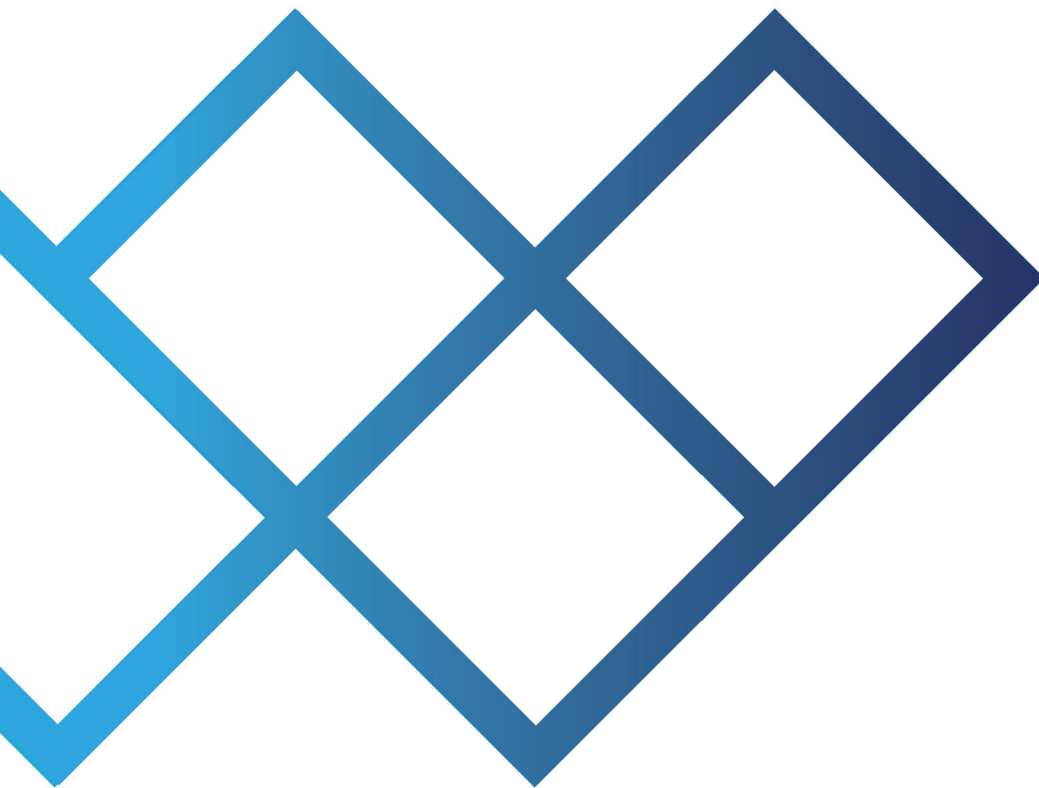




WESTEND
Advisors

A VICTORY CAPITAL® INVESTMENT FRANCHISE



Mid-Quarter Macro Update

Q2 2026

Macro Drives Markets. WestEnd Knows Macro.

U.S. Equity Sector Allocations

WESTEND ETF STRATEGIES

Current large-cap U.S. equity sector allocation and avoidance*

Sector Allocations

- Financials
- Industrials
- Communication Services
- Consumer Discretionary
- Information Technology
- Health Care
- Consumer Staples
- Utilities

Sector Avoidance

- Energy
- Materials
- Real Estate

* For illustrative purposes only. Allocation information as of May 15, 2026. Source: WestEnd Advisors.

International Equity and Fixed Income Allocations

WESTEND GLOBAL ETF STRATEGIES

Current regional equity allocation positioning in global portfolios*

Regional Equity Overweights

- U.S.A.
- Western Europe

Regional Equity Underweights

- Developed Asia
- Emerging Markets

WESTEND BALANCED ETF STRATEGIES

Current fixed income and asset class positioning in balanced portfolios*

Fixed Income Overweights

- Short-term Corporate Credit
- Longer-Term Treasury Securities

Fixed Income Underweights

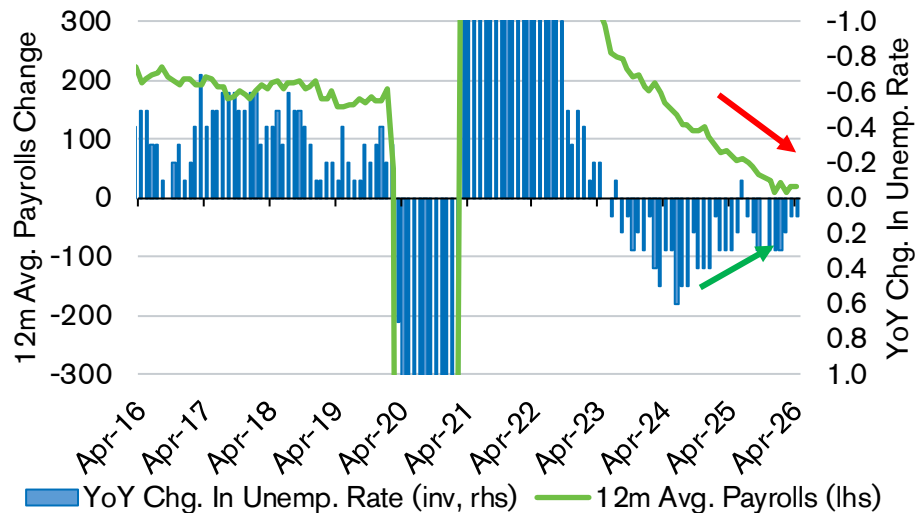
- Short-term Treasury Securities
- Long-term Corporate Credit

* For illustrative purposes only. Allocation information as of May 15, 2026. Source: WestEnd Advisors.



Labor Market Signals OK On Balance

LOWER BREAK EVEN ALTERS THE PAYROLLS SIGNAL



Source: BLS, Bloomberg, WestEnd Advisors

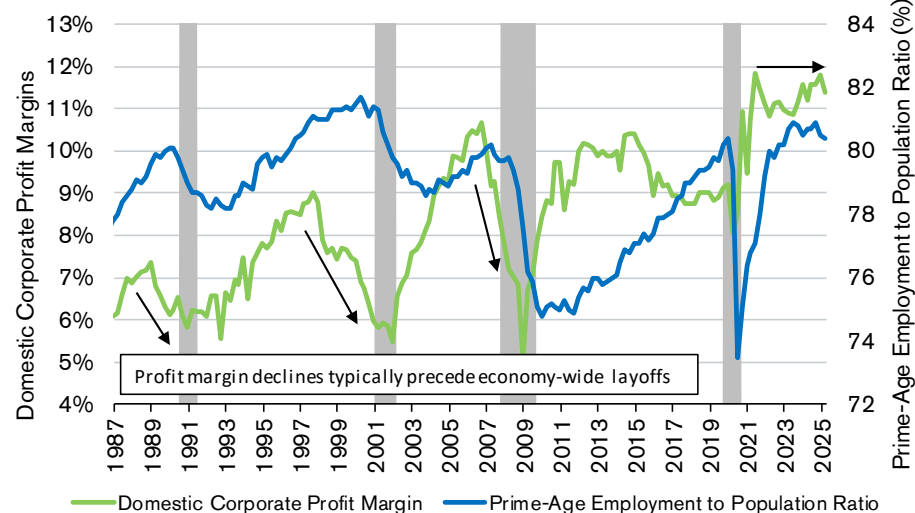
Portfolio Impact: Labor market growth remains soft by historical standards, though recent payroll trends have signaled stabilization. Still-healthy corporate profit margins and a lower breakeven payroll growth rate suggest labor market risks remain contained for now.

❖ **Budding Signs of Payrolls Stabilization:** Monthly payroll additions remain anemic by historical standards. That said, we have seen emerging signs of stabilization in recent months, with four-month average headline payroll growth at its highest level in over a year and four-month average private payroll growth at its highest level since late 2024.

❖ **Breakeven Dynamics Have Shifted:** While payroll growth has slowed, so has labor force growth, resulting in a lower breakeven payroll growth rate. As a result, the unemployment rate has remained stable since May 2025 despite average monthly headline payroll gains of only ~22k over the same period (top chart).

❖ **Profit Margin Cushion:** Historically, declines in corporate profit margins have preceded economy-wide layoffs by several quarters or even years. With margins high and stable, the likelihood of widespread layoffs is limited for now, in our view (bottom chart).

MASS LAYOFFS UNLIKELY WHILE MARGINS ELEVATED

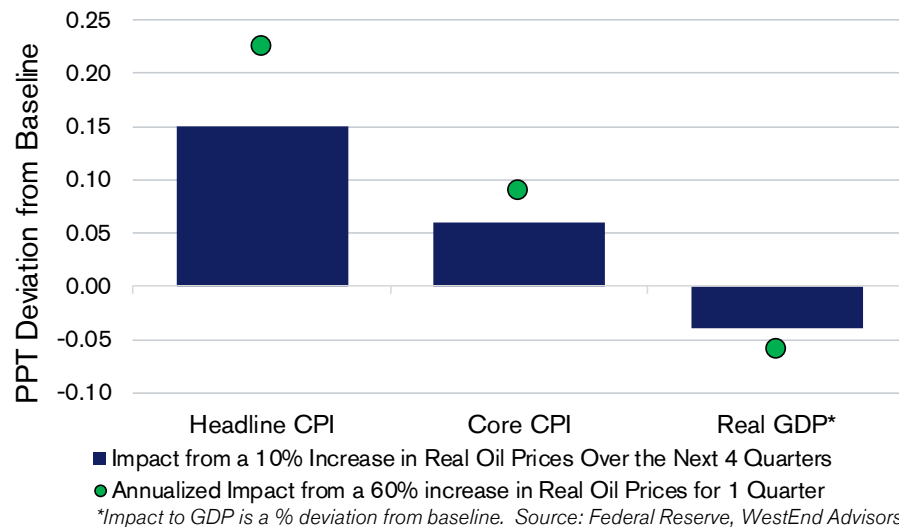


Source: BLS, Bloomberg, WestEnd Advisors



Gauging the Impact from Middle East Conflict

FED ESTIMATES OF IMPACTS FROM OIL SHOCKS



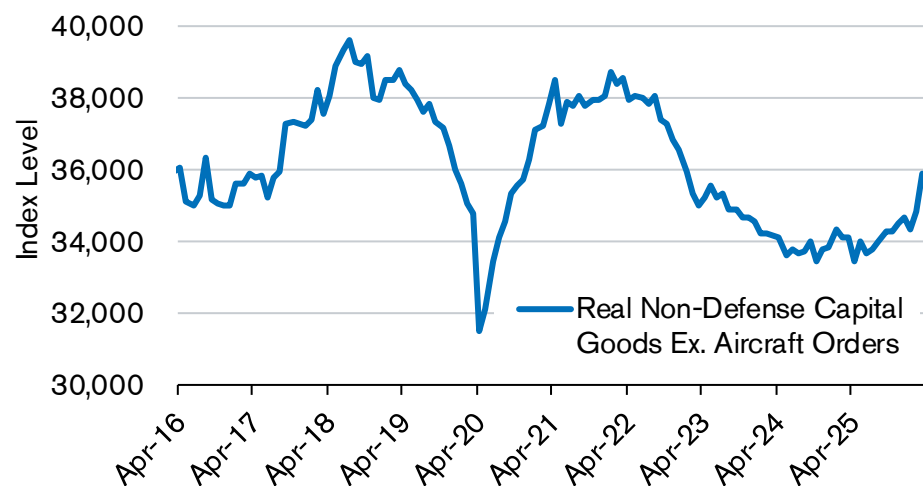
Portfolio Impact: We anticipate the net impact of the Iran war will be higher inflation and lower growth. Our portfolios could benefit on a relative basis through both our allocations to defensive sectors such as Consumer Staples, Health Care, and Utilities, and our overweight to the U.S., which is more insulated, in our view, from the negative growth impacts of oil shocks compared to other global regions.

- ❖ **Middle East Conflict to Drive Headline Inflation Higher:** Energy Commodities, including fuel oil and other fuels, have a roughly 3% weight in the CPI basket, and Energy Services, such as utility gas services, accounts for another 3%. The surge in energy prices year-to-date could lift headline inflation, though the impact to core inflation may be more modest. Certain categories like Airfare will feel a direct impact, while other categories face more indirect impacts.
- ❖ **Impact to Aggregate GDP is More Muted:** The U.S. is now one of the most insulated economies from energy price shocks, given it is a net exporter of crude oil. Real activity in the U.S. can benefit from an increase in fixed investment from oil & gas producers, which could help offset other, negative growth impacts from higher energy prices.
- ❖ **Consumers Are Exposed to Inflation Shock, But OBBBA Cushions the Blow:** Consumers arguably face significant first-order impacts of the price shocks. Higher inflation will mechanically reduce real disposable personal income, and the increase in energy prices can crowd out non-energy spending. However, consumers have a buffer from the tax refunds associated with the "One Big Beautiful Bill Act." Estimates suggest that the lagged impact from this stimulus would largely offset the price shock from crude rising to \$85/barrel from pre-conflict levels.



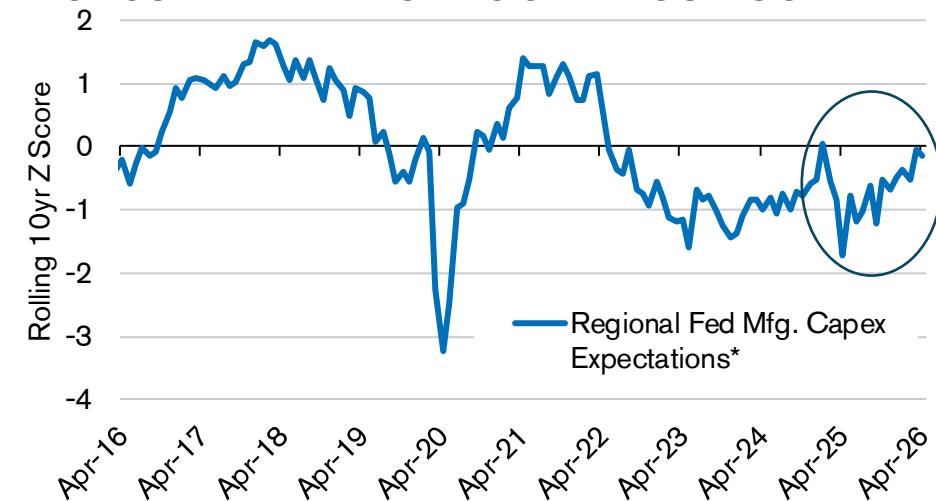
Capex Inflection Driving Better Transports Outlook

INDUSTRIAL ORDER VOLUMES IMPROVING...



Source: Conference Board, Bloomberg, WestEnd Advisors

ALONGSIDE AN IMPROVING CAPEX OUTLOOK...



Source: Federal Reserve Banks of Dallas, New York, Philadelphia, and Kansas City, Bloomberg, WestEnd Advisors

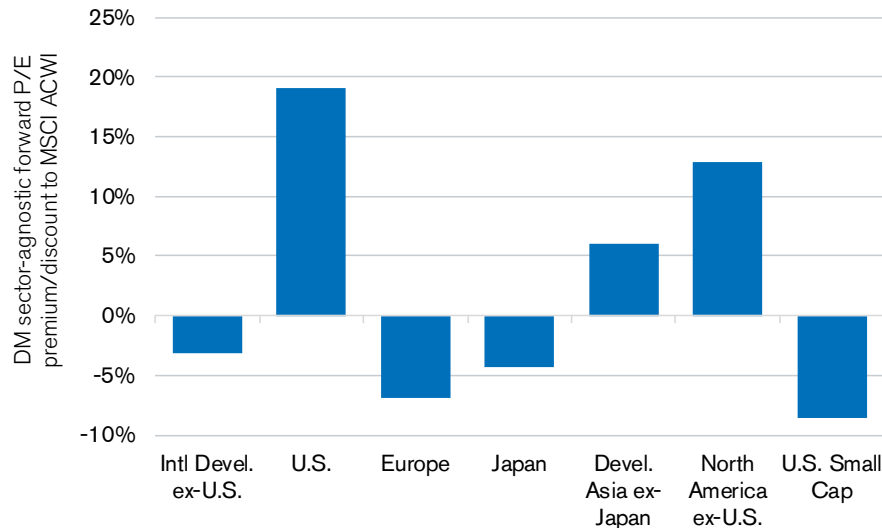
Portfolio Impact: Fiscal policy support from the OBBBA, along with lagged flow-through effects of 2025 rate cuts, can support traditional capital investment and, by extension, select Industrials segments, including companies that move goods. As a result, we have shifted a portion of our U.S. large-cap Consumer Staples exposure into a Transportation-focused Industrials allocation.

- ❖ **Cyclical Tides Are Turning:** The manufacturing economy has been weak for much of the past four years, with the ISM Manufacturing PMI in contraction for 36 of the 38 months prior to this year—the longest stretch on record. That said, conditions are improving as core capital goods orders are posting their strongest growth since the post-COVID recovery (top chart), while survey data point to improving capex sentiment (bottom chart).
- ❖ **Transports Poised to Benefit:** Capacity constraints in select areas, along with an improved capex outlook, should support better fundamentals for Transportation-focused companies after several years of underperformance. Valuations are also attractive relative to the broader Industrials sector.



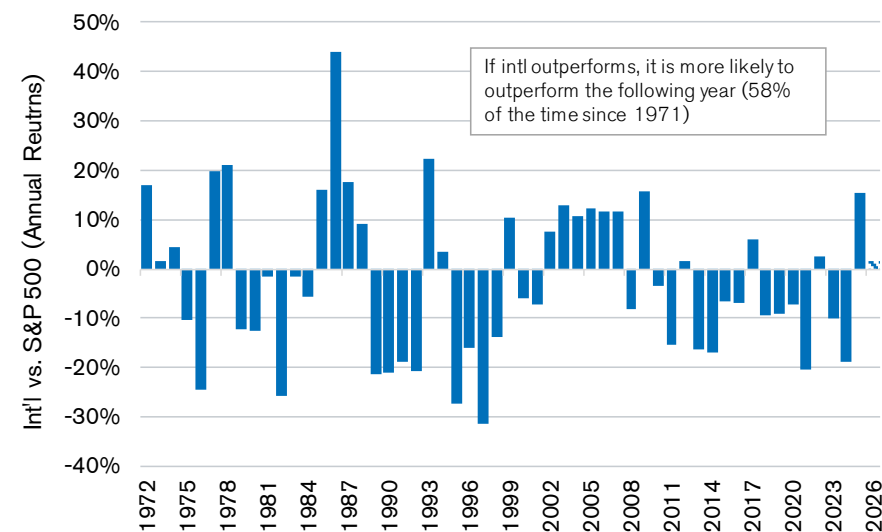
International Offers Range of Opportunities

OPPORTUNITY IN EUROPE AND U.S. SMALL CAP



Source: Bloomberg, WestEnd Advisors

INTL OUTPERFORMANCE TENDS TO COME IN WAVES



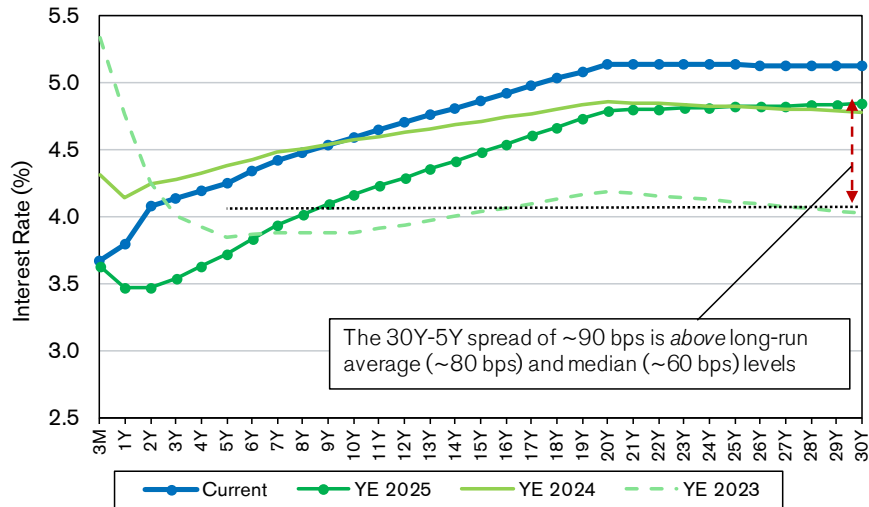
Note: MSCI World ex-U.S. from 1970-1987, MSCI ACWI ex-U.S. from 1988-Present
Source: Bloomberg, WestEnd Advisors

Portfolio Impact: U.S. small caps and Europe offer sector-neutral relative valuation discounts to the broad market, in stark contrast to other developed market regions. In addition to our overweight position in U.S. small caps and Europe, we continue to evaluate global opportunities given that international outperformance tends to play out in cycles.

- ❖ **Current Positioning:** U.S. small caps and Europe offer attractive sector-agnostic relative valuations versus the broad market (top chart). Stripping out sector composition, both markets trade at a discount, suggesting the opportunity is not just a byproduct of index composition. The combination of relatively low starting valuations and potential for improving cyclical activity supports our overweights.
- ❖ **International Allocation:** When international equities begin to outperform, that leadership has tended to show persistence into the following year, which is why we are paying attention to the recent relative returns (bottom chart). Ingredients for sustainable outperformance cycles have typically been large valuation discounts, dollar weakness, and converging or stronger earnings growth.

Normalized Curve and High Real Yields Make Treasury Duration Appealing

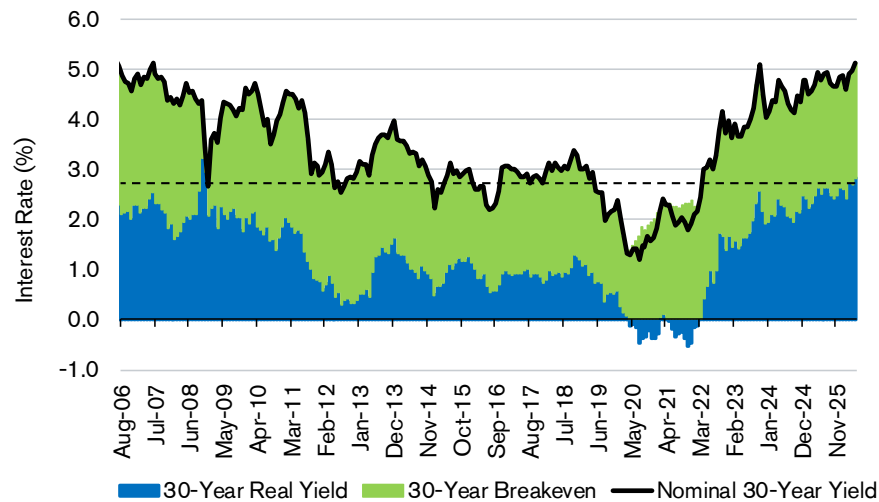
TREASURY YIELD CURVE SHAPE HAS FULLY NORMALIZED



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: The combination of a normalized yield curve, in which longer maturities provide a yield advantage relative to shorter duration bonds, and high absolute real yields make longer-maturity Treasury bonds attractive, in our view. Still, growing inflation risks could limit downside to longer-term rates. We expect fixed income returns to be driven primarily by healthy coupon yields, with modest price gain potential. In traditional balanced portfolios, we currently maintain a neutral allocation to bonds.

30-YEAR TREASURY REAL YIELD AT 20-YEAR HIGHS

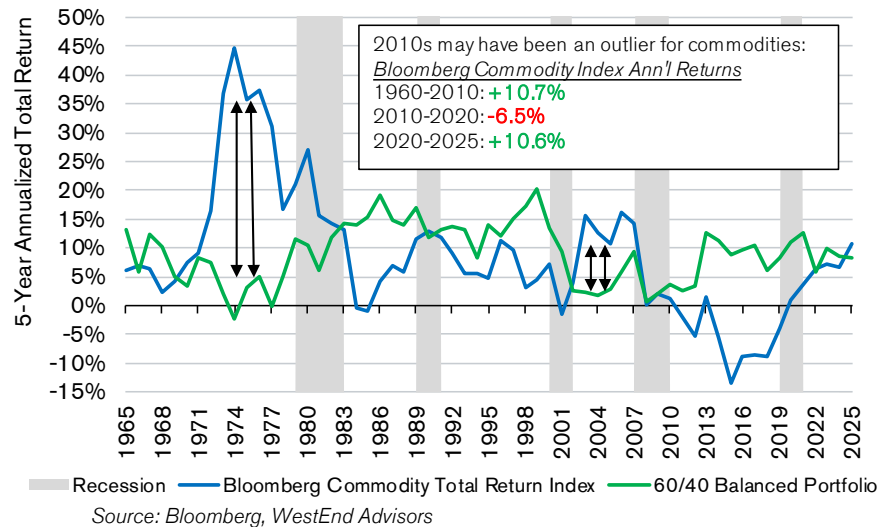


Source: Bloomberg, WestEnd Advisors

- ❖ **Front End Has Normalized:** Yields for 1- and 2-year Treasury securities moved above the policy rate in Q1, completing the normalization of the shape of the curve (top chart), even as rising commodity prices and the energy price shock have caused investors to reassess the likelihood of further interest rate cuts. Historically, long-duration bonds become more attractive as the yield curve steepens.
- ❖ **Duration Attractiveness:** The increase in long-term interest rates in Q1 was primarily driven by real yields, as 30-year inflation break-evens have moved lower since the beginning of the year. 30-year real rates are now at the highest level in nearly 20 years (bottom chart).

Navigating Opportunities in Real Assets

REAL ASSETS PROVIDE BALLAST TO TRADITIONAL PORTFOLIOS

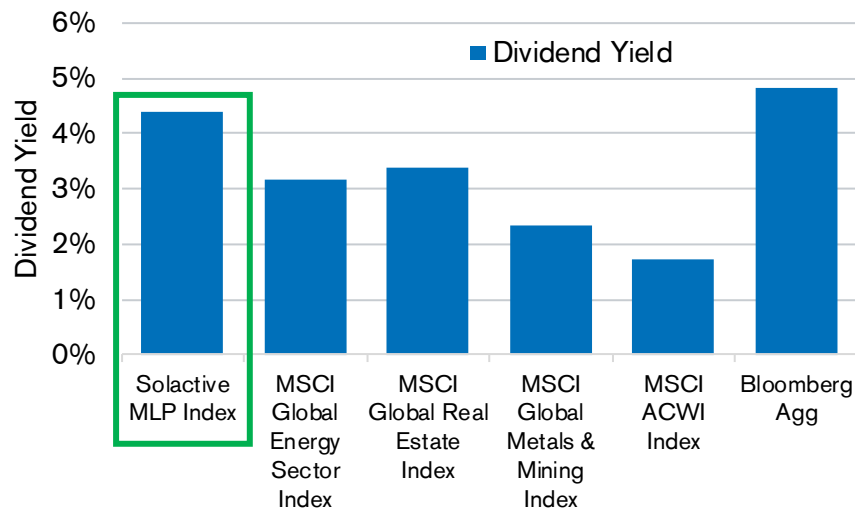


Portfolio Impact: With a range of inflation and growth paths possible, we have diversified our real asset exposure away from a focus on gold to include a broader set of global natural resources and energy infrastructure exposure.

❖ **Real Assets Can Enhance Traditional Portfolios:** Real asset exposures, proxied by the Bloomberg Commodity Index in the top chart, have historically supported portfolio returns during periods when traditional 60/40 portfolios struggled, including the 1970s and early-to-mid 2000s, making them an attractive source of diversification for investors, in our view.

❖ **An Active, Macro-Driven Approach is Key:** Active asset allocation informed by macroeconomic conditions can enhance not only portfolio diversification, but return potential as well. Presently, MLPs and other natural resource-linked equities remain key areas of emphasis in our portfolios, supported by attractive yields and an improving demand backdrop for industrial metals such as copper and aluminum.

MLPS OFFER AN ATTRACTIVE RELATIVE YIELD



Source: Bloomberg, WestEnd Advisors

Footnotes & Disclosures

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The Standard and Poor’s 500 Stock Index includes 500 stocks and is a common measure of the performance of the overall U.S. stock market. The MSCI ACWI consists of 47 country indexes comprising 23 developed and 24 emerging market country indexes. The total return of the MSCI ACWI (Net) Index is calculated using net dividends. Net total return reflects the reinvestment of dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The Bloomberg Barclays US Aggregate Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. The Bloomberg Barclays US Aggregate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. An index is unmanaged and is not available for direct investment.

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