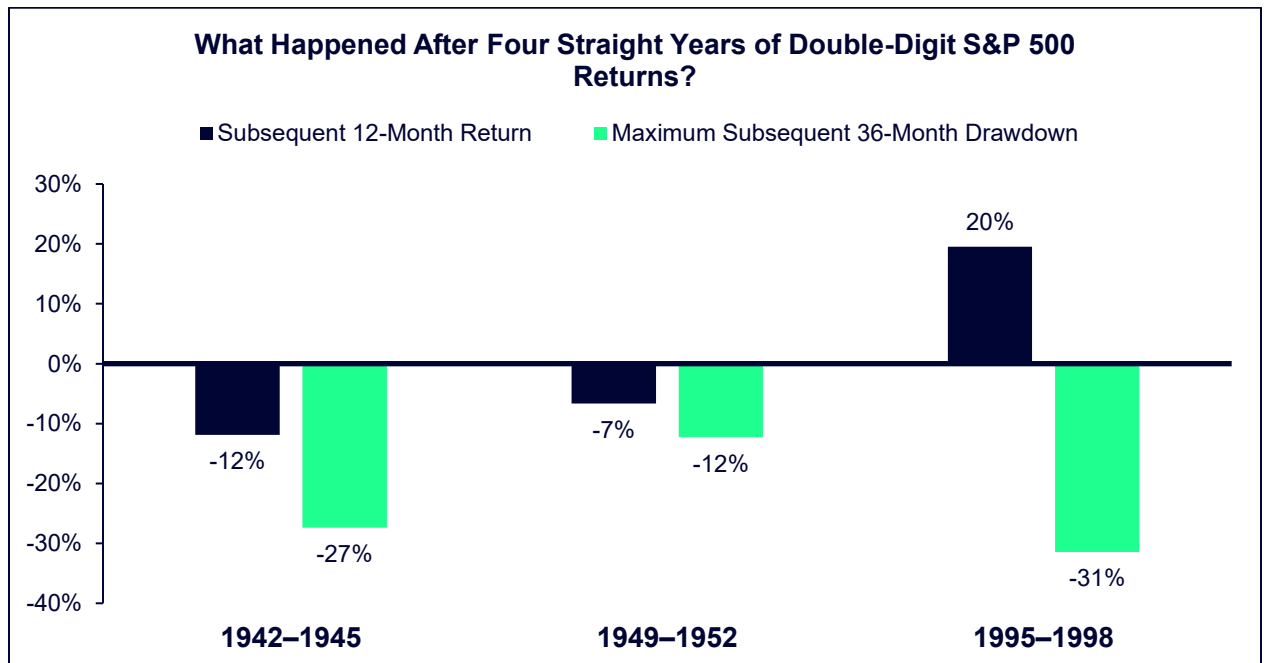


COMMENTARY
October 15, 2026

Mind on the Market

Chart of the Week



Source: FactSet, S&P. Data as of October 13, 2026. Maximum drawdown is the largest peak-to-trough decline in monthly index levels during the 36 months beginning at the fourth consecutive qualifying year-end. Returns exclude dividends.

With four consecutive years of double-digit gains occurring only three times since 1928, the S&P 500's recent momentum is historically unusual. The record suggests such streaks have often been followed by increased downside risk. In two of the three prior episodes, the market delivered negative returns over the subsequent 12 months and experienced drawdowns of 12% and 27% over the following three years. The exception was 1995–1998, when the market gained an additional 20% over the next year before ultimately suffering a 31% drawdown. While history does not predict an imminent sell-off, it suggests investors should remain mindful of downside risk following periods of exceptional performance.

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Weekly Highlights

Prior Instances of **Four Consecutive** Double-Digit S&P 500 Return Years Since 1928

3

Source: FactSet, S&P. Data as of 10/13/26.

Average Return for **Long US Treasuries** During Growth-Scare Sell-offs

+2.66%

Source: FactSet. Data as of 9/30/26.
Full source citation provided in analysis below.

Percent of Growth-Scare Episodes that Saw **Gold** Deliver a Positive Return

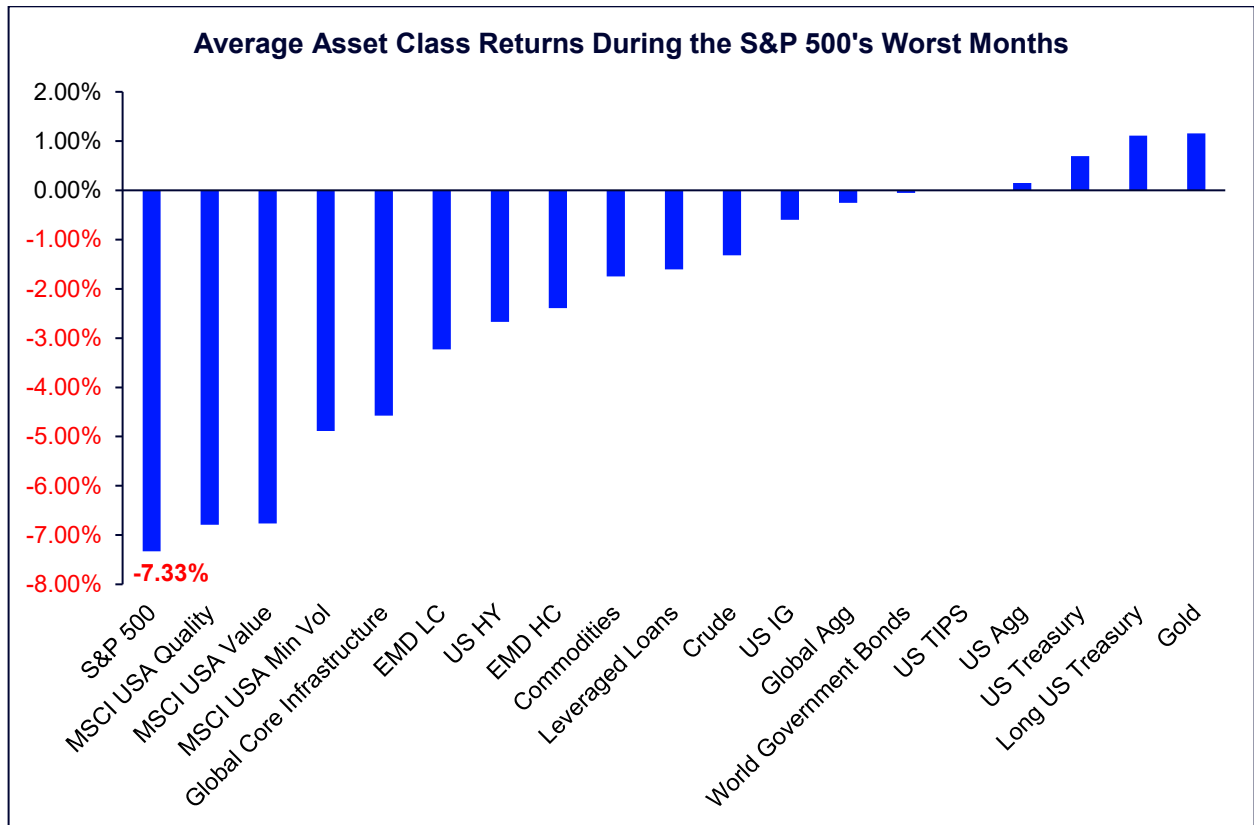
75%

Source: FactSet. Data as of 9/30/26.
Full source citation provided in analysis below.

Not all sell-offs are created equal

In strong bull markets, many experience FOMO. Simply put, investors can become more concerned with missing future gains than protecting against downside risk. However, strong market environments often provide the best opportunity to revisit portfolio resilience and assess whether existing allocations are positioned to withstand future periods of market stress. Below, we explore portfolio protection from several perspectives.

To assess downside protection, we examined the bottom decile of monthly S&P 500 total returns (47 observations) and evaluated which asset classes historically held up best during these periods. Across these episodes, the S&P 500 declined an average of 7.33% per month. While few asset classes generated positive returns on average, many experienced substantially smaller losses than the S&P 500. The chart below highlights assets that, on average, outperformed the S&P 500 during its worst months.

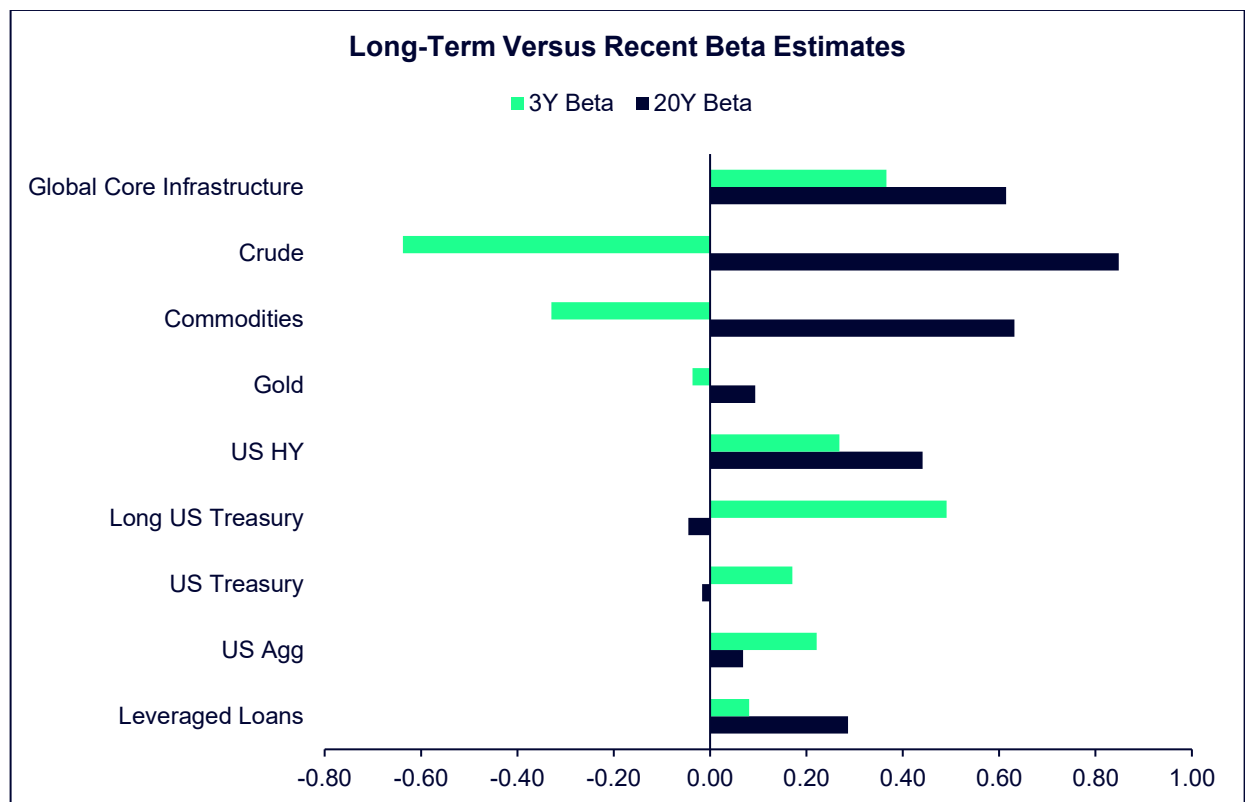


Source: FactSet. See end footnote for index definitions. Analysis is based on 464 monthly S&P 500 total return observations from February 1988 through September 2026. The 47 selected months represent the lowest decile of S&P 500 monthly returns over the sample period and span January 1990 through March 2026. For each asset class, Average Return is calculated as the arithmetic mean of monthly returns during these periods. Missing observations are excluded; therefore, observation counts and effective start dates vary by asset, although all asset classes included in the analysis have return histories extending back at least to January 2006.

Fixed income was generally resilient, with emerging market debt, high yield bonds, and leveraged loans all experiencing materially better returns than the S&P 500 on average. Even more notable, US investment-grade credit and Treasuries generated positive average returns, providing both absolute and relative downside protection during the S&P 500's weakest months. Within equities, quality and minimum volatility strategies helped mitigate losses, while commodities also proved relatively resilient. Gold was the strongest performer on average during the market's most severely negative months.

Interestingly, some of the worst-performing asset classes during the S&P 500's weakest months were US small caps, the Nasdaq, and several regional equity markets. While this is consistent with the higher-beta profile of some of these assets, not all of the laggards had elevated betas.

This highlights an important consideration: equity market sensitivity, or beta, is not static. To examine how these relationships have evolved, we compared asset class betas to the S&P 500 over the past 20 years with their betas over the most recent three years. The chart below highlights asset classes which have seen the largest shifts.



Source: FactSet. See end footnote for index definitions. The 20-year beta was calculated relative to the S&P 500, using monthly returns from October 2006 through September 2026 (240 observations), while the 3-year beta was calculated using monthly returns from October 2023 through September 2026 (36 observations).

While beta is often treated as an inherent characteristic of an asset class, it can change meaningfully as market regimes and volatility dynamics evolve. Treasury beta was modestly negative over the 20-year period but positive during the most recent three years, consistent with an environment in which inflation and interest-rate shocks periodically pressured both stocks and bonds. Meanwhile, infrastructure, leveraged loans, and high yield bonds have all become less sensitive to equity market movements.

Commodities have experienced some of the most significant shifts. Broad commodities and crude oil moved from strongly positive long-term betas to negative betas more recently as supply disruptions,

inflation, and geopolitical events have become more important drivers of returns. Gold has maintained a beta near zero across both periods.

More broadly, these results illustrate that diversification benefits are not static. Assets that hedge one type of market shock may provide little protection against another. Rather than asking what hedges an equity sell-off, investors should ask what type of sell-off they are trying to protect against.

The S&P 500's worst months have been driven by a range of catalysts, including growth scares, bursting bubbles, inflation shocks, policy shocks, and geopolitical events. Today, two risks appear particularly relevant: a slowdown in growth if the AI-driven expansion begins to fade, and a resurgence of inflation and interest rate pressures. With that in mind, we examine which asset classes historically provided the most effective diversification during growth-driven versus inflation- and rate-driven sell-offs.

What worked best and worst during different kinds of equity sell-offs?

Type of Equity Sell-off	Most Resilient Assets (Average Return)	Worst Performers (Average Return)
Growth Scare (24 observations)	Long Treasuries +2.66% ; Gold +1.91% ; US Treasuries +1.12%	EM Growth -10.31% ; EM Small Cap -10.26% ; EM Value -9.80%
Inflation/Rates Shock (8 observations)	Gold -0.38% ; Crude -0.76% ; Leveraged Loans -0.96%	USA Growth -9.14% ; NASDAQ 100 -9.10% ; Russell 2000 -9.06%

Source: FactSet. The analysis is based on the 47 lowest monthly S&P 500 returns, representing the bottom decile of observations from February 1988 through September 2026 and spanning January 1990 through March 2026. Each month was assigned a single dominant shock type based on the prevailing market narrative. Only months classified as growth scares or inflation/rates shocks are included in this analysis. These classifications are judgment-based, and overlapping catalysts may lead reasonable observers to categorize certain periods differently. For each asset class, Average Return is calculated as the arithmetic mean of available monthly returns during the selected periods. Missing observations are excluded; therefore, observation counts and effective start dates vary by asset, although all asset classes included in the analysis have at least 20 years of return history. Results are descriptive rather than predictive, and conclusions regarding inflation/rates shocks should be interpreted cautiously given the eight-observation sample.

Across the bottom decile of market months, the S&P 500 fell an average of 7.59% during growth scares and 7.22% during inflation and rate shocks. Long US Treasuries were the clearest diversifier during growth-driven sell-offs, generating an average return of 2.66% and posting positive returns in 71% of periods. Gold also proved resilient, delivering positive returns in 75% of growth scare episodes. In contrast, economically sensitive assets such as emerging market equities lost roughly 10% on average.

Inflation and rate shocks were far more challenging, as no asset class generated a positive average return. However, gold, crude oil, and leveraged loans recorded the smallest average losses, providing greater relative downside protection than the other assets examined. Meanwhile, growth-oriented equities, including the NASDAQ 100 and Russell 2000, suffered some of the steepest declines, losing roughly 9% on average.

With equity markets continuing to rally and the prospect of a fourth consecutive year of double-digit returns, it is worth thinking about downside protection precisely when it feels least necessary. Our analysis suggests there is no universal hedge against equity market sell-offs. Duration has historically provided strong protection during growth scares but has been far less effective during inflation- and rate-driven sell-offs. Gold, by contrast, was the most consistent diversifier across both environments. The key lesson is that the effectiveness of any hedge depends on the source of market stress. This reinforces the importance of building resilient portfolios around multiple sources of protection rather than relying on any single asset class.

Source: FactSet. Data as of 9/30/2026 unless otherwise stated. Analysis included a broad universe of asset classes, factors, sectors, and geographic exposures. Charts highlight selected results where findings were most relevant, differentiated, and practical to present within space constraints. Index returns are unmanaged and do not reflect fees, transaction costs, taxes, or implementation constraints.

Indices Shown in Analysis Above

Equities: S&P 500, MSCI USA Quality, MSCI USA Value, MSCI USA Min Vol, Nasdaq 100, Russell 2000, MSCI EM Growth, MSCI EM Small Cap, MSCI EM Value.

Fixed Income: ICE BofA US High Yield, JP Morgan EMBI Global Diversified, JP Morgan GBI-EM Global Diversified, Morningstar LSTA US Leveraged Loan 100, Bloomberg US Corporate Investment Grade, Bloomberg Global Aggregate, FTSE WGBI, Bloomberg Global Inflation-Linked - US TIPS, Bloomberg US Aggregate, Bloomberg Global US Treasury, Bloomberg Global US Treasury – Long.

Real Assets: FTSE Global Core Infrastructure, S&P GSCI, S&P GSCI Gold, S&P GSCI All Crude.

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* This figure is presented as of June 30, 2026 and includes ETF AUM of \$2,203.98 billion USD of which approximately \$156.81 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA)

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The views expressed in this material are the views of Christine Norton and Dane Smith through the period ended October 15, 2026 and are subject to change based on market and other conditions.

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Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors. A few such factors include overall market movements, real or perceived inflationary trends, commodity index volatility, international, economic and political changes, change in interest and currency exchange rates.

Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise bond values and yields usually fall); issuer default risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities.

Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

Increase in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries.

Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. US Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.