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Welcome
2026 Economic & Market
Outlook Seminar

March 10, 2026

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Growth on the Ropes?

The Economy and Markets in 2026

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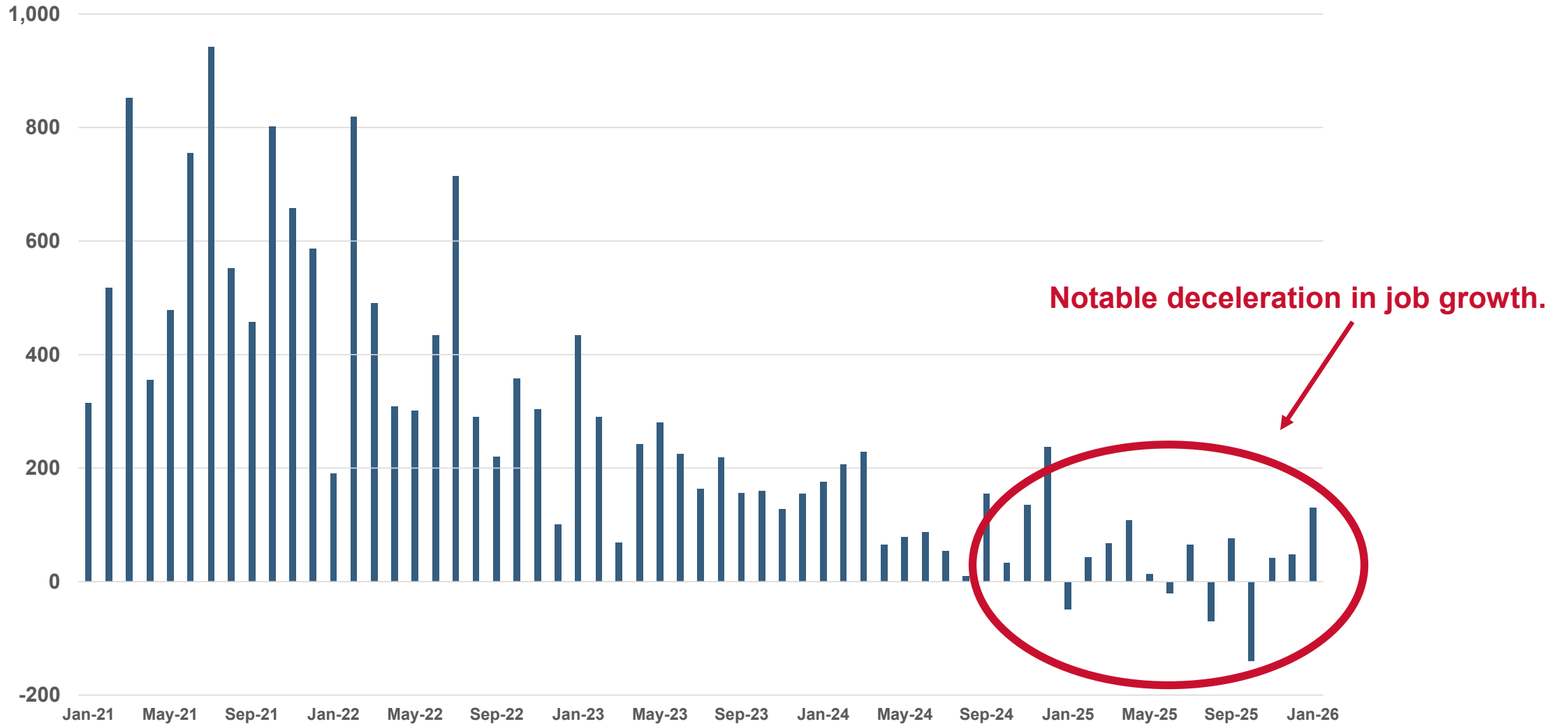
March 2026

The Big Questions

- Can **consumer spending** remain resilient despite rising concerns about the labor market and strained household finances?
- What economic disruption might the **war in Iran** impose on the United States?
- How will the **Federal Reserve** respond to all of this uncertainty, and what does it mean for interest rates?
- What are the implications for **investment portfolios**?

Monthly Net Job Gains/Losses

A Deceleration in the Job Market

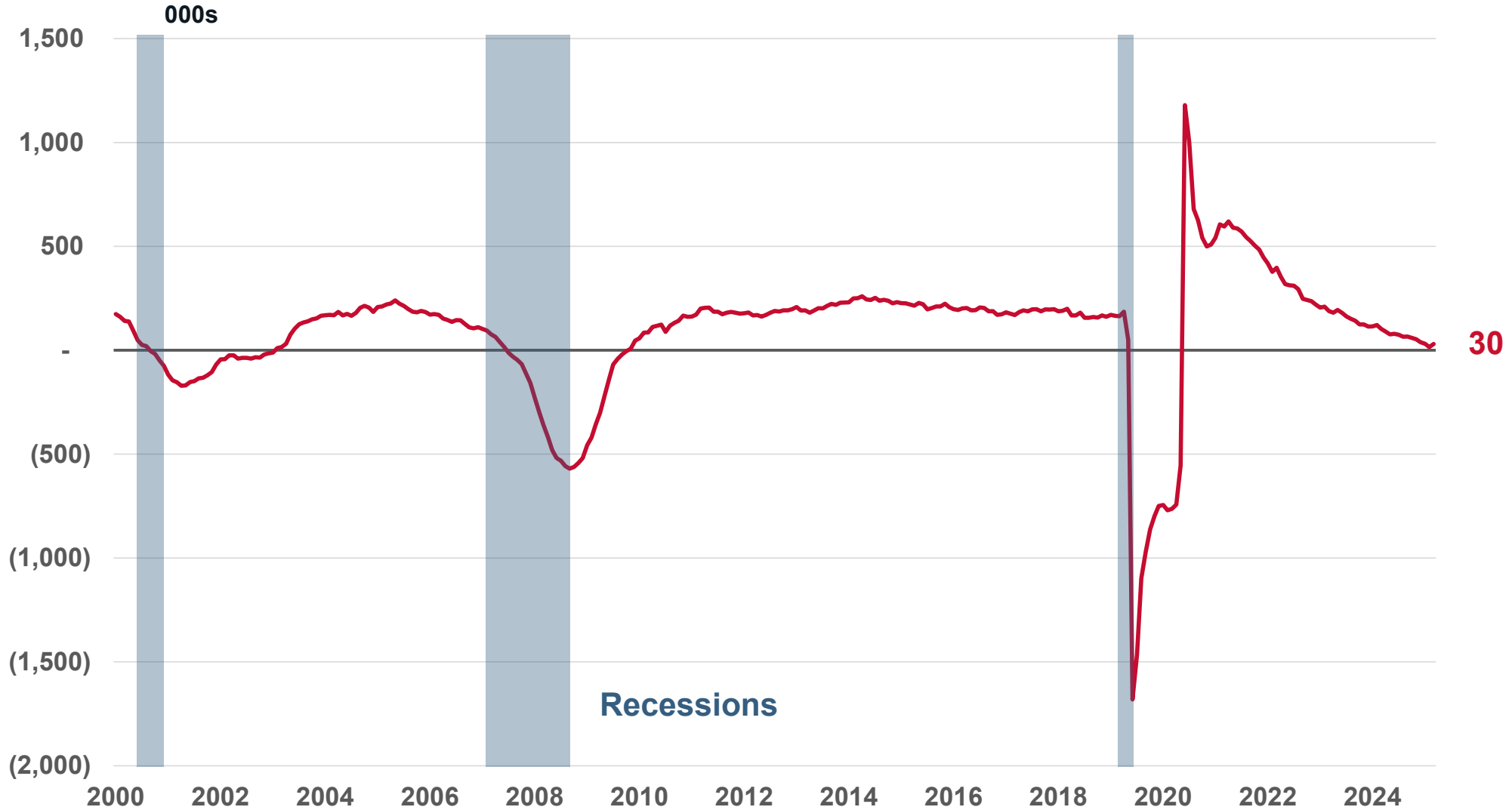


Sources: Bureau of Labor Statistics, BBH Analysis

Data as of January 2026

Monthly Net Job Gains/Losses

Rolling 12-Month Averages

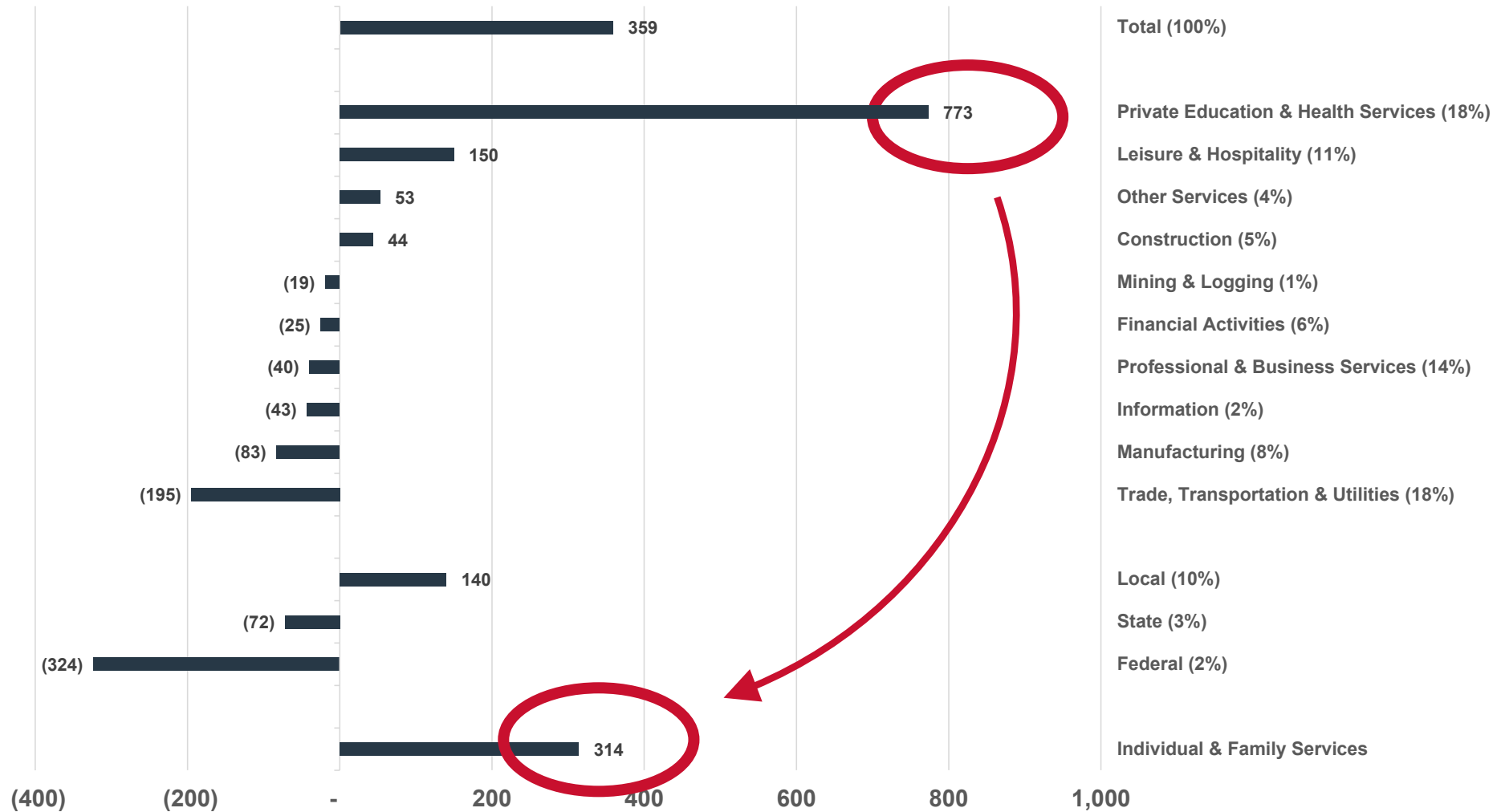


Sources: Bureau of Labor Statistics, BBH Analysis

Data as of January 2026

Where Are the Jobs?

Trailing 12-Month Employment Changes

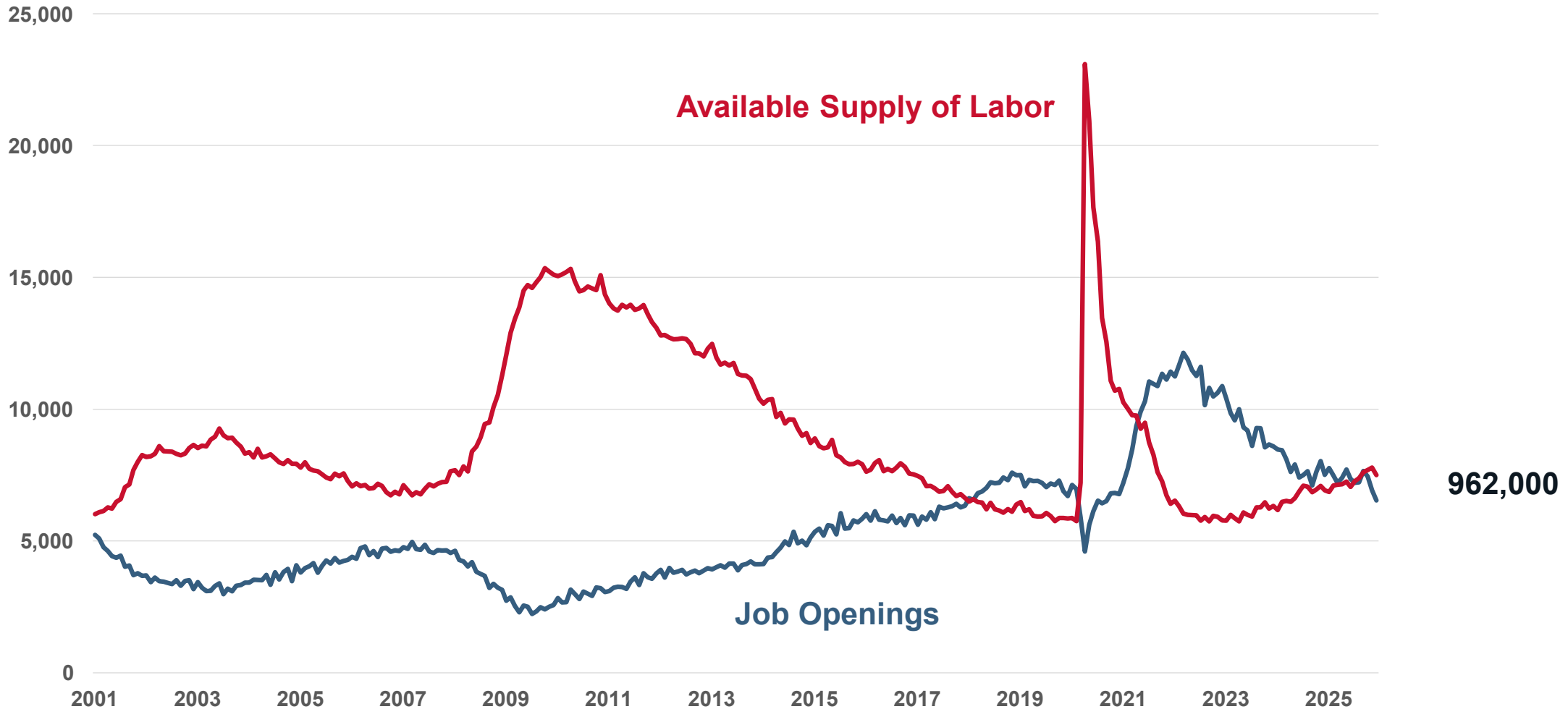


Sources: Bureau of Labor Statistics, BBH Analysis

Data as of January 2026

Labor Force Supply & Demand

Supply Now Exceeds Demand

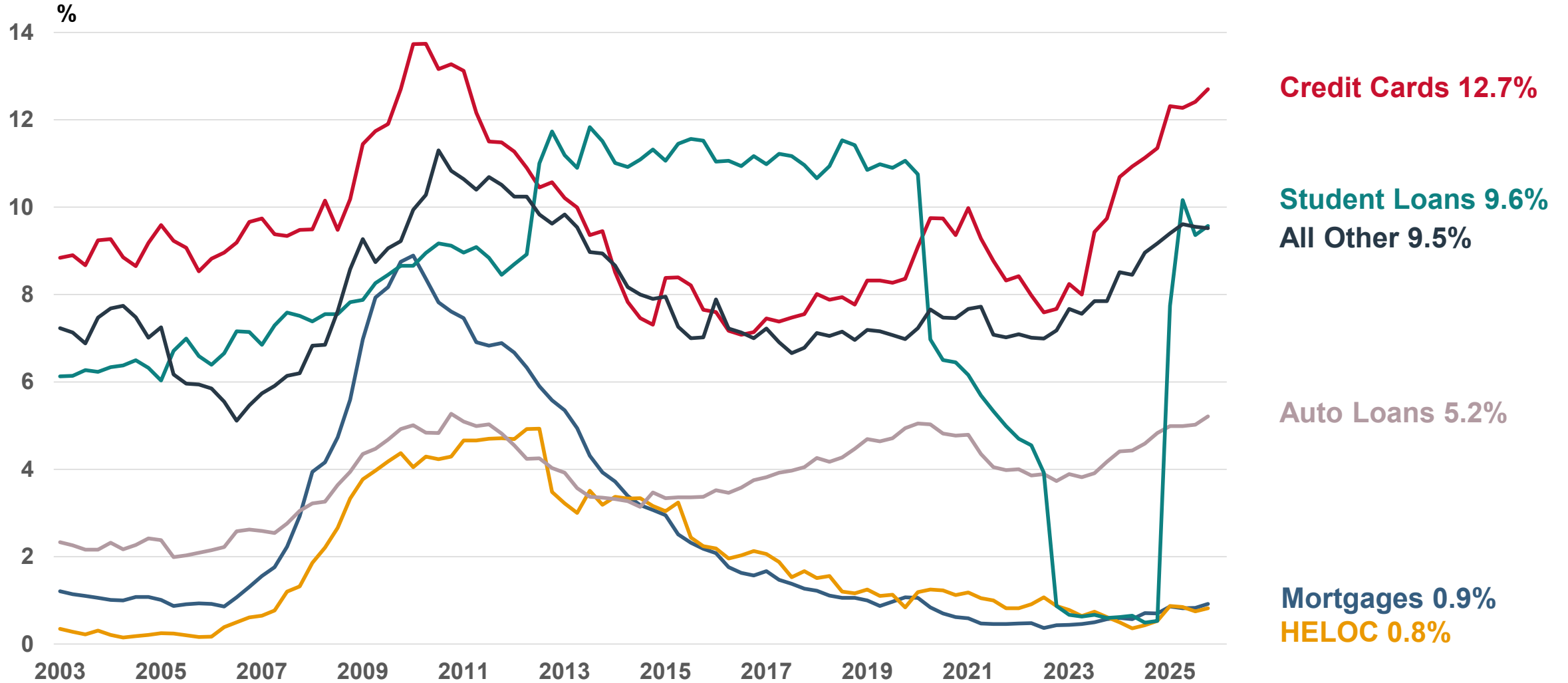


Sources: Bureau of Labor Statistics, BBH Analysis

Data as of December 2025

Household Delinquency Rates

% of Outstanding Debt More Than 90 Days Delinquent

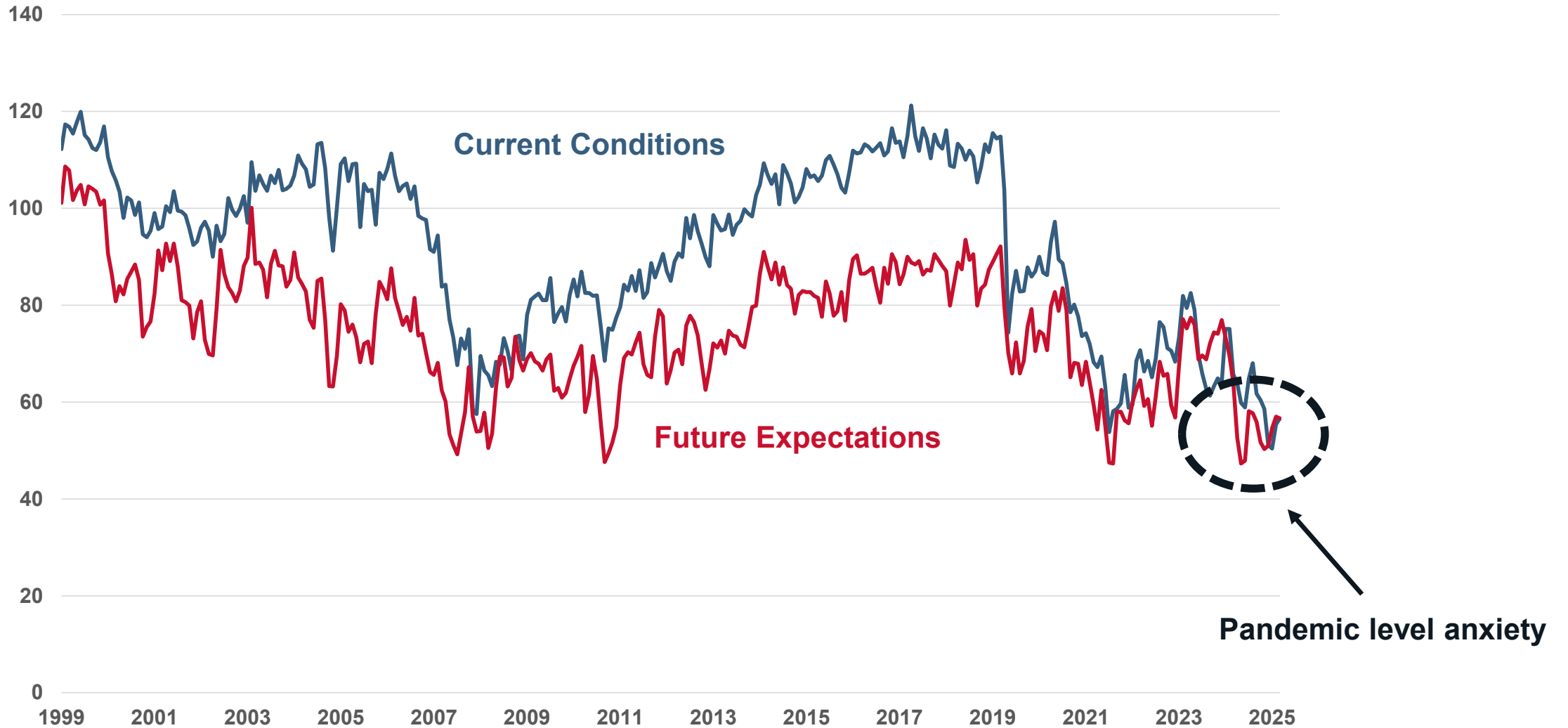


Sources: NY Fed Consumer Credit Panel, BBH Analysis

Data as of December 2025

U.S. Consumer Confidence

Pandemic Level of Anxiety

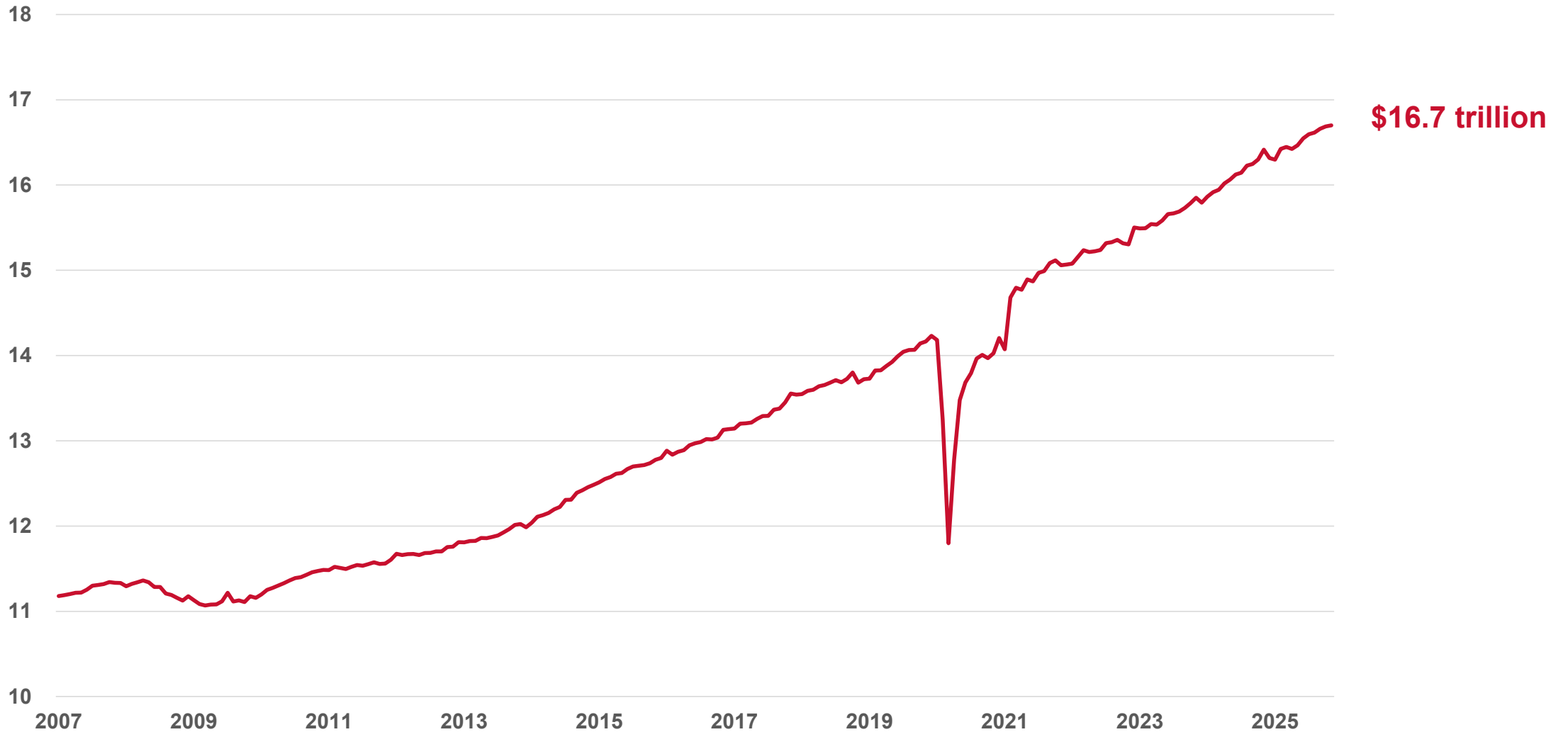


Sources: University of Michigan, BBH Analysis

Data as of March 2025

U.S. Consumer Spending

No Signs (Yet) of Weakness



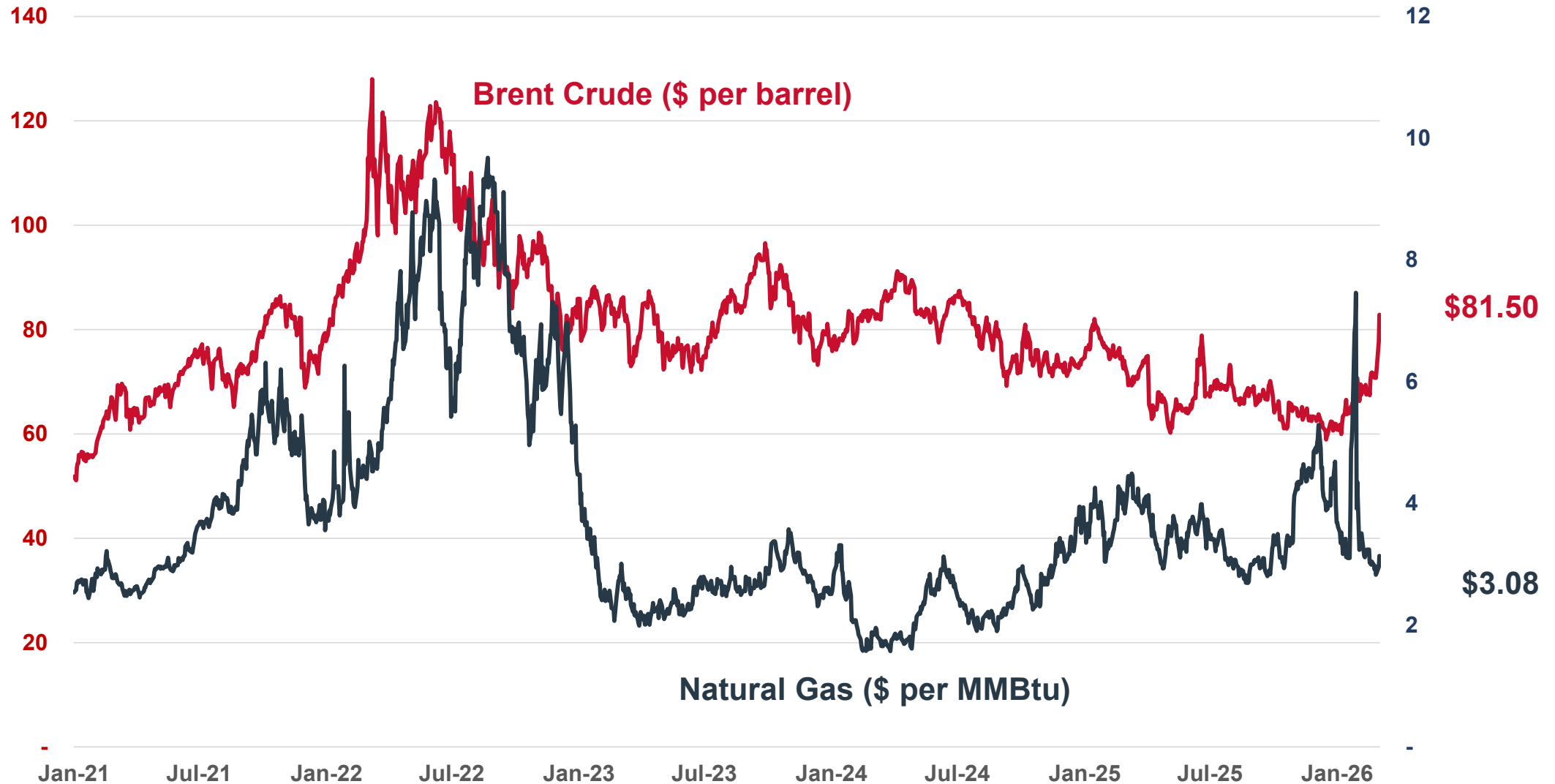
Sources: Bureau of Economic Analysis, BBH Analysis

Data as of December 2025

The War in Iran

- Is it **far too early** to assess how long hostilities will continue, or whether they will broaden.
- The transmission effect of hostilities into the US economy will take place through the **energy markets** ...
- ... where the United States is **relatively well insulated** due to reduced reliance on energy and increased domestic demand.

Energy Prices



Sources: Bloomberg, BBH Analysis

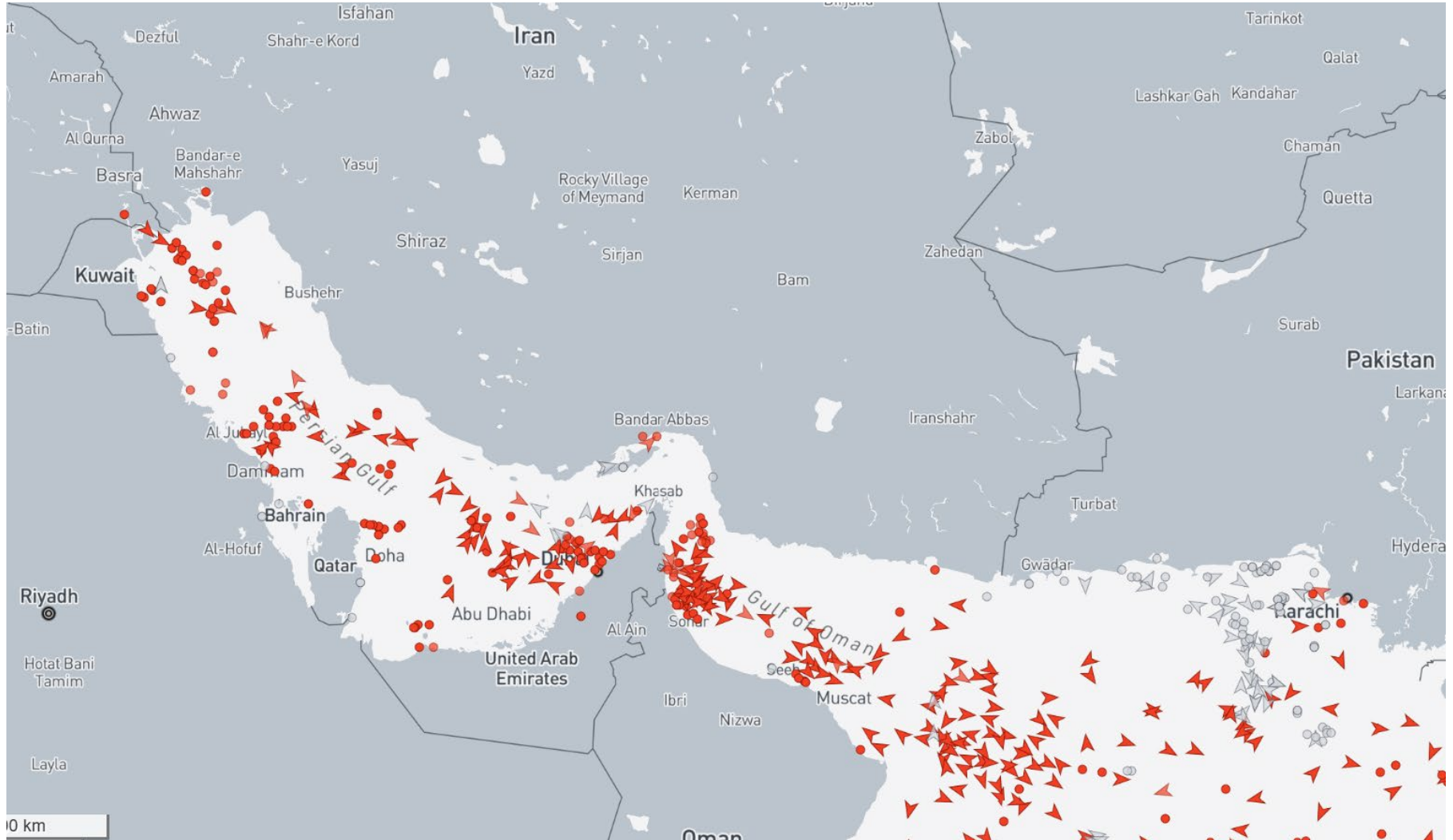
Data as of 3 March 2026

The Strait of Hormuz



The Strait of Hormuz

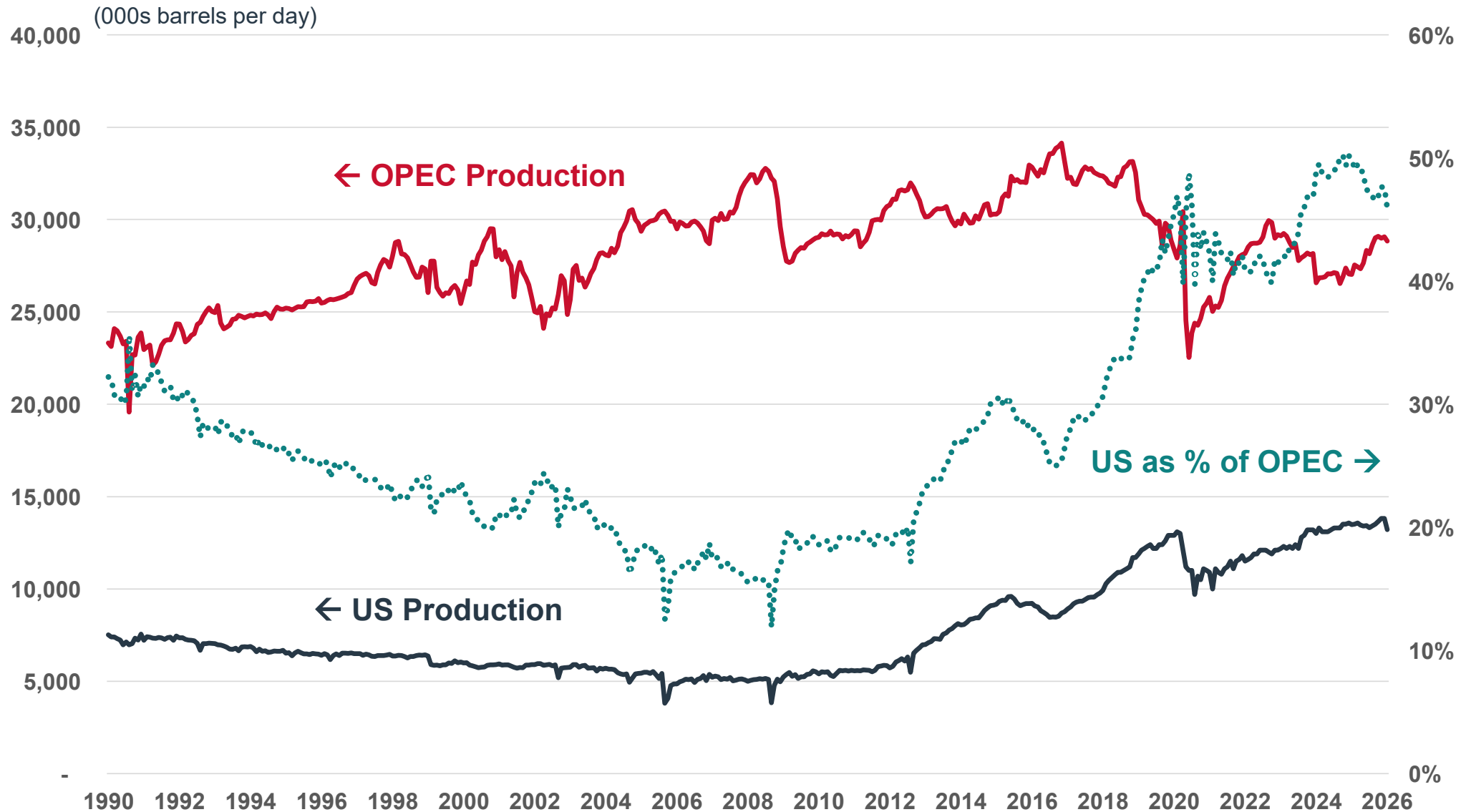
Tanker Positions as of 4 March 2026



Sources: Kpler, marinetracker.com, BBH Analysis

Data as of 4 March 2026

Energy Production

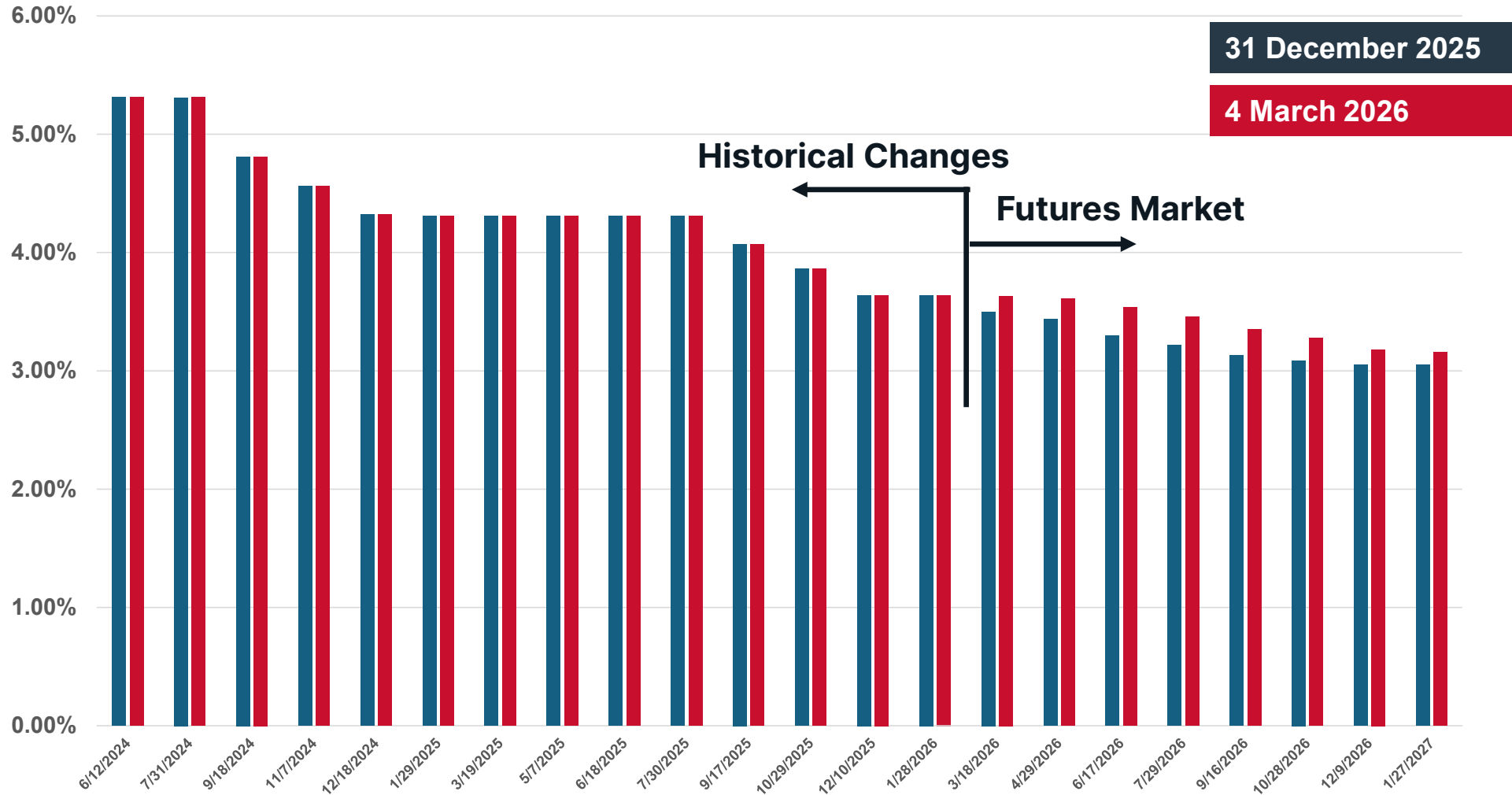


Sources: OPEC, US Department of Energy, BBH Analysis

Data as of January 2026

Fed Funds Futures Market

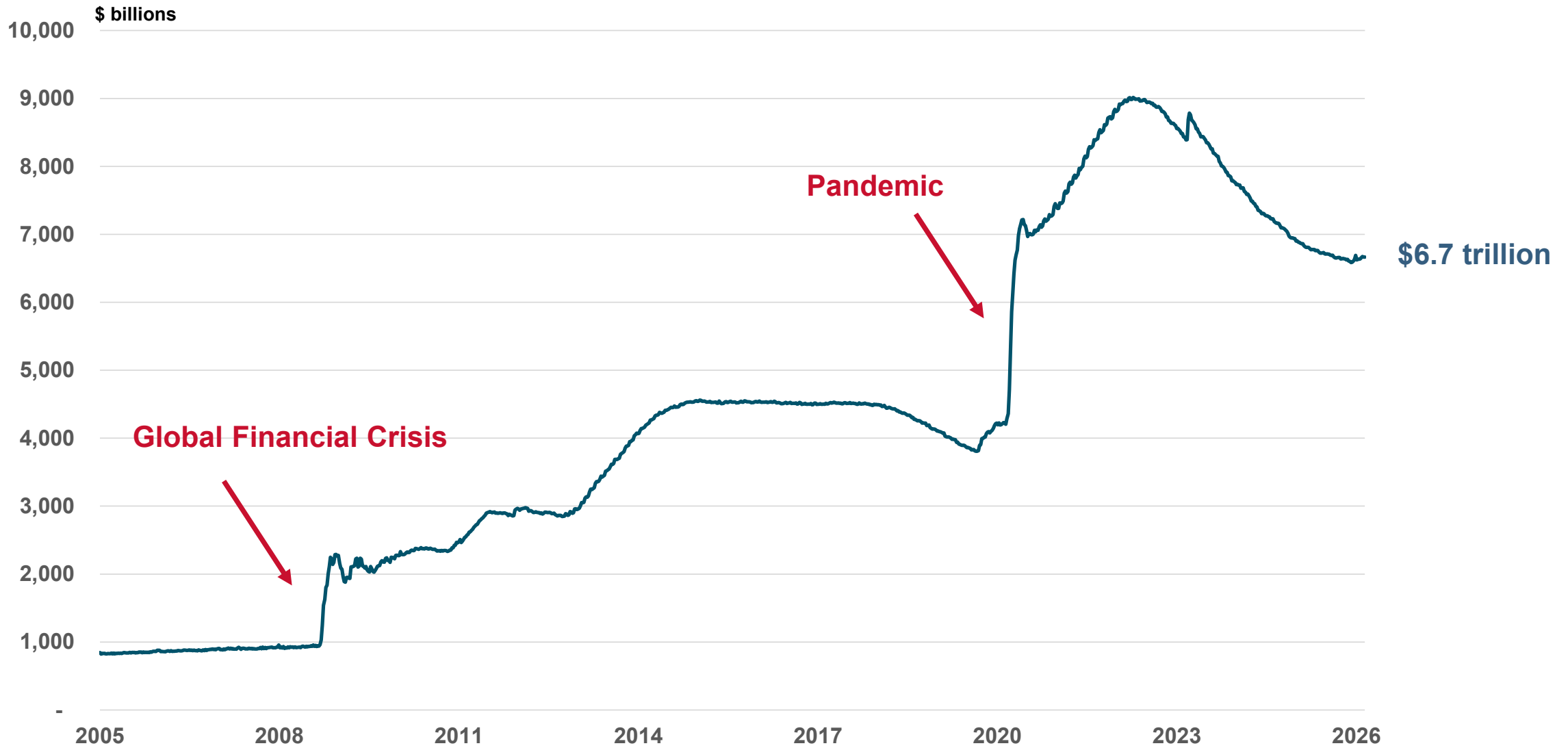
Two Cuts in 2026?



Sources: Bloomberg, BBH Analysis

Data as of 4 March 2026

Fed Balance Sheet



Sources: Bloomberg, Federal Reserve, BBH Analysis Data as of 25 February 2026

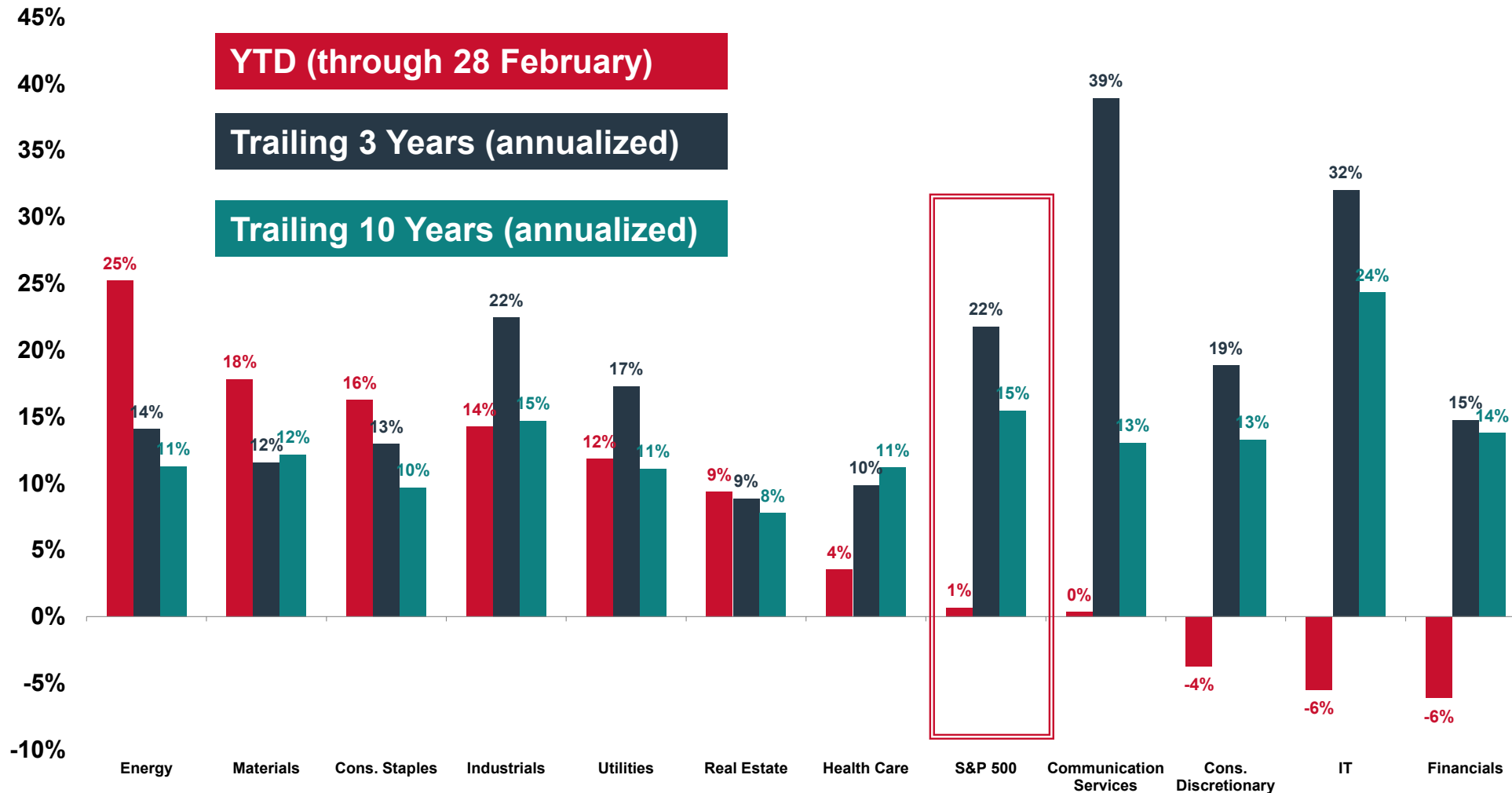
Geopolitics and Markets

Geopolitical Shock	Date	1 Month	3 Months	6 Months	1 Year
Germany invades France	5/10/1940	-19.9%	-12.7%	-4.5%	-18.7%
Pearl Harbor attack	12/7/1941	-1.0%	-11.0%	-6.5%	4.3%
N. Korea invades S. Korea	6/25/1950	-10.0%	1.6%	4.1%	11.7%
Cuban missile crisis	10/19/1956	5.1%	14.1%	20.7%	27.9%
Gulf of Tonkin incident	8/2/1964	-1.6%	1.9%	5.3%	2.7%
Six-day War	6/5/1967	3.3%	5.9%	7.5%	13.5%
Tet offensive	1/30/1968	-3.8%	5.1%	5.2%	10.2%
Yom Kippur War	10/6/1973	-3.9%	-10.7%	-15.3%	-43.2%
Oil embargo	10/16/1973	-7.0%	-13.2%	-14.4%	-35.2%
Iraq invasion of Kuwait	8/2/1990	-8.2%	-13.5%	-2.1%	10.1%
First World Trade center bombing	2/26/1993	1.7%	2.0%	4.0%	4.7%
USS Cole Yemen attack	10/12/2000	2.7%	-0.9%	-11.3%	-19.6%
US terrorist attacks	9/11/2001	-0.2%	2.5%	6.7%	-18.4%
Iraq war starts	30/20/2003	1.9%	13.6%	18.7%	26.7%
Madrid bombing	3/11/2004	3.5%	2.7%	1.5%	8.4%
London subway bombing	7/5/2005	3.3%	1.8%	5.3%	5.5%
Boston marathon bombing	4/15/2013	6.3%	8.4%	9.7%	17.9%
Russia annexes Crimea	2/20/2014	1.5%	2.6%	8.0%	14.7%
North Korean missile crisis	7/28/2017	-1.1%	3.6%	14.8%	13.4%
Iranian general killed in airstrike	1/3/2020	1.9%	-23.1%	-4.2%	14.4%
US withdraws from Afghanistan	8/30/2021	-3.7%	2.8%	-4.9%	-12.0%
Russia invades Ukraine	2/24/2022	5.9%	-7.2%	-2.1%	-7.1%
Hamas attacks Israel	10/7/2023	1.3%	10.6%	20.9%	33.5%
Iran attacks Israel	4/13/2024	1.9%	9.9%	13.5%	5.3%
US bombs Iranian nuclear facilities	6/22/2025	5.7%	11.7%	13.5%	????
US removes Maduro from Venezuela	1/3/2026	0.9%	????	????	????
Average		-0.5%	0.3%	3.8%	2.9%
Positive Returns		15/26	17/25	16/25	17/24

Sources: Bloomberg, BBH Analysis
Data as of 1 March 2026

Equity Sector Returns

Rotation?



Sources: Bloomberg, BBH Analysis

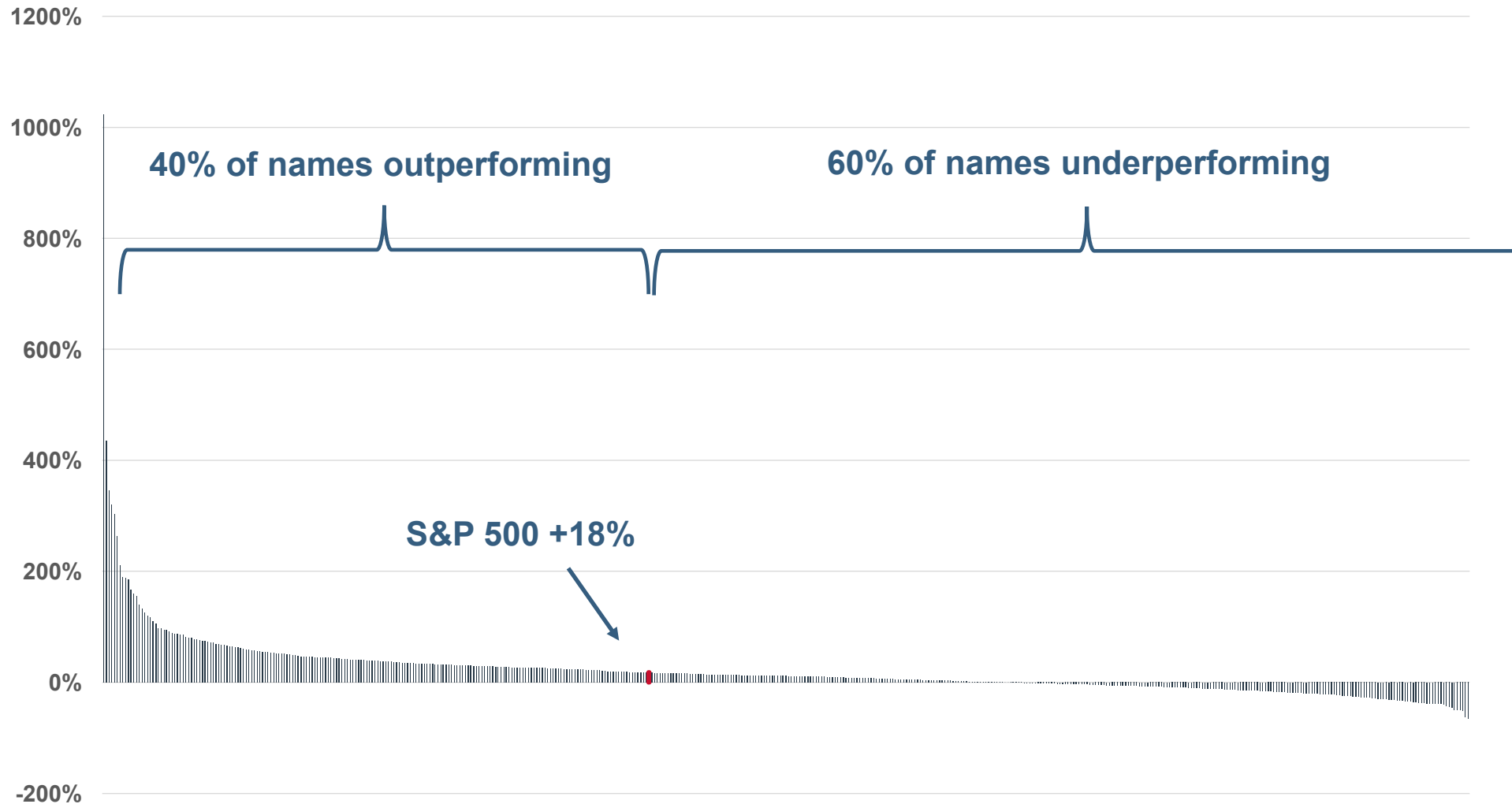
Data as of 28 February 2025

* Annualized

Past performance does not guarantee future results.

Equity Market Breadth

Trailing 1-Year Return for S&P 500 Constituents (Through 3 March 2026)

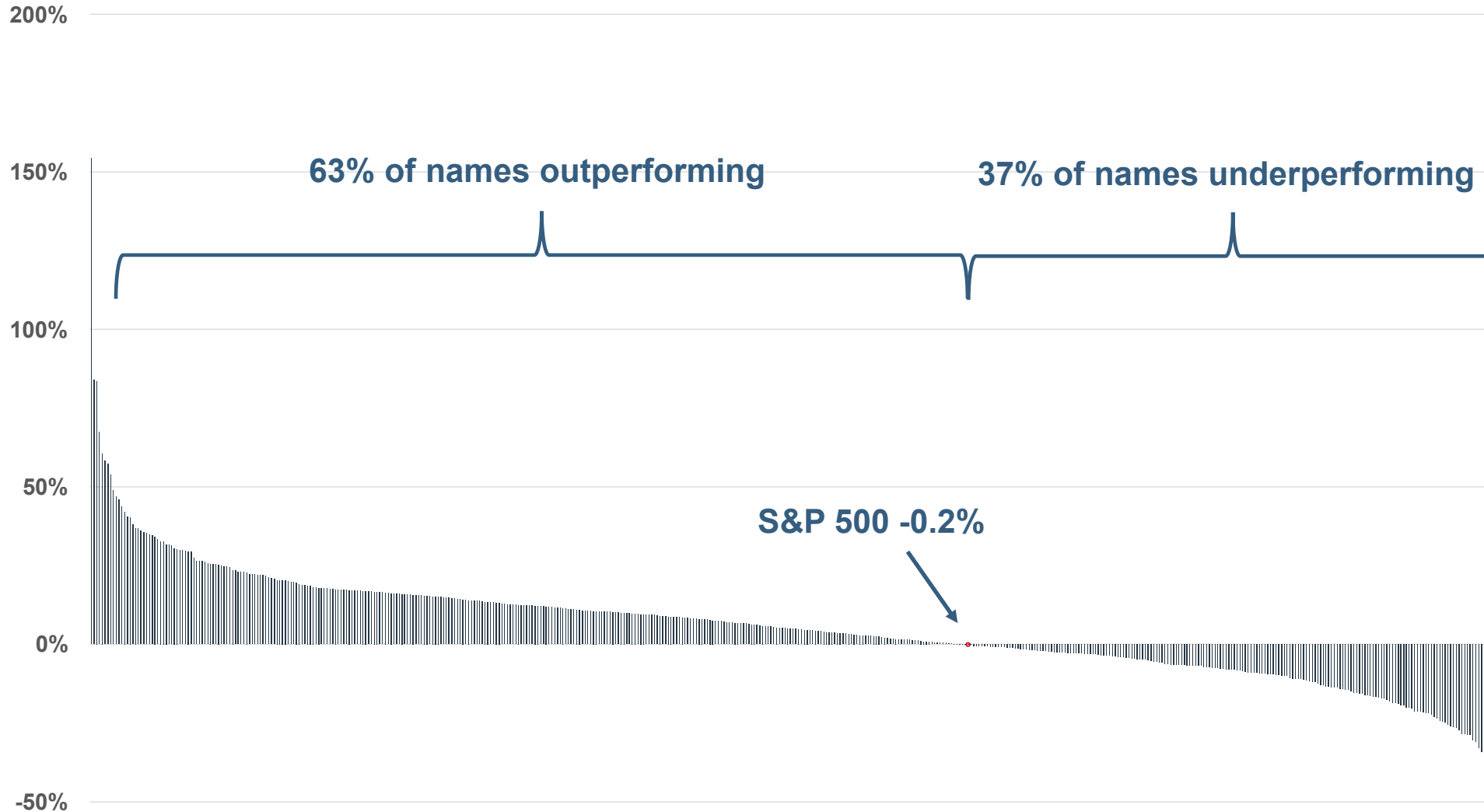


Sources: Bloomberg, BBH Analysis

Data as of 3 March 2026

Equity Market Breadth

Year-to-Date Return for S&P 500 Constituents (Through 3 March 2026)



Sources: Bloomberg, BBH Analysis

Data as of 3 March 2026

What to Watch (Economics)

- **Advance GDP for 4Q2025** showed anemic growth of only 1.4% at the end of 2025, dragged down 0.9% by the prolonged government shutdown. Will the first quarter show a rebound in activity?
- **SCOTUS** has ruled that tariffs applied under IEPPA are unconstitutional, and it took the White House less than a day to replace them with Section 122 tariffs. How will the tariff showdown play out in the first half of 2026?
- **February CPI** will be released on March 11, a week ahead of the Fed meeting. Following a softer-than-expected 2.4% figure for January, the February report will indicate whether inflation continues to moderate.
- **The Federal Reserve** meets on March 17-18. The futures market at present is pricing in less than a 10% chance of a rate cut.

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March 2026

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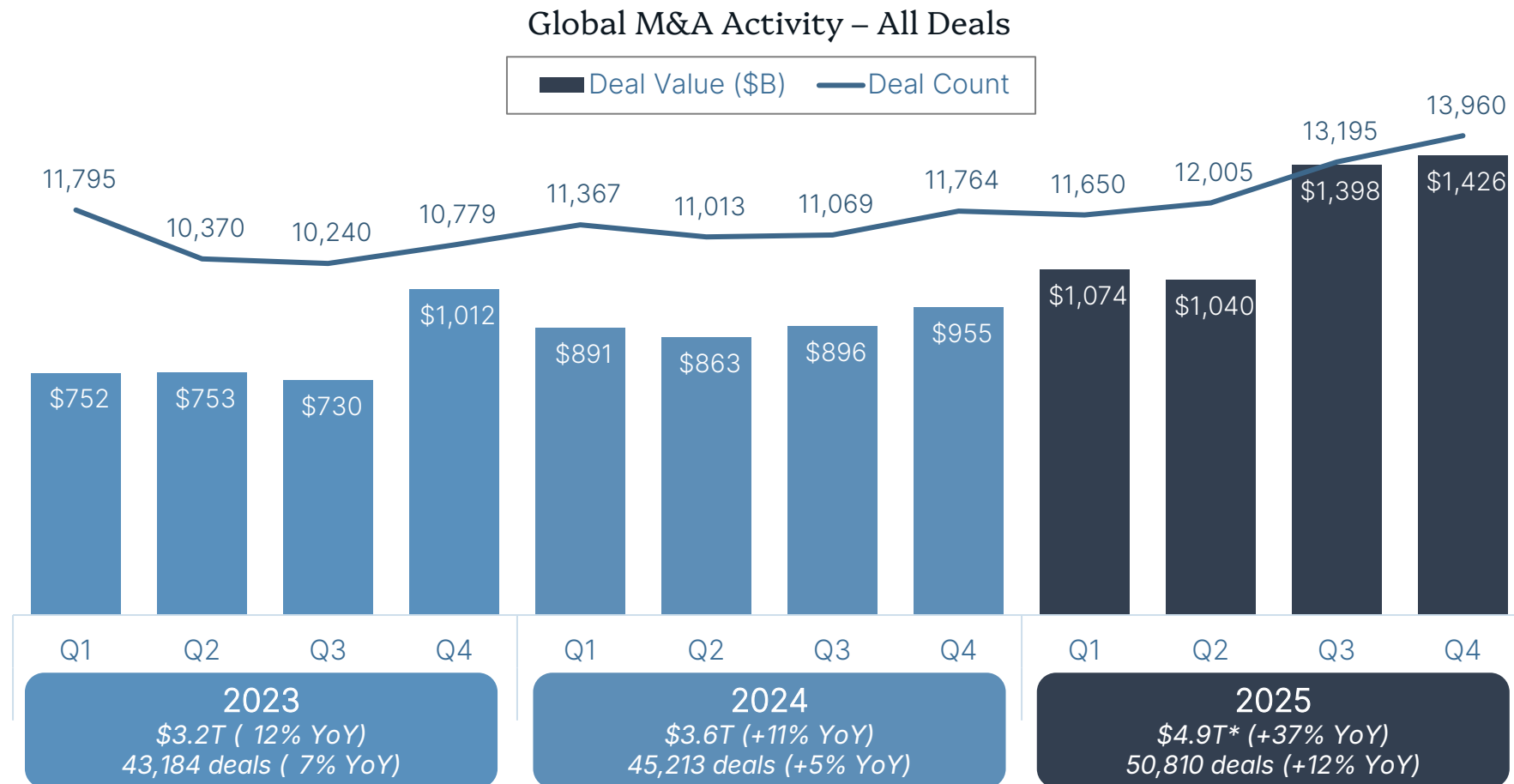


State of the M&A Market

March 2026

Global M&A Dollar Value Grew 37% to \$4.9 Trillion in 2025

Despite uncertainty surrounding trade and macroeconomic policies, deal activity proved remarkably robust

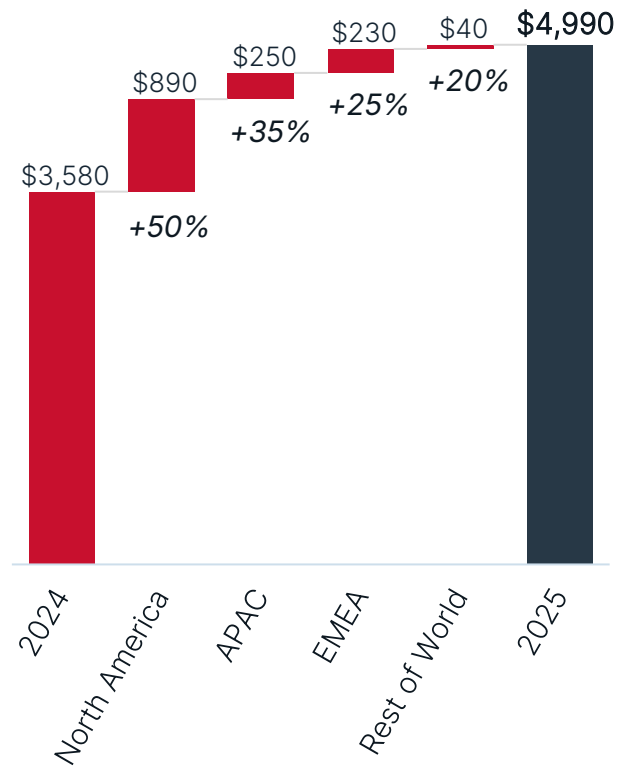


*2025 M&A volume of \$4.9T, of which \$3.0T (61%) North America, \$1.3T (26%) Europe, 13% other regions.
 Source: Pitchbook. Note that 2025 deal counts are estimated.

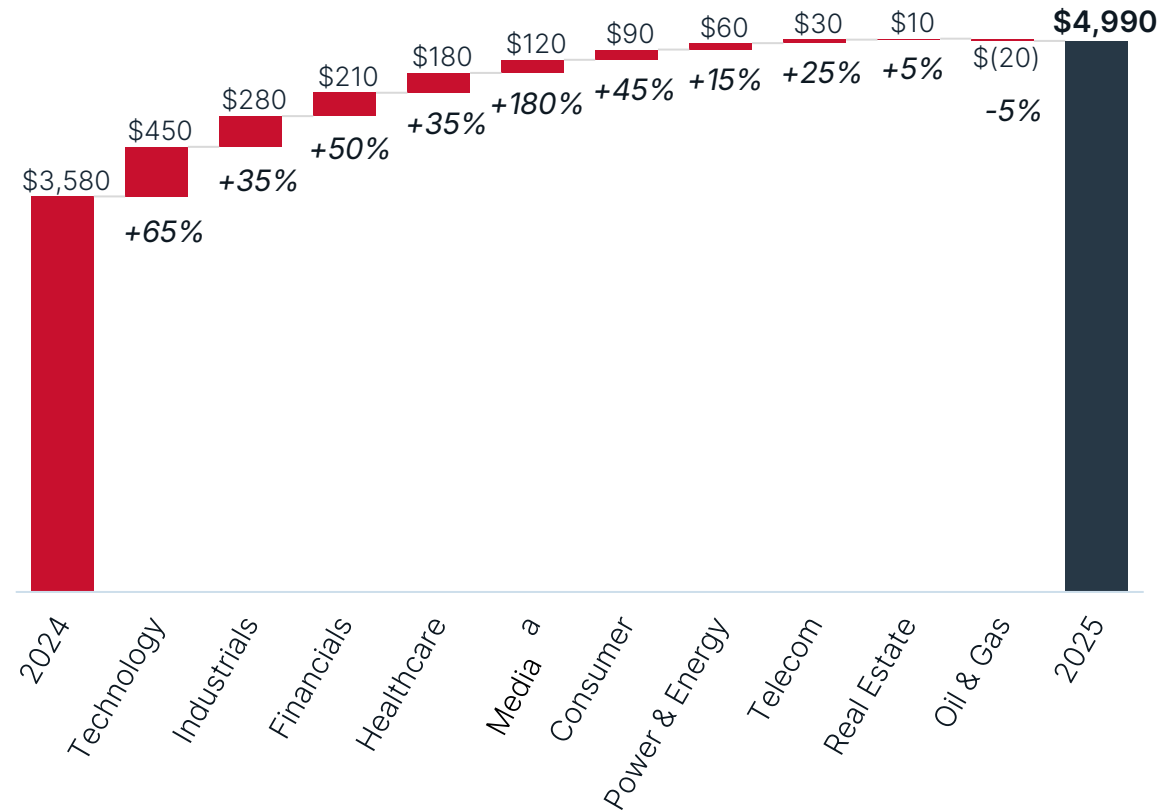
M&A Value Increased Significantly Across Regions and Sectors

Growth in M&A was led by North America. Technology, industrials, financials and healthcare were the top four sectors

2025 Growth By Region



2025 Growth By Industry



Source: Lazard

Increased Dollar Volume Was Driven by a Resurgence in Megadeals

71 mega-deals representing over \$1.5T in volume, doubling 2024 and surpassing 2021 (60 deals worth \$1.25T); marked a shift toward scale and underscored the appetite for transformative transactions

Selected Megadeals Announced in 2025

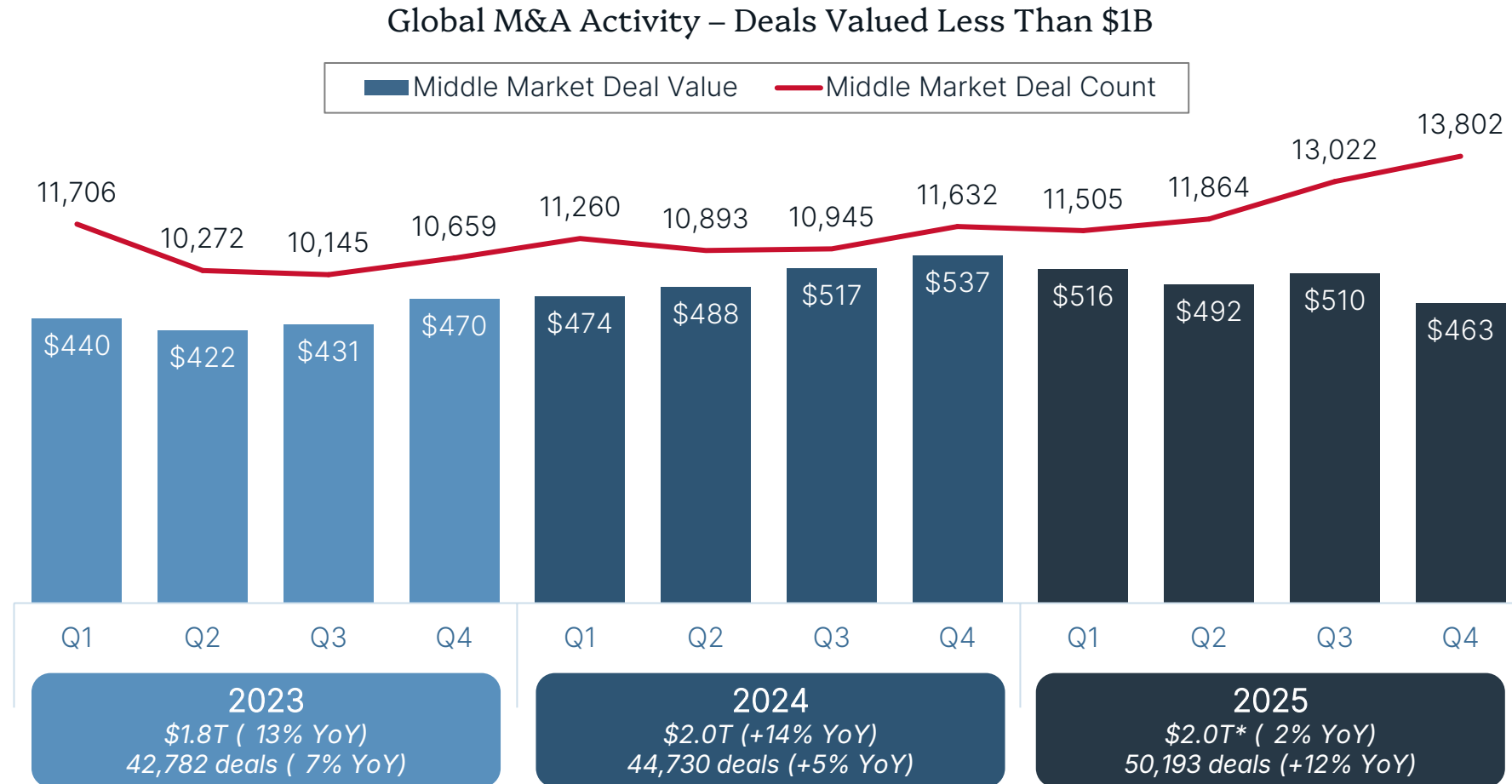
 WARNER BROS. DISCOVERY	\$108B	
 UNION PACIFIC	\$89B	
 Electronic Arts ▲	\$55B	
 HESS	\$53B	
 Walgreens ▲	\$43B	
 Kenvue	\$40B	
 Aligned™ Adaptive Data Centers ▲	\$40B	
 COX Communications	\$35B	
 WIZ	\$32B	
 CALPINE	\$29B	
 AIR LEASE CORPORATION	\$27B	
 CYBERARK	\$25B	
 EXACT SCIENCES	\$24B	
 Essential UTILITIES	\$20B	
 HOLOGIC ▲	\$18B	
 Peets	\$18B	
 Intra-Cellular THERAPIES	\$15B	
 US Steel	\$15B	
 CHART Cooler By Design.™	\$13B	
 SKECHERS ▲	\$12B	
 TXNM ENERGY ▲	\$12B	
 AVIDITY BIOSCIENCES	\$12B	
 QORVO	\$12B	
 Beacon Roofing Supply	\$11B	

▲ = Backed by Private Equity

Sources: S&P Capital IQ, Pitchbook, LSEG, WSJ

Middle Market Was a Different Story; Global M&A Dollar Value Down 2%

Despite plenty of capital and appetite for M&A among sponsors and strategic buyers, deal making was challenged for much of the year due largely to a scarcity of sellers

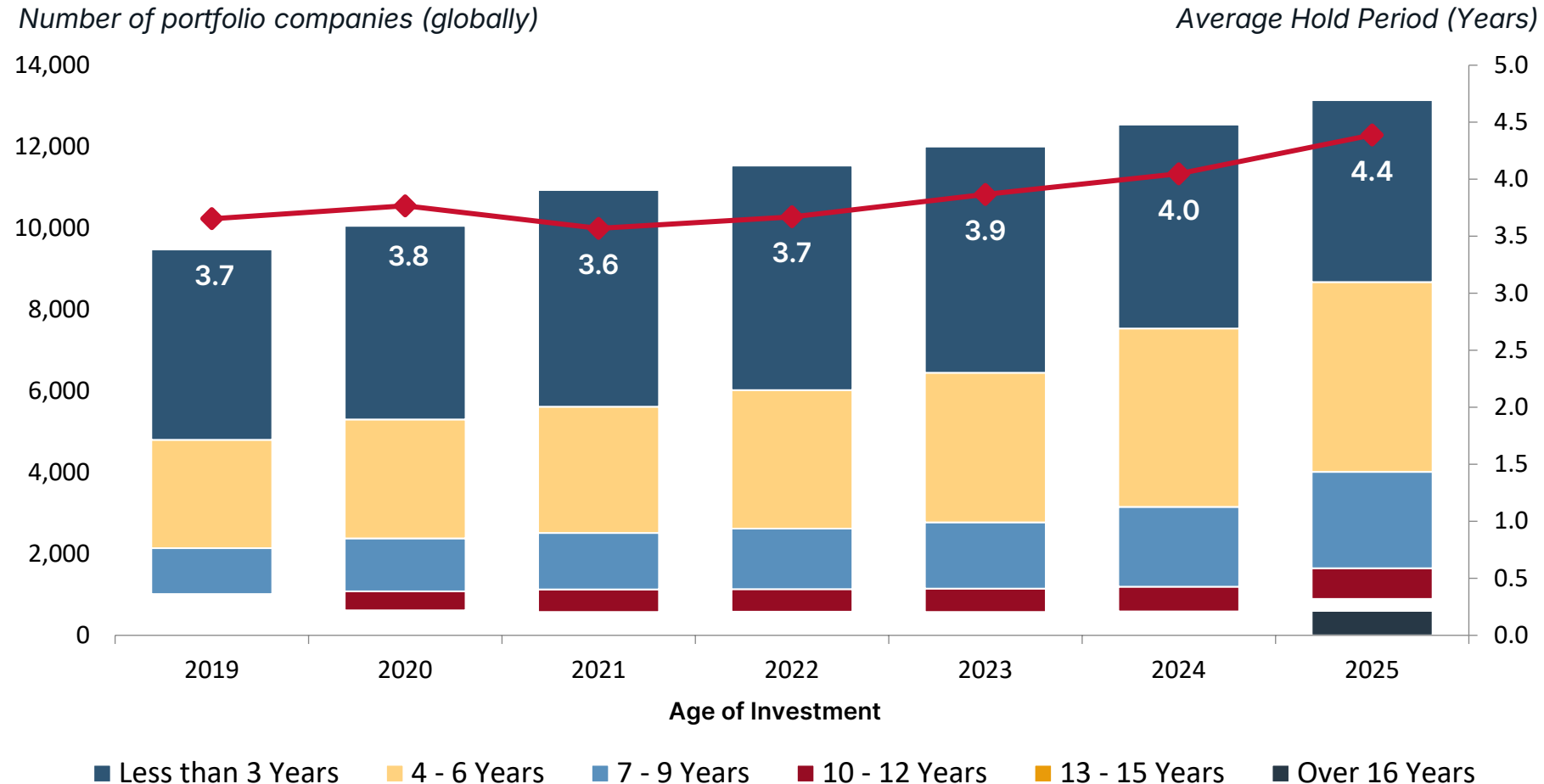


Source: Pitchbook

Private Equity Hold Periods Have Continued to Increase...

Private equity firms are holding portfolio companies longer as valuations have not increased as expected

US PE Portfolio Companies by Number of Years Held

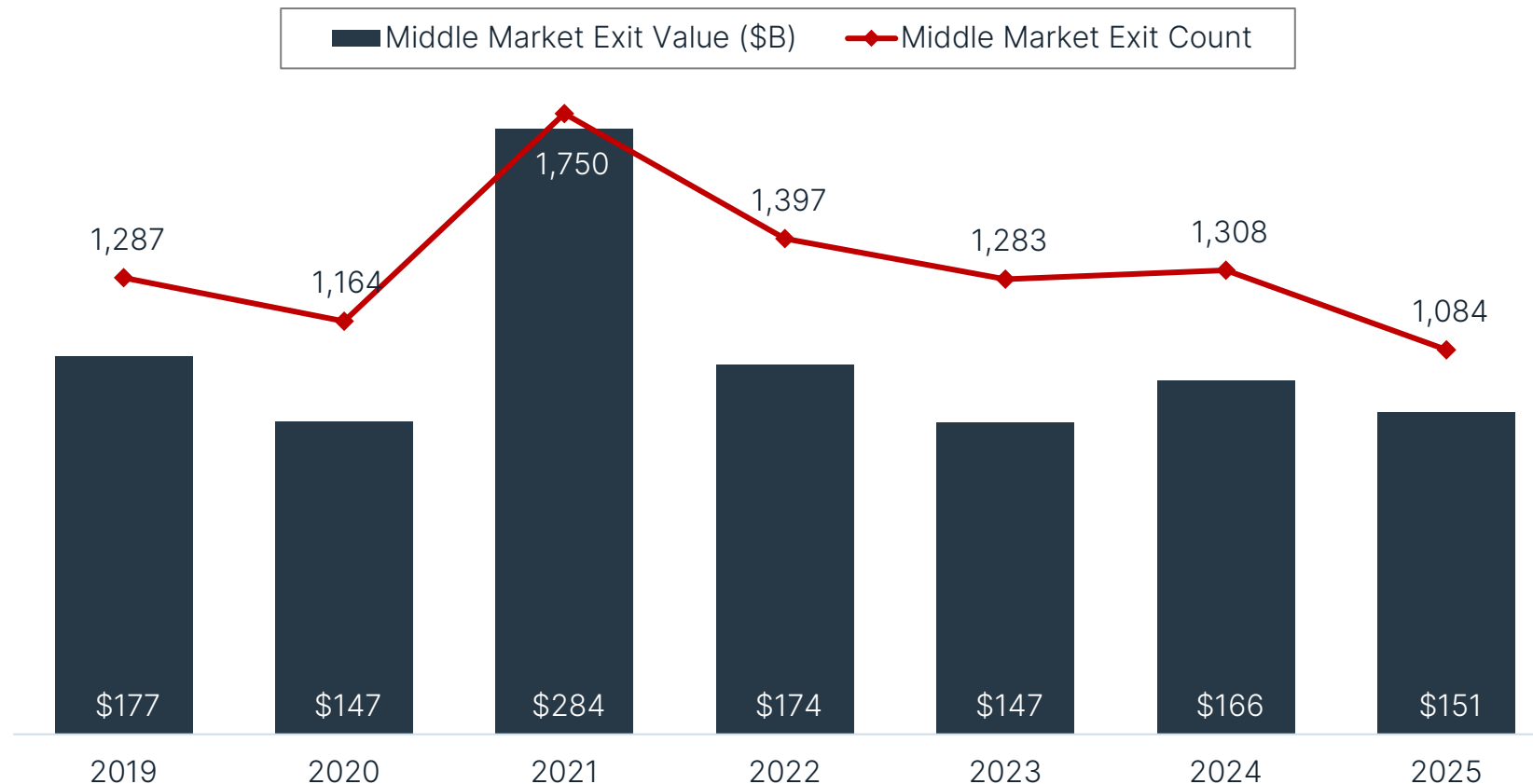


Source: Pitchbook

...Resulting in Continued Scarcity of Exits

Many portfolio companies were bought by PE firms at peak valuations (e.g., 2021–2022). To avoid selling at a loss or realizing subpar returns, firms are holding investments longer to improve performance and wait for more favorable market conditions

US Middle Market PE Exit Activity – Deals Valued Less Than \$1B

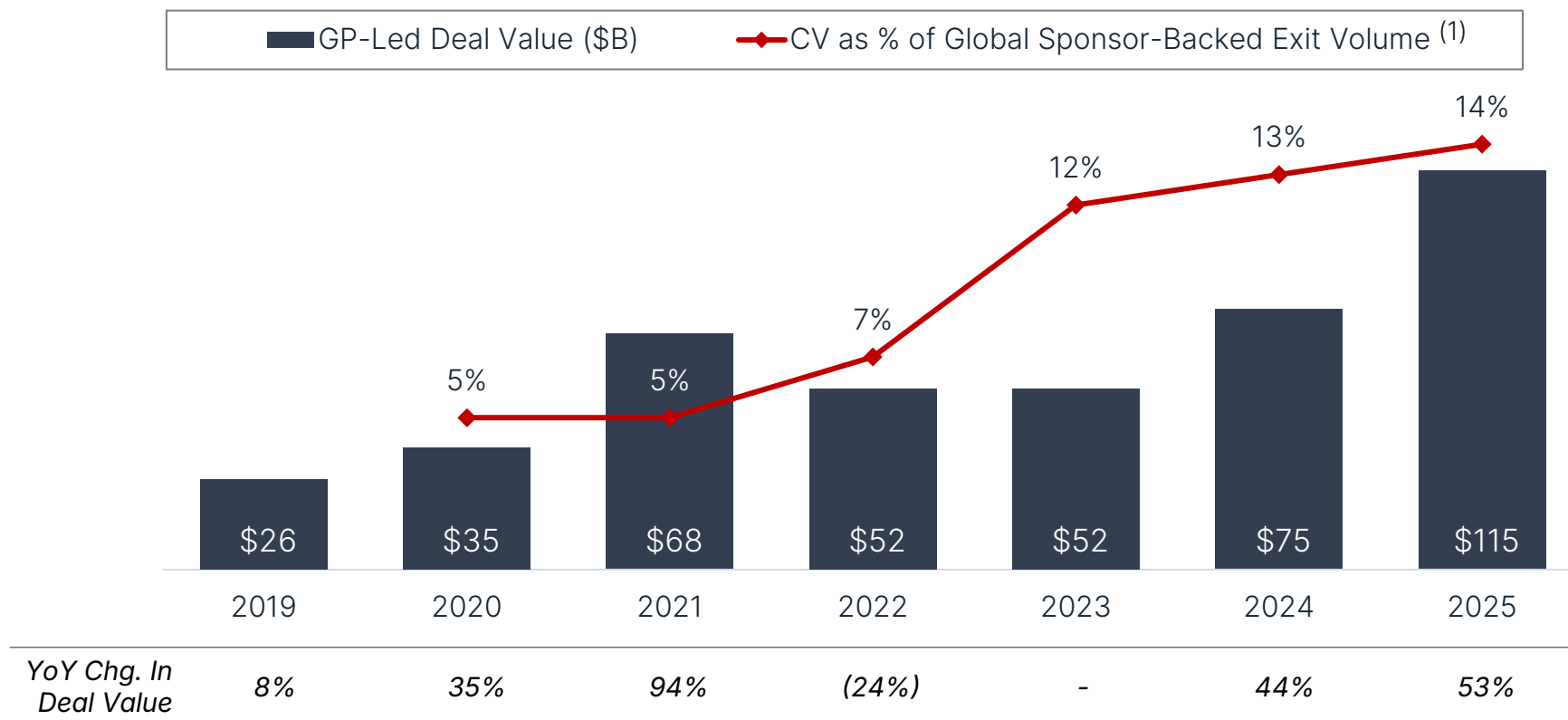


Source: Pitchbook

Push for Liquidity Has Led to More GP-Led Secondary Transactions

Sponsors are broadening their monetization toolkit beyond outright sales, leaning on dividend recapitalizations, GP- and LP-led secondary structures, especially continuation vehicles (“CVs”) to return capital to investors

GP-Led Secondaries Deal Volume (\$B) and Share of Total Exit Volume

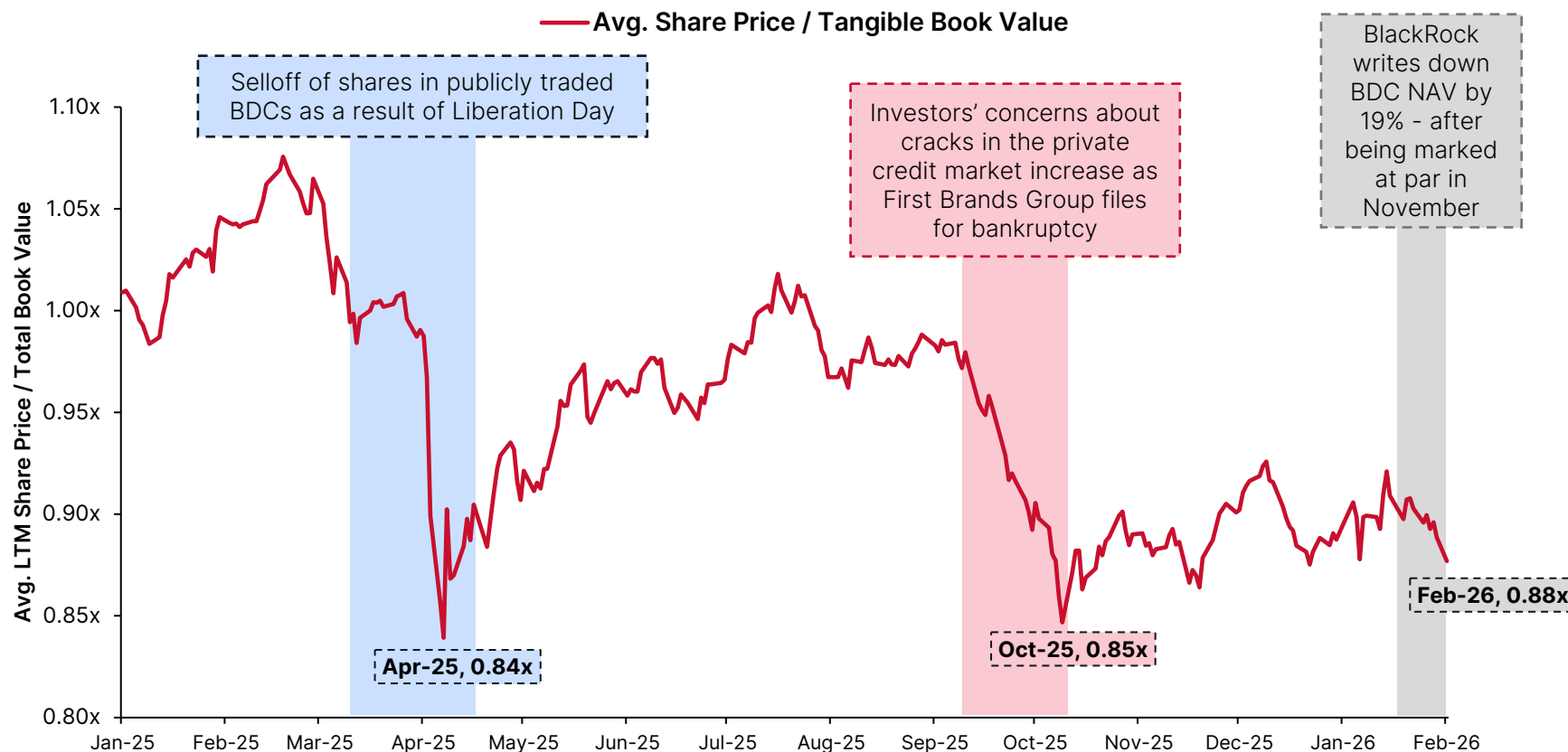


(1) Dealogic estimates for sponsor-backed exit deal volume, including M&A and IPO proceeds. Percentage represents CV transaction volume over sponsor-backed exit deal volume. Source: Jefferies Global Secondary Market Review 2025

Cracks in the Credit Market?

In January, BlackRock TCP Capital reported a 19% QoQ decline in NAV of its investments – validating investor concerns over underlying distress in private credit portfolios. The S&P BDC Index began trading below book value in the last year, offering a further read on investor sentiment toward credit markets

S&P BDC Index – Ratio of LTM Avg. Share Price to Total Book Value (“TBV”)



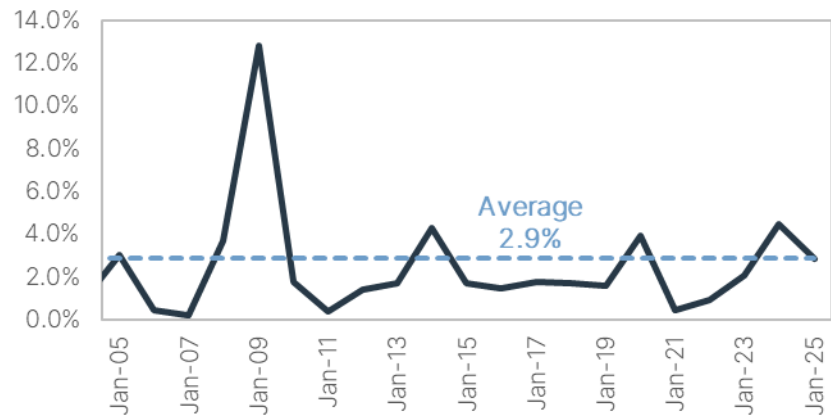
(1) Reflects the simple average of the companies in S&P's BDC index LTM share price / TBV.
 Note – "BDC" = Business Development Company. Source: S&P CapIQ

Putting Private Credit Headlines into Perspective

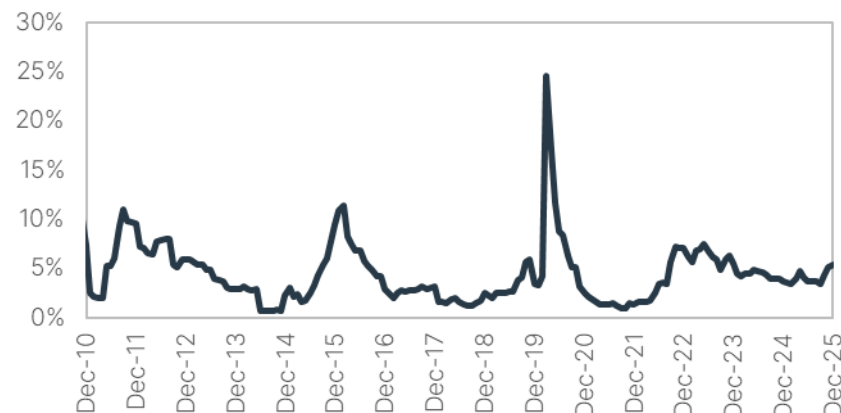
Credit defaults and distress are normalizing towards longer-term averages

Broadly Syndicated Loans

Par-Weighted Default Rate of Loans

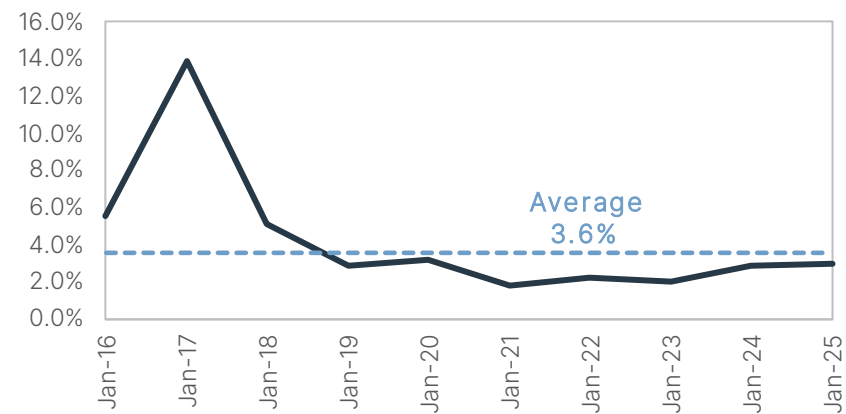


% of Loans Priced <\$80



Private Credit Loans

% of Defaulted Loans in Post-Reinvestment Private Credit CLOs



Non-Accrual Rate of BDCs at Amortized Cost



Source: Palmer Square, Bloomberg, BBH. "CLO" is short for Collateralized Loan Obligation.

Current Middle Market Financing Conditions

Credit spreads and leverage are both at historically aggressive levels given excess liquidity and competition for assets.

Market
Leverage

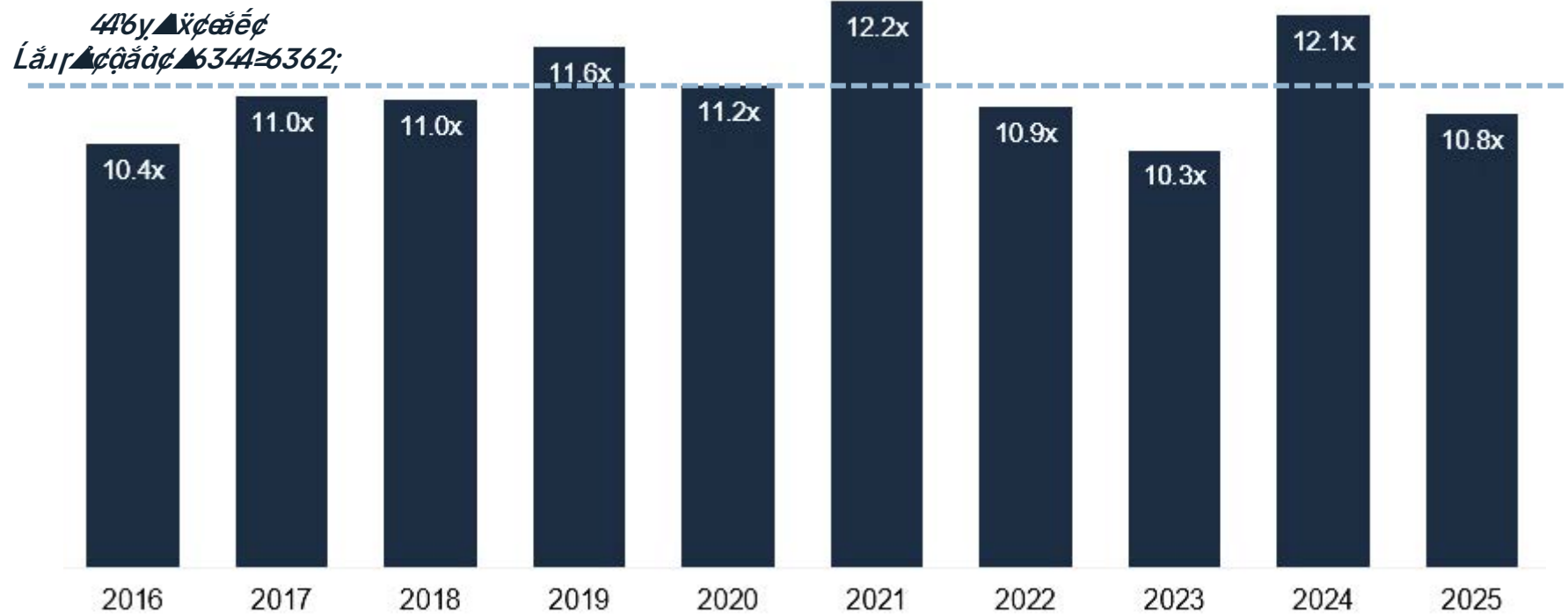
Pricing

EBITDA:	< \$10MM	\$10 - 25MM	> \$25MM
Cash Flow Senior Debt-to-EBITDA			
Feb. 2026	2.00x - 3.00x	2.25x - 3.75x	4.25x - 5.25x
Jan. 2025	1.50x - 2.50x	2.00x - 3.50x	4.00x - 5.00x
Jan. 2024	1.50x - 2.50x	2.00x - 3.50x	3.00x - 4.00x
Total Debt-to-EBITDA			
Feb. 2026	2.50x - 4.00x	4.00x - 5.50x	5.00x - 6.50x
Jan. 2025	2.50x - 4.00x	4.00x - 5.50x	5.00x - 6.50x
Jan. 2024	2.50x - 3.50x	3.50x - 4.50x	4.00x - 5.50x
Senior Commercial Bank Cash Flow			
Feb. 2026	S+ 3.25% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
July 2025	S+ 3.25% - 4.25%	S+ 3.00% - 3.75%	S+ 2.75% - 3.50%
April 2025	S+ 3.50% - 4.25%	S+ 3.25% - 3.75%	S+ 3.00% - 3.50%
Senior Non-Bank / Unitranche			
Feb. 2026	S+ 5.25% - 7.00%	S+ 4.50% - 6.50%	S+ 4.25% - 5.75%
July 2025	S+ 5.50% - 7.00%	S+ 4.75% - 6.50%	S+ 4.25% - 5.75%
April 2025	S+ 6.00% - 7.50%	S+ 5.00% - 6.50%	S+ 4.25% - 6.00%
Sub Debt (Total Coupon: Cash + PIK)			
Feb. 2026	12.00% - 15.00%	11.00% - 13.00%	11.00% - 12.00%
July 2025	12.00% - 15.00%	11.00% - 13.00%	11.00% - 12.00%
April 2025	13.00% - 16.00%	11.50% - 13.00%	11.00% - 12.50%

Source: SPP Capital Partners

Middle Market Valuations Steady, Slightly Below Long-Term Averages

Average Middle Market EBITDA Transaction Multiples



Source: Pitchbook

BBH Perspective – Recent Client M&A Activity

	Client A	Client B	Client C	Client D
Industry	Business Services	Industrial Services	Food & Beverage	Healthcare
Business Description	Provider of marketing and events strategy and execution services	Environmental remediation and waste transportation services	Specialty food manufacturer	Revenue cycle management
Financial Summary (Sales / EBITDA)	\$525MM / \$50MM	\$20MM / \$6MM	\$100MM / \$10MM	\$25MM / \$10MM
Transaction Objective	Full Sale	Full Sale	Minority Equity	Full Sale
Valuation	~9x EBITDA	~11x EBITDA	8x-10x EBITDA	10x-12x EBITDA
Key Elements of the Transaction	<ul style="list-style-type: none"> • Transaction preparedness (QofE and market study) • Clear shareholder alignment supported seamless execution • High-quality, professional management team • Rare, scaled asset attracted significant competition 	<ul style="list-style-type: none"> • Young, proven team • Regulated markets lead to high barriers to entry • Proactively managed state approvals to avoid deal delays • Transaction de-risked by isolating environmental • Broad strategic and sponsor appeal drove intense competition 	<ul style="list-style-type: none"> • Strong top line performance • Challenged financial reporting leading to delayed process • Capital raising imperative to accelerate growth 	<ul style="list-style-type: none"> • Outperformance during process drove value and sustained demand • Proven management team underpinned buyer confidence post-deal • Industry AI automation posed disruption risk and deterred some buyers • Offshore labor model drove sharply divergent buyer views

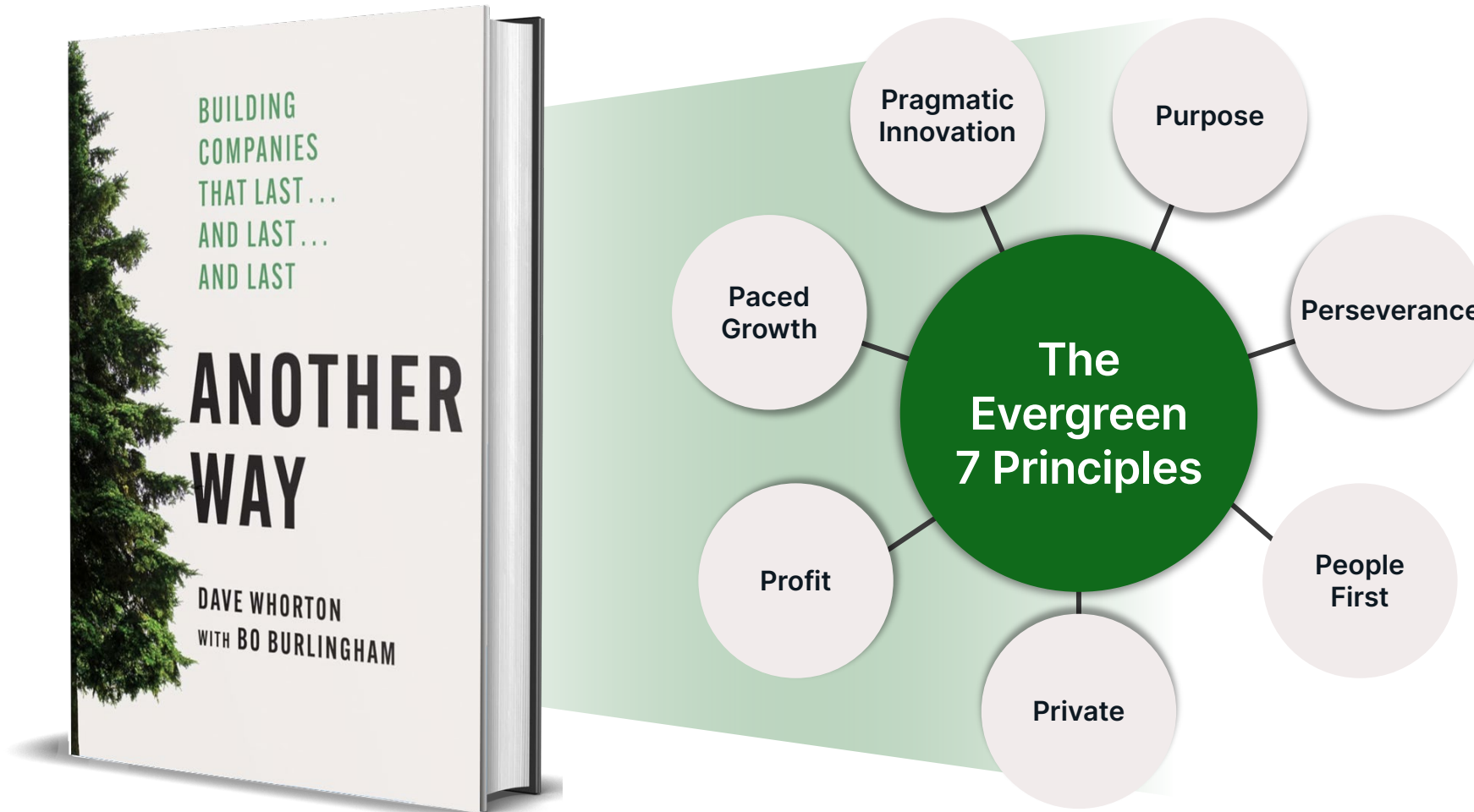
Key Trends to Watch in 2026

- **Accelerating Private Equity Activity:** With plenty of dry powder and pressure to return capital to limited partners, private equity firms are expected to increase exit activity, boosting deal volume
- **Strategic Portfolio Rationalization:** Corporates are likely to continue to actively divest non-core assets to streamline operations, reduce debt, and reallocate capital toward growth areas
- **Supportive Financing Environment:** Convergence of capital sources is expected to continue to facilitate and efficiently finance transactions in 2026, supported by ample private capital dry powder and a constructive rate backdrop
- **Consumer Sentiment:** While some sectors are booming, consumer spending faces pressure from rising food, gas and general prices, with 2026 forecasts showing persistent inflationary pressure
- **AI and Digital Transformation:** Businesses are shifting from AI experimentation to implementation, focusing on cybersecurity, AI tools, and cloud services to drive efficiency, rather than just using them as optional tools
- **Evolving Geopolitics:** Geopolitical dynamics will continue to influence transaction evaluation and execution, potentially creating uncertainty that dampens M&A activity

One Final Thought

Is there a “better way” to build companies than the Silicon Valley model’s “get-big-fast” approach?

Another Way takes a closer look at some of America’s most successful companies – many of which have stayed private, maintained profitability and held true to their values for generations – to derive an “Evergreen” approach to entrepreneurship.





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