## Chicago Partners Q3 2026 Quarterly Conference Call Summary

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

- Quote
    - "'In short, the way to wealth, if you desire it, is as plain as the way to market. It depends chiefly on two words: industry and frugality. Waste neither time nor money but make the best use of both.' - Benjamin Franklin, The Way to Wealth: Ben Franklin on Money and Success

      Chicago Partners is working hard to save you time and money."- *Chicago Partners Wealth Advisors*
- The U.S. Economic Data: Current State of the U.S. Economy
    - **The US Treasury Yield Curve –** We have higher rates today versus six months ago. The upward sloping curve portends a growing economy.
    - **World Interest Rate Probability –** We currently have short term rates at 3.6% and long term at 5.05%. As interest rates increase, bond prices decrease.
    - **Federal Funds Rate –** There is a new chairman for the Fed. Chairmen Warsh has advocated for lower short-term rates. The economic data that comes out will influence rates going forward, most likely lower. As rates go lower, bond prices go higher.
    - **Home Prices surges –** Since 2021, we have seen home prices surge by state. The average home price increase across the country has been 39%. This indicates we have inflation and tight interest rates. As interest rates lower, it is likely to open more housing activity.
    - **The U.S. Debt Clock** – Currently we have $39 trillion of U.S. national debt. Interest on the debt is $1.39 trillion. As interest rates lower, the cost to fund the U.S. debt is lower. We have seen growth in asset values while there has been growth in the public debt.
    - **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 21.60%. Dividend yield is 1.17%. The forward PE ratio is 20.99. If the PE ratio does not change, expected return will be around 23%.
    - **Forward Earnings –** Across all sectors, we see growth in revisions going forward led by energy and tech.
    - **AI Scaling –** One of the reasons we are seeing robustness and earnings revisions higher is due to the massive build out in AI. The AI scaling is 3x faster than past IT buildouts including mobile apps, cloud computing, and internet.
    - **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 also expect a positive return. We are expecting growth in the stock market.
    - **Mid Cap Market Return (RM) = E + Y + Change in P/E –** Over the next 12 months, mid cap is expected to grow in earnings 12.72%. Dividend yield is 1.57%. The forward PE ratio is 16.73.
    - **Small Cap Market Return (RM) = E + Y + Change in P/E –** Earnings per share is close to 15%. We can see a lower P/E ratio than Large Cap stocks and higher dividend yield than the S&P 500.
- Economic Indicators: Optimal Recessionary Conditions and Leading Economic Indicators
    - **Economic Survey Results –** Average rating from CFOs was 60.6, dropping slightly from the 61.7.

- U.S. Conference Board Leading Index – Economic Index indicates a slight increase from 97.50 last quarter, to 99.30 this quarter.
  - **CEO Confidence Index –** The Confidence Index indicates a slight increase to 6.1, which is up from 5.90 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.
  - **Distribution of Returns** – The Galton Board Simulator indicates a normal distribution of returns. We try to help our clients eliminate the downside as much as we can. We spend our time researching investments that help us reduce the left-tail risk.
  - **152 Years of S&P 500 Returns –** We work to help diminish the probability that our clients experience negative returns.
  - **Major Leagues**
    - **Dimensional US Micro Cap –** Demonstrates the importance of patience in investing. Their first fund had negative returns in the first 9 months. Now, the performance of the fund, since 1981, is up on average about 11.8% per year. The total return of the compounding is 14,301.66%. Having a strong investment strategy requires patience.
    - **AQR Total Return Fund –** Our clients have access to the institutional share class which reduces fees by 30 bps compared to the retail share class. This supports more savings and compounding in your portfolio. Chicago Partners is working for you to access the lowest share class, the r share class, that would provide another 14 basis points of savings.
    - **Households Have Accumulated Cash** – Cash loses to inflation, so we want to make sure your cash is productive.
    - **Long-Short Tax-Aware Strategies AUM** - There are unique tax-efficient ways for us to help clients reduce stock concentration.
    - **Bond Market Returns by Decade** – We support a blend of public and private stocks because we live in a reality of repressed interest rates. They are not adding as much value as they did in the 80s or 90s due to low interest rates.
    - **Private Credit Update** – Even with the negative headlines, private credit continues to deliver and add value on a long-term basis.
    - **GDP of U.S. Compared to Europe** – From 2008 GDP in the U.S. and Eurozone were pretty even. Fast forward to 2025 and now the U.S. is at 29.2 with Eurozone at 16.0.
    - **European Large Cap Just Breaking Out Above Year 2000 Highs** - One of the reasons you do not want to own just Stoxx is there can be extended periods of time where it does not add compounding to your portfolio. We want to help diversify so that your portfolio still has the opportunity to grow.
    - **Private Assets** – SWFs are allocating heavily towards infrastructure, private credit, and private equity.
    - **Highest Interest Rate in Japan in 31 Years** – Japan has been raising their interest rates to positive.
    - **Foreign Outflow from Japan Bonds Swell to Largest Since 2023** – It is not an indication that something has changed fundamentally in your investments. It could be just a massive rebalancing that is happening.

        - **IPO Relative Returns by Year** – There has been a lot of discussion regarding IPOs with SpaceX having just completed one. In general, 3 years post relative return by IPO year, there has not been too much benefit in aggressively pursuing IPOs. You are not missing out if you do not participate based on historical returns. We are actively researching IPOs to see if they would benefit your portfolio.
- The 14 Stages of Trading Psychology
    - We have gone full cycle this year, starting at all-time highs at the beginning of the year. We had a challenging March primarily with the war with Iran. There has been a lot of volatility this quarter, but we are nearing all-time highs again. If you look at your portfolio and are pleased, this is the time to look at your next 6 to 12 months of cash needs.
- CP Legacy Foundation
    - A solution for you to give assets to a charity without giving all the assets at once and create an annual charity funding legacy. It is a fully customizable solution for your estate plan.
- Client Access