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INTRODUCTION

With the close of 2025, it is once again the season for confident forecasts about interest rates, market levels, and the year ahead. These forecasts are far less reliable than they sound. John Bird opens this letter by reflecting on the limits of prediction and the importance of focusing instead on durable fundamentals. Jason Ware then explores how resilient growth, moderating inflation, and a second wave of Fed easing shaped the past year and frame 2026. Turning from noisy narratives to what you can directly control, Lily Prunty uses Planners Corner to highlight why a thoughtful, up-to-date estate plan is essential to aligning your wealth with the people and priorities that matter most.

FROM JOHN BIRD'S DESK

It's the time of year when nearly everyone with anything to do with financial markets dives into the forecasting business and lays out a series of predictions for the coming twelve months. The fed will cut rates twice. And raise them once. Or not cut at all. Or cut once and raise them later this year. The S&P will end 2026 at 7,800. Or 6,200. Or unchanged. Hundreds of pundits will weigh in with their forecasts. And why not? There's no penalty for getting it wrong in the press and hey, if you happen to guess right you can tout your foresight!

It's quite common for such prognoses to point to a more dour future especially after a year of good returns for investors. And why not? There's an abundance of media noise about all that could go wrong. 2025 was characterized by volatile headlines, uncertainty across

most asset classes, a typical share of natural disasters and a divided body politic with seemingly no way out. We were served a constant diet of things to worry about, reasons to be pessimistic.

Yet in spite of the persistent and occasionally deafening drumbeat of these challenges investors with a long-term perspective and a willingness to stay the course found themselves amply rewarded. As of this writing just before year end the S&P 500 has appreciated over 16% while broader market indices that were not hauled upward by the outperformance of the Splendid Six (Alphabet, NVIDIA, Microsoft, Meta Platforms, Apple, & Amazon) still posted respectable returns. Even the bond market got in on the action with aggregate bond returns in the mid-single digits.

It begs the question: What was the market seeing that those focused on headlines and nervous about volatility did not? Two things; a likely reduction in interest rates and corporate earnings growth. It speaks to the

importance of separating the signal from the noise.

One of my co-workers occasionally asks me “where are you shining your flashlight?” The question comes as we try to get clarity on a persistent challenge. The point is to shine your flashlight on those things you can positively influence and avoid shining it on issues that while urgent will ultimately be less important. As investors we shine our light to understand what drives corporate earnings and interest rates over time rather than adding additional illumination to the already bright headlines predicting doom and gloom. To be sure many headline predictions will come to pass. But will they have as much long-term impact on our investments as solid corporate earnings growth? We don’t think so.

At the end of each year I clean up my desktop. Both physically and electronically. In the process I came across a file of charts and graphs, gathered over many years, that I found interesting at the time. Here is one (below) from December 2016, published by a well-known

The Past Is Not A Guide To The Future

COMPOUND % RETURNS P.A.			
	THE PAST 1982-2016	THE FUTURE 2016-2026	PORTFOLIO WEIGHT
U.S. EQUITIES	11.2	3.5	40
OTHER DEVELOPED EQUITIES	9.3	5.5	20
EM EQUITIES	11.6	7.5	5
LONG-TERM TREASURIES	8.3	2.6	25
CORPORATE BONDS	9.3	3.6	10
TOTAL PORTFOLIO*	9.9	4.0	100
INFLATION	2.7	2.0	
TOTAL PORTFOLIO REAL RETURN	7.0	2.0	

*BASED ON WEIGHTS IN FINAL COLUMN.

ECONOMY & MARKETS by Jason Ware

investment research group in which they make their predictions for the next ten years. Please note that I do think this group is thoughtful and analytical in their work. Yet... It doesn't seem to matter.

The chart projects US Equities would achieve a ten-year compound annual return of 3.5% from 2016 through 2026. Smart people came up with this projection. Yet equity markets have *dramatically* outperformed this thoughtful and well-meaning forecast. For us the message is clear. Continue to seek out and own investments that over time will grow their earnings at a rate greater than the economy as a whole. Around here the mantra is OGC: Own good companies. Focus on the companies. Not predictions of future market behavior.

Albion has had another year of growth and change. Our goal has always been to keep our capacity ahead of our workload so the value we bring to the table on behalf of our clients grows every year. Toward that end we added additional depth to the investment team by bringing on Bo Wilkinson and Zachary Riley. Heath Heavy also contributes to the investment effort splitting his time between financial planning and portfolio management. Our wealth management team brought on board Jackson Watson, Ian Bird and Lily Prunty to ensure we not only have the capacity to meet the needs of our existing clients, but to have capacity to serve new relationships; those important to our wonderful current clients.

I personally find there is much to be grateful for as we reach year end 2025. I hope you also had a positive 2025 and are looking forward to the joys and adventures 2026 will bring.

As 2025 comes to a close, the dominant feature of the economic and market landscape is not drama—but *durability*. In a year marked by persistent skepticism, shifting narratives, unrelenting headline risk, and, of course, a nasty market correction in the spring, underlying fundamentals have proven more resilient than many expected.

Starting with the economy, growth was bumpy but proved itself throughout the back half of the year. After rebounding from tariff-related distortions early in 2025, real GDP settled into a sustainable pace near +2% for the full calendar year. That's slower than the post-pandemic surge, but entirely consistent with a stable expansion. Consumer spending and AI investment continue to do most of the heavy lifting, supported by rising real incomes, healthy household balance sheets in aggregate, a labor market that—while cooling—remains adequate, and massive spending on tech infrastructure. Services activity, which represents the vast majority of US economic output, stayed robust through the quarter.

The labor market continues to normalize. Job growth slowed further, but unemployment remains low, layoffs stayed contained, and wage growth continued to outpace inflation. Importantly, this cooling has occurred without the type of dislocation typically associated with recessions. From our perch, a labor market that is less frenetic and still supportive of general employment and income growth is a constructive development—not a warning sign.

Inflation behaved largely as expected. Headline and core measures drifted sideways to modestly lower, settling into the upper-2% range. Goods inflation has remained mostly benign (even with tariffs!), while services inflation—particularly housing and insurance—proved stickier but

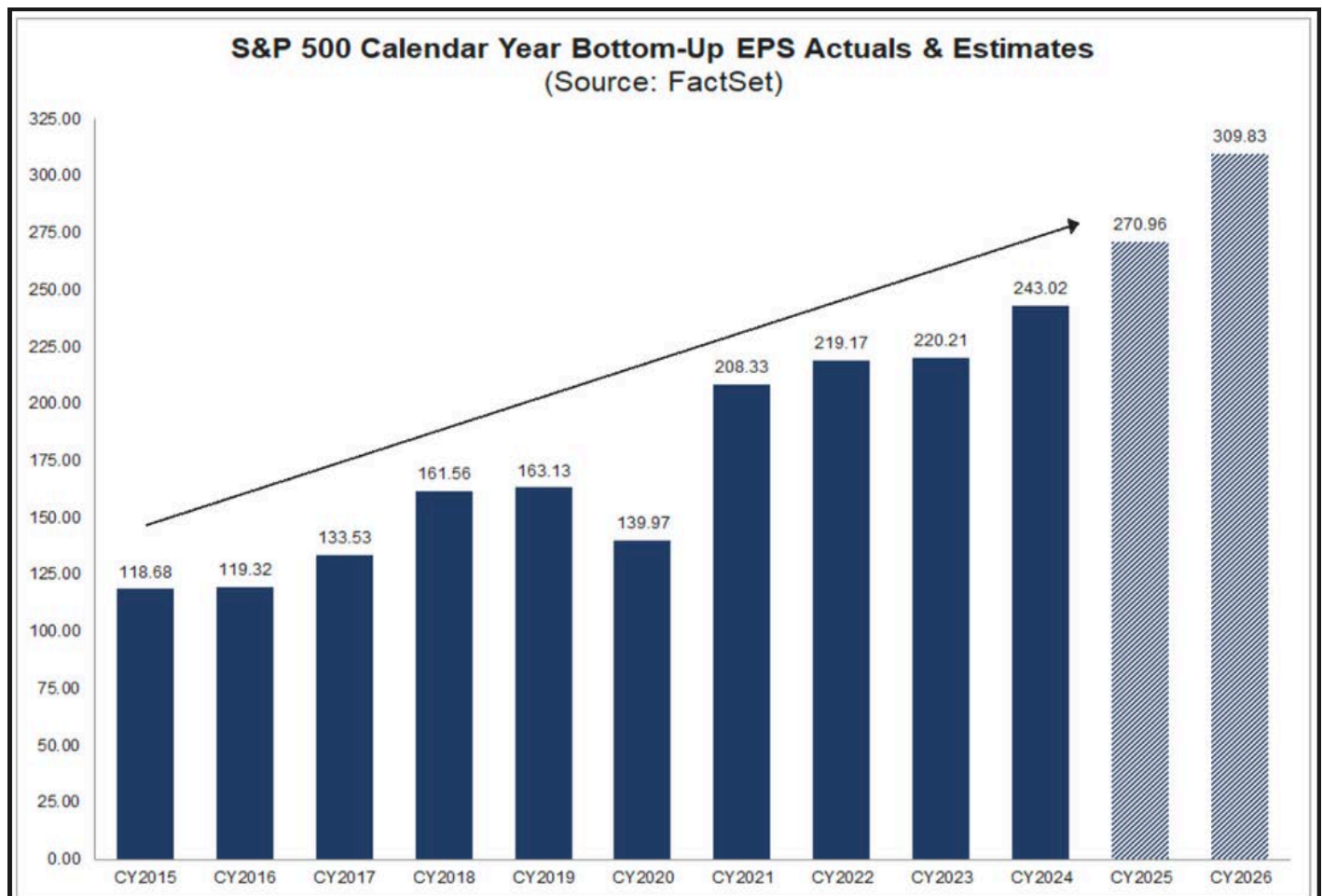
continued to ease at the margins. While this is not a return to the ultra-low inflation regime of the 2010s, it is a world far removed from the price instability of the 2021–2023 period. In our view, inflation in this range is compatible with continued economic growth and healthy capital markets.

On monetary policy, after roughly nine months on hold, the Federal Reserve began a second wave of easing. Additional rate cuts since late September brought policy closer to what officials view as neutral, modestly easing financial conditions. As has been the case all year, the Fed emphasized data dependence over pre-commitment. The precise timing of future moves remains uncertain, but from our standpoint, the destination—a policy rate likely in the low-3% range—matters far more than the month-

to-month path.

One additional point worth noting as we peer into 2026: a new Fed Chair is expected to take the helm before midyear. All else equal, this transition, at the margin, could introduce a somewhat more dovish tilt than we think is otherwise warranted.

Against this backdrop, equity markets continued to advance with corporate earnings leading the charge. Indeed, S&P 500 profits grew at a double-digit pace in 2025, supported by solid revenue growth, productivity gains, margin resilience, and sustained investment in technology, automation, and AI-related infrastructure. While mega-cap technology companies remained influential, leadership broadened at times to include



The above chart shows the 10-year historical trend of the S&P500 Earnings Per Share (EPS), and a current, forward estimate for 2026. Source © FactSet Research Systems Inc.

industrials, financials, healthcare, and select cyclicals—an encouraging sign for market depth.

Valuation remains the most common concern we hear, and it's a reasonable one. By most historical measures, equities are not cheap. However, valuation is a poor short-term timing tool. Elevated multiples have historically been sustained during periods of strong earnings growth, contained inflation, and technological innovation—conditions that broadly describe today's environment. The more important question is whether business profits can continue to grow. At present, the evidence suggests they can.

As we began 2025, we framed the year ahead as a “*year of three twos*”: roughly +2% real GDP growth, inflation in the 2s, and *two* Fed rate cuts. That framework largely held—the only miss being the Fed, which delivered three cuts instead of two. Importantly, this outlook didn't require heroic assumptions or perfect execution—just a continuation of reasonable trends.

As we look ahead to 2026, the contours appear similar: moderate economic growth, a solid profit trajectory, a robust AI-driven investment backdrop, contained inflation, and a monetary policy stance that is no longer restrictive. On the economy—the fountain from which most of these other dynamics flow—we hold a somewhat out-of-consensus view that growth could *re-accelerate* modestly next year, driven by persistent consumer spending, continued AI investment, and fresh fiscal tailwinds. By extension, we expect US corporate profits to grow at a double-digit pace *again* in 2026.

Of course, risks remain. Policy missteps, geopolitical escalation, fiscal imbalances, midterm election dynamics, and periodic bouts of market excess and / or sentiment shifts will introduce volatility along the way. But volatility is a feature—not a bug—of long-term

investing. Our focus remains on discipline, diversification, and maintaining a long run perspective grounded in fundamentals rather than headlines.

As always, thanks for your continued trust. Happy New Year!

PLANNERS CORNER by Lily Prunty

Starting The New Year with a Plan, an Estate Plan

The holiday season is often a time of reflection over the year now behind us, the people we cherish, and priorities that matter most. These moments of reflection provide an opportunity to revisit important planning decisions with clarity and intention. Estate planning is a critical part of your financial plan, as it is the ultimate key to maintaining control over your wealth, even after your passing.

What is Estate Planning

Estate planning is the process of arranging how your assets and responsibilities will be managed if you become unable to make decisions during your lifetime, and how they will be distributed after your passing. Some key components of estate planning include documents like a will, trust, advanced medical directives, power of attorneys, and beneficiaries designated on your accounts. Some or all of these documents may be used to create an estate plan tailored to your specific needs.

Who Needs an Estate Plan

Everyone has an estate. Your estate is made up of everything you own: your car, home, personal property, life insurance, furniture, accounts, anything you possess. Everyone can benefit from estate planning, but an effective estate plan should properly reflect your

individual circumstances. Whether you are a parent, homeowner, business owner, hold savings or investments, married or part of a blended family, or have charitable goals, these factors create unique needs that an estate plan is designed to address and protect.

Why Estate Planning Matters

Estate planning puts the right people and instructions in place to manage decisions during your lifetime and to ensure your wishes are carried out after your death. It gives you control over how your estate is distributed and is a great way to reduce complexity and confusion for those you have entrusted to manage or settle it. Estate planning also provides direction if you become unable to make decisions during your lifetime due to circumstances such as an accident, illness, or cognitive decline. Through the planning process, you can establish structures, such as various powers of attorney or health care proxies, that authorize a trusted individual to act and make decisions on your behalf during your lifetime.

Most Common Oversights We See in an Estate

Over time, your life evolves and changes, and we often see that even well-intentioned estate plans can develop gaps when circumstantial changes are not properly reflected in your plan. As a general rule-of-thumb, you should review your estate plan at least every 5 years or as significant life events, priorities, or goals have changed. During this review process, several items are commonly overlooked that we recommend clients examine closely:

- Beneficiaries not listed or outdated after marriages, divorces, death, birth, or other life events that impact your situation
- A plan is in place for death, but not for incapacity. Talk with your estate planning attorney to determine which powers of attorney would be appropriate in the event of incapacity

- If your home is owned by a trust, it is worth reviewing whether the trust is listed as an additional insured on the homeowner's insurance policy to help reflect accurate ownership structure on the policy
- Estate plans are created with care, but not always communicated to those who will be involved in the plan, conversations with your loved ones about planning can help align expectations and provide clarity

Albion's Role in the Estate Planning Process

We are not estate planning attorneys; but we can help ensure that your estate plan stays in line with your overall financial picture over time. As part of our planning process, we are able to regularly review all elements of your estate plan, aiming to prevent gaps from developing. One of the key benefits of working with a financial advisor is having someone who understands your entire financial picture who can coordinate directly with your other trusted professionals like your estate planning attorney and CPA. With your permission, we can work alongside them to help ensure your tax, estate, and financial strategies are consistently aligned.

Ultimately, estate planning is more than just a tax strategy. It is a wonderful tool that can give you control over the distribution of your assets, minimize complexity for your heirs, and provide you and your loved one's clarity during an emotional time.

If the past year has brought changes to your life or priorities, we encourage you to revisit your estate plan and contact us with any questions or to discuss potential updates. Our role is to help you maintain confidence and clarity in your comprehensive financial picture.

ALBION COMMUNITY UPDATE

Save the Date

On **Wednesday, April 1, 2026 at 12:00 PM MT** we will be hosting our next Client Conference Call. We always look forward to these calls and greatly value the opportunity to connect and share ideas with you. We encourage your participation and welcome any questions you may have—either live during the call or in advance by sending us an email. A recording of the call will be available on our blog and YouTube channel afterwards, and a copy will be emailed to you. Go to our website to register - www.albionfinancial.com/events.



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