

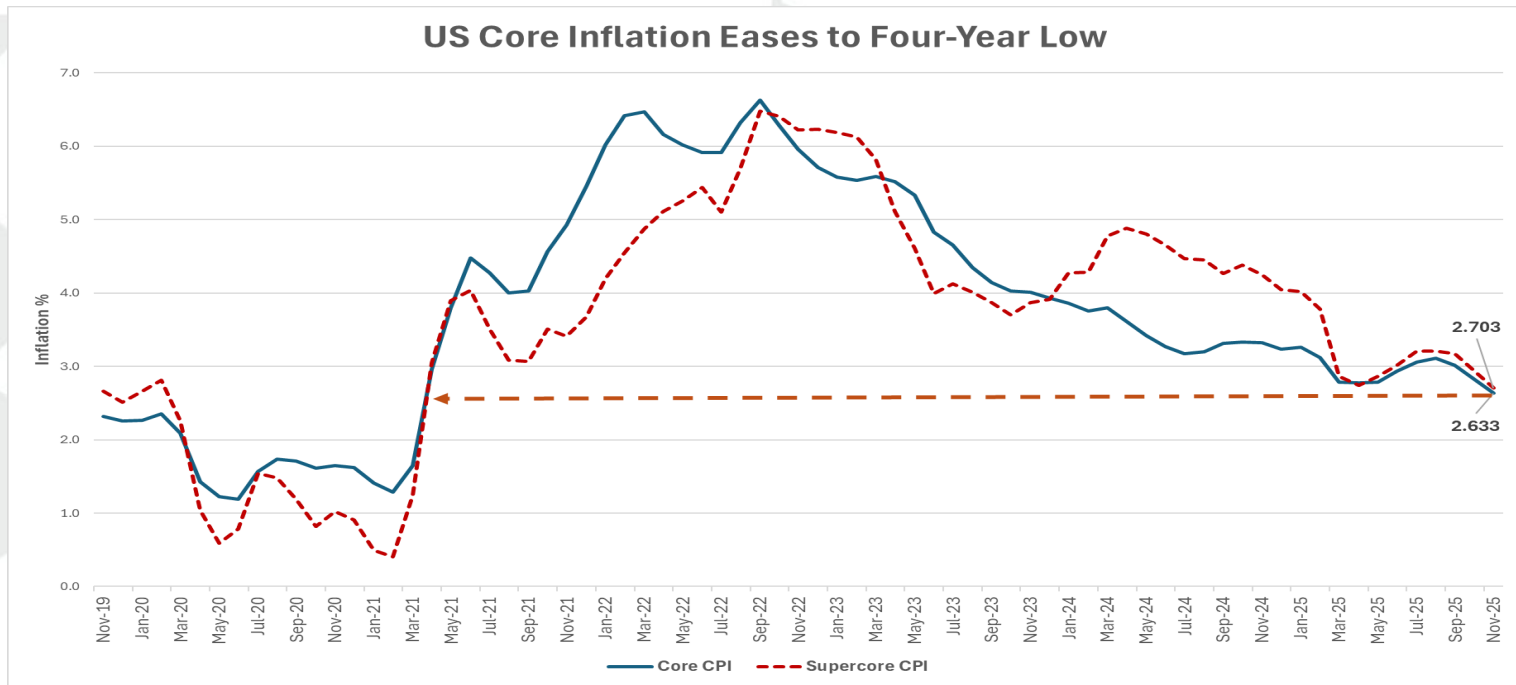


Five in Five

January 2026



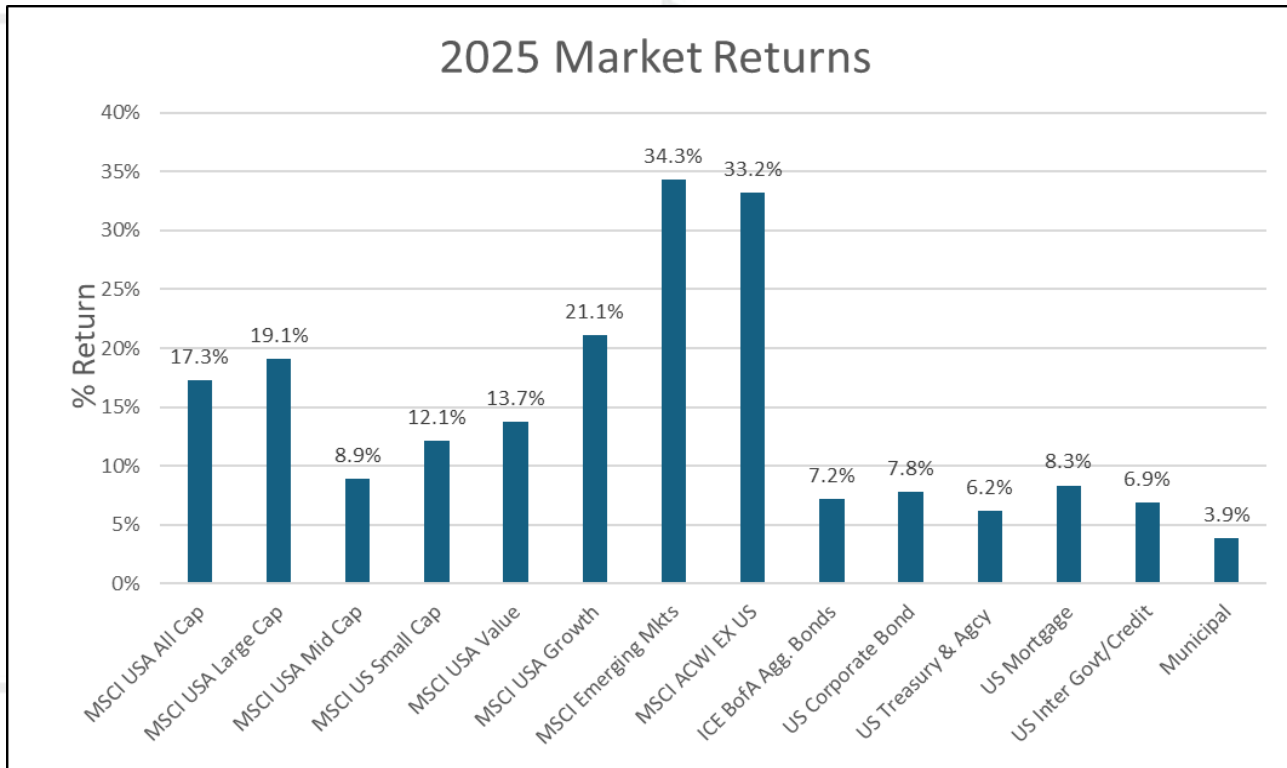
Inflation Slows to 2.7%



Source: Bureau of Labor Statistics

- The increase in cost of goods over the last year rose 2.7% by the end of November, declining from the last reading of 3.0% from September.
- Core CPI at 2.7% marks the slowest pace in four years (March 2021).
- Supercore inflation (excludes housing, food and energy) rose 2.6% in November on an annual basis.
- Slower core services inflation (61% weight of inflation measure) was the biggest contributor to the decline. Core services include housing cost, medical, utilities and transportation.
- Additional inflation is expected from tariffs in Q1 2026. The increase will be offset by a basis roll-off of two high monthly figures of 0.4% and 0.5% posted a year ago December '24 and January '25.

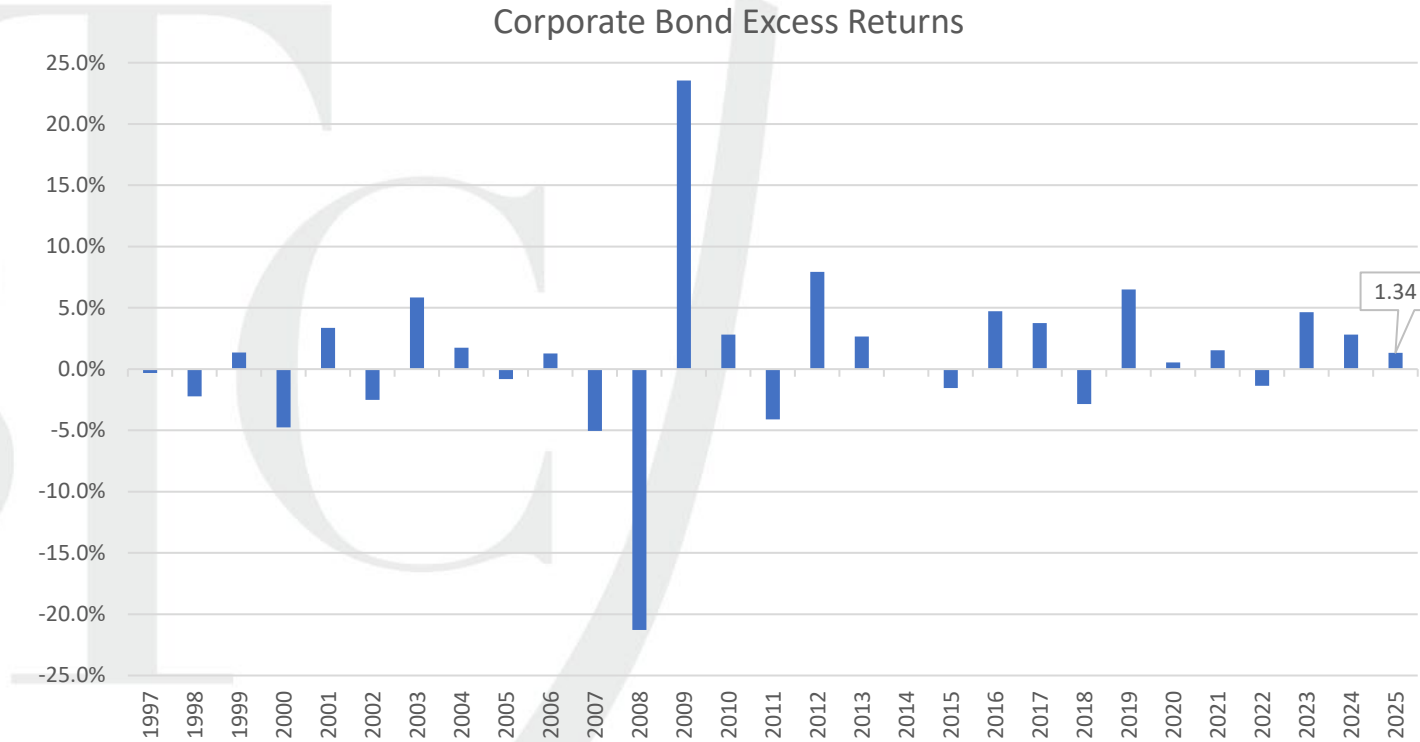
2025 Market Returns



Source: Bloomberg

- For the third year in a row U.S. Large companies provided returns greater than +17%.
- This past year, international stocks led other markets as the MSCI ACWI excluding United States Index returned 33.2%.
- A large part of the appreciation of foreign stocks was from appreciation of foreign currencies relative to the U.S. dollar.
- Declining interest rates and credit spread lifted both mortgage and corporate bonds to lead other bond sectors.
- Returns in 2026 are projected to be lower but positive according to analysts. Many of the same sectors are expected to lead next year.

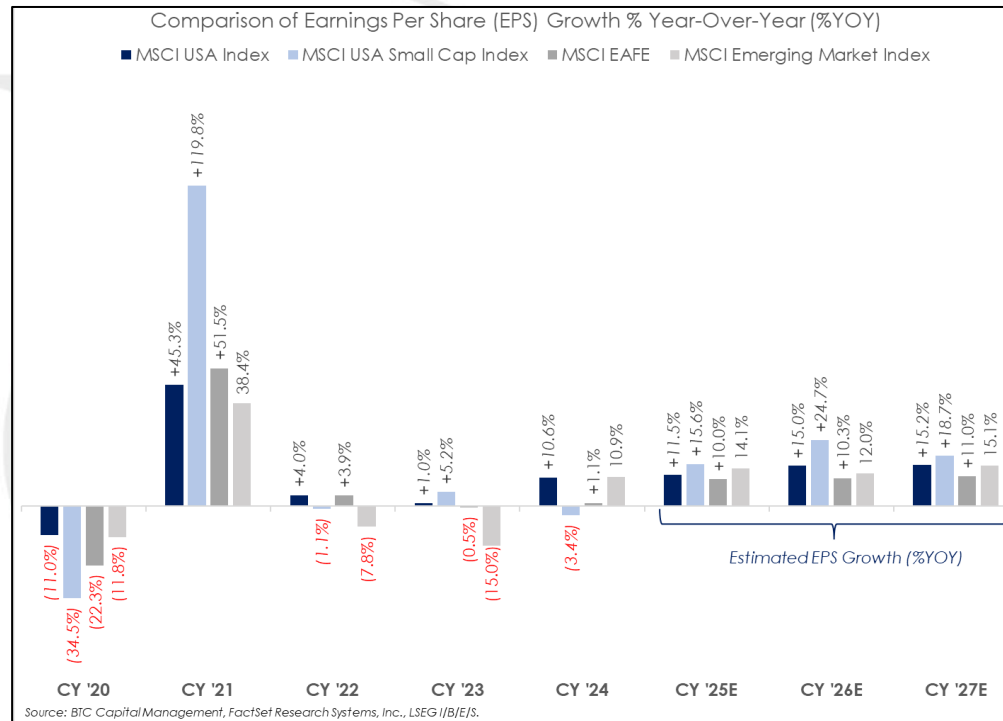
Corporate Bonds



Source: Bloomberg

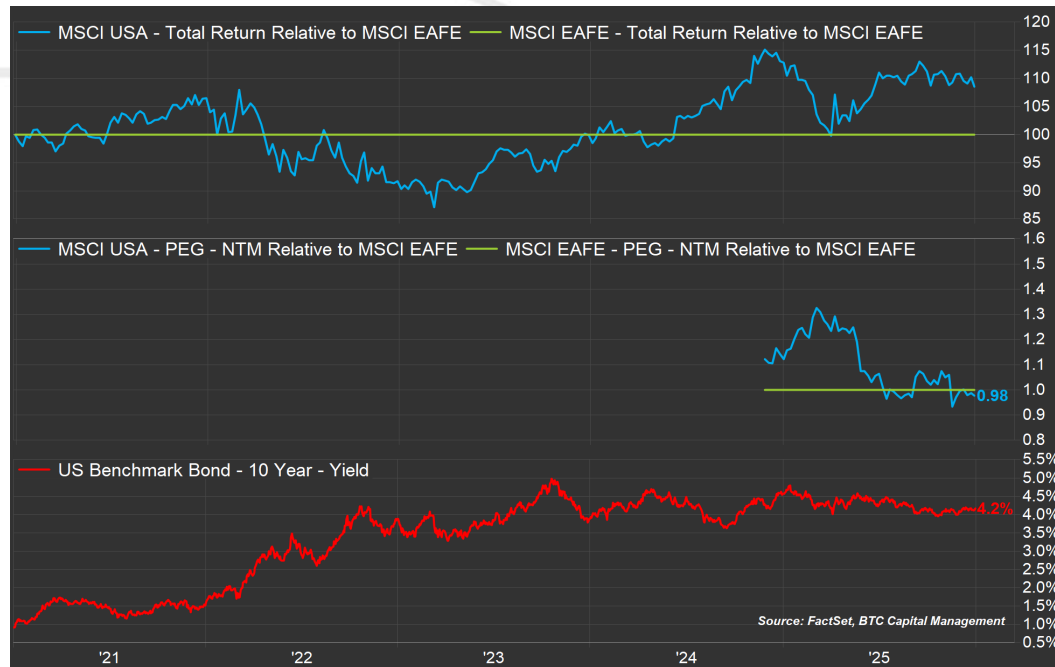
- Corporate bonds outperformed Treasuries by 1.3% in 2025.
- Corporate bonds have outperformed eight of the last 10 years.
- Spreads are near the lowest on record as we begin 2026.
- Despite this, the expectation is that 2026 will be another year of outperformance.

Cautiously Optimistic Outlook for Stocks



- The estimated EPS growth rates appear attractive going forward.
- Note, for CY '25, CY '26, and CY '27 estimated EPS growth for U.S. small-cap companies is projected to accelerate at a rate exceeding that of U.S. large-cap, foreign developed and foreign emerging market companies.
- Analysts appear optimistic regarding U.S. large-cap, which continues to exhibit sustainable, double-digit EPS growth.
- The projected EPS growth rate(s) for U.S. large-cap currently exceed that of foreign developed for CY '25, CY '26, and CY '27.
- Support is also exhibited in the analyst revisions ratio for U.S. companies, which has been positive (upward revisions exceeding downward revisions) versus the negative trend (downward revisions exceeding upward revisions) for foreign peers.

Faster Earnings Growth Will Give U.S. Stocks an Edge in 2026



- U.S. large-cap has dominated foreign developed since 2012, as the MSCI USA Index has outperformed the MSCI EAFE Index in 11 of the last 14 years. The chart above presents the relative performance of the MSCI USA Index versus MSCI EAFE since 2020.
- EAFE outperformed the USA Index CY '25, CY '22 (a market drawdown), and CY '17.
- Historically, U.S. large-cap has borne a higher relative valuation than that of foreign developed. Note, 2025 outperformance of foreign developed was primarily driven by P/E expansion, not earnings growth versus that of U.S. large-cap being attributed to earnings growth.
- When considering valuation, U.S. large-cap appears attractive relative to foreign developed, given its Price-to-Earnings Growth ratio (PEG) which, at 0.98, is lower than that of foreign developed.
- U.S. large-cap may appear positioned to provide relative performance over foreign developed, given its higher projected growth in EPS exceeding foreign developed and its relative valuation exhibited above.

Disclosures

- *Sources: BTC Capital Management, Bloomberg, Bureau of Labor Statistics, FactSet, LSEG I/B/E/S*
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