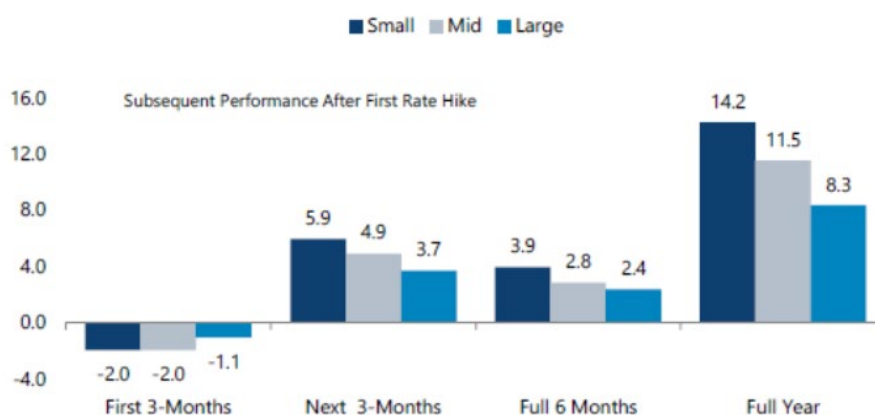


CRM 3Q 2026 Market Commentary

Oil and rates. Those were the two dominant themes of the third quarter and the primary drivers of relative sector and market cap performance. After a robust rally in the market during the second quarter of 2026, that momentum was countered this quarter by a tightening in financial conditions as the Iran conflict reignited and inflation remained persistently elevated. During the third quarter of 2026, oil prices rallied 30% and the 10-year Treasury yield increased by over 80 basis points (bps). Not since the first quarter of 2022, when Russia invaded the Ukraine, has the market experienced a similar one-two punch of higher oil and rates of this magnitude. The Federal Reserve also raised the fed funds target rate by 25 bps this quarter, which was the first hike since July 2023, and a meaningful departure from the expected 2 or 3 rate cuts anticipated by the futures market earlier this year. Given this macro background, large cap stocks outpaced small and mid-cap stocks, and Energy was the big winner from a sector perspective. Interestingly, bond proxies did not protect this quarter and performed as poorly as cyclical stocks. As Morgan Stanley recently indicated, “over 50% of the Russell 3000 members have seen a greater than 20% drawdown since June 2026”. Thus, the concentration of the largest stocks in the indices has masked the correction experienced by the average stock this quarter. On a positive note, earnings remained strong, which has resulted in more attractive valuation levels, particularly for small and mid-cap stocks. As we have witnessed in other cycles, Federal Reserve rate hikes pressure small and mid-cap stocks in the short-term but these stocks tend to outperform large cap stocks over the subsequent 3-, 6- and 12-month periods (see graph below).

FED HIKES HURTS OVER THE FIRST 3 MONTHS, BUT SMALL REGAINS FOOTING, BEATS OVER NEXT 3, NEXT 6, AND FULL YEAR AFTER FIRST HIKE



Source: FactSet; FTSE Russell; Jefferies

The sharp increase in interest rates was a significant development during the quarter. After beginning the year expecting 2 or 3 additional rate cuts, investors were forced to reassess the inflation outlook and the Federal Reserve's likely path under new Chairman Kevin Warsh. Treasury yields moved noticeably higher as markets adjusted to the possibility that policy rates may need to remain elevated for longer than originally anticipated. Higher interest rates created periodic volatility, particularly for the more cyclical stocks and companies with above average leverage. While rising interest rates are often viewed as a headwind for small and mid-cap stocks, we believe the current environment differs from prior cycles. The recent increase in rates has largely been driven by stronger economic growth expectations and concerns that inflation may prove more durable, rather than by financial stress. Historically, an environment of improving economic activity and higher nominal growth has often been supportive of domestically oriented businesses.

While progress was made with the June 2026 Memorandum of Understanding (MOU) between the United States and Iran, investors continued to monitor periodic tensions in the region and the status of shipping activity through the Strait of Hormuz. Markets have become increasingly accustomed to geopolitical shocks

over the last several years, and this quarter was no exception. Energy markets experienced significant volatility as headlines emerged throughout the period. Crude oil prices declined from over \$100/barrel in the March to late May 2026 period and bottomed near the pre-war level of less than \$70/barrel in early July. However, the MOU did not hold, and crude prices shot back up to this year's highs of over \$100/barrel by mid-September. We are all hopeful that a ceasefire or a resolution can be achieved in the Middle East to resolve this conflict and bring peace to the region, while also allowing investors to shift their focus back to company fundamentals.

One of the more encouraging developments during the quarter was the continued improvement in earnings expectations across the broader market. While much attention continues to be directed toward the largest Artificial Intelligence (AI) beneficiaries, earnings revisions have increasingly broadened to include Industrials, Financials, and Consumer Discretionary companies, along with other economically sensitive sectors. We believe this broadening is particularly important because it suggests the economic recovery is becoming less dependent on a small number of mega-cap companies and more reflective of improving conditions across the "Main Street" economy. The manufacturing recovery also continued to gain traction: reshoring initiatives, infrastructure investment, defense spending, and continued supply chain reorientation have supported domestic capital expenditures. Historically, small and mid-cap companies have been among the largest beneficiaries of periods characterized by rising U.S. manufacturing activity and increasing domestic investment (see graph below). We continue to see evidence that many companies tied to industrial automation, construction products, specialty manufacturing, distribution, and engineering services are benefiting from these secular trends.

Recent Improvement In ISM Manufacturing Has Been Supportive Of Small Caps

- Interest rate concerns have overwhelmed the fundamental tailwind, however.

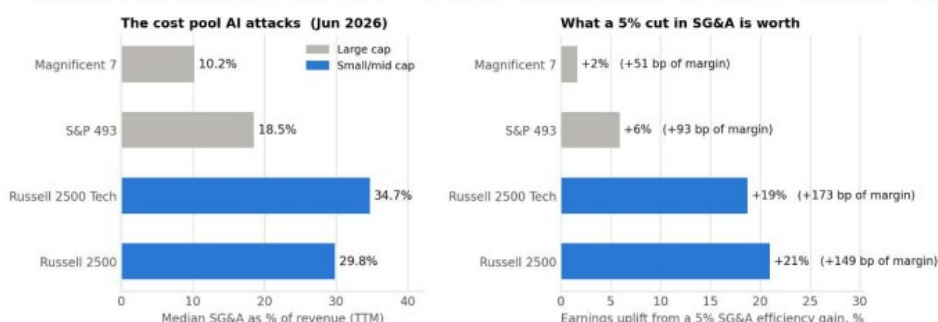


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Source: RBC US Equity Strategy, Bloomberg, Russell, S&P, latest available data as of 10/2/26

Another notable theme during the quarter was the ongoing evolution of the Artificial Intelligence investment cycle. Over the last several years, market gains have been concentrated among the providers of AI infrastructure, including semiconductor manufacturers, cloud platforms, and data center operators. While these companies continue to benefit from extraordinary demand, we believe investors are beginning to focus on the next phase of the AI opportunity set: the AI adopters. As we have seen with previous technological revolutions such as electrification, personal computing, the internet, and cloud computing, the largest long-term productivity gains often accrue to businesses that successfully harness the technology rather than exclusively to those that provide it. We believe many of these future AI productivity beneficiaries reside in the U.S. small and mid-cap universe. These companies are often underfollowed, less efficiently priced, and operating in industries where even modest improvements in productivity can generate significant earnings leverage (see graph below). Because small and mid caps tend to have higher SG&A expenses compared to large caps, AI efficiencies can drive higher margin expansion down cap. In many

cases, investors continue to assign little value to these potential benefits, creating what we view as a growing source of neglect and future opportunity.

Small/mid caps have 3x the SG&A intensity — so a 5% efficiency gain is worth +21% of earnings vs +2% for the Mag 7

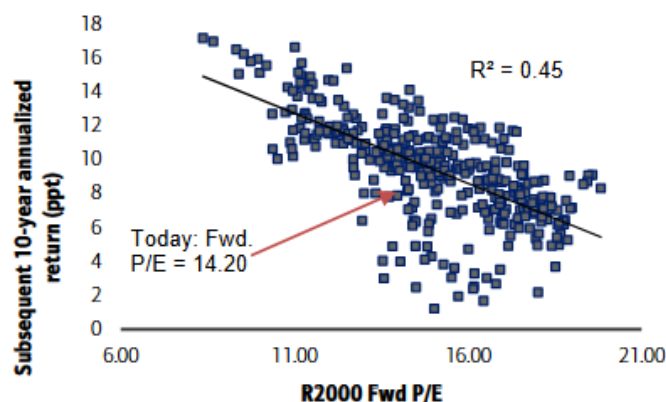


Source: LSEG Workspace, medians of constituents, SG&A % of revenue is trailing twelve months; net margin is quarter ended 06/30/2026. Δ margin = SG&A% $\times$ 5%, pre-tax, revenue constant; uplift = Δ margin / net margin.

Looking ahead, we expect markets to remain sensitive to interest rate expectations, Federal Reserve policy developments, and geopolitical events. We also recognize that periodic volatility is likely after the strong advances experienced since the March lows. Nevertheless, we believe the fundamental backdrop for U.S. small and mid-cap companies continues to improve. Earnings growth expectations are rising, manufacturing activity is strengthening, merger and acquisition activity is below historical norms with room to accelerate, and valuations continue to trade at a substantial discount relative to large-cap stocks. All of this from an asset class that remains meaningfully under-invested by investors compared to history. We also see significant neglect and potential upside from the eventual beneficiaries of AI adoption: many of which reside in the U.S. small and mid-cap universe.

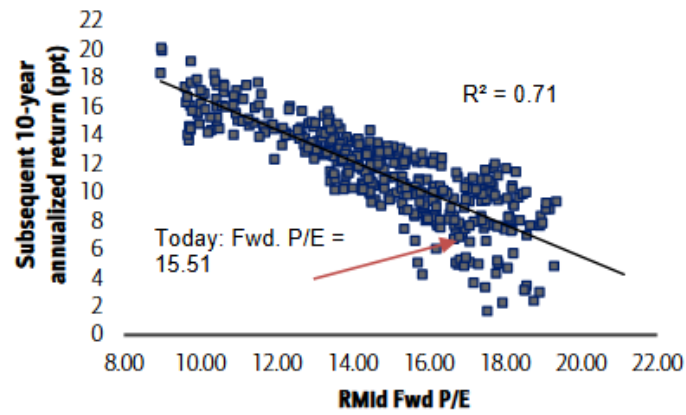
Combined with attractive valuations, improving earnings momentum, continued domestic investment, and historically low investor allocations to the asset class, we believe the U.S. small and mid-cap space remains one of the most compelling areas of the equity market. While the path forward is unlikely to be without volatility, we continue to believe the next several years could prove highly rewarding for patient investors willing to look beyond today's market leaders and macro concerns, and toward the businesses driving tomorrow's economic growth. As indicated by Bank of America U.S. Equity & Quant Strategy Research, "valuations are most predictive over the long-term and today suggest annualized returns of 9% over the next decade for the Russell 2000, 8% for the Russell Mid Cap, and [only] 5% for the Russell 1000" (see graphs below).

The absolute forward P/E of 14.2 for the Russell 2000 as of month-end suggests 9% annualized 10yr returns
 Russell 2000 forward P/E vs subsequent ten-year annualized returns, 1985-present (as of 09/30/26)



Source: BofA US Equity & Quant Strategy, FactSet

The absolute forward P/E of 15.5 for the Russell Mid Cap suggests 8% annualized ten-year returns
Russell Mid Cap forward P/E vs subsequent ten-year annualized returns, 1985-present (as of 09/30/26)



Source: BofA US Equity & Quant Strategy, FactSet