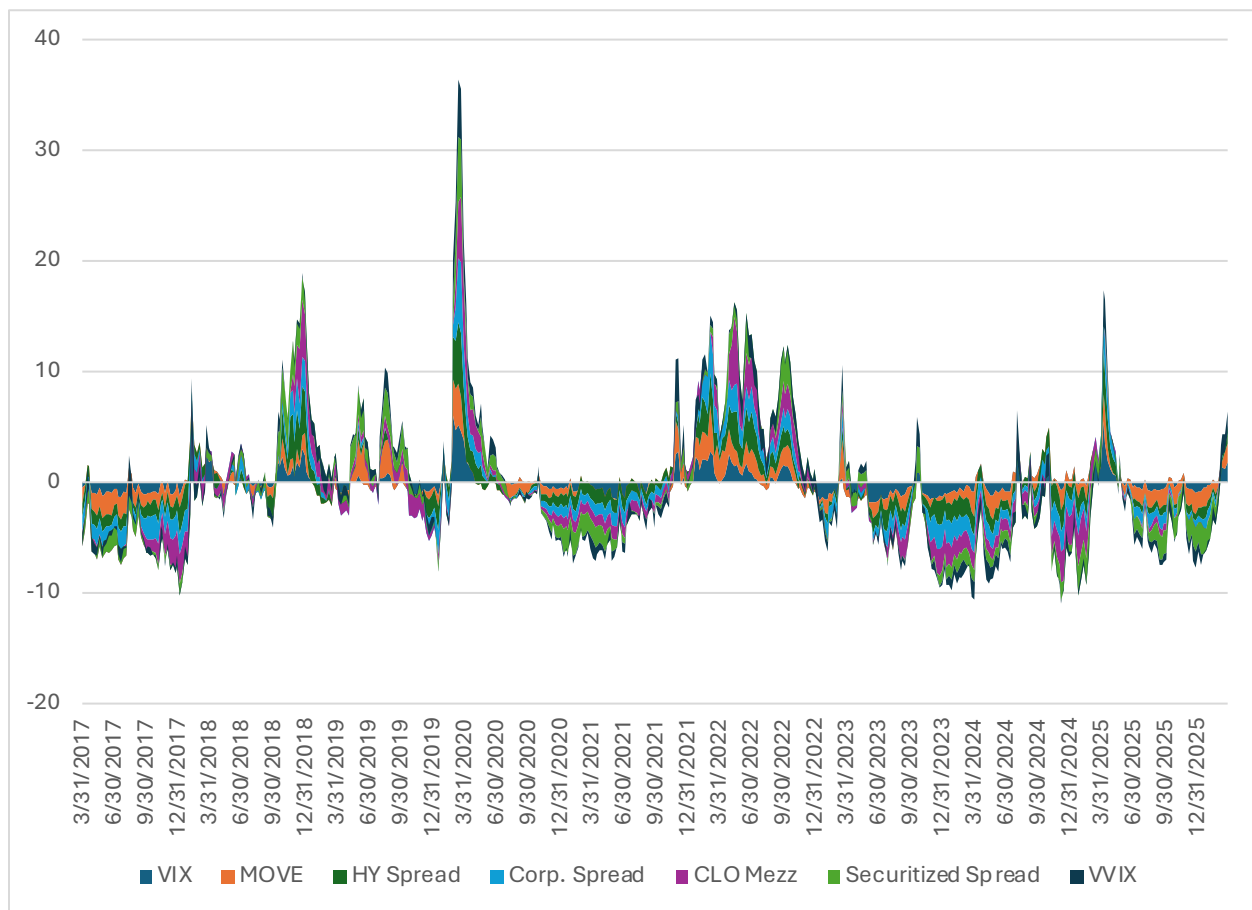


Quarterly Investment Update:

Quarter 1 | 2026

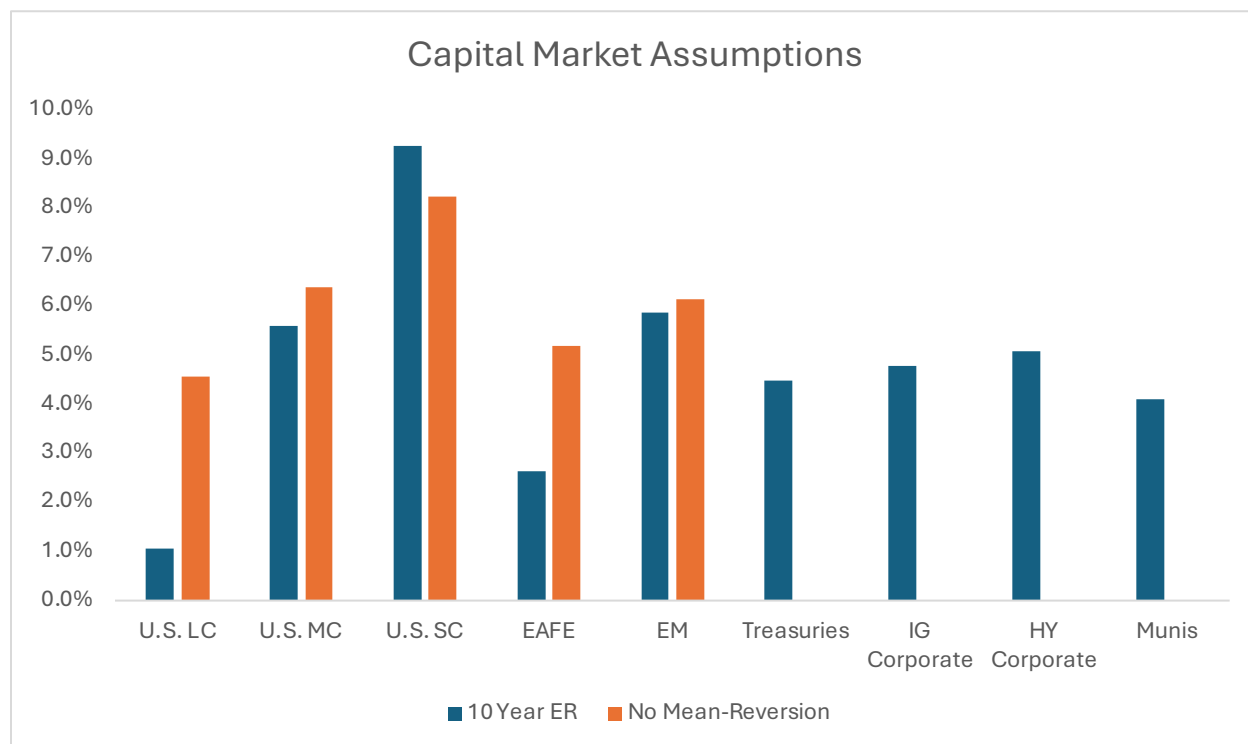
This quarter delivered a sharp reminder that market risk can be suppressed for only so long and can reappear all at once. After an extended period of relatively calm conditions, our internal risk measure has more than normalized, and a range of sentiment indicators deteriorated alongside it. A chart of our measure is shown below.



Source: Bloomberg

In our annual outlook, we warned something like this was bound to happen but couldn't immediately identify a catalyst for risk to move higher. The war in Iran and the subsequent market fallout is a stark reminder that investors face risks around each corner, and many times they materialize in dramatic fashion. Our focus remains on maintaining diversification, staying valuation aware, and avoiding the temptation to overreact to the loudest headlines.

We start with our capital markets assumptions for major liquid asset classes. As a reminder, these are 10-year annualized nominal return expectations, and for equities we provide expectations both with and without changes in valuation from mean-reversion.



Source: Bloomberg

Our expected returns have not changed significantly from the start of the year but have increased modestly across the board as valuations have fallen while interest rates have risen.

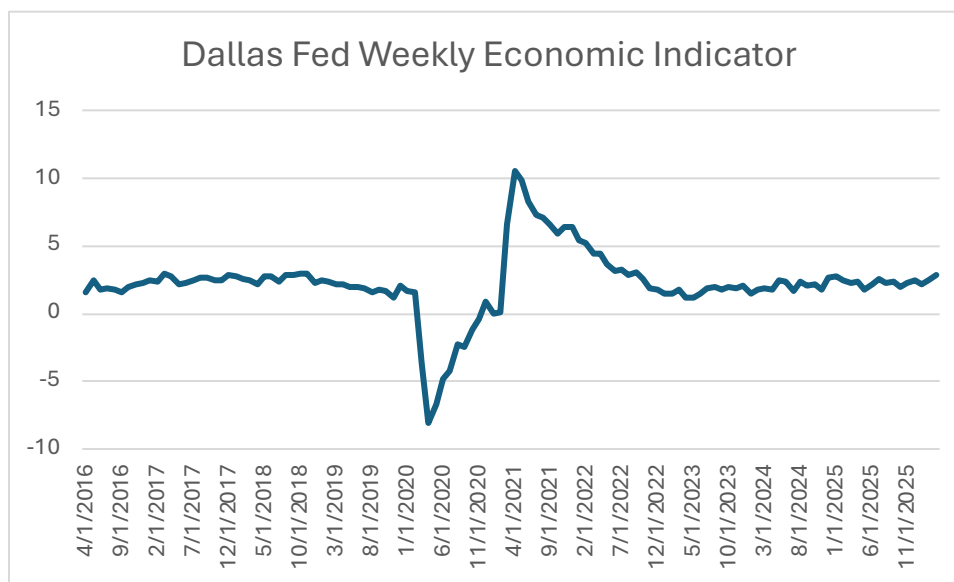
Quarter In Review and Tactical Outlook

In equity markets, defensive equity styles like quality, dividend paying stocks significantly outperformed the index, broadly consistent with our preference in overly calm markets. As a result, we have removed all style bias in our equity portfolios, opting instead for generic capitalization weighted positions among large stocks. At the same time, several areas that we still view as compelling on a forward looking basis have struggled, most notably financials and healthcare. We still think these sectors are attractive, though we admit sector positioning might not be a profitable near-term source of alpha in a world where geopolitical risks seem to dominate most market movements.

We expect a burst of inflation to pulse through the economy because of geopolitical conflict, most directly through energy and food price shocks. At this stage, we do not believe this impulse is likely to be large enough to tip the global economy into recession, but we do expect many countries and consumers to feel meaningful pressure in real terms. And while we maintain this view for now, as we mentioned in a recent market update, fixed income investors are beginning

to price in a potential rate hike before year-end. We believe rate cuts are important for boosting the prospects of small businesses and low-income consumers, segments of the economy that have not participated in the robust growth seen in recent years to the same extent as their wealthier counterparts. Should rate increases come back onto the table, we would have to reconsider our global economic outlook.

Importantly, real time growth nowcasts remain constructive, and early earnings prints have been solid. Analyst estimates have also continued to improve, which is ultimately what matters to investors. This data all points to continued solid growth despite inflation headwinds. We present the Dallas Fed Weekly Economic Index and S&P 500 analyst earnings estimates for 2026, 2027, and 2028 below as evidence of this.



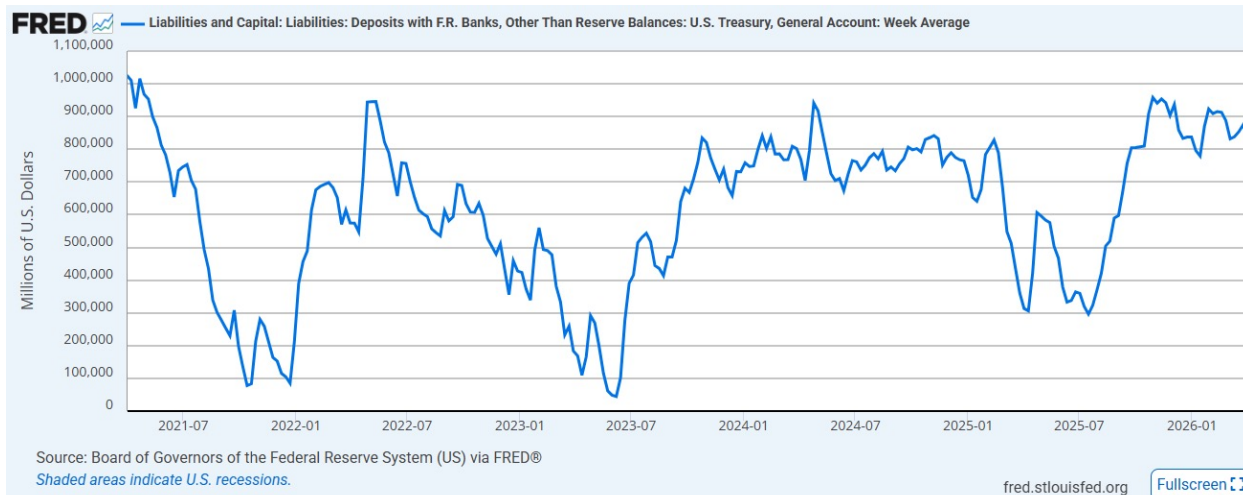
Source: Bloomberg, data as of March 31, 2026

There are good reasons for this trend to continue. Specifically, there are two macroeconomic tailwinds for the U.S. worth highlighting. First, the U.S. is a net exporter of energy, which provides a degree of insulation from sustained increases to the price of oil. Additionally, we have recently seen estimates that the price of oil staying at or above \$120 per barrel might reduce earnings per share in U.S. indices by approximately 4%. While not ideal, it should be noted that analysts broadly expect U.S. earnings to grow by more than 16% this year. Second, wars are expensive, and the spending required to sustain them flows directly into GDP. While the benefits of that spending are not evenly distributed, stronger nominal growth often translates into stronger top line revenue growth for businesses.

We have already seen this administration prepare a spending package of \$200 billion for Congress to review in support for the war effort.

Liquidity: A Quieter Force That Often Matters More Than Headlines

Against this backdrop, liquidity conditions have improved in ways that are easy to miss but can substantially impact actual market outcomes. Tax refunds have been meaningfully higher this tax season relative to last year. We believe this will continue to force the Treasury to draw down its Treasury General Account (TGA), the actual checking account it holds with the Federal Reserve. As shown in the chart below, the TGA is excessively overfunded relative to recent history.



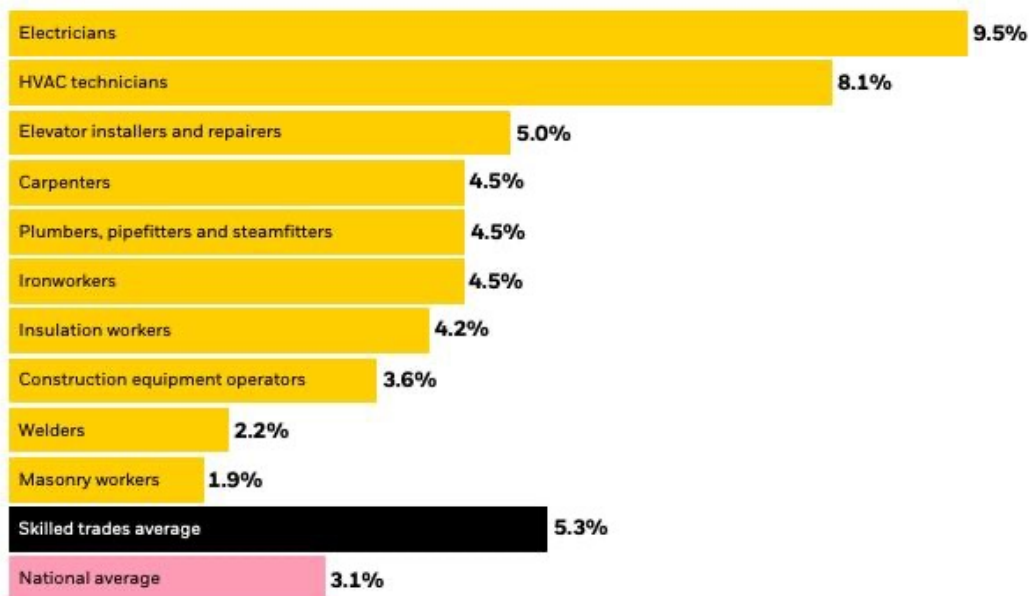
Source: St. Louis Fed, data as of April 1, 2026

A reduction in funds held in the TGA represents a direct infusion of cash into the economy, which ought to provide some ballast to equity prices. Combined with ongoing quantitative easing, these forces will provide a tailwind to markets. If earnings expectations remain resilient, the setup into next quarter begins to look more constructive. We would not be surprised to see risk assets stabilize and potentially rebound as liquidity helps market sentiment to bottom.

Two Timely Topics: AI Disruption and Private Credit

We have recently written on the topics of private credit and artificial intelligence (AI), but given the outsized impact both are having on markets today, we wanted to address them again. We have seen commercial AI systems do genuinely incredible things over the past year, and the pace of both its evolution and adoption has been fast enough to unsettle investors across a wide range of industries. But when we zoom out, we continue to view AI as a general purpose technology following a familiar arc: early breakthroughs, a burst of narrative driven exuberance (and fear), and then a longer deployment phase where real economic value is created.

Critically, we are not seeing evidence – yet – of the kind of broad employment collapse implied by more dystopian scenarios that have dominated investor narratives. Jobs are still growing, even as job types evolve. For example, trades jobs are projected to grow substantially faster than the overall job market and population. Certain sub segments (such as electricians) are expected to grow at nearly double-digit rates in the coming years.



Source: BlackRock

This does not account for the new types of jobs this technology will create. Aggregate wage growth, while decelerating, has remained well above inflation. And job openings are still high relative to long-term averages. Meanwhile, AI compute costs continue to come down even as overall spending rises – another pattern we have seen across prior technology waves, from electrification to the internet to cloud computing. Taken together, these dynamics reinforce our view that meaningful productivity gains (and new business formation) are still overwhelmingly the most likely outcome from deploying AI at scale. If our view of the world is right, the U.S. will experience tremendous economic and profit growth.

Turning to private credit, this market still dominates headlines, and some of the commentary has loudly warned of systemic risks the asset class poses. We do not share that view. In our framework, today's private credit landscape looks less like 2008 and more like more manageable credit cycles that are typical of a maturing market.

To put some numbers to this view, consider a deliberately harsh example that exceeds most pessimistic views: a 15% default rate with a loss severity of 70% (this implies a loss from default of roughly 10.5%, $15\% \times 70\%$). While a 10.5% loss rate is certainly a negative scenario for investors, it is worth remembering that private credit funds target near double-digit yields and returns, meaning the majority of that loss would be almost entirely offset by the income earned from the portfolio. While this is not an ideal scenario, it hardly resembles a credit crisis of 2008 proportions. It is also important to point out that the private credit market is just a fraction of the size of the corporate credit market overall, inherently limiting its potential to excessively damage the economy. It is also mostly funded by risk-aware private investors as opposed to the banking sector, which should limit any risk of contagion as well. And while private credit will likely see a sharp increase in defaults pertaining to certain vintages and industries where loans have been made, we still think the asset class has merit for investors looking to build a diversified portfolio. This is particularly true for investors with income needs.

Where we think investors should take precaution is with respect to the wrapper that is used to access the asset class. Like other private markets, private debt best serves investors with long-term time horizons with only modest liquidity needs. The interval fund wrapper is an

excellent innovation in our view, as it helps ease burdens around subscriptions and can also help investors manage blind pool risk (i.e., not knowing the general composition of the portfolio before investing). We do not recommend investors use interval funds for their liquidity features, as recent experience shows that redemption requests can far exceed the amount a firm is legally required to pay out to investors. With that said, we also think some reporting around redemptions has been hyperbolic as well. Frequently, we hear news about large redemption requests at firms. But it should be pointed out that frequently these figures are gross numbers, that is they don't reflect offsetting subscriptions that continue to flow into these funds. Additionally, there is little mention of the short-term maturity profile of these loans either, as most funds receive large percentages of their net asset value in prepayments or entire debt paydowns each year. Both effects should work to offset some of the liquidity concerns around private debt held within interval funds, and again we do not foresee a systemic risk caused by this market.

We hope this market review has been helpful, and please don't hesitate to reach out to us with any questions you might have. We also include our overall asset class summaries below which reflect our current tactical views of each major asset class.

Equities	Current Weighting	Outlook
U.S. Large Cap	Neutral	Excellent fundamental outlook and technical backdrop given large ongoing buybacks. High concentration of largest names and high valuations keep us neutral on this asset class. We favor high quality, defensive investments and certain sectors we favor like healthcare and financial stocks.
U.S. Mid and Small Cap	Neutral	Modest valuations and falling interest should provide a tailwind to investors here. We currently recommend a neutral weight but might look to change to overweight as the year progresses.
EAFE	Neutral	Japanese equities look interesting, and the currency diversification into Yen and Euros could still provide a tailwind. Weak European growth and worrisome trends in sovereign yields keep us neutral.
EM	Neutral	Some of the lowest equity market valuations available to investors. There are still economic risks in China that keep us neutral here, as it represents the largest country weight in the index.

Duration	Current Weighting	Outlook
Treasuries	Underweight	While rates are solidly positive across the yield curve, huge potential net new treasury supply and continuing refinancing needs keep us modestly short duration relative to benchmark expressed primarily through a treasury underweight.
IG Corporates	Underweight	Narrow spreads keep us underweight this segment despite our economic outlook. If spreads normalize we will look to upgrade our outlook.
Agency Mortgages	Overweight	Wide spreads relative to both treasuries and high quality corporate bonds make this our preferred way to obtain duration exposure. We expect technical buying pressure to continue into 2026 as institutional investors rebuild allocations here.
Munis	Neutral	Ratios of yields between AAA munis and treasuries have normalized. There is also only modest amounts of spread to be gained by reducing the quality profile of a muni portfolio today. Term spreads, the difference between long and short-term municipal bonds are solid though, providing investors an opportunity barbell exposures to produce additional yield.

Credit	Current Weighting	Outlook
High Yield	Neutral	Fundamental changes to the index with respect to quality composition and duration, along with our economic outlook means we expect defaults to remain subdued. Relatively narrow spreads keep us from an overweight recommendation in this asset class.
Leveraged Loans	Underweight	Years of poor underwriting standards along with potential technical selling pressure from retail investors makes us maintain an underweight recommendation here despite our economic outlook.

Structured Credit	Overweight	Structured credit remains our favored way to gain credit exposure, as this segment offers solid yields with modest credit and duration risk. Our favorite segments within this asset class include Non-Agency RMBS and CMBS, as the collateral values for both are likely to rise in 2026, improving their respective credit quality.
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Alternatives	Current Weighting	Outlook
Private Equity	Overweight	Reinvigorated capital markets should promote portfolio realizations and returns. Our economic outlook, combined with lower borrowing costs leads us to believe these asset classes should provide total return that outperforms public markets. Manager selection is key here.
Private Debt	Neutral	We have seen some concerning defaults in this arena, along with some concern around underwriting standards. However, we still think this asset class will deliver solid liquid returns even as there has been softness in broader bond markets. We expect the private debt market to continue to grow. Like private equity, manager selection is key.



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