Economic and Market Outlook

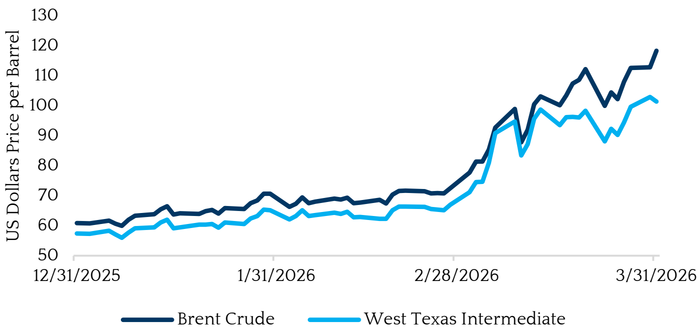
| 2Q26

KEY TAKEAWAYS:

1. War-driven energy and trade shocks will likely impact global growth, with oil prices and supply disruptions hitting energy-dependent regions hardest.
2. The US is better positioned than most, supported by domestic energy production, fiscal stimulus, and prior interest rate cuts.
3. Markets are repricing risk as higher rates, slower earnings growth, and shifting leadership pressure equities.
4. We believe diversification matters again, as productivity gains, reshoring, and new business formation should support greater stock market breadth over time.

The U.S. led attacks on Iran disrupted what had been a very constructive global economic expansion. The war's human and economic toll is significant and will grow as the conflict continues. The immediate economic impact is best measured through the price of oil, which is up 80-90% year to date, including 50-60% in March alone.

2026 Oil Prices



Sources: Congress Asset Management, Bloomberg, US Energy Information Administration

One likely result is the fracturing of the global expansion as countries, companies, and consumers respond to the oil price shock. Countries or regions with easier access to oil stand to benefit relative to those with less. Recessionary conditions in Europe and other regions more dependent on imported oil are expected should the conflict persist.

Domestically, the uncertainty has been evident in both the bond market and the stock market. The U.S. Treasury 10-year bond yield rose to 4.32% from 3.94% prior to the conflict. The S&P 500 Index limped into quarter end, registering a 4.3% decline. More aggressive equity indices, such as the Russell 1000 Growth, were down closer to 10%.

The war is dominating our consciousness as it has altered the state of play with broad political, geopolitical, and economic consequences. Its duration is impossible to handicap as this appears to be an existential risk to Iran's political leaders and its proxies, all of whom appear willing to fight to the end.

The U.S. entered the conflict with a strong economic hand, which affords businesses and consumers time to respond. However, higher energy prices and higher interest rates will put stress on some industries, increasing the risk of recession and asset value volatility.

Historical supply shocks to energy prices, such as 2012 Iran nuclear program sanctions and 2022's Russian invasion of Ukraine, typically have a short duration. The difference this time is 20% of the world's oil supply transits the now closed Strait of Hormuz. The U.S., being a net oil exporter, is in a better position than others to withstand the price spike. Despite this, it already costs more to fill a gas tank than a month ago, with the average cost of a gallon of gas up over $1. Over the course of a year, this costs US consumers an additional ~$140bn, or ~1% of consumer spending.

In addition to oil, ships passing through the Strait account for ~5% of annual global trade. The closure of this key artery impacts a wide range of commodities and industries.

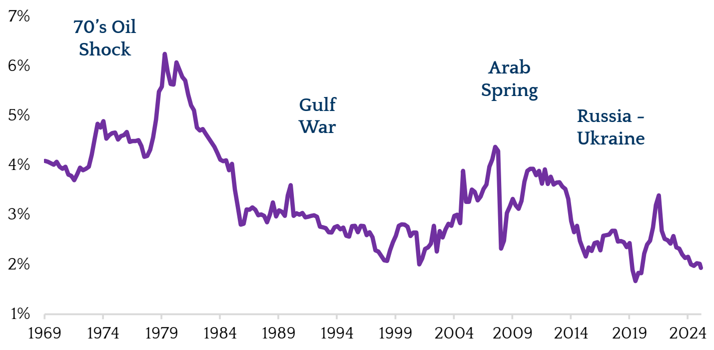
Commodity	Impact
Liquid Natural Gas	• Nearly 25% of the global supply flows through the Strait of Hormuz.
Fertilizers	• Persian Gulf countries are major exporters and the Strait handles 30% of the global trade. • Higher fertilizer prices can lead to lower crop yields and increased food prices.
Helium	• Almost 30% of the world's supply comes from the Gulf region. • Helium is a critical input for semiconductor manufacturing with important applications in healthcare and aerospace.
Plastics	• The region accounts for ~15% of global polyethylene production, the most commonly used plastic found in almost everything.

Sources: Congress Asset Management, Bloomberg

As disruptive as the war is, it is unlikely to tip the U.S. into recession. The economy continues to benefit from two stimulative forces. Fiscally, the One Big Beautiful Bill passed last July 4 is putting tax dollars back in consumers' pockets. The IRS reported that the average tax refund is up about 10% compared with last year. In addition, in the latter part of 2025, the Federal Reserve lowered the federal funds interest rate target by ¾ percentage point. The salutary effects of the lower rate environment are now working through the economy.

While U.S. growth prospects have dimmed, we maintain a strong economic foundation. This is bolstered by significant energy production and a shrinking portion of energy relative to the total economy, which help insulate us from the worst impacts of higher oil prices.

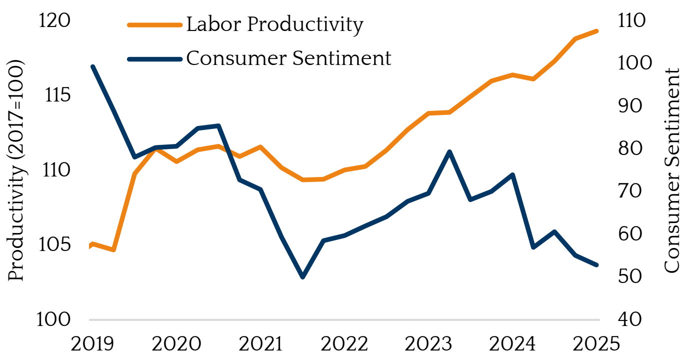
Energy Prices as a % of US Personal Consumption Expenditures (PCE) 1980 – 2026



Sources: Congress Asset Management, Bloomberg, Bureau of Economic Analysis

The private sector also appears to be on solid ground. Reshoring initiatives combined with massive technology investments are bolstering growth. While not fully captured in consumer sentiment readings, optimism about the economy has been improving. Inspired by pandemic era learnings, productivity has been increasing, a good sign for companies who may improve margins and for workers who can share in the productivity yield.

Productivity Signals Resilience Beyond Sentiment 2020 – 2025



Sources: Congress Asset Management, Bloomberg, US Bureau of Labor Statistics, and University of Michigan

Anecdotally, and in contrast to some AI doom narratives, new business formations are accelerating. Many of these ventures may fail, but some will undoubtedly succeed with robust results. New and small businesses are vital to continued economic growth. These positive numbers belie less sanguine measures of consumer sentiment as these data points capture action rather than feelings.

While the US remains fundamentally strong, stock prices must now reflect potentially higher interest rates and lower earnings growth. Stock market leadership is in transition, and we believe the broadening out that the market has seen year to date will continue. Technology stocks, the belle of the ball for the last five years, face new challenges from AI integration and the costly build out of data centers. Massive spending by so called hyper scalers – Microsoft, Alphabet, Amazon, Meta Systems – likely tops $700 billion this year with the dual effects of decreasing their own cash flows while boosting earnings for their service providers.

The disruptive impact of the war will be felt even after hostilities cease. The war increases uncertainty and calls into question inflation levels, economic growth and the outlook for corporate earnings. While this uncertainty can weigh heavily on sentiment in the short term, US markets have proven resilient over a wide variety of conflicts. Proper portfolio diversification, ignored over the last few years as technology stocks dominated broad equity indices, will be far more important in 2026. The domestic economy is likely to grow at a slower rate than anticipated prior to the war, but we believe that growth should be better distributed. A portfolio of established companies with durable business models should weather the worst of the storm.

Investment Oversight Committee

Daniel A. Lagan, CFA© | Chief Investment Officer

Important Disclosure

Not an Offer, Recommendation or Professional Advice: This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Congress Asset Management or consult with the professional advisor of their choosing.

Use of Third-Party Information: Certain information contained herein has been obtained from third party sources and such information has not been independently verified by Congress Asset Management. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Congress Asset Management or any other person. While such sources are believed to be reliable, Congress Asset Management does not assume any responsibility for the accuracy or completeness of such information. Congress Asset Management does not undertake any obligation to update the information contained herein as of any future date.

Currentness: Except where otherwise indicated, the information contained in this presentation is based on matters as they exist as of the date of preparation of such material and not as of the date of distribution or any future date. Recipients should not rely on this material in making any future investment decision

Benchmarks: Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. Investors cannot invest directly in an index. Comparisons to indexes have limitations because indexes have volatility and other material characteristics that may differ from a particular fund or strategy. For example, a hedge fund may typically hold substantially fewer securities than are contained in an index.

Forward-Looking Statements: Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.