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## 2026 Capital Market Assumptions: Strategic Asset Allocation

A notable economist has been quoted as saying the “fundamental law of investing is the uncertainty of the future.” This reiterates our belief that it is important for investors to be equipped with forecasts that help shape the possibility of what the future holds. Our capital market assumptions (CMAs) are hypothetical, forward-looking expectations of how asset classes may perform in the future. Furthermore, these CMAs are intended to act as a foundation for advisors and clients to formulate a strategic asset allocation plan over a long-term investment horizon. In order to capture the fluctuations within a full business cycle, we have characterized our CMAs with a 10-year investment time horizon. Since our expectations are geared toward the long run, we must differentiate between short-term noise and focus on where our investment journey can take us over the next decade.

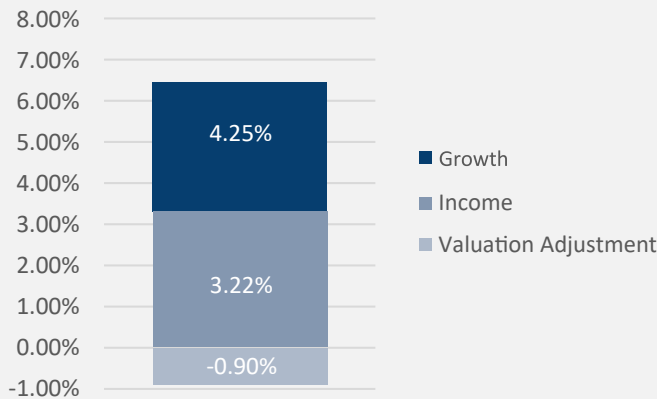
In formulating our CMAs, we consider historical, long-term trends that combine both the current valuations and the current market environment. Additionally, we overlay these historical trends with qualitative reasoning to ensure that thoughtful consideration is given to expected returns, standard deviation and correlations. Given the role that return assumptions play in the asset allocation decision, we incorporate multiple views of the investment community. Meanwhile, the standard deviation and correlation assumption are both formulated by using a historical approach of representative indices.

By leveraging these inputs, we are able to utilize a building-block approach that produces long-term asset class targets consisting of equity, fixed-income and alternative investments. Our equity assumptions incorporate a combination of income (dividend and buyback yields), growth (nominal GDP growth) and valuation (forward price/earnings ratio relative to history). Meanwhile, our fixed-income assumptions include the starting yield (10-year Treasury), a historical premium/discount over Treasuries, and a historical probability of defaults and loss severity.

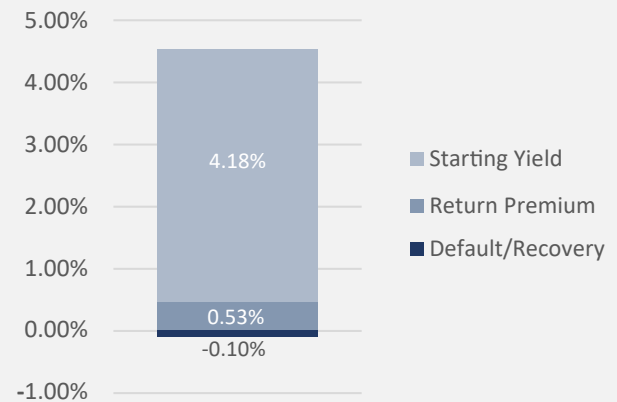
Lastly, the assumptions for alternative investments vary depending on asset class. For the real estate and master limited partnership asset class forecasts, we take advantage of a hybrid approach that combines a current yield and income growth model with a historical income and growth model. Other alternative asset classes, such as private equity, commodities, covered call, managed futures and infrastructure, use a more historical approach.

Below are examples that illustrate how our building-block approach is formulated for both U.S. large cap and U.S. core fixed income.

**U.S. Large Cap Assumption**  
6.57%



**U.S. Core Fixed Income Assumption**  
4.61%



Our 2026 CMA's are forecasts that do not guarantee asset class returns, rather they are intended to act as an indication of how asset classes may perform in the future. To capitalize on long-term opportunities and protect against market volatility, we believe it is important to maintain a well-diversified portfolio. Remember, investment objectives and constraints vary from investor to investor. Therefore, investors should compare the risk and return tradeoffs of different investment strategies to determine what is most suitable to meet long-term financial goals.

## 2026 Capital Market Assumptions

| Asset Class                         | Representative Index                      | 2026 Arithmetic Expected Return | 2026 Compounded Expected Return | 2026 Standard Deviation | 2026 Yield | 10-Year Benchmark Return (2014-2025) |
|-------------------------------------|-------------------------------------------|---------------------------------|---------------------------------|-------------------------|------------|--------------------------------------|
| Cash                                | FTSE 3-Month Treasury Bills               | 3.29%                           | 3.28%                           | 0.57%                   | 3.63%      | 2.23%                                |
| Municipal Bonds                     | Barclays Intermediate Municipal 5-10 Year | 3.72%                           | 3.65%                           | 4.08%                   | 3.60%      | 2.27%                                |
| Municipal High Yield                | Barclays High Yield Municipal             | 5.61%                           | 5.26%                           | 8.72%                   | 5.59%      | 4.35%                                |
| Investment Grade Credit             | Barclays U.S. Corporate Investment Grade  | 5.12%                           | 4.93%                           | 6.47%                   | 4.81%      | 3.27%                                |
| U.S. Core Fixed Income              | Barclays U.S. Aggregate                   | 4.61%                           | 4.52%                           | 4.38%                   | 4.32%      | 2.01%                                |
| TIPS                                | Barclays U.S. Treasury TIPS               | 4.36%                           | 4.21%                           | 5.59%                   | 1.69%      | 3.09%                                |
| Non-U.S. Developed Fixed Income     | FTSE WGBI NonUSD                          | 3.43%                           | 3.05%                           | 9.07%                   | 2.84%      | -0.16%                               |
| Bank Loans                          | Credit Suisse Leveraged Loan              | 6.37%                           | 6.19%                           | 6.22%                   | 7.86%      | 5.83%                                |
| High Yield Bonds                    | ICE BofA U.S. High Yield                  | 6.18%                           | 5.86%                           | 8.32%                   | 6.62%      | 6.53%                                |
| Emerging Market Debt                | Bloomberg EM Hard Currency Aggregate      | 6.41%                           | 5.86%                           | 10.87%                  | 6.34%      | 3.94%                                |
| Opportunistic Fixed Income          | Barclays Universal Bond Index             | 5.59%                           | 5.36%                           | 7.15%                   | 5.69%      | 2.44%                                |
| Preferred Securities                | S&P Preferred Stock                       | 5.40%                           | 5.11%                           | 7.90%                   | 6.87%      | 4.15%                                |
| Absolute Return                     | Credit Suisse Multi-Strategy              | 5.61%                           | 5.49%                           | 5.14%                   | 0.00%      | 5.30%                                |
| U.S. Large Cap Equity               | S&P 500                                   | 6.57%                           | 5.51%                           | 15.17%                  | 1.18%      | 14.82%                               |
| U.S. Mid Cap Equity                 | Wilshire U.S. Mid Cap                     | 6.73%                           | 5.19%                           | 18.29%                  | 1.59%      | 10.49%                               |
| U.S. Small Cap Equity               | Wilshire U.S. Small Cap                   | 6.32%                           | 4.43%                           | 20.24%                  | 1.24%      | 9.92%                                |
| Global Equity                       | MSCI ACWI                                 | 6.72%                           | 5.61%                           | 15.51%                  | 1.67%      | 12.28%                               |
| Non-U.S. Developed Equity           | MSCI World ex U.S.                        | 6.39%                           | 5.16%                           | 16.36%                  | 2.73%      | 9.11%                                |
| Non-U.S. Developed Small Cap Equity | MSCI EAFE Small Cap                       | 6.56%                           | 5.10%                           | 17.80%                  | 2.69%      | 7.94%                                |

| Asset Class              | Representative Index              | 2026 Arithmetic Expected Return | 2026 Compounded Expected Return | 2026 Standard Deviation | 2026 Yield | 10-Year Benchmark Return (2014-2025) |
|--------------------------|-----------------------------------|---------------------------------|---------------------------------|-------------------------|------------|--------------------------------------|
| Emerging Markets Equity  | MSCI Emerging Markets             | 8.20%                           | 6.27%                           | 20.50%                  | 2.28%      | 8.86%                                |
| Equity Long/Short        | HFRI Equity Hedge                 | 5.89%                           | 5.53%                           | 8.86%                   | 0.00%      | 8.12%                                |
| Convertible              | ICE BofA All U.S. Convertible     | 7.23%                           | 6.48%                           | 12.74%                  | 2.00%      | 11.22%                               |
| Covered Call             | CBOE S&P 500 Buywrite BXM         | 6.34%                           | 5.81%                           | 10.71%                  | 0.90%      | 7.31%                                |
| Private Equity           | Pitchbook Private Equity All U.S. | 10.98%                          | 10.48%                          | 10.40                   | 0.00%      | 14.74%                               |
| MLPs                     | Alerian MLP                       | 9.31%                           | 6.19%                           | 26.05%                  | 5.11%      | 8.85%                                |
| Public Core Real Estate  | FTSE NAREIT All Equity REITs      | 8.32%                           | 6.98%                           | 17.10%                  | 4.07%      | 5.77%                                |
| Private Core Real Estate | NCREIF ODCE                       | 7.93%                           | 7.80%                           | 5.47%                   | 0.00%      | 5.04%                                |
| Private Debt             | Blended Private Debt Index        | 7.94%                           | 7.72%                           | 6.86%                   | 8.81%      | 7.26%                                |
| Commodities              | Bloomberg Commodity               | 5.14%                           | 3.98%                           | 15.84%                  | 0.00%      | 5.73%                                |
| Infrastructure           | S&P Global Infrastructure         | 7.95%                           | 6.77%                           | 16.07%                  | 3.72%      | 9.42%                                |
| Reinsurance              | SwissRE Cat Bond                  | 7.06%                           | 6.97%                           | 4.51%                   | 6.13%      | 7.00%                                |
| Managed Futures          | Credit Suisse Managed Futures     | 4.66%                           | 4.12%                           | 10.91%                  | 0.00%      | 2.68%                                |

The 2026 Capital Market Assumptions have a 10-year time horizon and are used in our strategic asset allocation work as well as to provide guidance on the various asset classes. Financial plans typically have longer time horizons than 10 years, and our work suggests that over longer time horizons, asset class returns revert toward long-term averages. For the purposes of financial planning with longer time horizons, we use weighted average capital market assumptions that blend our 10-year calculated CMAs with longer-term historical average returns.

The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. Investing involves risk including the potential loss of principal. No investment strategy, including asset allocation and diversification, can guarantee a profit or protect against loss in periods of declining values. Past performance is no guarantee of future results. Indexes are unmanaged and investors are not able to invest directly into any index. This information does not constitute a solicitation or an offer to buy or sell any security mentioned.

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