



## Chicago Partners Q2 2026 Quarterly Conference Call Summary

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- [Quote](#)

- “The holy grail of investing is building a portfolio that is made up of assets that are lowly-correlated or non-correlated and having those assets generate strong, independent returns to maximize the risk-adjusted portfolio growth.

Chicago Partners continues to research and identify assets that meet this standard, and prudently incorporate these assets into your portfolio.” - *Chicago Partners Wealth Advisors*

- [The U.S. Economic Data: Current State of the U.S. Economy](#)

- **The US Treasury Yield Curve** – Interest rates have risen, mostly over growing concerns around high inflation, as it pertains to the conflict in the Middle East. We are seeing slightly lower returns in bonds. Private credit prices do not necessarily decline as interest rates get higher.
- **World Interest Rate Probability** – There is a decline in lower interest rates, with no rate cut expected in April. This may change, particularly with the new fed chairman that will start in June. As of now the market is not anticipating interest changes.
- **Federal Funds Rate** – We expect modestly lower rates in years to come.
- **The U.S. Debt Clock** – Currently we have \$39 trillion of U.S. national debt. Higher interest costs, tax revenue is robust at \$5.4 trillion. Spending is north of \$5.4 trillion. This increases the U.S. National Debt. The government will use inflation to minimize growing deficit.
- **Investors real risk = Inflation** – You can see the impact of inflation on the price of a stamp where the average rate per year was about 4.2% since 1971. We consider inflation a deep risk for your portfolio. We invest in assets that have a higher rate of return than the inflation rate.
- **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 17%. Dividend yield is 1.29%. The forward PE ratio is 20.24. If the PE ratio doesn't change, expected return will be around 18.3%.
- **Artificial Intelligence: Hyperscaler Investment** – Growth expectation and earnings is dramatically higher because there is massive amount of spending happening from hyperscalers like Amazon and Microsoft. This is likely to continue in 2026, 2027, 2028. This also produces an increase in earnings growth.
- **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 positive return.
- **Sources of Earnings Growth and Profit Margins** – We have a strong S&P 500 Earnings Growth per Share and profit margins are expanding. A profit margin is created from the earnings divided by the revenue of a company. When there is a recession, profit margins tank – we saw this in 2008. But we are not seeing this today, we are seeing almost record-setting margins.
- **Mid Cap Market Return (RM) = E + Y + Change in P/E** – Over the next 12 months, mid cap is expected to grow in earnings 17.63%. Dividend yield is 1.66%. The forward PE ratio is 16.23.
- **Small Cap Market Return (RM) = E + Y + Change in P/E** – Earnings per share is close to 18%. We can see a lower P/E ratio than Large Cap stocks and higher dividend yield than S&P 500.



- [Economic Indicators: Optimal Recessionary Conditions and Leading Economic Indicators](#)
  - **Economic Survey Results** – Average rating from CFOs was 61.7, improving slightly from the 60.3 in the fourth quarter of 2025.
  - **U.S. Conference Board Leading Index** – Economic Index indicates a slight decrease from 98.30 last quarter, to 97.50 this quarter.
  - **CEO Confidence Index** – The Confidence Index indicates a slight decrease at 5.9, which is down from 6.37 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.
- [Private Credit Update](#)
  - **Historical Private and Public Debt Performance, 2005 to 2025** – It has been a successful asset class for 20 years – it has been the best of the fixed income areas to invest into. In 2025, it was up 9.3%, which was better than high yield, treasuries, cash, etc. If we decide to sell private credit, then we would need to take the proceeds and invest it somewhere else that may not provide as high of a return. It has outperformed other indexes that aren't as attractive from a return standpoint. We still believe the asset class is sustainable and durable.
  - **Cliffwater Corporate Lending Fund (CCLFX)** – One of the investments that has been in the press, CCLFX. The annualized rate of return since inception is over 9%. The difference between the Bloomberg US aggregate index and CCLFX is almost 8%. We are always looking for assets that are lowly correlated when it comes to equities – CCLFX is 0.05 beta. For reference, a beta of 1 is the stock market.
  - **How do Investor's Access Private Credit** – Drawdown funds are long-term commitment funds that range from 10-12 years of committed capital. No redemptions with these drawdown funds. Your money is committed; however, people invest because of the high strong returns, historically speaking. The Evergreen funds lock up is about one year. After one year, there is the ability to redeem, in full or on a quarterly basis. With that, there are limits between 5-10% of the net asset value. The interval fund structure is more liquidity-focused. The registered funds are with the SEC and look like a mutual fund, but redemptions are capped between 5-7%. This is to protect the investors.
  - **Capital Structure** – The combination of debt and equity used to finance its overall operations and growth. Assets are made up of debt and equity. In terms of risk, equity has the highest risk while senior secured has the lowest risk.
  - **Cascade Private Equity Returns (CPEFX)** – In order for private credit to be impaired, private equity would need to be impaired first because that is on the bottom of the private equity structure. Private equity returns have been strong – April of 2022 was in the negative when Russia invaded the Ukraine. Now, you're seeing a positive return. If we were to ever see a downturn we will act accordingly.
  - **Private Credit – Myth vs Fact** – Myth #1 is that Private Credit will create the next financial crisis. Our market looks nothing like it looked like it 2008. Myth #2 is that the SaS-apocalypse is coming for private credit. For it to be impaired, we would need that equity cushion to dissolve. 60% of company value erosion would be needed before debt is impacted.
- [Bloomberg Analysis](#)
  - **Constellation Software** – Most of our investors do not own this. This is a software holding company that acquires mission critical software companies. The software company has been



crushed because of the SaS-apocalypse, but if we look into this - they own hundreds of different software companies. Operating income is growing by 400 million of operating profit in 2026, 2027, 2028, and 2029. Estimates are continuing to move higher. Analysts are raising estimates, growing 2 billion a year. We would see dramatic declines in both revenue and operating profits if this SaS-apocalypse was a genuine concern.

- [Volatility Tax](#)
  - **What Is the Volatility Tax?** – The effect of volatile market movements on a portfolio's total compound return.
  - **Volatility Tax Mitigation** – We prefer to have a diversified portfolio to help smooth out the return stream, we want to be able to compound capital more efficiently.
  - **CELFX** – Smooth returns, return advantage is dramatic at 73% versus the AGG which is flat at 0.20%.
- [The 14 Stages of Trading Psychology](#)
  - We are closer to excitement, as most of our clients are near their all-time highs... even if it doesn't necessarily feel that way. 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 in the market. This does not mean we need to make drastic decisions. The S&P 500 is extremely resilient even during periods of "worry".
- [Geopolitically Led Volatility Is Typically Short-Lived](#)
  - We see volatility in times of conflict, but in most cases, it does not mean long-term damage to the portfolio.
- [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.
- [CP Legacy Foundation](#)
  - This is an IRS-approved, 501c3 private foundation created by Chicago Partners to allow individuals to create a customized giving plan.
  - Annual minimum payout of 5%
  - Ultimate flexibility for estate assets designated for charity
  - Ability to add as a beneficiary to IRA accounts, trust accounts, or current DAF accounts
- [Client Access](#)
- Q&A
  - Why is private credit a better after-tax investment?
    - Private Credit having a 2-3% return per year higher than the other alternatives is why it's a better after-tax investment.