



Market Views – Q3 2026
October 2026

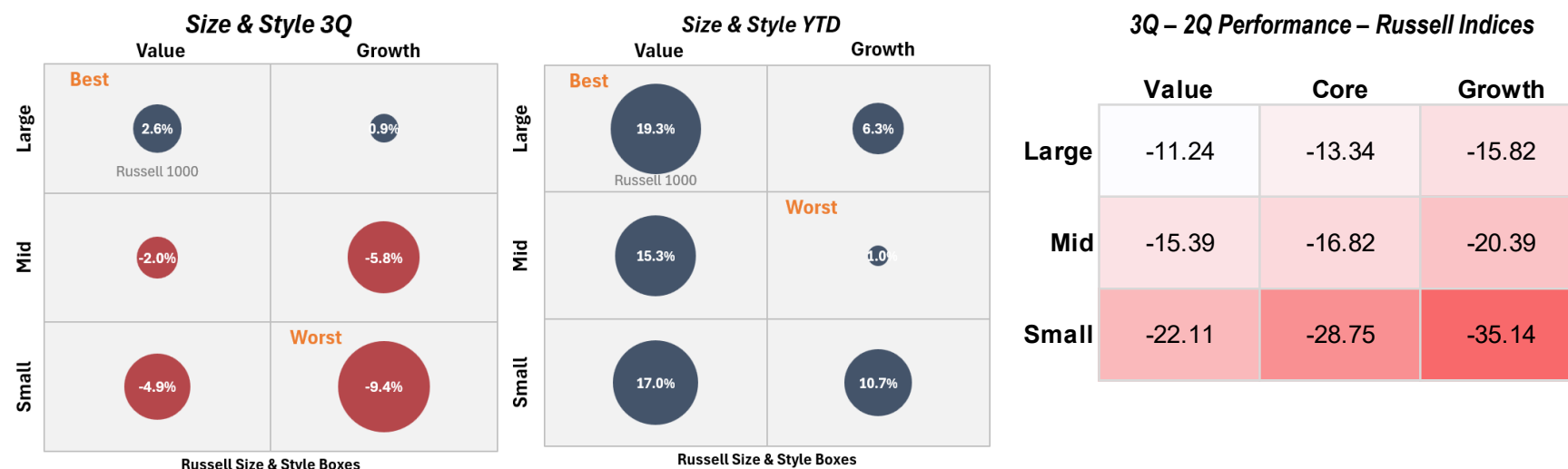


Mega Caps Dominate as Small Caps Suffer Historic Relative Underperformance



- ❑ Outside of mega caps, majority of stocks and style segments were negative for the quarter
- ❑ Small caps had a historically bad quarter, the 3rd worst relative showing since 1979; only 1990 and 1998 were worse.

Historically Bad Quarter for Small Caps Relative to Large & Substantial Reversal from 2Q Across Size & Style Segments



Source (All Charts): FactSet as of 9/30/26

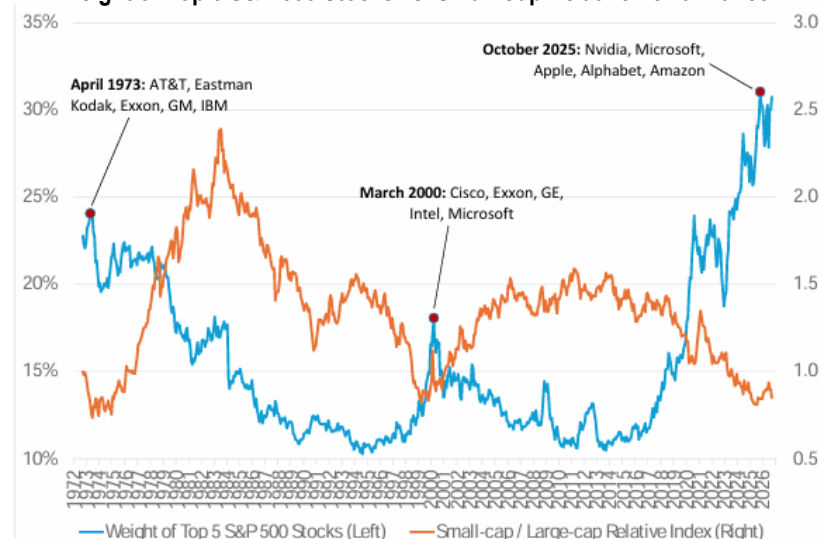
Market Concentration Reaches Historic Extremes



- ❑ Market concentration re-emerged with the Mag 7 resuming leadership, but was also evident down cap.
- ❑ Despite resilient economic growth and strong corporate earnings, market performance remained concentrated in a relatively small group of companies.
 - ❑ The equal-weighted S&P 500 trailed its market-cap-weighted counterpart by approximately 4–5 percentage points.
- ❑ Meanwhile, smaller stocks are down 30-40% from the highs, despite the large cap indices still near highs.

In 3Q the Mag 7 Represented 508% of the R1000G Return

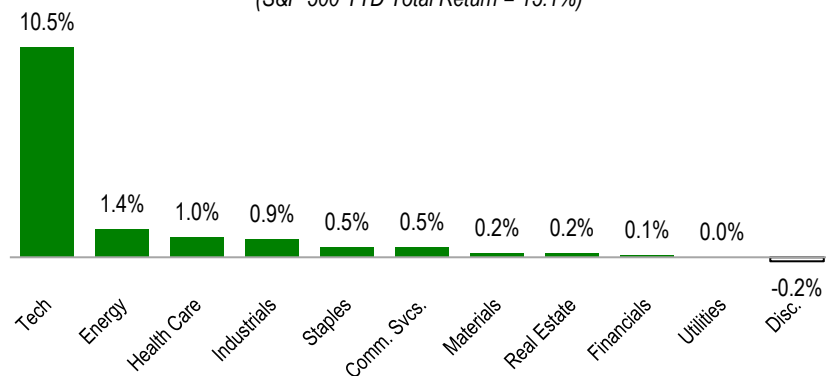
Weight of Top 5 S&P 500 Stocks vs. Small-Cap Relative Performance



Source: Furey Research Partners (FRP), FactSet as of 9/30/26

Tech has accounted for ~70% of the S&P 500 YTD total return

Sector Contribution to S&P 500 YTD Return
(S&P 500 YTD Total Return = 15.1%)



Source: Wolfe as of 9/30/26

Market Was Very Narrow, Equal Weight Underperforming YTD

Relative Performance: S&P 500 Equal-Weighted vs. The S&P 500



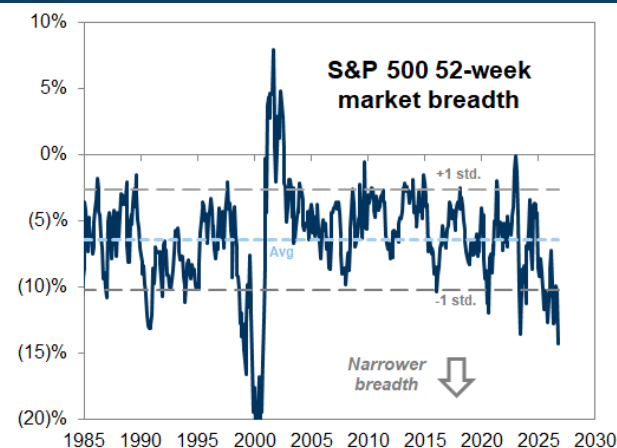
Source: Jefferies, FactSet, FTSE Russell; as of 9/30/26

Market Breadth Deteriorates to Dot-Com Era Levels



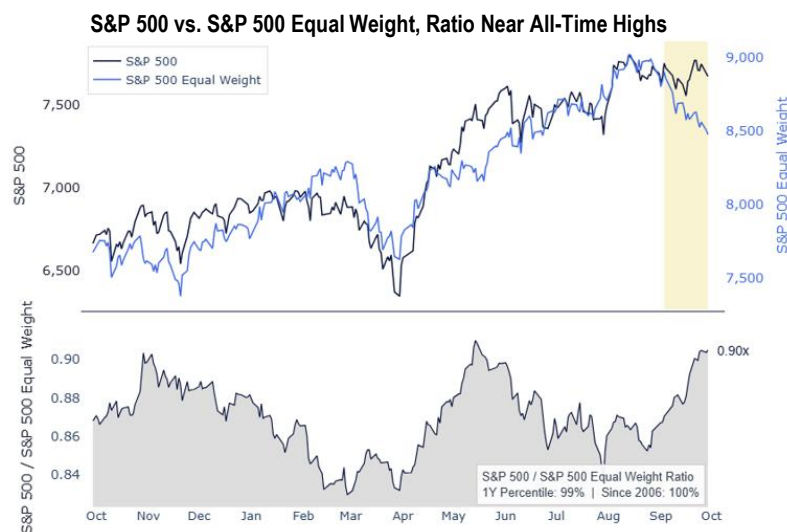
- ❑ The disconnect between the index returns and the average stock, is one of the most interesting dynamics in the US Equity Market.
- ❑ The S&P 500 sits within 1% of all-time highs, while the median stock is now 16% below its own high
- ❑ The Russell 3000 is 2.5% from it's all-time high, while the median stock is 22% below its 52-week high and the average stock is 28% below.
- ❑ Bear market like stats for the R3000 YTD:
 - ❑ 57% down 20% or more
 - ❑ 40% down 30% or more

Breadth Has Now Deteriorated to its Weakest Level Since the Dot-Com Bubble



Source: Jefferies as of 9/30/26. Calculated as the difference between the aggregate of the S&P 500 index & median stock from their respective 52-week highs.

The Gap Between the Index and the Average Stock is Widening



Source: Bloomberg as compiled by Citadel Securities, Global Market Intelligence, as of 9/26/26.

Only 23% of Stocks Outperformed the S&P 500 in September, The 3rd Lowest Reading Since 1986

% of S&P 500 Stocks Outperforming the Index Each Month Over the Last Decade



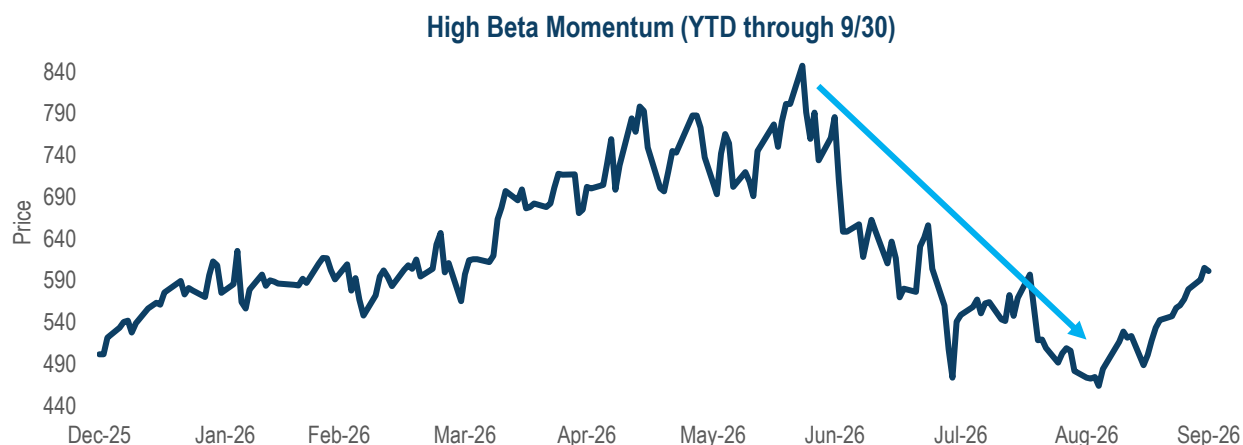
Source: BofA US Equity & Quant Strategy, FactSet as of 9/30/26.

Factor Leadership Volatile, Momentum Falters

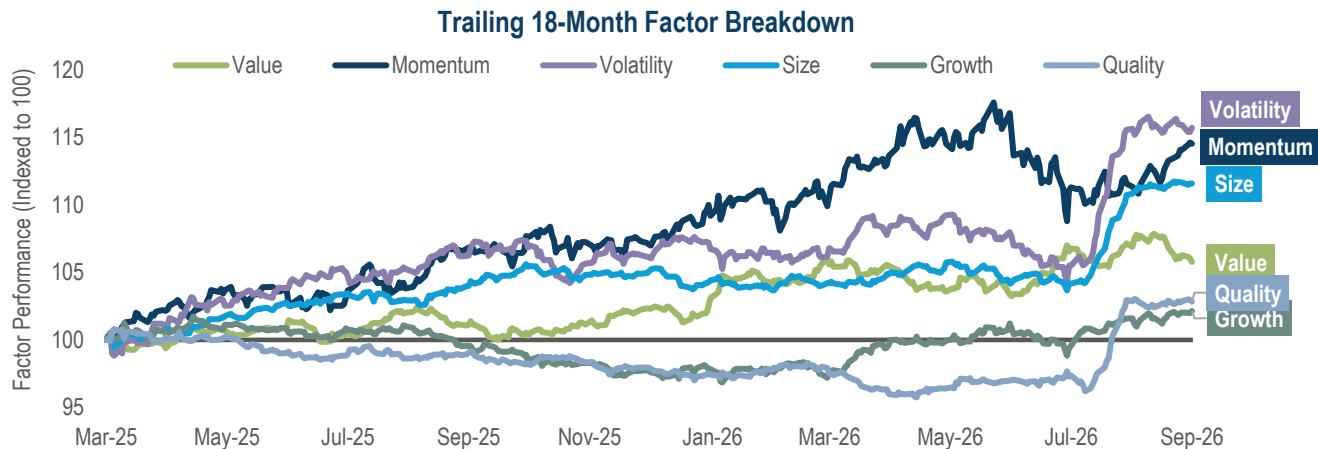


- ❑ High beta momentum fell 30% in the quarter, after rising 56% in the first half.
- ❑ Expect volatility to continue – important to stay balanced and nimble around factor extremes.

High Beta Momentum (i.e. AI) Declined Over 40%, Before Rebounding in September



Volatility and Momentum Have Led Over the Last 18 Months; Quality and Growth Beginning to Work



Source (Both Charts): Bloomberg as of 9/30/26

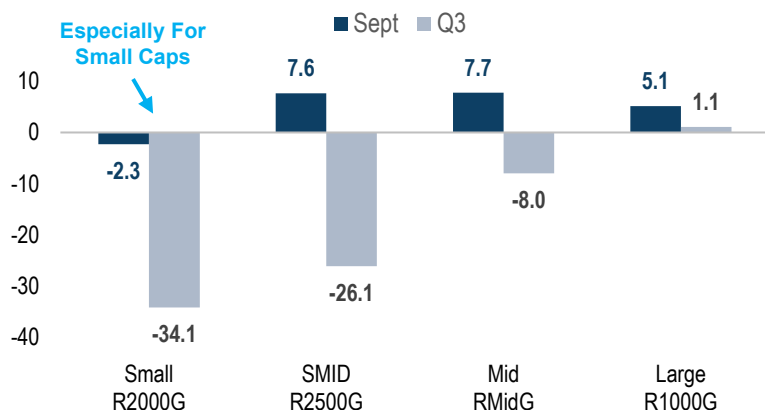
AI Trade Remains Volatile Despite Strong Earnings Growth



- For most of the quarter, AI sold off, down an average of 23% (ex Mag 7), before rallying hard in September.
- Volatility within the AI trade has been the norm and we expect this to continue in 2027.

Yield Score Took Down the AI Trade for the Quarter

AI Basket Performance - Russell Growth Indices Sept vs. Q3



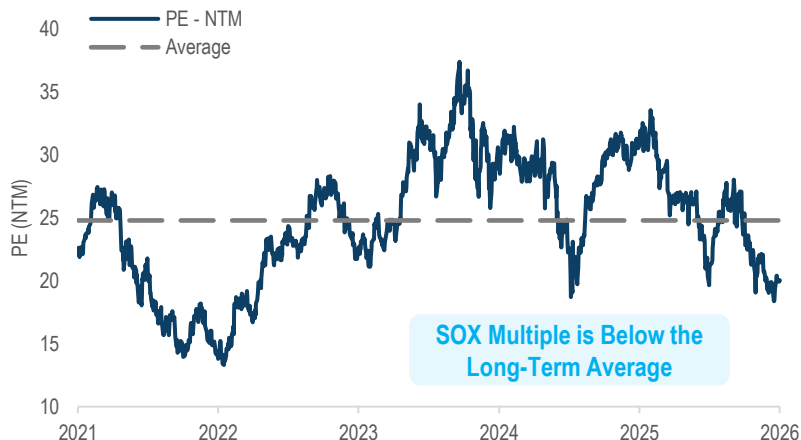
Volatility Within AI Trade Has Been The Norm, We Expect To Continue In 2027

Event	Dates	AI Basket Drawdown	Subsequent Rally
DeepSeek	1/24/25 to 1/27/25	-19%	11%
Liberation Day	2/20/25 to 4/4/25	-38%	195%
AI Skepticism/Iran War	11/3/25 to 3/30/26	-23%	160%
Leopold	6/22/26 to 7/28/26	-23%	20%
Yield Score	8/17/26 to 9/16/26	-12%	19%

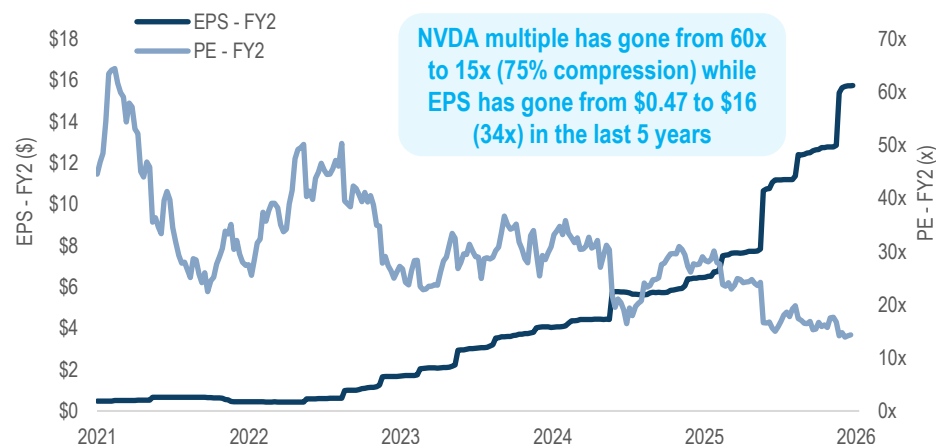
Dates selected based on the trough / peak of the AI Basket stock performance, for illustrative purposes.

Valuations Have Compressed but that can be a Bad Sign in Semis

PHLX Semiconductor – PE (NTM) vs. Average



NVIDIA Corporation – EPS (FY2) vs. P/E (FY2)

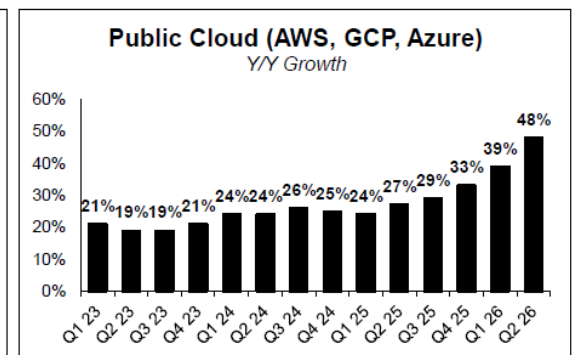
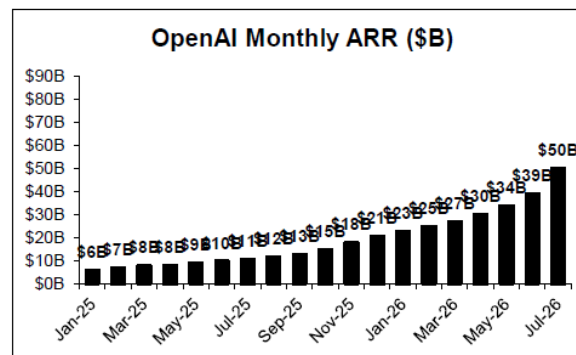
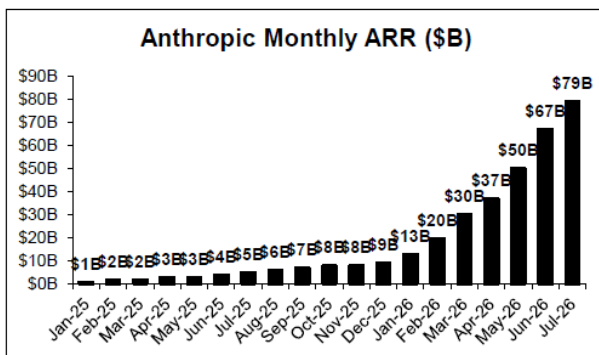
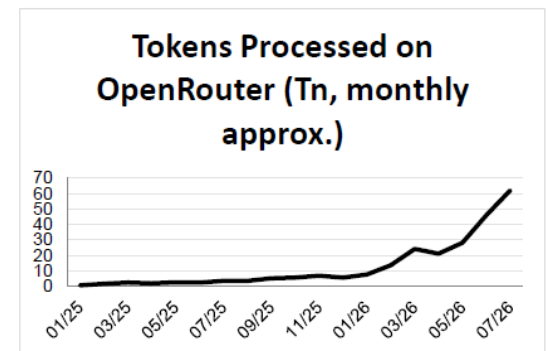
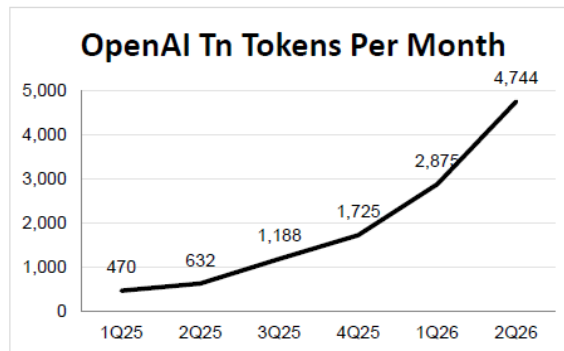
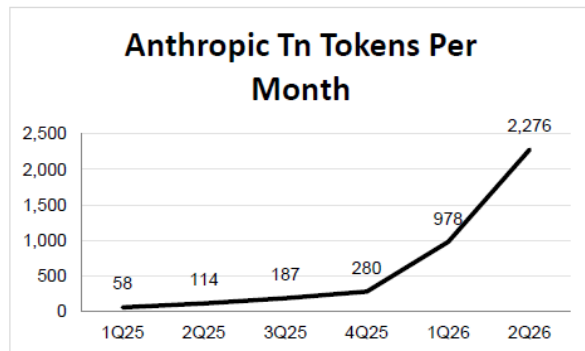


Source (All Charts): FactSet as of 9/30/26. NVDA utilized as Semi bellwether for illustrative purposes.

AI Fundamentals Remain Strong Despite Market Volatility



AI Demand Is Accelerating Across Usage, Revenue and Cloud Growth



Source: Company Reports as of 9/30/26

Market Shifted From Semis to AI Resilient Software

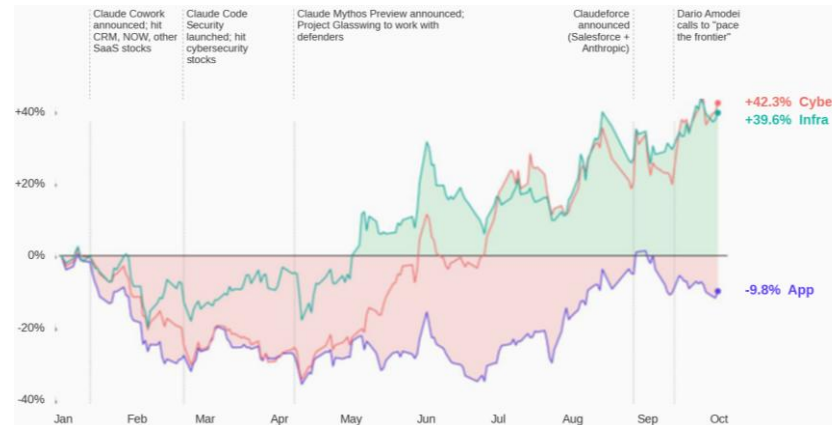


- Westfield significantly reduced software exposure in the beginning of the year, began buying back in Q3.
- Focused on adding and increasing positions in companies with data ownership (proprietary, business critical data) and or workflow complexity (millions of customized workflows built over decades), along with cybersecurity.

Roller Coaster Ride for Software – Back Ahead for the Year, Driven by Infrastructure and Cybersecurity



Source (both charts): Pinegap market data (daily close), 12/31/25 – 9/30/26.



App (n=46), Infra (n=19), Cyber (n=16), equal weighted. % change since 12/31/25

Valuations Reasonable & Business Momentum Improving Across Software - Attractive Setup for Select Application Software

Calendar-Quarter Revenue Growth (Y/Y)

SUB-SEGMENT	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	TREND
Infrastructure Software	16.7%	19.2%	19.3%	20.9%	25.4%	27.1%	
Data & Analytics	21.0%	26.0%	28.7%	33.5%	39.3%	44.6%	
DevOps	17.2%	23.0%	20.7%	24.0%	28.6%	27.5%	
Observability	20.2%	23.0%	22.6%	23.0%	25.1%	26.1%	
Cybersecurity	16.3%	16.9%	16.8%	16.7%	22.0%	23.3%	
Neo Cloud & CDN	9.8%	12.8%	13.2%	16.4%	15.9%	17.5%	
Application Software	11.9%	13.5%	13.4%	13.8%	13.8%	13.6%	
Back-office Applications	15.5%	19.0%	18.1%	17.8%	14.0%	17.2%	
Vertical SaaS	14.1%	16.8%	19.2%	16.6%	17.0%	12.9%	
BPM & RPA	22.5%	12.7%	17.5%	9.9%	5.2%	12.8%	
Collaboration & Productivity	10.1%	10.6%	10.7%	10.5%	12.1%	12.7%	
CRM, Sales & Marketing SaaS	9.1%	11.4%	10.5%	13.3%	14.9%	12.5%	
Communications	7.1%	8.6%	8.1%	8.8%	10.8%	11.1%	

Source: Actual Quarterly Revenue Growth (Pinegap/FactSet), calendar-quarter aligned.
Y/Y growth = sum of sub-segment revenue vs. 1-year prior

EV / Sales (FTM), Apps vs. Infra (median, since 2007)



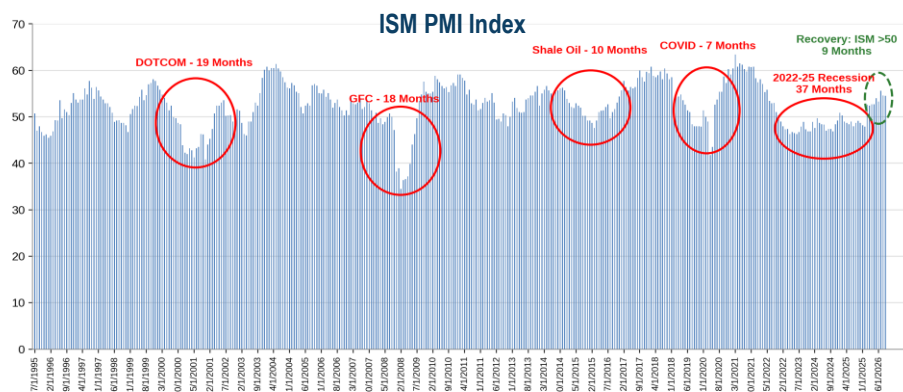
Source: FactSet, Monthly medians, Jan 2007 to Sept 2026 Updated 10/1/26

U.S. Manufacturing Resurgence Supports Economic Growth



- ISM manufacturing index has been in expansionary territory for 9 straight months and organic orders have accelerated, suggesting the health of the broader economy is still intact
- Tightening financial conditions could slow the manufacturing expansion – watching closely

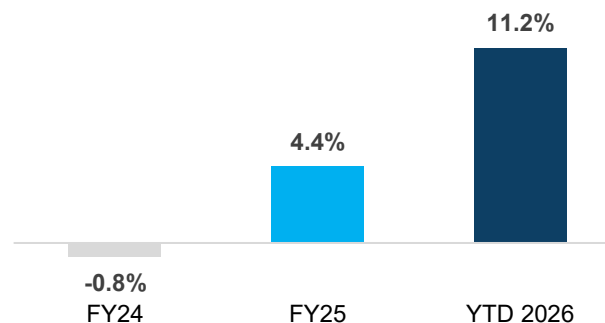
ISM Manufacturing Index Has Been >50 for 9 Straight Months



Source: Bloomberg as of 9/30/26

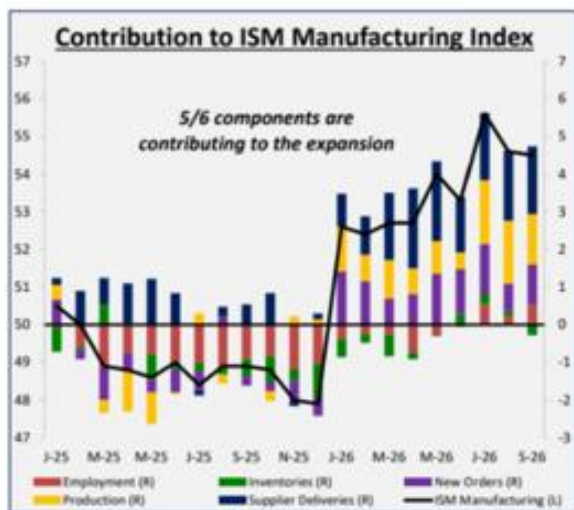
Organic Orders Have Accelerated Convincingly

Organic Orders Growth, Equal-weighted (%)



Source: Bloomberg as of 9/30/26

Broad Based Contribution, with 5/6 Components Contributing to the Expansion



Source: Wolfe as of 9/30/26

2Q GDP Growth Moving Higher



Source: Pipe Sandler as of 9/30/26

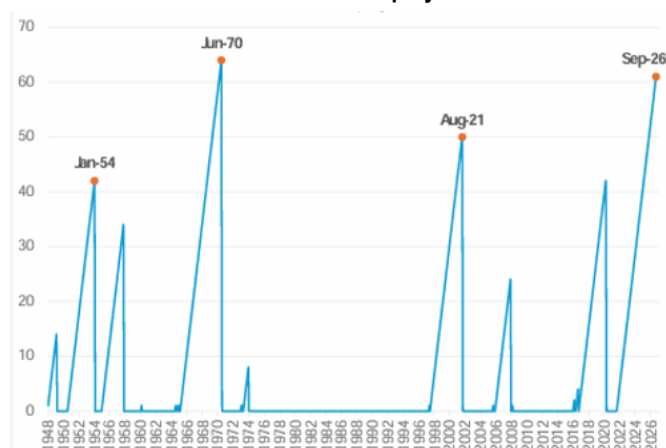
Labor Market Remains Healthy, with Supply and Demand Back in Balance



- With unemployment below 5% for 60 consecutive months and available jobs now in line with available workers, we view the labor market as healthy and a signal that the we are now back in balance post COVID disruptions

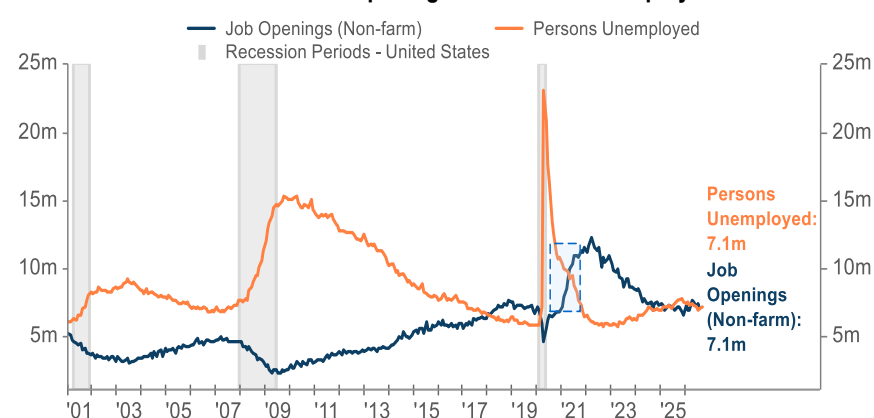
Unemployment Streak Approaching a New Record

Consecutive Months that Unemployment Rate is Below 5%



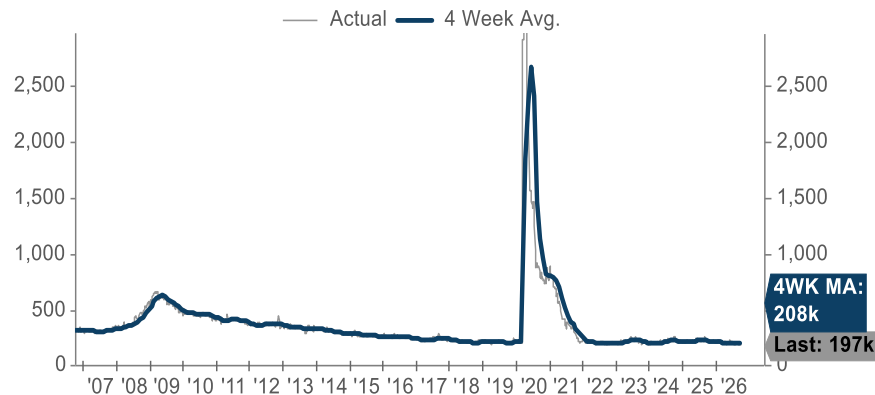
Employment Market in Equilibrium

Number of U.S. Job Openings vs. Persons Unemployed



Unemployment at Low End

U.S. Initial Unemployment Claims (SA, Thousands)



Wage Inflation Not Evident Yet

Average Hourly Earnings (YoY%) - Nominal



Inflationary Pressures and Credit Market Risks Are Building



Companies Citing Rising Costs and Inflation

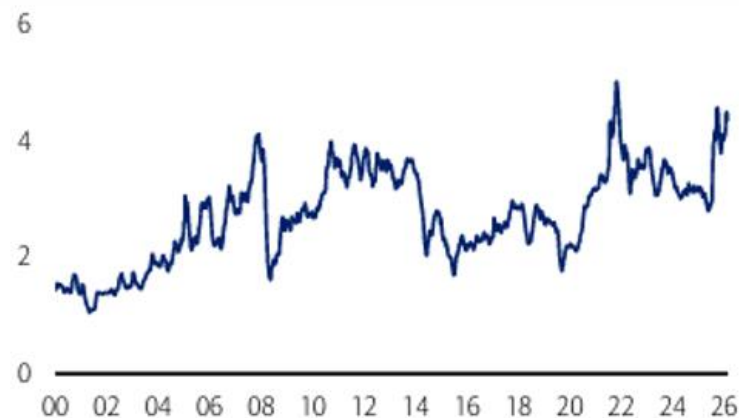
More companies talking about rising material costs
S&P 500 mentions of "material costs," "supply chain disruptions," "inflation"



Source: BofA US Equity & Quant Strategy, Bloomberg, 3m moving average as of 9/30/2026

U.S. Retail Gas Prices

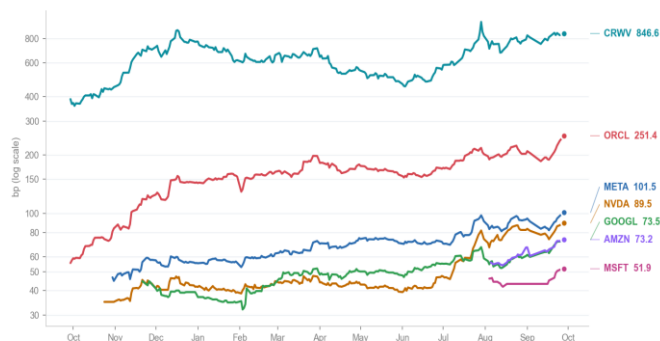
Price at the pump was up 30% YoY on average in 3Q
US retail gas prices (dollars per gallon)



Source: BofA US Equity & Quant Strategy, American Automobile Association (AAA), U.S. Energy Information Administration (EIA), Bloomberg as of 10/4/26

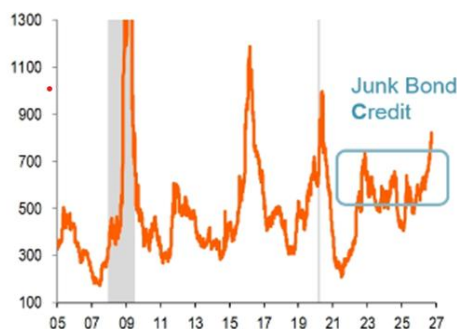
Emerging Cracks in Credit Markets: Rising Credit Spreads and French Bond Yields

AI Datacenter Complex
USD senior 5Y CDS, trailing 12 months



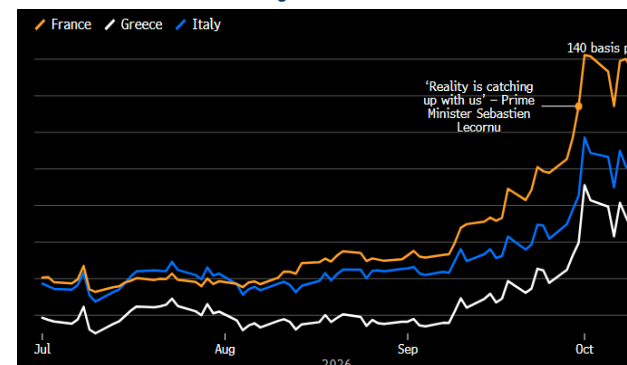
Source: Bloomberg

Junk Bond Yields (Merrill Lynch)
CCC & Lower Minus B-Rated
Sep 29: 823 BP



Source: Piper Sandler

French Bond Risk Has Soared in Recent Weeks
The 10-year yield premium over German bunds is at the highest since 2012



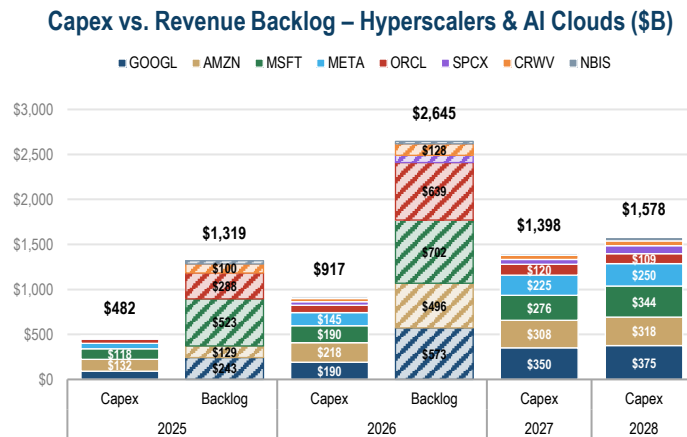
Source: Bloomberg

AI Capex: Growing Backlogs, but Rising Financial Obligations



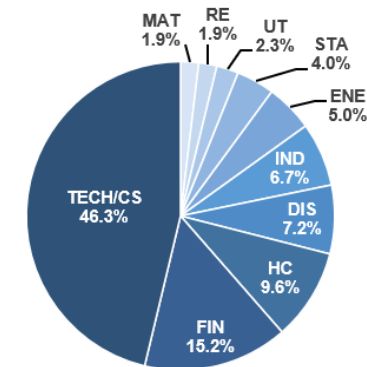
- While capex and ROI dominated the 2026 debate, we expect 2027 to shift toward which companies can convert AI adoption into durable economics through advantages in infrastructure, distribution and data.

Hyperscaler Capex Is Backed by a Growing Backlog



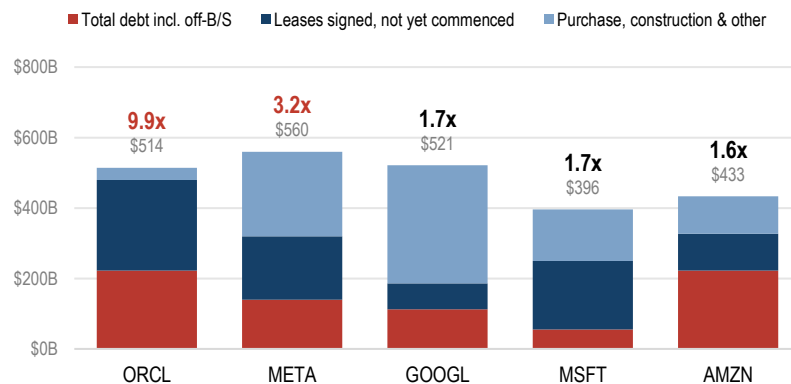
46% of S&P 500 Earnings Tied to Mag 7 and Technology (ie: AI)

Weight of S&P 500 Earnings by Sector



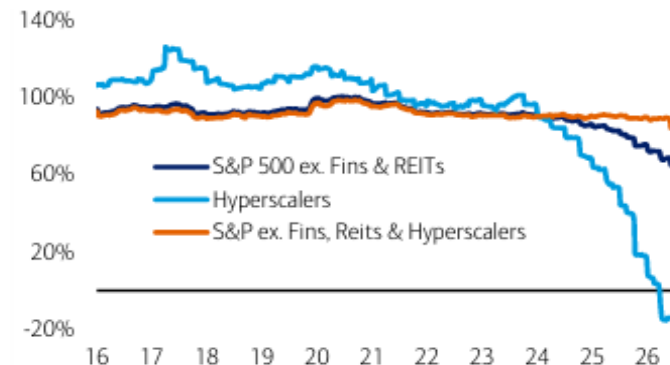
Debt, Leases and Purchase Commitments by Hyperscaler

Debt and Lease Commitments — Hyperscalers (\$B)



Hyperscaler Free Cash Flow Has Turned Negative

Earnings are great; FCF? Not so much NTM FCF as a % of S&P 500 GAAP net income



Strong Earnings Growth Continues, but Expectations Are Rising



- ❑ In 3Q, the S&P 500 is expected to deliver 29% year-over-year earnings growth, with every sector projected to post gains. Energy and Technology are expected to lead.
- ❑ Semis and Energy are expected to remain the dominant drivers of S&P 500 earnings growth in 3Q, supported by sustained strength in AI-related investment.
- ❑ **Risk: Beats are now the norm; investors will likely be listening for reassurance that growth can be sustained, despite rates and commodity pressure.**

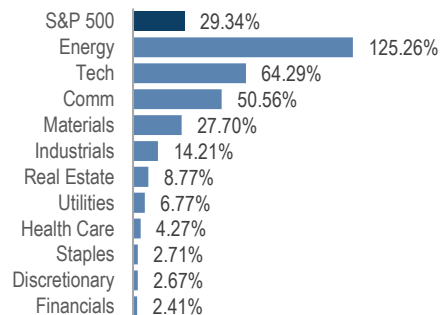
Exceptional EPS Growth This Year and Expect a Strong 3Q Driven by Energy and Technology

Will 3Q Bring More Upside Surprises?



Source: Piper Sandler

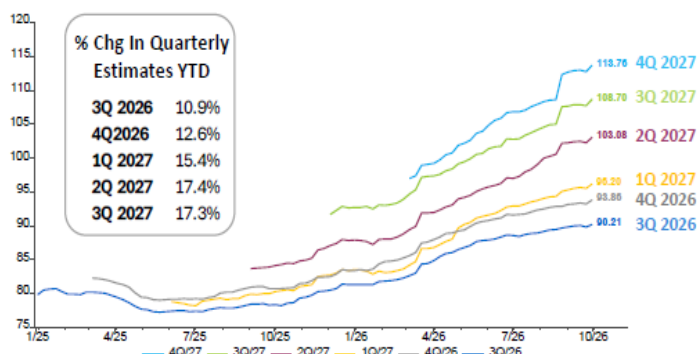
S&P 500 Expected 3Q EPS Growth



Source: FactSet

Estimates Have Increased, Raising the Bar for Upside Surprises

Estimates Have Increased...The Bar Has Been Raised For More Upside Surprises

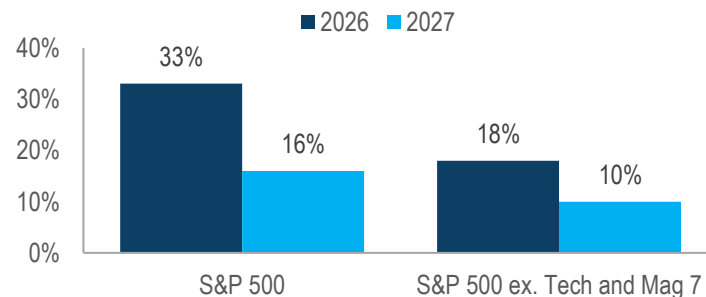


Source: Piper Sandler

Growth is Expected to Decelerate, but Still Strong in 2027

Growth is expected to decelerate but remain strong in 2027

Consensus S&P 500 EPS growth in 2026 and 2027 based on current constituents



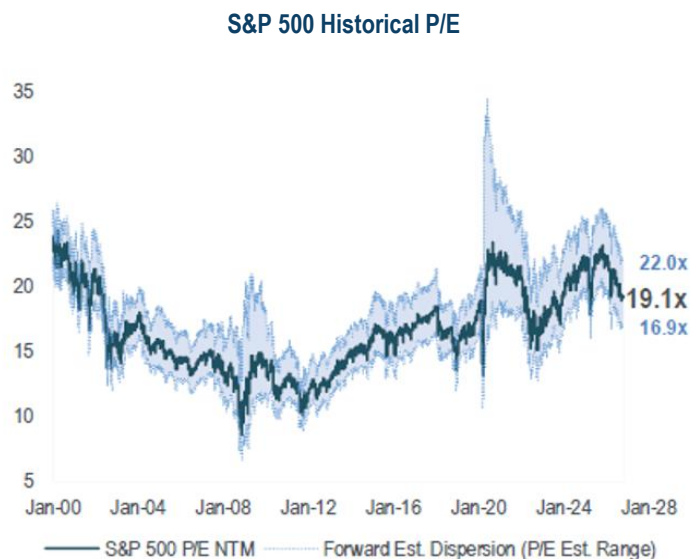
Source: FactSet, BofA US Equity & Quant Strategy as of 10/10/26

Valuation Reset and Stock Dispersion Favor Active Management

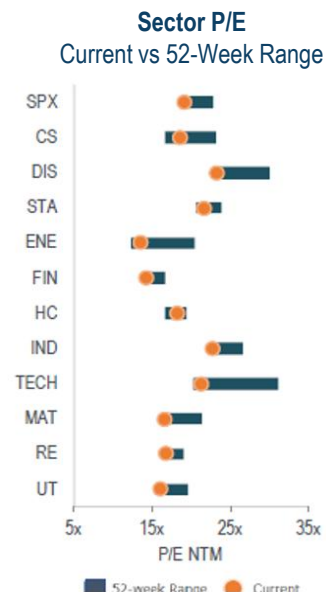


- ❑ The rise in rates has put sharp pressure on valuations, bringing large and small cap P/E's back to long-term averages.
- ❑ With valuations reset and stock correlations at the lowest level in 8-years – we think a good setup for active going forward.

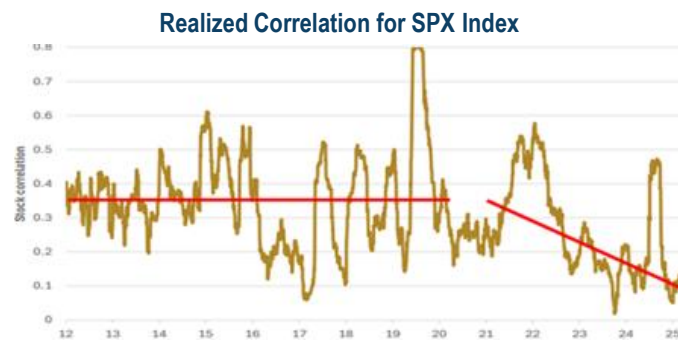
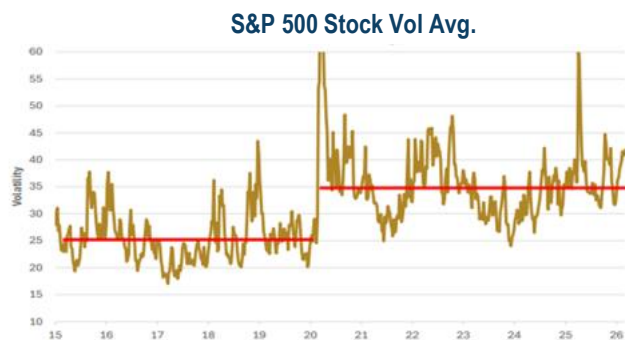
S&P 500 Valuations at Long-Term Averages, Attractive Entry Points Across Sectors



Source (Top Charts): Piper Sandler



Correlations are Low and Stock Dispersion is High – Compelling Set Up for Active Management



Source (Bottom Charts): UBS, Bloomberg

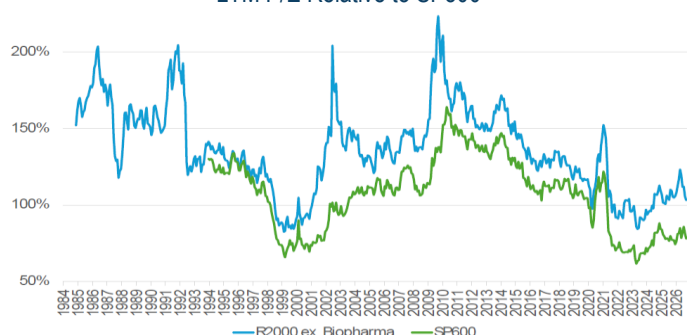
Challenging Period for Small Cap Growth Active Managers Continued – Quality Hasn't Mattered



- ❑ Quality factors have historically outperformed over the long term but tend to lag during risk-on environments, a cycle we believe is now behind us.
- ❑ Looking ahead, we expect market returns to be driven primarily by earnings growth rather than P/E expansion, creating an environment that could reward high-quality companies with strong fundamentals while more speculative areas of the market may fall out of favor.

Relative Valuations Very Attractive vs. Large

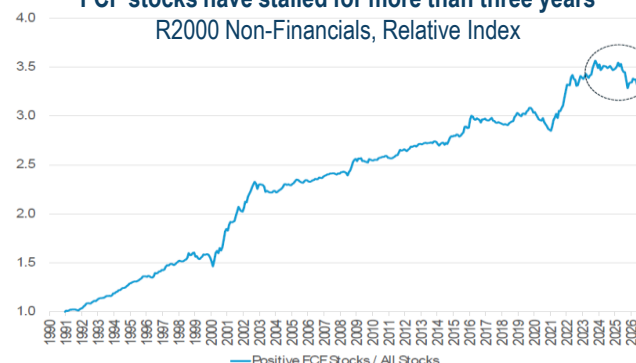
Relative valuation is off the lows but still well-below normal
LTM P/E Relative to SP500



Source: FRP, FactSet; as of 9/30/26

Free Cash Flow/Quality Have Stalled for >3 Years

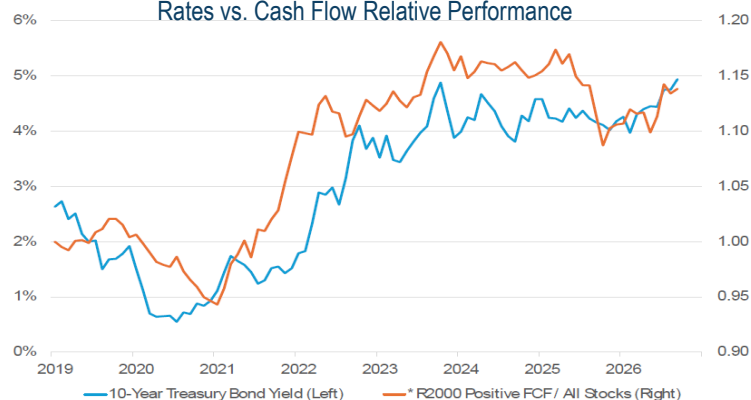
FCF stocks have stalled for more than three years
R2000 Non-Financials, Relative Index



Source: FRP, FactSet; as of 9/30/26

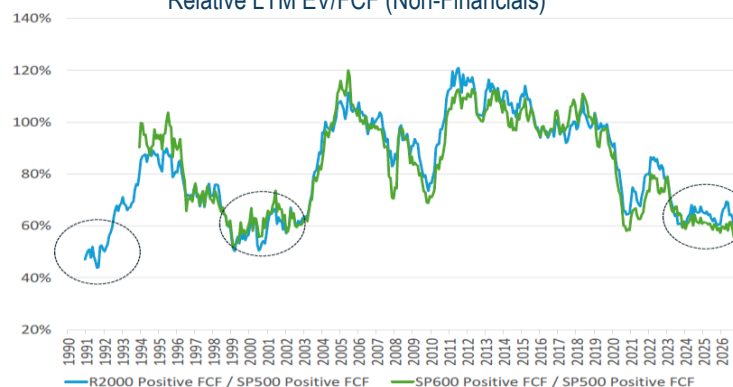
Looking Forward, Quality and Free Cash Flow Should Benefit From Rising Rates & Are At a Significant Discount to Large

If there's an area that would benefit from rising rates, it's the cash flow generators
Rates vs. Cash Flow Relative Performance



Source: FRP, FactSet; as of 9/30/26

Small-cap FCF is at significant discount to large-cap
Relative LTM EV/FCF (Non-Financials)



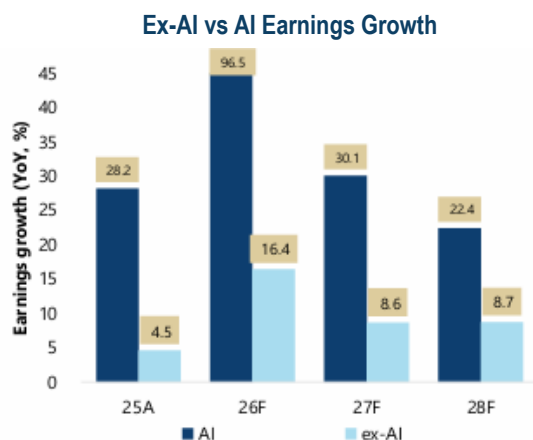
Source: FRP, FactSet; as of 9/30/26; S&P 600 data starts in 1994

Slowing AI Growth Creates Opportunities Beyond the AI Trade



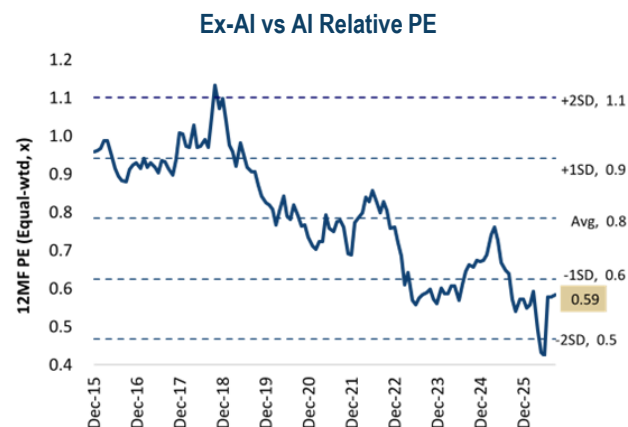
- ❑ AI is here to stay, but capex intensity, longer cash-flow lead times and tighter funding conditions raise execution risks.
- ❑ Earnings growth is expected to slow from 100% this year to 30% in 2027 and 22% in 2028.
- ❑ Ex-AI revisions remain modest but steadily positive, while the AI momentum cycle has eased after a strong first half.
- ❑ **Passive indices have >65% tied to AI. A mean reversion trade could benefit active management.**

AI Growth Slowing Materially

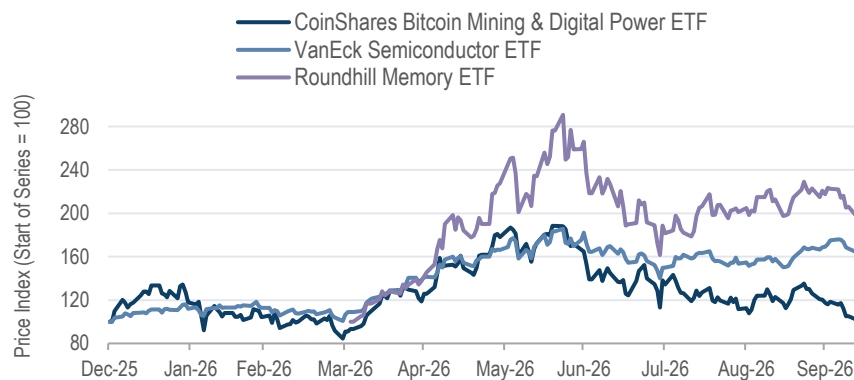


Note: Bottom-up aggregated with float adjustment based on current MSCI universe. | Source (Top Charts): Jefferies, FactSet

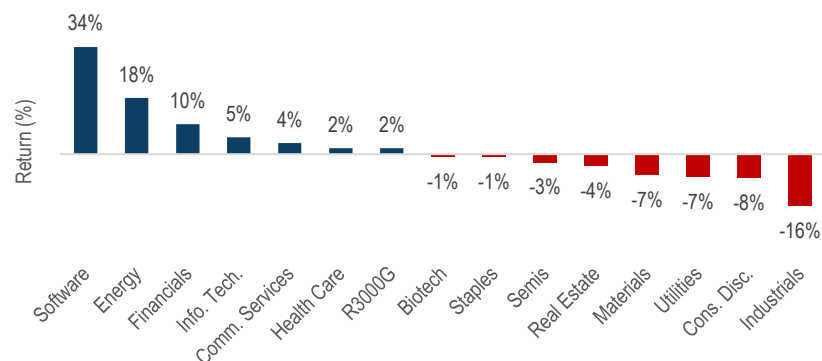
Relative Valuations of Ex-AI Very Attractive



Semis Under Pressure & Rotation on Display



Performance 3Q + October



Source (Bottom Charts): FactSet as of 10/12/26

History Suggests Narrow Leadership Does Not Preclude Further Gains



- ❑ Since 1995, when the 10 largest S&P 500 stocks have outperformed the equal-weighted index by more than 800 basis points over a three-month period, the S&P 500 has subsequently delivered median returns of 10.1% over six months and 19.6% over 12 months, compared with historical medians of 6.9% and 15.0%, respectively.
- ❑ Today, that same performance gap is 855 bps.

The Median 12-month Return Following Extreme Concentration is 19.6%!			
Episode Start	10 Largest S&P 500 Stocks (Equal Weight) minus SPW Trailing 3-Month Return (>8%, 90th Percentile)	SPX Forward 6-Month Total Return	SPX Forward 12-Month Total Return
Nov 1995	+8.2%	+11.8%	+27.9%
Jul 1996	+10.2%	+24.1%	+52.1%
Jul 1998	+12.0%	+15.0%	+20.2%
Aug 1999	+12.3%	+4.1%	+16.3%
Nov 2001	+9.0%	-5.7%	-16.5%
Aug 2006	+8.5%	+8.9%	+15.1%
Oct 2008	+11.4%	-8.5%	+9.8%
Sep 2011	+11.7%	+25.9%	+30.2%
Mar 2020	+13.8%	+31.3%	+56.4%
Mar 2023	+12.5%	+5.2%	+29.9%
Mar 2024	+9.5%	+10.4%	+8.3%
Dec 2024	+16.4%	+6.2%	+17.9%
Jul 2025	+15.7%	+10.1%	+19.6%
Median (13 Episodes)		+10.1%	+19.6%
Median, All Months (1995-2026)		+6.9%	+15.0%

Source: Bloomberg as of 9/30/26

Cautiously Constructive: Staying Selective Amid Emerging Risks



- ❑ **Cautiously Optimistic Outlook:** Strong corporate earnings and historically favorable fourth-quarter seasonality during midterm election years provide support for equities.
- ❑ **Potential for Increased Volatility:** The war in Iran, persistent inflation, elevated interest rates, narrow market leadership, and unusually subdued equity volatility suggest the potential for increased volatility.
- ❑ **Broadening Market Leadership:** With the performance gap between the Nasdaq 100 and Russell indices near historical extremes, we believe the market may be approaching a transition toward broader participation beyond Technology and AI.
- ❑ **Compelling Valuation Opportunities:** Extended Technology and AI dominance has left many fundamentally strong businesses behind, creating attractive opportunities across the broader market, particularly in small- and mid-cap equities.
- ❑ **Westfield's Opportunity:** We believe our disciplined, bottom-up investment process positions us to capitalize on the disconnect between strong business fundamentals and lagging share prices.

Where We See Opportunity	
Areas We Favor	Risks
✓ Health Care / Biopharma ✓ Cyclical Recovery ✓ Aerospace ✓ Software: Data Layer, Security, Systems of Record	✗ Semiconductors – Sentiment Stretched ✗ Oil stays above \$100/barrel & 10-year goes > 5% yield ✗ AI earnings peak and AI spending proves inflationary ✗ Fed stays hawkish and valuation compression offsets earnings growth ✗ Credit spreads widen ✗ Long-duration Growth at High Multiples ✗ Volume of IPOs / Largest IPOs in History

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