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Macroeconomic Highlights

Q1 2026

Macro Drives Markets. WestEnd Knows Macro.

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WestEnd Outlook Highlights

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- The global economic cycle continues to exhibit signs of being at an advanced stage, particularly within developed economies, including the U.S., where GDP appears to have stabilized in the back half of 2025. We see potential for a temporary reacceleration in U.S. economic growth in early 2026, tied to certain stimulative policies, including extension and expansion of tax cuts and reduced regulation, which could support a broadening out of market leadership. We also see risks, however, from market concentration, valuations, and lofty expectations for AI-driven growth. Against this backdrop, we are emphasizing a select mix of economically sensitive allocations that we believe can benefit from positive secular trends alongside defensive allocations across our portfolios.
  - The U.S. consumer remains on solid footing, but softer labor demand and low consumer expectations could hinder spending growth.
  - Private fixed investment has supported continued economic growth with continued AI infrastructure capex, which, in turn, has supported tech-focused areas of the economy, but we still see headwinds for more traditional business investment.
  - We expect the Federal Reserve is likely to cut interest rates 2-3 times in 2026, which should help further steepen the yield curve, as resilient economic growth in the intermediate term and gradual disinflation could limit the downside to longer-term interest rates.
- Internationally, most major economies still face late-cycle challenges and manufacturing headwinds, including lingering risk from U.S. trade policy. We see opportunity in both Developed and EM Asia tied, in part, to a stabilizing credit and property market backdrop in China, a pivot to more stimulative monetary policy among the region's central banks, and renewed growth in high-tech manufacturing.
- We continue to position portfolios for the current risks and opportunities we see in a mature economic cycle:
  - In U.S. large-cap equity allocations:
    - We are avoiding several of the most cyclical early-phase sectors, but we maintain a significant mid-phase allocation, including Information Technology exposure and an overweight of Communication Services, which provides a mix of economic sensitivity and exposure to positive secular trends.
    - We also maintain an overweight of late-phase, defensive sector exposure that we believe offers a defensive counterbalance to economic exposure in the portfolio and can outperform if growth slows or investor sentiment weakens more than expected.
  - In global portfolios, we retain an underweight of international equities, in aggregate, but we are overweight Developed and EM Asia. We are underweight Europe, where we see ongoing geopolitical turmoil, trade policy uncertainty, and less growth potential than for the U.S. We are also underweight non-Asian emerging markets, which tend to be highly economically sensitive and are unlikely to outperform, in our view, amid late-cycle economic conditions.
  - In balanced portfolios:
    - We have a neutral allocation to fixed income in traditional balanced portfolios, as the risk/return profile we see for bonds is relatively balanced given the potential for continued late-cycle economic growth amid a higher interest rate backdrop.
    - Within fixed income allocations, we are emphasizing Treasury securities at the long end of the yield curve, and we are focusing corporate exposure in shorter durations, as widening credit spreads could put longer-term corporate bonds at greater risk.

U.S. Equity Sector Allocations

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WESTEND ETF STRATEGIES

Current large-cap U.S. equity sector allocation and avoidance*

Sector Allocations

- Health Care
- Consumer Staples
- Utilities
- Communication Services
- Consumer Discretionary
- Information Technology
- Financials

Sector Avoidance

- Energy
- Industrials
- Materials
- Real Estate

** For illustrative purposes only. Allocation information as of December 31, 2025. Source: WestEnd Advisors.*

International Equity and Fixed Income Allocations

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WESTEND GLOBAL ETF STRATEGIES

Current regional equity allocation positioning in global portfolios*

Regional Equity Overweights

- U.S.A. (incl. Small-Cap alloc.)
- Asia (Developed and EM)

Regional Equity Underweights

- Europe
- Emerging Markets (ex Asia)

WESTEND BALANCED ETF STRATEGIES

Current fixed income and asset class positioning in balanced portfolios*

Fixed Income Overweights

- Short-term Corporate Credit
- Longer-Term Treasury Securities

Fixed Income Underweights

- Short-term Treasury Securities
- Long-term Corporate Credit

** For illustrative purposes only. Allocation information as of December 31, 2025. Source: WestEnd Advisors.*

U.S. Economic & Market Backdrop

GDP Growth Steady After First Half Slowdown

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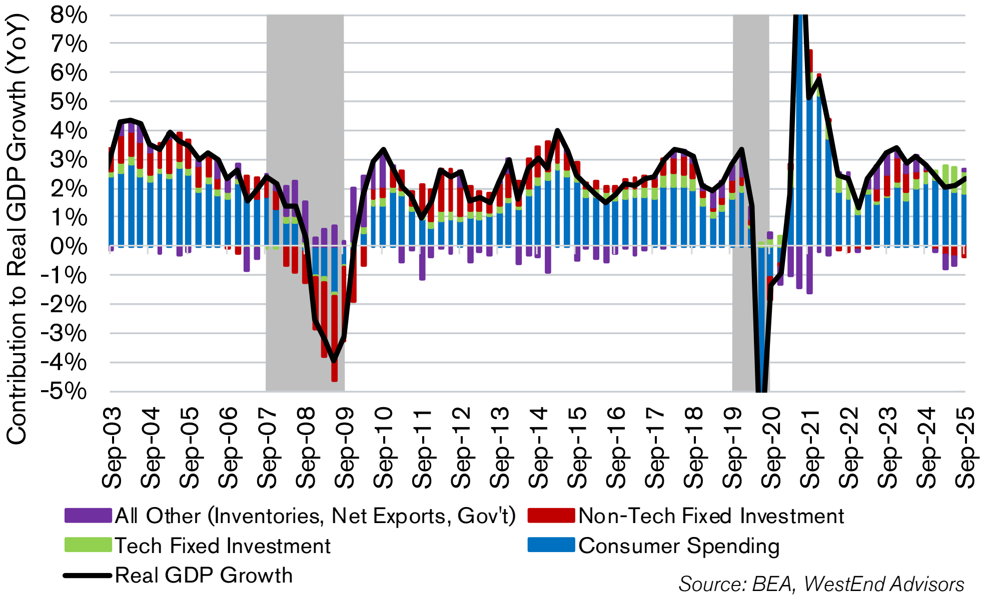
CONSUMPTION STILL THE MAIN DRIVER OF U.S. GROWTH



Source: BEA, WestEnd Advisors

Portfolio Impact: The latest GDP data suggest economic growth stabilized in Q3 after a slowdown in the first half of 2025, driven by resilient consumer spending. In our view, the advanced stage of the U.S. economic cycle warrants a balance of exposures between defensive sectors, like Consumer Staples and Health Care, and sectors that can benefit from a continuation of the cycle, such as Communication Services and Financials.

- **Resilient Consumer Drives Second-Half Stabilization:** Real GDP growth slowed in the first half of 2025, largely due to international trade volatility and soft trends in non-tech fixed investment. Year-over-year growth stabilized in Q3 at +2.3%, in-line with the expansionary average. Resilient consumer spending has remained the largest contributor to growth, adding ~1.8 ppt to year-over-year real GDP growth in Q3.
- **Strength in Tech Investment:** Real fixed investment in information processing equipment and software rose +15% year-over-year in Q3, near the highest level in at least 20 years, driven by surging demand for semiconductors and data center equipment. Tech investment contributed ~0.8 ppt to growth in Q3, but may be set to decelerate in 2026, in our view, due to tougher comparisons, AI monetization uncertainty, and logistical challenges for data center construction.
- **Non-Tech Investment Yet to Turn Higher:** Non-tech fixed investment has declined for four consecutive quarters, weighing on growth, but we believe it could stabilize in 2026, aided by lower rates and tax incentives, yet we do not foresee a strong recovery at this time.

Policy Balance to Remain Supportive, But Set to Moderate in Second Half

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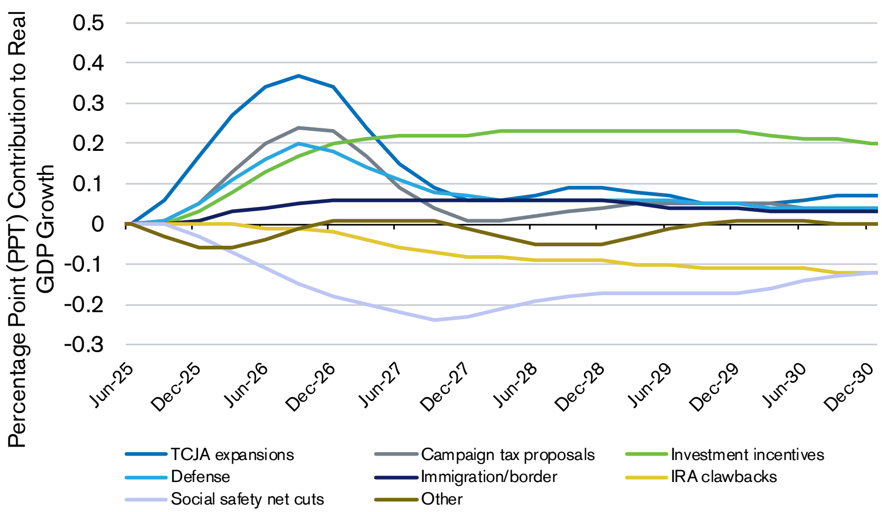
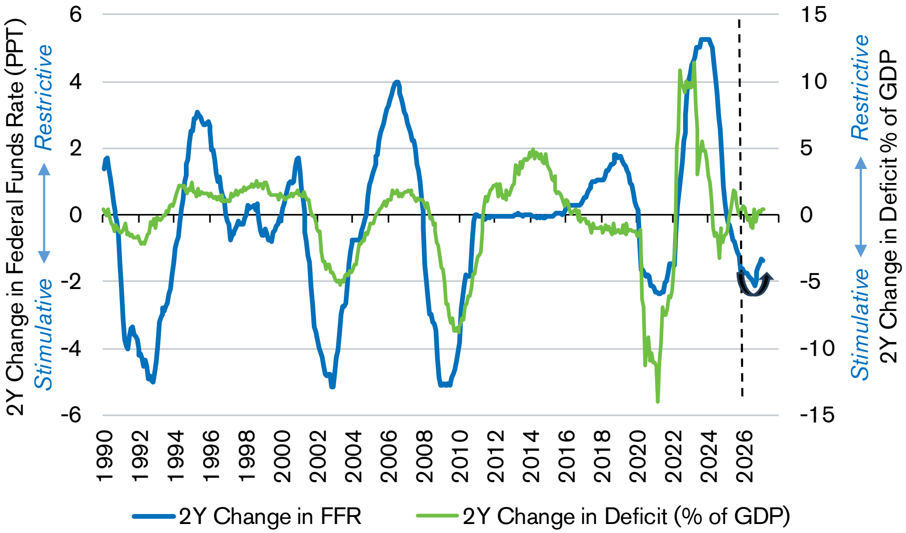
GROWTH CONTRIBUTIONS FROM OBBBA



Source: Oxford Economics, WestEnd Advisors

POLICY IMPULSES STILL STIMULATIVE, BUT PEAKING



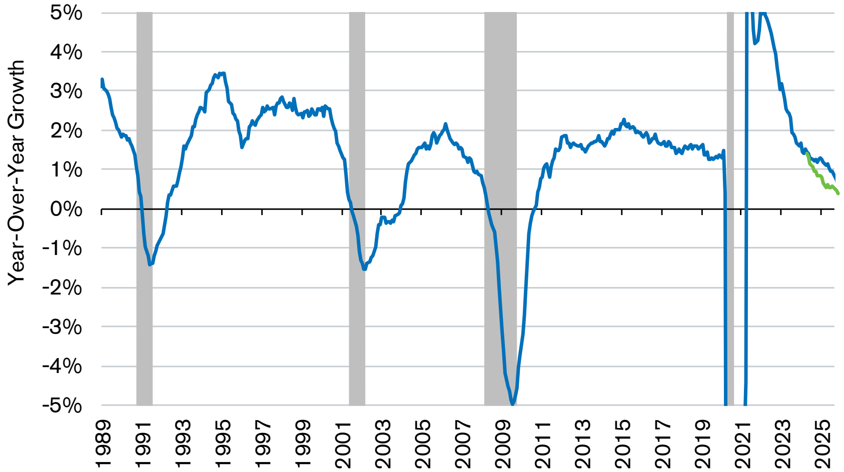
Source: BLS, Bloomberg, WestEnd Advisors

Portfolio Impact: Changes to tax policy are set to support income growth in early 2026, while ongoing interest rate cuts can drive a broadening of fixed investment trends, in our view. We have increased exposure to the U.S. Financials sector and, in global and balanced strategies, added an allocation to Small-Cap companies, both of which we believe are set to benefit from favorable policy dynamics.

- **Impact of Fiscal Policy:** Tax provisions from the OBBBA should support household income by partially offsetting slower growth in wages and transfer receipts. That said, the impulse to growth is likely to peak in the first half of the year as tax refunds are distributed.
  - Transfer receipts added +1.4 ppt to real personal income growth in the first 9 months of 2025, one of its largest contributions of any non-recessionary period on record.
- **Policy Rates to Return to Neutral:** The Fed has lowered short-term interest rates 6 times (-175 bps) over the past 18 months. We expect further cuts in 2026, given signs of deterioration in the labor market, but we expect forward rate cut expectations to *moderate* as the Fed approaches a neutral stance (3.0% to 3.5%, in our view).

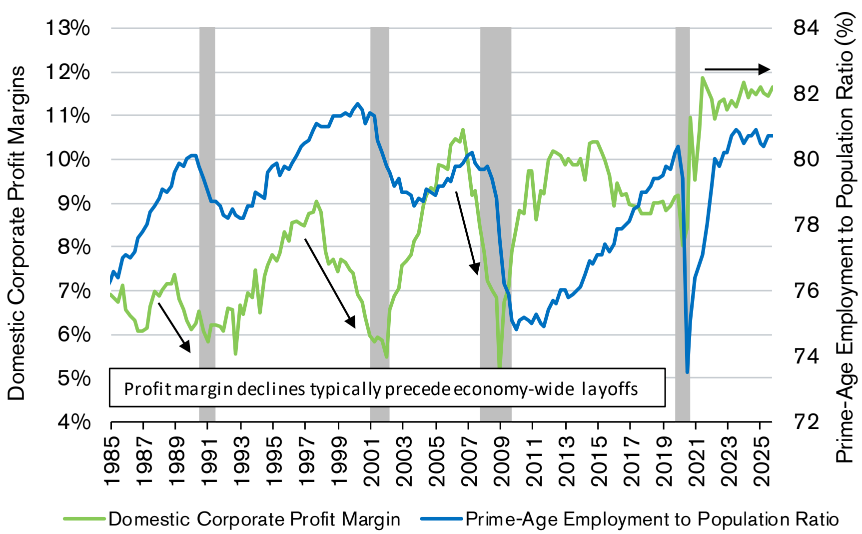
Labor Market Unlikely to Materially Improve

PAYROLL GROWTH PRECARIOUSLY SOFT



Source: BLS, Bloomberg, WestEnd Advisors

MASS LAYOFFS UNLIKELY WHILE MARGINS ELEVATED



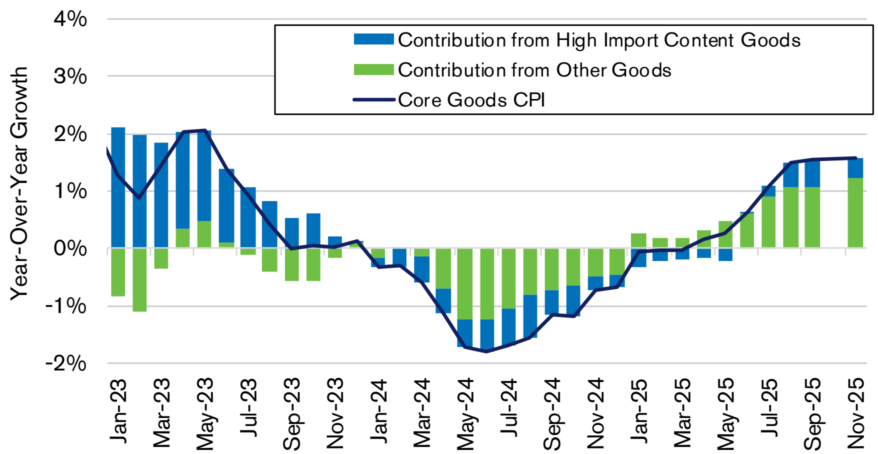
Source: BLS, Bloomberg, WestEnd Advisors

Portfolio Impact: Our outlook for slowing payrolls continued to play out in 2025. We view the directionality and momentum in the labor market to be one of the most important factors with respect to the path of monetary policy and equity markets.

- **Government Data Void:** In the absence of the normal data publication schedule, we have been able to maintain a pulse on the labor market. Aggregating state-level jobless claims and firing notices continues to paint a picture of a low firing environment, while private payroll measures and surveys point to a slow hiring environment.
- **Sentiment Shifts:** Aggregate measures of consumer sentiment have been poor indicators post-Covid, but details in the reports have been useful. We are seeing consumers increasingly worried about losing their jobs and feeling pressures from lower incomes which, to us, suggests a slower spending environment going forward.
- **Profit Margin Cushion:** Historically, declines in corporate profit margins have preceded economy-wide layoffs by several quarters or even years. With margins high and stable, the likelihood of widespread layoffs is limited for now, in our view.

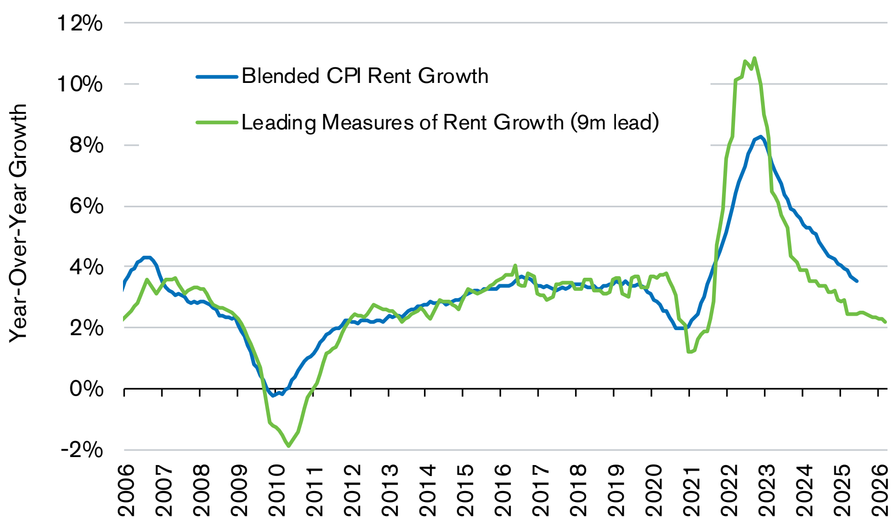
Tariffs Lifting Goods Prices, Yet Disinflation Can Continue

EARLY STAGE OF PRICE PRESSURES FROM TARIFFS



Source: BLS, WestEnd Advisors. High Import Content Goods includes import-export categories with 20% or higher import content as a percentage of spending, e.g., household appliances, apparel, personal care goods, miscellaneous personal goods, sporting goods, medical care commodities and other categories.

RENT DISINFLATION PROVIDES LOWER CPI BIAS



Source: WestEnd Advisors, Zillow, Federal Reserve Banks, Bloomberg

Portfolio Impact: As we saw last year, the Fed has a sensitive reaction function to rising unemployment. We are seeing modest signs of progress on inflation and only minimal signs of improvement with respect to the labor market, which keeps us slightly overweight duration in fixed income allocations, while favoring Treasury bonds on the longer-term portion of the yield curve.

- **Impact of Tariffs:** The pickup in core goods inflation reflects the impact of tariffs, in our view, though the degree of price passthrough has undershot most forecasts and the rate of change has begun to moderate.
- **Rents Bias the Rate of Inflation Lower:** Leading measures of rent growth, including asking rents and real-time repeat rent indices suggest that shelter inflation could be down to 2% by the end of 2026. Our view is that rents create a disinflationary bias in U.S. inflation measures going forward. Rental disinflation could lower core CPI by as much as -70 bps, given the 44% weight in the core CPI basket.

EPS Growth to Support Market, But Volatility Risk Elevated

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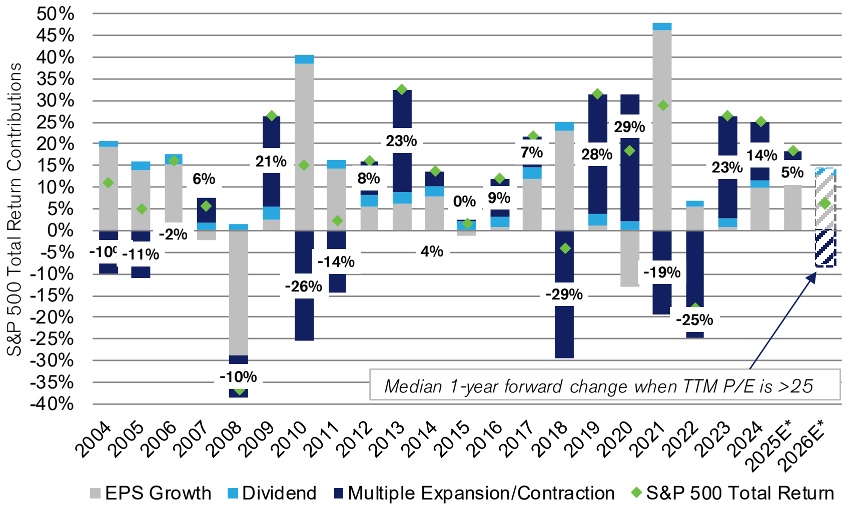
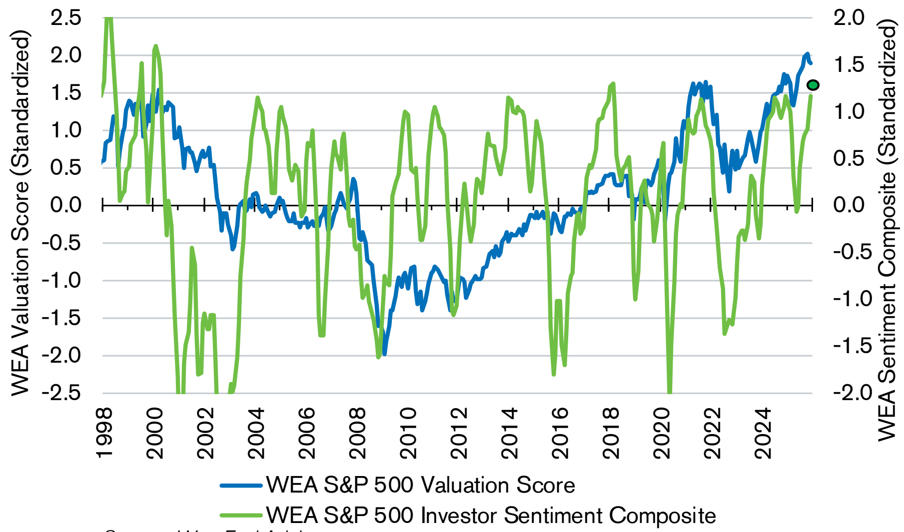
CONTRIBUTORS TO S&P 500 TOTAL RETURN



* Uses consensus '25 and '26 EPS growth. Assumes 6% return in '26, as multiple compression offsets strong EPS growth. Source: WestEnd Advisors

INVESTOR BULLISHNESS AND RECORD VALUATIONS POSE RISKS



Source: WestEnd Advisors

Portfolio Impact: Earnings growth is expected to be strong in 2026, driven by continued leadership from Information Technology companies. We also see potential for other sectors, such as Communication Services and Financials, to generate double-digit EPS growth, but late-phase sector exposures remain warranted, in our view, amid stretched valuations and investor positioning. We believe our portfolios are poised to benefit from a backdrop of broader sector leadership, though volatility remains a risk.

- **Earnings Growth is Key:** Equity returns marginally outpaced EPS growth in '25. With our in-house valuation composite now at record levels (bottom chart), we expect EPS growth to be the primary driver of equity returns this year.
- **Consensus EPS Expectations:** Consensus growth estimates imply ~15% EPS growth for the S&P 500 in 2026, with roughly half of that growth contribution coming from the Information Technology sector.
- **Sentiment Rebound:** Investor sentiment rebounded sharply in the second half of 2025. As a result, investor optimism is near a 2-decade high heading into 2026.

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U.S. Sector Outlook

Market Concentration At New Record High

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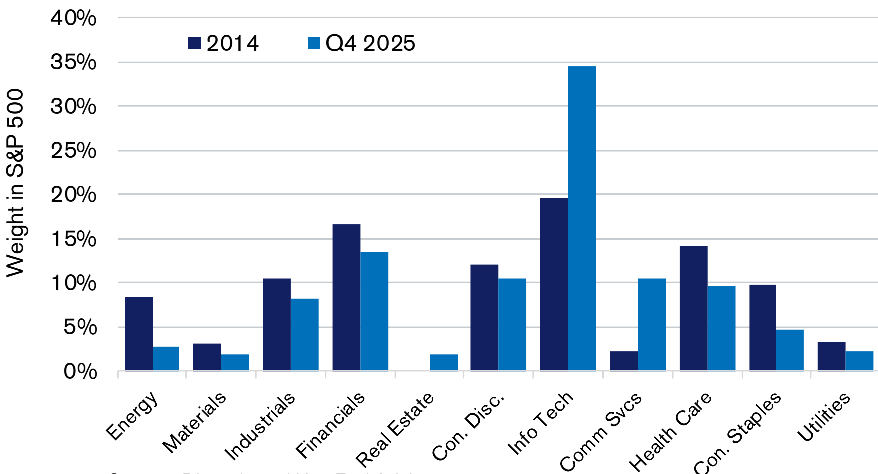
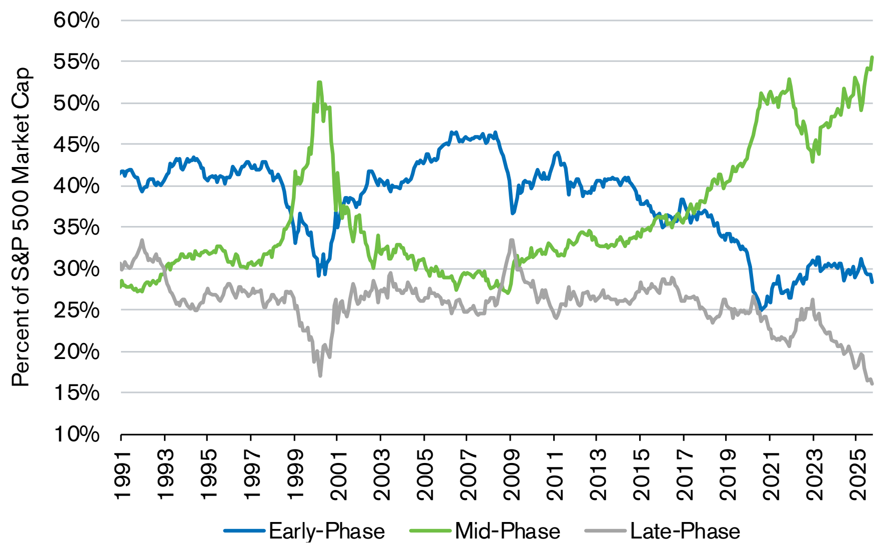
S&P SECTOR BREAKDOWN EXPOSURE



Source: Bloomberg, WestEnd Advisors

MID-PHASE SECTORS MAKE UP RECORD WEIGHT IN S&P 500



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Market composition has changed over the last 10+ years, with the Information Technology and Communication Services sectors rising as a proportion of the market at the expense of all other sectors. Sector concentration may present portfolio opportunity or risk, and we believe investors should consider the drivers behind composition shifts (earnings, valuations, IPOs, etc.) when shaping investment outlooks.

- **Info Tech Dominance:** Over the past 10 years, earnings for the Information Technology sector have risen at a ≈13.0% CAGR vs. ≈7.5% for the broad market, and Tech's NTM P/E ratio has expanded 13.5 points during that time.
- **Outlook Should Consider Risks:** Prior periods of sector dominance eventually ended, often tied to valuation multiple contraction and an unwind of earnings momentum. Today, Tech's earnings power remains strong, but valuations present a high hurdle.
- **Market Influence:** Beating the market requires looking different than the market, yet overweighting mid-phase sectors (>55% of the market) requires high conviction. In contrast, defensive sectors now make up <20% of the market.

Health Care: Refocusing on Fundamentals

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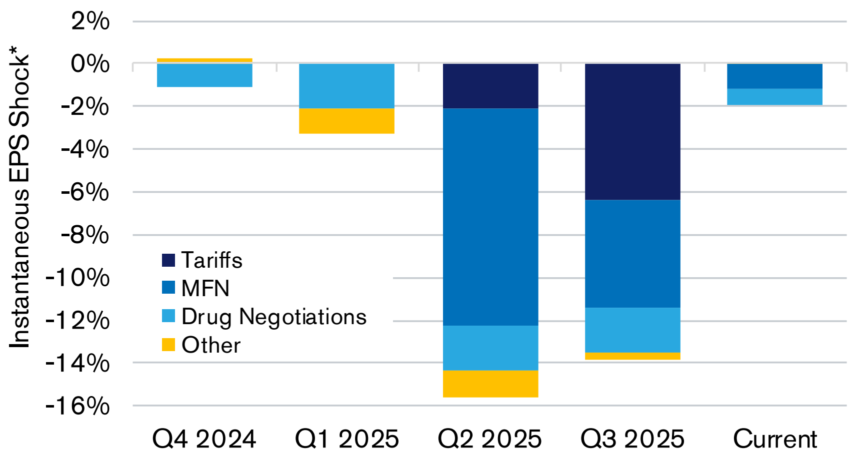
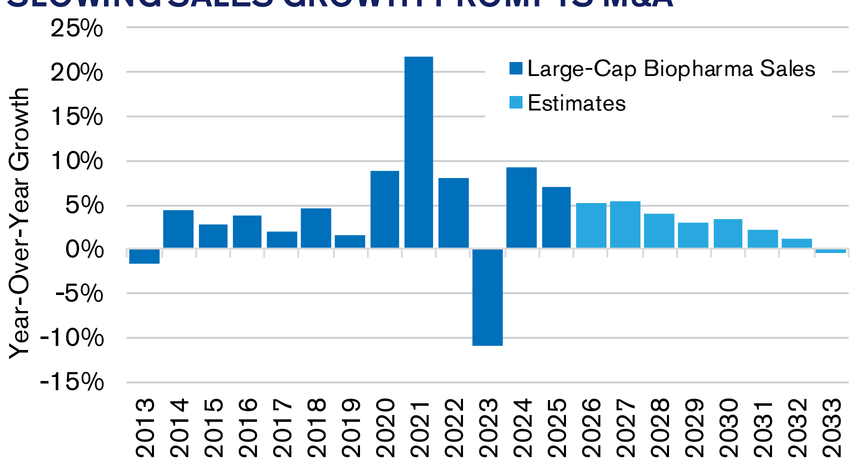
EVOLUTION OF HEALTH CARE POLICY



Source: Bloomberg, WestEnd Advisors
**WEA Estimates*

SLOWING SALES GROWTH PROMPTS M&A



Large-Cap Biopharma: aggregate sales (LLY, JNJ, MRK, PFE, BMY, ABBV, AMGN, and GILD).
Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Waning policy headwinds, a benign inflation outlook, and improving M&A appetite support our overweight of Health Care, and particularly the Biotech industry. As policy pressures ease, investor focus will shift back to fundamentals, while broadening sector leadership creates an increasingly attractive setup for the Health Care sector, in our view.

- **Health Care Sector:** The past year has been filled with policy announcements that weighed on investor sentiment. The potential impact of proposed policy was estimated to cause a double-digit EPS hit for the sector, though we maintained the view that these changes would remain narrow in scope or encounter implementation challenges.
- **Biotech Industry:** Large-cap biopharma companies face a wall of patent expirations near the end of the decade, driving decelerating sales growth estimates (bottom chart). We believe this environment will increase the appetite for M&A to backfill drug pipelines and sales growth potential. Improving capital flows have historically been a good indicator of strong relative performance for the industry.

Information Technology: Opportunity & Uncertainty

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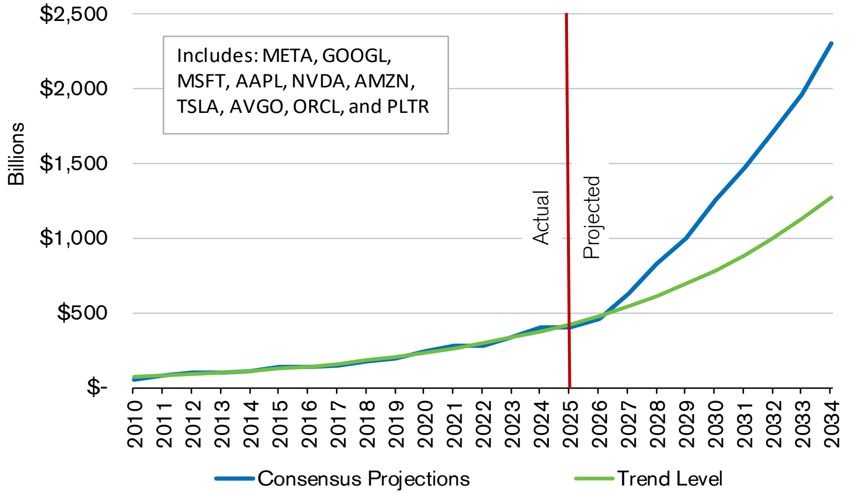
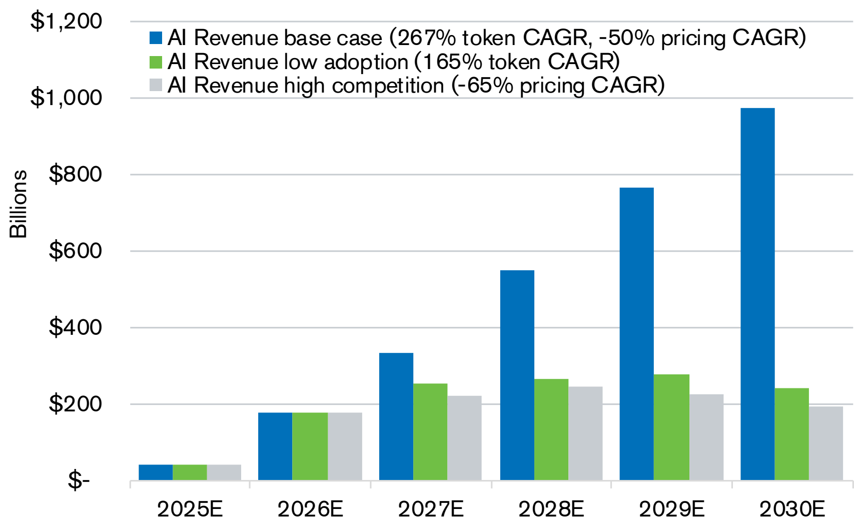
PROJECTED AI/TECH-RELATED MEGA-CAP FREE CASH FLOW



Source: WestEnd Advisors

AI MONETIZATION OUTCOMES ARE HIGHLY VARIABLE



Source: Citi, WestEnd Advisors

Portfolio Impact: Sectors like Information Technology and Communication Services appear poised to generate durable earnings growth, with AI exerting a growing influence on sector-level fundamentals. As AI evolves, we believe the market is now better understanding the economics and adoption curve of AI. Underlying assumptions are changing and investors need to remain vigilant in understanding what opportunities and risks are incorporated into prices for leading AI firms.

AI Hype vs. Reality:

- Major innovations bring uncertainty and often see a period of euphoric optimism, followed by information dissemination and rationalization. While we believe growth for the Information Technology sector is durable, we see reasons to remain prudent with allocations.
- For example, accelerating free cash flow assumptions seem out of step with the faster ramp of capex (top chart). Also, the monetization path for AI providers is highly sensitive to demand and price inputs (bottom chart).
- Higher competition and/or lower adoption could result in cash flow growth targets not being met, posing risks to these high-valuation areas.

Macro and Regulatory Backdrop Supportive for Financials

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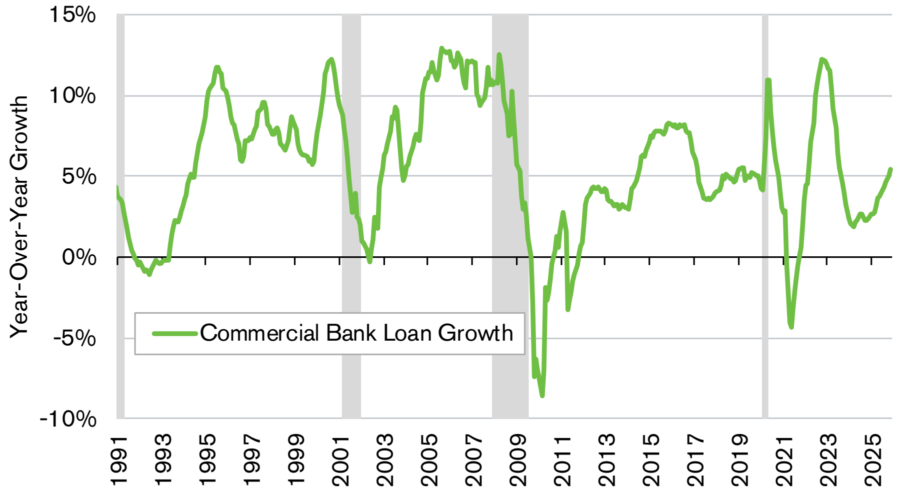
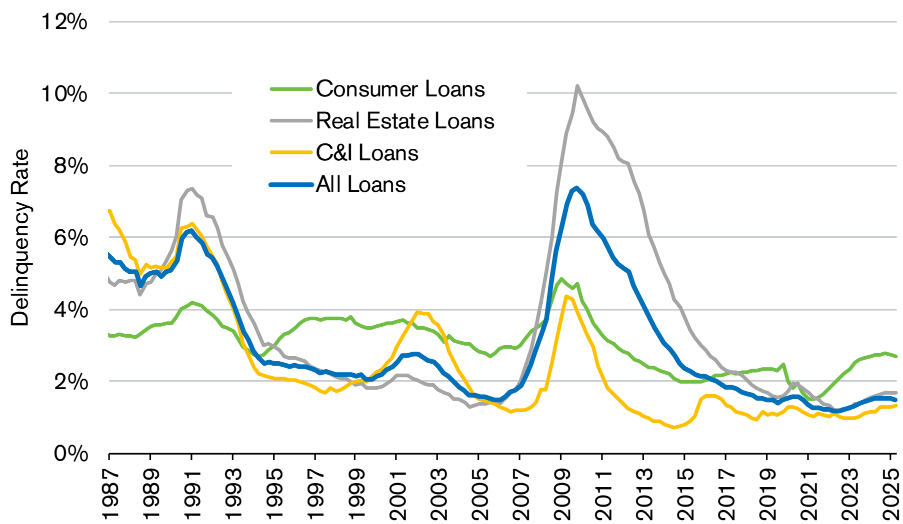
LENDING ACTIVITY SHOWING IMPROVEMENT



Source: Federal Reserve, Bloomberg, WestEnd Advisors

AGGREGATE CREDIT TRENDS STABLE TO IMPROVING



Source: Federal Reserve, Bloomberg, WestEnd Advisors

Portfolio Impact: The Financials sector continues to deliver consistent earnings growth, supported by a stable macroeconomic backdrop, capital markets momentum, and benign credit conditions, with potential deregulation in 2026 as an incremental tailwind. While 2026 earnings growth is expected to lag the broader market, this creates a lower bar for upside surprise relative to sectors with more elevated expectations. We therefore maintain an overweight position in the U.S. Financials sector.

- **Potential Deregulation to Provide an Incremental Tailwind:** We expect deregulation to take hold in 2026, potentially reducing bank capital requirements and supporting higher lending and share buybacks. Loan growth has already accelerated—particularly to non-depository financial institutions—and we expect the sources of growth to broaden next year.
- **Credit Trends Remain Healthy:** Commercial bank delinquency rates declined for a second consecutive quarter in Q3 and remain historically low (9th percentile). While isolated defaults, including in private credit, may occur, we see little evidence of a broader credit downturn.

International Economic & Market Backdrop

Global Cycle is Advanced – Expect Slow but Wider Growth

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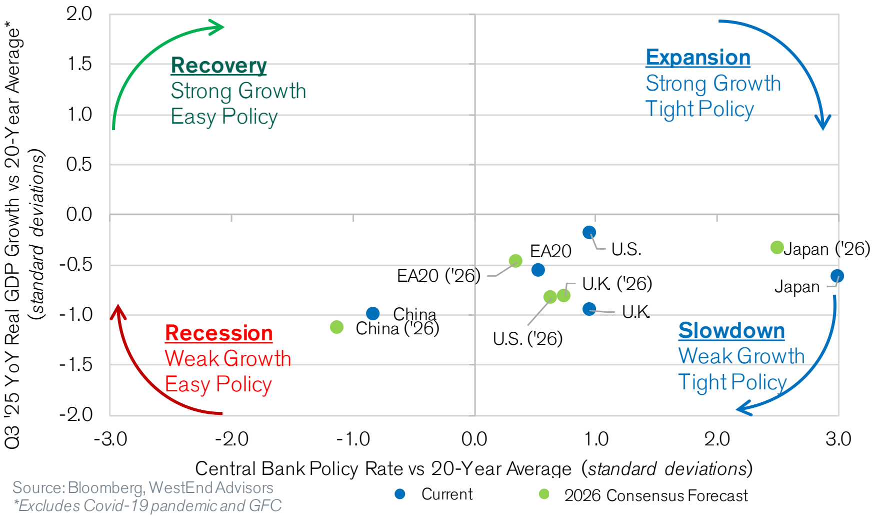
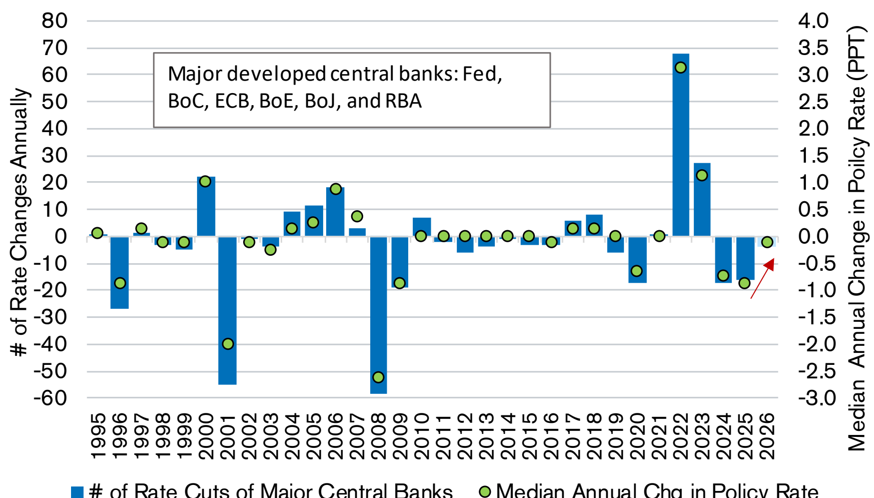
SLOW GROWTH, GRADUAL EASING POINTS TO ADVANCED CYCLE



Source: Bloomberg, WestEnd Advisors

GLOBAL EASING CYCLE STILL INTACT, BUT MAJORITY OF RATE CUTS NOW IN REARVIEW



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Real GDP and EPS growth in the U.S. has continued to outpace the rest of the world, as personal income and profit growth have been supported by rate cuts, tax policy changes, and secular strength in tech investment. In global portfolios, we have maintained our overweight to the U.S., but have shifted a portion of that allocation to smaller capitalization companies, which are poised to benefit from lower interest rates and favorable tax changes, in our view.

- **International Growth Acceleration to End:** 2025 was a positive year for many international markets, despite the rise in trade uncertainty, as economic growth *accelerated* across Japan, Europe and the U.K. Still, U.S. real GDP growth outpaced peers due to a combination of interest rate cuts, supportive fiscal spending, and AI-oriented investment tailwinds. Looking to 2026, we believe growth is set to stay moderate across most regions as the cycle remains advanced (top chart).
- **Synchronized Easing Cycle Losing Steam:** Most major central banks are likely to ease monetary policy further in 2026, in our view, but at a decelerating pace (see bottom chart). As a result, we see limited potential for a cyclical up-shift to above-trend global growth.

International Offers Range of Opportunities

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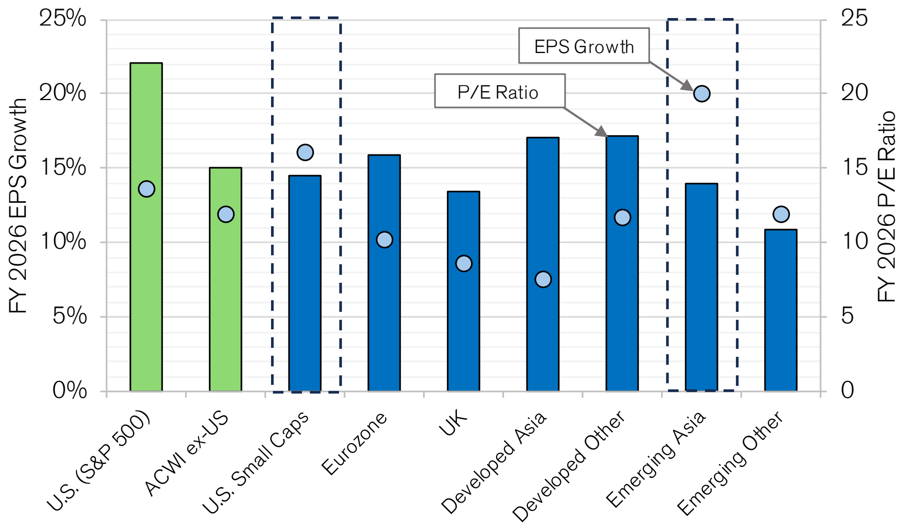
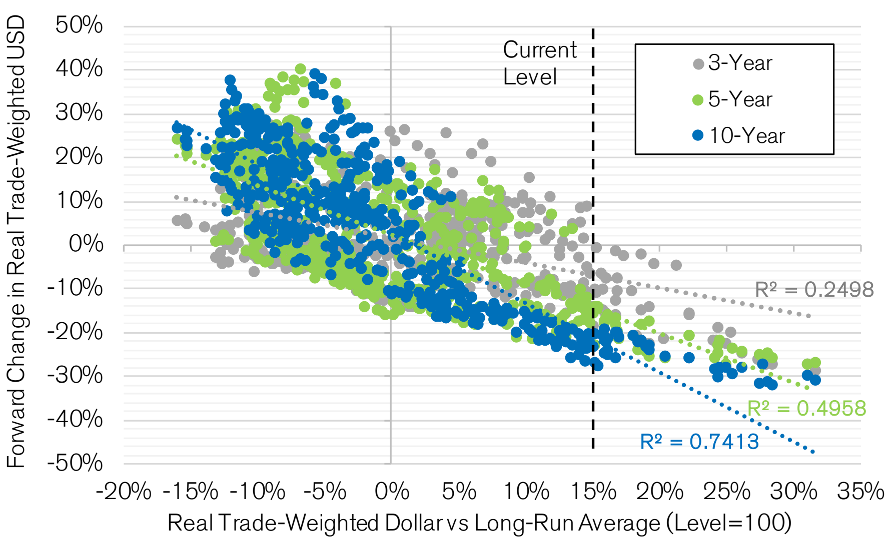
INTERNATIONAL GROWTH OPPORTUNITIES ARE ATTRACTIVE



Source: Bloomberg, WestEnd Advisors

DOLLAR CYCLES TAKE TIME TO PLAY OUT



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: We see attractive opportunities in U.S. small-caps, where earnings recovery potential is strong without concentration risk, and in Asia (developed and EM), which offers exposure to strong growth themes, all with palatable valuations, especially compared to U.S. large-caps.

- **Global Opportunities:** There are compelling global opportunities where earnings growth estimates are strong, yet valuations remain reasonable. Within this framework, we prefer U.S. small-caps for their earnings rebound potential with limited market concentration risk, while EM Asia stands out as a beneficiary of the high-tech investment cycle while trading at a considerable discount to U.S. peers.
- **U.S. Valuation:** The U.S. equity market trades at a historically large valuation premium versus international equities (top chart) of roughly 7x turns (~50%), despite U.S. and international earnings growth expectations being broadly in line. While valuation premiums can persist for extended periods, the real trade-weighted U.S. dollar that is ~15% above its long-term average (bottom chart) reinforces the case for selective exposure in U.S. equities.

Interest Rates & Real Assets

Uninverted Long End Signals Growing Value in Duration

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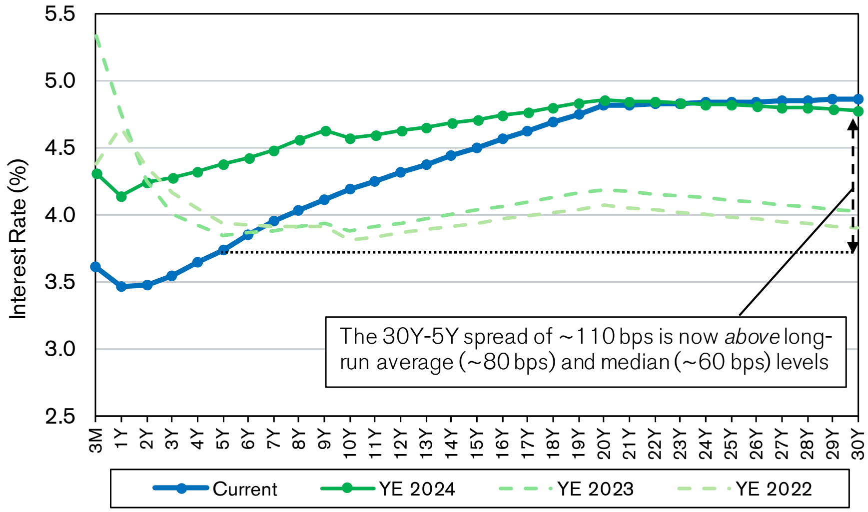
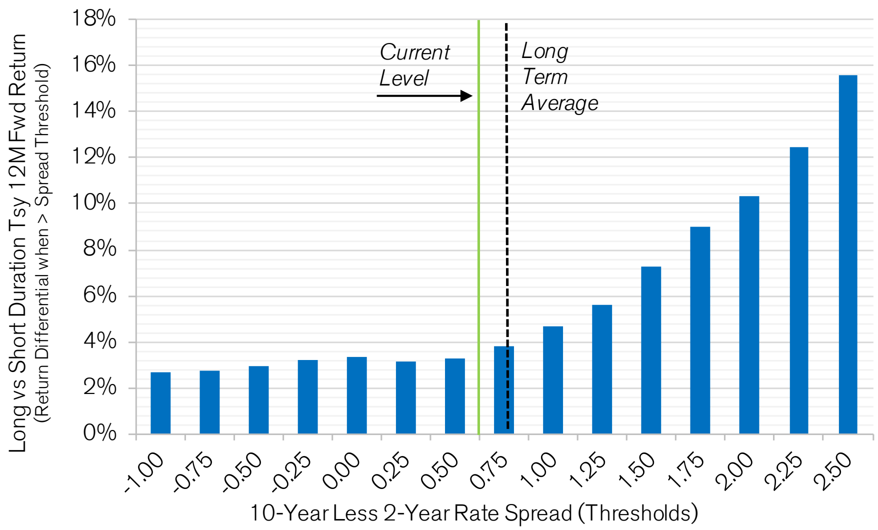
BACK END OF CURVE HAS NORMALIZED



Source: Bloomberg, WestEnd Advisors

DURATION MORE ATTRACTIVE AS CURVE STEEPENS



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: We believe further yield curve steepening is likely to be focused at the ultra short-end of the curve in 2026 as the Federal Reserve returns to a neutral rate stance. Long-term yields now offer a larger relative coupon advantage versus short duration, but above-target inflation could limit downside to longer-term rates. We expect fixed income returns to be driven primarily by healthy coupon yields, with modest price gains. In traditional balanced portfolios, we have maintained a neutral allocation to bonds.

- **Back End Has Normalized:** The intermediate-to-long end of the curve has returned to a normal shape (top chart), with the 5-to-30-year spread now *above* long-run average and median levels. With our outlook for more rate cuts and continued disinflation, we see growing value in longer-duration bond yields. Curve steepening beyond current levels has historically been consistent with cycle inflection points.
- **Duration Attractiveness:** Long-duration bonds become more attractive as the yield curve steepens. Historically, the outperformance of long vs short duration Treasury securities has been strongest when the yield spread is above average (bottom chart).

Low Risk Premium Means Diversification is Key

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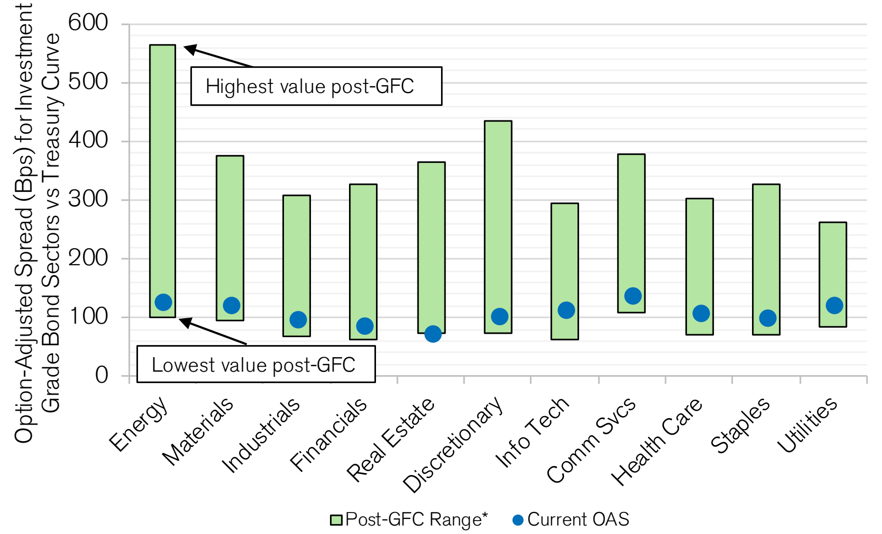
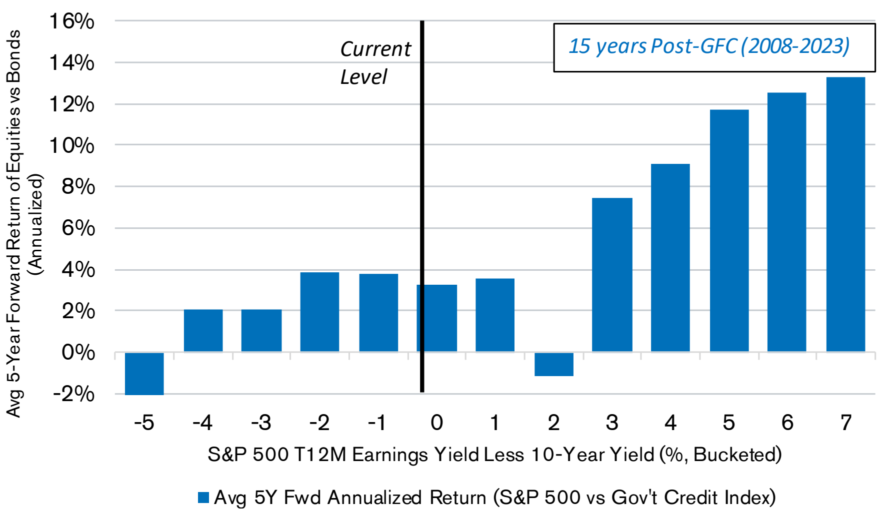
LIMITED VALUE ACROSS THE CORPORATE CREDIT SPACE



** For investment grade corporate bond universe. Source: Bloomberg, WestEnd Advisors*

LOWER ERP IMPROVES BONDS' RELATIVE APPEAL



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Historically depressed credit spreads and equity earnings yields could foreshadow lower forward relative returns for risky assets versus traditional bonds over the intermediate-to-long run. As such, we believe diversification could become increasingly important to portfolio outcomes, and we have maintained a neutral allocation to equities while avoiding long-duration corporate bonds in balanced portfolios.

- **Spread Compression Reduces Credit Appeal:** Investment-grade credit spreads compressed significantly in the second half of 2025, with option-adjusted spreads across all 11 sectors near post-GFC lows (top chart). Current spread levels have historically preceded neutral-to-under performance for corporate bonds relative to Treasury bonds. As such, we see little appeal in long-duration corporate credit.
- **Lower Equity Risk Premium:** The ERP, proxied by the S&P 500 earnings yield less the 10-year Treasury yield, has fallen to the lowest level in ~20 years. Historically, an equity risk premium of ~0% has foreshadowed modest equity outperformance relative to fixed income on a forward 5-year basis, which would represent a meaningful downshift compared to the past 15 years.

Asset Class Returns Driven by Macro Environment

WESTEND Advisors
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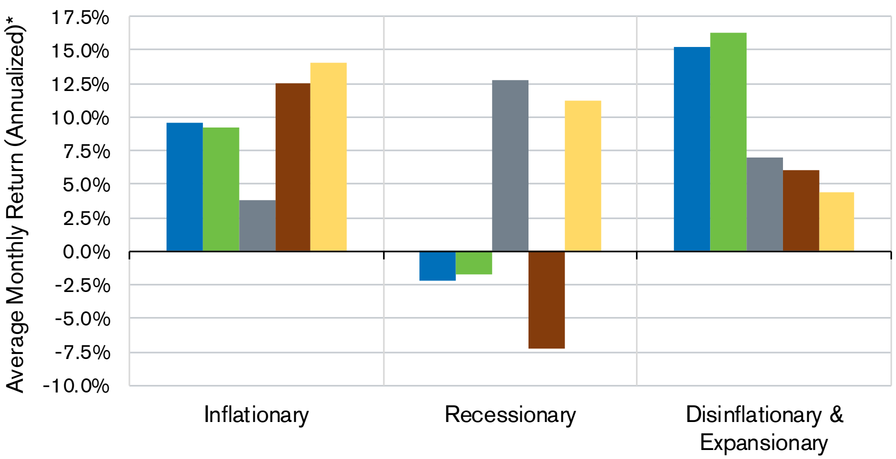
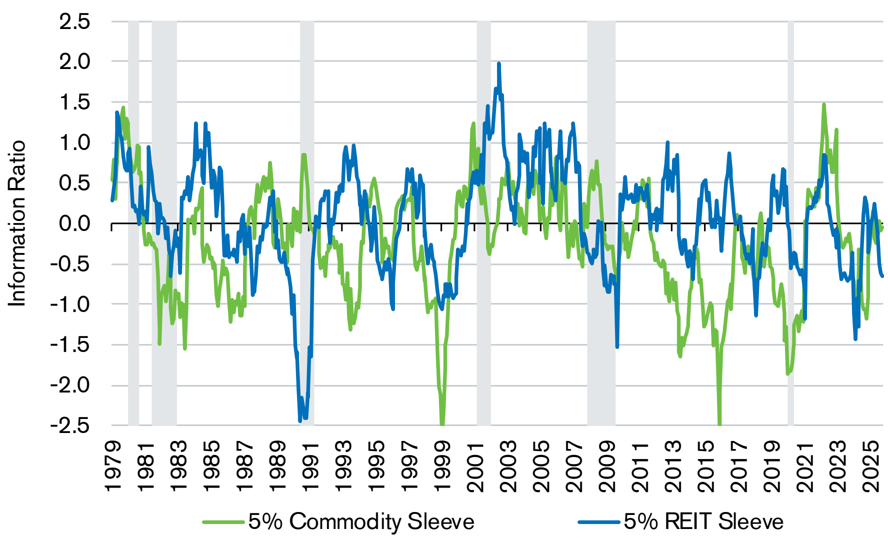
MACRO CONDITIONS DRIVE ASSET CLASS DISPERSION



** Covers periods from 1975 through Q4 2023.*   *Source: Bloomberg, WestEnd Advisors*

REAL ASSETS ARE ADDITIVE, BUT MACRO MATTERS



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Given our outlook for a late-cycle environment, we continue to avoid the most economically sensitive real asset exposures, like real estate and broad commodities. Against this backdrop, we continue to see gold as an attractive alternative to fixed income that can benefit from falling real interest rates and economic uncertainty.

- **Real Assets Can Enhance Portfolio Outcomes:** Macroeconomic conditions can influence the performance of assets outside of traditional equities and fixed income. Active, macroeconomically driven asset allocation decisions can enhance not only portfolio diversification but return potential as well.
- **Potential For Better Risk-Adjusted Returns:** The rolling12-month Information Ratios of two model portfolios with static real asset sleeves shows that both assets have the potential to add significant value to an asset allocation model at times (bottom chart). However, the long-term averages are close to zero, which we believe emphasizes the crucial role of active management over simple passive inclusion (e.g., static strategic allocation).

Footnotes & Disclosures

WestEnd Advisors, LLC ("WestEnd"), an SEC-registered investment adviser, operates as an autonomous Victory Capital® Investment Franchise. WestEnd's active principals are responsible for managing the firm and its day-to-day operations. Registration of an investment adviser does not imply any level of skill or training. WestEnd manages equity securities for individual, institutional and wrap clients.

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The Standard and Poor's 500 Stock Index includes 500 stocks and is a common measure of the performance of the overall U.S. stock market. The MSCI ACWI consists of 47 country indexes comprising 23 developed and 24 emerging market country indexes. The total return of the MSCI ACWI (Net) Index is calculated using net dividends. Net total return reflects the reinvestment of dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The Bloomberg Barclays US Aggregate Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. The Bloomberg Barclays US Aggregate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. An index is unmanaged and is not available for direct investment.

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Holdings, Sector Weightings, and Portfolio Characteristics were current as of the date specified in this presentation. The listing of particular securities should not be considered a recommendation to purchase or sell these securities. While these securities were among WestEnd Advisors' strategies' holdings at the time this material was assembled, holdings will change over time. There can be no assurance that the securities remain in the portfolio or that other securities have not been purchased. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities presently in the portfolio. Individual clients' portfolios may vary. Upon request, WestEnd Advisors will provide a list of all recommendations for the prior year.