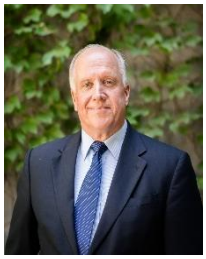
2026 – 3rd Quarter Review & Outlook

Economic and Investment Review



Mark Anderson

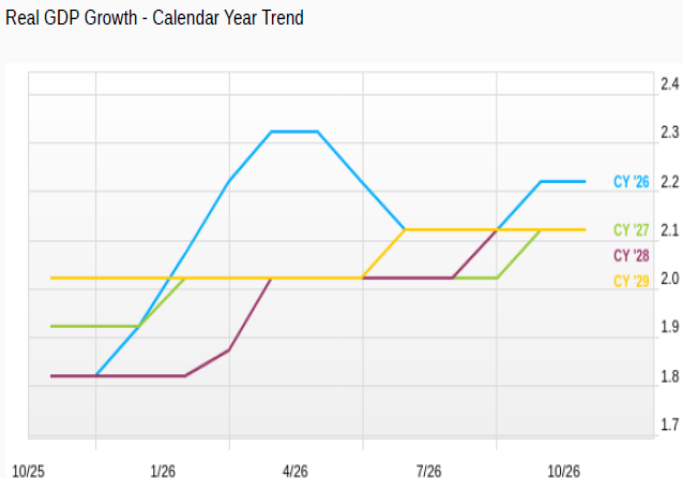
Chief Investment Officer

Economic Growth: The U.S. economy has remained resilient despite ongoing geopolitical conflicts, higher energy prices, higher interest rates, and persistent inflation. GDP was 2.2% year-over-year in the second quarter and is expected to have exceeded 3.0% for the third quarter. Consumers continued to spend at a steady pace, and AI-related spending remained strong. Household spending increased 6.1% year-over-year through August, up from 4.3% at the end of 2025. A portion of the increase is due to higher prices, but consumer spending has been supported by tax refunds, the World Cup, a stable job market, and a strong equity market.

Economic growth is expected to cool somewhat in the fourth quarter due to a more restrained consumer. Consumer confidence is extremely weak despite strong spending. Consumer spending is expected to trend lower in the fourth quarter due to slower wage growth, higher energy prices, and higher interest rates.

The consensus GDP estimate continues to indicate that the US economy is expected to grow 2.2% for the full year - 2026. The estimate has ranged from 1.7% to 2.3% in the past twelve months. Goldman Sachs and Raymond James each forecast 2.4% growth for the year.

The consensus estimate for 2027 is just slightly lower, at 2.10%. The estimate has ranged from 1.9% to 2.0% over the past year.



Source: FactSet

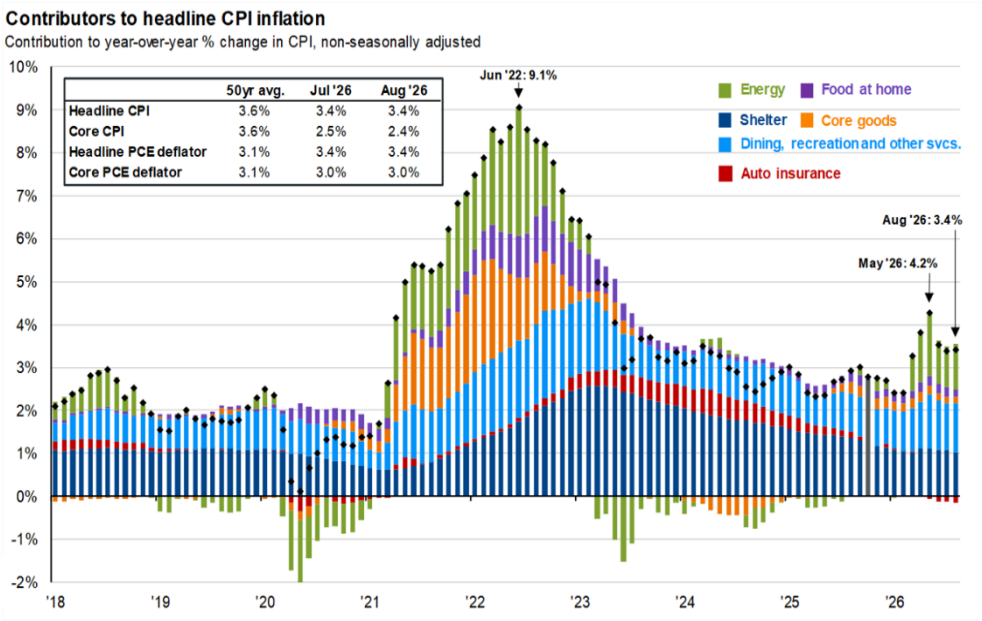
Labor Markets: The unemployment rate remains relatively low at 4.2% for September. The rate has ranged from 3.6% to 8.1% over the past ten years. The consensus estimate for year-end 2026 is 4.3% and 4.2% for 2027. The rate is being supported by a resilient economy and reduced labor supply. Aging of the population and stricter immigration enforcement is resulting in supply moderation.

The pace of job growth has slowed. Dr. David Kelly (Chief Global Strategist at J.P. Morgan Asset Management) states that "two factors are conspiring to restrain hiring. First, the economic sectors with the greatest strength, that is to say, investment spending on equipment, R&D, and some areas of commercial construction are not particularly labor intensive, whereas areas serving the needs of average American consumers, such as retail, leisure and hospitality and the government sector, which normally employ far more people, are relatively weak. Second, the sharp reversal in immigration and the continued retirement of baby boomers has left

the economy short of workers across many industries, forcing employers to make do with the workers they have and, as a consequence, boosting productivity at the expense of jobs."

It is surprising to note that wage growth is up just 3.0% over the past year, contrary to what might be expected in a tight labor market.

Inflation: Consumer prices were up 3.7% in September from a year earlier compared with the consensus estimate of 3.6% and 3.4% in August and 3.3% in July. Higher energy prices are primarily to blame for the recent spike in inflation. Gasoline prices are up 34% over the past year.



Source: BLS, FactSet, J.P. Morgan Asset Management

Core CPI (all items less food and energy) was 2.6% in September year-over-year compared with the consensus estimate of 2.5%. The consensus forecast is 3.4% for 2026, dropping to 2.4% in 2027.

The war in Iran is becoming prolonged and is impacting consumer's expectation for inflation looking forward. However, economists and strategists generally expect that the increase in energy prices to be temporary rather that a broader inflation problem. Both the United States and Iran stand to benefit from an agreement to open up the Strait of Hormuz to the free flow of oil and related products. Brent crude oil is currently near $106 per barrel, and West Texas Intermediate is near $96. Brent crude peaked near $115 in early May, and WTI near $112 in April.

Goldman Sachs forecasts CPI of 3.8% for Q4 and 3.4% for full year - 2026, declining to 2.4% in 2027. J.P. Morgan expects inflation to remain elevated through the remainder of 2026 and move closer to the Fed's 2.0% target in 2027.

Interest rates: Interest rates spiked higher over the past month. The 10-year U.S. Treasury yield progressively moved higher from 4.20% to 4.75% through the first eight months of the year and has jumped up to near 5.20% currently.

The increase in rates reflects ongoing inflation pressures, energy supply disruptions and related price increases, heavy government debt, high corporate issuance, and investors' demand for higher returns amid perceived greater risks. The Fed raised the fed funds target rate for the first time since 2023 in September to 3.75%-4.00% in an effort to reduce demand-related spending and curb rising prices. At least one additional 0.25% rate increase is expected by the end of the year. The Fed's impact on inflation may be limited in this instance due to the cause being more of a supply issue.

The increase in interest rates will create a modest but meaningful drag on U.S. economic growth, primarily through housing, consumer spending, and business investment. Goldman Sachs estimates that higher rates will reduce 2027 GDP by about 0.2%.

Equity Markets

The S&P 500 moved 2.30% higher in the third quarter despite inflation and interest rate headwinds. Growth stocks were up 3.44% compared to 0.90% for value stocks. The S&P 500 was up 12.75% YTD through the end of the quarter and

15.74% for one year. Growth stocks have led value stock on a YTD and one year basis. Mid-cap and small-cap stocks were weak in the quarter due to a greater sensitivity to an increase in interest rates and greater exposure to interest rate sensitive sectors and stocks.

EQUITY	Q3 2026	YTD 9.30.26	1 Year 9.30.26	3 Years Annualized
S&P 500	2.30	12.75	15.74	22.87
S&P 500 Value	0.90	9.01	12.49	16.32
S&P 500 Growth	3.44	15.86	18.42	28.45
Dow Jones Ind Avg	-2.34	7.19	11.50	16.97
NASDAQ Composite	2.61	16.09	19.25	27.52
S&P Mid Cap 400	-6.36	9.88	11.69	14.59
S&P Small Cap 600	-7.93	14.08	16.02	14.80
MSCI EAFE	0.81	10.33	15.69	18.38
MSCI Emerging Mkts	-0.37	23.38	29.22	24.07

Source: FactSet

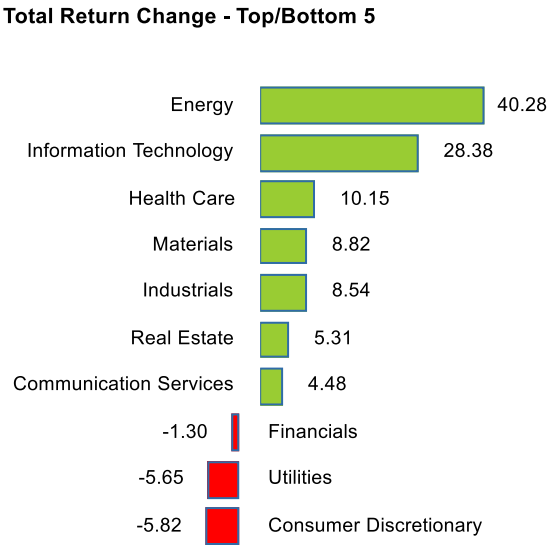
Earnings growth estimates, driven by the AI investment cycle, are exceptional. The AI investment cycle is expanding to be a global trade and industrial-cycle phenomenon. Earnings growth for the S&P 500 is projected to be 34% in 2026 and 15% in 2027. The earnings growth estimate for 2026 has moved significantly higher since the beginning of the year, starting at 15%.

Our year-end forecast for the S&P 500 is 8,100 and 8,400 for twelve months. The forecast assumes 33.0% earnings growth in 2026 and 14.0% in 2027. Goldman Sachs forecasts 7,600 for year-end 2026 and 7,900 for twelve months. Raymond James forecasts 7,600 for year-end 2026 and 8,450 for twelve months. Yardeni Research lowered their year-end forecast from 8,400 to 7,900.

International benchmarks were relatively flat in Q3 but remain strong performers YTD and for 1 year.

The Information Technology sector was the dominant sector leader in Q2 as the AI story continues to drive cap-ex spending and earnings expectations.

Energy, Information Technology and Health Care were the best performing sectors in Q3. Utilities and Industrials were the biggest laggards for the period. The sector leaders for the quarter were also the leaders on a year-to-date basis. Consumer Discretionary, Utilities and Financials were the laggards.



Source: FactSet

Fixed Income Markets

Fixed income returns were negatively impacted by the increase in interest rates in Q3. The Bloomberg US Aggregate Bond index returned -3.51% in the quarter, and municipal bonds were even weaker. High yield bonds remain slightly positive on a one-year basis.

FIXED INCOME	Q3 2026	YTD 9.30.26	1 Year 9.30.26	3 Years Annualized
Bloomberg US Agg Bond	-3.51	-2.91	-1.84	4.05
ICE AMT-Free Nat'l Muni	-5.60	-3.74	-2.28	2.72
Markit iBoxx USD Liquid High Yield Index	-1.88	-0.07	1.40	7.95

Source: FactSet

The outlook for bonds is dependent on the Fed and inflation. We may have to wait for a while longer to get the all clear for bonds. High levels of government debt and increased AI related corporate supply are also working to keep interest rates higher.

Real Assets

Real estate benchmarks were also driven down by higher interest rates and the expected drag on activity.

REAL ASSETS	Q3 2026	YTD 9.30.26	1 Year 9.30.26	3 Years Annualized
Dow Jones U.S. R/E	-6.27	3.04	0.68	9.77
S&P GSCI	25.1	55.24	56.74	17.47

Source: FactSet

The S&P GSCI commodities benchmark reacted strongly to the increase in energy prices as a resolution to the Iran war became less clear.

Alternatives

Only about 13% of U.S. companies with over $100 million in revenue are publicly traded on stock exchanges like the NYSE or Nasdaq, while roughly 87% remain privately held. The total count of publicly traded companies in the U.S. has dropped by roughly 50% over the last 25 years—falling from around 7,000–8,000 firms in the late 1990s down to roughly 3,500–4,500 today—as companies choose to stay private longer or get acquired by private equity.

Many investors are adding alternative investments to the mix for diversification and long-term growth opportunities. Major financial institutions reported strong sales and asset growth for alternative investments in the third quarter of 2026.

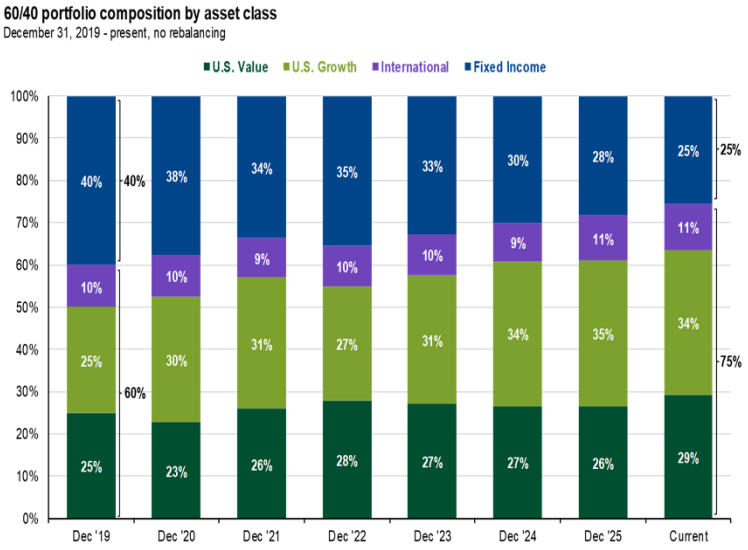
Private credit continues to attract strong institutional interest because higher interest rates supported attractive yields and lending terms.

Infrastructure is one of the strongest secular investment themes due to additional development of data centers, electric transmission, and power generation.

Private equity has lagged publicly traded equity over the past few years but has a long-term history of outperformance with less volatility. Selection of managers is key as there have been a wide range of outcomes.

Asset Allocation

Investors have benefited from strong equity returns for all but two of the last ten years. Unless they have been diligent in regular rebalancing, a 60% equity/40% fixed income portfolio at the end of 2019 has morphed into more of a 74%/26% allocation today.



Source: Bloomberg, FactSet, MSCI, Russell, Standard& Poor's, J.P. Morgan Asset Management

This portfolio drift may be exposing investors to more risk than desired or appropriate. It is important for investors to regularly review their asset allocation and to consider their tolerance for risk.

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Disclosures

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