



Global Investment Management Survey: Outlook on equities and more

Talking Markets podcast transcript



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Host/John Przygocki: Welcome to Talking Markets with Franklin Templeton. I'm your host John Przygocki from the Franklin Templeton Global Marketing Organization. As a forward-thinking asset manager, Franklin Templeton leverages cutting-edge strategies and deep industry insights to unlock opportunities to help grow wealth. We're your trusted partner for what's ahead.

Today, I'm very excited about being in the studio for a conversation focused on our outlook for 2026 with Chris Galipeau and Kate Lakin. Kate is part of the leadership team at Putnam Investments as Head of Research and a portfolio manager. Putnam, an investment team at Franklin Templeton, is an active global equity manager with a boutique mindset. Chris is a senior investment strategist with the Franklin Templeton Institute. The Institute is a research-centric team focused on delivering unique capital markets insight to our clients. Kate and Chris, welcome to the show.

Kate Lakin: Thank you.

Chris Galipeau: Good to be here, John. Thanks for having us.

John Przygocki: Thank you both. I've been really excited about this conversation. Let's get to it. My first question is for you, Chris. The Institute recently published our [Global Investment Management Survey](#). Can you tell us a bit about it?

Chris Galipeau: Sure. So, the survey is the mechanism that we use to gather the opinions and views of the portfolio managers across the organization. And we cover all asset classes and all geographies, all styles, right?

So, there's 650-ish PMs [portfolio managers] across the company. We simply send them a set of questions, highly detailed questions. And what we're trying to do, John, is draw out of our PMs their highest-convicted ideas, what they like, why they like it, (you know, what are the drivers of their opinion, what they might not like and what are the drivers there?) and really take that data set, boil it down and try and find the two, three, or four highest conviction thoughts that we can then share with our clients.

John Przygocki: How often do you do this?

Chris Galipeau: So, we do it semiannually. As we think about 2026, for example, I will send the portfolio managers the questions in the first week of December, let's say—maybe the last week of November—give them time to answer, let me amalgamate all the responses and then write our outlook for 2026 using that data. So that's how we start the year. And then I will re-survey them again right around the middle of June and get their outlook, to see if anything has changed.

And to be honest, for the most part, remember that the portfolio managers here, regardless of asset class (equity, fixed income, multi-asset, etc.), are long-term investors, right? So their time horizon generally would be at least 3 to 5 years. And so their opinions, and their convictions and their thoughts don't really change that often unless and if something significant happens.

So, you take 2025, in March and April we get the tariff situation. The opinions didn't really change. But my point there is if something significant happens in the world, I will go back to Kate and the rest of the PMs in the organization and

ask them if they've changed their mind on anything, or if there's anything critically different that I should be aware of.

John Przygocki: So, when I think about what you just laid out there, were there any key takeaways or highlights that lead to opportunities that you are framing up for 2026?

Chris Galipeau: There were. There always are a couple of real golden nuggets that came out of the survey. And I'll give you a few here. But, when I think about the macro part of it, the macro backdrop (so, from like a 30,000 ft view), the most consistent response with regard to real GDP [gross domestic product], for example, for 2026 was 2.5% real growth for the year. Now, that's above the street [forecast], that's above the Fed [Federal Reserve]. So that kind of, you know, stuck out to me. That should be good enough to drive high single-digit, low double-digit EPS [earnings per share] growth. I'm sure that Kate will touch on in a little bit. The notion that the Fed would cut rates probably twice this year, but at a much slower roll and maybe not even be necessary. And so, for the macro backdrop, those are the things that really stuck out. No real change expected in the dollar exchange rate, for example, for the year, I thought was interesting.

On the equity side, there was a very resounding message from the equity portfolio managers at Franklin Templeton. And that message was, we believe, highly convicted, that the stock market will, quote unquote, broaden out and that we're going to shift from an environment where, let's say, from 2020 to the middle part of 2025, it was all Mag Seven* all day (those companies drove all the earnings growth. They drove the lion's share of the performance in that four-and-a-half-year window) and that we were moving towards an environment where the earnings power would broaden (Some of that's economically driven, some of it's idiosyncratic.), that the EPS power would broaden out. And, therefore, as a result of that, the stock market should also broaden out.

And I think that was probably for me the biggest takeaway. And that's not just within the United States. It's also true around the world. And frankly, John, we had the same convicted view in 2025. And that was the beginning of the broadening. And now it's, you know, it's still in place. We think that will carry through in 2026.

And I think for our clients, the big takeaway there is: Make sure you've got, in the equity space, for example, make sure you have exposure outside of the United States. Make sure you have exposure to growth and value. Make sure you have some small- and mid-cap exposure in client accounts, right? Focus on quality: free cash flow, yield, ROIC [Return on Invested Capital], ROE [Return on Equity], right? High-quality metrics.

* The "Magnificent Seven" are Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

And be diversified, right? That's a very different environment than what we operated in from 2020 to, let's say, the midpoint in 2025.

And then in the fixed [income] side just real quick, our thought is more of a coupon-clipping exercise than anything this year. We like shorter duration fixed income mandates. I think that style beats cash. We're bullish corporate credit, IG [investment grade] and high yield. Again, I think that beats cash. I don't think duration's going to help you or hurt you. Spreads are basically 5-to-10-year tights. And so it really becomes a coupon-clipping exercise. Same thought on munis. Bullish there. So, those were the big takeaways from what they told us here coming into the year.

John Przygocki: Were there any surprises as you were reading the responses?

Chris Galipeau: Not really, John. And the reason nothing came out as a shock to me is, the portfolio managers across the organization (again, by asset class) are very, very consistent. I've gotten to know the thought processes, how they think, how they manage money, what they look for in securities, whether it's equity or fixed [income], both.

So, no, there were no real surprises this year. And I think, thinking back to '25 [2025], where the portfolio managers' thoughts and forecasts for the year turned out to be incredibly accurate (I could literally check all the boxes, almost pinpoint), what surprised me in '25 coming into the year was this notion of expecting a broadening environment. And as we did more work on that, it was very obvious as to why they were telling me that. So if anything, it was last year that was a little bit of a surprise. But they've carried that message steady through '25, steady into '26.

John Przygocki: Kate, your views are captured in the Global Investment Management Survey. Is there anything that stands out that you would like to highlight?

Kate Lakin: Thanks, John. And thanks so much for having me. It's my first podcast and it's such fun to do it with my friend, Chris.

So, yes, our Putnam team, our portfolio managers love to participate in this survey because not only is it a chance to share our views, it's also an opportunity to see how other investment teams across the Franklin complex are thinking about the market.

I think the thing I would flag that is so important to remember, (yes, we have had a volatile stretch over the last few years and we will talk about that) is that the underlying fundamentals of businesses today, and especially in the US, is very strong. The fundamentals are strong. So, in Q3 when companies reported earnings, you saw low double-digits growth in earnings.

And one interesting analysis we did here at Putnam was looking at the first decade coming out of the great financial crisis. You saw low single-digits earnings growth from businesses. And when you adjusted that for inflation, you were talking about 1% growth year in and year out. Since 2018, we've seen really robust earnings growth. And, at the end of the day, stocks follow earnings. What the companies are earning matters. And so I think we're headed into 2026 with a really strong fundamental backdrop, which is an exciting time to be picking stocks and investing in businesses, which is what our team does day in and day out.

And, yes, there's going to be volatility. We saw that in 2025. We expect that in 2026. That's healthy for active managers. But we're heading in with really strong fundamentals.

John Przygocki: Let me follow up with a question specific to the [Putnam outlook](#) that was published at the end of December. I thought it was quite refreshing that the perspective was a little bit different than what you typically see. People are always focused on what could go wrong. And if I remember correctly, the Putnam point of view was quite the opposite. Any additional perspective, Kate?

Kate Lakin: So that piece was published by Shep Perkins, our CIO [Chief Investment Officer]. Shep and I work very closely together, and we spend a lot of time in partnership with our investment team. But we also meet with clients quite frequently. And throughout 2025, there was a lot of angst.

And so, to take you back, a year ago this month we had DeepSeek, which brought into question the validity of AI [artificial intelligence]. Then we had tariff headlines, which Chris mentioned, followed by one of the sharpest equity rallies we had seen in many years coming out of the middle of April through the end of the year.

But throughout those 12 months, folks were anxious, and the clients we were meeting with were focused on what could go wrong. And there were a lot of headlines to drive that anxiety. So it was understandable. And, at the end of the day, what happened in 2025 is a lot of things broke the right way. Inflation stayed in check, employment stayed strong, and, like I said, fundamentals were solid.

So, it's a great piece that Shep published. He looked at the continued strength in financials. The banks started to report earnings this week. The fundamentals are solid. They have some positive comments on not only the consumer but also the backdrop for their businesses. Goldman specifically said that their M&A [(Mergers and Acquisitions)] backlog is the strongest it's been in a handful of years. And Shep also points to AI spending, which is a massive secular trend and something that's going to continue to support demand in a variety of end markets.

Lastly, I would just say the consumer remained very resilient throughout the year. We would see survey work that would say the consumer is anxious about tariffs, but then they continued to plan trips and big purchases over the summer.

So, going forward, certainly things to watch include inflation as well as consumer confidence. But right now we continue to see strength in both—or at least solid fundamentals in both.

John Przygocki: Chris, Kate, just stated the consumer is on solid footing and quite resilient. I'm thinking about how that might translate to the investor, can you share your thoughts on the current investor sentiment?

Chris Galipeau: Yeah, first I would echo and emphasize what Kate just said. And, in my function in speaking to our clients every day throughout the day, specifically in the United States, she's 100% right. In any given conversation, the focus from the client was generally around "Let me list off the 17 things that are about to go wrong or could go wrong." And it's very easy to be swayed by that. It's very easy for all of us to be impacted by that. To Kate's point, what the banks have told us (and it wasn't just this week as they reported their Q4 report, it was Q2 of last year, it was Q3 of last year.), the message was very consistent: resilient economy, resilient consumer. And they would know, right? And you got the same message from the credit card companies: Visa, Mastercard, Amex, Capital One. But it's easy to get sidelined by the news flow.

And Kate mentioned, earlier stock prices follow earnings. And you go back to 1950, the correlation between S&P earnings and S&P price is 0.98. And so that, that really is the variable that we have to focus on. And, of course, the portfolio managers and the analyst teams across the organization are laser focused on exactly that.

And I think that is the piece that a lot of investors can miss. The stock market doesn't really care about politics. It might in the short term. It doesn't really care about geopolitics. Yes, things can go wrong, but over time, the main driver of stock price and stock returns, equity returns? Fundamentals, as Kate pointed out.

I would say that present day, as we sit here right now, my conversations and the feedback from clients hasn't really changed. People are still very worried. And it can be a whole host of things. Now, the present-day concern is around valuation and S&P multiples. And so we can talk a little bit about that. But Kate's 100% right. The operating backdrop is very robust. And it's very broad. And it's not just here in the US. It's that way around the world. So I think the backdrop is constructive. It doesn't mean we can't get five and 10% pullbacks, which are normal course of business. And we would view those pullbacks as an opportunity.

John Przygocki: So, let me follow it up with a question to Kate. Kate, perspective from your viewpoint? Is there anything relative to valuations that is concerning?

Kate Lakin: So the S&P [500 Index] currently is trading at a low 20 times P/E, which is certainly above historical averages. Call that high teens. But partly and mostly what's pulling that multiple higher is the valuation that large-cap technology stocks are trading at. So what you've seen over the last handful of years is that large-cap tech stocks have grown in their weight of the index, and they also trade at a premium to the market. What's important to note, though, is that valuation for those large tech companies is not overly demanding.

So Nvidia, for example, is trading at a mid-20 times P/E, which is actually below its historic averages. And when you look at an equal-weighted P/E for the entire S&P, it's relatively in line with history. So what that says to us is it's a stock pickers market. There are certainly some companies that are overpriced. But I'm not concerned about the fact that we're at a slight premium to history, given the strength we've seen in the technology sector.

Chris Galipeau: And that's a super common question. And Kate's answer is right on the money. I think people can get hung up on the SPX [S&P 500 Index] multiple when in reality, you know, if you take out some of the bigger, you know, the Mag Seven names, it comes down a little bit.

To put some more meat on the bone there and follow Kate's lead, if you look at the equal-weight S&P, which negates the cap-weight impact, the multiple there on 2026 earnings is 17. And, so, if long-term median forward multiple for the S&P is about 17, 18 (since 1990, it's 19), you can argue that the average stock is not expensive. And I try and relay that message to our clients all the time and let them know that there are opportunities away from the index.

And I think we can get laser-focused on that. And that is exactly where active management plays a critical role in being able to turn over the rocks and find out where, you know, estimates are too low and identify the drivers and that sort of thing. And, you know, that was really in place in '25 and it's certainly in place here now. And you go down in the cap stack, mid-caps, for example, are about 16 times. Small caps, about 18, 19. So you got to be careful.

Kate Lakin: Yeah.

John Przygocki: Actually, Chris, you went right where I was going to go: the debate that we hear about every year, it seems like, active versus passive. And clearly with the points that you both have made, it seems like active management, picking the right stocks, right companies, understanding the opportunities is critical.

That's a great segue to Kate for insight on the corporate perspective from the direct connectivity that you have.

Kate Lakin: So, it is very core to our process to meet with corporate management teams and to evaluate how they're thinking about their businesses. As a Putnam team, we have over a thousand corporate meetings every year when you account for conferences and various corporate access trips that we might take. And we, really when we have a CEO, CFO of a business and an opportunity to have a conversation with that leader, we're focused on their multiyear goals.

There's a lot of people in the market today who are trying to get an edge on the next quarter, the next month, the next week. And we want to understand when we have a senior leader, how are you thinking about your business over the next three, four or five years? And one topic that's certainly applicable for almost every business today is AI. And where are the opportunities for you to invest, and where are the opportunities for you to maybe take some costs out because of the unlock that AI is providing your business? And so, as an investment team, we've started having some really interesting conversations not only about the impact within technology stocks, but also how does it impact a trucking business or a waste company that runs routes to go pick up your waste? And how will they potentially get more efficient using and leveraging AI?

So that's one thing we're asking, but we always like to understand where the CEOs and CFOs are thinking about their businesses over the long term and what success would look like for them. That allows us to take those insights back, plug them into our financial models, which we spend a lot of time in, and see, if they were to succeed at some of their goals, what would that mean for the earnings power and what is priced into that stock today?

John Przygocki: Kate and Chris, this has been a wonderful conversation. As we look to wrap up, can I ask you for a final thought for our listeners? Chris?

Chris Galipeau: Sure. So, I would take stock of everything that you just heard from Kate. And I think those insights are critical. And I would boil the ocean down to this. We know that stock prices follow earnings over time. Period and end of story, right? That's the most important thing. And so, when you think about it in that context, the opportunity set today as we enter '26 is broader, is stronger than what we've seen arguably for the last (at least) five years.

That should demand that investors spread out their exposures, right? Don't be super concentrated in any one lane or any one style or any one cap size. Spread it out around the world and equity space. Be diversified. And there's no free lunches in investing, and diversification is about as good as you can get. I think that is the big takeaway.

That earnings power is broad and that should be reflected in portfolios.

John Przygocki: Kate, a closing thought from you?

Kate Lakin: I'll just touch on AI for a minute and then I'll go more broad to wrap it up. But I think the market's been broadly optimistic about AI spending. And the AI spending we have seen has been massive. The top four hyperscalers have tripled spending since 2022. And just four companies this year are going to spend \$600 billion.

But there's so much that we don't know today. I like to think about the invention of the iPhone. The App Store didn't come for a whole year later. And think about the businesses that then came to be because of that App Store, a company like Uber. Also, if you go back to the internet, invention of the internet, 500 companies went bankrupt. So, there are going to be winners and losers. It's a very dynamic time to be investing in businesses. And, again, this is the power of fundamental analysis.

And then, more broadly, I would say at Putnam, we're super focused on building all-weather strategies that can outperform in a variety of market environments driven by idiosyncratic risk, which ultimately means stock picking and getting those stocks right and not having factor exposures. So, we don't take a top-down view on where the market will go. We come to work every day with the goal of outperforming benchmarks, and we remain focused on that in 2026. And we think it's a very dynamic and exciting time to be investing around the globe.

John Przygocki: Terrific. Thank you, Kate and Chris. To all of our listeners, thank you for spending your valuable time with us today. If you'd like to hear more Talking Markets with Franklin Templeton, please visit our archive of previous episodes and subscribe on Apple Podcasts, Google Podcasts, Spotify, or just about any other major podcast provider.

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Bi-annual survey: This bi-annual outlook survey is designed to give a view across our investment teams. The Franklin Templeton Institute identifies the median across answers and develops commentary on the year ahead.

Investment professionals across all asset classes: The Franklin Templeton Global Investment Management Survey received responses from around 200 portfolio managers, directors of research and chief investment officers. This represents a participation across equity, private equity, fixed income, private debt, real estate, digital assets, hedge funds and secondary private markets.

Aggregate views: This survey gives an aggregate view by taking the median of the answers. Questions included macroeconomic, equity and fixed income views.

Independent views: Each of our investment teams are independent and have their own views. This survey serves as a starting point to their best ideas.

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