

QUARTERLY 4Q26

TACTICAL ASSET ALLOCATION



Stocks beat bonds again last quarter as a \$1 trillion-a-year capital spending boom in artificial intelligence pushed earnings forecasts to a record. We acknowledge that profit margins have climbed well above what we once thought likely, and we believe they sit above what the long run will support. But the cycle shows little sign of turning at the moment. Meanwhile, the end of cheap credit may start to bite: long-term Treasury yields near 5.7%, mortgage rates above 7%, and sharply higher borrowing costs for weaker companies and deficit-running governments could eventually pose challenges to valuations.

Rising wealth is keeping spending and inflation firm, which gives yields little reason to fall. Following our discipline and the data (see WCA Barometer on page 3) we stay overweight stocks, underweight duration, and prefer mortgages to corporate credit.

What the Cycle Is Telling Us

Stocks again beat bonds last quarter, as long-term Treasury bonds came under pressure and corporate earnings forecasts hit a fresh record. Confidence that investments in artificial intelligence (AI) will pay off in the long run remains intact, while today's surging capital spending is driving higher short-term profit forecasts. Forecast S&P 500 profits now stand near \$3.5 trillion in the year ahead. At this time last year, that figure was roughly \$2.5 trillion. Much of this \$1 trillion increase stems from surging capital spending on data centers and related AI infrastructure. Capital spending by the major hyperscalers — Microsoft, Amazon, Alphabet, Meta, and Oracle—is expected to run near \$1 trillion a year through 2027. Spending cycles of that size have historically pulled earnings growth well above trend.

We should be candid about what this has meant for our own thinking. Several years ago we argued that profit margins would gradually revert toward their long-term average. They have not. Margins have instead pushed to levels we considered unlikely, and the capital spending boom is a major reason why. That said, we have not abandoned the underlying idea that profitability follows a long-term trajectory as well as a short-term cycle. Capital spending of today's magnitude cannot continue indefinitely, and when it slows, the earnings it is pulling forward will be harder to sustain. We believe that today's nearly 17% S&P 500 profit margin is well above what profitability is likely to support

should capital spending normalize. The question is not whether the gap closes, but how and when. For now, we see little sign that the cycle has begun to roll over.

End of Cheap Money?

As stocks have enjoyed a tailwind of rising capital spending and profit forecasts, bond markets have struggled. Yields on 30-year U.S. Treasury bonds have surged to nearly 5.7% after falling to a low of 1% during the pandemic year of 2020. The era of low, no, or negative-yielding global debt is gone, and the cost of that shift is starting to bite.

AS IT STANDS TODAY, THE DYNAMICS OF CONFIDENCE AND INVESTMENT CONTINUE TO POINT TO A POSITIVE ENVIRONMENT FOR STOCKS OVER BONDS AS WE ENTER THE FINAL QUARTER OF THE YEAR.

Consumers are seeing it in higher mortgage rates. The average 30-year mortgage rate in the United States has climbed to 7.4%, far above the 3% to 5% range that held from 2010 through 2022. Weaker corporate borrowers are also starting to feel the pinch. Yields on CCC-rated corporate debt have risen to nearly 10%, and governments that have run large deficits for years, such as Japan and France, are now seeing a sharp rise in their own borrowing costs. In short, cheap credit is still available to the strongest borrowers. For others, it is getting scarcer by the day.

Yet confidence among investors remains strong. It shows in analysts' earnings forecasts and in the \$10 trillion increase in equity values in the United States. This is helping to drive household wealth, which rose by \$14 trillion to \$185 trillion through June. Higher wealth, at least on paper, may be contributing

to sustained spending amid higher costs.

Core inflation for personal expenditures has remained above target, with average expenditures, excluding fuel and food, up more than 3.1% year over year. Including fuel and food, the increase nearly doubles to 6.1%. As long as paper wealth keeps spending firm and inflation sticky, long-term yields have little reason to fall.

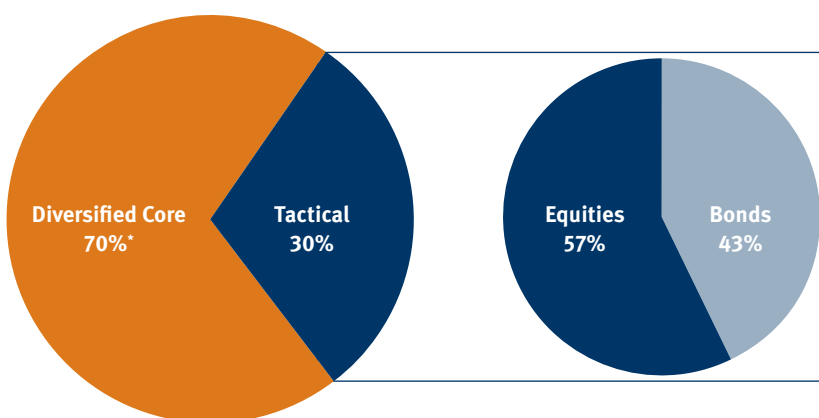
What It Means for Positioning

Put these threads together, and a picture emerges. Capital spending is driving earnings, earnings are driving stock prices, stock prices are driving wealth, wealth is driving spending, and spending coupled with investment demand for capital is keeping inflation and yields elevated. Elevated yields, in turn, squeeze the borrowers least able to bear them. Our positioning follows from that picture. We remain overweight stocks relative to bonds because the earnings cycle shows little sign of rolling over, even though we believe margins sit above their long-run level and should eventually weigh on long-run equity returns.

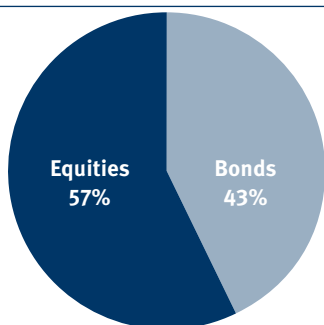
Meanwhile, higher yields are putting downward pressure on bond prices, which should eventually increase long-run potential returns. Yet, poor relative performance and positive readings in our WCA Barometer keep us tactically underweight duration with little immediate reason to bet on falling yields. And we favor government-backed mortgage securities over corporate credit, where tight spreads leave investors unpaid for the risk weaker borrowers are now taking on. This cycle will end, as every cycle does. Our job is not to guess the date, but to follow the data. As it stands today, the dynamics of confidence and investment continue to point to a positive environment for stocks over bonds as we enter the final quarter of the year.

PORTFOLIO STRUCTURE

DIVERSIFIED CORE Longer-Term Focus



SATELLITE Shorter-Term Focus



COMBINING LONGER- AND SHORTER-TERM PERSPECTIVES IN ONE ACCOUNT

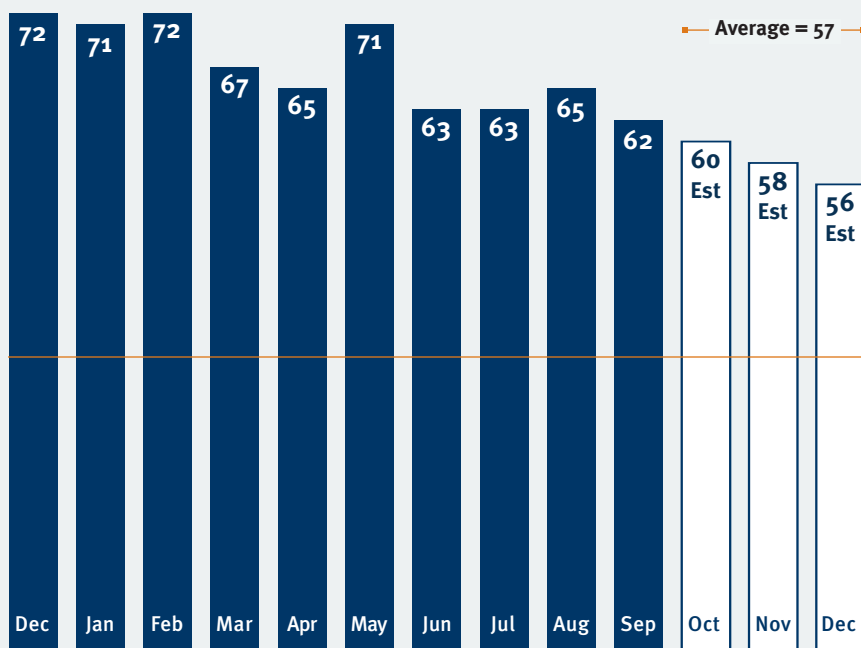
We think of portfolios as having two parts. At the “core” of the portfolio is a diversified equity and diversified bond allocation. The forecasts, valuations, and trends on page 4 guide these allocations. Because these factors are longer term, changes in the core tend to be slower than the satellite, reducing turnover.

The smaller 30% (blue circle) is the “satellite.” As fundamental conditions change, shorter term “tactical” tilts between stocks and bonds are implemented here.

SATELLITE POSITIONING: SHORTER-TERM FOCUS

WCA FUNDAMENTAL CONDITIONS BAROMETER

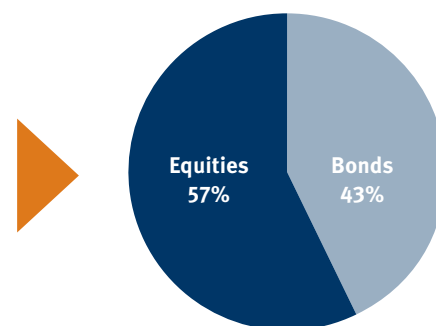
—Below 50: Heightened Risk of Recession



We regularly assess changes in fundamental conditions to help guide near-term asset allocation decisions. Analysis incorporates approximately 30 forward-looking indicators in categories ranging from Credit and Capital Markets to U.S. Economic Conditions and Foreign Conditions. From each category of data, we create three diffusion-style sub-indices that measure the trends in the underlying data. Sustained improvement that is spread across a wide variety of observations will produce index readings above 50 (potentially favoring stocks), while readings below 50 would indicate potential deterioration (potentially favoring bonds). The WCA Fundamental Conditions Index combines the three underlying categories into a single summary measure. This measure can be thought of as a “barometer” for changes in fundamental conditions.

SATELLITE Shorter-Term Tactical

The equity allocation is tactically adjusted to align with the forecast barometer (see chart left).



As of September 30, 2026.

* Including stocks, bonds, and other assets.

ASSET CLASS	10-YEAR VIEW			TACTICAL POSITION
	RETURN	RISK	RETURN/RISK	
BOND ASSUMPTIONS				
Core Bonds	4.2%	5.1%	0.8	UNDERWEIGHT
1-3 Year Treasury Bond	4.0%	1.6%	2.5	NEUTRAL
Mortgage-Backed Securities	4.2%	5.3%	0.8	NEUTRAL ▾
Intermediate Government/Credit	4.2%	3.4%	1.2	OVERWEIGHT ▲
20+ Year Treasury Bond	5.6%	13.4%	0.4	UNDERWEIGHT
Investment-Grade Corporate Bonds	4.6%	8.2%	0.6	NEUTRAL ▲
High-Yield Corporate Bonds	4.7%	7.1%	0.7	UNDERWEIGHT
EQUITY ASSUMPTIONS				
Equity	5.0%	15.7%	0.4	OVERWEIGHT
Domestic Large Cap Value	4.3%	15.5%	0.3	UNDERWEIGHT
Domestic Large Cap Growth	5.5%	17.8%	0.3	UNDERWEIGHT ▾
Foreign Developed Equity Markets	4.2%	15.4%	0.3	UNDERWEIGHT
Foreign Emerging Equity Markets	3.8%	15.8%	0.2	OVERWEIGHT
Gold	4.6%	15.4%	0.3	NEUTRAL
REITs	5.2%	17.3%	0.3	OVERWEIGHT

As of September 30, 2026. Past performance does not guarantee future results.
Up/down arrows indicate a change of >1% since last quarter in a balanced model.

CoreSatellite

CORE POSITIONING: DECISION TREE	
EQUITY vs. FIXED	Overweight equities on positive WCA Barometer read
FOREIGN vs. DOMESTIC	Small tilt toward foreign emerging on positive momentum
EMERGING vs. DEVELOPED	Overweight emerging vs. developed on better relative performance
GROWTH vs. VALUE	Overweight growth vs. value on better relative value
CREDIT vs. SOVEREIGN	Overweight intermediate and mortgages over duration and credit
SHORT vs. LONG DURATION	Underweight duration as yields rise
NON-CORRELATED ASSETS	Overweight REITs Underweight High Yield Corporates Neutral Gold

These views are provided by Washington Crossing Advisors, LLC (WCA). Assumptions are estimates based on historic performance and an evaluation of the current market environment. These are estimates only and not intended to represent future performance. References to future expected returns and performance do not constitute a promise of performance for any asset class or investment strategy. Risk refers to an expected standard deviation of returns, a measure of uncertainty around our estimate. The forecasts contained herein are for illustrative purposes only and not to be relied on as advice or interpreted as a recommendation to engage in the purchase or sale of any security or financial product. These forecasts are based upon subjective estimates and assumptions about circumstances and events that may not have taken place and may never do so. In addition, WCA used historic index returns in evaluating past return relationships. This information was gathered from third-party sources we deem reliable, but no independent verification has been undertaken. Actual returns could be higher or lower than shown herein. Opinions are subject to change without notice.



About Washington Crossing Advisors

Washington Crossing Advisors, LLC (“WCA”) is an SEC registered investment adviser and wholly owned subsidiary of Stifel Financial Corp. WCA helps supervise and manage over \$10 billion in total assets for individuals and institutions.*

The team is managed by Kevin R. Caron, CFA, and Chad A. Morganlander, who were among the founding members of Washington Crossing Advisors.

Washington Crossing Advisors’ views on investing and markets are regularly sought by national media outlets, including *CNBC*, *Bloomberg*, *Fox Business News*, *The Wall Street Journal*, *Forbes*, and *Reuters*.

Philosophy and Process

We believe that investments should be selected only after clear and quantified measures of value, risk, and potential reward have been made. Our investment approach combines top-down analysis of the macro economy with fundamentally rooted, bottom-up security analysis.

* As of September 30, 2026. Total assets include assets under management and assets under advisement.

Description of Indices and Terms Description of Indices and Terms: All performance calculations of indices are calculated on a total return basis (reflecting reinvestment of dividends and other earnings). Indices are unmanaged, are not available for direct investment, and have no associated management fees.

Bloomberg Aggregate Bond Index: A composite of the Bloomberg Gov't/Corp Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are investment grade or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

Bloomberg Dollar Spot Index (BBDXY): Tracks the performance of a basket of leading global currencies versus the U.S. Dollar. The index represents both developed and emerging market currencies that have the highest liquidity in the currency markets and the large trade flows against the U.S. Dollar.

The Bloomberg U.S. Corporate High Yield Bond Index: Measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Consumer Price Index: A measure of the average change in prices over time for a basket of consumer goods. Asset allocation and diversification do not ensure a profit or protect against loss.

Dow Jones U.S. Select REIT Index: Intends to measure the performance of publicly traded REITs and REIT-like securities. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

ICE U.S. Treasury 1-3 Year Bond Index: A market value weighted index designed to measure the performance of U.S. dollar-denominated, fixed rate U.S. Treasury securities with minimum term to maturity greater than one year and less than or equal to three years.

Moody's Baa Corporate Bond Index: An index comprised of industrial bonds rated Baa by Moody's with a minimum maturity of 20 years.

NASDAQ Composite Index: A capitalization-weighted index that is comprised of all stocks listed on the National Association of Securities Dealers Automated Quotation System stock market, which includes both domestic and foreign companies.

S&P 100 Index: A sub-set of the S&P 500, is a market capitalization-weighted index that measures the performance of large cap companies in the

United States. The Index comprises 100 major, blue chip companies across multiple industry groups.

S&P 500 Index: Capitalization-weighted composite of 500 stocks traded on the NYSE, AMEX, and NASDAQ; not the largest 500 stocks in U.S., but rather a blend of leading companies in leading industries in the U.S. economy; index comprised of 11 broad industrial sectors.

S&P 600 Index: A capitalization-weighted index that represents the U.S. small capitalization market, including companies with a market cap in the range of \$300 million to \$2 billion. This index consists of 600 domestic stocks chosen for market size, liquidity, and industry representation. The S&P index committee uses the 50th and 83rd percentile of market value of all U.S. companies as a general guideline to identify small cap. None of the companies in the S&P Small Cap overlap with those in the S&P 500 nor the S&P Mid Cap 400.

Mortgage-backed securities represent an investment in a pool of mortgage loans; thus, the yield and average life will fluctuate depending on the rate at which mortgage holders prepay the underlying mortgages and changes in interest rates. Your financial advisor should explain how mortgage-backed securities react to different market conditions.

International and Emerging Markets Investing: There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Bonds and High Yield Bonds: When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High yield bonds have greater credit risk than higher quality bonds.

Commodities and Futures: The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Real Estate: When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Opportunity Disclosure: The Washington Crossing Advisors, LLC Stifel Conquest and Conquest Alternatives Portfolios require a \$25,000 minimum investment. More information on the Stifel

Opportunity Program is included in the Stifel Consulting Services Disclosure Brochure and Part II of the Manager's Form ADV, which may be obtained from your Financial Advisor and which further outlines the fees, services, exclusions, and disclosures associated with this program. The information contained herein is believed to be reliable and representative of the portfolios available through Stifel; however, the accuracy of this information cannot be guaranteed. Investors should consider all terms and conditions before deciding whether the Opportunity Program and these strategies are appropriate for their needs.

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index is a value-weighted average that seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas. The index is a composite of single-family home price indices for the nine U.S. Census divisions.

This commentary often expresses opinions about the direction of market, investment sector, and other trends. The opinions should not be considered predictions of future results. The information contained in this report is based on sources believed to be reliable, but is not guaranteed and not necessarily complete.

All investments involve risk, including loss of principal, and there is no guarantee that investment objectives will be met. It is important to review your investment objectives, risk tolerance, and liquidity needs before choosing an investment style or manager. Equity investments are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors to varying degrees. Fixed Income investments are subject to market, market liquidity, issuer, investment style, interest rate, credit quality, and call risks, among other factors to varying degrees.

Any projections, targets, or estimates in this report are forward looking statements and are based on WCA's research, analysis, and assumptions made by the Adviser. Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make informed investment decisions based on your individual investment objectives and suitability specifications.

All expressions of opinions are subject to change without notice. Clients should seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed in this commentary. Registration with the SEC does not imply a certain level of skill or training.

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