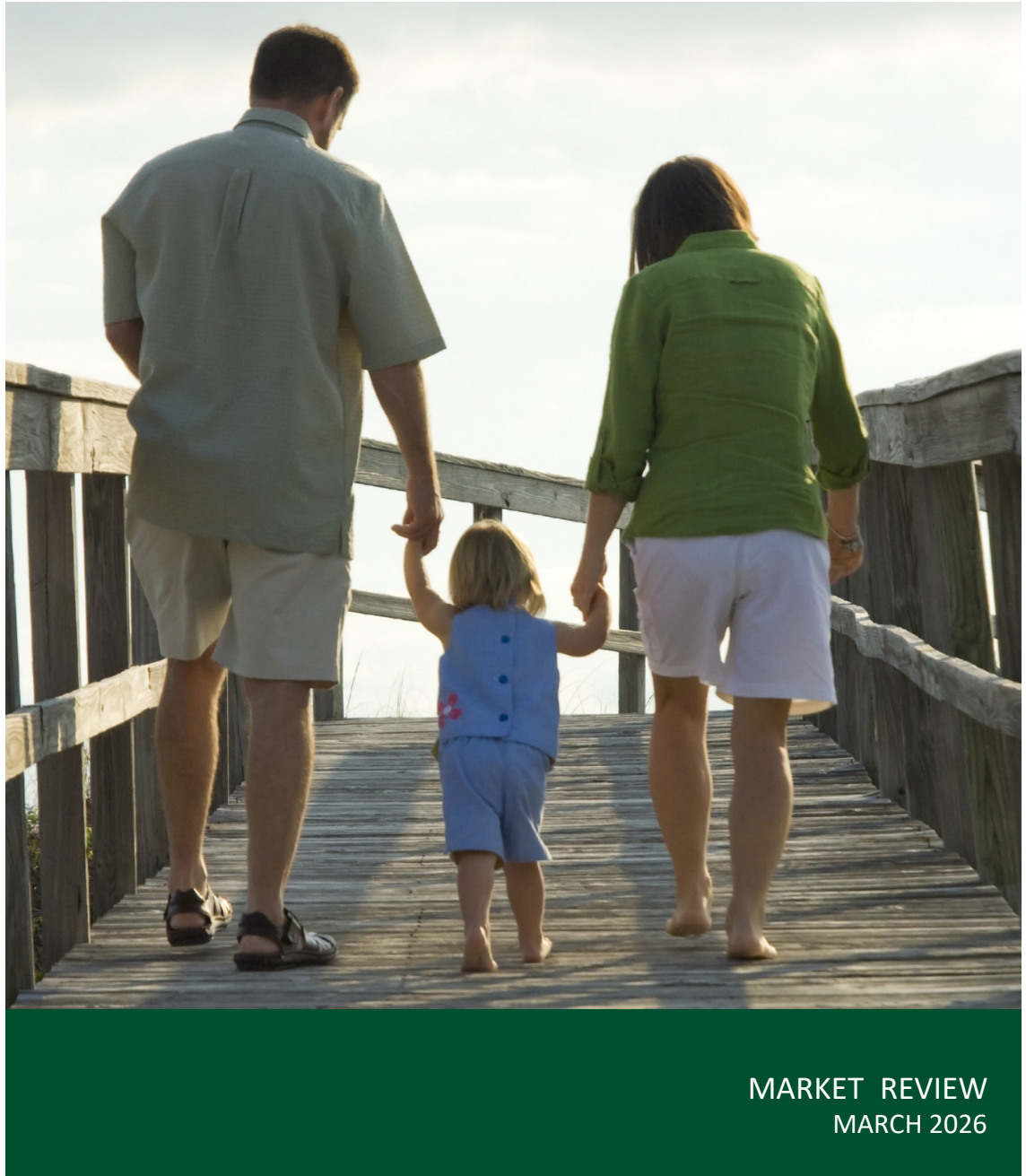




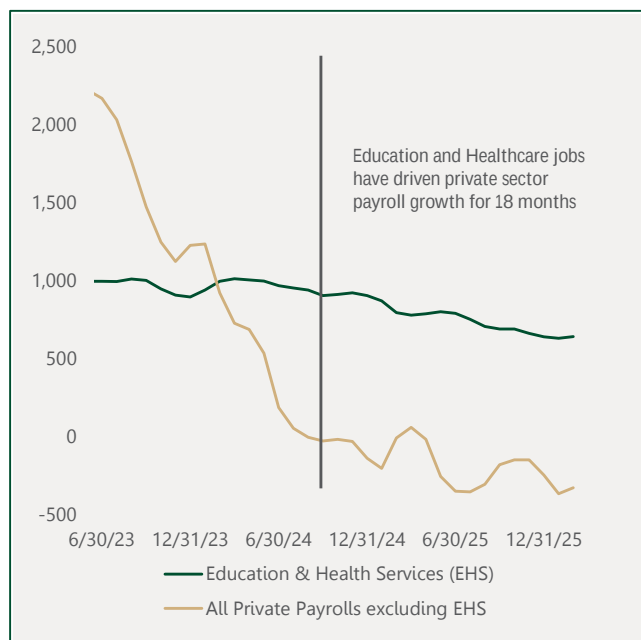
MARKET REVIEW
MARCH 2026

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The Lopsided Labor Market

12-Month change in Selected Private Sector Payroll Groups



Source: ADP Research. Data as of 2/27/26. Past Performance does not guarantee future results.

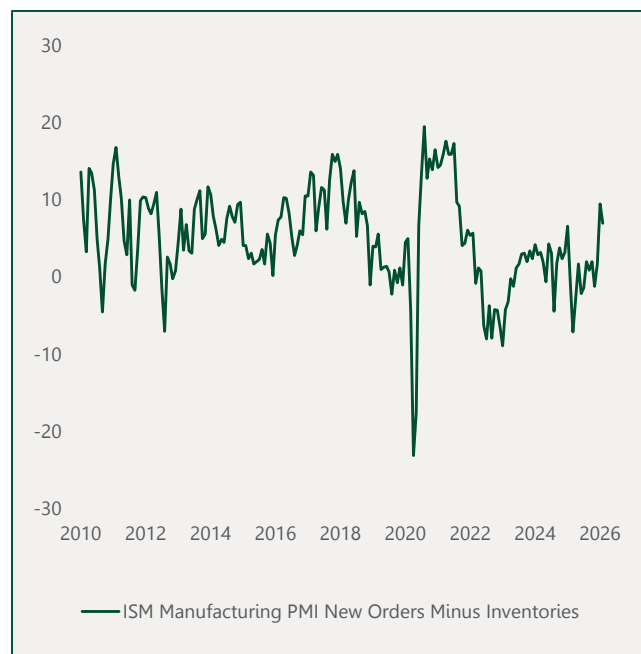
Since the summer of 2024, private payroll growth in the U.S. has been almost entirely driven by the Education and Health Services (EHS) sector. This dynamic has been largely fueled by hiring in the healthcare sector to support an aging population. As the eldest baby boomers turn 80 in 2026, the demand for chronic disease management, hospitals, and home health aides has become a permanent fixture of the labor market.

The rise of telehealth, digital health informatics, and innovative therapies has introduced entirely new job categories that did not exist a decade ago. Simultaneously, expanded access to health insurance and government-sponsored care has lowered financial barriers, encouraging more individuals to seek preventative and outpatient services. These factors have effectively insulated health care hiring from the cyclical slowdowns affecting other industries.

Hiring within the education segment has been supported by increased demand for specialized and alternative education models, alongside a surge in private tutoring. Together, these structural tailwinds in both health and education have created a lopsided labor market, where these essential services now account for the vast majority of net private job gains.

Signs of Manufacturing Momentum

ISM Manufacturing PMI: New Orders vs. Inventories



Source: Bloomberg. Data as of 2/27/26. Past Performance does not guarantee future results.

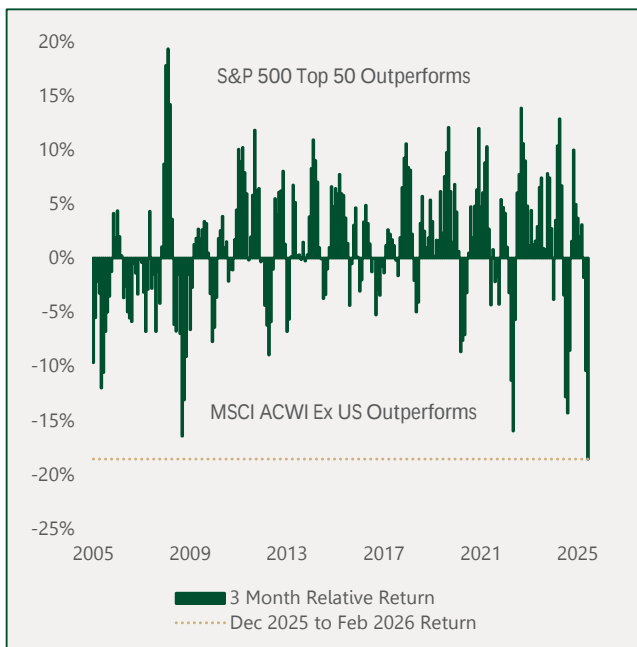
The Institute for Supply Management's (ISM) February gauge showed manufacturing expansion for a second consecutive month—the first such streak since late 2022. This recovery suggests that domestic manufacturing demand is strengthening despite mounting cost pressures. New orders improved again last month, potentially signaling resilient economic demand and a growing work pipeline for sectors like electronics, chemicals, and machinery.

A key highlight is the widening spread between new orders and inventories. As current demand outpaces production capacity, inventories are being drawn down rather than rebuilt, leading to expanding order backlogs. While rising input costs—fueled by Middle East tensions and higher energy prices—and shifting trade relationships have lengthened delivery times, the underlying demand signal remains robust.

This divergence between surging new orders and declining inventories points toward healthy forward demand. It suggests a likely acceleration in production through mid-2026 as domestic manufacturers move to replenish depleted stocks and address growing backlogs.

U.S. Large Cap Stocks Lose Their Shine

3 Month Return: S&P 500 Top 50 Minus MSCI ACWI Ex US



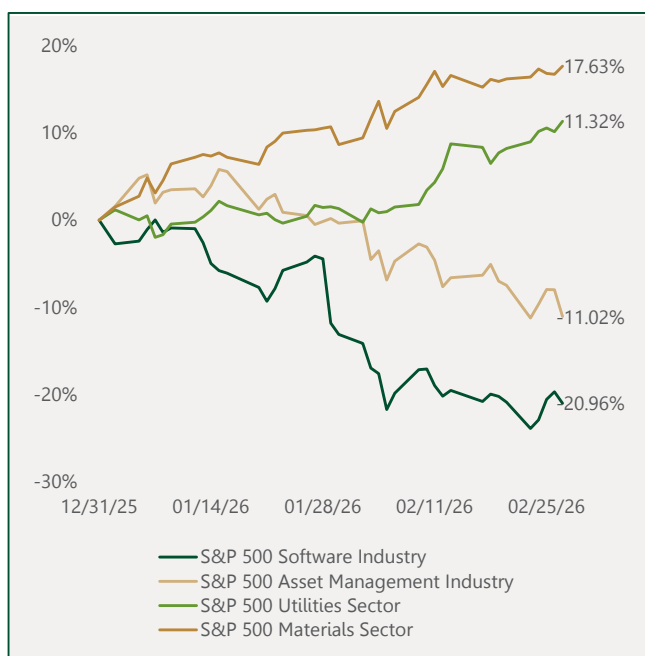
Source: Morningstar. Past Performance does not guarantee future results.

U.S. equities ended February with modest headline declines while the ongoing rotation away from mega-cap growth stocks intensified. The S&P 500 fell 0.8%, its first monthly decline in 10 months and the worst performance among major equity markets. The Magnificent Seven cohort dropped 6.7%, its worst month since March 2025, as investors grew concerned about the massive capital expenditures for AI data centers and the disruptive potential of new AI tools on existing business models, especially in the software industry.

Sector dispersion remained pronounced, with seven of the eleven S&P 500 sectors finishing positive. Utilities (+10.4%) and Energy (+9.4%) led the advance, while Communication Services and Consumer Discretionary each fell more than 5%. The rotation continued to favor smaller and equal-weighted indexes. Mid-caps (S&P 400 +4.1%) and small-caps (Russell 2000 +0.8%) outperformed large caps for the third time in the last four months, with the S&P 500 Equal Weight Index posting its strongest month (+3.6%) since May 2025.

Japanese equities surged on Prime Minister Sanae Takaichi's election victory and expectations for pro-growth policies, with the MSCI Japan index up 8.6%. Emerging markets climbed 5.5%, supported by strong AI semiconductor manufacturing

AI Disruption Fears 2026 Return



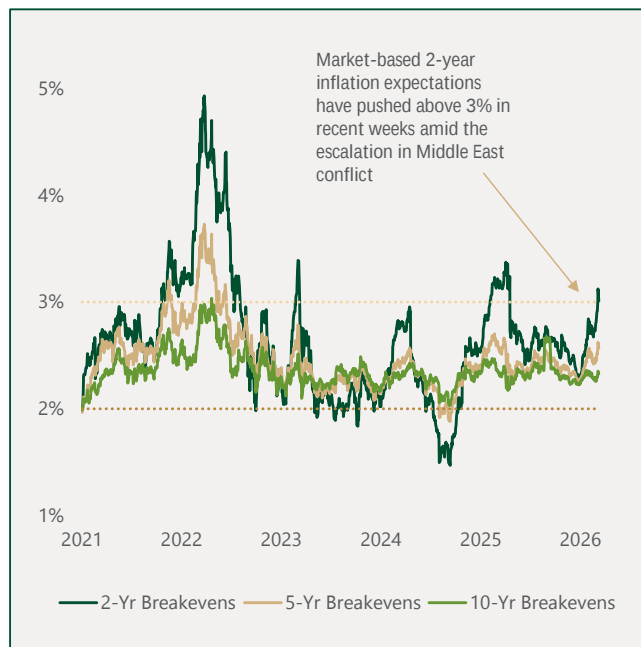
Source: Bloomberg. Past Performance does not guarantee future results.

February saw growing anxiety ripple through the stock market as investors worried that fast-evolving AI tools would disrupt long-standing business models. The threat first hit software companies, whose once-formidable moats suddenly appeared uncertain. The enterprise rollout of Anthropic's Claude "Cowork" AI agents triggered sharp sell-offs across the industry in a matter of days.

Those fears quickly spread to industries viewed as prime targets for automation, including legal research, cybersecurity, professional services, financial services, and insurance. Wealth-management stocks came under fresh pressure after fintech firm Altruist unveiled an AI system capable of generating personalized tax strategies by reading financial documents without human input.

The pain deepened for the broader financial sector when several of the largest private lenders were dragged lower. Apollo Global Management, Ares Management, and Blue Owl Capital all fell alongside software names as investors worried about the heavy loan exposure to the software industry. In response, investors rotated into asset-heavy, "old-economy" sectors expected to benefit from the continued AI infrastructure build-out, with materials, utilities, and energy emerging as the month's outperformers.

Bond Market is Starting to Price 3% Inflation U.S. TIPS Breakeven Rates



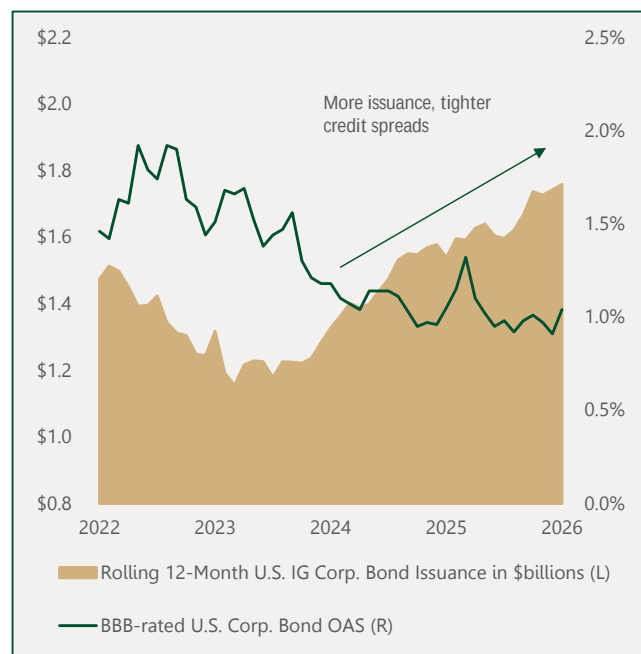
Source: Federal Reserve Bank of St. Louis. Data as of 3/9/26. Past Performance does not guarantee future results.

Market-based measures of U.S. inflation expectations, reflected in Treasury Inflation-Protected Securities (TIPS) breakeven rates, have diverged in early 2026. While long-term expectations remain between 2.25% and 2.5%, the 2-year breakeven recently pushed above 3% amid escalating turmoil in the Middle East. This spike suggests investors anticipate inflationary pressure from energy supply disruptions and rising commodity costs.

Since 2021, breakevens across all maturities have rarely dipped below 2%, indicating a structural shift in market sentiment. Bond participants increasingly expect consumer inflation to persist in a 2–3% range over the next decade, a notable contrast to the pre-pandemic era of 1%-2% inflation.

Current market pricing reflects skepticism regarding the Federal Reserve's ability to maintain its 2% inflation target over the next 1-2 years. A combination of expansive fiscal policy, persistent deficits, and heightened geopolitical risk suggests that moderately higher inflation may be a defining characteristic of the late 2020s.

Corporate Bond Markets Absorb Growing Supply Investment-Grade Issuance and BBB-rated Credit Spread



Source: Bloomberg. Data as of 2/27/26. Past Performance does not guarantee future results.

The rolling 12-month value of U.S. investment-grade corporate bond issuance has trended significantly higher through early 2026. Despite this surge in supply, credit spreads remain tight, reflecting a robust "appetite for quality" among investors. This dynamic suggests that the market is efficiently absorbing record volumes without requiring a significant yield premium to compensate for risk.

A primary catalyst for the increased issuance is the massive capital expenditure cycle required for artificial intelligence infrastructure. In recent months, leaders in the space have tapped debt markets with jumbo offerings to fund these initiatives. Large deals from Alphabet, Amazon, and Microsoft have headlined the issuance calendar, providing investors increased access to some of the world's strongest balance sheets.

These offerings have been met with robust demand, often resulting in heavily oversubscribed order books. For instance, Alphabet and Amazon have successfully raised tens of billions of dollars to pre-fund expansion, yet spreads have stayed compressed. This underscores a unique market dynamic where growing issuance and tight spreads coexist, driven by institutional eagerness to lock in yields from top-tier corporate players.