

2026 Economic & Market Outlook

Promise & Pressure: Investing in the new frontier of AI, Fragmentation, and Inflation

SEPTEMBER 2026



Please read all Important Information and other sections at the end of this presentation for additional risks, assumptions, definitions, limitations, disclaimers or disclosures.

INVESTMENT PRODUCTS: • NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Outlook 2026: What we thought

Position for the A.I. Revolution

A.I. has delivered for investors. Now you must consider a phase where froth is building, and disruption could have consequences.

Think Fragmentation, Not Globalization

The global economy is being reconfigured by a fundamental shift that prioritizes reliability and security over efficiency.

Prepare for Inflation's Structural Shift

We expect a higher floor for inflation, with more volatility. It is once again a central variable for portfolio construction and an even greater risk to wealth.

Investment Implications

Capture the upside of this transformation while avoiding the risks of over-exuberance.

Own: Hyperscalers, Semiconductors, Power, Applications in Private Markets, Select China Tech

Avoid: Small Cap, Legacy Software as a Service

Look for investment opportunities where security, energy, and supply-chains converge.

Own: Gold, Global Industrials, Security, National Champions, Natural Resources, India

Avoid: Manufacturing Exporters, The Euro

Plan with intent to maintain purchasing power and diversify into real assets.

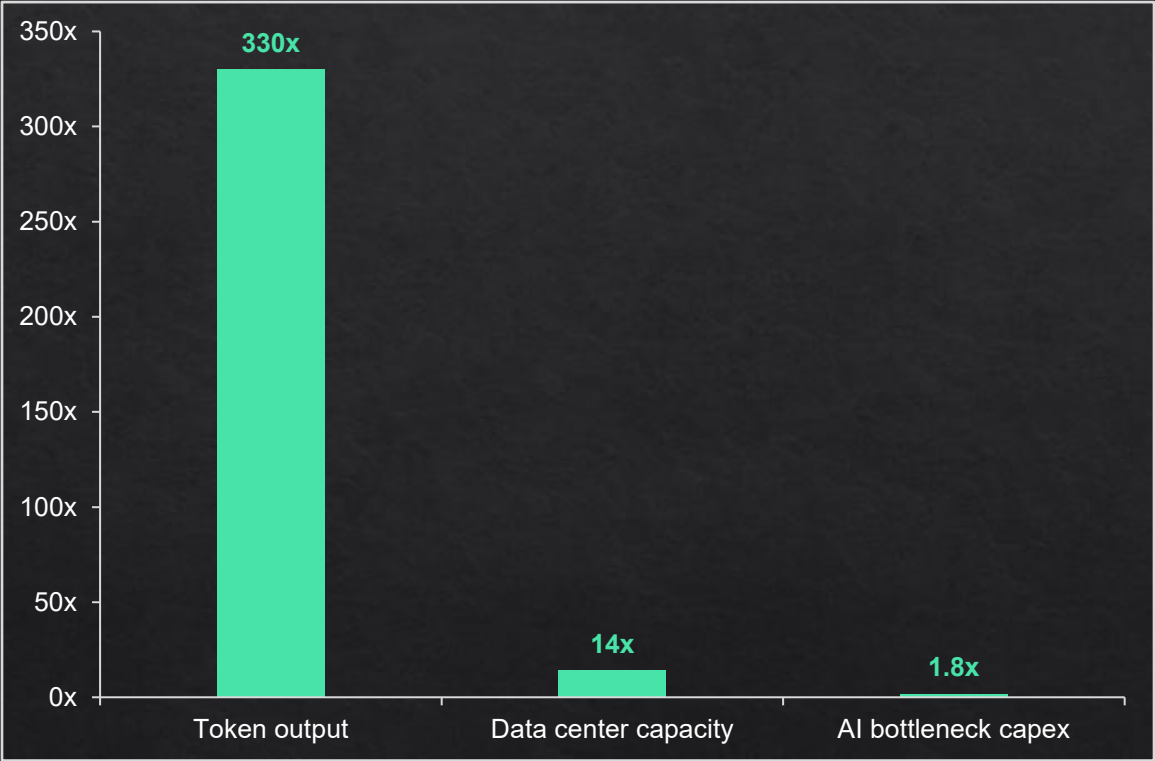
Own: Infrastructure, Hedge Funds, Hybrid Capital, EM Corporate Debt, Financials

Avoid: Cash, Long-Term Sovereign Debt

What we got: Demand for AI is outstripping supply

Token demand is rising much faster than computing supply...

Growth since 2024 of token processing, data center capacity, and AI bottleneck capex

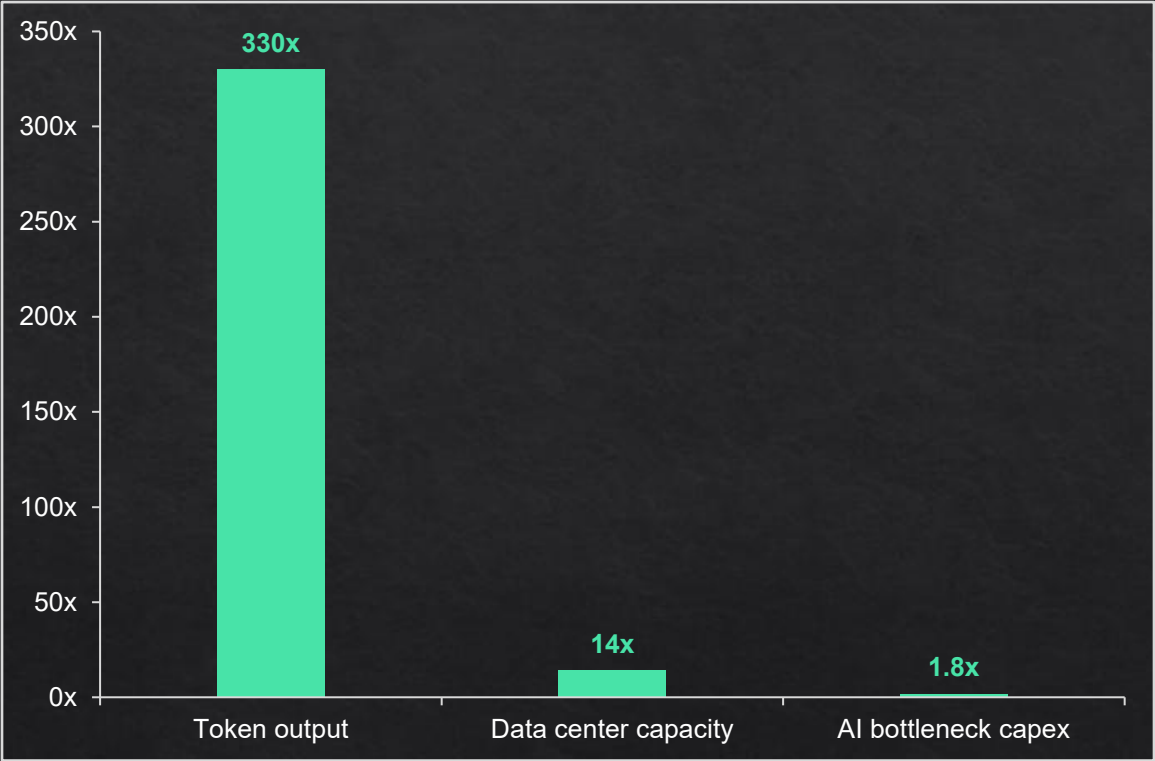


Sources: (LHS) EpochAI, Google internal disclosures. Data as of August 2026. Note: AI bottleneck capex uses the constituents of the J.P. Morgan AI bottleneck basket.

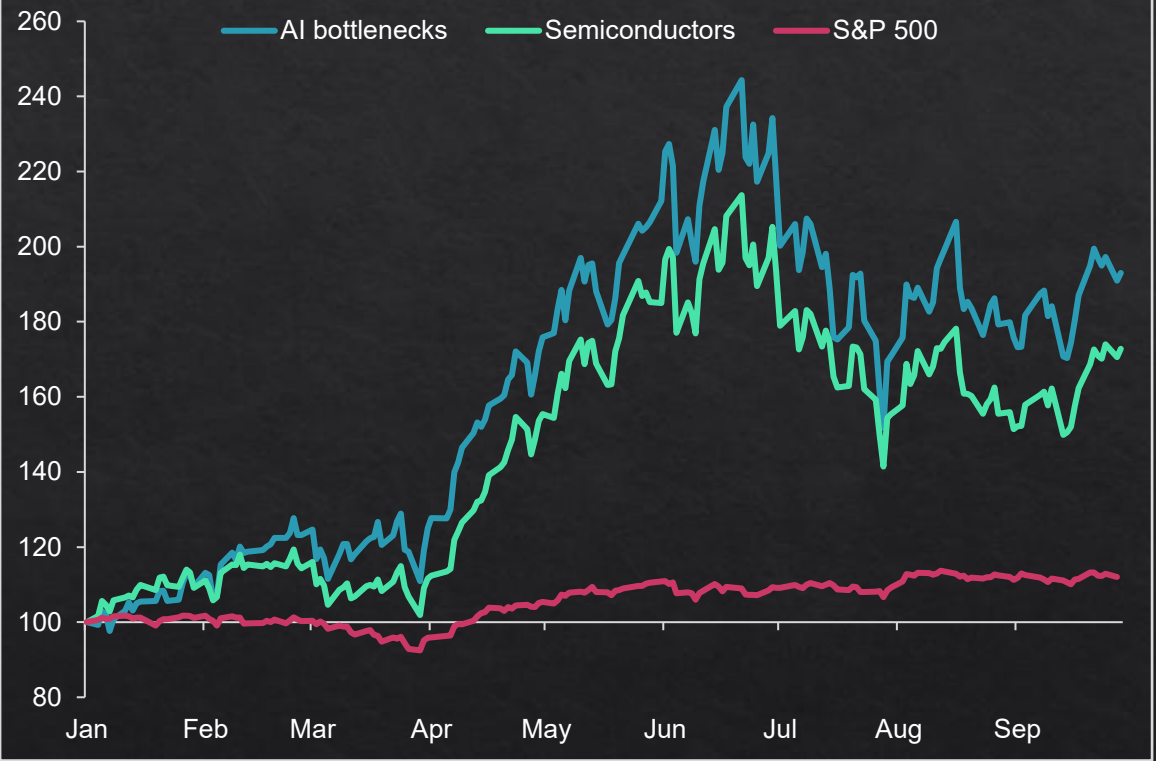
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What we got: Demand for AI is outstripping supply

Token demand is rising much faster than computing supply...
Growth since 2024 of token processing, data center capacity, and AI bottleneck capex



...therefore, computing capacity bottlenecks have outperformed
YTD performance index (Jan 1, 2026 = 100)



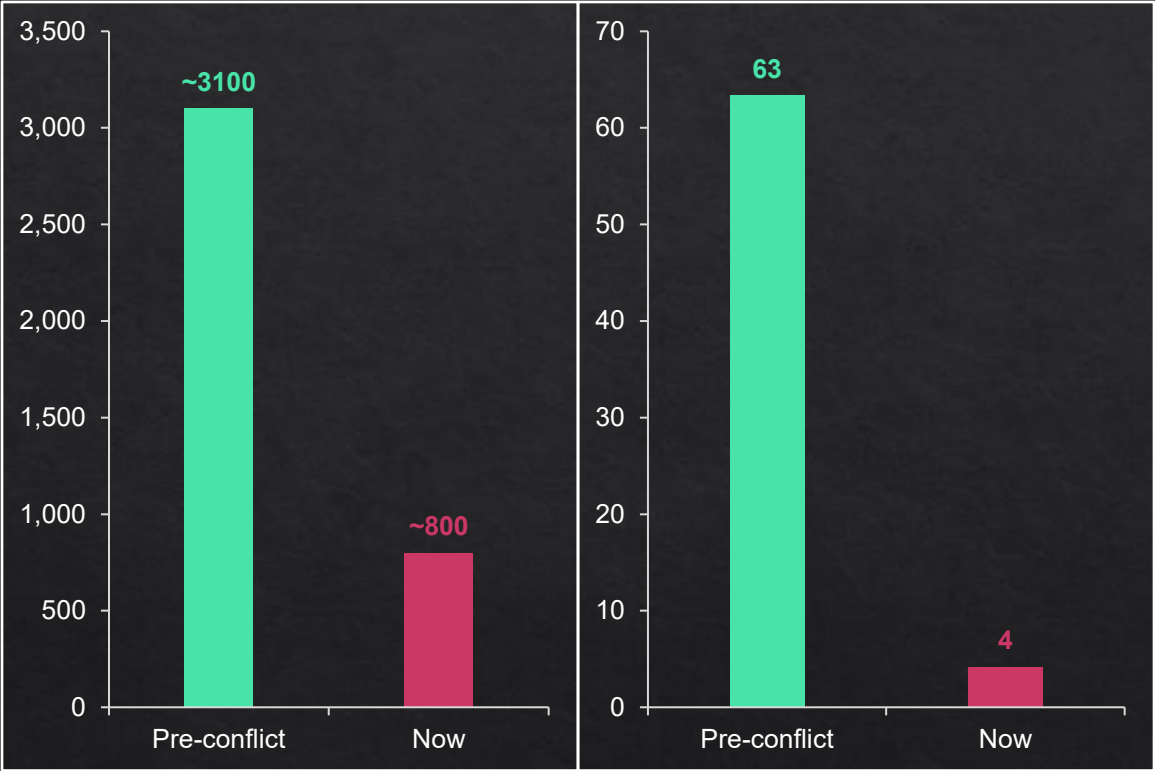
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What we got: The conflict in Iran exacerbates global energy and defense fragility

Defense inventories and energy supply chains are pinched...

Patriot Missile inventories and vessel crossings through the Strait of Hormuz



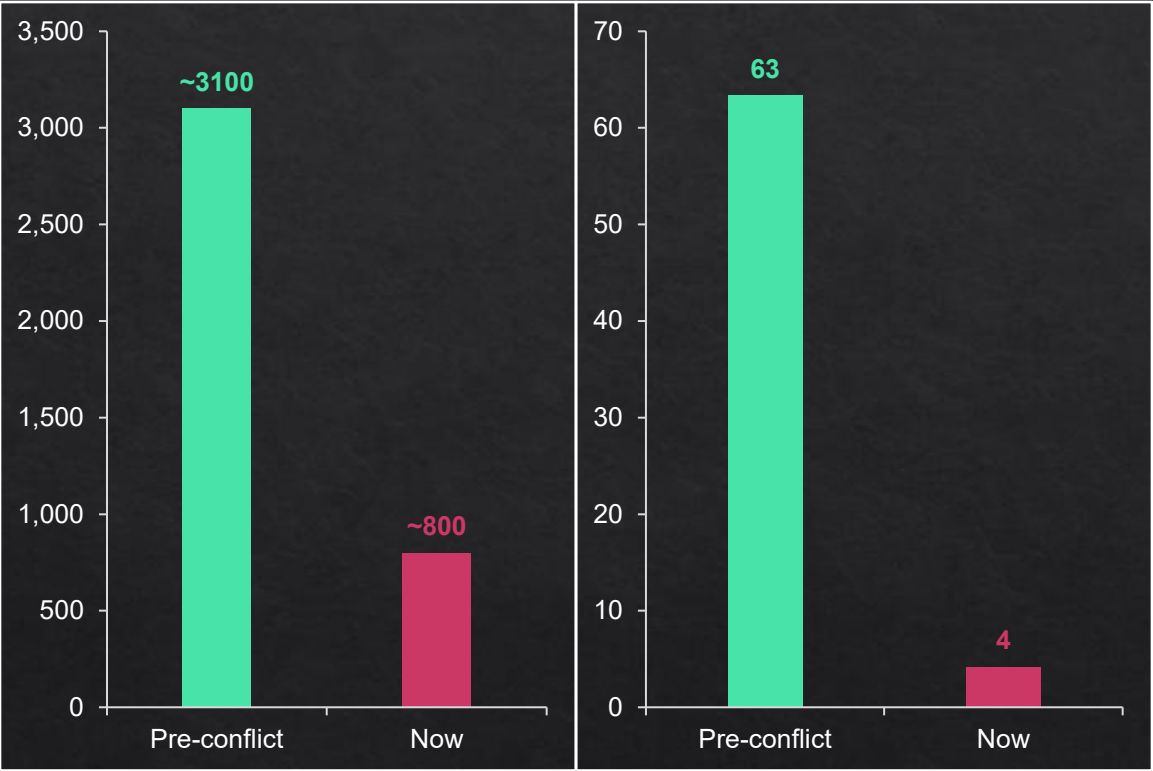
Sources: (LHS) CSIS, Bloomberg Finance L.P. Data as of August 5, 2026.

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What we got: The conflict in Iran exacerbates global energy and defense fragility

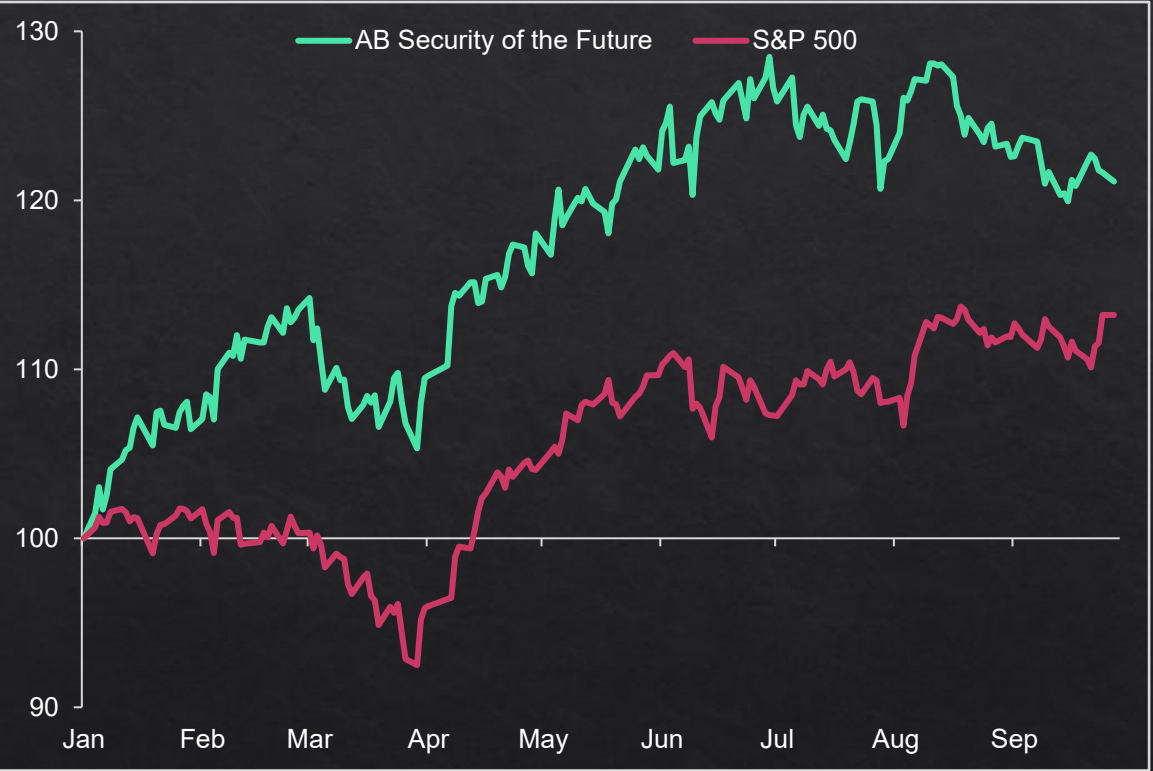
Defense inventories and energy supply chains are pinched...

Patriot Missile inventories and vessel crossings through the Strait of Hormuz



...therefore, companies that improve resilience have outperformed

YTD performance index (Jan 1, 2026 = 100)



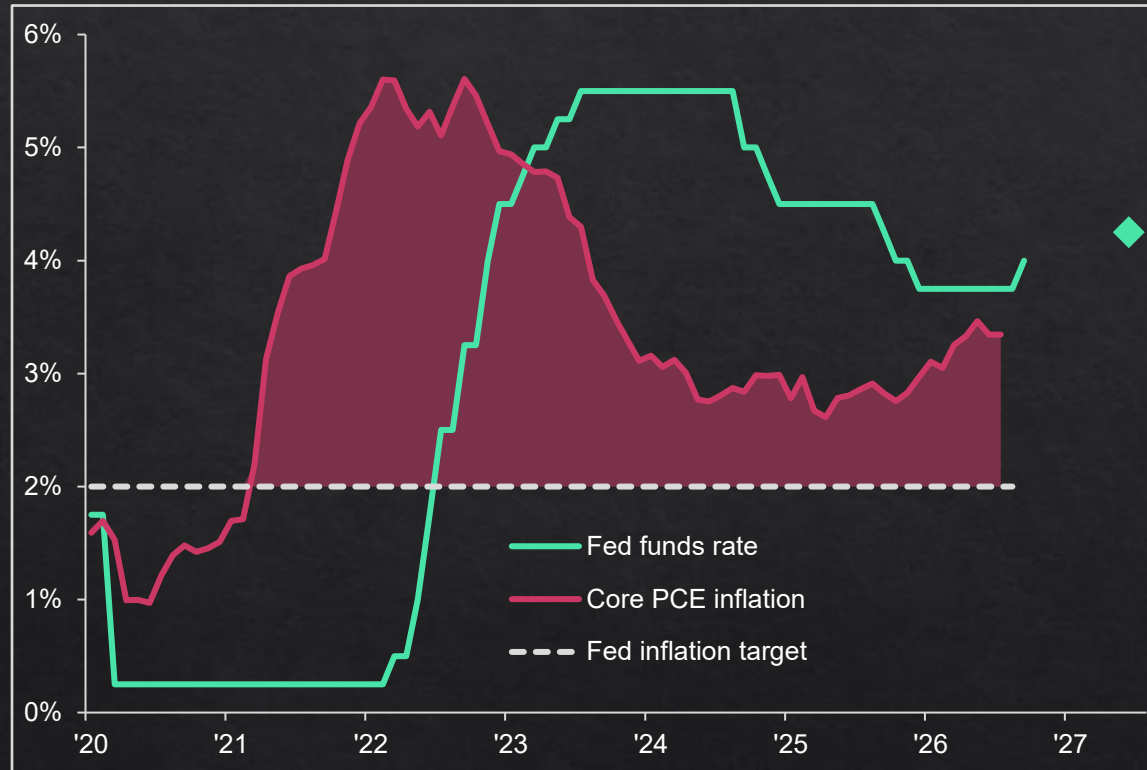
Sources: (LHS) CSIS, Bloomberg Finance L.P. Data as of August 5, 2026. (RHS) Bloomberg Finance L.P. Data as of September 29, 2026. Note: AB SICAV I - Security of the Future Portfolio is a SICAV fund incorporated in Luxembourg.

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What we got: The energy shock exacerbates an already sticky inflation dynamic

Inflation has overshoot by 1140bps over the last 5 years...

Fed funds rate, FOMC and our expectations for the Fed funds rate, %



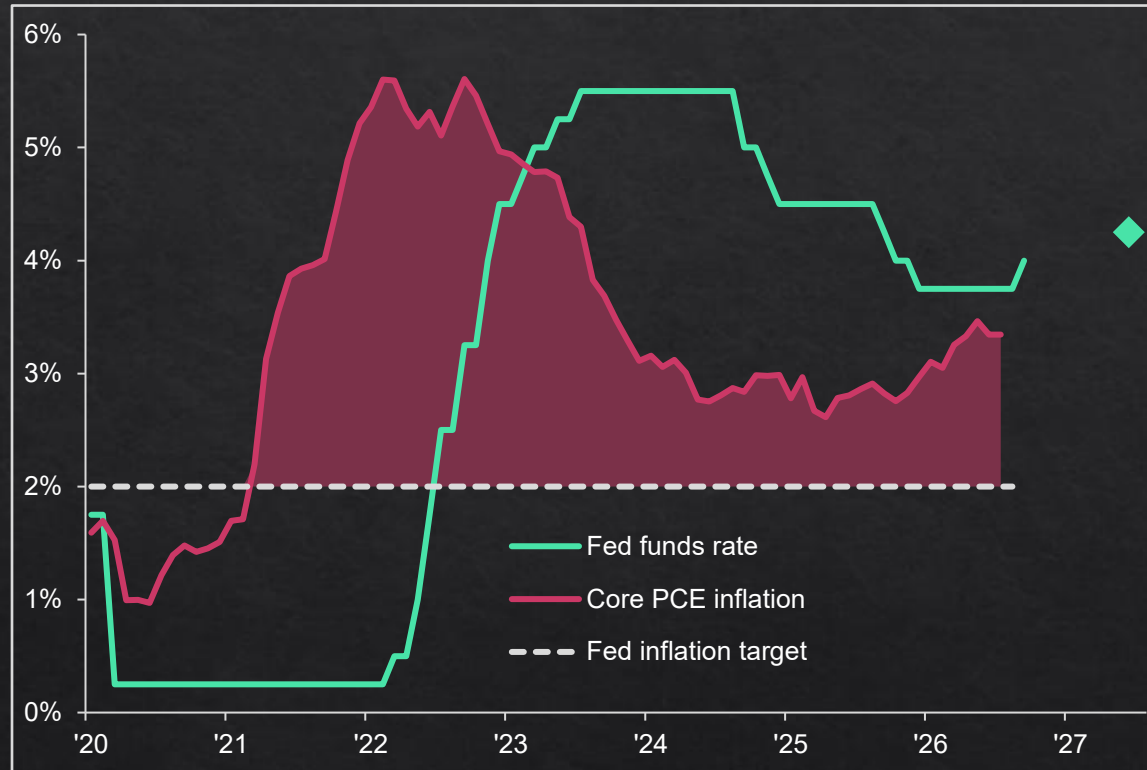
Sources: (LHS) Bloomberg Finance L.P. Fed funds rate data as of September 2026. PCE inflation data as of July 2026.

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What we got: The energy shock exacerbates an already sticky inflation dynamic

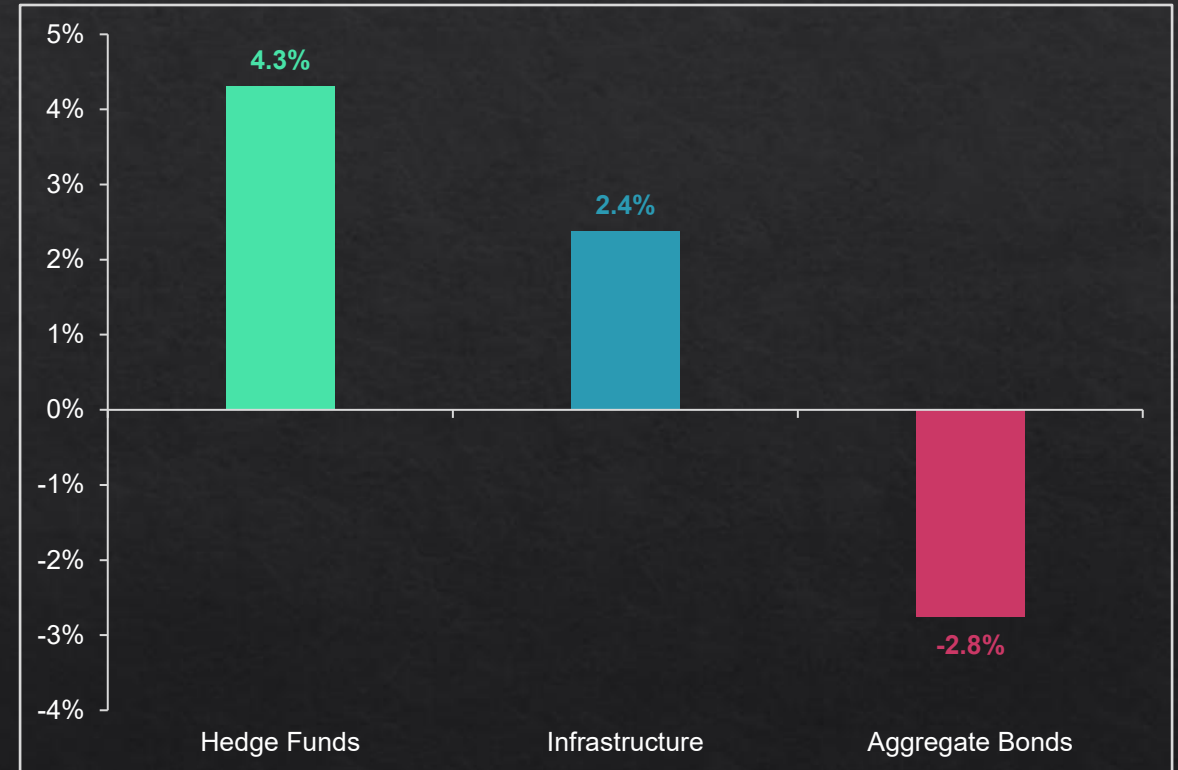
Inflation has overshoot by 1140bps over the last 5 years...

Fed funds rate, FOMC and our expectations for the Fed funds rate, %



...therefore, bonds continue to underperform real assets

Total return, year-to-date



Sources: (LHS) Bloomberg Finance L.P. Fed funds rate data as of September 2026. PCE inflation data as of July 2026. (RHS) Bloomberg Finance L.P. Data as of September 29, 2026. Note: Hedge Funds = HFRX Global Hedge Fund Index; Aggregate Bonds = Bloomberg US Aggregate Index; Infrastructure = S&P Global Infrastructure Index.

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AI, Fragmentation, and Inflation have all placed upward pressure on interest rates

The economy has been surprising to the upside...

Citi Economic Surprise Index



...which is the latest pressure pushing up rates

U.S. 10-year Treasury yield and future Fed policy rate pricing, %



Sources: (LHS) Bloomberg Finance L.P. Data as of September 29, 2026. (RHS) Bloomberg Finance L.P. Data as of September 29, 2026. Note: Fed pricing is a 1y1y OIS forward swap yield which is good proxy of Fed funds rate 1-2 years from now.

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What next?

A.I.

Can AI continue to climb the wall of worry?

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Can AI continue to climb the wall of worry?

The AI trade has powered through intense scrutiny

IAIQ Index (May 2023 = 100)



Sources: Bloomberg Finance L.P., Bloomberg, Fortune, New York Times, The Washington Post, Time Magazine, Illustration created using ChatGPT. Data as of September 18, 2026. Note: IAQ Index is the Indxx Artificial Intelligence and Big Data Index, designed to track the performance of companies listed or incorporated in developed markets that are positioned to benefit from the development and utilization of Artificial Intelligence technology in their products and services, as well as companies that produce hardware used in Artificial Intelligence applied for the analysis of Big Data.

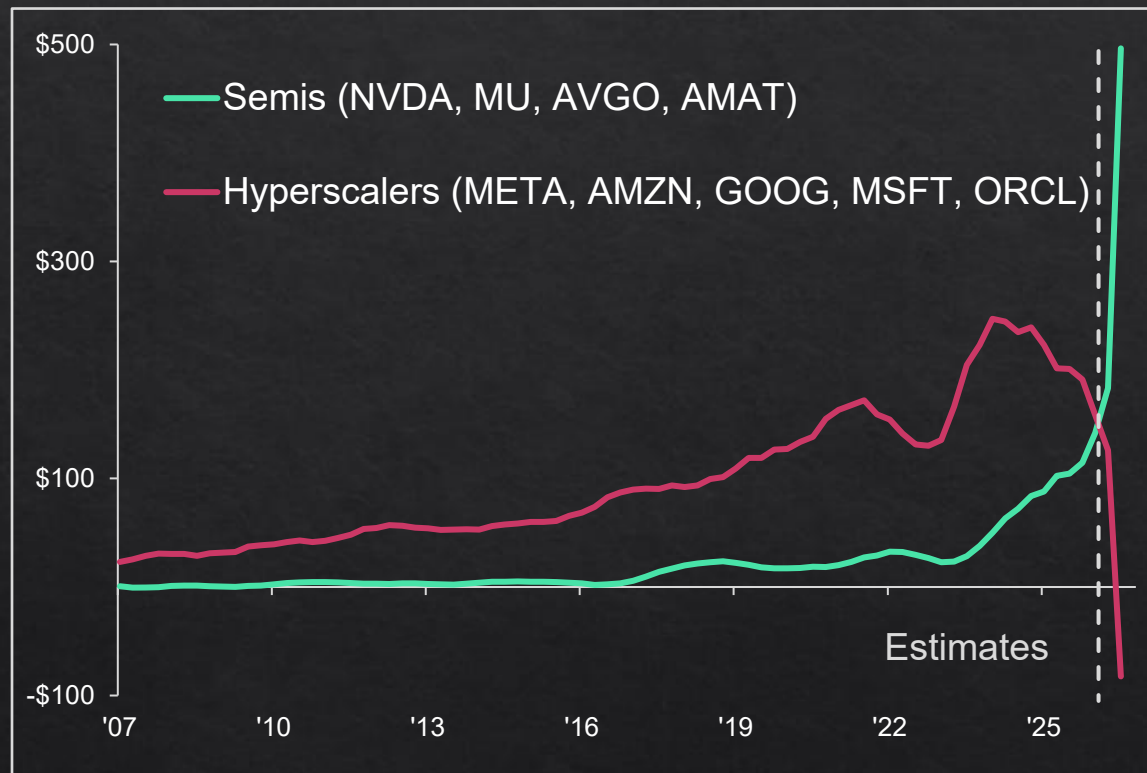
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#1: “AI infrastructure spending is unsustainable”

Hyperscalers have exhausted their free cash flow...

12 month trailing free cash flows, US\$ billions



Sources: (LHS) Michael Cembalest, EOTM, JPMAM, Bloomberg Finance L.P. Data as of August 4, 2026. Note: Estimates for Q3 2026 and use 12m blended forward. (RHS) Empirical Research Partners Analysis, Epoch AI, Pitchbook. Note: Aggregate gross cashflow based on aggregate of current analyst expectations for each company. Cumulative funding raised since inception based on cumulative funding to date for each private company aggregated; includes both debt and equity. Hyperscalers include Amazon, Microsoft, Alphabet, Meta, and Oracle. Equity raises included company expectations as well as reported estimates from Anthropic and OpenAI IPOs.

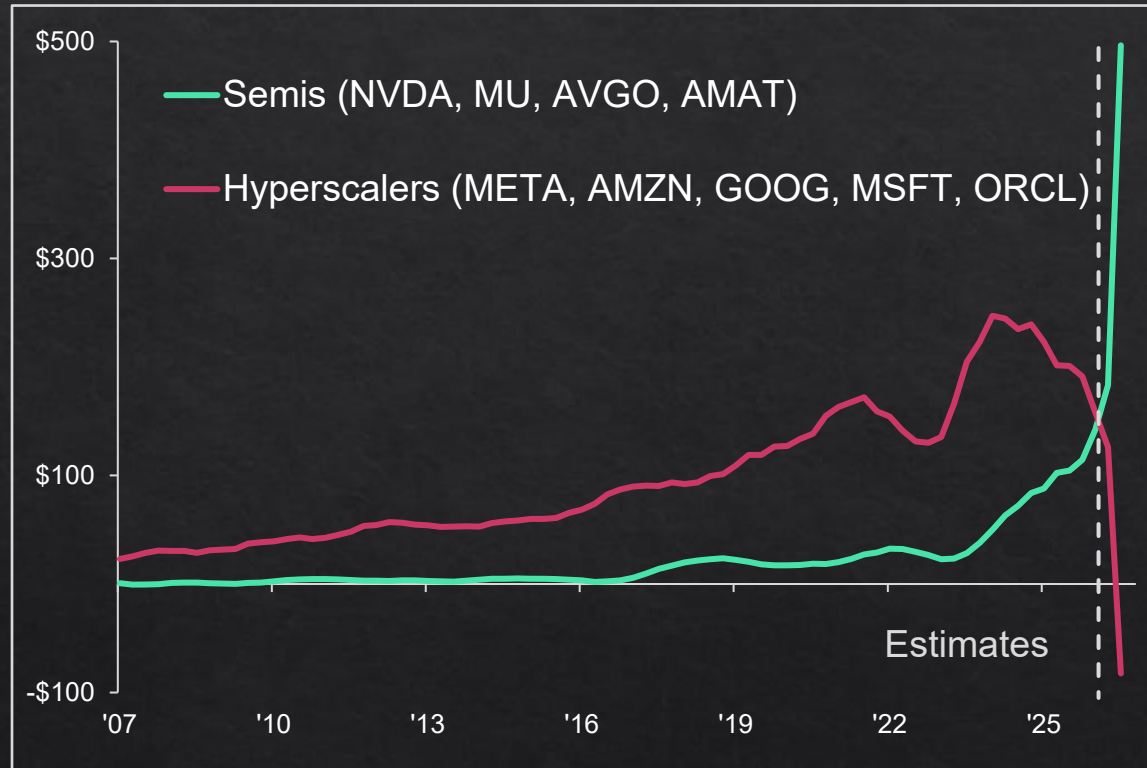
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#1: “AI infrastructure spending is unsustainable” – Maybe, but capital markets are open

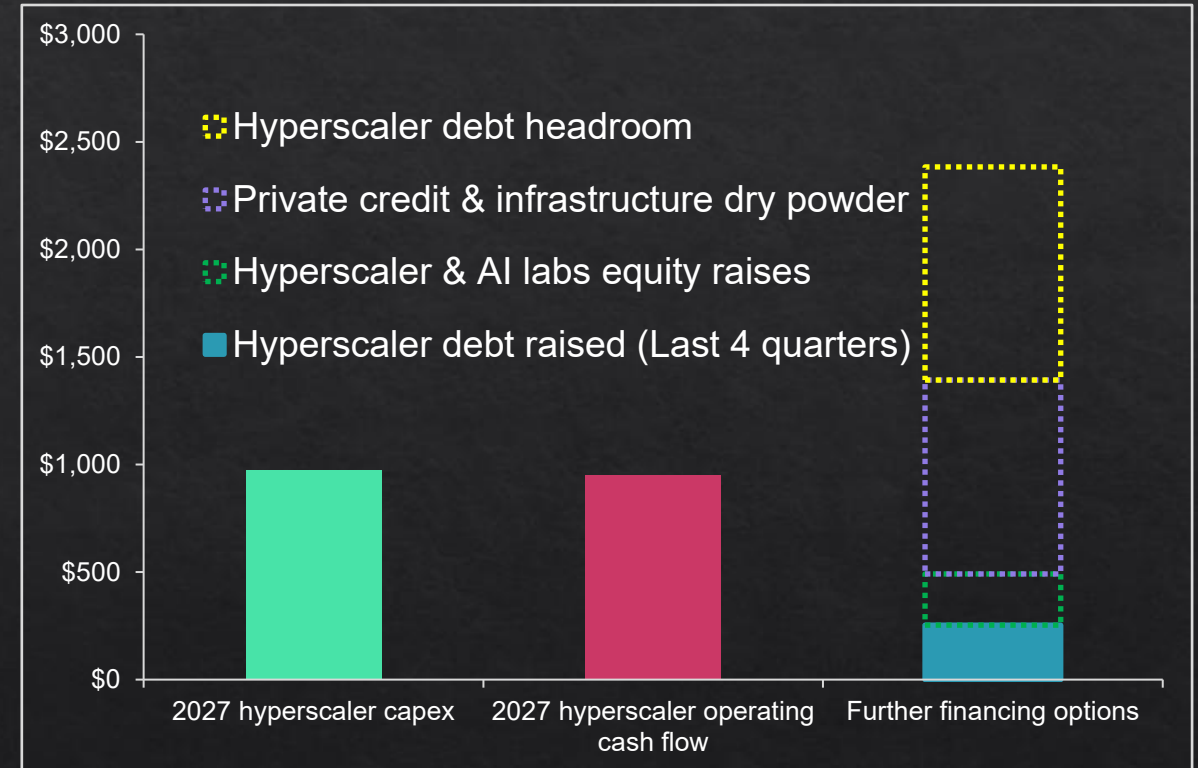
Hyperscalers have exhausted their free cash flow...

12 month trailing free cash flows, US\$ billions



...but capital markets will finance the free cash flow gap

Calendar year 2027



Sources: (LHS) Michael Cembalest, EOTM, JPMAM, Bloomberg Finance L.P. Data as of August 4, 2026. Note: Estimates for Q3 2026 and use 12m blended forward. (RHS) Empirical Research Partners Analysis, Epoch AI, Pitchbook. Note: Aggregate gross cashflow based on aggregate of current analyst expectations for each company. Cumulative funding raised since inception based on cumulative funding to date for each private company aggregated; includes both debt and equity. Hyperscalers include Amazon, Microsoft, Alphabet, Meta, and Oracle. Equity raises included company expectations as well as reported estimates from Anthropic and OpenAI IPOs.

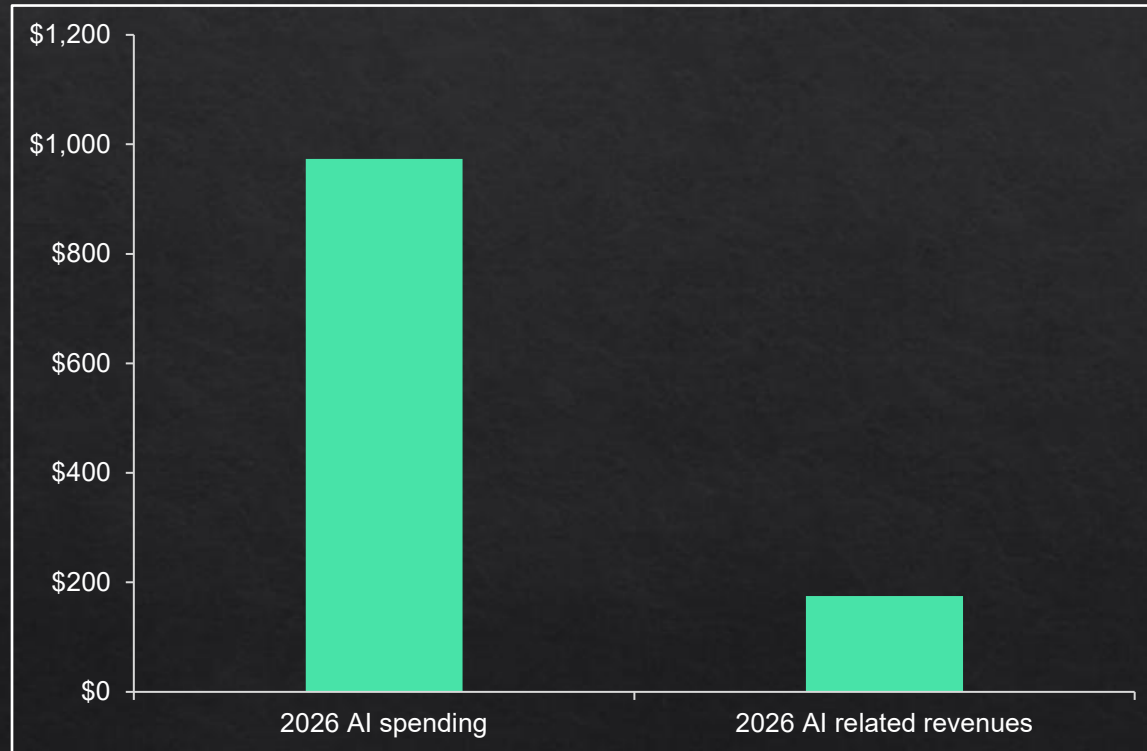
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#2: “Data Center ROI will never materialize”

Current spending trounces current revenue...

12 month trailing free cash flows, US\$ billions



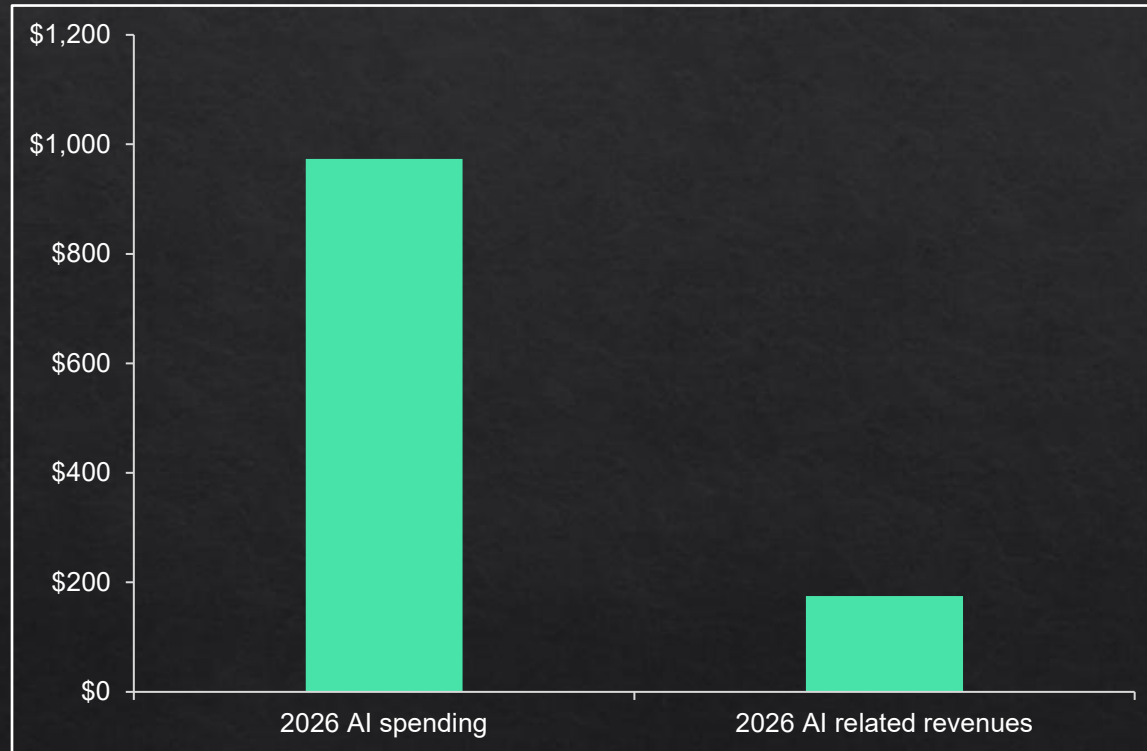
Sources: (LHS) Bloomberg Finance L.P., BEA, Ramp, The Economist. Data as of June 2026.

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#2: “Data Center ROI will never materialize” – Maybe, but the path to high returns is clear

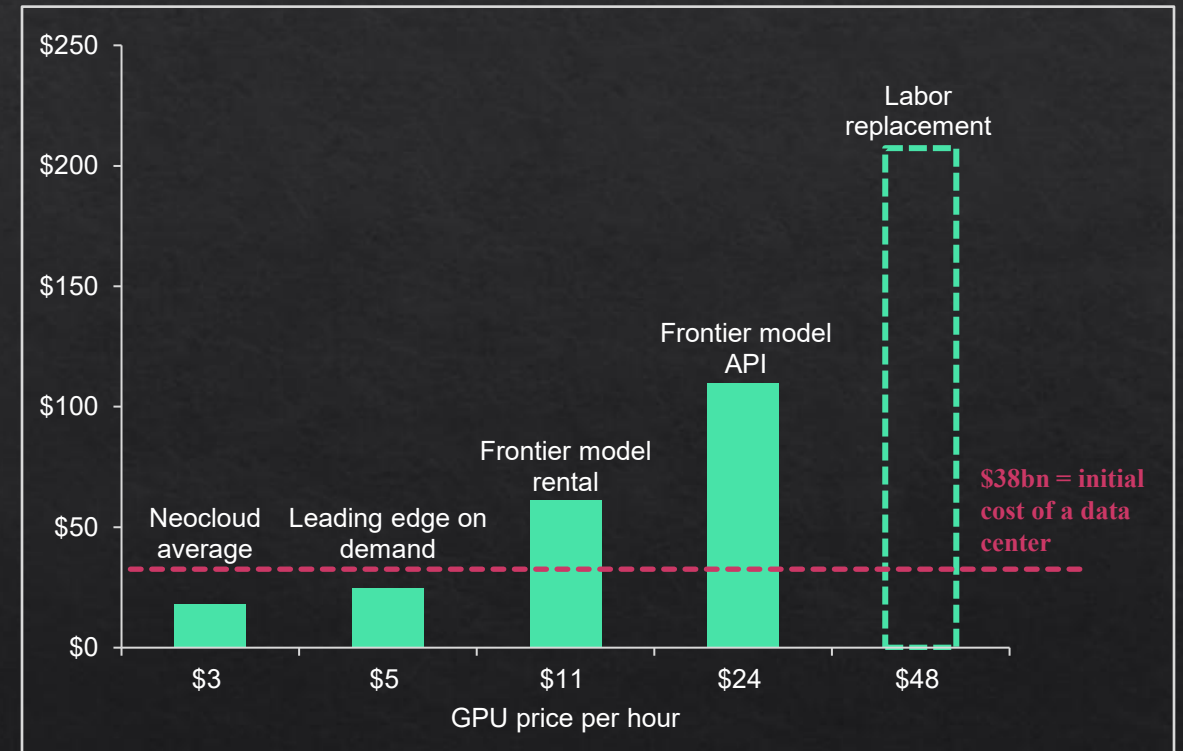
Current spending trounces current revenue...

12 month trailing free cash flows, US\$ billions



...but reasonable GPU pricing supports attractive returns

Annual revenue of a 1GW data center by GPU hourly rates, USD bn



Sources: (LHS) Bloomberg Finance L.P., BEA, Ramp, The Economist. Data as of June 2026. (RHS) Michael Cembalest AI Tracker, JPMAM, SemiAnalysis, Nebius, SpaceX disclosures, Astra Intellectus, HIVE Digital Technologies, Ramp, Epoch AI. Data as of September 2026. GPU mix assumptions are from the SpaceX + Anthropic deal: 29.2% GB300 GPUs, 9.2% GB200 GPUs, 15.4% H200 GPUs and 46.2% H100 GPUs. Leading edge on demand uses Nebius pricing. Frontier model rental uses pricing from Google's latest rental agreement with SpaceX. Frontier model API uses OpenAI & Anthropic inference revenue.

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#3 “We should be seeing productivity gains”

Productivity has not picked up so far...

Real output per hour worked, % change 5-year annualized



Sources: (LHS) Bureau of Labor Statistics, Haver Analytics. Data as of June 30, 2026. (RHS) Solow, Robert M. (1987). "We'd Better Watch Out." Review of Manufacturing Matters: The Myth of the Post-Industrial Economy, by Stephen S. Cohen and John Zysman. The New York Times Book Review, July 12, 1987, page 36.

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#4 “We should be seeing productivity gains” – Maybe, but beware the Solow paradox

Productivity has not picked up so far...

Real output per hour worked, % change 5-year annualized



Sources: (LHS) Bureau of Labor Statistics, Haver Analytics. Data as of June 30, 2026. (RHS) Solow, Robert M. (1987). "We'd Better Watch Out." Review of *Manufacturing Matters: The Myth of the Post-Industrial Economy*, by Stephen S. Cohen and John Zysman. The New York Times Book Review, July 12, 1987, page 36.

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...but as Robert Solow said,

“You can see the computer age everywhere but in the productivity statistics”

We'd Better Watch Out

MANUFACTURING MATTERS
The Myth of the Post-Industrial Economy.
By Stephen S. Cohen and John Zysman.
Tables and Charts. 297 pp. New York:
A Council on Foreign Relations Book/
Basic Books. \$19.95.

By Robert M. Solow

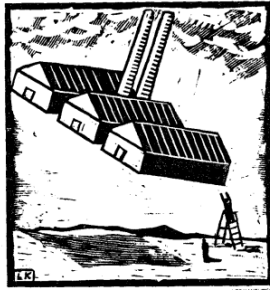
THERE is a lot of loose talk about the “deindustrialization” of the United States economy. We are losing our manufacturing industry to foreigners and becoming a “service economy” (if you like the idea) or a “nation of hamburger stands and insurance companies” (if you don’t like the idea). Stephen S. Cohen and John Zysman begin their book, “Manufacturing Matters: The Myth of the Post-Industrial Economy,” by insisting, quite correctly, that no such thing can happen. The orders of magnitude are such that the United States could not hope to pay for its manufacturing imports by selling services abroad. We need too many goods, and there are not enough services. One way or another we will continue to be producers of goods, including manufactures, and probably net exporters of goods in order to pay interest on the debts we have incurred during the consumption binge of the 1980’s.

That doesn’t make things all right. We could of course balance our trade – and we will – by depreciation of our currency and reductions in our real wages. There is no trick to that. Every country that is so poor and so unpromising that no one will lend to it balances its trade, precisely by being so poor that it cannot afford to import more than it can pay for by exporting. And what it exports are the products of cheap labor. If American manufacturing is to win back a competitive edge against Japan, South Korea and West Germany, it will have to find a way to sell goods here, there and in third markets while paying high wages and earning a good return on investment. That can only happen if we catch up with, and at least sometimes surpass, our rivals in productivity, quality and design.

The authors also make the probably valid point that, even if it were otherwise possible, the notion of a “post-industrial” economy falls against the proposition that modern, high-productivity business services are really inseparable from the production of the goods they service. The free-floating service sector will soon lose touch and the new producer will soon acquire know-how.

This part of the argument is convincingly done. When Mr. Cohen and Mr. Zysman come to explain what

Robert M. Solow is a professor of economics at the Massachusetts Institute of Technology.



Went Wrong with the United States manufacturing industry they have some interesting and reasonable things to say, but they also begin to flail around a bit. They tell war stories, they go in for heavy breathing (Revolutions and Transformations come thick and fast), they profess confidence about things no one can possibly know and they fall into vagueness. Here is a representative example: “Those firms that understand, invent and implement the new possibilities of the emerging telecommunications technology will gain advantage. Critically, corporate strategies at home and abroad will use the possibilities of the new technology to capture competitive advantage. We cannot, of course, demonstrate how technologies that are only now emerging will alter strategies in ways yet to be imagined.” A passage like that is not wrong; but it only appears to be saying something.

Here is a different sort of example. After 100 pages the authors announce “six hypotheses that will be used as premises from here on in. . . . First, technological developments can provoke rapid market shifts. Second, technologies are shaped by the needs and arrangements that exist in the nations from which they emerge. Third, some critical technologies can affect the competitive position of a whole range of industries; and if one nation uses these technologies to gain a lead in a vital product, it can forge an important trade advantage for itself. These are strategic transformative industries.” The other three “hypotheses” are similar.

In all respect, these are truisms, not hypotheses. In a way, I do not blame Mr. Cohen and Mr. Zysman, directors of the Berkeley Roundtable on the Inter-

national Economy at the University of California, for falling into bad habits. They want to appear to be generalizing about a subject on which there are too few (or what is almost the same thing, too many) defensible generalizations. It is just a pity that they cannot be content with the odd insight, the occasional plausible and discussable hypothesis. They do, in fact, produce some of those. They are interesting, for example, on the need for flexibility and adaptability in modern manufacturing required to give a rich, knowledgeable and finicky market what it wants when it wants it, quite the opposite of the mass-production philosophy that made America great. There are other good moments. The trouble is that they do not know, any more than I do, exactly what let Japan and West Germany overtake United States industry. They should be content to tell a few good stories and give the reader furiously to think.

I do fault them for one cop-out. One of their central beliefs is that there has been a Revolution in manufacturing, its name is Programmable Automation, and that American industry has failed to capitalize on it. That may even be so. But then they go on, “We do not need to show that the new technologies produce a break with past patterns of productivity growth. . . . [That] would depend not just on the possibilities the technologies represent, but rather on how effectively they are used.” What this means is that they, like everyone else, are somewhat embarrassed by the fact that what everyone feels to have been a technological revolution, a drastic change in our productive lives, has been accompanied everywhere, including Japan, by a slowing-down of productivity growth, not by a step up. You can see the computer age everywhere but in the productivity statistics.

THE authors also put some emphasis on the organization of skilled work in factories, and on the education of production-oriented engineers and executives. They mention the intriguing possibility that inattention to quality is a hangover from the age of mass production. But these side remarks only undermine the claim to generality, to a grand scheme. I would have been happier with some well-deserved modesty.

On public policy, Mr. Cohen and Mr. Zysman have very little to say. They offer the advice that a hands-off policy is both impossible and undesirable. They suggest that public policy ought to be directed positively toward encouraging and assisting the achievement of industrial competitiveness. They suspect, probably rightly, that the United States Government has allowed itself to be flimflammed by the Japanese for years on the matter of nontariff barriers, and ought to play a little hardball. All that sounds right to me. But there is nothing here to offer a Presidential candidate by way of something concrete to do. It would be an interesting memo, and it might yet get written.

We are focused on investing in components, clouds and private markets



Source: Illustration created using ChatGPT.

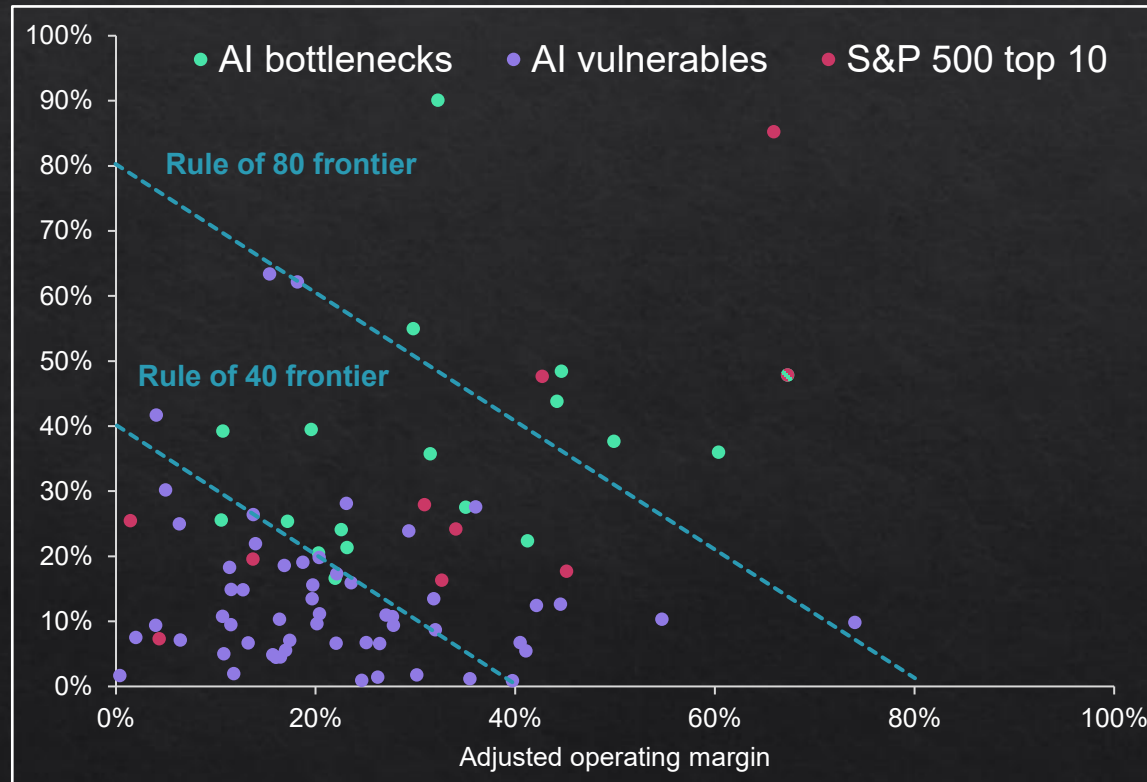
Chips, components, and clouds can all outperform

“And even though our demand is much greater than 70%, our supply allows us to confidently deliver 70%.”

- Jensen Huang, Nvidia CEO

AI bottlenecks have superior fundamentals

Sales growth



Sources: (LHS) FactSet. Data as of June 30, 2026. Note: For companies that don't report adjusted operating margin, operating margin was used. Based on J.P Morgan AI Bottlenecks basket (including companies like Marvell, Credo Technology, Corning, Eaton, and Sandisk). Data used was from most recently available quarter. (RHS) FactSet. Data as of August 28, 2026.

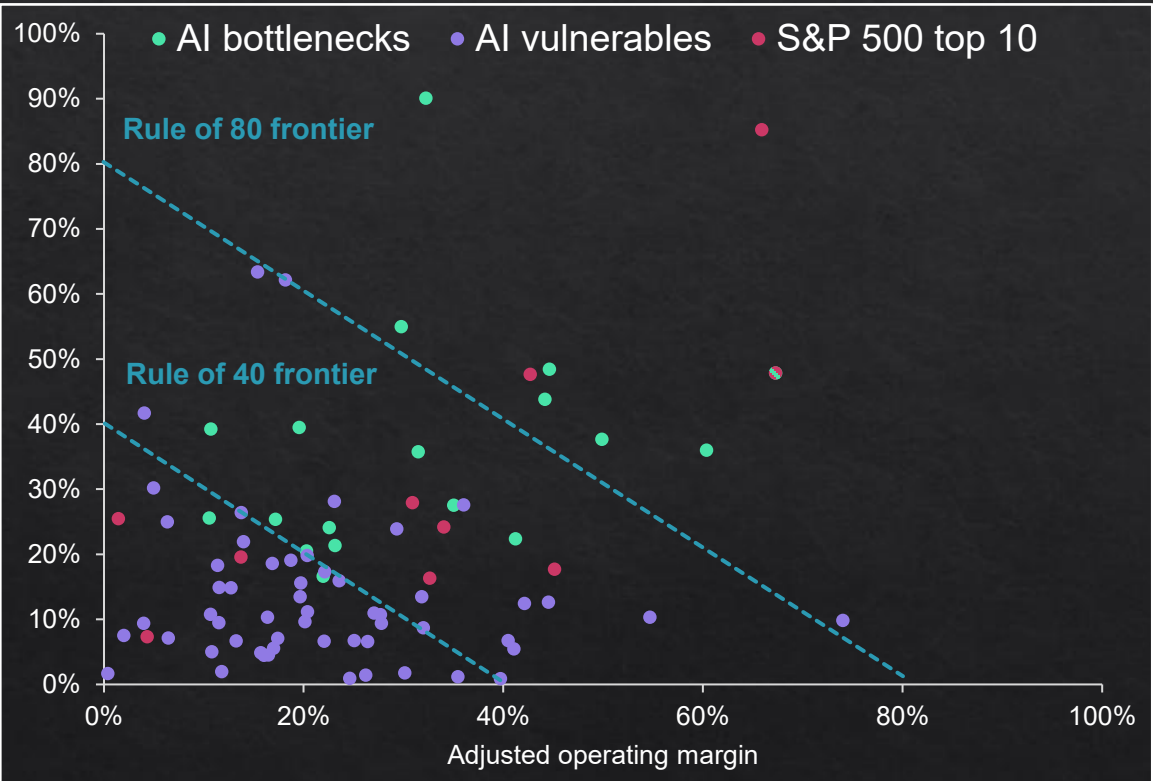
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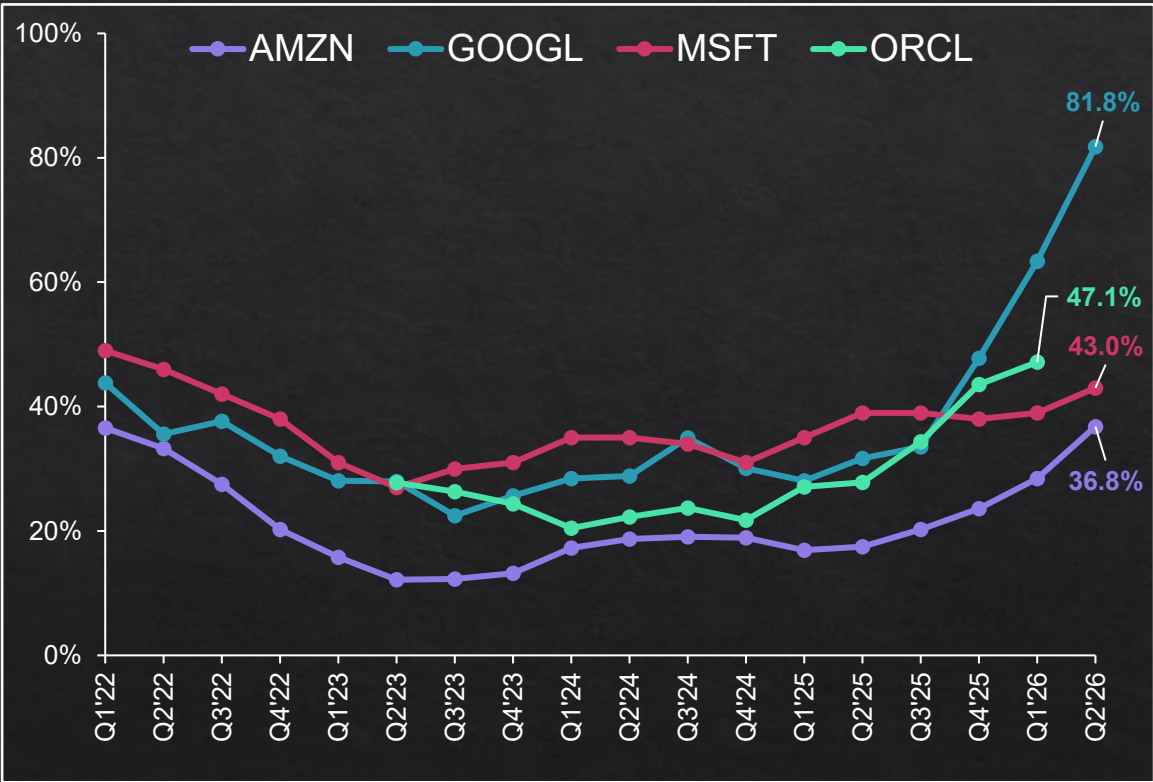
Chips, components, and clouds can all outperform

“We see the margins and returns in AI tracking what we saw with core [cloud] at the same point of evolution, actually, a little ahead.”
- Andy Jassy, Amazon CEO

AI bottlenecks have superior fundamentals
Sales growth



Cloud revenue growth is accelerating
Year on Year, %



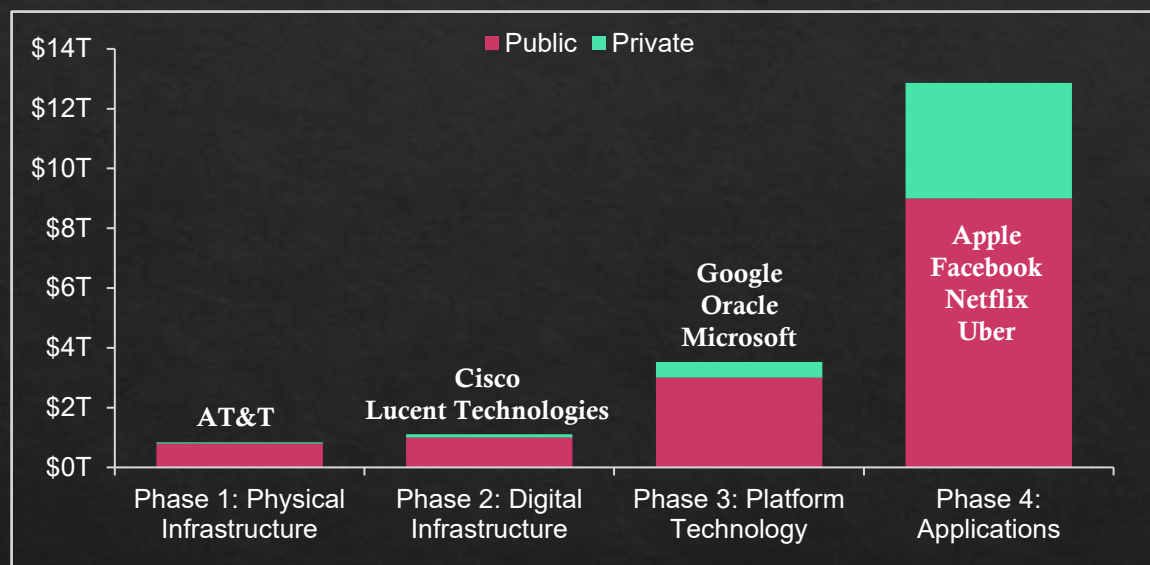
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We can not ignore private markets

In the internet/cloud cycle, value accrued to public markets in earlier phases while privates play a larger role in the application layer

Estimated cumulative value creation, \$ trillions, 1995-2020



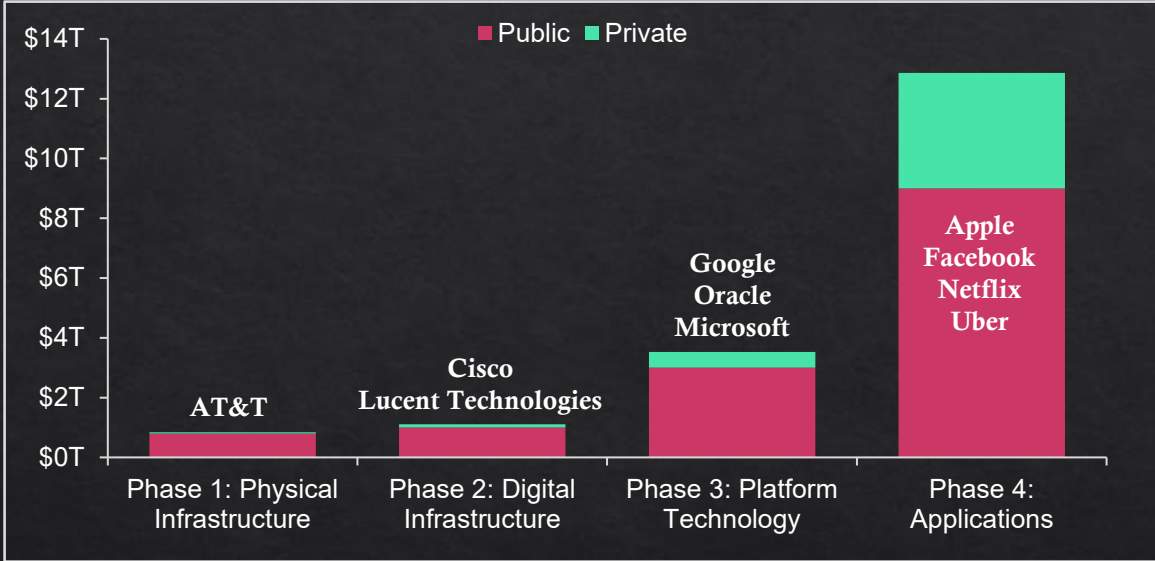
Sources: (LHS) J.P. Morgan Private Bank, Bloomberg Finance L.P., Company reports, September 2025. Value creation indicative of value accrued to companies. Physical infrastructure refers to foundational physical assets (e.g., major telecom players), digital infrastructure refers to core hardware/networking (e.g., semiconductors, servers, routers), platform technology refers to enabling software/services (e.g., search, operating systems, cloud), and applications refers to end-user products/services (e.g., e-commerce, social media, streaming). Value creation estimated by public companies' peak market capitalizations of key companies in each stage of the internet / cloud cycle. The split between public/private derived by a top-down estimate informed by private companies' value creation estimated from valuations for key companies, where available, and blended forecasts from historical reports. Examples of companies included: physical infrastructure (AT&T, Level 3 Communications), digital infrastructure (Cisco, Lucent Technologies), platform tech (Google, Oracle, Microsoft), application (Apple, Facebook, Netflix). Chart meant to be illustrative of value creation across phases, not exhaustive. (RHS) J.P. Morgan Private Bank, Bloomberg Finance L.P., Company reports, September 2025. Value creation indicative of value accrued to companies. Physical infrastructure refers to foundational physical assets (e.g., power, data centers), digital infrastructure refers to core hardware (e.g., semiconductors), platform technology refers to enabling software/services (e.g., LLM, APIs), and applications refers to end-user products/services (e.g., AI copilots, AI-enabled software). Physical infrastructure based on change in market capitalization of global utilities and key datacenter REITs since launch of ChatGPT in November 2022. Digital infrastructure based on change in market capitalization of global semiconductors and key hyperscalers (Amazon, Meta, Alphabet, Microsoft) since launch of ChatGPT in November 2022. The split between public/private derived by top-down estimate informed by private companies' value creation, where data is available. Platform technology incorporates latest reported valuations of key companies such as OpenAI, Anthropic, and xAI. Application layer incorporates latest reported valuations of key companies such as ByteDance, Revolut, Databricks. Chart meant to be illustrative of value creation across phases, not exhaustive.

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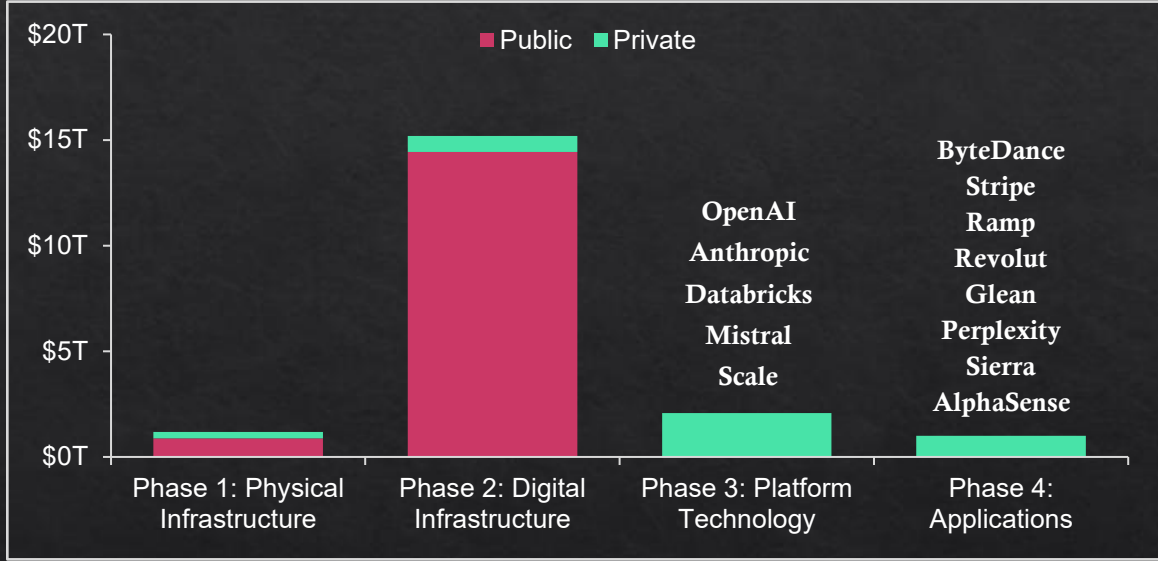
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We can not ignore private markets

In the internet/cloud cycle, value accrued to public markets in earlier phases while privates play a larger role in the application layer
Estimated cumulative value creation, \$ trillions, 1995-2020



In the AI cycle, value has accrued to the infrastructure players, but we believe we are entering the platform tech/application phases
Estimated cumulative value creation, \$ trillions



Sources: (LHS) J.P. Morgan Private Bank, Bloomberg Finance L.P., Company reports, September 2025. Value creation indicative of value accrued to companies. Physical infrastructure refers to foundational physical assets (e.g., major telecom players), digital infrastructure refers to core hardware/networking (e.g., semiconductors, servers, routers), platform technology refers to enabling software/services (e.g., search, operating systems, cloud), and applications refers to end-user products/services (e.g., e-commerce, social media, streaming). Value creation estimated by public companies' peak market capitalizations of key companies in each stage of the internet / cloud cycle. The split between public/private derived by a top-down estimate informed by private companies' value creation estimated from valuations for key companies, where available, and blended forecasts from historical reports. Examples of companies included: physical infrastructure (AT&T, Level 3 Communications), digital infrastructure (Cisco, Lucent Technologies), platform tech (Google, Oracle, Microsoft), application (Apple, Facebook, Netflix). Chart meant to be illustrative of value creation across phases, not exhaustive. (RHS) J.P. Morgan Private Bank, Bloomberg Finance L.P., Company reports, September 2025. Value creation indicative of value accrued to companies. Physical infrastructure refers to foundational physical assets (e.g., power, data centers), digital infrastructure refers to core hardware (e.g., semiconductors), platform technology refers to enabling software/services (e.g., LLM, APIs), and applications refers to end-user products/services (e.g., AI copilots, AI-enabled software). Physical infrastructure based on change in market capitalization of global utilities and key datacenter REITs since launch of ChatGPT in November 2022. Digital infrastructure based on change in market capitalization of global semiconductors and key hyperscalers (Amazon, Meta, Alphabet, Microsoft) since launch of ChatGPT in November 2022. The split between public/private derived by top-down estimate informed by private companies' value creation, where data is available. Platform technology incorporates latest reported valuations of key companies such as OpenAI, Anthropic, and xAI. Application layer incorporates latest reported valuations of key companies such as ByteDance, Revolut, Databricks. Chart meant to be illustrative of value creation across phases, not exhaustive.

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What next?

A.I.

Can AI continue to climb the wall of worry?

Global Fragmentation

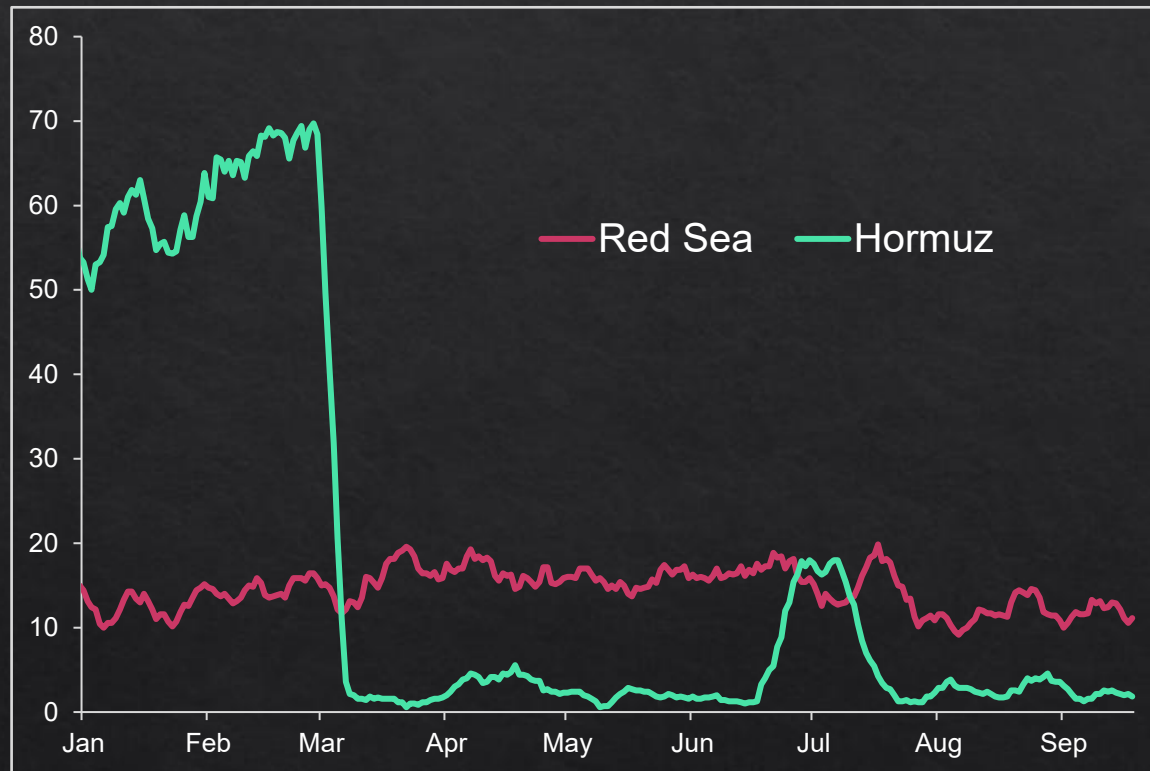
Will the midterms mark a structural shift in geopolitics?

Outlooks and past performance are no guarantee of future results. It is not possible to invest directly in an index. Please refer to “Definition of Indices and Terms” for important information.

The conflict seems to be expanding, and is the key near term risk to markets

Crude supply has collapsed, and the Red Sea is now a risk...

7-day rolling average number of vessels through the straits



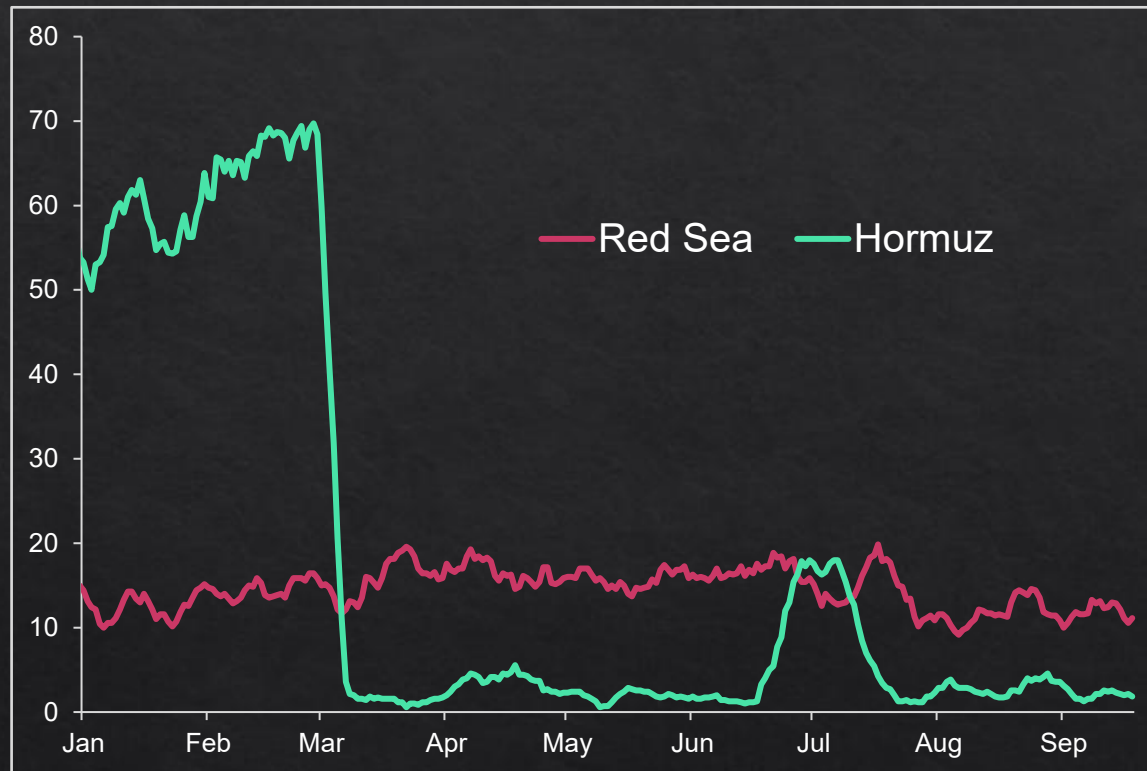
Source: (Both) Bloomberg Finance L.P. Data as of September 18, 2026.

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The conflict seems to be expanding, and is the key near term risk to markets

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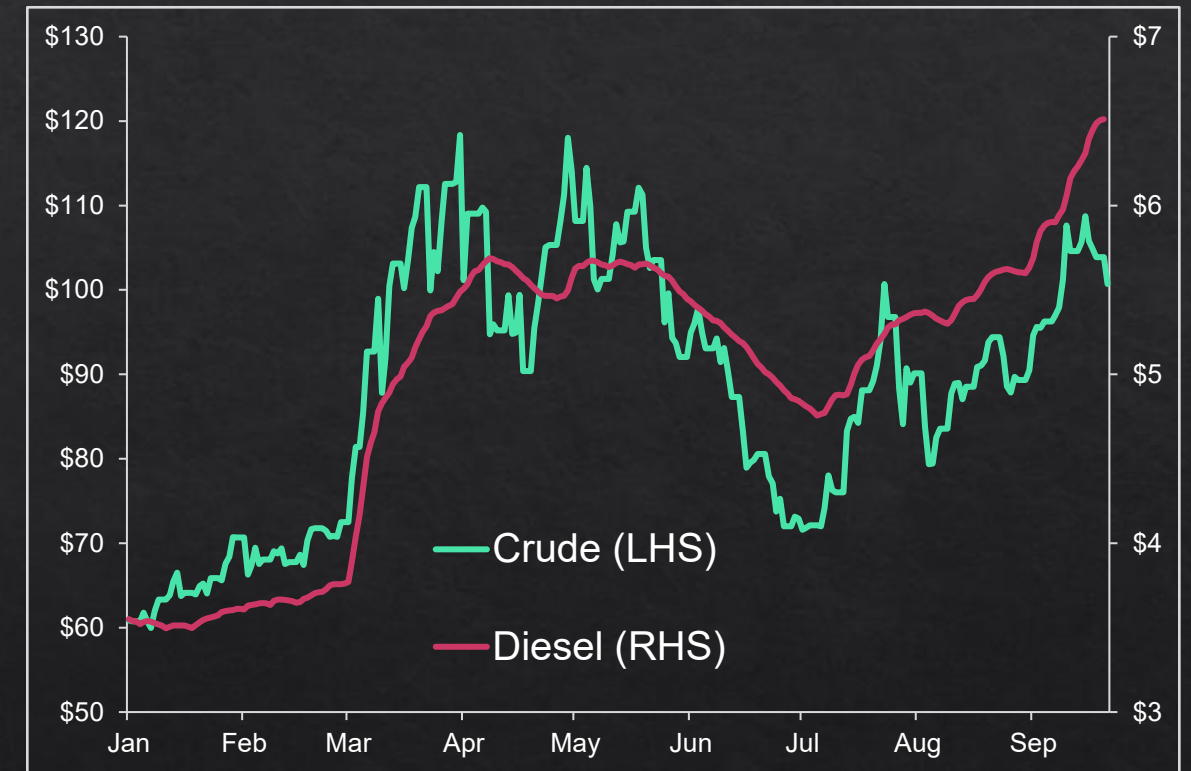
7-day rolling average number of vessels through the straits



...which adds stress to crude oil and refined product prices

\$/bbl

\$/gallon

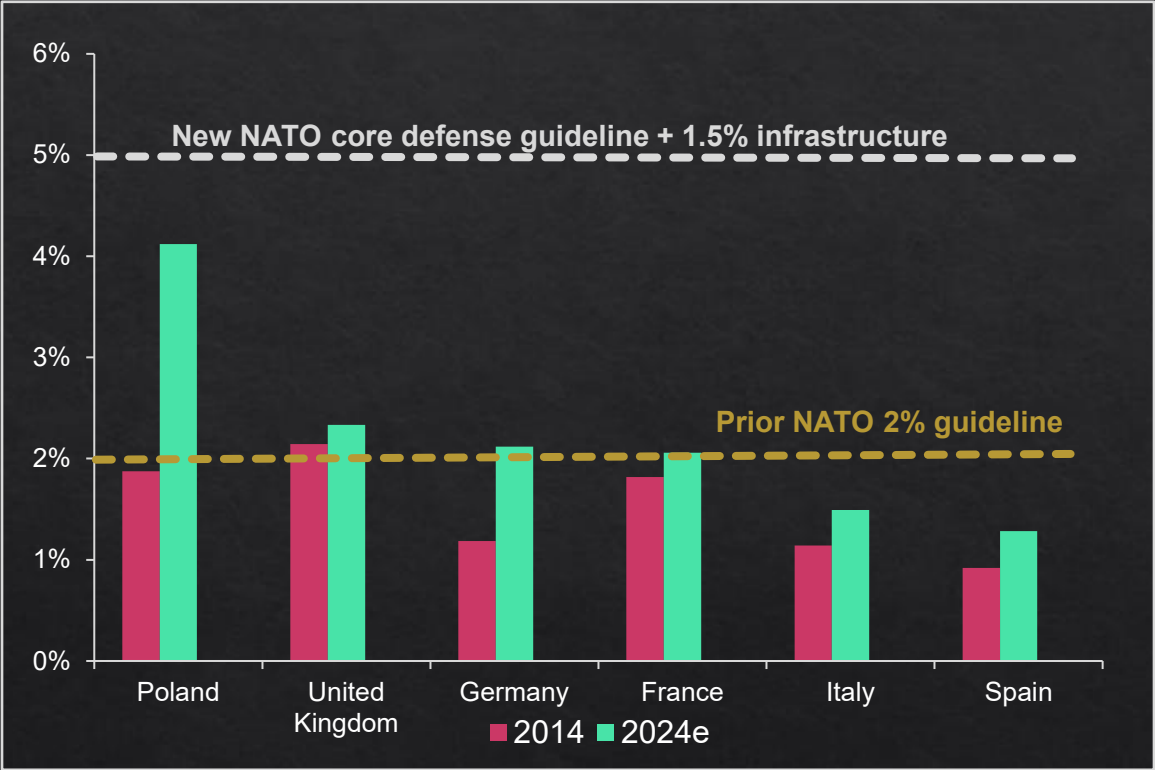


Source: (Both) Bloomberg Finance L.P. Data as of September 18, 2026.

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National defense and next generation security spending is accelerating globally

European defense spending targets have been revised higher...
Defense spending as a % of GDP

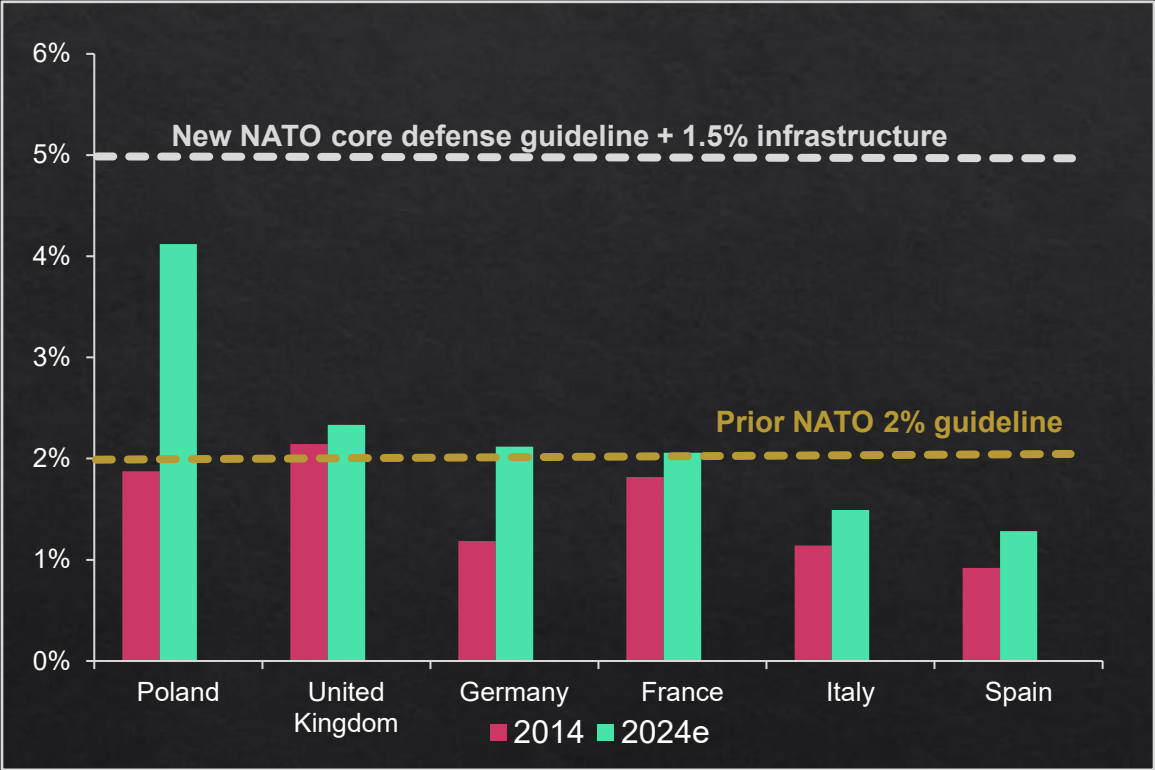


Sources: (LHS) NATO. Data as of June 2024 and June 2025.

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National defense and next generation security spending is accelerating globally

European defense spending targets have been revised higher...
Defense spending as a % of GDP



Sources: (LHS) NATO. Data as of June 2024 and June 2025. (RHS) PBS, Reuters. Data as of August 7, 2026.

...but now the Gulf and Asia are driving defense spending

Japan's Cabinet approves record defense budget aiming to deter China as tensions grow

World Dec 26, 2025 5:42 PM EDT

Saudi Arabia, Turkey, Pakistan pledge mutual defence as Middle East turmoil escalates

By Timour Azhari, Ariba Shahid and Tuvan Gumrukcu

August 7, 2026 3:33 AM EDT • Updated August 8, 2026

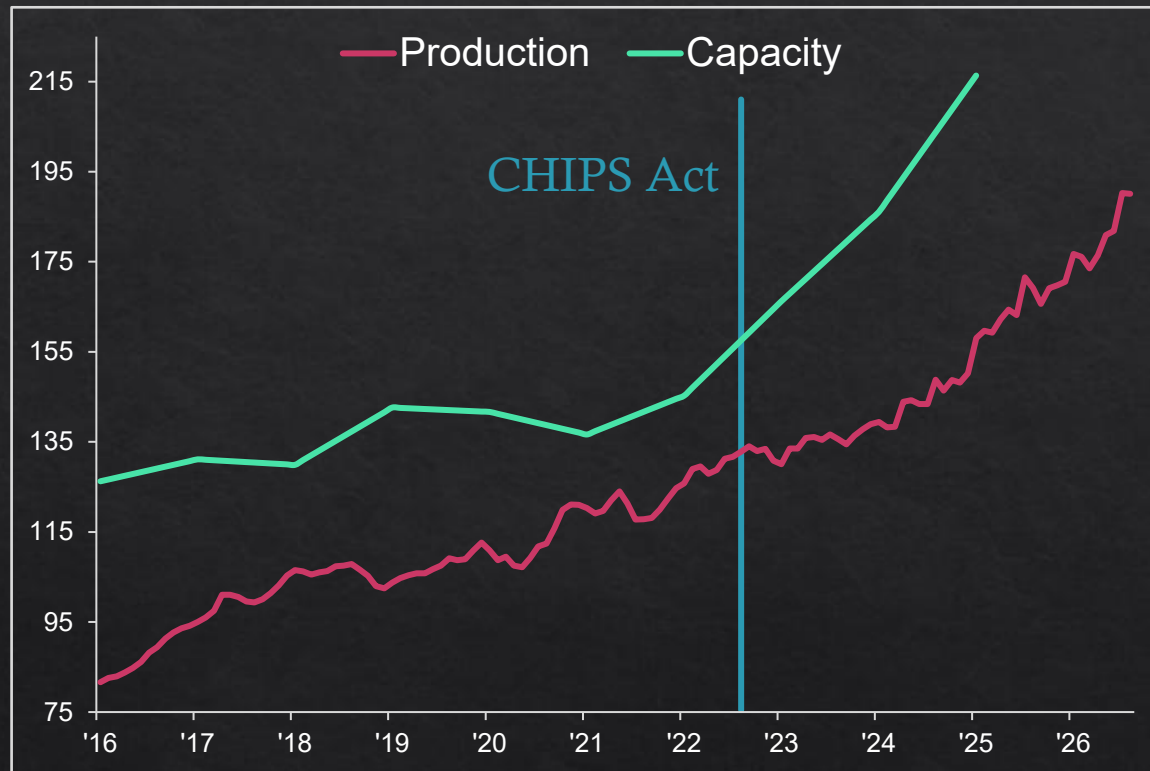


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Artificial Intelligence will be a target for sovereign intervention

Industrial policy has focused on critical inputs...

U.S. Semiconductor production and capacity, Jan 2018=100



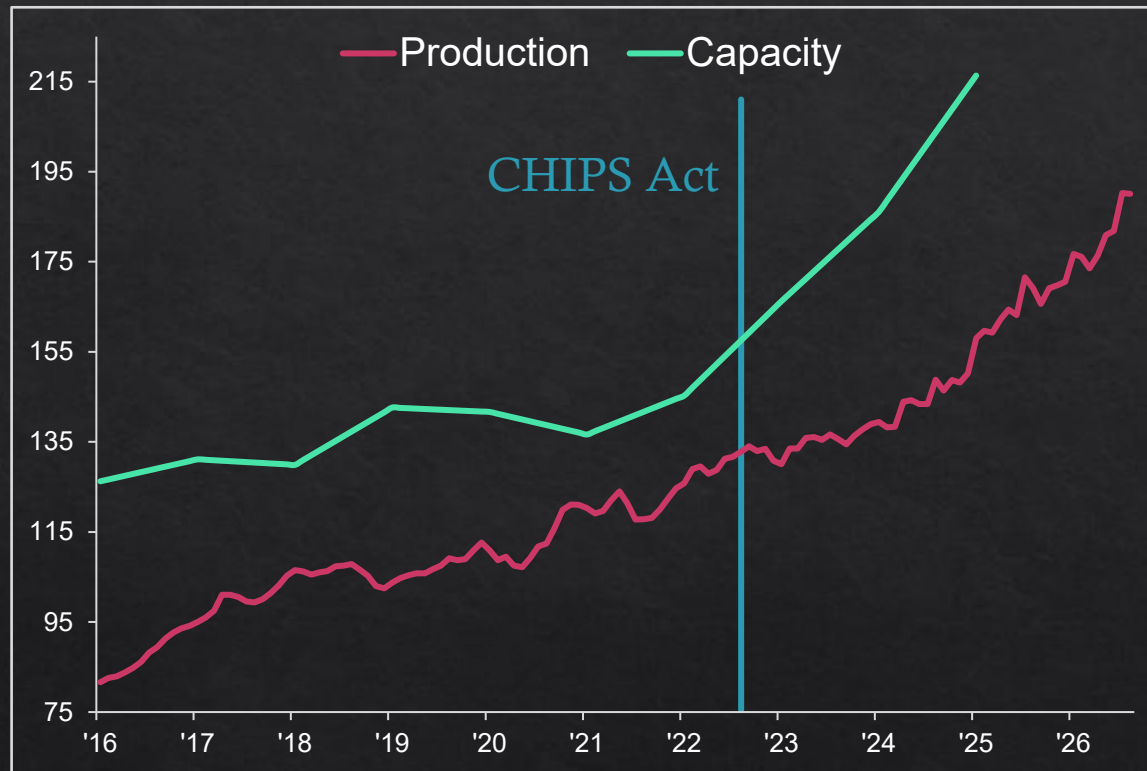
Sources: (LHS) FRED. Capacity data as of January 2025. Production data as of August 2026.

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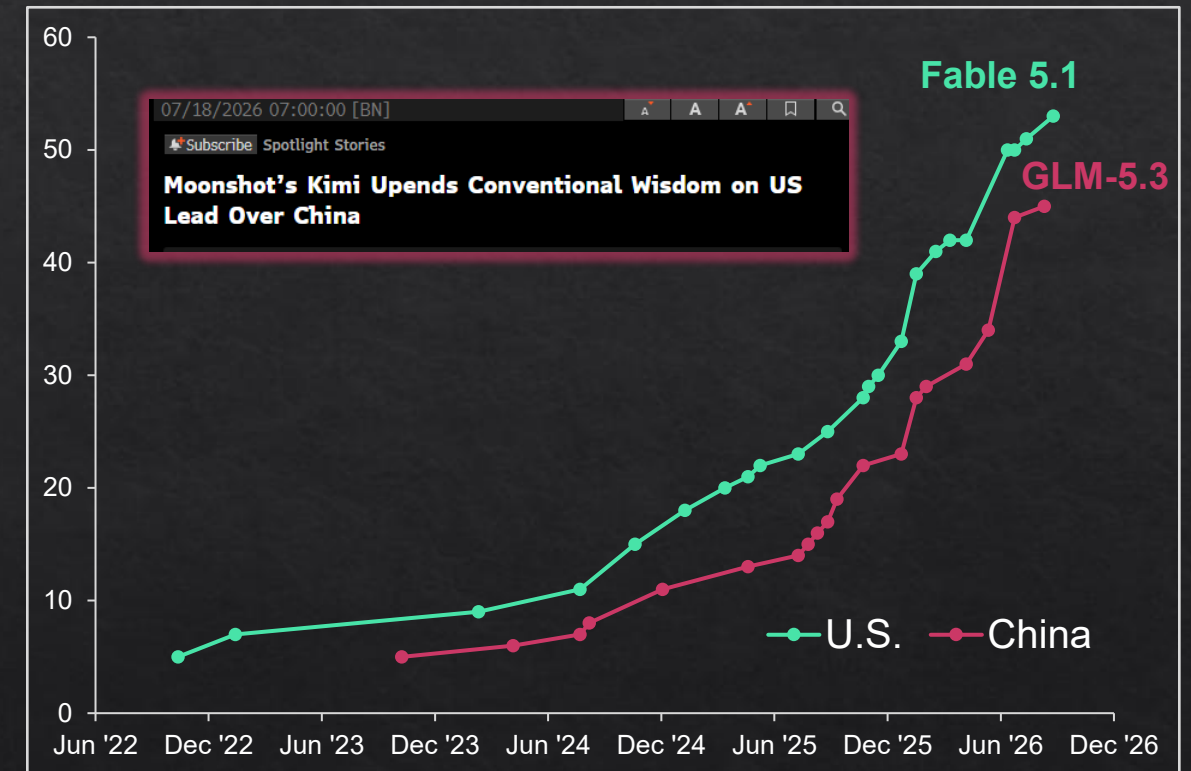
Industrial policy has focused on critical inputs...

U.S. Semiconductor production and capacity, Jan 2018=100



...but now could focus on the AI models themselves

Artificial Analysis Intelligence index score of leading AI model



Sources: (LHS) FRED. Capacity data as of January 2025. Production data as of August 2026. (RHS) Artificial Analysis. Data as of September 18, 2026.

Outlooks and past performance are no guarantee of future results. It is not possible to invest directly in an index. Please refer to "Definition of Indices and Terms" for important information.

Focus on National Champions across four C's: compute, conflict, climate, and chokepoints

Earning expectations validate outperformance for strategic companies

Strategic companies, cumulative change, %



Sources: J.P. Morgan Private Bank; Bloomberg Finance L.P. Data as of September 18, 2026. Note: EPS based on 12m fwd. consensus expectations. 10 strategic companies (MU; GFS; INTC; GD; TXN; MP; UUUU; LEU; SGML; HII).

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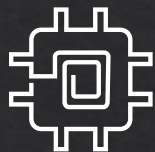
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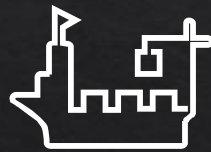
Compute → Sovereign AI strategies, electrification



Conflict → Defense systems & technology



Chokepoints → Energy, natural resources, agriculture



Climate → Renewable power, energy storage, adaptation



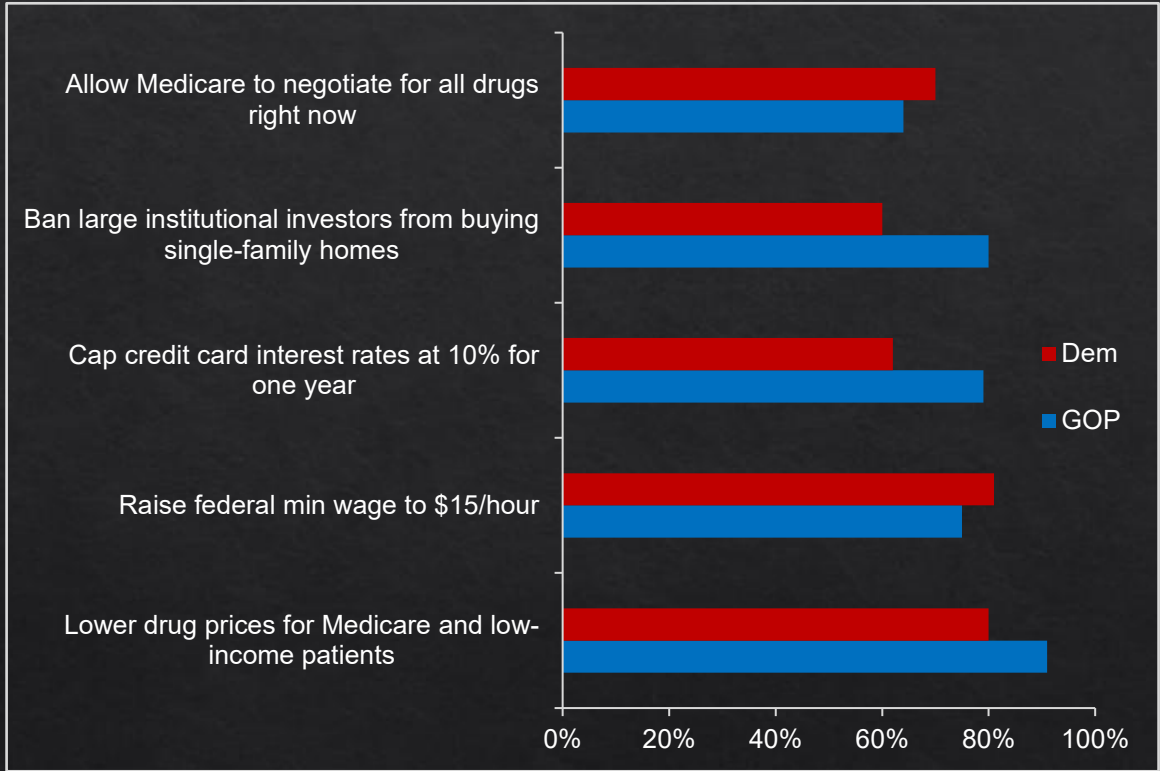
Sources: J.P. Morgan Private Bank; Bloomberg Finance L.P. Data as of September 18, 2026. Note: EPS based on 12m fwd. consensus expectations. 10 strategic companies (MU; GFS; INTC; GD; TXN; MP; UUUU; LEU; SGML; HII).

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The key political risk for investors is the rise of populist policies

Both Democrats and Republicans have embraced populist policies...

Support for the issue by party affiliation, %



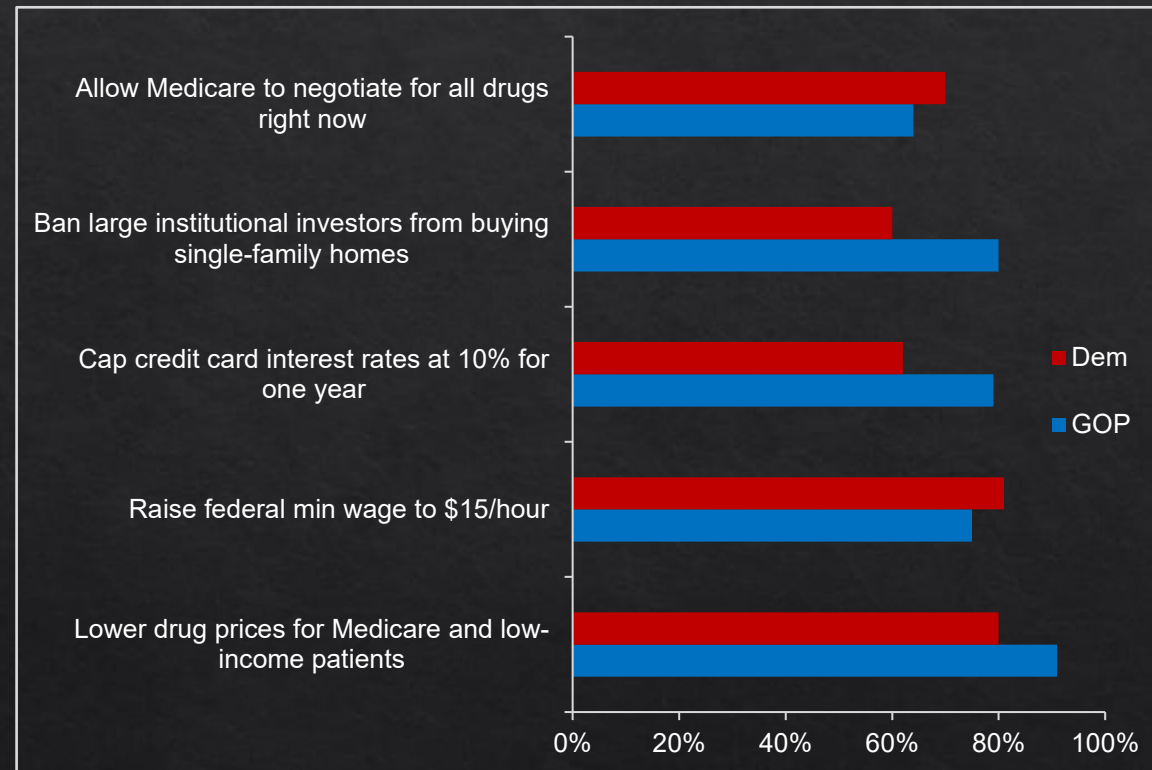
Sources: (LHS) FRED. Capacity data as of January 2025. Production data as of January 2026.

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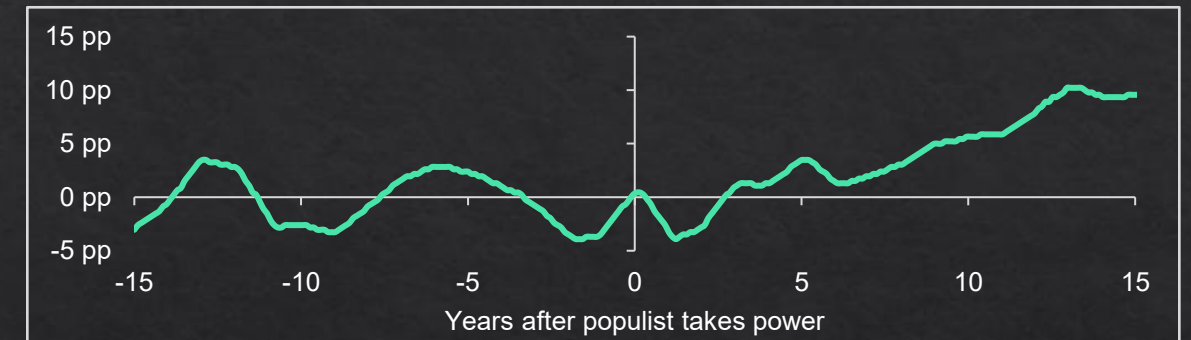
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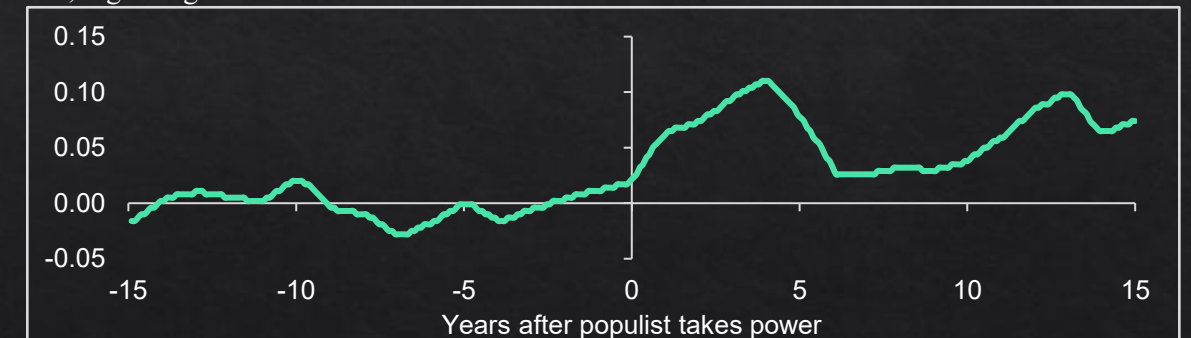
...that risk raising government debt...

Change in debt/GDP ratio, percentage points



...and inflation

CPI, log change



Sources: (LHS) FRED. Capacity data as of January 2025. Production data as of January 2026. (RHS) Funke, Schularick, and Trebesch, Kiel Institute for the World Economy. Data as of 2023.

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What next?

A.I.

Can AI continue to climb the wall of worry?

Global Fragmentation

Will the midterms mark a structural shift in geopolitics?

Inflation

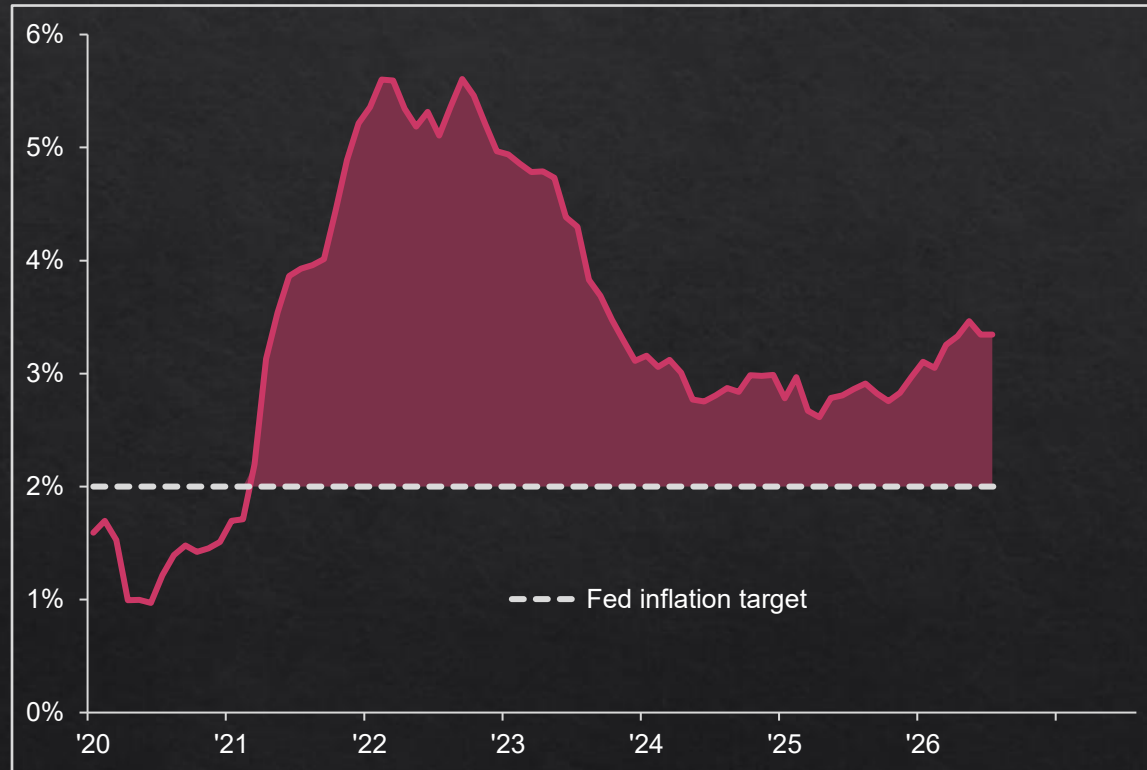
Will inflation move back towards target, or will the target move towards inflation?

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We expect a higher floor for inflation, with more interest rate volatility

Inflation has been well above Fed target...

PCE year-over-year inflation, %



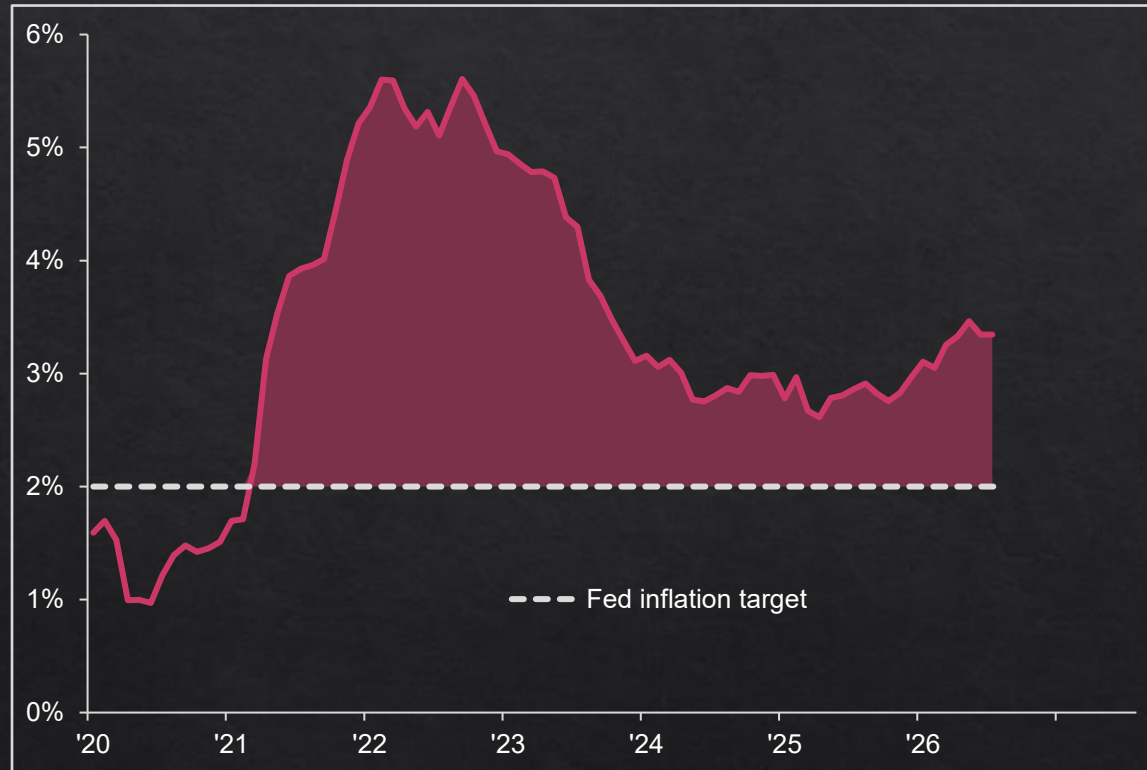
Source: (LHS) Bloomberg Finance L.P. Data as of July 2026.

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We expect a higher floor for inflation, with more interest rate volatility

Inflation has been well above Fed target...

PCE year-over-year inflation, %



...but slightly higher rates likely won't solve the inflation problem.

Effective fed funds rate and market expectations for the Fed funds rate, %



Sources: (LHS) Bloomberg Finance L.P. Data as of July 2026. (RHS) Bloomberg Finance L.P. Data as of September 18, 2026.

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Political drivers increase inflation risk

The U.S. debt path is on a dangerous trajectory...

U.S. federal debt held by the public, % of GDP



Sources: (LHS) Haver Analytics, Congressional Budget Office. Data as of February 2026.

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Sources: (LHS) Haver Analytics, Congressional Budget Office. Data as of February 2026. (RHS) CBO. Data as of December 2024.

...and the legislative options are unpalatable
U.S. federal debt held by the public, % of GDP

Table 1-1. Projected Savings From Options for Reducing the Deficit		
Billions of dollars		
Option	Title	Savings, 2025–2034*
Mandatory Spending		
1	Reduce Subsidies in the Crop Insurance Program	47
2	Raise Fannie Mae's and Freddie Mac's Guarantee Fees and Decrease Their Eligible Loan Limits	7 to 15
3	Eliminate the Add-On to Pell Grants, Which Is Funded With Mandatory Spending	44 ^a
4	Establish Caps on Federal Spending for Medicaid	459 to 893
5	Limit State Taxes on Health Care Providers	48 to 612
6	Reduce Federal Medicaid Matching Rates	69 to 561
7	Increase the Premiums Paid for Medicare Part B	510
8	Reduce Medicare Advantage Benchmarks	489
9	Adopt a Voucher Plan and Slow the Growth of Federal Contributions for Federal Employees' Health Benefits	14 to 16 ^b
10	Introduce Enrollment Fees in TRICARE for Life	17
11	Introduce Minimum Out-of-Pocket Requirements in TRICARE for Life	32
12	Change the Cost-Sharing Rules for Medicare and Restrict Medigap Insurance	20 to 129
13	Reduce Medicare's Coverage of Bad Debt	17 to 54
14	Consolidate and Reduce Medicare Payments for Graduate Medical Education at Teaching Hospitals	94 to 103
15	Modify Payments to Medicare Advantage Plans for Health Risk	124 to 1,049
16	Reduce Payments for Hospital Outpatient Departments	6 to 157
17	Reduce Payments for Drugs Delivered by 340B Hospitals	15 to 74
18	Eliminate Subsidies for Certain Meals in the National School Lunch, School Breakfast, and Child and Adult Care Food Programs	14
19	Reduce Social Security Benefits for High Earners	48 to 197
20	Establish a Uniform Social Security Benefit	283 to 607
21	Raise the Full Retirement Age for Social Security	95
22	Require Social Security Disability Insurance Applicants to Have Worked More in Recent Years	60
23	Introduce Means-Testing for Eligibility for VA's Disability Compensation	384
24	End VA's Individual Unemployment Payments to Disabled Veterans at the Full Retirement Age for Social Security	14 to 61
25	Reduce VA's Disability Benefits for Veterans Who Are Older Than the Full Retirement Age for Social Security	34
26	Narrow Eligibility for VA's Disability Compensation by Excluding Veterans With Low Disability Ratings	11 to 59
27	Use an Alternative Measure of Inflation to Index Social Security and Other Mandatory Programs	278
Discretionary Spending		
28	Reduce the Department of Defense's Annual Budget	959
29	Cap Increases in Basic Pay for Military Service Members	22 ^c
30	Replace Some Military Personnel with Civilian Employees	17 ^d
31	Stop Building Ford Class Aircraft Carriers	15
32	Cancel the Long-Range Standoff Weapon	15
33	Cancel the Army's Future Long-Range Assault Aircraft	11
34	Reduce the Size of the Bomber Force by Retiring the B-1B	6
35	Reduce the Size of the Fighter Force by Retiring the F-22	29
36	Reduce the Basic Allowance for Housing to 80 Percent of Average Housing Costs	17 ^e
37	Reduce Funding for International Affairs Programs	187
38	Eliminate Federal Funding for National Community Service	10
39	Tighten Eligibility for Pell Grants	22 ^f
40	End Enrollment in VA Medical Care for Veterans in Priority Groups 7 and 8	60 ^g
41	Reduce the Annual Across-the-Board Adjustment for Federal Civilian Employees' Pay	77 ^h
42	Reduce Selected Nondefense Discretionary Spending	339
43	Reduce Funding for Certain Grants to State and Local Governments	67
44	Repeal the Davis-Bacon Act	18 ⁱ

Table 1-1. Projected Savings From Options for Reducing the Deficit			Continued
Billions of dollars			Billions of dollars
Option	Title	Revenues	Savings, 2025–2034*
45	Increase Individual Income Tax Rates on Ordinary Income		570 to 1,185
46	Impose a Surtax on Individuals' Adjusted Gross Income		1,051 to 1,440
47	Raise the Tax Rates on Long-Term Capital Gains and Qualified Dividends by 2 Percentage Points		103
48	Eliminate or Modify Head-of-Household Filing Status		76 to 209
49	Eliminate or Limit Itemized Deductions		736 to 3,424
50	Limit the Deduction for Charitable Giving		324 to 348
51	Change the Taxation of Assets Transferred at Death		197 to 536
52	Eliminate the Tax Exemption for New Qualified Private Activity Bonds		43
53	Expand the Base of the Net Investment Income Tax to Include the Income of Active Participants in S Corporations and Limited Partnerships		420
54	Tax Carried Interest as Ordinary Income		13
55	Include VA's Disability Payments in Taxable Income		235
56	Reduce Tax Subsidies for Employment-Based Health Benefits		521 to 965
57	Further Limit Annual Contributions to Retirement Plans		187
58	Eliminate Certain Tax Preferences for Education Expenses		130
59	Lower the Investment Income Limit for the Earned Income Tax Credit and Extend That Limit to the Refundable Portion of the Child Tax Credit		11
60	Require People Who Claim the Earned Income Tax Credit and Child Tax Credit to Have a Social Security Number That Is Valid for Employment		28
61	Impose a New Payroll Tax		1,282 to 2,540
62	Increase the Maximum Taxable Earnings That Are Subject to Social Security Payroll Taxes		728 to 1,427
63	Expand Social Security to Include Newly-Hired State and Local Government Employees		149
64	Increase the Corporate Income Tax Rate by 1 Percentage Point		136
65	Tax All Foreign Income of U.S. Corporations at the Full Statutory Corporate Rate		340
66	Repeal the "Last In, First Out" Approach to Inventory Identification and the "Lower of Cost or Market" and "Subnormal Goods" Methods of Inventory Valuation		104
67	Require Half of Advertising Expenses to Be Amortized Over 5 or 10 Years		83 to 177
68	Repeal the Low-Income Housing Tax Credit		69
69	Increase Taxes on Alcoholic Beverages		88 to 102
70	Increase Excise Taxes on Tobacco Products		51
71	Increase Excise Taxes on Motor Fuels and Index Them for Inflation		212
72	Impose a 5 Percent Value-Added Tax		2,180 to 3,380
73	Impose a Tax on Emissions of Greenhouse Gases		645 to 919
74	Impose a Tax on Financial Transactions		297
75	Increase Certain Fees Charged by Citizenship and Immigration Services and Customs and Border Protection by 20 Percent		16
76	Increase Federal Civilian Employees' Contributions to the Federal Employees Retirement System		40

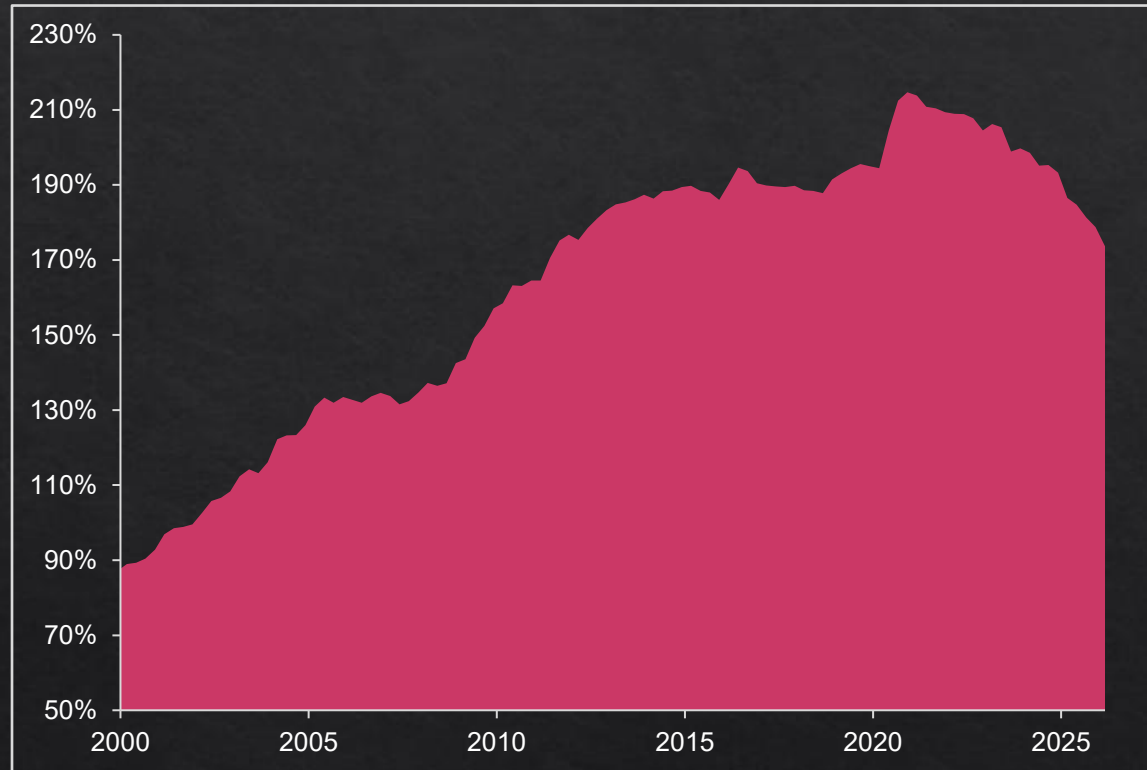
Data sources: Congressional Budget Office; staff of the Joint Committee on Taxation.
VA = Department of Veterans Affairs.
a. For options affecting primarily mandatory spending or revenues, savings sometimes would derive from changes in both. When that is the case, the savings shown include effects on both mandatory spending and revenues. For options affecting primarily discretionary spending, the savings shown are the decrease in discretionary outlays.
b. Savings do not encompass all budgetary effects.

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The U.S. may learn a lesson from Japan's policy path

Japan drove nominal growth to reduce their debt load...

Government debt as a % of GDP



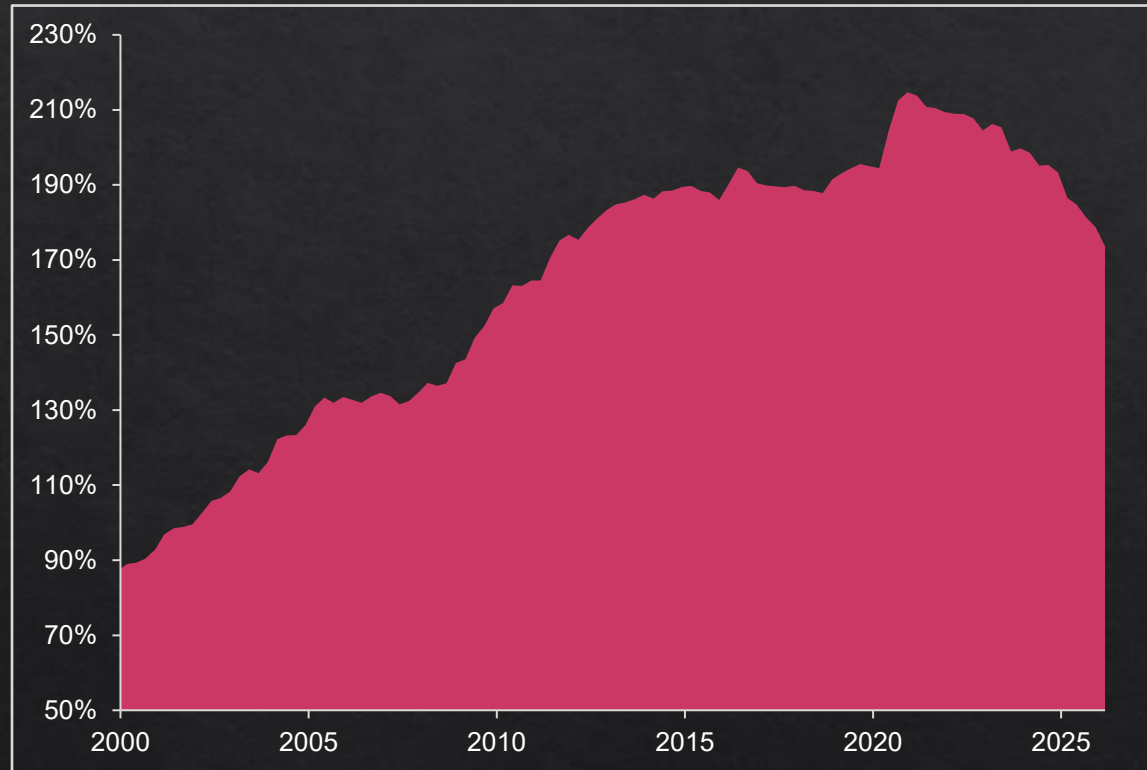
Sources: (LHS) Haver Analytics, World Bank, International Monetary Fund. Data as of March 31, 2026.

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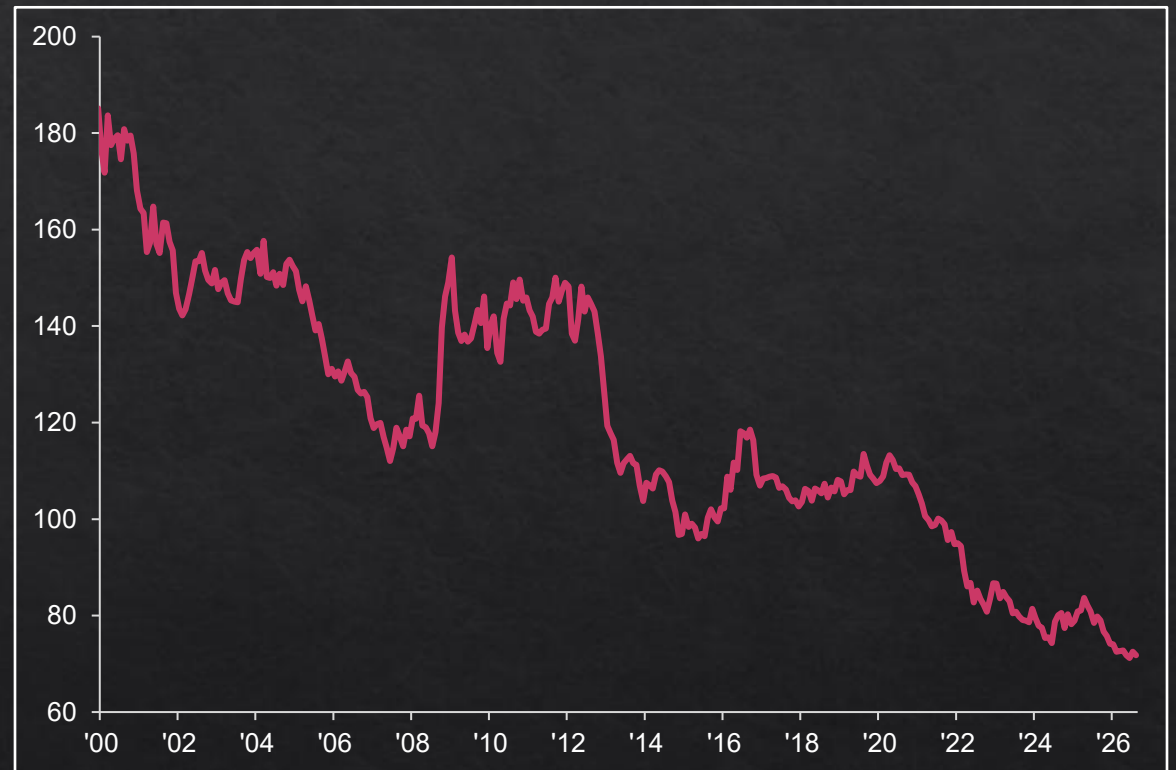
Japan drove nominal growth to reduce their debt load...

Government debt as a % of GDP



...but the Yen paid the price

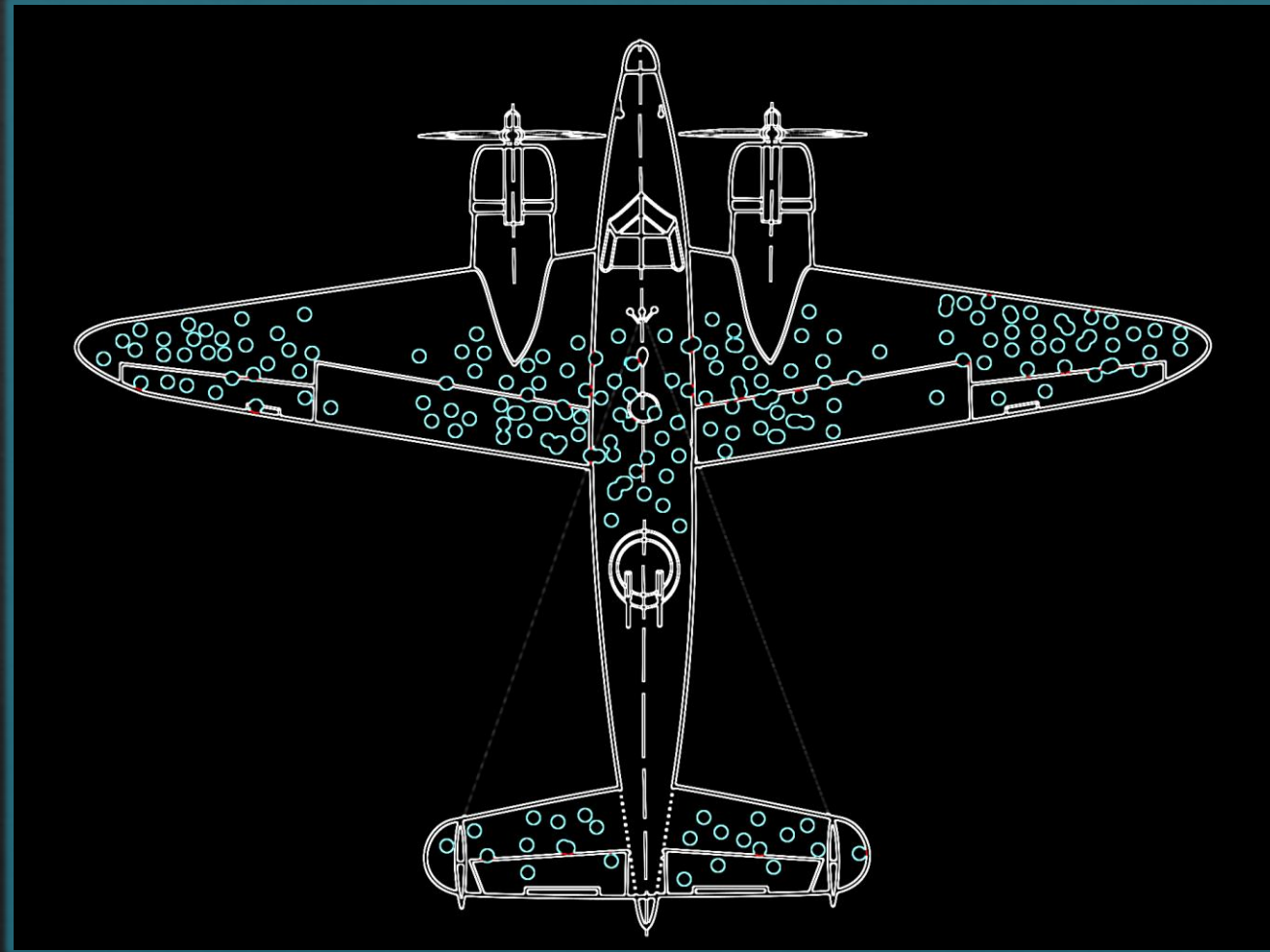
Japan real effective exchange rate



Sources: (LHS) Haver Analytics, World Bank, International Monetary Fund. Data as of March 31, 2026. (RHS) Bloomberg Finance L.P. Data as of August 31, 2026.

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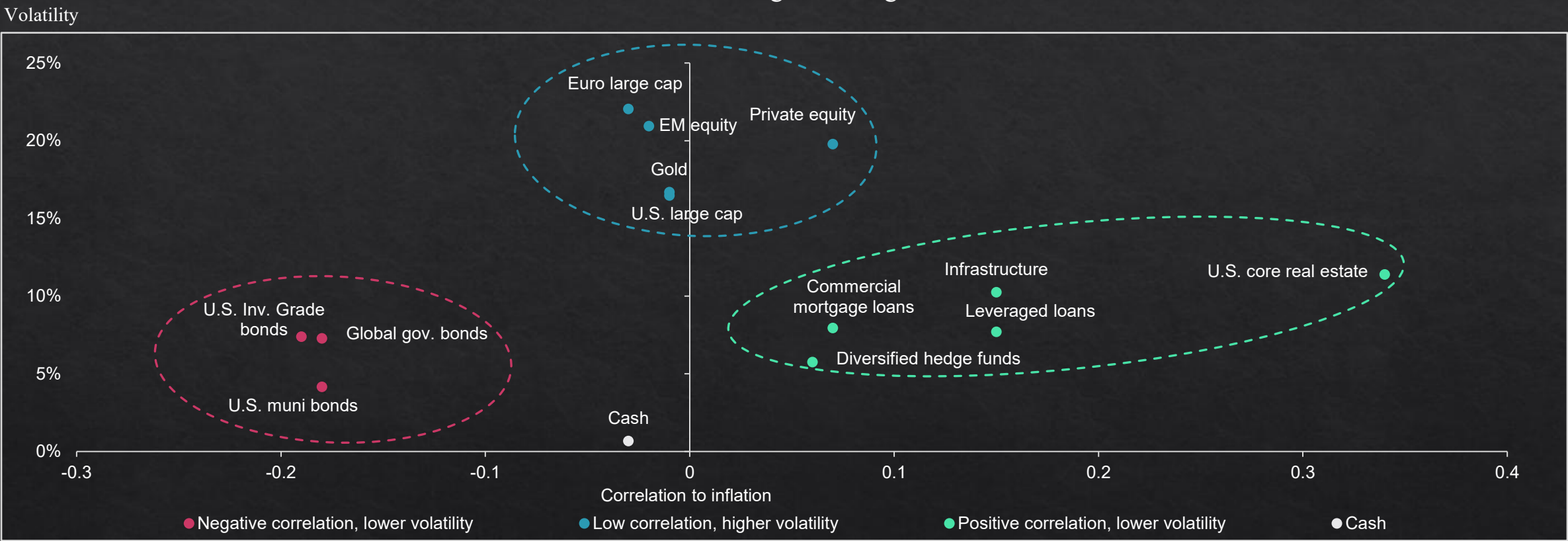
Plan with intent to protect against the risks that are hard to see



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Consider diversifying into real assets to hedge against portfolio level drawdowns

Investors should consider commodities, real assets, and alternative strategies to hedge inflation risk



Source: J.P. Morgan Asset Management Long-Term Capital Market Assumptions. Data as of September 30, 2025.

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What next?

A.I.

Can AI continue to climb the wall of worry?

Yes, AI is the key theme for global markets.

Global Fragmentation

Will the midterms mark a structural shift in geopolitics?

No, security spending and government intervention will endure.

Inflation

Will inflation move back towards target, or will the target move towards inflation?

Inflation and bond yields are likely to remain volatile. Invest accordingly.

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Special Topics

Populist attacks on the private sector generally led to rules-based reform



Lessons for the labor market: Agriculture



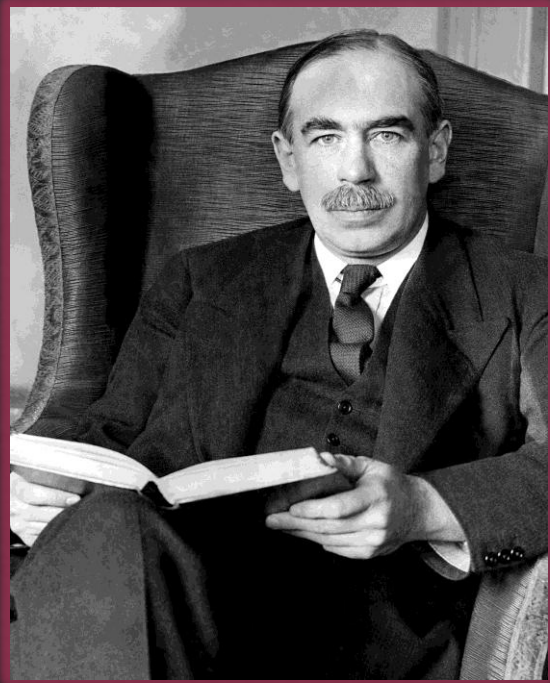
Lessons for the labor market: Electricity



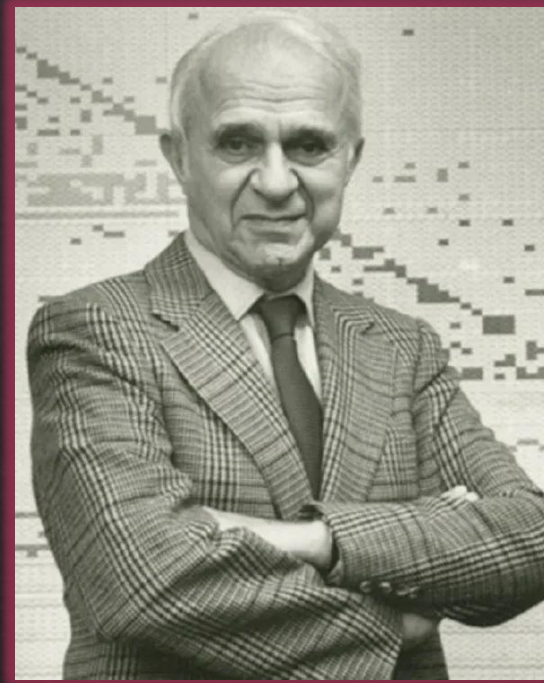
Lessons for the labor market: Information Technology



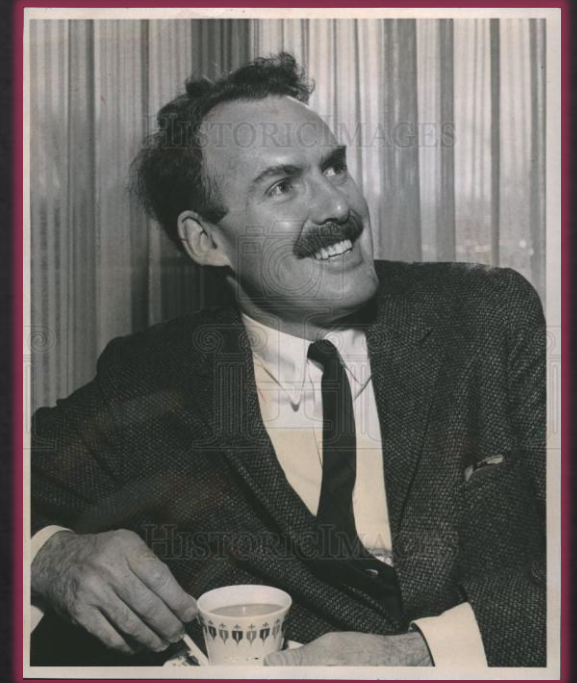
Lessons for the labor market: Ghosts of pessimists past



“We are being afflicted **with a new disease**...namely, **technological unemployment**. This means unemployment due to our discovery of means of economizing the use of labor outrunning the pace at which we can find new uses for labor”
– John Maynard Keynes, 1930



“The role of humans as the most important factor of production is bound to diminish—in the same way that the role of **horses in agricultural production** was first diminished and then eliminated by the introduction of tractors.”
– Wassily Leontief, 1983



“The traditional link between jobs and incomes is being broken...Wealth produced by machines rather than by men is still wealth, and **society must provide every individual with an adequate income** as a matter of right.”
– Robert Theobald, *The Triple Revolution Memorandum*, 1964

Sources: (LHS) *Economic Possibilities for our Grandchildren*. (Center) *National Perspective: The Definition of Problem and Opportunity*. (RHS) Statement by the Ad Hoc Committee on the Triple Revolution.

#2: “China will commoditize the models”

Chinese AI models seem to be pressuring token prices...

Chinese models' share of queries on OpenRouter

Cost per million tokens, \$



Sources: (LHS) Empirical Research Partners Analysis, OpenRouter, Silicon Data, Bloomberg Finance L.P. Note: Share of queries on OpenRouter. (RHS) Artificial Analysis. Data as of August 5, 2026.

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#2: “China will commoditize the models” – Maybe, but the cost advantage is not what it seems

Chinese AI models seem to be pressuring token prices...

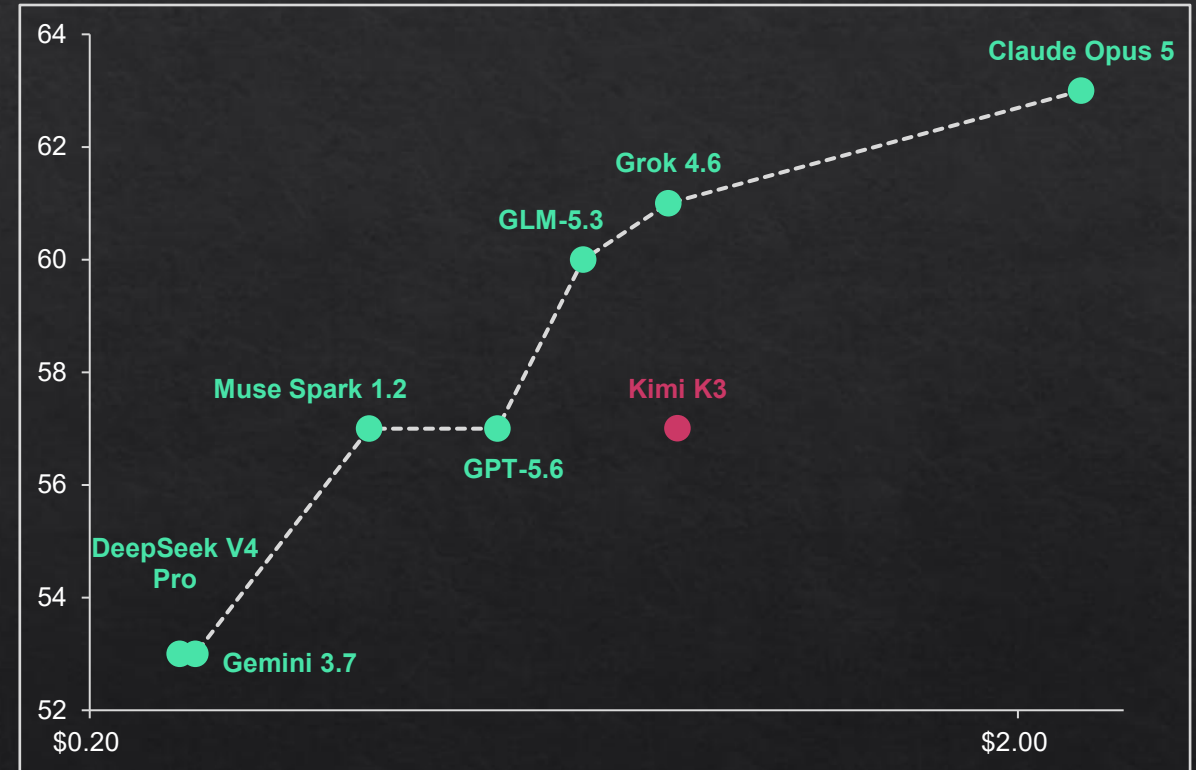
Chinese models' share of queries on OpenRouter

Cost per million tokens, \$



...but consumers care about a quality/cost mix

Weighted average cost per task vs. Artificial Analysis Intelligence Index



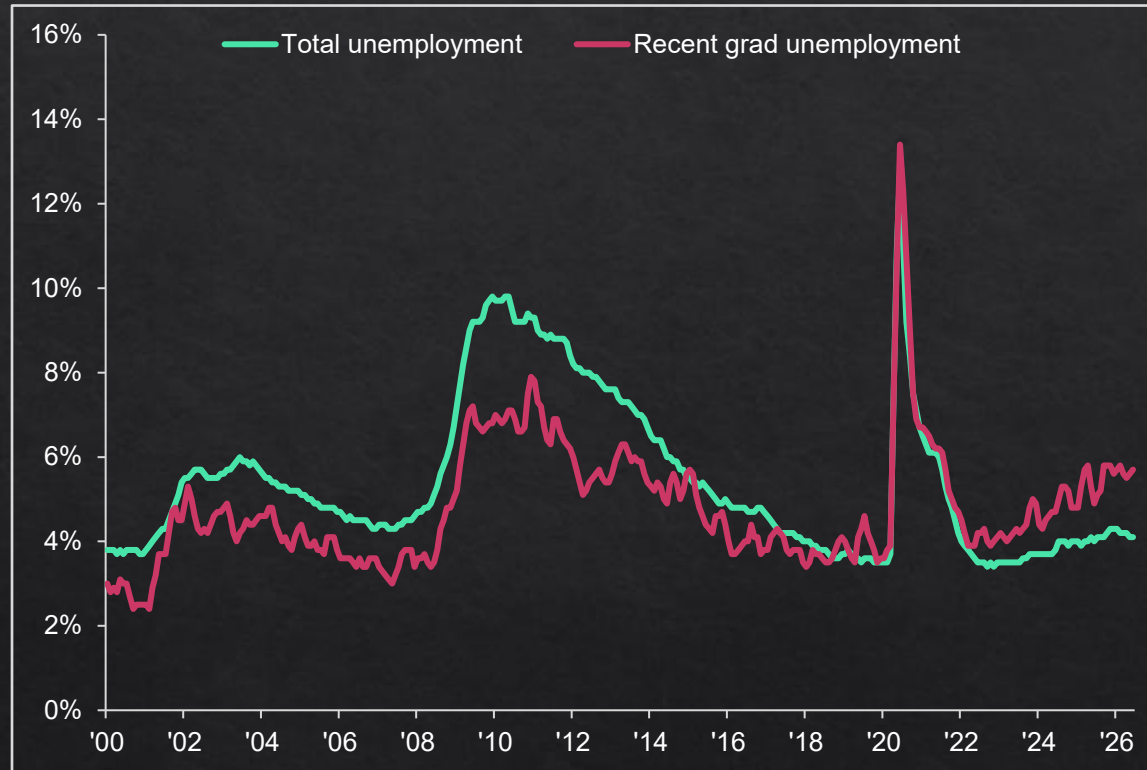
Sources: (LHS) Empirical Research Partners Analysis, OpenRouter, Silicon Data, Bloomberg Finance L.P. Note: Share of queries on OpenRouter. (RHS) Artificial Analysis. Data as of August 5, 2026.

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#4: “AI is going to crush the jobs market”

Recent graduate unemployment is rising...

Unemployment rate, %



Sources: (LHS) Federal Reserve Bank of New York. Data as of June 2026. (RHS) Kharazian, A. Simon, L., and Ryan Stevens, 2026. “A New Look at AI’s Impact on Jobs: Firm-Level AI Spending and Workforce Adjustment,” Ramp, Revelio Labs. Data as of June 2026. Note: Period examined dates from January 2021. Constituents are the subset of over 5,000 firms that adopted AI at some point over the sample period. AI adoption is when a firm spends at least \$100 every month for three consecutive months on AI subscriptions. High AI intensity is the highest tercile of AI spending per employee; Low AI-Intensity is the bottom two terciles. Adopting firms are compared to other firms in the same intensity cohort that haven’t yet adopted but ultimately do, rather than to firms that never adopt AI; the latter firms have very different characteristics and aren’t directly comparable.

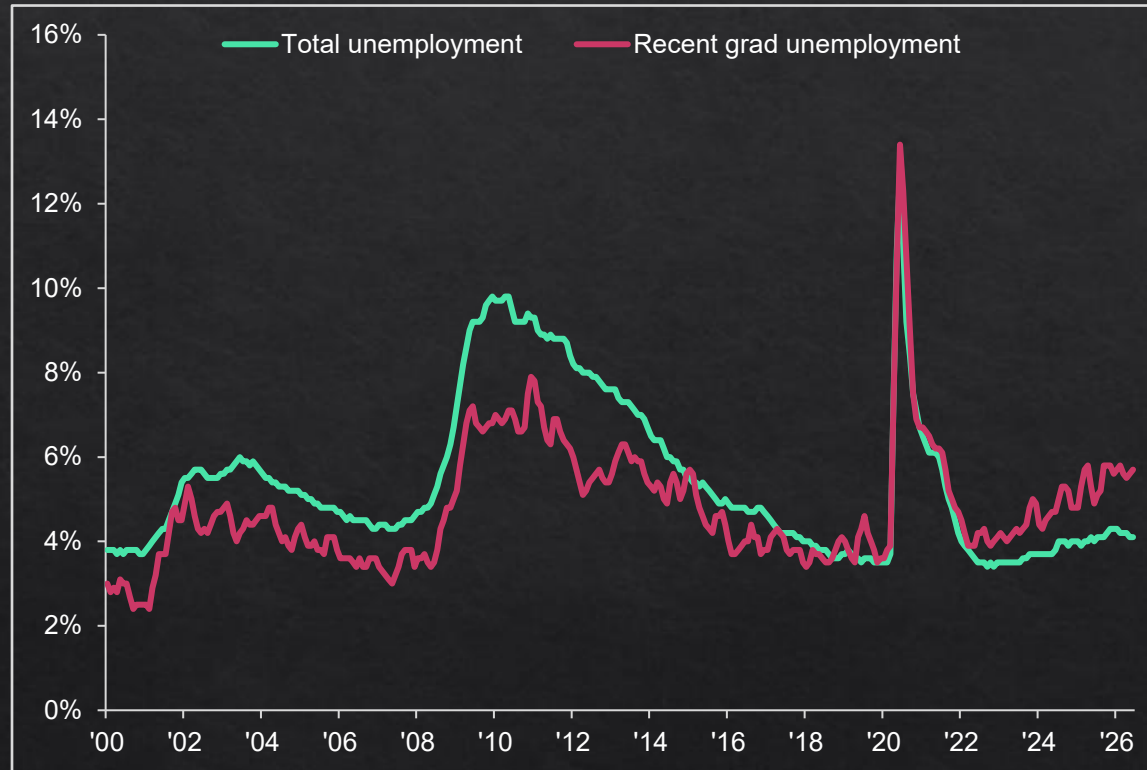
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#4: “AI is going to crush the jobs market” – Maybe, but disruption always has consequences

Recent graduate unemployment is rising...

Unemployment rate, %



...but AI users hire more than non-AI users

Growth in headcount around the adoption of AI by intensity of AI use, %



Sources: (LHS) Federal Reserve Bank of New York. Data as of June 2026. (RHS) Kharazian, A. Simon, L., and Ryan Stevens, 2026. “A New Look at AI’s Impact on Jobs: Firm-Level AI Spending and Workforce Adjustment,” Ramp, Revelio Labs. Data as of June 2026. Note: Period examined dates from January 2021. Constituents are the subset of over 5,000 firms that adopted AI at some point over the sample period. AI adoption is when a firm spends at least \$100 every month for three consecutive months on AI subscriptions. High AI intensity is the highest tercile of AI spending per employee; Low AI-Intensity is the bottom two terciles. Adopting firms are compared to other firms in the same intensity cohort that haven’t yet adopted but ultimately do, rather than to firms that never adopt AI; the latter firms have very different characteristics and aren’t directly comparable.

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Appendix & Disclosures

Appendix

Definitions of indices and terms (1/3)

Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool.

All indices denominated in U.S. dollars unless noted otherwise.

Capital expenditures, or capex, refers to funds that a company uses to acquire or upgrade physical assets such as property, industrial buildings or equipment. It is often used to undertake new projects or investments by the firm.

A certificate of deposit (CD) is a savings certificate usually issued by a commercial bank with a fixed maturity date and specified fixed interest rate.

The CBOE Volatility Index (VIX) is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500® Index and is calculated by using the midpoint of real-time S&P 500 Index (SPX) option bid/ask quotes.

The Consumer Price Index (CPI) consists of a family of indexes that measure price change experienced by urban consumers. Specifically, the CPI measures the average change in price over time of a market basket of consumer goods and services.

The CSI 300 is a capitalization-weighted stock market index designed to replicate the performance of the top 300 stocks traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible.

The Bloomberg 1-15 Year Blend (1-17) Muni Index is a component of the Bloomberg Municipal Bond index, including bonds with maturity dates between one and 17 years. The index is not available for direct investment.

The Bloomberg Emerging Markets USD Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes fixed and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers.

The Bloomberg Global Aggregate Index provides a broad-based measure of the global investment grade fixed-rate debt markets. It is comprised of the U.S. Aggregate, Pan-European Aggregate, and the Asian-Pacific Aggregate Indexes. It also includes a wide range of standard and customized subindices by liquidity constraint, sector, quality and maturity.

The Bloomberg Government Bond Index is an index that measures the performance of all public U.S. government obligations with remaining maturities of one year or more.

The Bloomberg Municipal Bond Index is a market-value-weighted index designed to represent the long-term investment-grade tax-exempt bond market.

The Bloomberg Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer.

The Bloomberg U.S. Aggregate Bond Index is index composed of taxable bond issues rated BBB or higher, with one year or more to maturity and outstanding par value of \$100 million or more.

The Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

The Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

The Bloomberg U.S. Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

The Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.

The Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements.

Appendix

Definitions of indices and terms (2/3)

The FTSE NAREIT All Equity REITs (FNER) Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

An ESG Scored & Screened Index is a rules-based benchmark that first applies ESG screens (e.g., exclusions for certain sectors, norms violations, or severe controversies) to remove ineligible companies, then scores the remaining securities on environmental, social, and governance metrics and selects or weights them by those scores to tilt toward higher-ESG performers.

An evergreen alternative investment is an investment vehicle, such as a fund or structure, that does not have a fixed end date or maturity. Instead, it remains open-ended, allowing for ongoing capital inflows and outflows, and continuous investment in alternative assets like private equity, private credit, real estate, or infrastructure.

The FTSE 100, or the Financial Times Stock Exchange 100 Index, is the United Kingdom's best-known stock market index of the 100 most highly capitalised blue chip companies listed on the London Stock Exchange.

The ICE Variable Rate Preferred & Hybrid Securities Index (PVAR) is designed to track the performance of floating- and variable-rate investment-grade and below-investment-grade U.S. dollar preferred stock, as well as certain types of hybrid securities determined by the index provider, comparable to preferred stocks, that are issued by corporations in the U.S. market.

The iShares Preferred and Income Securities ETF is an exchange-traded fund incorporated in the U.S. and seeks to track the investment results of ICE Exchange-Listed Preferred & Hybrid Securities Index.

The J.P. Morgan Asia Credit Index (JACI) is an all-inclusive benchmark that tracks liquid, U.S.-dollar denominated debt instruments issued out of the Asia ex-Japan region. The index includes debt issued by Corporate, Sovereign, and Quasi Sovereign entities from the region spanning both Investment Grade and High Yield debt segments.

The J.P. Morgan Corporate Emerging Market Bond Index (CEMBI) captures U.S. dollar-denominated emerging market corporates external debt.

The J.P. Morgan Emerging Market Bond Global Index (EMBI) includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The J.P. Morgan Domestic High Yield Index is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The J.P. Morgan U.S. Liquid Index (JULI) captures U.S. dollar-denominated high-grade bonds.

The Magnificent Seven stocks are a group of influential companies in the U.S. stock market: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla.

The MSCI AC Asia ex Japan Index captures large and mid-cap representation across 2 of 3 Developed Markets (DM) countries (excluding Japan) and 8 Emerging Markets (EM) countries in Asia.

The MSCI All-country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The MSCI Brazil Index is designed to measure the performance of the large and mid-cap segments of the Brazilian market. It covers about 85% of the Brazilian equity universe.

The MSCI China Index captures large and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). It covers about 85% of this China equity universe.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The MSCI Europe ex UK Index captures large and mid-cap representation across 14 Developed Markets (DM) countries in Europe. It covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

The MSCI India Index is designed to measure the performance of the large and mid-cap segments of the Indian market. It covers approximately 85% of the Indian equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid-cap segments of the Japanese market.

The MSCI Korea Index is designed to measure the performance of the large and mid-cap segments of the South Korean market. It covers about 85% of the Korean equity universe.

Appendix

Definitions of indices and terms (3/3)

The MSCI Taiwan Index is designed to measure the performance of the large and mid-cap segments of the Taiwan market. It covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

The MSCI Taiwan Index is designed to measure the performance of the large and mid-cap segments of the Taiwan market. It covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

The MSCI World Index is a free-float weighted equity index. It includes developed world markets and does not include emerging markets. MXWD includes both emerging and developed markets.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

The Nikkei 225 Index, or the Nikkei Stock Average, is a stock market index for the Tokyo Stock Exchange. It is a price-weighted index, operating in the Japanese Yen.

A **P/E (price-to-earnings) ratio** is a valuation ratio of a company's current share price compared to its per share earnings. Calculated as market value per share divided by earnings per share (EPS).

The Personal Consumption Expenditures (PCE) Price Index is measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

The Purchasing Managers' Index (PMI) is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors.

SPDR Gold Shares is intended to reflect the performance of the price of gold bullion, less the Trust's expenses. The Trust holds gold and is expected from time to time to issue Baskets in exchange for deposits of gold and to distribute gold in connection with redemptions of Baskets.

The Solactive United States 2000 Index intends to track the performance of the largest 1001 to 3000 companies from the United States stock market. Constituents are selected based on company market capitalization and weighted by free float market capitalization.

The S&P Midcap 400 Index, also known as Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market.

The S&P 500, also known as Standard and Poor's 500, is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

The STOXX Europe 600 Index, also known as the SXXP Index, tracks 600 publicly traded companies based in Europe's developed economies, replicating almost 90% of the underlying investable market.

The TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The index is supplemented by the subindices of the 33 industry sectors.

Total return calculations track both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the return.

Russell 3000 is a market capitalization-weighted benchmark index made up of the 3000 largest US stocks - about 98% of the US equity market.

JPMAM Long-Term Capital Market Assumptions

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Key risks

Alternative investments

Investing in alternative assets involves higher risks than traditional investments, including, without limitation, limited liquidity and valuation risk, and is suitable only for investors with sufficient knowledge and sophistication to evaluate the merits and risks of such investments. Alternative investments should not be deemed a complete investment program and distributions are not guaranteed. They may not be tax efficient, and an investor should consult with their tax professional prior to investing. Alternative investments often have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the investment loss or gain—including risk of loss of the entire investment. For comprehensive details around unique set of risks for specific alternative investments, please consult the offering memorandum.

Bonds

Bonds are subject to interest rate risk, credit and default risk of the issuer. Bond prices generally fall when interest rates rise.

Commodities

Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Cryptocurrency

Investments in digital assets and cryptocurrencies, or other investment vehicles holding or referencing digital assets, are highly speculative and involve significant risks, including, but not limited to, increased volatility, ongoing regulatory uncertainty including lack of clear precedent in various jurisdictions surrounding digital assets, cybersecurity risk relating to digital asset holdings, and increased sensitivity to news, speculation and manipulation. Likewise, various digital assets may differ from one another in their technological characteristics, regulatory treatment, market convention and performance. There is limited data on the performance of digital assets and products referencing digital assets (although in no case should historical performance be taken as an indication of future performance). You should consider these unique characteristics and whether these assets are suitable for you when making an investment decision.

Diversification

Diversification and asset allocation does not ensure a profit or protect against loss.

Emerging markets

Investing in emerging markets involves a greater degree of risk and increased volatility compared to developed markets. Changes in currency exchange rates and differences in accounting and taxation policies outside the investor's jurisdiction can raise or lower returns. Some markets may not be as politically and economically stable, in addition to differences in taxation policies, and legal systems outside the investor's jurisdiction may create additional risks. Investors should carefully consider these risks and consult with financial and legal advisors before investing in emerging markets.

Equities

The price of equity securities may rise or fall due to the changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Share values can rise with strong earnings or positive market expectations, but they can also fall due to weak earnings or negative sentiment, and dividends are not guaranteed.

Fixed income

Investing in fixed income products (such as bonds) is subject to certain risks, including, but not limited to, interest rate, credit, inflation, call, default, prepayment and reinvestment risk. Any fixed income security sold or redeemed prior to maturity may be subject to substantial gain or loss.

High yield bonds

High yield bonds (rated at or below BB+/ba1 or unrated) are speculative, non-investment grade securities with increased risk of default and loss. These investments are suitable only for investors able to bear higher risk.

International investments

International investments may not be suitable for all investors. International investing involves a greater degree of risk and increased volatility. Some international markets may not be politically or economically stable. Foreign holdings are subject to currency risk, as fluctuations in exchange rates between the investment's foreign currency and the holder's domestic currency can affect the value of the investment.

Municipal bonds

Investors should understand the potential tax liabilities surrounding a municipal bond purchase. Certain municipal bonds are federally taxed if the holder is subject to alternative minimum tax. Capital gains, if any, are federally taxable. The investor should note that the income from tax-free municipal bond funds may be subject to state and local taxation and the alternative minimum tax (AMT).

Preferreds

Preferred securities share characteristics of both stocks and bonds. Preferred securities are typically long dated securities with call protection that fall in between debt and equity in the capital structure. Preferred securities carry various risks and considerations which include: concentration risk; interest rate risk; lower credit ratings than individual bonds; a lower claim to assets than a firm's individual bonds; higher yields due to these risk characteristics; and "callable" implications meaning the issuing company may redeem the stock at a certain price after a certain date.

Small capitalization equities

Investments in smaller capitalization companies often involve significantly greater risks than the securities of larger, better-known companies because they may lack the management expertise, financial resources, product diversification and competitive strengths of larger companies. The prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies, as these securities typically are traded in lower volume and the issuers typically are more subject to changes in earnings and prospects. In addition to liquidity risks, when selling large positions in small capitalization securities, the seller may have to sell holdings at discounts from quoted prices or may have to make a series of small sales over a period of time, and dividends are not guaranteed.

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