

October 5, 2026 • Investment Updates, Market Updates, Monthly Investment Updates

Monthly Update – October 2026



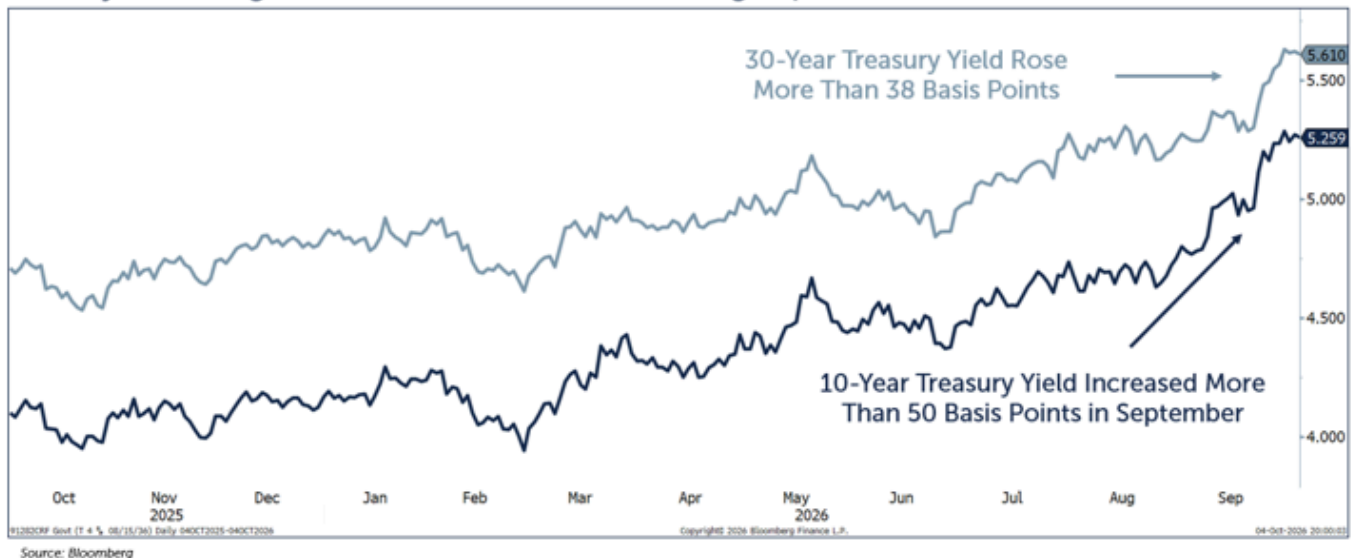
The Fed hiked for the first time since 2023, and yields have continued to move higher

The Federal Reserve voted unanimously to hike the Fed Funds Rate by 25 basis at its mid-September meeting, it's first hike since 2023. The Fed was not alone. The European Central Bank and the Bank of Japan each raised rates by 25 basis points during September as well. Ongoing supply disruptions, combined with strong demand for the global AI buildout, have pressured inflation higher throughout the global economy and central banks have begun to respond.

Prior to the Fed meeting, some investors hoped Chair Warsh might signal a "one and done" hiking exercise. Instead, it has become clear that this looks more like the start of a hiking cycle. Warsh commented that the Fed decision "removed a dose of accommodation" and has repeatedly stressed that there is work to do to reach the Fed's stated 2% inflation target.¹ Markets have taken the hint and have raised expectations for the future Fed Funds Rate by more than 50 basis points through next summer.²

Our market initially digested the news reasonably well as the surge in yields paused a few days after the Fed decision. However, a confluence of stronger economic data, hawkish Fed commentary, surging oil prices and a poorly received bond auction drove yields sharply higher over the last week of the month, as shown in the chart below. The 10-Year Treasury yield rose by more than 50 basis points during September to a 19-year high and the longer dated 30-Year Treasury rose nearly 40 basis points to its highest level since 2004.³ The sharp rise in yields is exacerbating divergent trends throughout the financial markets and signs of stress have started to emerge in credit spreads, volatility and market breadth.

Steady Grind Higher for Yields Accelerated During September



Before we review our Navigator process, let's review September's market performance.

September Market Review

September proved to be challenging for risk assets:

- The S&P 500 managed to show a modest 0.3% setback, but the Equal-Weight S&P 500 index declined by 4.8%, indicating a narrow market.⁴
- Growth stocks delivered a solid 1.8% gain for the month as Russell 3000 Growth bested Russell 3000 Value by 5%. Nonetheless, value stocks outperformed growth in the 3rd quarter and still hold a sizable lead for the year.
- Small and mid-cap stocks struggled as rising rates took their toll on small cap leverage. International stocks also struggled, but emerging markets showed resolve, falling by just 0.7%.

Market Returns Ending 9/30/2026			
Category	August	QTD	YTD
US Stocks			
S&P 500	-0.3%	2.3%	12.7%
MSCI US All Cap	-0.8%	1.4%	12.7%
Russell 2500 SMID	-5.0%	-6.4%	15.0%
International Stocks			
MSCI ACWI ex-US	-2.4%	0.5%	14.7%
MSCI Emerging Markets	-0.7%	-0.4%	23.5%
Bonds			
Bloomberg Aggregate Bond	-2.6%	-3.5%	-2.9%
Bloomberg US High Yield Bond	-2.5%	-1.8%	0.1%
Source: Bloomberg			
Notes: QTD = Quarter to date; YTD = Year-to-date			
Market Returns Ending 9/30/2026			
Category	August	QTD	YTD
Russell 3000 Growth	1.8%	0.5%	6.4%
Russell 3000 Value	-3.2%	2.3%	19.2%
Source: Bloomberg			

suffered as the 10-year Treasury yield rose by more than 50 basis points. The 1—
 treasury yield ended the quarter at 5.29%, matching a 19-year high⁵.

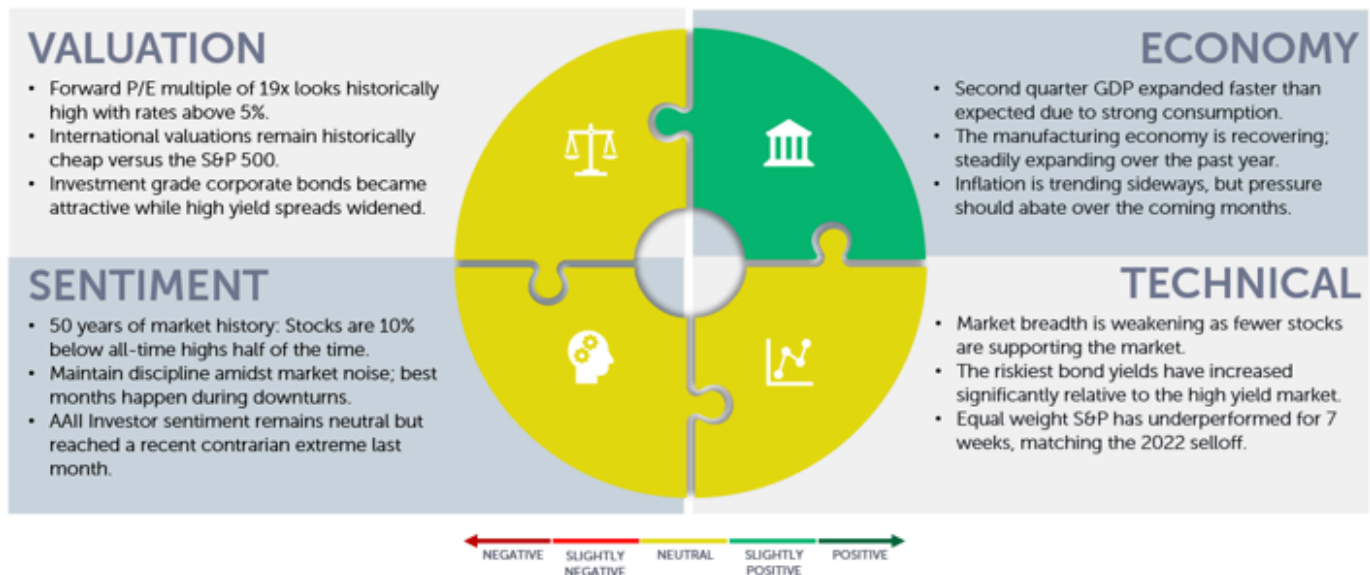
September's gains rested on a narrow base. Only technology and communication services outperformed, driven largely by tech mega-caps:

- Nine sectors underperformed the cap-weighted S&P 500 for the month; the Equal-Weight S&P 500 fell 4.8% and 5 sectors fell by more than 5% – Consumer Discretionary, Utilities, Real Estate, Materials and Financials⁶.
- Healthcare, Energy and Consumer Staples outperformed the Equal-Weight index but still showed negative returns.
- Rate-sensitive sectors lagged due to the sharp rise in interest rates.
- With performance narrowing substantially in September, only the Energy and Technology sectors have maintained a lead over the index for the year to date.



Our Navigator framework informs us of our outlook.

October 2026 Navigator Outlook



Economy: Second quarter GDP expanded faster than expected due to strong consumption. The manufacturing economy is recovering as it has been steadily expanding over the past year. Inflation is trending sideways, but pressure should begin to abate over the coming months.

OneAscent  s: Market breadth is weakening as fewer stocks are supporting the market⁷. The bond yields have increased significantly relative to the high yield market⁸. Equal weight S&P has underperformed for 7 weeks, matching the 2022 selloff.

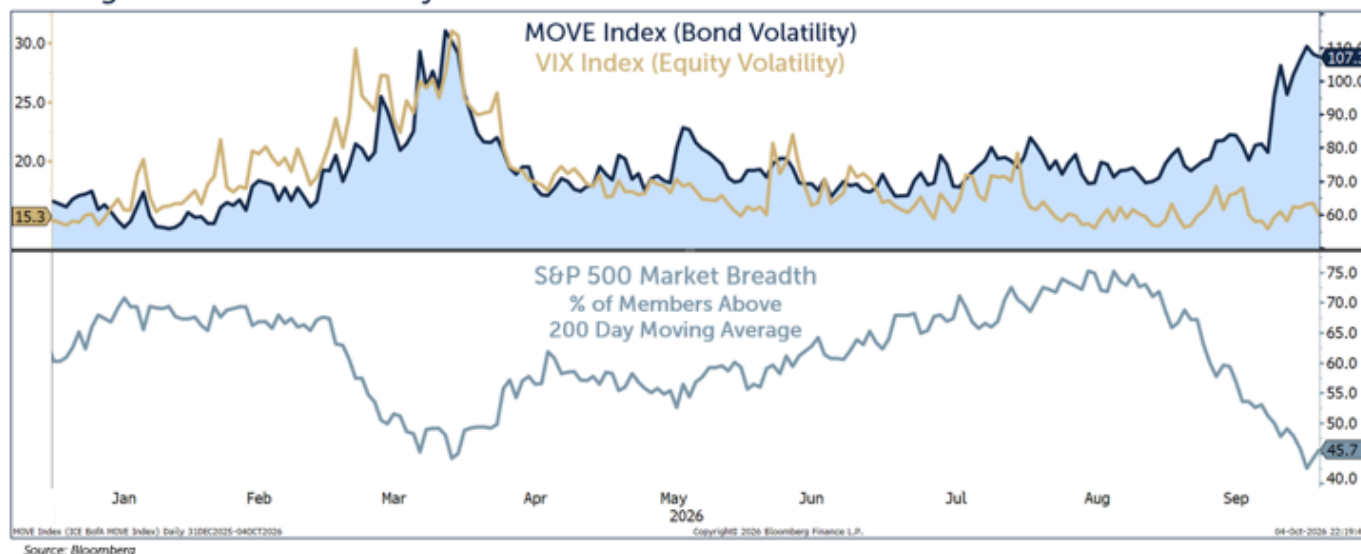
Sentiment: Over 50 years of market history, stocks have traded nearly 10% below all-time highs half of the time⁹. History indicates investors should maintain discipline during market turmoil as best months often happen amidst downturns¹⁰. AAI retail sentiment remains neutral but reached a recent contrarian extreme briefly last month.

Valuation: The forward P/E multiple of 19x looks historically high with rates above 5%. International valuations remain historically cheap versus the S&P 500. Investment grade corporate bond yields became attractive while high yield spreads widened¹¹.

Outlook and Recommendations: As equity performance narrows so has margin of safety

The surge in bond yields over the course of the summer has been accompanied by rising volatility in the bond market as depicted in the chart below. This is unsurprising, but it is highly unusual that equity market volatility has shown little, if any, recognition that something may be amiss. The somewhat mysterious calm volatility is not matched by other measures of equity market health, including market breadth, shown in the bottom half of the exhibit.

Divergent Trends in Volatility and Market Breadth



Headline index volatility appears to be masking a meaningful correction for more than half of the equity market. Notably, these measure moved far more consistently than they have over the second half of the third quarter.

There is some rational explanation, as equity market performance has narrowed dramatically. The Equal-Weight S&P 500 has experienced 7 straight down weeks for only the

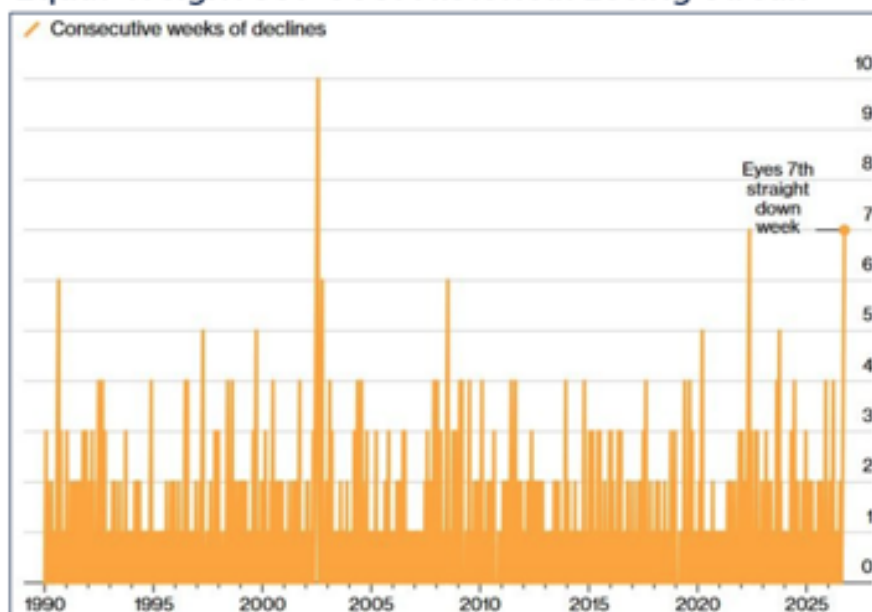
Since 1990 according to the chart from Bloomberg. The average stock in the S&P responded to rising rates in the manner many would expect. The large cap growth stocks, by contrast, appear to be somewhat immune to the recent surge in rates because AI investment is expected to continue apace and the market remains confident in the earnings outlook for AI ecosystem.

The divergence is evident however, and it does highlight the risks in the outlook. Bonds

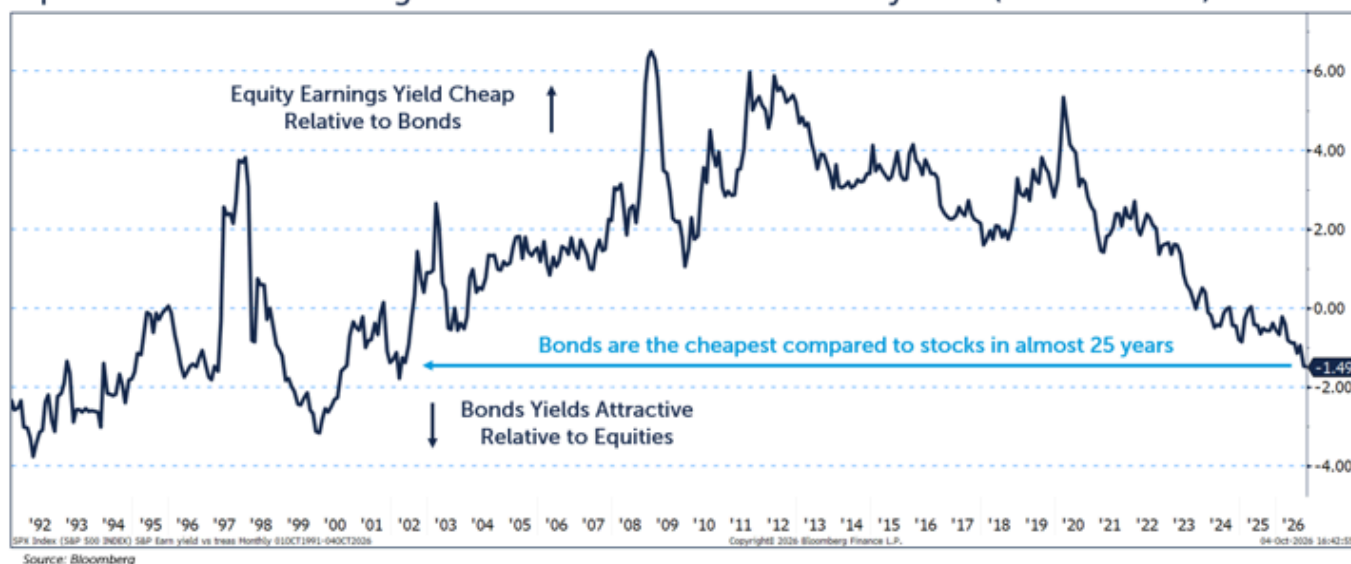
and credit are beginning to price in a more challenging macro environment, and leading stocks are continuing to price in AI-driven growth. Higher for longer energy prices, a rising cost of capital and fading support from fiscal stimulus are weighing on the macro backdrop. At the same time, booming hyperscaler capex and a resilient labor market have underpinned strong earnings growth.

Even with accelerated earnings growth, the trailing earnings yield for the S&P 500 remains below 4%. Bonds have become far more appealing as yields have risen, and they now look the most attractive versus equities in over 25 years on a relative yield basis.

Equal-Weight S&P 500: Historical Losing Streak



Spread of S&P 500 Earnings Yield Minus the 10-Year Treasury Yield (35-Year Chart)



Industry data on investor positioning consistently suggest most multi-asset investors remain heavily exposed to equities with low cash positions and historically low fixed income

Years of strong equity outperformance and historically poor absolute returns from the fueled the disdain for bonds, but relative valuations suggest the risk/reward potential from selected fixed income assets has markedly improved.

The implications for capital allocation are noteworthy. Economic data indicate that growth remains robust due to the AI capex cycle, but higher for longer energy prices and interest rates are set to slow the rate of growth heading into 2027. Should bond yields rise to levels that would undermine corporate profitability, small caps with leveraged balance sheets along with interest rate sensitive sectors would become increasingly vulnerable. In that scenario, the relative yield opportunity for fixed income investing would become even more compelling than it looks today.

Portfolio Construction and Positioning

Our Navigator process helps guide our portfolio construction, reflecting the supportive, yet increasingly fragile, economic outlook. Our portfolio is focused on the following:

- **Mid-cap and international equities:** These segments continue to offer attractive valuations relative to U.S. large caps. Narrow market behavior during the last half of the 3rd quarter sets a near-term opportunity for returns to broaden again if recent rise in bond market volatility begins to subside.
- **Balanced exposure across styles:** We maintain a mix of growth and value stocks positioned for resilient earnings growth. If the macro backdrop forces the Fed into a longer and more aggressive hiking cycle, the resulting pressure on corporate profitability may favor more durable growth stocks over cyclical value franchises.
- **Fixed income remains compelling:** Bond yields exceed the earnings yield of large-cap equities now by the widest margin in 25 years, and real (inflation-adjusted) yields are positive, supporting the case for continued fixed income exposure.
- **Mortgage-backed securities:** Government-backed mortgages currently yield more than BBB corporate bonds, compensating investors better for taking minimal credit risk. That spread relationship makes the case for portfolio risk management; selectivity in corporate bonds is crucial, while the government-backed mortgage market offers compelling opportunity.
- **Alternative investments:** Bonds have cushioned equity declines when inflation was low and falling. When inflation drives markets, stocks and bonds tend to fall together, as 2022 demonstrated. Non-correlated assets may serve as crucial ballast in such an environment, and we continue to find meaningful opportunities in both non-correlated public strategies and private market investments that access return streams not tied to public market direction.

et continues to show remarkable resilience through a period of rising uncertainty. ed divergences have emerged and risks to the outlook have increased. The shifting rate environment has made diversification across asset classes have become more valuable, and fixed-income investors may now have the most attractive opportunity set they have seen in quite some time. As always, we counsel investors to stay invested and use unexpected volatility as an opportunity to reinforce long-term goals objectives.

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1) Source: Bloomberg story, "Warsh's Fed Soars Like a Hawk Into a Hiking Cycle" by John Authers (9/17/2026).

2) Source: Bloomberg – World Interest Rate Probabilities.

3) Source: Bloomberg – World Interest Rate Probabilities.

4) Source: Bloomberg.

5) Source: Bloomberg.

6) Source: Bloomberg and S&P Global.

7) Source: Bloomberg.

8) Source: Bloomberg.

9) Source: Bloomberg.

10) Sources: OneAscent Investment Solutions; Bloomberg

11) Source: Bloomberg.

12) Source: Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield