

Asset Allocation Perspectives

July 2026

Market Outlook and Key Investment Themes

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Summary of Outlook

Supportive Macro Conditions but Less Forgiving Markets

- The earnings/capex cycle and a firm economy set a constructive backdrop going into the second half of the year.
- Unresolved geopolitical and inflation risks, along with demanding valuations, will increase volatility and cap upside.

Fixed Income Yields Are Attractive and Should Help Deliver Solid Forward Returns

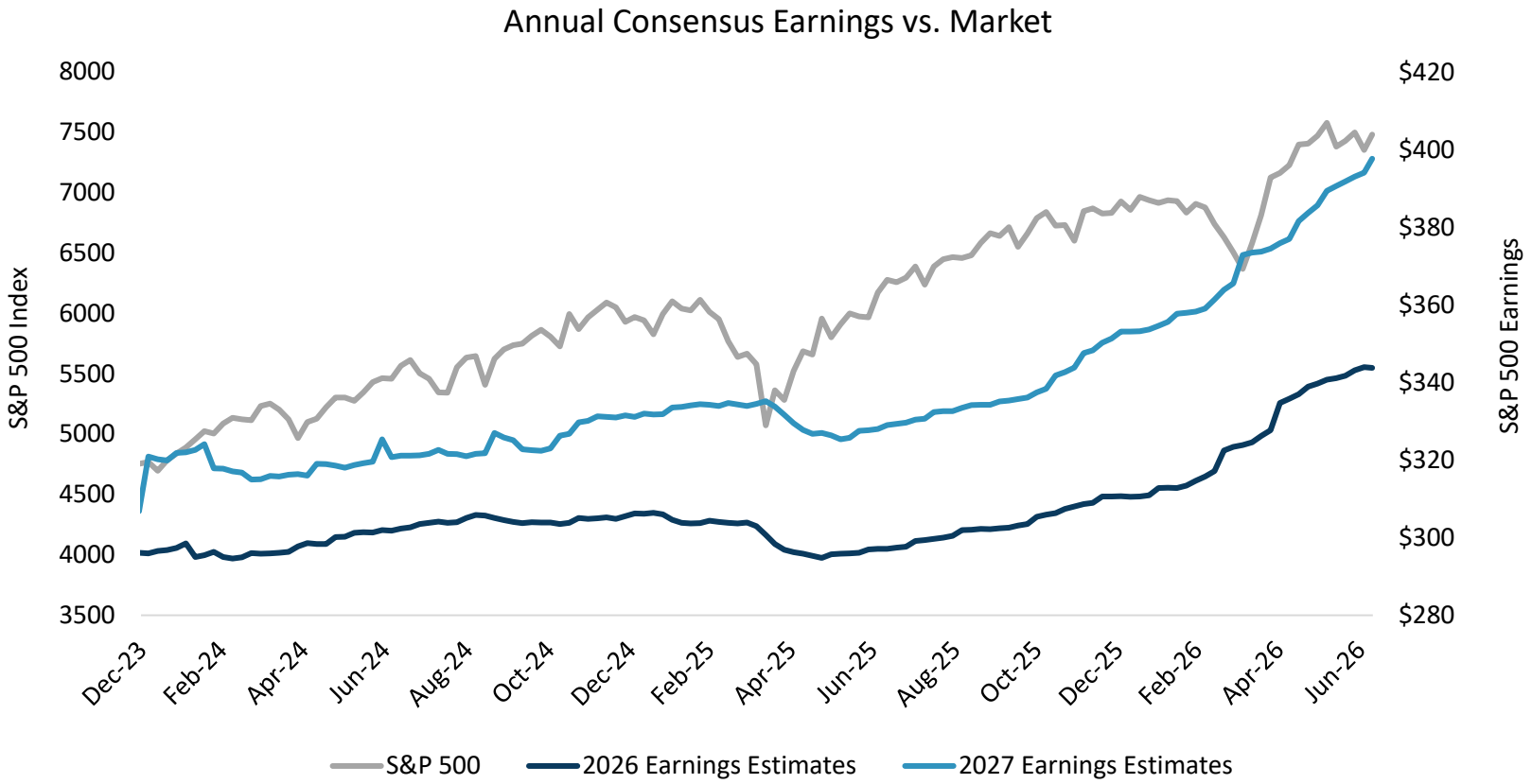
- Moderating core inflation and unimpressive labor markets suggest the Fed can stay on hold for the balance of the year.
- Given rangebound rates, active credit risk management and relative value tilts are key to adding return beyond income.

Broadening and Robust Earnings Cycle Provides Strong Underpinning for Equities

- Limiting factors are high expectations and valuations, rather than growth or an Aggressive Fed.
- A balanced risk approach is key, with an overweight to the US and equities, coupled with non-AI sector diversification.

The Earnings/Capex Tailwind Has Provide a Strong Pull Upward for Risk Assets

- Consensus 2026 and 2027 EPS growth expectations have been revised sharply higher
- Supported by a robust AI capex cycle, this has been the primary tailwind and has kept markets resilient

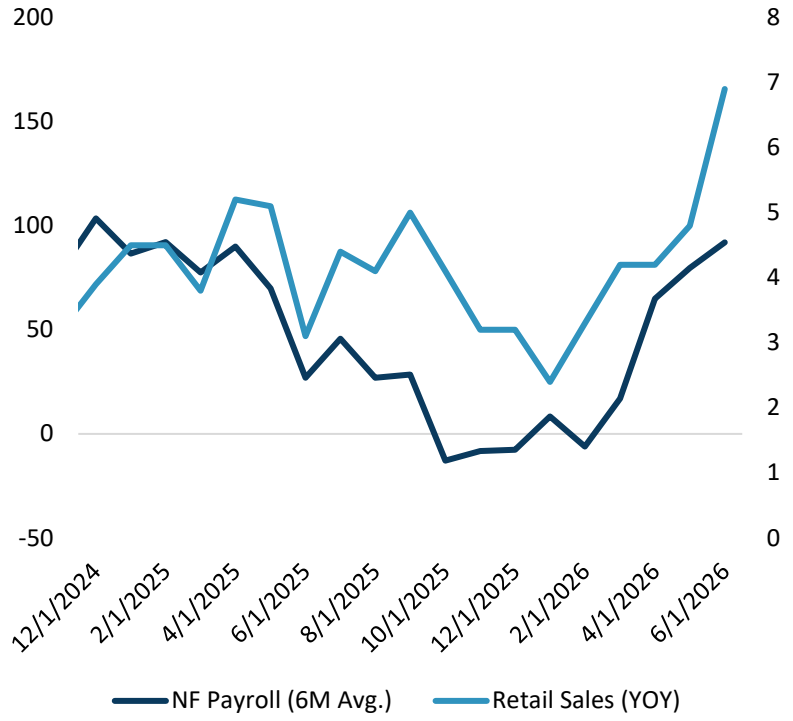


Source: Bloomberg as of 7/09/2026

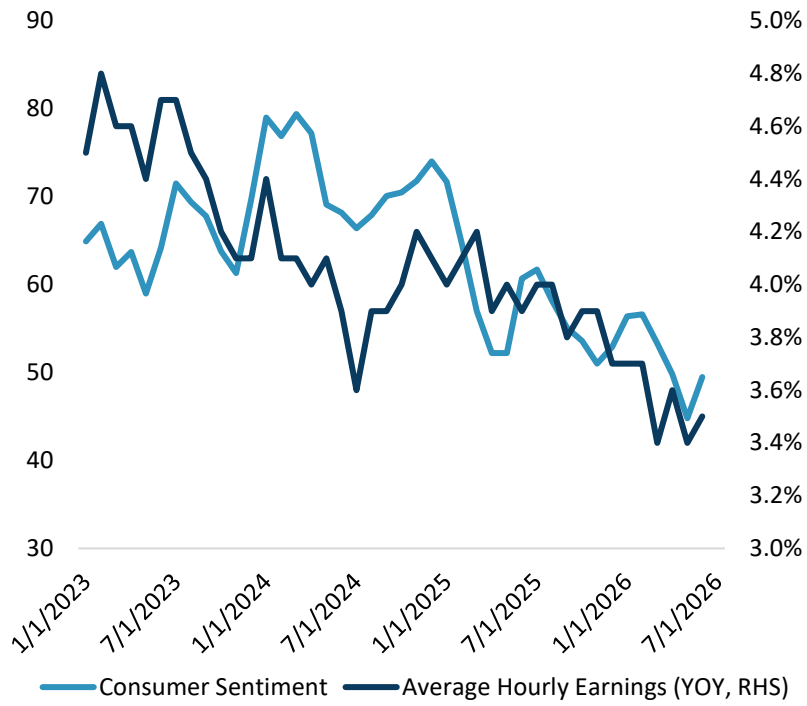
Consumer Spending in 1H Could Be Tested by Sentiment and Wages in the 2H

- Consumer resilience and an uptick in job growth have also been supportive to markets
- Dampening sentiment, lower wages, and elevated energy prices could test this resilience in 2H

Stable Jobs and Consumer Spending



Wage Growth and Sentiment

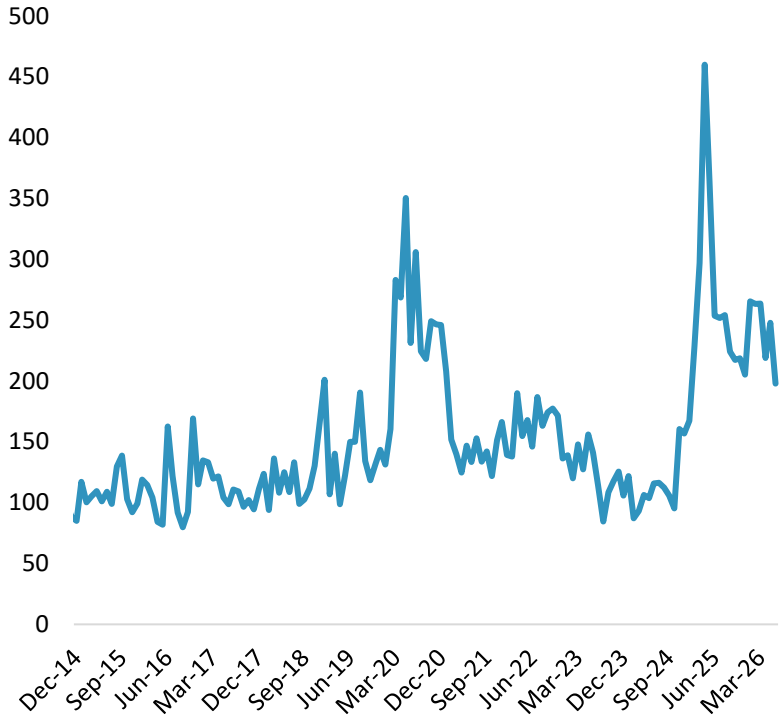


Source Bloomberg as of 6/302026

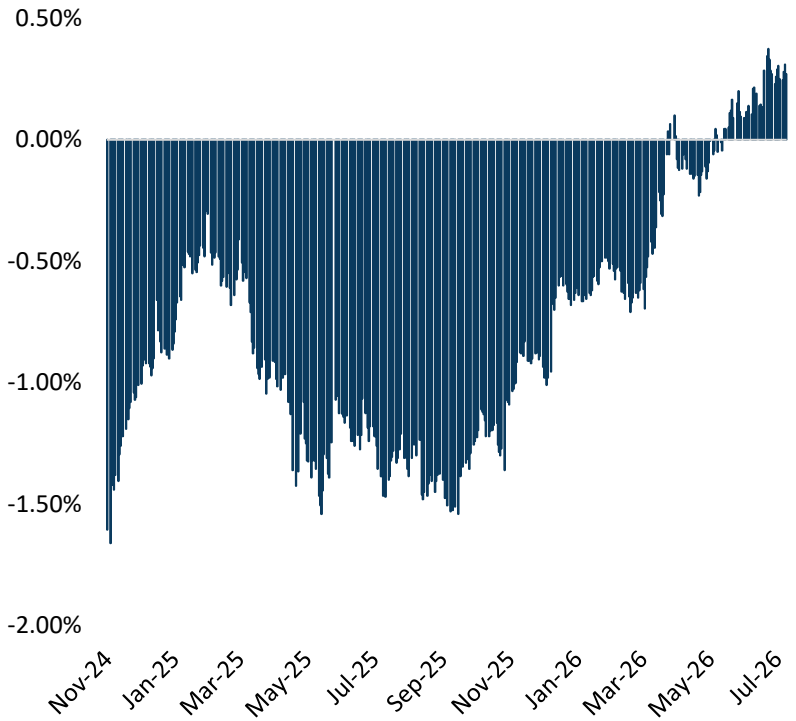
Wider Policy Outcomes, Uncertainty on Inflation and Iran Will Increase Volatility

- Shifting messaging on economic policy and unresolved geological risks will feed equity swings
- A less transparent Fed and a more tenuous growth/inflation balance will also keep rates volatile

US Economic Policy Uncertainty Index



Change in Expected Fed Fund Rate
(Fed Hike/Cut Futures Pricing)

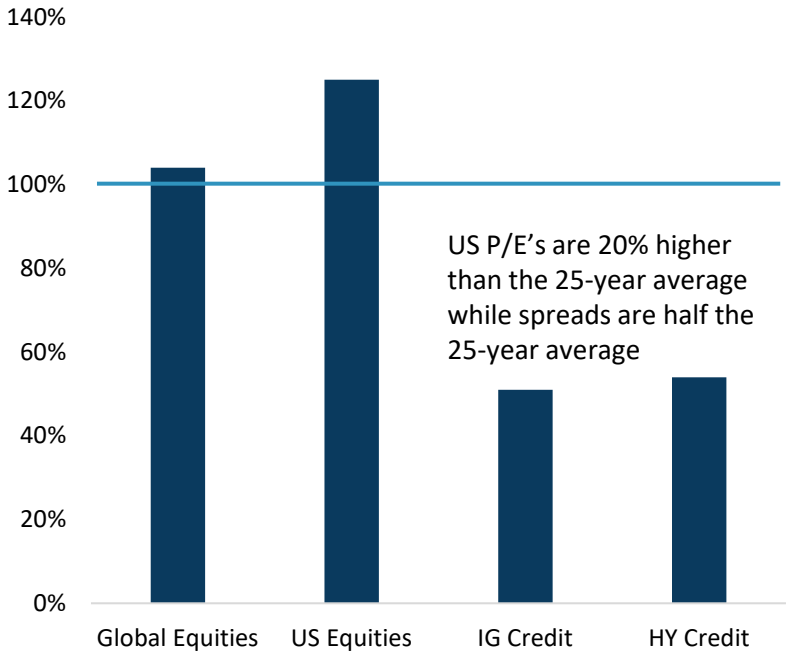


Source: Bloomberg as of 6/30/2026. Fed path based on Dec-26 SOFR pricing.

Less Compensation for Risk and Aggressive Positioning Create a Less Forgiving Market

- Valuations can be sustained if good news continues, but they offer less cushion for bad news
- Positioning is aggressive with most households historically geared toward price returns over income

Equity P/E's and Credit Spreads:
Percentage of 25-Year Average



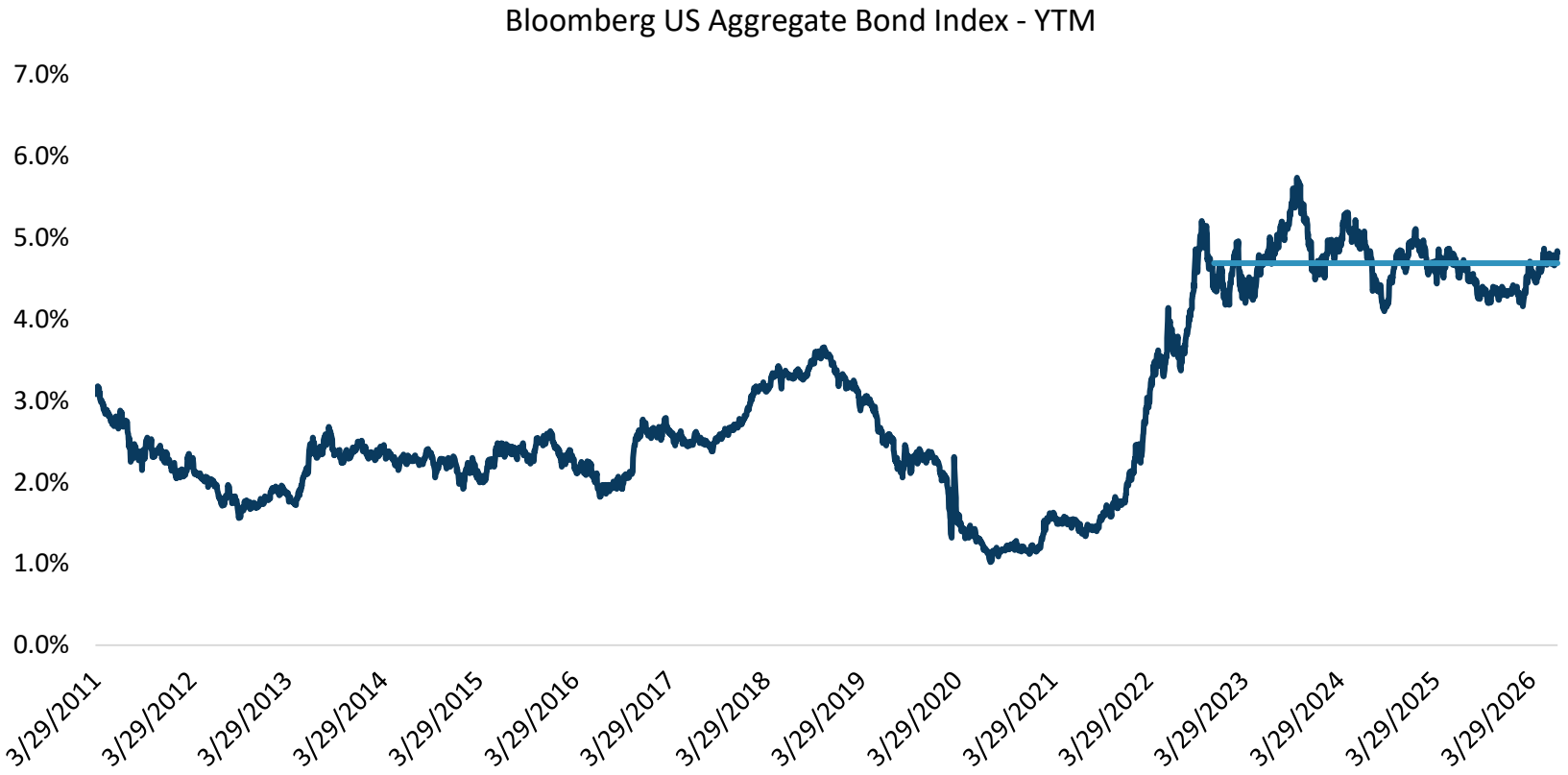
US Household Net Worth in Equities



Source: Sage, Bloomberg as of 6/30/2026

Fixed Income Outlook: Expect Rangebound Rates and Solid Income-Driven Returns

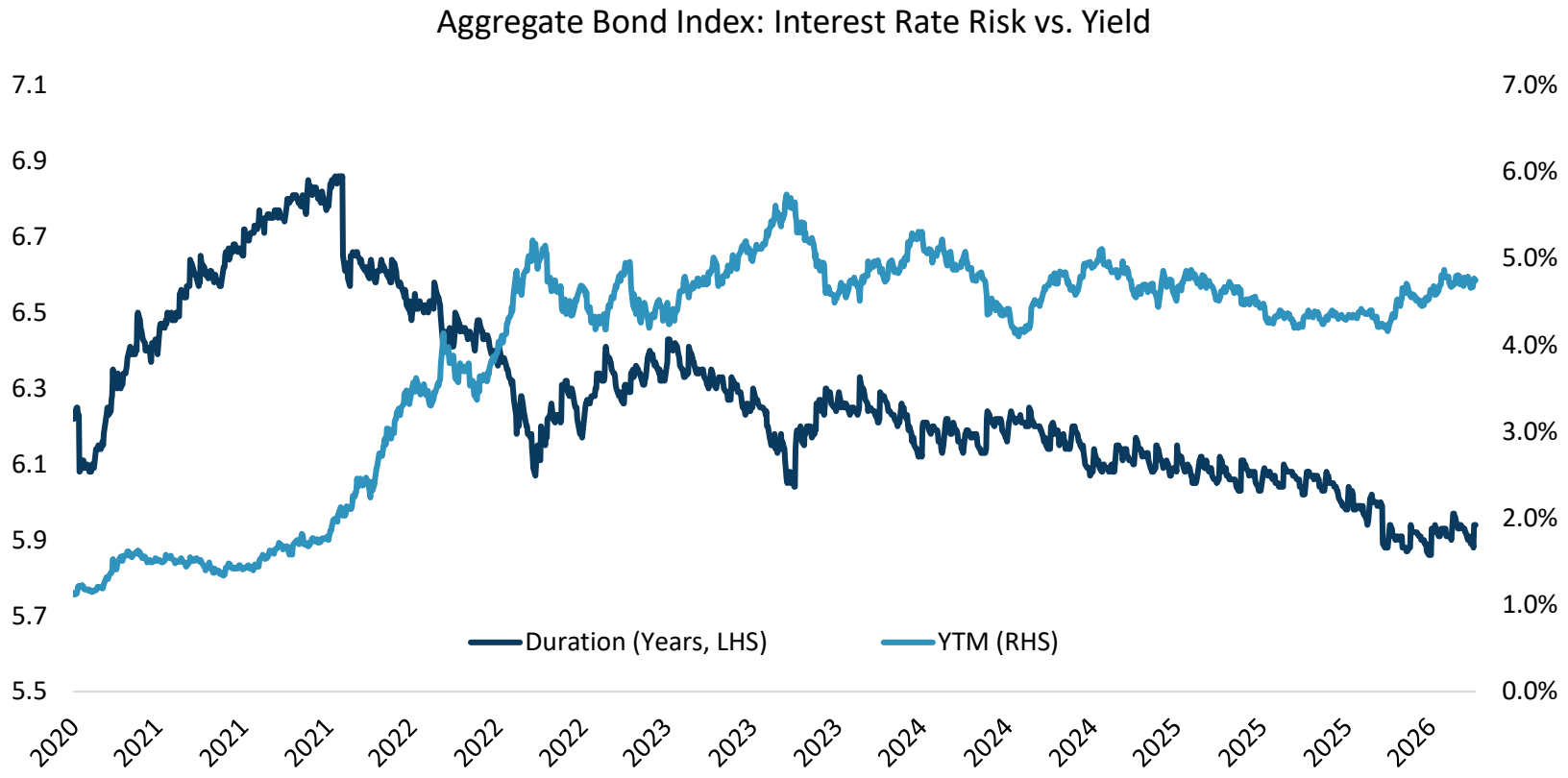
- Modest growth and muted core inflation suggest the Fed can stay on hold for the balance of the year
- Investors should focus on attractive yield levels overall and an active approach to managing credit risk



Source: Sage, Bloomberg as of 7/3/2026

Don’t Fear Duration: The Risk/Reward in Core Fixed Income Has Improved

- Duration that comes with attractive yield is a good diversifier to equity risk
- Since the end of 2021 yields are almost 3% higher in core bonds while index duration is a year less

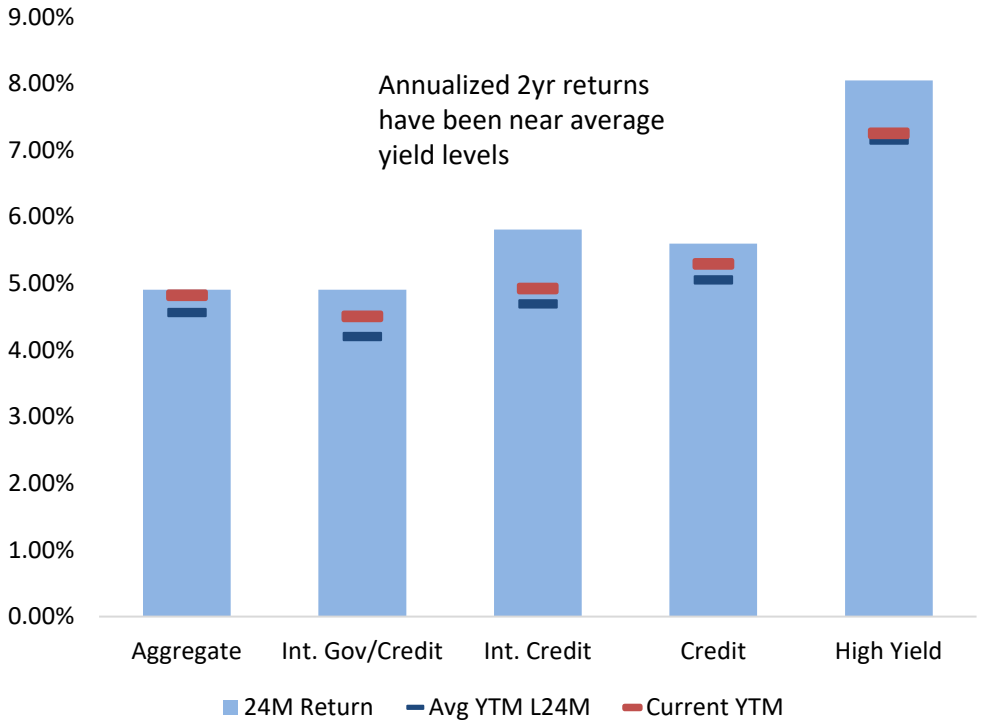


Source: Sage, Bloomberg as of 7/3/2026

Forward Returns Are Tied to Yield Levels and the Outlook Looks Good

- Despite rate volatility, fixed income returns have delivered average annual returns of 5% to 8%
- Going forward, the outlook at current yield levels is compelling

Average Yields and Returns Over the Last 24 Months



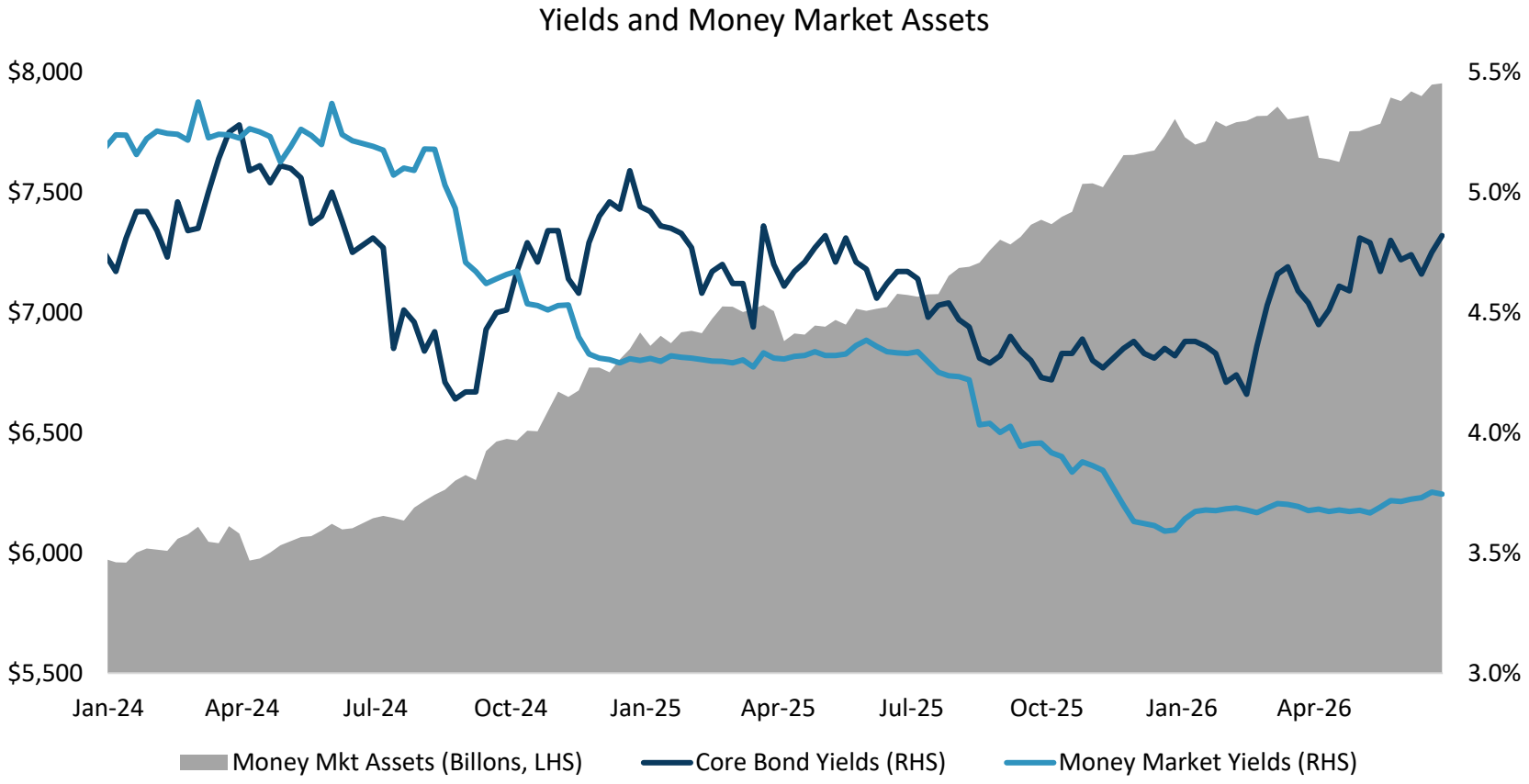
Forward Returns Given Starting Yields

Yield Level	% of Time Positive Returns	Average Annualized 5-yr Fwd. Return
<3%	81%	1.65%
3–4%	97%	2.70%
4–5%	100%	5.00%
5%+	100%	6.70%

Source: Sage, Bloomberg as of 7/3/2026

Intermediate and Core Duration Fixed Income Are in the Sweet Spot

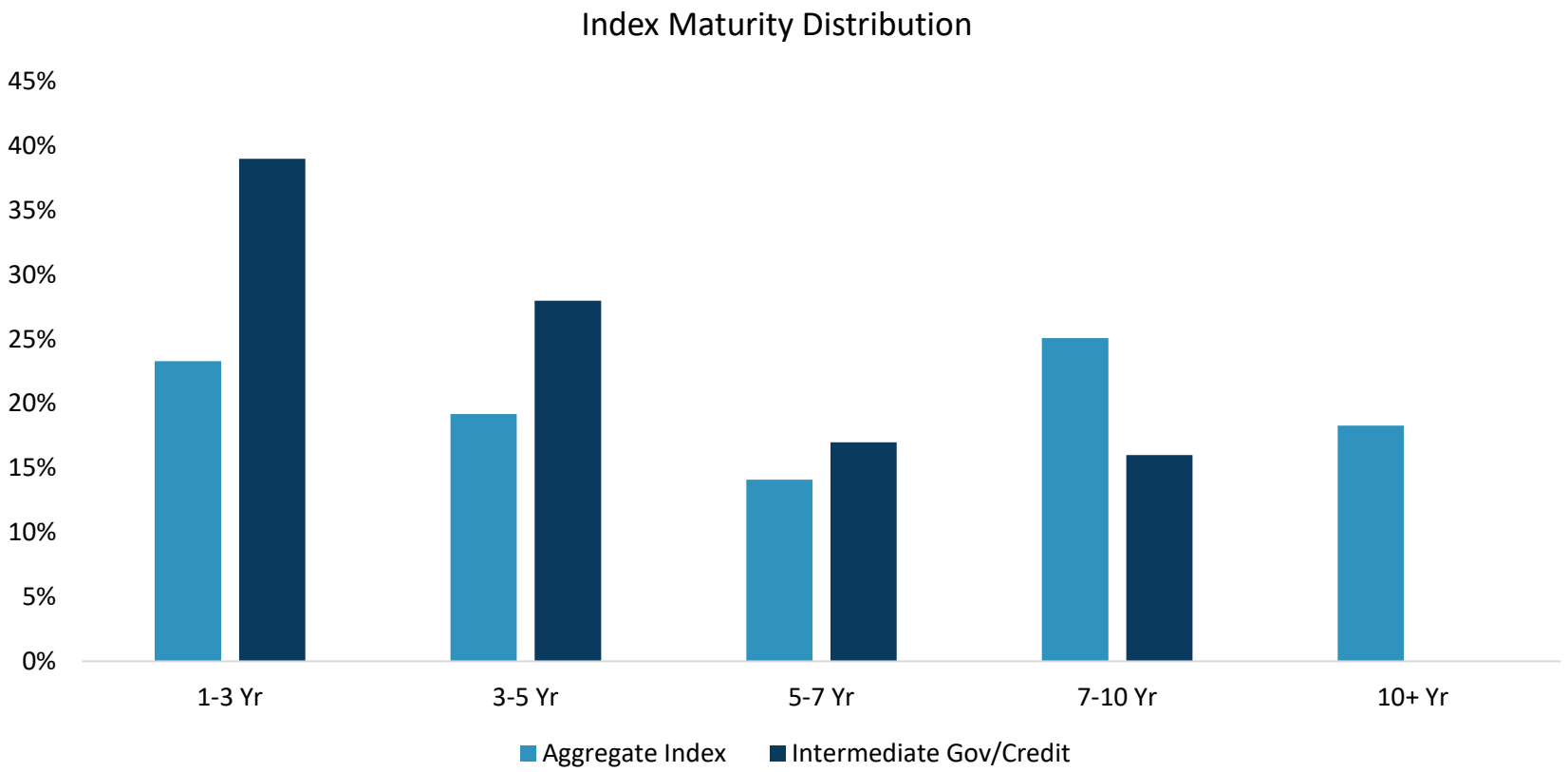
- Investors have leaned on money market yields the last two years
- But they are sacrificing yield and not utilizing the benefits of duration as a diversifier



Source: Sage, Bloomberg as of 07/08/2026

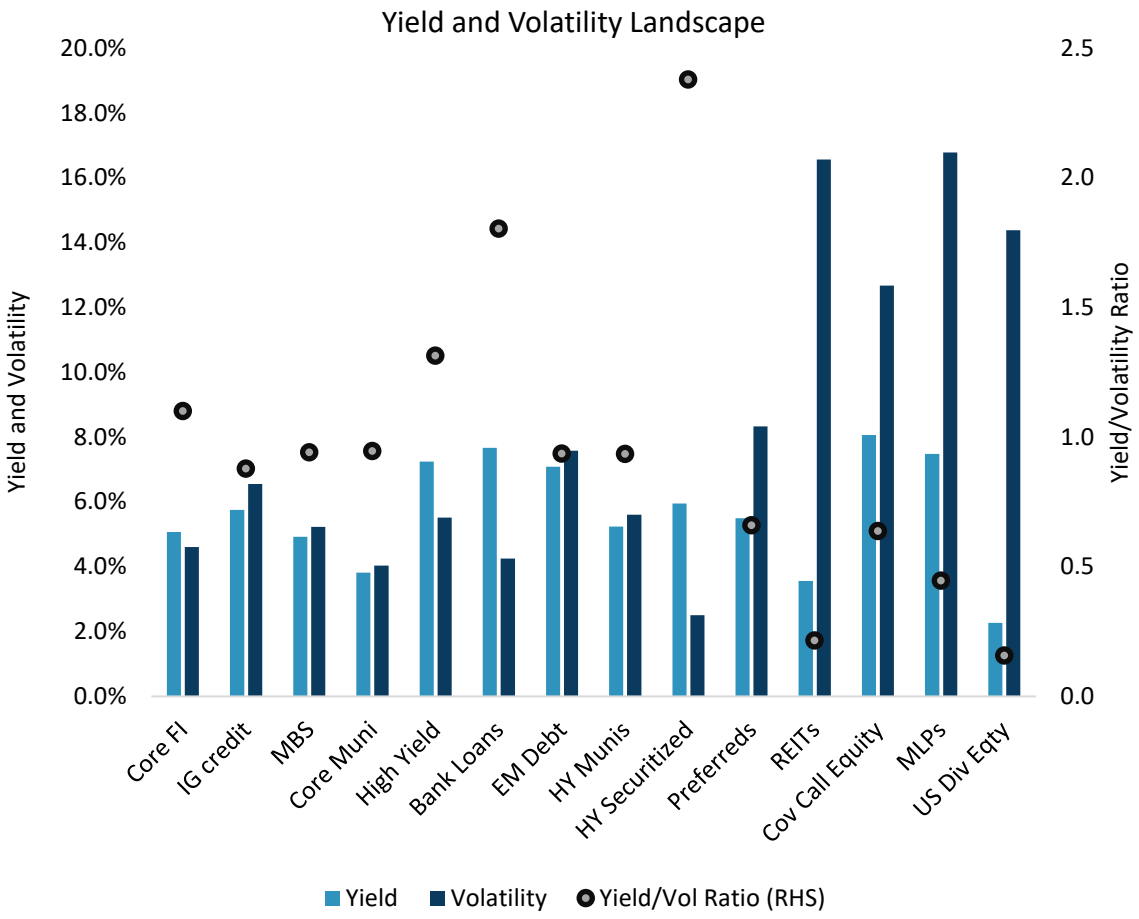
Intermediate and Core Duration Fixed Income Are in the Sweet Spot

- Intermediate and core duration indices are out-yielding money markets and taking limited long-end risk
- Longer maturity exposure is where medium-term risks around inflation and fiscal concerns reside



Source: Bloomberg, as of 06/30/2026

For More Aggressive Yield Seekers, MAI Approach vs. Dividend or High Yield Only Focus

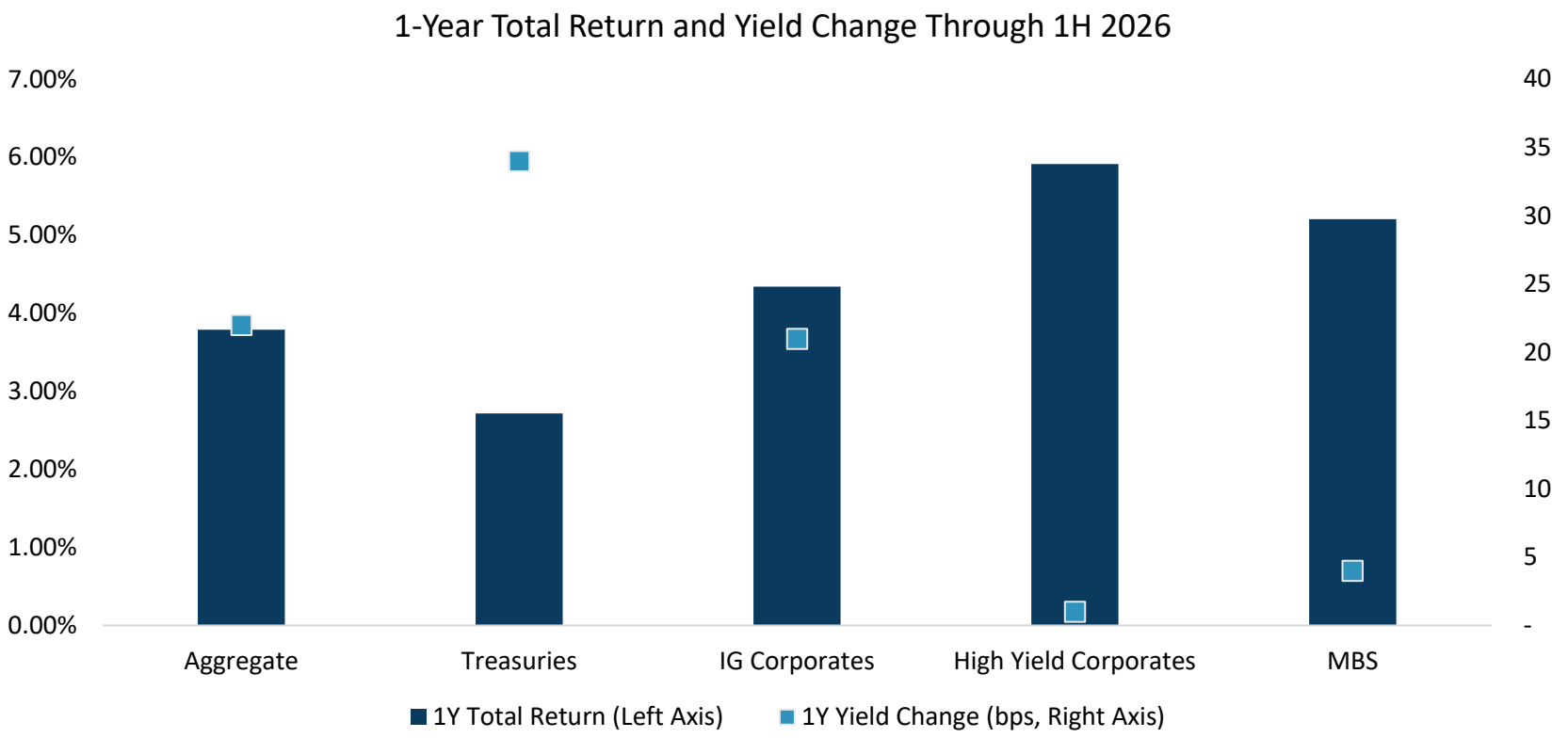


- Diversified multi-asset approach for income expands opportunity set in difficult valuation backdrop.
- MBS yield is competitive to credit, creating better risk/reward with less credit risk.
- Higher yield securitized markets offer a better trade-off than many non-core fixed income markets.
- Equity-oriented markets should be a smaller focus given the volatility trade-off and attractive fixed income yields.

Note: Yield based on YTM or dividend yield. Volatility is based on 360-day price volatility. Source: Sage, Bloomberg. As of 7/9/2026.

Active Management of Fixed Income Risk Will Build Off An Already Solid Yield Base

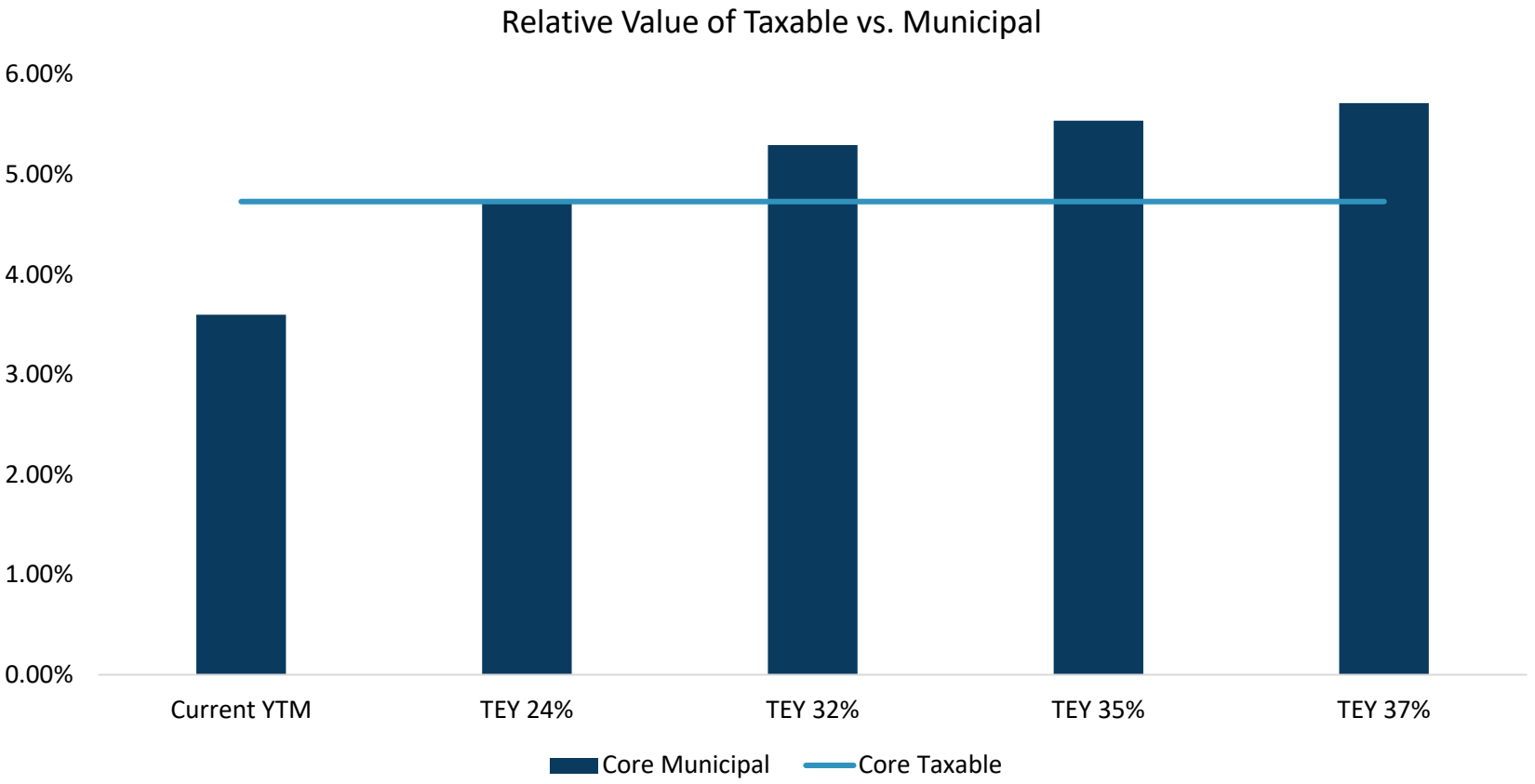
- Security and sector selection is where a lot of value lies in a world of tight spreads
- Less Treasuries, a full allocation to credit with a defensive sector tilt, and an overweight to MBS cannot be accomplished with indexed exposure and are all key risk management postures



Source: Sage, Bloomberg as of 7/7/2026

Municipals Should Benefit from Economic Resilience, Attractive Value and High Quality

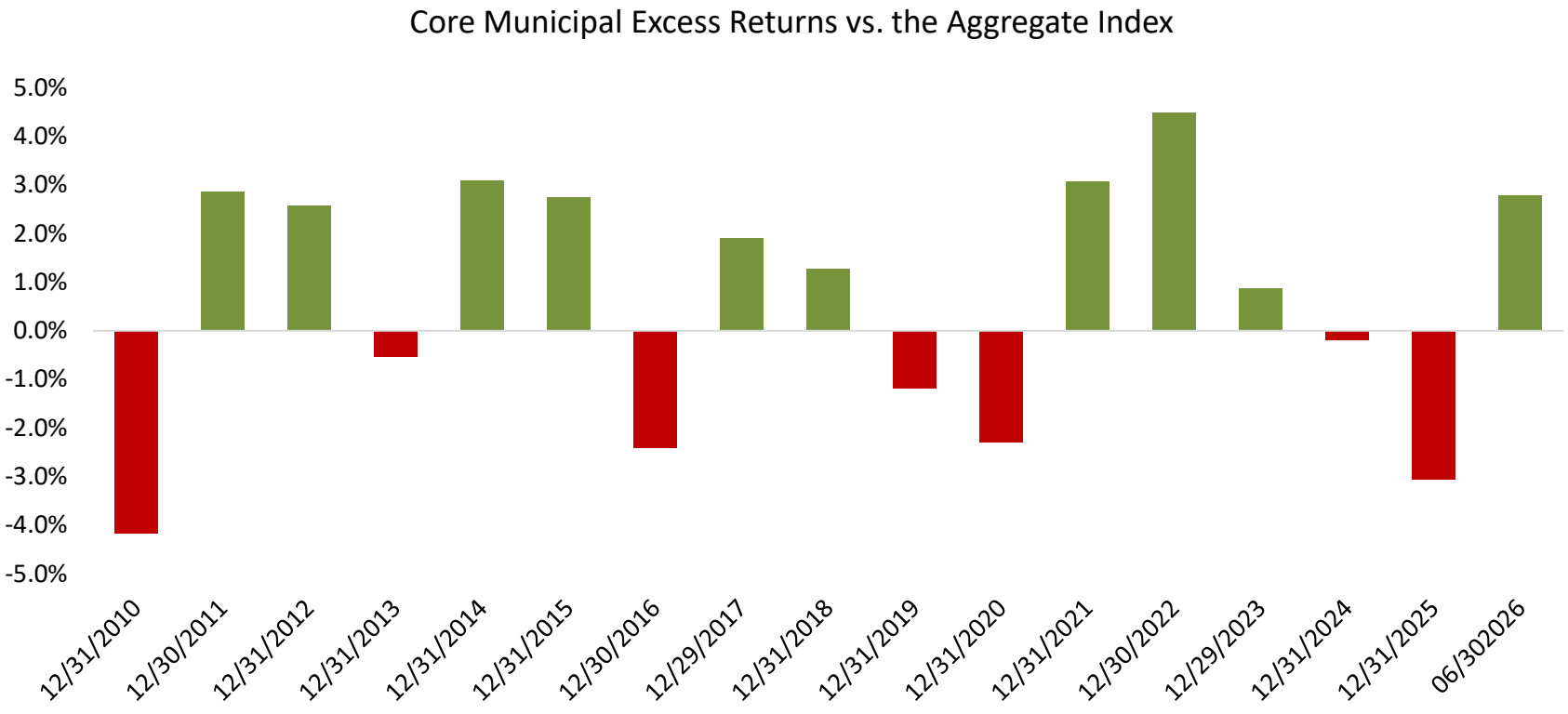
- Municipal yields have also reset higher over the last few years, offering significant after-tax yield potential
- Higher quality, longer duration and less correlation to equities offer higher diversification benefits



Source: Sage, Bloomberg as of 7/7/2026

Municipals Look Set for a Further Rebound from a Weak 2025

- Poor relative returns in municipals have typically been followed by strong rebounds
- So far, this has been the case in 2026; strong fundamentals and income streams that are less exposed to geopolitical risk suggest this may continue



Source: Sage, Bloomberg as of 6/30/2026

Equity Outlook: Broadening Earnings is Supportive; but the Bar is High for Big Gains

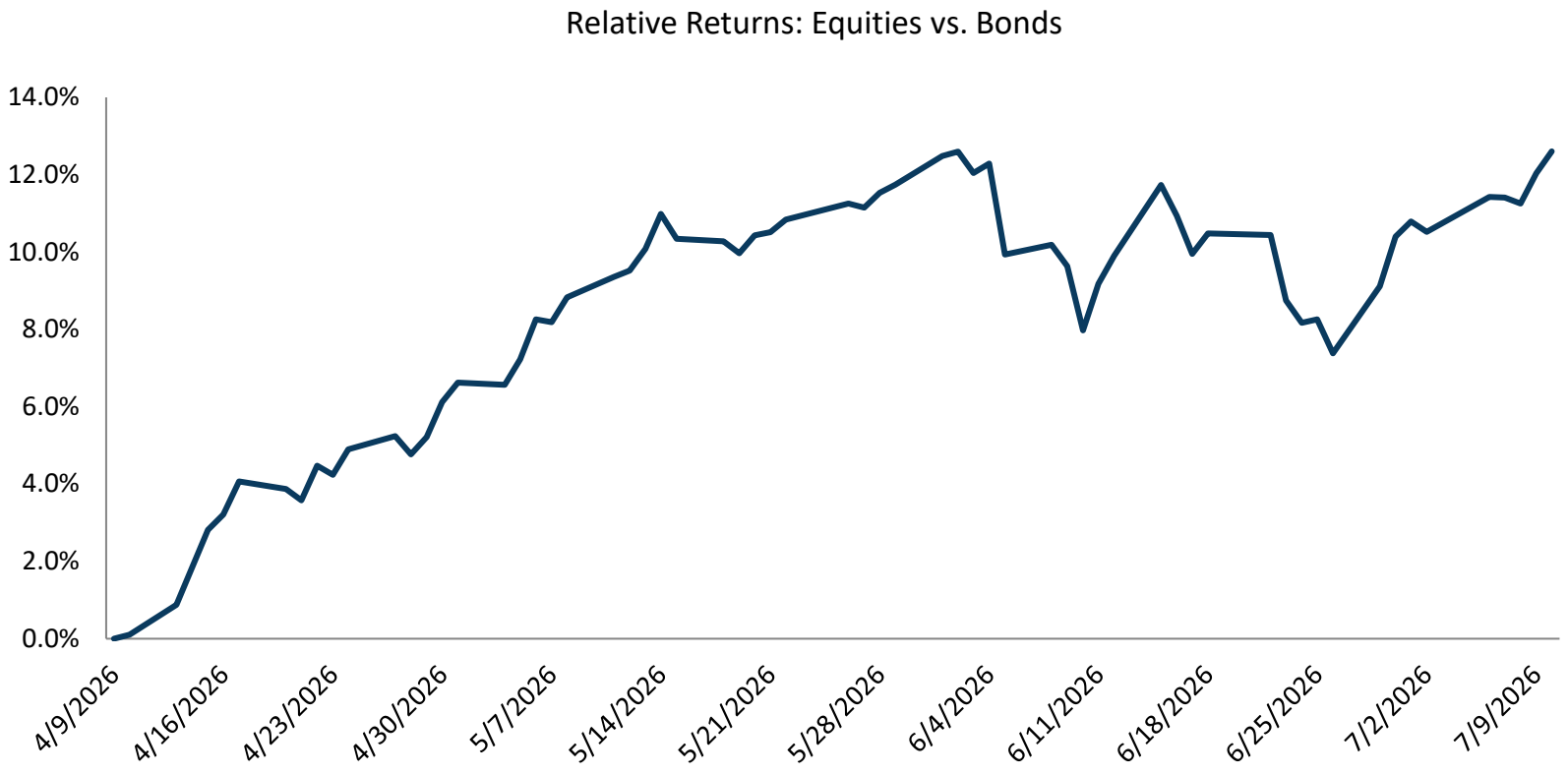
- The earnings and valuation math suggest more modest gains for equities
- We are pursuing a more active balancing of risk with greater sector and regional diversification

12M Fwd. EPS	12M Fwd. PE Ratio					
	18	19	20	21	22	23
$303	-28%	-24%	-20%	-15%	-12%	-8%
$321	-24%	-19%	-15%	-10%	-7%	-2%
$339	-19%	-15%	-10%	-5%	-1.4%	3%
$357	-15%	-10%	-6%	0%	4%	8%
$375	-11%	-6%	-1.0%	5%	9%	14%
$393	-7%	-1%	4%	10%	14%	19%
$411	-2%	3%	8%	15%	19%	25%

Source: Sage, Bloomberg as of 7/9/2026

Balancing Risks: Overweight to Equities in 2Q, with Increased Sector Diversification

- Tactically extending our equity overweight at the end of Q1 was a key return driver
- We expect to temper this in the second half as seasonals, mid-term angst, and volatility start to work against markets

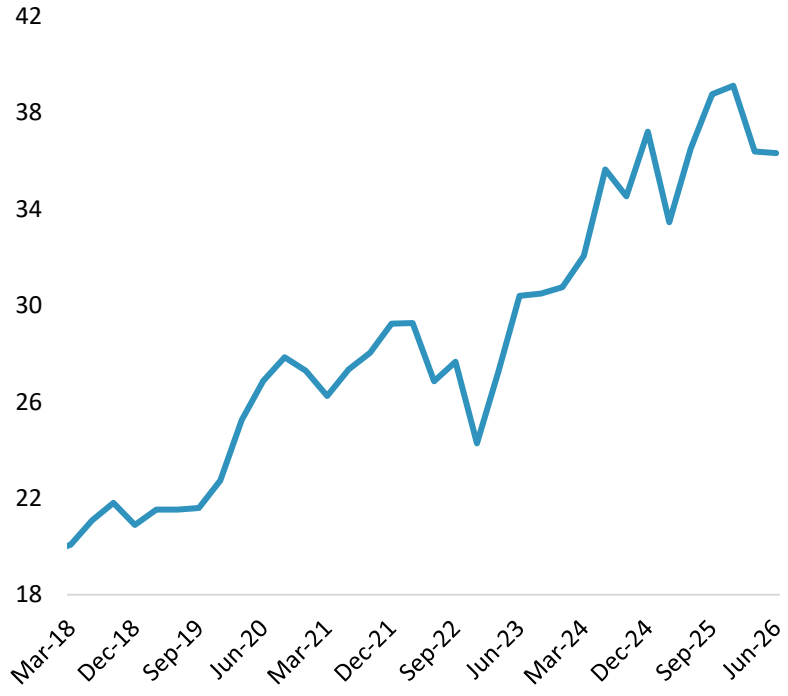


Source: Sage, Bloomberg as of 7/9/2026

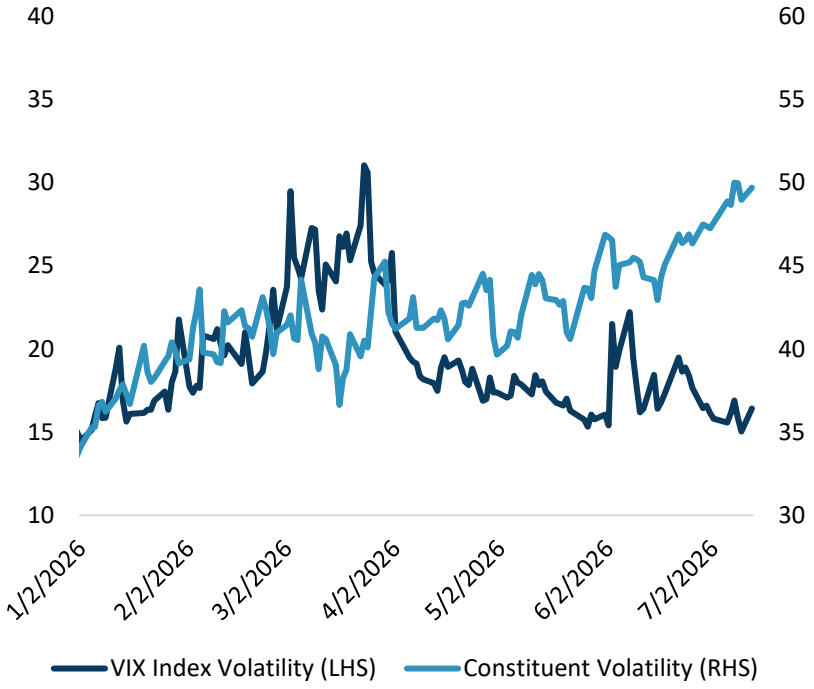
Volatility Risk Below the Surface – More Narrow Market With Little Room to Disappoint

- A highly concentrated market primed for big results suggests some bumps on the way
- While overall index vol (VIX) is signaling calm, volatility at the company level is already moving higher

Top 10 Companies % of S&P 500

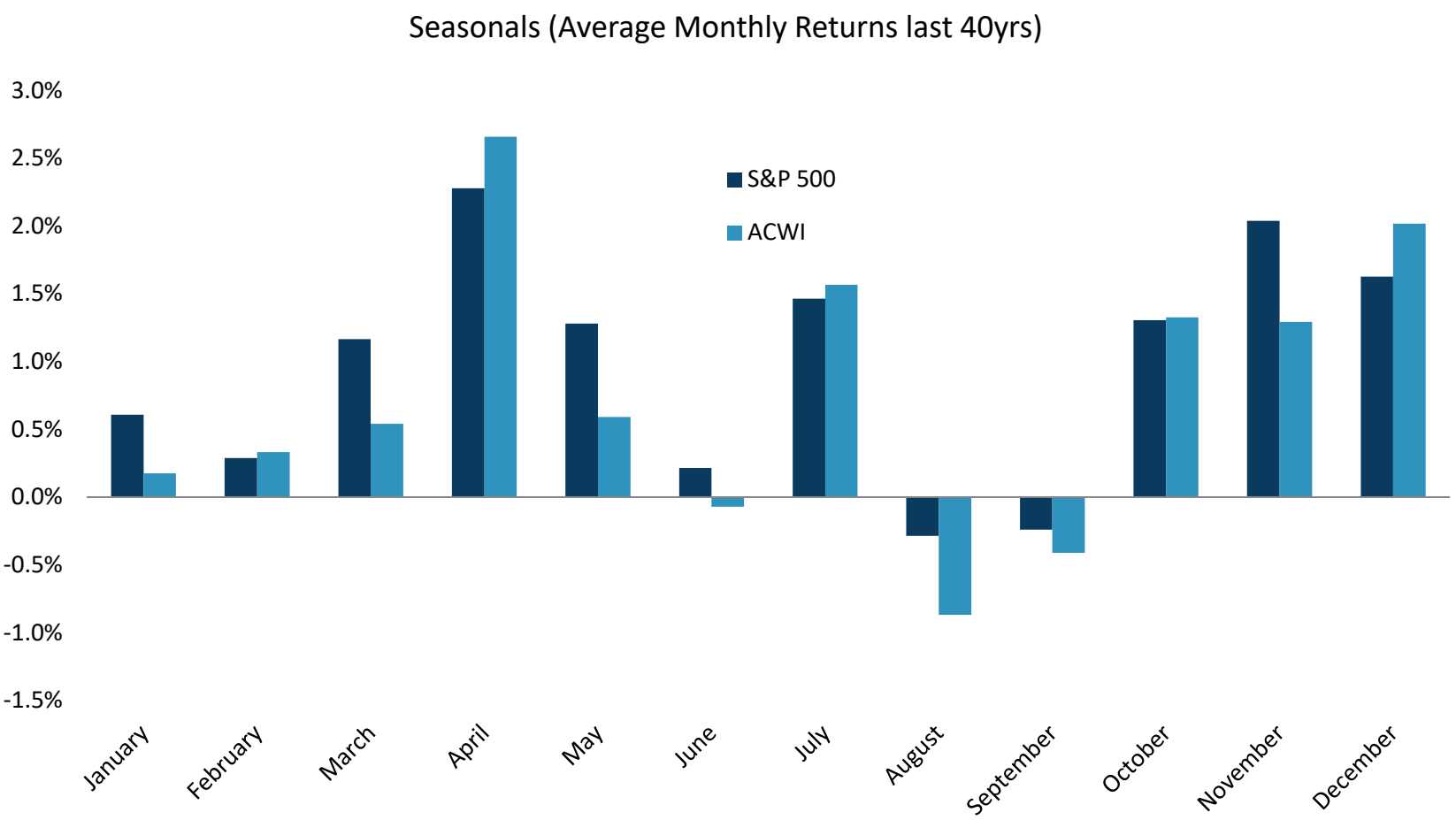


Index Volatility vs. Market Cap Weighted Volatility



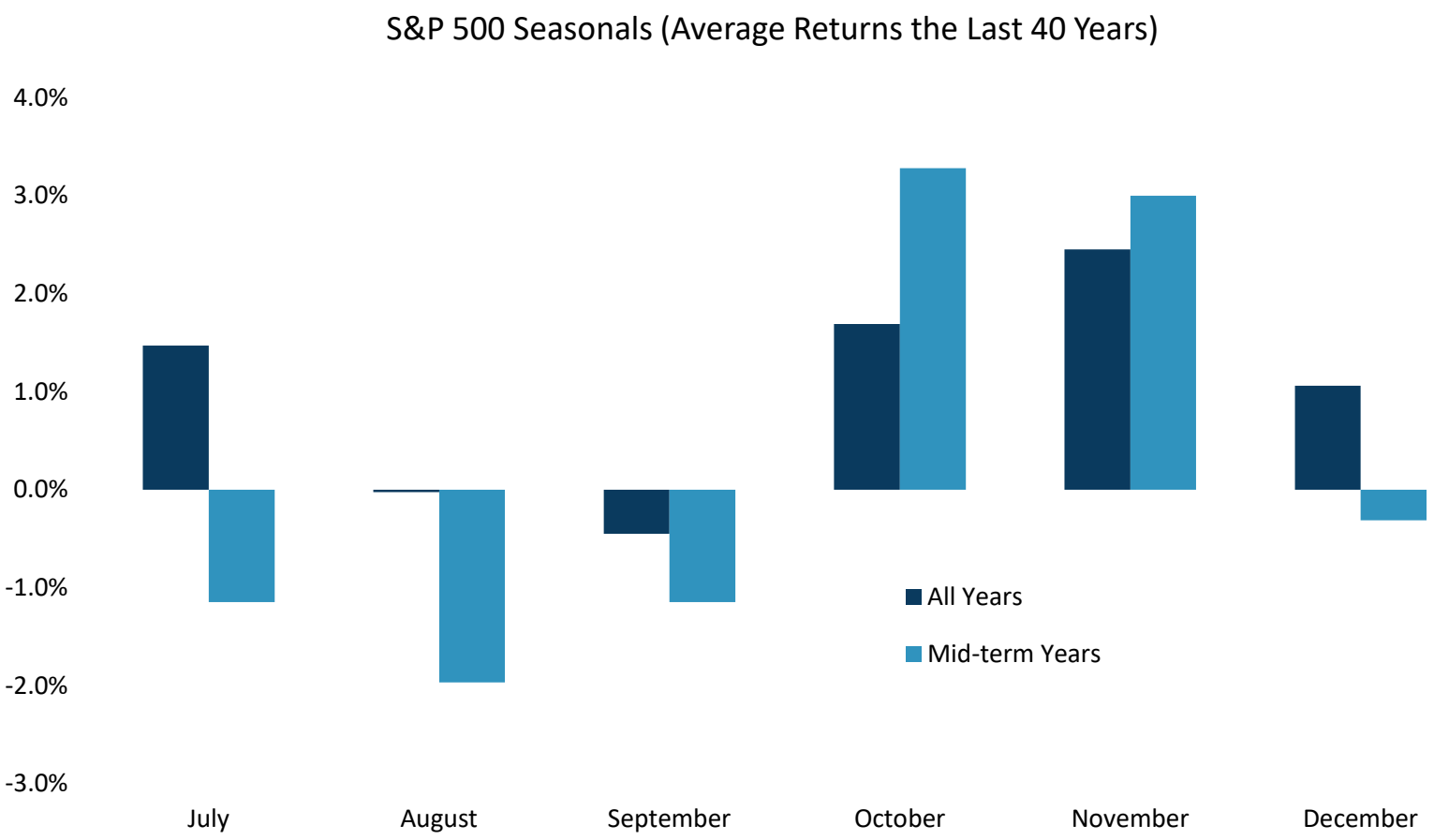
Source: Bloomberg as of 7/13/2026

Seasonals Entering Weak Period



Source: Sage, Bloomberg as of 7/13/2026

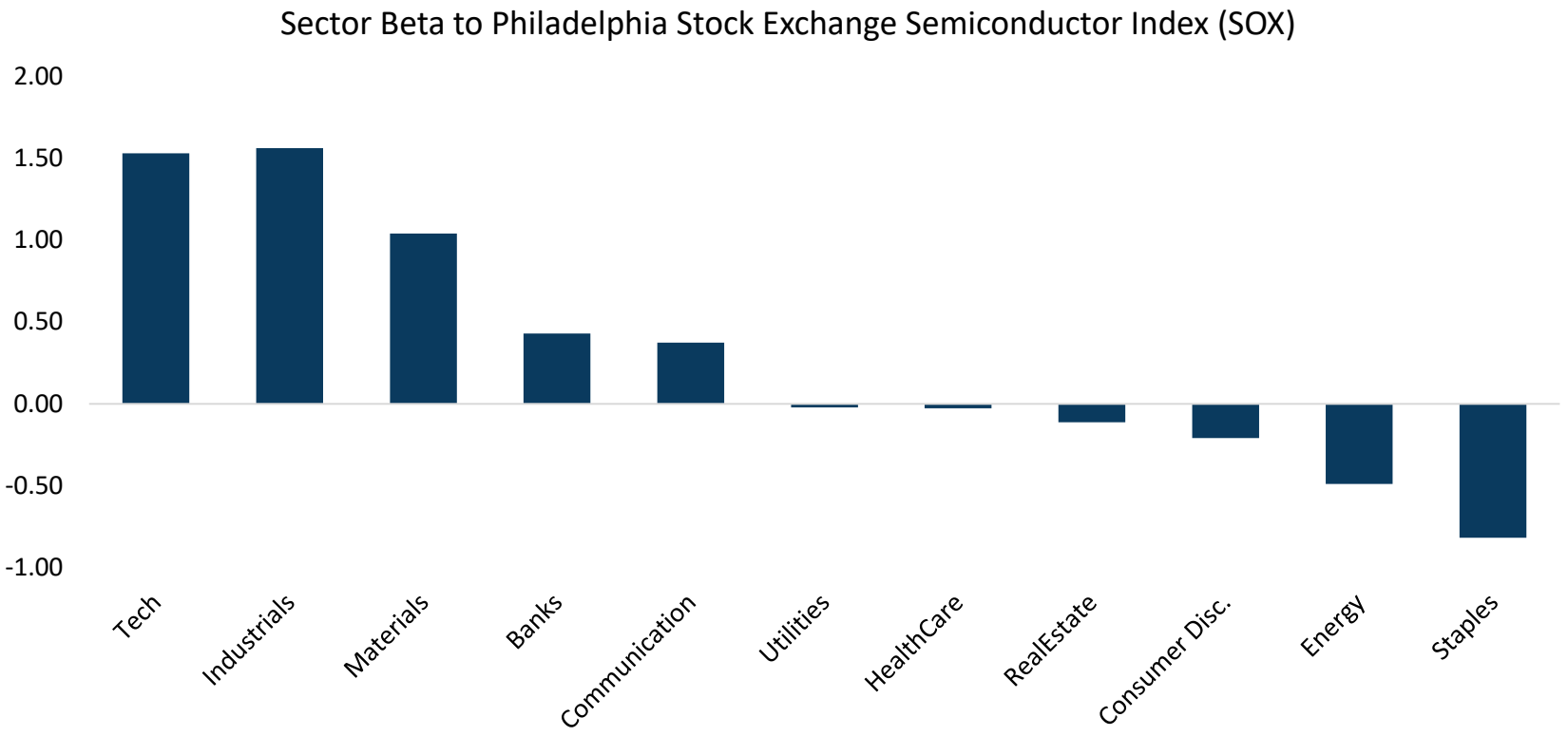
Mid-Term Years Typically Exacerbate Seasonal Patterns



Source: Bloomberg as of 7/13/2026

Still Geared to AI-Related Upside but Also Carry Diversifying Sector Tilts

- Large cap growth/hyperscaler exposure and infrastructure remain core tilts into the 2H
- We have also diversified our risk drivers to include fundamental favorites (Banks) and well-positioned sectors that are not overly geared to AI as a primary risk driver (Healthcare)

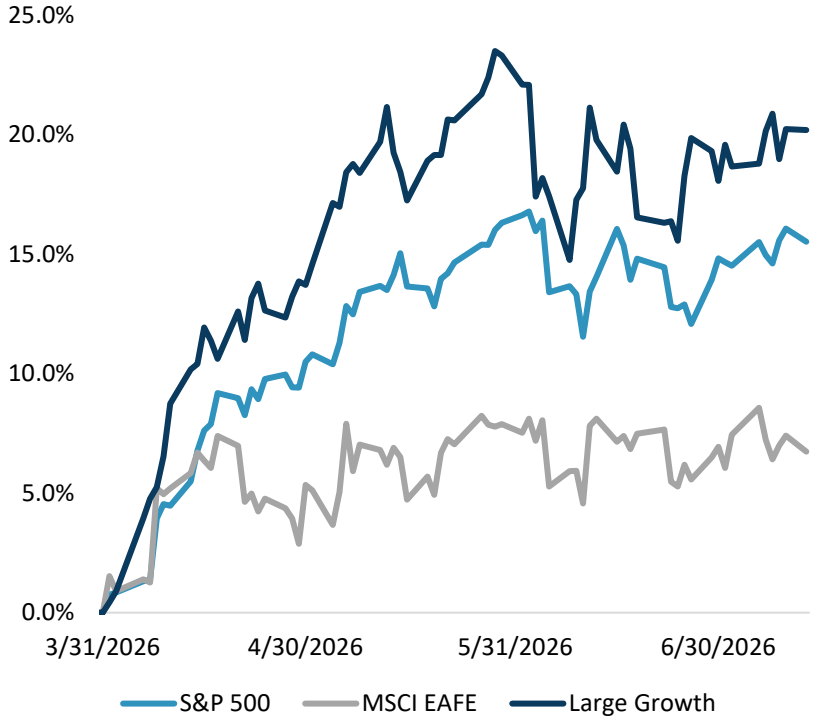


Source: Sage, Barclays Capital, Bloomberg as of 7/13/2026

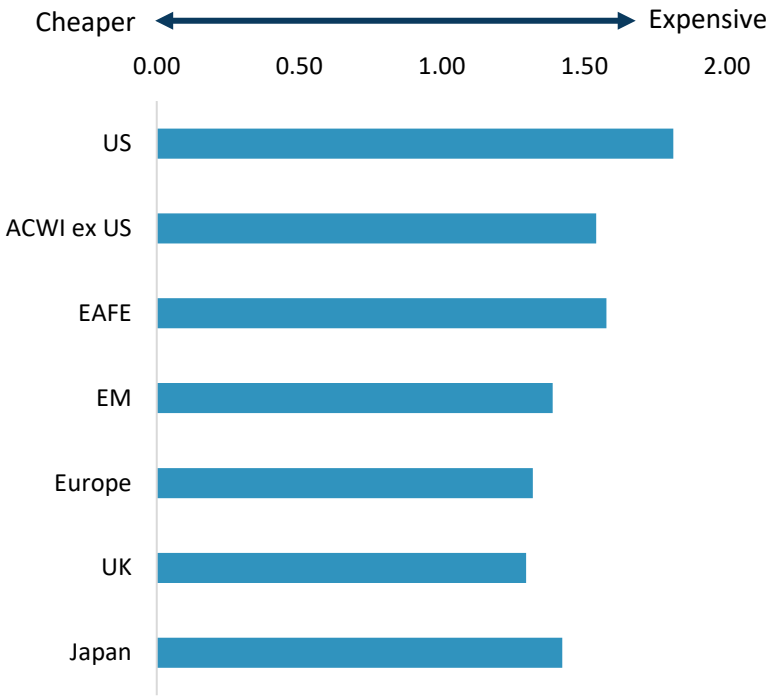
Regional Tilt Remains Toward the US

- We rotated toward a larger US overweight in February and March, specifically large cap growth
- We continue to hold this given that AI exposure justifies some valuation premium, and Iran/oil remains a larger fundamental drag on Europe

Relative Returns US/International



Relative Valuations (Z-Score)
(Composite of P/E, Foward P/E, P/B and Dividend Yield)



Source: Sage, Bloomberg as of 7/13/2026

IMPORTANT DISCLOSURES

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