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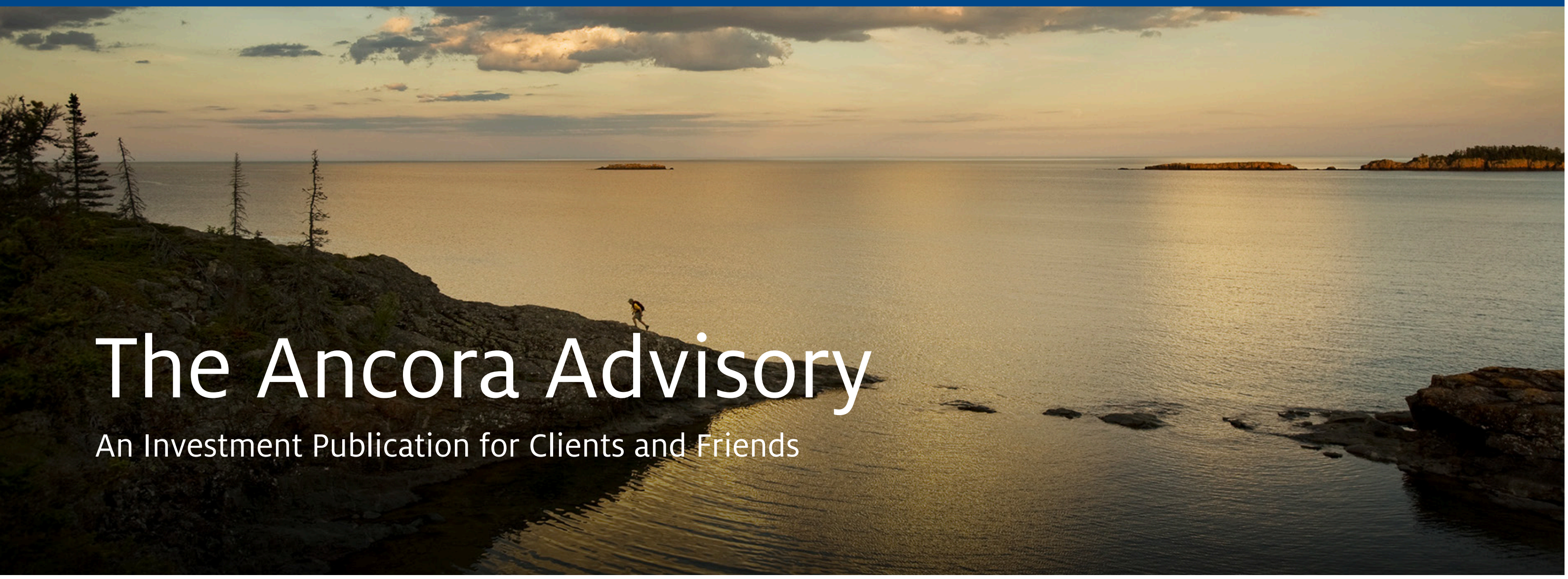

The Ancora Advisory

An Investment Publication for Clients and Friends

Ancora is a private wealth advisor and institutional asset manager focused on building distinctive investment strategies and robust wealth and risk management solutions that help you achieve more

AI Update: Bubble or Becoming the Next Economic Revolution?

John Micklitsch, CFA, CAIA
President & Chief Investment Officer

The race to achieve Artificial General Intelligence (AGI) and the pace of investment that is going along with it, have brought concerns of a bubble in AI to the forefront. The race is clearly not without risk; there will be winners and losers, uncertainty and volatility along the way. But ten years from now, it's likely we will recognize that we underestimated AGI's impact on society rather than overestimated it. And so, it is worth taking stock of where we are in the journey towards AGI.

Where We Are Today

Today, common AI tools perform research, generate text and images and can conduct basic tasks. AGI, on the other hand, will do all of that, plus have human-like decision-making capabilities and even execution in many cases, to create improved outcomes. Big Tech hyper-scalers are investing enormous amounts to build the infrastructure for AGI. In 2025 alone, Microsoft, Amazon, Alphabet and Meta are projected to spend close to $400 billion on AI infrastructure. But this spending is not all on programming and code. Data centers, which house the computing power necessary for AGI, are comprised of chips, racks, cooling systems, transformers, pipes, sprinklers, cabling, concrete and many other "real-world" items. So AGI's economic impact is already large, and yet the biggest impact may still lie ahead.

The potential economic upside to achieving AGI is considerable. From accelerated innovation, greater efficiency and faster workflows throughout the economy, Goldman Sachs estimates AI could boost global GDP by $7 trillion over the next decade, while McKinsey projects annual gains of up to $25 trillion if AGI becomes reality. Imagine an economy where AGI systems tirelessly design new drugs, manage global supply chains and optimize energy grids, ridding the economic system of waste and suboptimal outcomes when it comes to tasks. This shift could lower costs, accelerate innovation, harness engineering breakthroughs, all of which could create newfound puffs of wind on the global economic flywheel.

Under this scenario, for tech giants, being “the one” or “one of the ones” to achieve AGI is akin to owning the operating system of the future. Or some even suggest it could be like owning the Internet itself. Each layer of the stack required for AGI, from chips and cloud platforms to foundational models, offers annuity-like economics, something Big Tech covets. Conversely, failure could mean existential risk: losing relevance in a world where AGI redefines productivity, shatters barriers to entry and impacts competitive advantage.

Risks and Realities

A common question today is whether all this investment has driven certain valuations to the point where there are risks of overheating, fostering concerns that returns on investment will not materialize as forecast. But clearly, as evidenced by the massive capital outlays, the bigger risk in the eyes of tech companies and countries, for that matter, is being left behind. In addition, it’s important to point out that there are first-mover advantages because smarter AI models can produce the next smarter model and so forth. Tech lives on a “winner-takes-all” mentality. There is a positive feedback loop for those who are ahead, while those who fall behind will experience a negative feedback loop as their models become less relevant. This is the urgency, and these battles that will determine winners and losers are being fought literally as we speak.

What shouldn’t be forgotten, however, is that there will also be companies, large medium and small, that never enter the AI core infrastructure arms race, but rather will simply pick up the newfound tools and find ways to improve their existing businesses or start new “full AI stack” companies that disrupt the status quo based on speed, cost or customer experience.

An additional risk, or opportunity, depending on your perspective, is that AGI will impact aspects of the labor market. History is littered, however, with examples where new technologies were going to eliminate or impact jobs, yet, with all the innovation that has been unleashed on the U.S. economy through the many decades, we have the highest number of aggregate jobs in our nation’s storied history as we stand here today at roughly 163 million, which is up from roughly 61 million in the 1950s. Yet think of all the disruptive technology that was created along the way.

As more productive AI tools become available and eventually AGI itself or even humanoid robots appear, it will be important for workers to prepare their skills for jobs that emphasize AI management, creativity, relationship building and strategic thinking. All of which are skills that complement AGI deployment rather than compete with it. History suggests that technological revolutions ultimately expand economic opportunity, but the short-term disruption in some fields could be significant. There’s a saying that the definition of minor surgery is surgery somebody else is having. The same could be said for AGI and its potential disruption of aspects of the labor market.

What Won’t Change?

This is perhaps the most interesting and enduring question. What won’t change with AGI? As Morgan Housel explores in his book, “Same as Ever: A Guide to What Never Changes”, certain truths will likely hold their value through any period of change. Our take on that question is that things like diversification, relationships, discipline, patience, quality, trustworthiness, creativity, manners, common sense and good judgement are all likely to endure the AGI revolution. In closing, the buildout of the AGI-capable tech stack is more than the next release of a software update or a new phone; it’s widely considered the foundation for the next economic era. For investors, policymakers and each other, however, it is a time for awareness, diligence and yes, optimism, but perhaps with that, a renewed focus on the soft skills that aren’t likely to change in the future or any time soon. ◊

The New Era of Private Credit Investing

Kevin Gale
Managing Director, Head of Fixed Income

Private credit can play a strategic role in an investor’s portfolio, primarily as part of an alternative investment allocation within the fixed income sleeve of a portfolio for investors with a higher risk tolerance and no need for immediate liquidity.

Private credit refers to non-bank lending to private companies that takes place via loans that are privately negotiated, rather than syndicated or traded in the public markets. This market began to emerge in the early 2000s, and growth accelerated after the 2008 global financial crisis due to regulatory reforms. The private credit market has grown from under $100 billion in 2000 to about $2 trillion today.

According to the U.S. Small Business Administration, there are over 33 million small businesses (those with fewer than 500 employees) in the United States that employ nearly half of all American workers and contribute roughly 43.5% of U.S. GDP. Private credit plays an increasingly important role in the U.S. economy, acting as a major alternative to traditional bank lending and public debt markets for these smaller companies. Companies backed by private credit tend to be small and mid-sized businesses that often face barriers to traditional financing. More recently, however, larger companies have also been turning to the private credit markets due to the favorable financing terms they can receive versus the public markets. This will likely lead to even further growth of the asset class in the coming years.

The growth of private credit has accelerated even more in recent years as access for investors has grown. Traditionally, private credit was accessible only for institutional investors who would invest millions at a time. However, as regulations change, private credit has become accessible to retail investors, primarily through the use of interval funds. Just like mutual funds, interval funds are registered under the Investment Company Act of 1940. However, liquidity is limited (often to a quarterly basis with capped redemptions), and fees can be high.

The benefits of private credit investing may include:

- Higher yields because of the lower liquidity and the lending to higher-risk borrowers
- Inflation hedge – most private credit loans are floating rate, which can help protect against rising interest rates
- Diversification – returns on private credit are generally uncorrelated with the public equities and bond markets, which may serve to reduce overall portfolio volatility
- Senior in the Capital Structure – most private credit debts are senior secured loans, meaning they rank at or near the top of the capital structure of a company

The risks of private credit investing may include:

- Illiquidity – most private credit investments are locked up for a period of time and provide only limited liquidity
- Increased Credit Risk – private credit loans tend to be made to smaller, lower credit quality companies
- Valuation Transparency – because of the illiquidity in the private credit markets, loan valuations can be difficult to assess and sometimes result in mispricing of securities
- Prepayment Risk – like most loans, private credit loans can typically be repaid early, subjecting investors to unexpected reinvestment risk

Because private credit has evolved from a closed, illiquid institutional market into a mainstream alternative investment with growing retail participation through the use of interval funds, it may be worth reviewing with your advisor. In certain cases, we believe private credit may enhance a portfolio's diversification and therefore risk-adjusted returns for investors with a higher risk tolerance level who don't require liquidity. ◊

A Long-Term Risk: Unexpected Inflation

Michael Santelli, CFA
Managing Director, Portfolio Manager

> *"By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens."*
>
> -John Maynard Keynes, *The Economic Consequences of the Peace*, 1919

There has been a lot of ink spilled about the amount of government debt outstanding, a number that has recently exceeded $38 trillion. More importantly, this debt should be measured against GDP, a measure of income. But even still, the ratio has increased over time with big step ups due to the global financial crisis and COVID-19 pandemic. As recently as 2000, the ratio was under 60% of GDP. The ratio now sits at about 120% of GDP.

The most likely way out of this predicament in the long run: inflation, which reduces the purchasing power of the dollar through the printing of money and makes it easier to repay debts. From the early 1990s to 2020, inflation was very well behaved, generally very close to the Federal Reserve's target rate of 2%. However, since then, inflation has been more of a concern, spiking to a 9% rate in mid-2022 and averaging closer to 3% more recently.

The difference between 2% and 3% may not sound like a lot, but if long-term interest rates do not reflect an accurate view of inflation, investors may not be adequately compensated in real terms. In that case, the quote from celebrated economist Keynes highlights a real concern. Inflation is clearly an investment risk we need to consider as we manage client portfolios.

As investment managers, what tools do we have to manage inflation risk? A few come to mind: precious metals, TIPS, energy stocks, stocks of quality companies, real estate and (perhaps) Bitcoin are prime candidates. Each has its pros and cons, which we will touch on briefly below.

First, precious metals. Over very long periods of time, precious metals (gold, silver, platinum) have held their value in terms of purchasing power. There is a famous saying that an ounce of gold can buy a good suit. That has generally held through long periods of time. However, in the short term, there could be significant variations between precious metals and inflation. For example, from 1980 to 2007, gold went nowhere. However, from 2018 to 2025, gold has wildly outperformed inflation. Precious metals may provide a good long-term hedge, but not necessarily a great short-term hedge against inflation.

Treasury inflation-protected securities (TIPS) are Federal government bonds that pay a lower (real) rate than "regular" bonds. However, the principal is indexed to inflation as measured by CPI. For example, if you purchase $10,000 worth of TIPS and CPI inflation runs at 10% for the year, the principal value of the TIPS you purchased would be $11,000 at the end of the year. This gives the investor a direct hedge against inflation as measured by CPI. The weakness here is that the government controls the computation of CPI. There have been numerous changes to the methodology over the years.

Energy stocks provide a reasonable hedge against inflation. It is difficult to imagine an inflationary period where crude oil and natural gas prices do not also move higher. Historically, the relationship holds during inflationary periods; energy stocks were some of the best performers in the inflationary 1970s, and the energy sector was the best performer by far in 2022.

Quality stocks are also a reasonable long-term hedge against inflation. In the long run, stocks of quality companies should be able to pass along inflationary cost increases to maintain or even expand margins. The short run could be painful, however. As inflation rates begin to rise, and interest rates follow, multiples are likely to compress as we saw in 2022.

Real estate has also traditionally provided a good inflation hedge over the long term. A critical variable here is the length of the leases on the property. If the property is saddled with long-term fixed-rate leases, the property likely will not provide a great hedge against inflation until those leases roll off.

The new kid on the block is bitcoin. There is not enough history to be confident either way here. However, in theory, due to the constraint on bitcoin supply, it should provide a nice long-term hedge against inflation.

These are all options in our toolbox as we manage client portfolios, considering each individual's goals and risk tolerances. Be sure to discuss any changes to your goals or lifestyle with your advisor at least annually, so we can fine-tune our toolbox for your situation. ◊

Q&A: Year-End Planning & Looking Ahead

Jeffrey van Fossen, JD, CFA
Managing Director, Portfolio Manager

Vanessa Mavec King, CFP®
Director, Financial Planning

Richard T. Heffern
Director, Insurance Planning

As 2025 closes and 2026 approaches, Ancora professionals from Investments, Planning and Life Insurance share their year-end best practices, the major themes shaping their work this year and where they see things going in 2026 and beyond.

Q: As we come up on year-end, what best practices do you encourage clients to consider as they wrap up 2025 and plan for 2026 and beyond?

A: (Jeff) Year-end, or shortly thereafter, is an ideal time for a comprehensive portfolio review. Key steps include:

- Review realized gains and losses in taxable accounts and perform tax-loss harvesting to reduce the overall tax burden. Many clients don't realize how simple and powerful this can be. Losses can offset gains, plus up to $3,000 of ordinary income, with additional losses carried forward—just be mindful of wash-sale rules.
- Revisit asset allocation and risk tolerance. Market shifts and life changes can alter both your ability and willingness to take on risk. We rebalance in as tax-efficient a manner as possible and ensure proceeds align with upcoming liquidity needs.
- Improve asset location and reduce concentration. Placing tax-inefficient assets in retirement accounts and tax-efficient, growth-oriented assets in taxable accounts may enhance long-term results.
- Confirm adequate liquidity for short-term goals in the new year.

A: (Vanessa) Start with a Retirement Savings Check. Make sure you're maximizing contributions to 401(k), 403(b), IRAs, and other plans—or at least contributing enough to get the full employer match. For 2025, catch-up contributions add another $7,500, and beginning in 2026, high-earner catch-ups will be Roth only. The SECURE Act's "super catch-up" for ages 60–63—up to $11,250—remains a valuable planning window.

Then:

- Assess your tax bracket today vs. the future. This informs whether traditional or Roth contributions, or Roth conversions, may make sense.
- Ensure RMDs are completed if you're subject to them.
- Review cash needs and confirm a 6–12 month emergency fund plus reserves for upcoming big-ticket expenses.
- Revisit household asset allocation and consider any year-end tax-loss harvesting with your advisor, especially after a high-income year.
- Plan philanthropic giving. Many charitable strategies can be paired with tax planning for maximum impact.
- Review beneficiaries and estate documents. Life changes, and your paperwork should reflect that.
- Complete annual gifting. The 2025 exclusion is $19,000 per person; gifts above that require a Form 709 gift tax return.

A: (Rick) Year-end is a perfect time to evaluate the insurance and risk-management side of your plan:

- Are policy owner and beneficiary designations up to date with estate plans and family changes?
- Are existing life insurance policies performing as expected?
- Have there been shifts in income, assets, debts or family needs that warrant adjustments?
- Should you revisit long-term care protection?
- For business owners: Is your buy-sell agreement or succession plan current, and does it still align with your objectives?
- For those with qualified retirement plan balances that will not be needed to produce income, consider redeploying those assets into life insurance which can produce a much larger tax-free benefit for family or philanthropic planning.

Q: What themes dominated your client conversations in 2025, and what do you see ahead for 2026 and beyond?
A: (Jeff) This year brought an unusually heavy flow of political and policy news, but clients were especially focused on high valuations in technology stocks, the rapid evolution of artificial intelligence and the market volatility earlier in the year. Despite these concerns, markets have reached roughly twenty new highs.

Clients often worry when markets climb a "wall of worry," but historically, markets can (and often do) continue rising after reaching new records. 2021, for example, saw seventy all-time highs. We expect similar dynamics to shape our conversations heading into 2026.

A: (Vanessa) The standout theme was The One Big Beautiful Bill (OBBB), which reshaped planning by:

- Making the TCJA tax brackets permanent.
- Raising the standard deduction and adding a senior deduction.
- Temporarily increasing the SALT deduction, prompting renewed itemizing strategies.
- Raising the estate and gift tax exemption to $15 million per person, leading to more lifetime gifting.
- Expanding QSBS opportunities for business owners.
- Reshaping charitable giving through new AGI floors, deduction caps and the introduction of an above-the-line charitable deduction.

Because some charitable deduction limitations begin in 2026, high earners have a short window to maximize 2025 giving under more favorable rules.

A: (Rick) In 2025, a good deal of our conversations centered around thorough reviews of clients' life insurance portfolios and how well their coverage aligns with evolving planning goals. Many strong outcomes came from reorganizing or redeploying existing policies into more efficient structures.

Looking ahead to 2026, several trends will influence the field:

- AI tools increasingly assist with underwriting and policy performance projections.
- Accelerated underwriting programs continue to streamline the application process.
- Yet, for complex situations, we remain committed to a concierge, high-touch approach, even when that requires more time, because it consistently leads to better long-term results.

Q: While it's easy to get excited about change, what doesn't change in your fields—what basics should clients always focus on?
A: (Jeff) The fundamentals of intelligent investing never change. Successful investing requires:

- Patience

- Discipline
- Emotional control in both rising and falling markets

There's broad agreement among great investors on what works. What often gets in the way is human behavior, namely distraction, emotion and the tendency to chase what's new. Strong outcomes rarely happen by accident; they come from sticking to proven principles.

A: (Vanessa) Some timeless basics:

- Automate good decisions. Set automatic savings and transfers so emotion doesn't derail your plan.
- Plan ahead for liquidity so you aren't forced to time the market.
- Focus on long-term asset allocation aligned with your true risk tolerance and risk need.
- Keep your financial life simple. Consolidate where possible and use tools like the My Ancora client portal to stay organized.
- Align money with meaning. Goals matter more when tied to values.
- Review your plan annually. Ensure your insurance, estate documents, and key decision-makers still reflect your wishes.

Your advisor coordinates with your portfolio manager, financial planner, insurance consultant and other team members at Ancora to assist you with any remaining year-end planning needs. Be sure to address these as soon as possible to allow time for processing. We look forward to 2026 planning with you. ◊

As always, don't hesitate to contact your Ancora advisor or relationship team if you have any questions or would like to learn more about these topics. Visit our website at www.ancora.net to find other news and insights from the investment professionals at Ancora.

Market Data Center

As of 11/30/2025

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B
S&P 500	0.2%	6.3%	16.6%	17.8%	15.0%	75.3%	1.06%	22.4x	5.2x
Dow Jones	0.5%	5.1%	13.8%	13.9%	8.0%	45.9%	1.48%	20.3x	5.4x
Russell 2000	1.0%	6.0%	21.8%	13.5%	4.1%	38.4%	0.97%	24.2x	2.0x
Russell 1000 Growth	-1.8%	7.2%	19.6%	19.3%	20.4%	109.6%	0.35%	29.7x	13.8x
Russell 1000 Value	2.7%	4.6%	12.3%	15.1%	7.3%	40.8%	1.67%	17.4x	2.9x
MSCI EAFE	0.6%	3.8%	9.1%	28.0%	25.1%	59.0%	2.71%	15.3x	2.1x
MSCI EM	-2.4%	9.0%	19.8%	30.4%	30.3%	53.3%	2.17%	13.4x	2.0x
NASDAQ 100	-1.6%	8.8%	19.6%	21.8%	22.4%	116.5%	0.46%	27.6x	8.5x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.27%	0.6%	2.4%	7.5%	5.7%	14.3%
U.S. Corporates	4.75%	0.6%	2.5%	8.1%	6.2%	20.1%
Municipal Bonds	3.37%	0.2%	3.6%	3.9%	2.7%	11.8%
High Yield Bonds	6.55%	0.5%	1.4%	7.8%	7.3%	31.3%

Key Rates	11/30/2025	10/31/2025	8/31/2025	5/31/2025	11/30/2024	11/30/2022
2 yr Treasury	3.49%	3.60%	3.61%	3.90%	4.15%	4.38%
10 yr Treasury	4.01%	4.09%	4.22%	4.39%	4.17%	3.70%
30 yr Treasury	4.66%	4.66%	4.92%	4.91%	4.36%	3.82%
30 yr Mortgage	6.36%	6.26%	6.62%	6.95%	7.12%	6.36%
Prime Rate	7.00%	7.00%	7.50%	7.50%	7.75%	7.00%

Commodities	Level	1 month	YTD
Oil (WTI)	58.48	-4.1%	-18.5%
Gasoline	1.89	-0.8%	-5.9%
Natural Gas	4.86	11.3%	56.9%
Propane	0.68	1.3%	-12.0%
Ethanol	1.71	-1.2%	16.0%
Gold	4,256	6.5%	61.2%
Silver	57.08	18.5%	95.2%
Copper	5.19	2.4%	30.1%
Steel	904	1.8%	27.5%
Corn	4.48	3.8%	-2.3%
Soybeans	11.22	2.0%	11.2%

Data Reflects Most Recently Available As of 11/30/2025