. Nonetheless, front-end yields saw the largest monthly rise after climbing in response to Federal Reserve (Fed) Chair Warsh expressing his dedication to taming sticky inflation. Corporate and mortgage-backed securities (MBS) outperformed the Agg.

Looking forward, LPL Research expects that an improving but challenging macro backdrop and AI-driven earnings strength will remain key pillars of support that may help the broader equity advance continue through year-end. STAAC maintains a moderate equity overweight recommendation while staying diversified across the AI theme and potential rotation beneficiaries. As September begins and midterm elections approach, a pickup in volatility is expected during a historically challenging seasonal period.

In fixed income, sticky inflation and resilient growth are likely to keep the near-term path of Fed policy less certain, leaving Treasury yields range-bound, with the 10-year expected to finish the year between 4.00% and 4.50%. 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 U.S. equities backed by resilient economic growth, AI innovation, and relative insulation from possible additional energy shocks.
- Balanced Style Exposure. Despite strong earnings on the growth side, the bar for technology remains high and our technical analysis work suggests at least market-weighting in the value style.
- Favor industrials. Earnings momentum remains strong for this AI buildout beneficiary, although recent underperformance warrants attention as the sector tests key support levels.
- 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	4.00% to 4.50%*
S&P 500 Index Earnings per Share	$320
S&P 500 Index Fair Value	7,650–7,750**

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 a Fed on pause throughout the year but also a slight steepening of the Treasury 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 7,650–7,750, based on a price-to-earnings ratio (PE) of 22 and our S&P 500 earnings per share (EPS) forecast of $350 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 09/01/26.

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 09/01/26
The economic forecasts may not develop as predicted. Advanced Economies are the G-8.

Tactical Asset Allocation as of 09/01/26

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	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%
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	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	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.0%	0.0%	1.0%
U.S. Quality	3.0%	0.0%	3.0%	4.0%	0.0%	4.0%	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.0%	0.0%	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%	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

Maintaining Equities Overweight With Empasis on Quality

We maintain our moderate equity overweight recommendation, while staying diversified between the AI theme and potential rotation beneficiaries. We recommend implementing the overweight via a quality factor tilt to achieve upside participation while helping to mitigate downside risk following the S&P 500 breakout to new highs in early August.

By style, despite strong earnings on the growth side, our technical analysis work suggests at least a market-weight position in 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 and dwindling global energy supplies. The Iran conflict, heightened AI scrutiny, seasonal factors, and upcoming midterm elections remain key risks for stocks.

Color Key:
Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large/Mid Growth**	Neutral	No Trend	Stretched positioning and overbought technical conditions for technology have reset, but our technical analysis work favors balanced style exposure with a slight positive bias toward value. While AI-driven earnings growth prospects remain very strong, reinforced by NVIDIA's (NVDA) Q2 results, expectations remain high. Our energy overweight and consumer discretionary underweight tilt toward value.
Market Capitalization and Style	**Large/Mid Value**	Neutral	No Trend	In the near term, if the AI trade continues to consolidate and/or experience an intra-theme rotation (to software from semis), then the value style may outperform in the near term. If markets are choppy in the near- erm, a high-quality factor tilt may be helpful. Energy continues to support the value side. Slight positive bias toward value.
Market Capitalization and Style	**Small Growth**	Neutral	No Trend	A resilient economy and resurgent earnings are supportive, but a dampened environment for risk-taking amid sticky inflation and rising Fed rate hike expectations has resulted in subdued recent performance. Small growth failed to get a boost from a strong August for the technology sector. Staying neutral.
Market Capitalization and Style	**Small Value**	Neutral	No Trend	Positives including reasonable valuations, financial deregulation, booming capital investment, and a domestic focus were offset by rate hike fears. As interest rates head higher, the relatively weaker balance sheets of smaller companies can become a liability. Technicals are slightly better for small growth than for small value.
Region	**United States**	Overweight	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 seasonal weakness ahead of midterm elections are among the key market risks.
Region	**Developed International**	Neutral	No Trend	Increased deficit/defense spending in Europe, corporate reforms in Japan, a strengthening yen, and relative valuations are supportive. In the short term, an opening of the Strait of Hormuz could provide Europe and Asia with a performance boost, balanced against slower economic and earnings growth and a firm U.S. dollar.
Region	**Emerging Markets**	Neutral	No Trend	With the Iran conflict unresolved, global energy supplies tight, and China lagging, a neutral EM stance seems prudent despite strong Asian chip and memory demand. The MSCI EM Index has a higher weighting in the technology sector than the S&P 500, essentially making EM an AI trade, which can be volatile.

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 Industrials for Growth and Energy for Defense

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 the Strait of Hormuz clears, we would consider a shift away from energy. Industrials remain well positioned to benefit from the ongoing AI buildout but are nearing a technical inflection point on the charts. 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, technical trends suggest healthcare, financials, and technology are among the potential second-half upgrades.

Color Key:

Strong Overweight · Overweight · Neutral · Underweight · Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	**Basic Materials**	· · ● · ·	No Trend	1.8	Outperformer in August (+5.8%) on strength in gold, copper, and agriculture, while steel stocks fell. YTD outperformer (+15.6%). Data center buildout, tight supplies, and toppy U.S. dollar are supportive. Chinese demand remains soft. Staying neutral.
Cyclical	**Consumer Discretionary**	● · · · ·	Negative	9.3	Flat August and laggard YTD (-0.4%) amid higher oil prices and sticky inflation. Weakness in cruise lines and apparel retailers hurt August performance, though an 18% rally in Tesla (TSLA) pared losses. Negative technicals. Maintaining underweight.
Cyclical	**Financial Services**	· · ● · ·	Positive	12.3	Slight August laggard (+1.2%) despite strength in innovative brokers Coinbase (COIN) and Robinhood (HOOD). Robust capital markets, de-regulation, and valuations provided support, offset by fears of rate hikes and a flatter yield curve. YTD underperformer (+5.1%). Slowing earnings growth. Improving technicals.
Cyclical	**Real Estate**	· · ● · ·	No Trend	1.8	Underperformed for first time in three months in August (-2.0%). Slight YTD laggard (+10.1%). Weakness in consumer retail and hotels hurt August performance, partly offset by gains in technology REITs. Reasonable valuations. Middling technicals.
Sensitive	**Communication Services**	· · ● · ·	Negative	9.7	Lagged in August (-1.2%) on weakness in Alphabet (GOOG/L). Cable and entertainment stocks helped the sector pare monthly losses, including double-digit gains in Netflix (NFLX) and Disney (DIS). YTD laggard (-0.3%) hurt by Meta (META) weakness. Reasonable valuations. Deteriorating technicals. Negative bias.
Sensitive	**Energy**	· · · ● ·	Positive	3.2	Top performing sector for second straight month in August (+6.5%) and YTD (+41.4%). Crude prices rose about 2% in August, but ongoing Mideast disruptions propped up energy's risk premium. Services sector led. Attractive risk hedge against additional Mideast attacks and shipping delays. Attractive valuations. Strong technicals.
Sensitive	**Industrials**	· · · ● ·	No Trend	8.8	Lagged for second straight month in August (-2.7%) on weakness in airlines and aerospace. Still a slight outperformer YTD (+12.7%). Business tax incentives and AI buildout remain tailwinds. Earnings expectations have adjusted to appropriate levels. Valuations are reasonable. Technicals approaching key support levels. On watch.
Sensitive	**Technology**	· · ● · ·	Positive	37.7	First winning month in three in August (+6.5%) on software rebound, paced by Palantir (PLTR), Salesforce (CRM), and ServiceNow (NOW). Solid YTD outperformer (+22.4%). Stretched positioning and overbought conditions that drove June downgrade have reset. Reasonable valuations. Favorable technicals. Positive bias.
Defensive	**Consumer Staples**	· · ● · ·	No Trend	4.5	Down 0.8% in August on consumer headwinds and margin challenges amid lackluster growth outlook. Walmart (WMT) weighed on August returns, while General Mills (GIS) and Target (TGT) were monthly winners. Rich valuations. Middling technicals.
Defensive	**Healthcare**	· · ● · ·	Positive	8.9	Outperformed in August (+4.8%) on Moderna (MRNA) surge and strong gains in drug leaders Vertex (VRTX), Pfizer (PFE), and Merck (MRK). Still lagging YTD (+9.9%). Potential beneficiary from midterms based on history. Accelerating earnings. Attractive valuations. Much improved technical picture. Positive bias.
Defensive	**Utilities**	· · ● · ·	Negative	2.1	Worst sector performer in August (-5.2%) and YTD (-1.6%) on rising interest rates and California wildfire related losses in PG&E (PCG) and Edison International (EIX), which offset 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

Signs Point to a Normalization, Not a Crisis

August's bond market drama fueled fears of debt spirals and bond vigilantes as U.S. debt topped $40 trillion, long-term yields hit multi-decade highs, and policymakers stepped in. Yet the market behaved more like a normalization than a crisis: higher yields attracted buyers rather than driving them away, suggesting that the adjustment reflects repricing rather than dysfunction.

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 at 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 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. We would look for the 10-year Treasury yield to reach the 4.75–5.00% range before reconsidering duration positioning.
		Neg.	**Neut.**	**Pos.**	**Rationale**
	Municipal Bond View		✓		Record demand has helped keep prices contained despite the record pace of new supply. Fiscal support has run off, downgrades are picking up, and dispersion is widening, so selection matters again. 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
Core Sectors	**U.S. Treasuries**	· · ● · ·	Negative	Treasury yields have steadily moved higher recently with the 10-year higher by 60 basis points this year. Additionally, two-year yields are higher by 90 basis points year to date. Increased rate hike expectations and a normalization of the Treasury term premia are proximate causes for the increase in yields. While above our year-end target, we think there is still room for yields to move higher.
	Mortgage-Backed Securities	· ● · · ·	No Trend	With the uncertainty surrounding Fed forward guidance, interest volatility will likely increase, which is negative for MBS. But supply/demand dynamics remain favorable. All-in bond yields remain compelling, but spreads remain tight, so the asset class is better suited for income investors.
	Investment-Grade Corporates	· ● · · ·	No Trend	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	· · ● · ·	No Trend	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.
Plus Sectors	**Preferred Securities**	· · ● · ·	No Trend	Valuations/spreads are back to historical averages, but all-in yields remain attractive for income-oriented investors. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but the environment favors active management.
	High-Yield Corporates	· · ● · ·	Positive	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 leaving current valuations fair.
	Bank Loans	· · ● · ·	Positive	The loan market is highly concentrated in software loans so downgrades and defaults will likely increase if AI risks are real. The Iran conflict has pushed out rate cut expectations, and while broader default activity has moderated of late, "higher for longer" could increase repayment risks.
	Foreign Bonds	· · ● · ·	No Trend	Yields have moved higher recently and are at their highest levels in decades. Near-term pressures could keep yields high, but dollar-hedged investments look attractive for those investors that can take off benchmark exposures.
	EM Debt	· · ● · ·	Positive	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

Commodities Climb to Record Highs

Commodities finished August in record-high territory after another strong rally. Broad-based buying pressure lifted the Bloomberg Roll Select Commodity Total Return Index 7.7% and pushed it above resistance from the May highs. The index ended the month up 30% on the year, more than double the S&P 500's price return of 12.3%. Beyond the record high rally, the other notable technical development last month was a bullish trend reversal in the Bloomberg Roll Select Commodity Total Return-to-S&P 500 Total Return ratio chart, which broke out of a double-bottom pattern. The breakout suggests that a more durable trend change toward commodity outperformance over equities could be underway.

A weaker dollar, intensifying supply shocks, and building demand for hard assets underpinned the advance across the commodities complex. The dollar's slide was driven by an intramonth softening in rate-hike expectations, mostly unwound by month end, and by debasement-trade dynamics following a sequence of Treasury actions, including a joint U.S.-Japan currency intervention and the doubling of the Treasury buyback program for longer-dated securities beginning in September. Escalating geopolitical tensions in Iran and between Russia and Ukraine, along with a range of weather disruptions, further intensified supply concerns. Freight costs also climbed as supply chains grew more fragmented.

Color Key: ● Positive ● Neutral ● Negative

Sector	Overall View			Overall Trend	Rationale
Energy	·	·	●	Positive	Energy commodities were mostly higher in August. Brent crude finished near the flatline during a volatile month. Mixed messages on the status of U.S.-Iran negotiations left prices subject to headline risk. The status of the Strait of Hormuz reopening was another moving target amid contradicting reports of transit flows. The message from the physical market has been more clear and consistent, supply remains extremely tight due to constrained refiner capacity, export bottlenecks, and export bans. Technically, Brent crude has broken out of a short-term consolidation range and is approaching resistance off the summer highs. A decisive breakout above $102 could introduce upside risk toward the April/May highs. **We remain positive on the energy sector.**
Precious Metals	·	·	●	Positive	Precious metals traded higher last month, benefiting from the debasement-trade theme and softer dollar. Silver led with a 15.6% gain that reversed a downtrend off the January highs. Gold added nearly 10% and also reversed a downtrend. Rising ETF demand and central-bank buying, including China's largest monthly purchase since 2023, provided added tailwinds for the yellow metal. Technically, gold's next test sets up at the 200-day moving average, with key support coming into play in the $4,200–$4,300 range. **We maintain our positive view on precious metals.**
Industrial Metals	·	·	●	Positive	Industrial metals were mostly higher last month. Copper added 2% and held near-record highs. Tight supply and rising imports into the U.S. ahead of potential tariffs supported price action. AI-related capital spending, constrained supply growth, global infrastructure investment, and electrification trends also remain key tailwinds. **We maintain our positive view on industrial metals.**
Agriculture (Ag) & Livestock	·	●	·	Neutral	Agricultural commodities outperformed, with corn, cotton, sugar, and wheat all posting double-digit gains. Extreme weather tied to El Nino weighed on production estimates, while record-low water levels and intensifying Russian strikes on Ukrainian ports in the Black Sea crimped supply. Chinese buying provided additional support. Several grains have broken out from major bottoms, with most softs following suit. Livestock materially underperformed, with lean hogs and live cattle breaking uptrends. **We prefer ag over livestock within the sector.**
U.S. Dollar	·	●	·	Neutral	The U.S. Dollar Index slipped 0.3% in August and broke below support at its 200-day moving average. The dollar has also decoupled from U.S. rates as the debasement trade has gained momentum. A break below 98.50 would bring support at 97.62 into focus, followed by a potential retest of the lower end of its trading range and secular uptrend.
Crypto	·	●	·	Neutral	Bitcoin surged over 25% in August. Oversold conditions, short covering, and the broader rotation away from the dollar underpinned the advance. The White House's continued push for the Clarity Act provided additional support. Technical progress has been made, and a close above 82,807 would add to the evidence of a bottom likely being set.

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

Long/Short Equity Reset

Alternative investment strategy performance stabilized in August, with equity-oriented strategies recovering a portion of July's setback, while manager-level dispersion remained wide. Long/short managers participated in the rebound but lagged the broad market, as the HFRX Equity Hedge Index returned 1.4%, against a 2.7% gain for the S&P 500 and 0.4% for the Bloomberg Aggregate Bond Index. The gap was primarily a positioning outcome rather than a security-selection one, as managers entered the month having carried materially lower exposure following July's deleveraging and were under-exposed when AI leadership reasserted itself. Overall, managers are actively repositioning themselves against higher rates and more scrutiny around the rising levels of capex and the timing of when investors should expect a return on investment. Exposure to AI remains the main theme. However, the impact of tariffs and the longer-term costs to business related to an increase in energy prices remain in focus.

Trend-following strategies continue to perform well, as the HFRX Macro: Systematic Diversified Index returned 2.4%, bringing it to 9.8% year to date. The composition of trend returns is worth noting, as short bond exposure in the U.S., Germany, and Japan was profitable, while U.S. dollar shorts, long equity, and long gold also contributed to performance. Gains from all four asset classes represent an ideal environment for the industry. However, investors should watch the high level of short bond and long equity levels in the event of a swift reversal in those markets. The HFRX Event Driven: Merger Arbitrage returned 0.9% as announced deals moved closer to their acquisition prices. A higher-rate environment typically leads to higher merger arbitrage deal spreads. However, at the same time, the increase in financing costs could reduce the overall level of deals and, in turn, increase deal concentration.

We continue to favor strategies positioned to capitalize on elevated dispersion and changing market regimes, including equity market neutral, nimble discretionary global macro, and event-driven approaches. The prospective shift from a Fed on hold to a Fed contemplating hikes represents precisely the kind of regime transition that rewards managers with the flexibility to reposition quickly and reinforces our view that a diversified allocation to alternatives can enhance portfolio resilience while providing differentiated sources of return across varying market environments.

Color Key: Positive Neutral Negative

	Sector	Overall View	Rationale
Fundamental	Long/Short Equity	Positive	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.
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, in particular, have pipelines of mega-cap deals, which has resulted in a period of active index rebalancing.
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 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	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 07/01/2026

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 07/01/2026

	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	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	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 Value	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%

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.