Mission Wealth
Market Perspectives
Q3 2026

Presented By

Kieran Osborne, MBus, CFA

Partner and Chief Investment Officer

Kieran Osborne is responsible for portfolio management, trading, analysis, investment, and economic research functions and leads the firm's Investment Committee.

Mr. Osborne oversees portfolio construction and implementation, conducts in-depth manager research and due diligence, and monitors fund performance on an ongoing basis.

Key Themes

Key Themes	Commentary
Market Update	Stocks have rebounded from lows earlier in the year as strong company earnings and economic growth have driven stock prices higher despite geopolitical uncertainty. While stocks are up, earnings growth has been even stronger, leading to a contraction in P/E multiples. Some volatility has been associated with AI disruption concerns, market concentration and stretched valuations, and most recently, the Middle East conflict. Mag 7 stocks have underperformed the broad market and year-to-date performance has been marked by significant return dispersion across asset classes. These dynamics reinforce the importance of maintaining a broadly diversified portfolio with dedicated allocations across multiple asset classes and a disciplined approach to rebalancing.
The Economy	Economic growth continues to be robust in the face of geopolitical uncertainty, driven by strong consumer spending and business investment. Economic data has surprised to the upside and indicates positive momentum for the economy, which is expected to grow +2.2% in 2026, above the long-term trend growth rate. AI adoption continues to expand, which may help drive further productivity gains. Inflation is anticipated to remain above the Fed's long-term target of 2% through at least 2027. Given the resilient economy, balanced labor market, but still-elevated inflation, we believe the Fed may increase interest rates by year-end.
Asset Class Outlook	A robust economic backdrop has historically been supportive for stocks, though still high valuations, a more hawkish Fed, elevated inflation, and stock-market concentration may all act as moderating factors. International and emerging market stocks offer relative value to the U.S. market and may be supported moving forward. Current bond yields offer an attractive entry point compared to long-term averages, with our preferred bond funds yielding mid- to high-single digits. We believe alternative investments may offer attractive risk-adjusted return potential.

Mission Wealth Actions

- The divergence in performance across asset classes provides **enhanced rebalancing opportunities**.
  - ➢ Ahead of 2025, we trimmed Growth stocks and added to Value, international, and emerging markets.
  - ➢ In Q1 2026, we trimmed international and Value in favor of Growth stocks.
  - ➢ In Q2 2026, we once again trimmed Growth stocks.
- We believe **broad diversification, disciplined investment decision-making, and a focus on the long term** are critical to portfolio performance.
- Where appropriate, we have taken the opportunity to **tax-loss harvest** select positions to **enhance our clients' after-tax returns**.
- We are **constructive on bonds**. Many of our preferred bond funds yield **mid- to high-single digits.**
- We continue to **favor alternative investment strategies**, which we believe offer **attractive risk-adjusted returns and limited correlation** to public markets.

Part 1: Market Update

Market Update

Stocks Move Higher

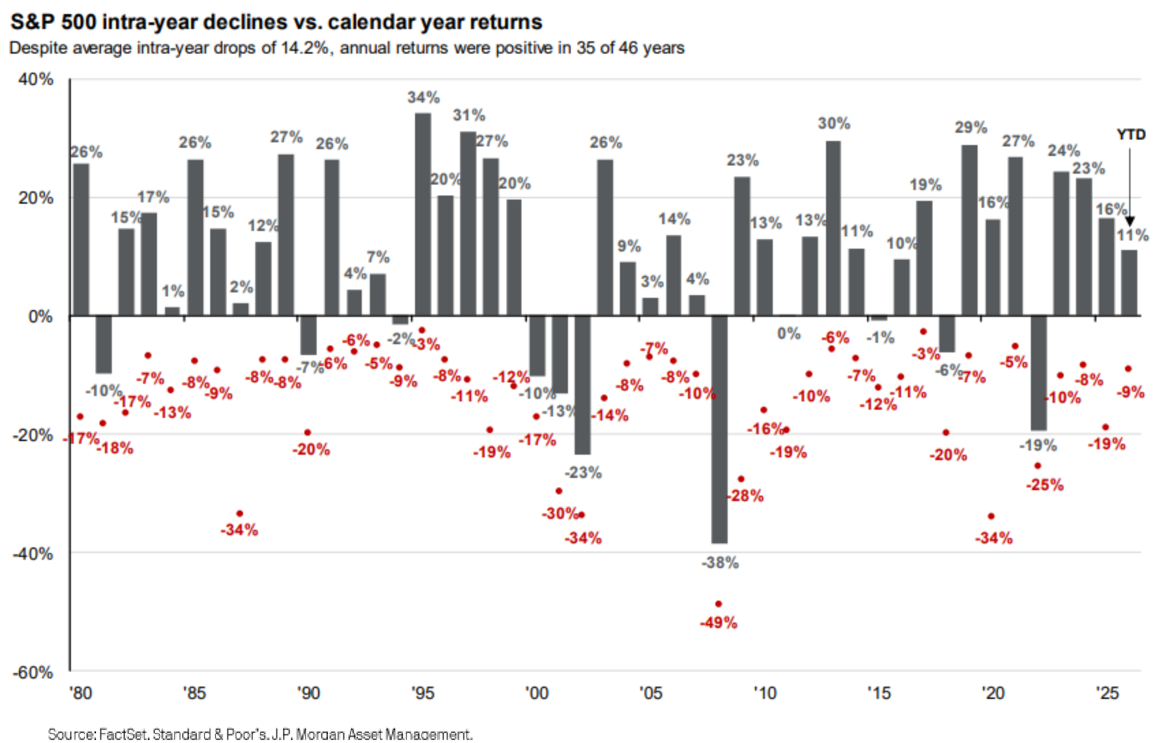
- Despite some recent volatility, **stocks rebounded** from March lows, as **strong company earnings** and **economic resilience** drove stock prices higher in the face of **geopolitical uncertainty**.
- The economy's performance is **better than anticipated**, and **positive company earnings** helped underpin investor sentiment.
- Earlier volatility was associated with AI disruption concerns, market concentration, and **stretched valuations,** and most recently, the **Middle East conflict**.

Source: FactSet

Market Update

Stock Performance in Perspective

- **Stock market volatility should be expected**. This year is no exception. Despite average intra-year declines of -14.2%, annual returns have historically been **positive 76% of the time**. **Staying fully invested and focused on the long haul is critical to investment success.**



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Market Update

Divergence in Returns

- **Magnificent 7 stocks underperformed** the broad S&P 500 year-to-date. Divergence widened in Q1, then closed through May, before diverging again.
- Underscores the **importance of diversification over concentration**.

Source: FactSet

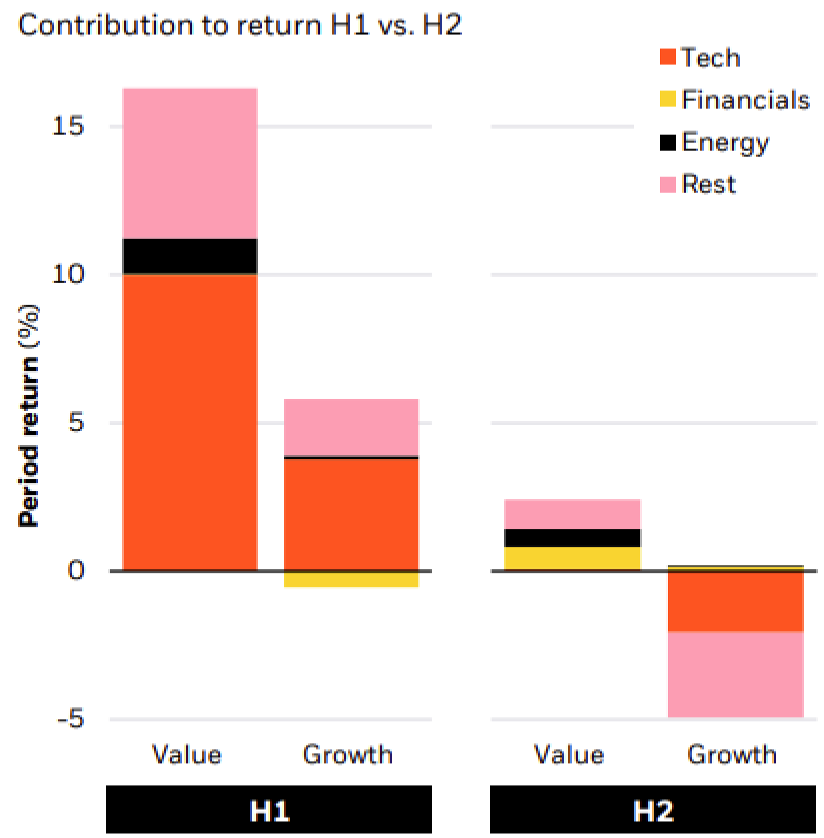
Mag 7 = Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla

Market Update

Divergence in Returns

- Tech stocks moved from one of the market's biggest tailwinds to one of its **biggest drags** recently.
- AI remains a powerful driver but has also led to **increased volatility and disparity** in its impact.
- Magnificent 7 stocks acted as a drag on U.S. stock markets over recent months.

➢ Underscores the **importance of broadly diversified portfolios**.



Bloomberg, as of 7/24/2026.
Value represented by Russell 1000 Value Index, Growth represented by Russell 1000 Growth Index.

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Market Update

Magnificent 7 – Why the Underperformance?

- **Extreme Positioning**: Leading into the recent period of underperformance, measures of equity positioning in large-cap tech stocks were considered "extreme." Positioning has since moved to a more neutral stance.
- **Hyperscaler Capex Concerns**: There is growing apprehension regarding the Capex spend by the largest hyperscalers.
- **Hawkish Fed Stance**: The Fed's more hawkish pivot may have negatively impacted growth-oriented stocks.
- **Rising Chip Costs**: Surging costs for memory and storage chips are raising concerns about profit margins across parts of the tech sector. This was exemplified by Apple's recent price increases across a range of its products.

Market Update

Divergence in Returns

- **Value stocks outperformed Growth** stocks YTD, with divergence between Q1 and Q2 returns.
- **Small Caps outperformed Large Caps** YTD and in both Q1 & Q2.
- **International & Emerging Markets outperformed U.S. stocks** YTD, with divergence for international between Q1 and Q2 returns.

➢ Performance dispersion underscores the **importance of broad-based portfolio diversification and a disciplined approach to rebalancing**.

Stock Performance

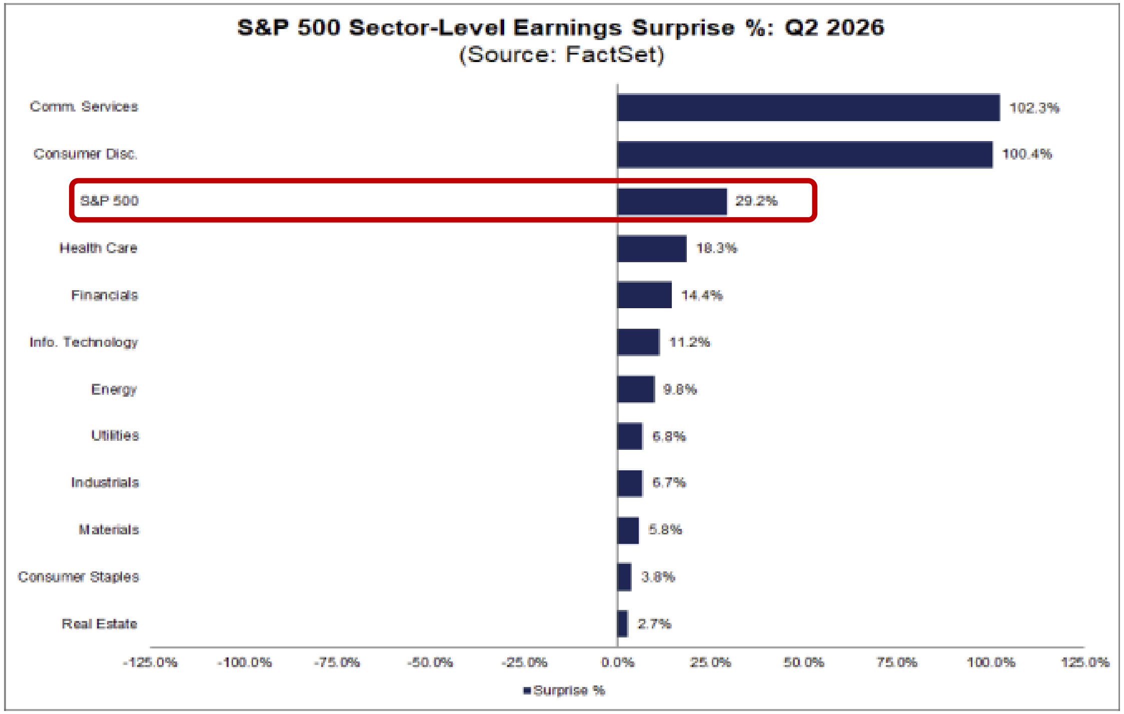
	Year-to-date	Q1 2026	Q2 2026	1-Year
S&P 500	10.13%	-4.33%	15.20%	3.85%
U.S. Growth	5.02%	-10.37%	18.46%	-3.73%
U.S. Value	16.38%	3.30%	11.63%	12.58%
Growth vs. Value	*-11.36%*	*-13.67%*	*6.83%*	*-16.31%*
U.S. Small Cap	15.20%	1.93%	16.07%	9.58%
Small vs. Large	*5.07%*	*6.26%*	*0.87%*	*5.73%*
International Stocks	12.39%	3.18%	6.53%	17.17%
Relative to U.S. stocks	*2.26%*	*7.51%*	*-8.67%*	*13.32%*
Emerging Markets	16.96%	4.70%	20.43%	18.39%
Relative to U.S. stocks	*6.83%*	*9.03%*	*5.23%*	*14.54%*

Source: FactSet. All data as of 7/31/2026

Market Update

Strong Earnings

- As of Aug 7th, reported S&P 500 company **earnings growth for Q2 '26 was over +50%,** the strongest since Q2 2021 and more than double expectations.
- **86% of companies reported earnings above estimates** and **earnings surprises were positive across all major sectors**.



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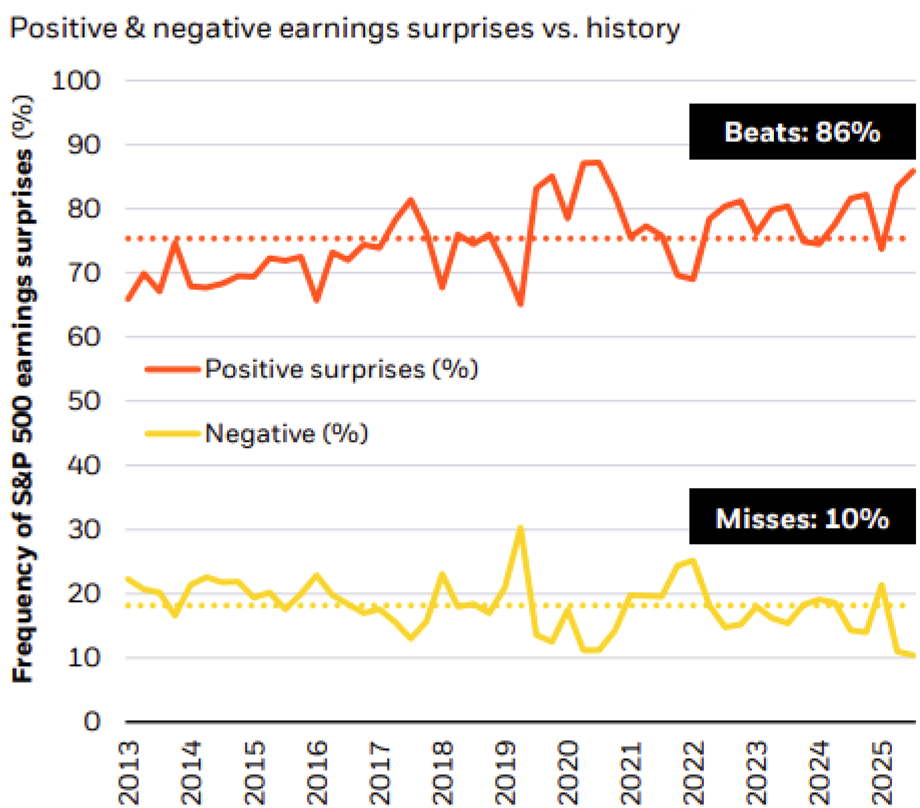
Market Update

Strong Earnings

- Companies are **beating earnings estimates at near-record rates** and forward guidance is well above historical averages.

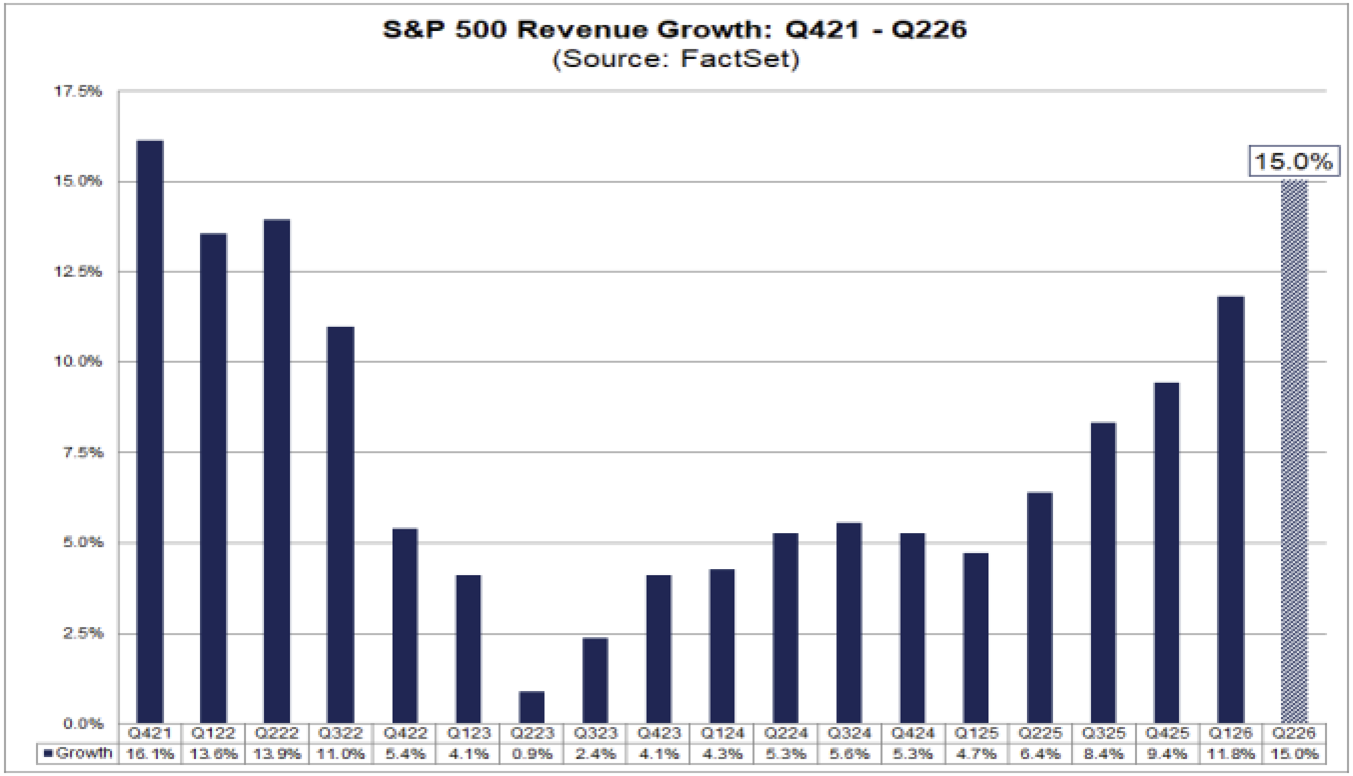


Source: Bloomberg. As of 7/27/2026.

Market Update

Strong Top Line Revenue

- **Revenue growth accelerated** in Q2 and was the strongest since Q4 2021.



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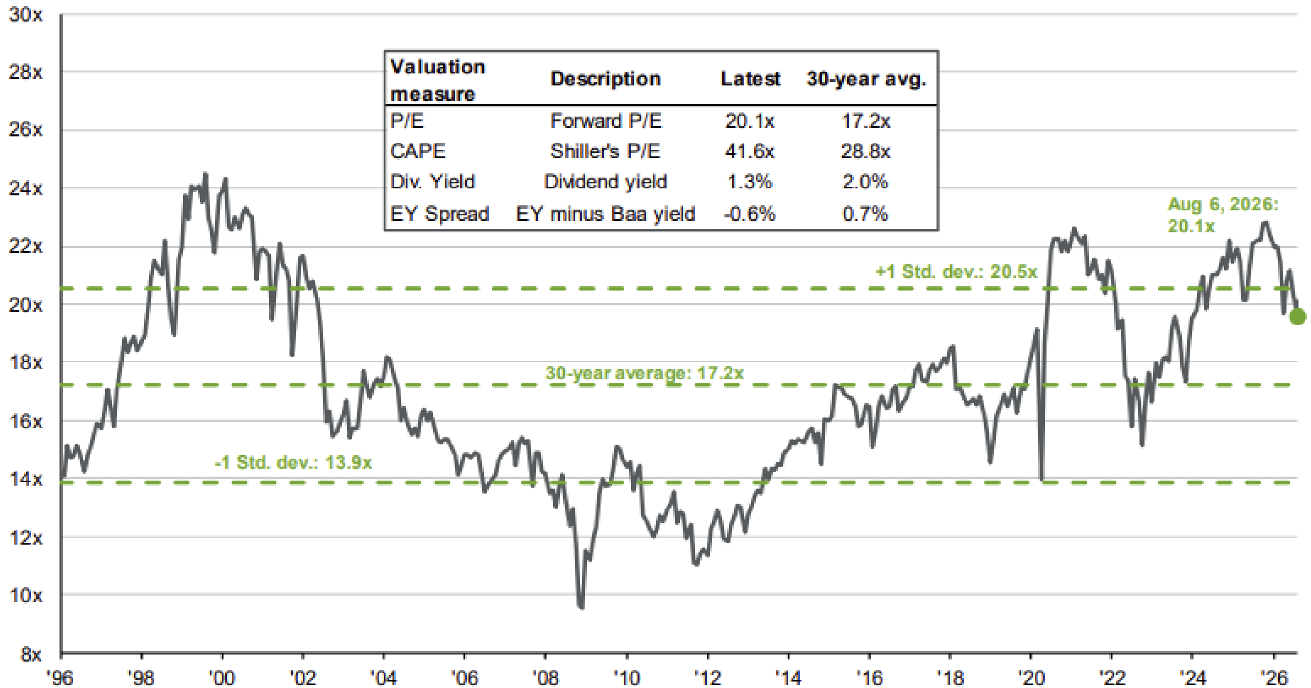
Market Update

Earnings Driving P/E Lower

- Despite appreciating, stock prices haven't kept pace with positive adjustments to earnings expectations, leading to a **decline in P/E multiples**.

S&P 500 index: Forward P/E ratio



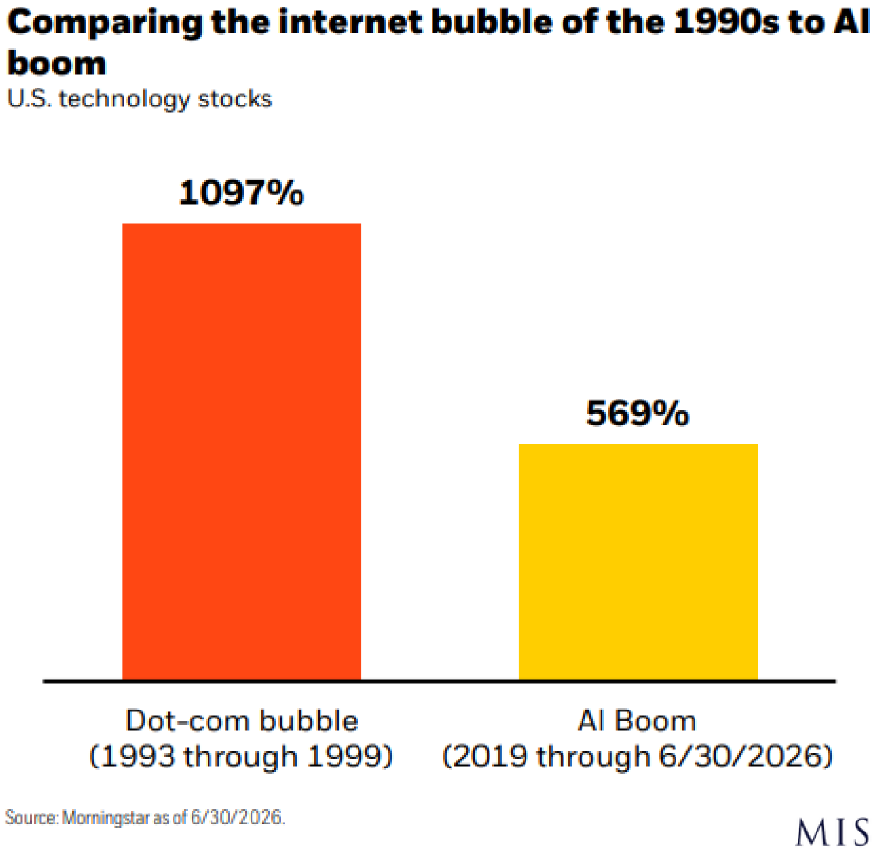
Valuation measure	Description	Latest	30-year avg.
P/E	Forward P/E	20.1x	17.2x
CAPE	Shiller's P/E	41.6x	28.8x
Div. Yield	Dividend yield	1.3%	2.0%
EY Spread	EY minus Baa yield	-0.6%	0.7%

Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.

Market Update

Dot-Com vs. AI

- Despite recent underperformance, technology stocks have delivered strong returns, but they still **fall short of the gains seen during the dot-com bubble** of the late 1990s.



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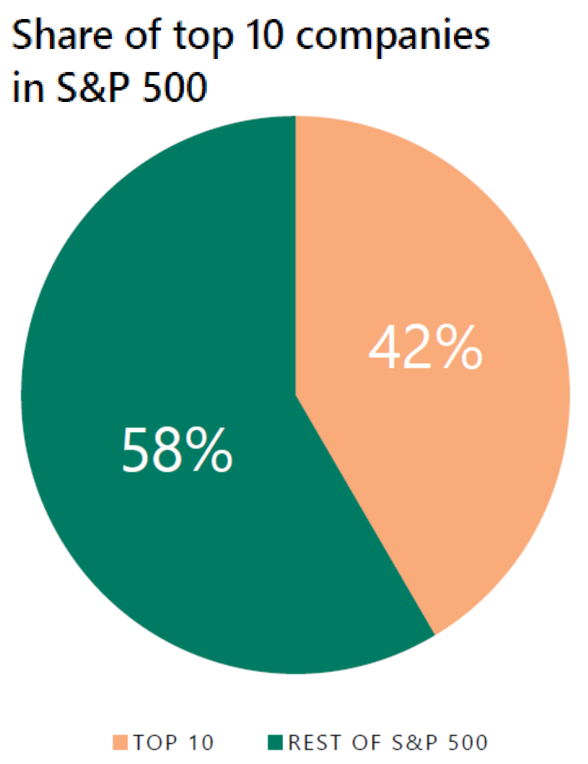
Market Update

Stock Market Concentration

- **U.S. stocks are not as diversified as they once were.** The ten biggest companies make up more than 40% of the index.
  - Underscores the **importance of broad-based diversification across multiple asset classes.**



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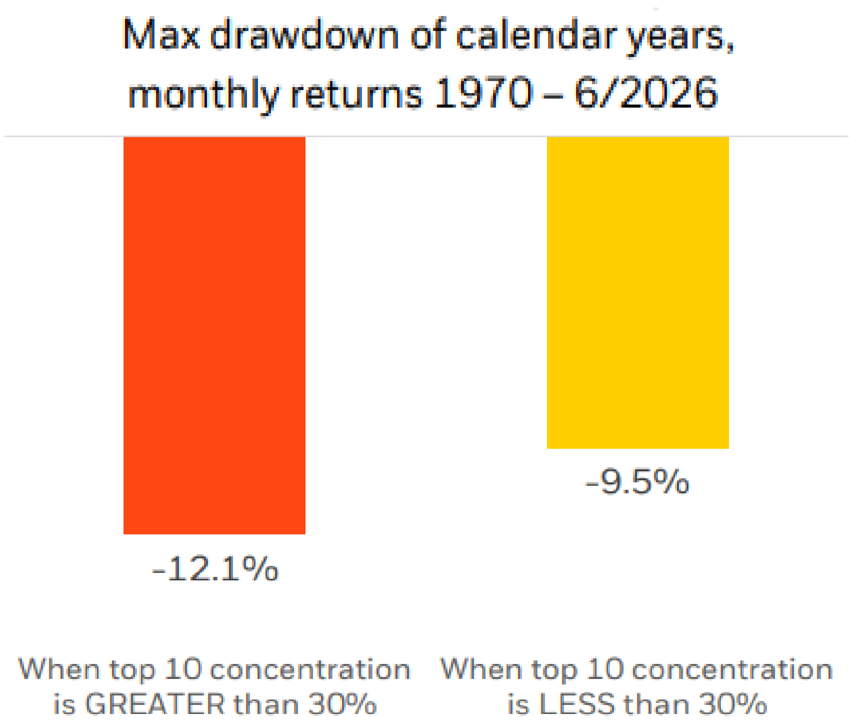
Market Update

Stock Market Concentration

- Elevated stock market concentration has historically **increased average annual drawdowns.**

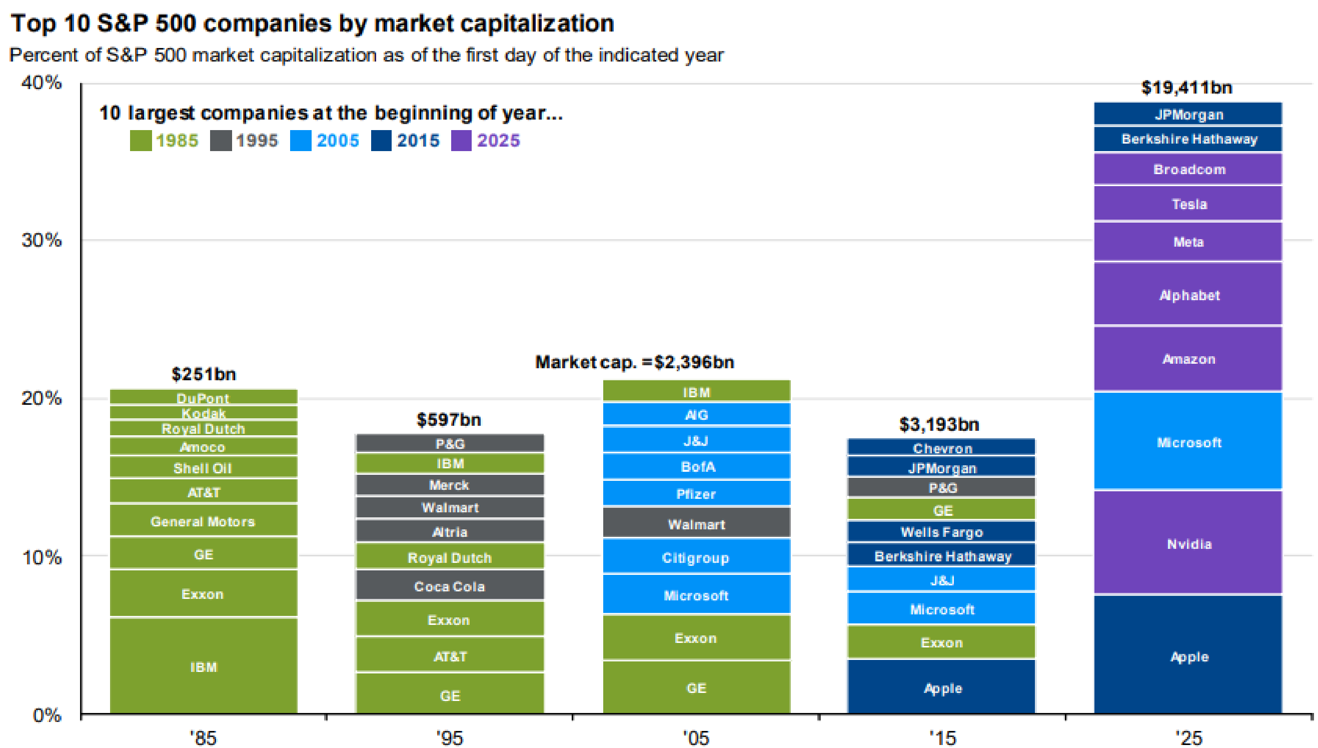


Source: Dow Jones S&P, Morningstar as of 6/30/26. Stock market represented by the S&P 500 Index.

Market Update

Largest Companies Don't Stay Largest Forever

- Only one of the largest companies (Microsoft) from 2005 remained in the top 10 in 2025; three of the top 10 companies in 2015 remained in the top 10 in 2025.



Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management.

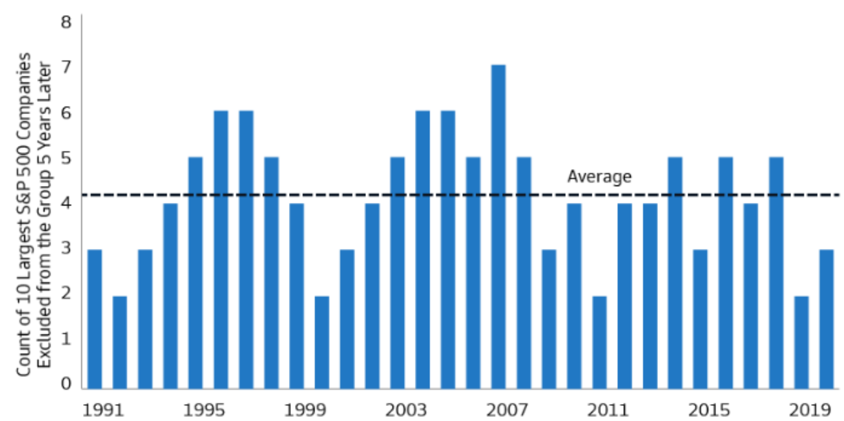
Market Update

Largest Companies Don't Stay Largest Forever

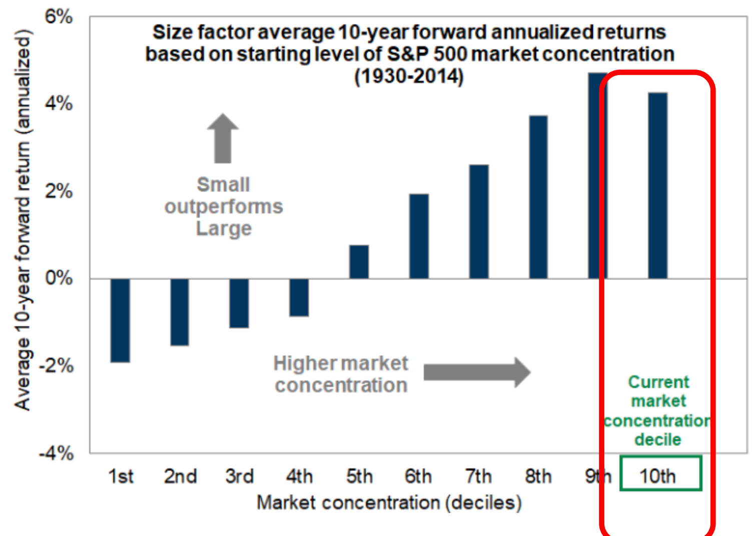
- It is **very difficult for market leaders to maintain their dominance** indefinitely.
- Historically, **four of the largest ten S&P 500 companies fell out** of the top ten in the following five years**.**
- Higher levels of stock concentration historically led to **large-cap stocks underperforming small-cap stocks.**

➢ *Consider diversifying large, concentrated stock exposures.*

Number of 10 Largest S&P 500 Companies No Longer in Top 10 5 Years Later



Source: Bloomberg and Goldman Sachs Asset Management. As of March 31, 2024.

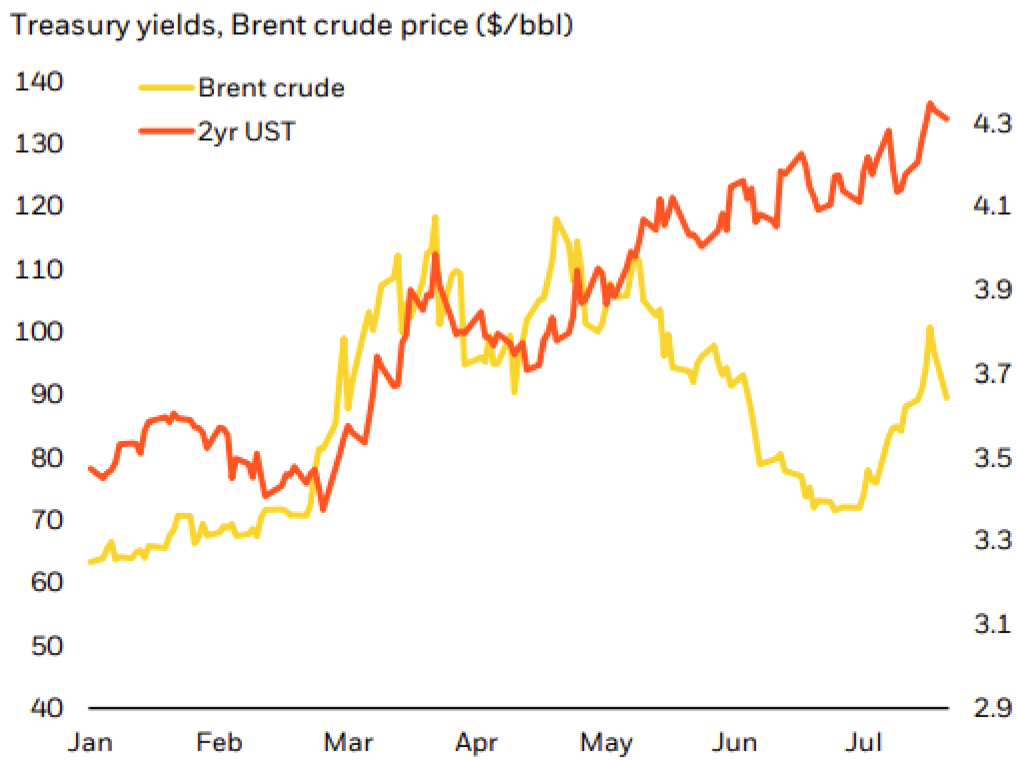


Source: Kenneth R. French, Goldman Sachs Global Investment Research

Market Update

Bond Yields Up

- **Bond yields have trended higher**, first as **inflation expectations rose** on the back of elevated energy prices, and more recently as the focus has shifted to an **increased likelihood that the Fed raises rates**.



Bloomberg as of 7/27/2026.

Part 2: The Economy

The Economy

Economic Outlook

- Despite geopolitical uncertainty, underlying **economic growth continues to be robust, driven by strong consumer spending and business investment**.
- **The economy is expected to grow 2.2% in 2026**, somewhat moderated since the beginning of the Middle East conflict, but above long-term trend growth of ~2%.
- Measures of inflation are anticipated to **remain above the Fed's long-term target of 2% through at least 2027.**

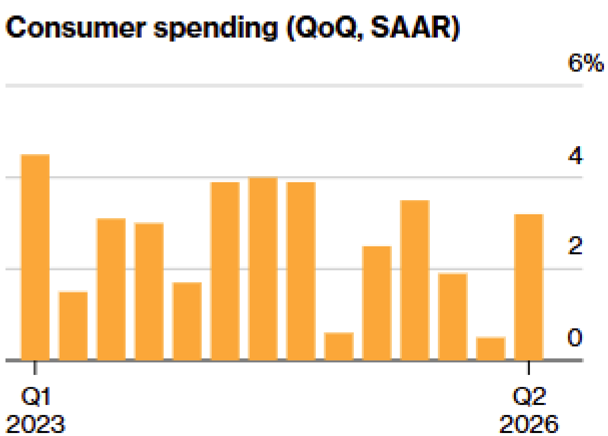
United States Economy	2023	2024	2025	*2026 Est.*	*2027 Est.*	*2028 Est.*
Real GDP (%y/y)	2.9	2.8	2.1	*2.2*	*2.0*	*2.1*
Household Consumption (Real, %y/y)	2.6	2.9	2.6	*1.9*	*1.9*	*1.9*
Government Consumption (Real, %y/y)	3.5	3.8	1.1	*0.8*	*1.4*	*1.3*
Gross Private Domestic Investment, Residential (Real, %y/y)	-7.8	3.2	-2.2	*-2.9*	*2.6*	*3.4*
Gross Private Domestic Investment, Non-Residential (Real, %y/y)	7.3	2.9	4.1	*5.9*	*4.1*	*3.7*
Inflation						
CPI (%q/q, SAAR)	4.1	3.0	2.6	*3.4*	*2.4*	*2.1*
Core CPI (%q/q, SAAR)	4.8	3.4	2.8	*2.8*	*2.5*	*2.2*
PPI (%y/y)	2.0	2.4	3.0	*4.8*	*2.9*	*2.0*

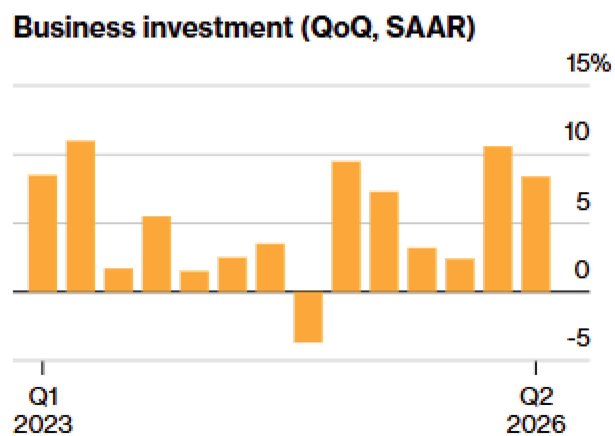
Source: FactSet

The Economy

Economic Outlook

- The Q2 first estimate GDP report painted a constructive picture.
- Consumer spending – the largest driver of U.S. economic activity – rose a **stronger than expected +3.2% QoQ.**
- **Business investment increased a robust +8.4%**, buoyed by technology investments.



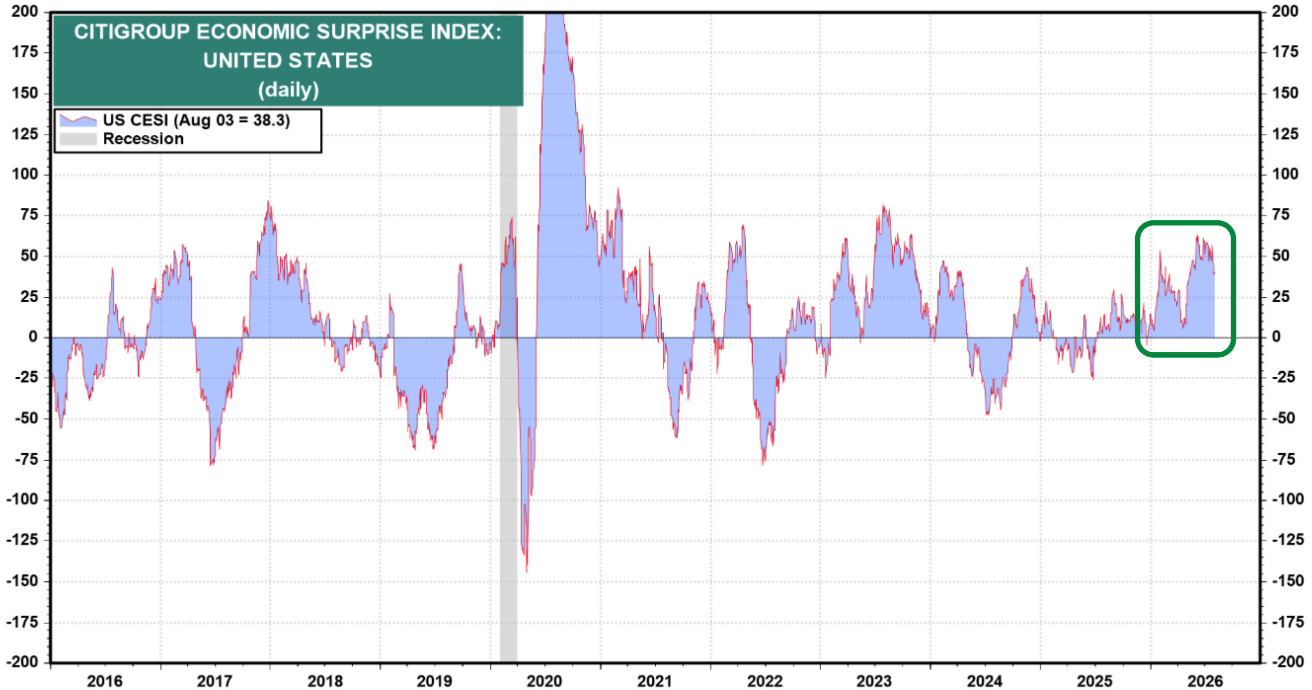


Source: Bureau of Economic Analysis

The Economy

Economic Data Better Than Expected

- Despite geopolitical uncertainty, the **U.S. economy continues to surprise to the upside**.
- Economic data indicates **positive momentum for the economy**, with positive data across housing & real estate, retail sales, the labor market, and businesses.

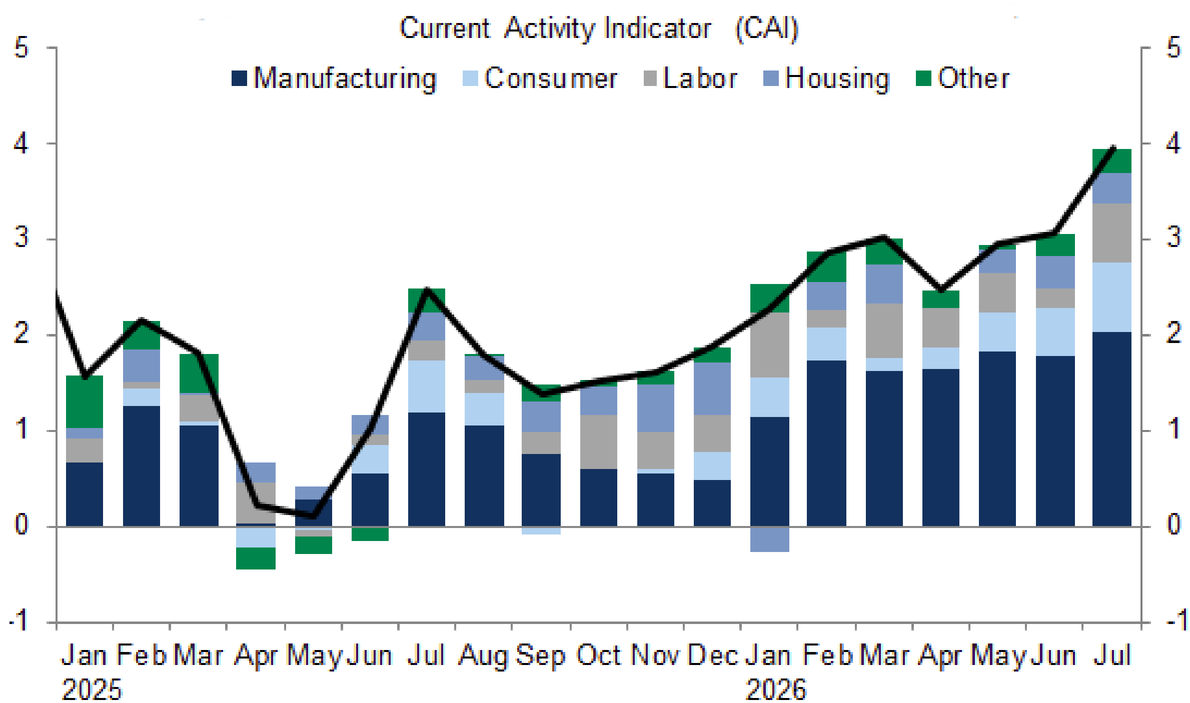


Source: LSEG Datastream and © Yardeni Research, and Citigroup Inc.

The Economy

Economic Activity on a Positive Trend

- Measures of **current economic activity are robust and trending positively**.



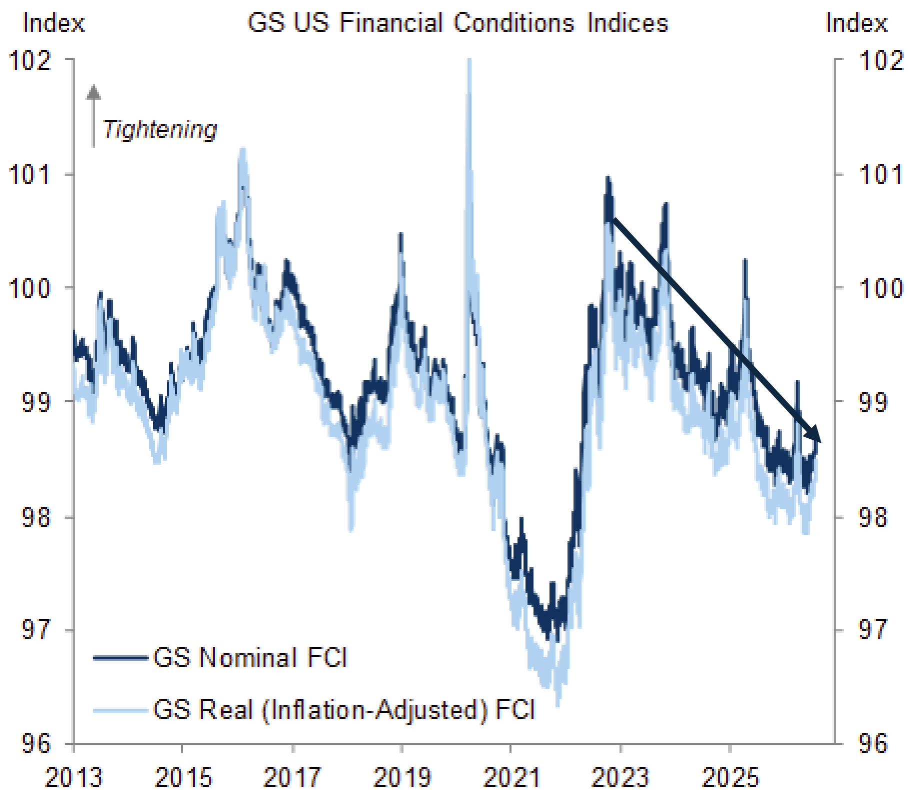
*First principal component of 37 key weekly and monthly US economic indicators.

Source: Goldman Sachs Global Investment Research

The Economy

Financial Conditions Have Eased

- Financial conditions have eased over recent years, **supporting economic activity.**



Source: Goldman Sachs Global Investment Research

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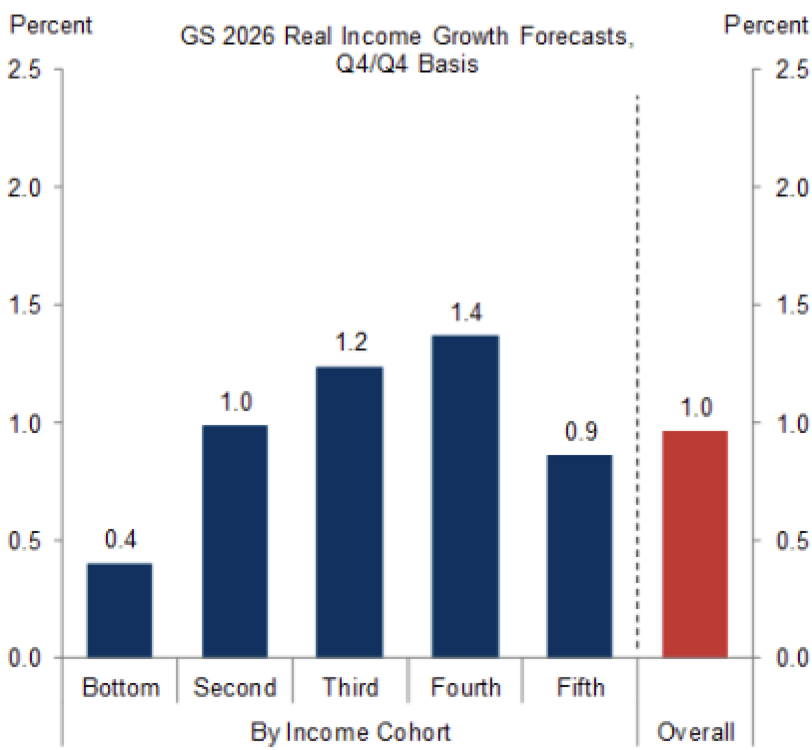
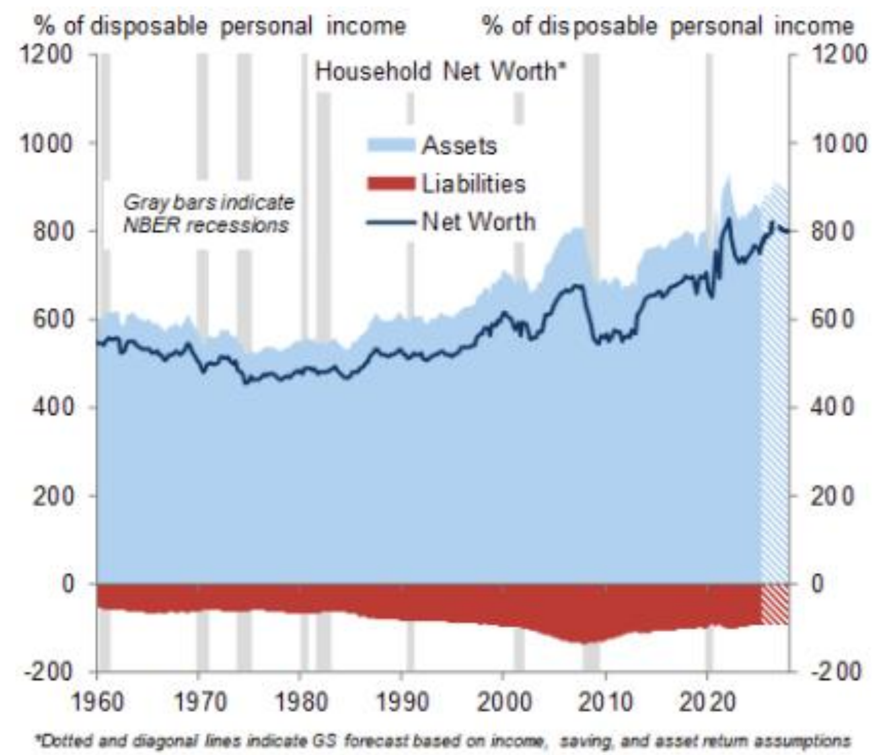
The Economy

Robust Consumer

- Consumer spending continues to be supported by **growth in real income** and **strong household balance sheets**.



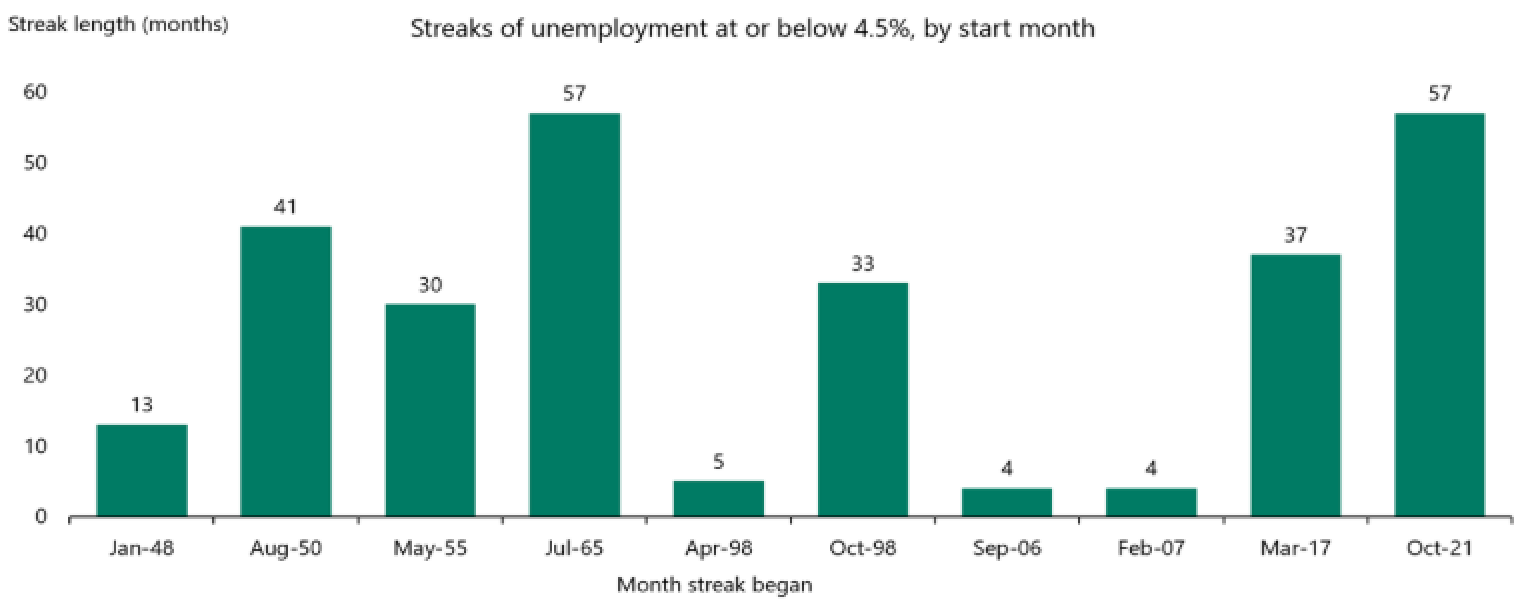


Source: Bureau of Economic Analysis, US Bureau of Labor Statistics, Federal Reserve Board, University of Michigan, The Conference Board, US Federal Reserve Bank, Goldman Sachs Global Investment Research, IRS, Morning Consult

The Economy

Robust Consumer

- The **labor market has been robust**, with the unemployment rate below 4.5% for a record period, helping **underpin consumer spending**.



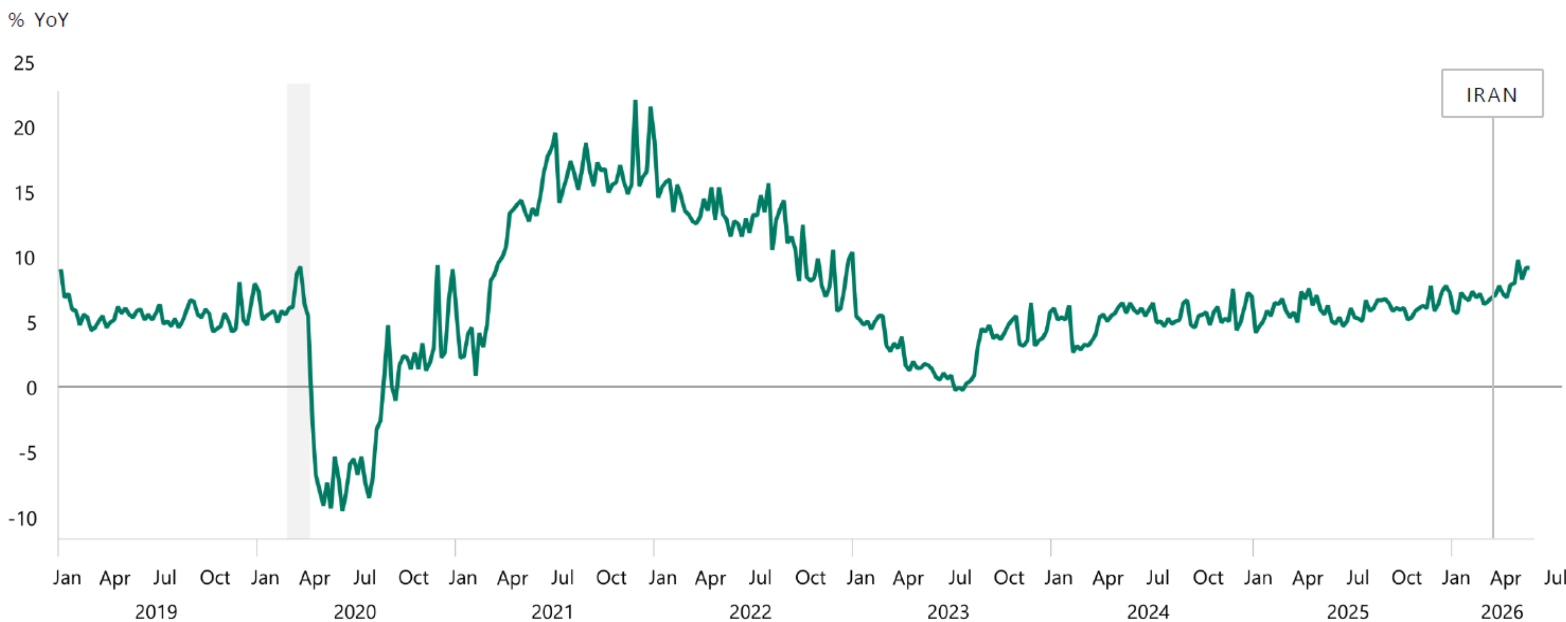
Sources: US Bureau of Labor Statistics, Apollo Chief Economist

The Economy

Robust Consumer

- Despite geopolitical concerns, **consumer spending accelerated** from an already strong level.

Redbook Research: Same store, Retail sales average



Sources: Redbook Research Inc., Macrobond, Apollo Chief Economist

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The Economy

Capital Goods Orders Picking Up

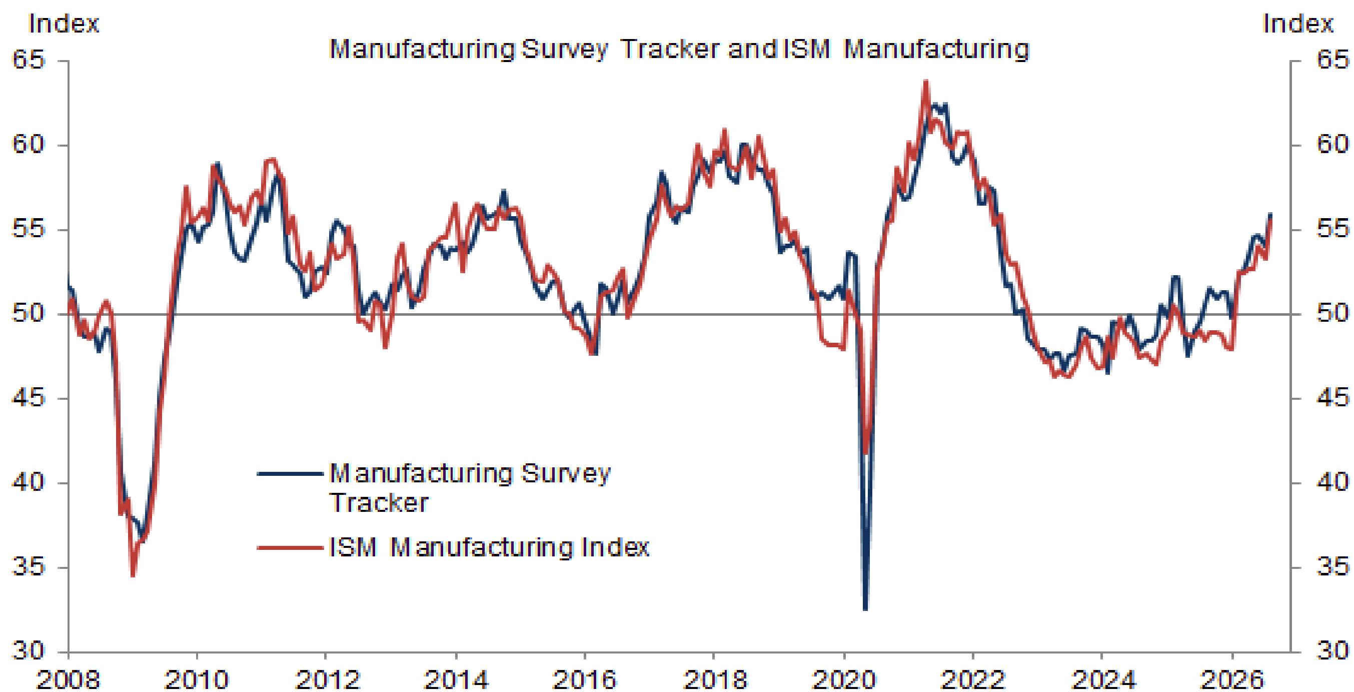
- The economy experienced continued growth in core capital goods orders, indicating **underlying robustness in the economy**.

Source: Goldman Sachs Global Investment Research, Department of Commerce

The Economy

Positive Manufacturing Data

- Data indicates an **acceleration in manufacturing activity**.



Source: Institute for Supply Management, Goldman Sachs Global Investment Research

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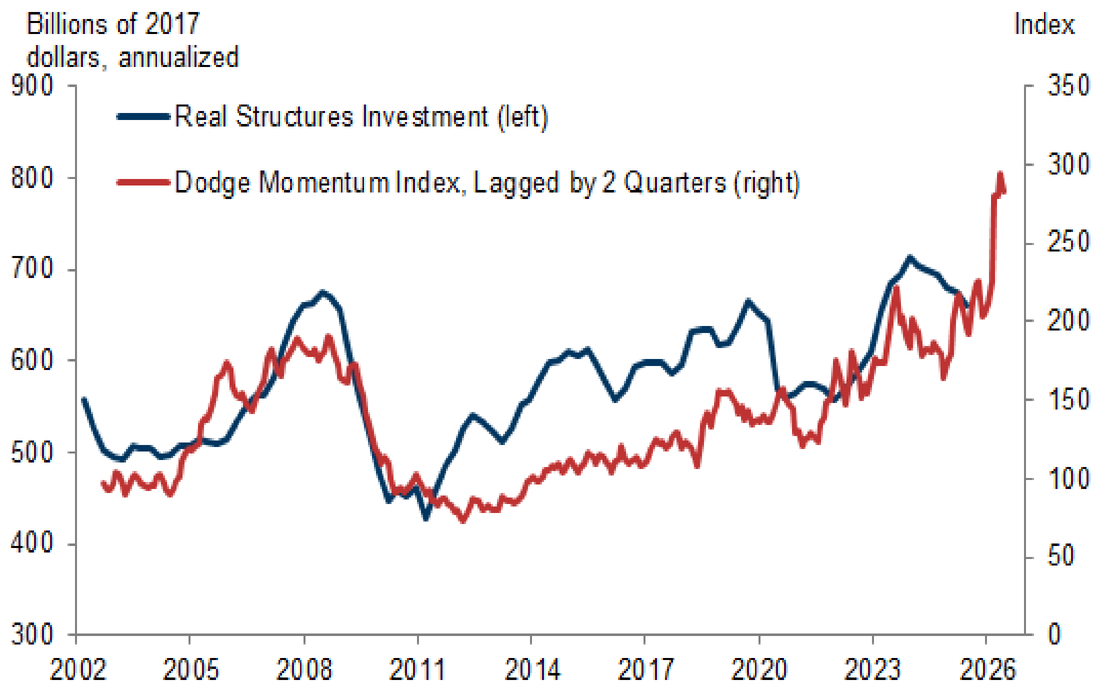
The Economy

Real Estate Investment Set to Rebound

- Indicators of real estate investment point towards an **increase in non-residential structures investment, a key component of GDP.**

The Dodge Momentum Index—Which Tracks the Monthly Value of Nonresidential Building Projects Entering Planning Stages Points to a Rebound in Structures Investment in 2025H2



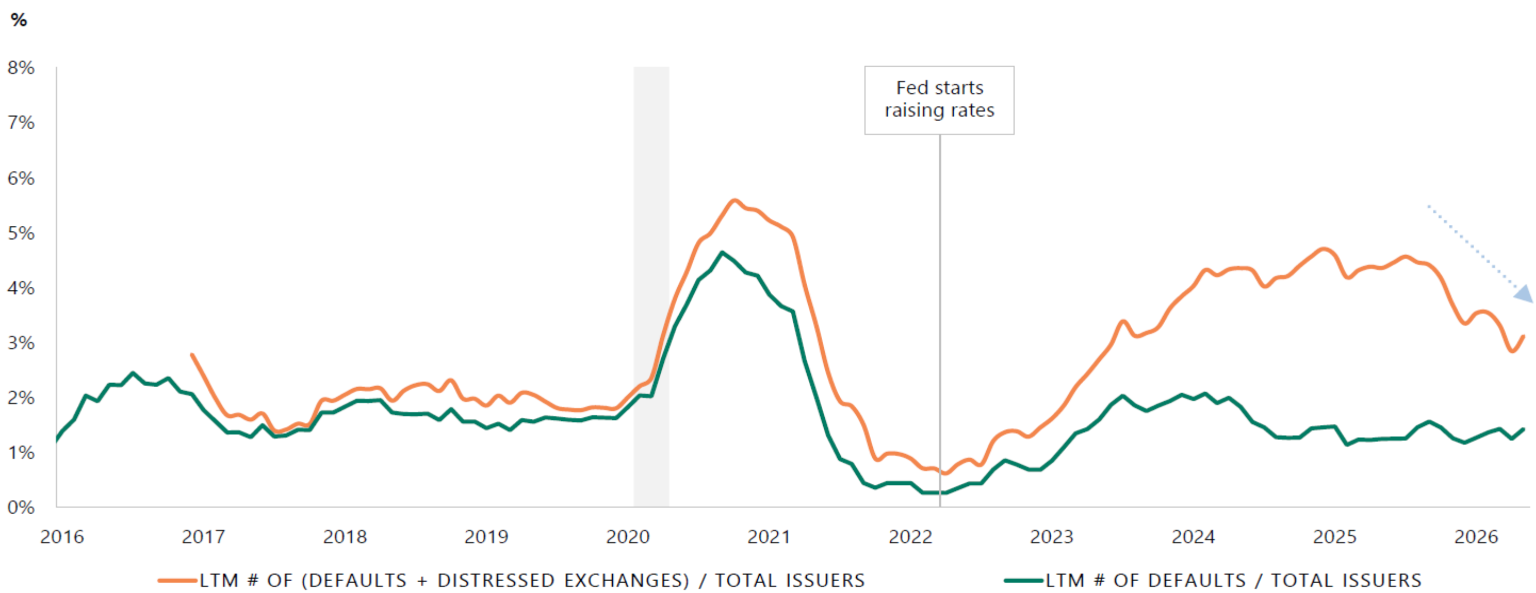
Source: Goldman Sachs Global Investment Research, Department of Commerce, Dodge Construction

The Economy

Business Fundamentals

- Despite headlines and some isolated issues, **underlying business fundamentals** and **credit metrics are improving**.
- Our investment partner data indicates **top-line revenue growth and bottom-line earnings growth** for businesses broadly across sectors.

Morningstar/LSTA Leveraged Loan Index Default Rates



Note: LTM = Last Twelve Months. Sources: PitchBook, Apollo Chief Economist

The Economy

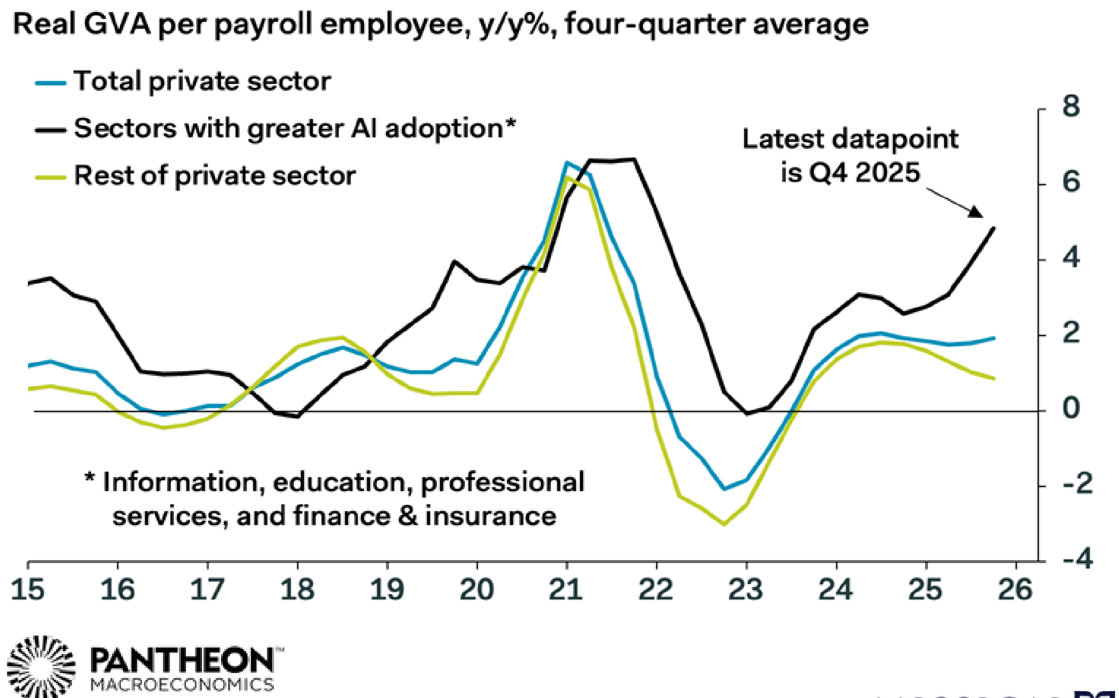
Reduced Recession Risks

- Given the relatively robust economic backdrop and better-than-expected economic data, prediction markets indicate a **reduced probability for a near-term recession**.

The Economy

AI Driving Productivity Enhancements

- Productivity – as measured by growth in real gross value added (GVA) per employee – **accelerated for those sectors where AI adoption currently is highest.**
- **Productivity improvements** are key to **extending the current economic expansion**.



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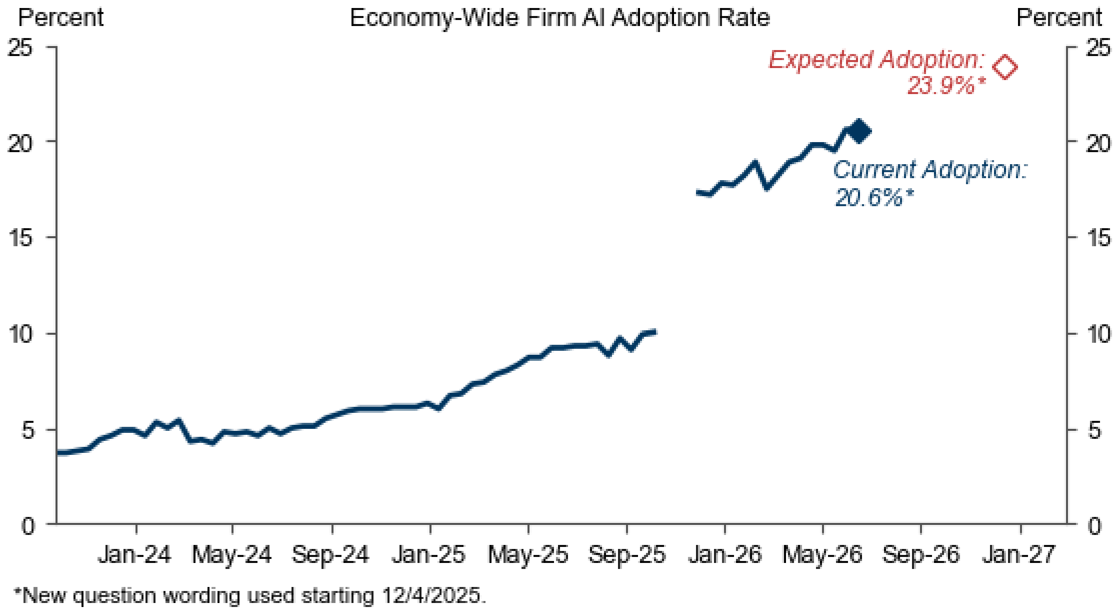
The Economy

AI Adoption Continues to Expand

- Over 20% of firms are using AI in their regular business functions and that number is **set to expand, with 24% of firms expect to use AI** in any business function over the next 6 months.



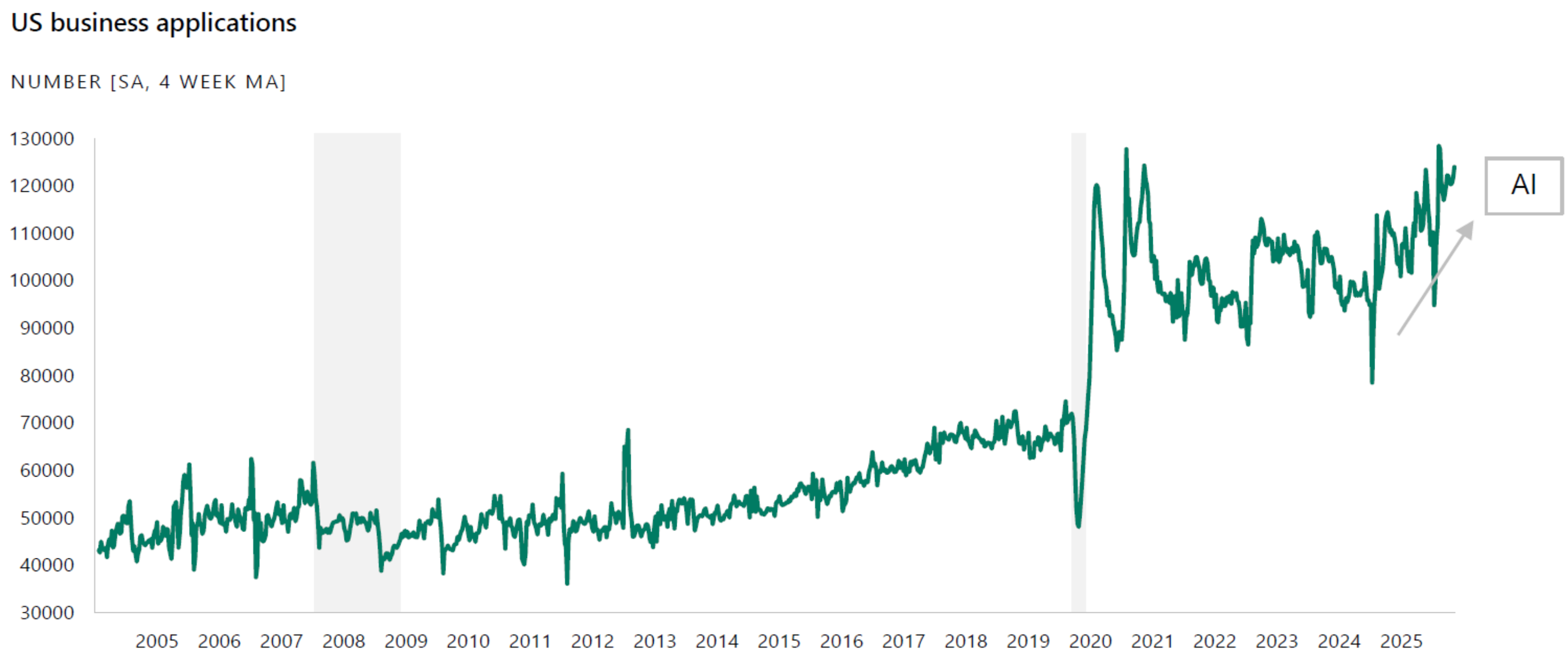
Source: Census Bureau, Goldman Sachs Global Investment Research

Note: *The Census Bureau has rephrased question from asking about AI use in "producing goods and services" to asking about AI use in "any business functions" starting from the December 4, 2025 release.*

The Economy

AI Driving New Business Formation

- AI is fueling a **surge in new business formation**, reducing the cost and complexity of launching a company.
- As these firms scale, they will likely create jobs, **underscoring the benefits of AI for the labor market.**

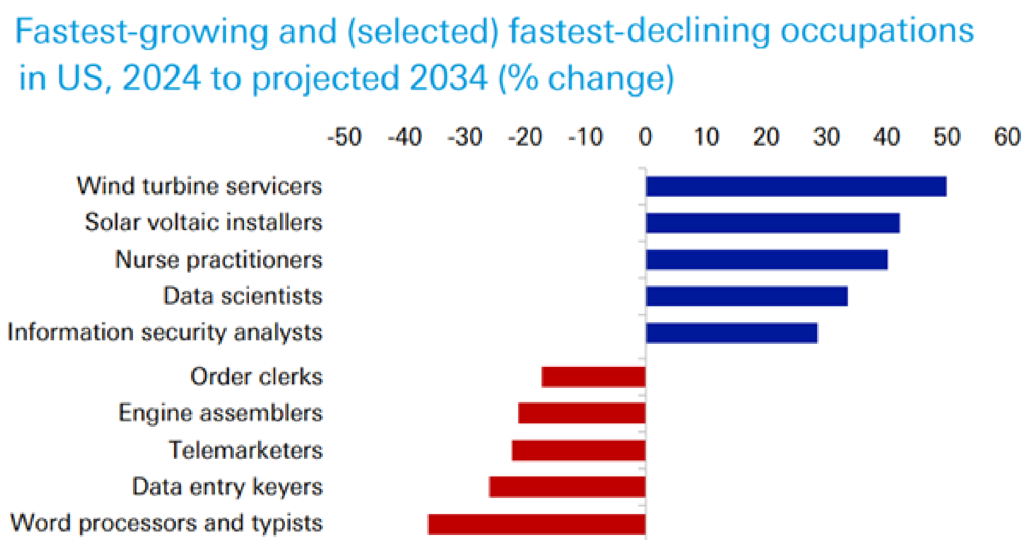


Sources: US Census Bureau, Macrobond, Apollo Chief Economist

The Economy

AI Adoption – Labor Market Implications

- Balancing act: on the one hand, AI may **increase productivity**; on the other hand, it may have **labor market implications**.
- The data shows that thus far, **firms are using AI to enhance employee's tasks**, not replace them.
- Experts disagree wildly on AI's labor market implications. **Job postings** for AI-sensitive occupations **have stabilized** and **software development postings have *risen* over the last year.**



Source : US Census Bureau, BLS, Deutsche Bank Research

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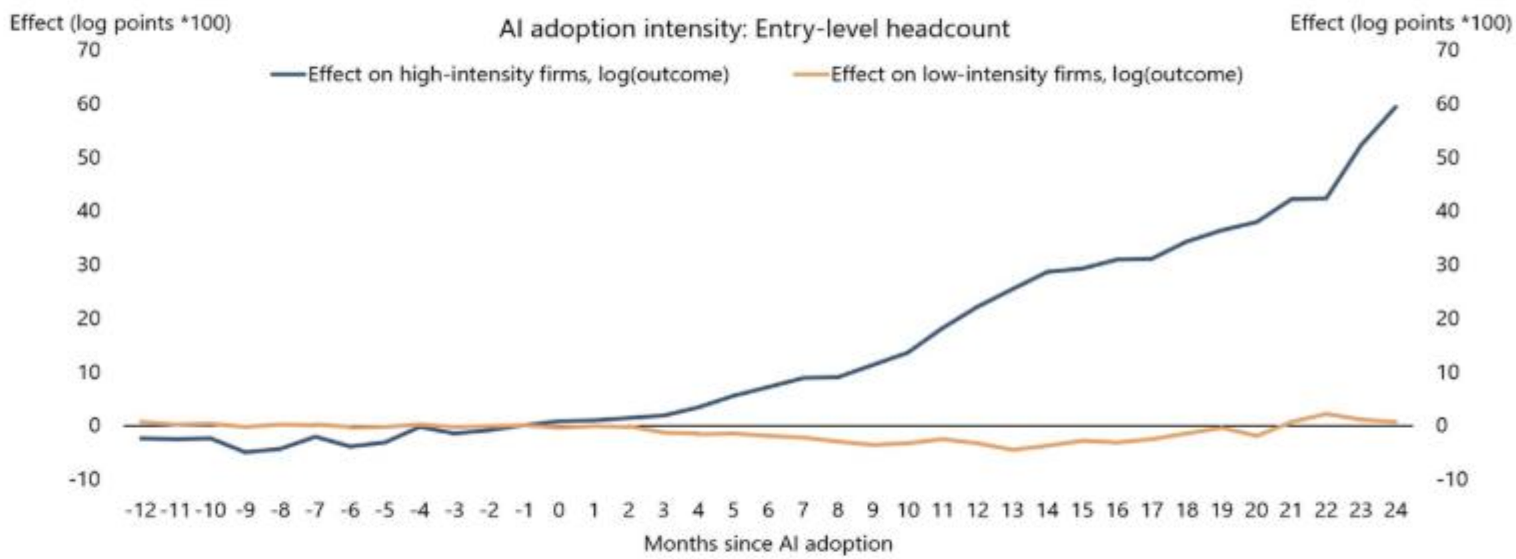
The Economy

AI Adoption – Labor Market Implications

- A new study linking AI spending to workforce records across thousands of U.S. firms found that **companies that adopted AI grew their headcount by 10%** over the subsequent two-years.
- AI investment appears to be **complementing workforce growth**, not replacing workers.

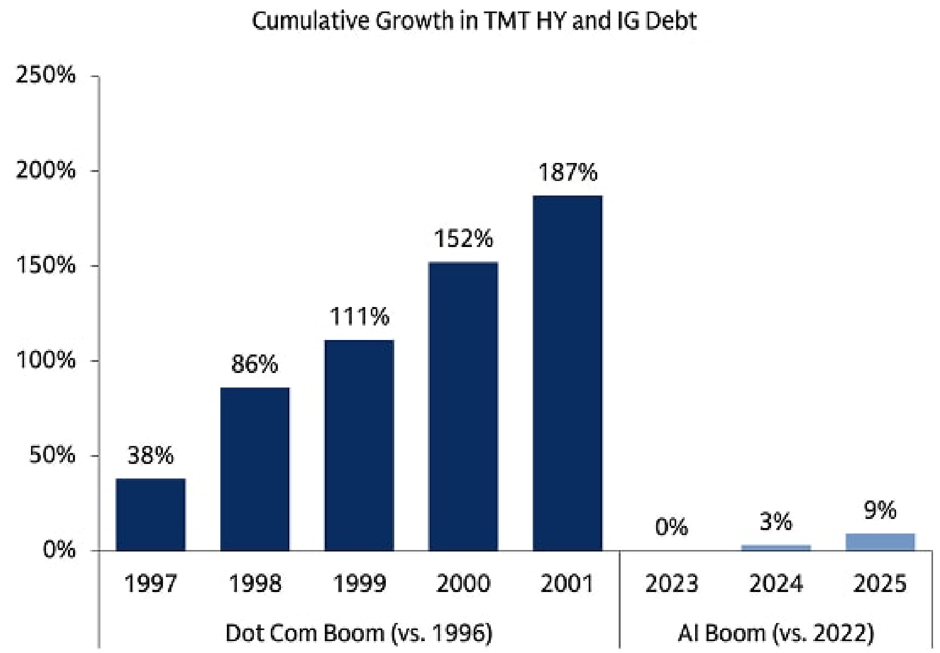


Sources: Ramp, Revelio Labs; Kharazian, Simon and Stevens (2026)

The Economy

AI Debt: Not Dot.Com

- AI hyperscalers' use of debt issuance has raised concerns and drawn parallels with the Dot.Com bubble.
- While there has been an increase in debt issuance associated with the Tech, Media, and Telecommunications (TMT) sectors, it **pales in comparison to the growth in debt witnessed in the lead up to the dot-com crash**.
- **Limited use of leverage indicates any bubble risks may be contained.**

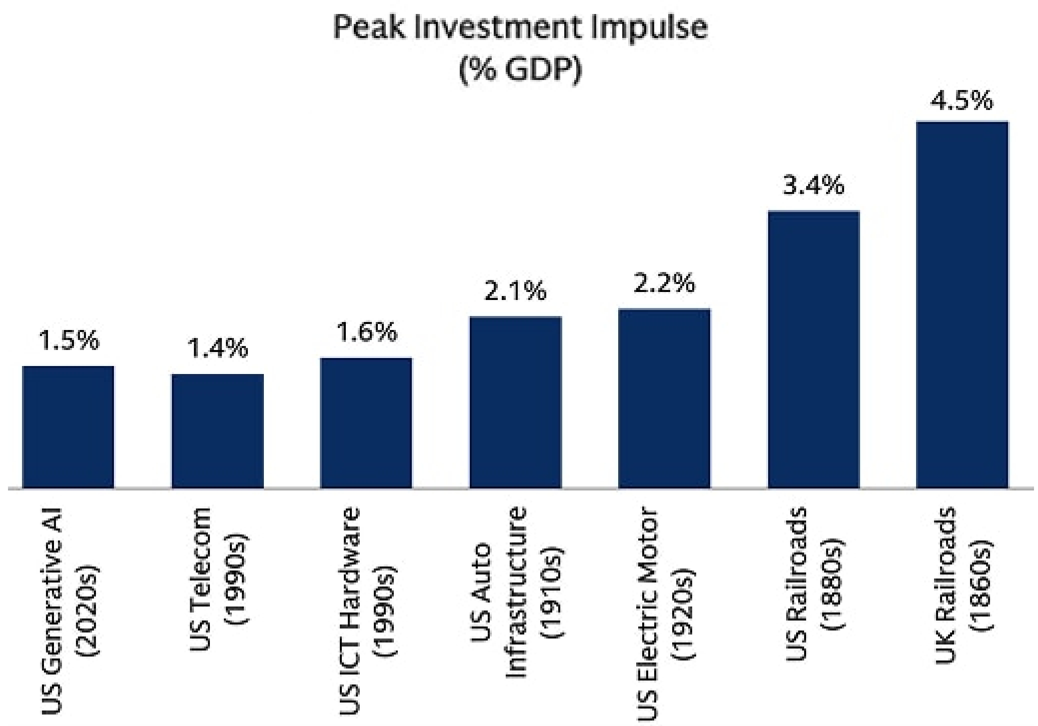


Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management. As of January 6, 2026. Chart shows the cumulative growth in high yield (HY) and investment grade (IG) debt related to the Technology, Media, and Telecommunications (TMT) sector from 1996 for the Dot-Com Boom and from 2022 for the AI boom. "AI" refers to Artificial Intelligence. Illustrative Purposes Only. 'We' refers to Goldman Sachs Asset Management.

The Economy

AI Investment

- When comparing the current AI investment to the 1990's dot-com bubble, there are **few signs of the macro imbalances** that signaled the end of the dot-com boom.
- **AI investment has accelerated** over the past few months and may continue to rise, helping **underpin economic growth**.

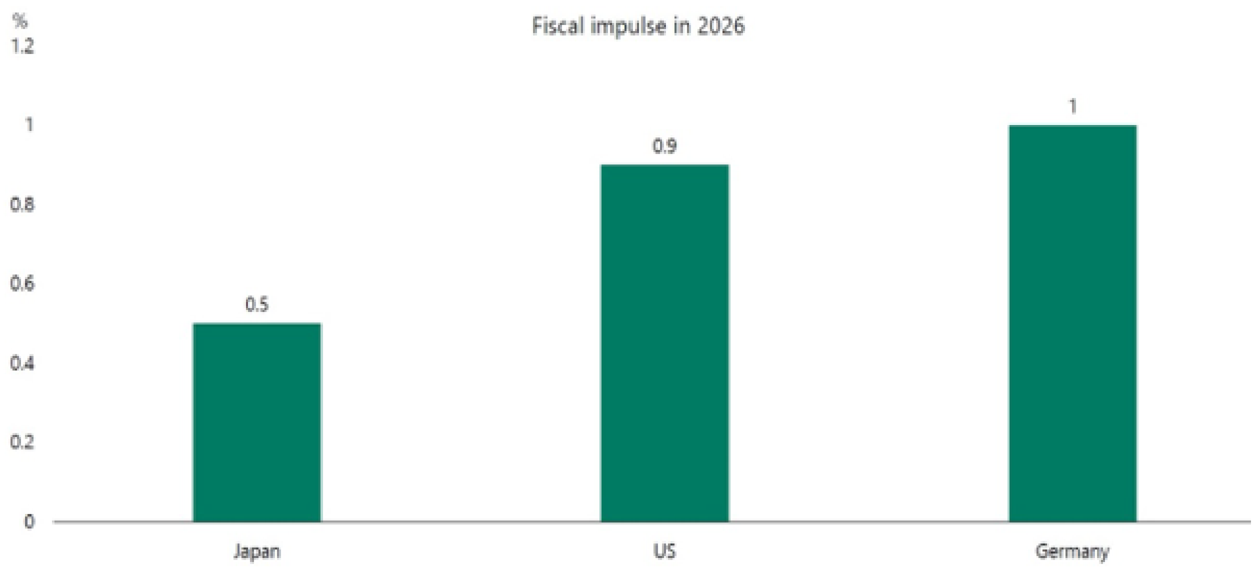


Source: GS Global Investment Research and GS Asset Management. As of June 10, 2026. Chart shows incremental investment in emerging technologies as a share of GDP across various investment booms.

The Economy

Fiscal Policy Expansionary

- Fiscal policy in the G3 is expected to be **expansionary over the coming quarters**.
- The IMF estimates that fiscal policy will boost growth by 1% in Germany and 0.5% in Japan in 2026. The CBO estimates that fiscal policy will boost US growth by 0.9%.

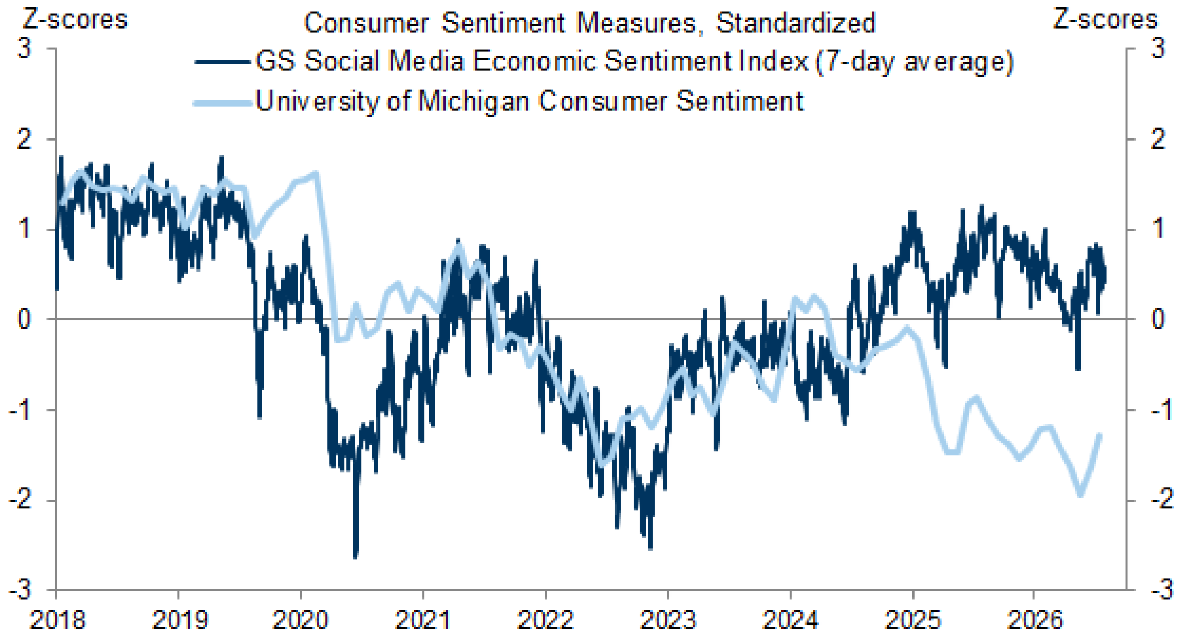


Note: Fiscal impulse calculated using cyclically adjusted primary balance for Japan and Germany, and the estimated Impact of the OBBBA from the CBO. Sources: IMF Fiscal Monitor, CBO, Haver Analytics, Apollo Chief Economist

The Economy

What We Are Watching: Consumer Sentiment

- **Consumer sentiment is low** – albeit recently improved – and has been impacted by **elevated energy prices**, though measures of economic sentiment remain positive.

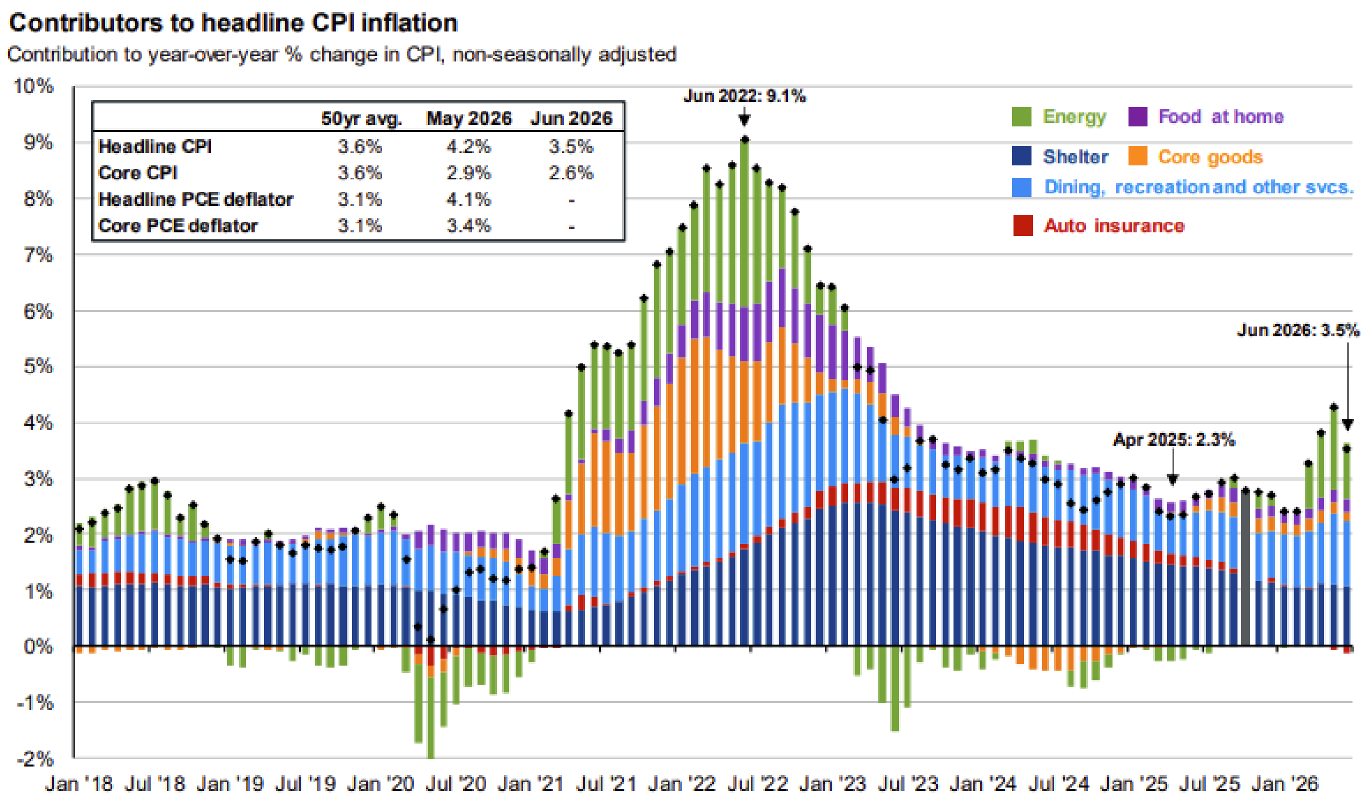


Source: University of Michigan, Goldman Sachs Global Investment Research

The Economy

What We Are Watching: Inflation

- **Inflation remains elevated** and has been impacted by elevated energy prices associated with the **Middle East conflict**.

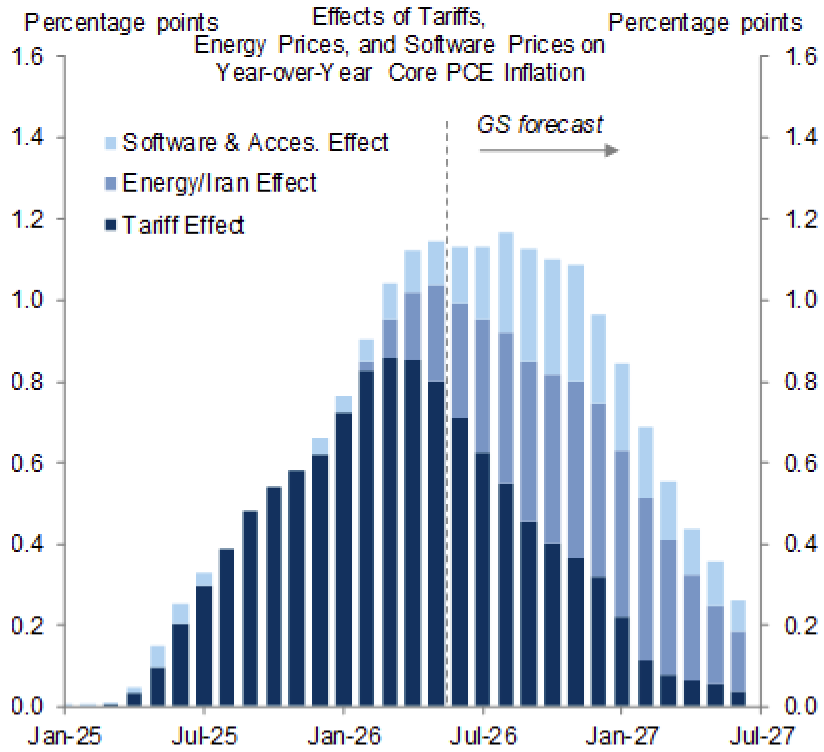


Source: BLS, FactSet, J.P. Morgan Asset Management.

The Economy

What We Are Watching: Inflation

- **Tariffs, energy prices,** and the impact of AI on **electronics prices** are likely to keep **inflation above the Fed's 2% target over the near term.**



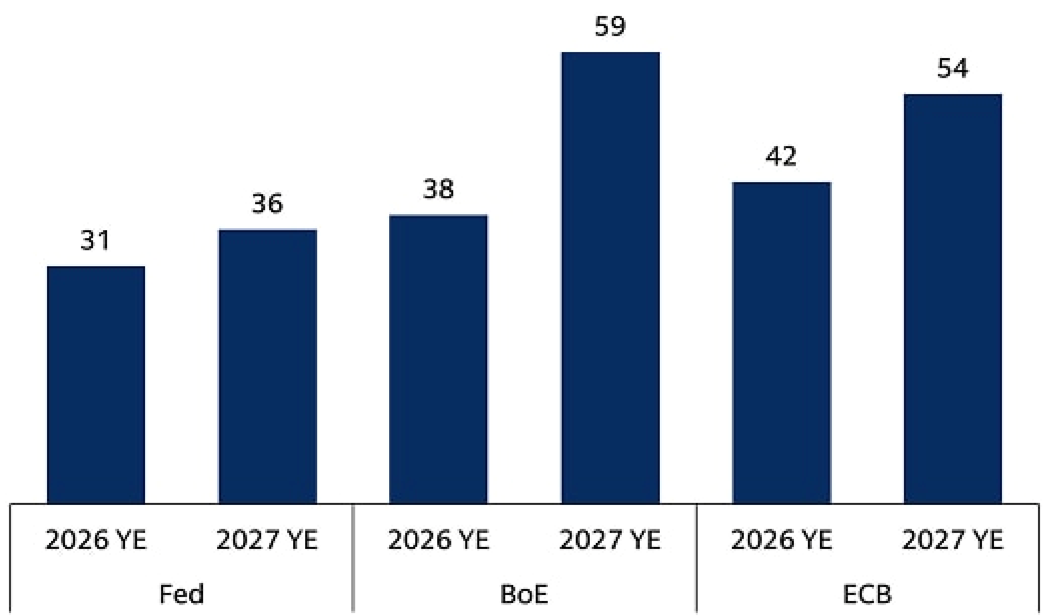
Source: Goldman Sachs Global Investment Research

The Economy

Central Bank Policy: More Hawkish

- **Market expectations have become more hawkish** across the world, largely a function of **energy supply disruptions**.
- With that said, the energy supply shock is unlikely to produce a lasting inflationary impulse vs. a **one-time impact** but may **weigh on consumer spending** if not resolved soon.

Market Expectations for Cumulative Change in Policy Rate (bps)



Source: GS Global Banking & Markets and GS Asset Management. As of July 29, 2026. Chart shows market expectations for the cumulative change in the policy rate by the end of 2026 and 2027 for the Federal Reserve (Fed), Bank of England (BoE), and European Central Bank (ECB).

The Economy

Fed Policy: Uncertain Outlook

- The Fed's job has become more difficult given the economic and geopolitical backdrop and its impact on inflation.

- Market pricing expects **one to two 0.25% interest rate increases through the end of 2026**. The Fed's projections similarly point to one interest rate hike.

- Given the resilient economy, balanced labor market, still-elevated inflation, and the presence of three dissents at the July FOMC meeting, we believe **one rate increase by year-end may be the most likely outcome.**

Economic projections of Fed Board members & Fed Bank presidents, June 2026

Percent

Variable	Median			
	2026	2027	2028	Longer run
Change in real GDP	2.2	2.3	2.2	2.0
March projection	2.4	2.3	2.1	2.0
Unemployment rate	4.3	4.3	4.2	4.2
March projection	4.4	4.3	4.2	4.2
PCE inflation	3.6	2.3	2.0	2.0
March projection	2.7	2.2	2.0	2.0
Core PCE inflation	3.3	2.5	2.1	
March projection	2.7	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	3.8	3.6	3.4	3.1
March projection	3.4	3.1	3.1	3.1

Source: Federal Reserve

The Economy

Fed Policy: Warsh's Five Task Forces

Communications

Evaluate how the Federal Reserve **communicates policy discussions and decisions** during periods of elevated uncertainty.

Balance Sheet Policy

Assess the **risks and benefits of the ample-reserves framework**, the Fed's **balance sheet**, and possible **alternative operating models.**

Data Sources

Strengthen the **quality and timeliness of economic data** used to support the Federal Reserve's policy decisions.

Productivity and Jobs

Evaluate how **emerging technologies**, including **artificial intelligence**, affect **productivity, employment**, and the Federal Reserve's **policy outlook**.

Inflation Frameworks

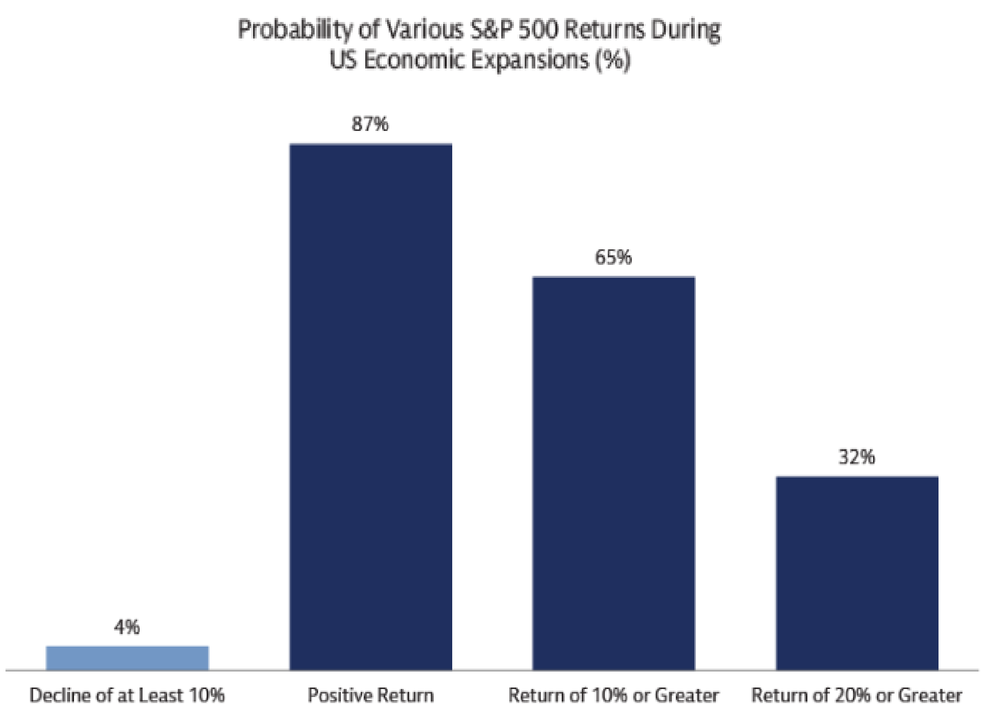
Reassess how the Federal Reserve **identifies, interprets, and responds to the underlying drivers of inflation.**

Part 3: Outlook

Outlook

Economic Growth a Tailwind

- Historically, the S&P 500’s 12-month return is positive **87% of the time when the economy is growing.**

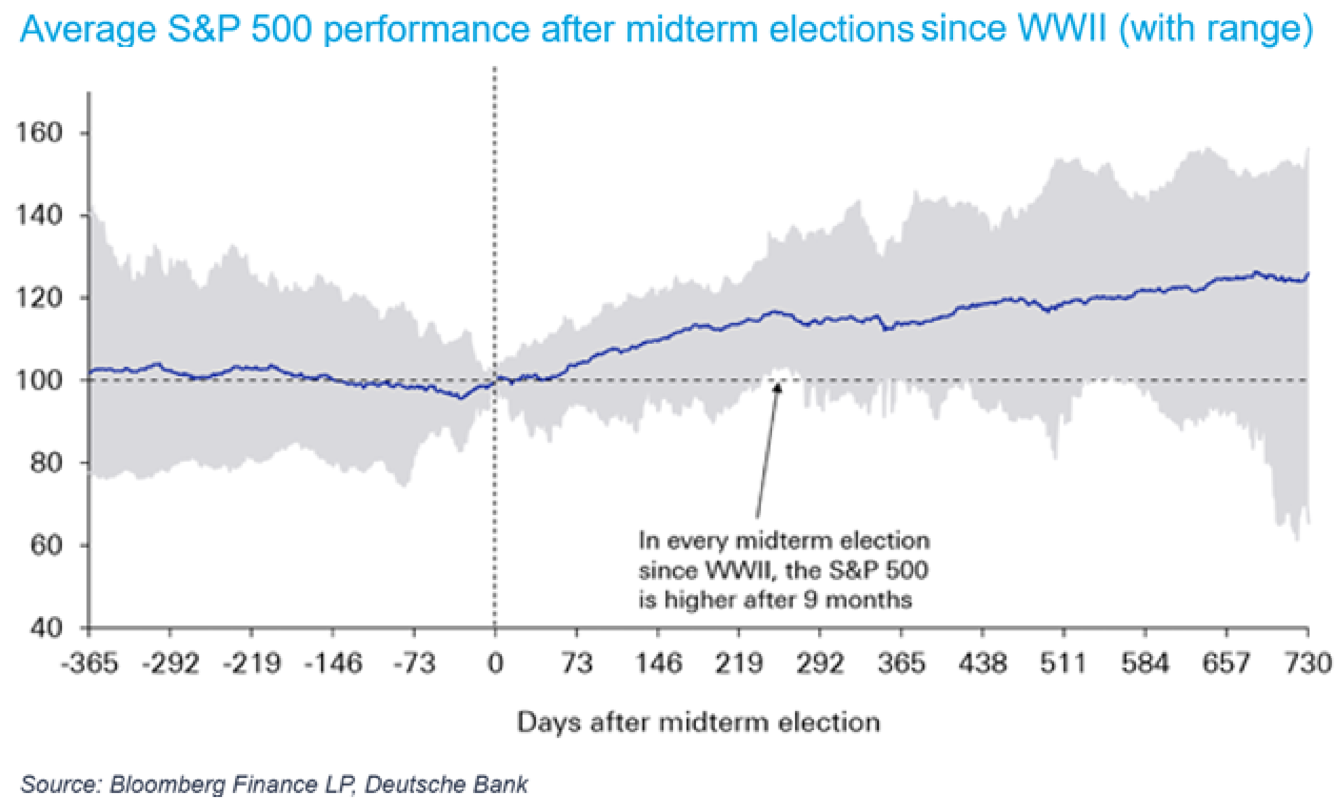


Source: Bloomberg, Goldman Sachs Investment Strategy Group and Goldman Sachs Asset Management. As of December 31, 2025.

Outlook

Mid-Term Election Years

- Historically, the **S&P 500 has traded higher post-midterm elections**.



Outlook

Still High Valuations

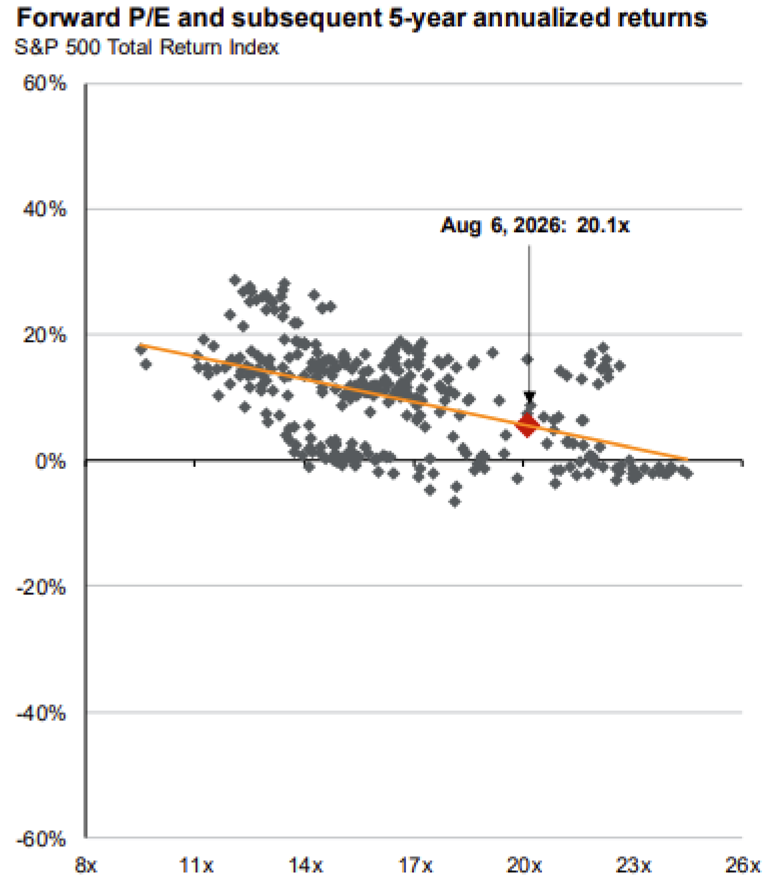
- While improved, U.S. stocks still trade at relatively **expensive valuation multiples**.
- It is **unlikely that valuation multiples drive stock market returns** moving forward.

➢ Implication: While there may be upside potential, **expect more moderate returns.**

S&P 500 Index

Valuation measure	Description	Latest	30-year avg.
P/E	Forward P/E	20.1x	17.2x
CAPE	Shiller's P/E	41.6x	28.8x
Div. Yield	Dividend yield	1.3%	2.0%
EY Spread	EY minus Baa yield	-0.6%	0.7%

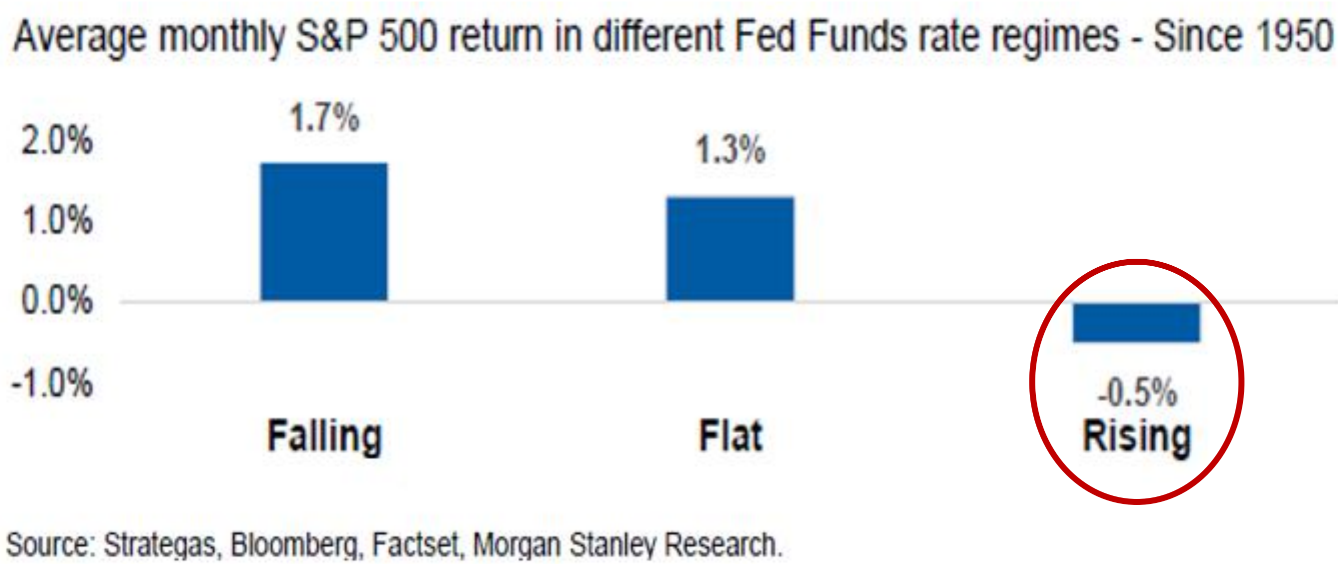
As of 08/06/2026



Outlook

More Hawkish Fed May Weigh on Returns

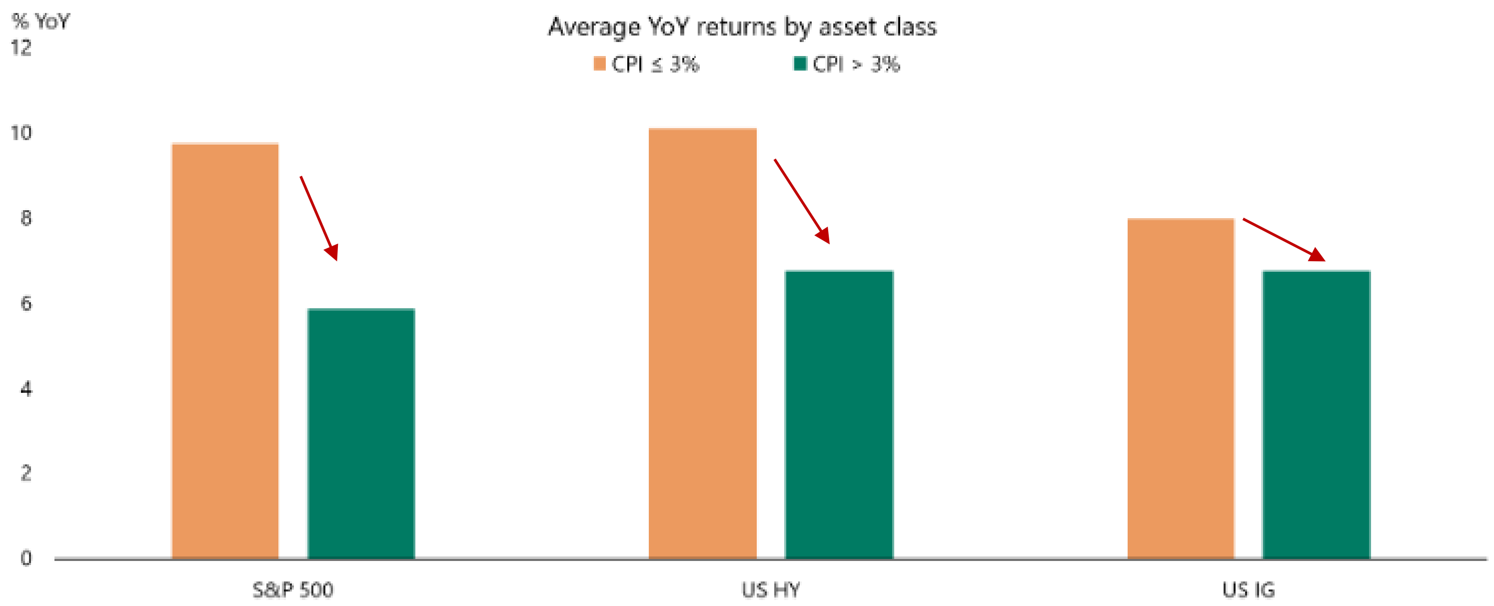
- While the Fed is currently on hold, it is **expected to increase interest rates** moving forward.
- Historically, a **rising interest rate environment tends to weigh** on stock market performance.



Outlook

Higher Inflation May Moderate Returns

- Historically, **periods of higher inflation are associated with weaker returns** for the S&P 500, high yield bonds and investment grade bonds.

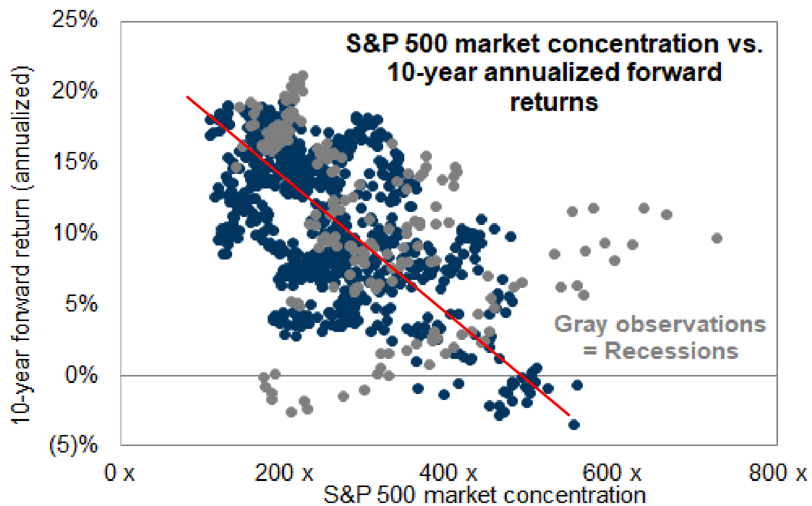


Indices used: SPX Index, LUACTRUU Index, LF98TRUU Index. S&P 500 sample from 1928 to today, US HY sample from 1983 to today and US IG sample from 1974 to today. Sources: Bloomberg, Apollo Chief Economist

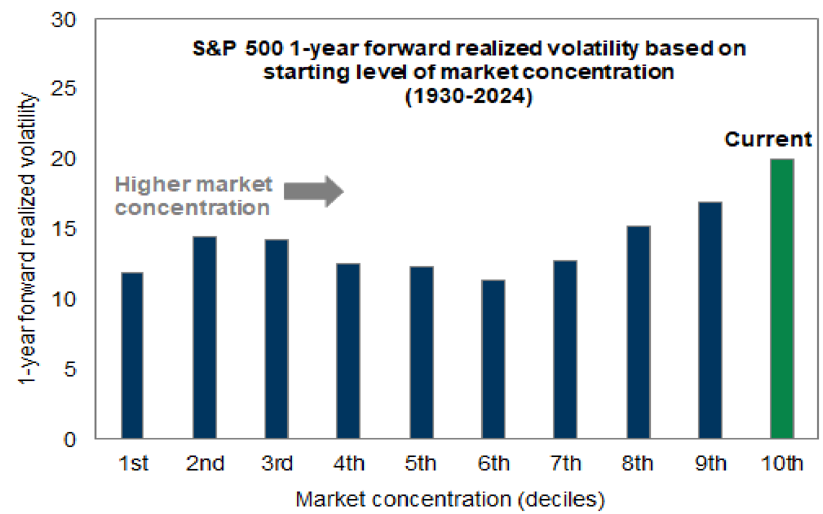
Outlook

Stock Market is Concentrated

- Higher stock market concentration tends to be **associated with lower forward returns.**
- **Higher levels of stock concentration** also tends to be associated with **higher levels of volatility.**



Source: Goldman Sachs Global Investment Research



Source: Goldman Sachs Global Investment Research

Market concentration defined by largest stock / 75th percentile stock.

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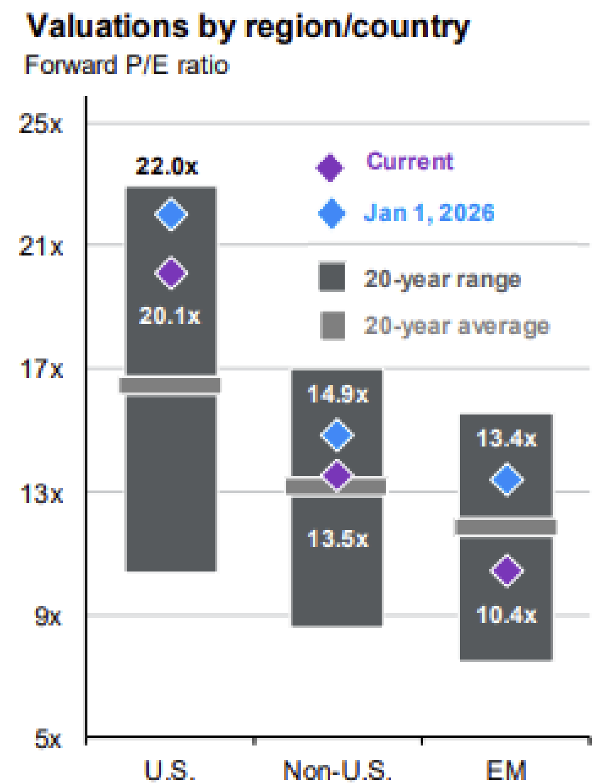
Outlook

International Stocks Offer Relative Value

- Whereas U.S. stocks still trade above long-term average valuations, **International and Emerging Markets offer relative value.**
- International stocks may be **supported by fiscal and monetary policies and increased trade co-ordination abroad.**
- **Continued AI buildout may drive further EM equity upside:** EMs account for two-thirds of global semiconductor production.



Source: FactSet, MSCI, Standard & Poor's.

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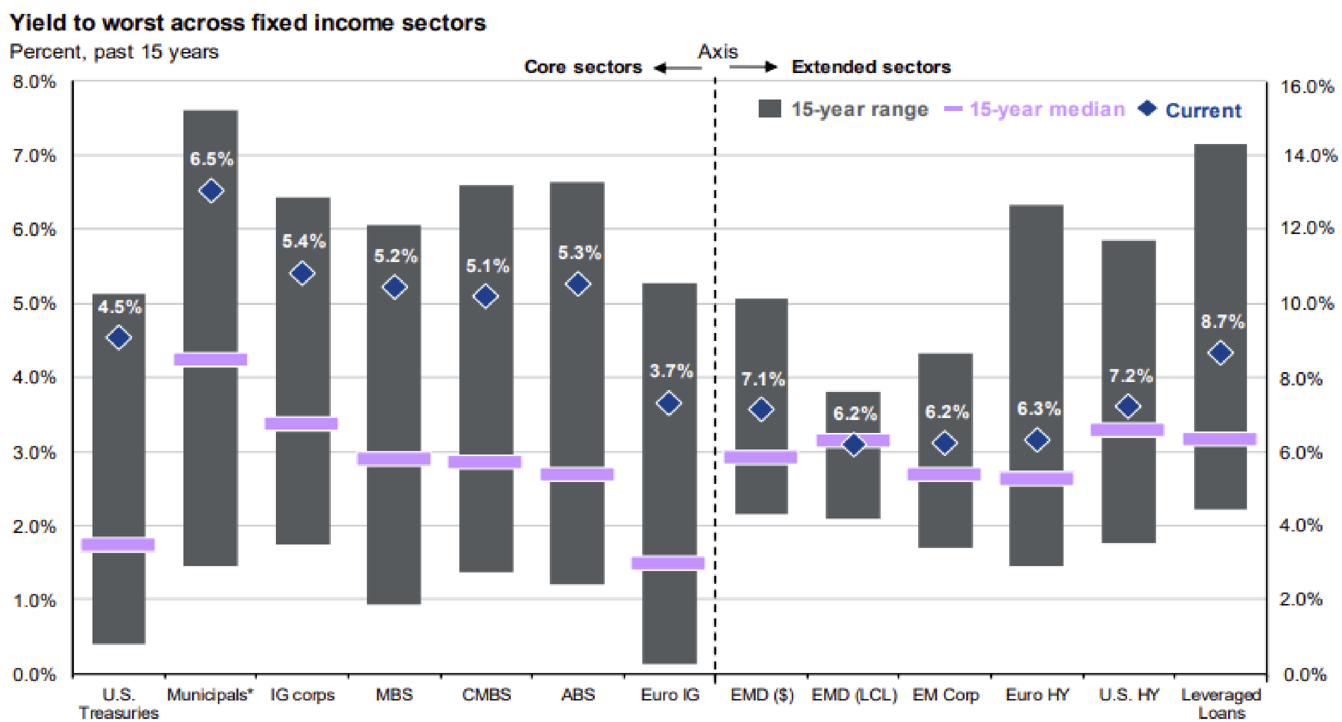
Outlook

Bond Yields Relatively Attractive

- Energy-driven inflation implications have led to an **increase in interest rates** since the onset of the conflict in the Middle East.
- **Current bond yields offer an attractive entry point** compared to long-term averages.

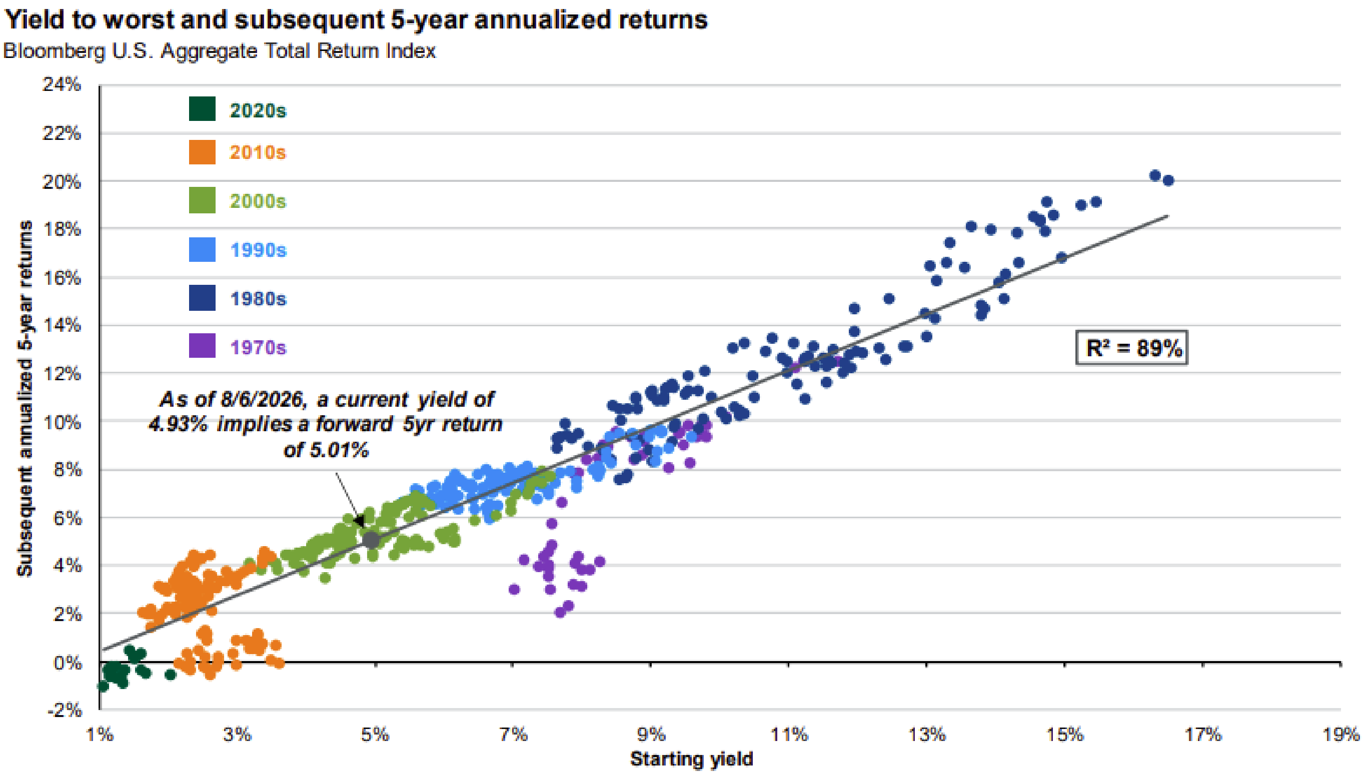


Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.

Outlook

Bond Yields Relatively Attractive

- The current yield is the single best predictor of forward-looking bond returns.
- The current yield implies **mid-single digit total returns** for core fixed income.



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.

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Outlook - Alternatives

Private Equity

- We believe private equity (PE) offers **attractive upside potential.** PE has historically **outperformed public stock markets with less volatility.** PE represents a **large, untapped investment opportunity** for many investors.

Real Assets

- **Favorable supply-demand dynamics may support real estate valuations and income growth**. We particularly favor residential, industrial logistics, medical office, and data centers.
- We believe infrastructure offers the potential for long-term **consistency in returns and yield,** and a **hedge against inflation**, in assets like data centers, power and utilities, ports, airports, toll roads, cell towers, and fiber networks.

Direct Credit

- We have high conviction in **direct lending strategies**, with **robust underlying business fundamentals** supporting credits and underpinning relative consistency in yield and total returns.

Outlook - Alternatives

Direct Credit in Perspective

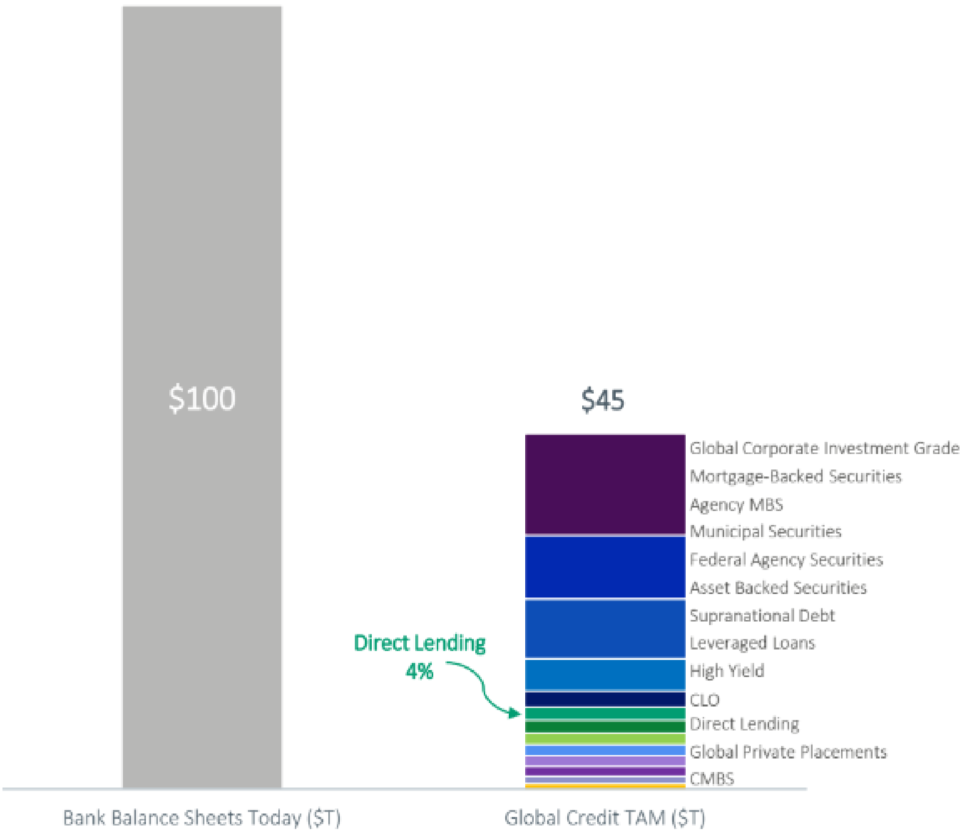
- Direct lending represents only ~4% of the credit market and is dwarfed by the size of bank balance sheets.

- Direct credit does not have:

  - Anywhere near the level of leverage of the banking system, or

  - Moral hazard issues.

  ➢ **Direct credit does not pose a systemic risk.**

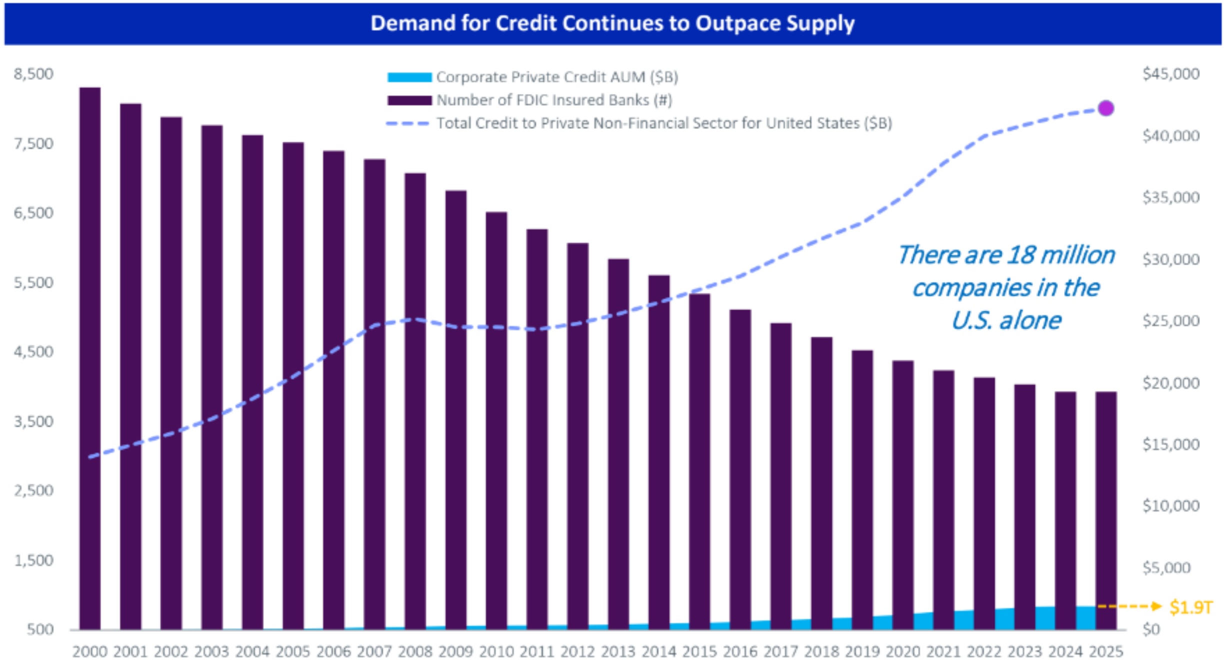


Source: Board of Governors of the Federal Reserve System, Bloomberg, Refinitiv, Dealogic, SIFMA, Bank of International Settlements, ICE BofAML, Morningstar LSTA LLI, JPM CLOIE

Outlook - Alternatives

Direct Credit in Perspective

- Direct credit plays a **crucial role in funding the real economy**, especially since banks have retrenched, in absolute number and in deal count.
- While direct credit has expanded, it **remains a drop in the private credit bucket**.



Source: Bank of International Settlements, FRED, Federal Reserve Bank of St. Louis, Preqin, NAICS Association and KKR Credit Analysis as of December 31, 2025

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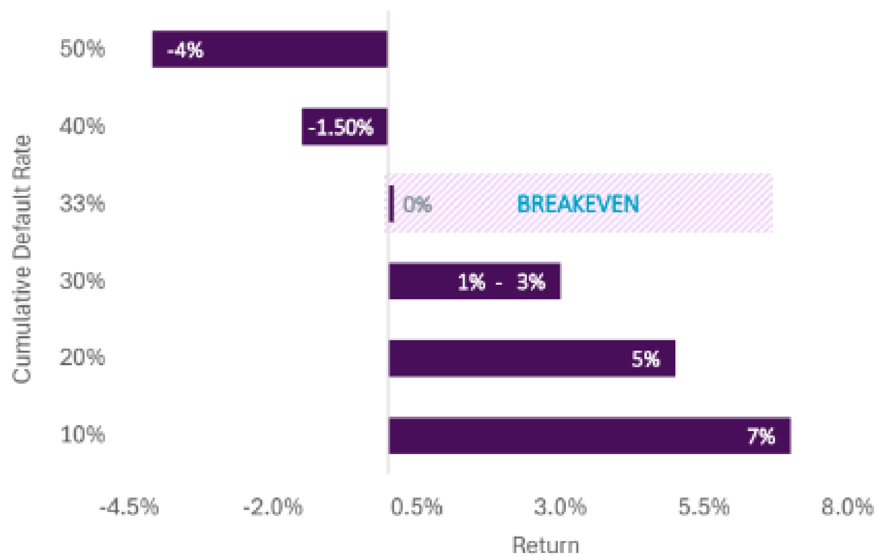
Outlook - Alternatives

Direct Credit: What's the Downside?

- Analysis indicates that **over 30% of an unleveraged direct credit portfolio would have to experience a default** over a 5-year period before the fund would lose money.

Cumulative Default Rate Impact to Returns for Unlevered Vehicle



Note. For discussion purposes only. Historic market trends are not a reliable indicator of actual future market behavior or future performance. The statements and figures on this page relating to the impact of these market tailwinds are forward-looking statements. Our investment themes and strategies may incorporate these assumptions and expectations relating to these market tailwinds, but there is no guarantee they will be successful.
Assumes unlevered fund with a 3-year weighted average life and 8% annual return

Past performance is no guarantee of future results. The above is for illustrative purposes only. The returns detailed herein are presented at asset-level only and are not indicative of the returns achieved by any existing investor in any KKR fund or account.

Outlook - Alternatives

Direct Credit: Senior in the Capital Stack

- Historically, **the higher an investment sits in the capital structure, the greater the downside protection** during periods of market dislocation. Direct lending typically **focuses on senior secured loans**, which sit at the **top of the capital stack**.

2006		EU EQ 20.2%, US EQ 15.8%	US DL 13.7%	US HY 11.8%, EU HY 11.0%, US LL 6.7%, EU LL 6.4%, US IG 4.3%, EU IG 0.1%
2007			US DL 10.2%	USEQ 5.5%, EU EQ 3.2%, US IG 4.6%, US LL 2.1%, US HY 1.9%, EU IG -0.3%, EU LL -0.6%, EU HY -3.0%
2008	GFC	US IG -4.9%, EU IG -5.6%	US DL -6.5%	US HY -26.2%, US LL -29.1%, EU LL -30.0%, EU HY -32.1%, US EQ -37.0%, EU EQ -43.3%
2009		EU HY 84.4%, US HY 58.2%, US LL 51.6%, EU LL 43.4%, EU EQ 32.6%, US EQ 26.5%, US IG 18.7%, EU IG 15.5%	US DL 13.2%	
2010			US DL 15.8%	EU HY 15.3%, US HY 15.1%, US EQ 15.1%, EU EQ 11.7%, US LL 10.1%, EU EQ 9.8%, US IG 9.0%, EU IG 5.5%
2011	Eurozone Crisis		US DL 9.8%	US IG 8.1%, US HY 5.0%, EU IG 2.6%, US EQ 2.1%, US LL 1.5%, EU LL 0.7%, EU HY -2.8%, EU EQ -7.5%
2012		EU HY 27.9%, EU EQ 18.1%, US EQ 16.0%, US HY 15.8%	US DL 14.0%	EU IG 13.7%, US IG 9.8%, US LL 9.7%, EU LL 9.7%
2013		US EQ 32.4%, EU EQ 20.5%	US DL 12.7%	EU HY 10.2%, EU LL 8.6%, US HY 7.4%, US LL 5.3%, EU IG 2.1%, US IG -1.5%
2014		US EQ 13.7%	US DL 9.6%	EU IG 9.1%, US IG 7.5%, EU EQ 7.4%, EU HY 5.7%, EU LL 4.5%, US HY 2.5%, US LL 1.6%
2015		EU EQ 8.8%	US DL 5.5%	EU LL 5.5%, EU HY 1.7%, US EQ 1.4%, EU IG -0.3%, US IG -0.7%, US LL -0.7%, US HY -4.5%
2016		US HY 17.1%, US EQ 12.0%	US DL 11.2%	US LL 10.2%, EU HY 9.0%, US IG 6.1%, EU IG 5.9%, EU LL 3.8%, EU EQ 3.2%
2017		US EQ 21.8%, EU EQ 10.9%	US DL 8.6%	US HY 7.5%, EU HY 6.8%, US IG 6.4%, US LL 4.1%, EU LL 3.6%, EU IG 2.7%
2018	Trump 1.0: Tariffs		US DL 8.1%	EU LL 1.3%, US LL 0.4%, EU IG -1.6%, US HY -2.1%, US IG -2.5%, EU HY -3.6%, US EQ -4.4%, EU EQ -10.0%
2019		US EQ 31.5%, EU EQ 26.9%, US IG 14.5%, US HY 14.3%, EU HY 11.4%	US DL 9.0%	US LL 8.6%, EU IG 6.7%, EU LL 4.9%
2020		US EQ 18.4%, US IG 9.9%, US HY 7.1%	US DL 5.5%	EU IG 3.7%, US LL 3.1%, EU LL 2.4%, EU HY 2.3%, EU EQ -2.8%
2021		US EQ 28.7%, EU EQ 25.8%	US DL 12.8%	US HY 5.3%, US LL 5.2%, EU LL 5.2%, EU HY 3.5%, US IG -1.0%, EU IG -1.5%
2022	Rate raise		US DL 6.3%	US LL -0.8%, EU LL -3.5%, EU EQ -8.9%, EU HY -10.7%, US HY -11.2%, EU IG -14.6%, US IG -15.8%, US EQ -18.1%
2023		US EQ 26.3%, EU EQ 16.6%, EU LL 13.5%, US HY 13.4%, US LL 13.3%, EU HY 12.3%	US DL 12.1%	US IG 8.5%, EU IG 8.2%
2024		US EQ 25.0%	US DL 11.3%	EU EQ 9.3%, EU LL 9.2%, US LL 9.0%, EU HY 8.4%, US HY 8.2%, EU IG 4.1%, US IG 2.1%
2025 YTD		US EQ 14.8%, EU EQ 13.0%, US HY 7.2%	US DL 7.0%	US IG 6.9%, US LL 4.6%, EU HY 4.6%, EU LL 3.3%, EU IG 2.7%
Annualized Return		US EQ 11.0%	US DL 9.6%	EU EQ 7.1%, US HY 6.7%, EU HY 6.5%, US LL 5.1%, EU LL 4.4%, US IG 4.3%, EU IG 2.8%

Sources: Bloomberg and Cliffwater. For illustrative purposes only. The chart shows annual index total returns in USD for the following indices: US DL - Cliffwater Direct Lending Index, US EQ – S&P 500, EU EQ - MSCI Europe Index, US HY - Bloomberg US High Yield Index, EU HY - Bloomberg Pan-European High Yield Index, US IG - Bloomberg US Corporate Index, EU IG - Bloomberg Pan-European Corporate Index, US LL – Morningstar LCD US Leveraged Loan Index, EU LL – Morningstar LCD EU Leveraged Loan Index. Based on data until September 30, 2025.

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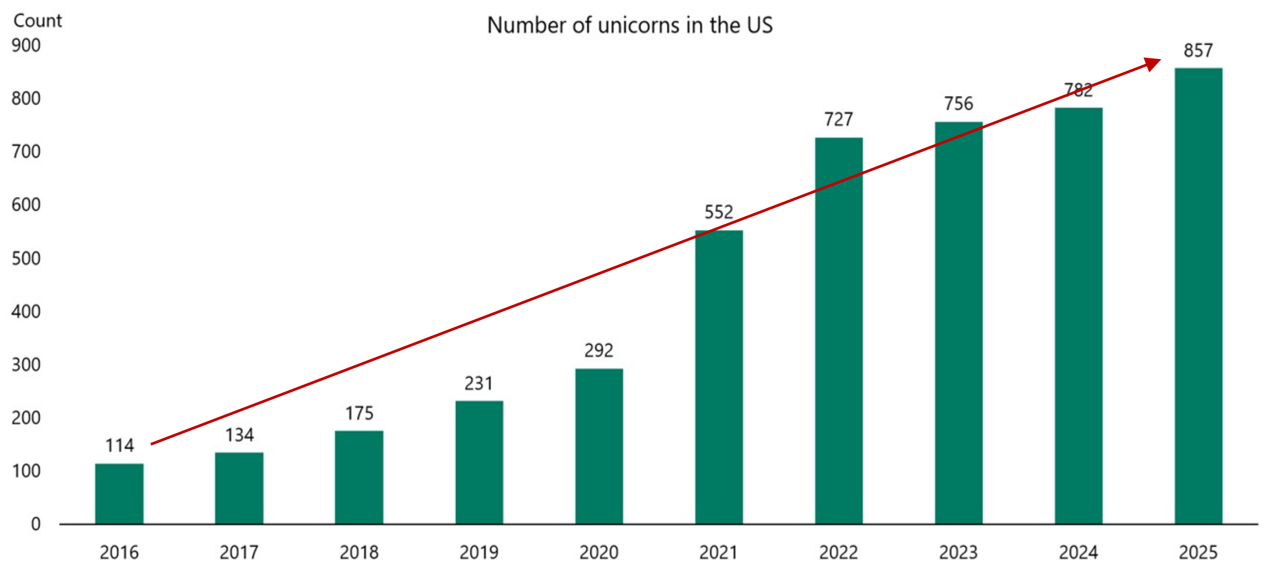
Outlook - Alternatives

Private Equity

- There is a **large opportunity set outside of public markets:** the number of unicorns (a privately owned company valued at more than $1 billion) has increased from 114 to 857 over the last decade.

- With a growing number of privately owned large companies, there is a **larger opportunity than ever for private debt and equity solutions**.

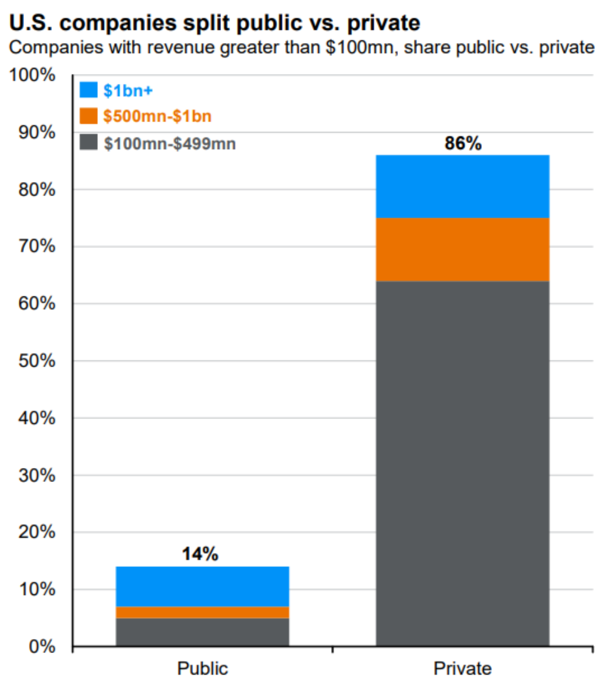


Note: The term unicorn describes startups that are privately held and valued at more than $1 billion. Sources: PitchBook, Apollo Chief Economist

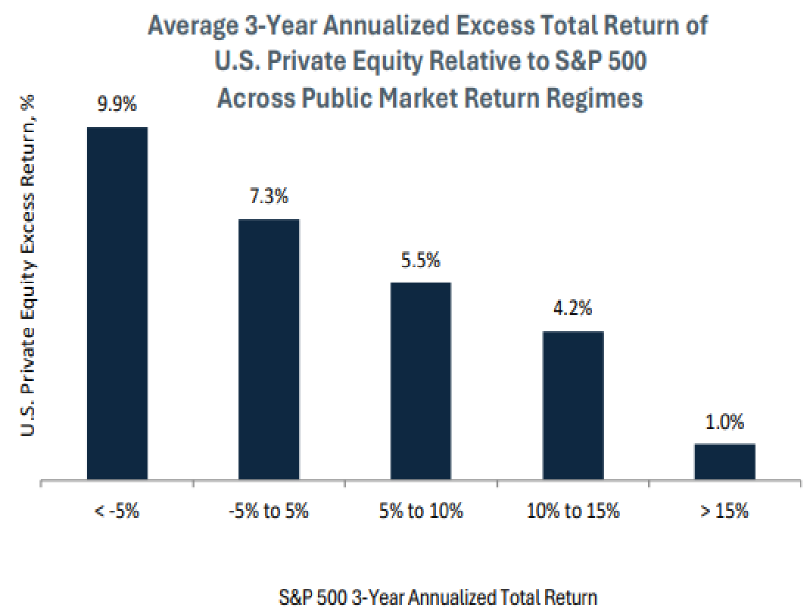
Outlook - Alternatives

Private Equity

- **86% of the equity opportunity set is found in private markets**, yet many investors still have 100% of their equity exposure in the 14% that is public.
- PE may become even more **compelling should public market returns moderate**.



Source: Bain and Company, FactSet, Jay Ritter – University of Florida, S&P Capital IQ, World Federation of Exchanges, J.P. Morgan Asset Management.



Data as at January 2, 2026. Source: BofA Research, KKR Global Macro & Asset Allocation analysis.

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