

FOR INSTITUTIONAL INVESTORS ONLY
NOT TO BE DISTRIBUTED TO RETAIL CLIENTS

This strategy is offered by Insight North America LLC (INA) in the United States
INA is part of Insight Investment. Performance presented is that of Insight Investment
and should not specifically be viewed as the performance of INA
Please refer to the important disclosures at the back of this document

Insight
INVESTMENT

APRIL 2026

US PENSIONWATCH

A review of Q1 2026 and investment outlook

Geopolitical tensions in the Middle East drove market volatility in Q1, as higher energy prices reignited inflation concerns and triggered a sell-off across both bond and equity markets. While we continue to expect that sustained AI-related investment and the lagged effects of earlier rate cuts should help avoid a near-term recession, downside risks are increasing and are likely to keep the Fed cautious on further easing. On a positive note, the recent market correction has eased valuation concerns.

In this quarterly, we outline updates to the methodology underpinning our pension indices, explore how cashflow-focused fixed income solutions can support plans as they move into decumulation, and assess the potential benefits of overlay strategies in portfolio construction. While the macro outlook remains finely balanced, we highlight asset-based finance as a potentially expanding opportunity within credit markets. We conclude with an educational feature on stablecoins, a rapidly growing asset class offering potential efficiency gains and enhanced programmability.

- **FOMC signals caution amid oil shock:** The Fed revised up its 2026 inflation forecasts in response to higher oil prices but left its “dot plot” unchanged, still pointing to one rate cut this year. Policymakers appear inclined to look through the energy-driven inflation spike for now, though a prolonged shock risks second-round effects and will remain under close watch.
- **Surpluses, cashflows and overlays:** We update our pension indices in the new era of surplus assets and outline our latest thoughts on cashflow solutions and overlay strategies. As funding levels improve and contributions decline, plans are entering a period of persistent negative cashflows amid higher benefit payments, greater illiquid allocations, and weaker equity-bond diversification. We believe liability-aware, cashflow-focused fixed income portfolios, potentially complemented by overlay solutions, can provide reliable liquidity, mitigate sequencing risk, and stabilise funded status while preserving flexibility to invest in higher-returning assets.
- **Credit update:** Asset-based finance (ABF) offers potential for a differentiated, customizable source of yield. ABF provides financing backed by hard assets or diversified cash-generating pools, typically offering higher spreads than public credit for comparable risk, albeit with greater complexity and lower liquidity. For insurers and cashflow-aware pension plans, ABF can be particularly attractive given its ability to deliver tailored structures, predictable cashflows and liability alignment. As banks retrench and innovation accelerates, especially in areas such as digital infrastructure and specialist assets, we see this asset class continuing to grow.
- **Investment outlook – supportive near-term conditions mask a more fragile medium-term outlook.** Despite macro noise and geopolitical tensions, markets have remained relatively resilient, supported by prior Fed easing and strong AI-driven investment. Although valuation concerns have eased, fiscal pressures and geopolitical risks reinforce the need for selective positioning. We continue to believe investment-grade credit offers attractive all-in yields and resilient fundamentals, favoring a selective approach to high yield amid widening dispersion, and high-quality structured credit.
- **Key risks:** Rising uncertainty across policy, trade, and geopolitics is increasing risks for investors and policymakers. Forecasting is challenged by policy uncertainty, while there is a risk that the US economy tips into recession with negative consequences for risk assets.
- **Educational update:** Stablecoins are emerging as a structurally important pillar of digital finance. Adoption continues to accelerate, driven by efficiency, programmability and global usability, with the US taking an early lead on issuance and regulatory clarity.

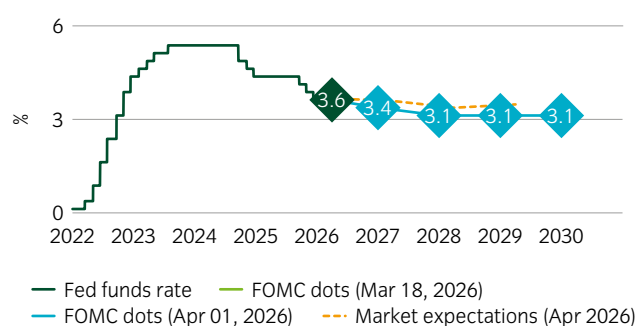
“War, huh, yeah. What is it good for?”

EDWIN STARR (1969)

THE FOMC CONTINUES TO PROJECT ONE CUT IN 2026

The FOMC revised higher its year-end median forecasts for headline and core PCE inflation (from 2.4% and 2.5% respectively in the December meeting) to 2.7% in 2026, likely to reflect the impact of the global oil price shock. Nonetheless, the committee’s median “dot plot” projections continued to reflect one rate cut this year, matching implied market pricing (Figure 1). Elsewhere, the central bank marginally increased its projections for GDP growth and left its unemployment rate projections largely unchanged.

Figure 1: The FOMC’s median “dot plot” Fed Funds rate projections remained unchanged¹



FED REACTS TO OIL PRICE SHOCK WITH CAUTION

Chair Powell nears the end of his term (on May 15, 2026) facing an unwelcome oil shock, potentially just as tariff inflation peaks and core services drive durable disinflation.

The FOMC’s policy statement acknowledged: “The implications of developments in the Middle East for the US economy are uncertain.” Nonetheless, the Committee appears to retain an easing bias overall. Chair Powell separately noted: “There will be some effects on inflation”, but said it is “standard learning that you look through energy shocks... dependent on inflation expectations being well anchored.”

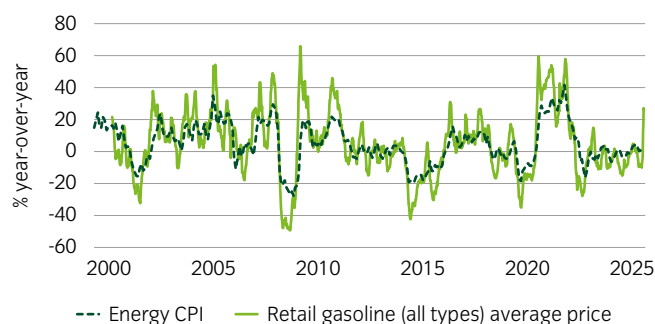
Previous oil shocks offer an insight into the Fed’s likely playbook. The central bank concluded that the 2022 oil shock had relatively contained impacts on core inflation and economic activity. The 2007-08 oil shock also appeared to have had a modest impact on core PCE, though economic conditions were more fragile and the event preceded the “shale revolution” (after which the US became the world’s leading oil producer).

Therefore, we expect the Fed will be inclined to “look through” the spike in oil prices for now. However, the longer the oil shock lasts, the greater risk of durable second-round effects and unanchored long-term inflation expectations. As such, we will continue to watch developments in the Middle East closely.

INFLATION FIGURES DO NOT YET REFLECT THE IMPACT OF THE CONFLICT IN IRAN

Since the start of March, the war-related spike in global crude oil prices has pushed average US regular gasoline prices significantly higher. Should this persist, it will likely push up energy-related components, which have a 6.4% weighting in the CPI measure (Figure 2). We expect to see some upward pressure on headline CPI over the near term, from energy costs (relating to the Iran war) and peaking tariff-related inflation. Core CPI may also be impacted by the reversal of government shutdown-related distortions.

Figure 2: The Iran war will likely result in a spike in energy inflation if higher oil prices persist²



¹ Federal Reserve, Bloomberg, Insight, March 2026.

² Bureau of Labor Statistics, Energy Information Administration (EIA), Insight, March 2026

PENSION TRENDS

PENSION INDEX

Insight maintains two model pension indices. We have updated these for 2026, as outlined on page 4. The Traditional Pension Index aims to reflect those plans that have not yet adopted LDI. The LDI Pension Index aims to reflect those plans that have adopted LDI in the fixed income portion of their portfolio. The Traditional Index has a 50% allocation to growth assets and a 50% allocation to bonds. The LDI Index has a 10% allocation to growth assets and a 90% allocation to bonds.

Q1 funded status impact: Rates increased by 10bp over the quarter and spreads increased by 10bp, resulting in a 20bp increase in discount rates. Global equities generated a -3.2% return. Both of our pension indices underperformed the liability over the quarter. The Traditional Index, which contains aggregate fixed income, experienced -1.5% return, while the LDI Index, which seeks to hedge 100% of interest rate and credit spread risk, experienced -1.0% return. Both indices underperformed due to negative growth asset returns.

Figure 3: Q1 2026 returns³

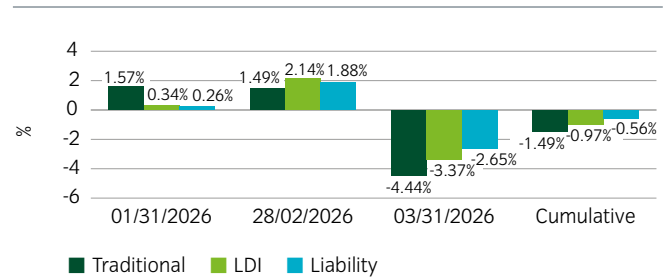


Figure 4: Trailing 12-month chain-linked excess returns³

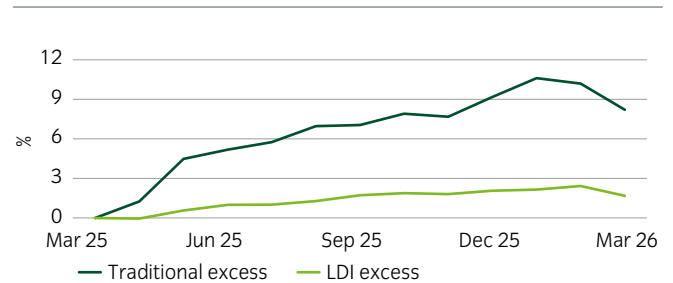
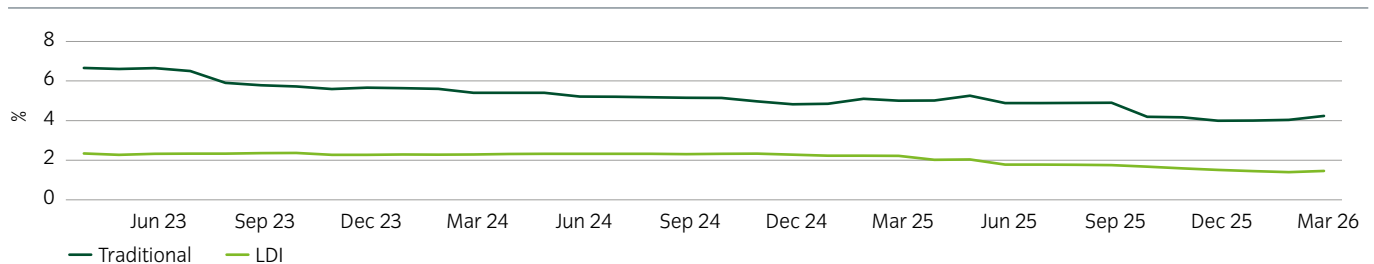


Table 1: Long-term statistics (annualized)³

	Return	Volatility	Surplus Return	Surplus volatility (Tracking Error)	Surplus VaR95	Max Drawdown
Liability	5.48%	8.24%				
Traditional	6.00%	8.31%	0.51%	8.61%	-17.60%	-52.8%
LDI	5.60%	8.85%	0.12%	2.55%	-6.15%	-16.9%

Figure 5: 3-year rolling tracking error³



³ Source: Insight MSCI BarrOne, Bloomberg. Data as of March 31, 2026. Please see page 4 for a description on how performance returns are calculated. The traditional and LDI proprietary indices reflect an assumed 0.40% annualized excess return that is modeled to offset asset management fees and transaction costs. Note: Beginning in 2026, we introduced two indices to provide insight into the impact of rate and market movements on different types of pension plan investors. Traditional Pension Index: The index reflecting those pensions that have not yet adopted LDI. LDI Pension Index: The index reflecting those who have adopted LDI in the fixed income portion of their portfolio. Assumptions behind the Insight indices include an illustrative static defined benefit cashflow profile calibrated to a 10-year duration as of June 30, 2025 and no external cashflows. WHERE MODEL OR SIMULATED RESULTS ARE PRESENTED, THEY HAVE MANY INHERENT LIMITATIONS. CLIENTS' ACTUAL RESULTS MAY BE MATERIALLY DIFFERENT THAN THE RESULTS PRESENTED. UNLIKE AN ACTUAL PERFORMANCE RECORD, MODEL RESULTS DO NOT REPRESENT ACTUAL TRADING AND MAY NOT REFLECT THE IMPACT THAT MATERIAL ECONOMIC AND MARKET FACTORS MIGHT HAVE HAD ON INSIGHT'S DECISION MAKING IF ACTUAL CLIENT FUNDS WERE BEING MANAGED. ALSO, SINCE SUCH TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER OR OVERCOMPENSATED FOR THE IMPACT, IN ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. MODEL RESULTS ARE ACHIEVED THROUGH THE RETROACTIVE APPLICATION OF A MODEL. MODEL RESULTS SHOWN DO NOT REFLECT MANAGEMENT FEES, TRANSACTION COSTS AND OTHER EXPENSES THAT WOULD REDUCE RETURNS. THIS IS A HYPOTHETICAL MODEL. THE QUOTED BENCHMARKS DO NOT REFLECT DEDUCTIONS FOR FEES, EXPENSES OR TAXES. THE BENCHMARKS ARE UNMANAGED AND DO NOT REFLECT ACTUAL TRADING. THERE COULD BE MATERIAL FACTORS RELEVANT TO ANY SUCH COMPARISON SUCH AS DIFFERENCES IN THE VOLATILITY, AND REGULATORY AND LEGAL RESTRICTIONS BETWEEN THE INDEXES SHOWN AND THE STRATEGY. INVESTORS CANNOT INVEST DIRECTLY IN ANY INDEX.

UPDATING OUR PENSION INDICES FOR 2026

Pension index updated methodology

In 2026, Insight updated the two US pension indices which we use to estimate the impact of market movements on two different types of pension investors:

1. Traditional Pension Index
2. LDI Pension Index

Both indices are constructed using the same illustrative, static defined benefit cashflow profile, calibrated to a 10-year duration as of June 30, 2025. The models assume no ongoing accruals, contributions or benefit payments, and no changes to mortality or demographic assumptions. Each model has an inception date of December 31, 1998. Historical data was sourced from MSCI BarraOne, Bloomberg, and ICE BAML.

Traditional Pension Index

The Traditional Pension Index is designed to represent pension plans that have not yet adopted LDI strategies. The index assumes a balanced asset allocation, with 50% invested in growth assets and 50% in bonds. Growth assets are fully allocated to the MSCI ACWI Index, while the bond allocation is fully invested in the Bloomberg US Aggregate Bond Index. Asset weights are rebalanced back to target levels at the end of each month.

LDI Pension Index

The LDI Pension Index is designed to represent pension plans that have implemented LDI within the fixed income component of their portfolios. The index assumes a 10% allocation to growth assets and a 90% allocation to bonds, with growth assets fully invested in the MSCI ACWI Index. The bond allocation is managed dynamically and rebalanced at the end of each month to achieve target hedge ratios of 100% for both interest rate risk and credit spread risk (measured on a duration times spread, or DTS, basis). This is achieved through a blend of fixed income indices and cash, with cash modelled using the 3 month US Treasury bill. The plan is not assumed to actively manage curve risk. Eligible bond indices include the Bloomberg US Long Credit Bond Index, Bloomberg US Intermediate Credit Index, Bloomberg US Long Government Index and Bloomberg US Intermediate Government Index. Total portfolio exposure may exceed 100% where leverage is required to meet the target hedge ratios. The cost of financing is assumed to be equal to the cash return.

Returns

Asset returns are based on Bloomberg index returns. An annualized excess return (alpha) of 0.40% is assumed to be earned continuously to reflect active management and is assumed to offset asset management fees and transaction costs⁴. Liability returns reflect changes in the net present value of the liability cashflows, discounted using the ICE BAML AAA-A3 corporate discount curve.

⁴ Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations. Outperformance of any benchmark is not guaranteed. ⁵ Data reflects assumptions laid out in this section. Calculated by Insight. Surplus VaR95 represents the 5th percentile one-year cumulative excess return. Max drawdown reflects the largest peak-to-trough decline observed over the period. Interest-rate and credit-spread hedge ratios indicate the proportion of liability DV01 and DTS matched by the asset portfolio, which is rebalanced monthly to target 100% for both measures.

Key take-aways of historical analysis as of December 31, 2025

Since inception, the Traditional Index has delivered an annualized excess return of 0.55%, compared with 0.14% for the LDI Index. While the Traditional Index has produced slightly higher annualized performance over the full period, this relative outperformance is concentrated in the period since 2023 and is largely attributable to strong equity market gains. Over the majority of the historical period analyzed, the LDI Index has outperformed, delivering higher excess returns in approximately 82% of observations. The Traditional Index's recent outperformance has come alongside materially higher funded status volatility and greater tail risk, reflecting its higher growth allocation and equity exposure. While this exposure can enhance returns during equity driven rallies, it also leads to substantially larger drawdowns. In contrast, the LDI approach delivers meaningfully lower funded status risk, with tracking error of 2.55% versus 8.63% for the Traditional Index. By maintaining near full interest rate and credit spread hedging, the LDI Index provides more stable and predictable funded status outcomes across market cycles, reflecting stronger alignment with typical plan objectives.

Figure 6: Cumulative returns⁵

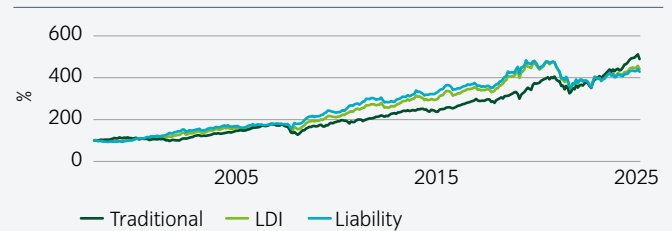


Figure 7: Max drawdown⁵

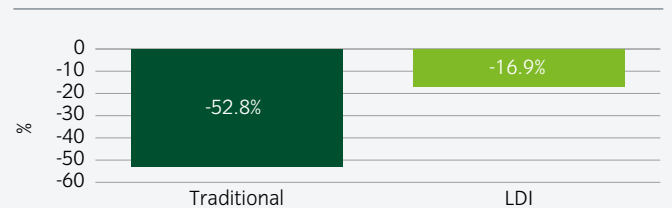
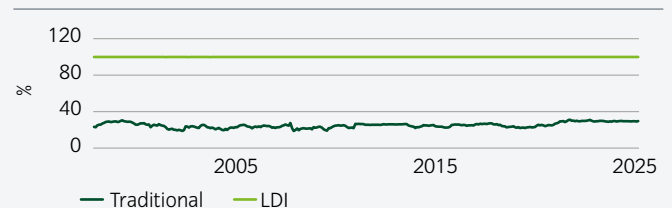


Figure 8: Rolling tracking error⁵



Figure 9: Interest rate hedge ratio⁵



SCALING THE CONTRIBUTION CLIFF: CASHFLOW SOLUTIONS FOR PUBLIC PENSIONS

Public pension plans are entering a transformative period. As funding levels improve, they face a “contribution cliff” – a sharp reduction in required contributions and persistent negative net cashflows. Plans must adapt to new liquidity realities. Purpose-built, liability-aware fixed income portfolios may be a solution.

Public pension plans have traditionally relied on contributions for the liquidity to support regular benefit payments and expenses. However, these contributions are declining, so plans must adapt to new liquidity realities.

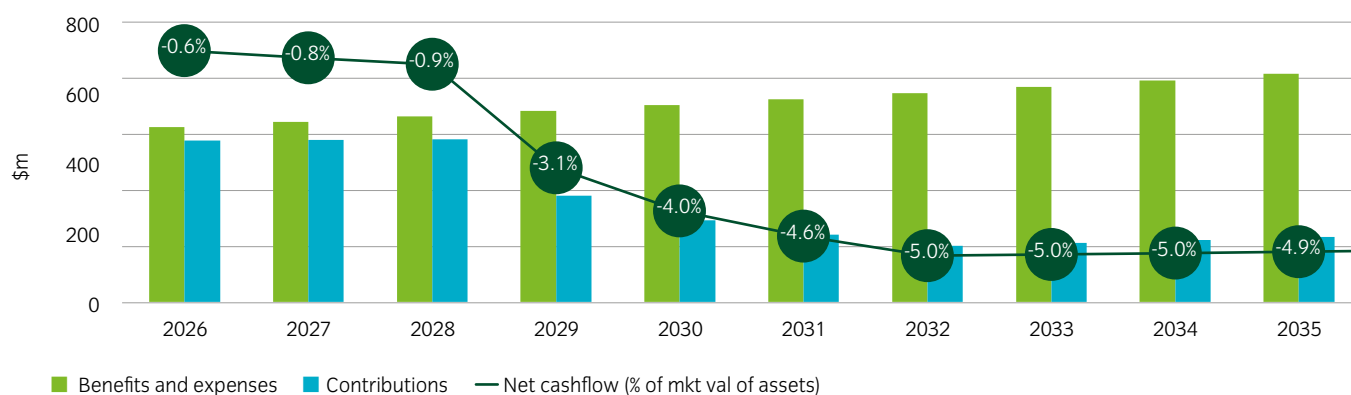
At the same time, plans’ allocations to illiquid assets are rising, and the traditional relationship between equities and bonds is shifting. These changes present both challenges and opportunities for the stakeholders of public DB plans.

THE NEW REALITY: LIQUIDITY, ILLIQUIDITY, AND CORRELATION BREAKDOWN

The contribution cliff is looming

Full funding is a milestone worth celebrating, but it brings new complexities. When amortization payments end, plans still need liquidity to pay benefits and administrative expenses. They must therefore regularly liquidate assets to meet obligations – sometimes in less-than-ideal market conditions.

Figure 10: Projected benefits are set to significantly exceed contributions⁶



Illiquid allocations have expanded

Public plans have allocated more to private equity, private credit, infrastructure, and real estate to potentially enhance returns and diversify portfolios⁷. In many cases, private assets now comprise ~30% or more of total portfolios. While these investments may offer attractive long-term potential, they also introduce new risks:

- **Limited liquidity:** Illiquids cannot be efficiently sold to meet benefit payments. When liquidity is needed, selling illiquid assets in secondary markets can result in significant haircuts – often 20% or more of NAV⁸ – making them a costly source of cash.
- **Unpredictable cashflows:** Capital calls and distributions are often irregular and difficult to forecast. In recent years, distributions have consistently fallen short of initial expectations, further intensifying liquidity pressures.

The equity-bond relationship is changing

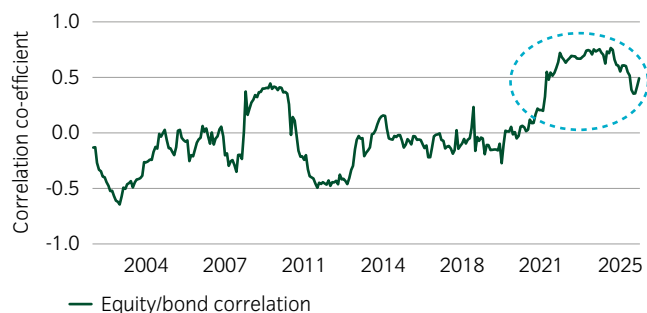
Post-2008, the negative correlation between equities and bonds often provided a natural hedge: when stocks fell, bonds typically rose, cushioning portfolio losses. The inflationary pressures of the post-COVID era have seen this relationship weaken or even reverse. The result? Traditional diversification strategies are less effective, and the risk that both equities and bonds decline together is now a real concern.

⁶ Bloomberg, pension plan financial account sources, Insight, December, 2025 Representative US public pension cashflow profile. For illustrative purposes only.

⁷ Cerulli Associates: North American Institutional Markets 2025 – Managing Liquidity and Private Investment Exposures

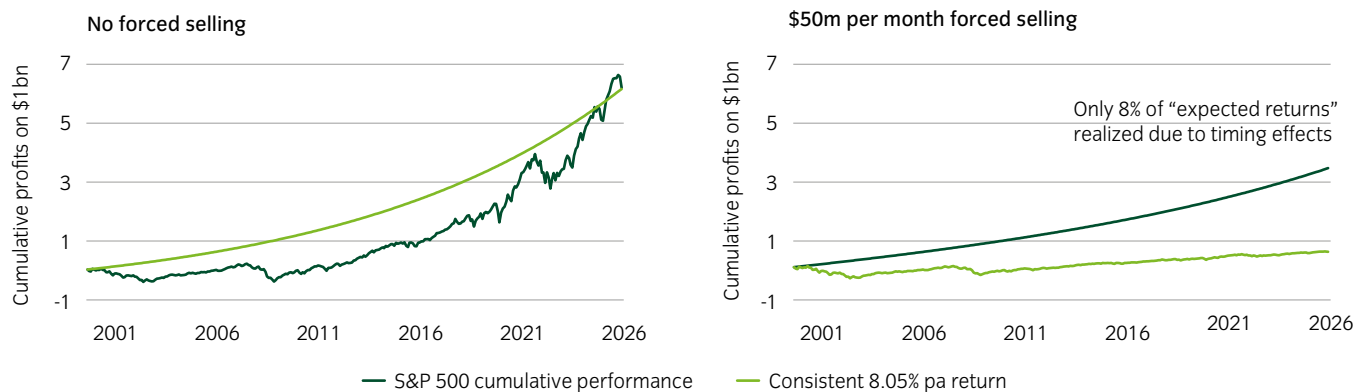
⁸ Allocating and Managing Illiquid Assets Through Time, December 2023, Railpen.

Figure 11: Plans may need more than traditional diversification to meet their growing cashflow needs⁹



As such, in periods of market stress, plans may be forced to sell a narrower selection of liquid assets at depressed prices, amplifying sequencing risk and potentially triggering a downward spiral in funded status.

Figure 12: Forced selling at the wrong time can impair asset growth¹⁰



REACHING THE SUMMIT: PATHWAYS TO OVERCOME THE CLIFF

Natural cashflow, aiming for maximum certainty of returns, and risk management

Fixed income portfolios constructed using liability-aware and cashflow-matching principles can be engineered to seek to deliver steady, predictable cashflows through regular coupon payments and principal returned at maturity to deliver a reliable stream of income to directly support benefit payments, administrative expenses and other cash needs. This may help to ensure plans maintain liquidity even as their allocations to illiquid assets grow. By holding bonds to maturity, investors effectively lock in the yield at purchase, ensuring a high degree of certainty in their return stream (absent default) and minimizing exposure to interim market volatility.

⁹ Bloomberg (indices: S&P 500 Index and Bloomberg US Aggregate Bond Index), December 2025. Analysis based on monthly returns. Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

¹⁰ S&P 500 total returns for period 12/31/1999 – 03/31/2026. Source: Bloomberg. For illustrative purposes only. The quoted benchmark does not reflect deductions for fees, expenses or taxes. The benchmark is unmanaged and does not reflect actual trading. There could be material factors relevant to any such comparison such as differences in the volatility, and regulatory and legal restrictions between the index shown and the strategy. Investors cannot invest directly in any index.

SEQUENCING OF RETURNS, EXPLAINED

The order in which a plan realizes investment returns (sequencing of returns) impacts the realized monetary performance when outflows are paid from the portfolio. For defined benefit plans seeking to grow assets to deliver fixed participant benefits, this risk can materially impact the likelihood of achieving the objective.

Consider a \$1bn investment in the S&P 500 Index at the end of 1999. Over the following 24 years, the return of the index was equivalent to a 7.7% pa return. If the investor were forced to sell just \$50m per year (excluding trading costs), it would have crystallized painful losses for the first decade, leaving it with less capital to then participate in the stronger returns that were generated from 2011 onward (Figure 6). Such forced selling would mean the investment only generated 16% of the returns that would be earned if no selling had occurred.

Cashflow-matching strategies and liquidity waterfalls (potentially complemented by overlay solutions) can deliver a range of potential benefits.

- **Reliable liquidity:** Asset cashflows are aligned with liability needs, reducing reliance on forced asset sales.
- **Sequencing risk mitigation:** Predictable potential income helps shield plans from the adverse effects of poor early market returns.
- **Cost and funded status stability:** Lower volatility in asset values and cashflows supports consistent contribution requirements and long-term funding objectives.
- **Support for illiquid allocations:** A robust liquid portfolio may enable confident investment in illiquids, knowing benefit payments could be covered even if private markets freeze or capital calls spike.

- **Enhanced risk and return management:** Incorporating capital-efficient beta exposure or downside protection through synthetic strategies can preserve market exposure and strengthen resilience during periods of volatility and liquidity stress.

Multi-sector and multi-geography construction

Today's customized fixed income portfolios are not one-size-fits-all. They can be thoughtfully constructed across multiple sectors – including government, corporate, structured, and municipal bonds – and diversified across geographies. In our view, such a multi-dimensional approach may enhance robustness, allowing plans to tap into a broader opportunity set, enhance yield, manage sector-specific risks, and adapt to changing market conditions.

Implementation in practice – delivering for all stakeholders

Plans can reposition existing fixed income allocations to be more purpose-built, constructed with an aim to deliver specific cashflow objectives with high certainty. In our view, yields remain attractive in the current environment, and any further increase in yields can allow plans to allocate more to fixed income without dramatically impacting their expected potential return.

By gradually increasing allocations as funded status improves and regularly reassessing the balance between liquid and illiquid assets, these strategies may help future-proof portfolios and help reconcile the diverse objectives of key public pension stakeholders:

- Employees and pensioners may enjoy greater benefit security.
- Politicians and taxpayers may benefit from budget stability and predictable funding costs.
- Bondholders and rating agencies may see improved credit profiles and reduced volatility.
- Investment teams may gain flexibility to pursue potentially higher returns in illiquid markets, without compromising liquidity.

CONCLUSION

The contribution cliff, rising benefit payments and illiquidity, and the breakdown of traditional diversification demand a new approach. We believe a customized fixed income portfolio – designed to match plan liabilities and cashflow needs, constructed across sectors and geographies – may offer public pension plans a strategic solution for managing liquidity and sequencing risk, stabilizing costs and funded status, and potentially mitigating the likelihood of liquidity crunches and forced selling.

OVERLAY SOLUTIONS: A STRATEGIC TOOL FOR INSTITUTIONAL INVESTORS

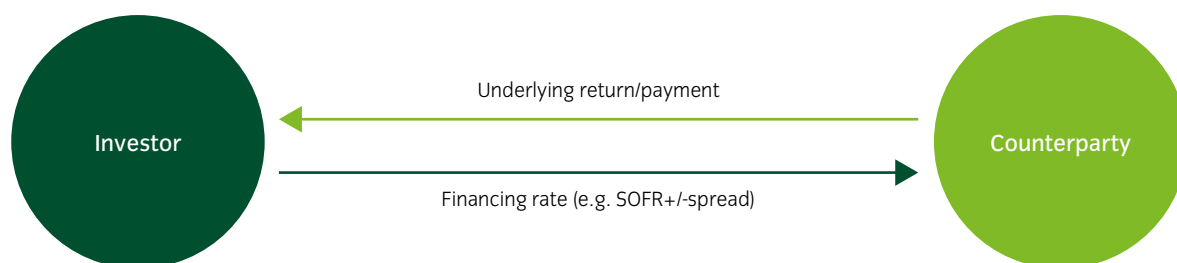
We believe overlays offer a flexible and capital-efficient way to enhance efficiency as well as manage risk and expected return, without disrupting portfolios or long-term objectives.

Institutional investors are forced to balance their strategic objectives with volatility, liquidity needs, governance constraints, and multi-manager complexity. However, we believe an overlay partner can allow for timely, targeted adjustments through flexible, capital-efficient and disciplined implementation, while keeping investors aligned to their strategic frameworks.

TIMELY PORTFOLIO ADJUSTMENTS WITHOUT COSTLY TRADING OF PHYSICAL ASSETS

An overlay is a synthetic derivatives portfolio that allows investors to adjust market exposures independently of their physical assets. It requires minimal initial capital, and investors exchange collateral rather than full cash funding. As such overlay instruments are economically similar to funding the purchase of physical assets at overnight rates (Figure 9).

Figure 13: Overlays may offer capital-efficient risk exposures¹¹



¹¹ For illustrative purposes only.

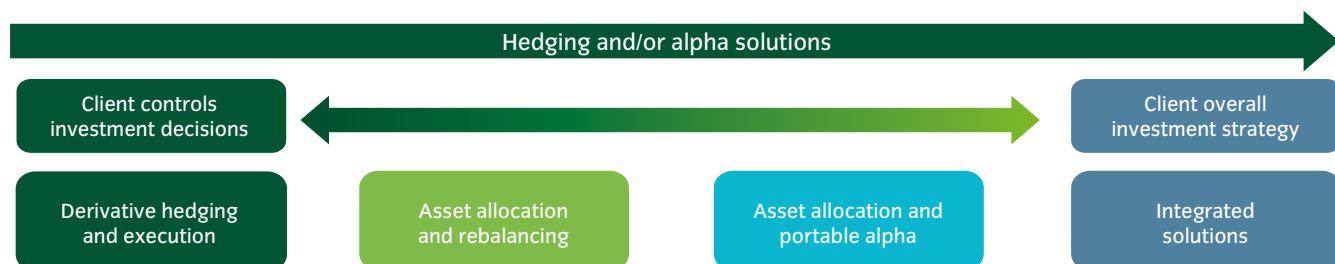
We believe overlays may offer several potential benefits.

- **Capital efficiency:** adjust exposures to target levels without reallocating physical assets.
- **Execution efficiency:** faster, at lower trading costs than physical securities, even in stressed markets.
- **Flexibility:** application across equity, rate, credit, currency, and commodity markets.
- **Scalability:** usable for incremental adjustments or full multi-asset implementations.

These features may allow overlays to support strategic portfolio alignment without disrupting underlying allocations or manager structures.

Clients may benefit from implementation approaches. They range from retaining full control over each investment decision to allowing managers latitude to execute transactions in line with the client's defined investment strategy.

Figure 14: Clients can consider a spectrum of control over their overlay solutions¹²



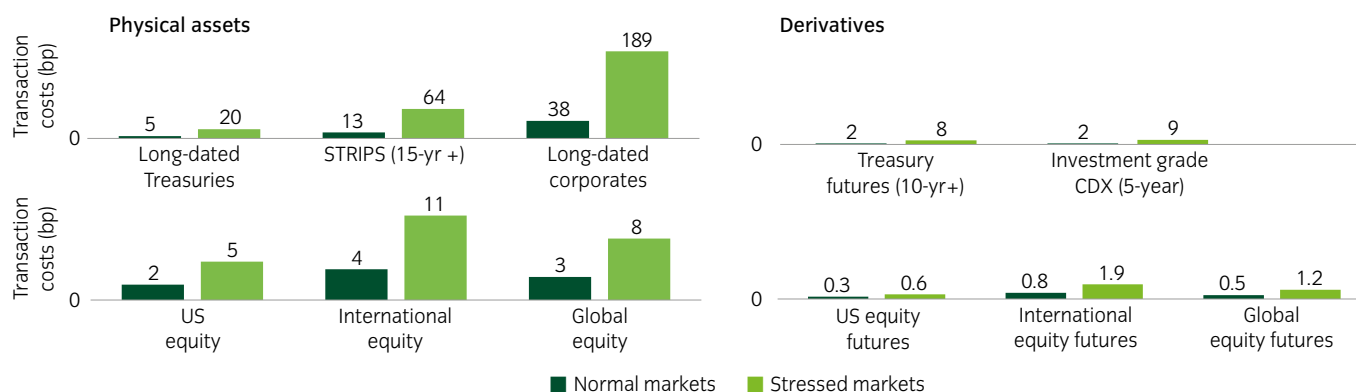
THREE POTENTIAL KEY BENEFITS OF OVERLAYS

1. We believe overlay strategies can also reduce transaction costs and deliver precise implementation

In multi-manager structures, portfolio drift from policy targets is common. Overlays provide a centralized mechanism to rebalance exposures, manage hedge ratios, align yield-curve positioning, and reduce tracking error with typically lower frictional costs.

Derivatives typically have materially lower trading costs than their physical counterparts. The difference can be particularly stark through stressed markets. Overlays can therefore potentially allow tighter adherence to strategic market exposure targets with less turnover. Overlays can open the door to exposures that would be impractical or costly to obtain physically, such as inflation-sensitive assets, alternative betas, or targeted rates, currency or credit exposures.

Figure 15: Transaction costs for derivatives can be a fraction of physical assets¹³



¹² For illustrative purposes only.

¹³ Bloomberg, Insight counterparty bank research (including Citi, BAML, JPM, GS, UBS, Soc-Gen, RBS, MS, Barclays). Estimated implementation cost is shown in basis points. Normal conditions represent December 2025, Stressed conditions represent March 2020. Estimates are provided for illustration purposes only. Actual statistics may be higher or lower than what is presented herein. Information contained herein is derived from sources believed to be reliable. Insight does not guarantee or warrant the accuracy, timeliness, or completeness of the information either collected, sourced or otherwise provided, and is not responsible for any errors or omissions. Opinions expressed herein are subject to change without notice.

2. Strengthen liquidity and reduce cash drag

Portfolios routinely experience inflows and outflows from contributions, distributions, transitions, and capital calls. Overlays allow investors to maintain target market and duration exposures when cash must be held or when physical assets are sold, helping manage both cash drag and unintended exposure drift from policy targets. Synthetic exposure adjustments can free up portfolios to manage cashflow needs without needing to sell physical assets, reducing forced selling and risks relating to sequencing of returns.

3. Implement tactical views efficiently

Overlays enable efficient tactical exposure tilts or portable alpha strategies through equities, rates, commodities, currencies and volatility instruments quickly and at low cost, without disrupting a manager lineup.

OVERLAYS MAY ALSO HELP CUSTOMIZE RETURN PROFILES

Overlay strategies can also help improve a portfolio's risk-return profile. Within predefined governance frameworks, tactical overlays allow exposures to be adjusted within established ranges in response to changing market conditions, providing a potential capital-efficient way to express short or medium-term views without altering the underlying manager structure.

Return-seeking overlays can also incorporate strategies like portable alpha, in which synthetic instruments deliver beta while physical capital is allocated to alpha-seeking strategies. Separating beta and alpha can potentially improve implementation efficiency and free up capital for higher-priority investments.

Options-based overlays can also introduce convexity exposure, increase downside protection potential, or generate income through systematic premium-selling strategies. These tools can help portfolios potentially participate in rising markets while supporting risk mitigation or income generation during quieter periods.

A ROBUST GOVERNANCE FRAMEWORK IS ESSENTIAL

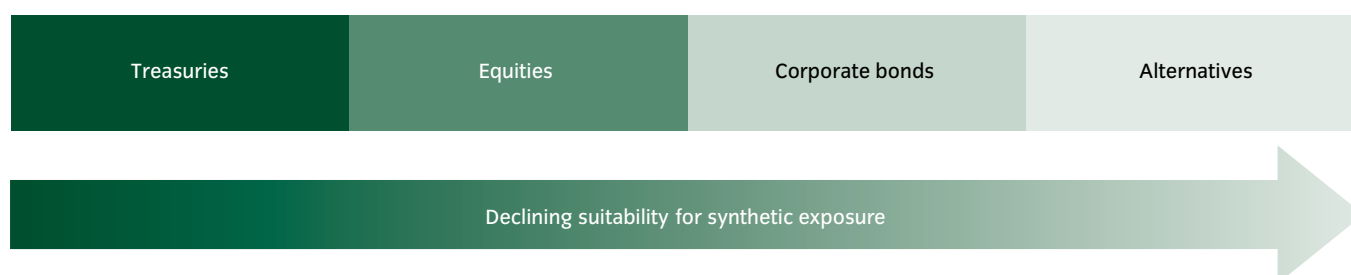
We believe strong operational infrastructure and a disciplined governance framework are essential for a well-designed overlay program, and that partnering with an experienced overlay manager is therefore critical.

Selecting the most appropriate instruments for achieving desired exposure sits at the heart of governance. For example, an overlay manager must determine if exchange-traded or over-the-counter (OTC) derivatives are best suited. The former can offer transparency, deep liquidity, and rapid execution (particularly valuable during market stress), while OTC instruments (such as swaps or customized total return structures) may provide enhanced flexibility regarding tenor, collateral terms, and structure. We consider aligning the right instruments with liquidity needs, risk appetite, and long-term objectives to be a foundational aspect of effective governance.

Investors also need the most suitable exposures for synthetic replication. For example, highly liquid and transparent markets such as government bonds and broad equity indices tend to track closely to their derivatives. We believe this can make them well suited for efficient, low tracking-error strategies.

However, further down liquidity spectrum, basis and replication risks can rise due to rising market segmentation, heterogeneous cashflow characteristics, and less consistent pricing. This is not to say synthetic tools cannot add value in less liquid markets, but it becomes important for disciplined frameworks to measure, monitor and manage expected tracking error, sources of slippage, and the trade-off between precision and capital efficiency.

Figure 16: Implementing overlays down the liquidity spectrum requires additional considerations¹⁴



¹⁴ For illustrative purposes only.

A well-designed governance framework should, in our view, support multiple implementation routes and provide continuous monitoring of exposures, financing costs, and collateral needs so target exposures can be maintained across different liquidity or volatility regimes and tracking error is managed proactively.

Collateral and counterparty management plays a central role in maintaining the stability of an overlay program. Derivatives are marked to market daily, and margin changes need efficient processing to avoid liquidity strain or unintended leverage. Diversifying collateral flows across counterparties and clearing brokers can reduce concentration risk and potentially strengthen pricing outcomes through competitive execution.

Many asset owners now operate under a Total Portfolio Approach (TPA), emphasizing a single portfolio, a unified risk budget, and centralized balance sheet management. Within this model, overlays may provide the connective tissue that links strategic exposure decisions with daily implementation. They can potentially manage financing, collateral, and rebalancing at the total fund level, helping ensure that policy exposures are

maintained consistently across multiple managers, asset classes, and liquidity profiles.

Given the strategic importance of an overlay mandate to successful execution of an investor's strategy, the overlay manager can play a key governance role, offering independent oversight of exposures, pricing models, hedge ratios, stress testing practices, and liquidity metrics to help ensure exposures remain aligned with objectives and help strengthen long-term resilience. Overlay managers can oversee the full lifecycle of implementation, from data and exposure analysis to execution, collateral management and reporting. This can allow investment committees and governance bodies to focus more on strategic direction.

CONCLUSION

We believe overlay strategies are essential tools for capital efficiency, liquidity resilience, and tight alignment with strategic objectives. By separating the task of managing exposure from physical allocation, overlays may offer a powerful mechanism for responding to market conditions without undermining long-term structure.

ECONOMICS AND MARKETS

KEY MARKET MOVEMENTS: Q1 2026

The outbreak of war in the Middle East caused significant volatility over the quarter. Spiking oil prices saw markets push up inflation forecasts, and price out the expectation of Fed rate cuts.

The Treasury yield curve flattened and shifted higher over the quarter. Yields across the curve shifted upward on growing inflation concerns, with yields at the shorter end underperforming as expectations for near term Fed rate cuts were pushed further out. Despite the more muted move at the long end, greater duration meant price losses were more severe, with the Bloomberg Long

Treasury Index underperforming the Intermediate Index and pulling overall returns into negative territory.

Wider spreads caused investment grade corporate credit and high yield to underperform Treasuries during the quarter.

Equity markets declined, with the S&P 500 Index falling by 4.3%.

The US dollar was boosted by investors seeking safe haven trades, with the dollar index rising by 1.7%.

Table 2: Q1 2026 fixed income/equity index returns (%) and volatility index levels¹⁵

Index	Q1 2026 total return (%)	Q1 2026 excess return (%)
Bloomberg US Treasury Index	-0.04	-
Bloomberg US Intermediate Treasury Index	0.05	-
Bloomberg US Long Treasury Index	-0.41	-
Bloomberg US IG Corporate Index	-0.54	-0.49
Bloomberg US Intermediate IG Corporate Index	-0.22	-0.22
Bloomberg US Long IG Corporate Index	-1.20	-1.06
ICE BofA US High Yield Index (H0A0)	-0.55	-0.51
S&P 500 Index	-4.33	-
MSCI Emerging Markets Equity Index	-0.17	-
Dollar Index	1.67	-
VIX ¹⁶	25	-
MOVE ¹⁶	96	-

¹⁵ Source: Bloomberg. Data as of March 31, 2026. Excess return is relative to US Treasuries (duration adjusted for IG indices).

¹⁶ VIX and MOVE are actual value at month end.

ECONOMICS

The global outlook remains steady but unspectacular, with growth expectations nudging higher over the quarter. Consensus forecasts see global real GDP easing to 3.0% in 2026 and stabilizing at 3.1% in 2027, despite modest upward revisions across both developed and emerging markets. US growth is expected to remain resilient at 2.3% in 2026 before moderating to 2.0% in 2027. The euro area outlook is slightly softer, with growth slowing to 1.1% in 2026 before recovering to 1.4% in 2027. Inflation pressures remain elevated given rising energy prices but are expected to peak at 3.6% in 2026

before easing to 3.3% in 2027. The US stands out with inflation hovering near 3% in 2026, well above the Fed's target, while euro area inflation has been revised higher, but is expected to remain close to 2%. Overall, while growth revisions have turned modestly more positive, forecasters continue to point to ongoing inflation concerns. Key to this outlook will be how long the conflict in the Middle East lasts and how sustained the surge in energy prices turns out to be.

Table 3: Consensus GDP and CPI expectations¹⁷

Real GDP	Consensus*			Change over Q1	
	2025	2026 ^F	2027 ^F	2026 ^F	2027 ^F
United States	2.2	2.3	2.0	0.3	0.0
Euro area	1.5	1.1	1.4	-0.1	0.0
Japan	1.1	0.8	0.9	0.0	0.1
China	5.0	4.6	4.4	0.1	0.1
Developed markets	1.9	1.8	1.8	0.1	0.0
Emerging markets	4.5	4.4	4.2	0.2	0.1
Global	3.2	3.0	3.1	0.1	0.1

CPI	Consensus*			Change over Q1	
	2025	2026 ^F	2027 ^F	2026 ^F	2027 ^F
United States	2.7	3.0	2.5	0.2	0.0
Euro area	2.1	2.2	2.0	0.4	0.0
Japan	3.2	2.0	2.0	0.1	0.0
China	0.0	0.9	1.0	0.2	0.0
Developed markets	3.4	3.1	2.7	0.3	0.1
Emerging markets	2.5	2.8	2.7	0.2	0.0
Global	3.4	3.6	3.3	0.3	0.4

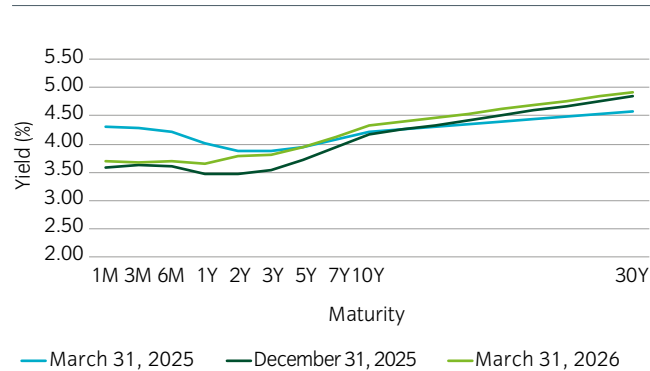
TREASURY MARKETS

The yield curve flattened and shifted upward

A surge in energy prices and reduced transit through the Strait of Hormuz prompted markets to reassess the global interest rate outlook, pushing bond yields higher. While sentiment could improve if the conflict de escalates, its economic effects are likely to persist for some time, as disrupted supply chains take time to normalise and damage to energy infrastructure is repaired.

The yield curve flattened and shifted upward over the quarter, as short-term yields rose to reflect the reduced chance of Fed rate cuts and the whole curve shifted upward on inflation concerns. By quarter-end, two-year yields had risen 9 basis points to 3.79%, and 30-year yields were 7 basis points higher at 4.91%.

Figure 17: Treasury yield curve change¹⁸



¹⁷ Source: Insight and Bloomberg. Data as of March 31, 2026. F=Forecast. * Bloomberg consensus forecast.

¹⁸ Source: Bloomberg as of March 31, 2026.

Net borrowing to remain elevated for years to come

At its February 2026 presentation, the US Treasury Borrowing Advisory Committee estimated that tax receipts for Q1 of the 2026 financial year totaled \$1,225 billion (+13% versus 2025). Total outlays were \$1,827 billion (+2% versus 2025). On a year-on-year basis bills issuance has significantly declined, with a shift towards issuance in the two-to-five-year maturity bracket.

The median forecast of Primary Dealers was for net privately held marketable borrowing of \$1.95 trillion in FY2026, \$2 trillion in FY2027 and \$2.075 trillion in FY2028.

It was noted that these forecasts had been adjusted for the effects of the One Big Beautiful Bill Act but not for tariff revenues, while uncertainty regarding future funding needs remains relatively high.

Table 4: US Treasury net marketable borrowing¹⁹

Market (\$bn)	2024 FY	2025 FY	2026 Q1	Yr/Yr change
Bills issuance	744	392	150	-151
Floating rate issuance	40	75	10	3
2-5yr Treasury issuance	-38	409	127	374
5-10yr Treasury issuance	685	783	155	-27
Over 10yr Treasury issuance	472	468	119	5
5-10yr TIPS	42	19	30	23
Over 10yr TIPS	17	-29	0	-46
Buybacks	-42	-185	-51	-116
Total	1,921	1,931	540	66

CREDIT MARKETS

Unlocking asset-based finance

Senior Portfolio Manager Melissa Niu answers some frequently asked questions on asset-based finance (ABF).

Question: What differentiates ABF from traditional asset-backed securities (ABS) or private direct lending?

Melissa: ABF typically refers to asset-secured financing opportunities available in private or “club” formats rather than public syndications. ABF can be backed by more traditional asset classes like auto loans and residential or commercial real estate, or by newer or esoteric collateral types like specialty finance, transportation and infrastructure.

The deals differ from private direct lending as the credit is based on bankruptcy-remote hard assets or pools of financial assets (as with traditional ABS) rather than the borrower’s balance sheet.

Question: Does the appeal of ABF deals differ by investor type?

Melissa: The main draw for all clients is a higher spread than corporate bonds (or public ABS) for similar credit risk, but with lower liquidity and higher complexity.

For insurance clients, this can be especially appealing, as lower liquidity is typically not a disadvantage given the nature of their liabilities. The same logic may apply to pension plans with cashflow aware strategies.

Additionally, both insurance companies and pension plans often look for asset customization to match their liability profiles. ABF can lend itself to this given the negotiable and customizable nature of deal structures.

Question: How can ABF deals be customized to investor needs?

Melissa: Given the typically private nature of asset-based finance, issuers and investors can work together to structure deals to target specific needs.

For example, within oil and gas-related ABS, the structures will often split out the more stable production operations from the less certain exploration ventures, to attract finance from ABS investors looking for potentially dependable cashflows.

Similar can be said for fiber-optic securitizations, which to date have primarily been exposed to mature, revenue-generating operations, rather than the less certain cashflows relating to new development or heavy capital spending.

Separating out exposures like this is generally not feasible in the corporate bond market.

Question: What do you think are the largest misconceptions around ABF?

Melissa: Esoteric ABF collateral types (like whole business securitizations, timeshares, containers, aircraft, media royalties, and future flows) are often new to investors so they can be under the impression that these are new credit exposures without long, established track records.

However, many of them have been securitized as corporate assets as far back as the 1990s. So those who have the institutional memory, historical data exists across multiple cycles.

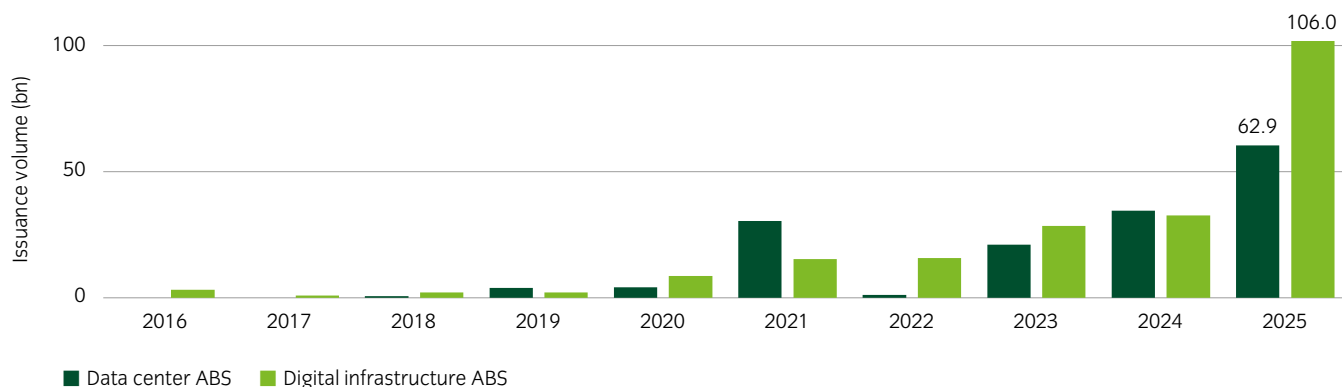
In other cases, these collateral types were previously funded by bank balance sheets, or even corporate bond markets such as with oil and gas PDP (proved developed producing) reserves, so the data exists there as well.

¹⁹ Source: Insight and US Treasury. Data as of February 28, 2026. Yr/Yr change is February 28, 2026 versus March 31, 2025.

This is not to suggest that there are no genuinely new asset types. There are, particularly those emerging from the new digital economy, such as AI-driven data-center infrastructure and digital intellectual property assets. Sectors like music royalties are also re-emerging in a transformed environment.

Discipline is particularly crucial in these sectors, so our focus is on responsibly applying proven models and prioritizing predictability and stability of future cashflows.

Figure 18: The new economy is driving genuinely novel exposures²⁰



Question: Does the ABF opportunity vary by geography or region?

Melissa: In the US, institutional clients often require or strongly prefer an external rating for ABF opportunities. Outside the US, sometimes clients may not. If needed, they may hire a bank to provide a rating or self-structure a rating.

Opportunities may also reflect different regulations, as European regimes in some areas can be more creditor-friendly. Some sectors, like aircraft, home-equity loans and some areas of digital infrastructure are less common outside the US. European markets are also subject to EU requirements, such as risk retention rules.

Question: What do you see being the greatest opportunities over the next three years?

Melissa: Innovation in the market is accelerating and continues to excite us.

We believe the opportunity in digital infrastructure should continue to expand given the push toward cloud computing and AI. Increasingly, as banks continue to retrench, we expect pension and insurance companies to find themselves natural lenders in these assets and the growth of the market may open doors for new asset types. Given the sheer size of bank financing, just a small pullback could create a large ABF opportunity set.

We also expect to see more globalization of ABF, with the potential for skilled global investors to integrate non-US assets into portfolios.

Question: How about the greatest challenges?

Melissa: There could be a challenge in investors increasingly seeing private credit and ABF as a “gold rush”. We see new entrants who may act more like “tourists”. As exciting as the opportunity may be, wider interest signals the need to maintain credit discipline and watch carefully for signs of mismanagement of asset-liability liquidity.

Question: What capabilities are essential for success in ABF?

Melissa: We believe crucial elements include deep institutional knowledge and experience. Internal credit research resources are important.

At Insight, we approach ABF with a long-term investment horizon, fully acknowledging and embracing the relative illiquidity of these investments.

Strong market relationships and in-house legal expertise can further enhance an investor’s capacity to navigate complex transactions and help deliver customized outcomes for clients.

Question: Do you organize your investment teams across public and private investments?

Melissa: No, our strong preference is to look at public and private investments together within a single team, with strict compliance processes regarding private information.

Frequently, issuers operate in both markets, and there are often relative value opportunities between their private and public deals. You may be surprised, but sometimes, we see more value in the public deal when private markets get too crowded.

²⁰ Bloomberg, Insight, December 2025.

CORPORATE PROFITS REBOUNDED

Data from Factset²¹ indicates analysts expect Q1 2026 earnings for the S&P 500 to rise 13% year-on-year, with revenues up 9.7%. In 2026 overall, earnings are projected to increase by 17%, with revenues up 8.6% – both well above the 10-year averages of 9.9% and 6%, respectively.

CREDIT MARKET PERFORMANCE

Credit spreads widened over the quarter as uncertainty increased and issuance picked up. Aggregate US corporate spreads ended the quarter 11p wider. The intermediate and long maturity components of the credit curve both performed in line with the aggregate index. BBB credit underperformed other rating categories on a spread basis in long maturities.

Table 5: Average spread (bp) of corporate bonds²²

Bloomberg Index	Mar 31, 2025	Dec 31, 2025	Mar 31, 2026	Change QTD	Weight (%)
Corporate	94	78	89	11	100.0
Intermediate	83	70	81	11	67.3
Long	116	94	105	11	32.7
– Long AAA	53	44	51	8	
– Long AA	78	67	78	11	
– Long A	95	76	87	11	
– Long BBB	141	119	131	12	

ISSUANCE BREAKDOWN

Gross investment grade credit issuance was 9% higher year-on-year in the 12 months to end March, with issuance in Q1 12% higher than in Q1 2025. Gross issuance in high yield was 27.8% higher year-on-year, and 15% higher in Q1 relative to Q1 2025.

Table 6: Gross new US bond issuance in \$bn²²

Market	2024 total	2025 total	Q1 2026	Yr/Yr change (%)
US investment grade	1,758	1,819	721	9.0%
US high yield	281	330	78	27.8%

In high yield, \$26.8bn of issuance was upgraded to investment grade (rising stars) in Q1, just under the \$33.8bn seen in the whole of 2025, while \$15.4bn was downgraded from investment grade to high yield (fallen angels). Defaults picked up in Q4 to \$9bn.

Table 7: High yield issuance breakdown in \$bn²²

Market	2025 (\$bn)	Q1 2026 (\$bn)
Downgraded to high yield	45.1	15.4
Called or falling below 12 months	156.6	42.4
Upgraded to investment grade	33.8	26.8
Defaults	15.7	9.0

²¹ Source: FactSet Earnings Insight

²² Source: Barclays research. Data as of March 31, 2026.

MARKET OUTLOOK

2025 was characterized by considerable macro “noise”, ranging from US tariff escalation to an unsettled geopolitical backdrop. However, following “Liberation Day” in early April, markets largely looked through the headlines. Equity markets performed strongly, credit spreads tightened further, and volatility in risk asset pricing eased, reflecting a macro landscape that proved surprisingly stable. Inflation continued to generally moderate, the Federal Reserve resumed easing, and AI-related capital expenditure provided a powerful support to US growth.

Yet that has brought its own challenges. Although the conflict in Iran has seen valuations decline from the highs, they still appear to be fairly extended. For example, if equity prices are to keep rising, it seems likely that earnings will need to remain strong to underpin those valuations. It may be questionable whether companies can easily maintain their earnings growth profiles.

The underlying policy and structural forces point toward what Insight describes as an unstable equilibrium. While the strength of the AI investment boom is generating meaningful wealth effects and supporting consumption, tariffs, political uncertainty and weakening non-tech investment threaten the durability of that momentum.

In addition, the US continues to exhibit structural fiscal deterioration. Debt is rising at an accelerating pace, and Treasury issuance is increasing in both volume and complexity. Meanwhile, foreign demand for Treasuries, traditionally dominated by China, Japan and Europe, has weakened or become less reliable. In contrast, other major economies face their own challenges: the eurozone’s fiscal fragility (notably France), Japan’s slow shift away from ultra-loose policy, and the UK’s concerns around debt sustainability.

The broad overview seems clear: macro fundamentals remain supportive enough to avoid recession in the near term, but the medium-term outlook may be less secure.

Investment outlooks

Investment grade credit: The conflict in Iran has materially increased risks to both growth and inflation. Higher energy prices are weighing on growth while simultaneously reinforcing inflation pressures, pushing back expectations for Fed easing and raising the prospect of rate hikes in Europe. As a result, government bond yields have risen and credit spreads have widened, albeit from

historically tight levels. Corporate fundamentals remain resilient, supported by stable balance sheets while higher absolute yields have further increased the attractiveness of investment grade credit. The market continues to expect an elevated level of new issuance, with supply likely to remain an important theme through the first half of 2026, driven by M&A activity and rising AI-related capex. If the conflict de-escalates quickly, then the positive macroeconomic environment might start to reassert itself and spreads could begin to grind tighter again. However, a more extended conflict could continue to build pressure on corporate spreads given the implications for central bank policy rates, lower consumption and weaker corporate earnings. From a supply perspective, we are observing that primary markets are broadly continuing to offer new issue concessions, helping to cushion broader spread volatility, while rising dispersion favours a disciplined focus on active management, security selection and relative value. We also see continued opportunities from issuers accessing non-domestic markets, particularly US corporates issuing into European markets.

High yield credit: Spreads have widened in 2026 as conflict in the Middle East has introduced some uncertainty to the growth outlook. Combined with an upward shift in rates and a flattening of the high yield curve, we believe this is a compelling opportunity to add to high yield positions. The high yield market continues to be underpinned by resilient technicals, manageable default expectations and limited near-term refinancing pressure and we would expect these to reassert themselves over time. Defaults remain low by historical standards, and we see little reason for a material deterioration given the improving quality of public high yield debt issuers and the continued migration of weaker credits toward private markets. However, dispersion is rising, particularly in AI-exposed sectors and among highly leveraged, rate-sensitive borrowers. In this environment, we believe a cautious approach remains warranted, especially in sectors with elevated issuance such as technology. We favor maintaining an underweight to CCC-rated and highly cyclical exposures, while focusing on issuers with resilient cashflows, balance-sheet flexibility and clear refinancing paths. Credit selection will be critical, and we expect active security selection to remain the primary driver of returns through 2026. Looking ahead, we see promising opportunities to add exposure in telecommunications, healthcare, and other industries that are likely to be less affected by ongoing global disruptions.

Structured credit: The conflict in the Middle East has increased the downside risks to growth, but we believe these will be offset by fiscal stimulus in both the US and Europe, alongside the lagged impact of earlier central bank easing. Together, these forces should be sufficient to keep growth in positive territory. Elevated energy prices are likely to delay further rate cuts, which, for a floating-rate asset class, helps to keep income levels attractive. Market technicals remain constructive, in our view, with healthy investor demand supporting primary issuance across core asset-backed securities sectors such as autos and residential mortgage-backed securities. While parts of private credit and lower-rated collateralized loan obligation tranches have come under pressure, higher-quality securitized assets remain well supported, with spreads broadly stable and valuations attractive relative to cash. We continue to see opportunities to add value through primary markets, where new issue concessions can offer potential for compelling risk-adjusted returns, as well as through selective rotation into higher-quality structures amid rising dispersion. Our focus remains on senior, well-protected parts of the capital structure, prioritizing transactions with robust underwriting, strong servicing and structural protections that preserve cashflows in downside scenarios. We believe this positioning should help insulate portfolios from ongoing macro, inflation and geopolitical uncertainty, while allowing us to pursue attractive income and relative-value opportunities through 2026.

Municipal bonds: Despite recent market volatility, the municipal bond market continued to be supported by strong credit fundamentals and attractive tax equivalent yields versus other high grade fixed income alternatives. While issuance is likely to remain elevated as issuers fund infrastructure needs and higher capex costs, demand from high tax bracket investors should remain supportive. Credit conditions appear stable, underpinned by elevated reserve levels and solid cash balances, although pockets of pressure are emerging from tariffs, slowing migration and potential federal spending cuts. From a sector perspective, we favor essential service and revenue-diversified credits such as state and local general obligation bonds, water and power utilities, transportation and higher education, while remaining cautious on healthcare amid margin pressures and prospective Medicaid cuts. Despite relatively tight valuations, new issue concessions and rising dispersion continue to reward active management and disciplined security selection.

KEY MARKET RISKS

FORECASTING UNCERTAINTY RAISES RISKS

A heightened level of policy uncertainty is making forecasting increasingly challenging, with significant implications for both investors and the Fed. Although signaling that they expect to cut rates further, history provides few precedents for rate cuts when inflation remains well above target and fiscal deficits are so wide.

GROWTH SOFTENS MORE MEANINGFULLY THAN EXPECTED

Although AI investment remains a tailwind, the headwind from policy uncertainty has been compounded by surging energy prices and war in the Middle East. Our core scenario remains that the economy should avoid recession, but there is a risk that growth could decelerate more sharply than expected, with potentially negative consequences for credit markets.

AN UNPREDICTABLE GEOPOLITICAL BACKDROP

Geopolitical tensions remain elevated, creating an unpredictable backdrop where events can quickly escalate or de-escalate, creating significant market volatility. The conflict in the Middle East is an example of how quickly events can change, while the ongoing rivalry between the United States and China continues to dominate global affairs, with trade disputes, technological competition, and military posturing in the Indo-Pacific region intensifying.

EDUCATIONAL: GETTING UP TO SPEED ON STABLECOINS

Stablecoins – digital tokens designed to maintain a stable value – have expanded rapidly, growing from a niche instrument into a significant component of the global digital-asset ecosystem. Their appeal is clear: they offer near-instant settlement, 24/7 global reach, programmability, transparent on-chain auditability, and low transaction costs. As digital assets and services become increasingly integrated into global finance, stablecoins are expected to be an important part of this evolution.

- Different countries are prioritizing different objectives. The United States now leads both in issuance and regulatory clarity, driven by the GENIUS Act and broader political support for dollar-denominated digital money. Europe, the UK, and Asia are developing their own divergent regulatory regimes, reinforcing a multipolar digital-currency environment rather than a global standard.
- Of all the forms of digital payments, we see stablecoins as having the potential for the greatest macro impact.
 - While stablecoins have the potential to disrupt monetary policy transmission, US restrictions on interest payments should limit this risk.
 - Even moderate adoption could meaningfully increase demand for the assets used to back stablecoins, including cash, T-bills, repo, commercial paper, floating-rate instruments, and high-quality ABS, though this will not translate into a one-for-one rise in net new demand.
 - The downside is that wider adoption could make government budgets more sensitive to interest-rate movements, while also introducing systemic risks if confidence in a major stablecoin were to falter.
 - Although stablecoins can support financial inclusion, the proliferation of competing issuers risks fragmenting the market rather than unifying it.

FURTHER READING




FIND OUT MORE

Insight Investment
200 Park Avenue
New York, NY 10166

 inquiries@insightinvestment.com

 [company/insight-investment-north-america](https://www.linkedin.com/company/insight-investment-north-america)

 www.insightinvestment.com

INDEX DEFINITIONS

Information about the indices shown here is provided to allow for comparison of the performance of the strategy to that of certain well known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the indices represented do not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the indices shown.

The ICE BofA US Corporate Index measures market performance of USD-denominated investment grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofA 15-Year+ US Corporate Index measures market performance of USD-denominated investment grade corporate debt publicly issued in the US domestic market with a remaining term to maturity above 15-years.

The Bloomberg US Corporate Investment Grade Index measures market performance of USD-denominated investment grade industrial corporate debt publicly issued in the US domestic market.

The Bloomberg US Long Corporate Bond Index measures market performance of USD-denominated investment grade corporate debt publicly issued in the US domestic market with a remaining term to maturity above 10-years.

The ICE BofA AAA US Corporate Index measures market performance of USD-denominated investment grade corporate debt publicly issued in the US domestic market with AAA ratings.

The ICE BofA AA US Corporate Index measures market performance of USD-denominated investment grade corporate debt publicly issued in the US domestic market with AA ratings.

The ICE BofA A US Corporate Index measures market performance of USD-denominated investment grade corporate debt publicly issued in the US domestic market with A ratings.

The ICE BofA BBB US Corporate Index measures market performance of USD-denominated investment grade corporate debt publicly issued in the US domestic market with BBB ratings.

The ICE BofA BB US High Yield Index measures market performance of USD-denominated high yield corporate debt publicly issued in the US domestic market with BB ratings.

The ICE BofA B US High Yield Index measures market performance of USD-denominated high yield corporate debt publicly issued in the US domestic market with B ratings.

The Bloomberg US Corporate High Yield Index measures market performance of USD-denominated high yield corporate debt publicly issued in the US domestic market.

IMPORTANT DISCLOSURES

This document has been prepared by Insight North America LLC (INA), a registered investment adviser under the Investment Advisers Act of 1940 and regulated by the US Securities and Exchange Commission (SEC). Registration with the SEC does not imply a certain level of skill or training. The SEC has not reviewed or approved any calculation or presentation of performance results included in these materials. INA is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited, Insight Investment International Limited and Insight Investment Management (Europe) Limited (IIMEL).

Opinions expressed herein are current opinions of Insight, and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes. Any outlooks, forecasts or portfolio weightings presented herein are as of the date appearing on this material only and are also subject to change without notice. Insight disclaims any responsibility to update such views. No forecasts can be guaranteed.

Nothing in this document is intended to constitute an offer or solicitation to sell or a solicitation of an offer to buy any product or service (nor shall any product or service be offered or sold to any person) in any jurisdiction in which either (a) INA is not licensed to conduct business, and/or (b) an offer, solicitation, purchase or sale would be unavailable or unlawful.

This document should not be duplicated, amended, or forwarded to a third party without consent from INA. Where noted, certain marketing documents are intended for institutional investors only and in such cases should not be made available to or relied upon by retail investors. This material is provided for general information only and should not be construed as investment advice or a recommendation. You should consult with your adviser to determine whether any particular investment strategy is appropriate.

Assets under management (AUM) represented by the value of the client's assets and liabilities Insight is asked to manage. These will primarily be the mark-to-market value of securities managed on behalf of clients, including collateral if applicable. Where a client mandate requires Insight to manage some or all of a client's liabilities (e.g. LDI strategies), AUM will be equal to the value of the client specific liability benchmark and/or the notional value of other risk exposure through the use of derivatives. Regulatory assets under management without exposures can be provided upon request. Unless otherwise specified, the performance shown herein is that of Insight Investment (for Global Investment Performance Standards (GIPS®), the 'firm') and not specifically of Insight North America. A copy of the GIPS composite disclosure page is available upon request.

Past performance is not a guide to future performance, which will vary. The value of investments and any income from them will fluctuate and is not guaranteed (this may partly be due to exchange rate changes). Future returns are not guaranteed and a loss of principal may occur.

Certain performance numbers used in the analysis are gross returns. The performance reflects the reinvestment of all dividends and income. INA charges management fees on all portfolios that it manages and these fees will reduce the returns on the portfolios. For example, assume that \$30 million is invested in an account with INA, and this account achieves a 5.0% annual return compounded monthly, gross of fees, for a period of five years. At the end of five years that account would have grown to \$38,500,760 before the deduction of management fees. Assuming management fees of 0.25% per year are deducted monthly from the account, the value at the end of the five year period would be \$38,022,447. Actual fees for new accounts are dependent on size and subject to negotiation. INA's investment advisory fees are discussed in Part 2A of its Form ADV Part 2A Brochure. A full description of fees and other applicable expenses is also included in Part 2A of Form ADV available from INA at www.adviserinfo.sec.gov.

Targeted returns intend to demonstrate that the strategy is managed in such a manner as to seek to achieve the target return over a normal market cycle based on what Insight has observed in the market, generally, over the course of an investment cycle. In no circumstances should the targeted returns be regarded as a representation, warranty or prediction that the strategy will achieve any particular performance or that it will achieve or is likely to achieve any particular result or that investors will be able to avoid losses, including total losses of their investment.

The information shown is derived from a representative account deemed to appropriately represent the management styles herein. Each investor's portfolio is individually managed and may vary from the information shown. The mention of a specific security is not a recommendation to buy or sell such security. The specific securities identified are not representative of all the securities purchased, sold or recommended for advisory clients. It should not be assumed that an investment in the securities identified will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed.

The quoted benchmarks within this document do not reflect deductions for fees, expenses or taxes. These benchmarks are unmanaged and cannot be purchased directly by investors. Benchmark performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be material factors relevant to any such comparison such as differences in volatility, and regulatory and legal restrictions between the indices shown and the strategy.

Asset allocations are subject to change without notice, may not represent current or future decisions, and should not be construed as investment recommendations.

Where provided, portfolio holdings are intended for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned.

Where provided, ratings reflect the credit ratings by nationally recognized statistical rating organizations (NRSROs), including Moody's, S&P and Fitch. If there are multiple ratings for a security, the lowest rating is used unless ratings are provided by all three agencies, in which case the median rating is used. Credit ratings are subject to change. Total may not add up to 100% due to rounding.

Derivatives are specialized instruments that require investment techniques and risk analysis different from those associated with equities and debt securities. Strategies may use both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences. These instruments can be highly volatile and expose investors to a high risk of loss. There can be no guarantee or assurance that the use of derivatives will meet or assist in meeting the investment objectives of the strategy.

Information contained herein is derived from sources believed to be reliable. Insight does not guarantee or warrant the accuracy, timeliness, or completeness of the information either collected, sourced or otherwise provided, and is not responsible for any errors or omissions.

Transactions in foreign securities may be executed and settled in local markets. Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved.

Insight does not provide tax or legal advice to its clients and all investors are strongly urged to consult their tax and legal advisors regarding any potential strategy or investment.

Information herein may contain, include or is based upon forward-looking statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals expansion and growth of our business, plans, prospects and references to future or success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe', and other similar words are intended to identify these forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results or outcomes. Consequently, no forward-looking statement can be guaranteed. Our actual results or outcomes may vary materially. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Insight and BNY Mellon Securities Corporation (BNYSC) are subsidiaries of BNY Mellon. BNYSC is an SEC registered broker and FINRA member. BNY is the corporate brand of the Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally. Products and services may be provided under various brand names and in various countries by subsidiaries, affiliates and joint ventures of the Bank of New York Mellon Corporation where authorized and regulated as required within each jurisdiction. Unless you are notified to the contrary, the products and services mentioned are not insured by the FDIC (or by any government entity) and are not guaranteed by or obligations of the Bank of New York Mellon Corporation or any of its affiliates. The Bank of New York Mellon Corporation assumes no responsibility for the accuracy or completeness of the above data and disclaims all expressed or implied warranties in connection there with. Personnel of certain of our BNY Mellon affiliates may act as: (i) registered representatives of BNYSC (in its capacity as a registered broker-dealer) to offer securities, (ii) officers of the Bank of New York Mellon (a New York chartered bank) to offer bank-maintained collective investment funds and (iii) associated persons of BNYSC (in its capacity as a registered investment adviser) to offer separately managed accounts managed by BNY Mellon Investment Management firms.

Disclaimer for Non-US Clients: Prospective clients should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the purchase and ongoing provision of advisory services. No regulator or government authority has reviewed this document or the merits of the products and services referenced herein.

This document is directed and intended for 'institutional investors' (as such term is defined in various jurisdictions). By accepting this document, you agree (a) to keep all information contained herein (the 'Information') confidential, (b) not use the Information for any purpose other than to evaluate a potential investment in any product described herein, and (c) not to distribute the Information to any person other than persons within your organization or to your client that has engaged you to evaluate an investment in such product.

Telephone conversations may be recorded in accordance with applicable laws.

© 2026 Insight Investment. All rights reserved.