

Annual Equity Market Outlook

An Ameriprise Investment Research Group publication

Equity Research Team
December 17, 2025

2026 Equity Outlook

2026 in Focus: Challenges, Pivots, and Opportunities

2026 will be an unusual year marked by significant macroeconomic and political events that could (re)shape overall market dynamics, underpinned by expectations for continued solid corporate earnings growth and a Technology-led investment cycle. As these events unfold, we anticipate increasing volatility around the appointment of a new Fed Chair in May (but likely communicated much earlier), a review of the USMCA trade agreement (negotiations in 1H'26, mandatory review on 7/1), and a key midterm election cycle (all 435 House seats and 34 Senate seats) in November. As such, 2026 could evolve into a “policy-driven dispersion” narrative where stock and sector performance diverge based on regulatory, trade, and election outcomes.

Adding to the 2026 uncertainty is the continued expectation of a Technology-led investment cycle, as artificial intelligence (AI) becomes a more dominant theme, extending beyond the past three years of “usual suspects”—chip makers and hyperscalers. In our view, a key theme for 2026 will be the transition of AI adoption from the infrastructure and data center build-out phase to operational deployment across various sectors and end markets. As enterprise adoption grows, we believe there will be opportunities in “stealth tech” companies in non-tech markets that are leveraging AI for margin expansion, revenue growth, and accelerated time-to-market. In short, there's no shortage of events to drive the VIX higher in 2026—buckle up!

Targets for 2026

Key Measure	2025 Actual	2026 Target	Implied Change
U.S. Real GDP	+2.3%**	+2.5%	+0.2 pp
S&P 500 Index*	6,800	7,500	+10.3%
10-year Treasury Yield*	4.15%	4.00%	-15 bps
Fed Funds Target	3.5% to 3.75%	3.00% to 3.25%	-0.50%

Source: Ameriprise Global Asset Allocation Committee. *As of 12/16/2025

** Estimated, 2025 Actual based on year-end values

Key Takeaways

- The Ameriprise Global Asset Allocation Committee's 2026 year-end target of 7,500 for the S&P 500 reflects an increase of 10.3% from current levels.
- Key events that could drive increased volatility in 2026 include a new Fed chair appointment, a review of the USMCA trade agreement, and the all-important mid-term election cycle in November.
- As the AI theme continues to evolve, we anticipate broader adoption across multiple sectors and end markets that could create opportunities beyond the Mag 7. These 'stealth tech' winners could offer the combination of faster-than-expected growth and margin expansion.

Recommendations

- Position portfolios that can benefit from key upcoming macro and political events.
- Gain exposure to companies that are effectively integrating AI tools and software into their operations and show tangible results.
- Look beyond the sector level and position into industries with positive macro tailwinds and attractive growth opportunities.
- Take advantage of quality companies with short-term missteps that were unjustly punished in 2025.

NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS OF INTEREST, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT. For further information on any of the topics mentioned, please contact your financial advisor.

Theme: Tactical Playbook to Navigate an Uncertain Year



- ✓ New Fed Chair Appointment in May
- ✓ A "Review" of the Pivotal USMCA Trade Agreement
- ✓ Mid-Term Elections in November

A New Fed Chair Appointment is Imminent

Recently, President Trump has signaled his short list for nominees to the role of Fed Chair, which market participants view as the most pivotal role at the US Federal Reserve. Currently, Kevin Hassett, the acting director of the National Economic Council and a trusted advisor to Trump (under both of his presidential terms), is the leading candidate to replace Jerome Powell, whose term ends on May 15, 2026. Widely seen as dovish (i.e., advocating for lower interest rates), Hassett's view could influence (through public statements, post-meeting press conferences, etc.) the overall tone of the Federal Open Market Committee's (FOMC) policy stance.

Although there are 12 voting members on the FOMC, we believe a dovish Chair could, at a minimum, influence the market's interpretation of future policy, and at a maximum, the overall pace and magnitude of rate cuts in 2026 and beyond. A tilt toward looser monetary policy, with a greater tolerance for inflation staying above the 2% level, would be a shift from the previous Fed Chair's regime. Historically, the axiom of "*don't fight the Fed*" has provided a boost for equities, especially growth-oriented sectors such as Technology, by pushing discount rates lower that (in a theoretical vacuum) lead to a higher present value of future cash flows. Additionally, lower short-term rates positively influence consumer and corporate borrowing tied to floating rates, thereby freeing up disposable income, increasing purchasing power, and lowering interest expenses, all of which work to stimulate the economy.

BENEFITS OF LOWER INTEREST RATES



Consumers

Reduced borrowing costs, making loans and mortgages more affordable.



Businesses

Cheaper financing, enabling expansion and investment.



Economy

Increased spending and investment, supporting growth and job creation.

Source: American Enterprise Investment Services, Inc



Portfolio Positioning

Potentially lower short-term rates support credit-sensitive sectors and act as a valuation catalyst for long-duration assets such as Technology and AI-related names. Cheaper lending could also positively influence specific Consumer Discretionary industries such as automotive and housing-related names. Small- to mid-cap companies typically benefit from lower short-term rates, as much of their lending is floating-rate debt that adjusts lower to match a lower Fed funds rate. Infrastructure and Industrial projects could also benefit from more lenient credit conditions, while Real Estate (i.e., REITs) could experience a higher valuation on improving cap rates and better financing options.

USMCA Review...with \$2T at Stake

The United States-Mexico-Canada Agreement (USMCA) officially replaced the North American Free Trade Agreement (NAFTA) in July 2020 and is set to expire in 16 years, at the end of 2036; however, the agreement's formal six-year review is scheduled for July 2026. Essentially, July 2026 is a 'checkpoint' at which all three countries must agree to extend the deal for another 16 years, or risk entering annual renewal cycles. Although failure to agree on the July 2026 'checkpoint' does not spell the demise of the USMCA, it adds additional risk, as policy uncertainty creates an untenable capital investment environment, given that the trade 'rules' could change every year going forward.

Base Case: In our view, the most probable scenario is that the U.S., Mexico, and Canada will agree to extend the USMCA for an additional 16 years, although revisions are likely to address U.S. political and economic priorities. Key changes may include stricter enforcement or higher thresholds for the rules of origin, especially for electric vehicles. Mexico's role as a trade partner is increasingly essential, particularly in the automotive sector, and the new Mexican president has supported U.S. policy goals. Automotive parts and assembly dominate Mexico-U.S. trade, and negotiations may focus on increasing vehicle assembly in both countries in exchange for reduced tariffs on automobiles and base metals, such as steel and aluminum. While tariffs remain in place, an agreement with Mexico is highly likely, with the main sticking point being vehicle assembly requirements. Overall, the review is expected to reinforce North American supply chains and support manufacturing competitiveness.

Relations with Canada remain less transparent, with new leadership adding complexity to ongoing discussions. The automotive sector and its supply chain remain central to trilateral trade, alongside key products such as food, dairy, and energy. The U.S. may pursue tailored agreements with each partner to address specific import and export priorities. However, the timeline is tight: revisions to the USMCA must be submitted to Congress by early June, with approval targeted for July 1. The upcoming midterm elections in November are expected to increase pressure for a timely and constructive resolution, making a finalized agreement ahead of the election cycle the most pragmatic outcome.

What Could Go Wrong? Two potential scenarios could create significant challenges for equities in relation to the USMCA in 2026. The first, though unlikely, is the possibility of the United States withdrawing from the agreement entirely, a course of action that has been mentioned by both President Trump and U.S. Trade Representative Jamieson Greer during recent discussions with Canadian and Mexican trade representatives. The second adverse scenario would be a failure to reach consensus, resulting in the agreement shifting to annual reviews rather than the intended six-year cycle. This outcome would likely introduce persistent uncertainty, discouraging investment in new facilities and modernization efforts. While we consider both scenarios “tail risks” for the market, they warrant close monitoring. In sum, while we believe a repeat of the “Tariff Tantrum” in April 2025 has a low probability, it is also not a zero probability.



Portfolio Positioning

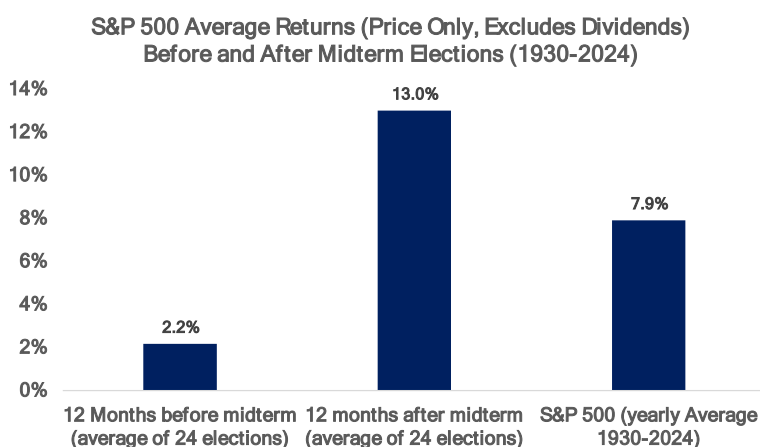
For steel and aluminum, we favor domestic producers if tariffs remain or tighten, which supports pricing power, while import-heavy manufacturers could see cost inflation. For the auto industry, higher rules of origin (ROO) favor US assembly and suppliers, especially in the US and Mexico. However, global OEMs with more complex sourcing could experience margin pressure. We expect nearshoring to accelerate demand for industrial equipment and automation, benefiting US manufacturers. Again, machinery that relies on imports could face higher costs and margin compression. Chemical and fertilizer firms in the US benefit from tariff protection and potentially lower energy costs, while benefits for Canadian producers are more uncertain. US farmers could get expanded access to Canada’s dairy markets, but there is a risk of retaliatory tariffs for packaged food and alcohol exporters. Stay focused on domestic staples and discretionary names, but we caution against Consumer Staples names with significant exposure to Canada or Mexico.

Midterm Elections (aka Markets Hate Uncertainty)

While there are many things markets can avoid in 2026, the midterm election cycle (and accompanying advertising blitz) isn’t one of them. Moreover, there is often increased volatility in the months leading up to the election due to significant uncertainty surrounding future fiscal policy and regulatory decisions. However, once the political dust settles, historically, the average 12-month return following midterms is distinctly positive.

Although midterms are still just under 11 months away, there is a growing consensus (via prediction market estimates) of a split government with the House leaning Democrat and the Senate remaining Republican. Whether you applaud or laud this early and albeit uncertain predictive estimate, it is a fact that markets fare better in a gridlocked government. *Why?* The ‘risk’ of a one-sided legislative or policy-driven environment is lower in a divided government, and thus greater clarity for consumers and businesses to spend and invest without risk of being on the wrong side of ‘new’ policy decisions.

The chart below shows returns dating back to 1930, encompassing 24 midterm cycles. As shown, during the 12 months leading up to midterms, there is increased volatility, with an average return of just 2.2%. However, the 12 months after the midterm election are distinctly positive and nearly two-thirds above the market’s long-term average return. As one would expect, with additional volatility heading into the election cycle, defensive areas of the market performed better (e.g., Consumer Staples, Financials, Utilities), while more growth-oriented sectors (e.g., Consumer Discretionary, Industrials, Energy) rebounded after the election.





Portfolio Positioning

We believe a divided government could be neutral for the market from a policy perspective, while the outcome would be more nuanced in the event of a right- or left-leaning sweep of Congress. Again, at this early juncture, we are positioning for a divided government following the midterm elections.



Need to Know

We expect navigating an uncertain year to result in increased market volatility and a greater focus on the Cboe Volatility Index (VIX), which is commonly known as investors' fear gauge. The VIX is a measure of the equity market's expectation of volatility over the next 30 days, based on near-term S&P 500 index options, including both puts and calls. A higher number reflects an increasing expectation that market volatility will be higher over the next 30 days. For context, the 5-year average for the VIX is about 19, but during the April 2025 'tariff tantrum', it briefly hit 60 (a high not seen since the COVID pandemic era).



Recommended List Selections

Company Name	Exchange	Ticker	Price	S&P Sector	Analyst
Home Depot	NYSE	HD	\$352.68	Consumer Discretionary	Patrick Diedrickson, CFA
General Motors	NYSE	GM	\$81.76	Consumer Discretionary	Frederick Schultz
TJX Stores	NYSE	TJX	\$155.09	Consumer Discretionary	Patrick Diedrickson, CFA
Toyota Motor	NYSE	TM	\$214.42	Consumer Discretionary	Frederick Schultz
Church & Dwight	NYSE	CHD	\$84.55	Consumer Staples	Patrick Diedrickson, CFA
Coca-Cola	NYSE	KO	\$70.37	Consumer Staples	Patrick Diedrickson, CFA
Colgate-Palmolive	NYSE	CL	\$78.95	Consumer Staples	Patrick Diedrickson, CFA
Costco Wholesale	NASDAQ	COST	\$860.39	Consumer Staples	Patrick Diedrickson, CFA
PepsiCo	NASDAQ	PEP	\$150.37	Consumer Staples	Patrick Diedrickson, CFA
Walmart	NASDAQ	WMT	\$115.42	Consumer Staples	Patrick Diedrickson, CFA
Kinder Morgan	NYSE	KMI	\$26.33	Energy	Will Foley, ASIP
Goldman Sachs	NYSE	GS	\$879.15	Financials	Lori Wilking-Przekop
Intercontinental Exchange	NYSE	ICE	\$160.05	Financials	Lori Wilking-Przekop
Nasdaq	NASDAQ	NDAQ	\$92.93	Financials	Lori Wilking-Przekop
Raymond James	NYSE	RJF	\$161.96	Financials	Lori Wilking-Przekop
Canadian Pacific Kansas City	NYSE	CP	\$73.35	Industrials	Frederick Schultz
Prologis	NYSE	PLD	\$127.61	Real Estate	Lori Wilking-Przekop
Simon Property Group	NYSE	SPG	\$182.53	Real Estate	Lori Wilking-Przekop
Vici Properties	NYSE	VICI	\$28.31	Real Estate	Lori Wilking-Przekop

Theme: AI Implementation and Stealth Tech Winners



- ✓ Companies Beyond the Mag 7 Implementing AI
- ✓ Stealth Tech Winners Span a Host of Sectors and End Markets

AI Implementation & Stealth Tech Winners

In 2026, artificial intelligence (AI) is expected to remain a dominant theme in the equity markets. Still, an equally important narrative is emerging around companies that operate “under the radar”—the so-called “Stealth Tech & AI Implementers.” While trillion-dollar hyperscalers and AI infrastructure providers continue to capture headlines and investor attention, a growing cohort of firms outside the traditional mega-tech spotlight is quietly embedding advanced technology and AI into their core operations. These companies do not simply offer AI solutions as a product; instead, they leverage technology as a strategic tool to drive efficiency, expand margins, and unlock new revenue streams.

Unlike the obvious “AI hype crowd,” Stealth Tech & AI Implementers are investing aggressively in digital transformation, often in ways that escape mainstream coverage. For example, industrial conglomerates are deploying predictive analytics to minimize equipment downtime, retailers are using AI-driven demand forecasting to optimize inventory management, and financial services firms are automating compliance and risk management processes. These initiatives may not make front-page news, but they deliver measurable improvements in productivity and profitability.

Companies that integrate AI into their everyday operations can achieve operational excellence and create competitive advantages. Investors should pay close attention to key metrics, including rising revenue per employee, expanding operating margins, and increased capital expenditures on digital infrastructure. These indicators suggest that “Stealth Tech” firms are not only adapting to technological change but are also well-positioned to outperform in a market increasingly driven by innovation and efficiency.

This theme carries risks, as limited visibility and other metrics can make it more challenging for investors to assess performance and strategy. Execution risk is also crucial, as integrating AI and digital transformation can be complex and may not yield the expected productivity gains. Competitive pressures may intensify as more firms adopt similar technologies, potentially eroding any advantage. Investors must also rely on indirect metrics to gauge success, which can be influenced by factors unrelated to technology adoption.



Stealth Tech & AI Implementers

In 2026, while AI hyperscalers and infrastructure providers dominate headlines, a lesser-known group quietly transforms industries



Leverage **AI and technology** to improve **efficiency**, expand margins and create new revenue streams



Industrial conglomerates using **predictive analytics** to reduce downtime



Retailers optimizing **inventory** with AI-driven **demand forecasting**



Financial services automating **compliance** and **risk management**



Strategic use of technology delivers **measurable gains** in **productivity and profitability**

Source: American Enterprise Investment Services, Inc.



Key Metrics to Watch

Beyond press releases and headlines, we believe key metrics for companies should focus on quantifiable outcomes such as:

- ✓ **Revenue/Employee:** Rising revenue/employee suggests increasing productivity and automation implementation
- ✓ **Operating Margin Expansion:** ‘Below the line’ cost savings in areas such as selling, general, and administrative areas may signal AI-driven efficiencies
- ✓ **Allocating capital spending to digital infrastructure:** Scalable tech platforms that can enable new revenue streams to provide data for better decision-making, improving customer satisfaction, and reducing errors

Portfolio Positioning



Look for companies with established operations and a strong balance sheet versus speculative AI-theme-driven 'show me' stocks. These companies can span multiple sectors, industries, and end markets, but have a stated goal and plan to leverage technology and AI to drive growth. From a valuation perspective, AI Implementation & Stealth Tech Winners could also generate outsized earnings growth in 2026, thus leading to a potential valuation re-rating.



Recommended List Selections

Company	Exchange	Ticker	Price	Sector	Analyst
Alphabet Class A	NASDAQ	GOOGL	\$306.57	Communication Services	Patrick Diedrickson, CFA
Disney	NYSE	DIS	\$111.62	Communication Services	Patrick Diedrickson, CFA
Netflix	NASDAQ	NFLX	\$94.57	Communication Services	Andrew Heaney, CFA
Spotify Technology	NYSE	SPOT	\$579.07	Communication Services	Andrew Heaney, CFA
Home Depot	NYSE	HD	\$352.68	Consumer Discretionary	Patrick Diedrickson, CFA
lululemon athletica	NASDAQ	LULU	\$206.74	Consumer Discretionary	Patrick Diedrickson, CFA
McDonald's	NYSE	MCD	\$314.50	Consumer Discretionary	Patrick Diedrickson, CFA
Starbucks	NASDAQ	SBUX	\$85.08	Consumer Discretionary	Patrick Diedrickson, CFA
Ulta Beauty	NASDAQ	ULTA	\$589.27	Consumer Discretionary	Patrick Diedrickson, CFA
Costco Wholesale	NASDAQ	COST	\$860.39	Consumer Staples	Patrick Diedrickson, CFA
Walmart	NASDAQ	WMT	\$115.42	Consumer Staples	Patrick Diedrickson, CFA
Chevron	NYSE	CVX	\$146.75	Energy	Will Foley, ASIP
Exxon Mobil	NYSE	XOM	\$114.68	Energy	Will Foley, ASIP
SLB Limited	NYSE	SLB	\$37.61	Energy	Will Foley, ASIP
Bank of America	NYSE	BAC	\$54.81	Financials	Lori Wilking-Przekop
Capital One	NYSE	COF	\$241.61	Financials	Lori Wilking-Przekop
Goldman Sachs	NYSE	GS	\$879.15	Financials	Lori Wilking-Przekop
JPMorgan Chase	NYSE	JPM	\$315.55	Financials	Lori Wilking-Przekop
Intuitive Surgical	NASDAQ	ISRG	\$554.58	Health Care	Chris Macino, CFA
Natera	NASDAQ	NTRA	\$227.40	Health Care	Chris Macino, CFA
Generac Holdings	NYSE	GNRC	\$155.36	Industrials	Frederick Schultz
Quanta Services	NYSE	PWR	\$438.49	Industrials	Frederick Schultz
Corning	NYSE	GLW	\$86.29	Information Technology	Frederick Schultz
Motorola Solutions	NYSE	MSI	\$363.83	Information Technology	Andrew Heaney, CFA
Welltower	NYSE	WELL	\$190.40	Real Estate	Frederick Schultz
American Electric Power	NYSE	AEP	\$114.57	Utilities	Frederick Schultz

Theme: From Oversold to Opportunity



- ✓ Last Year's Laggards Could be Next Year's Winners
- ✓ As the Market Broadens in 2026, Opportunities Await

A Shopping List of Companies Left Behind

The equity market in 2025 delivered strong headline returns, with the S&P 500 posting impressive gains through the first eleven months of the year. However, beneath the surface, performance was far from uniform. A handful of large-cap names, primarily concentrated in Technology and Communication Services, tied to the AI narrative, were the primary drivers of index-level strength. This dynamic became even more pronounced following the April 8 lows, which coincided with increased volatility following the "Liberation Day" tariff announcement. From that point forward, Growth and Momentum factors dominated, creating a bifurcated market of "haves" and "have-nots."

This concentration of returns has important implications for investors as we look ahead to 2026. While mega-cap leaders captured outsized attention and capital flows, many fundamentally sound companies were "left behind." Some were punished on company-specific headlines that we believe are transitory in nature; others were simply overlooked as investors chased thematic exposure to AI and related technologies. In our view, the result is a market where investors can potentially find value in companies that move from "Oversold in 2025 to Opportunities in 2026."

For equity investors, this environment highlights the importance of being selective and patient. Companies with durable business models, strong balance sheets, and clear paths to earnings normalization may offer compelling entry points after a year of relative neglect. In particular, businesses that are well-positioned to benefit from secular trends and cyclical recovery, yet trade at discounts to historical multiples.

Looking ahead, we expect the market narrative to broaden. While AI and digital transformation remain powerful themes, incremental gains may require more than continued earnings momentum in a handful of stocks. As macro uncertainty around tariffs, supply chains, and interest rates stabilizes, investors could rotate toward quality names on our Recommended List that were overshadowed in 2025.

In short, 2025 was (another year) defined by concentration and momentum. 2026 may offer a different story, one where overlooked companies regain investor attention, and fundamentals take center stage. For investors willing to look beyond last year's obvious winners, the coming year could present alpha-generating possibilities as specific companies move from "Oversold" in 2025 to "Opportunities" in 2026.

From Oversold to Opportunity



In 2025, strong S&P 500 returns were mainly driven by a handful of large-cap Tech & Comm Svcs stocks linked to AI



Fundamentally sound companies were overlooked or punished, presenting potential value opportunities for 2026



Investors should be selective and patient, focusing on businesses with durable models, strong balance sheets, and discounted valuations



As macro uncertainties stabilize, market attention may shift from last year's winners to quality companies poised for recovery and secular growth



Offering new alpha-generating possibilities

Source: American Enterprise Investment Services, Inc.



Recommended List Selections

Company Name	Exchange	Ticker	Price	S&P Sector	Analyst
Best Buy	NYSE	BBY	\$72.62	Consumer Discretionary	Patrick Diedrickson, CFA
Home Depot	NYSE	HD	\$352.68	Consumer Discretionary	Patrick Diedrickson, CFA
Keurig Dr Pepper	NASDAQ	KDP	\$28.59	Consumer Staples	Patrick Diedrickson, CFA
Progressive	NYSE	PGR	\$231.81	Financials	Lori Wilking-Przekop
Merck	NYSE	MRK	\$98.27	Health Care	Chris Macino, CFA
Stryker	NYSE	SYK	\$351.69	Health Care	Chris Macino, CFA
Verisk Analytics	NASDAQ	VRSK	\$217.64	Industrials	Frederick Schultz
Adobe	NASDAQ	ADBE	\$347.89	Information Technology	Andrew Heaney, CFA
Synopsys	NASDAQ	SNPS	\$463.34	Information Technology	Andrew Heaney, CFA
Iron Mountain	NYSE	IRM	\$81.00	Real Estate	Frederick Schultz
Regency Centers	NYSE	REG	\$67.16	Real Estate	Lori Wilking-Przekop

Why 2026 Could be Their Year

- Best Buy:** Best Buy faced headwinds in 2025 from promotional intensity, tariff-related margin pressure, and uneven demand in appliances and home theater, despite strength in computing and gaming. Strategic investments in Marketplace and retail media added high-margin revenue streams, but near-term profitability remained constrained. In our view, sales in 2026 could improve due to a bottoming electronics replacement cycle, AI-enabled PC adoption, handheld gaming momentum, and continued expansion of Marketplace and Ads, which we believe positions BBY for share gains and margin recovery.
- Home Depot:** Home Depot experienced weaker sales in 2025 due to historically low housing turnover, consumer caution, and the absence of storm-driven demand, which limited discretionary projects and compressed margins. Despite modest revenue growth, EPS missed expectations as operating costs rose. Looking ahead to 2026, catalysts include potential Fed easing, improved housing affordability, and aging home stock driving renovation demand. Strategic investments in the Pro ecosystem, digital fulfillment, and supply chain enhancements position HD for share gains and margin recovery.
- Keurig Dr Pepper:** KDP lagged in 2025 due to margin compression, coffee segment weakness, and higher costs. Catalysts for 2026 include easing input inflation, strong momentum in the beverage segment, and value creation from the planned separation of the coffee business.
- Progressive:** PGR shares delivered strong gains in 1H'25, supported by robust underwriting results and double-digit growth in policies in force (PIF). However, performance softened in 2H'25 as investor sentiment shifted toward "risk-on" Financials amid easing tariff concerns and slowing PIF growth. In our view, the shares' discounted valuation already reflects the prospects for more normalized earnings growth in 2026 (2025 operating EPS rose an estimated 130% y/y). We believe PGR's solid underwriting margins could allow the company to remain in "growth mode" in 2026 and potentially see stable to improving PIF growth and better-than-expected operating EPS growth. We note, on December 5, 2025, PGR's Board declared an annual common dividend of \$13.50 per share payable on 01/08/2026 to shareholders of record on the close of business on January 2, 2026.
- Merck:** Merck is moving beyond its heavy reliance on *Keytruda* by expanding its portfolio in the oncology, cardiovascular, vaccines, and immunology therapeutic areas. While *Keytruda* and *Gardasil* (combined account for ~57% of 2025 YTD total company revenue) face US patent expirations in 2028 and *Keytruda* faces upcoming Inflation Reduction Act (IRA) drug price negotiations, we believe the 2025 acquisitions of Verona Pharma (~\$10B) and Cidara Therapeutics (~\$9.2B) strengthen its pipeline and revenue outlook in the near-term. Additional M&A capacity positions MRK to continue building diversification ahead of these headwinds.
- Stryker:** Despite underperformance in 2025, SYK delivered consistent revenue and Adj. EPS beats vs. consensus and completed its \$5B acquisition of Inari Medical, adding exposure to the peripheral vascular market. SYK's organic revenue growth has remained near or above 10% over the last several years, and we believe 2026 should benefit from Inari Medical's integration and revenue turning organic, easing supply chain challenges in its Medical division, and share gains following **Johnson & Johnson's** (NYSE: JNJ; \$209.30) planned Orthopedics exit. We believe these factors support SYK's positioning for sustained growth.
- Verisk Analytics:** An unseasonably mild year for catastrophe losses and struggles to close its biggest ever announced deal due to regulatory headwinds helped drive the shares toward 52-week lows exiting 2025. We expect 2H'26 to anniversary the merger

and lower than normal business conditions from the summer of 2025, which sets up for a potentially solid trade into the midterm elections. We believe mgmt. has substantial share repurchasing power for 2026 (~\$1.2B) and the current valuation is more than 20% below the historic 5-year average. The upside to the current FactSet consensus target is ~17%, excluding the ~1.0% yield on the shares.

- **Adobe:** Despite consistent double-digit top and bottom line growth over the last several years, Adobe shares have been in a sustained down trend as new artificial intelligence capabilities have fueled concern over workflow disruption, competitive encroachment, and weaker pricing power in Creative Cloud. We view this as an Ashes to Alpha setup because fundamentals remain solid while expectations have reset. Management is targeting over 10% total annualized recurring revenue (ARR) growth in FY26 with healthy margins, and AI driven products are already contributing meaningfully to subscription growth. Ongoing share repurchases have reduced share count, which strengthens per share earnings power if valuation and narrative stabilize.
- **Synopsis:** Despite consistent double-digit revenue and earnings growth, Synopsys shares were hit hard as tariff chatter and export controls raised fears that China demand would weaken and customer design timelines would slip. That overhang has faded as the U.S. pulled back the China-related electronic design automation (EDA) restrictions and Synopsys moved to restore customer access, improving visibility in a market that matters to the revenue mix. The business still benefits from multi-year licensing and strong backlog, which tends to smooth results through macro noise. Meanwhile, AI-driven chip complexity continues to increase EDA requirements, leaving Synopsys well positioned to rebound as policy risk and sentiment normalize.
- **Iron Mountain:** After a disappointing 2025 and cutting its guidance for new data center leasing early in the year, the shares exit 2025 off its recent highs. Challenges to mgmt.'s cost cutting targets and growth objectives, as well as dividend support have been challenged. IRM's Board recently increased the dividend by 10% and its asset lifecycle management (ALM) business is trending toward replacing data centers as a new area of growth and cash flow generation. A rebound of ~20% from current levels would leave the shares nearly 16% below the current FactSet consensus target of \$116 p/s. On a P/AFFO basis, the shares are more than 2 full turns lower than its historic 5-year average. The shares are also yielding an attractive 4%+, which is compelling for income-oriented investors looking for a stable business model.
- **Regency Centers:** Investors' concerns regarding the economy and tariffs weighed on shopping center REITs in 2025, overshadowing the industry's favorable supply and demand dynamics. We believe resilient consumer spending, an easing of tariff risks, and remerchandising opportunities could boost sentiment for the group in 2026. In our view, REG is a best-in-class operator, with FFO visibility, a nondiscretionary tenant base, and an active development pipeline, which could provide a catalyst for potential outperformance. Additionally, the shares offer investors a dividend yield of 4.4%.

The Ameriprise Investment Research Group

Investment Research Leader

Michael V. Jastrow, CFA
Vice President

Strategists

Chief Market Strategist

Anthony M. Saglimbene
Vice President

Thomas Crandall, CFA, CFP®, CMT, CAIA
Vice President – Asset allocation

Jun Zhu, CFA, CAIA
Sr. Analyst – Quantitative, Asset allocation

Sumit Chugh, CFA
Sr. Manager

Amit Tiwari, CFA
Sr. Associate I

Chief Economist

Russell T. Price, CFA
Vice President

Equity Research

Justin H. Burgin
Vice President

Patrick S. Diedrickson, CFA
Director – Consumer goods and services

William Foley, ASIP
Director – Energy and materials

Lori Wilking-Przekop
Sr. Director – Financial services and REITs

Christopher K. Macino, CFA
Director – Health care

Frederick M. Schultz
Sr. Director – Industrials and utilities

Andrew R. Heaney, CFA
Director – Technology and Communication Services

Bishnu Dhar
Sr. Analyst – Quantitative strategies and international

Manager Research

Kevin McDevitt, CFA, CAIA
Vice President

ETFs, CEFs, UITs

Jeffrey R. Lindell, CFA
Sr Director

Open
Analyst II

Sagar Batra
Sr Associate I

Alternative Investments

Justin E. Bell, CFA
Vice President

Kay S. Nachampassak
Director

Byron Dolven
Director

Blake Hockert, CFA, CAIA
Sr Analyst

Michael Sheaffer, CFA
Sr Analyst

Firm and Product Due Diligence

Peter W. LaFontaine
Sr Analyst

Ryan Elvidge, CFA
Sr Analyst

Multi-Asset and Fixed-Income

Mark Phelps, CFA
Sr Director – Multi-Asset Solutions

Josh Whitmore, CFA
Director – Fixed Income

Lukas Leijon
Sr Associate II – Fixed Income

Diptendu Lahiri
Sr Associate I – Fixed Income

Equities

Benjamin L. Becker, CFA
Sr Director – International and global equity

Cynthia Tupy, CFA
Director – Value and equity income equity

Open
Analyst II – Core equity

Teneshia Butler
Analyst II – Growth equity

Kuldeep Rawat
Sr Associate I

Quantitative Research

Kurt J. Merkle, CFA, CFP®, CAIA
Vice President

Gaurav Sawhney
Analyst II

Matthew Burandt
Analyst II

Parveen VEDI
Sr Associate I

Harish Chauhan
Sr Associate I

Ankit Srivastav
Lead Business Analyst

Pulkit Kumar
Associate I

Sameer Asif
Associate II

Fixed Income Research

Brian M. Erickson, CFA
Vice President

Jon Kyle Cartwright
Sr Director – High yield and investment grade credit

Stephen Tufo
Director – High yield and investment grade credit

Research Support

Jillian Willis
Sr Administrative Assistant

Kimberly K. Shores
Investment Research Coordinator

Jeff Carlson, CLU®, ChFC®, RICP®,
CRPC™
Business Risk Manager

The content in this report is authored by American Enterprise Investment Services Inc. ("AEIS") and distributed by Ameriprise Financial Services, LLC ("AFS") to financial advisors and clients of AFS. AEIS and AFS are affiliates and subsidiaries of Ameriprise Financial, Inc. Both AEIS and AFS are broker-dealer member firms registered with FINRA and are subject to the objectivity safeguards and disclosure requirements relating to research analysts and the publication and distribution of research reports. The "Important Disclosures" below relate to the AEIS research analyst(s) that prepared this publication. The "Disclosures of Possible Conflicts of Interest" section, where applicable, relates to the conflicts of interest of each of AEIS and AFS, their affiliates and their research analysts, as applicable, with respect to the subject companies mentioned in the report.

Each of AEIS and AFS have implemented policies and procedures reasonably designed to ensure that its employees involved in the preparation, content and distribution of research reports, including dually registered employees, do not influence the objectivity or timing of the publication of research report content. All research policies, coverage decisions, compensation, hiring and other personnel decisions with respect to research analysts are made by AEIS, which is operationally independent of AFS.

Important disclosures

As of September 30, 2025

The views expressed regarding the company(ies) and sector(s) featured in this publication reflect the personal views of the research analyst(s) authoring the publication. Further, no part of research analyst compensation is directly or indirectly related to the specific recommendations or views contained in this publication.

A part of a research analyst's compensation may be based upon overall firm revenue and profitability, of which investment banking, sales and trading, and principal trading are components. No part of a research analyst's compensation is based on a specific investment banking transaction, nor is it based on sales, trading, or principal trading. A research analyst may have visited the material operations of one or more of the subject companies mentioned in this research report. No payment was received for the related travel costs.

Additional information (including definitions of terms) and current research disclosures on individual companies mentioned in this research report are available on our website at ameriprise.com/legal/disclosures in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor. You may also submit a written request to Ameriprise Financial, Inc., 1441 West Long Lake Road, Troy MI, 48098. For additional information on individual companies in this report, see Ameriprise Investment Research Group (IRG) reports and available third-party research which provides additional investment highlights, a price chart and a company description. Also included are key statistics covering income statement and balance sheet metrics, debt ratings, issue data, and consensus estimates. SEC filings may be viewed at sec.gov.

Tactical asset class recommendations mentioned in this report reflect The Ameriprise Global Asset Allocation Committee's general view of the financial markets, as of the date of the report, based on then current conditions. Our tactical recommendations may differ materially from what is presented in a customized long-term financial plan or portfolio strategy. You should view our recommendations in conjunction with a broader long-term portfolio strategy. Not all products, services, or asset classes mentioned in this report may be available for sale at Ameriprise Financial Services, LLC. Please consult with your financial advisor.

Ameriprise Recommended List equities are equities that our analyst(s) believe offer attractive total return potential within their coverage universe based on current conditions. Your financial advisor can assist you with determining the risk profile of the Recommended List companies within the context of your overall investment portfolio. Additions and deletions are at the discretion of the analyst(s) covering the sector, with changes based upon such fundamental factors as valuation, competitive position, market conditions, etc.

The Sector Recommended List is not designed to be a complete portfolio, but instead to assist in the selection of securities for the equity portion of a well-diversified portfolio. We believe it is important for investors to diversify their investments across asset classes, economic sectors and industries in order to help reduce risk. Please consult with your financial advisor to assist in creating a diversified portfolio that is consistent with your investment objectives.

Recommended List selections and securities markets in general could experience significant volatility due to several factors, including but not limited to: changes in global economic conditions, movements in interest & foreign exchange rates, fluctuations in commodity prices, geopolitical risks, changes in the regulatory & legislative environment (e.g., regulatory capital requirements, changes in tax rates, Medicare, etc.), catastrophes & natural disasters, labor issues, disruptions in the supply chain, merger integration issues, patent expiration, cybersecurity issues, litigation risks, headline risks, changes in distribution, and the loss of key personnel. For additional information please refer to third party research reports. You may experience a loss of principal by investing in equities.

Securities included on our Recommended Lists are selected from the universe of companies covered by AEIS. Approved third party research providers (e.g., CFRA powered by data from S&P Global, Morningstar and Refinitiv/LSEG) generally provide additional information on Recommended List companies. Recommended List selections reflect securities that our analysts believe represent good value based on current conditions. If a security is added to a Recommended List, we deem it to be appropriate for investment. If a security is removed from a Recommended List and you choose to hold the removed security in your investment portfolio, you should continue to review available third party research sources in order to obtain an investment opinion, price target, and additional fundamental analysis.

Ameriprise equity ratings definitions

Buy Rating – The shares are expected to outperform the analyst's benchmark (or blended benchmark) over the next 12 months on a total return basis. We believe the company has healthy business prospects and/or attractive valuation metrics that could result in strong performance versus the benchmark.

Hold Rating – The common shares are expected to perform in-line with the analyst's benchmark (or blended benchmark) over the next 12 months on a total return basis. The company has attractive long-term business prospects, but certain near-term issues could result in performance that only matches the benchmark, and shares may be fairly valued at current levels.

Distribution of Recommended List Stock Ratings:

	Count	Percent
BUY	153	89%
HOLD	18	11%
TOTAL	171	100%

Risk Factors

American Depositary Receipts (ADR) are securities issued by a U.S. bank that typically represent a foreign company's equity and that trade similarly to domestic equities, and are either listed on an exchange or over-the-counter. As with any equity investment, ADRs are subject to market and company specific risks. ADRs will also be subjected to foreign market risks. These risks include possible losses due to foreign currency translation, geopolitical instability, and deviations in the market value of an ADR compared to that of the underlying common shares in its primary market. ADRs may suffer from a lack of investor protection and recourse. In the event of a liquidation of the underlying company, the holders of its ADRs are not guaranteed of being able to enforce their right of claim and therefore they may lose their entire investment. Investors of ADRs may also take on risks associated with the parties involved with the sponsoring Bank.

Alternative investments involve substantial risks and are more volatile than traditional investments, making them more suitable for investors with an above-average tolerance for risk.

Corporate Bonds are debt instruments issued by a private corporation. Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Investing in **derivatives** is a specialized activity that involves special risks that subject the fund to significant loss potential, including when used as leverage, and may result in greater fluctuation in fund value.

Diversification and Asset Allocation do not assure a profit or protect against loss.

Dividend and interest payments are not guaranteed. The amount of dividend payment, if any, can vary over time and issuers may reduce or eliminate dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer. Should a company be unable to pay interest on a timely basis a default may occur and interruption or reduction of interest and principal occur. Investments in a narrowly focused sector may exhibit higher volatility than investments with broader objectives and is subject to market risk and economic risk.

There are risks associated with **fixed-income investments**, including bond funds, such as credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

Growth securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors.

Income Risk: We note that dividends are declared solely at the discretion of the companies' boards of directors. Dividend cuts or eliminations will likely negatively impact underlying company valuations. Published dividend yields are calculated before fees and taxes. Dividends paid by foreign companies to ADR holders may be subject to a withholding tax which could adversely affect the realized dividend yield. In certain circumstances, investors in ADR shares have the option to receive dividends in the form of cash payments, rights shares or ADR shares. Each form of dividend payment will have different tax consequences and therefore generate a different yield. In some instances, ADR holders are eligible to reclaim a portion of the withholding tax.

International investing involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are enhanced for **emerging market** issuers.

Interest payments on **inflation-protected securities** may be more volatile than interest payments on ordinary bonds. In periods of deflation, these securities may provide no income.

Market Risk: Model portfolios and markets in general could sustain significant volatility due to several factors. As we have seen recently, both economic and geopolitical issues could have a material impact on this model portfolio and the equity market as a whole.

The **mutual funds** and **ETFs** included in this report are subject to specific risk factors, generally the same as those of the underlying securities and may result in a loss of the principal amount invested.

Non-investment-grade (high-yield or junk) securities present greater price volatility and more risk to principal and income than higher rated securities.

Quantitative Strategy Risk: Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

Investors should consider the investment objectives, risks, charges, and expenses of a real estate investment trust (REIT) carefully before investing. As risk tolerance or other needs of an investor change, you may take appropriate action such as changing your reinvestments through the REIT's Distribution Reinvestment Program (DRIP) to cash, to the extent available. The prospectus contains this and other important information about the REIT and should be read carefully before investing.

An investment in a **REIT** is subject to many of the same risks as a direct investment in real estate. Initially, a REIT will not own specific properties, such that an investor cannot assess the actual real estate holdings prior to investing. Some of the properties held by REITs may be subject to balloon payments, refinancing or bankruptcy. REITs also may use leverage that may accelerate the velocity of potential losses.

Distributions are not guaranteed and may be suspended or halted. Distributions may exceed operating cash flow, resulting in return of principal.

Distributions for REITs are taxed as ordinary income, not at the capital gains rate, unless the distribution is return of capital.

Fees for REITs may be expensive. Investors should consider the extent to which their fees are covered by distribution and share price appreciation.

While investing in a REIT may help diversify your portfolio, putting all your real estate investments in one REIT may result in under diversification. While diversification can help protect against certain investment risks, it does not assure a profit or protect against loss.

Prior performance of similar REIT investments from the sponsor or affiliates of the sponsor does not guarantee similar performance for the REIT Investment. Prior liquidity events or total return performance of prior programs, of similar REIT investments of the sponsor or affiliates of the sponsor, does not ensure that a REIT will meet the same timeframe or have similar performance.

Lack of a public trading market creates illiquidity and valuation complexities. Non-traded real estate investment trusts (non-traded REITs) are generally long-term, illiquid investments and are only suited for clients with long-term investment goals. There can be no assurance that a secondary market for a non-traded REIT will exist. During the offering period non-traded REITs may be redeemed at lower value than original purchase price.

Early redemption is often restricted or may be terminated, and should not be relied on as an emergency exit strategy. Early redemption may be expensive, resulting in a lower price than the purchase price.

Non-traded REIT products are limited to investors who meet the financial qualifications as specified in the prospectus, in addition to the Ameriprise Financial minimum requirements.

Ameriprise Financial is a distributor of non-traded REIT offerings and is not affiliated with the sponsors or managers of the non-traded BDCs Ameriprise distributes.

Like real estate, **REITs** are subject, but not limited to illiquidity, valuation and financing complexities, taxes, default, bankruptcy and other economic, political, or regulatory occurrences.

Sector Risk: The Ameriprise Global Asset Allocation Committee and managers of this model portfolio can elect to overweight or underweight (or completely avoid) certain economic sectors. This could lead to substantial underperformance versus a more diversified or balanced weighting.

Security Recommendation Risk: The research team may not be successful in selecting securities that collectively perform better than the benchmark. When viewing return comparisons investors should keep in mind the following information. Our model portfolio generally maintains less than 50 securities, whereas benchmark indices contain several times that amount. The benchmark index is market capitalization weighted, providing greater weight to the larger company movements, whereas our model portfolio is designed to be equally dollar weighted. Furthermore, the model portfolio may deviate significantly, at times, from the sector allocation of the benchmark due to our interpretation of economic conditions and market factors as well as our security selection process.

The benchmark index returns are taken from Bloomberg Financial Markets and reflect dividends reinvested. Additionally, there is no fee or cost assumption in the index comparison return.

Investments in **small- and mid-capitalization companies** involve greater risks and volatility than investments in larger, more established companies.

The products of **technology companies** may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Value securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth.

Definitions of terms

Definitions of terms mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor.

Index definitions

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

Disclosures of possible conflicts of interest

One or more members of the research team who prepared this research report may have a financial interest in securities mentioned in this research report through investments in a discretionary separately managed account program.

Disclaimer section

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

This summary is based upon financial information and statistical data obtained from sources deemed reliable, but in no way is warranted by Ameriprise Financial, Inc. as to accuracy or completeness. This is not a solicitation by Ameriprise Financial Services, LLC of any order to buy or sell securities. This summary is based exclusively on an analysis of general current market conditions, rather than the appropriateness of a specific proposed securities transaction. We will not advise you as to any change in figures or our views.

Past performance is not a guarantee of future results.

Investment products are not insured by the FDIC, NCUA or any federal agency, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

Third-party companies mentioned are not affiliated with Ameriprise Financial Services, LLC.

Ameriprise Financial, Inc. and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Securities offered by Ameriprise Financial Services, LLC. Member FINRA and SIPC.