CROSSMARK®
GLOBAL INVESTMENTS

Robert C. Doll, CEO/CIO/PM/CFA

2026 Investment Update

10 Predictions

Bob is a financial services industry veteran with over 40 years of experience managing large cap equity strategies as well as long and long-short equity strategies. His weekly, quarterly, and annual investment commentaries focus on key themes and risks driving equity markets, monetary policy, and the global economy. Bob is a regular guest and contributor to multiple media outlets such as CNBC, Bloomberg TV, Moneywise, and Fox Business News.

2025 Review

1. Large cap growth market
2. Big outperformed
3. Growth > value
4. AI became the buzzword
5. Cyclical > non-cyclical
6. Defensives underperformed
7. Healthcare wild swings
8. International outperformed U.S.
9. Gold shined brightly
10. Nearly all assets were up

2025 returns

Index	2025 (%)
90-Day Treasury Bills (Bloomberg U.S. Treasury Bill 1-3 Month TR)	4.3
10-Year U.S. Treasury (Bloomberg U.S. Treasury 10+ Yr TR)	8.0
U.S. Bonds (Bloomberg U.S. Agg Bond TR)	7.3
High-Yield Corporate Bonds (Bloomberg U.S. Corp High Yield TR)	8.6
S&P 500 TR Index	17.9
S&P 500 Equally Weighted	11.4
MSCI World Ex. U.S. (MSCI World Ex USA NR)	31.9
MSCI Emerging Markets (MSCI EM NR)	33.6
Commodities (DJ Commodity TR)	15.8
Gold	64.6
Bitcoin	-6.5

Source: Bloomberg as of 12/31/25

A few factoids

U.S. stock market	
End of 2022	$40 trillion
October 2025	$65 trillion

$25 trillion is higher than the total market cap of Japan + Europe + UK.

Top 10 U.S. companies dominate the world equity market.	$ trillion
Top 10 U.S. companies	$24.5
China	18.7
Top five U.S. companies	17.6
Germany	4.7
Nvidia	4.6
Japan	4.0
India	3.9
Microsoft	3.9
Apple	3.8
UK	3.6

2025 Mag 7 performance	%
Alphabet Inc.	+65.4%
NVIDIA Corp.	+38.9%
Microsoft Corp.	+14.7%
Meta Platforms Inc.	+12.7%
Tesla Inc.	+11.4%
Apple Inc.	+8.6%
Amazon.com Inc.	+5.2%
BBG Mag 7 TR Index	**+24.9%**
S&P 500 TR Index	**+17.9%**

Source: Goldman Sachs as of 10/25; Mag 7 returns from Bloomberg as of 12/31/25

10 predictions for 2025

Theme: Fewer tailwinds, more tail risks

✓	1	Economic growth slows as the unemployment rate rises past 4.5%.
½✓	2	Inflation remains sticky, fails to reach the Fed's 2% target, and causes Fed funds rate to fall less than expected again.
✓	3	Treasury 10-year yields trade primarily between 4% and 5% as credit spreads widen.
✓	4	Earnings fail to achieve consensus a) 14% growth and b) every sector has up earnings.
✓	5	Equity volatility rises (VIX average approaches 20 for only the third year in 14).
½✓	6	Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract).
X	7	Equal-weighted portfolios beat cap-weighted portfolios (average manager beats index), and value beats growth.
X	8	Financials, energy, and consumer staples outperform healthcare, technology, and industrials.
✓	9	Congress passes the Trump tax-cut extension, reduces regulation, but tariffs and deportation are less than expected.
✓	10	DOGE efforts make progress but fall woefully short of $2 trillion per year of savings.

✓	7	Correct
X	3	Incorrect

Predicting the future

1. The best way to predict the future is to create it. – Abraham Lincoln
2. The future depends on what we do in the present. – Mahatma Gandhi
3. You create a good future by creating a good present. – Various
4. I never think of the future – it comes soon enough. – Albert Einstein
5. It’s tough to make predictions, especially about the future. – Yogi Berra/Niels Bohr
6. Trying to predict the future is like trying to drive down a country road at night with no lights while looking out the back window. – Various
7. I like the dreams of the future better than the history of the past. – Sir Walter Scott
8. Those who have knowledge, don’t predict. Those who predict, don’t have knowledge. – Lao Tzu
9. My interest is in the future because I am going to spend the rest of my life there. – Charles Kettering
10. The future ain’t what is used to be. – Yogi Berra

High-risk bull market

Fed is in slow, cautionary, rate-cutting mode.

Earnings estimates are strong and rising modestly.

Recipe for an up market

But …

Valuation is high and speculation is increasing.

Recipe for caution

Uncertainty levels seem higher than usual

Example: Dec. Fed cut		
	Probability of a cut	
Oct. 25	73%	Last Fed meeting/presser
Nov. 19	30%	After series of hawkish FOMC member speeches
Nov. 21	71%	Vice Chair of Fed: "I see room for a further adjustment …"
Dec. 5	86%	Friday before Fed meeting
Dec. 10	Fed cuts by 25 bp	

The bar is high for a strong 2026 equity market

1. Earnings growth expectations for 2026 are higher than they were going into 2024 and 2025.
2. Fed may be on hold, and we are getting closer to neutral policy rates.
3. The massive rally of the last three years means valuations are noticeably stretched.
4. Policy uncertainties are many and are high.
5. Stocks have risen a double-digit percentage four years in a row only once in the last 100 years.

Upside risks	Downside risks
1. Tariff relief. 2. AI creates a productivity boom. 3. AI creates an “immaculate disinflation.” 4. Noticeably lower oil prices. 5. U.S./China relationship improves. 6. Ceasefire between Russia and Ukraine.	1. Weaker employment/spending. 2. Inflation uptick. 3. Continued rise in electricity prices. 4. Fed crisis. 5. Leverage accident. 6. AI disappoints. 7. Private credit problems (more “cockroaches”). 8. Dollar collapses. 9. Federal debt/deficit crisis. 10. Valuation bubble bursts. 11. Broader war. 12. Exogenous shock (e.g., another pandemic).

High-risk bull market

Positives

1. Earnings are very good.
2. The Fed has begun lowering rates.
3. AI and other productivity factors are boosting profit margins.
4. Sentiment is neutral at worst.
5. Credit markets are signaling a strong economy.
6. There is more clarity around tariffs.
7. Cash flow and dividend growth are improving.

Negatives

1. Valuations are elevated.
2. Inflation remains sticky.
3. The tariff impact on growth and inflation is concerning.
4. Job growth has slowed noticeably.
5. Consumer spending has weakened noticeably down income cohorts.
6. Speculation has increased (margin debt, IPO activity, circular financing).
7. Tensions are escalating between Russia and the U.S./NATO, the U.S. and China, etc.

U.S. economic growth

Positives

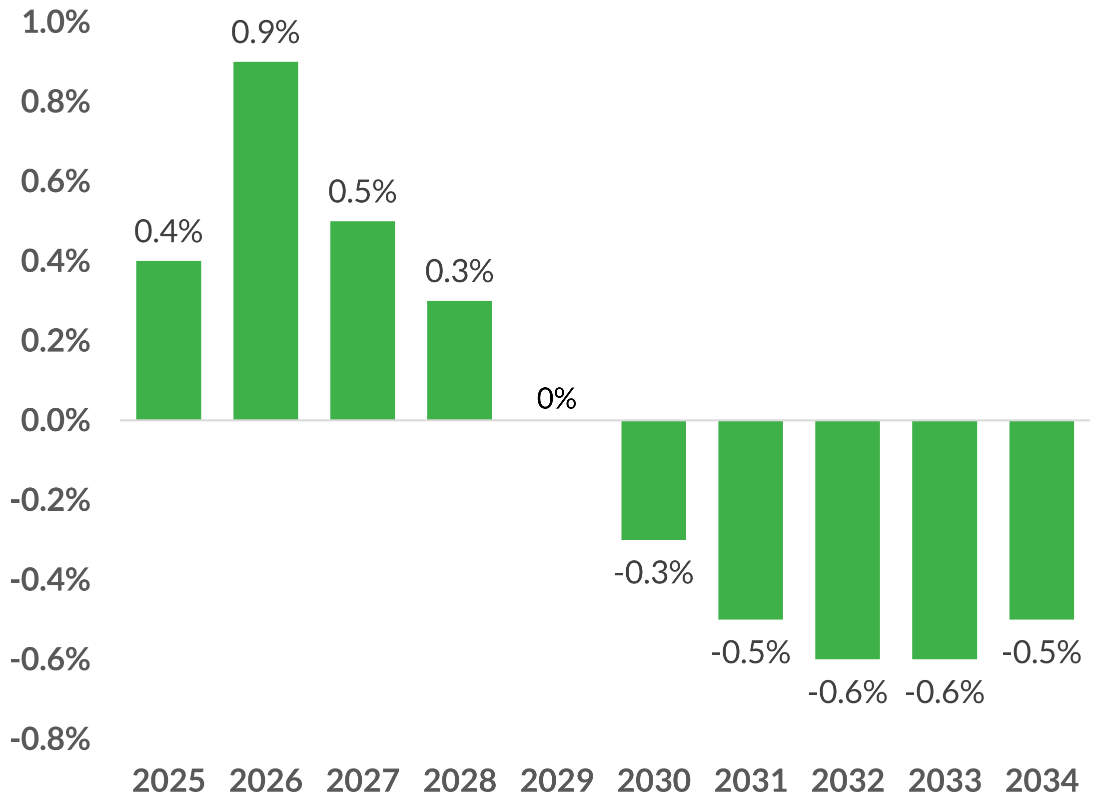
1. Generally easy financial conditions (e.g., Fed, rates, credit spreads)
2. Lagged impact of Fed cuts
3. One Big Beautiful Bill
   - Makes permanent lower tax rates established in 2017
   - Higher refunds
   - Eliminates taxes on tips and overtime
   - Business tax cuts (e.g., capex)
   - Larger standard deductions for seniors
4. Productivity pickup (partly due to AI)
5. More certainty on trade front
6. Wealth effect from higher stock portfolios and home prices
7. Policy mix consistent with stimulus that might occur in a recession:
   - Stimulative fiscal policy
   - Possible Fed easing
   - Regulatory relief

Negatives

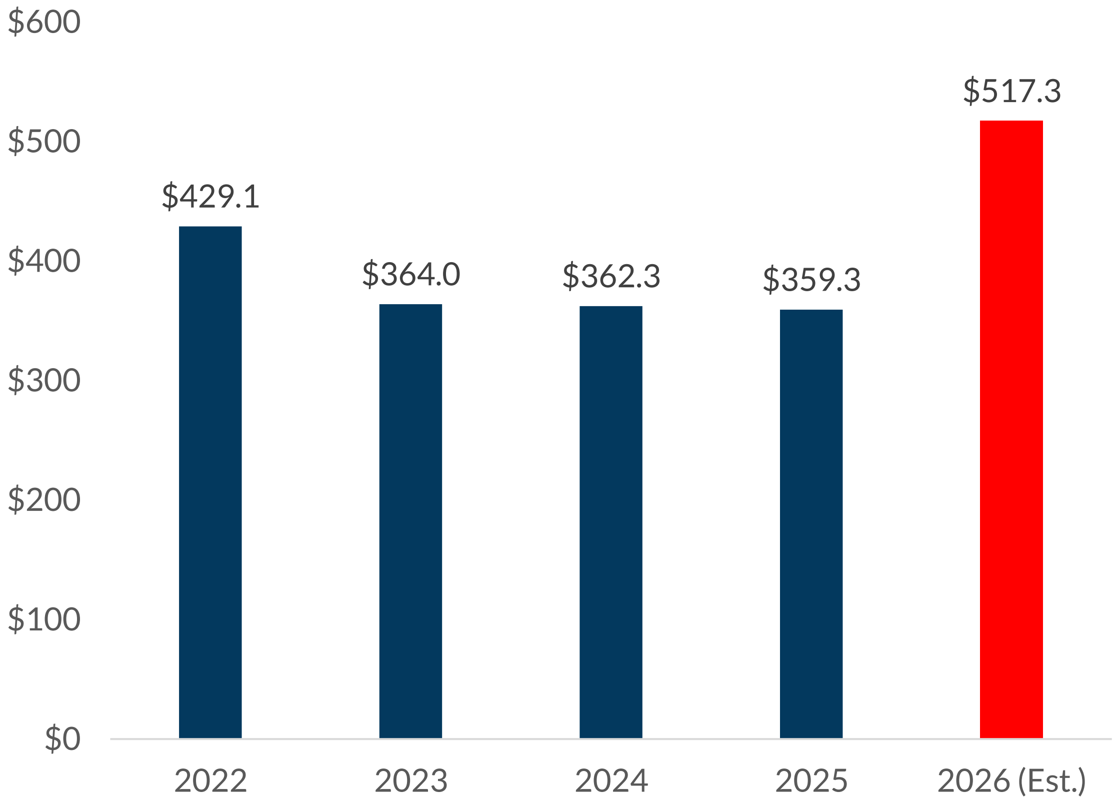
1. Slowing job growth/layoff pick-up
2. Tariff impact
3. Debt/deficit weight

Prediction 1: Economic growth in the U.S. improves from ~2.0% to ~2.5% real GDP

Net fiscal stimulus from Senate tax bill (excludes tariffs), % of GDP, FY



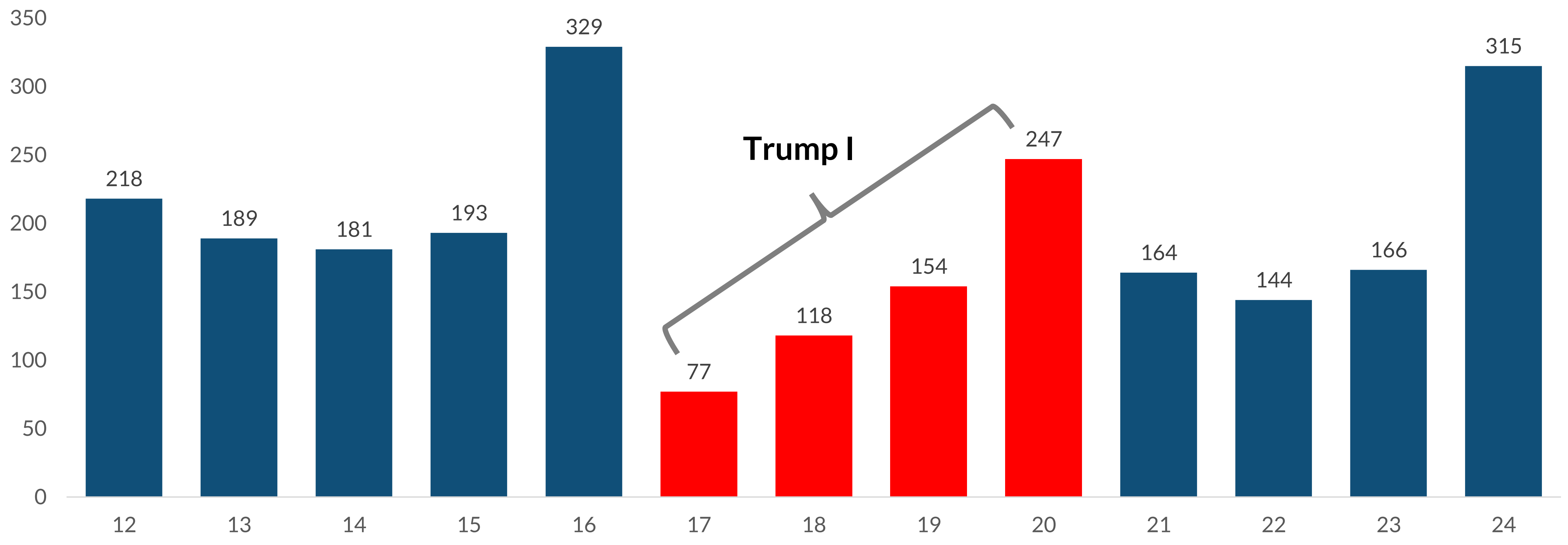
Federal tax refunds, FY, $BN



Source: Strategas, left as of 12/09/25; right as of 11/17/25

Prediction 1: Economic growth in the U.S. improves from ~2.0% to ~2.5% real GDP

‘Significant Rules’ published by presidential year



Note: A regulation is deemed “significant” based on criteria in Executive Order 12866.

Source: Wolfe Research Portfolio Strategy, Federal Register Statistics, The George Washington University Regulatory Studies Center

Prediction 2: Inflation remains sticky and fails to make much if any progress toward the Fed's 2% target

The 2-3% inflation ceiling of the 2010s becomes the 2-3% inflation floor of the 2020s

U.S. CPI inflation year over year (%)

Source: Bloomberg as of 12/16/25

Prediction 2: Inflation remains sticky and fails to make much if any progress toward the Fed's 2% target

U.S. inflation history

	Average since 1983	Fall 2025
Headline CPI	2.9%	3.0%
Core CPI	2.9%	3.0%
Food CPI	3.0%	3.1%
Energy CPI	3.0%	2.9%
Headline PCE	2.5%	2.8%
Core PCE	2.5%	2.8%

Source: Wolfe Research

	Core CPI	Standard deviation
1995-2005	2.3%	±50 bp
2005-20	2.0%	±40 bp
2020-25	3.8%	±160 bp

Source: Empirical research

Prediction 2: Inflation remains sticky and fails to make much if any progress toward the Fed's 2% target

Inflation summary

Inflation risks	Possible disinflationary sources
1. Tariffs	1. Housing
2. Deportation	2. AI adoption
3. Tax cuts	3. Oil prices
4. Core services ex-housing	
5. Wage settlements	

Divergent central bank policies

- Fed – currently “on hold”; could ease moderately eventually
- ECB – On hold
- BofE – Cutting
- BoJ – Hiking

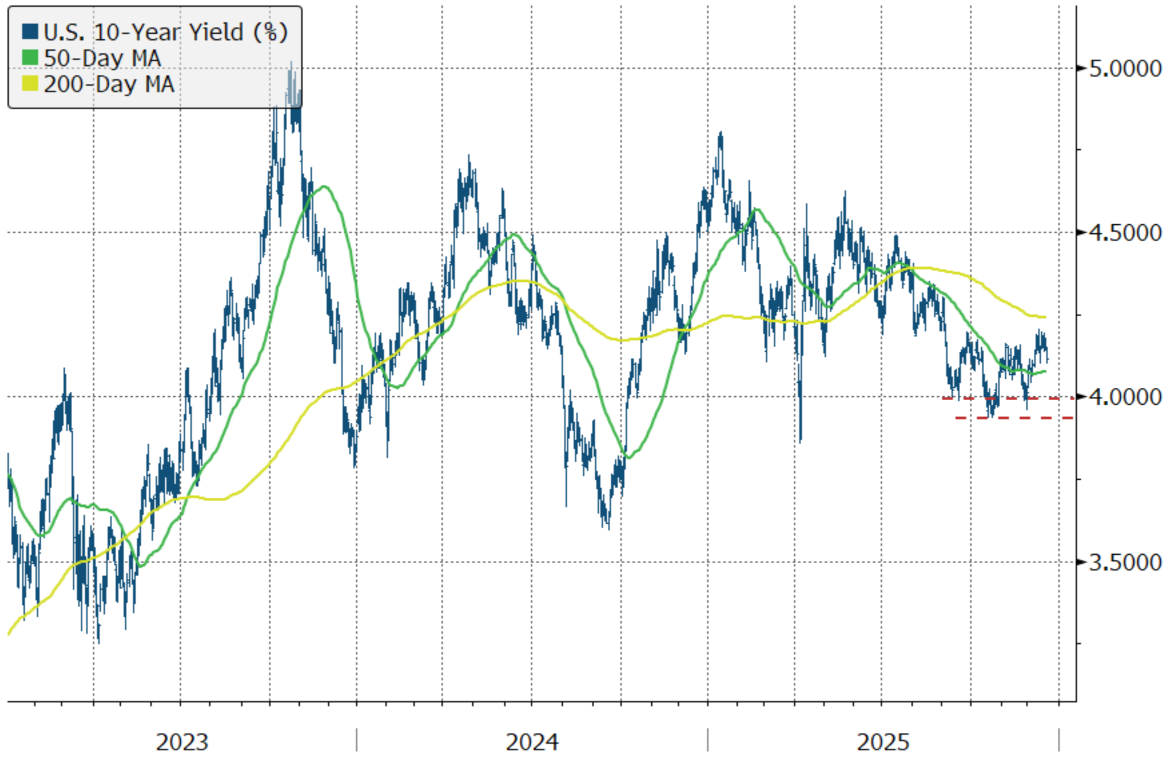
Prediction 2: Inflation remains sticky and fails to make much if any progress toward the Fed's 2% target

Inflation notes

1. "Affordability" (price level) has taken over from "inflation" (the rate of change in prices):
   "Regular folks" – 5-year pay +22%, consumer prices +26%. Source: Barron's 12/8/25
2. The global economy is and will remain prone to upside inflation surprises. (Fiscal stimulus and easy monetary conditions reinforce that proclivity.)
3. Inflation on its own is not problematic for stocks. Risks emerge when inflation causes a rise in bond yields and/or a widening in credit spreads.

Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

4% remains the floor for the 10-year



If this range holds, resolution comes later next year

Source: Bloomberg as of 12/18/25

Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

Yield curve continues to steepen

2025 Treasury curve (30-year minus 90-day T-bills)

Risk to the Fed policy is tilted to the downside for 2026, but risks to long-term bond yields are to the upside (i.e., a steeper yield curve).

After lowering rates 25bp in December, Chair Powell stated that the policy rate is now in broadly neutral range with the Fed "well-positioned to wait and see how the economy evolves," thereby implying that Fed policy will likely be on hold until the economic data trends warrant a change.

Source: Bloomberg as of 12/18/25

Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

What could move rates higher?

1. Sticky inflation
2. Tariff inflation
3. Stronger economy
4. Determining that r* is higher than expected
5. Stronger productivity

What could move rates lower?

1. 2% inflation is in sight

3. Tariff concerns moderate

3. Labor market weakens

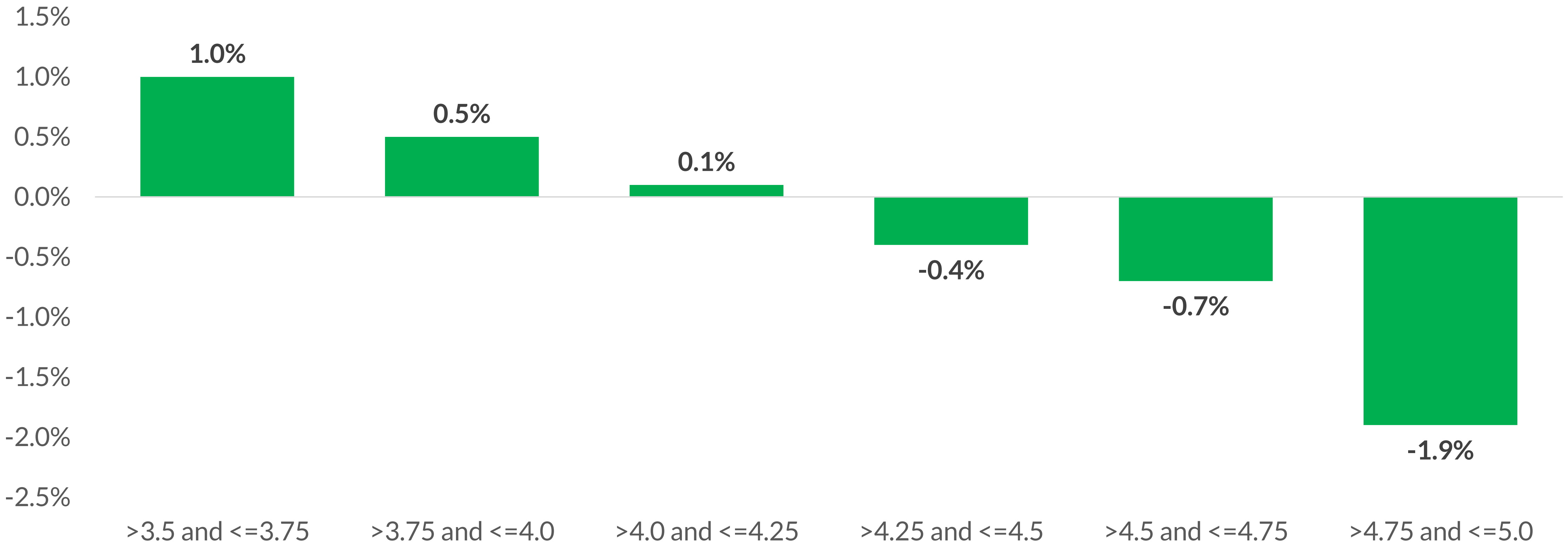
4. Quantitative tightening ends

5. Deficit improvement

Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

Equity market returns depend on 10-year yield (4.25% the focal point)

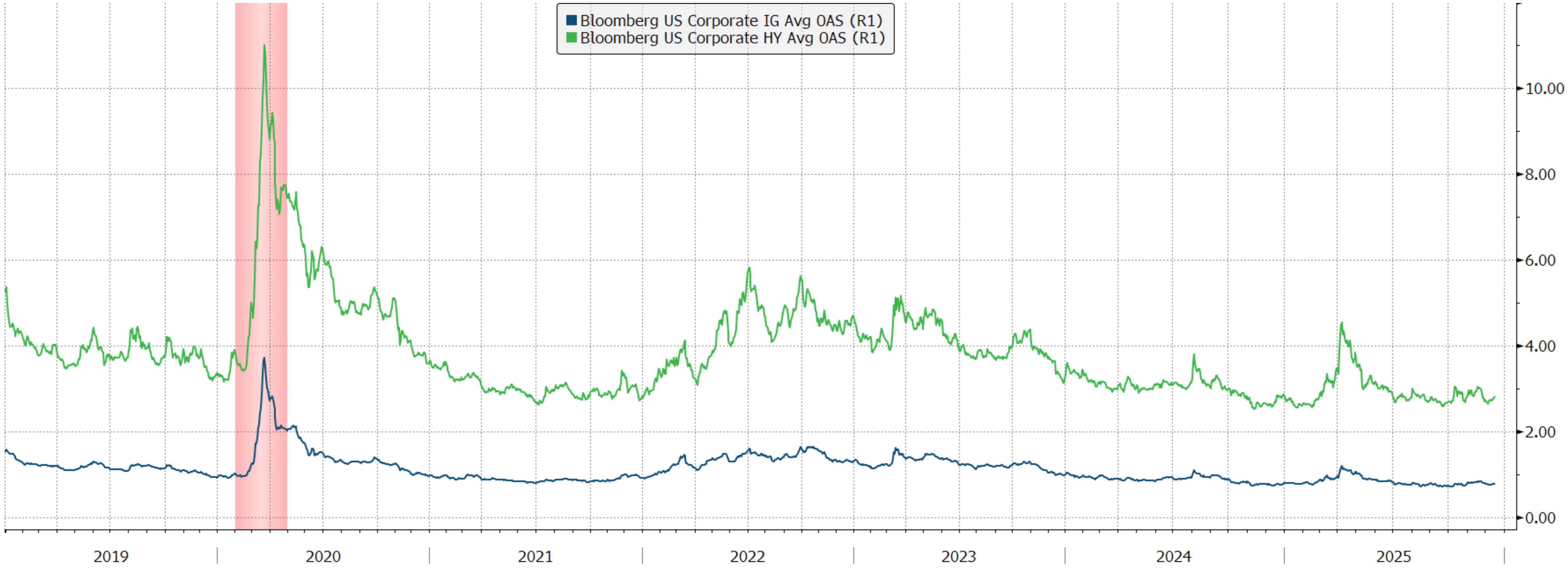
Median weekly S&P 500 return (2023-25) when 10-year is rising, parsed by 10-year level ranges



Source: Piper Sandler

Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

Credit spreads to widen modestly from record tight!



Source: Bloomberg as of 12/17/25

Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

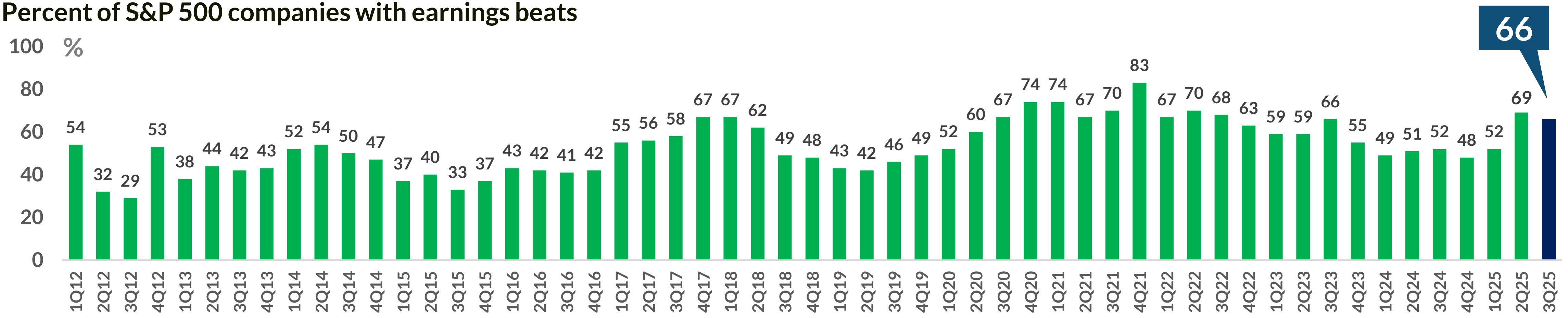
Fixed income strategy

1. Duration – neutral (Become more aggressive above 4.50%; become more cautious below 4.00%.)
2. Shape – steepening
3. Lock in some income at these "high" rates
4. TIPs – have some
5. Quality – high
6. Spreads – widen modestly
7. Munis – where tax conditions permit, participate

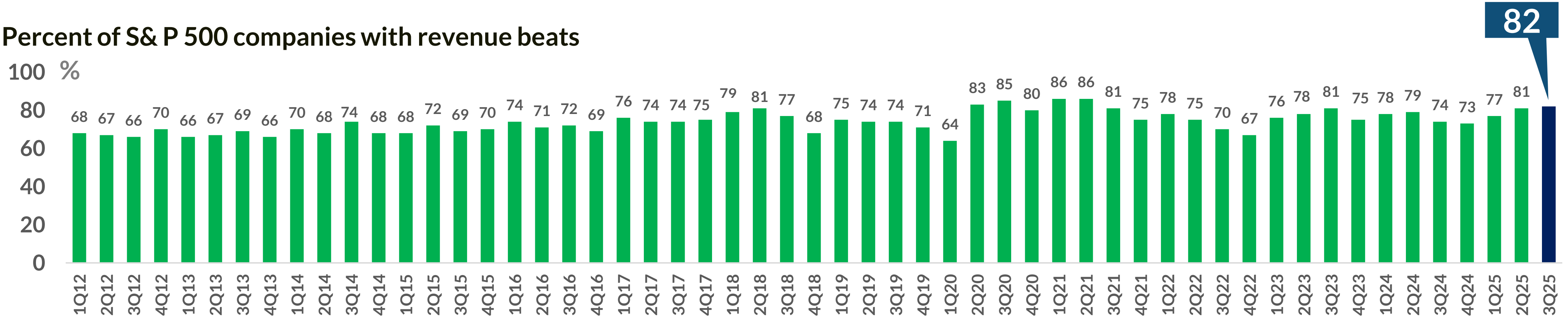
Prediction 4: Earnings growth falls short of consensus +14% and P/Es decline, modestly making it a tougher year to make money

The positives: 3Q25 earnings reports – revenue and EPS surprises

Percent of S&P 500 companies with earnings beats



Percent of S& P 500 companies with revenue beats

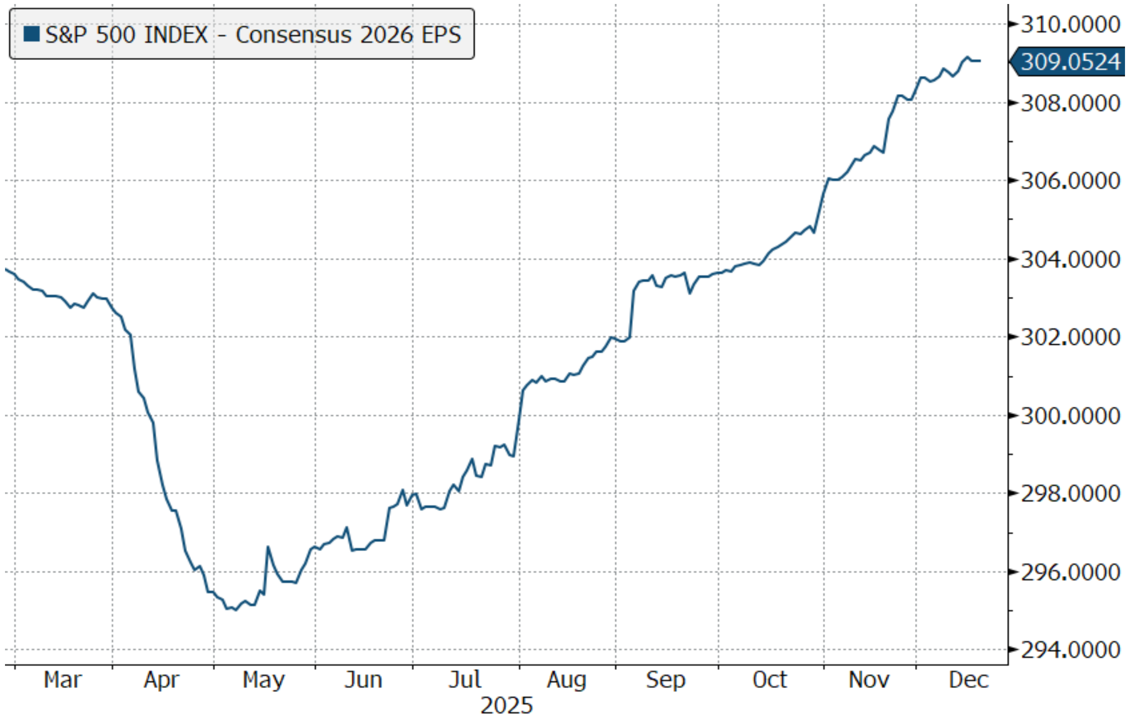


Source: Bloomberg

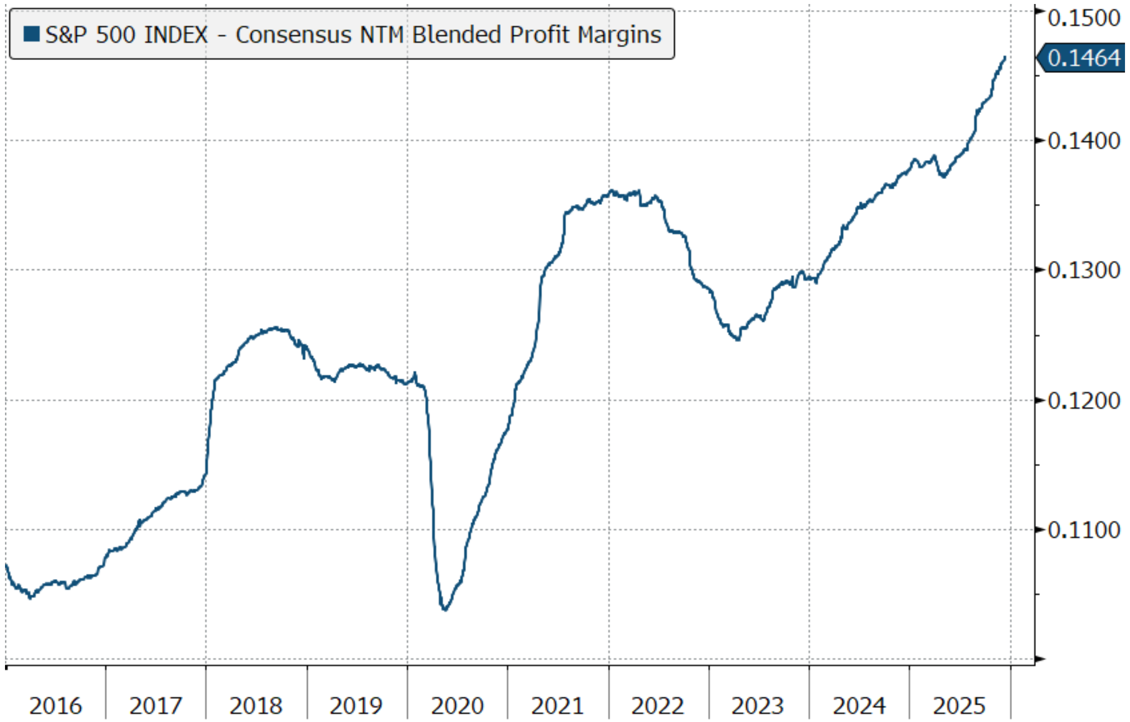
Prediction 4: Earnings growth falls short of consensus +14% and P/Es decline, modestly making it a tougher year to make money

The positives

Consensus 2026 EPS estimates



Consensus NTM Blended Profit Margin estimates



Source: Bloomberg as of 12/18/25

Prediction 4: Earnings growth falls short of consensus +14% and P/Es decline, modestly making it a tougher year to make money

Earnings summary

Positives	Negatives
1. Good macro backdrop	1. Slowing macro backdrop
2. Good labor market	2. Slowing labor market
3. Fed easing	3. Sticky inflation
4. AI	4. Wage rate settlements
5. Corporate margin growth	5. Margin reaching limits (?)
6. Lower tax rates	6. Tariffs
7. Deregulation	7. Deportation

Prediction 4: Earnings growth falls short of consensus +14% and P/Es decline, modestly making it a tougher year to make money

Earnings projections

S&P 500 earnings	Consensus		Our guess	
2024	$248		$248	
2025	$272	+9.7%	$270	+8.9%
2026	$308	+13.2%	$300	+11.1%
2027	$350	+13.6%	$330	+10.0%
3-year compound growth rate		+12.2%		+10.0%

Prediction 4: Earnings growth falls short of consensus +14% and P/Es decline, modestly making it a tougher year to make money

Consensus sector estimates

	2025 (%)	2026 (%)
Communication services	+19	+7
Consumer discretionary	+7	+8
Consumer staples	-1	+7
Energy	-11	+9
Financials	+10	+9
Healthcare	+13	+8
Industrials	+9	+13
Information technology	+27	+26
Materials	+3	+21
Real estate	+1	+4
Utilities	+7	+9
Average	**+12%**	**+14%**

Source: Bank of America Merrill Lynch

Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

Economic alternatives

Goldilocks

Re-acceleration/overheating
- Economy accelerates
- Inflation picks up
- Interest rates rise

- Earnings good
- Multiples decline

- Stocks struggle

Probability: 20%

Market walking the tightrope
- Full employment
- Economy strong enough for earnings to advance
- Not so strong as to stoke inflation

- Market AOK

- Another good year

Probability: 50%

Decelerating
- Earnings weakness
- Layoffs pick up
- Rates decline

- Earnings estimates decline
- Multiples okay

- Stocks struggle

Probability: 30%

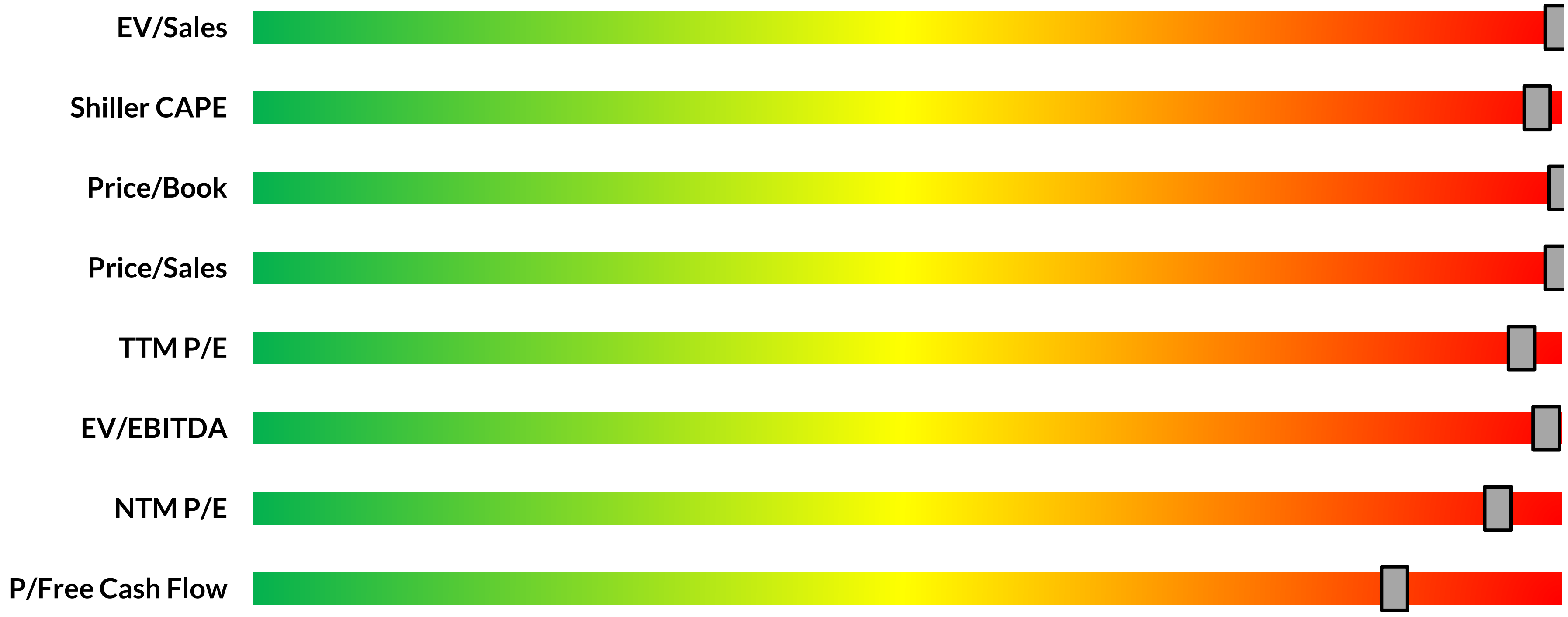
Long-term valuation metrics

Valuation metric	S&P 500 Index		Historical percentile (%)	
	Current	Historical percentile (%)	Current	Historical percentile (%)
Forward P/E	22.4x	96	18.9x	90
EV/EBITDA	17.0x	97	15.9x	96
EV/sales	3.8x	99	4.5x	97
Free cash flow yield	3.0%	90	3.4%	70
Price/book	5.5x	99	4.7x	96
U.S. market cap/GDP	235%	100%	–	–

Source: Wolfe Research as of 12/25

The negatives: Stocks are expensive

S&P 500 valuation: Current percentile ranking relative to history

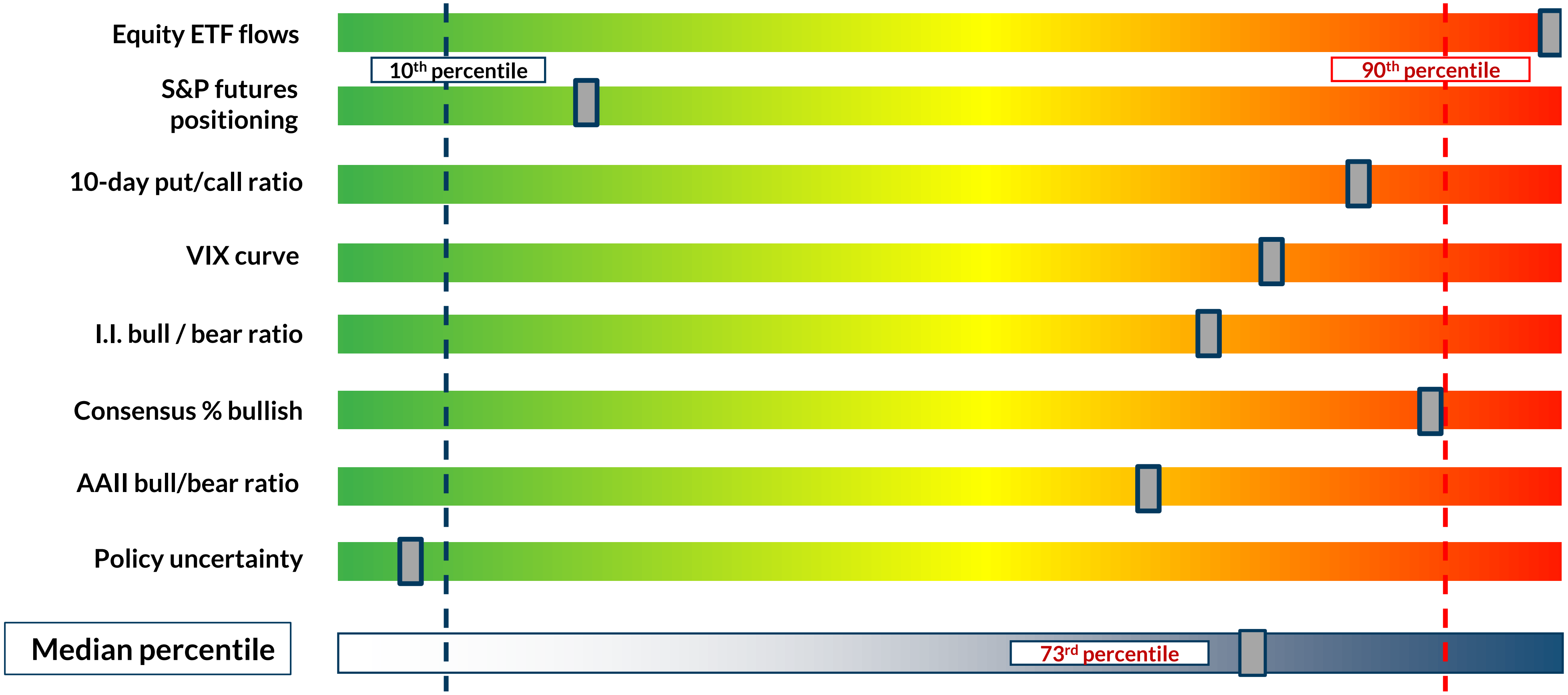


Source: Strategas, FactSet, Bloomberg, Robert Shiller as of 11/30/25

Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

Sentiment becoming bullish (again)

Current reading vs. historical range



Source: Strategas as of 12/19/25

Prospective equity returns

Starting P/E	S&P 500 average forward returns (%)			
	1-year	3-year	5-year	10-year
<10x	13.4	11.2	12.3	11.5
10-12	14.9	13.0	10.4	10.5
12-14	10.5	9.1	8.5	9.6
14-16	12.4	10.9	9.8	9.3
16-18	6.4	6.3	5.4	5.7
18-20	7.7	6.0	5.9	4.4
>20	5.2	4.8	5.5	3.0

Source: Strategas

Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

S&P 500 year-end 2026 targets

S&P 500 (12/31/25)			6,846	
	Consensus EPS	**Current P/E**		
	2025E ($272)	25.1		
	2026E ($308)	22.2		
	2027E ($350)	19.5		
				Probabilities
Best case	25.1	X $315 =	7,907	20%
Base case	22.2	X $330 =	7,326	50%
Bear case	19.5	X $345 =	6,728	30%
Base case	Weighted average		**7,263**	**OUR TARGET (+6.1%)**
Bull case	If consensus earnings are used		7,770	
Bear case	If P/E falls to 20x		6,600	

Sources: FactSet, Crossmark

Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

Year-end 2026 Wall Street strategist targets

Firm	Px target
Oppenheimer	8,100
Deutsche	8,000
Alpine Macro	8,000
Tigress	7,950
Wells Fargo	7,800
Seaport	7,800
Evercore ISI	7,750
Citi	7,700
Fundstrat	7,700
Yardeni Research	7,700
Goldman Sachs	7,600
Unicredit Global	7,600
Ameriprise	7,500
Scotiabank	7,500
HSBC	7,500
Natixis	7,500
JPMorgan	7,500
UBS	7,500
CIBC	7,450
Cantor	7,400
Barclays	7,400
CFRA	7,400
Société Générale	7,300
BofA Securities	7,100
Ned Davis Research	7,100
Stifel	7,000
Zacks	6,867
BCA Research	5,280

Average	7,464
S&P 500 on 12/31/25	6,846
% difference	+9%

Sources: Crossmark, Strategas

Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

Stock market positives and negatives

Positives

1. One Big Beautiful Bill
2. AI/capex
3. Double-digit earnings growth continues
4. Fed easing
5. Wealth effect
6. Potential for broadening
7. Weak dollar

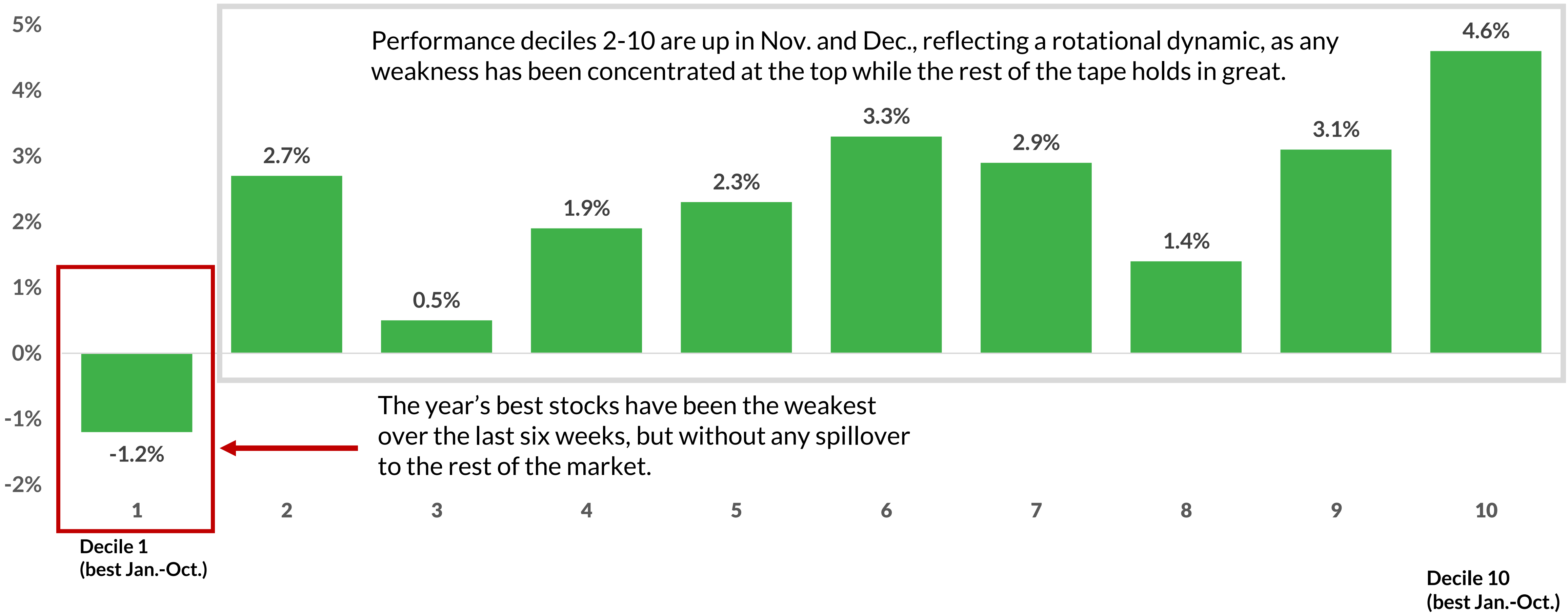
Negatives

1. Valuation levels
2. Earnings estimates too high
3. Slowing job growth
4. Sticky inflation (Fed stuck?)
5. Housing weakness
6. AI circular financing
7. Speculation (margin debt, momentum stocks)

Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years

'Decile 1' the only negative group in Nov. and Dec. 2025

2025 S&P 500 Nov. and Dec. performance by YTD return decile



Source: Strategas to 11/1/25-12/15/25

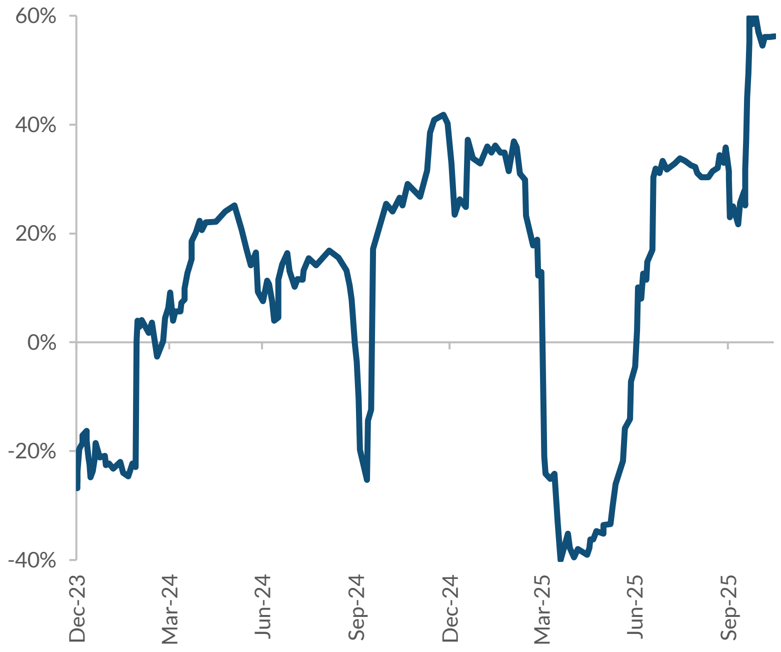
Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary

Recommended over- and underweights

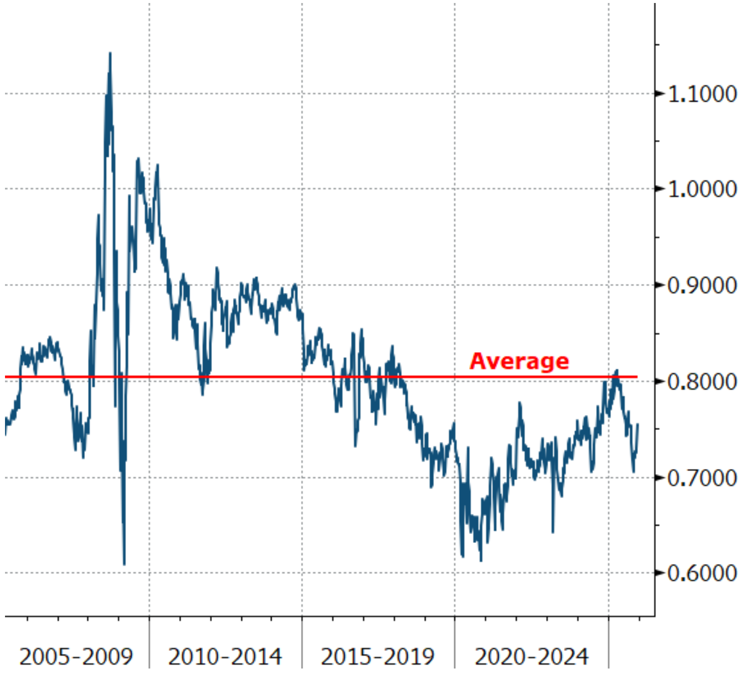
Overweights	Underweights
Technology – Strong secular growth prospects – Double-digit revenue and earnings growth – Global leader; benefits from dollar weakness Risk: Deglobalization	**Materials** – China risks – Global economic slowdown risks – Trade dispute risks Risk: Beneficiary of China stimulus/dollar weakness
Communication services – Improving economy driving ad and entertainment spending – Strong buybacks and dividend growth – Benefits from AI tailwinds Risk: High expectations, cost cutting risks	**Utilities** – Poor earnings growth prospects – High valuations – Yield competition from bonds Risk: Power demand from data centers
Financials – Strong earnings gains and revisions – Biggest beneficiary of deregulation – Relatively good balance sheets Risk: Economic weakness/more credit “cockroaches”	**Consumer discretionary** – Employment weakness – Tariff risks – Not cheap; weak guidance Risk: Economic re-acceleration

Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary

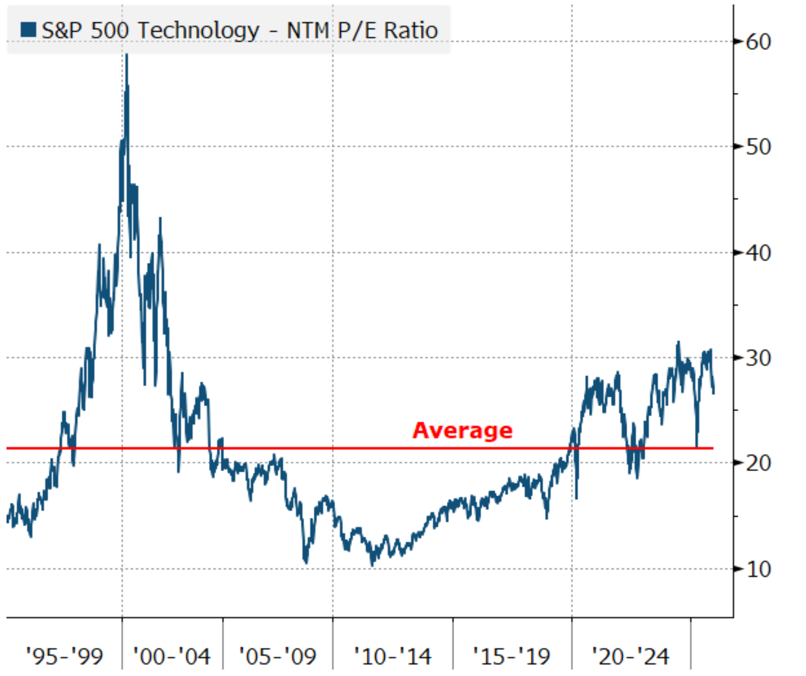
Banks EPS revisions breadth has improved dramatically since April lows



Financials relative NTM forward P/E (vs. S&P 500)



Technology sector NTM forward P/E

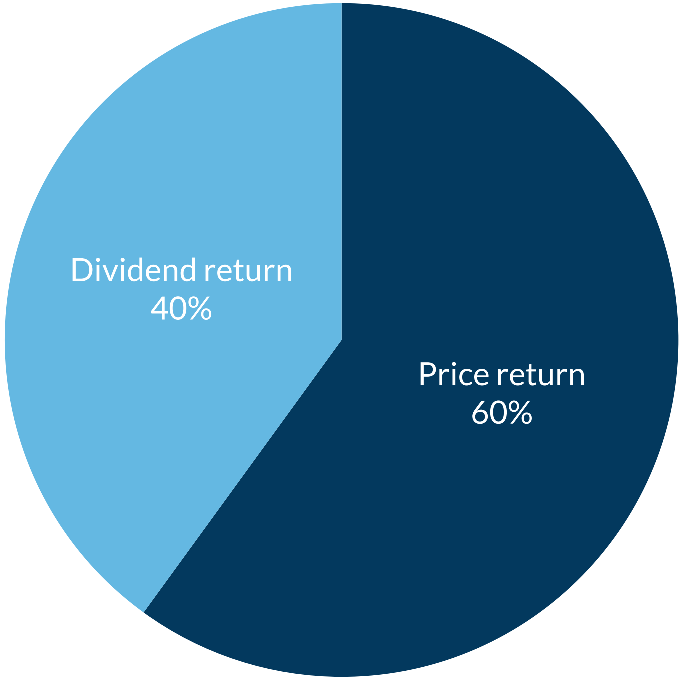


Sources: FactSet, Morgan Stanley Research, Bloomberg

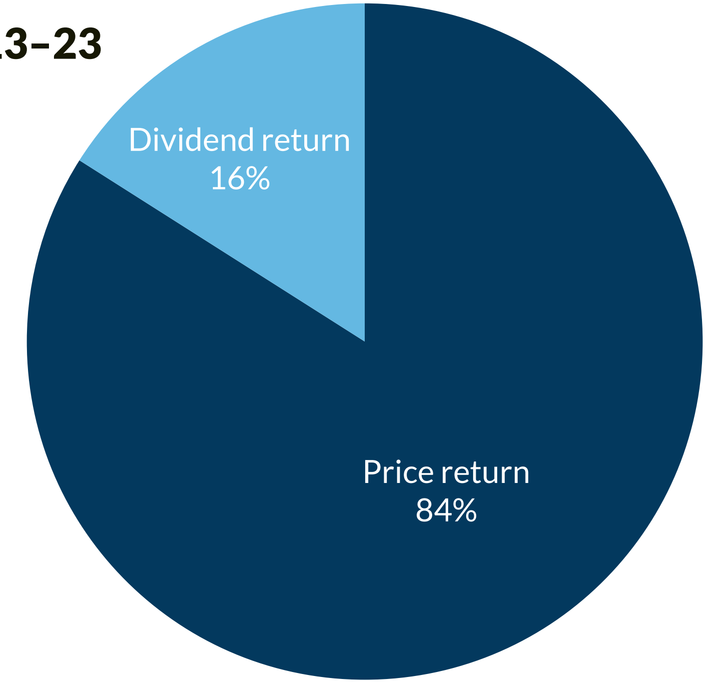
Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary

Dividends/dividend growth should matter more in 2026

1936–2012



2013–23



Dividends should contribute more to total returns than 2013–23.
Dividend payout ratio currently 30% vs. 50% long term

Sources: Bloomberg, BofA U.S. Equity & Quant Strategy

Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary

Preferences

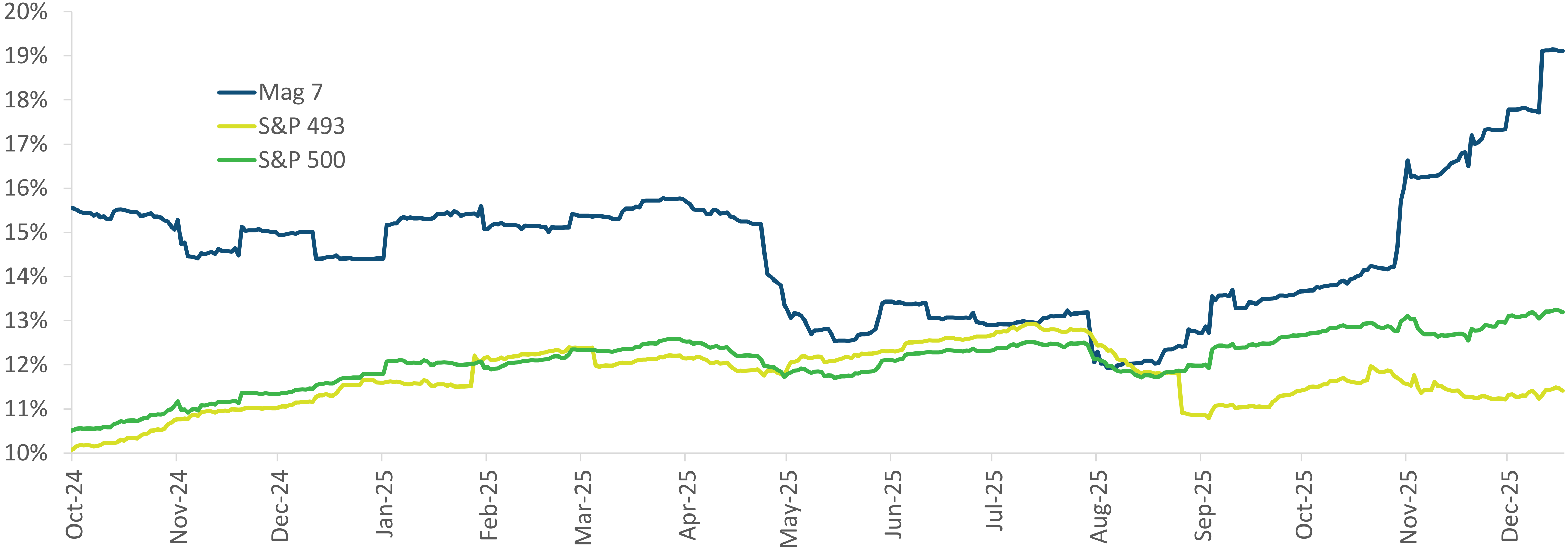
Most Favored Mag 7	Least Favored Mag 7
Apple	Tesla
Microsoft	Amazon
Google	Meta
NVIDIA	

Common Factor Preferences	
Strongest Preferences	**Moderate Preferences**
Low P/E > High P/E	Good momentum (business and price)
Strong free-cash-flow generation	Low beta > beta
High management quality	Value > growth
	Big > small

Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary

2026 earnings estimates for the Mag 7 up noticeably; S&P 493s modestly lower

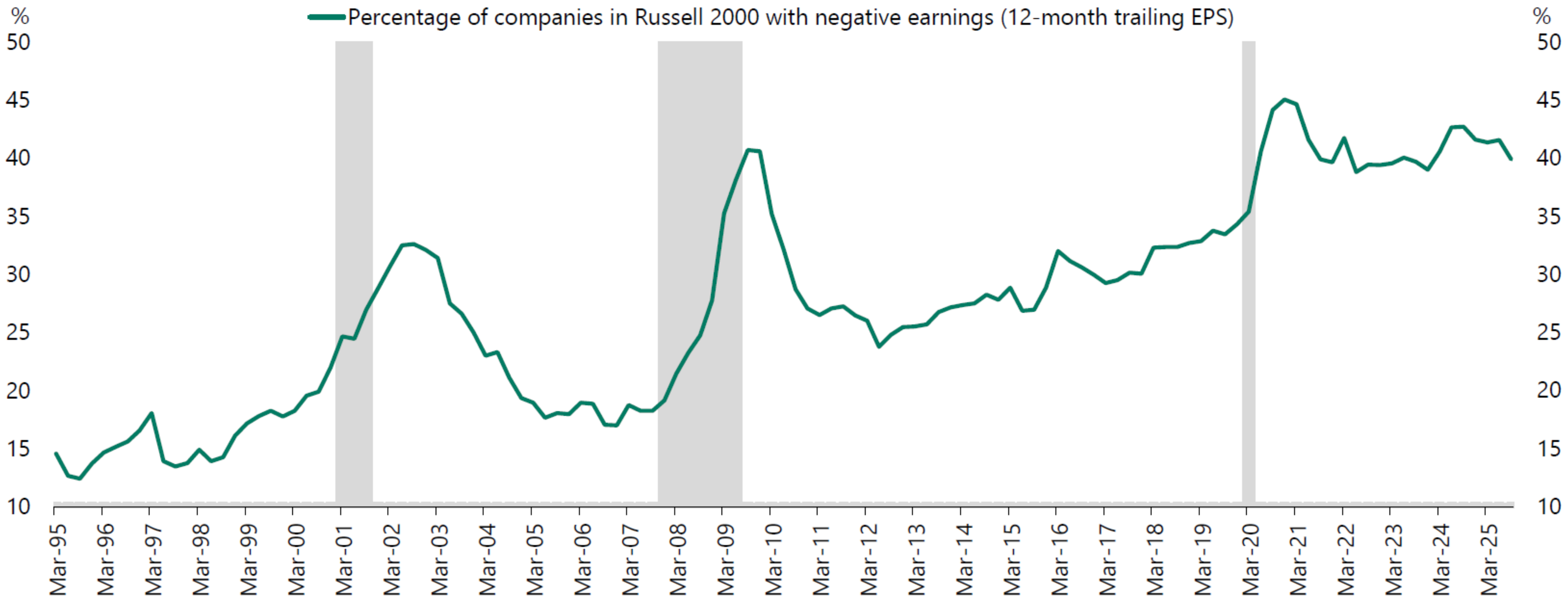
2026 consensus EPS growth estimate



Source: Bloomberg as of 12/18/25

Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary

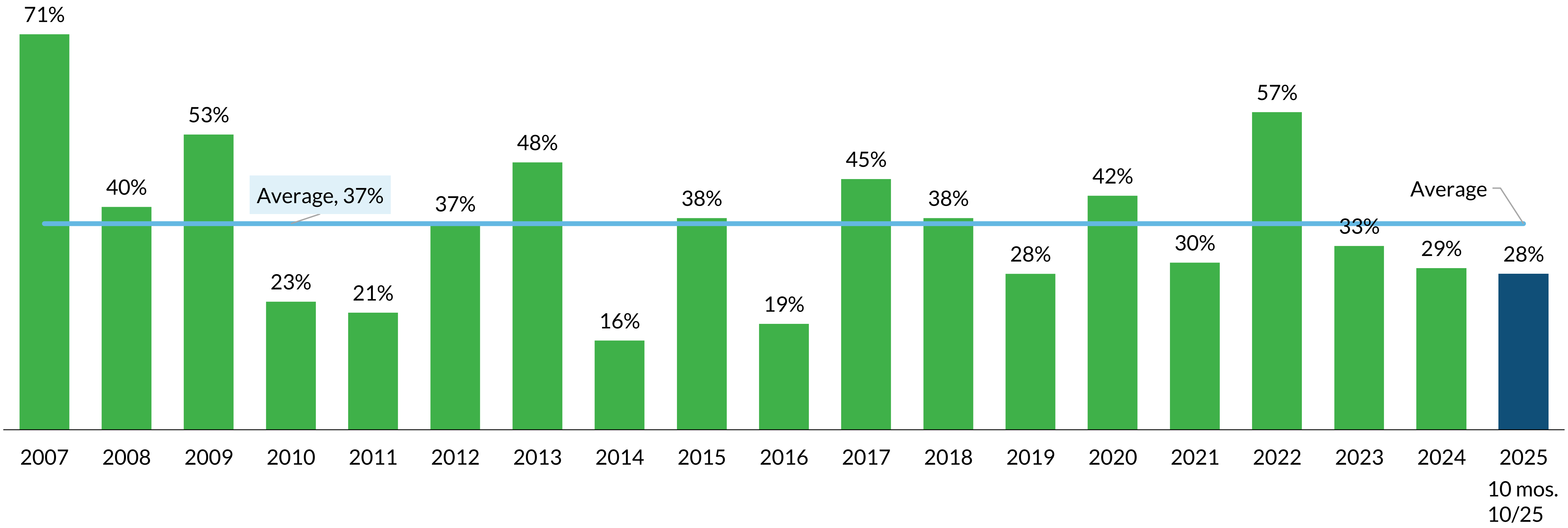
40% of Russell 2000 companies have no earnings



Source: Bloomberg, Apollo Chief Economist, as of 12/18/25

Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary

Percent of large cap mutual funds outperforming their benchmarks (annual)



Sources: Goldman Sachs as of 10/31/25

Prediction 7: International stocks outperform the U.S. for the second year in a row (first time in 20 years)

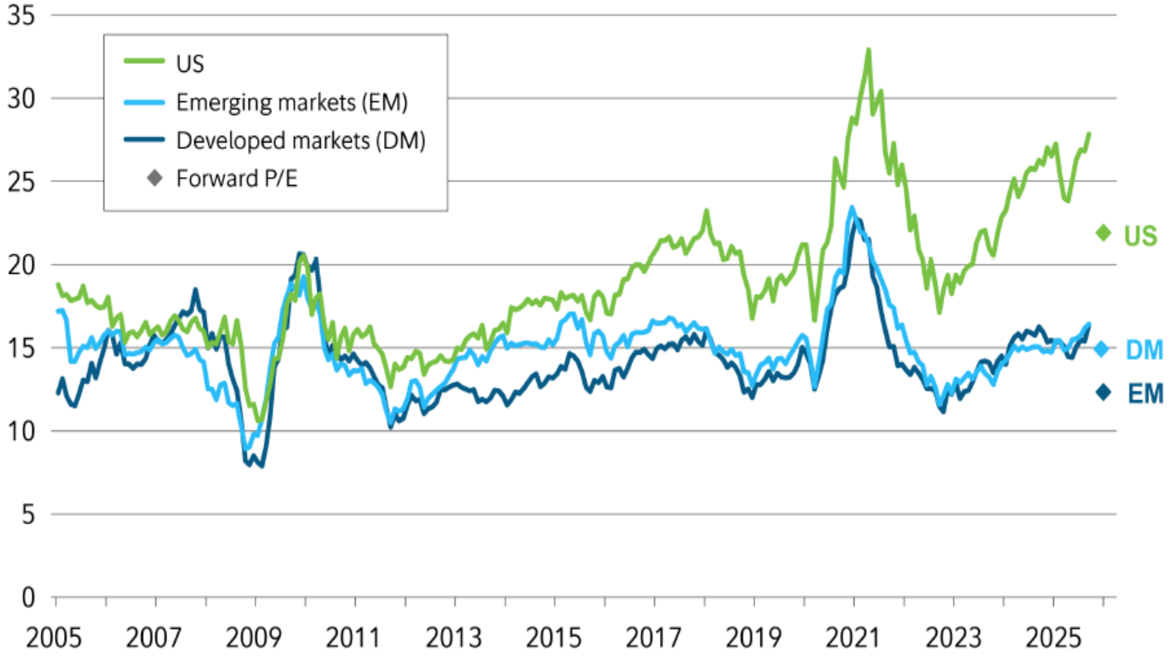
Reasons to increase international weight

1. Valuation differentials
2. More favorable earnings comparisons
3. Monetary policy differentials
4. Fed confusion/dovishness
5. Weakening dollar
6. Underweight international positions (especially in U.S.)
7. Geopolitical desires to diversify away from U.S.

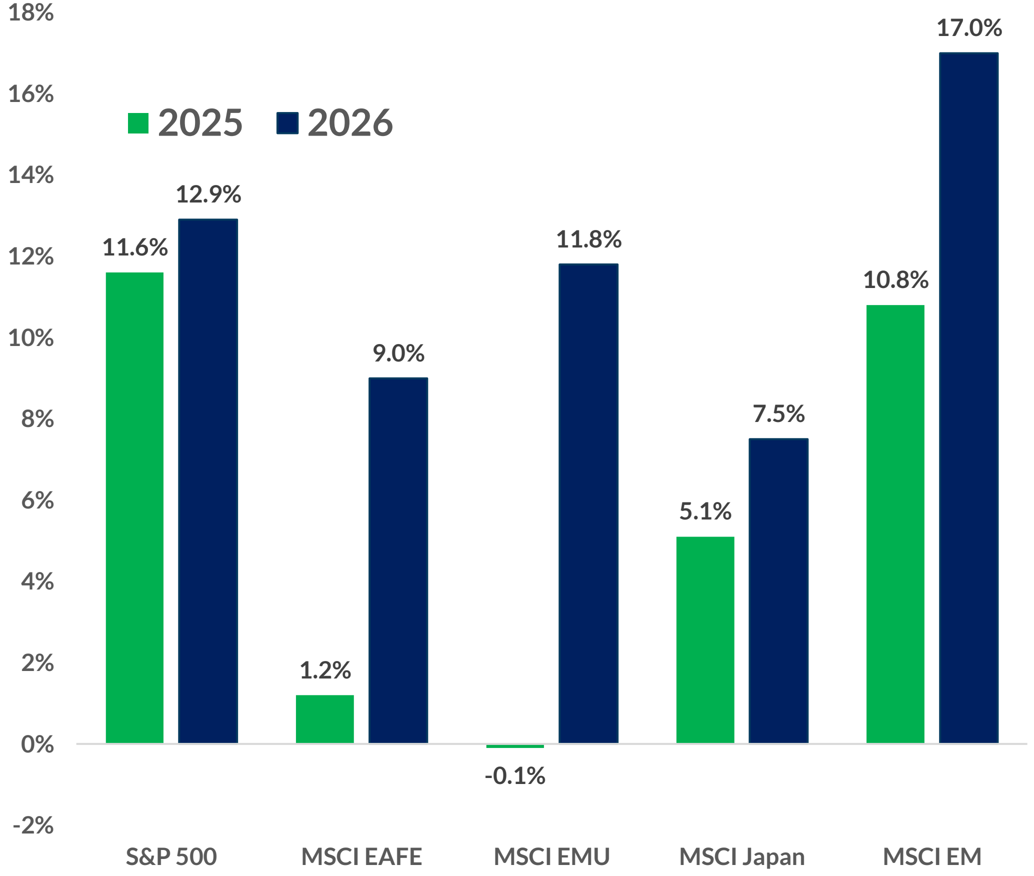
‘America has no permanent friends or enemies, only interests.’

Prediction 7: International stocks outperform the U.S. for the second year in a row (first time in 20 years)

Global markets (P/E ratio)



Relative earnings comparison improving for international



Sources: Right: Charles Schwab, Bloomberg as of 11/30/25; left: FactSet, Bloomberg LP, Fidelity Investments Asset Allocation Research Team

China and the U.S. are in an economic cold war

China's progress in EVs, solar panels, AI, and new drugs has been extraordinary and at noticeably lower costs than in the U.S.

BUT China has issues:

1. Debt levels
2. Aging population
3. Dampened consumption
4. Slower productivity
5. Real estate prices falling

"The prospect unfolding is not of two countries overcoming their differences, but of belligerent giants weaponizing their economic power. And even as China is winning Mr. Trump's trade war, the retreat from open commerce ultimately makes everyone a loser."

– The Economist, Oct. 25, 2025

AI background quotes

From a Dec. 2025 report of Howard Marks, quoting a Derek Thompson Nov. 4 newsletter titled, AI Could Be the Railroad of the 21st Century. Brace Yourself.

"Ours is a remarkable moment in world history. A transformative technology is ascending, and its supporters claim it will forever change the world. To build it requires companies to invest a sum of money unlike anything in living memory. News reports are filled with widespread fears that America's biggest corporations are propping up a bubble that will soon pop."

1. "I haven't met anyone who doesn't believe artificial intelligence has the potential to be one of the biggest technological developments of all times." – Howard Marks
2. The automobile was probably the most important/impactful invention of the first half of the last century, spawning more than 2,000 car companies. Only three have survived.
3. "The railroads were a bubble and they transformed America. Electricity was a bubble and it transformed America. The broad buildout/dot.com explosion was a bubble that transformed America. Given the amount of debt flowing into AI data center construction, I think it's unlikely that AI will be the first transformative technology that isn't overbuilt and doesn't incur a partial correction." – Derek Thompson
4. "The extreme brevity of the financial memory." – John Kenneth Galbraith
5. "Market bubbles aren't caused directly by technological or financial developments. Rather, they result from the application of excessive optimism to those developments." – Howard Marks
6. NVIDIA came public in 1999 with a market value of $626 million. Recently, it became the first $5 trillion market capitalization. That's 8000x appreciation, or roughly 40% per year for 26 years.

Sources: Howard Marks, "Is It a Bubble?" (Dec. 2025 report), and Derek Thompson, "AI Could Be the Railroad of the 21st Century. Brace Yourself." (Nov. 24, 2025, article)

The AI money machine

Circular financing often goes something like this: One company pays money to another, and then the other company turns around and buys the first company's products or services. Without the initial transaction, the other company might not be able to make the purchase.

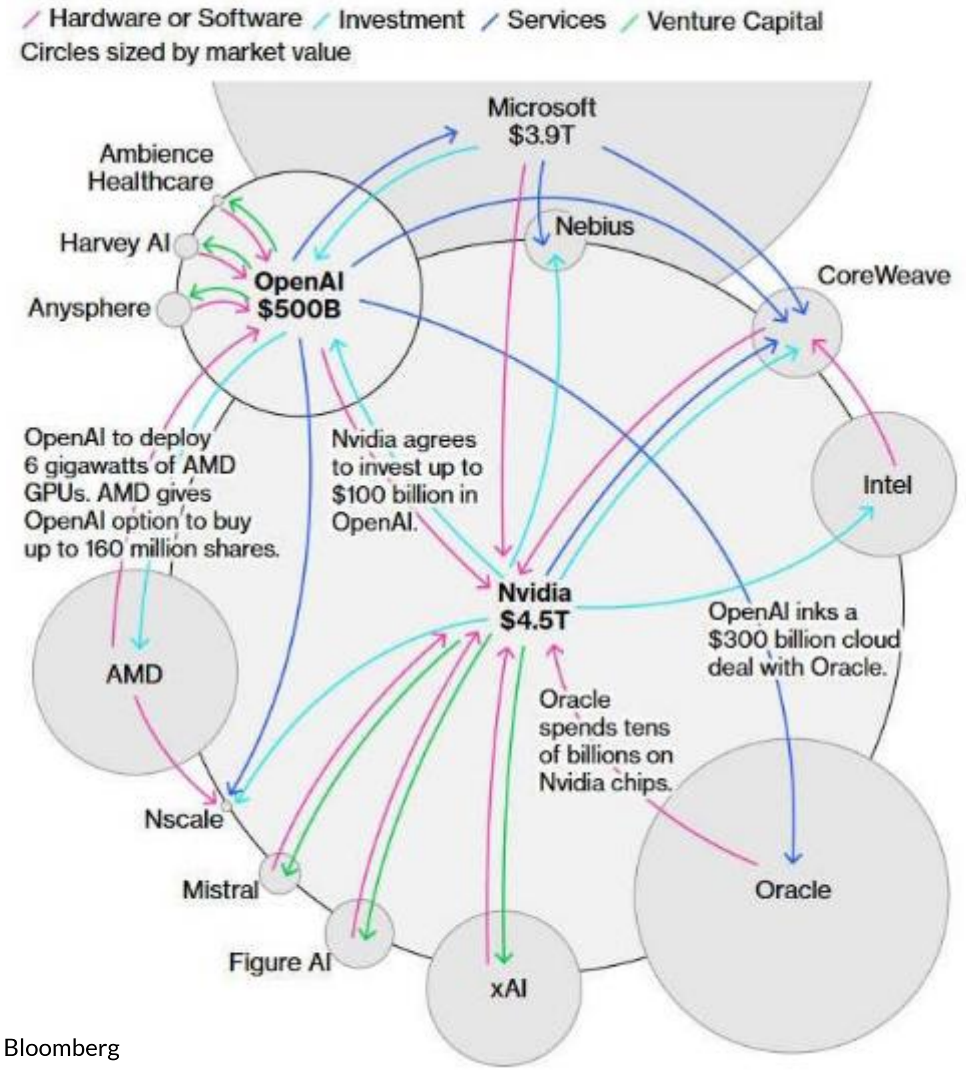
Source: Jonathan Weil

On OpenAI/Oracle and the capital cycle:

"There is no way for Oracle to pay for this with cash flow. They must raise equity or debt to fund their ambitions. Until now, the AI infrastructure boom has been almost entirely self-funded by the cash flows of a select few hyperscalers. Oracle has broken the pattern. It is willing to leverage up to hundreds of billions to seize a share."

Source: Doug O'Laughlin, Fabricated Knowledge, 09/25

How NVIDIA and OpenAI fuel the AI money machine



Source: Bloomberg

"You can either overinvest and lose money or underinvest and lose revenue." – Sam Altman, CEO , OpenAI

AI – the opportunity

"McKinsey has done a new study of AI use in business. Some key takeaways. It is still in the first inning but getting adopted quickly. It takes time to fully understand how best to use AI in a company and then be able to fully implement it. So growth of demand for data centers capacity is just beginning. All the analysts who worry about a bubble are not understanding that AI is very new and its implementation will take time." – Ross Rant, Nov. 11, 2025

"AI is a disrupter job displacer, not a job killer." – Ross Rant, Dec. 27, 2025

Why 2025 isn't like 1999 …

1. The financial position of corporates or the gap between corporates' internally generated cash flow vs. capex … In contrast to the late 1990s, the corporate sector has been net saving most of the time since the financial crisis.
2. While U.S. household equity allocations are stretched vs. historical levels, the world as a whole is significantly less overextended.
3. In the late 1990s, the pace of net equity issuance was considerably higher at just over $1 trillion/year vs. the past few years net equity supply has been negative.
4. Capex would need to rise substantially to come close to the exuberant late 1990s levels.
5. Valuations increased from around 20x in 1995 to 70x by early 2000. By contrast, P/E multiples of Mag 7 stocks have been 30-40x for much of the past decade and the equal-weighted S&P 500 has been around 18x the past decade.

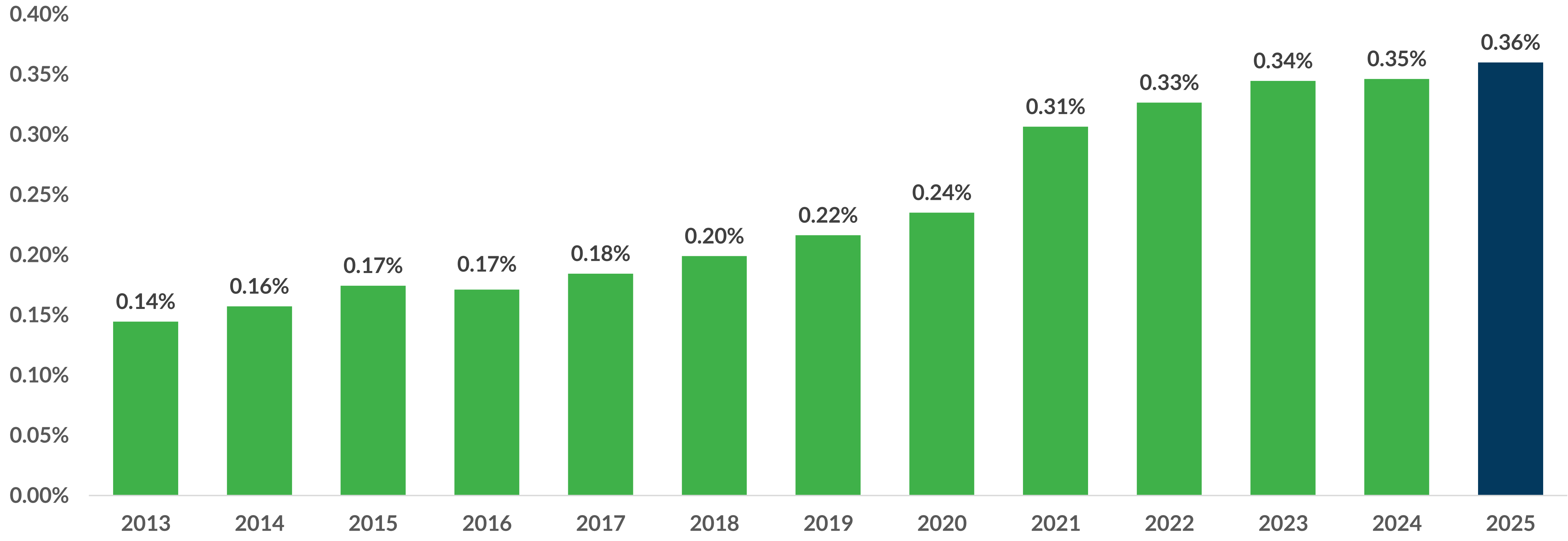
Source: JPMorgan

Valuation of mega players

December 1999	Forward P/E	Current	Forward P/E
Microsoft	69x	Nvidia	30x
Cisco Systems	101x	Microsoft	32x
Intel	32x	Apple	30x
Lucent	49x	Alphabet	22x
Time Warner	217x	Amazon	31x
Oracle	90x	Meta	25x
Worldcom	30x	Tesla	151x
Median	69x	Median	30x
Average	84x	Average	46x
	(62x ex Time Warner)		**(28x ex Tesla)**

Prediction 9: Faith-based share of industry AUM increases for the tenth year in a row

Faith-based market share



Why the increase?

1. More and more individuals are wanting to align their portfolios with their values.
2. More and more financial advisors are wanting to align their portfolios with their values.
3. More and more institutions are wanting to align their portfolios with their values.

Source: Morningstar, Crossmark. Data includes active mutual fund and ETF assets under management of 11 asset managers of faith-based products.

Values-based investing

23% of committed Christians believe they are currently investing in a way that aligns with their values.

88% of committed Christians say they are interested in investments that reflect their values.

37% of those with a financial advisor said their advisor has spoken to them about values-based investing.

62% of those with a financial advisor would switch to a new advisor for the opportunity to align their investments with their values.

73% of those with a financial advisor say their primary source of information on investing comes from their financial advisor.

Source: Eventide Christian Investors Survey. 1,479 respondents who self-identified as Committed Christians (defined as having a Christian faith that is important in their life), ages 30+, with a minimum $100k investable assets or $75k household income; 54% of respondents indicated they have a financial advisor.

Prediction 9: Faith-based share of industry AUM increases for the tenth year in a row

Values-based investing

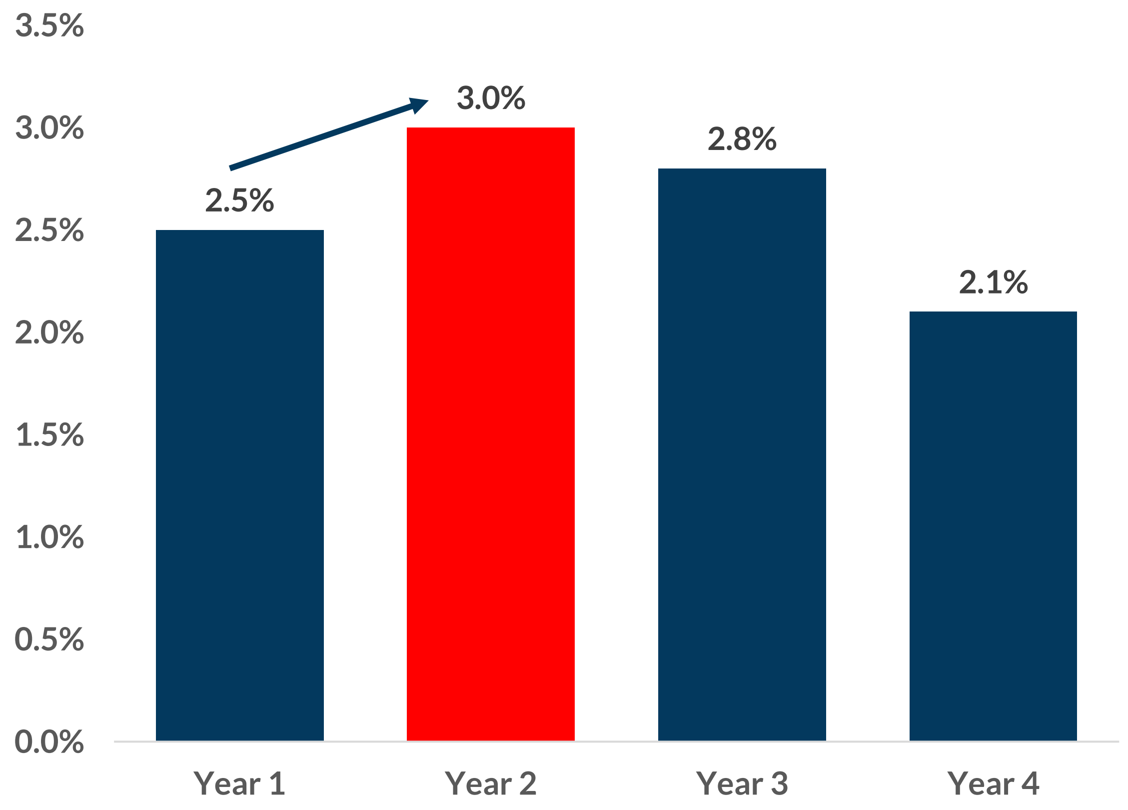
Importance of companies in investment portfolios aligning with personal values

Extremely important	29%	58%	82%
Very important	29%		
Somewhat important	24%		
Not very important	14%		
Not at all important	4%		
	100%		

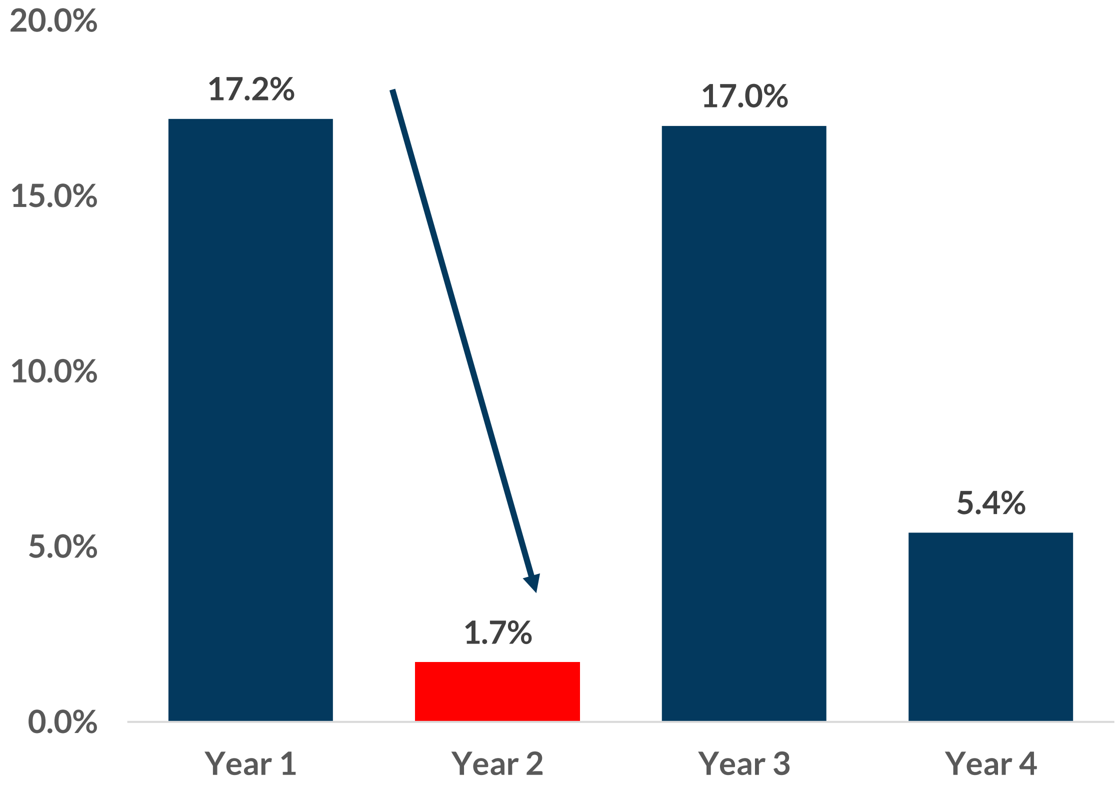
Source: Crossmark, “Decoding Investor Values,” values-based survey conducted on behalf of Crossmark by Pinkston Research in June 2025. Respondents included more than 1,500 U.S. adult investors.

Prediction 10: Republicans retain control of the Senate but surrender the House, losing at least 20-25 seats

Real GDP by year in presidential cycle (1994-2022)



S&P 500 price returns by presidential cycle (1994-2024)

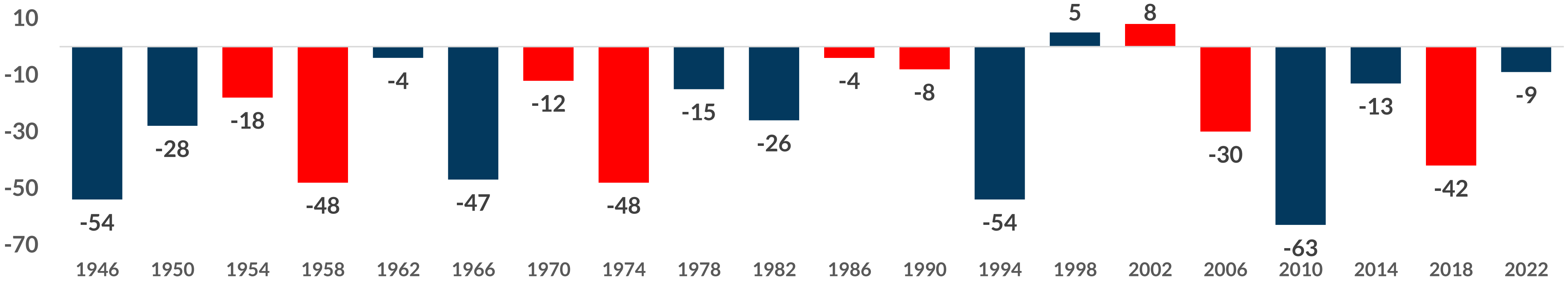


Source: Strategas 12/17/25

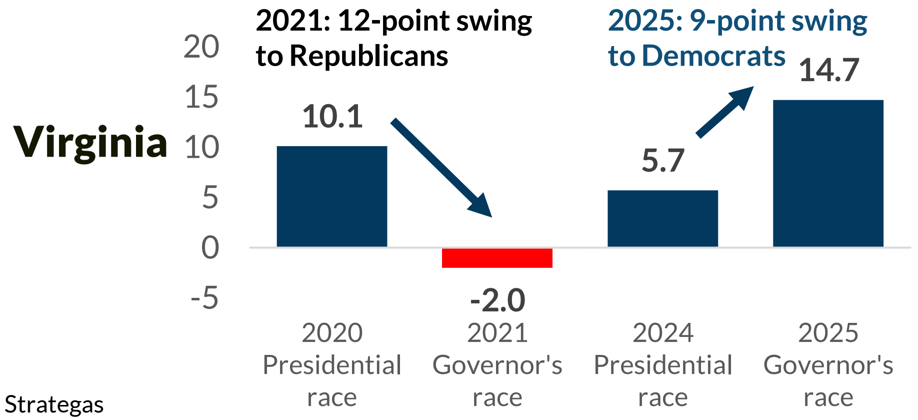
Prediction 10: Republicans retain control of the Senate but surrender the House, losing at least 20-25 seats

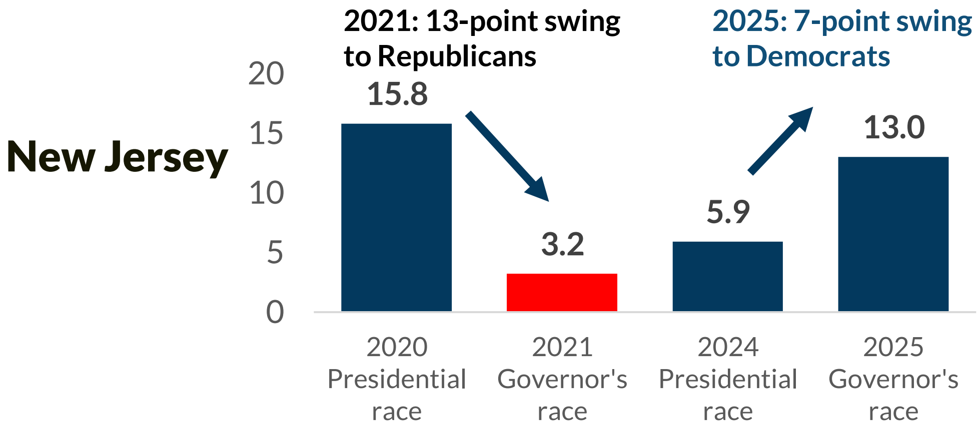
2025 Gubernatorial elections were a shot across the bow

House seats lost by the incumbent President's party in midterm election



Shift in democratic vote margin from presidential race to off-year governor's race 2021 & 2025

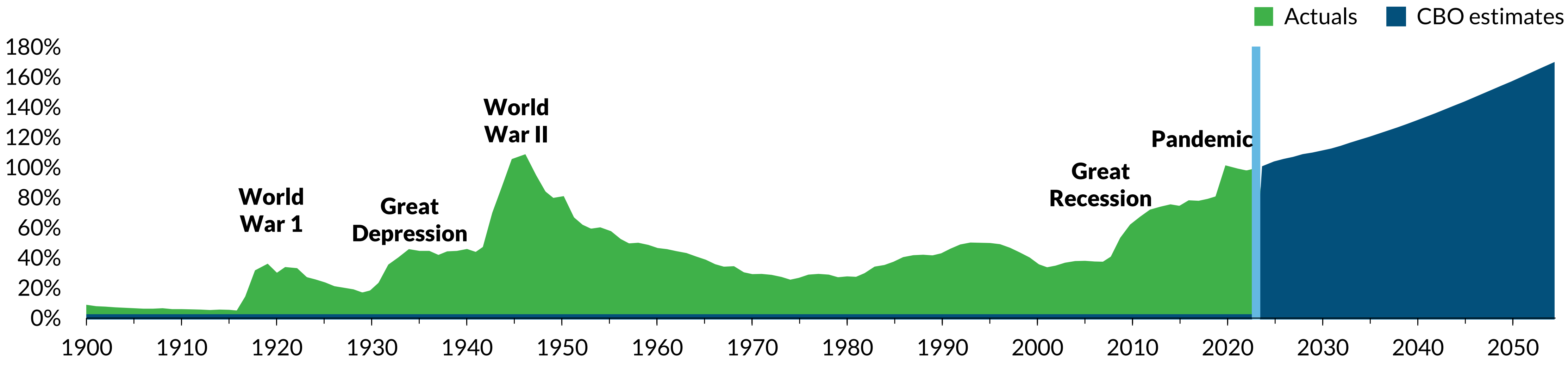




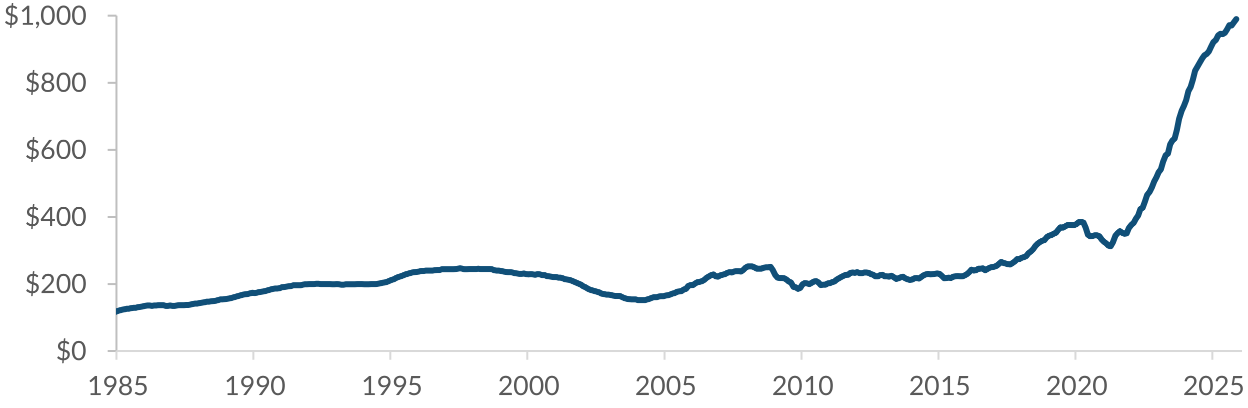
Source: Strategas

Prediction 10: Republicans retain control of the Senate but surrender the House, losing at least 20-25 seats

Federal debt held by the public as a percentage of U.S. GDP



U.S. federal government outlays: Net interest paid



Sources: Top: Congressional Budget Office (CBO); bottom: Sources: Bloomberg as of 12/18/25

High-risk bull market

Positives

1. Earnings are very good.
2. The Fed has begun lowering rates.
3. AI and other productivity factors are boosting profit margins.
4. Sentiment is neutral at worst.
5. Credit markets are signaling a strong economy.
6. There is more clarity around tariffs.
7. Cash flow and dividend growth are improving.

Negatives

1. Valuations are elevated.
2. Inflation remains sticky.
3. The tariff impact on growth and inflation is concerning.
4. Job growth has slowed noticeably.
5. Consumer spending has weakened noticeably down income cohorts.
6. Speculation has increased (margin debt, IPO activity, circular financing).
7. Tensions are escalating between Russia and the U.S./NATO, the U.S. and China, etc.

SO, WHAT TO DO?

We are focusing on companies with below-benchmark price-to-free-cash-flow and above-benchmark return on equity.

- **Bull market** means you've got to participate.
- **High risk** means be careful what you own.

Conclusion

The upside case for stocks is getting increasingly difficult to make. But downside risk is rarely realized when earnings are advancing and the Fed is easing.

Consensus thinking

1. **Economy sails through just fine due to Fed easing/ productivity from AI.**
   Risk: Core GDP/final sales slow noticeably, making the Fed too late.

2. **Inflation is mostly tariffs and will fade early 2026.**
   Risk: Inflation remains 3%-ish, not slowing to 2% without a recession.

3. **Tech/AI create a sustainable secular story.**
   Risk: Tech suffers cyclically, bringing valuation down.

Themes for 2026

1. One Big Beautiful Bill (tax refunds and lower rates) provides economic tailwinds.
2. Employment lags (companies focus on further margin improvement).
3. Capex (AI and non-AI) > consumption.
4. Improved productivity.
5. Inflation remains sticky.
6. Yield curve further steepens.
7. Fed noise could cause trouble.
8. Stocks remain volatile (buy dips/trim rallies).
9. Election and geopolitics important as always.
10. Dollar weakness.

Five macro themes (courtesy of Capital Economics)

1. The economic benefits of AI will continue to build – and the market bubble will continue to inflate.
2. China will remain stuck in low growth and deflation.
3. The trade war isn't over.
4. Central banks will continue to ease – but Trump won't get the major cuts he wants.
5. Fiscal risks will continue to stalk markets.

Strategy summary

The Fed	On hold for indefinite future
Inflation	Remains sticky; stays closer to 3% than 2%
Economic growth	Rises from 2% to 2.5 %
Employment	Some weakness persists
Earnings	Another good year (but short of consensus)
Valuation	Remains expensive
Style	Broader participation
Best sectors	Technology, communication services, financials
Policy	Few major new items – digest One Big Beautiful Bill, continued deregulation

S&P 500 target: 7,263 +6.1%

Source: Crossmark

What to do?

1 Watch earnings revisions and Fed action like a hawk! (Required for bull market to continue)

2 Expect lower returns.

3 Hold some cash for deployment in selloffs.

4 Expect some yield curve steepening.

5 Stocks – buy dips/trim rallies.

6 Stocks – focus on attractive P/FCF and high ROE companies.

7 Position for international to outperform U.S. again.

Important information

Crossmark Global Investments Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement Form ADV (Parts 2A and 2B) and Form CRS, and once a properly executed investment advisory agreement has been entered into by the client.

All investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results.

Equity investments generally involve two principal risks – market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Fixed income investments generally involve three principal risks – interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk).

Many municipal bonds also include call features that allow the issuer to call the bonds—repaying the principal before maturity—usually done in the context of a refinancing transaction if/when interest rates fall. When a bond is called, the holder does not incur a loss, but cash received from the call must be re-deployed, generally in a less favorable interest rate environment (call risk).

Crossmark funds' or strategies' values-based screening policies exclude certain securities from the universe of otherwise available investments. As a result, the funds or strategies may not achieve the same performance they otherwise may have in the absence of the screening process. If the funds or strategies have invested in a company that is later discovered to be in violation of one or more screening criteria and liquidation of an investment in that company is required, selling the securities at issue could result in a loss for the fund. Further, the funds' values-based screening policies may prevent the funds from participating in an otherwise suitable investment opportunity. With respect to Steward Equity Market Neutral Fund, the values-based screening policies apply only to long positions.

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax, or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

Q&A

Thank you

888-845-6910

crossmarkglobal.com

advisorsolutions@crossmarkglobal.com