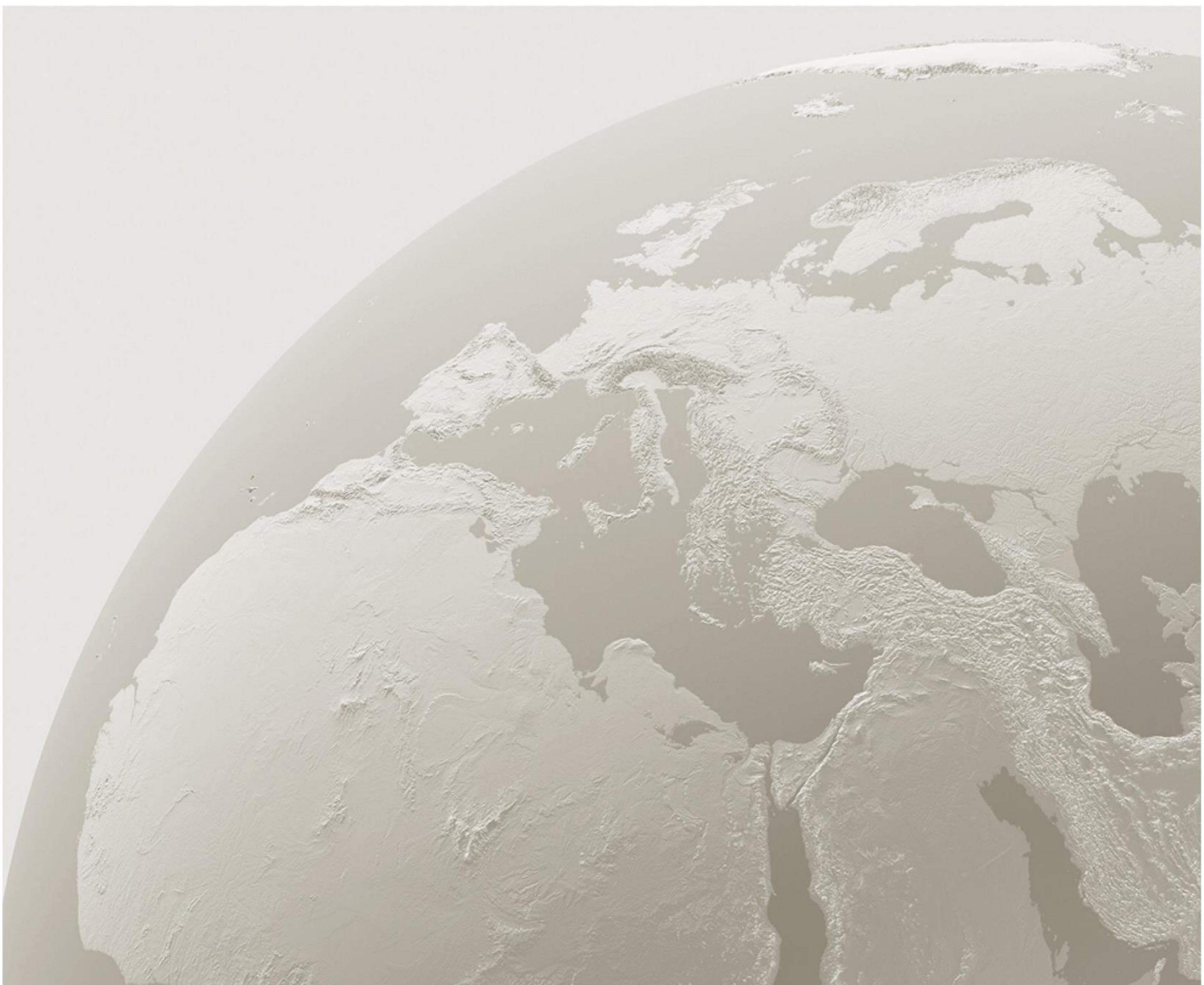
J.P.Morgan

PRIVATE BANK

The Global Investment Strategy View

We explore the outlook for economies and markets, and provide year-ahead views across asset classes.



SEPTEMBER 2026

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The View in Brief

This September, markets are sending a more nuanced signal than the debt-related headlines suggest. Rising bond yields are not primarily a verdict on U.S. fiscal unsustainability. Instead, they reflect a global repricing of capital as governments and tech firms issue more debt, growth is resilient, central banks are retreating as buyers, and investors are demanding greater compensation for the uncertainty. At the same time, efforts to contain Treasury yields and, implicitly, to tolerate the side effect of a weaker dollar are strengthening the case for gold and global diversification. Against this backdrop, corporate earnings remain the most important force. Profit growth is broadening across sectors, company sizes and regions, supported by investment in the artificial intelligence (AI) buildout, industrial spending and resilient margins. Even in a world of higher rates, earnings still carry the cycle.

Conviction snapshot

Where we hold conviction and changes from last month (MoM)

EQUITIES				
GEOGRAPHY	**NEG**	**NEU**	**POS**	**MOM**
U.S.			●	
Europe		●		
Japan		●		
EM			●	
US SIZE/FACTOR				
Large Cap			●	
Small/Mid Cap			●	
US SECTORS				
Staples	●			
Energy	●			
Financials			●	
Industrials			●	
Info Tech			●	
Utilities			●	
Materials		●		
Healthcare		●		
Real Estate	●			
Other: Con Disc & Comm Svcs		●		

FIXED INCOME				
RATES	**NEG**	**NEU**	**POS**	**MOM**
U.S.		●		
Europe		●		
UK		●		
CREDIT				
U.S. Municipals			●	
U.S. IG		●		
U.S. High Yield			●	
Hybrids/Preferreds			●	
Emerging Markets (USD)			●	

FX & COMMODITIES				
ASSET CLASS				
DXY Dollar Index	●			
Brent Crude Oil	●			
Gold			●	

Three high conviction opportunities

1

EQUITIES - STRATEGIC INDUSTRIES

Heavy asset-low obsolescence

AI-driven demand for semiconductors, hardware, power infrastructure and automation is fueling the next wave of global capital investment.

2

EQUITIES & CREDIT - FINANCIALS

Banks

Banks look poised to outperform driven by accelerating loan growth, benign credit conditions, increased capital markets activity and continued shareholder returns

3

CREDIT - FIXED INCOME

Extended Credit

Elevated yields and resilient fundamentals continue to support credit opportunities. Attractive carry is available across select hybrids and high yield.

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to "Definition of Indices and Terms" for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

The View

The $40 Trillion Freak Out

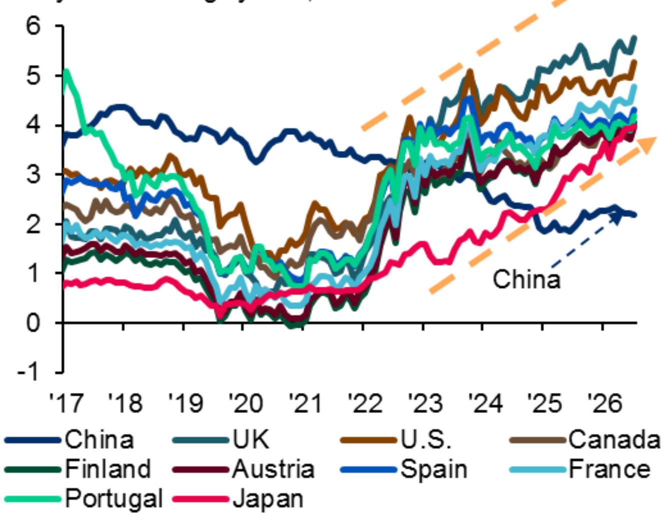
Debt fears may dominate the headlines, but growth, issuance and investment are driving markets.

U.S. government debt has passed the $40 trillion mark, and U.S. bond yields, particularly at the long end, have climbed. On the back of debt sustainability fears and Treasury intervention, the debasement trade has come roaring back sending gold higher and weakening the dollar. In the first section we answer four questions: What is driving bond yields higher, how much should investors worry about U.S. debt, how do higher yields impact financial markets, and where do yields go from here? In short, our answers are: higher issuance, not that much yet, the economic impact is already “in the price,” and yields have limited upside from here even if we haven’t necessarily seen cycle-peaks yet.

Rising bond yields are a global phenomenon, not a US debt panic.

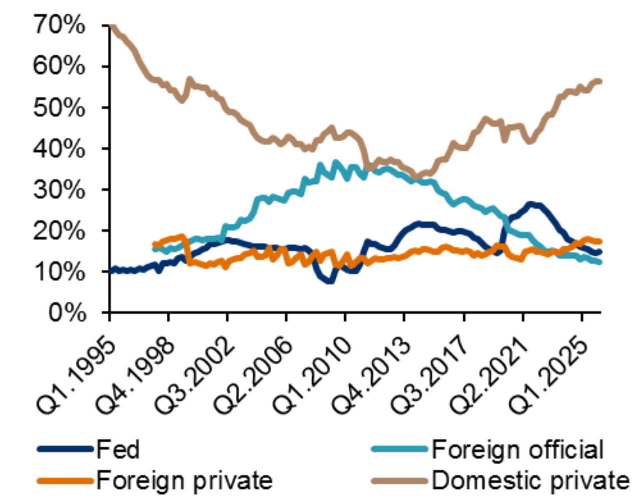
Longer-dated government bond yields have been rising globally since 2022 - across developed and emerging markets alike, not just in the U.S. 10- to 30-year bond market. Bonds have sold off in many countries with very different starting points on debt, deficits, inflation, and growth (CHART). Duration globally repriced for two main reasons. First, issuance has gone up substantially, as public deficits are substantially larger than they were pre-pandemic. Over the last year or so, corporate borrowing has also been growing, mainly linked to tech investments. Second, the demand for duration is going through a period of normalization. After years of large purchases, central banks are now running down their holdings. Domestic private buyers have become the majority investor in US Treasuries (CHART). This move from price-insensitive buyers to price-sensitive buyers has pushed yields higher. Nominal growth has also increased in line with pre-GFC norms. Meanwhile, yields historically sit around or above nominal growth, outside of the post-GFC exception. Finally, higher uncertainties (about geopolitics or inflation) demand a higher risk premium for longer-duration debt.

Chart 1: Long dated sovereign yields are rising globally
30-year sovereign yields, %



Source: Bloomberg Finance L.P. Data as of August 27, 2026.

Chart 2: Primary buyer of treasuries shifts towards price-sensitive private investors
U.S. treasury holdings as % of total public debt

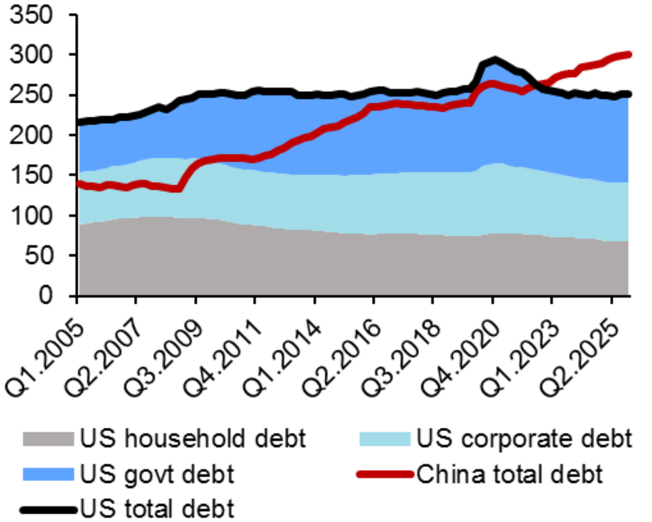


Sources: U.S. Treasury, Haver Analytics. Data as of Q1, 2026.

Ignore the worries around $40 trillion debt.

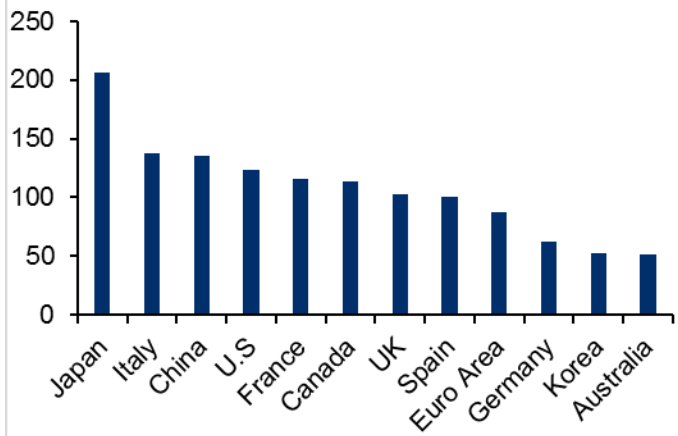
Total debt figures make for a good headline, but the reality is less straightforward. Debt has increased globally, too. U.S. debt is large in absolute terms, but as a share of GDP, it's broadly in line with other Western economies as well as China, and far less than Japan. **Importantly, overall economy-wide debt has been stable for over 15 years in the US (CHART)**. Part of the rise in US public debt is making up for private sector deleveraging. That being said, 6% of GDP deficits in a period of full employment cannot continue indefinitely and call for thoughtful fiscal reform.

Chart 3: Rising government debt levels occurred at the same time as private deleveraging
Debt as a % of GDP



Sources: BIS, Haver Analytics. Data as of Q4, 2025.

Chart 4: U.S. does not have highest debt to GDP ratio globally
Gross government debt, including local government liabilities, % of GDP



Note: China used the IMF's measure of augmented public debt.
Sources: Haver Analytics, IMF. Data as of 2025.

What do higher yields mean for markets and the economy?

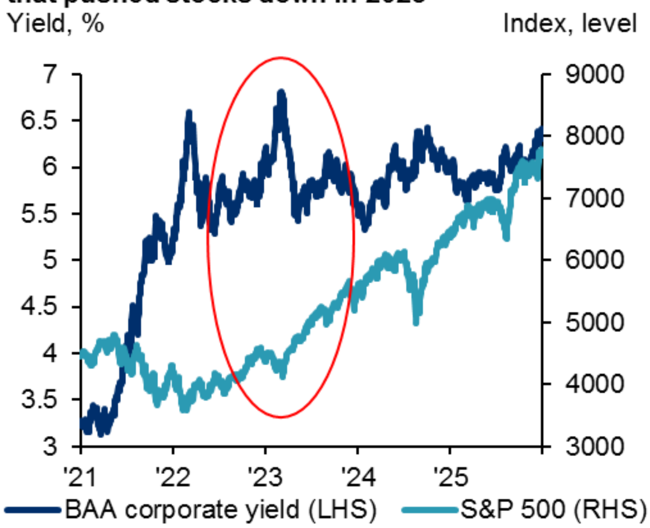
Higher rates are already impacting the economy and the recent move is unlikely to cause a further slowdown. Rates have been restrictive for long enough that the drag is clear in rate-sensitive parts of the economy. For example, measures of housing, durables, and structures investment have been in contractionary territory since late 2022. The labor market shows a similar trend: the job-finding rate is low—closer to recessionary lows than expansionary highs. So, why has overall growth held up? The expansion has been supported by drivers that are relatively rate-insensitive, most notably the AI investment cycle. Higher yields can still become a constraint, but the perceived return on AI capex suggests the hurdle rate is likely still above today's levels. Higher rates feed into the "K-shaped" dynamic, but as long as the AI capex cycle continues, higher rates are unlikely to impact headline growth.

For investors, what matters most is why yields are rising. In our view the recent move was mostly a rise in term premium rather than a repricing of near-term Fed expectations. History suggests term-premium moves can pressure equities as corporate borrowing costs rise: markets saw a similar dynamic in fall 2023, the S&P 500 fell ~10% as BAA corporate yields moved into the mid-6% range, and conditions only eased after issuance dynamics shifted. With BAA yields near 6.3%, markets are closer to prior "tension zones." The threshold may be somewhat higher than ~6.5% this time given AI capex momentum, but the risk is that sustained higher yields spill into wider credit spreads and tighter financial conditions, ultimately slowing growth and weighing on risk assets. Higher rates can also be a headwind to equity multiples. That puts more of the onus on earnings to drive the market higher.

Where do yields go from here?

We think yields are broadly range-bound. There are forces pushing in both directions: term premium pressures, policy normalization, and higher rates of nominal growth – point to yields remaining or moving higher. However, signs of slowing growth, increasingly short investor positioning, government policy steps to cap yields, and hope for renewed Middle East de-escalation point to limited upside in near-term yields. A durable decline in yields would likely require signs of weakening AI investment demands. 5% remains a good reference point for upside risks in 10-year Treasury yields. **But that means longer-dated bonds are starting to appeal, with further upside yield risk somewhat limited, and a pickup over short-end bonds. Additionally, as yields rise, long-term bonds can act as a portfolio hedge against the possibility of an economic downturn.** With limited upside in long-term yields, we'd stay neutral across rates in line with our long-term core allocation, since short duration is no longer especially attractive and the curve looks broadly fair value.

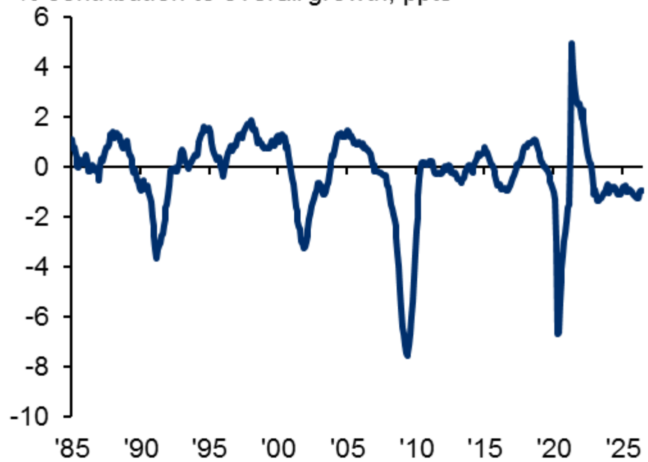
Chart 5: Market still not near levels of yield-shock that pushed stocks down in 2023



Note: Uses Moody's Bond Indices Corporate BAA. Sources: Bloomberg Finance L.P. Data as of August 19, 2026.

Chart 6: Rates have been restrictive at a broad-economy level

Interest rate sensitive components of monthly GDP, % contribution to overall growth, ppts



Sources: Indiana Business Research Center at the Kelley School of Business, Haver Analytics. Data as of June 30, 2026.

Strengthening the case for gold and diversification

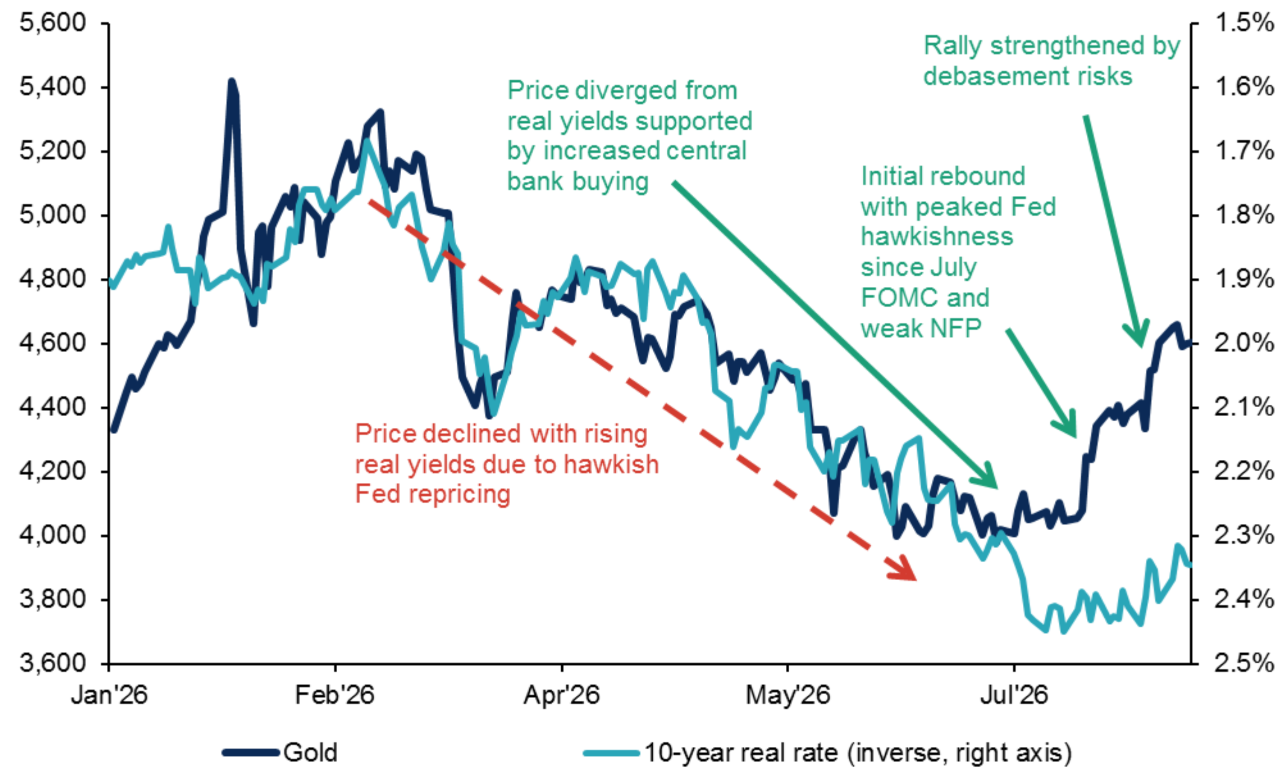
The sharp move higher in gold and US dollar weakness over the past month reflects a broader reassessment of US economic policy and the outlook for the world's reserve currency.

The dollar index fell nearly 2.5% over the past month, and nearly 5% against a basket of emerging market currencies, returning to levels seen before the Middle East conflict. It rebounded a little after Fed Chair Warsh's Jackson Hole remarks. Gold prices, meanwhile, rallied more than 15%, recouping almost half of their decline from the January peak. The common thread has been a series of policy developments in the U.S. that have encouraged investors to revisit what has often been called the "debasement trade."

The first driver has been a significant shift in expectations around the Federal Reserve. Gold prices reached their highs for the year and the dollar hit its lows when President Trump nominated Kevin Warsh as Fed Chair. Expectations of a more hawkish Fed then pushed real interest rates sharply higher, helping the dollar strengthen and gold retreat from its highs. By late July, US inflation-adjusted yields quickly rose by roughly 70 basis points to the highest levels in nearly 20 years. Since then, however, the combination of softer economic data and a less hawkish tone from the July FOMC meeting appears to have capped that rise in real rates-- removing an important headwind for gold.

Chart 7: Real yields have been main driver since March, but correlation is showing signs of a breakout

Gold price (USD/oz) versus real yields

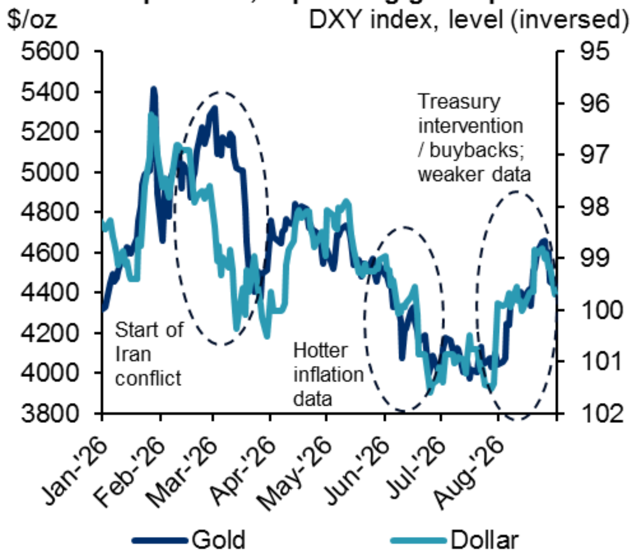


Source: Bloomberg Finance L.P. Data as of August 28, 2026.

The second development was a return of official currency intervention. Japan's Ministry of Finance reportedly purchased roughly $60bn of yen, helping push the dollar index back below the psychologically important 100 level. More notable, however, was the involvement of the US Treasury. Joint interventions among major developed economies are rare, and investors paid particular attention to reports that US authorities supported intervention via the euro and encouraged use of Federal Reserve repo facilities to facilitate future operations. The signal was therefore two-fold: lean against excessive dollar strength, while trying to contain yields.

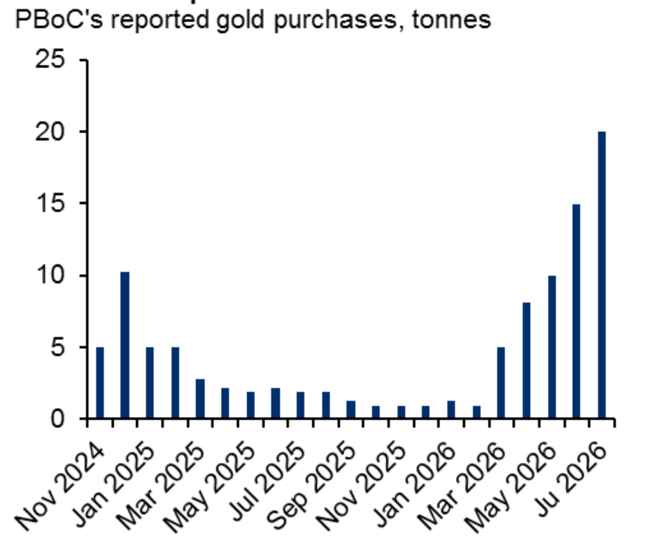
The third element is the Treasury's growing determination to cap yields. We expected some form of intervention as 10-year yields were threatening to exceed the highs during this presidential term (around 4.80%). The announcement to double buybacks of longer-dated Treasuries duly followed. It may only provide temporary support to the bond market. But it reinforces the message that US authorities can tolerate or even welcome a weaker dollar as an escape valve. A weaker dollar and even just a *desire* to cap yields boosts the appeal of gold prices.

Chart 8: U.S. administration may welcome dollar as an escape valve, implicating gold upside



Source: Bloomberg Finance L.P. Data as of August 31, 2026.

Chart 9: The PBoC ramped up gold purchasing efforts as the price softened

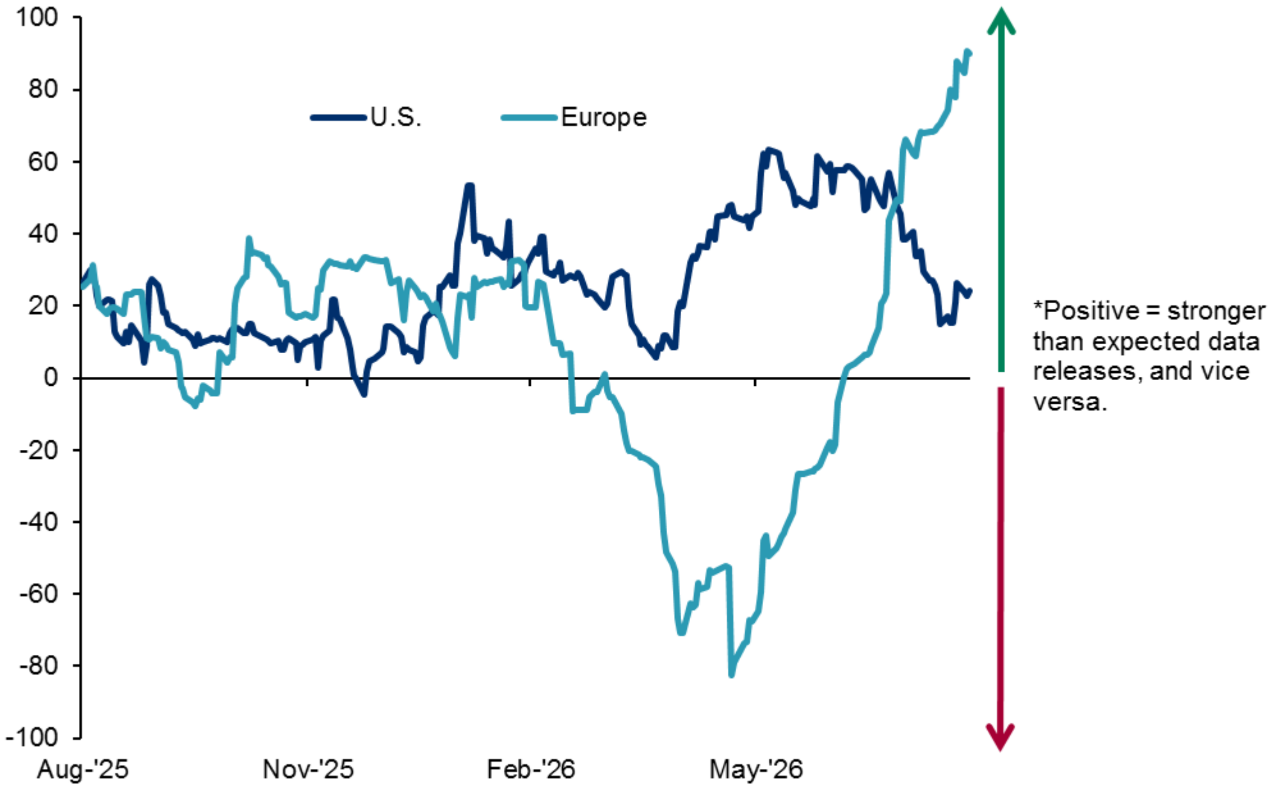


Source: World Gold Council. Data as of July 2026.

Taken together, these developments point to an earlier-than-expected revival of the debasement trade. The Fed's predominant focus right now should be on prices. Gold has also benefited from continued central bank demand. Official-sector purchases have remained historically elevated, according to data from the World Gold Council, helping to provide a structural source of support even when speculative positioning waned.

US economic data have generally softened relative to expectations, weighing on the dollar. Foreign flows into US equities have surged in the past year. Heavy foreign positioning in US equities means that even further equity upside may less dollar supportive going forward. And as the immediate impact of the Middle East conflict has faded, some of the safe-haven premium embedded in the dollar has also begun to unwind.

Chart 10: Europe economic data surprising to the upside
Citi economic surprise index, level



Source: Bloomberg Finance L.P. Data as of August 27, 2026.

Overall, recent developments reinforce our medium-term constructive view on gold and our preference for a weaker dollar over the coming years. They also suggest upside risks to our gold outlook and downside risks to our dollar projections. That said, we would caution against extrapolating recent market moves too strongly in the near-term. Strong US corporate profitability, and a pipeline of mega-IPOs could attract additional foreign capital. The dollar could also regain support if geopolitical tensions in Europe or the Middle East intensify, with European energy supplies and French elections among the risks on the horizon. Moreover, the Warsh Fed remains focused on price stability, as Chair Warsh's Jackson Hole speech clarified, and institutional safeguards against excessive political influence remain intact.

Consequently, we look for disciplined implementations of our medium-term positive views on gold and negative on the dollar. **For gold, that would involve structures that improve entry levels given the sharp recent rally and ensuring strategic allocations to gold are in line with long-term targets. In currencies, the message remains straightforward: global diversification continues to make sense, with emerging markets offering some of the most attractive opportunities.**

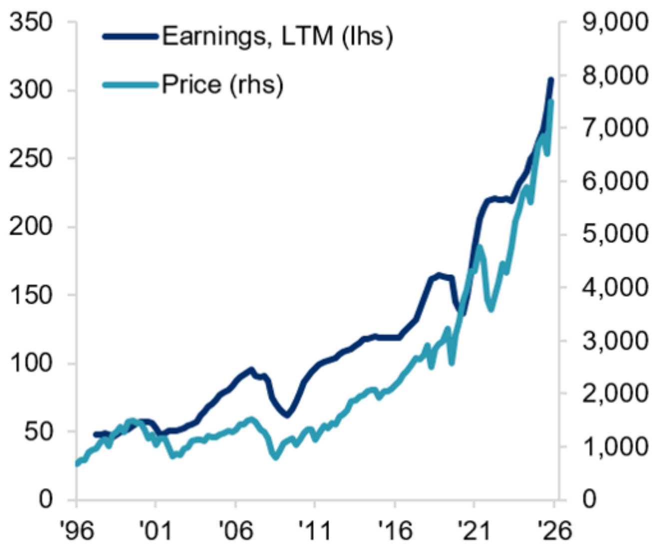
Boosting equities targets, thanks to extraordinary earnings.

Equity investors have long heard that earnings drive stock prices. Correlations over the short-term may vary, but longer-term investors cannot argue with the pitch.

The earnings story is *strong*.

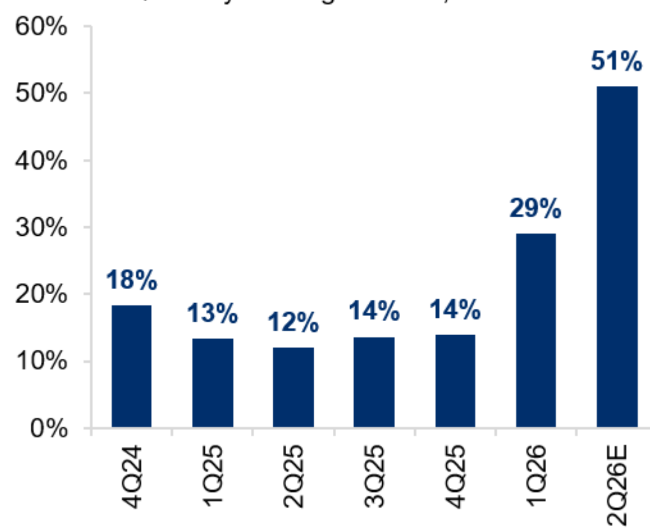
The last seven quarters have been very positive for S&P 500 earnings growth. We've often referred to it as the "earnings super cycle" because it's not normal for S&P 500 earnings to grow sustainably above 10%. In fact, the last time the S&P 500 grew earnings double-digits for seven consecutive quarters, was coming out of the Global Financial Crisis of 2008-2009 (when it grew by that margin for eight consecutive quarters). Q2 2026 makes for lucky seven.

Chart 11: Stock prices track earnings longer-term
S&P 500 Price vs. LTM EPS



Source: FactSet. Data as of August 03, 2026.

Chart 12: The earnings super cycle continues to accelerate
S&P 500 Quarterly Earnings Growth, % YoY



Source: FactSet. Data as of August 27, 2026.

The earnings story is *broadening*.

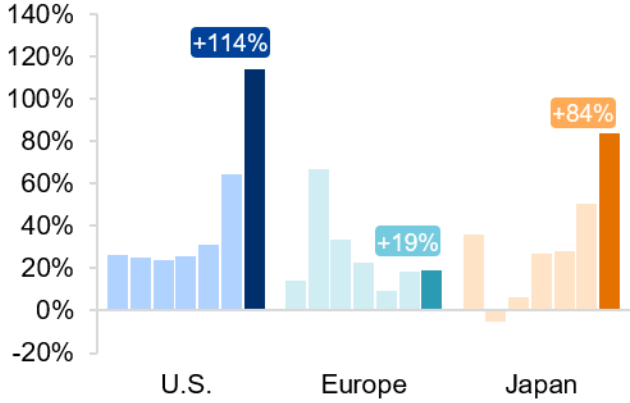
As we look down the cap spectrum in the U.S., mid-caps and small caps are witnessing a renaissance with growth accelerating in Q2 and expectations moving higher for 2026. The S&P Mid-cap 400 witnessed accelerating growth as Q1's 14.7% growth turned into 22.2% in Q2. Meanwhile, the S&P 600 Small Cap index jumped from 6.5% growth to 14.8% growth in Q2 2026. If we look at the median stock in the S&P 500, we see a similar broadening as growth accelerated, up from 10% in Q1 to 14% in Q2 2026.

The earnings story is *global*.

We believe Q2-2026 will mark the second consecutive quarter of double-digit EPS growth for Europe's Euro STOXX 50 and the second quarter in the last three for Japan's TOPIX (Tokyo Stock Exchange). The reasons for the synchronized global improvement in growth include the Tech cycle and the non-Tech cycle. The Tech cycle matters more to markets than the various economies, given the weight of the constituents. For example, the AI-related stocks in the S&P 500 represent over 45% of the index, but estimated to represent just 5-10% of the U.S. economy. Although these international indices have far less Tech than the S&P 500, they are also benefitting from the AI cycle.

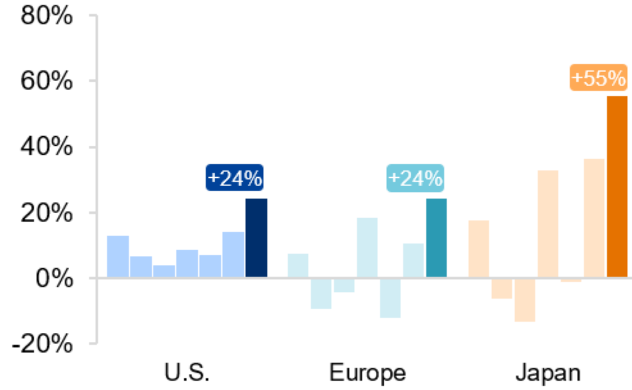
For relatively mature, developed and cyclical indices, the improvement in Europe and Japan's growth reflects other factors. Higher energy prices have helped Euro earnings, but so have banks and industrials. For Japan, electrical appliances, transportation equipment, banks and oil & coal products all contributed to growth and revisions while breadth has been very strong with just 1% of firms lowering estimates, the lowest on record.

Chart 13: Tech earnings growth is remarkable not only in the U.S., but also for Europe and Japan
Tech* Quarterly Net Income Growth YoY %, 4Q24-2Q26E



Sources: Bloomberg Finance L.P., FactSet. As of August 27, 2026. Note: U.S. = S&P 500 (*Tech = S&P 500 Tech + Google, Amazon, Meta, Tesla); Europe = Euro Stoxx 50 (ASML, Infineon, SAP: Adjusted Profit-After-Tax); Japan = Topix (Topix Tech Sector).

Chart 14: The U.S., Europe and Japan are all witnessing broadening earnings growth beyond just Tech
Ex-Tech* Quarterly Net Income Growth YoY %, 4Q24-2Q26E



Sources: Bloomberg Finance L.P., FactSet. As of August 27, 2026. Note: U.S. = S&P 500 (*Tech = S&P 500 Tech + Google, Amazon, Meta, Tesla); Europe = Euro Stoxx 50 (ASML, Infineon, SAP: Adjusted Profit-After-Tax); Japan = Topix (Topix Tech Sector).

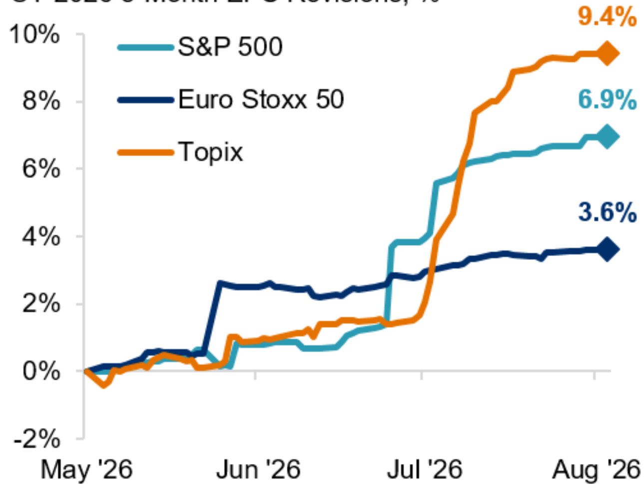
For non-tech areas of the markets, the uptick in growth reflects a theme the Global Solutions Team has been citing for some time — "fragmentation". The view that geographies will have to think and act locally, driving broad investment in manufacturing, is leading to non-tech capex acceleration. In the S&P 500, that has led to an almost 10% increase in non-tech capex growth last year and ~5% growth in 2026.

Other reasons for the acceleration in earnings growth include slightly higher inflation, which has been passed on to users of products without a material drop in units sold. As revenues are nominal, higher prices that don't impact units sold (inelasticity) are positive for earnings. Lastly, many firms are benefiting from tariff returns. Based on recent government data, approximately $104B has been returned to companies. While the data is not itemized by company or index, many global firms are getting a boost in 2026 off easier 2025 comparisons.

The earnings story is improving, leading to positive revisions.

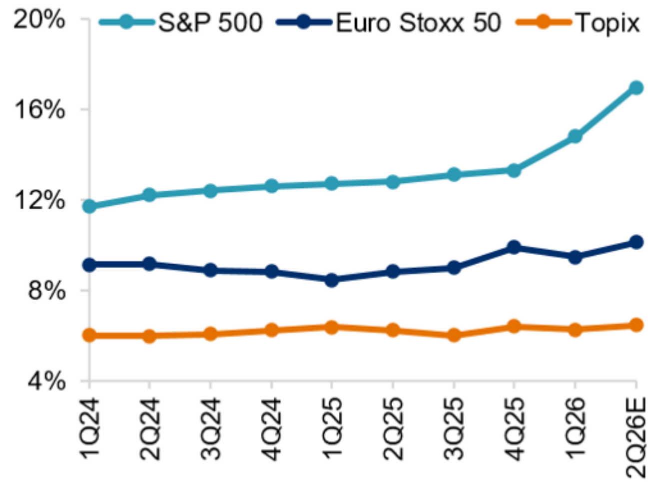
In this month's GIS, we have raised our 2026, 2027 and 2028 estimates for the S&P 500 (+5%), Euro STOXX 50 (+5%) and TOPIX (+10%). The raising of estimates mid-year is unusual but has been occurring across the Street for several months. Both revenue growth upside and margin improvement have driven the revisions.

Chart 15: Positive EPS revisions are broadening across developed markets
CY 2026 3-Month EPS Revisions, %



Sources: Bloomberg Finance L.P., FactSet. Data as of August 27, 2026.

Chart 16: Net profit margins are expanding rapidly even excluding one time gains
Quarterly Net Profit Margins, %



Sources: Bloomberg Finance L.P., FactSet. Data as of August 27, 2026.

Implementing the earnings story.

With revisions positive, earnings growth strong, valuations “average” and 1-year targets moving higher, we reiterate our positive stance on the S&P 500. We see approximately 10% total returns for the index over the next 10 months to mid-2027. Boosting our targets for Europe and Japan is only to the point at which we like the indices, but at current levels, prefer both the US and Emerging Markets Asia. All regions have material upside if bull cases become a reality, a growing possibility based on our research. Thematically, we remain positive on the HALO (Heavy Asset, Low Obsolescence) opportunity. Definitionally, this includes those market segments and companies benefitting from product bottlenecks and shortages, including companies in the materials, industrials, semiconductors, energy companies, and drug manufacturing industries. These firms are aided by higher-than-average inflation.

High Conviction Opportunities

1 HALO: Heavy Asset Low Obsolescence

AI investment is driving a powerful buildout cycle across semiconductors, hardware, power infrastructure and strategic industries. Rising demand for data centers, grid capacity, automation and domestic manufacturing is creating opportunities for companies positioned at the center of the next wave of capital spending.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
Semis should continue to see strong growth from the continuation of the AI buildout. A significant networking and hardware upgrade cycle will likely aid growth in 2026-2027.	Companies benefiting from AI infrastructure, power demand, industrial capex and reshoring trends, with an emphasis on semiconductors, hardware and strategic industries.	Valuations of HALO sectors have compressed each of the last two years as investors question sustainability of growth.
30% 2026 S&P 500 Expected capex growth	+66% YoY semiconductor sales	4/4 All four HALO Sectors valuations compressed in 2026

2 Banks: Equity and Credit

U.S. and European banks delivered robust 2Q'26 results. Banks are benefiting from accelerating loan growth, healthy credit conditions, robust capital markets and rising shareholder returns, driving upwards revisions to earnings estimates. With valuations still attractive and the economic backdrop improving, we see continued potential for earnings growth and multiple expansion.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
Strong economic growth, accelerating loan growth and robust M&A are fueling bank earnings upgrades, with Q2 net charge-offs (loan losses) at an 11-quarter low.	Gain exposure through high-quality U.S. and European bank equities, preferreds and structured notes.	Banking industry posted record net income and 17% ROTCE in 2Q26 with banking headcount at a 10-year low.
0.55% Net charge-offs (loan losses) in Q2 26	$6.9T 1H26 Global debt & equity issuance	17% Banks ROTCE in Q2 26

3 Extended Credit: Global High Yield and Corporate Hybrids

Despite a volatile geopolitical backdrop, HY and Hybrid credit markets have shown notable resilience: spreads have remained broadly anchored through repeated escalation/de-escalation cycles tied to the Iran conflict.

WHY NOW	HOW TO IMPLEMENT	WHAT'S NOT PRICED
Solid credit fundamentals globally (with low defaults, contained leverage and healthy interest coverage), and high starting yields tend to provide both income and a cushion against rate volatility.	We favor global hybrid and BB exposure across US, Europe, and Emerging Markets.	We believe risk reward is attractive. Global Hybrids tend to offer IG issuer quality with HY-like returns while HY has benefited from the highest proportion of BBs in history.
~2.8% 12M DEFAULT RATE (US)	~6.5% - ~8.0% YTW for US HY, EUR HY, and EM HY	55% WEIGHT TO BB's (US)

Outlook Numbers – MY 2027

Macro^		
Inflation	**2026 year-end (YE)**	**2027 YE**
U.S.	3.00-3.20%	2.30-2.50%
Eurozone	2.20-2.40%	2.20-2.40%
China	0.40-0.60%	0.9-1.1%
Real GDP Growth		
U.S.	1.50-2.00%	1.50-2.00%
Eurozone	0.75-1.25%	0.85–1.35%
China	4.30-4.70%	4.40-4.80%
Equities		
S&P 500	**2027 mid-year (MY)**	Old 2027 MY
Price	$8,300-8,500	~~$8,100-8,300~~
P/E forward multiple	20.5x	~~21x~~
Stoxx Europe 50		
Price	€6,700-6,900	~~€6,400-6,500~~
P/E forward multiple	15.5x	
TOPIX		
Price	4,300-4,400	~~3,900-4,000~~
P/E forward multiple	16.5x	
MSCI Asia ex-Japan		
Price	1,265-1,325	
P/E forward multiple	12.5x	
MSCI China		
Price	77-81	~~87-91~~
P/E forward multiple	10.5x	~~11.5x~~

Currencies		
	2027 MY	Old 2027 MY
U.S. Dollar Index (DXY)	98 (96 - 100)	
EUR/USD	1.17 (1.15 - 1.19)	
USD/JPY	158 (156 - 160)	
GBP/USD	1.35 (1.33 - 1.37)	
USD/CNY	6.60 (6.50 - 6.70)	

Rates & Credit Spreads		
U.S.	**2027 MY**	Old 2027 MY
Eff. Fed Funds rate	3.88	
ON SOFR	3.88	
2-year UST	4.15%	
5-year UST	4.40%	
10-year UST	4.70%	
30-year UST	5.15%	
2s/10s spread	0.55%	
JPM U.S. Investment Grade	80-110 bps	
JPM U.S. High Yield	325-375 bps	
Europe	**2027 MY**	Old 2027 MY
ECB Deposit rate	2.50%	
5-year German Yield	2.60%	
10-year German Yield	2.90%	
BoE Bank Rate	3.75%	
10-year UK Gilt	4.60%	
EUR IG	75-105 bps	
EUR HY	260-310 bps	
EM	**2027 MY**	Old 2027 MY
EM Sovereign Index (EMBI)	225-275 bps	
EM Corporate Index (CEMBI)	155-205 bps	
JPM Asia IG (JACI IG)	50-80 bps	
JPM Asia HY (JACI HY)	350–375bps	

Commodities		
	2027 MY	Old 2027 MY
Gold ($ / oz)	$4,850 – $5,150	
Brent ($ / barrel)	$62-$68	
Commodity Index (BCOM)	123-129	

^GDP and core inflation estimates represent Q4 year over year growth rates. Core inflation in the US is core PCE. *China inflation is headline.

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to "Definition of Indices and Terms" for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

Asset Class Views

The details behind our Macro and Asset class outlooks.

- Macro
- Equity
- Rates
- Credit
- FX
- Commodities
- Alternatives
- Volatility

MACRO VIEWS

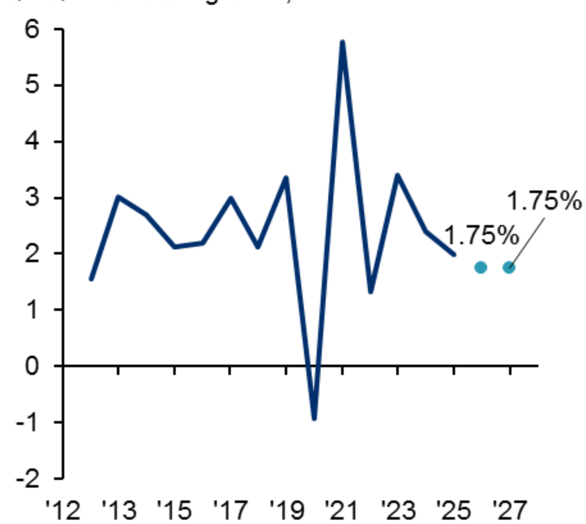
U.S. Growth

Recent economic data has come in on the soft side, namely the July jobs and retail sales data. The July sales report in particular missed expectations meaningfully and included a notable downward revision to core retail sales in June. It increasingly looks like the US consumer was supported by OBBBA tax refund stimulus in H1; now that support has faded, resulting in more moderate spending. The consumer still looks solid on the balance sheet; however, income growth continues to lag inflationary pressures, causing consumers to dip into savings (with the savings rate now at 20-year lows). We aren't expecting a consumer recession in our outlook (provided the stock market doesn't decline, triggering negative wealth effects), but it's tough to see any meaningful reacceleration coming soon. We expect consumer spending in the more sluggish +1.0–1.5% range going forward. Business spending remains solid amid the AI capex boom. However, the boom has been narrowly confined to data centers and their related components including power. Broader measures of capital spending—on structures and transportation equipment, for example—remain sluggish.

What we're watching: Real wage growth and consumption, global energy prices, daily consumer sentiment, measures of global supply side stress, labor market data

Our view: YE '26: 1.50-2.00%, **YE '27:** 1.50-2.00%

U.S. historical and expected growth
Q4/Q4 real GDP growth, %



Sources: Haver Analytics, Bureau of Economic Analysis. Data as of Q4 2025, forecasts as of August 28, 2026.

U.S. Inflation

We revise our 2026 inflation projection by 10bps this month to +3.0–3.2%, mainly as a result of refined energy product prices that have shown little relief amid the continued U.S.-Iran conflict. We do not see this as a meaningful change to the outlook, and we still hold the view that today's inflation doesn't look broad based, a key difference from the 2021–2023 experience. Recent inflation data has been favorable, namely the July CPI and PCE data. Even more importantly, the July jobs report continued to show benign wage inflation pressures, a sign of minimal to no "second round effects" amid the global energy shock. Related to this, recent data on unit labor costs (employee compensation relative to productivity) came in soft at only 1.4% in Q2, showing that today's labor market is not a source of excess inflationary pressures that the Fed has to contend with. Nevertheless, we continue to pencil in one 25bps rate hike by the Fed this year, more to shore up its strained credibility than to meaningfully affect the inflation outlook, which is primarily driven by supply-side factors.

What we're watching: Energy prices, longer-term inflation expectations, wage growth, daily PriceStats tracker, AI driven inflation

Our view: YE '26: 3.00-3.20%, **YE '27:** 2.30-2.50%

U.S. historical and expected inflation
Q4/Q4 core PCE, %

Sources: Haver Analytics, Bureau of Economic Analysis. Data as of Q4 2025, forecasts as of August 28, 2026.

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to "Definition of Indices and Terms" for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

Europe Growth

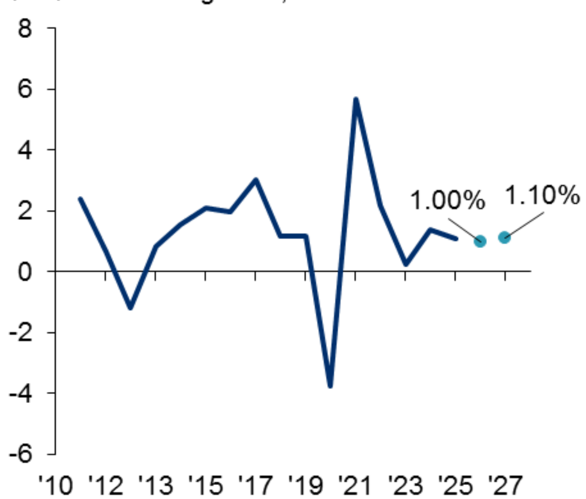
Eurozone activity has been more resilient than many had feared just months ago. Incoming data point to a modest activity improvement, even as the Middle East conflict weighs on the outlook. Surveys suggest services have partially rebounded from the initial energy shock. Manufacturing has held up comparatively well, aided by inventory building and increased defence spending. Labour markets remain firm, but declining job postings are consistent with the ECB's view that labour conditions will soften relative to pre-conflict norms. Forward-looking indicators still imply only modest growth as uncertainty and energy-price risks compress real incomes and delay investment. On the flip side, the latest PMI data align with positive growth rather than a renewed contraction. Germany has been a swing factor and both soft and hard data has come in above expectations.

The UK economy has also been somewhat resilient. A new Labour government under PM Burnham has signalled higher spending ambitions and more flexibility on fiscal rules, but higher rates limit near-term easing. The BoE remains in wait-and-see mode, with policy restrictive and growth vulnerable to renewed energy volatility.

What we're watching: Middle East developments and energy prices; monetary and fiscal response; UK economic policy agenda and Autumn Budget.

Our view: YE '26: 0.75-1.25%, **YE '27:** Euro area GDP: 0.85–1.35%

Eurozone historical and expected growth
Q4/Q4 real GDP growth, %



Sources: Haver Analytics, Statistical Office of European Communities. Data as of Q4 2025, forecasts as of August 28, 2026.

Europe Inflation

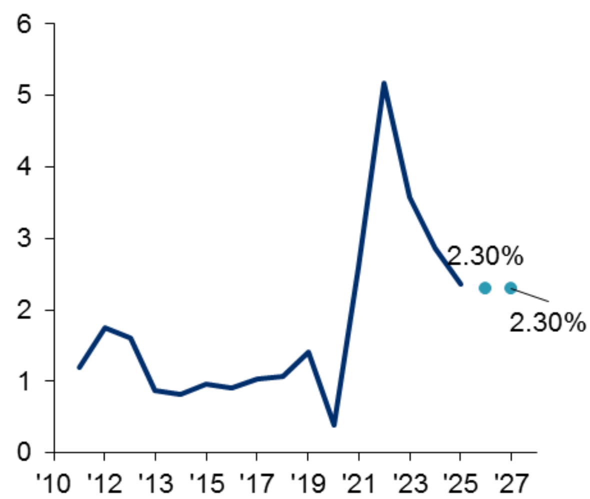
Euro area inflation has been modestly elevated due to the energy-led price surge. The ECB has been signalling discomfort with the situation and argues that the shock's full pass-through is still incomplete. For now, core inflation and wage dynamics appear broadly contained, yet the ECB's central narrative remains that higher energy costs are likely to keep inflation above target into 2027. The key swing factor is therefore the extent of indirect and second-round effects, via margins, wages, and services prices, rather than the initial energy price move itself. Consistent with that risk balance, we expect the central bank to hike rates in their September meeting to pre-empt inflationary pressures. After that, we expect policy rates on hold with a strong emphasis in their messaging on energy-related uncertainty, resulting in strictly data-dependent meeting-by-meeting decisions.

Across the Channel, UK energy price setting mechanisms lagged conflict-induced inflation and the energy price rise only recently showed in the data. However, this also means it will likely take longer to roll over, keeping inflation elevated in coming months – even with lower energy prices.

What we're watching: Energy pass-through into core prices, wage settlements, business pricing behaviour, inflation expectations.

Our view: YE '26: 2.20-2.40%, **YE '27:** Euro area Core HICP: 2.20-2.40%

Eurozone historical and expected inflation
Q4/Q4 core HICP, %



Sources: Haver Analytics, Statistical Office of European Communities. Data as of Q4 2025, forecasts as of August 28, 2026.

China Growth

China's July activity data delivered a broad-based miss, with industrial production, retail sales, and FAI coming in at 4.5%, 0.6%, and -12.8% y/y respectively, each undershooting consensus, while both official PMIs slipped into contraction. The K-shaped divergence between AI-related exports and everything else continues — integrated circuit output surged +20.7% y/y on AI demand while crude steel fell -3.6% and cement -11.6%. There is increased official chatter of more stimulus, but the fiscal picture is not straightforward: revenue accelerated to +11.7% y/y yet expenditure crawled at +0.5%, land sales collapsed -27.1%, and bond proceeds sit undeployed in fiscal deposits. On policy, a surge in People's Daily economic coverage signals heightened leadership urgency, but the message is "loosening not stimulus" — more freedom for the private sector, not more funding, and not a replay of September 2024. Importantly, the anti-GDP political campaign that had actively discouraged growth-obsession since March has now officially concluded, removing a meaningful constraint on more activist pro-growth action. Key things to watch: concrete September/October policy measures, Q4 fiscal deployment execution, the widening tier-1 versus lower-tier housing divergence, and oil price risk to nominal growth.

What we're watching: Does the government increase stimulus following a few months of weak data? Can tech exports continue to support growth? Will China face new trade tensions?

Our view: YE '26: 4.30-4.70%, **YE '27:** 4.40-4.80%

China historical and expected growth
Q4/Q4 real GDP growth, %

Sources: Haver Analytics, China National Bureau of Statistics. Data as of Q4 2025, forecasts as of August 28, 2026.

China Inflation

China's July inflation undershot expectations as CPI slowed to 0.5% y/y and PPI to 3.5% y/y, driven mainly by the lagged pass-through from June's sharp global oil price drop. Excluding oil, CPI remained very low (~0.44% y/y), and "underlying" inflation pressures are still subdued, reflecting persistent drag from the property downturn and weak demand, with food (notably pork) continuing to weigh on headline inflation. Some pockets of price strength exist (e.g., medical services; AI-related electronics), while gold's prior boost to core inflation has eased, though an August gold rebound could add marginal upside. Looking ahead, inflation estimates are unusually uncertain due to volatile oil prices and domestic fuel price adjustments, but a modest rebound in August Consumer Price Index (CPI) / Producer Price Index (PPI) is expected. Policy-wise, authorities are likely to lean more on fiscal support, with no base-case PBoC rate or RRR cuts this year.

What we're watching: Domestic demand, policies addressing overcapacity, energy prices

Our view: YE '26: 0.40-0.60%, **YE '27:** 0.9-1.1%

China historical and expected inflation
Q4/Q4 headline CPI, %

Sources: Haver Analytics, China National Bureau of Statistics. Data as of Q4 2025, forecasts as of August 28, 2026.

EQUITY VIEWS

U.S. Equities

Summer strength. Schools are reopening, the sun is setting earlier, and yet another exceptional earnings season is coming to a close. The S&P 500's strength continues, hitting five all-time highs this summer, with most of those happening in August, as the earnings supercycle propelled markets nearly to our year-end outlook. Q2 2026 EPS growth is set to exceed 50% for the period, over 30% better than expectations on March 31st. Excluding one-time gains from companies like Amazon and Google, growth is still remarkable at ~34%. Technology+ remains the key driver, with year-over-year growth just shy of 100%, but we are now seeing strong evidence of broadening across sectors. Earnings growth for the S&P 500 ex-Tech+ is predicted to be ~26% for Q2, a meaningful uptick from last quarter's ~11%.

Onwards and upwards. Positive EPS revisions throughout the earnings season have driven CY 2026 EPS estimates for the S&P 500 ~7% higher since the end of Q2. On top of outsized positive revisions in 1H, earnings estimates for CY 2026 have now climbed ~16% year-to-date, diverging from the normal trend of mid-single-digits downward. This month, we revise higher our earnings estimates for 2026, 2027 and 2028 by 4%, 5% and 5%, respectively. We pair mid-year 2028 EPS of $410 with a slightly lower valuation of 20.5x (-2% vs prior) to get our updated mid-year 2027 Base case outlook of $8,400. We maintain our Bull and Bear cases of $9,900 and $5,400.

Where to invest now. Investor focus continues to be on AI. Earnings season has strengthened our conviction in semiconductors as a top idea. Blowout results from the semiconductor sector, on the back of strong hyperscaler capex numbers, feed through to AI infrastructure players. This includes Industrials that produce electrical equipment for the DCs and Utilities that supply the power. Utilities underperformance this year has been driven by regulatory uncertainty rather than fundamentals, providing an attractive entry point for a less expensive, defensive sector growing double its pre-AI average. Beyond AI, we see further upside to the HALO opportunity. We reiterate our constructive view on Financials, specifically large-cap banks. The sector recently made new highs, but we see the valuation as tolerable given durable tailwinds coming from record capital markets activity, solid loan growth, subdued credit risk, stable economic activity and deregulation.

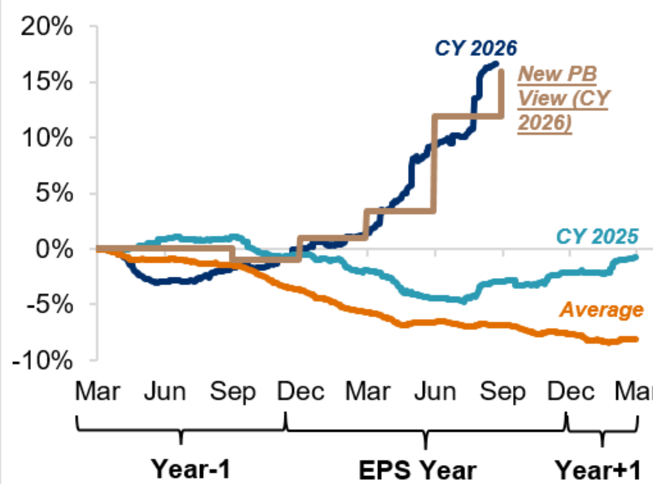
What we're watching: Financial conditions (equity valuation, yields and spreads). Policy shifts ahead on the US mid-term elections. IPO news.

Our view: MY '27: $8,300-8,500

Our base case S&P 500 outlook ranges from $8,300-$8,500 (mid-point $8,400) by mid-year 2027
S&P 500 vs JPM WM Solutions Base, Bull and Bear

Source: Bloomberg Finance L.P., JPM WM Solutions. Data as of August 27, 2026.

2026 EPS revisions are moving higher, diverging from the typical path
S&P 500 Annual EPS Estimate Revisions vs. PB Estimates, %



Source: FactSet. Data as of August 27, 2026.

Europe Equities

As we wrap up earnings season, it has been a strong one for developed markets, including Europe. Earnings grew at a double-digit pace in 2Q, driven by high oil prices, the AI build-out and its impact across sectors, and strong results in the banking sector. While the Euro Stoxx 50 reached an all-time high in mid-August, it has underperformed the S&P 500 and MSCI Emerging Markets. We are maintaining our geographic preference this month and remain neutral on Europe.

Despite the conflict in the Middle East and persistently high oil prices, earnings revisions have remained resilient. Against this backdrop of strong results, we are raising our earnings expectations and revising our mid-2027 outlook for Europe upward.

We now estimate earnings growth of approximately 14–15% in 2026 (versus our prior expectation of 10%), followed by high single-digit growth in both 2027 and 2028. We are seeing strong revisions across the AI infrastructure complex—including semiconductors and industrials—as well as solid revisions in the banking sector. By contrast, revisions are negative in the consumer sector, particularly autos.

In light of this improved outlook, we are raising our mid-year 2027 outlook to **€6,700–6,900** (from €6,400–6,500), while keeping our valuation multiple unchanged at 15.5x. The market is currently trading at 15.25x. Our bull case is now €7,700–7,900, as we assume double-digit earnings growth in all three years, and our bear case is €4,600–4,800, where we assume a mild recession in earnings.

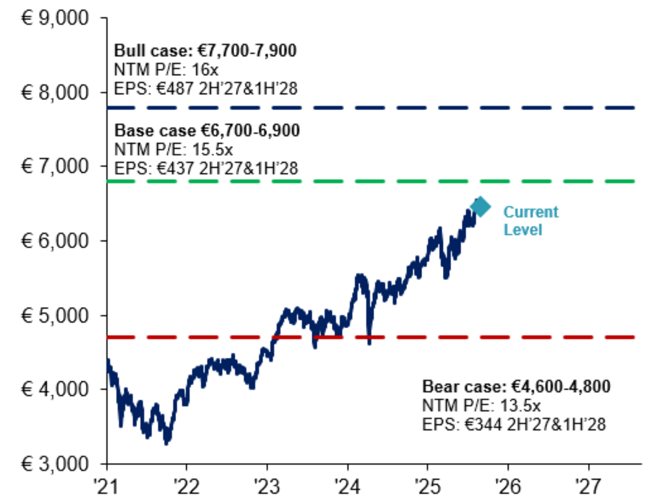
Where to invest now? Industrials (preferred): Strong earnings and raised guidance across subsectors. The AI infrastructure capex cycle continues, with US hyperscalers increasing spend, supporting European names with exposure to data centres and electrification. Aerospace is benefiting from a strong aftermarket. Beyond AI infrastructure and Aerospace, we continue to see a multi-year investment cycle in defence, supporting selected European defence companies.**Semis (still preferred):** We remain constructive despite the pullback, favouring demand-driven beneficiaries and equipment companies expanding capacity over the coming years. **Banks (still preferred; upgraded in July):** Results show solid loan momentum. We see both structural and cyclical tailwinds, with the sector trading at ~10.8x NTM earnings. The September ECB hike should be supportive.

What we're watching: We continue to monitor developments in Eastern Europe and the Middle East, the trajectory of oil and natural gas prices, the sustainability of AI infrastructure spending and memory pricing trends, as well as the upcoming French presidential election cycle

Our view: MY '27: €6,700-6,900

We see the Euro Stoxx 50 reaching €6,700-6,900 by mid-year 2027

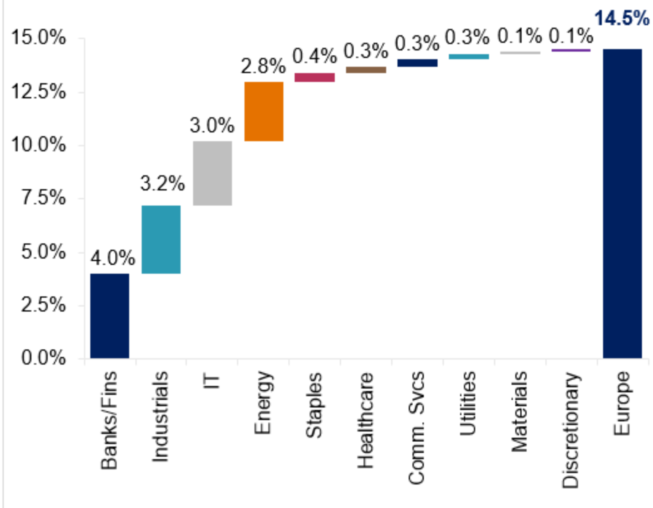
Euro Stoxx 50 vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P, J.P. Morgan WM Solutions. Data as of 27th August, 2026

Ex-energy, banks, industrials, and IT are expected to be the main drivers of earnings growth in 2026

J.P. Morgan WM Euro Stoxx 50, 2026 sector earnings growth bridge



Source: J.P. Morgan WM Solutions. Data as of 27th August, 2026

Asia Equities

While overall MSCI Asia ex Japan equity returns were muted in August, there continues to be high intra-month volatility. The unresolved US/Iran conflict, continued de-grossing of investor positioning in the AI semiconductor supply chain, and higher long-end treasury yields kept investors cautious. Recent earnings results confirm that capex intentions from large hyperscalers continue to skew positively, and growth in frontier AI lab revenues remains impressive. Underlying fundamentals with regards to AI investment spend remain positive with visibility stretching through 2027 that keep us positive towards the Asia tech supply chain. We reiterate our positive view towards both Taiwan and South Korea and are buyers of the recent pullback. These two regions continue to drive MSCI Asia ex Japan earnings estimates higher to now grow 60-65%/25-30% in 2026/2027. With valuations at just 10.5x forward P/E, we find MSCI Asia ex Japan as a region compelling.

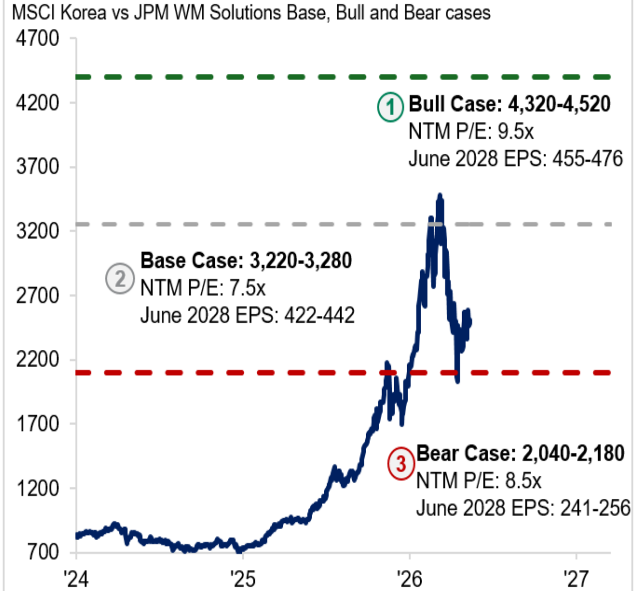
After a strong 9-10% relative outperformance since late June, we lower our recommendation towards MSCI China (Offshore) to neutral. Chinese economic data continues to underwhelm, and recent changes to personal income tax collection enforcement could pose downside risks to growth in 2H26. With MSCI China valuation relative to Asia EM near historical highs, earnings estimates that are at best stagnant, and potential for more equity raises to finance AI capex, we do not find the risk/reward attractive and lower our 1H27 MSCI China outlook by ~10% to 77-81. We retain our positive view towards China Onshore (A-shares) that are more heavily skewed towards the AI supply chain and the domestic semi localization thematic.

Japanese 2Q26 earnings season was quite impressive with sales/operating earnings growing 13%/23% year-on-year. While currency had some effect, we estimate that two-thirds of the strength came from underlying strength in global capex spend (including AI investments), and financials due to BOJ rate hikes. The growth in share buybacks has also reverted back to 25-30% YoY as corporates feel more confident with the global economic outlook. Consequently, we raise our TOPIX earnings estimates by 10-12%, and our TOPIX 1H27 outlook to 4,300-4,400. We now expect earnings in Japan to grow 20-22%/10-12% in 2026/2027. From here, we view policy makers with a difficult balancing act to maintain a stable currency, increase fiscal spend, and allowing rates to rise just the right amount to not drive concerns over debt sustainability/servicing costs. With just moderate upside to our new outlook, we retain our neutral view towards the broad market. Select opportunities in industrials, technology, and banks remains preferred.

What we're watching: Iran conflict development, memory prices, hyperscaler capex commitments, Chinese government policy announcements

Our view: MY '27: MSCI AxJ: June 2027: 1,265-1,325 Topix: June 2027: 4,300-4,400 MSCI Korea: June 2027: 3,220-3,280 MSCI China: June 2027: 77-81 CSI 300: June 2027: 5,230-5,570 MSCI India: June 2027: 3,350-3,450 MSCI ASEAN: June 2027: 770-790

We see MSCI Korea reaching 3,220-3,280 by June 2027
MSCI Korea vs JPM WM Solutions Base, Bull and Bear cases



Source: Bloomberg Finance L.P. Data as of August 27, 2026

2026 is expected to be a solid earnings year for Asian markets
Weight, growth & valuation, % and multiple

Country Index	2026 MSCI Asia ex Japan Weight %	5Y Average Earnings Growth	2026E Earnings Growth	Current Forward P/E
MSCI Taiwan	29.7%	18.7%	53.5%	19.0x
MSCI Korea	22.7%	27.5%	285.0%	4.9x
MSCI Asia ex Japan	100%	6.9%	53.0%	10.1x

Source: Bloomberg Finance L.P., MSCI. Data as of August 27, 2026

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to "Definition of Indices and Terms" for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

RATES VIEWS

U.S. Rates

A rise in long-term yields during the month got much attention, in part as it came with a rise in term premia, even as soft data pushed front-end yields down. But a hawkish (and much clearer!) Warsh Jackson Hole speech pushed up front-end yields and pushed down term premia again, leaving us little changed from a month ago. We keep the assumption of one 25bp hike but note that it's more uncertain, including its timing, with upcoming August payrolls and CPI as the arbiters for a September decision. We think that long-end bonds have started to become more attractive, in absolute terms and vs front-end bonds, as yields and spreads have risen, the Fed remains relatively hawkish but US data is stable, and the Treasury intent to contain yields, even if we think bond buybacks are not definitively capping them.

What we're watching: Fed, US-Iran conflict, inflation expectations, unemployment trends, global term premia

Our view: MY '27: FFR: 3.88. 30Yr: 5.15%; 10Yr. 4.70%; 5Yr. 4.40%; 2Yr. 4.15%;

Source: Bloomberg Finance L.P. Data as of August 28, 2026.

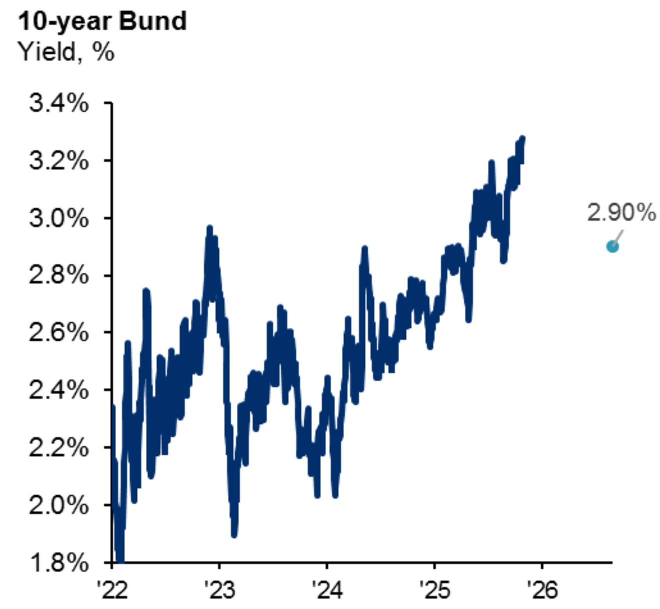
Europe Rates

The ECB kept rates on hold in July following June's hike, reiterating a strictly data-dependent, meeting-by-meeting reaction function as uncertainty around indirect and second-round effects from the energy shock remains high. With energy prices still materially above pre-conflict norms and volatility elevated, the Governing Council is not prepared to declare victory on inflation persistence, even if broader price pressures and second-order effects appear contained for now and we expect them to implement one more hike in September.

In the UK, the BoE held Bank Rate at 3.75% but emphasised that energy-price risks remain biased higher and that financial conditions have tightened meaningfully since the conflict began. The Middle East conflict's effect on inflation is lagged given the UK's price caps on consumer energy prices, which will have the BoE on its toes for longer. Our base case is now for no policy changes over our forecast horizon. Further, we expect the long end of the curve to exhibit increased volatility around the Autumn Budget date but eventually settle lower before year-end.

What we're watching: Energy market developments, inflation expectations, wage growth, debt dynamics.

Our view: MY '27: ECB Deposit Rate: 2.50%, 5Y Bund: 2.60% (2.35%-2.85%), 10Y Bund: 2.90% (2.65-3.15%); BoE Bank Rate: 3.75%, 10Y Gilt: 4.60% (4.35-4.85%)



Source: Bloomberg Finance L.P. Data as of August 28, 2026.

CREDIT VIEWS

U.S. Credit

Munis: August performance has been mixed with the 2y, 5y and 10yr segments tighter by 10-7-1 basis point(s) respectively while the 15y, 20y & 30y segments of the municipal yield curve are less expensive by 9-8-6 basis points respectively. The Bloomberg Municipal Bond Index (Ticker: LMBITR) is up +0.22% on the month and currently +0.65% YTD. While tensions with Iran continue in the background, the municipal market is focused on inflation, new issue supply and fund flows. The market remains on pace to issue +500bn of new debt this year, which would mark the third consecutive year of breaching this level and would be a significant milestone. August 2026 is on pace to be one of the largest issuance months of all time. We estimate that August will deliver $57 billion of new supply when it's all said and done. The municipal market has only digested +$50bn issuance months on five previous occasions (Oct 2024, June 2026, June 2025, July 2025, and Dec 2017). Fund flows remain a bright spot in the market. The continued flood of new issuance is being matched by strong coupon reinvestment and new flows. Fund flows stand at +$65.5 billion on the year and continue to track as the second-highest level on record for the comparable period, surpassing 2019 ($63bn) and trailing only 2021 ($74.1bn).

IG: Despite spread and price pressure from upward moves on long-end Treasury yields and intensified capital demand, U.S. investment grade credit remained resilient this month. Elevated issuance tied to AI-related spending and broader corporate financing, alongside rising government borrowing needs and higher energy prices, contributed to periodic volatility. However, we continue to view these pressures as largely technical rather than fundamental. Corporate balance sheets remain healthy, and credit metrics are broadly consistent with high-quality investment grade ratings. With IG yields still near 5.7%, high-quality fixed income offers compelling income relative to recent history. We remain constructive on investment grade credit and would use volatility to incrementally add exposure, particularly in the front-to-intermediate portion of the curve where carry remains attractive.

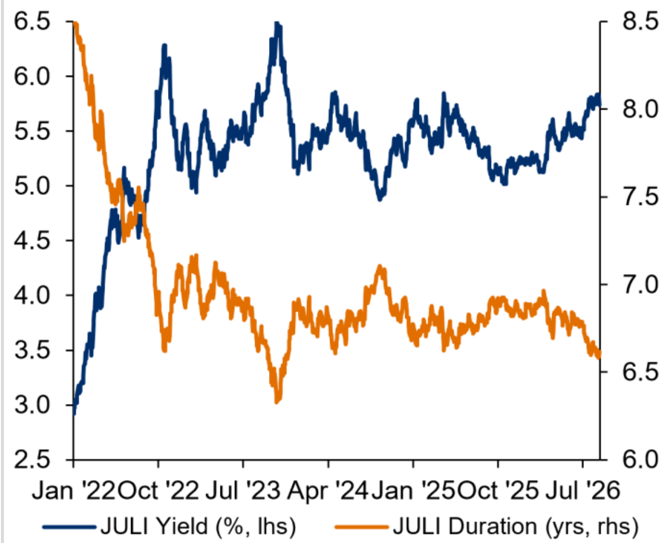
HY: While rising Treasury yields and renewed rates volatility created headwinds across fixed income in August, high yield continued to demonstrate resilience. Credit spreads remain near historically tight levels, supported by healthy corporate fundamentals, a still-benign default environment, and strong demand for income. Importantly, the asset class has been less affected by many of the pressures facing investment grade credit, including the surge in AI-related capital spending and associated issuance needs. Although spread levels leave less room for error, current all-in yields remain attractive and continue to provide a meaningful cushion against volatility. We remain constructive on high yield but continue to favor the higher-quality segment of the market, where investors can potentially capture compelling income while maintaining exposure to issuers with durable balance sheets and greater resilience should economic growth moderate.

Hybrids/Prefs: We like preferreds as a top pick, supported by record fee-based revenues, solid asset-quality trends, and technicals that continue to support attractive carry. Resilient and broadening global growth also underpins earnings and reduces default risk, reinforcing the risk-adjusted case for extended credit. Preferreds are up 2.8% YTD and U.S. hybrids are up 1.9% YTD, versus CCC credit at 1.4%.

What we're watching: Core Fixed Income: Munis and Corporates over Treasuries. Extended Credit: Favor hybrid capital (preferreds and corporate hybrids) for attractive risk-adjusted returns

Our view: MY '27: US IG (Spread): 80-110 bps by MY’2027; US HY(Spread): 325-375 bps by MY’2027

HG Duration at ~3yr low despite surging long-end issuance



Source:Bloomberg, Data as of 08.26.2026

Europe Credit

European Investment Grade Credit returns were marginally positive in August, bringing YTD gains to +0.5% but underperforming carry due to Bunds' continued repricing: the German sovereign curve has bear-flattened YTD, with the front end selling off ~70bps and the 10Y ~35bps higher. Throughout August, credit spreads tightened by just 1bp in Investment Grade index and 8bps in High Yield. European High Yield returned a carry-like outcome of almost +0.5% in August, delivering +2% YTD.

Throughout August we observed no meaningful progress toward geopolitical de-escalation in either the Middle East or Eastern Europe. Nonetheless, **we reaffirm our base case for an eventual easing of tensions and a corresponding stabilisation in oil prices**. Euro-area economic activity is proving more resilient than feared throughout the energy shock — manufacturing (especially in Germany) is recovering on foreign demand, fiscal expansion, AI and defence spending. We continue to focus on the robust corporate earnings evident throughout the Q2 reporting season, and **maintain our expectations for credit spreads across both European Investment Grade and High Yield to remain resilient and anchored around current levels**, supported by healthy underlying corporate fundamentals.

We continue to maintain a view that July's **move higher in European rates presents us with attractive opportunities**: 10Y bunds have breached the highs reached in 2023 by over 30bps and **10Y BBB-rated Corporates and Financials offer yields of up to 4.25% in EUR**. Starting yields are the best predictor of forward-looking returns, and with our mid-year 2027 outlook for 10Y Bunds to trade in 2.65%—3.15% range, **we anticipate the returns may exceed carry**.

Going into September we highlight the following parts of European Credit Markets as attractive:

European Banks Capital: European Banks continued to demonstrate solid operational performance in Q2'26. Net Interest Income rose further on a higher-for-longer interest rate backdrop; healthy gains in Fees & Commissions Income reflect a durable shift towards less capital-intensive Revenues. Operating costs kept trending lower and helped drive meaningful PBT growth and higher RoTEs. Together with this earnings resilience, a constructive regulatory environment underpins our investment case for Bank capital: the prospective removal of the Pillar 2 surcharge on the leverage ratio would lower Tier 1 requirements, and in turn be supportive for AT1 spreads — particularly for higher-beta investment banks, and particularly relevant given the influx of lower back-end reset vintages. Alongside this, the new EU merger framework's pro-consolidation tone and Banking Union momentum could favour cross-border integration, levelling the playing field versus other banks globally through lower costs, the removal of duplicate liquidity and funding buffers, and reduced jurisdictional risk.

Corporate Hybrids: Over 60% of the outstanding EUR notional of Corporate Hybrids are issued by non-cyclical sectors: Utilities, Telecommunications and Consumer Non-Discretionary. We like the defensive nature of these sectors when moving down the capital structure. IG-rated hybrids constitute ~60% of the total EUR Hybrid market and tend to provide ~75-100bps of spread pick-up to issuers' respective senior curves. HY-rated Hybrids, from issuers rated IG at Senior tier, offer spread pick-ups exceeding 125bps.

European High Yield: Average EBITDA margin for European High Yield index constituents has remained stable at ~15% over the past 10 quarters. Balance Sheet cash balances are showing signs of firming further. The BB-s cohort remains the anchor of quality, with Net Leverage ratio at 4.3x and debt servicing capacity holding firm: BB-s' Interest Coverage remained at 6.5x as of Q2'26.

What we're watching: Senior IG European Upstream, Junior Subordinated Banks, Corporate Hybrids, Corporate BB-s

Our view: MY '27: EUR IG (Spread): 75-105 bps by YE'2027; EUR HY (Spread): 260-310 bps by YE'2027

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*** Data sourced from Bloomberg Finance L.P. Data as of Aug 27, 2026.

EM Credit

We think Emerging Markets (EM) still look attractive with an improving macro outlook combined with high all-in yields at 6.2–7.2%. EM continued to benefit from the higher carry on offer, with August delivering positive returns alongside broadly stable-to-tighter spreads. EM sovereign and corporate spreads were little changed over the month, with Sovereign spreads -2bps to 242bps and Corporate spreads unchanged at 166bps. U.S. rates provided a modest tailwind, bull-flattening across the curve following Bessent's verbal intervention. Total returns were solid across the complex: Sovereigns +1.0% (IG +1.0%, HY +1.0%) and Corporates +0.75% (IG +0.7%, HY +0.85%). EM HY — our preferred way to express exposure — has delivered ~5.2% total returns year to date, weathering rate volatility while capturing EM's improving fundamentals through 2026.

August kept geopolitics front and center, with Middle East / Iran and Hormuz-related tensions testing risk sentiment again, but the key takeaway was the limited impact on EM spreads. Buyers continued to re-engage quickly and carry did the heavy lifting. We continue to expect these flare-ups to resemble prior cycles and ultimately give way to renewed efforts toward talks and near-term de-escalation. Separately, the return of the “debasement" trade following Bessent's intervention has reinforced the market's willingness to price a weaker USD, which is typically supportive for international assets — and EM debt in particular. China remains the main macro weak link, but broader EM growth has been firm enough to absorb periodic shocks. That backdrop leaves us constructive.

August reinforced that sovereign outcomes are being driven less by “EM beta" and more by country-level policy credibility and political risk premia. Argentina remained the clearest example of an improving sovereign narrative, where reform momentum and stronger policy execution continue to support a better credit trajectory and sustained investor attention. Brazil moved higher on investors' radar as the election cycle intensified, with the key transmission channel framed through sovereign risk premia, local rates and FX volatility rather than an immediate deterioration in underlying fundamentals. Colombia continued to screen constructively on fundamentals, but with politics remaining a swing factor for sentiment and spread volatility. Indonesia stood out on the more defensive side of the EM spectrum, anchored by fiscal discipline and macro stability.

Earnings momentum remains the clearest fundamental support for EM credit. 2026 earnings growth is tracking its strongest pace since 2021, led by industrials and commodities, with most other sectors still posting solid 10–15% growth and banks remaining steady, while balance sheets continue to reflect that resilience (net leverage ~1.1x for IG and ~2.7x for HY). Q2 earnings reinforce that the earnings upswing is showing up where it matters for credit — stronger cash generation and steady-to-improving leverage — especially across cyclicals (Industrials/Metals/Oil & Gas) and Asia's tech manufacturing complex. In practice, this keeps the focus on issuers where earnings strength is most clearly converting into free cash flow and improving leverage.

Against this backdrop, we remain focused on issuers with strong domestic market share, EBITDA margins above 15% and stable-to-improving leverage below 3x. We continue to favour credits from Turkey, Brazil, Colombia, India, Israel and Mexico, with a preference for Financials, TMT, Utilities, and Oil & Gas.

What we're watching: Corporate Hybrids, EM Corporate BBs, SoH Re-opening Trades

Our view: MY '27: EMBI (Spread): 225-275 bps by MY’2027; CEMBI (Spread): 155-205 bps by MY’2027

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to “Definition of Indices and Terms” for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

Asia Credit

Asia credit performed well in August, with Asia IG up +0.56% and Asia HY up +1.03%, supported by a strong 17bps tightening in HY spreads. We continue to believe carry will be the key return driver in 2H 2026, with Asia IG supported by shorter duration and Asia HY supported by attractive all-in yields. Over the next 12 months, we expect Asia IG to deliver ~5.0–5.5% total return and Asia HY to deliver ~7–8%, underpinned by healthy carry and improving balance sheets versus the prior default cycle

Asia IG remains a defensive carry allocation, supported by shorter duration versus US IG, a high-quality quasi-sovereign issuer base, and resilient fundamentals. That said, valuations are tight, so we see limited upside from further spread compression. The case for Asia IG is carry and defensiveness, not deep value. In Asia IG, we are positive in Japan lifer hybrids given attractive yield of 5.5% in A- rated name.

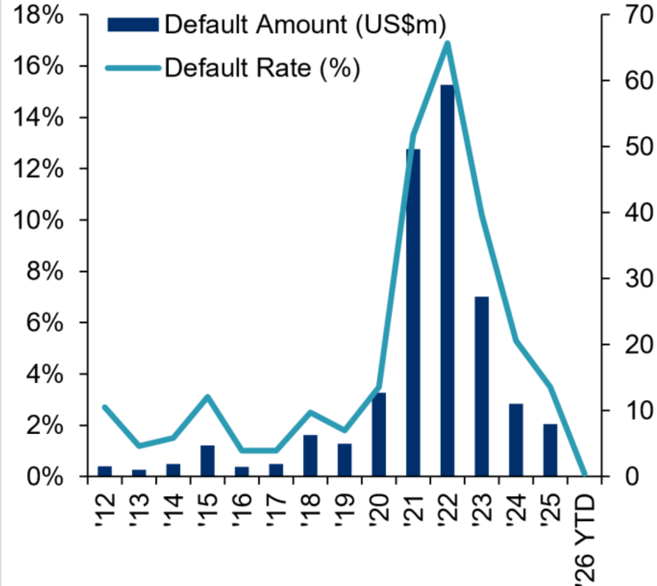
Asia HY remains the more compelling opportunity set. The market is now smaller, cleaner, and higher quality after the China property default cycle, with the universe shrinking from roughly $250bn to below $120bn. Defaults are near zero YTD, yields remain attractive at around 7.51%, and technicals are supportive from limited supply, coupon reinvestment, and renewed EM debt inflows. Spreads have tightened to around 300bps, so the easy money has likely been made, but we believe structural improvement justifies a tighter range than the old 400bps-plus "fair value" level. It is important to note China property is no longer the dominant driver of Asia HY risk. The sector remains weak, with real estate investment down around 19% YoY and sales down around 13% YoY, but its index weight and systemic impact are much lower.

Separately, we continue to see value in AUD fixed income, where yields of 5.5–6% remain compelling as the RBA hiking cycle appears to be behind us.

What we're watching: Asia HY: Key opportunity set, with ~7.5 yield, near-zero defaults YTD, and potential support from renewed EM debt inflows. Japan Lifers: Attractive sector offering 5.5%+ yields in A-rated names, but monitoring JGB-driven impairment dynamics. AUD Fixed.

Our view: MY '27: Asia IG (Spread): 50–80bps by mid-2027, Asia HY (Spread): 350–375bps by mid-2027

Asia HY Default rate on Track for Five-Year Low



Source: JP Morgan IB Data, as of 8.27.26

FX VIEWS

U.S. Dollar

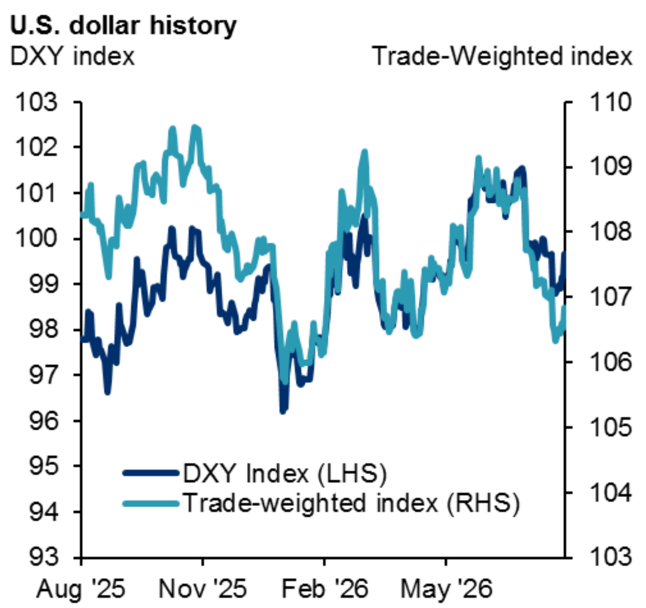
The dollar index fell modestly over the month. Initially, debasement considerations pushed it down further, as the dollar was seen as collateral damage in the Treasury desire to contain yields, while US macro data was soft, and tech equities or safe haven considerations waned as dollar supports. These factors reinforce our expectation of medium-term USD depreciation and increase downside risks to our dollar outlook. But a hawkish Warsh Jackson Hole speech confirmed that we should not blindly extrapolate these trends.

Dollar support continues to rest on US exceptionalism across asset classes, and safe haven support from geopolitical risks in Europe & the Middle East. Dollar downside would lean on global broadening of AI value creation or its apex, sustained de-escalation of the current major conflicts, and internally driven growth in the rest of the world.

We think diversification away from excessive US concentration therefore remains a prudent investment principle for building balanced medium-term exposure.

What we're watching: Middle East conflict, U.S. growth momentum vs. rest of world, Fed policy expectations, risk sentiment.

Our view: MY '27: 98 (96 - 100)



Source: Bloomberg Finance L.P. Data as of August 28, 2026.

Euro

EURUSD has been supported over the past month primarily by USD-driven dynamics: a cyclical downswing following softer US macro prints and a structural repricing tied to renewed “debasement" concerns. Recent releases point to cooling labour conditions, weaker activity momentum, and easing inflation. They pulled down market-implied Fed policy expectations, hurting the dollar from a relative rates perspective, while concerns over Fed credibility and the US Treasury's announcement of bond buybacks reinforced the narrative of a structurally weaker USD. Warsh's hawkish Jackson Hole speech partly reversed such momentum and indicates to us that these are important medium-term considerations rather than powerful short-term catalysts. We therefore keep our EURUSD profile unchanged but note upside risks to our 1.15-1.19 range for mid-2027. Near-term USD upside risks stem from: the unresolved Middle East crisis could lend support via terms-of-trade (US's net energy exports) and safe haven demand, while the AI theme may facilitate USD inflows and stronger domestic growth.

What we're watching: Middle East conflict, relative inflation and growth, rates differentials and monetary policy.

Our view: MY '27: 1.17 (1.15 - 1.19)

Source: Bloomberg Finance L.P. Data as of August 28, 2026.

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British Pound

GBP has appreciated against the greenback, largely on the same USD-negative news flow that supported EUR, with relative-rate expectations and broader confidence effects weighing on the greenback. UK-specific dynamics also helped earlier in the summer: the messaging of the new UK Prime Minister encouraged the market to price out part of the political risk premium embedded in sterling. We see scope for that support to fade as the Autumn Budget approaches. Fiscal challenges remain structurally elevated, and the government is likely to face renewed scrutiny as it signals how it will balance spending priorities with market discipline, echoing constraints that confronted prior administrations. Against this backdrop, we expect EURGBP to gravitate back toward its earlier 0.86–0.88 trading range, which it has undershot since the political transition. We keep our GBPUSD profile unchanged at 1.33–1.37 for mid-year 2027, with a midpoint at 1.35, but note increased dollar downside risks as laid out in our dollar views.

What we're watching: UK fiscal policy plans & Autumn Budget, BoE trajectory, global risk sentiment.

Our view: MY '27: 1.35 (1.33 - 1.37)

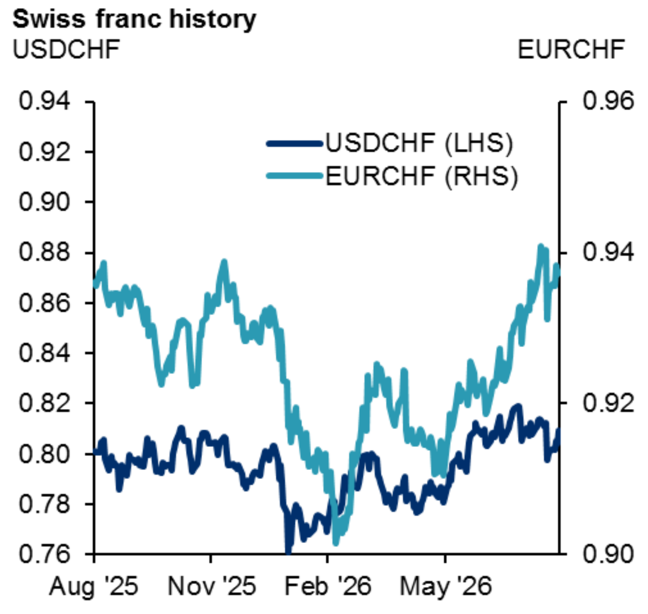
Source: Bloomberg Finance L.P. Data as of August 28, 2026.

Swiss Franc

Even with USD the weakest G10 currency over the past month, CHF also softened and remains among the laggards year-to-date. EURCHF probed the 0.94 marker but failed to sustain a decisive break higher, leading us to nudge our EURCHF outlook up while marking our USDCHF path lower on predominantly USD-driven weakness. With Swiss rates still anchored close to zero, CHF is structurally disadvantaged in a carry-focused FX regime and continues to screen as an efficient funding currency. We still favour CHF-funded carry but increasingly prefer replacing USD as the long leg with higher-yielding G10 currencies such as NOK, alongside selective EM FX. The SNB has reinforced this asymmetry, signalling an “increased willingness" to intervene against excessive CHF strength, effectively limiting tail risks of sharp appreciation and supporting CHF-funded positions. We do not think the intervention threshold is imminent, but the September meeting warrants close monitoring for that matter. Structurally, CHF retains hedging value via safe-haven characteristics, strong public finances, and a persistent current-account surplus that underpins steady inflows.

What we're watching: European growth, broader risk sentiment, SNB intervention signals.

Our view: MY '27: USDCHF: 0.79 (0.77-0.81) EURCHF: 0.92 (0.90-0.94)



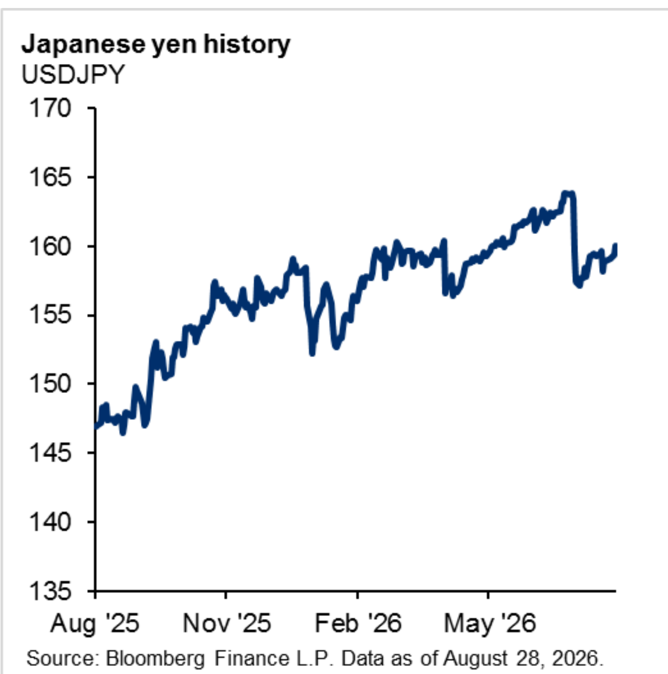
Source: Bloomberg Finance L.P. Data as of August 28, 2026.

Japanese Yen

USDJPY briefly fell into the 156-handle following a rare coordinated U.S.-Japan intervention, before rebounding toward 160. The operation reportedly cost Japan around US$60bn, while the U.S. contributed a more modest US$5-10bn, largely through reallocating holdings from euro into yen assets. Carry positions have since rebuilt, although broader dollar weakness during the month helped keep USDJPY below its prior highs. This highlights continued vulnerability in the FX markets. We believe the root cause of yen weakness is 1) deeply negative real short-term interest rates; and 2) fiscal overhang. The government's costly energy subsidy program following the Iran conflict, together with ambitious fiscal measures such as increased defense spending and upcoming food tax cuts, is adding to concerns over Japan's already stretched public finances. While policymakers are clearly prioritizing FX stability, these headwinds are likely to limit sustained USDJPY downside. We continue to see scope for a more hawkish BOJ path than currently priced by markets. Stabilizing the yen may ultimately require another 3-4 rate hikes over the next 6-12 months, taking the policy rate toward 2%. The July meeting arguably laid the groundwork for such a trajectory. Under this assumption, we remain neutral on USDJPY and expect the pair to trade broadly around the 160 level. More broadly, the yen is no longer functioning as a reliable safe haven. Japan's heightened vulnerability to energy shocks, alongside a structural decoupling between USDJPY and interest rate differentials, has weakened its traditional defensive characteristics.

What we're watching: USD yields, Japan inflation, BoJ policy guidance.

Our view: MY '27: 158 (156 - 160)



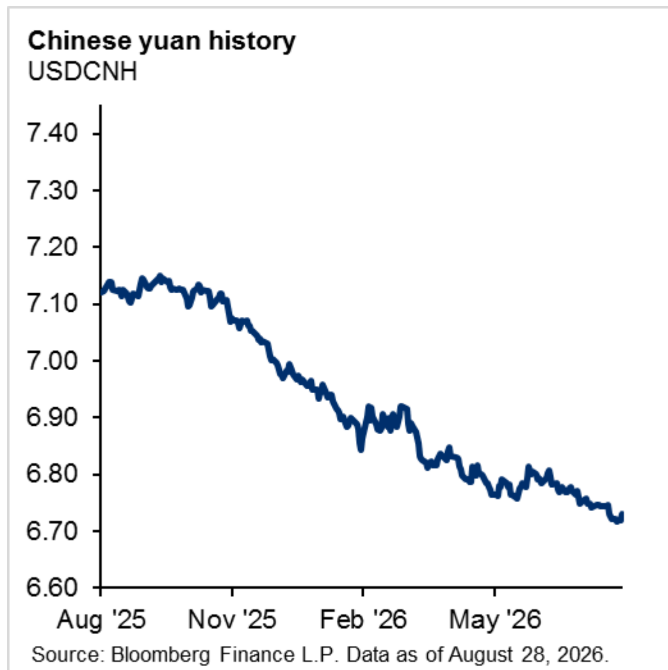
Source: Bloomberg Finance L.P. Data as of August 28, 2026.

Chinese Yuan

USDCNH continued its move lower in August. We continue to expect moderate yuan appreciation, underpinned by three factors. First, exports remain resilient, with June data pointing to roughly 20% YoY growth. Second, exporters' FX conversion ratios are likely to increase as expectations for a stronger yuan gain traction, while sizable trade surpluses continue to accumulate at around USD50bn per month. Third, capital repatriation may increase given the recent taxation campaign. The CNH continues to offer low volatility and attractive funding costs, making it a popular funding currency. However, the risk-reward profile is becoming less compelling as appreciation risks gradually build. Investors without a specific need to hedge China-related assets may wish to diversify their funding mix or reduce FX mismatches within their liability structures.

What we're watching: U.S.-China trade tensions, China policy moves, capital flows.

Our view: MY '27: 6.60 (6.50 - 6.70)



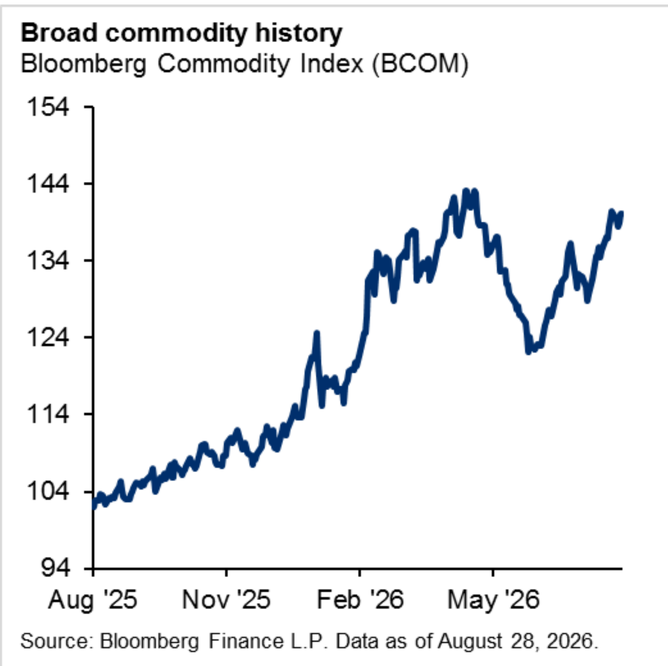
Source: Bloomberg Finance L.P. Data as of August 28, 2026.

G10 Commodity FX

The commodity bloc strengthened sharply in August. While the medium-term outlook for AUD and NZD remains constructive, we would look to re-enter long positions on a pullback. **CAD:** Bearish**.** Cautious on near term volatility with tariff-related volatility risks back in focus. Concerns persist around a soft domestic growth outlook and relatively low carry, which continue to limit the currency's appeal. **AUD:** Neutral from current level as idiosyncratic AUD strength may have peaked with the RBA shifting to a more neutral stance and domestic growth momentum losing steam. AUD still remains an attractive destination for USD diversification with attractive carry and solid terms of trade backdrop. **NZD:** Bullish. NZD has lagged due to weak domestic economic conditions but has scope to catch up, especially as RBNZ embarks on a relatively steep tightening path next 6-12m.

What we're watching: Commodity prices, global growth outlook, central bank divergence

Our view: MY '27: CAD*: 1.39 (1.37-1.41) AUD: 0.72 (0.70-0.74) NZD*: 0.60 (0.58–0.62)



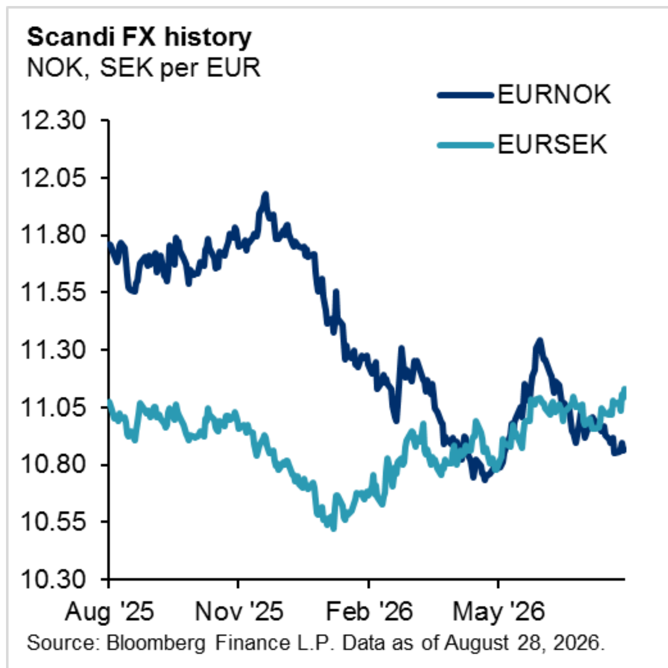
Source: Bloomberg Finance L.P. Data as of August 28, 2026.

Scandi FX

NOKSEK has remained tightly linked to the energy complex, with recent strength in oil and European gas mirrored in the cross's latest movements. At prevailing energy levels, we continue to view 1.01 as the pair's centre of gravity. Beyond commodities, both NOK and SEK are exposed to the euro area business cycle given deep trade and financial linkages, leaving relative terms-of-trade and rates differentials as key drivers. Norway's status as a large net energy exporter has provided an additional tailwind since the escalation of the Middle East conflict, improving income and external balances. NOK also benefits from stronger underlying fundamentals: Norwegian policy rates sit meaningfully above Swedish rates. With Norwegian inflation still elevated—despite some recent easing—carry should remain supportive for NOK even if oil prices retrace. Sweden, by contrast, looks less likely to deliver further rate increases, limiting SEK's scope to gain support through the policy channel. Overall, we expect NOKSEK to remain above 1.00, with risks skewed to the upside.

What we're watching: European and domestic growth, commodity prices, rate differentials, global risk sentiment and FX volatility.

Our view: MY '27: EURNOK: 10.70 (10.50-10.90) EURSEK: 10.80 (10.60-11.00)



Source: Bloomberg Finance L.P. Data as of August 28, 2026.

Emerging Market FX

The bloc outperformed in August. We expect increasing divergence in carry dynamics, alongside rising idiosyncratic political risks.

Latam: BRL: Bullish. Higher oil prices support fiscal and current accounts and real rates remain highest in the region. **MXN**: Bullish. Energy price pressures have been contained and carry remains decent. That said, trade uncertainty remains with the USMCA review.

EMEA: We are neutral on this part of the complex. **ILS**: Bullish. Outlook turning more constructive on high gearing to AI/tech and defense sectors.

Asia: Resilience tested amid energy crunch and capital fight. **INR**: Neutral as capital outflow pressure may have peaked. **TWD:** Neutral. Capital inflows stay robust but carry remains disadvantaged. **KRW**: Turning neutral on BOK tightening and eased equity outflow pressure. **SGD:** Bullish. Supported by safe-haven inflows and expectations of meaningful MAS tightening.

What we're watching: Overall risk sentiment, global trade outlook, central bank divergence.

Our view: MY '27: BRL: 5.15 (4.95 – 5.35) MXN: 17.30 (17.10–17.50) ILS: 2.75 (2.65-2.85) INR: 98.00 (96.00-100.00) TWD: 31.90 (29.90–33.90) SGD: 1.26 (1.24–1.28)

EM currency history
J.P. Morgan EM Currency Index

Source: Bloomberg Finance L.P. Data as of August 28, 2026.

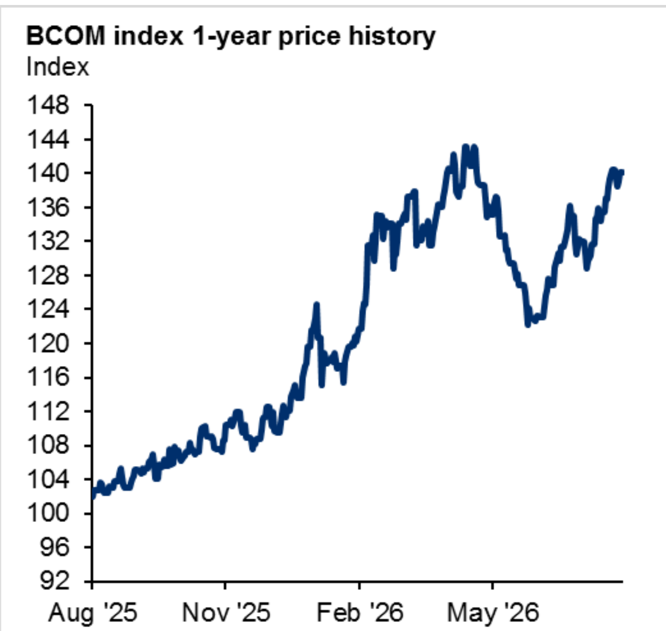
COMMODITY VIEWS

BCOM Index

In August 2026, commodities were a mixed bag: energy and several metals held up better than many farm goods, with day-to-day moves driven by geopolitics, the U.S. dollar, and crop/weather headlines. The Bloomberg Commodity Index (BCOM) is built from 25 exchange-traded commodities: Brent crude, WTI crude, natural gas, low sulphur gas oil, ULS diesel, RBOB gasoline; corn, soybeans, soybean meal, soybean oil, wheat, HRW wheat; copper, aluminum, zinc, nickel, lead; gold, silver; sugar, coffee, cocoa, cotton; live cattle and lean hogs. Oil stayed supported by supply/shipping risk, with the EIA pointing to reduced shipments through the Strait of Hormuz and projecting Brent around $85/bbl on average in Q3 2026. Precious/industrial metals also drew attention: gold rallied late-month to its highest in more than three months, while copper traded near record highs amid tariff and inventory dynamics. In agriculture, USDA commentary highlighted weaker corn yield expectations alongside a strong soybean crop backdrop.

What we're watching: The path of the Iran conflict.

Our view: MY '27: 123-129



Source: Bloomberg Finance L.P. Data as of August 28, 2026.

Gold

Gold rallied 15% in August, with central bank buying appearing to play a key role in ending the correction. Global net purchases have remained firmly positive since Q2, while China alone reported monthly purchases of 8, 10, 15, and 20 tonnes between April and July. In addition, investors gained confidence that peak Fed hawkishness is behind us following the July FOMC meeting and softer-than-expected U.S. jobs data. Debasement concerns also resurfaced as the U.S. Treasury carried out bond buybacks, reinforcing gold's appeal as a hedge against macro uncertainty. We remain bullish on gold over the medium term and expect its safe-haven characteristics to re-emerge as market narratives shift from inflation risks toward growth/debasement concerns. Our outlook into 2027 implies an attractive average 12-month return profile under the “new regime”, anchored by sustained central-bank purchases, albeit without meaningful tailwinds from rates, the USD, or a resurgence in retail participation. Our medium-term constructive view is unchanged, underpinned by reserve-manager demand, rising global fragmentation, and long-term debasement risks. That said, we have moderated our upside ranges to reflect a higher-for-longer interest rate environment. Crucially, we do not view gold as a tactical trade, but as a strategic portfolio allocation with clear diversification benefits. Our analysis of asset-class returns over the past two decades suggests that a 5% allocation to gold in a balanced portfolio can effectively improve the overall Sharpe ratio, potentially enhancing risk-adjusted returns.

What we're watching: Fed policy, central bank purchases

Our view: MY '27: $4,850 – $5,150

Source: Bloomberg Finance L.P. Data as of August 28, 2026.

All outlook estimates represent the midpoint of our range. Rates have a +/-25bps range, and all other outlooks are within the range that is provided. **Estimates, forecasts and comparisons are for illustrative purposes and are as of the dates stated in the material.** Please refer to “Definition of Indices and Terms” for important information. **Outlooks and past performance are no guarantee of future results and investors may get back less than the amount invested.** It is not possible to invest directly in an index.

Crude Oil

Oil in late summer 2026 is being driven by disruption and refining constraints more than by a simple shortage of crude in the ground. 1) The "missing barrels" are showing up in inventories. Since February, visible global oil+product draws have run around ~3 mb/d (roughly 519 million barrels). If you mechanically extend that pace, the market doesn't hit bottom tomorrow—OECD cover could slide toward ~70 days only by late 2027 (with ex-China later)—but the direction of travel matters because low stocks make prices hypersensitive to any new shock. 2) The real pain point is diesel and refined products. Refining has become the bottleneck: global refinery runs are down ~7 mb/d year-over-year even while margins are near record highs, with roughly ~10 mb/d of capacity estimated offline due to unplanned outages/attacks. The U.S. is already running near the high-90% utilization range, leaving limited spare ability to "run harder" if conditions worsen. That's why diesel cracks have been extreme and why "all-in" energy costs can feel shock-like even when crude itself isn't at a new high. 3) Gulf flows are constrained—but also adapting. Tracking exports is harder as more tankers go dark and ship-to-ship transfers increase. Revised estimates suggest recent Persian Gulf exports around ~15–16 mb/d—still well below pre-war levels, but materially above the March trough. This adaptation can moderate crude's upside, even while it keeps volatility elevated. Bottom line: despite the near-term turbulence and product-led squeeze, our year-end oil outlook remains unchanged at $75 per barrel (Brent).

What we're watching: The level of Hormuz throughput and any renewed disruptions, plus whether demand weakness persist as stranded supply returns.

Our view: MY '27: WTI: $59-$65 Brent: $62-$68

Brent crude oil 1-year price history

Source: Bloomberg Finance L.P. Data as of August 28, 2026.

ALTERNATIVES VIEWS

Private Credit

(As of June 2026) AI disruption, markdowns, and elevated redemptions have led to concerns about private credit. Publicly listed BDCs are down ~11% YTD, trading at a ~19% discount to NAV, in contrast to the broadly syndicated leveraged loan market up ~1.5%. But fears of a systemic crisis are overstated in our view. At this point, aggregate fundamentals look stable, with stress concentrated by sector, borrower size, and manager rather than reflecting broad deterioration. Private credit has grown meaningfully (~14% AUM CAGR over the past decade) but remains ~9% of total US corporate borrowing, and overall "risky credit" has been stable at ~20% of US GDP, suggesting a mix shift rather than a step-up in economy-wide risk. The investor base is ~80% institutional, which is generally longer-duration, limiting forced selling. What's more, a majority of private credit is in drawdown, closed-end vehicles. Bank linkages are also contained: loans to public BDCs broadly are ~12.5% of US bank lending, below concentrated exposures seen in past cycles (e.g., real estate at ~53% of bank lending ahead of the GFC). Non-traded BDC redemptions have been running at ~5% of NAV over the past couple quarters (with some vehicles experiencing larger withdrawal requests), and 1Q26 net flows dipped negative for the first time since late 2022. This appears driven by a mix of AI-driven concerns, negative sentiment and portfolio rebalancing rather than a reflection of fundamental deterioration. Importantly, defaults remain at or below historical averages (HY ~2.0%, leveraged loans ~2.6%, private credit ~2.7%). We expect elevated requests to persist over the next few quarters; of note, we believe queues and gating in evergreen funds are standard protective design features, not automatic distress signals. At the macro level, we expect resilient economic growth to continue supporting credit fundamentals. That said, stress is building among smaller borrowers (private credit defaults for borrowers with EBITDA below $25M are tracking at ~14%) and in sectors like autos and retail. Software is a key focus: direct lending has ~21% exposure (~40% including broader tech/services), the highest among credit markets. Software leveraged loan spreads have widened ~270bps YTD to ~790bps, though broader index moves ex-software remain more muted. We view software stress as a 3 to 5 year sector reset rather than an imminent macro credit event, as disruption is likely to be prolonged and uneven. As a simple stress test, if software defaults hit 15% with 40% recovery, credit losses would be ~2% unlevered over time (~4% levered assuming one turn of portfolio leverage) on a ~9% starting yield, painful but contained. Of note, this excludes MTM moves or other portfolio nuances which could make stress more acute. Over the past quarter we have seen modest widening in spreads (~25 to 50bps) and OID, as some of this risk is being priced in. Outside the US, European pressure looks more macro-driven (inflation/rates) than tech-specific. Structural differences including lower leverage, stronger equity cushions, tighter covenants, and drawdown-dominated capital structures offer incremental downside buffer and make Europe a potentially attractive opportunity within a broader private credit portfolio. On positioning, senior secured direct lending can still serve as an alternative source of income. Selectivity is paramount in this environment. Favor managers with diversified sector exposure, seniority in the capital structure, and larger borrowers (EBITDA above $50M). As a sizing framework, we recommend private credit as 15% of a core private market allocation, and it is critical to ensure positioning is appropriately sized given several years of direct lending outperformance. But private credit is more than just direct lending. We favor leaning into "credit complements" as yields in direct lending remain range-bound and pockets of stress emerge. Asset-backed finance offers lower correlation to corporate credit, diverse collateral pools, self-amortizing structures. There are also opportunities arising from Basel IV-driven bank retrenchment, particularly in Europe, though manager expertise is critical given the complexity of the asset class. Private credit secondaries are also a compelling addition, as LP stake transactions are a growing share of deal flow, unlocking high-quality portfolios at wider discounts with durable supply from 2015 to 2021 vintage funds facing deleveraging pressure.

What we're watching: Default and non-accrual trajectories, PIK usage, dividend coverage, AI disruption impact, yields vs. public markets, and whether redemptions shift from sentiment- to credit-driven.

Private Infrastructure

(As of June 2026) Core infrastructure provides two key characteristics to investors: stable returns (supported by long-term, inflation-resilient, contractual cash flows) and less volatile exposure to multi-year trends (acceleration in demand for power, resilient infrastructure escalating to a matter of national security). We believe these characteristics are increasingly relevant today as investors look to create durable portfolios in a shifting macro environment (e.g., elevated rates and inflation - both levels and volatility - vs. recent history) and an increasingly concentrated public equity market. Since 2Q08, core infrastructure has generally delivered mid-to-high single digit returns, with periods of stronger performance, across a range of inflation environments. Let's double-click into the multi-year trends that have historically supported this resilience.

Acceleration in demand for power — but selectivity matters: After two decades of near-zero growth, US power demand is expected to grow at ~2.5% CAGR through 2030, driven by industrialization (reshoring, resurgence of U.S. manufacturing), data centers (driven by growth in AI), and electrification (building electrification, EV growth & charging infrastructure). This acceleration in demand at a time of constrained supply — further exacerbated by the expected retirement of 100–150GW of coal and nuclear plants in the near term — could create a power deficit by 2029, spurring significant investment across the power infrastructure value chain (generation, transmission, distribution, storage) and a resurgence in securing reliable sources of power (e.g., renewed focus on oil & gas in the US, select renewables in Europe). While we believe there is still room to go, the opportunity set is nuanced and entry price and risk management vary meaningfully by sub-sector. Transmission and grid remain the cleanest expression of the theme — decades of underinvestment have created a $550bn+ capex opportunity that utility balance sheets cannot fund alone, offering long-duration, regulated cash flows. Midstream is well-positioned as natural gas demand grows and LNG exports rise. On the cautious side, gas generation valuations have risen on scarcity, nuclear faces long lead times and cost overruns, and speculative data center development without contracted tenants warrants discipline. Renewable energy, despite policy headwinds, remains viable for experienced managers underwriting without subsidy assumptions, with a preference for operating over development assets. Across the board, we recommend partnering with cycle-tested managers who can generate target returns within the initial contract life without relying on aggressive terminal value assumptions.

Resilient infrastructure now a matter of national security: The past couple of years have also showcased in real-time the role that energy plays in influencing the geopolitical landscape. Securing reliable sources of energy/power — not only for essential services but also to power AI — has become a matter of national security. For investors, it means that investment in energy and power infrastructure will be supported by long-term secular forces, and that investing in globally diversified infrastructure is key as the type of asset (and therefore growth) you are getting exposure to will vary by region. This moves beyond just power and energy; it touches all forms of infrastructure (e.g., ports, roads, rails, bridges, telecom). Indeed, NATO's defense spending guidelines initiated in 2025 incorporate guidelines on spending on creating resilient infrastructure (1.5% of a country's GDP). Within midstream specifically, a projected doubling of US natural gas supply over the next five years will require major new infrastructure after years of underinvestment, creating the potential for attractive returns for owners of critical midstream assets.

Building a holistic infrastructure allocation: Importantly, power is only one part of a well-constructed infrastructure allocation. We believe real assets (including RE and infrastructure) should represent ~15% of a core private markets portfolio. Within infrastructure, while constructive on power, core exposures such as asset leasing — cargo/LNG ships, railcars, chassis — and industrial infrastructure are critical complements, providing the diversification, income reliability, and inflation resilience that make infrastructure a durable portfolio building block. Investors have historically had low allocations to the asset class — the JPM 2026 Private Bank Family Office Report found that more than 70% have no exposure to infrastructure, secondaries or gold. The gap between opportunity and allocation is wide. Bottom line, for private investors, core infrastructure presents a unique opportunity to access both consistent returns (backed by contractual, inflation-resilient cash flows) and multi-year secular trends (power demand growth, resilient infrastructure escalating to a matter of national security). The key is disciplined subsector selection and partnering with experienced managers who have navigated prior cycles.

What we're watching: Impact of geopolitical uncertainty on transport, signs of a cyclical slowdown, signs of overinvestment in datacenters, valuations in power infrastructure

Private Real Estate

(As of June 2026) After a period of significant repricing, we believe U.S. commercial real estate is in the early stages of a recovery. Prices troughed in 2023 and have been recovering steadily since, with transaction volume projected to increase 16% year-over-year so far in 2026 and cap rates compressing across most property types. We believe real assets (real estate and infrastructure) should represent approximately 15% of a core private markets portfolio. Unlike the post-GFC recovery, which was amplified by cheap debt, performance at this point in the cycle will hinge on property fundamentals and asset management. A sustained recovery will likely be nuanced, and sector and market selection will be essential.

Demographic tailwinds are reshaping demand for housing. Long-term structural forces are driving durable demand for rental housing across the U.S. Home ownership affordability remains stretched, supply deficits persist, and an aging population is accelerating demand for needs-based housing formats. Senior housing in particular is benefiting from rising occupancy, healthy rent growth, and muted new supply, and is expected to generate the highest NOI growth of any property sector over the next three years. These are not cyclical trends — they are decade-long shifts that we expect to underpin resilient, inflation-linked income for investors.

Supply discipline is creating a recovery in fundamentals. Across most sectors, new construction has slowed materially. Industrial starts are down approximately 60% from 2022 highs, and residential construction remains constrained by cost pressures and policy uncertainty. This supply discipline, combined with resilient occupancy and rent growth, is setting the stage for a meaningful improvement in net operating income. Retail was the strongest performing sector in 2025, led by grocery-anchored formats resilient to e-commerce competition. Industrial vacancies, which likely peaked in 2025, are expected to recover toward 95% occupancy by 2027, after which we expect inflation-plus rent growth. Across sectors, Class A assets in well-located markets are leading the recovery and are expected to see the greatest cap rate compression going forward.

The maturity wall is generating attractive entry points in real estate credit. Hundreds of billions in real estate loans are scheduled to mature over the next two to three years, requiring refinancing at higher rates. Regional banks have materially reduced their CRE lending activity, creating a durable and growing capital gap. Private lenders are stepping in, offering structured strategies with equity-like returns and debt-like downside buffer. With commercial real estate debt origination already recovering — up 43% year-over-year as of Q4 2025 — the opportunity set is expanding, particularly in well-collateralized sectors where fundamentals remain strong.

Beyond the U.S., European real estate is presenting complementary opportunities. Industrial sectors are seeing robust prime rent growth, supported by tight supply and large-scale fiscal stimulus and defense infrastructure investment. Multifamily is expected to continue to have strong demand and rental performance, with almost all major markets experiencing rising rents, coupled with residential construction starts falling sharply.

Bottom line, real estate is undergoing a selective, fundamentals-driven reinvention. The conditions for a sustained recovery are increasingly in place — improving income growth, rising transaction volumes, and a capital gap that is creating attractive entry points across both equity and credit. Investors who are selective about sectors, geographies, and asset quality are well-positioned to capture the next leg of returns.

What we're watching: datacenter and industrial valuations, signs of a macro slowdown, impact of tariffs on input costs, signals of impact of immigration policy on labor and therefore supply

Private Equity

(As of June 2026). The median buyout manager underperformed public markets over the past three years, partly due to the AI-fueled rally in hyperscalers that supported ~20% annualized returns in global public equities. While concerns that PE has “lost its way" are overstated, the industry is stratifying, and elevated purchase price multiples remain a headwind to recent vintages. Relative performance varies by quartile: top managers have consistently outperformed public markets over long-term, while bottom-quartile outcomes have lagged—underscoring why manager selection is paramount. PE continues to offer differentiated exposure across sectors, geographies, and exit routes. Public equity markets are increasingly driven by a single theme: tech+ now represents over 50% of the S&P 500, and the top 10 stocks are among the most correlated they have ever been, creating meaningful single-factor risk. Core PE can provide diversification and alpha potential through differentiated exposure. By sector, buyout generally has more exposure to areas like industrials, healthcare, and financial services—sectors we are constructive on over the long run. By geography, international buyout has typically outperformed public markets. Europe rivals US returns, supported by market fragmentation, a deep mid-market, fewer competing managers, and secular exposure (~30% of European PE deal activity is in tech/telecom vs. ~10% of MSCI Europe). Asia is increasingly compelling: APAC PE delivered a 145% total return over the past decade vs. 83% for MSCI APAC, with India and Japan rising on growth and governance/carve-out tailwinds. By exit route, liquidity is broadening beyond IPOs and strategic sales to include GP-led secondaries and continuation vehicles. Companies are staying private longer and at larger scale during rapid technological change, shifting meaningful value creation to the pre-IPO phase. Going forward, we expect operational improvements—rather than multiple expansion/leverage—to be the primary driver of returns. This reflects a shift in the PE “return equation": from the 2008–2019 era, when multiple expansion and leverage dominated, to a post-ZIRP environment where revenue growth and EBITDA margin expansion matter more. In that context, AI may be the “golden ticket" enabling the operational step-change.

AI disruption presents both opportunity and risk. VC/Growth are backing disruptors in a potential $6T “services as software" market by decade's end—the leading frontier LLM companies added more net new annual recurring revenue in 2025 than the rest of public software combined. On the flipside, concerns around token prices and pace of adoption linger. For buyout, firms that embed AI into operating models can strengthen value creation as labor-intensive services shift toward AI-enabled software delivery. But 2020–2022 SaaS investments underwritten on peak multiples face risk as AI erodes labor-scaled models; companies with embedded AI may compound, while others face obsolescence.

Capital markets activity is a solid leading indicator for exits. If global M&A volumes hold pace, IPO issuance accelerates, and GP-led secondaries maintain their growth trajectory, capital market activity this year could outpace 2021— plausible in our view. Against that backdrop, discipline around commitment pacing matters more as distributions may pick up over the next 12–24 months. That said, gains won't be evenly distributed. Industry cash flows for VC/Growth could flip positive as lock-ups expire and mega-IPOs potentially hit the market, but gains likely concentrate in GPs with early access to category leaders. Within buyout, distributions will likely be driven by managers with access to high-quality assets. Takeaway: dispersion widens, concentration persists, and manager selection becomes the key lever for LPs. Do mega-IPOs end the “majority of AI value accrues to private markets" thesis? We don't think so. The structural shift toward longer private holding periods remains intact; what's changing is the role public markets play. For companies of today's scale, the IPO is increasingly a liquidity and access venue, not a growth venue alone — much of the value has already been created privately. The median tech company at IPO is ~1.5x older and ~4.5x larger than in the '90s. Meta IPO'd around ~$80B and Google around ~$23B; in prior eras, more value accrued post-IPO. Today's AI leaders, if they list, may do so at hundreds of billions or trillion-dollar levels. Implication: public equity exposure alone isn't enough; investors should consider complementing it with next-gen AI innovators and differentiated return streams via buyout, particularly given that 85–95% of companies globally with revenues >$100M are private.

In conclusion, PE and VC/Growth remain critical components of a core private markets allocation, but the environment demands selectivity. Within PE, we favor diversification across sector, size, and geography—balancing tech with industrials/financial services; mid-market with large buyout; and the US with Europe, India, and Japan. Within VC, we are constructive on managers aligned to secular themes with long-term tailwinds, such as applied AI and security. Across both, secondaries deserve a dedicated allocation: they mitigate the J-curve, provide visibility into underlying assets—reducing blind pool risk—and offer diversification across vintage year and manager.

What we're watching: AI disruption potential, capital market activity (dealmaking, exit activity, dry powder, fundraising levels), valuations

Hedge Funds

(As of June 2026). We believe hedge funds can serve as a critical diversifier, one that is increasingly necessary in today's market environment, where stock-bond correlations have grown volatile amid elevated inflation and interest rate swings driven by geopolitical fragmentation, persistent rolling inflation shocks, and fiscal activism.

A supportive macro backdrop. The environment for hedge fund alpha generation is shaped by three key drivers: realized rate and equity market volatility, stock dispersion, and risk-free rates. Elevated volatility creates trading opportunities for statistical arbitrage and multi-strategy managers—and notably, single-stock volatility in the US is at its highest level since COVID. High dispersion, currently above the 90th percentile of its 10-year history, enhances alpha opportunities for fundamental stock-pickers. Meanwhile, risk-free rates remain elevated, providing a tailwind through cash balances and short-interest rebates. Taken together, the current environment is well-suited for a broad range of hedge fund strategies, as the key ingredients for alpha generation are firmly in place: elevated volatility, elevated dispersion, and risk-free rates above 2%.

History supports the thesis. Hedge funds have historically provided solid diversification benefits, with some substrategies (like macro hedge funds) providing less correlated return streams and the ability to generate alpha in volatile markets. Over the past decade, adding a 10% allocation to a top-decile hedge fund manager within a 60/40 (funded from fixed income) would have improved the overall Sharpe ratio (from 0.48 to 0.6) thanks to a smoother ride through lower drawdowns. It is worth noting that these figures reflect top-decile manager outcomes and are not representative of the broader hedge fund industry—who you invest with is the single most important variable in determining outcomes. One recent example is 2022: top macro and relative value managers were up (some generating double-digit returns) while equities and fixed income fell anywhere from 15–30%, and the broader hedge fund universe was down ~5%. 2025 & 2026 performance through May. As a reminder, 5 of 8 hedge fund industry categories outperformed the Bloomberg Global Aggregate in 2025. That momentum has carried into 2026: through May, hedge funds are up ~7%, comfortably ahead of the Bloomberg Global Aggregate's +50bps return over the same period. Performance has been broad-based, with every major strategy in positive territory—Equity Fundamental L/S (+10.9%), Systematic Macro/CTA (+8.0%), and Event Driven (+7.4%) leading the pack, while even the laggards (Relative Value +3.3%, Credit +3.4%) outpaced the Global Agg. By region, Asia-focused hedge funds have stood out, driven by exposure to China tech and Japan. (Source: Goldman Sachs Prime Services, May 2026)

Where we have conviction. Within hedge funds, we are most constructive on strategies well-positioned for the current environment: relative value and macro (e.g., statistical arbitrage, discretionary macro), as well as merger arbitrage, supported by an improving dealmaking environment. High dispersion enhances alpha opportunities for stock-pickers and relative value managers, while elevated volatility creates additional trading opportunities across systematic strategies. On the dealmaking side, capital market activity this year is on pace to be the largest since 2021—driven by strong M&A and IPO activity—which is constructive for merger arbitrage. Additionally, beyond hedge fund's diversification role, they also offer a powerful vehicle for capturing thematic opportunities. Implemented through hedge funds, thematic investing becomes a dynamic, risk-aware approach to capturing alpha, combining long-term structural themes (such as Japan corporate governance, biotechnology, quant, and artificial intelligence) with shorter-term opportunistic and event-driven themes (such as merger arbitrage) within a disciplined portfolio framework.

What we're watching: signs of deleveraging and crowding; alpha generation drivers

VOLATILITY VIEWS

Equity Vol

August brought a sharp drop in single-stock and sector volatility from July's extremes. July's selloff in high-momentum winners forced crowded trades to be reduced quickly ("de-leveraging"), which left positioning cleaner. With fewer investors positioned the same way, day-to-day price swings have taken a breather. Consistent with cooler price action, single-stock "tail risk" (the options market's implied probability of unusually large moves in either direction) re-priced meaningfully lower. This has been most visible in Semiconductors, although the market's expected range of outcomes remains elevated vs history. The decline in single stock volatility came along a swift drop in dispersion, meaning more stocks moved together. We view this as a reset, not a trend change: dispersion should remain a key feature in an AI-driven market. Short-dated S&P 500 implied volatility ground to fresh YTD lows. With long-dated U.S. yields rising, macro may become more dominant and correlations can rise—we're watching the speed of rate moves as a catalyst for options to reprice near-term index risk. **Our view**: Longer-dated Semi volatility remains high vs history; consider structured notes to monetize it with defined guardrails. Put-writing remains a core overlay for suitable investors.

What we're watching: Rate of change in interest rates, spread between single name and index volatility, blockbuster IPOs

Macro Vol

Macro volatility stayed active in August, with rates, gold, and credit diverging from the equity volatility melt. In U.S. rates, the back end delivered the headline realized moves, but the options market reaction was more contained. Long-dated swaption implied vols haven't repriced nearly as much as the cash market's swings might suggest. That said, in the early Warsh era, rate options have maintained a higher baseline level of volatility, suggesting investors expect event risk to remain more persistent. Gold caught momentum as benign US inflation and weaker payrolls supported the "Fed on hold" narrative and sparked a bid to the metal. The ~13% August rally also brought back a familiar regime: spot up, vol up. Credit is pricing the AI build-out more cautiously than equities. We're watching a growing divergence in hyperscalers: while their equity vol cratered from July's extremes, CDS (Credit Default Swap) spreads on many of the same names widened further. The widening reflects both a supply story (more long-dated tech issuance competing with sovereign supply) and a fundamental story as capex plans move higher, keeping balance-sheet questions in focus. For now, hyperscaler credit seems to show more anxiety than equities.

What we're watching: Warsh's soundbites, long end rates and inflation expectations, Hyperscaler CDS spreads

Cross Asset Volatility Monitor						
Underlier	1 Month			1 Year		
	Vol	MoM Change	Historical	Vol	MoM Change	Historical
Equities - 100% Strike Implied Volatility						
S&P 500 Index	12.83	-2.08		17.17	-1.48	
EURO STOXX 50 Index	13.11	-2.46		17.32	-0.45	
Tokyo SE (TOPIX) Index	19.43	-7.50		19.53	-4.18	
Rates - SOFR Swaptions ATMF Strike Implied Volatility (BP, Annualized)						
1Y	75.21	-14.14		94.18	-6.62	
5Y	78.55	-7.35		86.86	-2.96	
10Y	68.95	-3.20		80.92	-0.93	
Commodities - ATMF Strike Implied Volatility						
Oil (Brent)	54.80	-6.25		31.62	-2.53	
Gold	25.25	3.98		23.30	1.31	
Currencies - ATMF Strike Implied Volatility						
EUR/USD	5.50	0.15		6.20	0.05	
USD/JPY	7.50	1.17		8.34	0.05	
USD/CNH	1.84	-0.27		3.32	0.02	

1) Source: J.P. Morgan. Data as of August 24, 2026
2) ATMF refers to "At the Money Forward"
3) The illustration references the historical implied volatility over the last year.
Green dot denotes high, red dot low, and blue dot current
4) Historical 1 year window observed for the range

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THIS DOCUMENT

We explore the outlook for economies and markets and provide year-ahead views across asset classes.

OUR MISSION

The Global Investment Strategy Group provides industry-leading insights and investment advice to help our clients achieve their long-term goals. They draw on the extensive knowledge and experience of the Group's economists, investment strategists and asset-class strategists to provide a unique perspective across the global financial markets.

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DEFINITIONS OF INDICES AND TERMS

Currencies and Central Banks

- USD – US dollar
- DXY – U.S. Dollar Index indicates the general initial value of the USD. The index measures this by averaging the exchange rates between the USD and major world currencies.
- EUR – Euro
- JPY – Japanese yen
- GBP – British pound
- CHF – Swiss franc
- CAD – Canadian dollar
- AUD – Australian dollar
- NOK – Norwegian krone
- MXN – Mexican peso
- BRL – Brazilian real
- CNH – Offshore deliverable renminbi
- CNY– Onshore non-deliverable renminbi
- RMB – Chinese renminbi
- KRW – Korean won
- INR – Indian rupee
- SGD – Singapore dollar
- SEK – Swedish krona
- XAU – Gold
- RUB – Russian ruble
- TRY – Turkish lira
- BCB – Central Bank of Brazil
- BoC – Bank of Canada
- BoE – Bank of England
- BOJ – Bank of Japan
- CBR – Central Bank of Russia
- CBRT – Central Bank of the Republic of Turkey
- CBRA – Central Bank of the Republic of Argentina
- ECB – European Central Bank
- Fed – Federal Reserve
- SNB – Swiss National Bank

Additional abbreviations

- Bbl – Barrel
- Bps – Basis points
- Bcf – Billion cubic feet
- BoP – Balance of Payments
- BTP – Italian government bonds
- Bund – German government bonds
- CFTC – Commodity Futures Trading Commission
- COVID-19 – Coronavirus disease 2019
- DM – Developed Markets
- EM – Emerging Markets
- EMEA – Europe, Middle East and Africa
- FDI – Foreign Direct Investment
- FX – Foreign Exchange
- G10 – The Group of Ten is made up of 11 industrial countries that consult and cooperate on economic, monetary and financial matters
- GDP – Gross Domestic Product
- HY – High yield
- IG – Investment grade
- JGB – Japan government bond
- LATAM – Latin America
- OPEC – Organisation of the Petroleum Exporting Countries
- Oz. – Ounce
- REER – Real Effective Exchange Rate
- SPX – S&P 500
- UK – United Kingdom
- UST – U.S. Treasury note
- WTI – Western Texas Intermediate
- YTD – Year-to-date

Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool. All indices denominated in U.S. dollars unless noted otherwise. All data sourced from Bloomberg Finance L.P. as of May 09, 2025, unless noted otherwise.

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The **Bloomberg Commodity Index (BCOM)** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

The **Bloomberg US Agg Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The **JPM Corporate Emerging Market Bond Index (CEMBI)** series was launched in 2007 and was the first comprehensive USD corporate emerging markets bond index. There are two root versions of the CEMBI with a Diversified overlay for each version: the CEMBI and the CEMBI Broad. The CEMBI Broad Diversified version is the most popular among the four versions largely due to its issuer coverage and diversification weighting scheme.

The **CSI 300 Index** is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. Index has a base level of 1000 on 12/31/2004. * Due to our agreement with CSI, shares in the index are restricted, please visit SSIS<go> for more information and access. This ticker holds prices fed from Shenzhen Stock Exchange.

The Citi **Economic Surprise Indices** measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

The **Emerging Market Bond Index Global (EMBI Global)** was the first comprehensive EM sovereign index in the market, after the EMBI+. It provides full coverage of the EM asset class with representative countries, investable instruments (sovereign and quasi-sovereign), and transparent rules. The EMBI Global includes only USD-denominated emerging markets sovereign bonds and uses a traditional, market capitalization weighted method for country allocation.

The **J.P. Morgan Asia Credit Index (JACI)** aids in evaluating investment opportunities in fixed rate USD denominated bonds issued in Asia ex Japan region. It follows a traditional market capitalization technique similar to the EMBI and the CEMBI Index series.

The **MSCI All World Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1987. MXWD includes both emerging and developed world markets.

The **MSCI AC Asia ex Japan Index** captures large and mid-cap representation across two of three Developed Markets countries (excluding Japan) and eight Emerging Markets countries in Asia. With 609 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the index include: Hong Kong and Singapore. Emerging Markets countries include: China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

The **MSCI China Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1992. This index is priced in HKD. Please refer to M3CN Index for USD.

MSCI AC ASEAN Index (former: MSCI South East Asia Index) captures large and mid-cap representation across 4 Emerging Markets countries and 1 Developed Market country.

The **MSCI India Index** is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1992.

The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index consists of 23 developed market country indexes.

The **Nikkei**-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949, where the average price was ¥176.21 with a divisor of 225. *We are using official divisor for this index

The **Russell 2000 Index** is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990. See MDY US Equity <GO> for the tradeable equivalent.

The **Standard and Poor's 500 Index** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941–43 base period.

The EURO **STOXX 50 Index**, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the region. The index covers 50 stocks from 11 Eurozone countries. The index is licensed to financial institutions to serve as an underlying for a wide range of investment products such as exchange-traded funds (ETFs), futures, options and structured products.

The **STOXX Europe 600 Index (SXXP Index):** An index tracking 600 publicly traded companies based in one of 18 EU countries. The index includes small cap, medium cap, and large cap companies. The countries represented in the index are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Holland, Iceland, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange.

Key Risks

- Investments in smaller capitalization companies often involve significantly greater risks than the securities of larger, better-known companies because they may lack the management expertise, financial resources, product diversification and competitive strengths of larger companies. The prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies, as these securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects. In addition to liquidity risks, when selling large positions in small capitalization securities, the seller may have to sell holdings at discounts from quoted prices or may have to make a series of small sales over a period of time, and dividends are not guaranteed.

- Investments in commodities may have greater volatility than investments in traditional securities. The value of commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Investing in commodities creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

    - Investing in alternative assets involves higher risks than traditional investments, including, without limitation, limited liquidity and valuation risk, and is suitable only for investors with sufficient knowledge and sophistication to evaluate the merits and risks of such investments. Alternative investments should not be deemed a complete investment program, and distributions are not guaranteed. They may not be tax efficient, and an investor should consult with their tax professional prior to investing. Alternative investments often have higher fees than traditional investments, and they may also be highly leveraged and engage in speculative investment techniques, which can magnify investment loss or gain, including the risk of loss of the entire investment. For comprehensive details regarding the unique risks of specific alternative investments, please consult the offering memorandum.

    - The price of equity securities may rise or fall due to changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Share values can rise with strong earnings or positive market expectations, but they can also fall due to weak earnings or negative sentiment, and dividends are not guaranteed.

- Investing in fixed income products is subject to certain risks, including interest rate, credit, inflation call, prepayment and reinvestment risk. Any fixed income security sold or redeemed prior to maturity may be subject to substantial gain or loss.

- Preferred securities are typically long dated securities with call protection that fall in between debt and equity in the capital structure. Preferred securities carry various risks and considerations which include: concentration risk; interest rate risk; lower credit ratings than individual bonds; a lower claim to assets than a firm's individual bonds; higher yields due to these risk characteristics; and “callable” implications meaning the issuing company may redeem the stock at a certain price after a certain date.

- Investors should understand the potential tax liabilities surrounding a municipal bond purchase. Certain municipal bonds are federally taxed if the holder is subject to alternative minimum tax. Capital gains, if any, are federally taxable. The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the Alternative Minimum Tax (AMT).

- Holders of foreign securities can be subject to foreign exchange risk, exchange-rate risk and currency risk, as exchange rates fluctuate between an investment’s foreign currency and the investment holder’s domestic currency. Conversely, it is possible to benefit from favorable foreign exchange fluctuations.

    - International investments may not be suitable for all investors. International investing involves a greater degree of risk and increased volatility. Some international markets may not be politically or economically stable. Foreign holdings are subject to currency risk, as fluctuations in exchange rates between the investment’s foreign currency and the holder's domestic currency can affect the value of the investment.

- Investing in emerging markets involves a greater degree of risk and increased volatility compared with developed markets. Changes in currency exchange rates and differences in accounting and taxation policies outside the investor's jurisdiction can raise or lower returns. Some markets may not be as politically and economically stable, and differences in taxation policies and legal systems outside the investor's jurisdiction may create additional risks. Investors should carefully consider these risks and consult with financial and legal advisors before investing in emerging markets.

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