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2026 INVESTMENT OUTLOOK



NOLAND'S Notes

Creating, Building, and Preserving Wealth

What did 2025 tell us about investment opportunities? How does 2025 inform Left Brain's investment strategies for 2026? CEO Noland Langford analyzes the investment landscape of the past year, evaluating the events and dynamics of 2025 within the unique perspective of our Left Brain Lens. Then, looking forward, he offers expert insights on the economic factors that will shape investment opportunities in the year to come.



2025 RE-CAP / 2026 OUTLOOK

What did 2025 tell us about investment opportunities?

2025 reminded us of something we've seen time and time again: when a major technological shift takes hold, markets move faster than most expect.

This year, that shift was artificial intelligence. What started as curiosity turned into commitment. Companies didn't just talk about AI; they began to spend aggressively on the physical buildout. Infrastructure, chips, data centers, and power all became part of this powerful investment story.

In short, this isn't a trend. We think this is a secular change in the way our economy works. And we believe we're still early in this technological revolution.

For those new to Noland's Notes

For those of you who are new to Noland's Notes, let me explain: Each year, I write this letter to give you a clear, plain-English view of what happened in markets and how we are thinking about what comes next.

Our day-to-day conversations don't always allow for a full explanation of how we see the world. My goal is that over the next few pages, you'll understand how we evaluate markets and where we see opportunity.

For those of you who like to jump ahead, the 2026 Playbook Summary starts on Page 8.

Welcome aboard, or welcome back.

This note was written with you, the client, in mind. However, please feel free to send it to your inner circle of family, relatives, or friends should you think it appropriate.

Let's Get Started!

■ Here are the official returns from 2025.

Index	Close Price	Return (%)
Dow Jones Industrial Average	48063.29	+12.97
S&P 500®	6,845.50	+16.39
NASDAQ	23,241.99	+20.36
Russell 2000	2,481.91	+11.29
MSCI EAFE®	2892.71	+27.89
MSCI Emerging Markets	1404.37	+30.58
MSCI US REIT (Real Estate)	1291.07	-1.16
Aggregate U.S. Bond (TLT)	87.16	-0.19
Gold (per ounce)	4332.20	+64.14
Bitcoin	87,508.83	-6.34

Source: S&P Dow Jones Indices, FTSE Russell, Nasdaq, MSCI, S&P U.S. Aggregate Bond Index, S&P GSCI Gold, S&P GSCI Crude Oil)

 **WHAT HAPPENED IN 2025?**

The year 2025 began with the inauguration of a new U.S. President and an immediate shift in policy direction. What followed was a steady stream of market-moving developments, including DOGE-related volatility, tariff announcements, and “Liberation Day.”

The administration also introduced several significant policy initiatives, including the Liberation Day tariffs, the “One Big Beautiful Bill,” and the Genius Act, each contributing to an environment of elevated market sensitivity.

The most dominant story of 2025 had to be AI. Companies poured capital into building the next generation of infrastructure. This drove demand not only for chips and computing power, but also for electricity, energy, and industrial capacity. With AI dominating the headlines, we finally had developments that pushed Bitcoin (and other Digital Assets) from the front page of the investment news.

In January, the Chinese open-source language model “DeepSeek” created a temporary shock to AI-related stocks, as investors were forced to reconsider assumptions around cost, scalability, and competitive advantage. The development served as a reminder of how quickly the landscape is evolving and reinforced the view that artificial intelligence has become a global arms race.

Artificial intelligence is powering what many view as the fourth Industrial Revolution, requiring significant investment in computing power, energy, and data centers. Capital expenditures tied to AI infrastructure continue to reach new highs, placing pressure on even the largest technology companies.

The Magnificent 7 (Amazon, Google, Meta, Microsoft, Nvidia, Tesla, Apple) have committed hundreds of billions to maintain their competitive positioning, contributing to recent stock underperformance. In the span of a year, several of these companies have shifted from generating strong, predictable cash flows to more constrained (or even negative) free cash flow as AI investment spending accelerates.

2025 was another year when small cap stock returns trailed those of large company stocks, yet again! Another interesting shift we observed was that for the first time since 2022 (and second since 2012) international stock markets outperformed U.S. markets.

The U.S. economy remained resilient in 2025, with real GDP growth of approximately 2.1%, supported by solid consumer spending and continued business investment. The labor market remained firm, with unemployment averaging near 4% for the year.

Although growth slowed later in the year, overall economic activity proved more durable than expected, with businesses continuing to generate steady sales and earnings in a more complex environment.



A QUICK STORY

Think about the early days of the internet.

In the beginning, investors focused on websites. But over time, the real winners largely didn't come from the website companies; by and large, they were the companies building the infrastructure: servers, networks, data centers. AOL and Netscape were two companies that were once synonymous with the early internet and now they could headline an episode of "Where are they Now?"

Artificial Intelligence feels similar today.

Much of the investment focus right now remains on applications, such as OpenAI's ChatGPT and Anthropic's Claude, and the potential disruption to legacy software firms. Those are likely second or third-order effects. The more immediate opportunity may lie in the "picks and shovels", or the underlying infrastructure powering the buildout.

That's where we're spending our time as an investment and research firm. We believe we are still in the early stages of this technology Supercycle. There is a lot of money chasing ideas in AI. Investors believe there are fortunes to be made, but it's not obvious who the biggest winners will be. We are spending a lot of time following the story. So far, there have been lots of AI losers. Software is but one example of creative destruction at work.

When fear rises, prices fall. When prices fall, opportunity increases. We are watching the economic disruptions that AI is creating, looking for opportunities not only in the new winners, but also in the legacy companies that will ultimately survive the disruption.

With that backdrop, where are we finding opportunity today?



A QUICK STORY (cont.)

When I was a kid, I couldn't wait to get home from school and turn on cartoons. One of my favorites was The Jetsons.

I remember George Jetson working for Spacely Sprockets, surrounded by machines and technology that felt completely futuristic at the time. Flying cars, robots, space travel: it all seemed far off. But what stuck with me wasn't just the gadgets; it was the idea that someone had to build it all.

Fast forward to today, and a lot of what once felt like science fiction is becoming reality.

We're seeing it in real time:

- Rocket launches for satellites, defense, and communication
- The early buildout of space-based infrastructure
- Robotics becoming more integrated into everyday business operations

And just like with AI, the biggest opportunities may not come from the end products, but more from the infrastructure that makes it all possible.

We believe we're in the early stages of another major buildout: space and robotics.

It's not fully understood yet. It's not fully priced yet. And that's exactly why it's interesting.

WHAT LOOKS INTERESTING?

Markets have been rocky to start 2026. Investment prices have fallen, despite growth in earnings for many of the companies we follow. In that sense, it's not surprising that there are several areas that look interesting. In markets, you either get good news or cheap prices.

Since most of our news has been negative, it's no surprise that investment prices are more reasonably priced. For the first time in many years, we are finding securities that are downright cheap. Interest rates have started to creep up. We are finding high quality corporate bonds with yields above 7%! Income securities also stand out. We define "Income Securities" as bonds, along with other investments which are designed to pay out most of their corporate income to shareholders in the form of dividends.

The narrative that AI will prove existential for software has had several knock-on effects. Not only are software stock prices under pressure, but software bonds prices have also weakened. There are several investments tied to these types of bonds that trade at prices below their maturity values. With some of the yields on these securities currently trading above 9%, it won't take much to go right for these holdings to post attractive returns.

■ Private Credit

Private credit is another area we're watching. This increasingly popular asset class refers to loans made directly to private companies, often outside of traditional bank lending channels.

As investors question the business models of legacy software firms, these securities have been repriced more aggressively. Prices have declined, and as the story unfolds, we believe there may be opportunities, particularly in technology-related lending.

Many of these loans were made to companies backed by private equity firms, where equity investors typically absorb losses before lenders. The key question is whether private equity sponsors will contribute additional equity to support these businesses or force them to restructure (which would potentially lead to losses for lenders).

■ MLPs

MLPs also remain attractive. Master Limited Partnership securities are stable, cash-flow driven businesses with growing income streams. Most are involved in the energy sector. Think Oil and Gas drilling, processing, and transportation. These are infrastructure assets that are crucial to a prosperous economy. For that reason, they tend to provide predictable income and cash flows to investors.

In **technology**, we favor cybersecurity, data centers, and infrastructure tied to Artificial Intelligence. We view select **Magnificent 7** companies as attractively valued and believe their elevated capital spending is a necessary investment to maintain leadership in this technology Supercycle.

We plan to remain cautious on **software**. **Biotech** is now resurgent. While specific molecules aren't our area of investment research focus, strength in the Biotech sector is a good indicator of investor attitudes toward investing in growth companies generally.

SIZING UP THE INVESTMENT CLIMATE

I am often asked for my thoughts on the current investment climate. At Left Brain, we want you to understand our current views of the investing landscape through the "Left Brain Lens." The "Lens" (our decision-making process) never changes, but the landscape we see through that lens is ever-changing. Here is what we see through the Left Brain Lens for 2026:

■ Inflation

The Federal Reserve has been waiting for inflation to settle close to 2% since Covid-19. According to the data we have gotten close in recent years, but inflation has been stuck between 2% and 3%, tying the Fed's hands with respect to interest rate policy. Dealing with the unknown impact of tariffs, an uncertain economy and an impatient President can't be easy for Fed Governors.

The present military conflict in Iran has caused oil prices to spike. Most economists would agree that this oil spike is more dramatic than those that occurred in the 1970s. Ideally, we avoid a return to the stagflation investors experienced in the 1970s. Should the Strait of Hormuz reopen soon, we would expect oil markets to back down relatively quickly. This would be very helpful in reducing inflationary pressures in the world economy.

Assuming oil prices return to their \$60-\$80 per barrel price band, I do not see inflation spiraling higher from here. We also need to remember that technology has historically had a deflationary impact on our economy. When we can all do more work in less time productivity improves. With the advances in AI and the trillions of spending occurring to improve efficiency I would expect productivity to get a real boost in the years ahead.

We are calling the Inflation outlook: **Neutral**

■ Interest Rates

Soon enough we will welcome in a new Chairman of the Federal Reserve Board. It's likely that will be President Trump's nominee Kevin Warsh. Our President has stated frequently and loudly that he wants lower rates, despite what the data may suggest. Investors will watch how markets respond to upcoming policy decisions regarding rates.

It wasn't long ago that markets were forecasting a series of interest rate cuts in 2026. Recent market shifts indicate that investors are now forecasting rate increases in 2026. The military action in Iran has

done little to improve confidence in the path of rates. The full inflationary impact of the Liberation Day tariffs (and the potential oil shock) has yet to be felt.

The labor market is a big focus of The Federal Reserve Board. Our job market is doing fine today, but there is a lot of angst about how the US labor market will evolve in the world of Artificial Intelligence. We've heard many companies (mainly tech) announce cuts in their human workforce in favor of AI agents. Many of these job losses came from the ranks of well-paid knowledge workers. In past Technology cycles, temporary job losses have given way to significant job creation. Although we're optimistic regarding the jobs markets longer term, we do expect some anxious moments as this transition unfolds.

Given the current state of housing, I'm sure some members of the Fed would love to cut interest rates to give that market a jolt. However, given the state of economic circumstances and potential for inflation, I'm not sure how they do it. The only thing certain about Interest Rate policy is uncertainty. Given conflicting signals from markets, the Fed, The Middle East conflict, and geopolitical events.

We're calling the Interest Rate Environment: **Unfavorable**

■ Earnings

When companies profit and prosper, strong stock prices tend to follow. Our favorite metric for judging a company's prosperity is Growth in Cash Flows. Wall Street's favorite metric is reported earnings. Reported earnings and cash flows are different, but they are related. As the old saying goes "you can't spend earnings, only cash flows." College Grads receiving their first paychecks learn this lesson quickly.

As of March 31st 2026, FY 2025 S&P 500 reported earnings had increased 10.55% Year-Over-Year, but stock prices were weaker, meaning stocks were relatively cheaper. Consensus estimates of earnings growth in 2026 currently sit at 13-15%. If those numbers come to pass then the S&P 500 is trading at a 22 forward P/E. Stocks are trading at a manageable multiple, not cheap, but not expensive. Not only are stock prices not expensive, but it does also appear that we are at the beginning of a productivity boom, driven by AI and other technological advances.

The AI buildout is accelerating. U.S. Manufacturing is experiencing a renaissance, specifically as we see momentum in developing the electrical grid to power AI data center.

We are calling the earnings environment: **Favorable**

■ Valuations

We have been surprised by how many high-quality investment options are trading at reasonable prices. Some are downright cheap compared to their historical valuations and to the prices of lower-quality opportunities.

When a company is growing and continues to execute, investors can do very well owning the shares. On the other hand, when a company is simply trading at a cheap price, investors can also earn attractive returns (*if the business performs as expected*).

But where things can really get interesting is when both forces are working together.

The most powerful returns tend to come when a company is growing, *and* investors are increasingly willing to pay a higher price for that growth. That combination: business momentum paired with expanding valuation, can create outsized results.

Today, we are finding a number of companies with those twin engines working in their favor: solid business growth and the potential for higher valuation multiples.

If interest rates begin to move lower, that could act as an additional tailwind for multiples and, therefore, prices.

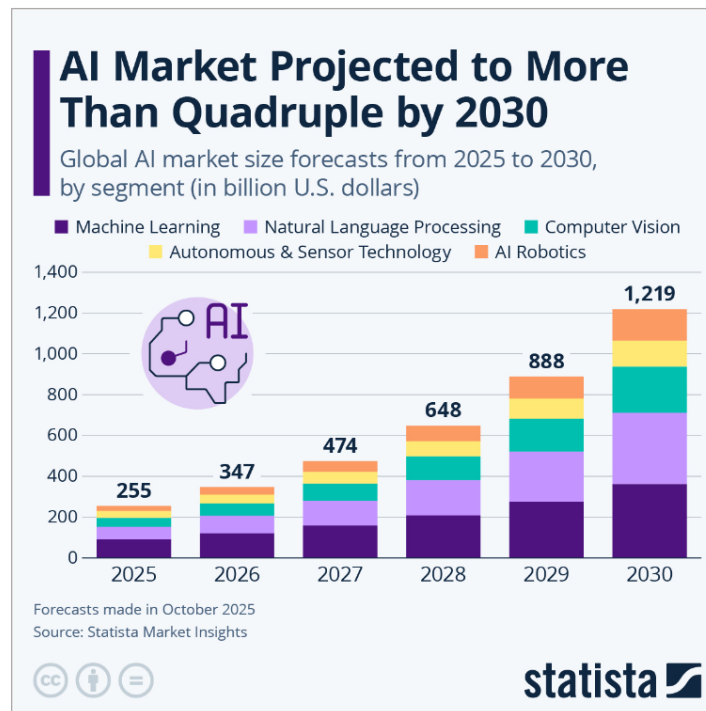
For these reasons, we are calling the Valuation outlook: **Favorable**

 **OUR 2026 PLAYBOOK – SUMMARY**

America will be celebrating its 250th birthday this summer. The macroeconomic environment is messy, but business fundamentals are strong. There are many hurdles and most of them we have no certainty as to how, or when, they will end. Oil prices are now fluctuating around the \$100/barrel level and inflation is still above the Federal Reserve Board's 2% target. Our National Debt is approaching \$39 trillion and growing far too fast. Mortgage Rates are above 6%, stalling the housing market. We still have conflict in the Middle East. AI has caused questions about the outlook for the labor market. As regards the labor market and some legacy industries (like software), it still isn't clear whether AI is friend or foe.

There are several industries that investors have priced as eventual AI losers. Software is one such sector. This weakness in software has caused skepticism regarding pricing in Private Credit (lending), as many direct loans are made to software companies owned by Private Equity funds.

Here is what we feel confident in: The AI buildout is accelerating, and, in turn, companies are becoming more efficient. With efficiency comes increasing profits. The U.S. is experiencing a manufacturing upturn, which has increased the need for power and improved electrification.



The regulatory environment is favorable for Mergers & Acquisitions, which has the potential to improve stock prices.

Investment prices are cheaper today than they have been in some time and reported earnings are at record levels. Commentary coming out of the “C” suite is very upbeat in many sectors, which is not the norm.

Geopolitical conflicts involving the United States have historically created short-term market volatility, but not prolonged equity market declines.

[Analysis from LPL Financial](#) shows that across more than 20 geopolitical events since World War II, the S&P 500 has experienced an average decline of approximately 5% to 6%, typically bottoming within two to three weeks and recovering within about one to two months.

Historically, markets have not only recovered these losses but have also gone on to generate positive returns over the subsequent 6- to 12-month periods, with broader studies of geopolitical conflicts showing average gains of approximately 8% to 10% over the following year (Geopolitical Conflict and Markets: Three Phases).

We are somewhat leery of the return potential of software stocks in 2026. Investors have wagered that software will be disrupted by new AI coding and software tools, and at the very least, we believe business models will need to evolve.

At the same time, accelerating growth has turned into deceleration, which is likely to shift investor focus toward companies’ financial health. Despite this, software stocks are still priced as growth holdings, even as growth has slowed. There remains a significant gap between being valued as a growth business and being priced as a turnaround.

We have switched our focus from software to hardware. The 4th Industrial revolution is real. Artificial Intelligence adoption is accelerating. There is a race in spending on the build out to power this technological revolution. It's not just computing capacity that is needed, AI factories also require energy.

Once you have a data center full of GPU's (AI chips) you need data, networking, storage and cooling. These are areas we are exploring for investment opportunities. Internet search is dominated by Google. Online shopping is dominated by Amazon; Cell Phones are dominated by Apple and Social Media is dominated by Meta. It doesn't look like markets have crowned the eventual AI champion. It's likely there will be one or two really big winners in this technology revolution. Winners usually take all. We are earnestly searching for those winners.

■ Our approach for 2026

- Stay nimble
- Focus on growing companies that can be dominant in this new Technology revolution.
- Find income ideas yielding 7% or more (with upside potential)
- Invest in AI-driven opportunities: those powering and benefiting from the AI revolution.
- Watch for new market leaders

We believe the next 18-24 months could be very positive for your financial well-being.

A FEW HARD-EARNED LESSONS BEFORE YOU RETIRE

We most commonly begin working with investors while they are in the Building Wealth phase of their financial lives. That is, they have established an investment base and are entering a phase where additional capital can be directed toward long-term investing. The primary goal is normally a successful retirement after the children's college funding is complete.

At some point, the question shifts from "Can I retire?" to "Should I retire now?" After having seen this play out many, many times with clients of the firm, I would like to make a few suggestions:

■ 1 – Try out retirement before you retire.

Take a test drive. We encourage clients to experiment with "mini retirements." Get creative here. These are 2-6 week experiments where you live the life you think you want. Go there. Do that. We've seen too many people who have spent 30-40 years dreaming about a lifestyle and then getting there and realizing that imagined life does not work for them. It is better to learn that early while you still have flexibility. Sometimes a desire for an early retirement is really a need for a 2-6 week sabbatical. Don't make a lifetime decision to address a short-term need for rest.

■ 2 – Give your money a purpose.

Every dollar should have a job. Think about what you'd like your wealth to accomplish. We see far too many investors who have done a wonderful job of saving, investing and living within their means,

resulting in an impressive nest egg. Their projected wealth is often far larger than they ever thought possible. Now what?

You'll need to decide what, or who, this money is for: your kids, your favorite charity, funding a scholarship at your alma mater—it's your adventure. Make it intentional. Otherwise, those decisions may be left to others who don't share your values or financial discipline. Heaven knows, they didn't work as hard as you did to earn it.

■ 3 – What will you do after you retire?

Many investors retiring at 65 today have lots of energy, intelligence and life remaining in them. Since they are retired, they have time on their hands and lots of ideas. Wrongly directed, this time and those ideas can consume lots of cash -- more money than most retirees realize, until it's too late.

Without a retirement action plan, spending can escalate quickly. Babysitting the grandkids can be part of the plan, but retirees need more to fill their days. Without structure or a purpose, retirement can drift. The most fulfilled clients we work with are those who continue to stay engaged, whether that be through work, business, mentoring, or new ventures. Many of them never fully "retire" in the traditional sense. *I'll be one of them.*

■ 4 – Pay taxes while you are working.

For years the financial industry has emphasized deferring taxes through vehicles like company 401(k) plans. It feels good to defer taxes today. To be clear, we do support retirement savings using these vehicles.

However, in many cases, it may make sense to pay taxes on your retirement dollars while you're working (when tax rates are known and income is controlled), to help you fill your tax-free income bucket for when you are in retirement. Why? Despite the widely held belief that you will likely pay lower taxes in retirement than in your working years, retirement income can come with a number of not-so-pleasant surprises:

- Social Security Benefits can become taxable.
- Required Minimum Distributions can push you into higher brackets.
- Medicare Premiums can increase.

Getting clobbered with income taxes when you are retired and then having to take larger distributions to pay the higher taxes is not a pleasant experience. On top of that, we are operating with a U.S. federal debt approaching \$39 trillion. It is hard to imagine a future where tax rates don't adjust higher over time-for both workers and retirees.

FINAL THOUGHTS

In the end, strong businesses continue to win.

Our job is to find them, invest in them, and stay disciplined.

Thank you for your continued trust.

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