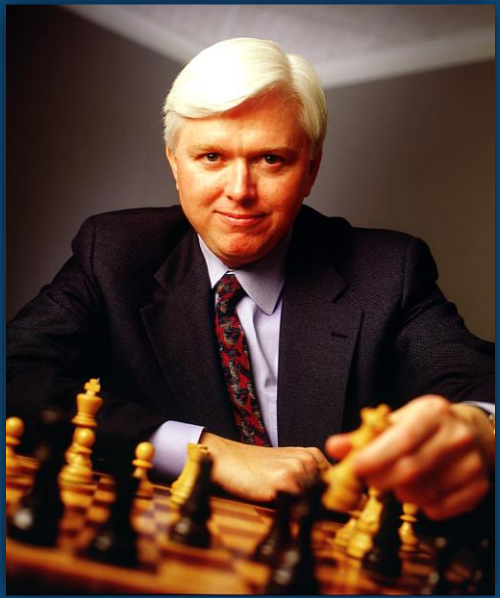
STEARNS
FINANCIAL GROUP

Uncharted Investment Waters 2026

TRUMPONOMICS, AGE OF DISRUPTION + GEOPOLITICAL WILDCARDS

presented by **Dennis Stearns, CFP®**

AAII Local Chapters
Research Triangle Chapter
January 10, 2026



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Dennis Stearns – Senior Wealth Advisor – Dennis is a CFP® professional and is nationally recognized for investment strategy and scenario analysis. He is a former chess master and played on one of the winningest teams in U.S. Pan American history.

He is the author of several books including ***CEO Road Rules*** (“Must read” – Daniel Jorndt, former CEO, Walgreens), ***Fourth Quarter Fumbles*** *(*“Prepare now for your future!” Mitch Anthony, *New Retirementality)* and ***Fourth Quarter Champions*** *(Regular* and *Business Edition)*. His newest book, ***Ninja Entrepreneurs***, includes Top Ninja ideas from 120 business owner interviews (“An essential owner’s guide” – Doug Tatum, serial entrepreneur and four-time National Business Book Award winner for *No Man’s Land*).

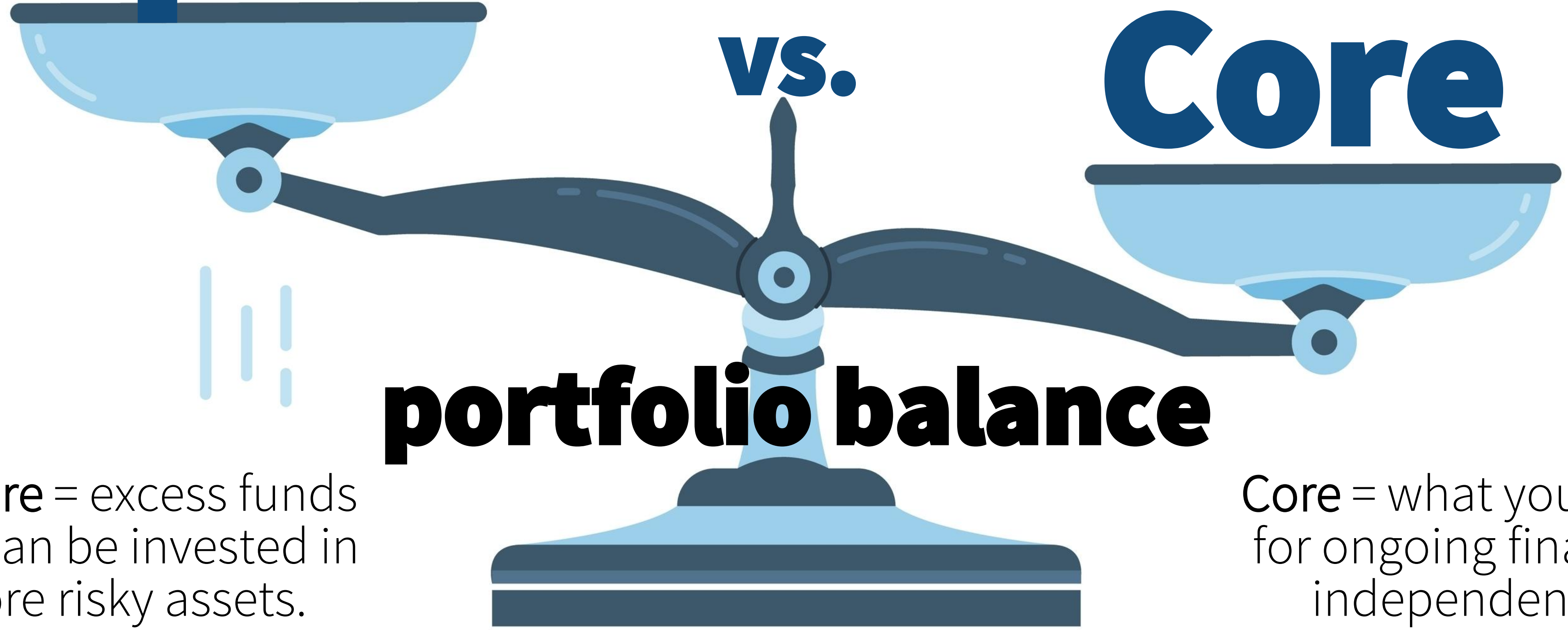
Dennis is regularly quoted in major publications including the *Wall Street Journal*, *NY Times*, *Kiplinger Finance*, *TheStreet.com*, *Financial Planning* magazine and the peer-reviewed *Journal of Financial Planning*.

Dennis has advanced training in investment planning, financial planning, business planning and estate planning. Business awards include Most Admired CEO (*Triad Business Journal*), RIA Citywire Most Innovative Firms, Inc. 5000 and TBJ Fast 50.

Stearns Financial Group (SFG) is a $2.5 billion Wealth Management and Business Planning practice with offices in Greensboro and Chapel Hill, NC and clients around the U.S. SFG has been called one of the leading scenario planning firms by the Financial Planning Association. More info at www.StearnsFinancial.com.

agenda

Know Your Explore vs. Core portfolio balance



Explore = excess funds that can be invested in more risky assets.

Core = what you need for ongoing financial independence.

What Concerns Us in 2026

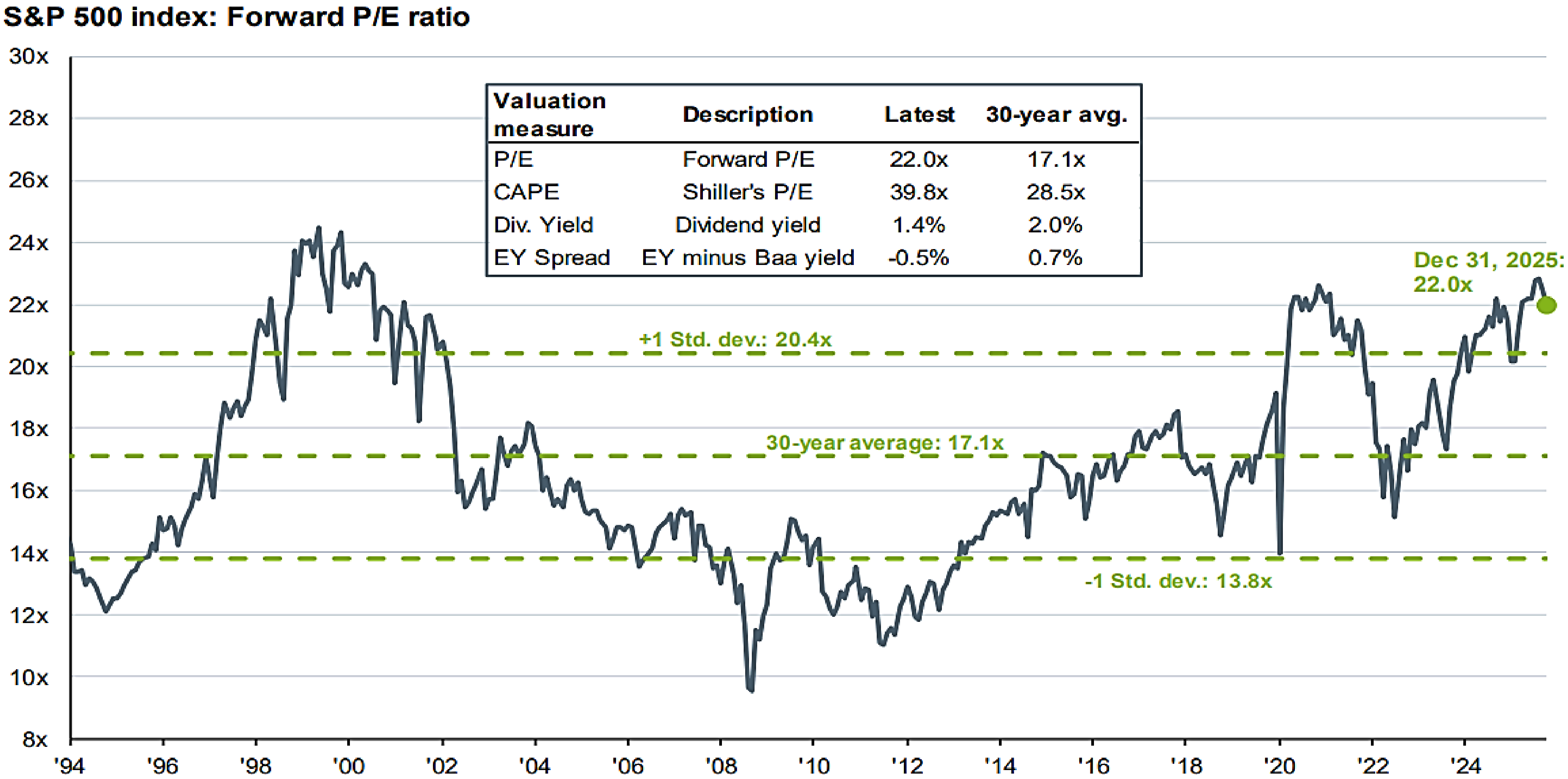
1. Retail spending stalls on the back of falling savings, not positive wage growth after inflation.
2. Stretched stock valuations, Higher expectations in 2026 already baked in.
3. Circular AI capex.
4. Potential Sector recessions.
5. Labor market weakness.

Asset Class Returns

2011 - 2025 Ann.	2011 - 2025 Vol.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Large Cap 14.1%	Small Cap 20.3%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 26.3%	Large Cap 25.0%	EM Equity 34.4%
Small Cap 9.5%	EM Equity 17.5%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 18.9%	Small Cap 11.5%	DM Equity 31.9%
REITs 7.8%	REITs 16.4%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Alloc. 10.0%	Large Cap 17.9%
Asset Alloc. 7.3%	DM Equity 15.7%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 14.1%	High Yield 9.2%	Asset Alloc. 15.8%
DM Equity 7.1%	Comdty. 15.4%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 14.0%	EM Equity 8.1%	Comdty. 15.8%
High Yield 5.7%	Large Cap 14.7%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	REITs 11.4%	Comdty. 5.4%	Small Cap 12.8%
EM Equity 4.2%	Asset Alloc. 10.1%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 10.3%	Cash 5.3%	High Yield 12.1%
Fixed Income 2.4%	High Yield 9.1%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income 5.5%	REITs 4.9%	Fixed Income 7.3%
Cash 1.5%	Fixed Income 4.6%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	DM Equity 4.3%	Cash 4.3%
Comdty. -1.1%	Cash 0.9%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -7.9%	Fixed Income 1.3%	REITs 2.3%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large Cap: S&P 500, Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global YU Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio is for illustrative purposes only and assumes annual rebalancing with the following weights: 25% in the S&P500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Indes and 5% in the NAREIT Equity REIT Index. Annualized (Ann.) return and volatility (Vol.) represents the period from 12/31/2010 to 12/31/2025. All data represent total return for stated period. Past performance is no guarantee of future results. *Guide to the Markets – U.S.* Data are as of December 31, 2025.

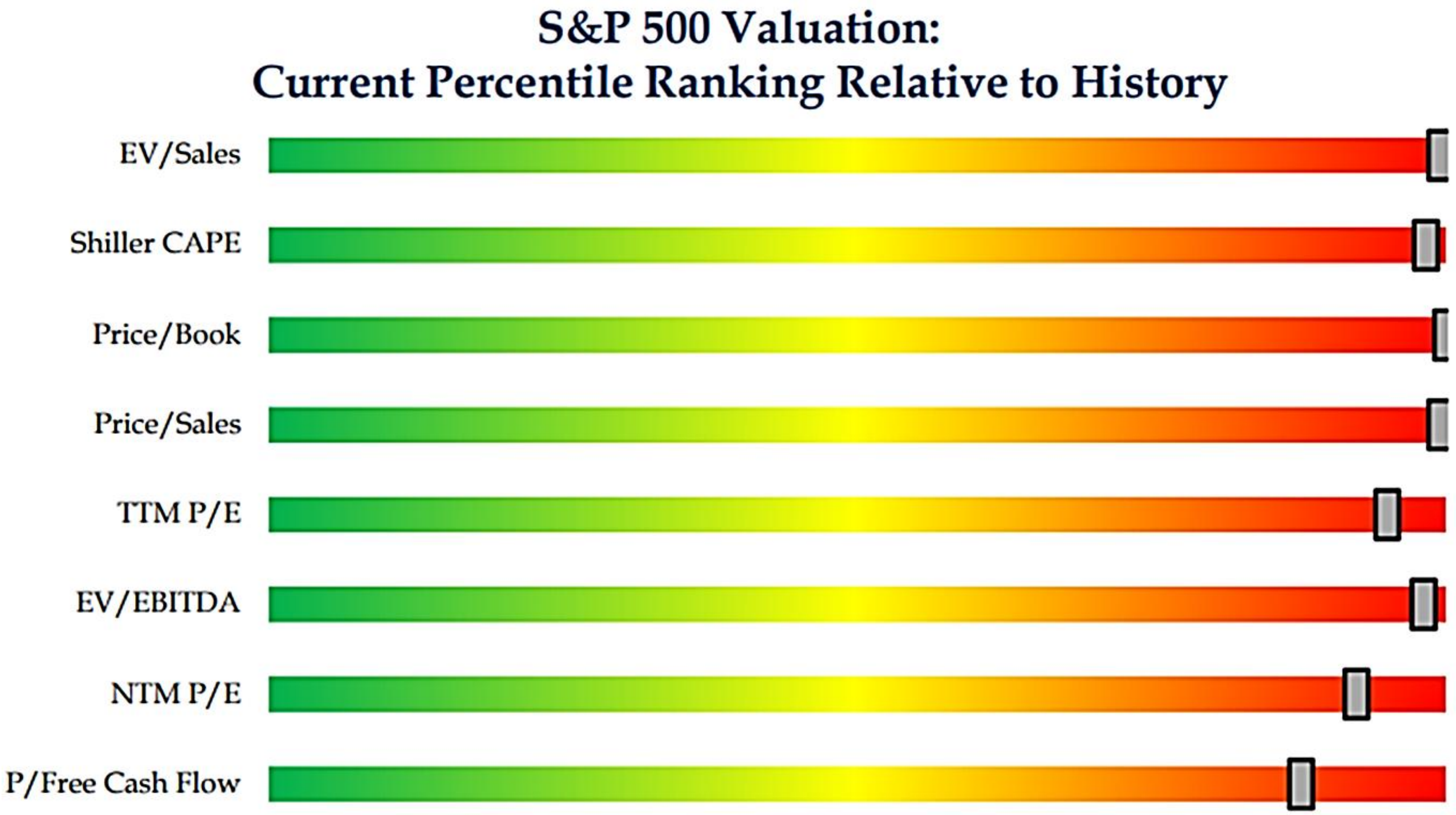
S&P 500 Valuation Measures



Valuation measure	Description	Latest	30-year avg.
P/E	Forward P/E	22.0x	17.1x
CAPE	Shiller's P/E	39.8x	28.5x
Div. Yield	Dividend yield	1.4%	2.0%
EY Spread	EY minus Baa yield	-0.5%	0.7%

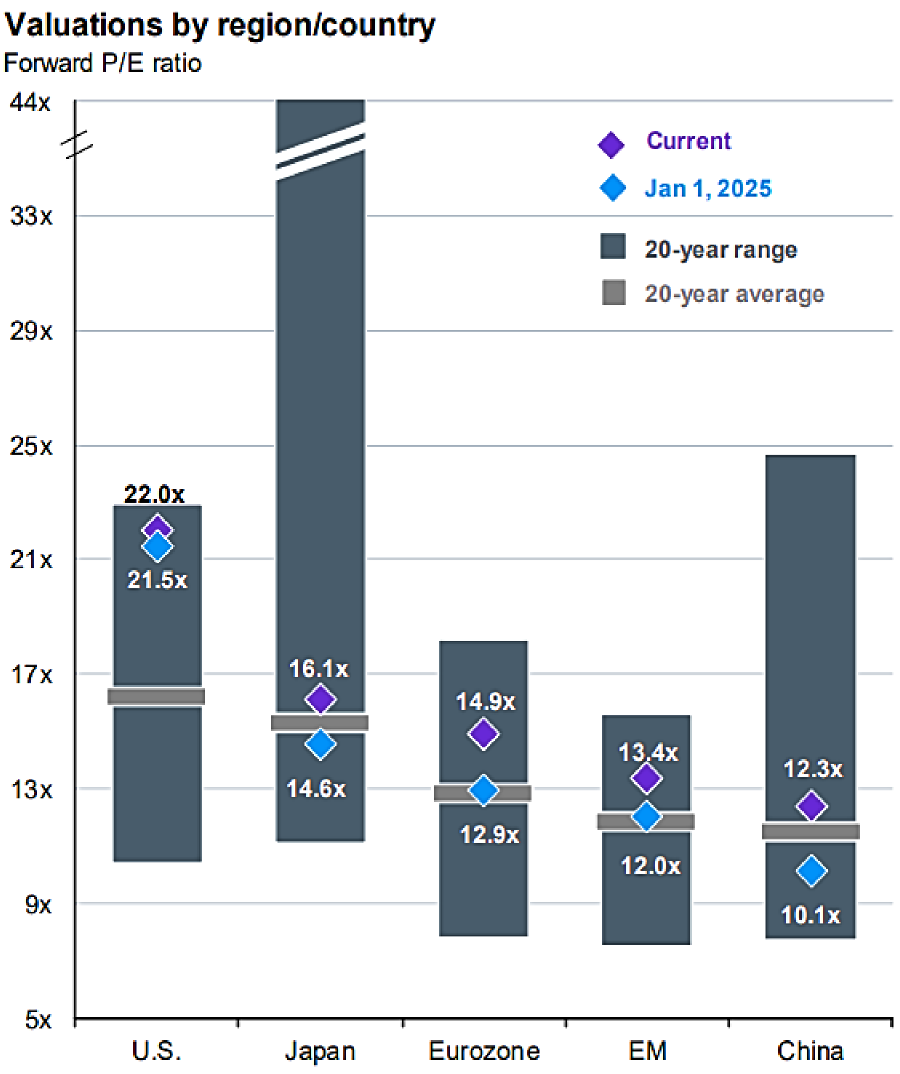
Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
Forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since March 1994 and FactSet since January 2022. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as consensus estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. EY minus Baa yield is the forward earnings yield (the inverse of the forward P/E ratio) minus the Bloomberg U.S. corporate Baa yield since December 2008 and interpolated using the Moody's baa seasoned corporate bond yield for values beforehand. *Guide to the Markets – U.S.* Data are as of December 31, 2025.

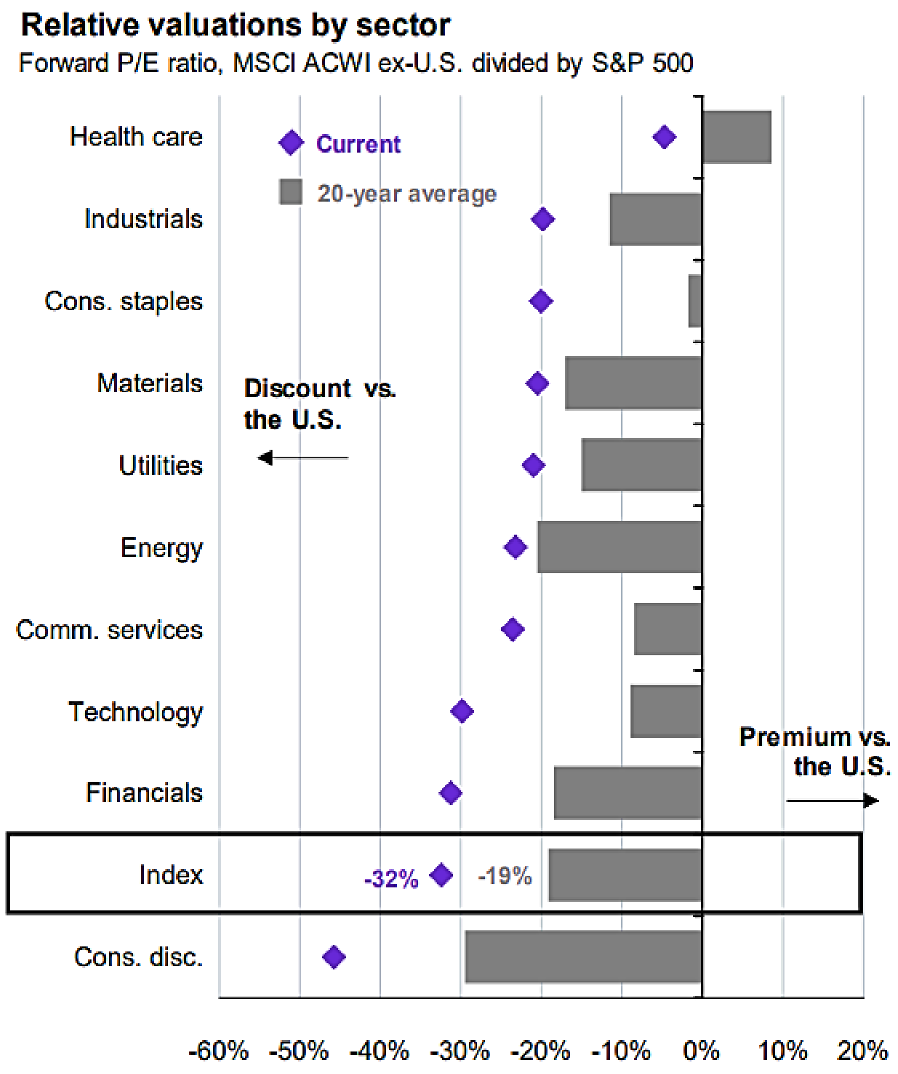
Valuations are Stretched



Source: Strategas, Quarterly Review in Charts, 1/5/2026, FactSet, Bloomberg, Robert Shiller, Data as of 12/31/25.

Global Equity Valuations



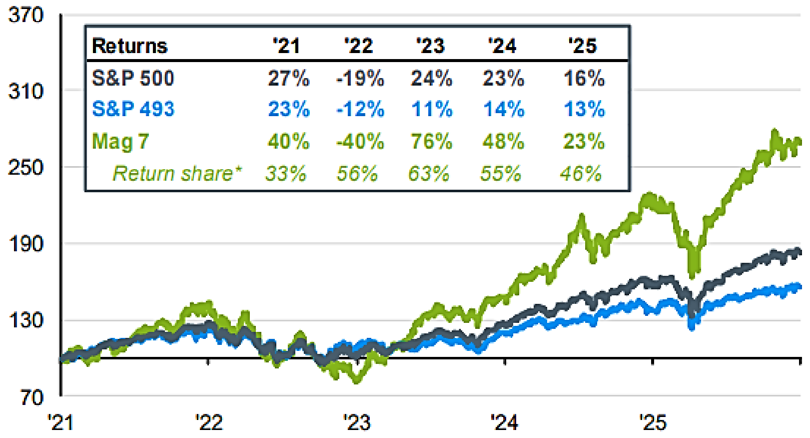


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Countries are represented by their respective MSCI country index except for the U.S., which is represented by the S&P 500. *Guide to the Markets – U.S.* Data are as of December 31, 2025.

Mag 7: Performance, Earnings and Dispersion

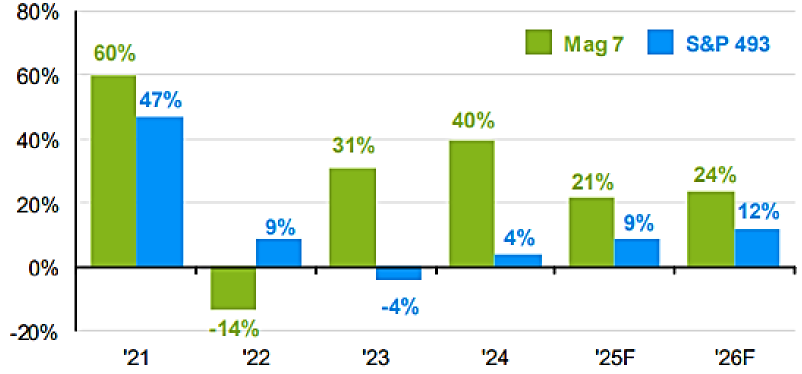
Magnificent 7 performance in the S&P 500

Indexed to 100 on 1/1/2021, price return



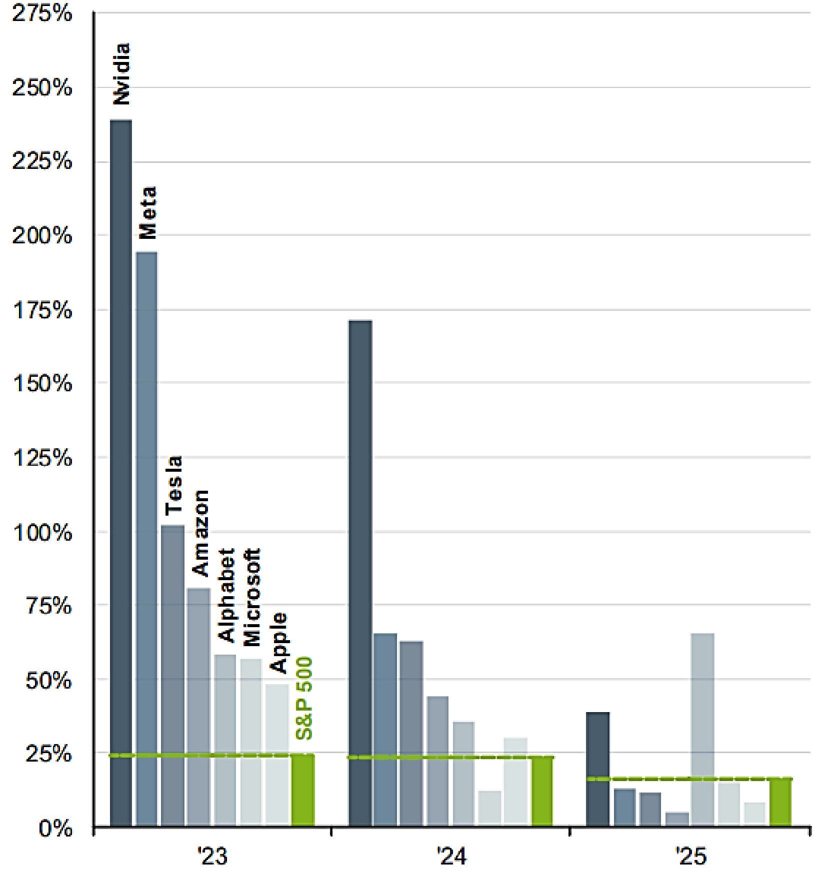
Returns	'21	'22	'23	'24	'25
S&P 500	27%	-19%	24%	23%	16%
S&P 493	23%	-12%	11%	14%	13%
Mag 7	40%	-40%	76%	48%	23%
*Return share**	*33%*	*56%*	*63%*	*55%*	*46%*

Year-over-year earnings growth



Magnificent 7 performance dispersion

Price return



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Magnificent 7 (Mag 7) includes AAPL, AMZN, GOOGL/GOOG, META, MSFT, NVDA and TSLA. The S&P 500 ex-Mag 7 (S&P 493) is calculated by backing out a weighted average Mag 7 price return from the S&P 500 price return.
*Share of returns represents the Mag 7's contribution to the index return. Past performance is no guarantee of future results. *Guide to the Markets – U.S.* Data are as of December 31, 2025.

Kew Question remains – will sub-par S&P 500 forecasts pan out?

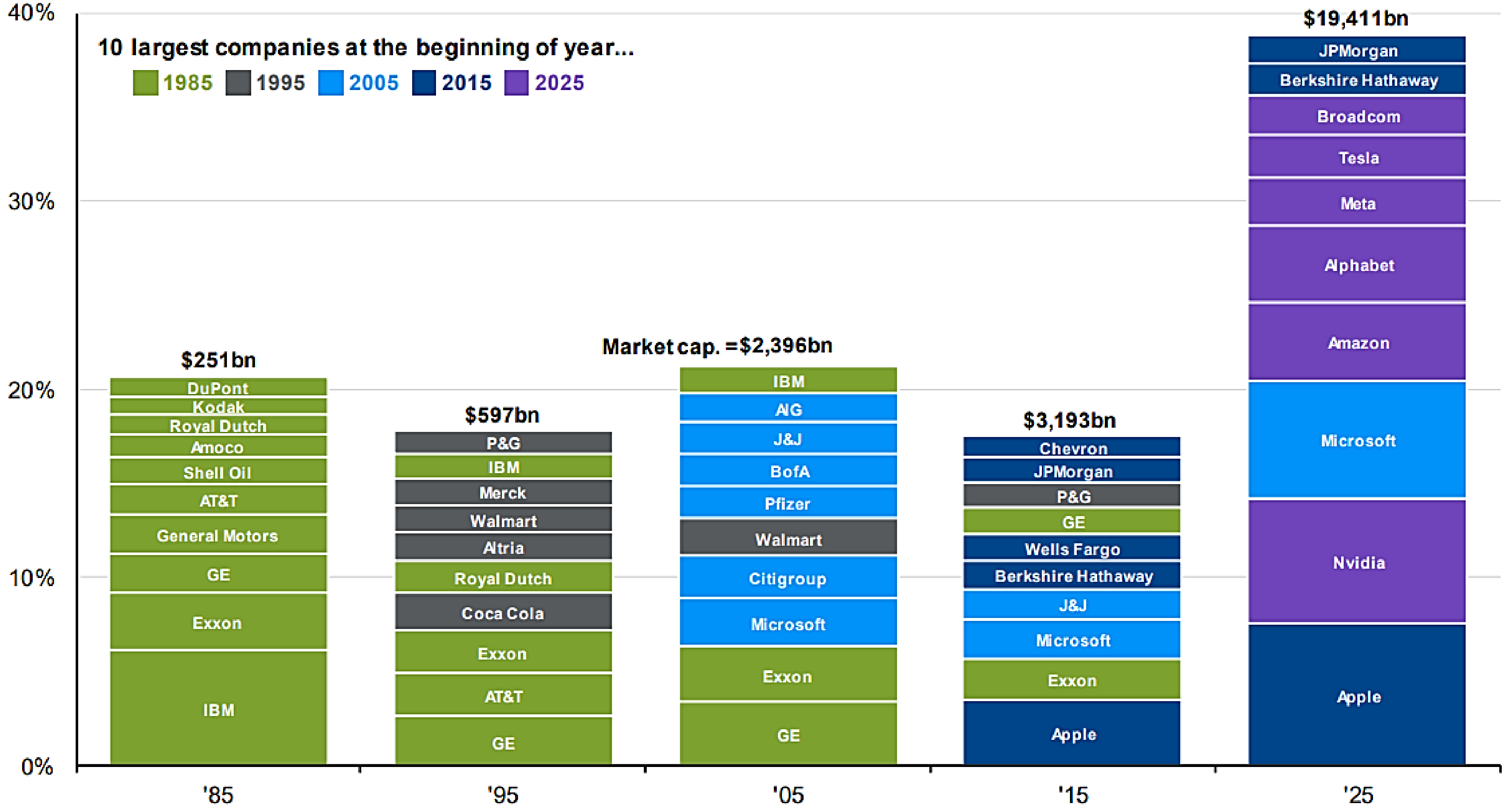
Vanguard, JP Morgan and Goldman Sachs all have below 5% annual returns forecast for the S&P 500 in the next decade.

Source: https://www.trustnet.com/news/13428460/vanguard-jp-morgan-am-goldmans-return-expectations-for-the-coming-decade, 10/24/24.

Top 10 Companies by Decade

Top 10 S&P 500 companies by market capitalization

Percent of S&P 500 market capitalization as of the first day of the indicated year



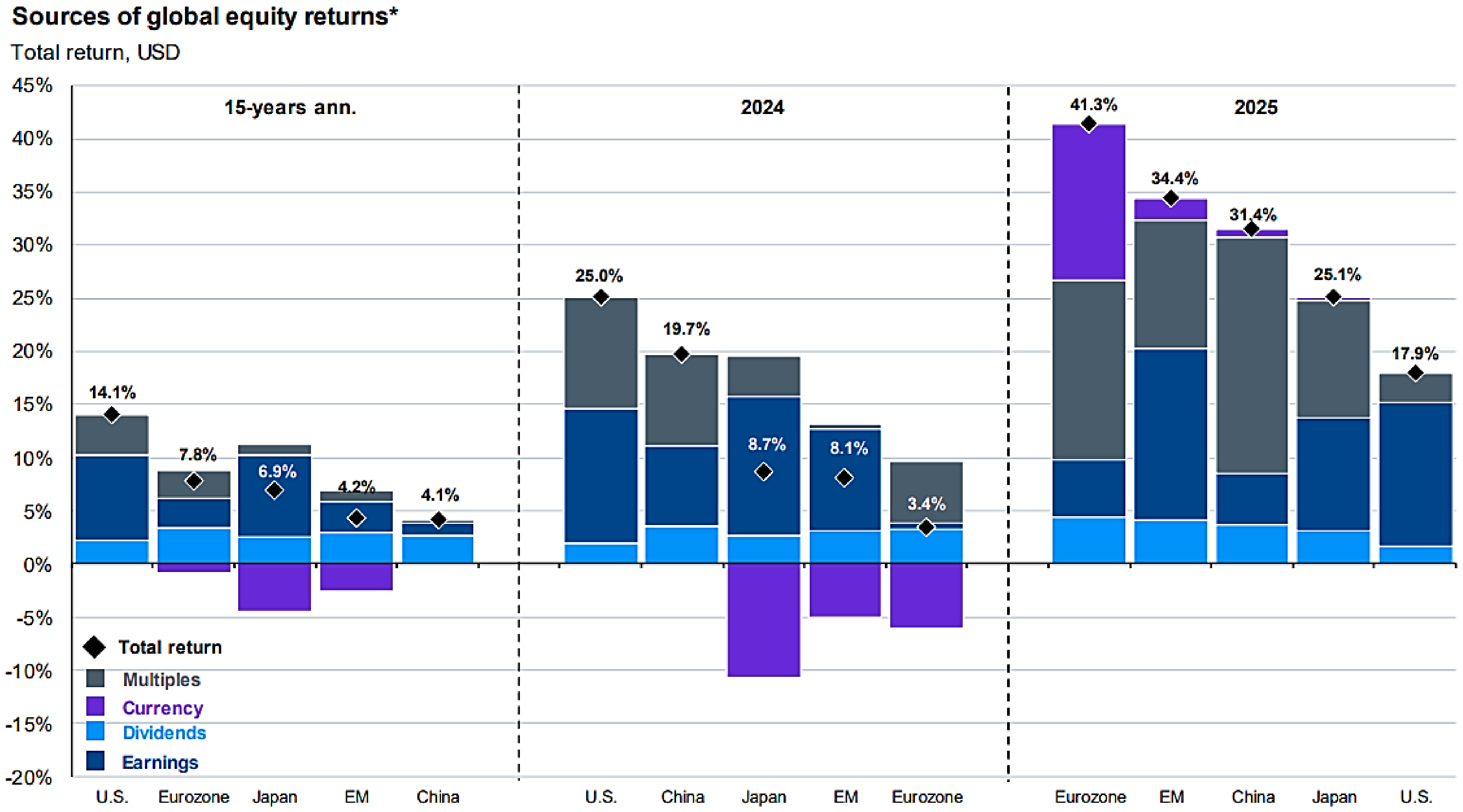
Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management.

Companies are organized from highest weight at the bottom to lowest weight at the top. Past performance is no guarantee of future results. *Guide to the Markets – U.S.* Data are as of December 31, 2025.

What We Like in 2026

1. New tax law is stimulative (but not as much as most think).
2. U.S. economy is generally resilient.
3. Earnings should be good.
4. FED should be at least neutral, likely accommodative (shift from QT to QE).
5. AI productivity gains may become more visible (supporting corporate earnings).
6. Continued USD weakness supports international stock rebalancing.
7. Dividends – U.S. and International.
8. Asset classes outside stocks and bonds, ie infrastructure.

Global Equity Return Composition

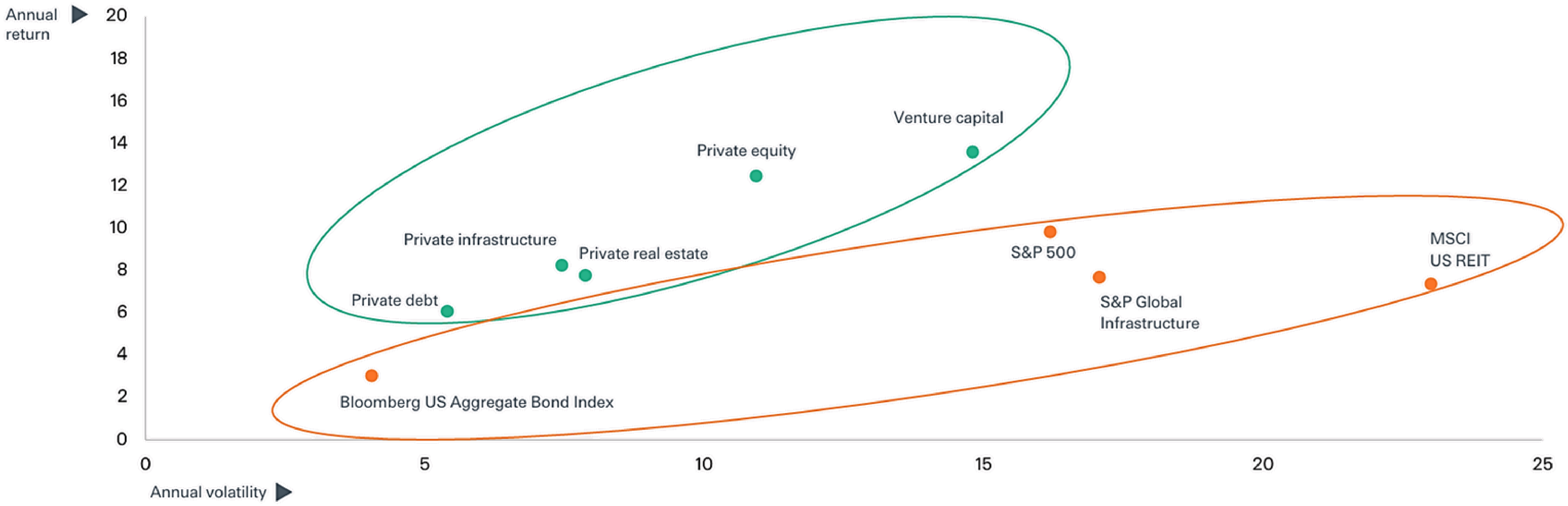


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
15-years ann. Is a rolling 15-year period ending with the previous month-end. All return values are MSCI Gross Index data, except the U.S., which is the S&P 500. *Multiple expansion is based on the forward P/E ratio, and EPS growth outlook is based on next 12 months earnings estimates. Chart is for illustrative purposes only. Past performance is no guarantee of future results. *Guide to the Markets – U.S.* Data are as of December 31, 2025.

Private Markets Beat Public Equivalents on Return and Risk

Over nearly the last 20 years, private markets have **outperformed** public market equivalents, delivering **higher returns** at **lower levels of risk** across asset classes.

ANNUAL RETURN VS. ANNUAL VOLATILITY



Source: StepStone and Bloomberg, based on quarterly returns from September 30, 2004, to June 30, 2023. The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Productivity Debate Broadens

> *…a number of [FOMC] participants noted that structural factors such as technological progress and higher productivity growth, possibly reflecting increasing use of AI, could boost economic growth without generating price pressures and could also dampen job creation.*

FOMC minutes, 12/25

AI Productivity

> *We have hundreds of AI use cases. We can identify $2-2.5 billion in either cost savings or revenue enhancements.*

Jamie Dimon,
CEO, J.P. Morgan Chase,
Fortune Magazine, December 2025

AI Productivity

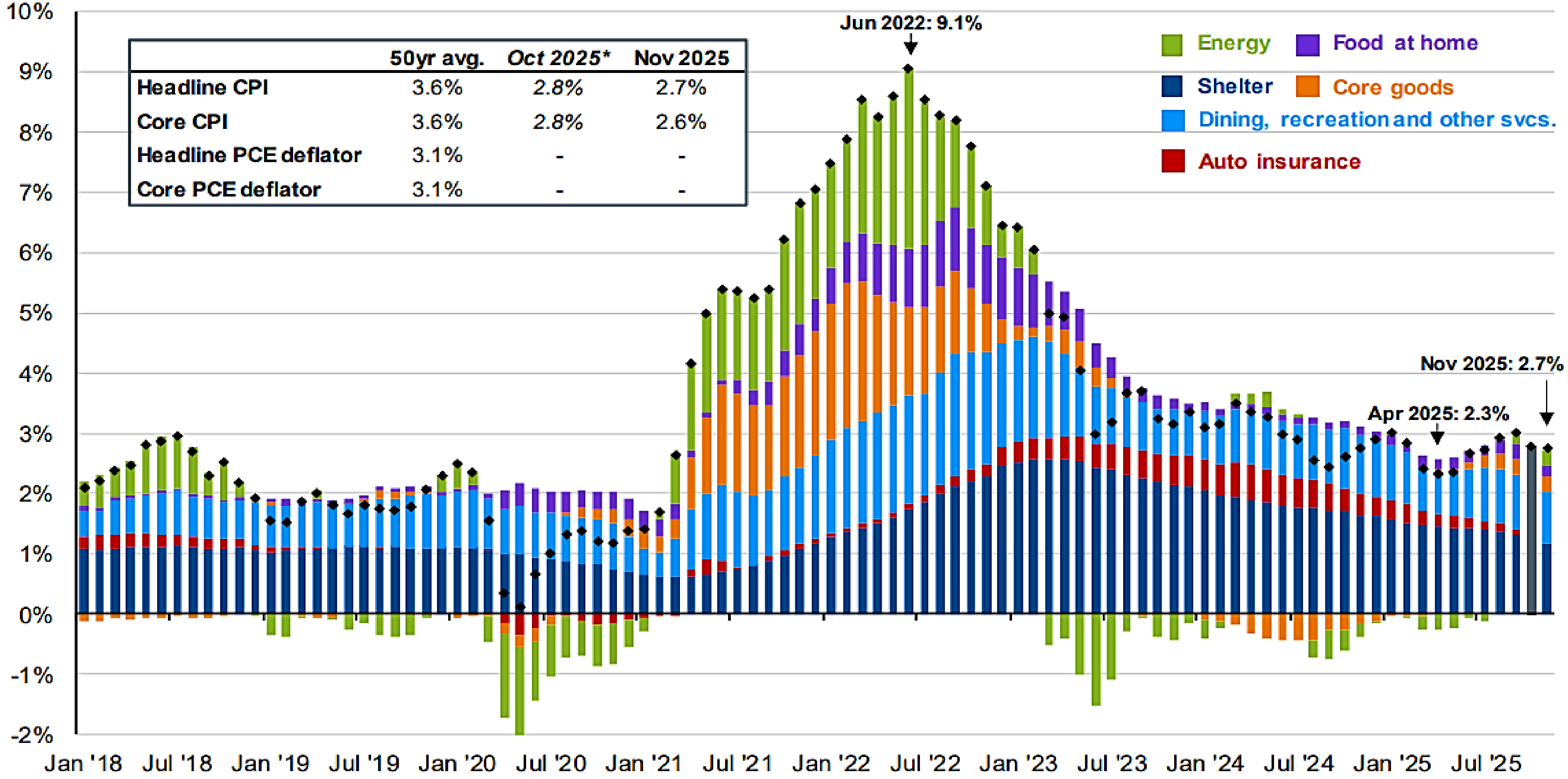
> *It’s very clear AI is going to change literally every job.*

Doug McMillon,
CEO, Walmart,
CNBC, September 29, 2025

2026 Wildcards

1. Geopolitical surprises, including China.
2. Mid-term election surprises.
3. Inflation surprises.
4. Cyber warfare surprises.
5. Tariff surprises.

Inflation Components



	50yr avg.	*Oct 2025**	Nov 2025
Headline CPI	3.6%	*2.8%*	2.7%
Core CPI	3.6%	*2.8%*	2.6%
Headline PCE deflator	3.1%	-	-
Core PCE deflator	3.1%	-	-

Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. “Shelter” includes owners’ equivalent rent, rent of primary residence and home insurance. “Food at home” includes alcoholic beverages. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. *Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates. *Guide to the Markets – U.S.* Data are as of December 31, 2025.

Translation:
Lots of Tailwinds and Headwinds

Multidimensional Polarization:
Equity markets split between AI and non-AI sectors, a U.S. economy balancing robust capex with soft labor demand, and a widening divide in household spending.

2026 Global Markets Strategy Forecast, 12/9/25
– J.P. Morgan

Main S&P Scenarios in 2026

S&P 500 level (1/2/2026) = 6858

Bull Case – S&P 500 = 7500

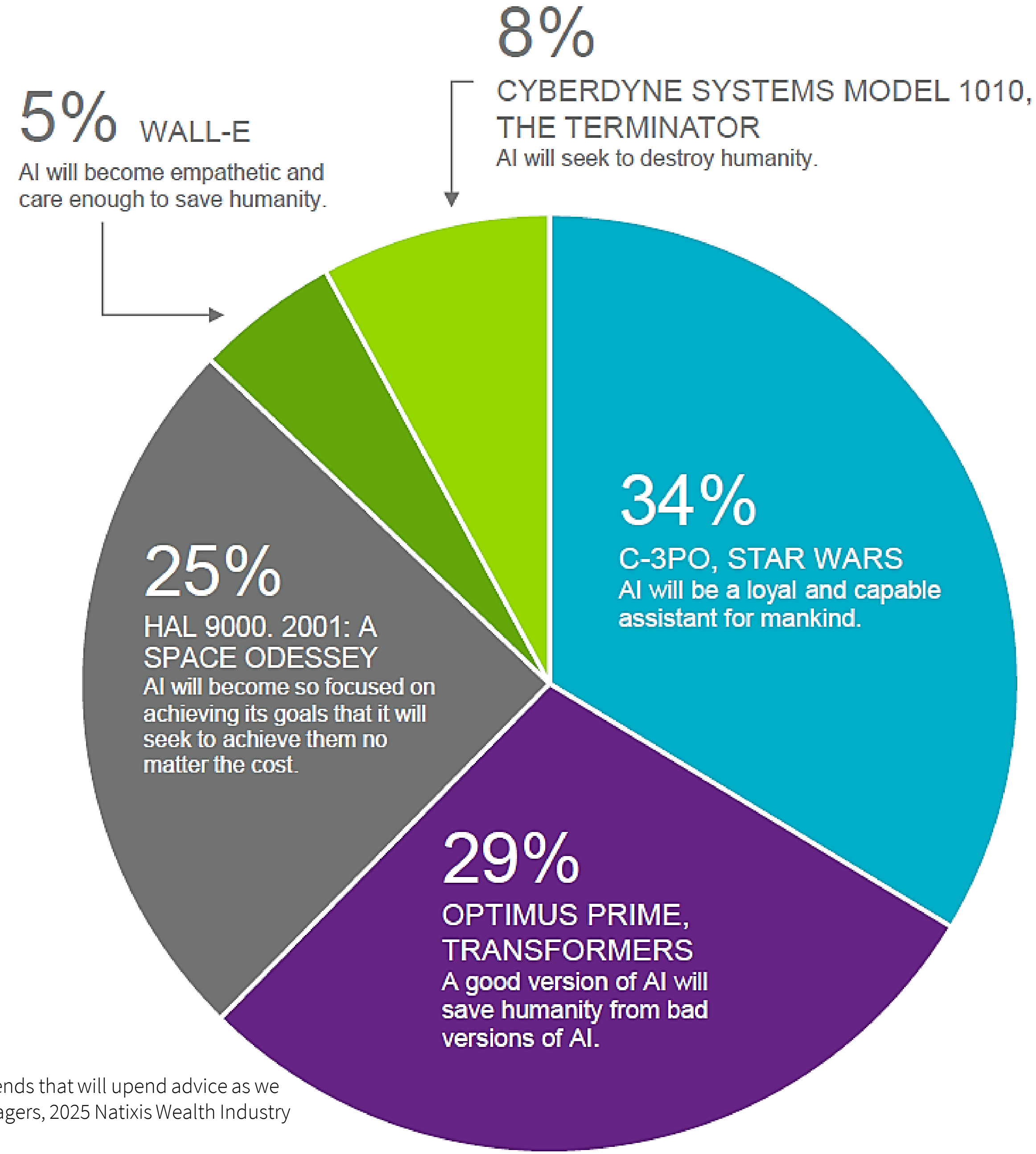
(requires double digit earnings growth and no material surprises).

Bear Case – S&P 500 = 6500

(P/E contracts for a variety of reasons, material wildcard materializes).

For Illustrative Purposes only.

How Wealth Managers and Investors See AI



Source: The eve of disruption - 5 trends that will upend advice as we know it, by Natixis Investment Managers, 2025 Natixis Wealth Industry Survey as of March, 2025.

Best of Times, Worst of Times

Good Future AI Outcomes:

- Health care delivery, drugs
- Transportation of people and goods
- Overall economic performance
- Education

Bad Future AI Outcomes:

- Wealth inequality
- Politics
- Warfare
- Civility

Source: Elon University survey of AI thought leaders, 1/23/25.

Ways to Invest in AI

Enablers – (over 100 companies)

Companies that supply the tech hardware and foundational infrastructure for training and deploying AI.

Enhancers – (100-1,000 companies)

Companies that optimize, refine AI tech to improve functionality, performance, integration or usability.

Ways to Invest in AI

End Users – (over 1000 companies)

Companies that incorporate AI technologies to optimize their operations and enhance overall business performance.

Good Ways to Invest in AI

- ✓ Strong IP or technological moat in compute (e.g., custom silicon, high-performance GPUs).
- ✓ Scalable infrastructure with high switching costs (e.g., cloud hyperscalers).
- ✓ Exposure to secular tailwinds in AI training and inference demand.
- ✓ Demonstrated ROI from AI integration (e.g., productivity gains, margin expansion).
- ✓ Proprietary data advantage or differentiated AI models.

Good Ways to Invest in AI

- ✓ Clear monetization strategy for AI enhanced features.
- ✓ Tangible efficiency gains or cost reductions from AI deployment.
- ✓ Strong change management and digital transformation capabilities.
- ✓ Use cases with high barriers to entry (e.g., personalized medicine, fraud detection).

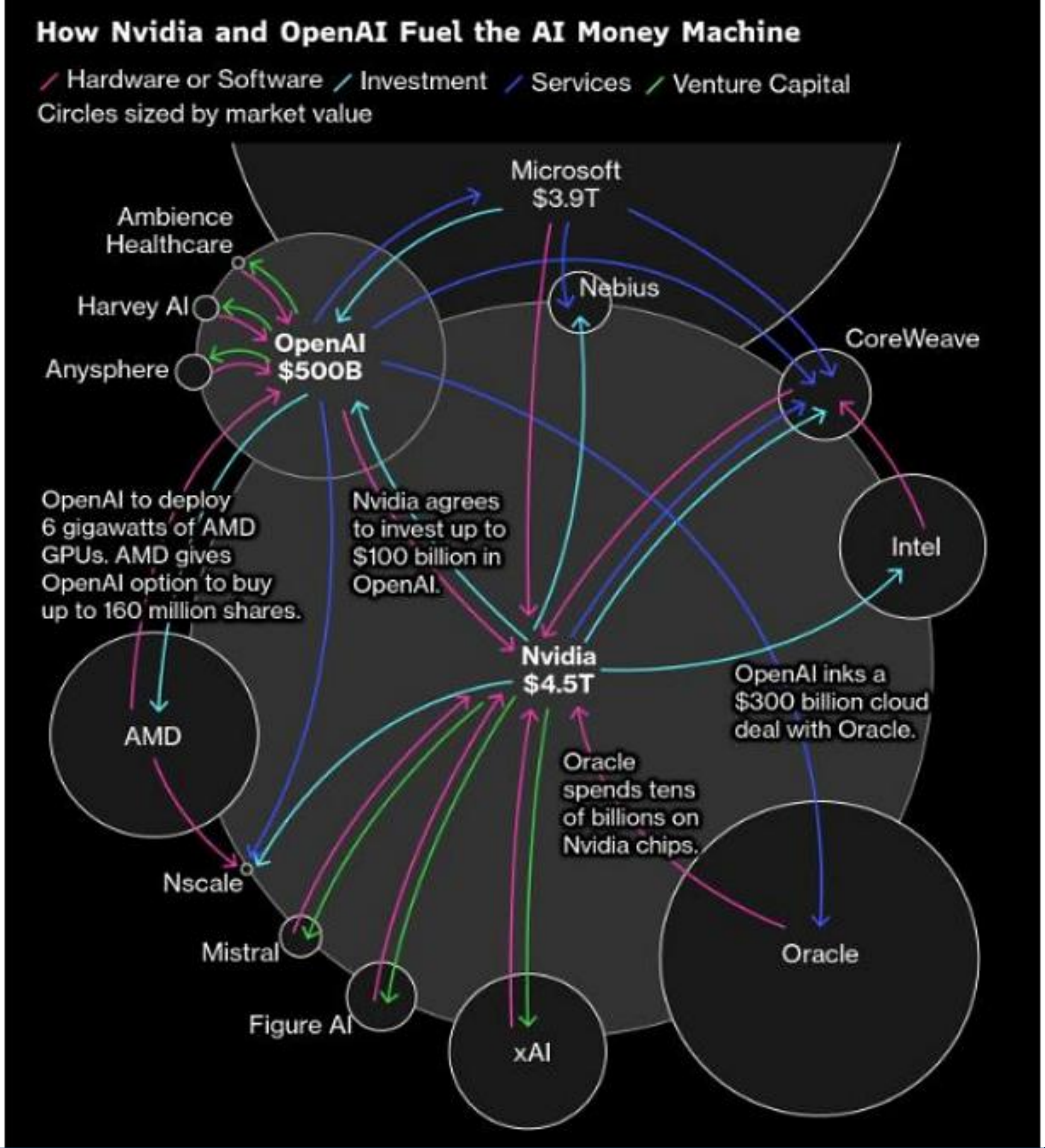
Dangerous Ways to Invest in AI

- X Commodity hardware providers with limited pricing power.
- X Overreliance on a single customer or hyperscaler.
- X Poor capital discipline in capex heavy businesses.
- X Superficial AI adoption with unclear business impact ("AI-washing").
- X Business models likely to be disrupted by AI.
- X Overdependence on third-party AI platforms without control over IP.

Dangerous Ways to Invest in AI

- X Lack of incremental margin improvements from AI.
- X May not benefit as much as the broader economy due to the deployment of AI.
- X Overpromising on AI outcomes without operational readiness.

Circular CAPEX Spending



Source: Bloomberg News reporting, Strategas, Daily Macro Brief, 11/18/25.

Strategas Recommended Asset Allocation

	Equities			Bonds			Cash & Equivalents			Alternatives		
Strategas		**58%**			**30%**			**2%**			**10%**	
B'mark	MSCI ACWI	60%		Barclays Agg	38%		Cash	2%		N/A	0%	
			M/M CHG			*M/M CHG*			*M/M CHG*			*M/M CHG*
	Domestic	35%		Core Credit	29%		Cash	2%		Gold	6.0%	
	International	23%		Extended Credit*	1%					Commodities	4.0%	
		58%			30%			2%			10%	
Overweight	US LC Value	12%		IG Corporates	8%					Gold	6%	
	EM AC Core	8%		US MBS	8%	*-200bps*				Commodities	4%	
	US MC Value	2%		US Dollar EMD*	1%							
	US SC Core	1%		Bank Loans	1%	*+200bps*						
Neutral	Dev AC Core	15%					Cash	2%				
	US MC Growth	1%										
Underweight	US LC Growth	14%		U.S. Treasuries	12%							
	US LC Core	6%		ABS/CMBS	0%							
	US MC Core	0%		Agencies	0%							
		58%			30%			2%			10%	

Source: Strategas – Asset Allocation Report, 12.16.25

SFG’s Strategy for 2026

1. **Staying disciplined** between your “core” assets and “explore” assets can help you balance your offense and defense.
2. Risks are elevated in many areas – **broaden diversification**.
3. **Uncertainty level = High.** Look for more "bird in hand" solutions – i.e. **bonds or high-quality dividends**.
4. **Opportunities abound** for explore portfolios.
5. Given lower projected returns in the next decade from a traditional portfolio, adding in noncorrelated assets, like **infrastructure** with secular tailwinds, is prudent.

Questions?

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