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CLA Outlook 2027

From Signals to Decisions

November 19, 2026

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Understand the data

Economy • Policy • Industry • Markets

Translate the signal

Understand the implications for business owners and individuals

Advise our clients

Understand risk and asset allocation at the business or individual level, implement tax and wealth strategies

Our CLA Outlook helps our clients *make better decisions*

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Economic growth is maturing, not ending

The 2027 base case is slower, near-trend growth with easing inflation and fewer labor imbalances.

	Phases of U.S. Economic Expansion Since April 2020					Forecast
	2021 Reopening recovery	**2022** Inflation shock and tightening	**2023–2024** Disinflation with growth	**2025** Uneven expansion	**2026 YTD** Energy shock and Fed tightening	**2027** Maturing expansion
Primary driver	**Reopening** Fiscal and monetary support	**Demand > supply** Supply constraints; Ukraine energy shock	**Supply heals** Demand rebalances; AI capex	**Policy shifts** Tariffs and uncertainty; capex holds up	**Energy shock** Gulf conflict; demand resilient	**Productivity gains** Energy pressures fades; demand moderates
Real growth	**Surging** GDP ~6%	**Slowing** GDP ~2.5%	**Above trend** GDP ~2.9%, then ~2.8%	**Volatile** Q3 3.9%, Q4 0.2% ann.	**Solid** Q1 2.5%, Q2 2.2% ann.	**Near trend** GDP ~2%
Inflation (CPI)	**Rising** ~7.0% y/y by Dec	**Peaking** 9.1% in June	**Falling** ~3.4% → ~2.9% (Dec)	**Sticky** Near 3%; tariff pass-through	**Energy-led rise** 3.4% Aug; core 2.4%	**Easing gradually** As energy shock fades
Labor market	**Healing fast** Jobless rate 6.4% → 3.9%	**Very tight** Jobless rate ~3.5%	**Rebalancing** Jobless rate 3.4% → 4.2%	**Cooling** Hiring slows	**Steady** Jobless rate 4.1% (Aug)	**Modest cooling** No broad job losses
Fed policy	**Zero bound** 0–0.25% plus QE	**Aggressive hikes** +425bp to 4.25–4.50%	**Peak, then cuts** 5.25–5.50%; cuts Sept. ’24	**Easing** Cuts to 3.50–3.75%	**Hiking** +25bp to 3.75–4.00% (Sep)	**Hike, then hold** One additional hike is likely

Sources: NBER, BEA, BLS, Federal Reserve. Data as of 10/31/2026; 2027 is CLA’s base case.

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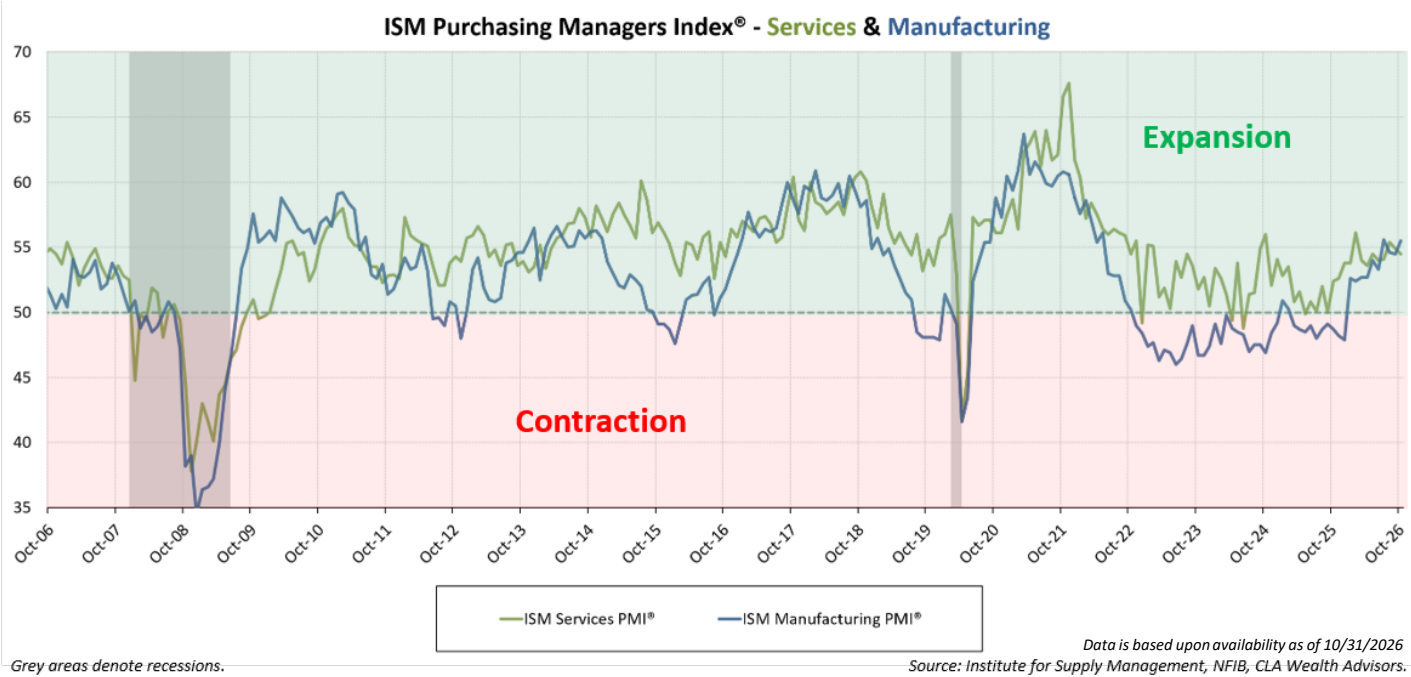
Expanding manufacturing and services support the growth trajectory

Manufacturing and services are both above 50, a broad confirmation of continued activity.



Grey areas denote recessions.

Data is based upon availability as of 10/31/2026

Source: Institute for Supply Management, NFIB, CLA Wealth Advisors.

Note: A reading above 50 (dotted line) indicates growth. Readings below 50 indicate contraction.

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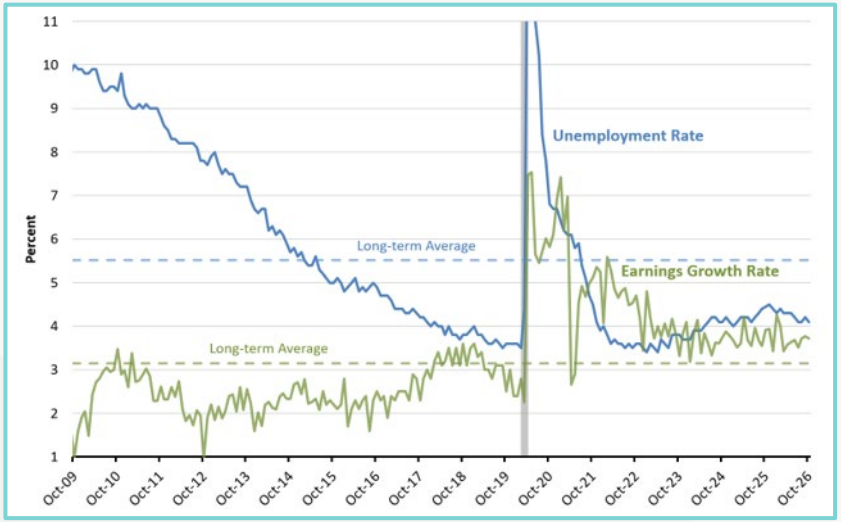
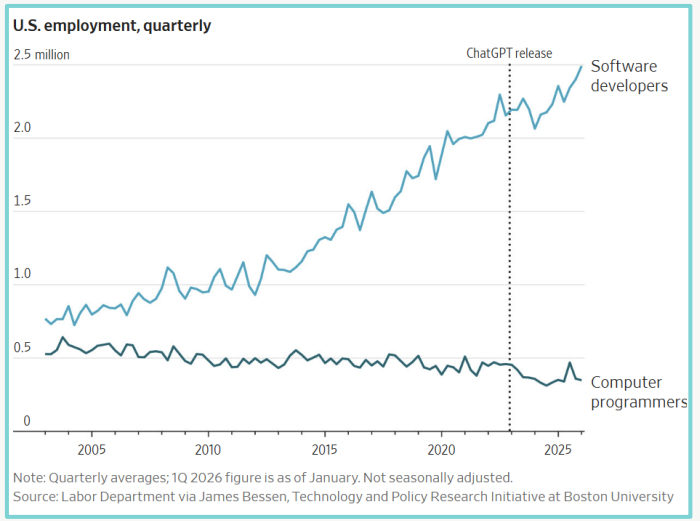
Despite headlines, AI has had minimal impact on jobs so far

Wall Street Journal headlines:

- **“AI Boom-or-Bust Scenarios Loom Large at World Financial Summit”** – October 16, 2026
- **“Is an AI Jobs Apocalypse Coming? Three Economists Square Off”** – June 28, 2026
- **“Tens of Thousands of White-Collar Jobs Vanish as Companies Embrace AI”** – November 11, 2025



Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Atlanta Federal Reserve, CLA Wealth Advisors.



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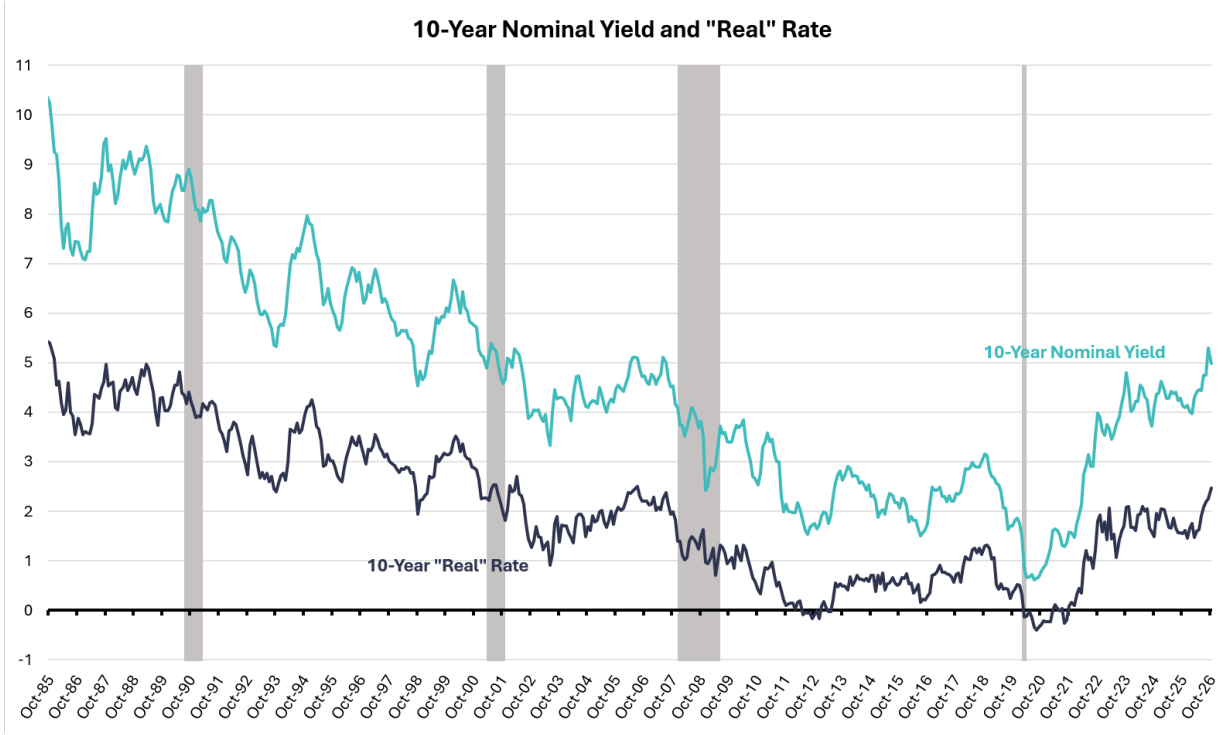
Resilient economic growth and persistent inflation have pushed interest rates higher



Source: Federal Reserve Bank of Cleveland, Board of Governors of Federal Reserve System.

20-year highs in both *nominal and real yields*

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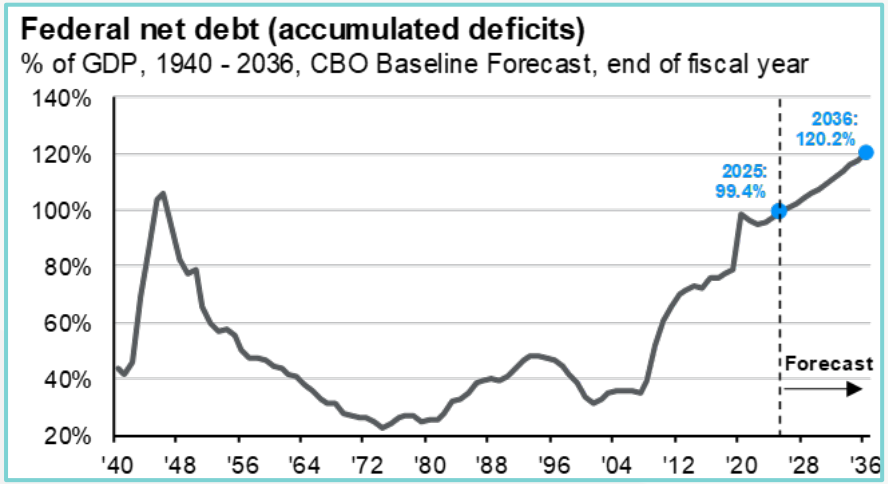
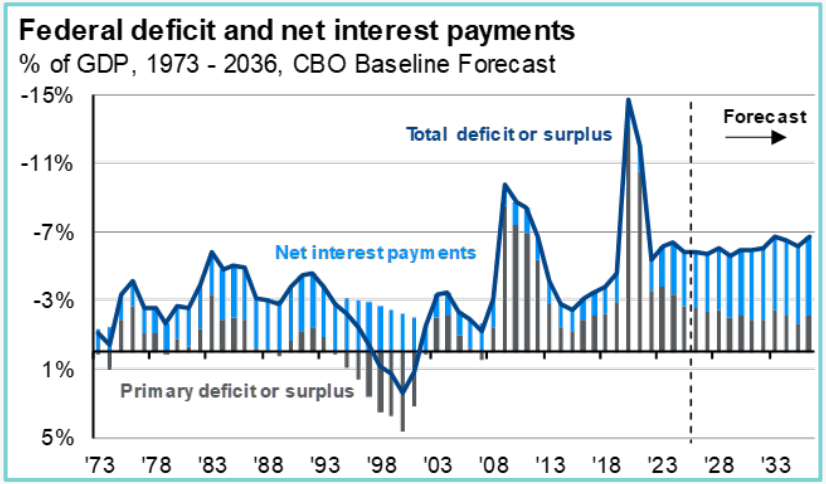
Post Midterm elections, expect little progress on the deficit

We see policy makers (Federal Reserve and U.S. Treasury) eventually intervening to contain interest rates





Source: BEA, CBO, Treasury Department, JP Morgan Asset Management.

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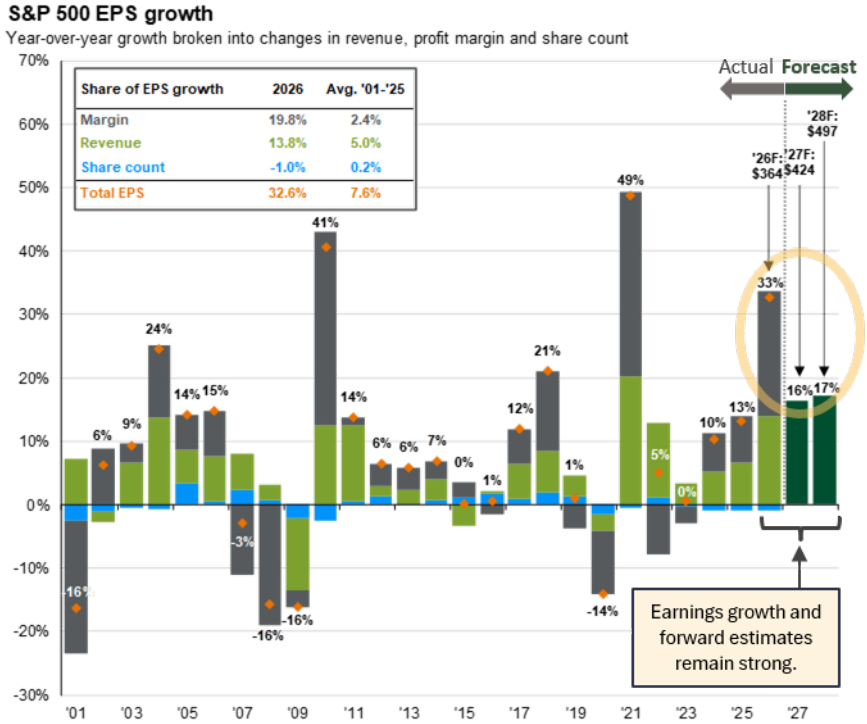
Interestingly, higher rates have not hurt earnings

2026 is tracking as a record profit year, and consensus expects further growth in 2027.



Source: Compustat, FactSet, Standard and Poor's, J.P. Morgan Asset Management.
Data is based upon availability as of 10/31/2026

AI has helped companies reduce expenses and increase margins

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Market catalysts to watch

The outlook remains constructive, but these signals could change the path.

CURRENT

RATES

Higher-for-longer interest rates

Sticky inflation and a hawkish Fed keep upward pressure on Treasury yields and financial conditions.

TRADE

Trade policy and tariffs

Policy changes can raise inflation, disrupt supply chains and delay business decisions.

ENERGY

Energy-market volatility

Oil remains sensitive to geopolitical events and can quickly reset inflation expectations.

CONCENTRATION

Market concentration risk

A narrow group of stocks still carries an outsized share of market returns.

UPCOMING

FED

Inflation and Fed policy

Inflation data and Fed communication will shape expectations for additional tightening.

EARNINGS

Q3 earnings season

Results and guidance will test the resilience of margins, demand and profitability.

AI

AI monetization and capital spending

Investors will look for evidence that elevated AI spending creates earnings and productivity gains.

GLOBAL

Global growth outlook

U.S., European and Chinese growth will influence earnings, commodities and market leadership.

Watch the direction of travel, not any single data point.

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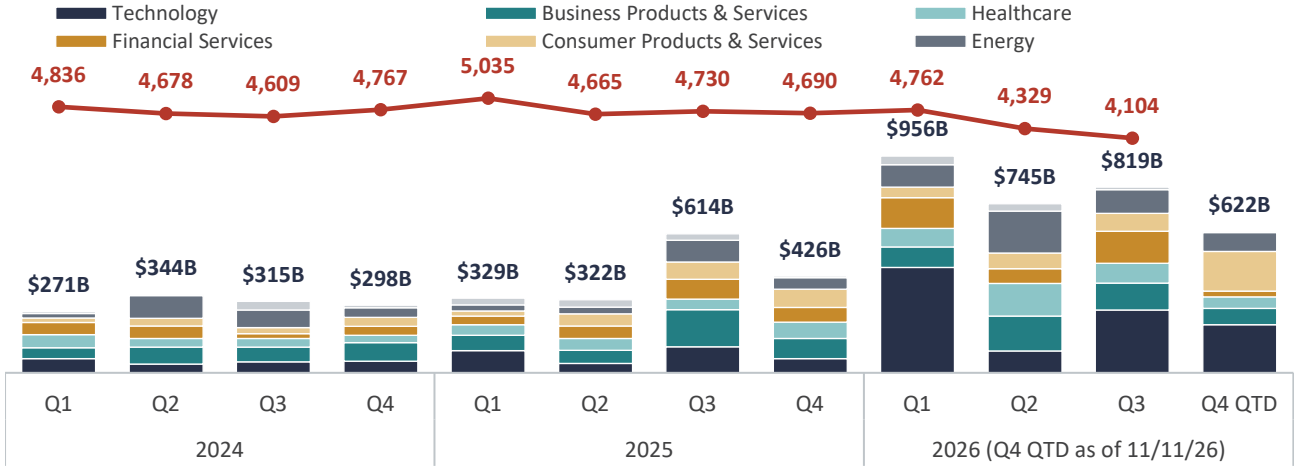
North American M&A Value Has Doubled Despite Fewer Deals

Capital is funneling into larger, scaled transactions while quarterly deal count is at its lowest level since 2020.

North American M&A Activity Deal value ($B) by industry and deal count, by quarter



	2024				2025				2026 (Q4 QTD as of 11/11/26)			
Median Deal Size ($M)												
	$44.3	$40.6	$46.5	$50.1	$51.8	$40.4	$57.7	$58.0	$76.8	$114.0	$169.0	**$237.0**
Median EV / Revenue												
	1.9x	2.0x	2.5x	2.0x	1.9x	1.7x	2.8x	2.1x	1.8x	2.1x	2.7x	**2.9x**
Median EV / EBITDA												
	11.3x	9.3x	10.3x	11.6x	9.8x	8.2x	13.3x	12.0x	10.5x	13.9x	11.3x	**15.3x**

Source: PitchBook as of 11/11/2026. North America completed and announced M&A and buyouts. Q4 2026 is quarter-to-date; deal count shown for completed quarters.

RECORD DOLLAR VOLUME

$3.1T

2026 YTD deals are ~1.9x as valuable as 2025 deals and above the 2021 peak

FEWEST DEALS SINCE Q3 2020

4,104

Q3 2026 deal count is the lowest quarterly total in six years. Q1–Q3 2026 deals are down 9% vs. Q1–Q3 2025.

SCALE IS WINNING

$120M

2026 YTD median deal size, up 2.3x from $52M in 2025

WHAT IT MEANS FOR OWNERS

Quality, scaled businesses are getting premium prices. Buyers are selective, so owners should be prepared to demonstrate how their business qualifies.

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Key opportunities for investors

Translate the outlook into portfolio actions, while preserving diversification and liquidity.

1

DIVERSIFY BROADLY

Maintain global equity exposure, with selective tilts toward quality, smaller companies and dividend growers.

Equities

2

LET BONDS WORK AGAIN

Use today's yields as both an income source and a potential shock absorber within balanced portfolios.

Fixed income

3

BE SELECTIVE IN ALTERNATIVES

Require a clear illiquidity premium and favor strategies built to withstand a higher cost of capital.

Alternative

Portfolio implication: broaden the return sources but keep the bar high for complexity and illiquidity.

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Our 5-year capital market assumptions reset the hierarchy

Updated return assumptions rise for high-quality bonds but fall for private equity and U.S. small caps.

Asset Class	2027 Return Estimates	2026 Return Estimates	Change
Cash	2.64	2.55	0.09
Municipal Bonds	5.13	3.42	1.71
Interm IG Bonds	5.75	4.26	1.49
Preferred Securities	6.86	6.99	-0.13
Securitized	6.00	n/a	n/a
High Yield (Corp)	6.61	6.59	0.02
High Yield (Muni)	4.35	6.05	-1.69
US All Cap	8.72	7.48	1.24
US Large Cap	8.04	7.09	0.95
US Small Cap	10.16	10.51	-0.35
US REITs	9.09	9.35	-0.26
Int'l Developed	7.06	6.16	0.89
Emerging Markets	7.79	5.98	1.81
Bitcoin	9.00	6.75	2.25
Private Credit	8.93	8.84	0.09
Private Real Estate	8.69	9.28	-0.59
Private Equity	11.00	12.41	-1.42

- Elevated yields make high-quality fixed income even more attractive
- Equities continue to remain attractive but tech-heavy indices are concerning
- Bitcoin continues to mature as an asset class
- Alternatives will struggle with higher rates

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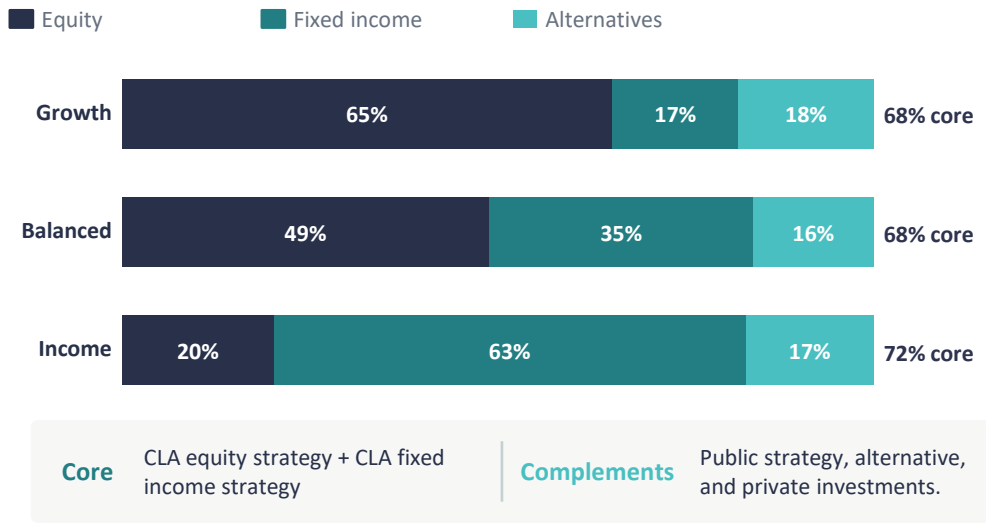
Total Return Portfolios: Stronger core, purposeful complements

A robust, diversified construction that emphasizes core exposure, rebuilds fixed income and uses private markets more selectively.

2027 Strategic allocation

Core exposure represents 68%–72% of each portfolio

The equity / fixed income mix changes by objective. Complements remain targeted and controlled.



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Total Return Portfolios:

Stronger core and purposeful complements

Portfolio design shift

1. **Reallocate toward the core**
   Increase reliance on transparent, scalable equity and fixed income building blocks.

2. **Let fixed income do more**
   Use municipals, Treasuries, corporates, high yield, ETF ladders, preferred and cash management as complementary sources of income and diversification.

3. **Raise the bar for private markets**
   Reduce private-market dependence and retain only exposures with a clear role, return premium and liquidity trade-off.



Portfolio implication *More return sources, less complexity drag.*

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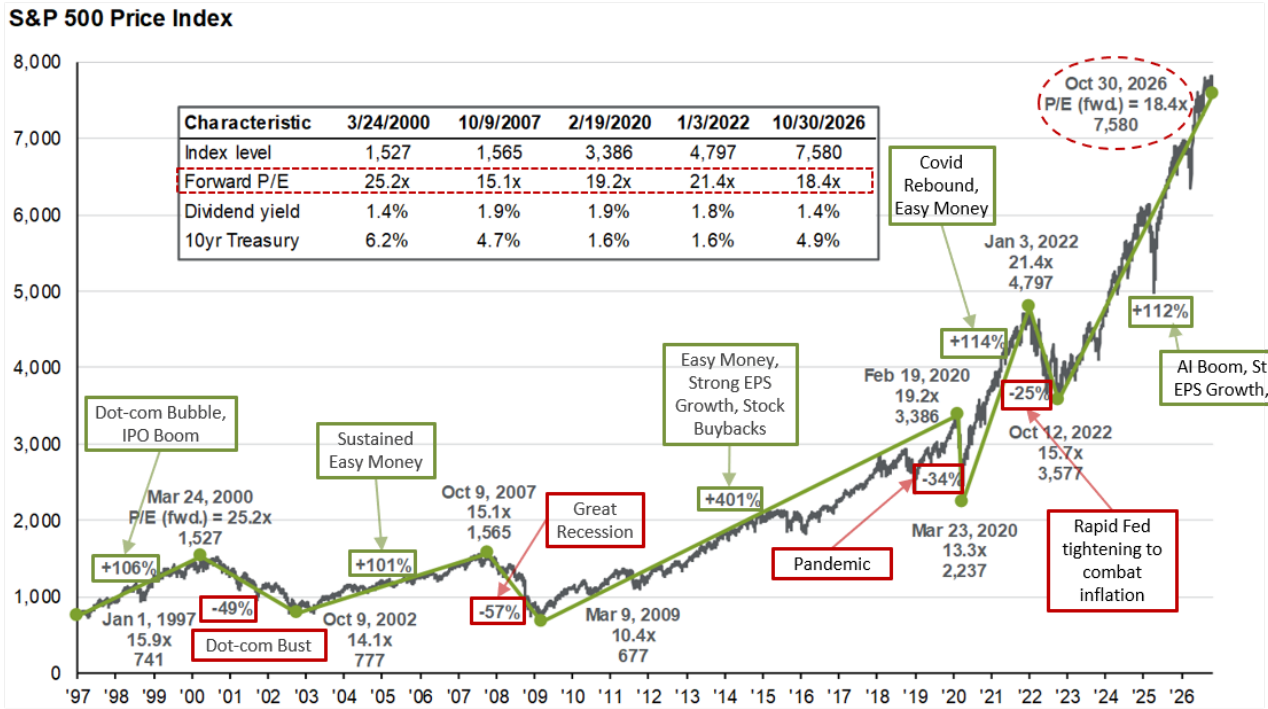
Equities are cheaper than a year ago, even after gains

The S&P 500 trades at 18.4 times forward earnings, below several prior market peaks.



Source: Bloomberg, FactSet, Moody's, Revinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.

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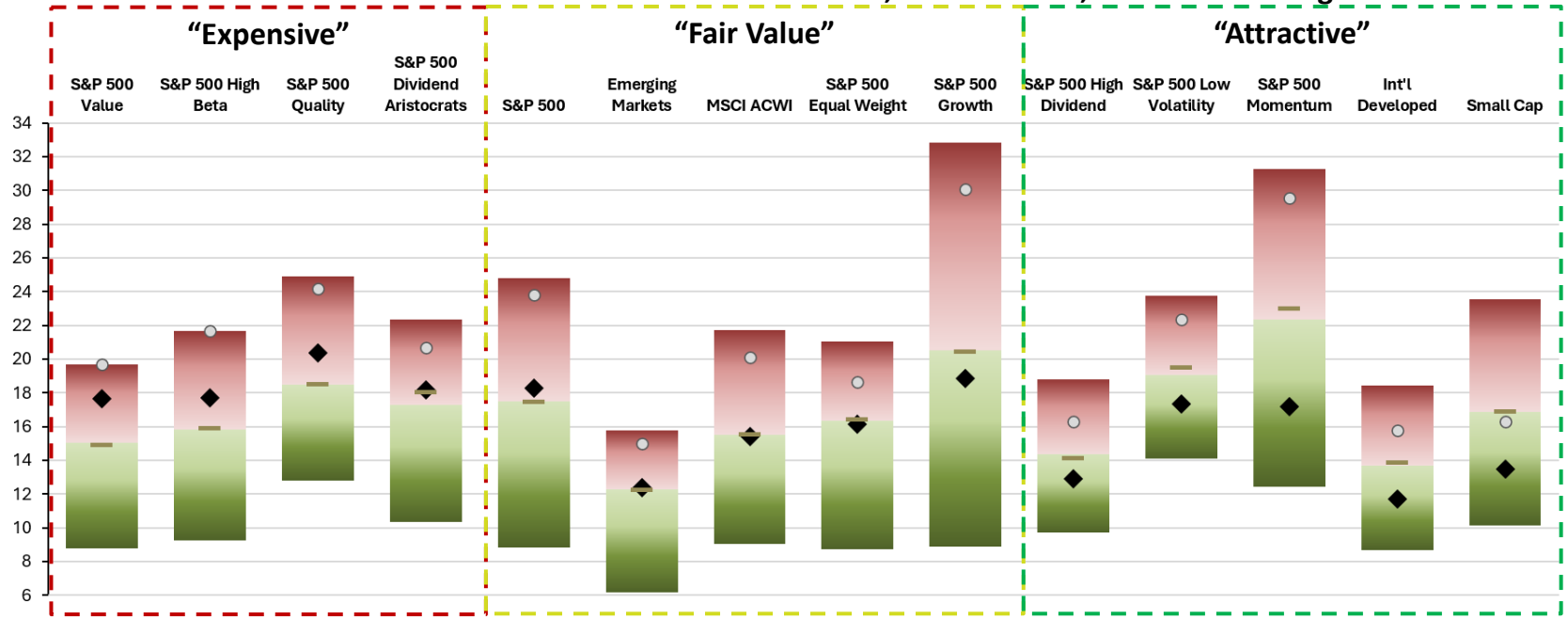
More attractive valuations exist beyond S&P 500 growth

Several segments of the equity market trade at or below their historical valuation medians, while S&P 500 growth remains above its own.

Current Valuations Relative to Historical Medians, Recent Peaks, and 20-Year Ranges



Key: ♦ = Current valuation, – = 20-year historical median valuation, ○ = peak valuation (last 3-years)

Source: Morningstar, CLA Wealth Advisors.

Data is based upon availability as of 10/31/2026

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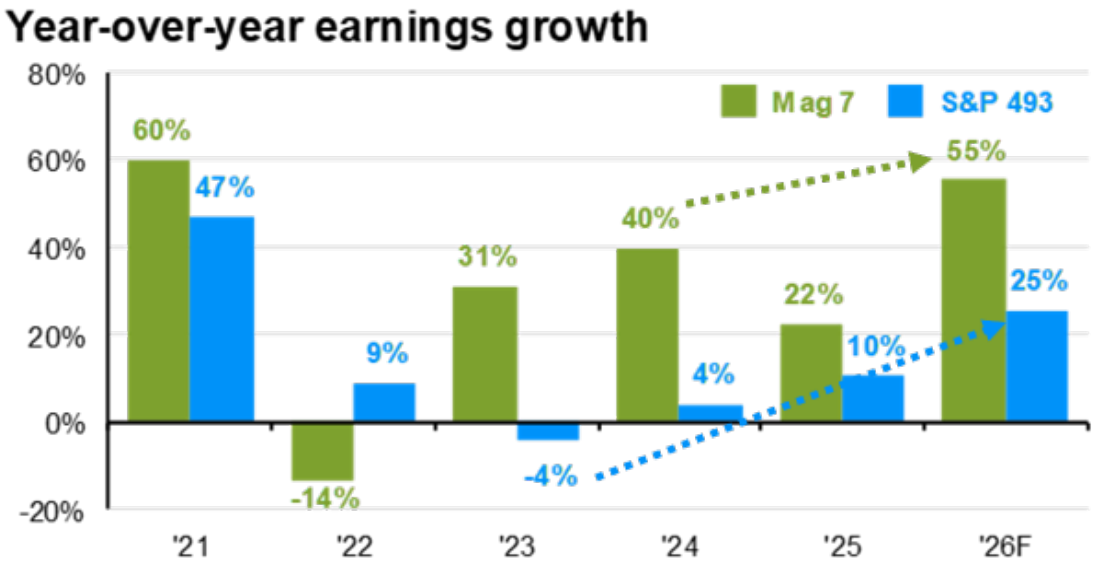
Earnings growth strengthens beyond the magnificent seven

Earnings growth for the other 493 companies is forecast to rise from 10% in 2025 to 25% in Full Year 2026, while the Magnificent Seven earnings continue to rise



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

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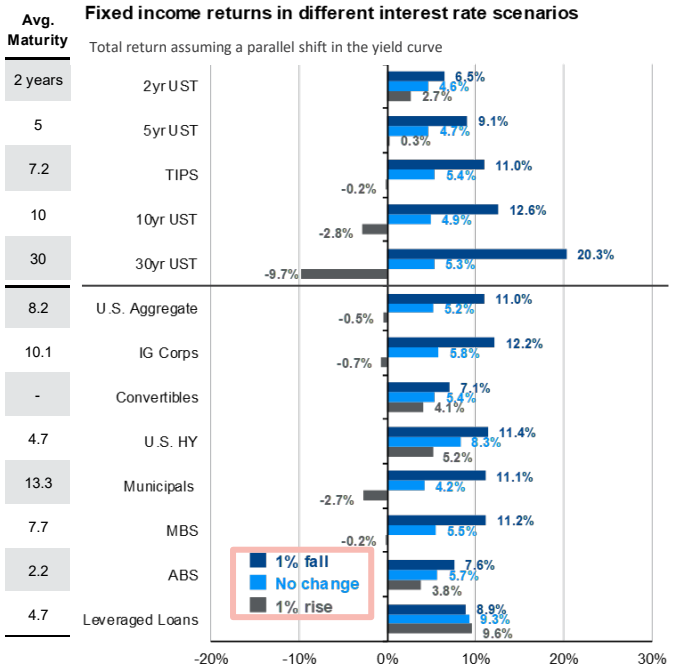
Higher Yields, Greater Return Potential

Higher starting yields create attractive return potential across rate environments.

Longer-maturity bonds are more sensitive to interest-rate changes, resulting in greater downside when rates rise and greater upside when rates fall.



Data is based upon availability as of 10/31/2026 *Source: Bloomberg, JP Morgan Asset Management, CLA Wealth Advisors.*

2022 Case Study

- The Fed hiked rates by 4.25% from to 4.25% - 4.50%
- US 10yr Treasuries yields moved +2.37% from 1.51% to 3.88% (-15.2% total return)
- US 30yr Treasuries moved +1.96% from 2.01% to 3.97% (-31.4% total return)

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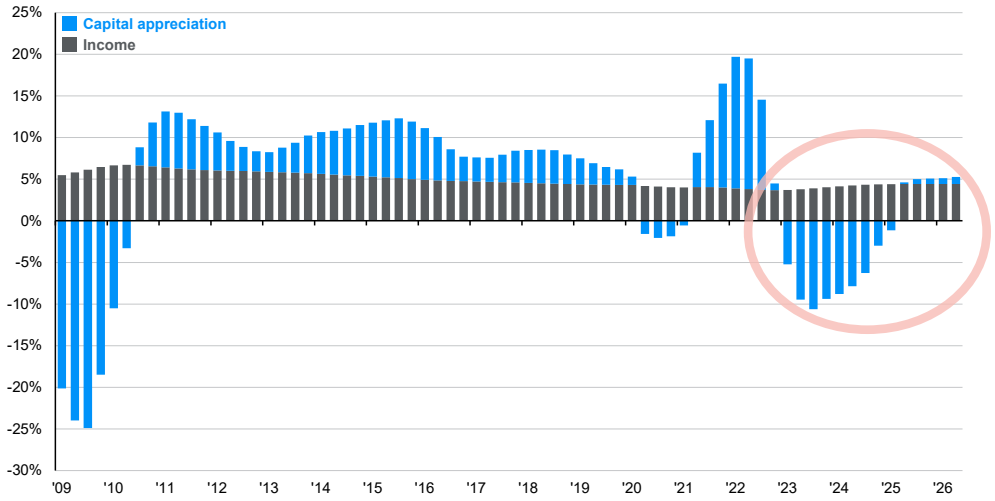
Real estate shows early signs of recovery

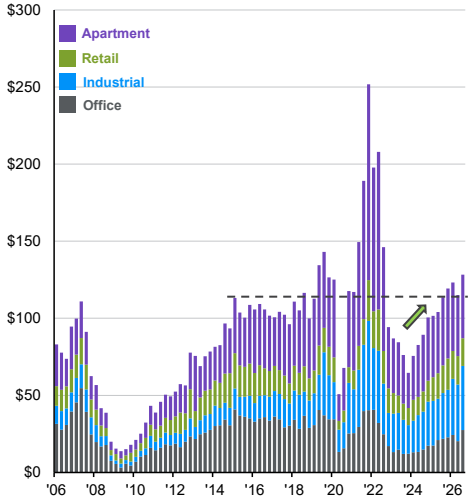
Real estate markets are showing signs of recovery but vary across property types.

Global private real estate returns
Rolling 4-quarter returns from income and capital appreciation



Source: MSCI, J.P. Morgan Asset Management.

U.S. real estate transaction volumes
USD billions, seasonally adjusted, quarterly



Source: RCA, J.P. Morgan Asset Management.

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The 60/40 portfolio works differently when bonds yield 5%

Higher starting yields improve expected return and restore diversification capacity.

60/40 WITH BONDS AT 0%

4.2%	10.2%
expected return	expected volatility

Stocks must carry nearly all the return burden.

60/40 WITH BONDS AT 5%

6.2%	9.5%
expected return	expected volatility

Income is a return source and a shock absorber.

Illustrative assumptions: 60% equities, 40% core bonds; equity return 7%, equity volatility 16%, bond volatility 5%. Bond return approximated by starting yield; correlations 0.2 at 0% yields and –0.1 at 5% yields.

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The Outlook In One Sentence

A maturing expansion, strong profits and rebuilt yields create opportunity, but selectivity matters.

Business owners

Plan financing and transactions around resilient growth, not cheap money.

Individuals

Match liquidity, taxes and risk capacity to the opportunity set.

Portfolios

$18B stewarded with diversification, valuation discipline and fiduciary care.



Disciplined diversification | Reliable cash flow | Realistic financing assumptions

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Thank you!



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