FROM THE OFFICE OF THE CIO

Market Observations

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Reflections on August performance

Global equity markets moved higher in August, reversing the uptick in volatility and marginal decline recorded in July. Renewed confidence in AI capital spending, strong earnings growth across sectors, and a pause in the Middle East conflict helped restore investor risk appetite. Q2 earnings among S&P 500 companies posted their fastest YoY growth since 2021, reinforcing our preference for U.S. equity markets. As shown in Figure 1, non-U.S. equities performed well as emerging markets generally outpaced developed markets.

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

Source: Factset Data as of August 31, 2026.

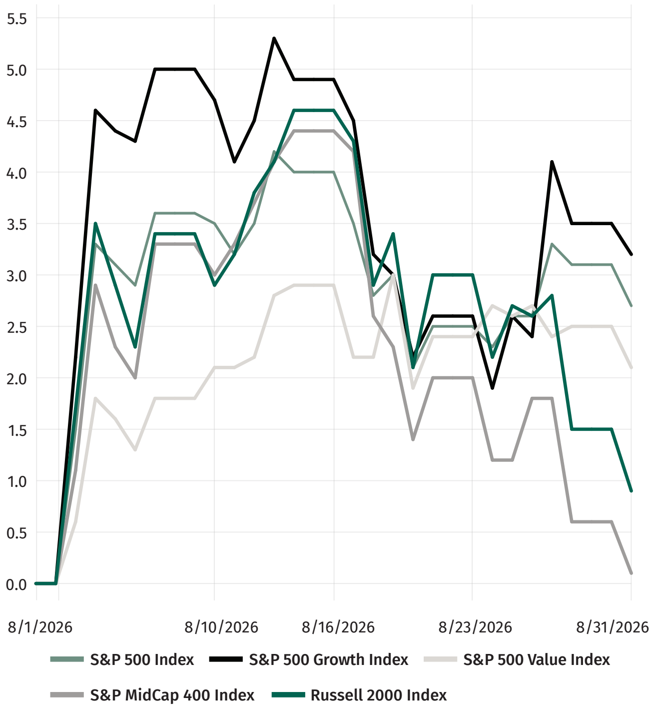
Global fixed income markets endured a volatile month as longer dated yields on U.S. Treasuries and several developed market sovereign issuers touched multi-decade highs before partially retracing. This reflected persistent concerns over fiscal deficits, record levels of corporate bond issuance and still-elevated inflation. A mid-month surprise announcement from the U.S. Treasury to expand its buyback program for 10- to 30-year securities offered temporary relief, although yields resumed climbing as investors expressed skepticism over the program's ability to keep rates in check on the longer end of the curve. We take a closer look at what is driving yields higher in the fixed income summary.

The macroeconomic backdrop remained mixed. July non-farm payrolls fell by 23,000, a sharp miss versus expectations for an 80,000 gain and generated the first negative headlines in several months. The unemployment rate ticked down to 4.1%, with the data largely reflecting a shrinking labor force rather than stronger hiring.

July's Consumer Price Index rose a modest 0.1% month-over-month, with the annual rate easing to 3.4% from 3.5% in June. Core inflation remained firmer at 2.5%, still above the Federal Reserve's 2% target.

The Federal Open Market Committee did not hold a scheduled meeting in August. However, minutes from the July 28—29 meeting showed several officials were inclined to tighten policy if inflation failed to decline further. The month's most closely watched event was Fed Chair Kevin Warsh's keynote address at the Kansas City Fed's Jackson Hole Economic Policy Symposium on August 28. Warsh reiterated, "readings do not tell me that underlying trends have meaningfully improved" and that the Fed has "work to do" to restore price stability. Markets interpreted the speech as more hawkish than expected, lifting the

Figure 2: Performance of U.S. Equity Markets by Style and Market Capitalization



Source: Factset Data as of August 31, 2026.

implied probability of a September rate hike to above 50% up from roughly 32% the week prior. This development contributed to higher Treasury yields at month end.

Hostilities between the U.S. and Iran flared again late in the month. Oil prices moved higher in response and contributed to a pullback in risk assets on the final trading day of August. The episode served as another reminder that the geopolitical risk premium embedded in energy markets remains elevated.

August's rebound does not alter the conclusions stated in our Q3 Asset Allocation Views and Mid-Year Investment Outlook. We remain neutral across major asset classes, deliberately balancing resilient corporate fundamentals against valuations, sticky inflation, volatile rate expectations, and geopolitical risk. We believe portfolios should stay fully invested but with discipline, favoring quality companies with durable earnings, capturing income in higher-quality fixed income, and diversifying across asset classes, including the use of alternatives where appropriate. Within equities, we maintain exposure broadly across regions, styles and market capitalizations. After several months of strong gains across equities, we see this as the right moment to revisit strategic allocation weightings, trim concentration where it has built up, and confirm that portfolios remain anchored to long-term objectives.

U.S. Equity Summary:

U.S. large-cap equities led the rebound (see Figure 2) in August after a marginal decline in July. Equity markets were supported by strong earnings growth across sectors but in particular from various large technology companies. The S&P 500 Index gained 2.7% during the month and reached three all-time closing highs, while the NASDAQ Composite advanced 4.0%. The Dow Jones Industrial Average posted a more modest gain of 1.5%. Through the end of August, the S&P 500 finished with a YTD gain of 13.1% and a 20.4% gain over the trailing 12 months.

	August	YTD	Trailing 1 Year
S&P 500 Index	2.7%	13.1%	20.4%
S&P MidCap 400 Index	0.2%	14.7%	17.1%
Russell 2000 Index	1.0%	20.0%	26.5%

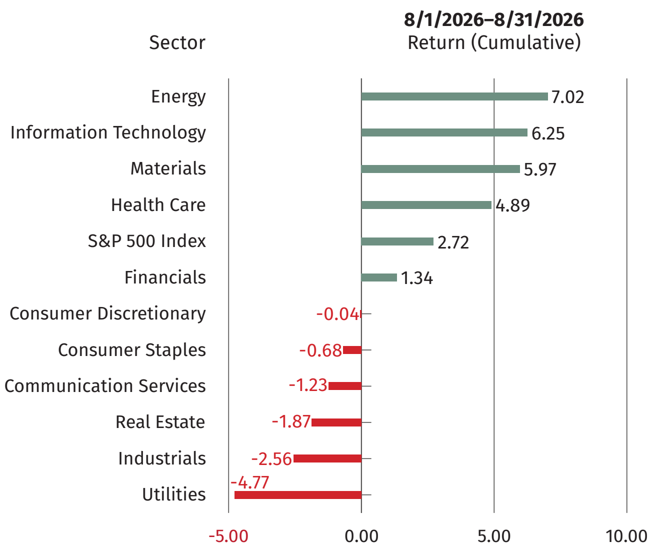
Source: Factset Data as of August 31, 2026.

Following July's rotation toward value and more defensive areas of the market, leadership shifted back toward growth-oriented and higher-beta stocks in August. The Russell 1000 Growth Index advanced 3.7%, outpacing the 2.0% return of the Russell 1000 Value Index. High beta stocks were among the month's strongest performers, as the S&P 500 High Beta Index gained 4.6%, while the S&P 500 Low Volatility Index declined 1.8%.

Large-cap equities continued to lead in August, extending the relative underperformance of mid and small-cap equities seen in July. The S&P MidCap 400 Index was essentially flat, gaining just 0.2%, while the Russell 2000 Index gained 1.0% and recorded a new all-time high in mid-August.

From a sector perspective, Energy was the strongest performer in the S&P 500 for the second consecutive month, as shown in Figure 3. The sector returned 7.0%, thanks to the tailwind of rising crude oil prices due to the conflict in the Middle East. Information Technology followed with a 6.3% gain. Additionally, Materials and Health Care performed well with returns of 6.0% and 4.9%, respectively.

Figure 3: S&P 500 Sector Returns for August 2026



Source: Factset Data as of August 31, 2026.

In contrast, several defensive and interest-rate-sensitive sectors declined. Utilities fell 4.8%, while Industrials, Real Estate, and Communication Services declined 2.6%, 1.9%, and 1.2%, respectively. Consumer Staples fell 0.7%, and Consumer Discretionary was approximately flat. The variation across sectors marked a shift from July's market leadership as investors favored technology, energy and select higher-beta areas despite elevated long-term interest rates.

August's results demonstrate how quickly market leadership can shift as investors weigh strong corporate earnings against valuations, inflation concerns, and the prospect of interest rates remaining higher for longer. While the rebound in technology and growth stocks supported broad-market gains, we reiterate the importance of maintaining a quality focus and diversification across market capitalizations, investment styles and sectors.

In August, international developed market equities advanced 2.0% as per the MSCI EAFE NR Index, which is now up 13.8% year-to-date and 21.6% over the trailing 12 months. Growth stocks outperformed value, reversing the leadership trend seen in July. The MSCI EAFE Growth NR Index returned 2.6%, compared with a 1.4% gain for the MSCI EAFE Value NR Index. Small-cap equities were among the strongest-performing areas of international markets, with the MSCI EAFE Small Cap NR Index advancing 3.8%.

International and Emerging Market Equity Summary:

	August	YTD	Trailing 1 Year
MSCI EAFE NR Index	2.0%	13.8%	21.6%
MSCI EAFE Small Cap NR Index	3.8%	13.9%	18.9%
MSCI Emerging Markets NR Index	3.4%	24.1%	39.2%

Source: Factset Data as of August 31, 2026.

Performance was positive across most major developed regions, although results varied by market. Japan gained 3.4% and was among the strongest major developed markets, while Australia advanced 2.4%. European equities rose 1.4%, with Germany gaining 3.9% and Italy advancing 1.9%. From a sector perspective, Materials was the strongest-performing sector returning 8.2%, followed by Communication Services at 4.6%. Information Technology also advanced 3.9%, marking a notable recovery from July. Energy, which led developed international markets in July, posted a more modest gain of 0.6% in August and underperformed U.S. counterparts.

Emerging market equities rebounded in August after a 9.3% decline in July, with the MSCI Emerging Markets NR Index gaining 3.4%. Through August, the index is up 24.1% YTD and 39.2% over the trailing 12 months. Growth and value stocks performed similarly during the month, with both indices advancing approximately 3.4%. Small-cap equities led by a wide margin, with the MSCI Emerging Markets Small Cap NR Index gaining 9.5%.

Performance varied across regions and countries. The MSCI EM EMEA NR Index gained 6.3%, while the MSCI EM Europe NR Index advanced 5.0%. The MSCI Taiwan NR Index and the MSCI Korea NR Index rebounded 6.4% and 5.9%, as semiconductor names moved higher following sharp declines in July. The recovery in these tech-heavy markets contributed to a 3.3% gain for MSCI EM Asia NR Index and supported the broader emerging markets index. However, the sizeable weights of Taiwan Semiconductor, Samsung, and SK Hynix continue to leave the broader index extremely sensitive to shifts in semiconductor and AI-related market leadership.

In contrast, the MSCI China NR Index and the MSCI India NR Index posted declines of 0.3% each, while the MSCI EM Latin America NR Index fell 0.7%. From a sector perspective, Materials led in August with a 13.7% return, followed by Health Care which advanced 8.7%. Communication Services and Consumer Discretionary were among the weakest performing sectors, declining 4.0% and 3.0%, respectively. The variation in performance across countries and sectors demonstrates the unique economic and market dynamics within emerging markets, supporting the importance of active management.

Real Assets Summary:

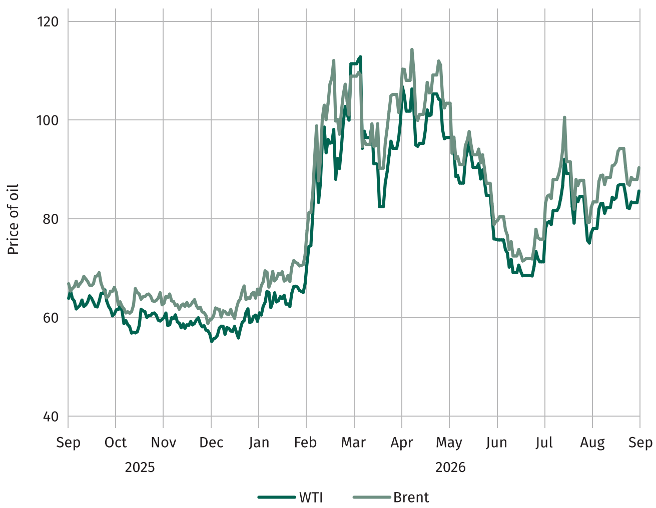
	August	YTD	Trailing 1 Year
FTSE Nareit All Equity REITs Index	-2.7%	21.6%	12.5%
Bloomberg Commodity Index	7.4%	32.1%	42.8%
S&P Global Infrastructure Index	-2.4%	7.1%	11.0%

Source: Factset Data as of August 31, 2026.

The real assets segment, comprised of REITs, commodities, and infrastructure, produced divergent results in August. Commodities generated strong gains, while REITs and global infrastructure declined, highlighting the segments' differing sensitivities to inflation, interest rates, and geopolitical risk.

Commodities were the strongest-performing real assets category. The Bloomberg Commodity Index gained 7.4% in August, bringing its year-to-date return to 32.1%. Energy prices advanced late in the month. Natural gas, which declined in July, rebounded 4.9% in August. (See Figure 4.)

Figure 4: West Texas Intermediate and Brent Crude Oil Prices



Source: Factset Data as of August 31, 2026.

Industrial metals also posted strong gains, led by silver's 15.0% return, with copper and aluminum also advancing. Gold gained 9.5%. Agricultural commodities were another source of strength, with both wheat and corn rising more than 14%.

Global listed infrastructure declined 2.4% as measured by the S&P Global Infrastructure Index. The segment includes companies across utilities, transportation, and energy infrastructure. Infrastructure businesses tend to be interest-rate sensitive while also demonstrating defensive characteristics. During the month, the segment struggled as rates moved higher and markets began to price in the possibility that the Federal Reserve could raise the fed funds rate at its September meeting. This weighed most heavily on utilities, although the weakness was partially offset by pipeline and midstream companies, which benefited from higher energy prices. Transportation stocks also declined in August, pressured by higher fuel costs and softer freight volumes.

U.S.-listed REITs declined 2.7% in August, based on the FTSE Nareit All Equity REITs Index. The index fell 0.7% on the final day of the month alone. Despite the decline, the REIT index remained up 21.6% year-to-date. Weakness during the month reflected a combination of profit-taking after strong year-to-date performance and the sector's sensitivity to higher interest rates. Among REIT sectors, Data Centers were modestly lower, while Retail, Lodging, Residential, and Self-Storage experienced the largest drawdowns. Health care, office, and industrial REITs held up best and posted positive returns during the month.

Fixed Income Summary:

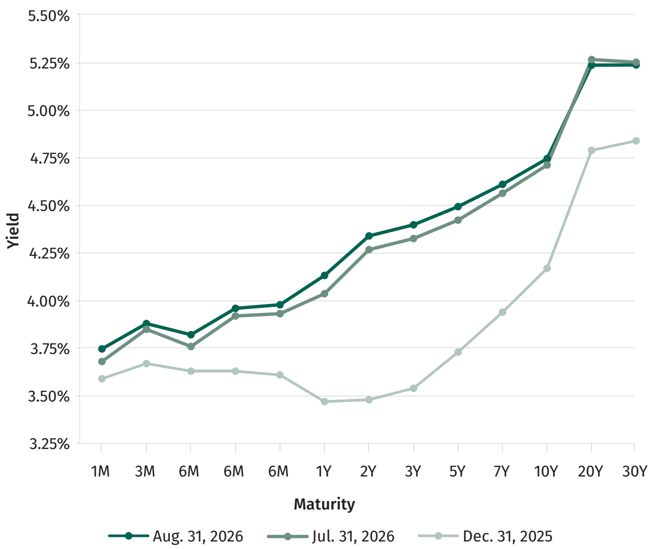
	August	YTD	Trailing 1 Year
Bloomberg U.S. Aggregate Index	0.4%	-0.3%	1.9%
Bloomberg Municipal Index	-0.2%	0.2%	4.1%
Bloomberg U.S. Treasury Index	0.3%	-0.5%	1.2%
Bloomberg U.S. Treasury TIPS Index	0.0%	0.5%	1.1%
Bloomberg U.S. Corporate Investment Grade Index	0.4%	-0.3%	2.0%
Bloomberg U.S. Corporate High Yield Index	1.0%	2.7%	4.9%
FTSE WGBI non-USD Index	0.4%	-0.5%	-0.5%

Source: Factset Data as of August 31, 2026.

August was a challenging month for U.S. fixed income markets, as Treasury yields moved higher. The increase was driven by concerns about inflation, economic resilience, growing Treasury supply, and a market shift toward the possibility of additional Fed tightening. While higher coupon income helped offset the impact of price declines, most duration-sensitive sectors posted flat to negative total returns.

The Bloomberg U.S. Aggregate Bond Index, a bellwether for core U.S. fixed income, posted a 0.4% return in August. Treasuries generated modest positive returns for the month, despite yields rising across most of the curve, as shown in Figure 5, below. At the short end, 3-month and 2-year Treasury yields rose by 8 bps and 6 bps, respectively. Intermediate yields also moved higher, with 5-year and 7-year Treasury yields increasing by 4 and 3 bps, respectively, while the 10-year yield was unchanged at 4.75%. Figure 5 also captures the broader rise in Treasury yields since the start of the year, which has been a headwind for duration-sensitive fixed income on a YTD basis.

Figure 5: Change of U.S. Treasury Yield Curve



Source: Factset Data as of August 31, 2026.

Investment grade corporate bonds posted a 0.4% return, as measured by the Bloomberg U.S. Corporate Investment Grade Index. Credit spreads remained relatively stable, supported by continued economic resilience and solid labor market conditions. High yield credit was one of the stronger-performing fixed income segments, as higher carry, lower average duration, and stable default rates helped offset the impact of rising Treasury yields. As a result, the Bloomberg U.S. Corporate High Yield Index returned 1.0% in August. Agency MBS also generated modest gains that were slightly ahead of the Aggregate Index.

Municipal bonds continued to struggle in August. The Bloomberg Municipal Index declined for the second consecutive month, returning -0.2% despite strong investor demand. Elevated issuance, at nearly $56 billion, limited the sector's ability to benefit from continued investor flows. High yield municipals performed better, with the Bloomberg High Yield Municipal Index up 0.2%

for the month. The weakness pushed Muni/Treasury ratios higher, leaving municipals cheaper relative to Treasuries and potentially improving forward-looking entry points for tax-sensitive investors.

As shown in Figure 6, the U.S. dollar declined during the month, which served as a tailwind for global sovereign debt. The FTSE WGBI non-USD Index posted a 0.4% return in August, as currency exposure helped dollar-based investors offset rising interest rates in several developed markets.

Figure 6: U.S. Dollar Index

Source: Factset Data as of August 31, 2026.

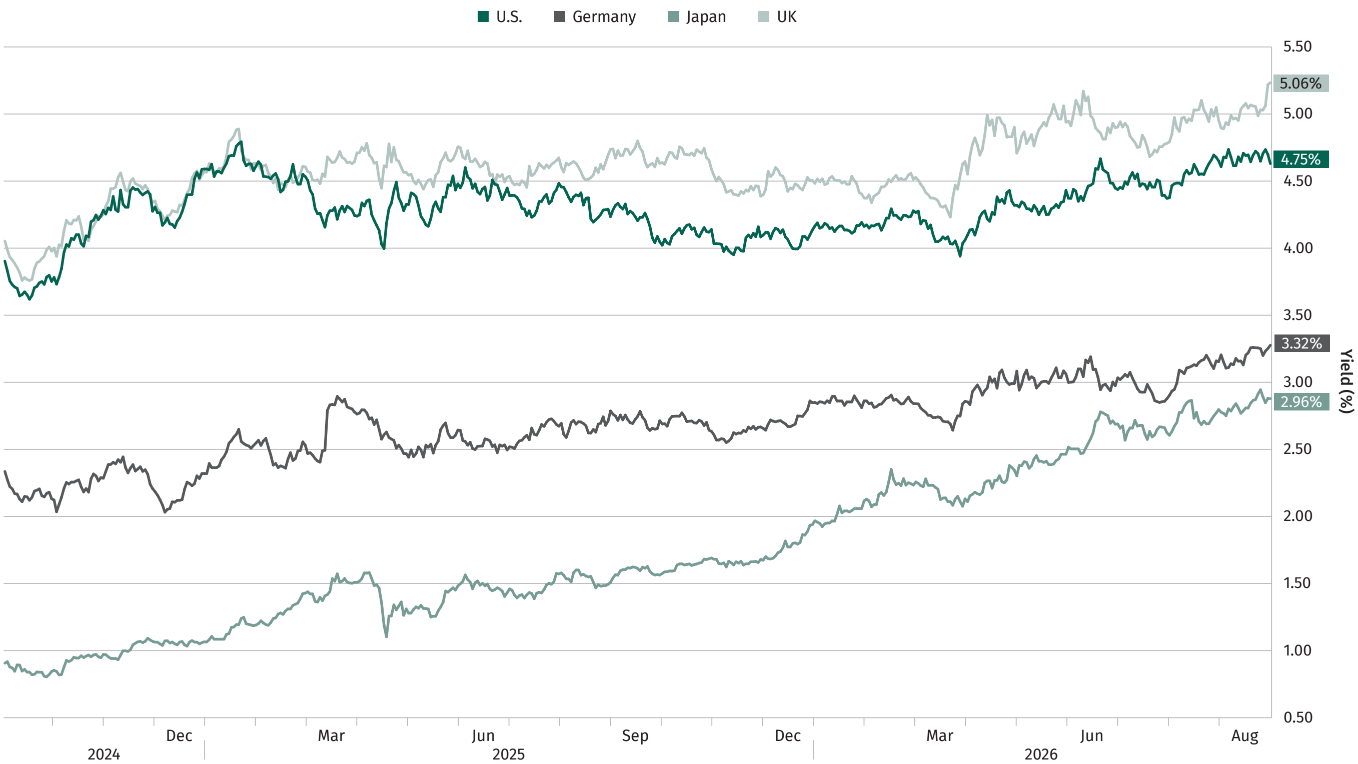
In emerging markets, sovereign debt generated modestly positive returns. The JPMorgan EM Global Diversified Index was up 0.8% as stable spreads allowed income to absorb much of the pressure from higher rates. Local-currency debt also performed well, supported by currency tailwinds, higher yields, and carry. As a result, the JPMorgan Emerging Market Local Currency Bond Index returned 0.8%.

We recognize that it has been a turbulent stretch for global government bonds. As shown in Figure 7 (see next page), yields on long-duration debt across major developed economies have climbed to levels not seen in years. In the U.S., 30-year Treasury yields peaked near 5.34% in mid-August, the highest since 2007, while the 10-year yield sits roughly 50 basis points higher than a year ago. In Europe, yields on the U.K. 30- and 10-year Gilts are at their highest levels in decades, and government yields across the continent have also risen. France's 10-year yield has pushed above 4% for the first time since 2008, and despite its fiscal prudence and traditional focus on fighting inflation, Germany's 10-year Bund yield has climbed to 3.3%, a level not seen since 2011. In short, it has become more expensive for major governments to borrow and the cost of debt service has risen.

Developments in Japan merit particular attention. After decades of near-zero rates, the Bank of Japan hiked rates to 1.00% in June, the highest level since 1995. Japan's 10-year yield has since topped 3% for the first time since 1996, and the 30-year reached an all-time high of 4.18%. The yen has had a bumpier ride, weakening meaningfully against the U.S. dollar in late July and prompting Japanese and U.S. authorities to intervene. That briefly strengthened the yen before it drifted lower again in late August. Interest rate differentials with the U.S. and other major economies remain a headwind for the currency. In aggregate, the mix of surging yields and a persistently sliding currency is adding uncertainty to global markets. Japanese investors hold trillions in overseas assets and with JGB yields now at attractive levels, investors may be incentivized to repatriate holdings. That, in turn, could bring additional upward pressure on the yields of Treasuries and other developed market sovereign debt.

Inflation and higher energy costs are the headline drivers of higher global yields, but structural forces are compounding the pressure. Governments continue to run substantial deficits, prompting investors to demand more compensation for holding long-dated debt. Global central banks, along with traditional buyers such as pension funds and insurers, have recently pulled back from the market, especially in Japan and the U.K. In aggregate, more supply is chasing fewer natural buyers, and yields have adjusted accordingly. This environment presents both challenges and opportunities for fixed-income investors.

Figure 7: 10-year Government Bond Yields



Source: Factset Data. Yields on respective generic 10-year bond as of August 31, 2026.

While we expect volatility in global bond markets to persist and do not anticipate a rapid decline in yields given levels of inflation and energy markets, higher starting yields have historically led to stronger long-term fixed-income returns for investors. Importantly, rising yields have not derailed risk assets, with many equity markets trading near record highs. Within portfolios, we have generally maintained an underweight to non-U.S. fixed income and an underweight to duration. Looking ahead, we remain selective and disciplined, focusing on duration, yield curve positioning, credit quality, and geographic exposures where we believe investors are compensated for risk.

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