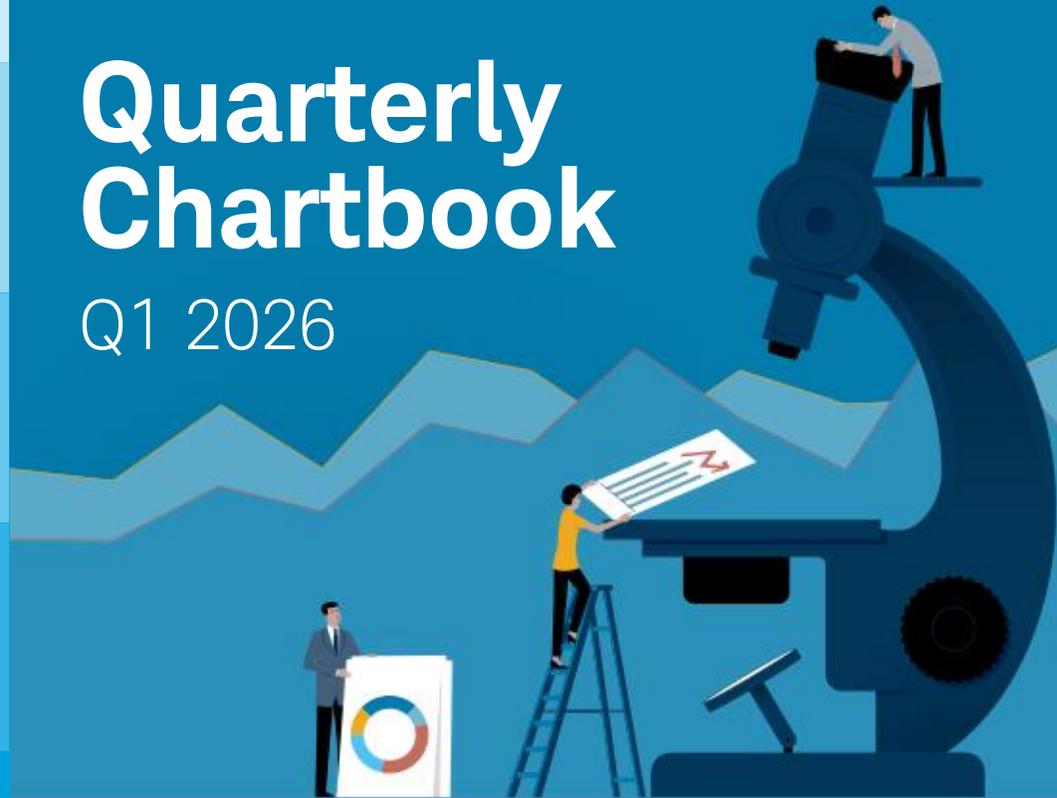


charles
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Quarterly Chartbook

Q1 2026



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About the Quarterly Chartbook



The Quarterly Chartbook is constructed to provide you with information around the global economy, equities, sources of income, commodities, and asset allocation opportunities. These charts can provide a visual framework to help support conversations with your clients.

We have created this chartbook in collaboration with the investment professionals from Schwab Asset Management® and the market strategists at the Schwab Center for Financial Research. Released at the beginning of Q1, this chartbook contains the latest available data as of the end of Q4 2025.

We hope it will help illuminate what is happening in the economy and provide insights to support market discussions with your clients.

Q4 Market summary | Total returns

Market commentary

- The stock market increased slightly in the final quarter of the year. Nine of the 11 sectors in the S&P 500 rose in the quarter on a total return basis. Small caps moved higher, helping bring the Russell 2000's annual total returns to 12.8%.
- The U.S. bond market generally posted positive returns in the fourth quarter as the Federal Reserve lowered its benchmark interest rate two more times, pulling down short-term yields. Declining inflation expectations weighed on TIPS performance, while low spreads helped support high-yield bond returns.
- International bonds generally underperformed US bonds in the fourth quarter due to rising yields. The Bank of Japan raised its benchmark interest rate again in the fourth quarter, helping pull the 10-year Japanese government bond yield to 2.08%, its highest level since 1999.
- Record prices in gold and silver led the S&P GSCI Index higher, along with industrial metals, offsetting a continued downtrend for the heavy-weight component of crude oil prices. REITs remained subdued amid myriad factors.

	BENCHMARK	Q4 2025	1-year	3-Year	5-Year	10-Year
U.S. Large-Cap Stocks	S&P 500® Index	2.7%	17.9%	23.0%	14.4%	14.8%
U.S. Small-Cap Stocks	Russell 2000® Index	2.2%	12.8%	13.7%	6.1%	9.6%
International Developed Stocks	MSCI EAFE Index	4.9%	31.9%	17.8%	9.5%	8.7%
Emerging Market Stocks	MSCI Emerging Markets Index	4.7%	34.2%	16.9%	4.6%	8.8%
U.S. Bonds	Bloomberg US Aggregate Bond Index	1.1%	7.3%	4.7%	-0.4%	2.0%
Treasury Inflation Protected Securities	Bloomberg US Treasury Inflation Protected Securities (TIPS) Index	0.1%	7.0%	4.2%	1.1%	3.1%
High Yield Bonds	Bloomberg US Corporate High Yield Bond Index	1.3%	8.6%	10.1%	4.5%	6.5%
International Developed Bonds	Bloomberg Global Treasury ex-US Index	-1.4%	8.2%	2.6%	-4.5%	0.3%
Commodities	S&P GSCI Index	1.0%	7.1%	3.9%	14.6%	6.1%
REITS	Dow Jones U.S. Select REIT Index	-0.8%	3.7%	8.5%	6.7%	4.8%

Note: Returns are annualized for periods over one year. Total return includes the reinvestment of dividends, interest, and other cash flows. Values shown are rounded to the nearest tenth. Source: Bloomberg as of 12/31/2025. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. For more information on indexes, please see [Schwab.com/IndexDefinitions](https://www.schwab.com/IndexDefinitions). Investing involves risk, including loss of principal. **Past performance is no guarantee of future results. For illustrative purposes only.**

Overview

Economy	The U.S. economy likely continued to expand in the fourth quarter. An important caveat is that this chartbook is being published before the release of the fourth quarter gross domestic product (GDP) report, which is expected to be swayed heavily by the record-long government shutdown. It is likely that growth was much slower in final quarter of 2025, but much of that is expected to reverse in the early months of 2026 given other gauges of activity—such as those from the private sector—have indicated continued growth in the U.S. economy. While the shutdown also distorted job and inflation data, trends through the end of the year were consistent with pre-shutdown dynamics: still-sticky inflation and a drift higher in unemployment.
Equities	U.S. stocks continued to move higher in the fourth quarter, but headline index gains were suppressed by a relative pullback in mega-cap leadership. Eight of the 11 S&P 500 sectors rose, but with Health Care the leader and Tech moving up by only 1.4%, the S&P 500's quarterly gain was relatively muted at 2.4%. That is indicative of a broader rotation that has continued to take place, in favor of some of the year-to-date laggards. Fortunately, most of the market's gains in the back half of the year were driven by earnings, which has alleviated some concerns given the S&P 500's rich valuation. A continued rotation into the less expensive, smaller segments of the market might come at the expense of significant index gains, but breadth remaining healthy and earnings continuing to grow are more important indicators of underlying market health.
Income	The Federal Reserve lowered its benchmark interest rate two more times in the fourth quarter, bringing its target range down to 3.5% to 3.75%. Updated projections suggest that the Fed should continue to cut rates in 2026, but there is a wide dispersion of views among committee members regarding the timing and magnitude of cuts given that its mandates of price stability and maximum employment are in a bit of tension. We expect the 10-year Treasury yield to hold near 4% even if the Fed continues to cut rates given sticky inflation and budget concerns. Treasury supply should keep rising to fund government deficits, and yields may need to stay elevated to attract new buyers. Investors should favor intermediate-term, high-quality bond investments, such as investment grade corporate or municipal bonds, as the extra yield typically offered by riskier investments is low in our view.
Commodities	Metals (precious and industrial) rallied to boost the commodity index, with the former hitting record highs. Lower interest rates, a weak U.S. dollar, safe haven buying, central bank demand, resilient global economic growth, the increasing investment in tech-related buildouts, and shifting global trade dynamics all conspired to boost this complex. Meanwhile, the heavily weighted energy sector struggled and limited the advance for the index with ample crude oil supply and uncertain economic growth projections more than offsetting the ongoing downtrend in the U.S. dollar. However, natural gas prices did rebound. Geopolitics, the U.S. dollar, global growth, and seasonal factors (transportation/cooling fuel demand) should keep volatility elevated, but commodities remain a useful portfolio diversification component.
Asset allocation	We believe proper asset allocation and diversification in line with investors' time horizon and risk tolerance are essential considerations when constructing a portfolio. Diversification is important both across and within asset classes. Historically, fixed income, especially high-quality bonds, and international investments have provided diversification when compared to an all-equity portfolio. Investors can help increase their chances of achieving their goals by focusing on time in the market rather than timing the market, investing in a tax-efficient manner, ignoring outside noise such as politics, and regularly monitoring their investments.

Source: Schwab Center for Financial Research. Commentary as of 12/31/2025. Investing involves risk, including loss of principal. Diversification and asset allocation strategies do not ensure a profit and do not protect against losses in declining markets. **Past performance is no guarantee of future results.**

Services continue to outpace manufacturing

Bifurcations remain strong in the economy, evidenced by the relative strength in the ISM Services PMI vs. the ISM Manufacturing PMI. Leading indicators still point to sluggish growth moving forward, although they haven't been as reliable in the post-pandemic cycle.

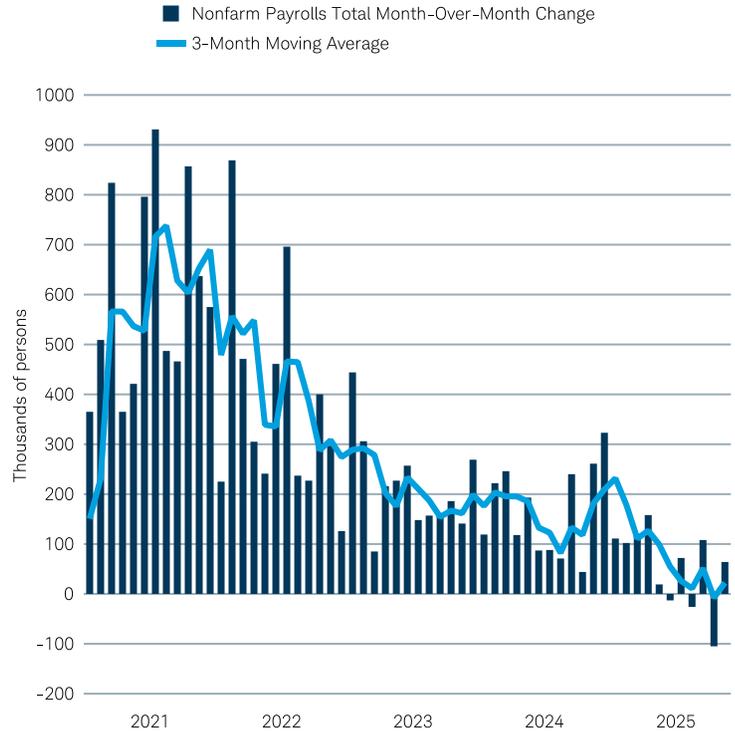
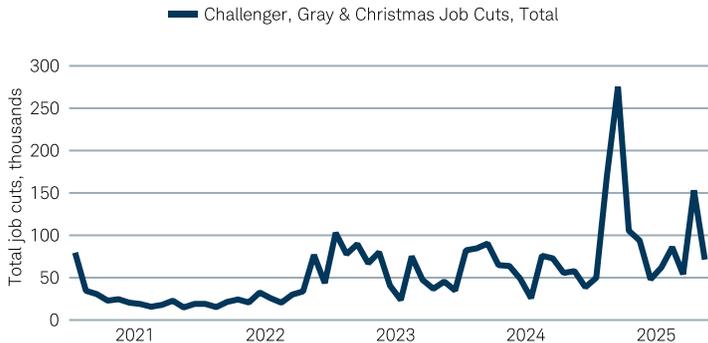
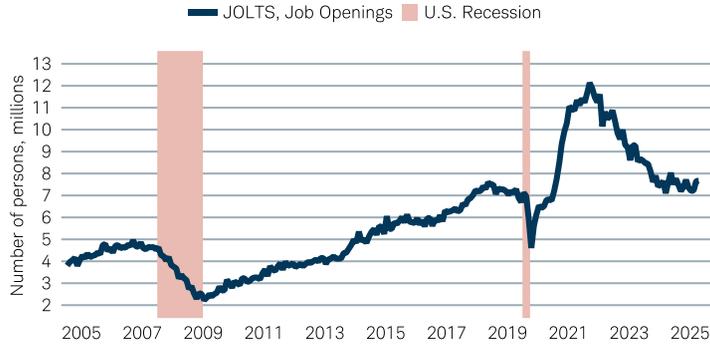


Bars represent National Bureau of Economic Research defined recession periods.

Source: Macrobond as of 12/31/2025. LEI is a composite average of leading indicators designed to signal peaks and troughs in the business cycle. ISM Manufacturing index monitors employment production inventories, new orders, and supplier deliveries and is based on surveys of more than 300 manufacturing firms. ISM Non-manufacturing index monitors employment, prices, and new orders in non-manufacturing industries and is based on surveys of more than 400 non-manufacturing firms.

Labor demand remains soft

The economy remains in a low-hiring, low-firing environment. Job cut announcements picked up sharply at the beginning of the year but have eased recently. Importantly, however, nonfarm payroll growth has slowed as the unemployment rate has moved higher.

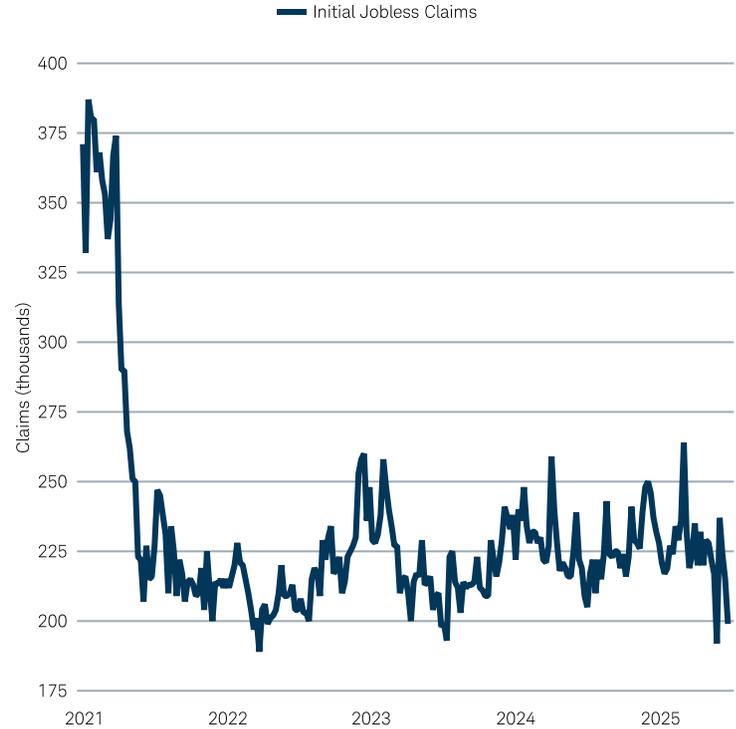
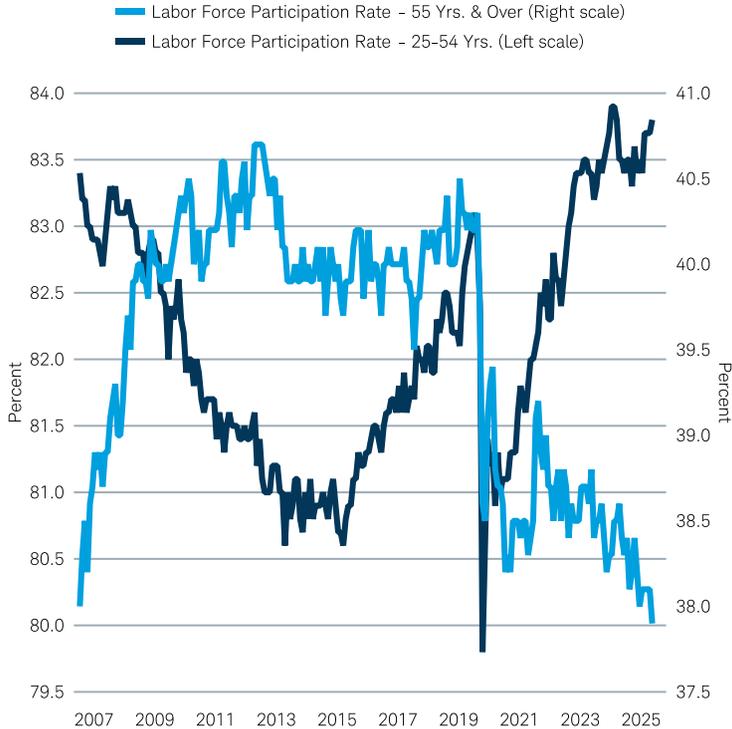


Bars represent National Bureau of Economic Research defined recession periods.

Source: Charles Schwab, Macrobond as of 12/31/2025. Job Openings and Labor Turnover Survey (JOLTS) is a survey conducted by the Bureau of Labor Statistics of the U.S. Department of Labor. It involves the monthly collection, processing, and dissemination of job openings and labor turnover data. The data, collected from sampled establishments on a voluntary basis, include employment, job openings, hires, quits, layoffs and discharges, and other separations.

Labor force participation mostly healthy

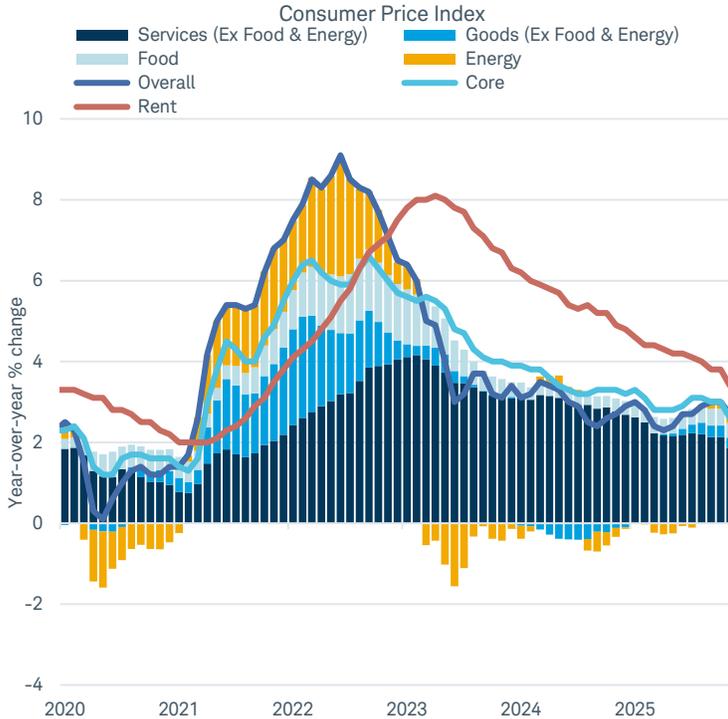
A key tenet of the labor market's resilience over the past few years has been the recovery and resilience in the prime-age labor force participation rate. Additionally, initial jobless claims have remained low relative to history, underscoring the fact that mass layoffs are low.



Source: Macrobond as of 12/31/2025.

Services sector driving bulk of inflation

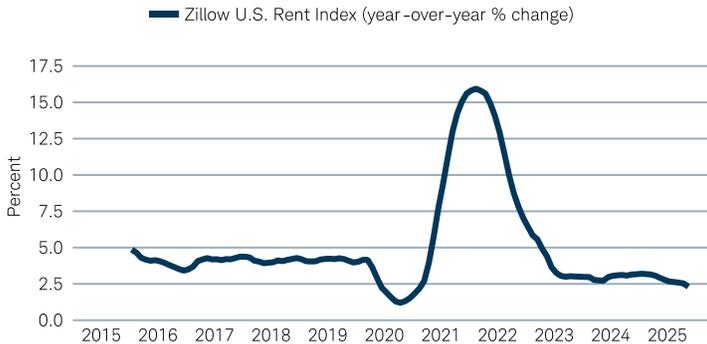
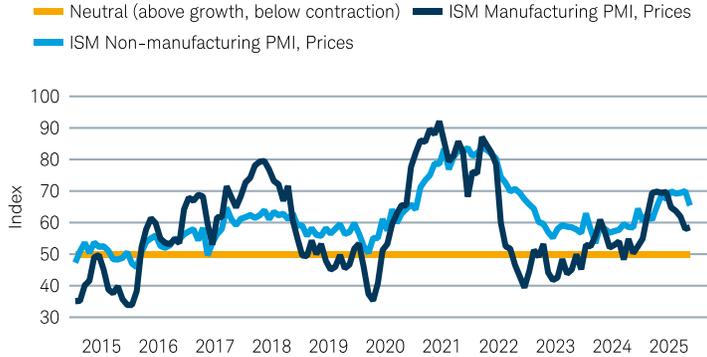
The services sector remains responsible for the bulk of inflationary pressure in the current cycle. Core goods inflation has contributed more to headline inflation given the impact from higher tariffs. Fortunately, market-based inflation expectations are not at worrisome levels.



Source: Bloomberg, U.S. Bureau of Labor Statistics. Table 7. Consumer Price Index for All Urban Consumers (CPI-U) and selected categories: U.S. city average, by expenditure category, November 2025, 12-month analysis table. Selected categories are as follows: "Overall" does not exclude any services or goods, "Core" excludes energy and food from the overall number, and remaining categories look at each component of the CPI individually. Macrobond, as of 12/31/2025. The 5-year breakeven inflation rate is a measure of what the market expects inflation to be in the next 5 years on average. **Past performance is no guarantee of future results.**

Inflation watch

Inflation continues to be sticky and is facing pressure from multiple angles. On the one hand, wage and rent growth have eased. On the other hand, services prices remain sticky and businesses continue to see elevated pricing plans.

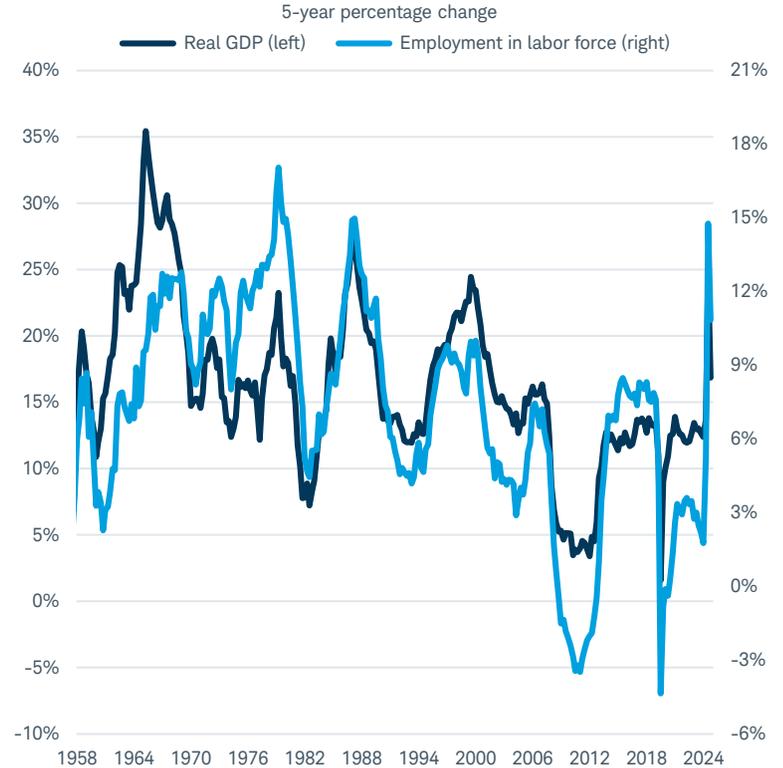
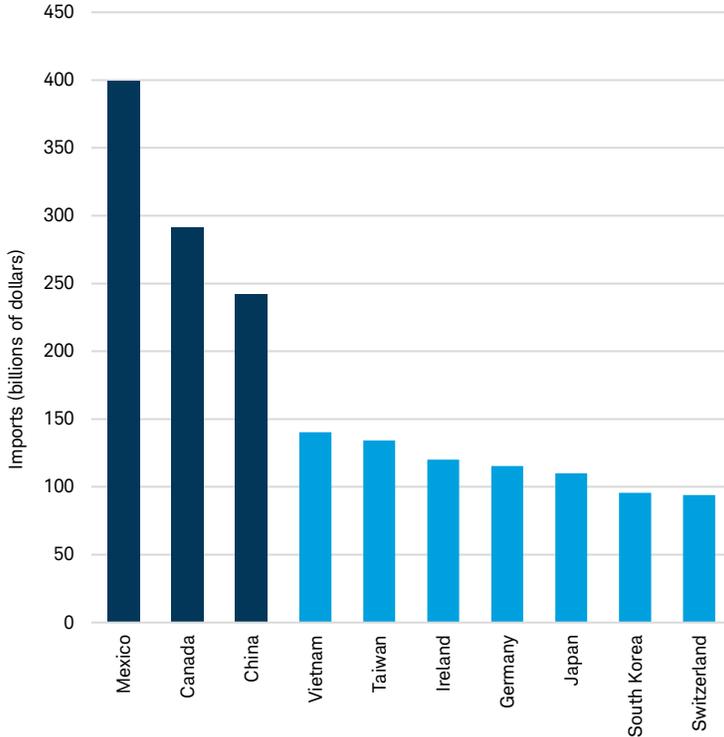


Source: Charles Schwab, Macrobond, using monthly data available as of 12/31/2025.

Trade and immigration

Trade and immigration policies are very much in focus. Prices on imported goods have risen and should be watched given the potential for more passthrough to the consumer. If pressure remains on the growth of the labor force, this could put more downward pressure on GDP growth.

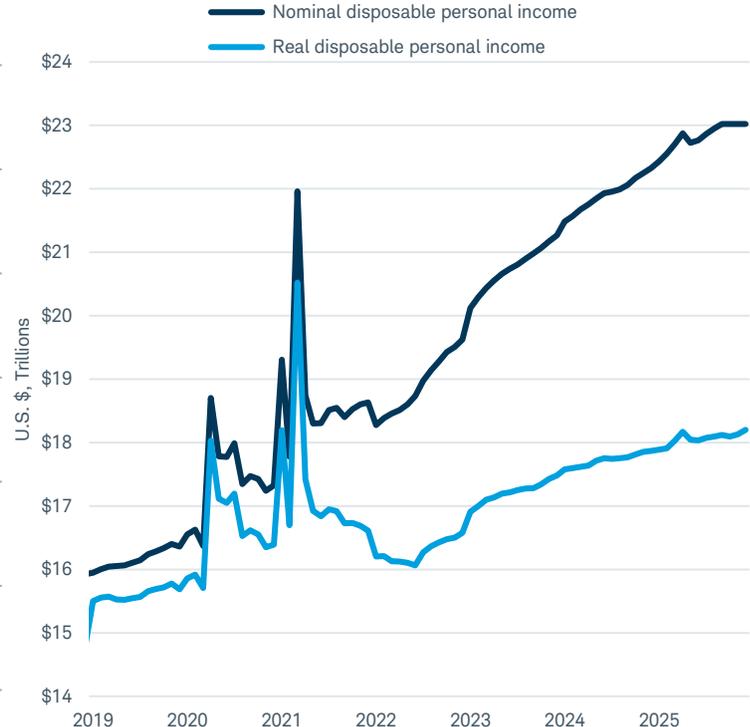
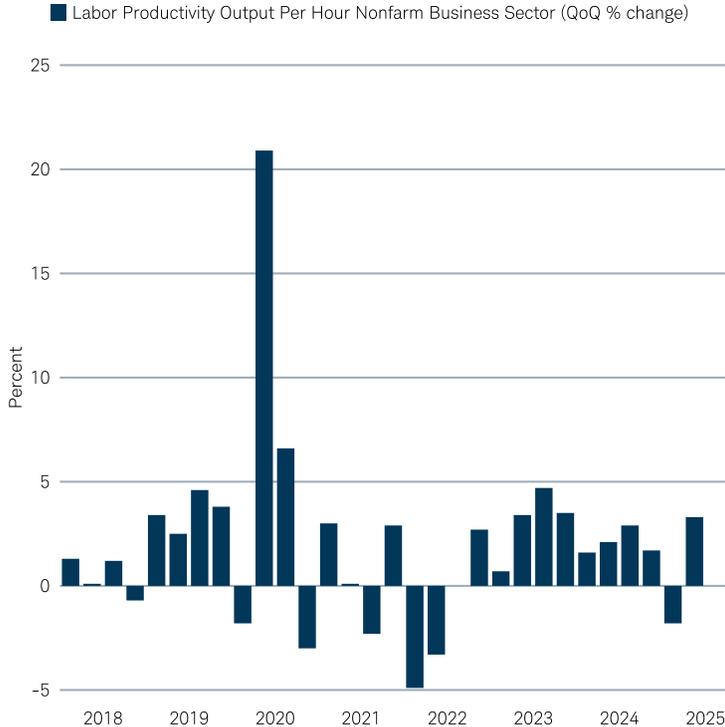
United States top trading partners – YTD September 30, 2025



Source: Charles Schwab. Left: United States Census Bureau from 1/1/2025 to 9/30/2025. Right: Bloomberg as of 9/30/2025.

Productivity and income

A rebound in productivity over the past year has been a key support in the battle against inflation, although this doesn't mean inflation is no longer an issue – given that the spread between nominal and real disposable personal income remains extremely wide.

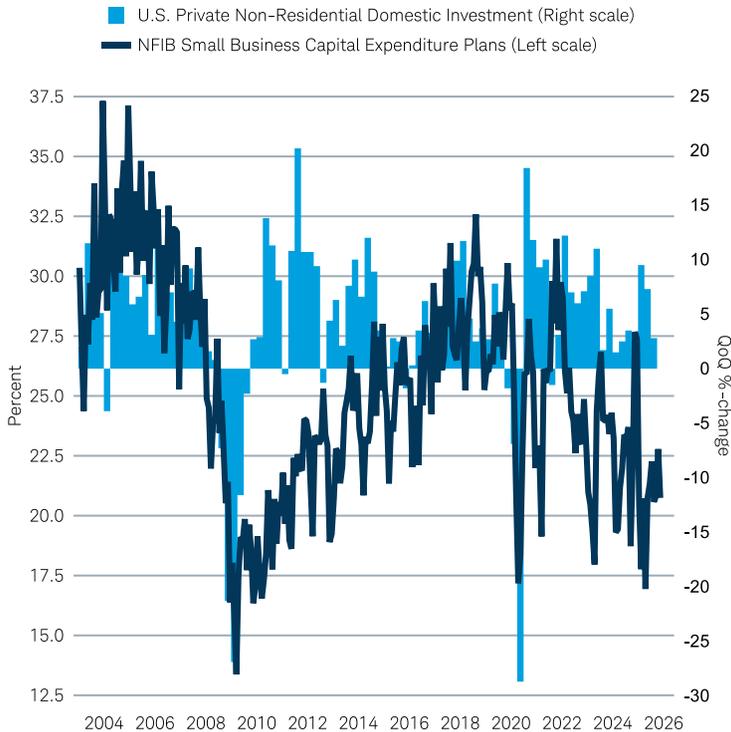


Source: Left: Macrobond as of 12/31/2025. Labor productivity tracks the total output that can be produced with a given input of labor. Right: Bloomberg as of 12/31/2025.

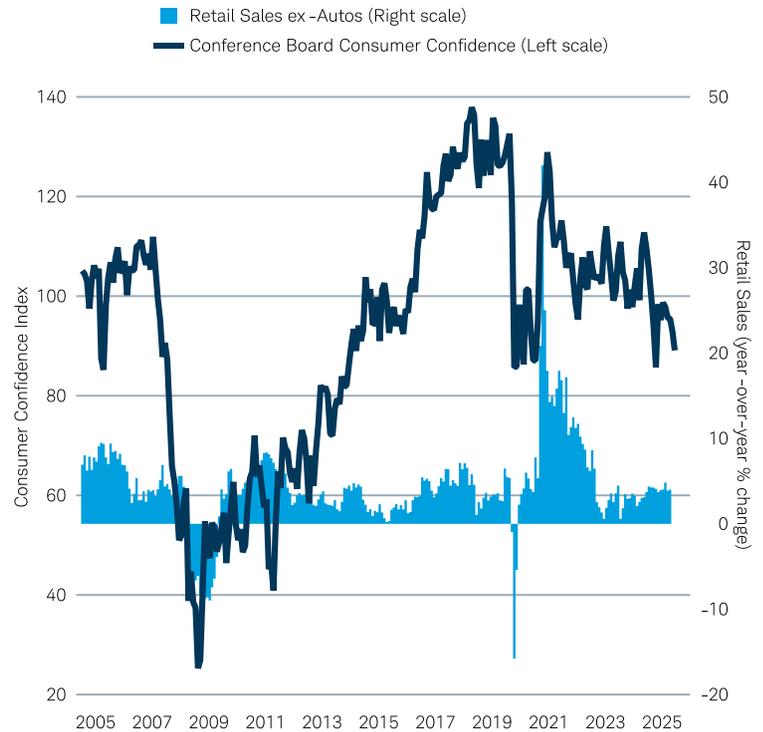
Business and consumer confidence

Small business capital spending plans remain weak, likely reflecting massive uncertainty related to trade policy. Retail sales growth had been choppy to start the year, but control group sales (which matter most for GDP) remain resilient.

Small business spending plans and business investment



Consumer optimism and retail sales



Source: Charles Schwab, Macrobond as of 12/31/2025. The Retail Sales ex-Autos data measures the aggregated sales of retail goods and services, excluding the volatile automobile sector.

Consumer spending

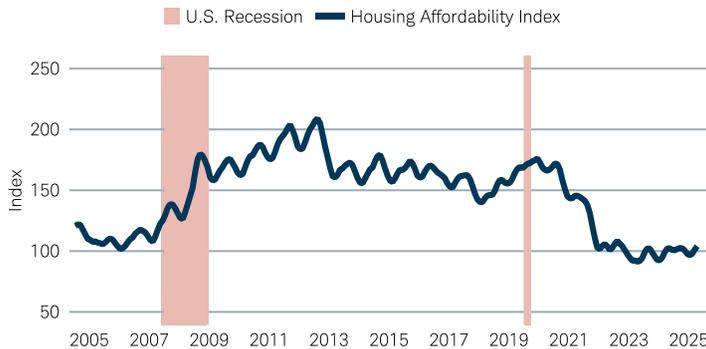
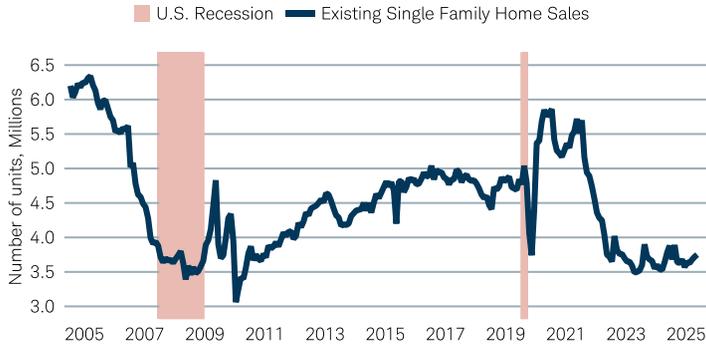
In aggregate, household debt dynamics are not flashing a warning sign, given that debt service ratios remain at modest levels. However, serious delinquency rates have picked up sharply this cycle, particularly for credit cards and student loans.



Source: Charles Schwab and Bloomberg. Left: as of 6/30/2025. Right: as of 9/30/2025. Household debt service ratio measures household debt payments divided by disposable personal income.

Housing update

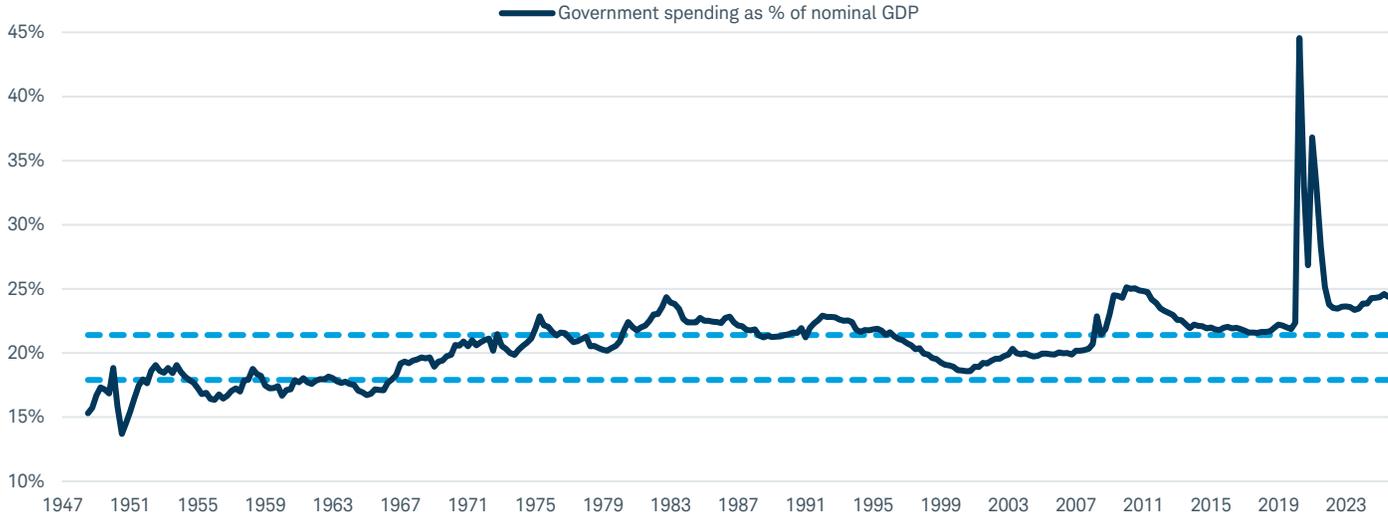
Housing affordability has tumbled due to stubbornly high home prices and elevated mortgage rates. Leading indicators are still struggling to confirm a sustainable rebound—evidenced by the sluggish recovery in homebuilder sentiment.



Bars represent National Bureau of Economic Research defined recession periods.
Source: Charles Schwab, Bloomberg, Macrobond as of 12/31/2025.

Government spending

As a percentage of nominal GDP, government spending remains elevated relative to history. The current share is consistent with slower growth, investment, and job creation.



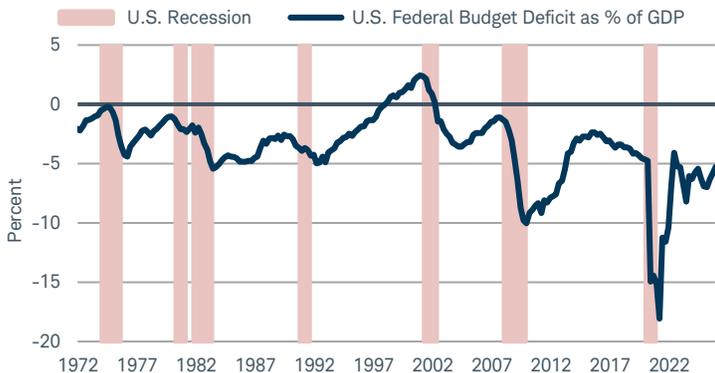
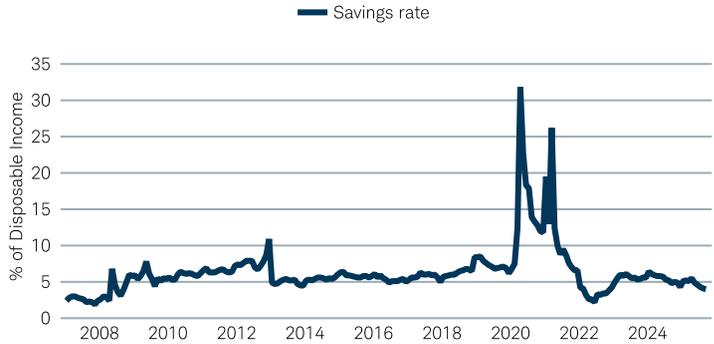
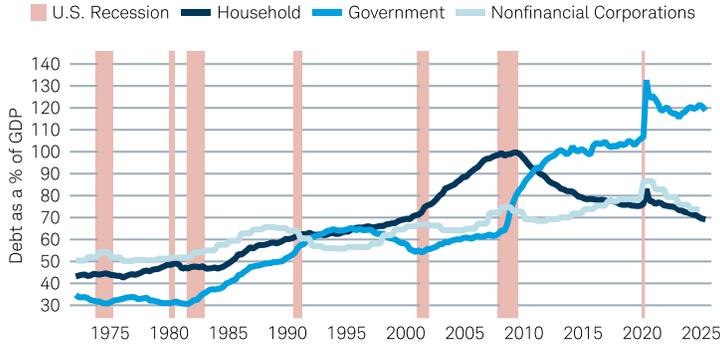
Government spending as % of nominal GDP	Annualized gain (3/31/1947 – 9/30/2025)		
	Nonfarm payrolls	Real non-residential investment	Real GDP
Above 21.4%	1.4%	4.0%	2.7%
17.9% to 21.4%	1.8%	4.5%	3.1%
Below 17.9%	2.1%	4.9%	4.0%

Source: Charles Schwab, Bloomberg, Federal Reserve, Ned Davis Research, as of 12/31/2025.

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U.S. debt and taxes

The fiscal impulse remains strong, evidenced by the fact that the federal budget deficit as a percent of GDP is stretched relative to history. In addition, the One Big Beautiful Bill Act will likely have beneficial impacts for businesses and consumers in 2026.

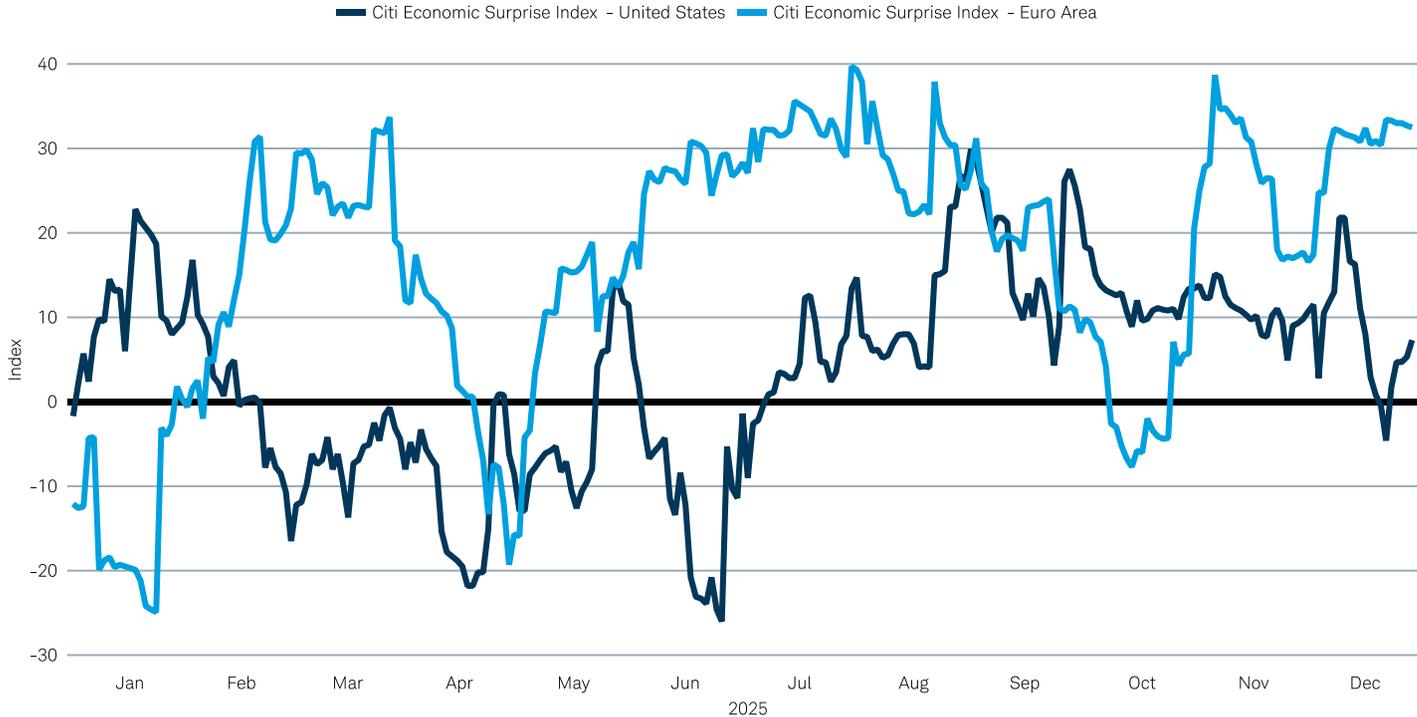


Married Filing Jointly Qualifying Widow(er) 2026 IRS Brackets			
Tax rate	Taxable income bracket	Capital gains bracket	Long-term capital gains and qualified dividends
10%	\$0 to \$24,800	\$0 to \$98,900	0%
12%	\$24,801 to \$100,800	\$98,901 to \$613,700	15%
22%	\$100,801 to \$211,400	\$613,701 or more	20%
24%	\$211,401 to \$403,550		
32%	\$403,551 to \$512,450		
35%	\$512,451 to \$768,700		
37%	\$768,701 or more		

Bars represent National Bureau of Economic Research defined recession periods. Source: Schwab Center for Financial Research, Bloomberg as of 12/31/2025. Tax table source: IRS. This information is not a specific recommendation, individualized tax, legal, or investment advice. Tax laws are subject to change, either prospectively or retroactively. Where specific advice is necessary or appropriate, individuals should contact their own professional tax and investment advisors or other professionals (CPA, Financial Planner, Investment Manager, Estate Attorney) to help answer questions about specific situations or needs prior to taking any action based upon this information.

Economic data expectations

Both Europe and the United States are seeing economic data come in better than expected, but the former has outpaced the latter when it comes to the strength of upside surprises.



Source: Charles Schwab, Macrobond as of 12/31/2025. The Citi Economic Surprise Index measures the difference between actual economic data releases and market expectations for those releases. A value above zero indicates data has been better than expected, and a value below zero indicates data has been worse than expected.

Global inflation

Global inflation pressures have receded. The disinflationary process has been choppy, especially as the world grapples with a hotter trade dispute with the United States and continued (relatively) tight U.S. monetary policy.



Consumer Price Index year-over-year %	
Russia	6.6
Brazil	4.5
United Kingdom	3.2
Japan	2.9
United States	2.7
South Korea	2.4
Germany	2.3
Canada	2.2
Eurozone	2.1
Italy	1.1
France	0.9
India	0.7
China	0.7

Source: Charles Schwab, Bloomberg Major 7 data as of 9/30/2025. Emerging economies data as of 9/30/2025. Major 7 refers to the seven major countries as defined by the OECD: Canada, the U.S., Japan, France, Germany, Italy, and the U.K. Specific country data as of 11/30/2025. Values are rounded to the nearest tenth. 18

Global unemployment and consumer confidence

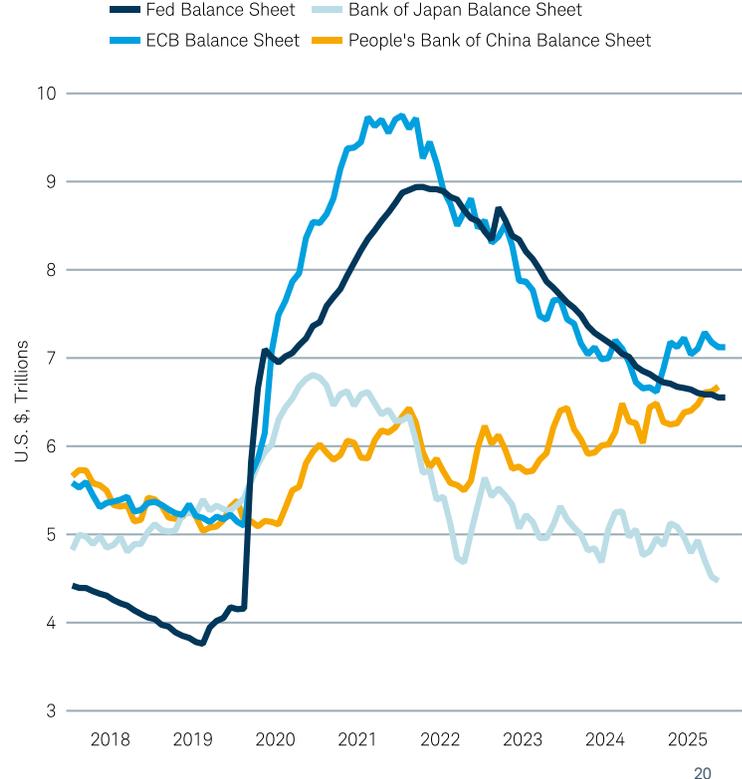
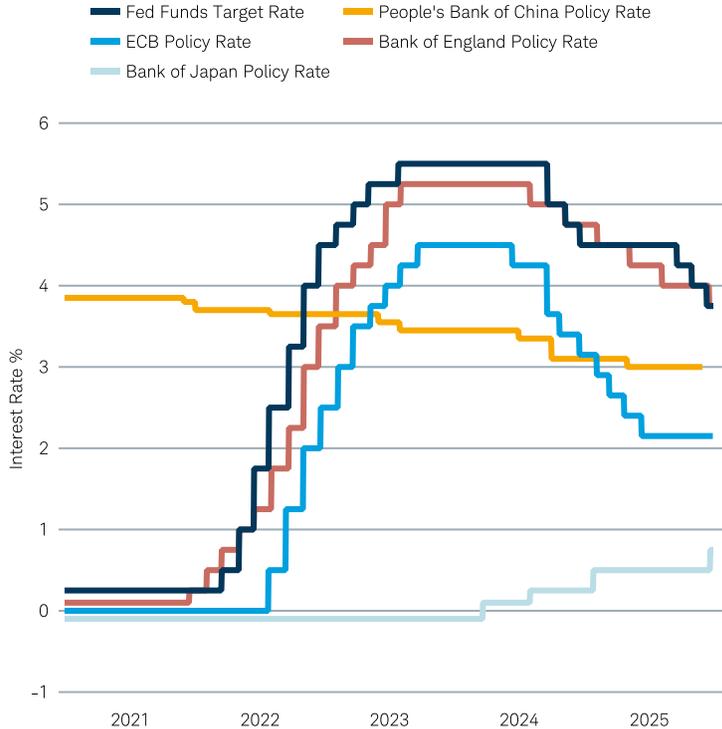
Labor markets around the globe are no longer universally tight; this is notably true in the United States where the unemployment rate has continued to tick higher. Weakness in the labor market has resulted in a struggle for consumer confidence metrics.



Source: Charles Schwab, Macrobond as of 12/31/2025.

Global central banks

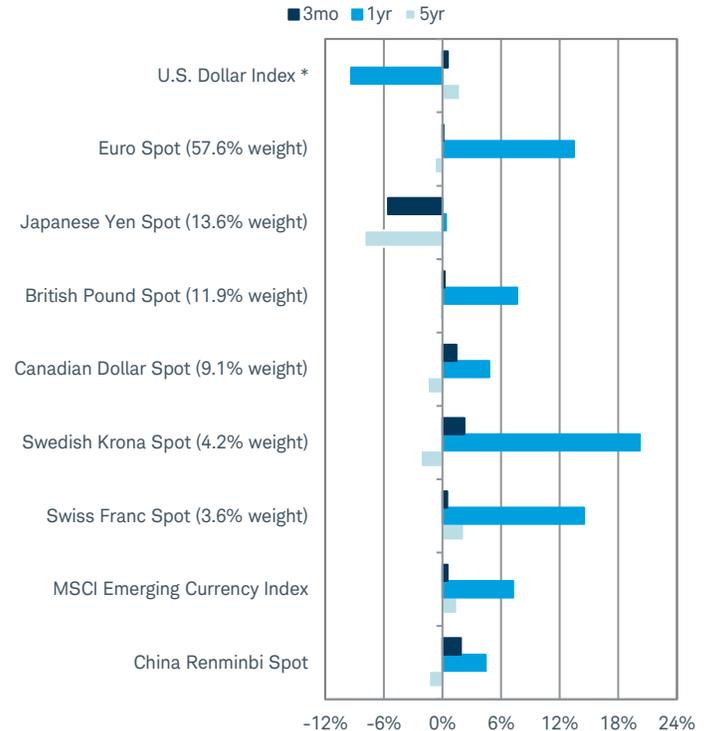
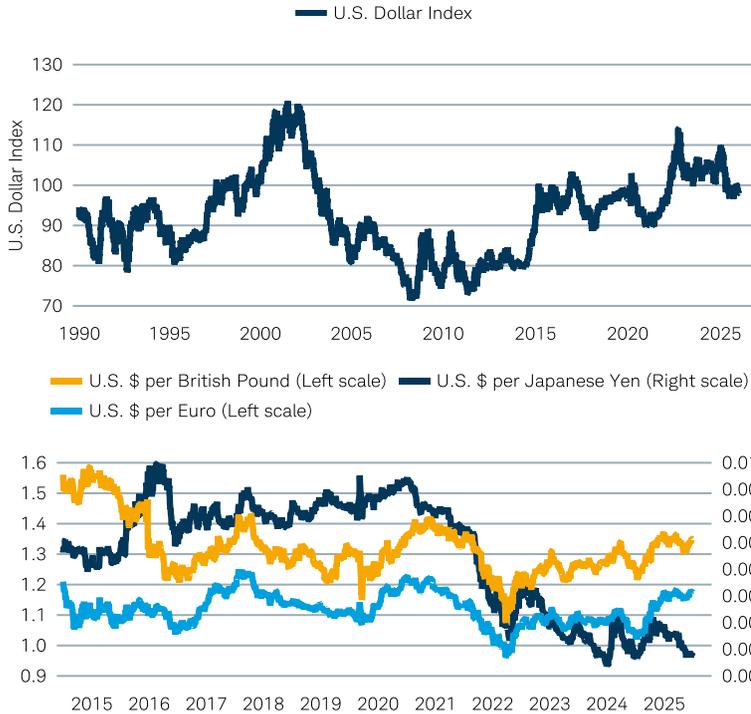
The global rate cutting cycle is not in sync, given that some central banks remain on pause, or continue to cut interest rates. Global policy is becoming less restrictive, although the path of inflation is crucial for determining how much banks can cut rates.



Source: Charles Schwab, Bloomberg, Macrobond as of 12/31/2025.

Global currencies

The U.S. dollar has been softer over the past year. Volatility will likely be driven by a mix of confidence in U.S. policy, along with growth and interest rate differentials around the world, especially due to the aggressive increase in tariffs on goods being imported into the United States.



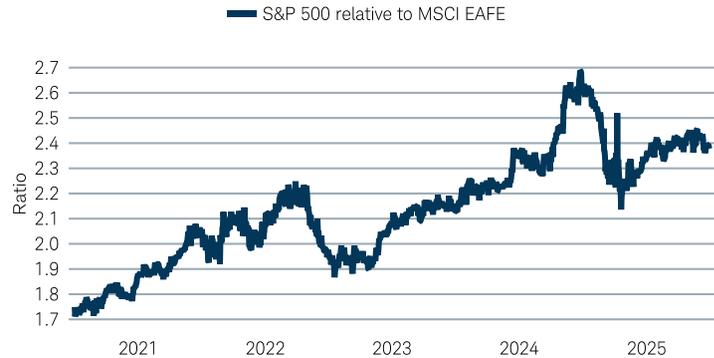
Source: Charles Schwab, Bloomberg, Macrobond as of 12/31/2025.

*The U.S. Dollar Index is a measure of the value of the dollar relative to a basket of U.S. trade partners' currencies. It is a weighted geometric mean of the dollar's value relative to other currencies. Weights of those currencies are shown in parentheses. Currency trading is speculative, very volatile and not suitable for all investors. **Past performance is no guarantee of future results.** For illustrative purposes only.

Global equity market summary

Total returns as of 12/31/2025

Global						
	Price	3-month	1-year	3-year	5-year	10-year
MSCI All Country World Index	1,015	3.4%	22.9%	21.2%	11.7%	12.3%
Americas						
USA Dow Jones Index	48,063	4.0%	14.9%	15.4%	11.6%	13.1%
USA S&P 500 Index	6,846	2.7%	17.9%	23.0%	14.4%	14.8%
USA NASDAQ Index	23,242	2.7%	21.2%	31.5%	13.4%	17.7%
Canada S&P/TSX Index	31,713	6.3%	31.7%	21.5%	16.1%	12.7%
MSCI Latin America Index	2,709	8.3%	55.3%	15.1%	9.0%	9.1%
EMEA						
Europe Euro Stoxx 50 Index	5,791	5.1%	22.1%	18.9%	13.8%	9.4%
UK FTSE 100 Index	9,931	6.9%	25.7%	14.1%	12.9%	8.8%
France CAC 40 Index	8,150	3.6%	14.3%	11.5%	11.2%	9.0%
Germany DAX Index	24,490	2.6%	23.0%	20.7%	12.3%	8.6%
Spain IBEX 35 Index	17,308	12.7%	54.2%	32.6%	20.1%	9.5%
Italy MIB Index	44,945	6.4%	38.1%	30.2%	20.5%	12.0%
Asia/Pacific						
Japan Nikkei 225 Index	50,339	12.1%	28.6%	26.9%	15.1%	12.4%
Hong Kong Hang Seng Index	25,631	-4.1%	32.5%	13.4%	2.4%	5.3%
China CSI 300 Index	4,630	0.2%	21.0%	9.1%	0.1%	4.6%
Australia S&P/ASX 200 Index	8,714	-1.0%	10.3%	11.4%	9.9%	9.3%

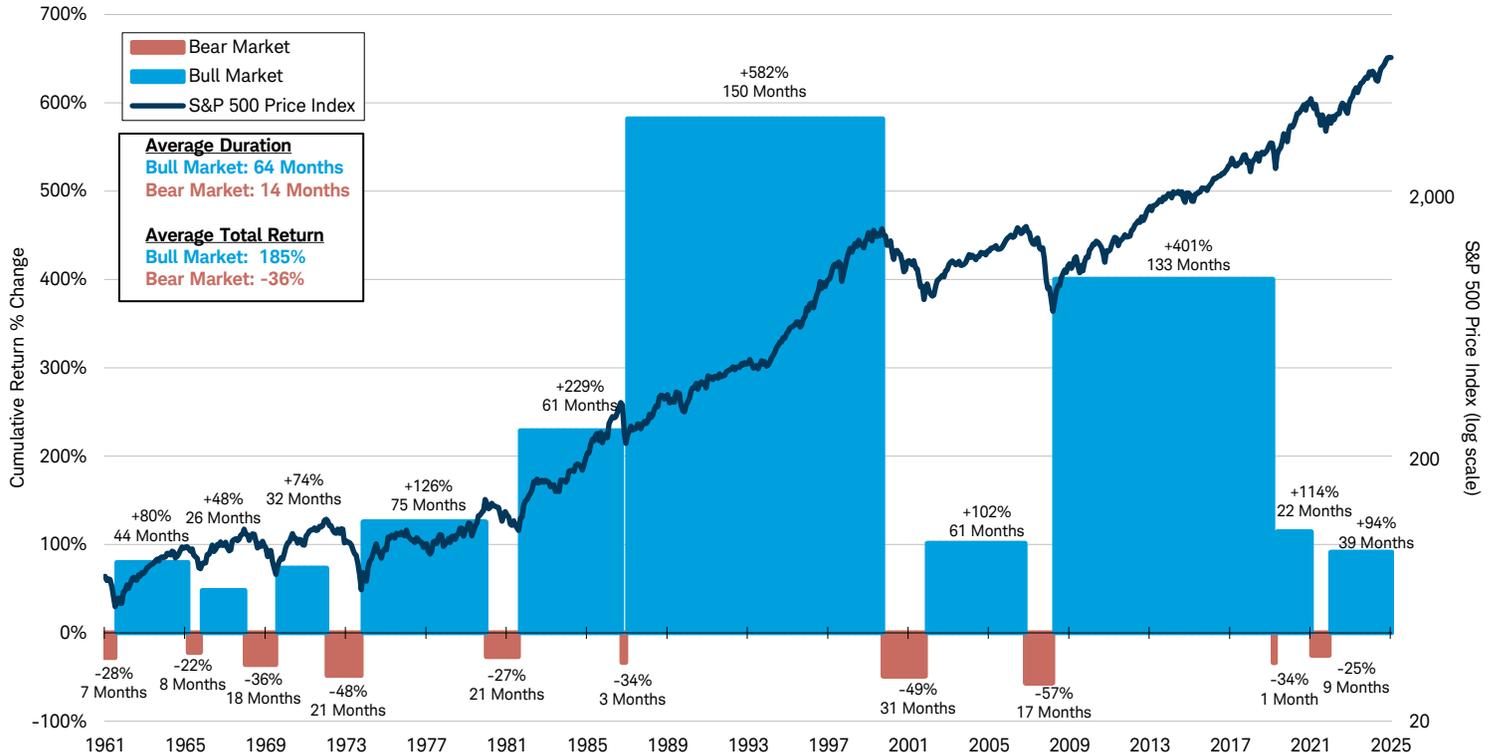


Returns are annualized for periods over one year and rounded to the nearest tenth.

Source: Charles Schwab, Bloomberg, Macrobond, FTSE, STOXX, S&P Dow Jones indexes, Nikkei Inc., MSCI. Total return includes the reinvestment of dividends, interest, and other cash flows. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. Investing involves risk, including loss of principal. **Past performance is no guarantee of future results.** A number greater/less than one for the S&P 500 and MSCI Emerging Markets indexes within the charts indicates better/worse performance of the respective performance of the MSCI EAFE and MSCI World indexes. For illustrative purposes only.

U.S. bull and bear markets

With the S&P 500 still up considerably over the past year, it is notable that bull markets have generally been longer in duration and greater in magnitude than bear markets, resulting in gains over time.



Source: Bloomberg as of 12/31/2025. Current bull market peak as of 12/24/2025. Bull and bear markets as defined by Yardeni Research. Cumulative return is the total change in the investment over a set period of time. Logarithmic (log) scale is a way of displaying a wide range of data in a compact way by increasing the numbers exponentially. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. For illustrative purposes only. Investing involves risk, including loss of principal. **Past performance is no guarantee of future results.**

Comparing large- and small-cap profitability

The small-cap universe—proxied by the Russell 2000—has a much higher percentage of companies without profits. Historically, and in the current cycle, the S&P 500 has a much better track record when it comes to the share of profitable constituents.



Source: Bloomberg, the Schwab Center for Financial Research as of 12/31/2025. Profitability is based on trailing 12-month earnings per share as of month-end. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

S&P 500 Index valuations and earnings expectations

Several valuation metrics continue to suggest that stocks remain expensive relative to history, although valuation is often in the eye of the beholder.

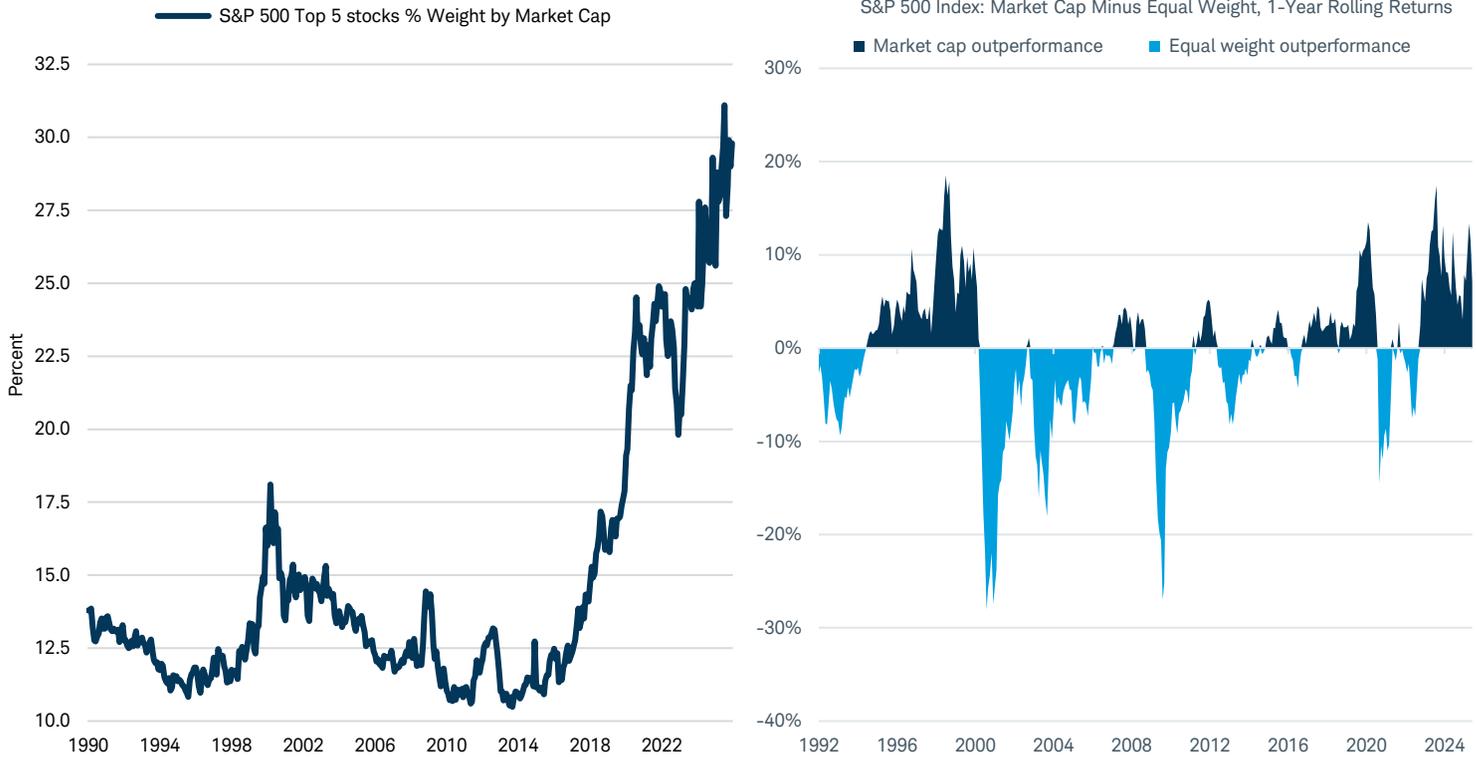


Valuation	
Metric	Current percentile ranking (relative to history)
S&P 500 forward P/E	Very expensive
S&P 500 trailing P/E	Very expensive
S&P 500 5-year normalized P/E	Very expensive
S&P 500 price/book value ratio	Very expensive
S&P 500 price/cash flow	Very expensive
S&P 500 dividend yield	Very expensive
Shiller's CAPE (cyclically adjusted P/E)	Very expensive
Rule of 20	Very expensive
Equity risk premium (10-year Treasury yield)	Expensive
Equity risk premium (Baa corporate bond yield)	Expensive
Fed Model	Very expensive
Tobin's Q	Very expensive
Market cap/GDP	Very expensive

Source: Charles Schwab, the Schwab Center for Financial Research, Bloomberg, as of 12/31/2025. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. **Past performance is no guarantee of future results.** Source: Charles Schwab, Bloomberg, The Leuthold Group, as of 12/31/2025. For illustrative purposes only. Investing involves risk, including loss of principal. Due to data limitations, start dates for each metric vary and are as follows: CAPE: 1900; Dividend yield: 1928; Normalized P/E: 1946; Market cap/GDP, Tobin's Q: 1952; Forward P/E, trailing P/E, price/book, price/cash flow, rule of 20, equity risk premium, Fed Model: 1995. "Very expensive" refers to 80-100th percentile rankings; "Expensive" refers to 60-80th percentile rankings; "Fairly valued" refers to 40-60th percentile rankings; "Inexpensive" refers to 20-40th percentile rankings; and "Cheap" refers to 0-20th percentile rankings. Standard deviation, commonly used as a measurement of risk, is a statistical measure that calculates the degree to which returns have fluctuated over a given time period. A higher standard deviation indicates a higher level of variability in returns.

Market concentration

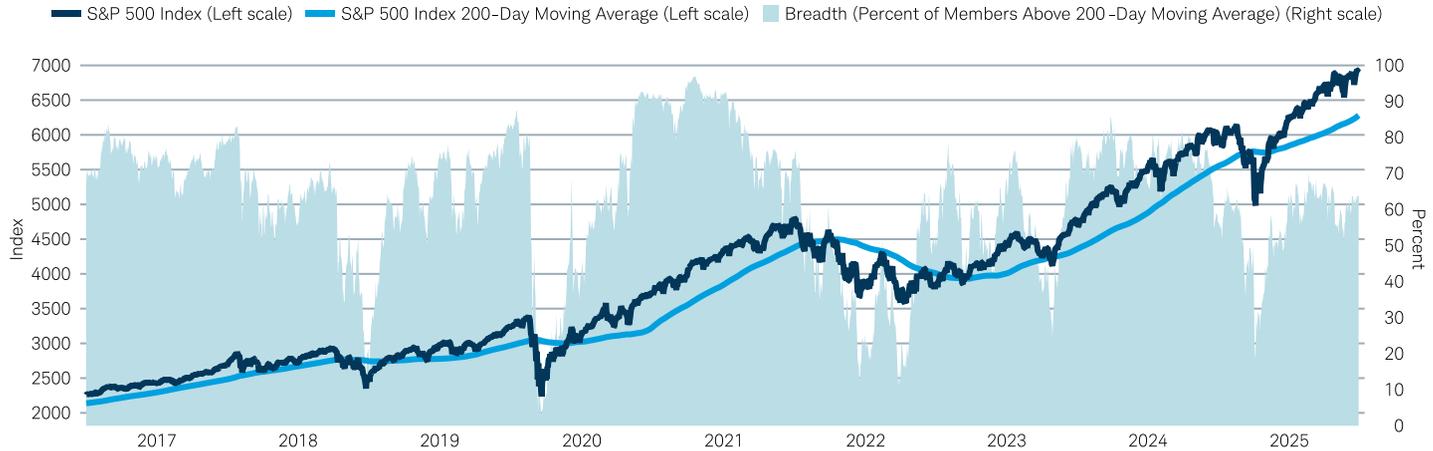
Just five companies account for 29.8% of the S&P 500's market cap. Concentration increased throughout the quarter given the mega-caps' outperformance relative to the index.



Source: Charles Schwab, Bloomberg, Macrobond as of 12/31/2025. Top 5 stocks in the S&P 500 Index are NVIDIA, Apple, Microsoft, Amazon, and Alphabet. Performance does not include the effects of taxes, commissions, or fees. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. All corporate names and market data shown are for illustrative purposes only and are not a recommendation, offer to sell, or a solicitation of an offer to buy any security. Schwab does not recommend the use of technical analysis as a sole means of investment research. For illustrative purposes only. **Past performance is no guarantee of future results.**

Technical indicators

The S&P 500 Index's 50-day moving average continued to rise above its 200-day moving average. Breadth remained healthy with 64% of members trading above their 200-day moving average.

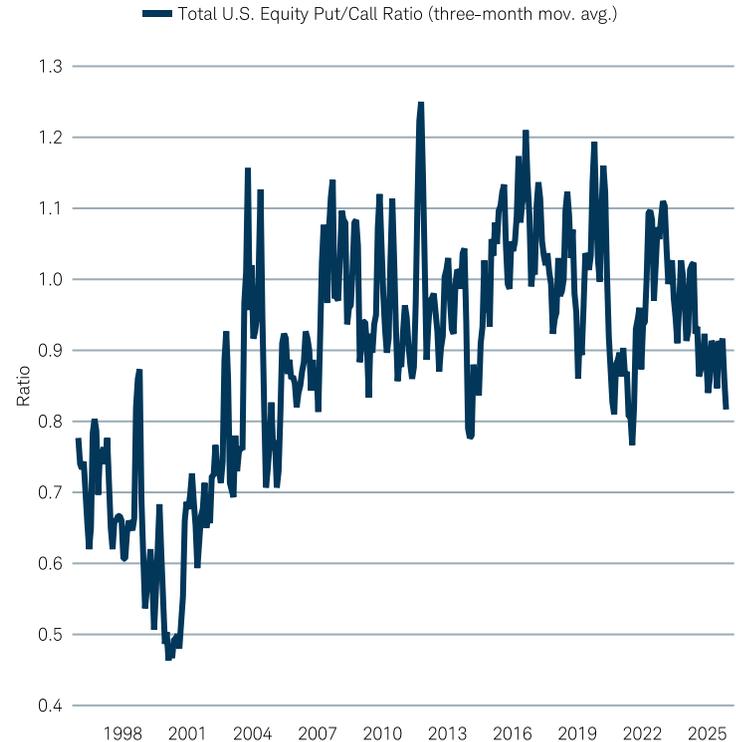
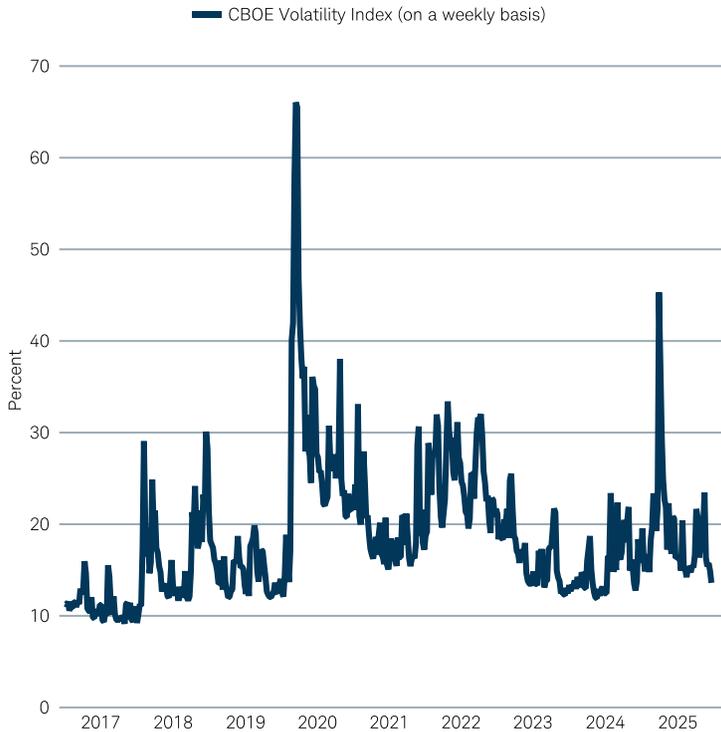


Index	Year-to-date			
	YTD return	Index return from YTD low	Index maximum drawdown from YTD high	Average member maximum drawdown from YTD high
S&P 500	16%	37%	-19%	-27%
NASDAQ	20%	52%	-24%	-52%
Russell 2000	11%	41%	-24%	-41%
Dow Jones	13%	28%	-16%	-24%

Source: Charles Schwab, Bloomberg, Macrobond, Ned Davis Research, Inc. as of 12/31/2025. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Some members excluded from year-to-date return columns given additions to indices were after January 2025. Returns shown are price returns. Price return does not include the effects of reinvested cash flows. Schwab does not recommend the use of technical analysis as a sole means of investment research. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

Equity market volatility

The Volatility Index spiked in the middle of the quarter but rolled back as the mega-cap-led selloff eased. Investors didn't show any signs of major panic, evidenced by no major spikes in the put/call ratio.



Source: Charles Schwab, Macrobond as of 12/31/2025. Equity put/call ratio measures the ratio of put options sold divided by call options sold for a given time period. A higher ratio indicates the market is more bearish, while a lower ratio indicates the market is more bullish. Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. Please read the options disclosure document titled "Characteristics and Risks of Standardized Options" before considering any option transaction by [CLICKING HERE](https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document) [https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document]. Call Schwab at 1-800-435-4000 for a current copy. Supporting documentation for any claims or statistical information is available upon request. Schwab does not recommend the use of technical analysis as a sole means of investment research. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. For illustrative purposes only. **Past performance is no guarantee of future results.**

U.S. equity sector returns and valuations

Data as of 12/31/2025

S&P 500 Sectors								
Index	S&P Weight	3-month Total Return	1-yr Total Return	Total Return since last market peak (01/2022)	Total Return since last market low (10/2022)	Forward P/E	Median Forward P/E since 1990	Dividend Yield
S&P 500 Index	100.0%	2.7%	17.9%	51.3%	100.4%	22.0	15.9	1.1%
Information Technology	34.4%	1.4%	24.0%	90.1%	185.2%	26.4	18.2	0.5%
Financials	13.4%	2.0%	15.0%	48.6%	91.3%	16.6	13.1	1.4%
Communication Services	10.6%	7.3%	33.6%	74.4%	189.0%	21.4	15.6	0.7%
Consumer Discretionary	10.4%	0.7%	6.0%	20.3%	80.5%	26.4	19.0	0.6%
Health Care	9.6%	11.7%	14.6%	18.8%	34.4%	18.5	16.6	1.7%
Industrials	8.2%	0.9%	19.3%	57.4%	92.3%	23.8	16.3	1.4%
Consumer Staples	4.7%	0.0%	3.9%	19.2%	33.4%	20.8	17.2	2.6%
Energy	2.8%	1.5%	8.7%	81.8%	24.7%	16.0	15.1	3.4%
Utilities	2.2%	-1.4%	16.0%	36.5%	53.9%	17.6	14.6	2.8%
Materials	1.8%	1.1%	10.5%	10.6%	41.9%	19.2	16.0	1.9%
Real Estate	1.8%	-2.9%	3.1%	-9.0%	34.1%	34.2	37.9	3.5%

Source: Bloomberg. Total return includes the reinvestment of dividends, interest, and other cash flows. Returns are rounded to the nearest tenth. Sectors listed are S&P 500 sector indexes according to Global Industry Classification Standard (GICS®) classification. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Returns assume reinvestment of dividends and interest. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

U.S. equity sectors and the economy

With increased concern over the unemployment rate's rise and the potential for higher recession risks, it's worth noting that traditional defensives like Consumer Staples, Health Care, and Utilities tend to outperform when the cycle gets closer to its end.

Recovery

- Economy troughs then accelerates
- Fed keeps rates low
- Credit conditions trough
- Stocks advance sharply
- Long-term rates rise

Expansion

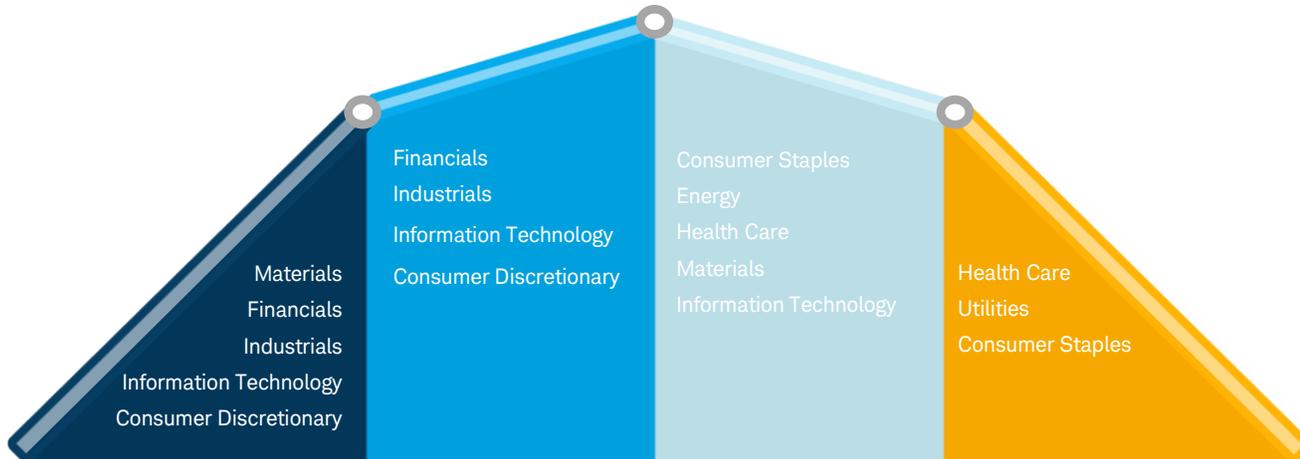
- Economy expands at moderate pace
- Fed policy neutral
- Credit conditions ease
- Stock gains solid
- Long-term rates rise

Slowdown

- Economy peaks then slows in this late stage
- Inflationary pressures grow
- Fed becomes restrictive
- Credit conditions tighten
- Yield curve inverts
- Stocks peak then fall

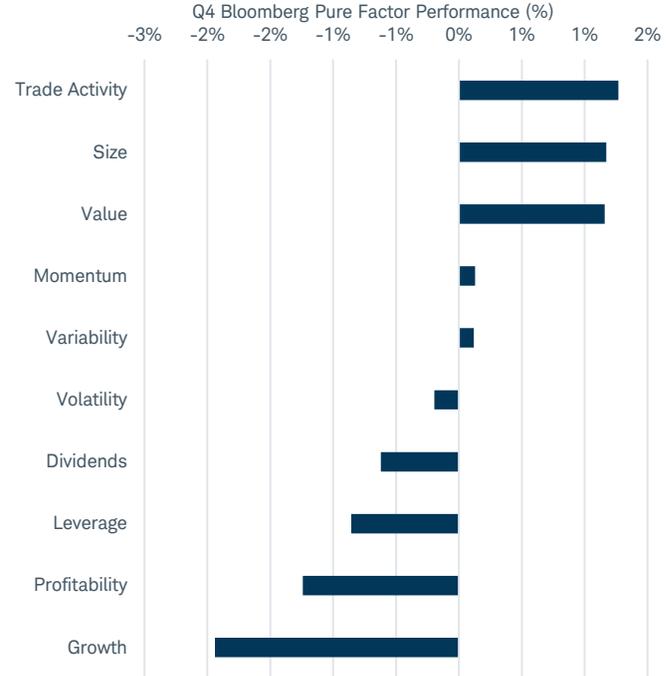
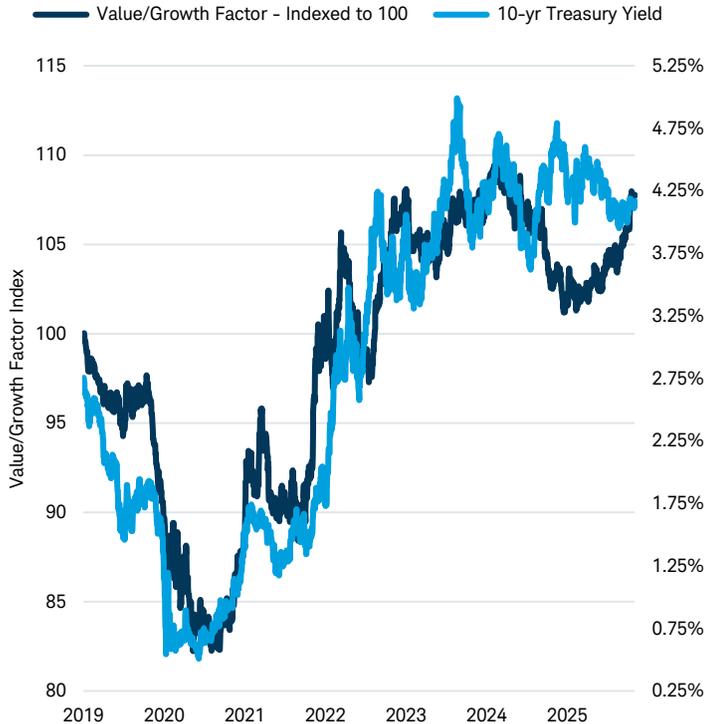
Recession

- Economy contracts
- Fed cuts rates
- Long-term rates decline then trough
- Stocks fall then trough on expectations for recovery



Equity investment styles and factors

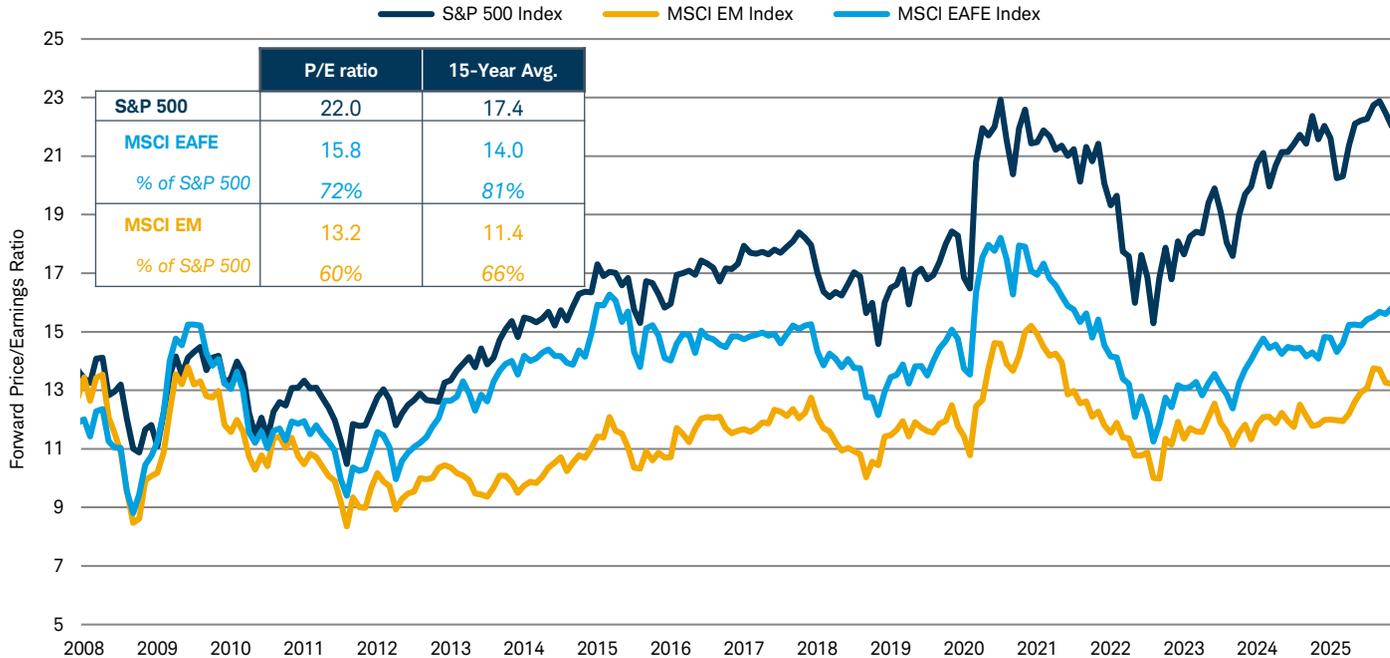
Value tends to outperform growth when interest rates rise, although this dynamic hasn't played out over the past year. Beyond growth and value, there are several factors, including trade activity and momentum, that can help explain overall market performance.



Source: Charles Schwab, Bloomberg as of 12/31/2025. Value/growth factor performance is based on Bloomberg pure factor indexes. Value factor attempts to differentiate "rich" and "cheap" stocks. Growth factor aims to capture companies' historical and forward-looking growth. Ten-year generic U.S. Treasury rate. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

Global equity valuations

International equity valuations are less expensive than U.S. valuations, both currently and historically. The significant discount for ex-U.S. stocks has been one driver of recent outperformance.

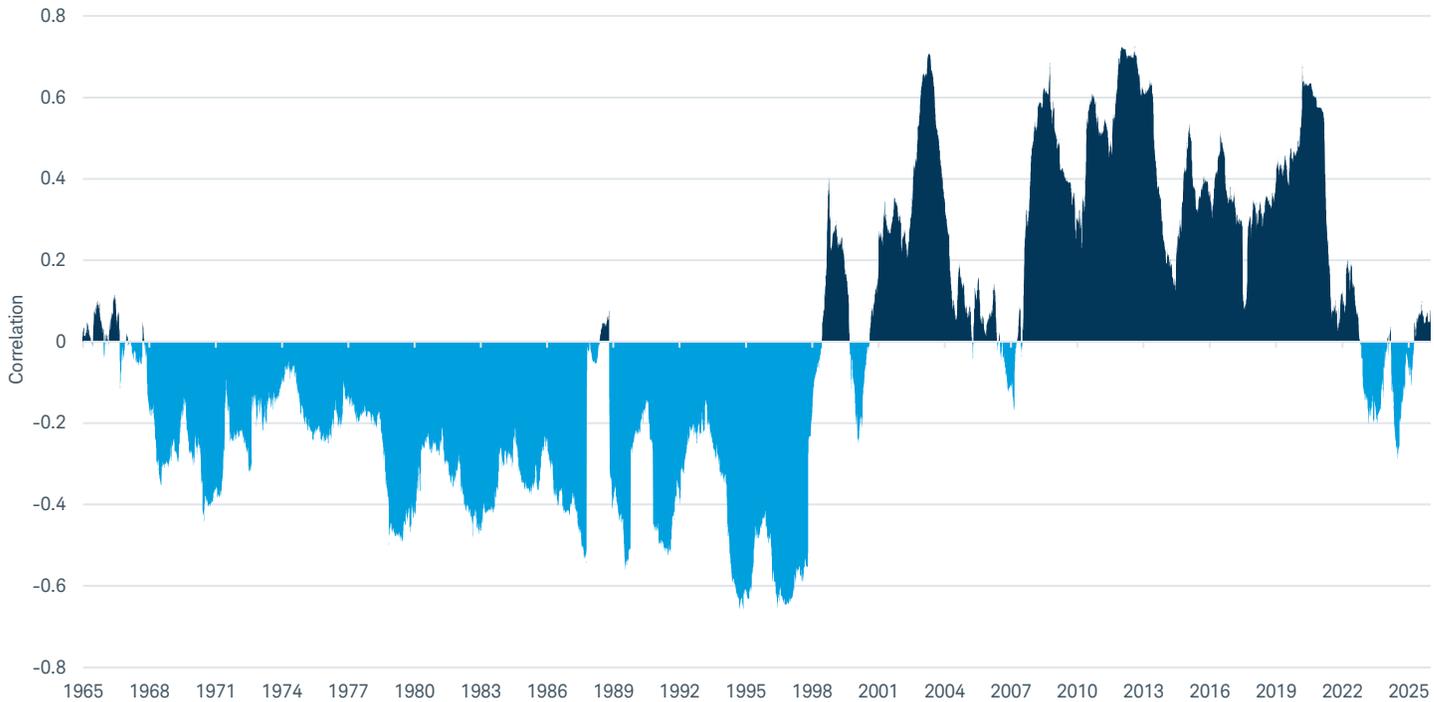


Source: Bloomberg, the Schwab Center for Financial Research as of 12/31/2025. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

Stock market and bond yields

The correlation between changes in bond yields and stock prices remained slightly positive in Q4.

Rolling 1-year correlation between S&P 500 and 10-year bond yield

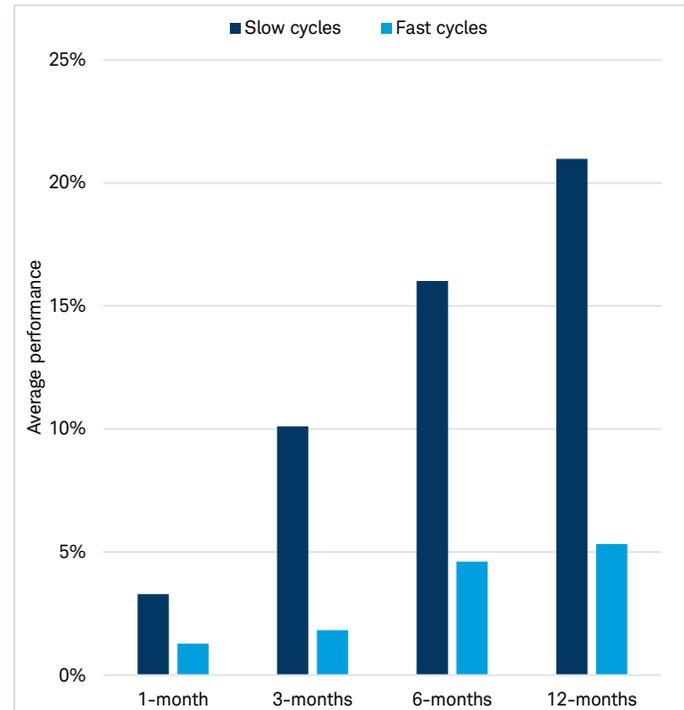


Source: Charles Schwab, Bloomberg as of 12/31/2025. Treasury yield is represented by the U.S. Generic 10-year Treasury Yield (USGG10YR INDEX). Diversification strategies do not ensure a profit and do not protect against losses in declining markets. Investing involves risk, including loss of principal. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. For illustrative purposes only. **Past performance is no guarantee of future results.**

Rate cut cycle

Historically, the S&P 500 tends to experience less downside when the Fed is engaged in a slow rate-cutting cycle. Fast rate-cutting cycles are typically associated with recessions and bear markets.

S&P 500 performance following first rate cut					
First rate cut	Fast or slow cycle	1-month	3-months	6-months	12-months
11/19/1971	Slow	9.44%	14.92%	18.96%	26.07%
12/9/1974	Fast	8.49%	28.51%	39.04%	33.08%
5/30/1980	Slow	2.70%	10.01%	26.32%	19.19%
11/2/1981	Fast	0.39%	-4.98%	-6.25%	10.70%
11/21/1984	Slow	0.60%	9.52%	15.27%	22.42%
6/6/1989	Fast	-0.83%	7.71%	7.50%	12.56%
7/6/1995	Slow	0.89%	5.14%	11.32%	18.67%
9/29/1998	Slow	3.52%	18.38%	24.89%	20.91%
1/3/2001	Fast	0.14%	-17.89%	-8.39%	-13.53%
9/18/2007	Fast	1.34%	-4.26%	-12.44%	-20.61%
7/31/2019	Fast	-1.81%	1.92%	8.23%	9.76%
9/19/2024	Slow	2.64%	2.69%	-0.67%	18.58%



Source: Charles Schwab, Morningstar, and Ned Davis Research. Fast cycles are defined as 5 or more cuts in a 12-month period. Slow cycles are defined as less than 5 cuts within a 12-month period. Returns shown are price returns. Price return does not include the effects of reinvested cash flows. Returns are rounded to the nearest hundredth. For illustrative purposes only. Investing involves risk, including loss of principal. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. **Past performance is no guarantee of future results.**

Bear markets and recessions

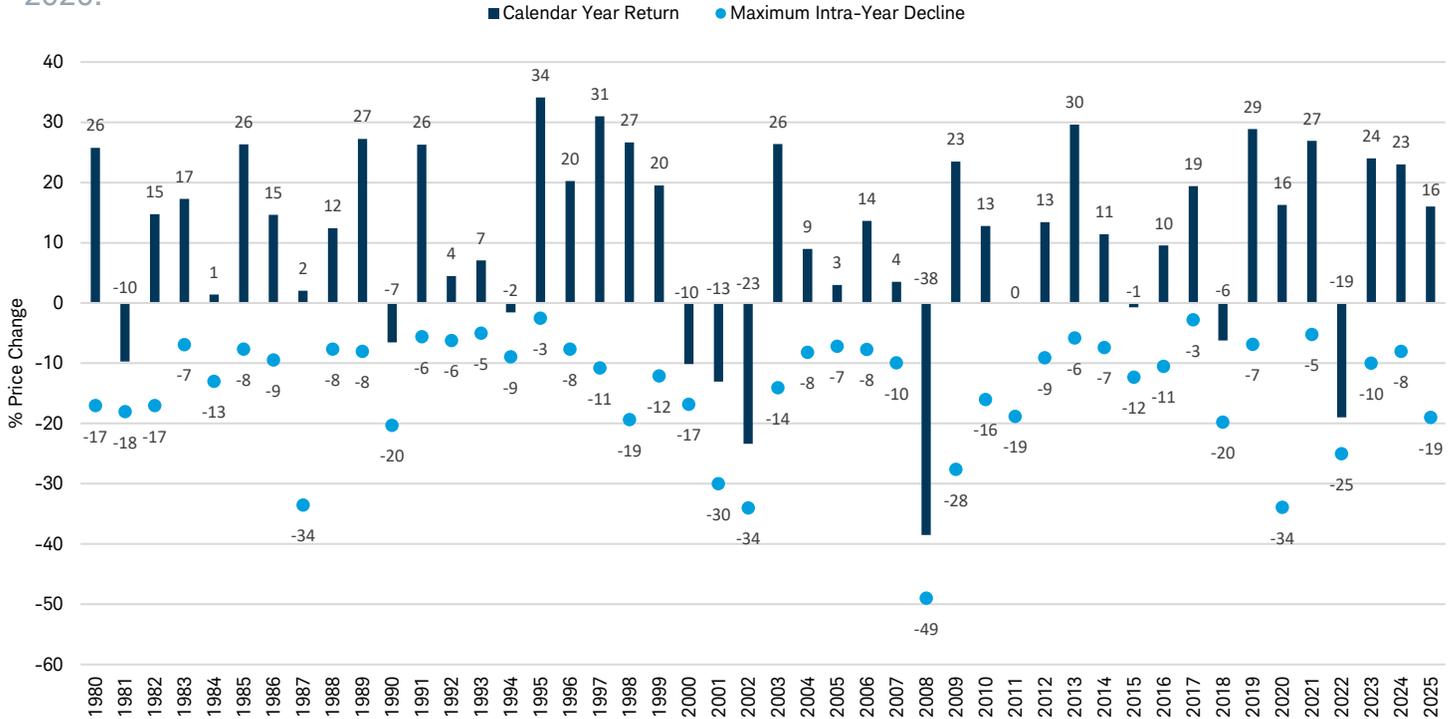
Bear markets in the S&P 500 are not always consistent with U.S. recessions. Going back to the 1940s, there have been five bear markets that didn't coincide with a recession.

Bear markets and recessions					
Bear market		Duration (days)	S&P 500 % change	Recession	
Start date	End date			Start date	End date
5/29/1946	5/19/1947	355	-28.5%	N/A	N/A
6/15/1948	6/13/1949	363	-20.6%	Nov-48	Oct-49
8/2/1956	10/22/1957	446	-21.6%	Aug-57	Apr-58
12/12/1961	6/26/1962	196	-28.0%	N/A	N/A
2/9/1966	10/7/1966	240	-22.2%	N/A	N/A
11/29/1968	5/26/1970	543	-36.1%	Dec-69	Nov-70
1/11/1973	10/3/1974	630	-48.2%	Nov-73	Mar-75
11/28/1980	8/12/1982	622	-27.1%	Jul-81	Nov-82
8/25/1987	12/4/1987	101	-33.5%	N/A	N/A
3/24/2000	10/9/2002	929	-49.1%	Mar-01	Nov-01
10/9/2007	3/9/2009	517	-56.8%	Dec-07	Jun-09
2/19/2020	3/23/2020	33	-33.9%	Feb-20	Apr-20
1/3/2022	10/12/2022	282	-25.4%	N/A	N/A

Source: Charles Schwab, Bloomberg, National Bureau of Economic Research. Bear market defined as 20% or greater drop in the S&P 500. Returns are rounded to the nearest tenth. Investing involves risk, including loss of principal. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. For illustrative purposes only. **Past performance is no guarantee of future results.**

Stocks can rise despite drawdowns during the year

While we've seen large intra-year declines, annual performance has managed to be positive most of the time, with two of the three biggest intra-year drawdowns accompanying yearly gains in 1987 and 2020.



Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. Data as of 12/31/2025. Shown in the chart are annual price returns for the S&P 500 Index and do not include reinvestment of dividends, interest, or the effects of taxes. Intra-year declines are the largest stock market drops during the year, representing a peak-to-trough change in index value. The annual return for 2011 was -0.32%. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Schwab does not recommend the use of technical analysis as a sole means of investment research. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

Income index returns

Total returns of income-generating investments as of 12/31/2025

Core Bonds					
	3-month	1-year	3-year	5-year	10-year
Bloomberg U.S. Aggregate	1.1%	7.3%	4.7%	-0.4%	2.0%
Treasuries	0.8%	6.2%	3.6%	-1.0%	1.3%
Municipal Bonds	1.6%	4.2%	3.9%	0.8%	2.3%
Mortgage Backed	1.7%	8.6%	4.9%	0.1%	1.6%
Agency Bonds	1.2%	6.1%	4.8%	0.9%	2.1%
Investment Grade Corporate	0.8%	7.8%	6.1%	-0.1%	3.3%
Commercial Mortgage Backed	1.4%	7.8%	6.0%	1.0%	2.9%
Asset Backed	1.2%	5.9%	5.5%	2.3%	2.6%
Aggressive Income					
High-Yield Bonds	1.3%	8.6%	10.1%	4.5%	6.5%
Bank Loans	1.2%	5.9%	9.4%	6.4%	5.8%
Preferred Stock	0.3%	5.0%	8.7%	2.1%	4.2%
Convertible Bonds	-0.6%	16.9%	13.9%	4.0%	11.4%

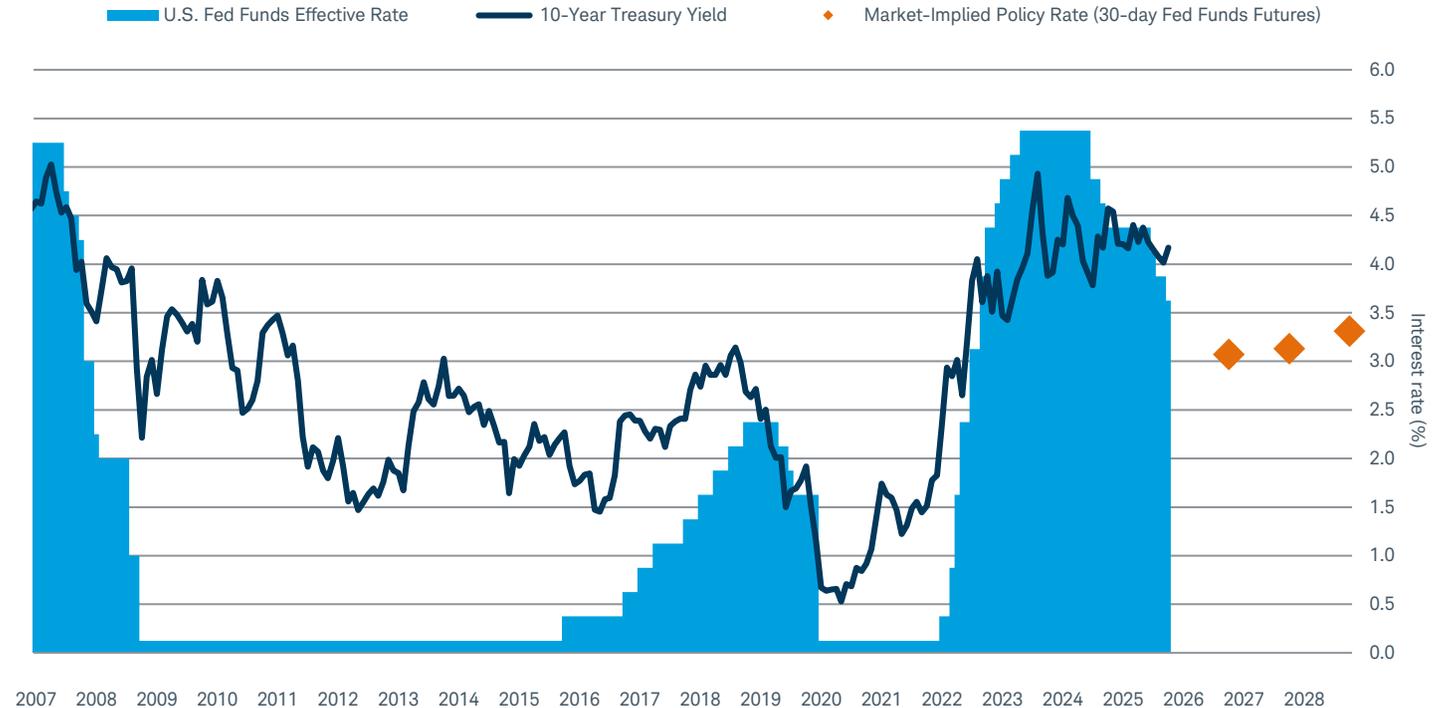
International					
	3-month	1-year	3-year	5-year	10-year
International Treasuries	-1.4%	8.2%	2.6%	-4.5%	0.3%
International Investment Grade	0.8%	10.5%	6.7%	-0.5%	2.7%
Emerging Market Bonds (USD)	3.1%	13.9%	10.3%	1.4%	4.3%
Emerging Market Bonds (Local)	3.4%	19.0%	8.8%	1.0%	3.5%
Dividend Equity					
U.S. Dividend Stocks	1.6%	4.5%	6.9%	9.0%	11.6%

Returns are annualized for periods over one year and rounded to the nearest tenth.

Source: Bloomberg. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. Returns assume reinvestment of dividends and interest. Indexes are: Bloomberg U.S. Agg Total Return (U.S. Aggregate Bond), ICE U.S. Treasury Core Bond Total Return (Treasuries), Bloomberg Municipal Index (Municipal Bonds), Bloomberg U.S. MBS Index (Mortgage Backed), Bloomberg U.S. Aggregate Agency Bond Index (Agency Bonds), Bloomberg U.S. Corporate Bond Index (Investment Grade Corporate), Bloomberg CMBS Investment Grade Total Return Index Value Unhedged USD (Commercial Mortgage Backed), Bloomberg U.S. Agg ABS Total Return Value Unhedged USD (Asset Backed), Bloomberg U.S. Corporate High Yield Bond (High Yield Bonds), Morningstar LSTA Leveraged Loan Total Return Index (Bank Loans), S&P U.S. Preferred Stock Total Return Index (Preferred Stock), Bloomberg U.S. Convertibles Liquid Bond Index TR Unhedged USD (Convertible Bonds), Bloomberg Global Treasury ex-U.S. Capped TR Index Value Unhedged USD (International Treasuries), Bloomberg Global Agg Credit Total Return Index Value Unhedged USD (International Investment Grade), J.P. Morgan EMBI Index (Emerging Market Bonds [USD]) J.P. Morgan GBI-EM Index (Emerging Market Bonds [Local]), Dow Jones U.S. Dividend 100 Total Return Index (U.S. Dividend Stocks). Investing involves risk, including loss of principal. **Past performance is no guarantee of future results.** For illustrative purposes only. See additional information on the disclosures page.

Federal funds rate path

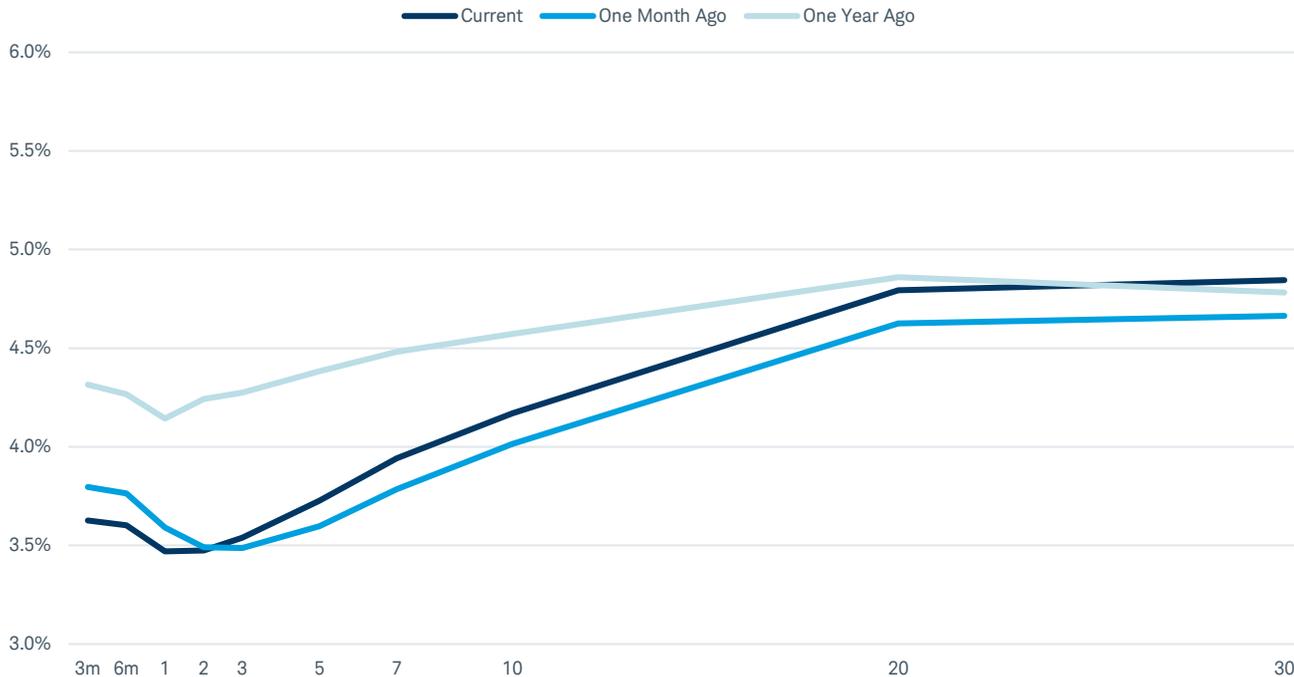
FOMC projections suggest that rate cuts should continue in 2026, but there is a wide range of views among committee members as the Fed's inflation and labor market mandates are in tension. If the labor market cools more than expected, the Fed will likely cut sooner, and more, than expected.



Source: Bloomberg as of 12/31/2025. Market-implied policy rates for 12/2026, 12/2027 and 12/2028. For illustrative purposes only. Futures and futures options trading involves substantial risk and is not suitable for all investors. Please read the [Risk Disclosure Statement for Futures and Options](https://www.schwab.com/Futures_RiskDisclosure) prior to trading futures products. **Past performance is no guarantee of future results.** This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. Investing involves risk, including loss of principal.

Treasury yield curve

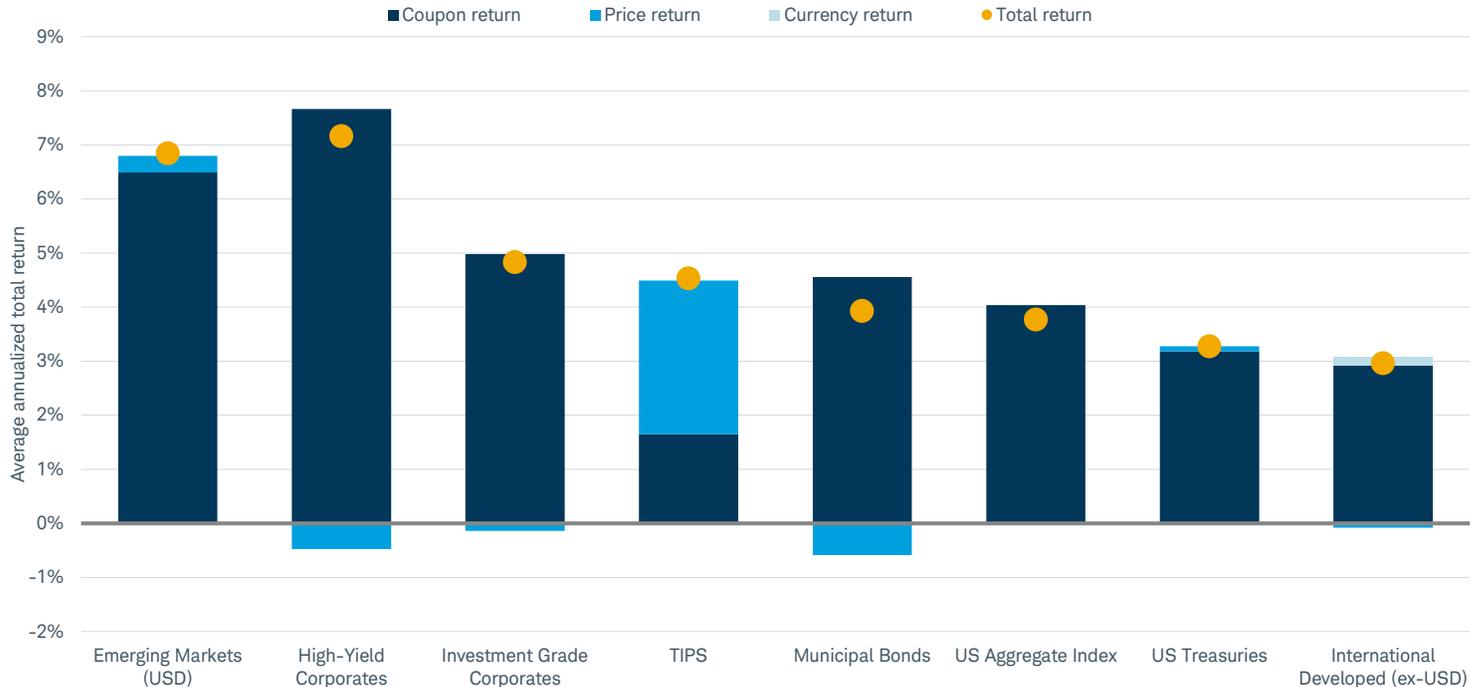
Short-term Treasury yields should continue to fall if the Fed cuts rates, but long-term yields should stay elevated given sticky inflation and budget concerns, resulting in a steeper yield curve. Intermediate-term maturities remain attractive in our view.



Source: Bloomberg, Federal Reserve as of 12/31/2025. Yields are represented by the U.S. Treasury Actives Curve which represents the most recently auctioned securities. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. The securities and investment strategies mentioned are not suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decisions. Investing involves risk, including loss of principal. **Past performance is no guarantee of future results.**

Components of bond total returns

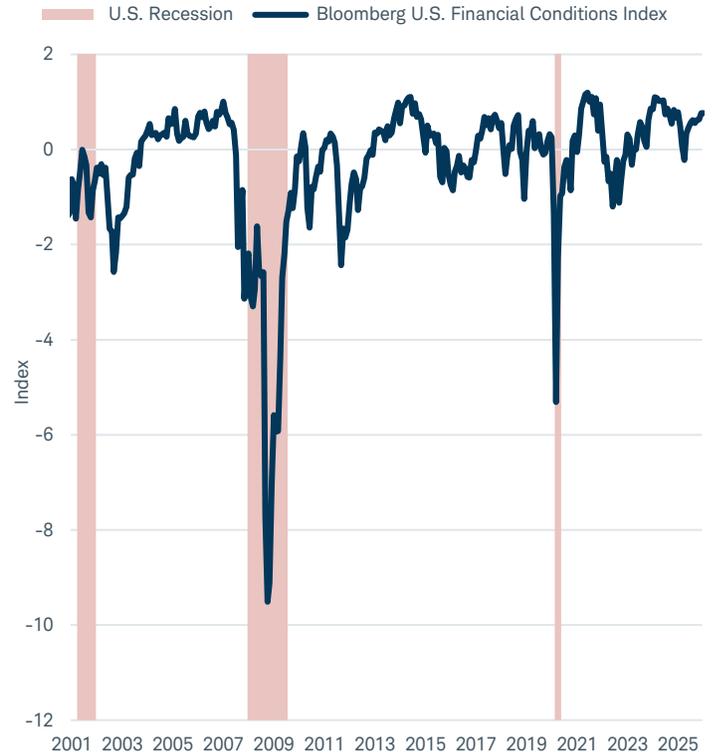
Coupon payments have been the key driver of most bond total returns over time. Buy-and-hold investors, or investors with longer investing horizons, should consider the high yields that bonds generally offer.



Source: Charles Schwab, Bloomberg. Total return date range 1/31/2001 to 12/31/2025. Indexes represented are: Emerging Markets (USD) = Bloomberg Emerging Market USD Aggregate Index; High-Yield Corporates = Bloomberg U.S. Corporate High-Yield Bond Index; Investment Grade Corporates = Bloomberg U.S. Corporate Bond Index; TIPS = Bloomberg US Treasury Inflation Linked Bond Index; Municipal Bonds = Bloomberg U.S. Municipal Bond Index; US Aggregate Index = Bloomberg US Aggregate Bond Index; US Treasuries = Bloomberg U.S. Treasury Index; International Developed (ex-USD) = Bloomberg Global Aggregate ex-USD Index. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. The securities and investment strategies mentioned are not suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decisions. **Past performance is no guarantee of future results.**

Yield curve slope and recessions

The spread between the 2-year and 10-year Treasury yields edged higher in the fourth quarter, while financial conditions generally remained accommodative.

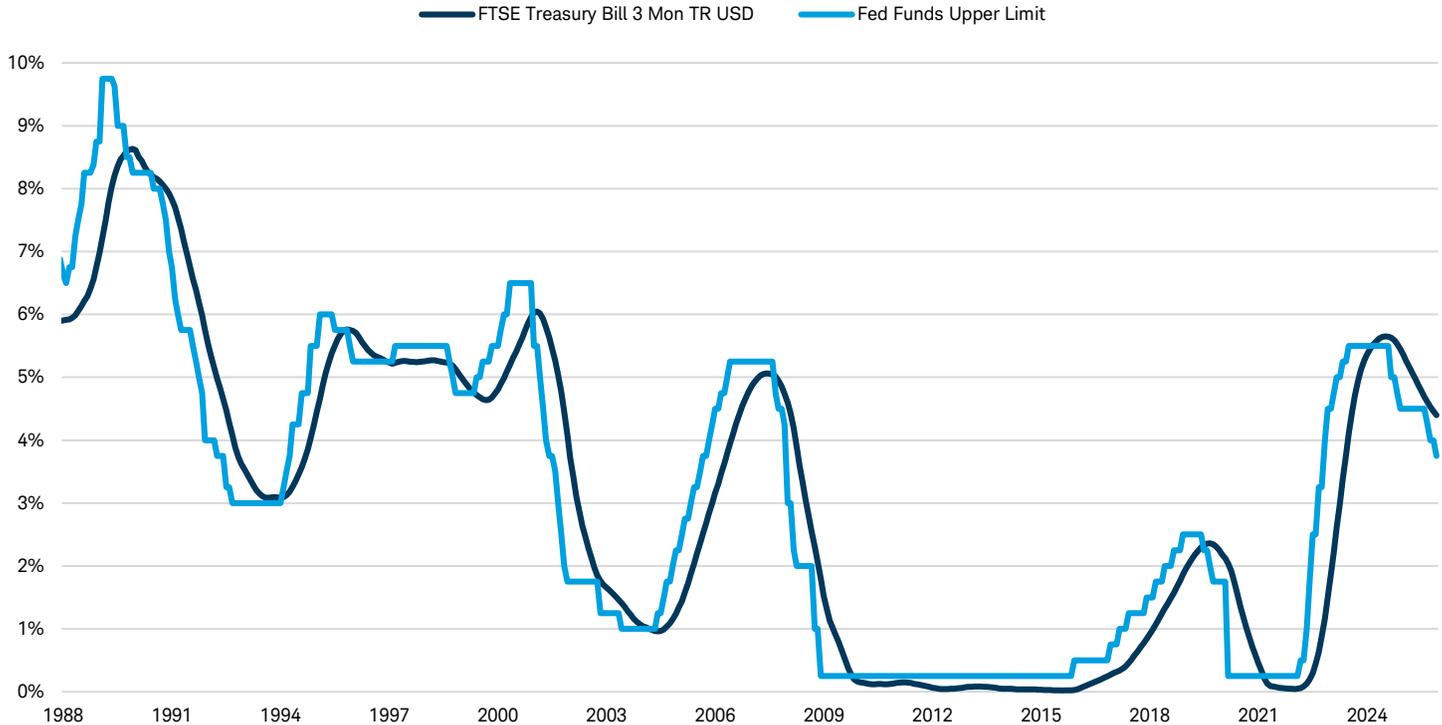


Bars represent National Bureau of Economic Research defined recession periods.

Source: Charles Schwab, Bloomberg, and Macrobond as of 12/31/2025. Schwab does not recommend the use of technical analysis as a sole means of investment research. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.** Basis points ("BPS") – one basis point is equal to one one-hundredth of one percent. Bloomberg Financial Conditions Index is a measure of the overall level of financial stress in the U.S. money, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions.

Cash and interest rates

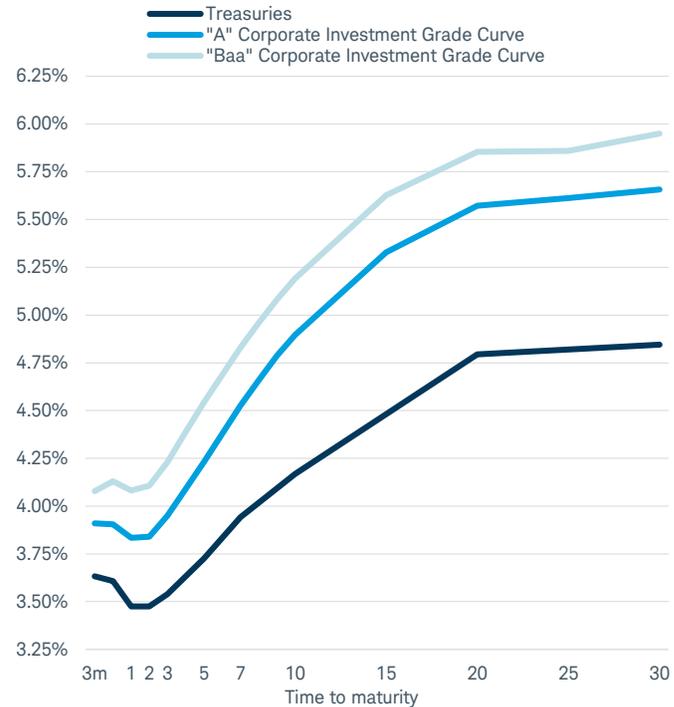
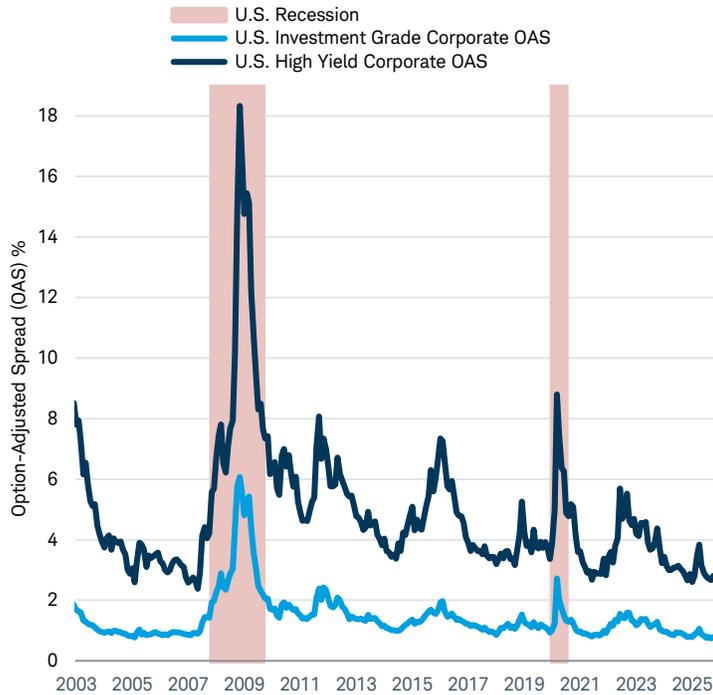
We expect yields for short-term investments, like cash and cash alternatives, to decline as the Fed cuts rates. Investors with large cash allocations should consider adding some intermediate-term bonds to lock in yields, rather than risk earning lower yields later.



Source: Charles Schwab, Bloomberg, Morningstar, Inc. as of 12/31/2025. Total returns include the reinvestment of dividends, interest, and other cash flows. Indexes are unmanaged, do not incur management fees, costs, and expenses and cannot be invested in directly. **Past performance is no guarantee of future results.** This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. The securities and investment strategies mentioned are not suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision. Investing involves risk, including loss of principal.

Corporate bond spreads

Bond spreads represent the extra yield that corporate bonds offer above comparable Treasury yields, and they continued to hold in a low and tight range in the fourth quarter. Corporate bond curves are sloped more positively than the Treasury curve.

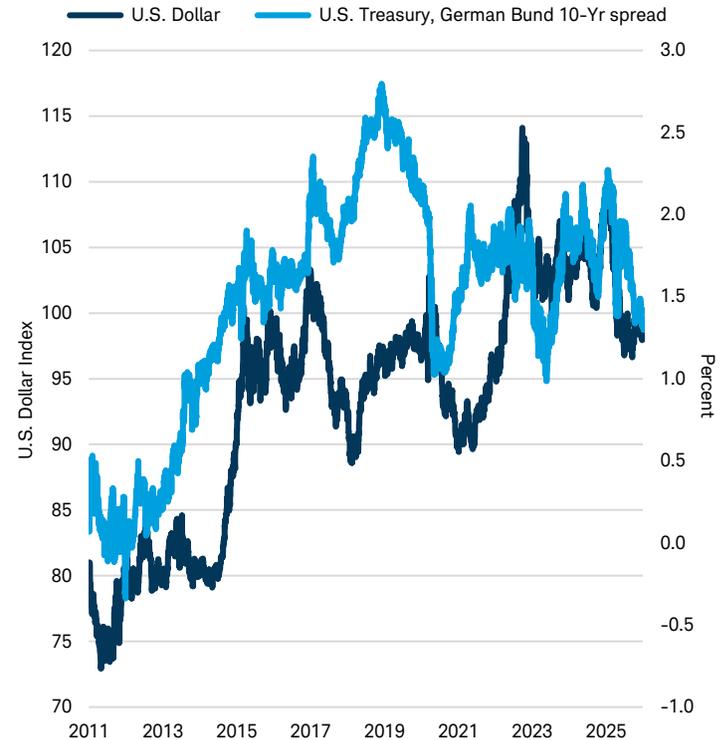
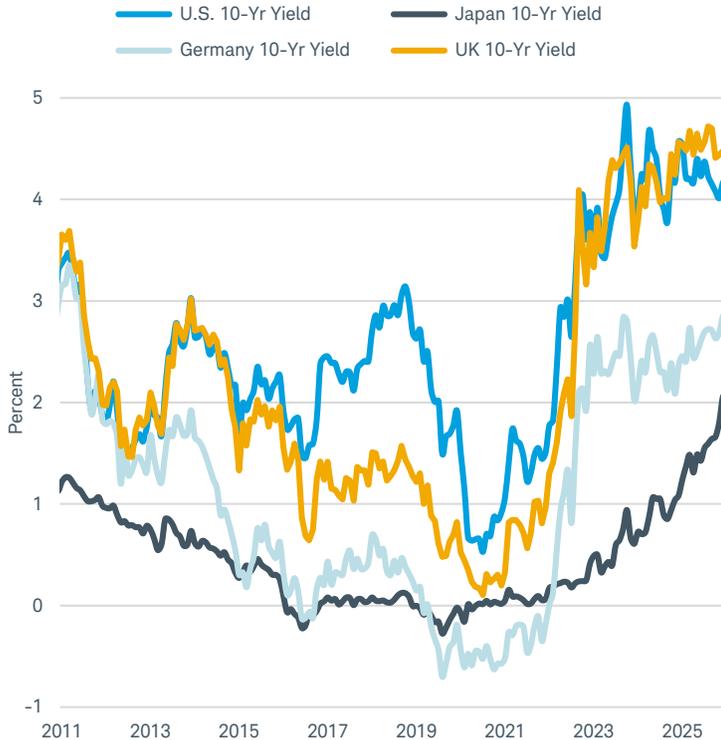


Bars represent National Bureau of Economic Research defined recession periods.

Source: Charles Schwab, Bloomberg as of 12/31/2025. See additional information on the disclosure page. Option-adjusted spreads (OAS) are quoted as a fixed spread, or differential, over U.S. Treasury issues. OAS is a method used in calculating the relative value of a fixed income security containing an embedded option, such as a borrower's option to prepay a loan. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

Global yields

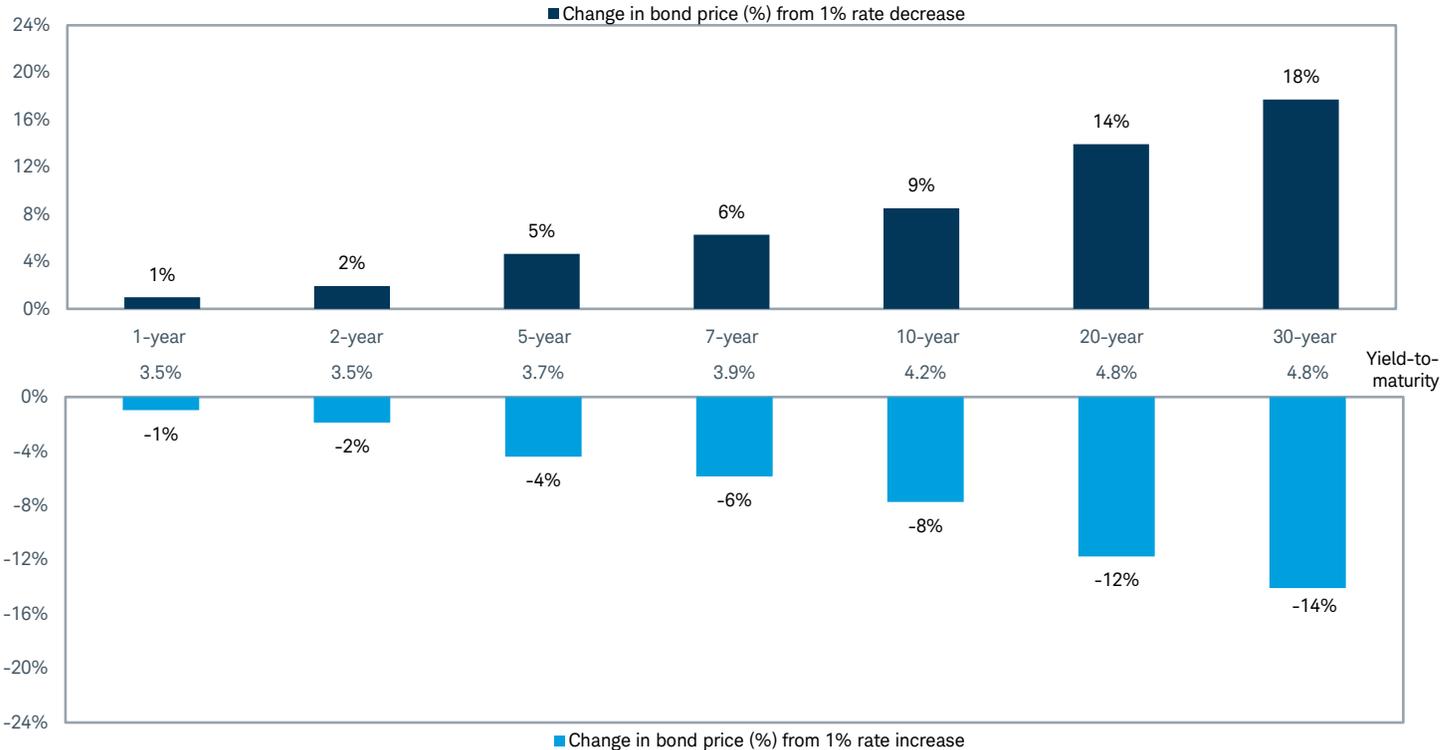
Interest rate differentials have generally declined due to diverging monetary policies. The Fed cut rates in the fourth quarter while the Bank of Japan hiked rates, and the European Central Bank is likely done cutting for this cycle. Shrinking interest rate differentials could pull the dollar even lower.



Source: Charles Schwab, Bloomberg as of 12/31/2025. Spread shown in the right chart is the 10-Yr Treasury yield minus the 10-Yr German Bund yield. Currency trading is speculative, very volatile and not suitable for all investors. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. **Past performance is no guarantee of future results.**

Interest rates and bond prices

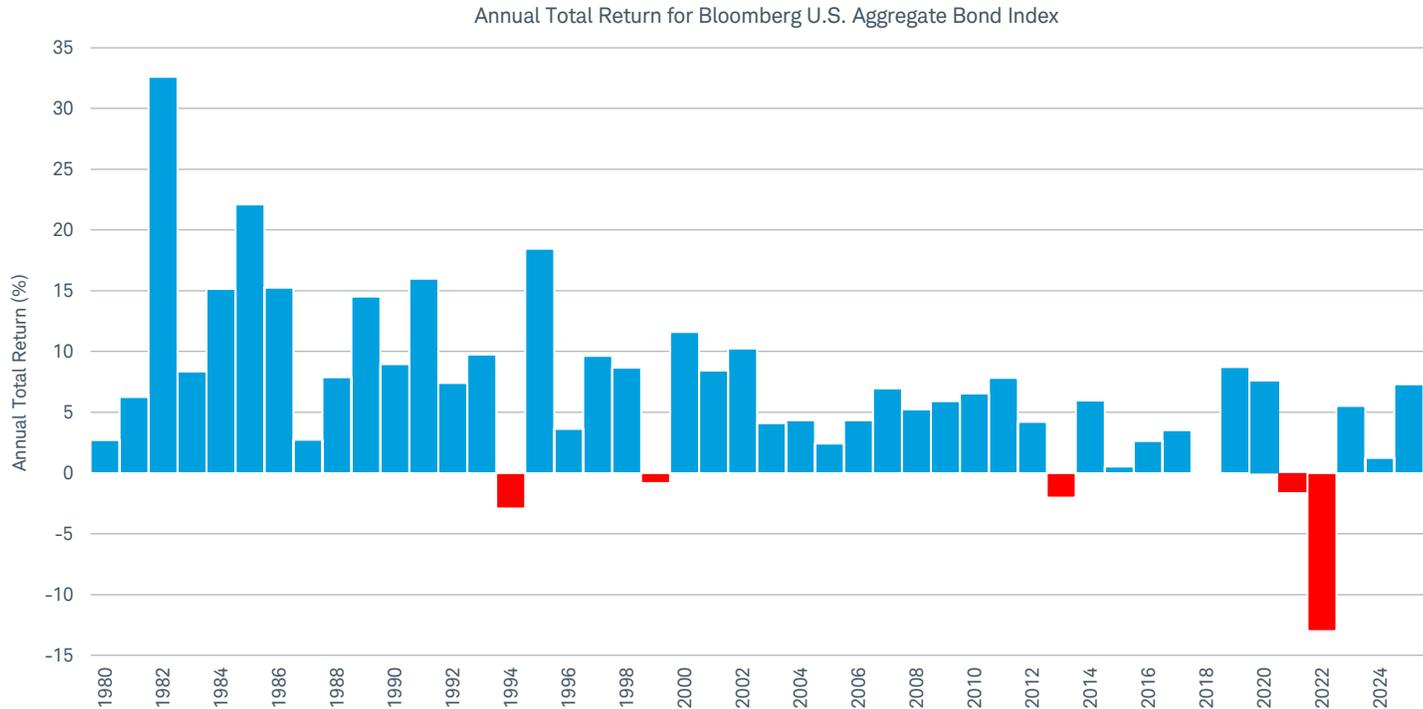
Bond prices and yields move in opposite directions, and the magnitude of the price change generally depends on the bond's maturity. Long-term bonds tend to be the most sensitive to yield changes.



Source: Charles Schwab and Federal Reserve, using yields as of 12/31/2025. Yield-to-maturity is based on the daily Treasury par yield curve for each maturity shown. This chart assumes a "parallel" upward and downward shift in yields from current rates by 1%. There is no single interest rate, and a rise in the short-term Fed Funds rate does not always result in a corresponding rise in longer-term Treasury rates. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

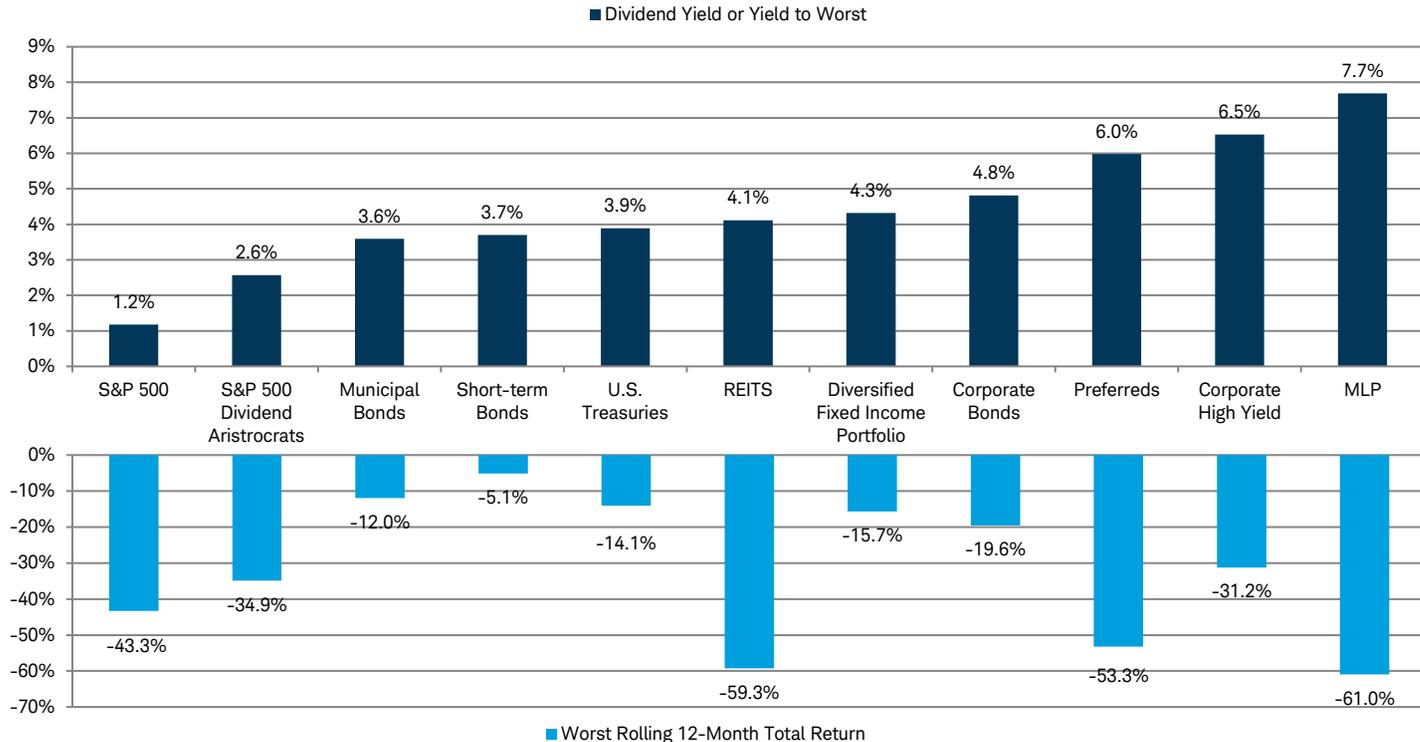
Negative returns have been uncommon in a diversified bond portfolio

After the worst year in the U.S. Aggregate's history, total returns have been positive for the last three years.



Source: Bloomberg as of 12/31/2025. Shown in the chart are annual total returns including price change and income for the Bloomberg U.S. Aggregate Bond Index. Returns include reinvestment of interest. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results. Diversification strategies do not ensure a profit and do not protect against losses in declining markets.**

Higher yields usually come with higher risks



Diversified Fixed Income Portfolio is represented by the Bloomberg U.S. Aggregate Bond Index. Dividend yield on the S&P 500 Index (S&P 500), S&P 500 Dividend Aristocrats Index (S&P 500 Dividend Aristocrats), S&P U.S. REIT Index (REITs), and Alerian MLP Index (MLPs). Yield to worst on the Bloomberg U.S. Aggregate Bond Index (Diversified Fixed Income Portfolio), Bloomberg U.S. Aggregate 1-3 Year Index (Short-term Bonds), BofA Fixed Rate Preferred Securities Index (Preferreds), Bloomberg U.S. Corporate High Yield Index (Corporate High Yield), Bloomberg U.S. Treasury Index (U.S. Treasuries), Bloomberg Municipal Bond Index (Municipal Bonds), and Bloomberg Corporate Bond Index (Corporate Bonds). Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal.

Source: Dividend yield or yield to worst data obtained from Bloomberg as of 12/31/2025. Worst rolling 12-month total returns are from 12/31/1999 to 12/31/2025 using monthly data. Returns assume reinvestment of dividends and interest. Values shown are rounded to the nearest tenth. Individual situations will vary and are no guarantee of future performance or success. Not intended to be reflective of results you can expect to achieve and are not intended to be, nor should they be construed as, a recommendation to buy, sell, or continue to hold any investment. **For illustrative purposes only. Past performance is no guarantee of future results.**

Municipal bond index returns and yields

Data as of 12/31/2025

Fixed Income	Total returns			
	1-month	3-month	6-month	12-month
Municipal	0.09%	1.56%	4.61%	4.25%
Municipal High Yield	-0.24%	1.15%	2.80%	2.46%
Taxable Municipal	-0.35%	1.37%	3.92%	7.89%
By Maturity				
1 Year (1-2)	0.33%	0.56%	1.55%	3.47%
3 Year (2-4)	0.36%	0.46%	1.99%	4.11%
5 Year (4-6)	0.28%	0.50%	2.70%	5.03%
7 Year (6-8)	0.23%	0.83%	3.59%	5.70%
10 Year (8-12)	0.25%	1.74%	4.83%	5.92%
15 Year (12-17)	0.26%	2.84%	6.36%	5.31%
20 Year (17-22)	-0.19%	2.20%	6.02%	3.12%
Long Bond (22+)	-0.33%	1.63%	5.51%	1.95%
Quality				
Aaa	0.11%	1.57%	4.70%	4.25%
Aa	0.12%	1.57%	4.56%	4.21%
A	0.01%	1.50%	4.63%	4.35%
Baa	0.06%	1.77%	4.66%	4.13%
Municipal High Yield	-0.24%	1.15%	2.80%	2.46%

Fixed Income	Current	Tax-equivalent yield		
		CA Resident*	NY Resident [†]	National [†]
Municipal	3.60%	7.83%	7.14%	6.63%
Municipal High Yield	5.59%	12.17%	11.09%	10.31%
Taxable Municipal	4.81%	4.81%	4.81%	4.81%
By Maturity				
1 Year (1-2)	2.69%	5.87%	5.34%	4.97%
3 Year (2-4)	2.75%	5.99%	5.46%	5.07%
5 Year (4-6)	2.85%	6.21%	5.66%	5.26%
7 Year (6-8)	3.00%	6.54%	5.96%	5.54%
10 Year (8-12)	3.23%	7.03%	6.40%	5.95%
15 Year (12-17)	3.70%	8.06%	7.34%	6.82%
20 Year (17-22)	4.33%	9.43%	8.59%	7.98%
Long Bond (22+)	4.59%	10.00%	9.11%	8.47%
Quality				
Aaa	3.42%	7.46%	6.80%	6.32%
Aa	3.46%	7.54%	6.87%	6.38%
A	3.86%	8.42%	7.67%	7.13%
Baa	4.48%	9.75%	8.89%	8.26%
Municipal High Yield	4.69%	10.23%	9.32%	8.66%

*CA assumes a 37% federal tax, 13.3% state tax, and 3.8% ACA tax

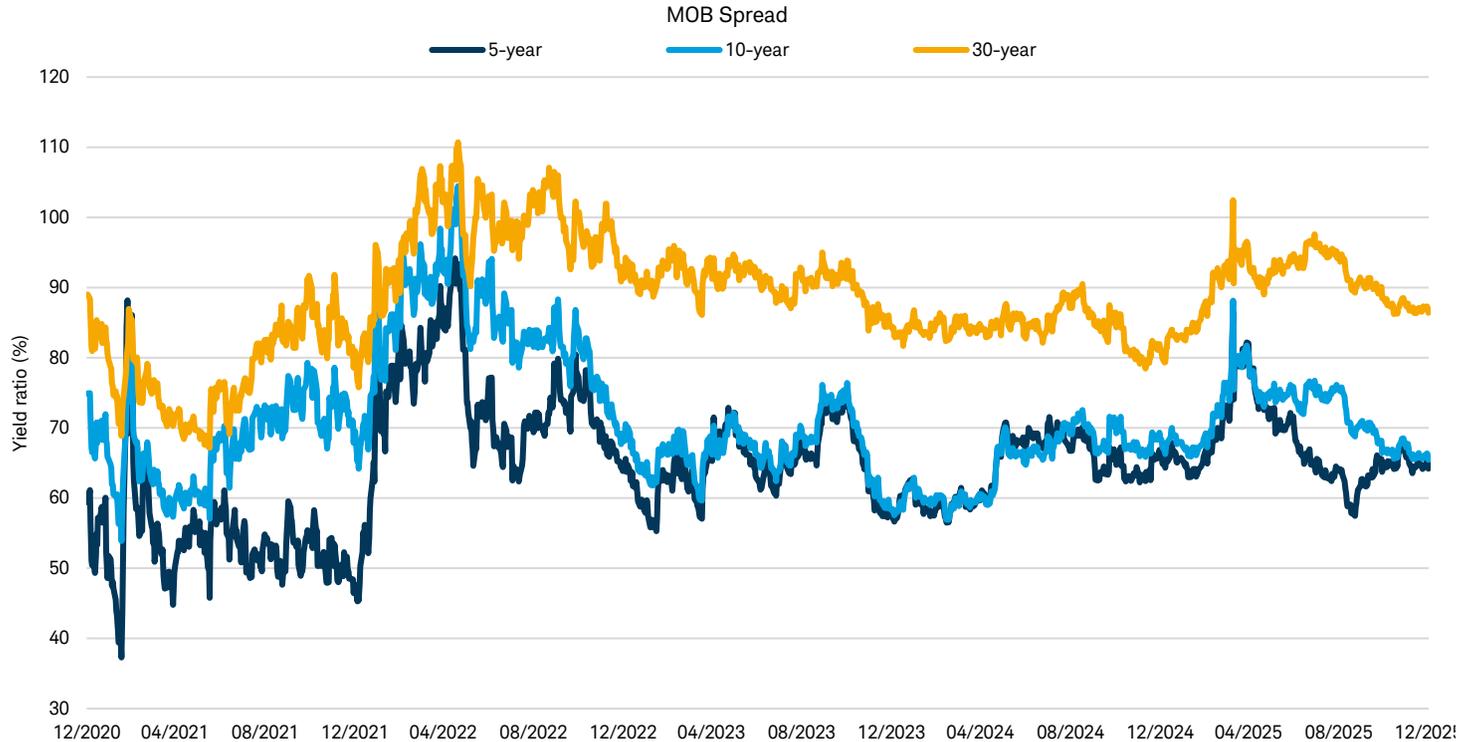
[†]NY assumes a 37% federal tax, 8.82% state tax, and 3.8% ACA tax

[†]National assumes a 37% federal tax, 5% state tax, and 3.8% ACA tax

Source: Charles Schwab, Bloomberg. Yields do not include a local tax. Indexes shown are variations of the Bloomberg U.S. Municipal Bond Index. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Tax-exempt bonds are not necessarily a suitable investment for all persons. Information related to a security's tax-exempt status (federal and in-state) is obtained from third parties and Charles Schwab & Co., Inc. does not guarantee its accuracy. Tax-exempt income may be subject to the Alternative Minimum Tax (AMT). Capital appreciation from bond funds and discounted bonds may be subject to state or local taxes. Capital gains are not exempt from federal income tax. Values are rounded to the nearest hundredth. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

Municipal bonds: Relative yields

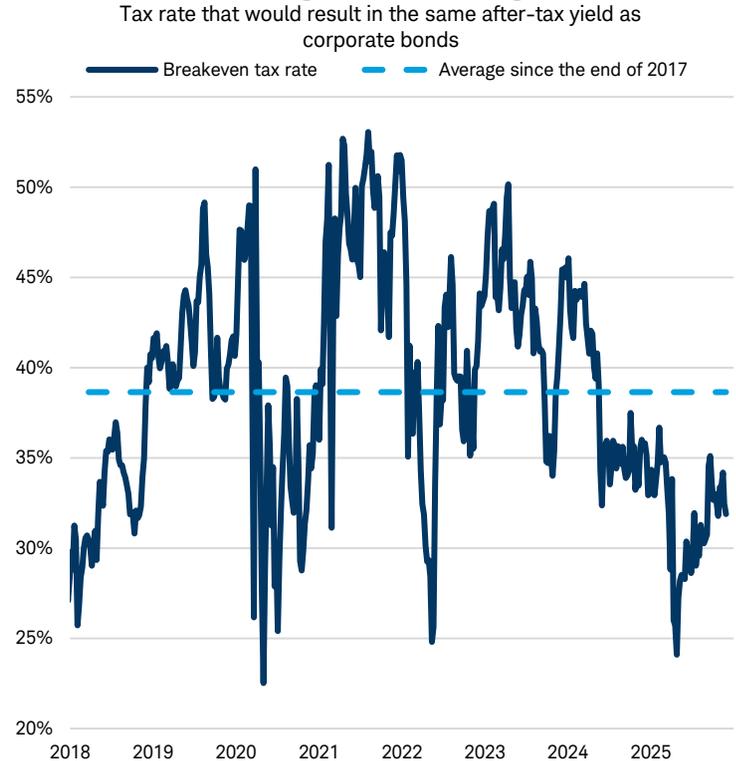
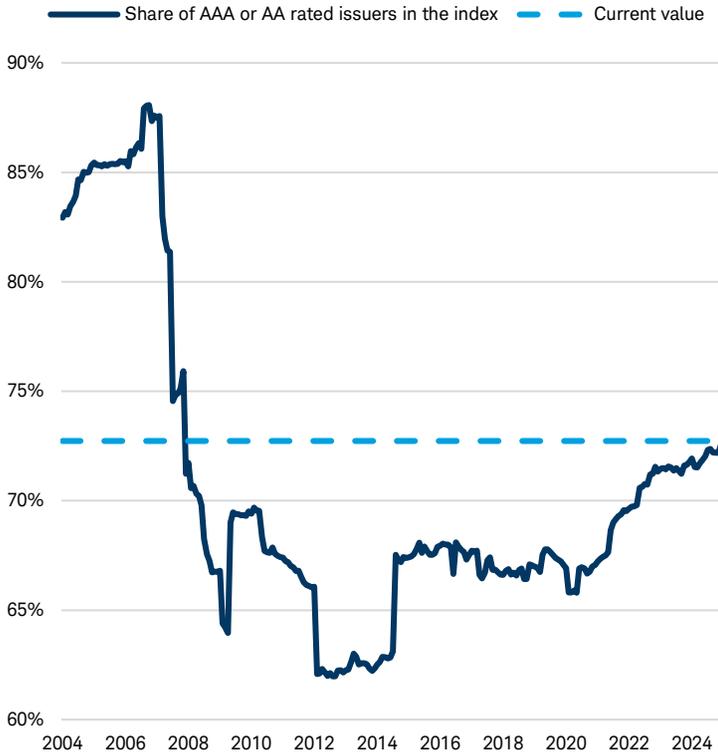
Relative to Treasuries, long-term municipal bond yields moved lower during the quarter, while intermediate-term yields inched up. High-quality munis appear attractive for investors in higher tax brackets who are looking for more conservative income options.



Source: Bloomberg. Daily data as of 12/31/2025. Yield ratio (municipal-over-bond spread) is the ratio of the yield of a AAA-rated municipal bond compared to the yield on a Treasury bond of a similar maturity. This information is not a specific recommendation, individualized tax, legal, or investment advice. Tax laws are subject to change, either prospectively or retroactively. Where specific advice is necessary or appropriate, individuals should contact their own professional tax and investment advisors or other professionals (CPA, Financial Planner, Investment Manager, Estate Attorney) to help answer questions about specific situations or needs prior to taking any action based upon this information. **Past performance is no guarantee of future results.** Investing involves risk, including loss of principal. ⁴⁹

Municipals: Credit ratings and breakeven rate

The average credit quality of the muni market improved in the fourth quarter, with the share of AAA- and AA-rated bonds continuing to move higher. Munis look attractive relative to corporates since the tax rate that would result in the same after-tax yield is well below its longer-term average.

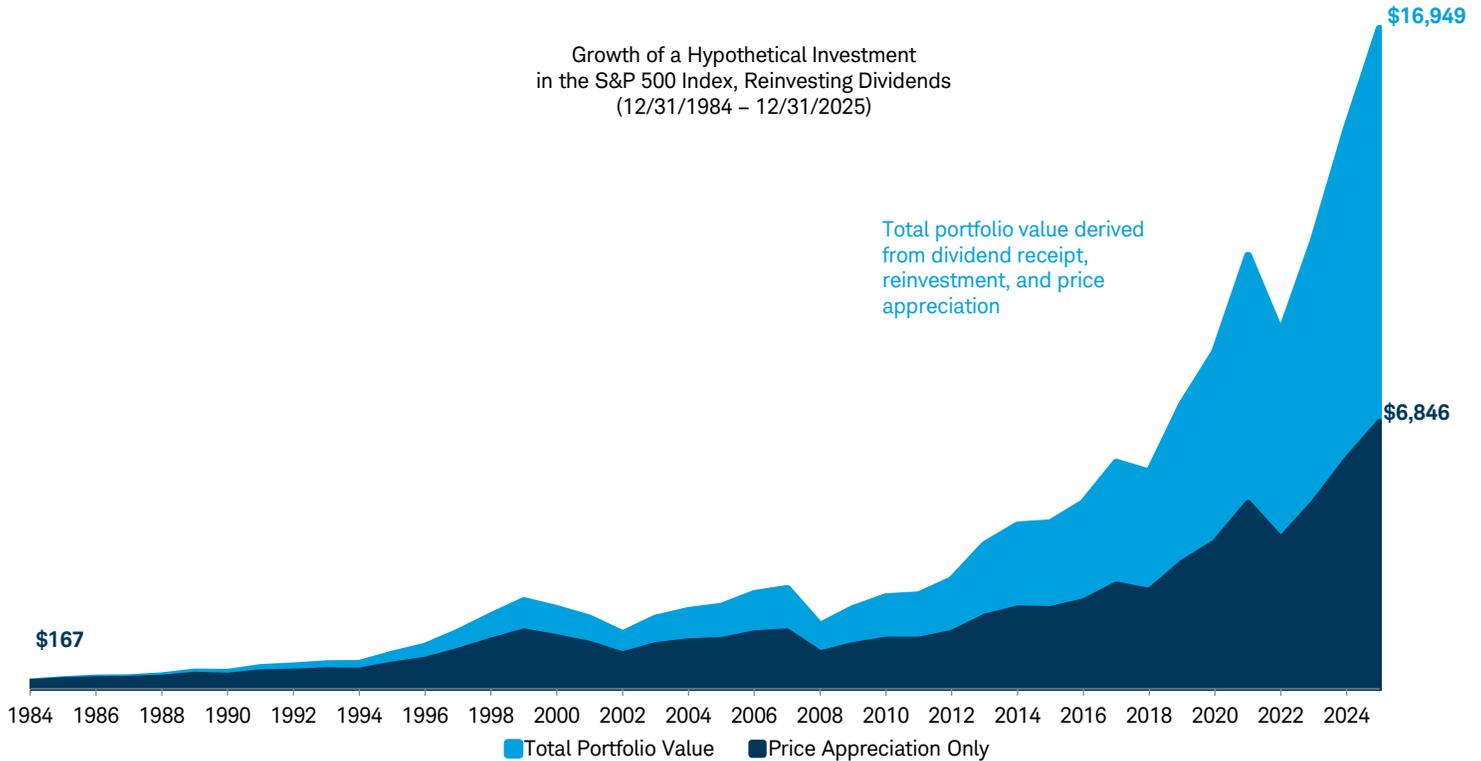


Source: Bloomberg as of 12/31/2025. Left: Composition of the Bloomberg Municipal Bond Index, using monthly data. Right: Bloomberg Municipal Bond 7 Year (6-8) Index and Bloomberg Intermediate Corporate Bond Index, using weekly data. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. **Past performance is no guarantee of future results.**

Impact of dividends on total return

Dividend-paying stocks can be an income-generating security.

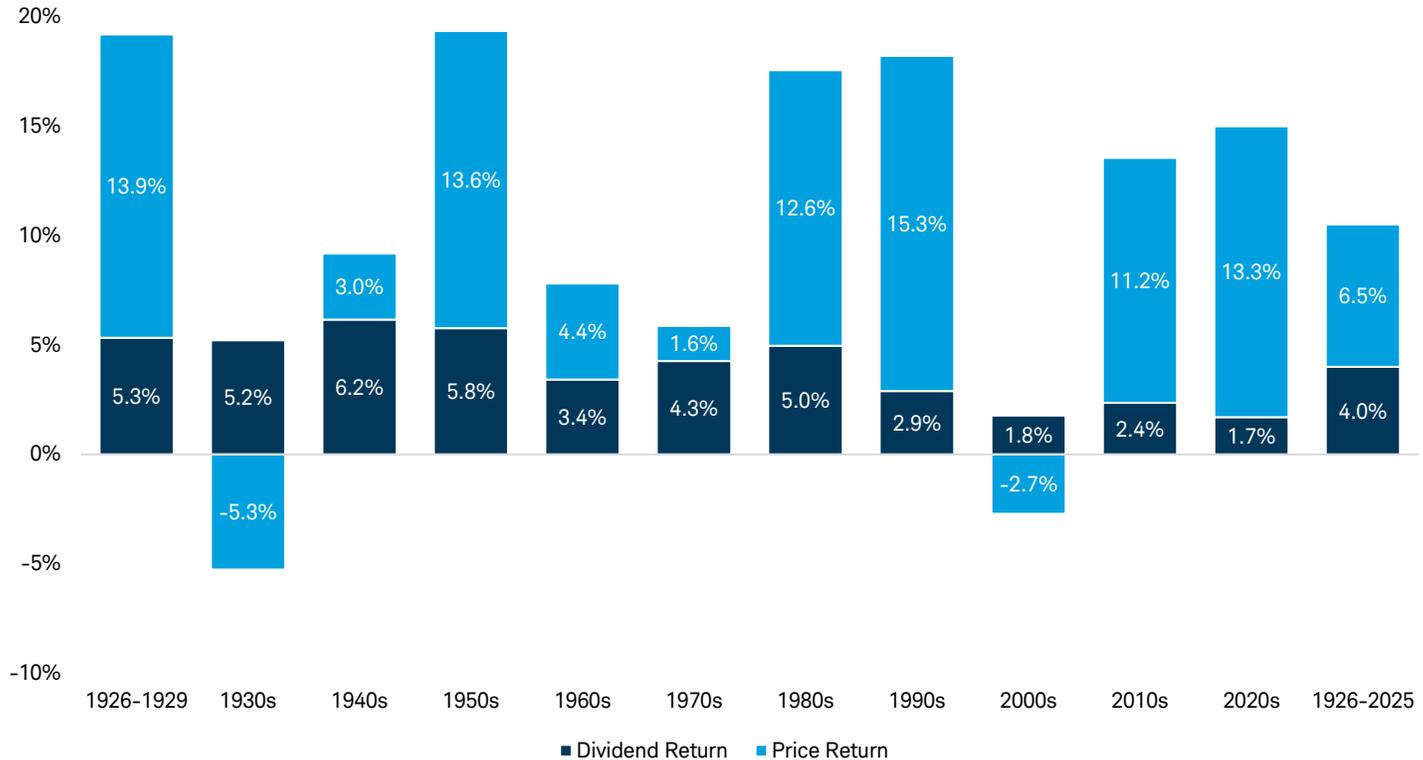
Growth of a Hypothetical Investment
in the S&P 500 Index, Reinvesting Dividends
(12/31/1984 – 12/31/2025)



Growth of the S&P 500 Total Return Index assumes reinvestment of dividends, includes capital gains, and does not reflect the effect of taxes and fees. The \$167 is the S&P 500 Index price on 12/31/1984. This hypothetical example is only for illustrative purposes. Source: S&P Global Indices and Bloomberg as of 12/31/2025. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. There are risks associated with investing in dividend paying stocks, including but not limited to the risk that stocks may reduce or stop paying dividends. **Past performance is no guarantee of future results.**

Contribution of dividends to S&P 500 Index total return

From 1926–2025, dividends have been a meaningful part of total return.

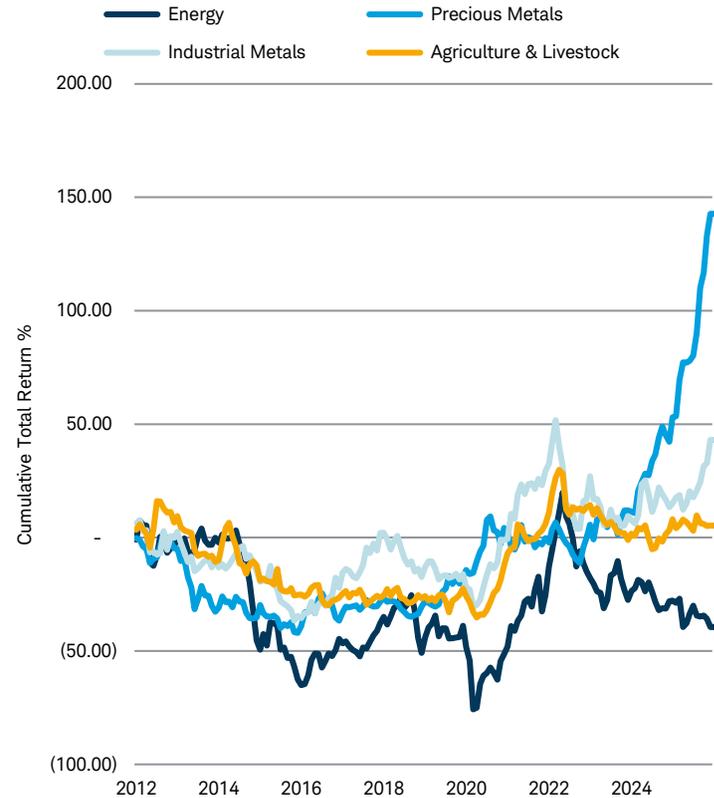


Source: 2019 Stocks, Bonds, Bills & Inflation® (SBI®) Yearbook (1926-2018); Bloomberg (2019 - 2025). The S&P 500® Total Return Index assumes reinvestment of dividends, includes capital gains and does not reflect the effect of taxes and fees. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. There are risks associated with investing in dividend-paying stocks, including but not limited to the risk that stocks may reduce or stop paying dividends. For illustrative purposes only. **Past performance is no guarantee of future results.**

Commodities

Price returns as of 12/31/2025

Energy						
	Price	3-month	1-year	3-year	5-year	10-year
WTI Crude Oil Futures	57.42	-7.9%	-19.9%	-10.6%	3.4%	4.5%
Brent Crude Oil Futures	60.85	-9.2%	-18.5%	-10.9%	3.3%	5.0%
Gasoline Futures	170.54	-13.6%	-14.8%	-11.5%	3.9%	3.0%
NY Harbor ULSD Futures	212.06	-9.1%	-8.6%	-14.2%	7.5%	6.8%
Sulphur Gasoil Futures	622.75	-10.3%	-10.4%	-12.2%	8.2%	6.7%
Natural Gas Futures	3.69	11.6%	1.5%	-6.3%	7.7%	4.7%
Metals						
Gold Spot \$/Oz	4,319.37	11.9%	64.6%	33.3%	17.9%	15.1%
Silver Spot \$/Oz	71.66	53.6%	148.0%	44.1%	22.1%	17.9%
Platinum Spot \$/Oz	2,060.51	30.8%	127.0%	24.2%	14.0%	8.7%
Palladium Spot \$/Oz	1,620.00	28.4%	77.5%	-3.3%	-7.9%	11.1%
LME Aluminum 3MO (\$)	2,995.50	11.8%	17.4%	8.0%	8.6%	7.1%
LME COPPER 3MO (\$)	12,423.00	21.0%	41.7%	14.1%	9.9%	10.2%
Agriculture						
Corn Futures	440.25	6.0%	-4.0%	-13.4%	-1.9%	2.1%
Wheat Futures	507.00	-0.2%	-8.1%	-13.8%	-4.6%	0.8%
Soybean Futures	1,030.50	2.9%	3.2%	-12.1%	-4.8%	1.7%
Coffee Futures	348.75	-7.0%	9.1%	27.7%	22.1%	10.7%
Sugar Futures	15.01	-6.8%	-22.1%	-9.2%	-0.6%	-0.2%
Cotton Futures	64.27	1.5%	-6.0%	-8.3%	-3.8%	0.2%
Broad indexes						
Bloomberg Commodity Index	109.69	4.8%	11.1%	-0.9%	7.0%	3.4%
S&P GSCI Index	548.52	-0.3%	-0.2%	-3.5%	6.0%	5.8%

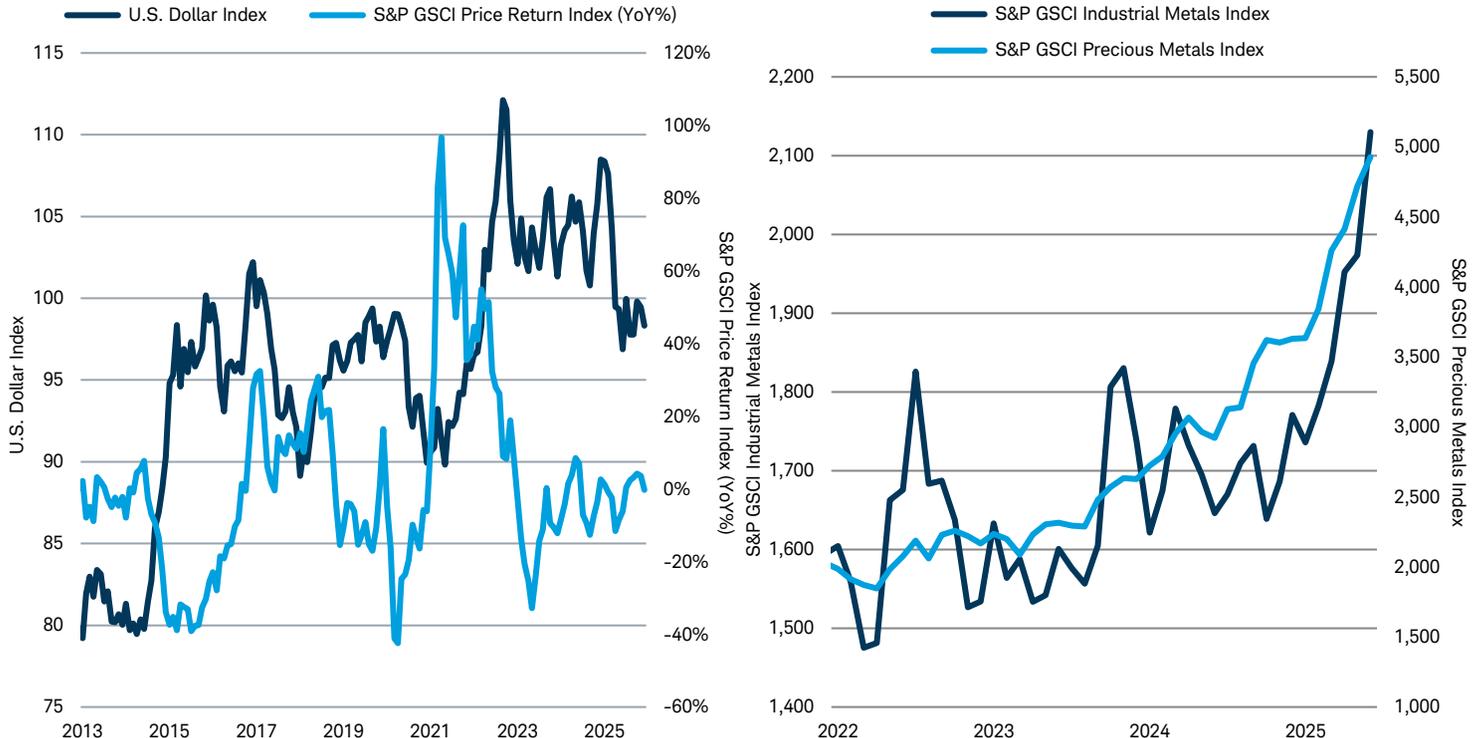


Returns are annualized for periods over one year and rounded to the nearest tenth.

Source: Bloomberg, S&P Goldman-Sachs Commodities Index. Price return does not include the effects of reinvested cash flows, costs and expenses, and cannot be invested in directly. For illustrative purposes only. Futures and futures options trading involves substantial risk and is not suitable for all investors. Please read the [Risk Disclosure Statement for Futures and Options](https://www.schwab.com/Futures_RiskDisclosure) prior to trading futures products. Investing involves risk, including loss of principal. **Past performance is no guarantee of future results.**

Metals continued to shine

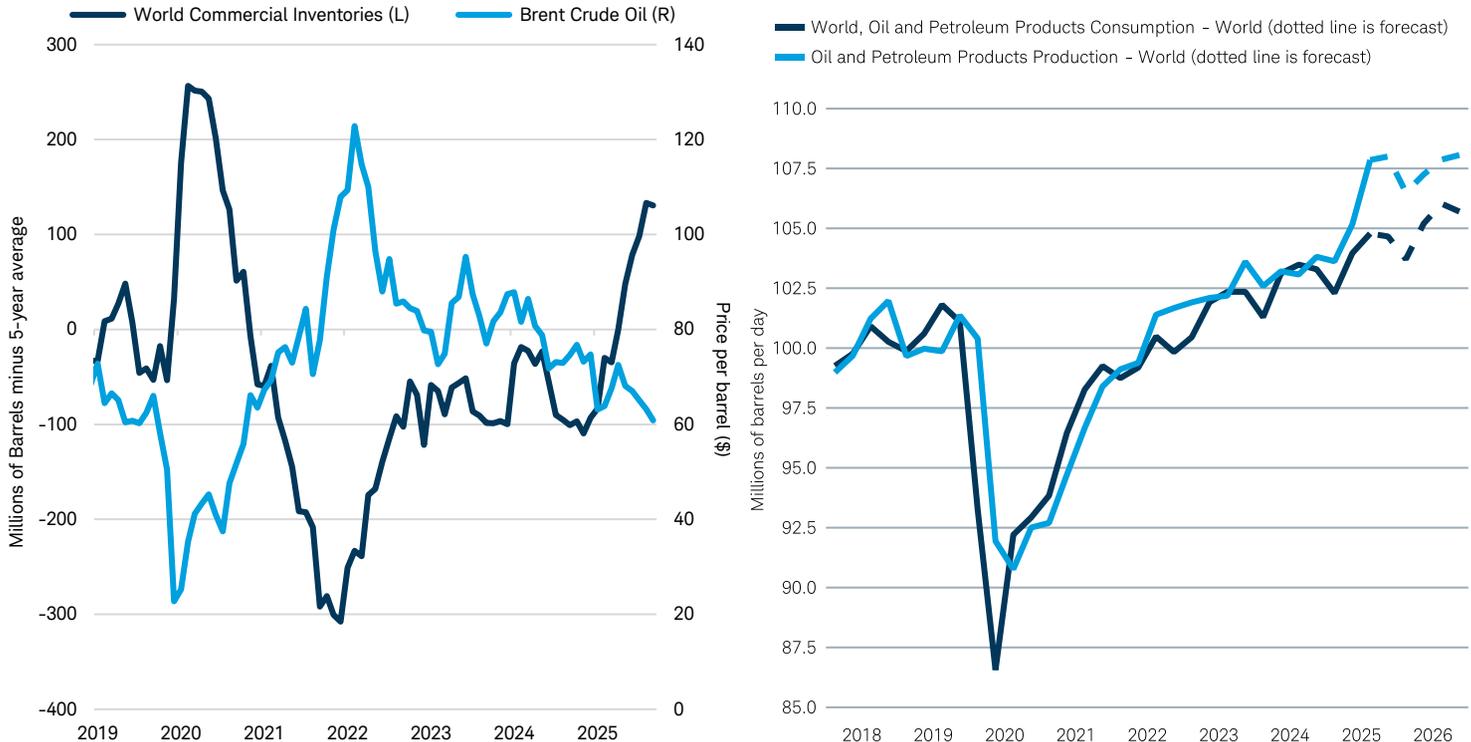
Gold and silver continued to hit record highs, while industrial metals rallied to keep a price decline for the commodity index modest, bolstered by a slumping U.S. dollar, along with safe-haven buying, global central bank demand, a resilient global economy, lower interest rates, and the intensifying tech-related buildup.



Source: Charles Schwab, Bloomberg, as of 12/31/2025. Price return does not include the effects of reinvested cash flows. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. Currencies are speculative, very volatile, and are not suitable for all investors. Commodity-related products carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions. **Past performance is no guarantee of future results.**

Oil prices continued a downtrend

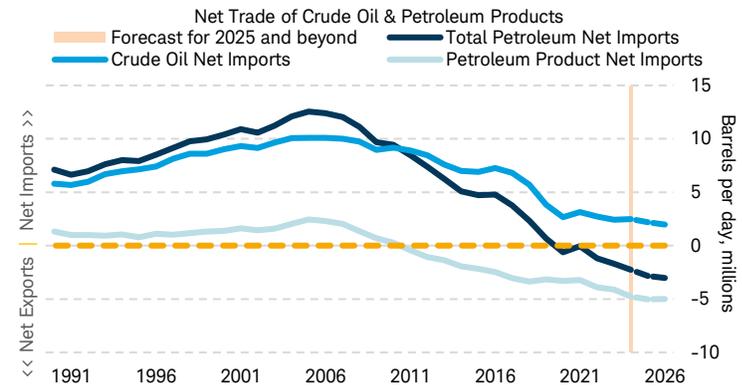
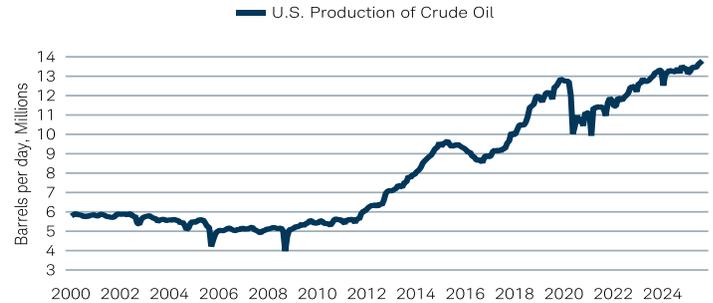
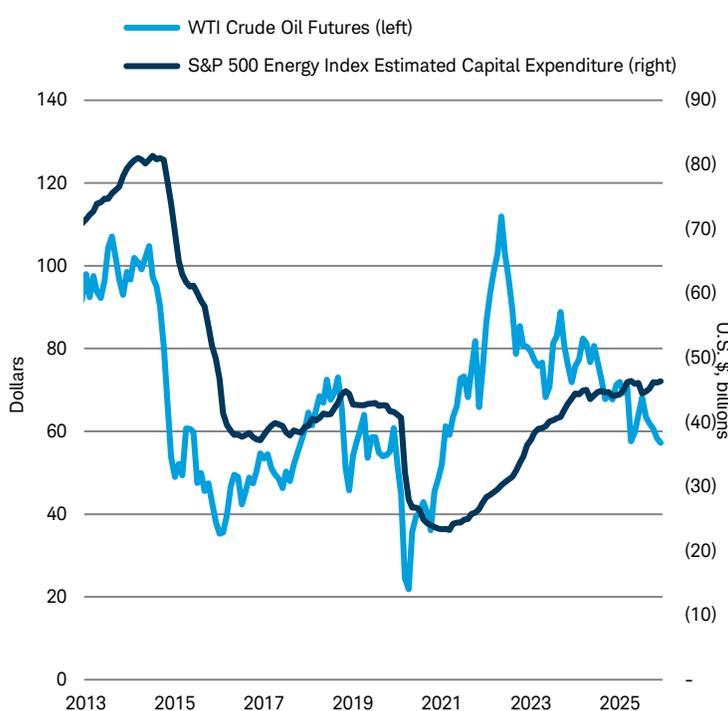
Oil prices maintained a downtrend with inventories and production jumping and outpacing demand. Oil could continue to face headwinds due to this dynamic and a potential economic growth slowdown. However, further weakness in the U.S. dollar and an escalation in geopolitical turmoil could provide some offsets.



Source: Charles Schwab, International Energy Agency, Macrobond as of 12/31/2025. World commercial inventories measures the number of barrels of commercial oil held worldwide each month. World oil and petroleum products consumption measures the number of barrels of oil consumed per day worldwide. Oil and petroleum products production measures the number of barrels of oil produced per day worldwide. The dashed lines in the chart on the right reflect the Energy Information Administration's forecasts. Forecasts are for Q4 2025 to Q4 2026. **Past performance is no guarantee of future results.** Investing involves risk, including loss of principal.

U.S. energy position remains solidified

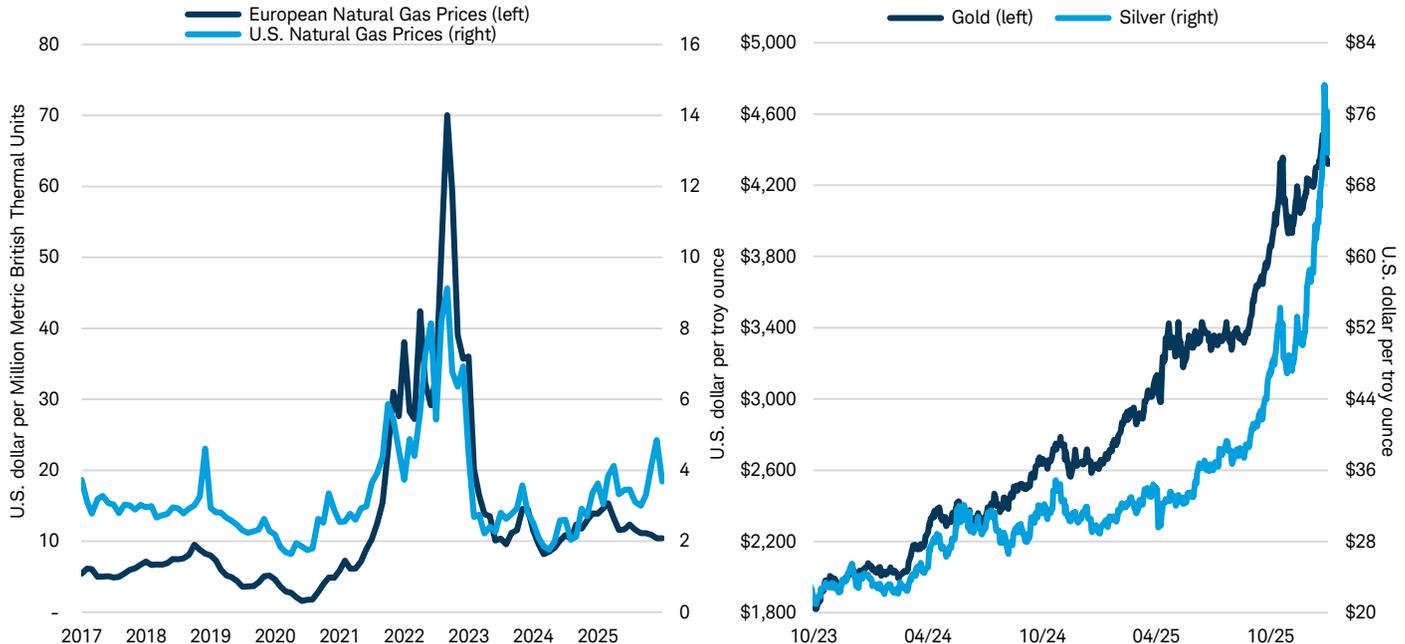
Record U.S. oil production has offset uncertainty regarding OPEC output and lingering disruptions overseas. Our status as a net petroleum exporter remains intact, as our dependence on crude oil imports continues to decline. Capital expenditures could continue to taper off as oil prices—barring any extreme supply shock—remain on a downtrend.



Source: Charles Schwab, Bloomberg, Macrobond, U.S. Energy Information Administration as of 12/31/2025. For illustrative purposes only. Futures and futures options trading involves substantial risk and is not suitable for all investors. Please read the [Risk Disclosure Statement for Futures and Options](https://www.schwab.com/Futures_RiskDisclosure) [https://www.schwab.com/Futures_RiskDisclosure] prior to trading futures products. Commodity-related products carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, may be illiquid, and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions. **Past performance is no guarantee of future results.**

Precious metals and natural gas buoy commodities

Interest rate and inflation uncertainty, a bulging U.S. deficit, and safe-haven demand continued to support metals, with silver getting an extra hand from EV production, AI data center build outs, and other industrial uses. Weather expectations will play a factor in natural gas prices—which have rallied recently from a selloff in 2022/2023—as winter unfolds, along with how energy demand unfolds amid the AI buildouts and if domestic export of the energy source activity continues.



Source: Bloomberg as of 12/31/2025. **Past performance is no guarantee of future results.** Futures and futures options trading involves substantial risk and is not suitable for all investors. Please read the [Risk Disclosure Statement for Futures and Options \[https://www.schwab.com/Futures_RiskDisclosure\]](https://www.schwab.com/Futures_RiskDisclosure) prior to trading futures products. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice.

Commodities and inflation

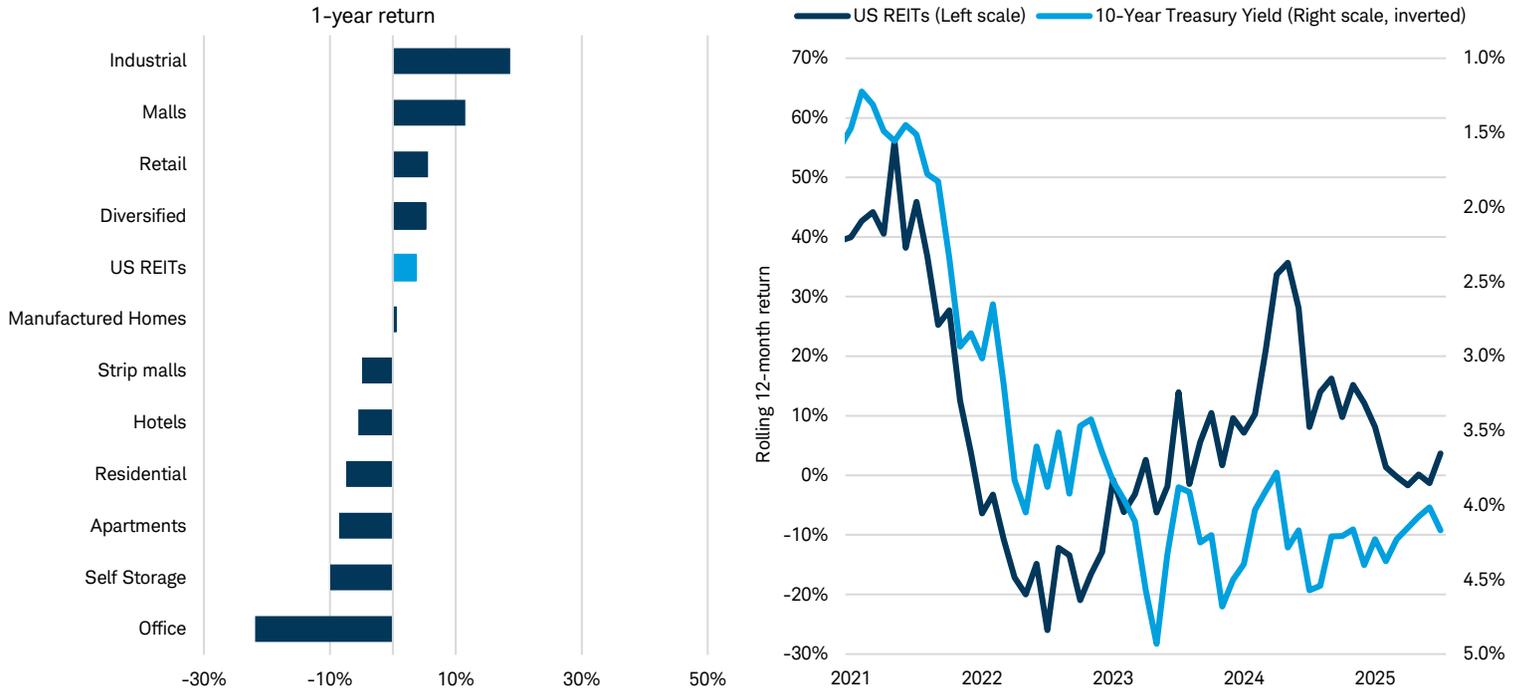
While gold is generally considered a good hedge against inflation, there has only been a very loose relationship through time. The path of global interest rates, geopolitical developments, and global economic growth expectations prove more important to the performance of the precious metal. A closer relationship with inflation seems to lie with the overall commodities space.



Source: Charles Schwab, Macrobond as of 12/31/2025. Cumulative percentage change of spot gold price and U.S. CPI. Spot gold is the price per ounce of gold at a given point in time. Investing involves risk, including loss of principal. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. **Past performance is no guarantee of future results.**

REITs have been driven by elevated rates and demand backdrop

One-year performance in Real Estate Investment Trusts (REITs) remained mixed in Q4 as interest rates remained elevated despite a recent decline, in addition to Fed rate cut uncertainties in 2026 and the changed real estate demand landscape. Industrial REITs offset office underperformance.

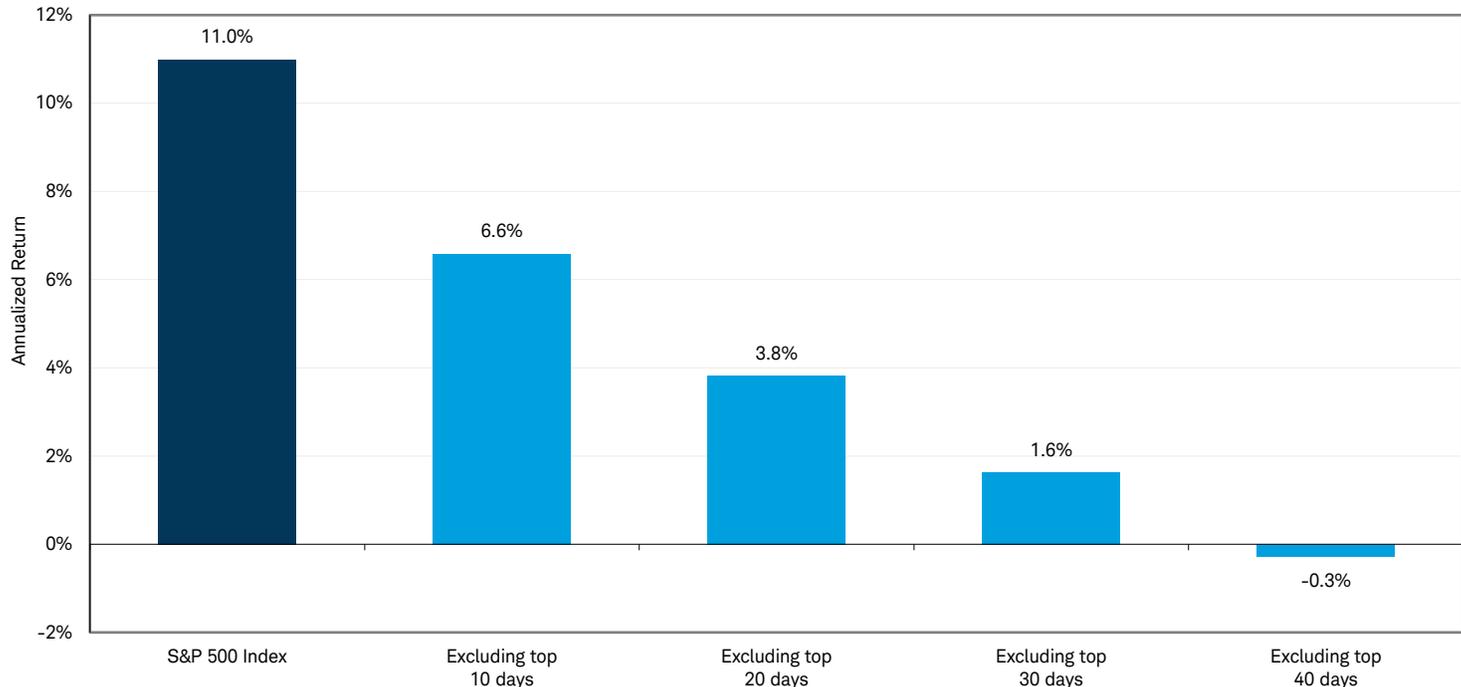


Source: Charles Schwab, Morningstar Direct as of 12/31/2025. REITs are represented by the Dow Jones US Select REIT Index and its respective sector indexes that are components of the overall index. Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. For illustrative purposes only. Investing involves risk, including loss of principal. **Past performance is no guarantee of future results.**

Time in the market is more important than timing the market

Missing the 10 best days of the market from 2006–2025 would have resulted in a significantly weaker annualized total return, compared to staying invested throughout the entire period.

Annualized Return S&P 500 Index (Total Return)

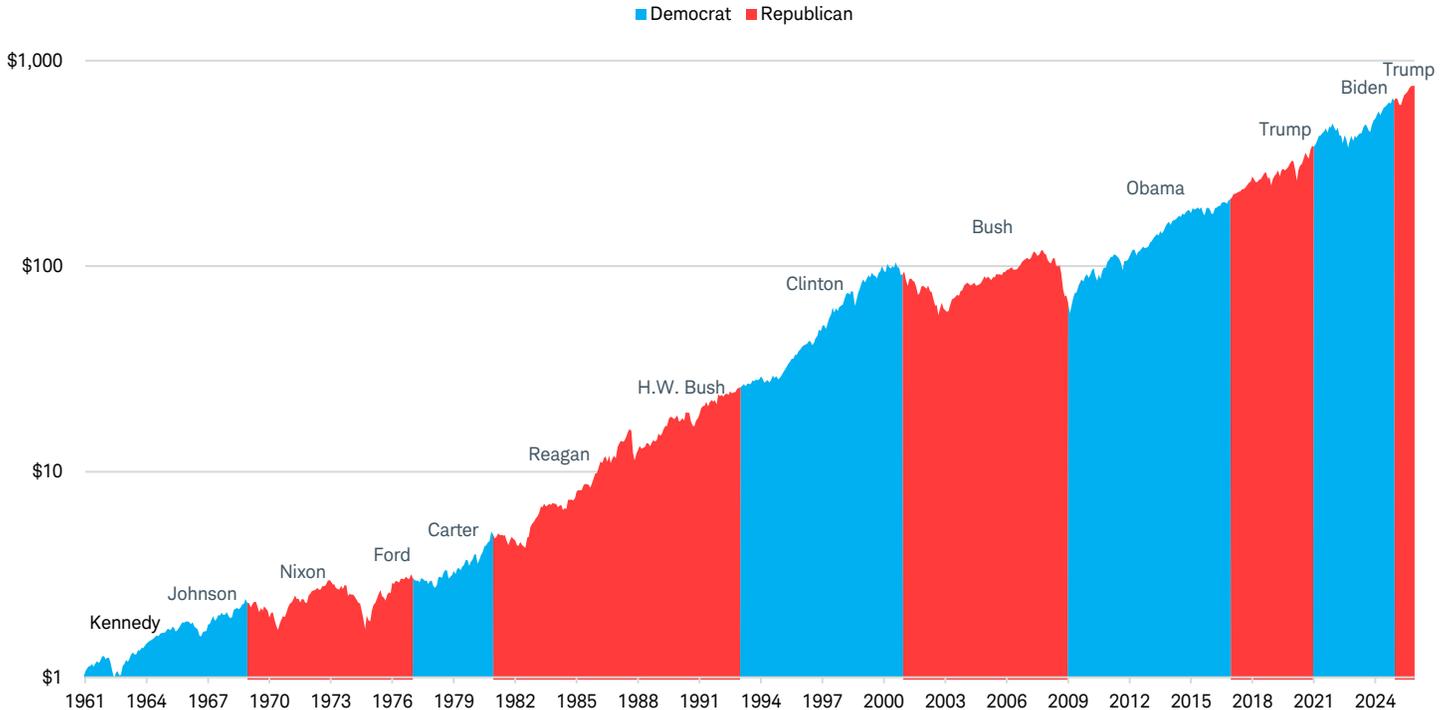


Source: Bloomberg as of 12/31/2025. Return data is annualized based on an average of 252 trading days within a calendar year. The year begins on the first trading day in January and ends on the last trading day of December, and daily total returns were used. Total returns assume reinvestment of dividends, interest, and other cash flows. When out of the market, cash is not invested. Market returns are represented by the S&P 500® Index which represents an index of widely traded stocks (dark blue bar). Top days are defined as the best performing days of the S&P 500 during the twenty-year period. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Schwab does not recommend the use of technical analysis as a sole means of investment research. Investing involves risk, including loss of principal. For illustrative purposes only. **Past performance is no guarantee of future results.**

Politics versus sound investment principles

Politics can be stressful, create uncertainty, and generate a lot of noise. Historically, markets have rewarded long-term investors regardless of the party in charge of the White House.

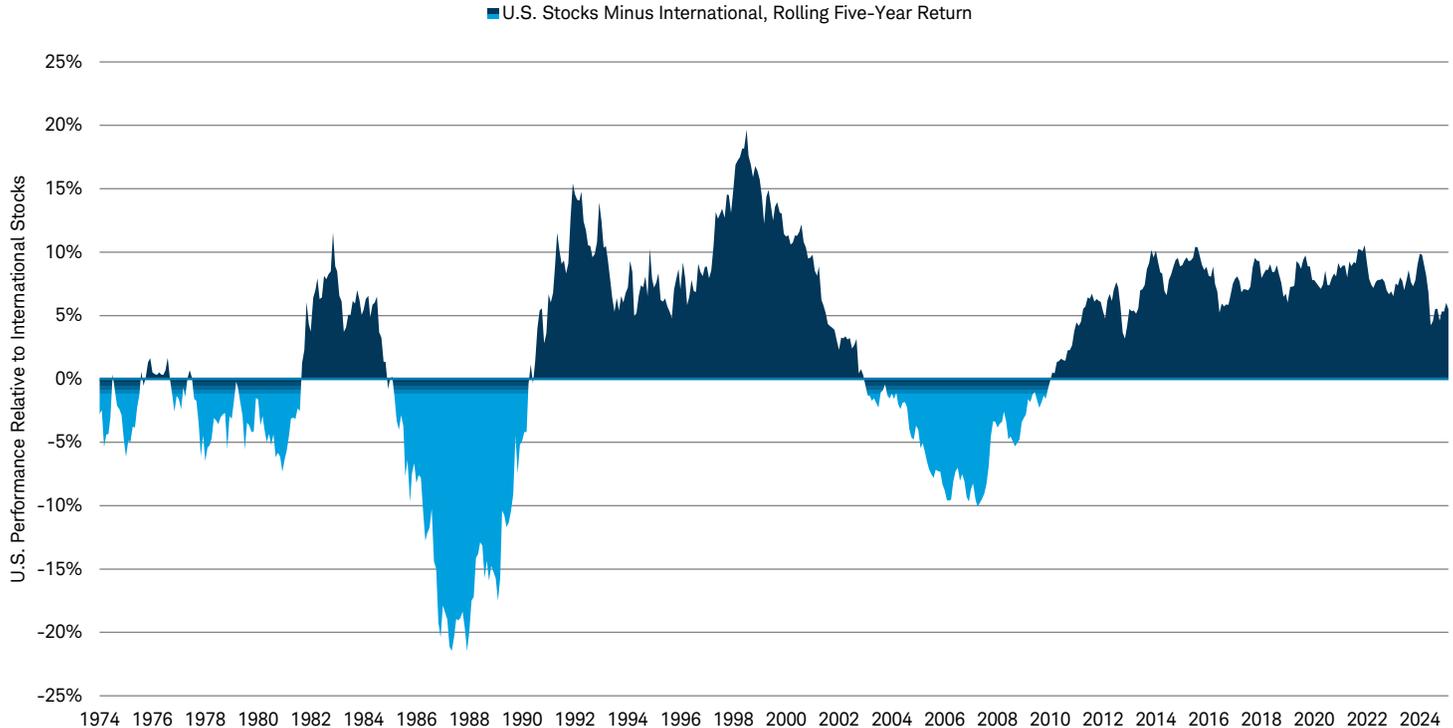
Growth of \$1 (January 1961 – December 2025)



Source: Schwab Center for Financial Research, with data provided by Morningstar, Inc. The chart above shows the growth of \$1 invested in a hypothetical portfolio that tracks the Ibbotson U.S. Large Stock Index starting on January 1, 1961. January returns in inauguration years are assumed to be under the party that is being inaugurated. This hypothetical example is only for illustrative purposes. Returns include investment of dividends and interest. The policy analysis provided by the Charles Schwab & Co., Inc. does not constitute and should not be interpreted as an endorsement of any political party. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. **Past performance is no guarantee of future results.**

International equities versus U.S. equities

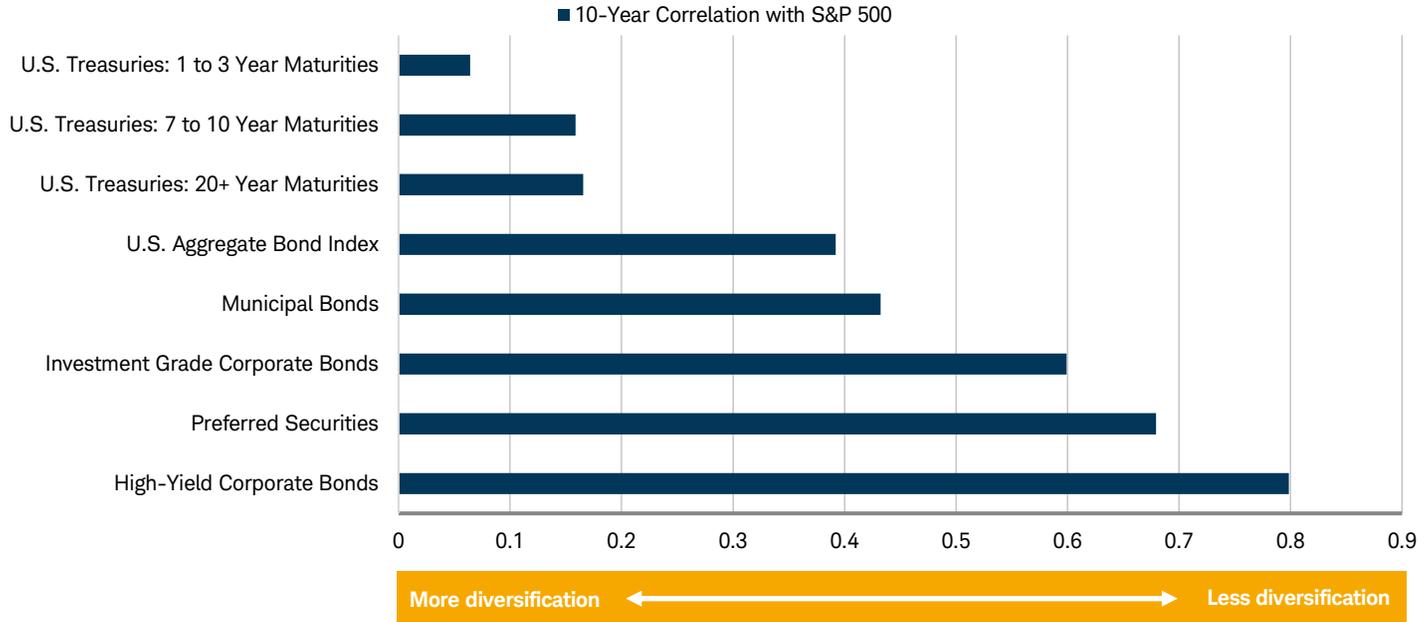
Outperformance of U.S. equities versus international equities has rotated over time, reinforcing the benefit of a globally diversified portfolio.



Source: Bloomberg as of 12/31/2025. The graph shows the rolling five-year annualized total returns of the S&P 500® Index, representing U.S. stocks and MSCI EAFE® Index-Net of Taxes representing international stocks, from January 1970 through December 2025. The first rolling five-year period is January 1970 through December 1974. Returns assume reinvestment of dividends. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. Investing involves risk, including loss of principal. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. **Past performance is no guarantee of future results.**

Bonds offer potential diversification benefits

Based on low correlations, high-quality bonds such as U.S. Treasuries provide diversification benefits when added to a portfolio of stocks. Riskier bonds have provided fewer diversification benefits but can still make sense as part of a diversified portfolio to provide more income.



Source: Charles Schwab, data by Bloomberg, as of 12/31/2025. Indexes used: Bloomberg US Treasury 1-3 Year Index (U.S. Treasuries: 1 to 3 Year Maturities), Bloomberg US Treasury 7-10 Year Index (U.S. Treasuries 7 to 10 Year Maturities), Bloomberg US Treasury 20+ Year Index (U.S. Treasuries: 20+ Year Maturities), Bloomberg Municipal Bond Index (Municipal Bonds), Bloomberg US Aggregate Bond Index (U.S. Aggregate Bond Index), Bloomberg Corporate Bond Index (Investment Grade Corporate Bonds), ICE BofA Preferred Stock Index (Preferred Securities), and Bloomberg Corporate High Yield Index (High-Yield Corporate Bonds). Correlations shown represent the correlations of each asset class with the S&P 500 during the 10-year period between December 2015 and December 2025. Correlation is a statistical measure of how two investments have historically moved in relation to each other and range from -1 to +1. A correlation of 1 indicates a perfect positive correlation, while a correlation of -1 indicates a perfect negative correlation. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. **Past performance is no guarantee of future results. Diversification strategies do not ensure a profit and do not protect against losses in declining markets.** This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. The securities and investment strategies mentioned are not suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decisions.

Sector diversification

Rotation in sector returns offers opportunities for tactical tilts, but concentration in too few sectors can increase risk in a portfolio.

Monthly returns ranked in order from best to worst

Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	1-year
Comm. Serv. 9.0%	Cons. Staples 5.6%	Energy 3.7%	Info. Tech. 1.6%	Info. Tech. 10.8%	Info. Tech. 9.7%	Info. Tech. 5.2%	Materials 5.6%	Info. Tech. 7.2%	Info. Tech. 6.2%	Health Care 9.3%	Financials 3.1%	Comm. Serv. 33.6%
Health Care 6.6%	Real Estate 4.1%	Utilities 0.1%	Cons. Staples 1.1%	Comm. Serv. 9.6%	Comm. Serv. 7.2%	Utilities 4.9%	Health Care 5.2%	Comm. Serv. 5.5%	Health Care 3.6%	Comm. Serv. 6.4%	Materials 2.2%	Info. Tech. 24.0%
Financials 6.4%	Energy 3.3%	Health Care -1.8%	Comm. Serv. 0.6%	Cons. Discr. 9.4%	S&P 500 5.0%	Industrials 2.9%	Comm. Serv. 3.6%	Utilities 4.0%	Cons. Discr. 2.4%	Materials 4.2%	Industrials 1.3%	Industrials 19.4%
Materials 5.5%	Health Care 1.4%	Cons. Staples -2.8%	Industrials 0.2%	Industrials 8.6%	Energy 4.7%	Energy 2.8%	Cons. Discr. 3.4%	S&P 500 3.5%	S&P 500 2.3%	Cons. Staples 4.0%	Cons. Discr. 0.8%	S&P 500 17.9%
Industrials 5.0%	Financials 1.3%	Materials -2.9%	Utilities 0.0%	S&P 500 6.2%	Industrials 3.5%	Cons. Discr. 2.6%	Financials 3.0%	Cons. Discr. 3.1%	Utilities 2.1%	Energy 2.5%	Energy 0.2%	Utilities 16.0%
Cons. Discr. 4.4%	Utilities 1.2%	Real Estate -3.0%	Cons. Discr. -0.3%	Financials 4.3%	Financials 3.1%	Comm. Serv. 2.3%	Energy 2.9%	Industrials 1.7%	Comm. Serv. 1.9%	Real Estate 2.0%	S&P 500 0.1%	Financials 15.0%
Utilities 2.9%	Materials -0.2%	Industrials -3.7%	S&P 500 -0.8%	Utilities 3.4%	Cons. Discr. 2.1%	S&P 500 2.2%	Real Estate 2.0%	Health Care 1.6%	Industrials 0.5%	Financials 1.9%	Info. Tech. -0.3%	Health Care 14.6%
S&P 500 2.7%	Info. Tech. -1.4%	Financials -4.3%	Real Estate -1.3%	Materials 2.8%	Materials 2.1%	Real Estate -0.2%	S&P 500 1.9%	Financials 0.0%	Energy -1.1%	Utilities 1.8%	Comm. Serv. -1.0%	Materials 10.5%
Energy 2.0%	S&P 500 -1.4%	S&P 500 -5.8%	Financials -2.2%	Cons. Staples 1.7%	Health Care 1.9%	Financials -0.2%	Cons. Staples 1.4%	Real Estate -0.1%	Cons. Staples -2.3%	S&P 500 0.2%	Health Care -1.4%	Energy 8.7%
Cons. Staples 1.9%	Industrials -1.6%	Comm. Serv. -8.4%	Materials -2.2%	Real Estate 0.8%	Utilities 0.1%	Materials -0.5%	Info. Tech. 0.3%	Energy -0.5%	Real Estate -2.6%	Industrials -0.9%	Cons. Staples -1.6%	Cons. Discr. 6.0%
Real Estate 1.7%	Comm. Serv. -6.3%	Info. Tech. -8.9%	Health Care -3.8%	Energy 0.3%	Real Estate -0.5%	Cons. Staples -2.5%	Industrials -0.1%	Cons. Staples -1.8%	Financials -2.8%	Cons. Discr. -2.4%	Real Estate -2.2%	Cons. Staples 3.9%
Info. Tech. -2.9%	Cons. Discr. -9.4%	Cons. Discr. -9.0%	Energy -13.7%	Health Care -5.7%	Cons. Staples -2.2%	Health Care -3.4%	Utilities -2.0%	Materials -2.3%	Materials -5.0%	Info. Tech. -4.3%	Utilities -5.1%	Real Estate 3.2%

Source: Charles Schwab, Bloomberg, as of 12/31/2025. Sector performance is represented by price returns of the following 11 Global Industry Classification Standard (GICS®) sector indexes: Consumer Discretionary Sector, Consumer Staples Sector, Energy Sector, Financials Sector, Health Care Sector, Industrials Sector, Information Technology Sector, Materials Sector, Real Estate Sector, Communication Services Sector, and Utilities Sector. Returns of the broad market are represented by the S&P 500 Index. Returns are price returns and do not include the effects of reinvested cash flows. Returns are rounded to the nearest tenth. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. For illustrative purposes only. **Past performance is no guarantee of future results.**

Why global diversification makes sense

										Average of periods	
2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Ann. Return	Std Dev
US Sm Cap 21.3%	EM 37.3%	T-bills 1.8%	US Lg Cap 31.5%	Gold & Other PM 23.0%	US REITs 43.1%	T-bills 1.5%	US Lg Cap 26.3%	Gold & Other PM 26.1%	Gold & Other PM 68.7%	US Lg Cap 14.8%	US Sm Cap 20.7%
High Yield Bonds 16.6%	Int'l Dev SC 33.0%	Core Bonds 0.0%	US Sm Cap 25.5%	US Sm Cap 20.0%	US Lg Cap 28.7%	Gold & Other PM -0.4%	Int'l Dev LC 18.2%	US Lg Cap 25.0%	EM 33.6%	Gold & Other PM 14.3%	US REITs 17.8%
US Lg Cap 12.0%	Int'l Dev LC 25.0%	TIPS -1.3%	Int'l Dev SC 25.0%	US Lg Cap 18.4%	US Sm Cap 14.8%	TIPS -11.8%	US Sm Cap 16.9%	US Sm Cap 11.5%	Int'l Dev SC 31.8%	US Sm Cap 9.6%	Int'l Dev SC 16.6%
EM 11.2%	US Lg Cap 21.8%	EM Bonds -2.5%	US REITs 24.4%	EM 18.3%	Int'l Dev LC 11.3%	High Yield Bonds -11.9%	Diversified Portfolio 13.9%	Diversified Portfolio 9.0%	Int'l Dev LC 31.2%	EM 8.4%	EM 16.5%
EM Bonds 9.9%	Diversified Portfolio 16.8%	High Yield Bonds -2.6%	Int'l Dev LC 22.0%	Int'l Dev SC 12.3%	Diversified Portfolio 11.1%	Core Bonds -13.0%	US REITs 13.8%	US REITs 8.4%	Diversified Portfolio 18.4%	Int'l Dev LC 8.2%	US Lg Cap 15.1%
Diversified Portfolio 8.7%	US Sm Cap 14.6%	Gold & Other PM -3.6%	Diversified Portfolio 19.5%	TIPS 11.0%	Int'l Dev SC 10.0%	Int'l Dev LC -14.5%	High Yield Bonds 13.8%	High Yield Bonds 7.7%	US Lg Cap 17.9%	Diversified Portfolio 8.0%	Int'l Dev LC 14.8%
US REITs 8.5%	Gold & Other PM 12.0%	US REITs -3.8%	EM 18.4%	Diversified Portfolio 10.5%	TIPS 6.0%	Diversified Portfolio -14.9%	Int'l Dev SC 13.2%	EM 7.5%	US Sm Cap 12.8%	Int'l Dev SC 7.5%	Gold & Other PM 14.4%
Gold & Other PM 8.4%	EM Bonds 8.2%	US Lg Cap -4.4%	Gold & Other PM 17.6%	Int'l Dev LC 7.8%	High Yield Bonds 4.5%	EM Bonds -15.3%	Gold & Other PM 11.5%	EM Bonds 6.6%	EM Bonds 11.1%	High Yield Bonds 6.2%	Diversified Portfolio 10.7%
TIPS 4.7%	High Yield Bonds 6.8%	Diversified Portfolio -7.2%	High Yield Bonds 15.3%	Core Bonds 7.5%	T-bills 0.0%	US Lg Cap -18.1%	EM 9.8%	T-bills 5.3%	High Yield Bonds 8.8%	US REITs 5.6%	High Yield Bonds 7.5%
Core Bonds 2.6%	US REITs 4.3%	US Sm Cap -11.0%	EM Bonds 13.1%	EM Bonds 6.5%	Core Bonds -1.5%	EM -20.1%	EM Bonds 9.1%	Int'l Dev LC 3.8%	Core Bonds 7.3%	EM Bonds 4.2%	EM Bonds 7.3%
Int'l Dev SC 2.2%	Core Bonds 3.5%	Int'l Dev LC -13.8%	Core Bonds 8.7%	High Yield Bonds 5.9%	EM Bonds -1.7%	US Sm Cap -20.4%	Core Bonds 5.5%	TIPS 1.8%	TIPS 7.0%	TIPS 3.1%	Core Bonds 5.0%
Int'l Dev LC 1.0%	TIPS 3.0%	EM -14.6%	TIPS 8.4%	T-bills 0.6%	EM -2.5%	Int'l Dev SC -21.4%	T-bills 5.1%	Int'l Dev SC 1.8%	T-bills 4.3%	T-bills 2.2%	TIPS 5.0%
T-bills 0.3%	T-bills 0.8%	Int'l Dev SC -17.9%	T-bills 2.2%	US REITs -7.5%	Gold & Other PM -5.1%	US REITs -24.4%	TIPS 3.9%	Core Bonds 1.3%	US REITs 3.0%	Core Bonds 2.0%	T-bills 0.6%

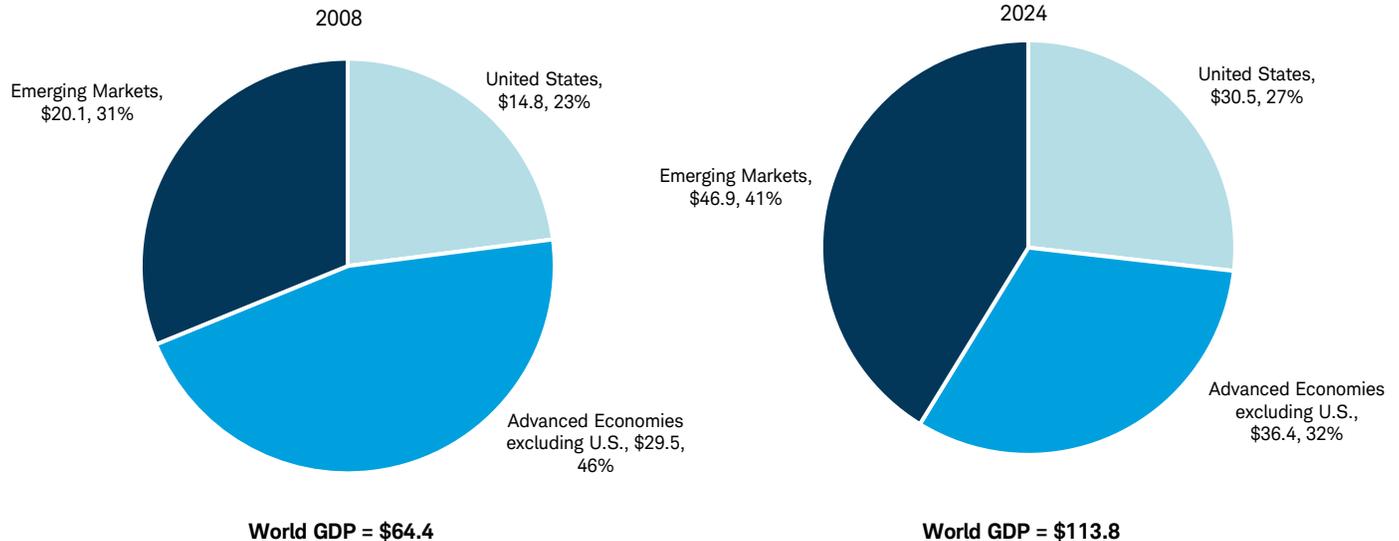
Economy
Equities
Income
Commodities
Asset allocation

Source: Morningstar Direct. Data is from January 1, 2016-December 31, 2025. Standard deviation (Std Dev) is a statistical measure of the historical volatility of a mutual fund or portfolio. More generally, a measure of the extent to which numbers are spread around their average. Returns are rounded to the nearest tenth. For illustrative purposes only. Investing involves risk, including loss of principal. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. **Past performance is no guarantee of future results.** See full disclosure of chart and indexes in the back of the document under Important Information.

The impact of international and emerging markets growth

Emerging markets now represent a much larger share of world GDP compared to 16 years ago and can make sense as part of a well-diversified portfolio.

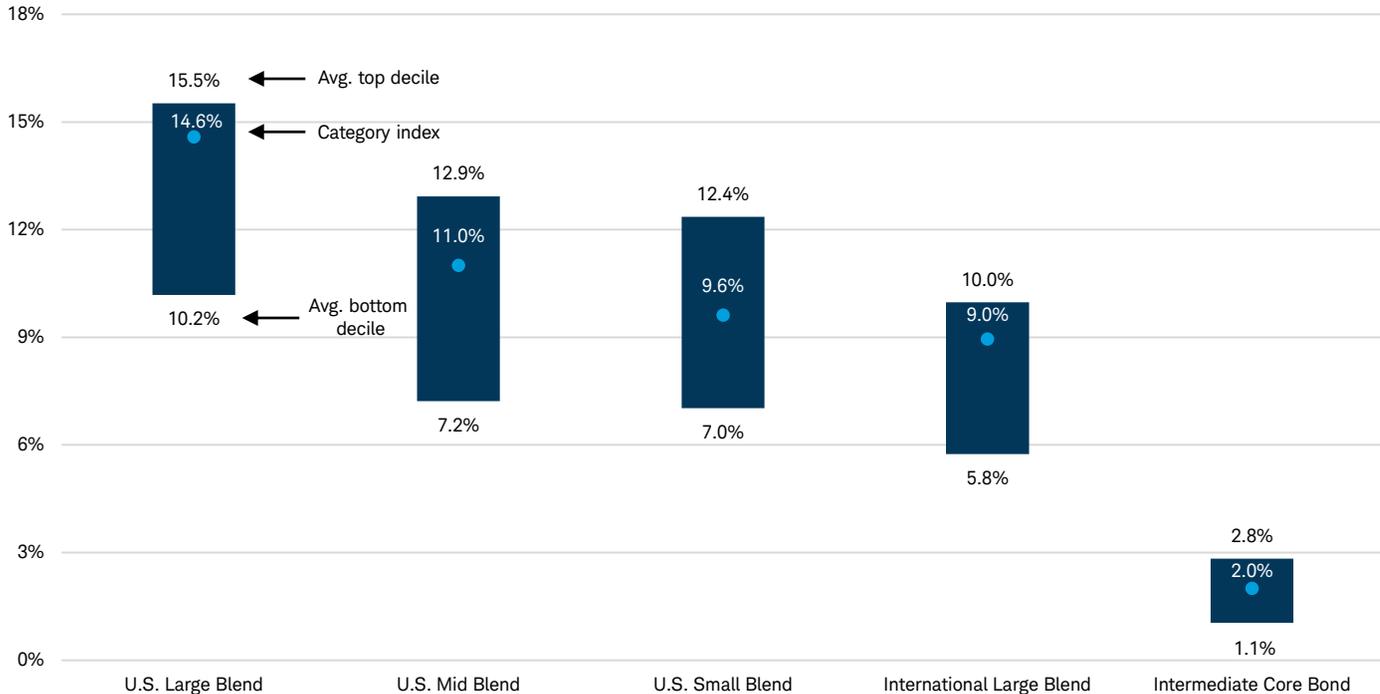
World Nominal GDP in \$ Trillions



Source: International Monetary Fund, World Economic Outlook Database. Estimate as of April 2025. International investments involve additional risks, which include differences in financial accounting standards, currency fluctuations, geopolitical risk, foreign taxes and regulations, and the potential for illiquid markets. Investing in emerging markets may accentuate this risk. **Diversification strategies do not ensure a profit and do not protect against losses in declining markets. Investing involves risk, including loss of principal.** This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned are not suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decisions.

Manager selection is an important part of investing

Historically, dispersion among active funds has varied greatly, indicating the importance of monitoring funds on a regular basis. It's difficult for a fund to consistently be a top performer—therefore, investors only looking for market exposure may want to consider index funds.



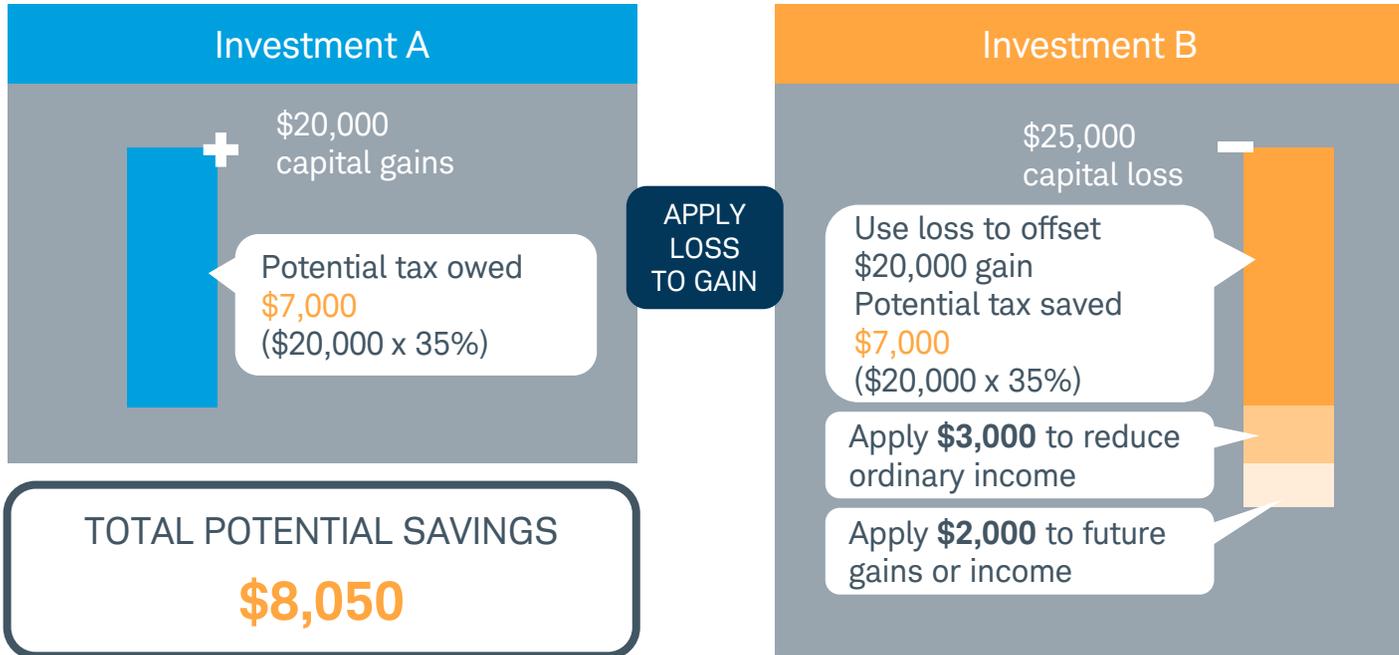
Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. as of 12/31/2025. This chart examines all active U.S. domestic equity funds with a 10-year history as of 12/31/2025 for the Morningstar categories listed. For each category, funds were ranked by their 10-year return, and shown are the simple averages of the top and bottom deciles. Also shown are the 10-year returns of the category indexes. Indexes for each category are as follows: Russell 1000 Index (U.S. Large Blend), Russell Mid Cap Index (U.S. Mid Blend), Russell 2000 Index (U.S. Small Blend), MSCI ACWI Ex-US Index (International Large Blend), and Bloomberg US Aggregate Bond Index (Intermediate Core Bond). Returns are rounded to the nearest tenth. Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. For illustrative purposes only. This material is intended for general informational and educational purposes only. This should not be considered an individualized recommendation or personalized investment advice. The securities and investment strategies mentioned are not suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decisions.

Past performance is no guarantee of future results.

Tax-efficient investing

Use losses to your advantage with tax-loss harvesting.

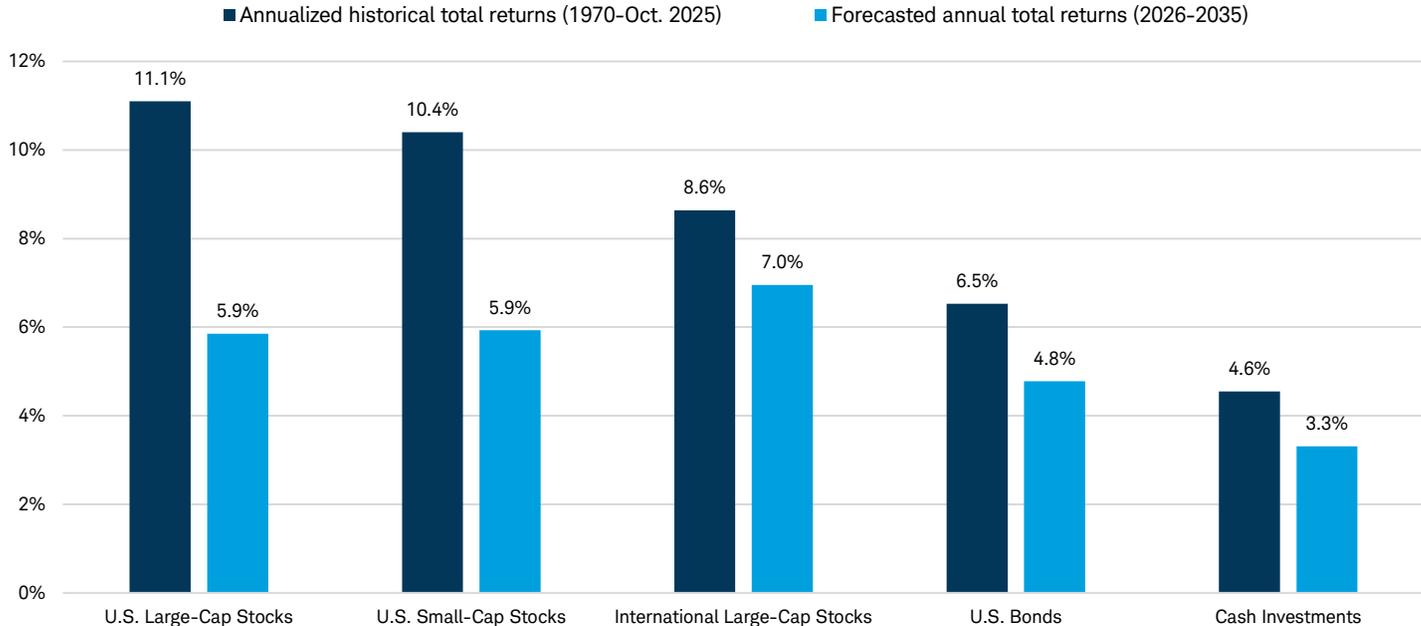
Example: Use your losses to get a tax break. In this example, an investor realized \$20,000 in capital gains from Investment A, and a \$25,000 capital loss from Investment B. Capital losses offset gains first; the excess is then applied to ordinary income, and finally to future gains or income.



Source: Schwab Center for Financial Research. Assumes a 35% combined federal/state marginal income tax bracket. This hypothetical example is only for illustrative purposes. Neither the tax-loss harvesting strategy, nor any discussion herein, is intended as tax advice and Charles Schwab & Co., Inc. does not represent that any particular tax consequences will be obtained. Tax-loss harvesting involves certain risks including unintended tax implications. Investors should consult with their tax advisors and refer to the Internal Revenue Service (IRS) website at www.irs.gov about the consequences of tax-loss harvesting. The example does not reflect the effects of fees.

Expected asset class returns

Expectations for all asset classes are lower than historical returns due to macroeconomic headwinds and higher equity valuations.



Source: Charles Schwab as of 10/31/2025. Forecasts are derived by Charles Schwab Investment Management. Schwab Asset Management® is the dba name for Charles Schwab Investment Management, Inc., Schwab Asset Management® is an investment adviser registered with the Securities and Exchange Commission. Schwab Asset Management and Charles Schwab & Co., Inc., Member SIPC, are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Each bar represents an annualized 10-year nominal geometric return. The dark blue bar shows the long-term historical average, calculated using an annualized geometric average based on monthly total return data from January 30, 1970, onward (unless otherwise noted). The light blue bar represents Schwab's long-term CME for 2026. Total return equals price growth plus dividend and interest income. Geometric returns account for the compounding nature of investment returns. This example does not reflect the effects of taxes or fees. Numbers are rounded to the nearest one-tenth of a percentage point. Indexes used: S&P 500 Index (U.S. Large-Cap Stocks), Russell 2000 Index (U.S. Small-Cap Stocks), MSCI EAFE Index (International Large-Cap Stocks), Bloomberg US Aggregate Bond Index (U.S. Bonds), and FTSE US 3-Month U.S. Treasury Bill Index (Cash Investments). Index Notes: CRSP 6-8 deciles was used for U.S. Small-Cap Stocks prior to 1979. Ibbotson 30-Day US Treasury Bill Index was used for Cash Investments prior to 1978. **Historical returns for U.S. Bonds start in 1976 due to data availability. Forecasts contained herein are for illustrative purposes only, may be based upon proprietary research and are developed through analysis of historical public data.** For more information, see: [Schwab's Capital Market Expectations | Charles Schwab](#). Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Investing involves risk, including loss of principal. Individual situations will vary and are no guarantee of future performance or success. Not intended to be reflective of results you can expect to achieve and are not intended to be, nor should they be construed as, a recommendation to buy, sell, or continue to hold any investment. **Past performance is no guarantee of future results.**

Important Disclosures

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Past performance is no guarantee of future results.

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Schwab does not recommend the use of technical analysis as a sole means of investment research.

Diversification, asset allocation, and rebalancing strategies do not ensure a profit and do not protect against losses in declining markets. Rebalancing does not protect against losses or guarantee that an investor's goal will be met. Rebalancing may cause investors to incur transaction costs and, when a non-retirement account is rebalanced, taxable events may be created that may affect your tax liability.

International investments involve additional risks, which include differences in financial accounting standards, currency fluctuations, geopolitical risk, foreign taxes and regulations, and the potential for illiquid markets. Investing in emerging markets may accentuate this risk.

Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors. Lower rated securities are subject to greater credit risk, default risk and liquidity risk.

Commodity-related products carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, may be illiquid, and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

Master Limited Partnerships (MLPs) - Investments in securities of MLPs involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs.

Real Estate Investment Trusts (REITs) - Risks of the REITs are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and credit worthiness of the issuer. Investing in REITs may pose additional risks such as real estate industry risk, interest rate risk, risks related to the uncertainty of and compliance with certain tax regime rules, and liquidity risk.

Preferred stocks generally have lower credit ratings and a lower claim to assets than a firm's individual bonds. They often have higher yields than a firm's individual bonds due to these risk characteristics and are often callable, meaning the issuing company may redeem the stock at a certain price after a certain date.

Important Disclosures

Bank loans typically have below investment-grade credit ratings and may be subject to more credit risk, including the risk of nonpayment of principal or interest. Most bank loans have floating coupon rates that are tied to short-term reference rates like the Secured Overnight Financing Rate (SOFR), so substantial increases in interest rates may make it more difficult for issuers to service their debt and cause an increase in loan defaults. A rise in short-term reference rates typically result in higher income payments for investors, however. Bank loans are typically secured by collateral posted by the issuer, or guarantees of its affiliates, the value of which may decline and be insufficient to cover repayment of the loan. Many loans are relatively illiquid or are subject to restrictions on resales, have delayed settlement periods, and may be difficult to value. Bank loans are also subject to maturity extension risk and prepayment risk.

Treasury Inflation Protected Securities (TIPS) are inflation-linked securities issued by the US Government whose principal value is adjusted periodically in accordance with the rise and fall in the inflation rate. Thus, the dividend amount payable is also impacted by variations in the inflation rate, as it is based upon the principal value of the bond. It may fluctuate up or down. Repayment at maturity is guaranteed by the US Government and may be adjusted for inflation to become the greater of the original face amount at issuance or that face amount plus an adjustment for inflation. Treasury Inflation-Protected Securities are guaranteed by the US Government, but inflation-protected bond funds do not provide such a guarantee.

Tax-exempt bonds are not necessarily a suitable investment for all persons. Information related to a security's tax-exempt status (federal and in-state) is obtained from third parties, and Charles Schwab & Co., Inc. does not guarantee its accuracy. Tax-exempt income may be subject to the Alternative Minimum Tax (AMT). Capital appreciation from bond funds and discounted bonds may be subject to state or local taxes. Capital gains are not exempt from federal income tax.

There are risks associated with investing in dividend paying stocks, including but not limited to the risk that stocks may reduce or stop paying dividends.

Mortgage-backed securities (MBS) may be more sensitive to interest rate changes than other fixed income investments. They are subject to extension risk, where borrowers extend the duration of their mortgages as interest rates rise, and prepayment risk, where borrowers pay off their mortgages earlier as interest rates fall. These risks may reduce returns.

Small-cap investments are subject to greater volatility than those in other asset categories.

Asset Class Performance Quilt Chart: Source: Morningstar Direct. Data is from January 1, 2016–December 31, 2025. This hypothetical example is only for illustrative purposes. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. Core bonds consists of Treasuries, investment-grade corporate bonds, and securitized bonds. The diversified portfolio is a hypothetical portfolio consisting of 18% U.S. large cap stocks (S&P 500 Index), 10% U.S. small cap stocks (Russell 2000 Index), 12% international developed market large cap stocks (MSCI EAFE Index), 8% international developed market small cap stocks (MSCI EAFE Small Cap Index), 8% emerging markets stocks (MSCI Emerging Markets Index), 3% U.S. REITs (S&P U.S. REIT Index), 2% international REITs (S&P Global REITs ex-U.S. Index), 1% Treasuries (Bloomberg 3-7 Year Treasury Bond Index), 2% investment-grade corporate bonds (Bloomberg U.S. Credit Index), 6% securitized bonds (Bloomberg U.S. Securitized Bond Index), 9% high-yield bonds (Bloomberg Very Liquid High Yield Bond Index), 4% international developed country bonds (Bloomberg Global Aggregate ex-USD Index), 1% agency bonds (Bloomberg U.S. Agency Bond Index), 6% emerging markets bonds (Bloomberg Emerging Markets USD Aggregate Bond Index), 2% gold and other precious metals (S&P GSCI Precious Metals Index), 1% energy (S&P GSCI Energy Index), 1% industrials metals (S&P GSCI Industrial Metals Index), 1% agriculture (S&P GSCI Agricultural Index), and 5% cash (Bloomberg 1-3 Month Treasury Bill Index). Including fees and expenses in the diversified portfolio would lower returns. The portfolio is rebalanced annually. Returns include reinvestment of dividends, interest, and capital gains.

Corporate Bond Spreads Slide: U.S. Investment Grade Corporate OAS is represented by the OAS of the Bloomberg US Aggregate Bond Index. U.S. High Yield Corporate OAS is represented by the OAS of the Bloomberg US Corporate High Yield Index. Treasuries curve is represented by the active auction securities of each maturity. "A" Corporate Investment Grade Curve is represented by securities with a Bloomberg composite rating of A+, A, or A- at market close. "Baa" Corporate Investment Grade Curve is represented by securities with a Bloomberg composite rating of BBB+, BBB, or BBB- at market close.

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