ADAPTIVE WEALTH ENGINEERING
The Science of Investing. The Art of People.

Monthly Market Review

January 2026

Did You Know?

The State of Emerging Markets in 2026

After a strong result from non-U.S. stocks, including emerging markets, in 2025, we dive deeper into emerging markets and what investors should know about them today. We explain why we believe the asset class can play a valuable, long-term role in overall equity allocations.

Academic Perspective

Getting on the Same Page, Together: How Do We Get Others to Understand What We Want Them To?

By Hal Hershfield, Ph.D.

When people don't act, the problem isn't always motivation; sometimes it's coordination. We unpack how actively fostering collective attention can make a difference.

Market Review

- The year began on an upbeat note for stock investors, as U.S. and global equities logged January gains.
- The Fed paused after cutting rates at its previous three meetings.
- The broad U.S. bond market delivered a slight gain, even as Treasury yields rose modestly.

Appendix

- Glossary

Did You Know?

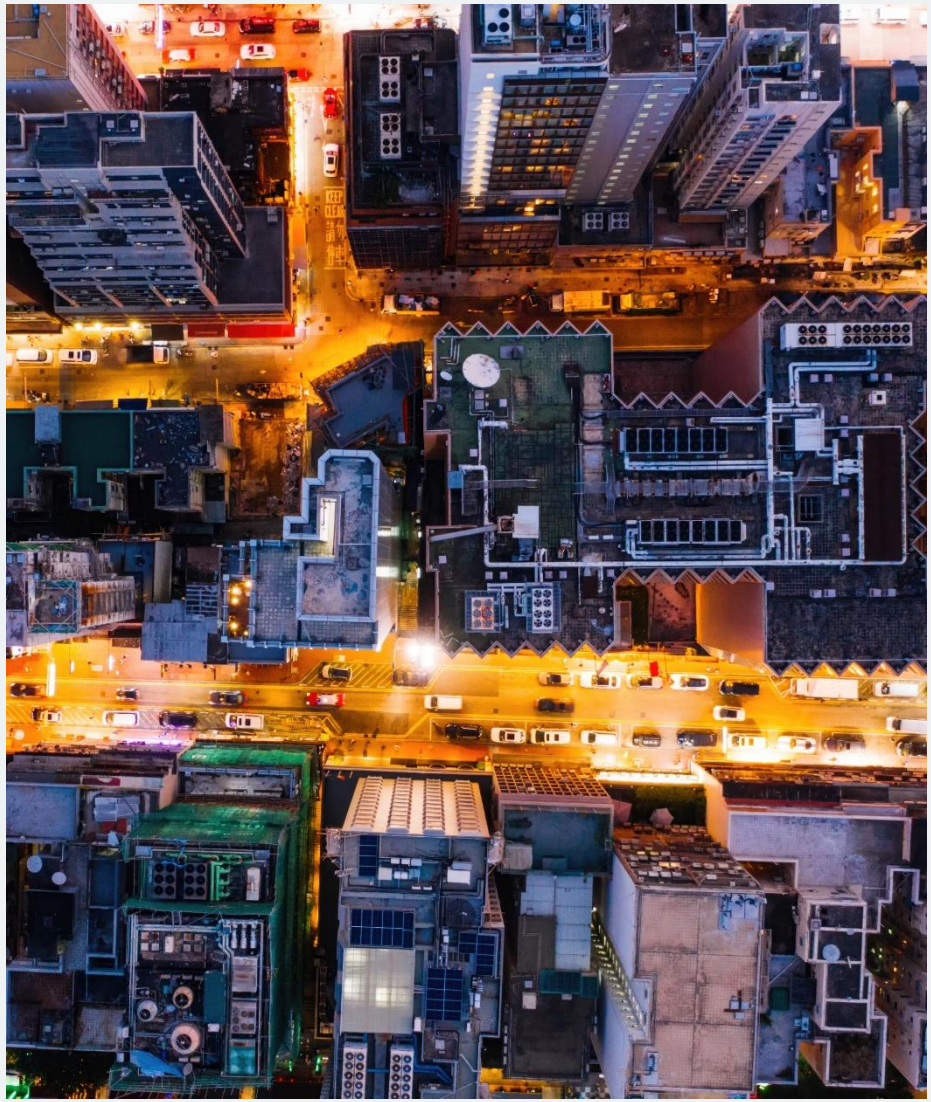
The State of Emerging Markets in 2026

It was a banner year for non-U.S. stocks in 2025. Based on MSCI indexes in terms of the U.S. dollar (USD), both non-U.S. developed and emerging markets (EM) returned more than 30% for the year, sharply outperforming the U.S. market. The S&P 500® Index return was just shy of 18% in 2025.

It was a welcome outcome for those who have maintained an allocation to non-U.S. stocks through past years. But that's a big part of the logic for holding both developed and emerging markets instead of just U.S. stocks: It's unknown which will have higher returns in any given year, and holding a diversified portfolio ensures you've always got at least a piece of the winner.

Others who missed out on non-U.S. stocks' big year may be wondering whether an allocation to non-U.S. stocks, including emerging markets, has merit today.

This article explains why we believe this asset class can play a valuable, long-term role in an overall equity allocation and offers key considerations for investors seeking EM exposure.



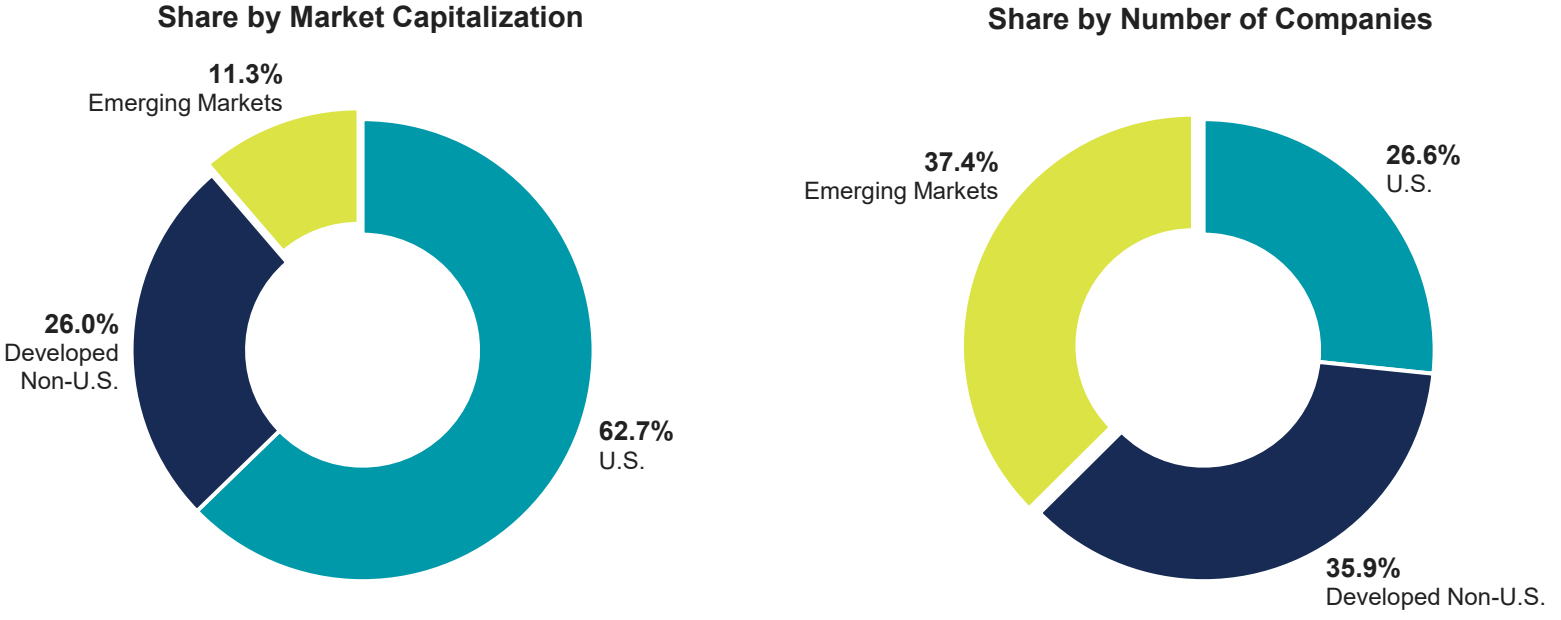
The State of Emerging Markets in 2026

Emerging Markets Are a Big Part of the World

The potential benefits of portfolio diversification have been recognized since at least the pioneering work of Markowitz in the 1950s, and the substantial size of emerging markets today indicates they provide a valuable opportunity to enhance diversification for investors whose allocations include only developed markets.

As of the end of 2025, emerging markets accounted for more than 11% of global market capitalization, as measured by the MSCI ACWI IMI. In terms of the number of companies, emerging markets make up more than 37% of the world (over 3,000 of the about 8,200 companies in the ACWI IMI at the end of the last year). See **Figure 1**.

Figure 1 | Emerging Markets Are a Sizable Slice of the World Pie



Data as of 12/31/2025. Source: Morningstar. Data represented by MSCI IMI Indexes.

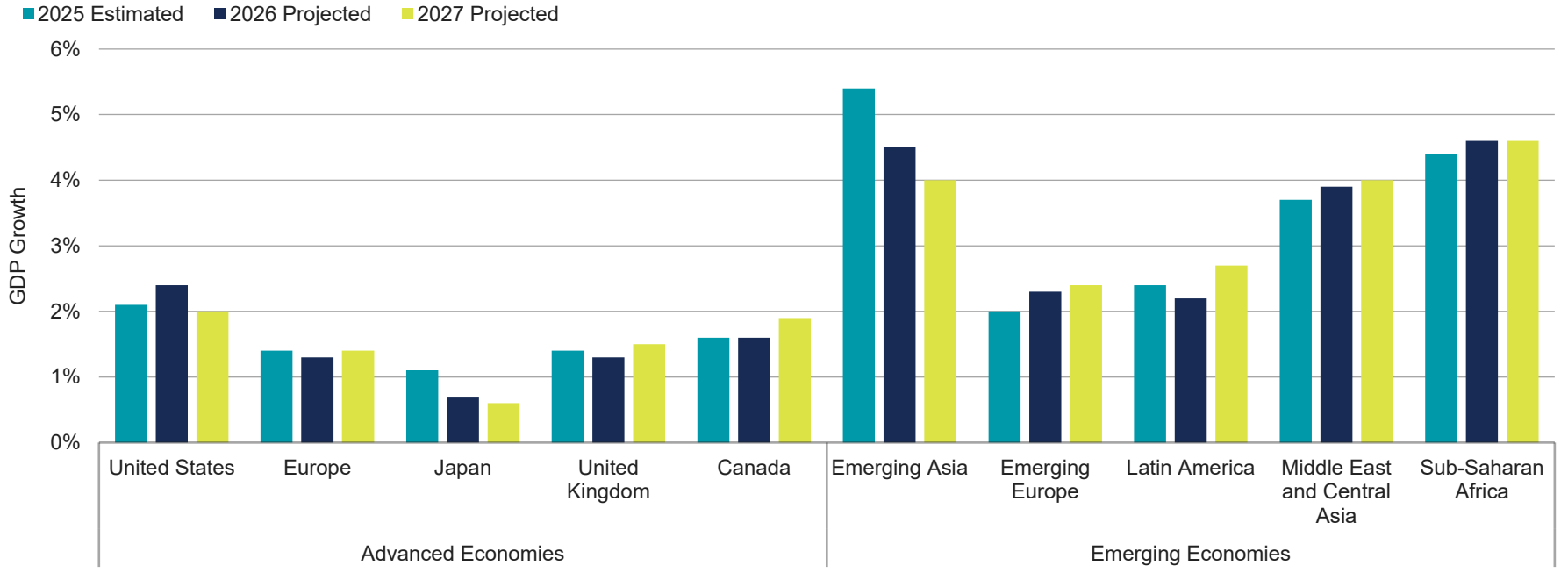
The State of Emerging Markets in 2026

Emerging countries also have a significant impact on global economic output and growth. Of the five largest economies today, two are classified as emerging: China and India. These two nations have higher gross domestic product (GDP) than the U.K., France and Italy, which rank as the 6th through 8th largest economies, respectively.

Focusing on GDP growth, **Figure 2** presents the International Monetary Fund's (IMF's) estimated 2025 GDP growth for advanced and emerging economies, along with their projections for 2026 and 2027. We observe generally higher GDP growth rates among emerging economies in 2025 and higher projected growth over the next few years.

Population data also reveals an interesting story. The IMF estimates the world's current population at 8.1 billion, with 7 billion from emerging economies. That's 86% of the global population!

Figure 2 | Emerging Economies Exhibited Higher GDP Growth Than Advanced Economies in 2025, Higher Forward Projections as Well



Data as of 12/31/2025. Source: International Monetary Fund.

The State of Emerging Markets in 2026

The Makeup of Emerging Markets

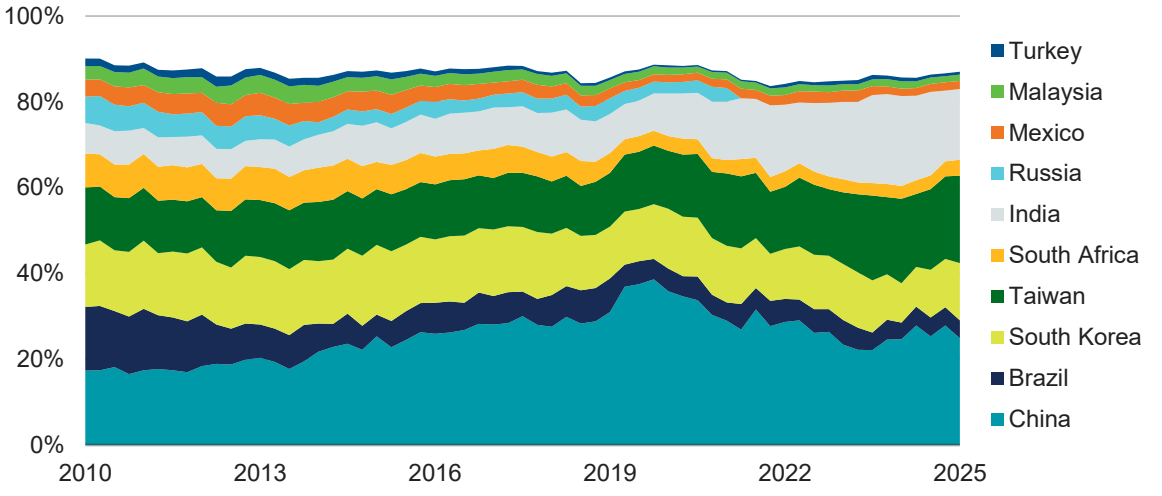
Investors may at times view emerging markets as a homogeneous unit. However, there's a lot under the hood, including 24 different countries today, according to MSCI classifications. Moreover, this composition changes over time.

In **Figure 3**, we show the 10 largest countries in the MSCI Emerging Markets IMI from 15 years ago and how they have shifted over that period through today. Since the end of 2010, China has remained the largest emerging market country, but it grew to nearly 40% of the index by late 2020 and is now down to about 25% of the universe.

Russia has dropped from the 7th-largest country in 2010 to no longer being classified as an investable emerging market (shown in red in **Panel B**). Taiwan and India have each increased their share (ranking in the top three today and not far behind China), while Brazil's share is less than a third of what it was 15 years ago. The United Arab Emirates (UAE) was added as a newly classified emerging market in 2014 and Saudi Arabia in 2019. Both now rank in the top 10 (shown in green in **Panel B**).

Figure 3 | Evolution of the Largest Emerging Markets Over the Last 15 Years

Panel A | Weight of Top 10 Countries in MSCI Emerging Markets IMI Index from 2010-2025



Panel B | Weight of Top 10 Countries in MSCI Emerging Markets IMI Index in 2010 vs. 2025

2010				2025	
COUNTRY	12/31/2010	MAX (2010-2025)	MIN (2010-2025)	COUNTRY	12/31/2025
China	17.3%	38.6%	16.5%	**China**	25.5%
Brazil	14.9%	15.0%	3.9%	**Taiwan**	20.5%
South Korea	14.6%	16.3%	9.2%	**India**	16.5%
Taiwan	13.3%	20.3%	11.7%	**South Korea**	13.3%
South Africa	7.9%	8.1%	2.7%	**Brazil**	4.2%
India	7.2%	21.0%	5.9%	**South Africa**	3.9%
Russia	6.1%	6.9%	0.0%	**Saudi Arabia**	2.9%
Mexico	4.0%	5.3%	1.7%	**Mexico**	1.9%
Malaysia	3.1%	4.4%	1.4%	**Malaysia**	1.4%
Turkey	1.8%	2.3%	0.3%	**UAE**	1.4%

Data from 12/31/2010 - 12/31/2025. Source: Morningstar.

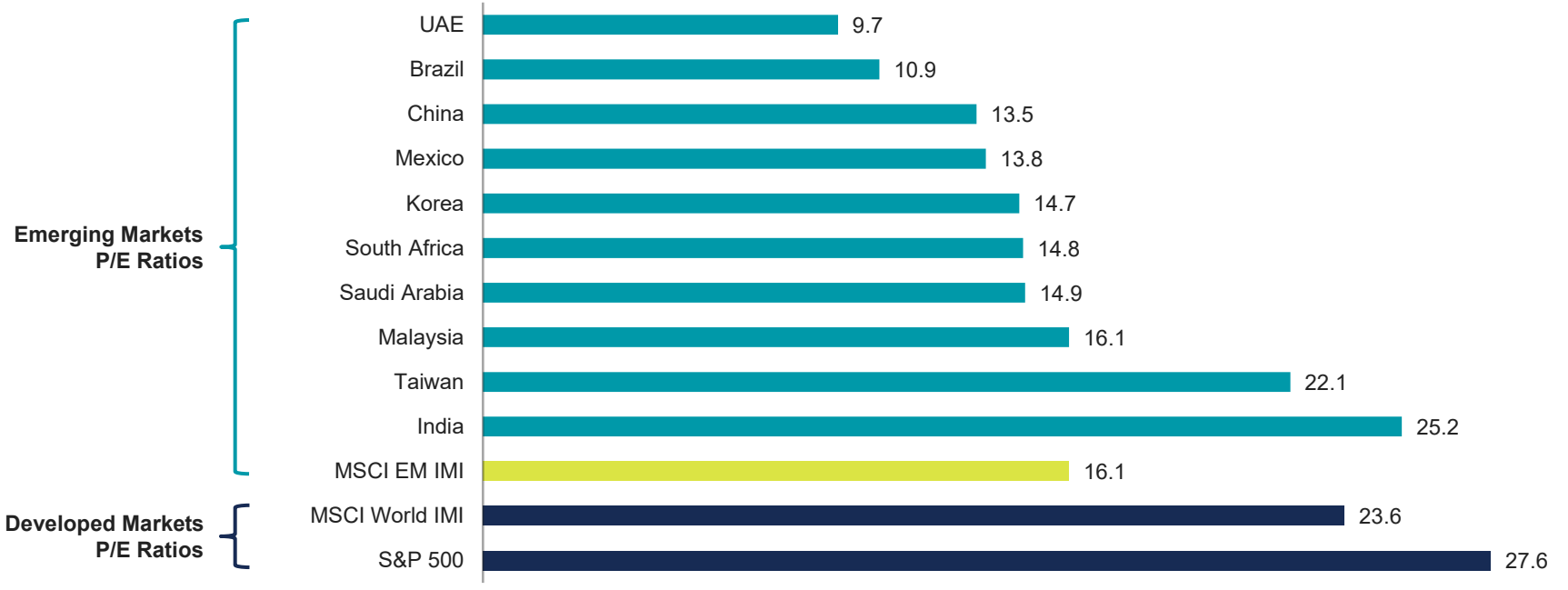
The State of Emerging Markets in 2026

A benefit of gaining exposure across the 20+ EM countries is not just access to more companies. They also offer diversification across varying valuation profiles and, in many cases, more attractive valuations than much of the developed markets. Valuations simply refer to comparing a company's price to its fundamentals, such as earnings or equity.

In **Figure 4**, we show that today the price-to-earnings (P/E) ratio for emerging markets collectively (MSCI Emerging Markets IMI) is considerably lower than that of U.S. stocks (S&P 500) and the MSCI World IMI, which represents all developed markets.

P/E ratios among today's 10 largest EM countries vary, but all are currently lower than U.S. stocks. Beyond diversification opportunities, lower valuations in emerging markets may offer greater upside potential.

Figure 4 | Emerging Markets Valuations Are Noticeably Lower Than Developed Markets



Source: Morningstar. Data as of 12/31/2025. Individual countries are represented by their respective MSCI IMI indexes, which are all market cap-weighted indexes capturing both large and small capitalization companies within each country. There are two exceptions (Saudia Arabia and UAE) for which IMI indexes are not available and MSCI standard, large-cap indexes are used.

The State of Emerging Markets in 2026

Why Diversification in Emerging Markets Is Critical

Given the many markets within the emerging category and their different characteristics, investors may be tempted to pick one or a few they find most attractive. Historical returns of individual EM countries highlight why we believe it's wise to maintain broad diversification across countries.

Figure 5 shows returns for the last 15 years for the 10 largest emerging markets today that have been included in the MSCI Emerging Markets IMI for the full period (i.e., more recent additions UAE and Saudi Arabia don't have the necessary return history). The quilt chart shows the high year-to-year variability in single-country returns. We see no discernible patterns in yearly rankings of returns. However, we find that returns are consistently widely dispersed across countries within each year. Taking the difference between the highest and lowest country return by year, there's a range over the 15 years as high as about 93% and as low as just under 24%. These are large differences in returns for a single year.

The data show that investors who concentrate in one or a few EM countries face a significant risk of ending up worse off than the total EM portfolio. Importantly, in our view, the benefits of diversification don't end with countries. Diversifying across, as well as within, countries can help to mitigate the effect of any single country, sector or company on overall outcomes.

Figure 5 | Annual Returns Among EM Countries Vary Widely

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
4.31	38.98	11.25	27.64	-3.94	66.10	53.56	-1.10	35.18	46.01	30.37	10.31	50.87	28.53	93.36
-0.38	29.66	8.12	24.68	-4.69	20.62	50.67	-8.52	29.27	39.08	27.71	0.18	41.45	22.66	73.08
-11.09	27.28	5.33	6.84	-6.42	17.58	46.04	-10.08	22.72	29.42	21.08	0.00	32.73	18.76	69.85
-13.25	22.80	4.00	6.18	-11.30	16.39	43.72	-10.16	17.65	18.39	12.11	-3.90	32.64	13.47	54.65
-14.45	19.30	3.82	5.54	-13.86	9.90	36.83	-11.19	12.90	16.15	6.79	-7.71	25.13	9.67	49.29
-19.49	19.21	-0.35	-1.79	-14.12	4.16	33.99	-14.46	11.16	9.07	2.04	-9.07	24.03	7.09	38.00
-20.90	18.68	-2.20	-9.23	-18.59	2.59	30.24	-15.05	9.63	-1.60	-0.28	-19.83	11.67	-4.31	31.47
-22.00	17.66	-5.32	-9.43	-21.66	-0.02	26.80	-15.11	6.86	-4.93	-5.64	-22.03	4.69	-12.36	31.38
-23.41	14.05	-5.88	-10.60	-23.76	-1.08	26.38	-18.74	5.33	-7.43	-5.71	-25.06	0.78	-22.28	11.73
-31.17	4.20	-16.81	-14.63	-25.91	-3.90	19.08	-20.58	0.82	-8.35	-17.12	-29.05	-0.41	-27.30	4.22
-38.89	1.61	-24.49	-14.87	-41.94	-9.31	15.01	-24.71	-4.63	-19.10	-21.21	-29.76	-11.82	-30.44	0.41
MAX - MIN RETURN														
43.21	37.37	35.74	42.51	38.00	75.40	38.54	23.61	39.81	65.11	51.58	40.08	62.68	58.98	92.95

Key
China
Taiwan
India
South Korea
Brazil
South Africa
Mexico
Malaysia
Indonesia
Poland
All EM

Data from 1/1/2011 – 12/31/2025. Data in USD. Source: Morningstar. **Past performance is no guarantee of future results.**

The State of Emerging Markets in 2026

Valuations Among Companies Within Emerging Markets Also Matter

Implementing broadly diversified EM exposure, however, doesn't mean investors have no chance to outperform market benchmarks. This is because not all companies have the same expected returns. If we have good information about which ones may have higher expected returns than others, we can emphasize them in a diversified portfolio to pursue better outcomes.

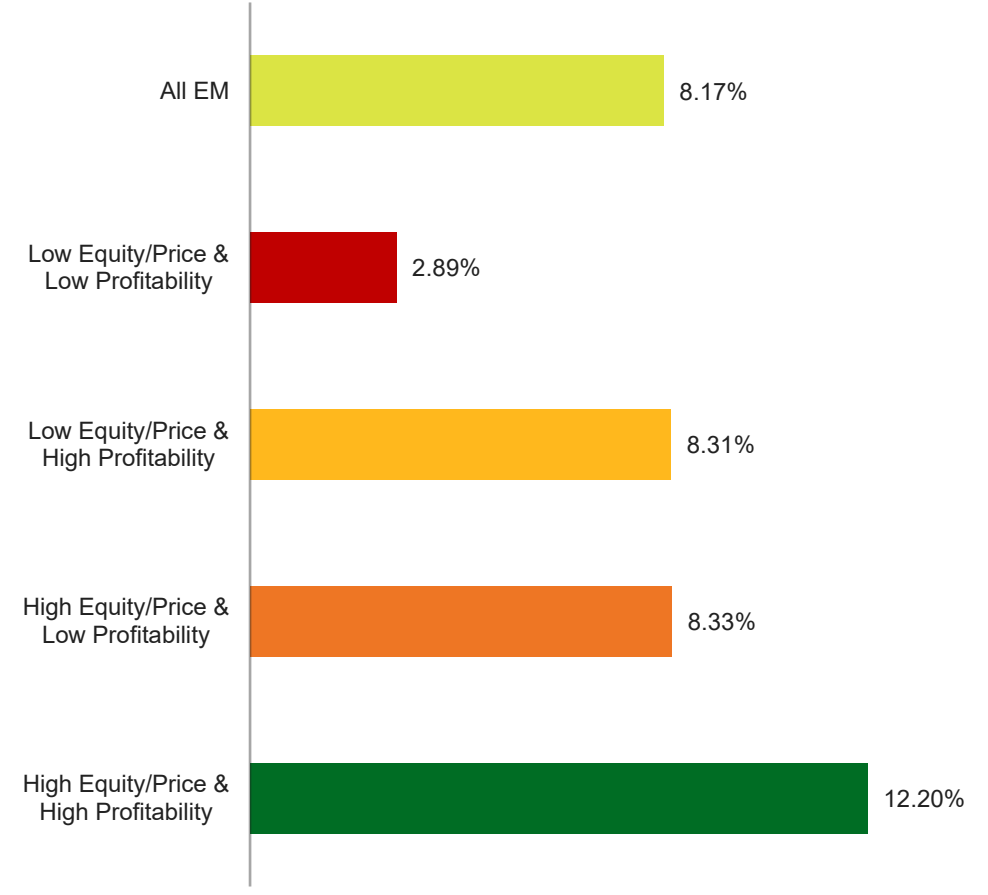
Investors' ability to identify companies expected to perform better comes back to valuations. We see evidence of this in **Figure 6**.

The chart shows annualized returns for all EM companies from mid-1991 through 2025. This is compared with four market segments, sorted by combinations of high or low equity-to-price and profitability. Equity is defined as a company's assets minus its liabilities on its balance sheet, while profitability comes from its income statement.

Companies with high equity-to-price and high profitability have historically shown material outperformance versus the overall market. Companies with high equity-to-price but low profitability or high profitability but low equity-to-price (i.e., high prices) have both performed similarly to the market over time. Companies with low profitability and high prices have significantly underperformed the market and other segments.

Figure 6 | Company Valuations Make a Difference in Emerging Markets

Annualized Returns from 6/30/1991 – 12/31/2025



Data from 6/30/1991 – 12/31/2025. Data in USD. Source: Ken French Data Library. **Past performance is no guarantee of future results.**

These outcomes are logical. It makes sense that better returns are expected from companies with strong balance sheets (high equity) and high profitability that are still available at attractive prices. Even with solid fundamentals, the prices are low, indicating that the market is offering these companies at a significant discount and providing good value for investors.

When we look at how these companies have done historically over one- and three-year rolling periods since 1991, those with both high equity-to-price and high profitability have outperformed the full EM portfolio 76% and 87% of the time, respectively. We think that's a good indication of an opportunity for added value.

The Crucial Role of EM Exposure in an Overall Equity Allocation

We believe the merits of maintaining EM exposure within a total equity allocation are sound. The potential diversification benefits they offer are valuable and can benefit investors during periods when emerging markets outperform developed markets — an occurrence we saw in 2025 and have also observed for prolonged periods in the past.

In our view, those who gain this exposure through solutions broadly diversified across countries, sectors and companies, combined with careful consideration of company valuations, are likely to be well-positioned over the long term.

Academic Perspective

Getting on the Same Page, Together:
How Do We Get Others to Understand What We Want Them To?

Imagine you've got a long morning meeting at work. To make it easier to get through, you and your co-worker plan to grab lunch afterward at a nearby spot with outdoor seating. But during the meeting, you look out the conference room window and see that it has started to rain. You would be understandably disappointed and might start frowning.

If you then turn to the co-worker you were supposed to have the picnic with and see them smiling, you'd wonder: Do they know what I know? If they're smiling wryly, recognizing that your plans will be canceled, then you can be sure that they share your knowledge. But ... if they are still smiling because they don't know it's raining, then you will realize they don't know what you know.

The Problem of "Common Knowledge"

This back-and-forth is a problem of what philosophers and psychologists call *common knowledge*. Common knowledge, put simply, is the state in which everyone in a group knows something *and* everyone knows that everyone else knows it. It's a heady, abstract concept that can quickly become overwhelming, but as you'll see, it matters a great deal for how we interact with clients and others.

Getting to a state of common knowledge requires a great deal of coordination. How, in other words, can I truly be sure that my co-workers, or my friends or my family, understand some issue in the same way that I do?

That's a question that matters for coordination: Coordination often fails when people are unsure whether others are aware of the same facts or interpretations, even if these facts are publicly available.

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His research asks, "How can we help move people from who they are now to who they'll be in the future in a way that maximizes well-being?"

Getting on the Same Page, Together:
How Do We Get Others to Understand What We Want Them To?

Here's an example you might have faced:

- You've got a standing Monday afternoon meeting with your team that eventually becomes unnecessary.
- Everyone realizes, on their own, that the meeting has become unnecessary.
- Everyone assumes everyone else realizes this, too.
- Yet, the meeting goes on week after week.

Here's why this sort of thing happens:

- The information is widely known, but it hasn't really become *common knowledge*.
- Each co-worker thinks something like, "The meeting is a waste of time, and I think others think the same thing. But I'm not really sure that they know that I know that. If I suggest that we cancel, and they don't agree with me, then I might be judged negatively."

Now consider how this sort of coordination problem could apply to an interaction between a financial advisor and a client. Imagine a case in which an advisor has discussed increasing monthly contributions to a 529 account with the client.

After the meeting, the advisor might think the rationale was clearly explained and that the client is on the same page. The client, however, might think, "I'm not sure whether I'm understanding the benefits of making more contributions (and cutting back on other spending for my kids) in the same way my advisor does, or whether my advisor realizes how I'm interpreting this advice."

Notice in this case, it's not that the client *disagrees* with the advisor's recommendation. Rather, the client just isn't confident that they have a shared understanding with the advisor. As a result, they may delay the decision to increase their contribution. It's neither a laziness problem nor a procrastination problem. Here, the issue is a coordination problem arising from (a lack of) collective knowledge.

Getting on the Same Page, Together:
How Do We Get Others to Understand What We Want Them To?

How Collective Attention Can Help

Clearly, there are times when we *do* solve these difficult coordination problems and suddenly find ourselves on the same page as the people with whom we are sharing an experience. So, how do we do it? Before I explain the answer, let me just say that this is not strictly an academic exercise because if we can understand *how* solutions naturally arise, we can more deliberately put them into practice.

This is where a recent line of work spearheaded by Garriy Shteynberg comes into play. He and his co-authors seek to address the problem of *collective knowledge* by introducing the phenomenon of *collective attention*.[1]

The basic idea is that rather than having to go through the back and forth of wondering if other people know what you know, *collective attention* occurs when people attend to the same information — at the same time — from a first-person plural ("we") perspective. Collective attention is a shared experience in which you feel as if you and others are a "we" attending to the same thing.

If you've ever been to a concert where the whole crowd starts singing a song with the band, there's no question of whether everyone else knows whether to start singing; through the experience of shared attention, it just becomes a given that you are on the same page.

Shteynberg and his team even show, through their research, that when people believe they are attending to something together, they allocate more cognitive resources to it, remember it better and align their interpretations and evaluations more closely. Collective attention matters, in other words, because we are simply more dialed in when we experience something as a "we" with others.

Let's return to that client-advisor meeting. Now imagine a follow-up session. Instead of reexplaining the recommendation verbally, the advisor opens a live 529 projection and walks the client through the decision to make higher contributions in real time. As contribution levels change, both watch the same outcomes update and react to the same trade-offs.

The advisor might notice what aspects the client focuses on, clarify which considerations are driving the recommendation and confirm that they are interpreting the situation the same way. In that moment, uncertainty about understanding disappears.

The decision feels like one jointly owned by the client and advisor rather than one that's simply inferred. The contribution increase actually happens this time (instead of being put off indefinitely), not because the client was persuaded, but because shared understanding became clear.

[1] G. Shteynberg, J.B. Hirsh, R.A. Bentley, and J. Garthoff, "Shared Worlds and Shared Minds: A Theory of Collective Learning and a Psychology of Common Knowledge," *Psychological Review* 127, Vol. 5 (2020): 918-931.

Getting on the Same Page, Together:
How Do We Get Others to Understand What We Want Them To?

Practically Speaking, So What?

From a practical perspective, this means that if our goal is to coordinate action with someone else, we should put in place actions that directly foster collective attention. Concretely:

- Important decisions or meetings should be synchronous — such as in-person meetings or live video calls — rather than asynchronous, like emails or other messages.
- We shouldn't assume others know what we know but directly ask what they know and what they are experiencing.
- We should build in moments of explicit mutual confirmation. For instance, "Here's how I'm thinking about this. Can you tell me how *you're* seeing it?"

When I first read the research on collective attention, I immediately thought of the work I do in the classroom with my students. I've certainly had times when I thought I had explained a concept or assignment clearly, only to realize later that I didn't fully understand what my students understood (and they didn't understand what I wanted them to understand).

Fostering collective attention may seem complicated, but in practice it's straightforward: To create action, we need to ensure that we are all *actually* attending to the same information, rather than just assuming we are.

Market Review

Snapshot

Global stocks and bonds advanced in January, with non-U.S. stocks and bonds outperforming U.S. assets for the month.

- The S&P 500 Index ended January with a 1.5% gain despite some volatility for U.S. stocks within the month.
- Most sectors delivered gains in January, led by the rallying energy sector, up more than 14%. The financial sector, down more than 2%, was the weakest.
- Continuing last year's trend, non-U.S. developed markets stocks outperformed U.S. stocks for the month. Emerging markets stocks outpaced U.S. and non-U.S. developed markets stocks with a gain of nearly 9% for the month.
- Amid elevated inflation and slowing job growth, the Fed held interest rates steady at its first policy meeting of the year. Elsewhere, central banks in Canada and Japan also left rates unchanged.
- Headline and core U.S. inflation (CPI) were unchanged in December versus November. Annual headline inflation slowed slightly in Europe and edged higher in the U.K.
- Most U.S. size and style indices advanced in January, with small-cap stocks outperforming large-caps and value outpacing growth. Outside the U.S., major size and style indices in developed and emerging markets delivered robust monthly gains.
- U.S. Treasury yields rose in January, and the broad U.S. bond market advanced slightly.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	1.45	1.76	1.45	16.35	21.11	14.99	15.57
U.S. Small-Cap Equity							
Russell 2000	5.35	5.75	5.35	15.81	12.20	6.16	11.21
Intl. Developed Markets Equity							
MSCI World ex USA	4.72	8.99	4.72	31.54	16.37	10.72	9.83
Emerging Markets Equity							
MSCI Emerging Markets	8.85	9.43	8.85	42.84	16.74	5.34	10.08
Global Real Estate Equity							
S&P Global REIT	2.94	3.37	2.94	9.02	4.71	4.56	4.43
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	0.11	0.58	0.11	6.85	3.65	-0.20	1.88
Global Fixed Income							
Bloomberg Global Aggregate Bond	0.94	1.43	0.94	8.56	3.19	-1.79	1.27
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.30	0.95	0.30	4.22	4.90	3.30	2.21

Data as of 1/31/2026. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Inflation, sometimes referred to as headline inflation, reflects rising prices for consumer goods and services, or equivalently, a declining value of money. Core inflation excludes food and energy prices, which tend to be volatile.

Equity Returns | Size and Style

U.S.

	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	4.56	-1.51	4.56	-1.51
Small	6.86	3.98	6.86	3.98

- Most U.S. stock indices delivered gains for January. Broadly, the S&P 500 Index returned 1.5% for the month.
- Small-cap stocks rallied in January, returning more than 5%. Large-cap stocks underperformed their small- and mid-cap peers, returning 1.4%.
- Value stocks significantly outperformed their growth-style counterparts across capitalizations. Small-cap value stocks were top performers with a monthly gain of nearly 7%.

Non-U.S. Developed Markets

	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	5.50	3.64	5.50	3.64
Small	6.01	6.19	6.01	6.19

- With a return of nearly 5%, non-U.S. developed markets stocks outperformed U.S. stocks in January. All major size and style indices advanced for the month.
- Small-cap stocks gained 6% for the month, outperforming large-caps, which returned nearly 5%.
- Value stocks outperformed their growth-style peers among large-caps, while growth slightly outperformed in the small-cap arena. Small-cap growth stocks were the month's top performers, returning more than 6%.

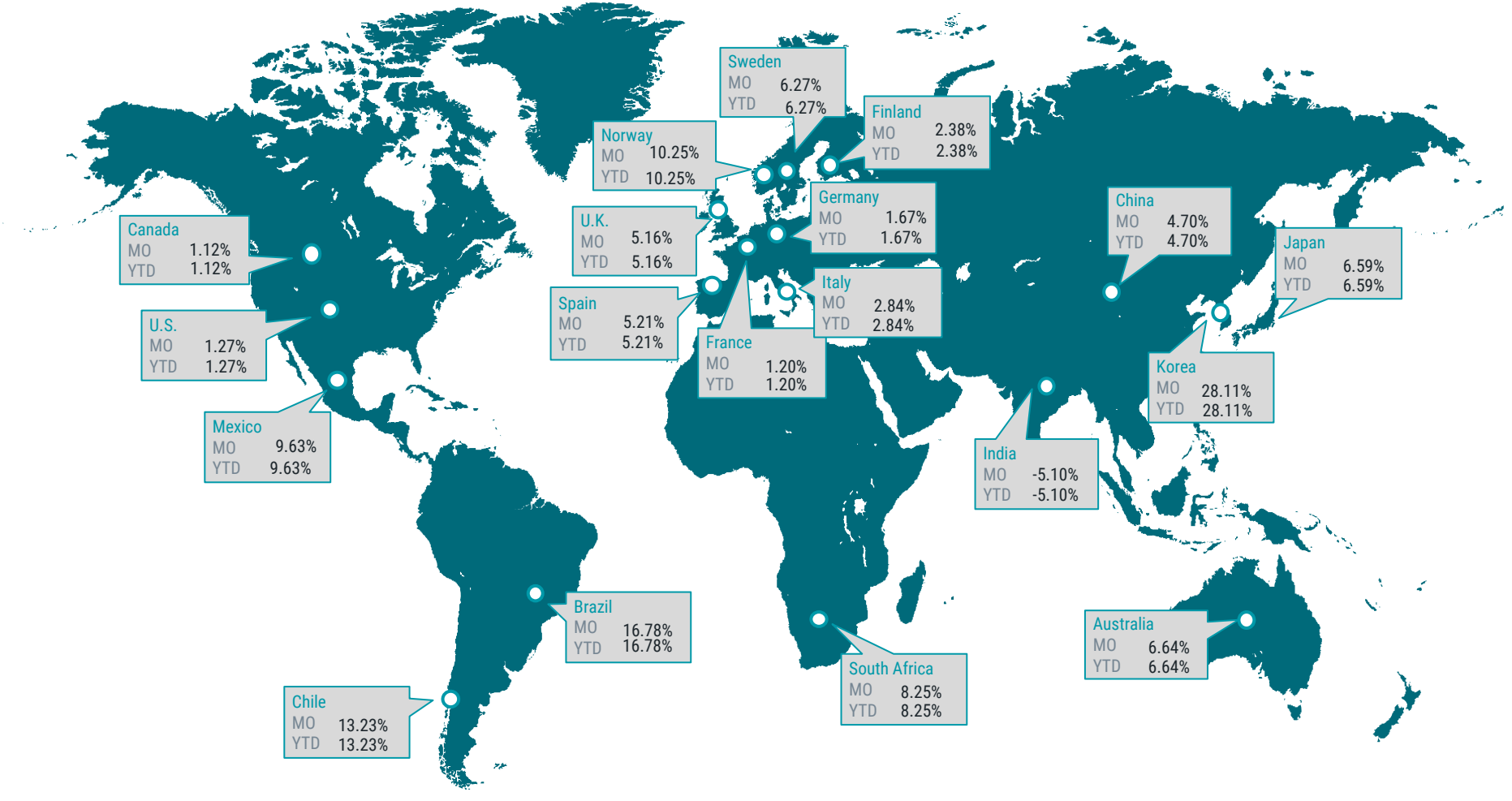
Emerging Markets

	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	9.24	9.15	9.24	9.15
Small	7.45	7.09	7.45	7.09

- The broad emerging markets stock index outperformed U.S. and non-U.S. developed markets stocks for the month. The index gained nearly 9%.
- Large-cap stocks returned more than 9% in January, outpacing small-caps, which gained more than 7%.
- Value stocks outperformed growth stocks across capitalizations. Large-cap value stocks were top performers, gaining more than 9%.

Data as of 1/31/2026. Performance in USD. Past performance is no guarantee of future results. Source: FactSet.
U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Data as of 1/31/2026. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

The broad U.S. bond index delivered a fractional gain in January, as Treasury yields rose modestly.

- The Bloomberg U.S. Aggregate Bond Index returned 0.1% in January.
- The yield on the 10-year Treasury note ended January at 4.24%, 7 bps higher than at the end of December. The two-year Treasury yield rose 6 bps to 3.54%.
- Within the Bloomberg U.S. Aggregate Bond Index, the MBS sector was the top performer, followed by investment-grade corporates. The Treasury sector declined slightly. Investment-grade credit spreads tightened modestly, while high-yield spreads were unchanged. High-yield corporate bonds outperformed investment-grade corporates.
- After cutting rates three times in late 2025, the Fed held interest rates steady in January. The target lending rate remained in a range of 3.5% to 3.75%. Amid elevated inflation and slowing job growth, the Fed offered few clues on its future interest rate policy.
- Annual headline and core CPI remained unchanged from November to December at 2.7% and 2.6%, respectively. The government shutdown delayed the release of the core PCE inflation rate, the Fed's preferred inflation gauge, which climbed from 2.7% in October to 2.8% in November.
- Municipal bonds outperformed Treasuries and the broad U.S. bond index, returning nearly 1% for the month.
- Inflation expectations increased in January, with five-year TIPS breakeven rates hitting near the upper end of their trailing 12-month range at 2.56%. TIPS outperformed nominal Treasuries.

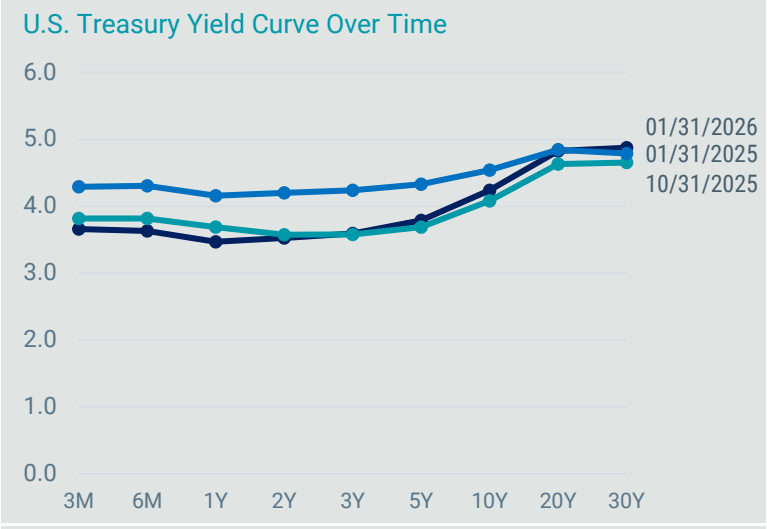
Returns (%)

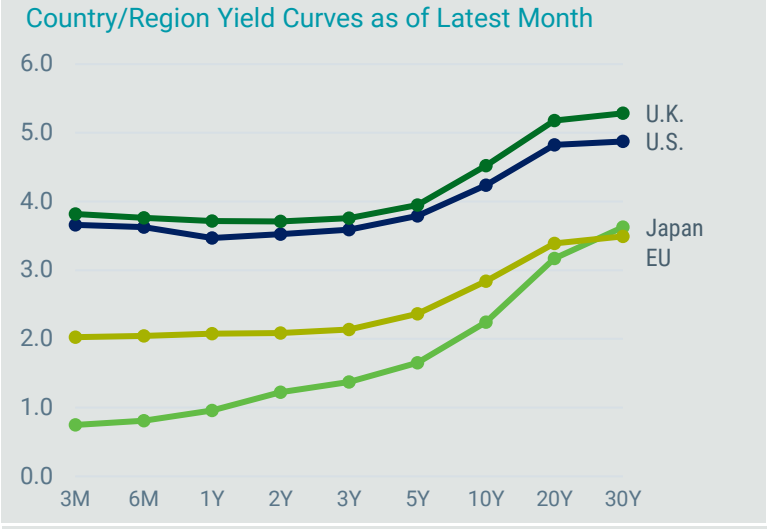
INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
Global Fixed Income							
Bloomberg Global Aggregate Bond	0.94	1.43	0.94	8.56	3.19	-1.79	1.27
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	0.11	0.58	0.11	6.85	3.65	-0.20	1.88
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	0.51	1.66	0.51	7.70	8.88	4.54	6.75
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	0.18	0.63	0.18	7.37	4.78	0.21	3.25
Municipals							
Bloomberg Municipal Bond	0.94	1.26	0.94	4.70	3.22	0.86	2.32
U.S. TIPS							
Bloomberg U.S. Treasury Inflation Protected Securities (TIPS)	0.31	0.09	0.31	5.97	3.70	1.12	2.97
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-0.09	0.19	-0.09	5.67	2.74	-0.82	1.14
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.30	0.95	0.30	4.22	4.90	3.30	2.21

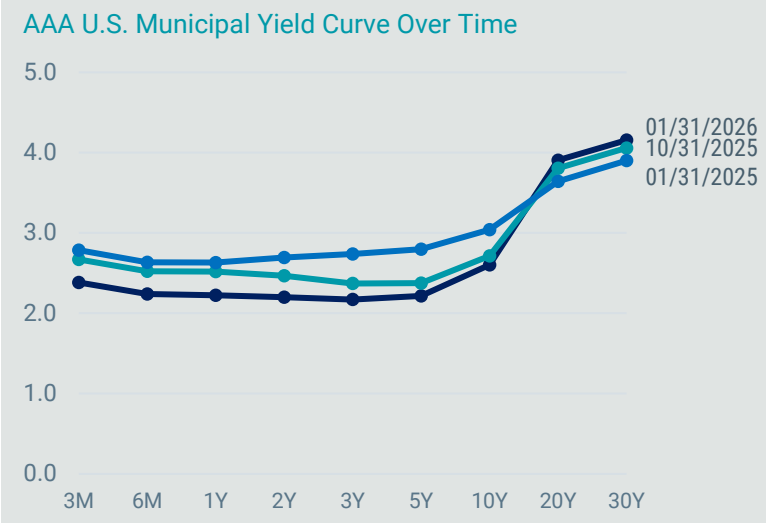
Data as of 1/31/2026. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

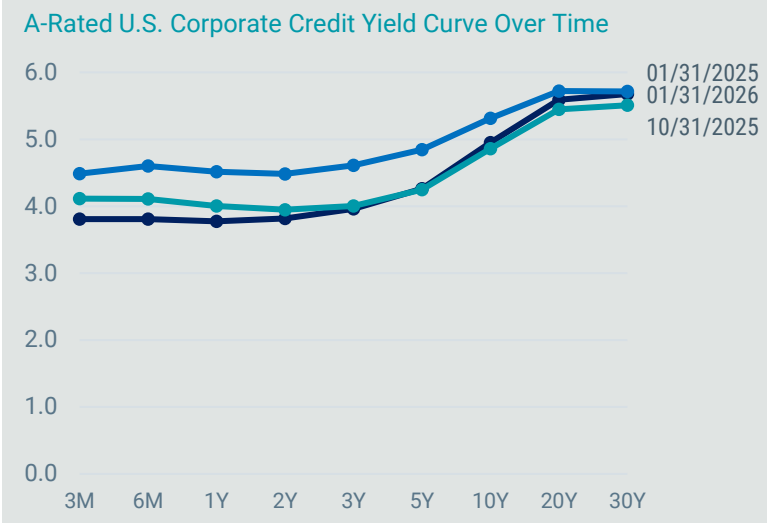
Mortgage-backed securities (MBS) are a type of securitized debt that represents ownership in pools of mortgage loans and their payments.

Global Yield Curves









Data as of 1/31/2026. Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).

Appendix

Glossary

Agencies: Agency securities are debt securities issued by U.S. government agencies such as the Federal Home Loan Bank and the Federal Farm Credit Bank. Some agency securities are backed by the full faith and credit of the U.S. government, while others are guaranteed only by the issuing agency.

Basis points (BPS): Basis points are used in financial literature to express values that are carried out to two decimal places (hundredths of a percentage point), particularly ratios, such as yields, fees, and returns. Basis points describe values that are typically on the right side of the decimal point–one basis point equals one one-hundredth of a percentage point (0.01%).

Bloomberg Global Aggregate Bond Index: A flagship measure of global investment-grade debt from 24 local currency markets. This multicurrency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Global U.S. Treasury - U.S. TIPS Index: Consists of Treasury inflation-protected securities issued by the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg Municipal Bond Index: A market value-weighted index designed for the long-term tax-exempt bond market.

Bloomberg U.S. 1-3 Month Treasury Bill Index: A subindex of the Bloomberg Barclays U.S. Short Treasury Index, the Bloomberg Barclays U.S. 1-3 Month Treasury Bill Index is composed of zero-coupon Treasury bills with a maturity between one and three months.

Bloomberg 1-5 Year U.S. Government/Credit Index: Tracks the market for investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

Bloomberg U.S. Aggregate Bond Index: Represents securities that are taxable, registered with the Securities and Exchange Commission, and U.S. dollar-denominated. The index covers the U.S. investment-grade fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

Bloomberg U.S. Corporate Bond Index: Measures the investment-grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Corporate High Yield Bond Index: Measures the U.S. dollar-denominated, high-yield (non-investment grade), fixed-rate corporate bond market.

Bloomberg U.S. Corporate High Yield Bond Index: Measures the U.S. dollar-denominated, high-yield (non-investment grade), fixed-rate corporate bond market.

Bloomberg U.S. Treasury Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Book-to-Market Ratio: Compares a company's book value relative to its market capitalization. Book value is generally a firm's reported assets minus its liabilities on its balance sheet. A firm's market capitalization is calculated by taking its share price and multiplying it by the number of shares it has outstanding.

Carbon Emissions Intensity: A measure of emissions efficiency calculated as company emissions normalized by company revenue (metric tons CO2 per USD million sales) and presented as a weighted average of fund or index holdings. Company emissions data includes reported or estimated scope 1 and scope 2 greenhouse gas emissions in carbon dioxide equivalents. If neither reported nor estimated emissions data is available for a company held by the fund or index, emissions data for that company is excluded from the carbon emissions intensity calculation. The calculation of this measure is completed by American Century Investment Management Inc, the investment advisor to the ETFs reporting the measure, based on data sources from MSCI. The Carbon Emissions Intensity figure is solely a result of a mathematical calculation based on the MSCI data, with no additional inputs. Scores and ratings across third-party providers may be inconsistent or incomparable and, in certain cases, incorrect. In addition, data is not currently available for many issuers and, when available, frequently only includes some but not all of the characteristics considered.

CBOE Volatility Index (VIX): Tracks the expected 30-day future volatility of the S&P 500 Index.

U.S. Consumer Confidence Index: A survey administered by The Conference Board that measures how optimistic or pessimistic consumers are about their expected financial situation.

Consumer Price Index (CPI): CPI is a U.S. government (Bureau of Labor Statistics) index derived from detailed consumer spending information. Headline CPI measures price changes in a market basket of consumer goods and services such as gas, food, clothing, and cars. Core CPI excludes food and energy prices, which tend to be volatile.

CRSP U.S. Total Market Index: Consists of nearly 4,000 constituents across mega, large, small and micro capitalizations, representing nearly 100% of the U.S. investable equity market.

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Credit Quality: Refers to the creditworthiness or financial health of the issuer of the bond. It reflects the likelihood that the issuer will meet its debt obligations, including interest payments and the return of principal, in a timely manner. Credit rating agencies assess and assign credit ratings to bonds based on the issuer's financial strength, stability, and ability to honor its debt commitments.

Credit Rating. Standard & Poor's credit ratings range from AAA (highest quality; perceived as least likely to default) to D (in default). Securities and issuers rated AAA to BBB are considered/perceived to be "investment-grade"; those below BBB are considered/perceived to be non-investment-grade (high yield).

Dow Jones Industrial Average: An average made up of 30 blue-chip stocks that trade daily on the New York Stock Exchange.

Duration: Measures how long it takes, in years, for an investor to be repaid a bond's price by the bond's total cash flows. It is also a measure of a bond's interest rate sensitivity. The longer the duration, the more sensitive a bond is to interest rate shifts.

Effective Duration: The average duration of all the bonds in a fund. It provides an indication of how a fund's net asset value (NAV) will change as interest rates change.

Emerging Markets Debt: Debt issued by countries whose economies are considered to be developing or emerging from underdevelopment.

Environmental, Social and Governance (ESG): Standards used to evaluate a company's operations in terms of sustainability and ethical impact. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and communities. Governance criteria assess the company's leadership, executive pay, audits, internal controls, and shareholder rights.

Exchange-Traded Fund (ETF): An ETF represents a basket of securities that trades on an exchange, similar to a stock. An ETF differs from a mutual fund in that its share price fluctuates all day as investors buy and sell the ETF. A mutual fund's net asset value (NAV) is calculated once per day after the market closes.

Expected Returns: Valuation theory shows that the expected return of a stock is a function of its current price, its book equity (assets minus liabilities) and expected future profits, and that the expected return of a bond is a function of its current yield and its expected capital appreciation (depreciation). We use information in current market prices and company financials to identify differences in expected returns among securities, seeking to overweight securities with higher expected returns based on this current market information. Actual returns may be different than expected returns, and there is no guarantee that the strategy will be successful.

Inverted Yield Curve: An interest rate environment in which long-term debt instruments have a lower yield than short-term debt instruments of the same credit quality.

Market Capitalization: The market value of all the equity of a company's common and preferred shares. It is usually estimated by multiplying the stock price by the number of shares for each share class and summing the results.

Money Market Mutual Funds: These funds invest in short-term debt instruments (e.g., commercial paper, U.S. Treasury bills, repurchase agreements) and are valued for their relative safety and liquidity.

MSCI ACWI Index: A capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

MSCI ACWI ex-USA Index: A market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States.

MSCI Emerging Markets IMI Index: Captures large-, mid- and small-cap securities across 27 emerging markets countries.

MSCI Emerging Markets IMI Value Index: Captures large-, mid- and small-cap securities exhibiting overall value style characteristics across 27 emerging markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

MSCI Emerging Markets Asia IMI Index: Captures large-, mid- and small-cap securities in China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

MSCI Emerging Markets EMEA IMI Index: Captures large-, mid- and small-cap securities across 11 emerging markets countries in Europe, the Middle East and Africa (EMEA).

MSCI Emerging Markets Latin America IMI Index: Captures large-, mid- and small-cap securities in Brazil, Chile, Colombia, Mexico and Peru.

MSCI Europe IMI Index: Captures large-, mid- and small-cap securities across 15 developed markets countries in Europe.

MSCI Pacific IMI Index: Captures large-, mid- and small-cap securities in five developed markets countries: Australia, Hong Kong, Japan, New Zealand and Singapore.

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MSCI USA Index: A market capitalization-weighted index designed to measure the performance of the large and mid-cap segments of the U.S. market.

MSCI World ex USA IMI Index: Captures large-, mid- and small-cap representation across 22 of 23 developed markets countries, excluding the U.S.

MSCI World ex USA Small Cap Index: Captures small-cap representation across 22 of 23 developed markets countries, excluding the U.S.

MSCI World ex USA Value Index: Captures large- and mid-cap securities exhibiting overall value style characteristics across 22 of 23 developed markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

Net Asset Value (NAV): The total value per share of all the underlying securities in a portfolio.

Oil and Gas Revenue Percentage: Represents the proportion of total revenue of fund or index holdings that is derived from reported or estimated oil and gas-related activities. If neither reported nor estimated oil and gas-related data is available for held by either the fund or the index, such data for that company is excluded from the calculation.

The calculation of this measure is completed by American Century Investment Management Inc, the investment advisor to the ETFs reporting the measure, based on data sourced from MSCI. The Oil and Gas Revenue Percentage figure is solely a result of a mathematical calculation based the MSCI data, with no additional inputs.

Scores and ratings across third party providers may be inconsistent or incomparable, and, in certain cases, incorrect. In addition, data is not currently available for many issuers and, when available, frequently only includes some but not all of the characteristics considered.

Option-Adjusted Spread (OAS): Measures the difference between the yield of a bond with an embedded option and the yield on Treasuries. Call options give the issuer the right to redeem the bond prior to maturity at a preset price, and put options allow the holder to sell the bond back to the company on certain dates. The OAS adjusts the spread to account for these potential changing cash flows.

Personal Consumption Expenditures (PCE): The PCE price deflator — which comes from the Bureau of Economic Analysis' quarterly report on U.S. gross domestic product — is based on a survey of businesses and is intended to capture the price changes in all final goods, no matter the purchaser. Because of its broader scope and certain differences in the methodology used to calculate the PCE price index, the Federal Reserve holds the PCE deflator as its preferred, consistent measure of inflation over time.

Price-to-Earnings Ratio (P/E): The price of a stock divided by its annual earnings per share. These earnings can be historical (the most recent 12 months) or forward-looking (an estimate of the next 12 months). A P/E ratio allows analysts to compare stocks on the basis of how much an investor is paying (in terms of price) for a dollar of recent or expected earnings. Higher P/E ratios imply that a stock's earnings are valued more highly, usually on the basis of higher expected earnings growth in the future or higher quality of earnings.

Producer Price Index (PPI): Measures the average change over time in the prices that domestic producers receive for their goods and services. It is a key indicator of inflation at the wholesale level, reflecting the prices producers charge for their output before it reaches consumers.

Profits-to-Book Ratio: Measures a company’s profits relative to its book value. A company's profits are generally calculated by subtracting operating expenses from its gross profit. Book value is generally a firm’s reported assets minus its liabilities on its balance sheet.

Responsible Equity ETFs: Because the portfolio managers screen securities based on environmental, social and governance (ESG) characteristics, the fund may exclude the securities of certain issuers or industry sectors for other than financial reasons and, as a result, the fund may perform differently or maintain a different risk profile than the market generally or compared to funds that do not use similar ESG-based screens.

Investing based on ESG considerations may also prioritize long-term rather than short-term returns. Furthermore, when analyzing ESG criteria for issuers, the portfolio management team relies on proprietary evaluations and information, ratings and scoring models published by third-party sources (collectively, “ESG Data”).

Due to the lack of regulation and uniform reporting standards with respect to ESG characteristics of issuers, ESG Data may be inconsistent across sources and, in certain cases, incorrect. In addition, ESG Data is not currently available for many issuers and, when available, frequently only includes some but not all of the ESG characteristics considered by the team when applying their ESG screens.

See Environmental, Social and Governance (ESG) in the Glossary for more information.

Glossary

Russell 1000® Growth Index: Measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index: Measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index: Measures the performance of the 2,000 smallest companies among the 3,000 largest publicly traded U.S. companies, based on total market capitalization.

Russell 2000® Growth Index: Measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index: Measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

Russell 3000® Index: Measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

S&P 500® Index: A market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The index is widely regarded as the best gauge of large-cap U.S. equities.

S&P Global REIT Index: A comprehensive benchmark of publicly traded equity REITs listed in both developed and emerging markets.

S&P National AMT-Free Municipal Bond Index: A broad, comprehensive, market value-weighted index designed to measure the performance of the investment-grade tax-exempt U.S. municipal bond market. Bonds issued by U.S. territories, including Puerto Rico, are excluded from this index. It is not possible to invest directly in an index.

SEC Yield: A calculation based on a 30-day period ending on the last day of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

Securitized Debt: Debt resulting from the process of aggregating debt instruments into a pool of similar debts, then issuing new securities backed by the pool (securitizing the debt). Examples include asset-backed and mortgage-backed securities.

Standard deviation: Standard deviation is a statistical measurement of variations from the average. In financial literature, it's often used to measure risk when risk is measured or defined in terms of volatility. In general, more risk means more volatility and more volatility means a higher standard deviation — there's more variation from the average of the data being measured.

Treasury Inflation-Protected Securities (TIPS): A special type of U.S. Treasury security that is indexed to inflation as measured by the Consumer Price Index, or CPI. At maturity, TIPS are guaranteed by the U.S. government to return at least their initial $1,000 principal value, or that principal value adjusted for inflation, whichever amount is greater. In addition, as their principal values are adjusted for inflation, their interest payments also adjust.

Treasury Yield: The yield of a Treasury security (most often refers to U.S. Treasury securities issued by the U.S. government).

U.S. Treasury securities: Debt securities issued by the U.S. Treasury and backed by the direct "full faith and credit" of the U.S. government. Treasury securities include bills (maturing in one year or less), notes (maturing in two to 10 years) and bonds (maturing in more than 10 years).

Weighted Average Book-to-Market: An average book-to-market ratio resulting from the multiplication of each security's book-to-market by its weight in the portfolio.

Weighted Average Market Capitalization: An average market capitalization resulting from the multiplication of each security's market capitalization by its weight in the portfolio.

Weighted Average Profitability-to-Book: An average profitability-to-book ratio resulting from the multiplication of each security's profitability-to-book by its weight in the portfolio.

Yield to Maturity: The rate of return an investor will receive if an interest-bearing security, such as a bond, is held to its maturity date. It considers total annual interest payments, the purchase price, the redemption value, and the amount of time remaining until maturity.