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Market Outlook:

Top Ten Investment Themes for 2026

January 2026

Please see page 43 for important disclosures.

January 2026

Element Pointe's Top Ten Investment Themes for 2026

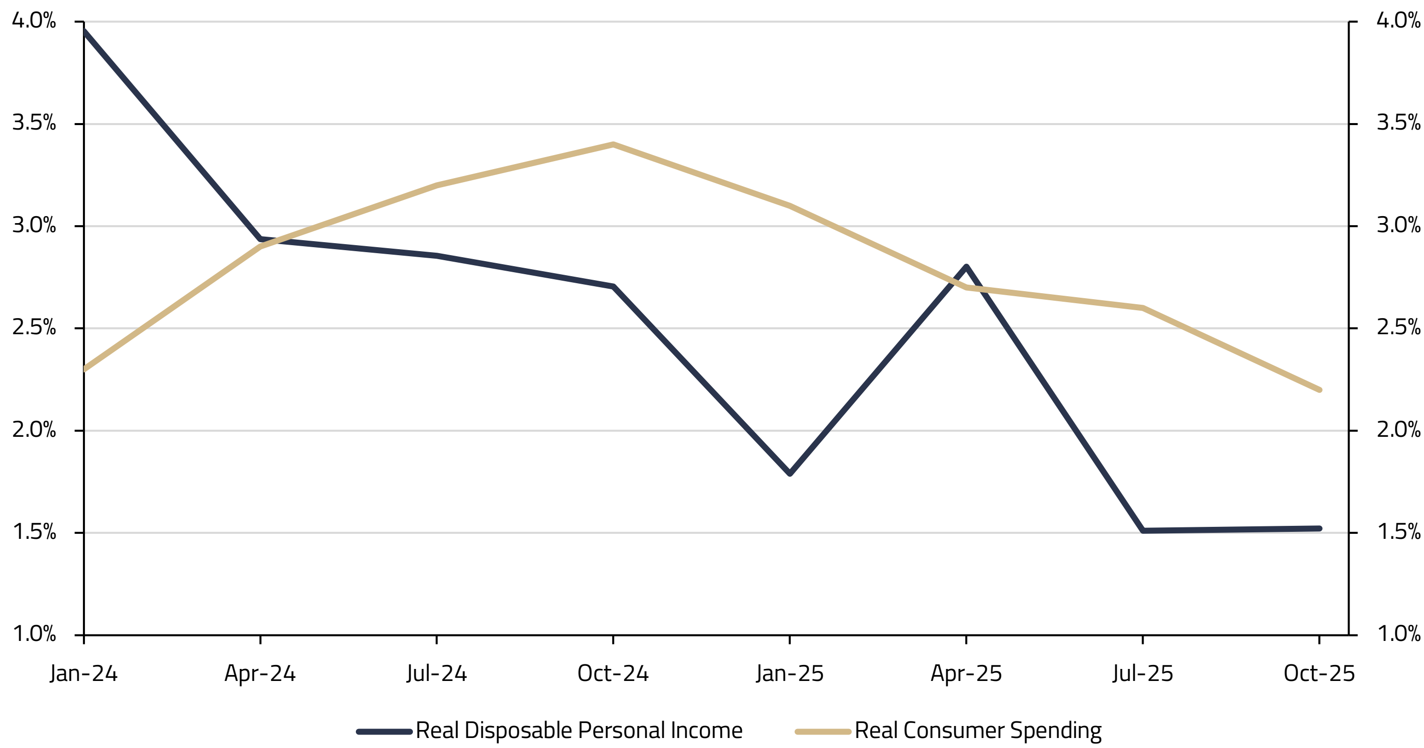
1. **The US Economy:** Economic growth was solid in 2025, driven by resilient consumer spending and strong corporate profits despite tariff-related headwinds. We expect a similar pace of growth in 2026 with fiscal stimulus, monetary policy easing, and a gradual reduction in tariff drag potentially creating tailwinds for economic activity.
2. **The Federal Reserve Outlook:** With inflation still above target and the labor market cooling, the Fed faces a challenging balancing act, made more complex by an impending leadership transition that could reshape market perceptions of the Fed's independence and the path of policy in 2026.
3. **Outlook for US Equities:** Despite signs of froth in the Artificial Intelligence ("AI") complex, we forecast another positive year for US equities with asymmetric upside.
4. **AI Bubble Concerns:** Signs of an AI bubble have emerged, especially in the private market, but we believe we are still a few years from the peak.
5. **US Dollar:** Debate about the dollar's role as the world's reserve currency was rekindled in 2025. While its structural advantages remain difficult to replicate, the shift in sentiment underscores the value of diversification into assets that have historically benefited when confidence in fiat currency erodes.
6. **Private Credit:** The private credit market has grown exponentially over the last decade, yet current credit and liquidity dynamics appear healthy. Given the asset class' consistency, resilience, and attractive risk-adjusted returns, we believe private credit has established itself as a core asset class within multi-asset investment portfolios.
7. **Global Infrastructure:** As investors navigate an increasingly complex macroeconomic environment characterized by elevated inflation volatility, geopolitical fragmentation, and technological disruption, infrastructure assets have emerged as an important portfolio allocation for investors.
8. **India:** Structural growth tailwinds have positioned India as one of the most attractive emerging market countries.
9. **AI's Impact on the Labor Market:** The proliferation of AI is transforming the labor market. The short-term impacts appear overstated, but the long-term ramifications remain highly uncertain.
10. **Geopolitics:** The year 2025 was a period of profound geopolitical realignment that tested the resilience of established international norms. As we move into 2026, the question is not whether geopolitical risk will remain elevated, but rather how these various threads of instability will interact to shape the global economic environment.

ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

1. The US Economy

The US economy proved remarkably resilient in 2025. Despite draconian shifts in trade policy, a government shutdown, and a softening labor market, US economic activity remained solid throughout the year. Following third quarter annualized GDP growth of 4.3%, the pace of growth for the first three quarters of 2025 stands at 2.5%, in line with 2024 figures.[1] We expect 2025 GDP growth to be 2.0% year-on-year, in line with consensus expectations. We note that fourth-quarter data should reflect mechanical drag from the six-week government shutdown, but the data should rebound in the first quarter of 2026. Resilient consumer spending, strong equity market returns catalyzed by the ongoing Artificial Intelligence ("AI") boom, and Federal Reserve ("Fed") rate cuts helped the economy overcome the tariff-related headwinds that plagued growth during the year. Our base case for 2026 is another year of solid economic growth at or slightly above 2.0%. Fiscal stimulus from the One Big Beautiful Bill Act ("OBBBA"), the gradual reduction of tariff-related drags, and easing financial conditions should all support real GDP growth in 2026 despite our view of stubbornly high inflation. The key risks to our outlook are a significant acceleration in labor market weakness or a reversal in the AI trade that leads to a broad equity market sell-off. While we believe neither is likely, either event would result in a significant contraction in consumer spending and, in turn, higher odds of a US recession.

Exhibit 1: Real Disposable Personal Income and Real Consumer Spending (Year-Over-Year Change)

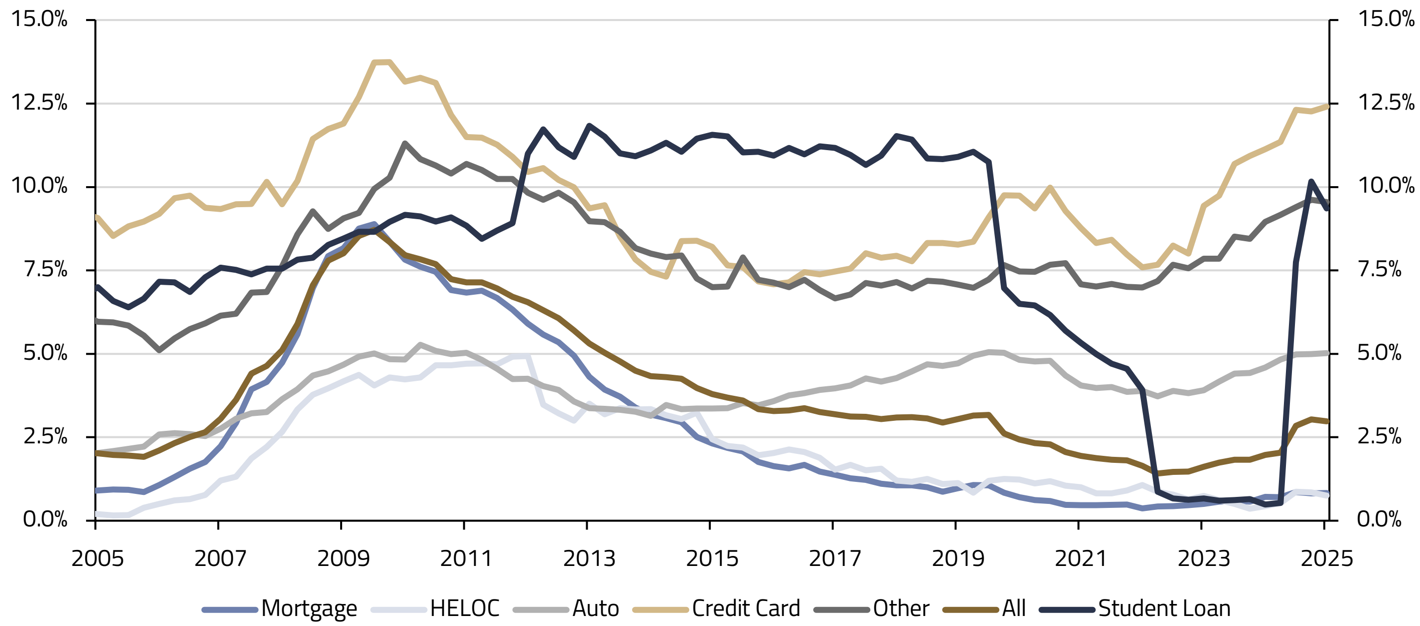


Source: Goldman Sachs Global Investment Research, Department of Commerce as of 12/23/2025

1. US Bureau of Economic Analysis

Consumer spending remains the backbone of the US economy, and we believe solid consumption in 2026 will be the primary driver of trend growth. Consumer spending grew at a strong 3.5% annualized pace in the third quarter; however, we anticipate this will moderate closer to 2% for 2025 overall.[2] The slowdown in year-over-year spending growth from 3.4% in 2024 is primarily due to slower real income growth and trade policy uncertainty, which weighed on consumer sentiment. Real income growth fell from 2.2% year-over-year in 2024 to 1.9% at the end of September.[3] Slowing job growth and tariff-related price increases were the major detractors to real income growth in the year. Notably, we observed a pronounced pullback in goods spending growth, particularly in categories exposed to significant tariff increases. However, we believe these headwinds should gradually abate during the year, which, combined with substantial fiscal stimulus in the first half of the year, should lead to solid consumer spending growth in 2026.

Exhibit 2: Percent Balance of 90+ Days Delinquent by Loan Type

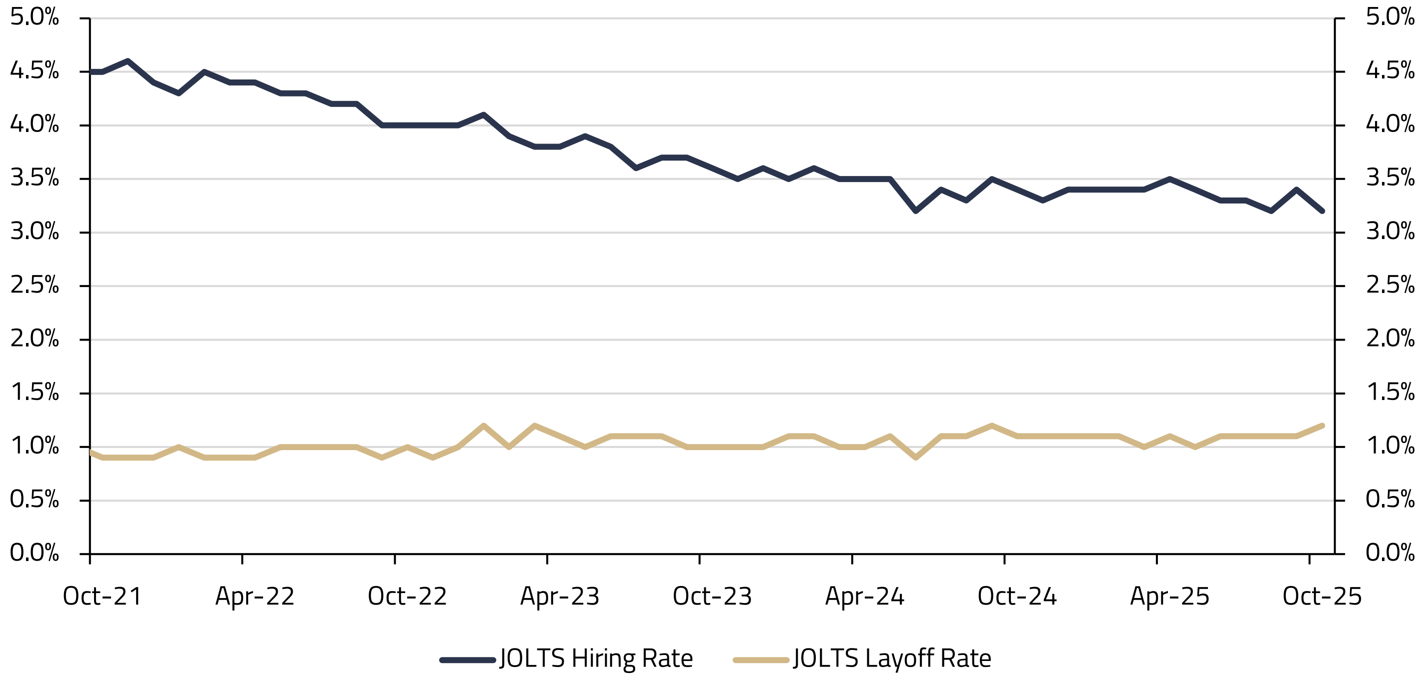


Source: Federal Reserve Board of New York, Apollo Chief Economist as of 11/30/2025

The tax cuts for individuals provided in the OBBBA should lead to a material increase in household disposable income in the first half of the year, boosting consumer spending. Goldman Sachs estimates that consumers should receive an extra $100 billion, approximately 0.4% of annual disposable income, in tax refunds.[4] The increase in disposable income could translate into an additional 0.2% increase in household consumption growth for the year.[5] The OBBBA tax cuts should prove most beneficial for middle-income consumers; however, the spending reductions to Medicaid and food stamps will weigh on lower-income consumer spending. The OBBBA also significantly overhauled student loans by ending the moratorium on student loan debt and restarting interest accrual on those loans as of August 1, 2025.[6] Nearly 45 million Americans have Federal Student Loan debt, so the policy change will affect the spending power of close to 20% of the population.[7] The sharp increase in student loan delinquencies shown in Exhibit 2 may indicate increasing financial strain among borrowers. The resumption of federal student loan payments is a notable headwind for a sizable portion of US consumers, particularly middle- and lower-income households. Still, the aggregate effect of the OBBBA should be accretive to consumption growth; however, we expect greater dispersion in spending across income cohorts.

2. US Bureau of Economic Analysis
3. Peng, Elsie. "2026 Consumer Outlook: Solid Growth Supported by a Fiscal Boost." Goldman Sachs Research, 23 Dec. 2025, publishing.gs.com/content/research/en/reports/2025/12/23/b6e3b680-7dc3-4bbf-a739-e89e614ac231.html#.
4. Hatzius, Jan, et al. "Macro Outlook 2026: Sturdy Growth, Stagnant Jobs, Stable Prices." Goldman Sachs Research, 18 Dec. 2025, publishing.gs.com/content/research/en/reports/2025/12/18/21ae60e7-6aa4-4e4c-a60a-0fa1a7d36300.html.
5. Peng, Elsie. "2026 Consumer Outlook: Solid Growth Supported by a Fiscal Boost." Goldman Sachs Research, 23 Dec. 2025, publishing.gs.com/content/research/en/reports/2025/12/23/b6e3b680-7dc3-4bbf-a739-e89e614ac231.html#.
6. Slok, Torsten. "2026 Outlook: The Year Ahead in 14 Sparks." Apollo, Dec. 2025, www.apollo.com/content/dam/apolloaem/documents/insights/outlook/apollo-2026-outlook-white-paper.pdf.
7. Id.

Exhibit 3: JOLTS Hiring and Layoff Rate



Source: Bureau of Labor Statistics as of 12/9/2025

The rise in tariff-related costs, coupled with heightened business uncertainty, were the primary drivers of the labor market's weakening in 2025. As seen in Exhibit 3, there was a dramatic decrease in hiring rates, implying that corporations have paused hiring plans until there is greater clarity regarding trade policy. The unemployment rate reached 4.6% in November, its highest level since September 2021, and a sizable pickup from the 4.0% figure reported in January.[8] The trend in job growth has been weak as payroll employment has shown little net change from April through November 2025. The US created 64,000 jobs in November, beating market expectations of a 50,000 increase but still significantly lower than the figures posted in the first quarter of the year.[9] However, we do not expect the labor market to weaken much further from here, barring a recession. Corporate profits remain strong despite tariff headwinds; financial conditions in equity and credit markets are accommodative; and the corporate tax benefits of the OBBBA should increase at the beginning of this year, supporting our view of continued economic expansion. While policy risk is unlikely to disappear, there should be increasing certainty regarding broad tariff levels. As these developments unfold, we expect business confidence to rebound and hiring plans to pick up again. A diminished labor supply has significantly lowered the bar for job growth gains to reduce the unemployment rate. J.P. Morgan forecasts that breakeven employment is approximately 25,000 jobs per month, given that immigration declines and an aging population have led to substantial exits from the labor force. Taken together, we believe the unemployment rate will decline in the back half of 2026. A modest labor market rebound should increase aggregate income growth and support consumer spending in 2026.

Arguably, the most important tailwind to consumption growth has been the wealth effects from significant increases in asset prices since the onset of COVID-19. The increases in home prices and equity markets have led household wealth-to-income ratios to reach record levels. JP Morgan data estimates that a 10% increase in equity prices could raise consumption by approximately 1%.[10] Goldman Sachs forecasts that the lagged impact of growth in household net worth over the past year could boost consumption by 0.2% this year.[11] The wealth effect on con-

8. Bureau of Labor Statistics
9. Id.
10. Feroli, Michael, et al. "2026 US Economic Outlook: Through a Glass, Darkly." J.P. Morgan Markets, 17 Nov. 2025, markets.jpmorgan.com/jpmm/research.article_page?action=open&doc=GPS-5133747-0.
11. Abecasis, Manuel, et al. "US Daily: Wealth Effects Will Support Consumer Spending Growth." Goldman Sachs Research, 30 Sept. 2025, publishing.gs.com/content/research/en/reports/2025/10/01/3cfb012f-edd2-4733-ab6f-ae9c36e21bb2.html.

sumption primarily affects the top 20% of earners, which account for over 63% of spending according to a Moody's Analytics report. With home prices unlikely to rise fast enough, further equity market appreciation will be required for wealth effects to continue boosting consumption.

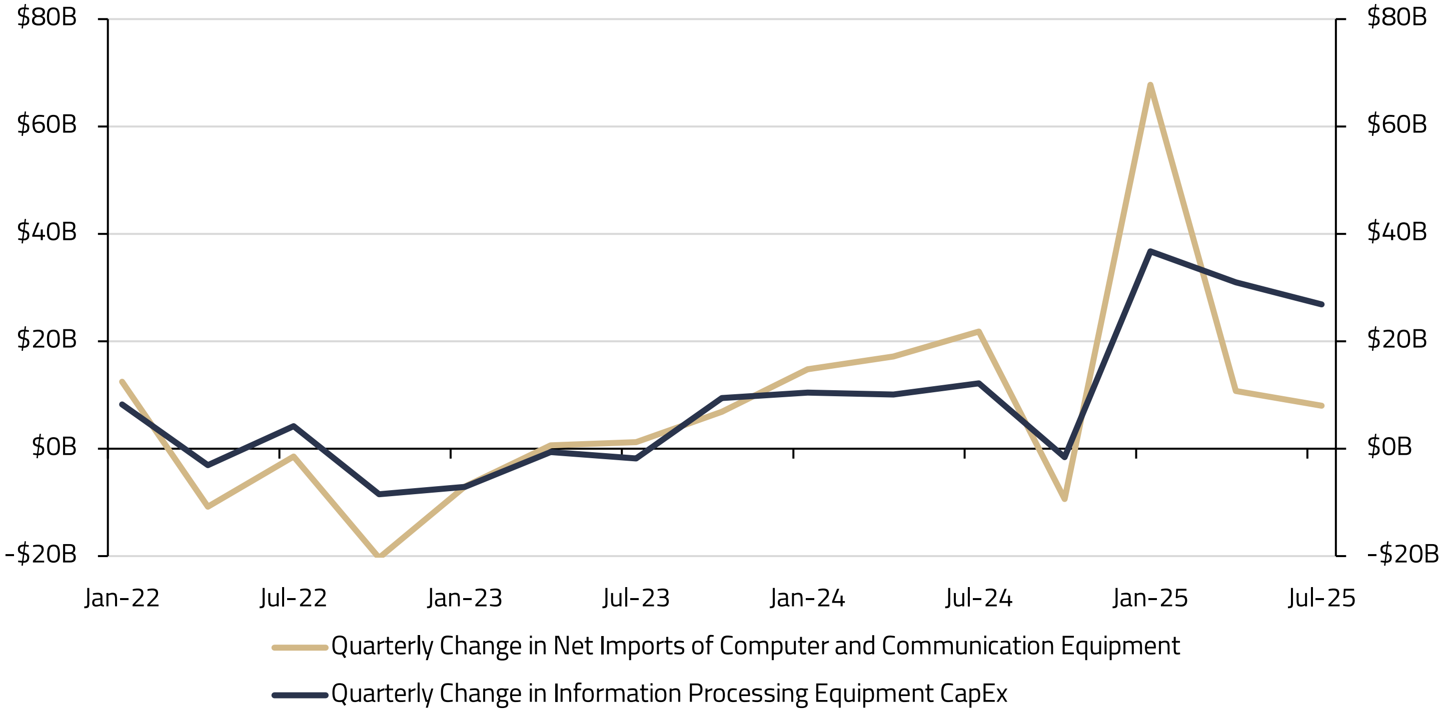
Business fixed investment grew at a 6.5% annualized rate in the first three quarters of 2025, but this was partly driven by a surge in AI-related equipment imports that boosted capital expenditures ("Capex") but should have no net effect on overall GDP growth.[12] Domestically-produced capex was roughly in line with US GDP growth but below the typical pace seen during expansions. Looking ahead, we expect strong capex growth in 2026, driven by incentives from OBBBA, easier financial conditions, fading policy uncertainty, and growing demand for AI investment.

The OBBBA includes several provisions that incentivize business investment by lowering the cost of capital for US companies. Most notably, the package introduces 100% bonus depreciation of manufacturing, agricultural, chemical, and refining production structures. The OBBBA also restores 100% expensing of R&D and equipment investment under the Tax Cuts & Jobs Act ("TCJA"), along with other TCJA provisions that, in aggregate, should materially reduce the cost of capital for US companies. However, the elimination of green subsidies offered through the Inflation Reduction Act will offset a portion of these incentives. Simultaneously, financial conditions have eased with fewer banks reporting tighter lending standards for business loans than a year ago, while demand for business loans is rising.[13] Higher tariffs weighed on capex in 2025 by raising uncertainty and increasing input costs, particularly for components that were more exposed to tariff increases. Going forward, we expect the tariff drag on capex to fade over the year. We expect strong demand for AI investment to continue to boost capex in 2026; however, reported capex growth will understate the impact of AI. The Bureau of Economic Analysis treats semiconductors as intermediate inputs, which GDP calculations do not capture. However, we expect this nuance to normalize as companies shift from importing individual chips to using full server racks to power data centers, which future GDP prints will reflect in the business investment category. To date, AI capex spending has had a negligible impact on measured GDP growth, given that companies have imported most of the equipment powering AI infrastructure. While the design of advanced semiconductors originates in the US, GDP data has not yet captured this fact, as capex growth in information-processing equipment has tracked changes in information-processing imports. Further, US exports of tech services remain incredibly low, suggesting that sales of intellectual property and related services to foreign manufacturers may have gone unmeasured. Taken together, the AI capex boom has had a negligible impact on measured GDP growth, a trend we expect to continue into 2026. Nonetheless, the fiscal stimulus from OBBBA, along with increased clarity on tariff rates, leads us to expect a healthy increase in 2026 capex spending growth, net of imports.

An important variable in our economic forecast is our expectation that tariff drag will abate throughout the year. While the detrimental effects of tariffs should gradually dissipate, tariff-related price pressures may prove to be more prolonged than initially anticipated. Tariffs have been the most apparent source of upward pressure on inflation as we move into 2026. While the effective tariff rate has increased significantly to around 16.5% as of the end of October, the true rate based on current tariff revenue and import data is closer to 10%.[14] The gradual adoption and enforcement of tariffs have created a gap between the effective and realized tariff rate. While substitution away from higher-tariff goods has contributed to this gap, we expect tariff-related price pressures to persist in the first half of the year as duties are further enforced. At the same time, concerns about consumer responses have led companies to pass through increased tariff-related costs gradually. A CFO survey from the Richmond Fed indicates that additional price pass-through is yet to come, with companies that have a larger share of imported inputs increasingly expecting to raise prices this year.[15] We anticipate that tariff-related price pressures will continue to bias inflation upward in the first half of the year. However, even after tariff effects fade, a modest rebound in job growth, along with relative economic resilience, should sustain a range-bound path for core inflation rates throughout the year. Overall, elevated inflation should remain only a modest headwind to real economic growth in 2026.

12. Abecasis, Manuel. "2026 Capex Outlook: Adding Up the Tailwinds." Goldman Sachs Research, 30 Dec. 2025, publishing.gs.com/content/research/en/reports/2025/12/30/9394f927-9898-489e-a84f-de8deccfa055.html.
13. Senior Loan Officer Survey on Bank Lending, Goldman Sachs
14. Feroli, Michael, et al. "2026 US Economic Outlook: Through a Glass, Darkly." J.P. Morgan Markets, 17 Nov. 2025, markets.jpmorgan.com/jpmm/research.article_page?action=open&doc=GPS-5133747-0.
15. Id.

Exhibit 4: Net Imports of Computer and Communication Equipment and Information Processing Equipment CapEx (Billions)



Source: Goldman Sachs Global Investment Research, US Bureau of Economic Analysis as of 12/23/2025

A dramatic weakening in the labor market poses a significant risk to our forecast, as it would weigh on real income growth and hamper consumer spending. A lingering concern is the impact of AI on employment and whether that could lead to a significant rise in unemployment even without a recession. The current low hiring rate risks a more pronounced increase in unemployment if layoffs accelerate from today's low levels. Job cuts at several large technology companies, driven by AI adoption, have heightened fears of broad-based layoffs. Since the onset of the AI boom, employment trends outside of the technology industry have not validated this concern. The sharp slowdown in employment gains in technology industries may partly reflect the reversal of COVID-era over-hiring. We have yet to see significant aggregate productivity effects from AI that might displace workers. Moreover, there does not appear to be an unusually high degree of occupational change, which we would expect to see if AI job displacement was substantially shifting labor demand across occupations. In summary, while AI-related job displacement is an intermediate-term risk, the risk for 2026 is minimal.

The most significant risk to our outlook is a loss of confidence in AI-related monetization progress, which could trigger a broad market selloff. As mentioned before, the increase in household net worth has been a major contributor to consumer spending over the past few years. With home prices stagnant over the past year, most of the increase in household net worth has come from equity market gains. In turn, the major driver of US equity market returns has been the investor euphoria around the AI revolution. This has led to an increasingly concentrated S&P 500 index that has become highly levered to AI. The top ten stocks in the S&P 500 account for 41% of the index's market capitalization, and most of these stocks are exposed to the AI trend.[16] A capitulation in investor sentiment toward AI would not only cause AI related stocks to sell-off but also lead to a broader market sell-off. In this event, the wealth effect that has been such a catalyst for consumption could revert into a significant drag. Moreover, the drag on consumption would disproportionately burden higher-income households, which have been the primary source of consumer spending growth. With lower-income households already showing signs of stress, a sustained equity market sell-off could push the US economy into recession.

16. Slok, Torsten. "2026 Outlook: The Year Ahead in 14 Sparks." Apollo, Dec. 2025, www.apollo.com/content/dam/apolloaem/documents/insights/outlook/apollo-2026-outlook-white-paper.pdf.

ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

2. The Federal Reserve Outlook

The Federal Reserve ("Fed") appears to be at an inflection point heading into 2026. Core inflation has moderated but remains above the Fed's 2% target, while labor market conditions have softened notably. In July 2023, the Federal Open Market Committee ("FOMC") raised the federal funds rate to 5.25%–5.50%, the last rate hike of a rapid 500-basis-point tightening cycle.[17] Restrictive monetary policy caused inflation to trend lower, prompting the Fed to pivot to a dovish stance and begin cutting rates in September 2024.[18] The federal funds rate ended the year in a range between 3.50% and 3.75% after the Fed announced a 25-basis-point cut at its December meeting. Heading into 2026, the Fed faces two major questions—where will the terminal rate ultimately settle, and who will take over as the new Fed Chair?

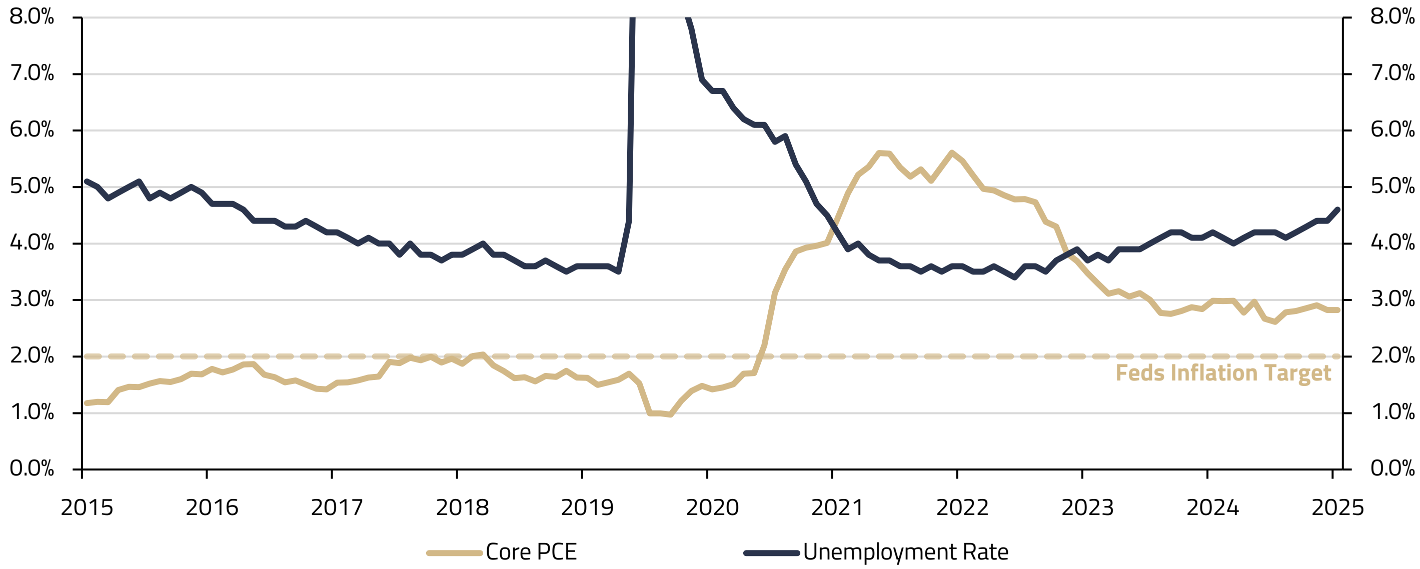
The Fed's current challenge is balancing a cooling labor market amid a still elevated inflationary environment. Labor market conditions have begun to soften, with unemployment drifting higher and job growth slowing. The November 2025 civilian unemployment rate sits at 4.6%, the highest level in more than four years.[19] The upward trend in unemployment is concerning even though the current rate remains below levels seen during previous recessions. History suggests that a rapid rise in unemployment is challenging to reverse. We do not forecast a significant acceleration in unemployment in 2026, given solid economic activity and strong corporate profitability. Nonetheless, further labor market weakness remains a key risk that requires monitoring.

At the same time, while inflation has moderated from its peak, it has remained above the Fed's 2% target since February 2021. The latest inflation reading from the September Bureau of Economic Analysis ("BEA") report showed core Personal Consumption Expenditure ("PCE") remains at an elevated 2.8%.[20] While the prices of imported goods are still being impacted by tariffs, we believe it is unlikely that inflation will trend upward in the coming months.

Forecasting Fed interest rate policy in 2026 has become increasingly complex. The Fed must simultaneously balance inflation, which remains above target, with a labor market that is weakening (Exhibit 5). Lowering rates too quickly could risk rekindling price pressures and inflation expectations unanchoring. On the other hand, keeping rates higher for longer than necessary could further impair an already fragile labor market.

17. Bloomberg
18. Id.
19. Bureau of Economic Analysis
20. Bloomberg

Exhibit 5: Unemployment Rate & Core PCE (Year-Over-Year Change)



Source: Bureau of Labor Statistics, Bloomberg as of 11/01/2025

The growing uncertainty about the future of the Fed's leadership is complicating the situation. With Chairman Powell's term set to end in May, President Trump will nominate the next Fed Chair in the coming months. At time of writing, Kevin Hassett, National Economic Council Director, is the leading contender for the role, which has raised concerns among investors.[21] As a longtime Trump advisor who has served in both Trump administrations, Hassett's views more closely align with the White House than those of previous Chairs. Some investors view Hassett as a potential threat to the Fed's independence, concerned that he may prioritize the President's agenda over the Fed's dual mandate of price stability and full employment. If President Trump nominates Hassett, investors would likely demand greater inflation and term premiums, pushing longer-dated yields higher. The key question for investors may be less about the near-term path for rates and more about whether a Hassett-led Fed can credibly demonstrate independence from the White House.

Beyond Hassett, prediction markets view Kevin Warsh and Christopher Waller as the other leading candidates. Warsh has gained support in Wall Street circles close to the administration. A recent Wall Street Journal poll of corporate executives found that 80% saw Warsh as the best option for the job.[22] He is seen as a moderate choice who is unlikely to serve as a mouthpiece for the White House. This is not Warsh's first time in the running for Chair of the Federal Reserve. During the 2017 nomination cycle, Warsh was considered a leading candidate, but President Trump selected current Chair, Jerome Powell.

Christopher Waller also remains in contention. Waller currently serves as a Federal Reserve Governor and has been among the more dovish voices on the FOMC, advocating for looser monetary policy in recent years. Waller is regarded as a logical candidate because his policy stance aligns with the President's preferences, yet he is not considered one of Trump's close allies. If he were to become the next Fed Chair, the administration could secure a leader inclined toward lower rates while also addressing Wall Street's desire for continued Fed independence.

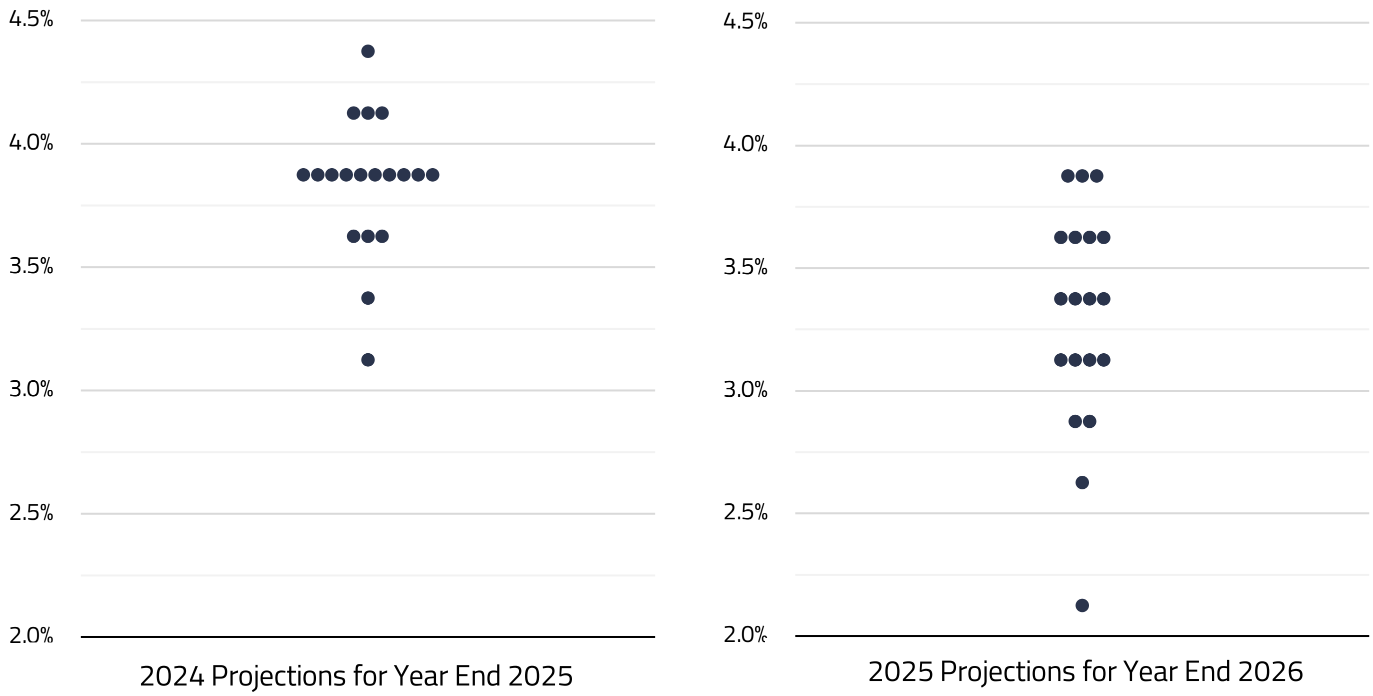
21. Timiraos, Nick. "Fed's Fractured Vote Signals Trouble Ahead for Future Rate Cuts." The Wall Street Journal, 10 Dec. 2025, www.wsj.com/economy/central-banking/feds-fractured-vote-signals-trouble-ahead-for-future-rate-cuts-d13f183f?msockid=25cc929fb650621221f28436b7db6338.

22. Schwartz, Brian. "The Fight Over the Next Fed Chair Is Spilling Out Across D.C. and Wall Street." The Wall Street Journal, 20 Dec. 2025, www.wsj.com/politics/policy/the-fight-over-the-next-fed-chair-is-spilling-out-across-d-c-and-wall-street-14761d86?msockid=25cc929fb650621221f28436b7db6338.

Regardless of who succeeds Powell as head of the Fed, the FOMC enters 2026 unusually divided. The decision to cut rates by 25 basis-points in December was far from unanimous. Jeffrey Schmid and Austan Goolsbee preferred no cut, citing uncertainty surrounding both inflation and the labor market. Conversely, Stephen Miran dissented in favor of a larger 50-basis-point cut.[23]

The December FOMC dot plot, where members lay out their projections for where they believe the federal funds rate is most likely to be at the end of subsequent years, reinforces the growing dispersion of views around policy rates among Fed governors. Projections for the end of 2026 are among the most dispersed one-year horizons in recent dot plots. The high end includes three participants expecting a range of 3.75%-4.00%, while the low end sits at 2.00%-2.25%.[24] From today's starting point, this implies a range spanning one hike to as many as six cuts, wider than is typical for a one-year outlook. Exhibit 6 shows the current dispersion of outlooks in the committee compared to a more traditional one-year outlook, such as the 2024 projections.

Exhibit 6: FOMC Dot Plot (One-Year-Ahead Federal Funds Rate Projection)



Source: Federal Reserve Summary of Economic Projections (2024-2025)

Beyond interest rates, the Fed's balance sheet management is likely to be a renewed topic of discussion in 2026. After rapidly expanding its balance sheet during the pandemic to support financial conditions, the Fed has been gradually reducing its holdings, allowing securities to roll off over time. In December, however, the Fed announced that it would start purchasing $40 billion of short-term Treasury securities per month.[25] The Fed described the plan as a routine operational step to ensure ample liquidity ahead of seasonal tax-related flows in mid-April.

23. Timiraos, Nick. "Fed's Fractured Vote Signals Trouble Ahead for Future Rate Cuts." The Wall Street Journal, 10 Dec. 2025, www.wsj.com/economy/central-banking/feds-fractured-vote-signals-trouble-ahead-for-future-rate-cuts-d13f183f?msockid=25cc929fb650621221f28436b7db6338.
24. Federal Open Market Committee. "Summary of Economic Projections." 10 Dec. 2025, Board of Governors of the Federal Reserve System, www.federalreserve.gov/monetarypolicy/fomcprojtabl20251210.htm
25. Forsyth, Randall W. "The Fed Is Buying Billions in T-Bills. Just Don't Call It QE." BARRON'S, 12 Dec. 2025, www.barrons.com/articles/fed-treasury-bills-quantitative-easing-deficit-9c6fd7ec.

Some market participants question the timing. George Goncalves, head of US Macro at Mitsubishi UFJ Financial Group, noted that purchasing Treasuries several months ahead of the April 15 tax date is unusual, particularly given the Fed's toolkit for addressing short-term funding disruptions.[26] While the ultimate motivation is difficult to infer, the market implication is straightforward. Ongoing balance-sheet expansion will add liquidity and loosen financial conditions, supporting economic growth, but with the potential risk of rekindling inflationary pressures.

Our base case is further easing in 2026, with three rate cuts being the most likely outcome. Although inflation remains above target, it has stabilized, while the unemployment rate continues to drift higher, shifting the path of monetary policy towards additional easing. In parallel, regardless of who Trump selects to Chair the Fed, sustained pressure from the White House to ease policy increases the probability of additional cuts at the margin. For these reasons, we view the path of least resistance for the federal funds rate as remaining lower over the coming year. On the balance sheet, the key question is whether the Fed's monthly T-bill purchases will extend beyond the April 15 tax date.

26. Forsyth, Randall W. "The Fed Is Buying Billions in T-Bills. Just Don't Call It QE." BARRON'S, 12 Dec. 2025, www.barrons.com/articles/fed-treasury-bills-quantitative-easing-deficit-9c6fd7ec.

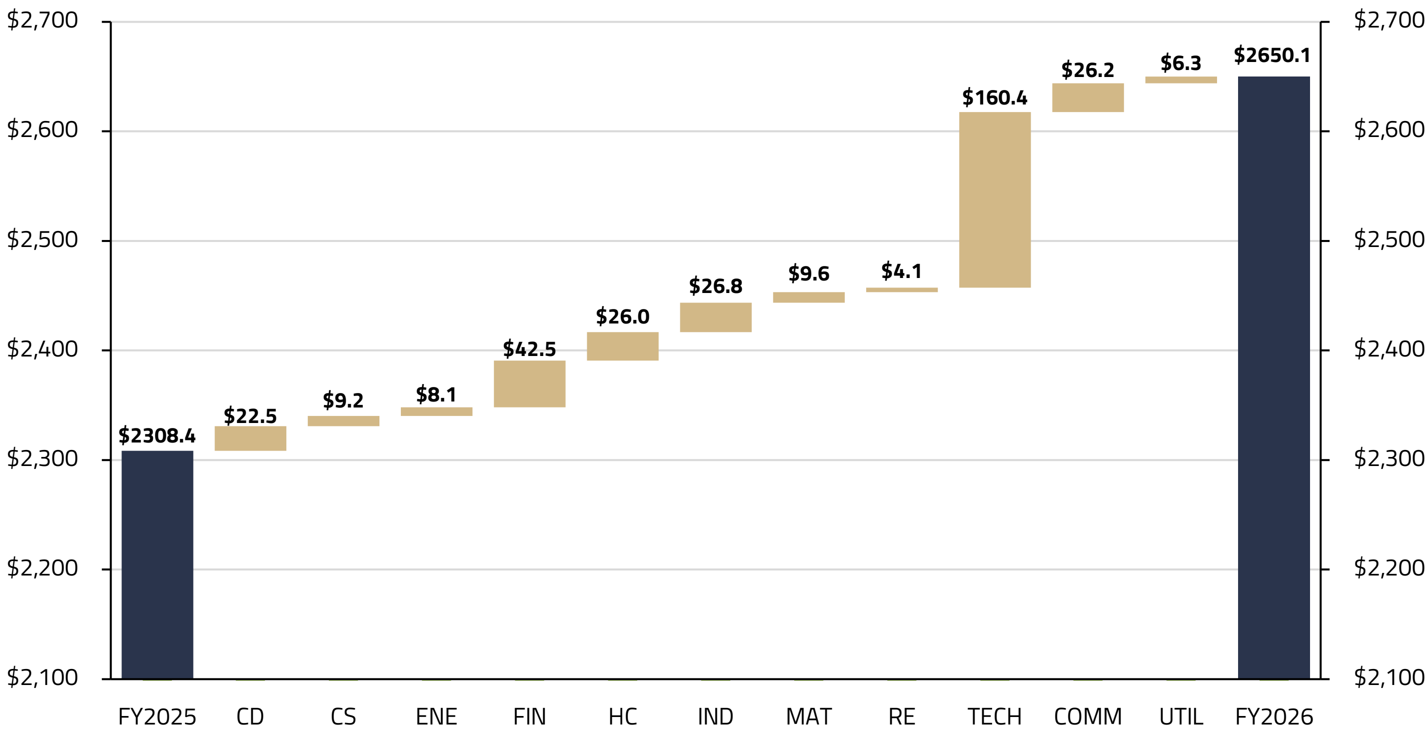
ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

3. Outlook for US Equities

US equities were broadly higher in 2025 for their third consecutive annual advance. The S&P 500, Nasdaq, and Russell 2000 indices all rose by double-digits, gaining 16.39%, 20.36%, and 11.29%, respectively.[27] Large-cap tech, especially semiconductors, led the market while industrials and financials also performed well, and market participation broadened over the last three months of the year. As a group, the Magnificent Seven returned 24.56%, but only two of the seven companies – GOOGL (+65.4%) and NVDA (+38.9%) – managed to outperform the S&P 500 index.[28]

After three consecutive years of strong gains for US equities, some investors are expressing concern about valuations and whether we are in an AI bubble. While valuations remain elevated with the S&P 500 starting the year trading at a 22x forward price-to-earnings ratio ("P/E") versus its 10-year average of 19x, S&P 500 earnings have grown by double-digits over the past four quarters and are on pace to end 2025 with a 12.1% gain.[29] For 2026, analyst estimates call for another strong year of 15% earnings growth.[30] Since reported earnings growth, not multiple expansion, accounted for the majority of 2025's equity gains, we do not see valuation as an impediment to further gains in 2026.

Exhibit 7: S&P 500 Earnings Estimate Breakdown by Sector for 2026 (Billions)



Source: Strategas as of 1/5/2026

27. Bloomberg
28. Id.
29. FactSet
30. Id.

As for whether we are in an AI bubble, we believe there are some concerning red flags that have emerged, but mostly in the private markets. (Note: we address the concerns around an AI bubble in the next section of this Outlook). Public market investors have been discerning, leading to two significant AI-related sell-offs during the year and significant underperformance by many leading software companies. While there have been pockets of froth, they have been isolated to certain speculative areas and not emblematic of the aggregate market.

Looking ahead to 2026, we see another year of positive returns for US equities driven by solid economic growth, easing monetary policy, and continued momentum from the AI investment boom. With valuation multiples already elevated, we see the S&P 500 returning 7%-10%, which is in line with or slightly below our estimate for 2026 earnings growth. While we recognize that our outlook stands with the consensus, we believe the risk to our forecast skews heavily to the upside if AI spending and adoption exceed expectations and if companies start to show meaningful revenue growth and margin expansion from AI initiatives. Using a baseball analogy, we believe we are in the middle innings of this AI investment wave, and the best returns historically come in the later stages. We also believe that we will not see a significant AI reset in the public markets until many of the leading private AI companies go public. The scale of new equity these companies will bring to public markets at rich valuations threatens to overwhelm investor demand, especially after their lockups expire. A significant increase in initial public offerings ("IPOs") is one of the key indicators that we believe will mark the top of this market cycle.

As previously mentioned, the economy enters 2026 with solid momentum, along with tailwinds from easing monetary policy. AI infrastructure spending growth, along with investments in new power generation, should continue to support the economy. With the tariff shocks of 2025 behind us and the realized tariff rate much lower than originally feared, companies should grow their strategic spending. Diminishing tariff uncertainty led to more mergers and acquisitions ("M&A") deals and IPOs in the back half of the year, a trend we believe will gain momentum in 2026. Despite some high-profile credit defaults in 2025, defaults and distressed exchanges are trending downward, and corporate credit spreads are currently near record lows.[31] These indicators point to abundant liquidity in the financial system and reflect an attractive environment for companies to finance their initiatives. On the consumer side, Strategas estimates $150 billion in consumer stimulus from the One Big Beautiful Bill Act ("OBBBA") in 2026, primarily in the form of tax refunds and lower withholdings. In addition, the wealth effect of recent-year stock and housing market gains should continue to support high-end consumer spending. Finally, the US economy should receive a strong boost from hosting the 2026 World Cup and from the planned celebrations to commemorate the 250th anniversary of the signing of the Declaration of Independence.

The momentum we see for economic growth is not isolated to the US. Most equity markets around the world performed exceptionally in 2025, outpacing US markets. Many of these international markets have little exposure to technology or the AI investment theme. Strength in commodity prices, apart from oil, along with global bond yields trending higher, points to a healthy and growing global economy. Thus, we believe investors should diversify their equity exposure. International markets remain attractive, and within the US, we believe late-year momentum in small-caps, transportation, and healthcare stocks should carry forward into 2026, providing diversification from big tech and an opportunity for outperformance.

Small-cap stocks should get an outsized benefit from the Trump administration's deregulation efforts and the lagged effects of the Fed's easing cycle. They should also benefit from the increased M&A activity we anticipate. Transportation stocks have been in a multi-year bear market but have recently demonstrated strong relative strength along with increases in commodity prices. We see transports as the best way to capitalize on the cyclical upswing that global markets are signaling. Healthcare has also been a lagging sector over the past few years as policy uncertainty weighed on returns. With most of those issues in the rear-view mirror and valuation at an attractive level, the sector is poised to outperform as investors warm to AI's transformational potential to drive growth and margin expansion for the group. We are also cognizant that 2026 is a midterm election year, which has historically been volatile for stocks. Healthcare's defensive qualities should also serve the sector well in 2026. While AI will continue to dominate the market narrative, market breadth should continue to improve, and investors should not overlook other areas of the market.

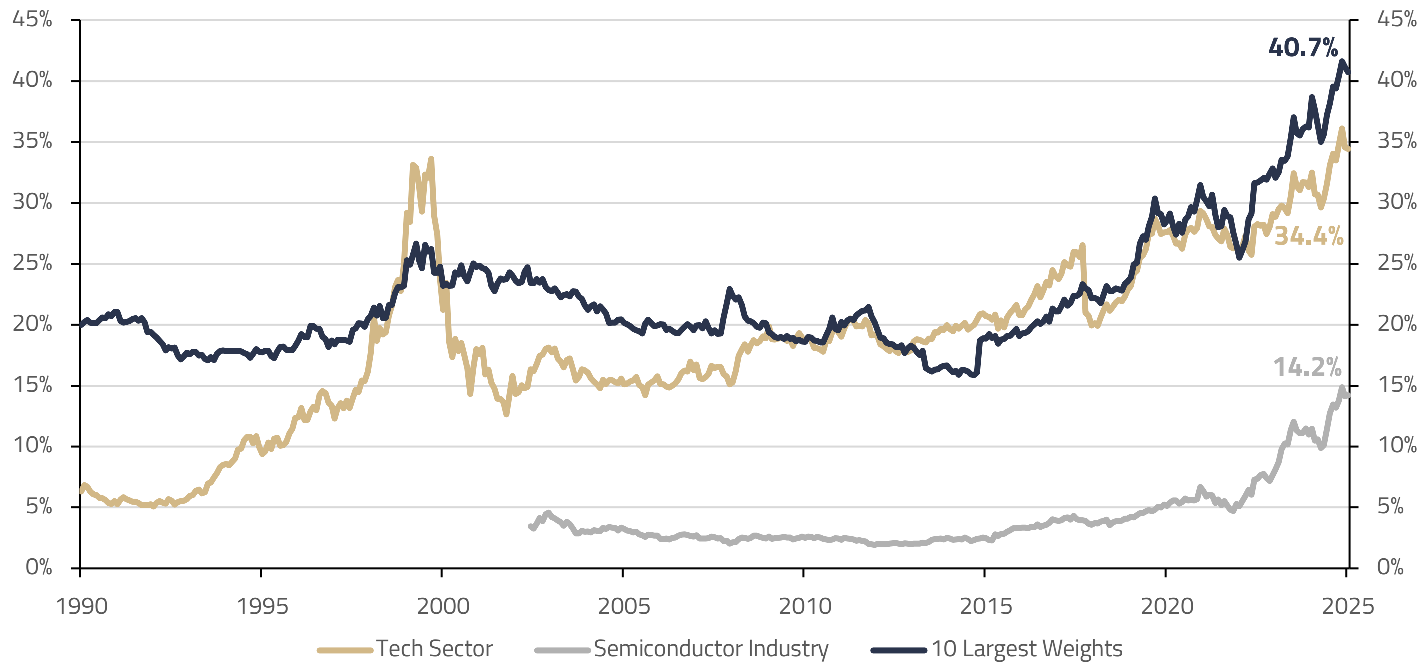
31. Bloomberg

To be clear, we are not calling for dramatic underperformance in tech or AI-levered stocks in 2026. As in 2025, the path is likely to remain volatile as investors continue to question the wisdom and viability of the massive scale of AI infrastructure investments. Overall, we see continued strong revenue and earnings growth from the AI complex, which should translate to another year of strong returns, although we would not be surprised to see some of the best returns come from companies deploying AI rather than companies benefiting from the AI infrastructure buildout.

With valuations elevated and sentiment skewed bullish, we recognize that certain risks may emerge that could cause outsized declines in equity prices. We believe the three biggest risks to equity prices are the following:

1. **A reckoning of the AI complex:** As of the end of 2025, the ten largest weights in the S&P 500 account for over 40% of the index, while the semiconductor industry accounts for 14.20%.[32] Most of these constituents are highly levered to the AI investment boom, so the S&P 500 index could enter a bear market if AI enthusiasm evaporates. Leading causes of such disappointment could include AI investment spending growth that substantially misses expectations, investors losing confidence and patience with AI monetization progress, and clear evidence that the useful lives of data centers and GPUs serving as collateral for much of the newly issued infrastructure debt are well below underwritten expectations.

Exhibit 8: S&P 500 Concentration



Source: Strategas, Bloomberg as of 12/31/2025

32. Bloomberg

2. **Higher long-term bond yields:** Over the past three years, US equities have declined or stalled when the US 10-year yield rises above 4.50%, as higher rates weigh on economic growth and pressure equity-market multiples. In 2025, the US 10-year yield declined 40 basis points ("bps") to close the year at 4.18%, but the 30-year yield gained 6 bps to 4.84% despite Fed easing measures.[33] Investors are increasingly concerned about the US's long-term fiscal outlook, resulting in higher 30-year US Treasury bond yields. The more economically important 10-year yield has remained in a tight range over the past ten months but may surge higher if inflation reasserts itself or if investors lose confidence in the Fed. Chairman Powell's term ends in May, and it is widely known that President Trump is seeking to nominate a new Fed chair who shares his desire for lower rates. If investors question the Fed's independence and the wisdom of its policy decisions, the likely result would be sharply higher long-term US Treasury bond yields, which could induce an equity bear market.

Exhibit 9: S&P 500 Index vs 10-Year Yield > 4.5%

Source: Bloomberg as of 12/31/2025

3. **Geopolitics:** The US's removal of Nicolas Maduro from Venezuela vaults geopolitics to the forefront of potential risks. While the short-term effects on markets are negligible, the US's actions in the Western Hemisphere could embolden adversaries such as Russia and China to assert greater dominance in their spheres of influence. Any attempt by China to reunify Taiwan could destabilize markets, leading to a significant correction.

As we start the new year, the primary risks to equities rhyme with those we discussed last year. In 2025, US equities posted another year of double-digit gains despite two AI-related sell-offs, no meaningful progress on US debt sustainability, and a volatile geopolitical environment. The market even shrugged off large declines sparked by the shock of President Trump's Liberation Day tariffs. Looking ahead, we see a more favorable setup for equities with respect to monetary policy, fiscal policy, and tariffs. The AI investment wave is showing modest signs of froth, but we believe we have further to go before the peak. Events in Venezuela add a new wrinkle to the geopolitical backdrop, although geopolitical events rarely cause broad-based corrections. Overall, we believe the most likely outcome for US equities is a year of modest gains with price gains matching or trailing earnings growth. However, we believe the odds of another double-digit increase are far higher than the odds of a bear market, so we want to position portfolios accordingly.

33. Bloomberg

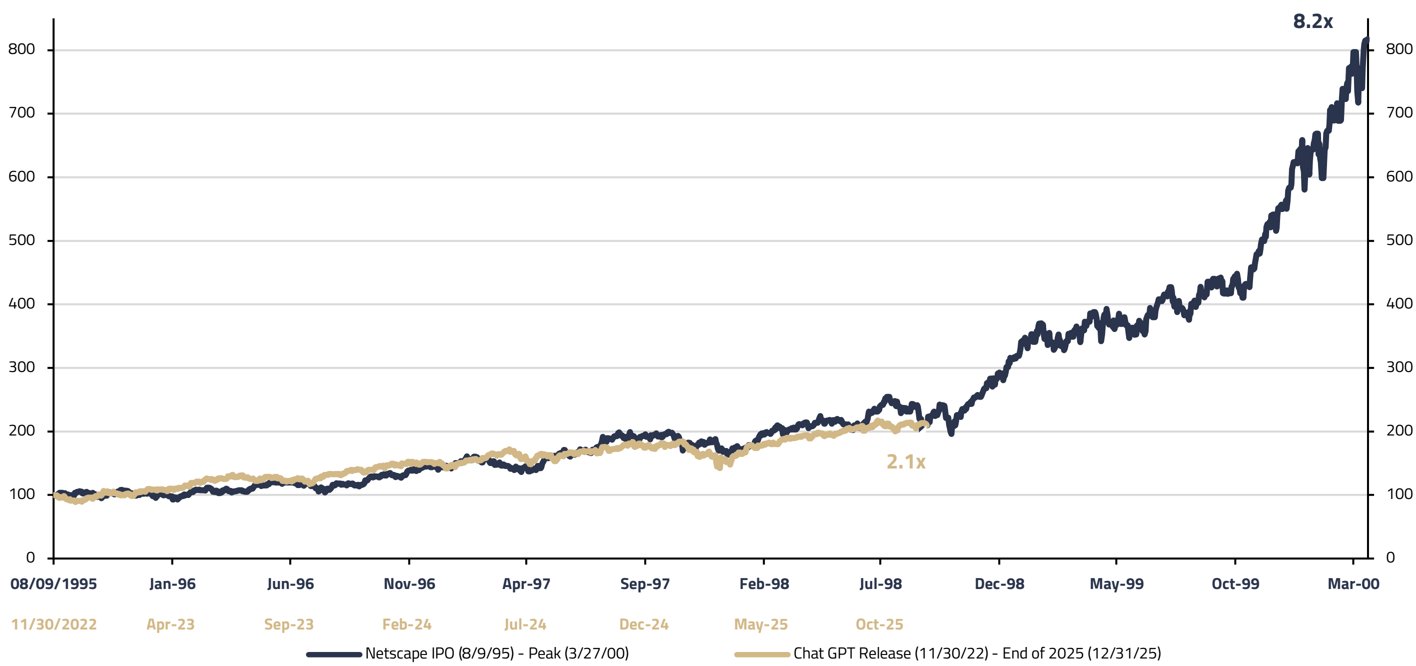
ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

4. AI Bubble Concerns

Since the release of ChatGPT in November 2022, Artificial Intelligence ("AI") has dominated the market narrative and has been the primary engine pushing equity markets higher. The S&P 500, since that time, has risen 69% with an estimated 78% of those gains driven by AI-related names.[34] Nvidia ("NVDA"), the leading AI semiconductor company, gained 1010% during that time to become the world's most valuable company.[35] The move higher in equities has been propelled by massive infrastructure spending to date, along with the trillions of dollars in additional capital expenditures announced. The size and growth of the spend, along with the circularity of deals announced and still uncertain return on investment ("ROI"), have caused many market participants to question whether we are in an AI bubble.

A bubble forms when asset prices rise dramatically beyond what the underlying fundamentals can support. Comparisons to the telecom and internet bust of the early 2000s are widespread. We think the concerns are valid, but premature with respect to the public markets. A chart of the Nasdaq index from the mid- to late-90s compared to the Nasdaq's performance since the release of ChatGPT shows two vastly different paradigms. While returns have been robust over the past three years, they pale in comparison with those during the dot-com period.

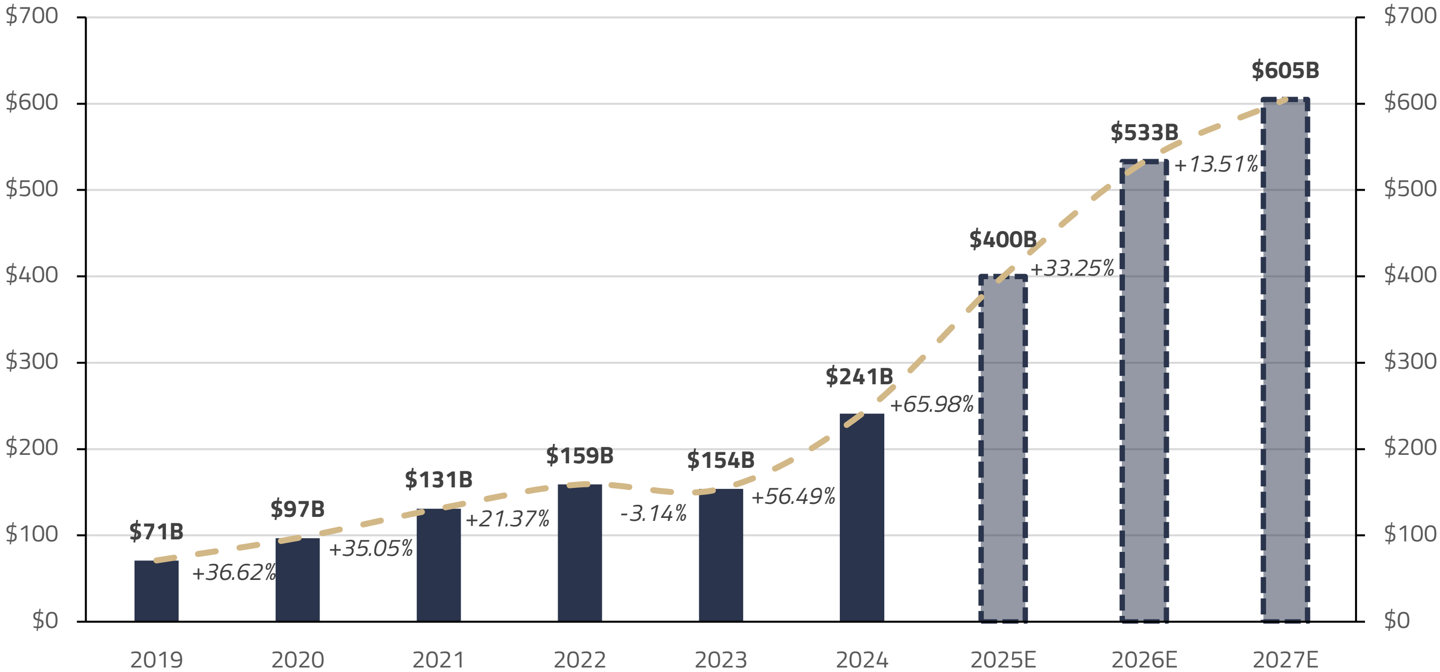
Exhibit 10: Nasdaq Performance, Indexed to 100, Following the Netscape IPO and ChatGPT Release



Note: Indexed to 100 on first date of data series. Source: Bloomberg as of 12/31/2025

34. Cembalest, Michael. "JPM EOTM Outlook 2026 - Smothering Heights." J.P. Morgan Asset & Wealth Management, 1 Jan. 2026.
35. Bloomberg

Exhibit 11: Total AI Hyperscaler CapEx (Billions)



Note: Hyperscalers include Alphabet, Amazon, Meta, Microsoft, and Oracle. Source: JP Morgan Asset Management, Bloomberg as of 12/31/2025

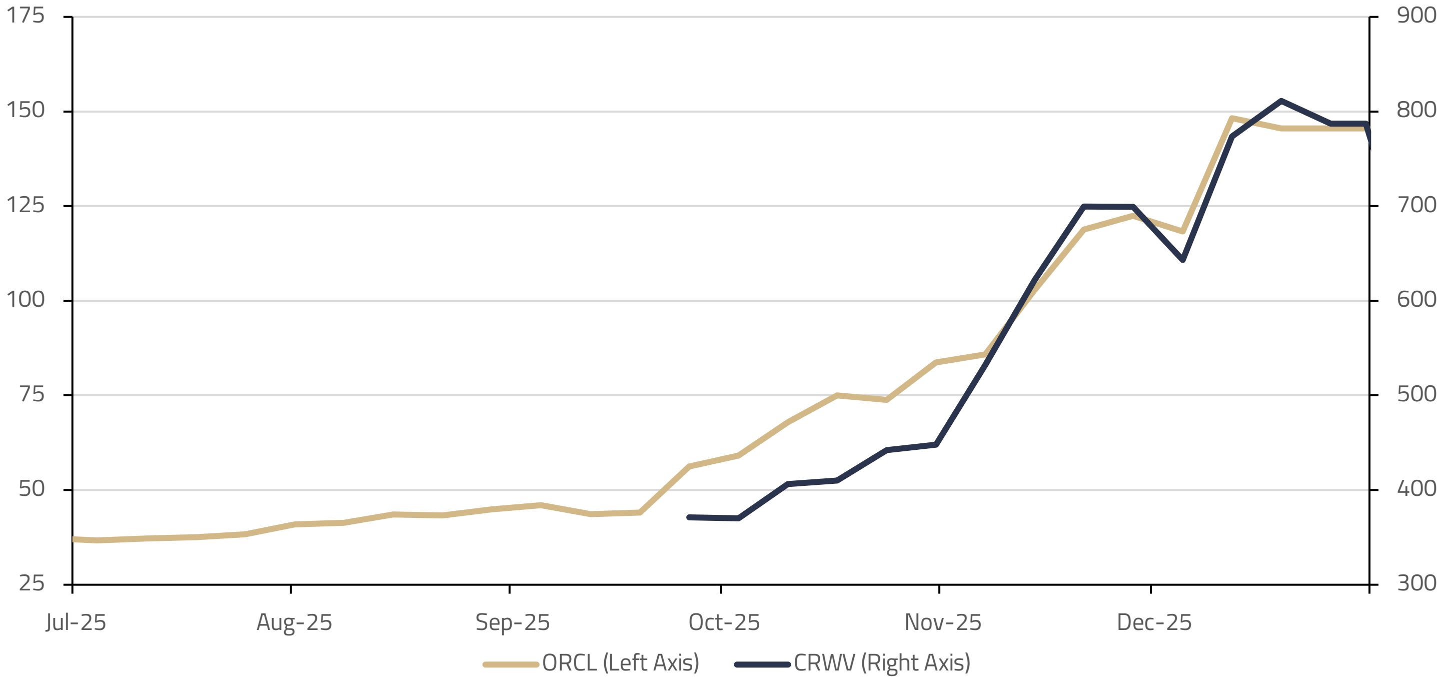
The best performing stocks over the past three years have been AI infrastructure stocks – semiconductors, hyperscalers, neoclouds, select utilities, and other companies that are levered to the data center construction boom. Many of these companies experienced two sharp corrections in 2025. Early in the year, AI companies came under intense pressure after the release of DeepSeek, a Chinese large language model ("LLM"), that performed similarly to leading American LLMs yet was reportedly trained at a fraction of the cost. AI companies rebounded strongly from early-year weakness as a feared curb in infrastructure spending never materialized. On the contrary, the leading hyperscalers exceeded forecasted AI spending, citing capacity constraints. Exhibit 11 shows that hyperscalers expect another strong year of AI spending growth in 2026.

Late in the year, investors began to question the wisdom of this continued, elevated spending. Oracle ("ORCL") has become a battleground stock in the debate. In its September 9 earnings report, the company reported $455 billion in remaining performance obligations ("RPO"), a 359% year-over-year increase, primarily driven by a five-year $300 billion cloud contract with OpenAI.[36] In response to the report, the company's stock surged 36%, adding nearly $250 billion to its market capitalization.[37] The stock's reaction sparked fears of an AI bubble, but ORCL has since given back all its gains and more. Oracle is spending aggressively to build AI data centers to meet its obligations, and much of that spending is being funded via the debt markets. Oracle's credit default swaps, insurance that protects against a company's debt default, have surged in price. CDS investors are skeptical of Oracle's debt-fueled spending binge to support enormous revenue potential tied to an unprofitable private company, granted one that is a juggernaut.

36. "Oracle - Oracle Announces Fiscal Year 2026 First Quarter Financial Results." Oracle Corporation Investor Relations, Oracle , 9 Sept. 2025, investor.oracle.com/investor-news/news-details/2025/Oracle-Announces-Fiscal-Year-2026-First-Quarter-Financial-Results/default.aspx.

37. FactSet

Exhibit 12: Oracle and CoreWeave Five Year Credit Default Swap Spread (bps)



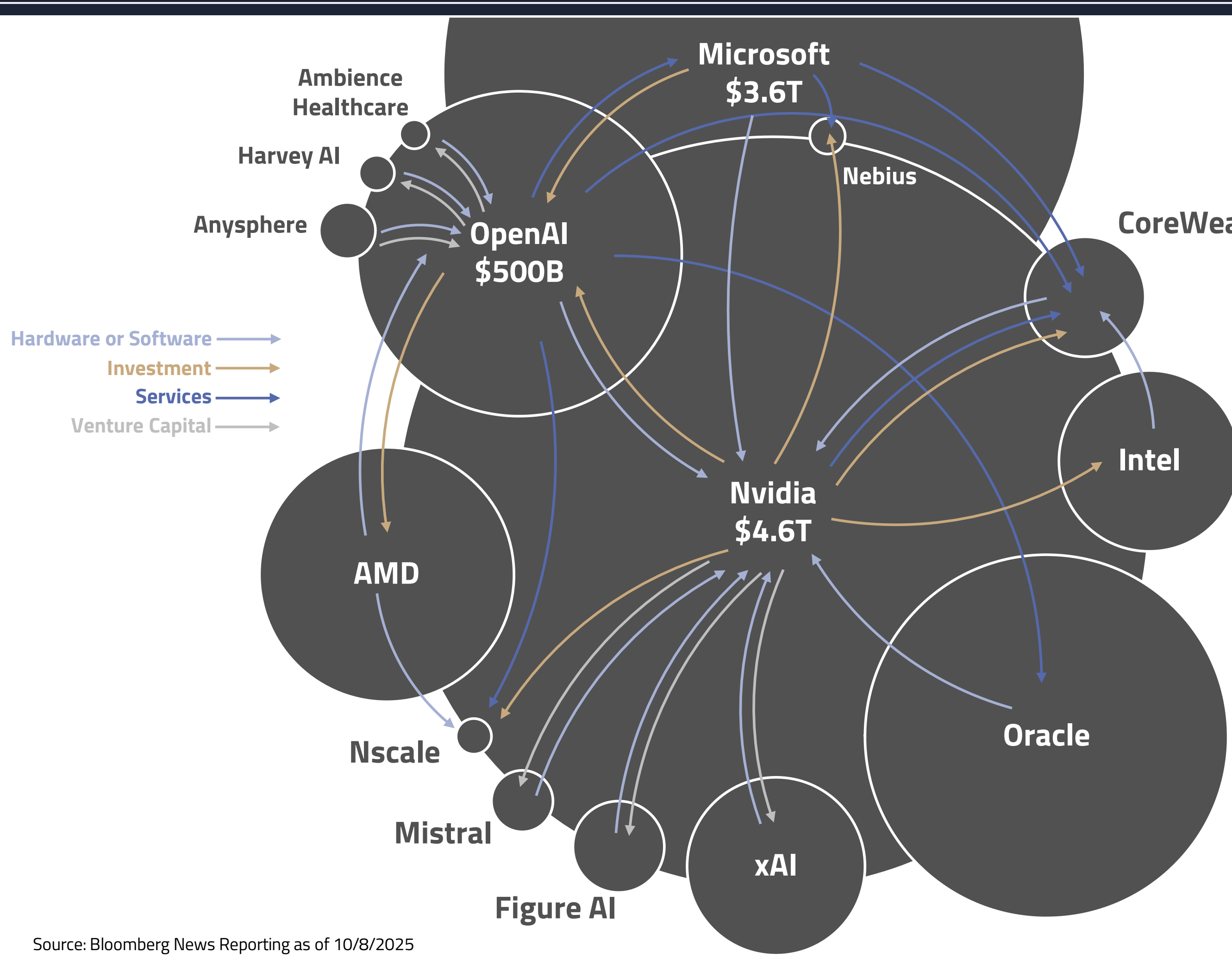
Source: Bloomberg as of 12/31/2025

The circularity of many announced infrastructure deals has also led investors to draw parallels to the vendor-financing deals that supported the telecom boom of the late '90s and eventually led to its bust. Exhibit 13 shows the complex spaghetti web of deals involving leading companies across the entire AI ecosystem. Nvidia and the leading cloud providers have announced several significant equity investments in leading AI companies and neoclouds, such as OpenAI, Anthropic, CoreWeave, and Nebius. These investments help unprofitable AI companies finance purchases of GPUs or cloud services, potentially inflating demand. The industry is increasingly embracing creative deals that blur the boundaries between vendor, customer, and lender, which is a cause for concern. We believe we are eventually headed for a crescendo moment in which overly aggressive data center projects start to collapse due to construction delays and power shortages. However, we suspect we are still one or two years away from that moment. As we saw in the telecom bust, "Circularity can be virtuous on the upside, and vicious on the downside."[38]

While it may seem like AI has lifted all boats, the reality is quite different. Public market investors are discerning between potential winners and losers, as evidenced by the performance of many large tech stocks. In 2025, only two of the Magnificent Seven outperformed the S&P 500, and many leading software stocks, such as Salesforce, ServiceNow, and Adobe, declined by more than 20%.[39] The same cannot be said for the private markets, where we believe AI euphoria has led to bouts of irrational exuberance that may result in poor returns for many venture investors.

38. Weil, Jonathan. "Circular AI Deals Spark Worries of a Bubble." The Wall Street Journal, 23 Oct. 2025.
39. FactSet

Exhibit 13: AI Circularity



Source: Bloomberg News Reporting as of 10/8/2025

OpenAI, the creator of ChatGPT and the technology's biggest cheerleader, is quickly becoming a symbol of excess. The company has committed to spending $1.4 trillion on AI infrastructure over the next eight years, despite only currently generating an estimated $13 billion in revenue and forecasting losses exceeding $125 billion through 2029.[40] To meet its obligations, the company's revenue will need to continue to scale exponentially while attracting hundreds of billions of dollars of new equity capital. Meanwhile, the company's leadership position has become more tenuous since Google released its Gemini 3 LLM in November. Gemini 3 shot up to the top of the LLM leaderboard in many categories according to the LMArena website, forcing OpenAI CEO Sam Altman to issue a company-wide code red in hopes of warding off the competitive threat. OpenAI also trails Anthropic in the enterprise AI market, yet it is reportedly in discussions to raise $100 billion at a pre-money valuation of approximately $750 billion. This would represent a significant increase over the previous $500 billion valuation achieved earlier in the year despite competitive setbacks.

40. Muppidi, Sri. "Anthropic to Outpace OpenAI in Server Efficiency, Internal Projections Show ." The Information, 10 Nov. 2025, www.theinformation.com/articles/anthropic-projects-cost-advantage-openai.

Furthermore, venture capitalists ("VCs") are deploying capital into AI companies at an unprecedented pace and scale. According to Pitchbook, VCs have funded $275 billion in AI investments in 2025, more than doubling their total from 2024. Safe Superintelligence and Thinking Machine Labs, two startups founded by former OpenAI executives and prominent AI researchers, have raised billions of dollars at valuations north of $30 billion prior to ever releasing a product or generating significant revenue. In addition, many vertical AI companies have quickly achieved valuations north of $5 billion despite targeting limited total addressable markets ("TAMs"). While many companies are scaling to $100 million in annual recurring revenue ("ARR") quickly, we believe the durability and defensibility of these revenues is debatable. In this regard, this period reminds us of the COVID period when VCs over-extrapolated current growth trends into the future, leading to many deals executed at valuations that proved unsustainable. The following quote from Marina Davidova, co-founder and managing partner at VC firm DVC, sums up the current environment well; "The last two years have been wild. We see some of the fastest-growing companies in history, but it's never been harder for VCs to see through the noise of bloated numbers."[41]

Taken together, we believe we are in the early stages of a technological transformation that will span multiple decades. Like prior technological revolutions, it will create enormous winners but also destroy companies that fail to adapt or evolve with the new paradigm. JP Morgan's Head of North American Credit Research, Tarek Hamid, estimates that the AI infrastructure buildout will exceed $5 trillion.[42] It would be historically unprecedented if such vast sums were spent without experiencing a painful downturn along the way. We believe it is healthy that investors are questioning the pace and scale of the AI infrastructure buildout and whether companies will be able to generate sufficient AI revenues and profits to make an adequate return on their investments. Nonetheless, these capital investments are required to reposition the economy for the AI age and will facilitate what economist Carlota Perez calls the "deployment period" when AI diffuses across the entire economy. These investments, many of which will be capital-destructive, will serve as the foundation for the next leg of accelerated economic growth and prosperity.

41. O'Malley, Jenna. "Pitchbook News - The Weekend Pitch." 28 Dec. 2025.
42. Azzarello, Samantha, and Hemani Patel. "AI - CapEx, Monetization & Valuations." JP Morgan Global Research, 20 Nov. 2025.

ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

5. US Dollar

The US dollar ended 2025 down 9.04%, its worst year since 2017, as measured by the US Dollar Index.[43] The decline coincided with strong performance from the euro and several emerging-market currencies. April's unexpected tariff announcements heightened policy uncertainty, which weighed heavily on the dollar. Given the short-term unpredictability of currencies, the question for 2026 is not the dollar's next move, but whether the foundations of dollar dominance could erode enough to put its reserve-currency status into genuine doubt.

For decades, the US dollar has sat at the center of the global financial system. After World War II, forty-four countries implemented the Bretton Woods system, establishing rules for international commerce and monetary relations. Under that framework, currencies were pegged to the dollar, and the dollar was then convertible into gold. Bretton Woods collapsed in the 1970s when the US abandoned gold backed convertibility, yet the dollar retained its central role in global trade and finance.[44] Today, roughly 88% of foreign-exchange transactions involve the dollar, most global commodities price in dollars, and countries hold an estimated 56% of global foreign-exchange reserves in dollars.[45] The dollar's dominance is reinforced not only by trade and pricing practices, but also by the dollar's role as the world's primary funding currency, anchored by the depth and liquidity of US capital markets.

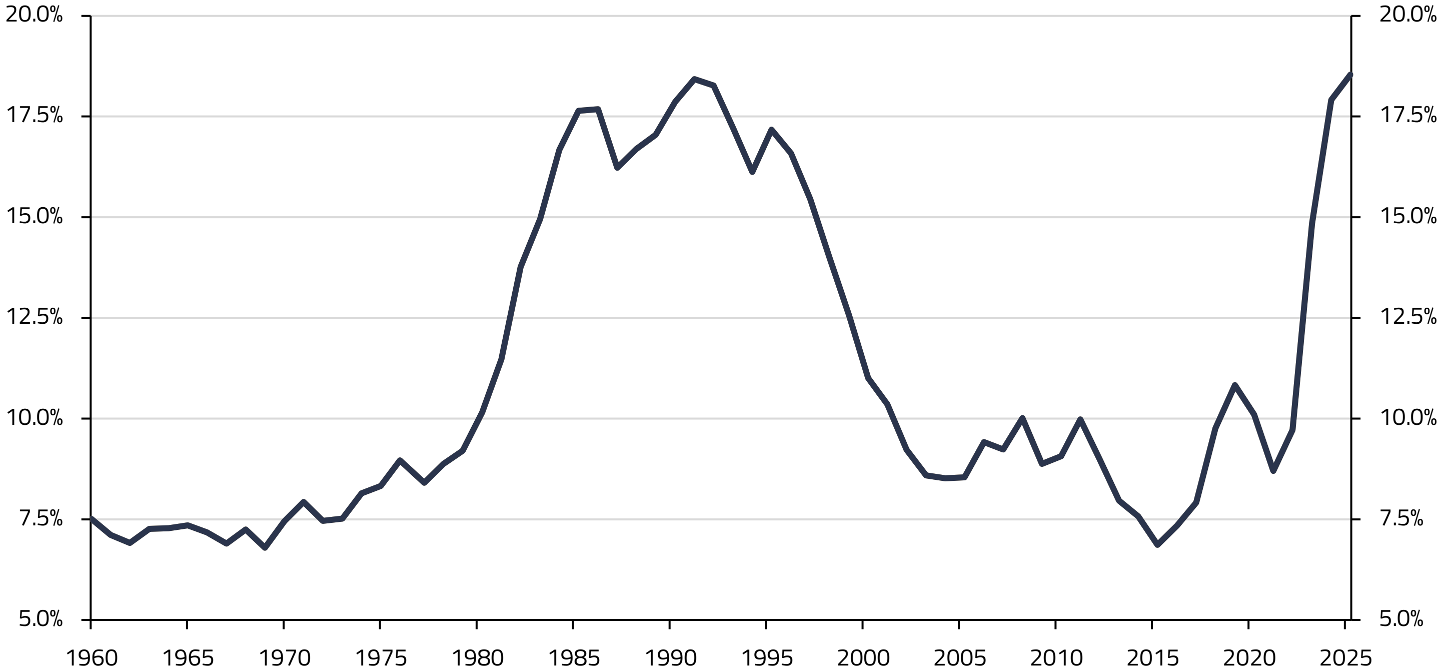
In recent years, however, policy choices and geopolitical shocks have revived debate over whether the era of dollar dominance is approaching an inflection point. A key catalyst has been the US government's confrontational posture toward trading partners. The dollar's centrality can be a stabilizing force for the global system, but it also gives Washington meaningful control and leverage over financial channels. Many countries have long accepted this trade-off, but when foreign parties perceive US policy as more adversarial and less predictable, it becomes reasonable for them to limit their dependency on the dollar.

In 2025, these concerns sharpened around two topics. The first was the April "Liberation Day" tariff announcement, one of the most sweeping tariff escalations in decades and a signal that the US government wants to abruptly restructure trade agreements. The second was the discussions around the "Mar-a-Lago Accord," a rumored blueprint associated with a weaker dollar and mechanisms that could disadvantage foreign holders of Treasuries through maturity-extension or swap-style structures.[46] The idea did not progress beyond early-stage discussion, but the mere possibility of such draconian measures was enough to raise investor attention. Reflecting that unease, a UBS Asset Management survey published in July reported that 29% of reserve managers globally planned to reduce exposure to US assets in response to recent policy decisions.[47]

A second, more structural pressure point for the dollar is the US fiscal trajectory. Despite sustained economic growth, the US government has not run a fiscal surplus since 2001.[48] Persistent deficits require increased borrowing, an issue that becomes consequential in a higher interest-rate environment. In years past, when the government could borrow at historically low rates, deficits felt less urgent because debt service was relatively inexpensive. As rates have normalized, the share of government revenue devoted to interest expense has risen materially, as seen in Exhibit 14. In turn, additional borrowing is needed to fund discretionary spending, compounding future interest costs and creating a vicious cycle. While not inherently fatal, the US federal debt may become increasingly difficult to manage if this dynamic persists.

43. Bloomberg
44. Ghizoni, Sandra Kollen. "Creation of the Bretton Woods System." Federal Reserve History, 12 Nov. 2013, www.federalreservehistory.org/essays/bretton-woods-created.
45. Bertaut, Carol, Bastian von Beschwitz, and Stephanie Curcuru (2025). "The International Role of the U.S. Dollar – 2025 Edition," FEDS Notes. Washington: Board of Governors of the Federal Reserve System,
46. Solovieva, Maria, and Andrew Foran. "The Non-Starter Playbook of the Mar-a-Lago Accord." TD Economis, 1 May 2025, economics.td.com/us-mar-a-lago-accord.
47. Bahceli, Yoruk. "Fed Independence, US Rule of Law at Risk, UBS Reserve Managers Survey Says." Reuters, 3 July 2025, www.reuters.com/business/finance/fed-independence-us-rule-law-risk-ubs-reserve-managers-survey-says-2025-07-03/.
48. Federal Reserve Bank of St. Louis

Exhibit 14: US Federal Government Interest Outlays as a Percent of Total Receipts



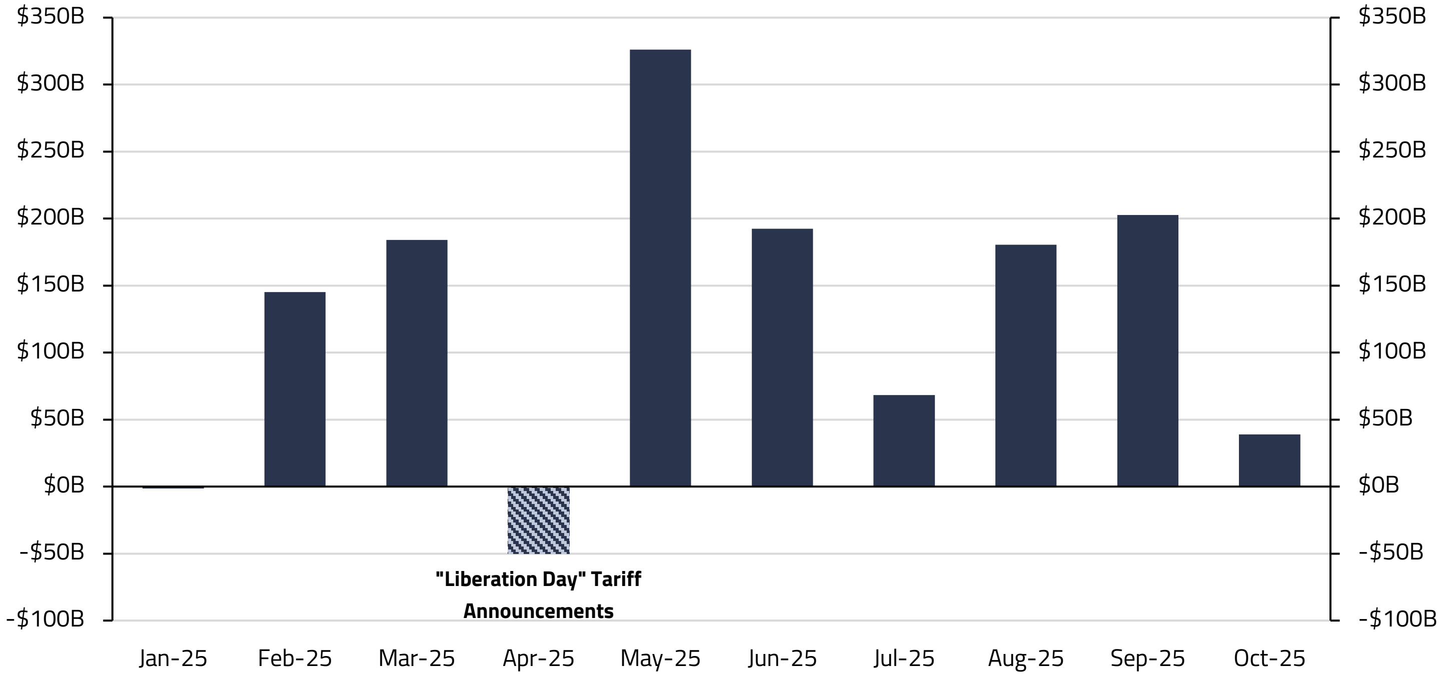
Source: U.S. Office of Management and Budget via Federal Reserve Bank of St. Louis as of 9/30/2025

The current interest burden on US government debt is not without precedent. In the 1990s, interest as a share of revenue reached levels comparable to those seen today. At that time, policymakers responded with a mix of fiscal adjustments, including tax increases and deficit reduction measures.[49] For now, neither party in Washington is willing to prioritize budgetary restraint, since spending cuts and tax increases are politically unpopular. Whether that changes if the issue worsens remains to be seen. What is clear is that, without meaningful change, the current fiscal path is unsustainable, and any deterioration in the US's fiscal credibility could weigh on demand for dollar assets.

While perceptions of the dollar turned negative in 2025, it remains unclear whether foreign investors are reducing US exposure. Data from both the US Department of the Treasury and Apollo Global Management indicate a sharp decline in net foreign purchases in April 2025, consistent with a reaction to the tariff shock. However, foreign demand for US assets has remained firm since then (Exhibit 15).

49. Gale, William G. "Federal Tax Policy in the New Millennium." Brookings, 20 Jan. 1999, www.brookings.edu/articles/federal-tax-policy-in-the-new-millennium/.

Exhibit 15: Net Foreign Purchases of Long-Term US Securities



Source: US Department of Treasury, Apollo Chief Economist as of 12/18/2025

Foreign buying of US equities has been particularly robust, a byproduct of the continued global dominance of the US technology sector. For international investors seeking exposure to the AI investment theme, US markets remain the most direct access point. Many of the largest public AI beneficiaries are US-domiciled, such as Nvidia and Google. Simultaneously, the most prominent private AI firms, like Anthropic and OpenAI, are also US-based, supporting international demand for US assets. Although US Treasuries may be more vulnerable to gradual diversification over time, international investor demand is likely backstopped, given the relative yield premium and liquidity of US Treasuries.

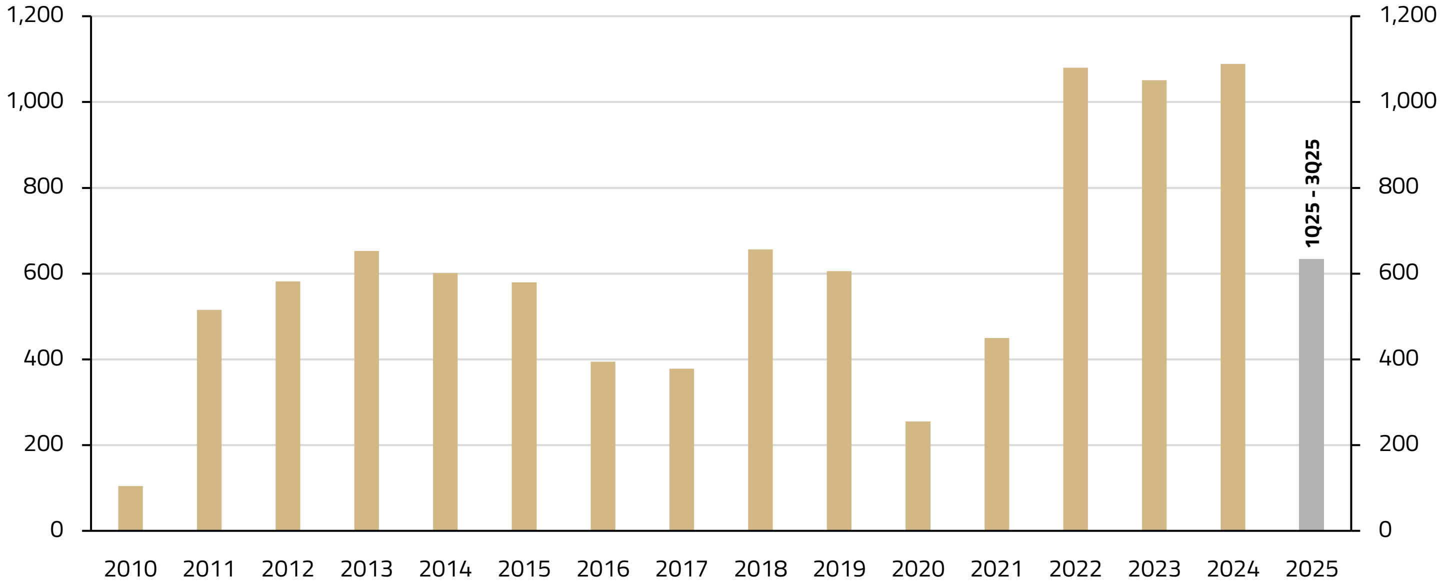
Taken together, we view it unlikely that the dollar loses its reserve currency status in the coming decade. The dominance of US equities, the dollar's embeddedness in global trade, and the lack of a clear alternative reserve currency all support continued dollar primacy. That said, it is plausible that non-US investors and global central banks continue to diversify reserves gradually. Given that backdrop, we believe it is prudent to increase regional diversification in equities while rotating exposure into assets less correlated to the US dollar.

Gold appears particularly well-positioned in such an environment. Investors have long viewed gold as a store-of-value asset that is not directly tied to the fiscal policy of any one nation, an attribute reinforced over centuries. UBS research indicates that 52% of central banks surveyed plan to add to gold reserves in 2026, aligning with recent trends, as central bank gold purchases have accelerated and are expected to remain elevated in the coming years (Exhibit 16).[50] Gold can also serve as a portfolio diversifier. Over the last 30 years, its correlation to the S&P 500 has been consistently low, now sitting at 0.04.[51] After a strong 2025 return of 64%, a near-term correction would not be surprising. However, the longer-term investment thesis for gold remains supported by ongoing reserve diversification and persistent concerns around US fiscal sustainability.

50. Bahceli, Yoruk. "Fed Independence, US Rule of Law at Risk, UBS Reserve Managers Survey Says." Reuters, 3 July 2025, www.reuters.com/business/finance/fed-independence-us-rule-law-risk-ubs-reserve-managers-survey-says-2025-07-03/.

51. Doshi, Aakash, et al. "Invest in Gold A Portfolio Diversifier with Historical Staying Power." State Street Investment Management, Q4 2025, www.ssga.com/library-content/products/fund-docs/etfs/us/insights-investment-ideas/spdr-invest-in-gold.pdf.

Exhibit 16: Global Central Bank Net Gold Purchases (tonnes)



Note: 2025 data through Q3. Source: Bloomberg as of 9/30/2025

Investors increasingly see Bitcoin as gold's digital analog, given its non-sovereign nature and scarcity derived from its rules-based issuance schedule, capped at twenty-one million coins.[52] These characteristics make it structurally harder to debase than fiat currency, which historically loses purchasing power over time as more money is added to the system. Relative to gold, Bitcoin is also easier to transfer and store due to its fully digital nature. However, Bitcoin's history is far shorter than gold's history, and bouts of high volatility have defined its market behavior, including multiple drawdowns exceeding 50%.[53] Unlike gold, Bitcoin remains early in its adoption curve and must demonstrate its resilience across different market regimes. Still, Bitcoin has asymmetric upside if it were to mature into a bona fide store-of-value asset with a footprint comparable to gold.

Using the World Gold Council estimates of above-ground gold supply and end-of-2025 prices, gold's market value is roughly $30.8 trillion[54], versus about $1.8 trillion for Bitcoin.[55] For Bitcoin to approach parity with gold, it would require a multi-fold increase in market value from current levels, yet there is no assurance it will ever achieve that scale.

Importantly for investors, the market infrastructure surrounding Bitcoin has improved. The Securities and Exchange Commission's (SEC) approval of Bitcoin exchange-traded products expanded access for investors who prefer a regulated, operationally simple vehicle rather than direct self-custody. Institutional adoption has broadened as well, with some university endowments such as Harvard[56], and public retirement systems like the state of Michigan and Wisconsin, now disclosing exposure to Bitcoin.[57] While it remains essential to size Bitcoin exposure carefully, we view the return profile as sufficiently attractive to warrant a small allocation in diversified portfolios as a complement to gold.

Despite the legitimate headwinds, the US dollar retains structural advantages that are difficult to replicate. In our view, periods of uncertainty highlight the importance of proper portfolio diversification across both geography and asset classes. We believe that it behooves investors to consider increasing exposure to real assets and stores of value, such as gold and Bitcoin, given the current environment.

52. DaCruz, Kyle, and Denis Zinoeviev. "The Investment Case for Bitcoin." VanEck, 1 Aug. 2025, www.vaneck.com/us/en/blogs/digital-assets/the-investment-case-for-bitcoin/.
53. Bloomberg
54. "Above-Ground Stock." World Gold Council, 11 Feb. 2025, www.gold.org/goldhub/data/how-much-gold.
55. Bloomberg
56. Rai, Avani B, and Saketh Sundar. "Bitcoin Now Harvard's Largest Publicly Disclosed Holding, Tripling in Size in Third Quarter." The Harvard Crimson, 18 Nov. 2025, www.thecrimson.com/article/2025/11/18/HMC-bitcoin-q3-portfolio/.
57. Asgari, Nikou, et al. Pension Funds Dabble in Crypto after Massive Bitcoin Rally, Financial Times, 16 Jan. 2025, www.ft.com/content/4146fbca-2930-41ef-965d-9cc8ea1d9aaf?

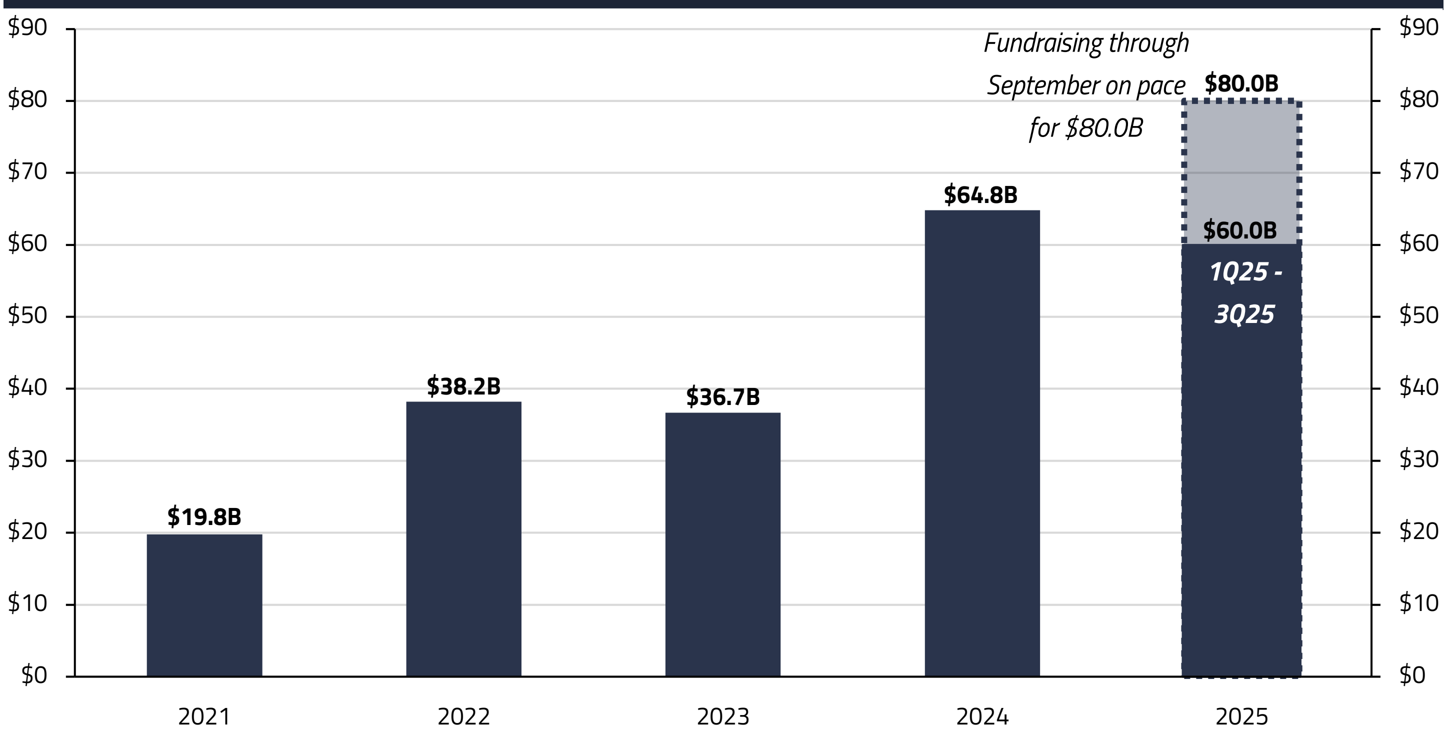
ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

6. Private Credit

The private credit market has grown exponentially over the past decade, with global AUM estimated to hover around $2 trillion in 2025.[58] Following the Great Financial Crisis ("GFC"), banks faced stricter regulations, including higher capital and liquidity requirements. In turn, banks developed an aversion to making complex loans, creating a financing gap that primarily affected direct lending, leveraged loans, and specialized financing. Non-bank lenders, primarily in the form of private credit funds, have increasingly stepped in to fill the void left by bank retrenchment, particularly in the middle-market direct lending space. Middle-market borrowers, often private equity-backed companies, have increasingly leveraged non-bank lending channels because private credit lenders can offer faster execution, customized loan terms, and greater certainty of funding than the broadly syndicated loan market. Private equity borrowers appear to value the flexibility of private credit loans despite the higher interest rates, as evidenced by the growing market share of private credit lenders in leveraged buyout transactions.

Private credit strategies continue to attract growing investor demand, particularly among non-institutional investors, where the adoption of semi-liquid, evergreen vehicles provides an attractive structure for accessing the asset class. Semi-liquid, evergreen vehicles now account for almost a third of the US direct lending market and are primarily used by the private wealth channel.[59] The return premium over public fixed income, along with insulation from daily price volatility and low correlation to public markets, create an attractive risk-return profile for private credit strategies. We believe that Private Credit has established itself as a core asset class within multi-asset investment portfolios. Nonetheless, the rapid adoption of private credit strategies amid several high-profile bankruptcies in 2025 has raised concerns about credit quality and liquidity in the private credit ecosystem. Ultimately, we remain comfortable with the risk dynamics in the private credit space, but caution investors to adequately diversify across manager, industry, and strategy.

Exhibit 17: Gross Inflows into Semi-Liquid Credit BDCs and Interval Funds (Billions)



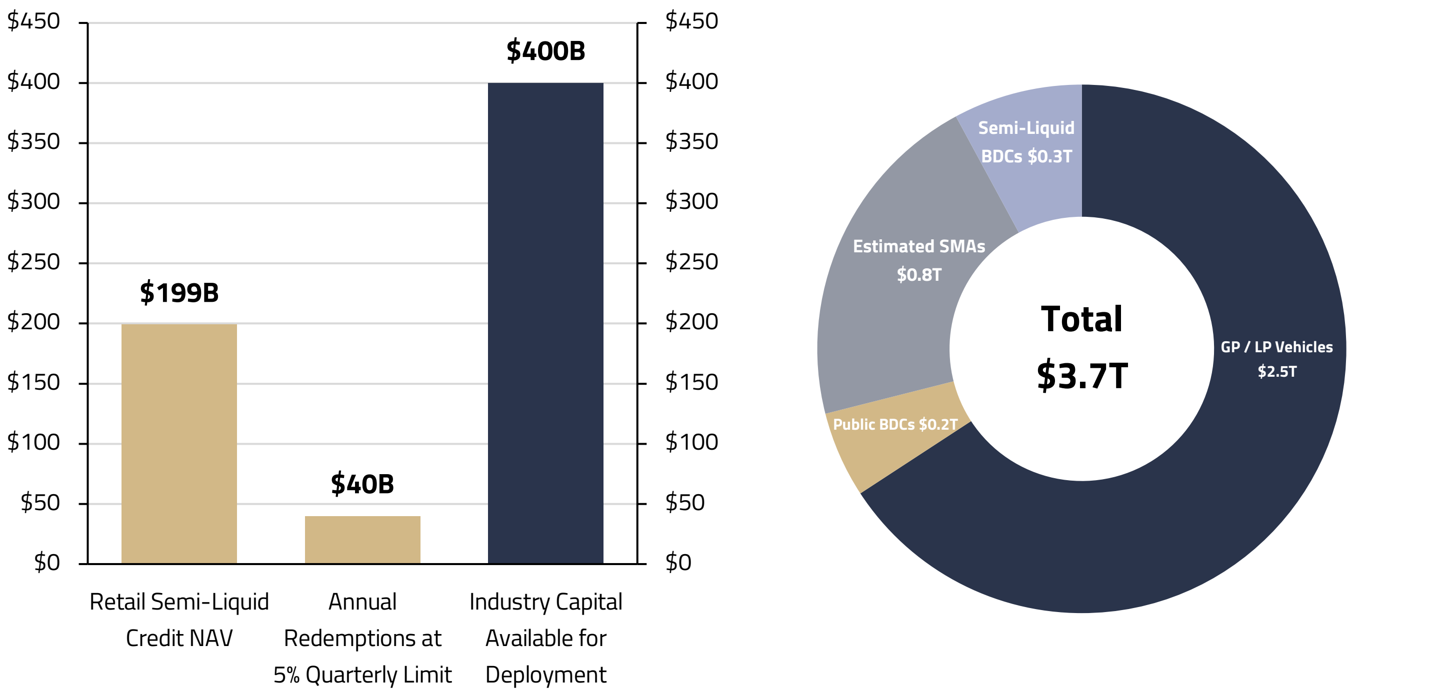
Source: Goldman Sachs Global Investment Research as of 10/19/2025

58. Murphy, Shannon, and Sarah Higgins. "Private Credit Report: The Road to $5 Trillion." iConnections, Sept. 2025, iconnections.io/wp-content/uploads/2025/09/iConnections-Private-Credit-Report-2025.pdf.

59. Miller, David N. "Private Credit 2026 Outlook." Morgan Stanley Investment Management, 16 Dec. 2025, www.morganstanley.com/im/en-us/registered-investment-advisor/insights/articles/private-credit-2026-outlook.html.

The proliferation of semi-liquid, evergreen private credit vehicles has led to the mass adoption of private credit strategies in non-institutional portfolios. Semi-liquid, evergreen vehicles mitigate some of the drawbacks of traditional drawdown structures that have historically constrained private credit allocations. These vehicles provide liquidity provisions that allow investors to redeem their investments at net asset value ("NAV"), typically subject to a 5% cap of the fund's overall NAV per quarter. As shown in Exhibit 17, gross inflows into semi -liquid structures are projected to reach $80 billion in 2025, a steep increase from the $19.8 billion raised in 2021. With nearly $200 billion of NAV in semi -liquid credit vehicles, investors have expressed growing concerns about a "run on the bank" scenario if redemptions accelerate.[60] We find limited redemption and liquidity risk in the direct lending space despite the surge in wealth-channel inflows because non-redeemable GP/LP vehicles hold most of the capital supporting private credit loans. Semi-liquid structures, the only source of funding with a liquidity mechanism, only represent about 8% of total loans supported by Private Credit. (see Exhibit 18). Redemption rates across the industry have remained comfortably below the typical quarterly NAV limit of 5%, with Goldman Sachs reporting third-quarter redemptions of 2.2% of prior-quarter NAV.[61] Even if redemptions accelerate to the 5% quarterly NAV limit, $400 billion of unlevered institutional capital seeking deployment provides cover for the projected $40 billion in annual redemptions. (see Exhibit 18). We would expect this institutional capital held in direct lending and opportunistic credit funds to step in to facilitate redemptions, albeit at wider spreads. Nonetheless, the trend is undeniable, and redemption and liquidity risks increase as semi-liquid vehicles gain market share. We will vigilantly monitor industry trends, but as of now, we believe investor concerns are overstated.

Exhibit 18: Left: BDC Redemption Limits and Industry Available Capital, Right: Estimated AUM and Composition of Private Credit Assets



Note: Industry available capital includes direct lending and opportunistic. Source: Goldman Sachs Global Investment Research, Preqin, Evercore Private Capital Advisory as of 10/19/2025

Two high-profile bankruptcies in September weighed on investor sentiment, as concerns about broader credit losses intensified. On September 10, 2025, Tricolor, a subprime auto lender and used-car retailer, abruptly shut down operations and filed for Chapter 7 bankruptcy. Fraud proved to be a crucial factor in the Tricolor collapse as federal prosecutors unsealed an indictment charging Tricolor executives, including CEO Daniel Chu, with falsifying loan data and double-pledging collateral to obtain credit while concealing the true quality and value of loan portfolios. The bankruptcy resulted in significant losses for lenders, including J.P. Morgan, which wrote off $170 million in the third quarter

60. Bolstein, Alexander, et al. State of Private Credit: Assessing Growth, Credit and Liquidity Dynamics, 19 Oct. 2025, publishing.gs.com/content/research/en/reports/2025/10/20/21966b42-5456-425f-b31c-b2ef321f65a5.html.

61. Id.

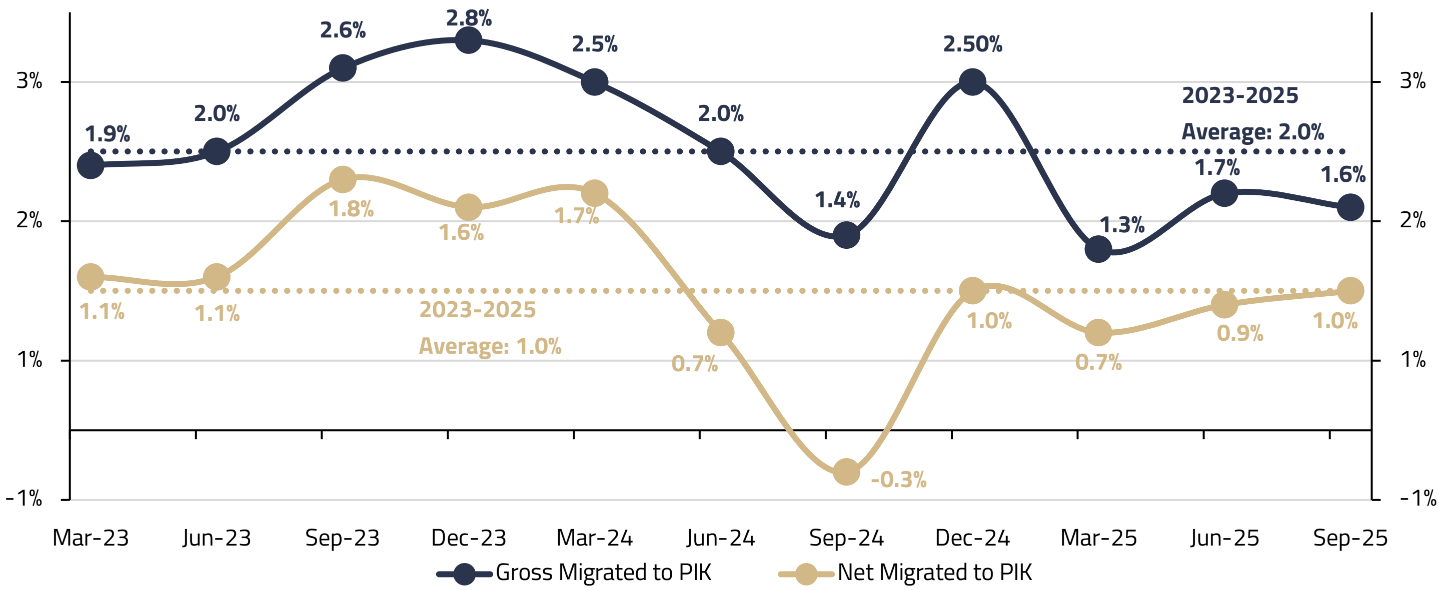
related to Tricolor.[62] Weeks later, First Brands, a major automotive aftermarket supplier, filed for Chapter 11 bankruptcy protection after revealing massive liabilities far exceeding assets. First Brands relied heavily on supply-chain finance, invoice factoring, and other working capital arrangements with banks and private credit funds, creating an opaque and complex financing structure that led to significant liquidity issues amid tariff-related headwinds. A special committee launched independent investigations to determine whether receivables were double-sold or misreported, with some lenders declaring widespread fraud by the company. Although these issues primarily occurred outside the private credit market, the interconnections between banks and private market strategies led to a sell-off in publicly traded alternative asset managers, particularly those with significant exposure to private credit. Upon closer examination, we believe both credit events were idiosyncratic and that there is limited contagion risk.

Credit dynamics appear stable across the direct lending universe, mitigating concerns about broad credit risk in 2026. In the fourth quarter of 2025, Goldman Sachs conducted a comprehensive analysis of portfolio holdings across both publicly traded and private business development companies ("BDCs").[63] Their analysis captures approximately $450 billion in direct lending loans, representing about 30% of the industry, a sample set that serves as a good proxy given the significant overlap in portfolio holdings between institutional accounts and BDCs.[64] Non-accruals, loans that have not made a payment in 90 days or more, were 1.4% at the end of the third quarter. While this represents a slight increase from 1.3% in the previous quarter, loan non-accrual rates remain well below their historical average of 2.1%.[65] Notably, private BDC non-accruals were 0.9%, less than half the rate of publicly traded BDCs at 2.4%.[66] Non-accruals are often a precursor to credit losses; however, we are comfortable with current non-accrual rates, given that the private BDC market serves as a better proxy for our direct lending exposure. While the non-accrual rate can be a valuable metric for assessing credit health, it is backward-looking, and we also analyze changes in payment-in-kind ("PIK") loans to forecast potential credit issues in the direct lending space. PIK is a financial feature in middle-market loans in which borrowers pay a portion or all their interest by increasing the principal balance of the loan rather than paying in cash. PIK interest structured in the onset of a loan is not inherently bad, as borrowers may choose to preserve liquidity for a period to execute a business plan. We are most concerned about borrowers who migrate from cash pay to PIK during the loan term. PIK migration often indicates that a borrower faces liquidity challenges, given that a borrower with adequate liquidity ordinarily pays interest in cash, as cash payments are more cost-effective. As shown in Exhibit 19, net PIK migration remains at historical levels and well below those observed during prior periods of broad distress. Still, we maintain a watchful eye as PIK migration, and the percentage of loans with PIK optionality, have both trended higher over the year.

Returns for broad middle-market direct lending remain robust with the Cliffwater Direct Lending Index ("CDLI")[67] sporting a trailing-year total return of 9.80% as of September 30, 2025.[68] The trailing-year total return is comprised of 10.67% in interest income, offset by -0.61% in realized losses and -0.20% in unrealized losses. Realized losses of -0.61% remain well below the historical average of 1.00%.[69] A key observation is that unrealized losses, as measured by third-party loan valuations, have historically overestimated subsequent realized losses. Trailing-year unrealized losses of -0.20% and third-quarter unrealized gains of 0.01% alleviate concerns about significant future credit losses. Direct middle-market lending continues to offer an attractive yield premium over public market equivalents, with the CDLI sporting a current yield of 9.99% as of September 30, 2025, compared to the Bloomberg High Yield index and Morningstar LSTA US Lev Loan 100 index, which have current yields of 6.68% and 7.15%, respectively.[70] Furthermore, direct lending has historically achieved loss rates comparable to those of public credit markets. The 20-year annual loss rate of the CDLI as of December 31, 2024, is 1.01%, comparable to the 20-year loss rates of high-yield bonds and leveraged loans, which are 1.49% and 1.02%, respectively.[71] We prefer our core direct lending exposure to focus on senior-

62. Kalla, Shubham. "Tricolor Executives Charged with Fraud over Subprime Lender's Collapse | Reuters." Reuters, 17 Dec. 2025, www.reuters.com/legal/government/us-unseals-charges-against-bankrupt-tricolors-executives-over-fraud-2025-12-17/.
63. A Business Development Company (BDC) is a closed-end investment vehicle that provides capital to small and mid-sized private businesses
64. Blostein, Alexander, et al. "Direct Lending Digest: Steady Credit Trends, Widening Dispersion and Stabilizing Spreads." Goldman Sachs Research, 21 Nov. 2025, publishing.gs.com/content/research/en/reports/2025/11/21/e215afa0-1955-4137-81e7-b7b40a367d77.html.
65. Id.
66. Id.
67. The Cliffwater Direct Lending Index (CDLI) is an asset-weighted index measuring the unlevered, gross-of-fee performance of over 10,000 U.S. middle-market loans held by BDCs.
68. Nesbitt, Stephen, et al. "2025 Q3 Report on US Direct Lending." Cliffwater, 5 Dec. 2025, hs-8357303.f.hubspotemail.net/hubfs/8357303/CDLI/Cliffwater%202025%20Q3%20Report%20on%20U.S.%20Direct%20Lending.pdf?utm_medium=email&_hsenc=p2ANqtz-8kS24YDtjVSPrQszWpj1fzFuSe5tnK6fr1-CH-V6Xr3sj6lB9y2Ezpku1pV5LvBOPnojvxMfOGkayJmvkL8KL3YtHUoGVDMlxp-4NBD3gS6KPa9IE&_hsmi=393174668&utm_content=393174668&utm_source=hs_email.
69. Id.
70. Id.
71. Id.

Exhibit 19: Historical PIK Migration



Source: Goldman Sachs Global Investment Research, BDC Collateral, LSEG Data and Analytics as of 9/30/2025

secured, first-lien loans, which have historically shown lower loss rates than public markets and the broader direct lending universe, albeit with lower income returns. Attractive yields that continue to exceed public credit, alongside stable credit fundamentals, support allocating the majority of our private credit exposure to direct lending.

Private credit strategies other than direct middle-market lending are increasingly available to investors, often structured in semi-liquid vehicles well suited to the private wealth channel. Asset-backed finance ("ABF") has garnered significant attention from the financial community and offers investors an opportunity to complement their middle-market lending exposure within their private credit allocations. ABF instruments differ from corporate credit in that they are secured primarily by the contractual cash flows of specific assets, with ownership rights serving as secondary collateral. The ABF market is large, non-standardized, and non-indexed, spanning diverse asset classes, including aircraft leasing, equipment, real estate, infrastructure, and royalty payments. Similar to the corporate credit market, nonbank lenders have gained market share from traditional banks because private credit offers customized solutions with greater certainty and speed of execution. ABF presents an interesting opportunity for private credit; however, it is paramount that investors understand the underlying collateral pool of the ABF managers in which they invest. Given the breadth of the ABF universe, the risk factors of ABF strategies can vary depending on the collateral.

One area of the ABF ecosystem that we currently favor is private real estate credit, particularly for commercial real estate assets. During the COVID-19 pandemic, owners financed commercial real estate assets with interest-only structures in a low-interest-rate environment. As many of these loans near maturity, private credit lenders have been able to offer borrowers solutions at attractive loan-to-value ratios and yields. ABF strategies also target financial assets, such as inventories and receivables, as well as mission-critical corporate assets to develop diversified income streams that should improve risk-adjusted returns. As with direct lending, it is imperative that private credit managers structure loans with strong covenants secured by sound collateral to preserve downside protection for their investors.

One area of ABF that we currently disfavor is consumer finance, particularly products geared toward lower-income consumers. While the overall US consumer balance sheet is strong, there is significant dispersion across income cohorts. Upper-income households, who tend to be asset owners, have benefited from the wealth effect over the past few years as home prices, investment portfolios, and other financial assets have broadly appreciated in the post-COVID era. However, lower-income households tend to hold fewer assets, and signs of distress have been more pronounced among these cohorts. Credit card and auto loan delinquencies have risen materially among lower-income consumers but remain relatively benign among higher-income borrowers. These signs of financial distress support a prudent reduction in exposure to lower-end consumer credit.

ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

7. Global Infrastructure

As investors navigate an increasingly complex macroeconomic environment characterized by elevated inflation volatility, geopolitical fragmentation, and technological disruption, infrastructure assets have emerged as an importatnt portfolio allocation for institutional and sophisticated individual investors. The confluence of three transformative forces—digitalization, deglobalization, and decarbonization—has created an environment of significant infrastructure investment, requiring an estimated $100 trillion in global infrastructure development through 2040.[72] This structural shift presents compelling opportunities for investors seeking attractive risk-adjusted returns in an era of heightened market uncertainty.

Infrastructure assets possess distinctive characteristics that differentiate them from traditional equity and fixed income investments. These assets provide essential services that economies cannot function without, operate through hard physical assets with high barriers to entry, and generate predictable cash flows through contracted or regulated revenue streams.[73] Critical to their investment appeal, infrastructure returns exhibit natural inflation linkages through contractual escalators or regulatory frameworks, providing an effective hedge against monetary debasement—a particularly salient feature in the current fiscal environment.

The asset class encompasses diverse subsectors, such as transportation networks (toll roads, airports, ports), utilities (water, electricity, gas distribution), communication infrastructure (cell towers, fiber networks, data centers), and social infrastructure (hospitals, schools, correctional facilities). This breadth enables portfolio diversification across regulatory regimes, geographic markets, and demand drivers, while maintaining common return characteristics rooted in monopolistic or quasi-monopolistic market positions.

Although past performance is no guarantee of future results, infrastructure investments have historically delivered equity-like returns with bond-like volatility—while maintaining low correlations to public equities and investment-grade bonds.[74] Infrastructure's defensive characteristics become particularly evident during economic contractions, when the asset class has historically provided resilient returns relative to traditional equities. This stems from the inelastic demand for essential services; consumers and businesses maintain usage of utilities, transportation networks, and digital infrastructure regardless of economic conditions.

The inflation-hedging properties warrant particular emphasis. Unlike fixed-rate bonds that suffer purchasing power erosion during inflationary regimes, cash flows tied to infrastructure assets typically escalate with inflation through explicit contractual provisions or implicit passthrough pricing power. Regulatory frameworks for utilities commonly permit cost recovery through customer rates, while toll road concessions often incorporate CPI-linked fee increases. This structural protection against monetary debasement represents a fundamental advantage over conventional portfolio allocations, particularly relevant given the Federal Reserve's dovish pivot and expansionary fiscal policies that characterize the current policy landscape.

Digitalization: The artificial intelligence ("AI") revolution has catalyzed unprecedented demand for digital infrastructure, fundamentally altering power consumption dynamics. Data centers supporting AI workloads require ten times more power per rack than traditional computing applications.[75] Hyperscale technology companies have collectively committed to escalating capital expenditures from $270 billion in 2024 to a projected $1 trillion annually by 2030, with data center development representing the fastest-growing electricity demand driver globally. This capital deployment trajectory suggests $7 trillion in infrastructure investment may be required to enable $10 trillion in productivity gains from AI adoption—a compelling value proposition that supports sustained investment momentum independent of near-term market volatility.[76]

72. Stonepeak. "What Makes Infrastructure 'Infrastructure'?" Stonepeak Insights, 2024.
73. Id.
74. KKR. "Private Infrastructure: An Asset Class for All Economic Conditions." KKR Global Macro & Asset Allocation, January 2025.
75. Brookfield Asset Management. "2026 Investment Outlook." Brookfield Insights, 2025.
76. Id.

Decarbonization: Global decarbonization commitments necessitate $26-$30 trillion in infrastructure investment through 2035, representing 69% of total infrastructure capital requirements.[77] While renewable generation capacity has doubled, critical transmission and storage infrastructure has lagged, creating bottlenecks that constrain grid reliability and renewable penetration. Advanced economies face acute transmission constraints, with over 70% of transmission lines exceeding 25-year operational lifespans.[78] Grid modernization investments must exceed $600 billion annually by 2030 to accommodate distributed energy resources, electric vehicle charging networks, and baseload power requirements for AI infrastructure. Nuclear power is experiencing renewed policy support, with regulatory frameworks like the UK's Regulated Asset Base model providing investment certainty for large-scale projects, such as Sizewell C.[79]

Deglobalization: Geopolitical fragmentation and pandemic-exposed supply-chain vulnerabilities have accelerated onshoring trends across critical industries. Semiconductor fabrication, pharmaceutical manufacturing, and strategic mineral processing are being redomiciled to allied nations, requiring substantial industrial infrastructure investment. The United States alone requires over $1 trillion in transportation infrastructure upgrades over the next decade, with particular deficits in road networks and intermodal logistics facilities.[80] Emerging markets face even more substantial gaps, with India requiring $1 trillion and China $1.5 trillion to maintain economic development trajectories. These investment needs transcend electoral cycles and fiscal constraints, representing structural imperatives that will sustain multi-decade capital deployment.

Sovereign balance sheet constraints have transformed private capital from a supplementary funding source into the cornerstone of infrastructure finance. Private infrastructure assets under management have surged from less than $25 billion in 2005 to over $1.5 trillion in 2024, with institutional allocators targeting 6%-10% net returns through diversified infrastructure exposure. This capital formation reflects sophisticated investors' recognition that infrastructure's defensive characteristics, inflation protection, and structural growth drivers create compelling risk-adjusted return opportunities that are increasingly scarce in traditional asset classes.

Infrastructure investments represent an allocation that addresses multiple portfolio objectives simultaneously: generating predictable cash yields, providing inflation protection, delivering low correlations to traditional assets, and capturing structural growth from technological and demographic megatrends. The convergence of digitalization, decarbonization, and deglobalization creates a multi-decade investment opportunity that transcends cyclical market fluctuations. The maturation of infrastructure as an institutional asset class has brought enhanced governance frameworks, standardized valuation methodologies, and deepened secondary markets that improve liquidity characteristics.

As monetary policy normalization and fiscal expansion create complex crosscurrents for traditional asset valuations, infrastructure's intrinsic value proposition—essential services with inflation-linked cash flows and monopolistic market positions—deserves serious consideration as a core strategic allocation rather than an opportunistic satellite position.

77. Allianz Research. "3.5% to 2035: Bridging the Global Infrastructure Gap." Allianz Research, 30 July 2025.
78. Clifford Chance. "Infrastructure Outlook 2026: Key Takeaways from Paris Infraweek." Clifford Chance Publications, November 2025.
79. Id.
80. Allianz Research, "3.5% to 2035."

ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

8. India

India has emerged as one of the most compelling stories in emerging markets. In 2014, Narendra Modi took office as Prime Minister; since then, India has been among the fastest-growing major economies, based on real GDP growth.[81] Unlike many emerging market darlings, India's momentum has been less dependent on commodity cycles and more rooted in three structural pillars—policy reform, sustained investment in productive capacity, and favorable demographics. While 2025 proved challenging, marked by currency weakness and heightened trade-policy uncertainty, we view India's long-term growth trajectory as intact, with potential for further acceleration through the remainder of the decade. Accordingly, we continue to favor India within emerging markets, reflecting our view that its structural growth story should translate into more durable earnings than its peers.

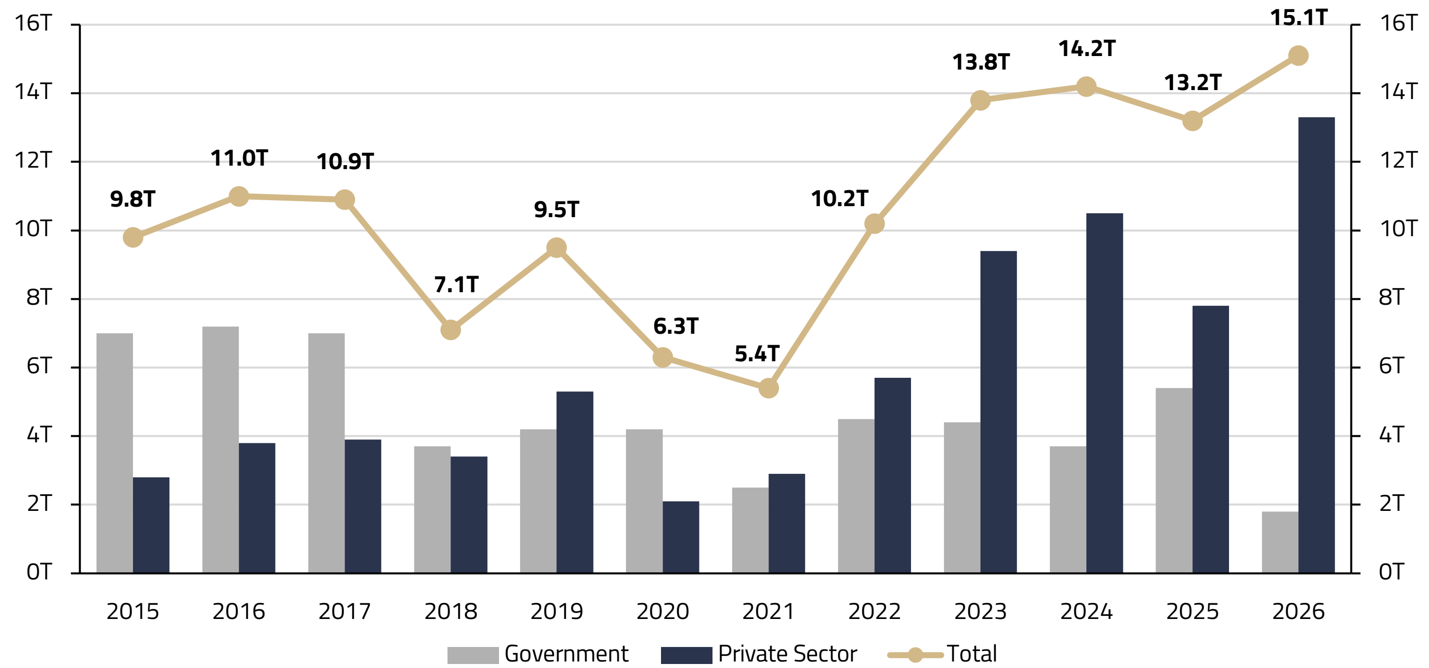
Prime Minister Modi set an ambitious goal to reach developed-economy status by 2047.[82] Achieving that objective will require continued policy reform, with labor-market modernization a key focus. India's labor regime has long been viewed as rigid and complex, with companies frequently forced to limit hiring and remain small, or risk bloated workforces.[83] In November 2025, authorities announced new guidelines intended to streamline compliance and reduce regulatory friction for employers. The changes included consolidating the labor framework from twenty-nine laws into four codes and reducing the underlying rules from over 1,400 to a more manageable 350.[84] While the effort has been underway since 2020, implementation is set to begin in 2026, and we should begin to see reduced administrative costs and greater operational flexibility, supporting corporate profits.

Beyond labor policy, India is also advancing financial-sector reforms to attract foreign capital. Most recently, lawmakers approved legislation permitting up to 100% foreign ownership of insurance companies, a key step for an industry that has historically been capital-constrained.[85] In our view, the change does more than support the insurance sector. It signals a broader policy preference for additional foreign investments. That posture contrasts with China, where government intervention in the private sector has increased policy risk for foreign investors. Consistent with the more welcoming legislation, net foreign direct investment into India totaled $7.6 billion between April and September, more than double the prior-year period.[86]

A supportive regulatory backdrop is crucial, but the next phase of India's growth will depend mainly on its private sector. Last year, announced capital investment projects reached a decade-high of 15.1 trillion rupees, and encouragingly, private companies accounted for a rising share (see Exhibit 20).[87] Public investment has been critical in laying the foundation for recent growth, but a stronger private capex cycle would make growth more resilient by reducing reliance on government support. If private investment translates into sustained profitability, it can reinforce a virtuous cycle of reinvestment, hiring, and productivity gains.

81. Smith, Noah. "I Think India Can Do It." Noahpinion, Substack, 18 Dec. 2025, www.noahpinion.blog/p/i-think-india-can-do-it?utm_source=unread-posts-digest-email&inbox=true&utm_medium=email&triedRedirect=true.
82. Nayak, Siddhi, and Saikat Das. "India's Big-Bang Financial Reforms Target Foreign Money." Bloomberg, 18 Dec. 2025, www.bloomberg.com/news/articles/2025-12-19/india-s-big-bang-financial-reforms-target-wave-of-foreign-money.
83. Gupta, Swatti. "India Implements Overhauled Labor Laws to Attract More Investors." Bloomberg, 21 Nov. 2025, www.bloomberg.com/news/articles/2025-11-21/india-implements-overhauled-labor-laws-to-attract-more-investors.
84. Id.
85. Nayak, Siddhi, and Saikat Das. "India's Big-Bang Financial Reforms Target Foreign Money." Bloomberg, 18 Dec. 2025, www.bloomberg.com/news/articles/2025-12-19/india-s-big-bang-financial-reforms-target-wave-of-foreign-money.
86. "RBI Bulletin." Reserve Bank of India, www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=23820. Accessed 31 Dec. 2025.
87. Doshi, Menaka. "India's Animal Spirits Are Reviving." Bloomberg, 27 Nov. 2025, www.bloomberg.com/news/newsletters/2025-11-27/google-goog-adani-tata-ambani-boost-revival-in-india-corporate-investment.

Exhibit 20: India Investment Announcements Government and Private Sector (Rupees, Trillions)



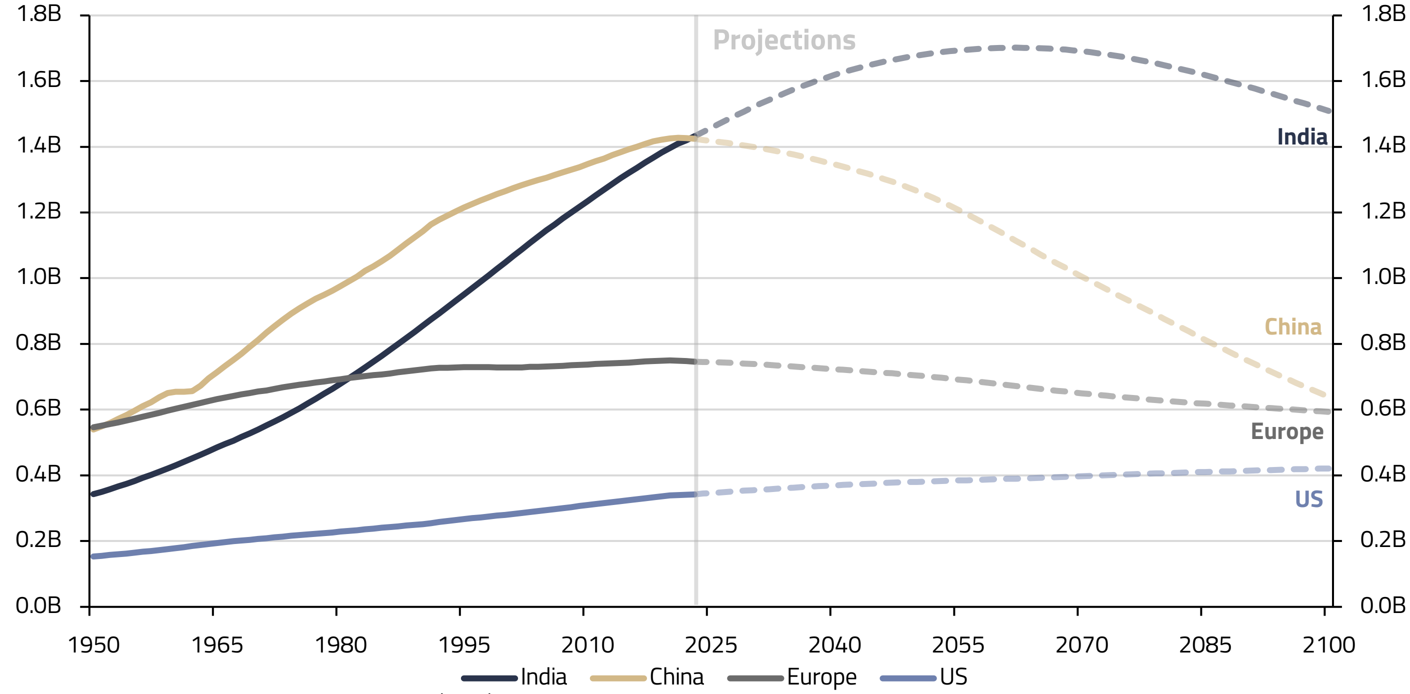
Source: CareEdge Ratings, CMIE Economic Outlook, Bloomberg as of 11/14/2025

Just as important, the current capex cycle appears increasingly diversified. Traditional backbones of the Indian economy, such as the cement industry, continue to expand, posting a three-year CAGR of 9.5%.[88] At the same time, capital is increasingly being deployed into technology-oriented sectors, where growth runways are longer, and returns on investment can be higher. Google, Brookfield, and Reliance Industries have committed to spending $30 billion on data center projects in the country.[89] The domestic renewable energy industry is another beneficiary, projected to grow at an annual rate of 13% over the coming years.[90]

India's expanding role in manufacturing is another meaningful tailwind, and the "China Plus One" shift is accelerating that momentum. "China Plus One" refers to the growing trend of companies reducing manufacturing overreliance on China by adding production capacity in at least one alternative market. This movement gained urgency as geopolitical tensions and trade restrictions increased in early 2025. As multinational companies diversify manufacturing footprints, India has emerged as a primary beneficiary given its scale, low-cost labor, and improving industrial ecosystem. A clear example is Apple, which has shifted a growing share of iPhone assembly to India. As recently as 2021, Apple assembled more than 99% of iPhones in China.[91] Estimates for 2025 place that figure below 80%, with increased production in India accounting for much of the difference.[92]

88. "India's Cement Capacity Addition to See 75% Jump over Fiscals 2026-28." CRISIL, 12 Nov. 2025, www.crisilratings.com/en/home/newsroom/press-releases/2025/11/indias-cement-capacity-addition-to-see-75-percent-jump-over-fiscals-2026-28.html.
89. Doshi, Menaka. "India's Animal Spirits Are Reviving." Bloomberg, 27 Nov. 2025, www.bloomberg.com/news/newsletters/2025-11-27/google-goog-adani-tata-ambani-boost-revival-in-india-corporate-investment.
90. Id.
91. Phartiyal, Sankalp, and Mark Gurman. "Apple Expands iPhone Production in India for US-Bound New Models." Bloomberg, 19 Aug. 2025, www.bloomberg.com/news/articles/2025-08-19/apple-expands-iphone-production-in-india-for-us-bound-new-models.
92. Id.

Exhibit 21: Population Projections Through 2100



Source: United Nations World Population Prospects (2024)

The third pillar supporting India's longer-term growth outlook is its favorable demographic profile. While many major economies are aging, India's median age is only twenty-nine, leaving the country with a rapidly expanding working-age population as younger generations enter the labor force.[93] United Nations projections suggest India's population will not peak until after 2060. By contrast, populations in China and much of Europe have already peaked and are expected to decline, while the population of the United States is projected to only grow modestly as its age profile gradually rises.[94] In our view, this demographic backdrop can be a durable tailwind for India. A growing cohort of workers and consumers should sustain demand for goods and services, while expanding labor supply can help underpin long-term economic growth.

India's strong demographic profile is also the result of evolving household structures. As the economy expanded over the past two decades, rising incomes have begun to reshape consumption patterns. Twenty-five years ago, fewer than 10% of households had air conditioning or a refrigerator. Today, those figures exceed 30% and 40%, respectively.[95] At the same time, the rapid spread of smartphones and low-cost internet service is broadening access to products and brands beyond major cities. E-commerce and digital payments are reducing the barriers to consumption and accelerating the shift toward on-demand purchasing.[96] Rising discretionary consumption and broader access to goods and services create a more durable demand engine, supporting private investment and job creation across manufacturing, retail, and logistics.

93. Ortiz-Ospina, Esteba. "India, China, Europe, and the United States Are on Very Different Population Paths." Our World in Data, 5 Sept. 2025, ourworldindata.org/data-insights/india-china-europe-and-the-united-states-are-on-very-different-population-paths.

94. Freer, Brad, et al. "Will India Be the Breakout Emerging Market This Decade?" Capital Ideas, Capital Group, 20 Aug. 2025, www.capitalgroup.com/institutional/insights/articles/will-india-breakout-emerging-market.html?utm_source=chatgpt.com.

95. Berardi, Alessia, et al. "India's Great Transformation: Opportunities for Global Investors." Almundi Investment Solutions, 28 Nov. 2025, www.amundi.com/institutional/article/india-strategic-growth-and-global-investment-opportunities-2025.

96. Id.

As with any long-term thesis, there are risks that could prevent India from achieving its growth ambitions. One concern raised by skeptics is internal fragmentation. India comprises twenty-eight states and eight union territories that vary significantly in culture, language, and local governance. The country has twenty-two officially recognized languages, underscoring the heterogeneity of the domestic market.[97] This complexity can slow the rollout of nationwide reforms and lead to inconsistent implementation. That said, India's diversity can also be a positive. Differing regional strengths help reduce the risk that the country's growth story becomes overly dependent on any single state or industry. A second bear case is that China could actively work to hamper India's growth as a manufacturing hub. China's government has reportedly begun restricting the ability of Chinese engineers to relocate to India, aiming to limit the transfer of technical know-how that could strengthen a potential competitor.[98] Lastly, escalation of the Trump administration's tariffs would create a short-term headwind for India's growth. The US has imposed a 50% baseline tariff rate on Indian imports.[99] In practice, however, the effective rate is lower due to exemptions and carve-outs. Even so, tariff uncertainty remains a meaningful risk.

India stands out within emerging markets because of its structural growth drivers. For these reasons, India remains a market we favor within our emerging markets exposure. That said, emerging markets are inherently volatile, and unpredictable policy and currency swings often shape outcomes, making risk management and diversification essential. Given the persistent inefficiencies across emerging markets, we prefer investing in the asset class through active management, which can take a targeted approach to countries, industries, and sectors best positioned to benefit from secular growth trends.

97. "States and Union Territories." Know India: National Portal of India, knowindia.india.gov.in/states-uts/.
98. Smith, Noah. "I Think India Can Do It." Noahpinion, Substack, 18 Dec. 2025, www.noahpinion.blog/p/i-think-india-can-do-it?utm_source=unread-posts-digest-email&inbox=true&utm_medium=email&triedRedirect=true.
99. Li, Shan, and Krishna Pokharel. "Modi Taps India's Consumer Power in Trade Fight with Trump." The Wall Street Journal, 1 Jan. 2026, www.wsj.com/world/india/modi-taps-indias-consumer-power-in-trade-fight-with-trump-e487c1e7.

ELEMENT POINTE'S TOP TEN INVESTMENT THEMES FOR 2026

9. AI's Impact on the Labor Market

The US economy has undergone a period of profound structural change since the release of ChatGPT in November 2022. The rapid spread and adoption of this "general-purpose technology" promises to transform the economy in ways that will likely enhance productivity and accelerate growth. Historically, other general-purpose technologies, such as electricity, railroads, and the internet, have fundamentally reorganized production processes and redefined the nature of labor, while significantly raising living standards over time. However, the unique capabilities of artificial intelligence ("AI") and the possibility of achieving artificial general intelligence ("AGI") have many economists, scholars, politicians, and investors worried about the technology's potential to destroy millions of jobs and reshape the meaning of work.

The debate is timely, given that the labor market cooled considerably in 2025. Many analysts attribute the softness to the proliferation of AI and its ability to displace many workers, especially white-collar workers and knowledge workers who have previously benefited most from prior innovations. While we see evidence that AI automation is negatively affecting specific occupations, the impact on the overall labor market has been modest so far. Job openings have declined, and companies are trying to do more with existing workers, but layoffs have been muted.

It is important to note that technological disruption always leads to some displacement of jobs. However, it has historically led to productivity gains and economic growth, thereby stimulating increases in demand across the economy. Demand for more goods and services drives labor market growth, as obsolete jobs are offset by the creation of new, more productive occupations. As a result of the First and Second Industrial Revolutions, the agricultural share of US employment plummeted from 60% in 1850 to less than 5% by 1970, while manufacturing fell from 26% in 1960 to below 10% today.[100] Despite these dramatic declines, new industries and occupations have emerged to absorb workers and expand the labor force.

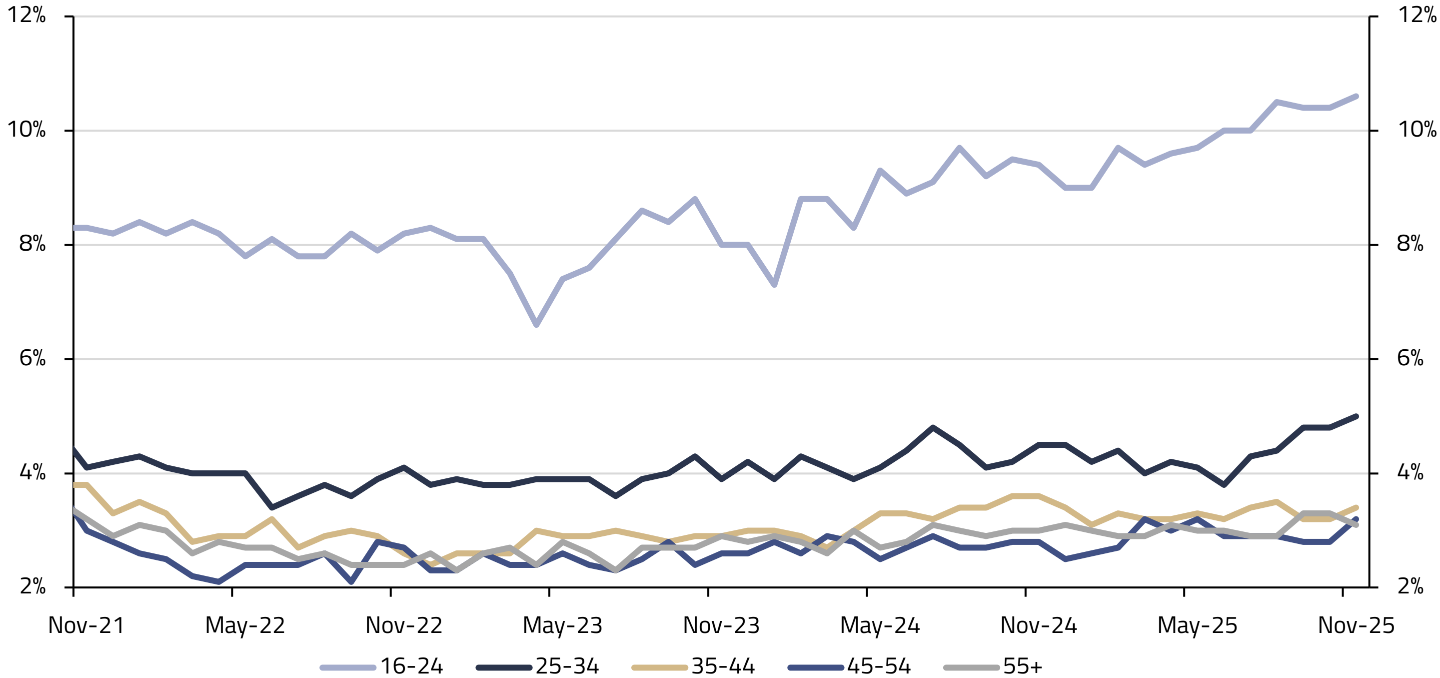
The personal computer ("PC") and internet eras offer the most direct comparison to today. The widespread adoption of PCs by corporate America in the '70s and '80s destroyed secretarial and payroll clerk jobs early on, but most job functions came to depend on PCs without leading to employment declines. Instead, PCs allowed existing workers to become more productive and focus on higher-value tasks. As a result, the number of knowledge workers has more than doubled since the dawn of the PC.[101]

Like today's AI wave, the emergence of the internet in the '90s promised to transform business and the economy. Early casualties included travel agents and telemarketers, although widespread fears of job losses never materialized. Instead, the internet permeated company workflows and created a new platform to expand business. Over time, entirely new industries that few could have predicted like e-commerce, social media, and cybersecurity developed, which now employ millions of workers.

What is different in this innovation cycle is the speed at which AI is being adopted. ChatGPT reached 100 million users in 60[102] days and reportedly has over 900 million users today. More than 50% of the US population used ChatGPT within 10 months of its launch - the internet took 17 years to reach the same level.[103] Accelerated AI adoption raises the question of whether workers will have sufficient time to re-skill to remain employable. The other significant difference is the threat that AI poses to knowledge work. So far, AI is excellent at data analysis, research, repetitive tasks, language, and communication tasks. However, it still struggles with judgment, job complexity, ambiguity, original

100. Lund, Susan, and James Manyika. "Five Lessons from History on AI, Automation, and Employment." McKinsey & Company, McKinsey & Company, 28 Nov. 2017, www.mckinsey.com/featured-insights/future-of-work/five-lessons-from-history-on-ai-automation-and-employment.
101. Sigelman, Matt. "How the Internet Rewired Work - and What That Tells Us About AI's Likely Impact." The Wall Street Journal, 1 Dec. 2025, pp. R24–R24.
102. Hu, Krystal. "CHATGPT Sets Record for Fastest-Growing User Base - Analyst Note | Reuters." Reuters.Com, Reuters, 2 Feb. 2023, www.reuters.com/technology/chatgpt-sets-record-fastest-growing-user-base-analyst-note-2023-02-01/.
103. Sharps, Sam, et al. "The Impact of AI on the Labour Market." Tony Blair Institute for Global Change , Tony Blair Institute for Global Change , 8 Nov. 2024, institute.global/insights/economic-prosperity/the-impact-of-ai-on-the-labour-market.

Exhibit 22: US Unemployment Rate by Age Group



Source: Bureau of Labor Statistics as of 12/31/2025

creativity, human emotions, and physical tasks. In essence, AI is good at what we tend to learn in the classroom or book knowledge, but fails in areas where work experience excels, such as tacit knowledge.

Thus, the brunt of the AI impact on labor to date has fallen on entry-level work, along with specific functions like software development, customer service, and marketing. Data from the Labor Department shows that the unemployment rate among 16- to 24-year-olds has risen meaningfully over the past year, whereas the other age cohorts remain more stable.

This data speaks to the limitations of AI in its current form and the need for human judgment, experience, and coordination to accompany AI deployments. With regard to specific use cases, a recent Menlo Ventures study shows that the lion's share of enterprise AI spending is allocated to coding (55%), marketing (9%), and customer success (9%).[104] Not surprisingly, these are the job functions that are being disproportionately impacted by AI. According to Indeed, a leading job site platform, software development job openings are down 32% and marketing roles are down 19% compared to early 2020.[105]

While there is no doubt that AI is disrupting parts of the labor market, its overall impact remains muted. Entry-level and software development jobs have been most impacted, but new roles, such as prompt engineers, model validators, and synthetic data specialists, have emerged and are growing quickly. Enterprise adoption of AI for information technology companies is scaling quickly, yet the US Census Bureau's Trends and Outlook Survey ("BTOS") data shows that less than 17% of companies are regularly using AI across any of their business functions.[106] This data reveals that most companies, especially outside of technology, are still in the piloting and testing phase. Real-world factors and technological limitations are restraining AI's diffusion throughout the economy. The scarce availability of power and equipment is prolonging the AI data center buildout. Separately, the rate of improvement of large language models ("LLMs") is running into the limitations

104. Tully, Tim, et al. "2025: The State of Generative AI in the Enterprise." Menlo Ventures, 9 Dec. 2025, menlovc.com/perspective/2025-the-state-of-generative-ai-in-the-enterprise/.

105. Ensign, Rachel Louise. "White-Collar Workers Fear for Jobs." The Wall Street Journal, 18 Dec. 2025, pp. A2–A2.

106. "AI Use - National Average." Business Trends and Outlook Survey, 14 Dec. 2025, www.census.gov/hfp/btos/data.

of scaling laws, and many leading AI researchers suggest a different training architecture is needed for AI to reach AGI. For these reasons, we believe that the mass adoption of AI by corporate America will take time and that labor-market changes will remain gradual in the near term. The more important question, which remains highly uncertain, pertains to AI's long-term impact on the labor market.

History suggests that technology creates more jobs than it destroys, mostly in industries or areas that did not exist prior. That does not mean that the nature of work does not change. Productivity gains over the last hundred years have reduced the average workweek by almost fifty percent since the early 1900s.[107] Today's workers have more time for family, leisure, and vacations. As AI proliferates across the economy over the coming decades, we expect this trend to continue, and many new jobs that cater to these areas will be created. As optimists, we believe that humans are highly adaptable and skilled. We gain dignity and purpose from work, so we will find a way to use this powerful new technology to grow and thrive. While some workers will unfortunately be left behind, we believe we are headed towards a world of further job creation and greater abundance.

107. Lund, Susan, and James Manyika. "Five Lessons from History on AI, Automation, and Employment." McKinsey & Company, McKinsey & Company, 28 Nov. 2017, www.mckinsey.com/featured-insights/future-of-work/five-lessons-from-history-on-ai-automation-and-employment.

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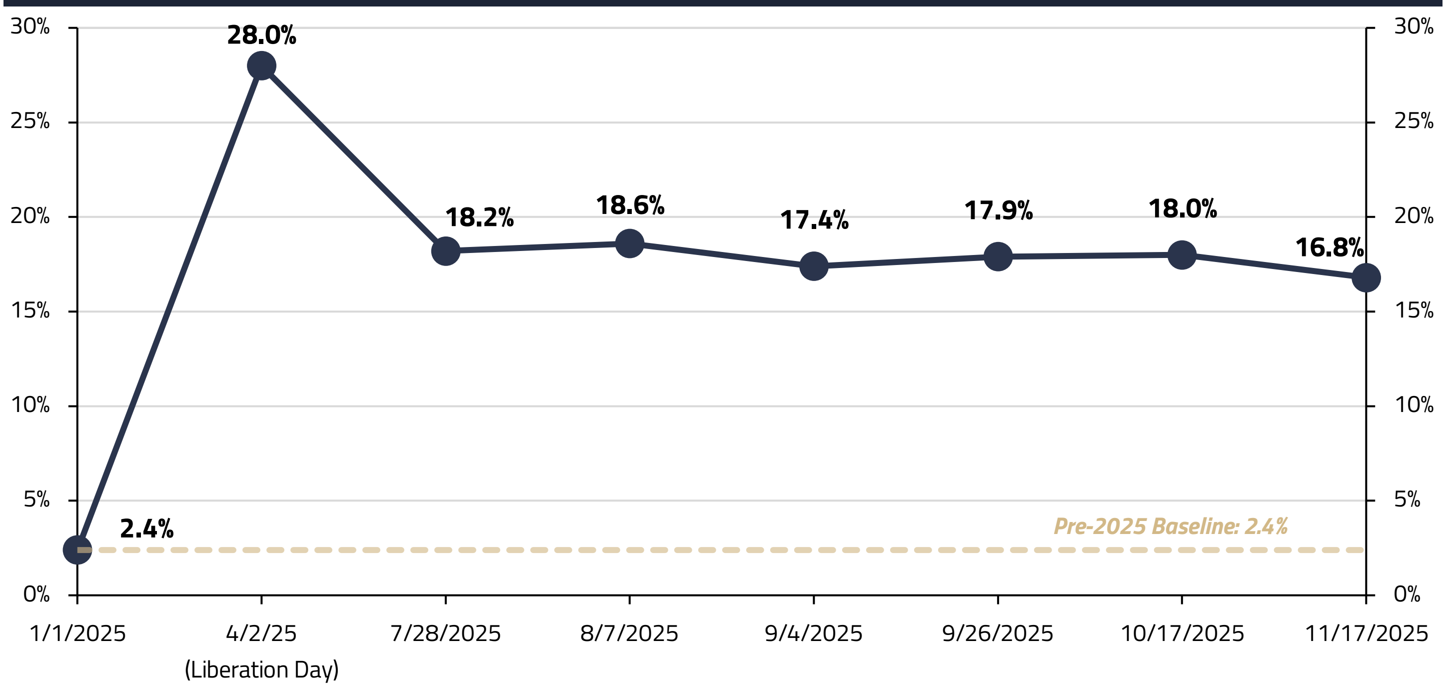
10. Geopolitics

The year 2025 was a period of profound geopolitical realignment that tested the resilience of established international norms and accelerated the transition toward a more fragmented, multipolar world order. From the reimposition of tariffs that disrupted decades of trade liberalization, to the grinding attrition of the Russia-Ukraine conflict; from the instability in the Middle East to the unprecedented military intervention in Venezuela at the start of 2026, the geopolitical landscape has shifted in ways that carry significant implications for markets and investors alike. As we move into 2026, the question is not whether geopolitical risk will remain elevated, but rather how these various threads of instability will interact to shape the global economic environment.

Trump tariffs: No single development defined the geopolitical character of 2025 more than the Trump administration's comprehensive tariff regime. Upon returning to the White House, President Trump invoked the International Emergency Economic Powers Act to impose what he termed "reciprocal tariffs" on virtually all major trading partners, with rates ranging from 10% to over 145%.[108] The average US effective tariff rate surged from 2.4% in early January to a peak of 28% in April following "Liberation Day" announcements, before settling to approximately 17% by late 2025—the highest sustained level since the 1930s.[109]

Exhibit 23: US Average Effective Tariff Rate in 2025



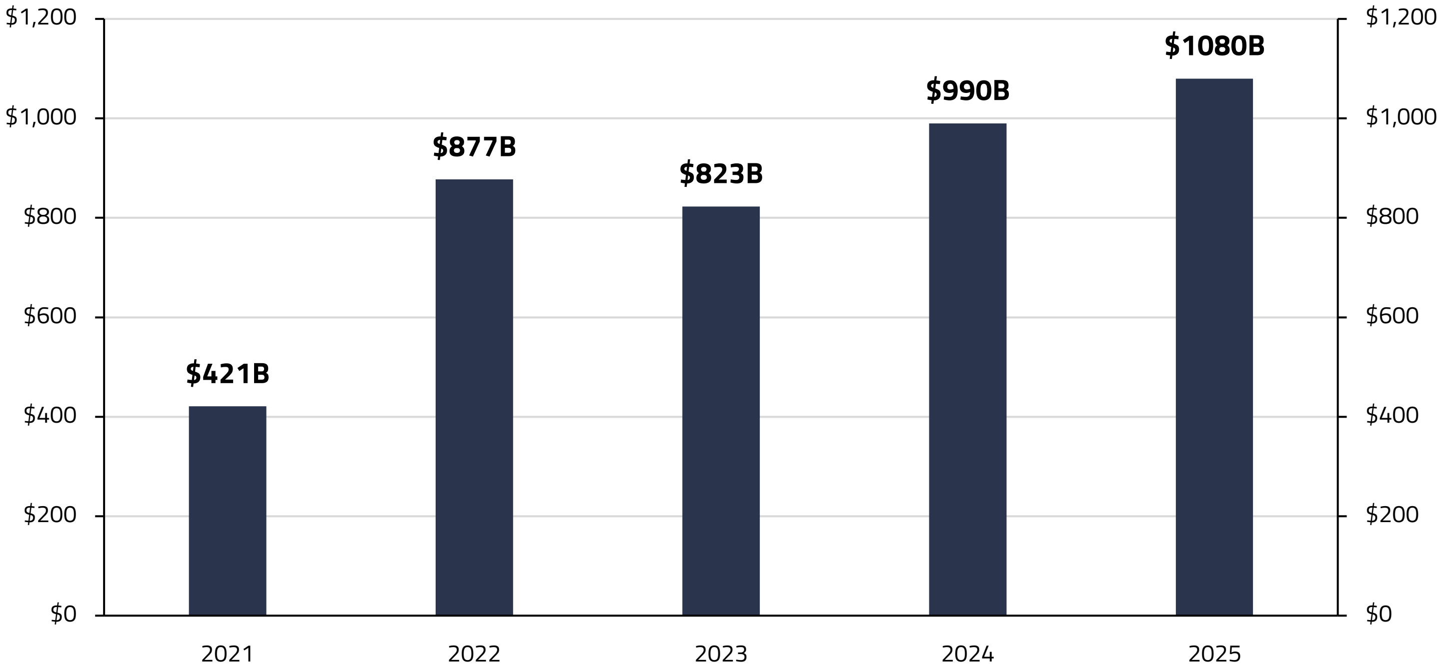
Source: Yale Budge Lab, State of U.S. Tariffs reports (January-November 2025)

108. "Trump's Trade War Timeline 2.0: An Up-to-date Guide." Peterson Institute for International Economics, Chad P. Bown, 13 Apr. 2025. https://www.piie.com/blogs/realtime-economics/2025/trumps-trade-war-timeline-20-date-guide

109. "Trump Overturned Decades of US Trade Policy in 2025." Associated Press / Yahoo Finance, 26 Dec. 2025.

The US-China relationship entered a period of acute tension punctuated by tit-for-tat escalations. Yet perhaps the most telling aspect of 2025 was China's demonstrated resilience in the face of American pressure. Chinese exports surged, driving the country's trade surplus beyond $1 trillion for the first time in history.[110] Rather than capitulating to US demands, China's performance reflects a successful pivot toward other markets and the continued maturation of China's industrial capacity.

Exhibit 24: China's Annual Trade Surplus (US Dollars, Billions)



Source: China General Administration of Customs, Bloomberg as of December 2025

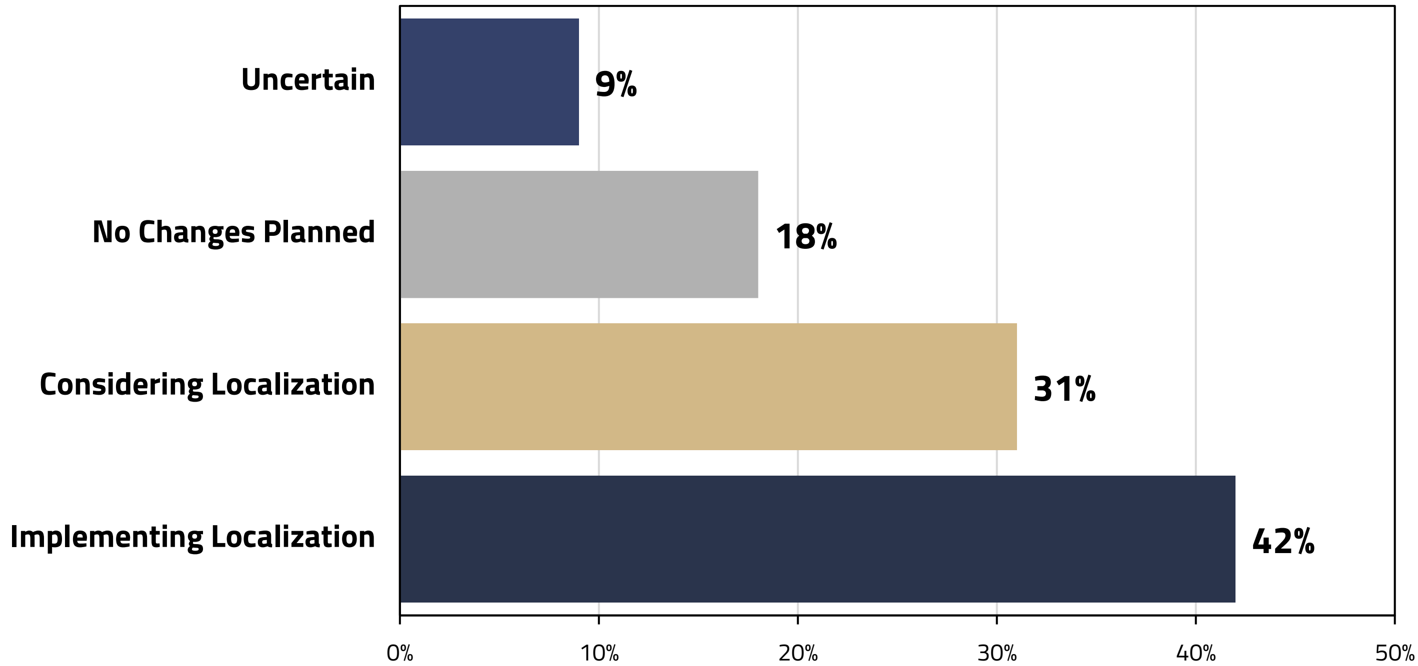
By October 2025, diplomatic engagement had produced a one-year trade truce between Washington and Beijing, with both sides agreeing to modest tariff reductions and China suspending export controls on rare earth minerals. However, the underlying structural tensions remain unresolved, and a final comprehensive agreement continues to prove elusive.

The broader implications of this trade war extend well beyond bilateral US-China relations. Supply chains that had been optimized for efficiency over three decades are now being reconfigured for resilience and political acceptability. Analysis from EY-Parthenon found that a significant number of industrial products companies are implementing localization strategies, reflecting a fundamental shift away from cost efficiency as the primary organizing principle of global manufacturing.[111]

110. "China's Trade Surplus Tops $1 Trillion After Exports Rebound." Bloomberg, 8 Dec. 2025. https://www.bloomberg.com/news/articles/2025-12-08/china-exports-return-to-growth-as-trade-surplus-tops-1-trillion

111. "Geostrategic Analysis: December 2025 Edition." EY-Parthenon, EY Global, 10 Dec. 2025. https://www.ey.com/en_us/insights/geostrategy/geostrategic-analysis

Exhibit 25: Industrial Products Companies: Supply Chain Localization Strategies Survey



Source: EY-Parthenon Geostrategic Analysis as of December 2025

Russia/Ukraine: The Russia-Ukraine conflict entered its fourth year in 2025 with neither side achieving a decisive breakthrough. Moscow's forces seized roughly 5,600 square kilometers over the twelve-month period, equivalent to just under 1% of Ukraine's total land area, elevating Russian control to approximately one-fifth of Ukrainian territory.[112] Analysis from the Institute for the Study of War noted that despite these advances, Russia still requires years of sustained effort to gain full control of the four eastern Ukrainian regions it claims.[113]

These advances came at staggering human cost. US military officials estimated casualty figures comparable to or surpassing American losses across all of World War II, with estimates placing Russia's battlefield losses since February 2022 at between 1 million and 1.35 million personnel.[114] US Secretary of State Marco Rubio stated that 100,000 Russian military personnel died during the initial six months of 2025 alone. Ukrainian losses, while less transparent, are also substantial.

President Trump's efforts to broker peace talks throughout 2025 produced a clearer framework for potential settlement than had previously existed. Yet the fundamental obstacle remained: neither side proved willing to make the concessions necessary for a lasting peace.

Middle East: The Middle East remained a critical focal point throughout 2025, shaped fundamentally by Israel's ongoing response to the heinous terrorist attacks of October 7, 2023, when Hamas-led militants breached the Gaza border, killing approximately 1,200 Israelis—mostly civilians—and abducting 254 hostages.[115]

112. "The Russia-Ukraine War Report Card." Russia Matters (Harvard Kennedy School Belfer Center), citing Institute for the Study of War data, Dec. 2025. https://www.russiamatters.org/news/russia-ukraine-war-report-card

113. "Russia Making Fewer Territorial Gains in Ukraine in 2025." NPR, interview with George Barros, Institute for the Study of War, 7 Apr. 2025. https://www.npr.org/2025/04/07/nx-s1-5349375/russia-making-fewer-territorial-gains-in-ukraine-in-2025

114. Casualty estimates cited in Congressional testimony and U.S. government briefings, including statements by then-SACEUR General Christopher Cavoli (April 2025) estimating over 790,000 Russian casualties.

115. "Israel/OPT: Amnesty International's Research into Hamas-led Attacks of 7 October 2023 and Treatment of Hostages." Amnesty International, 2 Dec. 2024, www.amnesty.orgen/documents/mde15/8803/2024/en/.

After more than fifteen months of military operations aimed at dismantling Hamas's military infrastructure and recovering hostages, a multi-phase ceasefire agreement was reached on January 15, 2025, mediated by the United States, Qatar, and Egypt.[116] The first phase of the ceasefire, which began on January 19, 2025, called for a six-week cessation of hostilities and the release of thirty-three Israeli hostages—including women, elderly, wounded, and men over fifty—in exchange for approximately 1,900 Palestinian prisoners. During this period, Israeli forces withdrew from populated areas in Gaza while maintaining security positions, and humanitarian aid flows increased.[117] Hamas released the first group of hostages from this phase in early February.

A major breakthrough came in September 2025 when President Trump announced a comprehensive 20-point peace plan, formally titled the "Comprehensive Plan to End the Gaza Conflict." Following intense negotiations, Israel and Hamas reached an agreement, and on October 13, 2025, Hamas released all twenty remaining living Israeli hostages after more than two years in captivity.[118] The freed hostages, all men in their 20s through 40s, were reunited with their families in emotional scenes that were broadcast across Israel. In exchange, Israel released nearly 2,000 Palestinian prisoners, including 250 serving life sentences.

President Trump traveled to Israel immediately following the hostage release, addressing Israel's parliament, and declaring that his peace plan effectively ended the war. While Hamas released all living hostages by year-end 2025, the remains of twenty-eight deceased hostages remained in Gaza, with only four bodies returned initially.

From Israel's perspective, the successful recovery of all living hostages represents a partial vindication of its military campaign following the October 7 massacre. The challenge going forward lies in achieving lasting security guarantees that prevent Hamas or other militant groups from reconstituting their military capabilities. The path toward sustainable peace requires not only addressing the immediate aftermath of the conflict but also establishing diplomatic frameworks that ensure Israel's security and prevent the recurrence of terrorist threats emanating from Gaza.

The broader regional implications extend beyond Gaza. Military operations in 2025 significantly affected Iran’s influence, temporarily shifting the regional balance of power. A pivotal development came in June 2025 when Israel and the United States conducted coordinated military operations targeting Iran's nuclear infrastructure. On June 13, Israel launched Operation Rising Lion, a surprise attack using over 200 fighter jets that struck more than 100 targets, including the Natanz and Isfahan nuclear facilities, ballistic missile sites, and air defense systems.[119] The Israeli operation also assassinated senior Iranian military and political leaders, including IRGC Commander Hossein Salami and several prominent nuclear scientists, significantly degrading Iran's command structure.

Following a week of Israeli strikes, the United States directly intervened on June 22 with Operation Midnight Hammer, attacking three key Iranian nuclear sites using the most powerful conventional weapons in the US arsenal. American B-2 Spirit stealth bombers deployed fourteen GBU-57 Massive Ordnance Penetrator "bunker buster" bombs targeting the deeply buried Fordow uranium enrichment facility, while Tomahawk cruise missiles struck the Natanz facility and Isfahan complex.[120] President Trump stated the strikes "completely and totally obliterated" Iran's key nuclear enrichment facilities, though intelligence assessments suggested the program was set back by approximately two years rather than permanently eliminated.

116. "Israel and Hamas Reach a Gaza Ceasefire Agreement." NPR, 15 Jan. 2025. https://www.npr.org/2025/01/15/g-s1-42883/ceasefire-israel-hamas-gaza-hostage-release
117. "The Middle East, Including the Palestinian Question, January 2026 Monthly Forecast." UN Security Council Report, Dec. 2025. https://www.securitycouncilreport.org/monthly-forecast/2026-01/the-middle-east-including-the-palestinian-question-23.php
118. "All 20 Remaining Living Hostages Return to Israel, After Over 2 Years in Hamas Captivity." The Times of Israel, 13 Oct. 2025. https://www.timesofisrael.com/all-20-remaining-living-hostages-return-to-israel-after-over-2-years-in-hamas-captivity/; "Israeli Hostages Freed, Hundreds of Palestinians Released, as Trump Hails 'Historic Dawn'." NPR, 13 Oct. 2025. https://www.npr.org/2025/10/13/g-s1-93207/hamas-releasing-israeli-hostages
119. "Israel-Iran Conflict, U.S. Strikes, and Ceasefire." Congressional Research Service, Library of Congress, June 2025. https://www.congress.gov/crs-product/IF13032; "Post-Attack Assessment of Israeli and U.S. Strikes on Iranian Nuclear Facilities." Institute for Science and International Security, 24 June 2025. https://isis-online.org/isis-reports/post-attack-assessment-of-the-first-12-days-of-israeli-strikes-on-iranian-nuclear-facilities
120. "Israel and U.S. Strike Iran's Nuclear Program." Arms Control Association, July 2025. https://www.armscontrol.org/act/2025-07/news/israel-and-us-strike-irans-nuclear-program; "Iran's Conflict With Israel and the United States." Council on Foreign Relations Global Conflict Tracker. https://www.cfr.org/global-conflict-tracker/conflict/confrontation-between-united-states-and-iran

Iran retaliated by launching over 550 ballistic missiles and 1,000 drones at Israel, with most intercepted by Israeli and US air defenses, though some struck civilian areas and military targets. Iran also fired missiles at the US Al Udeid Air Base in Qatar, causing no American casualties. The twelve-day conflict resulted in over 1,000 deaths in Iran and twenty-nine in Israel before a US-brokered ceasefire took effect on June 24, 2025.[121] While the strikes inflicted massive damage on Iran's nuclear program, experts noted that Iran retained its enriched uranium stockpile, centrifuge manufacturing capability, and nuclear knowledge—meaning Tehran could potentially rebuild, albeit over a period of years.

Venezuela: The most dramatic geopolitical development occurred in early January 2026, when US forces conducted a large-scale military operation in Venezuela, capturing President Nicolás Maduro and transporting him to New York to face federal charges. The intervention followed months of escalating pressure, including comprehensive sanctions and a naval blockade announced in December 2025. President Trump subsequently announced that the United States would "run the country" temporarily and facilitate American oil companies' investment to rebuild Venezuela's devastated energy infrastructure.

Venezuela possesses the world's largest proven oil reserves—an estimated 303 billion barrels, representing approximately 17% of global reserves and exceeding even Saudi Arabia's holdings.[122] These reserves, concentrated primarily in the Orinoco Belt in the eastern part of the country, consist of extra-heavy crude oil requiring specialized technical expertise and infrastructure to extract and refine. At its peak in the late 1990s, Venezuela produced 3.5 million barrels per day, making it one of the world's leading oil exporters and a founding member of OPEC.

However, decades of mismanagement, corruption, and underinvestment—particularly during the Chavez and Maduro regimes—have caused production to collapse to approximately 800,000 to 1 million barrels per day, representing less than 1% of global oil output.[123] The state-owned oil company PDVSA reports that its pipelines haven't been updated in fifty years, and estimates suggest that returning to peak production levels would require $58 billion in infrastructure investment. Additionally, Venezuela has been venting approximately 40% of its natural gas production—equivalent to Colombia's annual consumption—representing roughly $1 billion in lost annual revenue.

The immediate market impact of the US intervention has been muted, as oil markets were already experiencing oversupply conditions. Oil prices briefly rose above $60 per barrel following the operation but quickly retreated to around $57, reflecting analysts' assessment that Venezuela's current production is easily replaceable by other global producers.[124] The International Energy Agency projects that supply could exceed demand by as much as two million barrels per day in 2026, with new production coming online from Brazil, Guyana, Argentina, and continued US output at record levels above thirteen million barrels daily.

Yet the longer-term implications are more substantial. JPMorgan analysts estimate that Venezuela could raise production to 2.5 million barrels per day over the next decade if US oil companies invest and sanctions are lifted.[125] Such an expansion would represent a structural shift in global oil markets, potentially weakening OPEC+ and providing the United States with leverage to influence prices. Some analysts suggest this could be used strategically to pressure rivals like Russia through lower oil prices, though this would depend heavily on global demand trajectories and the pace of the transition to electric vehicles.

Several major hurdles complicate this optimistic scenario. First, US oil majors including ExxonMobil and ConocoPhillips have outstanding claims totaling billions of dollars from the Chavez government's 2007 nationalization of the oil sector—claims that remain unpaid.[126] These

121. "Israel-Iran Conflict, U.S. Strikes, and Ceasefire." Congressional Research Service, June 2025. https://www.congress.gov/crs-product/IF13032
122. "Trump Says US Is Taking Control of Venezuela's Oil Reserves." CNN Business, 3 Jan. 2026. https://www.cnn.com/2026/01/03/business/oil-gas-venezuela-maduro
123. "5 Things to Know About Oil in Venezuela." NPR, 4 Jan. 2026. https://www.npr.org/2026/01/04/nx-s1-5665795/trump-us-oil-companies-venezuela
124. "Maduro Overthrow in Oil-Rich Venezuela Unlikely to Shake Energy Markets." CNBC, 3 Jan. 2026. https://www.cnbc.com/2026/01/03/trump-venezuela-attack-oil-markets.html
125. "Venezuelan Oil Faces Long Road to Lasting Recovery." Bloomberg, 5 Jan. 2026. https://www.bloomberg.com/news/articles/2026-01-05/venezuela-oil-output-faces-long-and-risky-recovery-analysts-say
126. "Maduro Overthrow Could Help U.S. Oil Companies Recover Assets." CNBC, 5 Jan. 2026. https://www.cnbc.com/2026/01/05/maduro-overthrow-could-pave-the-way-for-us-oil-companies-to-recover-venezuela-assets.html

companies are understandably cautious about re-entering a market where the government previously expropriated their assets. Second, the current oversupply environment and oil prices below $60 per barrel make massive infrastructure investments less economically attractive, particularly given the decades-long timeline required for meaningful production increases.

Third, Venezuela's oil is among the dirtiest in the world to produce from a climate perspective, which may deter European oil companies with environmental commitments. Fourth, the political uncertainty surrounding Venezuela's transitional governance creates risks for foreign investors, as history demonstrates that government transitions in occupied territories rarely proceed smoothly. Finally, the fundamental question remains: does the world need that much additional oil? Until recently, market consensus held that oil demand would stop growing within four years due to electric vehicle adoption and climate policies. However, weakening climate policies in the US, China, and Canada, combined with slowing EV sales growth, may make Venezuelan oil more attractive than previously anticipated.

Beyond oil, Venezuela possesses substantial natural gas reserves—nearly 200 trillion cubic feet, representing over 60% of Latin America's total—as well as potential reserves of critical minerals including nickel and coltan, which are essential for clean energy technologies and defense applications.[127] The Maduro regime's designation of the "Mining Arc"—an area larger than Portugal encompassing 12% of Venezuelan territory—has led to largely unregulated extraction with significant environmental costs, including Amazon deforestation. A stable, transparent governance structure could unlock value from these resources while implementing proper environmental oversight.

From a market perspective, the Venezuela situation establishes a precedent for unilateral intervention that could influence international relations throughout 2026 and beyond. While the immediate oil price impact has been negligible, the potential for medium- to long-term supply increases could exert downward pressure on prices, benefiting consumers but potentially challenging producers. For investors, the key variables to monitor include: the stability of Venezuela's transitional government, the willingness of major oil companies to commit capital despite historical losses, the pace of infrastructure rehabilitation, global oil demand trajectories, and OPEC+ responses to potential Venezuelan production increases.

As we look toward 2026, several geopolitical dynamics warrant close attention. The US-China trade relationship remains precariously balanced, with the temporary one-year truce set to expire in late 2026 and legal challenges to the administration's tariff authority pending before the Supreme Court. The structural drivers of US-China competition ensure that this rivalry will continue to shape the global economic environment.

The Russia-Ukraine conflict shows no clear path to resolution despite various diplomatic initiatives. The Middle East remains susceptible to renewed conflicts, notwithstanding the progress made in 2025. And beyond these specific flashpoints, broader structural trends, such as the race for technological supremacy, particularly in artificial intelligence and semiconductor manufacturing, and the fragmentation of the global trading system, are creating a more complex environment for businesses and investors.

The geopolitical developments of 2025 continue to shape how we think about risk, opportunity, and portfolio construction. The post-Cold War consensus has given way to something more uncertain and more prone to sudden discontinuities. For investors, this requires scenario planning that accounts for wider potential outcomes, portfolio construction that incorporates resilience to geopolitical shocks, and attention to interconnections between disparate developments.

Yet amid this complexity, it is important to maintain perspective. Markets have demonstrated remarkable resilience, and the global economy has continued to adapt. The key is not to retreat from risk entirely, but rather to understand it more deeply, price it more accurately, and position portfolios to weather turbulence while capturing opportunities from structural change.

127. "Venezuela: The Post-Maduro Oil, Gas and Mining Outlook." Americas Quarterly, 3 Jan. 2026. https://www.americasquarterly.org/article/venezuela-the-post-maduro-oil-gas-and-mining-outlook/

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