4Q 2025 | # 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

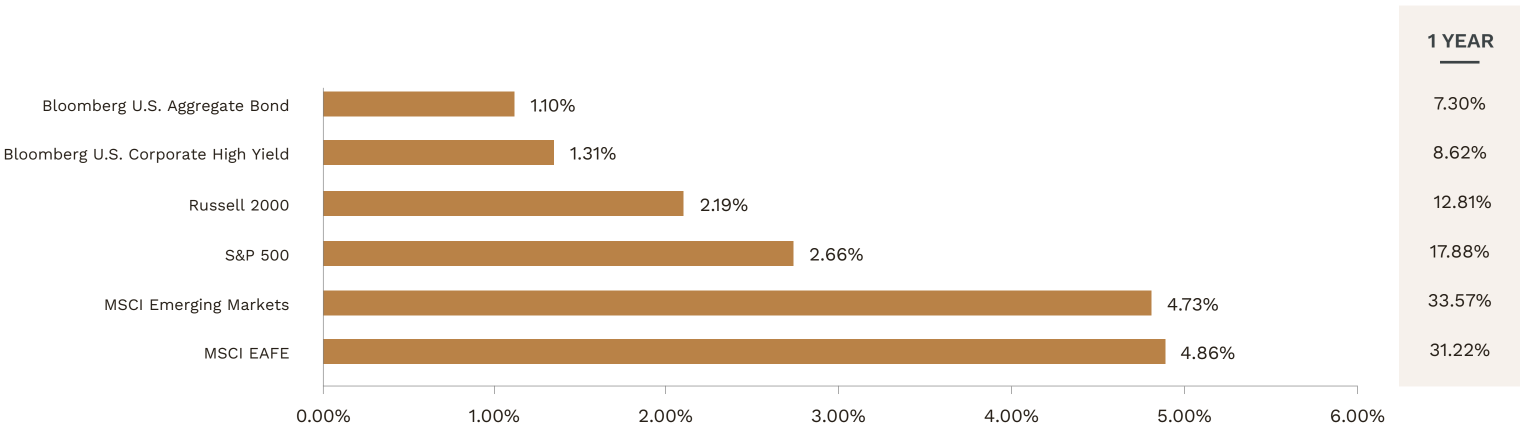
With over $42 billion in total assets under management,[1] Penn Mutual Asset Management is dedicated to executing on its core asset management competencies, which include total return-based investing, advisory services and expertise in alternative asset investing.

We tailor our proven approach to generate solid risk-adjusted returns, while balancing the need for capital preservation to achieve each client's strategy and goals.

[1]As of December 31, 2025

Benchmark Returns[1]

Fourth Quarter



[1]Bloomberg data as of December 31, 2025

Fourth Quarter Headlines

Equity markets ended the year with another positive quarter, as the S&P 500 Index returned 2.66% despite a roughly 5% pullback in November. The drawdown reflected investor reassessment of the path for interest rate cuts and increased scrutiny of elevated expectations for artificial intelligence (AI)-related capital spending...

Corporate fundamentals remained supportive, with earnings growth staying in double-digit territory, underpinned by resilient consumer demand and continued investment in technology and infrastructure. Market leadership became less concentrated amid growing debate around the AI theme. Value stocks outperformed growth stocks, and international equities outpaced their U.S. counterparts.

The Federal Reserve (Fed) continued monetary easing with two 25-basis-point rate cuts, one in October and another in December, bringing the target range to 3.50%-3.75%...

The Treasury curve continued its path by modestly bull steepening as the market priced in the additional Fed cuts. Short-term rates, as measured by the 2-year Treasury, tightened approximately 13 basis points (bps) to near 3.48%, while the 10-year Treasury rose two bps to end the year at 4.17%.[1] The government shutdown and lack of timely economic data complicated the Fed's decision-making. Fed Chair Powell acknowledged the weakening labor market and the need to balance the Fed's dual mandate. The Fed carefully navigated through the fog but continued to cut rates closer to its neutral level.

Third-quarter gross domestic product (GDP) grew at an annualized rate of 4.4%, exceeding expectations once again and marking the strongest pace since the third quarter of 2023.[2] Growth was primarily supported by robust consumer spending, which increased at a 3.5% annualized rate...[3]

However, federal government agencies were shut down or operating at reduced staffing levels from October 1, 2025, through November 12, 2025, which is expected to weigh on fourth-quarter GDP growth.

[1-3]Bloomberg data as of December 31, 2025

Outlook

The economy has been resilient in the face of the uncertainty created by U.S. trade policy. Improved clarity for governments, businesses and consumers should be a tailwind in 2026. Inflation has been trending lower but remains above the Fed's 2% target, keeping both policymakers and markets in a challenging position as they gauge the timing of future rate cuts. Importantly, inflation volatility has subsided, providing a supportive backdrop for fiscal, monetary and deregulatory stimulus to positively impact the economy in 2026. The recently announced mortgage-backed security (MBS) purchases aimed at lowering mortgage rates, T-bill purchases and adjustments to Treasury issuance across the curve should collectively help cap interest rates. However, the biggest risk to financial assets remains a "crack in the bond market" leading to a surge in long-term bond yields.

Baseline Forecasts		Actual 12/31/2024	Actual 12/31/2025	Forecast 12/31/2026	Forecast 12/31/2027
US Economy	GDP	2.7%	*2.3%	2.5%	2.0%
	Unemployment Rate	4.2%	4.6%	4.2%	4.2%
	CPI	2.7%	2.7%	2.4%	2.2%
Stock Market	S&P 500 Index	5,882	6,846	7,500	8,100
	Russell 2000 Index	2,230	2,482	3,100	3,600
Bond Market	Fed Funds Rate	4.32%	3.64%	3.25%	3.00%
	2-year Treasury Yield	4.24%	3.48%	3.25%	3.25%
	10-year Treasury Yield	4.57%	4.17%	4.00%	4.15%
	30-year Treasury Yield	4.78%	4.85%	4.75%	4.80%
Commodities	WTI Crude Oil	$72	$57	$65	$60
	Gold	$2,625	$4,319	$4,600	$4,750
Currencies	Dollar/Euro	1.04	1.17	1.15	1.20
	Yen	157	157	155	150

*1-year as of 3Q25

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 December 31, 2025 and are subject to change based on market and other conditions.

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