

FROM THE OFFICE OF THE CIO

Market Observations

Jeff Sutton, CFA®, Head of Investment Platform and Due Diligence
 Adam Gorlyn, SVP, Senior Investment Strategist and Communication

Overview:

May was another strong month for global equities, led by the U.S. information technology sector and the ongoing buildout of AI-related infrastructure. Earnings and revenue growth of the S&P 500 remained strong and handily outpaced consensus estimates for Q1. Meanwhile, fixed income markets hit a rough patch as Treasury yields rose due to inflationary concerns and ongoing worries over elevated levels of deficit spending.

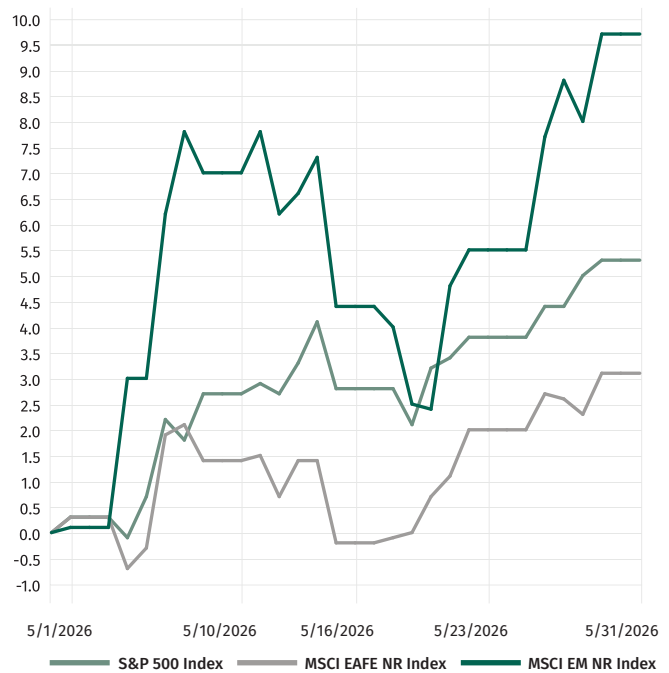
Inflation remained elevated as the April headline Consumer Price Index was up 0.6% for the month and 3.8% year-over-year. Despite the geopolitical headwinds and an energy-driven uptick in inflation, U.S. gross domestic product remained in an uptrend, although growth was lower than initial projections. Overall, the U.S. consumer remained resilient but also began to display some signs of weakness given elevated prices. The labor market appeared stable as unemployment remained unchanged at 4.3% while recent job growth exceeded expectations. The Federal Reserve did not meet in May, but notes from recent meetings and interviews from some Fed governors indicate concerns given recent inflation data readings. The next meeting of the Federal Reserve is scheduled for mid-June, with Kevin Warsh as the newly installed chairman presiding.

Market Performance

The S&P 500, Nasdaq, and Dow all finished near record highs, with returns of 5.3%, 8.4% and 2.9%, respectively, for May. International developed and emerging market equities also participated in the rally with the MSCI EAFE NR Index up 3.1% and the MSCI EM NR Index up 9.7%. (See Figure 1.) Market leadership remained concentrated within information technology, led by the

Semiconductor sector and ancillary names benefiting from the AI infrastructure buildout. Equity sentiment strengthened late in the month as easing oil prices and progress toward extending the U.S.-Iran ceasefire helped ease near-term inflation concerns.

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



Source: Factset Data as of May 31, 2026.

In fixed income markets, Treasury yields rose earlier in the month due to inflationary concerns but receded as oil prices began to ease. The Treasury Index ended the month relatively flat, although yields fell at the longer end of the curve after making multi-year highs earlier in the month. Credit markets ended May with positive performance as spreads tightened in the later part of the month.

The traditional 60/40 portfolio ended May with a return of 3.3%, as U.S. and emerging market equities were the primary contributors. Long-term investors with well-diversified portfolios have fared well as a traditional 60/40 portfolio — comprised of 60% global equities and 40% global fixed income — has returned approximately 18.8% over the trailing 1-year period. The benefits of global diversification were evident as emerging market equities continue to be the top performing asset classes.

Below is a more detailed summary of what occurred across markets during the month of May.

U.S. Equity Summary:

	May	YTD	Trailing 1 Year
S&P 500 Index	5.3%	11.3%	29.8%
S&P Mid Cap 400 Index	2.5%	13.3%	25.4%
Russell 2000 Index	4.4%	18.2%	42.5%

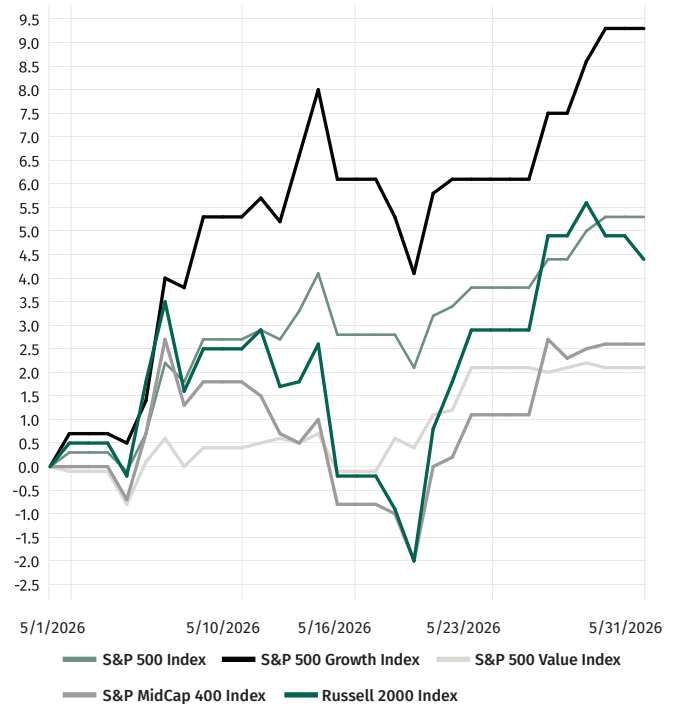
Source: Factset Data as of May 31, 2026.

The U.S. equity markets had a strong month, shrugging off geopolitical headwinds and strong earnings particularly from AI-related stocks. The S&P 500 Index finished the month with a 5.3% return and is now up 19% since the March 30 low. Stocks in the Information Technology sector contributed to most of May’s return. The AI trade was fully in vogue with Apple, Micron, Nvidia, AMD, and Tesla being the top five contributors. Due to the robust performance of tech stocks and strong forward earnings guidance, the NASDAQ Composite Index was up 8.4% for the month, helping growth stocks vastly outperform value. The Russell 1000 Growth Index posted a return of 7.2% while the Russell 1000 Value was up 3.0%.

Small- and mid-capitalization stocks lagged large caps for the month but continued to exhibit further market broadening on a year-to-date (YTD) basis. For May, the Russell 2000 Index was up 4.4%. Within the small cap

segment, low quality companies continued to outperform higher quality names as the S&P 600 Index underperformed the Russell 2000 Index by over 3%. Mid cap stocks lagged both small and large caps as the Russell MidCap Index posted a 2.9% return. (See Figure 2.)

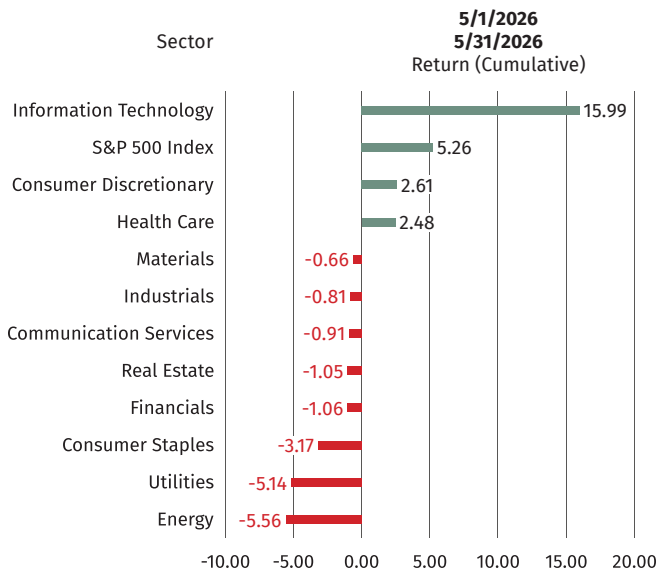
Figure 2: Performance of U.S. Equity Markets by Style and Market Capitalization



Source: Factset Data as of May 31, 2026.

From a sector perspective, AI-related stocks drove the S&P Information Technology sector to a return of 16.0%. All other sectors posted negative performance except for Consumer Discretionary and Health Care. Energy, the top performing sector on a YTD-basis, was the weakest performer in May with a -5.6% return. Oil prices came down from highs during the month, adversely impacting Exxon, Chevron, and ConocoPhillips — the largest detractors in the sector. Utilities and Consumer Staples were the weakest two sectors, after Energy, with returns of -5.1% and -3.2%, respectively. (See Figure 3 on the next page.)

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



Source: Factset Data as of May 31, 2026.

Based on MSCI U.S. style factors, Enhanced Value and Momentum were the best performing while Minimum Volatility and High Dividend were the weakest performing factors.

International and Emerging Market Equity Summary:

	May	YTD	Trailing 1 Year
MSCIEAFE NR Index	3.1%	9.4%	22.9%
MSCIEAFE Small Cap Index	4.0%	11.8%	27.4%
MSCI Emerging Markets NR Index	9.7%	25.6%	52.6%

Source: Factset Data as of May 31, 2026.

International developed market equities posted a strong May but did not keep pace with U.S. equities. The MSCI EAFE NR Index returned 3.1% in May and is up 9.4% over the YTD period. Based on the MSCI EAFE indices, growth stocks outperformed value by a wide margin. Similar to the U.S., small cap stocks outperformed large cap as the MSCI EAFE Small Cap NR index was up 4.0%.

The Pacific and Far East regions were again the strongest performing, led by Japan with the MSCI Japan NR Index

posting a 5.0% return. Japan's performance was driven by the AI theme, supply chain strength and risk-on sentiment. Softbank, Murata Manufacturing, and Koixia were top contributors. Europe and the Eurozone were not far behind with the MSCI Europe NR Index up 2.6% and the MSCI European Union NR index up 3.6%. The region participated in the global rally but remains more sensitive to higher energy prices and now reflects weaker growth expectations. United Kingdom equities, a large weighting in the broader European Index, were down 0.3% for the month serving as a drag during the global rally.

Information Technology was the strongest performing sector, driven by ASML Holding and Infineon Technologies. The next best performing sectors were Materials, Consumer Discretionary, and Communication Services. The Energy, Utilities, and Real Estate sectors posted negative returns for the month.

From a style factor perspective based on MSCI World ex U.S. style factors, Enhanced Value and Quality were the best performing followed by Momentum and Growth. High Dividend and Minimum Volatility were the weakest performing factors.

Emerging markets equities lead global equity indices higher

Emerging Markets continued to outperform both the U.S. and international developed markets for the month, YTD, and trailing 1 year. The MSCI EM NR Index posted a return of 9.7% for May, bringing its YTD return to 25.6%. Value stocks outperformed Growth and small cap stocks trailed large cap. Emerging market sectors were led by Information Technology with a return of 28.8%. The index continued to be led by a concentrated number of information technology and semiconductor names such as SK Hynix, Samsung Electronics, and Taiwan Semiconductor. All other sectors lagged by a wide margin. Real Estate and Industrials were the only other sectors able to post positive returns.

From a regional perspective, Asia was the strongest performer with a return of 31.7% led by Taiwan and Korea. China and India were laggards, with both posting negative returns for the month. Tencent and Alibaba were top detractors from the MSCI EM NR Index. The Latin

American region was down 4.2%, dragged down by Brazil, which was hurt by oil and metal prices coming off highs.

From a style factor perspective, Momentum and Enhanced Value were the leading styles while Minimum Volatility and High Dividend Yield were the weakest.

Real Assets Summary:

	May	YTD	Trailing 1 Year
FTSE Nareit All Equity REITs Index	0.1%	13.2%	13.8%
Bloomberg Commodity Index	-3.6%	25.0%	39.3%
S&P Global Infrastructure Index	-2.5%	8.3%	17.3%

Source: Factset Data as of May 31, 2026.

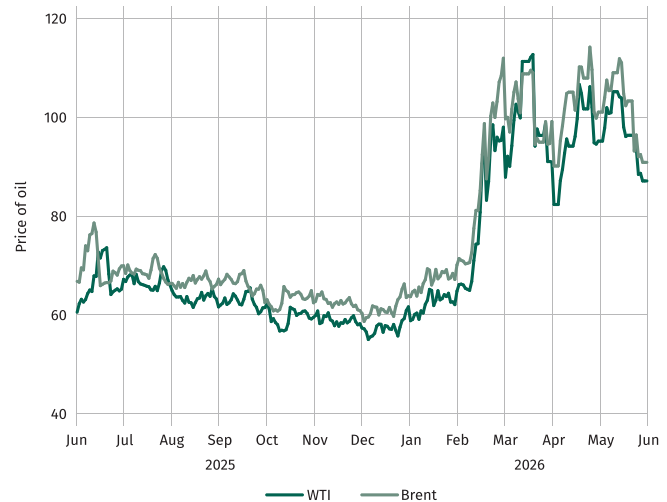
The real asset segment, comprised of a combination of REITs, commodities, and infrastructure, lagged the equity and bond markets in the month of May. Real assets have provided strong diversification on a YTD and trailing 1-year basis. Overall, REITs held up better than other real assets in May, but rising rates kept gains muted and performance uneven across subsectors. The Equity Office and Lodging/Resorts segments led the sector while Data Centers and Health Care trailed.

Infrastructure declined 2.5% in May, as measured by the S&P Global Infrastructure Index, bringing its YTD return to 8.3%. The asset class is often viewed as bond-like, because many infrastructure companies generate stable cash flow and dividends. Rising Treasury yields, particularly earlier in the month, weighed on valuations. That pressure reflects the sector's significant exposure to utilities, energy, and industrials, which are among the market's more rate-sensitive areas. Elevated energy prices also remained a headwind, especially as interest rates appear likely to stay higher for longer.

Commodities posted a -3.6% return for the month as per the Bloomberg Commodity Index. Within the commodity segment, performance was mixed. As shown in Figure 4, Oil prices declined, with the S&P GSCI Brent Crude

Index down 14.1% for the month due to optimism that the ceasefire between the U.S. and Iran would be extended.

Figure 4: West Texas Intermediate and Brent Crude Oil Prices



Source: Factset Data as of May 31, 2026.

At the same time, natural gas prices were up during the month. Metals were mixed; gold was slightly lower and continued to consolidate after reaching a record high earlier this year, while industrial commodities, such as silver and copper, were up. Agricultural commodities posted negative returns across all major segments.

Fixed Income Summary:

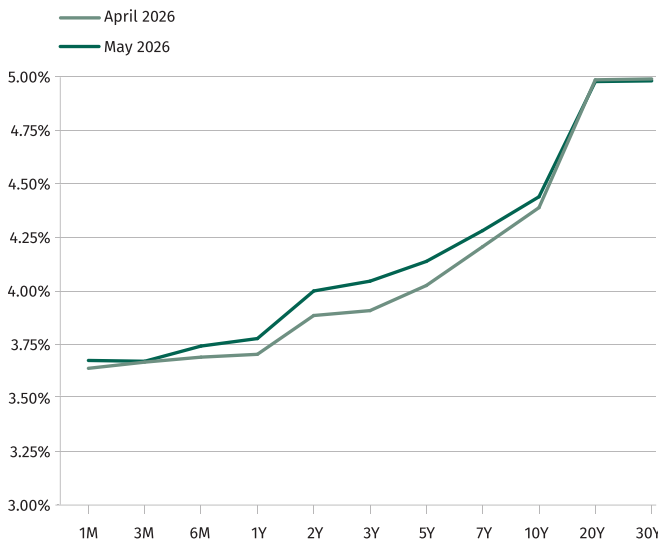
	May	YTD	Trailing 1 Year
Bloomberg U.S. Aggregate Index	0.3%	0.4%	5.4%
Bloomberg Municipal Index	0.4%	1.3%	6.7%
Bloomberg U.S. Treasury Index	0.1%	0.0%	3.9%
Bloomberg U.S. Treasury TIPS Index	0.2%	1.6%	5.3%
Bloomberg U.S. Corporate Investment Grade Index	0.7%	0.7%	6.2%
Bloomberg U.S. High Yield Index	0.5%	1.7%	7.6%
FTSE WGBI non-USD Index	0.4%	0.7%	1.7%

Source: Factset Data as of May 31, 2026.

The Bloomberg U.S. Aggregate Bond Index posted a slight positive return of 0.3% for May. U.S. Treasuries sold off during the month as April inflation numbers

came in higher than expected, while continued energy and geopolitical concerns weighed on the market. (See Figure 5.) Ten-year Treasury yields rose to their highest levels in several months to 4.67%. At the same time, the 30-year Treasury yield also moved higher, breaking above 5%, a level last seen in 2007. Although yields eased late in the month, they still finished higher as the U.S. Treasury Index ended May with a 0.1% return. The Bloomberg U.S. Treasury Inflation Protected Securities (TIPS) Index outpaced nominals for the month and continues to generate outperformance as the market prices in higher inflation levels into the economy.

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



Source: Factset Data as of May 31, 2026.

Investment grade and high yield credit benefited from the risk-on tone of the markets and were among the better performing fixed income segments. Investment grade credit was up 0.67% for the month, while high yield was up 0.49% as per the Bloomberg U.S. Credit Index and Bloomberg U.S. Corporate High Yield Index, respectively. U.S. securitized credit posted modestly pos-

itive returns for the month. Municipal bonds were also slightly up, with the Bloomberg Municipal Bond Index up 0.4% and the Bloomberg High Yield Municipal Index up 0.6%.

Figure 6: U.S. Dollar Index



Source: Factset Data as of May 31, 2026.

As shown in Figure 6, the U.S. Dollar Index advanced 0.9% for the month as the U.S. dollar regained some ground relative to most major currencies. Despite the currency headwind, non-dollar-denominated debt performed well with the FTSE WGBI Non-USD Index rising 0.4% and the JPM EM Local Currency Index up 0.9%. Meanwhile, the JPM EMB Index, which represents (primarily) U.S. dollar-denominated emerging market sovereign debt, was up 1.0%. Overall, emerging debt outperformed developed markets for the month, as the asset class continues to be a bright spot relative to several developed sovereign markets.

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