CHIEF INVESTMENT OFFICE

Viewpoint

The Roads Have Ears But The Mountains Have Eyes

September 2026

All data, projections and opinions are as of September 1, 2026 and subject to change.

IN BRIEF

- We prefer to focus on the trendlines, not the headlines. Despite ongoing concerns around rates, valuations, and geopolitics, the underlying backdrop remains constructive: manufacturing activity is improving, Artificial Intelligence (AI) and digital infrastructure investment continue to accelerate, corporate profits and earnings revisions are moving higher, the consumer remains resilient, and substantial liquidity remains available to support risk assets.
- As this expansion continues to unfold, we believe investors should use portfolio diversification to their advantage, participating in the potential further upside in asset prices while helping mitigate periodic market concerns. Focus on the potential opportunities within the markets. This month, we lean into the ongoing broadening of market leadership by adding exposure to Industrials, Financials, and Healthcare, funded by reductions in Consumer Discretionary, Consumer Staples, and Utilities.
- Market participants remain focused on the path of Federal Reserve (Fed) rate policy as inflation continues to run above the Fed's 2% target. While policy expectations may continue to shift, we believe economic and inflation data will remain the main driver of Fed policy. In this environment, Fixed Income yields remain attractive, and elevated starting yields continue to provide an important source of return potential and a cushion against market volatility, though tight spread valuations suggest a more balanced risk-reward profile.

Once again, the noise from the concerns that dominate the headlines is getting louder, but as we have suggested previously, we prefer to focus on the trendlines not the headlines. So does Fed Chairman Kevin Warsh, who said explicitly last week during his speech in Jackson Hole: "*Trends matter most.*" It is important to be guarded and test the merits of the trends across the global economy and markets, particularly during times of potential adjustments to rates, premium valuations or elevated geopolitical risks. This always makes sense, in our view. But short-term "noise" can often cloud the medium- and longer-term picture of what truly is powering the engines of global growth, corporate profit, and the resiliency of the direction of asset prices. Premium valuations are not a cause for concern by themselves. Deteriorating fundamentals are, and we just don't have enough signals that this is happening. In fact, it appears that growth is building on itself in a majority of the world, with manufacturing improving each quarter, capital investment in AI and the digital infrastructure still rising at a strong clip, corporate profits surprising upward, earnings guidance being raised not lowered, increasing yields that don't stick, the consumer remaining resilient and, most importantly, the worry about cash levels in institutional investor mandates being far outweighed by the trillions of cash available in private investment accounts. When the noise increases about where we are in the market cycle, we move further away from the "roads that have ears" and move to the "mountains that have eyes." We want to stay above the short-term worries that come and go and look out over the horizon at the potential opportunities across the capital markets as this supply-led expansion is still gathering momentum.

CIO ASSET CLASS VIEWS

This month the Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) made tactical asset allocation adjustments to our Equity sector positioning. We increased exposure to Industrials, Financials, and Healthcare, funded by reductions in Consumer Discretionary, Consumer Staples, and Utilities. 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.

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Asset Class	Underweight		CIO View 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.

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Supply-led expansions are more durable, tend to include higher nominal growth, are not as impacted by the level of rates (versus a demand-led cycle), usually involve a collection of beneficiaries across the industry landscape, and are global in nature. In decades past, policy makers had to lower rates to zero, or close to it, to induce demand to buy the supply that was already available. This calculus leads to slower nominal growth, dis-inflation and generally more of a boom-bust type of environment. This is not the case in supply-led expansions in which there is a coordinated effort to build a level of supply needed to match the natural demand that is available. When there is a lack of supply, whether it's semiconductors, memory, gases, power, uranium, copper, chemicals, processors, etc., there is a rush to build it over time. This creates above-average nominal growth and involves more value and cyclically-oriented industries and geographies. These types of expansions have not occurred in decades. Therefore, many still believe that small increases in yields or a turn down in the U.S. dollar or "above the norm" valuations and inflation are large causes for concern. As this expansion continues to unfold, use portfolio diversification to your advantage to participate in the potential further upward move in asset prices while helping to mitigate some of the worries that present themselves from time to time. Focus on the opportunities within the markets and not necessarily the market itself.

Why are we bullish within the equity markets even in the face of this latest move higher?	What are our big concerns that come through the bull’s parade from time to time?
• Earnings-per-share (EPS) momentum could continue well into 2027 • Record operating leverage and margins should remain • Price-to-earnings do not have to rise to continue the advance • The market is diversifying and rebalancing itself (Value and Small-caps currently outperforming) • Approximately $7+ trillion in cash on sidelines for the opportunity to buy dips when they happen	• Elevated geopolitical risks • Midterm elections • Debt and deficit • Higher interest rates potential • Slower than expected EPS momentum

All these concerns tend to keep over-enthusiasm at bay and valuations from reaching levels from late last year. As we sit here in September, equity valuation is lower than when we started the year due to a powerful earnings engine. Earnings growth will eventually slow down, and we are likely to experience an exhale in the equity market, but we expect the level of profit growth to still be solid and above the norm. The bottom line is that this bull run may appear tired from time to time based on the concerns that dominate the headlines but taking a rest should not be confused with a backdrop that is deteriorating, in our opinion. In addition, the exaggerated concern over a backup in longer-dated Treasury yields has gone too far, in our view. To put things into perspective, yields, on average, are up between 20 to 30 basis points (bps) on the 10-year and 30-year Treasurys between current levels and some three months ago. The headlines would suggest something much more aggressive—another sign of listening to the noise versus watching what the eyes actually see.

We are buyers during "resting periods" and episodes of downward pressure and look for missing potential opportunities when the market provides them.

Missing Opportunities

- For those overexposed to the AI buildout, consider adding to dividend paying strategies to dial down volatility
- For those overexposed to the U.S. indexes, consider adding to non-U.S. markets, including Emerging Markets (EM)
- Consider adding to themes as an overlay to passive[1] index exposure: biotechnology and lab sciences, cybersecurity, defense technology, basic materials, oil refiners and services, to name a few

[1] Passive management is an investment strategy that aims to match the performance of a specific market benchmark or index rather than trying to beat it.

CIO INVESTMENT DASHBOARD AS OF SEPTEMBER 1, 2026

While we could see some market choppiness in the months ahead, particularly as midterm elections come into great focus, we believe the bull market remains supported by a resilient economy, broadening earnings growth and strong business investment. We continue to see the potential for a more durable expansion 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		Our U.S. Equity overweight remains supported by a strong earnings outlook. Earnings estimates for the S&P 500 have recently moved higher following a strong reporting season, with the index on track for double-digit earnings growth in 2026. The BofA Global Earnings Revision Ratio improved to 1.35 in August, with the ratio above 1.00 in all regions.
Valuations		U.S. Equity market valuations remain elevated relative to long-term averages. Relative discounts exist in areas like Value, Small-Caps, and EMs, underscoring the importance of incorporating these areas into diversified portfolios.
U.S. Macro		The U.S. economy remains resilient. Business investment continues to be robust, led by an AI investment boom that should continue to be a substantial tailwind for growth as supply constraints across key inputs underscore the durability of underlying demand. AI investment is generating positive second-order effects across the economy, supporting manufacturing activity, construction employment, and consumer spending through positive wealth effects. The labor market remains stable in a low-hire, low-fire environment. BofA Global Research expects U.S. real gross domestic growth (GDP) of 2.1% in 2026 and 2.2% in 2027.
Global Growth		The AI investment boom continues to extend beyond the U.S., benefiting key countries integrated into the global technology value chain. These positive spillover effects are helping support global growth even as geopolitical tensions and supply disruptions create periodic headwinds. BofA Global Research expects global real GDP growth of 3.2% in 2026 and 3.4% in 2027. Europe's growth outlook remains subdued, weighed down by structural headwinds and weak fundamentals. EM Asia ex-China should continue to benefit from robust demand for technology goods and AI-related investment. China remains challenged by slowing domestic demand, though export growth strength underpins BofA Global Research's growth forecast of 4.5% for both 2026 and 2027.
U.S. Monetary Policy / Inflation		The Fed rate policy remains in a 3.50% to 3.75% range. Recent data suggests the labor market remains stable while inflation continues to run above the Fed's 2% target. Price pressures however could moderate if the U.S. and Iran reach a diplomatic agreement and energy prices move lower. BofA Global Research expects three Fed rate hikes starting in September followed by an extended pause through 2027. While this forecast represents a somewhat more hawkish policy path, any renewed tightening is expected to be modest and short-lived. Given the economy's continued resilience, it may be able to absorb some tightening, leaving the Equity outlook still supportive.
Fiscal Policy		Fiscal policy remains supportive of corporate earnings and business investment, with tax incentives encouraging capital spending and tariff refunds providing additional support for companies. While elevated defense spending and rising interest costs keep U.S. government debt levels in focus, healthy consumer and corporate balance sheets alongside resilient nominal growth should help keep debt manageable for now.
Corporate Credit		Despite some recent volatility, Investment-grade (IG) and High Yield (HY) credit spreads remain near multidecade tights, signaling limited market concern over a near-term economic slowdown. With spreads already compressed, we see little room for further meaningful tightening and maintain a neutral stance across sectors in low-tax all-Fixed Income portfolios.
Yield Curve		The yield curve remains positively sloped, though Treasury yields experienced notable volatility in August. The curve steepened as the 30-year Treasury yield briefly reached its highest level since 2007, driven by higher real rates, policy uncertainty, and expectations for heavy AI-related corporate debt issuance, before partially retracing after the Treasury said it would double long-end bond buyback operations. The curve later flattened as short-term yields moved higher after Fed Chair Warsh signaled financial conditions are not yet restrictive in his Jackson Hole speech, prompting markets to reprice the outlook for additional policy tightening. While higher rates warrant monitoring, resilient growth and healthy earnings continue to support Equities. Rates remain attractive from an income and diversification perspective.
Technical Indicators		The percent of S&P 500 stocks above their 200-day moving average held above 70% in August, signaling greater participation across sectors. Breadth indicators strengthened further as both the Russell 2000 and S&P 500 Equal-Weighted Indexes captured more all-time highs than the S&P 500, highlighting the importance of maintaining a balanced and diversified portfolio.
Investor Sentiment		Sentiment indicators remain mixed. The latest American Association of Individual Investors (AAII) reading showed bears outnumbered bulls in the last six weeks. Meanwhile, BofA metrics remain in sell signal territory as the BofA Bull & Bear Indicator remained above its sell signal rose to 9.7, and the BofA Global Fund Manager Survey cash levels fell to 3.5%, the lowest level since 1998.

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 remain, positive global growth, stronger-than-expected earnings 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 uncertainty in the first half of the year, the U.S. remains among the strongest and most innovative economies in the world and earnings growth continues to beat even the most bullish estimates. Index level valuations declined at the start of the U.S./Iran conflict but are slowly climbing higher again with earnings growth containing valuation multiples. The S&P 500 marked its seventh consecutive quarter of double-digit year-over-year (YoY) EPS growth in Q2. Earnings strength continues to broaden, with all 11 S&P 500 sectors expected to see earnings growth accelerate for the full year 2026, according to FactSet.

Diversification across and within Equities has already proven to be valuable this year as new pockets of market leadership have emerged. Large-caps continue to exhibit strong fundamentals, strong earnings growth, and the ability to generate substantial free cash flow (FCF). Small-caps have seen strong performance year-to-date (YTD), outperforming the S&P 500 and Nasdaq Indexes. Small- and Mid-caps are benefiting from a more constructive earnings outlook, an uptick in domestic manufacturing, and increased capital markets activity. We emphasize the importance of incorporating both Large- and Small-caps into strategic portfolios.

We believe secular tailwinds related to innovation will continue to support Growth over the long term. However, we continue to emphasize the importance of avoiding overexposure to any one area of the market. 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 propose diversification across Equity sectors given elevated volatility and uncertainty. As market leadership broadens, we are increasing exposure to Industrials, Financials and Healthcare while funding those moves by reducing Consumer Discretionary, Consumer Staples and Utilities. Importantly, we continue to suggest overweight exposure to Industrials and Financials and add exposure to Healthcare. Industrials are overweight as capital expenditures (capex) budgets continue to grow, 100% bonus depreciation has been enacted again, strong order backlogs and AI-oriented infrastructure plans are not slowing. The consumer is facing mixed trends and fading tax refund benefits. The overall outlook for Financials remains positive, especially for banks with tailwinds from deregulation, loan growth, net interest income (NII) growth, capital markets activity and reasonable valuations.

We are neutral Information Technology (IT), Energy, Consumer Discretionary and Materials. IT has positive longer-term thematic exposure, but there are near-term concerns on capex funding. The outlook for the Energy sector is more muted given ongoing uncertainty about the Middle East conflict, which has now entered its seventh month. We are neutral Materials on improved pricing and demand for commodities in general. Utilities provide the potential for multi-year earnings growth and are fairly valued but face local pressures and rising interest rates. We have underweight exposure to Communication Services, Real Estate (RE), and Consumer Staples on weaker growth expectations in those sectors.

We are slightly overweight Emerging Market Equities. Growth in a few key AI names has given the MSCI Emerging Markets Index a close to 50% combined weighting in Korea and Taiwan, compared to more diversified China exposure of roughly 20%. We continue to view the Asia-Pacific as a major beneficiary of expected growth in IT-related capital spending and expanding AI adoption, with deleveraging in over-extended parts

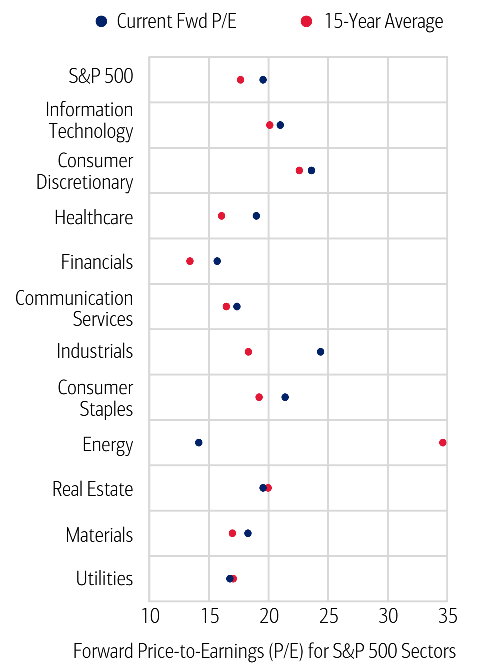
EQUITY WATCH LIST

- Monetary policy outlook and shifting expectations for interest rates
- Trajectory of Middle East conflict
- Impact of oil prices on inflation and the consumer
- The outlook for AI investment and competition
- Progression of global earnings estimates
- Evolving dynamics within Private Credit

RISK CONSIDERATIONS

- Protracted conflict in the Middle East and higher-for-longer oil prices posing a risk to earnings, inflation, and capex
- Escalation in AI concerns due to an earnings miss, supply shock, or tighter credit conditions
- Potential for a pullback in high-income consumer spending
- Sharper moves higher in U.S. interest rates.
- Global fiscal concerns, as well as sticky inflation and its potential impact on Fed policy ahead
- Geopolitical uncertainty and heightened global protectionism measures

Sector Valuations



Source: Bloomberg as of September 1, 2026. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

of the Korean market likely to dampen future volatility, and strong balance of payments positions leaves the region more resilient to external shocks. Latin America remains exposed to longer-term growth expected in demand for key materials used in technology and clean energy investment, while smaller markets in Central and Eastern Europe should benefit from increased European Union (EU) fiscal outlays, including higher 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[2] management when investing in EM, as fundamentals differ across countries based on fiscal capacity, credit quality, corporate governance and other factors.

We are slightly underweight International Developed Equities. European markets remain among the least exposed globally to technology-related market segments and are therefore likely to experience limited gains on a relative basis from growth in AI spending. Manufacturing-led EU economies also remain at risk from growing competition from China in key industries such as auto manufacturing and volatility in industrial energy costs but should benefit from higher fiscal outlays in defense and infrastructure. Corporate sector reforms remain a fundamental tailwind for Japan, with additional support from fiscal expansion and ongoing exchange rate competitiveness despite official currency market intervention. 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 remain slightly underweight Fixed Income within multi-asset class portfolios, primarily reflecting the need to fund an overweight in Equities. Within all-Fixed Income portfolios with low tax sensitivity, we are positioned neutral across sectors, supported by a constructive economic backdrop, historically tight credit spreads, but compelling all-in yields, which have risen during much of the summer. In high tax-sensitivity Fixed Income-only portfolios, we favor IG and HY tax-exempt over IG taxable, particularly as municipal valuations have retraced from the extremely rich levels observed earlier in the year. We believe the current relative-value case remains compelling, supported by favorable seasonal technicals and attractive taxable-equivalent yields.

August proved a busy and highly dynamic stretch for Fixed Income markets. Investors stayed squarely focused on the path of Fed policy heading into the fall, with inflation still running above the Fed's 2% target. Early in the month, a somewhat mixed data set—a soft employment report alongside relatively tame inflation readings—led the market to pare back expectations for a rate hike at the September meeting, and long-end yields eased modestly off recent highs. That reprieve proved short-lived. As debt and deficit concerns moved back to the forefront and uncertainty around Fed policy lingered, yields swung higher again toward cycle highs, with the 30-year Treasury touching 5.3% in mid-August. The move prompted the Treasury to double its liquidity-support buyback operation for longer-dated issues, which helped relieve some pressure on the margin. While some read the climb in long-end yields as a sign of concern over Fed credibility, longer-dated yields have trended higher over the past several years largely on firmer growth and rising real yields, with long-term inflation expectations remaining well-anchored.

The back-and-forth underscored an unsettled rate backdrop and elevated interest rate volatility. The new Fed Chair is, like his predecessors, learning on the job, and investors are still adjusting to his communication style and policy approach—a dynamic that

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 is an investment strategy where a professional manager, team, or individual makes hands-on decisions to buy, hold, and sell assets with the goal of outperforming a market benchmark.

can produce episodes of mixed messaging. At the Jackson Hole Symposium, however, Chair Warsh emphasized the resilience of the U.S. economy and reaffirmed the Fed's commitment to its 2% PCE target, with short-term interest rates as the primary policy tool. Markets read the remarks as modestly hawkish: rate-hike probabilities firmed again, the yield curve flattened into early September, and long-end yields were little changed. While fiscal concerns and an evolving Fed voice warrant close attention, the anchoring of inflation expectations and underlying growth argue against reading too much into the recent move. On balance, we continue to expect incoming economic and inflation data — not shifts in tone — to be the primary driver of Fed policy from here.

Despite evolving Fed dynamics and recent economic data, the underlying economy remains resilient. Recent data showed a rebound in personal income and consumption, while Q2 GDP growth was consistent with prior quarters. Although higher energy prices pose a risk to disinflation, economic fundamentals appear sufficiently robust to absorb policy tightening should the Fed determine that further action is necessary at some point this year.

Against this backdrop, Fixed Income yields remain attractive, and elevated starting yields continue to provide an important source of return potential and a cushion against market volatility, though tight spread valuations suggest a more balanced risk-reward profile.

In multi-asset class portfolios, we are slightly underweight U.S. Corporates and High Yield, in favor of Equities. Continued geopolitical uncertainty, concerns about a new Fed regime, and an elevated primary market calendar will likely persist into September. While IG spreads have moved modestly wider from multi-decade tights in recent months, the move appears largely technical in nature, driven by record new-issue supply in August. We expect this trend to continue in the near term, and our slight underweight recommendation remains unchanged. This view reflects spread valuations that remain relatively rich by historical standards. While we see a limited runway for meaningful additional tightening, we expect valuations to remain well-supported by the higher all-in yield environment, which continues to attract healthy levels of investor demand despite meager total returns due to interest rate volatility. Although we are monitoring re-leveraging trends in certain pockets of the market, particularly Technology and the hyperscalers, corporate fundamentals remain in very good shape, supported by broadening revenue and earnings growth, resilient margins and broadly stable leverage even amid elevated capital spending.

Recent new issue activity suggests buyers may be becoming more selective, leading to increased spread dispersion across sectors such as Technology. That said, we have not yet seen material cracks in the broader demand backdrop as YTD IG fund inflows are at a multi-year high. We continue to see an asymmetric risk profile, with limited upside from current valuation levels and more pronounced downside risk, which tempers our conviction. As a result, we maintain a more balanced stance and remain underweight both IG and HY. Key risks we continue to monitor, while still manageable in our base case, include potential escalation in geopolitical tensions, ongoing interest rate volatility, and, most importantly, an expected material pickup in issuance in September that could begin to test the strength of investor demand.

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 continue to favor IG and select HY municipal bonds. As of late August, the Bloomberg Municipal Bond Index offered a yield-to-worst of approximately 3.9%, equivalent to roughly 6.6% on a taxable-equivalent basis for investors in the top federal tax bracket. This compares favorably to high-yield corporates while carrying meaningfully lower credit risk. During August, the municipal yield curve steepened, and valuations relative to Treasurys cheapened for maturities of 10 years and longer, while becoming richer in the belly and short end of the curve. We view munis with maturities of 10 years and longer as particularly attractive.

Technical conditions are likely to weaken somewhat from September through November, with lower principal and coupon reinvestment flows than during the summer months.

We expect municipal credit fundamentals to remain broadly resilient, supported by stable state and local tax revenues and healthy issuer balance sheets. However, budget pressures are beginning to emerge as reductions in federal funding take effect and inflation continues to drive higher expenditures. As a result, we anticipate greater dispersion in credit outcomes and an increase in idiosyncratic risks, even among traditionally stable sectors such as general obligation bonds. We continue to find value in the mid-to-lower IG segment, with prepaid energy, healthcare, and higher education bonds offering incremental spread opportunities. However, disciplined credit selection remains essential given the increasing potential for credit deterioration and rating migration among weaker issuers.

In multi-asset class portfolios, we remain slightly underweight U.S. Mortgage-backed Securities, in favor of Equities. After reaching multiyear tights in January, driven in part by expectations for incremental demand from government-sponsored enterprises (GSEs), Mortgage-backed Securities (MBS) spreads have drifted modestly wider into the mid-20 bps range. Current valuations are broadly in line with and, in some cases, modestly rich relative to other high-quality Fixed Income sectors. Interest rate volatility remains slightly below its long-term average, despite episodic spikes driven by shifts in Fed policy expectations and other rate-sensitive macro developments.

We continue to monitor a range of policy-driven catalysts that could alter our view on MBS—including housing-related legislation, adjustments in GSE MBS purchases, evolving GSE privatization discussions, and banking deregulation. These developments could meaningfully influence supply-demand dynamics and relative value within the MBS sector.

ALTERNATIVE INVESTMENTS

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: Hedged Strategies (HS) delivered a strong first half of 2026, with managers generating meaningful alpha[3] across both long and short portfolios. July on the other hand was a turbulent month, driven by a sharp technology and momentum unwind that prompted a large-scale de-grossing as managers reduced risk across their portfolios. HS declined 1.0% in July, bringing YTD performance to 6.4%[4] while Equity Hedge (EH) strategies fell 1.8%, reducing their YTD gain to 7.5%.[5] July market moves looked more like a crowded-positioning and risk-off event than a fundamental break in the broader opportunity set, reinforcing the importance of disciplined risk controls and financing. Early indications from prime brokerage research suggest a modest recovery in August as managers incrementally added back exposures for the next leg of the AI trade, supported by strong Q2 earnings, particularly in the technology and AI infrastructure space.[6] Looking ahead, the market environment remains constructive for skilled stock selection, with abundant alpha opportunities supported by wide dispersion and low correlations.[7]

HEDGE STRATEGIES

EH 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**

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

[3] Alpha is a measure of an investment's performance that indicates its ability to generate returns in excess of its benchmark.
[4] HFR, Inc. HFRI Fund Weighted Composite Index. As of August 31, 2026.
[5] HFR, Inc. HFRI Equity Hedge Total Index. As of August 31, 2026.
[6] Goldman Sachs Prime Services. As of August 31, 2026.
[7] BofA Global Research. As of August 31, 2026.

Private Equity: Private Equity (PE) activity remained measured during the quarter as sponsors balanced financing costs, ongoing interest-rate uncertainty, and a still-challenging liquidity environment. Distributions remain below long-term averages and liquidity continues to be a primary focus across the industry. Sponsors are increasingly utilizing secondary transactions, continuation vehicles, and other General Partner (GP)-led solutions alongside traditional exit channels to generate distributions and provide liquidity to investors. Continuation vehicles, in particular, are becoming a more permanent feature of the market, allowing sponsors to retain ownership of high-quality assets with additional value creation potential while offering existing investors optional liquidity. 2025 marked a new record year for secondary transaction volume, with GP-led accounting for over half of those transactions across all asset classes.[8] Although PE-backed initial public offering (IPO) activity has improved from depressed levels, the broader exit recovery remains uneven. Fundraising reflected similar dynamics, with capital continuing to concentrate among the largest and most established managers, while evergreen vehicles and secondary strategies remained notable areas of growth.

Venture Capital (VC) is supported by continued investment in AI and related technologies. However, activity remains highly concentrated, with capital deployment, fundraising, and liquidity dominated by a small number of companies and managers. OpenAI and Anthropic alone accounted for roughly half of AI funding in the first half of the year,[9] and the anticipated IPO wave remains a key focus for investors. Investor focus has also broadened beyond AI enthusiasm toward a more nuanced assessment of which companies stand to benefit from AI adoption, which business models may face disruption, and how managers are using AI as a tool for operational value creation within portfolio companies. As a result, AI is increasingly viewed as both a potential source of value creation and an important underwriting consideration, reinforcing the growing differentiation between prospective winners and losers across the technology landscape.

PRIVATE EQUITY

VC/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.

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: Q2 data from Cliffwater show mixed results for Private Credit (PC) and credit conditions. Different credit measures show a market with some dispersion, impacted more by larger lumpy credit outcomes rather than broad conditions for all assets in the space. Realized losses remain low (the lowest level in 12 quarters). Unrealized losses returned to benign levels after a spike in Q1 (also driven by narrow lumpy large borrowers as well as software markdowns). Software equity repricing continues to affect the level of unrealized pricing for loans in the space. As mentioned last month, despite markdowns, fundamental performance for software borrowers continues to see solid growth in earnings before interest, taxes, depreciation, and amortization. Payment-in-kind rose modestly to 6.9% but is still lower than it was 12 months ago.

While redemption levels in evergreen structures appear to remain elevated, institutional fundraising for PC is on track for a record year. Portfolios in evergreen vehicles continue to show fairly low credit stress, as many are low in vintages 2020 and 2021. With the possibility of the Fed raising rates, that increases the value of this floating rate asset class in a portfolio as a duration risk tool against other Fixed Income assets. Looking forward, with good capital inflows overall, we believe managers in the space can take advantage of wider spreads in the market now with even more investor protections built into new underwritten deals as the balance between borrowers and lenders has shifted in investors' favor.

PRIVATE CREDIT

Neutral across PC. 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.

Real Assets: Private Real Estate (PRE) has taken a shift in stride with demand remaining robust while supply has dropped off significantly across all major property sectors. The NCREIF Open End Diversified Core Equity (ODCE) Index has now posted eight consecutive quarters of positive returns, with Q2 2026 returns being the strongest since 2022 (up 2.7% YTD).[10] U.S. Commercial Real Estate (CRE) transaction volumes improved

8 Evercore 2025 year-end Secondary Market Survey August 2026.
9 Pitchbook as of August 31, 2026.
10 NCREIF ODCE Index Returns, Q2 2026.

significantly while lending conditions have also become more favorable towards real estate. Despite higher-for-longer rate concerns, fundamentals are improving, transaction volumes are increasing and more capital is flowing into the sector. The multifamily sector continues to stabilize as it works through near-term supply challenges but over the long-term, demand fundamentals remain strong driven by a national housing shortage and lack of affordability. The reshoring of critical manufacturing is emerging as a major structural driver of industrial sector demand. The growth in on-shoring is also reshaping the tenant profile with advanced manufacturing tenants being more operationally intensive and harder to relocate which supports stickier occupancy rates. The opportunity extends beyond large anchor tenants and will extend to supplier networks that demand smaller assets with shallow bay features. After years of headwinds, the office sector has turned a corner with increased return-to-work mandates across industries. Select markets like New York City and San Francisco are seeing the most positive absorption but the recovery is broad-based across the top 25 markets in the country. Retail has been the top-performing property sector and fundamentals suggest there is still runway for more growth. On-line sales growth is supported by in-store fulfillment leading to demand for retail space while new supply has been virtually non-existent for the last decade. Net operating income growth will be the primary driver of returns in the next cycle in the absence of cap-rate compression. We are returning to an environment where fundamentals matter most, and property selection will be a key driver of returns. Commercial property values have already undergone a significant multiyear adjustment, and market expectations do not currently imply a rapid or disorderly rise in rates.

Infrastructure remains relatively stable heading into the second half of 2026 despite ongoing geopolitical tensions, energy price volatility and higher interest rates. Infrastructure continues to benefit from steady demand and long-term investment needs in essential areas like energy, transport and digital services. Infrastructure posted preliminary gains of 1.7% in Q1, bringing one-year internal rate of returns (IRRs) to approximately 10.8%[11] and extending the asset class's track record of high-single- to low-double-digit returns across both tightening and easing policy cycles. Long-term potential opportunities remain strong, especially in Europe, driven by the need for cleaner energy and digital infrastructure. Capital has historically been concentrated on energy assets but has increasingly started to gravitate towards scalable, contracted power solutions. At the sector level, renewables, power and transmission strategies expanded significantly, while data centers remain highly sought after given the rapid adoption of artificial intelligence across industries. The U.S. is entering a power capacity expansion, driven mostly by data centers, electric vehicles and broader electrification. Geopolitical conflicts have introduced some near-term volatility across key infrastructure sectors, but structural tailwinds remain firmly intact. Renewable energy, power infrastructure, digital assets, and select transportation and utility-related investments continue to attract capital, supported by long-term secular demand trends. Balancing near-term risks with longer-term growth fundamentals should result in resilient returns. Infrastructure remains well positioned given its combination of income generation, inflation protection and exposure to long-term secular growth trends.

As for tangible assets, despite oil price volatility global growth remains solid with rising corporate profits evident around the world. The global economic expansion led by the U.S. is positive for commodity prices and is confirmed by the relative strength in Industrial metals prices like copper compared to precious metals prices like gold. Precious metals have undergone a sharp correction from their bubble peaks, and a long period of consolidation would not be surprising before their secular uptrend reasserts itself in a world of persistent positive inflation. The dollar is extremely overvalued compared to major Asian currencies like the Japan yen and the China renminbi. A reversion toward fair value is just a matter of time in our view. An end to hostilities in the Middle East would provide a major additional positive boost to global growth and a likely collapse in oil prices from current levels.

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.

[11] Cambridge Associates, LSEG. As of July 1, 2026.

MACRO STRATEGY

- U.S. growth continues paced by strong investment and solid consumer spending supported by low unemployment, positive wealth effects, and income growth. Q2 GDP data show an acceleration in domestic private sector final demand to almost a 4% real growth pace. The Atlanta Fed's GDPNOW estimate for Q3 GDP growth is tracking over 4%.
- Inflation has likely peaked as wage pressures are slight, productivity gains are suppressing unit labor costs and housing prices and rents are coming down from overheated extremes since immigration has slowed. Long-term inflation expectations have fallen to lower levels consistent with the Fed's 2% inflation target.
- Corporate profit growth has broadened out around the world as the global expansion matures. Profit margins are rising with the increasing share of economic activity concentrated on high margin technology companies. Rising stock values are also bolstering profits as cross holdings among technology companies rise in value and get marked-to-market. The profit cycle is also broadening in other areas, helped by new tax and regulatory policies.

ECONOMIC FORECASTS (AS OF 8/28/2026)

	Q1 2026A	Q2 2026A	Q3 2026E	Q4 2026E	2026E	2027E
Real global GDP (% y/y annualized)	-	-	-	-	3.2	3.4
Real U.S. GDP (% q/q annualized)	2.1	1.5	2.5	2.4	2.1	2.2
CPI inflation (% y/y*)	2.7	3.8	3.2	2.9	3.2	2.0
Core CPI inflation (% y/y*)	2.5	2.7	2.4	2.5	2.5	2.5
Unemployment rate (%)	4.3	4.3	4.2	4.2	4.2	4.2
Fed funds rate, end period (%)	3.63	3.63	3.88	4.38	4.38	4.38

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 September 1, 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)				
	19.0x	20.0x	21.0x	22.0x	23.0x
$375	7,125	7,500	7,875	8,250	8,625
$365	6,935	7,300	7,665	8,030	8,395
$355	6,745	7,100	7,455	7,810	8,165
$345	6,555	6,900	7,245	7,590	7,935
$335	6,365	6,700	7,035	7,370	7,705
$325	6,175	6,500	6,825	7,150	7,475
$315	5,985	6,300	6,615	6,930	7,245

For illustrative purposes only. Source: Chief Investment Office as of September 1, 2026.

CIO ASSET CLASS VIEWS AS OF SEPTEMBER 1, 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 improved earnings, potential deregulation, increased domestic manufacturing and an uptick in merger & acquisitions activity. We continue to suggest a balance of Value and Growth factors.
U.S. Small-cap Value				●		
International Developed		●				Europe is likely to see limited relative gains from expansion in AI given lack of market exposure, but local defense and infrastructure spending remain supportive. Japan to benefit from domestic structural reforms, fiscal expansion and competitive exchange rate.
Emerging Markets				●		We are slightly overweight EM overall, with the heavyweight Asia region particularly well positioned to benefit from exposure to global IT investment spending and AI adoption. Latin America is exposed to growth in key materials used in technology and clean energy investment.
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 volatility in energy prices and growing competition with China in key industries.
U.K.		●				Fiscal uncertainty under current government policy agenda represents a potential headwind for the corporate sector. Limited market exposure to growth in AI spending.
Japan				●		Shareholder-friendly deployment of corporate cash remains a fundamental source of support. Large fiscal expansion is an additional tailwind alongside low interest rates and ongoing exchange rate competitiveness.
Asia Pac ex-Japan*		●				Regional outlook dampened by slower economic growth in China and its impact on domestic demand and regional exports.
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 multi-year low in January, the tightest since 2022, MBS spreads have drifted wider into the mid-20s. While they remain meaningfully below their 10-year average, valuations are now largely in line with other high-quality Fixed Income sectors. This level reduces their relative attractiveness and limits potential upside compared to Treasuries and investment-grade corporate bonds.
U.S. Corporates		●				IG spreads remain near multi-decade tights despite a modest backup this summer. Outside of select sectors, such as Technology, valuations appear rich historically, and the potential for meaningful further spread compression looks limited. That said, all-in yields have moved higher amid the Treasury selloff, which should continue to support demand for high-quality Fixed Income. As we look toward year-end, our primary concern around valuations is technical rather than fundamental as heavy new issuance is likely to persist.
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. 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 high yield allocation, we continue to suggest a balanced mix between loans and bonds.

Asset Class	Underweight		CIO View Neutral	Overweight		
U.S. Investment-grade Tax Exempt		●				The muni yield curve steepened during August, both nominally and relative to the Treasury curve. We view tax-equivalent yields as attractive, but not enough to justify increasing our allocation. Technicals are likely to weaken somewhat from September to November, with lower redemptions. Fundamentals remain stable, although budget pressures are beginning to emerge amid federal funding declines and inflationary pressures. We do see potential opportunities in maturities of 10- years and longer, as well as lower IG credits, where careful security selection can capture attractive spread while managing downside risk.
U.S. High Yield Tax Exempt		●				High yield munis currently appear reasonably valued relative to IG, providing a potential opportunity for HY outperformance if economic conditions remain favorable.

*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 SEPTEMBER 1, 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		
Industrials				▶	●	We are increasing exposure to Industrials on recent weakness and as capex budgets continue to grow, some uncertainties have been removed, 100% bonus depreciation has been enacted again, strong order backlogs 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 recently stalled, particularly across early cycle stocks, Indices of industrial and manufacturing activity reported several months of expansion and growth, with participation broadening across a large number of firms. **Risk Considerations: 1) short-cycle recovery timing still debated though appears supportive, 2) inflation resurgence drives up input costs, pressuring margins, 3) continued supply chain stress.**
Financials				▶	●	We are increasing exposure to Financials on multiple potential catalysts in the second half of 2026 as investment banking and equity/debt capital markets activity was robust in 1H and should have continued momentum in the second half for the largest banks. We expect increased mergers & acquisitions activity among regionals supported by deregulation and a positive net interest income outlook. Robust loan growth and a steeper yield curve, portend record NII for second half which should mostly fall to the bottom-line. Solid earnings from the large digital payment networks highlight a resilient consumer base and strong net inflows & realizations for alternative asset managers suggest headline risk around private credit software investments might be overdone. Risks include persistent geopolitical headline risk, the possibility of Fed rate hikes, 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.**
Healthcare			▶	●		We are upgrading Healthcare as the fundamental landscape surrounding the healthcare space is holding up better than many anticipated and, in fact, is gradually improving. Utilization trends and procedural volumes remain solid, funding for new biotech and pharmaceutical research projects is improving, cost trends are not accelerating over projected estimates, and capital budgets appear to be under less pressure than was feared just a few quarters ago. Policy headwinds have become less of an overhang for the Healthcare sector in recent quarters with drug pricing agreements reached in 2025. We believe there could be some volatility ahead with the midterm elections upon us, but we view that as short-term in nature. We maintain strong conviction in Large Biopharma and Small- and Mid-cap Biotech. Our conviction is growing in Medtech and Life Science tools after recent underperformance, and they look to be more intriguing areas for investment. Diagnostics and certain areas within Managed Care/Providers 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 attractive and momentum has improved in recent months. **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.**

Sector	Underweight		CIO View Neutral		Overweight	
Consumer Discretionary			●	◄		While consumer spending remains resilient, we are downgrading Consumer Discretionary, given potential macroeconomic headwinds. With prior tax-related tailwinds fading, earnings growth is expected to moderate in the latter half of the year, given elevated cost pressures, and an increasingly value-conscious consumer. In addition, potential for higher interest rates could pressure discretionary spending across parts of the sector, while elevated energy prices and ongoing geopolitical tensions continue to weigh on consumer sentiment and purchasing power. Sector valuations also remain elevated relative to both historical levels and other sectors, and concentration risk remains significant, with the three largest companies accounting for roughly 60% of the sector. Balancing out these concerns, a relatively solid job market, healthy wage growth, the wealth effect from a buoyant equity market and continued strength in consumer spending trends provide a supportive backdrop. **Risk Considerations: 1) the potential for an economic slowdown, 2) prolonged spikes in energy prices or interest rates, 3) weakness in the job market, and 4) one or more of the three companies that make up ~60% of the sector has a significant pullback.**
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.**
Energy			●			We remain neutral on Energy the sector despite concerns at the beginning of 2026 on the growing oil and liquefied natural gas supply outlooks, the conflict in U.S./Iran has quickly erased that excess supply. Damage to energy infrastructure in the Middle East will take some time to fix. 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 positive momentum. **Risk Considerations: 1) lower oil and natural gas commodity prices, 2) slower global energy demand.**
Materials			●			There are 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 and momentum is neutral. **Risk Considerations: 1) slower global economic growth, 2) weaker residential and non-residential construction, 3) oversupplied materials markets.**
Utilities		●	◄			The need to accelerate investment in electrical infrastructure is a clear tailwind for the sector, however, policy and affordability concerns leave us cautious, and we are reducing exposure to Utilities. Data center development is expected to drive higher demand for power in coming years but is increasingly meeting resistance in many jurisdictions. Slowing build out could delay or reduce planned investment by Utilities, pressuring earnings growth. Valuation screens as neutral based on historical levels, relative to the rest of the market. **Risk Considerations: 1) affordability concerns driving adverse regulatory or legislative solutions, 2) slower power demand growth than forecast, 3) power outage events.**
Communication Services		●				Communication Services sector faces pressure from weaker operating cash flow and FCF trends amid aggressive capital spending increases. 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.**
Real Estate		●				We continue to 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 healthcare, data centers, communication infrastructure (towers), storage and industrial RE. Valuation is fair and momentum recently improved. Risk Considerations: 1) spike in interest rates and borrowing costs, 2) declining demand for CRE in oversupplied markets, 3) workout problems.
Consumer Staples	●	◄				Further reducing Consumer Staples exposure on headwinds from tariffs, higher input costs, and weaker earnings growth, while consumers increasingly trade down and favor private labels, pressuring branded product profitability. Given muted category demand, premium valuations, the expiration of tariff-related benefits, and ongoing energy cost pressures, we remain cautious on the sector heading into the second half of 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.**

SSource: 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 SEPTEMBER 1, 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 Equal-Weighted Index is a variation of the traditional S&P 500 that treats every company the same regardless of its size. While the traditional index weighs companies by their total market capitalization (giving giants like Apple and Nvidia massive influence), the equal weight index gives every stock exactly a 0.20% allocation.

Nasdaq Index is a stock market index that tracks the performance of thousands of stocks traded on the Nasdaq stock exchange.

MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

Bloomberg Municipal Bond Index covers the USD-denominated long-term tax exempt bond market.

NCREIF Open End Diversified Core Equity Index is a capitalization-weighted, time-weighted benchmark index tracking the investment returns of private, institutional core real estate funds in the United States.

HFRI Fund-Weighted Composite Index is a global, equal-weighted benchmark tracking single-manager hedge funds, covering core strategies like Equity Hedge, Event-Driven, Macro, and Relative Value with performance data dating back to 1990.

HFRI Equity Hedge (Total) Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

Important Disclosures

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

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The Chief Investment Office (CIO) provides thought leadership on wealth management, investment strategy and global markets; portfolio management solutions; due diligence; and solutions oversight and data analytics. CIO viewpoints are developed for Bank of America Private Bank, a division of Bank of America, N.A., ("Bank of America") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S" or "Merrill"), a registered broker-dealer, registered investment adviser and a wholly owned subsidiary of Bank of America Corporation ("BofA Corp.").

The Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

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Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Bonds are subject to interest rate, inflation and credit risks. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Income from investing in municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Mortgage-backed securities are subject to credit risk and the risk that the mortgages will be prepaid, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investing in Gold involves special risks, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors.

Investments in Infrastructure Assets will be subject to risks incidental to owning and operating infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, government regulations and fluctuations in interest rates. The industries targeted for investment may be highly regulated by governmental agencies. Such regulations may impact an investor's ability to acquire, dispose of and/or manage investments.

Alternative investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, private credit and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity, and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.