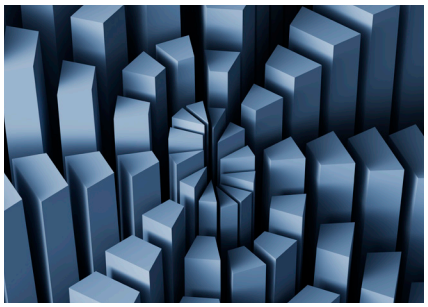
M&T Bank | Wilmington Trust

Fall 2026

Capital Perspectives

Uneven Ground, Solid Footing



As we make the turn for the final lap of the calendar year, we are struck by the bifurcated nature of the economy. More so than usual, beauty is in the eye of the beholder, and one's view of economic prospects is a function of perspective.

For example, those in the business of building out artificial intelligence (AI) are in the midst of a veritable construction boom, while capex outside of AI is muted at best. Similarly, high-income consumers are thriving, while low-income consumers are feeling the weight of higher interest rates and declining real wages. Relatedly, owners of capital continue to win, while the labor share of the economy is partaking in less of the upside.

Our view of the economy and markets reflects a culmination of the data, as well as many conversations we have with business owners and consumers across the country. Our conclusion is that, despite some bumps in the road, the economy is on solid footing: not too hot as to exert upward pressure on inflation, and not too cold that we are concerned about stagnation or recession. We expect equities could exhibit volatility in the coming months but expect the resilience of the economy to serve financial markets well over the next year, warranting a continued overweight to equities across U.S. large cap, U.S. small cap, and emerging markets.

Rates and inflation

The most consequential change in markets since the start of 2026, and especially over the last three months, was the violent move in interest rates (Figure 1). The 10-year U.S. Treasury yield began the year at 4.16%. At the end of September it stood at 5.28%, with more than three quarters of that move occurring in the last three months. Rates moved higher across the curve, with the short end of the curve reacting to the market pricing in an effective federal funds rate of 4.9% a year from now.[1] Meanwhile, the 30-year Treasury yield hit a 22-year high as fiscal concerns, AI-related debt issuance, energy-driven inflation and a global bond selloff took hold. We discussed the drivers of rates in a recent Wilmington Wire post.

[1] At the recent peak on September 28, 2026, the fed funds futures market was pricing in fed rate of 4.9% a year from now.

Sources: Bloomberg, Wilmington Trust. Data as of September 28, 2026.

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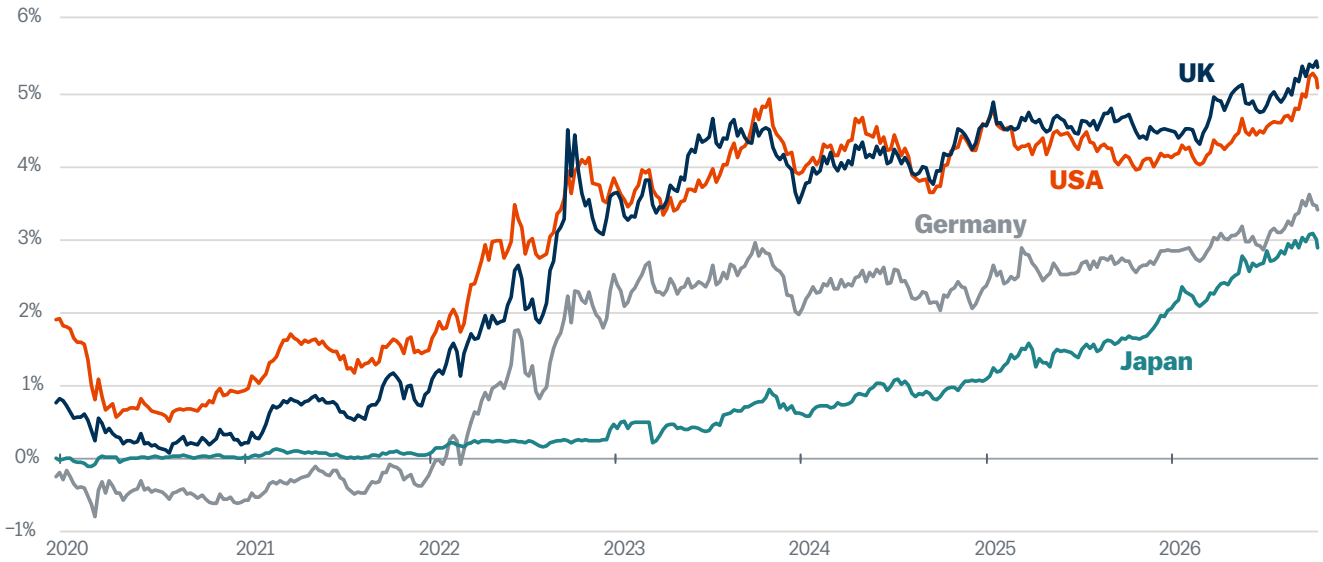
Figure 1

Global rates on the move

10-year government bond yields



Sources: Bloomberg, Wilmington Trust. Data through October 15, 2026.

In the first couple of weeks of October, long rates have come off the boil, as yields start to look attractive, particularly in the face of AI-related equity volatility (more on this in a moment). But the short end of the curve continues to bleed higher in the face of inflation fears. September's Consumer Price Index (CPI) and Producer Price Index (PPI) both came in hotter than expected due to higher energy prices.

However, the Fed can do nothing to bring down energy prices, which is why they focus on core inflation (stripping out food and energy). Core CPI at 2.6% y/y (Figure 2) is much closer to the Fed's target,[2] and outside of some narrow energy passthrough (jet fuel's impact on airfares), AI impact (chip companies prioritizing data centers over consumer electronics, leading to shortages), and lingering tariff impacts (toy prices were up on the month), we see little evidence that inflation is on the upswing. Housing, a large component of inflation, is feeling the weight of 7.5% mortgage rates, and home sellers outpaced buyers nationwide by the widest margin since at least 2013.[3] (Markets in the northeast remain tighter than others like the sun belt and west.) This suggests housing is not a concern for inflation in the near term.

The key question for the Fed is whether inflation is being generated by a strong consumer able and willing to accept ever-higher prices of goods and services. In this case, we think the answer is no. In fact, outside of gasoline-related purchases, September's retail sales growth figure was just barely positive, and that is before removing the impact of inflation. This signals to us that the consumer is already slowing, diverting purchases from discretionary items to essentials like food, gasoline, and utilities.

[2] The Fed focuses more on the Personal Consumption Expenditures (PCE) Index, with a target of 2%. The CPI typically tracks the PCE but runs at an average of about 0.4% higher than the PCE, so a 2.4% y/y rate on the CPI roughly equates to the Fed's target.

[3] Redfin, Wall Street Journal, as of September 30, 2026.

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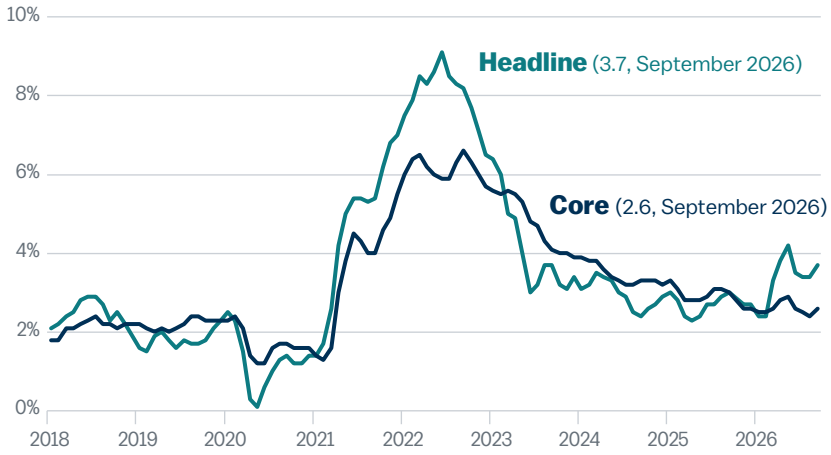
The consumer is already slowing, diverting purchases from discretionary items to essentials like food, gasoline, and utilities.

Figure 2

Core CPI around the Fed's target

Headline and Core CPI y/y



Sources: Bureau of Labor Statistics, Wilmington Trust. Data as of September 2026.

Of course, the Fed may be looking through a slightly different lens. In the court of public opinion, they have arguably failed on their inflation objective for the past five years. There is no end in sight to the wars creating the oil supply shock, and the longer that lasts, the more likely it is that higher transportation costs are passed through into goods. The current and former chairs of the Federal Reserve have also made it clear that, while the Fed is governed by a dual mandate (price stability and full employment), you cannot have long-term health in the labor market without stable prices, and inflation is their priority. Their assessment of risk—both reputational and inflation-related—may lead them to raise rates again at the end of this year. While we do not think such a move is necessary, we believe economic conditions will have the Fed unwinding hikes next year as disinflation continues. The main risk to this view is a continuation of the Iran conflict that could drive energy prices significantly higher than the elevated level at which they already sit.

Rates and the market

For its part, the U.S. equity market has weathered the move in rates fairly well, particularly given how quickly rates have moved across the curve in such a short amount of time. Earlier this year we pointed to the 5% threshold as a level that could induce more volatility into the equity market, yet the S&P 500 hit an all-time high on October 6. Several factors are at play to explain relatively low aggregate market volatility alongside the move in rates.

First, it is worth noting that interest rates do not have as strong a relationship with equity prices as you may think. Magnitude, duration, and reason for the move in rates all provide critical context (Figure 3).

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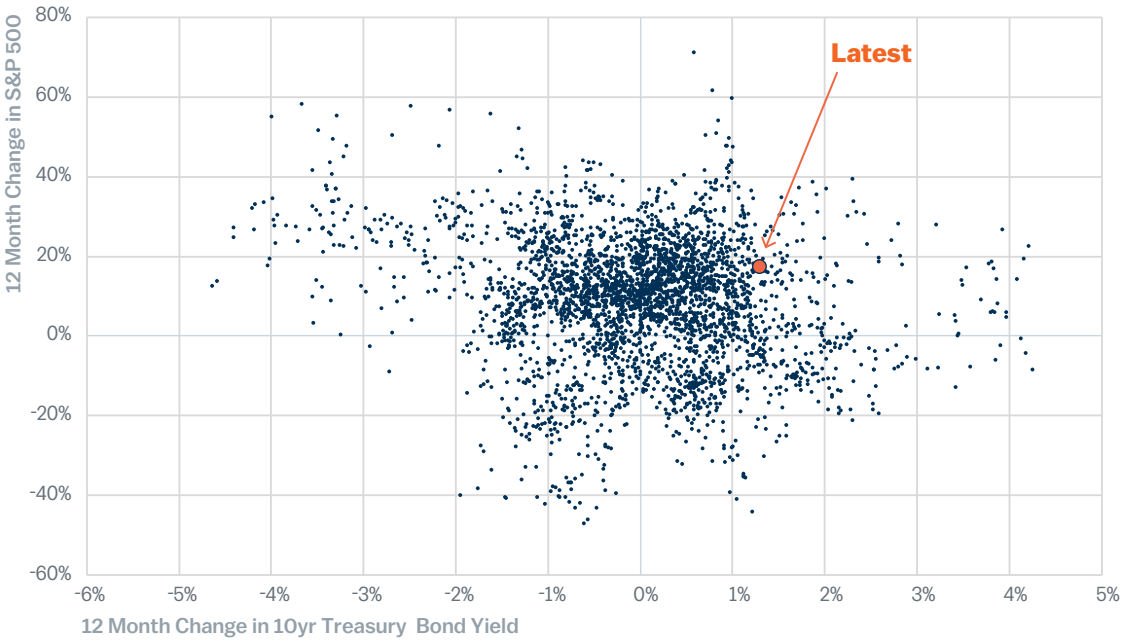
Figure 3

An imperfect relationship between rates and equities

12-month change in S&P 500 vs. 12-month change in yields



Bloomberg, Wilmington Trust. As of October 15, 2026. Investing involves risks, and you may incur a profit or a loss. Past performance cannot guarantee future results. Short-term performance may not be indicative of long-term results.

Remarkably strong earnings have helped support market resilience, with S&P 500 earnings growth likely to exceed 30% for 2026.

In this case, one of the biggest engines of growth for earnings and the economy—the AI infrastructure buildout—has not been particularly rate sensitive. However, the market has been punishing some of the more prolific borrowers of late, including smaller, faster-growing neocloud companies (providers of AI computing power and data centers who focus more exclusively in the space than the more diversified hyperscalers). Credit default spreads are widening in investment-grade and high-yield fixed income, but not yet to levels that look concerning. We still see hyperscaler debt profiles as reasonable, and borrowing costs for the largest and most diversified companies are still relatively low, making debt issuance an attractive funding source for investment.

Another reason for market resilience is that earnings have been remarkably strong, on par with the type of earnings growth typically seen coming out of a recession. Earnings growth for the S&P 500 will likely exceed 30% for 2026, with AI being a strong driver but solid earnings from cyclical and non-tech sectors, as well (Figure 4).

While the S&P 500 has exhibited low volatility at the index level and made a new all-time high in early October, there is more undulation under the surface. Only about half of companies are trading above their 200-day moving average. Tech is one of the best-performing sectors over the last month, and leadership skewed toward the index heavyweights for most of the summer, yet the Philadelphia Semiconductor Index is 22% off its June highs.

Small cap equities have experienced more pain than large cap and are trading at the lowest level relative to large cap since the end of 2025, as consumer sentiment and higher rates weigh on the more economically sensitive parts of the market. For the

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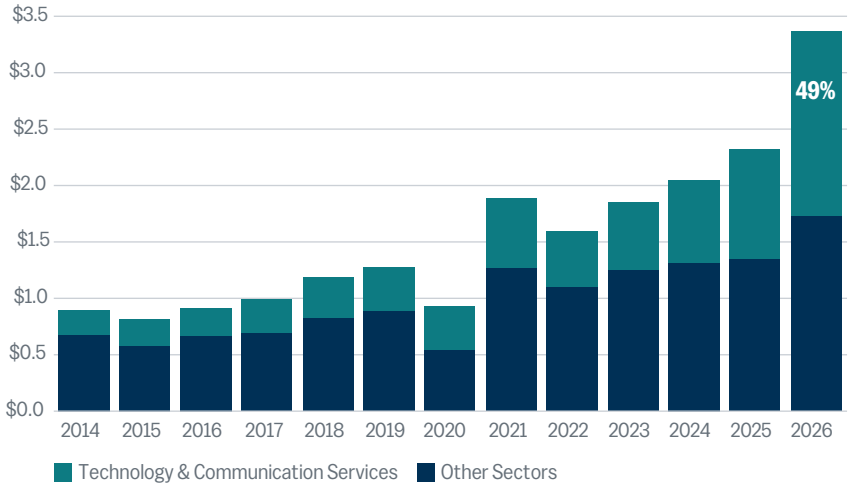
Strong earnings have outpaced market returns, leaving equities cheaper on a forward-looking earnings basis than at the start of the year.

Figure 4

Nearly half of S&P 500 earnings come from tech

S&P 500 earnings (2014 – 2026)



Source: Bloomberg, Wilmington Trust.
2026 figure blends reported data with full year estimates as of September 30, 2026.

most part, though, capital has been rotating within the market, rather than leaving the equity market altogether.

Valuations have taken a hit with the increase in rates, and we have seen the price-to-earnings ratio (based on projected earnings over the next 12 months) for the S&P 500 decline from 22.8x to 18.8x. Earnings have been so strong this year that their increase has far outstripped the price return of the market, and as just cited, equities are potentially cheaper today on a forward-looking earnings basis than they were at the start of the year.

Geopolitical risk

War and midterm elections are the primary geopolitical risks to the market, and both appear manageable for now. Wars in Russia/Ukraine and the Middle East continue to exert upward pressure on oil prices and refined products. Pressure is mounting on consumers and transportation companies as gasoline and diesel prices reach historic levels (in nominal dollars). Inventory drawdowns in the U.S. and globally have provided some cushion to the oil supply shock, and at current levels cannot continue. However, oil flow through the Middle East has stabilized at approximately 80-90% of pre-war levels as supplies are diverted around the Strait of Hormuz.

The midterm elections will, according to current polling, likely result in a shift in composition of leadership in Washington. Though, even in the case of a "blue sweep" in which Democrats take control of the House and Senate, under a Republican president this would still leave a divided government with little chance of material policy change. Lack of policy change in Washington could be a favorable scenario for markets, as markets tend to reward anything that provides more certainty. One area we have been watching is the increased politicization of AI, including pushback on data center construction, concern about AI taking jobs, and fears regarding security. This could become a greater headwind to the industry and AI buildout in 2027.

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Figure 5

Asset class positioning

High-net-worth portfolios with private markets*

	Tactical tilts	– Neutral +	Positioning
Equities	U.S. Large Cap	○ ○ ○ ○ ● ○ ○	**Overweight**
	U.S. Small Cap	○ ○ ○ ○ ● ○ ○	
	International Developed	○ ○ ○ ● ○ ○ ○	
	Emerging Markets	○ ○ ○ ○ ● ○ ○	
Fixed Income	Investment Grade	○ ○ ○ ○ ● ○ ○	**Underweight**
	Tax-Exempt High Yield	○ ○ ● ○ ○ ○ ○	
Real Assets	Global REITs	○ ○ ○ ● ○ ○ ○	**Neutral**
	Other/Commodities	○ ○ ○ ● ○ ○ ○	
Alternatives	Equity Long/Short Hedge	○ ○ ○ ● ○ ○ ○	**Neutral**
Private Markets*	Equity/Debt/Real Estate	○ ○ ○ ● ○ ○ ○	**Neutral**
Cash		○ ○ ● ○ ○ ○ ○	**Underweight**

Data as of September 30, 2026. Positioning reflects our monthly tactical asset allocation (TAA) versus the long-term strategic asset allocation (SAA) benchmark. For an overview of our asset allocation strategies, please see the disclosures.

*Private markets are only available to investors that meet Securities and Exchange Commission standards and are qualified and accredited. We recommend a strategic allocation to private markets; we do not tactically adjust this asset class.



Tony Roth
Chief Investment Officer



Meghan Shue
Chief Investment Strategist

Portfolio positioning

It is a complex environment in which to invest. Overall, we view the economy as being in a solid place and expect inflation to cooperate and allow the Fed to stop short of a full-fledged rate-hike cycle, possibly even easing financial conditions in 2027. Earnings growth has been incredibly strong, and even though it is forecast to slow in 2027, we expect it will continue to provide support to the market. Valuations for equities and fixed income have both become more attractive since the start of this year. There are downside risks, but there are also upside opportunities over the next 12 months, and we think investors are being compensated to take risk in equities, particularly in more attractively valued areas of tech and high-quality companies across sectors. We retain an overweight to equities across U.S. large cap, U.S. small cap, and emerging markets (Figure 5). In late September, we added a small amount to investment-grade fixed income from cash, seeing an opportunity with rates elevated to extend duration in portfolios. The road to 2027 could be bumpy in the short term, but we ultimately think smoother pavement lies ahead.

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Alternative assets, such as strategies that invest in hedge funds, can present greater risk and are not suitable for all investors.

Any positioning information provided does not include all positions that were taken in client accounts and may not be representative of current positioning. It should not be assumed that the positions described are or will be profitable or that positions taken in the future will be profitable or will equal the performance of those described.

Indices are not available for direct investment. Investment in a security or strategy designed to replicate the performance of an index will incur expenses, such as management fees and transaction costs that will reduce returns.

An overview of our asset allocation strategies:
Wilmington Trust offers seven asset allocation models for taxable (high-net-worth) and tax-exempt (institutional) investors across five strategies reflecting a range of investment objectives and risk tolerances: Aggressive, Growth, Growth & Income, Income & Growth, and Conservative. The seven models are High-Net-Worth (HNW), HNW with Liquid Alternatives, HNW with Private Markets, HNW Tax Advantaged, Institutional, Institutional with Hedge LP, and Institutional with Private Markets. As the names imply, the strategies vary with the type and degree of exposure to hedge strategies and private market exposure, as well as with the focus on taxable or tax-exempt income.

Model Strategies may include exposure to the following asset classes: U.S. large-capitalization stocks, U.S. small-cap stocks, developed international stocks, emerging market stocks, U.S. and international real asset securities (including inflation-linked bonds and commodity-related and real estate-related securities), U.S. and international investment-grade bonds (corporate for Institutional or Tax Advantaged, municipal for other HNW), U.S. and international speculative grade (high-yield) corporate bonds and floating-rate notes, emerging markets debt, and cash equivalents. Model Strategies employing nontraditional hedge and private market investments will, naturally, carry those exposures as well. **Each asset class carries a distinct set of risks, which should be reviewed and understood prior to investing.**

Allocations:
Each strategy group is constructed with target policy weights for each asset class. Wilmington Trust periodically adjusts the policy weights' target allocations and may shift from the target allocations within certain ranges. Such tactical allocation adjustments are generally considered on a monthly basis in response to market conditions.

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Disclosures Continued

The asset classes and their current proxies are:

- Large-cap U.S. stocks: Russell 1000® Index
- Small-cap U.S. stocks: Russell 2000® Index
- Developed international stocks: MSCI EAFE® (Net) Index
- Emerging market stocks: MSCI Emerging Markets Index
- U.S. inflation-linked bonds: Bloomberg US Treasury Inflation Notes TR Index Value Unhedged*
- International inflation-linked bonds: Bloomberg World ex US ILB (Hedged) Index
- Commodity-related securities: Bloomberg Commodity Index
- U.S. REITs: S&P US REIT Index
- International REITs: Dow Jones Global ex US Select RESI Index
- Private markets: S&P Listed Private Equity Index
- Hedge funds: HFRX Global Hedge Fund Index
- U.S. taxable, investment-grade bonds: Bloomberg U.S. Aggregate Index
- U.S. high-yield corporate bonds: Bloomberg U.S. Corporate High Yield Index
- U.S. municipal, investment-grade bonds: S&P Municipal Bond Index
- U.S. municipal high-yield bonds: 60% Bloomberg High Yield Municipal Bond Index / 40% Municipal Bond Index
- International taxable, investment-grade bonds: Bloomberg Global Aggregate ex US
- Emerging bond markets: Bloomberg EM USD Aggregate
- Cash equivalent: 30-day U.S. Treasury bill rate

All investments carry some degree of risk. Return volatility, as measured by standard deviation, of asset classes is often used as a proxy for illustrating risk. Volatility serves as a collective, quantitative estimate of risks present to varying degrees in the respective asset classes (e.g., liquidity, credit, and default risks). Certain types of risk may be underrepresented by this measure. **Investors should develop a thorough understanding of the risks of any investment prior to committing funds.**

Quality ratings are used to evaluate the likelihood of default by a bond issuer. Independent rating agencies, such as Moody's Investors Service and Standard & Poor's, analyze the financial strength of each bond's issuer. Ratings range from Aaa or AAA (highest quality) to C or D (lowest quality). Bonds rated Baa3 or BBB and better are considered **Investment Grade.** Bonds rated Ba1 or BB and below are **Speculative Grade** (also **High Yield**.)

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Glossary

30-day U.S. Treasury bill rate Bank of America Merrill Lynch U.S. 3-Month Treasury Bill Index measures the performance of a single U.S. Treasury bill added to the index at the beginning of the month and held for a full month; the issue is replaced with a newly selected issue at each month-end and the index will often hold the Treasury bill issued at the most recent three-month auction, it is also possible for a seasoned six-month bill to be selected.

Alpha is the excess return of an investment, relative to the return of a benchmark index.

Atlanta Fed GDPNow is a nowcasting model for gross domestic product (GDP) growth that synthesizes the bridge equation approach relating GDP subcomponents to monthly source data with factor model and Bayesian vector autoregression approaches. The GDPNow model forecasts GDP growth by aggregating 13 subcomponents that make up GDP with the chain-weighting methodology used by the US Bureau of Economic Analysis.

Basis points refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

Beta is a measure of how an individual asset moves when the overall stock market increases or decreases. Thus, beta is a useful measure of the contribution of an individual asset to the risk of the market portfolio when it is added in small quantity.

Bloomberg Agriculture Subindex Total Return (BCOMAGTR), formerly known as Dow Jones-UBS Agriculture Subindex Total Return (DJUBAGTR), is a commodity group subindex of the Bloomberg CITR composed of futures contracts on coffee, corn, cotton, soybeans, soybean oil, soybean meal, sugar and wheat and reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM; it combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

Bloomberg Commodity Total Return index (BCOMTR) is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM and combines the returns of BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

Bloomberg Dollar Spot Index tracks the performance of a basket of 10 leading global currencies versus the U.S. Dollar. It has a dynamically updated composition and represents a diverse set of currencies that are important from trade and liquidity perspectives.

Bloomberg Energy Subindex Total Return (BCOMENTR), formerly known as Dow Jones-UBS Energy Subindex Total Return (DJUBENTR), is a commodity group subindex of the Bloomberg CITR composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas and reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Global Aggregate Bond Index measures the performance of global investment-grade fixed-rate debt markets, including the U.S., Pan-European, Asian-Pacific, Global Treasury, Eurodollar, Euro-Yen, Canadian, and investment-Grade 144A index-eligible securities.

Bloomberg Industrial Metals Subindex Total Return Index (BCOMTNT), formerly known as Dow Jones-UBS Industrial Metals Subindex Total Return (DJUBINTR), is a commodity group subindex of the Bloomberg CITR composed of longer-dated futures contracts on aluminum, copper, nickel and zinc and reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Municipal Bond Index covers the four main sectors of the USD-denominated long-term tax-exempt bond market: state, and local, general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Bloomberg Precious Metals Subindex Total Return (BCOMPRTR), formerly known as Dow Jones-UBS Precious Metals Subindex Total Return (DJUBPRTR), is a commodity group subindex of the Bloomberg CITR composed of futures contracts on gold and silver. It reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg U.S. Aggregate Index measures the performance of the entire U.S. market of taxable, fixed-rate, investment-grade bonds. Each issue in the index has at least one year left until maturity and an outstanding par value of at least $250 million.

Bloomberg US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

Bloomberg U.S. High Yield Corporate Index, formerly Lehman Brothers U.S. High Yield Corporate Index, measures the performance of taxable, fixed-rate bonds issued by industrial, utility, and financial companies and rated below investment grade. Each issue in the index has at least one year left until maturity and an outstanding par value of at least $150 million.

Bloomberg U.S. Mortgage Backed Securities Index measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC.

Bloomberg US Treasury US TIPS TR USD index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Bloomberg US Treasury Inflation-Linked Bond Index (Series-L), which measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.

Call risk: Call risk is the possibility that an issuer may redeem a fixed income security before maturity (a call) at a price below its current market price. An increase in the likelihood of a call may reduce the security's price.

Cambridge Global Private Equity Index is a horizon calculation based on data compiled from 2,354 private equity funds, including fully liquidated partnerships, formed between 1986 and 2019. All returns are net of fees, expenses, and carried interest.

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Glossary Continued

Consumer price index measures the price of consumer goods and how they're trending and is a tool for measuring how the economy as a whole is faring when it comes to inflation or deflation.

Coupon, coupon rate, or coupon payment is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity.

Credit risk: Fixed income securities carry the risk of default, which means that the security issuer fails to pay interest or principal when due. Many fixed income securities receive credit ratings from services such as Standard & Poor's and Moody's Investor Services, Inc. These services assign ratings to securities by assessing the likelihood of issuer default. Lower credit ratings correspond to higher credit risk.

Dow Jones Global ex. US Select RESI Index tracks the performance of equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded globally, excluding the U.S.

Drawdown is a peak-trough decline during a specific period for an investment, trading account, or fund and is usually quoted as the percentage between the peak and the subsequent trough.

Drift occurs when an asset or investment diverges significantly from its objective or investment style, such as market capitalization. It can result naturally from capital appreciation in one asset relative to others in a portfolio, a change in a fund's management, or a manager who begins to diverge from the portfolio's mandate. It can be corrected by rebalancing the fund to optimal weights.

Duration risk is the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. The higher a bond's duration, the greater its sensitivity to interest rates changes.

Equity risk premium is the extra return that's available to equity investors above the return they could get by investing in a riskless investment like T-Bills or T-Bonds or cash.

ESG is a strategy that integrates environmental, social, and governance (ESG) factors into the investment process may avoid or sell investments that do not meet criteria set forth by the investment manager. Such investments may perform better than investments selected utilizing ESG factors.

Event-driven hedge fund strategies attempt to take advantage of temporary stock mispricing before or after a corporate event takes place. An event-driven strategy exploits the tendency of a company's stock price to suffer during a period of change.

Federal funds rate is the interest rate at which depository institutions lend reserve balances to other depository institutions overnight on an uncollateralized basis.

Global intangible low-taxed income (GILTI) is a category of income that is earned abroad by U.S.-controlled foreign corporations (CFCs) and is subject to special treatment under the U.S. tax code.

Gold can be significantly affected by international monetary and political developments as well as supply and demand for gold and operational costs associated with mining.

Headline inflation is a measure of the total inflation within an economy, including commodities such as food and energy prices, which tend to be much more volatile and prone to inflationary spikes.

HFR® (HedgeFundResearch) Indices are the established global leader in the indexation, analysis and research of the hedge fund industry. They are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

HFRX Absolute Return Index and the HFRX Global Hedge Fund Index represent the overall composition of the hedge fund universe and comprise all eligible hedge fund strategies and selects constituents that characteristically exhibit lower volatilities and lower correlations to standard directional benchmarks of equity market and hedge fund industry performance.

HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe and are asset weighted based on the distribution of assets in the hedge fund industry.

Inflation-linked bonds are a specific type of index-linked securities that are tied to the costs of consumer goods as measured by the Consumer Price Index (CPI) or another index. Their values increase during inflationary periods, which reduces the risk of uncertainty.

Interest rate risk: Prices of fixed income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as the demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer durations. Duration measures the price sensitivity of a fixed income security to changes in interest rates.

ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms and is considered to be a key indicator of the state of the U.S. economy.

ISM Non-Manufacturing Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives and is part of the ISM Report On Business—Manufacturing (PMI) and Services (PMI).

ISM Services Prices Paid Index is a diffusion index calculated by adding the percent of responses indicating they paid more for inputs plus one-half of those responding who paid the same; resulting in a single number that is seasonally adjusted.

LIBOR is the average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another.

Long, or a long position, describes an investor's expectation of a holding's future value. A position that the investor expects will rise in value and plans to hold for a long period of time is often described as "held long." It is the opposite of short, or a short position.

M2 money supply is a measure of the money supply that includes cash, checking deposits, and other types of deposits that are readily convertible to cash such as CDs.

Macro hedge fund strategies generally focus on financial instruments that are broad in scope and move based on systemic or market risk (not security specific). In general, portfolio managers who trade within the context of macro strategies focus on currency strategies, interest rates strategies, and stock index strategies.

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Glossary Continued

The Magnificent Seven refers to the companies commonly recognized for their market dominance, their technological impact, and their changes to consumer behavior and economic trends: Alphabet (Google), Amazon, Apple, Meta (formerly Facebook), Microsoft, NVIDIA, and Tesla.

MSCI AC Asia ex Japan Index captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and nine emerging markets countries in Asia. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance. Maintained by Morgan Stanley Capital International (MSCI), the index comprises the stocks of about 3,000 companies from 23 developed countries and 26 emerging markets.

MSCI China Index captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). The index covers about 85% of this China equity universe. Currently, the index includes large-cap A and mid-cap A shares represented at 20% of their free float adjusted market capitalization.

MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across developed markets countries around the world, excluding the U.S. and Canada.

MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 902 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EAFE® (net) Index measures the performance of approximately 20 developed equity markets, excluding those of the United States and Canada; total returns of the index are net of the maximum tax withholding rates that apply in many countries to dividends paid to non-resident investors.

MSCI Emerging Markets (net) Index captures large- and mid-cap representation across 27 emerging markets countries. With 1,407 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI EAFE Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index captures large- and mid-cap representation across 26 emerging markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Europe Index captures large- and mid-cap representation across 15 developed markets (DM) countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European DM equity universe.

MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese market. The index covers approximately 85% of the free float-adjusted market capitalization in Japan.

MSCI United Kingdom Index is designed to measure the performance of the large- and mid-cap segments of the UK market. The index covers approximately 85% of the free float-adjusted market capitalization in the UK.

Personal consumption expenditures is the primary measure of consumer spending on goods and services in the U.S. economy and is the primary engine that drives future economic growth.

Philadelphia Semiconductor Index (SOX) measures the performance of leading U.S.-listed semiconductor companies, including chip manufacturers, equipment suppliers, and related firms. The index serves as a key benchmark for the semiconductor industry and broader technology sector.

Price-to-earnings (P/E) ratio measures a company's current share price relative to its earnings per share (EPS).

Producer Price Index (PPI) is a family of indexes measuring the average change in selling prices received by domestic producers of goods and services.

Real estate investment trusts, or REITs, are companies that own, operate, or finance income-generating real estate. Similar to mutual funds, REITs pool the capital of numerous investors, allowing them to earn dividends from real estate investments without having to buy, manage, or finance properties themselves.

Relative value hedge fund strategies cover a variety of low-volatility trading strategies with the consistent theme of attempting to reduce market risk, i.e., the manager seeks to generate a profit regardless of which direction the markets are moving. All relative value strategies minimize market risk by taking offsetting long and short positions in related stocks, bonds, and other types of securities.

Reverse optimization uses risk estimates and optimal portfolio weights (asset allocations) to derive the forward-looking returns that generate the highest expected risk-adjusted return for the portfolio; in contrast, traditional optimization uses risk estimates and forward-looking return assumptions to derive the portfolio weights (asset allocations) that generate the highest expected risk-adjusted return for the portfolio. Reverse optimization can be used to test or validate market outcomes in addition to (not as a replacement for) other methods of analysis.

Risk assets refers to assets that are not risk-free, such as currencies, equities, and other financial instruments. Treasuries are not included.

Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, representing approximately 92% of the total market capitalization of the Russell 3000 Index.

Russell 1000 Growth is a market capitalization-weighted index that measures the performance of the large-cap growth segment of U.S. equity securities; it includes the Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value is a market capitalization-weighted index that measures the performance of the large-cap value segment of U.S. equity securities; it includes the Russell 1000 index companies with lower price-to-book ratios and lower expected growth values.

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Glossary Continued

Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

S&P 493 is a term that was coined to reference the index S&P 500 excluding the "Magnificent Seven" (M7) of Alphabet, Amazon, Apple, Meta (formerly Facebook) Platforms, Microsoft, Nvidia, and Tesla.

S&P 500 index measures the stock performance of 500 large companies listed on stock exchanges in the U.S. and is one of the most commonly followed equity indices.

S&P Developed Property index defines and measures the investable universe of publicly traded property companies domiciled in developed markets. The companies in the index are engaged in real estate related activities, such as property ownership, management, development, rental and investment.

S&P Listed Private Equity Index comprises the leading listed private equity companies that meet specific size, liquidity, exposure, and activity requirements. The index is designed to provide tradable exposure to the leading publicly-listed companies that are active in the private equity space.

S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market.

S&P US REIT Index measures the investable U.S. real estate investment trust market and maintains a constituency that reflects the market's overall composition.

Short-duration Treasury securities are backed by the full faith and credit of the U.S. government. They typically mature in one year or less.

Short, or short position, refers to a trading technique in which an investor sells a security with plans to buy it later; it is used when an investor expects the price of a security to fall in the short term.

Stagflation is persistent high inflation combined with high unemployment and stagnant demand in a country's economy.

Tail risk is the probability that the asset performs far below or far above its average past performance. Investors are most concerned with "left" tail risk, or the likelihood that observations fall three standard deviations below the average expected return.

Taxable equivalent yield (TEY) = the pretax yield that must be received on a taxable security to provide the holder the same after-tax yield as that earned on a tax-exempt security. The TEY = muni yield/1- highest tax rate.

Value sectors or stocks, generally refer to those trading at levels perceived to be below their fundamentals.

Yield curve plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity.

Yield to maturity is the estimated total return on a bond if the bond is held until it matures.

Yield to worst measures the lowest possible yield that can be received on a bond with an early retirement provision and must always be less than yield to maturity because it represents a return for a shortened investment period.

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