
Key Investment Perspectives

Q2 2026



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A Beautiful Game of Two Halves

The imagination of man is naturally sublime, delighted with whatever is remote and extraordinary.

David Hume

As millions of fans pack stadiums across North America for the 2026 World Cup, a similarly high-stakes contest has unfolded in global capital markets. While teams orchestrate brilliant counterattacks on the pitch, investors spent the second quarter overcoming early-year geopolitical concerns and driving markets to impressive gains.

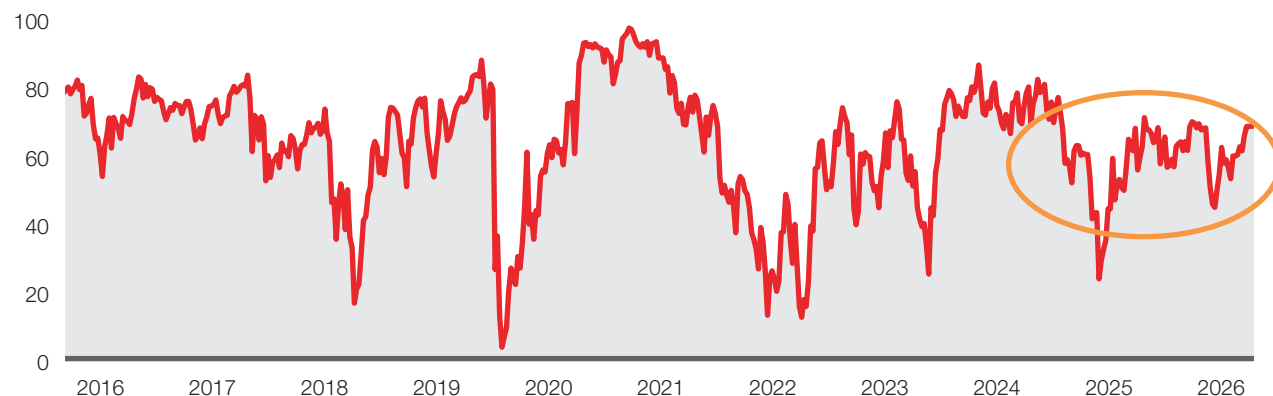


A Quarter of Surprises

The year began on uncertain footing. The closure of the Strait of Hormuz sent Brent crude above \$118 per barrel, interest-rate-cut expectations faded, and talk briefly shifted toward the possibility of a rate hike. Against that backdrop, the S&P 500 declined 4.3% in the first quarter.

Percent of Members Above 200 Day Moving Average

Two-thirds of S&P 500 constituents are now trading above their 200-day moving average suggesting broadening market



Source: Standard & Poors

The second quarter brought a dramatic reversal. Technology and AI-related stocks initially led the recovery, but market leadership broadened as the quarter progressed. By June, value-oriented stocks, dividend payers, and cyclical stocks were all participating in the advance.

Through June 30, the S&P 500 gained 9.6%. Even more notable was the strength of areas that had lagged for much of the past several years. The S&P 600 Small Cap Index rose 19.7%, its strongest first half since 1991, while international equities gained 14.5%. This broadening matters. Markets, like championship teams, are often strongest when success extends beyond a handful of star performers.

Fixed income markets told a different story. Yields remain elevated relative to the last decade, creating attractive income opportunities for investors. However, a less benign inflation environment and increased Treasury supply suggest bonds may not always provide the same diversification benefits investors came to expect in prior cycles, making security selection increasingly important.

Resilient Markets

The AI-driven rally has priced in considerable optimism, leaving markets vulnerable to disappointment in earnings, inflation, or economic growth. Yet the broader story remains one of resilience. Despite geopolitical tensions, higher interest rates, and persistent uncertainty, economic activity has remained surprisingly durable.

Risk has not disappeared. The future path of the Middle East conflict remains highly uncertain, the Federal Reserve remains cautious, and market dispersion remains significant. The second half of the year will hinge on earnings growth, inflation trends, interest-rate policy, and whether market participation remains broad. Spending on AI and companies' ability to monetize their investments is also a key variable. Investors should enjoy the excitement but keep their focus on fundamentals.



State of the Economy

AI, Energy, and Tariffs

The U.S. economy has proven more resilient than expected, absorbing the effects of higher energy prices and geopolitical tensions in the Middle East without a significant slowdown in growth.

First-quarter 2026 GDP grew 2.1%, a sharp rebound from the prior quarter's anemic 0.5% growth, yet this headline masks a fragile underpinning. Real business investment in equipment and intellectual property surged over 10% in Q1, almost entirely attributable to the AI infrastructure buildout.

U.S. growth is expected to remain steady as inflation gradually eases, while AI investment continues to support economic activity. The key question is whether those investments translate into meaningful productivity gains before consumer spending begins to weaken.

	GDP Growth			Inflation			Unemployment			Policy Rate		
	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
World	3.4%	3.1%	3.2%	4.1%	4.5%	3.8%	—	—	—	—	—	—
Developed Economies	1.9%	1.8%	1.7%	2.3%	2.6%	2.2%	—	—	—	—	—	—
U.S.	2.1%	2.2%	2.1%	2.9%	3.0%	2.4%	4.3%	4.3%	4.0%	4.5%	3.8%	3.5%
Euro Area	1.4%	1.1%	1.2%	2.1%	2.4%	2.0%	6.3%	6.3%	6.4%	2.0%	2.3%	1.8%
Japan	1.1%	0.7%	0.6%	3.2%	2.5%	2.0%	2.5%	2.6%	2.6%	0.8%	1.3%	1.0%
Emerging Economies	4.4%	3.9%	4.2%	5.3%	6.0%	5.0%	—	—	—	—	—	—
China	5.0%	4.5%	4.4%	0.1%	1.3%	1.3%	5.2%	5.1%	5.1%	1.4%	1.4%	1.3%
India	7.6%	6.5%	6.5%	2.1%	4.5%	4.0%	4.9%	5.0%	5.0%	5.5%	5.5%	5.3%
Brazil	2.3%	1.9%	2.0%	5.0%	5.0%	4.0%	6.0%	6.0%	5.5%	14.9%	13.0%	11.5%

Source: IMF, OECD, World Bank, Federal Reserve, Reuters, FactSet, Bloomberg, Key Wealth Estimates

Looking ahead, growth is expected to remain positive, though persistent inflation and a more hawkish stance from central banks suggest interest rates may stay higher for longer. Geopolitical tensions, AI, and trade policy uncertainty remain key risks to the outlook.

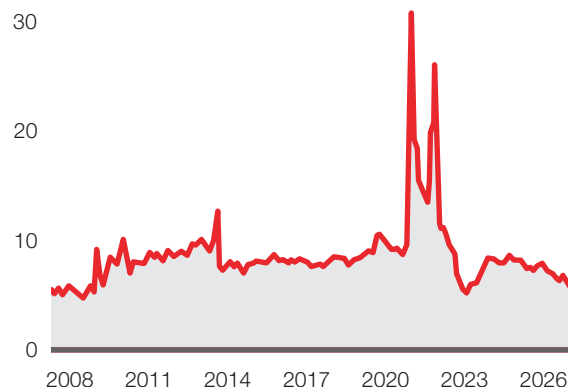
State of the U.S. Consumer

Consumer spending, historically the foundation of U.S. economic growth, is showing signs of strain. The personal savings rate fell to 2.6% of after-tax income in April, suggesting that households may have largely exhausted excess savings accumulated during the pandemic. Most troubling is the emergence of a K-shaped economy, where economic gains are increasingly concentrated among higher-income households. The top 10% of earners now account for roughly half of all consumer spending, supported by strong wage growth, rising asset values, and healthy balance sheets. By contrast, lower- and middle-income households are facing mounting pressure from elevated prices, higher borrowing costs, and diminishing savings accumulated during the pandemic. This divergence helps explain why overall consumption has remained resilient even as signs of financial stress have become more apparent across large segments of the population. Fortunately, employment trends and wages remain relatively stable but require close monitoring.

Inflation remains the primary challenge facing the economy, with headline inflation staying stubbornly elevated and trending higher in recent months. The Federal Reserve's latest projections reinforce this concern, with inflation expected to remain above target at 3.6% in 2026. As a result, policymakers face the difficult task of balancing slowing growth against persistent inflation pressures. While the Fed left rates unchanged in June, its higher year-end policy rate projections suggest interest rates are likely to remain elevated for an extended period.

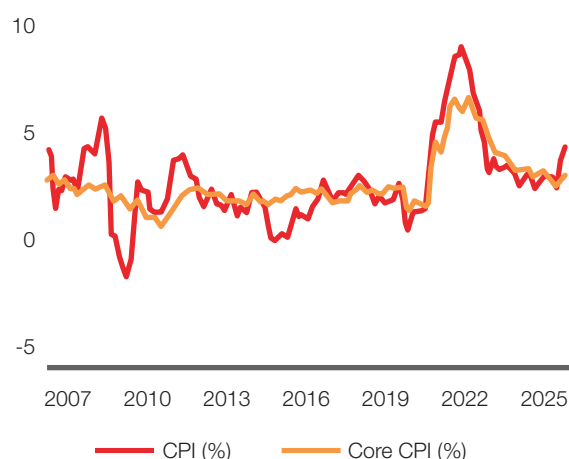
Savings Rate (%)

The personal savings rate collapsed to 3%, one of the lowest readings on record. CPI, running at 4.3%, is the highest since 2023.



Source: U.S. Bureau of Economic Analysis

Inflation (%)



Source: U.S. Bureau of Labor Statistics

Rest of the World: Uneven

Outside the United States, economic growth remains positive but increasingly uneven across regions as higher energy prices and geopolitical tensions create varying challenges across economies. Europe faces persistent headwinds from elevated energy costs, weak manufacturing activity, and ongoing competitive pressures, leaving growth well below U.S. levels. Japan's economy continues to expand modestly, supported by domestic demand, but it is constrained by demographic challenges and the effects of gradually tighter monetary policy. In China, growth is slowing as weak consumer spending and continued stress in the property sector offset policy support, while exports face a more uncertain global trade environment. By contrast, India remains one of the fastest-growing major economies, benefiting from strong domestic demand, favorable demographics, and a rapidly expanding services sector.

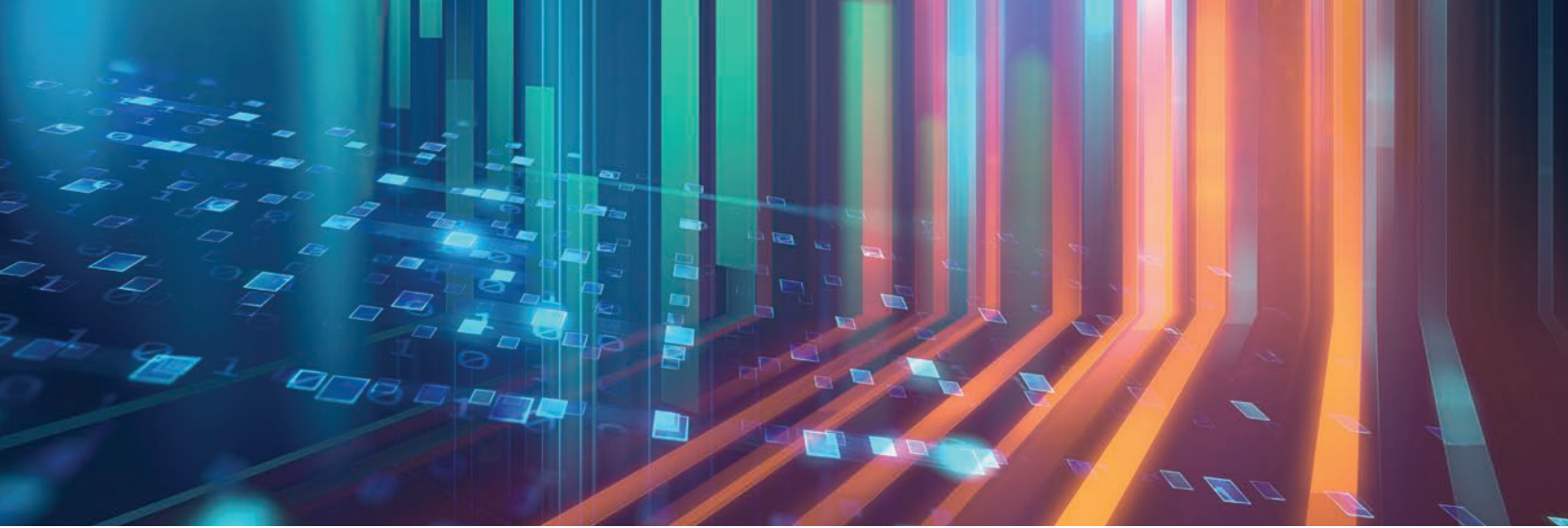
Across many regions, inflation remains above central bank targets, forcing policymakers to balance support for growth against the risk of renewed price pressures. As a result, geopolitical tensions, energy market volatility, and trade uncertainty remain key risks to the global outlook.

The Central Tension: AI Investment vs. Consumer Strength

The global economy is exhibiting strength in certain areas (U.S. AI sector, Indian services) but fragile at its margins (European manufacturing, Chinese consumer spending). The critical economic question of 2026 is whether AI-driven investment can sustain growth as consumer spending moderates. AI capex is expected to peak in 2026 and moderate in 2027, while consumer spending faces structural headwinds of tariff-driven inflation and labor force constraints.

For growth to remain durable, AI investments must translate into productivity gains that lift wage growth and reduce pricing pressures. Policymakers face a narrow path. They must provide enough fiscal and monetary support to sustain consumer spending and avoid an economic downturn while also ensuring that inflation expectations remain well anchored. Achieving that balance will depend partly on whether ongoing AI investment delivers the productivity gains that markets are already pricing into asset values. If those gains fail to materialize, valuations and investor expectations may need to adjust.





Equity Market Highlights

Equity Market Performance: U.S. Leadership Broadens and International Markets Revive

Following a volatile start to the year driven by the conflict in the Middle East and related energy-driven inflation fears, the second quarter of 2026 delivered strong gains across global equities. Investors returned to equities as corporate earnings expectations surged, AI accelerated, and oil prices reversed sharply lower after the early-quarter geopolitical shock.

The S&P 500 rose 15.2%, marking its best quarterly return since Q2 2020. Developed international equities (MSCI EAFE) also advanced a respectable 10.8%, and emerging markets outperformed with gains of 24.1%, driven almost entirely by Asian semiconductor stocks.

Market / Index	Q2 2026 Return	YTD Returns	Main Driver
S&P 500	+15.2%	10.2%	Broad U.S. rebound, stronger earnings expectations
Nasdaq Composite	+21.6%	13.1%	AI, semiconductors, growth leadership
S&P 500 Equal-Weighted	+11.4%	12.1%	Cyclicals and value participation
MSCI EAFE	+10.8%	9.9%	Developed ex-U.S. recovery, Europe/Japan participation
MSCI Emerging Markets	+24.1%	24.0%	Asia technology, Taiwan/Korea chip exposure

Source: FactSet, Key Wealth

U.S. Equity Markets: The Earnings Engine and Breadth Expansion

U.S. equity markets entered the quarter following U.S.-Iran conflict-driven corrections in Q1. Yet corporate earnings proved resilient. Year-over-year Q2 earnings growth of 23.3% far exceeded already lofty expectations of +18.8%, the second consecutive quarter of earnings growth exceeding 20%. More impressive still, analysts raised earnings estimates during the quarter by 3.4%, a reversal of the typical pattern where estimates decline as the quarter unfolds. Revenue growth accelerated sharply to +12.2%, the highest rate since Q2 2022, implying continued margin expansion across corporate America.

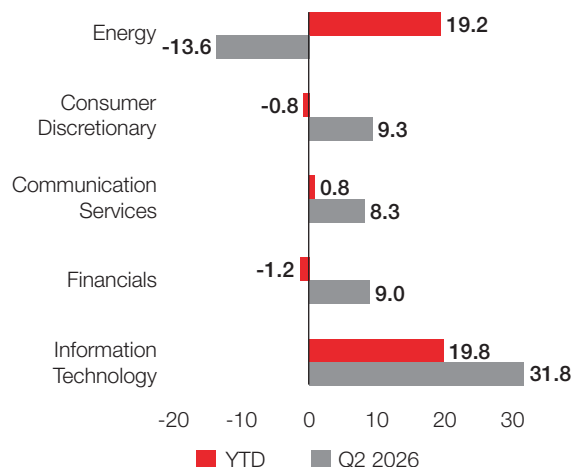
Performance and Market Leadership

It has been encouraging to see that performance was driven by a healthy rotation rather than a narrow rally. For the first time since early 2023, the equal-weight S&P 500 significantly outperformed the market-cap-weighted index. While Technology and Communications Services dominated headlines, the most encouraging aspect of Q2 performance was the broadening of market participation across sectors. Russell 2000 small-cap stocks gained 21.5%, demonstrating that the rally was not confined to mega-cap hyperscalers. The “Magnificent Seven” underperformed as investors pivoted toward companies demonstrating tangible earnings growth and margin expansion, rather than long-duration AI promises.

Equity market factors followed the same pattern with growth dominating the full quarter, while quality and value improved in June. Momentum continued its winning streak as many of the quarter’s winners and small cap stocks rebounded meaningfully from the early-April lows, supported by improving breadth and renewed risk appetite. Quality and defensive factors were more mixed because investors favored earnings acceleration and cyclical upside rather than balance-sheet defensiveness alone.

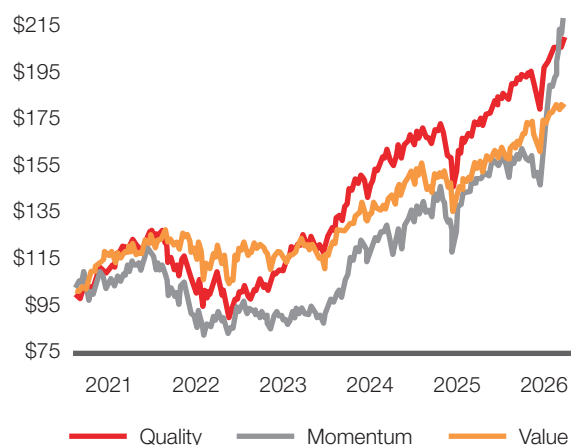
Select U.S. Sector Performance (%)

Information Technology led market performance; Energy lagged as oil prices climbed lower. Momentum outperformed all other factors.



Source: FactSet, Key Wealth

Market Factor Performance | Growth of \$100

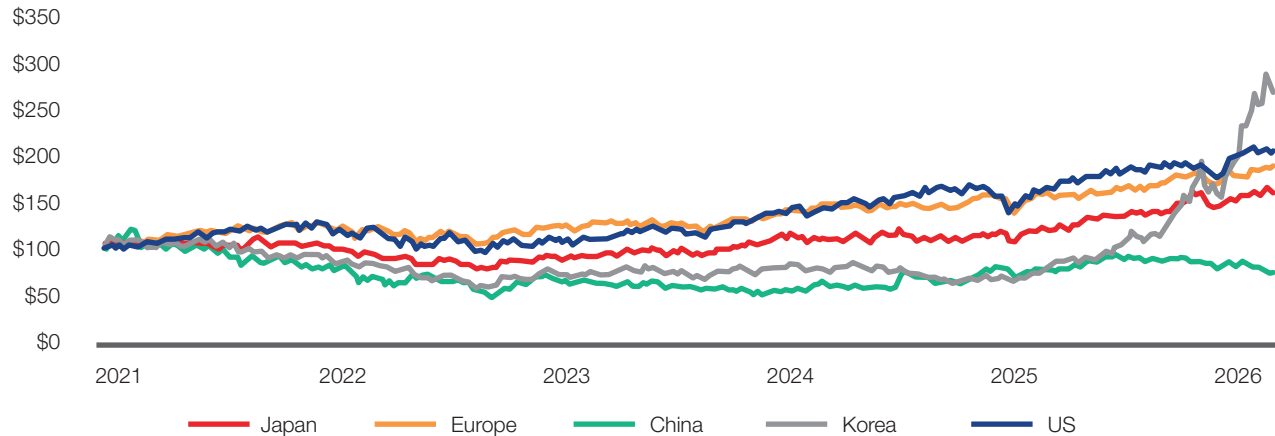


Source: FactSet, Key Wealth

International Equity Markets: Resilient but Fragmented

Global Equity Performance | Growth of \$100

Korean equities have been driven by AI-driven semiconductor demand, while Europe and Japan posted steady gains and China continued to lag amid economic and policy headwinds.



Source: FactSet, Key Wealth

Developed ex-U.S. equities generated solid gains, supported by improving global earnings, stronger economic conditions, and leadership from financials, industrials, and export-oriented companies. Returns were broader and less concentrated than in the U.S., reflecting participation across multiple sectors and regions. In Europe, improving business activity and consumer confidence boosted markets despite periodic energy-related headwinds. Japanese equities also performed well, benefiting from a weaker yen that supported exporters and a steeper yield curve that improved earnings prospects for banks and other financial institutions.

Emerging markets delivered even stronger returns but were driven largely by technology and semiconductor-related stocks. Taiwan and South Korea significantly outperformed as demand for advanced chips and memory products surged. In contrast, China and India lagged the broader emerging market index due to policy uncertainty, uneven economic momentum, and a smaller presence in high-end semiconductor manufacturing, leading to one of the widest performance gaps across emerging market regions in recent years.

Outlook & Positioning

The S&P 500 currently trades at a forward price-to-earnings multiple of approximately 22x, above both its 5-year average of 21.6x and its 10-year average of 20.8x, leaving little room for multiple expansion going forward. Future performance therefore increasingly depends on continued outsized earnings growth, a dependency that makes the market's reliance on the AI narrative both a strength and a risk. U.S. small-caps and international equities, by contrast, trade at substantially lower multiples, offering more attractive risk-reward profiles for long-term allocators.

As we move through the second half of 2026, we remain constructive on earnings growth and the equity market outlook. At the same time, investors face several risks, including elevated valuations, higher interest rate expectations, and uneven economic growth. The key lesson from Q2 was that staying invested in equities continued to be rewarded. However, diversification across sectors, investment styles, and geographic regions became increasingly important as market leadership broadened beyond technology stocks. Maintaining diversification remains a key thesis of our investment approach.



Fixed Income Themes

Bond Market Review: Navigating a Supply-Driven Regime

Entering 2026, markets widely expected a series of Federal Reserve rate cuts, but persistent inflation and energy-related price pressures forced a reassessment of that outlook. Rather than moving toward easier policy, central banks maintained a restrictive stance, leading investors to price out anticipated cuts and embrace a higher-for-longer rate environment.

Despite these challenges, fixed income delivered modest gains in the second quarter as elevated yields continued to generate attractive income. The Bloomberg U.S. Aggregate Bond Index returned 0.67%, though performance varied significantly across sectors. Rising Treasury yields remained a headwind for duration-sensitive assets, but higher starting yields helped cushion returns and improved the income prospects for new investments.

Despite inflation, rising rates, and geopolitical uncertainty, bonds generated positive returns as elevated yields and resilient credit markets supported performance.

Asset Class	Q2 Return	Duration (yrs)	Spread (bps)
Bloomberg Aggregate	0.67%	5.8	—
US Treasuries	−0.12%	4.2	—
Investment-Grade Corporates	1.17%	6.1	104
High-Yield Bonds	2.40%	4.3	352
Municipal Bonds	2.40%	5.2	60 (vs Treasuries)
US Treasury Inflation Protection	0.89%	5.1	—

Source: FactSet, FRED, Key Wealth

Credit-sensitive sectors led performance as resilient economic growth, stable corporate fundamentals, and healthy risk appetite supported spread products. Investment-grade corporate bonds gained 1.17%, while high-yield bonds advanced 2.4%. Municipal bonds also returned 2.4%, benefiting from strong demand and attractive tax-equivalent yields. Overall, elevated income levels and solid credit fundamentals helped support positive returns across much of the fixed-income market despite ongoing policy and inflation uncertainty.

Bond Markets: A Tale of Sector Divergence

U.S. asset performance during the quarter was heavily influenced by the Federal Reserve’s restrictive stance and rising inflation concerns. The Fed held its policy rate at 3.50%–3.75% in June, while the escalation of the Iran conflict and the resulting surge in oil prices led investors to scale back expectations for near-term rate cuts.

As a result, Treasury yields moved sharply higher across the curve. The 2-year Treasury yield rose 35 basis points, while the 10-year and 30-year yields increased 55 and 65 basis points, respectively, improving income opportunities for new fixed-income investments but weighing on bond returns. By quarter-end, the 10-year minus 2-year Treasury spread had narrowed to 29 basis points from 73 basis points in February, reflecting a market increasingly focused on persistent inflation and a higher-for-longer interest rate environment.

Maturity	Q1 2026	Q2 2026	Change (bps)
2-Year Note	3.76%	4.14%	38
5-Year Note	3.92%	4.18%	26
10-Year Note	4.34%	4.49%	15
30-Year Bond	4.51%	4.62%	11

Source: U.S. Treasury, Key Wealth

The Case for Active Management: Divergence and Opportunity

Q2 2026 reinforced the shift to a new fixed income environment requiring a disciplined focus on income generation, a flexible approach to duration, and the ability to capitalize on opportunities created by market dislocations. The quarter also highlighted the limitations of passive, broad-market exposure. With performance dispersion across sectors remaining elevated and traditional duration exposure offering less reliable protection against inflation and supply-driven shocks, active management was increasingly rewarded.

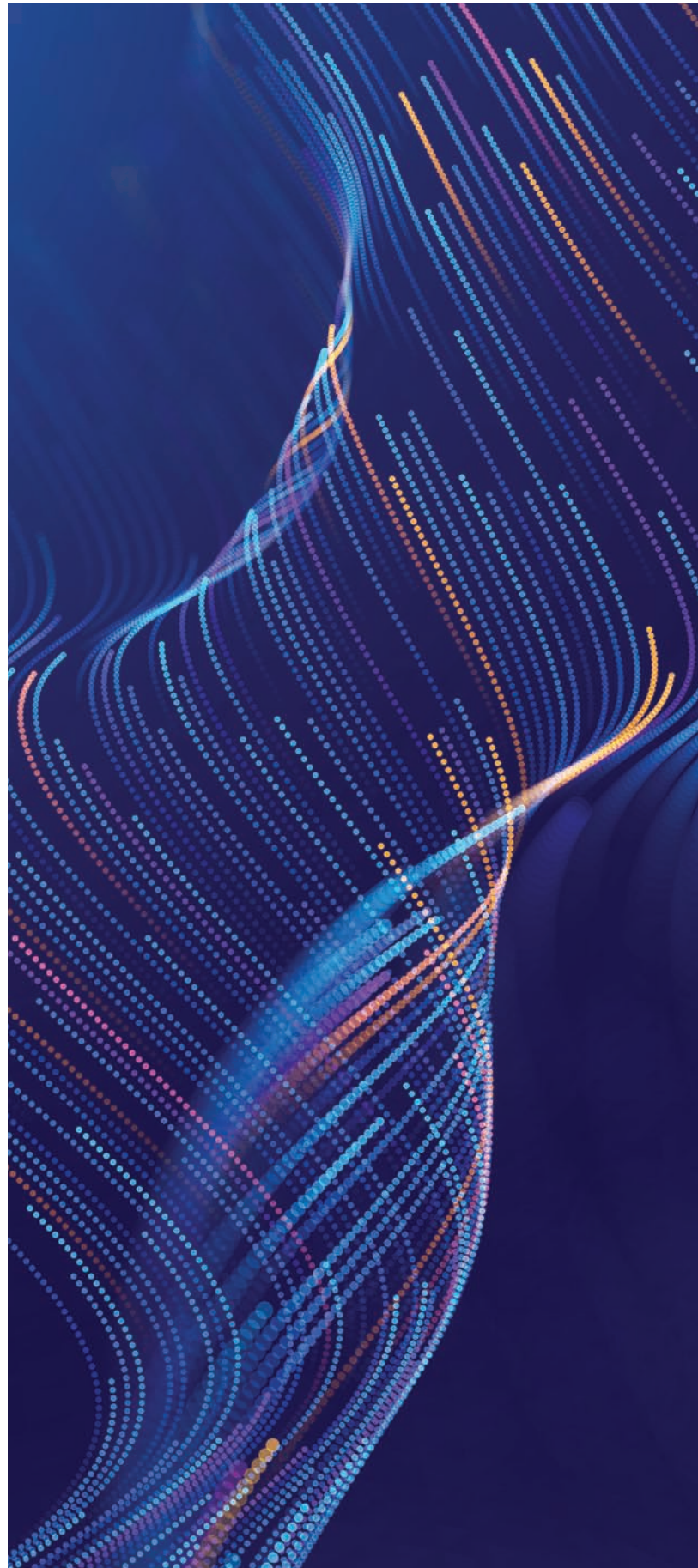
Looking ahead, the higher starting yields provide a strong foundation for future returns. However, generating excess returns will require careful security selection and active positioning across sectors, yield curves, and global markets as investors navigate an increasingly complex opportunity set.

Special Report

The Promethean Shift: Navigating the Real Economics of Artificial Intelligence

Today, artificial intelligence may represent the most important technological leap since the internet. A Promethean Shift that expands the global production frontier while demanding unprecedented amounts of capital, energy, and expertise. In Greek myth, fire did not belong to mortals until Prometheus took it from Olympus and gave it away. The myth is remembered for the theft and the punishment, but the more useful parallel for our purposes is the gift itself. Fire was not just a product, it was a capability that created the oven, the hearth, the settlement of cold latitudes, and eventually the factory.

Like Prometheus's fire, AI is not a minor upgrade to existing digital infrastructure. For disciplined investors, it represents an exogenous injection of "cognitive capital" into the global economy. It is simultaneously a capital cycle, an infrastructure cycle, and a labor-market cycle that will reshape the productivity frontier. The central challenge for long-term investors is distinguishing durable economic value and cash-flow conversion from speculative enthusiasm and inflated valuation extremes.



The Arc of Innovation and Productivity

History suggests that even the most transformative innovations require decades to structurally reshape macroeconomic productivity. James Watt patented the steam engine in 1769, yet steam did not surpass waterpower for decades. Electrification saw key advances before 1880, but American productivity did not accelerate until the 1920s. Integrated circuits emerged in the 1950s, yet the productivity boom waited until the mid-1990s.

The message is clear: Technological progress is gradual. New technologies reshape the economy only when they are widely adopted and effectively integrated into everyday business activity. Capital must be deployed, workers must be trained, processes must be redesigned, and business models must be rebuilt. Early implementations are often inefficient, expensive, and unevenly adopted. The benefits become visible only after firms learn how to combine the new technology with labor, infrastructure, and organizational change.

The lesson is consistent across major technological revolutions: productivity gains arrive not when a technology is invented, but when it is broadly integrated into the economy’s capital stock and operating model.

When Henry Ford optimized the assembly line, the resulting cost reductions triggered a surge in demand that ultimately benefited workers. If AI structurally lowers costs in sectors such as healthcare, it will likely expand

total demand for those services. However, translating radical economic change into broad prosperity requires a disciplined evolution of institutions and rational/ effective capital allocation rather than blind faith in market narratives.

Physical Reality: Capital Expenditure and Energy Constraints

Before AI can lower the cost of cognitive labor, the global economy must first pay the cost of building it out. The defining macroeconomic feature of the current cycle is extraordinary capital expenditure by hyperscale data-center operators. Projections suggest cumulative spending could reach roughly \$5.3 trillion, with annual outlays approaching \$770 billion in 2026.

Energy presents an equally rigid constraint. Global data-center electricity consumption is projected to roughly double by 2030. This is not merely a software phenomenon; it is a profound physical-economy event.

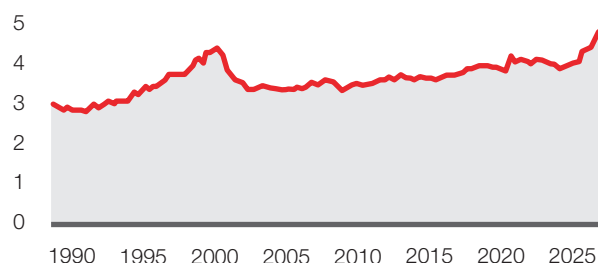
In many respects, AI resembles a modern railroad buildout more than a traditional software cycle, requiring large-scale investment in physical infrastructure before economic benefits can be fully realized.

Technology Framework	Launch Era / Paradigm	Time to Reach 100M Users	Primary Economic Driver
Telephone	Late 19th Century	~75 Years	Physical Infrastructure Expansion
Mobile Phone	Early 1980s	16 Years	Hardware Miniaturization & Spectrum Allocation
World Wide Web	Mid-1990s	7 Years	Consumer PC Adoption & Broadband Deployment
Facebook (Web 2.0)	2004	4.5 Years	Network Effects & Social Graph Monetization
Generative AI	Late 2022	2 Months	Zero-Marginal-Cost Cognitive Distribution

Source: Saint Louis Fed, The Economist, Key Wealth Estimates

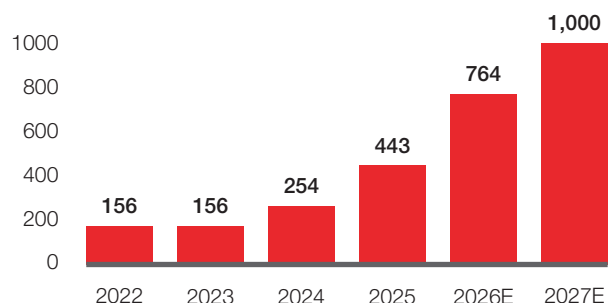
Hyperscaler AI-related capital expenditures (capex) are accelerating rapidly.

Tech Investment as Share of GDP (%)



Source: U.S. Bureau of Labor Statistics

Hyperscaler CapEx (\$B)



Source: Goldman Sachs, Ket Wealth Estimates

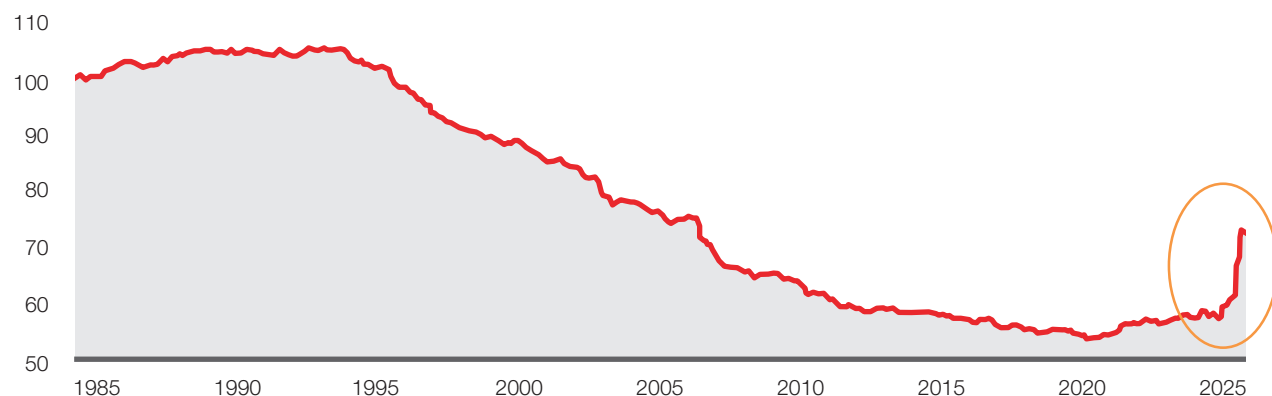
AI is often viewed as a productivity-driven, ultimately disinflationary force, but that may understate the path required to get there. Rather than a traditional software cycle, AI resembles a capital-intensive infrastructure build-out requiring massive investments in data centers, power, cooling, and skilled labor. Rising hyperscaler spending, financed through debt and equity markets, is increasing competition for scarce capital and potentially supporting higher rates. While productivity gains may eventually lower inflation and interest rates, markets must first absorb the costs of building the infrastructure and more persistent inflation. For now, the investment required is more certain than the economic benefits it may ultimately deliver.

Adoption vs. Profitability

The comparison to the dot-com bubble is imperfect but useful. The internet solved the problem of information distribution; AI addresses the problem of cognitive production. It can generate analysis, write code, summarize documents, automate workflows, and increasingly act through agentic systems. Because it spreads through digital infrastructure that already exists, adoption is occurring much faster than during earlier technological eras.

Semiconductor Prices | Prices indexed to December 1984 = 100

Prices for semiconductors, which had been falling since the 1990s, have risen at a record pace through the first half of 2026, reflecting strong AI-driven demand, tight supply for advanced chips, and sustained investment in data-center infrastructure.



Source: U.S. Bureau of Labor Statistics

Federal Reserve research and regional Fed studies suggest generative AI adoption has accelerated rapidly and may boost productivity particularly for less-experienced workers, compressing the traditional experience premium.

Investors should remember that widespread adoption and attractive shareholder returns are not synonymous. A technology can be widely used and still produce poor returns for shareholders if competition is intense, capital requirements are high, or benefits accrue primarily to customers rather than creators.

Strategic Portfolio Implications

From the perspective of long-term investing, navigating this landscape requires a disciplined approach that rejects both unhedged technology exuberance and rigid stagnation. We seek exposure to this structural shift but refuse to chase valuations that imply mathematically unrealistic long-term returns.

We favor companies with durable competitive advantages, proprietary data, scale economics, mission-critical infrastructure, pricing power, strong balance sheets, and visible cash-flow conversion. We remain cautious toward firms whose AI narratives exceed their revenue base or whose valuations assume flawless execution over the next decade.

In brief, we continue to favor thoughtful “AI adopters” over undisciplined “AI enablers.”



Price-to-Earnings Ratio

U.S. large caps are trading well above their long-term average valuation, while developed international, emerging markets and U.S. small caps are trading below their long-term average.

Index	Current	10-Year Average
US Large Cap	27.54	22.80
US Small Cap	22.68	24.12
Developed Ex-US	18.80	16.50
Emerging Markets	18.87	14.97

Source: Standard & Poors, MSCI, Key Wealth

The most attractive opportunities may not be limited to obvious technology winners. Businesses in healthcare, finance, industrials, and consumer sectors may use AI to lower operating costs, improve productivity, and expand margins. Within fixed income and private credit, grid modernization, utility infrastructure, and energy transmission may offer opportunities linked to physical assets and durable cash flows.

Holding the Forge

Prometheus’s fire ultimately became infrastructure, the forge, the foundry, and the factory floor. AI may follow a similar path. Yet its full benefits emerged only after centuries of institutional adaptation, legal evolution, and social change. The rise of artificial intelligence is unlikely to unfold in a perfectly smooth or linear fashion. We expect periods of market volatility, regulatory intervention, and temporary capital spending adjustments as the global corporate ecosystem adapts to this transformational technology and its far-reaching implications.

The critical question for investors is not whether AI will transform the economy, but where durable economic rents will accrue after the infrastructure has been built and competition has normalized. Identifying those future owners of the forge, rather than today’s most compelling narrative, may prove the defining investment challenge of the decade.



Tactical Asset Allocation Outlook

Our tactical asset allocation remains broadly neutral across stocks, bonds, and cash, reflecting a balanced outlook in which opportunities and risks appear relatively evenly matched.

Economic growth remains resilient, supported by ongoing investment in AI, improving corporate earnings, and healthy labor markets. At the same time, elevated valuations in certain market segments, persistent inflation pressures, and a still-restrictive monetary environment argue against taking aggressive risk positions.

Tactical Asset Allocation			
Stocks	Bonds	Cash	Alts & Real Assets
Neutral	Neutral	Neutral	Emphasize

Geographic Allocation		
United States	International-Developed	International-Emerging
Neutral (de-emphasize mega caps)	Neutral	Neutral

Fixed Income Emphasis			
Duration	Treasuries/Government	Investment Grade	High Yield
Neutral	De-emphasize	Emphasize	Neutral

U.S. Equities (Neutral, with a de-emphasis on mega caps):

- Maintain a neutral allocation to U.S. equities.
- Favor broader market opportunities over the largest mega-cap growth stocks.
- Broader earnings participation and expanding market leadership create attractive opportunities across other market segments.

International Developed Equities (Neutral):

- Maintain a neutral allocation to developed international markets.
- Improving earnings trends and reasonable valuations support the outlook.
- Supportive policy developments are balanced by ongoing economic and geopolitical uncertainty.

Emerging Market Equities (Neutral):

- Maintain a neutral allocation to emerging markets.
- Attractive valuations and improving fundamentals provide support.
- Economic and geopolitical risks warrant a balanced approach.

Fixed Income Positioning:

- Maintain a neutral duration stance.
- De-emphasize Treasuries due to a less attractive risk-reward profile relative to high-quality corporate bonds.
- Emphasize investment-grade credit, where yields remain attractive and provide compelling income opportunities.

Alternatives & Real Assets (Emphasize):

- Where appropriate, we continue to favor alternatives and real assets as a portfolio diversifier's.
- Infrastructure, inflation protection, and hedge strategies can help improve portfolio resilience.
- Elevated valuations in parts of public markets enhance the appeal of alternative return sources.

Overall, our approach reflects a disciplined balance between participating in ongoing economic expansion and maintaining flexibility in a market environment characterized by valuation dispersion, policy uncertainty, and evolving growth leadership.

For more information, please contact your advisor.

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