SAGE MOUNTAIN

Sage Mountain 2025 Market Update & 2026 Outlook

ALWAYS LOOKING AHEAD

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2025 Recap & Themes for 2026

Despite a turbulent political environment, equities delivered a third consecutive year of strong returns

International stocks significantly outperformed the US with a boost from a weaker USD…

…which forecasters expect will continue to weaken, but at a slower pace than in 2025

Valuations are high on the surface, especially in the US, but are more normal when accounting for high expected earnings growth

Tailwinds include a fiscal boost from the OBBBA, the lagged impact of Fed rates cuts, moderating inflation, low oil prices, and a pick-up in M&A activity

Risks include a weaker labor market, a slowdown in AI-related investment, and concerns about Federal Reserve independence

Expect upside and downside volatility, and focus on quality

Market snapshot

	4Q 2025	2025	2024	3 Year (Annualized)	5 Year (Annualized)	10 Year (Annualized)
Blended Portfolio						
60% S&P 500 / 40% US Aggregate	2.0%	13.7%	15.0%	15.4%	8.5%	9.8%
Fixed Income						
Bloomberg US Aggregate	1.1%	7.3%	1.3%	4.7%	-0.4%	2.0%
Bloomberg Municipal 1-10 Years Blend	1.0%	5.1%	0.9%	3.5%	1.2%	2.1%
Bloomberg Municipal Bond High Yield	1.1%	2.5%	6.3%	6.0%	2.2%	4.3%
S&P Leveraged Loan Index	1.2%	5.9%	9.0%	9.3%	6.4%	5.8%
Bloomberg US Corporate High Yield	1.3%	8.6%	8.2%	10.1%	4.5%	6.5%
Equities						
S&P 500	2.7%	17.9%	25.0%	23.0%	14.4%	14.8%
S&P 500 Growth	2.2%	22.2%	36.1%	29.3%	15.0%	17.0%
S&P 500 Value	3.2%	13.2%	12.3%	15.8%	13.0%	11.7%
S&P 600	1.7%	6.0%	8.7%	10.2%	7.3%	9.8%
NASDAQ 100	2.5%	21.0%	25.9%	33.2%	15.3%	19.7%
MSCI EAFE (USD)	4.9%	31.2%	3.8%	17.2%	8.9%	8.2%
MSCI EAFE (Local Currency)	6.1%	20.6%	11.3%	15.9%	11.5%	8.6%
MSCI Emerging Markets	4.7%	33.6%	7.5%	16.4%	4.2%	8.4%
MSCI All Country World	3.4%	22.9%	18.0%	21.2%	11.7%	12.3%
Other Assets						
Addepar Private Equity[1]	0.0%	4.9%	8.3%	6.9%	9.8%	13.2%
NCREIF NPI Returns - National[2]	0.0%	3.8%	0.6%	-1.3%	3.6%	4.7%
S&P GSCI Gold	12.1%	64.4%	27.5%	33.4%	18.0%	15.1%
Crude Oil - WTI Spot	-9.4%	-21.0%	0.8%	-10.6%	3.5%	4.4%
S&P Goldman Sachs Commodity Index	1.0%	7.1%	9.2%	3.9%	14.6%	6.1%
US Dollar Index	0.6%	-9.4%	7.1%	-1.7%	1.9%	0.0%
US CPI - Urban Consumers	-0.2%	2.7%	2.9%	3.0%	4.5%	3.2%
US CPI - All Items Less Food & Energy	0.2%	2.4%	3.2%	3.2%	4.1%	3.1%
VIX Volatility Index	-8.2%	-13.8%	39.4%	-11.6%	-8.0%	-2.0%

Source: Addepar; data as of 12/31/2025

[1] Returns as of 6/30/2025

[2] Returns as of 9/30/2025

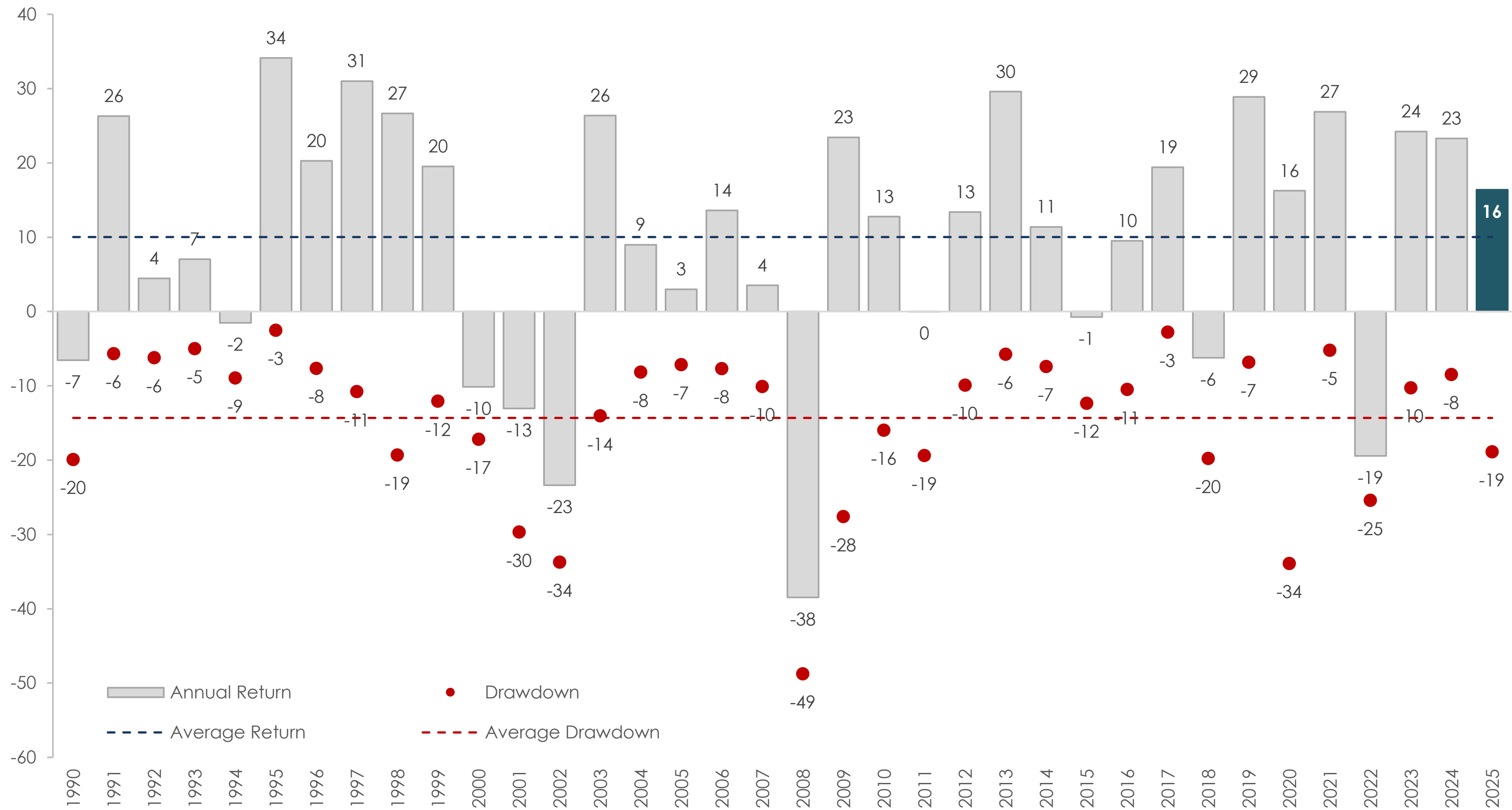
In a continuation from Q3, broad fixed income posted positive returns in Q4 and strong gains for the year on the back of rate cuts, Treasury rallies, and improved outlooks.

US Equities continued to rise in Q4, and all major regions finished well into double-digit gains. The S&P 500's +17.9% return may look weak in comparison, but it marks a 3rd consecutive year of double-digit returns.

International markets saw continued strength to end the year and massive growth for 2025. With help from a weaker US Dollar, Developed and Emerging Markets led with 30%+ returns.

A 60% equity / 40% bond portfolio rose in Q4, posting a 2.0% return as stock and bond returns were positive.

Another strong year for equities despite a large drawdown



Source: Market Desk

Past performance is not indicative of future results. Please see attached disclosures.

2025 RECOMMENDATIONS IN HINDSIGHT

FIXED INCOME

Recommendations included holding steadfast in fixed income duration, maintaining exposure to AAA CLOs, and finding diversified exposures for yield outside of high-yield and traditional bonds.

Maintaining an intermediate-duration target was beneficial within munis. The Bloomberg Municipal 1-10 Year Blend index returned +5.1% while the Bloomberg Municipal Bond 1 Year index returned +3.7%.

The allocation to AAA CLOs was a detractor as the JP Morgan CLO AAA Index returned +5.2% vs. the Bloomberg US Aggregate +7.3%.

High-yield corporate bonds posted strong gains as spreads remained tight, but our allocation to direct lending performed well, while public BDCs struggled. The Bloomberg US Corporate High Yield index was +8.6% for the full year. The Cliffwater BDC Index returned -4.1% for the year, while the Cliffwater Direct Lending Index returned +7.1% through Q3, the most recent quarter for which data is available.

EQUITIES

Recommendations included staying invested, maintaining a 4:1 overweight of US vs. international equities, and a quality factor tilt.

Remaining invested paid off as global equities returned +22.9%. Overweighting US was a detractor for 2025 as the S&P 500 returned +17.9 vs. the MSCI EAFE +31.2% on an unhedged basis and +20.6% currency hedged.

The quality factor tilt was a detractor versus broad equity returns as the JP Morgan US Quality Factor Index returned +11.7% (Trailing S&P 500) and the MSCI World ex USA Sector Neutral Quality Index was +25.1% (Trailing MSCI World ex USA return of 31.9%). Despite lagging for the year, quality did what we anticipated during the market turmoil in April. Year-to-date through the market bottom on April 8th, the S&P was down -15.0% while US Quality was down -11.8%. International quality protected some as well, down -3.3% vs -5.7% for the EAFE Index at the trough. Quality recovered with the market, but slightly behind pace, as it has a much less exposure to the Mag 7 stocks.

ALTERNATIVES

We recommended allocating to alternatives to increase diversification and provide additional potential sources of return. Areas we mentioned included private equity, real estate, and secondaries as well as remaining open to strategies that could benefit as interest rates fall.

As with 2024, alternatives generally lagged relative to equities. However, we believe that the added diversification will benefit portfolios long-term if equity returns moderate and M&A and IPO markets continue to ramp.

We continued to add to our secondaries exposure through a core Private Equity manager we have successfully invested with in prior funds. Additionally, we gained niche exposure to a booming franchise opportunity with strong equity upside, bolstered by debt-like structure for protection.

Within real estate, we found compelling opportunities in the equity space of the capital stack and brought two funds on platform: a dedicated self-storage fund and a preferred equity fund

ALTERNATIVES, cont.

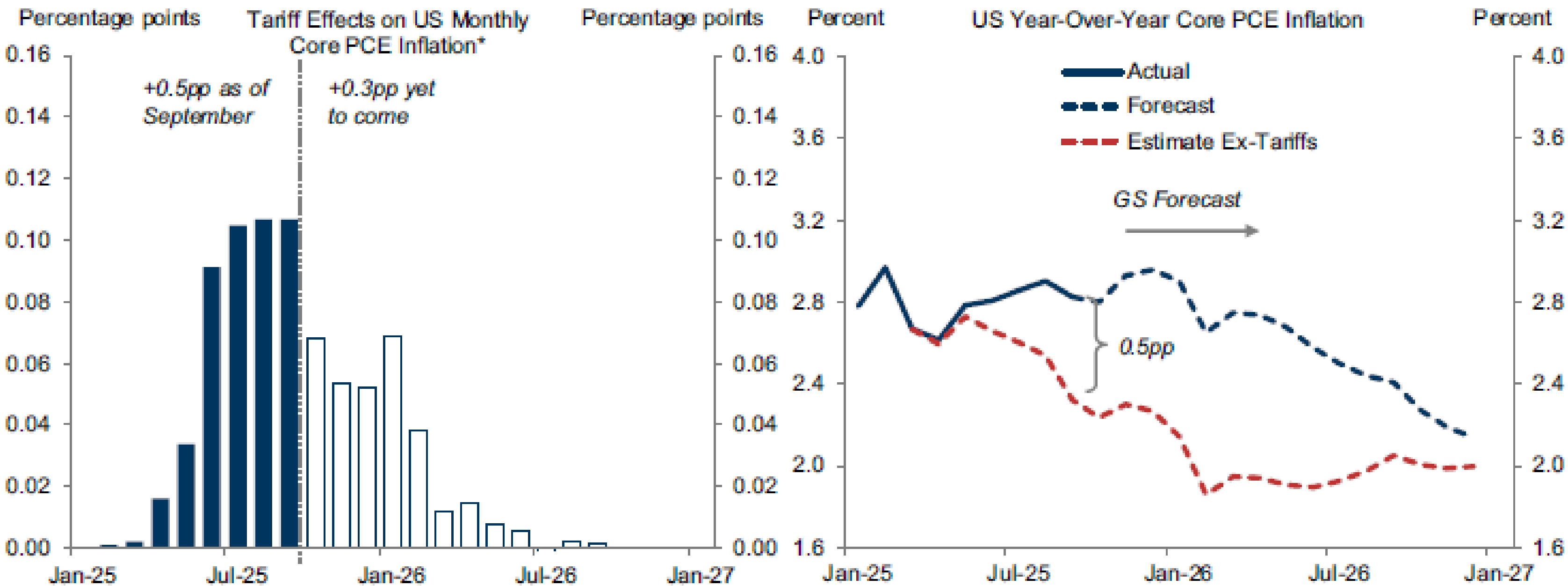
focusing on multifamily and retail.

Another notable investment was in a real asset fund that seeks to gain exposure to the data center capex and investment boom through high demand for energy. The fund will seek to secure long-term power agreements with high-credit tenants and provide the power through greenfield natural gas-fired power plants. We view this as a way to take advantage of a lack of energy supply needed for the AI buildout and the massive amounts of investment going into the space, without making a bet on a specific winner in the AI arms race.

Source: Addepar, Janus Henderson, FRED, Bloomberg

Inflation was above target in the US, but would have been lower without the impact of tariffs

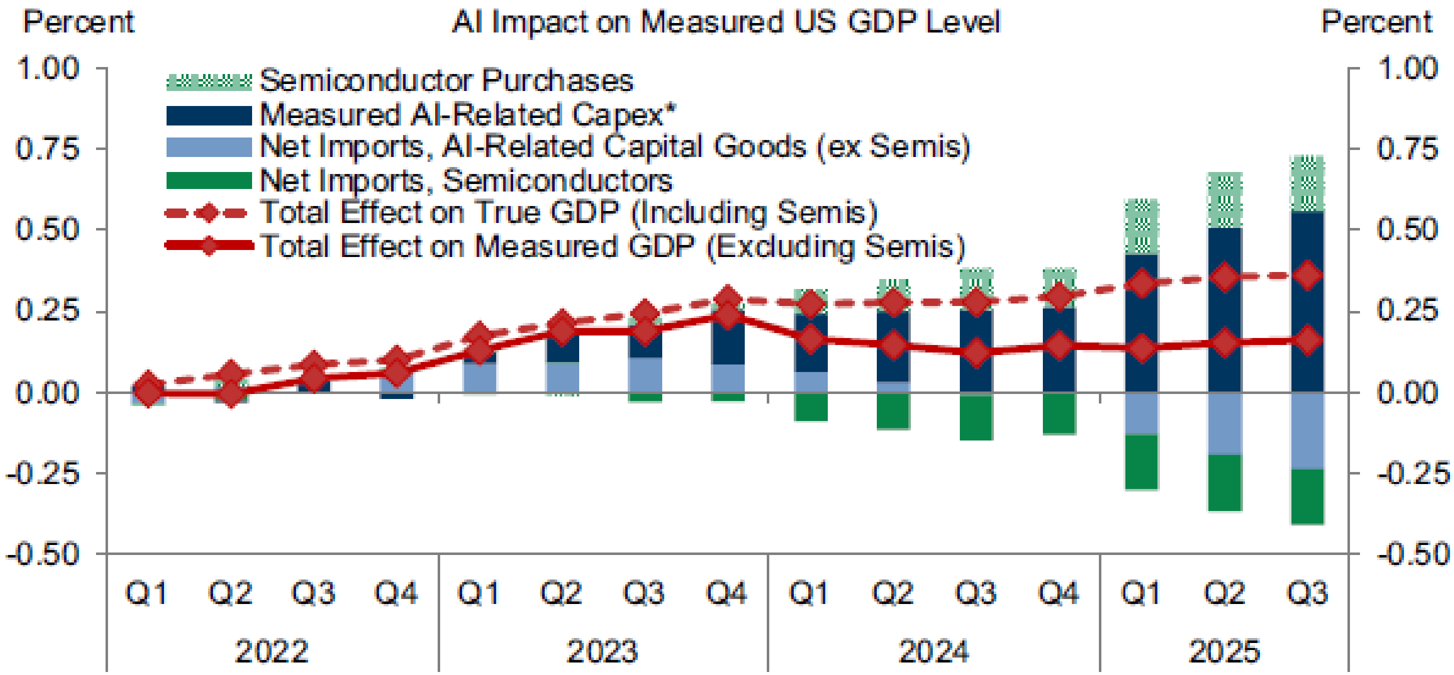
Exhibit 12: US Core PCE Inflation Should Slow Sharply in 2026H2 Because of Tariff-Related Base Effects



*Our baseline assumes the pass-through to core consumer prices will rise from 60% at t+7 to 70% at t+10.

Source: Goldman Sachs Global Investment Research

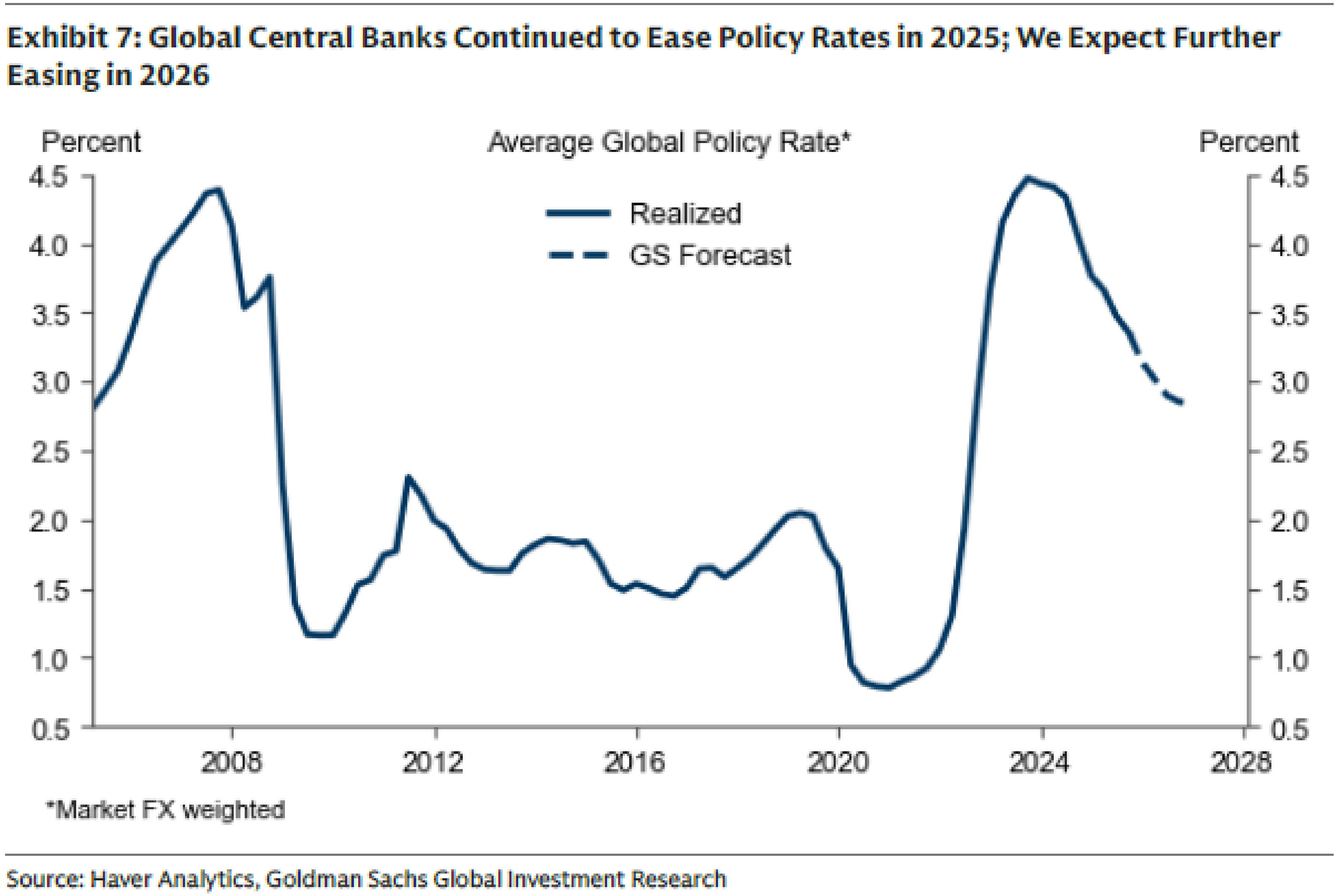
AI spending has boosted US GDP, but the impact has been muted so far



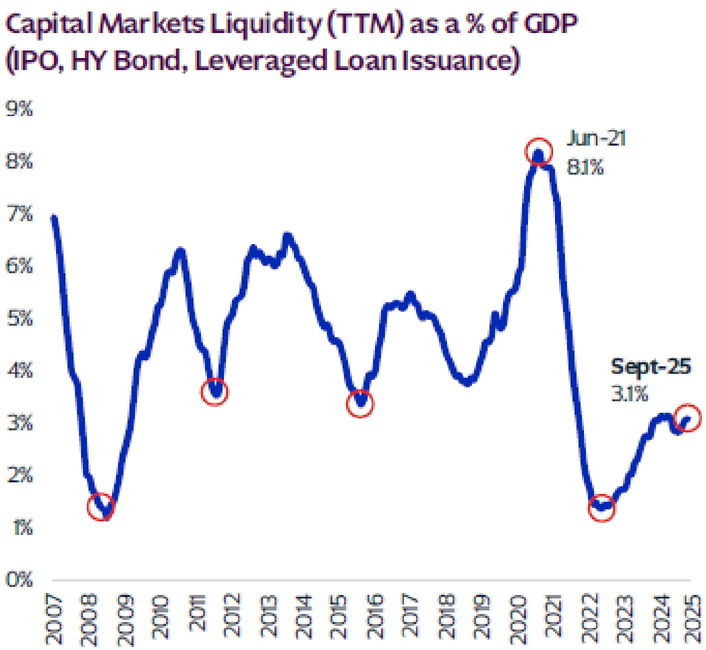
*Computers and servers, HVAC, power transmission equipment, data center construction, and power construction.
Dashed line includes semiconductors investment, which is not included in GDP.

Source: Census Bureau, S&P Global Market Intelligence, Haver Analytics, Goldman Sachs Global Investment Research

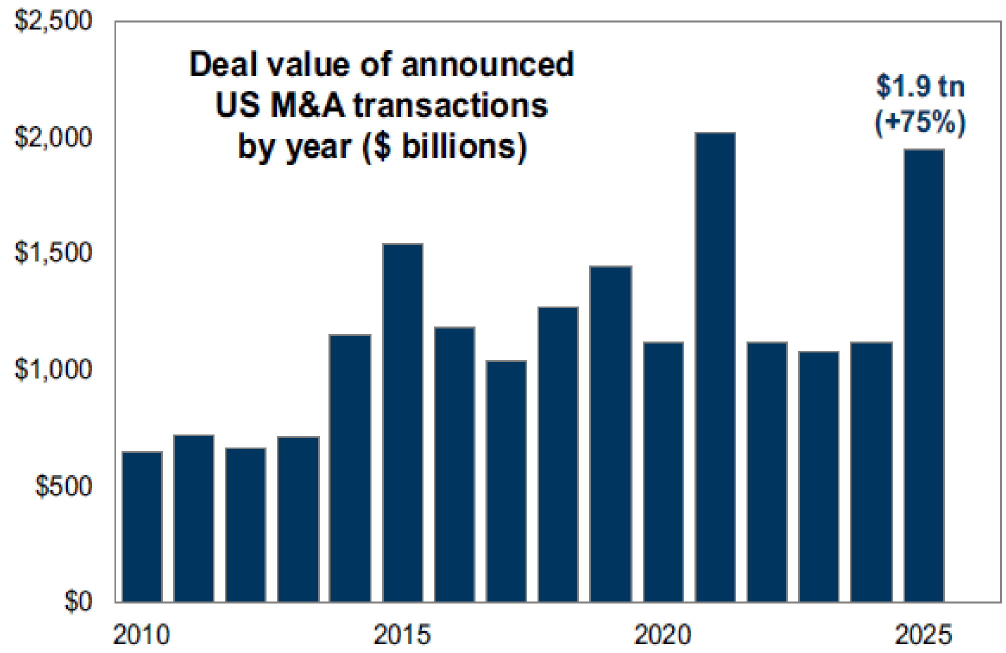
Central banks lowered rates around the world



Capital markets activity picked up, albeit from a low starting level



Data as at September 30, 2025. Source: Bloomberg.

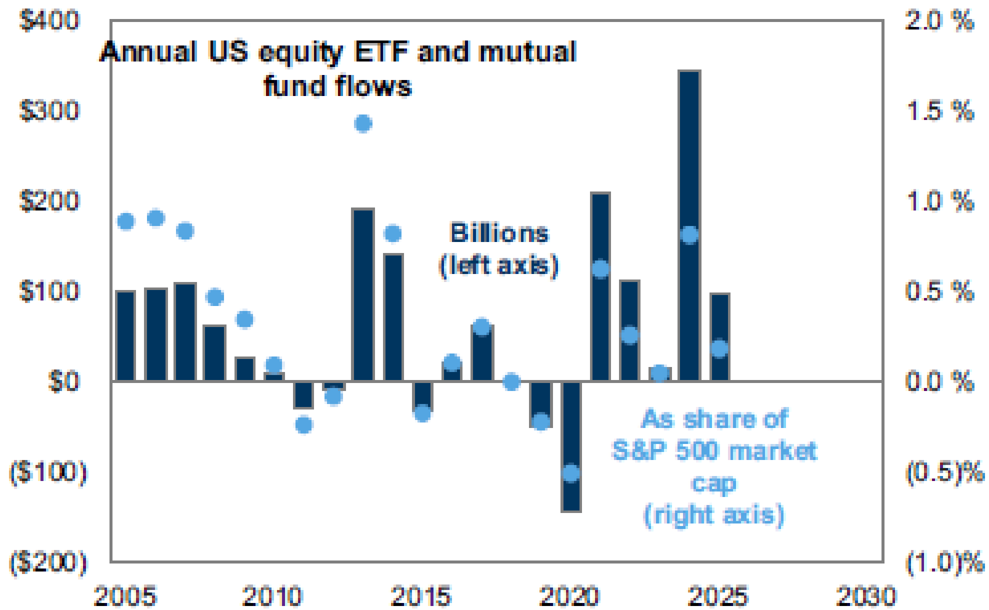


Source: Dealogic, Goldman Sachs Global Investment Research

Source: KKR

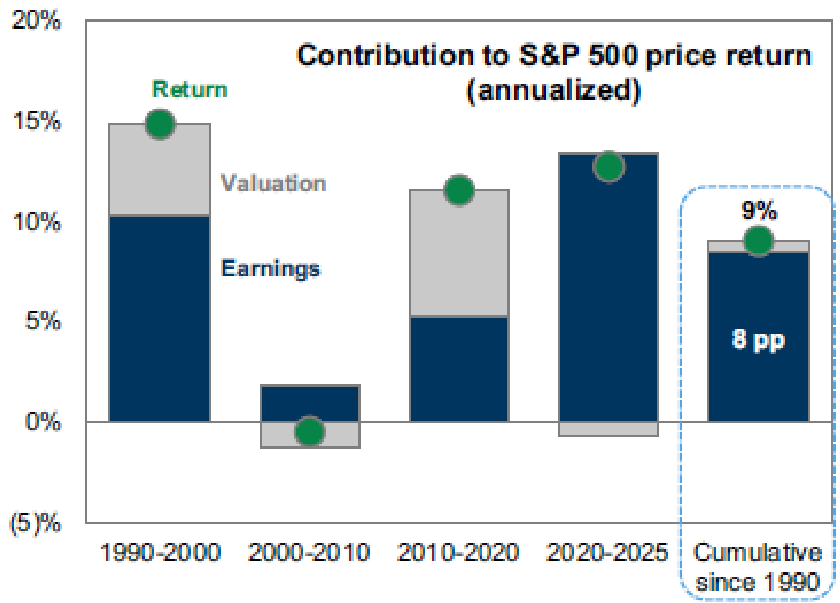
Flows into US equities were relatively small

Exhibit 11: US equity mutual funds and ETFs received inflows of approximately $100 billion in 2025

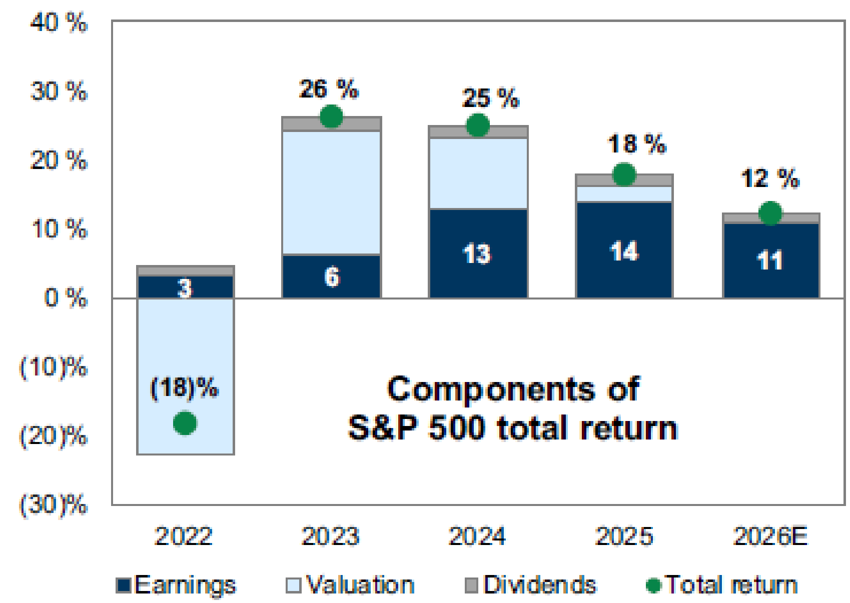


Source: ICI, EPFR, Goldman Sachs Global Investment Research

Earnings drove US equity returns in 2025, as they have historically

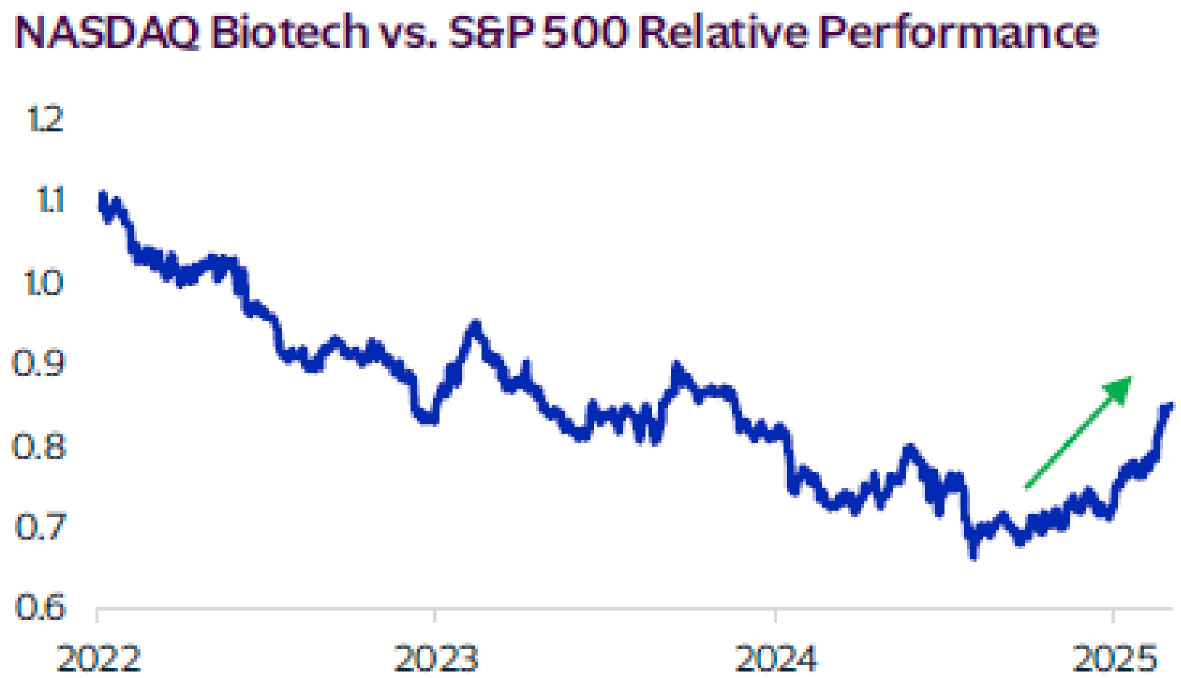


Source: Goldman Sachs Global Investment Research



Source: Goldman Sachs Global Investment Research

Biotech stocks rallied after lagging for several years

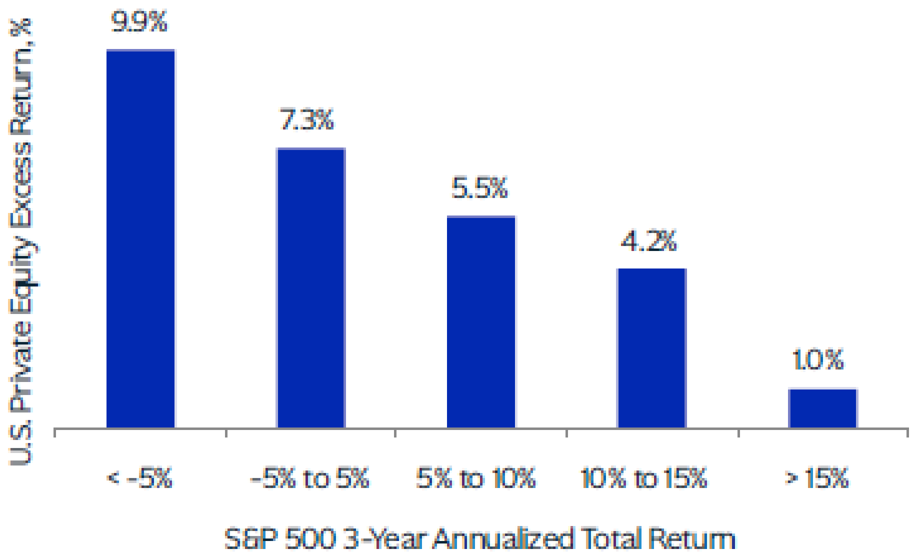


Data as at November 24, 2025. Source: Bloomberg.

Source: KKR

Private equity outperformance tends to be lower when public equity returns are higher

Average 3-Year Annualized Excess Total Return of U.S. Private Equity Relative to S&P 500 Across Public Market Return Regimes

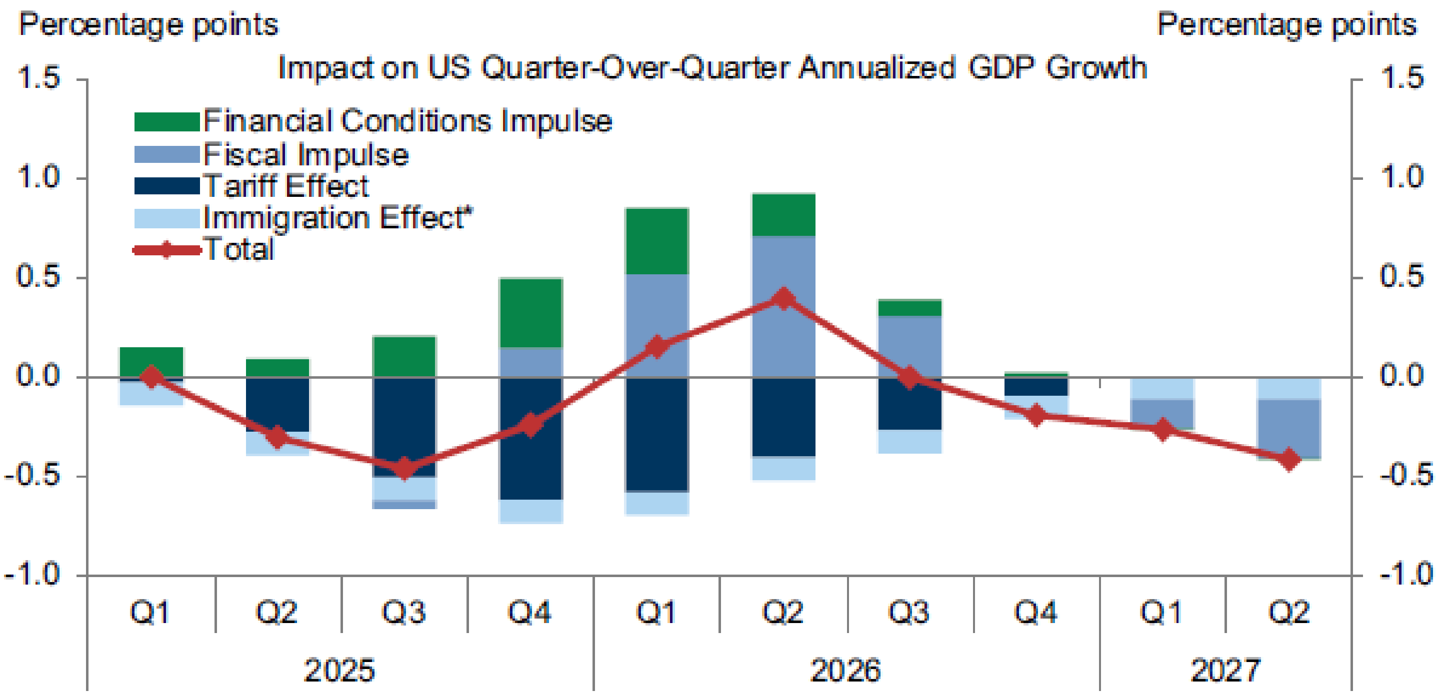


The Cambridge Associates LLC U.S. Private Equity Index is an end-to-end calculation based on data compiled from 1,482 U.S. private equity funds (buyout, growth equity, private equity energy and mezzanine funds), including fully liquidated partnerships. Pooled end-to-end return, net of fees, expenses, and carried interest. Historic quarterly returns are updated in each year-end report to adjust for changes in the index sample. Data is latest available as at June 30, 2025. Source: Cambridge Associates, S&P. Observation Period = 1Q86-2Q25.

Source: KKR

There are several growth tailwinds heading into 2026

Exhibit 2: US Growth Likely to Benefit from Reduced Tariff Drag, Tax Cuts, and Easier FCI



* Impact of current immigration rate relative to the average pre-pandemic rate of about 1mn per year.

Source: Goldman Sachs Global Investment Research

Forecasters expect strong earnings growth, with the potential for a larger boost from AI adoption

		GS top-down			Cons. bottom-up	
	2024	**2025**	**2026**	**2027**	**2026**	**2027**
S&P 500 ex. Fin, RE, Utils						
Sales growth	*5 %*	*6 %*	*7 %*	*6 %*	*6 %*	*7 %*
Profit Margin	11.6%	12.1%	12.8%	13.4%	13.2%	14.1%
Year/year growth	*43 bp*	*52 bp*	*70 bp*	*62 bp*	*111 bp*	*95 bp*
S&P 500 adjusted EPS	**$246**	**$272**	**$305**	**$336**	**$310**	**$352**
Year/year growth	***10 %***	***11 %***	***12 %***	***10 %***	***14 %***	***14 %***
Embedded EPS boost from AI adoption	*0 %*	*0 %*	*0.4 %*	*1.5 %*		

Source: FactSet, Goldman Sachs Global Investment Research

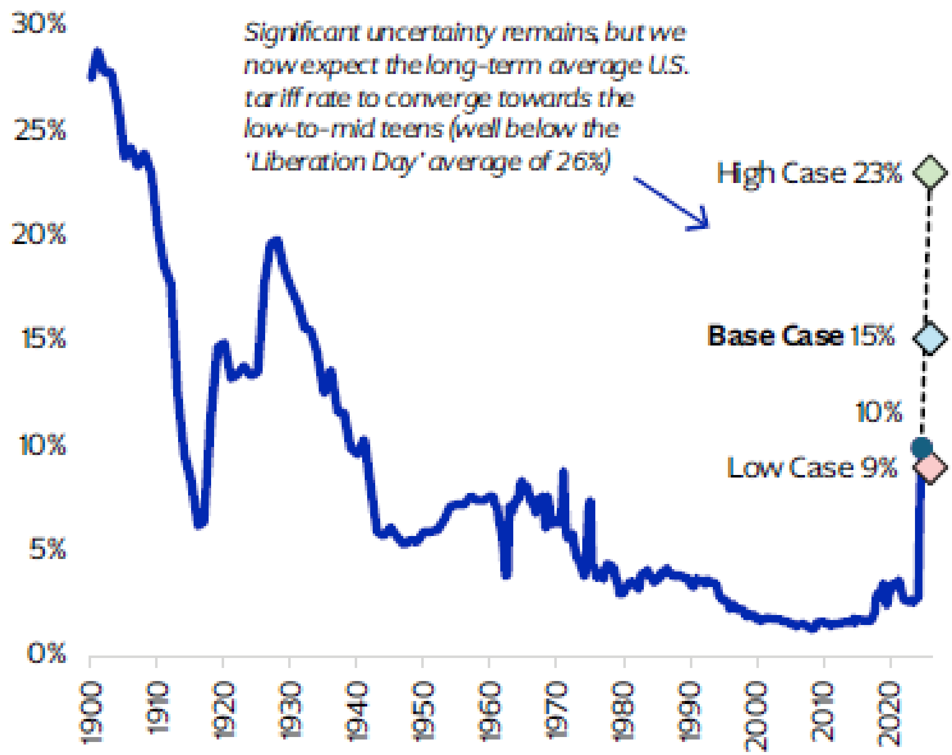
S&P 500 earnings boost from AI adoption (%)

	S&P 500 adoption rate		
Realized share of total potential productivity boost	**40%**	**50%**	**60%**
5%	0.3	GS 2026E 0.4	0.5
15%	1.0	1.3	GS 2027E 1.5
25%	1.7	2.1	2.6

Source: Goldman Sachs Global Investment Research

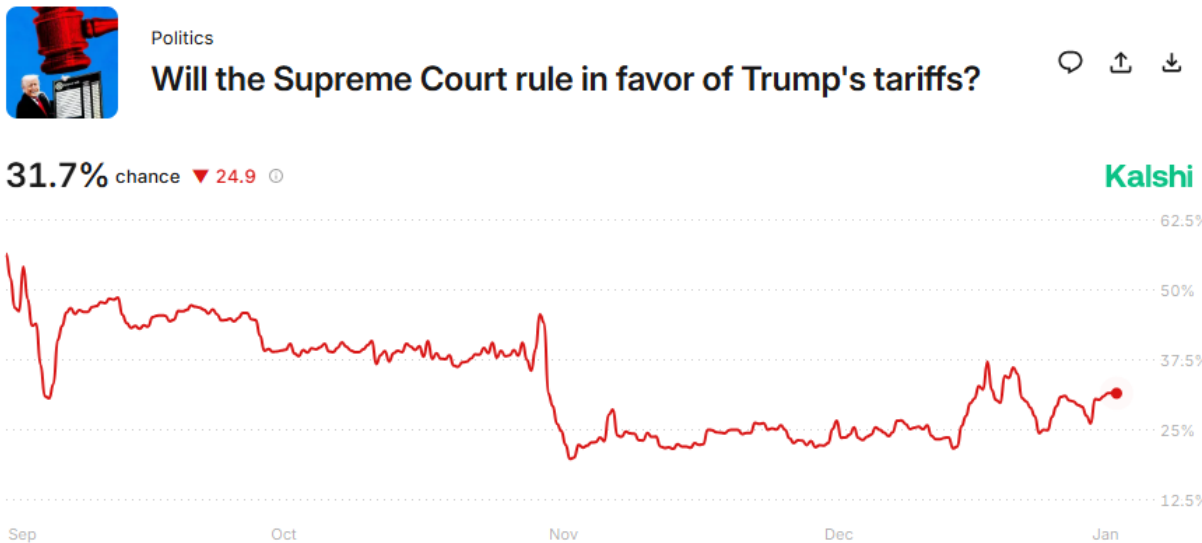
Tariffs are expected to settle below the "Liberation Day" levels…

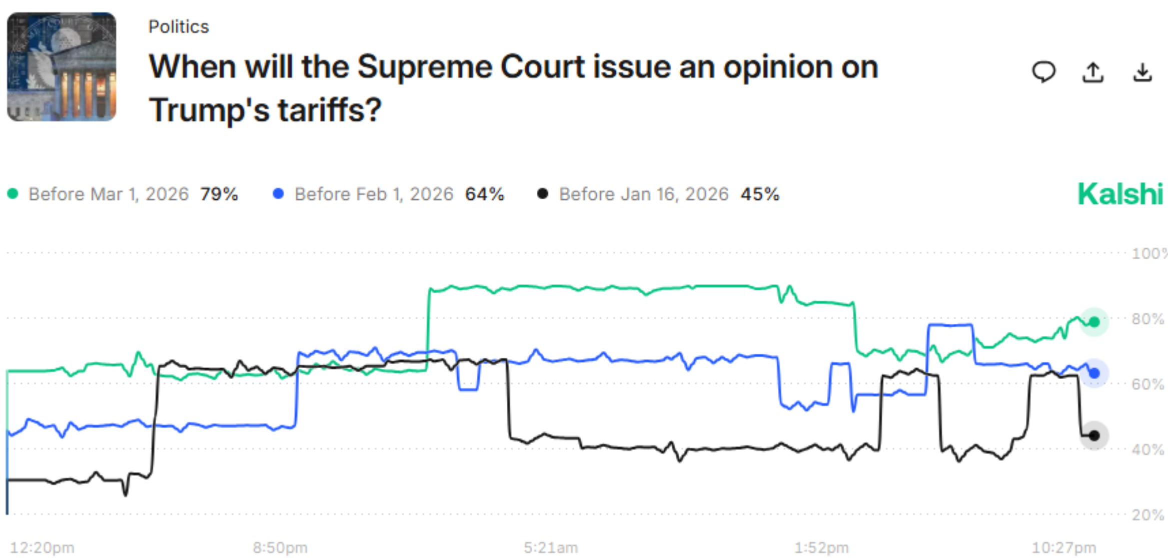
U.S. Effective Tariff Rate, %



Data as at December 8, 2025. Source: KKR Global Macro & Asset Allocation analysis.

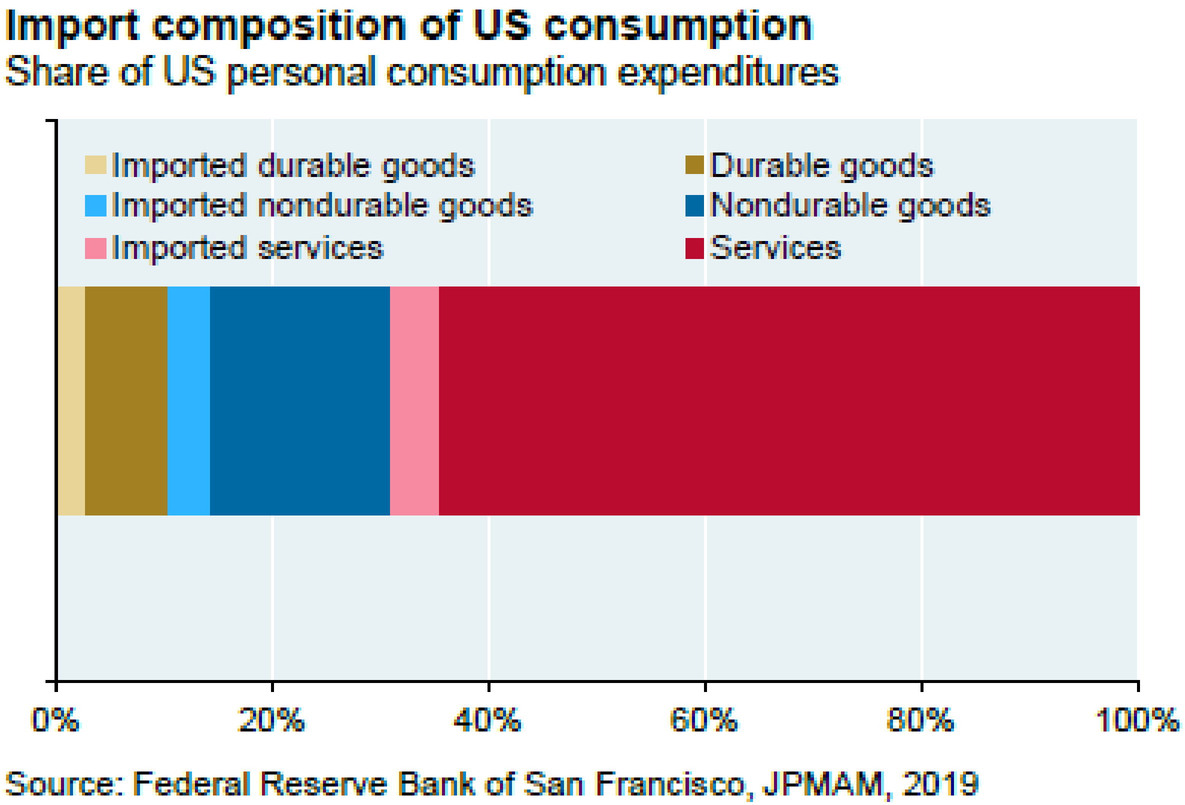
…with a Supreme Court decision on the legality of Trump's tariffs expected soon…





Source: Kalshi

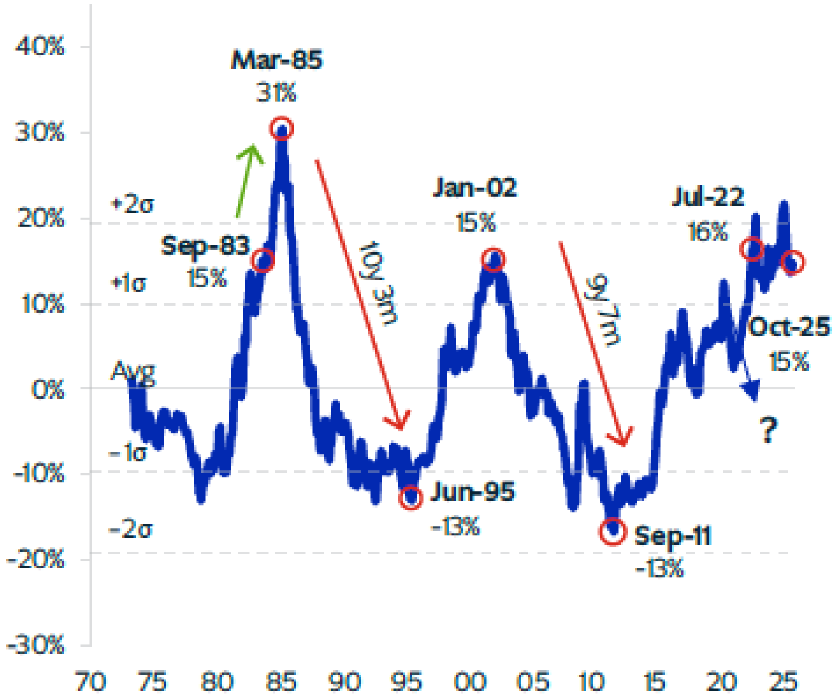
…and the import share of US consumption is fairly low



Source: JP Morgan

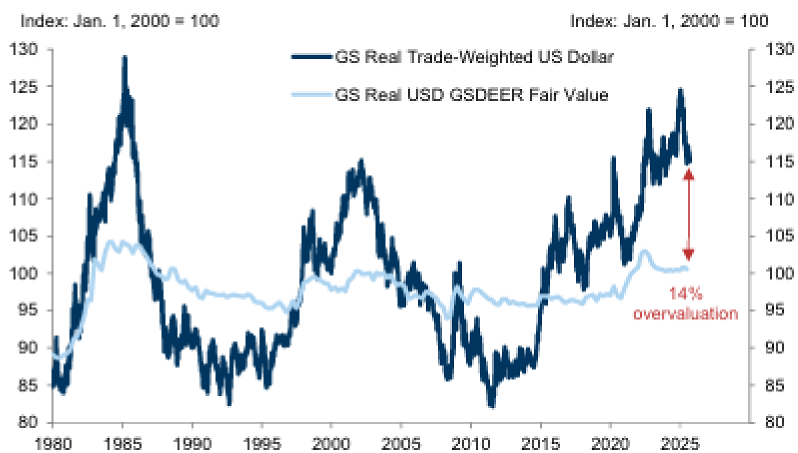
The US dollar remains overvalued, but it moves over long cycles…

Real Broad Trade-Weighted U.S.Dollar REER: % Over (Under) Valued



Data as at October 31, 2025. Source: Bloomberg.

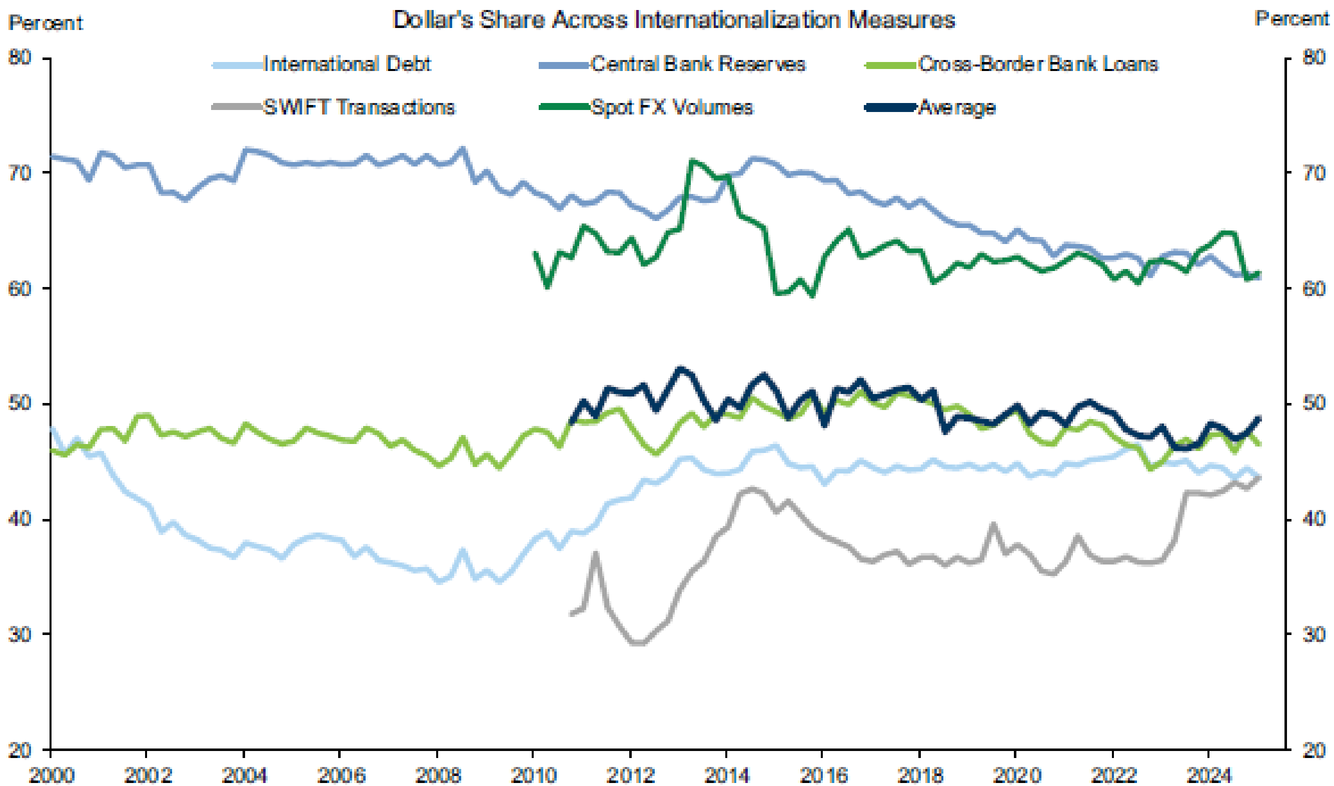
Source: KKR



Source: Goldman Sachs Global Investment Research

…and it is still the dominant global currency (part 1/2)…

Exhibit 8: An average across the Dollar internationalization measures we consider has remained relatively stable close to 50% over the past 15 years



Quarterly data, last observation is Q1:2025. All measures are valuation-adjusted for exchange rate moves.

Source: BIS, SWIFT, IMF, Haver Analytics, Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

Source: Goldman Sachs

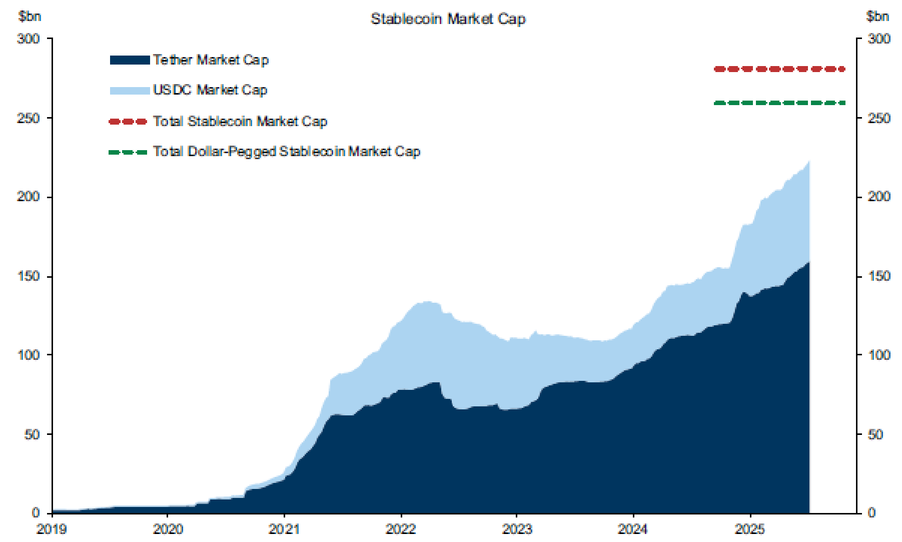
…and it is still the dominant global currency (part 2/2)…

US$ share of global markets

	2022	Latest	Latest as of date
Cross-border loans	50%	52%	Q4 2024
Intl. debt securities	49%	53%	Q4 2024
FX transaction volume	88%	88%	April 2022
Official FX reserves	60%	58%	Q4 2024
Trade invoicing	50%	42%	June 2025
SWIFT payments	42%	49%	October 2024

Source: BIS Quarterly Review , ECB, IMF, Gavekal Research, JPMAM

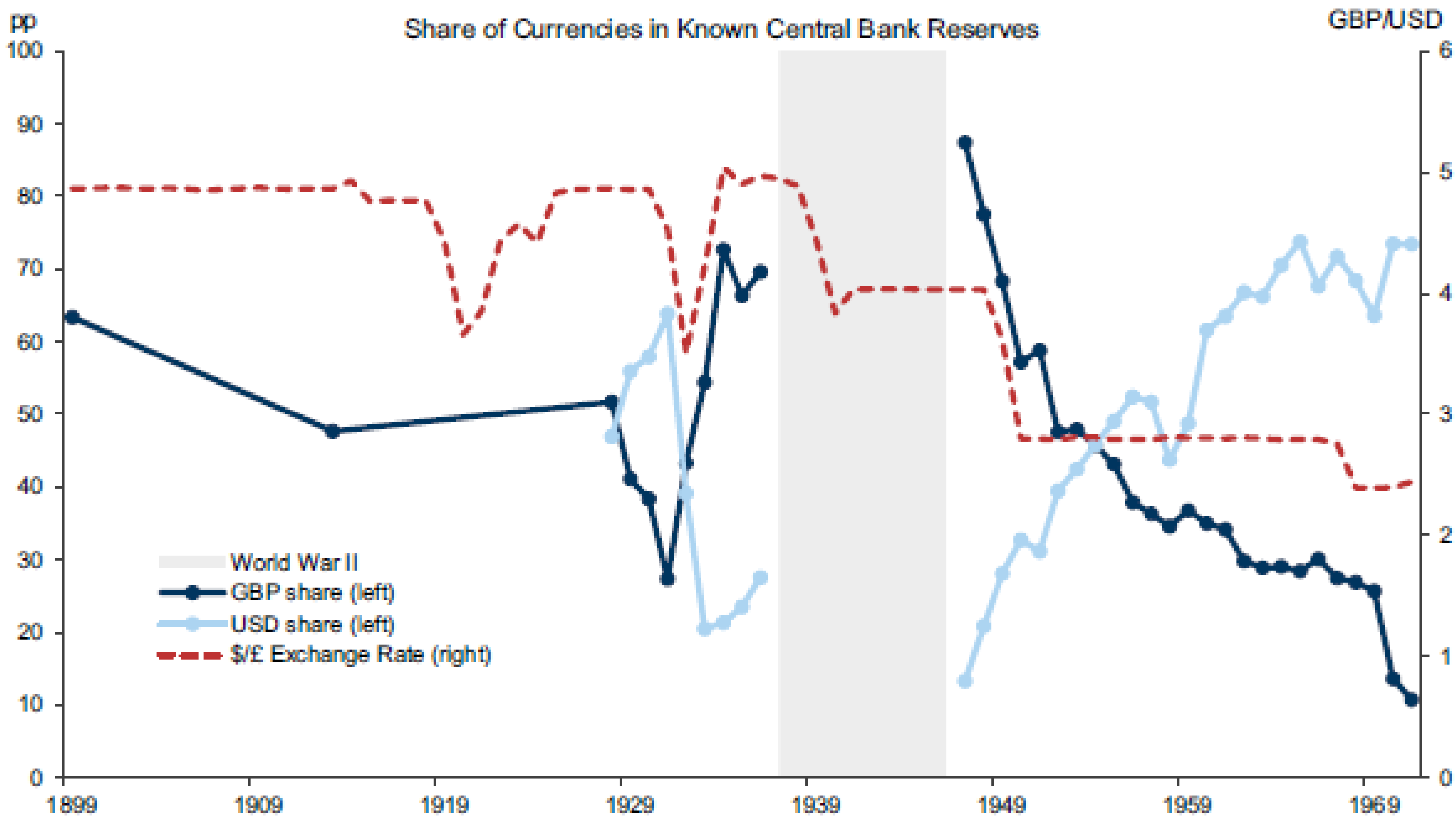
Source: JP Morgan



Source: DefiLlama, Goldman Sachs Global Investment Research

Source: Goldman Sachs

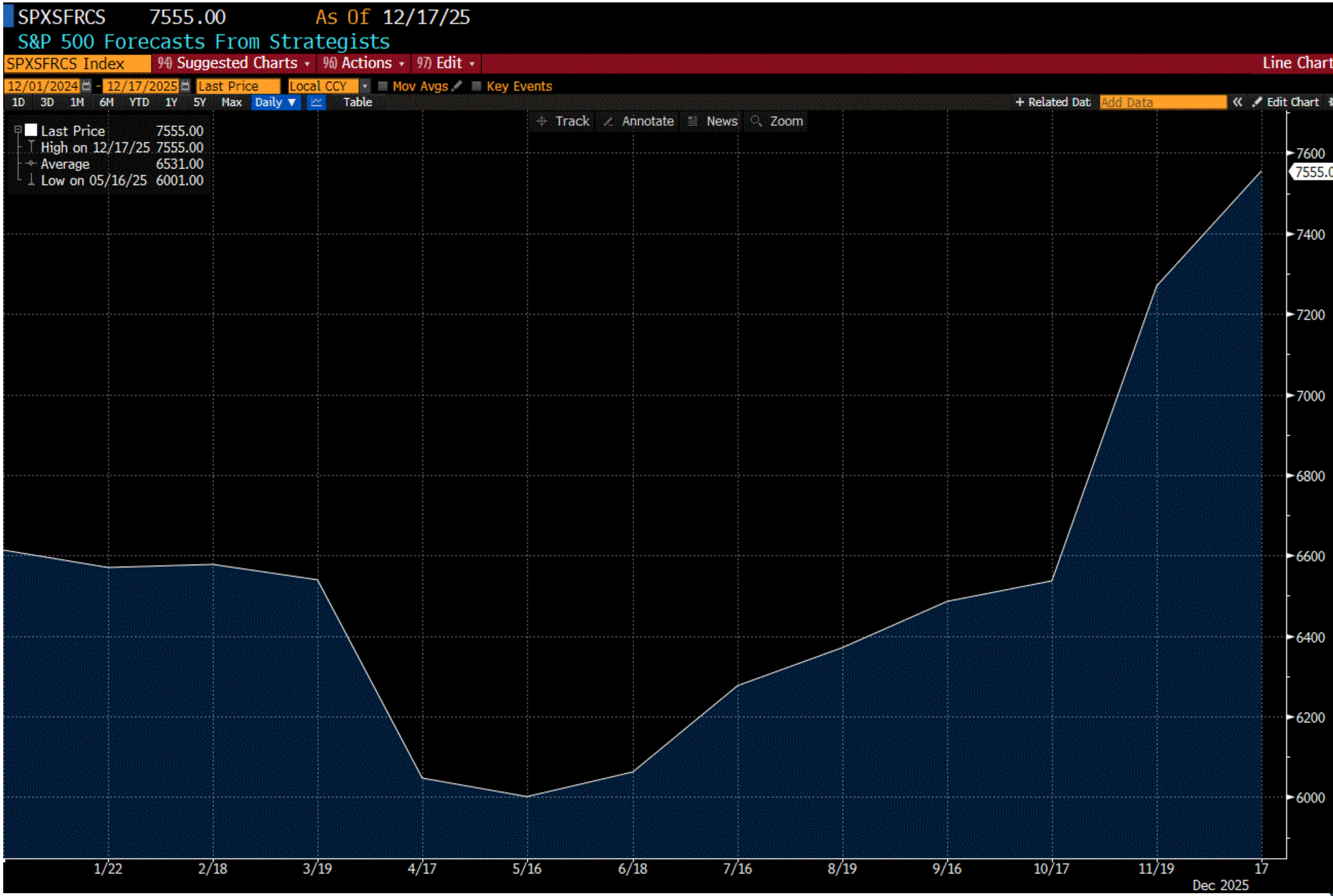
…as it has been since the decade after World War II



Source: Bank of England, Eichengreen (2020), Goldman Sachs Global Investment Research

Source: Goldman Sachs

Strategists forecast about a 10% return for the S&P 500 in 2026…

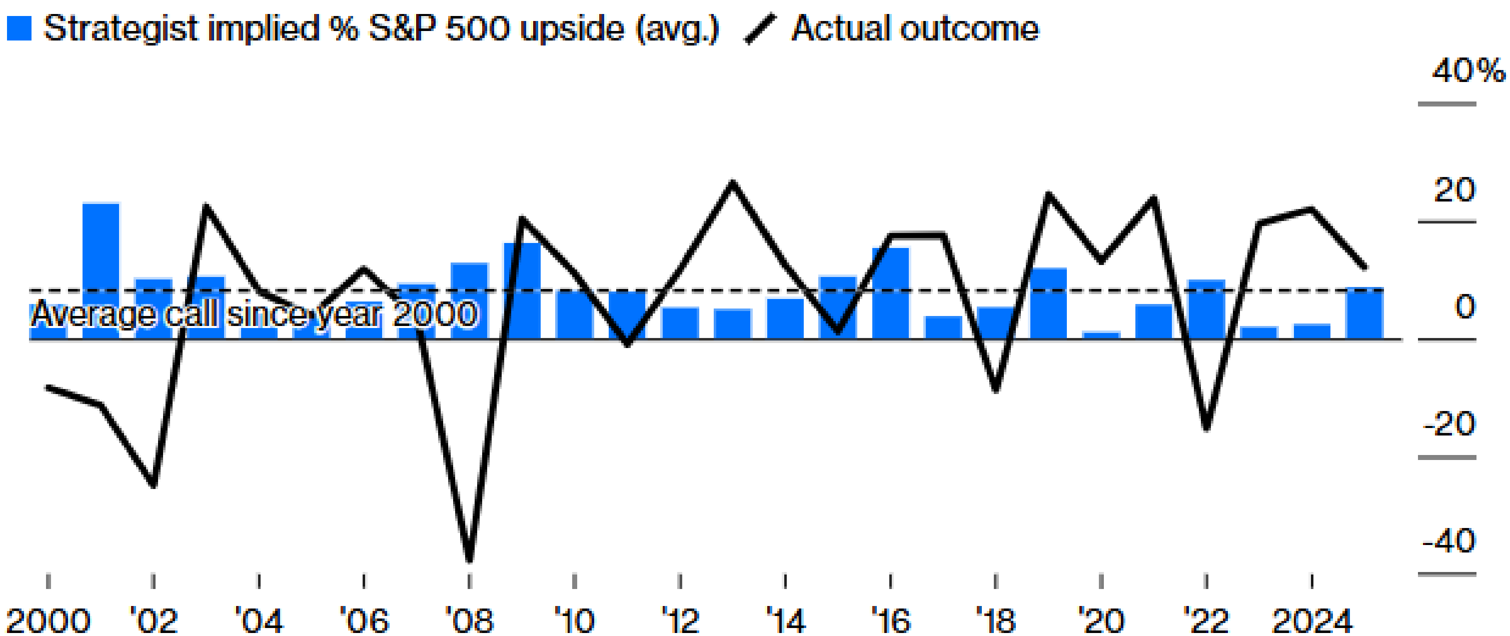


Source: Bloomberg

...but it's very difficult to predict returns over one year...

Not Very Predictive

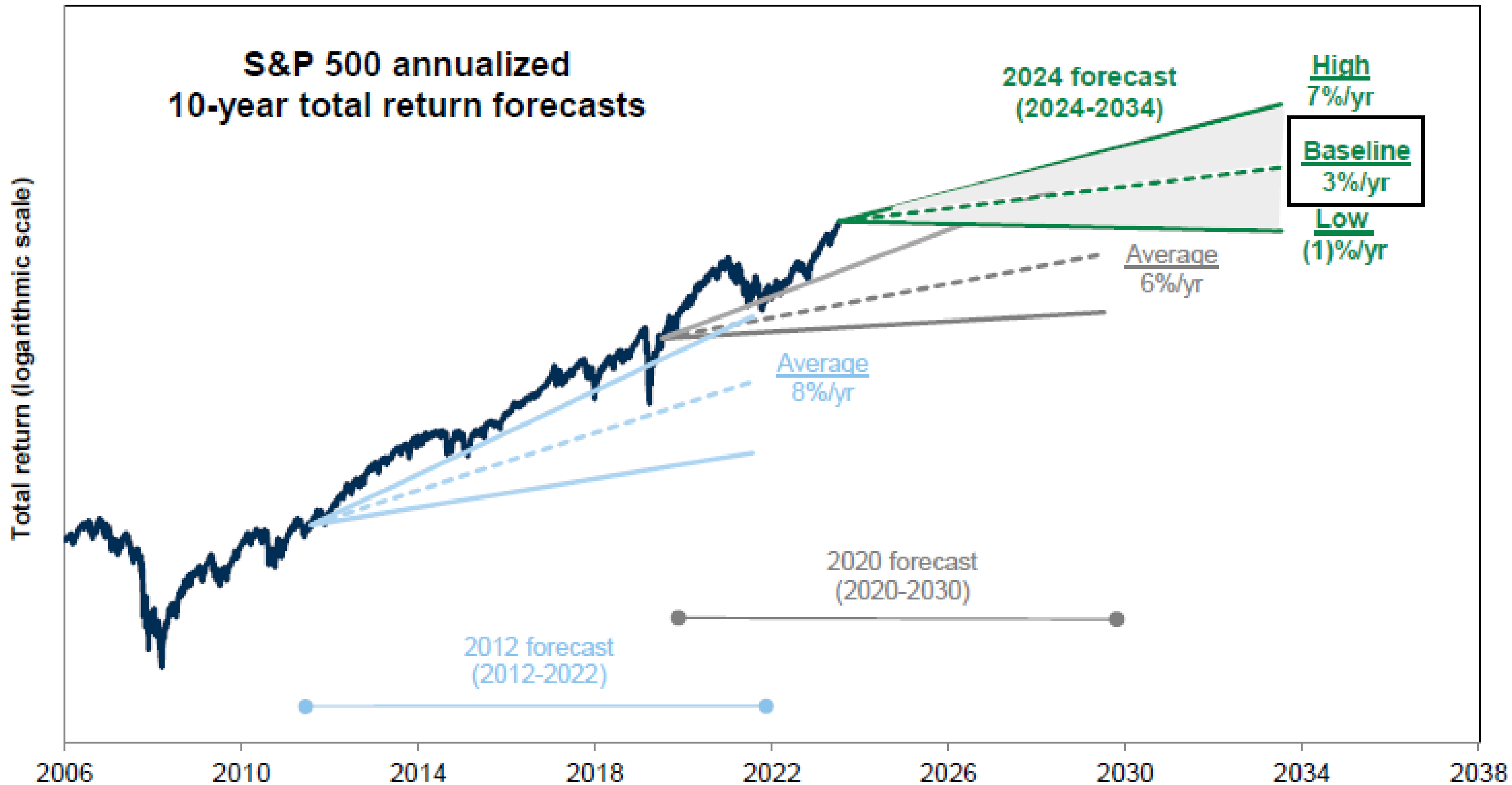
Strategist target prices usually don't tell us much about market outcomes



Source: Bloomberg
Note: "Upside" is how much strategists thought the index would rise from the day of the call through Dec. 31; 2025 realized performance is measured through 12/19/25.

...or ten (part 1/2)

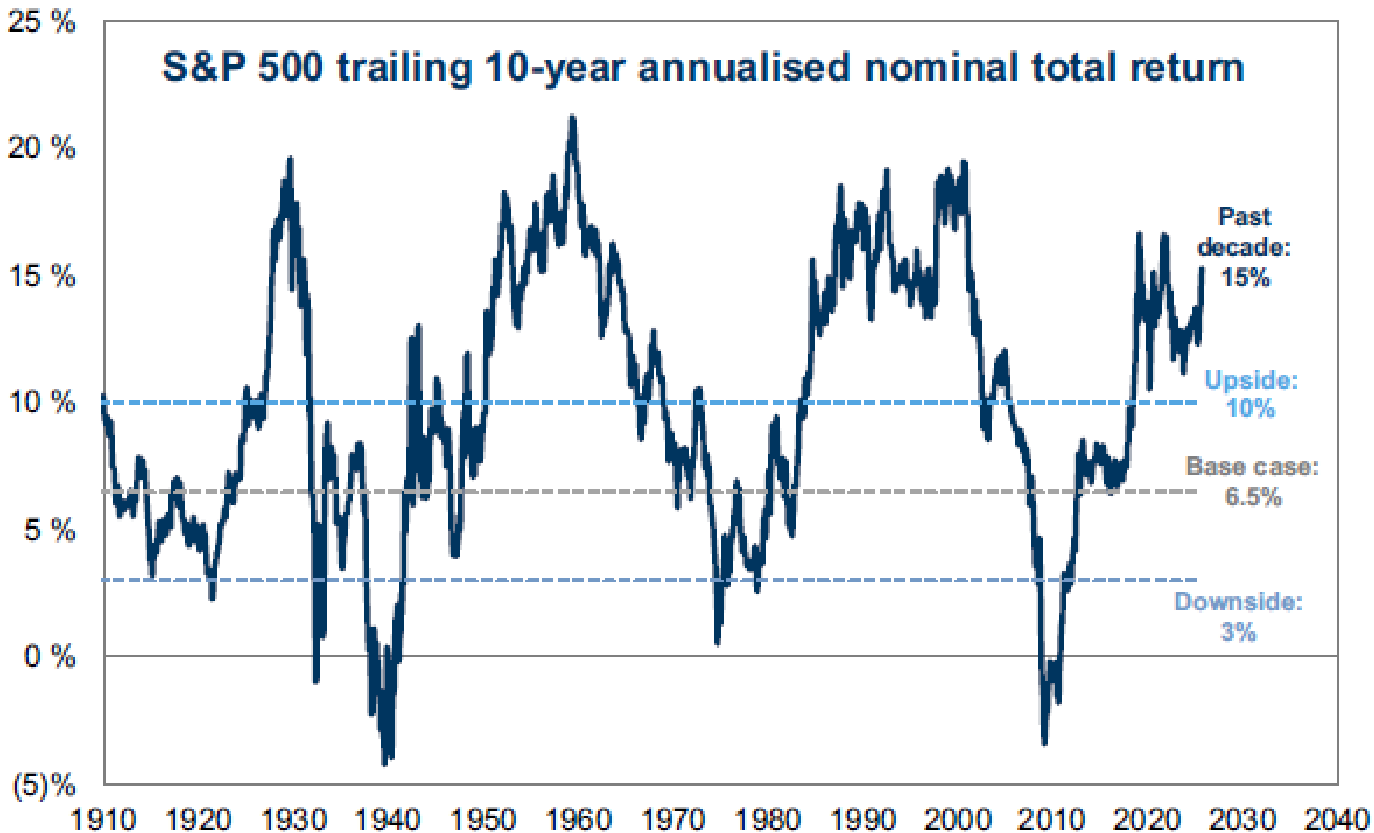
Exhibit 19: Our S&P 500 annualized 10-year total return forecasts: 2012 vs. 2020 vs. 2024



Source: Goldman Sachs Global Investment Research

…or ten (part 2/2)

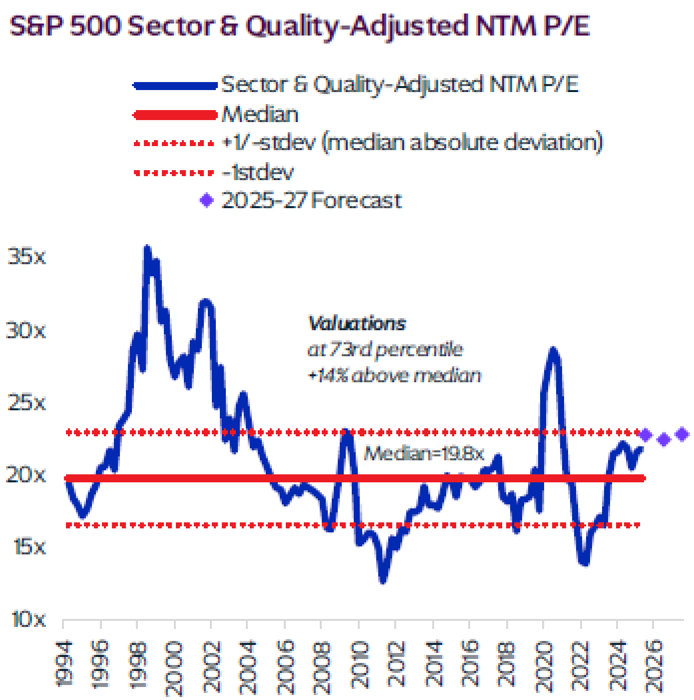
Exhibit 10: We forecast an annualised nominal total return of 6.5% for the S&P 500 during the next decade



Source: Goldman Sachs Global Investment Research

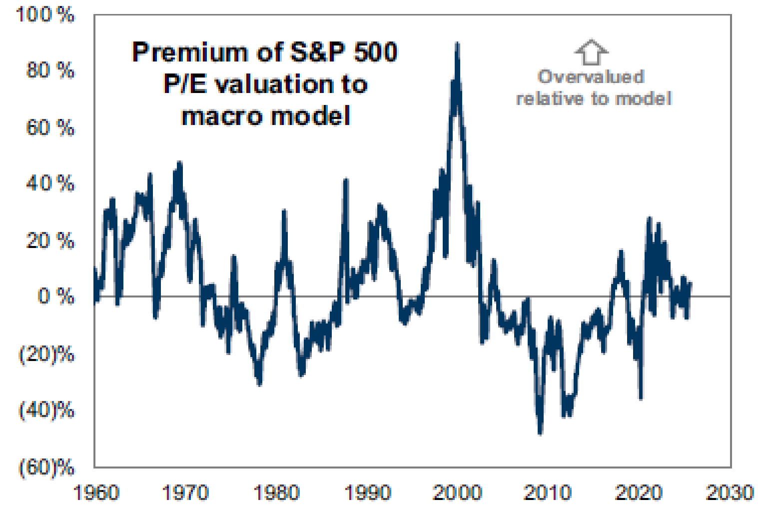
US equity valuations are reasonable in context…

Exhibit 101: …However, Once We Adjust for Changes in Sector Composition and Quality, S&P 500 Valuations Do Not Look Nearly as Expensive at Just the 73rd Percentile Relative to History

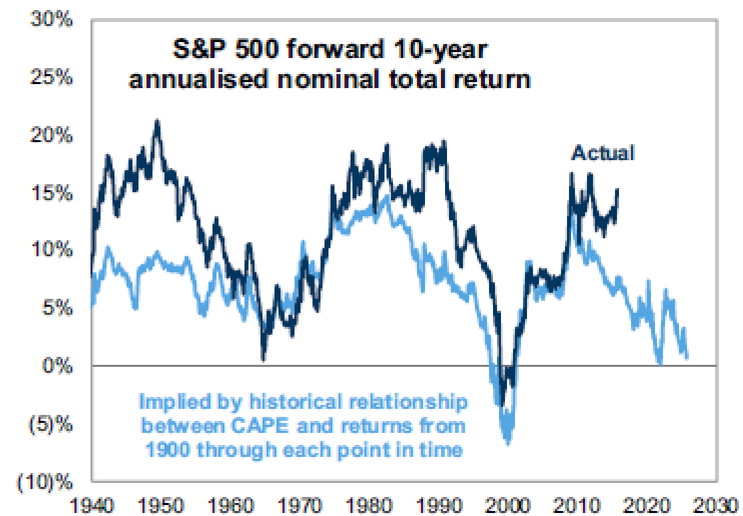


Quality refers to ROIC, operating and net profit margins. For each sector, we adjust the historical earnings by the delta in ROIC, operating margins, and net profit margins back then versus today. Data as at September 30, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

Source: KKR



Source: Goldman Sachs Global Investment Research



Source: Robert Shiller, Goldman Sachs Global Investment Research

…and tend to rise when the economy is growing and the Fed is cutting rates

Average 12-month change in S&P 500 P/E since 1980

		Fed funds rate			
		Cutting	Stable	Hiking	All
US real GDP growth	Accelerating	15 %	7 %	1 %	10 %
	Stable	14 %	4 %	(5)%	5 %
	Decelerating but growing	4 %	5 %	(4)%	(0)%
	Decelerating & contracting	(8)%	(4)%	(15)%	(9)%
	All	9 %	5 %	(4)%	4 %

Source: Goldman Sachs Global Investment Research

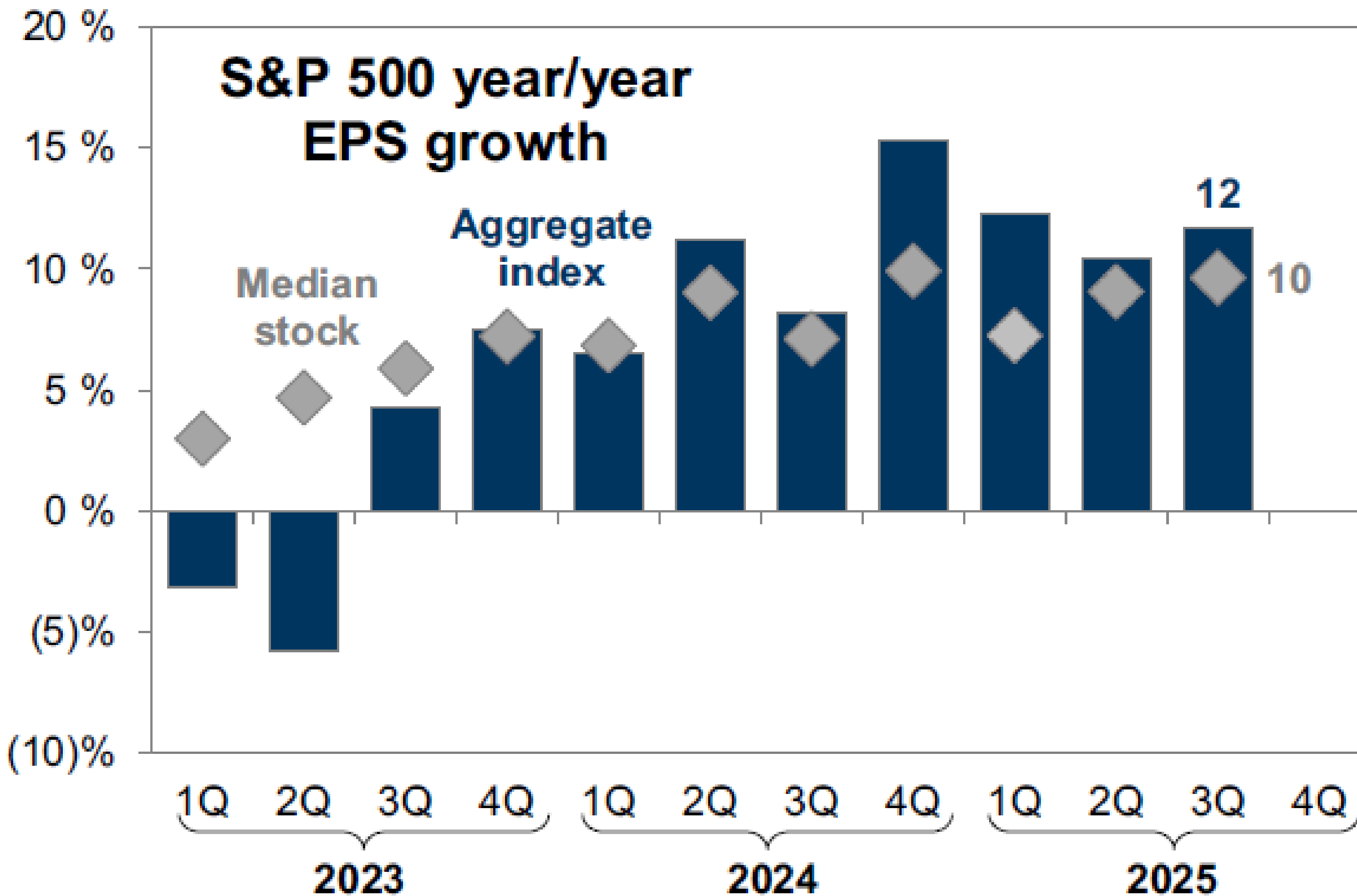
History says that in periods following outsized returns, forward returns tend to be lower, but that is driven by below-average earnings growth

S&P 500 Performance Regimes								
	1-Year Forward				5-Year Forward (Annualized)			
Trailing 3-Year (Annualized)	Earnings Growth	Dividends	P/E Repricing	Total Return	Earnings Growth	Dividends	P/E Repricing	Total Return
-50%	7.8%	2.4%	2.7%	13.0%	7.5%	2.3%	1.5%	11.4%
-10%	7.5%	2.4%	2.5%	12.5%	7.3%	2.4%	1.7%	11.3%
-5%	7.0%	2.4%	3.0%	12.4%	7.0%	2.4%	1.8%	11.1%
0%	6.8%	2.5%	3.5%	12.8%	6.9%	2.4%	2.1%	11.4%
5%	7.3%	2.5%	3.8%	13.6%	7.1%	2.4%	2.3%	11.8%
10%	7.3%	2.5%	3.9%	13.7%	6.7%	2.4%	2.2%	11.4%
15%	8.1%	2.6%	2.0%	12.7%	5.5%	2.5%	1.9%	9.9%
20% (This is where we are today)	7.0%	2.2%	3.8%	13.0%	3.6%	2.2%	-0.5%	5.3%
25%	11.0%	2.0%	-1.4%	11.6%	2.7%	2.0%	-1.8%	2.9%
Average (1981-2025)	7.8%	2.4%	2.7%	13.0%	7.5%	2.3%	1.5%	11.4%

Data as at November 24, 2025. Source: S&P, Bloomberg, KKR Global Macro & Asset Allocation analysis.

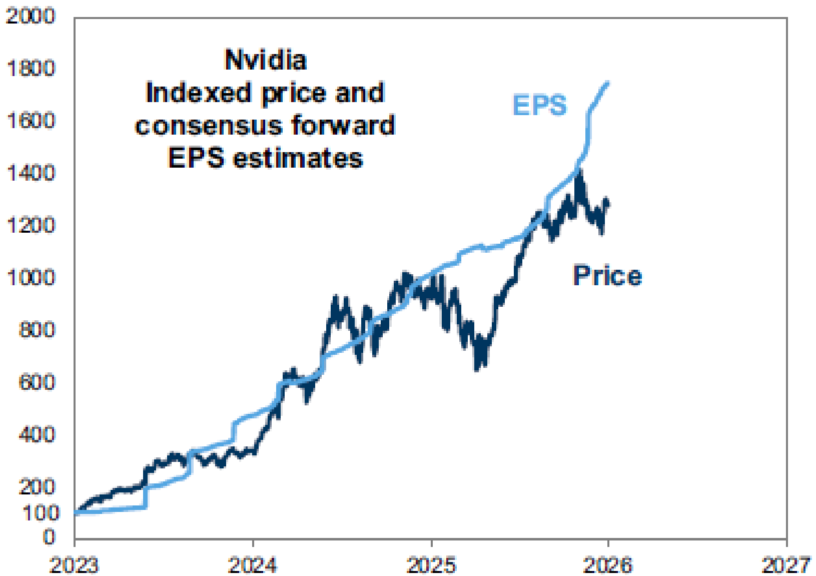
Source: KKR

Earnings growth has been strong...

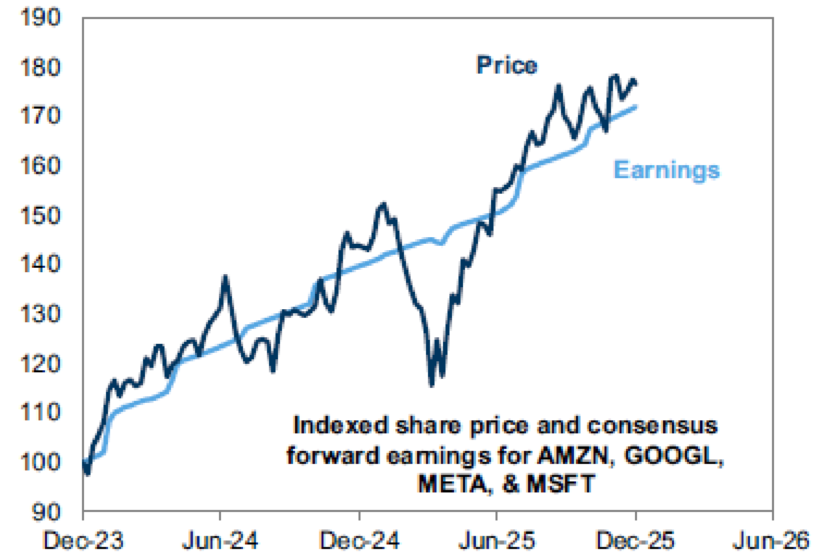


Source: FactSet, Goldman Sachs Global Investment Research

...with the largest tech stocks rising in line with earnings...

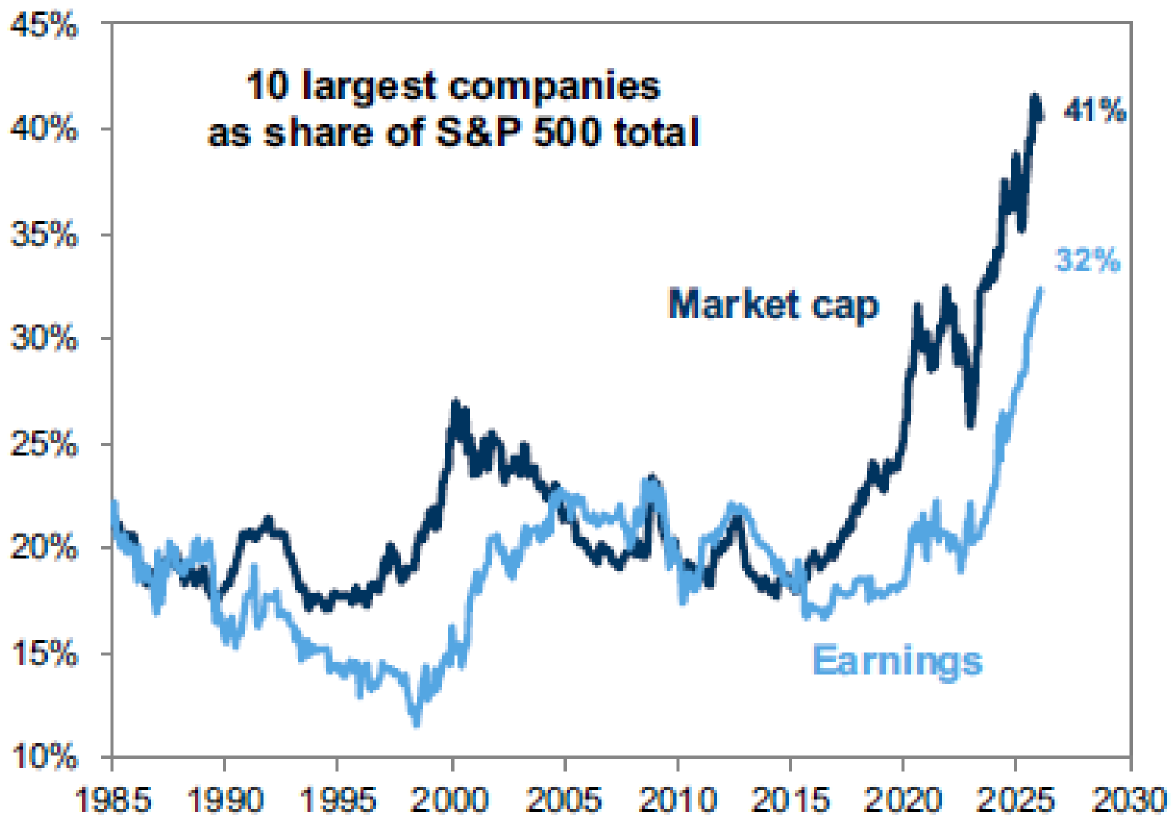


Source: FactSet, Goldman Sachs Global Investment Research



Source: FactSet, Goldman Sachs Global Investment Research

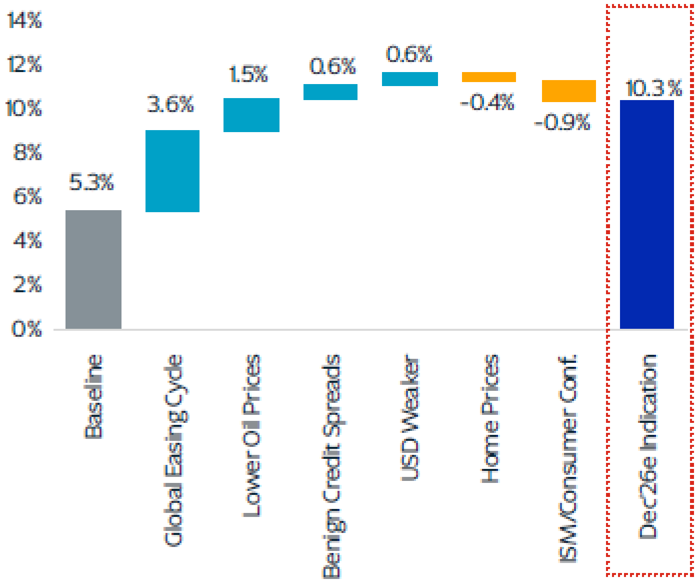
…justifying their share of market cap…



Source: Compustat, Goldman Sachs Global Investment Research

…and earnings growth is expected to continue, with the gap closing between the largest stocks and the rest of the market

Contributions to Dec 2026e S&P 500 EPS Growth Indication



The Earnings Growth Leading Indicator (EGLI) is a statistical synthesis of seven important leading indicators to S&P 500 earnings per share. Henry McVey and team developed the model in early 2006. Data as at November 18, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

Source: KKR

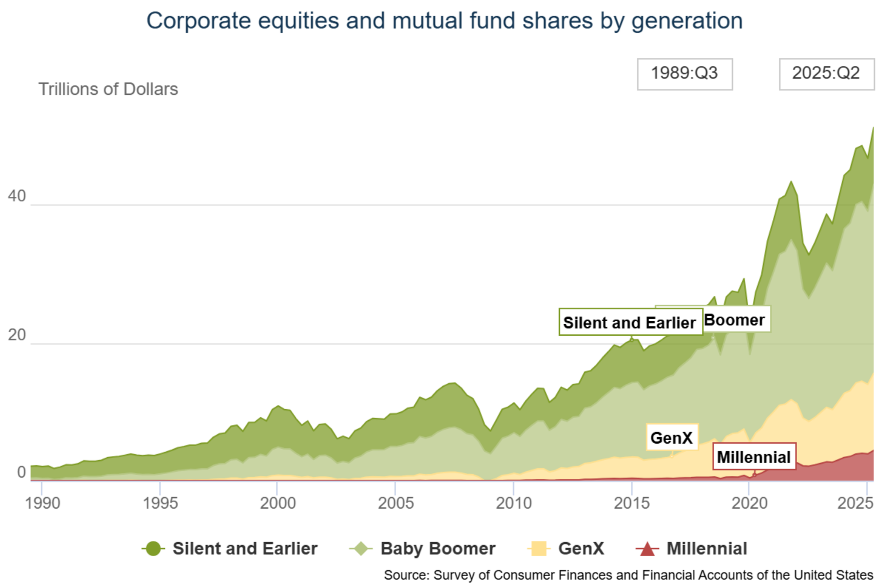
Magnificent 7 stocks vs S&P 493

	Mag 7	S&P 493
Last 5 yrs sales growth (ann)	31%	6%
Free cash flow margin	26%	16%
Net profit margin	24%	9%
Last 5 yrs operating earnings growth (ann)	43%	13%
2 yr forward consensus operating earnings growth (ann)	11%	9%
Last 5 yrs P/E multiple change (ann)	-4%	-2%
Last 5 yrs operating earnings growth share of price return	111%	117%
Last 5 yrs price return (ann)	39%	11%

Source: Bloomberg, JPMAM, May 30, 2025

Source: JP Morgan

Ownership of equities has increased over the past 30+ years

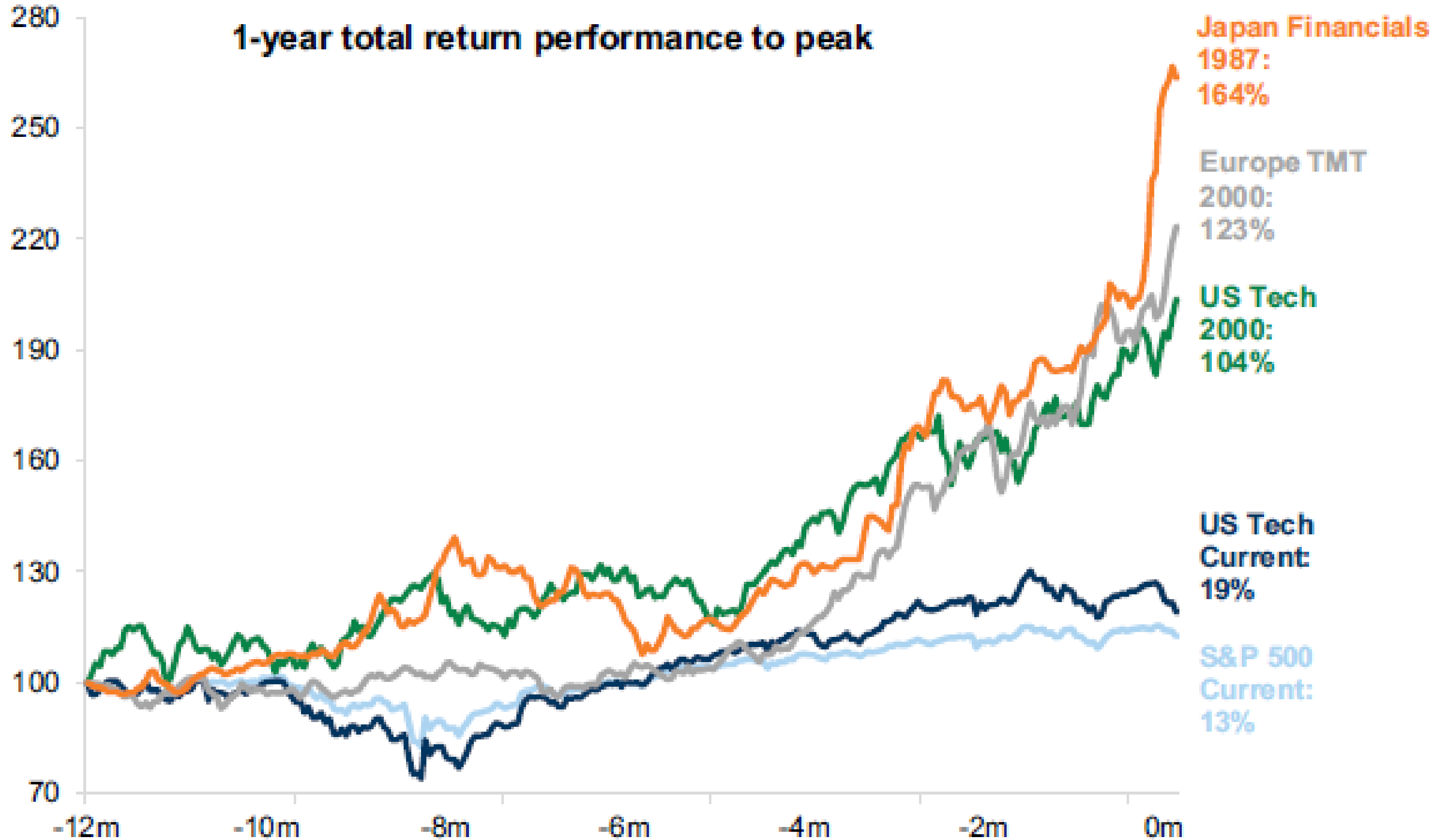


Source: Federal Reserve

Source: Federal Reserve

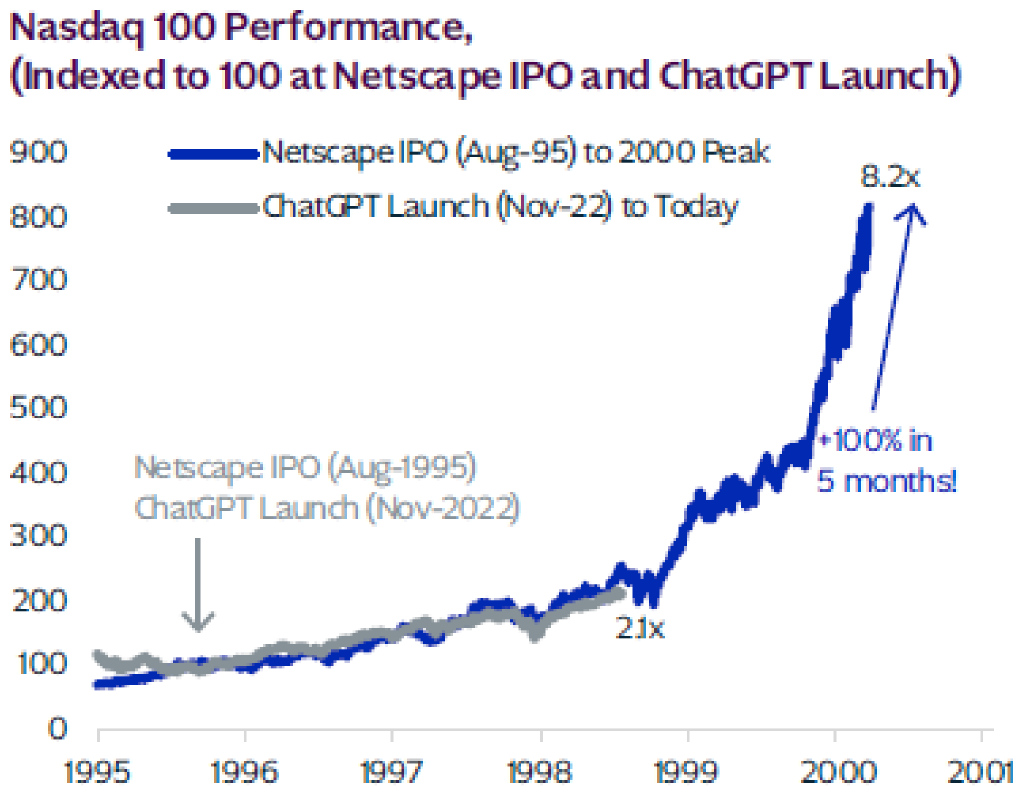
US equities aren't exhibiting behavior typical of the late stages of a bubble based on trailing 1-year return…

Exhibit 15: Past bubbles saw much larger stock price surges in their final year
1-year total return performance to peak



Source: Datastream, Goldman Sachs Global Investment Research

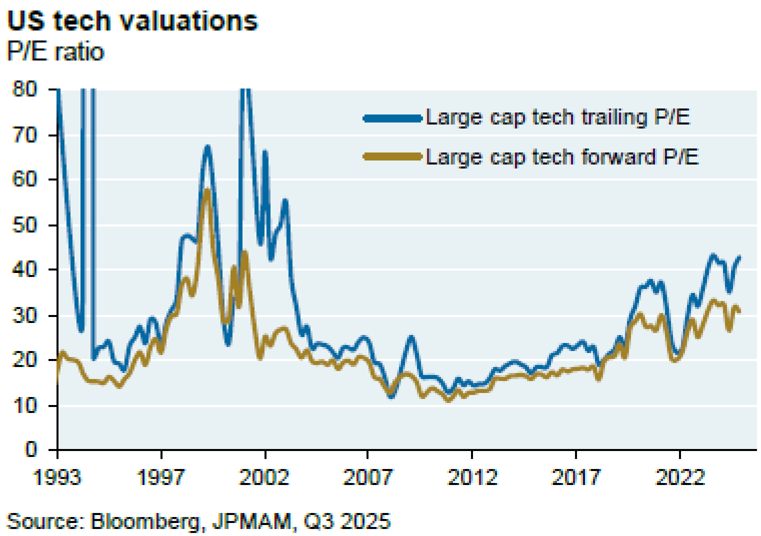
…Nasdaq 100 performance since the launch of ChatGPT vs. after the Netscape IPO…



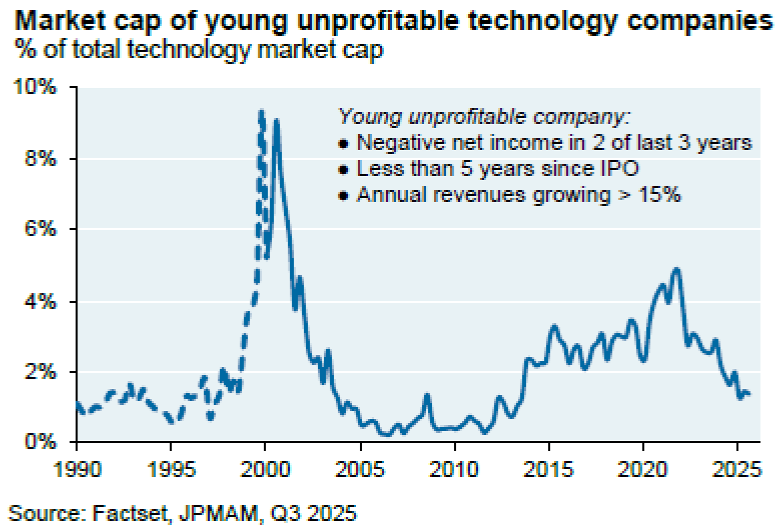
Data as at December 10, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

Source: KKR

...tech valuations and the share of young unprofitable companies vs. the tech bubble...



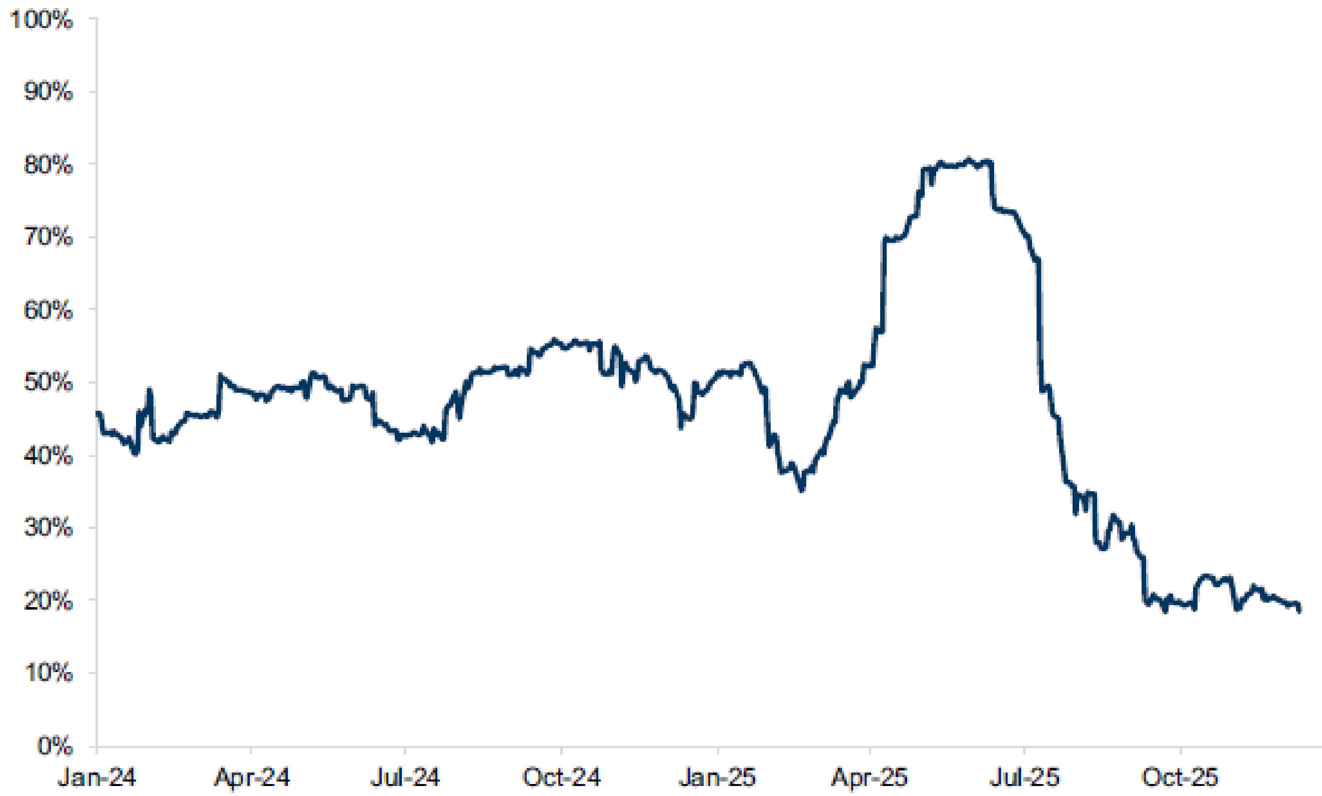
Source: JP Morgan



Source: JP Morgan

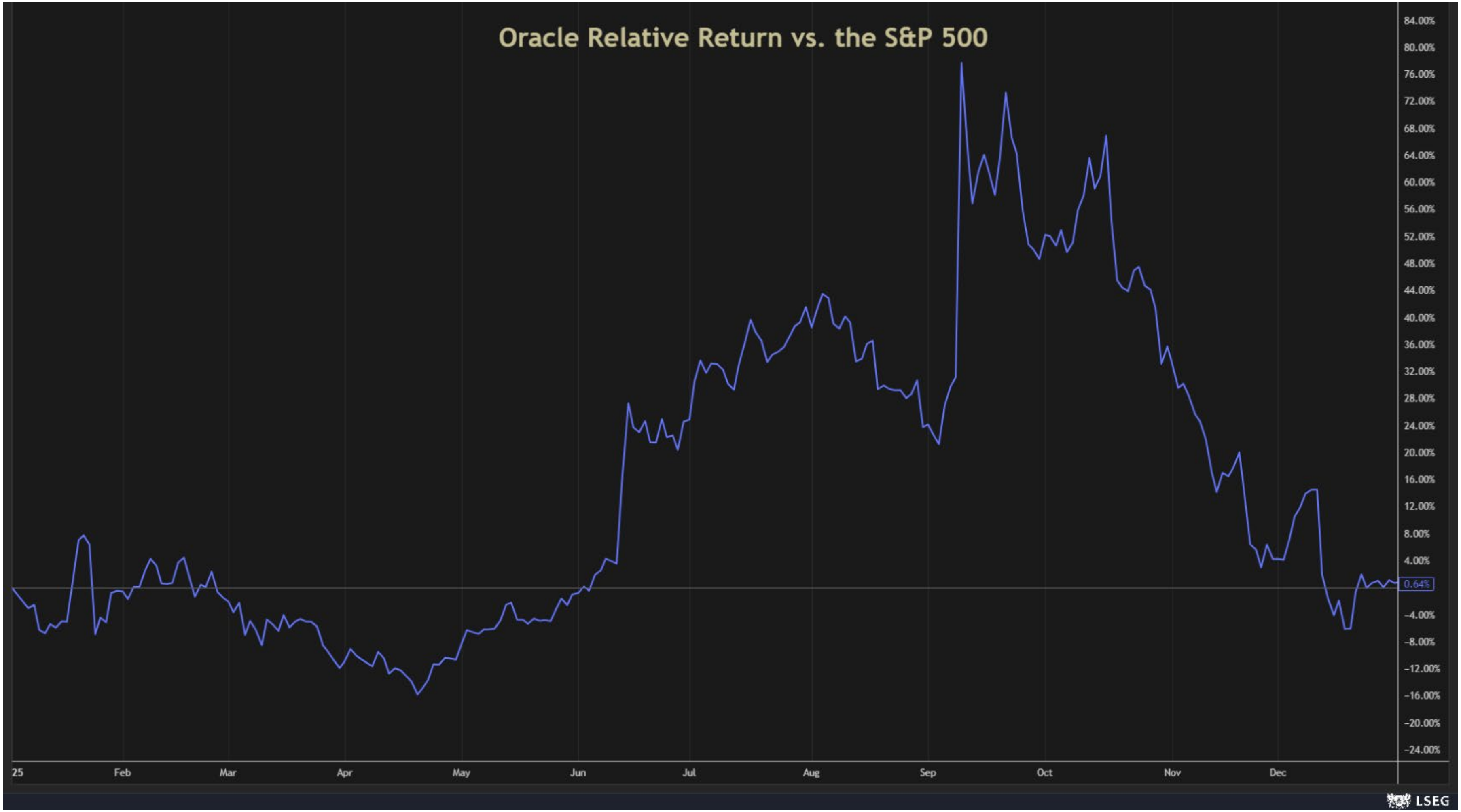
...and the AI hyperscaler stocks have become less correlated...

Exhibit 12: The large AI hyperscalers have become less correlated to each other
3-month realised average pairwise correlation of large public AI hyperscalers (AMZN, GOOGL, META, MSFT, ORCL) stock returns



Source: Goldman Sachs Global Investment Research

…with Oracle stock dropping significantly after a big run-up last year

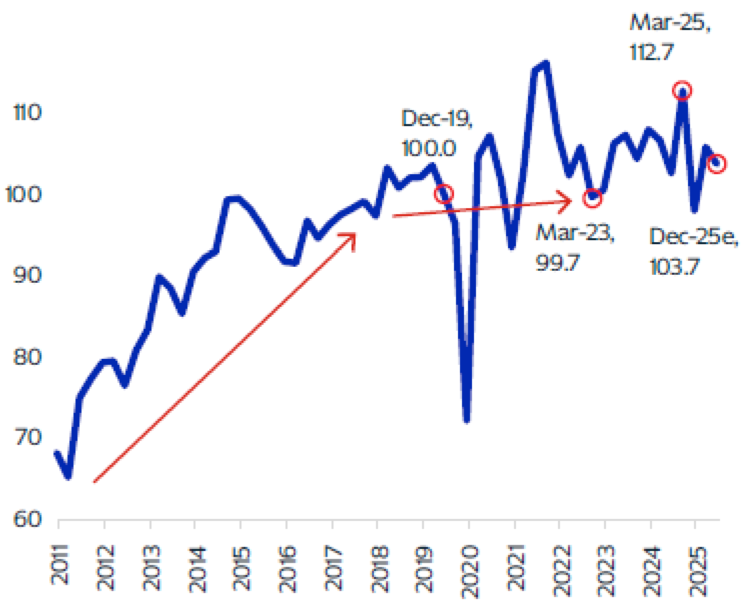


Source: LSEG

There aren't obvious excesses in construction, inventories, or private sector debt…

Exhibit 45: True Economic Hard Landings Are Usually Caused by Housing and Inventory Issues. This Cycle Has Not Been Marked by Excesses in Those Areas

Real Construction + Inventory Investment, 4Q19=100

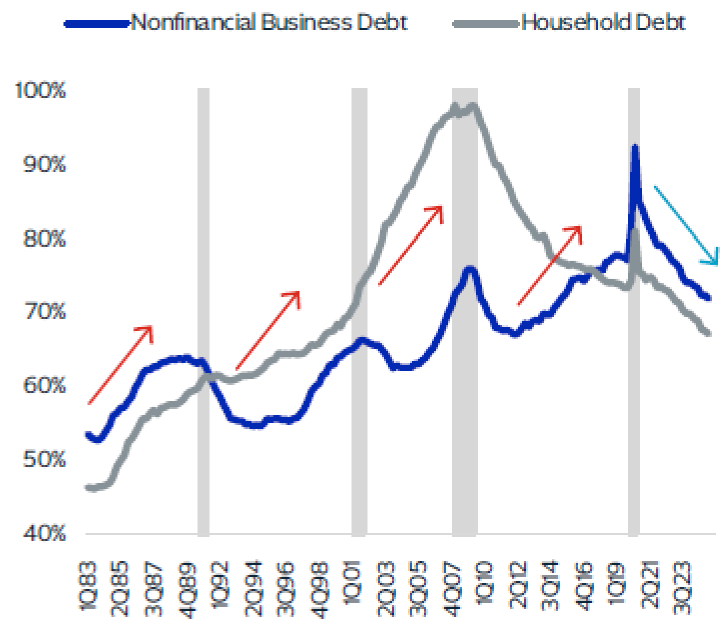


e = KKR GMAA estimates. Data as at November 17, 2025. Source: U.S. Bureau of Economic Analysis, Haver Analytics, KKR Global Macro & Asset Allocation analysis.

Source: KKR

Exhibit 46: Also Important Is That Business and Consumer Leverage Levels Have Not Increased This Cycle, Which Helps Buffer Against an Outsized Default Cycle

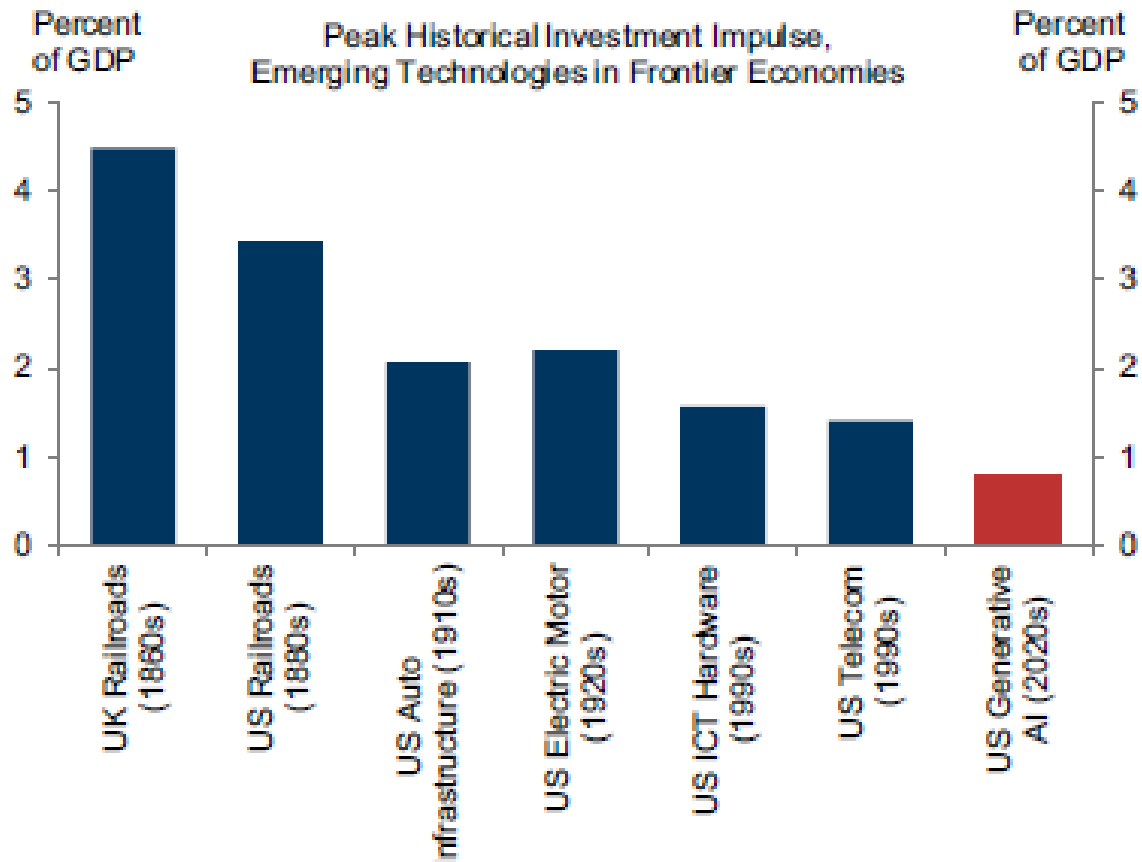
U.S. Private Sector Leverage as a % of GDP



Gray shading denotes recessionary quarters. Data as at November 17, 2025. Source: U.S. Bureau of Economic Analysis, Haver Analytics, KKR Global Macro & Asset Allocation analysis.

Source: KKR

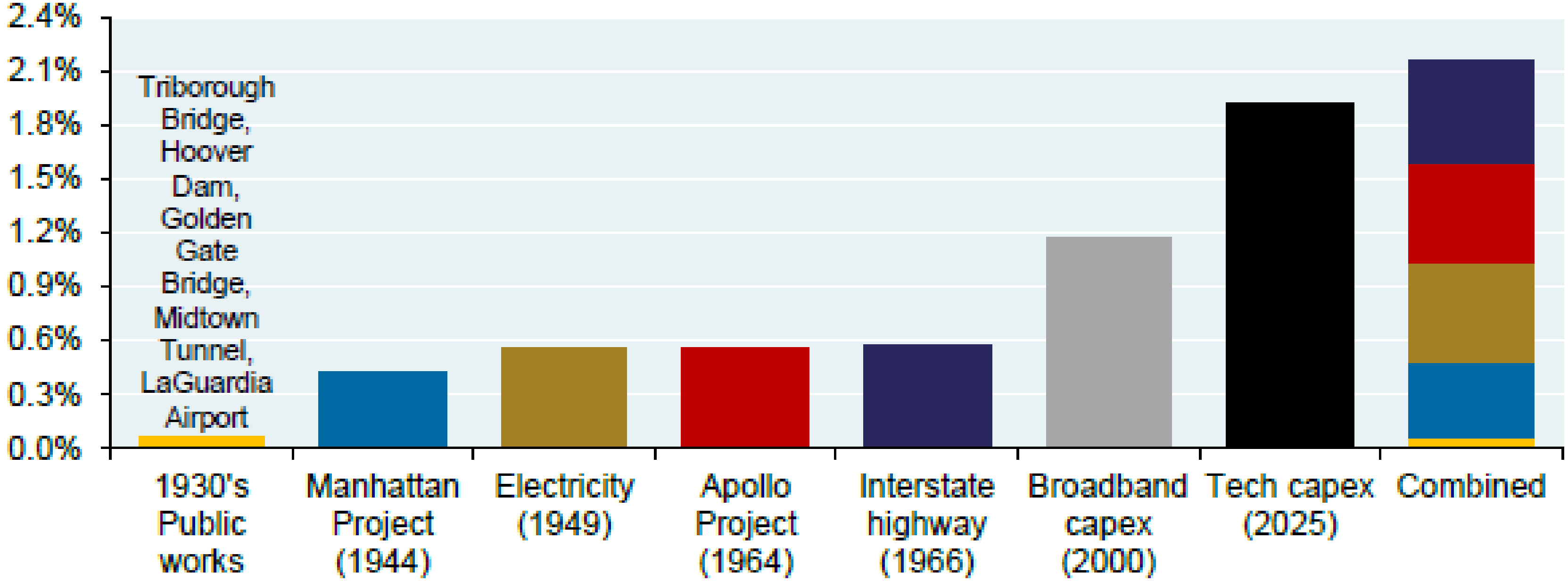
…and US investment in generative AI isn't an outlier in context…



Source: Bureau of Economic Analysis, Goldman Sachs Global Investment Research

…although it is very large compared to many other infrastructure projects…

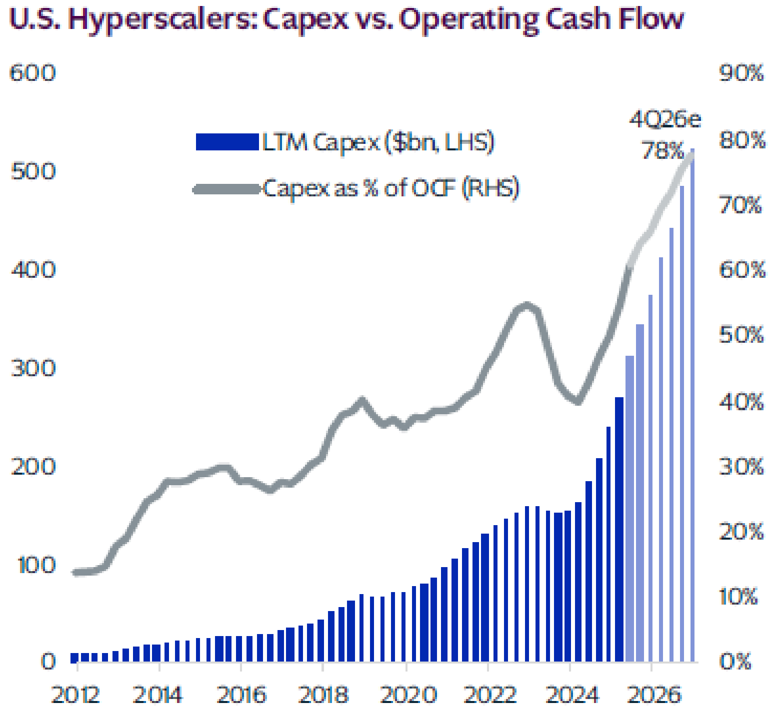
Tech capital spending in 2025 vs spending on major US infrastructure projects
Peak annual project percent of GDP



Source: Manhattan District History, BEA, Planetary Society, Eno Center for Transportation, San Francisco Fed, Hoover archives, Baruch, GoldenGate.org, New York Times, JPMAM, 2025

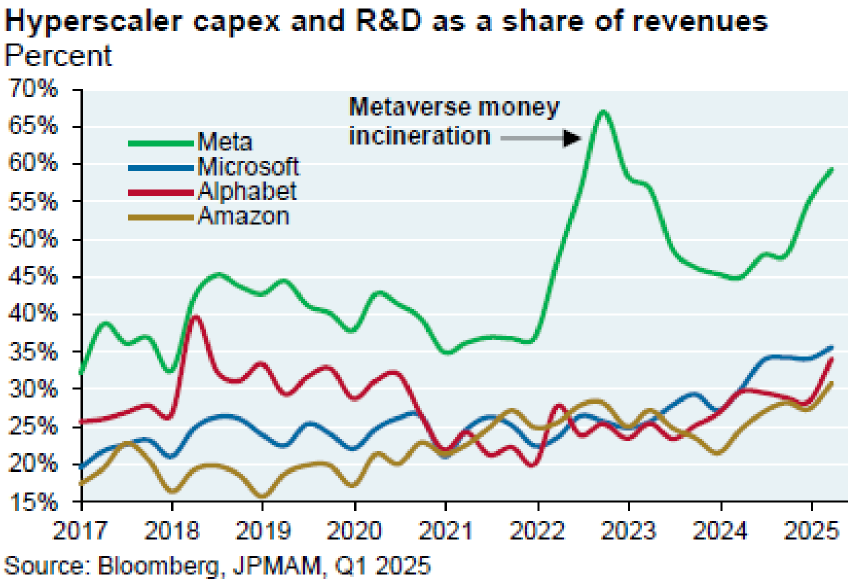
Source: JP Morgan

…and while the AI hyperscalers are spending a lot on CapEx…



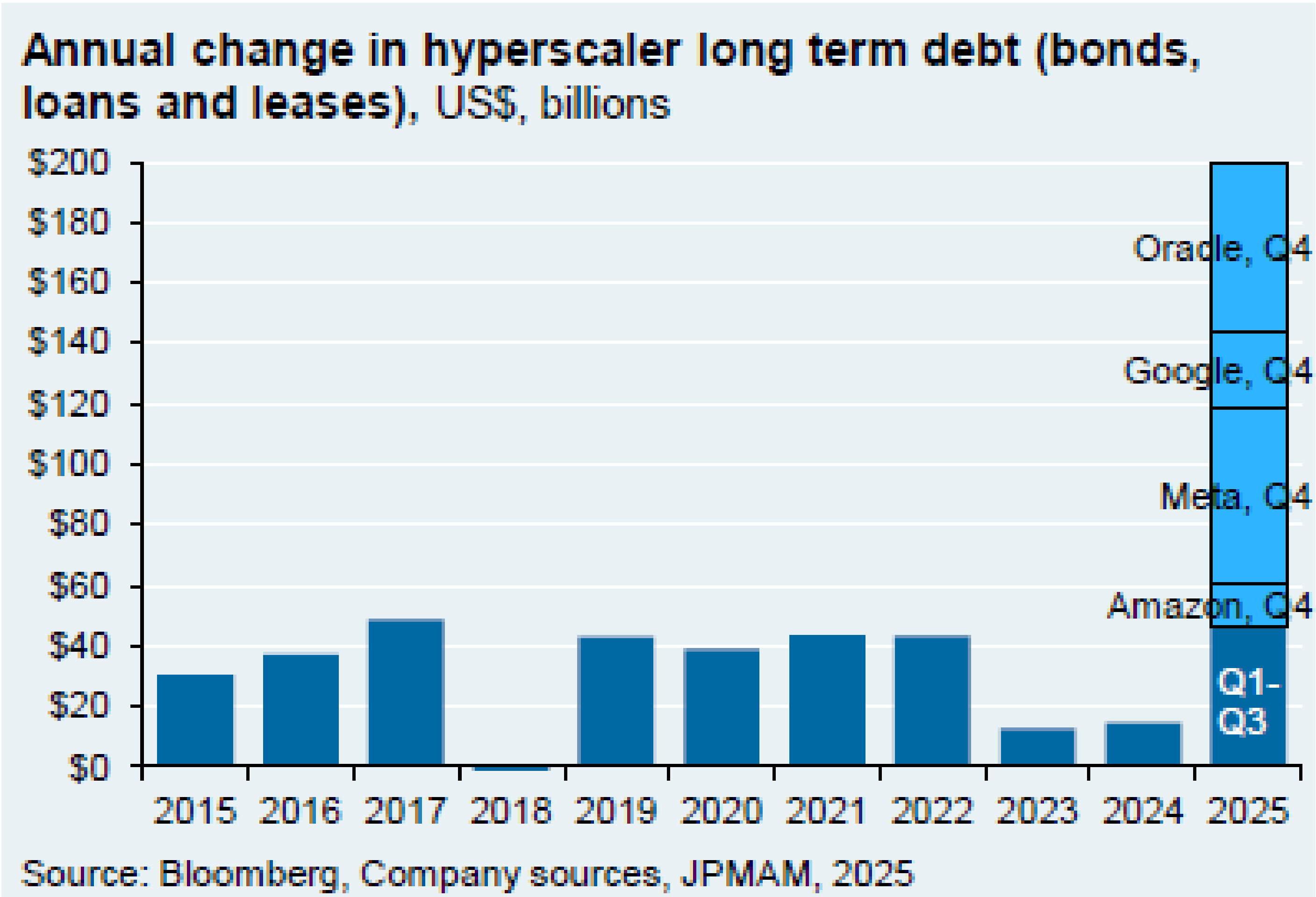
Hyperscalers include MSFT, AMZN, GOOGL, META and ORCL. Data as at October 31, 2025. Source: Bloomberg, KKR Global Macro & Asset Allocation analysis.

Source: KKR



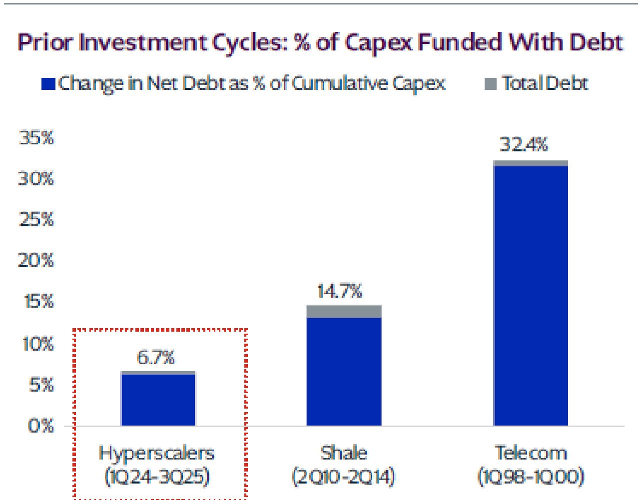
Source: JP Morgan

…and they have started to take on more debt…



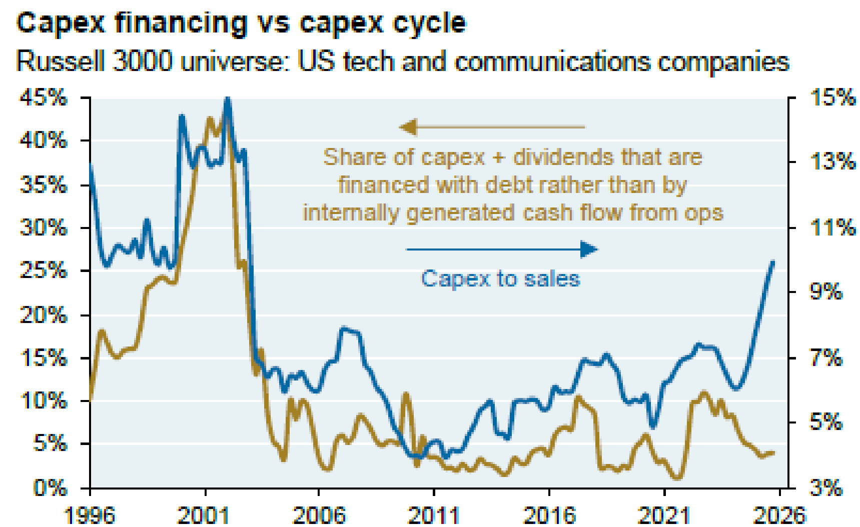
Source: JP Morgan

…the debt is modest compared to prior cycles



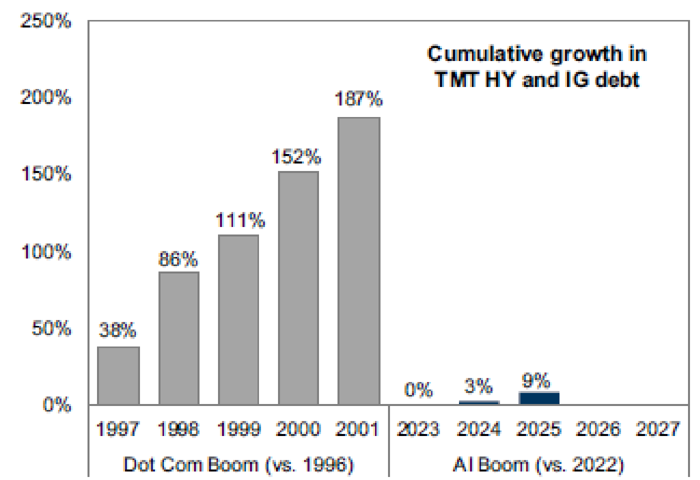
Data as at October 31, 2025. Source: Wells Fargo Securities, FactSet.

Source: KKR



Source: Bloomberg, JPMAM, September 2025

Source: JP Morgan



Source: Bloomberg, Goldman Sachs Global Investment Research

AI risks: GPU depreciation assumptions

Income statement impact of reducing GPU/networking depreciation assumption to 3 years on capex since Jan 2023

	Amazon	Meta	Microsoft	Google	Oracle
Current GPU/NW depreciation assumption, years	5.0	5.5	6.0	6.0	6.0
Current GPU/NW depreciation, $ million (estimated)	10,315	7,394	8,365	8,667	2,509
Current operating margin, percent	11.0	43.2	46.3	32.2	30.4
Current pro-forma EPS, $ per share	7.17	23.22	14.11	10.29	4.38
Revised GPU/NW depreciation assumption, years	3.0	3.0	3.0	3.0	3.0
Revised GPU/NW depreciation, $ million (estimated)	17,192	13,556	16,731	17,335	5,017
Revised operating margin, percent	10.0	40.0	43.4	29.9	26.2
Revised pro-forma EPS, $ per share	6.64	21.52	13.19	9.70	3.62
Change in operating margin, percent	(1.0)	(3.3)	(2.8)	(2.2)	(4.3)
% change in operating margin	-9%	-8%	-6%	-7%	-14%
Change in pro-forma EPS, $ per share	(0.53)	(1.70)	(0.92)	(0.59)	(0.76)
% change in pro-forma EPS	-7%	-7%	-7%	-6%	-17%

Assumptions. AI share of capex 2023 40%, 2024 55%, 2025 70% (for Amazon, 20%, 30% and 50%). GPU share of AI spend 45%, networking share of AI spend 15%; GPU/NW salvage value of 10%

Source: Bloomberg, JPMAM, 2025.

GPU/networking equipment depreciation assumptions

Years

Company	2020	2021	2022	2023	2024	2025
META	3.0	4.0	5.0	5.0	5.0	5.5
Google	3.0	4.0	4.0	6.0	6.0	6.0
Oracle	5.0	5.0	5.0	5.0	6.0	6.0
Microsoft	3.0	4.0	6.0	6.0	6.0	6.0
Amazon	4.0	4.0	5.0	5.0	6.0	5.0

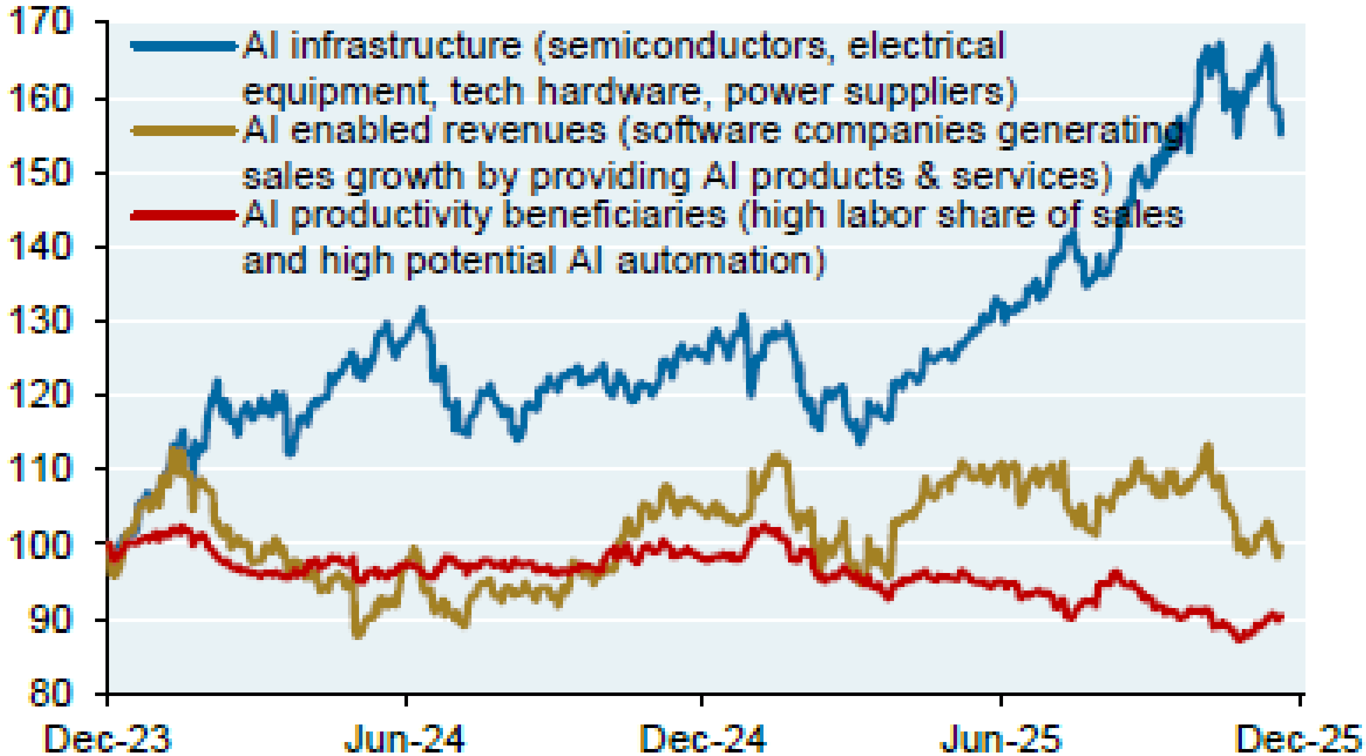
Source: Company SEC filings, November 2025

Source: JP Morgan

AI risks: modest benefits outside of AI infrastructure companies so far

So far, AI infrastructure company benefits only

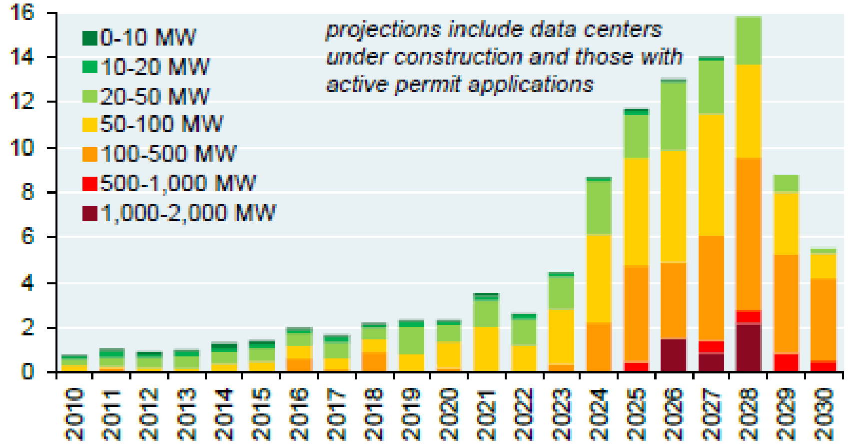
Indexed return vs equal weighted S&P 500, Dec 31 2023 = 100



Source: Goldman Sachs, JPMAM, December 17, 2025

AI risks: access to power

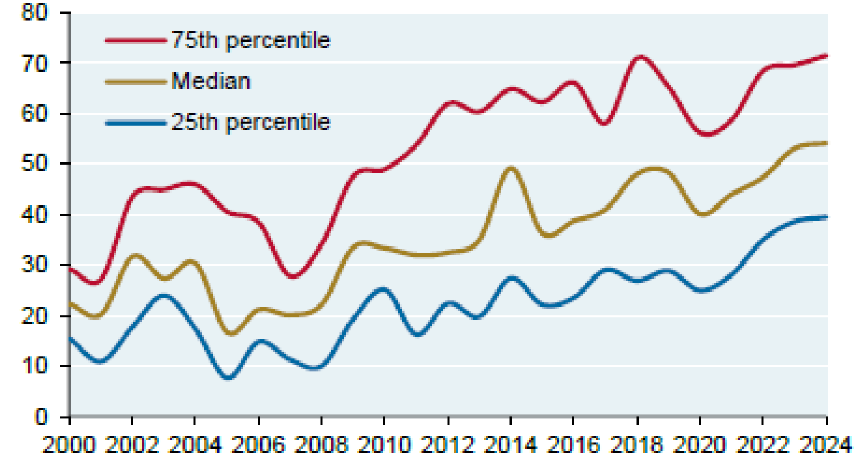
US data center additions by size and year
GW, including hyperscaler and retail/wholesale colocation facilities



Source: Hiatt and Ryu (USC Zage Business of Energy Initiative), Q2 2025

Source: JP Morgan

Time elapsed from interconnection request to commercial operation date, Months



Source: LBNL, 2025

Source: JP Morgan

AI risks: OpenAI

OpenAI forecasts keep rising

	2027 forecast		
	Mid-2025	10/31/2025	Change
Revenues, US$ bn	$60	$90	50%
Inference compute cost, US$ bn	$21	$30	43%
Weekly average users, bn	1.4	1.8	29%
Free user average rev per user	$7	$12	71%
Paid subscribers, mm	58	76	31%
Paid user average rev per user	$740	$880	19%
Billions of API tokens/minute	11	17	55%

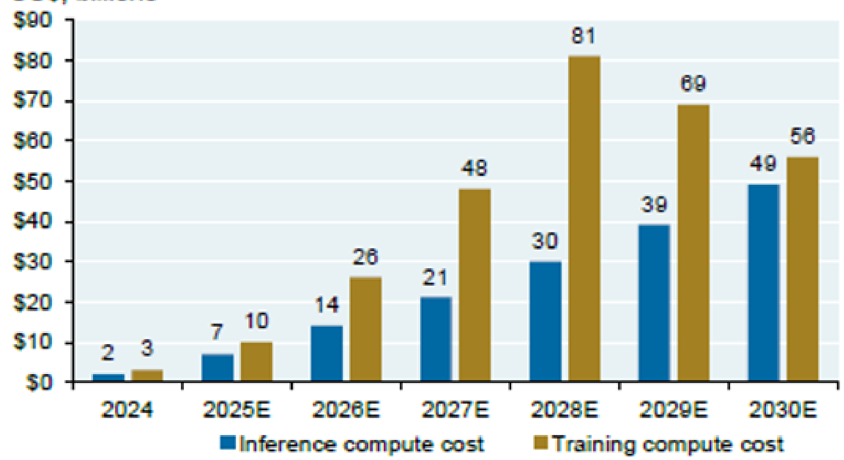
Source: Barclays Research, November 2025

Current and future GPU and power requirements

	2024	2025E	2030E
New B200 GPU equivalents added			
For inference	72,098	260,354	1,974,686
For training	120,163	380,518	2,231,034
Implied power requirements assuming 400,000 B200 equiv. GPUs per GW			
New capacity per year, GW	0.5	1.3	5.6
Cumulative capacity, GW	0.5	1.8	30.2

Source: Barclays Research, November 2025

OpenAI projected compute budget
US$, billions

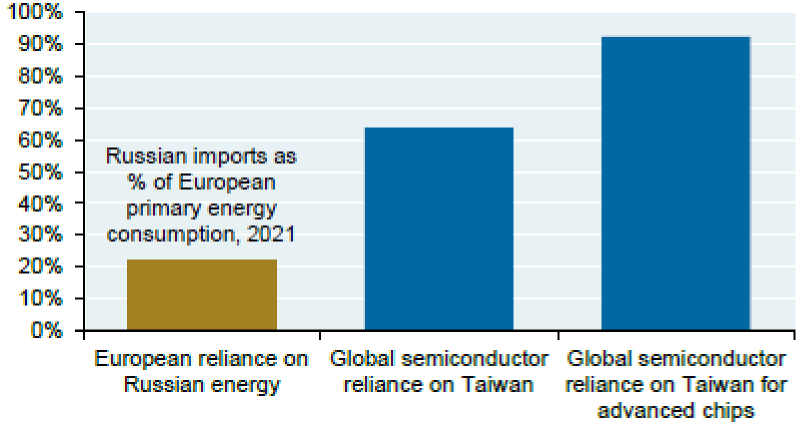


Source: Barclays Research, November 2025

Source: JP Morgan

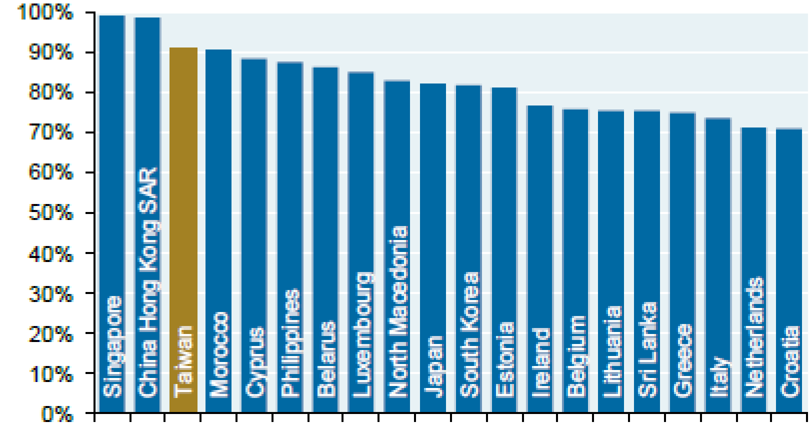
AI risks: Taiwan

Regional reliance for critical goods
Percent



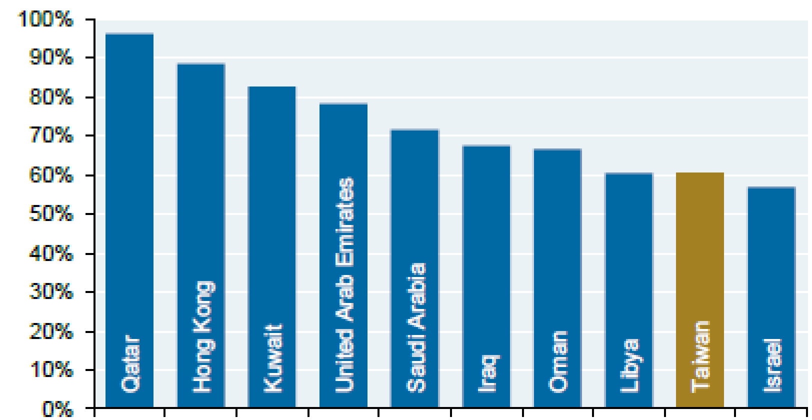
Source: BP Statistical Review, ROC Taiwan, Global Guardian, 2024

Net imports of fossil fuels as a share of primary energy consumption



Source: Energy Institute, JPMAM, 2025

Value of food imports as a % of domestic food supply
Countries with at least $50 bn in GDP



Source: UN FAO, 2025

Source: JP Morgan

AI potential: LLMs are improving

Chat GPT-4 grading

Grade	# of questions	Grade	# of questions
A	26	C	7
A-	5	C-	2
B+	0	D+	0
B	3	D	13
B-	3	D-	2
C+	2	F	8

Source: Cembalest assessments, September 26, 2023

GPT-4o grading on 23 questions that GPT-4 flunked in 2023 (D/F grades)

Grade	# of questions	Grade	# of questions
A	8	C	1
A-	2	C-	1
B+	1	D+	1
B	3	D	2
B-	1	D-	2
C+	1	F	0

Source: Cembalest assessments, May 20, 2025

Best of AI model grading on 23 questions that GPT-4 flunked in 2023 (D/F grades)

Grade	# of questions	Grade	# of questions
A	10	C	1
A-	2	C-	0
B+	3	D+	0
B	3	D	1
B-	2	D-	0
C+	1	F	0

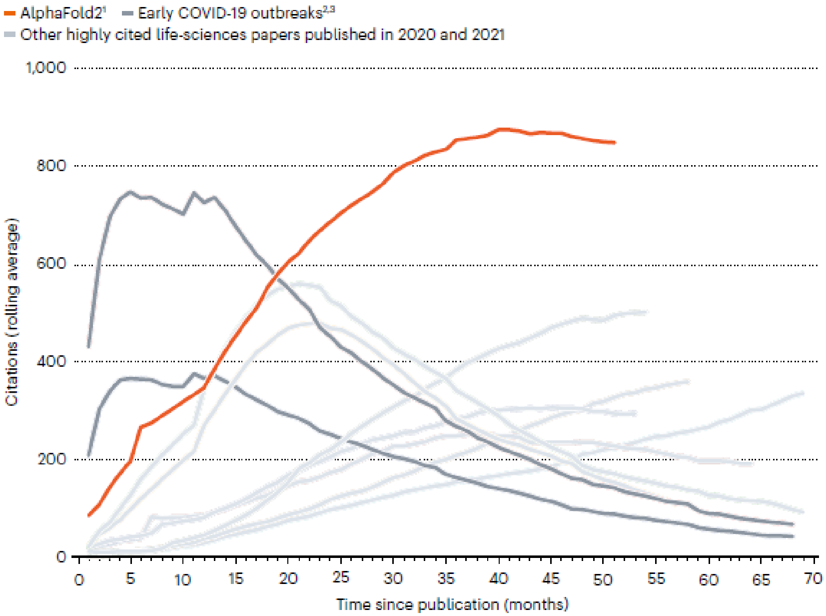
Source: Cembalest assessments, June 6, 2025

Source: JP Morgan

AI potential: AlphaFold

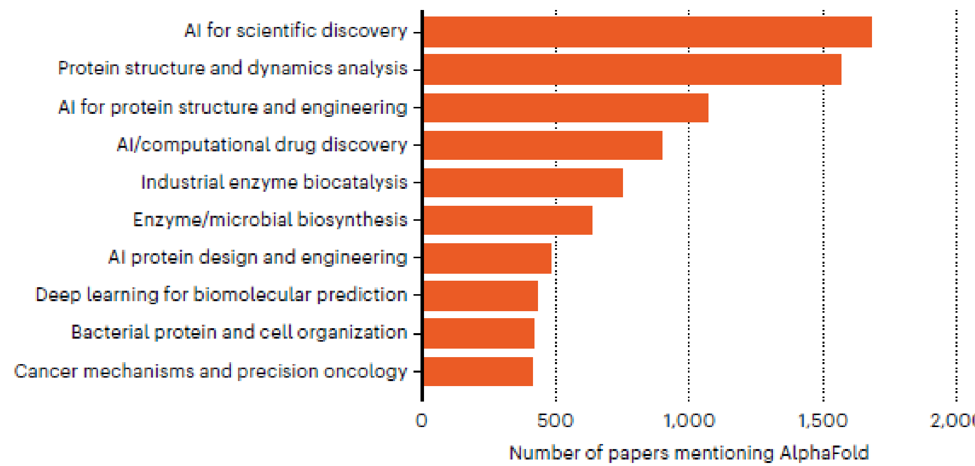
PEAK CITATIONS

The 2021 *Nature* paper describing AlphaFold2 has been cited nearly 40,000 times by other studies. Unlike some other highly cited biomedical studies from 2020–21, including key COVID-19 papers, citations of the AlphaFold2 paper aren't dropping off.



BROAD APPLICATIONS

Papers citing AlphaFold cover a diverse range of topics. The most common involve research in machine learning and computation-heavy life-sciences applications such as AI for protein design and drug discovery, according to an analysis of citation data.



Source: Nature

Equities tend to underperform in the 12 months leading up to midterm elections, and outperform in the 3, 6, and 12 months after

Midterm election year stock market performance since 1962

Year of midterm	President	Party	President's party: House seats	President's party: Senate seats	Before-midterm S&P 500 price performance Nov. 1–Oct. 31 (12 months)**	S&P 500 price performance Nov. 1–Jan. 31 (3 months)	S&P 500 price performance Nov. 1–Apr. 30 (6 months)	S&P 500 price performance Nov 1.–Oct. 31 (12 months)
1962	John F. Kennedy	D	-4	+3	-17.6%	17.1%	23.5%	30.9%
1966	Lyndon Johnson	D	-47	-4	-13.2%	8.0%	17.2%	17.1%
1970	Richard Nixon	R	-12	+2	-14.4%	15.1%	24.8%	13.0%
1974	Gerald Ford (Nixon)	R	-48	-5	-31.8%	4.2%	18.1%	20.5%
1978	Jimmy Carter	D	-15	-3	0.9%	7.3%	9.2%	9.3%
1982	Ronald Reagan	R	-26	+1	9.7%	8.7%	23.0%	22.3%
1986	Ronald Reagan	R	-5	-8	28.5%	12.3%	18.2%	3.2%
1990	George Bush	R	-8	-1	-10.7%	13.1%	23.5%	29.1%
1994	Bill Clinton	D	-52	-8	1.0%	-0.4%	9.0%	23.1%
1998	Bill Clinton	D	5	0	20.1%	16.5%	21.5%	24.1%
2002	George W. Bush	R	8	+2	-16.4%	-3.4%	3.5%	18.6%
2006	George W. Bush	R	-30	-6	14.2%	4.4%	7.6%	12.4%
2010	Barack Obama	D	-63	-6	14.2%	8.7%	15.2%	5.9%
2014	Barack Obama	D	-13	-9	14.9%	-1.1%	3.3%	3.0%
2018	Donald Trump	R	-40	+2	5.3%	-0.3%	8.6%	12.0%
2022	Joe Biden	D	-9	+1	-22.1%			
	Average seat change:		-22	-2				
				Midterm average:	-1.1%	7.3%	15.1%	16.3%
				Non-midterm average*:	11.2%	2.9%	4.2%	6.4%

Flip to Republican control

Flip to Democrat control

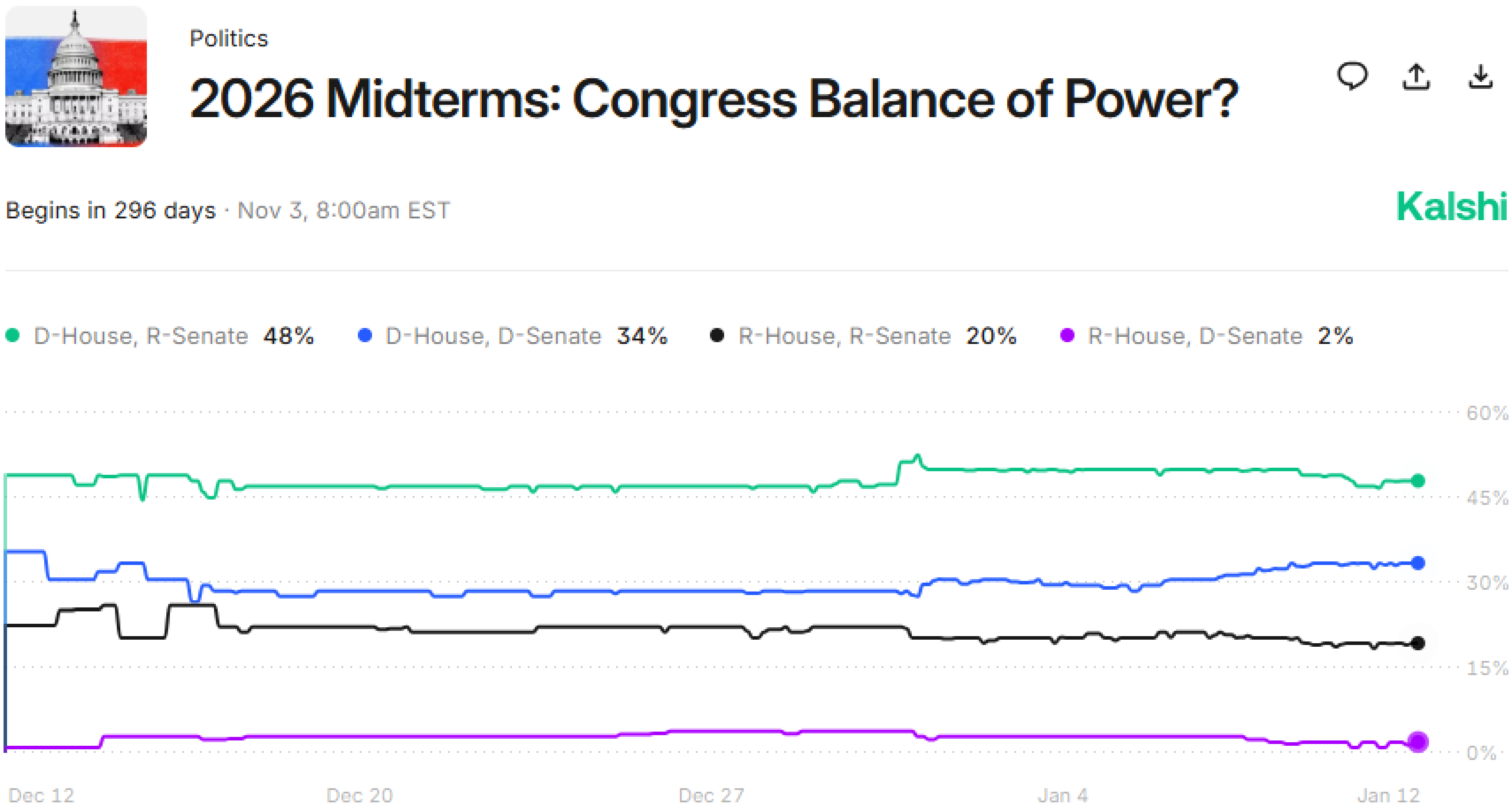
Data source: Bloomberg data, Oct. 31, 1961 to Oct. 3, 2022.

* The average monthly price return of the S&P 500 in three-month, six-month and 12-month increments, starting in the month of November of every year since 1963 where there wasn't a midterm election held in that November.

** The average 12-month price return of the S&P 500 in the 12 months preceeding a midterm election, where the last date of the price close as of Oct. 31 is several days before the November midterm election. 2022 as of October 3.

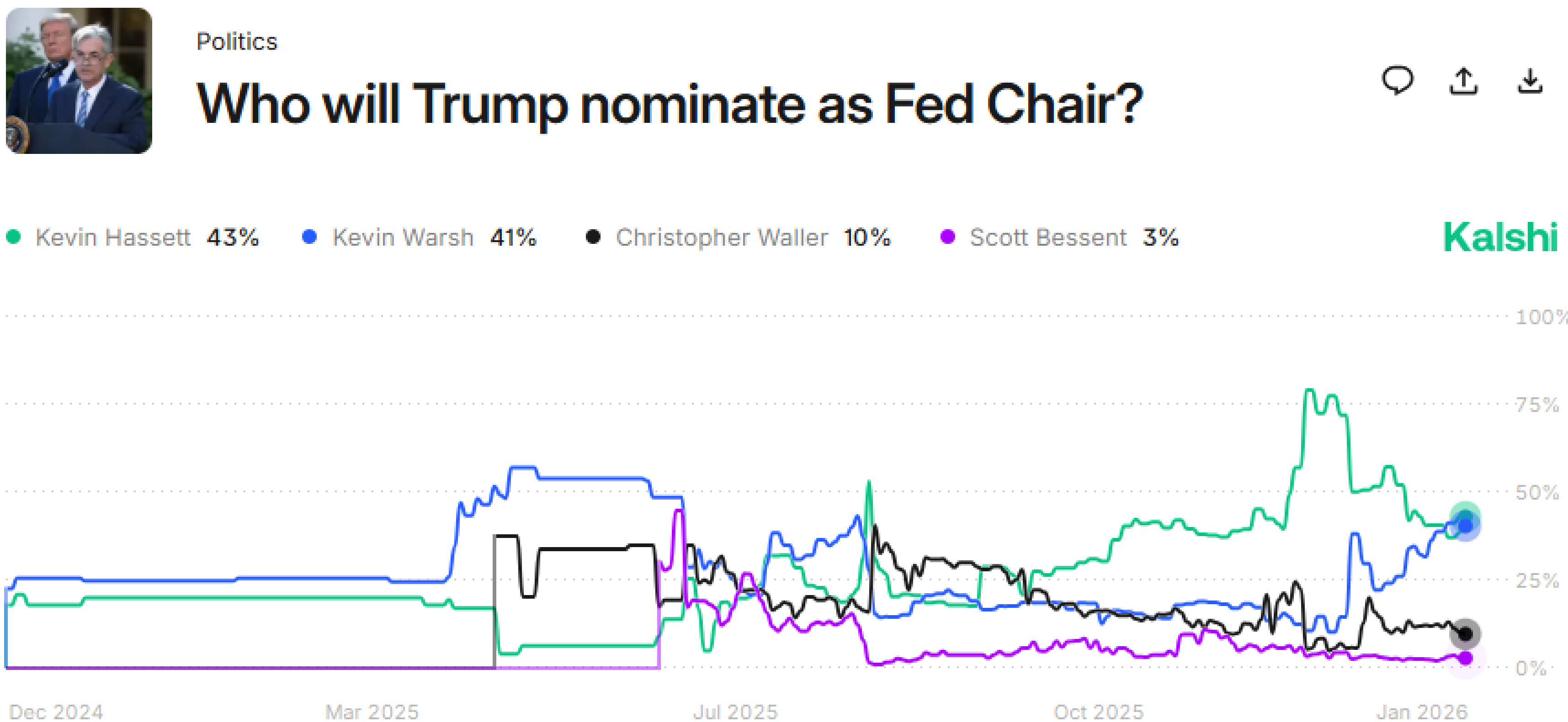
Source: U.S. Bank

Bettors expect divided control of Congress...



Source: Kalshi

...and a Fed Chair named Kevin



Source: Kalshi

The US represents over 70% of the MSCI World Index

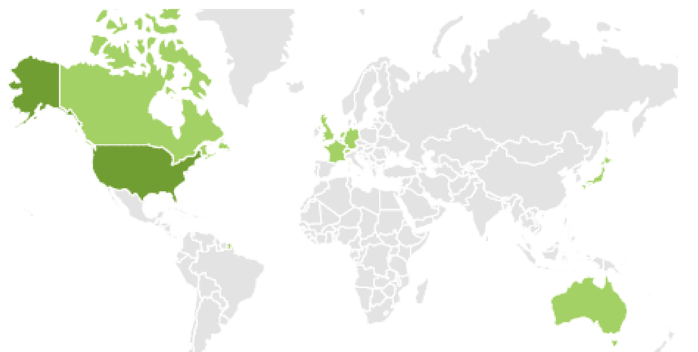
Exposure Breakdowns

Sector | Geography

as of Jan 09, 2026

% of Market Value

Type ▲	Fund ▶
United States	71.66
Japan	5.46
United Kingdom	3.66
Canada	3.39
France	2.63
Germany	2.40
Switzerland	2.34
Australia	1.53
Netherlands	1.30
Cash and/or Derivatives	0.31
Other	5.30



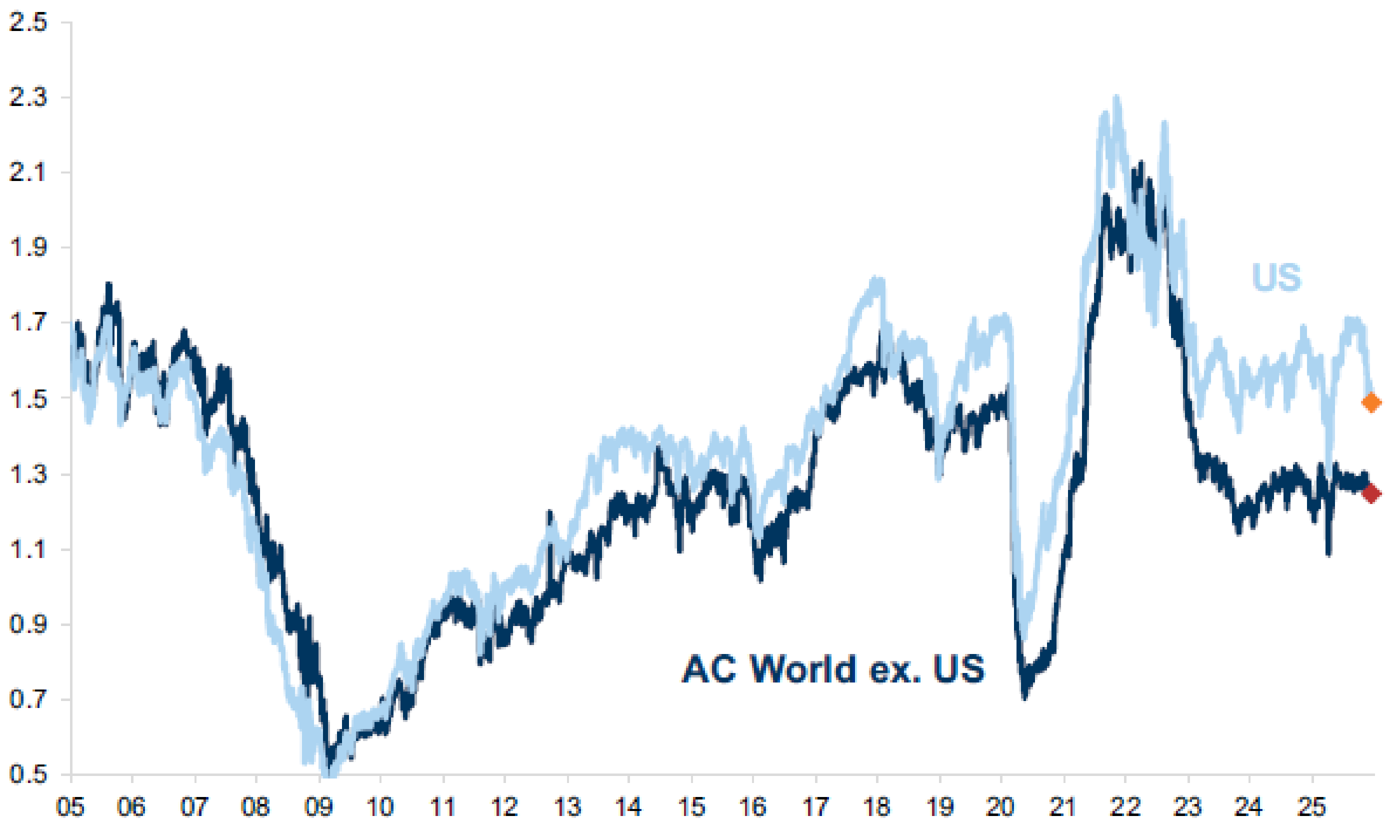
Geographic exposure relates principally to the domicile of the issuers of the securities held in the product, added together and then expressed as a percentage of the product's total holdings, excluding currency holdings. Percentages do not reflect fair valuation. In some instances, percentages may reflect the location where the issuer of the securities carries out much of their business. Bonds are included in U.S. bond indices when the securities are denominated in U.S. dollars regardless of the domicile of the issuer.

Allocations are subject to change.

Source: iShares

US equities are more expensive than the rest of the world, but the gap in growth-adjusted valuations has narrowed

PEG ratio (12m fwd P/E divided by second 12m fwd EPS growth)



Source: Datastream, Goldman Sachs Global Investment Research

US companies still outperformed their global peers In 2025…

Return on Assets: Higher in the US						
Country	**Staple**	**Con Disc**	**Tech**	**Hcare**	**Comm Serv**	**Finan**
US	6.9	7.6	13.1	6.4	10.4	1.5
Europe	5.0	2.0	8.8	7.3	2.1	0.7
Japan	2.3	3.2	7.5	4.8	5.0	0.5
China	4.2	1.3	9.1	3.8	3.0	0.8

Source: Bloomberg, JPMAM, December 17, 2025

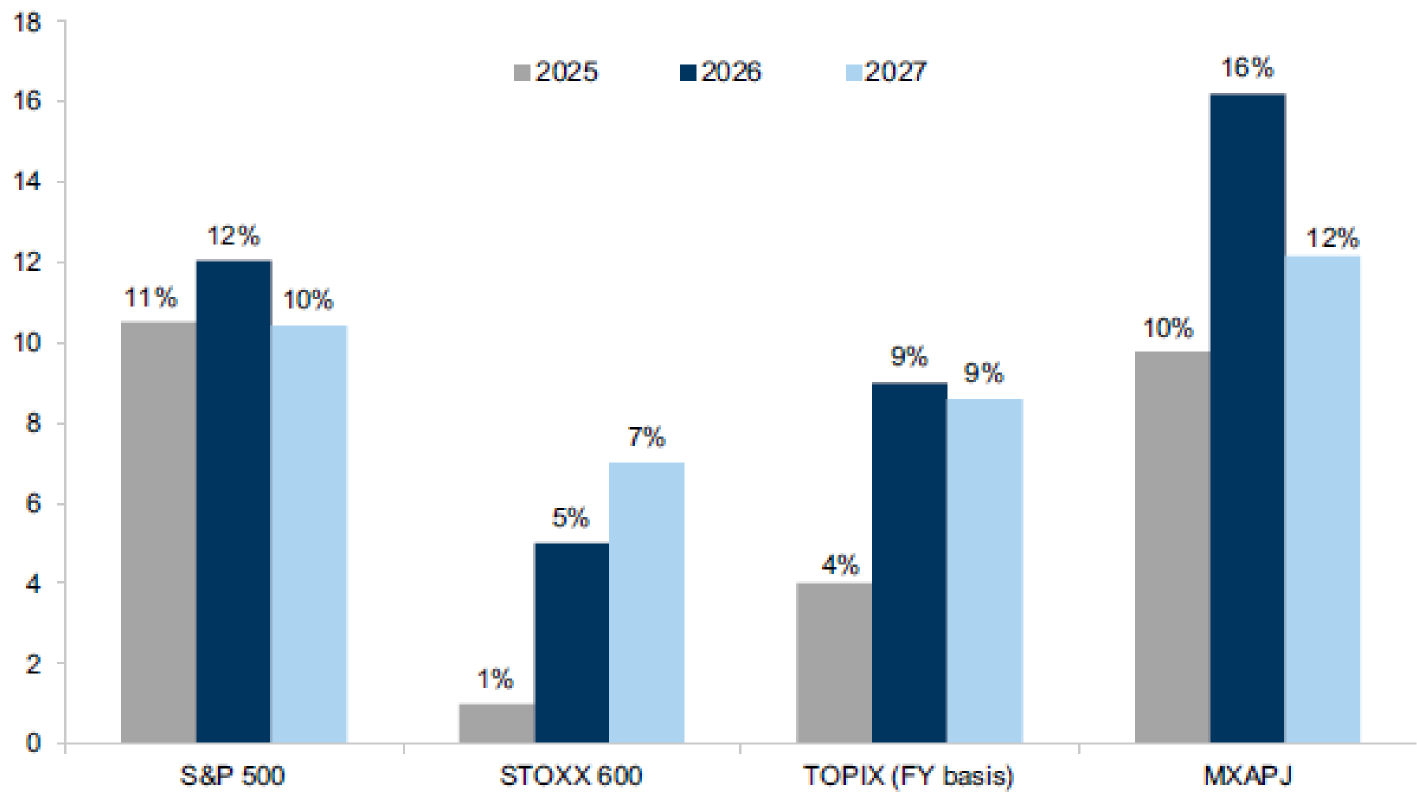
Return on Equity: Higher in the US						
Country	**Staple**	**Con Disc**	**Tech**	**Hcare**	**Comm Serv**	**Finan**
US	23.5	26.0	29.3	18.8	24.1	13.5
Europe	15.6	5.5	17.1	17.4	7.7	12.8
Japan	6.4	9.2	11.7	8.4	16.7	9.7
China	15.6	13.6	10.7	12.7	15.3	11.2

Source: Bloomberg, JPMAM, December 17, 2025

Source: JP Morgan

...but earnings growth is forecast to pick up outside the US in 2026 and 2027...

GS top-down estimates of 2025, 2026, 2027 EPS growth

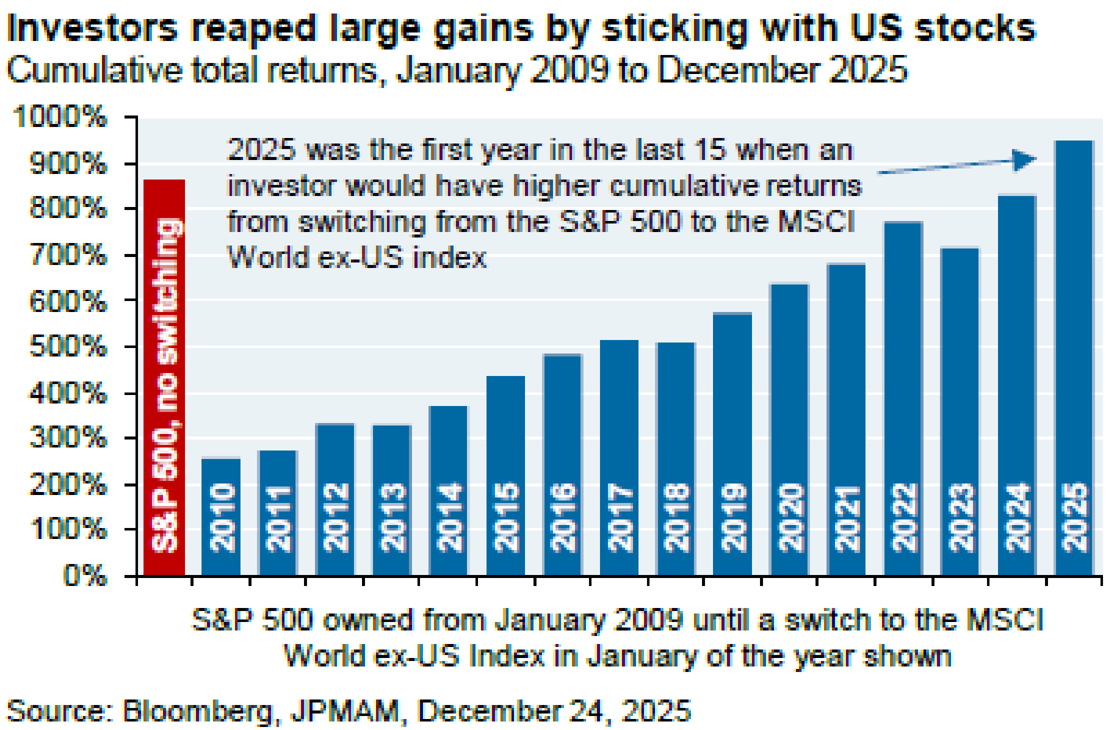


Source: I/B/E/S, Toyo Keizai, STOXX, MSCI, Goldman Sachs Global Investment Research

...and we believe international equities provide valuable diversification benefits, despite many years of underperformance

Potential tailwinds for international equities include a tight labor market, accelerating CapEx cycle, and corporate reforms in Japan. In Europe, earnings growth is expected to accelerate while stocks remain cheap relative to the US. A weaker US dollar could boost returns further for US dollar-denominated investors.

In addition, **international diversification may provide a hedge if we experience an AI-led investment boom-and-bust cycle in the US.**



Source: KKR, JP Morgan

A few words on tax loss harvesting strategies

- We have been utilizing a long/short tax loss harvesting strategy since late 2023 with leverage capped at 130% long / 30% short
- While we believe these strategies can play a valuable role in a portfolio, it is critical that investors understand the risks which vary across strategies and increase with additional leverage
- **Tracking error**: results may differ meaningfully from benchmarks or client expectations for extended periods. **High leverage approaches create much more deviation from the benchmark index.**
- **Model risk**: quantitative signals can underperform for long stretches due to regime shifts, crowding, or flawed assumptions.
- **Leverage risk**: use of shorts, margin, futures, or swaps can amplify losses even when overall market exposure is low.
- **Implementation and execution risk**: real-world trading, financing costs, short availability, and counterparty behavior can detract from modeled results.
- **Capacity and crowding risk**: popular quantitative signals can become overcrowded, reducing returns or causing sharp drawdowns.

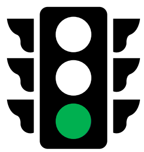
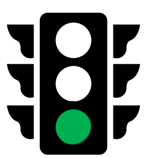
Tax loss harvesting strategies: approaches and risks

- **Approach 1 is a benchmark-anchored equity separately managed account** that seeks to deliver market-like beta plus systematic alpha through quantitative stock selection. The strategy aims to realize capital losses through active long/short extensions. Clients can choose the level of leverage in this strategy, with higher amounts potentially producing more alpha and tax losses, but also higher tracking error against the benchmark.
- Risks of approach 1: Benchmark underperformance risk - the strategy can lag the index, sometimes for years, especially at higher tracking-error levels. At 250% leverage, **tracking error could be 6% or more annually**, and could meaningfully underperform the benchmark over multi-year periods.
- **Approach 2 is a pooled, multi-strategy vehicle** combining defensive long-short equity with managed-futures trend following, designed to deliver diversifying returns with moderate equity beta (about 0.5) for taxable investors. Because this is a fund structure, losses are deferred if the cost basis hits zero.
- Risks of approach 2: Returns come from two very different engines (long/short stocks and trend-following futures). Either can underperform for long stretches. **Some tax benefits come from deferring gains rather than generating losses, once the cost basis has reached zero.**
- **Approach 3 is a market-neutral, statistically driven arbitrage strategy** implemented via equity swaps, designed to systematically generate frequent, mostly short-term capital losses with minimal market beta.
- Risks of approach 3: **The strategy relies on heavy trading and derivatives**. When markets become stressed, these risks can surface quickly. Losses may be high in the early years of the investment, but once the tax benefit is used up, additional losses may no longer provide a tax benefit until future gains occur.

Source: AQR, Invesco, Quantinno

Asset Class Recap & Recommendations

Outlook remains mostly positive

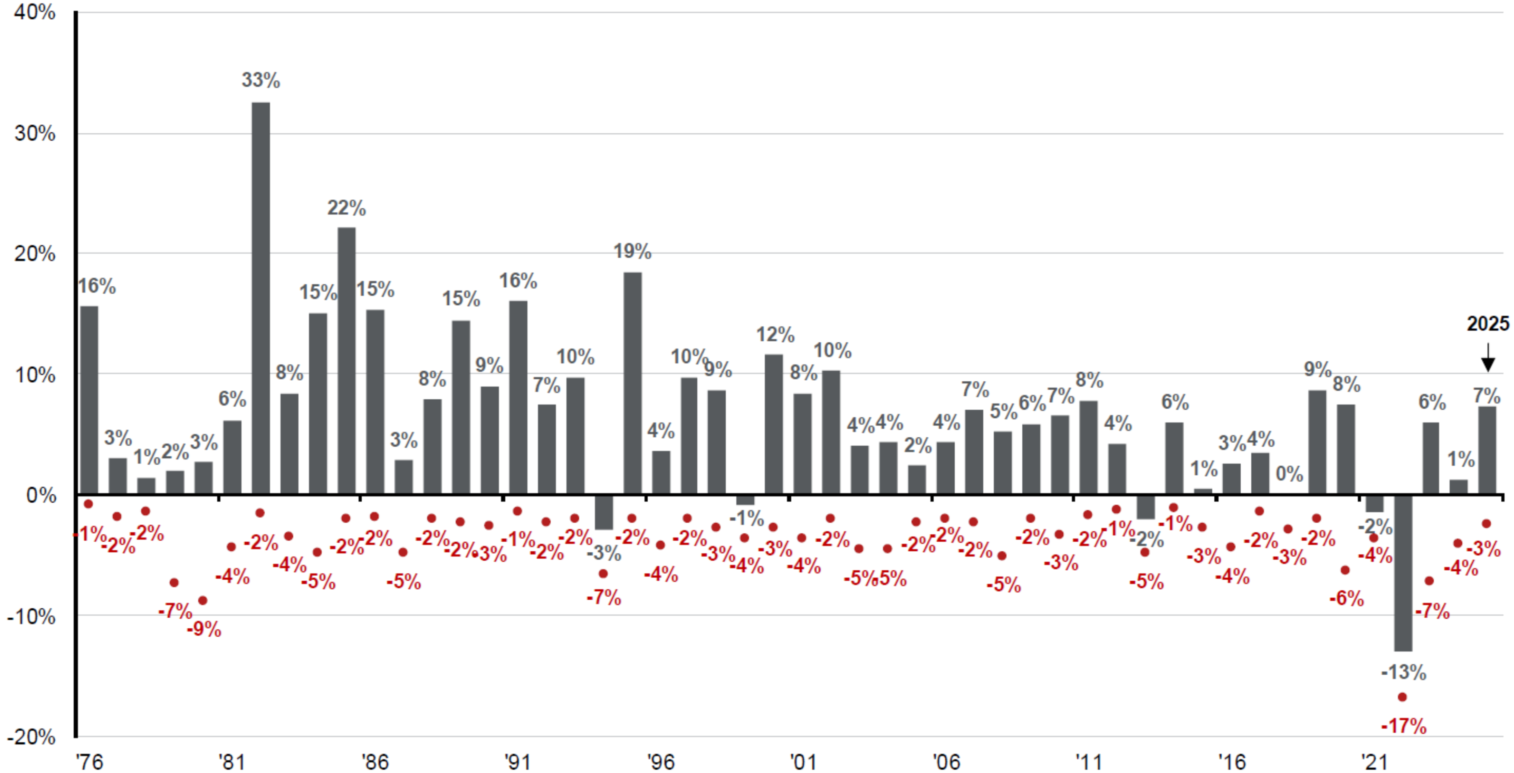
Asset Class	Outlook	Rationale
Cash		With the Federal Reserve well into their easing path, rates have come down over 150bps since the historic hikes of 2022/23. Despite the fall in yields, we continue to view cash as a strategic position for liquidity management. We expect yields to continue to come down, but with limited rate cuts in 2026.
Fixed Income		The Fed is likely to make even fewer interest rate cuts this coming year, leaving yields at lower but still attractive levels. We believe there remain numerous avenues for investors to achieve income goals through a combination of traditional and non-traditional fixed income. Currently, recession odds are low, and credit and default risks remain muted.
Equities		Continuing trends from 2024, 2025 brought another 15%+ return for the S&P 500, its fifth in the last six years. As valuations remain elevated, earnings growth grew in tandem and bolstered returns. We remain cautious of equities but are not recommending a strategic reduction in exposure. We continue to favor U.S. equities over international and retain our overweight to the quality factor.
Alternatives		We continue to favor opportunities in the alternatives space to provide income, diversify portfolios, and drive meaningful return for investors. As we move into 2026, we remain focused on the secondaries market across asset classes and are optimistic around real estate equity and core private equity given the increase in M&A and IPOs. We continue to watch private credit for potential default stress and continue to shy away from hedge funds.

Bonds post broad gains, recovering from 2022

U.S. Bond markets posted three consecutive positive year returns, recovering from an inflation driven 2022 fiasco. The Federal Reserve continued its monetary policy push through 2025 but with some hesitation following President Trump's sweeping tariff policy in early April. Despite headwinds and global uncertainty, the Federal Reserve ultimately cut the Federal Funds Rate three separate times for 25bps in the latter half of the year, although it was less than forecasted coming into the year.

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

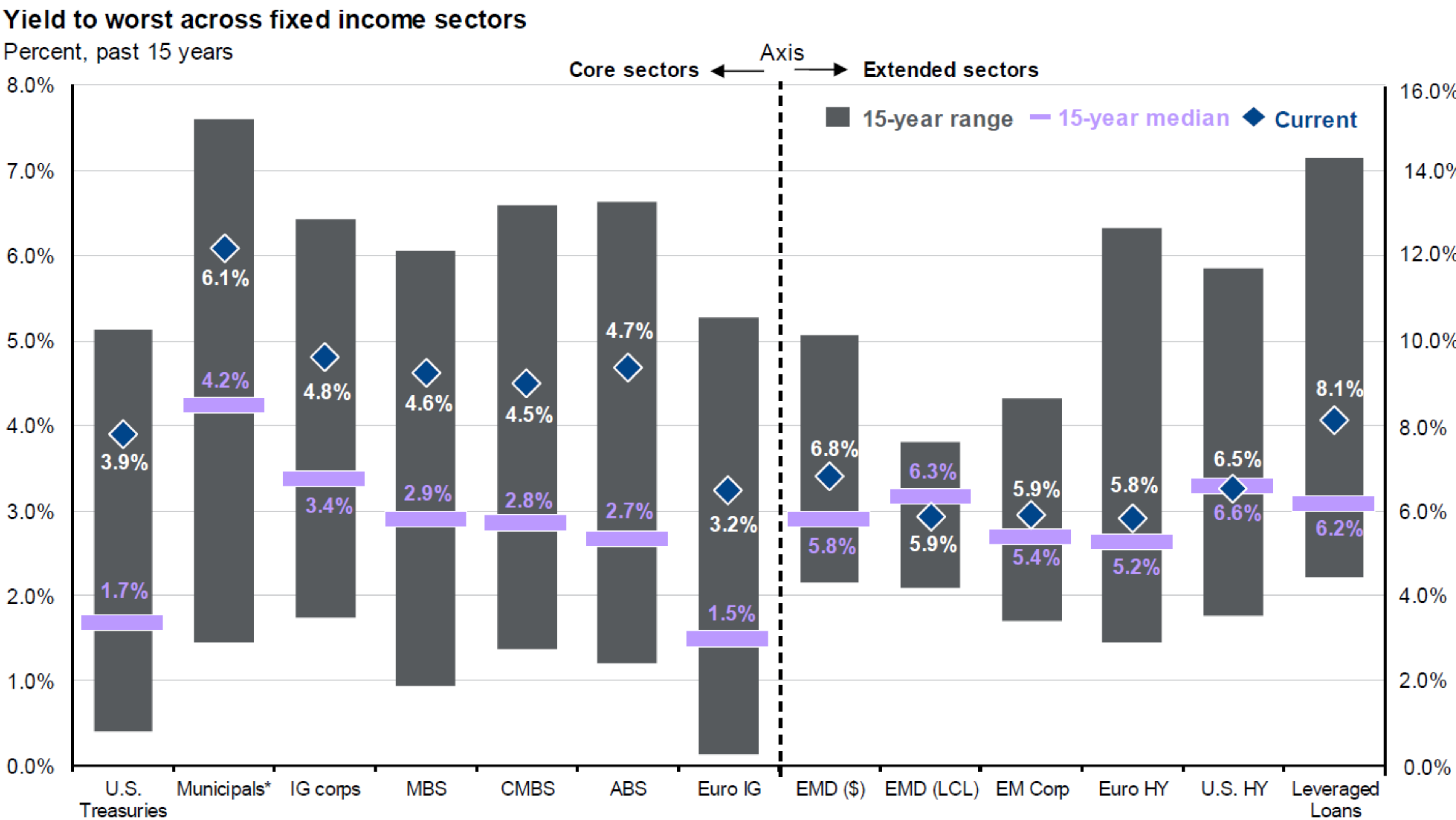
Despite average intra-year drops of 3.5%, annual returns were positive in 45 of 50 years



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

Past performance is not indicative of future results. Please see attached disclosures.

Yields remain high above 15-year norms



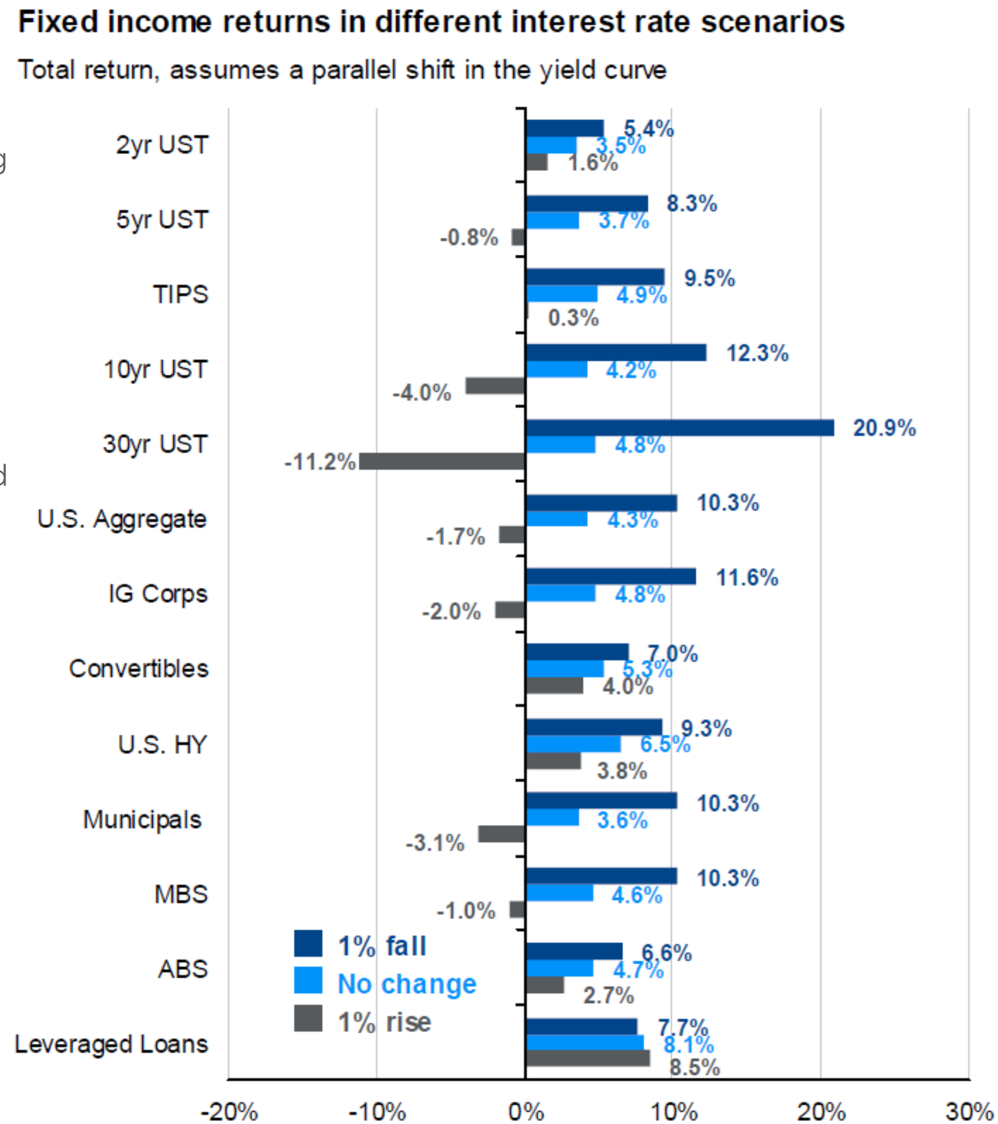
Source: FactSet, Bloomberg, J.P. Morgan Asset Management, J.P. Morgan Credit Research
**All sectors shown are yield-to-worst except for Municipals, which is based on tax-equivalent yield-to-worst assuming a top-income tax bracket of 40.8%*

Duration target hasn't changed, with no immediate plans to

After a historic rise in interest rates, following the rapid inflation in 2022, **we recommended extending duration from short to intermediate in the 4th quarter of 2023**. Interest rates saw a shift from tightening to easing as the Fed lowered rates by one full percentage point.

This duration trade has been positive for our clients as shifting monetary policy combined with lower defaults and less spread expansion than some feared, were positive boosts to performance.

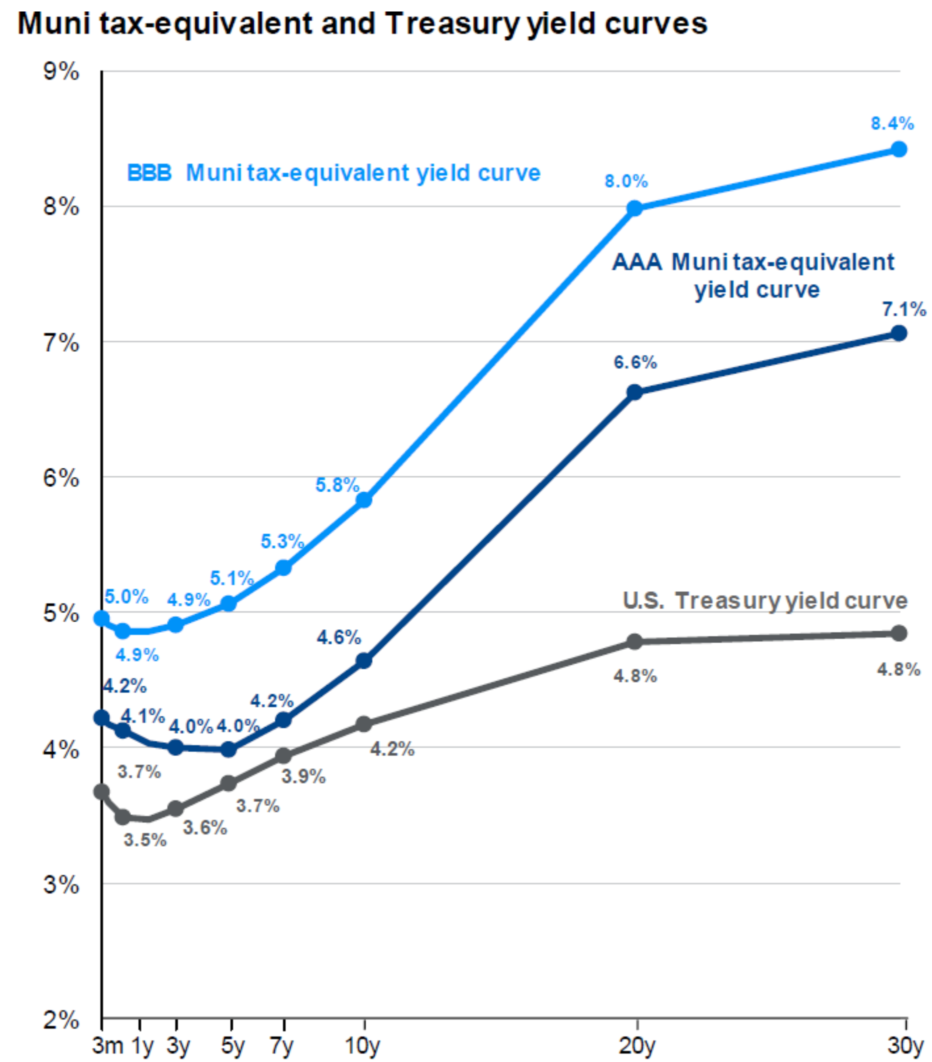
The table to the right shows the risk/reward trade-off continues to favor the short to intermediate part of the curve.



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management

Past performance is not indicative of future results. Please see attached disclosures.

Municipal bonds remain a viable solution

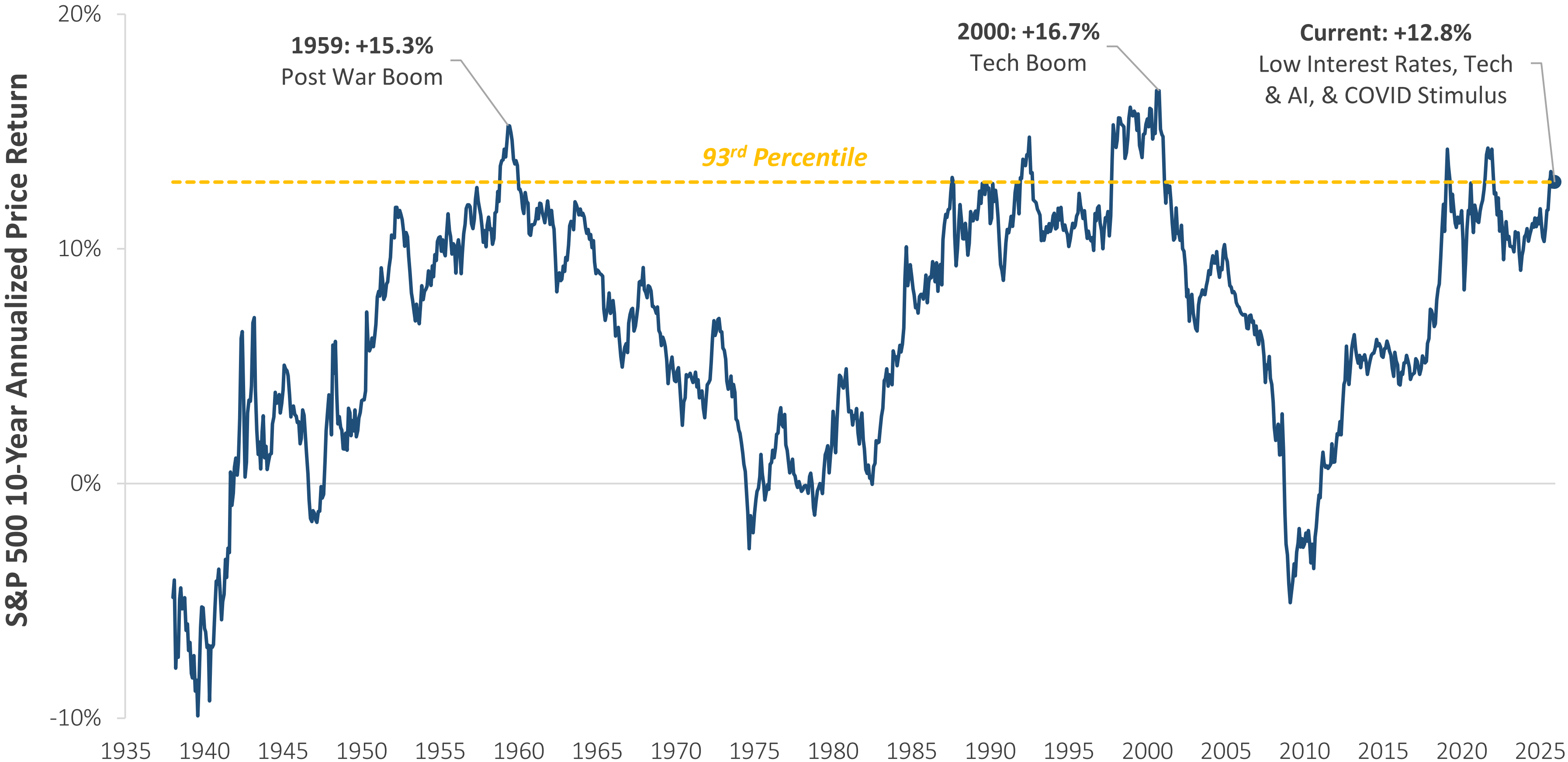


Municipal bonds continue to be a compelling opportunity for high income earners, especially given the significant rise in rates over the last couple years. After a rocky start to 2025 from tariffs and supply issues, municipals were able to enjoy a strong second half of 2025, boosted by fund inflows, normalizing supply, and the Fed resuming its easing cycle.

We continue to recommend clients utilize municipals to capture tax advantaged yields, through separately managed accounts and funds that balance a mix of investment grade and high yield bonds to provide strong income.

Source: J.P. Morgan Asset Management. Municipal tax-equivalent yields are calculated based on municipal bond curves for each credit rating according to S&P Global and assume a top-income tax bracket of 40.8%.

Taking a step back, equity markets performance has been nothing short of historic



Disclosures: S&P Global. This material is for informational and educational purposes only and does not constitute investment advice, a recommendation, or an offer to buy or sell any security. The chart graphs the historical S&P 500 rolling 10-year annualized price return and does not include dividends, transaction costs, advisory fees, or taxes, which would reduce returns; index performance is shown for illustrative purposes only, and indices are unmanaged and not investable. Past performance is not indicative of future results; market conditions and returns vary over time, and there is no guarantee that future results will resemble those shown. Any references to market regimes, stimulus, or technological trends are general commentary, not forecasts. Time Period: 1935 to 2025. Latest available data as of 12/31/2025.

And there is a case for it not slowing down

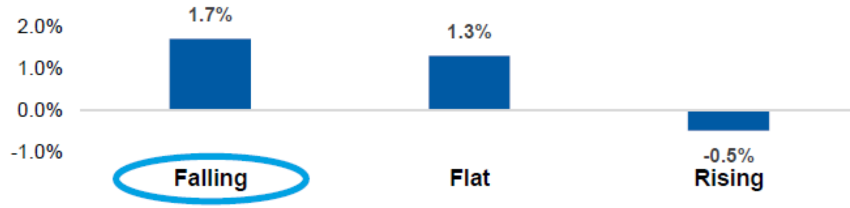
1. Year 4 of a Bull Market Has Historically Been Good

S&P 500 bull market performance

BEAR MARKET LOW	YEAR 4	MAX. YEAR 4 DRAWDOWN
Oct 22, 1957	28.4%	-4.33%
Jun 26, 1962	4.2%	-10.41%
Oct 7, 1966	--	--
May 26, 1970	--	--
Oct 3, 1974	6.1%	-8.48%
Aug 12, 1982	29.7%	-7.53%
Dec 4, 1987	--	--
Oct 11, 1990	1.1%	-8.47%
Oct 9, 2002	12.9%	-7.46%
Mar 9, 2009	13.2%	-9.58%
Mar 23, 2020	--	--
Oct 12, 2022	**?**	**?**
Average	***13.7%***	***-8.04%***

2. Monetary Policy Is Friendly

Average monthly S&P 500 return in different Fed Funds rate regimes - Since 1950



3. Fiscal Policy Is Also Friendly

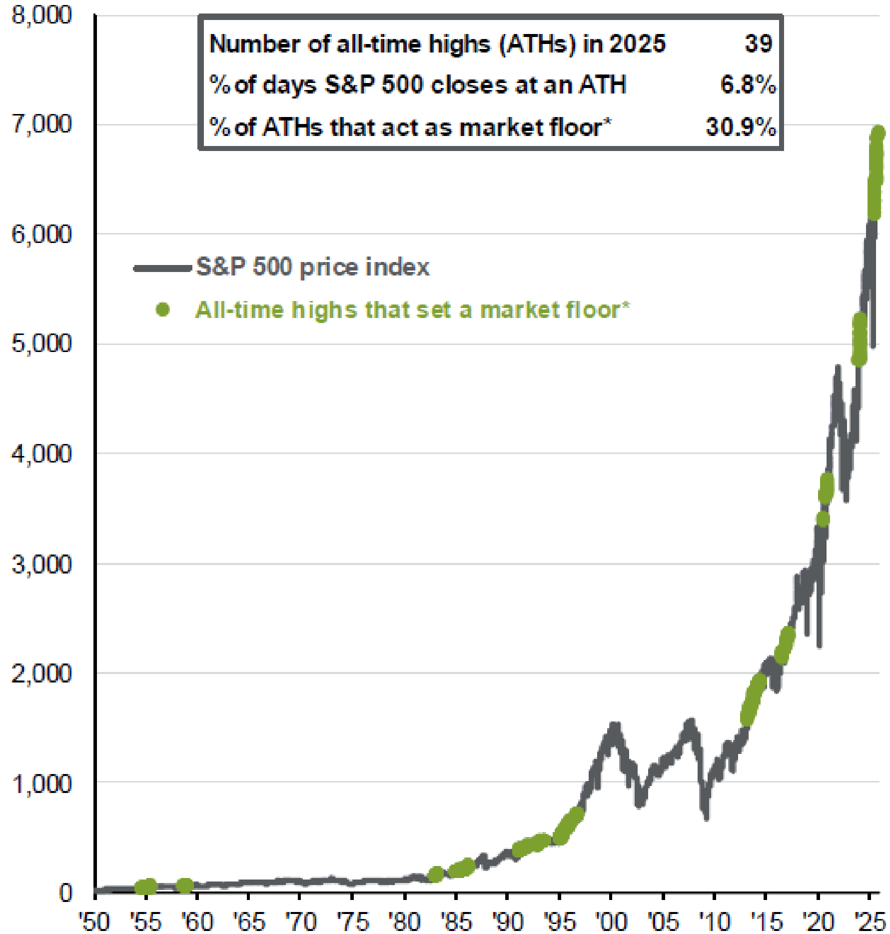
Consumer aid for fiscal year 2026 in OBBBA - in $billions

PROVISION	FY 2025 - 2026
Limitation on SALT	$39.2
No tax on overtime	32.8
Termination of deduction for personal exemptions	32.3
Extension / enhancement of increased standard deduction	26.5
No tax on tips	10.1
Extension / enhancement of incr. child tax credit	10.0
No tax on car loan interest	7.3
Trump accounts and contribution pilot program	7.3
Extension / enhancement reduced rates std. ded.	4.9
Total	**$170.4**

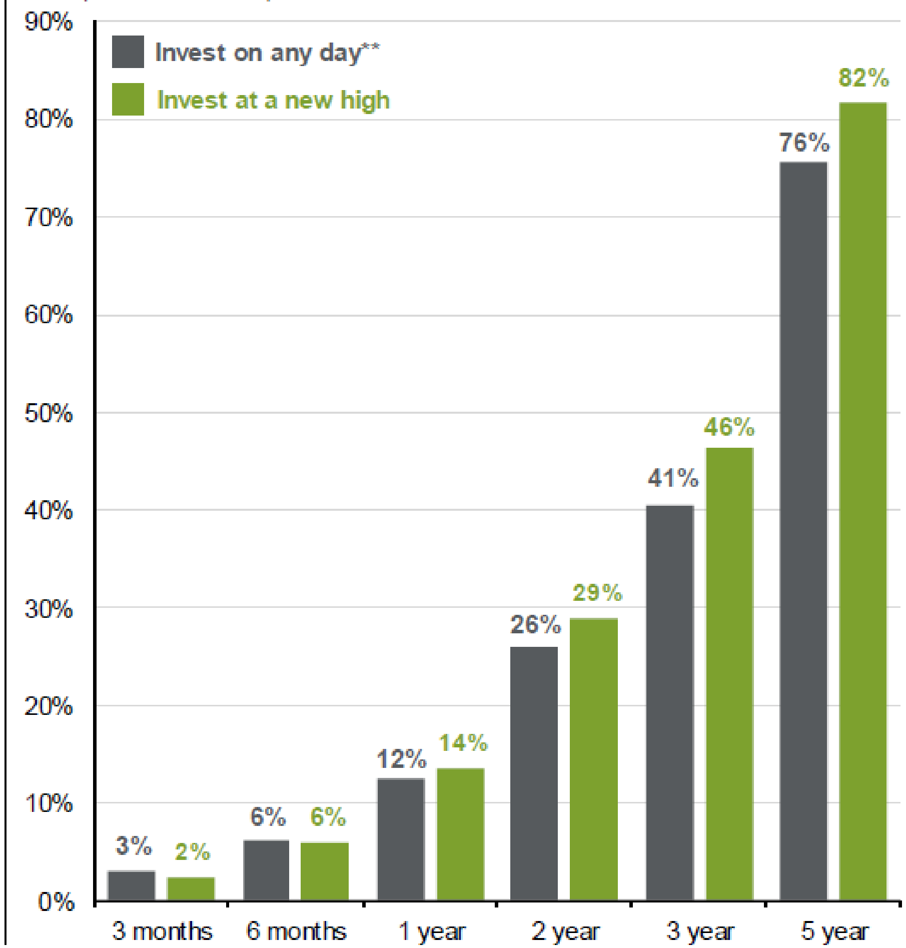
Source: Strategas, Bloomberg, Factset, Morgan Stanley Research. As of November 18, 2025. For illustrative purposes only. Not a recommendation to buy or sell any security. It is not possible to invest directly in an index.

Timing rarely works… even at market "highs"

All-time highs and market floors
S&P 500 price index, daily, 1950 - present



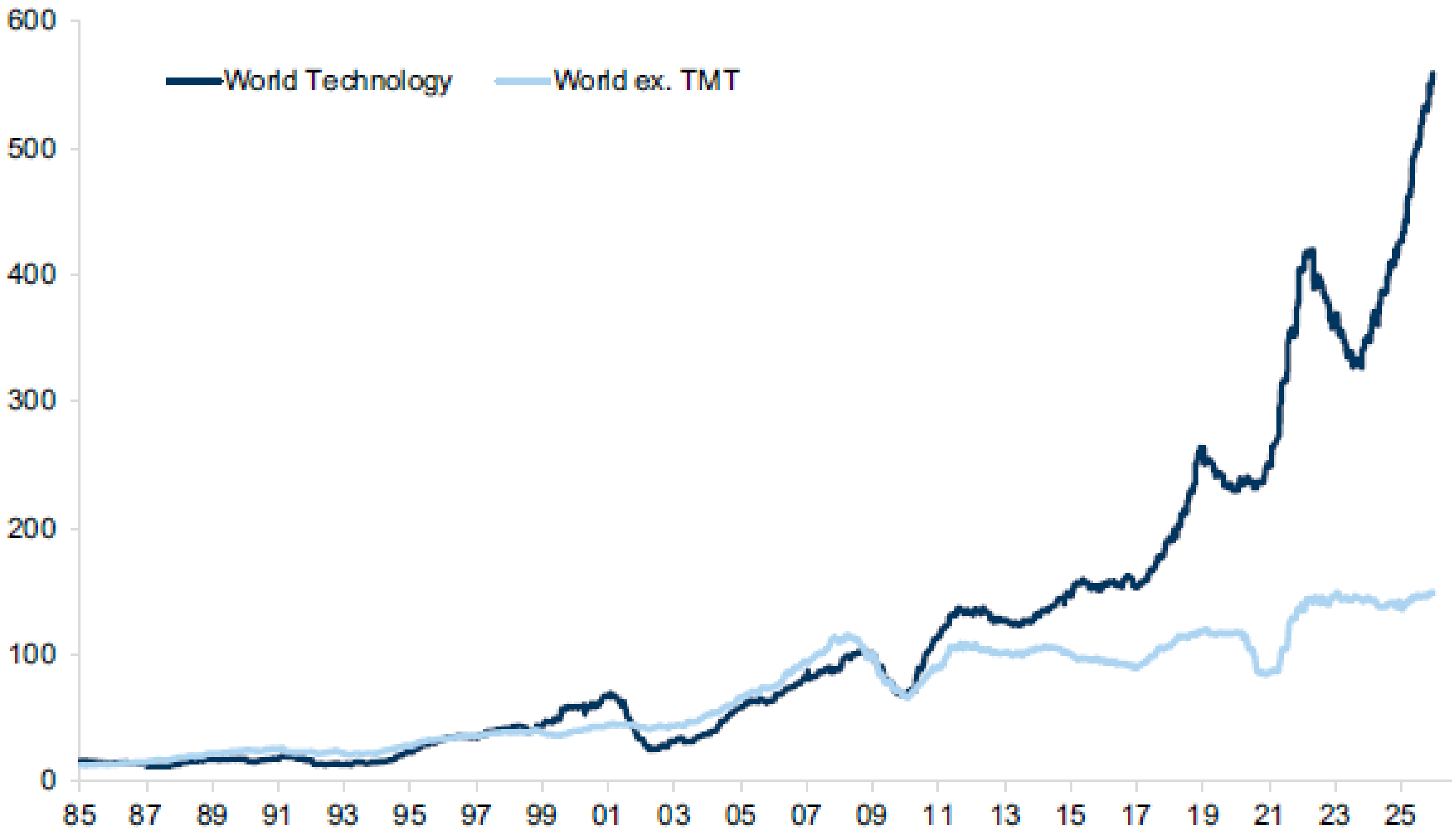
Average cumulative S&P 500 total returns
Jan 1, 1988 - Dec 31, 2025



Source: FactSet, Standard Poor's, J.P. Morgan Asset Management
**Market floor is defined as an all-time high from which the market never fell more than 5%. **Invest on any day represents average of forward returns for the entire time period whereas "invest at a new high" represents average of rolling forward returns calculated from each new S&P 500 high for the subsequent 3-months, 6-months, 1-year, 2-year and 3-year intervals, with data starting 1/1/1988 through 12/31/2025.*

The dominance of Tech stocks isn't new, and AI is diversifing the growth

Exhibit 13: Tech earnings have outstripped those of the global market
12m trailing EPS (USD). Indexed to 100 on Jan-2009

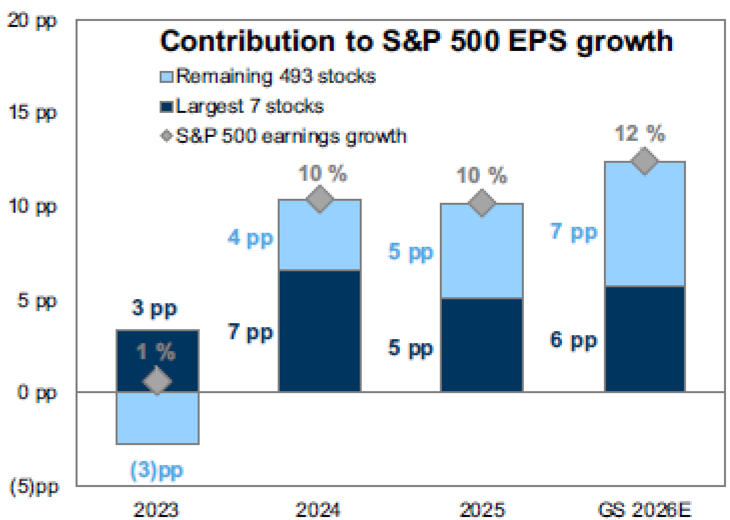


Source: Datastream, Worldscope, Goldman Sachs Global Investment Research

Growth is poised to be more dispersed, easing the burden on Mag 7

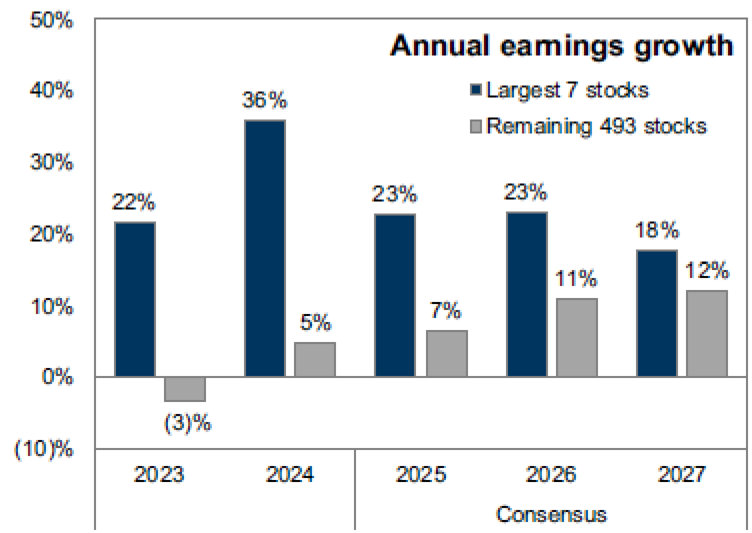
The remarkable rise of technology companies, both in market value and influence, has been driven by genuine business growth and strong fundamentals, not unfounded speculation about what might happen down the road. When we look back at previous market bubbles, we saw far more extreme investor behavior and much steeper price increases in the final stages. What we're experiencing today looks quite different from those historical episodes.

Exhibit 8: Contribution of the 7 largest stocks to S&P 500 earnings growth



Source: Goldman Sachs Global Investment Research

Exhibit 9: Earnings growth for the largest 7 stocks and the S&P 493

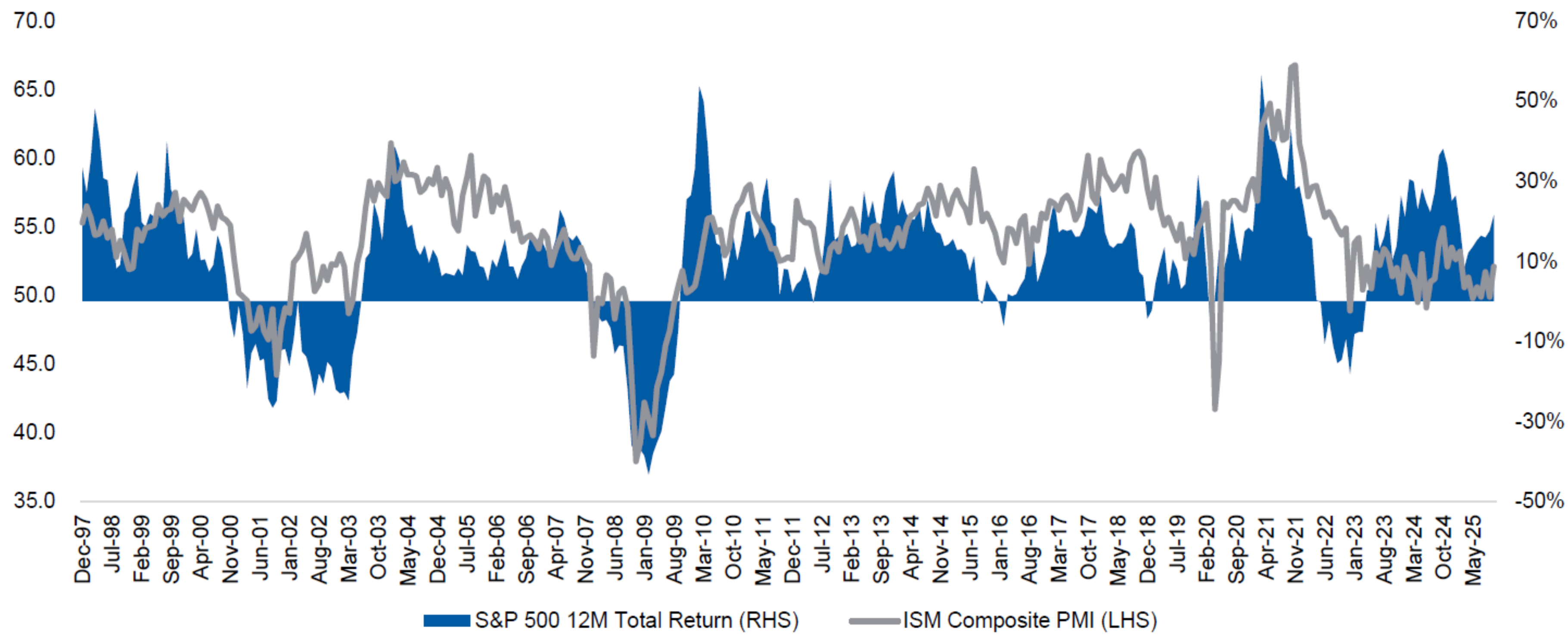


Source: FactSet, Goldman Sachs Global Investment Research

In fact, history shows us that U.S. equity returns are normally positive when economic growth strengthens

If Growth Accelerates in 2026, History Indicates Equity Returns Are Likely To Be Positive

ISM Economy Weighted Manufacturing and Non-Manufacturing Index, S&P 500 12-mo Total Return

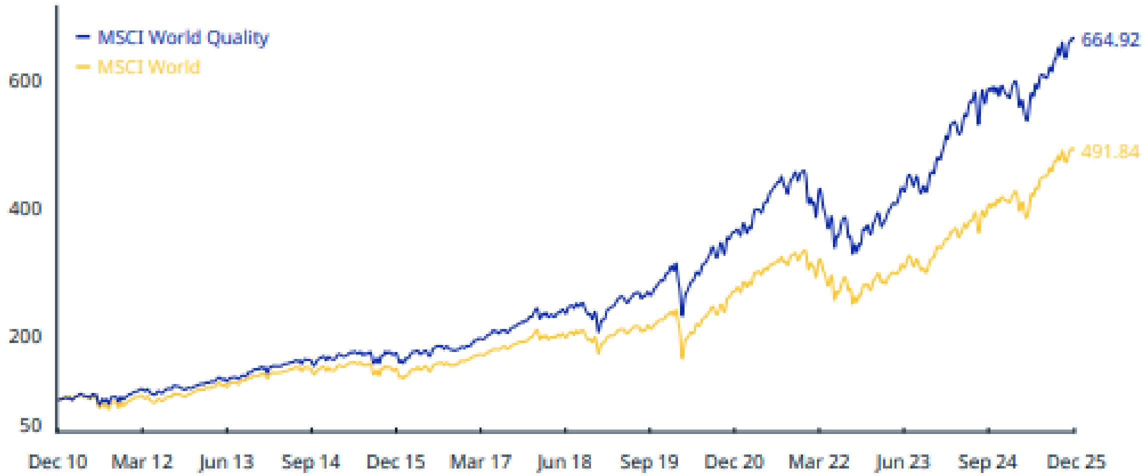


*Source: Bloomberg, MSIM. As November 24, 2025. *Institute for Supply Management. For illustrative purposes only. Not a recommendation to buy or sell any security. It is not possible to invest directly in an index..*

Quality lagged in 2025, but still offers long-term benefits

The **quality factor** in investing refers to the tendency of high-quality stocks with typically more stable earnings, stronger balance sheets and higher margins to outperform low-quality stocks, over a long-time horizon. Research has shown that quality companies, those with **higher ROE, lower leverage**, and **more sustainable cashflows and earnings**, outperform lower quality companies over time. Quality stocks are lagged in 2025, mainly due to their lower weights in some of the mega cap names that led the market, but the factor remains steadfast in its ability to deliver alpha over full market cycles.

CUMULATIVE INDEX PERFORMANCE — GROSS RETURNS (USD) (DEC 2010 – DEC 2025)



ANNUAL PERFORMANCE (%)

Year	MSCI World Quality	MSCI World
2025	16.94	21.60
2024	18.85	19.19
2023	32.97	24.42
2022	-21.90	-17.73
2021	26.10	22.35
2020	22.73	16.50
2019	36.70	28.40
2018	-5.06	-8.20
2017	26.64	23.07
2016	5.12	8.15
2015	4.25	-0.32
2014	9.01	5.50
2013	27.74	27.37
2012	13.66	16.54

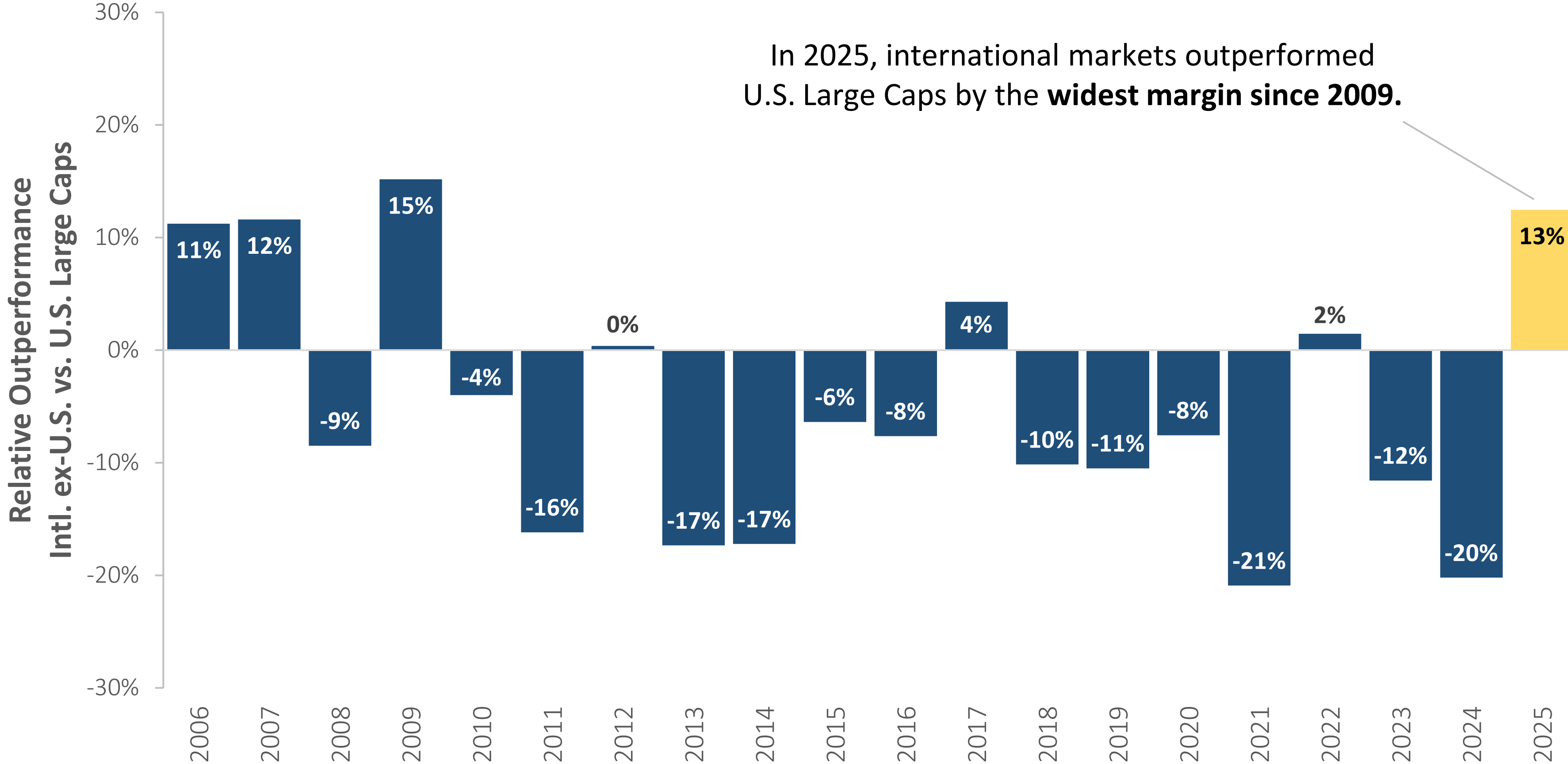
INDEX PERFORMANCE — GROSS RETURNS (%) (DEC 31, 2025)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Jun 30, 1994
MSCI World Quality	0.62	4.12	16.94	16.94	22.72	12.72	14.46	11.95
MSCI World	0.84	3.20	21.60	21.60	21.72	12.66	12.74	8.84

Source: MSCI as of December 31, 2025

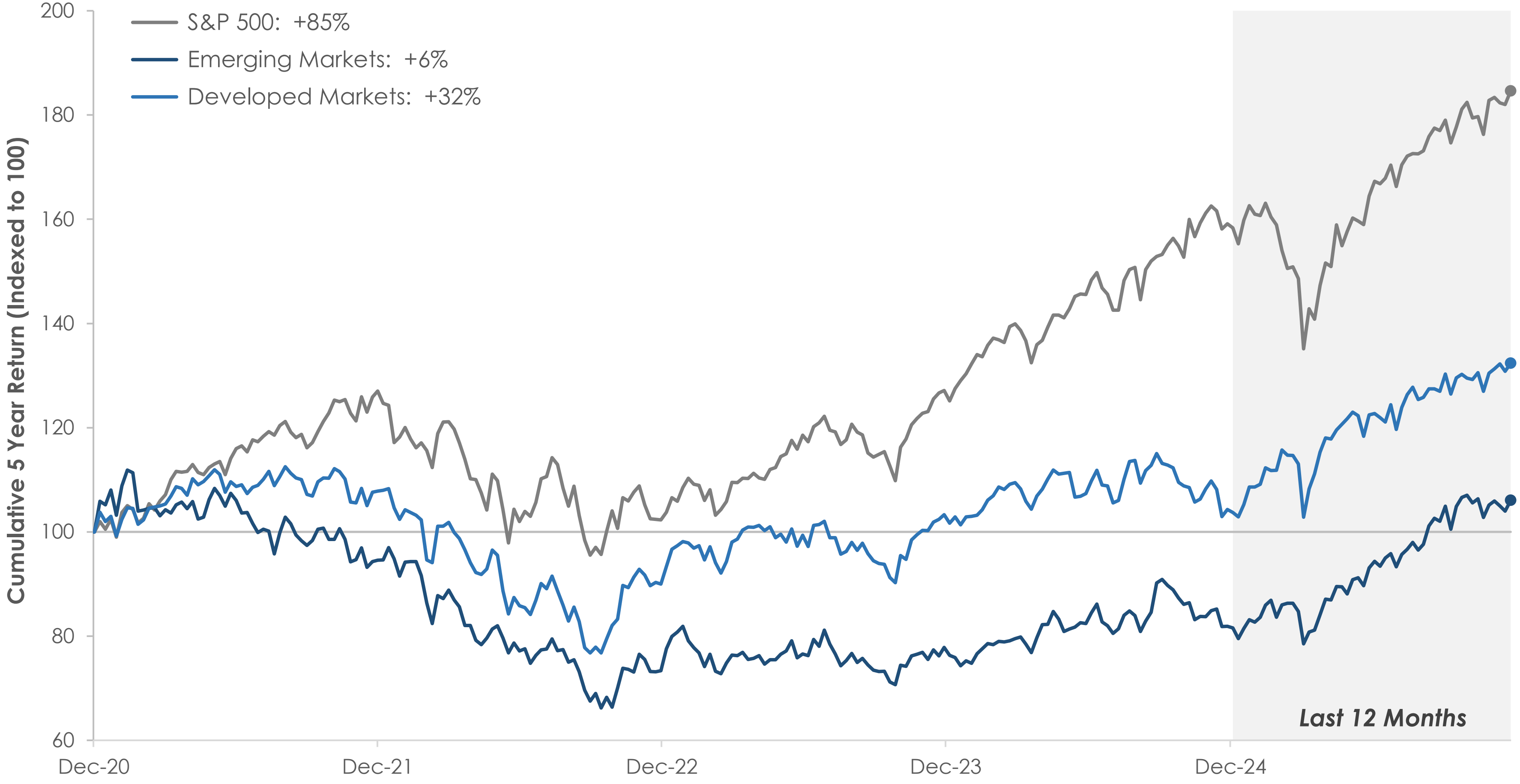
Past performance is not indicative of future results. Please see attached disclosures.

International sees its biggest outperformance since 2009, but…



Disclosures: S&P Global, FTSE. The performance represents price returns for S&P 500 and FTSE All-World ex US Index in USD. Data represents the annual price return gap between international equities and U.S. large-cap equities. Relative outperformance or underperformance varies over time and is influenced by market, economic, currency, and geopolitical factors, which may not persist. Data is provided for informational purposes only. Performance is for illustrative purposes only and does not reflect any management fees, transaction costs. or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. International investing involves additional risks, including currency fluctuations, political risk, and differing regulatory and accounting standards. Time Period: 2006 to 2025. Latest available data as of 12/31/2025.

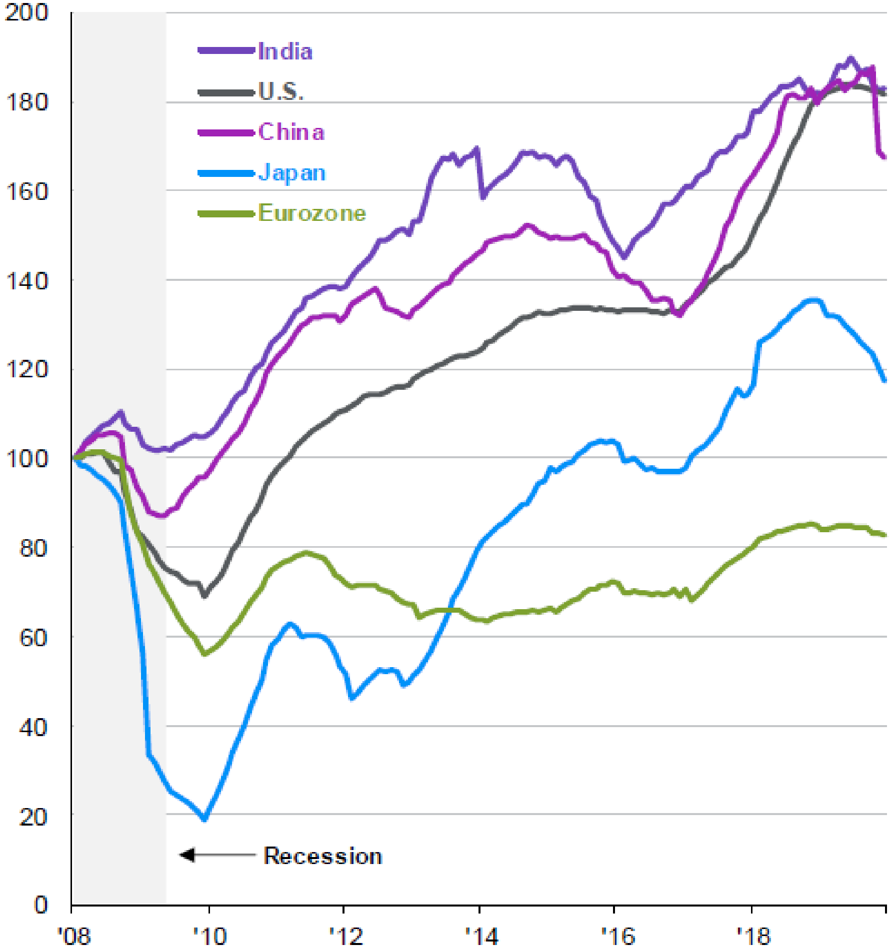
...it still lags over last 5-years



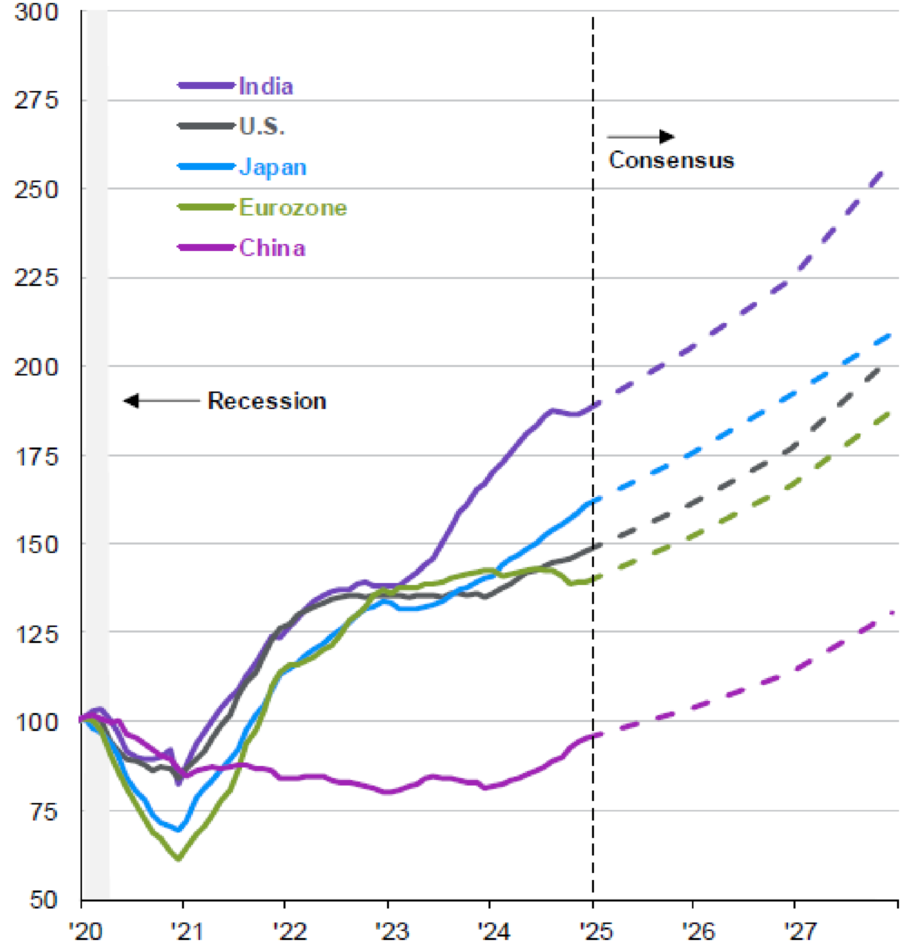
Disclosures: Past performance is no guarantee of future results. All performance data represents price returns for the S&P 500 Index, MSCI Emerging Markets Index, MSCI EAFE Index (Developed Markets).

The US is expected to continue growing faster than the Eurozone, but forecasts remain tight…

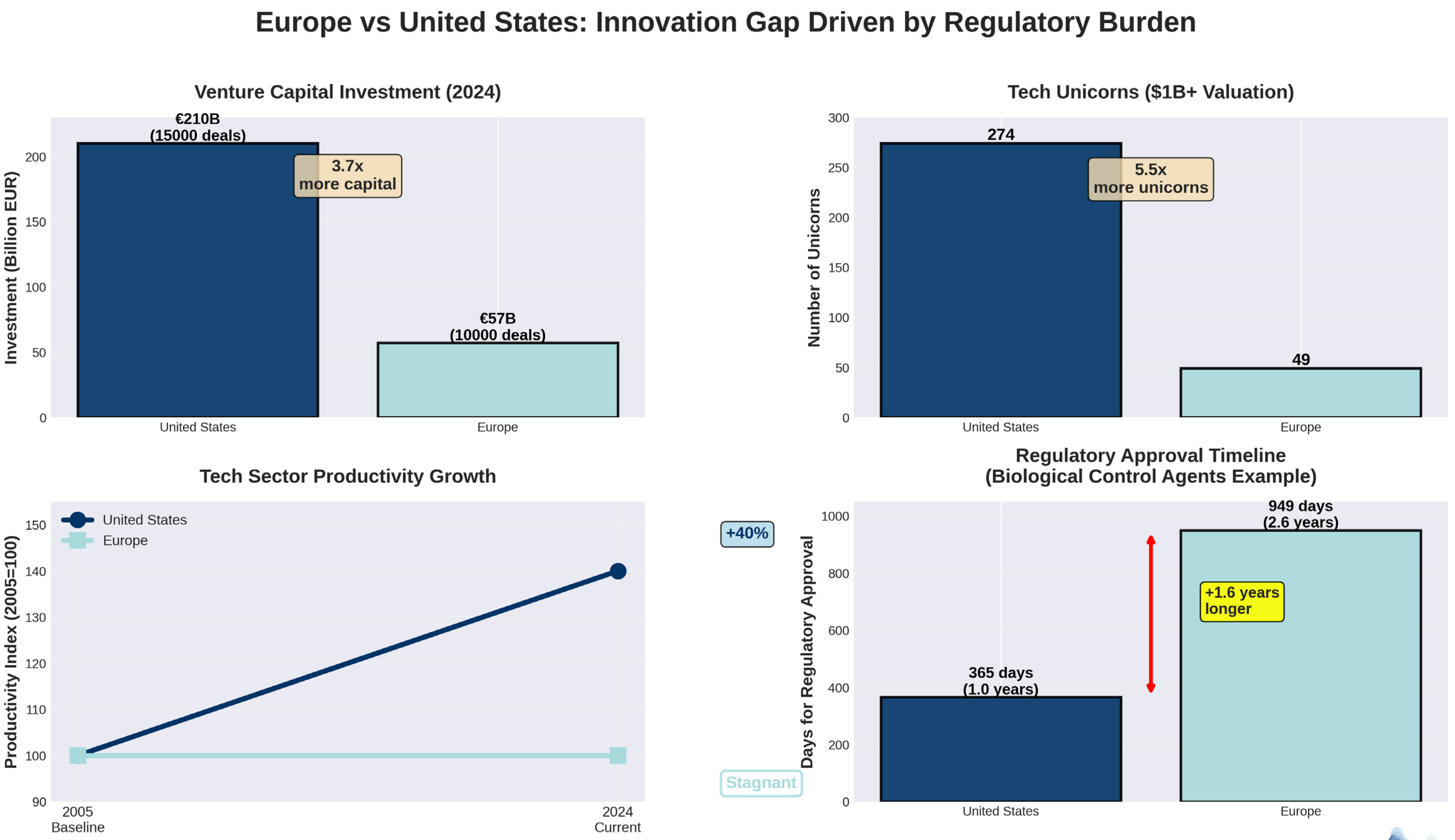
Earnings growth: GFC to pre-pandemic
Jan 2008 = 100, last 12 months, local currency, monthly



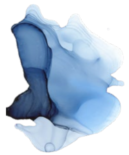
Earnings growth: Pandemic to present/consensus estimates
Jan 2020 = 100, last 12 months, local currency, monthly



...partly due to heavy regulatory differences weighing on EU innovation

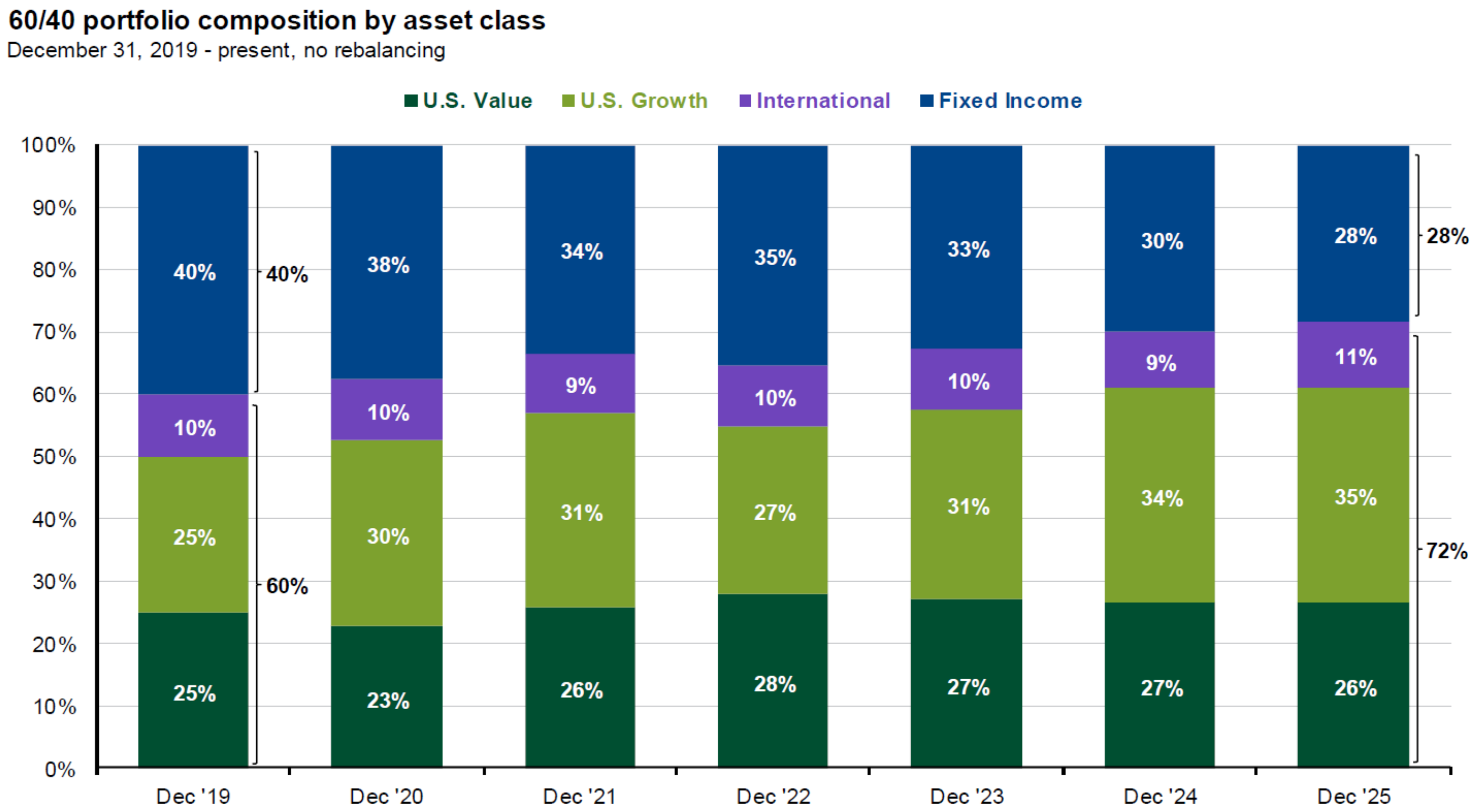


Sources: IMF analysis, PitchBook/CB Insights (unicorns), Italian Tech Alliance (VC data), Draghi Report 2024, Academic research on regulatory timelines
Data represents 2024 figures unless otherwise noted



To achieve portfolio goals, rebalancing to targets should be considered

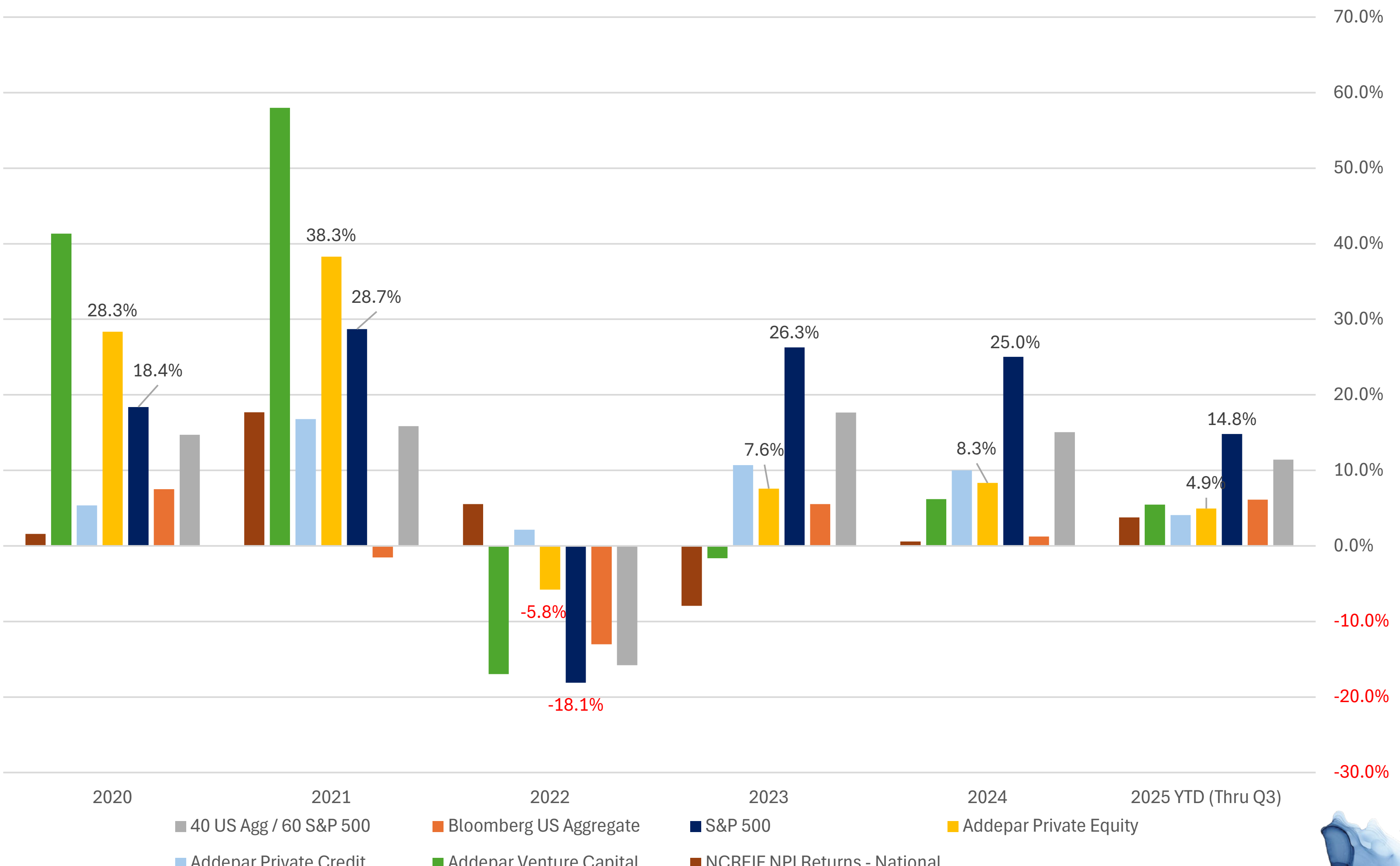
Markets have marched steadily higher since 2022, with US stocks, especially Technology names, driving much of the gains. For investors holding traditional balanced portfolios, this strong performance has **likely pushed equity allocations well above their intended targets.** As clients evaluate their portfolio and consider realizing gains, it's worth reviewing whether your current allocation still aligns with your long-term strategy and risk tolerance.



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

Past performance is not indicative of future results. Please see attached disclosures.

Alternatives remain a key source of return generation…



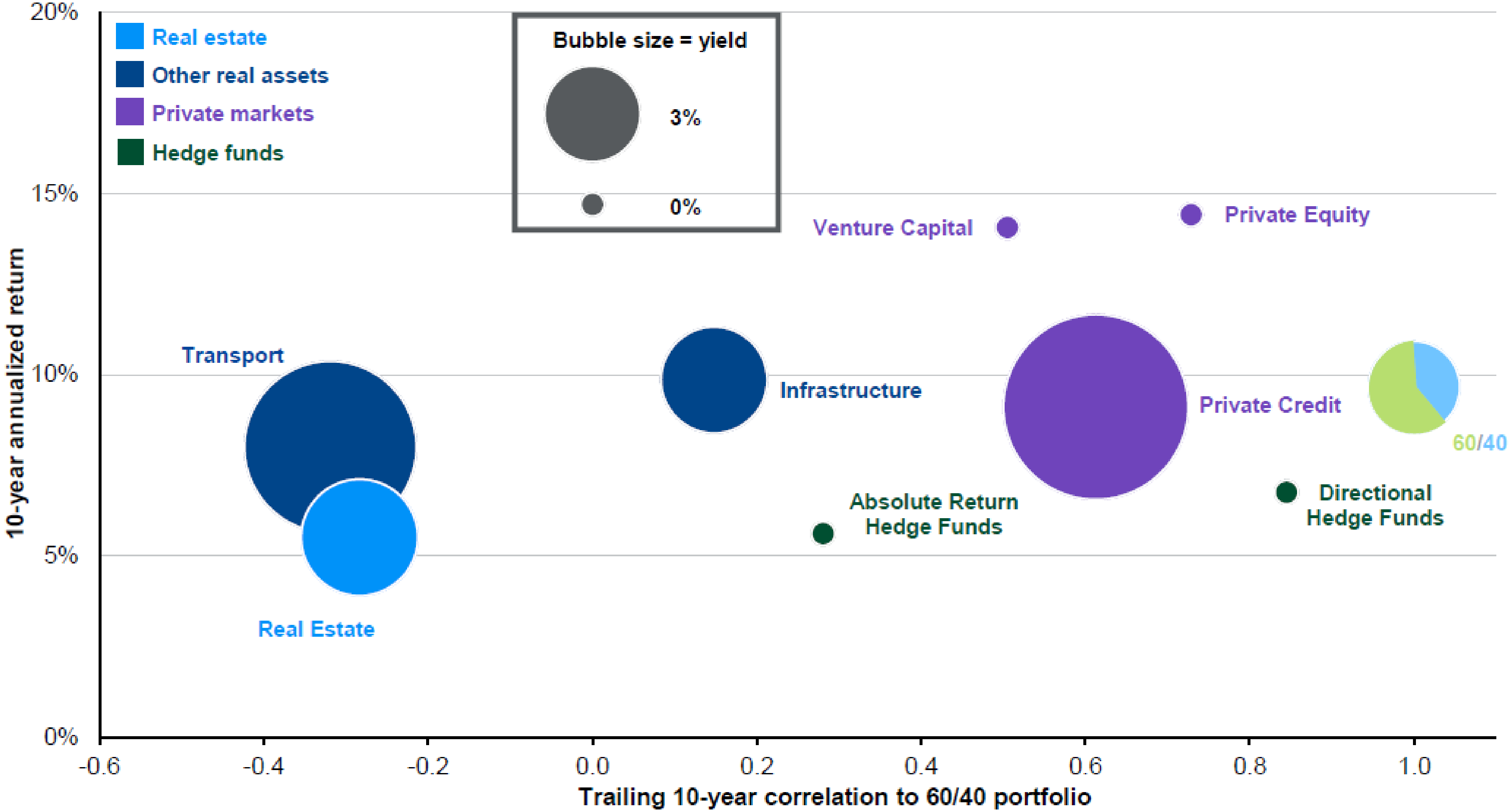
Source: Addepar

Past performance is not indicative of future results. Please see attached disclosures.

…but that's not all they do

Correlations, returns and yields

10-year correlations and 10-year annualized total returns, 3Q15 - 2Q25



Source: Burgiss, Cliffwater, Gilberto-Levy, HFRI, MSCI, NCREIF, FactSet, J.P. Morgan Asset Management. Correlations based on quarterly returns. 60/40 portfolio is comprised of 60% S&P 500 Total Return Index and 40% Bloomberg U.S. Aggregate Total Return Index.

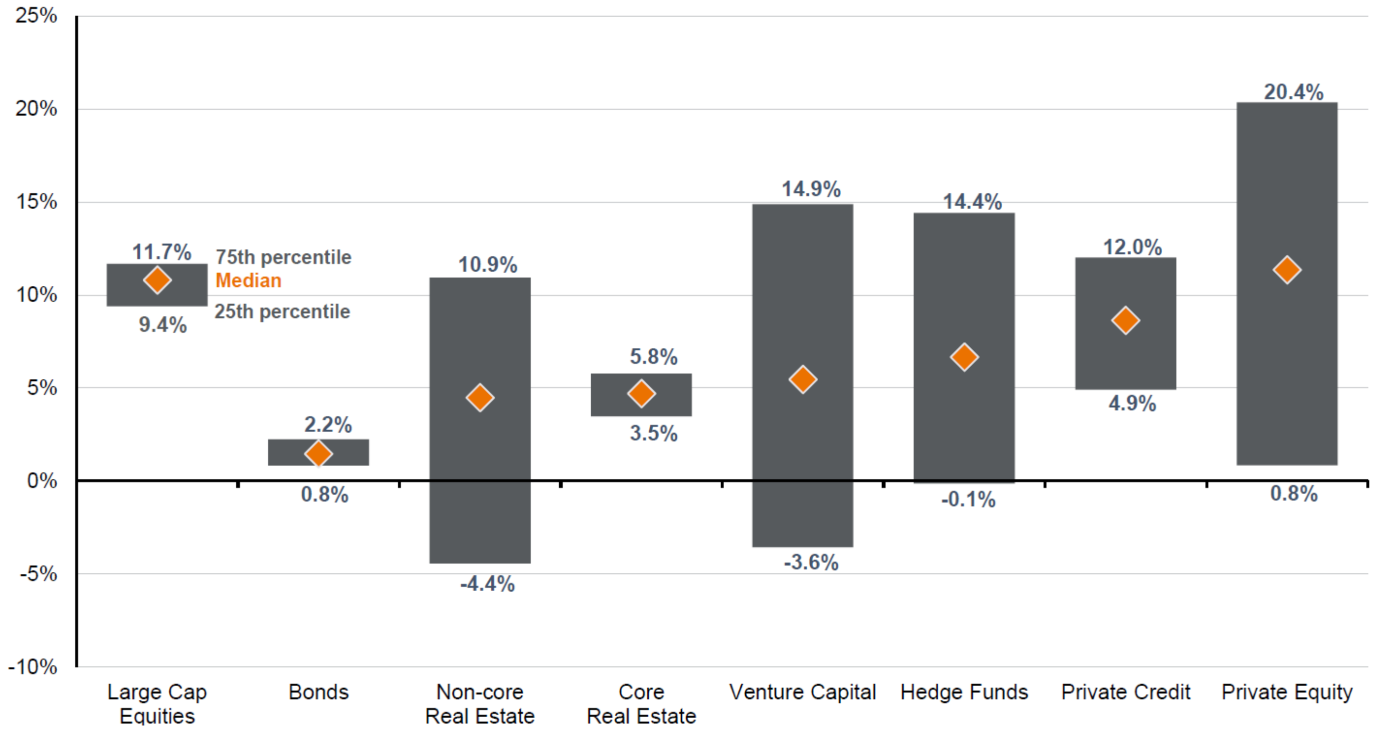
Due diligence and manager selection remain paramount in private markets

The last three years have shown that active management in public markets isn't sustainable, and it is increasingly hard to outperform indexes, while private markets exhibit the importance of finding best in class managers.

The return dispersion, as illustrated below, between the top and bottom quartile private fund managers over the last 10-years is vastly larger versus public markets. Given the illiquid nature, lack of public information, and longer time horizon, **private markets require strict and comprehensive due diligence** to select best in class managers for investments.

Public and private manager dispersion

Based on returns from 3Q15 - 3Q25*



Source: Burgiss, Morningstar, MSCI, PivotalPath, J.P. Morgan Asset Management
**Manager dispersion is based on annual returns over a 10-year period ending 2Q 2025 for Core Real Estate. Manager dispersion is based on the 10-year internal rate of return (IRR) ending 2Q25 for: Private Credit, Non-core Real Estate, Private Equity, and Venture Capital.*

Looking ahead in alternatives

Sub Asset Class	Sage Mountain Alternatives Pipeline							
	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
Private Equity / Venture Capital	*Core PE Secondaries Fund VI**							
			Venture Capital Debt Fund VI					
			US Growth Equity Fund VI					
		VC Secondaries Fund VII						
				Life Sciences Fund IV				
Real Assets - Growth & Income	*US Multifamily RE Debt Fund VI*							
	US Medical Office Real Estate Fund V							
			US Small Construction RE Debt Fund VII (Evergreen)					
	*Self Storage Fund V**							
	*US Multifamily Pref Equity Fund I**							
				Real Estate Secondaries Fund III				
	*Global Real Estate Equity REIT (Evergreen)**							
	*Diversified Transportation Fund (Evergreen)**							
Private Credit				*Middle Market Credit Secondaries Fund VII*				
	*Middle Market Lending BDC / Interval Fund**							
Broadly Diversified	*Global Diversified Alternatives Fund (Evergreen) - Private Equity, Private Credit, and Real Assets**							

**Denotes funds that are currently open and fundraising*

Disclaimer: Note that all dates are estimated and subject to change.

US Credit Health/Default Rates

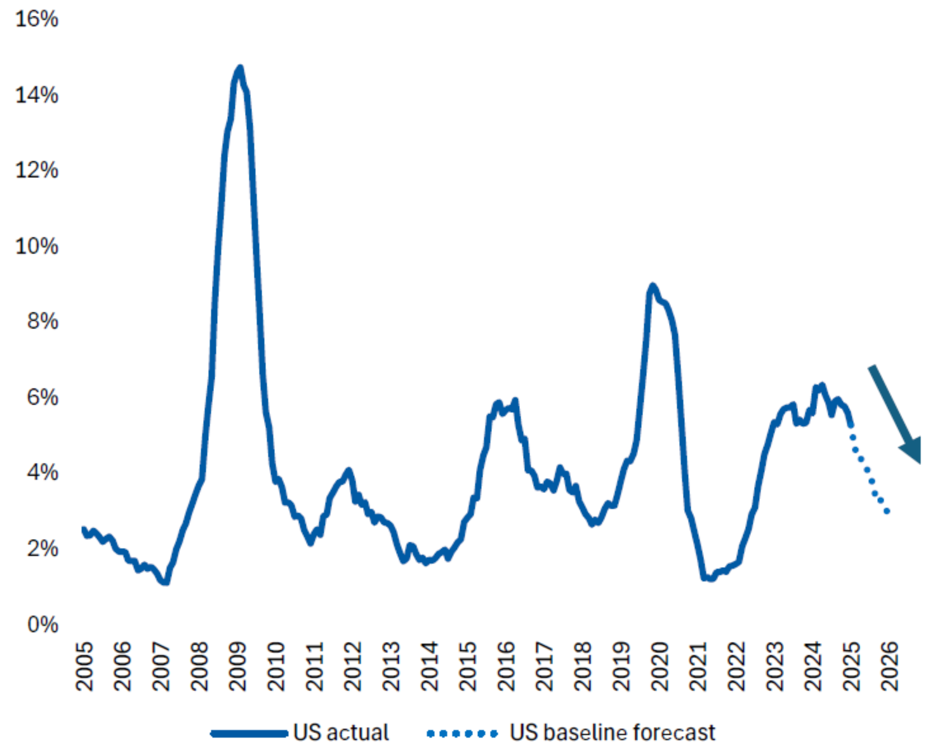
While credit spreads remain tight by historical standards, the fundamentals underpinning credit markets continue to trend positively. Credit card delinquencies have drifted lower, and Moody's forecasts show default rates falling through 2026.

Credit Card Delinquencies Are Lower

U.S. credit cards 30+ days past due, all 8 companies % SA

Baseline Forecasts Show Default Rates Falling Into 2026

Moody's U.S. trailing 12-mo speculative grade default rate with forecasts



Source: Moody's, MSIM, as of November 21, 2025. For illustrative purposes only. Not a recommendation to buy or sell any security. It is not possible to invest directly in an index.

Private Credit

Summary Outlook: As we enter 2026, the "Golden Age" of easy returns in private credit is evolving into a more complex phase. Private Credit has grown hugely, and may be settling into a maturation phase. While the asset class remains a source of steady income, the tailwinds of 2022–2025 (rapidly rising base rates and banks on the sidelines) are shifting. We are moving toward a borrower-friendly market defined by tighter spreads, a revival in M&A deal flow, and competition from a rebounding syndicated loan market.

Key Themes for 2026

Yield Compression: Spreads have tightened significantly as capital is abundant and banks re-enter the lending arena. While yields remain attractive relative to public fixed income, the "illiquidity premium" has shrunk. In the meantime, the Fed is lowering the front end of the curve, reducing SOFR.

The M&A Catalyst: A robust recovery in private equity dealmaking (M&A) is expected to spur demand for new financing. This volume is critical to replacing older vintage loans that are being refinanced or repaid.

Bifurcation of Quality: The gap between strong and weak managers is widening. We are seeing a divergence where established borrowers remain healthy, but stress is building in the "tail" of portfolios, visible in rising Payment-in-Kind (PIK) interest usage.

Market Data: According to Cliffwater’s Direct Lending Index (CDLI), historical realized losses remain low (1.01% for the last 10 years, and 0.69% in 2025 for middle market direct loans), suggesting the asset class has structural resilience despite fears of a downturn. Still, the asset class has not been tested with a grinding, long economic slowdown during this era of high AUM. Quarterly income continues to drive total returns, cushioning volatility even as price appreciation slows.

Source: Cliffwater, Sage Mountain Analysis

Private Credit – Bull and Bear

The Bull Case:
Dealmaking Revival: A pickup in M&A provides a fresh pipeline of high-quality loans. As Private Equity dry powder is deployed, lenders can be more selective, financing stronger companies rather than refinancing troubled ones.

Income Cushion: Even with modest rate cuts, base rates remain elevated compared to the last decade. Private credit yields (often nearly double-digit) continue to offer a significant buffer against inflation and moderate default rates.

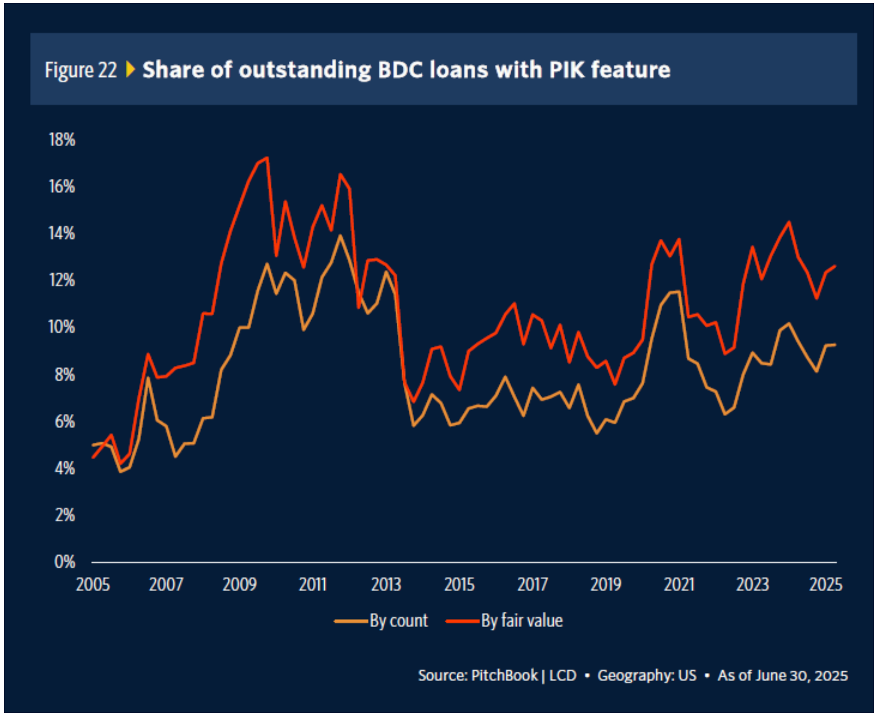
Structural Protections: Unlike public high-yield bonds, senior private loans retain strong covenants and seniority. Historical data shows that even in stress periods, realized losses have been contained, although with significant volatility.

New Frontiers: The asset class is expanding beyond corporate buyouts into asset-based finance (ABF) and infrastructure (e.g., AI data centers), offering diversification backed by hard assets rather than just corporate cash flow. This is a focus for Sage in 2026.

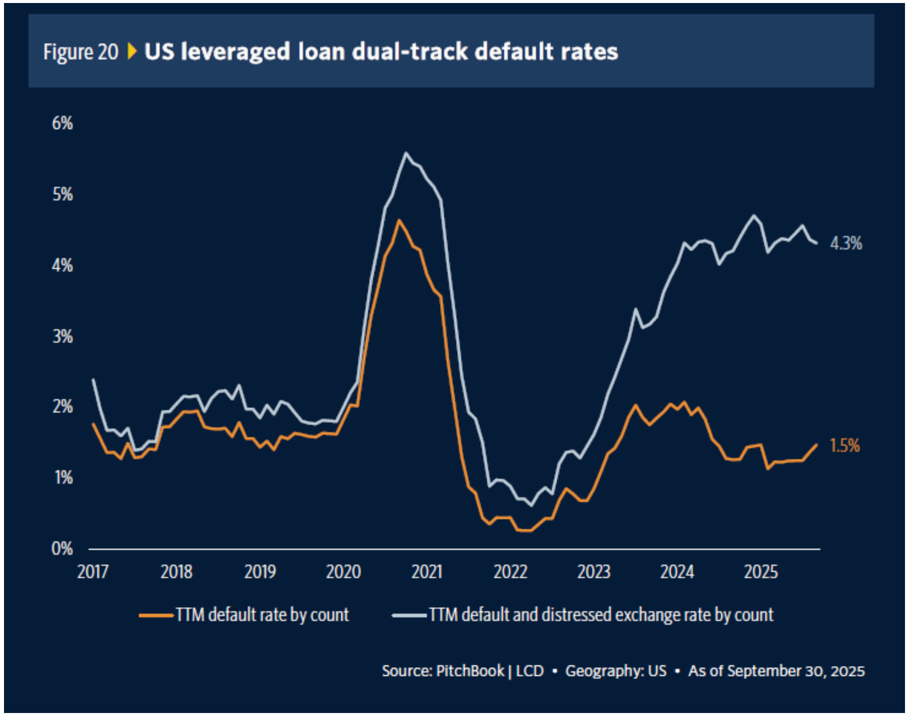
The Bear Case:
Spread Compression: Competition is fierce. Spreads are trading near historical tight levels, meaning investors are getting paid less for taking the same amount of illiquidity risk. The "excess return" over public markets has eroded.
Hidden Stress (The "PIK" Problem): A growing number of borrowers are opting to pay interest in kind (PIK), adding interest to the principal rather than paying cash. This is a classic late-cycle stress indicator, masking potential cash flow issues at portfolio companies.
Untested in Prolonged Stagnation: While resilient so far, private credit has not been fully tested in a "higher-for-longer" rate environment combined with a generic economic slump. If GDP growth stalls while rates stay near 4-5%, interest coverage ratios could deteriorate rapidly.

Private Credit Risks

Latent risk from a downturn as more loans are issued with PIK Features.



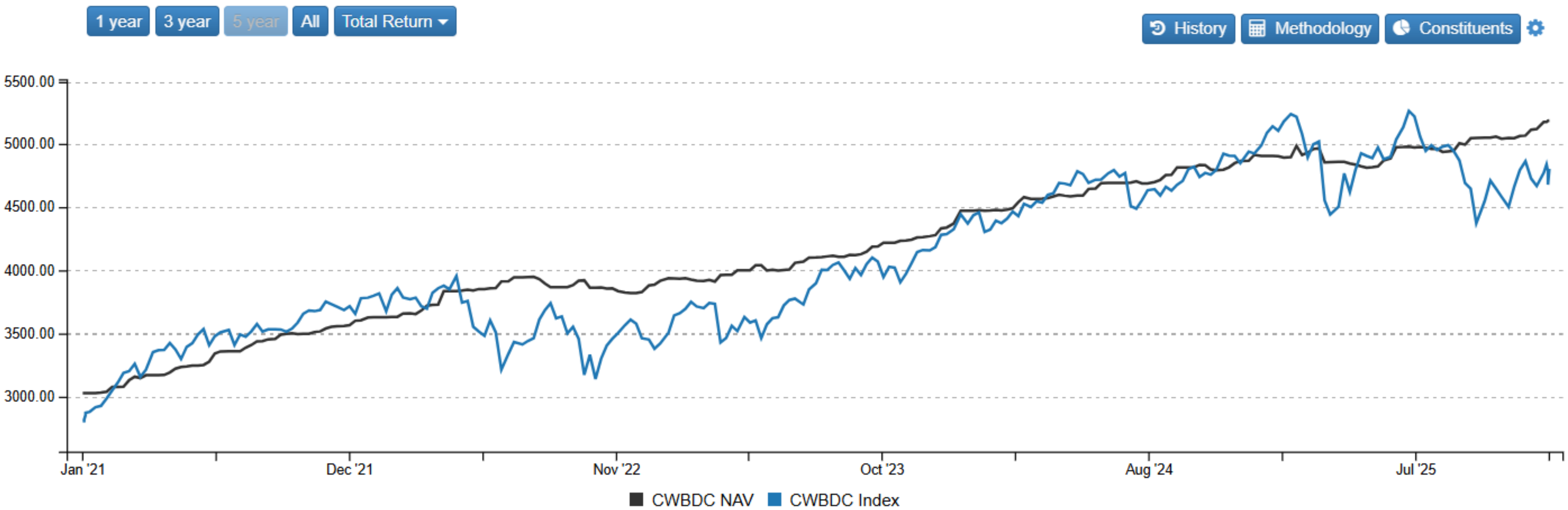
More "distressed exchanges" are taking place in the leveraged loan market.



Source: Addepar, Janus Henderson, FRED, Bloomberg

BDCs

- **Market Sentiment & Dividends:** BDCs have traded down due to recession fears, falling rates, and tight spreads. Consequently, some major players (e.g., Goldman, Blackrock) have cut or modified distributions to manage weaker payout coverage.
- **Credit Fundamentals:** The sell-off is driven by fear rather than data; actual credit trends remain stable. While competition is high and rates are easing, non-accruals remain historically low (~1.3% of loans).
- **Idiosyncratic Shocks:** Specific events, such as two auto-related defaults and isolated bank real estate fraud, have spooked investors. The market is treating these as potential systemic risks ("cockroach theory"), causing a broader sell-off.
- **PIK Levels:** Payment-in-Kind (PIK) interest is rising, but it depends on the BDC. Golub and Kayne Anderson have far lower levels, for example.



Source: Cliffwater BDC Index

Macro Overview

Looking Ahead – Key Themes to Watch the Next Six Months

The State of the Economy

- The 43-day government shutdown delayed key economic data releases. Government agencies are still working to clear the backlog, with some releases ultimately canceled.
- Early releases suggest the economy is broadly unchanged to potentially softer, but it's incomplete information. How did the economy end the year, and where does it settle in 2026?

The AI Infrastructure Buildout

- Companies have announced plans to spend trillions of dollars to build out the infrastructure needed to run AI.
- How will AI-related companies finance their spending commitments? Will the market continue to reward a "growth at any cost" mentality, or will it focus on profitability?

Will the Housing Market Continue to Thaw?

- Mortgage rates have declined as the Fed cuts, and housing inventory is rising. Home prices are normalizing as more listings come to market, but affordability remains a challenge.
- Will mortgage rates continue to fall, and if so, will housing activity thaw? Will rising inventory improve housing conditions?

Economic Commentary

- **The global economy** appears set for moderate growth; despite tariffs, policy uncertainty, and geopolitical tension it will likely avoid recession. Our outlook is for positive but slowing growth as AI capex and heavy fiscal spending continue, but moderate from last year.
- **GDP**: Analyst expectations for U.S. GDP growth cluster around 2%, which we think is a slightly high but reasonable expectation. For example, JP Morgan expects US real GDP growth of +1.8% in 2026, while Goldman Sachs forecasts +2.6% growth. Supports to the economy include AI capex, a resilient US consumer, and gradually easing financial conditions due to rate cuts and moderating inflationary pressure from rents.
- **Labor Market:** We expect the labor market to continue to slow modestly. In 2025, job creation in the U.S. slowed from 150k a month to 30k a month, with more weakness at year end. Yet, to keep unemployment steady, payroll gains only need to average 60k per month as labor supply growth slows due to demographics and immigration enforcement. Vanguard projects unemployment at 4.2% by end-2026, comparable to 2025.
- **Inflation**: We expect inflation to run closer to 3% than 2%, remaining somewhat “sticky.” JPMorgan expects core PCE inflation of 2.7% in 2026, with tariff pass-through continuing well into next year. They emphasize sticky inflation’s “roots” are rising wages plus continued services inflation.
- **Europe**: Analysts expect Euro area GDP growth of +1.2% in 2026 (near potential). They quantify tariff drag as –0.3pp on GDP in 2026, partially offset by fiscal tailwinds such as increased defense spending. Unemployment is expected at about 6%. Inflationary pressures should be lower compared to the US.
- **China**: Economists expect growth about 4.5%; domestic demand remains weak but China has successfully pushed export growth. Disinflation/deflation risk remains central as the real estate bubble has deflated, taking consumer sentiment with it.
- **Japan**: We expect slow growth of one percent or less. We also expect more normalization of interest rate policy, i.e. higher rates than in the past decade.

Source: Goldman Sachs, Vanguard, JP Morgan Outlooks

Political / Policy Commentary

- Upon resuming power, the Trump administration moved quickly on three fronts: **tariffs**, the budget/**taxes** and **deregulation**. On **taxes**, the "OBBBA" resulted in net tax cuts, but skewed largely to higher income households with lower propensity to spend. **Tariffs** caused significant disruption, but ultimately have resulted in significantly lower rates than feared. On the whole, significant **deregulatory** measures have largely been taken in financial (banks, crypto) and environmental issues, but the market still hopes for broader federal deregulation efforts to impact the economy. For example, measures to speed permitting and construction.
- The 2026 midterm elections loom as a major inflection point. With narrow Republican margins in the House, control of Congress will determine how much of the administration's agenda can continue. **Loss of the House would likely result in legislative gridlock** rather than policy reversal.
- The administration's general policy direction is pro-growth, with emphasis on spending and industrial policy. Although industrial policy (semiconductors, rare earths, oil) may introduce inefficiencies, the government's efforts to push investment into the economy may support growth in the near term. **The fiscal deficit remains wide** and is likely to accelerate even further until after the midterms.
- **The Fed:** President Trump has pushed hard to promote his preference for lower rates, and seems likely to appoint a docile Fed Chair that will echo his views. We think it is an underappreciated risk that investors will be unnerved by a Fed that has visibly lost independence, potentially keeping longer term interest rates higher than they otherwise would be.

Source: Sage Mountain Advisors analysis

Geopolitical Commentary

- We expect intermittent geopolitical turmoil as the administartion has turned more interventionist, but significant disruption / large-scale **conflict is not our base case.**

- On January 3rd, the U.S. conducted a military operation in Venezuela to capture President Maduro. The operation depended on special operations, intelligence, naval flexibility, and stealth capabilities. **For investors, this reinforces a multi-year outlook of structurally higher defense spending, not only in the U.S. but across Europe and the Indo-Pacific (including Japan).** Defense procurement is increasingly skewed toward high-tech, asymmetric, and cyber-enabled capabilities.

- There is a long history of U.S. intervention in Latin America, and Maduro's epic mismanagement tested the patience of both the Venezuelan people and neighboring countries (refugee crisis). Accordingly, other countries' objections to this event will take the form of words, not deeds.

- The long-term implication of the U.S. intervention is a downside risk to oil prices, but **Venezuela's oil infrastructure will take years, and a stable government, to rebuild.**

- In response to the U.S. taking a "might makes right" stance, it is possible that **China** may push harder on Taiwan and the South China Sea, or that **Russia** may intensify pressure in Ukraine and Central Asia. However, **the U.S. action doesn't really change the underlying risk-reward calculus that these countries face.**

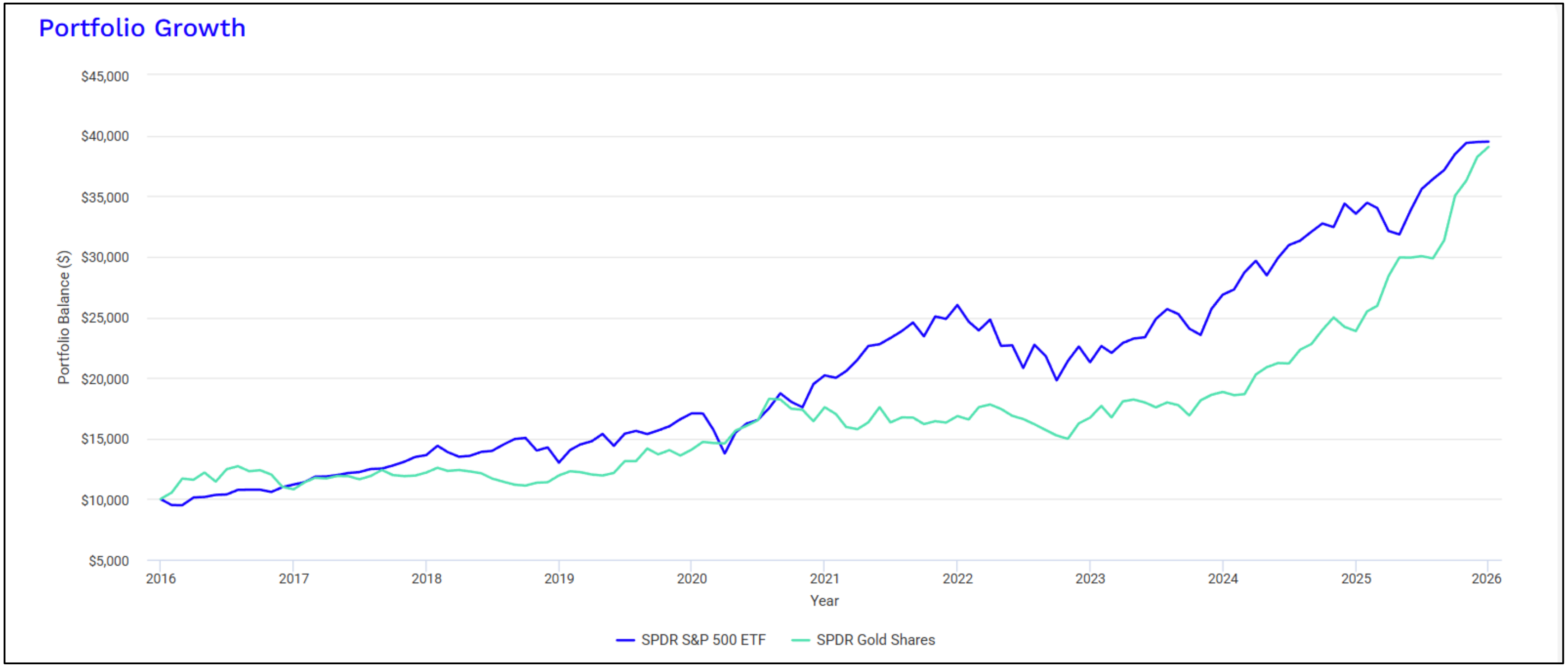
- U.S.–China relations are currently in a tactical détente following high-level engagement, with tariff escalation paused into mid-2026. Strategic rivalry will remain high around technology, supply chains, and strategic materials. **China remains the primary long-term geopolitical variable, despite short-term stabilization.**

- Expect intermittent volatility, but not a collapse in the macro or market framework.

Source: Sage Mountain Advisors analysis

Comments on Gold

- Although it has been "money" since antiquity, we don't view gold as a productive asset (it has no cash flow). We *do* view it as a portfolio diversifier and a hedge against inflation. Gold's usefulness rises when investors start caring more about real purchasing power, debasement risk, and threats to the dollar's position as a world reserve currency.
- Gold had an extraordinary year in 2025, returning 64%, the highest rise since 1979. While gold was notoriously poor in the 1980s, 1990s, and parts of the 2000s, its performance has been so strong in recent years that gold has almost matched the S&P 500 over the past decade.



Source: Portfolio Visualizer

Comments on Gold (Continued)

- **Our Outlook:** We have not recommended a dedicated gold exposure, preferring to address inflation risks through investments in real estate, higher yielding instruments and infrastructure. However, we believe that (1) deficit-driven spending pressure persists, (2) dollar debasement risk remains non-trivial, and (3) structural diversification away from the dollar continues. Accordingly, we are exploring taking a position in gold, but are reluctant to initiate a position when consensus is extremely bullish. In other words, we are monitoring but haven't changed our guidance.
- When does gold tend to perform well? Historically, gold tends to work best when:
  - Real rates are falling or negative (currently, rates are positive).
  - The dollar is weakening (gold is typically priced in USD, so USD weakness often shows up as higher USD gold prices). The dollar has recently fallen against many currencies but is not particularly weak overall.
  - Inflation uncertainty is rising (not CPI data per se, but rather the market repricing policy credibility and future inflation risk). Despite Fed rate cuts, the intermediate to long end of the curve have not fallen, reflecting uncertainty.
  - Tail risks rise (geopolitical stress, financial stability episodes, recession/panic correlations). We don't believe we are currently in a crisis nor that risks are particularly high.
  - On top of this, we believe sentiment is currently elevated for gold and silver, possibly making this a poor time to start a position.
- How has gold performed after very strong performance years? The data is limited. Using Stern professor Damodaran's data, after very strong years (≥ +50%), the record is mixed (with wide ranges)
- From the 1970–2025 period in that dataset, the years with ≥ +50% gold returns were:
  - 1973: +72.96%, then 1974: +66.15%
  - 1974: +66.15%, then 1975: -24.80%
  - 1979: +126.55%, then 1980: +15.19%

Source: World Gold Council

Comments on US Dollar (Broad US Dollar Index)

- We are arguably still in a "strong dollar" environment, just less extreme than last year. Note 120 is still historically high compared to the 2016–2020 average.
- **The 2020 Crisis:** You can see the gray shaded vertical bar representing the COVID-19 recession. There was a massive spike (flight to safety) followed by a drop as the Fed printed money (liquidity injection).
- **2021–2024 Climb:** Following the 2020 volatility, the index entered a relentless uptrend. This was likely driven by the "American Exceptionalism" economic theme: US interest rates staying higher than the rest of the world and the US economy outperforming peers.
- **The 2025 Peak:** The chart shows the dollar hitting a massive peak in 2025, reaching near 130. This suggests that for most of last year, the US dollar was historically expensive, putting immense pressure on emerging markets and US exporters.
- **Sharp Correction:** After hitting a peak of 130 in 2025, the dollar has declined sharply.
- **Narrative Shift:** The Federal Reserve finally cutting interest rates aggressively, better economic news overseas, and fear of currency debasement / inflation stickiness.

Source: FRED (St. Louis Federal Reserve)

Comments on US Dollar (Contined)

- **"Least Dirty Shirt"** The U.S. Dollar is extremely unlikely to be replaced as the global reserve currency anytime soon.
- **Gold / Gold Token:** A gold-backed currency essentially ties a country's hands. If your economy grows but your gold reserves don't, you suffer massive deflation (money becomes too scarce). Modern economies need the flexibility to expand the money supply during crises (like the 2020 crash).
- The "Trust" Paradox: For a Chinese or Russian gold-backed currency to work, the world has to trust that the gold is actually there and that they will deliver it upon request. Given that China maintains strict capital controls and Russia is heavily sanctioned, major global institutions are unlikely to trust them.
- **China (Yuan):** You cannot be the global reserve currency if you have capital controls. Money goes into China (for trade), but the CCP makes it very hard to get money out.
- **Europe (The Euro):** The Eurozone has a monetary union (one currency) but not a fiscal union (separate debts). Every time there is a crisis in a specific member state (like Italy or Greece), it threatens the stability of the whole Euro project. Investors prefer the singular political authority of the US Treasury.
- **The US Treasury Market:** This is the deepest, most liquid pool of assets on Earth. If you are a sovereign wealth fund with $100 Billion to park, you literally cannot put it all in Swiss Francs, Gold, or Bitcoin, the markets are too small. You would move the price too much. You have to buy US Treasuries.
- **Bitcoin** has been a fantastic speculative asset (and a "store of value" for some), but it fails the two primary tests of a currency: Volatility: a currency needs to be a boring unit of account. No "Lender of Last Resort": When the 2020 crisis hit, the Fed printed trillions to stop the global plumbing from seizing up. There is no "Central Bank of Bitcoin" to step in and provide liquidity when the system crashes.

Source: FRED (St. Louis Federal Reserve)

Financial Planning

Financial Planning Opportunities for 2026

- The 2026 Lifetime Exclusion has increased to $15mm per individual. If you have previously maxed out your exemption, now is a good time to “top off” outside of estate trusts up to the new amount. The Annual Exclusion remains $19k per year.

- The SALT deduction increased to $40k for the 2025 tax year and will continue at that rate ($40,400 adjusted for inflation in 2026) through 2029. There is an income phase-out range of $505k-$606,333 (2026), after which a taxpayer will be limited to the lower $10k cap. Importantly, the Pass-Through Entity Tax (PTET) Election or SALT workaround is still available in addition to the increased new cap.

- IRA contributions increase from $7k ($8k catch-up) in 2025 to $7,500 ($8,600) in 2026. 401k contributions increase from $23,500 ($31k catch-up) in 2025 to $24,500 ($32,500).

- Take advantage of super catch-up contributions to qualified plans like 401k’s for those 60-63 years old. The amount is $11,250 instead of the regular $8k for those 50+. You must choose Roth (not pre-tax) if your previous year’s income was $150k or more. If no Roth option exists, then you are not eligible for the super catch-up.

- The Qualified Charitable Distribution (QCD) limit increases to $111k per individual in 2026. For taxpayers who need little or none of their RMD’s to live on, the best strategy is to make QCD’s first since you cannot recharacterize an RMD into a QCD later in the year. A QCD is an above-the-line deduction, which is usually more valuable than a normal charitable deduction on Schedule A.

- Invest in Opportunity Zones (OZ) no earlier than 1/1/27 when the new OZ rules go into effect. Gains realized in 2026 are eligible as long as they comply with the 180-day rule. For personally owned assets or shares, wait until no earlier than 7/5/26 to realize gains that will be rolled into OZ investments in 2027 (ideally later to provide a time buffer for OZ investments made in early 2027). For assets owned by an S Corporation or partnership, the 180-day period begins as late as the tax filing date of the corporation or partnership, which is generally 3/15. The original OZ legislation provided a static date of 12/31/26 when the deferral of all gains ends, meaning the deferred capital gains tax will be due in April 2027. Under the new rules, the gains are deferred until the 5th anniversary of the OZ investment, and investors also receive a 10% basis step-up after 5 years. A 30% basis step-up is available for investing in a “qualified rural opportunity fund.”

- AMT phase-outs will start at $500k for singles and $1mm for joint filers on 1/1/26. The previous phase-outs started at $626,350 for singles and $1,252,700 for joint filers. The phase-out percentage will rise from 25% to 50%. This can create a “bump zone” where the effective rate is 42%! The IRS estimates that 7.6mm people will pay AMT in 2026 compared to 200k in 2025. AMT preference items include high capital gains/qualified dividends, high Schedule A deductions (especially SALT), Intangible Drilling Costs (IDC) deductions, QSBS stock sale, ISO’s, accelerated depreciation, and Passive Activity Bond (PAB) interest. The normal AMT rate is 28%.

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