Capital Risk

GLOBAL PORTFOLIO STRATEGY

Asset Inflation's Debt

Photo: Generated with ChatGPT.

Foreboding. Asset markets are inflating as the artificial intelligence (AI) frenzy steams forward to an uncertain destination. From the railways barons to the titans of tech, markets have plowed capital into land grabs when technology introduces new markets. While valuations are not as frothy as prior frenzies, the financial environment is different. Increasing tariffs are a form of consumption tax that consumers will pay, resulting in slower growth. The balance sheet of the lender of last resort is inflated due to prior rescues, and the fiscal deficit is historically high, except during recessions. The result is an economy leveraged beyond its natural rate. If technology fails to deliver the promised return promptly and inflation persists as tariffs take effect, the economy may not receive the necessary support from fiscal policy. Indeed, this time is different.

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A trade war predicated on tariffs and the reshoring of industrial capacity is inconsistent with operational efficiency and the political objective of expanding US exports.

Profit margins will bear the burden as product and financing costs rise while demand for US products falters. The winds of change may blow away US equity exceptionalism. Caveat emptor.

\- Jason Prole

Highlights

- **U.S. Equity** requires nimbleness as valuations are stretched.
- **Emerging Market Equities** provide value and yield.
- **Interest rates** deliver positive real yields that reflect future monetary risk.
- **Credit spreads** offer little reward for their risk.
- **Copper's** ascent may persist as the energy transition unfolds.
- **U.S. Dollar** declines will remain as US policy expands deficits and limits growth.

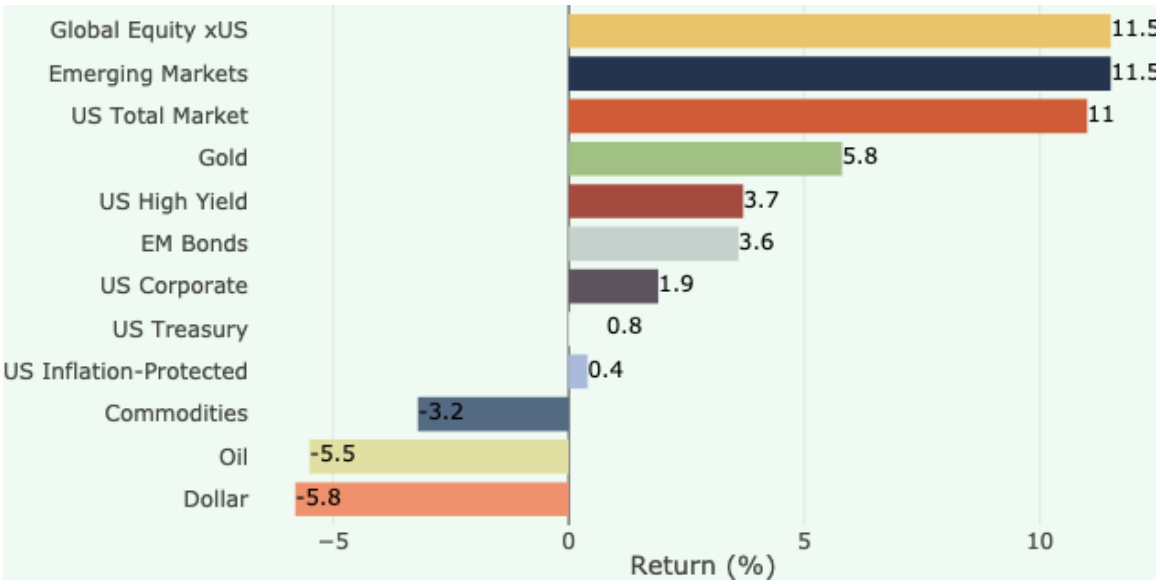
The Macro View

Risk On. While investors may detest uncertainty, volatile trade policy is not deterring them. Equities rose materially across all segments in the last quarter, while only commodities declined as the US dollar weakened (Exhibit 1). Indeed, the TACO trade is alive and well.[1] Yet, the confidence of markets while a mercurial trade policy persists, let alone the impact on prices and growth, seems less than coherent. The most credible question is, when will investors realize the economic weakness beneath them?

From the railway barons of the 19th century to today's tech titans, markets have consistently funnelled capital into speculative land grabs when revolutionary technology emerges. In recent years, the emergence of generative AI and machine learning has accelerated this trend. Corporations, venture capital firms, and public equity investors are investing heavily in AI platforms, chipmakers, and infrastructure. The surge in AI enthusiasm is driving elevated valuations for both the tech sector and broader markets.

Equity strength overshadows Dollar weakness.

Exhibit 1. Asset Class Returns (Second Quarter 2025)



Source: *IEX Cloud. CRM Calculations. Total returns from March 31, 2025, to June 30, 2025.*

[1] TACO = Trump Always Chickens Out

The Macro View

Financing Wealth. Across time, markets have consistently funneled capital into speculative land grabs when revolutionary technology emerges. In recent years, generative AI and machine learning have followed that pattern. Corporations, venture capital firms, and public equity investors are investing heavily in AI platforms, chipmakers, and infrastructure. The surge in AI enthusiasm is driving elevated valuations for both tech sector equities and broader market indices, with the US at the center of it, much like the tech bubble at the turn of the Millennium. The question is what's different this time?

Nevertheless, despite enthusiasm, conditions are not as manic as prior bubbles (e.g., the dot-com era in 1999 or the Financial Crisis in 2008), but the valuation context is unmistakable. The current era of high valuation post-Pandemic does not appear extreme relative to prior periods when evaluated by the Buffett Indicator, which measures equity wealth as a percentage of GDP (Exhibit 2). Yet, the indicator remains extraordinarily high by historical norms at nearly double what it was forty years ago. This valuation should trigger caution given its predictive record for long-run returns. While the technology sector has unquestionably contributed to the growth as it compiles monopolistic profits globally, the presence of another factor is also critical to the ascension.

Exhibit 2. Total Household Financial Wealth as a Percent of GDP

US financial wealth has outpaced GDP for four decades.

***Source**: Board of Governors of the Federal Reserve System, retrieved from FRED.*

The Macro View

Mounting Debt. As the barons of private equity's leverage buy-out club know, financial leverage increases equity returns and imposes cost discipline on the sub-optimal companies they target. The same effect occurs with Federal government debt: the leverage augments growth (usually during a period of unexpected deficit) in the short term. Except for the wild years between 1981 and 1992, Federal debt relative to GDP increases have been the providence of a fiscal response to a financial crisis or pandemic (Exhibit 2). Yet, the driver is less critical than the current situation: Federal liabilities sit at 114% of GDP, a level not seen since the post-World War buildup.

This relative level has historically marked the end of the debt boom. Indeed, if not for the Pandemic and the fiscal and monetary stimulus it delivered, *the debt buildup may have eased.* Instead, government borrowing ramped up to fight the ravaging effects of the Pandemic and postpone the credit comeuppance for another day. The impact of this increased debt may *make the reckoning more difficult in the future* as the government's capacity to borrow becomes more limited. Critically, if interest rate levels persist, there is no way to resolve the deficit other than through drastic cuts in spending or materially higher taxes, both of which are growth-depressing.

Federal debt is at secular highs.

Exhibit 3. Total Federal Liabilities as a Percent of GDP

***Source**: Board of Governors of the Federal Reserve System, retrieved from FRED.*

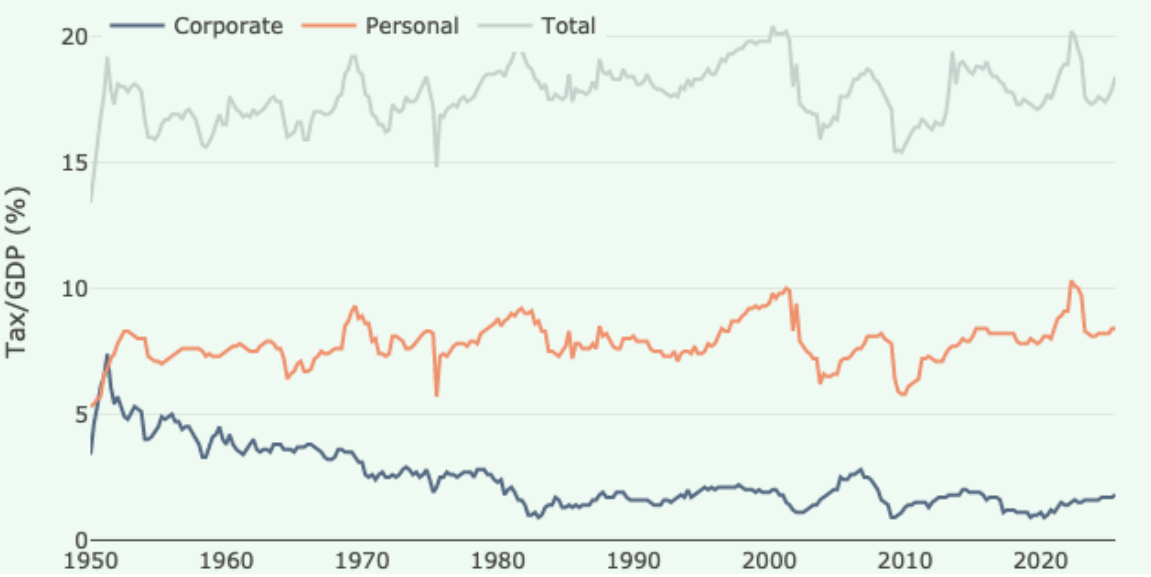
The Macro View

Untaxed. The two opposing forces of government's role in society are those that support the Keynesian dictate of taxation for public goods (e.g., fire and police) and evening out inequities (e.g., public education), and the Friedman cult, who see no role for government (e.g., tax reduction) and capitalism as the answer. Yet, some goods are required (even demanded), and increasing taxes (in the US, at least) can be a ticket out of office. This situation can result in a perverse outcome of increasing expenditures without corresponding tax increases. The trouble arises in determining who receives tax cuts and who does not.

Tax revenues as a percent of GDP have varied between 15%-20% of GDP for over 75 years (Exhibit 4). This consistency in taxation, however, was not evenly shared. Corporate taxation as a percent of GDP fell from around 5% to under 1% in 2020. As the Federal government became more leveraged, corporations enjoyed a lessened tax burden. One does not need a storied business degree from Harvard in this environment to grow profits: the Federal government borrows to spend, increasing corporate revenues while taxing earnings at a lower rate. *The corporate pie grows while keeping more of it*.

Corporate Taxes are low.

Exhibit 4. Tax by Major Components as a Percent of GDP



***Source**: Board of Governors of the Federal Reserve System, retrieved from FRED.*

The Macro View

Pure Profit. There are credible arguments that technology monopolies (e.g., Google and Meta) extract economic rents from a worldwide market that enable superior earnings. Yet, the scale of the growth in earnings is unprecedented. For fifty years, corporate profits were approximately 6% of GDP; however, since 2000, profits have averaged around 11% of GDP, nearly a doubling (Exhibit 5). Unquestionably, technology has enabled superior operational performance, yet a simple critique remains: why are these abnormal returns not competed away by the competitive market that Friedman espouses? Fortunately, the story is rather mundane: government policy.

As every attentive student of finance knows, the value of a stock is the present value of its future cash flows. Corporations are permitted to exercise the economic rents on their monopolies, thereby ensuring that they enjoy enlarged profits. Further, less taxation is asked of these same profits. Both actions conspire to deliver returns well above contemporaries in Europe and Asia, who must bear the burden of meeting their societal requirements. As the trustbusters knew at the beginning of the 20th century, permitting the few to benefit at the cost of the many leads to social unrest. *Cake anyone?*

Corporate profits are double their prior average.

Exhibit 5. Corporate Profit as a Percent of GDP

***Source**: Board of Governors of the Federal Reserve System, retrieved from FRED.*

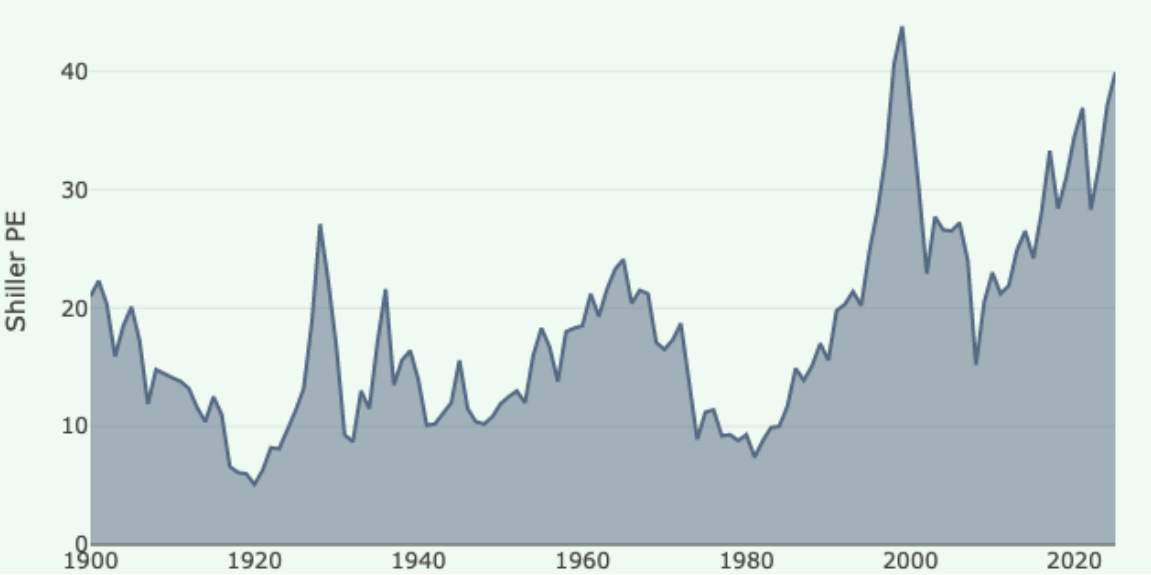
The Macro View

Abnormal Value. Price is not a determining factor of investment outcomes: value holds that distinction because any price is valid should the prospects be high enough. Yet, this is where trouble arises for US equities: Shiller's Cyclically Adjusted PE (CAPE) stands at a level only reached during the tech bubble of 2000 (Exhibit 6). While the possibility of further gains is possible, they require some degree of abnormal profit prospects merely to maintain the current level. Notwithstanding the potential of Artificial Intelligence to deliver productivity enhancements, there are structural headwinds for US equities and technology. Herein is where trouble arises.

The ability to further leverage the government balance sheet is limited, despite the policy intentions of the current US administration. This limits the choices of the Federal government: it must either cut spending or increase taxes. The latter was just shown to be operationally complex, which leaves the latter. Even an Ivy League-trained strategist can deduce the target for taxation of the reelection-seeking: the corporations that don't cast a vote. As the animus in the US continues to grow and choices narrow, the prospects for change will emerge slowly, then suddenly. While the current administration is an unlikely catalyst, its demonstrated volatility suggests that change could arrive.

Valuation implies abnormal profits or growth.

Exhibit 6. Shiller's Cyclically Adjusted Price-Earnings Ratio



***Source**: Robert Shiller, https://shillerdata.com/*

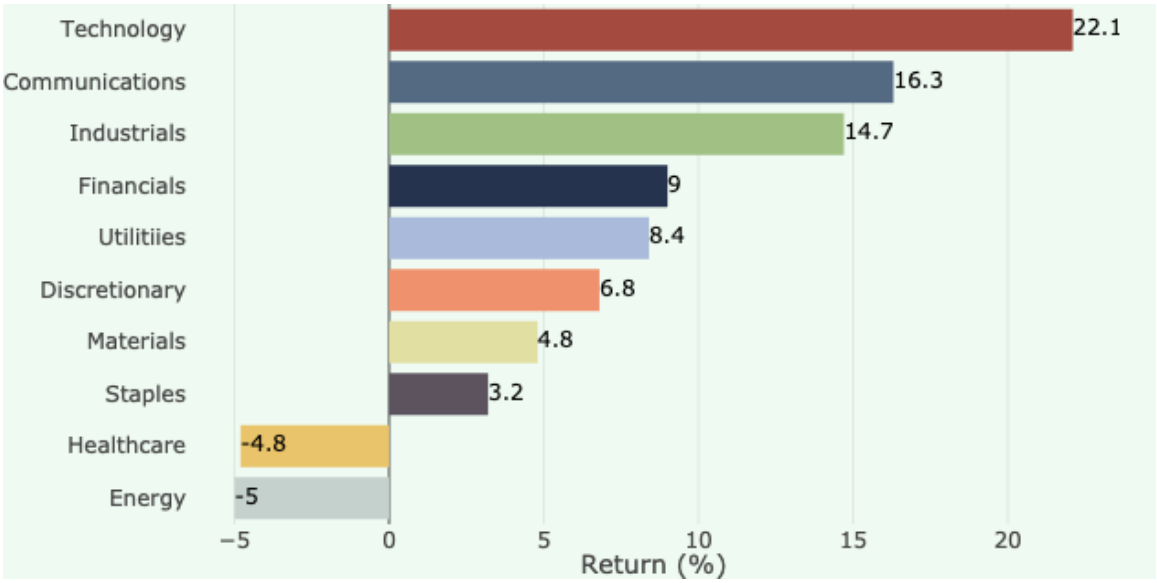
Equity Markets

A slowing economy with high interest rates is not an ideal situation for equity markets. Yet, the markets remain effervescent as the Fed debates the path to interest rate normalization in the face of persistent inflation and moderate employment growth. The market's view is clear: growth stocks, including those in technology and communications, are the future, while those less sensitive to the AI revolution, healthcare, and energy, lag (Exhibit 7). The challenge for investors is determining whether the purveyors of technology will reap all the gains, or whether those who implement them will. The answer will determine which valuation is best.

The trouble for the global equity markets is that growth is most likely approaching its peak. Low unemployment and moderate employment growth indicate a resilient economy. The AI revolution may transform business operations, much as the internet did at the turn of the Millennium. The challenge, however, is that this implementation may impair employment, not support it. Further, the turmoil of tariffs and the persistence of inflation imperil continued growth. The critical decision point is growth prospects versus macroeconomic uncertainty. One may win in the long run as the other impedes the near term.

Asset-intensive sectors lead as monetary policy loosens.

Exhibit 7. Global Equity Sector Returns (Third Quarter 2022)



***Source**: IEX Cloud. CRM Calculations. Total returns from June 30th to September 30th, 2022.*

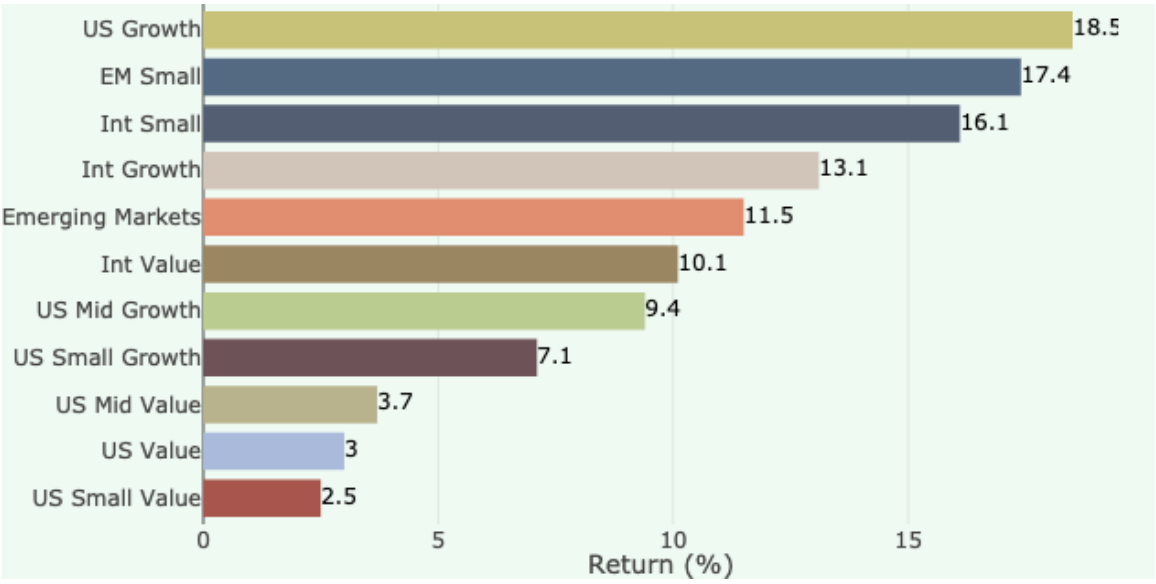
Equity Markets

One of a kind. Every bull market has a unique narrative that propels the masses to invest. The current bull market is not different, with U.S. growth stocks leading the charge (Exhibit 8). In a sign of permanence or speculative fury, all regions and styles delivered a material gain this quarter. When market breadth is indifferent, the bull market may be nearing its end. The rise of Emerging Markets (EM) equities, big or small, highlights that investors are indifferent to the size or location. When investors treat large US equity growth stocks similarly to small EM stocks, the presence of discretion is questionable.

For context, either of the largest US technology firms, whose value exceeds or approaches $3 trillion, is larger than the combined size of the EM stocks. While there are valid reasons to avoid the high valuations or the US technology leaders, exchanging that risk for illiquidity seems a poor trade. Investors of a certain age will remember the havoc wrought in 1997-98 when the Asian Crisis roiled global markets, and an exit for investors was scarce. While EM markets are larger and more liquid, they remain relatively small compared to the U.S. technology giants. Indeed, size and liquidity have value during a crisis, and when giants step in, those underfoot are often squashed.

Everyone is enjoying the party.

Exhibit 8. Global Equity Style Quarterly Returns



***Source**: IEX Cloud. CRM Calculations. Total returns from June 30th to September 30th, 2022.*

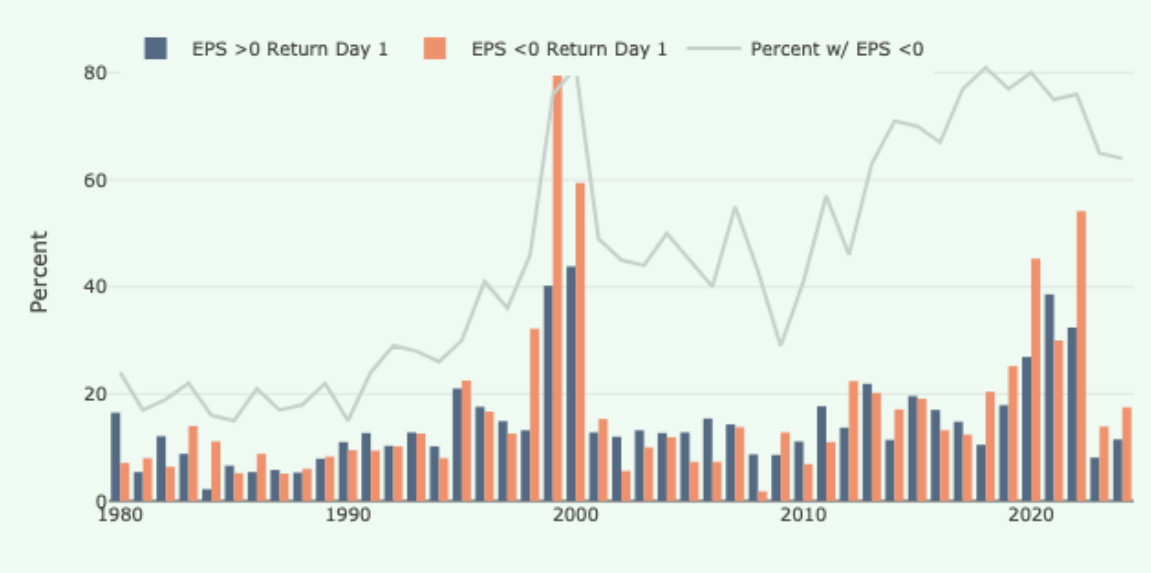
Equity Markets

Unknown Exit. As the Private Equity and Credit markets expanded over the last decade, exits were a critical component for private markets to crystallize their extraordinary value-added. Yet, the outcome was a continual push of companies with increasingly negative earnings into the hands of retail investors as they salivated at participating in the next big thing (Exhibit 9). Critical to the expectation of future earnings is the *current* profit status. Yet, profits are where the *current* problem arises.

A hallmark of the era is that the earnings for IPOs are as rare as the unicorns that investors chase. The last two years saw a significant curtailment of those companies that earned robust first-day returns, regardless of their profit status. An interesting artifact of the issuance is that hope continues to abound, merely at a lower return level: companies with negative earnings outperform those with positive earnings on their first day. In their quest for future growth, investors are increasingly on hope rather than reality as speculation abounds. If private capital is exiting companies, then public investors should question why the "professionals" are giving them such a valuable opportunity. All coins have two sides.

IPO price gains belie *negative earnings.*

Exhibit 9. U.S. Initial Public Offerings Negative Profits (%) & First-Day Net Return (%)



***Source**: Ritter, Jay R. 2025. Initial Public Offerings: Updated Statistics. Table 9. Percent is the 12-month moving average. Available at: https://site.warrington.ufl.edu/ritter/ipo-data/*

Equity Markets

Changing Leadership. The change in the US leadership brought with it another change: The decade-long bull run for the US versus the world has ended (Exhibit 10). While most of the performance is related to the fall of the US dollar, the volatile fiscal policy in the US does add to the reversal. Investors seek two primary things: business stability and (a story about) a transformative business. The difference this time is that the transformative story (e.g., Artificial Intelligence) is occurring in the US, while macro-economic stability is facing policy challenges.

This situation reveals a striking data point: the US technology titans are poised to lead the AI revolution, but the decline of the US dollar is impacting the returns for external investors. While China has its technology titans, they are currently more replicators than innovators. There is no European AI technology Goliath. This situation highlights the problems for the US market: investors are not fleeing the technology; they are fleeing the policy uncertainty that will most likely require a dramatic shift in fiscal policy. While all market and political regimes change, the US appears to be on a path to inflicting lasting economic harm despite (once again) providing an innovation that changes how the world works. In the US, the times are a-changin'.

U.S. equity leadership appears at the end.

Exhibit 10. Global Equities Relative Performance of US/World ex-US

***Source**: IEX Cloud. Total returns Sept 2011 to Sept 2021. Ratio increases reflect US outperformance.*

Equity Markets

Valuing Growth. The nascent retracement of U.S. Growth versus Value equities reversed fully during the second quarter (Exhibit 11). This underscores a trend since 2016, where Growth gradually gained over Value, supported by the strong performance of technology, healthcare, and other high-growth sectors. Rising interest rates, inflationary concerns, and a rotation into cyclical and defensive sectors allowed Value to narrow the gap. Yet, if the technology bubble in 2000 hadn't occurred, Growth investors would be enjoying *four decades* of leadership. The crucial dimension is *growth prospects*.

Growth stocks have again reasserted their leadership in the first quarter, climbing steadily as artificial intelligence enthusiasm and prospective productivity gains boost expectations. Nonetheless, the heightened volatility implies that relative performance remains sensitive to macroeconomic conditions, interest rate paths, and investor sentiment. Opportunities exist for non-technology companies to leverage AI to enhance efficiency and expand their customer reach. Since value companies may transition into future growth companies as they shift from fixed assets to intangible services, look towards industries where technology can evolve their business models.

Growth's leadership is volatile.

Exhibit 11. U.S. Equities Relative Performance by Style (Growth/Value)

***Source**: IEX Cloud. Total returns Sept 2011 to Sept 2021. Ratio increases are growth outperformance.*

Equity Markets

Discerning Size. Large caps extended their outperformance, driven by strong earnings concentration in a handful of dominant AI firms (Exhibit 12). This decisive lead, with the relative spread widening toward historical highs, underscores investor preference for stability, scale, and global reach. Small-cap stocks typically offer higher returns due to their more robust growth prospects. Yet, the US technology leaders are the ones with the high growth prospects, because AI at scale has significant barriers to entry for new entrants. AS always, the company with the *required technology wins*.

Forecasting future returns is a perilous task, laden with uncertainty. Strategists know well the benefit of having a monopolistic position for a required technology: economic rents. Also, future product market leadership matters because it's only the top *four percent of stocks that deliver returns*.[2] Predicting future market leaders decades hence is challenging; yet, given the scale advantages required for AI and the lackluster IPO market, large stocks may manage risk more effectively, despite their valuations.

Size matters for technology.

Exhibit 12. U.S. Equities Relative Performance by Size (Large/Small)

***Source**: IEX Cloud. Total returns Sept 2011 to Sept 2021. Ratio increases are large outperformance.*

[2] Bessembinder, Hendrik, "Do Stocks Outperform Treasury Bills?", *Journal of Financial Economics*, 2018, 129, 3, pp. 440-457. https://doi.org/10.1016/j.jfineco.2018.06.004

Equity Markets

Productive People. The alluring population size and growth in the Emerging Markets lure investors. Yet growth requires enhanced productivity through capital investment that delivers efficiency gains for people. While the US population experienced trivial growth over the last decade, technology productivity drove its market higher (Exhibit 13). The challenge is that the regime change in the US politics is not amenable to increased productivity. Thus, the US faces a paradox: it is producing transformative technology while population growth is stagnant, and is focusing on reshoring *low-productivity industries*. One will outweigh the other.

The U.S. leadership versus the EM is reversing.

Exhibit 13. Global Equities Performance of U.S./Emerging Markets

***Source**: IEX Cloud. ITOT & EEM total returns. Ratio increases reflect U.S. outperformance.*

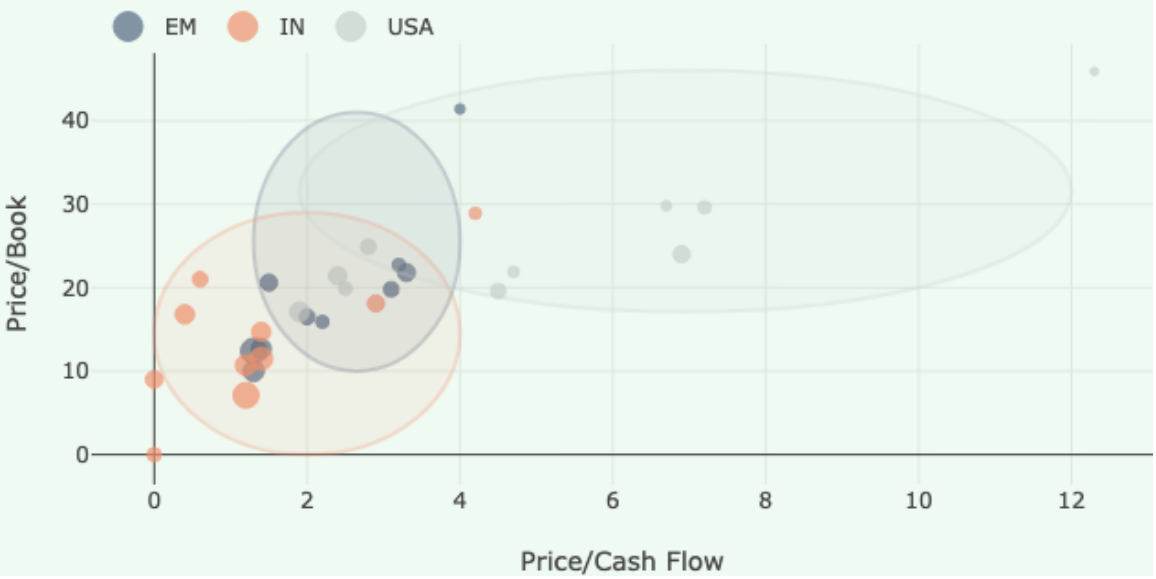
While U.S. markets remain structurally dominant, relative performance may be entering a period of consolidation, with emerging markets showing tentative signs of narrowing the gap. As more countries partner with China due to the trade turmoil, the US may enter a period where its technology leadership is insufficient for dominance. In business, the battle between a superior product and distribution is crucial, with distribution often prevailing. The US may remain a technology leader, but it faces the prospect of not having a sufficient marketplace for the distribution of its technology. Sometimes, good enough is good enough.

Equity Markets

Diverging Value. The U.S. stands apart. Its companies generally command higher multiples, with price-to-cash flow ratios that are many multiples of those in the other regions (Exhibit 14). The most extreme outlier is U.S. technology, marked by the grey dot in the upper-right corner. It reflects exceptionally high valuation multiples, with investors willing to pay steep premiums for expected growth and dominant market share. In contrast, Emerging and International markets provide relative value to the US and relative dispersion within each market. Thus, valuations provide *opportunities within and across regions*.

Valuation dispersion provides opportunity.

Exhibit 14. Global Equity Valuations by Region and Sector



***Source**: MSCI Indices. The size of the marker reflects the dividend yield (larger is higher). Valuation is limited to zero and fifty for ease of exposition. As of June 2025.*

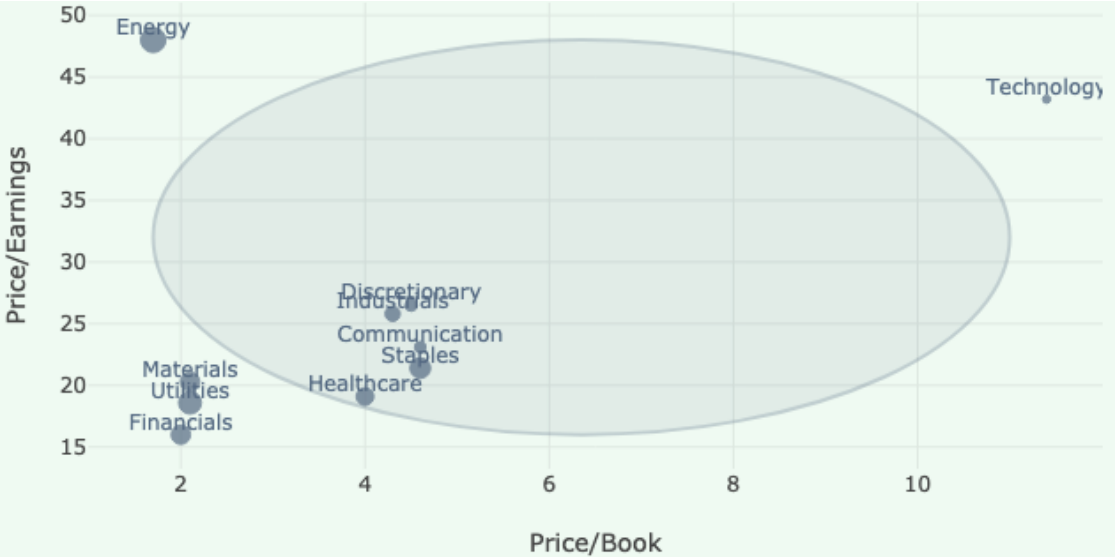
Emerging markets occupy the lower-left, characterized by modest valuation multiples. This relative affordability reflects compensation for higher political, currency, and growth risks. Counterintuitively, attractive dividend yields further enhance the income opportunities. International developed markets sit slightly higher, reflecting a blend of moderate valuations and dividend yields. Their middle position between EM and U.S. equities illustrates their benefits: less growth potential than EM, but often steadier fundamentals and governance. Yet, politics might trump technology and growth opportunities.

Equity Markets

Above All. Most sectors cluster within a moderate valuation range, with Financials, Utilities, and Materials sitting at the lower end, reflecting more traditional business models and steady, but slower, growth (Exhibit 15). In contrast, Healthcare, Communication, Consumer Staples, Industrials, and Discretionary sectors fall into the mid-range, balancing growth potential with stable fundamentals. Yet, two sectors are outliers: Energy and Technology.

Sector dispersion suggests stock selection.

Exhibit 15. Global Equity Valuations by Sector



***Source**: MSCI Indices. Marker size reflects the dividend yield (larger is higher). As of June 2025.*

Energy, positioned with a high price/earnings multiple despite a low price/book, reflects volatile earnings and investor caution, and Technology, which commands the highest price/book ratio, is coupled with elevated earnings multiples. Technology's premium mirrors the extreme positioning of U.S. technology, which dominated global valuations as an expensive yet growth-driven segment. This positioning underscores a consistent theme: investors are willing to pay steep premiums for U.S. and global technology leadership, while traditional sectors, especially those in emerging markets, trade at significant discounts, often with stronger dividend support. Even with the promised policy support for more traditional sectors in the US, it's not evident that they will lead if global competitors find more *cost-friendly locales*.

Equity Markets

Singularity. The U.S. stands apart, commanding the highest multiples across both earnings and book value. This premium reflects the market's heavy weighting toward technology and growth sectors. The concentration of investor demand in U.S. mega-cap stocks has pushed overall market valuations well above global peers. In contrast, emerging markets, particularly Latin America and Europe, cluster near the bottom. Materially, their higher dividend yields offer income appeal despite discounted valuations. The trade-off is between higher cash flow growth from productivity growth and higher earnings based on an increasing population. As business schools intone, a business's ability to *generate cash* is crucial.

Developed market cash flows offer value.

Exhibit 16. Global Equity Valuations by Region

***Source**: MSCI Indices. Size of the marker reflects the dividend yield (larger is higher). As of June 2025.*

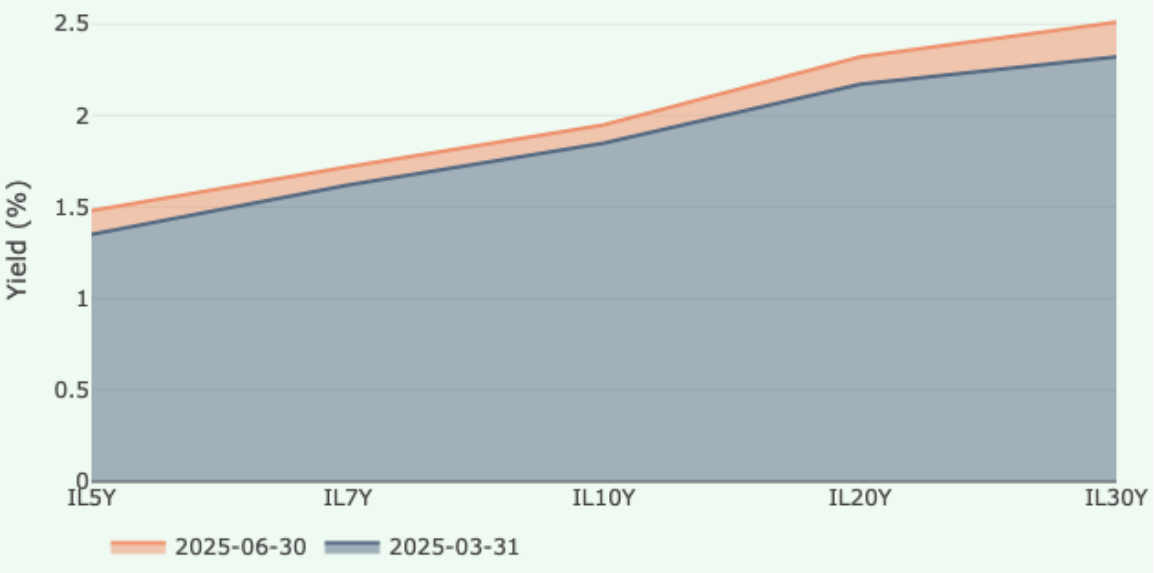
These valuations underscore a global divide: investors pay steep premiums for U.S. equities, especially technology, while emerging markets and traditional sectors remain inexpensive but income-rich alternatives. The increased policy uncertainty in the U.S. underscores the U.S. investor's challenge of managing currency exposure. Thus, *portfolio design* is crucial to success in this splintered valuation landscape, whether investing in *factors, regions, or countries*.

Interest Rates

Price Protection. The entire TIPS yield curve shifted higher during the quarter, with increases of roughly 15 to 20 basis points across maturities. The upward parallel move suggests a broad-based reassessment of inflation dynamics, rather than a change isolated to a specific maturity segment. The steepening from 10-year to 20-year maturities indicates more substantial longer-term inflation compensation, reflecting investors' belief that inflationary pressures may prove more persistent than earlier anticipated. This upward adjustment implies investors are demanding higher real returns to hold inflation-protected securities, consistent with a modest rise in forward-looking inflation expectations.

Inflation expectations are rising with real yields.

Exhibit 17. U.S. Treasury Inflation-Protected Yields



Source: Federal Reserve Economic Database

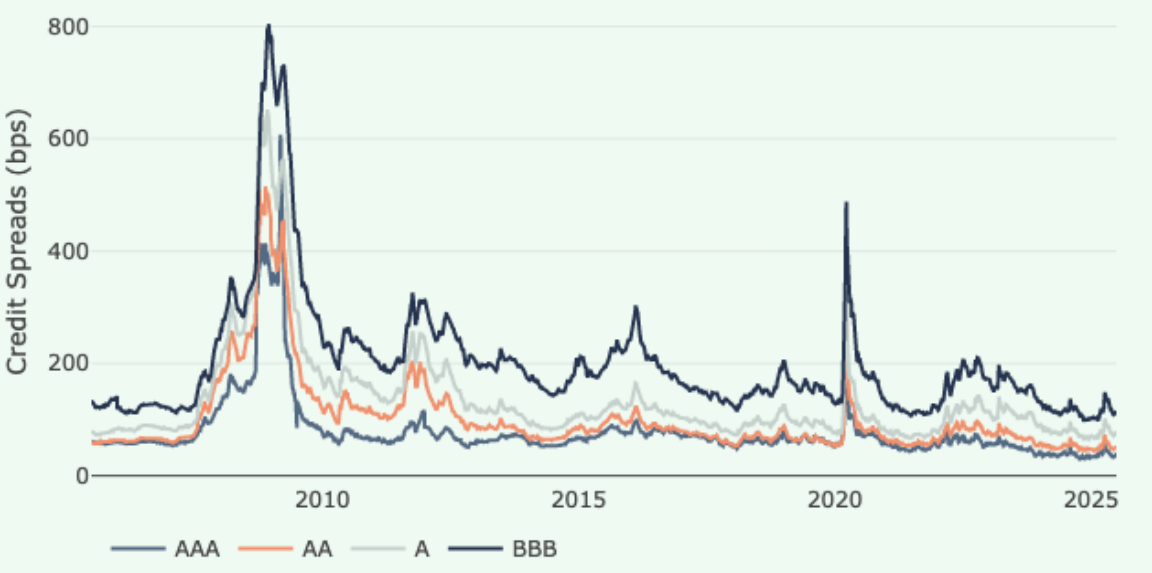
Importantly, real yields above 2.0% at the long end serve as a warning for future U.S. debt issuance. Over the last 30 years, real GDP growth averaged roughly 2%, meaning investors are now demanding a premium above the economy's long-term growth rate to hold long-term Treasuries. This outcome signals rising concerns about fiscal sustainability, supply of government debt, and the risk that future inflation or deficits will erode returns, which places upward pressure on borrowing costs for the U.S. *Every policy has a price*.

Commodities

Spread Risk. Equities are the volatile sibling of the reserved bond markets. Yet, the current situation belies that conservatism: spread compression is at levels not seen since before the Tech Bubble (Exhibit 19). The differences this time are material. Budget deficits supplanted surpluses, debt levels are double the size relative to GDP, and growth is more subdued. While the continued US technology dominance provides comfort, the US's ability to service debt is particularly at risk, as highlighted by the prior equity price-to-cash flow ratios. The old maxim of debt markets applies: it is the return *of* capital that supersedes the return *on* capital. At these levels, the risk is in one direction.

Credit spreads are *too low* for the risk.

Exhibit 19. U.S. Corporate Investment Grade Spreads



Source: ICE. Federal Reserve Economic Database

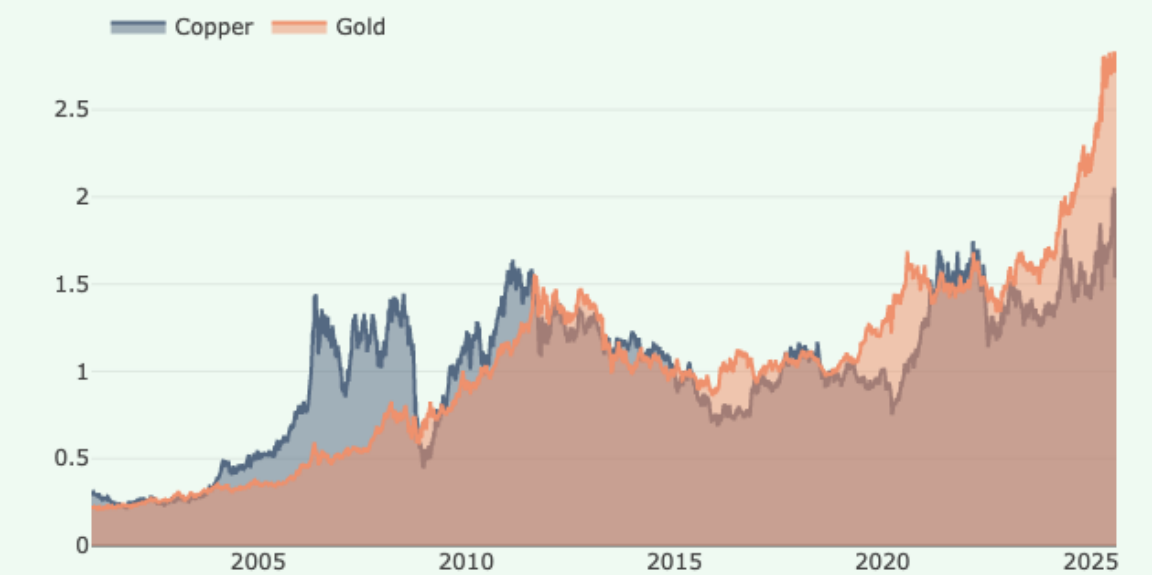
The overall spread curve is compressed, suggesting investor optimism about credit quality despite concerns around rising leverage. The relationship to equity markets is clear: narrow spreads typically coincide with strong equity performance, while widening spreads foreshadow downturns. Moreover, when real yields are above 2%, borrowing costs for corporates increase, which can eventually pressure spreads wider. Today's environment of higher real yields and narrow credit spreads signals resilience but also raises the risk of repricing if growth slows or fiscal strains intensify. *Caveat emptor.*

Commodities

Coming Down. The economy is well expressed in the continued rise of copper, which has more than doubled since the Pandemic (Exhibit 20). Copper is now at a price double the average value of the prior three decades and a *thirty-five-year high*. This movement suggests either an enormous increase in demand or supply constraints, with the former a driver that parallels the technology boom. This situation should persist as energy generation for both AI and electric vehicles requires copper for delivery. With only a limited expansion of copper supply, the persistence of copper prices is probable.

Gold is parabolic.

Exhibit 20. Price Ratio of Gold and Copper to their Average Values



Source: Yahoo Finance. CRM calculations.

Gold is not an industrial commodity and does not share the prominent role in the energy transition that copper does. Its price derives from its role as a store of value during uncertainty. While gold and copper share standard pricing in the U.S. Dollar, different forces drive their rise. Gold has reached 2.5 times its historical average, signaling strong safe-haven demand amid geopolitical tensions, inflation concerns, and rising real yields. Should the US Dollar continue to weaken as policy uncertainty grows, then gold's role as a store of value should persist, despite its limited utility. A commodity at hand is valuable if dollar debasement continues.

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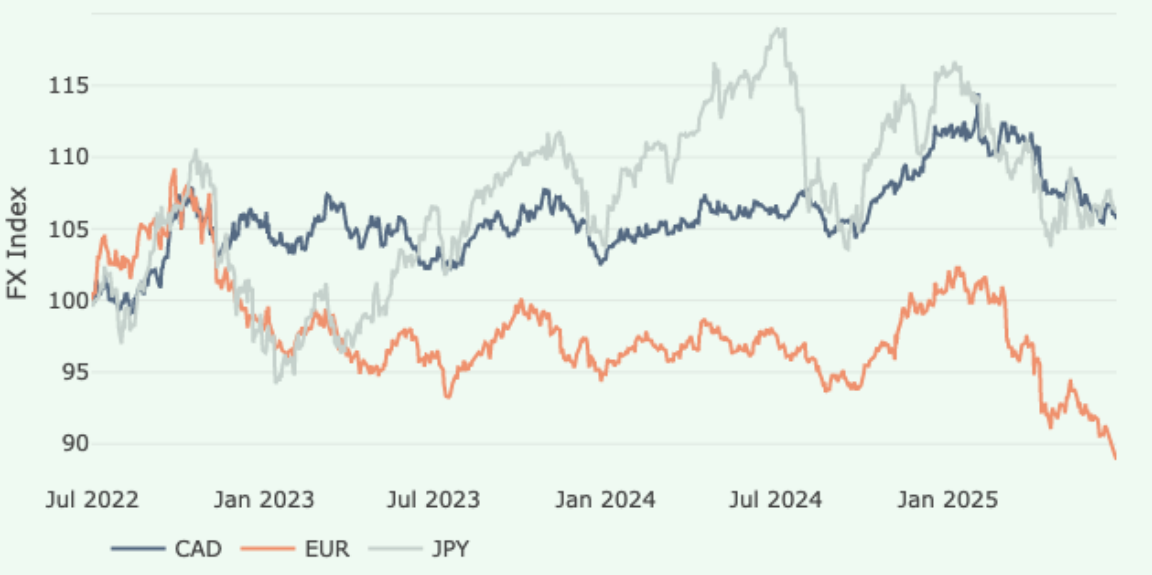
Currencies

Reserve Currency. As uncertainty permeates US policy, capital flows out of the U.S., and the Dollar declines (Exhibit 21). This perverse situation is occurring despite US technology dominance in AI. The driver is evident: the US fiscal deficit is expected to expand as tax revenues decline, which raises the debt level and the debt service. The latter directly reduces government expenditures and overall growth. Magnifying this outcome is a restrictive trade policy that encumbers US companies in global markets, while an industrial policy looks backward at bygone, low-growth industries. The financial markets are a voting machine in the short run, yet are a weighing machine in the long run. The markets are indeed voting with their money.

U.S. dollar supremacy is reversing.

Exhibit 21. Normalized Currency Rates

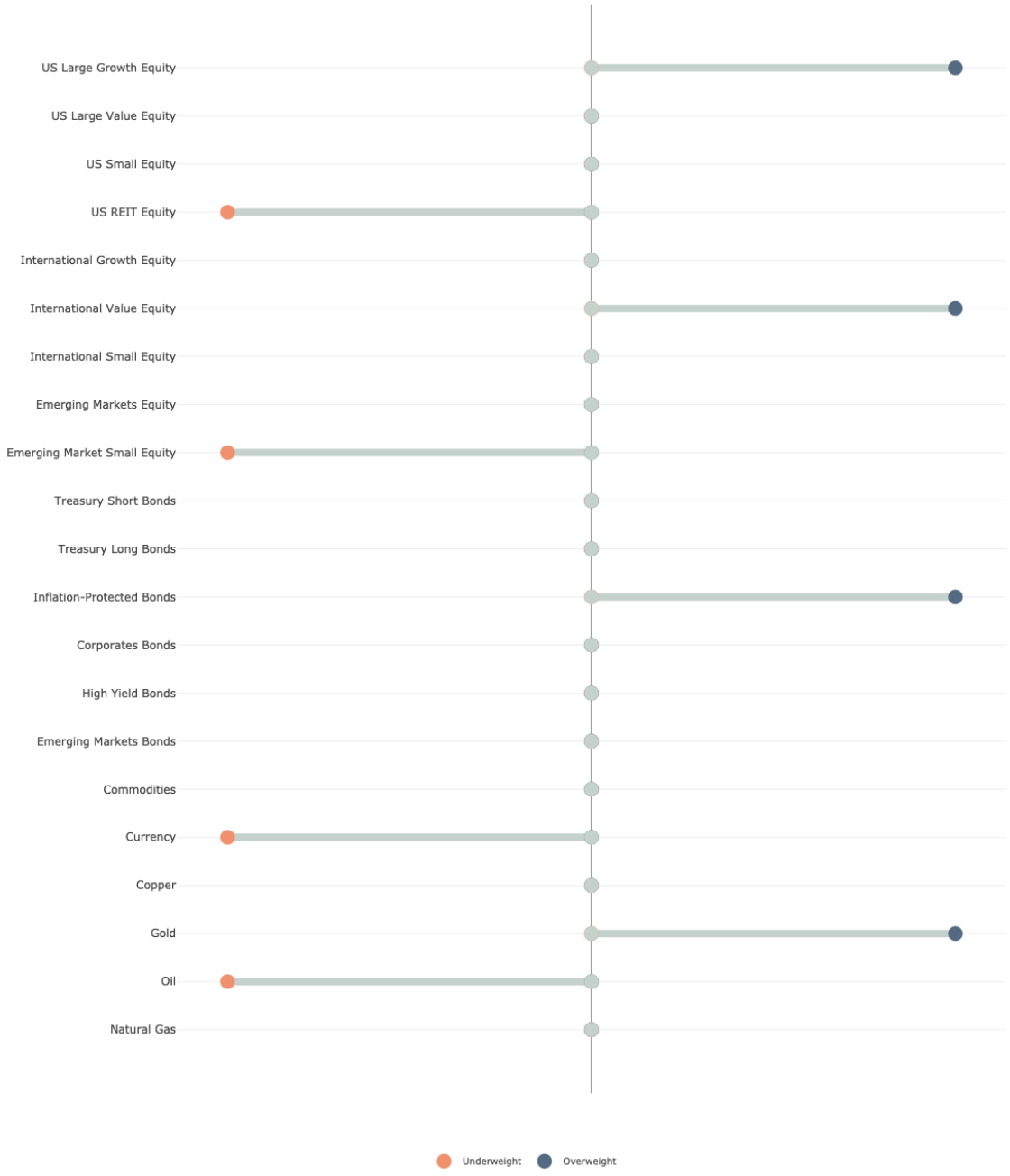


Source: Alphavantage. A higher level indicates a stronger U.S. dollar.

Continued U.S. economic leadership is built upon technological prominence in the short run and global trade in the long run. Both provide a means to moderate inflation pressures and maintain a strong currency. Yet, this outcome is in peril as national policy supports bygone industries and ignores the strategic threat that trade policy may limit the global gains of the AI technology revolution. Addressing this strategic threat is imperative as higher debt service arrives. Investment management is *critical* when technological uncertainty is magnified by policy instability. Interesting times indeed.

Exhibit A1. Tactical Asset Allocation Positioning

Six-to 18-month asset allocation perspective



Note: Positioning is indicative of the themes discussed in this report and valid as of the report date. Views are subject to change. These statements are forward-looking, and there are no assurances that such events will transpire. The positioning does not reflect actual positions and does not consider an investor's objectives, risk preferences, or their current asset allocation. Seek professional advice when undertaking any investment program.

Exhibit A2. Asset Class Performance

Sector	ETF	QTD	YTD	One-Year	Three-Year	Five-Year
Global Equity	ACWI	11.3	10.3	18.7	14.1	14.4
Global Equity xUS	ACWX	11.5	18.5	17.5	10.6	11
US Total Market	ITOT	11	5.6	18.7	15.6	16.4
US Large Cap	IVV	10.8	6.1	19.1	16.2	17.1
US Growth	IUSG	18.5	8.2	26.4	19.2	17.8
US Value	IUSV	3	3.1	8.8	11.3	14.8
US Mid	IJH	6.6	0.1	5.7	9	13.7
US Mid Growth	IJK	9.4	0.4	2.7	9.8	11.5
US Mid Value	IJJ	3.7	-0.3	8.7	8	15.5
US Small	IJR	4.9	-4.5	2.1	4.4	12.4
US Small Growth	IJT	7.1	-1.3	2.6	6.2	11.3
US Small Value	IJS	2.5	-7.7	1.3	2.3	13.1
US REIT	USRT	-1.2	-0.2	11.7	2.6	9.2
International	EFA	11.3	20.3	15.5	12.3	12
Int Growth	EFG	13.1	16.8	10.6	10.1	8.4
Int Value	EFV	10.1	23.6	20.6	14.4	15.1
Int Small	SCZ	16.1	21.4	18.3	8.9	9.6
Emerging Markets	EEM	11.5	16.5	19.3	7.1	7.6
EM Small	EEMS	17.4	12.3	11.1	9.2	15.1
US Aggregate	AGG	1.3	4	6.8	1.9	-0.7
US Corporate	USIG	1.9	4.3	7.7	3.4	0.6
US Treasury	GOVT	0.8	1.5	6.3	1.3	-1.6
US Mortgage-Backed	MBB	0.8	3.9	7.4	1.7	-0.7
US Municipal	MUB	-0.1	-0.6	2.2	1.7	0.5
US Inflation-Protected	TIP	0.4	4.7	6.5	1.1	1.6
US High Yield	HYG	3.7	5	10.9	6.5	4.9
Government Bonds	IGOV	9.3	12.2	11.4	0.4	-2.8
EM Bonds	EMB	3.6	6.4	10.4	6	2
Gold	GLD	5.8	25.9	41.6	21.2	13.4
Dollar	UUP	-5.8	-8.6	-2	3.5	2.5
Commodities	GSG	-3.2	1.2	0.4	-4.2	17.5

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