2026 **Advanced Sales Forum**

Rooted in Knowledge — Aligned for Growth

Economic Update: A Portfolio Manager's Perspective from Vermont

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The AI Boom & the Return of Inflation

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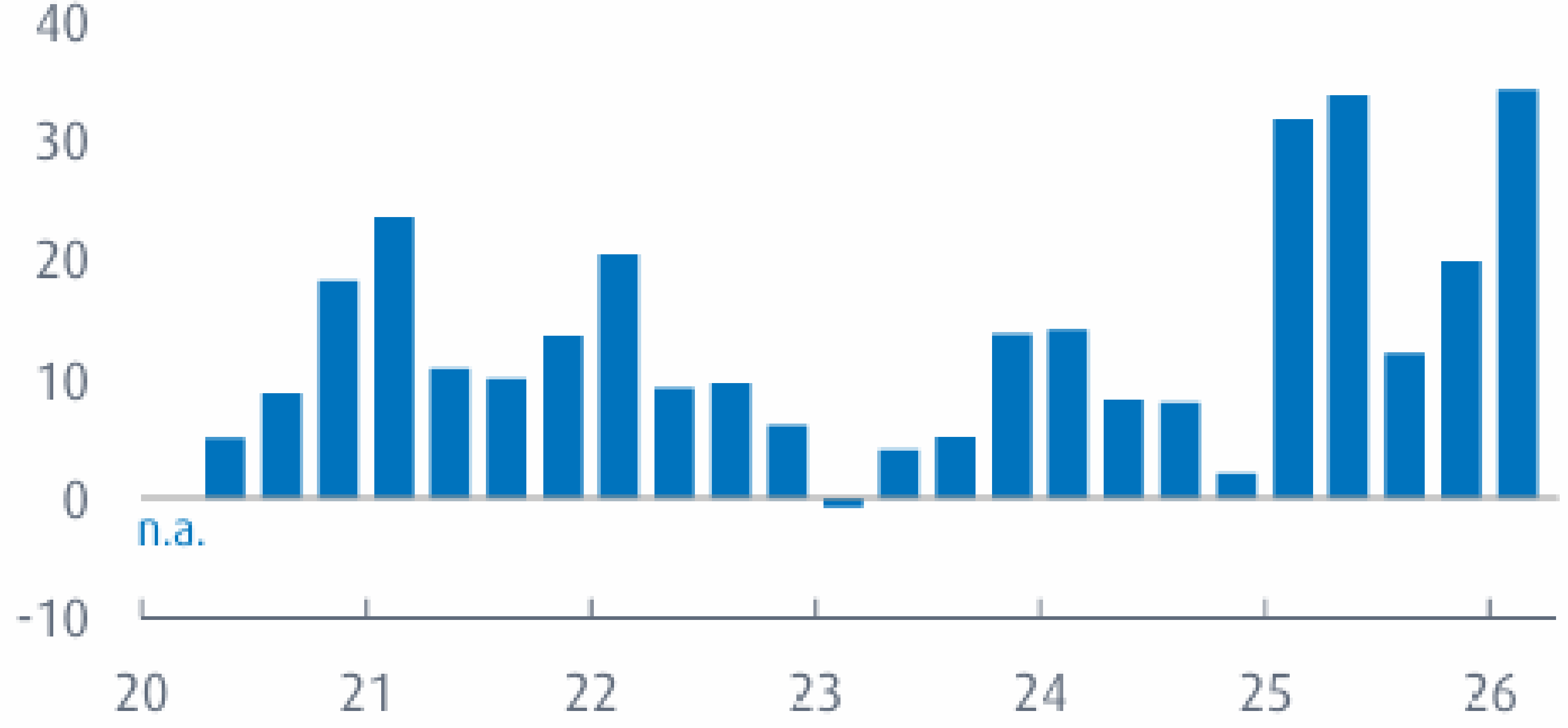
Maple Capital Management

The AI Boom is a Powerful Driver of U.S. GDP Growth

Chart 1
High-Tech Investment...

United States (q/q % chng : ann.)

Real Business Investment in High Technology[1]



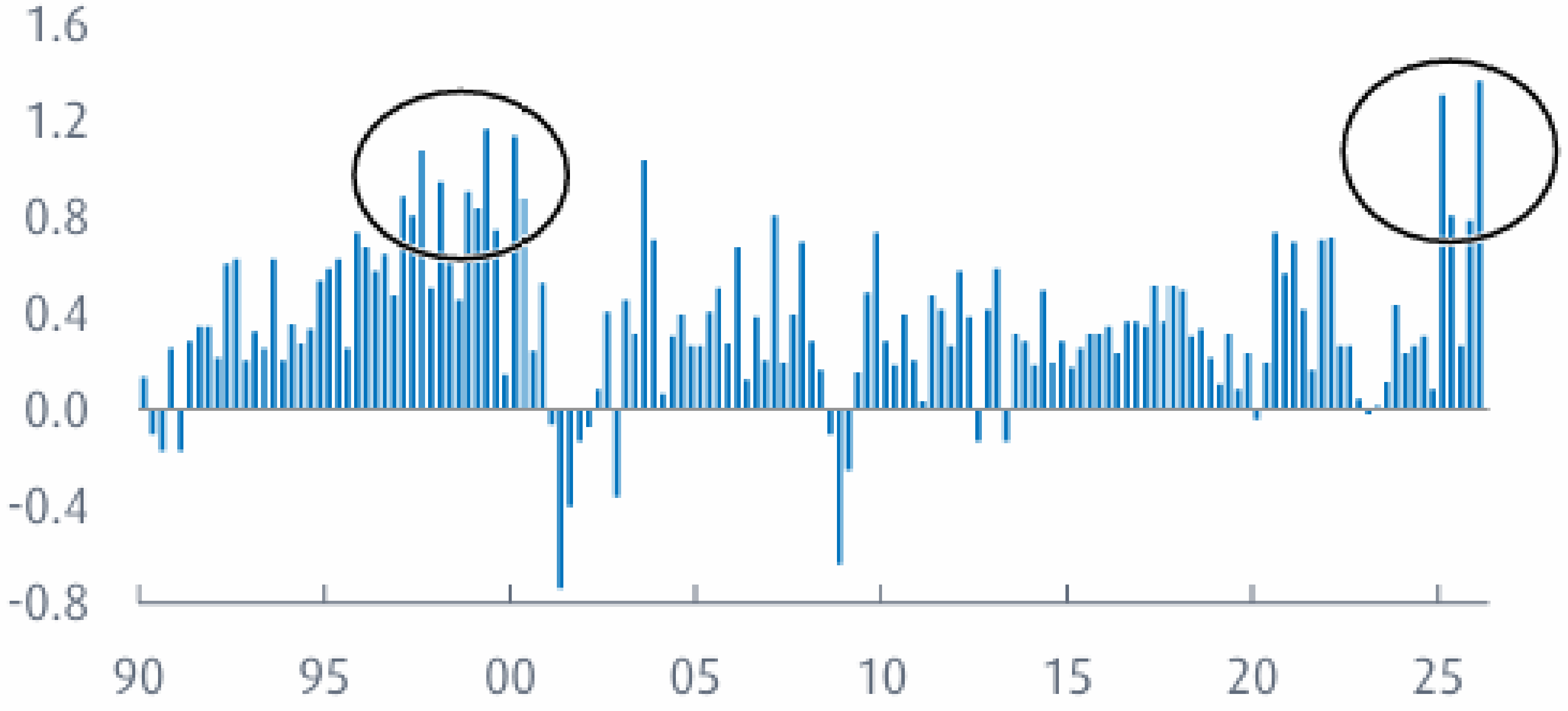
[1] *computers, peripherals, software and data centres*

Sources: BMO Economics, Haver Analytics, BEA

Chart 2
...is Driving U.S. GDP Growth (Again)...

United States (ppts : ann.)

Contribution of Investment in Computing Equipment and Software to Real GDP Growth



Sources: BMO Economics, Haver Analytics, BEA

Sourceline: BMO, 2026

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The AI Boom is Massive

- AI Hyperscaler capex plans keep getting revised

  Current estimates now exceed $800bn, or 83% growth vs. ‘25

- Spending is centered on data centers

  This includes semiconductors, power, servers, and more

- 66% of S&P 500 management teams…

  …mentioned AI on 1Q26 earnings calls

Sourceline: Goldman Sachs, 2026.

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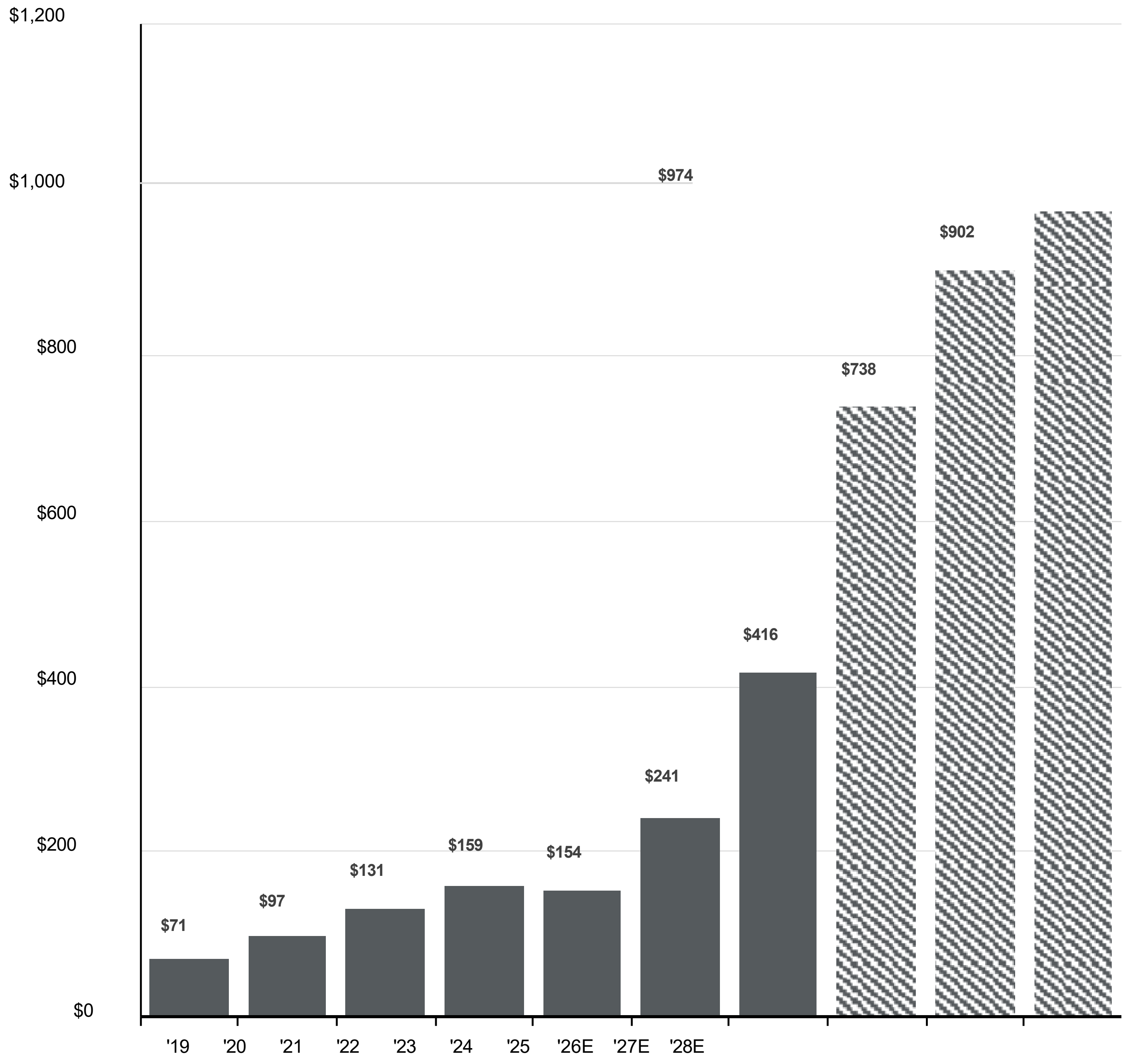
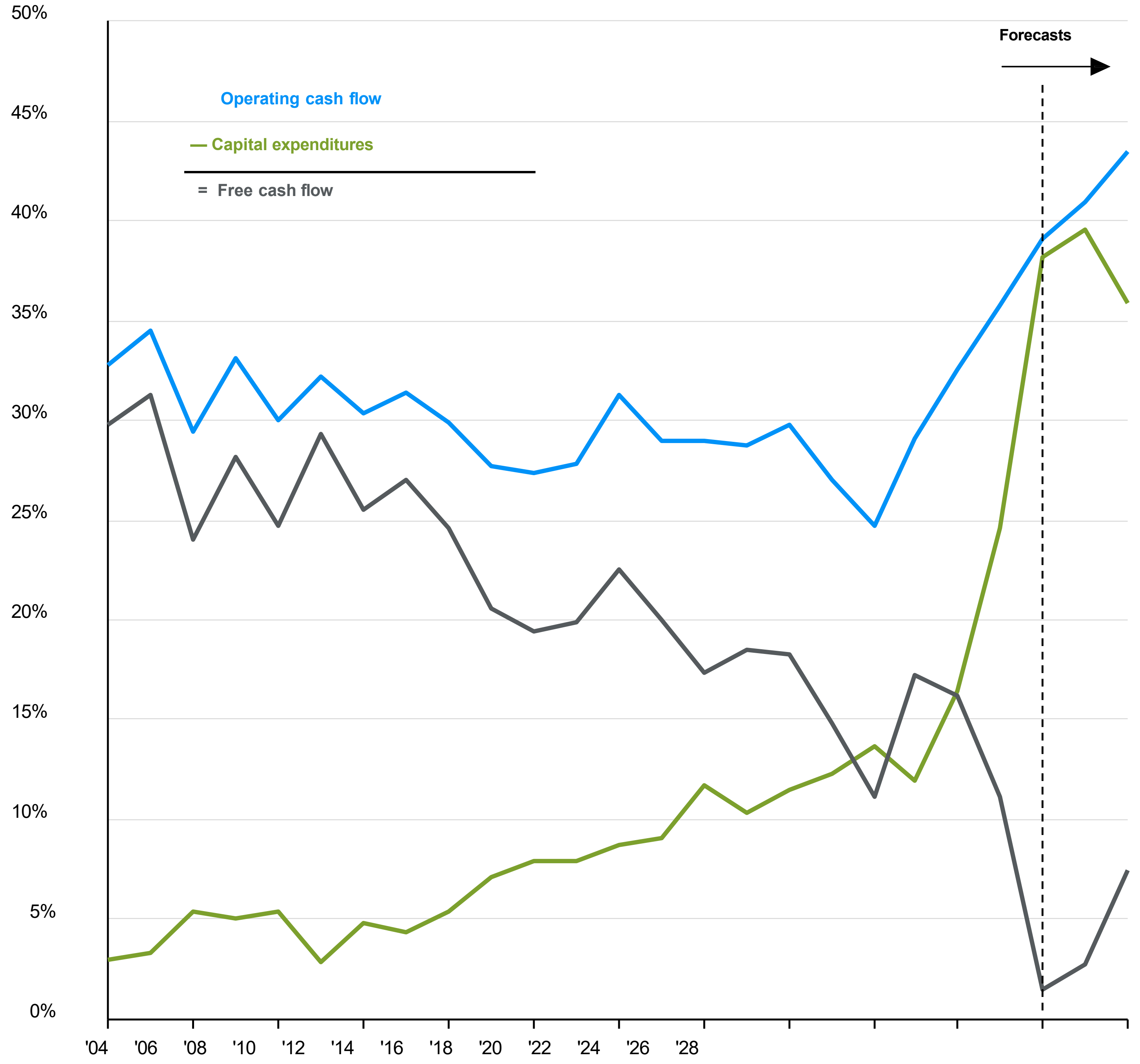
Artificial Intelligence: Hyperscaler Investment

Capex from the major AI hyperscalers*
USD billions; Alphabet, Amazon, Meta, Microsoft, Oracle



Hyperscalers' cash flow and capex
% of sales



Source: Bloomberg, J.P. Morgan Asset Management.
Data for 2026, 2027 and 2028 reflect consensus estimates. Capex shown is company total. *Hyperscalers are the large cloud computing companies that own and operate data centers with horizontally linked servers that, along with cooling and data storage capabilities, enable them to house and operate AI workloads.
Guide to the Markets – U.S. Data are as of June 15, 2026.

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The AI Boom is Real

- Real spending on software, computer...
  ...equipment, and data centers grew more than 30% annualized

- Total dollar investment in that space now...
  ...running at $1.2tn/yr pace, or ~ 4% of GDP (not all AI-related)

- Gross private investment added 1.5 ppts...
  ...of the 2.0% a.r.GDP growth

Sourceline: BMO, 2026.

Some Historical Perspective on the AI Investment Boom

A rapid transformation

Length and capital deepening of notable innovations, 1760-2040

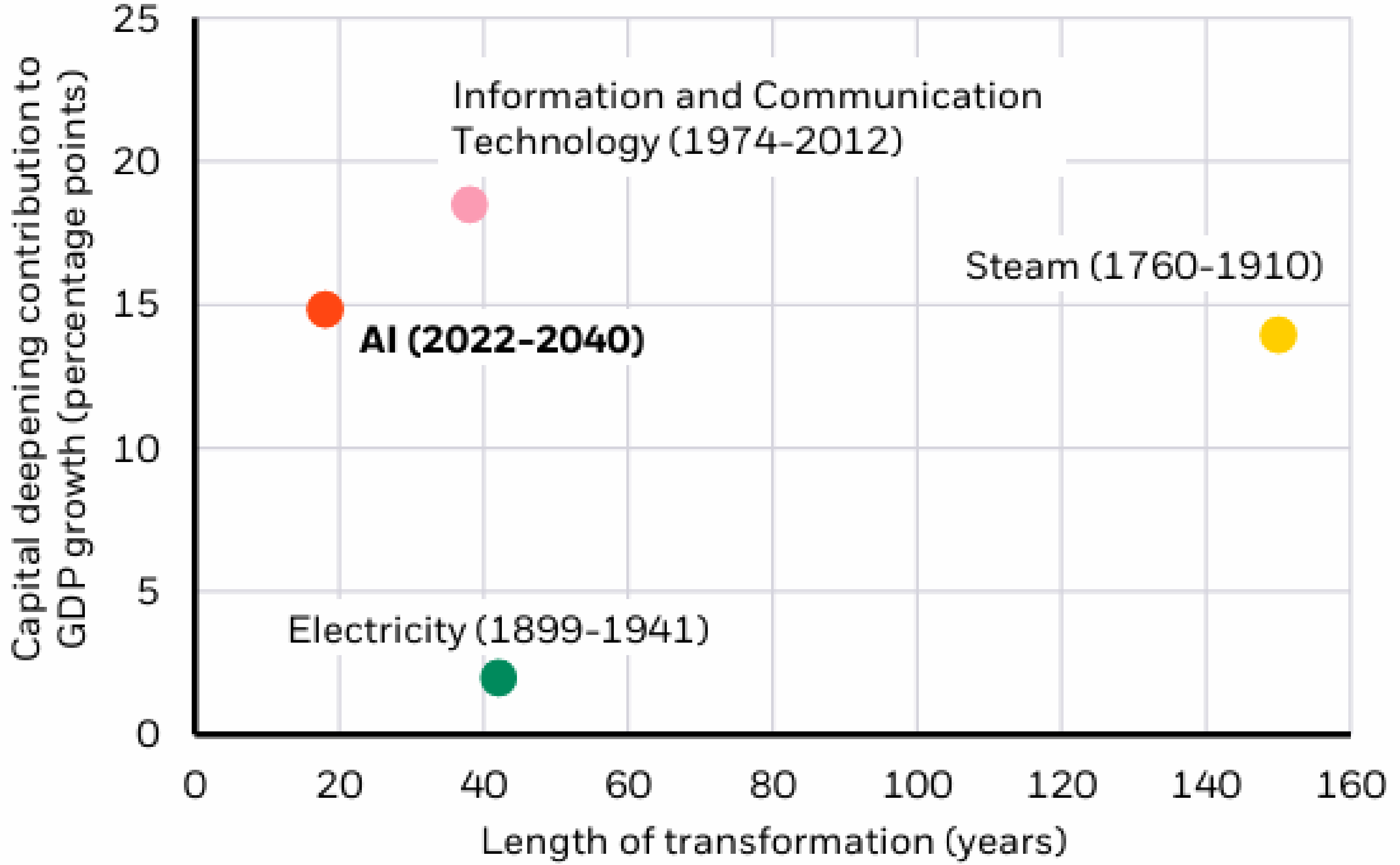

Chart takeaway: *The AI transformation is unfolding fast and is driving record investment — we could reach a level close to the largest buildout in half the time.*

Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute with data from Crafts (2021), December 2025. Notes: The chart shows the average annual contribution of capital spending to GDP growth for previous U.S. technologies (except "steam," for the UK) against the length of time the capital was spent. Estimates for steam, electricity and ICT are taken from Crafts (2021). The spend needed for artificial intelligence (AI) is calculated using realized capital spending between 2022-2024, the upper end of the U.S.$5-8 trillion range of total capital spending intentions spanning the period 2025-2030, and an assumption that capex intensity continues at a similar rate through 2030-2040.

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The AI Boom may result in some overinvestment

- How does this boom compare to prior ones?
  The graph shows that this is not unprecedented

- However, nearly all booms result in mistakes
  Who will make them? Where will it manifest?

- Most of the build-out driven by strong hands…
  …meaning firms with strong balance sheets and cash flow/profits

Sourceline: BlackRock Institute, 2026.

Return of Inflation is a Threat to the Economic Outlook

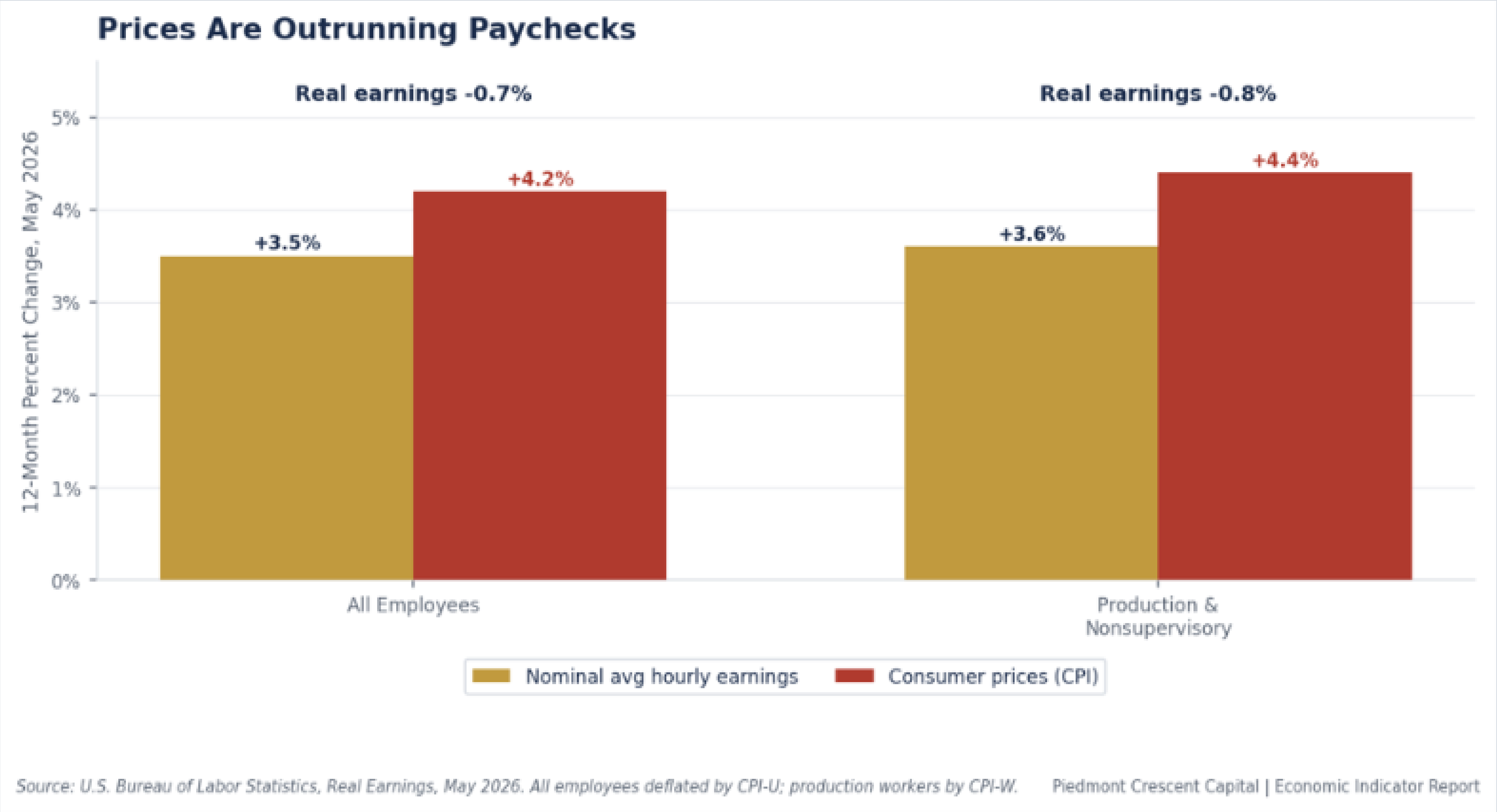

Exhibit 2. Nominal wage growth of roughly three and a half percent is no match for consumer prices running above four, leaving real earnings negative for both worker groups.

Inflation is driven by the war in Iran

- Inflation outrunning wage gains and driving…

  …consumer strain, mostly in lower wage earners

- Energy alone accounted for > 60% of the…

  …monthly all-items increase

- Consumers are feeling the pinch and the…

  …wealth disparity problem is only getting worse

Sourceline: Piedmont Crescent Capital, 2026.

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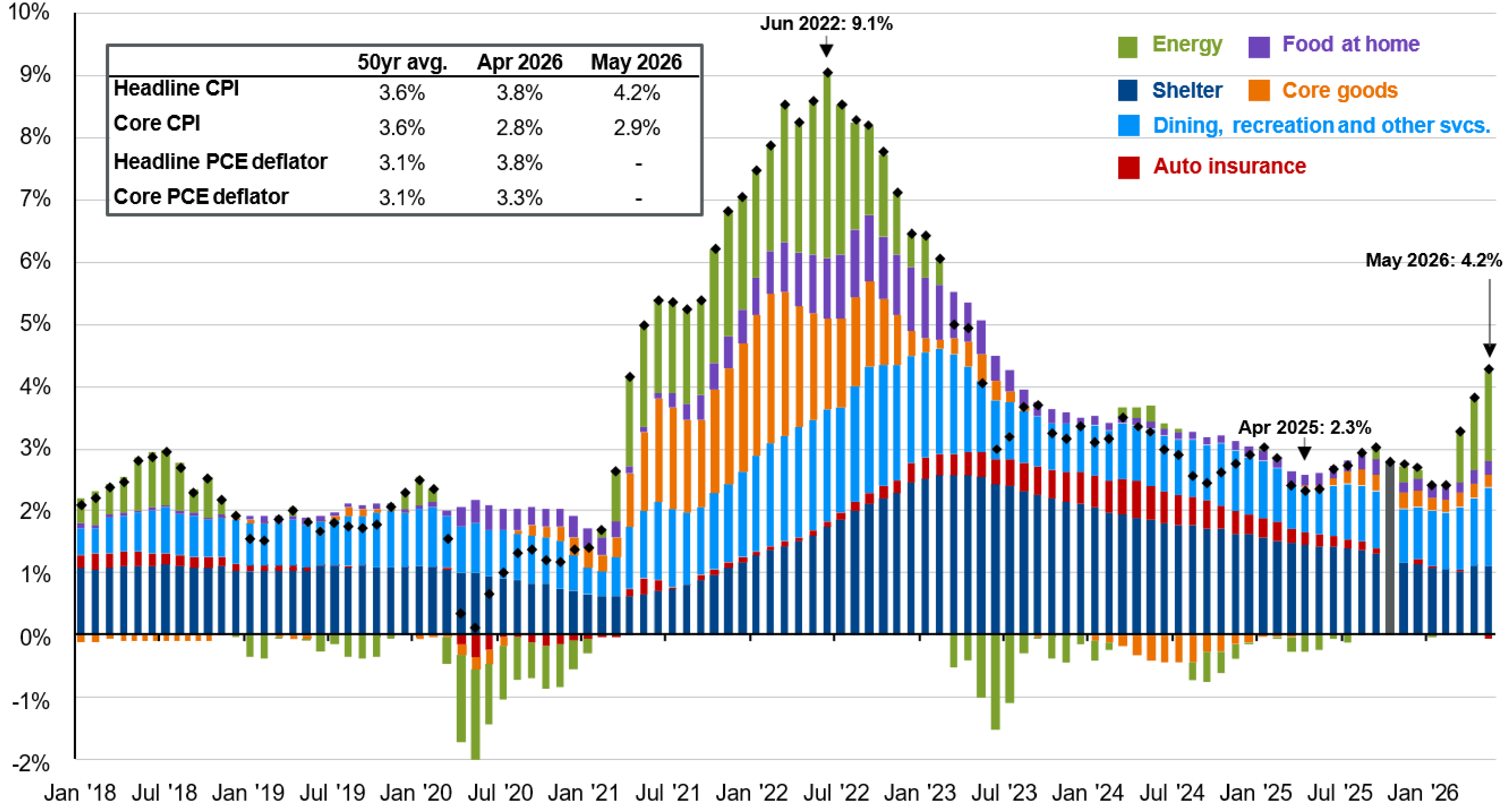
Inflation Components

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted



	50yr avg.	Apr 2026	May 2026
Headline CPI	3.6%	3.8%	4.2%
Core CPI	3.6%	2.8%	2.9%
Headline PCE deflator	3.1%	3.8%	-
Core PCE deflator	3.1%	3.3%	-

Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. “Shelter” includes owners’ equivalent rent, rent of primary residence and home insurance. “Food at home” includes alcoholic beverages. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates.
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Recent increases in inflation driven by energy

- Underlying trend for Core CPI is ~ 2.4%…
  …and the breadth of inflation is not widening

- Food inflation is a problem, in part due to…
  …the war's affect on fertilizer costs

- This means Fed rate cuts are off the table…
  …and instead, rate hikes are now possible

Sourceline: JP Morgan, 2026

S&P 500 Valuation Measures

S&P 500 index: Forward P/E ratio

Valuation measure	Description	Latest	30-year avg.
P/E	Forward P/E	20.6x	17.2x
CAPE	Shiller's P/E	40.8x	28.7x
Div. Yield	Dividend yield	1.4%	2.0%
EY Spread	EY minus Baa yield	-0.5%	0.7%

Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
Forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since March 1994 and FactSet since January 2022. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as consensus estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. EY minus Baa yield is the forward earnings yield (the inverse of the forward P/E ratio) minus the Bloomberg U.S. corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand.
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Are equities overvalued?

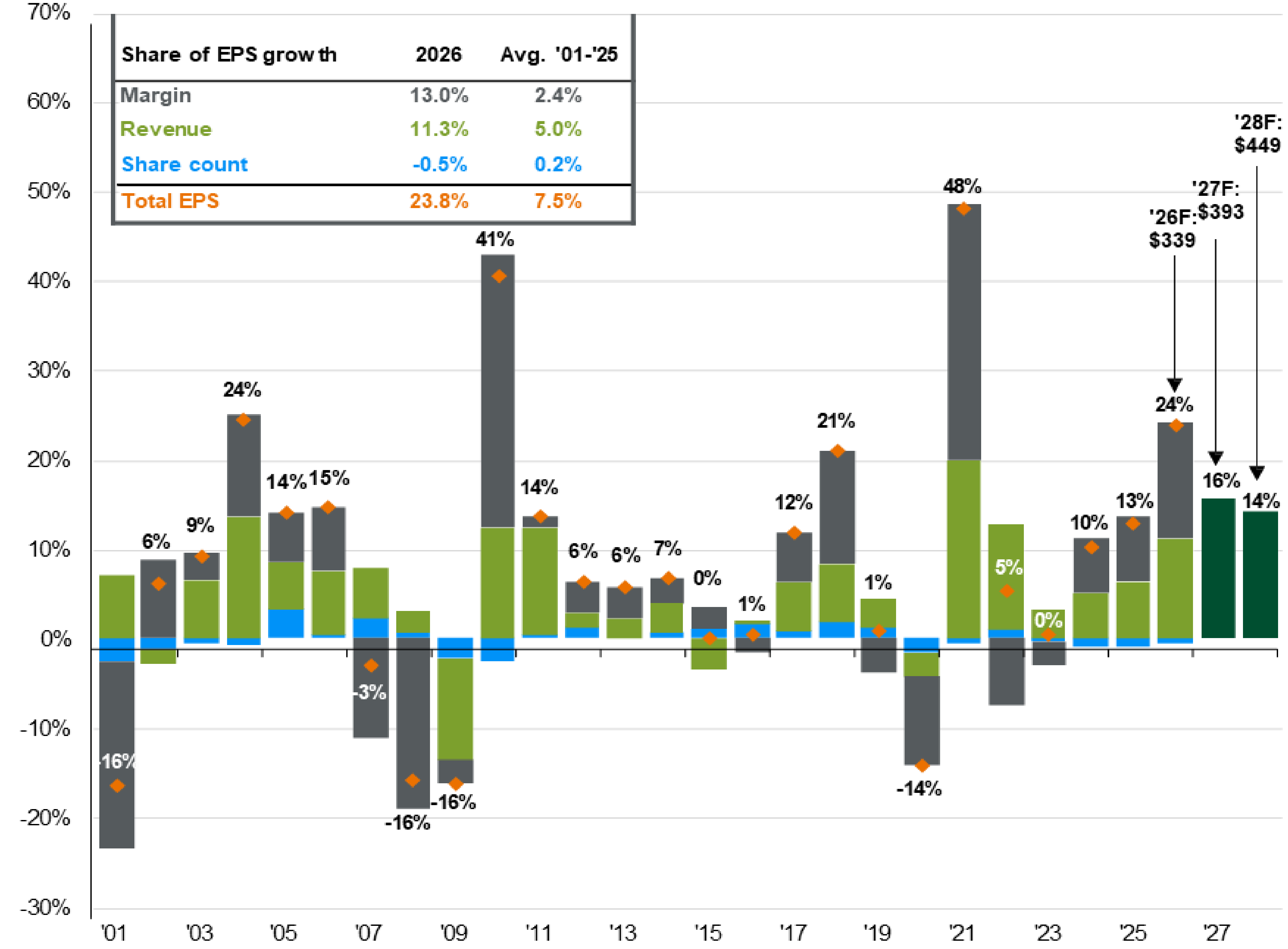
- By most valuation measures, equity markets…
  …appear overvalued, or at least stretched
- Strong earnings growth continues to drive…
  …investors into tech, ignoring most other areas of the market
- Enthusiasm about AI and what it might mean…
  …for growth and profit margins is a powerful driver for investors

Sourceline: JP Morgan, 2026.

Sources of Earnings Growth and Profit Margins

S&P 500 EPS growth

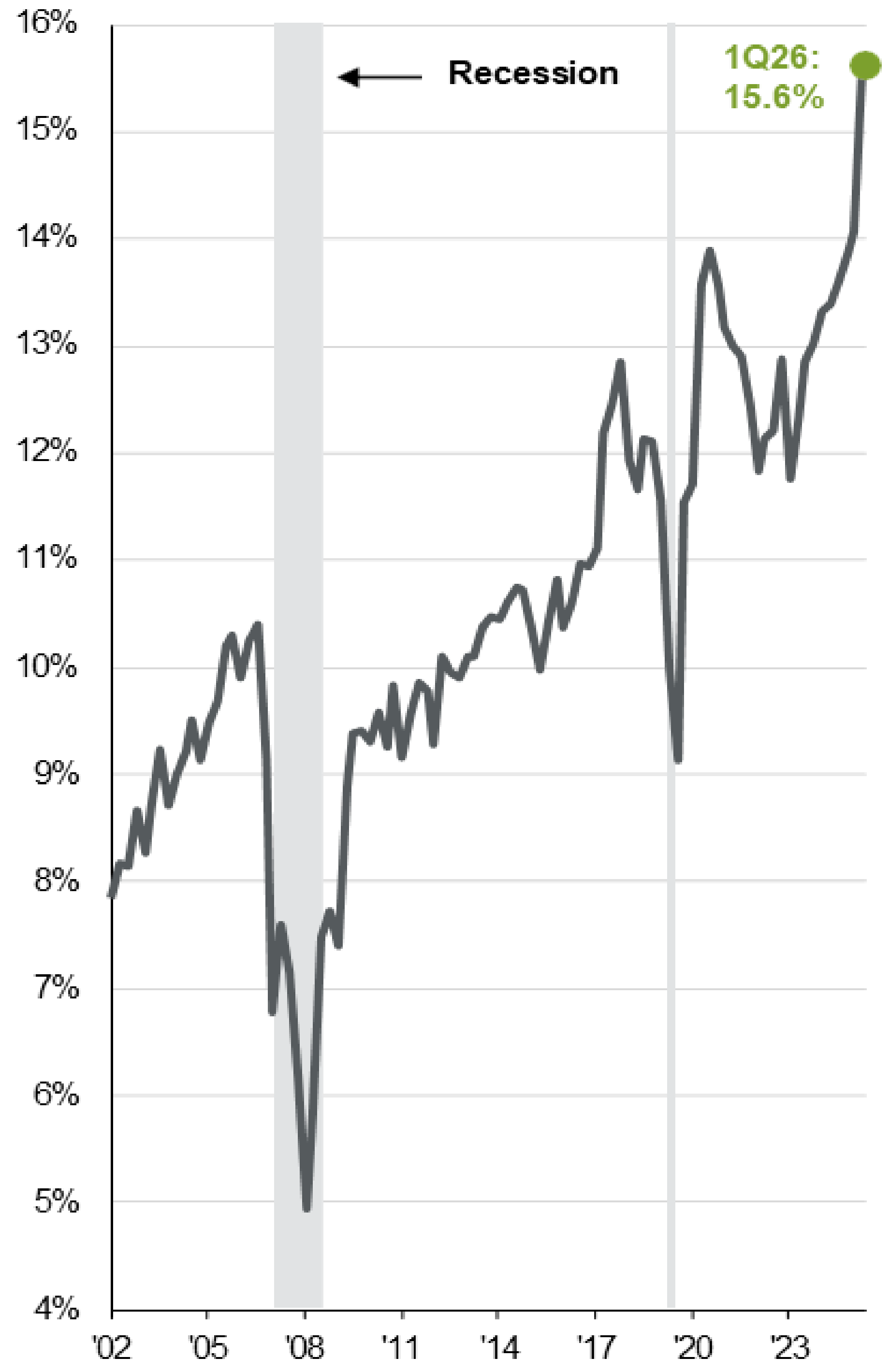
Year-over-year growth broken into changes in revenue, profit margin and share count



Share of EPS growth	2026	Avg. '01-'25
Margin	13.0%	2.4%
Revenue	11.3%	5.0%
Share count	-0.5%	0.2%
Total EPS	23.8%	7.5%

S&P 500 profit margins

Quarterly earnings/sales



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Historical EPS values are based on annual earnings per share. Forecasts for 2026, 2027 and 2028 reflect consensus analyst expectations, provided by FactSet. Past performance is no guarantee of future results.
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Profit margins have not been this high in years

- Profit growth has been remarkable…

  …and underlies most of the recent price action

- But the question of when and how AI will…

  …lead to durable revenue and profits is valid

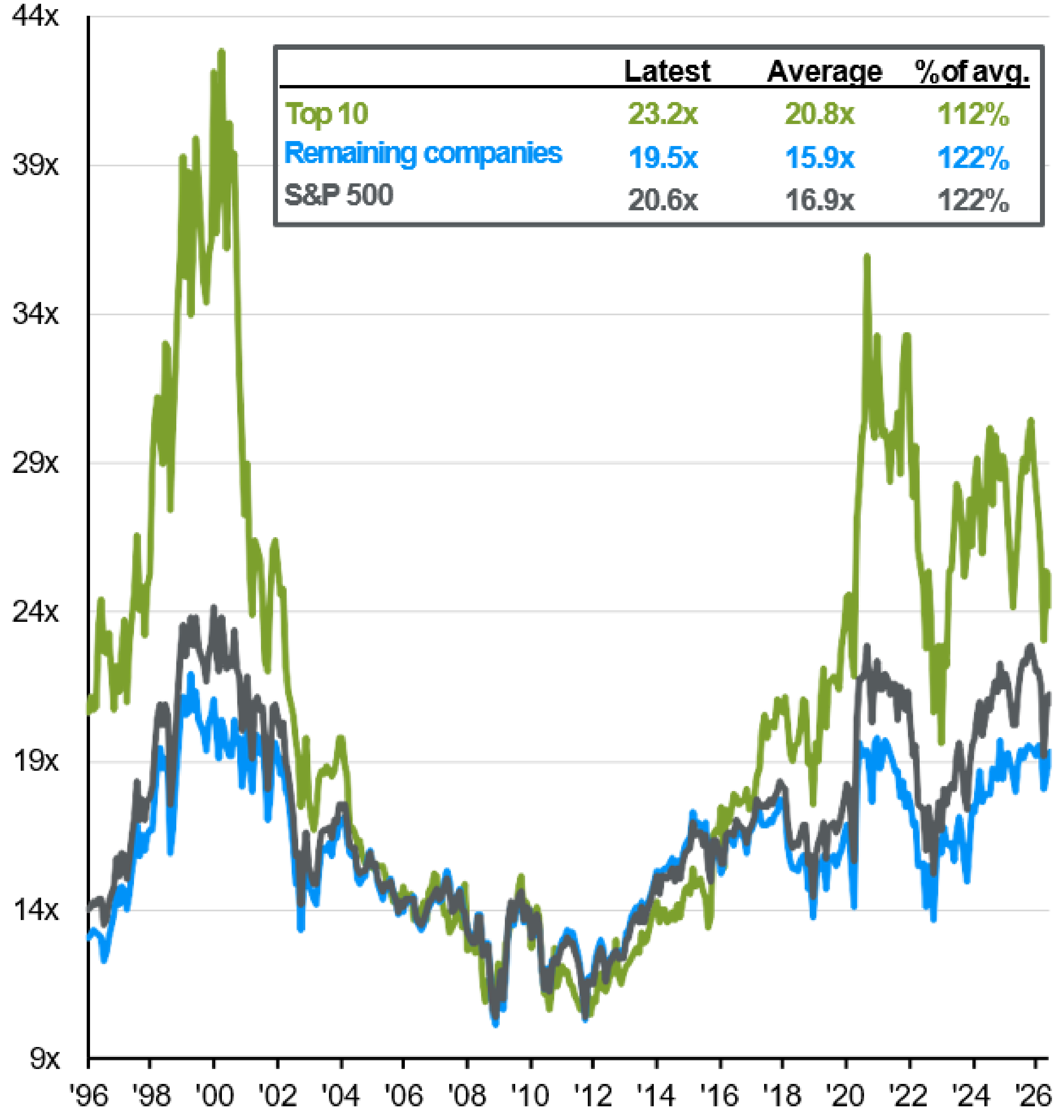
- It is likely that not all competitors will survive…

  …which would be a similar outcome to prior investment booms

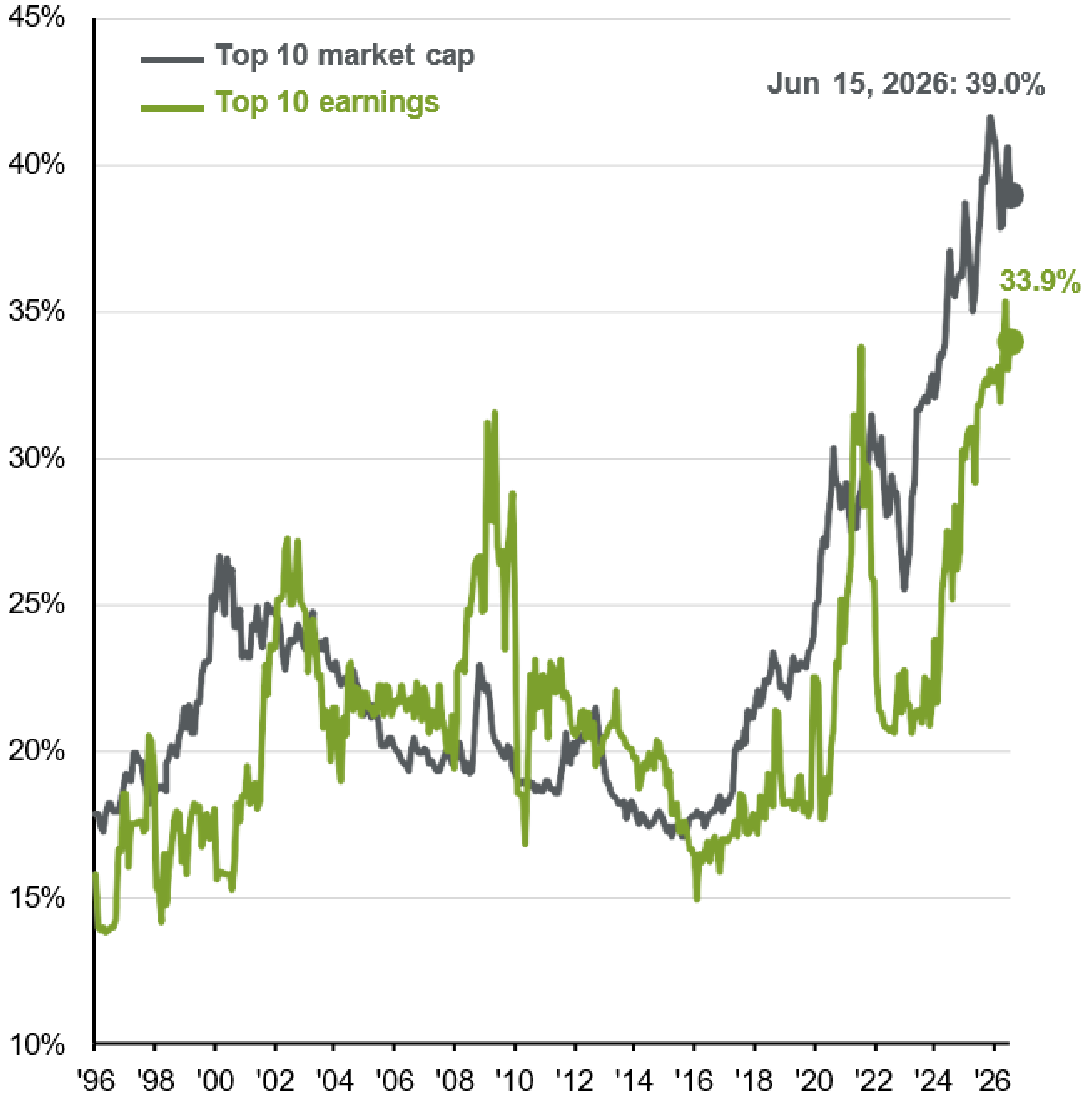
Sourceline: JP Morgan, 2026.

S&P 500: Index Concentration

P/E of top 10 and remaining companies in S&P 500
Next 12 months



Weight of the top 10 companies in the S&P 500
% of market capitalization, % of last 12 months' earnings



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Forward P/E ratio is the most recent price divided by consensus estimates for earnings in the next 12 months, provided by IBES since January 1996 and FactSet since January 2022. The remaining stocks represent the rest of the 490 companies in the S&P 500, and their P/E ratio is calculated by backing out the nominal earnings and market cap of the top 10 from that of the S&P 500.
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Yes, markets are concentrated, but that is not uncommon

- As shown in the graphs, market concentration
  Is at an extreme, and a bet that their dominance will continue

- The cash flow and profit-generating power...
  ...of these technology companies is exceptional

- The ubiquity of technology also plays a role...
  ...in understanding the success of the U.S. tech sector

Sourceline: JP Morgan, 2026.

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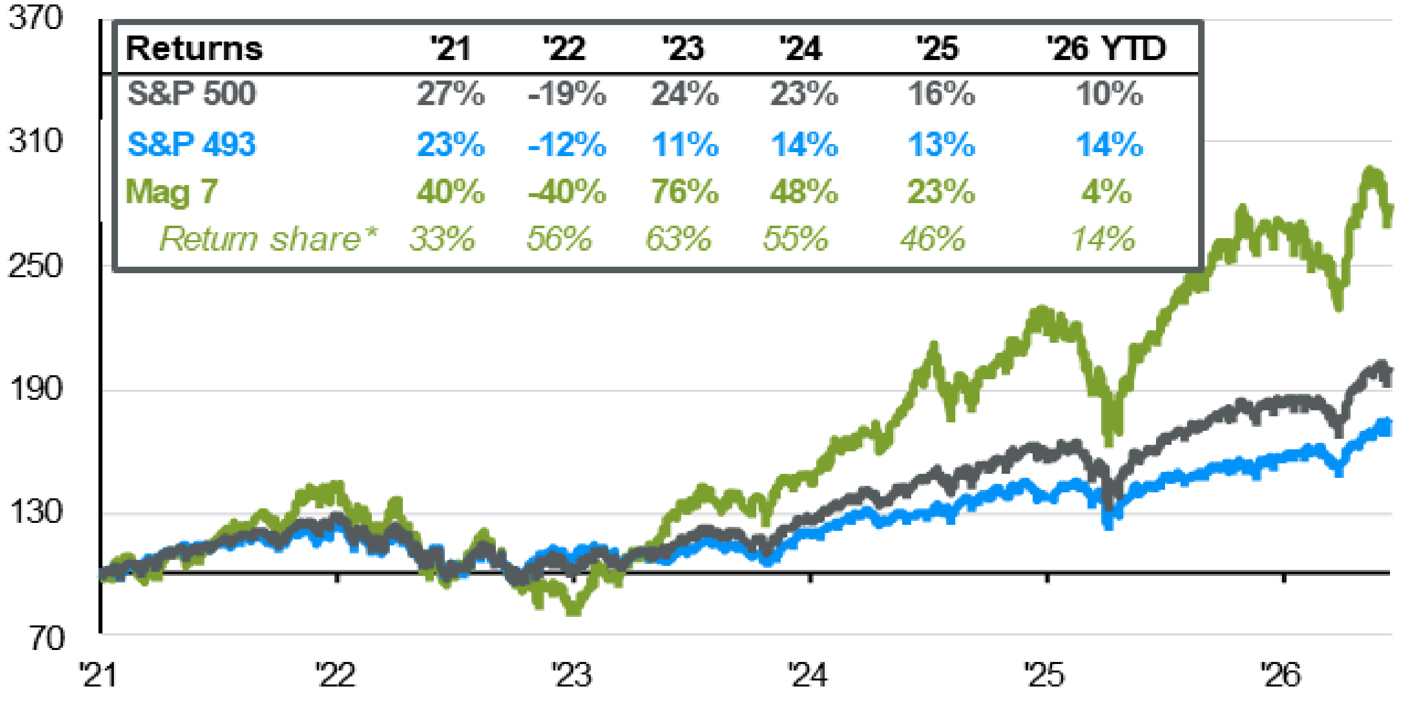
Magnificent 7: Performance, Earnings and Dispersion

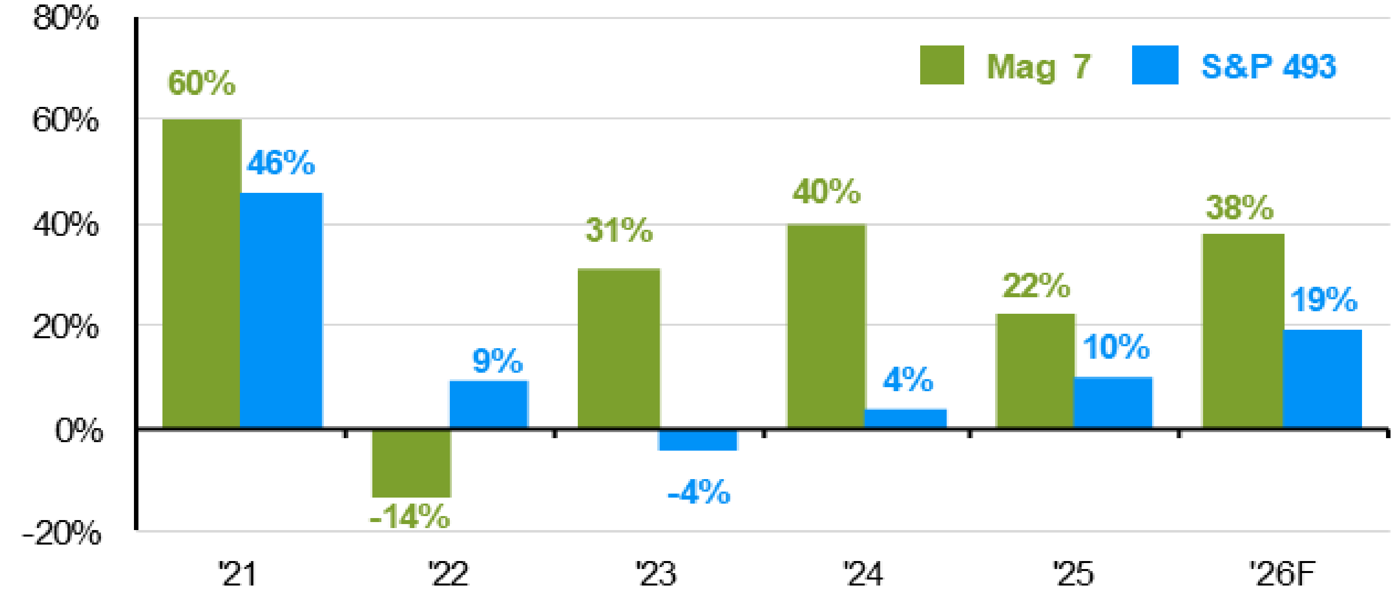
Magnificent 7 performance in the S&P 500

Indexed to 100 on 1/1/2021, price return



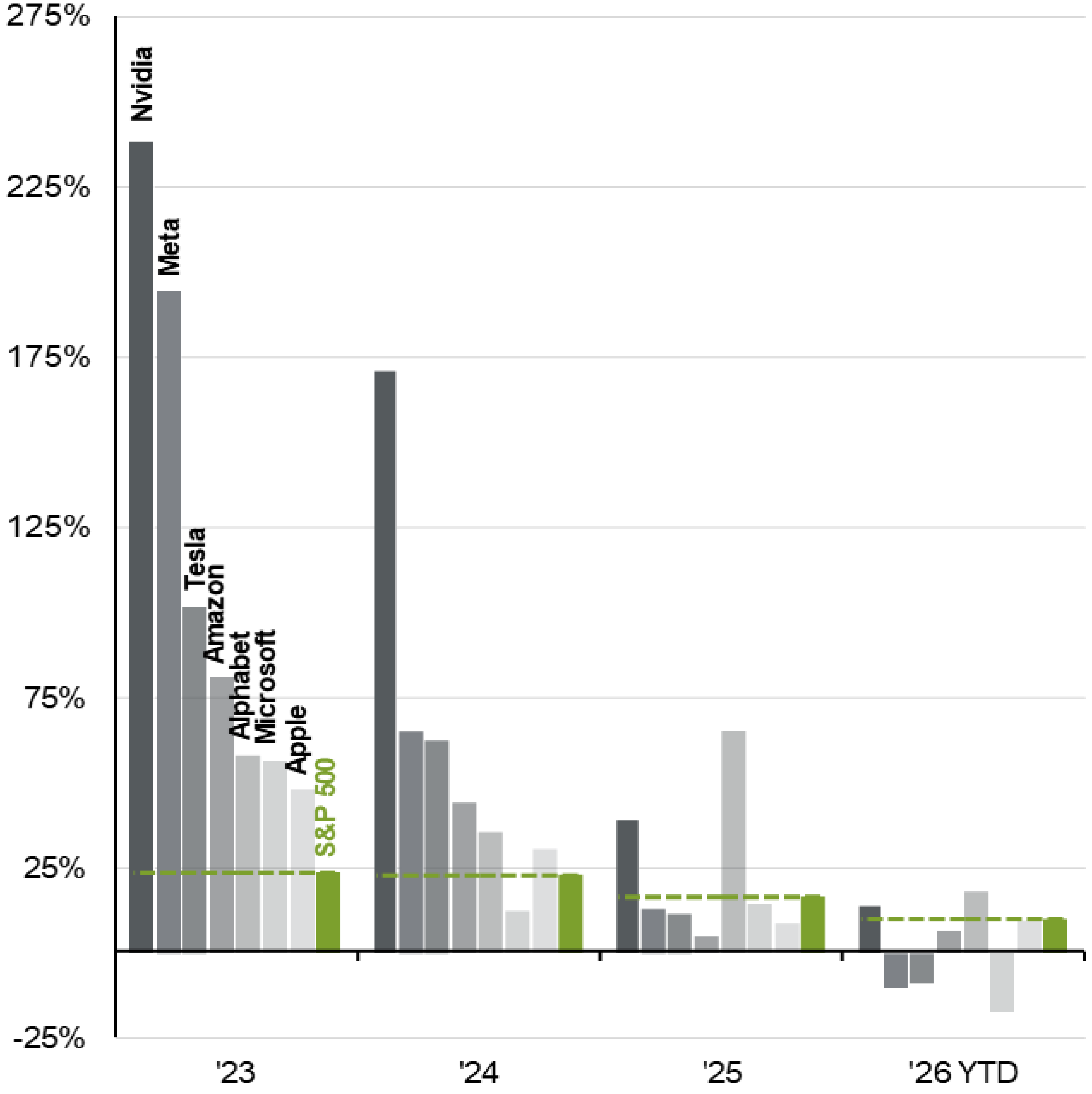
Returns	'21	'22	'23	'24	'25	'26 YTD
S&P 500	27%	-19%	24%	23%	16%	10%
S&P 493	23%	-12%	11%	14%	13%	14%
Mag 7	40%	-40%	76%	48%	23%	4%
*Return share**	*33%*	*56%*	*63%*	*55%*	*46%*	*14%*

Year-over-year earnings growth



Magnificent 7 performance dispersion

Price return



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Magnificent 7 (Mag 7) includes AAPL, AMZN, GOOGL/GOOG, META, MSFT, NVDA and TSLA. The S&P 500 ex-Mag 7 (S&P 493) is calculated by backing out a weighted average Mag 7 price return from the S&P 500 price return. *Share of returns represents the Mag 7's contribution to the index return. Past performance is no guarantee of future results.
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The Mag 7 is quite a remarkable group of companies

- While their performance was tremendous as…
  …the AI theme took hold, the Mag 7 is starting to fade
- The AI story is evolving, so do not expect the…
  …Mag 7 to repeat its performance superiority
- What drives the market up can also drive it…
  …down: keep your eye on the future, not on past performance

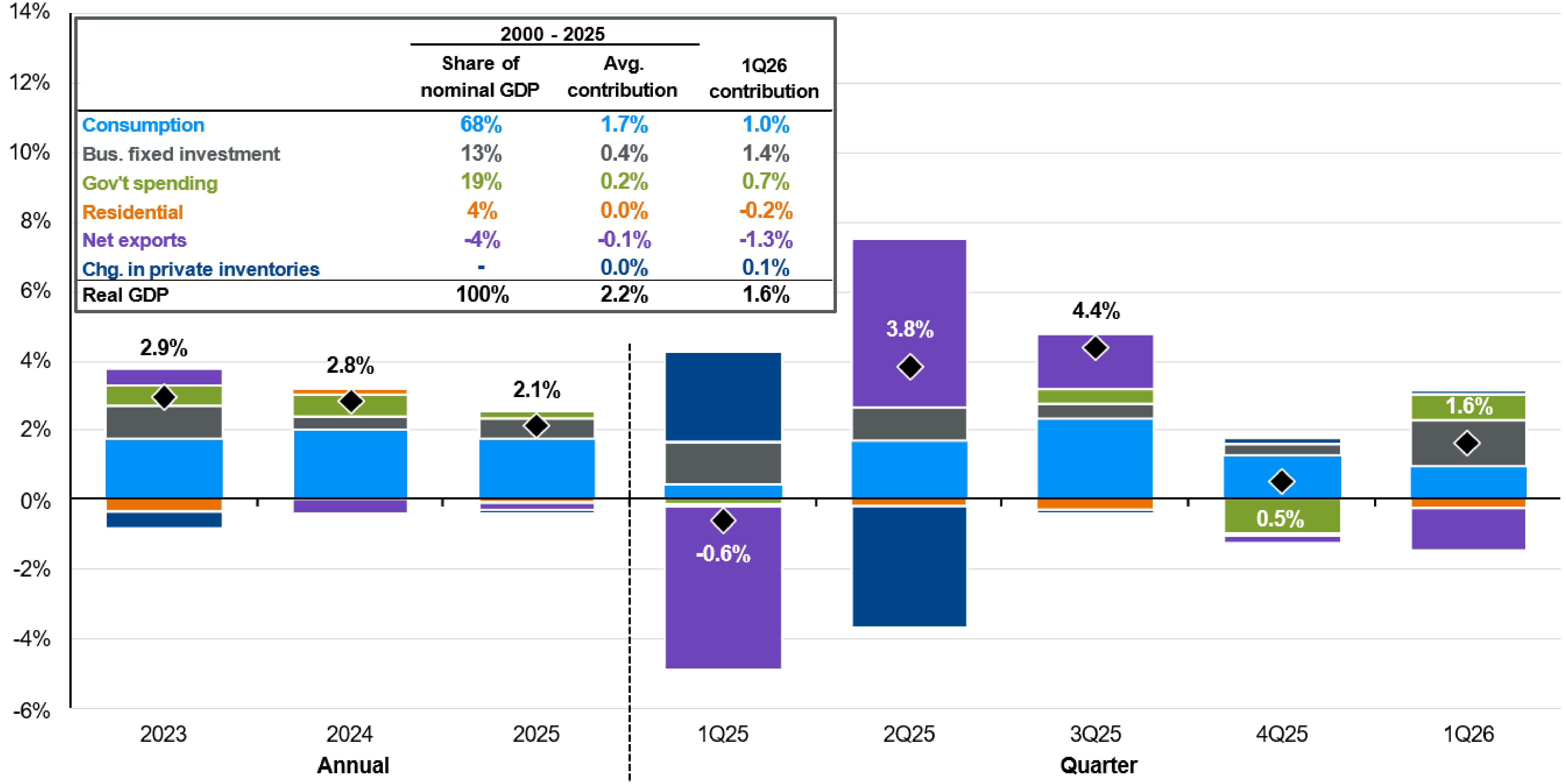
Sourceline: JP Morgan, 2026.

Components of GDP Growth

Contributors to real GDP growth

Seasonally adjusted annualized rate

	2000 - 2025 Share of nominal GDP	2000 - 2025 Avg. contribution	1Q26 contribution
Consumption	68%	1.7%	1.0%
Bus. fixed investment	13%	0.4%	1.4%
Gov't spending	19%	0.2%	0.7%
Residential	4%	0.0%	-0.2%
Net exports	-4%	-0.1%	-1.3%
Chg. in private inventories	-	0.0%	0.1%
Real GDP	100%	2.2%	1.6%



Source: BEA, FactSet, J.P. Morgan Asset Management.
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Business fixed investment is driving recent growth

- The OBBB tax incentives may also be partly...
  ...responsible for spurring investment spending
- Consumer spending remains vitally important...
  ...to overall growth, driving around 70% of real GDP
- The wealth effect is a key reason why the...
  ...consumer has remained so resilient despite the headwinds

Sourceline: JP Morgan, 2026.

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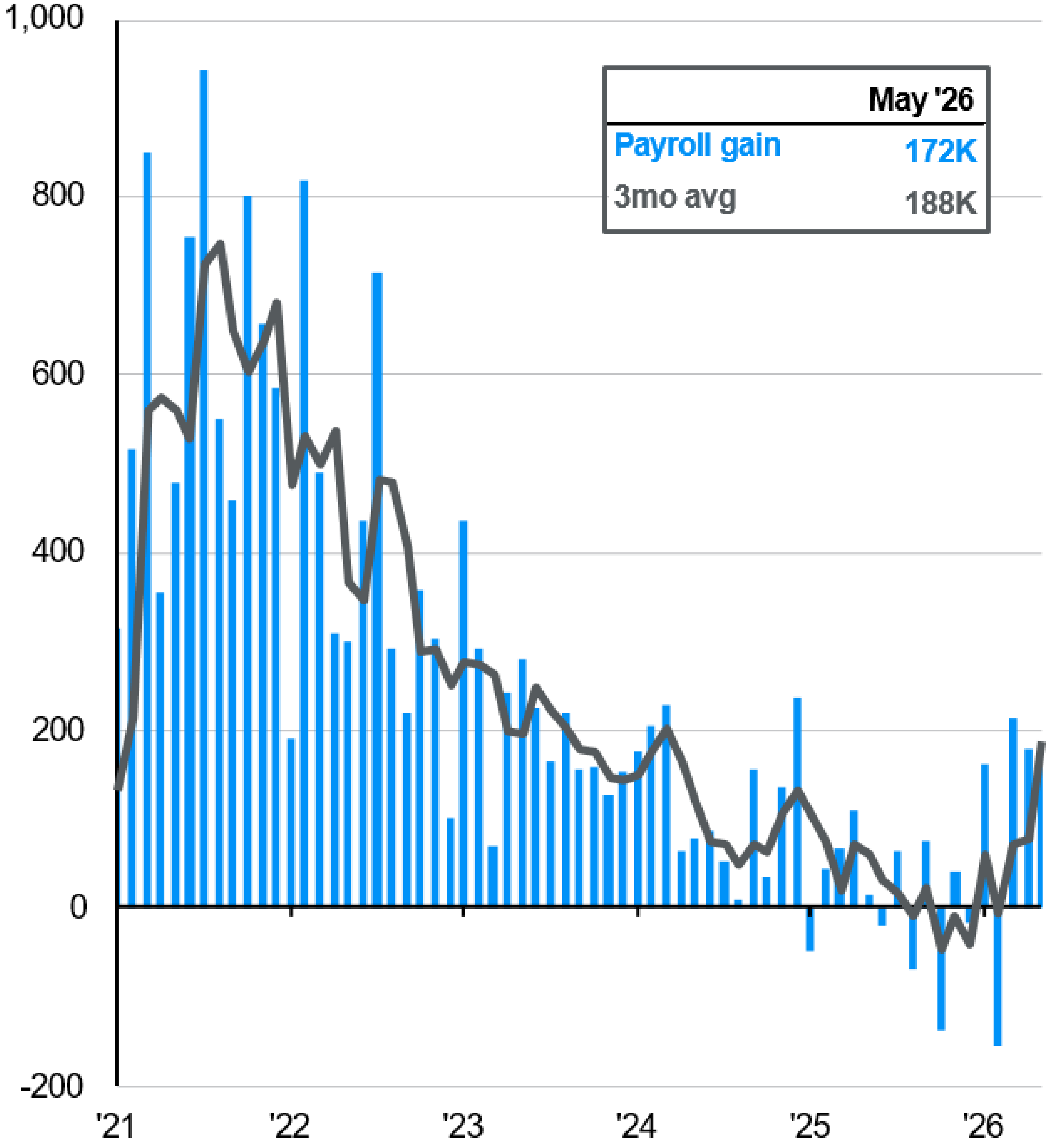
Labor Market Dynamics

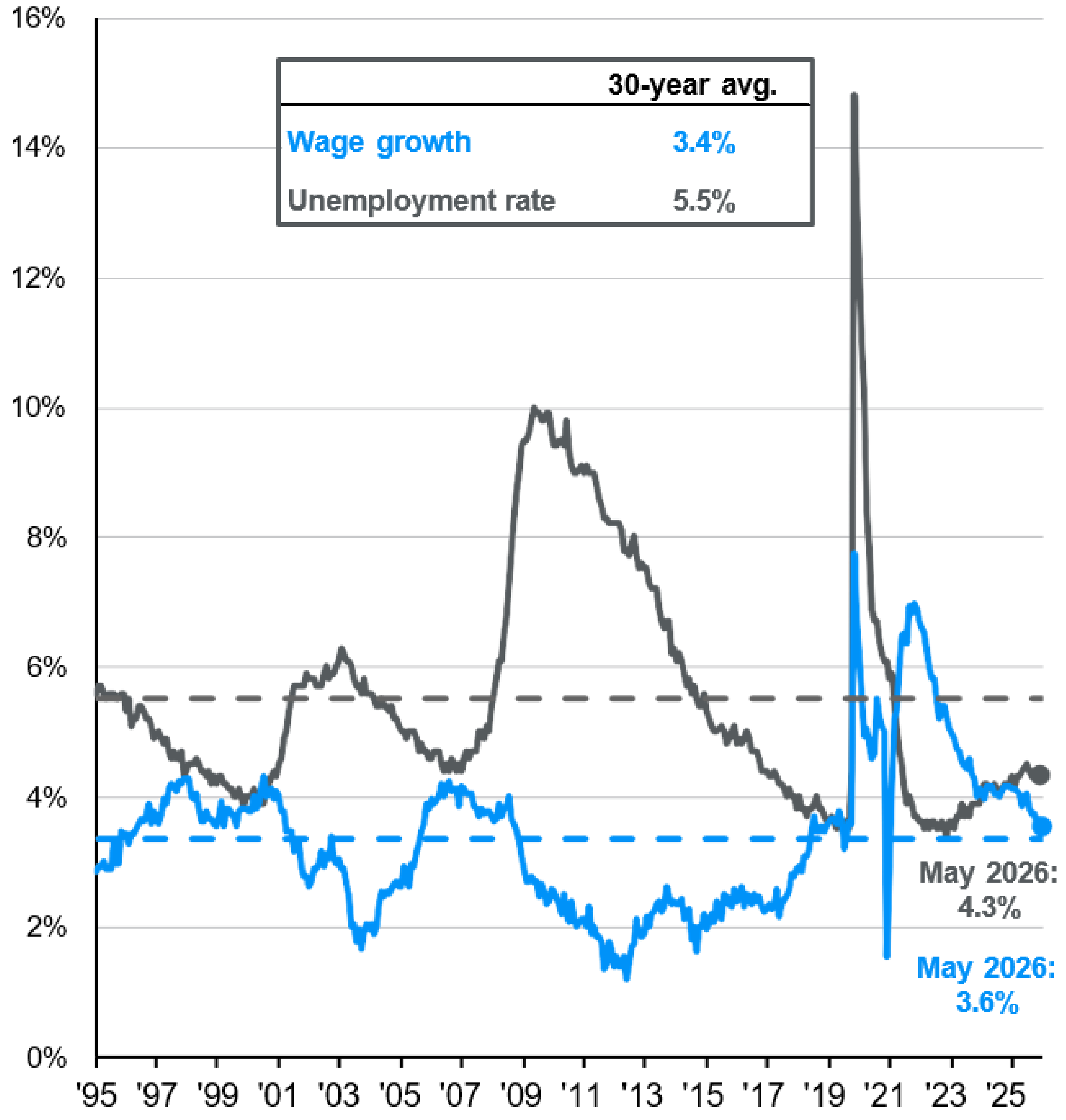
Nonfarm payroll gains

Month-over-month change and 3-month moving average, thousands, SA



Civilian unemployment rate and annual wage growth

Private production and non-supervisory workers, seasonally adjusted, %



Source: BLS, FactSet, J.P. Morgan Asset Management.
Private production and non-supervisory jobs represent just over 80% of total private nonfarm jobs.
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The labor market is stagnant → “no hire/no fire”

- Part of this could be explained by AI…

  …as companies are unsure how AI will impact their need for labor

- Part of it is also a demographic story…

  …as growth of the labor force is flat and the labor force is aging

- Wage growth is reverting to the mean after…

  …a big spike during the pandemic

Sourceline: JP Morgan, 2026.

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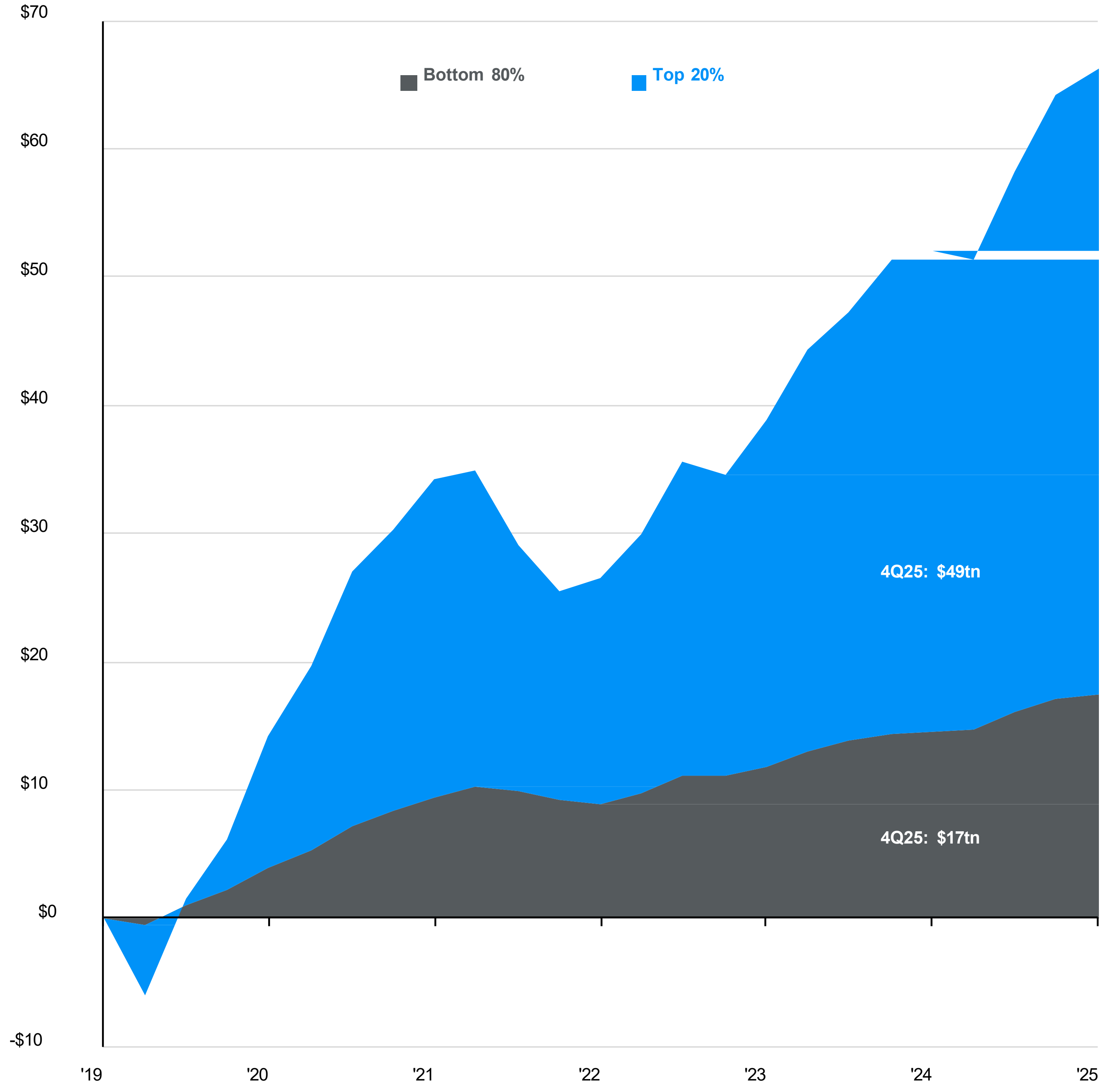
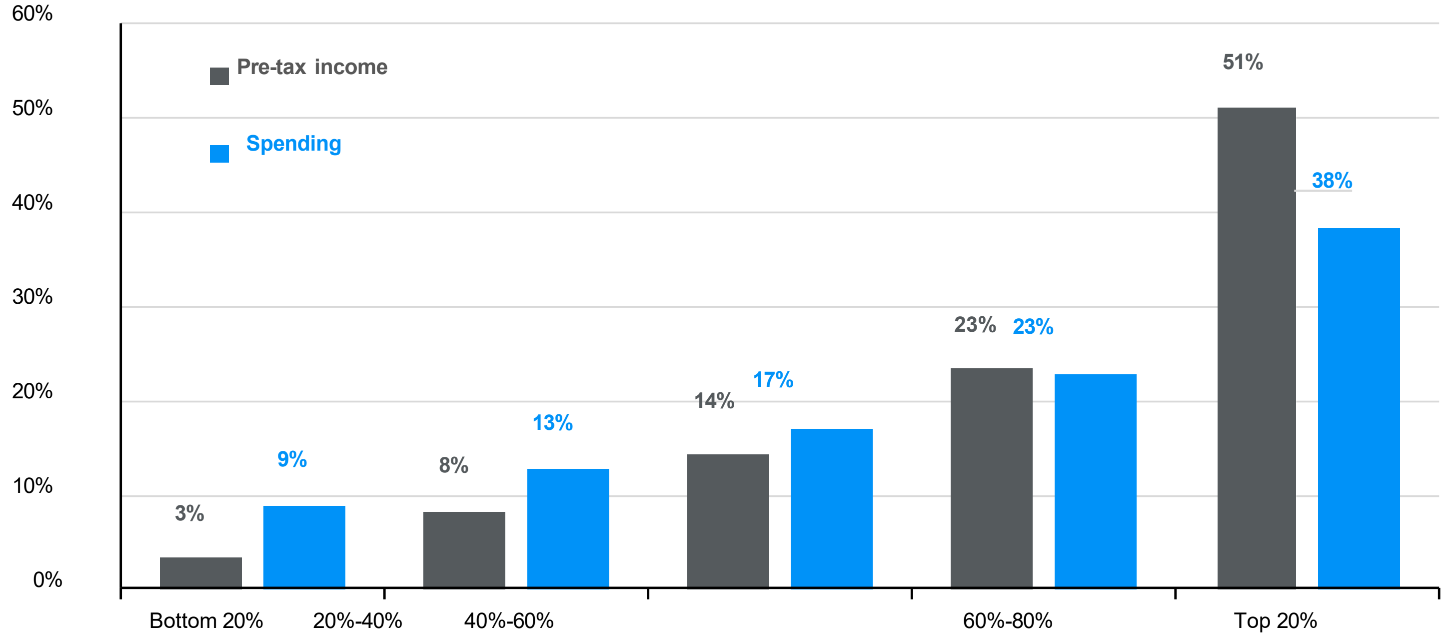
Drivers of Consumer Spending

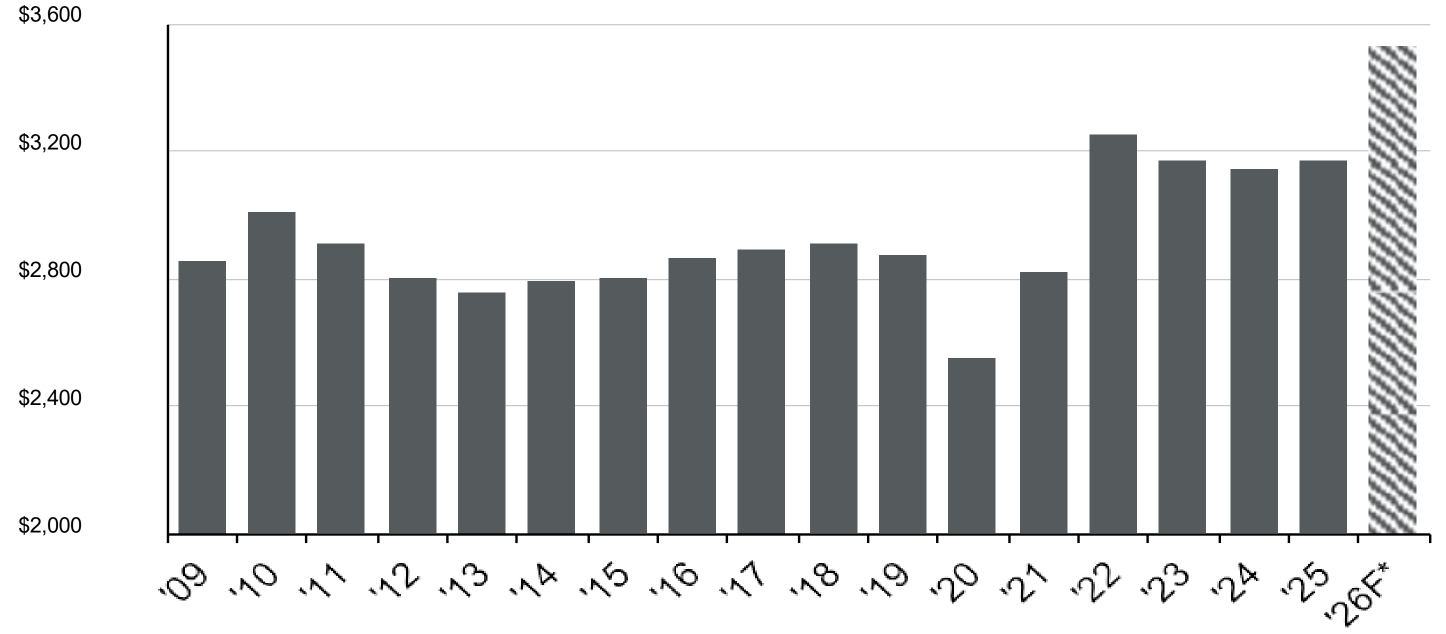
Net worth growth by income cohort
Cumulative growth from 4Q19, by pre-tax income cohort, USD trillions



Consumer share of total pre-tax income and spending
By pre-tax income cohort, 2024



Average income tax refund by filing year
2009 - 2026F*



Source: J.P. Morgan Asset Management; (Left) Federal Reserve; (Top right) BLS; (Bottom right) IRS.
(Left) Data sourced from the Federal Reserve's Distributional Financial Accounts report. (Top right) Data sourced from the 2024 Consumer Expenditure Survey. (Bottom right) *2026 figure is a J.P. Morgan Asset Management forecast.
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Yes, the top 20% are driving most of the spending

- But this is not very unusual, and the wealth...

  ...effect is a big reason for the resilience

- Between real estate gains and record-high...

  ...equity markets, the wealth effect is staggering

Sourceline: JP Morgan, 2026.

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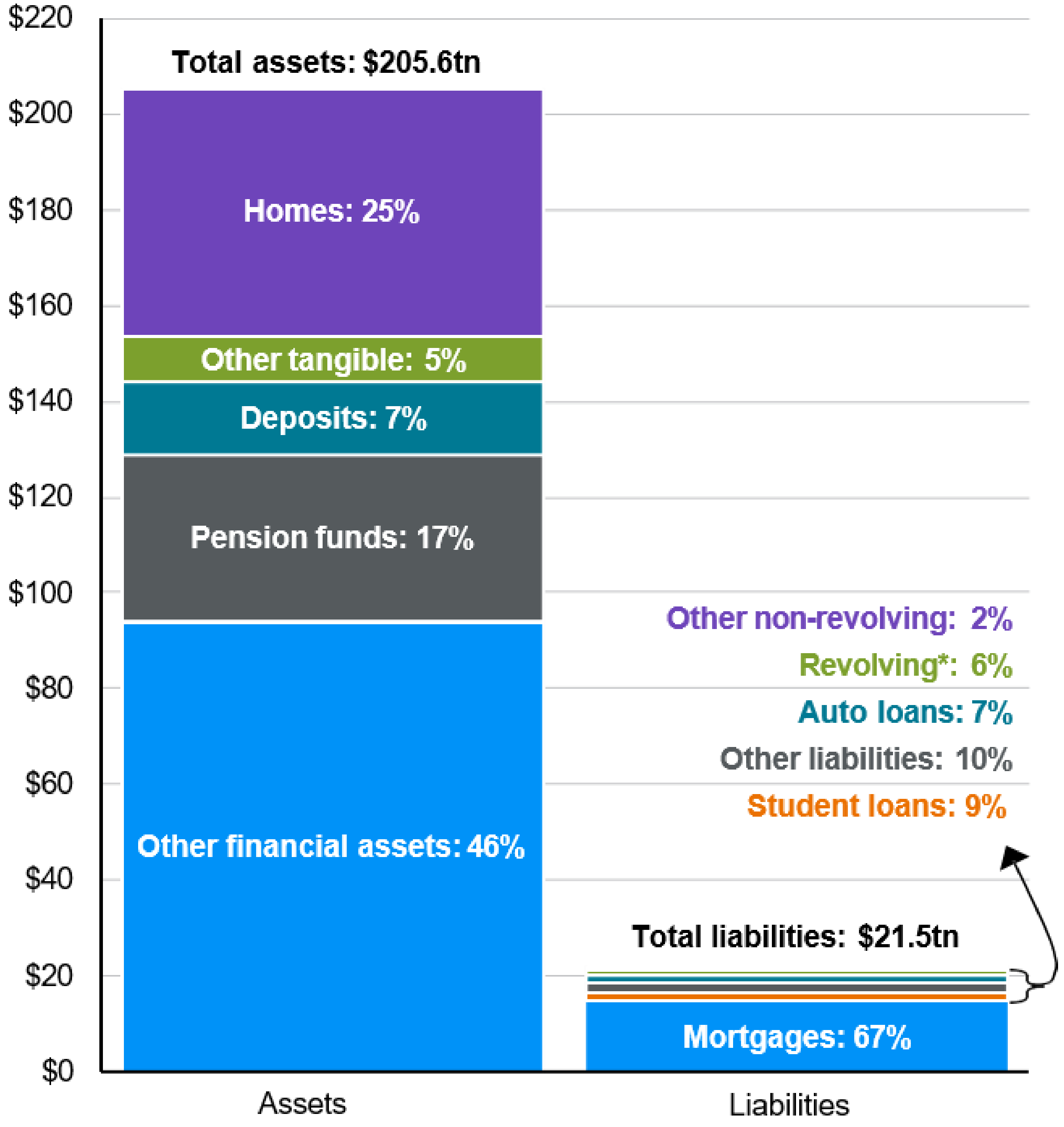
Consumer Finances

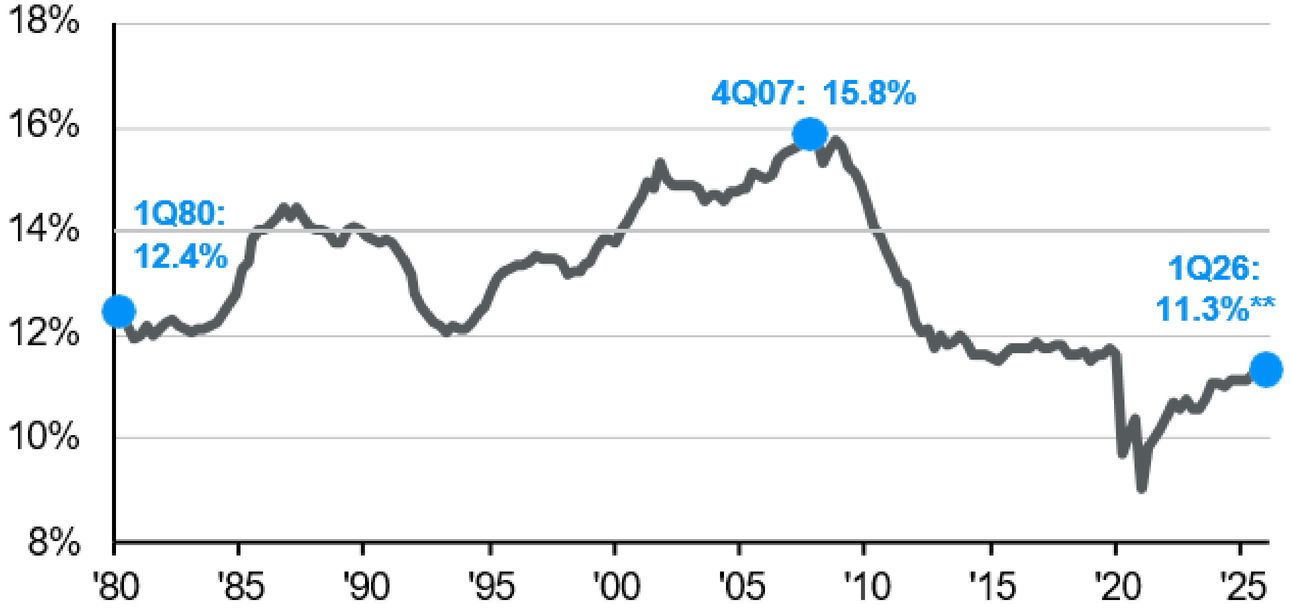
Consumer balance sheet

4Q25, USD trillions, not seasonally adjusted



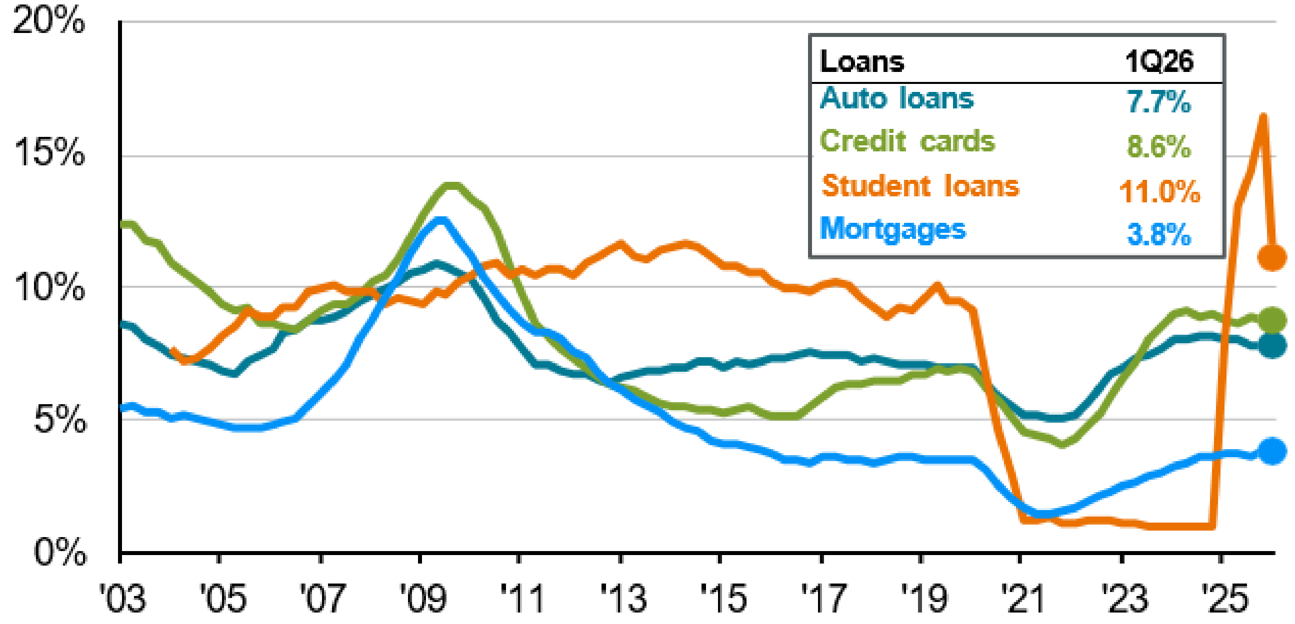
Household debt service ratio

Debt payments as % of disposable personal income, SA



Flows into early delinquencies

% of balance delinquent 30+ days



Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA.
Data include households and nonprofit organizations. *Revolving includes credit cards. Values may not sum to 100% due to rounding. **Periods for which official data are unavailable are J.P. Morgan Asset Management estimates. Household debt service ratio data from 1Q80 to 4Q04 are J.P. Morgan Asset Management estimates. Due to the moratorium on delinquent student loan payments being reported to credit bureaus, missed federal student loan payments were not reported until 4Q24.
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Consumer balance sheets do not look stretched

- That said, lower income cohorts are struggling…

  …And this is why higher inflation is so impactful

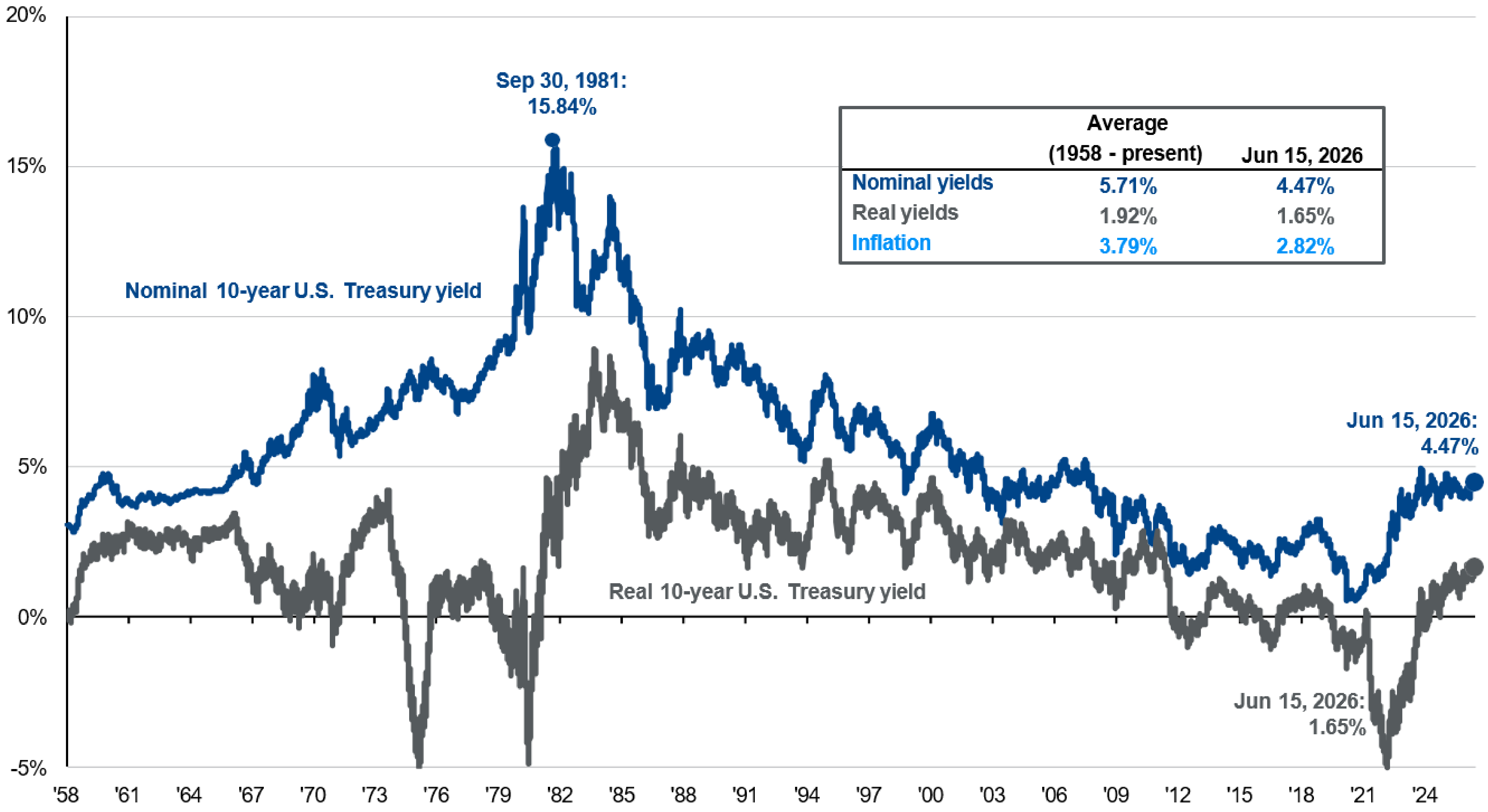
- Wealth disparity and lagging wage income…

  …are a potentially damaging combination for social harmony

Sourceline: JP Morgan, 2026.

Interest Rates and Inflation

Nominal and real U.S. 10-year Treasury yields



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Real 10-year Treasury yields are calculated as the daily Treasury yield less y/y core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data are available.
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As higher inflation seeps in, interest rates follow

- Rates remain meaningfully higher than pre-war…

  …If the war is truly over, and if inflation retreats, rates could rally

- But these are big “ifs” given the Israel-…

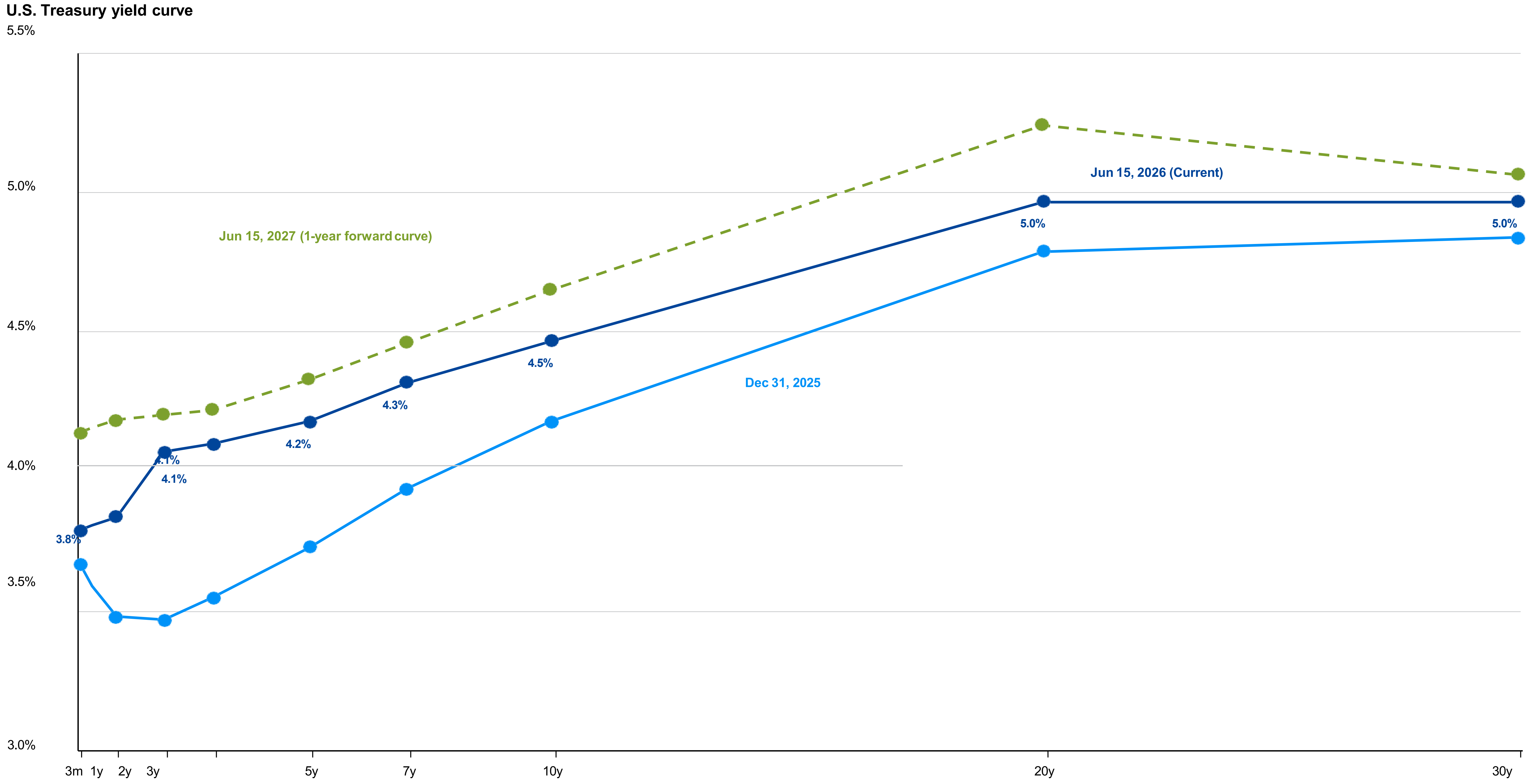
  …Hizbollah dispute and the supply chain disruptions

- The Fed has now signaled a bias toward…

  …fighting inflation, meaning rate hikes could come soon

Sourceline: JP Morgan, 2026.

Yield Curve getting flatter on the possibility of Fed rate hikes



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
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Bonds now offer attractive yield with price appreciation potential

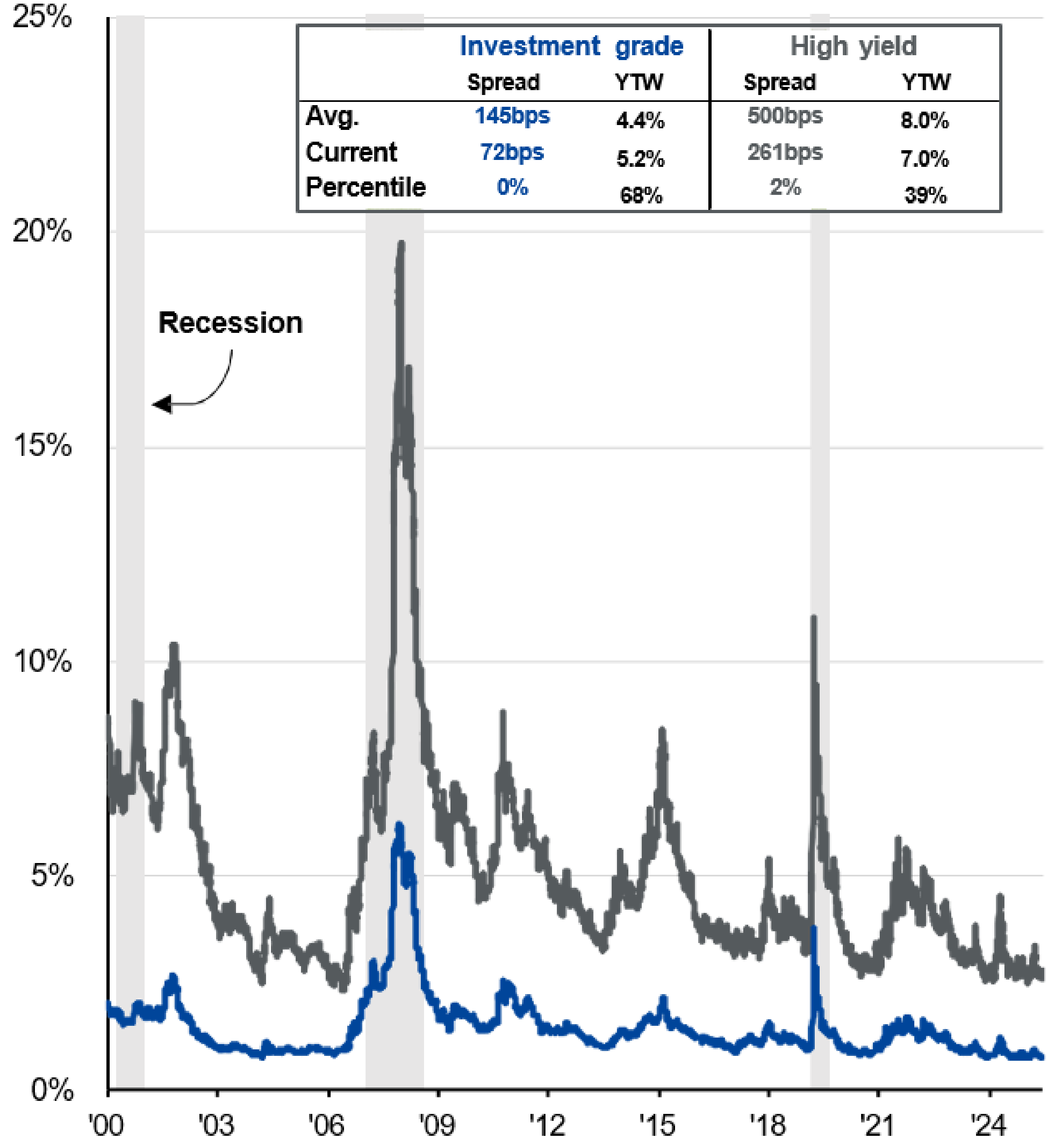
- Since the start of the war with Iran, bond...
  ...yields have climbed due to the inflationary effects
- The new Fed chair, Kevin Warsh, is now...
  ...introducing some changes that may further affect yields
- The bottom line: bonds are attractive and...
  ...this could be a good entry point for idle cash

Sourceline: JP Morgan, 2026.

Credit Market Dynamics

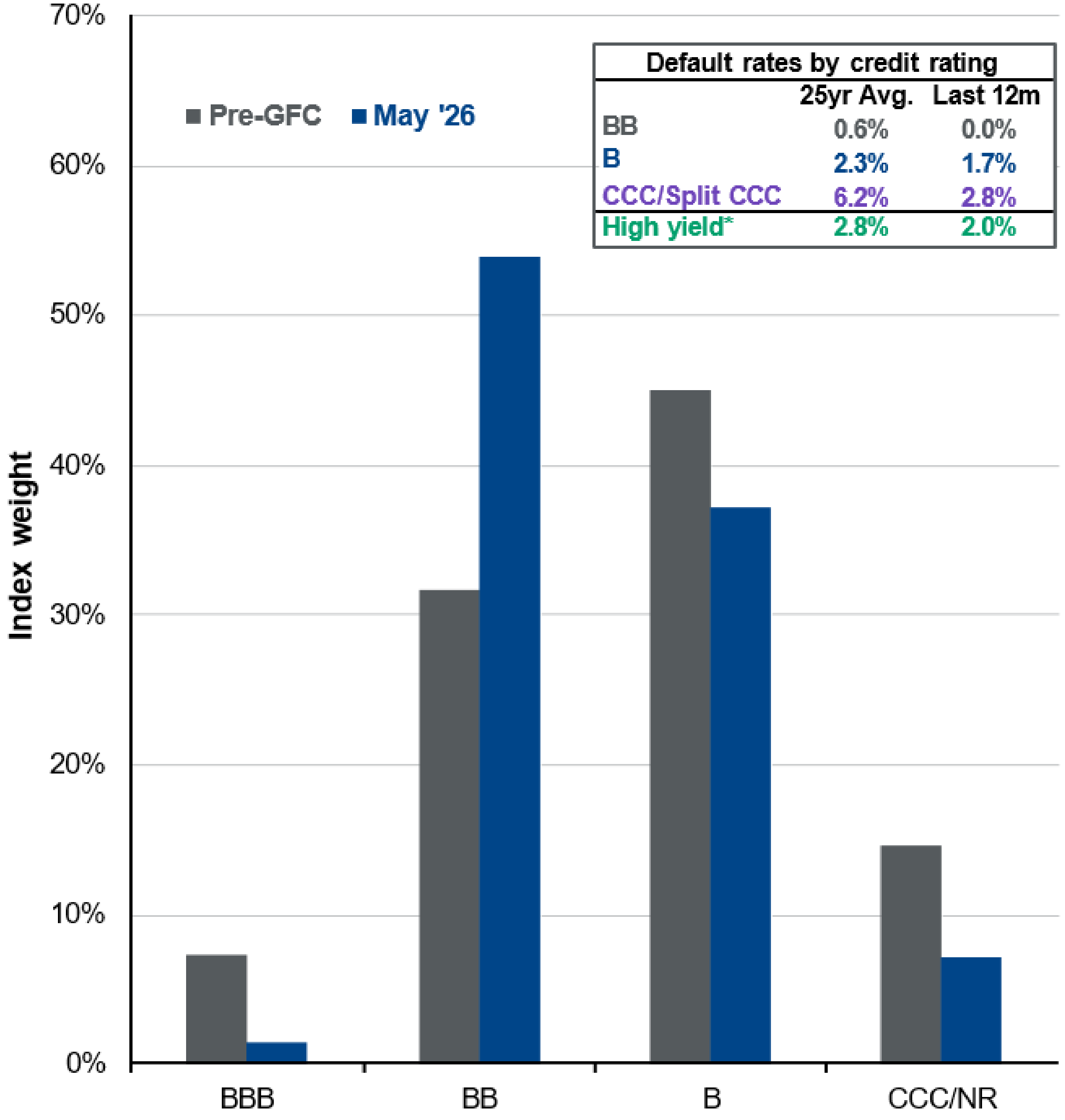
Corporate credit spreads

Option adjusted spread, 2001 - present



Credit rating and default rates in U.S. high yield

%, J.P. Morgan Domestic High Yield Index



Source: Bloomberg, J.P. Morgan Research, J.P. Morgan Asset Management.
(Left) U.S. Investment Grade: Bloomberg U.S. Corporate Investment Grade Index; U.S. High Yield: Bloomberg U.S. Aggregate Corporate High Yield Index. (Right) Last 12-month default rates are as of most recent month for which data are available. Default rates shown by credit rating do not include distressed exchanges and are grouped by rating 12 months prior to default. Bond ratings include split ratings. "NR" stands for not rated. Pre-GFC reflects data as of December 2007. *Aggregate high yield default rate data do include distressed exchanges.
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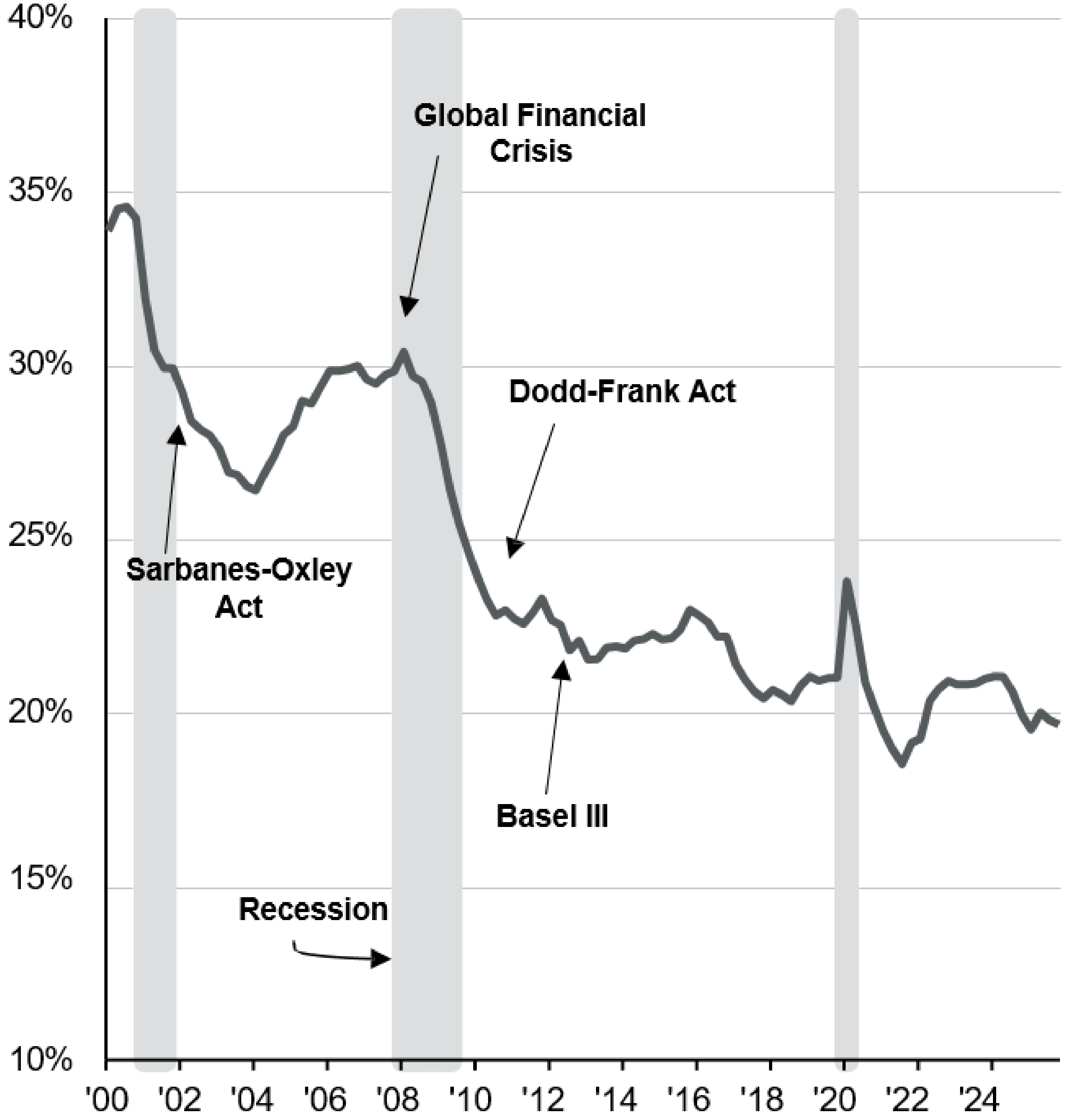
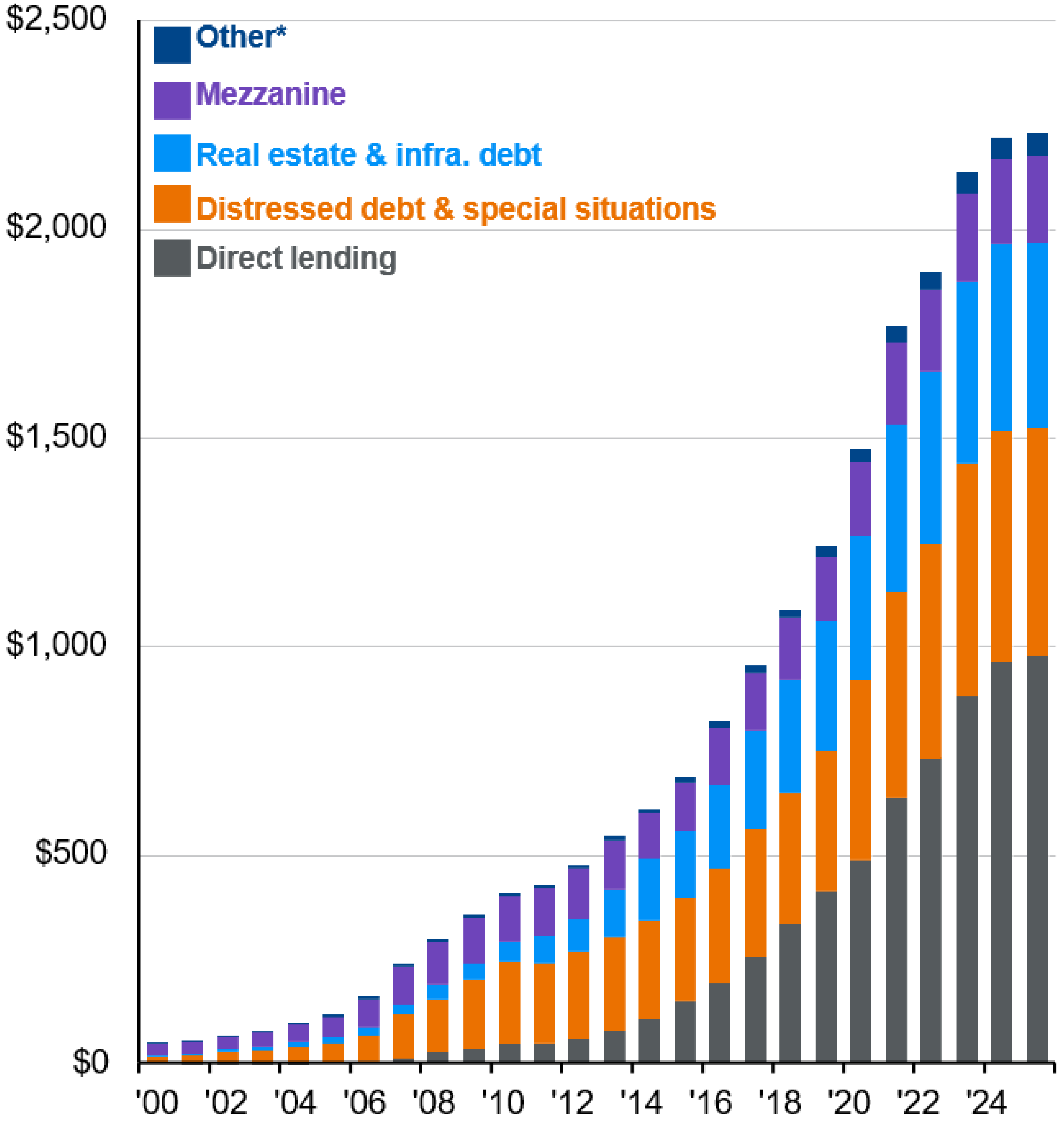
Private Credit Industry Growth

U.S. bank lending
% of total nonfinancial corporate debt, quarterly



Global private credit AUM by type
USD billions, end of period



Source: Federal Reserve, Preqin, J.P. Morgan Asset Management.
(Right) 2025 data are as of 2Q25. *Other includes venture debt and fund of funds.
This slide comes from our *Guide to Alternatives*.
Guide to the Markets – U.S. Data are as of June 15, 2026.

J.P.Morgan ASSET MANAGEMENT

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Credit spreads are low and stable

- The IG market is changing as hyperscalers…

  …issue more debt to fund their spending initiatives

- Private credit is threatened by higher defaults

  These would primarily come from the software segment

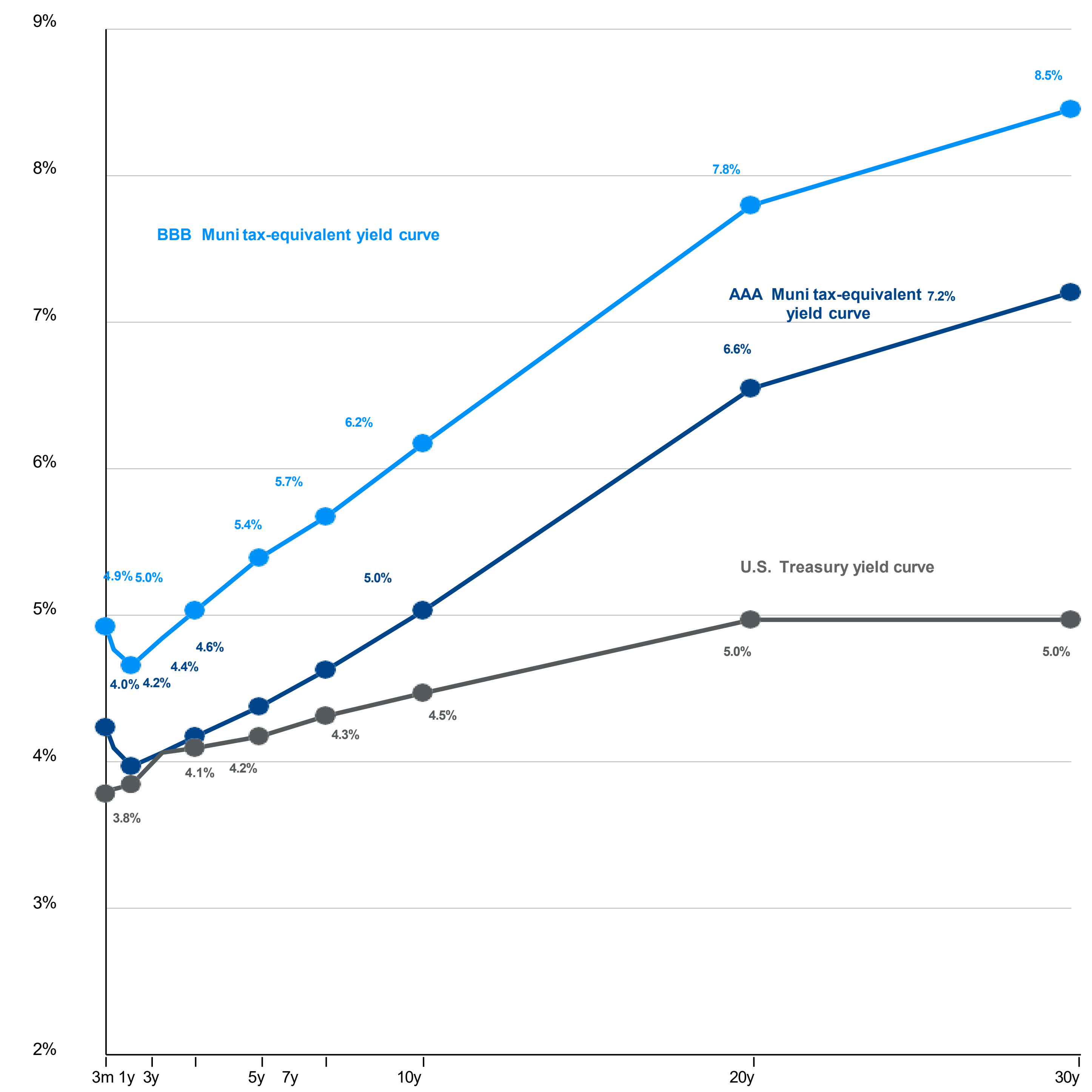
- But private credit is mostly an institutional…

  …market that can withstand higher defaults

Sourceline: JP Morgan, 2026.

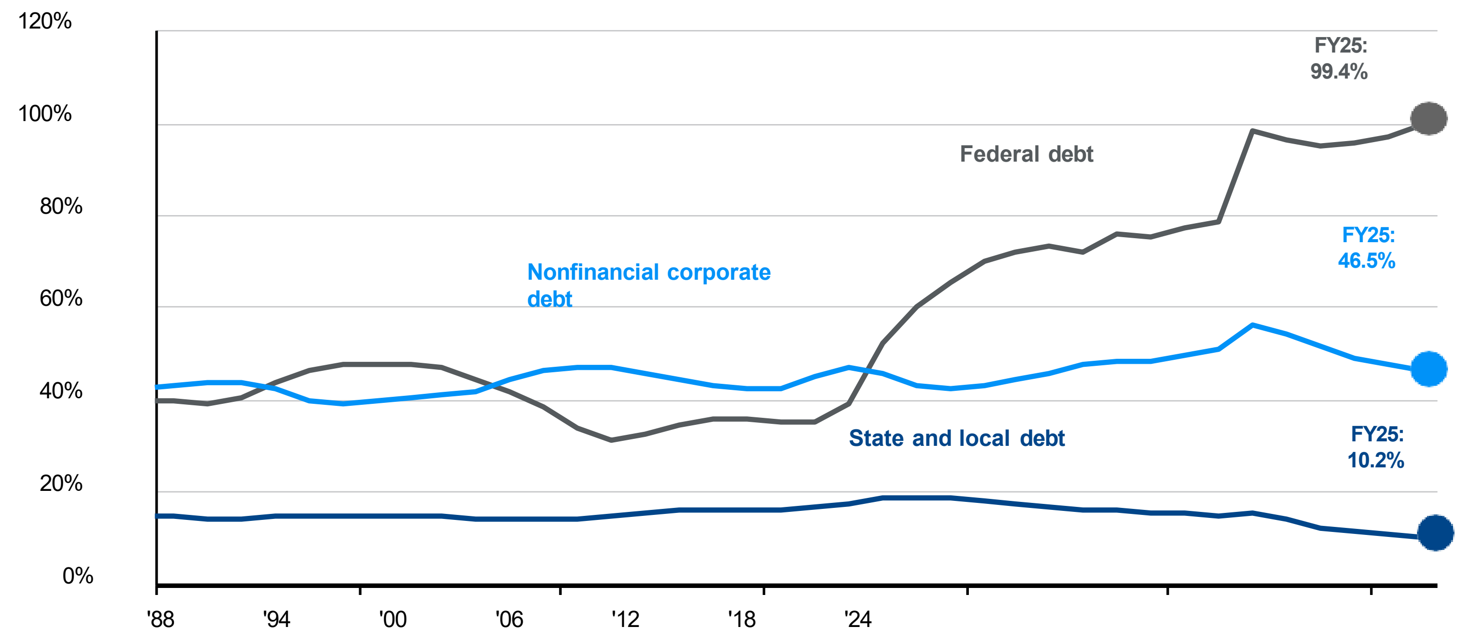
Municipal Finance

Muni tax-equivalent and Treasury yield curves



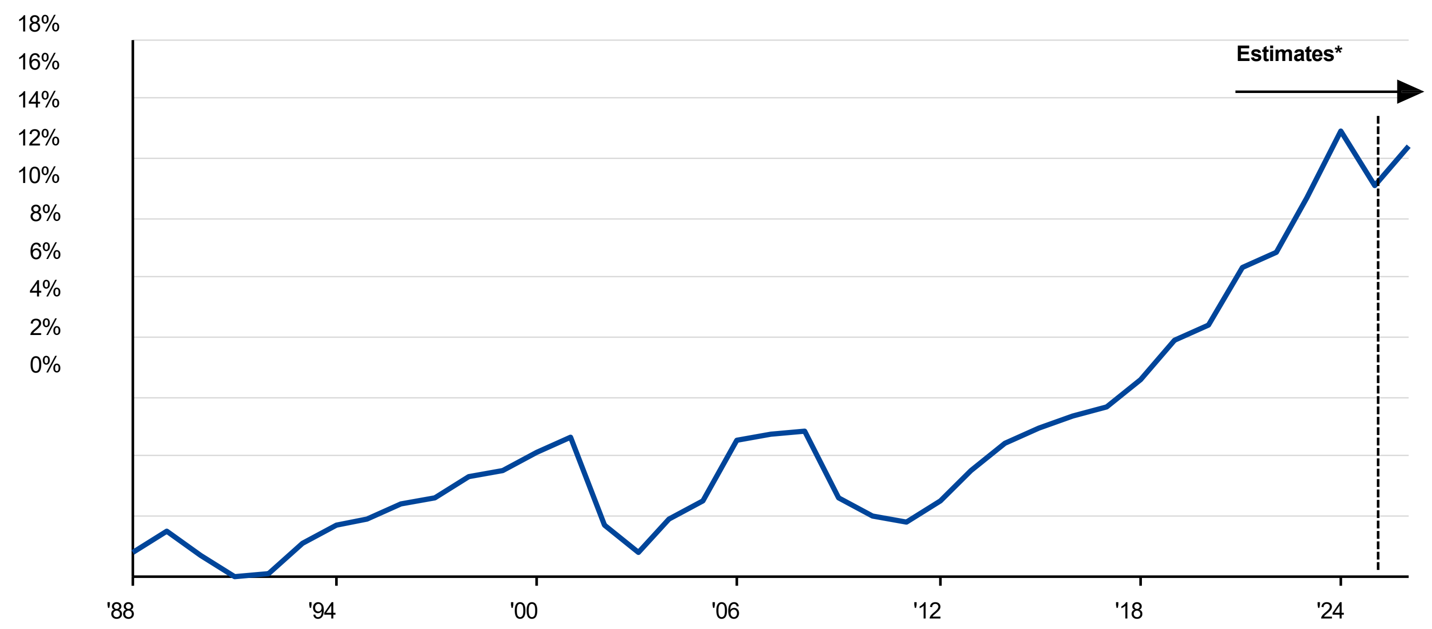
State and local, federal and corporate debt

% of GDP, 1988 - 2025, end of fiscal year



State rainy day fund balances

Median savings balances as a % of total spending, 1988 - 2026, fiscal year



Source: J.P. Morgan Asset Management; (Left) Bloomberg, FactSet, Federal Reserve, S&P Global; (Top right) BEA, Census Bureau, Congressional Budget Office (CBO), Federal Reserve, Treasury Department; (Bottom right) NASBO Fiscal Survey of States. Municipal tax-equivalent yields are calculated based on municipal bond curves for each credit rating according to S&P Global and assume a top income tax bracket rate of 37% plus a Medicare tax rate of 3.8% for a total tax rate of 40.8%. (Top right) State and local debt are based on the Census Bureau's Annual Survey of State and Local Government Finances. FY25 federal debt as a % of GDP figure based on preliminary data from the Treasury Department and BEA. (Bottom right) A rainy day fund, also known as a budget stabilization fund or reserve fund, is a collection of funds that local governments use to prepare for financial emergencies and future stability. *Estimates are sourced from NASBO's Fiscal Survey of States. Figures for FY25 are preliminary while figures for FY26 are based on enacted budgets.

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The municipal market remains sound

- Despite challenging conditions, municipals…

  …enjoy structural strengths that provide ballast to portfolios

- Municipals offer attractive tax-adjusted yield

Sourceline: JP Morgan, 2026.

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Disclosures

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