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## Select Market Indices

As of September 30, 2026<sup>1</sup>

|                        | Q3    | YTD   | 1 Yr  | 5 Yr (A) |
|------------------------|-------|-------|-------|----------|
| US Bonds               | -3.5% | -2.9% | -1.8% | -0.6%    |
| Global Equities        | 1.6%  | 13.0% | 16.8% | 11.6%    |
| US Equities            | 2.3%  | 12.8% | 15.7% | 13.8%    |
| International Equities | 0.5%  | 14.2% | 20.0% | 9.6%     |
| Commodities            | 16.2% | 32.9% | 40.6% | 11.3%    |

# Q3 Macro & Markets Update: Better than Expected

If one phrase captures 2026 so far, it is "better than expected." Time and again this year, we've seen the economy and corporations deliver more growth than forecasters anticipated. That resilience explains much of what clients see in their portfolios: why global equities have delivered low-teens returns and, less obviously, part of why bonds have lagged. Commodities have been the strongest performer, helped in large part by a sharp rise in energy prices.

The third quarter put the economy to the test once again. Brent crude oil climbed back above \$100 a barrel as tensions in the Middle East flared, a new round of tariffs was announced, and more than 80% of developed-market central banks raised interest rates, including the Federal Reserve. Any one of these could have knocked the expansion off course. Instead, the US economy appears on track to have grown roughly 3% (annualized real GDP) in the quarter, and second-quarter earnings, reported over the summer, came in well ahead of consensus estimates. Analysts usually trim their earnings estimates as a quarter unfolds, but this time they raised them, with expected third-quarter S&P 500 growth climbing from 27% at the end of June to nearly 30% year-over-year by the end of Q3.

Markets followed earnings higher as global equities gained +1.6% in the quarter, bringing their year-to-date return to +13.0% and setting several record highs along the way. Importantly, gains have extended beyond the US, with international equities outperforming, up +14.2% this year. Because profits have grown faster than share prices, valuations fell even as markets climbed: for example, the S&P 500 now trades at about 19x forward earnings, down from 23x a year ago. In other words, this year's gains have come from earnings growth, not from investors paying more for each dollar of profit. Commodities had a standout quarter, with the Bloomberg Commodity Index up +16.2%, bringing its gain to +32.9% for the year. Energy led the way, as stalled US-Iran negotiations revived concerns about potential disruptions to Middle East supply and pushed oil and natural gas prices higher. That move reflected a rising geopolitical risk premium, while industrial metals like copper reflected the growth side of the story, supported by demand tied to the AI buildout.

The flip side of a stronger-than-expected economy is a higher cost of money. Resilient growth and heavy borrowing by governments and by companies financing AI-related spending pushed interest rates higher. Rising oil prices added to the pressure by threatening to keep inflation elevated, and interest rates have tracked oil closely in recent months. Because bond prices fall when rates rise, the Bloomberg US Aggregate Bond Index declined -3.5% in the quarter and is down -2.9% for the year. The silver lining is that bonds now start from a better place. Higher yields on the Bloomberg US Aggregate Bond Index, now at 5.6%, mean more income and better prospective return potential for patient investors.

For client portfolios, we believe diversification is working as designed. A strong economy rewarded equities, uncertainty around energy supply and AI-driven demand for metals rewarded commodities, and a modest decline reset bonds to a more attractive starting point. On the pages that follow, we look first at the forces behind this year's surprise, including the strength of earnings and the AI investment boom. We then look at what the Fed's recent rate hike signals and why today's interest rates, while higher, are not in uncharted territory, before closing with our views on US deficits and the upcoming midterm elections.

# Earnings: Doing the Heavy Lifting

Corporate America has consistently beaten expectations this year. S&P 500 earnings have outpaced analyst forecasts in every quarter since the start of 2024, and profit margins have improved as 2026 has progressed. In the second quarter, earnings grew more than +50%, over twice what analysts had forecast. Even excluding one-time gains on private investment stakes (known as "other income"), earnings rose roughly +33%.

The third quarter should be another strong one. Consensus expects revenue to rise +12% and earnings nearly +30%, which would mark the third consecutive quarter of double-digit sales gains and earnings growth above +25%. A few early reports have already set a positive tone, particularly in semiconductors. Micron, for example, reported a year-over-year earnings increase of more than +1,000% in September, beat estimates, and raised its outlook.

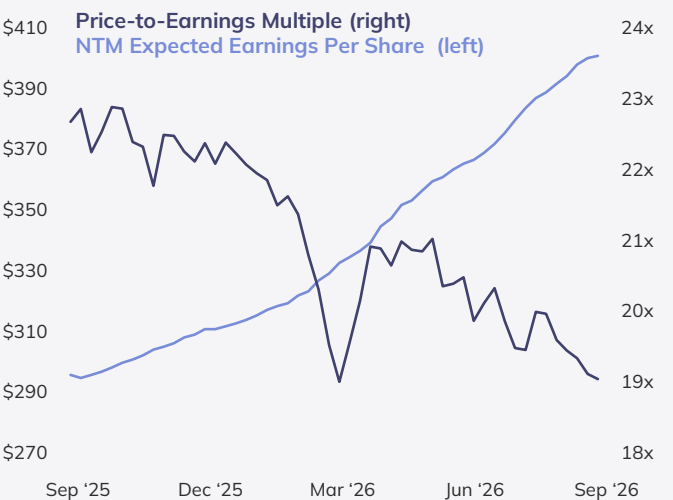
Just as important is what investors have paid for those earnings. Earnings per share have climbed steadily while the market's valuation multiple has fallen. At about 19x forward earnings, the S&P 500 now trades in line with its 10-year average, a more reasonable price for a market growing earnings this quickly.

That said, a few things beneath the surface deserve attention. The most notable is how concentrated growth has become. AI infrastructure companies are expected to drive more than half of S&P 500 earnings growth in the third quarter, and Micron and NVIDIA alone account for more than one-third. For the median company, earnings growth remains healthy but is expected to slow from +14% in the second quarter to +9% in the third. Returns have been similarly narrow; the index sits within a few percent of its all-time high, while the median stock is more than 15% below its own. Furthermore, some of the recent earnings boost is temporary. Mega-cap technology companies booked roughly \$150 billion of accounting gains on private investment stakes in the second quarter, equal to more than 10% of S&P 500 earnings, and those gains should fade. Lastly, semiconductor margins, now at multi-decade highs, could come down somewhat if demand moderates or inventories build. We see these as reasons to stay diversified, not to step away from markets.

Looking ahead, we expect growth to moderate some from today's exceptional pace. Consensus calls for +32% earnings growth in 2026 and +15% in 2027. That slowdown largely reflects tougher comparisons and fading one-time gains; otherwise, the underlying fundamentals remain sound. A solid economy and a potential handoff from AI spending to AI-driven productivity could continue to support profits. We expect earnings to remain the market's primary driver, as they have been this year.

## Earnings Have Surged, Multiples Declined

S&P 500 Earnings & P/E Multiple<sup>2</sup>



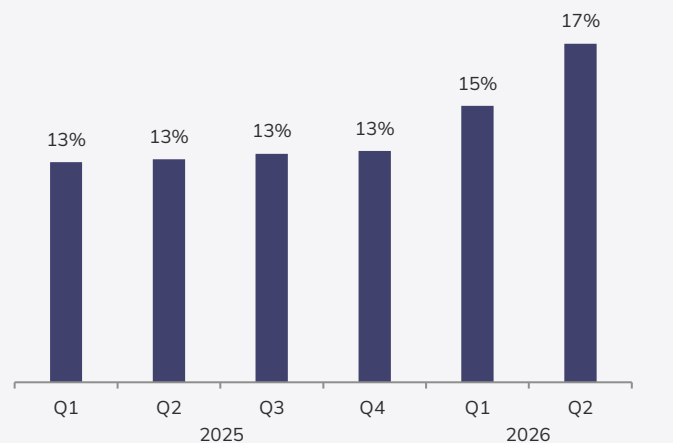
## Growth Has Been Well Ahead of Consensus

S&P 500 Earnings Growth vs Analyst Expectations<sup>3</sup>



## Profit Margins Are Near Record Highs

S&P 500 Quarterly Net Profit Margin<sup>4</sup>



## AI: From Spending to Earning

Few forces have shaped this year's results more than artificial intelligence, and here too, reality has run ahead of expectations. The largest US technology companies, known as hyperscalers, spent about \$150 billion on capital investment in 2023. This year, they are on track to spend about \$800 billion, more than five times as much in just three years. Each year, actual spending has exceeded analysts' forecasts at the start of the year.

That spending is a direct source of profits for the companies building AI infrastructure, including chipmakers, hardware makers, industrial firms, and utilities. Excluding one-time "other income" gains, those companies account for roughly half of S&P 500 earnings growth this year.<sup>5</sup> Much of every dollar a hyperscaler spends on a data center shows up as revenue for another company in the index.

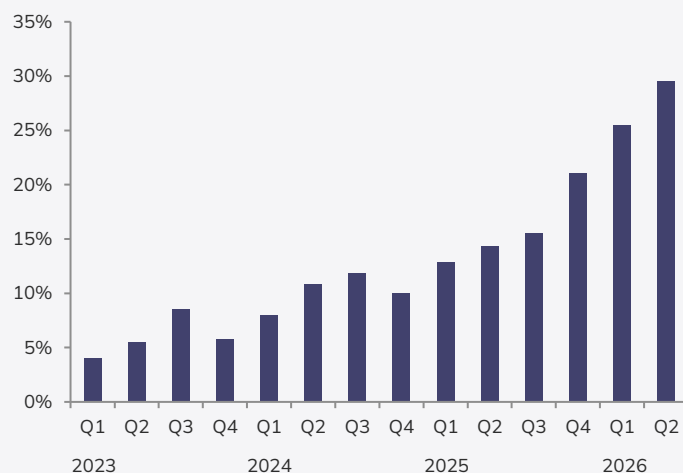
The natural question is, what happens if the spending slows or stops growing? Analysts do expect hyperscaler spending growth to decelerate in the coming years, but we see little chance of spending plateauing in the foreseeable future. Hyperscalers are expected to spend more than \$1 trillion next year. To stall overall S&P 500 earnings growth next year, that spending would have to fall by nearly a third from this year's level. That would be a sharp reversal, and nothing in companies' current plans points to one. Even then, profits for the companies supplying the AI buildout would remain roughly 25% above 2025 levels.<sup>6</sup> The managers and companies we speak with consistently tell us that demand for AI capacity is meaningfully outpacing supply.

There are also growing signs that the spending is paying off. Cloud revenue growth at Amazon, Alphabet, Microsoft, and Oracle is expected to accelerate from +48% in the second quarter to +55% in the third, supported by large backlogs of contracted business. Nearly 30% of S&P 500 companies mentioned AI having a quantifiable impact on their latest earnings calls, up from less than 5% in early 2023.<sup>7</sup> In our view, there is still significant room for AI adoption to expand.

Investors broadly expect AI spending to keep growing, and we share that view. Where they are more cautious is in how long today's exceptional growth and profitability can last, and NVIDIA is a striking example. Last quarter, NVIDIA grew revenue +105% with EBITDA margins of nearly 70% and raised its outlook, yet the stock trades at about 18x forward earnings, down from 32x a year ago. That discount reflects uncertainty about how durable those results will be. Who ultimately captures the economics of AI remains an open question. Given how wide the range of outcomes still is, we think the prudent approach is to maintain broad exposure across the AI ecosystem and beyond, rather than concentrating on the few companies leading today.

## AI Increasingly Impactful on Companies

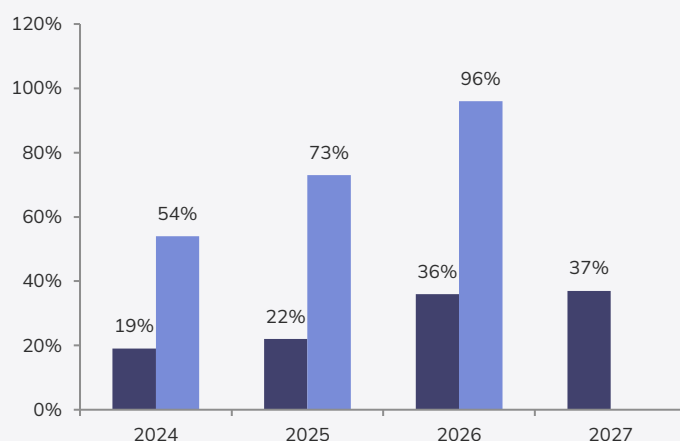
% of S&P 500 Reporting Quantifiable AI Impact<sup>8</sup>



## Hyperscaler Capex Boom Has Accelerated

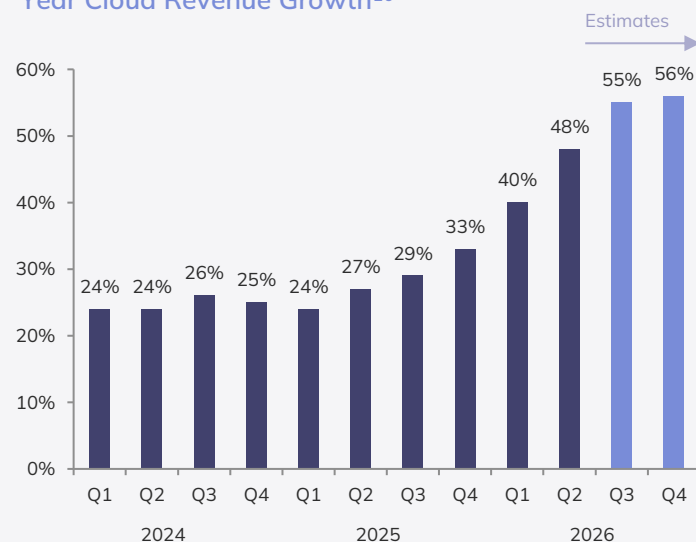
Hyperscaler Capex Growth vs Expectations<sup>9</sup>

Start of Year Estimate | Realized Capex Growth



## Cloud Revenue is Also Picking Up Pace

Amazon, Alphabet, Microsoft, Oracle Year-over-Year Cloud Revenue Growth<sup>10</sup>



# The Fed: A Hike Born of Strength

The same economic strength that powered corporate earnings this year, combined with inflation that remains above target, prompted the Federal Reserve to act. In September, the Fed raised its policy rate by a quarter point to a range of 3.75%–4.00%. Chair Warsh cited a stronger labor market and economic activity, summer inflation readings that "weren't passing the test," and the effect of geopolitics on commodity prices. He described the move as "removing a dose of accommodation," which we read as a central bank concluding the economy can handle somewhat tighter policy, rather than an emergency response to runaway inflation. The Fed was not alone, as most major central banks have also resumed raising rates.

The Fed's message was firm as 16 of 18 policymakers projected at least one additional increase this year. Officials also lifted their expected rate path for each year under forecast, while moving the estimate of the long-run "neutral" rate up from 3.1% to 3.25% – a sign that policymakers expect rates to stay somewhat higher over time than they did just a few months ago.

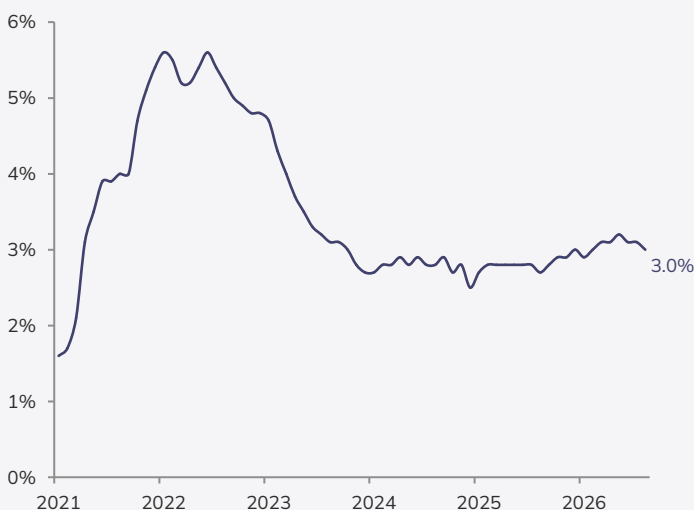
Data released since the Fed's mid-September decision has been more encouraging. Core PCE inflation, the Fed's preferred measure, rose a softer-than-expected 0.25% in August and 3.0% over the past year. Methodology revisions also lowered prior readings, so core inflation now looks likely to finish the year below the Fed's own 3.4% projection. New York Fed President Williams said there is "no need for urgency," and several forecasters have pushed back their next expected hike, seeing a real chance that no further increases are needed.

Still, inflation has remained stubborn. Higher energy prices have kept costs elevated, and AI-related demand is outrunning the supply of power, equipment, and construction capacity. Demand is also proving harder to cool than usual, as fiscal support and strategic AI investment make parts of the economy less sensitive to higher interest rates, while the US consumer continues to demonstrate resilience. This increases the possibility of an additional rate hike even without inflation accelerating, simply because it is falling too slowly while demand holds up. Encouragingly, long-term inflation expectations have remained stable, a sign that markets trust the Fed to keep longer-run inflation in check.

For investors, the key question is how much tightening is currently priced into the market. Pricing now implies roughly four to five quarter-point Fed hikes in this cycle, including September's. That represents a stark reversal from the start of the year, when some investors were concerned that Chair Warsh might cut rates due to political pressure. In more recent months, interest rates have also moved closely with oil prices, so any meaningful easing in energy prices could bring relief to bonds. Even so, we believe the resilience of the economy will keep yields above the levels seen for much of the 2010s.

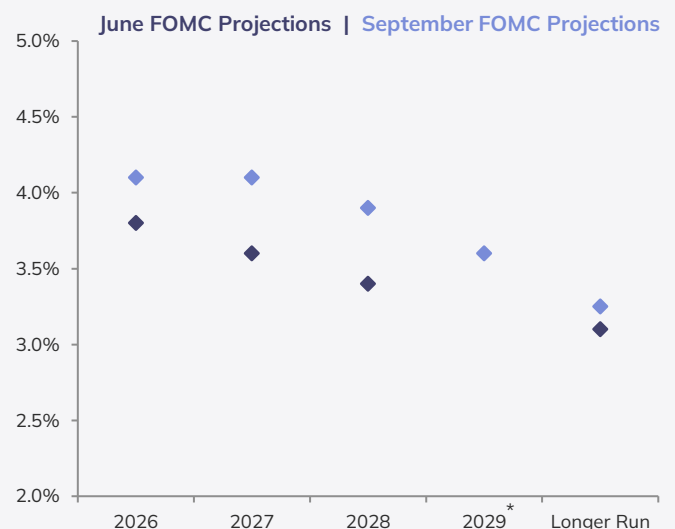
## Inflation Remains Stubborn, Around 3%

Core PCE Prices Year-over-Year<sup>11</sup>



## Fed Officials Signal Tighter Policy Ahead

Median FOMC Projection for Fed Funds Rate<sup>12</sup>



\* 2029 Projections first introduced in the September Summary of Economic Projections

# Interest Rates: Higher, But Not Uncharted Territory

Rising interest rates have been one of the most debated developments of the year. The 30-year Treasury yield reached 5.6%, its highest level since 2002. Some of the largest moves have come in shorter-term yields, with the 2-year Treasury yield up 1.2% this year. It is fair to ask if these levels signal trouble. Our answer, offered with humility, is no, and we think history helps explain why.

The makeup of the recent rise is somewhat reassuring. Nearly all of September's rise in the 10-year Treasury yield came from real yields, the return investors demand above inflation, while long-term inflation expectations barely moved. That indicates investors are less worried about inflation spiraling than about getting paid enough for their capital. They are demanding a higher real return because the economy is strong, investment opportunities are abundant, and governments and companies are competing for the same pool of capital. Large deficits are part of that story, but as a source of supply rather than a loss of confidence. If investors were fleeing US debt, we would expect rising inflation expectations and a weakening dollar. Instead, inflation expectations have held steady, and the dollar moved off its lows after the Fed's hike. Both are consistent with a growing economy.

History also suggests today's rates are less unusual than they may feel. We think it is a mistake to judge them against much of the past 15 years, when near-zero interest rates and extraordinary Fed bond purchases held borrowing costs artificially low. A better baseline is the period before the Global Financial Crisis, when rates were set with far less central bank intervention, and against that record, today looks ordinary. The 10-year Treasury yield ended the third quarter at 5.3%, below its roughly 5.5% average from 1990 to 2010. Ten-year inflation expectations of about 2.4% are in line with much of the 2000s, and real yields near 3% are well above the 2010s but comparable to the early 2000s. Yields also look reasonable relative to growth. Nominal GDP has grown 5%–6% in recent years, and the 1965–2025 relationship between growth and interest rates points to yields close to today's levels.

In our view, the near-zero rates of the 2010s were the anomaly, and today's levels are much closer to where they should be for an economy with this much momentum. None of this erases the disappointing returns bond investors have experienced. But the same repricing that hurt returns has rebuilt the case for owning bonds. Investors now earn meaningfully more income, and today's yields offer a larger cushion if rates move higher from here. We expect bonds to gradually regain their traditional role in portfolios as a reliable source of income and, over time, diversification relative to equities.

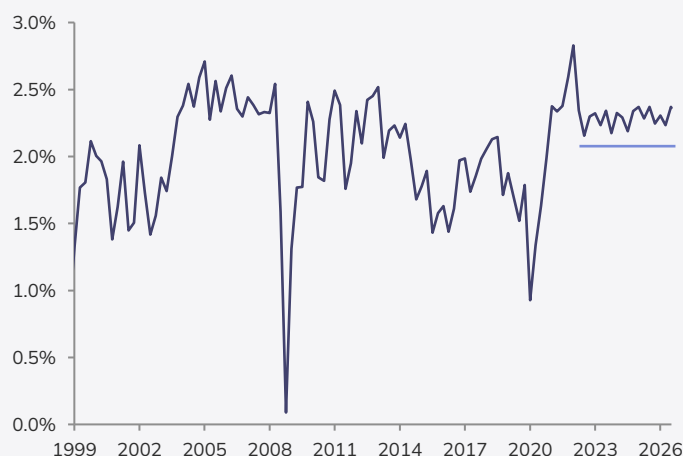
## Treasury Yields Normalizing?

US 10-Year Treasury Yield<sup>13</sup>



## Inflation Expectations Holding Steady

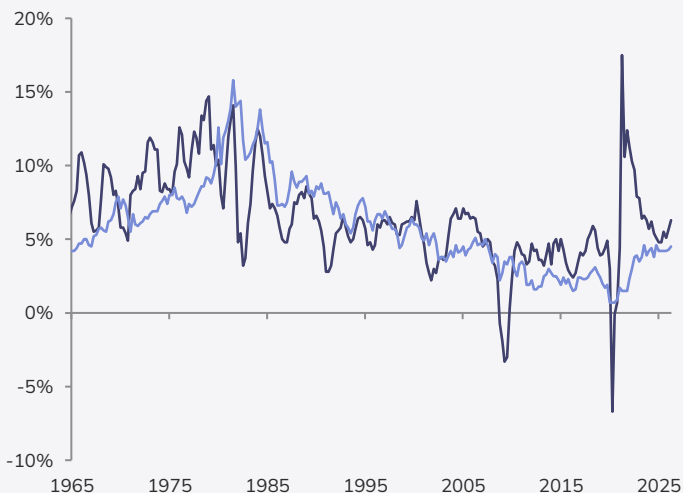
US 10-Year Breakeven Inflation Rate<sup>14</sup>



## Treasury Yields Correlate with Growth

US 10-Yr Treasury Yield & Nominal GDP Growth<sup>15</sup>

US Nominal GDP YoY | US 10-Yr Treasury Yield



# US Deficits: A Slow Burn, Not a Breaking Point

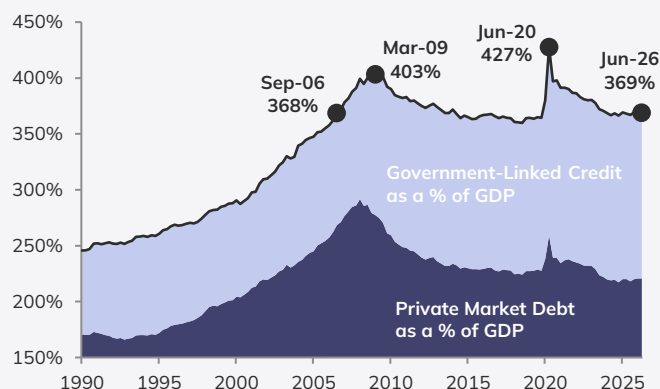
With federal debt above \$40 trillion and deficits near 6% of GDP at a time when the economy is at full employment, clients often ask us where things break. It is the right question, and the honest answer is that the direction of travel is not sustainable. The Congressional Budget Office projects a \$1.9 trillion deficit for fiscal 2026, debt held by the public reaching 120% of GDP by 2036, and net interest costs roughly doubling from about \$1 trillion to \$2.1 trillion over that period. This needs to be addressed, but a long-term problem is different from an imminent crisis.

Part of the answer lies in looking beyond the government to the rest of the economy. US federal debt took more than two centuries to reach \$20 trillion and has roughly doubled in the past decade. Private borrowers have moved the other way. Measured against the size of the economy, household debt has fallen below both its pre-pandemic level and its level in 2000, and corporate debt is also lower than before the pandemic despite heavy AI investment. Household finances look even stronger given that many mortgages were locked in at low rates and household assets sit at record highs. Corporate interest payments have fallen to about 0.7% of GDP, among the lowest levels in decades. Combined, government and private-sector debt stands at about 370% of GDP, below the 403% level reached in 2009 and 427% in 2020. Strong private balance sheets are a key reason higher rates and energy prices have done less damage to consumers and businesses this year than many expected.

It also helps to be specific about what "breaking" would actually look like. A sudden market accident, like the 2023 regional bank failures, is notoriously hard to forecast. Those events typically occur when leverage, mismatched assets and liabilities, and a sudden need for liquidity collide – and the level of rates is rarely the sole cause. The government being unable to pay its interest bills is a different matter. Federal interest payments have risen to about 3.2% of GDP, roughly back to their early-1990s highs, and they compete with Social Security, Medicare, defense, and other priorities for the same dollars. Still, the government collected about \$5 trillion of revenue last year against a little over \$1 trillion of net interest, so a missed payment would reflect a political choice, such as a debt-ceiling standoff, rather than a lack of resources. Importantly, not all federal debt affects the deficit in the same way. Of the more than \$40 trillion outstanding, roughly \$31 trillion is held by the public, including investors, banks, and foreign governments. The remainder is owed to government trust funds such as Social Security, so the interest on it is paid from one part of the government to another and does not directly add to the deficit. On the debt held by the public, each one-point increase in the government's average borrowing cost eventually adds about \$300 billion of annual interest. Even if the average cost doubled from about 3.5% today to 7%, interest on today's debt would be roughly \$2.2 trillion. That would be painful and force hard choices on taxes and spending, squeezing other priorities well before it threatened the government's ability to pay.

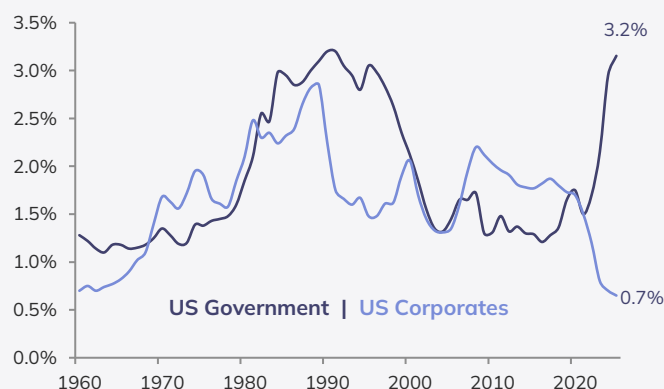
**Total US Debt-to-GDP Below 2009 Levels**

Government debt increased; private sector deleveraged<sup>16</sup>



**Gov't Interest Costs Rising; Corporate Costs Near Lows**

Interest Payments as a Percent of Nominal GDP<sup>17</sup>



The US also has advantages that some indebted borrowers do not. Treasury debt is issued in dollars, the world's reserve currency, and the Federal Reserve can act as a backstop. That buffer is not free. Japan shows how heavy central bank support can shift pressure onto the currency and inflation. Still, borrowing in its own currency places the US in a different position from a borrower that owes money in someone else's currency. Growth helps as well. With nominal GDP expanding at 5%-6%, the economy is, for now, growing faster than the average rate on existing debt, which slows the rise in the debt burden even as deficits continue to add to it.

None of this means the risk can be ignored, and there are signals we watch closely. If the 10-year yield moved above 6% without a matching acceleration in growth – alongside a weaker dollar, wider credit spreads, poor Treasury auction demand, and falling stock prices – we would become more concerned. That combination could indicate that borrowing costs are beginning to outpace nominal growth and that investors are demanding a larger risk premium to own US debt, which would make deficits harder to sustain. We are not seeing this risk today.

# Midterm Elections: More Noise Than Signal

The midterm elections are just weeks away, and prediction markets imply a better-than-90% chance that Democrats win the House, helped by an 8.5-point lead on the generic ballot. The race for the Senate is more competitive. With a Republican in the White House, a divided government appears the most likely outcome.

For markets, much of what matters most is unlikely to change. Tariffs, trade, immigration, and export controls are largely set by the White House, not Congress, and that will hold whichever party wins. A narrowly divided Congress also tends to pass fewer major bills, so the practical differences are likely to come down to budget fights: when scheduled spending cuts take effect, how much goes to defense, and how contentious shutdown and debt-ceiling deadlines become.

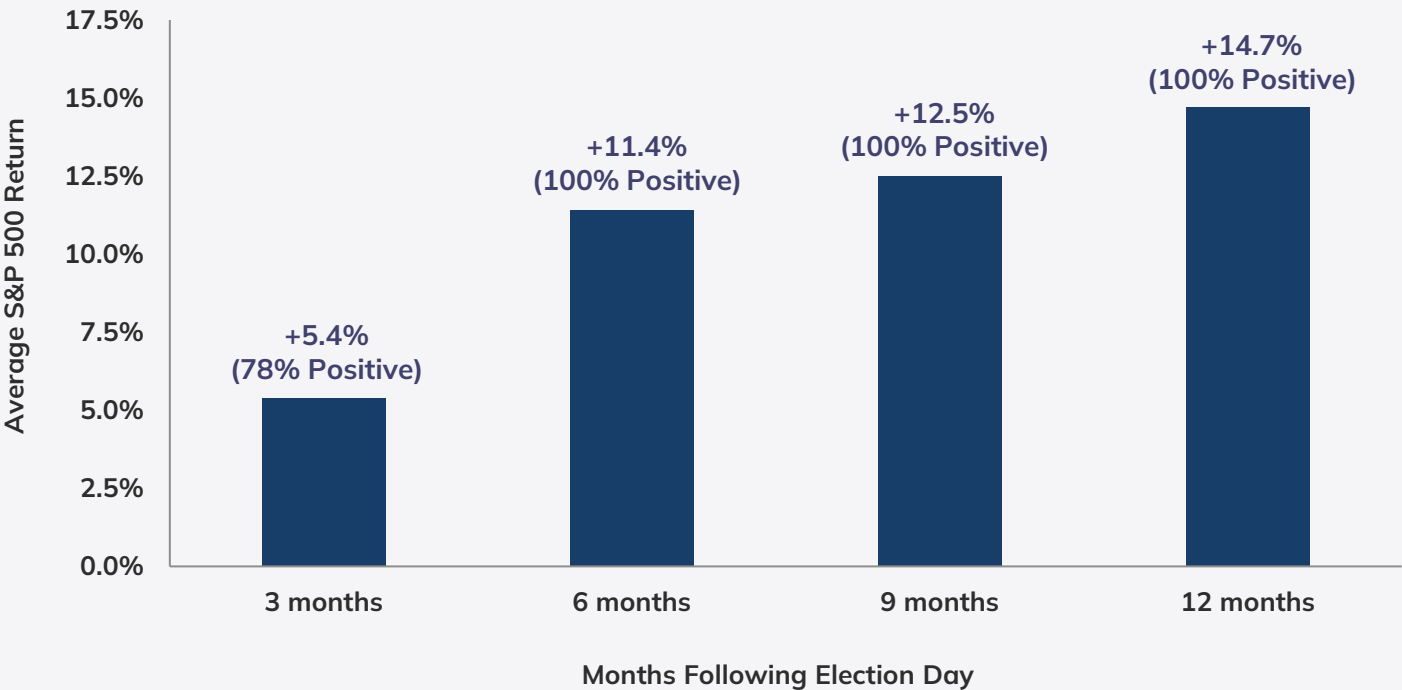
Where the outcome could matter, the effects look modest. Gridlock would likely limit new Treasury borrowing, which would be modestly helpful for interest rates. The bigger deficit risk would come if Republicans keep both chambers, since that would leave the door open to another budget bill passed along party lines. On AI, the elections may influence local decisions about where data centers get built, but sweeping federal regulation looks unlikely in the near term. If Democrats win both chambers, investors may worry about tighter regulation, but with a Republican president holding the veto, the scope for major policy change over the next two years is limited.

History offers some reassurance, as stocks often see more volatility heading into midterm elections and then trend higher once results are known. After every midterm election since 1990, the S&P 500 has been higher six, nine, and twelve months later, with an average 12-month gain of +14.7%.

We would also caution against reading too much into the results. Historically, which party wins has rarely driven outsized market moves in the months that follow, and midterm results have often been a poor guide to the presidential election two years later. We see the election as a source of short-term noise rather than a reason to change long-term strategy.

## Markets Have Historically Rallyed After Midterms

Average S&P 500 return following midterm election day 1990-2022<sup>18</sup>



# Conclusion

"Better than expected" has been the story of 2026. The economy grew faster than forecasters anticipated, companies delivered earnings well ahead of estimates, and investors who stayed the course were rewarded. Equity portfolios are up meaningfully, international diversification has added to returns, and commodity exposure has contributed strong gains and provided inflation protection.

That same strength helped push interest rates higher and prompted the Federal Reserve to resume tightening. Bonds have given back a modest amount this year, but today's yields reflect a healthy economy and are in line with historical averages. They also offer a far more attractive starting point for investors relative to much of the past decade. Deficits deserve attention and will require hard choices over time, but viewed alongside relatively healthy household and corporate balance sheets, we see them as a slow-moving challenge, not an imminent one. While the upcoming midterm elections may stir some volatility, we don't expect the results to alter the broader outlook.

Overall, we remain constructive while closely monitoring risk. Earnings growth is concentrated, and markets are rightly asking how long today's exceptional AI-driven growth and profitability can last. Energy prices also remain tied to events in the Middle East. At the same time, many of these worries are now reflected in market prices, which leaves room for relief if inflation continues to cool or energy prices ease.

Our response remains grounded in the same discipline we have emphasized throughout the year: staying invested, rebalancing opportunistically to keep risk aligned with targets, maintaining diversification across the AI ecosystem and beyond, and letting a supportive earnings backdrop work in your favor.

As always, we thank you for your continued trust and look forward to discussing your portfolio with you in the months ahead.

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## Endnotes

<sup>1</sup> Data as of September 2026. Index returns over a year are annualized. Indices used in the table are as follows: US Bonds = Bloomberg US Aggregate Bond Index, Global Equities = MSCI All Country World Index, US Equities = S&P 500, International Equities = MSCI All Country World Index ex US, Commodities = Bloomberg Commodity Index.

<sup>2</sup> Sourced from FactSet and Bloomberg.

<sup>3</sup> FactSet and Goldman Sachs Global Investment Research. S&P 500 quarterly year-over-year earnings growth reflects reported results for completed quarters and consensus estimates for future quarters. "Other income" includes non-operating gains, including certain gains on private investment holdings. Estimated results are subject to revision.

<sup>4</sup> Data sourced from FactSet.

<sup>5,6</sup> Goldman Sachs Global Investment Research, "US Equity Views: Over-earning, but not an earnings bubble," September 17, 2026.

<sup>7,8</sup> Sourced from a16z State of the Markets September 2026. AlphaWise and Morgan Stanley Research, July 27, 2026. "AI adopters" are companies identified by Morgan Stanley Research analysts. Companies reporting multiple quantifiable benefits from artificial intelligence are counted only once. The analysis is based on company disclosures and may not capture benefits that have not been publicly quantified.

<sup>9</sup> FactSet and Goldman Sachs Global Investment Research. Hyperscaler capital-spending growth represents consensus estimates for Amazon, Alphabet, Meta, Microsoft, and Oracle.

<sup>10</sup> Goldman Sachs Global Investment Research. Cloud revenue growth represents the aggregate year-over-year growth of Amazon, Alphabet, Microsoft, and Oracle cloud businesses. Q3 and Q4 2026 figures are Goldman Sachs estimates.

<sup>11</sup> U.S. Bureau of Economic Analysis, Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index) sourced from FRED.

<sup>12</sup> U.S. Federal Open Market Committee and Federal Reserve Bank of St. Louis, FOMC Summary of Economic Projections for the Fed Funds Rate, Median sourced from FRED.

<sup>13,14,15</sup> Sourced from Bloomberg as of October 5, 2026.

<sup>16</sup> Source: Federal Reserve Z.1 Financial Accounts (FRED series FGTS, ASUSGASL, DNSMSL, ASOMPL, ASCFBL, ASTLL), BEA nominal GDP (FRED: GDP). Government-linked = Treasuries, Agency & GSE-backed securities, Municipals. Private-market = Open market paper, Corporate & foreign bonds, Total loans. Adapted from Bianco Research.

<sup>17</sup> Federal Reserve Bank of St. Louis FRED database, U.S. Office of Management and Budget, Board of Governors of the Federal Reserve System, and U.S. Bureau of Economic Analysis. Government interest payments are represented by Federal Outlays: Interest as Percent of Gross Domestic Product (FYOIGDA188S). Corporate interest payments are based on Nonfinancial Corporate Business; Net Interest and Miscellaneous Payments, Transactions (BOGZ1FA106130003Q), divided by nominal GDP and converted to an annual percentage. The underlying corporate series is reported quarterly at a seasonally adjusted annual rate and may differ from other measures of corporate interest expense.

<sup>18</sup> Data sourced from JP Morgan. S&P 500 price returns following U.S. midterm election days from 1990 through 2022. Past performance is not indicative of future results.

# Important Disclosures

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All investments risk loss of capital and there is no guarantee that an investment will achieve its investment objective. Private Fund investments in particular involve significant risks and are intended for experienced and sophisticated investors. Some of the risks associated with an investment in Private Funds include: (i) use of leverage or other speculative investment practices, (ii) illiquidity of investments including restrictions on transfers, (iii) potential multiple layers of fees and expenses, and (iv) lack of comprehensive regulatory regime. For a complete description of the risks associated with such investments please review the “Risk Factors” and “Conflicts of Interest” sections in the relevant Offering Memorandum.

## Performance and Fees

Performance for the most recent time period presented may be based on estimated returns and is subject to change. Performance of individually managed accounts will vary based on constraints, timing, funding levels and other factors and may be lower or higher than any performance shown herein. Unless otherwise indicated, performance shown is net of fees and expenses incurred at the underlying fund or account level and includes the reinvestment of dividends and other earnings. **Past performance may not be indicative of future results.**

Unless otherwise indicated, performance shown is net of fees and expenses incurred at the underlying fund or account level and includes the reinvestment of dividends and other earnings. Returns will be reduced by the amount of any fees incurred in the management of an account by SCS. For example, an account charged an assumed advisory fee of 75 bps per year compounding monthly at an assumed 8% annualized rate would compound annually at 7.20% net of fees and an investment of \$10,000 after a five-year period would be worth approximately \$14,158 net of fees. A description of SCS’s fees is included in the most recent version of SCS’s Form ADV Part 2 which is available at <https://adviserinfo.sec.gov> or from your SCS advisor.

## Asset Custody

In accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, we request that you compare any account information contained in this book with the account statements that you receive directly from your custodian or fund administrator.

## Use of Artificial Intelligence Tools

SCS uses artificial intelligence tools to support drafting, analysis, and internal workflow efficiency; these tools are used only as supplemental resources, and all investment advice, portfolio decisions, and client communications are made solely by SCS personnel. AI tools do not make investment recommendations, and any AI-assisted content is reviewed by SCS staff before use. AI technologies are subject to limitations and may occasionally generate inaccurate or incomplete information; their use does not guarantee accuracy, performance, or error-free materials. SCS implements controls designed to comply with applicable privacy, cybersecurity, and regulatory requirements, and any use of AI tools is conducted in a manner intended to protect client information and maintain the firm’s obligations under federal securities laws.

## Hypothetical Performance

Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve gains or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular investment program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of investment losses are material points which can also adversely affect actual results. There are numerous other factors related to the markets in general or to the implementation of any specific investment program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual results.

## Private Investment Performance

Portfolios invested in Private Equity, Private Real Assets, Private Opportunistic Assets, or Private Credit funds display performance for these investments once each such fund has reached its respective Performance Threshold. The Performance Threshold is defined as one year from the first capital balance for SCS Managed Private Equity and Private Credit Funds, or two years from the first capital balance for SCS Managed Private Real Assets or Private Opportunistic Assets Funds, and once total capital called has reached 33% of aggregate capital commitments. Both thresholds must also be met for 3rd party-managed Private Equity, Private Real Assets, Private Opportunistic Assets, or Private Credit funds recommended by SCS. Unless otherwise noted, Private Investment performance and market values reflect capital activity through the date of this report. The most recent performance is based on best available information and is subject to change.

## Capital Call Credit Line

Most Private Investment funds managed by SCS utilize a capital call line of credit to facilitate the funding of underlying investments and reduce the number of capital calls issued to investors. Performance reported for the SCS-managed Private Investment funds includes the effects of each funds’ borrowing. The reported internal rate of return (“IRR”) may be higher than the fund would have otherwise reported without the use of borrowing due to deferral of investors’ capital calls. The reported total value to paid-in capital ratio (“TVPI”) may be temporarily higher while investments are being funded without calling capital from investors and will ultimately result in a lower TVPI than what would have been achieved without the expense of credit facility.

## SCS Private Investment Recommendations

There can be no assurance that the Private Equity, Private Credit, Private Real Assets, or Private Opportunistic Assets funds recommended will achieve their investment objectives, be able to implement their investment strategies or be able to avoid losses. Despite each fund targeting a diversified portfolio of investments, an investment in the funds should be considered to be illiquid, speculative investments and, accordingly, are not intended to be a complete investment program and should be considered as part of a diversified investment portfolio. Investments in the funds are intended for investors who understand the strategy, risks, and terms of the funds, and do not require liquidity with respect to the investment and are able to bear the risk of the value of fund potentially going up or down. Additional information concerning the risks of investment and the definitive terms for each of the funds are contained in each fund’s Offering Memorandum.