Citizens PRIVATE WEALTH™

July 2026

FROM THE OFFICE OF THE CIO

Market Observations

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Reflections on July performance

July was a volatile month for global equities, whipsawed by two distinct but reinforcing sources of uncertainty: mounting investor skepticism over whether surging AI-related capital expenditures would translate into commensurate profitability, and an escalation of hostilities in the Middle East that drove another spike in oil prices. Concerns deepened later in the month as reports surfaced that hyperscalers were financing data center buildouts with debt priced near junk-bond levels, raising questions about the durability of the AI infrastructure trade. Compounding the volatility, the continuation of the U.S.-Iran conflict and renewed strikes on Iran-backed targets pushed Brent Crude above $100 a barrel at mid-month. Oil was at its highest level in months, as shipping through the Strait of Hormuz remained severely constrained and U.S. gasoline prices climbed back toward $4 a gallon.

Persistently high oil prices kept headline inflation elevated, complicating the Federal Reserve's policy calculus. At its July meeting, the FOMC held the federal funds rate steady for a fifth consecutive meeting. This decision was notable because of increased dissent with three governors in favor of a 25-basis point hike. Chair Kevin Warsh offered essentially no forward guidance at the post-meeting press conference, which left markets to conclude that a hike before year end remains squarely on the table. Inflation data released after the Fed meeting showed some moderation in price pressure. However, levels remain above the Federal Reserve's long-term target.

This dynamic drove a pronounced steepening of the Treasury curve and put downward pressure on fixed income prices. The 10-year yield began July at 4.48% and finished at 4.74%, while the 2-year rose from 4.15% to 4.29% for the month. The larger rise in long-term yields reflected the markets pricing tighter near-term policy and demanding greater term premium for the longer-run inflation and fiscal outlook.

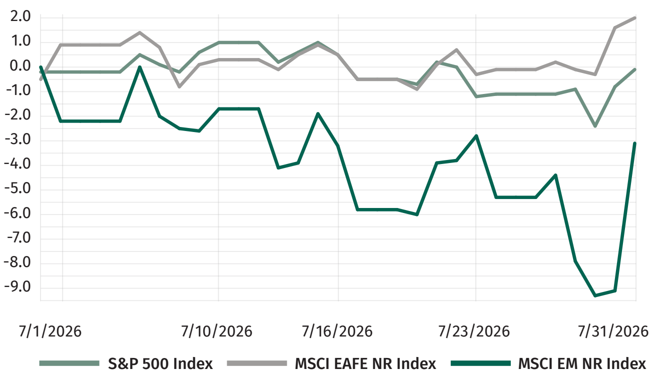
Overall, July's market performance did not change our broader investment opinions expressed in our Mid-Year Investment Outlook. In an environment marked by elevated valuations, changing interest rate expectations and uneven performance across asset classes, we believe portfolios should continue to emphasize quality investments, attractive income opportunities, and thoughtful diversification to navigate the second half of the year.

Market performance

In July, U.S. equities pulled back as market leadership seemed to rotate away from many technology and AI-related companies that have led returns earlier this year. The S&P 500, Nasdaq Composite and Dow finished the month down 0.6%, 3.2%, and 3.3%, respectively. Developed international equities were more resilient, with the MSCI EAFE NR Index ending the month in positive territory with a 2.0% return. Meanwhile, emerging markets declined with the MSCI EM NR Index falling 3.1%. (See Figure 1 on Page 2.) U.S. market weakness was concentrated within growth-oriented segments of the market as the Nasdaq 100 declined 6.6% and the Russell 1000 Growth Index fell 4.8%. Meanwhile, value-oriented equities held up considerably better, with the Russell 1000 Value Index gaining 3.8% and the S&P 500 Equal Weight Index advancing 1.0%, signaling broader participation outside the largest technology companies.

In fixed income markets, longer-duration bonds struggled as investors continued to navigate a higher-for-longer interest rate environment. The Bloomberg U.S. Aggregate

Figure 1: Performance of U.S. Equities vs. International



Source: Factset Data as of July 31, 2026.

Bond Index declined 1.3% during the month, while long-term Treasury indices fell more than 3%. Shorter-duration assets were more resilient, with Treasury bills and short government-credit bonds posting modest gains. Credit markets held up relatively well versus government bonds, as the Bloomberg U.S. Corporate High Yield Index declined just 0.3% and leveraged loans gained 0.8%. Outside traditional stock and bond markets, commodities were among the strongest-performing asset classes as the Bloomberg Commodity Index advanced 7.5%, supported by strength in crude oil and other economically sensitive commodities.

U.S. Equity Summary:

	July	YTD	Trailing 1 Year
S&P 500 Index	-0.1%	10.1%	19.6%
S&P Mid Cap 400 Index	-2.4%	14.5%	20.9%
Russell 2000 Index	-3.0%	18.9%	34.2%

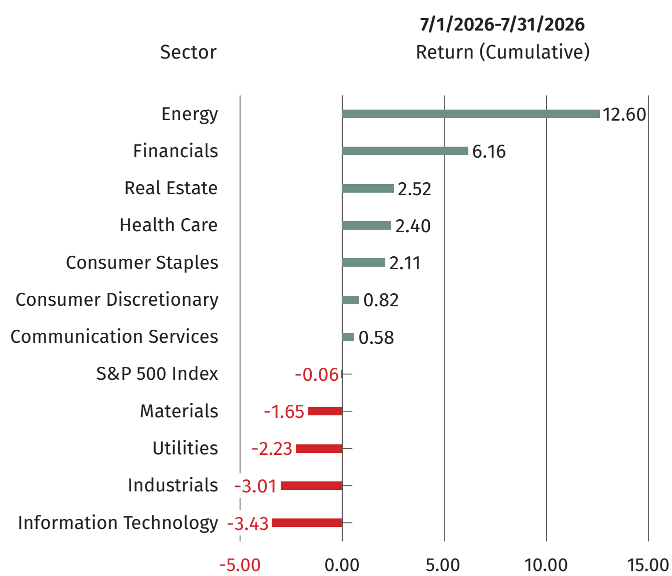
Source: Factset Data as of July 31, 2026.

U.S. equity markets declined in July as market leadership rotated away from many of the growth-oriented and AI-related companies that had driven returns earlier in the year. The S&P 500 Index fell 0.1%, while the NASDAQ Composite declined 6.6%. Growth significantly underperformed value as the Russell 1000 Growth Index declined 4.8% compared to a gain of 3.8% for the Russell 1000 Value Index. Smaller capitalization stocks, which are outperforming larger capitalization stocks over the YTD, were down 3.0% as per the Russell 2000 Index, while the S&P Mid Cap 400 Index declined 2.4%. The S&P 500 Equal Weight Index advanced 1.0%, suggesting performance broadened beyond the largest technology companies.

The market's rotation aligned with several themes highlighted in our Q3 Asset Allocation Views including elevated valuations, narrow market leadership, and increasing concentration tied to AI beneficiaries. While AI-related capital expenditure continues to support economic growth and corporate earnings, investors became more focused on earnings durability and valuation discipline as earnings season began. Companies tied directly to AI infrastructure and semiconductor demand remained key contributors to YTD performance, but July demonstrated how quickly leadership can shift when expectations become elevated.

From a sector perspective, Energy was the strongest-performing sector in the S&P 500, returning 12.6% during the month, as shown in Figure 2. Financials, Real Estate, Health Care and Consumer Staples round

Figure 2: S&P 500 Sector Returns for July 2026

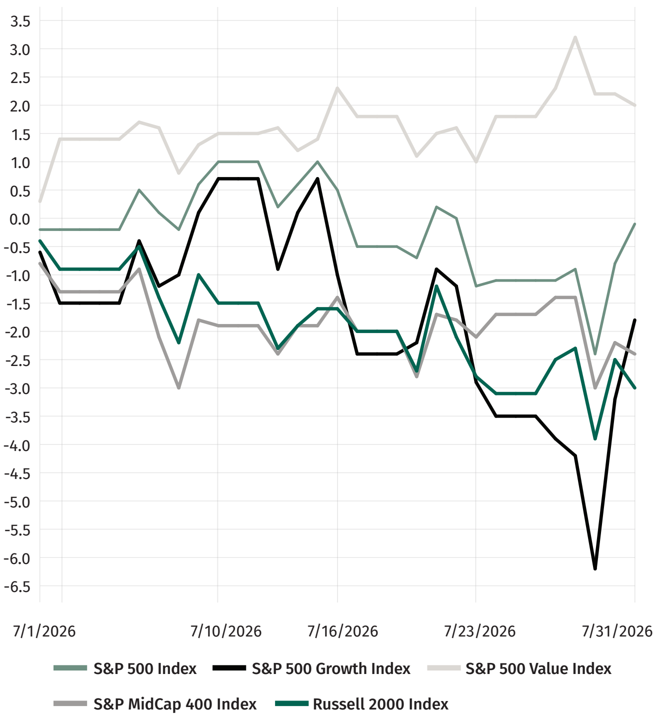


Source: Factset Data as of July 31, 2026.

out the top performing sectors, with returns of 6.2%, 2.5%, 2.4% and 2.1%, respectively. Conversely, Information Technology was the weakest-performing sector, declining to 3.4%, followed by Industrials and Utilities that fell 3.0% and 2.2%, respectively. The weakness in technology weighed heavily on broader market returns as investors increasingly favored companies with stronger current cash flows, steadier earnings profiles, and more attractive valuations.

From a style perspective, value outperformed growth across large-, mid- and small-cap segments (see Figure 3). The Russell Mid Cap Value Index gained 1.5% while the Russell Mid Cap Growth Index declined 6.5%. Similarly, the Russell 2000 Value Index was flat, significantly outperforming the Russell 2000 Growth Index, which fell 5.9%. The broad-based outperformance of value-oriented equities highlighted a shift toward quality and valuation discipline during the month.

Figure 3: Performance of U.S. Equity Markets by Style and Market Capitalization



Source: Factset Data as of July 31, 2026.

International and Emerging Market Equity Summary:

	July	YTD	Trailing 1 Year
MSCI EAFE NR Index	2.0%	11.6%	24.3%
MSCI EAFE Small Cap Index	2.0%	9.8%	19.8%
MSCI Emerging Markets NR Index	-3.1%	20.0%	36.4%

Source: Factset Data as of July 31, 2026.

In July, international developed market equities advanced 2.0% as per the MSCI EAFE NR Index, which is now up to 11.6% YTD and outperforming U.S. equities. Value significantly outperformed Growth: The MSCI EAFE Value NR Index gained 5.8%, widely outpacing the MSCI EAFE Growth NR Index, which declined 1.7%. Small-cap stocks also proved relatively resilient, as the MSCI EAFE Small Cap NR Index advanced 2.0%, as shown above. This performance reflected a broader preference for more attractively valued companies with steadier current earnings and cash-flow profiles.

Performance across developed markets was mixed. The UK and Australia gained 5.3% and 4.6%, respectively, while Japan posted a 1.0% return. Europe was slightly up, with the MSCI Europe NR Index advancing 1.6%. From a sector perspective, Energy, mirroring U.S. market strength, was the strongest performer within the MSCI EAFE Index gaining 16.3%, while Financials and Consumer Discretionary trailed at 7.9% and 4.8%, respectively. Information Technology was the weakest sector, declining -15.1%, as the market rotation away from technology and AI-related companies extended beyond the U.S.

Emerging market equities declined sharply in July, with the MSCI Emerging Markets NR Index returning -3.1%, although the index remained up 20.0% YTD. Value stocks outperformed growth, but both posted negative returns, while small-cap equities also lagged. Weakness was concentrated in technology-heavy Asian markets. The MSCI Korea NR Index declined 17.1% and the MSCI Taiwan NR Index fell 5.4%, contributing to a 4.2% decline in the MSCI Emerging Markets Asia

NR Index. The MSCI Emerging Markets Information Technology sector fell 12.7%, reflecting the reversal among several semiconductor and AI-related companies that had previously driven emerging market returns.

China provided a notable offset, gaining 9.0%, while emerging Europe and Latin America also posted positive returns. The performance dispersion reinforced our Q3 Asset Allocation Views, which highlighted improving emerging market fundamentals and technology leadership. This report also noted the concentration risk created by the large index weights of Taiwan Semiconductor, Samsung, and SK Hynix. July's results demonstrated how that concentration can weigh on the broader index when leadership reverses, supporting a selective approach focused on countries with credible policies and companies with clear earnings growth.

Real Assets Summary:

	July	YTD	Trailing 1 Year
FTSE Nareit All Equity REITs Index	2.4%	17.7%	19.5%
Bloomberg Commodity Index	7.5%	23.0%	35.5%
S&P Global Infrastructure Index	0.1%	9.6%	15.8%

Source: Factset Data as of July 31, 2026.

The real asset segment comprised of REITs, commodities, and infrastructure, produced mixed but generally positive results in July. Real assets continued to provide differentiated performance as inflation, energy, and interest-rate risks affected each segment differently.

REITs performed well during July, even as interest rates moved higher, as the FTSE Nareit All Equity REITs Index advanced 2.4%. Performance was positive across most property types, led by industrial, office, and lodging/resorts, which gained between 6.2%, 4.8%, and 4.1%, respectively. Data centers were the main exception, declining 0.1% as the broader market rotated away from several AI-related areas. Infrastructure posted a modest gain, with the S&P Global Infrastructure Index up 0.1% while U.S. infrastructure gained 0.6%. Infrastructure continues to benefit from regulated demand and ongoing replacement needs, while real estate has shown early signs of stabilization.

Commodities were the strongest performing real asset category, with the Bloomberg Commodity Index gaining 7.5%. Energy prices rose sharply as the S&P GSCI Crude Oil and Brent Crude indices advanced 22.7% and 21.7%, respectively. In contrast, natural gas declined 14.4%. Industrial metals also posted positive results, led by nickel, aluminum, copper and the broader industrial metals index. Gold gained only 0.6%, while silver declined 3.3%. Agricultural commodities generally advanced, with wheat up 8.8% and the broader agricultural index gaining 6.9%.

The dispersion within real assets remained consistent with our Q3 Asset Allocation Views, which described inflation, energy, and interest-rate risks as sending mixed signals. Infrastructure and select real estate segments continue to benefit from durable demand and long-term investment in power, data centers, and grid modernization, while commodities remain sensitive to geopolitical developments and supply conditions.

Fixed Income Summary:

	July	YTD	Trailing 1 Year
Bloomberg U.S. Aggregate Index	-1.3%	-0.7%	2.7%
Bloomberg Municipal Index	-1.9%	-0.4%	5.3%
Bloomberg U.S. Treasury Index	-1.1%	-0.8%	2.0%
Bloomberg U.S. Treasury TIPS Index	-0.7%	0.5%	2.6%
Bloomberg U.S. Corporate Investment Grade Index	-1.6%	-0.76%	2.6%
Bloomberg U.S. High Yield Index	-0.3%	1.7%	5.2%
FTSE WGBI non-USD Index	-0.1%	-0.9%	0.6%

Source: Factset Data as of July 31, 2026.

July was a difficult month for U.S. fixed income markets, as the combination of rising Treasury yields, renewed inflation concerns, and a more hawkish Federal Reserve stance pressured bond prices across most major sectors.

Duration was the primary headwind, particularly for longer-maturity Treasuries and investment-grade bonds, while shorter-duration strategies and floating-rate credit proved more resilient. Credit fundamentals remained broadly sound, but the higher-rate backdrop limited total returns and reinforced the importance of selectivity across sectors.

The Federal Reserve left the federal funds rate unchanged at 3.50% to 3.75% at its July 29 meeting, but markets interpreted the decision and accompanying commentary as hawkish. Expectations for an additional rate hike increased as investors reassessed the path of policy in light of elevated oil prices and still persistent inflation pressures. Treasury yields rose across the curve, with the 10-year ending the month at 4.74% and the 2-year finishing near 4.29%. At the long end, the 30-year Treasury yield reached 5.1%, its highest level since 2007. As a result, shorter-term Treasuries outperformed longer-term maturities, consistent with our preference for short-to-intermediate duration positioning in an environment where policy rates may remain higher for longer.

Corporate credit was not immune to the broader rate-driven weakness, but it held up better than higher-quality, longer-duration fixed income sectors. Investment-grade credit declined alongside Treasuries as higher yields weighed on total returns while high yield was more resilient because of its lower duration profile and continued demand for income. The Bloomberg U.S. Corporate High Yield Index declined just 0.3% for the month, meaningfully outperforming the broader aggregate market. Securitized credit, which we continue to view favorably where collateral quality and structure are attractive, also declined during the month. At this time, the Bloomberg MBS 1000 Index fell 1.4% as mortgage-backed securities were pressured by higher rates and spread volatility.

Municipal bonds also experienced a challenging July. The Bloomberg Municipal Index declined 1.9%, while the Bloomberg High Yield Municipal Index fell 1.5%. July is typically a supportive seasonal period for municipals because of reinvestment demand, but this year's market was weighed down by heavy new issuance. Approximately $42 billion worth of new municipal supply came to market, making it the second-highest July issuance on record and overwhelming otherwise favorable seasonal technicals. The weakness pushed muni/Treasury ratios higher, leaving municipals cheaper relative to Treasuries and potentially improving forward-looking entry points for tax-sensitive investors.

Outside the U.S., currency movements and rate volatility drove mixed results. The U.S. Dollar Index declined 1.3% during the month, providing a tailwind for non-U.S., local-currency debt. Even with that support, developed non-dollar government bonds were modestly negative, with the FTSE WGBI Non-USD Index declining 0.1%. U.S. dollar-denominated emerging market sovereign debt was weaker, as the JPM EMB Index declined 1.7%, pressured by higher global yields and wider risk premia. In contrast, local-currency emerging market debt outperformed, with the JPM EM Local Currency Index gaining 1.1%. Overall, July reinforced our view that fixed income positioning should emphasize income generation, quality, and disciplined duration exposure, while remaining selective in credit and opportunistic where valuation dislocations emerge.

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