BANK OF AMERICA

CHIEF INVESTMENT OFFICE

Viewpoint

The Era Of Transformation Part 3: R You Ready?

July 2026

All data, projections and opinions are as of July 7, 2026 and subject to change.

IN BRIEF

- The Era of Transformation entails a broad-based global capital expenditure cycle that should support earnings growth, market leadership, and potential investment opportunities for years to come. We expect the long-term phase of this transformation to be driven by four key themes: Rebalancing, Re-globalization, Reconstruction, and Rearmament.
- The setup for the second half remains broadly constructive, supported by strong corporate profitability, resilient consumer spending, and elevated levels of capital investment. We remain overweight Equities, with a preference for the U.S., while continuing to emphasize diversification across sectors, styles, size and regions.
- Current yields across Fixed Income remain meaningfully higher on both a nominal and real basis relative to several years ago, offering attractive compensation for inflation, duration, and broader market risks. Against this backdrop, we maintain a neutral duration stance and continue to view high-quality Fixed Income as an important source of income and portfolio diversification.

In our last two *Viewpoints*, we highlighted the short- and medium-term “Rs” that should dominate the Era Of Transformation. An era that includes unparalleled innovation, record capital investment and corporate profitability, supply chain shortages, a massive need for new and upgraded infrastructure, and demographic patterns second to none. In the short term (approximately 3 to 12 months), we focused on Risks that were elevated, Robust corporate earnings growth, Rotation across equity markets, and the Resilient consumer. In June, we discussed the medium-term (approximately 12 to 24 months) “Rs”, which included the Re-industrialization, Re-shoring, Robotics, and the Renaissance in biotechnology. The longer term (approximately two-plus years) highlights somewhat broader and still evolving trends while the previous “Rs” continue to build and positively impact both the macroeconomic and corporate profit trends in the foreseeable future, in our view.

Part 3: The Long-term approximately 24+ months, we expect:

R

Rebalancing (central bank reserves, energy inputs, sovereign debt, capital structures)

Re-globalization (regional economic zones, supply chain management, capital investment)

Re-construction (rebuilding infrastructure across military conflict areas, ports/terminals, U.S. housing)

Rearmament (rebuilding of arms, ships, new military technology)

So, what are the investment implications?

CIO ASSET CLASS VIEWS

This month the Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) did not make any tactical asset allocation adjustments. We maintain an overweight to Equities with a preference for U.S. Equities relative to the rest of the world and still favor a significant allocation to bonds in a well-diversified portfolio. We would leverage market weaknesses and excessive strength to rebalance tactical exposures in the coming months.

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Asset Class	Underweight		CIO View Neutral	Overweight	
Equities	•	•	•	●	•
U.S. Large-cap	•	•	•	●	•
U.S. Mid-cap	•	•	•	●	•
U.S. Small-cap	•	•	•	●	•
International Developed	•	●	•	•	•
Emerging Markets	•	•	•	●	•
Fixed Income	•	●	•	•	•
U.S. Investment grade Taxable	•	●	•	•	•
International	•	●	•	•	•
Global High Yield Taxable	•	●	•	•	•
Alternative Investments*					
Hedge Strategies			●		
Private Equity			●		
Private Credit			●		
Private Real Estate			●		
Tangible Assets					
Cash					

*Many products that pursue Alternative Investment strategies, specifically Private Equity, Private Credit and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

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We continue to expect shortages across "**CLAMPS**"—short for Compute, Light, Architecture, Memory, Power and Stacks—as the Artificial Intelligence (AI) build-out moves further into its cycle. In addition, shortages of key natural resources, infrastructure, minerals, and military equipment also continue. Given this, we expect rising productivity, continued reflation in asset prices, record profit margins to be maintained, a rebalancing of portfolio allocations, a large opportunity set across and within equity markets, and interest rates and yields to stay relatively rangebound.

We are in the zone that we call the "Bullwhip." This is a zone that can include sharp corrections with a snap back higher. *Why do we expect this?* We believe capital investment—as a share of gross domestic product (GDP)—is still rising, profits are still increasing, corrections can lead to more attractive valuations, global economic growth is above trend, a supply side led expansion is more durable and longer lasting, and demand for financial assets in the years ahead should rise further. In terms of portfolio allocations, we support an Equity overweight in the U.S. (Small-, Mid- and Large-cap) and Emerging Markets (EM). We are balanced across Value and Growth, and, for sector-based investors, we continue to have an overweight in Industrials, Financials, and Consumer Discretionary while maintaining a benchmark weight in Technology, Energy, Materials, Utilities and Healthcare.

What is the state of the global macro landscape? What type of expansion are we in and how long do we expect this supply shock to continue? At the beginning of the year, we wrote about the "all systems go" outlook for the U.S. and global economy. In the U.S., fiscal policy was expansionary with tax refunds scheduled and monetary policy still biased toward more easing. A strong corporate earnings outlook was a force for more gains in Equity prices as well as investment and new jobs. The outlook for foreign economies was improving as the new U.S. focus on the home front forced more proactive domestic policies abroad.

However, after outperforming U.S. Equities in the months before the war, non-U.S. stocks underperformed when oil prices soared. Central banks, including the Federal Reserve (Fed), shifted toward worrying more about inflation. The energy supply shock from the U.S./Iran War hurt most countries more than the U.S., especially those that are net oil importers.

The U.S. weathered the shock better than most thanks to its newfound self-sufficiency and net energy exporter status. The new domestic economic policies have caused a dramatic shift in the mix of U.S. GDP growth from a government spending, consumer demand driven economy to a more private sector, investment driven economy. Deregulation, tax incentives for capital spending, and the AI boom are the major forces for this new mix of growth along with cuts in federal government employment and discretionary consumption spending stimulus.

The energy shock upset global expansion. Fortunately, the fragile truce has reduced oil prices back to pre-war levels and an ample supply outlook suggests prices are likely to remain under downward pressure. Markets have reduced their inflation expectations back to levels consistent with central bank targets. If oil prices stay low, it is likely inflation has already peaked for this cycle and the pressure to raise rates will diminish.

Ironically, the more lasting effect of the war may be to further stimulate the trends toward more proactive domestic policies for self-defense and energy independence as well as the move toward alternative energy sources. Re-shoring and building more resilient supply chains are seen as even more critical because of the war.

As the energy shock dissipates, the solid fundamentals driving the global economic expansion are re-emerging and it's "still, all systems go", in our view.

What is the largest concern that could unravel our bullish narrative? Our largest concern is not the Fed or its change in policy, it's not whether the U.S. dollar is going to lose its reserve currency status, it is not inflation sticking too long, it's not that we will not address government debt eventually, it is not the midterm elections or the military conflict in the Middle East. Bull markets generally do not end based on price and/or valuation. Overvaluation takes care of itself through frequent pullbacks or corrections when new concerns develop but do not materialize to an extent that causes a recession. Therefore, we do not worry about the numerator from a medium-to-long term perspective. We are concerned about the most important part of the investment equation, which is the denominator—corporate profits. Corporate profits could slow down and then go negative if interest rates rise sharply, creating a much higher cost of capital for corporate America and consumers. At the same time, if there were excessive debt (leverage) in the household or corporate sector, this would have a spiraling effect and create a deep recession. This is how a majority of bull markets end and reset materially.

Pockets of enthusiasm and price momentum that go too far in the short term without a deterioration in the profit outlook is not how bull markets end.

And since we do not expect a sharp rise in interest rates, and balance sheets have been healthy at the consumer and corporate level, we are buyers on weakness in the equity markets if headline concerns cause downside pressure. Finally, a modest increase in rates by the Fed—if it happens—is a sign that growth is running above trend and is actually a sign of strength, in our view, not a cause for concern.

What are our top opportunities in equity markets for the second half of the year? The setup for the second half remains broadly constructive, as many of the forces that supported Equities through the first half of the year remain intact. Corporate earnings growth remains strong and increasingly broad-based, manufacturing activity remains in expansion, and a reopened Strait of Hormuz is helping lower energy prices while easing some of the geopolitical concerns that weighed on markets during the quarter. We also continue to view the AI buildout as a multi-year investment super-cycle rather than a near-term trend, with significant capital commitments and favorable demand dynamics likely to sustain the cycle for years to come. Importantly, the benefits of this investment wave are increasingly extending beyond a narrow group of Technology companies to the industrial, infrastructure, energy and manufacturing ecosystems supporting it.

Against this backdrop, the U.S. remains our preferred equity market given its innovation leadership, resilient earnings growth and exposure to many of the structural themes driving capital investment globally. However, one of the most important developments of Q2 was the broadening of market leadership, which suggests potential opportunities are increasingly extending beyond the largest AI beneficiaries. We therefore favor diversified exposure across size, style and sectors, including cyclical areas positioned to benefit from improving manufacturing activity, infrastructure investment and a resilient consumer. We also continue to see attractive opportunities in EMs, particularly across Asia, where countries remain key beneficiaries of the AI investment cycle. While periods of volatility are likely as investors navigate geopolitical developments and as midterm elections come in focus, we believe the combination of strong earnings growth momentum, a resilient macroeconomic backdrop and a durable AI-driven investment cycle supports a constructive outlook for Equities. We continue to view periods of market weakness as potential opportunities to deploy capital, rebalance portfolios where appropriate and position for long-term structural growth themes.

What are our most attractive investment themes that are supported by the Era Of Transformation? While periods of headline risk, election uncertainty, geopolitical tensions, and commodity price fluctuations may create temporary market weakness, the broader investment backdrop remains supported by strong corporate profitability, resilient consumer spending, and elevated levels of capital investment. Investing through the Era of Transformation should focus on the secular trends driving this constructive backdrop.

In the short-run we expect market leadership to broaden, with a rotation already underway. Periods of market volatility should therefore be viewed as potential opportunities rather than periods of risk-off sentiment. The medium-term themes center on re-industrialization, re-shoring, robotics, and the renaissance in biotechnology. Governments and corporations around the world are increasingly prioritizing domestic manufacturing capacity, supply chain resilience, and strategic self-sufficiency. Well-supported industries should be tied to industrial equipment, factory construction, engineering services, automation, logistics infrastructure, and advanced manufacturing technologies. Robotics and automation represent particularly compelling opportunities as businesses seek to improve productivity, address labor shortages, and manage rising labor costs. Investment in automation technologies is likely to accelerate as production facilities are built closer to end markets and efficiency becomes a competitive necessity. Another medium-term consideration is the ongoing expansion of AI infrastructure. While much attention has focused on software and computing power, the broader investment opportunity may lie in the physical infrastructure required to support AI adoption. This includes power generation, electrical equipment, transmission networks, data-center infrastructure, cooling systems, and communications networks. The rapid growth of AI is creating a significant need for additional energy and physical capacity throughout the economy.

The long-term component of the Era Of Transformation includes: Rebalancing, re-globalization, reconstruction, and rearmament. Rebalancing should reflect modern global trade patterns, capital flows, reserve management, energy systems, and sovereign finances. Re-globalization necessitates the creation of more diversified and regionalized supply chains. This should benefit transportation networks, logistics providers, infrastructure assets, and regions gaining strategic importance in global manufacturing and trade. Re-construction represents a multi-year opportunity linked to rebuilding infrastructure, housing, ports, transportation systems, and other critical assets. This favors construction, engineering, industrial materials, and infrastructure-related industries. Finally, rearmament is emerging as a significant long-term investment theme. Rising geopolitical competition and increased national security spending are driving demand for aerospace, defense technologies, cybersecurity, communications systems, and next-generation security capabilities.

Overall, an attractive investment opportunities in our view in the Era of Transformation are those tied to the physical backbone of economic growth: infrastructure, industrials, automation, energy systems, defense, materials, biotechnology, and technologies that enhance productivity. The Era of Transformation entails a broad-based global capital expenditure (capex) cycle that should support earnings growth, market leadership, and potential investment opportunities for many years to come.

With new Fed chairman Warsh in place, what can we expect from the Fed and what is the possible impact on the capital markets in your view? This remains one of the more important questions for investors over the balance of the year. Our answer in three words: Watch the data. While markets initially expected Kevin Warsh to lean more dovish, early signals suggest a more hawkish bias. In his first press conference, the new Federal Open Market Committee (FOMC) chair placed significant emphasis on price stability, openly acknowledging that the Fed has fallen short of its inflation objective. At the same time, the Committee's projections shifted meaningfully, with nine participants now expecting a rate hike by year-end, reinforcing a tightening bias.

That said, a more balanced interpretation is warranted. The Fed's decision to remain on hold in June is itself instructive, suggesting the Committee is waiting to assess how inflation evolves in the wake of easing geopolitical pressures in the Middle East. If inflation moderates, it could provide the Fed with scope to remain patient as it evaluates the trajectory toward normalization. Conversely, persistently firm data would likely reinforce the case for a higher rate path. Again, the bottom line is that with less transparency and forward guidance expected out of this new Fed (which isn't necessarily a bad thing), it will be important to watch the data closely.

Markets have thus far absorbed the shift in policy expectations with relatively little disruption. Despite a notable repricing in the expected path of rates—from anticipated cuts to a potential hike in 2026—Equities have remained resilient, credit spreads are still rangebound near historic tights, and the 30-year Treasury yield is roughly unchanged year-to-date (YTD). This suggests the market continues to reflect an economy on solid footing.

While the risk of a more hawkish Fed has increased, and concerns regarding policy transparency could linger, market performance indicates a capacity to adjust to a higher-for-longer rate environment, in our view.

What are our top opportunities in the Fixed Income markets for the second half of the year? With valuations across spread sectors at the tighter end of multidecade ranges, high conviction and potential opportunities are more limited, but but one area continues to stand out: Extending duration in high-quality Fixed Income.

Despite a modest rally in June, yields on 10- and 30-year Treasury yields remain elevated on both a nominal and real basis relative to the last several decades, reinforcing the case for moving out the curve. While near-term rate volatility may persist, starting yields remain the most reliable driver of forward 3-to-5-year total returns, supporting duration extension to help capture attractive income and mitigate reinvestment risk.

These potential opportunities reflect a consistent theme: Using the current yield environment to upgrade quality, extend duration, and capture attractive income without moving materially down the credit spectrum.

What are our top opportunities across Alternative Investments, for qualified investors, for the second half of the year? Venture Capital (VC) and Hedge Strategies (HS) are two compelling areas of potential opportunity across Alternatives for the second half of the year. VC remains a primary channel for gaining exposure to early-stage, AI-driven innovation, particularly as the prospective exit pipeline has strengthened, and the scale of value creation in leading private technology companies has increased meaningfully. That said, investors should remain selective, as capital formation and performance have become increasingly concentrated in a narrower set of AI-focused companies. HS also remain attractive amid elevated valuations, changing macro conditions, and recurring bouts of market volatility. In the post-pandemic regime of higher rates, greater dispersion, and more frequent policy-driven market shifts, HS continue to demonstrate durable diversification benefits and an ability to generate differentiated return streams within multi-asset portfolios.

CIO INVESTMENT DASHBOARD AS OF JULY 7, 2026

While uncertainty persists, underlying 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.

Current readings on the key drivers of Equities for investors to consider, with arrows representing the recent trend:

Earnings		Our U.S. Equity overweight remains supported by a strong earnings outlook. Earnings estimates for the S&P 500 have recently moved higher following a strong reporting season, with the index on track for double-digit earnings growth in 2026. The BofA Global Earnings Revision Ratio improved to 1.00 in June, the highest level in six months, as upgrades broadened globally.
Valuations		U.S. Equity market valuations declined in June but still remain elevated relative to long-term averages. Relative discounts exist in areas like Value and EM, underscoring the importance of incorporating these areas into diversified portfolios.
U.S. Macro		U.S. economic data remains generally constructive, with the third estimate of real GDP suggesting a 2.1% annualized growth rate for Q1. While elevated inflation may pressure consumers in the near term, earnings momentum, fiscal stimulus, and rising productivity should continue to underpin the growth outlook.
Global Growth		BofA Global Research expects global real GDP growth of 3.2% in 2026 as the global economy continues to demonstrate resilience despite geopolitical and policy uncertainty. In Europe, lower energy prices following the de-escalation of Middle East tensions provide some relief, though structural headwinds and weak fundamentals continue to weigh on the outlook, with growth of 0.5% expected this year. In Asia, robust global demand for technology goods supports resilience across EM Asia ex-China, where growth is expected to accelerate to 5.9% in 2026. China remains challenged by weak domestic demand, though export growth strength underpins BofA Global Research's growth forecast of 4.5%. Improving fundamentals in EMs longer term may help sustain their appeal as a portfolio diversifier.
U.S. Monetary Policy / Inflation		The Fed interest rate policy remains in a 3.50% to 3.75% range. Recent data suggests the labor market remains stable while inflation continues to run above the Fed's 2% target. Price pressures however could moderate if the U.S./Iran peace agreement holds and energy prices move lower. BofA Global Research has revised its Fed outlook, now expecting three rate hikes starting in September followed by an extended pause through 2027. While this forecast represents a somewhat more hawkish policy path, any renewed tightening is expected to be modest and short-lived. Given the economy's continued resilience, it may be able to absorb some tightening, leaving the Equity outlook still supportive.
Fiscal Policy		Fiscal stimulus, dubbed the One Big Beautiful Bill Act (OBBBA), includes new tax breaks, among other elements. This added stimulus throughout the year should support U.S. GDP growth through stronger consumption, investment and productivity, helping support margins and earnings and ultimately providing tailwinds for Equities.

Corporate Credit		Despite some recent volatility, Investment-grade (IG) and High Yield (HY) credit spreads remain near multidecade tights, signaling limited market concern over a near-term economic slowdown. With spreads already compressed, we see little room for further meaningful tightening and maintain a neutral stance across these segments in low-tax all-Fixed Income portfolios.
Yield Curve		The yield curve flattened in June as short-term yields moved higher, reflecting market expectations for a Fed rate hike later this year amid hawkish Fed signaling and elevated inflation readings. While inflation and rising rates warrant monitoring, markets continue to view the move as manageable, supported by anchored inflation expectations and a Fed that remains highly data dependent. Consequently, higher rates have yet to pose a meaningful headwind to Equities. Rates appear fairly priced, offering reasonable income and diversification benefits for multi-asset class portfolios.
Technical Indicators		The S&P 500 held above its 50-day and 200-day moving averages in June. Relative strength indicators improved to a neutral zone from overbought conditions, while the percent of stocks above their 200-day moving average remains above 60%. Breadth indicators strengthened further as both the Russell 2000 and S&P 500 Equal Weight Indexes captured more all-time highs than the S&P 500 in June, highlighting the importance of maintaining a balanced and diversified portfolio.
Investor Sentiment		Sentiment indicators remain mixed. The latest American Association of Individual Investors (AAII) reading showed bulls outnumbered bears in the last week of June, following more bears than bulls in the last five weeks. Meanwhile, the BofA Bull & Bear Indicator remained above its sell signal at 9.1, showing investors remain bullish given recent Equity flows, cash levels, and growth expectations.

Source: Chief Investment Office. Gradient slides go from positive green, yellow neutral and negative red factors to ISC views.

EQUITIES

We are overweight Equities. While crosscurrents in the economic landscape remain, positive global growth, stronger than expected earnings, and increased innovation remain supportive for global Equities. We maintain an Equity overweight relative to our strategic targets.

We are overweight U.S. Equities. The U.S. remains our preferred Equity region. Despite uncertainty in the first half of the year, the U.S. remains among the strongest and most innovative economies in the world. Index level valuations declined at the start of the U.S./Iran conflict but are slowly climbing higher again with earnings growth containing valuation multiples. The S&P 500 is on track for its seventh consecutive quarter of double-digit year-over-year (YoY) earnings-per-share (EPS) growth in Q2. Earnings strength continues to broaden, with all 11 S&P 500 sectors expected to see earnings accelerate for the full year 2026, according to FactSet.

Diversification across and within Equities has already proven to be valuable this year as new pockets of market leadership have emerged. Large-caps continue to exhibit strong fundamentals, solid earnings growth, and the ability to generate substantial free cash flow (FCF). Small-caps have seen strong performance YTD, outperforming the S&P 500 and Nasdaq indexes. Small and Mid-caps are benefitting from a more constructive earnings outlook, an uptick in domestic manufacturing, and increased capital markets activity. We emphasize the importance of incorporating both Large-caps and Small-caps into strategic portfolios.

After a shaky start to the year, Growth-oriented AI beneficiaries rebounded on renewed optimism surrounding the build-out and Q1 earnings results that confirmed capex commitments remain intact. We believe secular tailwinds related to innovation will continue to support Growth over the long term. However, we continue to emphasize the importance of avoiding overexposure to any one area of the market. Value-oriented Equities continue to trade at a relative valuation discount and may offer attractive defensive characteristics against a backdrop of elevated uncertainty. We maintain a barbell approach between Large-cap Value and Growth in portfolios as market dynamics evolve.

From a sector perspective, we continue to propose diversification across Equity sectors given elevated volatility and uncertainty. Importantly, we continue to suggest overweight

EQUITY WATCH LIST

- Monetary policy outlook and shifting expectations for interest rates
- Trajectory of Middle East conflict
- Impact of oil prices on inflation and the consumer
- The outlook for AI investment and competition
- Progression of global earnings estimates
- Evolving dynamics within Private Credit

RISK CONSIDERATIONS

- Protracted conflict in the Middle East and higher-for-longer oil prices posing a risk to earnings, inflation, and capex
- Escalation in AI concerns due to an earnings miss, supply shock, or tighter credit conditions
- Potential for a pullback in high-income consumer spending
- Potential for slower-than-expected labor market stabilization
- Global fiscal concerns, as well as sticky inflation and its potential impact on Fed policy ahead
- Geopolitical uncertainty and heightened global protectionism measures

exposure to Industrials, Consumer Discretionary and Financials. Industrials are overweight as capex budgets continue to grow, 100% bonus depreciation has been enacted again, and AI-oriented infrastructure plans are not slowing. The consumer remains resilient as spending and wages continue to grow. The overall outlook for Financials remains positive, especially for banks with tailwinds from deregulation, earnings growth and reasonable valuations, though the potential for fewer interest rate cuts could present headwinds. We are neutral Information Technology (IT), Energy, Materials, Utilities, and Healthcare. IT has positive longer-term thematic exposure, but there are near-term concerns on crowded positioning. The outlook for the Energy sector is more muted with the ceasefire and tanker traffic starting to flow again in the Strait of Hormuz. We are neutral Materials on improved pricing and demand for commodities in general. Utilities provide the potential for multiyear earnings growth and are fairly valued. Despite some subsectors underperforming YTD, Healthcare looks more attractive, with areas of potential opportunity including Biotech, Biopharma, and Managed Care. We have underweight exposure to Communication Services, Real Estate (RE), and Consumer Staples on weaker growth expectations in those sectors.

We are slightly overweight Emerging Market Equities. Growth in a few key AI names has given the MSCI Emerging Markets Index roughly a 50% weighting in Korea and Taiwan, both surpassing the more diversified China exposure. We view the Asia-Pacific region as a major beneficiary of expected growth in IT-related capital spending and the expanding adoption of AI, and resilient to external shocks given to a strong balance of payments positions. Latin America remains exposed to longer-term growth expected in demand for key materials used in technology and clean energy investment, while smaller markets in Central and Eastern Europe should benefit from increased European Union (EU) fiscal outlays, including higher defense and infrastructure spending. The structural rise in EM consumer spending remains a big reason why we believe investors should consider maintaining a strategic allocation to EM Equities as appropriate. The emerging world now constitutes around 40% of global personal consumption expenditure (PCE), according to the United Nations, and ongoing convergence with developed economies should support GDP growth and corporate earnings over the longer-term. We favor active management[1] when investing in EM, as fundamentals differ across countries based on fiscal capacity, credit quality, corporate governance and other factors.

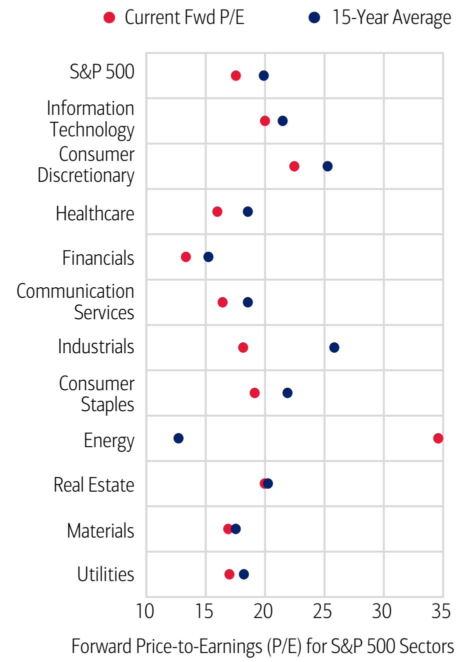
We are slightly underweight International Developed Equities. European markets remain among the least exposed globally to technology-related market segments and are therefore likely to experience limited gains on a relative basis from AI infrastructure spending. Manufacturing-led EU economies also remain at risk from growing competition from China in key industries such as auto manufacturing and higher industrial energy costs, but should benefit from higher fiscal outlays in defense and infrastructure. In the UK, higher business taxes represent a headwind for the corporate sector. Sustained positive inflation and corporate reforms remain fundamental tailwinds for Japan, with large fiscal expansion as an additional support. While we are less constructive on International Developed Equities, we believe long-term investors should maintain some strategic exposure, as appropriate, given that they trade at a discount relative to U.S. Equities, contain more of a balance between Value and Growth sectors, can offer attractive dividend yields, and provide diversification for mega-cap Technology stocks.

FIXED INCOME

We are slightly underweight Fixed Income within multi-asset class portfolios, primarily reflecting the need to fund an overweight in Equities. Within all-Fixed Income portfolios with low tax sensitivity, we are positioned neutral across sectors, supported by a still-constructive economic and earnings backdrops which, together with elevated all-in yields, should help anchor credit spreads near cycle lows despite uncertainties around regime shift at the Fed and ongoing geopolitical uncertainties.

[1] Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection

Sector Valuations



Source: Bloomberg as of June 30, 2026. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

FIXED INCOME WATCH LIST

- Path of government spending and uncertainty about fiscal policies including tariffs
- U.S. short-term funding markets, with the interplay of quantitative tightening and drawdown of Treasury General Account
- Trend and level of U.S. nominal and real rates and inflation
- Fed and global central bank activity
- Global economic growth, especially with trade and geopolitical concerns
- Credit spreads

RISK CONSIDERATIONS

- Accelerating inflation
- Change in Fed policy stance
- Slowing economic growth or confidence based on uncertainty

The Fed has adopted a more hawkish stance, signaling that additional rate hikes remain possible if inflation stays elevated and economic data remains strong. Chair Warsh emphasized restoring inflation-fighting credibility and maintaining the Fed's independence, reinforcing that rate cuts are not imminent. This shift has pressured short-term Treasury yields higher while longer-dated bonds have outperformed. Another notable shift under Warsh is reduced reliance on forward guidance which marks a significant shift in Fed communication, making markets more dependent on economic data and potentially increasing volatility around policy meetings and key releases. While transparency may appear to be diminished, investors are expected to adapt over time to a more data-driven policy framework. This change represents a meaningful departure from decades of Fed communication practices and will be an important trend to watch.

While Treasury yields have retraced from their highs, current yields across Fixed Income remain meaningfully higher on both a nominal and real basis relative to several years ago. This has improved the compensation investors receive for inflation, duration, and broader market risks. Against this backdrop, we are maintaining a neutral stance on duration.

Fixed Income risks appear more balanced today, supporting a neutral stance, while longer-duration bonds remain attractive relative to cash and provide diversification benefits. Investors should continue moving excess cash toward strategic duration targets, as current yields offer compelling return potential and a cushion against future rate volatility. The main risk is a sustained rise in long-term Treasury yields driven by renewed inflation and stronger labor markets, though today's higher starting yields help offset potential total return losses.

In multi-asset class portfolios, we are slightly underweight both Investment-grade Taxable, which includes U.S. Governments, Corporates, and High Yield, in favor of Equities. Our view reflects spread valuations that, while off the tightest levels of the year, remain relatively rich by historical standards, with both IG and HY spreads still hovering near multi-decade tights. That said, despite a limited runway for further tightening from current levels, we expect valuations to remain well supported by the higher all-in yield environment, which continues to attract strong demand for high-quality credit. Corporate fundamentals also remain constructive despite ongoing geopolitical uncertainty, with healthy revenue and earnings growth, resilient margins, and broadly stable leverage even amid elevated capital spending.

While spreads may grind modestly tighter into the summer, supported by typical seasonal technicals, the asymmetry between limited upside and more pronounced downside risk tempers our conviction. As a result, we maintain a more balanced stance and an underweight to both IG and HY. Key risks we continue to monitor—while still manageable in our base case—include potential escalation in geopolitical tensions, continued interest rate volatility, and most importantly a pickup in issuance as we approach year-end, which could begin to test the strength of the demand backdrop.

In multi-asset class portfolios, we are slightly underweight Investment-grade Taxable, which includes U.S. Mortgage-backed Securities, in favor of Equities. After reaching multiyear tights in January—driven in part by expectations for incremental demand from government-sponsored enterprises (GSEs), Mortgage-backed Securities (MBS) spreads have drifted modestly wider into the low-20 basis point (bps) range. Current valuations are now broadly in line with longer-term averages, and, in some cases, modestly rich versus other high-quality Fixed Income sectors, particularly IG corporates.

We continue to monitor a range of policy-driven catalysts that could drive a change to our view on MBS—including a housing bill passed by Congress, potential GSE MBS purchases, evolving privatization discussions, and banking deregulation—which could meaningfully influence supply-demand dynamics and relative value within the MBS sector.

ALTERNATIVE INVESTMENTS

CIO's Key Alternative Investment Principles

With their diverse strategies and historical progress, Alternative Investments (Alts) can potentially enhance portfolio resilience and long-term performance for qualified investors. However, unlike traditional assets, allocating to Alts is a long-term process constrained by liquidity. They should be viewed primarily as strategic holdings, with tactical opportunities playing only a secondary, incremental role for new investment.

- **Think long-term:** Illiquidity demands a multi-year horizon.
- **Invest consistently—even in downturns:** Pulling back during volatility can erode benefits and lead to underallocation.
- **Diversify:** Spread across strategies, managers and vintages.
- **Choose high-conviction managers:** Performance varies widely; manager selection matters.

Hedge Strategies: HS returned 1.6% in May, bringing YTD gains to 7.1%.[2] Equity Hedge (EH) strategies delivered stronger returns of 2.5% for the month, lifting YTD performance to 8.7% (measured by HFRI Equity Hedge Total Index), though both HS overall and EH lagged broad-based Equity indexes as public stocks continued to recover sharply from Q1 volatility.[3] While EH strategies trailed the beta-led rally in May, renewed volatility in June again highlighted the potential value of long/short approaches, as hedged profiles helped protect capital and create opportunities for alpha[4] generation. Quantitative EH strategies, which have performed well YTD, experienced meaningful volatility in the final days of June, driven by the unwinding of crowded trades and momentum exposures.[5] Overall, the first half of the year continues to reinforce the importance of manager selection and flexibility, particularly as markets alternate between sharp risk-on recoveries and volatility-driven dispersion.

Private Equity: Private Equity (PE) strategies were impacted by Q1 market volatility, though deal activity initially proved more resilient than feared, raising hopes for a stronger second half of the year. Q2, however, proved more difficult for PE dealmaking, with PE-backed exits now pacing below 2025 levels as activity registered its weakest quarter since Q2 2023.[6] Transactions have also remained concentrated in mega-deals, while continuation vehicles continue to serve as a primary liquidity mechanism amid a still-challenging exit environment. A further dissipation of geopolitical uncertainty could help restart PE's recovery, but interest-rate dynamics remain an important potential headwind. VC, by contrast, has seen stronger recent momentum in both performance and dealmaking, although activity remains highly concentrated. SpaceX's June initial public offering represented the largest liquidity event in the asset class's history, surpassing 2021's full-year exit value on its own and helping lift Q2 VC exit value to nearly $2 trillion.[7] With two other prominent private AI-model companies taking early steps toward eventual listings, the VC exit pipeline carries significant potential value.

Private Credit: Private Credit (PC) remains in a more turbulent phase, driven primarily by concerns around software exposure in an environment of potential AI-driven disruption. Software continues to be viewed as the segment most exposed to this risk, and public leveraged loan markets saw software loan prices reach new year-to-date lows in late June.[8] Redemption activity remains the central near-term issue for the asset class, with outflows exceeding 5% quarterly limits across many non-traded Business Development Company (BDC) and interval fund structures. To the extent that geopolitical disruption slows growth or keeps inflation and interest rates elevated, stress could broaden further. That said, fundamentals remain broadly stable to date, including within software, and

HEDGE STRATEGIES

Equity Hedge will likely benefit from decent equity dispersion, driving alpha generation. Micro-dominated markets should be better for stock selection. Hedged approach is appealing given high uncertainty.

Macro is appealing for low correlations to Equities/Fixed Income in uncertain policy environment.

+	**Equity Hedge**
	Event Driven
	Relative Value
+	**Macro**

PRIVATE EQUITY

VC/Growth Equity expected to benefit if AI theme proves durable. Early-stage capital also tied to trend of companies staying private for longer and incubating next gen technology disruptors.

Buyout expected to benefit from lower rates, though conflict-driven higher rates could dampen dealmaking opportunity set.

	Buyout
+	**Venture Capital/ Growth Equity**
	Special Situations

+ symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

2 HFR, Inc. HFRI Fund Weighted Composite Index. As of July 1, 2026.
3 HFR, Inc., Bloomberg. As of July 1, 2026.
4 Alpha is a measure of an investment's performance that indicates its ability to generate returns in excess of its benchmark.
5 BofA Securities, Morgan Stanley Prime Brokerage, Goldman Sachs Prime Services. As of July 1, 2026.
6 PitchBook, Inc. As of July 1, 2026.
7 PitchBook, Inc. As of July 1, 2026.
8 BofA Global Research, Bloomberg. As of July 1, 2026.

direct lending may continue to benefit from structural protections such as senior secured positioning, moderate loan-to-value ratios, sizable equity cushions, and tighter credit documentation. Performance dispersion is likely to increase, with platforms that combine underwriting discipline, diversified liquidity sources, and robust workout capabilities better positioned to navigate the cycle. The adjustment path may ultimately resemble the 2022-to-present real estate cycle, particularly for retail-oriented and semi-liquid investment structures.

Private Real Estate: Private Real Estate (PRE) continued to show signs of price stability, with commercial property prices rising in May and the RCA CPPI U.S. National All-Property Index up 1.6% year over year.[9] Despite firmer pricing, individual asset sales weakened in April and May, suggesting that Q2 transaction activity may prove soft overall. The rise in 10-year U.S. Treasury yields during the quarter could create renewed headwinds for the asset class's recovery and potentially constrain deal activity. Encouragingly, commercial property values have already undergone a significant multiyear adjustment, and market expectations do not currently imply a rapid or disorderly rise in rates. In addition, public market pricing for commercial real estate has been stable to improving through the first part of the year, suggesting at least some support for private market valuations.[10] PRE therefore remains in a gradual normalization phase, though the pace of recovery remains highly sensitive to financing conditions and rate volatility.

Infrastructure posted preliminary gains of 1.7% in Q1, bringing one-year internal rate of returns (IRR) to approximately 10.8%[11] and extending the asset class's track record of high-single- to low-double-digit returns across both tightening and easing policy cycles. Q1 deal value in North America remained robust, with renewable energy, clean technology, and digital infrastructure—particularly data centers—continuing to anchor the opportunity set. While data centers remain attractive to fund managers, execution considerations have become increasingly central to underwriting, including access to power, water availability, equipment supply, permitting timelines, and valuation discipline. Infrastructure's inflation-sensitive characteristics remain appealing in the current environment, particularly for investors seeking long-duration real asset exposure. However, as seen during the 2022 rate cycle, a sustained higher-for-longer interest-rate environment could create temporary valuation and transaction headwinds, reinforcing the importance of selectivity, operational expertise, and disciplined entry points.

Tangible Assets: Sustained lower energy prices should cool inflation in commodity markets. Lower energy prices and reduced volatility should stimulate faster global growth and restore the pre-war trend of a broadening economic pickup and manufacturing upswing that supports firm commodity markets. The relative strength of the U.S. economy is supporting a strong dollar at unusually high valuations relative to major Asian currencies. Eventually policy adjustments toward a fair dollar value would not be surprising to help correct big trade imbalances. Precious metals have undergone sharp corrections from their record highs. A long period of consolidation would not be surprising before their secular trend higher reasserts itself in a world of persistent positive inflation.

PRIVATE CREDIT

Neutral across PC. Direct Lending (DL) to see declining returns with lower rates and climbing credit losses. Primary focus on software exposure; geopolitical volatility could weigh further Potential positive: More PE deals should increase DL deployment opportunities, potentially with wider spreads.

	Direct Lending
	Subordinated Capital
	Asset Based/Specialty Finance

PRIVATE REAL ESTATE

Infrastructure tied to global trends of energy demand and digitization, with inflation-hedge characteristics.

PRE should continue to stabilize with outlook improving; higher rates could slow recovery.

	Private Real Estate
+	**Infrastructure**

TANGIBLE ASSETS

	Commodities / Natural Resources

+ symbol indicates the strategies CIO views as having the most favorable opportunity set for new investment within the Alts asset classes.

[9] MSCI Real Capital Analytics. As of July 1, 2026.
[10] Bloomberg, MSCI Real Capital Analytics. As of July 1, 2026.
[11] Cambridge Associates, LSEG. Cambridge Associates Infrastructure Index. As of July 1, 2026.

MACRO STRATEGY

- U.S. growth continues paced by strong investment and solid consumer spending supported by low unemployment, positive wealth effects, and wage and salary growth. Lower energy prices are likely to stimulate second-half spending.
- Inflation has likely peaked with the collapse of energy prices and as it recedes should reduce the pressure of higher interest rates and bolster household purchasing power. Long-term inflation expectations have been declining with energy prices and remain consistent with well anchored inflation near the Fed's 2% target.
- Corporate profits are strong fueled by the boom in AI spending and solid global growth. Profit margins are rising with the increasing share of economic activity concentrated on high margin technology companies. Rising stock values are also bolstering profits as cross holdings among tech companies rise in value and get marked-to-market. The profit cycle is also broadening in other areas, helped by tax and regulatory policies to encourage investment. Lower energy prices are shifting the mix of profits back toward non-energy producers.

ECONOMIC FORECASTS (AS OF 7/2/2026)

	Q1 2026A	Q2 2026E	Q3 2026E	Q4 2026E	2026E	2027E
Real global GDP (% y/y annualized)	-	-	-	-	3.2	3.5
Real U.S. GDP (% q/q annualized)	2.1	2.5	2.5	2.4	2.2	2.2
CPI inflation (% y/y*)	2.7	4.0	3.7	3.6	3.2	2.1
Core CPI inflation (% y/y*)	2.5	2.8	2.7	2.9	2.7	2.4
Unemployment rate (%)	4.3	4.3	4.3	4.2	4.3	4.2
Fed funds rate, end period (%)	3.63	3.63	3.88	4.38	4.38	4.38

The forecasts in the table are the baseline view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance. A = Actual. E= Estimate. Sources: BofA Global Research; GWIM ISC as of July 7, 2026. *Data as of June 12, 2026. Forecasts are subject to change. When assessing your portfolio in light of our current guidance, consider the tactical positioning around asset allocation in reference to your own individual risk tolerance, time horizon, objectives and liquidity needs. Certain investments may not be appropriate, given your specific circumstances and investment plan. Certain security types, like hedged strategies and private equity investments, are subject to eligibility and suitability criteria. Your advisor can help you customize your portfolio in light of your specific circumstances.

S&P 500 SCENARIOS BASED ON FORWARD P/E AND 2026 EARNINGS PER SHARE (EPS)

The table below provides a rough indication of where the S&P 500 Index's central tendency could be, given various scenarios for EPS in 2026 and P/E ratio multiples. These scenarios are not official price targets and are not meant to signal levels where portfolio actions may always be needed. However, during times of market volatility, it's useful to keep this basic framework in mind when considering whether to incrementally add to or trim risk from portfolios while staying invested in one's strategic asset allocation framework.

2026 EPS	EPS Forward P/E (Next 12 months)				
	19.0x	20.0x	21.0x	22.0x	23.0x
$365	6,935	7,300	7,665	8,030	8,395
$355	6,745	7,100	7,455	7,810	8,165
$345	6,555	6,900	7,245	7,590	7,935
$335	6,365	6,700	7,035	7,370	7,705
$325	6,175	6,500	6,825	7,150	7,475
$315	5,985	6,300	6,615	6,930	7,245
$305	5,795	6,100	6,405	6,710	7,015

For illustrative purposes only. Source: Chief Investment Office as of July 7, 2026.

CIO ASSET CLASS VIEWS AS OF JULY 7, 2026

Asset Class	Underweight		CIO View Neutral	Overweight		
Equities				●		We are overweight Equities and continue to view weakness as a potential buying opportunity for long-term investors. We are overweight the U.S., overweight EM, and underweight International Developed.
U.S. Large-cap				●		Large-caps continue to look attractive on solid fundamentals, strong FCF and the ability to produce healthy shareholder payouts. We maintain an equal balance between Large-cap Value and Large-cap Growth in portfolios.
U.S. Mid-cap				●		We remain constructive on the outlook for Mid-caps, which are positioned for solid earnings growth and remain attractively valued.
U.S. Small-cap				●		Small-caps are supported by improved earnings, potential deregulation, increased domestic manufacturing and an uptick in merger & acquisitions activity. We continue to suggest a balance of Value and Growth factors.
International Developed		●				Europe likely to see limited relative gains from expansion in AI given lack of market exposure, but local defense and infrastructure spending remain supportive. Japan to benefit from sustained positive inflation, domestic structural reforms and fiscal expansion.
Emerging Markets				●		We are slightly overweight EM overall, with the heavyweight Asia region particularly well positioned to benefit from exposure to global IT investment spending and AI adoption. Latin America is exposed to growth in key materials used in technology and clean energy investment.
International						
North America				●		The U.S. remains our preferred region relative to the rest of the world amid balance sheet strength, better fundamentals for consumer spending and healthy shareholder payouts.
Eurozone			●			Expansionary fiscal policy combined with attractive relative valuations are potential market tailwinds. Exposure to growth in AI spending is limited, while risks remain from higher energy prices and growing competition with China in key industries.
U.K.		●				Lack of exposure to growth in AI spending represents a relative market disadvantage. Higher business taxes from government budget are a headwind for the corporate sector.
Japan				●		Sustained positive inflation and official efforts to increase corporate returns to shareholders remain fundamental support. Large fiscal expansion is an additional tailwind despite the potential risks from higher energy prices.
Asia Pac ex-Japan*		●				Regional outlook dampened by slower economic growth in China and its impact on domestic demand. Headwinds from high energy prices partly offset by Australian natural gas production.
Fixed Income		●				Yields are attractive, providing good diversification for multi-asset class portfolios and reasonable income. Neutral duration recommended.
U.S. Investment grade Taxable		●				Nominal and real rates are very attractive in a short- and long-term historical context. Neutral positioning with no significant sector tilts within all-Fixed Income portfolios with low tax sensitivity.
International		●				International rates markets are at normal valuation levels on a U.S. dollar-hedged basis.
Global High Yield Taxable		●				Similar to IG, HY valuations remain expensive. However, a positive macroeconomic environment may limit spread volatility and credit losses as default rates have begun to improve modestly. This leaves us comfortable at a neutral positioning. Within a high yield allocation, we continue to suggest a balanced mix between loans and bonds.

*Asia Pac ex-Japan refers to the geographic area surrounding the Pacific Ocean. The Asia Pac ex-Japan covers the western shores of North America and South America, and the shores of Australia, eastern Asia and the islands of the Pacific. Tactical qualitative investment strategy weightings are relative in nature versus the strategic weightings for a fully diversified portfolio. Weightings are based on the relative attractiveness of each asset class. Tactical strategy weightings are for a 12- to 18-month time horizon. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Because economic and market conditions change, recommended allocations may vary in the future. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. 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. Not all recommendations will be in the best interest of all investors.

CIO EQUITY SECTOR VIEWS AS OF JULY 7, 2026

The CIO Equity sector view is developed by applying a multi-input process combining the CIO's factor views and fundamental bottom-up industry outlook with top-down macro-economic changes and trends. The factor approach emphasizes valuation and momentum as key inputs, with a fundamental overlay taking into consideration forward-looking views of growth, profits, policy, events and sentiment as well as inclusion of certain investment themes. BofA Global Research's sector strategy views are also captured as an input into the CIO process. Our sector views are developed with a 12- to 18-month outlook but are revisited monthly by the GWIM Investment Strategy Committee.

Sector	Underweight		CIO View Neutral	Overweight		
Industrials				●		We are overweight Industrials as capex budgets continue to grow, some uncertainties have been removed, 100% bonus depreciation has been enacted again, and infrastructure plans are accelerating compared to recent years. Longer term there are multiple thematic drivers for Industrials over the next three to five years including multi-year backlogs for commercial aerospace, evolution of generative AI, increased power demand and improving outlooks for defense budgets outside the U.S. Valuation is elevated, and momentum recently improved. **Risk Considerations: 1) short-cycle recovery timing still debated, 2) inflation resurgence drives up input costs, pressuring margins, 3) continued supply chain stress.**
Consumer Discretionary				●		With a resilient consumer, a relatively solid job market, potential for lower interest rates in the future, consumer tax stimulus and a positive economic backdrop, we are overweight Consumer Discretionary. Consumers are finding ways to alter their budgets to accommodate both experiences and necessities. Consumer retail channels are shifting back to online spending as value-oriented consumers utilize alternative payment methods to supplement their spending and seek out bargains. Valuation for the sector has contracted while momentum is neutral. **Risk Considerations: 1) potential for an economic slowdown, 2) prolonged spikes in energy prices or interest rates, 3) sustained weakness in the job market.**
Financials				●		We expect increased activity supported by deregulation and a positive net interest income outlook for Financials. Potential for future interest rate cuts, along with a steeper yield curve, could help improve credit risk and default rates going forward. Risks include persistent headline risk, the likelihood of fewer Fed rate cuts, and a lower EPS growth outlook compared to the broader market. That said, we do not think deregulatory benefits are baked into consensus estimates. Overall, valuation is attractive, and earnings-driven momentum should continue to improve despite near term headwinds. **Risk Considerations: 1) a persistently inverted yield curve, 2) interest rate volatility, 3) private credit overhang, 4) lost market share to non-bank lenders.**
Information Technology			●			We remain neutral on the IT sector due to elevated valuations, crowded positioning and margin risks, despite strong earnings growth and AI-driven flows. Despite weakness in software, the long-term outlook remains positive for Cloud, AI, data centers and semiconductors, but investors should focus on high-quality companies and add on market weakness. **Risk Considerations: 1) China exposure and trade wars, 2) supply chain constraints, 3) AI monetization and overspend.**
Energy			●			Despite concerns at the beginning of 2026 on the growing oil and liquefied natural gas supply outlooks, the U.S./Iran conflict has quickly erased that excess supply. Damage to energy infrastructure in the Middle East will take some time to fix. Continue to emphasize refiners and upstream companies that are low-cost producers with high FCF, balance sheet strength and low break-even oil prices. Energy stocks still provide attractive valuations and strong dividends with declining momentum. **Risk Considerations: 1) lower oil and natural gas commodity prices, 2) slower global energy demand.**
Materials			●			There is improved pricing and demand for commodities in general, and specifically for metals and mining and more recently for chemicals due to supply disruptions. Longer term concerns remain regarding too much new capacity in the future for petrochemicals and commodity chemicals which could turn very quickly. We still see some longer-term tailwinds for demand, such as AI growth and power buildouts for copper demand and strong investment flows into precious metals. The underlying sector valuation and momentum is neutral. **Risk Considerations: 1) slower global economic growth, 2) weaker residential and non-residential construction, 3) oversupplied materials markets.**
Utilities			●			The valuation discount closed during Q1 and valuation is no longer cheap. We remain positive on growing electricity demand forecasts for the first time since the early 2000s and accelerating plans to invest in new generation, transmission and distribution infrastructure. Valuations based on forward price-earnings multiples are now near the broader S&P 500 index and momentum is neutral. **Risk Considerations: 1) affordability concerns driving adverse regulatory or legislative solutions, 2) slower power demand growth than forecast, 3) power outage events.**
Healthcare			●			Policy uncertainty has been a significant overhang for the Healthcare sector for years, but following drug pricing agreements in recent months, some clarity on Healthcare issues and policy and proposed expedited timelines for new product development provides potential upside. Utilization trends remain strong, and capital budgets are not under serious pressure. We maintain strong conviction in Diagnostics and Labs while large biopharma, Small- and Mid-cap biotech and Life Science tools and equipment look to be more intriguing areas for investment. Medtech, Managed Care/Providers and Diabetes are areas to be selective. We remain optimistic on the long-term outlook for the Healthcare sector amid demographic changes, innovative pipelines and a focus on driving down cost to consumers. Valuation is fair and momentum recently improved. **Risk Considerations: 1) policy changes that materially impact companies' profitability; 2) a slowdown in innovation; 3) margin and profitability pressures resulting from increased tariffs or higher labor/supply costs.**

Sector	Underweight		CIO View Neutral		Overweight	
Communication Services		●				Communication Services sector faces pressure from weaker operating cash flow and FCF trends amid aggressive capital spending increases. While valuations for top companies are rich, overall sector valuation is aligned with the market, and momentum remains neutral. **Risk Considerations: 1) regulatory and anti-trust risks, 2) capex ramps for AI investments that limit EPS and FCF, 3) lower engagement pressuring growth.**
Real Estate		●				We would be selective in Real Estate exposure. Furthermore, risks are rising for downward pressure on rental rates as lease contracts expire and new contracts are negotiated. Continue to emphasize longer-term secular trends in data centers, communication infrastructure (towers), storage and industrial RE. Valuation is fair and momentum recently improved. **Risk Considerations: 1) spike in interest rates and borrowing costs, 2) declining demand for CRE in oversupplied markets, 3) workout problems.**
Consumer Staples		●				Consumer Staples sector has faced headwinds from tariffs, higher input costs, and weaker earnings growth, while consumers increasingly trade down and favor private labels, pressuring branded product profitability. Although momentum is weak, fair-to-undervalued valuations and early signs of stabilization—along with AI-driven cost efficiencies—could support better-than-expected earnings in 2026. **Risk Considerations: 1) soft demand across consumer-packaged goods, 2) consumer trade down and substitution, 3) ongoing growth in private label and store brands.**

Source: Chief Investment Office. 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. Not all recommendations will be in the best interest of all investors.

CIO THEMATIC INVESTING AS OF JULY 7, 2026

The following themes and subthemes encapsulate the Chief Investment Office's thinking on some of the most convincing undercurrents of future areas of growth around: Transformative Innovation, Resilient Infrastructure, Future Security and Changing Demographics. These themes carry long-term implications for economic growth, the cost of capital and global earnings. We'd consider exposure to these themes a key ingredient to investing.

Transformative Innovation

Generative Artificial Intelligence: Power demand/generation, productivity wave

Robotics/Automation: Industrial/service robotics

Digitization: Cloud computing, data analytics, digital payments, internet of things, augmented reality and virtual reality, electrified transportation

Resilient Infrastructure

Energy Addition: Nuclear renaissance, solar, natural gas generation, hydrogen, battery storage

Utility Infrastructure: Data centers, grid (transmission/distribution), thermal management, water management, power generation

Supply Chain Reconfiguration: Onshoring/nearshoring buildout

Future Security

Aerospace & Defense: Remilitarization, space, drones

Cybersecurity: Network security, cloud evolution/security, endpoint security

Resource Protectionism: Food/agriculture/commodity scarcity (water), natural resources, metals/mining

Changing Demographics

Healthcare Innovation: Ageing, longevity, drug discovery, biotechnology (gene therapy, personalized medicine)

Great Wealth Transfer: Wealth creation, NextGen consumer/investor base

Global Labor Force Distribution: Immigration/migration, global fertility bust, automation "cobots"

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

S&P 500 Equal Weight Index is a variation of the traditional S&P 500 that treats every company the same regardless of its size. While the traditional index weighs companies by their total market capitalization (giving giants like Apple and Nvidia massive influence), the equal weight index gives every stock exactly a 0.20% allocation.

MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

RCA CPPI U.S. National All-Property Index provide a consistent measure of transacted sale prices. This report provides insights and data on the latest monthly pricing trends in U.S. commercial real estate.

Nasdaq Index is a major stock market index that tracks the performance of over 2,500 stocks listed on the Nasdaq stock exchange.

HFRI Fund Weighted Composite Index is the hedge fund industry's premier global, equal-weighted benchmark, tracking over 1,000 single-manager funds.

Cambridge Associates Infrastructure Index is a horizon calculation based on data compiled from 93 infrastructure funds, including fully liquidated partnerships.

HFRI Equity Hedge Total Index are a series of benchmarks designed to reflect hedge fund industry performance by constructing composites of constituent funds, as reported by the hedge fund managers listed within HFR Database.

Important Disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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The Global Wealth & Investment Management Investment Strategy Committee (GWIM ISC) is responsible for developing and coordinating recommendations for short-term and long-term investment strategy and market views encompassing markets, economic indicators, asset classes and other market-related projections affecting GWIM.

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All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Bonds are subject to interest rate, inflation and credit risks. Municipal securities can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes, or the rights of municipal security holders. Income from investing in municipal bonds is generally exempt from federal and state taxes for residents of the issuing state. While the interest income is tax-exempt, any capital gains distributed are taxable to the investor. Income for some investors may be subject to the Federal Alternative Minimum Tax. Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return, but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Treasury bills are less volatile than longer-term fixed income securities and are guaranteed as to timely payment of principal and interest by the U.S. government. Mortgage-backed securities are subject to credit risk and the risk that the mortgages will be prepaid, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. Investments in foreign securities (including ADRs) involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investing in Gold involves special risks, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes, and the impact of adverse political or financial factors.

Investments in Infrastructure Assets will be subject to risks incidental to owning and operating infrastructure projects, including risks associated with the general economic climate, geographic or market concentration, government regulations and fluctuations in interest rates. The industries targeted for investment may be highly regulated by governmental agencies. Such regulations may impact an investor's ability to acquire, dispose of and/or manage investments.

Alternative investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private equity funds, private credit and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity, and your tolerance for risk.

Nonfinancial assets, such as closely-held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.