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# CLA Outlook Webinar

Creating Opportunity in Today's Environment

September 4, 2025



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## Economy ▲ ▲

CLA's Outlook over the next 12 months is "return to normalized growth" (2.0%). However, our forecast is dependent upon the Fed cutting interest rates in a timely manner.

## ▲ Policy

The One Big Beautiful Bill Act (OBBBA) was signed this year and permanently extended many provisions of the Tax Cuts and Jobs Act.

# Key Takeaways

## Industry ▲

CLA sees more industry adoption of smart technology while aging demographics should lead to more business transitions.

## ▲ Markets

Diversified portfolios can navigate elevated volatility and valuations – after taxes and expenses.



# CLA 2025 Outlook



# Since “Liberation Day,” We See an Improving Backdrop

Date	Category	Headline
Apr 4, 2025	Economy	“Hiring Defied Expectations in March, With 228,000 New Jobs”
Apr 4, 2025	Markets	“Dollar Recovers While Recession Fears Grip Wall Street”
May 13, 2025	Economy	“Inflation Eases to 4-Year Low Despite Tariff Wave”
Jul 4, 2025	Tax Policy	“OBBA Signed Into Law, Making Small Business Tax Relief Permanent”
Aug 19, 2025	Manufacturing	“How One American Brand Stays Ahead of Trump Tariff Whac-a-Mole”
Aug 21, 2025	Economy	“Walmart Sees Sales ‘Momentum’ Despite Tariffs”
Aug 22, 2025	Markets	“Mag-7 Stocks Lead Market Recovery as AI Bets Pay Off”
Aug 22, 2025	Markets	“Stocks and Bonds Rise After Powell Suggests Rate Cuts Could Be Imminent”
Aug 22, 2025	Fed Policy	“Powell Sends Strongest Signal Yet That Interest Rate Cuts Are Coming”
Aug 26, 2025	Manufacturing	“Keen Footwear Posts Strong Q2 Earnings, Citing Domestic Production Strategy”

Source: The New York Times





# Economy ▲▲



# Economic Report Card: Solid Conditions Remain

GDP should return to trend  
growth (2%) in 2026



## Economic activity

▲ GDP

## Consumer strength

▲ Income/spending

▲ Consumer finances

## Business conditions

▲ Earnings growth

▲ Profit margins

▲ ISM Purchasing Managers Index®

▲ Small business confidence

## Labor

▲ Unemployment rate

▲ Wage gains

▲ Number of job openings

## Fed Policy

▲ Interest rates

▲ Inflation

▲ Fed's balance sheet

## Fiscal Policy

▲ Spending

▲ Taxes

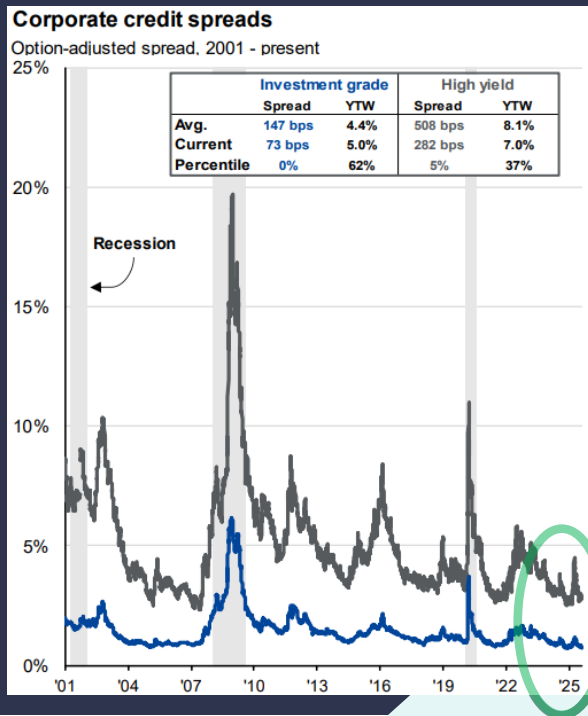
▲ Regulatory environment



The market expects the Fed to  
start cutting rates in September  
and again by December



# Credit Markets Are Not Pricing in A Recession



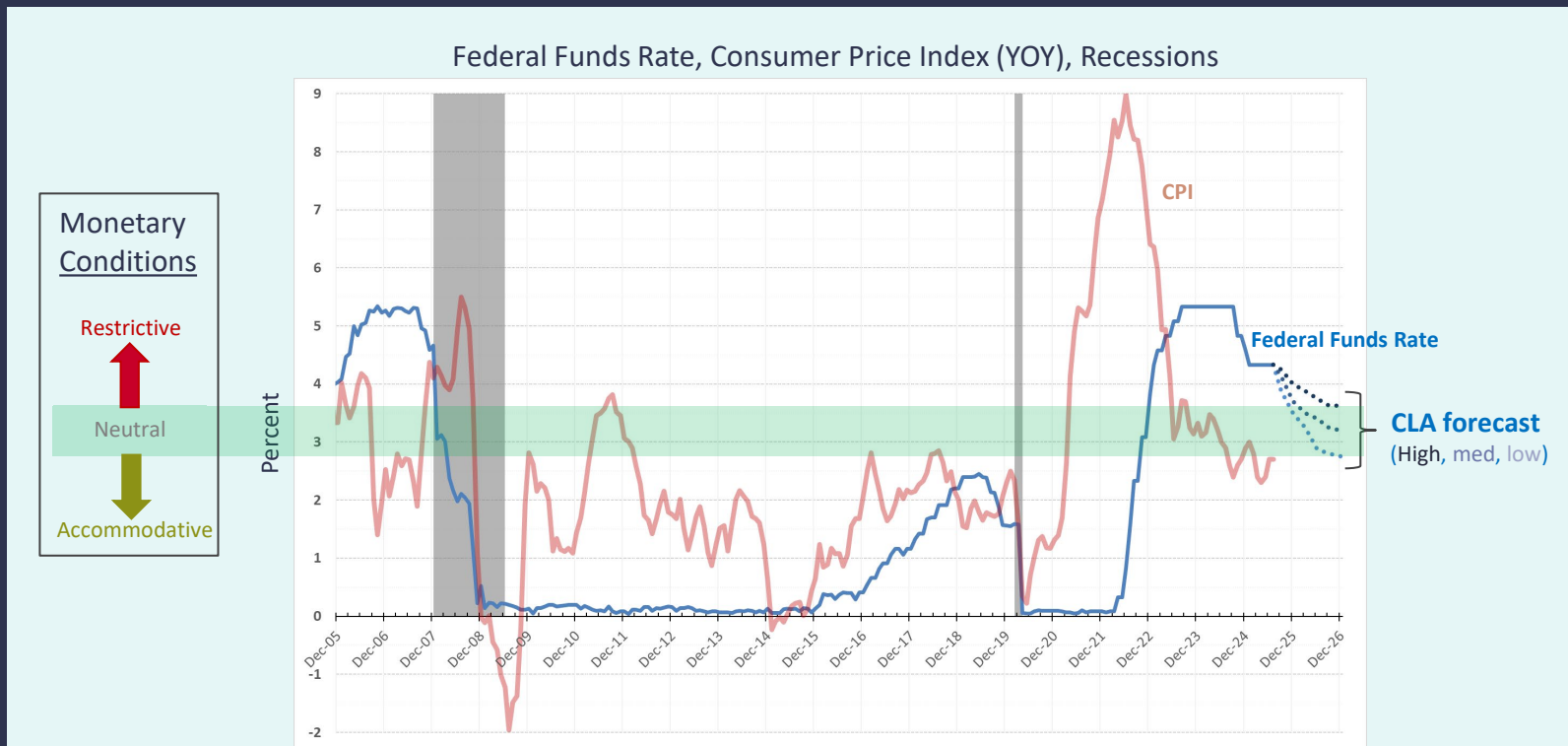
Low credit spreads show that companies can borrow money to drive growth

Source: Moody's, Federal Reserve Bank of St. Louis, CLA Wealth Advisors





# As Inflation Continues to Moderate, Expect Fed Rate Cuts in Q3/Q4



Grey areas denote recessions.

Source: Board of Governors of the Federal Reserve System, U.S. Federal Open Market Committee, Federal Reserve Bank of St. Louis, NBER, Organization for Economic Co-operation and Development, CLA Wealth Advisors

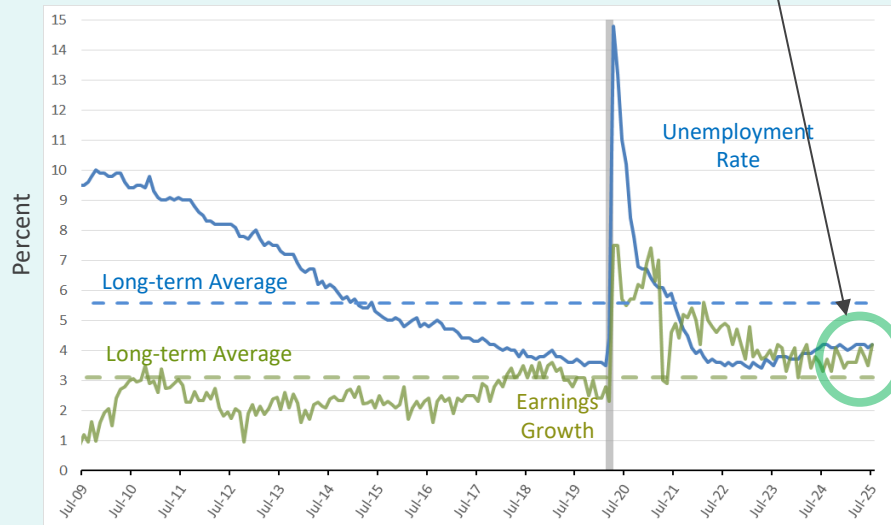
Data is based upon availability as of 7/30/2025



# Healthy Labor Markets With Low Unemployment and Growing Wages

The **unemployment rate** remains low.

**Weekly earnings** growth is above its long-term average.



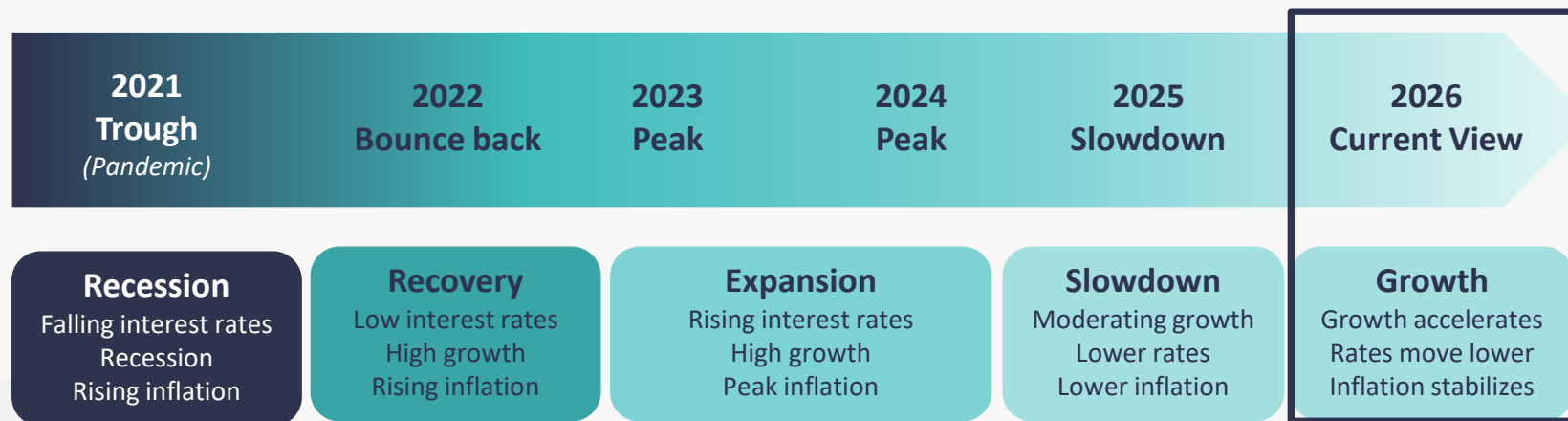
Grey areas denote recessions.

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

Data is based upon availability as of 8/1/2025



# Looking Into 2026, We Expect the Momentum to Continue





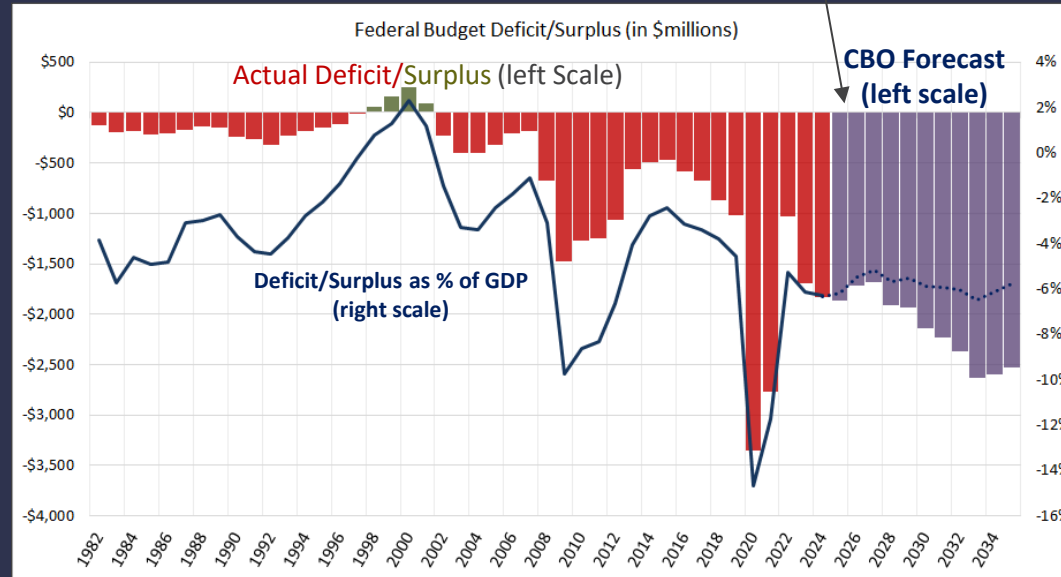
# Policy





# Current Conditions – Fiscal Policy

Deficit spending is stimulative but can lead to “crowding out”



Source: Congressional Budget Office - The Budget and Economic Outlook: 2024-2035, U.S. Office of Management and Budget, Federal Reserve Bank of St. Louis, CLA Wealth Advisors  
Data is based upon availability as of 4/14/2025



# The Passage of the OBBBA Act Creates Significant Planning Opportunities



## Unlocking Financial Planning Opportunities Under OBBBA

**WEBINAR** | Tuesday, September 16 | 11 a.m. – noon CT

Join our Private Client Services (PCS) **complimentary** webinar to learn about financial planning and tax management opportunities that have emerged following the enactment of the new tax law.

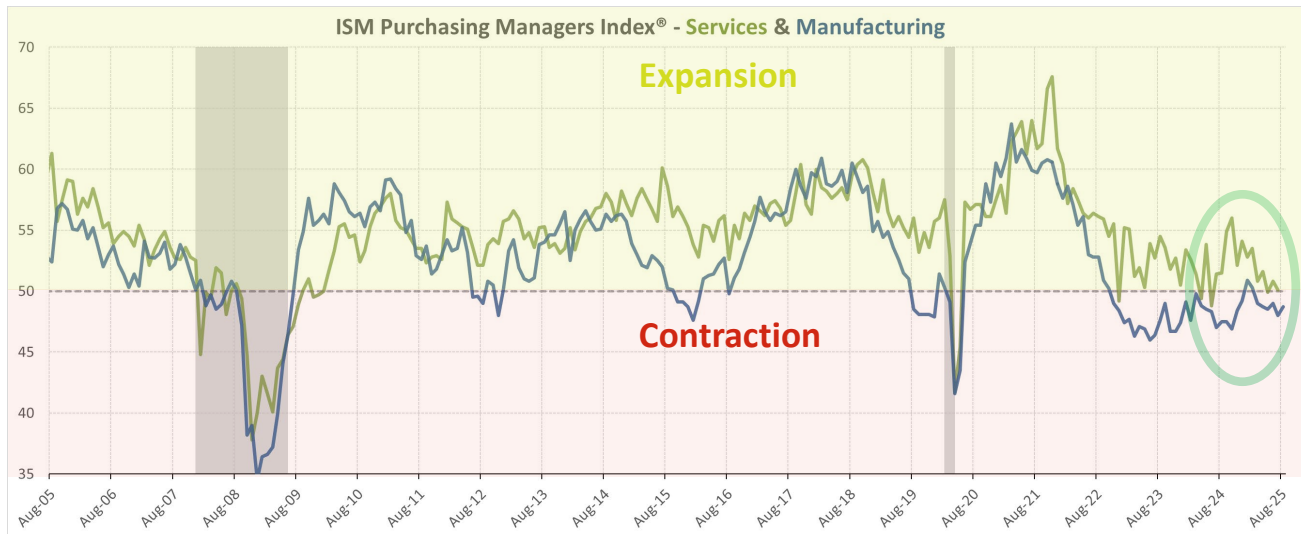




# Industry



# Manufacturing Sector Remains Slow, Services Sector Stagnates



*Grey areas denote recessions.*

**Note:** With a diffusion Index, any reading above 50 (dotted line) indicates growth. Readings below 50 indicate contraction.

*Source: Institute for Supply Management, CLA Wealth Advisors  
Data is based upon availability as of 8/5/2025*





# The Cost of Tariffs on Industry

## Importers vs. Consumers

- **Importers initially absorbed most of the cost**, especially during the early months when pre-tariff inventory is still in circulation.
- **Recent estimates show a shift:** As of June 2025, consumers had absorbed **22%** of tariff costs. That figure is expected to rise to **67% by October**, because foreign exporters are not lowering prices to offset tariffs, which suggests **U.S. importers are bearing the brunt** and increasingly passing costs down the supply chain.

*Source: "Trump's tariff revenue tracker: How much is the US collecting?", Gary Clyde Hufbauer and Ye Zhang, Peterson Institute for International Economics, 8/21/25*



# Ancillary Benefits of Trade Policy



# Key Concerns Amongst Manufacturers Persist

For the third year in a row, *inflation is the biggest external concern.*

## 2025 Internal obstacles

Deploying and integrating new technology

Balancing quality and profitable growth

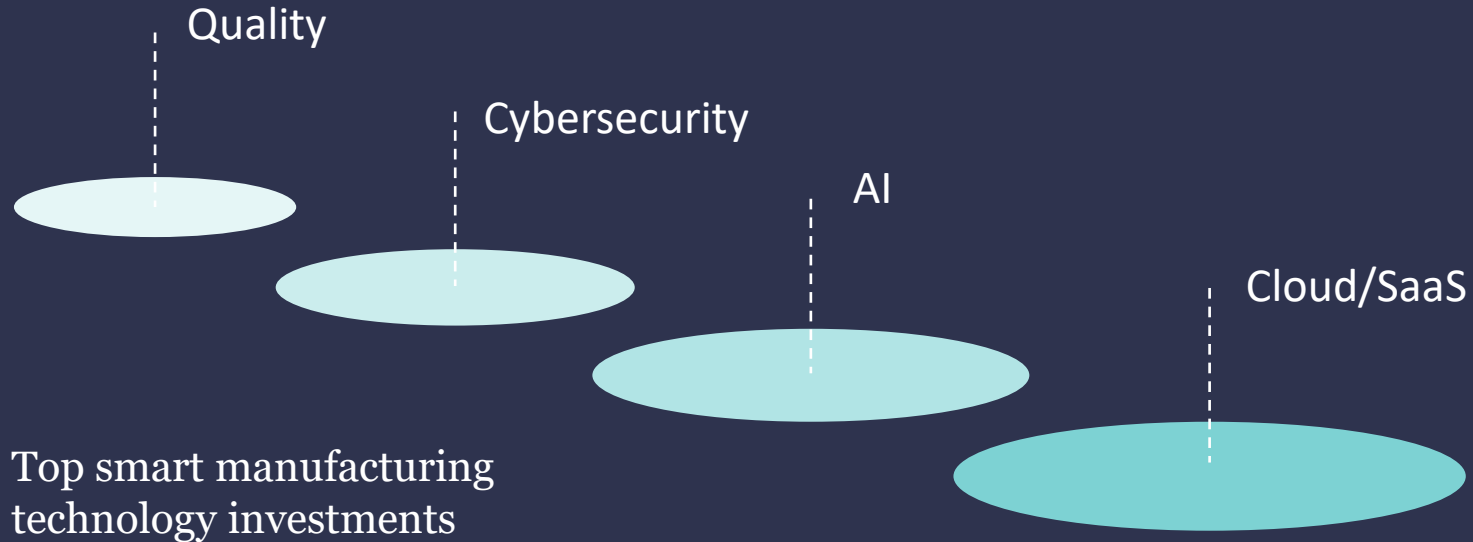
Integrating smart manufacturing technology

Internal budget constraints

Attracting employees with desired skillsets

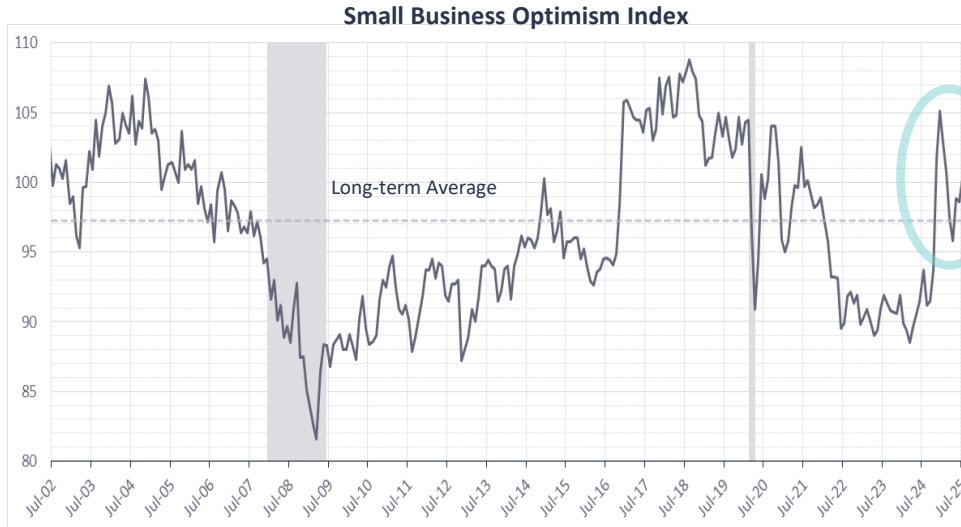


# An Industry Under Pressure Turns to Smart Technology



# Small Business Optimism Continues to Move Higher

The “heartbeat” of America a taking a more positive economic view



Source: Bureau of Economic Analysis, National Federation of Independent Business ("NFIB"), U.S. Census Bureau, Manufacturers: Inventories to Sales Ratio, Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Grey areas denote recessions.

Data is based upon availability as of 8/19/2025.

Re-onshoring of manufacturing to the US

Expectations of Fed rate cuts

Wage pressure has slowed down

AI / Automation / Robotics getting adopted

Capital Markets / Business sales picking up





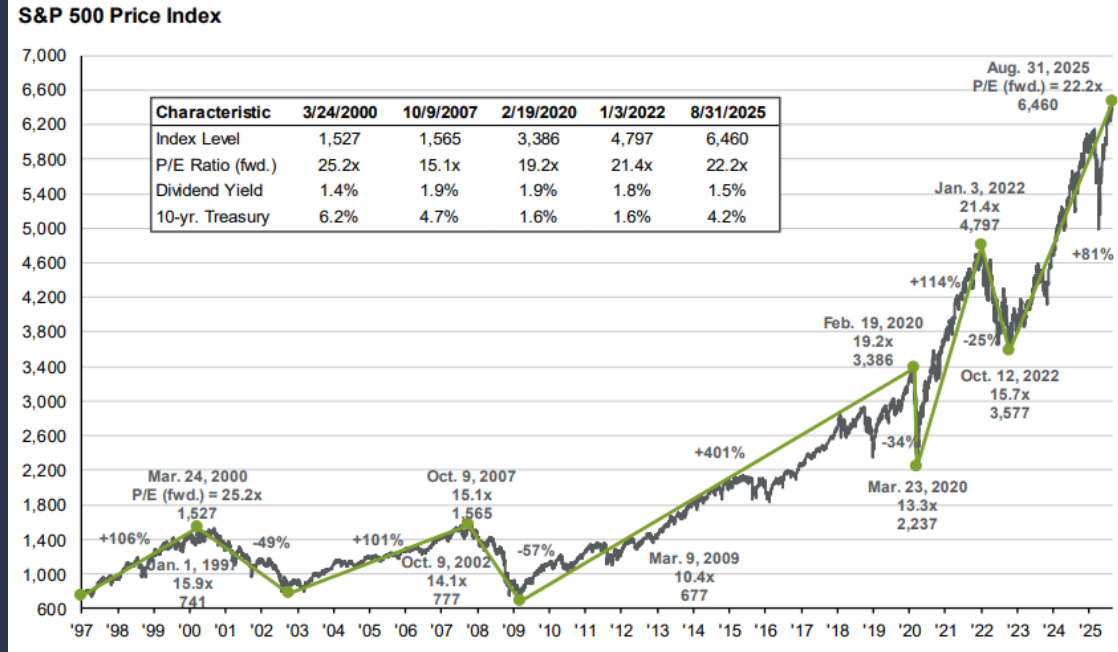
# Markets



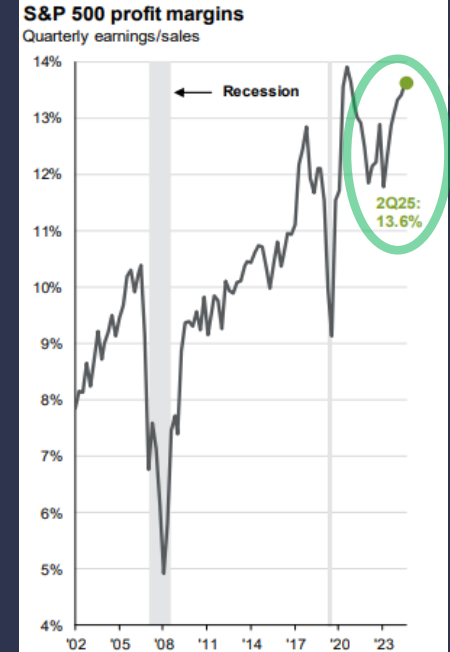
# Stock Market Valuations Are High – *But So Are Profits*

Performance reflects solid economic backdrop and high profit margins.

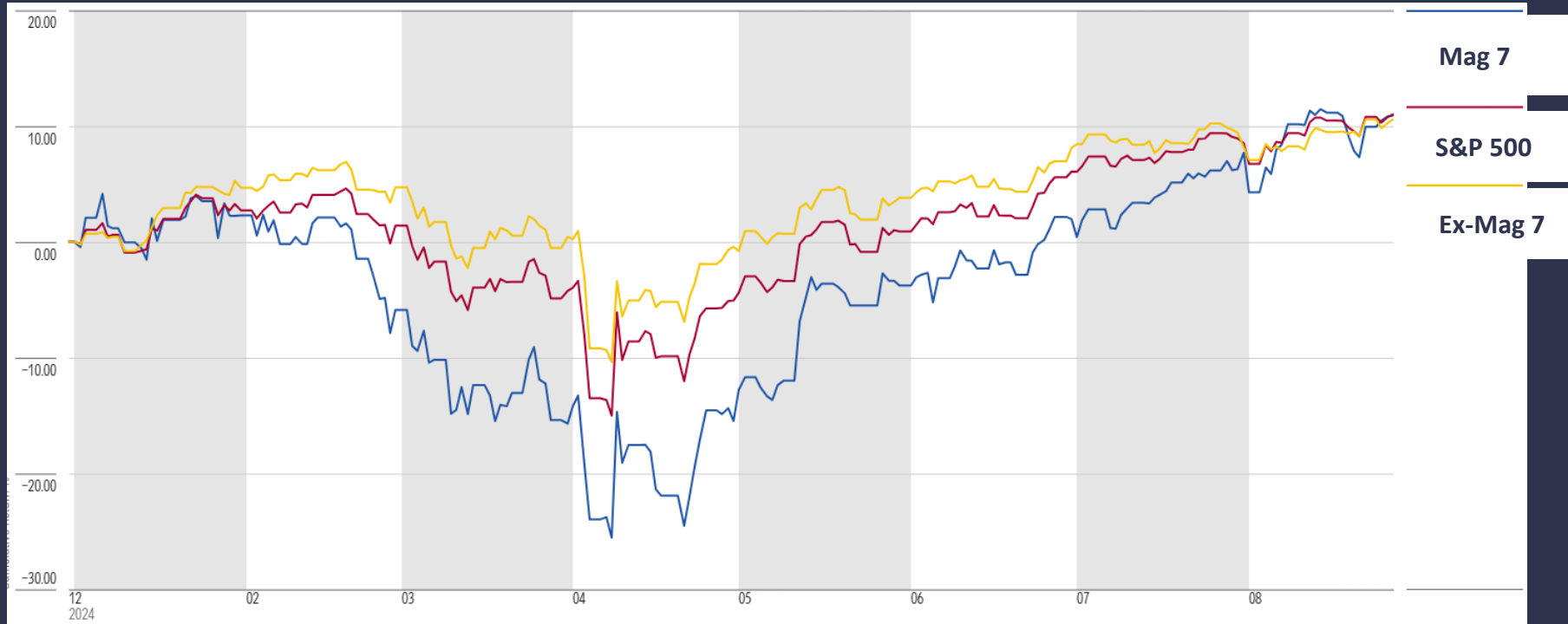
S&P 500 was up +81% from the low in Oct. 2022 to Aug. 31, 2025.



Profit margins hover near 13%.



# Mag 7 Stocks Finally Caught Up to Non-Mag 7 YTD

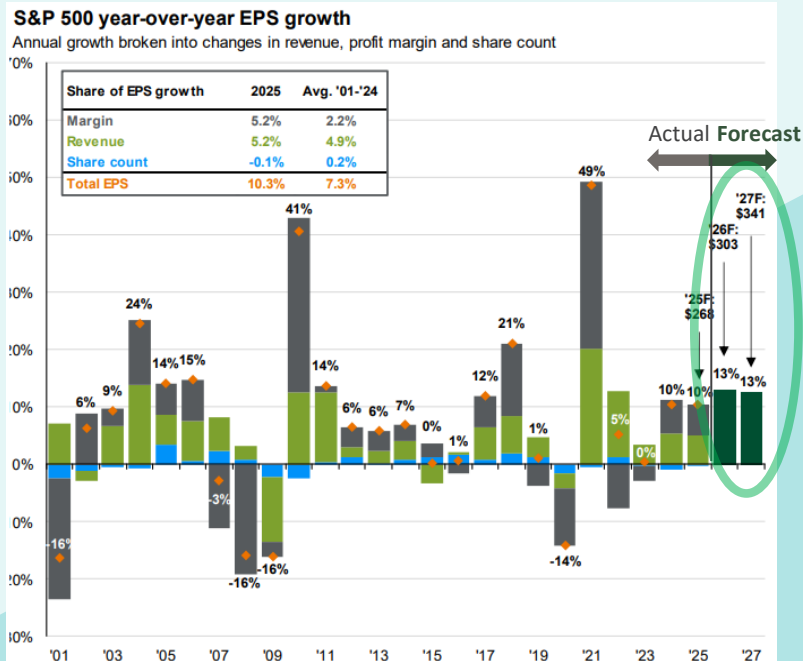




# CLA Models Have Benefited From a US-Tilt



# Analysts Are Building More Profit Growth in 2026 and 2027

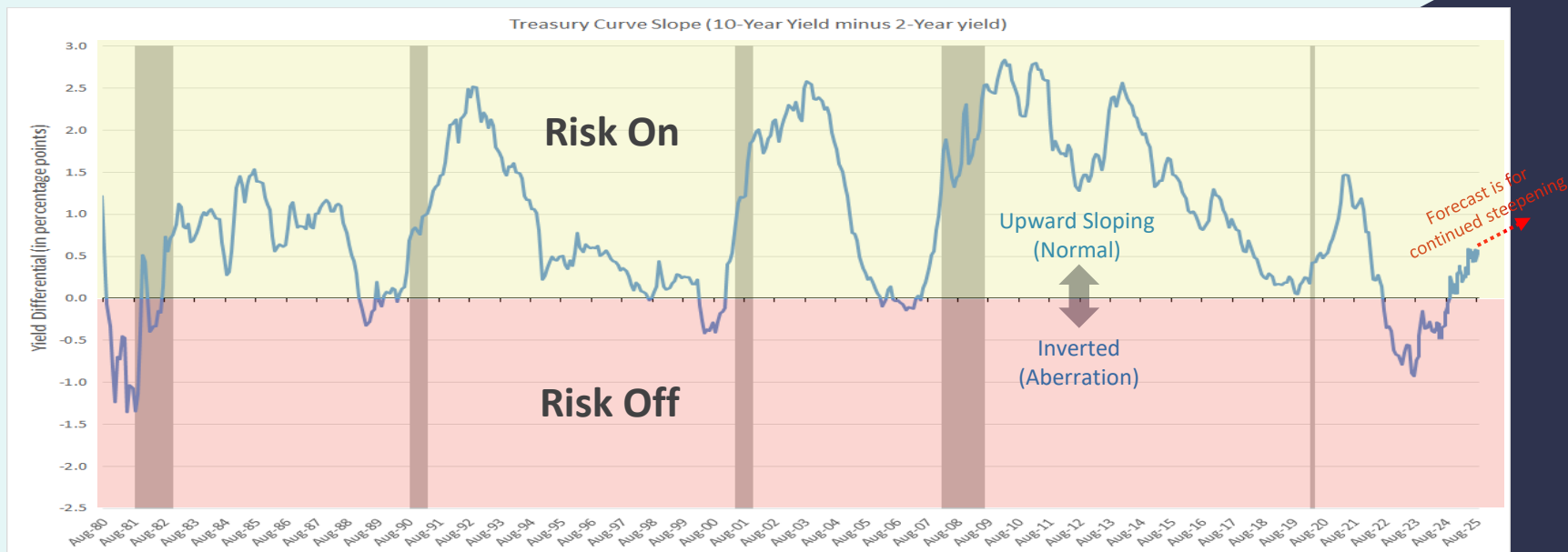


Source: Compustat, FactSet, Standard and Poor's, J.P. Morgan Asset Management



# The Bond Market Shows Improving Market Sentiment

Steeping yield curve - bond short-term yields are falling versus long-term yields



Grey areas denote recessions.

Data is based upon availability as of 8/19/2025

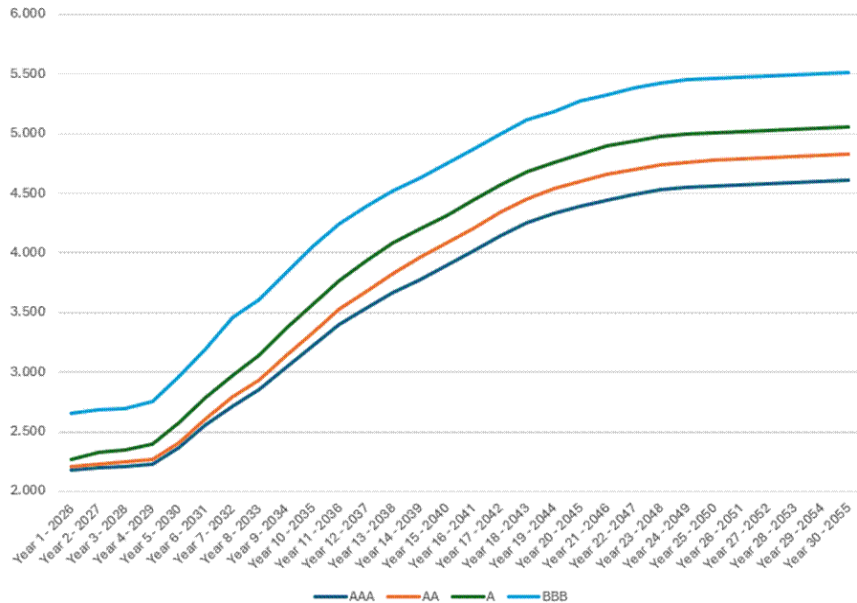
Source: Federal Reserve Bank of St. Louis, NBER, CLA Wealth Advisors



# Muni Yields Will Be Less Attractive After the Fed Cuts Rates

Tax-equivalent yields are currently attractive.

Muni Market Yield Curves



Historic 2 Year Ratio



Historic 5 Year Ratio



Historic 10 Year Ratio



Historic 30 Year Ratio



# Bitcoin Is Now An Asset Class to Watch

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)
Bitcoin 1,473.76%	Bitcoin 186.08%	Bitcoin 5,537.40%	U.S. REITs 30.38%	Bitcoin 33.74%	Bitcoin 124.81%	Bitcoin 1,349.04%	U.S. Bonds 0.01%	Bitcoin 93.95%	Bitcoin 308.17%	Bitcoin 57.25%	Commodities 21.23%	Bitcoin 156.89%	Bitcoin 119.58%	Gold 25.86%
Gold 10.10%	EM Equities 18.63%	U.S. Equities 32.39%	U.S. Equities 13.69%	U.S. REITs 2.52%	Commodities 19.53%	EM Equities 37.75%	Gold (1.56%)	U.S. Equities 31.49%	Gold 25.12%	U.S. REITs 43.06%	Gold (0.28%)	U.S. Equities 26.29%	Gold 27.22%	DM Equities 19.92%
U.S. REITs 8.69%	DM Equities 17.90%	DM Equities 23.29%	U.S. Bonds 5.97%	U.S. Equities 1.38%	U.S. Equities 11.96%	DM Equities 25.62%	U.S. Equities (4.38%)	U.S. REITs 25.84%	EM Equities 18.69%	Commodities 42.60%	U.S. Bonds (13.01%)	DM Equities 18.85%	U.S. Equities 25.02%	EM Equities 15.57%
U.S. Bonds 7.84%	U.S. REITs 17.77%	U.S. REITs 2.47%	Gold (1.44%)	U.S. Bonds 0.55%	EM Equities 11.60%	U.S. Equities 21.83%	U.S. REITs (4.57%)	DM Equities 22.66%	U.S. Equities 18.40%	U.S. Equities 28.71%	DM Equities (14.01%)	U.S. REITs 13.74%	U.S. REITs 8.75%	Bitcoin 15.38%
U.S. Equities 2.11%	U.S. Equities 16.00%	U.S. Bonds (2.02%)	EM Equities (1.82%)	DM Equities (0.39%)	U.S. REITs 8.60%	Gold 13.53%	Commodities (11.18%)	EM Equities 18.88%	DM Equities 8.28%	DM Equities 11.78%	U.S. Equities (18.11%)	Gold 13.10%	EM Equities 8.05%	U.S. Equities 6.20%
Commodities (2.39%)	Gold 7.06%	EM Equities (2.27%)	DM Equities (4.48%)	Gold (10.41%)	Gold 8.14%	Commodities 6.16%	DM Equities (13.36%)	Gold 18.31%	U.S. Bonds 7.51%	U.S. Bonds (1.54%)	EM Equities (19.74%)	EM Equities 10.27%	DM Equities 4.35%	U.S. Bonds 4.02%
DM Equities (11.73%)	U.S. Bonds 4.22%	Commodities (6.55%)	Commodities (26.43%)	EM Equities (14.60%)	U.S. Bonds 2.65%	U.S. REITs 5.07%	EM Equities (14.24%)	Commodities 12.94%	Commodities (7.53%)	EM Equities (2.22%)	U.S. REITs (24.51%)	U.S. Bonds 5.53%	Commodities 2.85%	Commodities 2.65%
EM Equities (18.17%)	Commodities 4.16%	Gold (28.28%)	Bitcoin (57.74%)	Commodities (26.68%)	DM Equities 1.51%	U.S. Bonds 3.54%	Bitcoin (73.71%)	U.S. Bonds 8.72%	U.S. REITs (7.57%)	Gold (3.64%)	Bitcoin (63.91%)	Commodities (5.33%)	U.S. Bonds 1.25%	U.S. REITs (0.09%)

Source: Bitwise Asset Management  
Data from 12/31/10 to 60/3025



# Impact of Adding Bitcoin to Balanced Portfolios

## 2014-2025 Historical Impact on a Traditional 60/40 Portfolio: Bitcoin

Portfolio Performance Metrics (Rebalanced Quarterly)

PORTFOLIO	CUMULATIVE RETURN	ANNUALIZED RETURN	ANNUALIZED VOLATILITY	SHARPE RATIO	MAXIMUM DRAWDOWN
Traditional 60/40 Portfolio	111.22%	6.72%	8.59%	0.504	22.07%
Traditional Portfolio + 2.5% Bitcoin	167.99%	8.96%	8.98%	0.732	23.72%
Traditional Portfolio + 5.0% Bitcoin	236.33%	11.13%	9.81%	0.892	25.35%

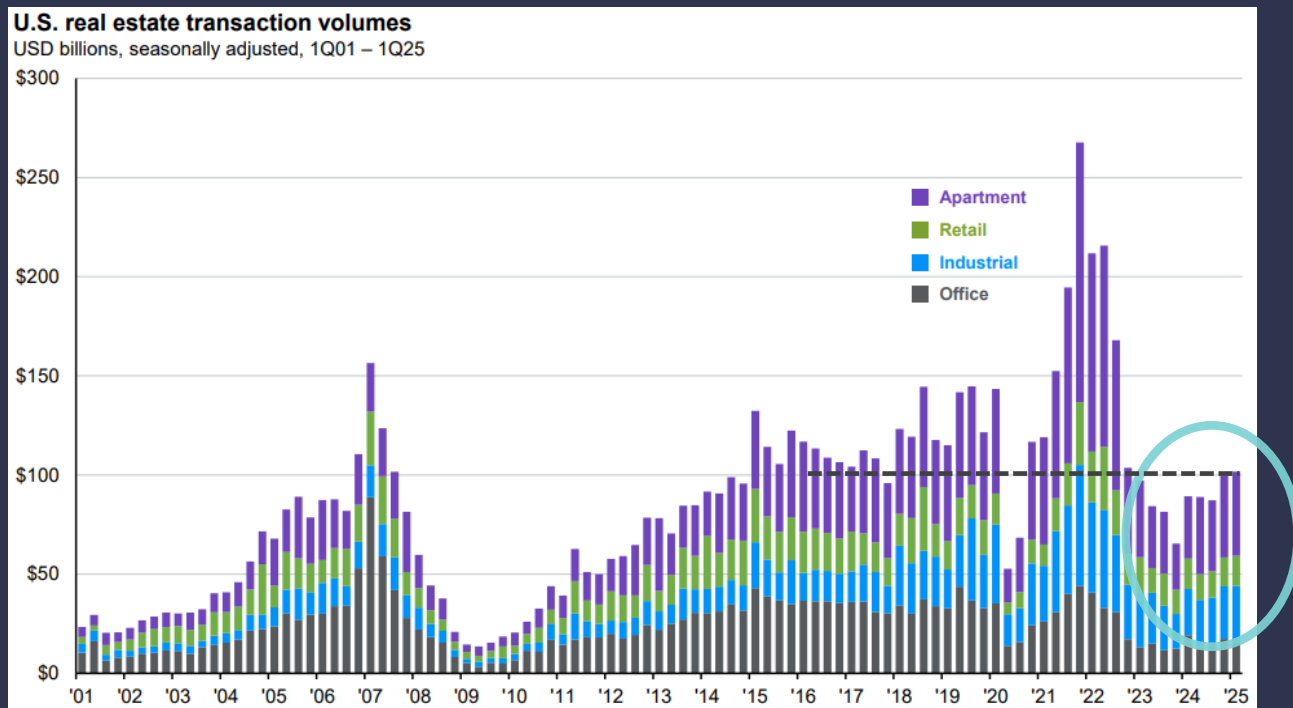
Source: Bitwise Asset Management with data from Bloomberg. Data from January 1, 2014 to June 30, 2025.

Note: Traditional Portfolio consists of 60% equities (represented by the FTSE Global All Cap Index) and 40% bonds (represented by the Bloomberg US Aggregate Bond Float Adjusted Index). For index definitions, **see p.73**. Not considering taxes nor transaction costs. Performance of individual crypto assets may differ significantly from the performance of bitcoin. The period before 2014 is excluded to better represent the experience of professional asset allocators in the U.S., as the first investable bitcoin fund launched in late 2013. For more details, please refer to our white paper "Bitcoin's Role in a Traditional Portfolio" published in April 2025 and available at <https://bitwiseinvestments.com/crypto-market-insights/bitcoins-role-in-a-traditional-portfolio>.

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# Real Estate Transactions Should Pick Up As Interest Rates Come Down

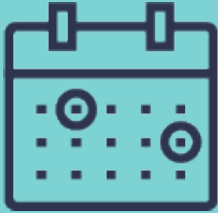


Source: RCA, J.P. Morgan Asset Management



## CLA OUTLOOK

Join us for our next webinar



December 4, 2025

Launch of 2026 Outlook





# Contact us to discuss how we can serve you and help you achieve your goals.

Leslie Boyd

Managing Principal of Industry

[leslie.boyd@CLAconnect.com](mailto:leslie.boyd@CLAconnect.com)

Clayton Bland

Chief Wealth Advisory Officer, CliftonLarsonAllen Wealth Advisors, LLC

[clayton.bland@CLAconnect.com](mailto:clayton.bland@CLAconnect.com)

Christopher Dhanraj

Managing Principal of Investments, CliftonLarsonAllen Wealth Advisors, LLC

[christopher.dhanraj@CLAconnect.com](mailto:christopher.dhanraj@CLAconnect.com)



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