

2026 CAPITAL MARKETS FORECAST WEBINAR

ASSOCIATION OF COLORADO INDEPENDENT SCHOOLS
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AGENDA

- 1 Executive Summary
- 2 The Big Picture
- 3 Equity Markets
- 4 Fixed Income Markets
- 5 Private Markets
- 6 2026 Long-Term Forecast



EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Markets remain characterized by higher than usual uncertainty, driven by questions around artificial intelligence (AI) spending, elevated equity valuations, inflation, and consumer dynamics.

We do not view the current environment as a bubble—whether related to AI or other factors. Strong corporate profits, rising valuations, and emerging productivity gains from AI continue to support economic and equity market growth. Consumer spending also shows resilience, particularly among higher-income households, while global economic instability appears to be easing.

That said, risks persist including the bifurcation of consumer spending, a softening labor market, widening budget deficits and the growing Federal debt, ongoing trade negotiations, and continued inflation concerns.

Accordingly, we maintain the Neutral outlook on US and non-US public equities adopted in mid-2025. Core and core-plus US bonds remain Neutral to Positive in our view. As we move further into 2026, we will be considering whether long-term investors should further reduce dedicated short-term bond allocations in anticipation of further rate cuts.

Given potential market volatility, this is an opportune time to reassess portfolio risk, ensuring alignment with long-term growth objectives without taking on excess exposure. In today's environment of tempered optimism and manageable risk, opportunities to further diversify may also emerge, particularly within private debt.

NEAR-TERM SENTIMENT OVERVIEW

We maintain the Neutral stance on public market equities, both US and non-US, that we adopted in Syntrinsic's 2025 Mid-Year Capital Markets Outlook. We are not making any additional changes to our sentiment currently.

We suggest clients take a long-term perspective and maintain their public equity allocations while continuing to build on private market allocations where appropriate given objectives. If anticipated Federal Reserve rate cuts stay on course in 2026, we expect to consider moving out of dedicated short-term bond allocations into other asset classes, depending on risk posture.

Asset Class/Segment	Current Near-Term Sentiment	2025 Mid-Year Near-Term Sentiment
Global Equities	Neutral	Neutral
US	Neutral	Neutral
Non-US Developed	Neutral	Neutral
Emerging Markets	Neutral	Neutral
Global Fixed Income	Neutral/Positive	Neutral/Positive
Short-Term US Bonds	Neutral	Neutral
Core US Bonds	Neutral/Positive	Neutral/Positive
Core Plus US Bonds	Neutral/Positive	Neutral/Positive
Non-US Developed Bonds	Neutral	Neutral
Emerging Markets Bonds	Neutral	Neutral
Real Estate	Neutral	Neutral
Commodities	Neutral/Negative	Neutral/Negative
Infrastructure	Neutral/Positive	Neutral/Positive
Hedge Fund Strategies	Neutral	Neutral
Private Equity	Neutral	Neutral
Venture Capital	Neutral	Neutral
Private Debt	Neutral/Positive	Neutral/Positive

Source: Syntrinsic

THE BIG PICTURE



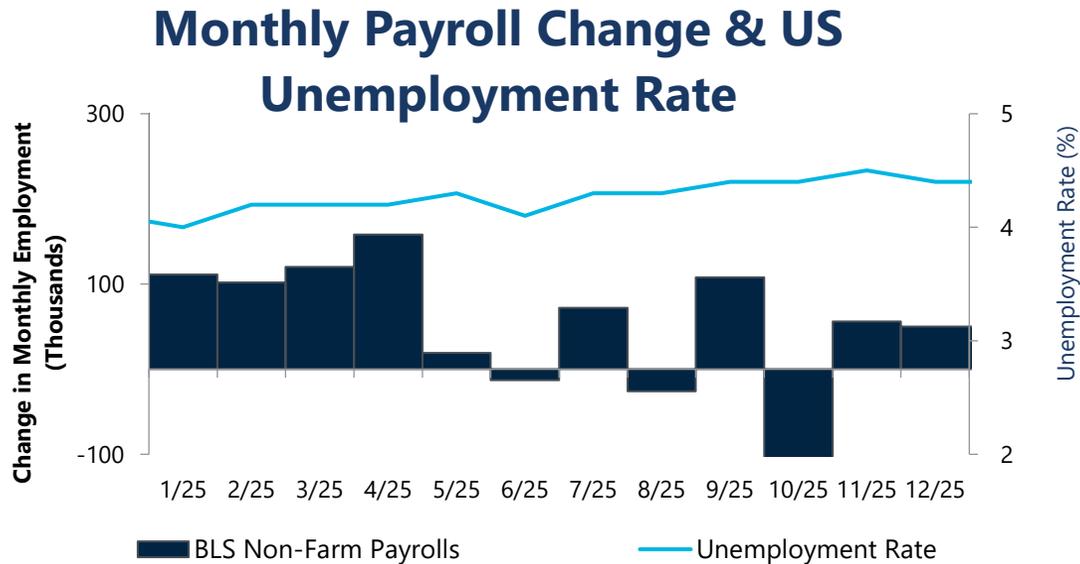
CAPITAL MARKET RETURNS THROUGH DECEMBER 31, 2025

Asset Class	1 Year	3 Years	5 Years	10 Years	15 Years
Global Equity	22.3%	20.7%	11.2%	11.7%	9.8%
US Equity	17.2	22.3	13.2	14.3	13.6
US Equity Large Cap	17.9	23.0	14.4	14.8	14.1
US Equity Mid Cap	11.9	13.8	7.3	10.4	10.4
US Equity Small Cap	12.8	13.7	6.1	9.6	9.5
Non-US Equity	32.4	17.3	7.9	8.4	5.9
Non-US Equity Large Cap	31.2	17.2	8.9	8.2	6.6
Non-US Equity Smid Cap	30.7	16.1	6.8	7.9	6.0
Emerging Markets Equity	33.6	16.4	4.2	8.4	3.8
Private Equity (as of 09/30/25)	8.4	8.3	14.4	13.7	14.0
Private Debt (as of 09/30/25)	9.8	10.9	10.7	9.2	9.7
Global Fixed Income	8.2	4.0	-2.2	1.3	1.1
U.S. Investment Grade Bond	7.3	4.7	-0.4	2.0	2.4
Short-Term Fixed Income	6.1	4.9	1.6	2.2	2.0
US Short-Term Core	5.4	4.8	2.0	2.1	1.7
US Short-Term Treasury	5.2	4.5	1.8	1.8	1.5

Source: Morningstar, index providers, Syntrinsic

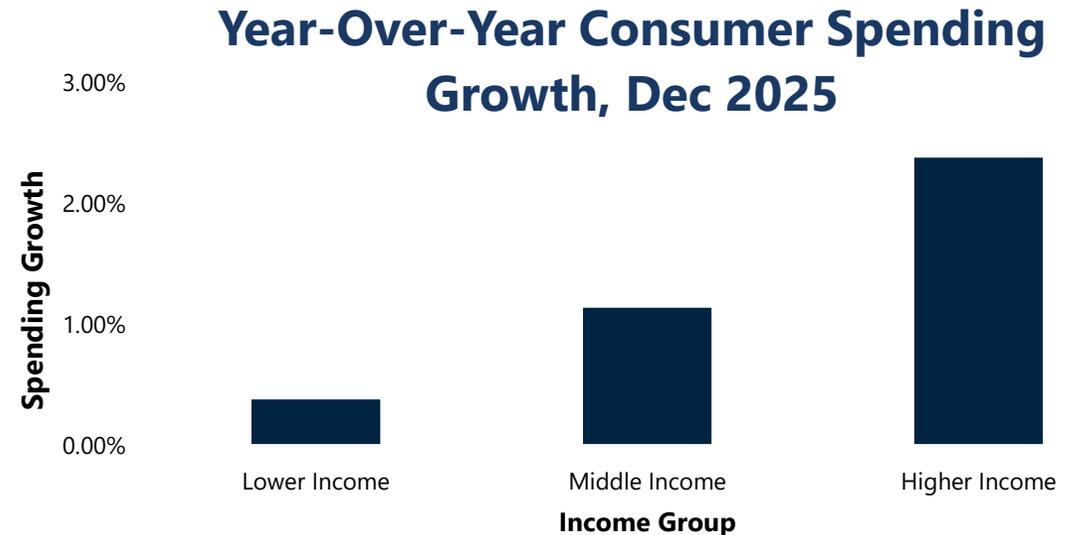
US ECONOMIC CONDITIONS

The labor market in the United States has continued to soften, as the monthly rate of employment additions has trended downward from earlier this year, and the unemployment rate has increased.



Source: Bureau of Labor Statistics, University of Michigan, Bloomberg, as of 11/30/2025

Recently, while US households across the income spectrum have been increasing their spending, consumer spending growth has been larger in higher-income households, highlighting the “K-shaped recovery.”

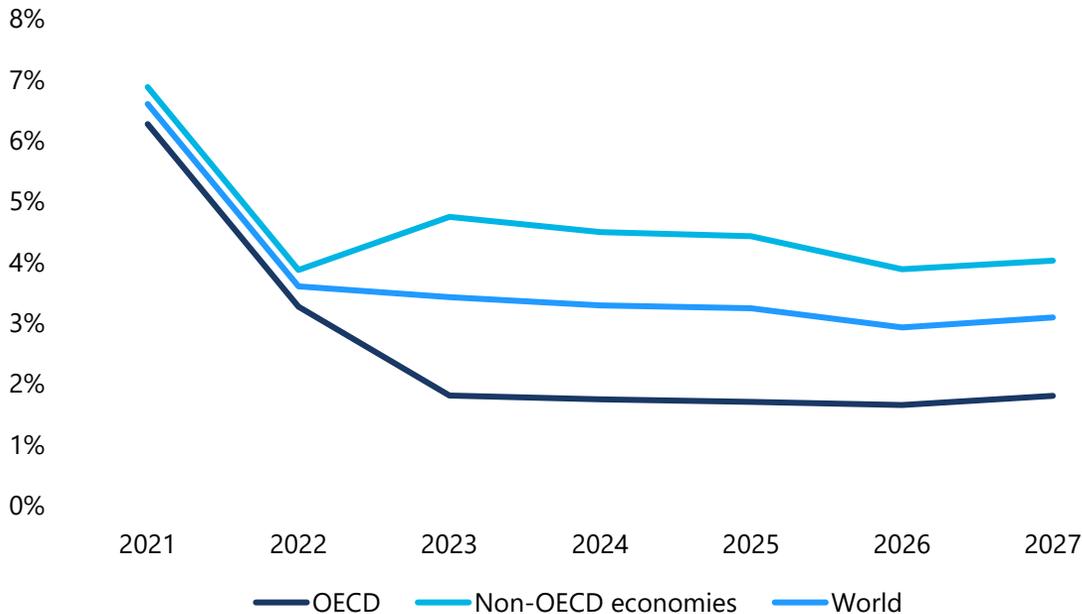


Source: Bank of America Internal Data Economic Research

GLOBAL GDP GROWTH

Non-OECD countries (mostly lower income) continue to exhibit higher GDP growth relative to OECD countries. While the gap has narrowed recently, we expect this trend to continue.

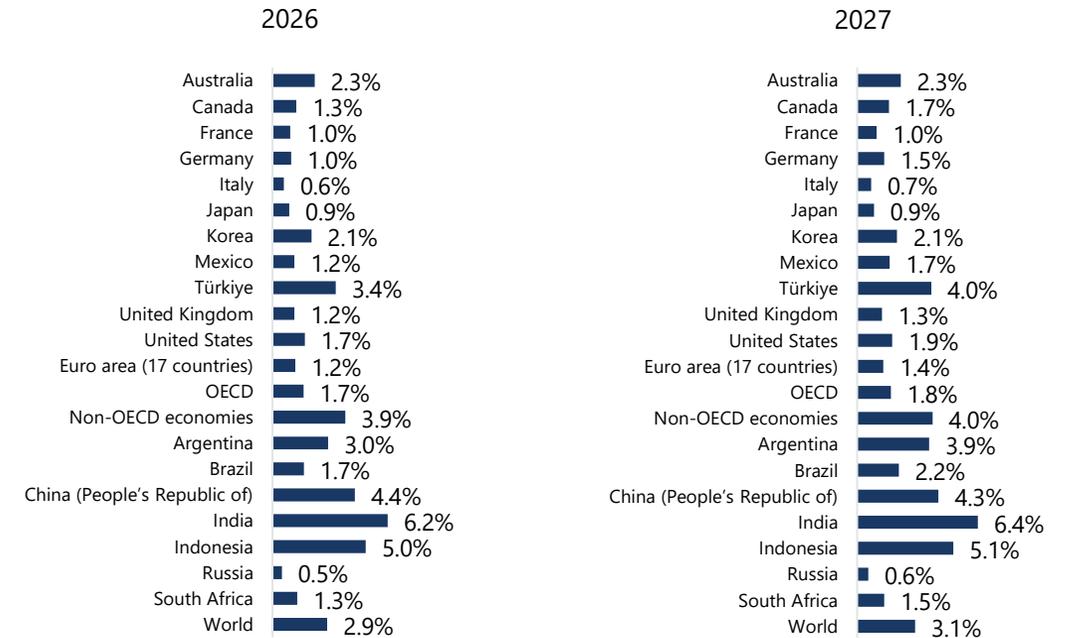
GDP Growth, Historical and Projected



Source: 2025 OECD Economic Outlook 118 databases and OECD Calculations

Countries globally are expecting lower GDP growth for 2026 compared to previous forecasts, driven by global trade disruptions and ongoing geopolitical risks.

GDP Growth by Country

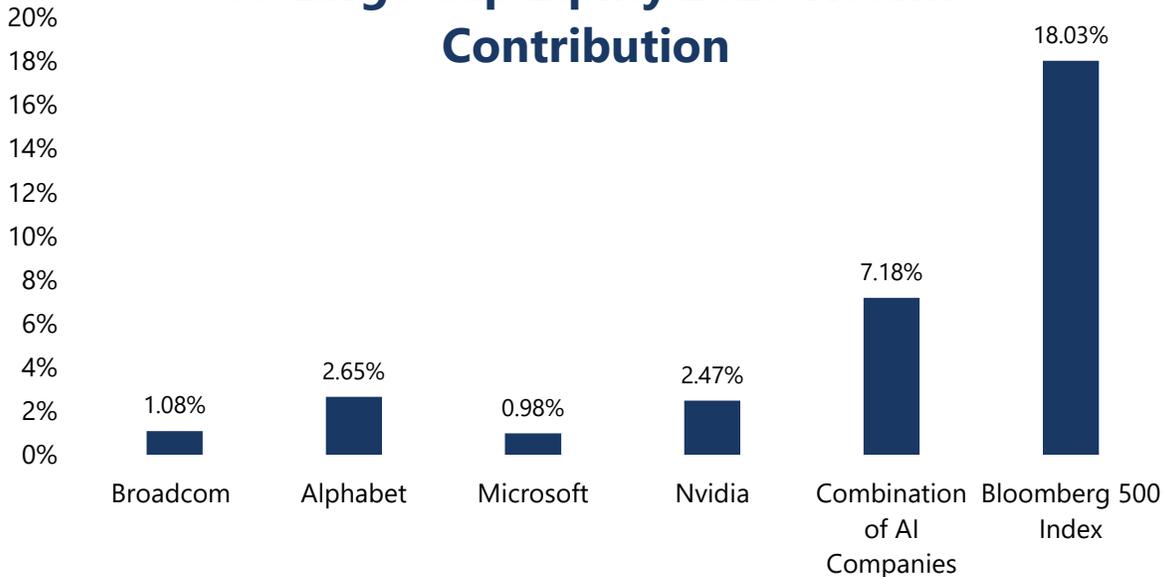


Source: 2025 OECD Economic Outlook 118 databases and OECD

INFLUENCE OF ARTIFICIAL INTELLIGENCE

Organizations engaged in the development of artificial intelligence technology, along with the infrastructure necessary to facilitate its expansion, have observed significant gains this year. A small number of such firms continue to have a material contribution to market returns.

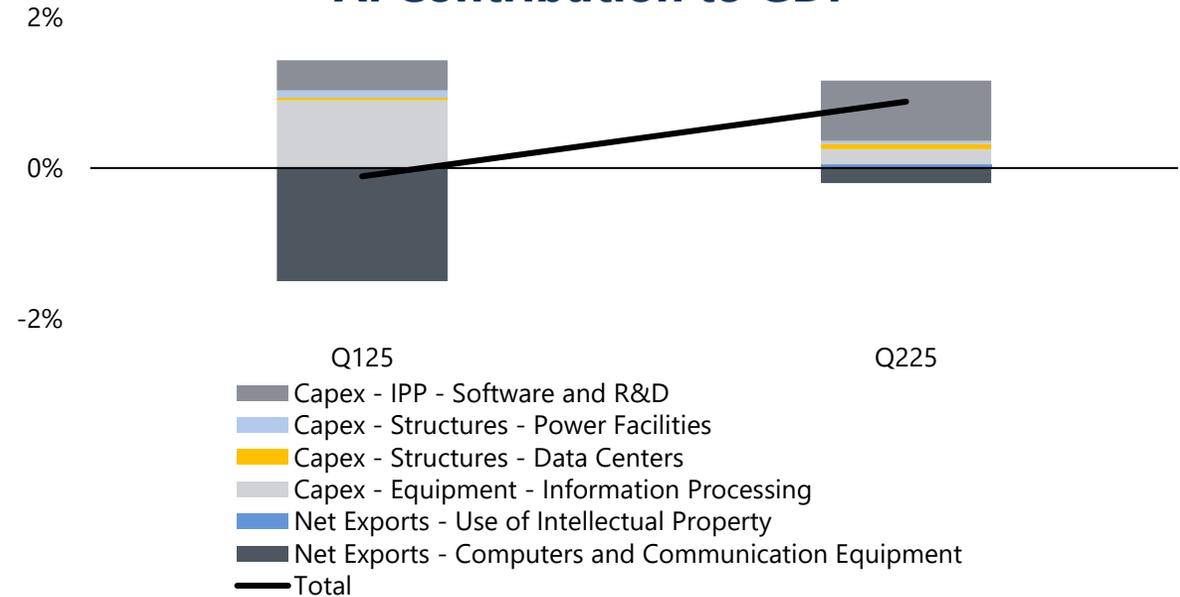
US Large Cap Equity 2025 Return Contribution



Source: Bloomberg, Syntronic. The Bloomberg 500 Index measures the 500 largest US companies by market capitalization, in contrast with the S&P 500, the constituents of which are chosen by committee.

The significant capital expenditures by artificial intelligence hyperscalers have contributed to an increase in gross domestic product (GDP) during the first and second quarters of this year. As a base case, we expect that this expenditure will continue/accelerate in the coming years.

AI Contribution to GDP



Source: EY Parthenon, Bureau of Economic Analysis, Syntronic

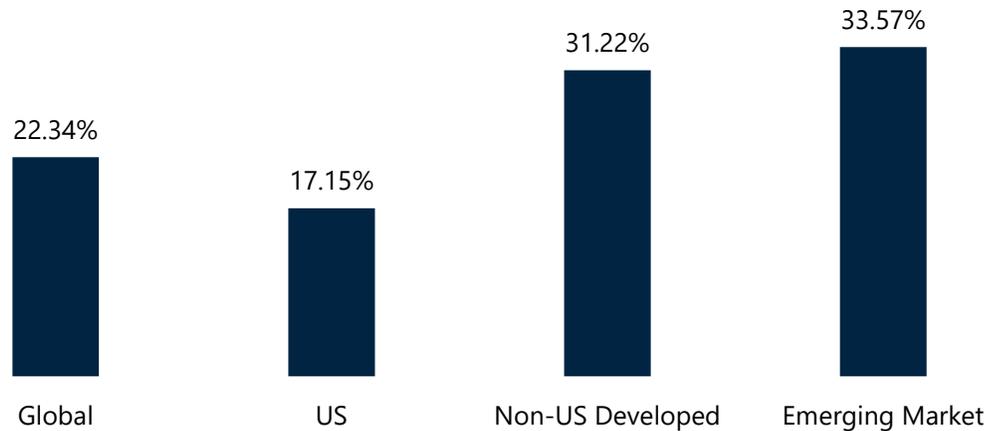
EQUITY MARKETS



GLOBAL EQUITIES IN 2025

Global equity markets have shown resilience despite challenges like persistent inflation, rising interest rates, and potential trade disruptions instigated by rapidly changing US tariff policies.

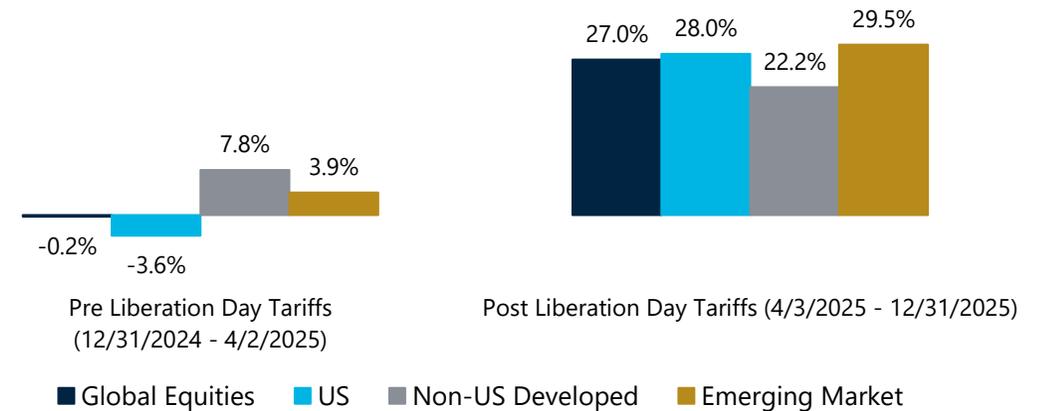
Returns by Equity Market Through 12/31/2025



Sources: (MSCI ACWI Index represents Global, Russell 3000 Index represents US Equities, MSCI EAFE Index represents Non-US Developed, and MSCI Emerging Markets represents Emerging Markets), Morningstar

The US performed notably worse than international markets leading up to "Liberation Day". However, post-"Liberation Day" returns were positive across all regions, with the US showing the most significant improvement relative to the previous period.

Equity Market Returns Pre- and Post "Liberation Day"

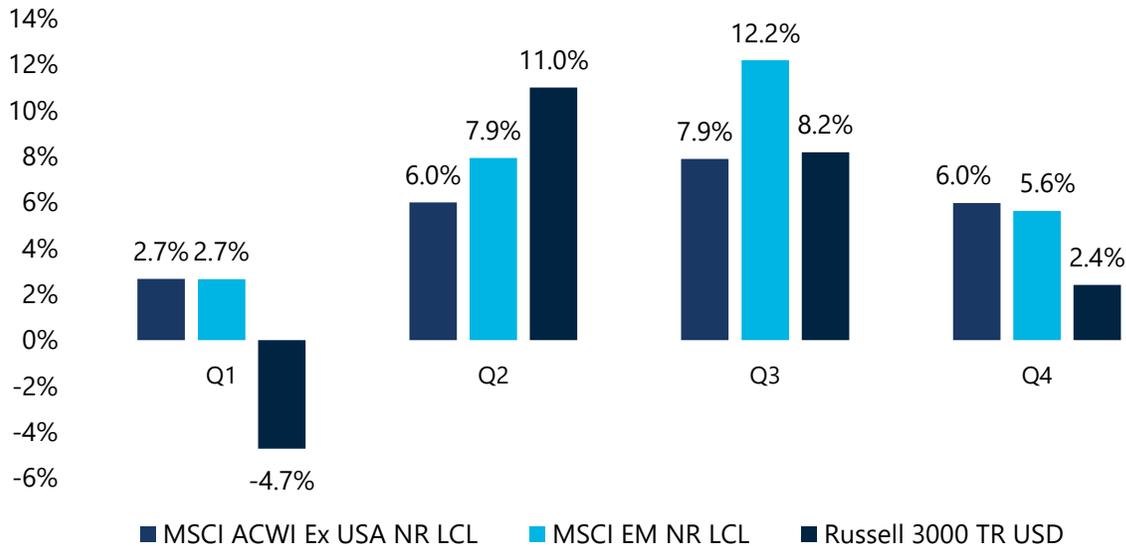


Source: Bloomberg

GLOBAL EQUITIES TODAY

Excluding the impact of currency, returns of US equities began and ended the year weak against non-US markets, but beat developed and emerging markets in Q2, and developed markets in Q3.

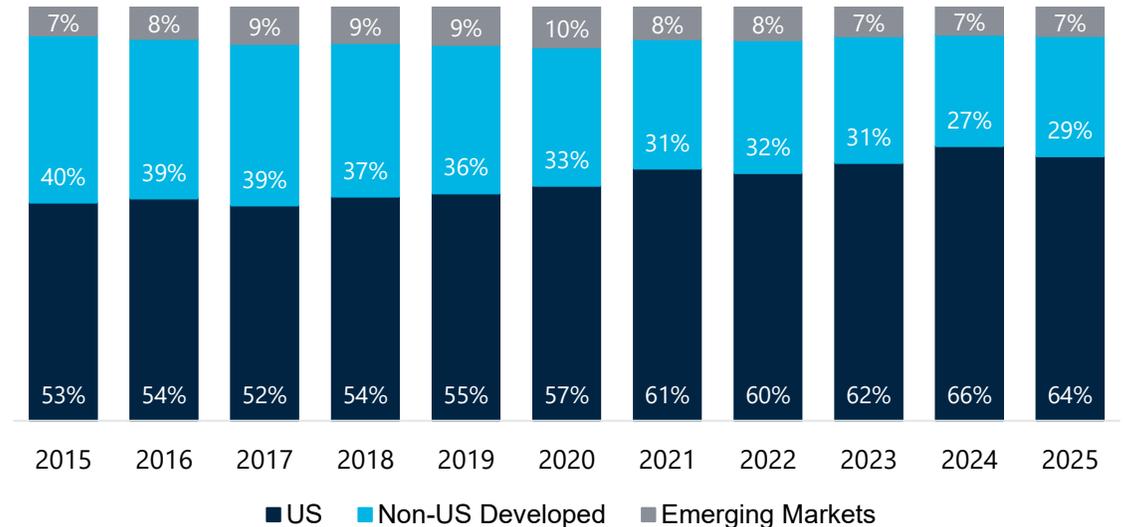
Local Region Currency Return 2025



Source: (MSCI ACWI Index represents Global), Morningstar

US equities' representation in global markets stayed about stable at 64%. We maintain our Neutral view on US vs non-US, and a modest US overweight (70/30) driven by growth-oriented policies and AI-related investment in the US and fading trade uncertainty. Diversification remains key.

Global Equities Regional Exposure



Source: (MSCI ACWI Index represents Global), Morningstar

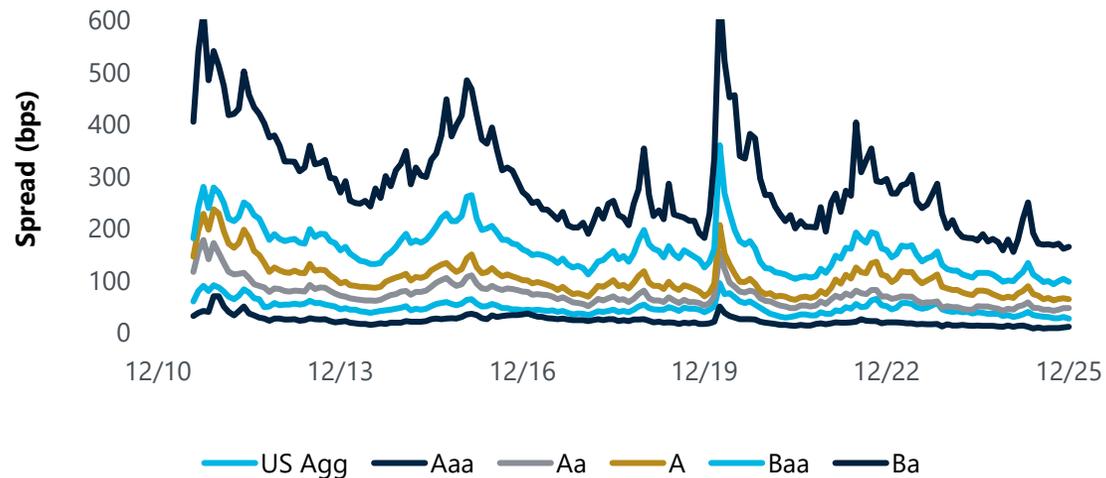
FIXED INCOME



CREDIT SPREADS AND DURATION RISK

The investment-grade (IG) corporate sector started and ended the year with historically low credit spreads despite temporary widening in the lower-rated segment after tariff announcements. Our base case expectation is for spreads to remain narrow, while we continue to favor broad-mandate active management in this space to remain nimble.

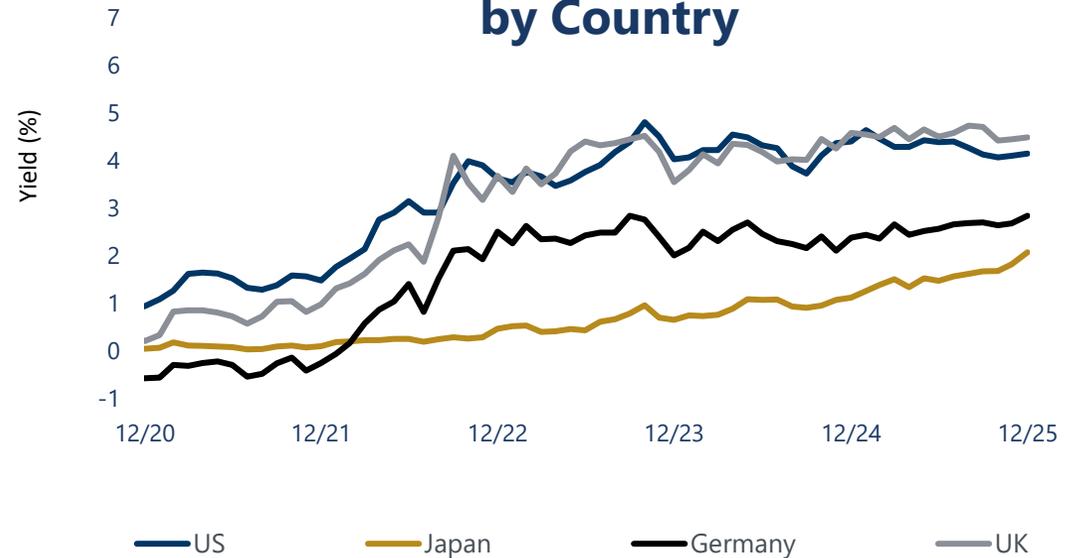
US Investment Grade Corporate Yield Spreads Above Treasury Bonds



Source: Bloomberg

Ten-year sovereign yields across multiple regions have remained elevated, signaling long-term expectations of higher growth, potentially higher inflation, and concerns about rising debts and deficits.

Yields on 10-Year Government Bonds by Country

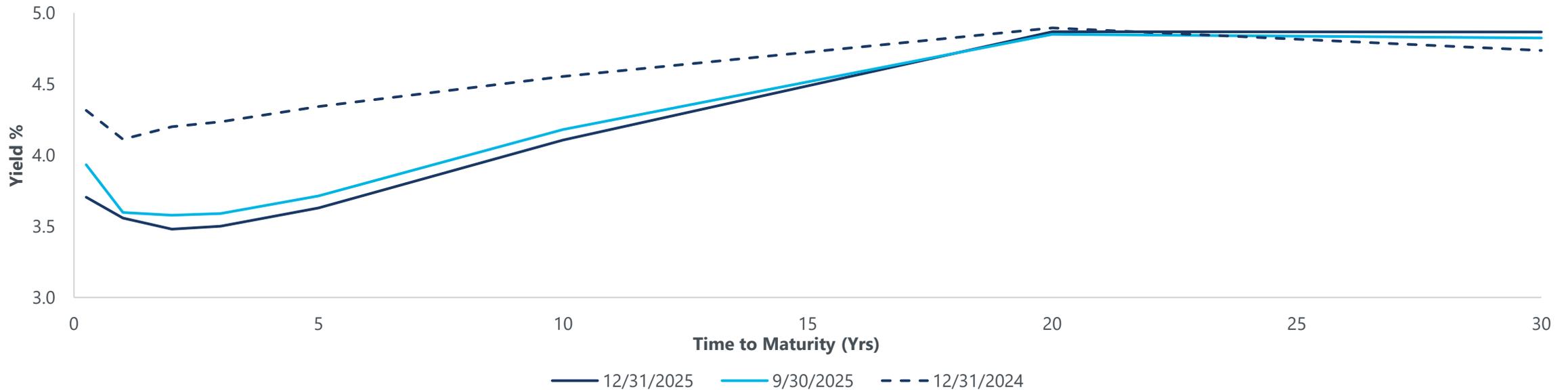


Source: Bloomberg

US TREASURY YIELD CURVE

The US Treasury yield curve, which started out the year relatively flat, experienced “bull steepening” movement as yields declined across all maturities, though in greater magnitude among shorter maturities. Healthy coupon interest, stagnant credit spreads and a favorable movement in yields combined to deliver mid to high single digit returns from public fixed income exposures during the year. While slightly lower market yields marginally decrease the total opportunity within public fixed income, a steeper, more differentiated US Treasury yield curve across maturities presents opportunities and reinforces our preference for and employment of active investment managers.

US Treasury Bond Rates by Maturity (%)



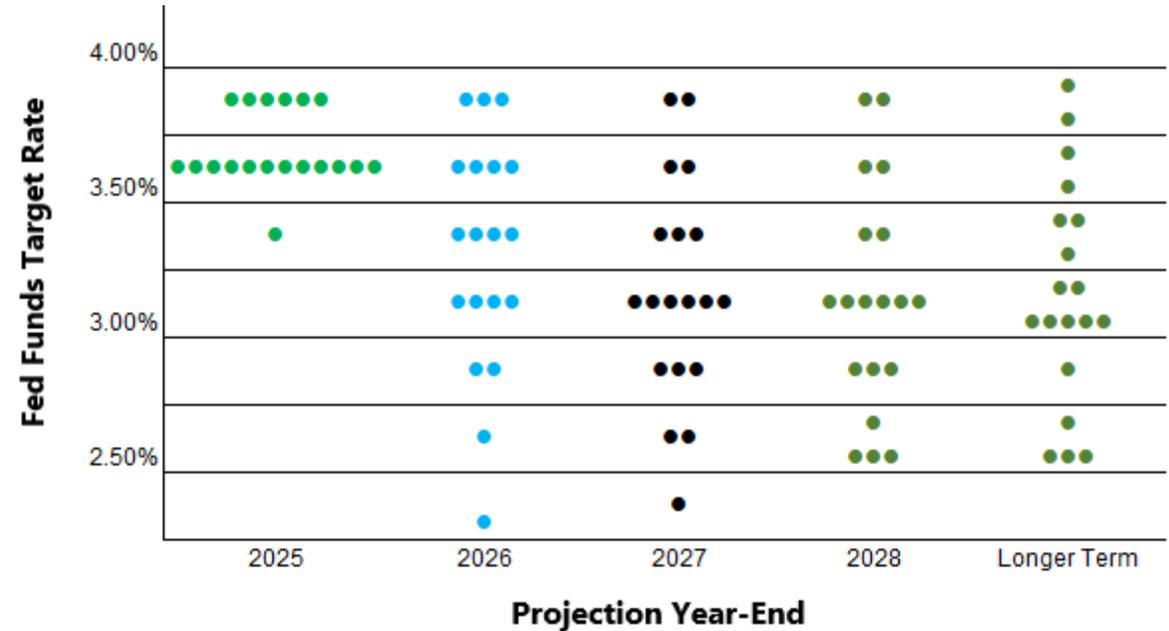
Source: Bloomberg

FEDERAL RESERVE EXPECTATIONS

The Federal Reserve is positioned between the push and pull of its dual mandates of stable prices and maximum employment. At the December meeting, it appears that the Federal Open Market Committee in aggregate felt that we are at or near a “neutral” policy, neither accommodative or restrictive, though Chairman Jerome Powell also suggest there may be more room for accommodation.

The “dot plot” suggests an expectation of just one more cut in 2026, while the market (as expressed in expected yields implied by futures and swap markets) anticipates moderately larger cuts. Our base case expectation is for more than one cut in 2026, but this is highly dependent on economic and other developments.

Federal Reserve “Dot Plot” of FOMC Interest Rate Expectations (12/25)



Source: Federal Reserve: [Summary of Economic Projections \(December 2025\)](#)

PRIVATE MARKETS



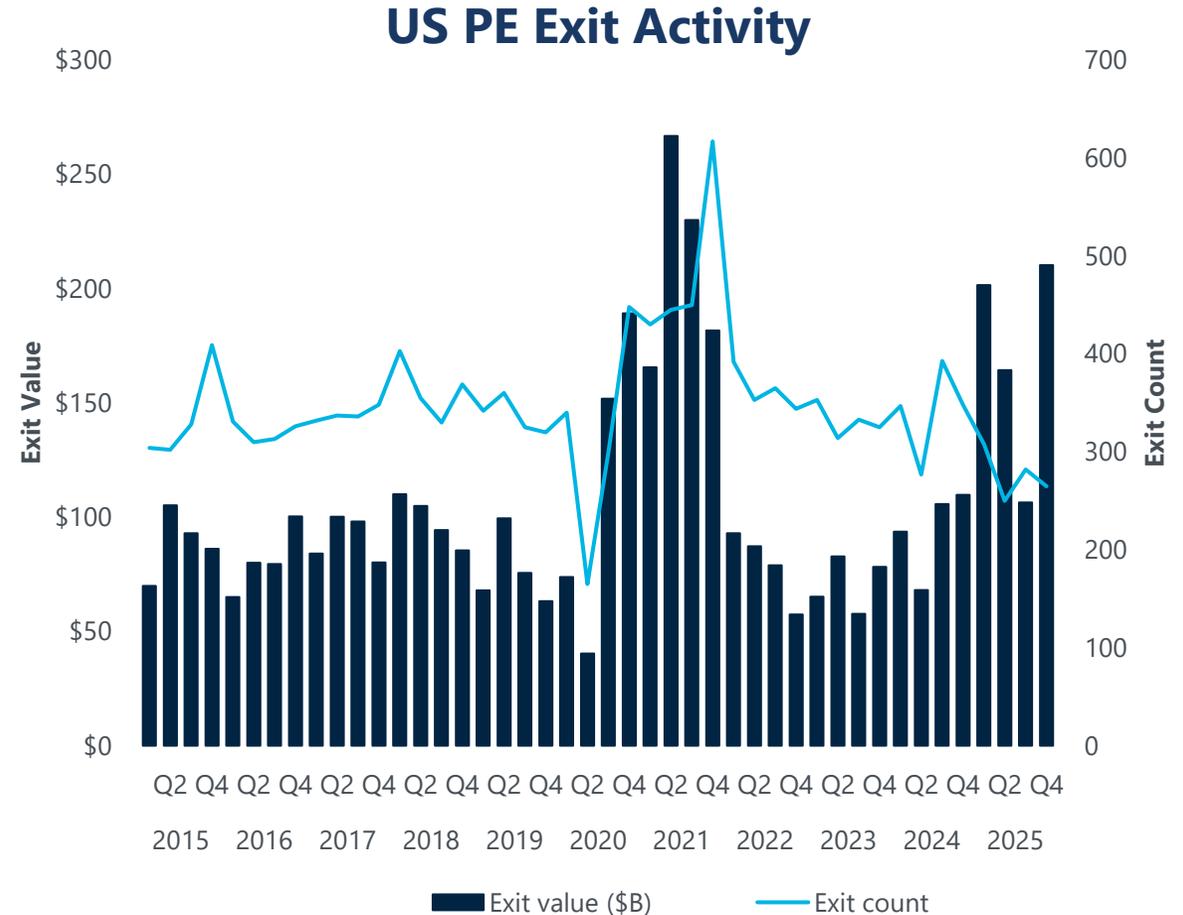
PRIVATE EQUITY

The rapid increase in interest rates in late 2022 ground private equity to a halt. The lack of exits has resulted in muted distributions to LPs, leading to the need for liquidity and a focus on distributed to paid-in capital (DPI) as a performance metric.

We had a **Neutral/Positive** sentiment entering 2024 and into 2025 as we expected declining interest rates would lead to improved exit activity. While exit activity has improved from 2023 lows, we pivoted in mid-2025 to a **Neutral** sentiment. We are maintaining that outlook into 2026 as we see further modest interest rate cuts leading to similar or perhaps slightly improved exit activity relative to 2025.

We continue to see opportunities in secondaries, lower/middle-market buyouts, growth equity, co-investments, and add-ons—while avoiding mega-buyouts.

We continue to favor managers with a specific sector focus that can drive EBITDA growth by improving operations.



Source: Pitchbook, data as of Q4 2025

PRIVATE DEBT

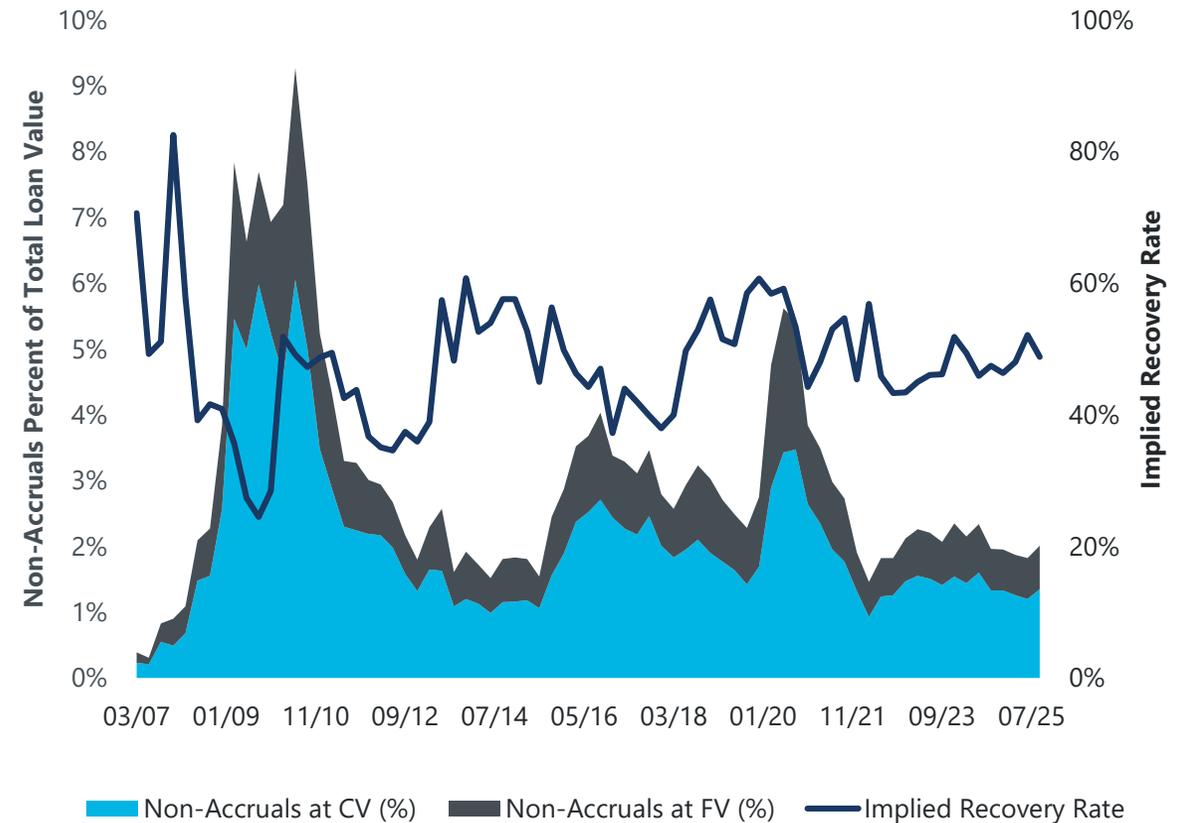
We maintain a **Neutral/Positive** outlook. We believe that private debt risks remain isolated, not systemic. Despite 2025 concerns from liability management exercises and fraud/bankruptcy at Tricolor and First Brands, this occurred mostly in the broadly syndicated loan markets. Private debt lenders tend to be better-protected through tighter documentation and structural safeguards.

Although non-accruals, in which the borrower stops making payments, are slightly ticking up again, defaults remain below historical averages. Expected recoveries sit near 50%.

While direct lending remains the cornerstone of private debt, this segment faces yield compression amid lower short-term rates and greater deal competition as institutional and retail capital flows increase.

We see value in less-trafficked areas of private debt credit, including lower middle market direct lending and specialty finance strategies like asset-based lending, which provides structurally protected, collateral backed loans.

Direct Lending Non-Accrual and Recovery Rates



Source: Cliffwater Direct Lending Index, data as of Q3 2025

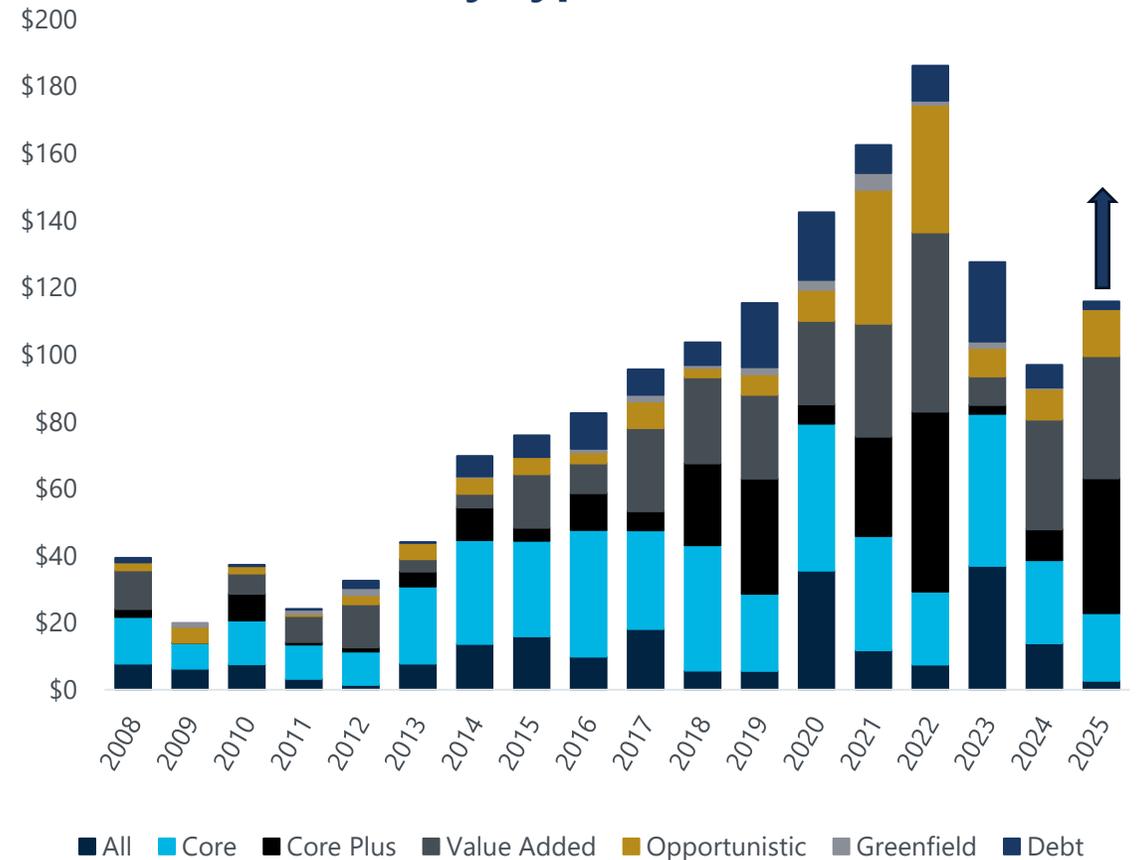
INFRASTRUCTURE

We introduced private market infrastructure investments in many client portfolios in early 2024 with a **Neutral/Positive** sentiment, which we maintained throughout 2025 and continue to support into 2026 as the short and long-term fundamentals remain intact.

Infrastructure fundraising grew steadily from 2008 because of the low-interest rate environment following the global financial crisis (GFC). Fundraising peaked when rates were zero following COVID-19 through the beginning of 2022. As the Federal Reserve began its tightening cycle in 2022, fundraising bottomed out in 2024. Fundraising for 2025 (as of 1Q25) was already half of 2024 levels. We anticipate 2025 fundraising will be higher than that in 2024 and may reach levels reached in 2023 as interest rates continue to decline and demand improves. This data faces a significant time lag.

We continue to favor the small-to-middle infrastructure buyout market where there are more opportunities to drive operational improvements with less leverage in core, core plus, value-add and secondaries strategies which is consistent with where most institutional capital is being raised (and less in opportunistic, greenfield and debt).

Infrastructure Capital Raised, by Type (\$B)



Source: Pitchbook

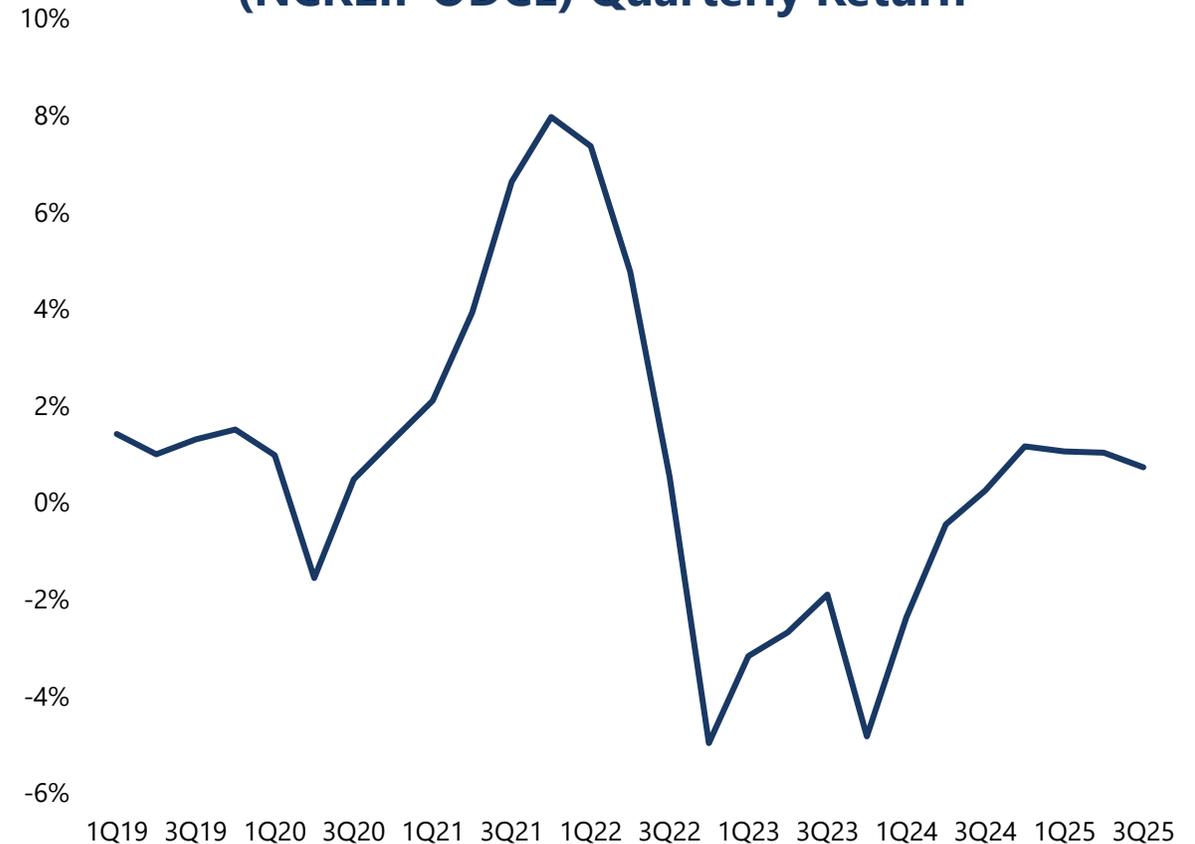
COMMERCIAL REAL ESTATE

After nearly two years of negative performance, the ODCE (Open-End Diversified Core Equity) Index, from the real estate group NCREIF, turned positive in 3Q24 and has now posted five consecutive quarters of positive returns with a YTD return of 2.82% as of 3Q25, driven by income and a decline in cap rates, which provided a modest boost in valuations.

This positive trend for the commercial real estate sector may reflect that declines have finally bottomed out. That said, we remain concerned about the \$1.26 trillion in loans made in 2015 that are maturing in 2027 which carried lower average interest rates near 4% compared with the roughly 6.5% today that it would cost to refinance.

We would not expect a “V” shaped recovery; but rather, one that is more elongated in nature given the underlying fundamentals. The saving grace for the commercial real estate sector would be a rapid decline in interest rates, rapid increase in NOI, or significant lender cooperation, none of which is our base case. While there are still pockets of opportunity, we are maintaining our **Neutral** sentiment for the commercial real estate market in the near term.

Commercial Real Estate Index (NCREIF ODCE) Quarterly Return



Source: National Council of Real Estate Investment Fiduciaries (NCREIF), Morningstar

OTHER ALTERNATIVE ASSET CLASSES

Syntrinsic regularly considers the use of other diversifying asset classes to achieve long-term return and risk management objectives. We remain Neutral in near-term sentiment on hedge fund strategies, though interest in this asset category has increased in recent months, and Neutral/Negative on commodities.

Hedge Fund Strategies (Neutral)

Global economic uncertainty, interest rate normalization, and economic desynchronization could create selective opportunities for hedge funds due to their low volatility and uncorrelated returns. Manageable structural challenges—including higher fees, reduced liquidity, and limited transparency—persist, that would need to be overcome through manager selection and matching of investments with client circumstances and goals.

Commodities (Neutral/Negative)

We prefer to invest in commodities when long-term fundamentals are supportive, which they are not currently. We believe there are better diversification tools with more favorable return potential and better risk/return profiles. Using commodities to hedge against short-term supply shocks can be expensive given the assets volatile and often inflation-like returns outside of a crisis.

LONG-TERM FORECAST: GROWTH ASSETS

Across growth assets, Syntrinsic's ten-year forecast is moderately lower for most assets compared to Syntrinsic's 2025 forecast.

Our US and global equity long-term assumptions are lower across regions, largely driven by increased valuations even as growth expectations increased for the US and emerging markets.

Assumptions fell for private equity due to reduced public equity expectations and a moderately lower private markets premium based on history. We also lowered expectations for private debt, while private real estate assumptions rose very slightly.

Asset Class/Segment	Index	1Q 2026 10-Year Forecast	1Q 2025 10-Year Forecast	Change from Previous Forecast
Global Equity	MSCI ACWI	7.20%	7.55%	-0.35%
US Large Cap	S&P 500	7.15%	7.50%	-0.35%
US SMID Cap	Russell 2500	7.35%	7.80%	-0.45%
US Small Cap	Russell 2000	6.00%	6.45%	-0.45%
Non-US Dev Large Cap	MSCI EAFE	6.80%	7.05%	-0.25%
Non-US SMID Cap	MSCI ACWI ex-US SMID	8.35%	8.70%	-0.35%
Emerging Markets Equity	MSCI EM	7.90%	8.50%	-0.60%
Private Investments				
Private Equity	Cambridge US Private Equity	9.50%	10.30%	-0.80%
Private Debt	Cliffwater Direct Lending	7.50%	7.60%	-0.10%
Private Core Real Estate	NCREIF ODCE	5.85%	5.90%	-0.05%
Private Core-Plus Real Estate	NCREIF ODCE + Premium	7.65%	7.70%	-0.05%
Private Infrastructure	Cambridge Private Infrastructure	7.95%	7.60%	0.35%
Real Estate				
Global Listed Real Estate	FTSE NAREIT/EPRA Global	6.70%	6.60%	0.10%
U.S. Listed Real Estate	FTSE NAREIT/EPRA United States	6.50%	6.40%	0.10%
Global ex-US Listed Real Estate	FTSE NAREIT/EPRA Global ex-US	6.80%	6.50%	0.30%
Commodities				
Commodities	S&P GSCI	3.90%	3.85%	0.05%

Source: Syntrinsic

LONG-TERM FORECAST: RISK-OFF ASSETS + INFLATION

Stabilized interest rates enable long-term fixed income expectations to remain compelling, particularly in the US, though with moderate declines in forecasts.

Similar to 2025, lower interest rate regimes in Europe and Japan keep global sovereign rate expectations subdued and drag down global bond market expectations.

While emerging market yields continue to remain compelling versus other regions, currency, economic, and geopolitical risk require those high yields and dampen our enthusiasm.

Hedge fund expectations were unchanged to slightly higher for broad sector fund of funds.

Asset Class/Segment	Index	1Q 2026 10-Year Forecast	1Q 2025 10-Year Forecast	Change from Previous Forecast
Hedge Fund Strategies				
Hedge Fund Strategies	HFRI FoF Composite	4.30%	4.25%	0.05%
Equity Hedge	HFRI Equity Hedged	5.40%	5.40%	0.00%
Global Fixed Income				
	Barclays Global Agg	4.00%	4.10%	-0.10%
Short-Term Fixed Income	Barclays G/C 1-5 Yr.	2.90%	3.15%	-0.25%
US Core Bond	Barclays U.S. Agg	4.40%	4.55%	-0.15%
US Core Plus Bond	Barclays 80% US Agg/ 20% HY	4.80%	4.95%	-0.15%
High Yield bond	Barclays US High Yield Corporate	6.40%	6.50%	-0.10%
Non-US Developed Bond	FTSE WGI ex-US	2.70%	2.60%	0.10%
Emerging Markets Bond		6.65%	7.10%	-0.45%
Cash				
	3 Mo Treasury	3.10%	2.95%	0.15%
US Inflation				
	CPI: Consumer Price Index	2.45%	2.35%	0.10%
Global Inflation				
	Weighted Regional Forecast	2.70%	2.65%	0.05%

Source: Synttrinsic

FORECAST IMPLICATIONS FOR ASSET ALLOCATION

Asset Class	Allocation Implications
Public Equity	<ul style="list-style-type: none"> Public equity remains the primary driver to achieve CPI+ return goals, with slightly-moderated expectations still offering a healthy risk premium. Maintain global exposure (70/30) within your risk tolerance and generally invest actively in small/mid cap.
Public Fixed Income	<ul style="list-style-type: none"> US core and core-plus bonds still offer attractive, risk-reducing return profiles. If the Federal Reserve continues to cut rates in 2026, we will consider whether long-term investors should shift out of dedicated short-term fixed income. Maintain active management in these asset classes for flexibility.
Private Equity	<ul style="list-style-type: none"> Remains the risk asset with the greatest expected growth. For investors that can absorb the illiquidity and fee structure, approach as a long-term, permanent asset class within liquidity and risk tolerance.
Private Debt	<ul style="list-style-type: none"> Offers attractive yields and we think that current risks are isolated, not systemic. Consider diversifying direct lending exposure within the asset class into other areas of private credit.
Private Infrastructure	<ul style="list-style-type: none"> Long-term fundamentals remain intact, and private infrastructure offers stability with demographic and other tailwinds.
Private Real Estate	<ul style="list-style-type: none"> Recommend continuing to diversify portfolios with other private asset areas until a commercial real estate recovery is more fully underway.

Q&A



DISCLOSURES

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