

Solid September, But Shutdown Clouds Start of October

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm’s investment outlook and asset allocation that helps define LPL Research’s investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

- Strong Overweight View
- Overweight View
- Neutral View
- Underweight View
- Strong Underweight View

Key changes from STAAC:

- **Aligned 2025 S&P 500 EPS and fair-value target ranges with our bull case.**

STAAC Asset Class Tactical Views as of 10/01/2025 (GWI)

Asset Class	1	2	3	4	5
Equity	.	.	●	.	.
U.S.	.	.	●	.	.
International Developed (EAFE)	.	.	●	.	.
Emerging Markets	.	.	●	.	.
Large/Mid Growth	.	●	.	.	.
Large/Mid Value	.	.	●	.	.
Small Growth	.	.	●	.	.
Small Value	●
Fixed Income	.	.	●	.	.
Treasuries	.	.	●	.	.
MBS	.	●	.	.	.
IG Corporates	●
TIPS	.	.	●	.	.
International Developed	.	.	●	.	.
Preferred	.	.	●	.	.
High-Yield	.	.	●	.	.
Bank Loans	.	.	●	.	.
Emerging Markets	.	.	●	.	.
Cash	●
Alternatives	.	●	.	.	.

STAAC Sector Tactical Views as of 10/01/2025 (GWI)

Sector	1	2	3	4	5
Materials	●
Consumer Staples	.	.	●	.	.
Financials	.	●	.	.	.
Real Estate	.	.	●	.	.
Communications Services	.	●	.	.	.
Energy	.	.	●	.	.
Industrials	.	.	●	.	.
Information Technology	.	.	●	.	.
Consumer Discretionary	.	.	●	.	.
Healthcare	.	.	●	.	.
Utilities	●

Source: STAAC as of October 1, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor’s goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

Investment Takeaways

The S&P 500 delivered its fifth straight monthly advance in September, bucking historical trends and capping another strong quarterly advance. Major averages continued to set all-time highs, while the Russell 2000 small cap index logged its first record since November 2021. While signs of a cooling labor market were reinforced last month, market sentiment was lifted by broadly better-than-expected economic data, consumer resilience, and overall policy clarity. Nonetheless, the biggest tailwind was the anticipation of the Federal Reserve (Fed) resuming its rate-cutting cycle, with central bankers ultimately fulfilling expectations of a 0.25% rate cut at the September meeting. In corporate news, Google-parent Alphabet (GOOG/L) was among Magnificent Seven standouts after its antitrust case was resolved without forcing the firm to divest its Chrome browser.

Core bonds extended year-to-date gains in September, measured by a 1.1% gain in the Bloomberg U.S. Aggregate Index. U.S. Treasuries gained ground with longer-dated securities leading the move higher with the 30-year yield shedding 0.2% over the course of September, while the two-year yield ended little changed. Profit-taking from one of the leading macro trades of 2025 — the yield curve steepener — drove curve flattening last month as bond investors prepared for the resumption of Fed policy easing. Meanwhile, several strong Treasury auctions early in the month helped alleviate demand concerns.

Looking forward, investors may be well served by bracing for occasional bouts of volatility amid a slowing economy and as tariff effects continue to seep through. Given elevated valuations and positioning again growing stretched, a pullback after the 35% rally off April lows would not be a surprise. But given the powerful AI trend, big tech's significant earnings power, potential forthcoming Fed rate cuts, and the fiscal stimulus boost when 2026 begins, we believe pullbacks are likely to be shallow and bought.

2025 MARKET FORECASTS

S&P 500 Tracking Above Bull Case Scenario

	Current
10-Year U.S. Treasury Yield	4.00% to 4.50%*
S&P 500 Index Earnings per Share	\$260
S&P 500 Index Fair Value	6,450

Source: LPL Research, FactSet, Bloomberg
All indexes are unmanaged and cannot be invested into directly.

*Our year-end 2025 forecast for the U.S. 10-year Treasury yield is now 4.00% to 4.50% up from 3.75% to 4.25%. The Fed's higher for longer narrative and the poor supply/demand technicals for Treasury securities will likely keep interest rates at these elevated levels until the economic data weakens and/or inflation falls back in line with the Fed's longer term 2% target.

**Our initial year-end 2025 fair-value target range for the S&P 500 of 6,000–6,100 was based on a price-to-earnings ratio (PE) of 22 and our S&P 500 earnings per share (EPS) forecast of \$275 in 2026. Our bull case is 6,450, or 23 times \$280 in S&P 500 EPS.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 10/01/25.
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LPL Research advises against increasing portfolio risk beyond benchmark targets currently with stock valuations reflecting a lot of positive news.

The fixed income market remains volatile, although downside pressure on yields could emerge as the Fed continues its rate-cutting cycle.

The STAAC's recommended tactical asset allocation includes:

- A neutral stance toward U.S. equities as elevated valuations, increasing tariff costs, and a cooling economy (that likely skirts recession) offset the opportunity for meaningful upside, in our view, despite strong earnings-driven gains for technology stocks.
- The Committee favors growth over value for exposure to the AI theme and compelling earnings growth as the economy slows.
- The Committee favors large caps over small caps, partly due to superior balance sheet quality and relatively better position to manage tariffs.
- The Committee recommends well diversified regional exposures, with benchmark-level allocations to the U.S., developed international, and emerging markets. Non-U.S. equities offer upside from a potentially weaker U.S. dollar.
- Within fixed income, the STAAC holds a neutral weight in core bonds, with a slight preference for mortgage-backed securities (MBS) over investment-grade corporates. The Committee believes the risk-reward for core bond sectors (U.S. Treasury, agency MBS, investment-grade corporates) is more attractive than plus sectors.

2025 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2025 (Y/Y, real GDP)
United States	1.5%
Eurozone	0.9%
Advanced Economics	1.5%
Emerging Markets	3.8%
Global	2.5%

Source: LPL Research, Bloomberg.
The economic forecasts may not develop as predicted.

Tactical Asset Allocation as of 10/01/2025

	Investment Objective														
	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
STOCKS	95.0%	95.0%	0.0%	80.0%	80.0%	0.0%	60.0%	60.0%	0.0%	40.0%	40.0%	0.0%	20.0%	20.0%	0.0%
U.S. Equity	76.0%	76.0%	0.0%	64.0%	64.0%	0.0%	48.0%	48.0%	0.0%	32.0%	32.0%	0.0%	16.0%	16.0%	0.0%
Large/Mid Growth	32.0%	28.5%	3.5%	27.0%	24.0%	3.0%	20.5%	18.0%	2.5%	14.0%	12.0%	2.0%	7.0%	6.0%	1.0%
Large/Mid Value	29.5%	28.5%	1.0%	25.0%	24.0%	1.0%	18.5%	18.0%	0.5%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Small Growth	9.5%	9.5%	0.0%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
Small Value	5.0%	9.5%	-4.5%	4.0%	8.0%	-4.0%	3.0%	6.0%	-3.0%	2.0%	4.0%	-2.0%	1.0%	2.0%	-1.0%
International Equity	19.0%	19.0%	0.0%	16.0%	16.0%	0.0%	12.0%	12.0%	0.0%	8.0%	8.0%	0.0%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	7.0%	7.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
U.S. Core	0.0%	0.0%	0.0%	15.0%	15.0%	0.0%	35.0%	35.0%	0.0%	55.0%	53.0%	2.0%	75.0%	70.0%	5.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.0%	16.0%	0.0%	26.5%	24.5%	2.0%	36.5%	32.5%	4.0%
MBS	0.0%	0.0%	0.0%	4.5%	4.0%	0.5%	11.0%	10.0%	1.0%	16.0%	15.0%	1.0%	21.5%	20.0%	1.5%
IG Corporates	0.0%	0.0%	0.0%	3.5%	4.0%	-0.5%	8.0%	9.0%	-1.0%	12.5%	13.5%	-1.0%	17.0%	17.5%	-0.5%
Alternatives	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	3.0%	0.0%	3.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	1.0%	0.0%	1.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Cash	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index.

Treasuries include other government related debt. MBS includes other securitized debt.

To better align with STAAC's asset allocation framework, mid caps have been combined with large caps in the TAA. Accounts with distinct mid cap allocations may disaggregate mid caps from the "Large & Mid" exposure shown in the table roughly in-line with relative market cap values: 75% Large Cap 25% Mid Cap. For a more detailed breakdown and explanation, please refer to the Supplemental Mid Cap Reference Guide on page 9.

Equity Asset Classes

Bouts of Volatility Will Come, But Pullbacks Likely To Be Shallow and Bought

Investors may be well served by bracing for occasional bouts of volatility amid a slowing economy and as tariff costs continue to be absorbed by corporate America and consumers. Given elevated valuations and positioning growing stretched, a pullback would not be a surprise. But given the powerful AI trend, big tech’s significant earnings power, potential forthcoming Fed rate cuts, and the forthcoming fiscal stimulus boost in 2026, pullbacks are likely to be shallow and bought.

The Strategic and Tactical Asset Allocation Committee (STAAC) continues to favor large caps slightly over small caps and growth slightly over value. From a geographic perspective, the STAAC recommends benchmark level exposures to U.S., developed international, and emerging markets, with U.S. upside potential from AI, and non-U.S. upside potential from potential further U.S. dollar weakness.

Color Key:

- Strong Overweight
- Overweight
- Neutral
- Underweight
- Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	Large/Mid Growth	●	Positive	LPL’s STAAC continues to favor a modest tilt toward the growth style and large caps. A slowing economy is supportive of large caps and the growth style. Superior, technology-driven earnings power, which should again be on full display during the upcoming third quarter earnings season, is supportive of the growth style. Technical analysis trends are positive, helping to offset rich valuations.
	Large/Mid Value	●	Negative	Defensive value stocks may be poised for another stint of outperformance if stocks broadly pull back from recent highs, although any relative strength may be short-lived. Cyclical value faces more tariff risk, but valuations are relatively attractive and the "One Big Beautiful Bill Act" will drive capital investment.
	Small Growth	●	Positive	Attractive valuations and impending Fed rate cuts are supportive. Additional relative upside following the latest rally may be limited, however, in a slowing economy if stocks pull back in the near term as we expect. Earnings estimate trends have softened some. Better technical analysis picture than small value.
	Small Value	●	Negative	Attractive valuations, financial deregulation, a likely pickup in capital investment, and Fed rate cuts are supportive. While some policy uncertainty has cleared, STAAC favors balance sheet strength in a slowing economy as more tariffs are absorbed. Earnings estimates have been softening. Weak technical analysis trends.
Region	United States	●	No Trend	The STAAC maintains its neutral regional stance. AI investment and stable bond yields are keys to potential U.S. outperformance. While trade policy uncertainty has mostly cleared, rich valuations and continued ramp up of tariffs in a slowing economy may limit opportunities for price-to-earnings ratio expansion.
	Developed International	●	No Trend	The STAAC remains neutral on developed international as valuations, while still reasonable, have risen, additional U.S. dollar weakness is far from assured, and U.S. tech strength is tough to match. Economic and earnings growth outside the U.S. has become competitive. Deficit/defense spending in Europe is supportive.
	Emerging Markets	●	No Trend	Fundamental and technical improvement in EM is notable. EM valuations remain attractive, the China macroeconomic and technology/AI outlook has improved, and trade tensions have simmered. The U.S. dollar is a wildcard. Waiting for a better technical analysis picture before considering an upgrade. Positive bias.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

Equity Sectors

If It "Ain't" Broke Don't Fix It – Sticking With Economically Sensitive Posture

The STAAC continues to recommend a slight tilt toward more economically sensitive or cyclical sectors. Financials are attractively valued, face manageable tariff risk, and may garner support from deregulation and a steepening yield curve. Continued robust investment in AI, more trade policy clarity, fiscal stimulus benefits, and a strong earnings outlook could help the attractively valued communication services sector continue to outperform. Slowing global growth and trade uncertainty support the Committee's cautious stance on materials. The Committee's preference for economic sensitivity over interest rate sensitivity keeps the Committee underweight utilities, although the AI power demand surge and potential for a broad market pullback before year-end makes it a sector to watch.

Color Key:

● Strong Overweight ● Overweight ● Neutral ● Underweight ● Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	Basic Materials	• • • ● •	Negative	1.8	Worst S&P sector performer in September (-2.3%) after leading in August. Chemical stock weakness offset rising metals prices. U.S.-China tensions still on a low simmer with Trump-Xi meeting on the calendar. U.S. fiscal stimulus to help in 2026.
	Consumer Cyclical	• • ● • •	No Trend	10.4	Slight underperformer in September (+3.1%) on weakness in travel, restaurants and apparel retailers. Tesla (TSLA) a big winner (+33.2%). Sector benefiting from consumer wealth effects and resilient job market. High tariff risk. Fair valuations.
	Financial Services	• ● • • •	Negative	13.4	Unchanged in September as strength in fintechs and capital markets was offset by weakness in banks. Healthy credit markets, a steep yield curve, low tariff risk, and reasonable valuations among positives. Watching loan demand and delinquencies.
	Real Estate	• • ● • •	Negative	1.9	Little changed in September despite lower interest rates. Solid month for healthcare, office, and retail REITs, while apartment and cell tower REITs lagged. Defensive, income-oriented sectors remain out of favor. Reasonable valuations. Weak technicals.
Sensitive	Communication Services	• ● • • •	Positive	9.9	September outperformer (+5.6%) on strength in Warner Brothers Discovery (WBD), Paramount Skydance (PSKY), Electronic Arts (EA), and Alphabet (GOOG/L), which offset weakness in Comcast (CMCSA), T-Mobile (TMUS), and AT&T (T). Technicals softening a bit, but earnings outlook and reasonable valuations remain supportive.
	Energy	• • ● • •	Negative	2.9	Underperformed in September (-0.4%) on soft oil and gas prices, which hurt production companies. Abundance of global supply and slowing global growth weighing on sentiment. Reasonable valuations. Sub-par technicals.
	Industrials	• • ● • •	No Trend	8.3	Rose 1.8% in September but lagged. Weakness in airlines and Boeing (BA) offset strength in Caterpillar (CAT) and defense names. Beneficiary of AI data center buildouts and near-shoring. Tariffs, green energy cuts, and full valuations suggest waiting for a dip before adding ahead of the One Big Beautiful Bill Act (OBBBA) in 2026.
	Technology	• • ● • •	Positive	35.1	Topped all S&P 500 sectors with a 7.25% gain in September and outperformed for the fifth time in six months. AI enthusiasm picked back up again on Oracle (ORCL) and Intel (INTC) deals. Valuations are high but momentum is strong.
Defensive	Consumer Defensive	• • ● • •	Negative	4.8	Lagged in September (-1.6%) as consumer spending slowed and defensive sectors remain out of favor. Weakness in beverages, Target (TGT), and Kraft Heinz (KHC) hurt. Tariffs and RFK Jr.'s health policy initiatives create headwinds. Poor technicals.
	Healthcare	• • ● • •	Negative	9.1	September laggard (+1.8%) amid policy headwind. Sprung to life late-month as less onerous pricing rules and tariff exemptions boosted drug makers and insurers. Policy headwinds are easing. Attractive valuations. Upside potential on mean reversion.
	Utilities	• • • ● •	No Trend	2.4	Unlike real estate, utilities benefited from lower interest rates and outperformed in September with a 4% return. AI-related power demand provided support. Likely outperformer in a market sell-off, especially on lower rates. Positive bias on AI theme.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services.

Fixed Income

One Down, Four More To Go?

The Fed resumed its rate cutting campaign in September and U.S. Treasury markets rallied alongside cuts with the 10-year lower by 0.08% during the month. Markets are expecting four more cuts throughout 2026, which would take the fed funds rate down to 3.0%. Market pricing seems full at this point so further yield declines would need to come alongside a weakening economy. And despite the ongoing concerns about debt and deficit spending, tariff uncertainty, and the potential perceived loss of Fed independence, the U.S bond market remains relatively calm (per the MOVE Index), all things considered. We continue to think high-quality sectors within the fixed income universe (Treasury, MBS and shorter-maturity corporates) offer attractive risk-return opportunities. Spreads for most bond sectors, particularly plus sectors, remain at or near secular tights.

Color Key:

● Strong Overweight ● Overweight ● Neutral ● Underweight ● Strong Underweight

	Low	Med	High	Rationale
Current Stance	Credit Quality Preference			Recommend an up-in-quality approach in allocating to fixed income sectors. While all-in yields for lower quality remain near longer-term averages, we think the risk-reward favors owning core bond sectors over the riskier sectors.
	Short	Inter.	Long	Rationale
	Duration Preference			Yields remain under pressure from conflicting narratives: slowing growth (lower yields) but stickier inflation and large budget deficits (higher yields), which will likely keep rates directionless (but volatile) until/unless the economic data softens enough to price in a deeper rate cutting campaign by the Fed. We remain neutral duration.
	Neg.	Neut.	Pos.	Rationale
Municipal Bond View			The muni market continues to underperform due to the ongoing supply/demand imbalance, but renewed interest has helped support ongoing supply challenges. Tax-equivalent yields remain attractive particularly relative to taxable corporate bonds. Curve steepness suggests intermediate term allocations are worth a look.	

	Overall View		Overall Trend	Rationale
Core Sectors	U.S. Treasuries		Positive	The 10-year Treasury yield was volatile in September but ultimately fell roughly 0.08% and is down nearly 0.45% this year. We think the 10-year will trade between 4.0–4.5% throughout the rest of the year. To get Treasury yields much lower though, economic data will need to show further deterioration. Technically, 10-year yields remain in a downtrend but have found support at 4.00%. Resistance sets up at 4.20%, 4.35%, and the 200-day moving average.
	Mortgage-Backed Securities		Positive	We remain constructive on agency MBS. Yields and spreads remain near multi-year highs, so we think MBS remain an attractive investment opportunity, particularly relative to lower-rated corporates. Elevated interest rate volatility is a headwind to MBS but recent demand from banks, traditionally the largest buyer of MBS, remains supportive.
	Investment-Grade Corporates		Positive	We recommend an underweight to benchmarks, but we think there is an opportunity to invest in shorter to intermediate maturity corporate securities without taking on elevated levels of interest rate or credit risk. Fundamentals remain solid, but valuations are stretched.
	TIPS		Positive	Treasury Inflation-Protected Securities (TIPS) underperformed nominals in September with inflation expectations falling throughout the month. Real yields remain near the highest levels in 20 years. All-in yields for TIPS remain attractive, particularly shorter maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors	Preferred Securities		Positive	Valuations/spreads are back to historical averages, so no longer as attractive for tactical models, but all-in yields remain attractive for income-oriented investors. Recent Fed stress tests continue to show large, money-center bank fundamentals are generally sound, but the environment favors active management.
	High-Yield Corporates		Positive	High-yield markets have priced out most risks with spread volatility collapsing and spreads near secular tights across quality buckets. Yields for high-yield bonds are below historical averages, and we think the risk/reward is unattractive for most investors. The asset class is better suited for income-oriented investors.
	Bank Loans		No Trend	Downgrades and defaults have increased and could increase still if the economy slows/contracts. Given current economic uncertainty, high-risk credit sectors could underperform safer "core" sectors.
	Foreign Bonds		No Trend	Yields have moved higher recently but are still generally lower than U.S. markets despite ongoing political dysfunction in France. Currency volatility is a risk. The asset class is more attractive for U.S. dollar hedged investors.
	EM Debt		Positive	Valuations are relatively attractive, but idiosyncratic risks remain, and ongoing trade wars could negatively impact smaller emerging countries.

Commodities and Currencies

Commodities Rally to Year-to-Date Highs

The Bloomberg Roll Select Commodity Total Return Index (BCOMRST), an index developed to address the issue of negative roll yields, rose 2.3% last month. The advance pushed the index above key resistance from the June highs, completing a consolidation pattern that had developed since the start of the year. Dollar stabilization drove outsized gains in precious metals, helping to offset weakness in most of the energy and agricultural sectors. At the macro level, the resumption of the rate-cutting cycle alleviated investor angst over continued hawkish monetary policy and underpinned risk appetite.

Metals continued to shine in September, with silver topping gold on the performance podium. Silver rallied 17.4% on the month and is now approaching major resistance off the 1980–2011 highs near \$50. Moreover, the silver-to-gold ratio chart has reversed a downtrend, potentially paving the way for continued silver outperformance over its precious metal cousin. Gold rallied 12.0% in September as fear-of-missing-out flows poured into physical-gold ETFs. Platinum and palladium also participated in the upside with double-digit gains. Overall, the precious metals space continues to exhibit strong technical trends but is historically overbought, raising the risk for some near-term mean reversion.

Energy was mixed last month as natural gas rallied over 10% and outperformed. Ramped-up liquified natural gas (LNG) exports, short covering, lower production due to pipeline maintenance, and increasing cooling demand during a hot month fueled the rally. West Texas Intermediate (WTI) crude oil declined 2.6% as expectations for increased OPEC+ supply exacerbated global supply concerns. However, the oil cartel raised November production by a less-than-feared 137k barrels per day. WTI remains in a bear market, with key support setting up near \$59.75 and \$55.

The dollar traded flat in September after paring losses following the Federal Open Market Committee (FOMC) meeting on September 17 that briefly dragged the greenback to year-to-date lows. Oversold conditions at key support, along with the lack of rate cuts forecasted by the Fed in 2026 supported the second-half recovery.

Color Key: ● Positive ● Neutral ● Negative

Sector	Overall View	Overall Trend	Rationale
Energy	●	Neutral	WTI remains in a downtrend as forecasts continue to call for global supply to widely outpace demand into 2026. Despite the bearish fundamentals, oil has yet to breakdown to new lows this year. Speculative short positioning in WTI is also historically high, with signs of covering beginning to unfold. Technically, a close above \$65 would recapture the lower end of oil's prior range, while a move above the 200-dma would validate a topside breakout. Natural gas has rebounded above the April lows but will need to clear \$3.59 to reverse its current downtrend. We maintain our neutral view on the energy commodity sector.
Precious Metals	●	Positive	Precious metals continue to outperform across the spectrum but are historically overbought. Gold is approaching the upper end of a rising price channel and is nearly trading at a two-standard-deviation premium to its 200-day moving average. Silver is a similar technical story, but recent relative strength implies it could be poised for further outperformance over gold. We maintain our positive view on precious metals.
Industrial Metals	●	Neutral	Industrial metals were mostly higher last month, excluding nickel. Copper climbed 7.5% and broke out from a short-term range. Aluminum added 2.5% and is approaching major resistance off the 2024 highs — a breakout above \$2,759 would point to a continuation of its developing uptrend. We maintain our neutral view on the industrial metals group.
Agriculture (Ag) & Livestock	●	Neutral	Ag was mostly lower last month, with softs underperforming due to a 5.5% pullback in coffee prices. Corn — a technical bright spot within grains — rallied 4.4% and reversed a short-term downtrend. A continuation of the rally toward the 200-dma appears likely from here. Live cattle fell 4.2% before finding support off an uptrend, while lean hogs rose 5.1%. We maintain our neutral view on the ag & livestock space.
U.S. Dollar	●	Neutral	The U.S. Dollar Index traded flat last month after briefly dipping below support from the July lows (96.38). A close above 98.83 would add to the evidence of a double-bottom developing, while a break below the September lows would violate a secular uptrend.

The Bloomberg Commodity Index (BCOM) is made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and potential for losses.

Alternative Investments

Managed Futures Rebound

Alternative investment performance was broadly positive in September, led by an impressive rebound in the HFRX Macro: Systematic Diversified CTA Index which gained 4.7%. For the year, the index is now in positive territory with a return of 0.4%. Commodity exposure was the leading contributor to gains, as long gold and silver moved higher. Long equity positioning was also beneficial as U.S. markets are at all-time highs. While this has supported recent gains, investors should be aware that in the event of an equity market sell-off, managed futures may not act as a source of ballast during the first portion of a drawdown. In the case of a more prolonged downturn, we expect funds to eventually reduce their long equity exposure and move outright short, however, the speed at which that should occur is dependent on the look back window each manager employs.

The HFRX Event Driven: Merger Arbitrage Index continued its year of steady performance and is now up 5.0% for the year. Deal volume has steadily increased from the low levels of prior years, while previously announced deals have benefited from the strength in equity markets as takeover targets move towards their announced deal prices. The largest private equity leveraged buyout in history was announced during the month as a group of buyers disclosed a \$55 billion deal to buy a leading public digital entertainment company. While the deal still needs approval from the Committee on Foreign Investments as Saudi Arabia's sovereign wealth fund is among the buyers, it's a sign that firms are still willing to invest despite the new tariff policies.

Overall, with economic and policy uncertainty likely to continue through year end, we remain positive on alternative investment strategies, as we believe they can help strengthen portfolio stability during periods of volatility. Our preferred approaches include equity market-neutral, nimble discretionary global macro, and a range of managed futures strategies.

In private markets, infrastructure, secondary private equity investments, and private credit remain our preferred strategies. Secondary private equity investments have seen strong momentum in deal volumes and a pickup in the number of participants. With more limited partners, including pensions and endowments, looking to monetize some of their holdings and rebalance their portfolios, as well as general partners looking to create continuation funds, the space has become more liquid and efficient, making it a more viable standalone strategy.

Color Key: ● Positive ● Neutral ● Negative

	Sector	Overall View	Rationale
Fundamental	Long/Short Equity	● . .	A rise in volatility and stock market dispersion may create good trading opportunities for market-neutral stock pickers. For more long-biased managers, international equities could provide attractive opportunities.
	Event Driven	. ● .	Mergers and acquisitions (M&A) and initial public offerings (IPO) have improved relative to the low levels of prior years. Distressed debt opportunities remain limited as credit spreads continue to tighten.
Tactical	Global Macro	● . .	Agile discretionary macro managers should continue to capitalize on economic and policy shifts, along with intermittent spikes in market volatility.
	Managed Futures	● . .	We continue to favor holding a diversified mix of sub-strategies, including but not limited to, short-term momentum, volatility breakout, pattern recognition, and trend following. Diversification within trend following in terms of markets and time frame is encouraged as well.
Multi-Strategy	Multi-PM Single Funds	● . .	Multi-strategy funds should continue to benefit from the ability to dynamically invest across alternative investment strategies.
	Specialty Strategies	● . .	Volatility arbitrage and cross-asset tail risk strategies with minimal carrying cost may be good additional diversifiers in portfolios.

Please see <https://www.hfr.com/indices> for further information on the indices.

Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

Supplemental Mid Cap Reference Guide

Rationale for Large and Mid Cap Aggregation

The STAAC’s decision to aggregate mid cap equities with large caps is driven by a desire to construct asset allocation models using distinct and efficient building blocks that either a) materially enhance expected returns, or b) materially reduce expected risk relative to our benchmark. We believe that a four-box framework, segmented by size and style, provides the most impactful differentiation for our investment decision making. Additionally, this is most aligned with our investment universe, given most active large cap managers benchmark to the Russell 1000 (which has significant overlap with the Russell Midcap Index, 800 stocks representing over 25% of market cap).

We also believe that reducing the number of style boxes improves capital efficiency and lowers trading costs and turnover. By streamlining these classifications, we can avoid such inefficiencies.

Disaggregated U.S. Mid Cap and Large Cap Tactical Asset Allocation as of 09/01/2025

The 75% Large Cap / 25% Mid Cap decomposition provided below is intended as a general reference for advisors who prefer to maintain a distinct mid cap allocation. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Russell 1000. The STAAC’s official position is to treat large and mid caps as a combined category within the TAA as shown on page 3.

Asset Class	Investment Objective														
	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Large Growth	24.000%	21.375%	2.625%	20.250%	18.000%	2.250%	15.375%	13.500%	1.875%	10.500%	9.000%	1.500%	5.250%	4.500%	0.750%
Mid Growth	8.000%	7.125%	0.875%	6.750%	6.000%	0.750%	5.125%	4.500%	0.625%	3.500%	3.000%	0.500%	1.750%	1.500%	0.250%
Large Value	22.125%	21.375%	0.750%	18.750%	18.000%	0.750%	13.875%	13.500%	0.375%	9.000%	9.000%	0.000%	4.500%	4.500%	0.000%
Mid Value	7.375%	7.125%	0.250%	6.250%	6.000%	0.250%	4.625%	4.500%	0.125%	3.000%	3.000%	0.000%	1.500%	1.500%	0.000%

Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issued by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed

financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Alternative investments include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD \$500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

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Important Disclosures

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.

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