CHICAGO PARTNERS | WEALTH ADVISORS

Chicago Partners Q1 2026 Quarterly Conference Call Summary

You can click on each link to jump to the discussion of the topic.

- Quote
    - "Our capital markets continue to evolve. Relative to index fund investing, for taxable investors, we can do much more to generate stronger net, after-tax compounded portfolio returns. In 2026, we will be discussing with you how tax aware solutions will benefit you and your portfolio.

      Best wishes for a wonderful New Year!" - *Chicago Partners Wealth Advisors*
- The U.S. Economic Data: Current State of the U.S. Economy
    - **The US Treasury Yield Curve –** Interest rates on the short end of the yield curve have been reduced about 67 basis points. Longer rates are slightly higher.
    - **World Interest Rate Probability –** There is a 56.7% chance the Fed cuts rates in June.
    - **Federal Funds Rate –** On a longer-term basis, the Fed is likely to cut rates further. Rates are expected to drop in 2026 and on. The Federal Reserve is trying to get to a 2-3% neutral rate.
    - **The U.S. Debt Clock –** Interest on the debt is lower than where it was in 2025 because interest rates have dropped.
    - **The Market Return Equation –** The formula is market return equals earnings growth (E), plus the dividend yield (Y), plus the change in PE ratio (P/E).
    - **Large Cap Market Return (RM) = E + Y + Change in P/E –** Over the next 12 months, the S&P 500 is expected to grow in earnings 11.29%. Dividend yield is 1.2%. The forward PE ratio is 23.18. If the PE ratio doesn't change, expected return will be around 11.5. The P/E ratio is elevated for the S&P 500.
    - **P/E Ratios and Equity Returns –** We should have a positive one-year return based on where the P/E ratio is. Over a 5-year period we expect a more modest positive return. From a 10-Year standpoint, the P/E ratio indicates we are likely to have a weak period of returns.
    - **P/E Ratio Research –** Historical average is right around 17, reflecting lower liquidity and higher rate. New norm low is around 20. New norm high is right around 23, and anchors upper band, consistent with equity market. Our current baseline sits at the top of the proposed new normal band at 23.18 suggesting, today slightly rich is more accurate than massively overvalued.
    - **Mid Cap Market Return (RM) = E + Y + Change in P/E –** Over the next 12 months, mid cap is expected to grow in earnings 12.4%. Dividend yield is 1.59%. The forward PE ratio is 23.18. If the PE ratio doesn't change, expected return is north of 13%.
    - **Small Cap Market Return (RM) = E + Y + Change in P/E –** Over the next 12 months, small cap expected return is north of 12%.
    - **The Standard & Poor's 500 Stock Index –** The first quarter in January the average return is 1.31%. We are currently at 1.41%, off to a good start for 2026! The second and fourth quarters are historically more robust than the first and second quarters in the year.
- Economic Indicators: Optimal Recessionary Conditions and Leading Economic Indicators
    - **Economic Survey Results –** Real GDP is expected to grow by 2% next month. Terrifs remain the top concern.
    - **U.S. Conference Board Leading Index –** Economic Index indicates a slight decline from 98.4 last quarter, to 98.3.

- **U.S Conference Board Leading Index –** The Confidence Index indicates a future increase to 6.37 which is up from 5.69 last quarter.

- Evolving Portfolio DNA
  - **Evolving Portfolio DNA –** Chicago Partners is looking to continue to diversify portfolios by including public securities, hybrid securities, and private securities.
  - **Major League**
    - Cliffwater Enhanced Lending Fund (CELFX)
    - AQR
    - QNZIX
    - QLEIX
  - **Minor League**
    - QCFIX
- The 14 Stages of Trading Psychology
  - We are closer to the excitement, thrill or euphoria stage on the 14 stages of trading psychology. If you have a cash need coming up, now is a good time to review with your advisor.
- S&P 500 vs. VIX Volatility Index "Fear Gauge"
  - When the markets are extremely volatile, the VIX is high.
- The "Wall of Worry"
  - The reality is there are always things to worry about with the market. This does not mean we need to make drastic decisions. The S&P 500 is extremely resilient even during periods of "worry".
- The Biggest Mistakes When Investing Money
  - The market can recover quickly. If you decide to sell, you could suffer a permanent loss when buying back.
- The Impact of Missing Key Market Days
  - If you miss the best 10 days during a 20-year window (based off of data from 2004-2024), your return cuts in half. Sometimes the best days are right around the worst days.
- Cost Basis and Performance
  - Utilize Schwab when you need to analyze taxes, want to confirm daily value of your portfolio, or if you want to see what you are invested in. Look in your Orion portal for performance measures of your portfolio.
- CP Legacy Foundation
  - This is an IRS-approved, 501c3 private foundation created by Chicago Partners to allow individuals to create a customized giving plan.
- Client Access
- Q&A
  - **What should you expect from the stock market during an election year?**
    - 2026 is another election year. The expected return for stocks is still positive regardless of whether it is an election year or not. In a midterm election year, returns can be muted but still positive.