

WEEK ENDED MARCH 13, 2026

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Private Credit – Brewing Crisis or Tempest in a Teapot?

“Private credit’ means raising money from long-term locked-up investors and using their money to make loans to companies. The fact that the investors in private credit funds have their money locked up is not incidental; it is the point of private credit.”

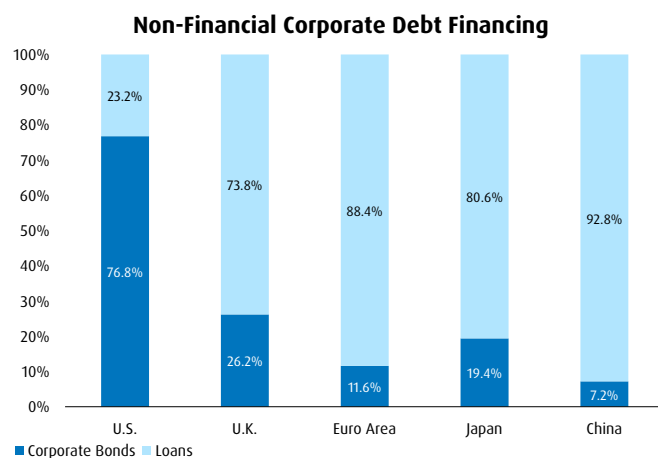
– Matt Levine, Bloomberg Opinion columnist

The Through Line: Private credit has had a rough go of it lately after an extended period of heady growth and robust investor enthusiasm. By definition, the asset class is opaque and investments are locked up for years – a combination that incites heart palpitations and sweaty palms when headlines turn scary. We frame the issues that are making observers most discombobulated, sidestepping fraught emotions to cast a rational light on recent trends.

A bit of background

Companies looking to fund their operations or secure capital to grow have three primary choices: cash flow generated from day-to-day activities; partial sale of an equity (ownership) stake; or securing a loan (credit).

For years, the bulk of loans were obtained through the banking system – for much of the globe this is still the case. In the U.S., however, trends in recent decades (e.g., tightened regulation and higher capital requirements in the wake of events like the 2008-2009 housing crisis) have encouraged the development and utilization of alternative credit channels – particularly for small and medium sized companies.¹



Source: SIFMA (2025), data excludes financial institutions.

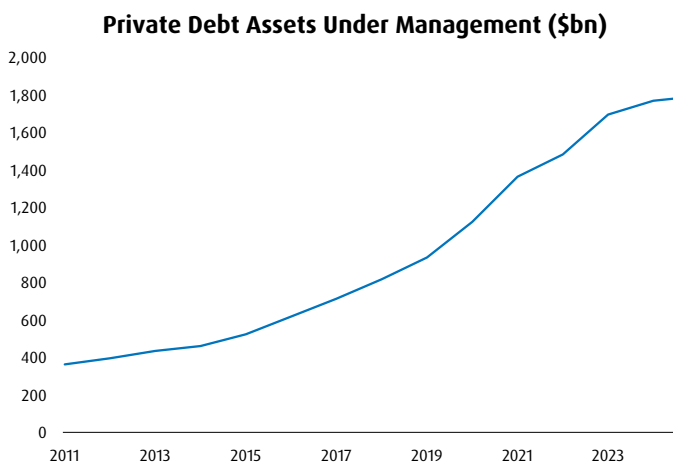
A variety of non-bank lenders (e.g., hedge, pension or private capital funds) have evolved, bringing with them specialized structures designed to both create optionality for creditors and serve a variety of institutional and individual end markets. For example:

- **Direct lending** – non-bank lenders craft customized loan structures for a specific company. Such lending can be further sliced into a variety of tranches (senior secured, mezzanine, subordinated) to meet differing risk, return and time-frame goals for both creditor and investor. These transactions may be *sponsor backed* (a private equity sponsor supports the borrower and often provides governance oversight and additional capital), or *non sponsor backed* (lending is extended directly to owner operated or independent companies without the involvement of a financial sponsor).
- **Business development corporations (BDCs)** – publicly traded or private pooled-investment vehicles provide capital to a suite of smaller and mid-sized companies, offering investors access to a diversified portfolio of primarily private loans and, in some cases, equity investments.
- **Capital solutions** – highly customized and flexible capital, ranging from preferred equity to junior debt tranches typically structured as add-on capital (to bridge episodic events like private companies’ need for growth capital or rescue financing).
- **Distressed debt/special situations** – pools of loans underwritten for companies that are now struggling for any number of reasons. The loans are typically purchased from the original underwriter at a steep discount while the distressed manager works to help stabilize the underlying asset or cash flows.

The evolution of private credit

For decades, each systemic financial shock (e.g., the crash of 1929 followed by the Great Depression; S&L/farm crisis of the 1970s; Global Financial Crisis of 2008-2009) was followed by stricter regulation and/or capital requirements on the banking system in an attempt to prevent that particular crisis from reoccurring. Although such actions helped buttress the system they also added to complexity and costs for monitoring and delivering services. This prompted creditors to seek out services through alternate channels. Here **non-bank providers argued they could provide more flexible underwriting terms more quickly with fewer regulatory costs and/or more tightly focused niche expertise – all at a lower cost.**

Disintermediation accelerated in the period of uber low interest rates that dominated post GFC. Institutional investors (pensions, endowments, insurance companies) were the initial advocates, helping a number of large purveyors (e.g., Blackstone, Blackrock, Ares, Brookfield, Apollo) hone their offerings.



Source: Preqin (2026); data as of June 2025, does not include evergreen funds.

What sets PC apart?

A core attribute of private capital is its demand for a long time horizon. Unlike other assets that reprice frequently and can be traded intraday on established exchanges, **private credit capital is meant to be locked up for medium-to-long-term periods.** The activities it underwrites are often complex and take time to play out. For example, the loan that underwrites a new piece of production equipment will need to allow for sufficient goods to be produced and sold, generating periodic cash flow to eventually repay the obligation. Institutional investors often have liabilities that are far out in the future (pension or life insurance payouts, college endowments/foundations that have in-perpetuity payout streams) and value the ability to match a long-lived asset against a similarly long-tailed liability.

Another characteristic: the valuation opacity of underlying assets. The specific loans in most funds seldom (if ever) trade, making price discovery a challenge. Valuations and carrying values are reported periodically by the fund manager. Investors by default need to have faith that the underwriting manager's due diligence, valuation and monitoring methods are sound.

Broadening the investor base

The environment of low interest rates that dominated much of the 2010s sent individual investors on a hunt for higher-yielding fixed income/fixed-income-like investments. Private credit was a natural place to look. PC managers, who want to broaden their own market share, have been creative in crafting new delivery vehicles in an attempt to meet this demand. For example, so-called evergreen funds have no specific end date. They are open-ended funds featuring specific mechanisms for investment or withdrawal dates and amounts. However, a key challenge to the new vehicles has been the potential to dilute returns by shifting the key risk/reward relationship. In traditional private credit, investors can theoretically argue for a higher return to reflect the illiquidity risk they are accepting.

Fears of the industry's demise have been greatly exaggerated

After several years of substantial industry inflows, many private capital holders came into 2026 already on edge. It was a similar "waiting to exhale" vibe that public market traders carried after multiple years of solid performance in those arenas. With the worry closet door already ajar, a handful of headlines flung the door wide open, allowing a host of additional worries to spill out.

Defaults – two high-profile bankruptcies in the auto/auto-parts industry (Tricolor and First Brands) touched off the heightened concern. Both entities served lower income, predominantly immigrant populations by making low- or no-documentation loans. They were arguably more vulnerable to disruption in their business model following the Trump administration's altered immigration policy. In both cases, there are allegations of fraudulent activity such as double pledging of loans.

Our take: Default, delayed business progress and bankruptcies are an unfortunate part of life for lenders, but overall they remain at low levels in the economy at large and can occur in both public and private markets. Fraud is exceedingly hard to detect even when using the most sophisticated due diligence techniques. Tricolor and First Brands debt was spread broadly across multiple private credit funds and banks – increasing its profile in the zeitgeist.

Software concentration – the private credit industry has underwritten a large portion of software and, increasingly, data center construction debt. In view of the recent volatility across publicly held software stocks (thanks to feared disruption from advances in AI), private credit investors are fretting openly about margins, revenue and earnings potential of many segments of technology as the next Industrial Revolution roars into existence.

Our take: We maintain that fears of utter AI annihilation are overblown. It's more likely that AI will be integrated into existing enterprise software systems and entrenched corporate processes (particularly in highly regulated industries) than deployed as a replacement. Public debt offerings for data center construction continue to enjoy high investor demand. However, tech overall has low leverage ratios since many constituents have solid investment-grade credit ratings. Finally, some companies,

including xAI (with the announcement of \$18 billion it intends to pay off before taking the company public later this year), are already working to pay down debt.

Implementation/enforcement of gate clauses – we say again that **private credit is designed to be a long-lived asset**. As fund managers have created new vehicles to facilitate broader retail participation, they have in many cases built in some modicum of liquidity, allowing a certain percentage of a position (or the fund's position in aggregate) to be redeemed for cash in a set period. These "gates" are designed to prevent the equivalent of a bank run and a need to dispose of assets at fire-sale prices while disadvantaging those who choose to stay put. Some fund managers have been hit with higher-than-stated gate maximums in the most recent period, prompting different responses. Blackstone allowed a higher redemption rate – but the firm's leaders backstopped it with significant investment into the fund. Blackrock announced last week that it was toeing the line on its 5% max withdrawal in any given period while emphasizing the sturdiness of underlying assets.

Our take: Gates are written into the subscription documents of many vehicles that investors sign off on. They are there to protect the fund's viability and the commitments leadership has made to the creditor companies. When senior leadership buys into the fund to support above-average withdrawals it sends a strong message about leadership's belief in their process and the pool of investments. Adhering to the gate level that all investors signed off on also sends an important message: this is an asset class reserved for those with patience.

Fears of contagion spilling into systemic damage – rolled all together, the above concerns have some wondering aloud if there are enough pain points to dent the entire banking system. The opacity of private investments makes it challenging to track potential problems. Additionally, the significant fundraising activities of the past few years leave funds flush with cash that they must put to work. There may be a temptation to put assets to work more quickly.

Our take: We understand the fear of reliving the aftermath of 2008-09. We were there. It was ugly – and irrevocably altered the outcomes for tens of millions of people. **But the entire private credit industry is approximately \$2 trillion of a global public/private debt market that totals nearly \$150 trillion.**ⁱⁱ Recall that in the early 2020s we saw similar fears that defaults on commercial real estate would devastate the banking industry and spill into the broader economy. CRE is roughly 2.5 times the size of the private credit market. Yet five years later and many of those

problematic downtown office towers have been written down, written off, repurposed or resold – without denting the aggregate. This is another example of a resilient, adaptable system.

Implications for Investors

Private credit is a vital and vibrant component of the capital markets. It can offer interesting investment opportunities in a variety of asset classes for those who understand the risk and reward trade-offs. Private credit's evolution over recent decades has helped spread the risk of being a lender more broadly than if it had remained concentrated solely in the banking sector. It's a healthy thing, providing a key shock absorber for an economic system beset by technological, demographic and substantial policy shifts.

Investors need to bear in mind that there are key risks to investing in private credit: credit risk, long tie-ups, more complicated record-keeping and tax-filing demands that can add a layer of complexity and cost. Also present are liquidity and redemption risk for evergreen funds, opaque valuations and limited price transparency, leverage risk, and manager underwriting risk. **Investors who want to participate must do their own homework to ensure that those they have entrusted to help guide their money have also done their homework. Bottom line: private credit has a viable spot in the capital stack for those who understand, and can accept, the risks.**

In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

This week

U.S. unemployment print is unexpectedly weak – Last week's nonfarm payroll report increased economic uncertainty. The Bureau of Labor Statistics reported the economy lost 92,000 jobs in February while the January figure was revised down by 4,000 jobs. Going into the print, economists polled by Bloomberg had expected 55,000 jobs to be added. Reversing a downward trend, the unemployment rate rose to 4.4%. A labor strike at a major healthcare provider and winter storms created temporary distortions in the data, but excluding those factors the total still fell short. San Francisco Federal Reserve President Mary Daly indicated the result was disappointing after a period of stabilization in labor market trends and noted both sides of the Fed's dual mandate "are risks now." Chicago Federal Reserve President Andrew Goolsbee warned a sustained rise in unemployment plus an oil-price shock could foment a period of stagflation. One month does not a trend make, but the report suggests continued vigilance from what has been a data-dependent Federal Reserve. A labor print that was weaker than expected led investors to postpone the anticipated date of the next rate cut by roughly a month. Taking a pause on rates is justified (at least in the near term) by continued above-target inflation and added headwinds from the Middle East conflict.

All eyes on crude – Oil markets witnessed a historic 24-hour trading period this week. Global benchmark Brent crude futures touched \$119.50 in overnight trading on Sunday before retreating to a low of \$83.66 during Monday's trading session. The initial price rise and roughly 30% inter-trading-day swing were both the largest on record. Price volatility was driven by shifting geopolitical narratives tied to the war in Iran. The announcement that hardliner Mojtaba Khamenei had been selected to succeed his father as Iran's supreme leader plus accelerating attacks on regional energy infrastructure stoked fears of a protracted Iranian war. These events were a catalyst for crude's price gap moving higher. Threat of higher prices at the pump and slower global GDP growth appears to have prompted a narrative shift within the U.S. administration. On Friday, Secretary of Defense Pete Hegseth said the war was just getting started. By Monday afternoon President Donald Trump said the war is "pretty much" complete. Revised strategic objectives created an offramp for the administration to potentially exit the war sooner rather than later. Mr. Trump spoke of options to ease pressure on prices at the pump, including easing sanctions on Russian oil exports, while IEA member countries agreed to large coordinated releases from strategic petroleum reserves. Continued hostilities in the region later in the week, including attacks on Iraqi vessels late Wednesday evening have kept the key commodity on a volatile course all week.

Potential new voter rules stalled in U.S. Congress – Last month, the House of Representatives passed the SAVE America Act, which mandates significant changes to the U.S. federal election process. The legislation has since been stuck in the Senate; Democrats in the chamber have imposed a filibuster preventing the bill from reaching a floor vote. President Trump has argued changes to

the voting system are needed to ensure only U.S. citizens participate in elections and has suggested that illegal residents have influenced past races through fraudulent voting. Data compiled by The Heritage Foundation, a conservative think tank, and analyzed by the NYU Brennan Center for Justice call these claims into question. **According to the Brennan Center's review of that dataset, voter fraud is less common than being struck by lightning.** Under the current system, it is illegal for non-citizens to vote; eligibility relies on self-attestation under threat of perjury. The SAVE America Act switches the burden of proof to voters by requiring documented proof of citizenship. Acceptable items would include passports or birth certificates plus photo IDs. States could also create voter ID cards verifying proof of citizenship. In the meantime, people whose names have changed since birth or who do not have the required identification available would find it difficult to vote. Absentee voting would require proof of citizenship when both requesting and submitting ballots, which would undermine the convenience of the process. This legislation would be consequential for voters on both sides of the aisle and in between. **The President said this week he will not sign any other bills into law until the SAVE Act is passed. If Mr. Trump stands his ground then several pieces of important legislation could be stalled.**

Canadian economic update – Canada's economy is still facing headwinds from U.S. tariffs, but the impact is uneven across the country, and conditions are beginning to drift apart. BMO Economics is forecasting 1.3% real GDP growth this year, down slightly from 1.7% in 2025. The tariff situation remains a key uncertainty; the U.S. Supreme Court ruling against IEEPA tariffs does little in the near term in light of the more aggressive use of sectoral tariffs. Meanwhile, we await the mid-2026 joint review of CUSMA. On the positive side, past Bank of Canada easing continues to filter through the economy. A significant wave of federal fiscal stimulus has begun to roll out, including tax cuts, defence and infrastructure investment.

Canada/U.S. impact of higher oil prices – A sustained rise in oil prices will lead to a temporary upward bump in inflation. For the U.S., our baseline scenario pushes oil prices up 34% on average by June relative to our previous forecast and 15% higher for all of 2026. That would lift headline inflation by roughly 0.7 percentage points in the near term and 0.3 percentage points for the year, and the core rate by 0.3 percentage points and 0.1 percentage points, respectively, from where it would have otherwise been. The inflationary effects in Canada could parallel those in the U.S. considering that both countries have similar shares of gasoline in their CPI. It would take a fairly significant shock in oil prices to meaningfully weigh on the U.S. economy. The Canadian economy is even less vulnerable to higher energy prices because it is a major exporter. However, a weaker global growth backdrop could have repercussions for the domestic economy. Higher energy prices would support growth in the energy-exporting provinces while weighing on spending in the rest of the country.

Next week

Key inflation readings and central bank meetings in both Canada and the U.S. are coming. It would be surprising if either central bank comes off the sidelines, though investors will be alert to each bank's approach to the current Middle East conflict and its lasting effects.

Monday 3/16 – U.S. Empire State manufacturing survey, Industrial production, Capacity utilization | Canada Housing starts, CPI and core inflation

Tuesday 3/17 – U.S. Pending home sales, Home builder confidence

Wednesday 3/18 – U.S. FOMC rates decision and press conference, PPI, Factory orders | Canada Bank of Canada rates decision and press conference

Thursday 3/19 – U.S. Initial jobless claims, Philly Fed, Wholesale inventories

Friday 3/20 – U.S. Employment cost index | Canada Retail sales, PPI

Data scorecard as of March 11, 2026

Equity Market Total Returns						
	3/11/2026 Level	WTD	YTD	2025	2024	5-Year*
S&P 500	6,776	0.6%	-0.8%	17.9%	25.0%	14.4%
NASDAQ	22,716	1.5%	-2.1%	21.2%	29.6%	13.4%
DOW	47,417	-0.1%	-1.0%	14.9%	15.0%	11.6%
Russell 2500	4,451	0.7%	3.5%	11.9%	12.0%	7.3%
S&P/TSX	33,120	0.1%	4.8%	31.7%	21.7%	16.1%
MSCI EAFE	10,906	0.2%	2.8%	31.2%	3.8%	8.9%
MSCI EM	829	1.2%	8.2%	33.6%	7.5%	4.2%
Bond Market Total Returns						
		WTD	YTD	2025	2024	5-Year*
Bloomberg U.S. Aggregate		-0.5%	0.3%	7.3%	1.3%	-0.4%
Bloomberg U.S. Treasury		-0.4%	0.3%	6.3%	0.6%	-1.0%
Bloomberg U.S. Corporate		-0.7%	-0.2%	7.8%	2.1%	-0.1%
Bloomberg U.S. High Yield		0.0%	0.3%	8.6%	8.2%	4.5%
Bloomberg 1-10 Year Munis		-0.2%	1.0%	5.1%	0.9%	1.2%
Bloomberg Canada Aggregate		-0.4%	0.1%	2.4%	4.0%	-0.4%
Bloomberg Canada Treasury		-0.5%	0.1%	1.4%	2.9%	-0.8%
Bloomberg Canada Corporate		-0.3%	0.2%	4.4%	6.9%	1.5%
Government Bond Yields						
	3/11/2026	Last Month End	Last Quarter End	2025	2024	5-Year Average
U.S. 10-Year Treasury	4.23%	3.94%	4.17%	4.17%	4.57%	3.37%
Canada 10-Year Government	3.48%	3.13%	3.43%	3.43%	3.23%	2.81%
U.K. 10-Year Gilt	4.69%	4.23%	4.48%	4.48%	4.56%	3.16%
German 10-Year Bund	2.93%	2.64%	2.85%	2.85%	2.36%	1.66%
Japan 10-Year Government	2.16%	2.11%	2.06%	2.06%	1.09%	0.65%
Currencies & Real Assets						
	3/11/2026 Level	WTD	YTD	2025	2024	5-Year*
USD Index	99.23	0.2%	0.9%	-9.4%	7.1%	1.8%
CAD:USD	\$0.74	-0.2%	1.0%	4.8%	-7.9%	-1.5%
Bitcoin	\$70,649.91	3.5%	-19.4%	-6.5%	120.5%	24.8%
Gold	\$5,176.46	0.1%	19.8%	64.6%	27.2%	17.9%
Oil (WTI)	\$87.25	-4.0%	52.0%	-19.9%	0.1%	3.4%

*Annualized

5-Year data as of December 31, 2025. Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.

Index Definitions

Equity indices

S&P 500® Index is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

Dow Jones Industrial Average (“DOW”) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

S&P/TSX Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada’s primary stock exchange, the Toronto Stock Exchange (TSX).

MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

Fixed income indices

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

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.

Bloomberg U.S. Corporate High Yield Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+ or below.

Bloomberg 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Canada Aggregate Bond Index measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

Bloomberg Canada Aggregate Bond Index - Treasury is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

Bloomberg Canada Aggregate Bond Index - Corporate is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.



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¹ Capital Markets Fact Book - SIFMA

² ibid