

# Viewpoint by Charts

May 2026

## The Era Of Transformation Part 1: R You Ready?

Despite near-term volatility from headline risks and election uncertainty, we remain buyers on Equity weakness, expecting a supply-driven cycle with resilient consumers, strong capital investment, record profits, and range-bound rates to support an Equity overweight and asset reflation over time.

The Short-term: Through the balance of the year, we believe there are:



Risks elevated (headlines, geopolitics, mid-term concerns, oil/gas prices)

Robust corporate earnings (positive revisions, operating leverage increasing)

Rotation across Equities (multiple leadership groups, increased non-U.S. allocation)

Resilient consumer (attractive asset price returns helping boomers while decent wage gains support lower-income cohorts)

Source: Chief Investment Office as of May 5, 2026. **FOR INFORMATIONAL PURPOSES ONLY.** CIO views are subject to change. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance. **Please refer to important disclosures at the end of this presentation.**

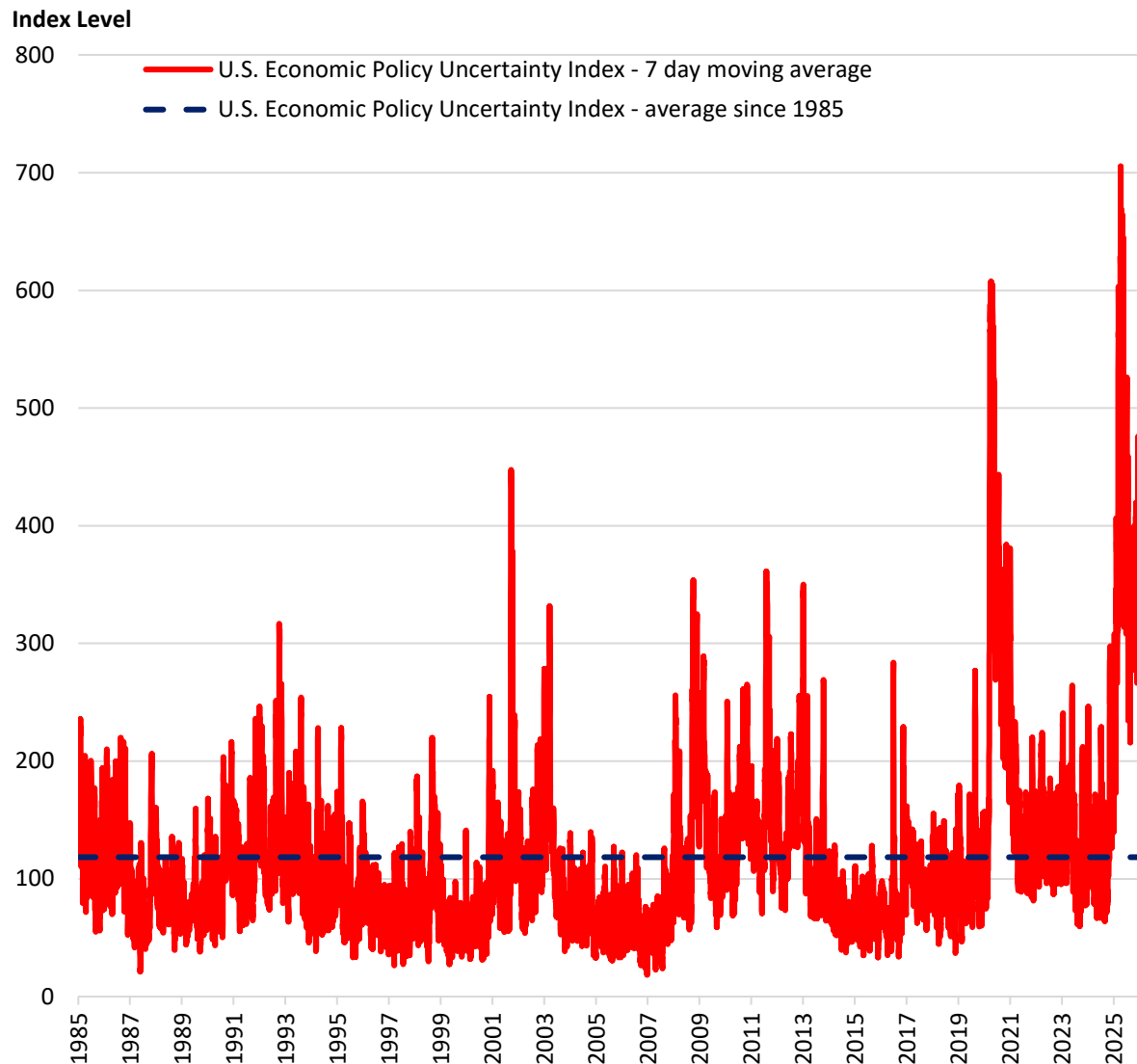
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# Macro



- By some measures, today's backdrop ranks among the most uncertain in modern history. So far in 2026, the U.S. Economic Policy Uncertainty Index has been above 300—2.5 times its historical average—approximately 66% of the time.
- Even so, underlying macroeconomic fundamentals remain relatively solid. We still see the potential for a new phase of economic and market growth, 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.

## CIO Key Considerations

The fog of uncertainty may cloud the investment outlook moving forward. Long-term investors should continue to focus on fundamentals and maintain the highest level of diversification in portfolios.

Source: Baker, S. R., Bloom, N., & Davis, S. J. Economic Policy Uncertainty Research. Data as of April 30, 2026. **FOR INFORMATIONAL PURPOSES ONLY. Please refer to important disclosures at the end of this presentation.**



# CIO Portfolio Strategy

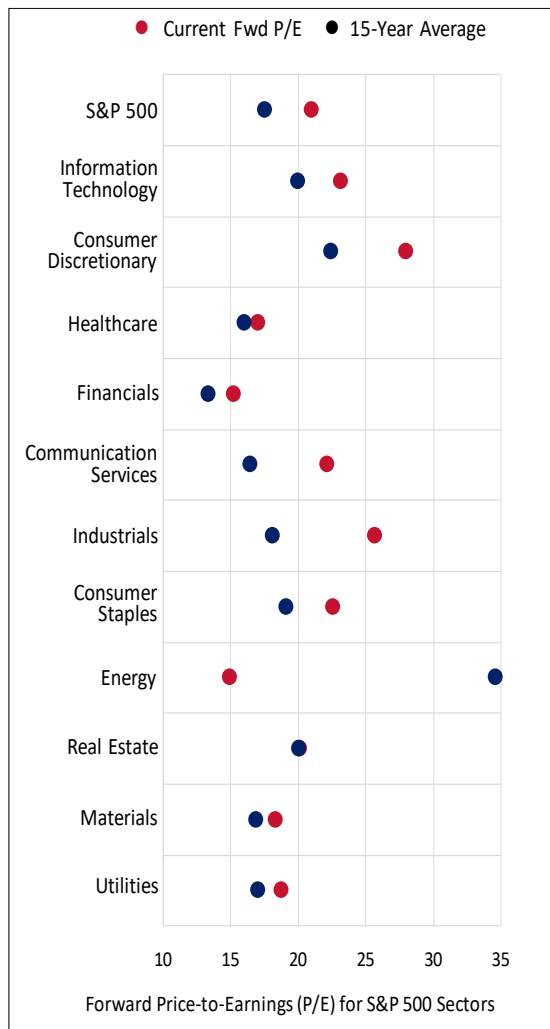
## CIO Asset Classes and Sector Views



Asset Class	Weighting
Equities	Overweight
U.S. Large-cap	Slightly Overweight
U.S. Mid-cap	Slightly Overweight
U.S. Small-cap	Slightly Overweight
International Developed	Slightly Underweight
Emerging Markets	Slightly Overweight
Fixed Income	Slightly Underweight
U.S. Investment-grade Taxable	Slightly Underweight
International	Slightly Underweight
Global High Yield Taxable	Slightly Underweight
U.S. Investment-grade Tax Exempt	Slightly Underweight
U.S. High Yield Tax Exempt	Slightly Underweight

Sector	Weighting
Industrials	Overweight
Consumer Discretionary	Overweight
Financials	Overweight
Information Technology	Slightly Overweight
Energy	Slightly Underweight
Materials	Slightly Underweight
Utilities	Slightly Underweight
Healthcare	Slightly Underweight
Communication Services	Slightly Underweight
Real Estate	Slightly Underweight
Consumer Staples	Slightly Underweight

## Sector Valuations



- For U.S.-centric portfolios, we suggest staying overweight Equities while diversifying into Small-caps, Emerging Markets, and new sector leaders such as Industrials, Utilities, and Financials, while trimming over-concentrated Technology and Communication Services exposure.
- Thematic opportunities continue to develop in biotechnology, life sciences, and robotics, alongside heavy investment flows into Artificial Intelligence (AI)-enabled infrastructure, grid modernization, power generation, and aerospace and defense.
- We remain constructive on Fixed Income overall but are underweight to fund our Equity overweight. We maintain a neutral duration stance and continue to expect range-bound yields, given sticky inflation and real gross domestic product (GDP) growth remaining near or above 2%.

### CIO Key Considerations

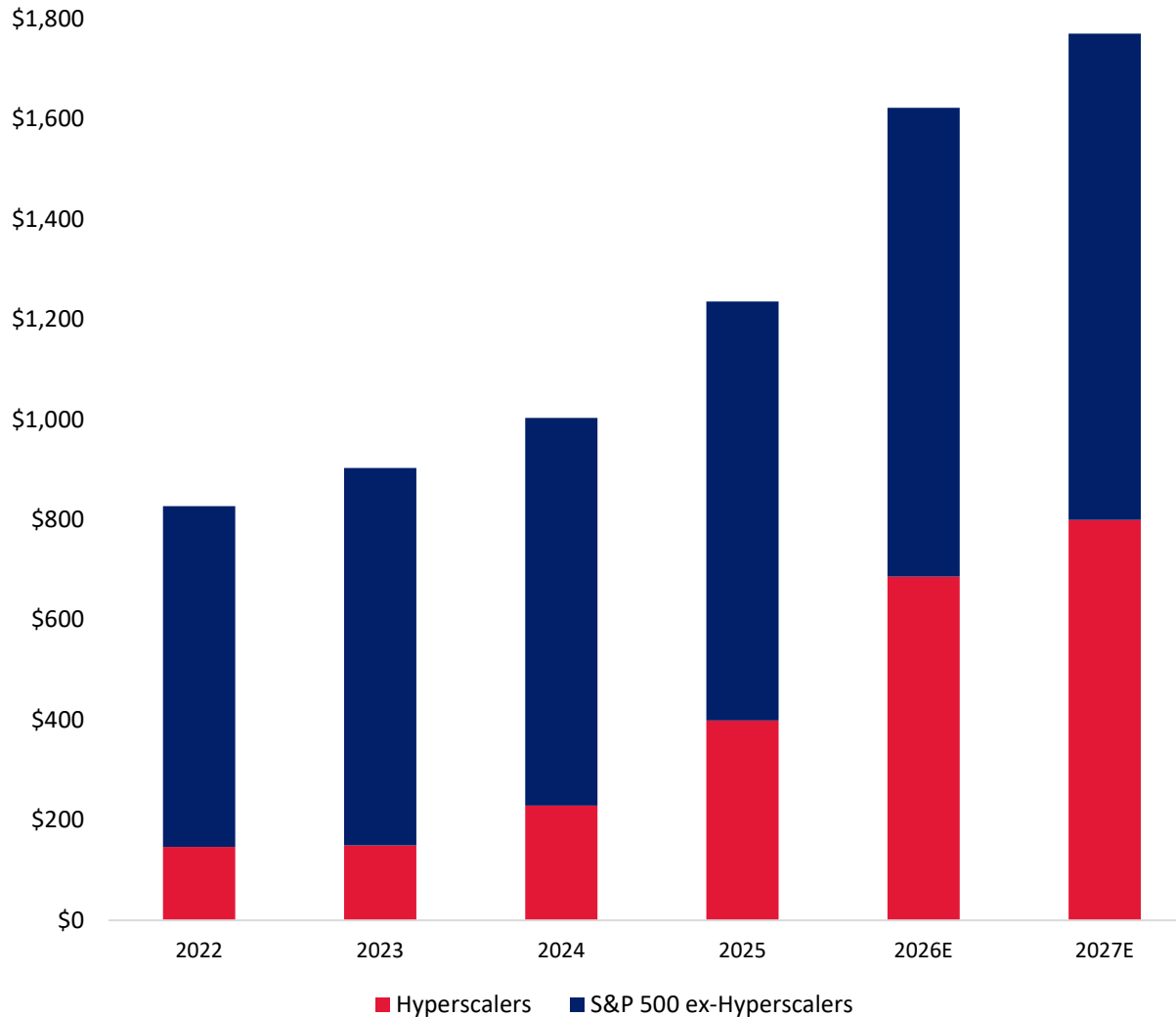
We view noise-driven Equity pullbacks as potential opportunities to buy or rebalance, supported by stronger growth, clearer rate visibility, reflationary tailwinds from a weaker dollar, double-digit profit growth expectations, and rising deal activity.

Please refer to the May Viewpoint for more detail weightings information. Sector Valuations source: Bloomberg as May 1, 2026. The Chief Investment Office (CIO) views and opinions expressed are for informational purposes only, are made as of the date of this material, and are subject to change without notice. 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. **Past performance is no guarantee of future results. FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Please refer to index definitions and important disclosures at the end of this presentation.**



# Equities

## Capital Expenditures (\$Billions)



- Despite broader economic uncertainty, spend on AI infrastructure has shown little fatigue.
- Q1 earnings season confirmed the trend is intact. The hyperscalers\* are currently projected to spend over \$600 billion on capital expenditures this year alone.
- Efficiency gains related to AI should benefit corporate margins and broader economic growth in the coming years. We believe secular tailwinds related to innovation will be supportive over the long term.

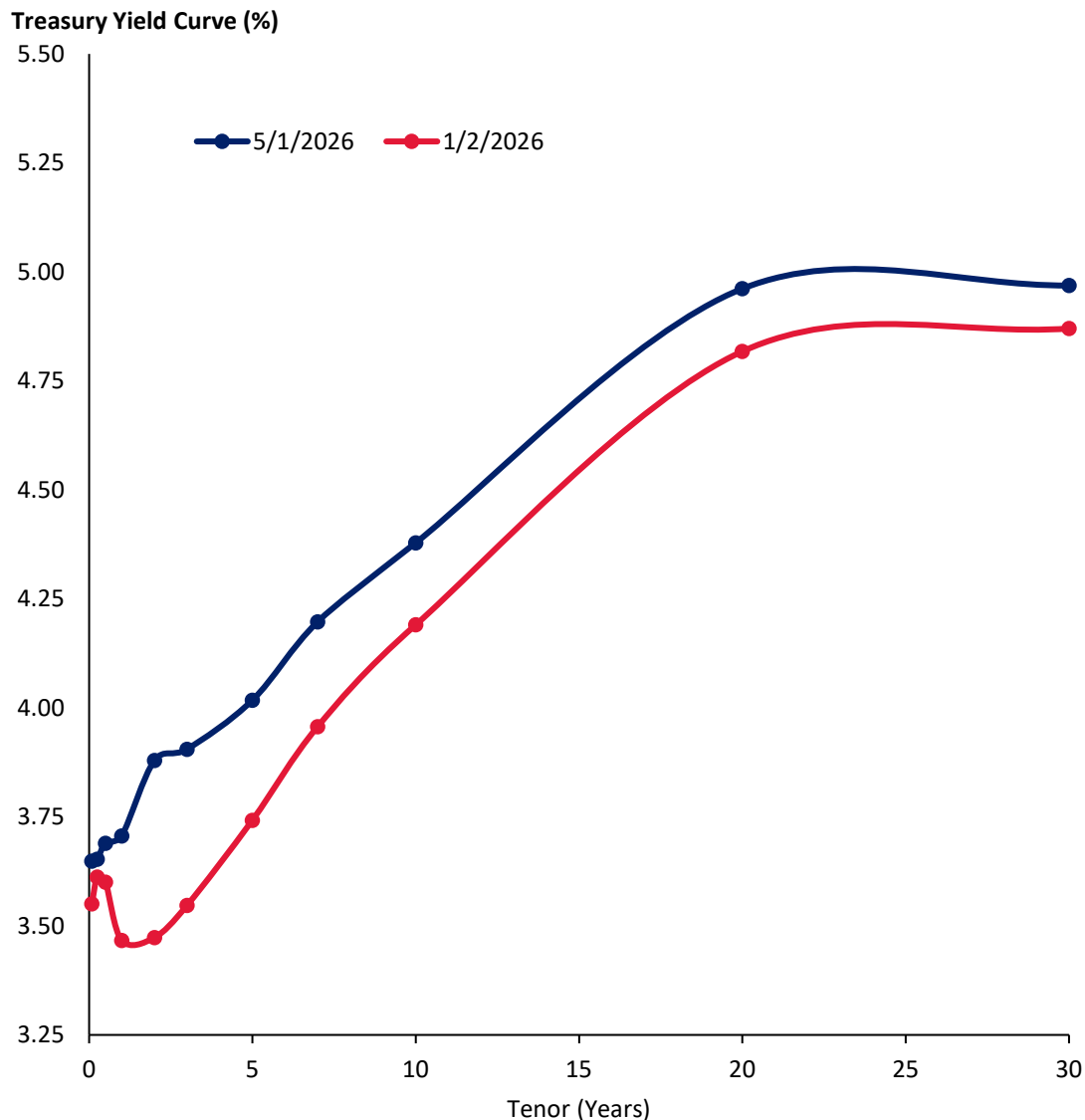
### CIO Key Considerations

While we view AI investment and deployment themes as fundamentally intact, we also continue to emphasize the importance of avoiding overexposure to any one area of the market.

\*Includes Amazon, Google, Meta, Microsoft, and Oracle. E = estimate. Source: FactSet. Data as of May 1, 2026. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Please refer to index definitions and important disclosures at the end of this presentation.**



# Fixed Income



- In April, the Federal Reserve (Fed) decided to hold interest rates steady with four officials dissenting against the official decision—the most since 1992. With hawkish and dovish dissents, we expect a dispersion of potential outcomes with accompanying volatility.
- Treasury yields were volatile in April, shifting modestly higher across the curve with some bear flattening as the front end repriced higher amid pared back market expectations for Fed rate cuts and ongoing geopolitical risks.
- The curve however remains positively sloped across all maturities. Rates appear fairly priced, providing good diversification benefits for multi-asset class portfolios and reasonable income overall.

### CIO Key Considerations

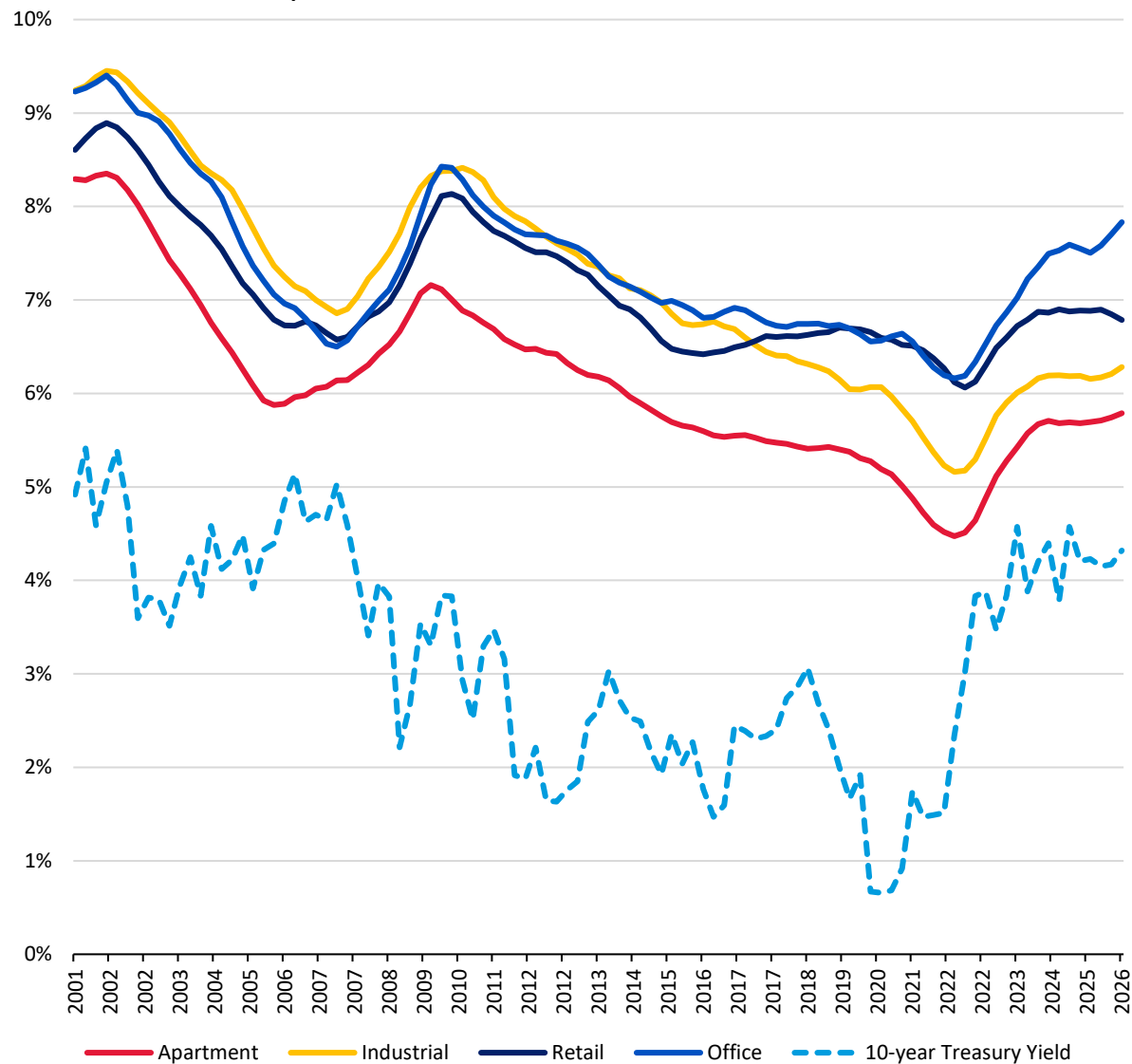
We continue to expect range-bound yields, but we recognize potentially high volatility in either direction.

Source: Bloomberg. Data as of May 1, 2026. Past performance is no guarantee of future results. FOR INFORMATIONAL PURPOSES ONLY. Please refer to important disclosures at the end of this presentation.



# Alternative Investments (Alts)<sup>1</sup>

## Commercial Real Estate Cap Rates



- While activity remains below prior peaks, supportive factors such as stabilizing commercial real estate prices, rising year-over-year deal volumes, and steady financing conditions point to liquidity improvement and strengthening investor sentiment.
- Cap rates have normalized after rebounding from 2022 lows, though investors still expect wider spreads amid elevated 10-year Treasury yields. Private Real Estate (PRE) undervaluation versus public equities, based on Shiller Cyclically Adjusted Price-to-Earnings (CAPE) ratio and PRE CAPE developed by MSCI, has approached levels last seen in the late-1990s.
- Policy efforts aimed at lowering rates and supporting housing demand may provide incremental tailwinds for certain Commercial Real Estate (CRE) segments, though inflation could remain a constraint.

### CIO Key Considerations

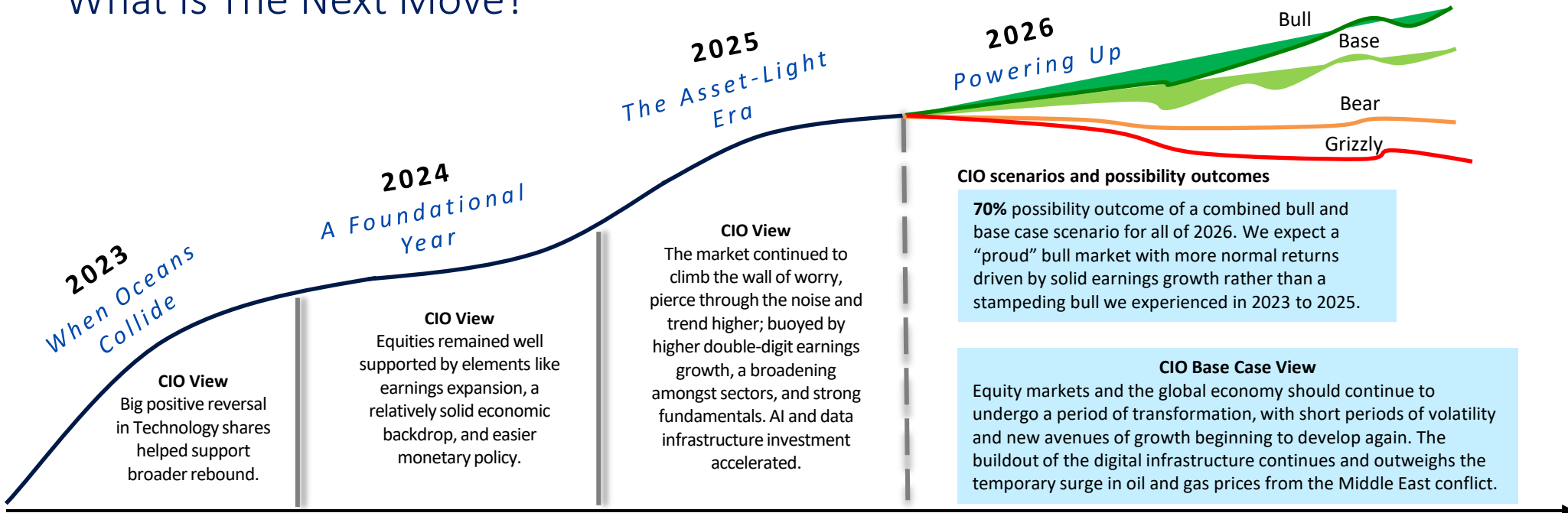
PRE is expected to continue its gradual recovery. Though interest rate dynamics have yet to fully flip from headwind to tailwind, PRE has had an attractive relative value profile compared to Equities.

Sources: MSCI Real Capital Analytics, Bloomberg. Data as of March 31, 2026.

<sup>1</sup>Many products that pursue Alternative Investment strategies, specifically Private Equity, Private Equity and Hedge Funds, are available only to qualified investors. FOR INFORMATIONAL PURPOSES ONLY. Please refer to important disclosures at the end of this presentation.



# What Is The Next Move?



## SCENARIO 1 BULL CASE (approximately 15% possibility outcome)

- Geopolitical tensions ease significantly and peace accelerates.
- A new economic re-expansion builds, and growth is well above trend in 2026.
- Financial conditions ease substantially and inflation trends lower in 2026 at the same time.
- Yield curve steepens as yields on the back-end rise as economic growth increases above trend and short rates slip.
- Long-term bull market continues as earnings rise higher-than-expected through 2026. Bull market in metals.
- AI capital investment (capex) accelerates lifting the Technology sector again.
- S&P 500 climbs to new highs.

## SCENARIO 2 BASE CASE (approximately 55% possibility outcome)

- U.S. GDP maintains its momentum as fiscal bill impact is felt and Middle East tensions ease considerably.
- One-time price increases from oil and gas surge do not materialize into an “economy-wide” resurgence in inflation.
- Rate cuts continue in 2026 with slightly weaker U.S. dollar again. Metals continue to rise.
- Earnings growth for S&P 500 is double digit percentages in 2026.
- The AI wave continues but “leaders” and “laggards” become clearer.
- Broader participation within the Equity markets including non-U.S. stocks and small/mid capitalization shares continues.
- Financials, Utilities, Industrials, Consumer Discretionary and Technology sectors extend their leadership but Healthcare joins.

## SCENARIO 3 BEAR CASE (approximately 25% possibility outcome)

- Geopolitical tensions re-escalate.
- Stagflation worries build as the growth slump bites and inflation remains well above target.
- Expectations for monetary policy are recalibrated with the potential for rate hikes rising sharply even in the face of slow growth.
- Earnings begin to decline early in 2026 as a growth slump ensues and AI capex fizzles.
- Unemployment rate rises above 5% as recession risk increases.
- Defensive areas of the market outperform as technology bubble concerns materialize.
- Recession odds rise alongside mid term concerns.

## SCENARIO 4 GRIZZLY CASE (approximately 5% possibility outcome)

- Trade wars develop again and stick.
- Geopolitical tensions boil over into broader conflict.
- Sharp economic hard landing, not just deterioration, unfolds.
- Fed policy requires new emergency measures and aggressive cuts.
- A sharp fall in earnings ensues as spreads widen and AI capex deteriorates.
- Credit stress unfolds further in the lower quality credits impacting investor sentiment in the high-quality sector.
- Fixed Income significantly outperforms Equities as risk aversion rises sharply.
- U.S. dollar rallies.
- Defensive assets outperform sharply.
- S&P 500 falls into protracted bear market territory.

— Black line represents the lifecycle of the CIO economic process and is not meant to represent any specific investment, index or performance of any kind. Source: CIO. Data as of May 5, 2026. CIO views are subject to change. **FOR INFORMATIONAL PURPOSES ONLY.** Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance. **Please refer to index definitions and important disclosures at the end of this presentation.**



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**S&P 500 Index** is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

**U.S. Economic Policy Uncertainty Index** is an index constructed based on newspaper articles regarding policy uncertainty from leading newspapers.

**Shiller Cyclically Adjusted Price-to-Earnings (CAPE) Ratio** measures market valuation by dividing current share prices by the average of 10 years of inflation-adjusted earnings, smoothing out business cycles to indicate long-term market overvaluation or undervaluation.

**Private Real Estate MSCI CAPE Ratio** uses real earnings per share (EPS) averaged over 10 years to adjust for economic cycles, helping investors assess market valuation.

**S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®)/S&P 500 Total Return Index**, including Information Technology Total Return (TR) USD; Consumer Discretionary TR USD; Industrials TR USD; Real Estate TR USD; Communication Services TR USD; Materials TR USD; Financials TR USD; Consumer Staples TR USD; Utilities TR USD; Energy TR USD; Healthcare TR USD.



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