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QUARTERLY INVESTMENT REVIEW & OUTLOOK – Q2 2026

Markets and economies remain in growth mode, despite escalated inflation, geopolitical risks, and policy uncertainty. Consumer spending, business investment, productivity gains and strong corporate profits have supported continued growth. As a result, we saw a bounce back in equity markets during the quarter with strong returns broadly and bonds stabilized under reset interest rate expectations going forward. Ultimately, the American resolve remains strong in our 250th year as we continue in this new era of innovation and opportunity.

- **Equities:** After a weak first quarter, equity markets rebounded sharply in Q2. The catalyst for this was certainly driven by fundamentals, as corporate earnings registered a shocking 28.6% year over year growth rate in Q1 results. This was its highest since Q4 2021, which was a year removed from weaker comparisons due to COVID-era lockdowns. Quite impressive, and expectations for Q2 earnings growth remains high as well with estimates over 23%. On the quarter, Large Caps delivered very positive results (+15.2%), however there was a broadening out of returns led by Small Caps (+21.5%). The leader for the past three months was Emerging Markets (+24.2%), which now represents the top performance year-to-date (+24.0%) after being the laggard to start the year. Developed International stocks participated at a lesser but still strong level (+11.1%) and stand neck and neck with Large Caps (10.2% vs 9.8% YTD). The Mag 7 brought up the rear with returns less than 2% YTD, although the interest in AI remains as demonstrated by the SpaceX IPO. Despite an extreme valuation at its offering price, demand was quite high. Those who bought into the hype experienced a roller coaster ride as the stock bounced from its offering price of $135 per share to over $200, finished the quarter around $170 and then saw its descent back down to its offering price. Overall, market expectations and valuations are high with little margin for error, and we are entering midterm election season, so prepare for higher volatility and headline noise. We remain constructive and focused on diversified opportunities as we enter the 2nd half of the year.

- **Fixed Income:** The bond market delivered modestly positive returns for the quarter to bounce back from a weak Q1, particularly the decline in March, despite sensitivity around energy prices and inflation expectations. The Fed struck a more hawkish tone under its new leadership of Fed Chair Warsh by officially removing prior language suggesting a bias toward future rate cuts given growing concerns over persistent inflation. Rates were held steady but several officials signaled the possibility of a rate hike, which is quite a shift from the prior rate cut expectations earlier this year. In general though, the performance of the bond market was strong with the US Aggregate Bond Index now in positive year to date territory (+0.6%). There has been resilient performance across credit sectors as well with positive returns within Investment Grade Corporates (+0.9%) and High Yield Bonds (+2.0%). The US Treasury yield curve saw yields rise with the 3-month yield moving from 3.7% to 3.8%, the 2-year yield adjusting from 3.8% to 4.1% and 10-year from 4.3% to

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4.4%. Spreads remain at multi-decade lows, continuing our preference for high quality over riskier fixed income and prioritizing liquid areas of the market.

- **Economy:** The U.S. economy continues to show few signs of deterioration, as Q2 GDP estimates range between 2-2.5% growth and Q1 was revised higher to 2.1% from prior estimates of 1.6%. The main drivers are capital expenditures by corporations, including a focus on building out AI infrastructure, and the ever-resilient consumer. Recent ISM Manufacturing PMI data signaled growth with its June reading (53.3), although slightly behind consensus, while ISM Services PMI matched expectations in June (54.0), maintaining its bias towards expansion. Inflation continues to dominate the headlines. Recent readings have come in soft with CPI declining in June (-0.4%) due to a drop in energy prices following the temporary peace agreement between the U.S. and Iran, although still hovering around +3.5% over the past year. PPI also declined last month below expectations (-0.3%) but remains elevated versus a year ago (+5.5%). Ultimately, there appears to be improvement among the inflation data but still work to be done. At the end of the day, economic growth is holding, liquidity is strong, and corporate earnings continue to surprise to the upside despite mixed inflation pressures, high valuations, and an uncertain geopolitical backdrop. This presents an opportunity for continued market growth and resilience, although a focus on quality and selectivity appears to be prudent.

2026 PERFORMANCE – BENCHMARK INDEXES

Index	Quarter	YTD	5 Yr Ann	10 Yr Ann	15 Yr Ann
S&P 500 (US large cap stocks)	**+15.2%**	**+10.2%**	**+13.4%**	**+15.5%**	**+14.4%**
S&P 400 (US mid cap stocks)	**+14.5%**	**+17.3%**	**+9.1%**	**+11.7%**	**+11.3%**
Russell 2000 (US small cap stocks)	**+21.5%**	**+22.6%**	**+7.0%**	**+11.6%**	**+10.5%**
MSCI EAFE (devel int'l large cap) - US$	**+11.1%**	**+9.8%**	**+9.6%**	**+10.2%**	**+7.4%**
MSCI EM (emerging mkts int'l) - US$	**+24.2%**	**+24.0%**	**+7.7%**	**+10.5%**	**+5.7%**
Bloomberg US Aggregate (US bonds)	**+0.7%**	**+0.6%**	**+0.1%**	**+1.5%**	**+2.3%**

Data as of 6/30/26. Returns represent total returns (dividends & capital appreciation/depreciation). Past performance is NOT predictive of future performance.