MacKay Shields Fixed Income Quarterly Outlooks

July 2026

New York Life Investment Management

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Macroeconomics 3Q2026

Resilience, Tested

The U.S. economy has once again demonstrated remarkable resilience, weathering this year's conflict in the Middle East and the resulting energy price shock. As geopolitical tensions have eased and energy markets have begun to normalize, a significant source of macroeconomic uncertainty has begun to recede, supporting our expectation of a continued expansion.

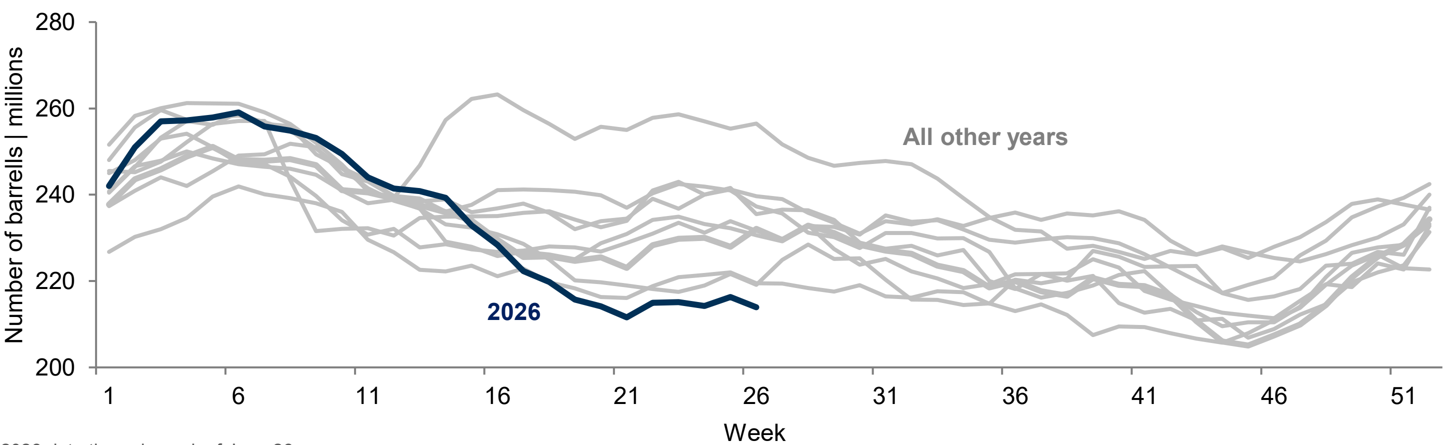
While higher energy prices have weighed on real household incomes and contributed to a renewed pickup in inflation, the economy has benefited from several important offsets, including fading trade policy headwinds, fiscal support from the administration's 2025 tax legislation, and the ongoing AI investment boom.

Inflation remains the principal macroeconomic challenge. We expect only modest moderation in core inflation over the remainder of the year and now anticipate that the Federal Reserve will reverse last year's insurance rate cuts beginning in December, and possibly earlier.

Over the past several years, the U.S. economy has weathered an unusual succession of supply shocks, including COVID-era supply chain strains, an oil price shock early in the Russia-Ukraine war, immigration restrictions that continue to dent labor supply, and an escalation in trade barriers. Most recently, the conflict in the Middle East introduced another significant challenge, pushing energy prices sharply higher and raising concerns about weaker growth, higher inflation, and disruptions to global supply chains. Yet despite these repeated headwinds, the expansion has endured. The resilience of the U.S. economy has again been tested, but not broken.

The U.S.-Iran ceasefire and the subsequent pickup in energy flows through the Strait of Hormuz suggest that a significant source of macroeconomic uncertainty is beginning to fade. Crude oil prices have declined meaningfully from their peak as markets assign a lower probability to a prolonged disruption in global energy supplies. U.S. gasoline prices have also moved lower, providing welcome relief to households after several months in which higher fuel costs squeezed purchasing power. While risks remain—not least because the ceasefire may yet prove fragile and energy inventories remain unusually low heading into the summer driving season—the probability of a sustained energy-driven downturn appears considerably lower than it did only a few months ago.

Figure 1: Weekly inventories of motor gasoline by year | 2017 - 2026



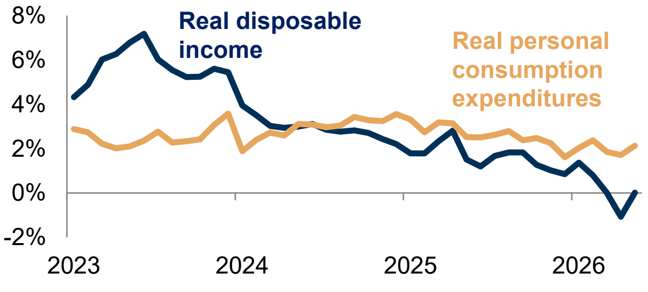
2026 data through week of June 26
Source: Energy Information Administration

Macroeconomics 3Q2026 (cont'd)

The economy's resilience during the energy shock reflected more than simply the absence of a worst-case geopolitical outcome. Several important tailwinds offset the drag from higher fuel prices. First, the fading of the trade policy shock following the Supreme Court's overturning of the administration's use of the International Emergency Economic Powers Act (IEEPA) lowered the effective tariff rate and reduced policy uncertainty. Second, the administration's fiscal package boosted disposable income through stronger tax refunds and lower tax payments, helping households absorb the increase in energy costs. Finally, the ongoing artificial intelligence investment boom has continued to support both business capital expenditures and household spending through wealth effects associated with strong equity markets. Collectively, these forces have allowed aggregate demand to remain remarkably resilient despite a significant deterioration in real purchasing power.

Nonetheless, the recent resilience of consumer spending masks growing strains beneath the surface. The sharp rise in gasoline prices reduced real disposable income growth, and many households increasingly relied on savings and credit to maintain spending. Rising delinquency rates on credit card and auto loans suggest that many households remain under pressure despite the broader strength in the household sector's aggregate balance sheet. Looking ahead, the boost to disposable income from this year's tax refund season will now begin to fade. Encouragingly, however, lower energy prices should allow real incomes to recover somewhat over coming months, while the labor market has regained some footing as uncertainty surrounding trade policy has diminished. We therefore continue to expect GDP growth of roughly 2 percent this year—around half a percentage point below our forecast at the beginning of the year.

Figure 2: Year-over-year change in real household income and spending



Source: Bureau of Economic Analysis

The outlook is somewhat less encouraging on inflation. Core inflation has moved higher over recent months, and while we continue to expect some moderation over the remainder of the year, progress toward the Federal Reserve's two percent objective is likely to remain frustratingly slow. Importantly, the composition of the recent increase in inflation provides some grounds for cautious optimism. Much of the increase in inflation reflects categories that are poor proxies for broad-based cyclical inflation, as seen in the chart below. These include:

- higher asset management fees (within the financial services category in the chart below);
- sharp price increases for software and computer equipment, accounting for most of the contribution to the rise in core inflation from recreational goods;
- tariff-related increases in apparel and household durables and equipment; and
- higher airfares within the transportation services category, resulting from the impact of the war in the Middle East on jet fuel prices.

While these developments have pushed core inflation in the wrong direction, they do not yet suggest that inflationary pressures are becoming more generalized throughout the economy (see Figure 3).

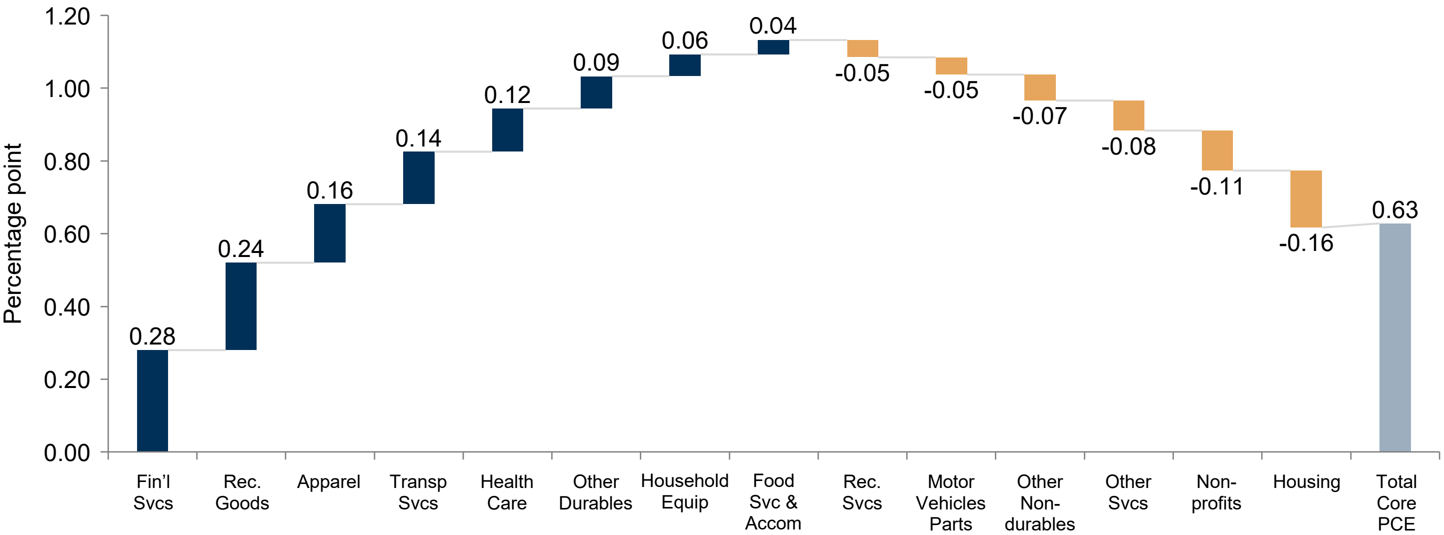
Perhaps more importantly, there remains little evidence that higher inflation has generated meaningful second-round effects through the labor market. Wage growth has remained relatively subdued despite recent improvement in hiring, suggesting that services inflation should moderate gradually as temporary price pressures dissipate. Even so, inflation has now remained above target for more than five years, and recent data have reinforced concerns among policymakers that progress has stalled. With the labor market stabilizing and downside employment risks fading, the Federal Reserve's focus has increasingly shifted back toward price stability. Whereas we entered the year expecting policy rates to remain on hold, we now anticipate that the FOMC will reverse the insurance cuts implemented last year, with the first increase likely coming in December after policymakers have had additional time to assess any lingering second-round effects from the energy shock. Risks to this outlook remain skewed toward an earlier start to tightening given the increasingly hawkish tone of several Committee participants and Chair Warsh's emphasis on restoring price stability.

Macroeconomics 3Q2026 (cont'd)

Our base case remains constructive, although not without important risks. Inflation remains uncomfortably high, geopolitical risks have by no means disappeared, and household finances have become increasingly uneven across income groups. In addition, the AI investment boom represents both a core strength and an important vulnerability. AI-related infrastructure spending remains a major source of business investment and is increasingly being financed with leverage, while recent earnings reports suggest that many firms are increasingly sensitive to the costs of incorporating AI tools into business processes. More broadly, optimism surrounding AI has become an important support for equity valuations at a time when modest real income growth has left household spending increasingly reliant on wealth effects or borrowing. Consequently, any meaningful reassessment of the expected returns to AI investment could trigger a broader tightening in financial conditions, weighing simultaneously on capital expenditures, hiring, equity prices and consumer spending.

The U.S. economy has again demonstrated an impressive ability to absorb a major external shock. The fading of geopolitical tensions, reduced trade policy uncertainty, continued AI investment and a healthy aggregate household sector balance sheet should provide a solid foundation for continued expansion over the coming year. Still, the composition of growth has become less balanced. Temporary support from tax relief is fading, household finances have become increasingly uneven, and the economy is relying more heavily on a relatively narrow set of investment and financial-market drivers. As a result, the durability of the expansion over the longer term may depend on whether private demand can broaden beyond the sectors that have carried the economy through the past few years.

Figure 3: Contribution to change in core PCE inflation rate over the past year



Source: Bureau of Economic Analysis

Global Fixed Income 3Q2026

The macro backdrop for bonds remains constructive—in our view, yields are attractive in real terms—but navigating H2 2026 requires careful attention to duration risk, fiscal dynamics, and idiosyncratic credit risk. The balance of 2026 remains an income story more than a capital gain trade.

1. A hawkish Fed and a flatter curve

An acceleration in inflation and a newly hawkish Fed has led to a significant flattening of the Treasury curve. With the Fed increasingly likely to raise rates, some additional curve flattening may lie ahead, but we do not expect inversion as recession risks remain muted. In addition, longer-term yields should remain above 4% on a combination of deficit concerns and expectations that strong productivity growth can lift trend growth. The practical implication: we believe intermediate maturities (5–7 year) may offer the best risk-adjusted value, especially as monetary tightening is now close to fully discounted, while going too far out on the curve carries meaningful term premium risk.

2. Credit spreads leave little margin for error

After years of spread compression, investment-grade credit valuations offer very little cushion. With credit spreads approaching historical lows[1], corporate bonds offer limited compensation for the additional risk — and as capital-intensive AI projects proliferate, the potential for credit stress, especially among lower-rated issuers, rises. High-quality government bonds are once again able to play their traditional role as a portfolio stabilizer — if markets become choppy or growth disappoints, we believe they can help provide valuable risk mitigation. Our implication for the rest of 2026: favor quality over yield-chasing, be selective in credit, and use volatility spikes as entry points rather than reasons to extend risk indiscriminately.

3. Caution in CMBS conduits, opportunities in SASB

CMBS is one of the most bifurcated corners of fixed income in 2026. Office and data centers will keep driving single-asset/single-borrower (SASB) issuance, though weak office demand may push conduit delinquencies higher — and rising leverage will increase risk in large CMBS and CRE CLO deals unless credit protections improve. On the constructive side, the CMBS market achieved post-GFC record issuance in 2025 on improved liquidity and sentiment, with property valuations finally stabilizing after a three-year slide[2]. Meanwhile, a new growth engine is emerging: data centers have become a core property type within US SASB CMBS, and financing demand for data centers will likely rise as AI infrastructure buildout accelerates. The playbook for H2 2026: we believe investors should favor senior tranches and trophy assets while maintaining caution on office and retail exposures.

4. Carry is the story in leveraged credit, but caution is warranted

High yield bonds and leveraged loans are broadly offering positive returns in 2026[3], but the story is firmly one of income rather than spread compression. Investors are reasonably compensated for credit risk amid moderate default expectations, though valuations are fair overall rather than cheap. Default rates remain moderate but are diverging — high yield bond defaults are drifting down toward ~3.5%, while leveraged-loan defaults are climbing toward ~5.5%.[4] The key risk is AI-driven disruption at the issuer level: markets have increasingly focused on the potentially negative impact of AI on a range of issuers, particularly those in the software and B2B services sectors, where loan and bond prices are coming under pressure as investors reassess business models for potential obsolescence. Our view: we like the carry offered in both bonds and loans and would size them to the rate path. Floating-rate loans offer attractive income while front-end rates stay elevated and sit senior in the capital structure; BB/B bonds lock in all-in yields and provide better convexity if the Fed eventually eases.

1. Barclays
2. KBRA (Kroll Bond Rating Agency)
3. Morgan Stanley
4. Morgan Stanley

Global Fixed Income 3Q2026 (cont'd)

In both, we stay up in quality — the rising loan default rate and the concentration of AI-exposed software and B2B issuers in the loan market reward issuer selection rather than reaching for spread. We approach spread tightening as an opportunity to reduce risk while we would view potential spread widening as an opportunity.

5. Emerging markets is still a bright spot, but country specific

We believe EM debt stands out as one of the more compelling opportunities in H2 2026, reinforced by more favorable public-sector debt dynamics compared with developed-market counterparts. Many emerging market central banks raised interest rates early in the cycle, and with inflation in several countries now falling, some local currency EM bonds offer high real yields.[5] This is particularly true in Latin America with countries like Brazil and Chile. Asian net energy importers such as Indonesia and Thailand face headwinds from higher oil prices tied to the Middle East conflict.

5. MacKay Shields

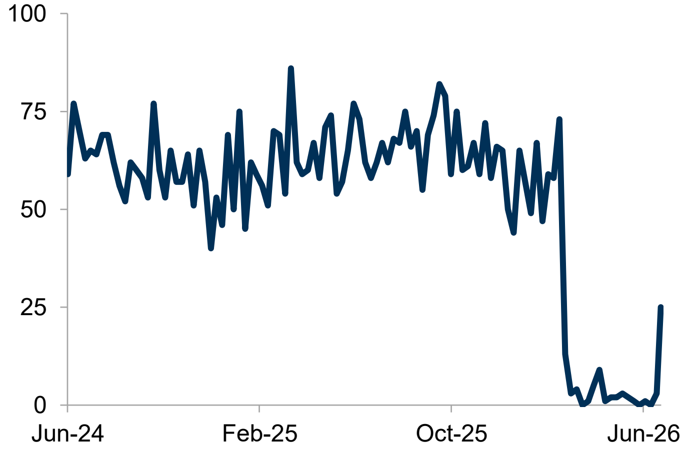
Emerging Markets 3Q2026

Geopolitics on the Tightrope

The United States and Iran have reached a Memorandum of Understanding, marking a constructive step toward de-escalation, although the contours of a final agreement are still being negotiated and material geopolitical and implementation risks remain.

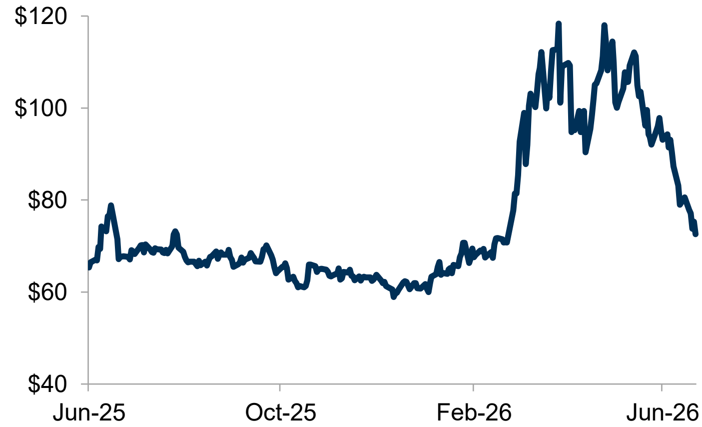
Markets have reacted positively to the initial progress: energy prices have fallen as the immediate risk premium has faded, helped by reports of an increase in the number of vessels allowed to transit the Strait of Hormuz, a critical chokepoint for global oil flows. This has largely reversed the earlier spike in crude prices and eased concerns that tensions could trigger a broader supply shock. Importantly, despite disruptions to oil flows since early March, global supply chains have proven more resilient than initially expected, with alternative routing, inventory buffers, and flexible sourcing helping to absorb the impact. While the MoU has improved sentiment and reduced near-term pressure on energy markets, investors are likely to remain cautious until a binding final deal is reached, compliance mechanisms are clarified, and the risk of renewed disruption in the Gulf meaningfully recedes.

Figure 1: Daily Strait of Hormuz tanker vessel crossings



Data as of June 26, 2026
Source: Bloomberg

Figure 2: Brent crude price | Price per barrel



Data as of June 26, 2026
Source: Bloomberg

Growth in Emerging Markets has been resilient to external shocks

The global economy entered the energy shock from a position of solid momentum, supported by resilient demand, improving labour-market conditions, and targeted fiscal measures designed to soften the impact of higher energy costs. Growth is still expected to run close to potential, albeit with moderate downward revisions concentrated among energy-importing economies, while developed markets have shown a healthier pickup than previously expected, including a renewed improvement in US job creation after a softer patch. Regional performance, however, has become divergent: Asia has absorbed the Strait of Hormuz disruption better than feared through alternative energy sourcing, reserve drawdowns, fuel substitution, and resilient tech demand, while Europe's growth projections have been revised lower as higher energy prices weigh on real incomes, confidence, and consumption without an offsetting tech-led investment impulse. Central and Eastern Europe is receiving some support from EU funding flows, with Hungary benefiting from improved political and EU-relations expectations, and Latin America remains comparatively firm on commodity gains, led by Brazil, although Mexico continues to lag and tighter financial conditions may weigh on regional growth later in the year.

Emerging Markets 3Q2026 (cont'd)

Central banks turn cautious

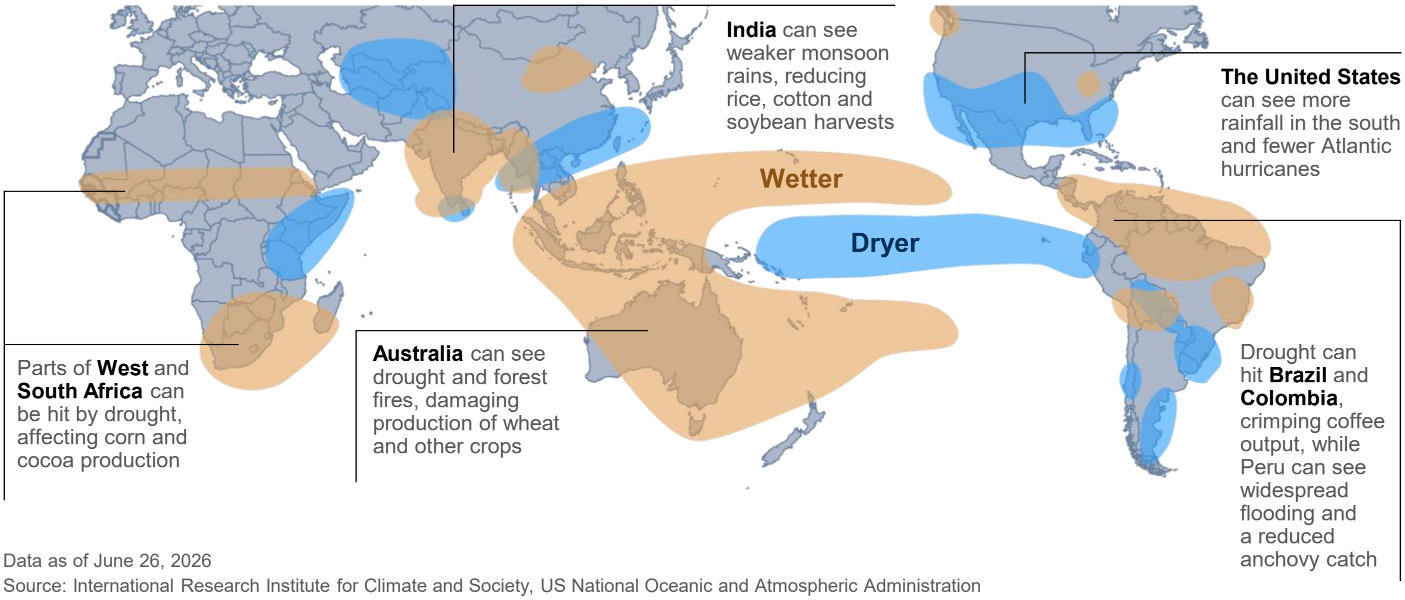
While some central banks remain on hold or continue easing in isolated cases, the broader policy stance has shifted towards tightening, with an increasing number of central banks signaling or preparing for rate hikes, particularly in Asia and lower-yielding parts of Latin America. Policy inertia has been notable, with several central banks scaling back expectations for rate cuts and maintaining a cautious, hawkish posture in response to still-resilient inflation risks.

The decline in oil prices is providing some relief to inflation across emerging markets, although the impact differs depending on how fully previous energy price increases were passed through to consumers. Economies that allowed a more complete pass-through, such as Thailand, the Philippines, and Chile, we believe are likely to see a more tangible easing in price pressures, while those that relied on subsidies, including Mexico and India, will experience a more limited effect. More notably, inflation had already been surprising on the downside prior to the fall in oil, largely due to subdued food price dynamics despite elevated input costs—an important factor given that food carries a significant weight in EM inflation baskets. Although food price momentum has picked up slightly in recent months, it remains close to seasonal norms in most cases, with only a few countries such as Brazil and the Philippines showing clearer upside risks.

El Nino adds to inflationary risks

A potential Super El Niño developing into 2026 represents a significant macroeconomic shock, primarily through its impact on food prices and, by extension, inflation, especially in emerging markets. By disrupting global weather patterns, it increases the likelihood of droughts in some regions and flooding in others, ultimately reducing agricultural yields and driving up global food prices.

Figure 3: El Niño's global reach | How cyclical Pacific Ocean warming can affect weather around the world



Data as of June 26, 2026
Source: International Research Institute for Climate and Society, US National Oceanic and Atmospheric Administration

Emerging Markets 3Q2026 (cont'd)

This effect is magnified in emerging economies, where food typically accounts for 30 to 50% of CPI baskets, compared to a much smaller share in developed markets, making inflation outcomes far more sensitive to agricultural shocks. The impact is particularly acute in South and Southeast Asia, where agriculture plays a larger economic role and adverse weather conditions can quickly translate into rising food inflation, eroding real incomes and increasing the risk of a more hawkish central bank response. Staple crops such as rice, wheat, and maize, which are highly sensitive to temperature and rainfall during key growth stages, are especially vulnerable, with countries like the Philippines facing outsized exposure due to their reliance on a narrow set of food staples. Similarly, El Niño induced dryness tends to drive up prices of key commodities such as palm oil, heavily concentrated in Indonesia and Malaysia, adding to global inflationary pressures. Beyond crops, secondary effects can emerge through livestock disruptions, water scarcity, and higher energy demand for cooling, as well as reduced hydroelectric output in vulnerable regions. Taken together, while El Niño is often framed as a localized climate phenomenon, its transmission through food systems, commodity markets, and supply chains makes it a globally relevant inflation shock, with disproportionately severe consequences for emerging markets and important implications for monetary policy.

Outlook

Against a backdrop of uneven disinflation and increasingly hawkish central bank postures across emerging markets, alpha opportunities in sovereign debt are becoming more selective and tied to idiosyncratic reform stories and inflation resilience.

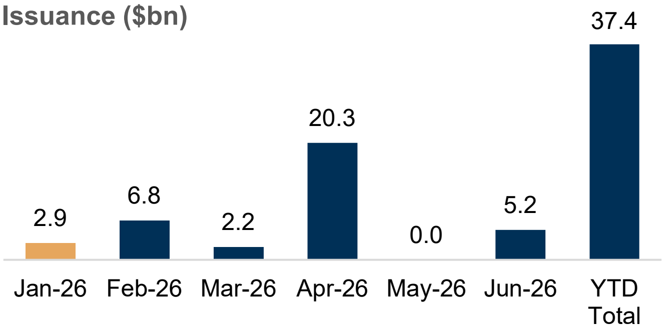
While lower oil prices have provided some relief, persistent food-related pressures, potential El Niño risks, and sticky domestic inflation dynamics continue to constrain policy easing and reinforce the importance of credible macro frameworks. In this environment, we believe countries such as Ecuador and Argentina stand out, where strong political commitment to IMF-backed reforms and supportive external relationships help anchor expectations at a time when inflation risks remain elevated and policy credibility is paramount. Their exposure to commodities also provides a partial hedge against inflation shocks, supporting external balances. Similarly, Hungary presents an asymmetric opportunity, as markets appear to underappreciate the potential for political change that could lead to Euro adoption, particularly relevant given the broader challenges of managing inflation in the region. In smaller frontier markets like Suriname, progress on debt restructuring and reform implementation offers attractive returns for investors willing to engage with longer-term adjustment stories in an environment where inflation and policy uncertainty remain key risks. Elsewhere, improving macro stability in Ivory Coast supports continued rating momentum, while oil exporters such as Angola and Nigeria benefit from stronger terms of trade that help offset inflationary pressures and support fiscal dynamics, with Nigeria in particular showing signs of strengthening policy credibility. Finally, in Romania, despite lingering downgrade risks linked to fiscal and inflation challenges, current valuations already reflect a significant degree of pessimism, leaving room for upside should policy adjustments prove sufficient. Overall, in a world where inflation remains uneven and central banks retain a cautious, often hawkish stance, the most compelling EM sovereign opportunities are those where reform credibility, external buffers, and pricing dislocations align.

High Yield 3Q2026

Of the two principal risks in high yield, credit and interest rates, investors have focused mostly on the former in recent years. Beyond the Iran war, the credit spotlight has turned to AI's potential to disrupt industries ranging from software providers to service companies and insurance brokers. It follows that credit concerns are focused on redemptions and potential blowups in the private credit markets, as well as elevated 2028 maturities in the leveraged loan market.

We suspect that discussions of the high yield market will pivot toward supply and demand technicals and "crowding out." The rapid growth in AI data center related debt issuance has the potential to outpace demand, leading to spread widening as debt investors are presented with additional investment options. This year, AI data center issuance has totaled 45% of net issuance.

Figure 1: YTD AI Data Center and Power US HY Issuance ($bn)



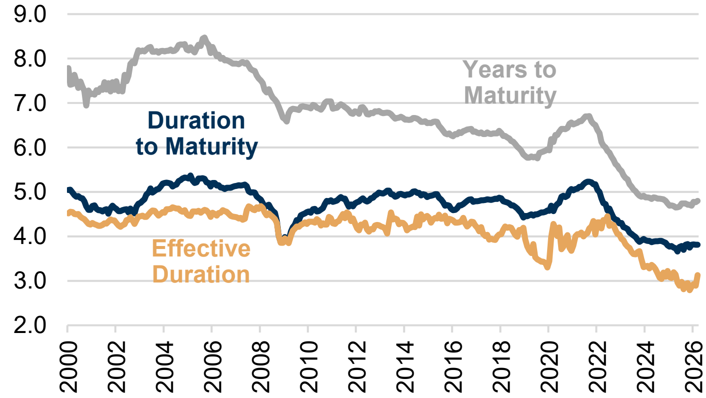
Data as of June 30, 2026
Source: Octus Research

Notably, SpaceX's $25 billion investment grade issuance has widened significantly since its launch in late June, with the 30 year bond down eight points and 50 bps wider.

For its part, interest rate risk remains a background concern. The good news is that interest rate risk in the high yield market is much lower than it has been historically.

As shown in the chart below, the average years to maturity of the US high yield market has declined to a historic low. Duration also stands at a historic low last reached during the COVID panic.

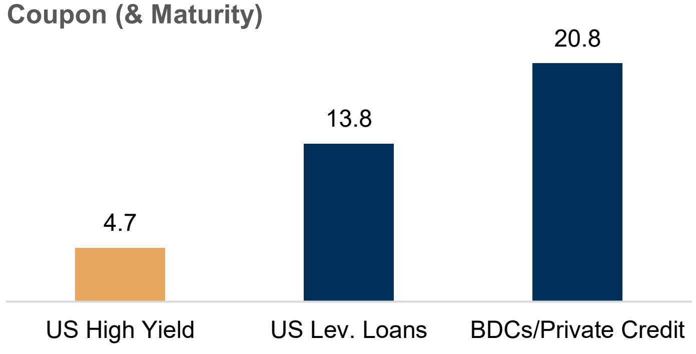
Figure 2: ICE BofA US High Yield Index — Duration & Maturity



As of June 30, 2026
Source: ICE Data.

Yields, however, look more compelling on a quality adjusted basis. The current yield to worst of the ICE BofA US High Yield stands at 7.2%, higher than the median level of 6.7% since 2010, but more than 80bps higher than the historical median level of 6.3% when accounting for the significantly higher shift in average quality of the market over the period.

Figure 3: ICE BofA US High Yield Index — Average Coupon (& Maturity)

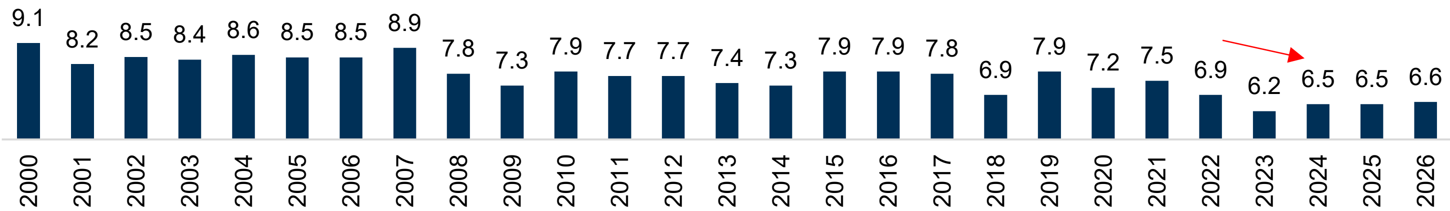


Data as of June 30, 2026
Source: ICE Data.

High Yield 3Q2026 (cont'd)

The average maturity of a newly issued high yield bond is also shorter than historical averages, as seen below. Investors who were burned in 2022, when BB high yield bonds declined 10.6% and the ICE BofA US Corporate Index declined 15.5%, suddenly lost their appetite for longer maturity bonds. The flatter, and for a period inverted, yield curve also allowed investors to obtain similar, and in some cases higher, spreads and coupons without taking on additional maturity risk.

Figure 4: US High Yield Average Maturity of New Issuance



Data as of June 30, 2026

Source: JP Morgan

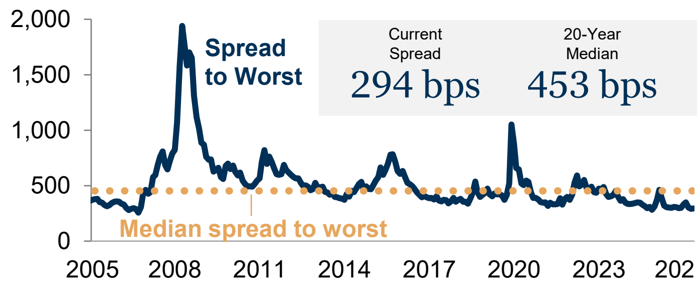
There are two other dynamics that have contributed to the shortening of duration in the high yield market. New issuance activity remains well below 2020 and 2021 levels, so the passage of time has naturally shortened the average maturity of the overall market. In addition, the supply of investment grade bonds that are downgraded into the high yield market as "fallen angels" has dried up, while more high yield "rising stars" are being upgraded and migrating to investment grade. Most recently, a return to more typical eight year issuance has been offset by data center related issuance, the bulk of which has five year maturities.

Refocusing on credit, it seems unlikely that defaults will spike in the foreseeable future, barring a severe recession. Defaults remain low by historical standards, currently 1.5% compared with a 25 year average of 3.4%, and are likely to remain between 2% and 3% for the next several years.

For the broader market, the impact of AI on credit fundamentals will obviously be felt in the software and services sectors. Thankfully, the high yield market is far less exposed to these sectors than the leveraged loan and private credit markets. Still, we are monitoring the potential for AI to affect individual company margins, as varying levels of adoption could allow some participants to operate more efficiently than their competitors.

High yield valuations appear stretched. The spread to worst of the ICE BofA US High Yield Index finished Q2 2026 at 294 bps, below the lower end of the post GFC "non panic" range of 325 to 525 bps.

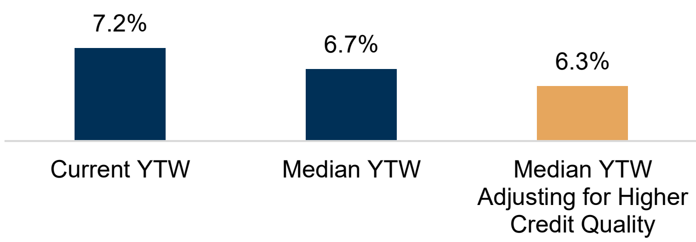
Figure 5: US High Yield Market Spreads



Data as of June 30, 2026. Index: ICE BofA US High Yield Index. Source: ICE Data.

Yields, however, look more compelling on a quality adjusted basis. The current yield to worst of the ICE BofA US High Yield stands at 7.2%, higher than the median level of 6.7% since 2010, but more than 80bps higher than the historical median level of 6.3% when accounting for the significantly higher shift in average quality of the market over the period.

Figure 6: ICE BofA US High Yield Index Yield to Worst (%)



Data as of June 30, 2026. Median historical yield to worst calculated from 1/1/2010 to 6/30/2026

Source: ICE Data

Index: ICE BofA US High Yield Index

Convertibles 3Q2026

Performance

At the time of writing this outlook the U.S. convertible market has posted remarkable year-to-date returns. Through June 19, the ICE BofA U.S. Convertible Index is up 22.78%. The outsized advance in the convertible market compares to more modest gains in the large cap U.S equity indices. Through the close of June 19th the S&P 500 advanced 10.18% and the NASDAQ Composite rose 14.43%. The Russell 2000 Index, whose smaller cap constituents have outperformed their larger cap counterparts, rose 20.81% over the same period. The outperformance of the convertible market versus equities is in part due to a set of AI-related securities in the convertible benchmark that has posted astounding gains over the past 12- 15 months. We estimate that nearly one-quarter of the convertible benchmark's weighting has some connection to the development of AI, either directly through the construction of data centers, manufacture of processors used in those data centers, or more tangentially, by producing fuel or electric generation, a portion of which may be used to power these data centers. A smaller subset of these issuers have accounted for more than one-third of the Index's gain year-to-date. Through a single large issuance or multiple issuances followed by tremendous gains in the underlying share prices, companies such as optical equipment manufacturer, Lumentum, (common shares up 130% year-to-date), and data storage developers, Seagate Technology (common shares up 289% year-to-date) and Western Digital (common shares up 333% year-to-date) have had a substantial impact on Index returns. We have pared back our exposure to several large AI benchmark leaders as strong price appreciation has shifted the profile of these securities toward a more equity-like risk exposure, reducing the downside mitigation that is often a key feature of convertible bonds.[1]

Issuance

New issuance for the first six months of 2026 is proceeding at a record pace. Officially, through the end of May, $54 billion of new convertible securities were issued in the U.S. compared to $31 billion at the same point in 2025. (from Bank of America data) Keep in mind that 2025 itself was a record year for convertible issuance. Through the first four weeks of June, approximately $30 billion of new issuance has come to market including a $15 billion convertible preferred offering from Alphabet, Inc. As with performance, the pace of issuance in 2026 has been heavily impacted by the growth of AI development as the proceeds from many of the convertible offerings have been earmarked for development of AI-related projects. We have concerns about the massive spend on these projects since the economic justification for them is unknown and perhaps unknowable at this stage. In addition, the terms of several of these new offerings have been aggressive with coupons of less than 50 basis points and conversion premiums (the appreciation of the common equity required before it becomes advantageous to convert the bond to common shares) in excess of 40%.

Positioning and Outlook

We are amazed by the year-to-date performance of the convertible market particularly given the backdrop of rising interest rates and a three-month spike in energy prices. While the market rise has some measure of speculation, much of the gains are rooted in the rise in corporate earnings. Despite the narrow scope of the convertible market's advance, we have generally kept pace with the Index even with our relatively conservative portfolio positioning which outperformed the Index on most down days. We have benefitted from our holding of large benchmark winners in the AI category. We remain overweight the Healthcare, Consumer Staples, and Information Technology sectors, market-weighted the Communication, Consumer Discretionary, Real Estate, and Energy sectors, and underweight Financials, and Utilities. We believe that the economy can maintain its pace of low single-digit GDP growth combined with relatively low, sub-5% unemployment. We continue to believe that our process, which emphasizes strong company fundamentals and reasonable valuation, will outperform over a complete market or economic cycle.

1. Data source: Bloomberg

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8563688 PROD028-26 PRD-00135-07/26