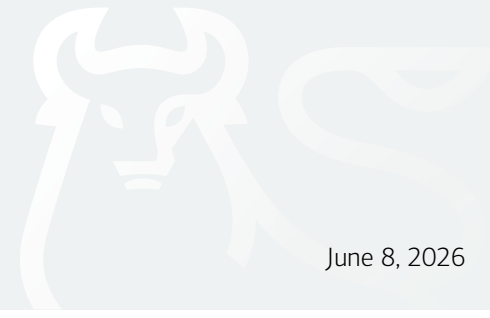


CHIEF INVESTMENT OFFICE

Capital Market Outlook



June 8, 2026

All data, projections and opinions are as of the date of this report and subject to change.

IN THIS ISSUE

Macro Strategy—Midterms Q&A: The Market’s Next Big Hurdle: With less than six months to go, the midterm elections are coming into sharper focus. No two election cycles are created equal, but history may be a useful guide as the season unfolds. Historically, increased volatility has been typical ahead of election season, but reacting to it has rarely paid. While the S&P 500 often experienced modest gains and seasonally weak months during midterm years, the real story emerges once political uncertainty fades into the rearview. The months following an election regularly brought a pronounced rebound regardless of the political party in power. For markets, profits matter more than politics. For investors, the implication is straightforward—tune out the election, the noise, stay focused on fundamentals, and maintain a long-term perspective regardless of how the political winds shift.

Market View—Mega IPOs: Some Thoughts on Trading Dynamics, Liquidity and Retail Access: A pipeline of three high-profile initial public offerings (IPO)—primarily within the Artificial Intelligence (AI) and broader Technology and Telecommunications sectors—is expected in mid-2026, likely attracting significant investor attention and media focus. While the headline valuations are sizable, market structure and post-IPO trading dynamics suggest the immediate impact on broader portfolios may be more contained than anticipated. At the same time, alternative access routes such as Special Purpose Vehicles (SPV) for qualified investors, private vehicles, and exchange-traded funds (ETF) introduce additional structural, valuation, and regulatory considerations that require careful assessment. Overall, our outlook remains cautiously constructive: The market appears capable of absorbing the new issuance, but near-term performance is likely to be influenced more by supply-demand dynamics and technical factors than underlying fundamentals, with potential for increased volatility.

Thought of the Week— What Do Shifting Rate Expectations Mean for the U.S. Debt Maturity Wall?: Since the start of the U.S./Iran conflict on February 28, the market has gone from pricing in 2 to 3 interest rate cuts this year to seriously entertaining the possibility of a rate hike. Where rates are headed matters not just for rate-sensitive areas of the economy like housing and construction but also for the wall of U.S. government debt set to mature. Indeed, owing to massive pandemic-era borrowing, \$9 trillion must be refinanced through year-end at higher rates. Meanwhile, the U.S. Treasury’s preference for shorter-term issuance suggests refinancing needs may remain elevated.

Inflation will be key to watch this summer, though the good news is that long-run inflation expectations are still well-anchored and demand for U.S. debt stands strong. Though not our base case, an unexpected shift in Federal Reserve (Fed) policy would pose risks not only to growth but also to America’s debt interest burden. We continue to urge diversification in portfolios given shifting expectations.

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Portfolio Considerations

Structural themes like reindustrialization, reshoring, robotics and biotech are driving upside to earnings and margins, reinforcing an Equity overweight.

We maintain an overweight to Equities with a preference for U.S. Equities relative to the rest of the world and still favor a significant allocation to bonds in a well-diversified portfolio.

We would leverage market weaknesses and excessive strength to rebalance tactical exposures in the coming months.

Midterms Q&A: The Market's Next Big Hurdle

Emily Avioli, *Vice President and Investment Strategist*

Jordy Fuentes, *Wealth Management Analyst*

Amid this year's relentless news cycle, investors could be forgiven for overlooking an important event on the horizon: The midterm elections are fast approaching. With less than six months to go, however, it may be time to bring them into sharper focus.

Volatility around midterm election years isn't unusual, but this cycle may carry a heightened degree of investor unease. U.S. voters are heading into elections contending with elevated gas prices, inflation concerns, and a deepening affordability squeeze—all factors that could have meaningful electoral consequences. While no two elections are created equal, history may be a useful guide to help frame investor expectations as the season unfolds.

How much volatility should investors brace for? Midterm election years have historically exhibited higher volatility than other years, with the divergence becoming more pronounced over the summer and building into the final months before the election (Exhibit 1A). The Chicago Board Options Exchange Volatility Index confirms the pattern—volatility has generally built in the months before elections and has notably declined once political uncertainty is in the rearview.¹ While the data suggests that markets could get choppy as we inch closer to election day, it's worth noting that market corrections of 10% or more have occurred in only 29% of midterm election years since 1928. Midterm election years tend to be the weakest of any year out of the four-year presidential cycle, but, since 1928, the S&P 500 Index has still seen an annual total return of 7.1%, on average.

How can midterms influence seasonality trends? Compared to nonelection years, midterm years have been weaker in almost every month. September stands out as the laggard—since 1928, the S&P 500 has averaged a 1% loss and was higher only 50% of the time.² As political uncertainty begins to resolve, however, markets tended to experience a pronounced Q4 rebound. The S&P 500 has typically found its footing in October, advancing 67% of the time with an average total return of 2.5% (Exhibit 1B). Overall, S&P 500 Q4 total returns have averaged 6.5%, compared to a muted 0.2% total return during Q1, Q2, and Q3.³

A similar seasonal dynamic has been observed in Small-caps, with the Russell 2000 demonstrating a late-year recovery: November has been the strongest month for Small-caps in midterm years, delivering an average total return of 3.2% and positive outcomes 82% of the time.⁴ Q4 performance for the Russell 2000 Index has historically averaged 6.5%, marking a sharp inflection from the -1.9% decline recorded on average over Q1, Q2, and Q3. Ultimately, Small-caps have seen a slightly negative average annual total return of -0.4% in midterm election years since 1982.

How does 2026 compare so far? Year-to-date (YTD) performance is already above annual midterm year averages, with Small-caps up 14.8% and Large-caps up 8.4%.⁵ While defensives have modestly outperformed cyclicals during past midterm election years, 2026 has diverged from this pattern so far—the top-performing S&P 500 sectors YTD are Energy and Information Technology, with respective total returns of 29.2% and 17.1%. It could also be argued that some of the volatility typically observed in the second half of midterm election years has been pulled forward this year, with the S&P 500 already experiencing a peak-to-trough drawdown of 9.1% in 2026. This reinforces a key point: Every election cycle is unique. While history can provide helpful context, it is not a reliable predictor of market outcomes.

Investment Implications

If history is a guide, there could be more episodic volatility ahead as midterm election season approaches. In our view, any related market weakness could represent a potential buying opportunity for long-term investors.

¹ Bloomberg. Refers to average VIX level around midterm elections from 1990 – 2022.

² Bloomberg. Total returns referenced. Data as of June 1, 2026.

³ Bloomberg, average quarterly performance between Q1 and Q3 of midterm election years. Data as of May 29, 2026. Total returns referenced.

⁴ Bloomberg, June 2, 2026. Includes all available data from 1982 – 2022.

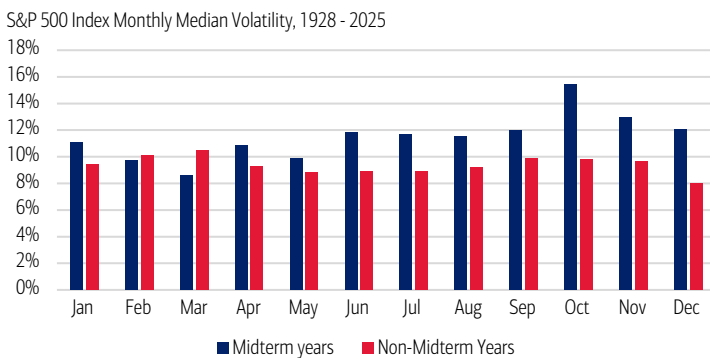
⁵ Bloomberg, May 29, 2026. Total returns referenced.

Does it really matter who wins? Midterm election outcomes can matter at the margin for S&P 500 returns. Equities generally favor divided government, as sweep scenarios elevate the risk of abrupt and disruptive policy shifts. Since 1928, the S&P 500 has delivered an average annual total return of 11.4% under a unified Congress, versus 13.5% when Congress is divided. That said, a split Congress can come with its own set of challenges. Legislative gridlock can complicate negotiations surrounding issues like government funding and the debt ceiling, presenting another flavor of episodic volatility and headline risk. No matter which party wins the election, avoid falling for the misleading idea that the outcome will dramatically change the market's direction—remember, profits matter more than politics.

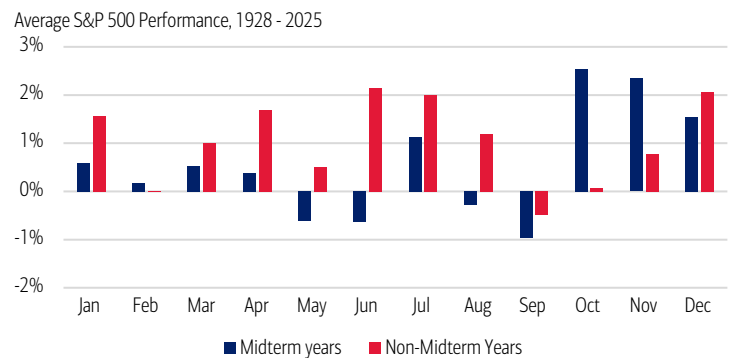
What happens in the year after the election? On this point, the data is clear: Post-midterm election periods have typically been very constructive for Equities. In all available data since 1928, the S&P 500 has risen 92% of the time in the 12 months following the midterm election. Narrowing the data to just the post-war period, the S&P 500 has delivered positive total returns 100% of the time over both 6- and 12-month horizons, averaging 14.9% and 18.3%, respectively (Exhibit 1C). The year after the midterm has also historically been the strongest in the four-year presidential cycle, with an average annual total return of 17.6% since 1928 (Exhibit 1D). When it comes to midterm election volatility, investors have historically reaped the benefits from staying the course.

Exhibit 1: Midterms by the Charts.

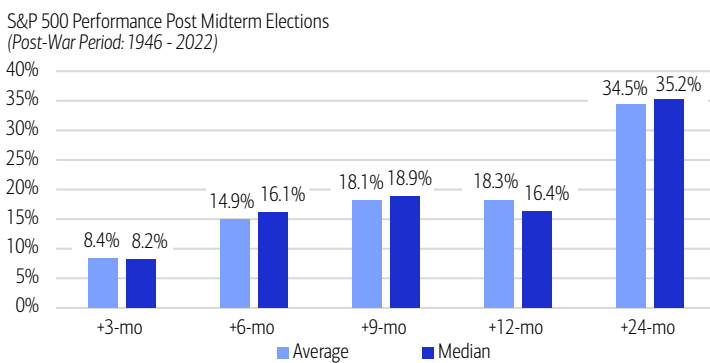
A) S&P 500 Volatility Trends by Month.



B) S&P 500 Average Total Return by Month.



C) S&P 500 Post-midterm Forward Returns.



D) S&P 500 Average Annual Performance Through the Election Cycle.

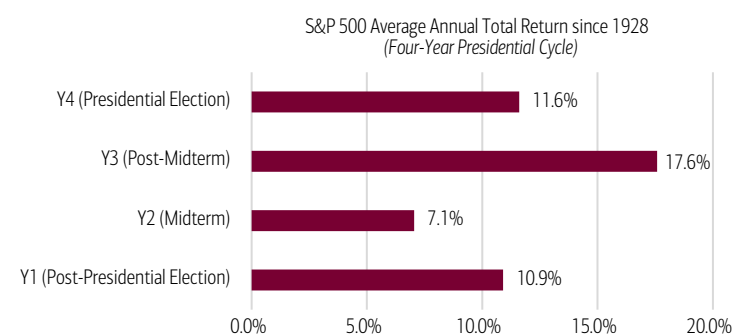


Exhibit 1A) Source: Bloomberg. Data through December 31, 2025, as of June 2, 2026. Volatility is calculated using the standard deviation of daily S&P 500 price returns each month. Median volatility for each month is displayed on an annualized basis. Exhibit 1B) Source: Bloomberg. Data through December 31, 2025, as of June 2, 2026. Total returns referenced. Exhibit 1C) Source: Bloomberg. Data through December 31, 2022, as of June 2, 2026. Total returns referenced. Exhibit 1D) Source: Bloomberg. Data through December 31, 2025, as of June 2, 2026. Total returns referenced. **Past performance is no guarantee of future results.** Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

Bottom Line: Volatility heading into midterm elections is typical, but reacting to it rarely pays. The surrounding noise, whether from media or political rhetoric, often overstates the stakes. History suggests that long-term equity returns are driven by earnings, not election outcomes. For investors, the implication is straightforward—tune out the election, the noise, stay focused on fundamentals, and maintain a long-term perspective regardless of how the political winds shift.

Mega IPOs: Some Thoughts on Trading Dynamics, Liquidity and Retail Access

Chief Investment Office, *Investment Manager Selection Team*

A significant pipeline of three high-profile IPOs—particularly within the AI, Technology and Telecommunication ecosystem—is expected to roll out in mid-2026, generating much investor interest and plenty of media hype.

We believe there are several aspects of these IPOs to consider with respect to portfolio positioning and market impact. While aggregate market values are substantial, the structure of market access and the mechanics of post-IPO trading suggest that near-term market impact may be more limited than headline figures imply.

At the same time, evolving access to potential opportunities or pathways—special purpose vehicles SPVs, private access vehicles, ETFs—can carry meaningful structural, valuation, and regulatory risks that warrant careful diligence.

Our view is constructive but cautious: While the market can likely absorb new issuance, short-term dynamics will likely be driven more by supply constraints and technical factors than by fundamentals. Near-term market volatility could be one outcome of this backdrop.

Index Inclusion Has The Potential To Create Sequential, Nonfundamental Demand

More indexes have introduced "fast entry" mechanisms that allow sizeable IPOs to be included earlier in order to better present their intended exposure. Eligibility requirements and inclusion timelines vary by index methodology, with some indexes adding IPOs as early as 5 days, 10 days, or 15 days after listing. This compares to the typical 3 to 12 month seasoning period for IPOs historically.

As a result, the sizeable nature of these IPOs are set to experience greater index related demand than IPOs historically. However, most core indexes are weighted by a security's free float adjusted market capitalization, not by total market capitalization, meaning these securities will receive more modest index weights, even if the IPO is eligible for early inclusion.

While the market values for the upcoming large IPO companies are very high at around \$3.5 trillion in total, the shares available to purchase and the impact on the market are not likely to be significant initially. This is due to the expected size of the initial float, which is expected to be in the range of 3% to 10%, depending on the company. This level is lower than typical modern technology IPOs at 10% to 25% but not unusual for high-demand IPOs.

Goldman Sachs Portfolio Strategy Research⁶ has estimated that a company with a \$1 trillion market capitalization but only 5% free float would carry an index weighting of roughly 0.1% in the S&P 500, 0.2% in the Russell Growth Index and 1.4% in the Nasdaq-100. The Nasdaq 100 Index is a notable exception, as it uses a modified market capitalization. As such, its inclusion decisions may be particularly important to monitor as constituents could be weighted higher than their free float adjusted market capitalization weight.

Investment Implications

While we believe the upcoming major IPOs could set significant milestones for company market values and provide public access to several innovation leaders, the near-term impact on Equity indexes and portfolios are likely to be contained due to the limited availability of shares and index inclusion guardrails.

⁶ Goldman Sachs Portfolio Strategy Research, U.S. Weekly Kick Start: "The equity market impact of proposed index inclusion rule changes". As of March 20, 2026.

Expect front-loaded price strength and volatility, followed by normalization as supply expands.

We believe there are several positives to be drawn from the small float, mostly tied to volatility. First, the impact on stock(s) sold out of the index (to make room for stocks added) will be manageable as portfolios are rebalanced. Two, the incremental concentration to the AI/Technology theme will not be material in the near term. And three, the market will be able to absorb the new shares in a fluid manner.

As with most IPOs, these stocks are likely to be highly sensitive to trading sentiments in the near term or until supply expands. There will likely be upward pricing pressure on the stocks when added to various indices. And high valuations for certain IPOs could also exacerbate price volatility. Volatility should subside following lock-up periods, and insider selling and secondary offerings increase share supply.

There are multiple strategies to access IPOs.

Along with the pipeline of high-profile IPOs, it is important to consider how to access these companies. Given the ability to invest earlier in a company's lifecycle at lower valuations and with attractive deal structures, CIO would advocate qualified investors getting IPO exposure through investing in Long-Only Growth Equity Funds or for qualified investors via Venture Capital and Private Growth Equity Funds.

Retail access is now available in many structures including listed closed end funds and for qualified investors, traditional Private Equity funds (which are potentially more attractive because they are diversified but tend to have the highest allocation % to these deals), evergreen private markets vehicles as well as interval funds and more recently, SPVs.

However, strategies that require periodic liquidity are subject to premium/discount volatility; in addition, highly concentrated, publicly traded strategies contain multiple investment risks beyond the fundamental performance of the IPOs. And recently, regulatory scrutiny has increased around "access vehicles" that seemingly offer exposure to one or a basket of anticipated IPOs, but, in some cases, the offering entity has not had a legal right to those shares.

Conclusion

We believe the upcoming major IPOs could set significant milestones for company market values and provide public access to several innovation leaders, the near-term impact on Equity Indexes and portfolios are likely to be contained due to the limited availability of shares and index inclusion guardrails.

We continue to believe that some of the best ways to access the pre-IPO market is through Private Equity and Venture Capital funds for qualified investors, including some of the new evergreen/interval structures that carry the benefit of early entry valuation and significantly less volatility. When considering an allocation to these IPOs, it is important to note that many clients have significant exposure to the Technology sector in both public and private solutions given recent markets, so any allocation to individual companies should be sized appropriately.

What Do Shifting Rate Expectations Mean for the U.S. Debt Maturity Wall?

Ariana Chiu, Assistant Vice President and Investment Strategist

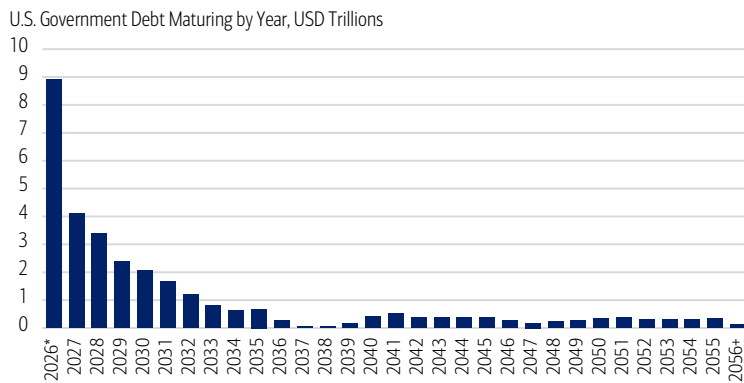
Since the start of the U.S./Iran conflict on February 28, the market has gone from pricing in 2 to 3 rate cuts this year to seriously entertaining the possibility of a rate hike. Where rates are headed matters not only for rate-sensitive areas of the economy like housing and construction but also for the wall of U.S. government debt set to mature this year and beyond. Owing to massive pandemic-era borrowing at near-zero interest rates, \$9 trillion in government debt must be refinanced by year-end, now at rates closer to 3.5% to 4% (Exhibit 2A and B).

Investment Implications

The path of inflation and interest rates warrants close monitoring this summer given the Iran conflict, AI supply chain strains, and resilient economic growth. Our base case continues to be that the Fed remains on hold this year.

Exhibit 2: On the Watchlist: Maturing Debt and Higher Rates.

A) A Wall of Maturing Debt ...



B) ... Amid Higher-for-Longer Interest Rates.

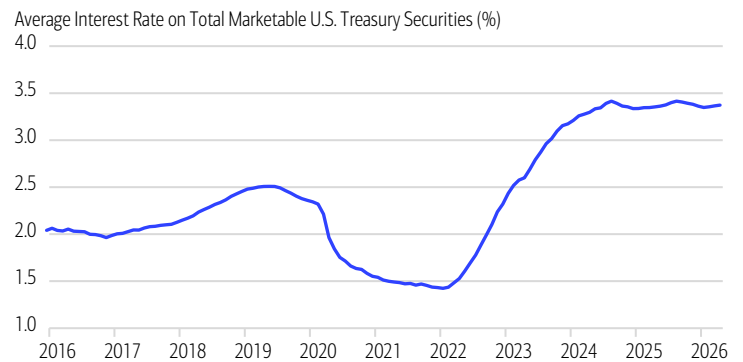


Exhibit 2A) *Refers to June through end of year. 2056+ indicates 2056 or later. Source: Bloomberg. Data as of June 2, 2026. Exhibit 2B) Source: Bloomberg. Data as of April 30, 2026.

Refinancing ample outstanding debt at higher rates means higher interest costs, hardly a source of comfort when Uncle Sam already spends more on interest payments than national defense. Meanwhile, the U.S. Treasury’s preference for shorter-term issuance suggests refinancing needs are likely biased higher in years to come; as it stands, 22% of outstanding debt is in Treasury bills (maturity of one year or less).

The path of inflation remains key to watch as we enter the summer months. The good news is that long-run inflation expectations are still well anchored, moderating in recent weeks to pre-war levels. In the meantime, the bond market may have already done some of the heavy lifting for the Fed; Bloomberg Economics estimated at the end of May that the roughly 50 basis-point (bps) move in the 10-year Treasury yield since the start of the war had resulted in tighter financial conditions equivalent to roughly 75 bps of rate hikes.⁷

The most important question is whether investors will continue to demand U.S. debt. The answer is still a resounding yes, in our view. Indeed, for all the geopolitical volatility and uncertainty of the last year, demand for U.S. assets has far from waned thanks to the depth of its financial markets, the dollar’s reserve currency status, and strong economic fundamentals. Foreign holdings of U.S. Treasuries, just one of many drivers of demand, reached a record \$9.5 trillion during Q1 according to the U.S. Treasury.

Looking ahead, a major change in Fed policy (e.g., unanticipated swift rate hikes) would be cause for concern, not only for growth but also for the effective interest burden on outstanding debt which has remained relatively flat thanks to older, lower-rate debt. That’s not our base case, and we remain watchful of inflation and labor inputs in the months to come. Potentially shifting rate expectations only further reinforces the importance of diversification across and within asset classes in portfolios.

⁷ “Bond Market Hanks Warsh 75-bps Fed Rate Hike Already,” Bloomberg, May 28, 2026.

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	50,866.78	-0.2	-0.2	6.6
NASDAQ	25,709.43	-4.7	-4.7	10.9
S&P 500	7,383.74	-2.5	-2.5	8.4
S&P 400 Mid Cap	3,693.56	-0.8	-0.8	12.3
Russell 2000	2,833.50	-2.9	-2.9	14.7
MSCI World	4,755.77	-2.2	-2.2	8.0
MSCI EAFE	3,073.71	-1.4	-1.4	7.9
MSCI Emerging Markets	1,717.34	-1.9	-1.9	23.2

Fixed Income[†]

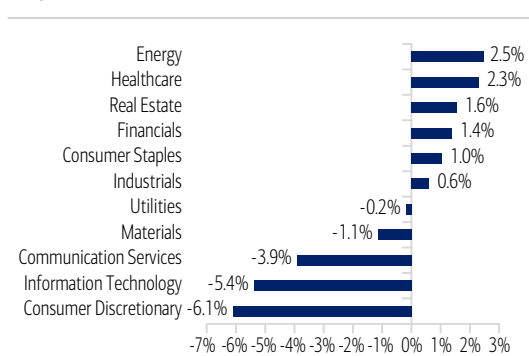
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.71	-0.50	-0.50	-0.26
Agencies	4.48	-0.38	-0.38	0.09
Municipals	3.62	0.39	0.39	1.74
U.S. Investment-Grade Credit	4.80	-0.54	-0.54	-0.17
International	5.26	-0.59	-0.59	0.08
High Yield	7.19	-0.42	-0.42	1.26
90 Day Yield	3.71	3.67	3.67	3.63
2 Year Yield	4.15	4.00	4.00	3.47
10 Year Yield	4.53	4.44	4.44	4.17
30 Year Yield	5.00	4.97	4.97	4.84

Commodities & Currencies

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Commodities	339.28	-1.8	-1.8	22.8
Bloomberg Commodity	90.54	3.6	3.6	57.7
WTI Crude \$/Barrel ^{††}	4328.45	-4.7	-4.7	0.2

Currencies	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2025 Year End
EUR/USD	1.15	1.17	1.17	1.17
USD/JPY	160.29	159.27	159.27	156.71
USD/CNH	6.79	6.76	6.76	6.98

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 06/01/2026 to 06/05/2026. [†]Bloomberg Barclays Indices. ^{††}Spot price returns. All data as of the 06/05/2026 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 6/5/2026)

	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E
Real global GDP (% y/y annualized)	-	-	-	-	3.1	3.4
Real U.S. GDP (% q/q annualized)	1.6	2.5	1.9	1.9	2.1	2.2
CPI inflation (% y/y)	2.7	4.0	3.7	3.5	3.5	2.3
Core CPI inflation (% y/y ^{**})	2.5	2.8	2.7	2.8	2.7	2.6
Unemployment rate (%)	4.3	4.3	4.3	4.3	4.3	4.2
Fed funds rate, end period (%)	3.63	3.63	3.63	3.63	3.63	3.13

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

A = Actual. E/* = Estimate. Data as of June 5, 2026.

Sources: BofA Global Research; GWIM ISC as of June 5, 2026.

Asset Class Weightings (as of 6/2/2026)

Asset Class	CIO View			Underweight	Overweight
	Underweight	Neutral	Overweight		
Global Equities	•	•	•	•	•
U.S. Large-cap Growth	•	•	•	•	•
U.S. Large-cap Value	•	•	•	•	•
U.S. Small-cap Growth	•	•	•	•	•
U.S. Small-cap Growth	•	•	•	•	•
International Developed	•	•	•	•	•
Emerging Markets	•	•	•	•	•
Global Fixed Income	•	•	•	•	•
U.S. Governments	•	•	•	•	•
U.S. Mortgages	•	•	•	•	•
U.S. Corporates	•	•	•	•	•
International Fixed Income	•	•	•	•	•
High Yield	•	•	•	•	•
U.S. Investment-grade Tax Exempt	•	•	•	•	•
U.S. High Yield Tax Exempt	•	•	•	•	•
Alternative Investments*					
Hedge Strategies					
Private Equity					
Private Credit					
Real Assets					
Cash					

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of June 2, 2026. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

CIO Equity Sector Views

Sector	CIO View			Underweight	Overweight
	Underweight	Neutral	Overweight		
Industrials	•	•	•	•	•
Consumer Discretionary	•	•	•	•	•
Financials	•	•	•	•	•
Information Technology	•	•	•	•	•
Energy	•	•	•	•	•
Materials	•	•	•	•	•
Utilities	•	•	•	•	•
Healthcare	•	•	•	•	•
Communication Services	•	•	•	•	•
Real Estate	•	•	•	•	•
Consumer Staples	•	•	•	•	•

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

S&P 500 Index Total Return is a performance benchmark that measures the index's price changes and assumes all cash dividends are reinvested.

Russell 2000 Index tracks the performance of the 2000 largest U.S. companies, serving as a key benchmark for mega-cap and ultra-large-cap equities.

Chicago Board Options Exchange Volatility Index is a real-time market index that measures the expected 30-day forward-looking volatility of the U.S. stock market.

Russell Growth Index measures the performance of US large cap growth stocks.

Nasdaq 100 Index includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization.

S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®)/S&P 500 Total Return Index, including Information Technology Total Return (TR) USD; Consumer Discretionary TR USD; Industrials TR USD; Real Estate TR USD; Communication Services TR USD; Materials TR USD; Financials TR USD; Consumer Staples TR USD; Utilities TR USD; Energy TR USD; Healthcare TR USD.

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