



BRONCO ASSET MANAGEMENT

REQUEST FOR
PROPOSAL 2026

PREPARED FOR:
CFA SOCIETY
ORANGE COUNTY

Student Managed Investment Fund

California State Polytechnic University, Pomona



Bronco Asset Management

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November 12, 2025

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University Overview

Founded in the Fall of 1938, California State Polytechnic University, Pomona (Cal Poly Pomona, or CPP) approaches higher education with a “Become by Doing” philosophy. Cal Poly Pomona is the #1 polytechnic university for diversity and economic mobility, where we help anyone who dreams of success achieve it. At CPP, every student gets The CPP Polytechnic Experience (PolyX)—hands-on learning inside and outside the classroom that creates an impact on careers and communities for generations to come. They learn through discovery, learn from diverse perspectives and learn by doing—for impact and for life.

Beginning with a class of 110 students as a satellite campus of California State Polytechnic College - San Luis Obispo, Cal Poly Pomona (CPP) is now a member of the 23-campus California State University (CSU) System, serving over 29,000 students of all backgrounds, including over 2,100 graduate students. CPP is highly ranked in numerous categories, such as return on investment, diversity, and social mobility. Overall, it is ranked as the second best regional public university. CPP currently offers bachelor’s degrees in 108 majors, 49 master’s degrees, 10 teaching credentials, and two doctorates across 9 distinct academic colleges. The College of Business Administration (CBA) at Cal Poly Pomona continues the overarching philosophy of hands-on learning for students majoring in Finance, Accounting, and other relevant management disciplines. The Finance, Real Estate, and Law (FRL) Department at the CBA serves over 1,000 students in the major and offers a broad curriculum covering investment management and analysis, as well as niche courses such as Bond Analysis, Derivatives, Valuation, Financial Modeling, Multinational Financial Management, and Applied Portfolio Management. Additionally, the FRL Department hosts the Dr. J. Douglas Ramsey Financial Markets Room (Bloomberg Lab), complete with twelve Bloomberg terminals. While the lab is primarily used by the Student Managed Investment Fund, it is also utilized for several business classes that have been moved to the lab. CPP also provides various other resources such as the WRDS analytics module, CRSP and Compustat Databases, the Value Line Investment Survey, and a vast collection of academic and industry papers through our Library database. When complemented with a wide range of specialized investment courses, students graduating from Cal Poly Pomona gain a competitive edge in the job marketplace.

DEPARTMENTS

College of Business Administration

- ❖ Finance, Real Estate, and Law Department
- ❖ Accounting
- ❖ Computer Information Systems
- ❖ E-Business
- ❖ International Business and Marketing
- ❖ Management and Human Resources
- ❖ Technology Operations Management
- ❖ Graduate Programs

College of Letter, Arts, and Social Sciences

- ❖ Economics Department

College of Engineering

- ❖ Computer Engineering Department

MAJORS & MINORS OFFERED

Undergraduate Programs

Bachelor of Science in Finance, Real Estate, and Law
Bachelor of Science in Accounting
Bachelor of Science in Economics
Minor in Finance
Minor in Real Estate
Minor in Accounting
Minor in Economics

Graduate Programs

Master of Business Administration
Master of Science Business Administration
Master of Science in Accounting
Master of Science in Economics
Master of Science in Business Analytics
Master of Science in Financial Analytics

INVESTMENT COURSES

Undergraduate Courses

FRL 3000 - Managerial Finance
FRL 3301 - Investments
FRL 3671 - Corporate Finance Theory
FRL 4041 - Financial Modeling
FRL 4311 - Financial Derivatives
FRL 4321 - Bond Market Analysis and Investment Management
FRL 4331 - Seminar in Portfolio Management and Capital Markets
FRL 4401 - Evaluation of Financial Policy
FRL 4611 - SMIF Senior Project
FRL 4631 - Data Analytics in Finance
FRL 4671 - Business Valuation
FRL 4862 - Real Estate Investment Analysis
FRL 4990-01 - Applied Portfolio Management

CFA PREPARATION

Cal Poly Pomona's undergraduate and graduate Finance programs are recognized members of the CFA University Affiliation Program. The Finance, Real Estate, and Law (FRL) curriculum covers more than 70% of the topics within the CFA Level I Candidate Body of Knowledge (CBOK), including ethics. This ensures that students are well equipped to take the CFA Level I exam post-graduation. Through this affiliation, the CFA Institute has awarded several scholarships to CPP students. The FRL Department partners with the student-run Finance Society and Bronco Investment Club (BIC) at CPP to inform students about the CFA exam and its long-term benefits. These organizations host events and guest speakers to discuss how the CFA designation can be an essential tool to further students' careers. BIC also organizes a study group for CFA Level I candidates.

STUDENT MANAGED INVESTMENT FUND (SMIF)

Our SMIF program started in 2017, with the catalyst being a group of students led by Alex Yussefian, who wanted to compete in the CFAOC competition. The competition has provided a platform for our program structure, content, and continued development.

Through the commitment of administration, faculty, and most importantly our SMIF alumni, we have grown our program to approximately \$710,000 in assets across three portfolios. We expect to add substantially to our assets under management with future already committed donations. Most importantly, the SMIF program has had a very influential role in job opportunities and careers for our alumni, as evidenced by the tremendous feedback we receive from graduates and employers. The SMIF program is often mentioned by students as “the best thing I have done at CPP.”

The Student Managed Investment Program consists of three components: Coursework, Bronco Asset Management (BAM), and the Bronco Investment Club (BIC). We are also supported by our campus club, the Finance Society.

COURSEWORK

The coursework consists of one semester of portfolio research/construction (FRL 4990) during Fall and one semester of hands-on management of the constructed portfolio during Spring (FRL 4611).

BRONCO ASSET MANAGEMENT (BAM)

Bronco Asset Management is the actual portfolio management arm of our program. BAM staff consists of students who have previously completed the FRL 4990 course and SMIF alumni that serve as mentors. BAM manages all portfolios on an annual basis, with the first half of the year being part of the coursework and the second half of the year being a volunteer commitment as a condition of admittance into the program. Students actively manage the portfolio year-round, closely monitor market events, work with clients, maintain investment records, and provide regular reports to clients.

FINANCE SOCIETY (FS)

The Finance Society is a premier finance student organization. Students who join will become part of a driven group of members with a passion for financial industries and capital markets. The Finance Society routinely hosts informational seminars and relevant guest speakers, so students may identify and pursue potential finance-related careers. The club provides free access to premium workshops on finance and career-related topics. In addition, this organization offers networking opportunities with alumni and professionals. Each semester, the Finance Society offers mock interviews and resume reviews to its members to better prepare them for a career in finance. The CPP chapter is a FMA Superior Chapter Award winner.

The members of this club are intellectually driven and motivate each other to strive for leadership positions within the finance industry.

BRONCO INVESTMENT CLUB (BIC)

The Bronco Investment Club (renamed from Student Managed Investment Club or SMIC) was established with the primary objectives of introducing Cal Poly Pomona students to investing and general financial literacy. Through its weekly workshops, it aims to empower students in their financial journeys by covering essential topics in personal finance and investment fundamentals. We frequently host seasoned industry experts who share insights into subjects such as fundamental security analysis and portfolio theory. BIC also organizes the annual Stock Pitch Competition to enhance students' equity analysis skills.

The Bronco Investment Club (BIC) is the backbone of the university's Student Managed Investment Fund (SMIF) program. In addition to their educational objectives, BIC also offers managerial and educational support to the program. Most importantly, BIC takes the lead in preparing students for recruitment and training for SMIF.

In essence, both BIC and SMIF create an academic space that facilitates in-depth discussions on financial matters, with a specific emphasis on investing.

CAMPUS CULTURE & SUPPORT

A hands-on academic experience is the secret to Cal Poly Pomona's campus success. The university follows a polytechnic approach where the goal is to "Learn by Doing" in order to "Become by Doing." Our methodology of first-hand experience produces students who can contribute from day one.

Cal Poly Pomona's culture promotes a diverse and valued community. CPP speaks through action by encouraging students to join clubs, attend events, join intramural sports, and take advantage of the many student services offered on campus.

Within the university's College of Business Administration, numerous programs and resources are offered to prepare students for successful careers in finance. These include: BAM, SMIF, the CFA Institute Research Challenge, the Dr. J. Douglas Ramsey Bloomberg Lab, and the Argus University Challenge. With the help of our faculty, CPP provides an abundance of resources to support student success. The CPP FRL Department Chair, Dr. Wei Yu, recognizes SMIF through her incredible support and provides all students access to the Bloomberg Terminals. Our SMIF Program Director, Pawan Tomkoria passionately dedicates significant time and energy to ensure the success of the program and its students. Now, running into its 9th year, the SMIF program has now built a strong network of alumni that serve as mentors to continuously improve the program and provide career advice.



Team Structure

Our team of 17 students was divided into 6 groups to handle different components of our investment process. We established six economic analysis teams dedicated to the U.S., Europe, India/South Korea, China, Japan, and Brazil/Mexico. After analyzing these economies, our teams were reconstructed and assigned to specific stock sectors and fixed income in order to broaden the teams' knowledge and develop teamwork skills. The SMIF team also has mentors from previous cohorts; as well as industry professionals who have extensive experience in the investment field. Our mentors provide different perspectives and ideas to the SMIF team. The BAM team structure is shown in our Organization Chart in Appendix I.

INTERNAL COMMUNICATIONS

The BAM team communicates through scheduled meetings and an array of different telecommunications such as Zoom, Outlook, and text messaging. A shared OneDrive and Google Drive are accessible to all SMIF team members, mentors, and advisors in order to reference all documents, data, presentations, and research discussed during class. The team has business continuity through weekends and holidays, as well as the summer months. BAM meets once a week during academic sessions, and every other week during non-academic sessions.

MEETING SCHEDULE

Required coursework meetings are held weekly at 5:30 p.m. every Thursday in the Dr. J. Douglas Ramsey Bloomberg Lab on campus. Additional mandatory meetings are conducted on Tuesdays at 5:30 p.m. on an as-needed basis. During the summer recess, BAM meetings are held virtually every Sunday at 7:30 p.m. BIC meetings are held on Tuesdays at noon, while Finance Society meetings are held on Thursdays at noon.



Program Incentives

CPP grants 6 academic units to students participating in the SMIF program, credited as FRL 4990 Applied Portfolio Management and FRL 4611 SMIF Senior Project.

SELECTION PROCESS

Admission to the Applied Portfolio Management course (FRL 4990) is selective and based on an application followed by an interview process. On the other hand, BIC club membership is open to all students. In addition to the minimum CFA Orange County requirements, applicants should have many of the following characteristics:

1. High overall academic performance.
2. Majoring in a business-related field.
3. Bloomberg Market Concepts certification (mandatory).
4. Completion of the core Finance course "FRL 3000" (highly recommended).
5. Have taken an additional investment-related course.
6. Practical knowledge and understanding of the financial markets.
7. Have prior investing experience.
8. Ability to work in a collaborative team environment (mandatory).
9. Willingness to commit significant time to coursework (mandatory).
10. Genuine enthusiasm and a deep interest in an investment-related career (mandatory).
11. Exhibit strength in articulating and communicating financial concepts.

Any exceptions to the above must be approved by the course faculty

REPLACEMENT PROCESS

All SMIF members are required to make a one year commitment to managing the portfolio. Those departing after the year will be replaced by qualifying new members every year. All fund management positions are filled through a voting process except for the Managing Director (MD) position. The fund MD is selected by faculty with input from students. All decisions are subject to veto by the Faculty/Program Director.



Background of Students & Faculty

Bronco Asset Management is directed by diverse, motivated, and diligent undergraduate students who are interested in aspects of finance like corporate finance, investments, and wealth management. Members have also completed several investment and finance-related courses. The diversity of the group allows for a multitude of perspectives in the decision-making process. This knowledge represents the backbone of the BAM team's success.

BAM consists of high academic performers and campus leaders. Our students are heavily involved in extracurricular activities and have received various scholarships and accolades, such as the Dean's honors list. SMIF members have successfully completed internships and/or launched careers with high-profile companies such as PIMCO, Capital Group, Citigroup, Goldman Sachs, JP Morgan, TCW, Foresters Financial, Cathay Bank, Research Affiliates, PNC, Morgan Stanley, Bank of America, MassMutual, LPL, Edgewood Ventures, Wilshire Associates, and UBS.

The BAM team is composed of individuals that bring experience, intellectual capital, critical thinking and an ambitious approach to the table. Each student offers a unique background, a wide array of knowledge, and an intense interest in investment research. This provides the team with multiple insights and viewpoints on a variety of topics. Our team embodies the "Learn by Doing" philosophy that Cal Poly Pomona is known for by working comparatively to real world professionals with the goal of satisfying their client. CPP also takes pride in its student diversity and this is reflected in our investment team as well. BAM consists of diligent and knowledgeable individuals who strive to provide its clients with the best possible product through balanced reward/risk management while also embodying a high standard of ethics and transparency.

SMIF alumni remain heavily involved with BAM and provide ongoing guidance to the team through critiques and other forms of mentorship. Their experience and knowledge is invaluable in all aspects of portfolio construction and management; their effort is truly unparalleled and greatly appreciated by the current students. We believe the involvement of alumni is a significant differentiator for CPP.

Faculty Advisor, Professor Pawan Tomkoria has over 30 years of experience in the medical and electronics industries, with positions in finance, general management, and international business. He joined Cal Poly Pomona as an adjunct faculty professor and is currently an investment and management consultant. Professor Tomkoria combines his industry experience with academic excellence to prepare students for success.

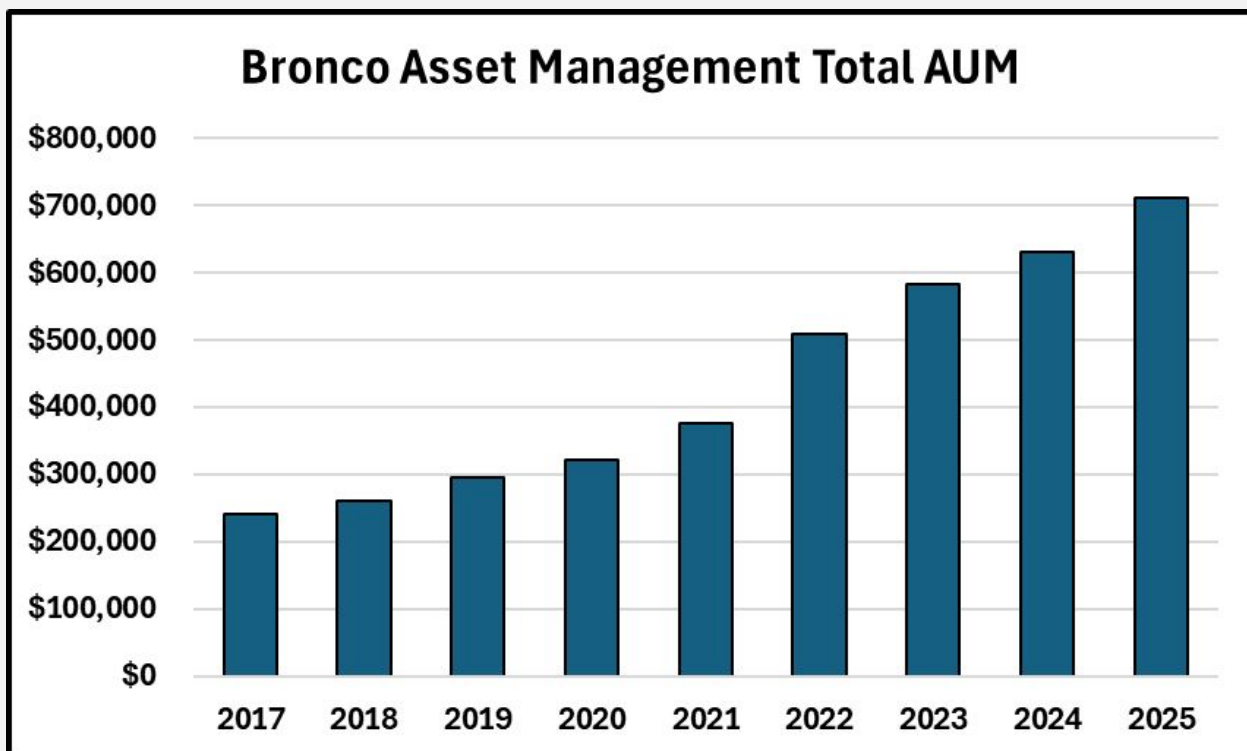
Our Faculty Advisor and Department Chair are extremely dedicated to the SMIF program and spend substantial time with BAM. This includes assuring BAM is focused on the client, and the portfolio is managed on a year-round basis. They create a culture that is supportive but also challenges students to rise to their maximum potential.

Why Our Team Is Uniquely Qualified

BAM possesses several unique qualifications that set us apart in managing investment portfolios. With a successful track record managing the CFAOC funds for eight years, we combine an eclectic, diverse team infused with experience, intellectual depth, high energy, and unwavering enthusiasm. Our decision-making is rooted in deep fundamental analysis, the strategic use of AI-driven analytics, and strong ethical values; further enhanced by team members with personal investing experience. Each team member meticulously applies their financial knowledge to construct data-driven portfolios grounded in thorough research and well-supported projections.

Our unwavering focus centers on our clients and their specific needs and requirements. We diligently monitor the portfolio in real-time, ensuring that it aligns with our client's objectives on a year-round basis, including during non-academic sessions. Communication remains persistent with clients through regular performance reports.

BAM's success is reflected in its AUM growth (as shown below).



Investment Philosophy

- ❖ BAM/SMIF strives to maximize risk-adjusted returns for our clients while keeping their objectives and expectations at the core of our investment decisions.
- ❖ Our investment decisions are driven by fundamental research meant to build long-term wealth for our clients.
- ❖ Multiple perspectives from a diverse team of individuals will benefit the portfolio construction and management process through discussion-based decisions.
- ❖ All decisions will undergo a rigorous analytical process. Our portfolio will remain adaptive to accommodate fluctuating market conditions.
- ❖ We believe markets are efficient in the long term, although short-term inefficiencies do occur. We seek out and capitalize on those opportunities by utilizing an active management approach to add value for our clients.
- ❖ Our approach will balance risk and reward with a conservative inclination.
- ❖ The Student Managed Investment Fund will embody Cal Poly Pomona's "Learning by Doing" philosophy.
- ❖ We will continue to evolve our program at CPP, building upon the guidance and contributions of our SMIF alumni, who serve as mentors.
- ❖ BAM/SMIF will operate with competence, diligence, and in an ethical manner, by placing the interest of the client before our own.



Passive Management

BAM follows an active strategy in the management of our portfolios. However, any sector that comprises less than approximately 10% of our domestic equity portfolio will be represented by a broad sector Exchange-Traded Fund (ETF). Targeted investing in ETFs helps reduce unsystematic risk through diversification and optimizes the use of BAM's limited resources.

Using this strategy, BAM will invest in ETFs for six sectors: Communications, Consumer Staples, Energy, Real Estate, Utilities, and Materials. Additionally, BAM will gain exposure to small cap value through an actively managed ETF.

Our international investments will be represented by a passively managed broad market ETF for India and South Korea, and a passively managed technology ETF for China.

Within the Fixed Income portion of our portfolio, we take an active approach to allocations within sub-asset classes and have selected a combination of three actively managed funds and three passively managed ETFs.

Market Overview & Asset Allocation

BAM follows an investment philosophy focused on maximizing risk-adjusted returns while prioritizing client objectives. Our capital market outlook is driven by fundamental analysis with a top-down approach aimed at long-term wealth creation. We begin our analysis by assessing global economies, developing a consensus and then utilizing our analysis for equity and fixed income research. BAM utilizes sources such as: Bloomberg, IMF, FRED, and others to conduct its research. Allocation of capital is based on an economy's alignment with our investment priorities.

BAM rigorously analyzed the economic outlooks of the United States, the European Union, China, Japan, Brazil, Mexico, India, and South Korea. Our proposed capital allocation is founded on this analysis.



U.S. Economic Outlook

BAM’s U.S. economic outlook is derived from consensus data compiled by Bloomberg. Additional data from sources such as the Bureau of Labor Statistics, the Bureau of Economic Analysis, the International Monetary Fund, the Wall Street Journal, the Census Bureau, and the Federal Reserve was also compiled and considered. After analyzing this information, BAM formed its own U.S. economic outlook. The current market consensus and BAM outlook are shown in the table below.

For 2026, BAM's forecast for U.S. real gross domestic product growth is lower than consensus at 0.8% (Figure U.S. 1). This lower growth is attributed to slowing government spending and slightly higher inflation, which is expected to place downward pressure on real GDP. Further details of each segment driving GDP will be discussed below.

KEY ECONOMIC INDICATORS

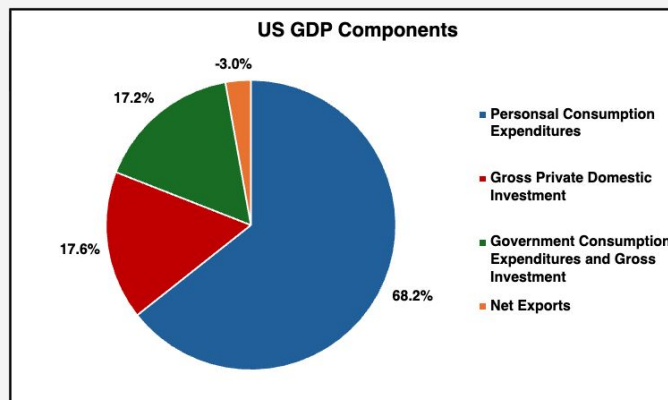
Figure U.S. 1:

U.S. ECON	2023 A	2024 A	2025E (Consensus)	2026E (Consensus)	2026 (BAM)	2027E (Consensus)	2027 (BAM)
Real GDP	2.9%	2.8%	1.9%	1.7%	0.9%	2.0%	↓
CPI	4.1%	2.9%	2.8%	2.8%	3.4%	2.5%	↑
Unemployment	3.6%	4.0%	4.2%	4.4%	4.4%	4.3%	-
10yr Rates	3.8%	4.6%	4.1%	4.1%	4.3%	4.0%	↑

Source: Bloomberg

U.S. GDP consists of four components: personal consumption expenditures, gross private domestic investment, government consumption expenditures and gross investment, and trade (net exports). Each component’s relative contribution and our outlook for 2025-26 are discussed below (Figure U.S. 2):

Figure U.S. 2:



Source: Bloomberg

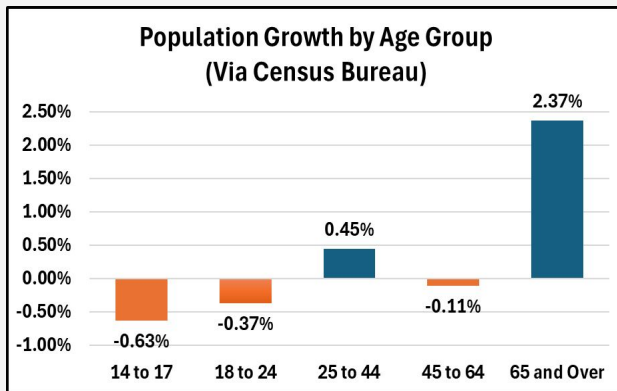
CONSUMERS AND IMPACT ON INFLATION & RATES

CONSUMER SPENDING

For our forward-looking projections, we viewed consumer spending as a function of consumer income. Aggregate consumer income is a function of how many people are working and the rate of wage growth.

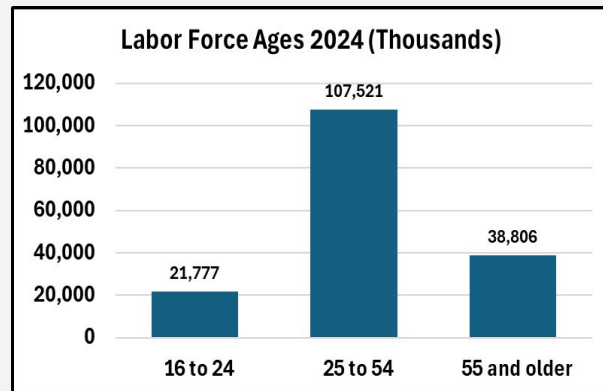
To begin, we analyzed the current and forecasted working-age population (ages 14–64) through 2030. From this, we derived a compound annual growth rate (CAGR) of approximately 0.05%. Applying the domestic working age population growth rate to the current employed workforce of about 163 million, we estimated roughly 76,000 jobs added per year, or about 6,000 jobs added per month, excluding immigration.

Figure U.S. 3:



Source: Census Bureau

Figure U.S. 4:



Source: Bloomberg

Historically, the U.S. has added more jobs than projected, largely due to strong migration inflows. On average, 150,984 jobs were added per month from 2015 to early 2025. For context, between 2010 and 2019, net immigration averaged 917,000 annually, allowing net migration to compensate for demographic shortfalls. However, under the current administration, immigration policy has been a focal point. Tightening policy around immigration and H1-B visas is likely to result in a decline in net migration.

To estimate future workforce growth accounting for migration, we referenced three accredited sources for net migration forecasts:

- Goldman Sachs (GS, Optimistic): +500,000 net migration
- Apollo (AP, Base): +211,828 net migration
- American Enterprise Institute (AEI, Conservative): –205,000 net migration

Using these forecasts, we projected workforce growth in percentage terms and estimated monthly job additions under each scenario, summarized in the table below.

Figure U.S. 5:

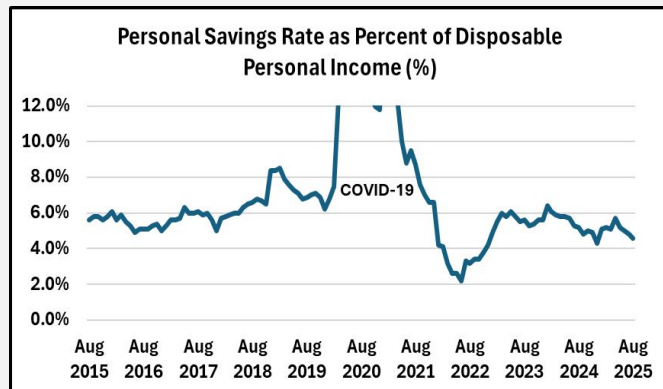
Workforce Growth			
	GS	Apollo	AEI
Net Migration	500,000	211,828	-205,000
ADD: Current Demographics	576,172	288,000	-128,828
Workforce Growth as % Change	0.35%	0.18%	-0.08%
Jobs Added Per Month	48,014	24,000	-10,736

Source: Bloomberg

Next, we examined expected wage growth. We used the Atlanta Fed’s wage growth rate of 4.1%, which was calculated in August 2025 and represents a three-month moving average of the year-over-year percent change in hourly wages.

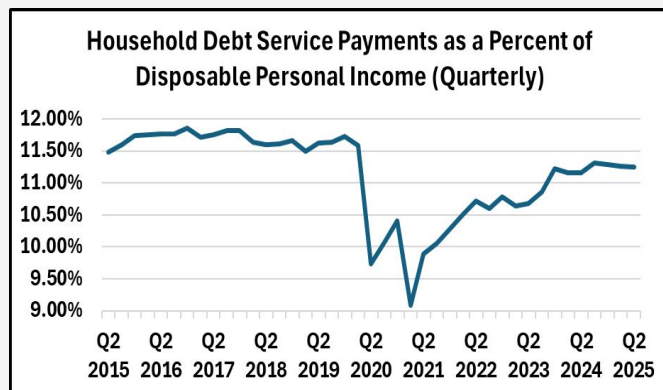
While BAM does not anticipate sharp changes in the consumer balance sheet, we believe that current consumers are more inclined to save than borrow. A slight rise in delinquencies since COVID-19 and a recent drop in consumer sentiment leads us to believe consumers will maintain steady debt levels while increasing their savings. Therefore, our analysis accounted for a 0.5% increase in savings under the bear scenario.

Figure U.S. 6:



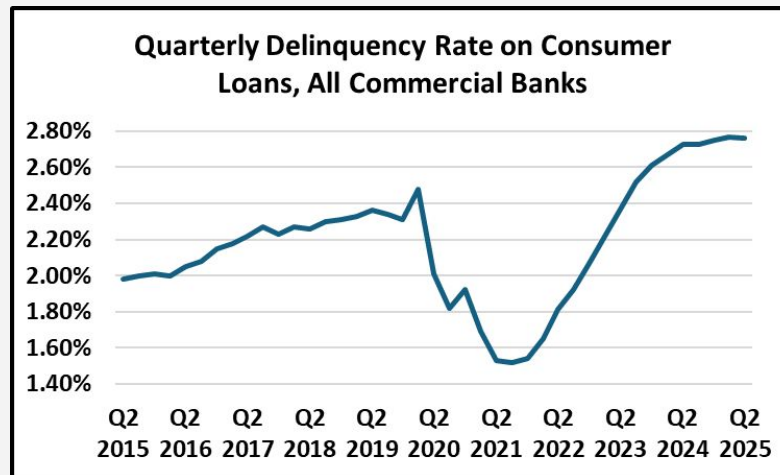
Source: BEA, FRED

Figure: U.S. 7:



Source: FRED

Figure U.S. 8:



Source: FRED

To conclude our analysis, we ran a scenario assessment for consumer income by multiplying wage growth with workforce growth under both bull and bear immigration scenarios. We also incorporated a modest net change from rising debt and savings behavior, as outlined in the previous paragraph. The resulting table illustrates projected changes in consumer income across both scenarios, with 4% representing our reasonable midpoint. Therefore, BAM’s projected consumer income growth of 4% also serves as our forecast for consumer spending growth.

Figure U.S. 9:

Consumer Income		
	GS	AEI
Workforce Growth (%)	0.35%	-0.08%
Implied Wage Growth	4.1%	4.1%
Growth in total wage income growth (Pre adjustment)	4.46%	4.02%
Net Household Financial Position (%)	0%	-0.5%
Total Consumer Income	4.46%	3.52%

Source: BAM Analysis

INFLATION

BAM projects that inflation will average 3.4% in 2026 and normalize to 3% by year-end. Our forecast is based on our outlook for wage inflation and commodity inflation. Our baseline assumption is that the U.S. economy is made up of 68% labor and 32% materials. We proceed to use our wage growth derived from the Atlanta FED of 4.1% for labor. Our materials calculation was taken using the Bloomberg Commodity Index, taking the weighted average of each commodity’s change in price from December 2025 to December 2026. By adding the weighted average of both commodities and wage inflation, we came to the CPI forecast of 3.4%

BAM believes the tariffs introduced in April 2025 created an initial shock to the U.S. economy and have impacted trade since their implementation. BAM analyzed the change in the effective tariff rate on all imported goods, which rose from 2.3% to 9.75%, a 7.45% increase. Applying this change to the 2025 annual import value of \$4.1 trillion results in an additional cost of approximately \$306 billion dollars, representing the increase in tariff cost. BAM estimates that producers and sellers will absorb half of this cost, while the other half, \$153 billion dollars, will be passed on to consumers.

Given the volatility of tariff rates and businesses stockpiling inventory before tariffs took effect, BAM is estimating that the full effects of the tariffs in 2025 took effect around mid-year. As a result, we estimate consumers will feel \$153 billion dollars of this impact. In 2026, the cost increase will be felt throughout the full year. With consumer spending totaling \$20.7 trillion dollars making up a near 70% of GDP, BAM estimates a 37 basis point rise in CPI early in 2026, which we expect to normalize by year-end.

Figure U.S. 10:

Commodities Futures Prices (Dec 25)			
Category	Dec '25	Dec '26	YOY Change
Energy	\$59.52	\$59.50	-0.03%
Grains	\$760	\$779.60	2.6%
Metals	\$4.97	\$5.19	4.4%
Precious Metals (Gold)	\$3985.50	\$4179	4.9%
Softs (Coffee)	\$4.14	\$3.40	-17.9%
Cattle	\$218.80	\$205.30	-6.2%

Source: Bloomberg Commodities Index and CME group

Figure U.S. 11:

Bloomberg Commodities	YOY Change	Weight	Inflation Impact
Energy	-0.03%	30%	-0.01%
Grains	+2.6%	23%	+0.60%
Metal	+4.4%	15%	+0.67%
Precious Metals (Gold)	+4.9%	19%	+0.91%
Coffee	-17.9%	8%	-1.36%
Cattle	-6.3%	5%	-0.33%
Total Inflation Impact			+0.48%

Source: Bloomberg Commodities Index, BAM Analysis



Figure U.S. 12:

Labor & Material Impact			
Labor Weight	68%	Materials Weight	32%
Wage Growth	4.1%	Commodities Change	0.48%
Total Labor Weight of Inflation (Labor Weight * Wage Growth) =	2.8%	Total Materials Weight of Inflation (Materials Weight * Commodities Change) =	0.2%

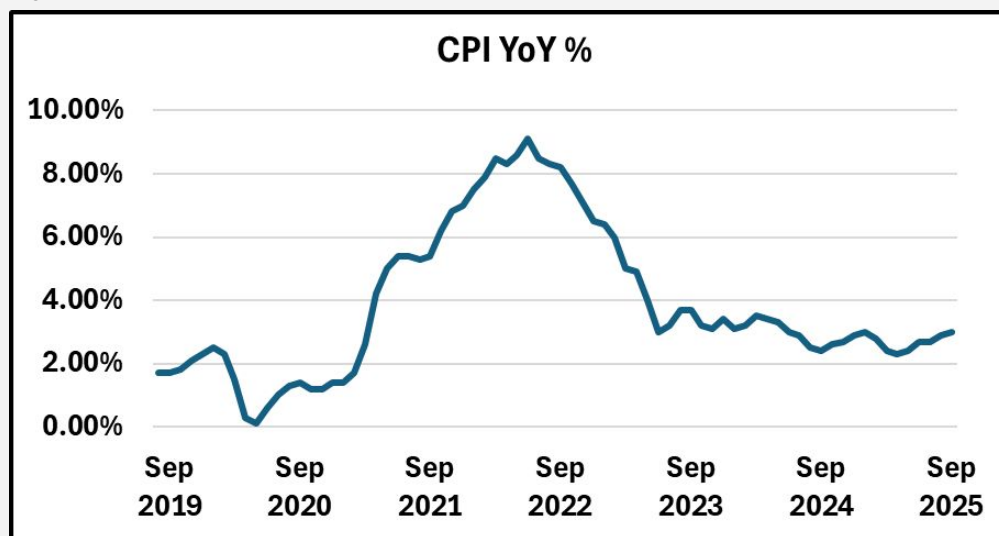
Source: Bloomberg Commodities Index and CME group

Figure U.S. 13:

BAM 2026 Inflation Forecast: Labor + Material + Tariffs	
2026 Inflation	3.4%

Based on the analysis above, BAM projects inflation to average 3.4% for 2026, driven by elevated wage growth. We believe that the impact of tariffs will normalize in the later stages of 2026 to 3.0% by end of the year.

Figure U.S. 14:



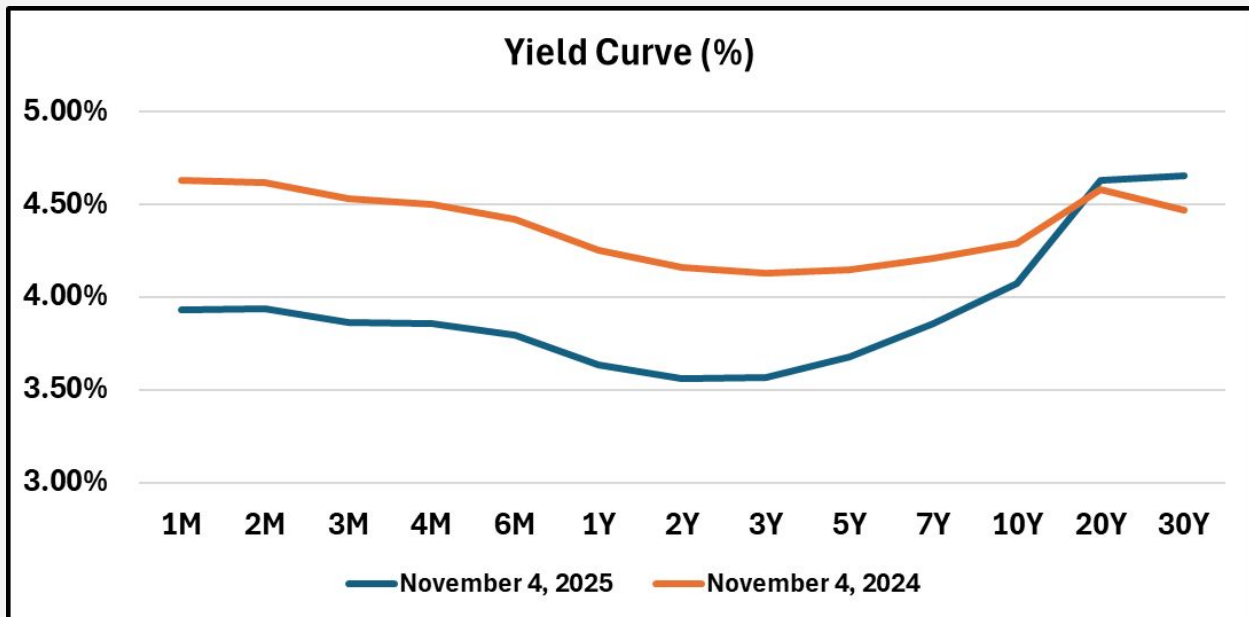
Source: Bloomberg

INTEREST RATES

The Federal Reserve believes the balance of risks leans towards a weakening job market despite inflationary pressures. This outlook led them to cut rates by 25 basis points in September after five consecutive meetings of steady rates. The Fed forecasts the federal funds rate at 3.4% for 2026, indicating a continuation of their rate cutting campaign. The extent to which this campaign is realized depends on inflation and labor market data that will emerge over the coming months.

While short-term rates are likely to decline, long-term rates have moved independently from short-term rates, differing from previous trends (Figure U.S. 15). For example, after the Federal Reserve rate cut in September, 10-year yields increased. Based on our inflation and GDP forecasts, BAM projects that by the end of 2026, yields on 10 year plus bonds will fall to 4.3%, aligning with nominal GDP growth.

Figure U.S. 15:



Source: Bloomberg



UNEMPLOYMENT

In recent years, the U.S. labor market has faced a fundamental demographic shift: an aging workforce combined with a shrinking influx of young workers. Citizens in the 65+ age group are projected to grow around seven times faster than the working-age population. This long-term trajectory points toward a limited workforce to support economic expansion. Historically, immigration helped offset these demographic pressures, but this source of labor may weaken under current political conditions.

For the past twelve months, the U.S. has averaged about 76,000 jobs per month. As the below graph shows, this is significantly weaker than previous rates and in fact only 22,000 jobs were added in August. On the other hand, continuing jobless claims have decreased, indicating some strength in the labor market. Overall, the low jobs rate is likely caused by the U.S. demographic effects, low labor demand is offset by low labor supply. Also, consumers are more cautious about price hikes from inflation due to higher living costs and consumer confidence is lower due to sticky inflation, fewer job openings, and trade related uncertainty. Combining these influences with pressures on government budgets and the ongoing effort to cut the federal workforce, the labor market's foundation remains fragile.

Our analysis shows that both the supply and demand of labor are under constraint. As a result, we do not anticipate a significant year-over-year change for the unemployment rate. BAM expects the unemployment rate in 2026 to average towards 4.4%.

Figure U.S. 16:

Source: Bloomberg

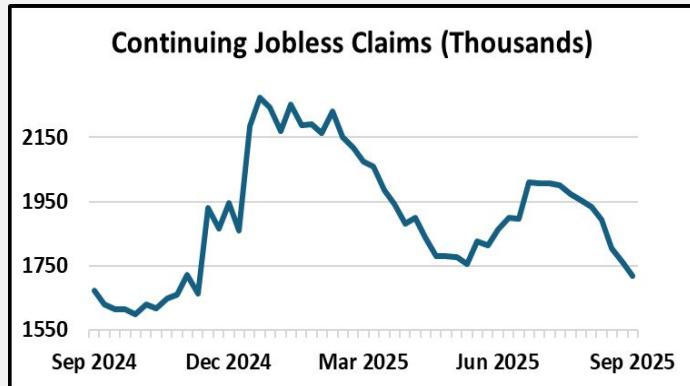


Figure U.S. 17:

Source: Bloomberg

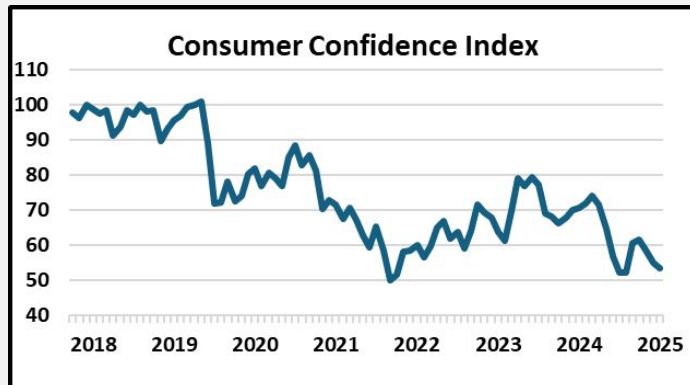


Figure U.S. 18:

Source: Bloomberg

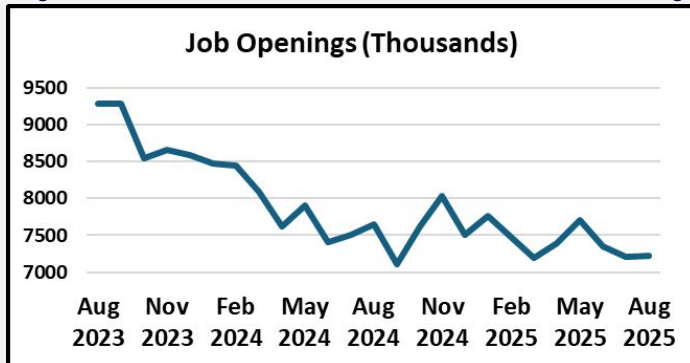
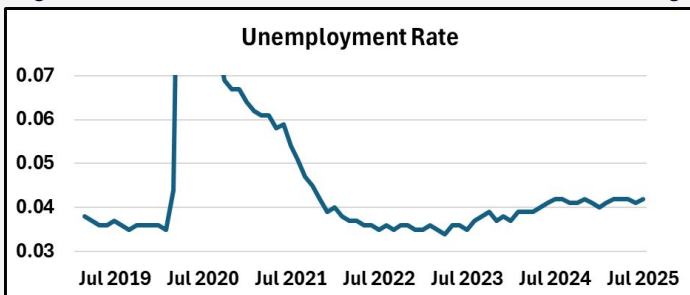


Figure U.S. 19:

Source: Bloomberg



CONSUMER SUMMARY

BAM obtained data from the Bloomberg consensus, U.S. Bureau of Economic Analysis, and the U.S. Bureau of Labor of Statistics, and formed our own independent forecast. Consumer spending is expected to grow due to wage and modest job growth, partially offset by an increase in savings. Overall, we expect consumer spending to grow 4%. BAM's inflation outlook for 2026 is an average of 3.4% with a normalization to 3.0% by year-end. The main drivers for inflation are rising wages, increasing commodity prices, plus the added tariff effect. In summary, our 2026 projections are as follows:

- ❖ Consumer spending to settle at 4.0%
- ❖ Inflation to average 3.4%
- ❖ Long-term interest rate to be at 4.3% at year-end
- ❖ Unemployment to end the year at 4.4%

BUSINESS EXPENDITURES ANALYSIS

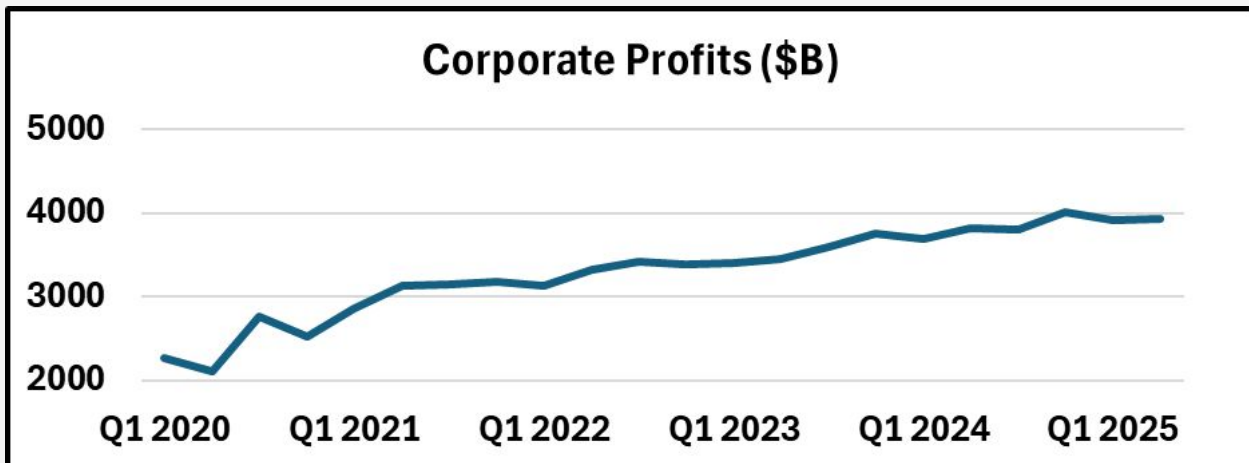
Business Expenditures contains two sub categories: Non-Residential Investments (77%) and Residential Investments (23%).

NON-RESIDENTIAL INVESTMENTS

We believe corporate profits will drive business spending. Over the last decade, corporate profits have grown at an average rate of about 5.9%. More recently, in the past three years, the growth rate has increased to 6.3% (Figure U.S.17). BAM estimates that future growth will be similar to the three-year CAGR of 6.3%. These corporate profits have driven business investment growth at a three year CAGR of 4.9%. BAM believes that with these corporate profits continuing to grow, it will continue to push non-residential investments. This drives our forecast of a 4.9% increase in non-residential investments.

Although the new fiscal policy bill provides greater incentives for U.S. investment through tax benefits, we believe these effects may be offset by ongoing tariff and geopolitical tensions. As a result, we expect non-residential investment to grow at a rate consistent with its recent historical average

Figure U.S. 20:



Source: Bloomberg

RESIDENTIAL INVESTMENTS

Consumer income and mortgage rates have a significant impact on the economy. The era of near-zero interest rates from 2011 to 2021 allowed consumers to lock in mortgages far below today’s prevailing market rates (Figure U.S. 21), making these consumers reluctant to sell and move out of these homes (Figure U.S. 22). Higher mortgage rates have also increased costs of home ownership. Coupling these factors, we’ve seen a housing shortage, as seen in record low vacancy rates (Figure U.S. 23), forcing home prices higher (Figure U.S. 24). With rates increasing in 2022, housing starts decreased (Figure U.S. 26). With low housing supply, BAM expects residential fixed investment to increase due to new home construction. However, growth will likely remain slow as prices remain high and long-term interest rates remain elevated with limited expectations of meaningful decreases.

With home prices remaining elevated alongside high mortgage rates, BAM expects residential investment to rise by 1.5%.

Figure U.S. 21:

Source: Bloomberg

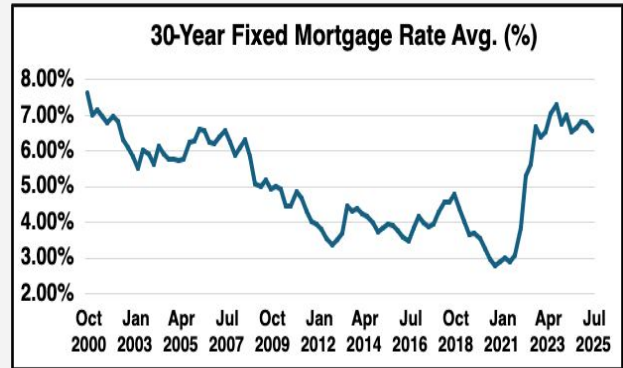


Figure U.S. 22:

Source: Bloomberg

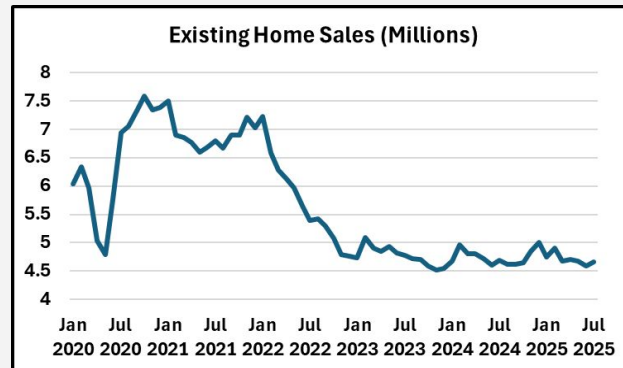
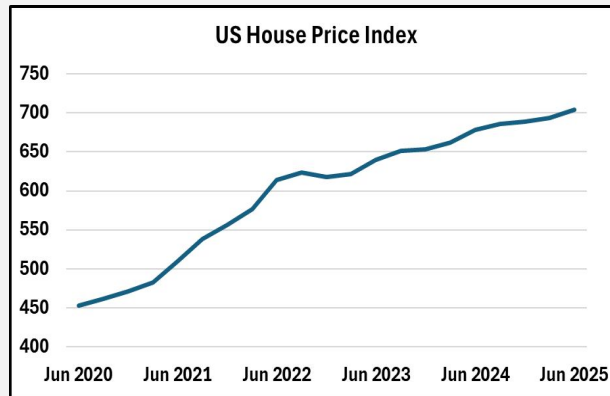


Figure U.S. 23:

Source: Bloomberg

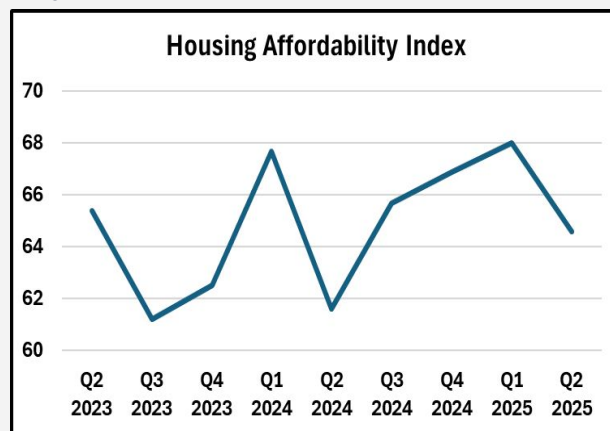


Figure U.S. 24:



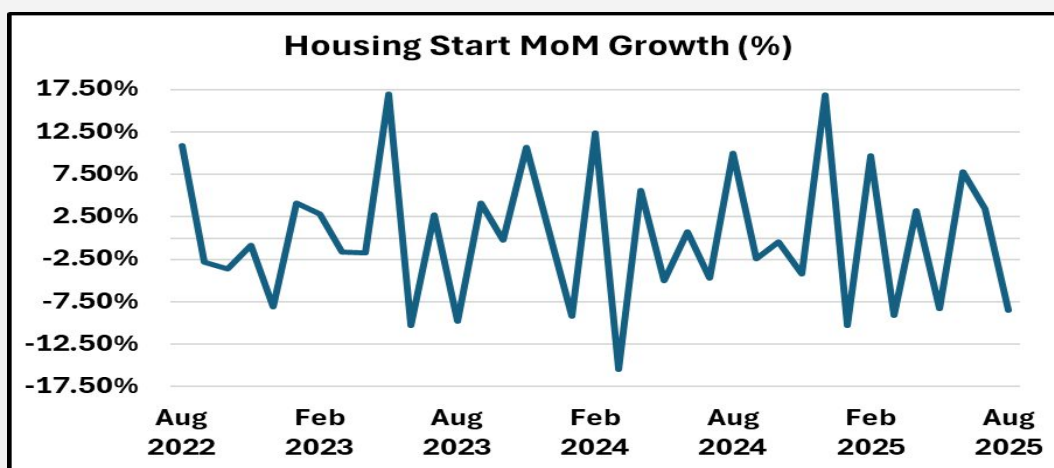
Source: Bloomberg

Figure U.S. 25:



Source: Bloomberg

Figure U.S. 26:



Source: Bloomberg

U.S. DOLLAR OUTLOOK

The U.S. Dollar is the world’s leading currency and still the benchmark/peg for dozens of countries. The current spot rate of the US dollar is at \$98.67 (Figure U.S. 17), falling 8.9% against the combined basket of other world currencies. Futures markets are forecasting that the spot rate will depreciate to \$94.70 in Q4 2026. This should create a favorable environment for corporate profits as American companies operating internationally receive favorable exchange rates. Additionally, a weaker dollar should lead to higher import costs making non-domestic products more expensive for U.S. consumers.

Figure U.S. 27:

Current Spot Rate (As of 10/27/25)	Forecasted Q4 26 Spot Rate (FCUSDx)
98.67	94.70

Source: Bloomberg

BUSINESS EXPENDITURES ANALYSIS

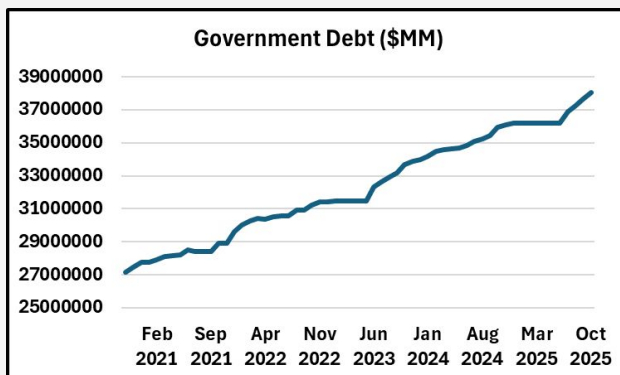
BAM expects business investment to grow at a rate of 4.1%, supporting overall economic growth as it is expanding at a pace consistent with overall economic growth. This estimate was derived by applying the projected growth rates of 4.9% in non-residential investment and 1.5% in residential investment, weighted by their respective shares of 77% and 23% within total business investment. Combining these weighted growth rates results in an overall business investment growth rate of 4.1%.

GOVERNMENT EXPENDITURES ANALYSIS

BAM estimates that government spending will remain limited due to rising deficits and fiscal impact of the One Big Beautiful Bill Act, although with higher defense spending. Tariff revenue of an incremental \$306 billion will partially offset some of the fiscal impact.

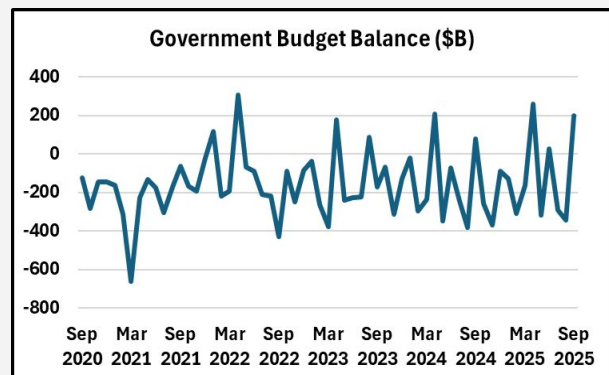
Given current budget estimates out of Washington, BAM is in agreement with the consensus spending growth rate of 3.8% in 2026.

Figure U.S. 28:



Source: Bloomberg

Figure U.S. 29:



Source: Bloomberg

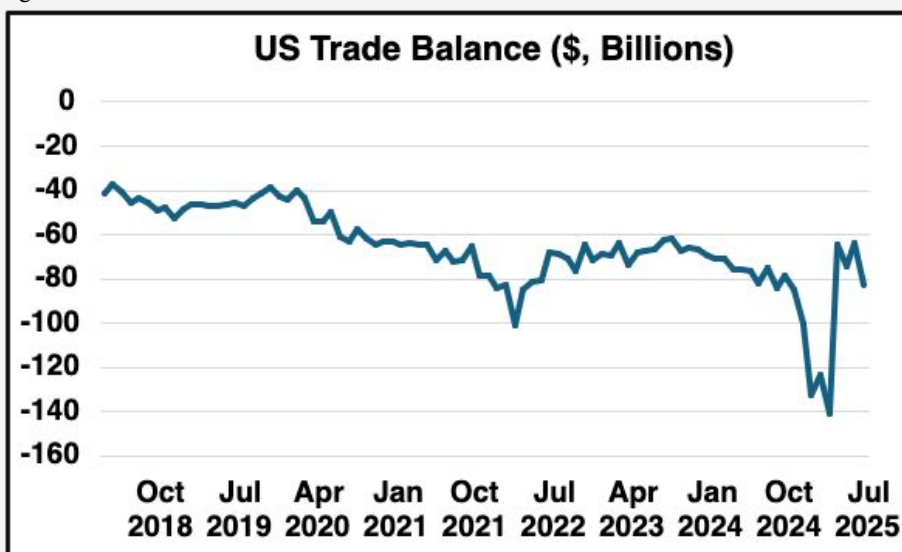
NET TRADE ANALYSIS

In 2024, the U.S. recorded a total trade deficit of approximately \$1.12 trillion, according to the USTBEXPT Index. This figure reflects the combined shortfall in both goods and services, driven by strong domestic consumption, elevated import demand, and a persistent imbalance between goods imports and exports. Entering 2025, the monthly goods and services deficit reached a record \$153 billion in January as imports surged ahead of new tariffs, before narrowing steadily through midyear to an average of \$64 billion by June. This improvement reflected a slowdown in import demand alongside continued strength in services exports, which generated a \$308 billion surplus that helped offset the broader goods imbalance.

Looking ahead, the overall trade deficit is projected to decline modestly to around \$950 billion by the end of 2025 as tariffs and softer consumer demand weigh on import activity. By 2026, the deficit is expected to stabilize between \$900 and \$950 billion, as export growth plateaus and the effects of tariff policy fade. While this represents progress compared to 2024 levels, the deficit remains elevated, underscoring persistent structural imbalances within U.S. trade.

Elevated tariffs, averaging about 9.75 percent per Bloomberg under the current administration, have narrowed the deficit in the near term but have also increased costs for consumers and created supply chain frictions. Although U.S. policy initiatives such as the CHIPS Act and the Inflation Reduction Act are expected to gradually enhance domestic manufacturing capacity, their overall impact on net trade is likely to remain limited in the near term. The U.S. continues to rely heavily on imported goods and intermediate materials, and while the trade balance is expected to stabilize, a meaningful improvement is unlikely through 2026.

Figure U.S. 30:



Source: Bloomberg

SUMMARY

After evaluating consumer spending, corporate expenditures, government spending, and net trade, we continue to believe that the U.S. economy will grow, but at a slower rate than consensus. Rising savings rates and persistent consumer debt reflect growing caution among households, which is expected to constrain spending and demand. New fiscal policy initiatives are likely to encourage nonresidential investment; however, this impact may be offset by ongoing tariff and trade uncertainties. Government spending is expected to remain elevated but is not projected to accelerate under the latest fiscal measures. Meanwhile, the trade deficit is anticipated to narrow, supported by a weakening dollar and the impacts of tariffs.

BAM expects increased inflation driven by continued wage pressures and a one-time increase from tariffs. Consequently, we project interest rates on long-term debt to remain elevated.

Our overall U.S. economic expectations are as follows:

- ❖ Real GDP growth of 0.9%
- ❖ Inflation rate of 3.4%
- ❖ Long-term (10Y+) interest rate of 4.3% by end of 2026
- ❖ Unemployment rate of 4.4%

Figure U.S. 31:

Gross Domestic Product		
Component	Growth	Weight
Consumer Spending	4.0%	68.2%
Business Investment	4.10%	18.50%
Government Spending	3.83%	16.83%
Net Trade	-2.9%	-4.34%
Total	4.3%	100%

Source: Bloomberg:



EU Economic Outlook

The European Union’s economy is stabilizing after recent inflation and energy shocks, but growth remains weak and uneven across member states. High borrowing costs, sluggish manufacturing, and trade headwinds continue to weigh on momentum. While inflation is easing and policy is turning less restrictive, structural challenges and soft external demand limit upside potential. As a result, BAM does not view the broader European economy as an attractive investment opportunity at this time.

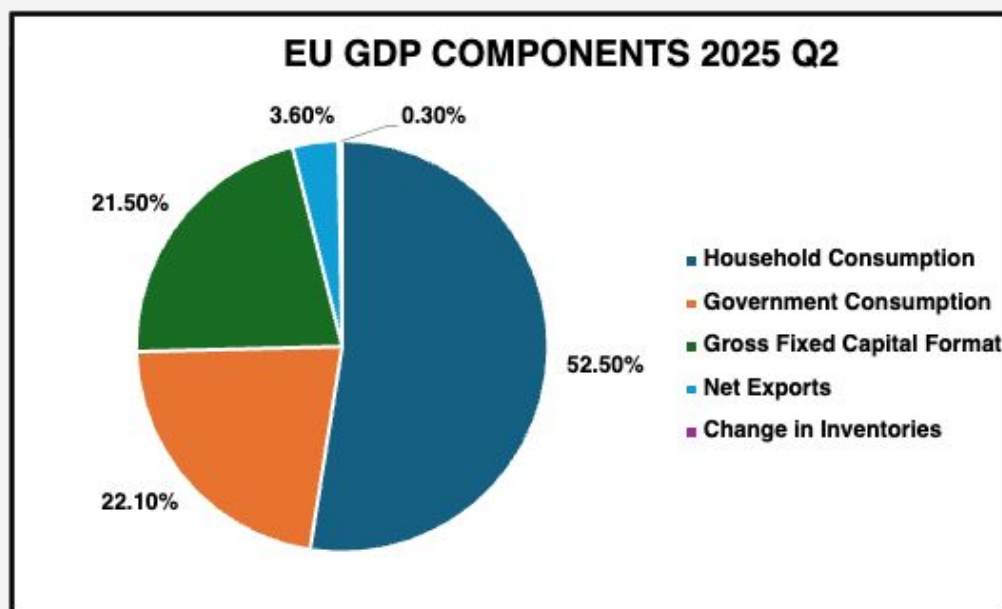
KEY ECONOMIC INDICATORS

Figure EU. 1:

	2023A	2024A	2025E (Consensus)	2026E (Consensus)	2027E (Consensus)
Real GDP	0.4%	1.1%	1.4%	1.3%	1.7%
CPI (YoY%)	6.2%	2.5%	2.3%	2.0%	2.1%
Unemployment	6.7%	6.6%	6.7%	6.7%	6.5%
10yr Notes (ECB)	2.8%	3.2%	3.4%	3.5%	3.5%

Source: Bloomberg, ECB, & IMF.1313

Figure EU. 2:



Source: Bloomberg

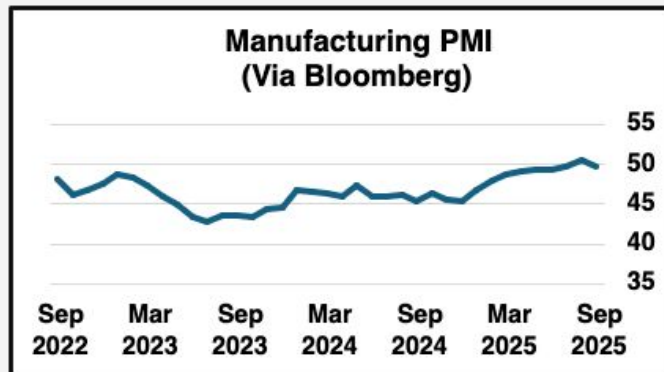
To project the EU’s economic outlook, BAM conducted thorough research on the primary types of expenditures which comprise the European union economy (EU.2)

The European Union’s consumer sector exhibited mixed performance heading into 2026. Moderate inflation and stabilizing energy markets supported growth in real household incomes during 2025. Household spending increased during the second half of 2025 as savings rates normalized and real wage growth outpaced inflation. However the overall pace of consumption remains cautious. According to Eurostat, the household savings rate in the EU reached 15% in Q2 2025, up from 14.1% in 2023. This reflects households' growing preference for precautionary savings amid regional instability and persistent geopolitical tensions. The ongoing war in Ukraine, combined with uncertainty surrounding future trade relations with the US, led European consumers to adopt a more conservative spending approach, favoring liquidity and financial security over discretionary consumption.

PURCHASING MANAGERS’ INDEX – SPLIT STORY

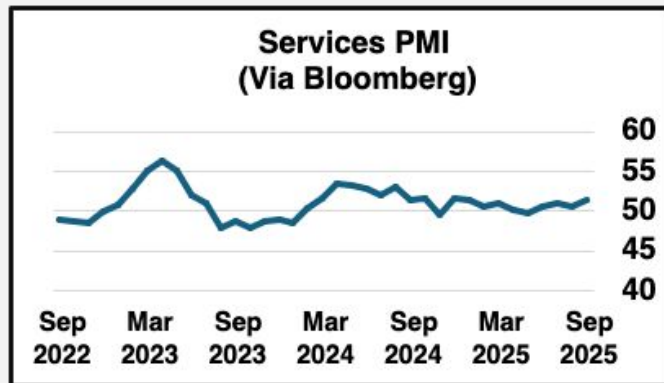
The Purchasing Managers’ Index (PMI) data depicts a two-speed European economy. Manufacturing PMI (Figure EU.3) remained in contractionary territory (below 50) through 2023 and 2024, constrained by high borrowing costs and reduced new orders. However, manufacturing sentiment turned positive in 2025, with a temporary rebound above the 50 threshold as inflation pressures receded and input costs normalized. Conversely, Services PMI, which had sustained expansion since 2021, began to soften (Figure EU. 4). This “split story” highlights industrial recovery paired with a maturing services cycle. The downturn of services PMI is cause for caution, accounting for roughly 70% of Europe’s GDP. While overall business activity is improving, the pace of expansion remains uneven across sectors.

Figure EU. 3:



Source: Bloomberg

Figure EU. 4:



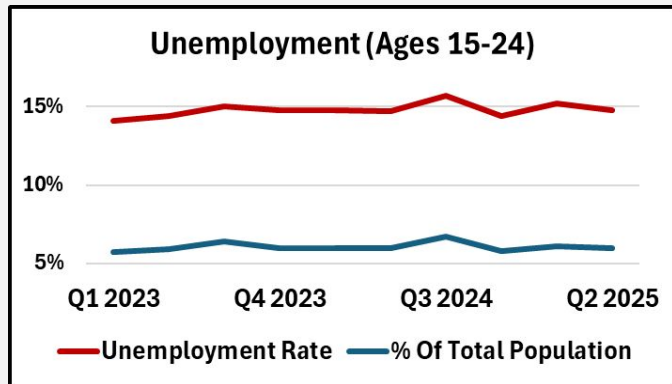
Source: Bloomberg



UNEMPLOYMENT

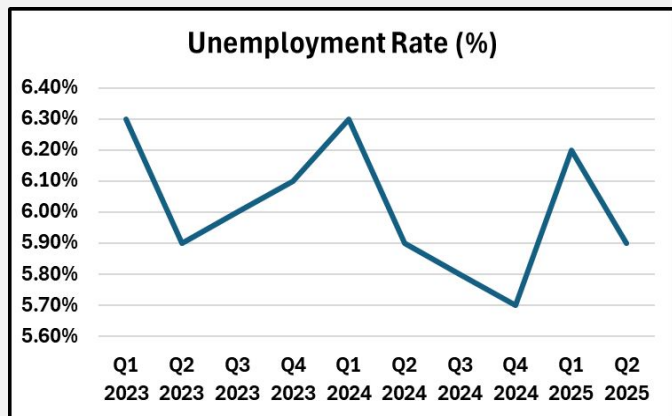
Youth unemployment continues to rise (Figure EU. 5), particularly in the Southern regions of Europe, where elevated unemployment continues to weigh on household spending. This divergence highlights a growing imbalance between developed Western European labor markets and the faster-growing Eastern and Central European economies. Furthermore, skill mismatches, especially between traditional labor sectors and the accelerating digital economy, have remained a key headwind to sustained employment growth across the economy (Figure EU. 6).

Figure EU. 5:



Source: Eurostat

Figure EU. 6:



Source: Eurostat



INFLATION AND INTEREST RATES

Inflation in the EU continued to decline through 2025, averaging 2.3%, with expectations to ease further to 2.0% by 2026 as energy costs stabilize and supply chain pressures subside. This disinflationary trend has improved consumer purchasing power, but the European Central Bank’s (ECB) cautious policy stance—holding policy rates steady through mid-2025—has maintained tight credit conditions that restrain consumer lending and durable goods purchases.

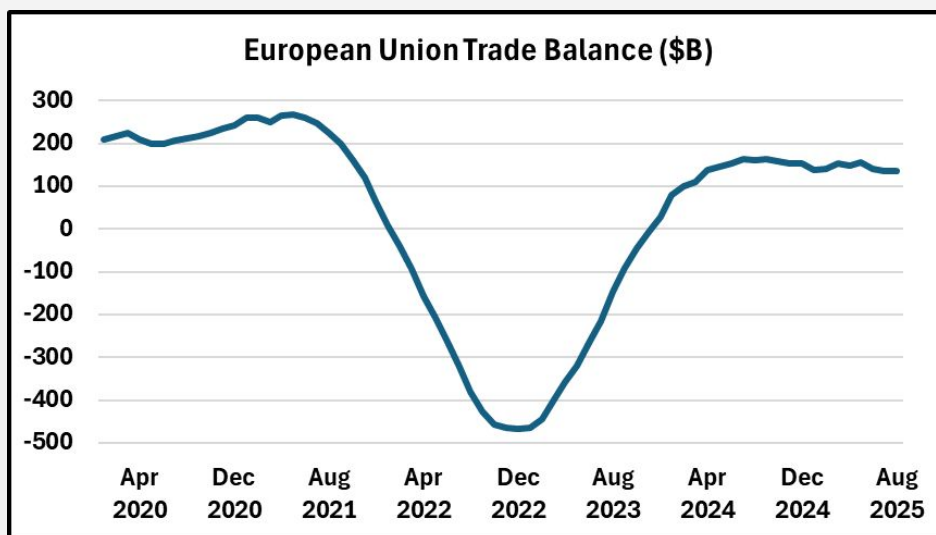
NET TRADE ANALYSIS

BAM views net trade as an overall headwind for the European Union GDP growth. While the trade balance has recovered significantly from 2022 lows, tariff escalation has softened European exports and the trade balance has flattened. Additionally, large EU economies and major exporters, Germany and France, are seeing a drop in export competitiveness. The main factors contributing to this are higher industrial costs through increased labor and energy costs, as well as tariffs increasing the cost to sell in markets with an already softer demand.

Furthermore, after a tariff deal in late July, EU exports dropped 26% month over month in August (Figure EU. 7), leading to the EU’s lowest trade surplus with the US since 2021 (WSJ). Another key headwind for European exports is China’s pricing power on EVs, a flagship EU export. Larger scale and lower cost batteries has led to an increase in imports of Chinese EVs due to their competitive pricing. This hurts EU EV providers' margins and their pricing power in export markets, further narrowing the trade balance.

Overall, BAM believes that tariffs and lower external demand are hurting export volumes and margins, and that the post-energy crisis rebound on net trade will plateau. High industrial costs in major economies and China squeezing EU automakers in their home markets are major headwinds to trade surplus growth.

Figure EU. 7:



Source: Bloomberg

SUMMARY

The EU is slowly moving through a fragile recovery. Energy costs have come down, inflation is cooling, and wages have improved. However, data shows households are still cautious, with consumer spending yet to fully recover. As for businesses, PMI jumped earlier in the year thanks to an uptick in services like travel and tourism, however momentum was short lasted as PMI softened because of new orders and backlogs weakening. Furthermore, manufacturing remains vulnerable and construction is dragging. Among the big economies France has cooled, while Germany is hardly growing.

Policy is becoming less restricting as inflation is cooling. The ECB is pausing rate hikes and choosing to monitor the economy rather than tightening policy further. Under the surface sentiment is still mixed, governments are tightening budgets in highly levered areas, external demand is weak, and trade has become a major headwind as Europe's largest exporters face tougher price competition from China. Overall, slow growth, trade headwinds from tariffs, and policy differential between Europe and the U.S. has led us to avoid investing in Europe .



China Economic Outlook

As the world’s second-largest economy, China remains a central figure in international commerce, technology, and politics despite geopolitical tension and macroeconomic weaknesses. China’s economy continues to grow despite fundamental structural challenges and slowdowns in trade and business investment. However, as a whole, BAM expects the economy to face headwinds over the next year. The property sector continues to look sluggish, and the aging population is continuing to pressure the labor supply. Government spending and consumer spending are rising but at a slower pace. As a result, BAM agrees with consensus on the Chinese economy and does not see the broader economy as an attractive investment.

However, China has outlined significant investments into technology and expressed a desire to become more self-reliant. Geopolitical tension is accelerating this shift and reinforcing its emphasis on innovation and technological independence. Given this, BAM views China’s technology sector as a unique opportunity where profit-motivated private companies can thrive under a government that is seeking technological prominence. While the broader economy faces uncertainty, the alignment of public and private goals creates an attractive investment opportunity in Chinese technology.

KEY ECONOMIC INDICATORS

Figure CN. 1:

	2023A	2024A	2025E (Consensus)	2026E (Consensus)	2027E (Consensus)
Real GDP	5.4%	5.0%	4.8%	4.2%	4.1%
CPI	0.2%	0.2%	0.0%	0.8%	1.3%
Unemployment	5.2%	5.1%	5.2%	5.1%	5.1%
10yr Rates	2.6%	1.7%	1.7%	1.6%	1.7%

Source: Bloomberg

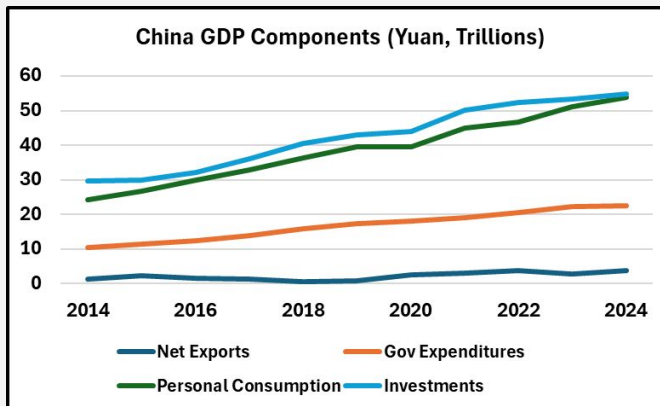
GROSS DOMESTIC PRODUCT

China’s GDP continued its steady upward trajectory in 2024, building on consistent growth since 2014 and a sharp increase in 2020, following COVID-19. Between 2021 and 2023, GDP growth remained stable, supported by strong government stimulus and a rapid reopening of the economy. In 2024, GDP remained in the 5% range, due to targeted fiscal and monetary policies, including interest rate cuts and reduced reserve requirements for banks, which encouraged domestic spending and investment. Exports also contributed positively, increasing by 7.1% in 2024, providing an additional boost to economic growth.

Consumer spending has been steadily rising as China shifts toward a more consumer driven economy, now accounting for a significant portion of GDP. Government spending has increased modestly, reflecting efforts to expand social services and invest in green technology infrastructure. Investments are expected to remain roughly stable, supporting continued economic development. Net exports, however, have been fluctuating due to geopolitical factors and trade tensions with the U.S., and are predicted to decline slightly as China emphasizes domestic consumption and import.

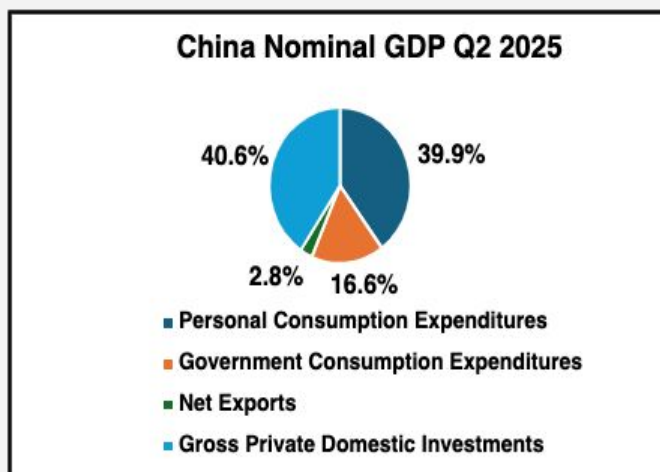
Overall, China’s economic outlook reflects a balance of strong domestic consumption, targeted government policies, and sustained wage growth, while external trade pressures and shifts in consumption patterns continue to influence net exports.

Figure CN. 2:



Source: Bloomberg

Figure CN. 3:



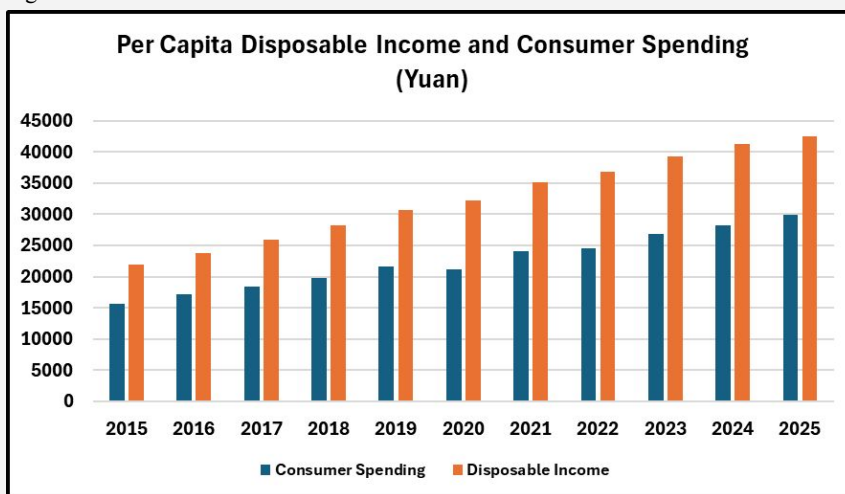
Source: Bloomberg

CONSUMER SPENDING

Average wages in China have risen steadily since 2015, with a pronounced increase in 2023 driven by high-skill industry growth and higher living costs in urban centers such as Beijing, Shanghai, and Shenzhen. During periods of slower economic activity, companies managed to maintain wage levels through modest cost of living adjustments and retention incentives, preventing declines in household income.

Chinese consumers have benefited from steadily increasing disposable income since 2015, though affected by COVID-19 in 2020. The main supporting evidence, as seen in Figure CN. 4, is the comparison of consumer spending to disposable income. This comparison indicates that households are saving a larger portion of their income even as absolute spending rises. This trend suggests that China’s consumer base is capable of supporting a stable and growing domestic market.

Figure CN. 4:



Source: Bloomberg

BUSINESS INVESTMENT AND GOVERNMENT EXPENDITURES

Unlike most economies, China operates as a state-led system, resulting in overlap between business spending and government investment. In Chinese statistics, Fixed Asset Investment (FAI) is the main proxy used for investments as opposed to more common metrics such as residential vs. nonresidential investment.

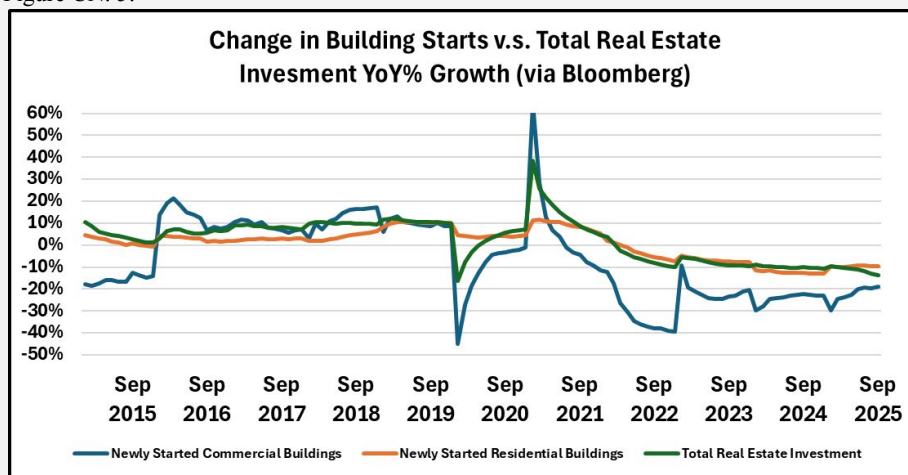
From 2004 to 2019, FAI grew at roughly 13%. From 2007-2009 FAI had year-over-year peaks above 20%, during periods of aggressive government spending and credit expansion. Post 2019, FAI has hovered around 5%–10% as the economy matures.

Within FAI, there are three core sectors: infrastructure, manufacturing, and real estate. Notably, infrastructure and manufacturing have a higher overlap with government spending, primarily through state-owned enterprises and joint ventures. Real estate, however, has been a significant drag on growth.

REAL ESTATE SECTOR

Real estate, historically the main investment channel for both retail and institutional investors, has come under significant strain. A common business model in China's real estate market is presales, where buyers purchase homes still under construction. COVID-19 halted many new starts, which led to a sharp drop in total real estate investment as buyers waited for existing projects to be completed. After reopening, pent-up demand surfaced, but developers were already over-levered, unable to keep up with demand, and failing to deliver. Real estate investments dropped as investors began to lose confidence in the real estate market. The damage from the investment drop-outpaced the recovery in new starts, as reflected in the accompanying chart.

Figure CN. 5:

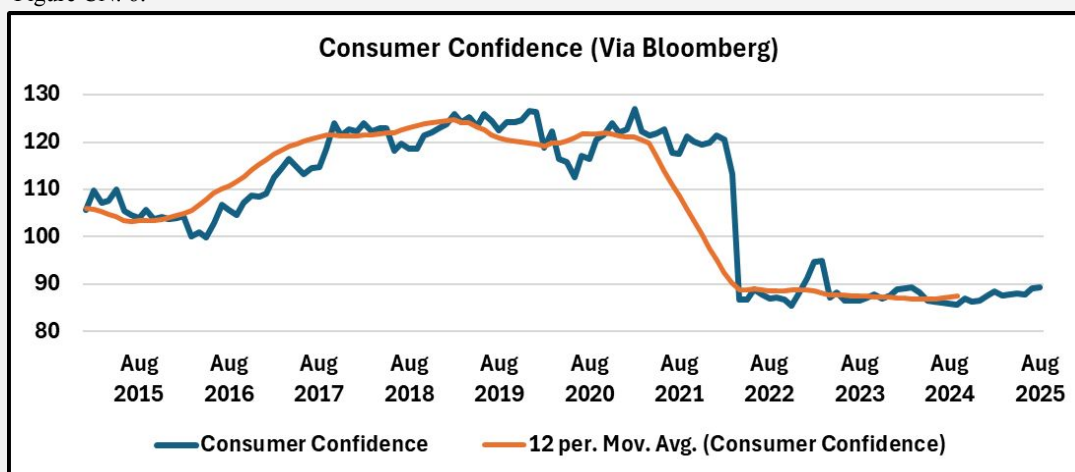


Source: Bloomberg

The presale model's unraveling hit consumer confidence and prompted Beijing's "Three Red Lines" policy which limited developer leverage.

With real estate as the primary investment channel, diminishing returns on investment, high mortgage debt, and weakening demographics have together slowed housing demand, and consumer confidence.

Figure CN. 6:

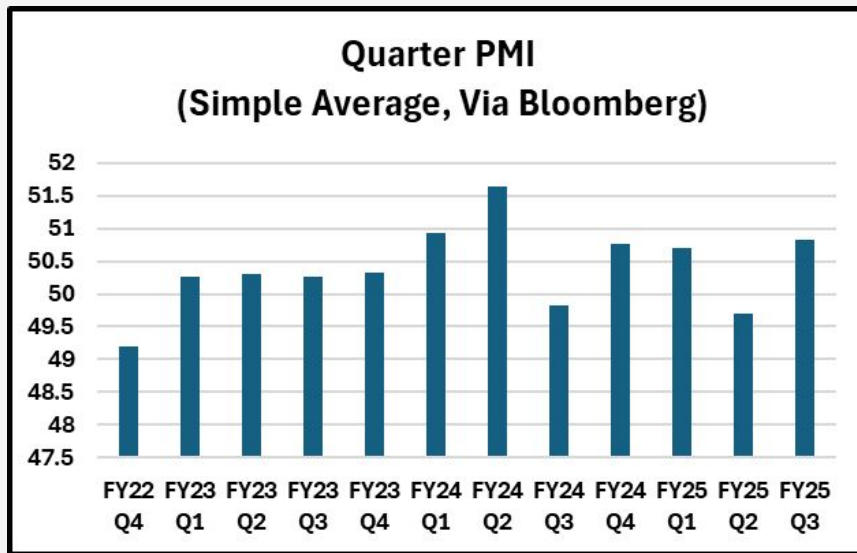


Source: Bloomberg

INDUSTRIAL SECTOR

In the industrial sector, manufacturing PMI dipped in FY25 Q2 as trade tensions and softer domestic demand weighed on activity. Housing weakness has raised fears of a transmission through real-estate reliant industries, materials, construction inputs, and related manufacturing. However, in totality, the manufacturing sector has shown resilience post-COVID-19 and rebounded in Q3 FY25.

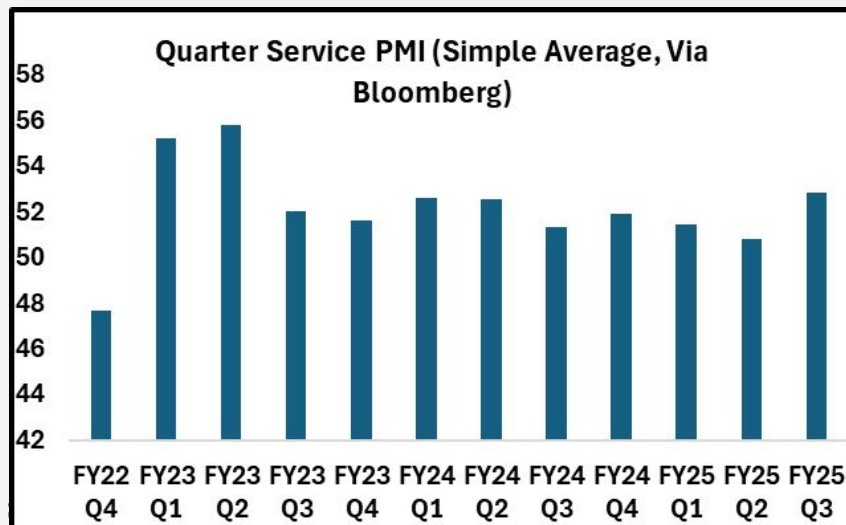
Figure CN. 7:



Source: Bloomberg

Services PMI rebounded in FY23 post-pandemic but has drifted slightly lower on weaker domestic demand attributed to consumer stress from the housing crash. Even so, it remains in expansion territory, helped by targeted subsidies (e.g., tourism) that keep services growing at a decent pace.

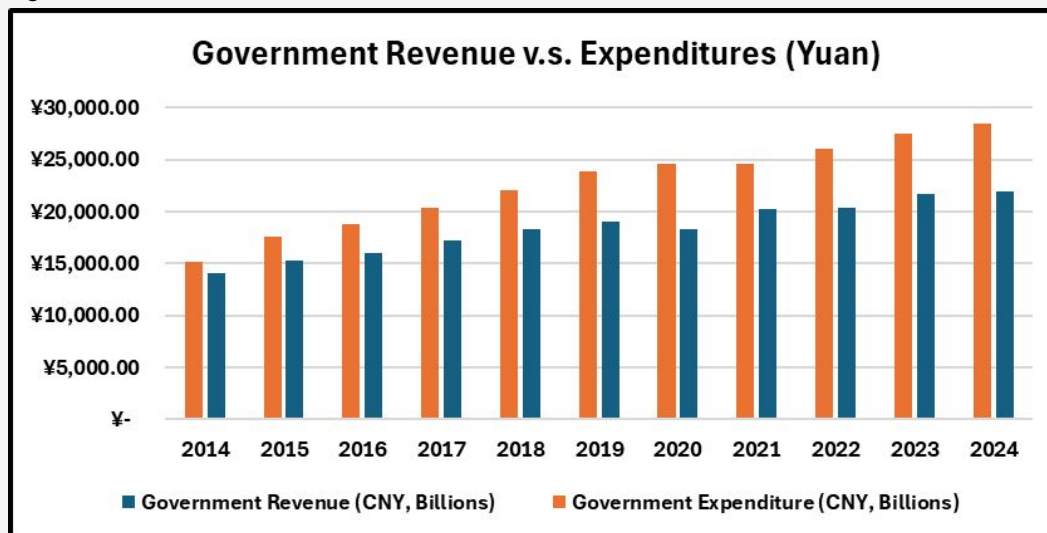
Figure CN. 8:



GOVERNMENT SECTOR

From 2019 to 2024, government expenditures outpaced revenue, with spending growing at a ~3.57% CAGR vs. revenue at ~2.91%. China’s debt-to-GDP has climbed rapidly toward levels more typical of developed economies as the government financed fiscal gaps with debt.

Figure CN. 9:



Source: Bloomberg

Beijing has managed the debt rise partly through low sovereign yields relative to the U.S. and other advanced economies. As a strong exporter with subdued domestic demand, China has been able to issue at lower rates without stoking major inflation. However, stress has emerged in Local Government Financing Vehicles (LGFVs), with rising default risks and growing expectations of central support. Much of this borrowing is off-balance-sheet, often referred to as “hidden local debt.” The policy response has focused on controlled restructuring and refinancing—limiting outright bailouts—while openly signaling the risks.

Moreover, in the new developments of China’s 15th Five-Year Plan, China is expected to double down on the Made in China initiative and pivot from traditional infrastructure and real estate to high tech manufacturing, digital/ green infrastructure and higher consumer consumption. The plan also brings dual use and defense related technology industry into focus, while aiming to boost consumer spending over the next five years to combat sticky deflationary pressures and support GDP growth.

Execution centers on providing the necessary infrastructure and channels to supply the next wave of technological upgrades, building off the previous 5 year plan upgrades to continue sustaining success. Core targets include: digital infrastructure, innovation capacity, industrial transformation, and expanded digital government services. This is reflected in the growing number of competitive tech companies in China, such as: BYD (EVs), SMIC (semiconductors), and DeepSeek (AI).

NET TRADE ANALYSIS

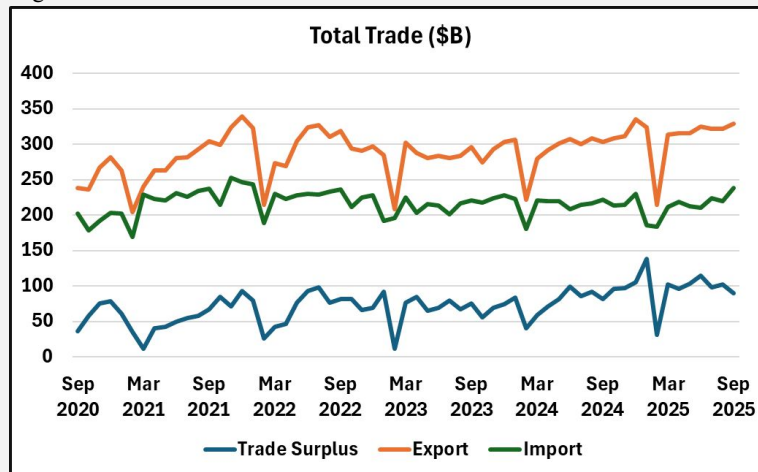
China’s total trade represented approximately 37% of their GDP in 2024. The country has maintained a consistent trade surplus since 1993, which peaked at \$138 billion in January 2025. Both imports and exports have seen a modest increase in year-over-year growth.

The U.S. is China's largest trade partner and constitutes the biggest portion of their trade surplus. However, U.S. - China trade only accounts for about 10% of China's total trade volume. Heightened trade tensions under the current U.S. administration have resulted in effective tariffs of over 30% on most Chinese goods. In response, China has instituted retaliatory tariffs of 10% on U.S. imports.

China’s exports are expected to stagnate in 2026. The lack of growth stems from slowing exports with the U.S. offset by growth from other countries. Meanwhile, import growth is projected to slow to around 1% in 2026. This reflects softening domestic demand and China’s push for greater self-reliance in manufacturing and technology.

These projections would result in a narrowing of China’s trade surplus in 2026, as slowing export growth coincides with positive, but weakening, import growth. China’s GDP will decrease as its trade surplus narrows, which is an unfavorable outcome for their economy.

Figure CN. 10:



Source: Bloomberg

Figure CN. 11:

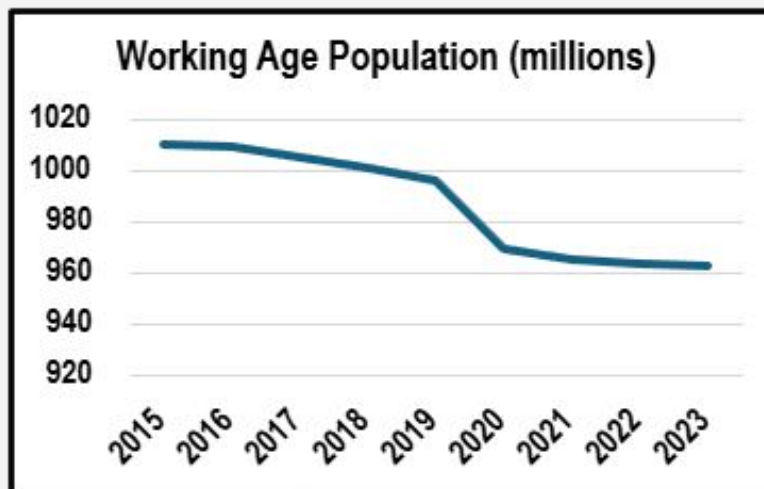


Source: Bloomberg

DEMOGRAPHICS

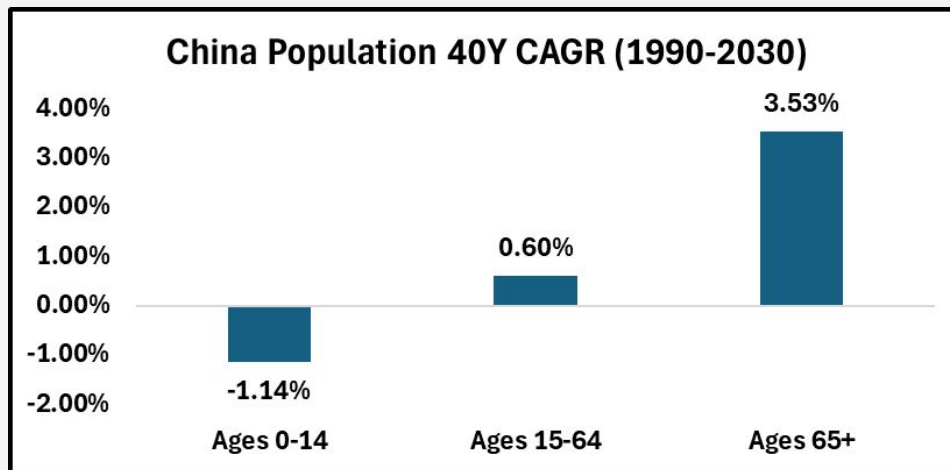
Demographic trends present long-term considerations, as population growth plateaued in 2021 and began to decline due to low birth rates and cultural shifts prioritizing careers and personal freedoms. The working population is expected to slow based on their 40-year CAGR (CN. 13). China’s population is evidently becoming older. Looking at China’s 40-year demographic CAGR from 1990-2030 there is a 1.14% decline in ages 0-14, a 0.60% increase in ages 15-64, and a large 3.53% increase in ages 65+. The ongoing demographics are shifting into an increasing retired population and a declining working-age population, which can exert major pressure on the labor supply. However, the government has taken proactive measures to counter these trends, such as its first nationwide child care subsidy and a variety of local incentives aimed at encouraging childbirth, which could help stabilize the future labor supply. Overall, the demographic pressures balance against the decelerating growth with regards to unemployment, keeping the rate relatively stable.

Figure CN. 12:



Source: Bloomberg

Figure CN.13:



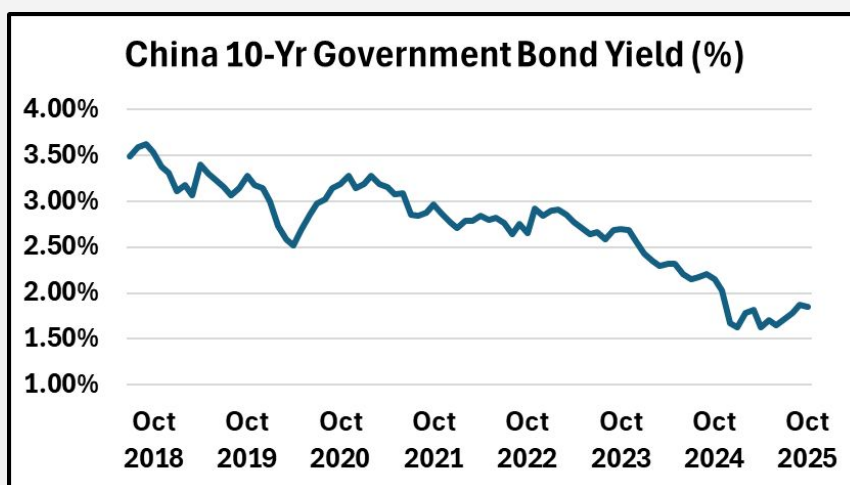
Source: Bloomberg

10-YEAR GOVERNMENT BOND YIELD

China’s 10-year government bond continues to trend lower year-over-year. Earlier this year, it hit an all-time low at around 1.6%. As of October 2025, the yield sits around 1.8%, showing no signs of recovery from its historically low rate. The two most recent crashes of the treasury yield occurred in April 2020 and November 2024. This signals that investors currently hold similar levels of pessimism and uncertainty towards long-term economic growth prospects. This sentiment, which is similar to what was present during the COVID-19 shutdowns, is not a good sign for the economy.

Yields initially fell due to underlying economic reasons and sentiment; however, the issue was further exacerbated by investor speculation. In response, the People’s Bank of China (PBoC) suspended treasury purchases in an attempt to stabilize, and potentially increase, the yields. However, these actions are a temporary fix and do not change the underlying reason for falling yields. These falling yields combined with the heavy investor speculation shows the negative sentiment around the long-term growth prospects in China’s economy.

Figure CN. 14:

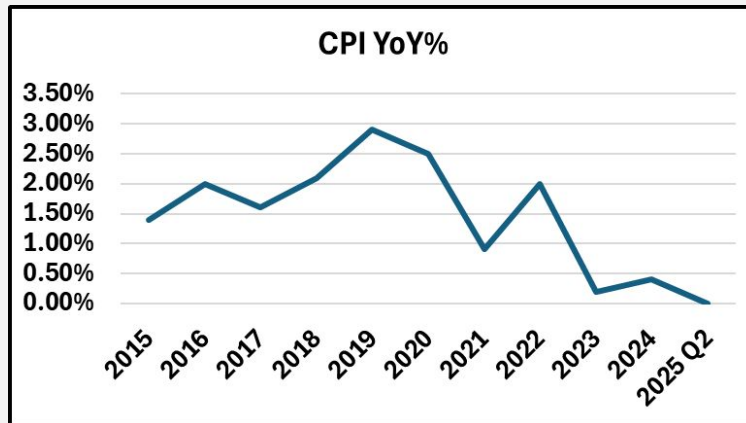


Source: Bloomberg

INFLATION

China is currently at a monetary disequilibrium, where consumer savings growth is outpacing aggregate demand. Deflationary pressure has led to price decreases in their exported goods, which is an issue for their exporting economy. China currently wishes for growth in the export sector in order to regain economic growth after their real estate crash. However, economic slowdown would make this endeavor challenging. In order to combat this, China rolled out a series of easing policies to drive growth in its economy. Their biggest policy has been their 50 bps reserve requirement ratio (RRR) cut. This policy, rolled out in May of 2025, aimed to inject liquidity, lower borrowing costs, and stimulate credit growth to counter China’s weak domestic demand and deflationary pressures. Our outlook is that China will struggle to raise inflation to a healthy level (around 2–3%) in the coming years, as consumers remain reluctant to spend.

Figure CN. 15:



Source: Bloomberg

SUMMARY

We believe the Chinese economy will likely face pressure in 2026. Their economy will be characterized by moderate growth, low inflation, and limited improvement in domestic demand. Low investor confidence and structural economic challenges persist. Domestic consumers and global investors remain cautious, with long-term growth prospects limited by demographic decline, a sluggish property sector, and decelerating business investments.

Geopolitical tension continues to impact China’s outlook. The increase in U.S. - China tariffs and the renewal of the Trump administration’s policies have strained bilateral trade. As a result, China is seeking to strengthen economic ties with non-Western partners to offset slowing exports to the U.S. However, these efforts are unlikely to fully compensate for the damage caused by the trade war and trade uncertainty.

Despite this, both consumer and government spending show hope of continued growth. China’s “Made in China 2025” plan and their newest five-year plan emphasize the desire to be more self-reliant as a country and outline investments into AI, semiconductors, and electric vehicles. China is leading or competitive in many areas within tech, and the government is pushing for more innovation within the field. While the broader economy may not be a good investment, we believe there will be growth within the tech sector, making it an attractive investment option.



South Korea Economic Outlook

South Korea is a hub of global supply chains, and remains pivotal to trade and technology, especially for semiconductors, autos, and batteries. Growth is poised to remain resilient as inflation is cooling, policy is turning more supportive, financial conditions are easing, and household demand is stabilizing. While housing leverage and demographics are important concerns, Korea’s high automation and proactive regulations help keep those risks contained. All things considered, we see a steady macroeconomic state that is better aligned for investment than in recent years.

KEY ECONOMIC INDICATORS

Figure SK. 1:

	2023A	2024A	2025E (Consensus)	2026E (Consensus)	2027E (Consensus)
Real GDP	1.6%	2.0%	1.0%	1.8%	1.9%
CPI	3.6%	2.3%	2.0%	1.9%	1.9%
Unemployment	2.7%	2.8%	2.8%	2.8%	2.8%
10yr Gov. Bond	3.2%	2.9%	2.6%	2.2%	2.2%

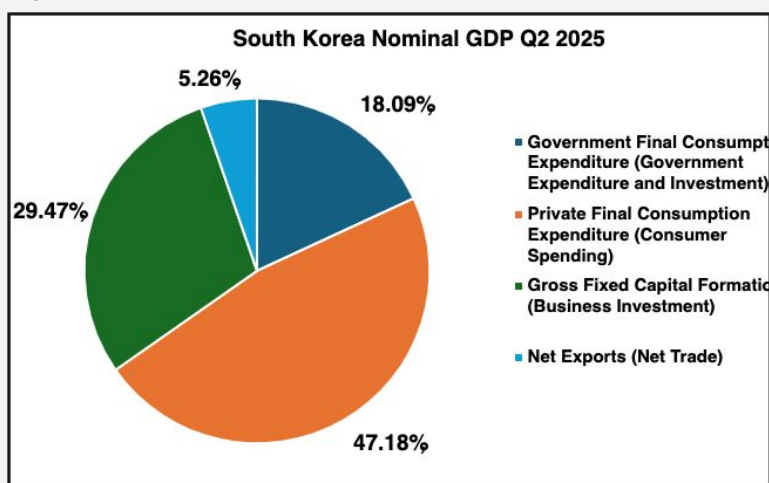
Source: Bloomberg

Korea’s market has two clear upside catalysts: An AI-driven memory cycle is powering a rebound in corporate earnings, and ongoing governance initiatives aimed at narrowing the long-standing “Korea Discount” create room for a re-rating. Export momentum remains durable as supply chains diversify, reinforcing Korea’s role in high-value manufacturing. Taken together, BAM views Korea’s tech-tilted equity market as an attractive way to capture both profits and potential multiple expansion over the next several years.

GROSS DOMESTIC PRODUCT

South Korea's growth remains anchored in high-value manufacturing. Meanwhile, exports are led by semiconductors, followed by autos and batteries. As the AI and data-center spending cycle accelerates, net exports and factory output are re-emerging as the primary driver of GDP growth, with corporate capital expenditures following in capacity, packaging, and equipment. Increased chip pricing is lifting export profits, supporting margins and real incomes. Domestic demand is stabilizing due to cooling inflation and rising real wages, which boosts incomes and services activities while housing leverage keeps expansion measured. Ongoing supply-chain diversification and deeper trade talks with the U.S. are gradually shifting the composition of trade toward higher-margin goods. Korea's favorable growth outlook is supported by resilient exports, increased semiconductor demand and a stabilizing consumer base that provides a strong base for growth.

Figure SK. 2:



Source: Bloomberg

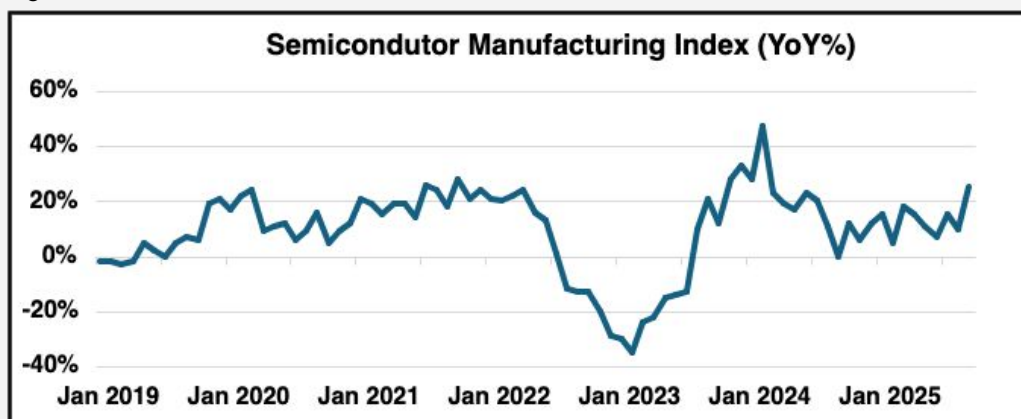
GOVERNMENT POLICY

South Korea's policy mix is turning clearly market-friendly. On the macro side, the Bank of Korea is shifting from restraint to support while keeping macro-prudential curbs on mortgages, easing the cost of debt without reigniting housing speculation. Industrial policy is explicitly semiconductor-first: tax credits and capex incentives tied to new capacity and mega-cluster build outs, set within a formal Framework Act on Supply-Chain Stabilization and a Basic Plan for 2025–27 that aims to lower single-country dependence and simplify synergistic industry logistics, with dedicated financing to back it. Trade and energy policy are aligned with this plan by diversifying markets and securing LNG and other inputs. Finally, governance reform is a tangible equity catalyst: the Corporate Value-Up program asks companies to publish capital-allocation plans with payout targets (dividends, buybacks, treasury-share cancellations), improve disclosure and board practices, and the Korea Exchange supports it with a Value-Up index and investable funds that reward companies that raise payouts and improve disclosure.

MANUFACTURING

South Korea’s industrial base is re-accelerating, led by high-value electronics while autos, batteries, and precision components provide depth. Korea’s factories also benefit from ultra-high automation, which supports throughput and margins even as labor supply tightens. Within semiconductors, Korea’s most valuable electronic export, Samsung and SK hynix together command around 70% of global DRAM (Semiconductor Industry Association); this gives national-scale strength in memory, the semiconductor industry’s second-largest segment, and funnels orders into their secondary industries of materials, equipment, and advanced packaging. With U.S.– Korea tariff terms now finalized at 15% (down from 25%) for automobiles and auto parts, semiconductor exports (Figure SK. 3) have remained unencumbered, preserving Korea’s strongest growth driver (Figure SK. 3; Figure SK. 4).

Figure SK. 3:



Source: Bloomberg

Figure SK. 4:

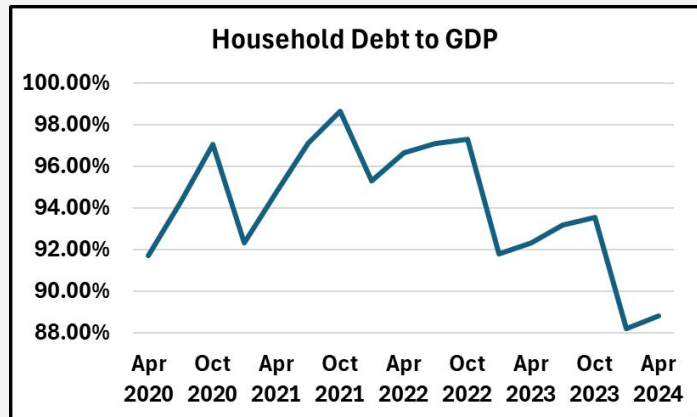


Source: Bloomberg

CONSUMER SECTOR

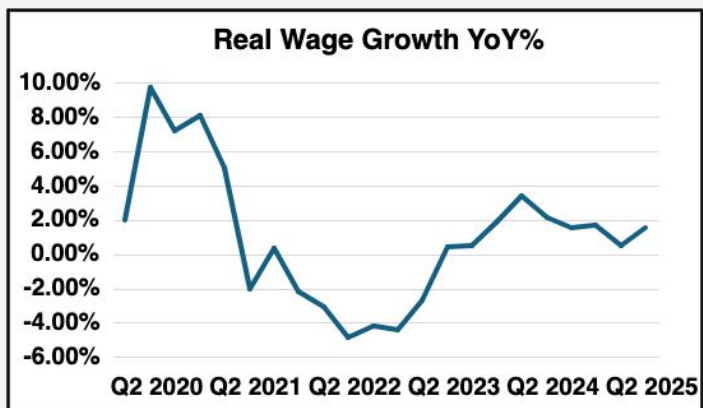
Korean households have shifted from defensive to selective spending. With pricing pressures easing and wage floors supported by a tight labor market, day-to-day services spending is holding modestly positive while goods remain softer but are improving. That mix keeps consumption acting as a stabilizer rather than the primary growth engine. At the same time, consumer balance sheets are looking safer: (Figure SK. 5) Household Debt to GDP is rolling off the 2021-22 peak and trending lower, showcasing the easing debt burden on Korean households and increasing purchasing power (Figure SK. 6). With mortgage rates drifting downwards, savings behavior normalizing from COVID-19 peaks, and automation keeping employment and the wage floor steady, households have enough cushion to smooth downside and the capacity to provide incremental upside as borrowing costs continue to ease and real incomes rise (Figure SK.7).

Figure SK. 5:



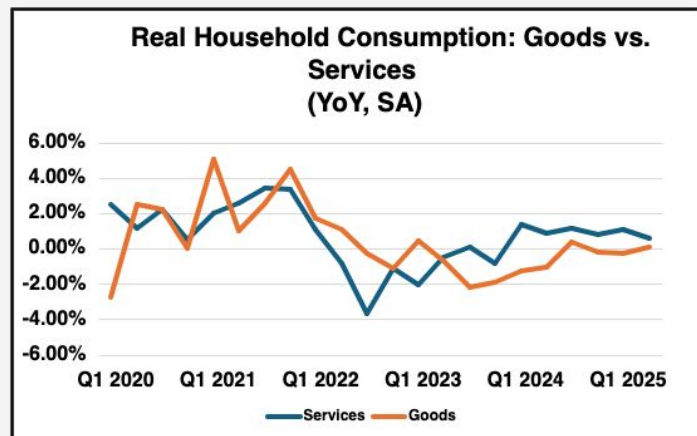
Source: Bloomberg

Figure SK. 6:



Source: Bloomberg

Figure SK. 7:

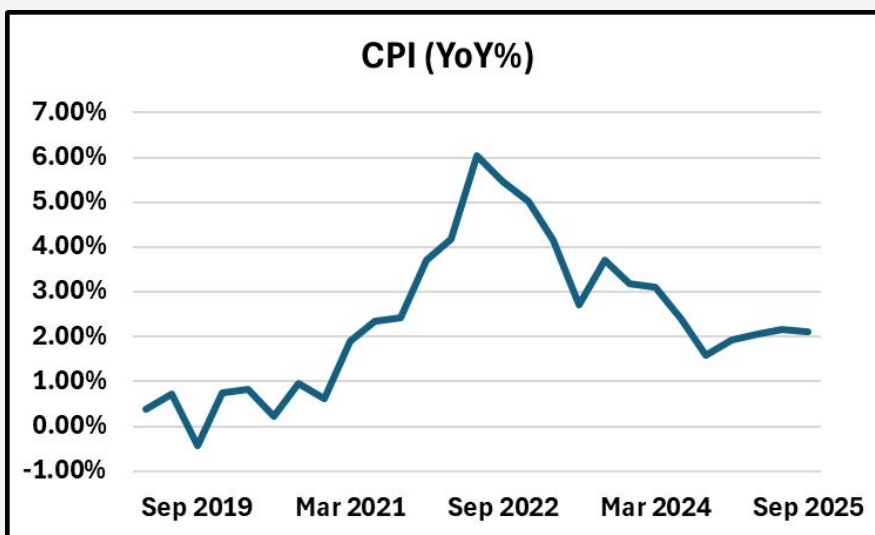


Source: Bloomberg

INFLATION

Pricing pressures have moved from the post-pandemic energy spike to a low, stable range with only modest bumps. Disinflation since 2023 has restored real purchasing power and given the Bank of Korea room to shift from restraint to calibration without reigniting price pressure. Core inflation is easing as goods prices normalize; services inflation is firmer but edging lower, and expectations remain anchored. This backdrop eases the squeeze on households, reduces financing frictions for firms.

Figure SK. 8:



Source: Bloomberg

SUMMARY

BAM expects South Korea to deliver steady, externally led growth over the next 1-3 years. Disinflation has reset purchasing power and given the Bank of Korea room to move from restraint to support, easing financing burdens for households and for capex. The manufacturing engine, fueled by semiconductors and supplemented by electronics & autos is re-accelerating as the AI/data-center build-out pulls through Korea’s memory, equipment, packaging, and materials ecosystem; exports and factory output are again the primary drivers of GDP. The consumer isn’t the star of the cycle, but has become a reliable stabilizer. Service spending is holding up, goods demand is improving from a soft patch, and household leverage is edging down which dampens downside risk as rates drift lower. Policy is supporting supply-chain stabilization measures, targeted tax incentives and mega-clusters investment, and the Corporate Value-Up agenda provides a credible catalyst for capital formation and a narrowing of the infamous “Korea Discount”. Korea’s mix of supportive policies, resilient consumers, and re-accelerating external trade leaves growth on a firm floor, and gives equities clear upside to the semiconductor cycle.

Japan Economic Outlook

Japan’s near-term outlook is modest growth with upside limits and downside risks. Japan is exposed to global growth weakness, the 15% tariff rate on Japanese goods into the U.S., and a slowing export cycle, with net exports expected to weigh on growth. Unless there is a strong uptick in domestic demand, exports, or structural reforms, the economy is likely to remain in a low-growth state. Over the long-term, structural constraints such as their aging population, shrinking workforce, and high public debt constrain growth potential and fiscal flexibility, which will keep the potential growth rate low. That being said, BAM does not view Japan’s economy as a worthy investment.

KEY ECONOMIC INDICATORS

Figure JP. 1:

	2023A	2024A	2025E (Consensus)	2026E (Consensus)	2027E (Consensus)
Real GDP	1.2%	0.1%	1.1%	0.7%	0.8%
CPI	3.3%	2.7%	3.0%	1.8%	2.0%
Unemployment	2.6%	2.5%	2.5%	2.4%	2.3%
10yr Gov. Bond	0.6%	1.1%	1.7%	1.9%	2.0%

Source: Bloomberg

INFLATION & CONSUMER SPENDING

Japan has faced elevated inflation in recent years, though pressures have started to ease from their 2023 peak. Inflation reached 4.3% in January 2023, largely driven by the rise in heavily dependent imports like energy, where 87% of it comes from imports (World Bank Group). Global supply chain disruptions, geopolitical tensions, and a weakened yen amplified these costs and passed them on to consumers. From 2023 to 2025, inflation stayed above the Bank of Japan's (BOJ) 2% target as domestic demand, wage growth, and sticky service prices kept upward pressure on core inflation. Consumer prices rose 3.3% in 2023, 2.7% in 2024, and 3.0% in 2025. To contain inflation, the BOJ gradually tightened policy, which allowed the 10-year government bond yield to rise from 0.6% in 2023 to 1.7% in 2025. This progress, in addition to energy prices stabilizing, have helped inflation start to moderate, with forecasts projecting 1.8% by 2026. However, Japan’s external environment has seen some new challenges. The U.S. - Japan trade deal introduced a 15% tariff rate on certain goods, which is expected to reduce GDP by roughly 0.3% (JPMorgan) while additionally limiting export growth. These developments have weakened Japan’s trade position and slowed the economic momentum.

Although inflation is easing, it remains high compared to historical norms. This in combination of the import dependence, a weak yen, rising wages, and trade-related headwinds suggest that the target 2% inflation will take time.

While consumer spending accelerated through 2023, it began to lose momentum heading into 2025 as inflation and income growth diverged. As shown in (Figure JP. 2,) Japan's CPI peaked at 4.3% in 2023 before easing to 2.7%t in 2024, reflecting some moderation in price pressures. However, real household purchasing power remained constrained because wage gains slowed after a strong 2024 labor-negotiations cycle. In (Figure JP. 3) it shows that average monthly cash earnings climbed steadily from 2021 through late 2024 but have leveled in 2025, signaling limited income growth. Softening wage momentum and elevated prices has led consumers to tighten spending and increase savings, showing signs of the same cautious behavior seen after prior inflation spikes. Consequently, Japan's GDP is projected to grow to only 1.1% in 2025 and 0.7% in 2026, highlighting a fragile consumer driven recovery and continued economic headwinds.

Figure JP. 2:

Source: Bloomberg

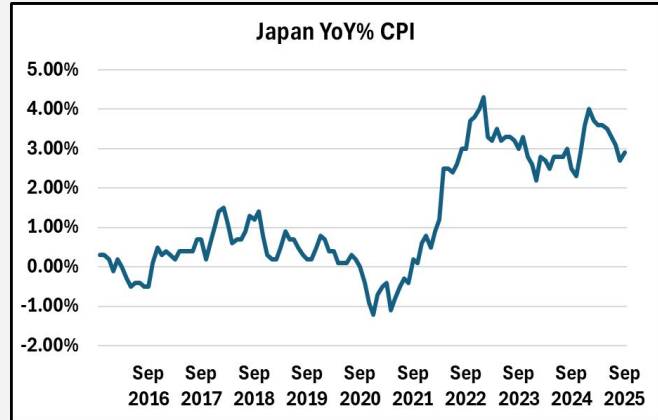


Figure JP. 3:

Source: Bloomberg

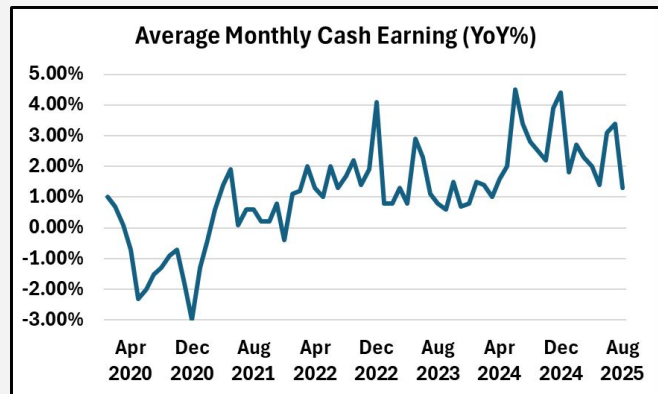
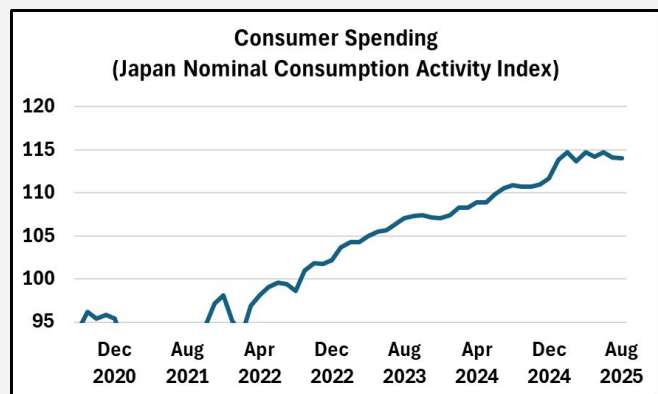


Figure JP. 4:

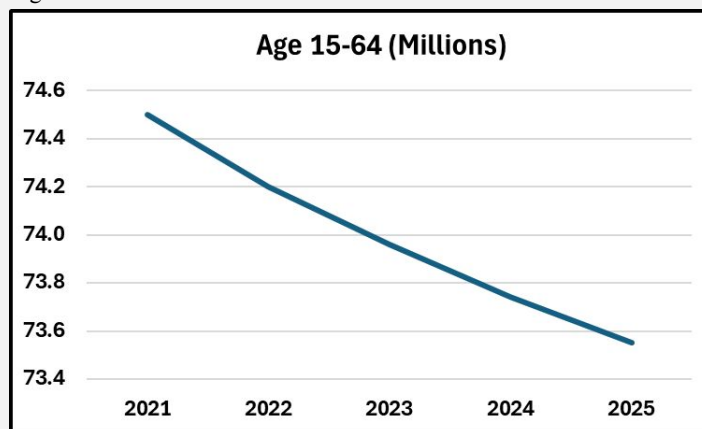
Source: Bloomberg



DEMOGRAPHICS

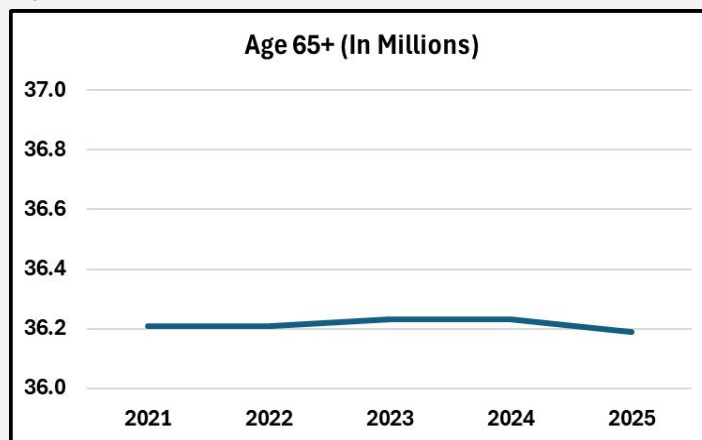
Japan faces economic challenges driven by a rapidly declining working-age population (ages 15-64). As shown in (Figure JP. 5), this group has been steadily shrinking from 2021-2025, dropping from 74.5 million to 73.6 million. This decline represents a critical issue for Japan’s long-term productivity and growth potential, as fewer individuals are available to sustain the country’s labor force. The core driver behind this demographic contraction is Japan’s low fertility rate, which stands at 1.2 as of 2023 according to World Bank Group, marking the lowest rate in records. This has been a persistent trend for years, reflecting social and economic shifts in which many Japanese individuals – particularly women of reproductive age – prioritize education and professional advancement over traditional family life. Combined with demanding work expectations and limited childcare infrastructure, these cultural and structural factors have significantly reduced birth rates. As the elderly population (65+) stagnates (Figure JP. 6) and the working age population decreases, the population is skewed more toward older age groups. As more people retire and fewer young individuals enter the workforce, the strain on pension systems, healthcare costs, and fiscal stability intensifies. Without significant policy reform, Japan faces a future of slower economic growth, reduced productivity, and a shrinking labor force, posing long-term risks to its overall GDP potential.

Figure JP. 5:



Source: Bloomberg

Figure JP. 6:

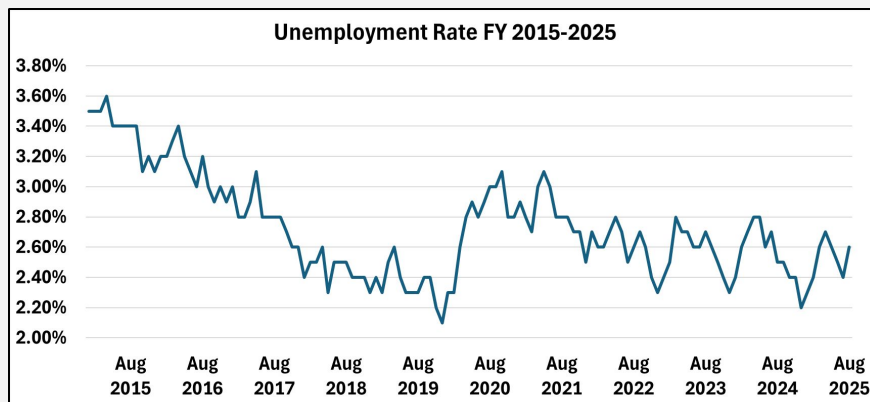


Source: Bloomberg

UNEMPLOYMENT

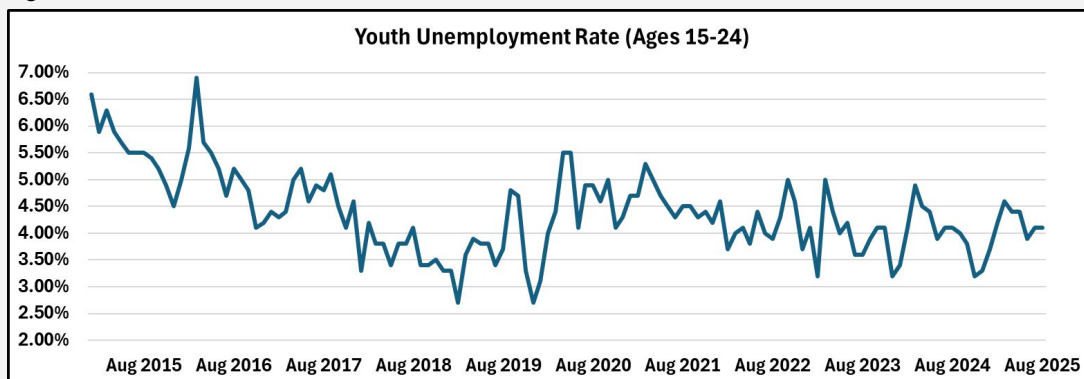
Japan has seen a downward trend in unemployment, which has dropped to as low as to 2.5% in the past year (Figure JP. 7). The current unemployment rate has maintained consistent with seasonal volatility, seeing as it is gradually increasing. Historically, there has been a high labor participation rate, which contributes to the historical unemployment rates (Figure JP. 8). The labor participation rates affected the decline in unemployment rates, directly affecting the current available job opportunities, which have seen a decline due to: the shrinking working age population (-0.26% 5 yr CAGR), automation increase, and labor market reforms of reskilling workers, transitioning from seniority-based to job-based pay, and promoting labor mobility. Japan's youth unemployment rate is also exhibiting a gradual upward trend, closely following working age unemployment. The Japanese classify youth unemployment as individuals aged 15-24 years, not employed, but currently looking for work, excluding economically inactive individuals (full time students). As stated before, the youth unemployment rate closely follows working age unemployment. It remains relatively higher, fluctuating around the 4% to 5% margin for the past few years, approximately 2% higher than working age unemployment. We believe that the unemployment rate will continue to decrease now that the economy is in recovery from the 2024 slowdown.

Figure JP. 7:



Source: Bloomberg

Figure JP. 8:

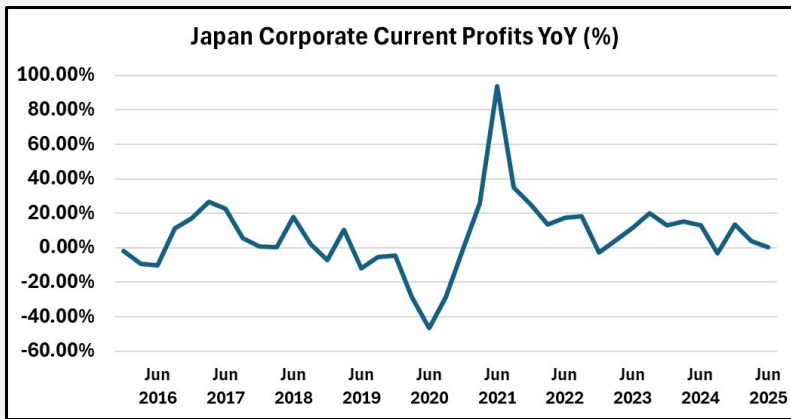


Source: Bloomberg

CORPORATE PROFITS

Japan has seen a recovery in corporate profits following COVID-19, in which they saw record high corporate profits reached in the second quarter of 2021 (Figure JP. 9). The recovery was influenced by global supply chain adjustments, fluctuations in commodity prices, and shifts in spending. Following the recovery, capital expenditure was disrupted by the Russia-Ukraine conflict. As the year progressed in 2023, Japan experienced signs of profit growth across financial services and other sectors benefiting from the strength of the Nikkei 225. Most recently, profits have been relatively stable and BAM believes this will continue, as the new goal focuses on economic growth.

Figure JP. 9:

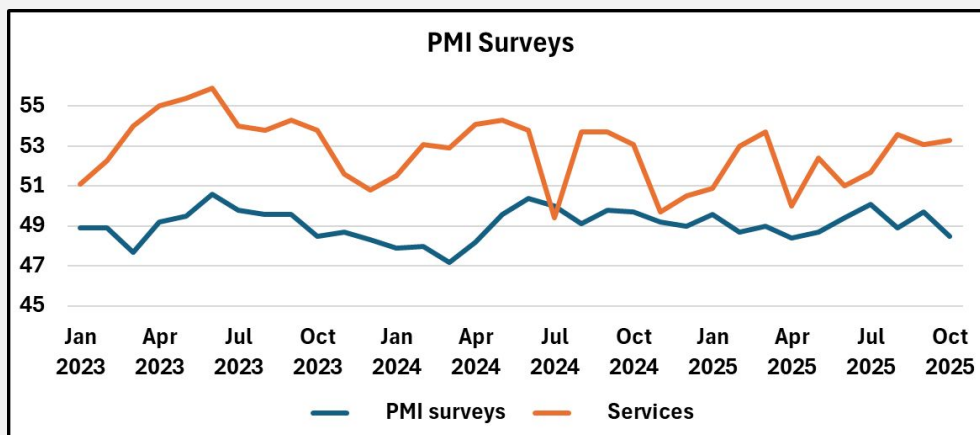


Source: Bloomberg

PMI

Japan’s manufacturing sector experienced a steady contraction between August 2024 to March 2025, primarily due to declining sales, and declining foreign sales for the fifth consecutive month. While a modest recovery emerged after March 2025, overall production levels remained below prior benchmarks. The services sector continues to be in expansion (Figure JP. 10), providing key support for overall business activity. Growth has been driven by a rise in orders, although they sustain persistent cost pressures from inflation in raw materials, labor, fuel, and transportation margins. Despite the pessimistic outlook in manufacturing, sentiment remains slightly positive supported by resilience in services and gradual improvement in domestic demands.

Figure JP. 10:

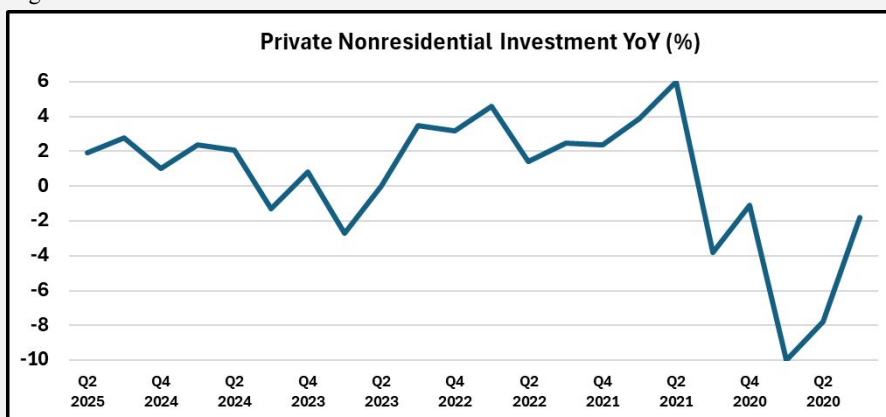


Source: Bloomberg

NON-RESIDENTIAL INVESTMENTS

Japan’s non-residential investments have maintained flat to moderate growth. Although COVID-19 caused significant short-term fluctuations, underlying trends before and after indicate modest expansion in the range of 0-3% (Figure JP. 11). Given a mature economy and weak demographic-driven domestic demand, we do not expect this to change much next year.

Figure JP. 11:

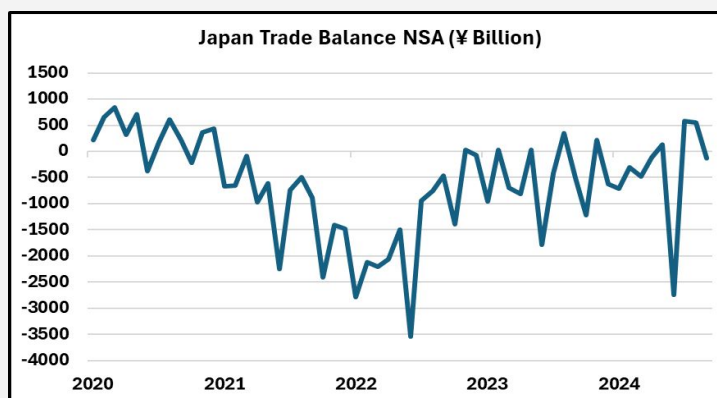


Source: Bloomberg

GOVERNMENT EXPENDITURE, INVESTMENT, AND TRADE

Japan’s government has relied heavily on fiscal stimulus initiatives to sustain growth amid weak private demand and slowing exports. Large spending programs that include pandemic relief and energy subsidies to defense and government aid initially supported the recovery but increased the national deficit and made debt above ¥1,200 trillion. While recent fiscal tightening and easing energy prices have helped moderate the deficit, expenditures remain elevated. In addition, net trade continues to weigh on GDP, as Japan faces continued trade deficit driven by soft global demand, and new U.S. tariffs that have held back export momentum despite the decline in imports. Even with the new administration policies, Japan’s fiscal challenges and ongoing trade imbalance continues to limit its appeal as an investment opportunity.

Figure JP. 12:



Source: Bloomberg

SUMMARY

When considering factors such as slowing consumer spending, rising interest rates, shrinking population, steady corporate profits, overall contractionary PMI and slowed non-residential investments, the Japanese economy may pose significant challenges. A lack of confidence as a result of slow consumer spending would further dampen the growth. Rising interest rates create more issues by increasing borrowing costs, which could affect growth in business investments. As for the shrinking population, the issue poses a long term challenge for the country seeing as it directly correlates to declining labor force and decreasing domestic demand. Lastly, slow movements in business investment overall, proves lack of economic growth and slow improvements in financial stability. The low income growth and lack of any significant reversal in consumer spending have become disappointing. Based on our analysis of Japan's economy, BAM deduced that investment in Japan should be avoided.



India Economic Outlook

India is experiencing a growth phase, characterized by an increase in domestic consumption, a growing middle class, and the world's fastest-growing and youngest working-age population. Inflation has reached the Reserve Bank of India's target range, the middle class is growing, and geopolitical conditions are neutral-to-positive to India. Structural reforms, new large-scale infrastructure, and new manufacturing initiatives like "Make in India" are expected to grow productivity, attract foreign capital, and locate India as a global supply-chain hub. Given the above background, India is expected to be one of the world's most compelling long-term investment stories.

KEY ECONOMIC INDICATORS

Figure IN. 1:

	2023A	2024A	2025E (Consensus)	2026E (Consensus)	2027E (Consensus)
Real GDP	7.6%	9.2%	6.9%	6.7%	6.5%
CPI	5.7%	5.0%	4.5%	2.5%	4.2%
Unemployment	3.6%	4.0%	4.9%	4.9%	4.9%
10yr Gov. Bond	3.9%	4.6%	6.1%	6.0%	6.6%

Source: Bloomberg

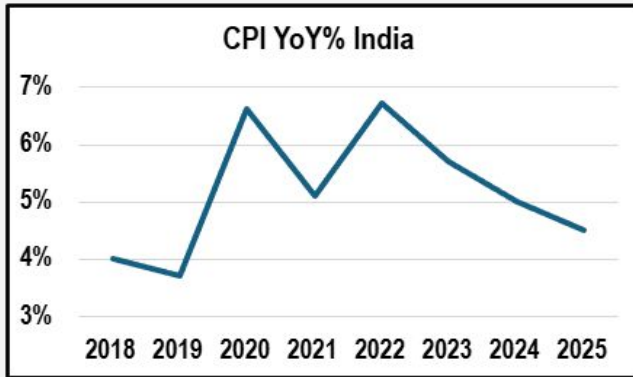
GROWTH IN CONSUMER & BUSINESS

India's consumer and business sector have seen strong growth. This has been driven by a growing middle class, solid wage growth, and inflation being brought back under control. Inflation in India is also expected to continue to decrease through the next few years, as demonstrated by September 2025 food prices dropping 2.28% (Reuters) and a cut in consumer taxes on September 22, which is expected to bring down core inflation in October. India is experiencing their lowest CPI inflation since 2019 (Figure IN. 2). This shows that India has been able to maintain inflation relatively low the past few years. According to The Economic Times, India's middle class made up 31% of the population in 2021 and is expected to rise to 38% by 2031. By 2047, it is expected to reach 60%. As India's middle class expands, growing urbanization will fuel demand for infrastructure which would include housing, transportation, and railroad systems.

Both current and forecasted GDP figures emphasize the country’s strength, indicated by the services and manufacturing PMI consistently reporting values above 50 (Figure IN. 3; Figure IN. 4). Services PMI has remained strong in the past 3 years by maintaining values above 60. These trends reflect a robust phase of economic growth.

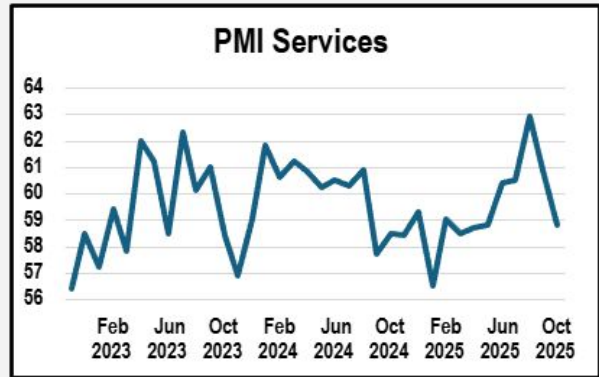
After enduring a turbulent economic downturn caused by the tariff impacts, India demonstrated remarkable resilience in its recovery. This is reflected in strong real GDP growth, solid consumer spending, and substantial investments in infrastructure. Furthermore, Bloomberg estimates that India will emerge as the world’s third-largest economy by 2026.

Figure IN. 2:



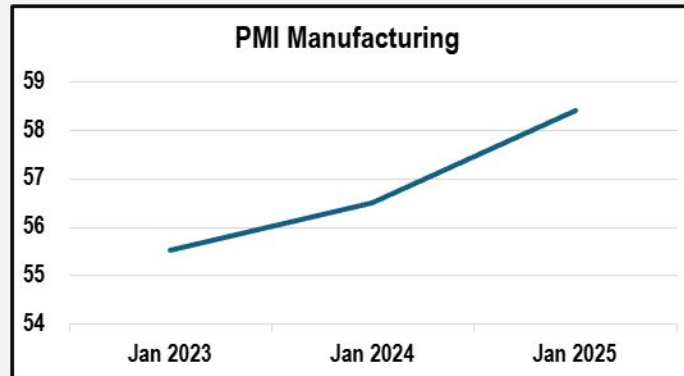
Source: Bloomberg

Figure IN. 3:



Source: Bloomberg

Figure IN. 4:



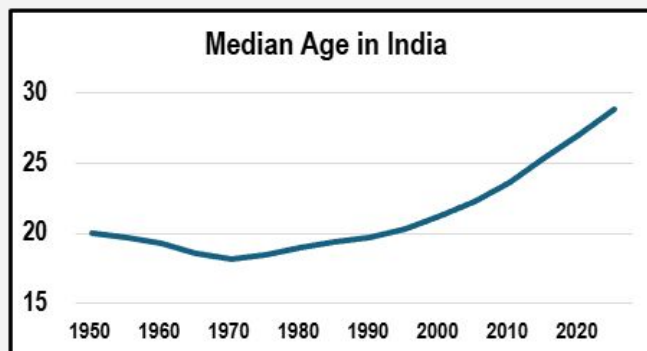
Source: Bloomberg

DEMOGRAPHICS

India's most significant economic asset continues to be its vast and expanding population. India has become the world's most populous country with an estimated 1.43 billion people, recently surpassing China's population. India's population size and workforce is the main pillar of the country's economic strength and future growth. With a median age of 28.4 years (China's median age is 39.6), India is one of the youngest major economies. The demographic dividend continues to drive domestic consumption, labor, and productivity, ensuring the economy is not affected by external shocks with higher pressures on demand.

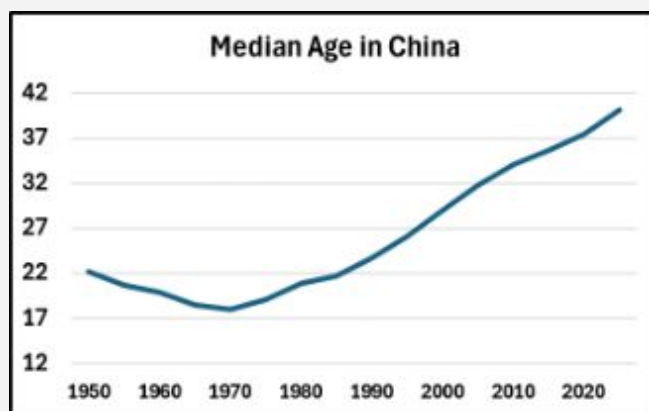
The strong working-age population will contribute to GDP growth and the growth of the manufacturing and service sectors. Manufacturing now comprises 17% of GDP and employs 270 million people. The manufacturing sector workforce is projected to expand with initiatives such as the "Make in India" and Production-Linked Incentive (PLI) schemes. Manufacturing is relatively low-cost, with an average annual wage of 2,000 USD, compared to 14,000 USD in China, and the country is targeting foreign companies, attempting to create competitive manufacturing hubs and reduce their reliance on China. This aligns with the strategy of Western countries and grants them exposure to India's burgeoning production and consumer markets.

Figure IN. 5:



Source: Bloomberg

Figure IN. 6:



Source: Bloomberg

Already in its third term, the Modi government identified infrastructure as a major bottleneck for India and accelerated national programs for logistics, infrastructure, and job creation. In the next decade, the government earmarked more than \$120 billion for the development of national roads, railways, and industrial corridors to generate jobs, improve productivity, attract foreign direct investment, and build manufacturing and technology hubs. This is combined with continuing reforms to taxation, e-governance, and rural employment programs such as the central MGNREGS, which translates demographic potential into economic output.

INFLATION

The CPI has trended downwards and is expected to drop below the target of 4% for FY 2026. A primary driver of CPI has been the recent monsoon variability which heavily affected the cost of goods such as food and drinks. Energy prices and supply chain have been under heavy scrutiny due to geopolitical tensions. While this may raise concerns, India's rapid GDP growth offsets them as the target rate of inflation (4% with a $\pm 2\%$ range) provides adequate room for GDP growth.

GEOPOLITICAL LANDSCAPE

Despite geopolitical tensions surrounding the country and a shifting macro backdrop, India's recovery remains incredibly resilient, anchored by strong domestic demand and a globally competitive services sector. Supply chain diversification and investor interest are incrementally supportive, even as U.S. - China trade frictions and tariff actions pose risks. The external account shows a structural goods deficit, but persistent services surpluses (IT and digital) have helped narrow the overall gap.

SUMMARY

India's expansion is broad-based and resilient, supported by firm consumer demand, low unemployment reinforced by rural job guarantees, and easing inflation that improves purchasing power. An expanding middle class and ongoing urbanization are set to drive multi-year demand for housing, transport, and logistics. Policy remains strongly pro-investment: the administration's reform agenda and "Make in India" continue to channel public capex into roads and rail while crowding in private manufacturing. Geopolitically, India's neutral stance and strategic location make it a natural beneficiary of supply-chain diversification, drawing capital and deepening ties with multiple blocs. While the external account still contends with a goods deficit, the globally competitive services sector helps offset pressures. Overall, resilient growth, improving macro stability, and structural reforms position India as a compelling, long-term allocation across infrastructure, manufacturing, and digital services.

Brazil Economic Outlook

KEY ECONOMIC INDICATORS

Figure BR. 1:

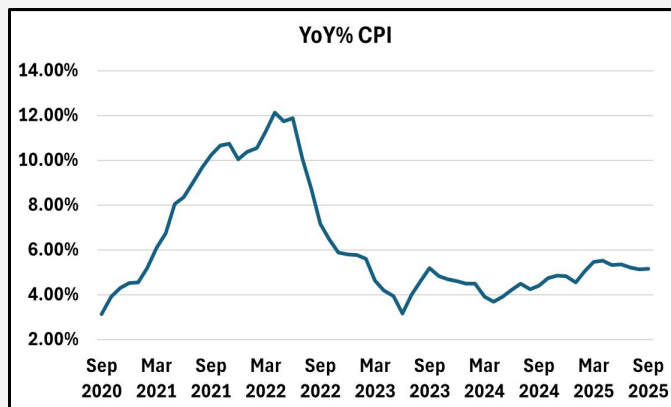
	2023A	2024A	2025E (Consensus)	2026E (Consensus)	2027E (Consensus)
Real GDP	3.3%	3.4%	2.2%	1.7%	2.0%
CPI	4.6%	4.4%	5.1%	4.3%	4.0%
Unemployment	8.0%	6.9%	6.1%	5.8%	7.0%
10yr Gov. Bond	10.4%	15.2%	13.8%	–	–

Source: Bloomberg

SUMMARY

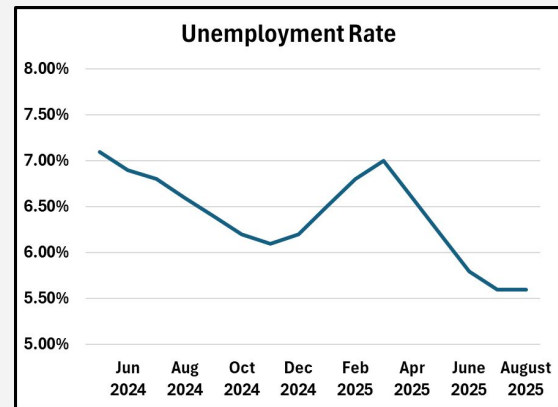
Brazil’s economy has stabilized post-pandemic, with inflation easing from double digits in 2022 to around 5% by mid-2025, supported by the Central Bank’s firm policy stance and moderating commodity prices (Figure BR. 2). The labor market has also strengthened, adding 2.8 million jobs in 2024 (World Bank Group) amid service-sector growth and infrastructure investment, though unemployment ticked up slightly in early 2025 following seasonal layoffs (Figure BR. 3).

Figure BR. 2:



Source: Bloomberg

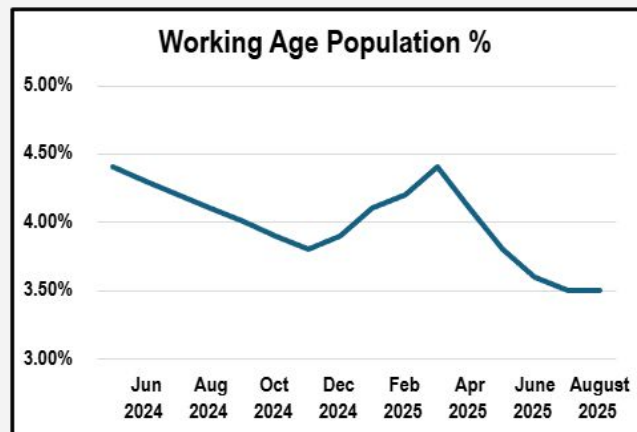
Figure BR. 3:



Source: Bloomberg

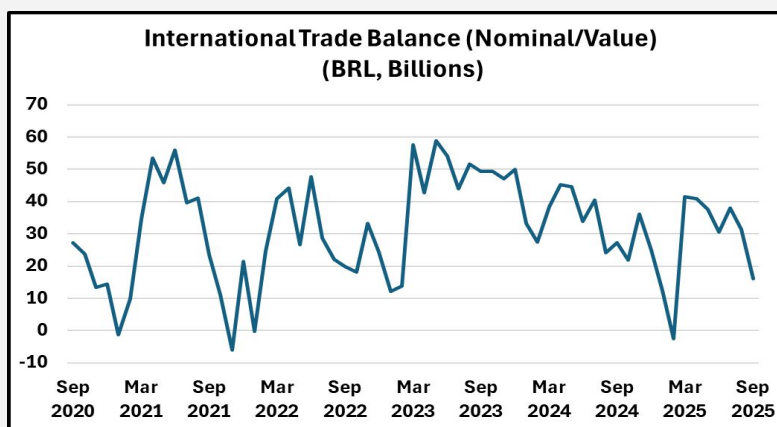
Despite these gains, long-term growth remains constrained by structural issues such as a shrinking working-age population and rigid labor regulations (Figure BR. 4). Brazil continues to rely heavily on commodity exports, sustaining trade surpluses but remaining exposed to global shocks (Figure BR. 5).

Figure BR. 4:



Source: Bloomberg

Figure BR. 5:



Source: Bloomberg

An Executive Order issued by President Trump on July 30, 2025, imposed an additional 40% ad valorem duty, later raised to 50% on most Brazilian imports to the U.S., citing national security and political concerns. While key commodities like orange juice, minerals, and aircraft were exempted, major exports such as beef, coffee, ethanol, and tropical fruits, which account for one-third of Brazil’s U.S. exports, were hit significantly. However, Brazil’s strong trade relationships and global standing help cushion the blow: China accounts for \$89.7 billion, or 26.8% of Brazil’s total trade, compared to the U.S.’ \$38.1 billion (11.4%), underscoring that China remains its largest partner and a dominant buyer of soybeans, iron ore, and crude oil. These diversified trade ties allow Brazil to offset much of the U.S.-related pressure through increased exports to China and other markets. Still, with rising inflationary pressures and geopolitical uncertainty, BAM views Brazil’s outlook as unfavorable and maintains a defensive positioning focused on U.S. domestic equities while avoiding direct exposure to Brazilian markets.

Mexico Economic Outlook

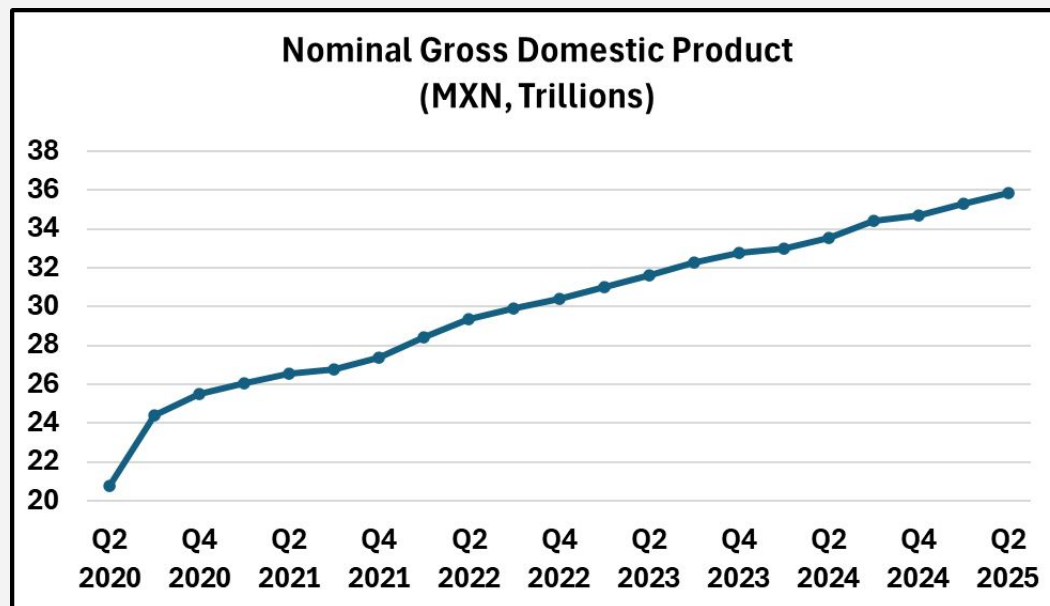
KEY ECONOMIC INDICATORS

Figure MX. 1:

	2023A	2024A	2025E (Consensus)	2026E (Consensus)	2027E (Consensus)
Real GDP	3.3%	1.5%	0.5%	1.3%	2.0%
CPI	5.6%	4.7%	3.8%	3.7%	3.7%
Unemployment	2.8%	2.7%	3.0%	3.3%	3.3%
10yr Gov. Bond	8.9%	10.4%	8.8%	8.4%	7.9%

Source: Bloomberg

Figure MX. 2:

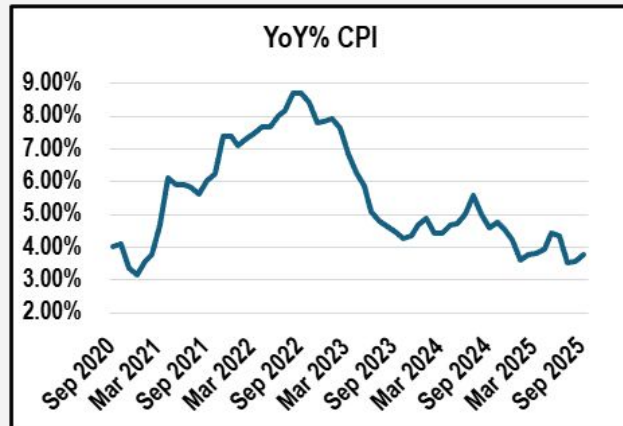


Source: Bloomberg

SUMMARY

Mexico’s inflation has cooled significantly from its 2022 peak above 8%, easing to 3.5% by July 2025 (Figure MX. 3). This is the lowest level since 2020 and is supported by Banco de Mexico’s tight monetary stance and easing global supply pressures. Monthly inflation has stabilized between 0.2 and 0.5 percent, although elevated food prices continue to pressure lower-income households.

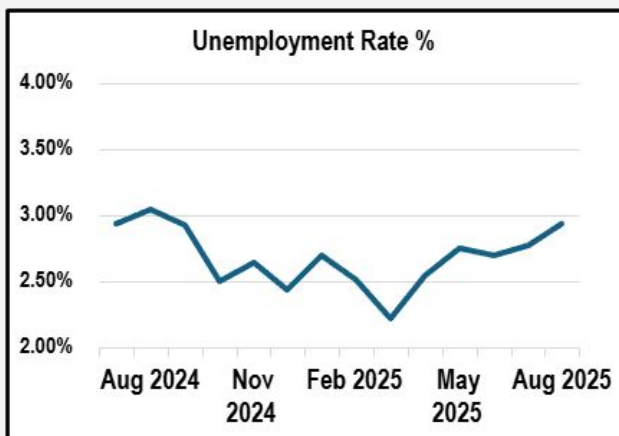
Figure MX. 3:



Source: Bloomberg

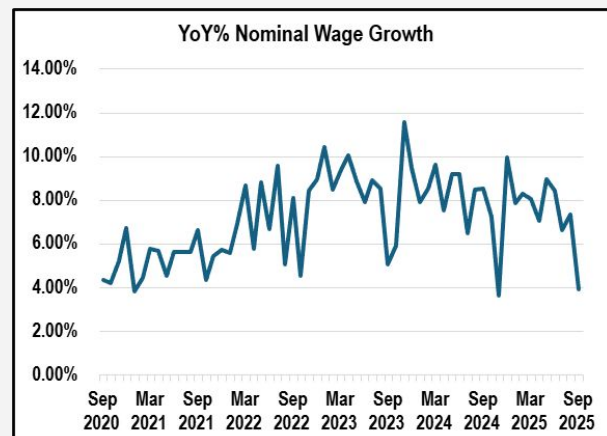
The labor market remains historically strong, with unemployment reaching a record low of 2.2% in March before edging up to 2.8% by mid-year (Figure MX. 4). However, much of this strength is driven by growth in informal employment, which now accounts for more than half of the workforce. Formal job creation has weakened across key industries, such as manufacturing and construction, as firms respond to softer demand and higher costs.

Figure MX. 4:



Source: Bloomberg

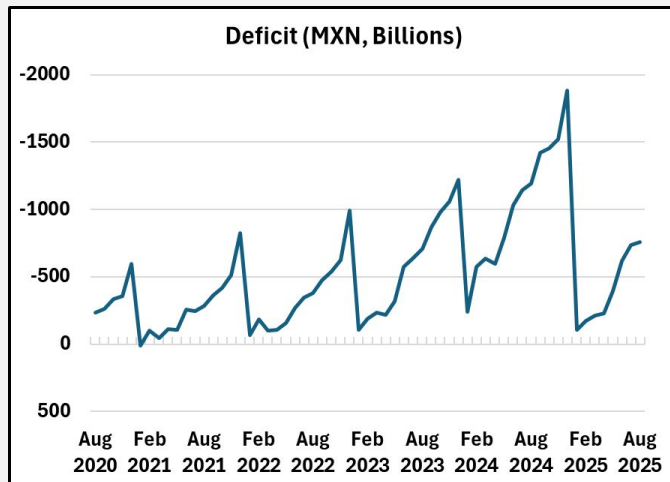
Figure MX. 5:



Source: Bloomberg

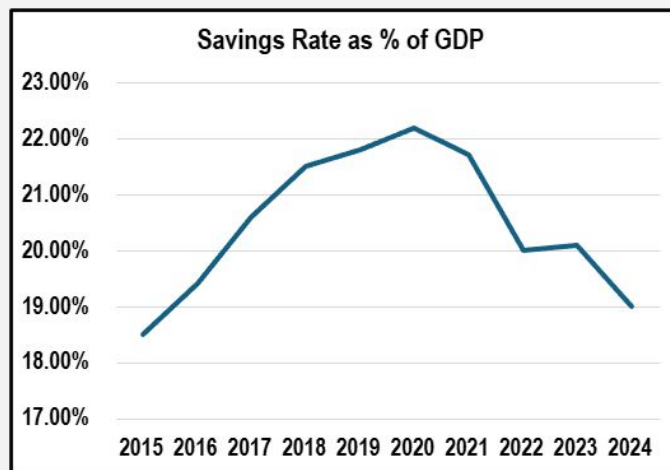
While stable inflation and steady GDP growth provide near-term support, Mexico continues to face structural challenges, including persistent fiscal deficits (Figure MX. 6), limited household savings (Figure MX. 7), and heavy reliance on informal labor.

Figure MX. 6:



Source: Bloomberg

Figure MX. 7:



Source: TradingEconomics

These vulnerabilities have been compounded by rising trade tensions with the U.S., where new tariffs ranging from 30 to 50 percent on Mexican goods have disrupted long-standing supply chains and weakened competitiveness in core sectors such as automotive, electronics, and agriculture. Although the United States-Mexico-Canada Agreement (USMCA) continues to exempt qualifying goods from import tariffs, many manufacturers struggle to meet origin requirements, leaving them exposed to higher production costs and trade uncertainty. With the upcoming USMCA review in 2026 and tariff pressures intensifying, foreign investment sentiment has softened, and export growth is likely to slow. Given these dynamics, BAM views Mexico’s outlook as slightly unfavorable and maintains a strategy focused on U.S. domestic equities while reducing exposure to Mexico amid ongoing trade and policy instability.

Global Summary

Our global economic outlook anticipates moderate growth; however, we expect this growth to decelerate because of growing geopolitical tensions, an aging working population, and demographics. Additionally, with the U.S. imposing tariffs on foreign trade, BAM anticipates a continued increase in global economic volatility. Stubborn inflation and a continued period of declining interest rates are expected.

In this context, the U.S. continues to present itself as the most appealing investment prospect, partly due to significant innovation, while India shines as the world's fastest-growing major economy. China's focus on investments in AI, semiconductors, and electric vehicles, combined with government-driven motivation, provides a competitive advantage in the technology sector. Korea's targeted exposure to the semiconductor industry along with its AI linked supply chains makes it a favored export leader.

As a result, adopting a slightly defensive stance is appropriate for equities, although staying overweight in equities relative to bonds is likely to yield better returns.



Capital Market Outlook

BAM's capital market outlook is formulated through a comprehensive analysis of our economic outlook, deployment of the Capital Asset Pricing Model (CAPM), and anticipated fixed-income yields. To implement the CAPM, we initially defined the market as the S&P 500 and subsequently applied an equity risk premium (ERP) model devised by Professor Aswath Damodaran of NYU Stern. The essential inputs within this model are as follows:

- ❖ Current level of Index (S&P 500, 10/31/25): 6,840
- ❖ Expected cash payout (dividends + buybacks) as % of earnings= 77.54%
- ❖ Expected earnings growth rate for the next 5 years: Top-down consensus 8.91%
- ❖ Current long-term risk-free rate: 10 Year T-bond = 4.10%
- ❖ Expected growth rate in the long term after year 5 = 4.10%

Our model generated an implied equity risk premium of 3.73%, which we used to estimate expected returns for the equity portion of our benchmark portfolio. Using CAPM, we applied this premium across domestic, developed international, and emerging market equities to get forward-looking return expectations. The table below shows the key inputs and resulting expected returns for each equity segment.

Figure CM. 1:

Asset Class	Index	Risk Free	Equity Risk Premium	Beta	Expected Return
Domestic Equities	R3K	4.1%	3.7%	1	7.8%
Developed Market	M1EA	4.1%	3.7%	0.75	6.9%
Emerging Market	M1EF	4.1%	3.7%	0.61	6.4%

In the context of domestic fixed income, we utilize the yield to worst metrics from the Bloomberg Barclays Aggregate Bond Index which stands at 4.33% as of 10/31/25. Our cash yield projections are derived from the 3-month Treasury Bills (T-bills) yield, which stands at 3.84% as of 10/31/25.

The table below compares historical and expected returns for each benchmark asset class. We place more weight on our expected return estimates, since they better capture today’s economic environment and what we expect moving forward. Although the Fed has entered a rate-cutting cycle, we don’t expect long-term yields to drop significantly given ongoing inflation pressures and tight credit spreads. Because of this, we used the Bloomberg U.S. Aggregate Bond Index yield-to-worst as a conservative baseline for fixed income. We view this as a practical but conservative approach.

Figure CM. 2:

Asset Class	Index	Expected Return	10Y Historical Return	10Y Standard Deviation	Expected Return & Model & Assumptions
Domestic Equities	R3K	7.83%	14.01%.	15.60%	CAPM
Developed Market	M1EA	6.90%	7.65%	14.73%	CAPM
Emerging Market	M1EF	6.38%	8.12%	16.49%	CAPM
U.S. Fixed Income	AGG	4.33%	1.93%	5.03%	Yield To Worst
Cash	T-bills	3.84%	2.11%	0.56%	3 Month T-bills



Asset Allocation

In pursuit of an optimal asset allocation, we engaged in a comprehensive portfolio optimization exercise. This exercise was supported by an advanced Excel model, which has been further verified by a Monte Carlo simulation model conducted by our graduate students from 2024. Using this model, our portfolio was constructed by assimilating the following key benchmarks:

- ❖ Russell 3000 Total Return Index (U.S.)
- ❖ MSCI Developed Markets Total Return Index (DI)
- ❖ MSCI Emerging Markets Total Return Index (EM)
- ❖ Barclays U.S. Aggregate Bond Total Return Index (AGG)
- ❖ Bloomberg U.S. Treasury Bills 1-3 Month Total Return Index

Two evaluative scenarios were explored. The first scenario was based on insights from our current capital market forecast (Expected Returns). The second scenario was based on the records of historical capital market trajectories. After careful consideration, we believe the "Expected Returns" scenario is most consistent with the current macroeconomic environment.

Adhering to our client's distinct investment policy, we instituted the following allocation constraints:

- ❖ Fixed Income: Encompassed a restrictive bandwidth of 20-40%
- ❖ Equities: Constrained within the bounds of 60-80%.
- ❖ Cash Equivalents: Restricted to a maximum 20%.
- ❖ Foreign Equities: Confined to weight of 50% of total equities

Guided by these constraints, the subsequent calculations illustrate our modeled asset stratification, specifically tailored to:

1. Maximize Return Potentials
2. Minimize Systematic Risk (Minimum Standard Deviation)
3. Maximize Sharpe Ratio

PORTFOLIO OPTIMIZER RESULTS

Figure AA. 1:

10-year Historical			
Metrics	Max Return	Min Standard Deviation	Max Sharpe Ratio
Return	8.0%	5.9%	7.7%
Standard Deviation	13.10%	9.30%	9.90%
Sharpe Ratio	0.61	0.63	0.77
Allocation % U.S. / EM / DEV. / FI / T-bills	80/0/0/20/0	20/14/26/20/20	60/0/0/20/20

Figure AA. 2:

BAM Expected Results				
Metrics	Max Return	Min Standard Deviation	Max Sharpe Ratio	Tactical Adjustment Max SR
Return	8.0%	5.9%	7.1%	7.4%
Standard Deviation	13.10%	9.30%	9.60%	11.2%
Sharpe Ratio	0.61	0.63	0.74	0.66
Allocation % U.S. / DI / EM / FI / T-bills	80/0/0/20/0	20/26/14/20/20	48/4/8/20/20	60/0/10/20/10

Using the insight from the BAM Expected Returns scenario, the scenario of minimum standard deviation was ruled out due to its notably lower return compared to the max sharpe ratio scenario, while maintaining comparable risk levels to the latter.

In comparing the max return and max sharpe ratio scenarios, we did not find max return to be attractive due to the sharpe ratio being significantly lower. Moreover, we deemed an 80% allocation to domestic equities as excessively risky and inadequately diversified. Given the higher fixed income allocation in the max sharpe ratio scenario, as well as our economic outlook, we find the max sharpe ratio scenario more appealing.

Given the dynamic nature of the U.S. economy and historical outperformance of U.S. markets, a 48% allocation to U.S. equities was considered too pessimistic. Additionally, BAM chose to limit international equity exposure to China, India, and South Korea based on our economic outlook.

Incorporating these considerations, BAM reallocated its 10% of the 20% T-bills position to domestic equities, as maintaining 20% in short term T-bills seemed too conservative. Additionally, we removed our 4% allocation to developed international markets and divided the reallocation evenly, with half directed toward domestic equities and half toward emerging markets. This adjustment reflects our conviction that emerging markets offer stronger growth opportunities and align with our positive outlook on India, China Tech, and South Korea, while the increase in domestic equities strengthens exposure to the resilient U.S. market.

Within international markets, we recommend avoiding investments in the European Union, Brazil, Mexico, and Japan due to weak economic outlooks and heightened geopolitical risks. Conversely, BAM has concentrated its international exposure towards India, China, and South Korea, reflecting confidence in their sustained economic stability and growth prospects. India's consistent expansion is expected to continue into 2026, supported by resilient domestic consumption and minimal exposure to Western sanctions, as American exports represent only 2% of its economy according to The Economic Times. As the fastest-growing large economy, India remains a compelling opportunity. South Korea's recent political stabilization, coupled with its technology-driven economy, reinforces our confidence in its growth trajectory. This allocation also balances our reduced weighting in domestic technology and provides geographical diversification. Lastly, China's economic growth during the U.S. slowdown presents an attractive opportunity despite ongoing trade tensions. The alignment between government policy and private sector goals to promote technological self-sufficiency further strengthens our positive outlook on China's technology sector.

Given the current yields on T-bills, BAM views the cash allocation to be a component of fixed income, for a total allocation of 30% in fixed income. Of this 30%, 10% of the portfolio is allocated to T-bills. Within the remaining 20%, BAM allocated 50% to a core bond fund, 20% to Intermediate Treasuries, and the remaining split equally between Long-Term Treasuries, CMBS, and High-Yield bonds. Our allocation to a broad core fund is driven by BAM's interest rate outlook. However, we believe higher government deficits and tariffs will result in higher-for-longer inflation, keeping yields on long-term Treasuries higher. This supports our allocation to Intermediate Treasuries, as they can benefit from price appreciation as short-term rates fall. Long-term U.S. Treasuries also have the lowest correlation with equities, providing valuable diversification benefits to serve as a partial hedge against equity market volatility. Finally, our allocations to CMBS and a high-yield bond fund are intended to enhance overall yield potential.

Consequently, BAM's revised target asset allocation consists of 60% in domestic equity, 10% in emerging markets, and 30% in fixed income. The following portfolio asset allocations and projected metrics, grounded in our securities recommendations, are delineated as follows:

Figure AA. 3:

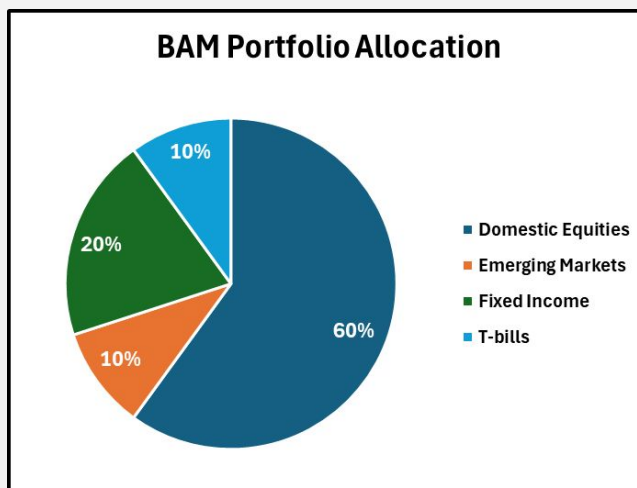


Figure AA. 4:

BAM Portfolio	
Metrics	Expected Return
Return	7.1% (12.2%)*
Standard Deviation	11.2%
Sharpe Ratio	0.63
Allocation % U.S. / DI / EM / Fixed Income	60/0/10/30

Figure AA. 5:

CFA Benchmark	
Metrics	Expected Return (Max SR)
Return	6.87%
Standard Deviation	11.18%
Sharpe Ratio	0.61
Allocation % U.S. / Int. / Fixed Income	50/20/30

*Return based on Discounted Cash Flow (DCF) Model

PERFORMANCE GOALS

Our mission is to exceed the CFAOC blended benchmark while maintaining prudent risk management and long-term portfolio sustainability. Based on our current economic and capital market outlook, optimization models, and active security selection, BAM expects the portfolio to achieve a total return of approximately 7.1% with a standard deviation of 11.2%. This target represents a balanced approach that seeks superior risk-adjusted returns rather than excessive short-term gains. Our expected performance reflects the benefits of diversification across asset classes and the disciplined integration of both quantitative and qualitative analysis in the investment process.

BAM’s optimization model incorporates expected returns, volatilities, and cross-asset correlations to ensure that the portfolio maintains optimal risk/return efficiency. Through tactical adjustments and sector rotation, we aim to capture alpha opportunities without deviating materially from our long-term strategic allocation. Details on how these portfolio metrics are derived are presented in the Equity Portfolio Characteristics and Fixed Income sections of this report.

Fixed Income: Valuation & Selection

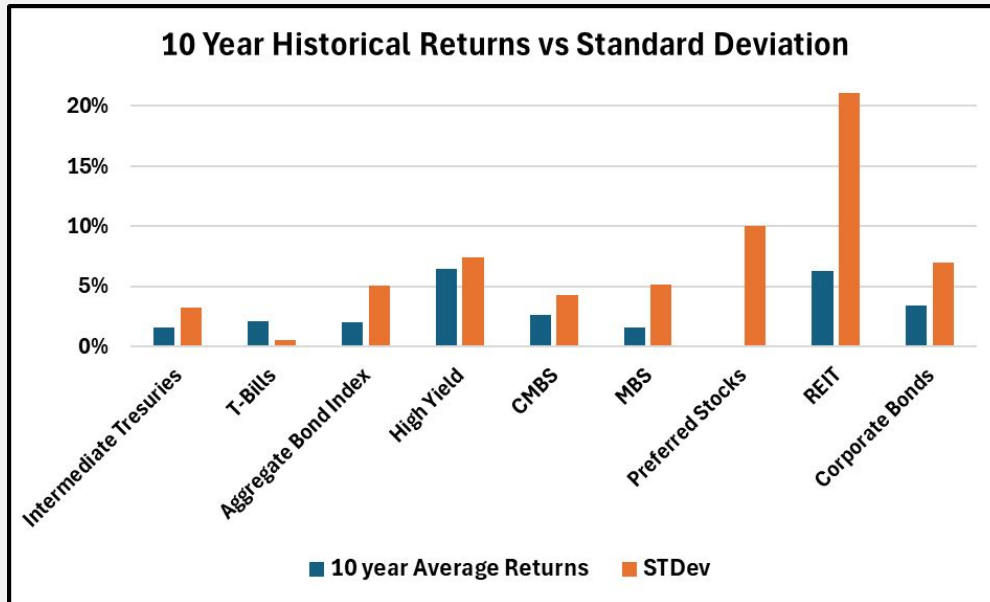
Figure FI. 1:

	Appropriate	Inappropriate	
Cash (Money Markets Funds)	X		
U.S. Treasury Notes and Bonds	X		
Investment Grade Corp. Bonds	X		
Securitized (ABS/MBS/CMBS/RMBS)	X		
High Yield Corp. Bonds	X		
Developed International Debt		X	
Emerging Market Debt		X	
Preferred Stock		X	
	Min	Average	Max
Yield To Maturity	3.67%	4.95%	6.77%
Duration	-0.05	4.75	14.75

For our fixed income allocation, our goal is to provide a balance against the broader equity market while preserving capital and liquidity, and to capture opportunities from our forecasted U.S. economic conditions. As a firm, we have decided not to invest in preferred stock, emerging market debt, and developed international debt. We chose to avoid developed international debt due to currency risk and attractive yields in the domestic market. Furthermore, we decided against investments in emerging markets debt due to heightened currency volatility, core currency risk, and weaker credit quality. BAM also elected to not invest in preferred stock as they resemble a blend of stocks and bonds, while also having poor historical returns. Given preferred stocks' high correlation to equities, we see investment as contradictory to the goal of our fixed income sleeve which was to diversify away from the equity markets.

Across our fixed income portfolio, we allocated 33% to Treasury Bills and another 33% to a fund that tracks the broad aggregate bond index. The purpose for the aggregate fund allocation was to serve as an anchor for our fixed income sleeve that provides high credit quality, stable income and diversification across the U.S. bond market. For T-bills, our decision is based on our portfolio optimizer, attractive current yields, and capital stability and liquidity.

Figure FI. 2:

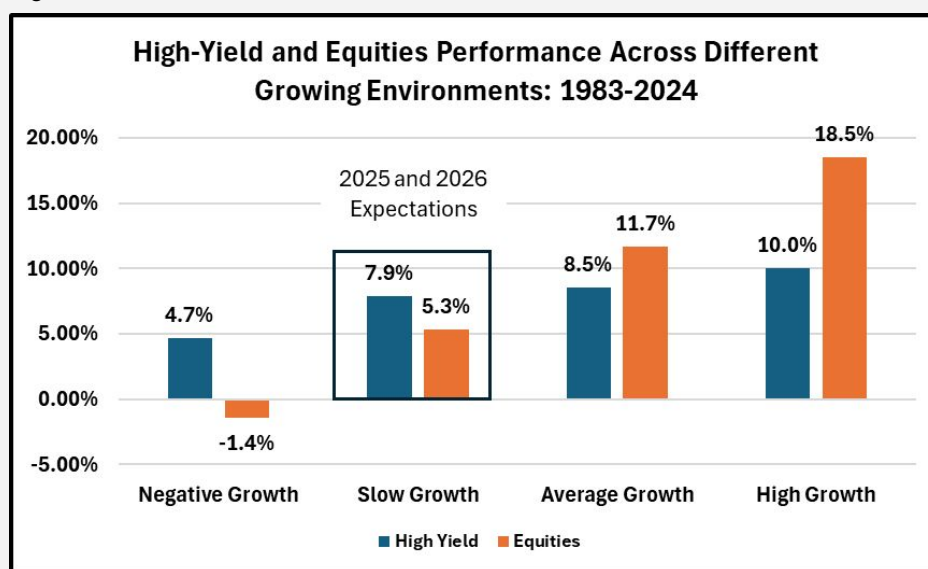


Source: Bloomberg

Our Intermediate Treasuries investment is targeted at balancing the benefit of declining short rates while still avoiding any risk from rising rates due to our higher inflation outlook. We invested in Long Treasuries for partial hedge to equities due to their safety features, and low to negative correlation to equities.

As for our high yield allocation, we wanted to capture higher income potential from selective exposure to lower credit rated securities. High-yield bonds also historically perform well during periods of slow growth due to their higher coupon income and shorter durations, helping cushion volatility and stabilize returns.

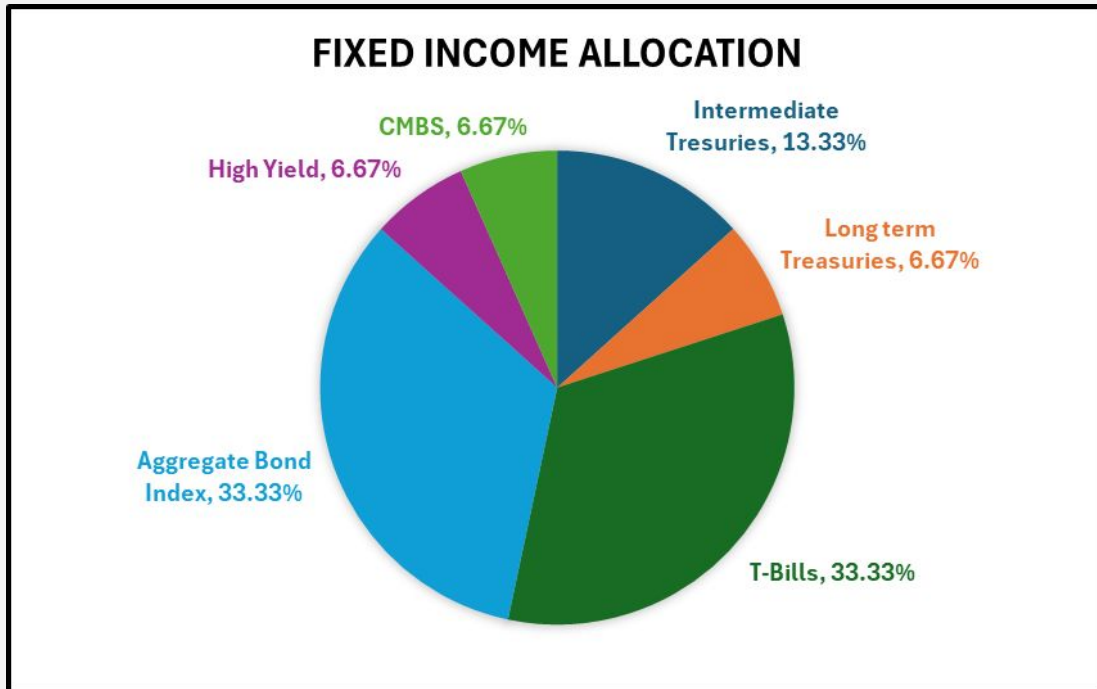
Figure FI.3:



Source: Bloomberg, Alliance Bernstein

Within our asset backed securities allocation, we opted for Commercial Mortgage-backed Securities (CMBS) over Agency MBS as MBS is already a significant portion of our broad aggregate fund. By favoring CMBS, we accept greater credit risk in exchange for higher income and better diversification.

Figure FI. 4:



TARGET FIXED ASSET SECTOR ALLOCATION

As previously stated, our fixed income strategy is limited to High Yield, Commercial MBS, Intermediate and Long Term Treasuries, T-bills, and a Bloomberg Aggregate Bond fund. We do not allocate by industry or sector.

Equity Valuation & Selection

PASSIVE VS. ACTIVE MANAGEMENT

BAM follows an active management strategy grounded in rigorous economic and fundamental research. Approximately 15% of the total portfolio is allocated to sector ETFs, which provide targeted exposure across seven GICS sectors, including Consumer Staples, Communications, Energy, Materials, Real Estate, and Utilities. An additional 5% of the portfolio is allocated to a Small Cap Value active ETF. For fixed income and international investments, we utilize a mix of ETFs and mutual funds. This approach efficiently allocates resources while maintaining broad diversification to reduce company-specific risk.

TOP-DOWN VS. BOTTOM-UP

While BAM believes markets tend to be efficient over the long term, we recognize that short-term inefficiencies are inevitable and can create attractive opportunities. Through a top-down approach, we position our portfolio to capitalize on these opportunities while maintaining prudent risk management for our clients. Our comprehensive research and active analytical processes are central to identifying and exploiting these inefficiencies. Drawing on the firm's extensive academic and industry research, we have adopted a "Growth at a Reasonable Price" (GARP) strategy, which focuses on identifying companies with strong growth potential trading at attractive valuations. See Fundamental Factors for a detailed breakdown of the GARP strategy.

FUNDAMENTAL VS. QUANTITATIVE VS. TECHNICAL

We place fundamental analysis at the forefront of our equities strategy, basing our decisions on comprehensive, bottom-up detailed company research supported by top-down macroeconomic analysis. We consider broader economic conditions and market trends to help guide sector positioning before conducting detailed company-level research to identify compelling investment opportunities. Several quantitative strategies complement this process by aiding in valuation and providing additional guidance in investment selection. We believe that combining both fundamental and quantitative methods, with a primary emphasis on fundamental analysis, is the most effective approach for identifying strong investment opportunities.

To build a pool of prospective investments, BAM targets equities that meet key criteria in growth, valuation, and financial strength. We employ a fundamental security screening tool using the EQS function on the Bloomberg Terminal to scan for equities exhibiting the following metrics:

1. Country of Domicile: United States
2. Global Industry Classification Standard (GICS) Sector: INPUT
3. Market Cap \geq \$20 Billion
4. Revenue Growth FY2020-2025 (higher is better)
5. Revenue Growth 2025 vs 2027 (higher is better)
6. FY2020-2025 Diluted EPS growth (higher is better)
7. EPS Growth 2025 v 2027 (higher is better)
8. PEG Ratio (forward PE / forward growth rate) (lower is better)
9. P/FCF (lower is better)
10. FWD PE (lower is better)
11. ROIC (higher is better)
12. EBIT/Interest (higher is better)

Utilizing the equity screener function significantly reduces the time spent searching for investment opportunities, improving internal efficiency and streamlining our research process.

VALUE VS. GROWTH

Our firm employs a Growth at a Reasonable Price (GARP) strategy, focusing on identifying companies with strong growth potential that also demonstrate solid fundamental value. When implementing this approach, we emphasize key metrics such as the PEG ratio, price-to-free cash flow, and return on invested capital. This strategic direction was informed by our analysis of long-term total returns across large-cap and small-cap equities using the Russell 1000, Russell 2000, and S&P 500 indices.

We believe the current environment continues to favor growth-oriented companies. The current administration's focus on industrial policy, innovation incentives, and domestic manufacturing investment has benefited large-cap firms with strong balance sheets and scalable technology platforms. More importantly, the structural evolution of the U.S. economy toward digital and capital-light industries remains the dominant driver of performance. Key secular growth themes such as artificial intelligence, data infrastructure, cloud computing, electrification, renewable energy, and automation are fueling productivity gains and margin expansion across sectors. We view these trends as durable and transformative, reinforcing our conviction that growth stocks with reasonable valuations and sustainable cash flows are best positioned to outperform over the long term.

BAM has conducted significant research comparing value and growth performance across market capitalizations. As shown in the graphs to the side, large-cap growth has significantly outperformed value over recent years and in the long term. In contrast, the small-cap graph illustrates that value has notably outperformed growth. However, when comparing these two winning strategies, large-cap growth has outperformed small-cap value overall. As a result, BAM has chosen to focus on a GARP approach emphasizing large-cap growth.

While our primary strategy centers on GARP, we have allocated 5% of our portfolio to small-cap value. This decision is supported by two key research studies. The first, from Verdad’s Counter Cyclical Investing, indicates that during the current late phase of the economic cycle, where BAM believes we are positioned, small-cap value has historically been the highest performing segment. The second, from Research Affiliates, shows that the current valuation discount in small-cap value is historically large, supporting the potential for higher future returns. Given these insights, BAM believes that maintaining a small allocation to small-cap value provides both diversification and additional upside within our broader GARP framework.

Figure EQ. 1: Source: Bloomberg

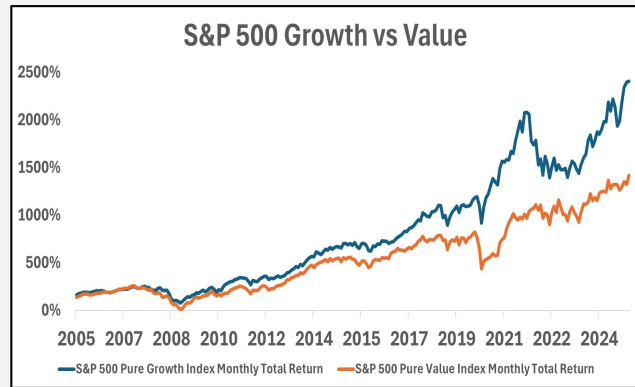


Figure EQ. 2: Source: Bloomberg

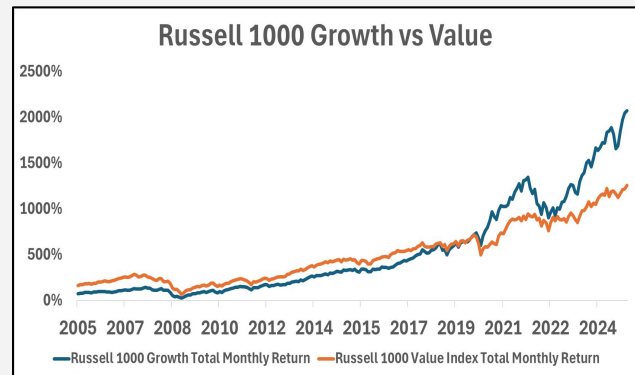


Figure EQ. 3: Source: Bloomberg

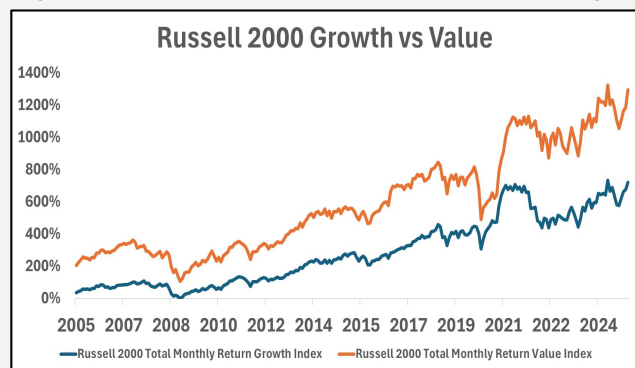
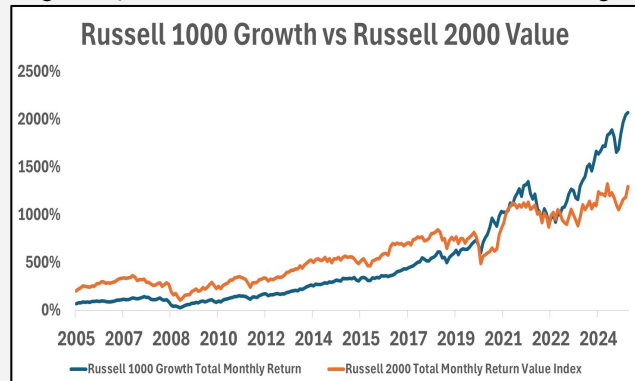


Figure EQ. 4: Source: Bloomberg



LARGE-CAP VS. MID-CAP VS. SMALL-CAP

Except for the allocation to small caps mentioned above, BAM currently limits our domestic equity strategy to large-cap stocks with a market cap above \$20 billion. Our benchmark (R3K) is heavily weighted by market cap and influenced by mega-cap corporations; however, BAM is not comfortable with taking as high of a concentration as the benchmark (below). Our \$20 billion market cap minimum allows us to benefit from the maturity and stability of large/mega cap companies while having a higher potential for growth from comparatively smaller cap companies.

Figure EQ. 5:

MAG 7 Weighting	
R3K	30.62%
BAM (Domestic Equity)	9.24%

Source: Bloomberg

INTERNATIONAL VS. U.S.

We compared the 10-year Average Historical returns and volatility (standard deviation) of domestic versus international equities:

Figure EQ. 6:

Indices	Avg. Total Return	Avg. Standard Deviation
R3K	14.71	15.74%
MSCI Developed	12.47%	16.65%
MSCI Emerging	8.43%	14.66%

Source: Bloomberg

International stocks have clearly underperformed domestic equities, driven by factors such as higher volatility, slower growth, and increased geopolitical risk. Based on these conditions, BAM has decided to focus mainly on U.S. equities, with select exposure to India, China and South Korea. These economies are experiencing faster growth, in contrast to the current U.S. economy and its slower outlook heading into 2026. As a result, our firm allocated 4% of our portfolio to India, 4% to China, and 2% to South Korea, while maintaining 60% allocation to U.S. equities. While our international allocation is smaller than the benchmark, the correlation between domestic and international markets has risen dramatically over the recent decades. Also, many of the companies we plan to hold generate revenue overseas, providing indirect exposure to international markets.

MARKET TIMING vs. SECTOR ROTATION vs. LONG-TERM HOLD & BUY

BAM utilizes a sector allocation approach that incorporates a comprehensive economic overview. We believe the economy is entering the early stages of the Late Cycle phase, signaling a slowdown in economic growth. We assessed the future performance of all GICS sectors with the economic cycle in mind, as discussed by a Fidelity research paper on business cycles and their historical relationship to sector investing. The chart below, from Fidelity, shows relative performance of each sector during various economic cycles.

Figure EQ. 7:

Sector	Early Cycle Rebounds	Mid Cycle Peaks	Late Cycle Moderates	Recession Contracts
Financials	+			-
Real Estate	++	-	+	--
Consumer Discretionary	++		--	
Information Technology	+	+	-	--
Industrials	++			--
Materials	+	--		-
Consumer Staples	--	-	+	++
Health Care	--			++
Energy	--		++	--
Communication Services		+		-
Utilities	--	-	+	++

Source: Fidelity

We realize that the portfolio management period is one year, yet we still plan to employ a long-term holding approach, primarily investing in equities that we believe will have steady growth over time. In line with our long-term approach, we avoid engaging in market timing due to our emphasis on risk management through disciplined and conservative decision making.

The table below displays the sector weightings of the Russell 3000, BAM's portfolio sector weightings, and the rationale behind our adjustments relative to the index. We chose not to eliminate any sectors from our portfolio entirely, emphasizing our commitment to diversification and a long-term holding approach.

Figure EQ. 8:

Sectors	R3K Weight	BAM Weight	Δ	Reasoning
Information Technology	32.0%	28.0%	-4%	Peaking Growth
Consumer Discretionary	10.9%	9.9%	-1%	Weak Labor Market
Industrials	9.4%	10.9%	1.5%	US Reindustrialization
Financials	14.1%	14.1%	-	-
Healthcare	9.1%	10.6%	1.5%	Defensive
Consumer Staples	4.7%	6.2%	1.5%	Defensive; Late Cycle
Energy	3.1%	4.6%	1.5%	Late Cycle
Utilities	2.3%	2.3%	-	-
RealEstate	2.3%	2.3%	-	-
Communication Services	9.9%	8.9%	-1%	Peaking Growth (Tech-like Sector)
Materials	2.2%	2.2%	-	-
Total	100%	100%		



Security Selection Methodology

Our security selection process integrates our economic analysis, sector allocations, and GARP equity strategy, along with fundamental factor-based screening (outlined below), specific security analysis, and our BAM 13 framework (see research section). Each security undergoes detailed evaluation through DCF and Dividend Growth Model (DGM) valuation methods, and final selections are presented to the firm and included in the portfolio based on a majority vote.

SECURITY VALUATION METHODOLOGY

The valuation method begins with establishing screening criteria that our team uses to determine securities that fit our investment philosophy and equity strategy. After the screening process, we compare each security using our proprietary BAM 13 analysis framework. Next, we review company SEC filings, leaning heavily into MD&A sections to view past results through management's perspective and to understand the company's future strategic direction. Next, we analyze equity research reports, including Argus, Value Line, J.P. Morgan, and Barclays to assess growth of catalysts and street consensus drivers. Additionally, we review quarterly earnings reports and management presentations to capture management tone and company narrative. Finally, we review each company's industry outlook using similar sources and the IBIS World database. Reviewing these reports helps BAM understand each company's competitive position in its respective market. These factors provide the prerequisites for applying valuation methodologies through our DCF and DGM valuation models.

MARKET CAPITALIZATION & LIQUIDITY

We adhere to the client's criteria and our Growth vs. Value research by screening for companies with market caps over \$20B. This market cap range allows us to benefit from the stability and maturity of larger companies while leaving room for growth. Additionally, we consider an average daily trading volume of at least 50,000 shares as a standard liquidity measure.

FUNDAMENTAL FACTORS

In executing our GARP strategy, we use the following financial metrics in our screening process:

- | | |
|--|--|
| ❖ Domicile: US | ❖ EPS Growth 2025v2027 (Higher better) |
| ❖ Market Cap > \$20 Billion | ❖ PEG Ratio (Forward PE/forward growth) |
| ❖ GICS Sector | ❖ P/FCF (Lower better) |
| ❖ 2020-25 revenue growth (Higher better) | ❖ FWD PE (Lower better) |
| ❖ 2020-25 Diluted EPS growth (Higher better) | ❖ ROIC (Higher better) |
| ❖ Revenue 2025 v 2027 (Higher better) | ❖ EBIT/Interest (Higher better) |

The components mentioned were designed specifically for BAM's GARP strategy, which emphasizes leveraging growth securities at a reasonable price. We considered three key metrics: growth, valuation, and capital efficiency.

BAM's screening process involved assessing 5-year historical growth and future projections to identify high-growth prospects. To align with our GARP strategy, we examined two Revenue and EPS metrics: 5-year historical growth and projected growth through 2027.

In addition to the growth, we considered valuation metrics, such as the Price-to-Earnings-Growth (PEG) ratio, Price-to-Free Cash Flow.

Finally, we reviewed capital efficiency, focusing on Return on Invested Capital and the EBIT/Interest ratio.

DEVIATION DISCIPLINE

BAM will maintain our GARP strategy unless there is a significant economic change within the assumed one-year management period. In such a case, we will adjust our asset and sector allocations accordingly.

If the portfolio underperforms the benchmark and the tracking error reaches 3.0 or higher at mid-year, we will adjust our domestic equity allocations by increasing the weighting toward the outperforming equity class.



Our equity portfolio characteristics are shown below:

Figure SS. 1:

Equity Portions		
BAM Portfolio	VS	CFAOC Benchmark
0.9	Beta	1
\$343 Billion	Weighted Market Cap	\$939 Billion
17.3	FWD P/E	25.1
6.0	P/B	4.1
11.4%	EPS Growth 1 YR (25 vs 24)	14.0%
1.4%	Dividend Yield	2.4%

Figure SS. 2:

	Less Than	Approximately Equal To	Greater Than	Varies Widely
Market Capitalization	X			
Portfolio Beta	X			
P/E Ratio	X			
P/B Ratio			X	
Dividend Yield	X			
Earnings Growth Rate	X			

Equity Diversification

BAM's portfolio diversification strategy allocates 60% to U.S. equities, 20% to fixed income, 10% to emerging markets, and 10% to T-bill. Within U.S. equities, we allocate 5% to small cap value stocks. This allocation is the result of extensive research, including global economic analysis, research papers, firm-wide discussions, and portfolio optimization. Our portfolio was designed to maximize the Sharpe ratio using the portfolio optimizer to achieve an optimal risk-return balance, with tactical adjustments based on our economic outlook. The final allocation yields a portfolio expected return of 7.1% and a sharpe ratio of 0.63.

Our domestic equity portfolio is diversified across all 11 sectors. When our sector allocation is below approximately 10%, we diversify by investing in a broad sector ETF. For sectors greater than the threshold, we invest through individual stocks, weighing each company based on their projected performance.

To mitigate the risk associated with domestic stock investments, we chose to diversify in a limited manner through international markets. We allocated 4% of our portfolio to India, 4% to China, and 2% to South Korea due to strong growth potential across emerging Asian economies.

AVERAGE PERCENTAGE INVESTED

The allocations for each security, including their highest weights as a percent of the total portfolio, are displayed in the table below. As stated in the RFP guidelines, no individual security should represent more than 5% of the equity portfolio. The weightings of each security were determined based on sector size and outlook. For sectors with larger allocations, such as Information Technology, Financials, Healthcare, Industrials, and Consumer Discretionary, we invested in individual securities. For sectors with smaller allocations, including Communications, Energy, Consumer Staples, Materials, Real Estate, and Utilities, we utilized sector ETFs to maintain diversified exposure while minimizing risk.

Figure ED. 1:

Sectors	Total Portfolio Weight	Number Of Securities	Highest Weighted Individual Security
Information Technology	15.40%	7	2.9%
Financial	7.80%	4	2.2%
Industrials	6.00%	3	2.0%
Healthcare	5.80%	3	1.9%
Consumer Discretionary	5.40%	3	2.3%
Communications	4.90%	ETF	-
Consumer Staples	3.40%	ETF	-
Energy	2.50%	ETF	-
Real Estate	1.30%	ETF	-
Utilities	1.30%	ETF	-
Material	1.20%	ETF	-
Small Cap Value	5.00%	ETF	-
Total	60.00%	26	-

Figure ED. 2:

Emerging Market Portfolio	BAM	Number Of Funds	Ticker	% of Entire Portfolio
India	40%	1	FLIN	4%
China	40%	1	CQQQ	4%
South Korea	20%	1	EWY	2%
Total	100%	3		10%

NUMBER OF STOCKS & FUNDS IN THE PORTFOLIO

Our domestic equity portfolio comprises 20 stocks and six ETFs across different sectors. Our international equity portfolio consists of one ETF for each of our chosen emerging markets that we deem the most desirable for investment.

Figure ED. 3:

	Number Of Funds	Number Of Equities
U.S.	7	20
India	1	0
China	1	0
South Korea	1	0



Equity Sell Side Discipline & Risk Management

At BAM we manage our equity risk through four different perspectives:

1. Analysis of Portfolio Excess Return Attribution
2. Real-time tracking of our portfolio performance versus CFAOC Blended Benchmark
3. Regular (Weekly) Review of Macro and Idiosyncratic risks
4. Monitoring our Equity Tracking Error

In compliance with the client's guidelines, a stock will be sold if it reaches a 30% stop-loss for all individual equities or if it increases to 10% of the equity portion of the portfolio. If the latter condition is met, BAM will sell the security until it is 5% or less of the equity portion.

If our firms see negative changes in the fundamentals of a company or industry, we will conduct a thorough top-down security review and analyze the market's driver, sector performance, and individual company headwinds. If our analysis indicates a negative outlook, the stock will be sold, and another will be reviewed and selected to take its place.

When a stock reaches its intrinsic value, as calculated by our DCF and DGM models, we will conduct a security review and update our analysis to determine if we should continue to hold said security. If we believe the equity has reached its valuation ceiling, it will be replaced by another security from the same sector. If overall market conditions change, we will revisit our strategic asset allocation and sector decisions.

To ensure our portfolio does not veer too far from the benchmark, BAM uses tracking errors to measure our portfolio's performance. If the portfolio tracking error exceeds 3.0% by mid-year and portfolio returns are below the benchmark, BAM will shift its investment strategy to overweight which equity class is outperforming. In the case of our portfolio exceeding the benchmark by more than 3.0%, we will continue with our strategy. It is expected that the BAM team will stay within the discipline described above.

Mutual Fund & ETF Selection

DOMESTIC EQUITY

BAM decided to invest in a sector ETF if its overall allocation to that sector was less than approximately 10%. We made this decision to minimize idiosyncratic risk and to optimize our limited resources. BAM's final domestic equities ETF allocation is 19.6% of the total portfolio, distributed across Consumer Staples, Energy, Communications, Materials, Real Estate, Utilities, and Small Cap Value. We decided to invest in a small cap value fund as it tends to be a better performing asset when the economy is in the late cycle phase, which is consistent with our U.S. economic outlook. BAM's small cap value ETF allocation is 5% of the portfolio. In selecting a fund for small cap value, we first looked for an active fund, in order to have higher quality stocks. We then looked at historical performance and expense ratio in comparison to other actively managed small cap funds. This process led BAM to choose Avantis U.S. Small Cap Value ETF (AVUV) as our ETF.

INTERNATIONAL EQUITY

For our emerging market segment, BAM selected India, South Korea, and China. When investing our equity allocation, we prioritized investing through a passively managed fund. Our evaluation considered factors such as fund expense ratios, AUM, tracking error, dividend yield, and short and long-term performance. Based on this analysis, we chose the Franklin FTSE India (FLIN), iShares MSCI South Korea (EWY), & Invesco China Technology (CQQQ) funds. We chose CQQQ specifically as it captures government-backed innovation and tech growth amid rising trade tensions between the U.S. and China as well as its alignment with our economic outlook on China.

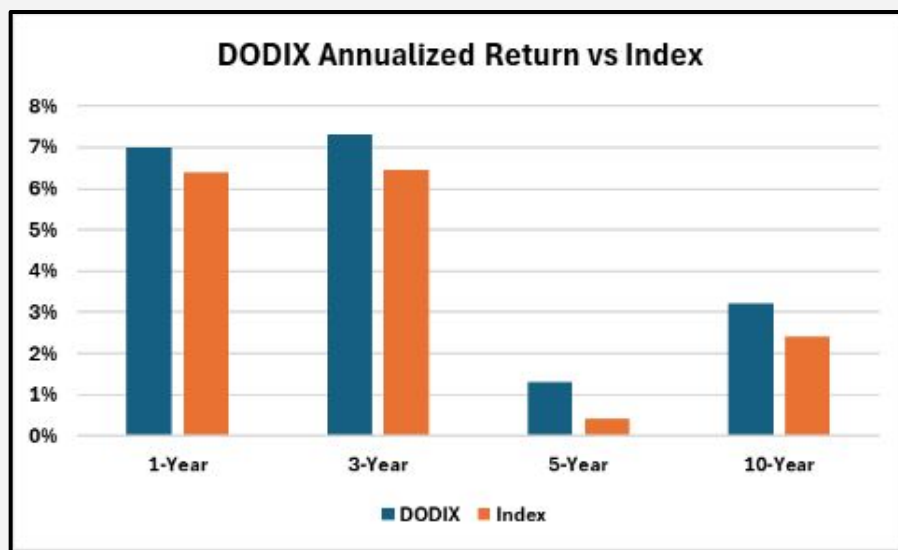
We chose passively managed funds due to their higher returns, lower expense ratios, and stronger alignment with sectors that, according to our BAM consensus, were more likely to outperform. Furthermore, the funds exhibit lower tracking errors compared to similar funds, highlighting their resilience in an emerging market characterized by volatility and uncertainty.

FIXED INCOME

BAM analyzed and chose six individual investment funds using our fixed income asset allocation created through our economic and sub asset class analysis.

Within the aggregate bond market, we chose the Dodge and Cox Income Fund (DODIX). This is an actively managed fund. Within fixed income, active funds often outperform passive funds as they conduct their own credit analysis rather than just reflecting what the market has. DODIX is a prominent aggregate market fund and has consistently outperformed the benchmark. Additionally, BAM has had positive experiences investing in this fund.

Figure MF.1:



Source: Morningstar

Within the intermediate Treasuries sub asset class, we chose the SPDR Portfolio Intermediate Treasury ETF (SPTI). This is a passively managed fund that tracks intermediate Treasuries. Within Treasuries, there is little to no benefit to an active fund as the credit rating is uniform and active managers can not generate excess return through picking better credit rating securities. With this in mind, BAM selected the fund with the lowest expense ratio that consistently tracked the benchmark closely.

Within the long-term Treasuries sub asset class, we chose the SPDR Portfolio Long Term Treasury ETF (SPTL). This is a passively managed fund that tracks long-term Treasuries. BAM selected this fund using the same philosophy as employed for intermediate Treasuries.

Within the Treasury bill sub asset class, we chose the iShares 0-3 Month Treasury Bond ETF (SGOV). This is a passively managed fund that invests in Treasury bonds with less than or equal to three months maturity. BAM selected this fund as it consistently tracks the benchmark and has the lowest expense ratio out of the prominent T-bill funds.

Within the CMBS sub asset class, we chose the Doubleline Commercial Real Estate ETF (DCRE). This is an actively managed fund that invests in investment grade CMBS's. Over 80% of the portfolio has a credit rating of A or above. BAM chose an actively managed fund rather than a passively managed fund to allow an active manager to perform credit analysis and buy higher quality CMBS. DCRE is primarily composed of senior, investment-grade bonds with built-in protections such as overcollateralization and subordination. These protections enhance the credit quality of the bonds by ensuring the value of the underlying CRE collateral exceeds the amount of debt issued (overcollateralization) and senior tranches are protected by lower-ranking tranches that absorb losses first (subordination). This fund composition is particularly cohesive with our economic outlook because it holds less duration risk than MBS. Additionally since its inception, DCRE has consistently outperformed its benchmark.

Within the high-yield bond sub asset class, we chose the iShares High Yield Systematic Bond ETF (HYDB). This is an actively managed fund that invests in diversified, lower-rated, higher-yielding bonds. To pursue high income while incorporating the lower growth forecast in our U.S. outlook, we selected HYDB for its focus on issuers with strong balance sheets at attractive valuations to capture more upside and limit downside in risk-averse periods. The fund's average credit rating is BB and has consistently delivered competitive performance compared to its benchmark since its inception.

SELL DISCIPLINE - MUTUAL FUNDS & ETFS

Our strategy involves closely monitoring the performance of ETFs and mutual funds in comparison to their designated benchmarks. If any of the investments fall short of their benchmarks by 50 basis points or more, we will initiate a sale. This approach enables us to safeguard against significant losses on underperforming assets while preserving the flexibility needed for our long-term investment horizon. When extensive research indicates that an ETF will return to our accepted performance range within one month, our team may deviate from this principle.



Portfolio Construction

The portfolio construction process began with a reevaluation of BAM's investment philosophy. We then reviewed the CFAOC's request for proposal to assess the client's objectives, time horizon, and risk tolerance to ensure that our approach is aligned with their investment goals. By employing a top-down framework, we conducted a comprehensive macroeconomic analysis across major global economies, including the U.S., the European Union, China, India, Brazil, Mexico, South Korea, and Japan.

Through this analysis, we evaluated key economic indicators such as GDP growth, inflation, unemployment, and 10-year yields to inform our global asset allocation decisions. We then examined historical risk and return metrics across multiple asset classes, such as:

- ❖ Domestic Equities
- ❖ Emerging International Markets
- ❖ Developed International Markets
- ❖ Fixed Income
- ❖ Cash (T-Bills)

To estimate the equity risk premium for our domestic equities, we applied Dr. Damodaran's Equity Risk Premium Model, providing an analytical foundation for expected returns. Using these inputs, we developed a portfolio optimizer in Excel to identify allocations that would maximize returns, minimize risk, and maximize the Sharpe ratio. While the optimizer yielded insights based on historical data, we made tactical adjustments that were consistent with our macroeconomic outlook and investment philosophy. Following our analyses, we concluded that reducing the overall cash allocation and reallocating half of that amount to domestic equities would most appropriately align with the client's risk tolerance and long-term goals.

Our final target allocation is 60% domestic equity, 10% emerging markets (India, China, South Korea), 20% fixed income, and 10% short-term T-bills.

DOMESTIC EQUITIES

The domestic equity allocation was distributed across all eleven GICS sectors to achieve a broad diversification and mitigate idiosyncratic risk in our portfolio. We started with the Russell 3000 benchmark sector weights, after which we made tactical adjustments to reflect both our late-cycle economic outlook and underlying GARP strategy. Sectors that represented less than 10% of total domestic equity were invested through ETFs, ensuring efficient exposure given BAM's limited resources. These sectors accounted for 14.6% of the portfolio and comprised the following: Consumer Staples, Energy, Utilities, Real Estate, Communications, and Materials. We also allocated 5% of the portfolio to small cap value stocks via an active ETF. The remaining 40.4% of the portfolio (for a total of 60% in Domestic Equity) was represented through individual securities and consisted of the following sectors: Technology, Consumer Discretionary, Industrials, Financials, and Healthcare.

Our security selection was guided by a custom equity screener, applying our GARP strategy to identify companies with strong growth potential at reasonable valuations. Each candidate security was then further analyzed using qualitative and quantitative indicators such as competitive advantages, profitability, growth outlook, and governance. Following this analysis process, we conducted valuation through DGM and DCF models, resulting in final security pitches and votes through team consensus. For our individual securities, we implemented different security weightings within the Technology, Consumer Discretionary, and Financial sectors while assigning equal weighting to the Healthcare and Industrials sectors. Our final domestic equity portfolio consists of six sector ETFs and 20 individual stocks and one small cap ETF.

INTERNATIONAL MARKETS

Based on insights from the portfolio optimizer and our macroeconomic evaluation, we allocated 10% of our total assets to emerging markets, with 4% in India, 4% in China, and 2% in South Korea.

In India, we see continued economic momentum fueled by resilient consumer spending, easing inflation, and steady employment growth. We decided to invest in the Franklin FTSE India ETF (FLIN), providing a broad, low-cost exposure to India's large-cap equities, aligning with the team's strategy of large-cap growth.

While we are cautious about China's broader economy, we spotted an opportunity in its technology sector. Government policy and business profit incentives are increasingly aligned as China is pushing for technological independence amongst rising geopolitical tensions and trade disputes with the U.S. We believe this can support growth for Chinese tech firms that benefit from both government support and international exposure. This targeted position behaves as a potential hedge against trade war risks, complementing our broader portfolio goals. We decided to invest through the Invesco China Technology ETF (CQQQ) to effectively capture this exposure.

In South Korea, we notice improving conditions driven by a stronger global demand for semiconductors, electronics, and advanced manufacturing. Continued government support for digital transformation and industrial innovation fosters growth, and steady employment as well as easing inflation indicates domestic stability. We decided to invest in the iShares MSCI South Korea ETF (EWY), providing a broad exposure to large-cap companies like Samsung and SK Hynix. This allows us to benefit from the global semiconductor and AI cycles while staying diversified in an economy that excels in exports.

FIXED INCOME

Our fixed income analysis covered the following sub-asset classes:

- ❖ U.S. Treasury Bonds (short, intermediate, and long duration)
- ❖ U.S. Aggregate Bond Indices (LBUSTRUU)
- ❖ Corporate Bonds (short, intermediate, and long duration)
- ❖ Municipal Bonds
- ❖ High-Yield Bonds
- ❖ Commercial Mortgage-Backed Securities (CMBS)
- ❖ Mortgage-Backed Securities (MBS)
- ❖ Asset-Backed Securities (ABS)
- ❖ Preferred Stock

Of the 30% that we allocated to fixed income and cash equivalents, 20% was invested in traditional fixed income securities while the remaining 10% was allocated to short-term U.S. T-bills.

Our allocation to short-term U.S. T-bills was determined through our portfolio optimizer, which identified T-bills as an efficient way to boost our portfolio's overall risk-adjusted return due to their near risk-free nature and minimal duration. Their exposure will provide a stable source of income while preserving our liquidity and capital while complementing our broader fixed income strategy of stability and flexibility in dynamic market conditions.

To optimize our traditional fixed income allocation, we began by outlining specific goals for the fixed-income portfolio: reducing overall risk and volatility, generating consistent and reliable income, providing a partial hedge to our broader equity portfolio, and achieving diversification within fixed income. To achieve these goals, we incorporated various fixed-income asset classes that align with our objectives.

Of the 20% in traditional fixed income, we allocated 10 percentage points to a broad core fund, the Dodge & Cox Income Fund (DODIX). This fund acts as the basis of our fixed income approach, as it is actively managed and offers diversified exposure to investment grade bonds, including government, corporate, and asset-backed securities. This exposure will reduce concentration risk and support a balanced risk-return profile. We saw active management as essential for effectively analyzing credit quality and duration positioning. BAM has had a highly positive experience with DODIX in prior years as the fund has demonstrated consistent outperformance over time compared to its benchmark.

We allocated the remaining 10% of traditional fixed income to Intermediate Treasuries, Long Term Treasuries, Commercial Mortgage-Backed Securities (CMBS) and High-Yield Corporate Bonds in a 4% / 2% / 2% / 2% split. Long-Term Treasuries to serve as a partial hedge against equity risk and our credit-sensitive exposures within fixed income. Intermediate Treasuries avoid excessive duration risk but provide some benefit from declining short term rates. The CMBS ex due to its lower correlation with corporate credit. Finally, High Yield bonds also provide higher yields and resilience during potentially unfavorable market conditions.

Together, these allocations increase the income potential of our portfolio while keeping overall risk at a moderate level. By incorporating these asset classes, we can better meet our goals of risk and volatility reduction, effective hedging, income generation, and diversification.

Pricing & Stop Loss Monitoring

Our firm will continuously monitor the CFAOC portfolio positions in real-time through a shared spreadsheet on Google Drive and utilizing the Bloomberg PORT function, with frequent security pricing monitoring. Performance and results will undergo analysis during regular BAM meetings. These meetings will occur weekly during the academic calendar and bi-weekly during non-academic sessions, combining in-person and virtual sessions throughout the year. In addition, we will maintain a close watch on weekly stop-loss levels, promptly identifying securities nearing the 30% stop-loss limit during these meetings, initiating the process for suitable replacements. Our monitoring will also extend to the top 5 under and over-performing securities to determine when a security review is warranted, along with reviewing securities within +/- 5% of intrinsic value.

COMPLIANCE

We vote on all equity selections, and all decisions are based on a majority vote. Adherence to CFAOC and BAM policies and guidelines is monitored by the Chief Compliance Officer. Furthermore, all decisions must be approved by the Managing Director, and all trades are executed by the Trader. The faculty advisor is copied on all trade proposals and has veto power on decisions.

REBALANCING

The portfolio will be rebalanced as necessary based on our analysis of economic conditions, sector weights deviations, and individual security weights deviation. Otherwise, BAM will rebalance annually to maximize time and cost efficiency, and minimize execution risk.

RISK MANAGEMENT

We manage risk through five different perspectives:

1. Weekly review of Macro and Idiosyncratic risk
2. Real-time tracking of BAM Portfolio Performance versus CFAOC Blended Benchmark
3. Analyzing Portfolio Excess Return Attribution
4. Monitoring the Equity Portfolio Tracking Error
5. Diversification across asset classes, geography, and within sectors

A significant deterioration in any of these factors results in a deep review of potential portfolio actions. With respect to idiosyncratic risk, BAM manages risk in three ways. First, we do a fundamental analysis of the company's operations and risks. Second, BAM diversifies across all eleven sectors. Finally, we monitor each security's individual performance on a weekly basis, including any news releases, management commentary, earnings releases, analyst reports, and other market changes. We are also implementing the use of Tracking Error as a risk control tool in our equities portfolio. Different teams are assigned countries to research, then present to the class with their outlook and conclusion. Within Fixed Income, we monitor risk via regular analysis of the U.S. economic outlook and its impact on rates. Should the outlook strengthen to the point of increasing expected rates, we would manage risk by lowering the duration of our bond holdings. Conversely, if economic conditions worsen to a point of anticipating lower rates, BAM will increase duration by shifting from MBS to long duration bonds.

BAM also analyzed portfolio risk relative to the benchmark and conducted a stress test and factor risk attribution via MSCI Barra on our proposed portfolio. As the below graphs show, the BAM portfolio is expected to have lower total risk, and outperform the benchmark during major stress conditions.

Figure PR. 1:

Source: MSCI Barra

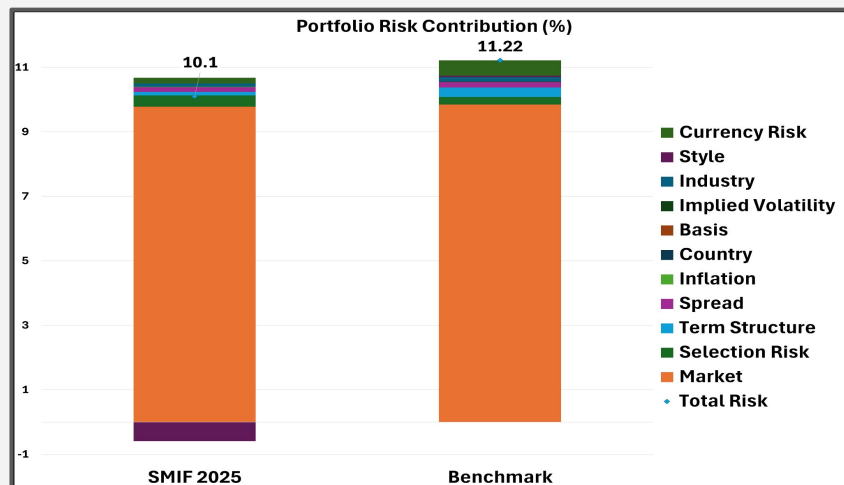
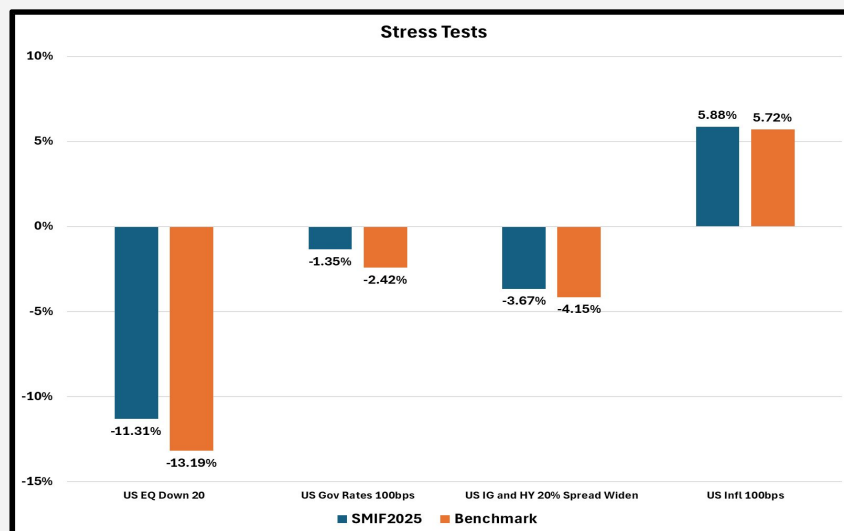


Figure PR. 2:

Source: MSCI Barra



Based on the above, we strongly believe this approach allows us to keep risks within reasonable levels.

CASH RESERVES AS RISK CONTROL

We do not intend to use cash reserves as a method of risk control. The cash will instead be fully invested within the portfolio throughout the year except during short periods between rebalancing. We do have a 10% allocation to T-bills but as an income source and not as a risk measure.



Information Sources & Research

BAM's primary source of information and data is the Bloomberg Terminal. Additionally, we use supplemental sources such as the IMF, World Bank, U.S. Bureau of Labor and Census Bureau, Financial Times, Wall Street Journal, the Value Line Investment Survey, WRDS analytics module, CRSP, Compustat Databases, IBIS databases, National Institute of Statistics and Geography, and a vast collection of academic and industry papers through our library.

Our firm utilizes prominent academic and industry research papers, financial journals, and publications; as well as historical and real-time financial data to inform our macroeconomic outlook, investment strategy, and individual security analysis. Our most recent additions to this research "library" are the following papers:

"Countercyclical Investing: Foundations of a Cycle-Driven Approach to Asset Allocation" by Dan Rasmussen with Graham Infinger, Greg Obenshain, Denis O'Leary, Karl Schulz, Igor Vasilachi. March 29, 2021.

The Countercyclical Investing paper examines how different asset classes perform across various phases of the economic cycle, emphasizing that the strongest performers often move counter to prevailing economic trends. Our team applied the findings of this research within our domestic equity allocation, recognizing that small-cap value stocks tend to outperform during the late stages of an economic cycle. Based on this insight, BAM strategically allocated 5% out of our 60% domestic equity exposure to small-cap value, positioning the portfolio to capture potential upside during the late-cycle phase.

"Small Caps, Big Opportunities: Investing Beyond Large-Cap Stocks" by Que Nguyen, Xi Liu, Mario Albuquerque. Research Affiliates. April, 2025.

The Small Caps, Big Opportunities: Investing Beyond Large-Cap Stocks paper highlights that small-cap stocks are trading at a meaningful discount relative to large caps, presenting an attractive opportunity for future outperformance. It emphasizes that a disciplined approach that's focused on value while screening for quality and momentum can enhance returns and reduce risk by avoiding weaker companies. Using these insights, we applied this research by allocating a portion of our domestic equity portfolio to small-cap value stocks, aiming to capture late-cycle growth potential while maintaining a balanced and risk-aware positioning.

UNIQUE APPROACHES TO INFORMATION

To further enhance our qualitative and fundamental equity analysis, our team has adopted the BAM 13 analytical framework. This framework evaluates historical and prospective growth, operational efficiency, and corporate governance. Its integration into our analysis enables the selection of companies that exhibit growth, efficient management, shareholder-focused operations, and superior performance relative to competitors.

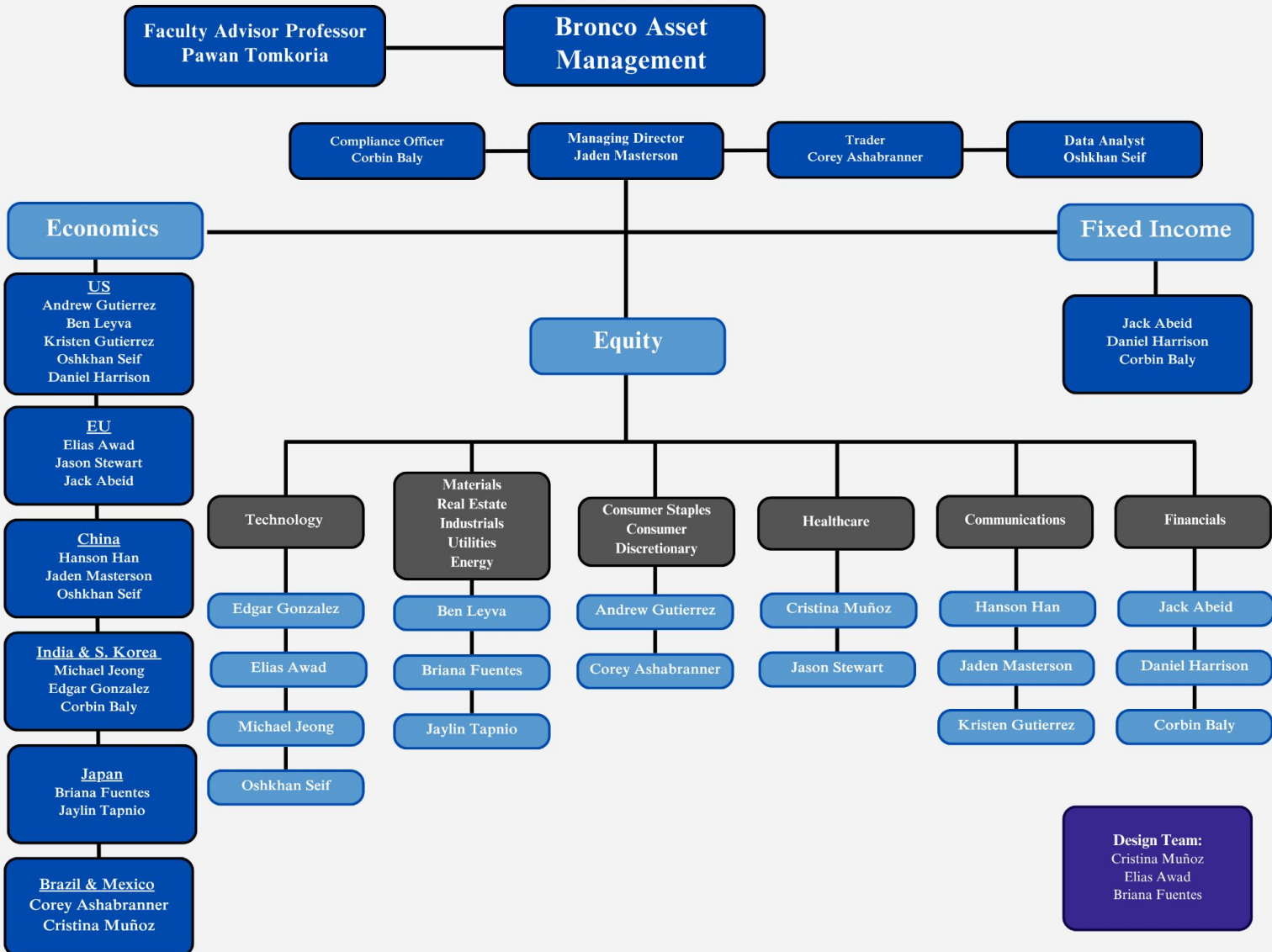
We employ the 13 criteria listed below.

BAM 13

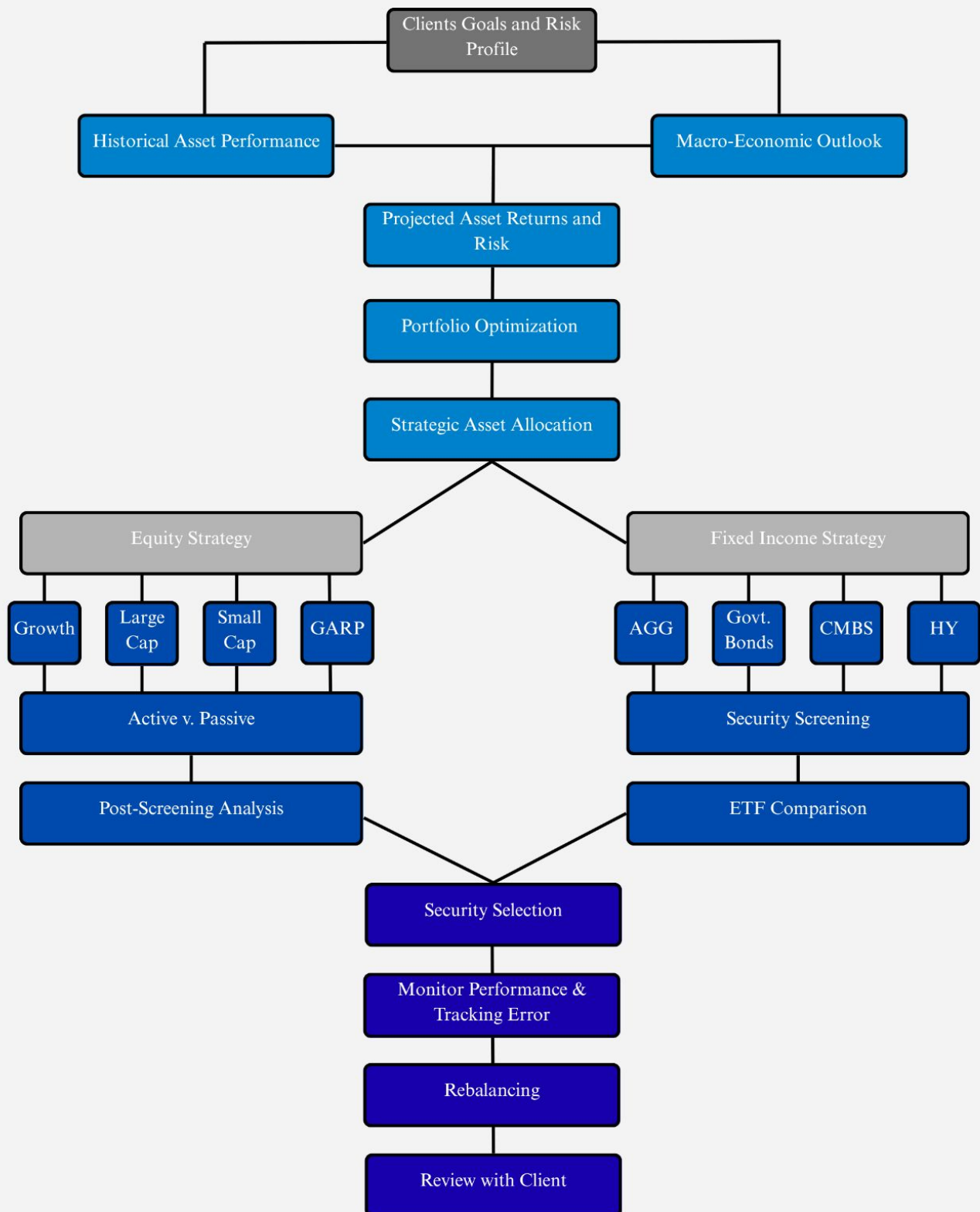
1. Future revenue growth 2025-2027 CAGR (Higher than sector growth between 2025 and 2027, %)
2. Future EPS growth 2025-2027 CAGR (higher than sector growth between 2025 and 2027, %)
3. Has EPS growth exceeded Revenue growth 2025-2027? (CAGR)
4. Industry Growth exceeds GDP growth 2027 vs 2025
5. R&D as a percent of sales 2023 vs 2025, flat or rising
6. Is operating income margin improving 2023 vs 2025?
7. Is Working Capital Turnover Ratio improving 2023 vs 2025?
8. Is Net Insider Buying exceeding Selling over last 4 quarters?
9. Attractive Relative PEG Ratio
10. ISS Governance Quality score (lower is better)
11. Company is Industry Leader?
12. Company has Sustainable Business Model?
13. Stable Management

The BAM team allocated 40% of our time and resources into a top-down macroeconomic analysis. We focused our efforts on constructing a world economic outlook and forecast, a capital markets outlook, optimizing portfolio asset allocation, and equity and fixed income strategies. 60% of our time is focused on research related to sector allocation, stock screening, and individual fundamental equity analysis and valuation.

APPENDIX III: CPP BAM ORGANIZATION CHART



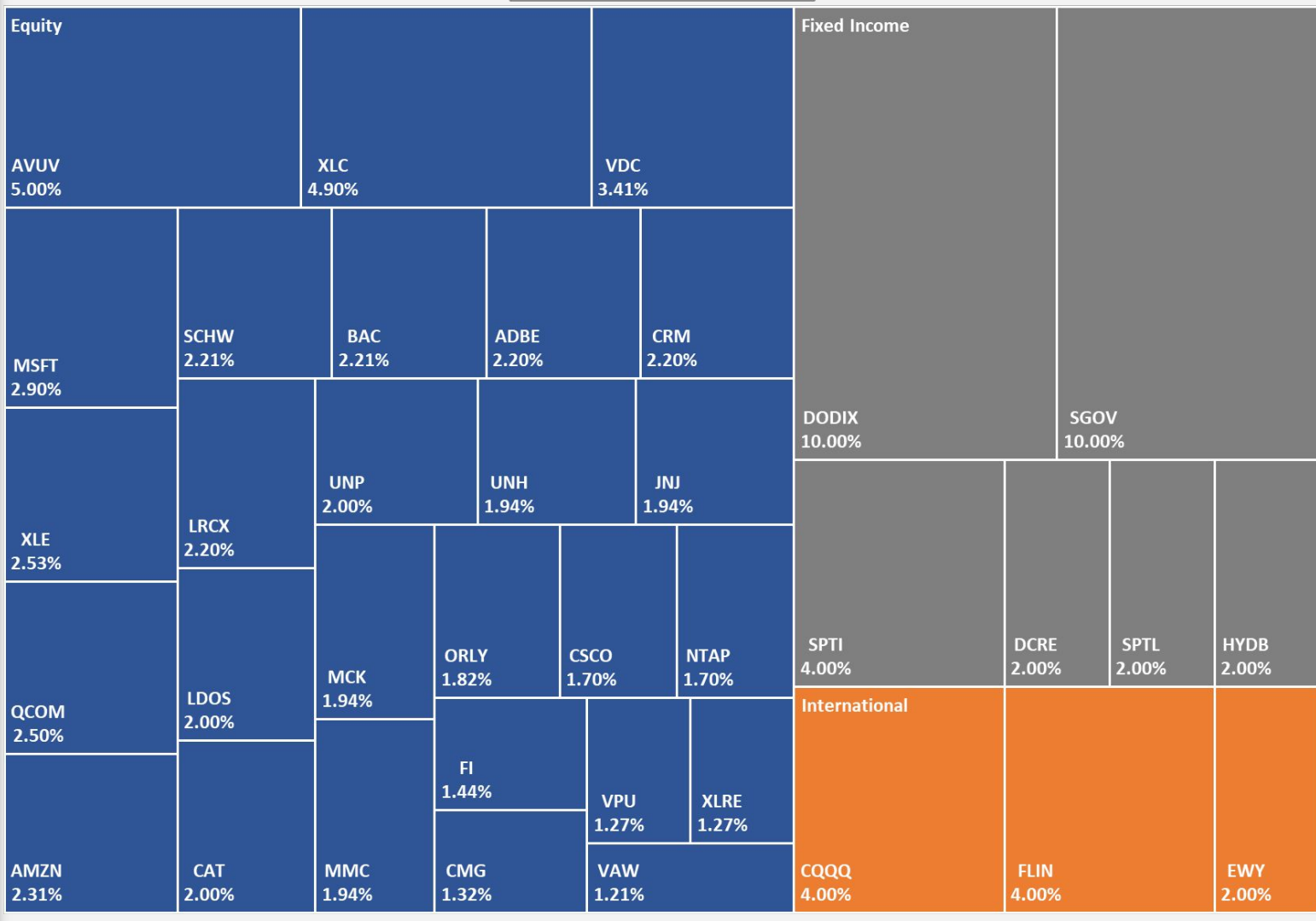
APPENDIX IV: INVESTMENT PROCESS FLOWCHART



APPENDIX V: PROPOSED PORTFOLIO

BAM 2025 Proposed Portfolio

■ Equity ■ International ■ Fixed Income



APPENDIX VI: SAMPLE STOCK ANALYSIS - ADBE

Adobe Inc. (ADBE)

Creating Experiences that Matter

Date of Coverage:

10/24/2025

Analyst:

Jaden Masterson

Investment Thesis

Adobe is the dominant leader in a large and growing field. They are positioned to grow both revenue and profit margins. We expect their revenue to grow in the high single digits as they expand both their digital media and digital experience segments. The company is acquiring new customers as well as capitalizing on cross-selling opportunities through its current customer base. The digital media segment, which accounts for 74% of total sales, has experienced strong growth in recent years. It also delivers the highest profitability with a 96% gross profit margin in 2024, compared to 70% for the digital experience segment and 68% for the publishing and advertising segment. The industry Adobe competes in is facing disruption from generative AI as well as smaller companies entering the mix and attempting to take market share. However, their recurring subscription revenue fuels their investments into innovation. As this field constantly innovates, having the capital to be on the forefront helps them fend off competitors. Adobe offers a comprehensive suite of products that allows customers to operate entirely within the company. The company is facing competition in AI, but they have launched their own product that is growing and well positioned if copyright legislation is enacted on AI. The stock has dropped recently due to concerns about risk and their lacking AI model. However, their unique position on AI, their low valuation due to market sentiment, and their continued high growth make the stock an attractive investment.

Rating

BUY

Technology

Design, Editing, and Rendering Software

Publishing

Ticker ADBE

Current Price \$353.52

12 Month Price Target \$408

Upside/Downside 15%

Market-Cap (\$B) \$148

Enterprise Value (\$B) \$173

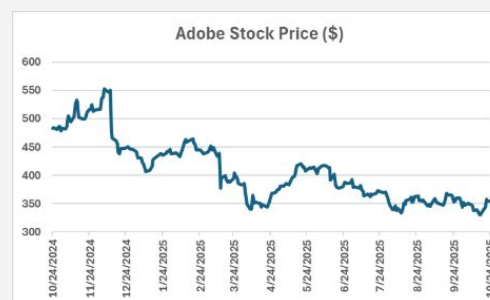
52-week High \$557.90

52-week Low \$327.50

Price-to-Earnings 21.9x

Beta 1.398

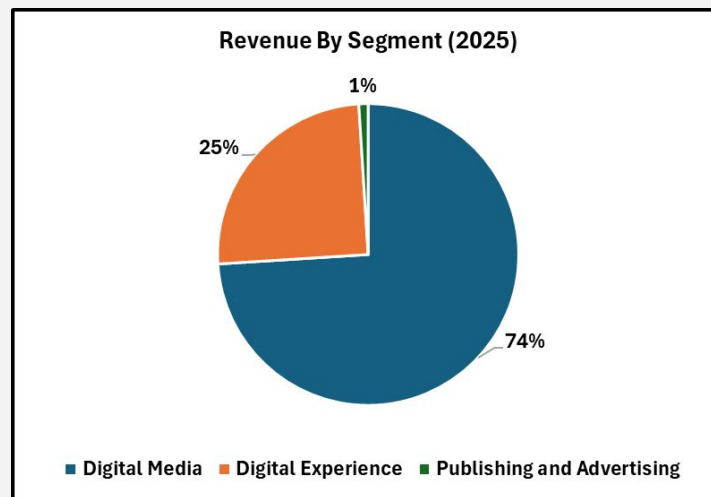
Price Performance (TTM)



APPENDIX VI:

Company Description

Adobe Inc. (ADBE) was founded in 1982 and operates in three segments that revolve around design software, analytics, and advertising. The segments are Digital Media, Digital Experience, and Publishing and Advertising.



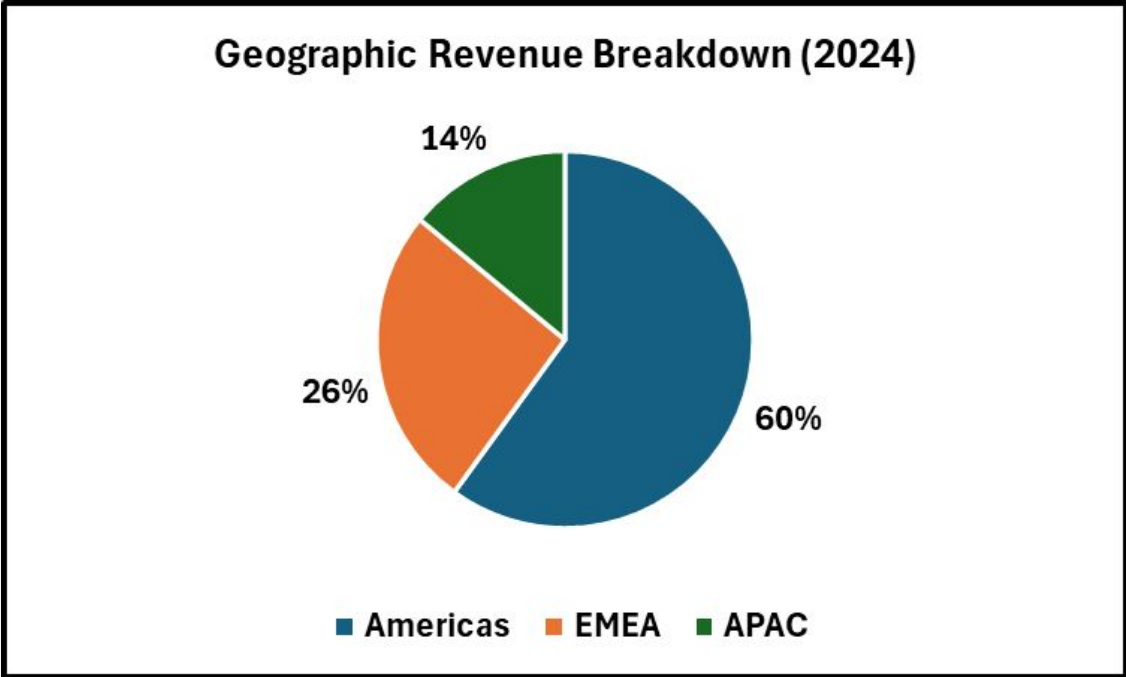
The Digital Media segment makes up about 74% of total revenue. Within Digital Media, Adobe offers two suites of products: Creative Cloud and Document Cloud. Creative Cloud is their design software, which contains products such as Photoshop, Illustrator, and Premiere Pro. Creative Cloud makes up nearly 60% of total revenue and has grown at a CAGR of ~12% since 2020. Document Cloud consists of tools that allow users to easily create, sign, and manage documents and then to store them in the cloud for easy access across devices. These products include Adobe Acrobat and Adobe Acrobat Sign. Document Cloud makes up another 14% of their total revenue and has grown at a CAGR of ~19% since 2020. As a whole, the segment is growing ~14% a year.

The Digital Experience segment, which makes up 25% of total revenue, enables organizations to optimize and personalize customer experiences. The fundamental offering of this segment is the Adobe Experience Platform. The platform transforms customer data into customer profiles that update in real time and personalize digital experiences for customers. Since 2020, this segment is growing ~13% a year.

The last segment is Publishing and Advertising, which makes up 1% of total revenue. This segment contains legacy products and services, such as eLearning solutions, document publishing, and high-end printing. The segment is shrinking at a rate of ~11% a year as Adobe is not focused on growing this part of the business.

APPENDIX VI:

Geographic Breakdown



Adobe delivers products and services to customers in 28 countries with offices across the world. As shown in the chart above, the Americas represent 60% of Adobe’s total revenue, followed by Europe, the Middle East, and Africa (EMEA) at 26%, and the Asia-Pacific (APAC) region at 14%. The Americas, led by the United States, remain Adobe’s largest and most established market, where demand is strong for Creative Cloud, Document Cloud, and Experience Cloud solutions. In 2024, revenue in this region grew at a rate of 11%. The region benefits from its strong presence in creative industries, government institutions, and universities. Adobe has been gaining momentum in other regions as well. International growth is driven by the global shift to cloud-based software and the increasingly digital nature of governments, corporations, and universities. The EMEA region grew at a rate of 14% within the past year, led by the United Kingdom, Germany, France, and Ireland. The APAC region grew at 6% within the last year, led by Japan, India, Singapore, Australia, and South Korea. The diversification of revenue positions Adobe to sustain long-term growth, mitigate macroeconomic risk, and lead the global shift to AI-powered creativity.

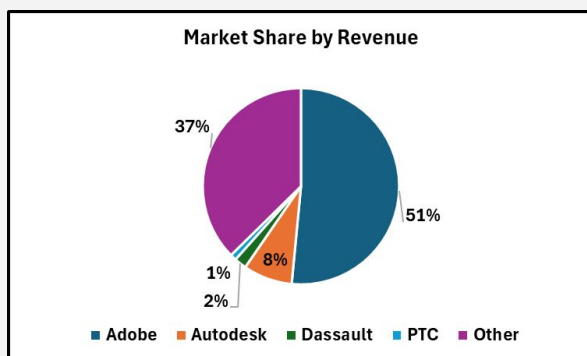
Bronco Asset Management

Equity Research

APPENDIX VI:

Industry Overview

Adobe's main industry is Design, Editing, and Rendering Software Publishing, and they are the dominant leader within this industry. However, they are facing increased competition from smaller companies looking to take market share, mostly through generative AI and cheaper products.

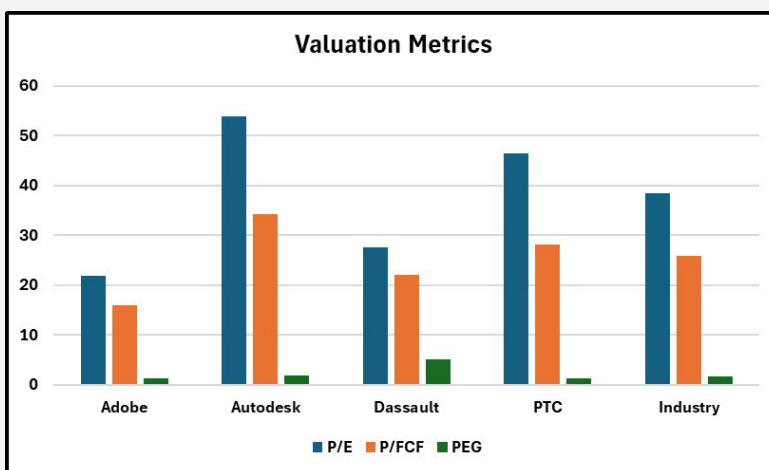


Key drivers for the Design, Editing, and Rendering Software Publishing industry include the technological shift towards cloud-based platforms and AI. With the expansion of the global digital economy and continued improvements in creative software technology, the addressable market is poised to expand. According to IBISWorld, the current addressable market is around \$40 billion and is estimated to grow to \$52 billion by 2030, which represents an annual growth rate of 5.43%. As the market leader and the most trusted name within this industry, we expect Adobe to be able to capitalize on this growth and continue to grow their revenue. The industry is also experiencing rising demand from those who are seeking to integrate AI into their workflows. Adobe is capitalizing on this demand by integrating their own AI tools, such as Firefly and Acrobat AI Assistant, into their ecosystems. This strategy serves two purposes: acquiring new customers and creating cross-selling opportunities for existing users. Cloud-based software, which saw rapidly increasing demand during the pandemic, continues to expand as remote and hybrid work models drive the need for secure, collaborative, and creative environments. The current corporate landscape is increasingly moving digital and needs software to help shift. To enhance brand presence and productivity, there will be more demand for design software.

	Market Cap (\$B)	5-Year Rev. CAGR (%)	5-Yr EPS CAGR (%)	D/E	PEG	EV/EBITDA	P/FCF	P/E
Median	55.56	13.02	22.51	0.06	1.7x	24.0x	25.9x	38.4x
ADBE	147.98	13.17	16.38	0.04	1.2x	16.1x	15.9x	22.0x

APPENDIX VI:

Compared to their industry peers, Adobe is trading at a lower P/E despite being the market leader and having almost three times the median market cap. Its PEG ratio and price to free cash flow are also significantly lower than competition. The company has grown slightly faster than peers in recent years, but EPS has lagged. Additionally, the company is less leveraged than peers. Adobe's growth is mostly organic, but they have acquired five smaller companies since 2020. Investors are concerned with Adobe's moat shrinking from other AI products and smaller companies, which in our view, is why many valuation metrics are lower than the peer median despite strong financials.



Financial Analysis

Since 2020, Adobe has grown their revenue at a CAGR of ~13%. This is mostly attributable to acquiring new customers and cross-selling current customers. The company has made acquisitions in recent years, and we believe they may continue to be acquisitive in the coming years. Their most recent acquisition of Figma failed due to regulatory pressure, not strategy change. Adobe is still looking for new technology, and acquisitions are a way to accomplish this goal.

Adobe also has a history of maintaining a high level of free cash flow. This bodes well for Adobe as it offers an advantage over competitors. Design software is a highly innovative field. Updates in software are constant, and new technology is rampant. Cash is necessary to fund innovation and stay ahead of the competition.

Adobe maintains strong profitability as well. This reflects the scalability of its subscription-based model. Over the past five years, they have become more profitable and have remained more profitable than peers within the industry. Adobe's operating margin was ~47% in 2024 and is projected to remain steady in 2025. In comparison, the average industry profit margin in 2025 was ~30% and has decreased over the last five years. Adobe has not only had higher historical operating margins than peers, but they have also been able to increase it over the past five years.

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APPENDIX VI:

Key Metrics	2020	2021	2022	2023	2024	2025E	2026E
Revenue (\$B)	12,868	15,785	17,606	19,409	21,505	23,688	26,105
Rev Growth (%)	15.2	22.7	11.5	10.2	10.8	10.2	10.2
EPS	10.8	10.0	10.1	11.8	12.4	16.5	18.4
EPS Growth (%)	80.5	-7.5	0.8	17.0	4.6	33.4	11.6
ROE (%)	44.2	34.4	33.0	35.5	36.3	61.0	63.9
Subscription Revenue	90	92	93	94	95	96	97
FCF Margin (%)	41.3	43.7	42.0	35.8	36.6	39.4	39.5
Year-end P/E	44.0	61.7	33.5	50.7	36.3	17.3	15.4
Operating Margin (%)	42.9	46	45.1	45.9	46.6	46.2	46.2

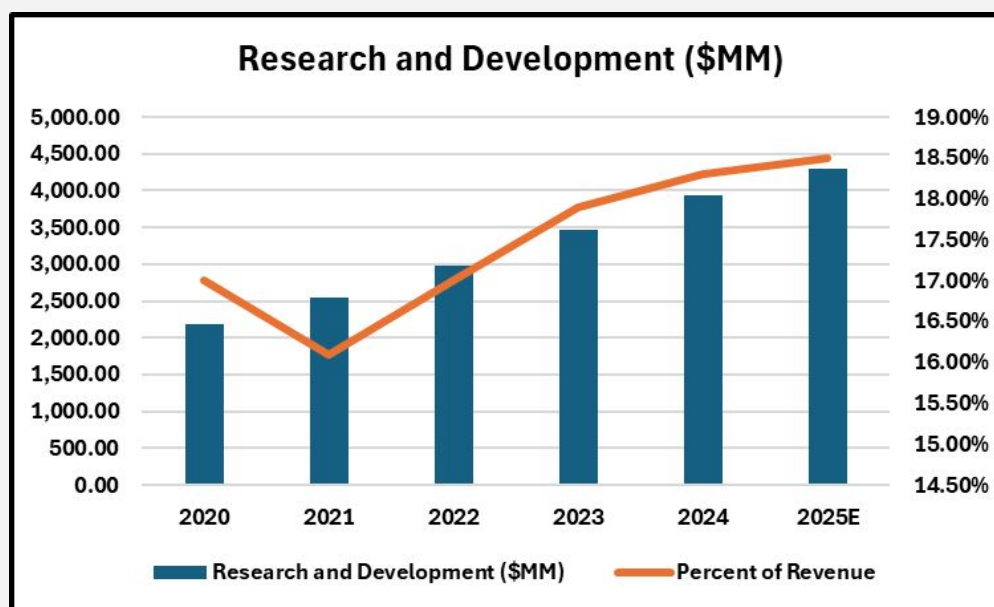
APPENDIX VI:

Financial Analysis

Adobe is positioned for continued revenue growth above industry average in the coming years. Adobe has a dominant market share in two growing industries: Design, Editing, and Rendering Software Publishing and Website Creation Software Developers. Over the next five years, these industries are expected to grow at real annualized growth rates of 7.2% and 2.7% respectively. We expected Adobe to grow at a 5-year CAGR of 9%. This is driven by the acquisition of new customers, cross-selling opportunities, creation of new products, and development of current products. The company capitalizes on a subscription-based model to create recurring stable revenue. In 2020, the percentage of revenue from subscriptions was 90%, and in 2024, this rose to 95%. Subscription revenue is typically more stable than non-subscription revenue and fuels their ability to innovate and their confidence in further investments.

Adobe's ROE has declined since 2020. However, the company is poised for a sharp rebound in the next two years due to the success of their subscription model and AI enhancement in their business.

Adobe has grown their EPS since 2020, and it looks to continue to grow in the coming years. In 2024, the company announced a \$25 billion share repurchase authorization that is in effect until 2028. In recent years, Adobe has suffered multiple compression due to negative sentiment around the company and perceived risks from the market. The company is currently trading near its lowest P/E since 2020, which has pushed the company under its fair value.



APPENDIX VI:

BAM 13	
Future Revenue growth 2025-2027 CAGR > Industry growth	YES
Future EPS growth 2025-2027 > Industry growth	NO
Is EPS growth exceeding revenue growth?	YES
Industry growth exceeds GDP growth 2025 vs 2027	YES
R&D as a percent of sales 2024-2027, flat or rising?	RISING
Is operating income margin improving 2022 vs 2025?	YES
Is working capital turnover ratio improving 2022 vs 2025?	YES
Is net insider buying exceeding selling over the last four quarters?	NO
Is PEG Ratio below the sector median?	YES
ISS Governance Quality Score (Lower is better).	2 (Pass)
Is the company an industry leader?	YES
Does the company have a sustainable business model?	YES
Does the company have stable management?	YES

The BAM 13 is a filter we use to judge the quality of a company. It does not make or break our analysis but supports our equity research. The more criteria a company meets, the more likely we believe it to be a quality company. All criteria are equally weighted; none are more important than others.

APPENDIX VI:

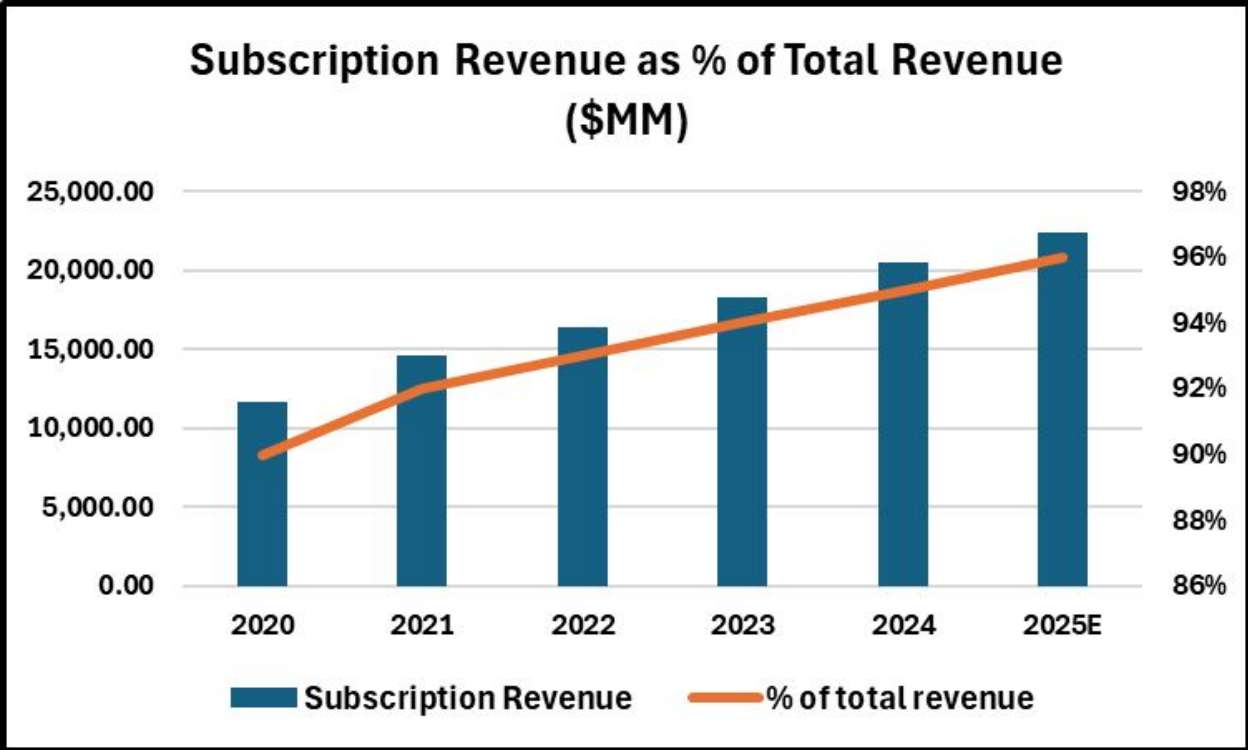
Competitive Analysis

Adobe is the most recognizable and trusted name in the industry. They hold the biggest share of the market and serve as the industry standard.

Adobe has 95% of total revenue in the form of recurring subscriptions. Their loyal customers would have to spend time and money to learn other products and switch away.

Adobe’s generative AI uses only copyright free material, which should protect it from future potential copyright legislation.

Adobe offers a wider range of products than competitors. Customers can buy a suite of products and operate entirely within one platform, rather than having to mix and match products from different companies. This provides convenience for customers, opens cross-selling opportunities, and allows customers to only have to learn one system.



APPENDIX VI:

Valuation

Our \$408 price target was found using a DCF analysis with a 9.5% cost of equity, a weighted average cost of capital of 9%, and a perpetuity rate of 3.50%. (Appendix A.1).

The company is well positioned to grow revenue from market trends, such as AI, gaining new customers, and upselling existing customers. Adobe operates mainly in two growing industries and has a dominant market share in both. These industries are Design, Editing, and Rendering Software Publishing, and Website Creation Software Developers. Over the next five years, these industries are expected to grow at real annualized growth rates of 7.2% and 2.7% respectively. Adobe is positioned to capture significant portions of these markets and continue to grow their revenue in the high single digits. Additionally, the company is growing the higher margin portions of their business as well as making their existing operations more efficient through AI integration and the ability to sell software products which are already made, which should lead to higher margins.

Risk Assessment

Adobe faces several key risks. The most severe potential risk is Adobe missing out on innovation. However, realization of this risk is unlikely as Adobe is investing heavily in research and development and is currently following market trends. The next biggest risk is competitors offering better AI products. As of right now, Adobe's AI is lagging behind other models. However, this is not from incapability; it is from Adobe intentionally putting restrictions on their AI, including the use of only copyright free material. While this may be seen as a disadvantage now, Adobe is poised to take over the space if AI copyright legislation ever comes to fruition. Even without such legislation, Adobe still has a chance to become the market leader due to their large and committed customer base. The least severe risk is competitors offering free or lower cost alternatives to Adobe's products. Adobe is not a low-cost product, and they do not strive to be. They are a premium product that is a one-stop shop for most customers. They focus on making better products to justify their prices, rather than making their products cheaper. While Adobe faces some risks, they are taking steps to mitigate them. Additionally, these risks are priced into the current market price, which makes Adobe an attractive investment even with them existing.

Adobe is also facing several current lawsuits that have not yet settled or been ruled on. While some of these lawsuits may result in cash penalties for Adobe, we do not think this is worrisome as a long-term investor. Adobe's high free cash flow levels allow it to absorb these penalties without severe damage to the business. They have shown a history of being able to do this, such as in 2024 when they paid a \$1 billion fee to Figma after their acquisition failed. We do not believe these lawsuits will affect their top-line revenue or their profitability in the long run, but they may affect their free cash flow levels in the short term.

Bronco Asset Management

Equity Research

APPENDIX VI:

Exhibit A1	Discounted Cash Flow Model Source: Bloomberg, BAM Estimates
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Appendix A.1

Bronco Asset Management										
Valuation Date as of October 24, 2025										
Discounted Cash Flow Method										
<i>(USD in Millions)</i>										
	Historical					Projected				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Revenue	\$15,785	\$17,606	\$19,409	\$21,505	\$23,682	\$26,105	\$28,738	\$31,400	\$34,044	\$36,621
Cost Of Goods Sold	1,865	2,165	2,354	2,358	2,556	2,767	2,989	3,203	3,404	3,589
Gross Profit	13,920	15,441	17,055	19,147	21,127	23,338	25,750	28,197	30,640	33,032
Operating Expenses	8,118	9,343	10,405	12,406	12,522	13,966	15,519	16,956	18,044	19,226
Operating Income (EBIT)	5,802	6,098	6,650	6,741	8,605	9,372	10,231	11,241	12,596	13,806
EBITDA	6,590	6,954	7,522	7,598	9,425	10,285	11,237	12,340	13,788	15,088
Tax Expense						2,654	2,949	3,222	3,428	3,653
Earnings Before Interest After Tax						6,718	7,282	8,020	9,168	10,153
Depreciation and Amortization						914	1,006	1,099	1,192	1,282
Capital Expenditures						261	287	314	340	366
Increase (Decrease) in Working Capital						71	41	173	172	167
Free Cash Flow (FCF)						7,299	7,960	8,632	9,847	10,901
Present Value Factor						0.91	0.87	0.80	0.73	0.67
Present Value of FCF						6,638	6,934	6,898	7,220	7,333
Present Value of Projected FCF's						35,023				
Present Value of Terminal Value						137,986				
Total Enterprise Value						173,010				
Cash						5,940				
Debt						6,056				
Equity Value						172,894				
Diluted Shares						424				
Implied Price Per Share						\$408				
Metrics:										
Revenue Growth %	-	11.5%	10.2%	10.8%	10.1%	10.2%	10.1%	9.3%	8.4%	7.6%
Gross Profit Margin %	88.2%	87.7%	87.9%	89.0%	89.2%	89.4%	89.6%	89.8%	90.0%	90.2%
EBIT Margin %	36.8%	34.6%	34.3%	31.3%	36.3%	35.9%	35.6%	35.8%	37.0%	37.7%
EBITDA Margin %	41.7%	39.5%	38.8%	35.3%	39.8%	39.4%	39.1%	39.3%	40.5%	41.2%
D&A as % of Revenue	5.0%	4.9%	4.5%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Capex as % of Revenue	2.5%	(0.1%)	0.9%	0.9%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Working Capital as % of Revenue	9.9%	9.6%	9.8%	8.0%	7.4%	7.0%	6.5%	6.5%	6.5%	6.5%

Terminal Growth Rate	3.5%
Cost of Equity	9.5%
WACC	9.0%