

2026 Private Client Report

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2026 Private Client Report

Executive summary

Markets exited 2025 with strong returns, elevated valuations, and a narrower margin for error. The investment backdrop entering 2026 is defined by resilient economic growth, accelerating corporate earnings, persistent inflationary pressures, and market leadership still heavily influenced by artificial intelligence and policy dynamics.

Equity markets delivered robust but volatile gains. The S&P 500 rose approximately 17.9% and the Nasdaq advanced roughly 21.1%, despite a sharp correction early in the year driven by trade policy uncertainty and tariff-related disruptions. As these concerns eased, investor risk appetite returned quickly, underscoring confidence in underlying fundamentals. International and emerging market equities outperformed U.S. stocks, while commodities diverged sharply. Gold surged nearly 70% in its strongest year in over four decades, while oil prices trended steadily lower, closing the year down nearly 20%.

Fixed income markets were steadier in comparison, benefiting from easing rate volatility and resilient credit fundamentals. The 10-year Treasury yield declined from 4.57% to 4.17% over the course of 2025, reflecting confidence that policy easing is taking hold. Credit conditions remained constructive, with high-yield spreads staying tight throughout the year, signaling continued confidence in corporate balance sheets. Entering 2026, fixed income offers a more balanced profile, with income generation complemented by improved liquidity conditions.

Within alternative investments, leadership is shifting. Private credit continues to offer attractive income, but the unusually favorable environment of recent years is moderating as borrowing costs decline and capital becomes more abundant. By contrast, private equity is positioned to benefit from lower financing costs, improving exit markets, and renewed deal activity, allowing managers to monetize older vintages and redeploy capital. Venture capital remains difficult to forecast given long hold periods and limited transparency, but it is the asset class most levered to the ongoing acceleration in artificial intelligence. Across private markets, dispersion between top- and bottom-quartile managers remains wide, underscoring the importance of disciplined manager selection.

Looking ahead, 2026 appears more complex than 2025 in some ways. Policy considerations remain central to the outlook as tariffs continue to be deployed as both economic and geopolitical tools.

Earnings growth remains a key pillar, while inflation is expected to moderate only gradually and remain above the Federal Reserve's 2% target. AI will continue to shape capital allocation and market leadership, but valuation extremes, especially in leading technology names, warrant close scrutiny.

Against this backdrop, investors should remain focused on diversification of return sources across geographies and asset classes as markets transition from a liquidity-driven advance toward one increasingly dependent on sustained earnings and disciplined capital investment.



“Wealth management isn't just about preserving capital—it's about growing it with purpose.”

Luke Patterson

Chairman, CEO, CEPA©

A Letter from Our CIO

Greetings Avidian Family,

In last year's letter, we anticipated that a new administration would bring increased volatility to markets. President Trump did not disappoint on that front.

If 2025 taught us anything, it's that markets and headlines often tell very different stories. By the numbers, it was another strong year. The S&P 500 returned 17.9%, marking the third consecutive year of double-digit gains. Non-US equities meaningfully outpaced US markets with returns exceeding 30%, primarily driven by a rapid rebound post-Liberation Day. Living through 2025 felt nothing like those tidy summaries suggest. This was a year of noise, perhaps more than any I can remember in my career.

Liberation Day and the tariff announcements sent markets into a tailspin. Commentators rushed to predict global recession. Instead, what followed was a reshuffling of supply chains and a natural pullback to more normal levels in currency trends. The feared collapse never materialized. Headlines warned that Federal Reserve Chair Jerome Powell's job was in jeopardy, that the independence of monetary policy itself was at risk. We ended the year with the same Fed Chair, rates a few cuts lower than where we started, and policy operating largely as expected.

Geopolitical events were many. The growing list of countries the US finds itself in conflict with now includes China, Russia, Iran, Venezuela, Mexico, Canada, and even Denmark over Greenland. Each created their own headlines and contributed to market volatility. But as we've observed time and again, these events rarely translate into lasting portfolio impact. They generate volatility, not lasting damage to investment values.

Our job through all of this is straightforward but not easy: tune out the noise, pay attention to the events that move markets, and manage your assets according to your objectives to help you reach your financial goals.

Importantly, volatility is not just something we endure. It's something we use. The April drawdown gave us an opportunity to shift investments toward undervalued areas during market dips, buying quality assets at a discount. Market dislocations also allowed us to sell certain investments at a loss to offset taxes on gains, creating tax assets that will benefit your portfolios for years to come. Volatility, properly managed, becomes a tool rather than a threat.

What Actually Mattered

Beneath the noise, the market's foundation was healthier than it appeared. Over 75% of 2025's returns came from company profit growth, rather than just investors bidding up prices for the same profits. This was a meaningful shift from recent years where multiple expansion (paying more for the same earnings) drove a large portion of returns. Companies delivered, and the market rewarded them.

That said, the risk of relying too heavily on a small group of stocks that we've highlighted in prior letters intensified further. Only about 30% of S&P 500 stocks outperformed the index, near record lows. The 'Magnificent Seven' group of leading tech stocks (Apple, Amazon, Microsoft, Alphabet, Nvidia, Meta, and Tesla) continued to dominate, contributing a large portion of the S&P 500's gains.

This creates a tension we navigate carefully. The temptation to abandon diversification and pile into what's working is strong, and understandable. But we've seen this movie before. Concentration works until it doesn't, and the reversal is rarely gentle. As we like to say, abandoning diversification is like skipping the free lunch Mr. Buffett talks about and walking down the street to pay full price for a platter that's going to give you indigestion.

The AI Question

No market letter in 2026 can avoid discussing artificial intelligence. The major cloud computing giants like Microsoft, Google, Amazon, and Meta are projected to spend over \$600 billion on AI infrastructure this year. That's a staggering commitment, increasingly funded by debt rather than free cash flow.

In January 2025, a Chinese AI startup called DeepSeek demonstrated that frontier-level AI could be built for a fraction of what Western companies were spending. Markets took notice. NVIDIA lost nearly \$600 billion in market cap in a single day. Google's Gemini and XAI's Grok gained ground on incumbent ChatGPT across a number of metrics. The "spend to win" assumption that had underpinned so much AI optimism was suddenly in question.

We don't know how the AI investment cycle will ultimately play out. What we do know is that markets need to be surprised for us to generate better-than-average returns. The consensus view is priced in. Our edge comes from identifying where expectations have run too far in either direction.

Our Approach Remains Unchanged

At Avidian, we understand that you have entrusted us with the financial well-being of your family and the fruits of your labor. We are deeply grateful for that trust. It is not something we take lightly.

I am an open book when it comes to managing your portfolios. We believe in keeping you informed about how your money is managed while striving to simplify your financial experience. Our mission is unchanged: to provide institutional-grade investment management to the families we serve.

In a year of noise, our discipline is your advantage. We don't chase headlines. We don't panic at volatility. We systematically harvest risk premiums, maintain diversification even when concentration is rewarded, and make decisions based on data and process rather than emotion. With mid-term elections on the horizon, don't expect the noise to abate in 2026. But rest assured, our approach won't change.

We are grateful for the opportunity to shepherd your assets through whatever the markets throw at us. But beyond managing returns, we believe our greatest value is offering peace of mind, a calm hand at the wheel when the storm arrives. That is what we strive to deliver, year after year. We love hearing from our clients. If you have any questions for the investment team, please send them along. I wish you all a prosperous 2026.

Sincerely,

Jake Borbidge
Chief Investment Officer
Avidian Wealth Solutions



Big Picture

1. Economic growth is running near potential, supported by AI-driven capital spending, easing monetary policy, and fiscal stimulus. Beneath surface, however, growth is increasingly uneven and concentrated among higher-income households and large corporations.
2. We are starting to see the largest public companies entering each other's turf. This may indicate growth scarcity for the Mag 7 and supports staying diversified.
3. Private markets have not been left behind when it comes to profits growth and an increasing level of IPOs and M&A transactions confirms this dynamic.
4. Valuations remain elevated for the largest companies but beyond US Large Cap discounts can be found. We lean more heavily into these to start the year.
5. Interest rates are likely to remain range-bound. With inflation expected to stay modestly above the Federal Reserve's target, policy flexibility is constrained. Income, rather than falling yields or tightening spreads, is likely to be the primary driver of fixed income returns.
6. Volatility should be viewed as a feature, not a flaw in financial markets. Policy uncertainty, geopolitical tensions, and earnings dispersion are likely to create periodic market dislocations.



While we are constructive on markets overall, red flags we will be on the lookout for are:

- Material weakening in the labor market or consumer spending
- Broader tariff pass-through reigniting inflation worries
- Credit market stress tied to rising debt issuance
- A slowdown or repricing of AI-related capital investment



Noise that could create buying opportunities in the year to come include:

- Geopolitical tensions
- Questions about Fed Chair Independence
- Concern around global currency devaluation
- Growing earnings dispersion

Geopolitical Events

- President Trump's return to office brought major foreign-policy shifts including withdrawals from international frameworks and a renewed tariff posture that increased global policy uncertainty.
- China restricted rare-earth related exports in response to U.S. tariff/export-control actions, underscoring supply-chain geopolitics around critical metals and advanced technology.
- Ukraine war persisted with continued long-range strikes and incremental territorial change shaping Europe's security and fiscal priorities.
- Isolated conflicts with Venezuela, Iran, Greenland, Denmark and other smaller countries risk broader escalation



Annual Returns

Market Indices (%)	2025	2024	2023	2022	2021	2020
Dow Jones Industrials	14.9	15.0	16.2	-6.9	20.9	9.7
S&P 500	17.9	25.0	26.3	-18.1	28.7	18.4
Russell 1000 Value	15.9	14.4	11.5	-7.5	25.2	2.8
Russell 1000 Growth	18.6	33.4	42.7	-29.1	27.6	38.5
Russell 2000	12.8	11.5	16.9	-20.4	14.8	20.0
MSCI EAFE	31.2	3.8	18.2	-14.5	11.3	7.8
MSCI Emerging Markets IMI	31.4	7.1	11.7	-19.8	-0.3	18.4
Countries (in USD)						
MSCI United Kingdom	35.1	7.5	14.1	-4.8	18.5	-10.5
MSCI Japan	24.6	8.3	20.3	-16.6	1.7	14.5
MSCI Taiwan	39.1	34.4	30.4	-29.8	26.1	41.0
MSCI India	2.6	11.2	20.8	-8.0	26.2	15.6
MSCI China	31.2	19.4	-11.2	-21.9	-21.7	29.5

Source: FactSet. Returns from 1/1/2025-12/31/2025. Rounded to nearest 10th.



Equity Market Performance

- U.S. equities delivered another strong, fundamentals-driven year, with the S&P 500 up 17.9%, marking a third consecutive year of double-digit gains, an outcome seen only six times since the 1940s. Notably, approximately 75% of the S&P 500's return was driven by earnings growth rather than multiple expansion, underscoring the strength of underlying fundamentals. The Nasdaq and the Dow also posted strong performance posting returns of 21.1% and 14.9%, respectively.
- Emerging markets delivered a strong performance over the period, with the MSCI Emerging Markets IMI Index returning 31.4%, supported by a weaker U.S. dollar and improving capital flow dynamics. Dollar depreciation eased financial conditions across EM economies which helped underpin selective improvements in earnings expectations and stabilizing macroeconomic conditions in several large EM countries.
- Looking within the US, market leadership remained narrow, highlighting the concentration of returns at the top of the index with only ~35% of S&P 500 constituents outperforming the index.
- As far as sectors go, IT and Communication Services delivered returns of more than 20%. Real Estate and Consumer Staples were the laggards, producing returns of less than 4%.

Annual Returns

Futures, Commodities, Real Assets (%)	2025	2024	2023	2022	2021	2020
Wilshire U.S. Real Estate	3.5	9.1	16.2	-26.7	46.1	-8.0
Crude Oil	-19.9	0.1	-10.7	6.7	55.0	-20.5
Natural Gas	1.0	33.1	-43.3	15.4	40.8	15.4
S&P Global Clean Energy	46.8	-25.8	-20.4	-5.0	-23.4	141.3
NYLI Hedge Multi-Strategy Tracker ETF	8.2	6.7	10.3	-8.5	-0.4	5.6
Gold	64.4	27.5	13.4	-0.1	-3.5	24.4
Silver	147.9	20.9	-1.1	3.2	-13.2	46.1

Source: FactSet

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Public Alternative Assets

- Alternative assets accessible through public markets include traded REITS and commodities, and liquid hedge fund proxies like long-short or market-neutral equity, global macro, and managed futures strategies.
- Commodity indexes saw wide return dispersion in 2025. While crude oil prices declined nearly 20% and natural gas only returned 1%, other commodities like precious metals, surpassed public market equity returns by a wide margin.
- Gold and Silver both had exceptional performance in 2025 driven by geopolitical uncertainty, interest rate cuts, and a de-dollarization narrative that pushed returns above 64% for gold and beyond triple digits for silver.
- Liquid alternative strategies were mixed for the year despite renewed investor interest as policy-driven volatility made them more compelling. Generally, liquid alternative strategies delivered diversification and risk mitigation.

Annual Returns

Fixed Income (%)	2025	2024	2023	2022	2021	2020
Barclays U.S. Aggregate	7.3	1.3	5.5	-13.0	-1.5	7.5
Barclays U.S. Aggregate Treasury	6.3	0.6	4.1	-12.5	-2.3	8.0
Barclays U.S. Aggregate Credit	7.8	2.0	8.2	-15.3	-1.1	9.4
Barclays U.S. High Yield	8.6	8.2	13.4	-11.2	5.3	7.1
SPDR Blackstone Senior Bank Loans ETF	6.7	8.5	10.8	-4.5	4.9	2.7
iShares iBoxx IG Corporate Bond ETF	8.0	1.0	9.3	-18.0	-1.6	-11.1
SPDR Portfolio Short-Term Treasury ETF	5.2	4.1	4.3	-3.9	-0.6	3.2

Source: FactSet



Fixed Income Market Performance

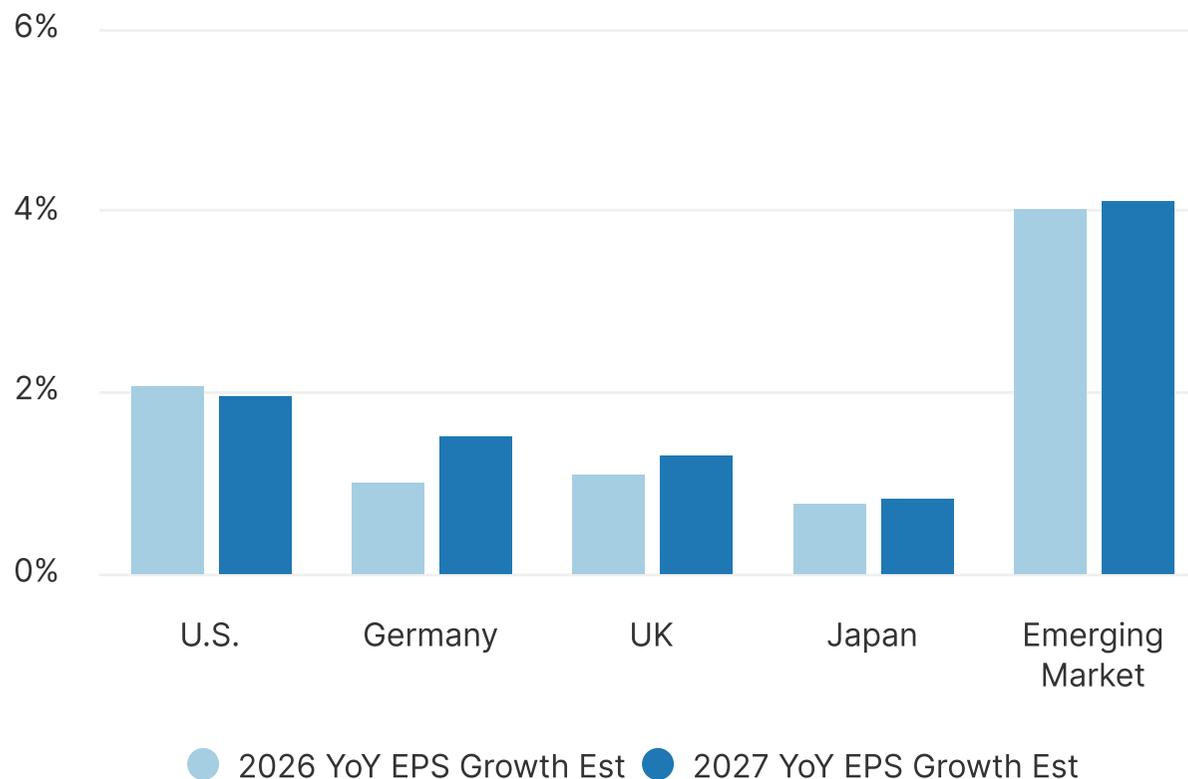
- For the second year in a row, interest rates proved volatile in 2025, with shifting expectations around the timing and magnitude of future policy easing driving performance across public fixed income markets.
- Broad fixed income delivered solid mid-single digit returns, led by credit-sensitive sectors. The Bloomberg U.S. Aggregate Index returned 7.3% for the year, supported by coupon income and modest spread compression, despite ongoing rate volatility.
- Treasuries lagged credit-oriented segments, with the Aggregate Treasury Index returning 6.3%. While Treasury yields ended the year modestly lower, uncertainty around the timing and depth of future rate cuts limited the upside for longer-duration government bonds.
- The Aggregate Credit Index returned 7.8%, as spreads continued to grind tighter, reflecting resilient economic growth, stable corporate fundamentals, and limited default activity. High yield was the top-performing major fixed income sector, returning 8.6%, benefiting from elevated starting yields and continued investor demand for income.

Private Investing Landscape

- Private equity faced a volatile 2025 as tariff uncertainty stalled an early pickup in deal activity and delayed a broader M&A recovery. Pressure on GPs to generate realizations remained elevated, driving increased use of continuation vehicles, while fundraising stayed challenged as LPs prioritized liquidity. Sentiment improved in the second half of the year, which provided a tailwind to deal values in some pockets of the market.
- Private debt continued to attract capital while competition for deals intensified. As a result, private credit managers accepted tighter margins and more flexible terms to win deals. Tighter margins additionally led some private credit managers to cut distributions and guide toward lower return expectations.
- Real estate, still recovering, presented some compelling opportunities, supported by lower interest rates. Capital raising in the asset class remains soft supporting the case for improving returns for the subset of institutions with capital to deploy.
- Venture capital made a comeback in 2025 as a combination of improved deal activity in 2H 2025, and investor interest in AI-related opportunities provided a tailwind.



2026 & 2027 GDP Growth Forecast



Source: FactSet



Growth

Economic growth is expected to remain resilient and near potential through 2026, supported by AI-driven capital spending, easing monetary policy, fiscal stimulus, and strong equity-market wealth effects. Consensus forecasts cluster around 2% growth, with AI investment emerging as the single largest macro tailwind as hyperscaler spending accelerates across data centers, semiconductors, and power infrastructure.

Lower interest rates are improving liquidity conditions, while The One Big Beautiful Bill Act (OBBBA), despite being a front-loaded stimulus, provides additional support to household cash flow and business investment. At the same time, equity market gains continue to reinforce consumption, particularly among higher-income households that hold the majority of financial assets.

Beneath the headline strength, the economy remains increasingly K-shaped. Higher-income consumers continue to drive aggregate spending, while middle- and lower-income households face mounting pressure from softer labor conditions, rising delinquencies, and weaker sentiment. This divergence allows growth to persist but introduces fragility, as spending has become more dependent on asset prices and a narrower segment of consumers.

Inflation

Inflation in 2025 was shaped heavily by government policy, with tariffs and labor constraints contributing to upward pressure. Looking ahead to 2026, inflation pressures are expected to ease modestly, but core inflation is likely to remain stuck above the Federal Reserve's 2% target. Bloomberg economists project core PCE at 2.8% in 2026, while the Fed forecasts 2.6%, underscoring that a full return to target remains unlikely in the near term.

The inflation mix is shifting. Goods inflation poses renewed upside risk as tariff costs increasingly pass through to consumers. In 2025, businesses absorbed most of the impact, but pre-tariff inventories are running down and price increases are expected in 2026. Forecasts point to rising durable and nondurable goods prices as firms protect margins, raising the risk that goods inflation reaccelerates.

By contrast, services inflation is showing signs of relief. A softening labor market, moderating wage growth, and the growing threat of AI-driven job displacement are reducing workers' bargaining power. While healthcare and shelter costs remain sticky, labor intensity across services is creating downward pressure, with the "fear effect" of AI potentially restraining wage demands even without widespread displacement.

Money supply growth across the developed world ended the year near GDP growth, neither supporting nor pulling back on inflation. China money supply is robust, further pressuring inflation in the US.

The net result is an inflation profile defined by offsetting forces. Goods inflation is drifting higher, services inflation is cooling, and shelter remains slow-moving which leaves overall inflation stable but elevated.

Global Money Supply (M2 YoY % Change)



Source: FactSet



Money Supply is the total monetary assets in an economy, including cash, deposits, and liquid assets. It's categorized (e.g., M1, M2) and impacts inflation, interest rates, and growth.

Core PCE

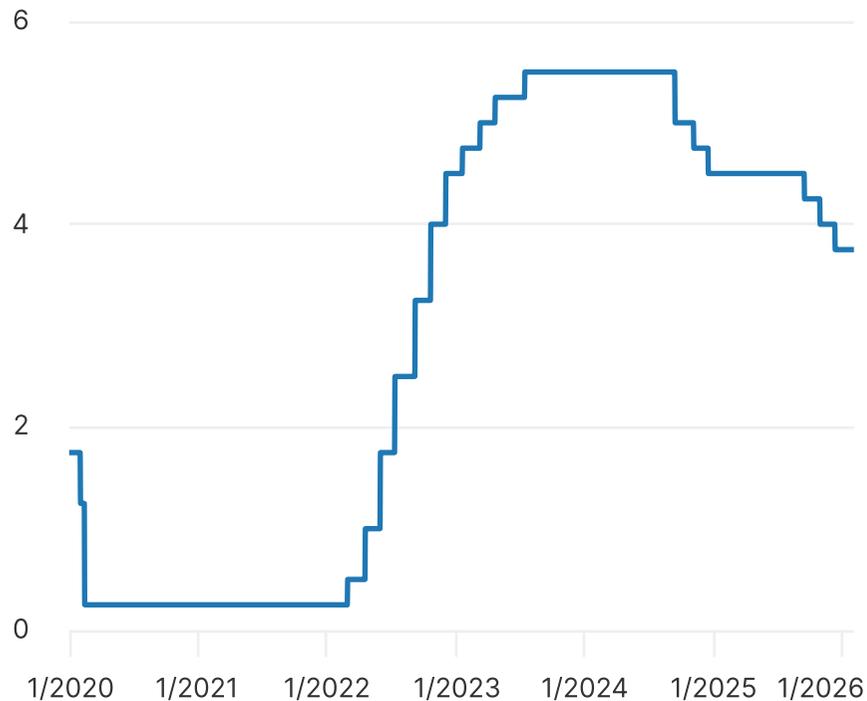


Source: FactSet, Data unavailable after Nov 2025 (government shutdown)

Monetary Policy

The Federal Reserve remains committed to its dual mandate of maximizing employment and returning inflation to its 2% target, but its recent actions suggest a clear willingness to prioritize labor-market stability. As a result, monetary policy in 2026 is likely to remain data-dependent with a bias toward accommodation, provided inflation does not reaccelerate materially. This environment should not be mistaken for a return to ultra-low interest rates. The Fed appears determined to avoid over-stimulating the economy and to retain meaningful policy optionality. Any additional rate cuts in 2026 are therefore expected to be limited in scope and driven by concrete signs of economic deterioration rather than forward guidance or market pressure.

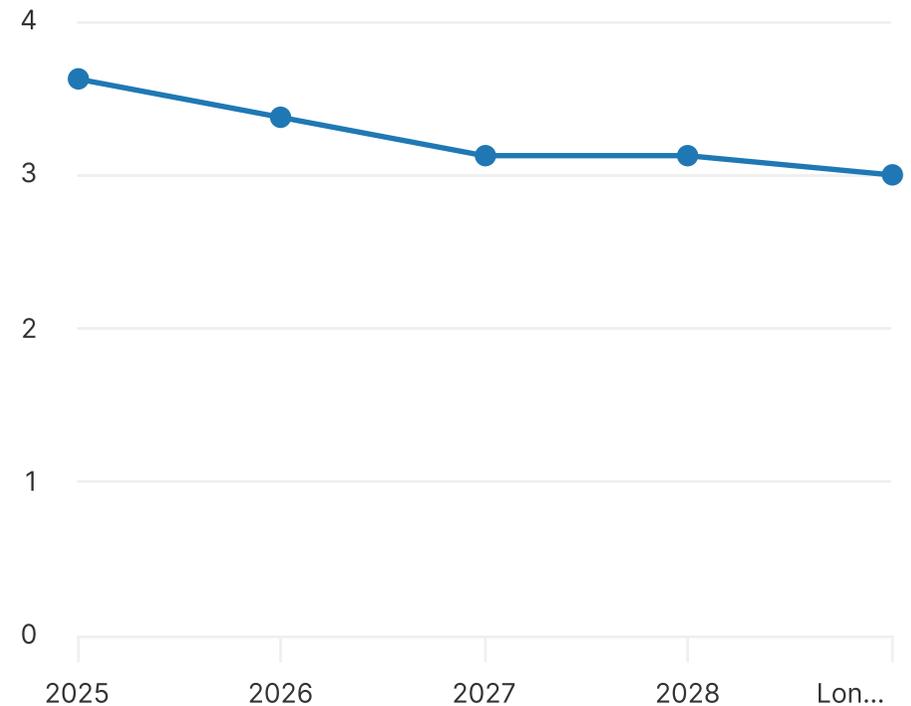
Fed Funds Rate



Source: FactSet



FOMC projections for the federal funds rate



Source: Federal Reserve Bank of St. Louis



“2026 is not a pivot year. It’s a risk-management year for the Fed.”

Interest Rates

Interest rate dynamics in 2025 marked a transition from peak restrictiveness toward cautious normalization. After holding policy steady through much of the year, the Federal Reserve began easing in the back half of 2025 as labor-market conditions softened and inflation, while still elevated, showed sufficient progress to justify incremental cuts.

Treasury yields reflected this shift unevenly across the curve. Short-term rates declined modestly in response to Fed action, while longer-dated yields remained anchored by persistent inflation risk and uncertainty around the long-run neutral rate. The result has been a gradual re-steepening of the yield curve, improving the case for duration but stopping short of a full regime shift.



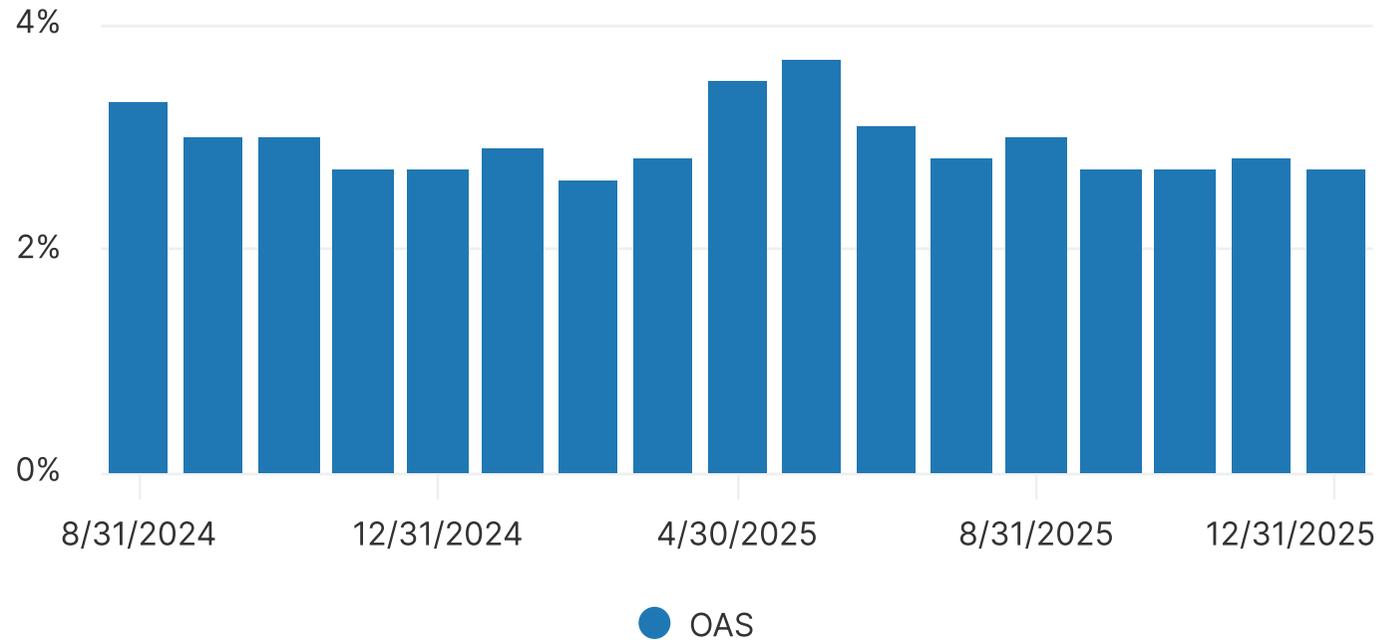
Credit

Credit spreads tightened through much of 2025, reflecting resilient corporate fundamentals, stable default expectations, and strong demand for yield. However, by year-end, spreads were pricing in a relatively optimistic outlook, leaving limited room for further compression.

Entering 2026, the risk-reward in credit appears more asymmetric. While fundamentals remain generally sound, spreads offer a thinner margin of safety against potential growth disappointments, geopolitical risk, or renewed inflation volatility. In this context, credit selection becomes increasingly important.

We continue to favor credit exposure, but with a more selective posture. The environment rewards income capture, not aggressive risk-taking, and favors diversification across asset classes where spreads better compensate investors.

The Bloomberg US High Yield Index Option-Adjusted Spread (OAS)



Source: FactSet

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US Dollar

One of the biggest market surprises of 2025 was the movement of the US Dollar. Tariff announcements were the primary culprit of the volatility in the greenback. Currency investors had priced in some decline in global trade with a more orderly tariff negotiation process which was upended on Liberation Day.

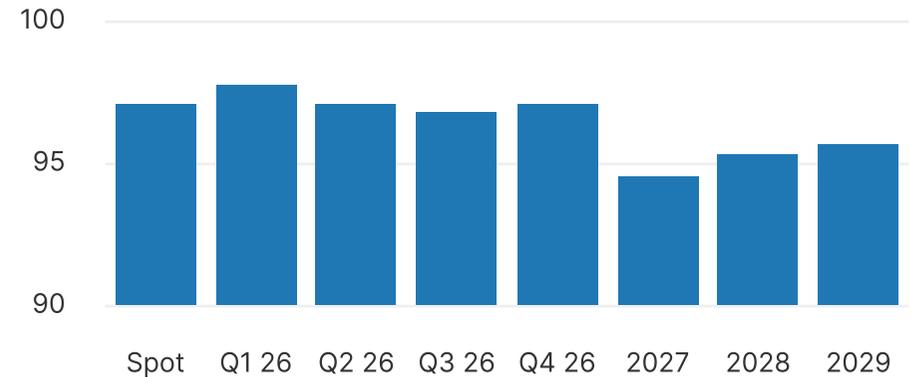
The ensuing months offered ringside seat to some of the competing forces driving the value of the dollar. Concerns around significant declines around global trade ultimately won the minds of investors near term and as these concerns escalated the dollar declined.

We may be in the middle or we may be near the end of these trade discussions, only time will tell. We may see a resurgence in global trade or additional retrenchment. Ultimately, this impacts the demand for dollars globally. On the other hand, recent rate volatility and Fed hesitancy to aggressively cut rates have left yields on US Treasuries elevated compared to other developed world government bonds. This is a counterbalance to USD weakness long term as it may create demand through attractive yields to domestic and foreign institutions.

For investors, these currency dynamics carry real implications. A strong dollar means that returns on foreign stocks could shrink when converted back into U.S. dollars, while a weaker dollar can enhance international investment returns. As these trends unfold, keeping an eye on economic, policy, and market sentiment shifts will be crucial to navigating the impacts of the dollar's direction on your portfolio.

Hedging Subnote: Our team has conducted extensive research on currency hedging of our international equity positions. FX hedging is complicated and may induce hidden frictions into portfolios offsetting the intended benefits. Our data also shows inconclusive evidence of improved risk adjusted returns through hedging currency exposure of foreign stocks. Avidian believes the best practice it to take an unhedged approach when investing in foreign equities.

DXY Analysts' Median Forecast



Source: Bloomberg LP



EUR/USD Forward Exchange Rate



Source: Bloomberg LP



Forecast for 2026 & 2027 Earnings Per Share(EPS) Growth



Source: Bloomberg LP



Earnings

Corporate earnings momentum remains strong heading into 2026, supported by above-trend growth and improving breadth. Consensus expectations call for earnings growth of approximately 15%, well above the long-term average of 8–9%. Importantly, 2025 equity returns were overwhelmingly fundamentals-driven, with roughly three-quarters of gains attributable to earnings growth rather than multiple expansion. This underscores that profit growth has been the primary engine of market performance.

Earnings participation has also broadened, signaling healthier underlying fundamentals across sectors. Looking ahead, productivity gains from artificial intelligence may increasingly translate into measurable earnings benefits, while potential policy tailwinds could further support corporate profitability.

However, risks are rising. Valuations remain elevated, with the S&P 500 trading near 22x forward earnings versus a 10-year average closer to 18.7x. Market leadership also remains concentrated which increases sensitivity to idiosyncratic (company specific) risks.

We view the current earnings backdrop as consistent with a late-cycle growth environment, where policy support and corporate adaptability are extending the expansion.

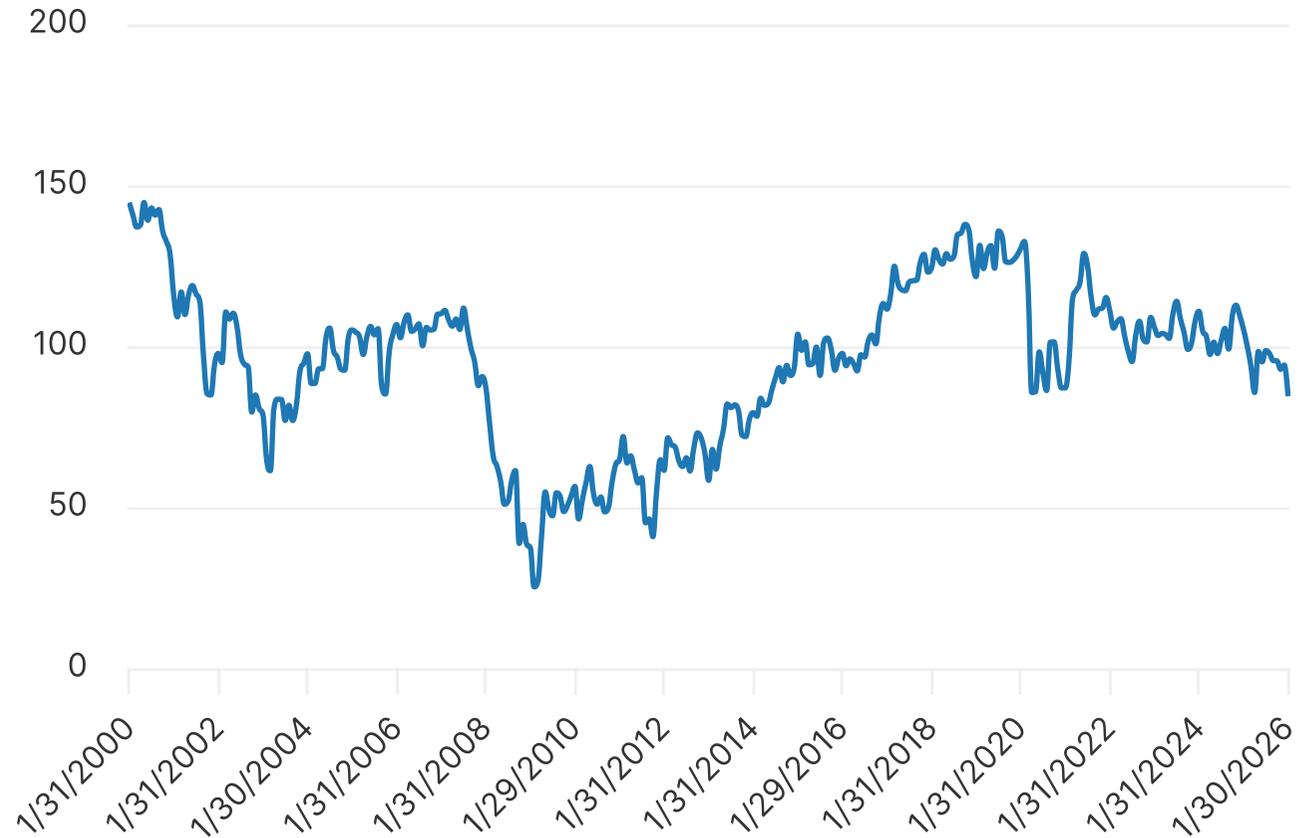
Key Material Risks

Key risks in 2026 include:

- Consumer weakness driven by a softening labor market.
- If AI monetization disappoints or credit tightens, the 2026–27 refinancing window could expose balance sheets.
- Faster-than-expected efficiency gains in AI could impair ROI on hyperscaler capex and trigger rapid sentiment and valuation shifts.
- Elevated operating leverage amplifies downside to profits and equity valuations.
- Tighter financial conditions pressure valuations and refinancing capacity.
- A credit shock could spill into equities and restrict access to capital.
- Limited margin for error leaves markets exposed to multiple compression.

“Identifying material risks to our investment thesis allows us to tune out the noise and focus on market moving data.”

Consumer Confidence Index (CCI)



Source: FactSet

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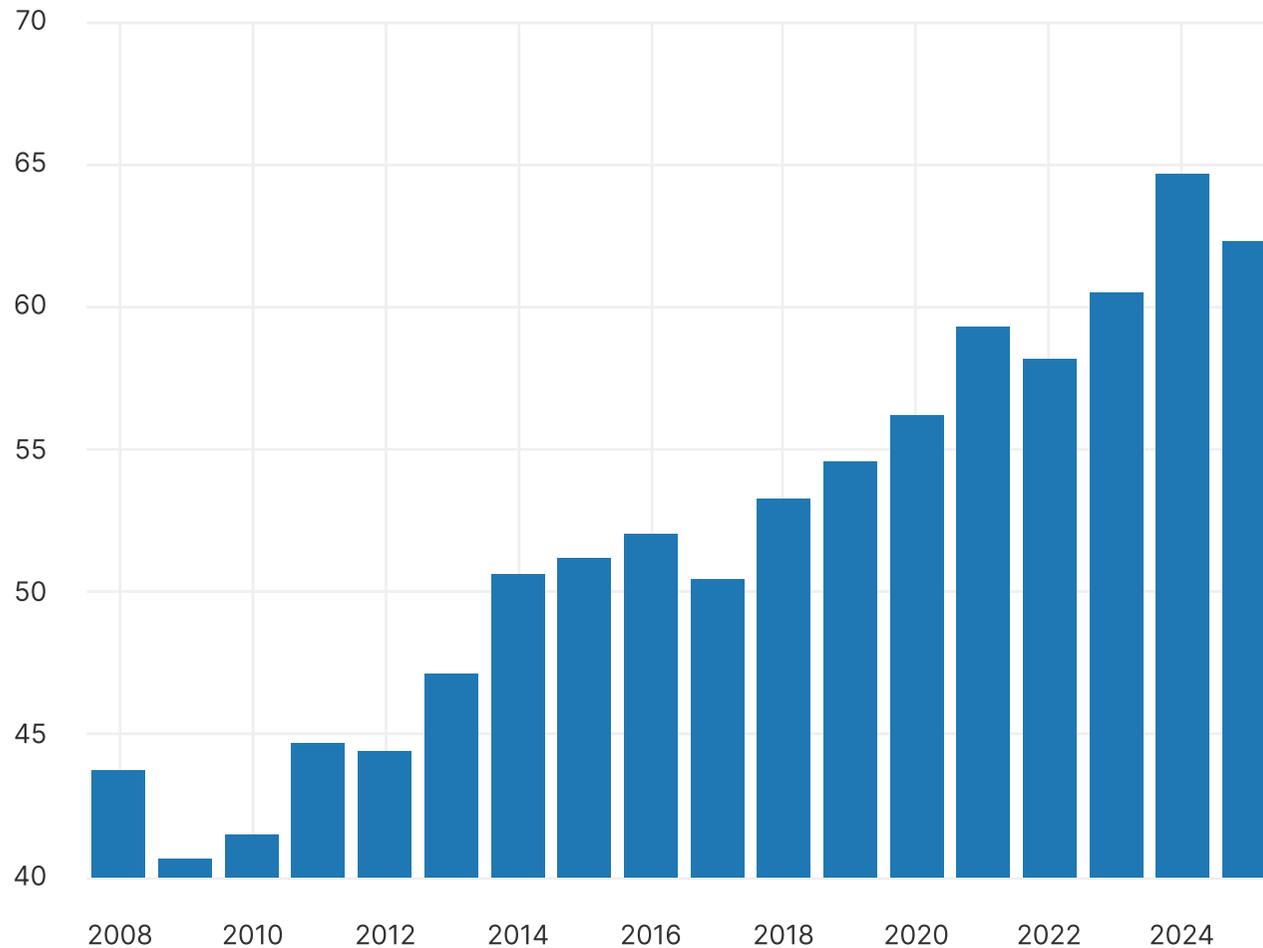
Noise and Volatility drivers

- Ongoing conflicts (Ukraine-Russia, Middle East, Taiwan/China) and uncertainty around foreign policy
- Federal Reserve Chair Independence Rhetoric
- Near-term USD strength supported by rate differentials and relative growth, alongside longer-term deficit and de-dollarization narratives
- Market concentration heightens the impact of single-stock earnings outcomes, particularly among mega-cap technology companies.

“Data points and headlines identified as noise may create buying opportunities. We view dislocations as temporary when they are driven by noise.”



% of World Market Represented by US Equity



Source: FactSet

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Equity Positioning

The equity market is set to deliver more modest returns in 2026 compared to 2025. Earnings growth is projected to remain strong but valuations do pose a potential constraint on equity returns. Mega-cap tech stocks continue to dominate the performance of indices, but other sectors and market segments could become increasingly important for driving index performance in the new year. However, for that thesis to play out, we would need to see a broadening of earnings growth from the non-MAG 7 constituents of the S&P 500. This is especially important in an environment that is likely to be fraught with geopolitical tensions, fiscal uncertainties, and changing interest rate expectations which stand to add to potential volatility.

In the US, we expect the spotlight to shift from AI-focused and adjacent companies to those that can capture productivity benefits that flow to the bottom line.

Thus, we recommend focusing on building portfolio diversification that can withstand potential volatility and capture earnings tailwinds.

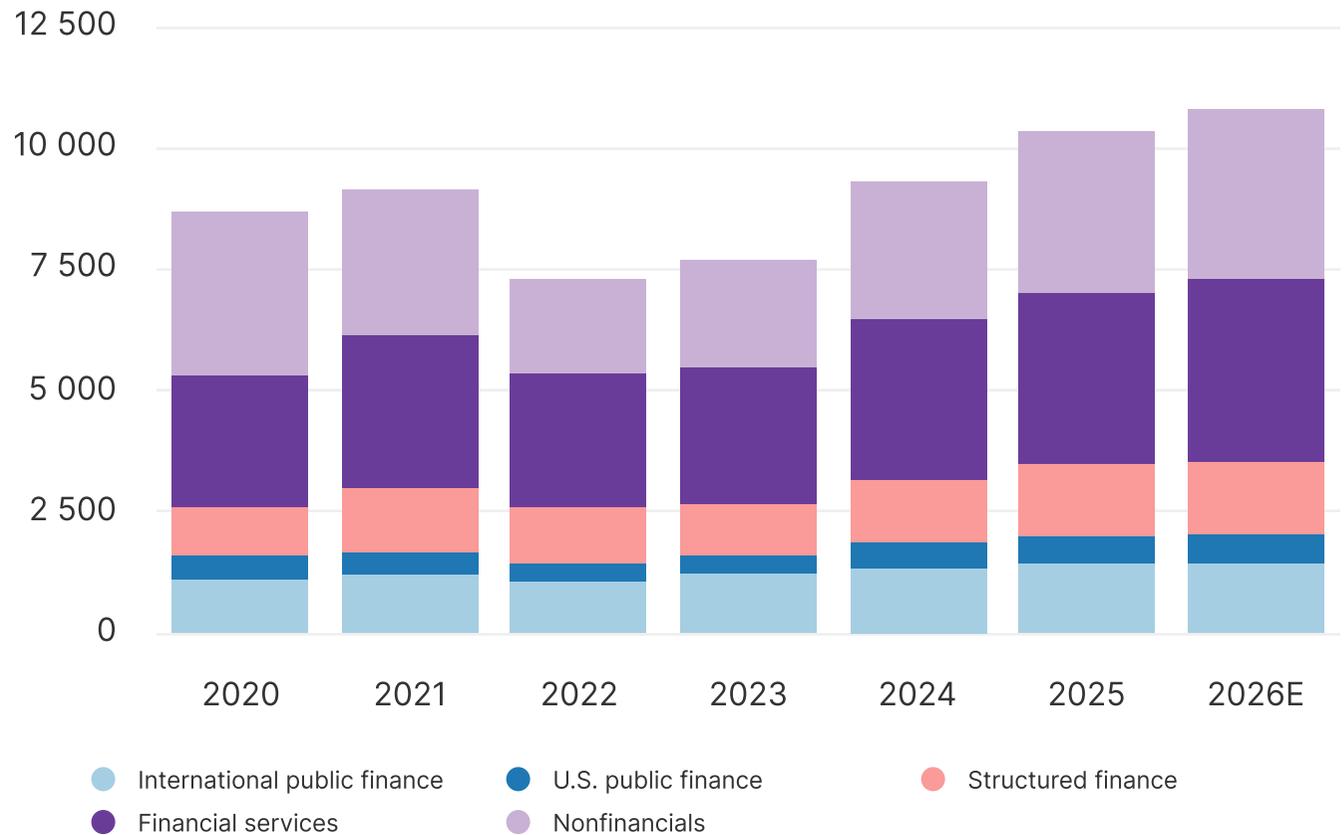
Fixed Income Positioning

Fixed income valuations remain stretched, with credit spreads near historic tight and offering limited compensation for risk. At current levels, high yield has historically outperformed Treasuries only about 39% of the time over the subsequent 12 months, underscoring the asymmetric risk/reward profile and limited upside from further spread compression.

At the same time, supply pressures and issuer-specific risks are increasing which provides a backdrop where even investment-grade credits can reprice meaningfully when strategic or leverage concerns emerge.

Looking ahead, refinancing risks add a potential catalyst for spread volatility. This creates the potential for spread widening independent of economic conditions and provides reason to favor moving up in quality. In 2026, we believe returns are likely to be predominantly income-driven, with limited upside from spread compression and a notably less favorable credit risk/reward in fixed income than in recent years.

Global Bond Issuance Summary and Forecast



Source: Standard & Poors, As of 12/31/2025.



International public finance: Borrowing by governments and government-related bodies outside the United States (for example, foreign national, regional, or municipal issuers).

US public finance: Borrowing by US state and local governments or public authorities (such as municipal bonds).

Structured finance: Securities created by packaging financial assets together, typically backed by pools of loans (for example, mortgage-backed or asset-backed securities).

Financial services: Debt issued by banks, insurers, and other financial institutions.

Nonfinancials: Debt issued by companies that are not financial institutions (such as industrial, technology, healthcare, or consumer companies).

Strategic Equity Positioning

Our equity positioning reflects a late-cycle environment where selectivity and quality are increasingly important. Elevated valuations and concentrated market leadership warrant a disciplined approach focused on relative value, earnings durability, and regional differentiation.

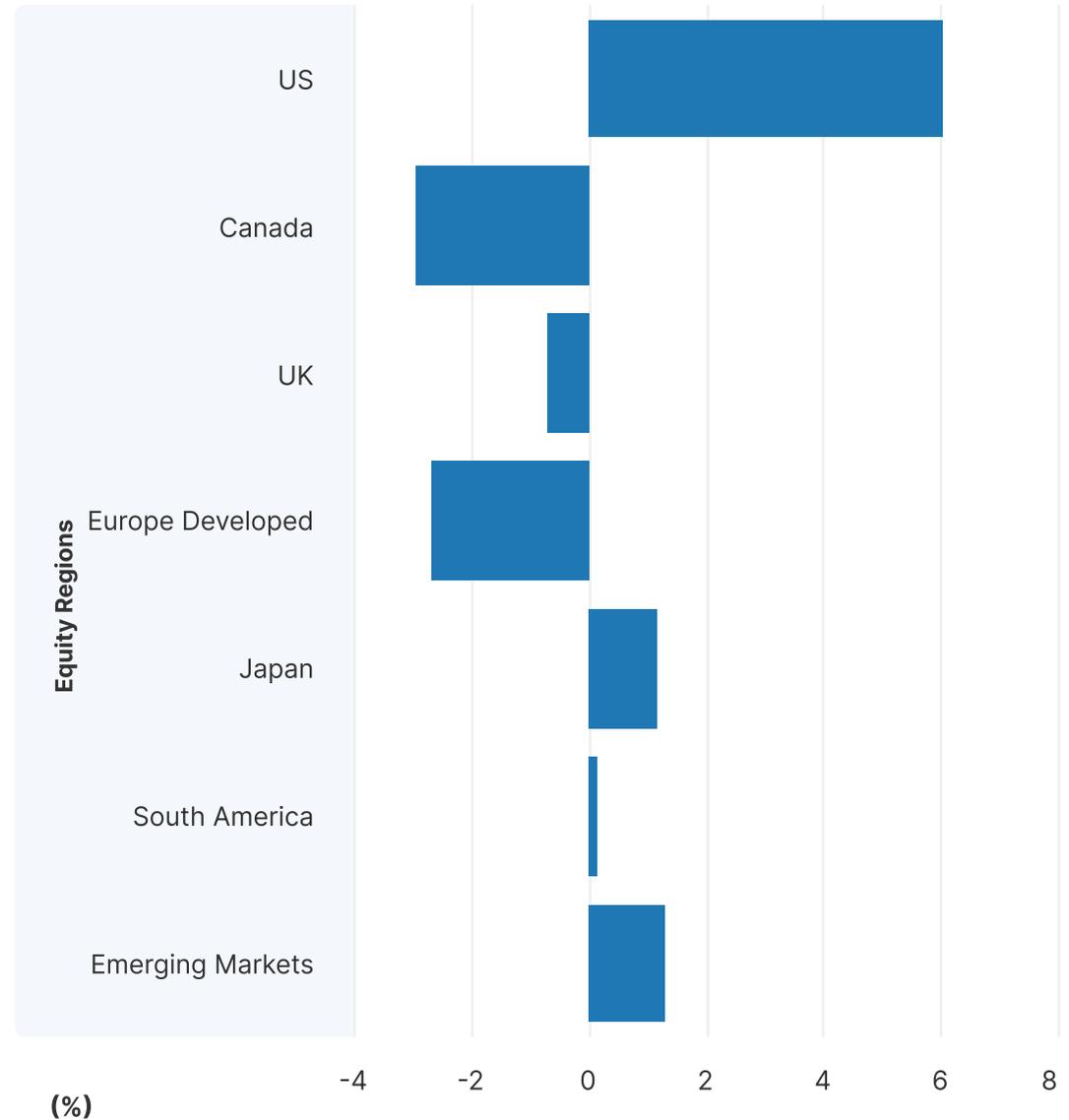
We maintain an above-average allocation to Japanese equities, supported by ongoing structural reforms, improving corporate governance, and attractive valuations. In the U.S., we remain overweight mid-cap equities, which offer a valuation advantage versus large caps and historically benefit as growth stabilizes.

We are increasing exposure to value-oriented U.S. large caps, where extreme concentration in growth stocks has created compelling opportunities in underappreciated areas of the market. We are also emphasizing high-quality U.S. companies with consistent earnings and strong balance sheets, which tend to perform better in late-cycle environments.

Regionally, we are initiating an underweight to European and U.K. equities, reflecting persistent structural headwinds. This reduction funds an overweight to Emerging Market equities, where selective exposure offers improved risk-reward as China stabilizes and global supply chains continue to diversify.

We have removed dedicated small-cap exposure from our strategic models. Structural challenges, including negative selection bias, regulatory burdens, and competition from private markets, have weakened the long-term case for public small caps. We continue to favor accessing smaller companies through private market strategies where appropriate.

Strategic Portfolio Overweight/Underweight



Source: FactSet

 AVIDIAN

Strategic Fixed Income Positioning

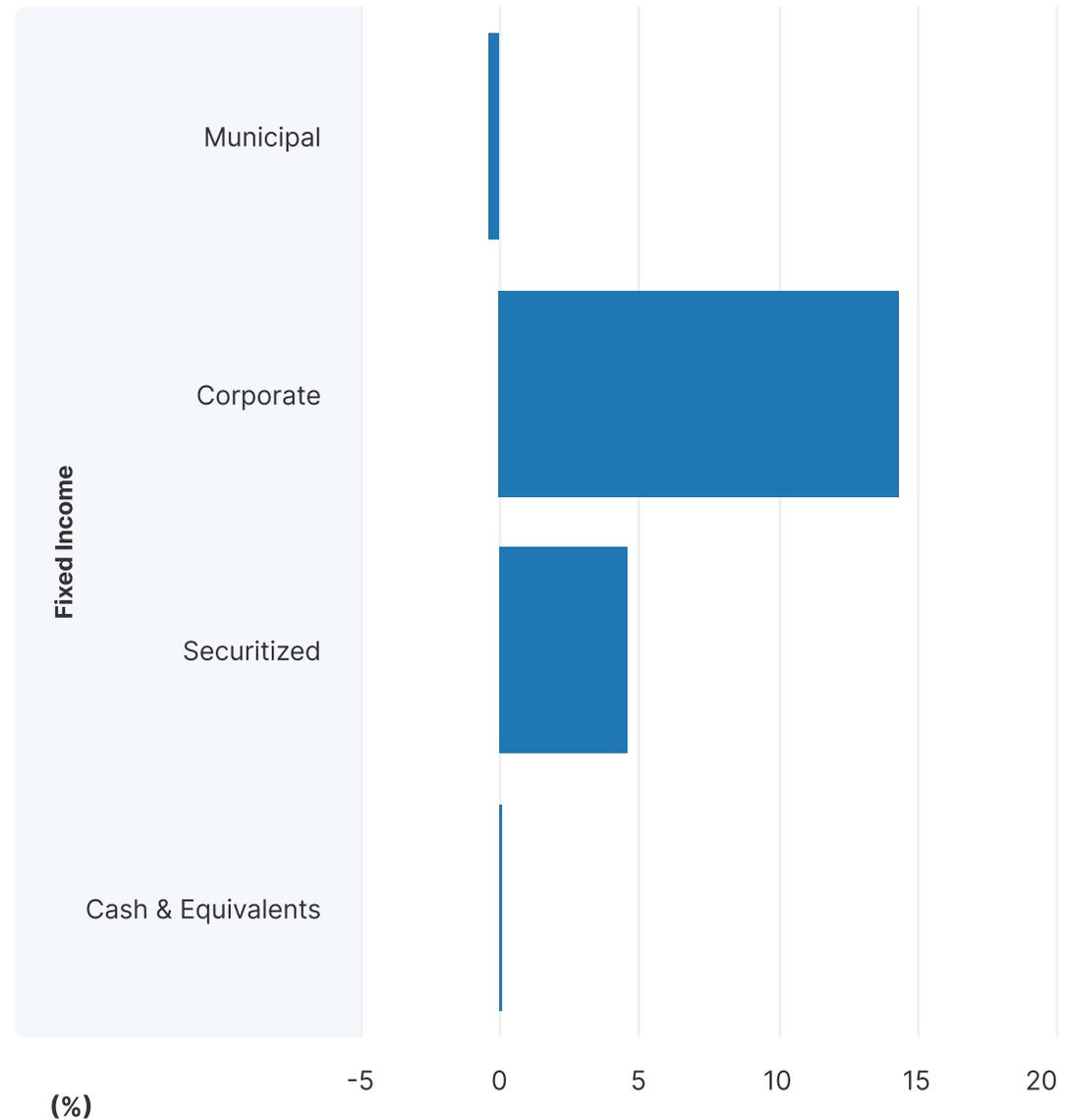
Credit markets remain challenged by historically tight spreads and rising idiosyncratic risk. Investment-grade spreads are near record lows at roughly 85 basis points over Treasuries, while high-yield spreads around 2.75% sit well below their long-term average. At these levels, high yield has historically outperformed Treasuries less than 40% of the time over the following 12 months, underscoring the limited margin of safety for taking additional credit risk.

At the same time, supply pressures are building. Accelerating AI-related capital expenditures—particularly within the technology sector—are driving elevated issuance, with projections calling for more than \$300 billion in AI-related debt in 2026. This dynamic is keeping investment-grade supply heavy and increasing dispersion across issuers, as illustrated by Oracle's large, debt-funded AI buildout. Despite its investment-grade rating, Oracle experienced widening bond spreads and rising credit default swap levels, highlighting that strategy-specific risks can reprice even high-quality credits.

Looking ahead, a refinancing wall in 2026–2027 adds another layer of risk. Companies that issued debt during the ultra-low rate era will face materially higher rollover costs, increasing the likelihood of spread widening even in the absence of a broader macro downturn.

Thus, we maintain an overweight to high-quality credit. With spreads tight and bond-specific risk rising, compensation for moving down the credit spectrum is near historic lows. In this environment, prioritizing balance sheet strength and earnings durability is critical.

Strategic Portfolio Overweight/Underweight

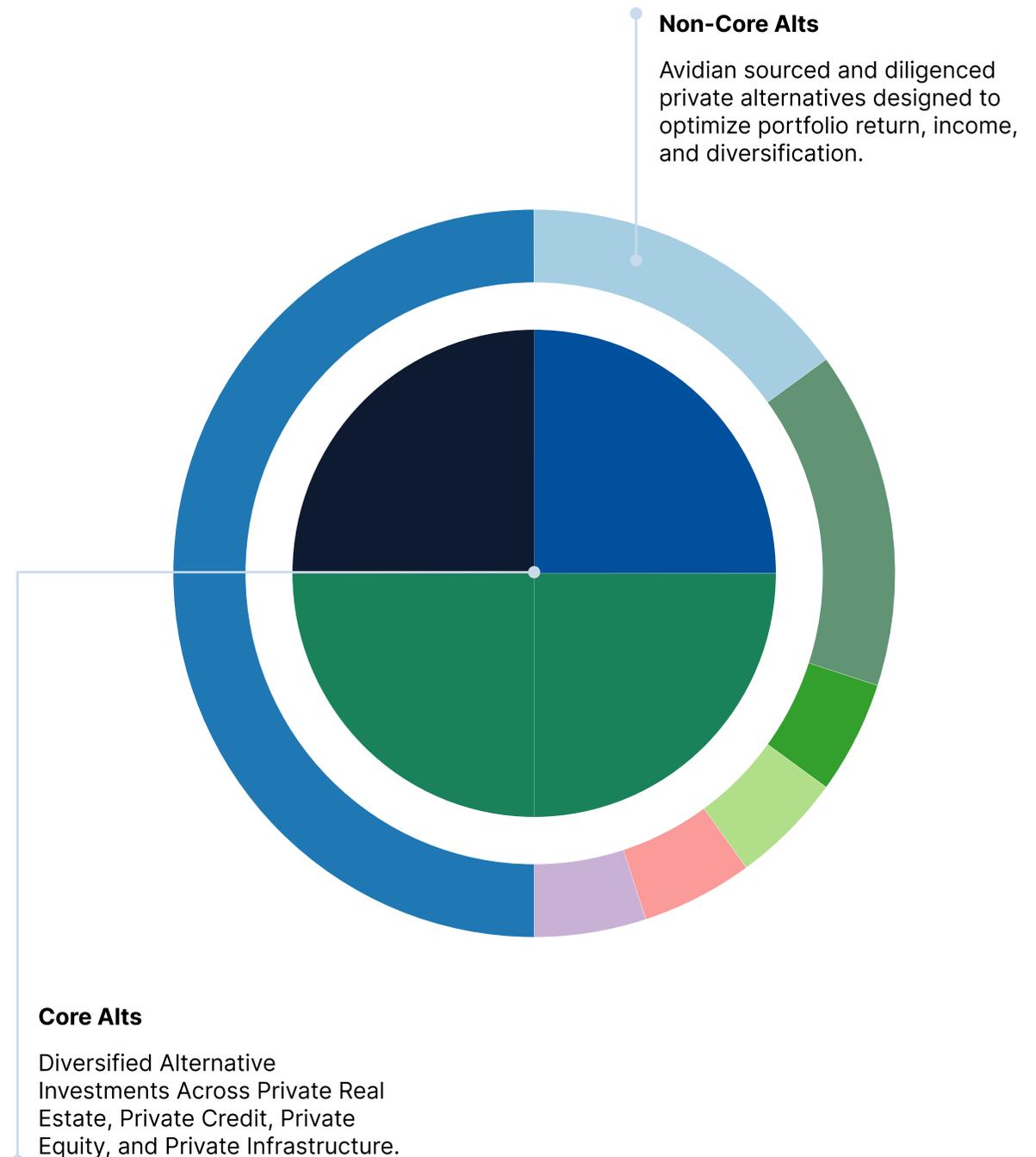


Source: FactSet

Private Alternatives

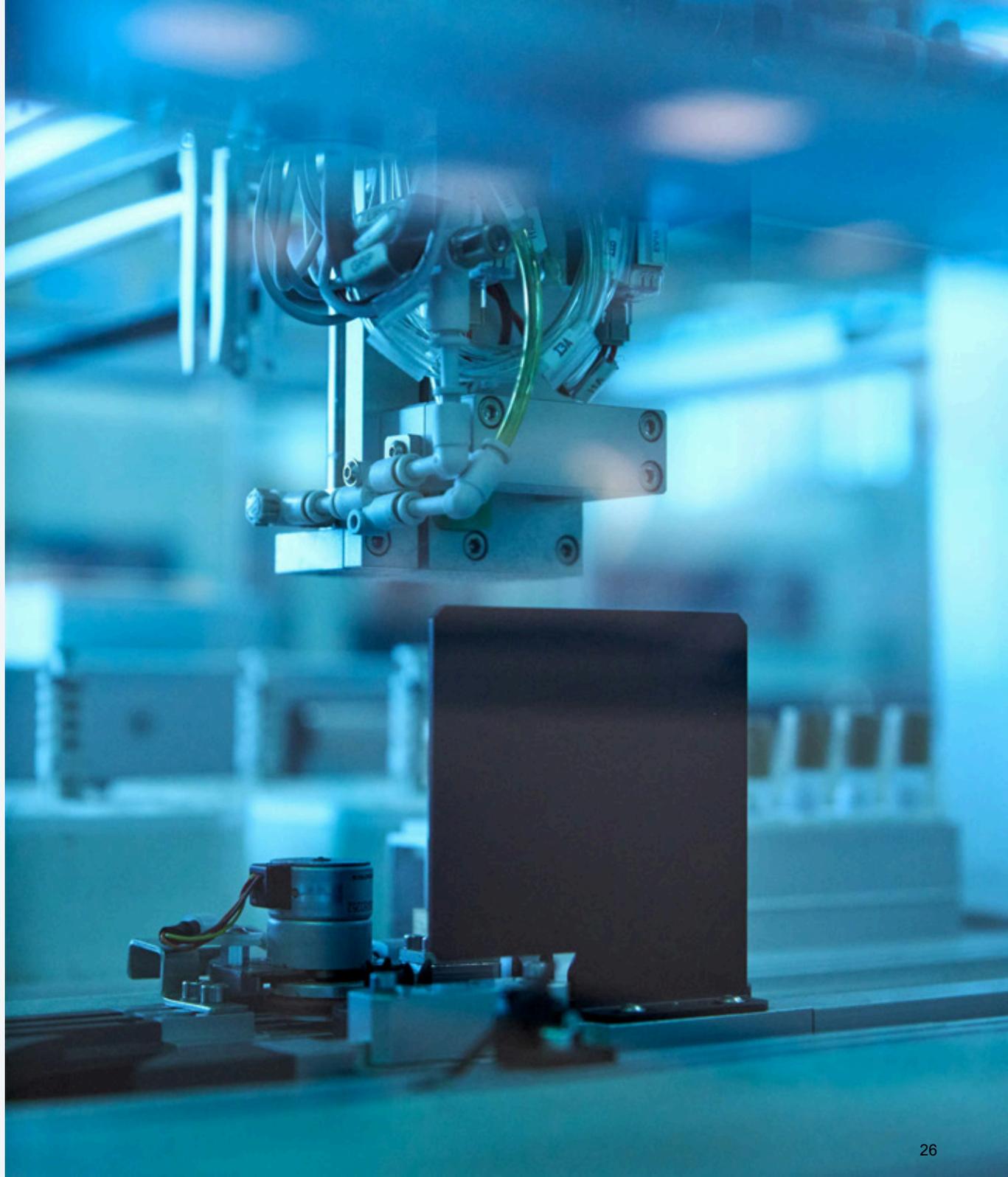
Allocating to Private Alternative Investments is increasingly important in today's evolving market landscape. The number of publicly listed companies has declined, reducing the avenues for traditional stock and bond investments. Furthermore, the historical assumption of low correlations between stocks and bonds has increased recently, particularly during periods of heightened market volatility. Recognizing these shifts, investors are increasingly seeking to diversify their portfolios beyond traditional asset classes. Returns in private markets, such as private equity, private credit, and private real assets, have historically exceeded those of public market counterparts. Incorporating private alternatives into a portfolio offers several compelling benefits, including diversification, enhanced return potential, inflation hedging, and access to unique investment opportunities not readily available in public markets.

At Avidian, we advocate for a strategic, multi-phase approach to private alternative investments, employing a core-satellite strategy. The core holdings within the private alternatives allocation are designed to deliver stability and diversification, providing a foundation for the overall portfolio. Satellite investments, on the other hand, are strategically selected to expose the portfolio to higher growth opportunities and potentially higher returns. While we have target allocations for private alternative investments within a client's portfolio, we believe a gradual, phased approach is most prudent. This allows for a more measured and controlled entry into these illiquid asset classes, providing diversification across both vintage years and focused industry opportunities.



Where We Found Success

- **Demographic-Driven Opportunities:** A pool of founder-led small businesses navigating generational transitions. Baby boomer business owners seeking to monetize their life's work create attractive acquisition opportunities with motivated sellers and realistic valuations.
- **Deep Value Plays:** Sectors that have been left for dead by institutional investors. We have invested into niche oil and gas services and equipment, for example which offered compelling entry points for patient capital willing to operate against consensus.
- **Selective AI Exposure:** Thematic positioning around artificial intelligence infrastructure and applications, with a focus on realistic valuations and tangible revenue streams rather than speculative projections.
- **Private Franchises:** Businesses that benefit from capital infusion, operational scale, and professionalized management. These "buy and build" opportunities allow value creation beyond financial engineering.
- **Secondary Transactions:** Acquiring existing fund interests at attractive discounts provided liquidity solutions to sellers while offering favorable entry points for our clients.



Liquidity and Macro Environment

The Exit Logjam is Breaking

After nearly four years of muted exit activity, the private markets are experiencing what many are calling “The Great Unlocking.” The initial public offering (when a private company goes public) market is showing real signs of life, mergers and acquisitions activity is accelerating, and capital that has been trapped in aging portfolio companies is finally beginning to flow.

The Macro Shift

The Fed’s measured rate-cutting cycle has fundamentally changed the private markets calculus. Lower borrowing costs make buying companies using borrowed money more attractive, compressed valuations are creating acquisition opportunities, and investors in private funds like pensions or wealthy families who have been starved for distributions are finally seeing capital returned.

- Global M&A volumes surged 40% year over year in 2025, on track to surpass 2021’s record highs.
- Private equity sponsors led the charge, with sponsor-backed M&A value up ~58% relative to Q3 2024
- Traditional IPO’s raised \$33.6 billion in 2025, their best year since 2021
- Over 800 unicorns enter 2026 with strong balance sheets and clearer paths to profitability



Private Portfolio Shifts

The Asset Class Rotation

As borrowing rates decline and capital becomes more available, the advantage shifts from private credit back toward private equity. Buyout firms benefit from cheaper debt, improved exit markets, and the ability to finally monetize older vintage investments. This lifts most boats across the private markets ecosystem.

Private Credit: Remains attractive for income but the tailwinds are moderating. We expect returns to normalize toward historical averages as competition increases and base rates decline. Significant capital continues flowing into private credit to fund data centers and AI infrastructure, providing near-term opportunity.

Private Equity: Well-positioned for 2026 as exit activity accelerates and debt costs decline. Manager selection remains critical. The dispersion between top and bottom quartile managers persists at meaningful levels.

Venture Capital: Difficult to forecast given long hold periods, limited data transparency, and the rapid pace of technological change. What's clear is that venture has been exceptionally active in AI and is probably the asset class most levered to the AI trend. We will be looking to offer curated venture exposure to our clients in 2026.





A Note on Texas

We are mindful of the headwinds facing certain Texas real estate markets, particularly office and multi-family residential real estate markets have faced headwinds. However, the broader Texas economic story remains compelling, and we think it's worth highlighting several developments that speak to the state's continued attractiveness as a hub for innovation and capital formation.

The Texas Stock Exchange:

Perhaps the most significant development for Texas capital markets is the imminent launch of the Texas Stock Exchange (TXSE). In September 2025, the SEC approved TXSE's registration to operate as a national securities exchange, the first fully integrated exchange to receive such approval in decades.

Key developments: Total capital raised exceeding \$270 million from investors including BlackRock, Citadel Securities, JPMorgan, Goldman Sachs, and Charles Schwab - Trading operations targeted to commence in July 2026, with ETF and corporate listings to follow - IPO capabilities anticipated by late 2026 - NYSE Texas and Nasdaq have both announced Dallas operations, creating a "Y'all Street" financial hub.

The TXSE's stated mission is to "reverse the decades-long decline in the number of U.S. public companies by reducing the burden of going and staying public." Whether it succeeds in challenging the NYSE-Nasdaq duopoly remains to be seen, but its existence speaks to the broader shift in financial center gravity toward Texas.

Space & Aerospace:

SpaceX officially relocated its headquarters to Starbase (Boca Chica) in 2024, consolidating operations around its Starship development program. The company's 13,000+ workforce represents a massive economic anchor for South Texas.

Artificial Intelligence:

Elon Musk's xAI moved its headquarters to Austin, joining a growing cluster of AI-focused companies. German AI startup Cognigy recently relocated its U.S. headquarters from San Francisco to Plano, citing talent access and business environment.

Defense Technology:

Saronic Technologies, CesiumAstro, and other defense-focused startups continue to establish and expand Texas operations, drawn by proximity to military installations and a skilled workforce.

Nuclear Energy:

Aalo Atomic's, a nuclear energy startup, relocated from Washington, D.C. to Austin after securing multiple Texas partnerships. Aalo recently completed a fundraising round and is working on projects at Idaho National Labs to achieve criticality in small modular reactors by Trump's deadline of Independence Day 2026. Meanwhile, Texas developers are exploring innovative approaches to powering data centers with nuclear technology, including proposals to repurpose decommissioned naval reactors.

Data Centers:

The AI buildout is reshaping Texas infrastructure. Google announced \$40 billion in new Texas data center investment. Applications for large load interconnection requests in Texas have reached 230 gigawatts—four times the 2024 level, driven largely by data center demand.

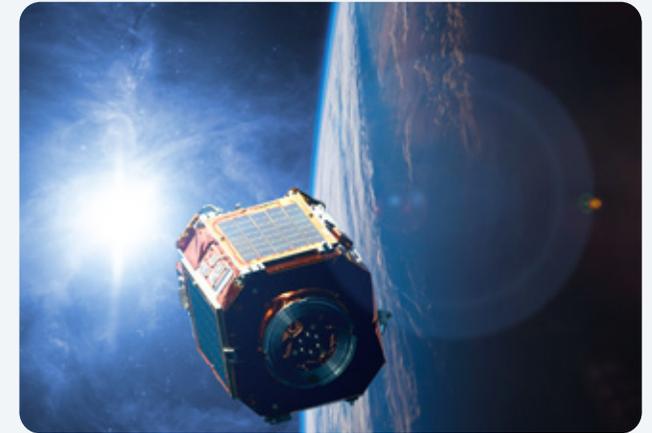
Our investment philosophy is built on three core principles designed to optimize your portfolio's performance: efficiency, open architecture, and private markets access.



Efficiency: is woven into every step of our investment process. We strategically utilize passive investments like ETFs in efficient markets, such as large-cap US equities, where lower costs are crucial. This allows us to select active managers in asset classes with a higher probability of outperformance, such as non-US and emerging markets, where we may employ active management strategies. In fixed income, we may utilize ETFs for broad market exposure or pursue direct ownership of individual bonds and treasuries when appropriate for your specific liquidity needs and tax situation.



Open architecture: reflects our commitment to transparency and your best interests. Unlike many firms, we don't offer any in-house Avidian investment products for public market investments. This eliminates conflicts of interest and ensures that our recommendations adhere to our fiduciary role. By having access to the entire universe of investment strategies, we can identify the best options for you and negotiate the most favorable fees and terms without limitations.



Private markets access: is a key advantage we provide. By prudently managing fees and leveraging our open architecture, we can allocate a portion of your portfolio to private market investments. We believe this offers the potential for enhanced returns while also providing diversification benefits that can reduce overall portfolio risk. We have dedicated specialists who conduct extensive due diligence on private market asset classes, sponsors, and individual deals. Our team also leverages our collective buying power to negotiate better pricing and terms, with all savings passed directly to you.

The investment committee defines risk as a permanent loss of capital. Our investment risk management process is built on a robust, multi-layered framework designed to provide comprehensive oversight and proactive mitigation.

As portfolios are built we consider risk from a few perspectives.

1. Market risk or volatility – this can be thought of as how much movement in the overall price of invested securities can be expected over a period of time. We work to ensure that portfolios do not have market risk in excess of what an investor is willing to endure.
2. Active risk or volatility – this can be thought of as how different an Avidian client portfolio may be from a well recognized reference point or benchmark. We limit the amount active risk in client portfolios so that if a contrarian bet does not work out our clients are able to recover.

We employ a "three lines of defense" approach in terms of monitoring portfolio risk:

First line

We perform weekly automated performance monitoring for every model portfolio, comparing it to benchmarks and similar portfolios. This higher-frequency check helps us quickly identify any unexpected deviations and flag them for deeper analysis.

Second line

Our investment committee utilizes institutional-grade risk management systems from to conduct quarterly risk reviews. These systems provide a granular view of portfolio risk, allowing us to analyze risk factors and asset-level exposures. This detailed analysis helps us diagnose the source of any potential risks and develop corrective action plans if needed.

Third line

Our Executive Leadership Team and corporate board provide an additional layer of oversight. On a quarterly basis, our CIO presents detailed performance data to these experienced leaders, who provide independent review and challenge to ensure alignment with our risk management framework.

Wall Street has priced in several expectations that we believe will create pockets of opportunity.

Rates Expected to Stay Restrictive but Stable

Markets expect limited rate cuts in 2026, with real rates positive, signaling confidence in Fed patience.

Growth and Valuation Leave Little Room for Error

Equities price above-trend earnings and revenue growth for 2026 alongside elevated valuations, increasing sensitivity to growth shortfalls.

Consumer Credit Deterioration Viewed as Contained

Markets are discounting rising delinquencies as cyclical normalization rather than a signal of demand or labor-market stress.

Inflation Contained but Sticky

Core inflation is moderating toward 2.5%-2.8%, with breakevens stable, suggesting inflation is contained but not fully resolved.

AI Spend Assumes Success Monetization

AI infrastructure investment is accelerating and increasingly debt-funded, with markets assuming strong future returns despite limited near-term cash flow visibility.

Investment themes to consider:

AI & Defense Renaissance, PE Secondaries, Real
Asset Rethinking, Niche Uncorrelated Assets

Talk to your Avidian advisor to make sure your portfolio is
able to capture these dynamics in a diversified way.

Diversification
remains a key tenet
of our investment
process...

“I fear not the man who has
practiced 10,000 kicks
once, but I fear the man
who has practiced one kick
10,000 times”

Bruce Lee

Important Disclosure Information

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by Avidian Wealth Solutions or any non-investment related services will be profitable, equal any historical performance level(s), be suitable for your portfolio or individual situation, or prove successful.

Avidian is neither a law firm nor an accounting firm, and no portion of its services should be construed as legal or accounting advice. Moreover, you should not assume that any discussion or information in this document serves as the receipt of, or as a substitute for, personalized investment advice from Avidian.

Please remember that it remains your responsibility to advise Avidian, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services.

Not all investors qualify to invest in private funds. Prospective investors should give careful consideration to the risk factors in evaluating the merits and suitability of an investment in a private placement. Different types of private placement investments carry different types of risks. Risks are disclosed in the Private Placement Memorandum which you should read carefully prior to investing in any fund.

¹ First Trust Advisors, "The S&P 500 Index 2025 Recap," January 8, 2026; RBC Wealth Management, "U.S. equity returns in 2025: Record-breaking resilience," January 2026.

² First Trust Advisors, "The S&P 500 Index 2025 Recap," January 8, 2026. Three consecutive years of double-digit gains have occurred only six times since the 1940s.

³ First Trust Advisors, "The S&P 500 Index 2025 Recap," January 8, 2026. Approximately 13.5 percentage points—over 75% of the 17.9% total return—was driven by higher earnings-per-share (EPS), with only 2.5 points from P/E expansion.

⁴ First Trust Advisors, "The S&P 500 Index 2025 Recap," January 8, 2026. In 2025, 30.5% of S&P 500 members outperformed the overall index—the fourth narrowest year since 1995.

⁵ Goldman Sachs, "The S&P 500 Is Expected to Rally 12% This Year," January 2026. Top tech stocks accounted for 53% of the S&P 500's return in 2025; First Trust Advisors Q3 2025 data showed Magnificent Seven at 32.2% weighting contributing 41.8% of YTD return through Q3, with contribution increasing to 55.5% if including Broadcom.

⁶ First Trust Advisors, "S&P 500 Index Performance Check: Q3 2025," October 2025. NVIDIA made up 19.5% of the S&P 500's price gain over the trailing year as of Q3.

⁷ Goldman Sachs, "The S&P 500 Is Expected to Rally 12% This Year," January 2026. AI capex on track to reach 75% of cash flows; largest hyperscalers had roughly \$400 billion of capital expenditures in 2025.

⁸ CNBC, "Nvidia sheds almost \$600 billion in market cap, biggest one-day loss in U.S. history," January 27, 2025.

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