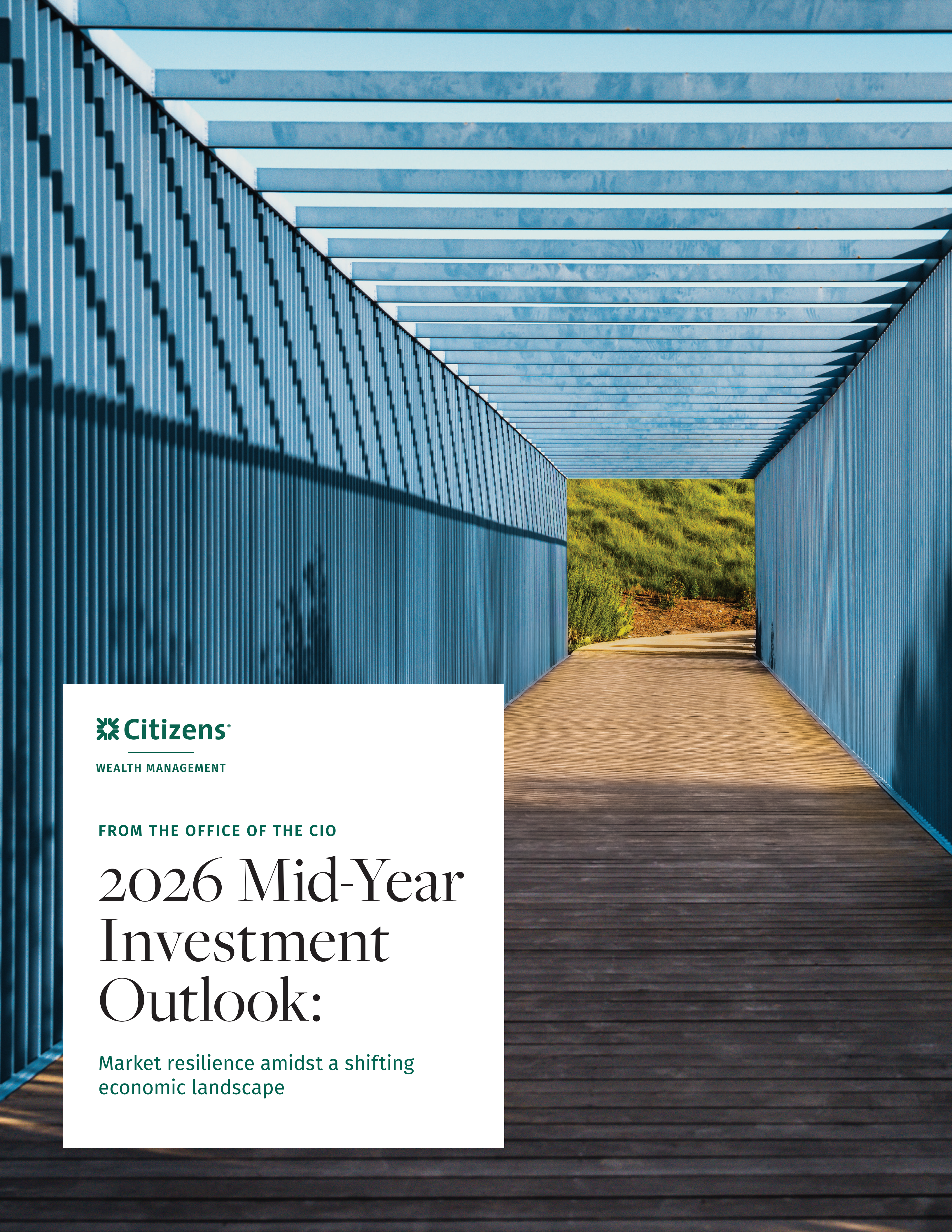


Citizens
WEALTH MANAGEMENT

FROM THE OFFICE OF THE CIO

2026 Mid-Year Investment Outlook:

Market resilience amidst a shifting economic landscape

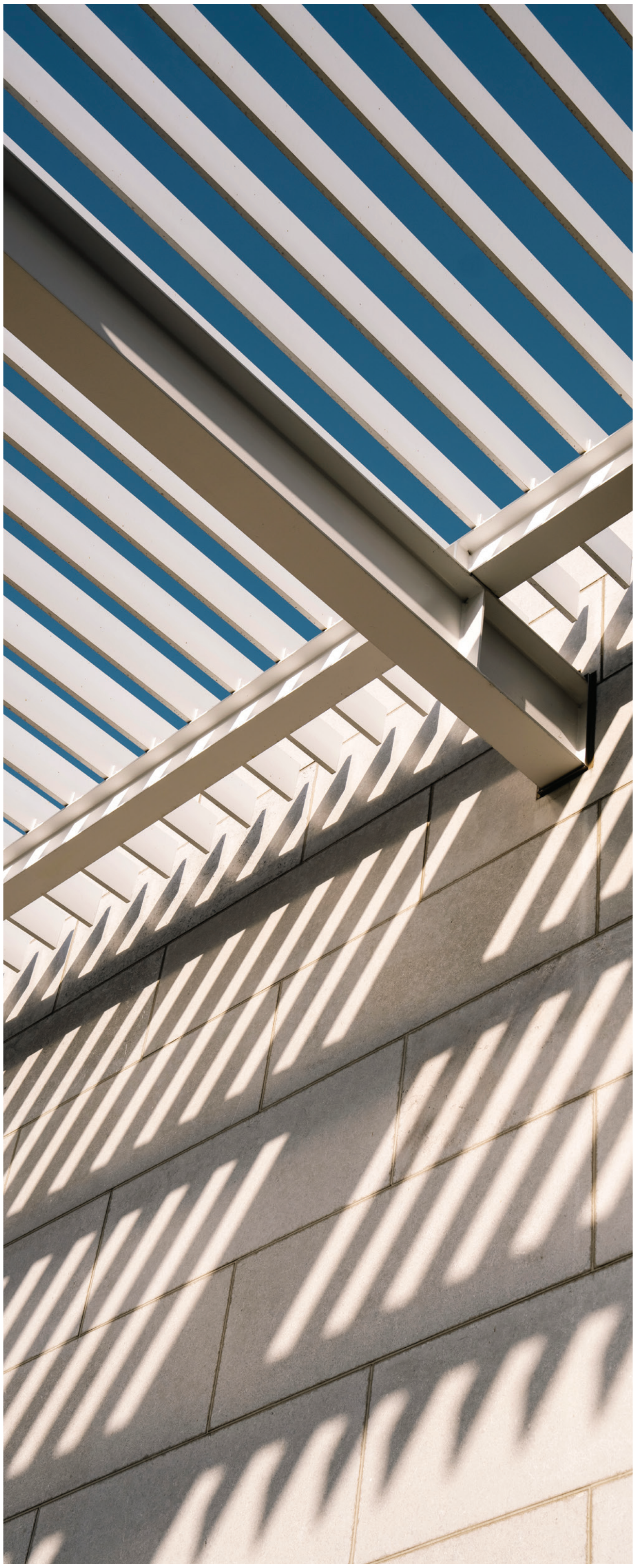
A note from the Chief Investment Officer

As we cross the midpoint of 2026, the global economy is proving resilient but the picture beneath the surface is growing more complex. Investors are weighing a list of concerns: sticky inflation, geopolitical tensions, elevated interest rates, a new chair of the Federal Reserve, and a midterm election that could reshape the policy landscape in Washington. Against that backdrop, global equity markets pushed to fresh all-time highs earlier this year, buoyed by strong earnings and a continued surge in AI-related investment. More recently, those gains have given way to a slight pullback and volatility has reentered the conversation.

The economy's underlying strength is genuine, but it is far less broad-based than the headlines imply. Growth is decelerating modestly, and the contribution to expansion has shifted from the consumer toward industry and business. It is encouraging to see more parts of the economy contributing to growth, but inflation is making the Fed's job harder and likely keeps rates higher for longer, putting additional pressure on the consumer. The central tension, in our view, is the widening gap between buoyant markets and an economic foundation that is showing signs of a gradual softening.

A conviction anchors our portfolio positioning in the near term: At this stage of the cycle, we favor high-quality companies with durable earnings power and reliable income streams — precisely the kind of holdings investors want to own before volatility and uncertainty return, not afterwards. As always, we continue to emphasize the importance of maintaining diversified exposure across asset classes, regions and investment strategies, as a means of enhancing portfolio resilience. In the pages ahead, we share our mid-year view on the economy, markets and portfolio positioning.

Michael Hans
Chief Investment Officer, Citizens Private Wealth



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Economy

KEY TAKEAWAYS

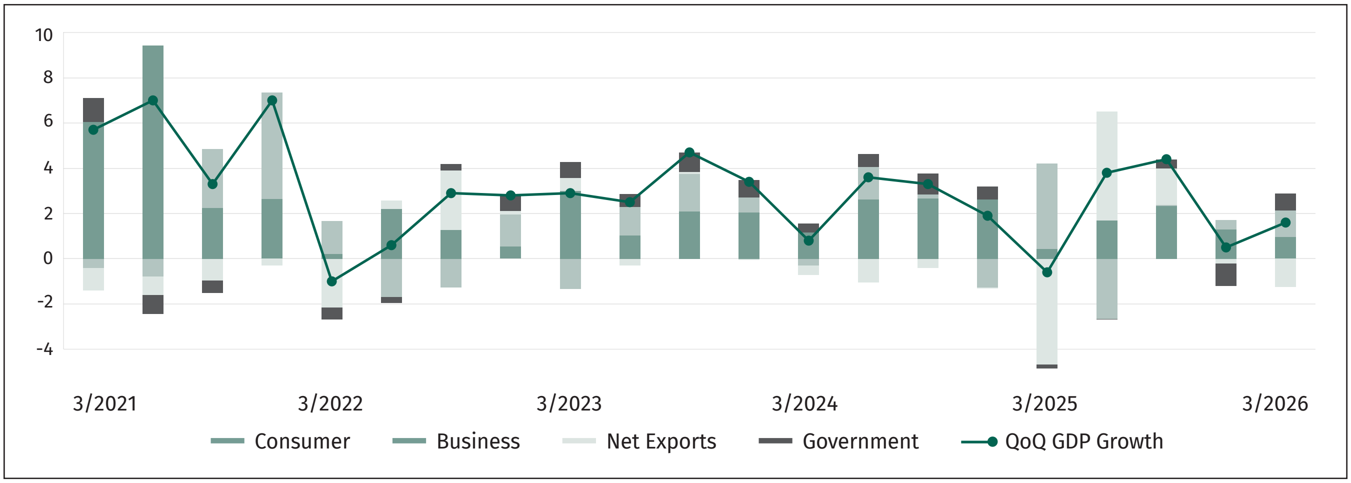
- Growth now leans more heavily on business and AI CapEx (artificial intelligence capital expenditures) than on the consumer.
- Core inflation sits above the Fed's 2% target, so we believe rates will stay higher for longer.
- The consumer is bending, not breaking, and hiring has slowed without real job losses.

To understand what may come next for markets, it helps to begin with the economy. The outlook is more complex than it may appear, as the drivers of growth continue to shift. Consumer spending is cooling, while business investment and technology spending are increasing. Energy costs remain elevated, putting pressure on both companies and households. In the section ahead, we look at where growth is coming from, how inflation and Fed policy are evolving, and how consumers and the labor market are holding up as the year progresses.

Business investment accelerates

As consumer demand softens, business investment is stepping up as a more important engine of gross domestic product growth (see Figure 1). Companies are spending on equipment, software, data infrastructure and energy, with a clear focus on AI infrastructure. Thus far, business spending has added only modestly to total GDP. Yet the investment pipeline remains strong, and we think it will play a larger role in the years ahead. This marks a shift away from growth led by consumer spending, which historically has carried a larger share of GDP.

Figure 1: Major Components of U.S. GDP growth



Sources: Factset, Bureau of Economic Analysis.

Technology is increasingly putting workers into new roles, instead of replacing them outright. For example, a warehouse may add robots in place of human capital, thereby shifting current personnel to maintenance and logistics. Over time, the resulting efficiency gains can potentially increase output and take some pressure off prices. To implement this change, the upfront spending raises costs in the short run — yet it tends to strengthen the economy's foundation over time.

Energy remains the wildcard

Geopolitical tensions, particularly the ongoing conflict in the Middle East, have played a central role in shaping the current environment through the impact on energy prices. Elevated oil and gasoline costs have pushed inflation higher (see Figure 2), reduced household purchasing power and complicated the Federal Reserve's ability to adjust policy.

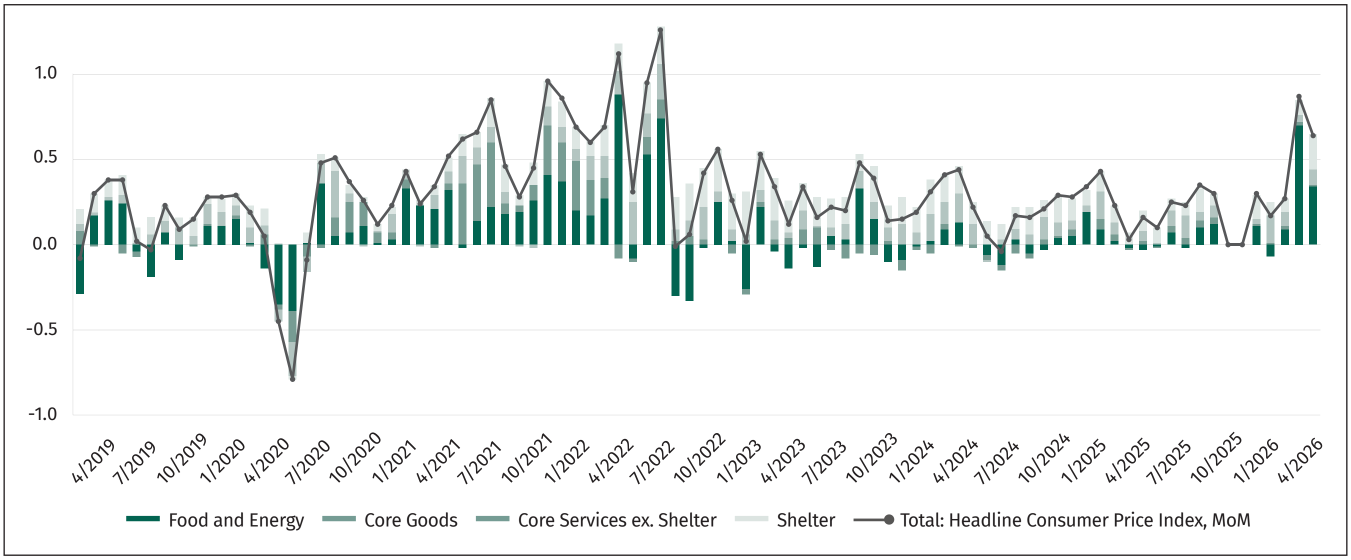
Crude oil prices have eased from recent highs, but relief at the pump has been slow to follow. Disruptions to shipping and supply chains have kept gas prices elevated. This dynamic continues to influence consumer sentiment and behavior, as higher energy expenditures crowd out discretionary spending. Energy prices have become both a direct inflation pressure and an indirect drag on broader economic activity.

Sticky inflation, cautious central banks

Inflation has moved back to the forefront, driving markets, policy and interest rate expectations. Higher energy prices have lifted inflation expectations as core inflation remains well above the Fed's 2% target. As a result, we expect the Fed to remain cautious as it is likely to keep interest rates higher for longer. Our view is that the markets may have priced in too much risk of a 2026 rate hike, as shown in Figure 3 (see next page). This potentially puts the Fed on a different path than the Bank of Japan (BOJ) and the European Central Bank (ECB). Policy divergence among major global central banks impacts currency markets, capital flows, and how international holdings perform within a broader portfolio.

The inflation picture remains complex, even with the recently announced ceasefire agreement. Many economies in Europe and Asia import most of their energy, leaving them with weaker growth and stickier inflation at the same time. Stemming inflation supports

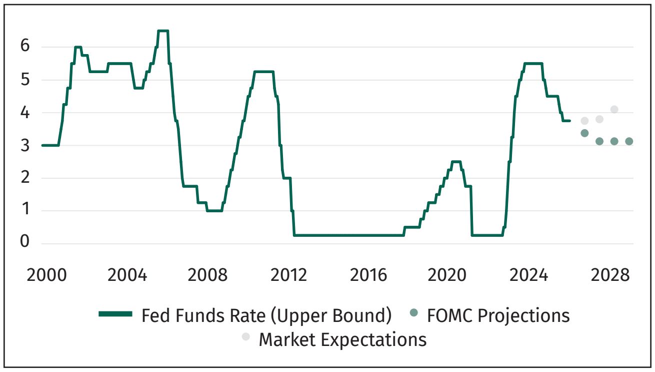
Figure 2: U.S. Consumer Price Index Contributions (monthly)



Sources: Factset, U.S. Bureau of Labor Statistics.

holding rates steady or even raising them. The BOJ remains our base case for another rate hike in the second half of the year as inflation stays firm. The ECB just hiked rates for the first time since 2023 to combat inflation. This further tightens financial conditions in a region where growth is already running below trend.

Figure 3: Federal Funds Rate: FOMC Projections vs. Market Expectations

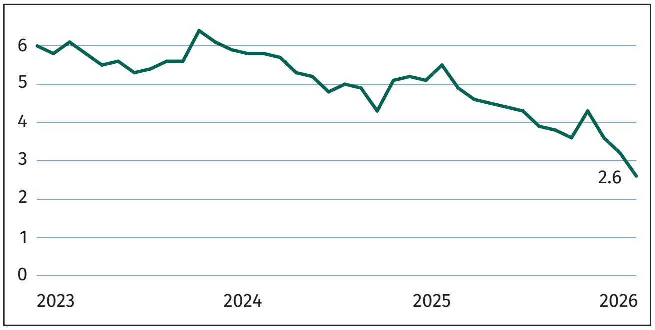


Sources: Bloomberg, Federal Reserve. Data as of May 31 2026.

Spending holds while the foundation is shifting

Consumer spending is still positive, but what's driving the trend has changed. Much of the recent gain reflects higher prices, not increased buying. After adjusting for inflation, real spending growth has been modest, a sign that the main engine of the post-pandemic recovery is losing steam. Household finances tell a similar story. The personal savings rate has fallen to its lowest level in several quarters (see Figure 4),

Figure 4: Personal Savings Rate



Sources: Bloomberg, U.S. Bureau of Economic Analysis.

which suggests people are dipping into their savings to keep spending. Unlike past periods driven by strong wage growth, this data suggests more financial strain than growth.

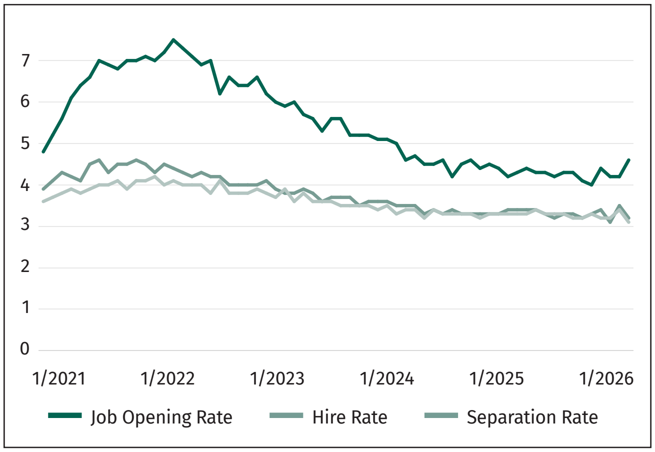
Importantly, this pressure is not shared evenly by consumers. Higher-income households continue to support consumption, benefiting from rising asset values and the wealth effect. Lower- and middle-income households face tighter budgets, as essentials consume a larger percentage of disposable income. That makes the day-to-day spending base less balanced and more sensitive to deteriorating financial conditions or a weakening employment picture. Temporary support, such as larger tax refunds earlier in the year, has mostly faded leaving households more exposed.

Stable jobs, slower hiring

The job market appears to have stabilized, and recent nonfarm payroll data surprised to the upside. Unemployment has remained low as businesses are repositioning workers and do not appear to be cutting staff in large numbers as some had forecasted. That resilience has helped keep recession fears in check. Still, the picture is less encouraging when looking at the details. Payroll growth remains positive, but hiring has been choppy and consumer sentiment indicators are weak.

Companies across industries are pressing "pause" on headcount growth as they figure out how AI and automation will reshape their workforce. The "no hire, no fire" environment that dominated headlines remains in place and does reduce the risk of a sharp rise in unemployment, but it also means suboptimal job creation and slower wage growth. Rising wages are a key lifeline for consumers dealing with higher prices and if that support continues to fade, the spending outlook gets harder to defend. The labor market lends itself to stability (see Figure 5), but one is hard pressed to call it a source of strength for the economy.

Figure 5: Job Openings and Labor Turnover



Sources: Bloomberg, U.S. Bureau of Labor Statistics.

A narrower path ahead for the economy

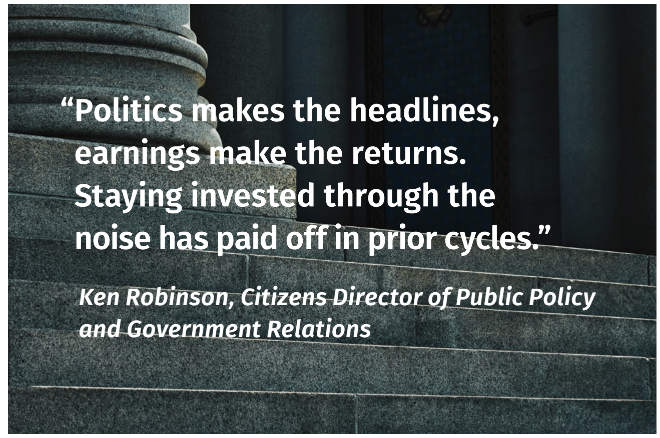
The economy stands on solid ground, but scenarios for the path forward are narrowing. Growth is no longer spread evenly across households, sectors and income groups. It now leans more on higher-income consumers, business investment, and whether companies can protect earnings as demand cools. This is the first area where the margin of safety begins to narrow. With growth less evenly shared across households and sectors, there is less room for error if inflation runs hotter than forecast or earnings growth is lower than anticipated. That doesn't mean a downturn is around the corner, but it does mean the backdrop is becoming more selective.

The dispersion between investment winners and losers may widen across sectors and asset classes. Where inflation goes from here will determine how much of this resilience holds. It shapes what the Fed does next, how far household budgets stretch, employment, and how long profit margins can hold.

2026 U.S. Midterm Elections

KEY TAKEAWAYS

- Markets sit near record highs while voter approval of the current administration hit a record low.
- The political party in power usually loses House seats in midterm elections, and this year's races appear exceptionally competitive.
- Political gridlock appears likely in Washington, D.C., and markets have traditionally handled it well.



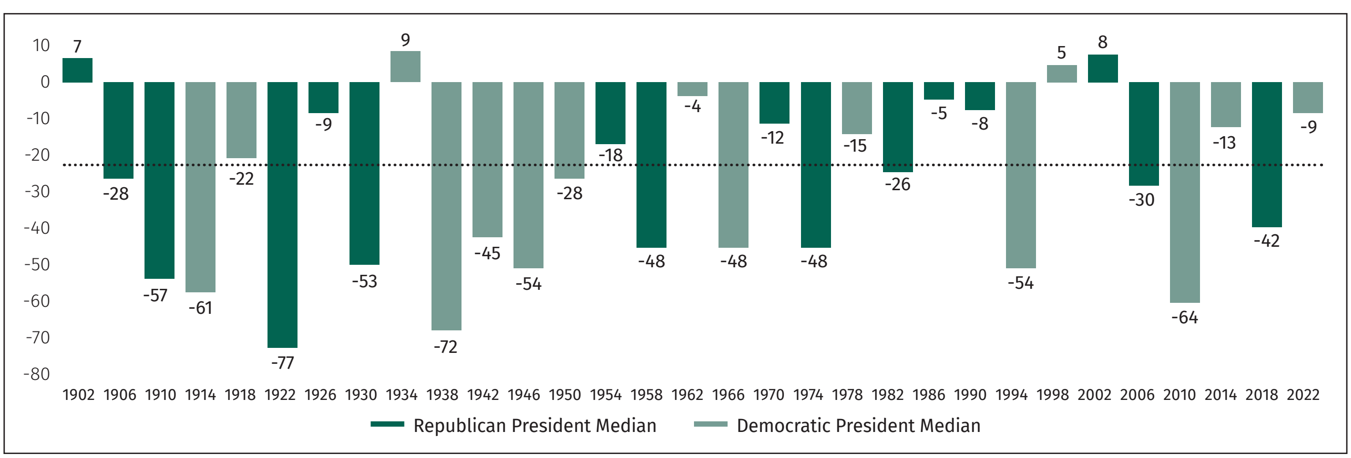
Despite recent volatility, stocks remain near record highs while voter sentiment sits near multi-decade lows. This gap is what makes the midterm elections worth watching. The question for investors is not which party wins. It is whether the result changes the things that actually move portfolios: earnings, inflation, and the Fed. History says it rarely does. Volatility tends to build into the fall and then fade once the outcome is known. The path of the economy has mattered far more than the party in charge.

We walk through the pattern below and examine why the takeaway is calmer than the headlines feel.

History favors the opposition

Since 1902, the governing party has lost an average of 27 House seats in the midterm elections, as shown in Figure 6. The House gained seats only four times, each under unusual conditions. This year's race looks exceptionally competitive. Democrats lead in national polling, while Republicans hold a more favorable map. What tips these elections is rarely the economy, but rather how people feel. Not how the data read in a report. And right now, they feel squeezed. Voters remain focused on affordability pressures, which historically have weighed negatively on the governing party in the White House.

Figure 6: Losing House Seats is the Historical Norm



Source: Brookings Institution.

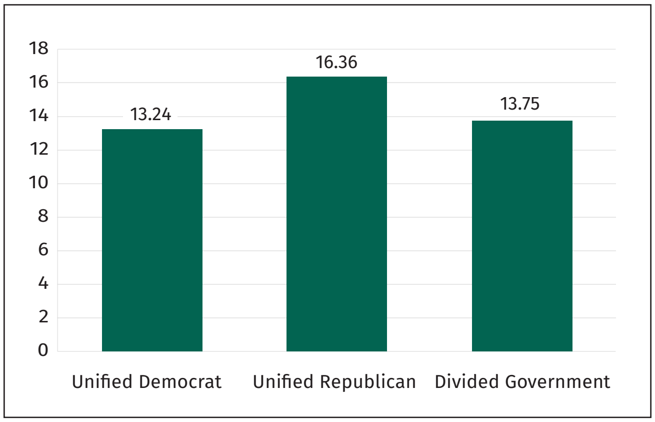
Sentiment indicators back this up. In May, the University of Michigan's Consumer Sentiment Index fell to 44.8, the lowest reading recorded in the survey's history. Inflation expectations climbed too, with the year-ahead measure at 4.8% and the long-run gauge at 3.9%. A reading that low, set against a record-high equity market, is the tension that defines this cycle.

Gridlock likely. Markets can handle it.

The most likely outcome is political gridlock, and markets have often responded well to that backdrop. Since 1945, the S&P 500 has averaged over 13% a year under divided government, and stocks have done well under every configuration, as shown in Figure 7. Divided government narrows what can pass through Congress and shifts the action toward executive orders and committee hearings. This translates to more political noise and fewer new laws. However, there is a catch worth noting: The same stalemate that calms markets also means that the affordability strain voters are angry about is unlikely to get a legislative fix soon.

Politics grabs the headlines. Earnings, inflation and the Fed's next move will shape the second half far more than the seat count. Elections move markets at the margin, through mood and headlines, not through lasting shifts in what a portfolio is worth. Investors who stayed disciplined through past election cycles were generally rewarded.

Figure 7: S&P 500 Average Annual Return by Government Type (1945-2025)

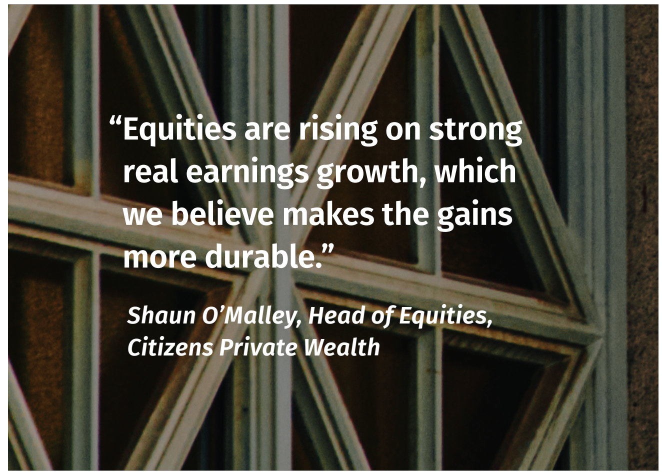


Sources: Bloomberg, S&P Dow Jones.

Equities

KEY TAKEAWAYS

- Equities are rising on strong real earnings growth, not hype, which we believe makes the gains more durable.
- U.S. equities remain best positioned relative to other regions due to stronger earnings growth potential, AI leadership and energy independence.
- High market expectations leave little room for earnings disappointments or policy mistakes.



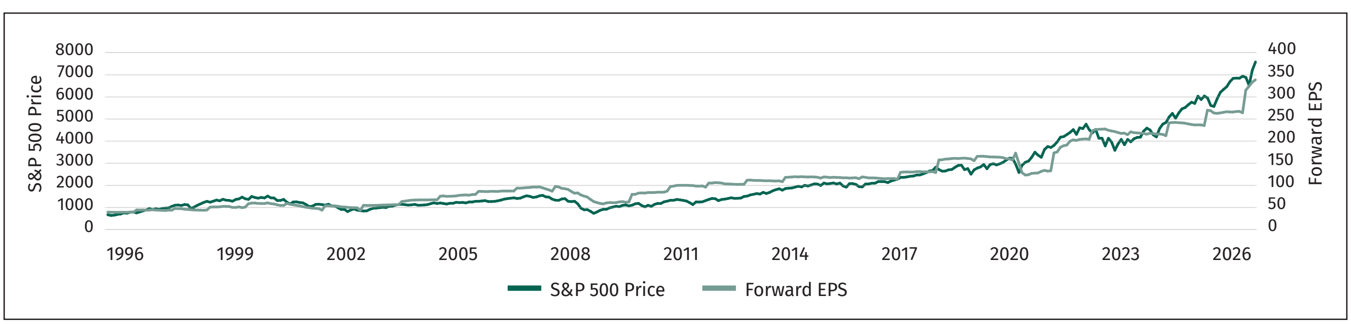
Our constructive stance on equities has so far aligned with how markets have performed this year. Through May, every major equity market remained in positive territory despite policy uncertainty and bouts of volatility. Importantly, the gains came mainly from rising earnings rather than more expensive valuations. That supports our view that fundamentals, not sentiment, are holding markets up. We would change our view quickly if earnings revisions turned lower while prices kept climbing. The AI investment cycle we flagged at the start of the year kept leading the way, as strong spending lifted earnings.

Underneath the surface, market leadership broadened further and faster than we expected. Emerging markets outperformed U.S. large caps, led by South Korea and Taiwan and their ties to the global AI supply chain. U.S. small caps also moved higher, even though they tend to be more indebted and more reliant on falling rates to refinance and expand. Their strength points to a resilient economy and a growing appetite for risk.

Earnings drive the bus

Over long stretches, stock prices tend to follow earnings. As shown in Figure 8, the two track each other far more closely than prices track interest rates, headlines or shifting moods. Over the past 30 years, the S&P 500's price level has closely tracked forward-earnings expectations, reinforcing the strong link

Figure 8: S&P 500 Price vs. Forward EPS



Sources: Bloomberg, S&P Dow Jones as of 5/29/26.

between stock prices and expected profits. That's largely what happened in the first half.

Full-year earnings estimates moved higher across regions in the first six months, with emerging markets seeing the biggest upgrades (see Figure 9). Markets didn't just get more expensive; profits improved, and prices rose alongside them. This has created a more durable foundation than gains driven by valuation alone.

Figure 9: Earnings Growth for 2026

	As of January 1	As of June 6	Change
U.S. Large (S&P 500)	15.2	22.9	7.7
U.S. Mid (S&P 400)	14.9	15.1	0.1
U.S. Small (S&P 600)	16.8	11.8	-5.0
International (MSCI EAFE)	10.4	14.0	3.6
Emerging Markets (MSCI EM)	18.0	58.6	40.6

Sources: FactSet, S&P Dow Jones, MSCI.

In the U.S., the earnings picture has been constructive but narrower than it looks on the surface. The largest technology and AI-related companies have driven a disproportionate share of profit growth, while the broader market has delivered more modest gains. That concentration is not unusual at this stage of the cycle, but it does raise the bar for those names to keep delivering. If even one of them misses out on the AI spending payback, we believe the whole market may be impacted. That is the risk we are watching most closely.

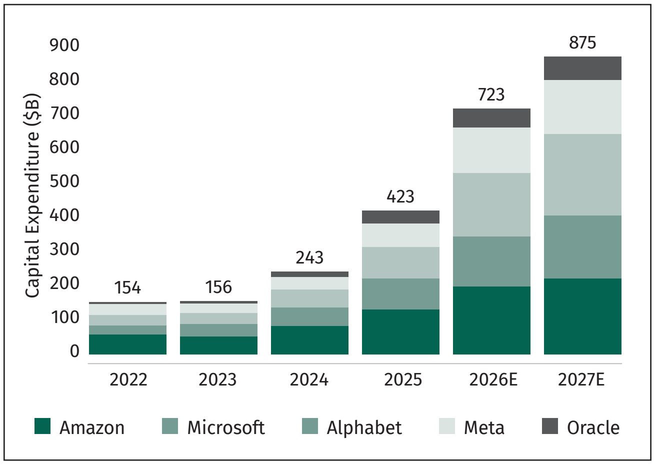
Outside the U.S., the story is shifting. Emerging markets have posted some of the strongest earnings revisions globally, with AI-related demand and commodity exports supporting the upgrade cycle. International developed markets have lagged on earnings momentum, weighed down by higher energy input costs and slower domestic demand. Still, valuations in both regions remain well below U.S. levels, which gives them more room to rerate if fundamentals hold up.

The AI cycle runs on

At the core, better earnings are being driven by the AI investment cycle, which supports demand for semiconductors, data centers, networking, and power. The largest technology companies, the "hyperscalers," keep raising spending plans. Their combined capital spending is expected to reach roughly $723 billion in 2026, up 70% from a year ago, as shown in Figure 10. Markets are closely watching the trajectory of this spending, along with its ripple effects across sectors.

As the cycle matures, the focus shifts from how much is being spent toward companies that can turn spending into real profits, productivity, and free cash flow. We are favorable toward the mega cap hyperscalers and remain selective across the rest of the field where the monetization leaders and a few infrastructure names look best placed. The spending cycle is also reshaping how we think about investing internationally.

Figure 10: Hyperscaler Capital Expenses

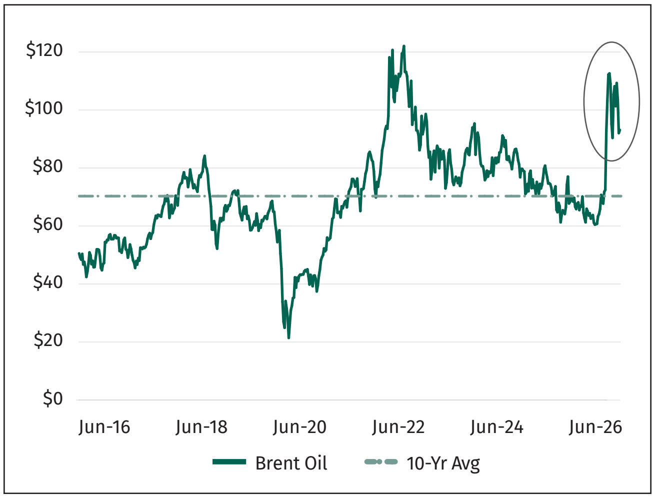


Sources: FactSet, as of 5/29/26.

Energy shifts our geographic view

The earnings environment remains supportive, and we're keeping our core projections for the second half of 2026. Given developments in the Middle East, we are removing our preference for international developed markets over emerging markets. Brent oil prices have moved notably higher since the start of the year, moving firmly above their 10-year average (see Figure 11 on Page 12). Rising energy import costs are pressuring margins across Europe and parts of Asia, which makes the relative opportunity set more balanced. Emerging markets offer stronger AI and structural growth exposure. At the same time, developed international markets provide more value, defense and diversification, if sentiment shifts.

Figure 11: Brent Oil Prices



Source: Bloomberg, as of 6/5/26.

U.S. equities remain our top regional preference. This is based on stronger earnings quality, deeper ties to the AI cycle, and their ability to leverage domestic energy independence. Although the U.S. isn't immune to overseas shocks, corporate margins and consumer activity tend to be less sensitive to oil-price spikes than more import-dependent economies.

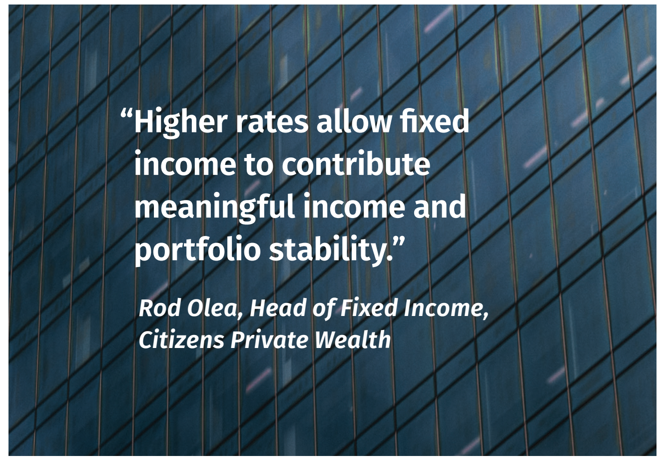
High expectations, less room for error

Stocks are the sharpest example of a compressed margin of safety. The outlook stays supportive, yet high expectations leave little room for disappointment. A stumble in earnings, a shift in policy, or a change of mood around the big growth drivers could all bring volatility. We remain focused on owning companies that can grow earnings, whether the macro environment cooperates or not.

Fixed Income

KEY TAKEAWAYS

- As the rate outlook remains uncertain, we prefer to collect high-quality income, rather than take a strong view on the direction of rates.
- We prefer investment-grade corporate credit over high yield as valuations appear close to full.
- Municipal bonds remain one of the more attractive sectors of the fixed income market.



We believe interest rates have settled into a higher range than the one that ruled the decade after the financial crisis. Entering the year, we held a constructive view on bonds, supported by expectations for easing inflation and a Federal Reserve moving toward rate cuts. While geopolitical tensions have complicated that outlook, the broader foundation for fixed income remains intact.

Looking ahead, three themes guide our positioning:

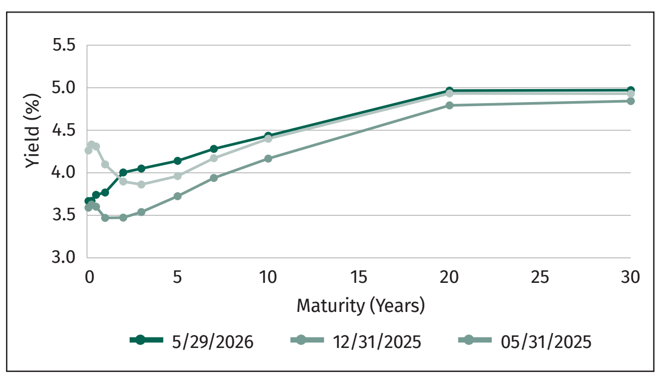
First, income, not price appreciation, is likely to be the primary driver of returns. Second, interest rate exposure, or duration, should remain neutral rather than overly aggressive. And third, growing differences across sectors and issuers are creating a more favorable backdrop for active management, where careful selection can add meaningful value.

Range-bound treasury yields, but risk is to the upside

We expect U.S. Treasury yields to remain range-bound in the near term, with the yield curve reflecting a "higher for longer" environment for interest rates (Figure 12). Large government deficits, rising interest costs, persistent inflation and geopolitical uncertainty are all keeping upward pressure on yields, even as a slower but still resilient economy limits how far rates may fall. Investors are demanding higher compensation for these risks, as we believe the Fed will begin to step back from the balance sheet support under the new chairman.

While periods of slower growth could lead to temporary declines in yields, we believe inflation and fiscal pressures should keep a floor under rates. Importantly, we see greater risk for yields to move higher than lower from current levels, particularly at the long end of the curve where yields remain near 5%. A more meaningful decline in rates would likely require a sharper economic slowdown and rising recession risk that drives investors back toward the safety of treasuries.

Figure 12: U.S. Treasury Yield Curve



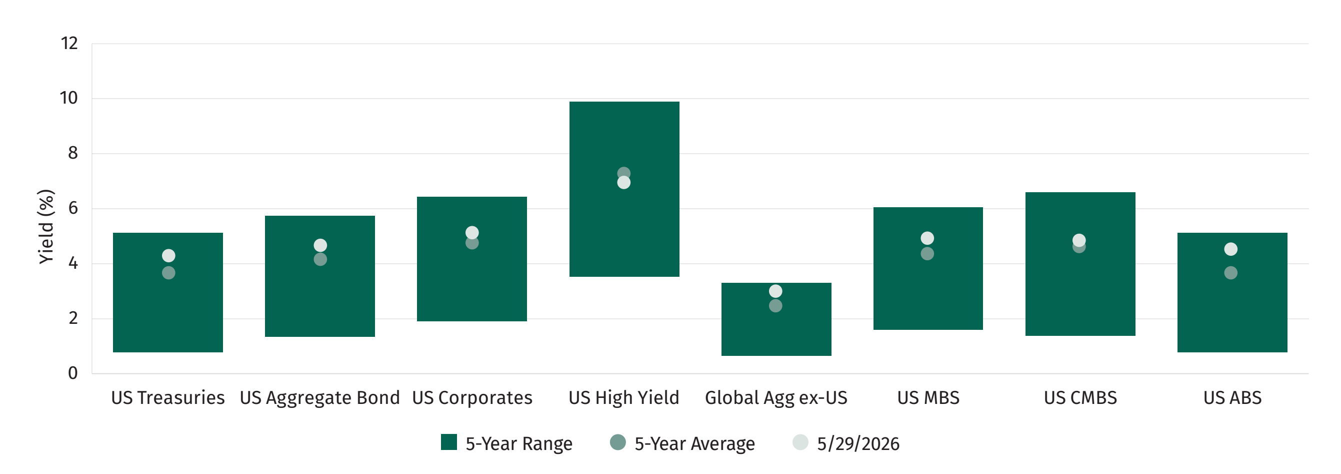
Source: Bloomberg, as of 5/29/26.

Collect yield, don't chase spreads

Credit shows the same compressed margin of safety. We like corporate credit at these levels, though valuations keep us alert because spreads on both investment-grade (IG) and high-yield bonds sit near the tight end of their historical ranges. IG is our clear preference. Corporate balance sheets are healthy, refinancing needs are manageable, and default risk is low. Within IG, we favor defensive, higher-quality issuers and stay more cautious in sectors where heavy new issuance is limiting the room for further gains. High yield is where we are most cautious: we believe spreads are too tight to compensate for the risks that come with a narrowing economic path.

Beyond corporates, we continue to see value in securitized assets, where yields remain above 5-year averages, as shown in Figure 13. Mortgage-backed securities continue to provide stable income, supported by solid household fundamentals, even as the housing market remains constrained. In asset-backed securities (ABS), the picture is more nuanced. Lower-income consumers are facing pressure from inflation, which is affecting parts of the consumer ABS market. Meanwhile, segments such as commercial mortgage-backed and infrastructure securities face longer-term uncertainty from structural changes, including the impact of AI.

Figure 13: Fixed Income Yields



Sources: Factset data, as of 5/29/26. Bloomberg Indices shown.

Munis: The best risk-adjusted income available

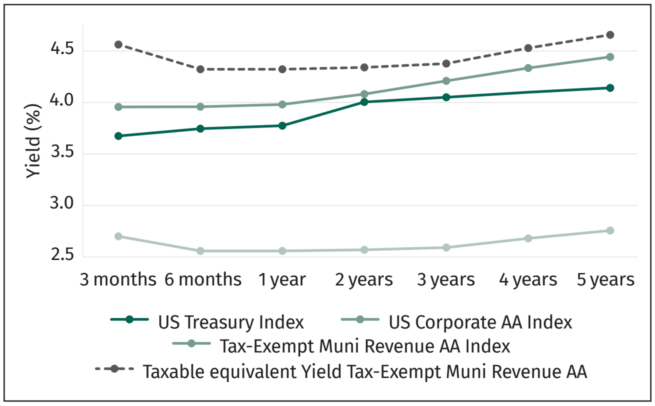
Municipals are among the best risk-adjusted opportunities in fixed income today, especially for taxable investors looking for high-quality income. Tax-exempt yields compare favorably with cash and with taxable alternatives, particularly on an after-tax basis (See Figure 14). The higher starting yields that mitigate volatility, simultaneously lift long-term return prospects.

Credit fundamentals across public finance remain broadly sound. Strong infrastructure and capital-improvement needs should keep driving new supply, maintaining a broad opportunity set even if valuations move closer to historical norms later in the year. We continue to emphasize high-quality essential-service revenue bonds and general obligation issuers with strong financial flexibility. These both offer steady income that tends to hold when other parts of the market do not.

Exposure to international bonds calls for discipline

International fixed income opportunities have improved, but require a disciplined approach. International Developed market government bonds now offer more attractive yields than in prior years, as shown in Figure 15, restoring their role as a potential portfolio diversifier. However, central banks abroad may need to keep policy tighter for longer to manage inflation, limiting near-term upside.

Figure 14: Comparison of Taxable and Tax-Exempt Securities



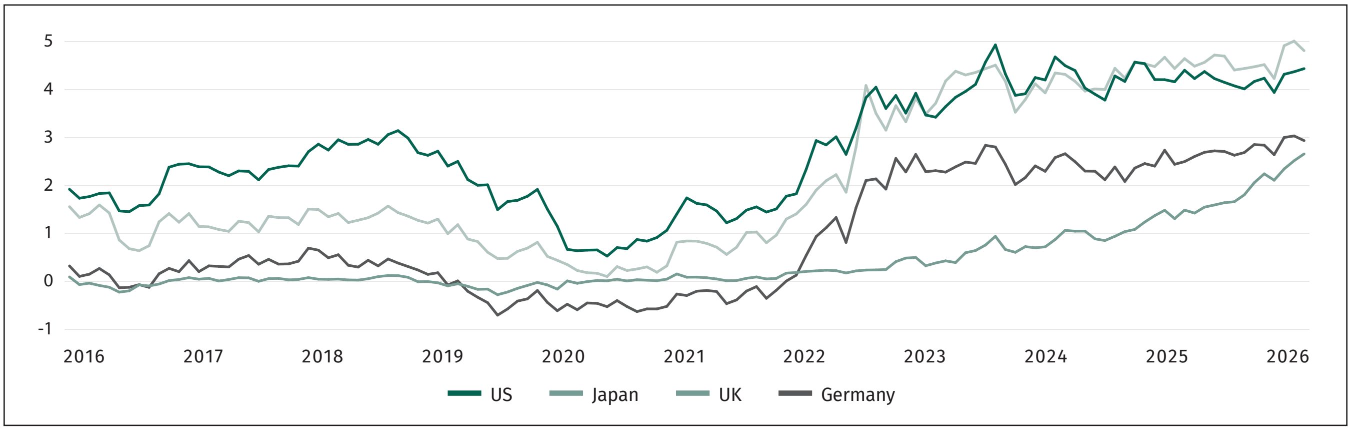
Source: Factset, as of 5/29/26.

We remain underweight emerging-market debt. Spreads have tightened to levels that leave limited room for compression, while a potential dollar rebound, geopolitical uncertainty and commodity-price sensitivity all represent real risks in the second half. The income advantage over developed market debt has narrowed to the point where volatility may not be adequately compensated.

Let income do the work

Yields are high enough that income can carry the load. We favor IG credit over high yield, municipals for tax-sensitive investors, and securitized assets for diversified carry. Duration should stay flexible, not aggressive. In a market where the direction of rates is genuinely uncertain, we would rather collect quality income than bet the curve.

Figure 15: Global 10-Year Government Bond Yields



Source: Factset, as of 5/29/26.

Alternatives

KEY TAKEAWAYS

- The IPO exit window is reopening, contributing to our positive outlook for private equity secondaries.
- In private credit, headline risks have overshadowed fundamentals in parts of the market.
- Infrastructure demand is surging alongside the AI buildout.

"In private markets, the difference between investment manager skill often defines the performance outcome."

Roy Corr, Senior Managing Director, Head of Alternatives, Citizens Private Wealth

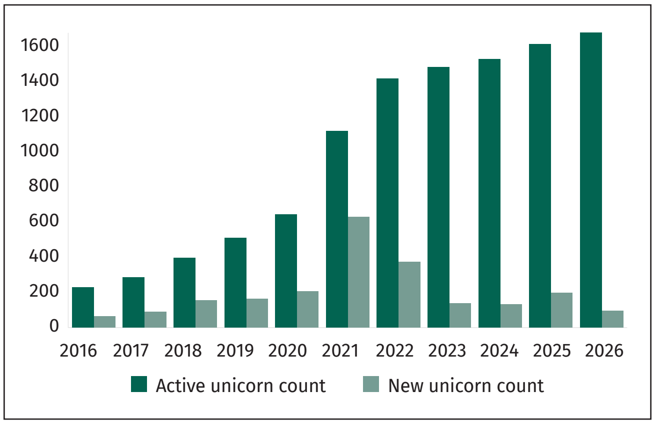
We came into the year expecting private markets to deliver, helped by a resilient economy, improving exit activity and renewed investor interest. Through the first half of 2026, that thesis has held up. Even with oil prices spiking on Middle East tension and AI reshaping software valuations, private-market managers generally finished the first half in positive territory. The environment proved more challenging than anyone expected at the start of the year, but private markets absorbed the volatility and delivered, reinforcing their role in a well-diversified portfolio.

Private equity's exit window opens

The market for IPOs that was largely closed for the past two years is finally reopening. A few marquee, late-stage names drew headlines, but the more meaningful story is the depth of the pipeline forming behind them. The number of active unicorns — private companies valued at more than $1 billion — remains near record highs, pointing to a large backlog of firms approaching IPO scale (See Figure 16). The success of these early listings is enabling the exit window across the broader market to reopen. When high-profile exits go well, timelines across the rest of the market are pulled forward. Exits return cash to investors, and that capital is what funds the next wave of deals.

We believe secondary funds remain at the center of this opportunity. These portfolios lean toward later-stage holdings that are closest to being sold, which makes them natural beneficiaries of a reopening exit market. Institutions are drawn to shorter holding periods, a faster return of capital and the ability to evaluate and commit to known assets rather than blind pools. With corporate earnings still growing across public markets, the condition for private equity exits looks healthier than they have in some time. Secondaries remain our highest-conviction idea in alternatives. The combination of a reopening exit market, known assets and shorter time to liquidity is difficult to find elsewhere in private markets.

Figure 16: Global Unicorn Count

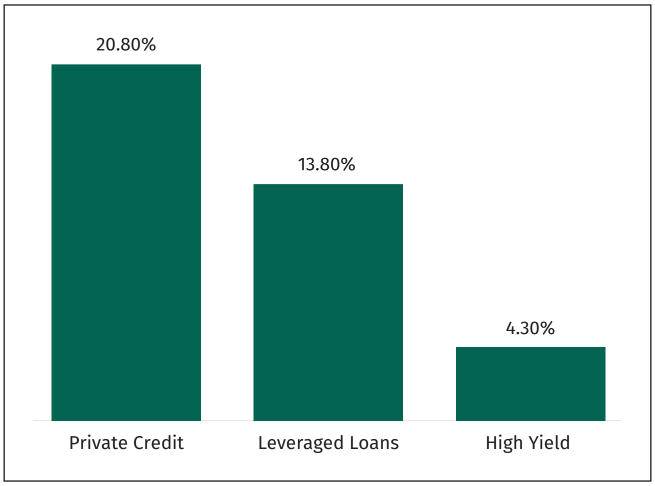


Source: Pitchbook, as of 3/31/26.

Credit opportunities stand out amid headlines

Private credit continues to earn its place in portfolios, thanks to its strong current yield and a real income advantage over public bonds. The first half, however, was not without challenges. Several direct-lending funds exposed to software borrowers took markdowns as AI reshaped the earnings outlook for parts of the sector. As shown in Figure 17, software exposure in private credit is much higher than in leveraged loans or high yield sectors, leaving some managers more vulnerable to weakness in tech-related borrowers. The credit losses remained contained, but the bigger issue was the wave of redemptions that followed. Concentrated positions and open-ended fund structures left some managers selling into weakness to meet withdrawals.

Figure 17: Software Exposure by Credit Type



Sources: Bloomberg, JPMorgan as of 3/26/26.

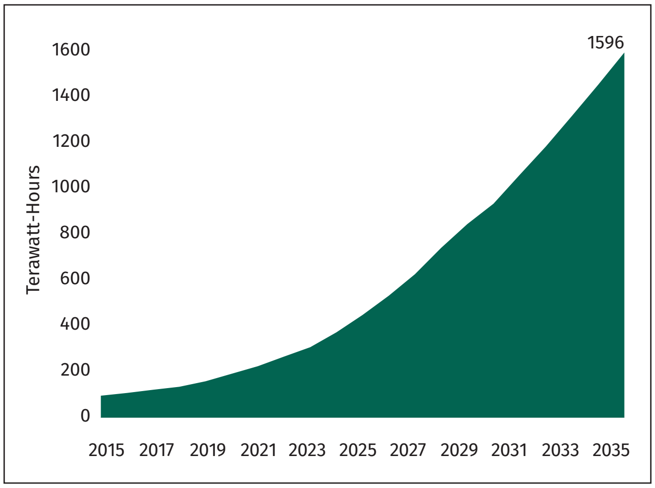
While direct lending drew most of the attention, the quieter parts of private credit have been doing the steadier work. Asset-based lending has been more straightforward. Backed by tangible, income-generating collateral, these strategies spread risk more broadly and avoid the sector concentration that caused problems elsewhere. That reliability also draws a clear line between asset-based lending and distressed credit, which we continue to watch but do not currently own. The case for distressed credit is more cyclical, and the stress needed to unlock real value hasn't arrived yet. When it does, we'll be positioned to act.

Real assets earn their place

Inflation has reshaped the case for real assets. We upgraded private real estate to neutral at the start of the year, a separate call from our cautious stance on listed REITs, and the logic has only grown stronger. Oil prices moved higher, input costs rose, and the ability to pass inflation through to customers carries a premium again. Real estate and infrastructure both tend to hold their value when prices run above trend, and that backdrop is clearly in play.

Infrastructure stands out in particular. Data-center expansion, grid upgrades, surging power demand, and the energy transition are all converging at once. Forecasts show electricity demand tied to data centers. Capacity has risen from roughly 449 terawatt-hours in 2025 and is projected to rise to nearly 1,600 by 2035 (See Figure 18). These are the same forces driving the AI spending cycle in public markets, but supporting long-term, contracted cash flows in private markets. When the tailwinds are structural rather than cyclical, capital follows. Therefore, infrastructure is getting more of our attention.

Figure 18: Power Demand From AI Data Centers



Source: BloombergNEF, as of 1/28/26.

Hedge funds have a better set up

For much of the past decade, low rates and calm markets have made it hard for hedge fund strategies to stand apart. Fortunately, that has changed. Higher rates raise the return potential from cash and collateral alone, while wider dispersion gives skilled managers more room to add value. Macro and managed-futures strategies carry our strongest conviction. They tend to perform best when traditional hedges fall short. This is a pattern that has been repeated as stocks and bonds have moved together more often. We are less drawn to long-short equity and event-driven strategies, where the edge over public markets has narrowed.

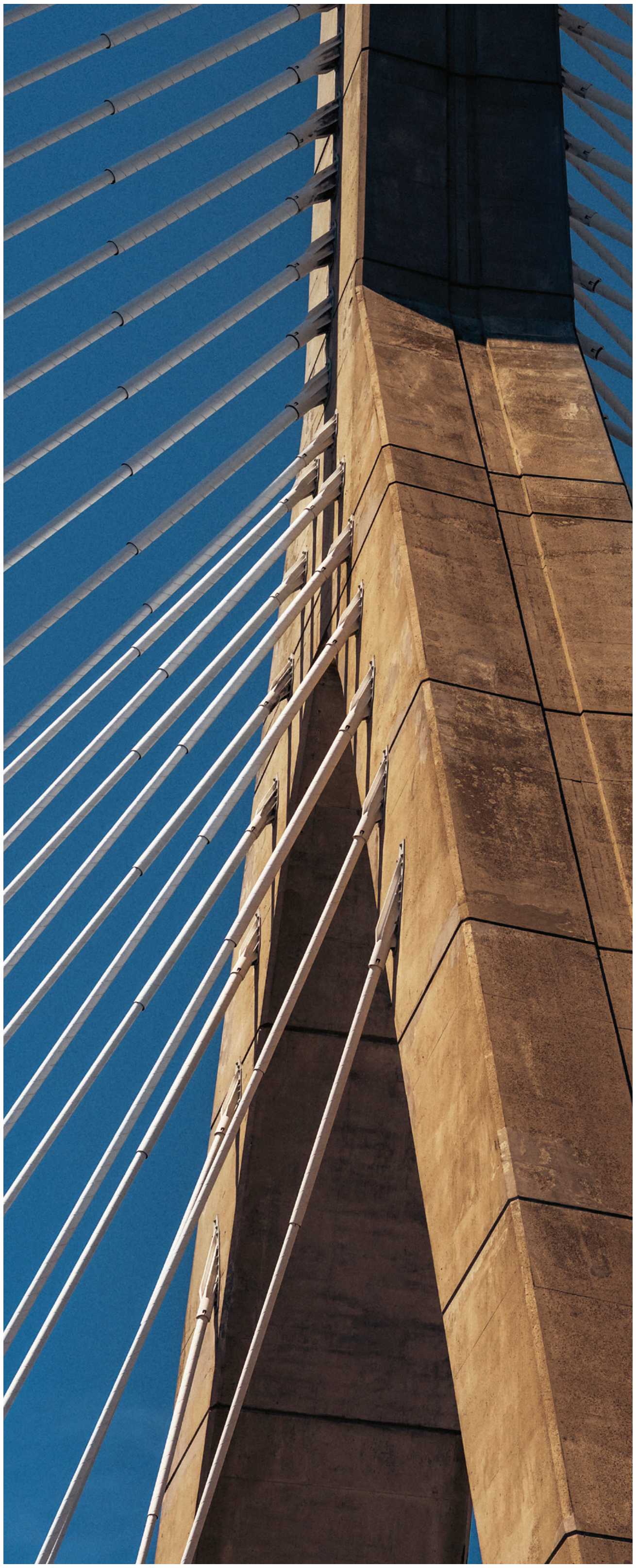
A well-built hedge fund allocation can reduce losses in downturns, smooth returns, and provide liquidity when other parts of the portfolio may not. In a market that reacts more sharply to policy shifts and global dislocations, that role carries more weight than it did a few years ago. Hedge fund allocations are not designed to beat equities in strong bull markets. Instead, these positions are meant to help protect portfolios during periods of volatility.

Conviction holds. Stay selective.

The first half of 2026 reinforced a few of our core themes:

- Patience is essential in private markets.
- Manager selection is the single biggest driver of outcomes.
- The gap between top and bottom performers is wide enough that careful research and thoughtful portfolio construction are essential.

All in all, the exit picture is improving, credit remains sound and real assets are earning their place in a way they haven't in years. We're optimistic that this is setting the stage for further convergence in 2026.



CONTRIBUTORS

CITIZENS CHIEF INVESTMENT OFFICE

Michael Hans, CFA, Chief Investment Officer

ALTERNATIVES

Roy Corr, Senior Managing Director, Head of Alternatives

Ethan Pride, CFA, Ph.D., Senior Alternative Research Analyst

ECONOMICS

Rich Anderson, CFA, Vice President, Investment Strategy and Research Analyst

EQUITIES

Shaun O'Malley, CFA, Senior Vice President, Head of Equities

Mike Cornacchioli, CFA, CAIA, FRM, Senior Vice President, Investment Strategy Director

FIXED INCOME

Rod Olea, Managing Director, Head of Fixed Income

Toby Tolino, Senior Vice President, Wealth Fixed Income Portfolio Manager

Yueping Liu, CFA, Vice President, Senior Fixed Income Credit Analyst

INVESTMENT STRATEGY AND COMMUNICATIONS

Adam Gorlyn, Senior Vice President, Senior Investment Strategist

A special thank you to Ken Robinson, Citizens Director of Public Policy and Government Relations

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