MARKET MINUTE

With McGAREL

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Beware the Death Zone

Mount Everest is the tallest mountain on Earth at just over 29,000 feet. At 26,000 feet, climbers enter what is called the "death zone" where every breath is labored and the human body can't survive for long. At the summit, there is little opportunity to take pictures and celebrate. Time is precious and climbers quickly start the descent to get below the death zone safely.

As the S&P 500 Index (the "Index") hovers near all-time highs at the end of January 2026, markets appear near the summit. It's heady times.

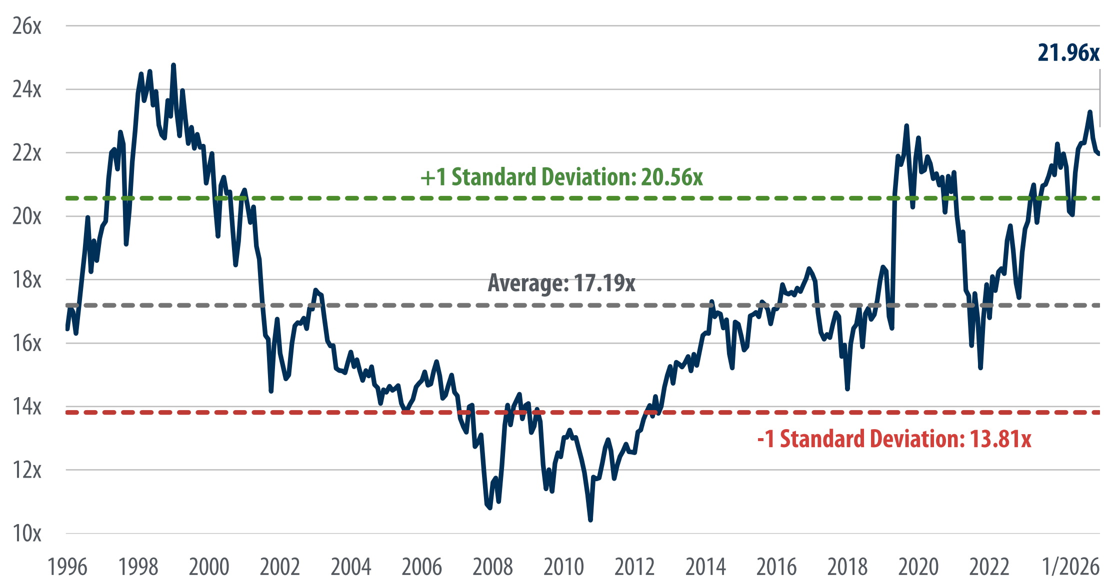
The Index's forward price-to-earnings (P/E) ratio, in our view, is in the death zone. Since 1995, the Index's average forward multiple is 17x. Today, the multiple sits at 22.0x forward earnings. Only twice since 1997 has the Index been priced at these levels, during the tech bubble in the late 1990s and the relief rally in 2021 after Covid didn't kill us all. In fact, over the last 29 years, the Index has traded at these levels less than 10% of the time. See chart below. We don't think it's different this time...history suggests we won't be here very long.

Beware the death zone. The experience in 2021 is more similar to today's market than the tech bubble, in our view. In 2021, the narrow trade at the top of the Index was based on a premise that a few select companies would dominate in a new world with fewer physical locations due to Covid. Today, the Artificial Intelligence mantra sounds similar with expectations that the future could look completely different from today. In 2022, the correction shook the multiple out of the market as some of the most expensive and speculative areas repriced lower.

It takes a different approach to descend a mountain than to climb one. It's much less exhilarating and no one takes pictures at the bottom. But a proper descent can protect the climber and be a good experience just as well. Investors may want to review portfolio exposures with the understanding that the strong returns that helped bring markets to current levels may be harder to replicate. Look back to our January 2026 *Market Minute* regarding areas outside the market-cap-weighted S&P 500 Index that are not in the death zone and have the potential to deliver attractive returns in the year ahead. Think dividend payers, value stocks, and small- and mid-cap stocks.

Remember, high elevations can be dangerous to your health...and elevated valuations can pose risks to wealth.

S&P 500 Index Forward P/E



Source: Bloomberg. Data from 31/12/96 – 30/1/26.