JUNE 2026

Investment Strategy Report

PRESENTED BY

David Stein

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What Happened?

Global stocks returned 5% in May, led by emerging markets, which returned nearly 10%. Year-to-date, the global stock market has returned 12%.

Table 1

USD Net Return for the Periods Ending May 29, 2026

BACK TO FULL LIST

Returns longer than one year are annualized

Index	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR	20 YR
ACWI All Country World Index	5.16%	7.54%	12.15%	30.27%	22.28%	11.45%	12.81%	8.48%
AC World ex USA	5.03%	2.74%	14.36%	32.77%	20.79%	8.77%	9.82%	5.85%
World ex USA	2.81%	-0.34%	9.38%	24.04%	18.77%	9.13%	9.52%	5.65%
Pacific	3.79%	-0.48%	14.25%	27.93%	18.63%	8.19%	9.17%	5.41%
Emerging Markets	9.69%	9.39%	25.61%	54.31%	25.13%	7.54%	10.66%	6.82%
USA	5.23%	10.52%	10.90%	28.86%	23.20%	13.25%	15.06%	10.85%

Calculated from MSCI data

MONEY for the Rest of Us | Asset CAMP

AI exuberance, especially for chip manufacturers amid massive demand and supply constraints, was the dominant narrative in May, overshadowing concerns about the war in the Middle East and disruptions to oil and commodity flows.

The MSCI emerging markets index has gained 54% year-to-date. The index is becoming increasingly concentrated in chip manufacturers, with three companies, Taiwan Semiconductor, Samsung, and SK Hynix, comprising 30% of the index.

What Happened?

The growth-equity style, led by technology stocks, has dominated value across most areas, except for non-U.S. developed stocks, where value has continued to outperform year to date.

Table 2

USD Net Return for the Periods Ending May 29, 2026

BACK TO FULL LIST

Returns longer than one year are annualized

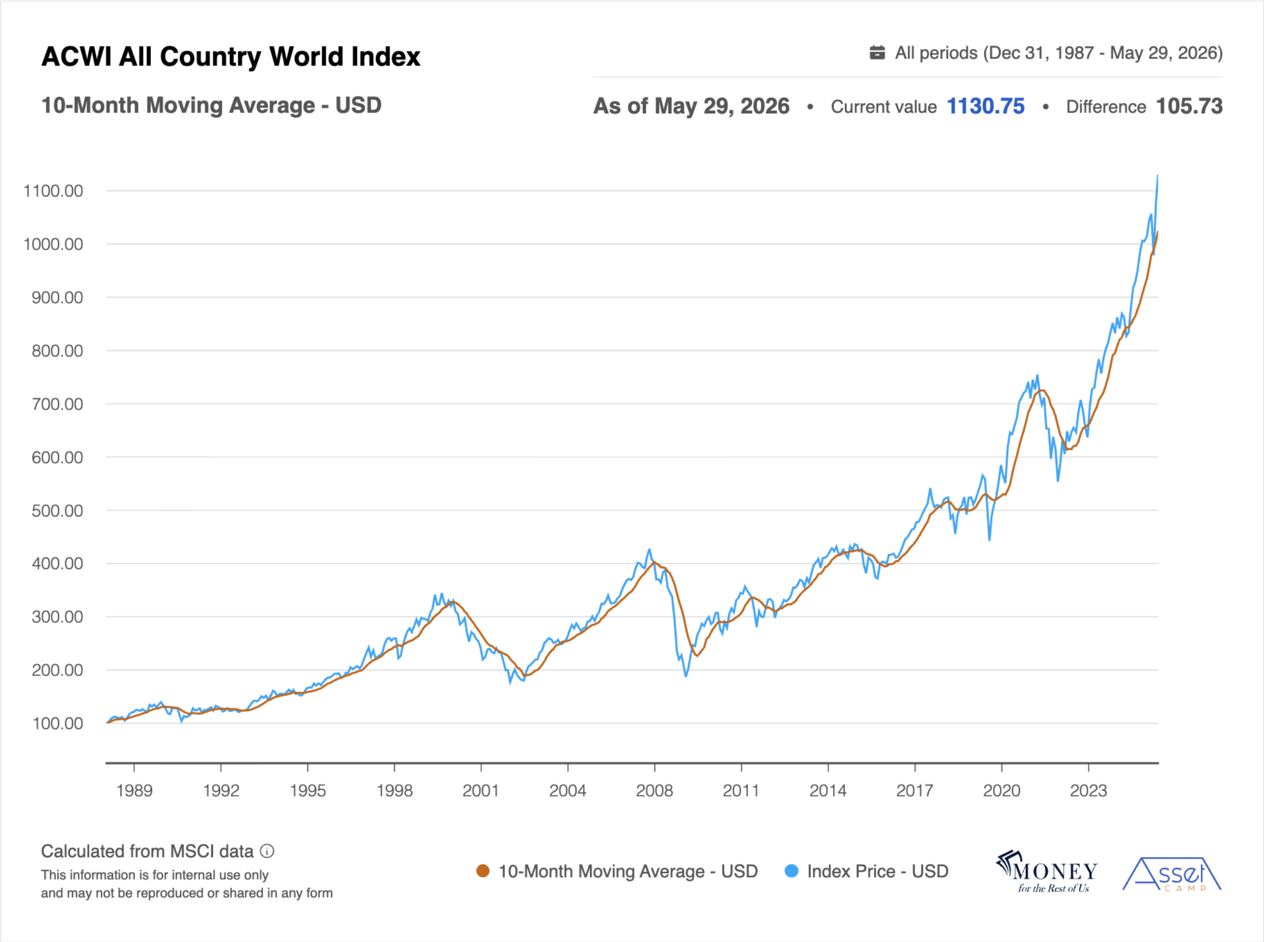
Index	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR	20 YR
World ex USA Growth	3.71%	-0.57%	7.28%	15.86%	12.99%	4.94%	8.40%	5.62%
World ex USA Value	2.00%	-0.14%	11.33%	32.41%	24.71%	13.23%	10.35%	5.51%
World ex USA Small Cap Growth	4.77%	2.07%	14.58%	29.83%	17.79%	4.39%	8.52%	6.28%
World ex USA Small Cap Value	3.13%	-1.82%	10.05%	30.76%	20.93%	8.76%	9.10%	6.44%
Emerging Markets Growth	9.22%	10.69%	25.85%	56.17%	25.48%	5.71%	11.11%	7.14%
Emerging Markets Value	10.16%	8.10%	25.36%	52.28%	24.70%	9.46%	10.11%	6.41%
USA Growth	8.22%	17.66%	11.03%	33.77%	28.87%	16.62%	19.37%	13.67%
USA Value	2.38%	4.15%	10.68%	23.05%	17.06%	9.07%	10.14%	7.66%
USA Mid Cap Growth	8.43%	16.34%	12.58%	18.61%	19.89%	8.78%	13.40%	10.28%
USA Mid Cap Value	1.53%	1.36%	8.96%	19.43%	15.56%	5.93%	8.94%	7.70%
USA Small Cap Growth	6.46%	11.81%	21.56%	43.47%	21.53%	7.64%	13.55%	10.96%
USA Small Cap Value	1.02%	3.50%	11.60%	30.29%	17.21%	7.14%	9.31%	8.15%

Calculated from MSCI data ⓘ

What Happened?

The current risk-on appetite for stocks is evident in the 10-month moving average. After dipping below its 10-month moving average in March 2026 with the onset of the Iran war, global stocks have recovered sharply and now trade well above their 10-month moving average.

Chart 1



Bond Market

Fixed-income returns were flat to low single digits as most regions saw interest rates fall slightly. The U.S. was the exception as Treasury yields rose eight basis points in the month.

Table 3

Periods Ending May 29, 2026

Returns longer than one year are annualized

BACK TO FULL LIST

Index	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR	20 YR
Global Aggregate (USD)	0.34%	-1.54%	0.50%	3.26%	3.65%	-1.58%	0.74%	2.36%
Global High Yield (USD)	0.70%	0.74%	1.94%	9.41%	11.49%	4.24%	5.44%	6.54%
Global Leveraged Loan (USD)	0.65%	2.38%	2.78%	6.86%	9.09%	5.91%	–	–
U.S. Aggregate Index (USD)	0.31%	-1.35%	0.38%	5.13%	3.94%	0.17%	1.70%	3.32%
U.S. Corporate High Yield (USD)	0.49%	0.98%	1.68%	7.57%	9.35%	4.39%	5.88%	6.65%
U.S. Treasury (USD)	0.11%	-1.70%	-0.01%	3.71%	2.82%	-0.35%	1.05%	2.84%
U.S. Leveraged Loan (USD)	0.57%	2.25%	1.19%	4.72%	8.00%	5.84%	–	–
Asian Pacific Aggregate (JPY)	1.46%	0.66%	2.29%	8.00%	3.81%	3.64%	2.55%	2.73%
European Aggregate (EUR)	1.06%	-1.03%	0.88%	1.19%	3.08%	-1.46%	0.10%	2.53%
Emerging Markets USD Aggregate	0.71%	-0.13%	1.46%	9.48%	8.79%	2.05%	3.67%	5.54%

Sourced or calculated from Bloomberg Index Services Limited data

What Happened?

Table 4

Yield to Maturity

BACK TO FULL LIST

Index	As of 12/31/2025	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
Global Aggregate (USD)	3.52 %	3.79 %	3.76 %	3.96 %	-0.09	1990	
U.S. Aggregate Index (USD)	4.32 %	4.61 %	4.67 %	6.17 %	-0.46	1976	
U.S. Treasury (USD)	3.89 %	4.21 %	4.29 %	5.55 %	-0.38	1973	
Asian Pacific Aggregate (JPY)	2.20 %	2.34 %	2.31 %	1.20 %	2.29	2000	
European Aggregate (EUR)	3.00 %	3.32 %	3.19 %	2.70 %	0.31	1998	
Emerging Markets USD Aggregate	5.71 %	6.02 %	6.01 %	7.87 %	-0.60	1993	

Sourced or calculated from Bloomberg Index Services Limited data ⓘ

With U.S. Treasury yields rising and U.S. corporate bond yields holding steady or falling slightly, the incremental yield or spread between investment-grade and non-investment-grade bonds relative to Treasuries hit its lowest level since May 2007 for high-yield bonds and May 1998 for investment-grade bonds.

What Happened?

Chart 2

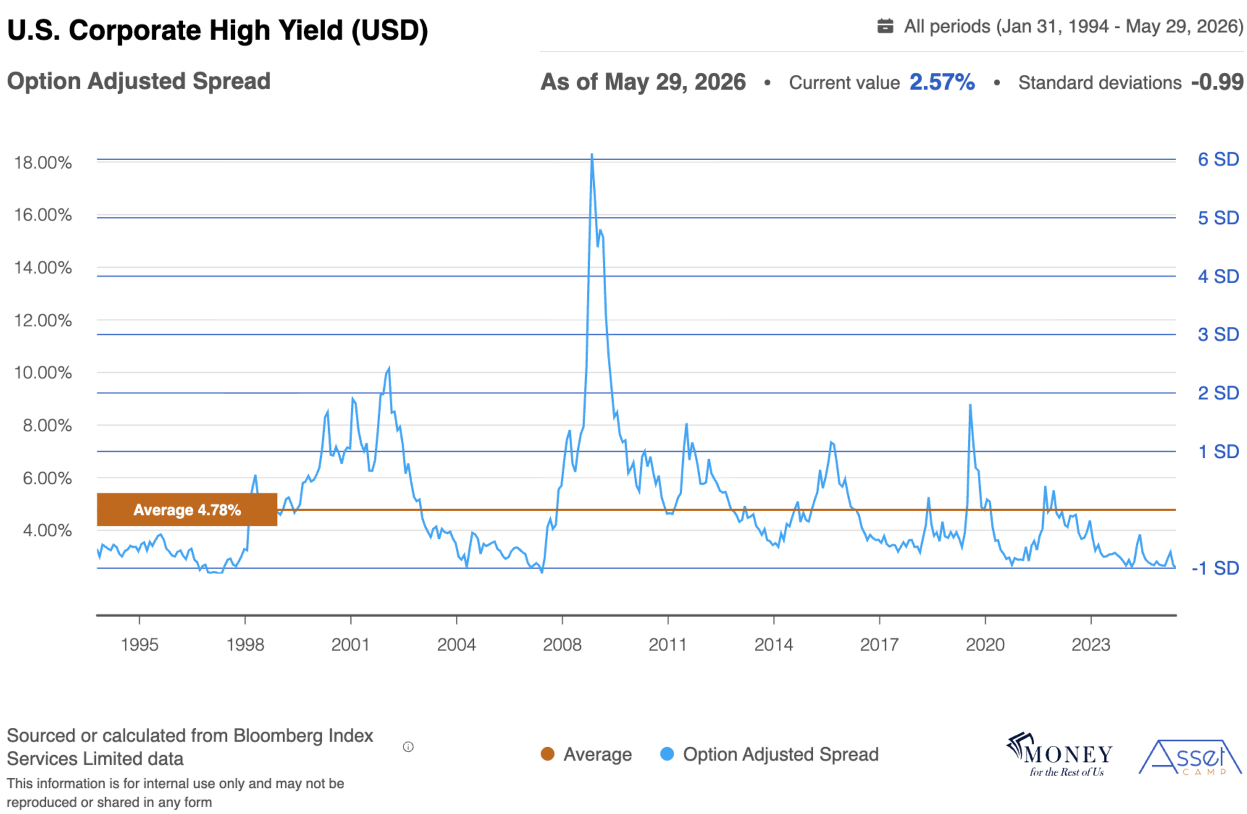
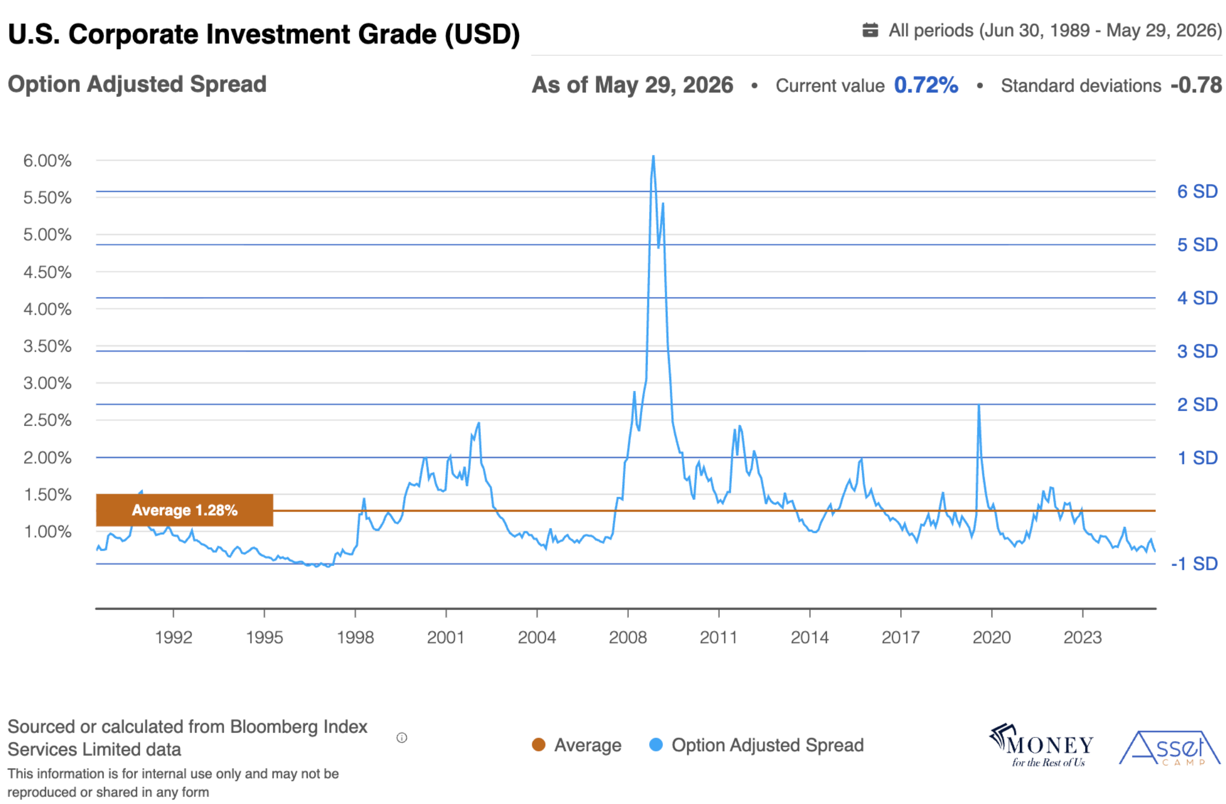


Chart 3



What Happened?

Bond market participants are not pricing in a recession or economic slowdown that would lead to higher bond defaults.

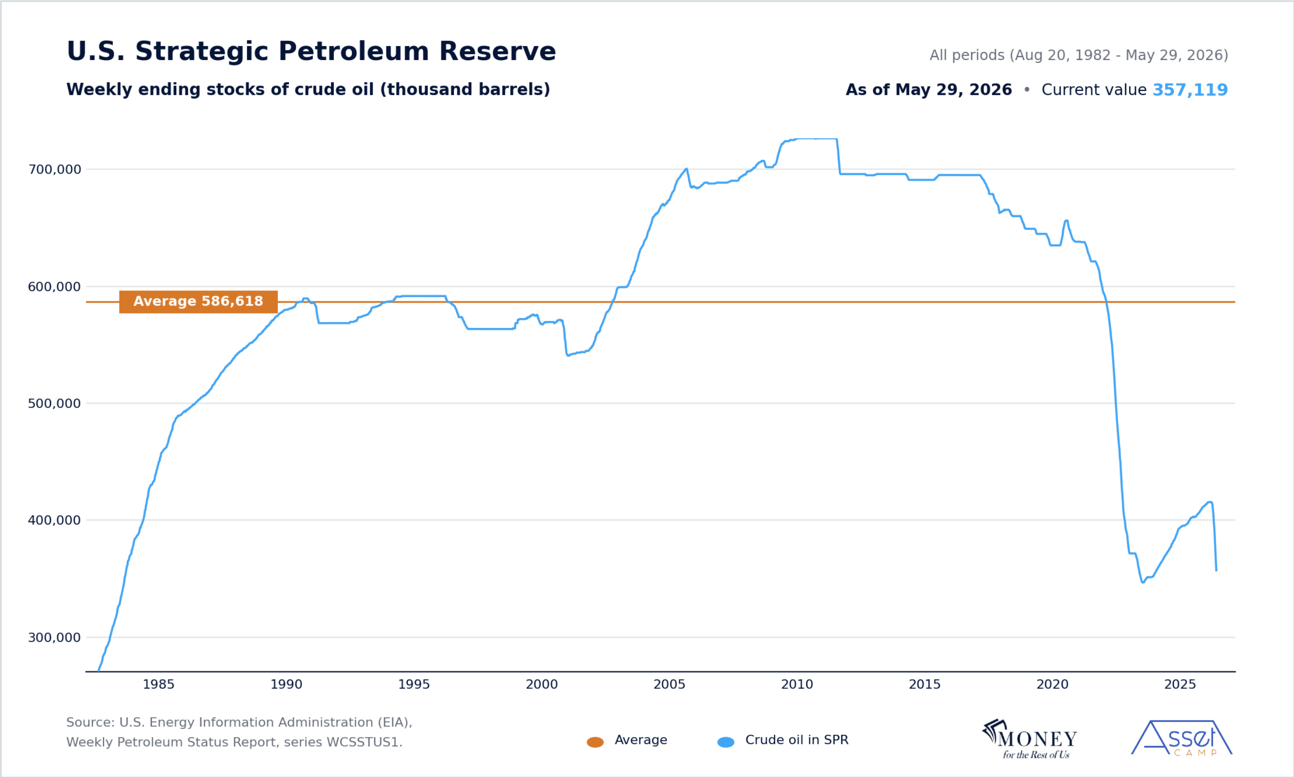
Where Are We Now?

Three months after the Iran War started, there is no permanent resolution, and the Strait of Hormuz remains closed to most shipments of oil, fertilizer, and liquid natural gas.

Yet near-term oil prices are in the low-90s per barrel. A combination of oil reserve releases, conservation, and reduced demand has helped soften the blow of the energy supply shock.

The U.S. Strategic Petroleum Reserve has fallen to near its lowest level since 1984.

Chart 4



Energy analysts still warn that oil prices could soar to $150 or higher as more reserves are depleted, but for now, as the global energy supply chain adapts to the disruption, oil prices are holding steady to declining.

Economic Trends

Despite the energy shock, leading economic indicators suggest the global economy continues to expand, propelled by the AI infrastructure buildout, with spending on data centers, semiconductors, electrical equipment, and power generation boosting manufacturers.

Meanwhile, higher gasoline and energy prices directly impact consumers, which is why there has been some softening in services PMIs. Lower-income households are struggling as evidenced by rising delinquency rates on credit cards and auto loans.

There is some survey evidence that suggests businesses are accelerating orders to mitigate future price increases and supply disruptions. Business confidence remains at its second-lowest level since mid 2020, likely due to the energy supply shock.

Where Are We Now?

Chart 5

Manufacturing PMI

Trailing 12 months through June 2026

Trailing 12 months

Threshold **50** • ≥50 expansion, <50 contraction

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
JP Morgan Global Manufacturing PMI	50.3	49.7	50.9	50.7	50.9	50.5	50.4	50.9	51.8	51.3	52.6	52.6
Eurozone	49.5	49.8	50.7	49.8	50.0	49.6	48.8	49.5	50.8	51.6	52.2	51.6
Australia	50.6	51.3	53.0	51.4	49.7	51.6	51.6	52.3	51.0	49.8	51.3	50.7
Canada	45.6	46.1	48.3	47.7	49.6	48.4	48.6	50.4	51.0	50.0	53.3	52.9
China	50.4	49.5	50.5	51.2	50.6	49.9	50.1	50.3	52.1	50.8	52.2	51.8
France	48.1	48.2	50.4	48.2	48.8	47.8	50.7	51.2	50.1	50.0	52.8	49.7
Germany	49.0	49.1	49.8	49.5	49.6	48.2	47.0	49.1	50.9	52.2	51.4	50.1
India	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9	54.7	55.0
Japan	50.1	48.9	49.7	48.5	48.2	48.7	50.0	51.5	53.0	51.6	55.1	54.5
United Kingdom	47.7	48.0	47.0	46.2	49.7	50.2	50.6	51.8	51.7	51.0	53.7	53.9
U.S. PMI (Markit)	52.9	49.8	53.0	52.0	52.5	52.2	51.8	52.4	51.6	52.3	54.5	55.1
U.S. PMI (ISM)	49.0	48.0	48.7	49.1	48.7	48.2	47.9	52.6	52.4	52.7	52.7	54.0

Strong expansion (≥53) Mild expansion (50-53) Mild contraction (47-50) Strong contraction (<47)

Source: S&P and ISM.
Outlined row indicates the global aggregate.

Chart 6

Services PMI

Trailing 12 months through June 2026

Trailing 12 months

Threshold **50** • ≥50 expansion, <50 contraction

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
JP Morgan Global Services PMI	52.0	53.5	53.4	52.8	53.4	52.7	52.4	52.7	53.4	50.8	51.2	51.3
Eurozone	50.5	51.0	50.5	51.3	53.0	53.6	52.4	51.6	51.9	50.7	47.6	47.7
Australia	51.8	54.1	55.8	52.4	52.5	52.8	51.1	56.3	52.8	46.3	50.7	48.7
Canada	44.3	49.3	48.6	46.3	50.5	44.3	46.5	45.8	46.5	47.2	49.2	50.6
China	50.6	52.6	53.0	52.9	52.6	52.1	52.0	52.3	56.7	52.1	52.6	54.4
France	49.6	48.5	49.8	48.5	48.0	51.4	50.1	48.4	49.6	48.8	46.5	44.3
Germany	49.7	50.6	49.3	51.5	54.6	53.1	52.7	52.4	53.5	50.9	46.9	48.1
India	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.5	58.8	58.8
Japan	51.7	53.6	53.1	53.3	53.1	53.2	51.6	53.7	53.8	53.4	51.0	50.0
United Kingdom	52.8	51.8	54.2	50.8	52.3	51.3	51.4	54.0	53.9	50.5	52.7	49.3
U.S. PMI (Markit)	52.9	55.7	54.5	54.2	54.8	54.1	52.5	52.7	53.4	49.8	51.0	50.7
U.S. PMI (ISM)	50.8	52.6	52.0	49.9	52.4	52.6	54.4	53.8	56.1	54.0	53.6	54.5

Strong expansion (≥53) Mild expansion (50-53) Mild contraction (47-50) Strong contraction (<47)

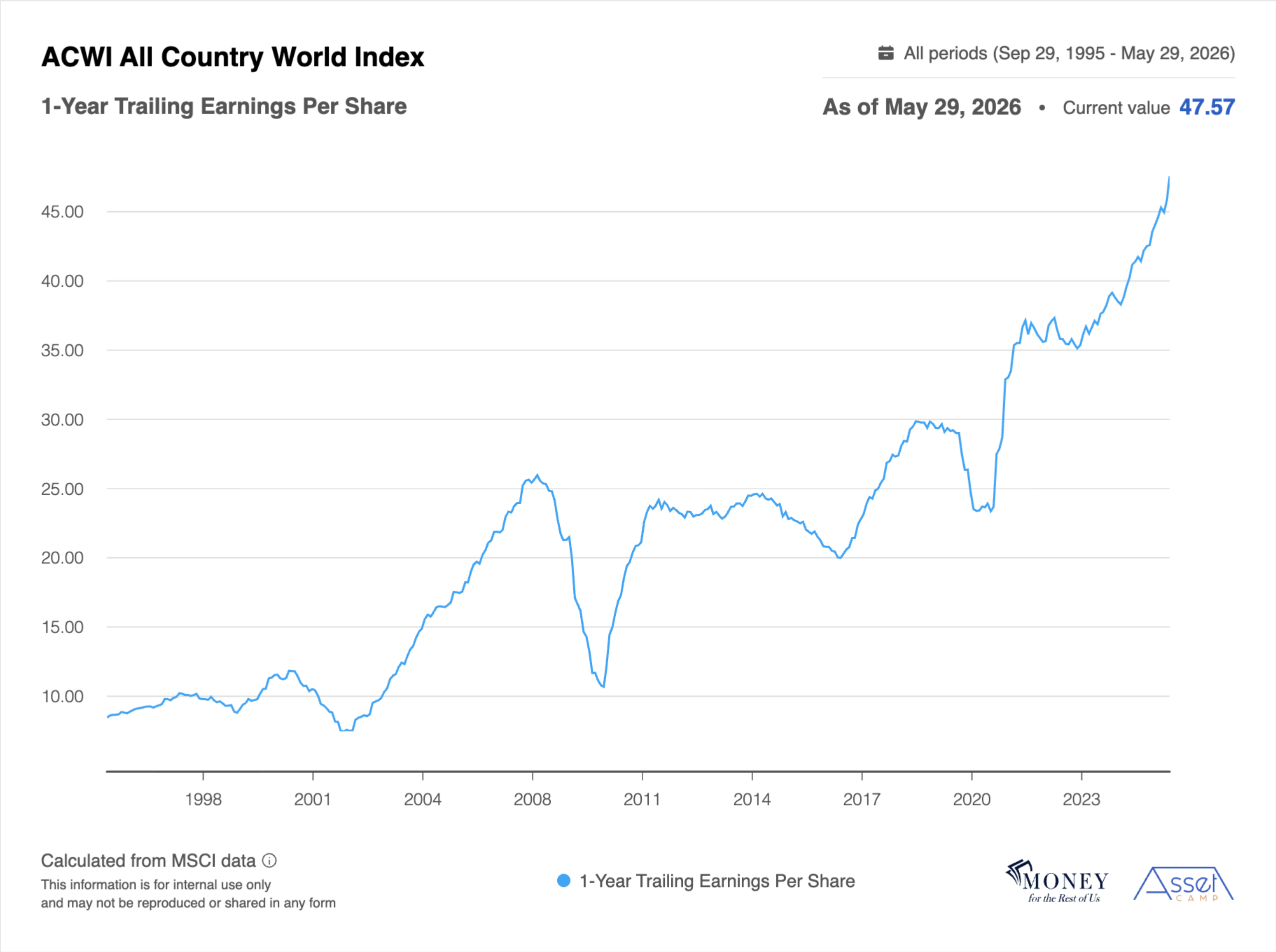
Source: S&P and ISM.
Outlined row indicates the global aggregate.

The June U.S. employment report confirmed the U.S. economy continues to expand. Non-farm payrolls rose 172,000, the unemployment rate held at 4.3 percent, and March and April new job numbers were revised up by a combined 93,000. The revised numbers equate to average payroll growth of 188,000 over the past three months.

Why Corporate Profits and Margins Have Expanded

Corporate profit growth has contributed heavily to strong stock market returns over the past five years. Global earnings per share have doubled since the pandemic low in March 2021, while global stocks have returned 83% on a cumulative basis or 12.4% annualized.

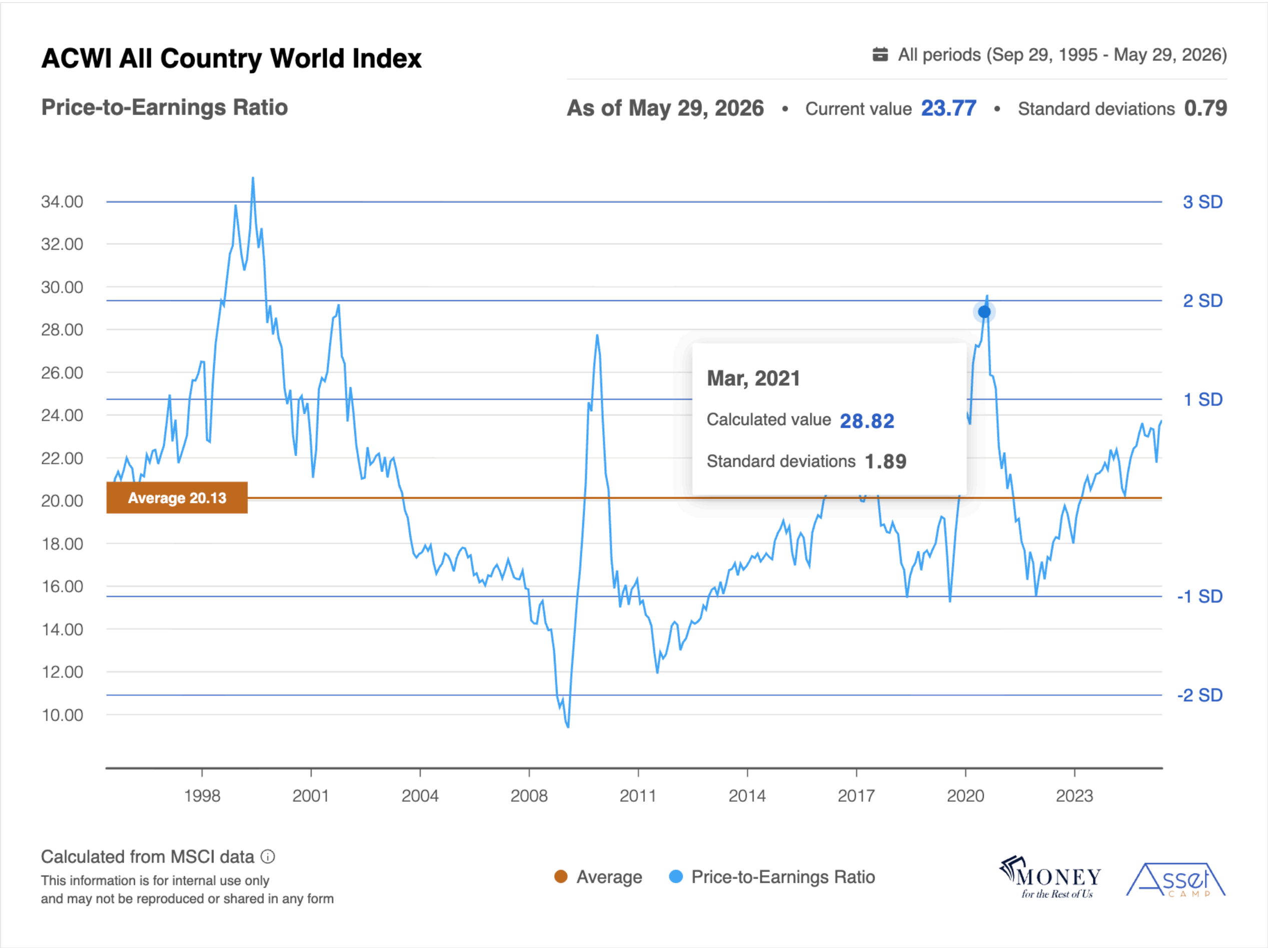
Chart 7



Where Are We Now?

When earnings per share grow faster than stocks appreciate, valuations fall. The trailing 1-year price-to-earnings ratio for global stocks has fallen from 28.8 in March 2021 to 23.8 today.

Chart 8

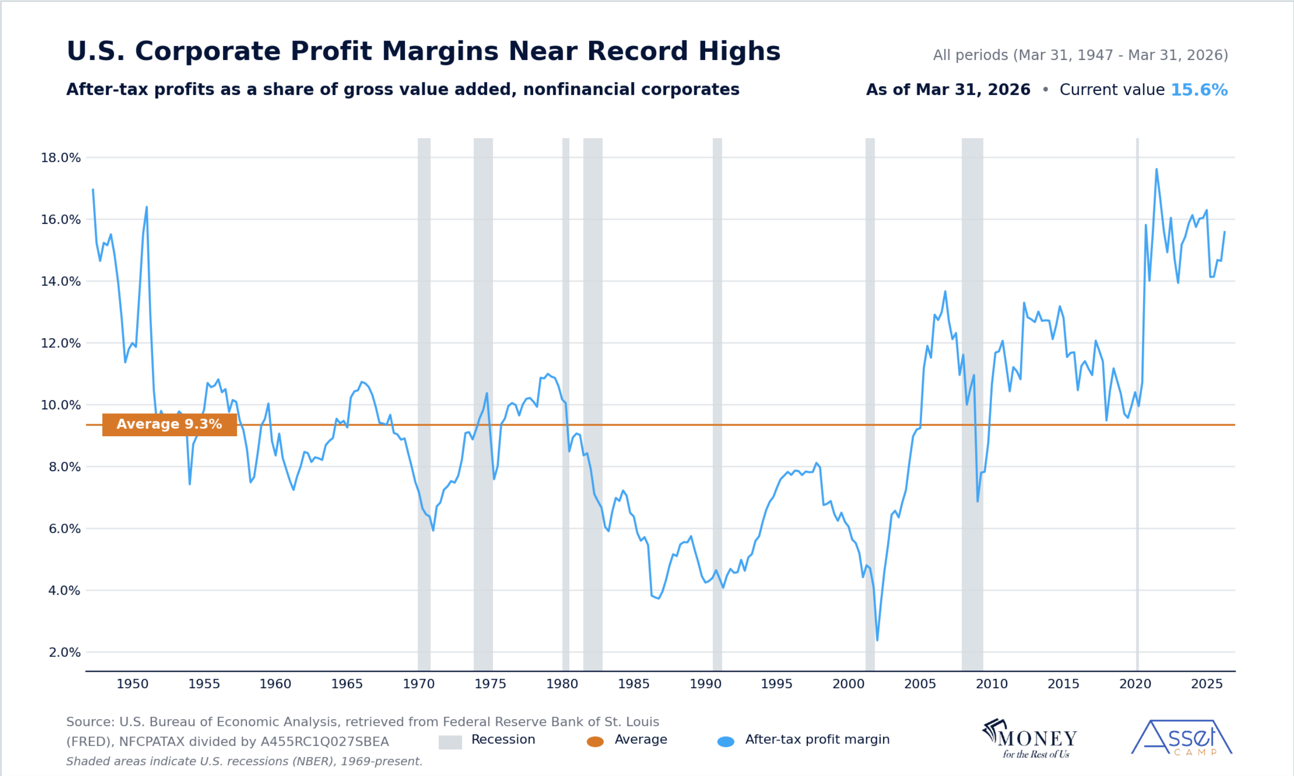


Not only have corporate profits rebounded, but profit margins are at or near record levels. FactSet reports that the profit margin for the S&P 500 Index reached a record 13.4% in Q1 2026.

Where Are We Now?

Looking across the entire U.S. economy for both publicly traded and private companies, corporate profit margins remain near a record high.

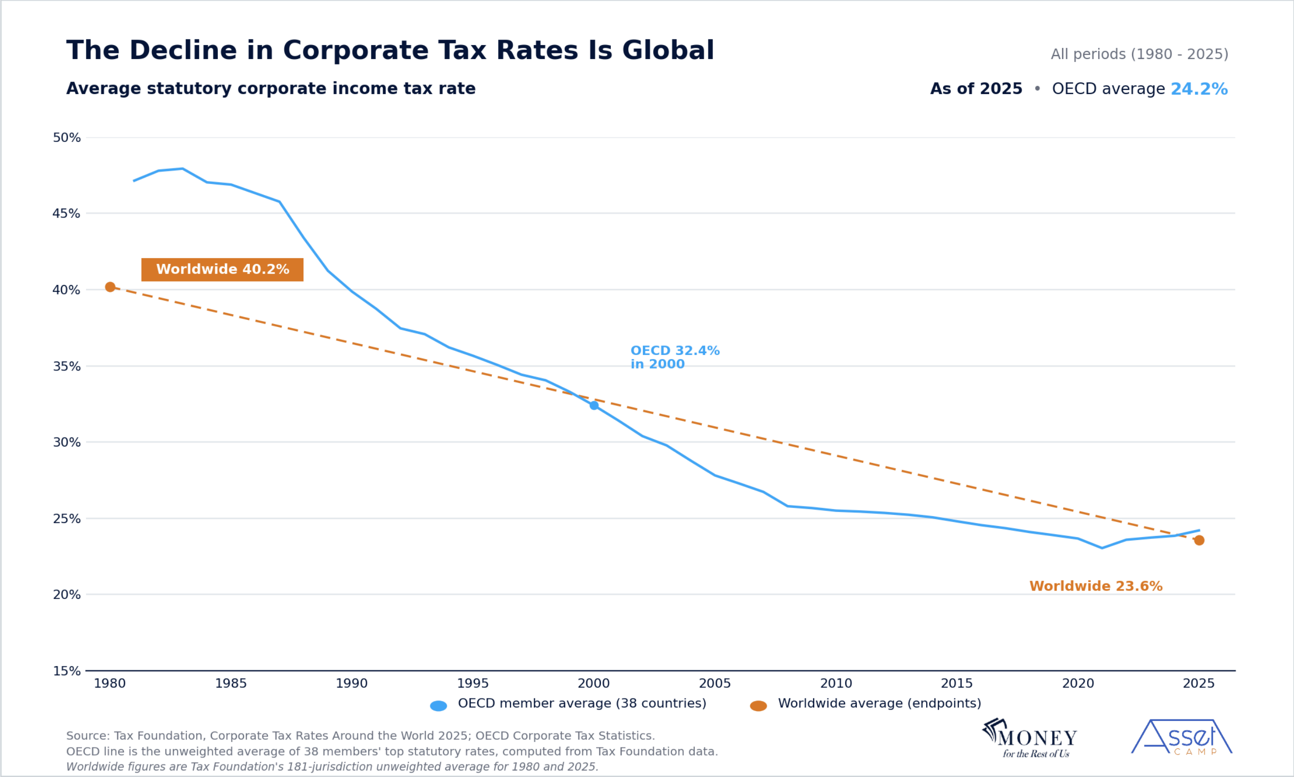
Chart 9



There are a number of reasons corporate profit margins have expanded. Over the past few decades, the global economy has shifted toward services and less asset-intensive industries, including information technology and pharmaceuticals, which tend to have higher margins.

Falling global corporate tax rates have contributed to expanding margins by increasing after-tax corporate profits, with the average corporate tax rate falling from over 40% in 1980 to 24% today.

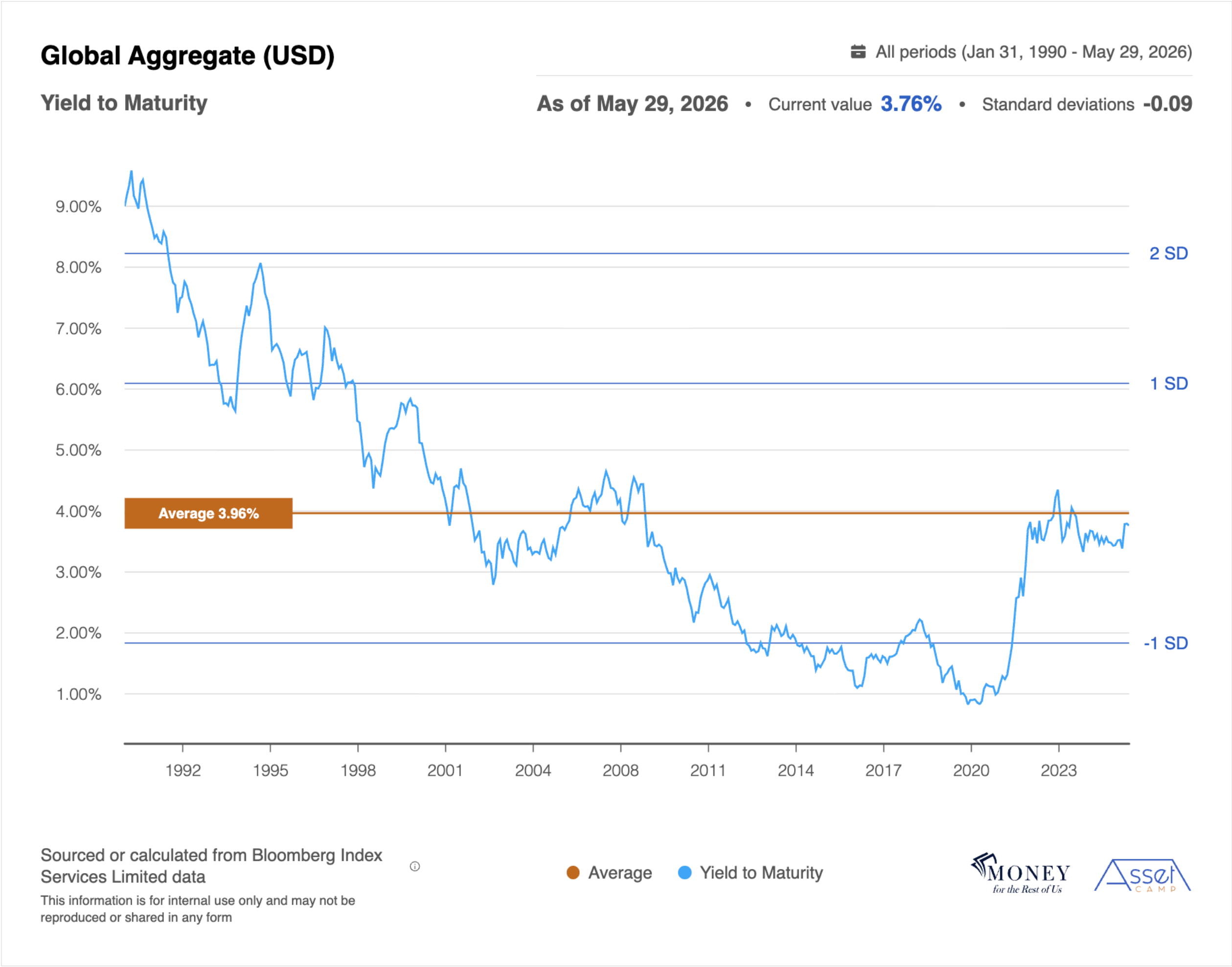
Chart 10



The long-term trend of lower interest rates up until 2022 reduced corporate interest expense, boosting profits.

Where Are We Now?

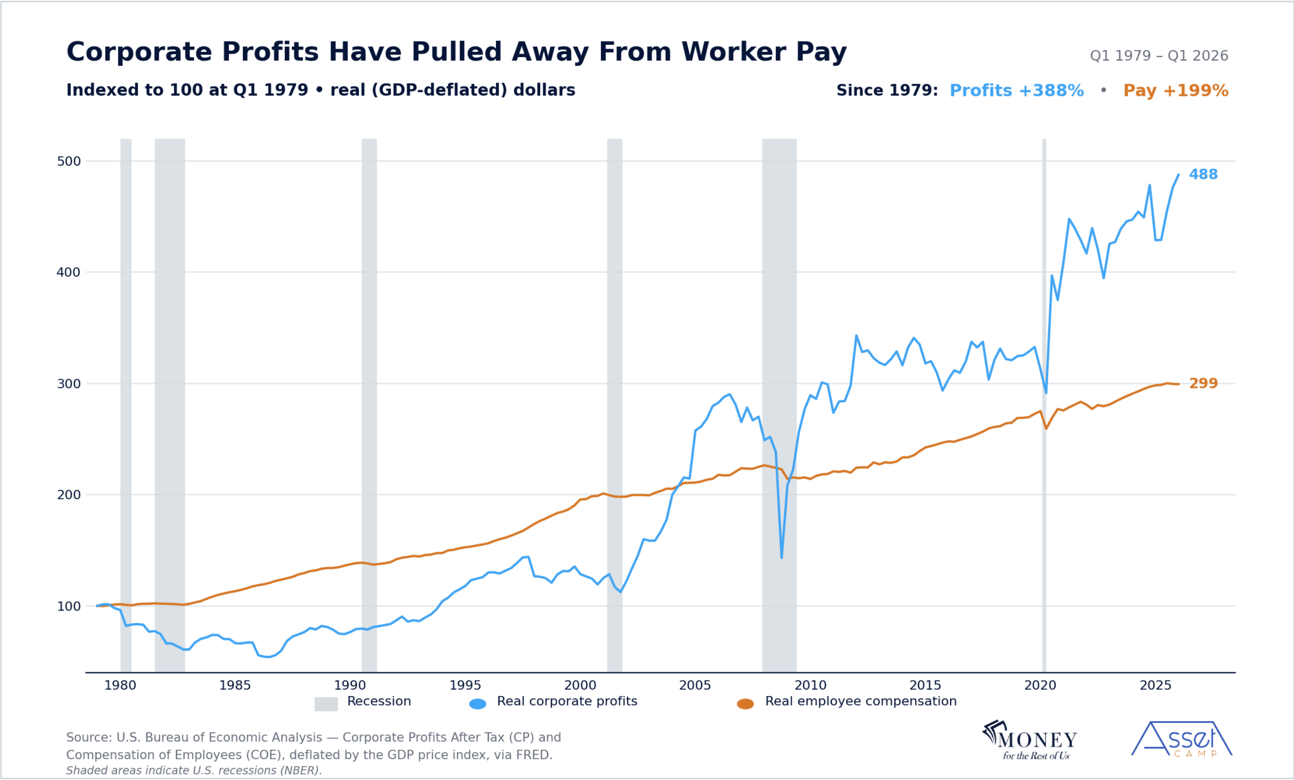
Chart 11



Increased industry concentration, with more superstar firms, has given corporations greater pricing power to maintain high profit margins.

Employee compensation, while growing in real terms, has not kept pace with the expansion of corporate profits as companies have allowed more of their economic spoils to fall to the bottom line.

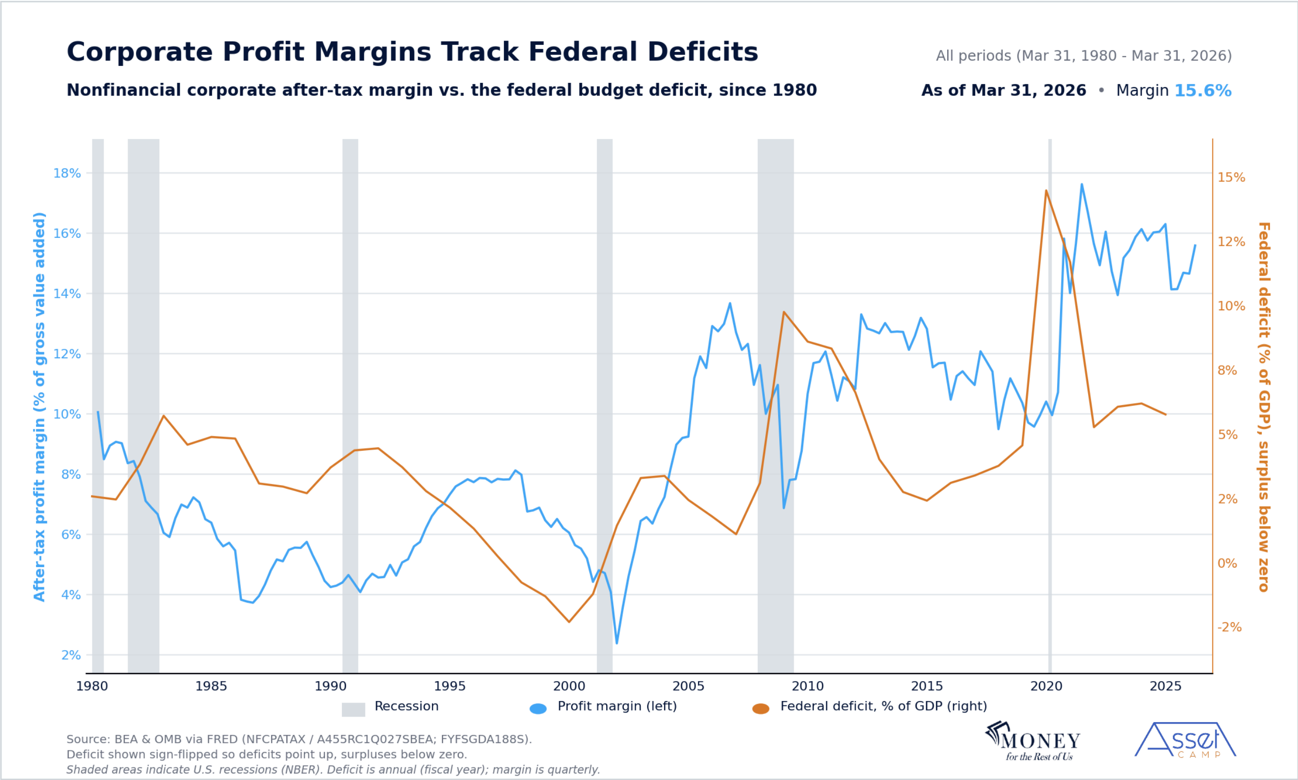
Chart 12



Finally, expanding federal budget deficits have boosted corporate profits and margins. This is especially evident in the U.S. When the federal government runs a budget deficit, funded through borrowing, that excess spending flows through the economy, boosting corporate profits.

Where Are We Now?

Chart 13

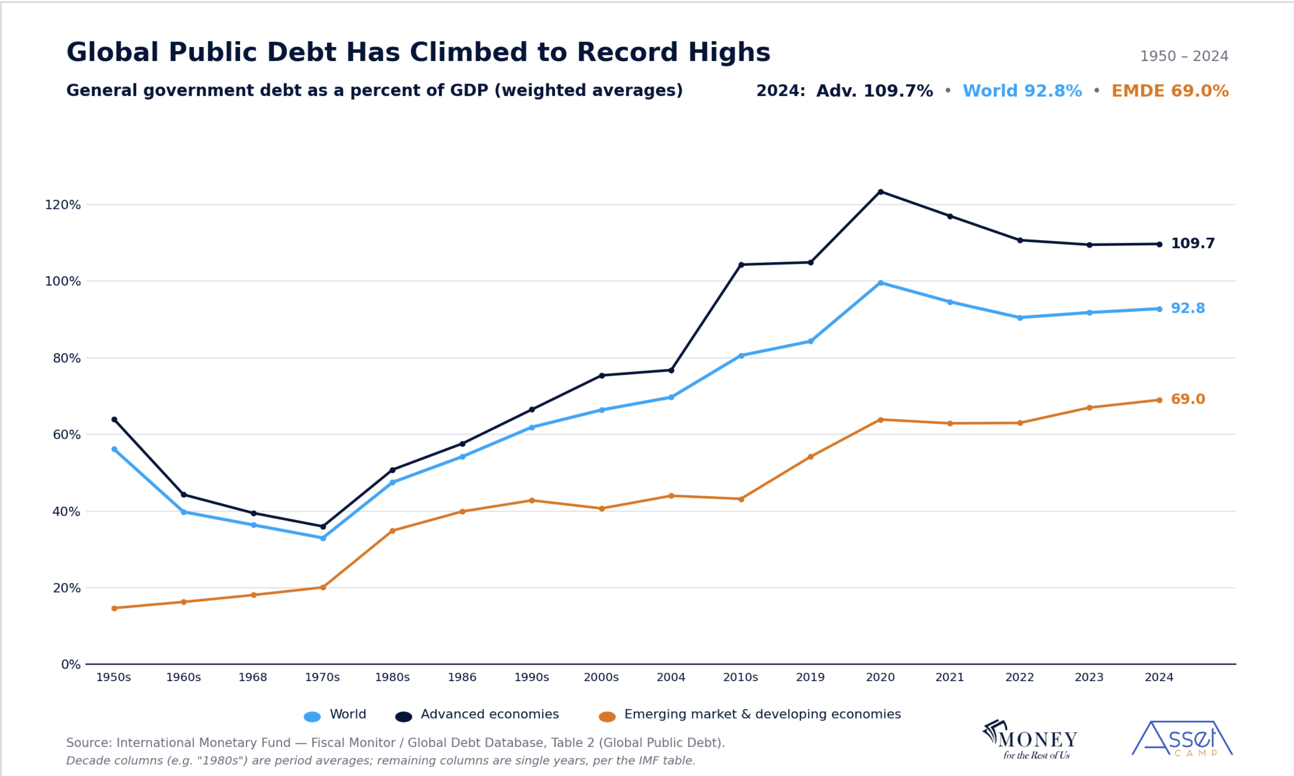


A reversal in the corporate profit trend would require a narrower federal budget deficit, higher corporate tax rates, higher interest rates, greater worker bargaining power, more asset-heavy industries, and heightened competition.

Where Are We Now?

Adjustment to the first three items, budget deficits, tax rates, and interest rates, depends on how forgiving bond market investors will be of growing government debt balances. Public debt as a percentage of GDP has grown over the decades, more than doubling since the 1970s. Those debt balances represent an accumulation of annual budget deficits, which help elevate corporate profits.

Chart 14

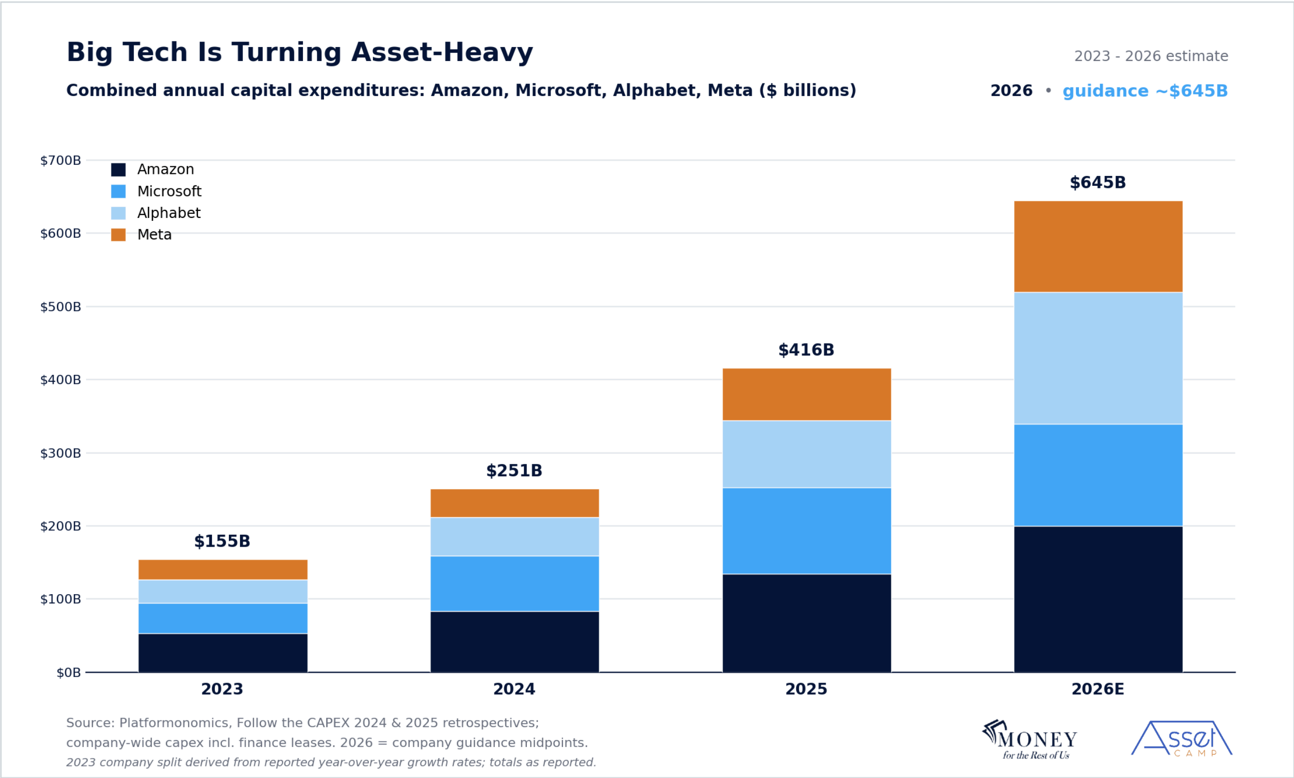


Interest rates are now as high as they have been since 2008, increasing the interest burden for governments. Further increases could force governments to take definitive actions to reduce annual budget deficits.

As for greater worker bargaining power, increased competition, and a more asset-heavy industry, much of that comes down to AI.

Many tech companies with their fat profit margins are aggressively investing in AI infrastructure. It is too early to tell what the impact will be on their own and their clients' profitability.

Chart 15



While some companies have used AI implementation and investment to justify corporate layoffs, agentic AI remains in its early stages. AI inference costs are falling per token, but agentic tools like Claude Code and Cowork consume many more tokens per task than a simple chatbot query. Consequently, total corporate spending on AI usage is growing exponentially. Anthropic's CEO Dario Amodei recently acknowledged that usage of its models grew 80x in the first quarter when they had planned for growth of 10x.

AI's effect on corporate profitability and workers' bargaining power will hinge on whether it mainly replaces workers, enhances their productivity, or spurs the development of new products and services that create demand for their labor.

In summary, given the multitude of reasons that have boosted corporate profits and margins, it seems unlikely that margins will collapse from these levels and are more likely to hold steady.

Expected Corporate Profits Keep Rising

Analysts continue to ratchet up expected earnings growth over the next one to five years.

Table 5

1-Year Forward Earnings Per Share Growth

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	17.56 %	18.98 %	19.98 %	11.80 %	1.53	2003	
AC World ex USA	17.44 %	19.72 %	20.48 %	12.10 %	1.27	2003	
World ex USA	11.52 %	12.61 %	12.12 %	11.43 %	0.10	2003	
Emerging Markets	29.30 %	33.58 %	36.00 %	13.79 %	3.39	2003	
USA	17.65 %	18.34 %	19.55 %	11.55 %	1.70	2003	

Calculated from MSCI data

Table 6

Long-term Forward Earnings Per Share Growth (3 to 5 Years)

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	15.12 %	15.01 %	16.80 %	12.31 %	2.08	1995	
AC World ex USA	13.38 %	12.48 %	13.78 %	10.68 %	1.49	2003	
World ex USA	11.63 %	11.45 %	12.03 %	9.69 %	1.11	2003	
Emerging Markets	18.47 %	15.75 %	19.13 %	14.65 %	1.85	2003	
USA	15.93 %	16.13 %	18.12 %	12.71 %	2.29	2003	

Calculated from MSCI data ⓘ

Actual earnings have exceeded analysts' expectations. A year ago, a bottom-up, company-by-company estimate put expected global earnings-per-share growth at 10% for the year ending May 2025. Actual earnings per share grew at 15% year-over-year.

Table 7

1-Year Trailing Earnings Per Share Growth

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	11.81 %	11.30 %	14.96 %	7.64 %	0.35	1996	
AC World ex USA	9.30 %	7.63 %	11.15 %	7.51 %	0.15	1996	
World ex USA	6.40 %	5.46 %	8.18 %	8.74 %	-0.02	1971	
Emerging Markets	15.96 %	12.53 %	17.35 %	6.38 %	0.47	1996	
USA	13.78 %	14.46 %	18.17 %	8.29 %	0.55	1970	

Calculated from MSCI data ⓘ

Asset Class Valuations

Global stocks are expensive by multiple measures, including price-to-book, price-to-cash flow, and price-to-earnings ratios using expected and trailing 1-year earnings and 10-year inflation-adjusted earnings. The U.S. remains one of the most expensive countries in the world.

Table 8

Price-to-Cash Flow Ratio

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	15.56	16.88	17.38	11.44	2.56	1995	
AC World ex USA	11.35	12.05	12.48	9.47	1.89	1995	
World ex USA	11.09	11.39	11.72	8.25	1.57	1970	
Emerging Markets	11.98	13.61	14.13	8.91	3.44	1995	
USA	18.97	20.91	21.42	10.79	2.56	1970	

Calculated from MSCI data ⓘ

Table 9

Price-to-Book Value

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	3.43	3.72	3.85	2.48	2.49	1995	
AC World ex USA	2.18	2.33	2.41	1.91	1.27	1995	
World ex USA	2.19	2.29	2.33	1.86	0.94	1974	
Emerging Markets	2.16	2.42	2.57	1.77	2.39	1995	
USA	5.14	5.67	5.86	2.73	2.64	1974	

Calculated from MSCI data ⓘ

Where Are We Now?

Table 10

Price-to-Earnings Ratio

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	21.77	23.50	23.77	20.13	0.79	1995	
AC World ex USA	17.27	18.29	18.61	18.55	0.01	1995	
World ex USA	17.63	18.20	18.61	18.36	0.04	1970	
Emerging Markets	16.52	18.48	18.60	15.14	1.00	1995	
USA	25.67	28.13	28.27	18.20	1.60	1969	

Calculated from MSCI data ⓘ

MONEY for the Rest of Us   Asset CAMP

Table 11

Forward Price-to-Earnings Ratio

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	17.12	18.07	18.23	14.95	1.44	2003	
AC World ex USA	13.75	14.14	14.24	13.21	0.66	2003	
World ex USA	15.04	15.41	15.59	13.78	1.05	2003	
Emerging Markets	11.52	12.05	12.16	11.45	0.49	2003	
USA	19.96	21.50	21.72	16.75	1.57	2003	

Calculated from MSCI data ⓘ

MONEY for the Rest of Us   Asset CAMP

Table 12

Cyclically Adjusted Price-to-Earnings Ratio

BACK TO FULL LIST

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
ACWI All Country World Index	25.96	28.37	29.26	20.82	2.22	2004	
AC World ex USA	18.28	19.87	20.61	17.58	0.66	2004	
World ex USA	19.20	20.45	20.81	20.60	0.03	1979	
Emerging Markets	16.02	18.18	19.67	16.32	0.65	2004	
USA	33.86	37.13	38.01	21.87	1.89	1978	

Calculated from MSCI data ⓘ

MONEY for the Rest of Us   Asset CAMP

Where Are We Heading?

In the last six months, AI has hit an inflection point, with agentic AI dramatically increasing code and information output. Anthropic reported that its developers are shipping 8x as much code per day as they were in 2024. GitHub, the platform where much of the world's software is built, is seeing code commits in 2026 at a pace 14 times that of 2025. A commit is a recorded batch of new or changed code, the basic unit of software work.

Both GitHub and Anthropic mentioned they are scrambling to build out computing capacity. These are just two examples, but they illustrate how companies employing AI are significantly increasing output, and why AI providers are investing so much capital in building data centers.

Producing more code, charts, or slide decks in and of itself will not lead to greater economic growth. That will require innovations and insights that arise from the increased activity. For now, however, just the build-out of AI infrastructure is contributing meaningfully to economic growth.

As investors, we face an expensive and increasingly concentrated stock market, but one propelled by strong corporate earnings growth due to the variety of secular drivers outlined in this report.

A prudent approach is to allocate equity capital in a manner that isn't overly concentrated. Rather than overweighting an S&P 500 ETF, with its 31% weight in the top eight holdings, an investor can use a fundamental ETF that weights by other factors, such as earnings and revenue, rather than size.

Where Are We Heading?

Allocating more to non-U.S. stocks, including small and mid-cap stocks, is another way to participate in the stock market rally while deemphasizing the most expensive areas.

Below are the least expensive areas of the stock market based on forward price-to-earnings ratio.

Table 13

Forward Price-to-Earnings Ratio

COMPARE INDEXES

Index	As of 03/31/2026	As of 04/30/2026	As of 05/29/2026	Long Term Average	Standard Deviations	Long Term Average Starting Year	View Chart
Emerging Latin America	10.86	10.30	9.64	11.06	-0.70	2003	
USA Small Cap	17.94	19.05	18.68	20.16	-0.39	2008	
World ex USA Small Cap Value	12.04	12.47	12.75	13.74	-0.35	1994	
World ex USA Small Cap Growth	16.14	17.13	17.75	19.30	-0.32	1994	
USA Small Cap Value	13.93	14.56	14.31	16.25	-0.32	1994	
China	11.03	11.46	10.87	11.57	-0.27	2003	
Emerging Markets Growth	13.77	14.62	14.27	14.77	-0.16	2003	
United Kingdom	13.02	12.79	12.49	12.70	-0.09	2003	
ACWI Small Cap	15.70	16.69	16.74	16.86	-0.06	1994	
ACWI ex USA Small Cap	13.70	14.60	14.91	14.96	-0.02	1994	

Where Are We Heading?

On the fixed income side, shorter-duration or variable-rate debt remains the more compelling positioning given the risk of further interest rate increases. Central banks seem unlikely to lower their policy rates given the inflation pressures from the war.

Higher-rated collateralized loan obligations are our preferred way to get access to credit, given that credit spreads are near all-time lows. CLOs benefit from overcollateralization, providing a buffer in case defaults tick up due to higher interest rates.

Investor sentiment in mid 2026 is bullish, as evidenced by high valuations and narrow credit spreads. The AI infrastructure buildout is no longer speculative as adoption of agentic AI by households and businesses is leading to AI capacity constraints. The data centers being built are being used as companies implement AI in their businesses.

The biggest risk to financial markets and the economy is that the U.S.-Iran ceasefire breaks, hostilities escalate, and oil prices jump meaningfully with the Strait of Hormuz still closed and the Strategic Petroleum Reserve near a forty-year low.

At that point, the war and the ongoing energy crisis could reemerge as the leading market narrative, dragging down the stock market and hurting consumer spending. A robust economy driven by AI investment could slow markedly even as inflation and interest rates rise. Stagflation becomes a higher probability outcome.

Again, if this more dire scenario occurs, the positioning suggestions above will provide a greater margin of safety compared to a concentration in AI companies and longer-duration bonds. But even a diversified equity portfolio and shorter-duration fixed-income assets would lose some ground if stagflation risks increase.

Investors who would be harmed by a sharp sell-off in risk assets should consider taking some profits, given high valuations and heightened geopolitical risk.

Investment Conditions Summary

The overall reading for global risk assets remains neutral, but two dimensions moved this month in opposite directions. Valuations deteriorated to bearish as the market rally made stocks more expensive, with the United States and now global stocks in RED territory.

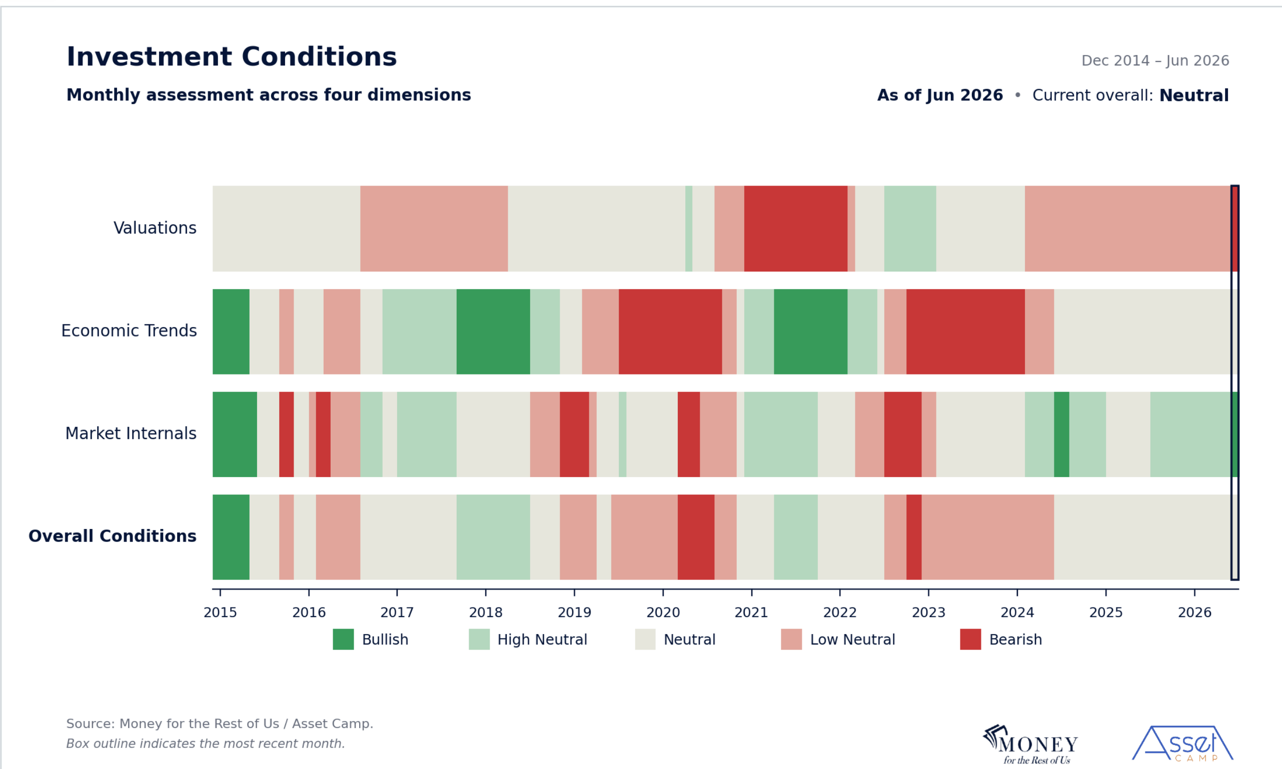
Market internals improved to bullish, reflecting the breadth and persistence of the price trend across the United States, Europe, the United Kingdom, Japan, and emerging markets.

A bearish valuation backdrop, offset by bullish momentum, kept overall investment conditions neutral. Economic trends remain neutral everywhere except Europe ex-UK, where the energy shock pushed that reading to bearish.

Where Are We Heading?

Note: These heatmaps depict current investment conditions across asset-class valuations, economic trends, and market internals (trend, momentum, etc.). The heatmaps are helpful for understanding how investment conditions evolve across multiple dimensions and where we sit in the current cycle. It is not a market timing tool. Financial markets are too complex for such simplification, as there are multiple levers that can be adjusted within a portfolio, including interest-rate sensitivity, yield, credit exposure, style, size, and other factors.

Chart 16



Where Are We Heading?

Chart 17

Regional Conditions

Investment Conditions as of June 1, 2026

As of Jun 1, 2026 • 8 equity regions

	Overall	Valuations	Economy	Market Internals
United States	Neutral	Bearish	Neutral	Bullish
Europe Ex-UK	Neutral	Neutral	Bearish	Bullish
United Kingdom	Neutral	Neutral	Neutral	Bullish
Japan	Neutral	Neutral	Neutral	Bullish
Pacific Ex-Japan	Neutral	Neutral	Neutral	Neutral
Canada	Neutral	Neutral	Neutral	Neutral
Emerging Markets	Neutral	Neutral	Neutral	Bullish
Global Stocks	Neutral	Bearish	Neutral	Bullish

Bullish · Neutral · Bearish

Source: Money for the Rest of Us / Asset Camp.
Outlined row indicates the aggregate Global Stocks reading.

Focus Topic: Commodity and Managed Futures ETFs

With interest rates rising in 2026, bond prices falling, and inflation pressures increasing due to the spike in oil prices and continued AI buildout, investors are again asking whether an allocation to commodities can both protect against inflation and reduce portfolio volatility.

Unfortunately, the answer is nuanced. With the exception of gold and silver, most ETF exposure to commodities comes from futures contracts, and commodity futures face some structural challenges that have reduced long-term returns.

We have long advocated owning physical gold or a gold ETF as protection against currency debasement, since gold's supply increases more slowly than the supply of dollars and other fiat currencies. You can check out episode 541 of the Money for the Rest of Us podcast for our views on gold and silver.

Commodity Futures

A futures contract is a standardized agreement between a buyer and a seller to exchange a specific asset at a predetermined price on a future date. A speculative buyer is betting the price of the underlying asset will rise. A speculative seller is betting it will fall. Not all participants in the futures markets are speculators. Many businesses use commodity futures to lock in a price or hedge some business-related exposure.

Most commodity traders never take delivery. They reverse the contract before it expires, either locking in their gain or absorbing their loss.

To make money when taking a long position in commodity futures, the price of the underlying commodity has to rise more than what other investors already expect. The futures price already embeds the consensus view. If reality matches the consensus, the long-term return is modest at best. Over the past twenty-five years, the Bloomberg Commodity Total Return Index has returned about 3% annualized. Those twenty-five years include both extended bull and bear markets for commodities.

Consequently, the underlying assumption when investing in long-only commodities ETFs is that inflation and commodity prices will surprise to the upside. That can happen over shorter periods, but because higher commodity prices attract more supply, returns on commodity ETFs have been modest over the long term.

Roll Yield

Commodity futures ETFs are also plagued by what is known as roll yield. Because a commodity ETF holds futures rather than the commodity itself, it must continually sell expiring contracts and buy new ones further out in time. The return on that process is called roll yield, and it can be positive or negative depending on the shape of the futures curve.

When the futures price is higher than the spot price, the futures curve is upward sloping. That is called contango, and it is the normal state of affairs. If the spot price does not change over the life of the contract, the futures price has to fall to meet it. The ETF loses money on the roll. That is negative roll yield, and over long stretches it drags down returns.

When the futures price is below the spot price, the curve is downward sloping. That is called backwardation. The roll yield is positive. The ETF earns money even if spot prices stay flat.

The original commodity ETFs always rolled into the next front-month contract, which exposed them to the full drag of contango. Newer ETFs can choose contracts further out on the curve, sometimes up to four years, in an effort to minimize negative roll yield. That flexibility helps in contango markets. It helps less in backwardation, when simply holding the front-month contract is the more profitable trade.

Managed Futures

Most commodity ETFs provide passive or rule-based long-only exposure to commodities. In other words, they are positioned for commodity prices to rise.

Managed futures ETFs can go long and short commodities and other futures contracts, positioning for the underlying assets to rise or fall in price. These ETFs don't just have exposure to commodities but also to currencies, interest rates, and stocks.
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The dominant strategy in managed futures is trend-following. The hope is that there is some persistence in the price direction of the futures contract's underlying asset.

This works best in extreme markets. A strong, persistent move gives a managed futures investor time to identify a trend, build a position, and take profits.

Sideways markets are the opposite problem. A trend-following strategy needs a trend. When asset prices move in a narrow range, the strategy can get whipsawed.

Similar to long-only commodity ETFs, managed futures returns have been disappointing over longer periods. The returns have been choppy with some breakout years like 2022, when managed futures were a true diversifier when both stocks and bonds fell.

Diversification

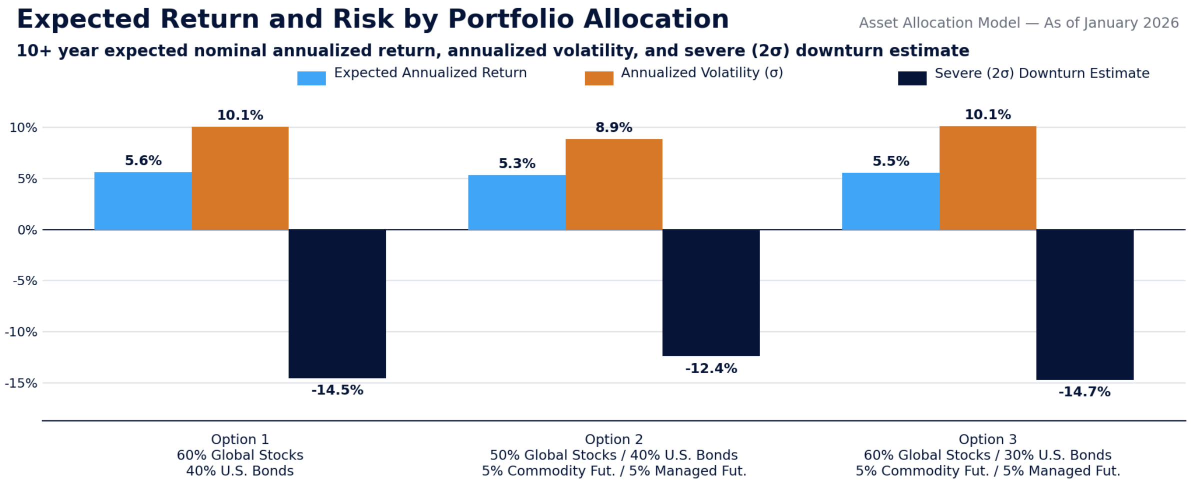
Managed futures and commodity futures can perform well when other areas of an investment portfolio are struggling, particularly during periods of unexpected inflation or geopolitical disruption. The cost of that diversification is long stretches in between when the strategy returns are disappointing.

Here is some modeling we did, assuming a 5% allocation each to managed futures and commodity futures, with low correlation and modest return expectations. We assumed an expected return of 3% for commodity futures and 4% for managed futures with low correlation to stocks and bonds.

The results are underwhelming. When the futures allocation is funded from stocks, both the expected return and risk are lower. When the futures allocation comes out of bonds, the risk is similar, but the returns are slightly lower.

Commodity and Managed Futures ETFs

Chart 18



Asset Class Assumptions (10+ year expected nominal annualized return, annualized volatility):
Global Stocks: 6.5% return, 15.5% volatility | U.S. Bonds: 4.3% return, 5.5% volatility | Commodity Futures: 3.0% return, 18.0% volatility | Managed Futures: 4.0% return, 12.0% volatility

Correlation Assumptions:
Global Stocks / U.S. Bonds: 0.25 | Global Stocks / Commodity Futures: 0.25 | Global Stocks / Managed Futures: 0.00 | U.S. Bonds / Commodity Futures: -0.05
U.S. Bonds / Managed Futures: 0.15 | Commodity Futures / Managed Futures: 0.15

Severe (2σ) downturn estimate = Expected Return − 2 × Volatility, representing a plausible one-year drawdown roughly two standard deviations below expectations.

Source: Money for the Rest of Us Plus Asset Allocation Model (January 2026). Portfolio statistics computed from the model's return, volatility, and correlation assumptions.

David Stein owns DBMF in his personal portfolio.

More aggressive return assumptions for managed futures and commodity futures would yield more favorable expectations. In fact, returns over the past six years have been much higher than long-term historical returns due to unexpectedly high inflation in 2021 and 2022. That is the environment when commodity futures and managed futures can shine. That strong performance can continue if the continued AI infrastructure buildout, with its demand for copper, oil, and other commodities, exceeds consensus expectations or leads to supply constraints.

Commodity and Managed Futures ETFs

Here is our shortlist of commodity futures and managed futures ETFs based on our research.

For traditional exposure to a broad basket of commodity futures, we like the iShares GSCI Commodity Dynamic Roll Strategy ETF (COMT) because not only does it have large flexibility to manage roll yield, but it has a relatively low expense ratio for the category at 0.48%.

We also like the Harbor Commodity All-Weather Strategy ETF (HGER) because its commodity futures exposure is structured around inflation sensitivity. Inflation protection is a primary reason many investors choose to own commodity futures.

For managed futures, we like the IMGP DBi Managed Futures Strategy ETF (DBMF). It seeks to replicate the trend-following strategies used by hedge funds. This newer ETF has been more successful than most in the managed futures space in generating positive returns.

Commodity and Managed Futures ETFs

Below, you will find an overview of these ETFs and their performance.

Chart 19

Commodity and Managed Futures ETF Performance

As of May 29, 2026

Total returns

Returns for Periods Ending May 29, 2026

Name	Ticker	1M	3M	6M	1Y	3Y	5Y	10Y	15Y	20Y
iMGP DBi Managed Futures Strategy ETF	DBMF	-0.4%	-1.1%	12.1%	29.8%	10.2%	8.1%	—	—	—
Harbor Commodity All-Weather Strategy ETF	HGER	-2.5%	11.7%	26.2%	42.8%	20.9%	—	—	—	—
iShares GSCI Commodity Dynamic Roll Strategy ETF	COMT	-7.4%	19.9%	34.7%	45.9%	15.7%	13.2%	8.9%	—	—

Annual Total Returns

Name	Ticker	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
iMGP DBi Managed Futures Strategy ETF	DBMF	—	—	—	—	1.8%	11.4%	21.5%	-8.9%	7.2%	13.8%
Harbor Commodity All-Weather Strategy ETF	HGER	—	—	—	—	—	—	—	1.9%	9.2%	20.1%
iShares GSCI Commodity Dynamic Roll Strategy ETF	COMT	21.9%	11.7%	-6.6%	10.8%	-18.7%	37.0%	18.9%	-6.5%	6.0%	6.2%

Returns for periods of 1 year and above are annualized. Dashes indicate the fund did not exist for the full period.

Source: YCharts. Past performance is not indicative of future results.

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David Stein owns DBMF in his personal portfolio.

Commodity and Managed Futures ETFs

Chart 20

Commodity and Managed Futures Short List

As of June 1, 2026

Three exchange-traded funds for diversified commodity and trend exposure

DBMF

iMGP DBi Managed Futures Strategy ETF

DBMF seeks long-term capital appreciation. The fund seeks to achieve its objective by: (i) investing its assets pursuant to a managed futures strategy; (ii) allocating up to 20% of its total assets in its wholly-owned subsidiary and (iii) investing directly in select debt instruments for cash management and other purposes. It is non-diversified.

Net Expense Ratio	**0.85%**
Total Assets Under Management	**$3.90B**
Max Drawdown (Since Inception)	**20.44%**
1-Year Fund Level Flows	**$2.21B**

HGER

Harbor Commodity All-Weather Strategy ETF

HGER seeks to provide investment results that correspond, before fees and expenses, to the performance of the Quantix Commodity Index. The fund seeks to primarily invest, through its subsidiary, in one or more excess return swaps on the index. The index is composed of futures contracts on physical commodities and is constructed using QCI's proprietary quantitative methodology, which considers a commodity's relative inflation sensitivity and the relative cost of holding a “rolling” futures position in the commodity. It is non-diversified.

Net Expense Ratio	**0.68%**
Total Assets Under Management	**$3.19B**
Max Drawdown (Since Inception)	**23.31%**
1-Year Fund Level Flows	**$2.32B**

COMT

iShares GSCI Commodity Dynamic Roll Strategy ETF

COMT seeks to track the investment results of the S&P GSCI Dynamic Roll (USD) Total Return Index composed of a broad range of commodity exposures with enhanced roll selection, on a total return basis. The index measures the performance of futures contracts. In seeking to achieve its investment objective, the fund may invest in a combination of exchange-traded commodity futures contracts, exchange-traded options on commodity-related futures contracts and exchange-cleared commodity related swaps (together, “Commodity-Linked Investments”), thereby obtaining exposure to the commodities markets.

Net Expense Ratio	**0.48%**
Total Assets Under Management	**$1.17B**
Max Drawdown (Since Inception)	**51.88%**
1-Year Fund Level Flows	**$164.18M**

Source: YCharts.

David Stein owns DBMF in his personal portfolio.

We hope you found this report helpful. If you have any questions or feedback for us about the report or about Asset Camp or Money for the Rest of Us, please reach out.

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Who is David Stein?

David spent seventeen years as an institutional investment advisor, including nine as Chief Investment Strategist and Chief Portfolio Strategist at FEG Investment Advisors, a $15 billion institutional advisory firm, where he advised and managed investments for endowments, foundations, and high-net-worth families.

David strategized and invested through the Asian financial crisis, the dot-com bubble, the 2008 financial crisis and Great Recession, the 2020s' COVID-19 pandemic and its subsequent market volatility, and every other economic moment that mattered between 1995 and today. The work you'll see in Plus Membership is the same work he did for institutional clients, now built for serious individuals.