



**Composition
Wealth**

2026 **Market Outlook**

Economic Insights for the Year Ahead

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A Message From the CIO

The year 2025 delivered a prosperous market, providing investors with sound returns. A new presidential administration and notable policy adjustments led to volatility in stocks and bonds early in the year. However, as we near the close of the year, returns across major asset classes have exceeded long-term averages.

In our 2026 outlook, we elaborate on why we are optimistic about the economy, while acknowledging that several uncertainties could alter the outcome. We believe that the returns from stocks and bonds in 2025 pulled forward some returns from future years. Therefore, our economic optimism is tempered by projections for a moderation of investment results in 2026. Our Outlook also highlights our perspective on several notable topics that our clients frequently ask us about.

As we look forward to the year ahead, we would like to express our sincere appreciation to our clients. Composition Wealth associates wake up every day focused on delivering frictionless advice and purposeful investment solutions to our clients. We hope our purpose helps you focus on what matters most this holiday season and wish you joy and prosperity in the New Year.

Warm wishes,

Matt Dmytryszyn, CFA®
Chief Investment Officer

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2026 Outlook

Economic Outlook

The calendar year 2025 unfolded in several ways that differed from our expectations as we headed into the year. First, the impact of significant tariffs imposed by the United States has not yet had a detrimental impact on economic growth. In addition, an acceleration in spending on artificial intelligence (AI) infrastructure has made a significant contribution to the pace of economic growth, with estimates indicating that AI spending will account for roughly a full percentage point of 2025's expected 3% GDP growth.¹ Finally, consumers continue to stimulate the economy, although higher-income individuals have accounted for most of the increase in consumer spending during the year.

Looking ahead, AI-related spending shows no signs of declining. While we hold reservations around the sustainability of spending among higher-income individuals, this group is increasingly composed of retirees, and their spending patterns have not shown near-term sensitivity to asset prices. Collectively, AI and consumer spending appear to be dominant tent poles supporting the economy. These strong forces, however, are overshadowing other aspects of the economy that are facing pressure, like manufacturing, freight, and construction.

As we look ahead, we project the U.S. economy will benefit from several moderate tailwinds in 2026. For starters, the drop in interest rates that began in 2025 creates attractive opportunities from lower borrowing costs. Further, the One Big Beautiful Bill Act (OBBBA), passed in July 2025, offers tax breaks for individuals with wages earned from tips, as well as overtime pay. This tax break will skew toward lower-income consumers, whose spending levels have dropped during 2025. Additionally, the OBBBA offers tax incentives for

business investment by allowing the depreciation of expenses on property, plants, and equipment in the year of use. This incentive could speed up company spending on equipment and facilities.

Taken together, these conditions leave us optimistic about the economy as it heads into 2026. We expect the gradual softening in economic activity that occurred in the second half of 2025 to continue into the early part of the new year. However, the tailwinds discussed above are likely to accelerate economic growth in the second half of the year.

Our hope is that a broadening range of economic drivers will complement the economic pillars of AI and higher-income consumer spending. This is a necessity, as the pace of AI and higher-income consumer spending will eventually decrease, so an increase in participation from other areas of the economy is needed for stability in the future.

While these expectations represent our base case scenario, the current economic climate is more challenging than normal to forecast. Conditions could be easily upended by a new wave of tariff disputes, higher-than-expected inflation, an uptick in unemployment, or a pullback in consumer activity. Alternatively, an improvement in industrial output or an uptick in the housing market could accelerate economic growth. As a result, our investment process considers a range of economic outcomes, rather than anchoring to our base case expectation.

Equity Outlook

Although we're optimistic about the prospects for the economy in 2026, we expect that the stock market excitement of 2025 is likely to lead to milder equity returns in the year ahead.

A key reason comes from valuations, where domestic stocks trade at valuation multiples that are 31% above long-term averages.² Over time, we expect valuations to compress, although we believe the composition of the market (higher corporate profit margins and healthy balance sheets) supports valuations settling in above prior long-term averages.

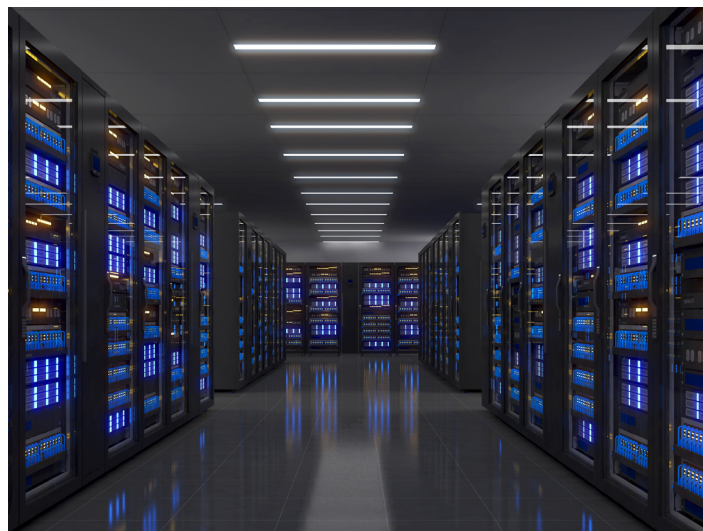
While valuations will serve as a governor on the magnitude of near-term equity returns, corporations enter 2026 on a path of accelerating earnings growth. This momentum, combined with our projection of continued economic growth, leaves us optimistic that the constituents of the S&P 500 can achieve double-digit earnings growth for the third consecutive year. Collectively, the combination of moderating valuations, positive earnings growth, and a modest contribution from dividends yields a base case expectation of a mid-single-digit return from equities in the year ahead.

This moderation in our outlook does not mean that we expect all segments of the equity market to experience a moderation in return. We believe we may be entering a period of wider contribution in returns, where large-cap technology-oriented businesses may no longer be the dominant leaders that they have been in recent years.

Calendar year 2025 marks the third consecutive year in which the top 10 stocks in the S&P 500 contributed 60% or more of the overall return of the S&P 500.³ We expect this trend to begin to shift in 2026 for several reasons. First, in 2025, the Magnificent 7 (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla) companies accelerated their investment in AI buildout, which in the near term could lead to tighter profit margins and reduced cash flow generation. This may be less appealing to investors considering incremental investments in these stocks. Second, in recent quarters, we've seen an acceleration in earnings growth from companies outside of the Magnificent 7. Finally, given the more reasonable valuation and accelerating growth rates on non-Magnificent 7 companies, we could see investor interest in these stocks begin to improve.

Investments in stocks of companies strongly connected to artificial intelligence remain an area of opportunity and uncertainty. Given the unprecedented level of capital being invested in AI, the level of return on investment that AI platforms and hyperscalers will be able to garner is still uncertain. And, while some of these players may be able to generate attractive returns, we don't believe AI will be a rising tide that lifts all boats. Therefore, we could see some AI platforms that ultimately earn a disproportionate share of the economics. Given that many players are still in the early stages with AI model training and usage, definitively calling the ultimate commercial beneficiaries would be speculation. As such, we believe that broad exposure to AI platform providers remains appropriate now, but we expect that our positioning will evolve over time. Moreover, we foresee the AI investment cycle evolving from the current, initial emphasis on AI infrastructure, into AI platform providers and then ultimately to the users of AI, many of whom will be non-technology companies, that will transform their businesses and margins through the use of the technology.

Given varying valuations across equities, an unclear economic picture, and uncertainty around the direction and pace of AI development, we have begun to focus our portfolios on long-term thematic trends that we have high conviction in. Our clients' portfolios, where appropriate, emphasize exposure to five themes that we expect will deliver outsized growth potential over time.



A summary of these thematic trends is as follows:

HIGHER FOR LONGER RATES

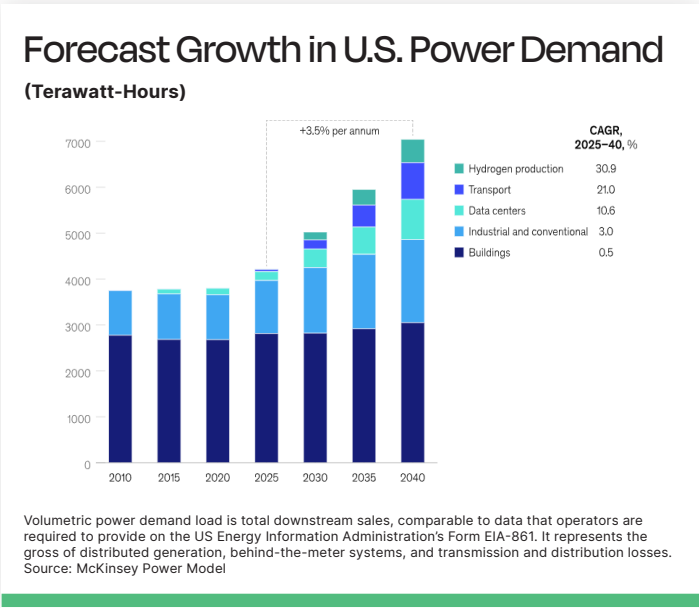
The Federal Reserve is in a rate-cutting phase, but given inflation remains anchored above the Fed’s 2% long-term target, we don’t expect interest rates to return to their 2021 levels. In addition, we expect the yield curve to return toward more traditional levels of steepness, with longer-term rates at a higher level than short-term rates. This will benefit financial companies and higher-quality businesses that are less reliant on financing.

ARTIFICIAL INTELLIGENCE

We are believers in the long-term opportunities presented by artificial intelligence. Not only do we want exposure to the large technology firms that are developing AI platforms and have hyperscale data center infrastructure, but we also want exposure to next-generation technology leaders in this evolving technology environment.

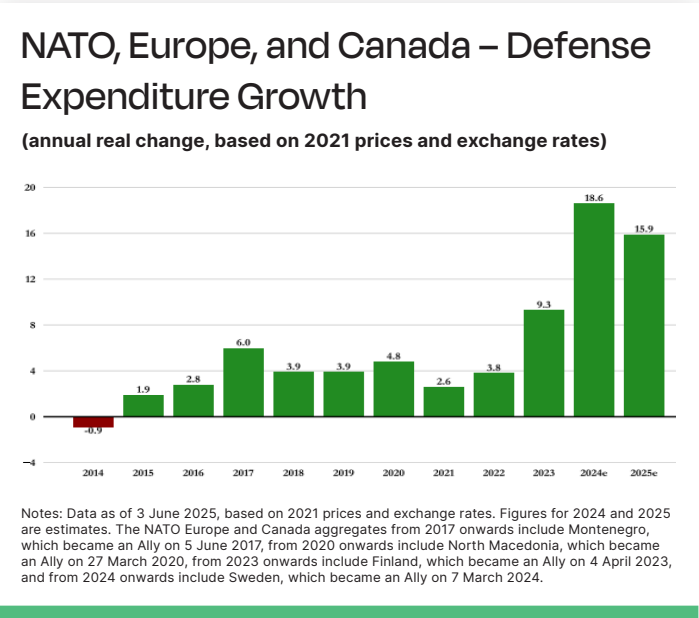
ENERGY INFRASTRUCTURE

For the past twenty years, U.S. power demand has been flat. The additional demand from new households was offset by improvements in energy efficiency. Energy demand is now expected to increase by 3-4% per annum over the next decade,⁴ based on multiple trends, including the growing adoption of electric vehicles, increased use of electric heating/cooling, the prospect of a growing manufacturing base, and, of course, increased power demand from AI data centers. Exposure to companies that support power generation and upgrades to the electric grid is an area where we can look to add opportunities as they arise.



AEROSPACE AND DEFENSE

Rising geopolitical tensions and shifts in global alliances have driven an inflection in government spending on aerospace and defense. Defense budgets have already begun to increase and are projected to expand further in the coming years.



INDIA

Multiple structural trends support the Indian economy continuing to expand at a faster pace than both the U.S. and worldwide economies. Several structural advantages, including favorable demographics (the median age of an Indian citizen is 28), lower levels of consumer and government debt, and a large and growing middle class, support our expectation of continued external growth for India.

As we look ahead, we believe it’s prudent for investors to adjust their expectations for a moderation in equity returns. We project a broadening of the equity market and see opportunities to improve returns by emphasizing more attractive segments of the market outside of dominant large U.S. technology businesses. Moreover, emphasizing businesses that are supported by long-term secular trends should provide a tailwind for portfolio growth. We have conviction that equity markets will evolve over the coming years, with the next five years likely to look different than the last five. As this evolution occurs, timing the inflection points will be challenging, if not impossible. We believe in thoughtful and steady adjustments to portfolios and encourage investors to focus on the long term, rather than a single month, quarter, or year, where the path toward market inflections may not be straight and linear.

Fixed Income Outlook

Bonds have had a strong 2025, with lower interest rates out of the Federal Reserve, and expectations for additional cuts in the first half of 2026 pushing bond yields lower and prices higher.

Entering 2026, Treasury yields appear fairly priced to us and reflect reasonable expectations out of the Federal Reserve. If the Fed continues to enact a few more rate cuts in the first half of the year, we expect long-term rates to remain anchored. We continue to expect the 10-year Treasury yield to trend between 4% and 5%, with a yield of 4.25%-4.50% being fair value in our view. This setup will lead to a steeper yield curve as shorter-term maturities are likely to settle near 3.0%-3.5%, a full percentage point below where we expect 10-year Treasuries to trend.

The most underappreciated aspect of the bond market in 2025 was the sheer magnitude of new bond issuance coming to market. By November 2025, new corporate bonds sold reached a record \$1.7 trillion.⁵ This coincided with an increase in the amount of Treasury issuance from \$27 trillion to \$28 trillion.⁶ The only offsetting factor was another year of soft sales of mortgage-backed securities, given tepid demand from home purchases.

In 2026, the amount of bond issuance is likely to stay elevated. A late contributor to 2025's surge in bond sales came from large technology companies, such as Oracle and Meta, which issued debt to finance data center buildouts. Given projections that AI-related capital expenditures will continue to increase in 2026, we anticipate that debt issuance by technology companies will also rise in the year ahead. This is likely to lead to another year of healthy corporate debt issuance.

The additional yield (also referred to as the spread) offered on an investment-grade corporate bond relative to a Treasury bond currently stands at 0.8%.⁷ This compares to historic averages of 1.4%,⁸ suggesting that the added compensation, or yield, for taking on default risk by owning corporate bonds is below average. For buy-and-hold investors who own strong credits, this isn't a challenge. However, we do believe 2026 will be a year where we could see corporate bond spreads widen (increase) modestly. In such an environment, selecting the right issuers (credit selection) becomes more critical.

A sector of the bond market where we saw opportunities during 2025 was municipal bonds. While

Treasury yields fell regardless of maturity, municipal bonds experienced a twist in which short-term yields fell while yields on maturities longer than 10 years increased. This created an opportunity to own longer-dated municipal bonds at attractive yields during the fall. This opportunity quickly adjusted as long-dated yields fell, while yields on short-term yields became more attractive.

Heading into 2026, we continue to see attractive yields on municipal bonds, especially for investors in states with higher tax rates, where the tax-exempt nature of these instruments is more appealing. We favor a barbell approach of owning a mix of shorter- and longer-dated maturities, as we believe these segments of the market offer an above-average risk-reward for municipal bond investors.

Overall, we have a more neutral posture toward bonds in the year ahead. With yields exceeding 4%,⁹ taxable bonds provide a reasonable return that exceeds inflation. However, the incremental yield earned on corporate bonds is below long-term averages, an outcome that is not unreasonable given incredibly strong credit metrics among investment-grade corporate issuers.

Beyond yields, an added attraction of bonds is the diversification properties they offer. Generally, bonds can serve as a ballast during periods of negative equity returns. This relationship comes about from the inverse relationship between bond yields and bond prices. In a challenging economic environment where equity returns are more likely to be negative, bond investors begin to expect lower interest rates from the Federal Reserve, which correspondingly leads to lower bond yields and higher bond prices. We have less conviction that this relationship will persist going forward, given that rates have already begun to move lower in advance of potential Fed rate cuts, as well as concerns associated with high levels of government debt could keep a floor on yields, particularly among longer-dated bonds.

Bonds continue to play an important role in portfolios. In an environment where we expect moderation in equity returns, a yield of over 4% on taxable bonds allows investors concerned about risk the opportunity to reduce their equity exposure without sacrificing much in terms of expected return. We continue to view bonds as an asset that plays a crucial role in portfolios, although in the near term, we see limited potential for outsized positive returns.



Issues in Focus

International Migration

Since the Great Financial Crisis in 2008 international stocks have meaningfully lagged their U.S. counterparts. Over this span, there have only been a few years where non-U.S. equities have modestly outpaced their domestic counterparts. This trend shifted in 2025 after new tariff policies prompted several foreign governments to increase their fiscal spending, led to a moderation of flows into U.S. equities, an uptick in flows to foreign stocks, and a sharp depreciation of the U.S. dollar.

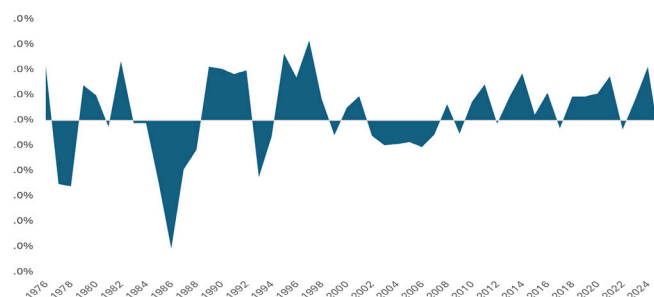
Collectively, these factors have resulted in international stocks outpacing U.S. stocks by approximately ten percentage points through November 30th.¹⁰

As shown in the graph to the right, investor preferences for U.S. versus foreign stocks have fluctuated over time. In recent years, the pendulum favoring U.S. stocks may have swung too far, and with the shift in global trade policies, the stage is set for international stocks to regain some attention.

As we consider international stocks in the coming year, several factors leave us optimistic about their prospective returns. First, international stocks trade, in aggregate, at a valuation that is 34% cheaper than that of U.S. stocks.¹¹ While we believe there are justifiable reasons for this (namely, dominant tech companies are mainly prevalent in U.S. markets), the magnitude of this variance appears to be overstated relative to historic norms, where the valuation discount of international stocks has averaged only a 19% discount over the past 20 years.¹²

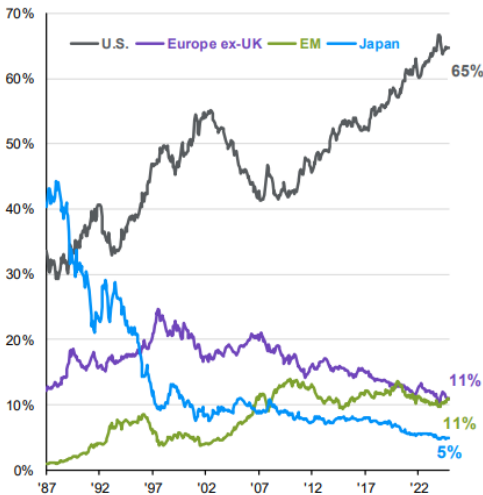
Second, we believe 2025 offered insights into what may be a growing sentiment shift toward international stocks. In prior years, investment flows had been migrating out of foreign stocks and into U.S. equities. Following the tariffs imposed in April, that trend began to shift, with international ETFs seeing positive inflows. When one considers that the U.S. represents 25% of global economic activity¹³ yet accounts for approximately 65% of the global stock market value,¹⁴ a figure that is up from roughly 45% twenty years prior,¹⁵ it seems sensible to expect some reversion in value back toward international stocks. An added catalyst that could prompt this shift is the improving fundamentals of non-U.S. stocks. Expectations are for an acceleration in earnings growth for non-U.S. companies in 2026 and 2027, with some of this growth fueled by a tailwind of looser fiscal constraints and increased government spending.

Annual Return of U.S. Stocks vs. International



Share of Global Market Capitalization

% weight in MSCI All Country World, USD, Monthly



Source: J.P. Morgan Asset Management, MSCI. As of November 30, 2025.

We view the shift toward international stocks as a gradual process that will unfold over the next few years. During 2025, we increased the exposure to international stocks, where appropriate for clients, and expect this positioning to be beneficial over the intermediate-term horizon.

Are there Perils in Private Credit?

Since the Great Financial Crisis (GFC), private equity-owned businesses have evolved in their approach to funding, enabling a meteoric rise in private credit as an asset class.

Going into the GFC, private credit firms were largely non-existent. Those that had been formed tended to provide riskier sources of credit, such as mezzanine or bridge financing. Coming out of the GFC, the combination of tighter bank regulations, which restricted how much of a single corporate loan a bank can hold, and a desire among private equity investors to have a more persistent source of financing that wouldn't restrict lending during economic downturns resulted in private credit becoming a more viable asset class.

Fast forward seventeen years, and private credit has evolved to become larger than the high-yield market. Private equity-backed companies predominantly use private credit sponsors to provide debt financing when needed. From a market standpoint, private credit differs from bank lending, as private credit managers raise assets through a private fund, where the capital is committed for an agreed-upon investment period. As such, private credit funds can manage risk differently than banks. Given that banks raise capital from depositors, they must focus on being able to meet any withdrawal demands from their customers. The permanence of capital is a significant difference between private credit and bank lending.

While private credit has thrived in a meaningful way since the end of the pandemic, admittedly, it has done so in a favorable economic environment. Outside of the brief COVID-driven dip in 2020, economic growth has been steady and persistent. This has supported a favorable credit environment and limited the number of defaults. In addition, the Fed's efforts to increase interest rates by 5.25% beginning in 2022 lifted the yields garnered in private credit portfolios.

Strong outcomes and significant inflows of assets into the asset class have led some to question whether underlying risks are being overlooked. These concerns intensified in the third quarter of 2025 following the default by First Brands, an automotive distributor with allegations of fraudulent activity. Since First Brands, a handful of other defaults have been noted.

Our perception is that a few negative headlines have resulted in the baby being thrown out with the bathwater. Private credit investing entails risk. These are loans that, if they were publicly traded, would carry credit ratings comparable to those of high-yield bonds. These companies often have 40% or 50% of their total value financed through debt. If business conditions significantly deteriorate, it could lead to stress on the business or even a default on the debt. While private credit has experienced a favorable period with limited defaults in recent years, we anticipate that defaults will occur. In fact, over the past ten years, private credit default rates have averaged 1.04% per annum.¹⁶ This average, however, is just that, an average. Oftentimes, default rates will be well above or below this level.

Are There Perils in Private Credit? (continued)

While we acknowledge the risk in private credit and even expect additional defaults to occur in 2026, we think the rhetoric around private credit fails to appreciate some important aspects of the asset class. First, what we've seen in 2025 is that credit conditions have, on average, improved. Similar to banks, private credit managers are responsible for rating the default risk of their loan portfolios each quarter. The private credit strategies we follow have experienced an improvement in risk ratings throughout 2025. Second, we observe a greater risk associated with loans initiated before the Federal Reserve began increasing interest rates in May 2022, as private credit loans are generally based on short-term floating rates set by the Fed, and hence higher rates out of the Fed led to greater debt servicing costs. We've biased our exposure to private credit strategies with loans originated in 2023 and beyond after the Fed's rate-hiking cycle was well underway. We've found the credit metrics on these loans to be significantly higher, offering added protection to lenders. Third, we have biased our clients' private credit exposure to investors who are highly selective in their underwriting. Lastly, we put considerable emphasis on portfolio construction. We don't want funds that have excessive exposure to a specific industry, and we prefer funds with substantial company-level diversification. Defaults are inevitable, and when they do happen, we'd prefer they be a small portion of the fund where the impact is absorbable and not burdensome to the achievement of an investor's targeted return.

As we look ahead, we are aware of the risks in the private credit asset class. We expect defaults to occur, and in fact, we may have reached the trough of the credit cycle, which would lead us to expect a modest uptrend in default rates. However, selecting the right manager is of critical importance during this period, and we believe our bias on using those we feel are the best underwriters, rather than chasing yield, has been the prudent approach. Recognizing and assessing the risks associated with this asset class is crucial to determining whether it is suitable for you as an investor. While we are moderating our expectations for the asset class, we continue to expect that seasoned, high-quality private credit managers are capable of delivering returns commensurate with the liquidity profile of the asset class.

The Luster of Gold

The top-performing asset class of 2025 has been gold. Through November 30, 2025, the yellow precious metal had appreciated by 58%.¹⁷

While the price of gold had been strong throughout the year, a meteoric rise in demand during September accounted for nearly half of the year-to-date return. The surge in buying resulted from a combination of increased inflows into gold and precious metal ETFs, along with strong central bank purchases.

Central bank gold purchases have increased significantly since 2014. As part of a continued effort by several countries to diversify their currency reserve holdings, central bank purchases of gold account for roughly 20% of total demand for gold over the past year.¹⁸

While central bank activity influences the price of gold, the largest source of demand is for jewelry. Over the past four quarters, the use of gold in jewelry accounted for 34% of total demand.¹⁸ Another significant source of gold demand is the purchase of gold bars and coins, which have generally been stable and predictable, accounting for 25% of total demand.¹⁸ Lastly, flows into gold investments (predominantly gold exchange-traded funds or ETFs) can be quite erratic, but they have more recently accounted for 13% of total demand. This has been a notable shift, as gold ETFs experienced outflows during the second half of 2022 and continued through mid-2024.¹⁸



The Luster of Gold (continued)

The increased appetite for gold in 2025 has primarily stemmed from inflows into gold-oriented ETFs. The combination of rising geopolitical tensions, questions about the stability of the U.S. dollar, and uneasiness surrounding global trading patterns has all contributed to investor uncertainty, leading to greater allocations to gold.

While the acceleration in demand for gold is reasonable and understandable, the surge that began in September suggests to us the entrance of speculative trading in the precious metal. While gold serves as a diversifying asset and a store of value, it's an asset that produces no direct cash flow; hence, its value is tied to sentiment and what others are willing to pay for it. In years like 2025, a strong upswing in sentiment results in a higher price. However, there is a downside risk scenario in which sentiment shifts and investors may elect to purge some of their gold exposure.

Over long periods, gold has delivered a mid-single-digit return, with most of it occurring in episodic bouts. The volatility of gold has been similar to that of stocks, although its return pattern often diverges from stocks, adding an element of diversification. What we take note of for 2025 is that gold has had a very strong year, while stocks and bonds have also delivered above-average results. This also raises questions about whether the asset will serve a defensive role in the event of a pullback in stock or bond prices.

The underlying logic that has driven investors to increase their gold exposure during 2025 remains in place, and thus, we expect some stability in demand in the year ahead. However, we believe it's less likely that the pace of increasing positive sentiment can continue at the same rate as in 2026. It's not implausible that the metal's year-end value may end up finishing 2026 at a level not that dissimilar to where it begins, although encountering a volatile path along the way.

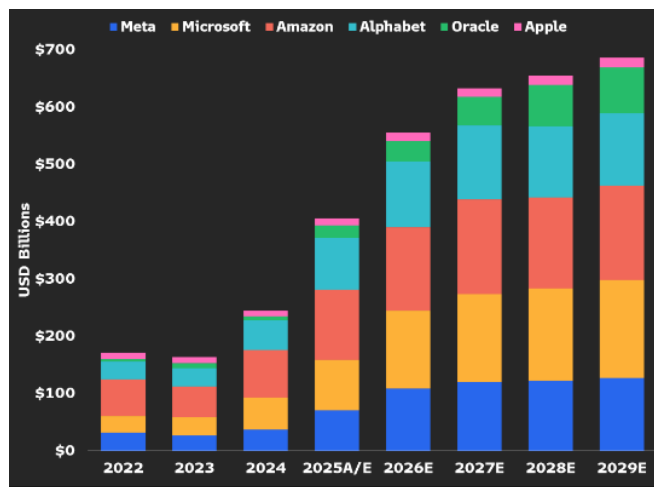
Financing Artificial Intelligence

By Brian Bunker, CFA® and Matt Dmytryszyn, CFA®

The global buildout of artificial intelligence infrastructure represents one of the largest investment cycles in modern capital markets.

Constructing AI-ready data centers, securing power capacity, deploying advanced GPUs, and expanding semiconductor supply chains will require trillions of dollars over the coming decade. J.P. Morgan research estimates that total global AI and data-center investment could exceed \$5 trillion in the coming years. On top of record spending in 2025, AI capital spending among large technology firms is expected to further accelerate, growing by 37% in 2026.¹⁹ These figures far exceed the internal cash flow capacity of the world's largest technology companies, and guarantee that every major segment of the global debt market will be involved in this financing cycle.

AI Capital Spending – Largest Technology Companies



Source: Bloomberg Intelligence, as of November 7, 2025.

Due to its depth, liquidity, and ability to provide long-dated capital at scale, the investment-grade bond market will bear much of the initial burden. According to J.P. Morgan research, approximately \$300 billion per year of investment-grade issuance is tied directly to AI and data center expansion, on average, over the next five years. This would equate to a cadence that averages 15% of total investment-grade issuance based on averages from 2020 to 2025.²⁰ In the near term, 2026

Financing Artificial Intelligence (continued)

is projected to bring about \$220 billion of AI-related investment-grade supply. Of that amount, roughly \$120 billion is expected to come from the largest technology firms (hyperscalers) building AI infrastructure – Alphabet, Amazon, Meta, Microsoft, and Oracle²¹ – while the remaining \$100 billion will likely be raised through project-finance-oriented structures that fund data center and power development.

Looking more specifically at hyperscale data center providers, they all reached an inflection point in 2025, having required additional sources of funding beyond their existing cash generation to finance their significant capital spending programs. Alphabet has rapidly become one of the most active debt issuers, raising around \$36 billion in 2025. Meta has blended traditional investment-grade issuance with so-called ‘off-balance-sheet’ structures, which were used to finance its massive, \$27 billion data center in Beignet, Louisiana. Oracle added \$18 billion in September alone to finance its data center partnerships with OpenAI and now has total debt exceeding \$100 billion. The company now has the worst credit metrics of the hyperscaler group. Looking forward, Oracle is expected to continue tapping both the public and private markets to help finance its existing data center commitments.

An evolution during the second half of 2025 was more creative structures to finance both data centers and the underlying equipment used for AI model training and inference. For example, Meta has agreed to a lease on a large data center currently under construction. They have negotiated a shorter lease term but, in order to support the project’s cost, have committed to covering the full recovery of the owner’s costs if they elect not to renew the lease. Alternatively, NVIDIA has agreed to provide companies with funding to buy NVIDIA semiconductors. Financing their own customers creates risk for NVIDIA. If demand does not meet expectations and these customers encounter financial challenges, NVIDIA risks not being repaid. Ordinarily, this would be a sizable red flag. In the case of NVIDIA, its balance sheet, with \$60 billion in cash and projections for generating approximately \$100 billion of cash flow over the next year,²² can handle any of these losses were they to occur. Moreover, the size of these financing arrangements is not such that they would indicate the industry is reliant on seller-based financing to support the rate of growth.

These structures serve as a reminder that even in fixed-income markets, there are risks associated with the AI build-out. Avoiding structures where you have a greater risk of not getting your principal back is paramount at this point in the cycle. We are comfortable with large technology firms. After all, aside from an AI-related venture, each of the hyperscalers is a category-leading business that generates significant cash flow and profitability. Their balance sheets remain strong. However, we recognize they may not maintain the same degree of quality as they issue more debt. As such, we believe you should be compensated with a sufficient yield, and today we aren’t seeing that opportunity.

What we witnessed in 2025 is that the AI infrastructure boom is reshaping the global debt market. Investment-grade issuance from the hyperscalers will remain the anchor, setting supply patterns and influencing pricing across the market. With trillions of dollars in expected spending and annual funding needs rising sharply through 2030, AI has become not only a technological revolution but also one of the most significant transformations in the credit market in decades.

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