2Q 2026 | Capital Markets Overview

Penn Mutual Asset Management

About PMAM

Penn Mutual Asset Management (PMAM) is focused on risk-based institutional asset management. We are fixed-income specialists committed to applying our diverse expertise, delivering tailored investment strategies and solutions and balancing our repeatable, value-driven approach with seasoned investment judgment to drive performance and create value.

We believe:

- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Being nimble and opportunistic creates value for investors
- Focus, discipline, teamwork and accountability enable results

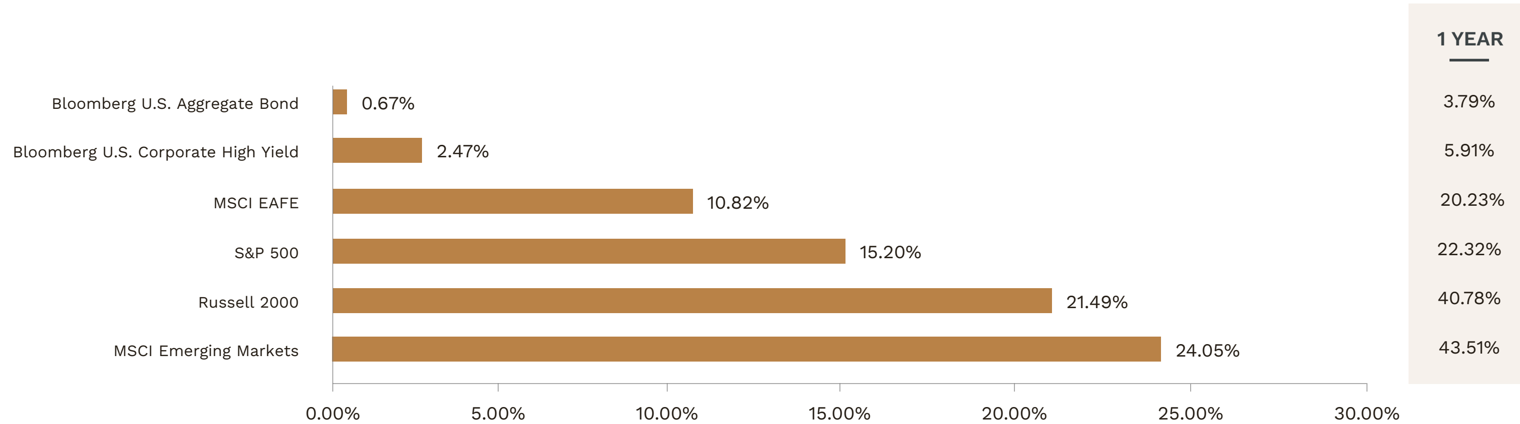
With over $44 billion in total assets under management,[1] Penn Mutual Asset Management is dedicated to executing on its core asset management competencies.

We tailor our proven approach to generate solid risk-adjusted returns, while balancing the need for capital preservation to achieve each investment objective.

[1]As of June 30, 2026

Benchmark Returns[1]

Second Quarter



[1]Bloomberg data as of June 30, 2026

Second Quarter Headlines

The second quarter of 2026 marked a strong reversal from the volatility experienced earlier in the year. Global equity markets moved higher overall as investor sentiment improved and concerns surrounding geopolitics and energy prices moderated...

Market gains broadened during the quarter, extending beyond mega-cap technology companies to include smaller-cap stocks and international equities, reflecting improving confidence in the economic outlook.

The Federal Reserve (Fed) remained on hold during the second quarter, maintaining the target range for the federal funds rate at 3.50%-3.75%. The Fed continued to face a challenging backdrop, with inflation still elevated relative to its 2% goal while economic activity continued to expand at a solid pace despite uncertainty tied in part to the Middle East conflict...

Treasury yields moved higher during the quarter, and the curve bear-flattened as short-term rates rose more than longer-term rates. The 2-year Treasury yield increased to approximately 4.18%, while the 10-year Treasury yield rose to approximately 4.47% and the 30-year Treasury yield ended the quarter near 4.95%.[1]

The Atlanta Fed's GDPNow model estimated approximately 2.5% annualized growth for the second quarter at quarter-end, though subsequent economic data led to downward revisions, with the estimate falling to approximately 1.2%-1.3% in early July.[2] Despite the moderation, the outlook continued to point to economic expansion supported by consumer spending, business investment and ongoing capital expenditures, including investments related to artificial intelligence (AI)...

The labor market remained healthy, with unemployment holding near 4.3% and job growth keeping pace with a slower-growing labor force. While inflation remained elevated at 4.2%,[3] overall economic activity continued to expand at a solid pace, supporting a constructive outlook for both businesses and consumers.

[1,3]Bloomberg data as of June 30, 2026
[2]Federal Reserve Bank of Atlanta

Outlook

Looking ahead, the outlook for economic growth and corporate profitability remains constructive, supported by solid economic fundamentals, ongoing investment in AI and a generally healthy consumer. Key risks include geopolitical instability, persistent inflation pressures, uncertainty surrounding future Fed policy, liquidity mismatches in private credit markets and AI-driven disruption across industries. However, the most significant risk to financial assets remains a potential loss of confidence in long-duration government debt, which could trigger a sharp rise in Treasury yields and tighter financial conditions across global markets.

Baseline Forecasts		Actual 12/31/2025	Actual 6/30/2026	Forecast 12/31/2026	Forecast 12/31/2027
US Economy	GDP	2.0%	*2.7%	2.5%	2.0%
	Unemployment Rate	4.6%	4.3%	4.2%	4.2%
	CPI	2.7%	4.2%	2.4%	2.2%
Stock Market	S&P 500 Index	6,846	7,499	7,500	8,100
	Russell 2000 Index	2,482	3,024	3,100	3,600
Bond Market	Fed Funds Rate	3.64%	3.61%	3.625% ↑ *(from 3.25%)*	3.25% ↑ *(from 3.00%)*
	2-year Treasury Yield	3.48%	4.18%	3.75% ↑ *(from 3.25%)*	3.50% ↑ *(from 3.25%)*
	10-year Treasury Yield	4.17%	4.47%	4.25% ↑ *(from 4.00%)*	4.15%
	30-year Treasury Yield	4.85%	4.95%	4.75%	4.80%
Commodities	WTI Crude Oil	$57	$70	$75	$70
	Gold	$4,319	$4,008	$4,600	$4,750
Currencies	Dollar/Euro	1.17	1.14	1.15	1.20
	Yen	157	163	155	150

*1-year as of 1Q26

Source: Bloomberg

Index Definitions:

S&P 500 Index – An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Bloomberg U.S. Aggregate Bond Index – An index that is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg U.S. Corporate High Yield Bond Index – An index that measures the USD-denominated, high yield, fixed-rate corporate bond market.

MSCI Emerging Markets Index – A free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI EAFE Index – An index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

Russell 2000 Index – An index measuring the performance of approximately 2,000 small cap companies in the Russell 3000 Index, which is comprised of 3,000 the largest U.S. stocks.

Disclosures:

The views expressed in this material are the views of PMAM through the quarter ending June 30, 2026 and are subject to change based on market and other conditions.

This material contains certain views that may be deemed forward-looking statements. The inclusion of projections or forecasts should not be regarded as an indication that PMAM considers the forecasts to be reliable predictors of future events. Any forecasts contained in this material are based on various estimates and assumptions, and there can be no assurance that such estimates or assumptions will prove accurate. Actual results may differ significantly.

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