

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

2026 Investment Update

July 2026



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.

Recent returns



Index	2Q26 (%)	6 mos. 2026 (%)
90-Day Treasury Bills (Bloomberg U.S. Treasury Bill 1-3 Month TR)	0.9	1.8
10-Year U.S. Treasury (Bloomberg U.S. Treasury 10+ Yr TR)	0.2	0.0
U.S. Bonds (Bloomberg U.S. Agg Bond TR)	0.7	0.6
High-Yield Corporate Bonds (Bloomberg U.S. Corp High Yield TR)	2.5	2.0
S&P 500 TR Index	15.2	10.2
S&P 500 Equally Weighted	11.4	12.1
MSCI World Ex. U.S. (MSCI World Ex USA NR)	10.2	9.2
MSCI Emerging Markets (MSCI EM NR)	24.1	23.8
Commodities (DJ Commodity TR)	-8.1	14.4
Gold	-14.1	-7.2
Bitcoin	-13.4	-32.9

Source: Bloomberg as of 6/30/26

Conclusions (March 31, 2026)



Best guesses

1. War (at least at this pace) ends in days/weeks, not months.
2. Iran regime likely to look similar to old regime.
3. Outcome will be take out leadership, nuclear capacity, navy, and a lot of missile inventory (will not change brutal authoritative government).
4. China angle is key.
5. Earnings will be “nicked,” but not damaged.

WATCH THE PRICE OF OIL AND THE STRAIT OF HORMUZ

Where are we?



From Doll's Deliberations, June 22, 2026:

Our view that we are in a “high-risk bull market” depended on continued earnings exceeding expectations and a Fed that was neutral or accommodative. With the latter getting challenged, we are forced to become more cautious and argue that building on the generous gains in stocks in the first half of the year has become more difficult.

Issues

1. War (price of oil – will it stay down?).
2. Integrity of private credit.
3. AI (capex, ROI).

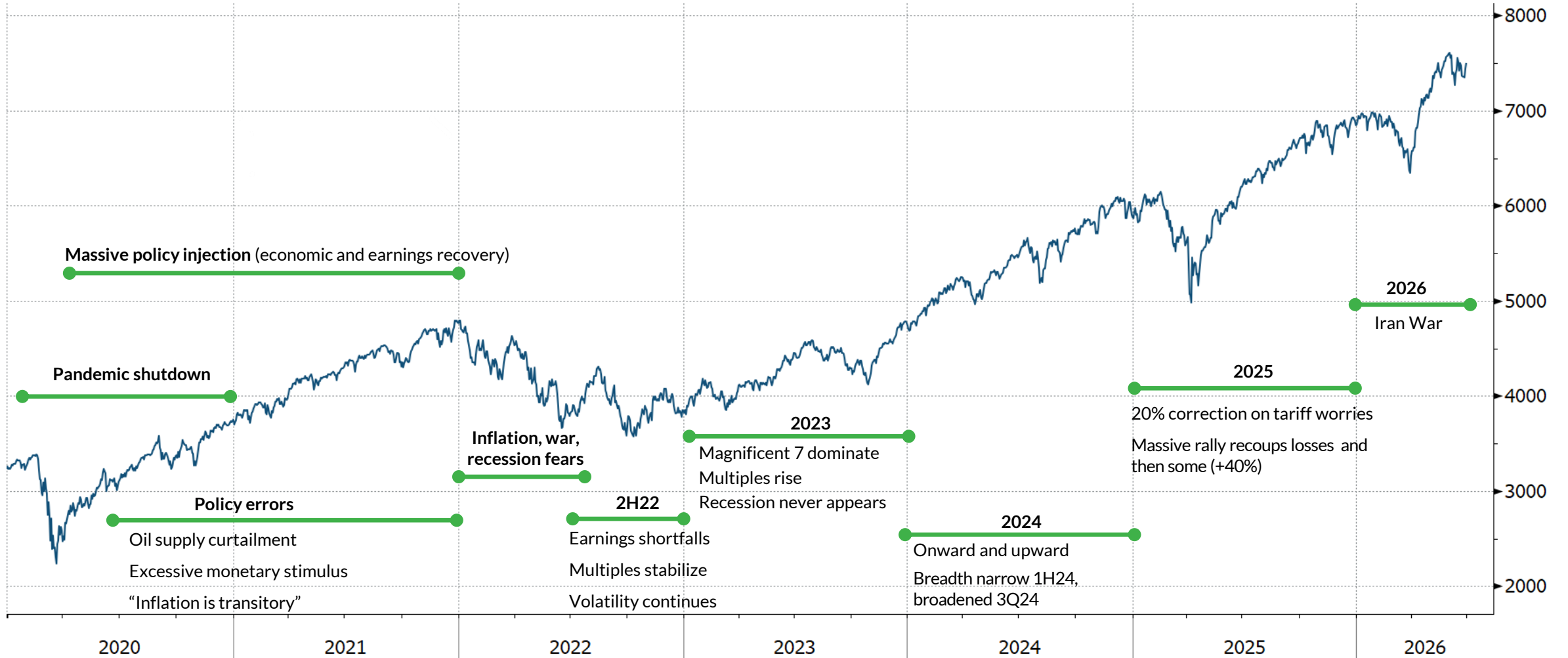
Positives

1. Earnings still great (watch carefully).
2. Fed not hostile (yet!).
3. Credit spreads not signaling problems.

Negatives

1. Still high valuations.
2. Inflation remains sticky.
3. Uncertainty as to Middle East outcome.

S&P 500 6½-year history



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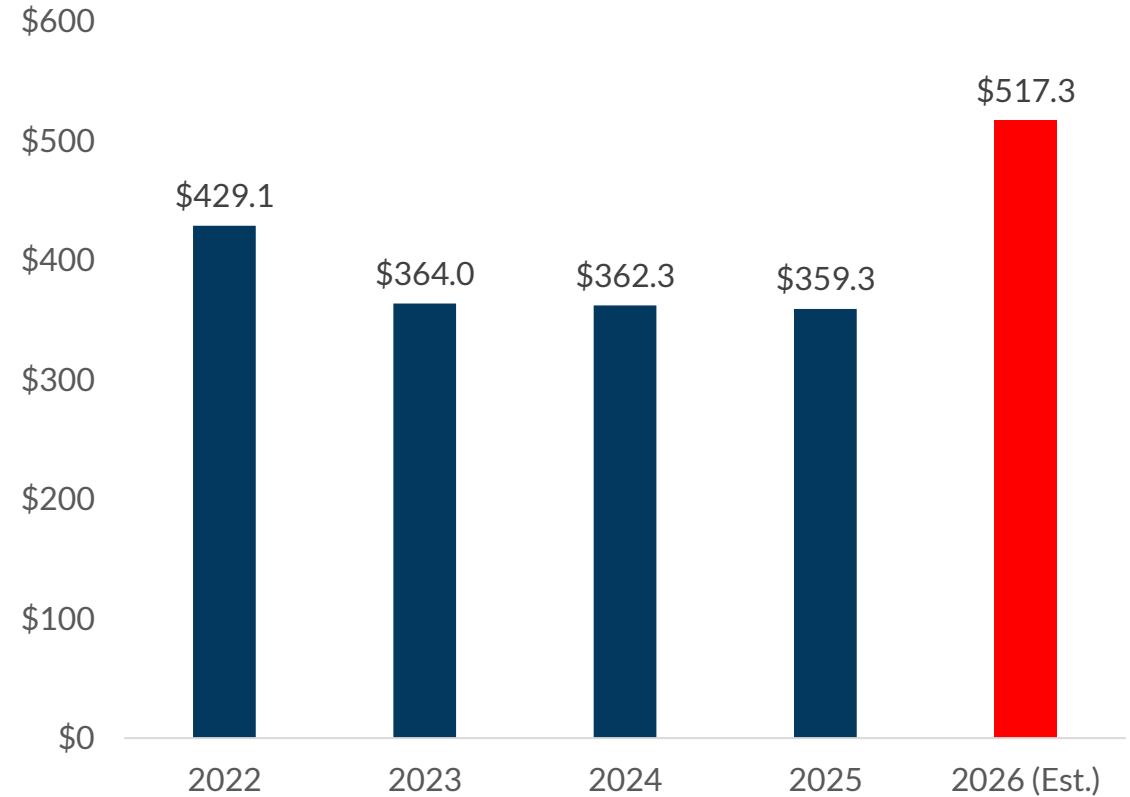
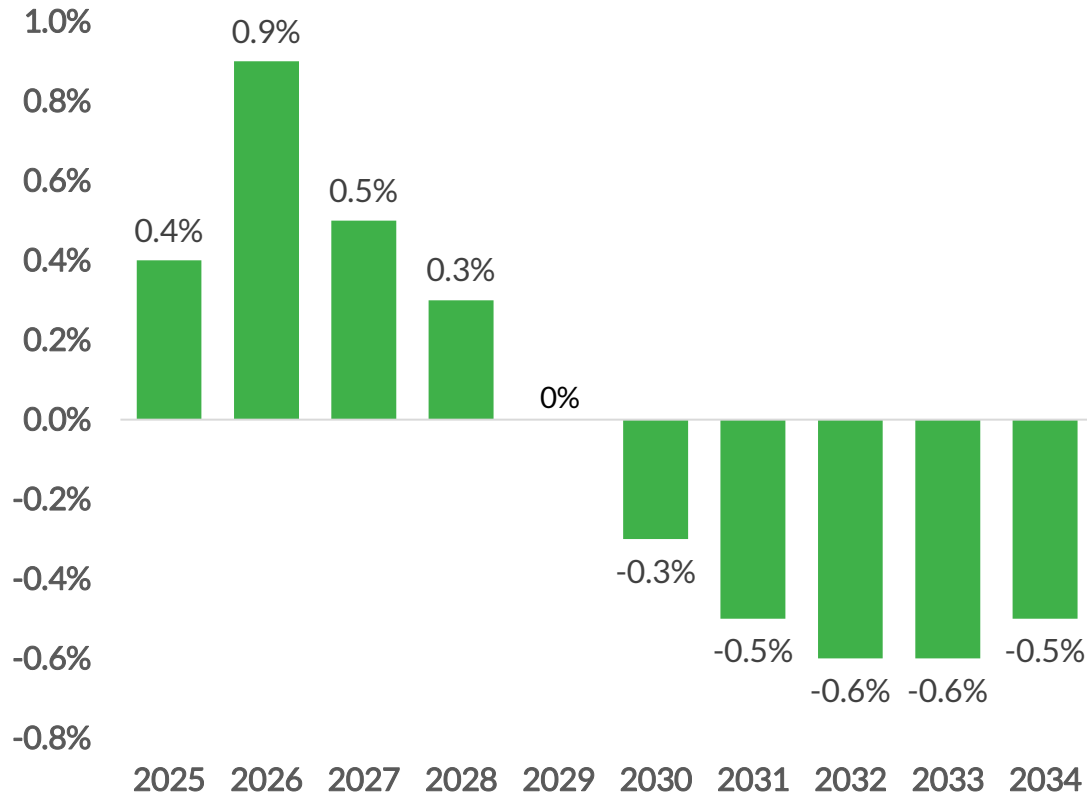
Source: Bloomberg as of 6/30/26

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



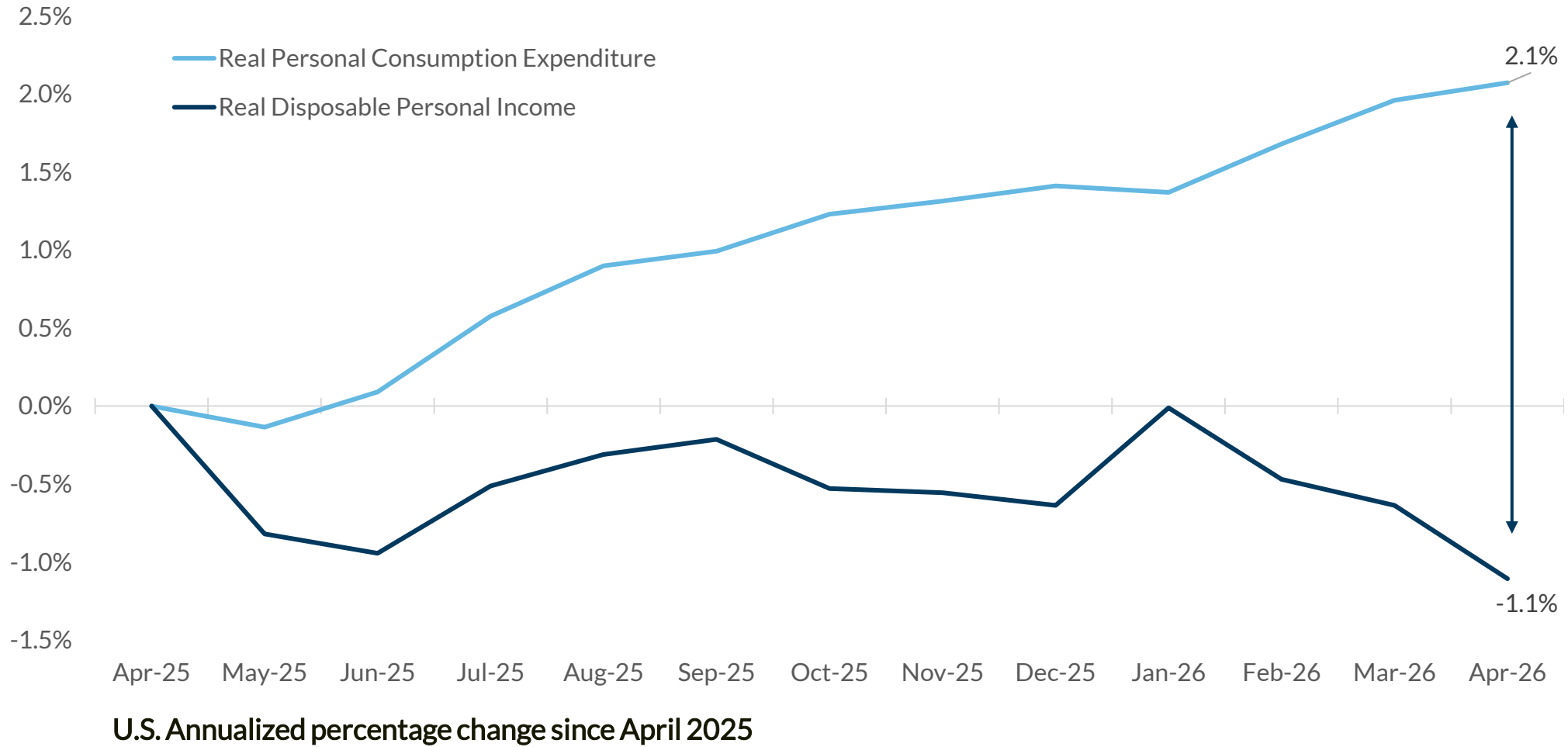
Net fiscal stimulus from Senate tax bill (excludes tariffs), % of GDP, FY

Federal tax refunds, FY, \$BN



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

Consumption can't outgrow income indefinitely ...



Source: Bureau of Economic Analysis (BEA)

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	May 2026 (Latest YoY)
Headline CPI	2.9%	3.0%	4.2%
Core CPI	2.9%	3.0%	2.8%
Food CPI	3.0%	3.1%	3.1%
Energy CPI	3.0%	2.9%	23.0%
Headline PCE	2.5%	2.8%	4.1%
Core PCE	2.5%	2.8%	3.4%

Source: Wolfe Research and Bloomberg as of 6/30/26



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 (%)



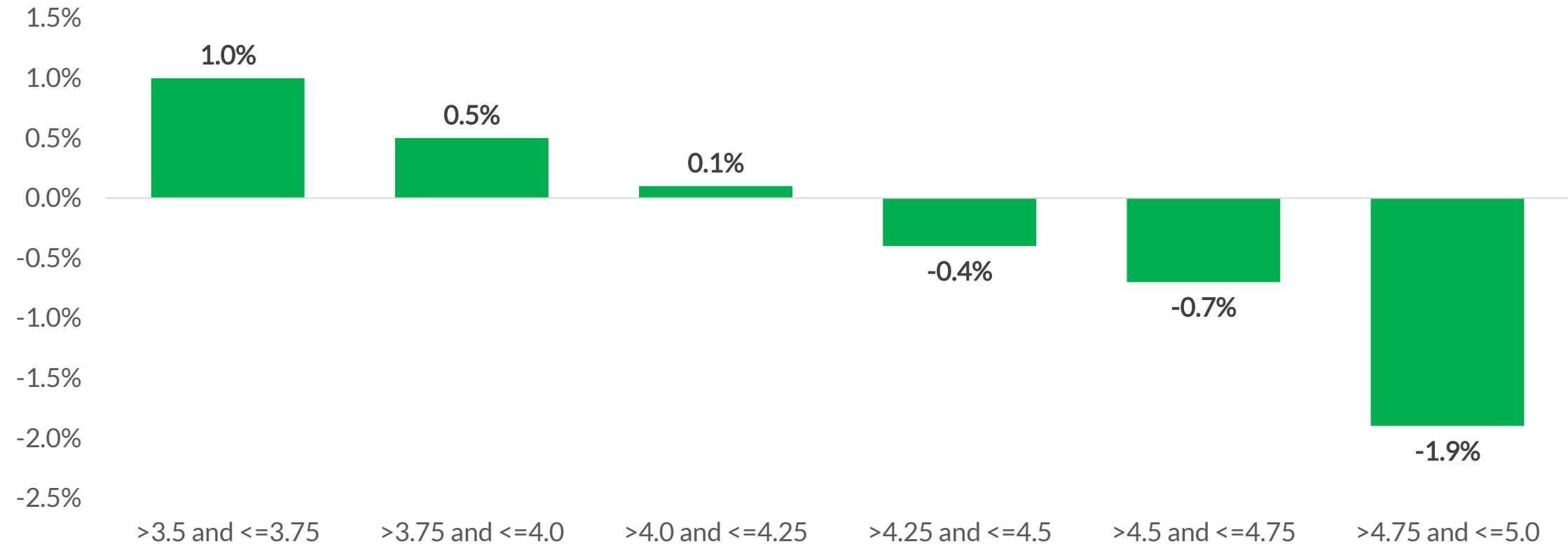
Source: Bloomberg as of 6/30/26

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



Do interest rates matter to stocks?

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



Source: Piper Sandler



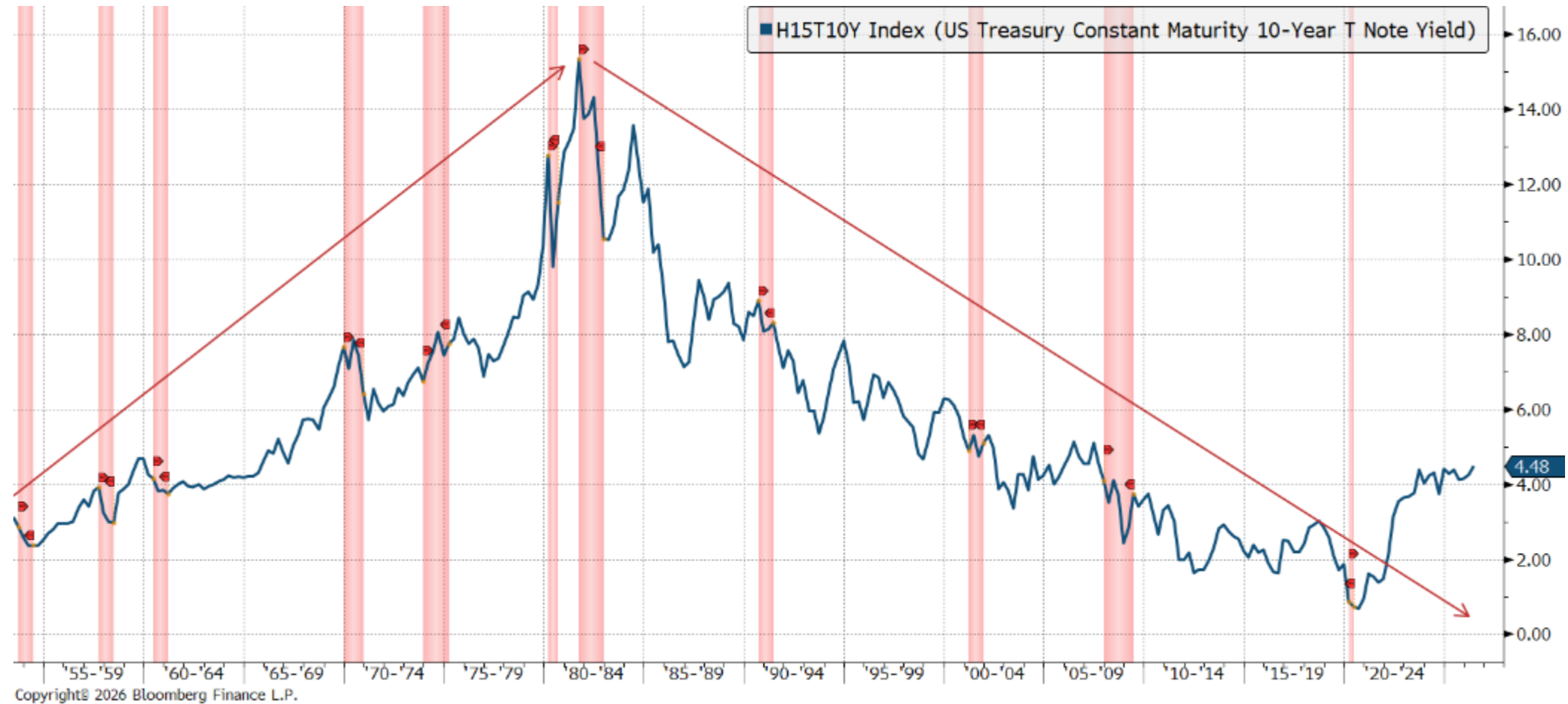
Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

Fixed-income strategy

1. Duration – neutral (become more aggressive above 4.50% 10-year; become more cautious below 4.00%.)
2. Lock in some income at “high” rates (e.g., 4.50% on 10-year).
3. Belly of the curve (e.g., ≈5-year maturity) most attractive.
4. TIPs – have some
5. Quality – high
6. Spreads – widen modestly
7. Munis – where tax conditions permit, participate

A secular change in the financial system?

U.S. 10-Year Treasury yield



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Sources: Strategas, Bloomberg as of 6/30/26

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 ¹		Our guess	
2024	\$248		\$248	
2025	\$278	+12.2%	\$278	+12.2%
2026	\$344	+23.9%	\$330	+18.7%
2027	\$399	+16.0%	\$370	+12.1%
3-year compound growth rate		+17.3%		+14.3%

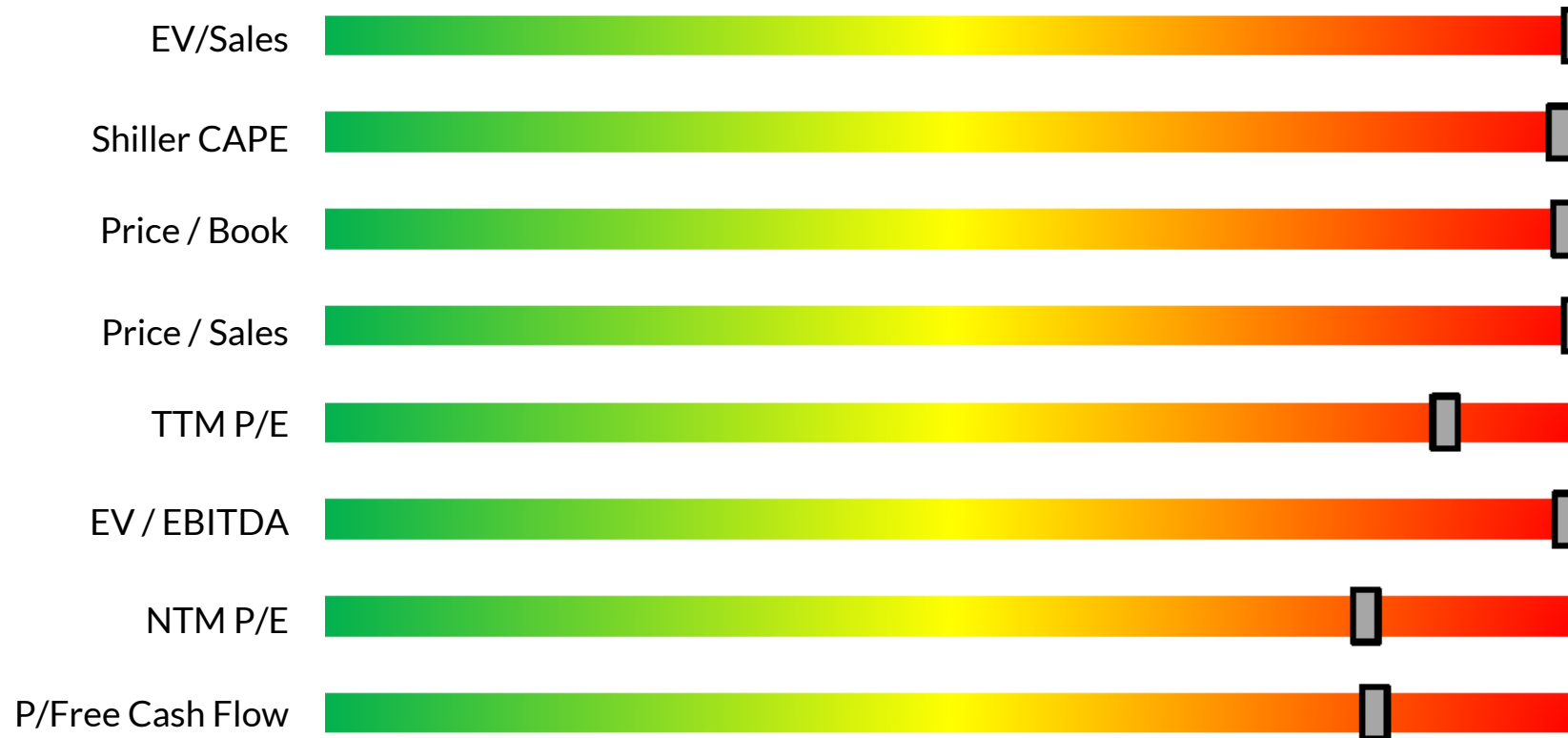
¹Source: Bloomberg as of 6/30/26

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



The negatives: Stocks are expensive

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



Sources: Strategas, FactSet, Bloomberg, Robert Shiller as of 6/30/26

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

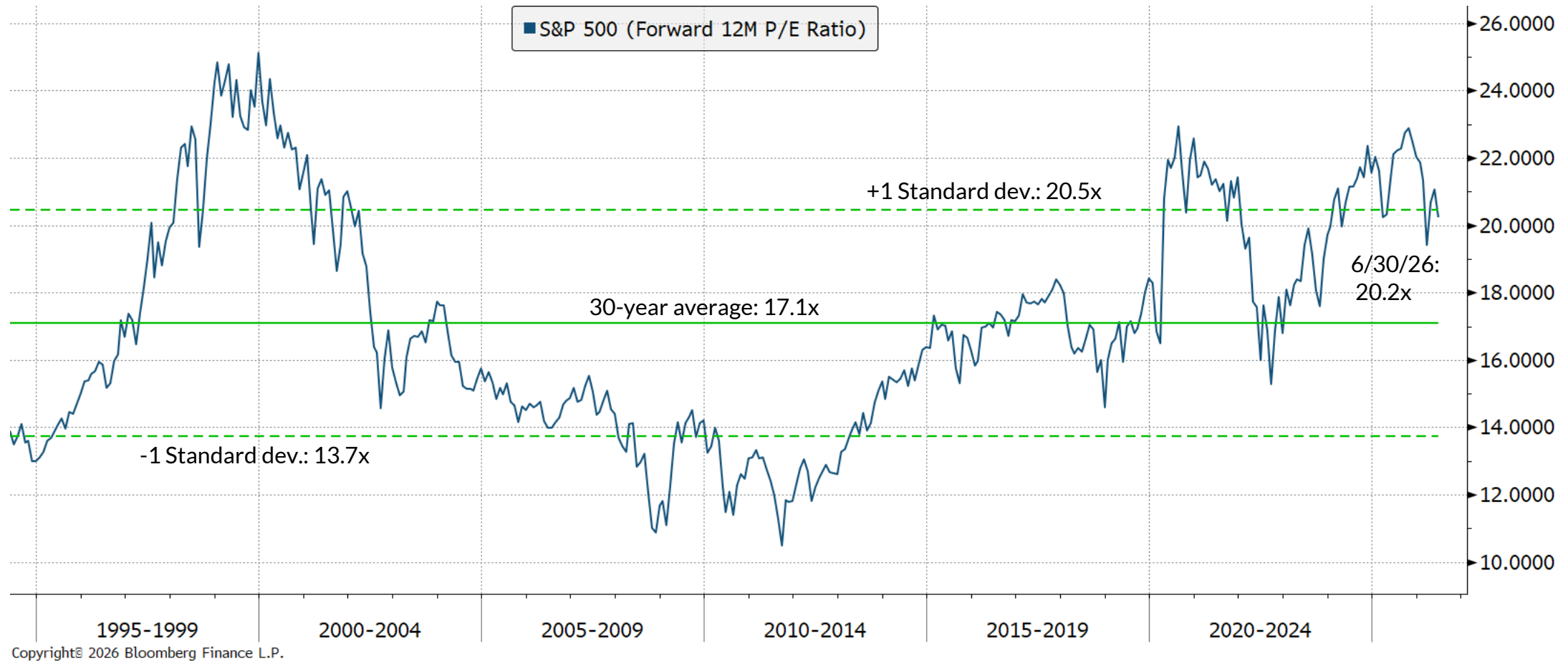


Long-term valuation metrics

Valuation metric	S&P 500 Index		S&P 500 Index	
	12/31/25	Historical percentile (%)	Current (6/30/26)	Historical percentile (%)
Forward P/E	22.0x	90	20.2x	79
EV/EBITDA	17.7x	98	18.1x	99
EV/sales	3.7x	100	3.9x	100
Free cash flow yield	2.8%	85	2.7%	82
Price/book	5.5x	100	5.7x	100
U.S. market cap/GDP	229%	99	240%	100

Source: Bloomberg as of 6/30/26

S&P 500 Index: Forward P/E ratio



Source: Bloomberg as of 6/30/26

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



Prospective equity returns

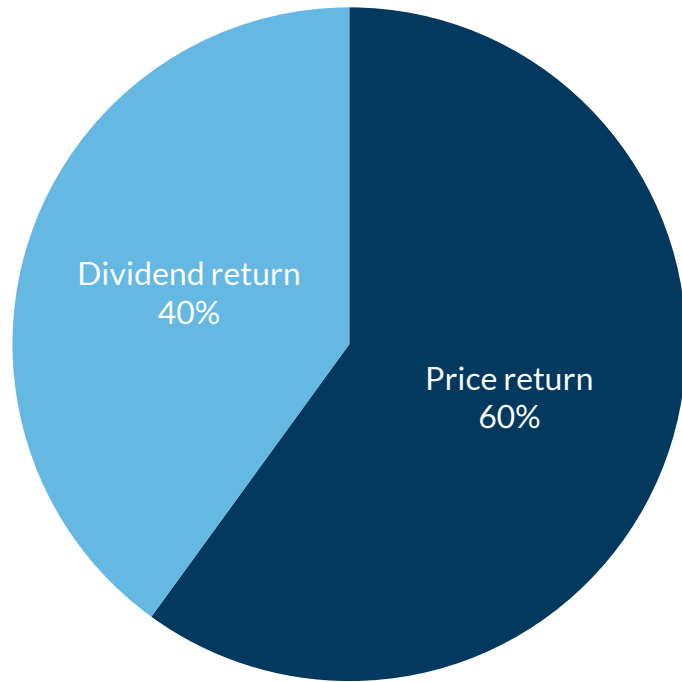
Starting P/E	S&P 500 average forward returns (%)			
	1-year	3-year	5-year	10-year
<10x	13.4	11.2	12.3	11.5
10-12	14.9	13.0	10.4	10.5
12-14	10.5	9.1	8.5	9.6
14-16	12.4	10.9	9.8	9.3
16-18	6.4	6.3	5.4	5.7
18-20	7.7	6.0	5.9	4.4
>20	5.2	4.8	5.5	3.0

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

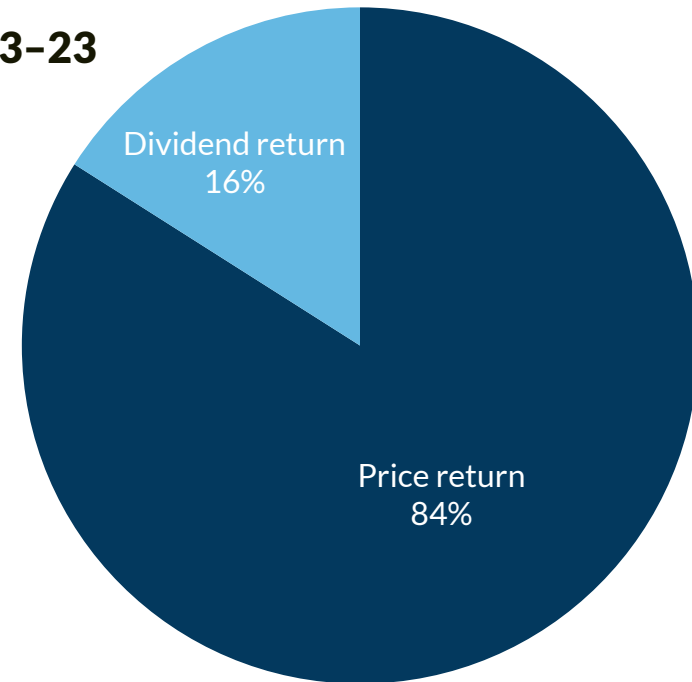


Dividends/dividend growth should matter more in 2026

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	Neutral	Least-favored Mag 7
NVIDIA	Meta	Amazon
Apple	Microsoft	Tesla
Google		

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 > high beta
High management quality	Value > growth
	Big > small

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.'

Market performance since war



Country / Region Equities	Returns (Feb 27-Mar 31)	Returns (March 31 to current)
South Korea	-18.70%	64.10%
Taiwan	-6.30%	53.10%
Emerging Markets	-9.30%	20.50%
U.S.	-5.20%	14.80%
All Country World (ACWI)	-6.10%	13.40%
ACWI ex-US	-8.00%	11.20%
Japan	-8.60%	10.50%
Europe	-8.60%	7.40%
EAFE	-7.80%	6.90%
India	-10.40%	5.40%
France	-9.40%	4.70%
Germany	-10.50%	4.30%
Australia	-7.70%	1.40%
UK	-6.40%	1.30%
Mexico	-7.10%	0.10%
South Africa	-16.90%	-6.80%
China	-4.90%	-9.20%
Hong Kong	-4.60%	-9.40%
Brazil	-0.90%	-10.10%

FactSet as of 6/30/26

U.S. market cap as percentage of global market cap



If this were a stock, would you be long or short?



Source: Strategas and Bloomberg as of 6/30/26

Prediction 8: AI continues to be volatile/erratic, creating another year of elevated volatility



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.

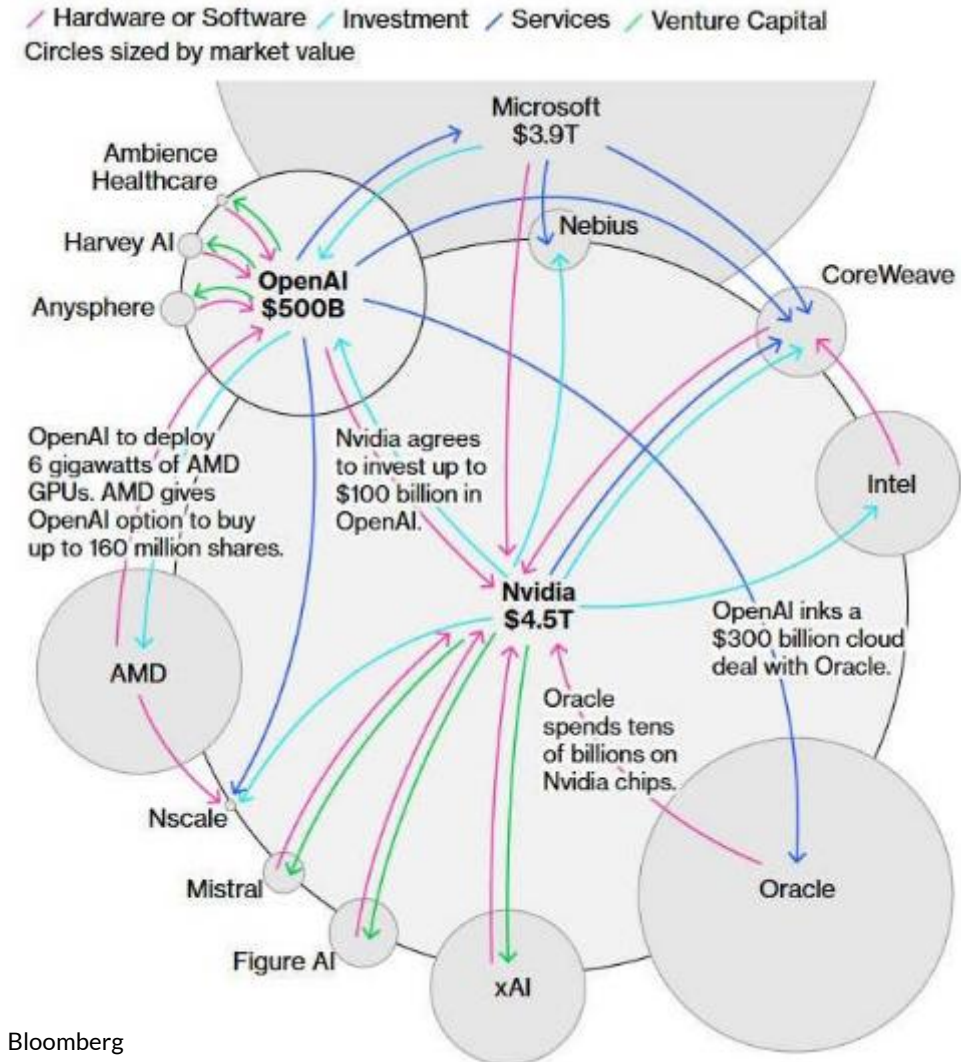
Source: Jonathan Weil

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, 9/25

How NVIDIA and OpenAI fuel the AI money machine

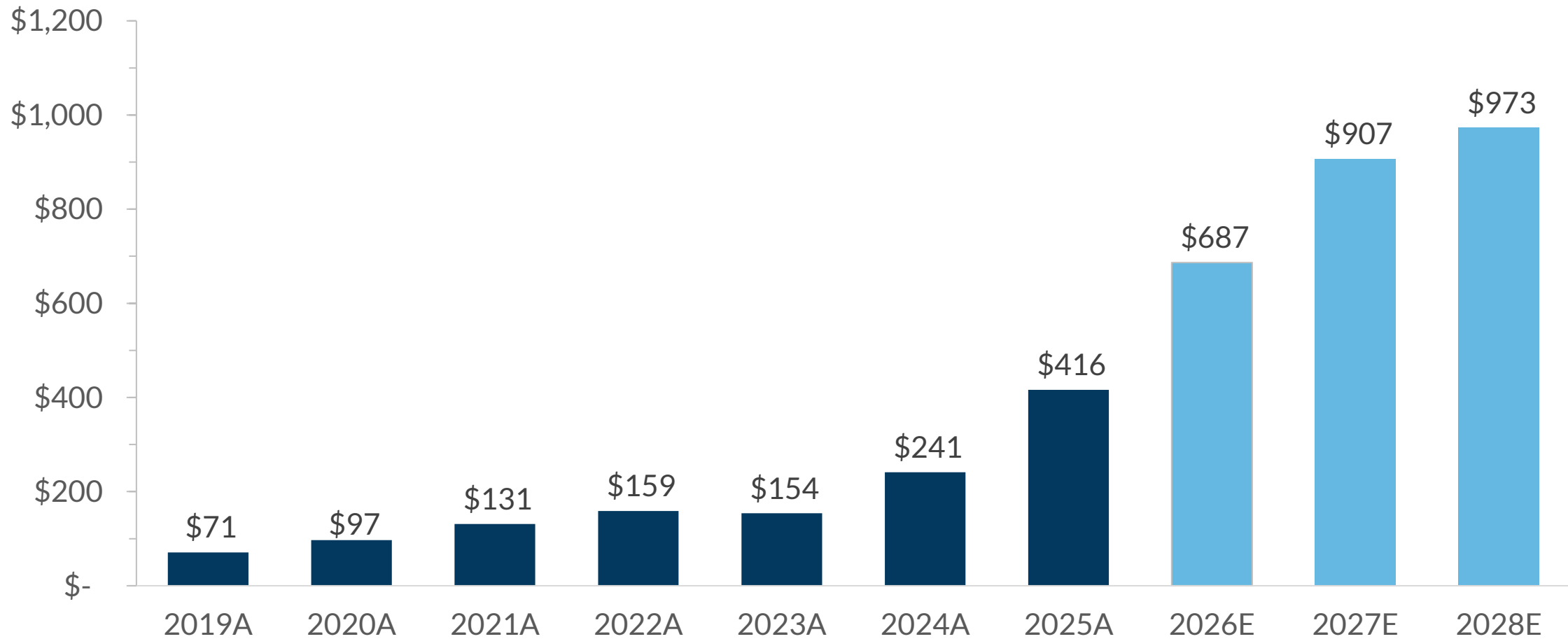


Source: Bloomberg

Capex from the major AI hyperscalers

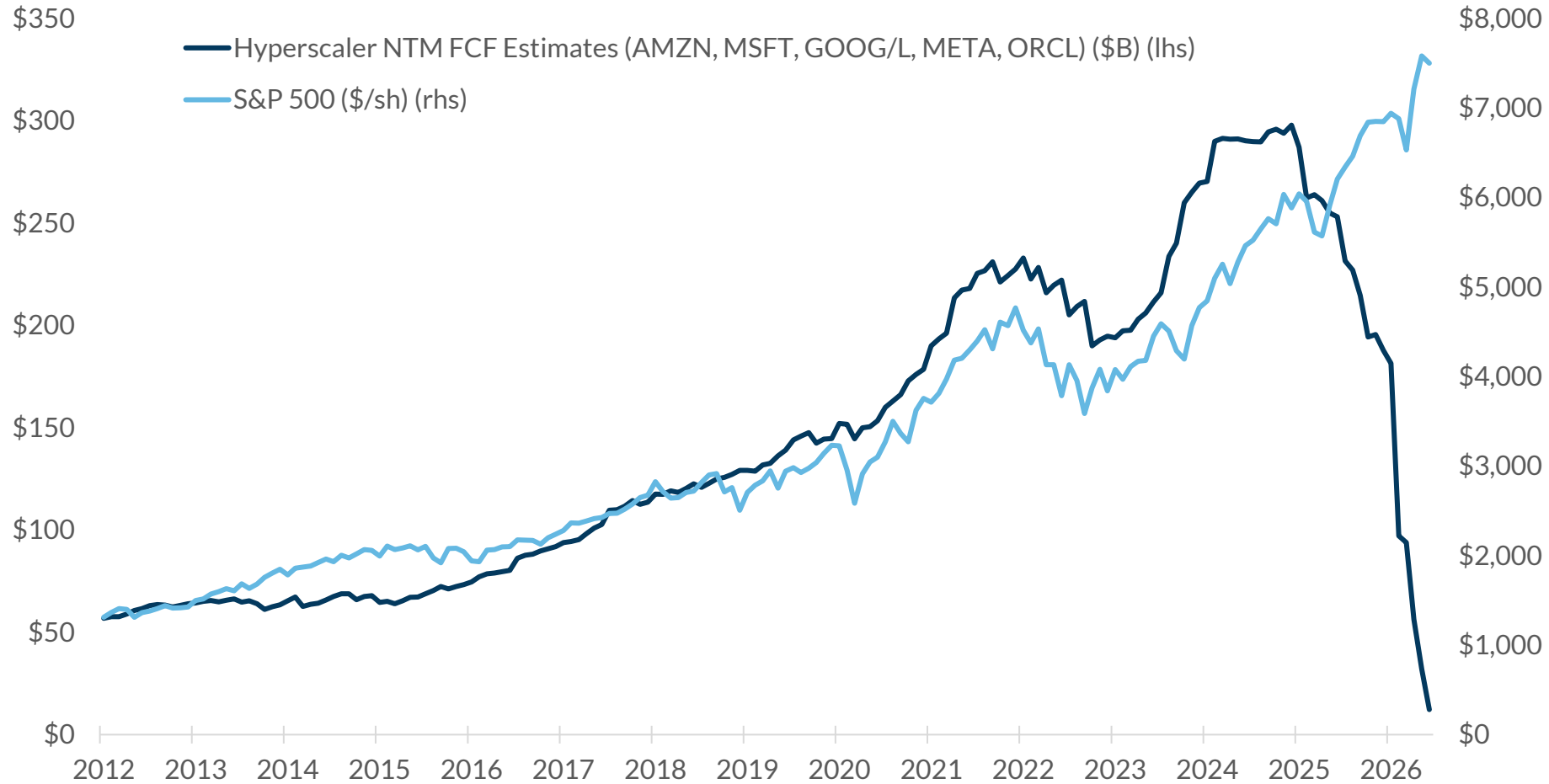


USD billions: Alphabet, Amazon, Meta, Microsoft, Oracle



Source: Bloomberg as of 6/30/26

Hyperscaler free cash flows vs. S&P 500 Index



Sources: Nomura, Bloomberg as of 6/30/26

Prediction 8: AI continues to be volatile/erratic, creating another year of elevated volatility



Valuation of mega cap players

Forward P/E	Dec. 1999	Forward P/E (NTM)	Dec. 2025	June 2026
Microsoft	69x	NVIDIA	26x	19x
Cisco Systems	101x	Microsoft	28x	19x
Intel	32x	Apple	32x	30x
Lucent	49x	Alphabet	26x	24x
Time Warner	217x	Amazon	25x	22x
Oracle	90x	Meta	20x	14x
Worldcom	30x	Tesla	205x	194x
Median	69x	Median	26x	22x
Average	84x	Average	49x	43x
	(62x ex Time Warner)		(26x ex Tesla)	(21x ex-Tesla)

Source: Bloomberg as of 6/30/26

2000 vs. 2026



Valuations

	Early 2000	Late June 2026
S&P 500 Forward P/E	25x	20x
Technology Forward P/E	55x	22x

Expected earnings growth

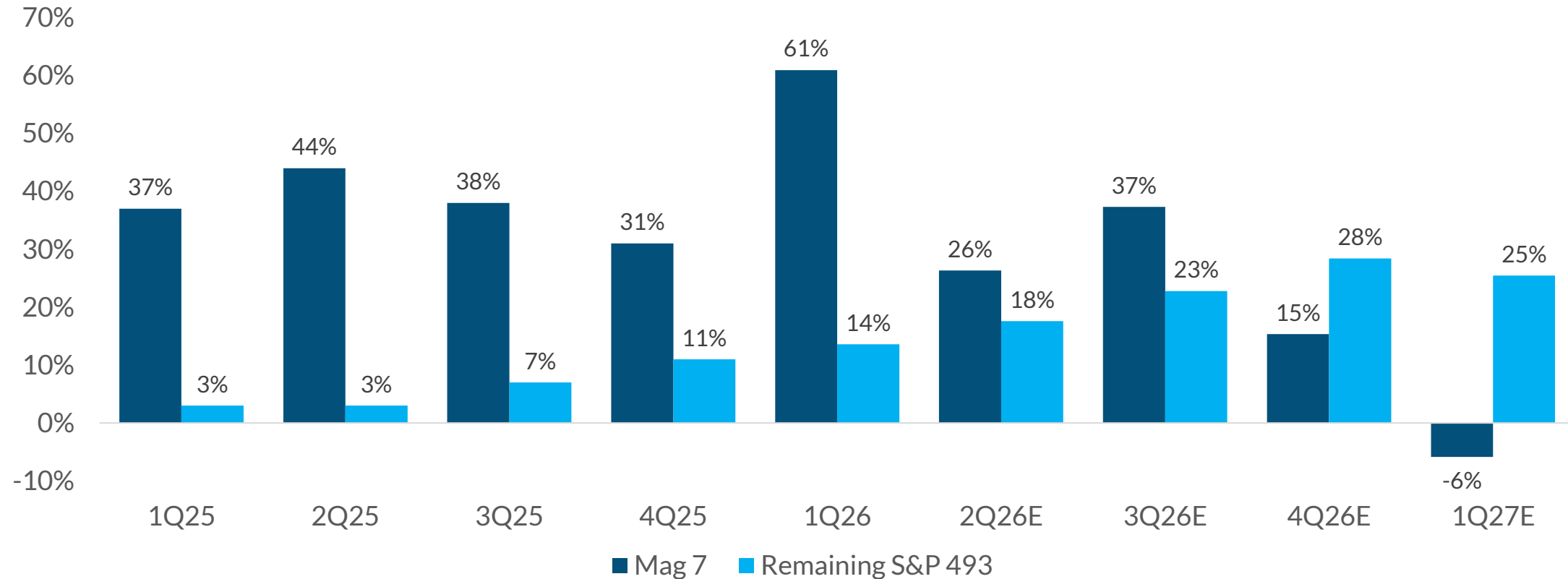
	Early 2000	Late June 2026
S&P 500	19%	23%
Technology	29%	38%

Returns

	EPS growth	S&P 500 total returns
1995-99	67%	220%
2021-25	79%	85%

Sources: Yardeni Research; Strategas

Year-over-year earnings growth

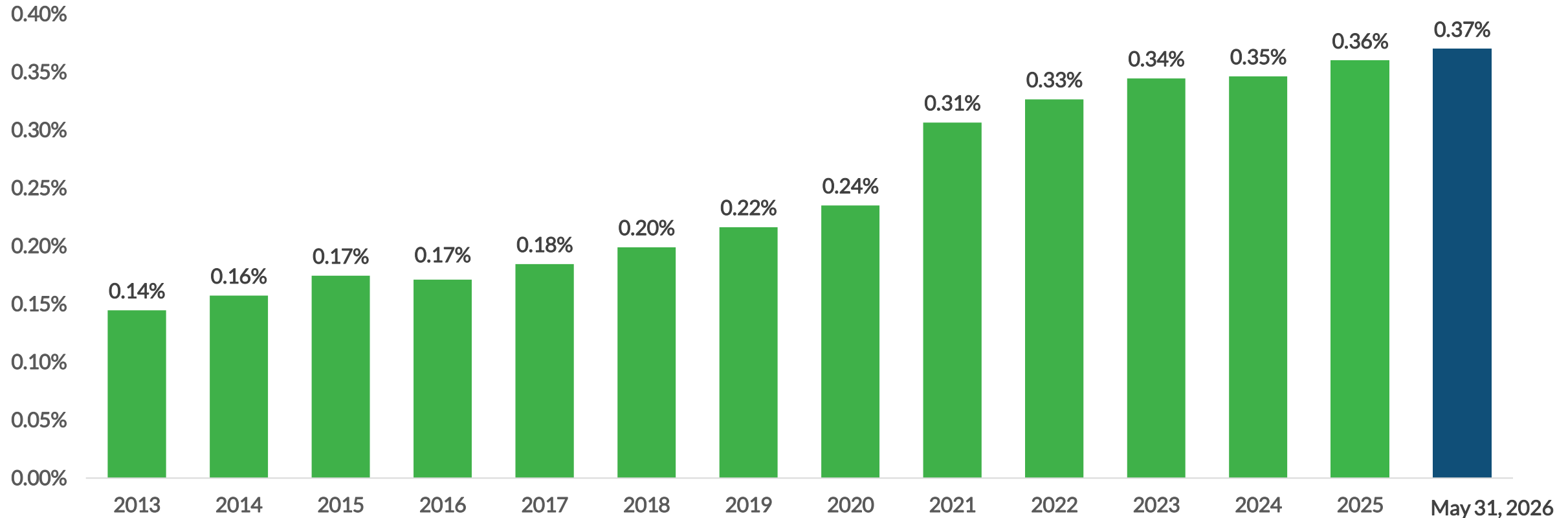


Source: Strategas, Bloomberg Consensus estimates as of 6/30/26

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



Faith-based market share



Why the increase?

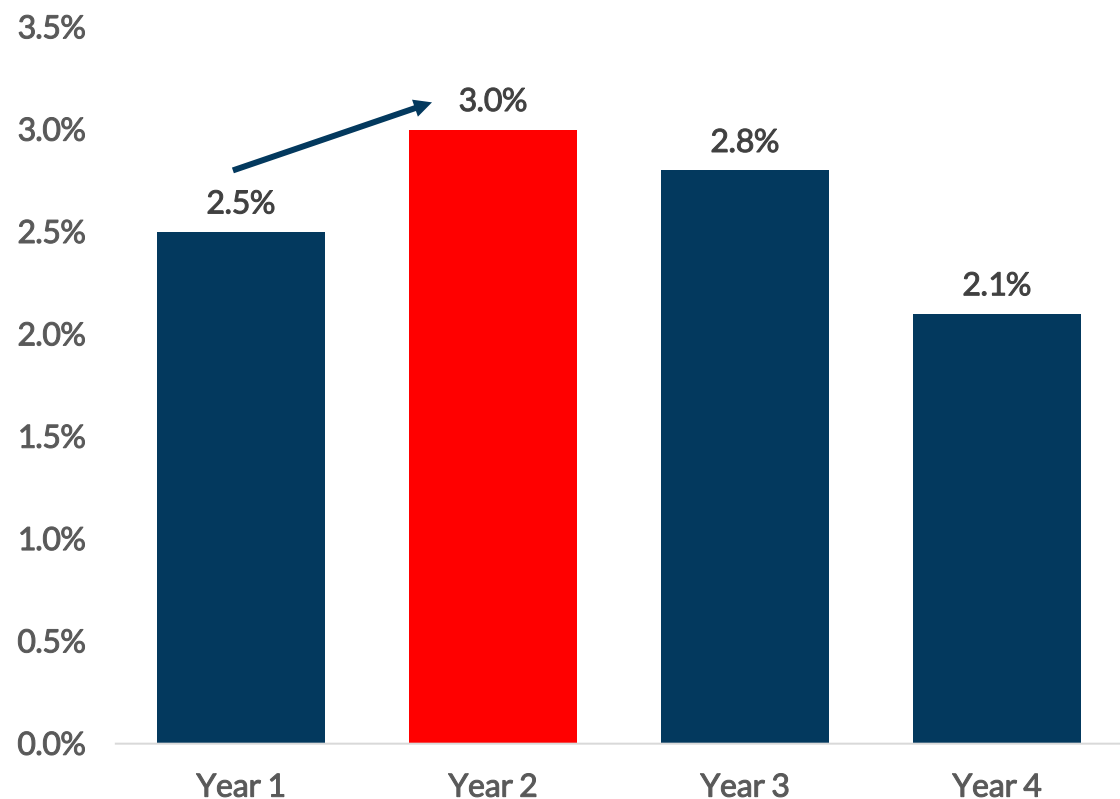
1. More and more individuals are wanting to align their portfolios with their values.
2. More and more financial advisors are wanting to align their portfolios with their values.
3. More and more institutions are wanting to align their portfolios with their values.

Sources: Morningstar, Crossmark. Data compares mutual fund and ETF assets under management of 11 asset managers of faith-based products to total active mutual fund and ETF assets under management in the U.S. Does not include separately managed accounts or money market funds.

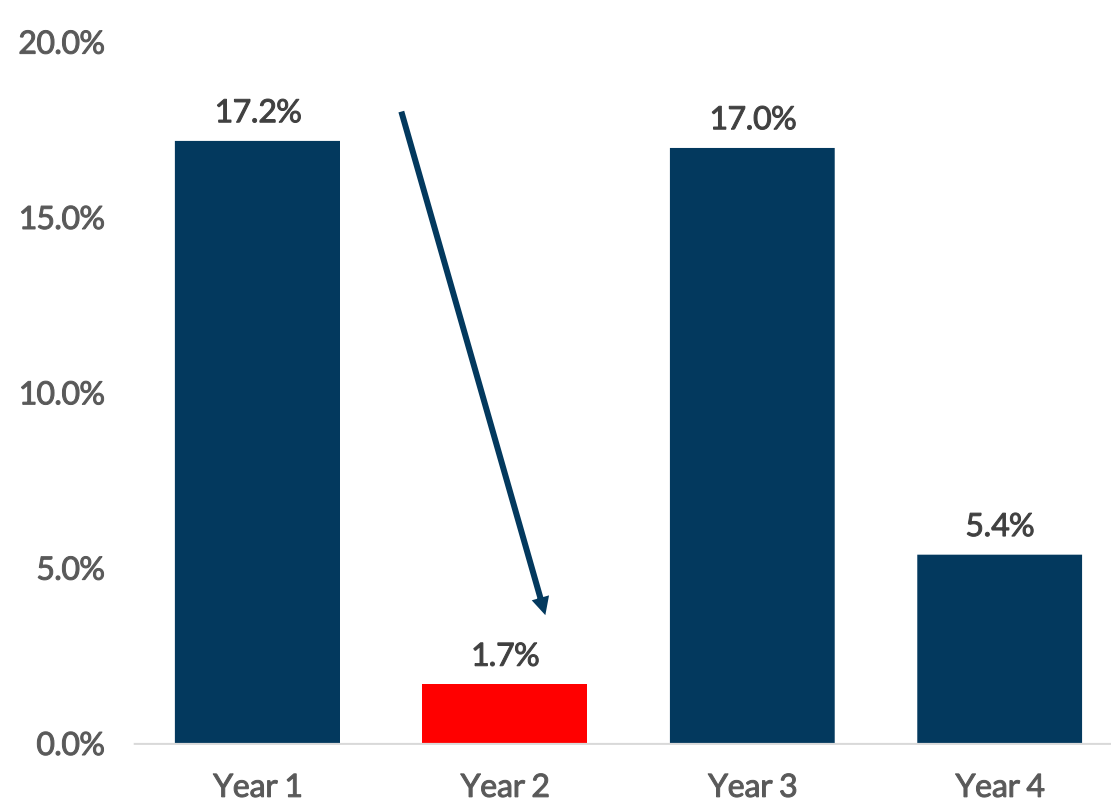


Prediction 10: Republicans retain control of the Senate but surrender the House, losing at least 20-25 seats

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

Musk's horrifying warning

\$37,000,000,000,000 debt

- Musk says America's ballooning deficit is the "biggest issue by far."
- Warren Buffet calls it a "looming fiscal cliff."
- Ray Dalio warns it's the same debt spiral that destroyed past empires.

The facts:

- U.S. debt has smashed through \$37 trillion.
- On track to hit \$52 trillion within 10 years.
- And more than \$100 trillion by 2055.

"That's not a forecast; that's a nightmare."

The only way to fix the problem is to tackle entitlement programs.

Three key observations on the U.S. business cycle



- 1 We have **never** seen a U.S. recession with corporate profit growth staying positive y/y.
- 2 We have **never** seen a U.S. recession without the unemployment rate rising.
- 3 Recessionary weakness in the U.S. labor market has **never** occurred in a vacuum. (It has always been confirmed by weakness in business fixed investment.)

Where are we?



Issues

1. War (price of oil – will it stay down?).
2. Integrity of private credit.
3. AI (Capex, ROI).

Positives

1. Earnings still great (watch carefully).
2. Fed not hostile (yet!).
3. Credit spreads not signaling problems.

Negatives

1. Still high valuations.
2. Inflation remains sticky.
3. Uncertainty as to Middle East outcome.

SO, WHAT TO DO?

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

Conclusion

- From Doll's Deliberations, June 22, 2026: Our view that we are in a "high-risk bull market" depended on continued earnings exceeding expectations and a Fed that was neutral or accommodative. With the latter getting challenged, we are forced to become more cautious and argue that building on the generous gains in stocks in the first half of the year has become more difficult.
- 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.

Second-half assumptions



- 1 Economy will continue to grow above average.
- 2 Inflation will remain sticky.
- 3 Fed will not lower rates this year, but may raise them.
- 4 Interest rates will remain in trading range, perhaps biased higher.
- 5 Earnings will continue to exceed expectations (but rate of exceeding will slow).
- 6 Stocks will struggle to build on generous first half gains, and internal stock market volatility will continue.
- 7 International will outperform in the second half.
- 8 Strait of Hormuz will reopen, but nuclear conversations will stall/fall apart.
- 9 AI will continue to move forward at a rapid pace.
- 10 Mid-term elections will be hard fought and result in a divided Congress.

Strategy summary



The Fed	On hold for indefinite future; bias toward tightening
Inflation	Remains sticky; stays closer to 3% than 2%
Economic growth	2%+
Employment	Steady as she goes
Earnings	Should be another good great year
Valuation	Remains expensive
Style	Broader participation

What to do?



- 1 Watch oil price and Strait of Hormuz. (So far, so good)
- 2 Watch earnings revisions and Fed action like a hawk! (Required for bull market to resume.)
- 3 Expect lower returns.
- 4 Hold some cash for deployment in selloffs.
- 5 Interest rates in trading range.
- 6 Stocks – focus on attractive P/FCF and high ROE companies.
- 7 Position for international to outperform U.S. again in second half.

Notable quotables



“What the wise man does in the beginning, the fool does in the end.”

– Howard Marks (Warren Buffet version: “First the innovator, then the imitator, then the idiot.”)

“‘Prices are too high’ is far from synonymous with ‘the next move is downward.’ Things can be overpriced and stay that way for a long time ... or become far more so.”

– Howard Marks

“Will AI result in massive layoffs? Unlikely. Maybe some job restructuring ...

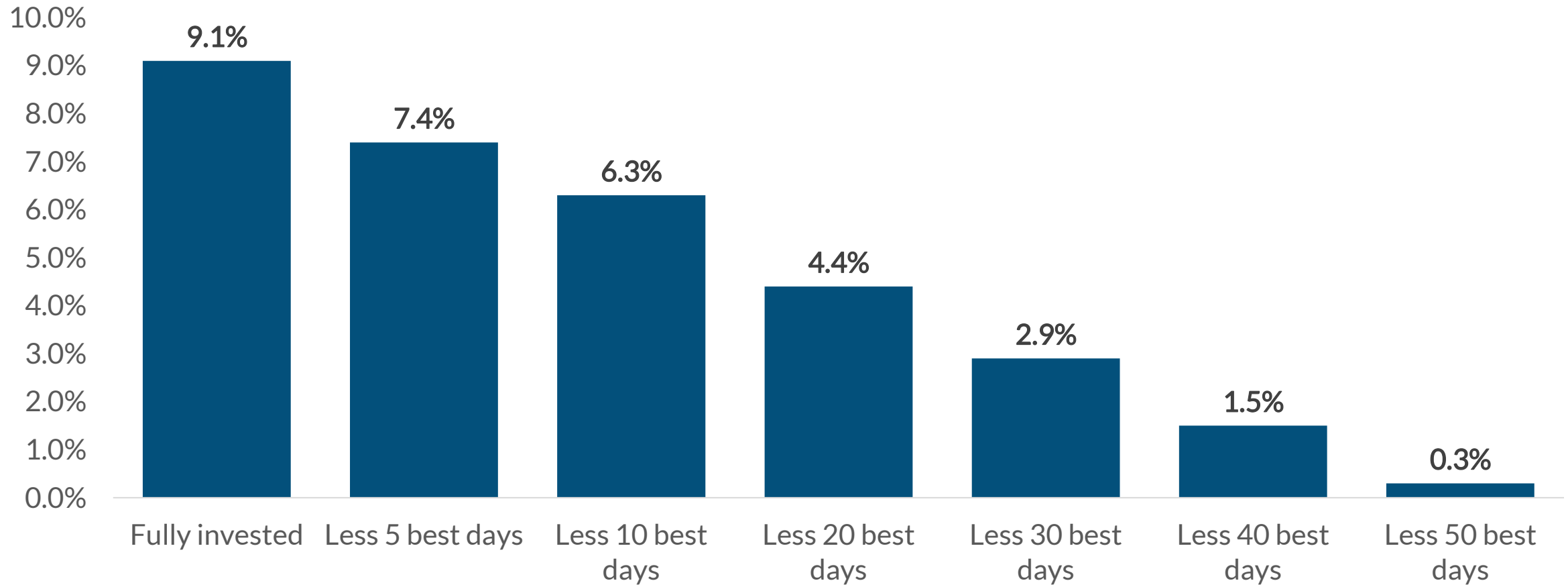
“In 1979, VisiCalc, the first electronic spreadsheet, was released for Apple II. It could do in minutes what previously took teams of accountants days. There were predictions of mass unemployment for bookkeepers. Instead, the number of accountants quadrupled over the next 40 years. ‘The spreadsheet didn’t replace the accountant, it unleashed the latent demand for financial intelligence that had been there all along, waiting for costs to fall far enough to be satisfied.’”

– NY Times, May 3, 2026

Staying invested often more important



S&P 500 compound annual growth rate (Jan. 1, 1995-Dec. 31, 2025)



Source: Strategas, 1/23/26

Equity preferences



Themes

- Strong earnings predictability
- Strong earnings persistence
- Strong cash flow generation

Example stocks

Financials	Citigroup, Mastercard
Big Tech	NVIDIA, Apple
Software	Adobe, Salesforce
Value	Comcast, Verizon
Miscellaneous	Gilead, ConocoPhillips

What to expect over the next 10 years



- 1 More modest investment market returns.

- 2 Another recession.

- 3 Population: older, with more grandparents than grandchildren.
 - World population growth nearly 100% in 65 and older citizens.
 - Obese children now outnumber underweight children for the first time ever.

- 4 Technological innovation (esp. AI): Energy, healthcare, information, and manufacturing.

- 5 Robots and automation threaten jobs.

- 6 Smart phone turns into smart everything.

- 7 Space tourism.

- 8 Globalization replaced by more isolationism/protectionism/populism.

- 9 U.S. / China cold war/ economic war.

- 10 Cyber warfare, possible biological warfare.

Conclusions

From June 22 Doll's Deliberations

- 1 The deal to extend the ceasefire and reopen the Strait of Hormuz should ensure that the global economic expansion rolls on, to the benefit of risk-asset markets.
- 2 The Fed has been behind the curve, but has finally shown an intention to act on its inflation problem. With the Fed under pressure from the bond market, the odds of a rate hike this year have increased, though some respite from lower oil prices and therefore lower headline inflation may allow Warsh to kick the can into next year.
- 3 Our view that we are in a “high-risk bull market” depended on continued earnings exceeding expectations and a Fed that was neutral or accommodative. With the latter getting challenged, we are forced to become more cautious and argue that building on the generous gains in stocks in the first half of the year has become more difficult.



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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 redeployed, 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.

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Q&A



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