CHIEF INVESTMENT OFFICE

Viewpoint

Uncertainty Now, Better Foundation Later

April 2026

All data, projections and opinions are as of April 7, 2026 and subject to change.

IN BRIEF

- Entering the Middle East conflict, the economy and markets were on solid footing, supported by resilient growth and yields locked into a tight range. The overall growth and market outlook remains largely unchanged, as it is still too early for higher input costs and risk-off sentiment to significantly show up in hard economic data. However, under a prolonged war scenario, elevated energy, commodity, and food prices could begin to pressure discretionary spending in the coming months.
- Even amid recent volatility, the U.S. remains our preferred equity market, supported by its position as one of the world's most resilient and innovation-driven economies. Looking ahead, we anticipate double-digit full-year earnings growth in 2026 for the S&P 500. Fundamentally, earnings growth is expected to become more broad-based across Equity sectors, just as the pullback through March eased overall index valuations.
- We remain constructive on Fixed Income overall but are underweight to fund our Equity overweight. We maintain a neutral duration stance and continue to expect range-bound yields, given sticky inflation and real gross domestic product (GDP) growth remaining near or above 2%. However, we recognize potentially high volatility in either direction, especially given the expected change in Federal Reserve (Fed) leadership later this year, persistently high inflation, and a tepid labor market.

We believe we have entered a phase in which uncertainty begins to weigh on investor sentiment in a more assertive way as questions surrounding the level of growth are now rising considerably. This tends to be the most difficult investment phase because very few asset classes tend to balance out the negative pressure. In the U.S., equity markets were slightly off their highs from mid-January through mid-March, holding strong technical levels despite the escalating tensions. Capital markets were not yet beginning to price in slower growth. In Q2, the market environment could shift from pricing in higher short-term risk to pricing in a much slower growth curve if there is no resolution soon in the Middle East.

To encapsulate this dynamic the single most important question investors are asking is, *"Has the Middle East conflict changed the outlook for economic growth, capital market views, and portfolio positioning in general?"*

The overall growth and market outlook have not materially changed at this time. It's still too early for the reaction function of higher input prices and risk-off sentiment to filter through into the hard data in a material manner. The recently announced two-week ceasefire between the U.S. and Iran may provide temporary relief for markets. However, if geopolitical risk continues to increase the longer the Middle East conflict lasts, the pressure on oil, gas, and food prices will stay elevated, and this will likely begin to weigh on discretionary spending in a few months. The economy, corporate profits, and markets were on a resilient and solid footing heading into the conflict, yields were locked in a range, and

CIO ASSET CLASS VIEWS

This month the Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) adjusted the U.S. Equity sector tactical views by upgrading Energy to neutral from underweight and downgrading Financials from overweight to slight overweight and Utilities from slight overweight to neutral. We maintain an overweight to Equities overall 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 both market weakness and excessive strength to rebalance tactical exposures in the coming months.

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Asset Class	CIO View: Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large-cap Growth				●	
U.S. Large-cap Value				●	
U.S. Small-cap Growth				●	
U.S. Small-cap Value				●	
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, Private Credit 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.

the market rotation was favoring cyclicals, the international markets, commodities, Small- and Mid-capitalization shares, and more Value-oriented areas. That foundation, prior to the last month, was helping to stem the current negative cloud of uncertainty. However, it is important to keep a watchful eye on energy prices, base metals, credit spreads, the 2- and 10-year Treasury yields, employment data, consumer spending, and corporate earnings guidance in the coming weeks to assess whether a material adjustment to economic growth is forthcoming. The current high level of uncertainty could switch back to a better foundation later in a moment's notice.

Equity volatility is on the rise again, and, until we see oil prices fully peak, we expect a very choppy market environment. Have investment plans ready to rebalance portfolios and add to Equities over time, as we still believe the overall outlook for 2026 will remain solid and eventually resume its uptrend. We expect the

Fed policy clouds **O**il price volatility **A**rtificial intelligence disruption concerns **M**id-term election uncertainty

that is covering the investment environment to eventually shift from the current **F.O.B.I.** (Fear Of Being In) to **F.O.M.O.** (Fear Of Missing Out) once the conflict stabilizes and oil prices peak. Staying diversified and remaining fully invested while the market toggles between the risk-off and risk-on stages is our base case. In addition, we have upgraded Energy in our sector portfolios to increase our positioning to areas that are directly exposed to higher energy prices.

How should we think about the market environment in the context of high uncertainty in terms of global policy, rapid technological innovation, and investor sentiment? We outline four major scenarios to contemplate (bull, base, bear, grizzly) below given various developments that could unfold throughout the rest of the year. Our base case and bull case combined represent around 70% of potential outcomes we expect to unfold this year.

A BRIEF SUMMARY OF OUR FOUR CASES

Bull Case (approximately 15%)-possibility outcome

- Down to 15% from 25% from year-end 2025
- Based on stronger than anticipated economic and corporate profits growth
- Quick resolution to the Middle East conflict and a sharp fall in oil and gas prices
- Fed cuts twice and curve steepens, U.S. dollar weakens
- Equity valuation rises alongside a surprise to corporate profit growth
- FOMO takes over sooner and sharper than expected
- Credit spreads narrow.

Strategy: overweight Equities, favor Small- and Mid-cap and international, cyclical over defensives, commodities in general, credit over Treasurys, lengthen duration, and Technology shares lead the market again; gold and silver rally.

Base Case (approximately 55%)-possibility outcome

- Remains the same at 55% from year-end 2025
- Solid, resilient, and above-average economic and corporate profits growth
- An eventual sharp fall in oil prices ensues as the Middle East conflict shows signs of ending
- Fed maintains an easing bias, U.S. dollar weakens slightly
- Equity valuation remains at current levels and market rotation continues
- Investment sentiment is guarded but leans toward FOMO again

Strategy: overweight Equities, favor Small- and Mid-cap and Emerging Markets, cyclical over defensives, commodities in general, neutral across Fixed Income sectors, lengthen duration, and Financials, Industrials, and Discretionary shares are favored; Energy and basic Materials remain in favor; gold and silver rally.

Bear Case (approximately 25%)-possibility outcome

- Up to 25% from 15% from year end 2025
- Economic and corporate profits growth surprises to the downside materially. Stagflation worries build significantly as military conflict is extended further
- Fed stays on hold, moves to hawkish bias as they shift to inflation worries over growth slump, U.S. dollar strengthens
- Credit spreads widen, earnings guidance is re-set downward, Technology shares lead broader market much lower
- Equity valuation shifts another notch lower as risk off sticks and earnings decline

Strategy: underweight Equities slightly and commodities, favor U.S. Large capitalization defensive shares and sectors, favor Treasury over credit, Healthcare and Consumer Staples rally, Energy (and Aerospace/ Defense) tracks the path of the conflict higher, Discretionary slumps, Small- and Mid-cap and international significantly underperform; gold and silver enter sharp reversals.

Grizzly Case (approximately 5%)-possibility outcome

- Remains at 5% from year end 2025
- Deep recession hits alongside higher inflation due to elevated energy and food prices as a major extension to the military conflict well into 2027 unfolds
- Fed could ultimately engineer deep cuts in interest rates even as stagflation takes hold. U.S. dollar strengthens considerably as non-U.S. growth enters deeper recession than U.S.
- Credit spreads dramatically widen as balance sheet stress grows
- Equity valuation falls considerably combined with a major decline in earnings

Strategy: underweight Equities significantly and commodities, favor U.S. Large capitalization defensive shares and sectors, favor short- dated Treasurys over credit, Healthcare and Consumer Staples rally, Energy sector vulnerable to demand destruction worries instead of tracking the path of the conflict higher, Discretionary slumps, Small- and Mid-cap and international significantly underperform; gold and silver enter very sharp reversals.

We continue to emphasize the highest level of diversification (within a fully invested portfolio) with an overweight bias to Equities given our expectation of strong earnings growth for 2026, all things considered. The current high level of uncertainty could switch back to a better foundation later in a moment's notice. Time in the markets is much more important than trying to time the markets—especially in the environment of today.

What are our macro perspectives on the Iran War and its aftermath? The Iran War has set the stage for a market correction. The simple version of this can be seen in the widespread use of the term "stagflation." Markets are overreacting to concerns of stagflation in our view. Yet, there is very little in market signals to suggest stagflation is a real risk.

There are two parts to stagflation: a growth part and an inflation part. With regard to growth, analysts have generally trimmed about half a percentage point from their U.S. and global growth estimates for this year after taking account of the energy supply shock the war has caused. The U.S. is relatively less impacted from the shock because it is energy self-sufficient and a net exporter that will benefit from higher oil prices. This helps explain why the prior trend earlier this year of other countries' Equities outperforming and the dollar weakening reversed when the war started. When the war ends the original trends are likely to re-emerge and the recent pattern would turn out to have been a correction. If the war concludes, energy prices could end up lower than they were before February 28. That would increase the growth outlook above its earlier trajectory assuming the U.S. and its allies rather than the Iranian regime control the Strait of Hormuz. In short, the weak growth component of stagflation is not likely to materialize unless Iran wins the war.

As for the inflation part of stagflation, the markets are telling quite a different story than the pundits predicting a rerun of the 1970s. While it's true the spike in energy prices will likely show up in higher inflation in the next few months, longer-term inflation expectations have been falling and are near the low point of the historical range consistent with the Fed successfully hitting its 2% target over the longer haul.

The rise in bond yields has been in the real component of interest rates. Over the past year, all of the rise in U.S. 10- and 30-year Treasury yields has been the real component. Inflation expectations remain well anchored despite all the concern about the surge in oil prices. **Bottom line:** There is not much evidence to support the stagflation thesis.

This is also corroborated by the fact that credit spreads remain at the low end of their historical range. If stagflation were around the corner, spreads would blow out well above their normal levels. Instead, they remain tight by historical comparison.

What accounts for the rise in real rates? One explanation is that the markets are looking for a stronger, not a weaker, growth outlook. Artificial Intelligence (AI) is already bolstering productivity, which has been running above its historical average since the pandemic. Higher productivity growth implies higher equilibrium or neutral interest rates. It is a recipe for stronger, not weaker, growth.

Finally, while a lot has been made of the recent declines in precious metals, the longer-term picture tells a different story. Over the past year, silver has outperformed gold by a factor of about two to one. Silver tends to do relatively better when the economic outlook is strong not weak. Putting it all together, the market's signals seem more consistent with a low-inflation, strong-growth outlook than a stagflation scenario. Obviously, this would change if the dire war scenarios persisted indefinitely, but that's not what the markets seem to believe. If the markets are right, recent reversals of the earlier market trend are likely to prove corrective rather than new sustainable trends.

How have the markets traditionally reacted following market corrections?
Uncertainty now, better foundation later. History suggests market corrections are a normal and recurring feature of market cycles, characterized more by their brevity than by the magnitude of their decline, as recoveries have typically unfolded within months rather than years.

Since 1950, S&P 500 market corrections, or pullbacks of 10% to 20% from a recent high that did not evolve into a deeper bear market, have averaged a peak to trough decline of 14.2% and a median decline of 13.8%.

Historically, these pullbacks have unfolded relatively quickly, with the average decline lasting around 3 to 4 months and the median around 2 to 3 months.

Recoveries have also historically been swift, with the S&P 500 back to its prior peak roughly four months after reaching a correction trough on both an average and median basis.

More importantly for long-term investors, these episodes have consistently been followed by strong forward returns, with the S&P 500 higher 100% of the time over the subsequent 3-, 6- and 12-month periods after the trough, with average gains of 14.6%, 21.4%, and 26.1%, respectively, and median gains of 14.7%, 22.8%, and 29.3%.

Looking further out, 24 month forward returns were positive 96.3% of the time, with an average gain of 36.9% and a median gain of 36.3%.

The Lifecycle of S&P 500 Corrections (10% to 20%) since 1950

	Peak-to-Trough Drawdown	Peak-to-Trough Duration (Months)	Trough-to-Prior Peak Duration (Months)	S&P 500 Forward Price Returns From Trough			
				+3 months	+6 months	+12 months	+24 months
Average	-14.2%	3.8	4.1	14.6%	21.4%	26.1%	36.9%
Median	-13.8%	2.6	3.7	14.7%	22.8%	29.3%	36.3%
Maximum	-10.1%	17.5	17.3	28.7%	42.3%	41.1%	98.1%
Minimum	-19.9%	0.4	0.7	2.4%	4.5%	4.9%	-12.6%
% Positive				100.0%	100.0%	100.0%	96.3%

S&P 500 corrections are defined as peak-to-trough price declines of roughly 10–20% that did not develop into full bear markets. % Positive means every episode since 1950 saw positive returns over the specified period. Source: Bloomberg, Yardeni Research. Data as of March 31, 2026. **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.

While periods of heightened volatility can be uncomfortable, history suggests they often mark inflection points, setting up attractive entry points for long-term investors. This pattern is particularly evident during midterm election years, which have tended to be more volatile than others, yet the S&P 500 has not declined in the 12 months following any midterm election since 1938, according to Strategas Research. The takeaway is not to ignore volatility but rather to remain anchored to a disciplined investment process that avoids market timing and reinforces a longer-term perspective.

What is the signal from recent bond market moves? Bond market yields have been volatile, yet importantly there has been no break in the longer-term trend. The 10-year Treasury has been range-bound for over a year now between 4.0% and 4.5%; same for the 30-year between 4.5% and 5.0%.

The clean narrative that rates sold off on significantly higher expected inflation due to the Iran conflict does not fit the messier facts. The 10-year actually rallied more than 30 basis points (bps) from its highs in January (4.3%), only to then sell off and roundtrip back to the exact same level (4.3% on April 2, 2026). Significantly, this last rate move higher was not driven by inflation expectations moving sharply higher. It was driven mostly by movements in real yields—yields after inflation is taken into account—which are now some of the most attractive of the year, a definite positive for savers.

We remain constructive on Fixed Income and continue to believe extending out of cash to a neutral strategic duration target makes sense. The market is currently pricing in no fed funds rate cuts this year; that is possible but highly conservative. Investment-grade (IG) is only 10 to 15 bps wider and has not moved significantly enough to be an attractive overweight from our perspective; High Yield (HY) did approach 7.7% in terms of index yields—which was becoming more interesting—but has since rallied back to 7.3%. Muni-to-Treasury yield ratios have increased somewhat, however, and are more attractive here, particularly for maturities 10 years and longer. On balance, rate risk is better priced in our opinion, and we still see select opportunities in long munis, longer-duration preferreds from larger financial institutions, and longer-dated real rates.

What is our overall portfolio strategy approach heading into Q2? Although volatility is likely to remain elevated in the near term, our positive medium- and long-term outlook for economic fundamentals and corporate profits continues to underpin our overweight position in Equities and slight underweight in Fixed Income within multi-asset portfolios. Investors should maintain the highest level of diversification in this environment, spreading exposure across various styles, regions, sizes, and sectors. We highlight the importance of including both Large- and Small-cap stocks, maintaining a balance between Growth and Value, and incorporating some exposure to non-U.S. markets as appropriate. We continue to suggest a meaningful allocation to bonds as part of a diversified portfolio, which may help to smooth out periods of heightened equity volatility. Above all, investors should follow a disciplined investment process, avoid reacting to headlines, and resist timing the market as geopolitical uncertainty persists. Staying fully invested and using periods of market weakness to rebalance toward preferred areas and key themes remains our core approach.

To that end, portfolio overlays can enhance traditional holdings by increasing portfolio resilience across different market conditions and providing access to secular growth drivers that may not be fully represented in core allocations. Specifically, the case for commodities exposure has strengthened—including precious metals, which can serve as a long-term inflation hedge, and industrial metals tied to infrastructure and electrification trends. While gold has recently faced some pressure, we believe structural factors such as central bank demand, rising global debt, and a potentially moderating U.S. dollar continue to reinforce gold's role as a strategic diversifier. Longer-term thematic exposures offer additional diversification opportunities, especially as the AI sector is still in the early-to-middle stages of a multi-year investment cycle, likely requiring significant investment in power generation and infrastructure.

How do we assess the current turbulence in Private Credit (PC)? We view the current turbulence in PC as the early stages of a sector-specific adjustment rather than a broad-based credit cycle, with risk concentrated primarily in software exposures facing potential AI-driven disruption. While AI uncertainty is not unique to private markets, PC's relative overweight to software could create near-term headwinds versus public leveraged credit; that said, fundamentals remain stable and structural protections—most notably senior positioning and Equity cushions—should help limit loss severity. Retail sentiment has weakened meaningfully, which is likely to slow asset growth over the rest of the year and increase the probability of gating events, though these mechanisms are value-preserving by design. Importantly, systemic risk remains low, banks are well capitalized, and institutional demand is expected to be resilient. As always, PC should be sized appropriately within diversified portfolios, as alternatives, for qualified investors, tend to deliver their intended benefits when investors remain committed through cycles.

Why have Hedge Strategies (HS) become more relevant in portfolio construction at this stage of the cycle? HS have reemerged as an important complement to traditional portfolios as markets have transitioned away from the low-volatility, liquidity-driven environment that characterized much of the 2010s. Higher interest rates, greater macro uncertainty, and widening dispersion across sectors and securities have expanded opportunity sets for both fundamental and quantitative managers. At the same time, investors have faced a more challenging backdrop for sourcing genuinely differentiated return streams, increasing the value of strategies that can dynamically manage exposure and generate alpha[1] from both long and short positioning. Importantly, HS have demonstrated improving diversification characteristics in this regime, with lower sensitivity to broad market moves. As a result, they are increasingly viewed as a stabilizing allocation within well-constructed multi-asset portfolios rather than a replacement for traditional exposures.

What are our medium-term investment themes to consider? Our medium-term outlook over the next six-month timeframe is driven by profits and growth broadly as the sources of upside. Other structural positive surprises may emerge in less discussed areas that remain not only underinvested, but early in their lifecycle and well positioned to complement fundamentals.

[1] Alpha is a measure of an investment's performance that indicates its ability to generate returns in excess of its benchmark.

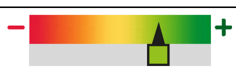
Agentic AI models able to reason, plan, and execute tasks autonomously are only just beginning to unfold. They are not yet ubiquitous or democratized, but their trajectory points toward a meaningful step change in productivity. That productivity impulse is growth-enhancing and remains underappreciated in forward expectations. Closely linked are robotics and automation. Data and robotics form the operational backbone of the AI revolution, demanding more secure data, advanced semiconductors, faster networking, and increasingly sophisticated software. While near-term narratives remain focused on job displacement, the longer-term job creation and efficiency gains—historically consistent with technological breakthroughs—remain underdiscussed and represent another potential positive surprise.

We also see a clear defense supercycle underway. Innovation in defense technology, including AI-enabled systems and advanced materials, is accelerating against a backdrop of geopolitical instability. Within that context, critical minerals emerge as an early-cycle theme—essential to semiconductors, defense systems, energy storage, and electrification. Another theme is energy security and power generation, not only generating energy across fossil, renewable, and next-generation sources, but also transmitting it efficiently and securely. Meeting these demands requires massive investment in global infrastructure, from grids and ports to datacenters, ships, and logistics networks. That includes the great rebuild: a once-in-decade overhaul of physical and digital infrastructure, including the next generation of the internet, cloud capacity, and data architecture. Finally, the biotechnology renaissance—powered by AI, data, and lab automation—targets disease prevention, wellness, and drug discovery in ways that were previously impossible. These areas are engines of innovation, productivity, growth, and earnings that can support higher equity markets over the medium-term.

CIO INVESTMENT DASHBOARD AS OF APRIL 7, 2026

While uncertainty surrounding the Middle East conflict persists, underlying fundamentals remain relatively solid. We still see the potential for a new phase of economic and market growth, powered by accelerating productivity, infrastructure investment, energy transformation, and global shifts in defense and technology. Long-term investors should remain fully invested and consider episodic weakness as a potential buying opportunity.

Current readings on the key drivers of Equities for investors to consider, with arrows representing the recent trend:

Earnings		For the S&P 500 Index, we forecast double-digit earnings growth for 2026. A consistently strong earnings backdrop comprises a key pillar of our U.S. Equity overweight. Globally, earnings trends remain positive with Japan and the U.S. leading the way. While on watch, earnings estimate overall have remained resilient in the face of geopolitical uncertainty.
Valuations		On an absolute basis, U.S. equity markets have become less overvalued, influenced by a decline in the price of the index instead of a fall in earnings estimates. Relative discounts remain in areas like Small-cap and Value. Discounts also exist overseas, including for EMs, underscoring the importance of incorporating all these areas to diversify portfolios.
U.S. Macro		U.S. economic data has generally topped analysts' expectations. In 2026, we anticipate above-average growth driven by supportive fiscal policy and resilient consumption and business investment, bolstering corporate earnings growth.
Global Growth		In 2026, we anticipate growth of 3.1% for global real GDP. Regionally, the impact of the Middle East war may undercut euro area growth, expected at 0.6%. In China, recent better economic data reflects some traction from incremental stimulus efforts, which are expected to remain modest. BofA Global Research forecasts growth of 4.5%, reflecting relative strength increasingly underpinned by innovative segments. While we remain watchful over energy price volatility affecting regions such as Asia, improving fundamentals in EMs longer-term may sustain the appeal of this segment as a portfolio diversifier.
U.S. Monetary Policy / Inflation		The Fed interest rate policy stands at 3.50% to 3.75%. Markets anticipate no change to this rate at the April 29 Federal Open Market Committee (FOMC) meeting. BofA Global Research sees the potential for two cuts later in the year. On watch is the impact of volatile energy prices on inflation expectations. Longer-term, easier monetary policy should be supportive of diversified Equity portfolios.
Fiscal Policy		Fiscal stimulus, dubbed the One Big Beautiful Bill Act (OBBBA), includes new tax breaks, among other elements. This added stimulus throughout the year should support U.S. GDP growth through stronger consumption, investment and productivity, helping support margins and earnings and ultimately providing tailwinds for Equities.
Corporate Credit		Overall, credit spreads for IG and HY corporate bonds are off their year-to-date lows, though still reflect lessened concern over an economic slowdown. We believe that neutral positioning across these segments in low-tax all-Fixed Income portfolios is appropriate.

Yield Curve		The whole Treasury yield curve has become positively sloped. A prior shorter-dated inversion has ended, reflecting anticipation for less interest rate cuts as a result of the potential fallout of volatile energy prices. Rates are fairly priced, providing good diversification benefits for multi-asset class portfolios and reasonable income overall.
Technical Indicators		The S&P 500 has declined below its 200-day moving average. However, this marker remains in an uptrend, indicative of still positive momentum. Measures of breadth have deteriorated, in line with recent market volatility, interrupting an overall broadening participation in the Equity rally.
Investor Sentiment		Overall, investor sentiment indicators have become more pessimistic. According to the American Association of Individual Investors (AAII), as of April 2, bearish retail investors have outnumbered bulls by an increasing margin since mid-February. Meanwhile, BofA Global Research has noted that the average cash level managed by institutional investors has notably increased. Its proprietary Bull/Bear Ratio also no longer signals "sell," as of April 2.

Source: Chief Investment Office. Gradient slides go from positive green, yellow neutral and negative red factors to ISC views.

EQUITIES

We are overweight Equities. While crosscurrents in the economic landscape persist, positive global growth, better earnings trends, and increased innovation remain supportive for global Equities. We maintain an Equity overweight relative to our strategic targets.

We are overweight U.S. Equities. The U.S. remains our preferred Equity region. Despite recent uncertainty, the U.S. is still among the strongest and most innovative economies in the world. U.S. index level valuations declined during the March pullback but remain elevated relative to historical averages. Earnings remain supportive, with growth expected to broaden across sectors. We ultimately expect full-year earnings growth to be in the double digits for the S&P 500 Index in 2026.

Diversification across and within Equities has already proven to be valuable this year amid shifting market leadership. Large-caps continue to exhibit strong fundamentals, solid earnings growth, and the ability to generate substantial free cash flow (FCF). Small-caps may benefit from a lower interest rate environment, a more constructive earnings outlook, and increased capital markets activity in 2026, though persistently elevated energy prices could present headwinds. We emphasize the importance of incorporating both Large-caps and Small-caps into strategic portfolios.

Concerns surrounding AI-related disruptions weighed on Growth-oriented Equities in early 2026, underscoring the importance of avoiding overexposure to any one area of the market. Nevertheless, we view the AI investment and deployment themes as fundamentally intact and believe secular tailwinds related to innovation will continue to support Growth over the long term. Value-oriented Equities continue to trade at a relative valuation discount and may offer attractive defensive characteristics against a backdrop of elevated uncertainty. We maintain a barbell approach between Large-cap Value and Growth in portfolios as market dynamics evolve.

From a sector perspective, we continue to recommend diversification across equity sectors given elevated volatility and uncertainty. Importantly, we continue to suggest overweight exposure to Industrials, Consumer Discretionary and Financials despite reducing some Financials exposure on fewer expected Fed rate cuts this year, persistent headline risk, and healthy but relatively weaker earnings per share (EPS) growth vs. the broader market. We are also reducing exposure to Utilities after strong relative performance to start this year as relative valuations have moved sharply higher and no longer trade at a discount to the market. The consumer remains resilient despite the volatility as spending and wages continue to grow. The overall outlook for Financials remains positive, especially banks with tailwinds from deregulation, earnings growth and reasonable valuations. Industrials are overweight as capital expenditures (capex) budgets continue to grow, 100% bonus depreciation has been enacted again, and AI-oriented infrastructure plans are not slowing. Information Technology (IT) and Communication Services sectors have positive longer term thematic exposure, but there are near term concerns on free cash flow (FCF) and positioning. We are neutral Healthcare, Materials and Utilities and increase exposure to the Energy sector as damaged energy infrastructure in the Middle East and transportation bottlenecks support higher energy prices than before the conflict. We have underweight exposure to the Real Estate (RE) and Consumer Staples sectors on weaker growth expectations in those sectors.

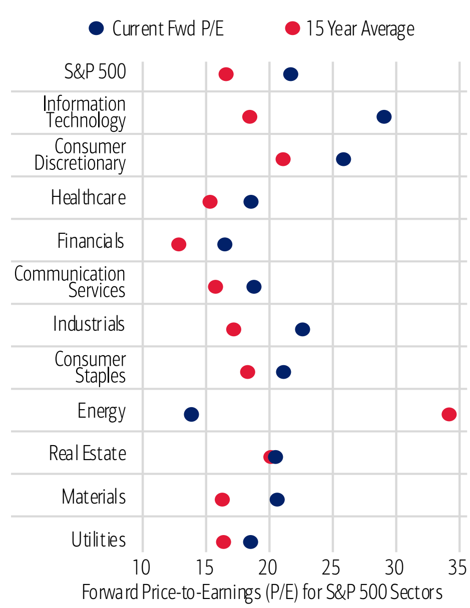
EQUITY WATCH LIST

- Middle East conflict and the impact on oil prices
- Monetary policy outlook and shifting expectations for interest rates
- The outlook for AI investment and competition
- Progression of global earnings estimates
- Evolving dynamics within Private Credit
- Lingering tariff uncertainty

RISK CONSIDERATIONS

- Protracted conflict in the Middle East
- Escalation in AI concerns due to an earnings miss, supply shock, or tighter credit conditions
- Potential for a pullback in high-income consumer spending
- Potential for slower-than-expected labor market stabilization
- Global fiscal concerns, as well as sticky inflation and its potential impact on the Fed's easing cycle
- Geopolitical uncertainty and heightened global protectionism measures

Sector Valuations



Source: Bloomberg as of March 27, 2026. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

We are slightly overweight Emerging Market Equities. EM relative valuations still appear attractive and energy supply risks across large Asian net importers are partially offset by large China stockpiles and index exposure to natural resource-producing markets. The Asia-Pacific market now constitutes close to 80% of total EM market capitalization, and we view the region as a major beneficiary of expected growth in IT-related capital spending and the expanding adoption of AI. Asian markets, in particular, also appear well-positioned to benefit from appreciation of undervalued exchange rates. Smaller markets in Central and Eastern Europe should benefit from increased European Union (EU) fiscal outlays, including higher EU defense and infrastructure spending. The structural rise in EM consumer spending remains a big reason why we believe investors should consider maintaining a strategic allocation to EM Equities as appropriate. The emerging world now constitutes around 40% of global personal consumption expenditure (PCE), according to the United Nations, and ongoing convergence with developed economies should support GDP growth and corporate earnings over the longer-term. We favor active management[2] when investing in EM, as fundamentals differ across countries based on fiscal capacity, external funding needs, corporate governance and other factors.

We are slightly underweight International Developed Equities. European markets should benefit from higher fiscal outlays in defense and infrastructure but remain among the least exposed globally to IT-related market segments and are therefore likely to experience limited gains on a relative basis from AI infrastructure spending. Manufacturing-led EU economies also remain at risk from growing competition from China in key industries and higher industrial energy costs. In the UK, higher business taxes represent a headwind for the corporate sector. Sustained positive inflation and corporate reforms remain fundamental tailwinds for Japan, with large fiscal expansion as an additional support despite exposure to high energy prices. While we are less constructive on International Developed Equities, we believe long-term investors should maintain some strategic exposure, as appropriate, given that they trade at a discount relative to U.S. Equities, contain more of a balance between Value and Growth sectors, can offer attractive dividend yields and provide diversification for mega-cap Technology stocks.

FIXED INCOME

We are slightly underweight Fixed Income within multi-asset class portfolios. We are constructive on Fixed Income overall but are underweight to fund our Equity overweight. We are neutral across Fixed Income sectors in all-Fixed Income low-tax-sensitivity portfolios given our constructive economic view, notwithstanding recent spread widening from very tight levels given ongoing geopolitical risks. In all-Fixed Income high-tax-sensitivity portfolios, we prefer IG and HY Tax-Exempt relative to IG Taxable, particularly now that tax-exempt valuations have cheapened, as expected, from extremely rich levels in January.

Overall, we believe the Fed is focused on the cooling (yet stabilizing) labor market along with incremental energy costs passed onto the consumer. We continue to expect range-bound yields, given sticky inflation and real GDP remaining near or above 2%. However, we recognize potentially high volatility in either direction, especially given the expected change in Fed leadership later this year, persistently high inflation, and a tepid labor market.

We maintain a neutral duration stance with high volatility and a dispersion of potential outcomes given the lack of clarity from the FOMC. Current nominal and real yields provide reasonable compensation for inflation and market risk; the U.S. is one of the cheapest developed-market sovereign bond markets relative to inflation across the globe. Longer-term Fixed Income provides meaningful returns relative to cash over longer time periods and therefore diversifies equity risk with more stable income. We believe investors should move investment cash to their strategic duration target.

In multi-asset class portfolios, we are slightly underweight U.S. Governments. Real yields—that is to say, yields after expected inflation—are around 1.30% to 2.70% across the curve, the higher end of the range since 2008. Yields substantially higher than inflation are positive for savers.

FIXED INCOME WATCH LIST

- Path of government spending and uncertainty about fiscal policies including tariffs
- U.S. short-term funding markets, with the interplay of quantitative tightening and drawdown of Treasury General Account
- Trend and level of U.S. nominal and real rates and inflation
- Fed and global central bank activity
- Global economic growth, especially with trade and geopolitical concerns
- Credit spreads and Muni/Treasury ratios

RISK CONSIDERATIONS

- Resilient or accelerating inflation
- Change in Fed policy stance
- Slowing economic growth or confidence based on uncertainty

[2] Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

In multi-asset class portfolios, we are slightly underweight U.S. Corporates and High Yield, in favor of Equities. Our view reflects valuations that remain relatively expensive amid recent technical pressures and persistent geopolitical risks, which are only partially offset by still compelling all-in yields. Despite a broader risk off tone across markets during March, credit spreads proved resilient, with IG and HY widening by just 5 bps and 30 bps, respectively. While spreads have moved off YTD tights, valuations continue to screen rich relative to history, leaving limited scope for meaningful further compression. This lack of upside potential is the primary factor preventing us from moving to a slightly overweight stance, as spreads remain near multi decade tights.

That said, corporate fundamentals remain solid despite geopolitical uncertainty. Revenue and earnings growth are healthy, margins have been resilient, and gross leverage has remained stable even as capital expenditures increase. While demand has moderated recently, we do not expect material outflows absent a more pronounced deterioration in the macro backdrop. Increased issuance this year represents a modest headwind, but one we view as manageable.

In multi-asset class portfolios, we remain slightly underweight U.S. Investment-grade Tax Exempt and U.S. High Yield Tax Exempt. For highly tax-sensitive investors, we maintain a preference for IG and HY tax-exempt securities. As expected, tax-exempt munis have cheapened markedly versus Treasury securities since January, due to weaker technical conditions (lower redemptions and some pre-Tax Day selling). We note particularly attractive valuations for munis maturing in 10 years and longer. We expect technical conditions to strengthen again after mid-April. Munis remain one of the few tax-advantaged vehicles for high-income investors, and therefore we expect continued strong demand for tax-exempt bonds in separately managed accounts, exchange-traded funds and mutual funds.

We believe municipal credit quality will remain generally strong, based on resilient state and local government tax revenues and strong issuer balance sheets. However, we expect idiosyncratic credit risks will emerge from time to time within the otherwise low-risk state, local government and essential services subsectors, and certain already-challenged municipal subsectors (e.g., higher education and not-for-profit healthcare) will experience increasing pressures due to adverse demographic trends and less federal government support. Therefore, we believe credit selection will remain an important determinant of municipal portfolio performance in capturing excess spread while avoiding credit-related losses.

In multi-asset class portfolios, we remain slightly underweight U.S. Mortgage-backed Securities, in favor of Equities. After reaching a multi-year low in January, driven by the government-sponsored enterprises' plan to purchase Mortgage-backed Securities (MBS), spreads have drifted wider into the mid-20 bps range. Spreads are now in line with, and in some cases slightly richer than, other high-quality Fixed Income sectors, particularly IG Corporates. Recent geopolitical tensions have led to some duration extension and increased rate volatility, but the impact on valuations remains contained. Option-adjusted spreads are holding in the 25–30 bps range, still below their 10-year average. We remain attentive to potential government-sponsored enterprise MBS purchases, privatization efforts, and banking deregulation, all of which could have implications for the MBS sector.

CIO's Key Alternative Investment Principles

With their diverse strategies and historical progress, Alternative Investments (Alts) can potentially enhance portfolio resilience and long-term performance for qualified investors. However, unlike traditional assets, allocating to Alts is a long-term process constrained by liquidity. They should be viewed primarily as strategic holdings, with tactical opportunities playing only a secondary, incremental role for new investment.

- **Think long-term:** Illiquidity demands a multi-year horizon.
- **Invest consistently—even in downturns:** Pulling back during volatility can erode benefits and lead to underallocation.
- **Diversify:** Spread across strategies, managers and vintages.
- **Choose high-conviction managers:** Performance varies widely; manager selection matters.

Hedge Strategies[3]: Hedge Strategies (HS) gained 1.4% in February, bringing year-to-date returns to 3.9%. Equity Hedge (EH) strategies advanced 1.5% for the month and 4.0% year-to-date, again outperforming most U.S. Equity benchmarks. Market conditions shifted markedly in March, however, as heightened geopolitical uncertainty triggered sharp reversals across global markets. Fundamental EH managers materially de-grossed risk amid the turbulence, and preliminary estimates suggest losses broadly in line with public Equities, driven by both beta exposure and negative alpha, with unusually wide dispersion of outcomes. Quantitative EH strategies, by contrast, appear to have navigated the volatility more effectively, continuing to generate meaningful alpha. Even typically stable multi-strategy, multi-manager platforms experienced larger-than-normal drawdowns as volatility spanned Equities, rates, and commodities simultaneously. Macro strategies were also caught in the rapid market reversals after a strong start to the year, with both discretionary and systematic approaches impacted by sharp moves across rates, global equities, and commodities; performance dispersion for March is expected to be significant.

Private Equity[4]: Entering 2026, the outlook for Private Equity (PE) continued to improve, supported by a strong rebound in investment and exit activity and a more constructive financing backdrop. Both BO and Venture/Growth strategies appeared well positioned to benefit from normalized dealmaking conditions. Recent geopolitical developments, however, have introduced renewed uncertainty, particularly through their effects on energy prices, inflation expectations, and interest rates. Sustained elevation in oil prices is likely to create both winners and losers across PE portfolios, though leveraged non-energy businesses may face compounding pressure on margins and financing costs. The more material risk is that any protracted conflict could reinforce a "higher-for-longer" inflation and rate environment, dampening deal appetite and reintroducing headwinds for higher-leverage and longer-duration strategies across the PE landscape.

Private Credit[5]: PC has entered a more unsettled phase, driven primarily by investor concern around software exposures amid potential AI-driven disruption. Geopolitical risks add an additional layer of uncertainty: slower growth and persistently higher inflation or interest rates would further strain the asset class. As with AI risk more broadly, outcomes for PC are likely to vary meaningfully by borrower, sector, portfolio construction, lender discipline, and vintage. Even so, Direct Lending may be relatively insulated given conservative loan-to-value ratios, substantial equity buffers, senior positioning, and tighter credit documentation. Underlying fundamentals—including within software—remain broadly stable at this stage, though dispersion of performance and outcomes is likely to widen. Platforms with disciplined underwriting, strong portfolio monitoring, and proven workout capabilities should be better positioned to navigate the environment, which in some respects may resemble the adjustment path seen in real estate since 2022, particularly for retail-oriented and semi-liquid structures.

Real Assets[6]: Private Real Estate (PRE) data were mixed in early 2026. Commercial property prices rose in February, with the RCA CPPI U.S. All-Property Index up 1.3% year over year and 0.4% month over month. The apartment sector posted its first annual price

HEDGE STRATEGIES

Equity Hedge will likely benefit from decent equity dispersion, driving alpha generation. Micro-dominated markets should be better for stock selection. Hedged approach is appealing given high uncertainty.

Macro is appealing for low correlations to Equities/Fixed Income in uncertain policy environment.

+	**Equity Hedge**
	Event Driven
	Relative Value
+	**Macro**

PRIVATE EQUITY

Venture Capital/Growth Equity expected to benefit if AI theme proves durable. Early-stage capital also tied to trend of companies staying private for longer and incubating next gen tech disruptors.

Buyout (BO) expected to benefit from lower rates, though conflict-driven higher rates could dampen dealmaking opportunity set.

	Buyout
+	**Venture Capital/ Growth Equity**
	Special Situations

PRIVATE CREDIT

Neutral across PC. Direct Lending (DL) to see declining returns with lower rates and climbing credit losses. Primary focus on software exposure; geopolitical volatility could weigh further Potential positive: More PE deals should increase DL deployment opportunities, potentially with wider spreads.

	Direct Lending
	Subordinated Capital
	Asset Based/Specialty Finance

+ symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

[3] HFR, Inc., BofA Securities, Morgan Stanley Prime Brokerage, Goldman Sachs Prime Services.
[4] Cambridge Associates, LSEG, PitchBook, Inc., Bloomberg. As of April 2, 2026.
[5] Cambridge Associates, LSEG, PitchBook, Inc. As of April 2, 2026.
[6] Cambridge Associates, LSEG, PitchBook, Inc., MSCI Real Capital Analytics, NCREIF, Preqin, BloombergNEF. As of April 2, 2026.

increase since 2022, albeit modest at 0.1%, while office price momentum continued to improve. Transaction volumes, however, declined 13% year over year, largely reflecting the absence of several large one-off deals, even as individual asset sales continued to rise. Financing availability had improved meaningfully through the start of the year, but renewed rate volatility now threatens to stall activity. PRE may be relatively well positioned, having already absorbed a multi-year valuation reset and offering characteristics that can benefit from inflation over time; nevertheless, persistently elevated rates could weigh on deal flow and valuation growth. In addition, roughly $600 billion of CRE loans are scheduled to mature in 2026—on top of loans extended from 2025—raising the potential for near-term volatility should lending standards tighten further.

Infrastructure has produced consistent high-single- to low-double-digit returns across both tightening and easing policy cycles and remains a core allocation for investors seeking inflation sensitivity and long-duration exposure. Data center-related demand continues to anchor the long-term opportunity set: expanding cloud adoption, AI deployment, and global data consumption are driving rapid growth in electricity needs. While Infrastructure's inflation-beneficiary characteristics are attractive in the current environment, history suggests that a sustained "higher-for-longer" rate regime could introduce temporary valuation and activity headwinds, underscoring the importance of selectivity.

For Tangible Assets, the war with Iran has created extreme volatility in the energy market until a longer-term outcome emerges. The result could end up being a stabilization in oil prices or an extended period of elevated prices depending on the eventual settlement. Given the central role of energy in commodity production and transportation costs, this is likely to translate into broader commodity price volatility until oil prices stabilize. The war has also reversed the dollar's downtrend which helps restrain commodity prices. A settlement is likely to reignite the dollar's reversion toward fair value especially against the major Asian currencies which are extremely undervalued.

Assuming a successful conclusion to the war would imply lower energy prices and reduced volatility that would stimulate economic growth and restore the pre-war trend toward a more robust global economy and manufacturing cycle supportive of commodity prices more generally.

Precious metals have undergone a sharp correction from their record highs. A long period of consolidation would not be surprising before their secular trend higher reasserts itself in a world of persistent positive inflation.

REAL ASSETS

Infrastructure tied to global trends of energy demand and digitization, with inflation-hedge characteristics.

PRE should continue to stabilize with outlook improving; higher rates could slow recovery.

	Private Real Estate
+	**Infrastructure**

+ symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

MACRO STRATEGY

- Consumer spending growth remains firm as unemployment remains low and wage and salary growth remain solid. GDP growth is tracking around 1.3% for Q1, helped by ongoing consumer and business investment spending.
- Core PCE inflation has been stuck in a 2.5% to 3% range for over a year. Housing disinflation has helped to offset upward pressure from higher tariffs. The spike in energy prices has lifted the near-term inflation outlook while longer-term expectations remain well anchored near the Fed's target.
- Corporate profits are strong, fueled by the boom in AI spending and a pickup in global economic growth. Despite inching slightly lower, domestic profit margins remain around a 60-year high. The profit cycle is likely to be extended by tailwinds from fiscal stimulus and deregulation, all supportive of economic growth and risk assets. Higher energy prices are shifting the mix of profits toward that sector.

ECONOMIC FORECASTS (AS OF 4/2/2026)

	Q1 2026E	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)	2.5	2.5	1.9	1.9	2.3	2.2
CPI inflation (% y/y)	2.8	4.2	3.8	3.7	3.6	2.3
Core CPI inflation (% y/y)	2.5	2.8	2.6	2.6	2.6	2.4
Unemployment rate (%)	4.4	4.5	4.5	4.4	4.4	4.3
Fed funds rate, end period (%)	3.63	3.63	3.38	3.13	3.13	3.13

The forecasts in the table are the baseline 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. 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. Sources: BofA Global Research; GWIM ISC as of April 7, 2026. Forecasts are subject to change. When assessing your portfolio in light of our current guidance, consider the tactical positioning around asset allocation in reference to your own individual risk tolerance, time horizon, objectives and liquidity needs. Certain investments may not be appropriate, given your specific circumstances and investment plan. Certain security types, like hedged strategies and private equity investments, are subject to eligibility and suitability criteria. Your advisor can help you customize your portfolio in light of your specific circumstances.

S&P 500 SCENARIOS BASED ON FORWARD P/E AND 2026 EARNINGS PER SHARE (EPS)

The table below provides a rough indication of where the S&P 500 Index's central tendency could be, given various scenarios for EPS in 2026 and P/E ratio multiples. These scenarios are not official price targets and are not meant to signal levels where portfolio actions may always be needed. However, during times of market volatility, it's useful to keep this basic framework in mind when considering whether to incrementally add to or trim risk from portfolios while staying invested in one's strategic asset allocation framework.

2026 EPS	EPS Forward P/E (Next 12 months)				
	22.0x	**23.0x**	**24.0x**	**25.0x**	**26.0x**
$330	7,260	7,590	7,920	8,250	8,580
$320	7,040	7,360	7,680	8,000	8,320
$310	6,820	7,130	7,440	7,750	8,060
$300	6,600	6,900	7,200	7,500	7,800
$290	6,380	6,670	6,960	7,250	7,540
$280	6,160	6,440	6,720	7,000	7,280
$270	5,940	6,210	6,480	6,750	7,020

For illustrative purposes only. Source: Chief Investment Office as of April 7, 2026.

CIO ASSET CLASS VIEWS AS OF APRIL 7, 2026

Asset Class	Underweight		CIO View / Neutral	Overweight		
Global Equities	•	•	•	●	•	We are overweight Equities and continue to view weakness as a potential buying opportunity for long-term investors. We are overweight the U.S., overweight EM, and underweight International Developed.
U.S. Large-cap Growth	•	•	•	●	•	Large-caps continue to look attractive on solid fundamentals, strong FCF and the ability to produce healthy shareholder payouts. We maintain an equal balance between Large-cap Value and Large-cap Growth in portfolios.
U.S. Large-cap Value	•	•	•	●	•	
U.S. Small-cap Growth	•	•	•	●	•	Small-caps are supported by interest rate cuts, improved earnings, potential deregulation and an uptick in M&A activity. We continue to suggest a balance of Value and Growth factors.
U.S. Small-cap Value	•	•	•	●	•	
International Developed	•	●	•	•	•	Higher energy prices are a relative headwind given reliance on net imports. Europe likely to see limited relative gains from expansion in AI given lack of market exposure, but fiscal easing remains supportive. Japan to benefit from structural reforms and fiscal support.
Emerging Markets	•	•	•	●	•	We are slightly overweight EM overall, with the heavyweight Asia region particularly well positioned to benefit from exposure to growth sectors and exchange rate appreciation. EM Asia import exposure to higher energy prices partially offset by China stockpiles, with higher commodity prices a regional positive for Latin America.
International						
North America	•	•	•	●	•	The U.S. remains our preferred region relative to the rest of the world amid balance sheet strength, better fundamentals for consumer spending, and healthy shareholder payouts.
Eurozone	•	•	●	•	•	Expansionary fiscal policy combined with attractive relative valuations are potential market tailwinds. Exposure to growth in AI spending is limited, while risks remain from higher energy prices and growing competition with China in key industries.
U.K.	•	●	•	•	•	Lack of exposure to growth in AI spending represents a relative market disadvantage. Higher business taxes from government budget are a headwind for the corporate sector.
Japan	•	•	•	●	•	Sustained positive inflation and official efforts to increase corporate returns to shareholders remain fundamental supports. Large fiscal expansion is an additional tailwind despite the potential risks from higher energy prices.
Asia Pac ex-Japan*	•	●	•	•	•	Regional market likely to be driven in near term by slower economic growth in China and its impact on domestic demand, with exposure to higher energy prices through Australian natural gas production.
Global Fixed Income	•	●	•	•	•	Yields are attractive, providing good diversification for multi-asset class portfolios and reasonable income. Neutral duration recommended.
U.S. Governments	•	●	•	•	•	Nominal and real yields remain attractive across the curve relative to the last 10 to 15 years. A Treasury allocation for liquidity, principal preservation and diversification is advised, as Treasurys provide the best short-term diversification benefits to Equities among Fixed Income sectors. Rate volatility has increased and may remain high.
U.S. Mortgages	•	●	•	•	•	After reaching a multiyear low in January, the lowest since 2022, spreads have drifted wider into the mid-20s. They remain below their 10-year average and now largely in line with, and in some cases richer than, other high-quality fixed income sectors. This level reduces their relative appeal and limits potential upside compared to Treasurys and IG corporate bonds.
U.S. Corporates	•	●	•	•	•	Despite the broader risk-off tone/sentiment across markets during the month of March, credit spreads have been resilient. IG and HY spreads have widened just 5 bps and 30 bps, respectively. While spreads remain off YTD tights, valuations continue to lean rich from a historical perspective and the potential for meaningful compression still appears limited. That being said, all-in yields have moved higher amid the selloff in Treasury yields and should continue to drive demand for high quality fixed income.
International Fixed Income	•	●	•	•	•	International rates markets are at normal valuation levels on a U.S. dollar-hedged basis.
High Yield	•	●	•	•	•	Similar to IG, HY valuations remain expensive but have backed up modestly— led by the leveraged loan market. However, a positive macroeconomic environment may limit spread volatility and credit losses as default rates have begun to improve modestly. This leaves us comfortable at a neutral positioning. Within a HY allocation, we continue to suggest a balanced mix between loans and bonds.
U.S. Investment-grade Tax Exempt	•	●	•	•	•	As expected, tax-exempt munis have cheapened markedly verses Treasury securities since January, due to weaker technical conditions (lower redemptions and some pre-Tax Day selling). We note particularly attractive valuations for munis maturing in 10 years and longer. We expect technical conditions to strengthen again after mid-April. Munis still enjoy generally stable credit conditions with solid tax growth and strong balance sheets. However, idiosyncratic risks exist and certain sectors such as health care and higher education face challenges. Therefore, we believe credit selection will remain an important determinant of portfolio performance.
U.S. High Yield Tax Exempt	•	●	•	•	•	HY munis underperformed IG in 2025. However, this may provide an opportunity for relatively strong future high-yield performance if economic conditions remain favorable and market yields decline.

*Asia Pac ex-Japan refers to the geographic area surrounding the Pacific Ocean. The Asia Pac ex-Japan covers the western shores of North America and South America, and the shores of Australia, eastern Asia and the islands of the Pacific. Tactical qualitative investment strategy weightings are relative in nature versus the strategic weightings for a fully diversified portfolio. Weightings are based on the relative attractiveness of each asset class. Tactical strategy weightings are for a 12- to 18-month time horizon. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Because economic and market conditions change, recommended allocations may vary in the future. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. 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 AS OF APRIL 7, 2026

The CIO Equity sector view is developed by applying a multi-input process combining the CIO's factor views and fundamental bottom-up industry outlook with top-down macro-economic changes and trends. The factor approach emphasizes valuation and momentum as key inputs, with a fundamental overlay taking into consideration forward-looking views of growth, profits, policy, events and sentiment as well as inclusion of certain investment themes. BofA Global Research's sector strategy views are also captured as an input into the CIO process. Our sector views are developed with a 12- to 18-month outlook but are revisited monthly by the GWIM Investment Strategy Committee.

Sector	Underweight		CIO View / Neutral	Overweight		
Financials	·	·	·	●	◀	We expect increased activity supported by deregulation and a positive net interest income outlook for Financials. Potential for future interest rate cuts, along with a steeper yield curve, could help improve credit risk and default rates going forward. We are reducing some exposure in Financials given persistent headline risk, the likelihood of fewer Fed rates cuts this year, and a lower EPS growth outlook compared to the broader market. That said, we do not think deregulatory benefits are baked into consensus estimates. Overall, valuation is attractive, and earnings-driven momentum should continue to improve despite near term headwinds. **Risk Considerations: 1) a persistently inverted yield curve, 2) interest rate volatility, 3) private credit overhang, 4) lost market share to non-bank lenders.**
Consumer Discretionary	·	·	·	●	·	With a resilient consumer, a relatively solid job market, potential for lower interest rates in the future, consumer tax stimulus and a positive economic backdrop, we are overweight Consumer Discretionary. Consumers are finding ways to alter their budgets to accommodate both experiences and necessities. Consumer retail channels are shifting back to online spending as value-oriented consumers utilize alternative payment methods to supplement their spending and seek out bargains. Valuation for the sector has contracted while momentum has declined. **Risk Considerations: 1) potential for an economic slowdown, 2) prolonged spikes in energy prices or interest rates, 3) sustained weakness in the job market.**
Industrials	·	·	·	●	·	We are overweight Industrials as capex budgets continue to grow, some uncertainties have been removed, 100% bonus depreciation has been enacted again, and infrastructure plans are accelerating compared to recent years. Longer term there are multiple thematic drivers for Industrials over the next three to five years including multi-year backlogs for commercial aerospace, evolution of generative AI, increased power demand and improving outlooks for defense budgets outside the U.S. Valuation is elevated, and momentum is neutral. **Risk Considerations: 1) short-cycle recovery timing continues to be pushed back, 2) inflation resurgence drives up input costs, pressuring margins, 3) continued supply chain stress.**
Utilities	·	·	●	◀	·	We are reducing exposure in Utilities as the valuation discount to the market has closed during Q1 and valuation is no longer cheap relative to the market. We remain positive on growing electricity demand forecasts for the first time since the early 2000s and accelerating plans to invest in new generation, transmission and distribution infrastructure. Valuations based on forward price-earnings multiples are now near the broader S&P 500 index and momentum is neutral. **Risk Considerations: 1) affordability concerns driving adverse regulatory or legislative solutions, 2) slower power demand growth than forecast, 3) power outage events.**
Energy	▶	·	●	·	·	Despite concerns to start 2026 on the growing oil and LNG supply outlooks, the conflict in Iran has quickly erased that excess supply. Damage to energy infrastructure in the Middle East is likely to support higher energy prices in 2026. Continue to emphasize refiners and upstream companies that are low-cost producers with high FCF, balance sheet strength and low break-even oil prices. Energy stocks still provide attractive valuations and strong dividends with improving momentum. **Risk Considerations: 1) lower oil and natural gas commodity prices, 2) slower global energy demand.**
Information Technology	·	·	●	·	·	We remain neutral on the IT sector due to elevated valuations, crowded positioning and margin risks, despite strong earnings growth and AI-driven flows. Despite weakness in software, the long-term outlook remains positive for Cloud, AI, data centers and semiconductors, but investors should focus on high-quality companies and add on market weakness. **Risk Considerations: 1) China exposure and trade wars, 2) supply chain constraints, 3) AI monetization and overspend.**
Healthcare	·	·	●	·	·	We remain neutral on Healthcare. Policy uncertainty has been a significant overhang for the Healthcare sector for years, but following drug pricing agreements in recent months, some clarity on Healthcare issues and policy and proposed expedited timelines for new product development provides potential upside. Hence our upgrade to the sector from underweight to neutral in January. Utilization trends remain strong, and capital budgets are not under serious pressure. We maintain strong conviction in Diagnostics and Labs while large biopharma, SMID biotech and Life Science tools and equipment look to be more intriguing areas for investment. Medtech, Managed Care/Providers and Diabetes are areas to be selective. We remain optimistic on the long-term outlook for the Healthcare sector amid demographic changes, innovative pipelines and a focus on driving down cost to consumers. Valuation is fair and momentum has recently stalled. **Risk Considerations: 1) policy changes that materially impact companies' profitability; 2) a slowdown in innovation; 3) margin and profitability pressures resulting from increased tariffs or higher labor/supply costs.**
Materials	·	·	●	·	·	There is improved pricing and demand for commodities in general, and specifically for metals and mining and more recently for chemicals due to supply disruptions. Longer term concerns remain regarding too much new capacity in the future for petrochemicals and commodity chemicals which could turn very quickly. We still see some longer-term tailwinds for demand, such as AI growth and power buildouts for copper demand and strong investment flows into precious metals. The underlying sector valuation is neutral and momentum recently improved. **Risk Considerations: 1) slower global economic growth, 2) weaker residential and non-residential construction, 3) oversupplied materials markets.**
Real Estate	·	●	·	·	·	We are underweight Real Estate and would be selective in Real Estate exposure. Furthermore, risks are rising for downward pressure on rental rates as lease contracts expire and new contracts are negotiated. Continue to emphasize longer-term secular trends in data centers, communication infrastructure (towers), storage and industrial RE. Valuation is low and momentum stalled. **Risk Considerations: 1) spike in interest rates and borrowing costs, 2) declining demand for CRE in oversupplied markets, 3) workout problems.**
Consumer Staples	·	●	·	·	·	The Consumer Staples sector has faced headwinds from tariffs, higher input costs, and weaker earnings growth, while consumers increasingly trade down and favor private labels, pressuring branded product profitability. Although momentum is weak, fair-to-undervalued valuations and early signs of stabilization—along with AI-driven cost efficiencies—could support better-than-expected earnings in 2026. **Risk Considerations: 1) soft demand across consumer-packaged goods, 2) consumer trade down and substitution, 3) ongoing growth in private label and store brands.**
Communication Services	·	●	·	·	·	We are underweight the Communication Services sector, based on operating cash flow and FCF questions and aggressive increases in capex spending. While valuations for top companies are rich, overall sector valuation is aligned with the market, and momentum remains neutral. **Risk Considerations: 1) regulatory and anti-trust risks, 2) capex ramps for AI investments that limit EPS and FCF, 3) lower engagement pressuring growth.**

Source: Chief Investment Office. 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 THEMATIC INVESTING AS OF APRIL 7, 2026

The following themes and subthemes encapsulate the Chief Investment Office's thinking on some of the most convincing undercurrents of future areas of growth around: Transformative Innovation, Resilient Infrastructure, Future Security and Changing Demographics. These themes carry long-term implications for economic growth, the cost of capital and global earnings. We'd consider exposure to these themes a key ingredient to investing.

Transformative Innovation

Generative Artificial Intelligence: Power demand/generation, productivity wave

Robotics/Automation: Industrial/service robotics

Digitization: Cloud computing, data analytics, digital payments, internet of things, augmented reality and virtual reality, electrified transportation

Resilient Infrastructure

Energy Addition: Nuclear renaissance, solar, natural gas generation, hydrogen, battery storage

Utility Infrastructure: Data centers, grid (transmission/distribution), thermal management, water management, power generation

Supply Chain Reconfiguration: Onshoring/nearshoring buildout

Future Security

Aerospace & Defense: Remilitarization, space, drones

Cybersecurity: Network security, cloud evolution/security, endpoint security

Resource Protectionism: Food/agriculture/commodity scarcity (water), natural resources, metals/mining

Changing Demographics

Healthcare Innovation: Ageing, longevity, drug discovery, biotechnology (gene therapy, personalized medicine)

Great Wealth Transfer: Wealth creation, NextGen consumer/investor base

Global Labor Force Distribution: Immigration/migration, global fertility bust, automation "cobots"

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 includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

S&P 500 Price Returns Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. Price return is the rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio.

RCA CPPI U.S. All-Property Index delivers monthly updates. that reflect where the commercial real estate market is headed—well ahead of traditional transaction data.

Important Disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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