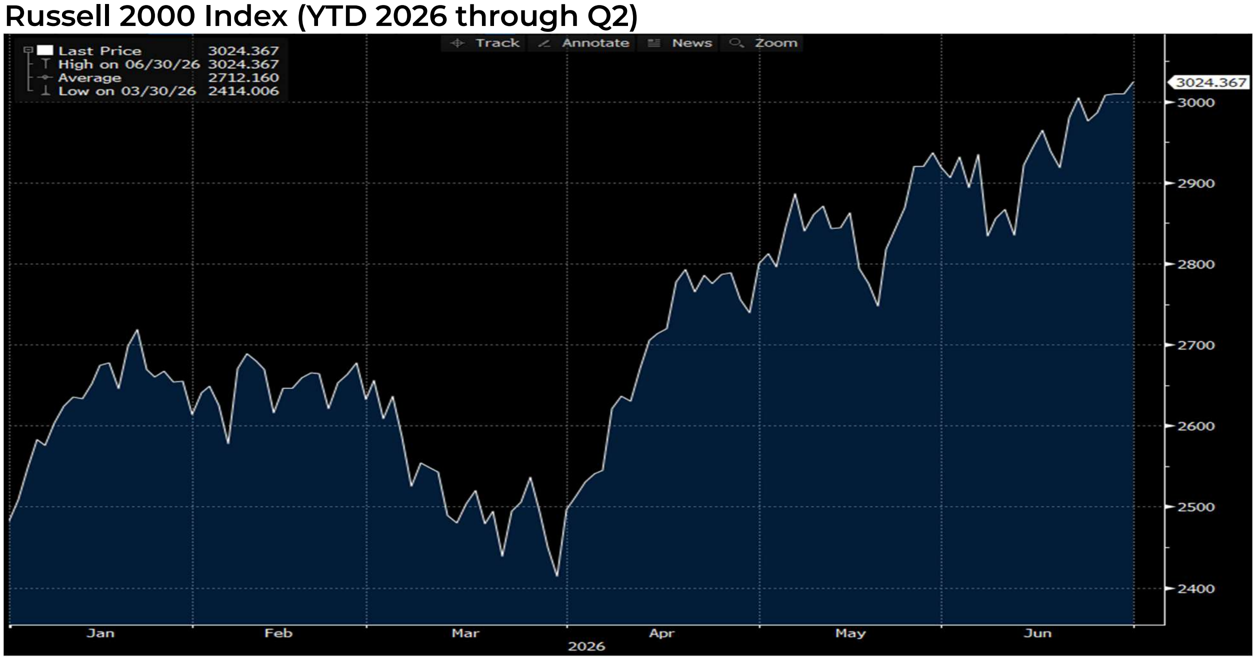
Second Quarter 2026 Market Review

U.S. stocks waged a major comeback in the second quarter as geopolitical fears faded (as did the price of oil). The S&P 500 posted its strongest quarter in six years with new highs recorded for indices across the market cap spectrum and styles (i.e., growth, core, value). Small caps continued their winning ways as they led across the style boxes while growth came roaring back after trailing in the first quarter. While hopes for a diplomatic solution to the current conflict in the Middle East opened the door to the rally, we believe it was the strong and accelerating earnings growth that had stocks storming through it.

S&P 500 Index (YTD 2026 through Q2)

Source: Bloomberg

Russell 2000 Index (YTD 2026 through Q2)



Source: Bloomberg

Select Equity/Fixed Income/ Commodity Index Performance

U.S. Equity Indices	Q1-26	Q2-26	2026
S&P 500 INDEX	0.7%	9.5%	10.2%
NASDAQ Composite Index	-2.4%	15.9%	13.1%
Dow Jones Industrial Average	2.1%	7.5%	9.8%
Russell 1000 Index	0.8%	9.4%	10.3%
Russell 1000 Growth Index	-4.8%	10.7%	5.3%
Russell 1000 Value Index	7.2%	8.3%	16.2%
Russell Midcap real-time Index	7.0%	7.8%	15.3%
Russell Midcap Growth Index	-0.1%	7.4%	7.3%
Russell Midcap Value Index	9.2%	7.7%	17.6%
Russell 2000 Index	6.2%	15.5%	22.7%
Russell 2000 Growth Index	3.7%	17.9%	22.3%
Russell 2000 Value Index	9.0%	13.0%	23.2%
Invesco S&P 500 Equal Weight E	7.0%	4.6%	12.0%
Global/International Indices			
MSCI World Index	3.0%	6.7%	9.9%
MSCI World Excluding United St	9.8%	-0.2%	9.6%
MSCI World Local	2.8%	7.9%	10.9%
MSCI Emerging Markets Index	14.9%	8.0%	24.0%
MSCI EM Local	14.0%	10.1%	25.6%

U.S. Fixed Income	Q1-26	Q2-26	2026
Bloomberg US Agg Total Return	1.7%	-1.1%	0.6%
Bloomberg US Treasury Total Re	1.7%	-1.4%	0.3%
Bloomberg US Corporate Total R	1.5%	-0.6%	0.9%
Bloomberg US Corporate High Yi	0.7%	1.3%	2.0%
Bloomberg US Agg 1-3 Year Tota	0.8%	0.1%	0.8%
Bloomberg US Agg 3-5 Year Tota	1.2%	-0.8%	0.3%
Bloomberg US Agg 5-7 Year Tota	1.7%	-1.3%	0.3%
Bloomberg US Agg 7-10 Year Tot	2.3%	-1.7%	0.6%
Bloomberg US Agg 10+ Year Tota	3.0%	-2.2%	0.8%
Commodities			
Bloomberg Commodity Index	10.9%	1.2%	12.3%
United States Oil Fund LP	18.5%	29.9%	53.9%
SPDR Gold Shares	22.1%	-23.8%	-7.0%
iShares Silver Trust	31.9%	-37.1%	-17.0%
United States Copper Index Fun	5.5%	2.3%	7.9%
Bloomberg Agriculture Subindex	2.1%	0.7%	2.8%
Bloomberg Galaxy Bitcoin Index	-25.0%	-10.5%	-32.9%

Returns Through June 30, 2026

Source: Bloomberg

Returns by Size and Style (Q2-26)

	Value	Core	Growth
S&P 500 (Large Cap)	8.0%	15.2%	21.9%
S&P 400 (Mid Cap)	11.9%	14.5%	17.0%
S&P 600 (Small Cap)	15.9%	19.7%	23.7%

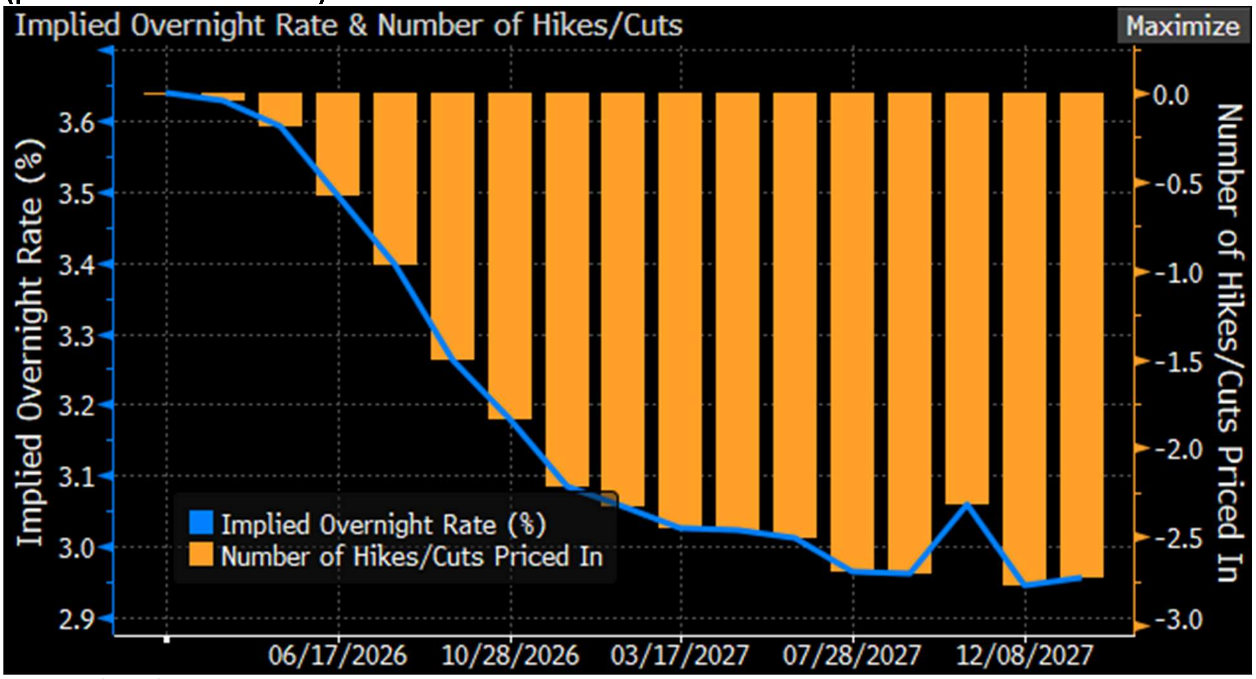
Source: Bloomberg

Returns by Size and Style (YTD June 2026)

	Value	Core	Growth
S&P 500 (Large Cap)	8.0%	10.2%	12.0%
S&P 400 (Mid Cap)	13.0%	17.3%	21.6%
S&P 600 (Small Cap)	21.0%	24.0%	27.2%

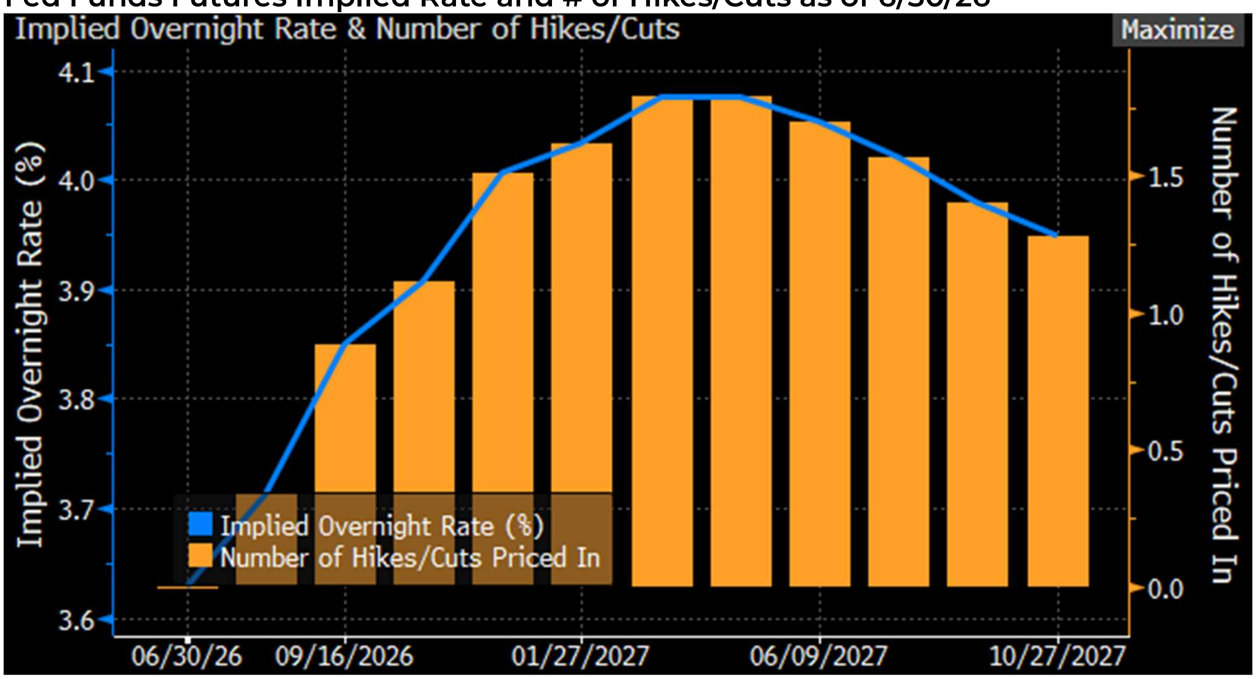
Investor expectations in fixed income markets have changed drastically over the course of the year. This is best seen in Fed Funds futures as expectations have shifted from two to three rate **cuts** in 2026 prior to the start of the Iranian conflict to at least one **increase** by the end of year as of the end of the quarter! Higher oil prices, accelerating inflation, and better labor data have been the key drivers of this change.

Fed Funds Futures Implied Rate and # of Hikes/Cuts as of 2/20/26 (prior to Iran Conflict)



Source: Bloomberg

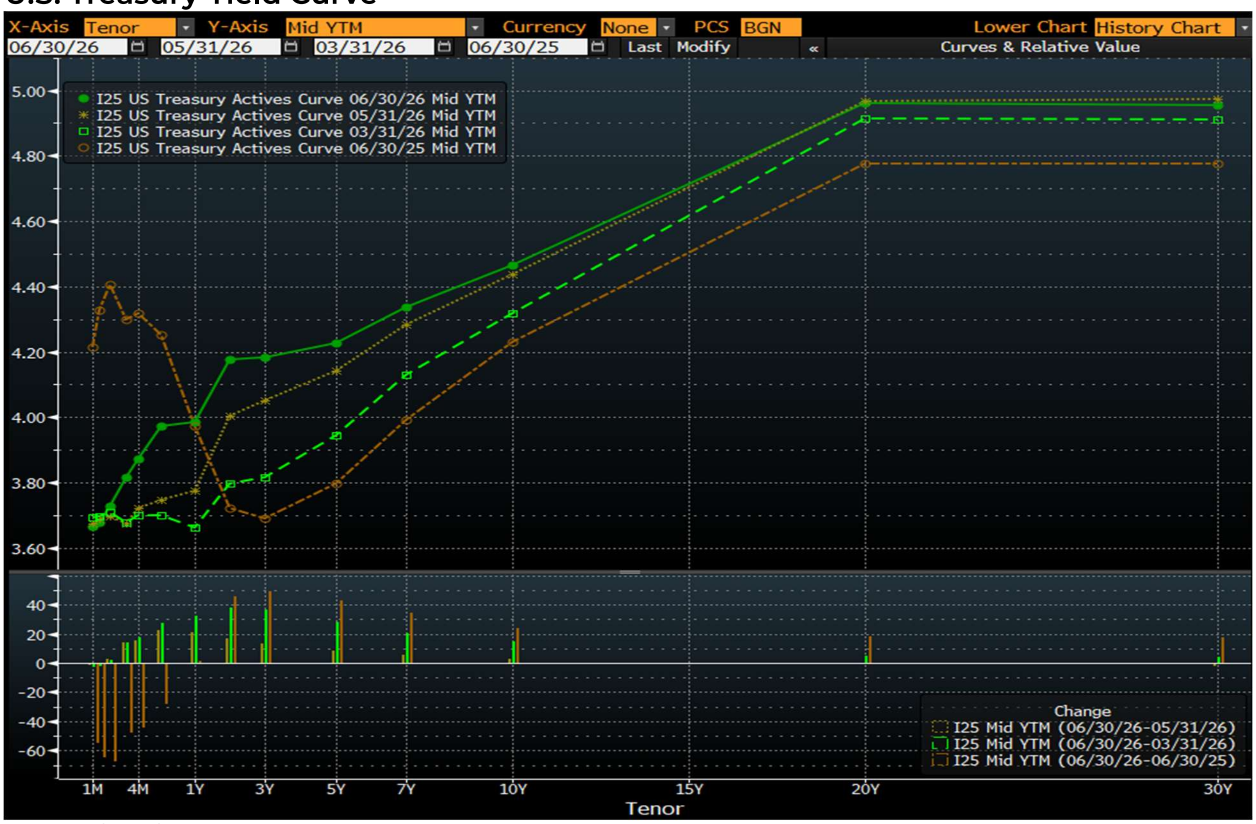
Fed Funds Futures Implied Rate and # of Hikes/Cuts as of 6/30/26



Source: Bloomberg

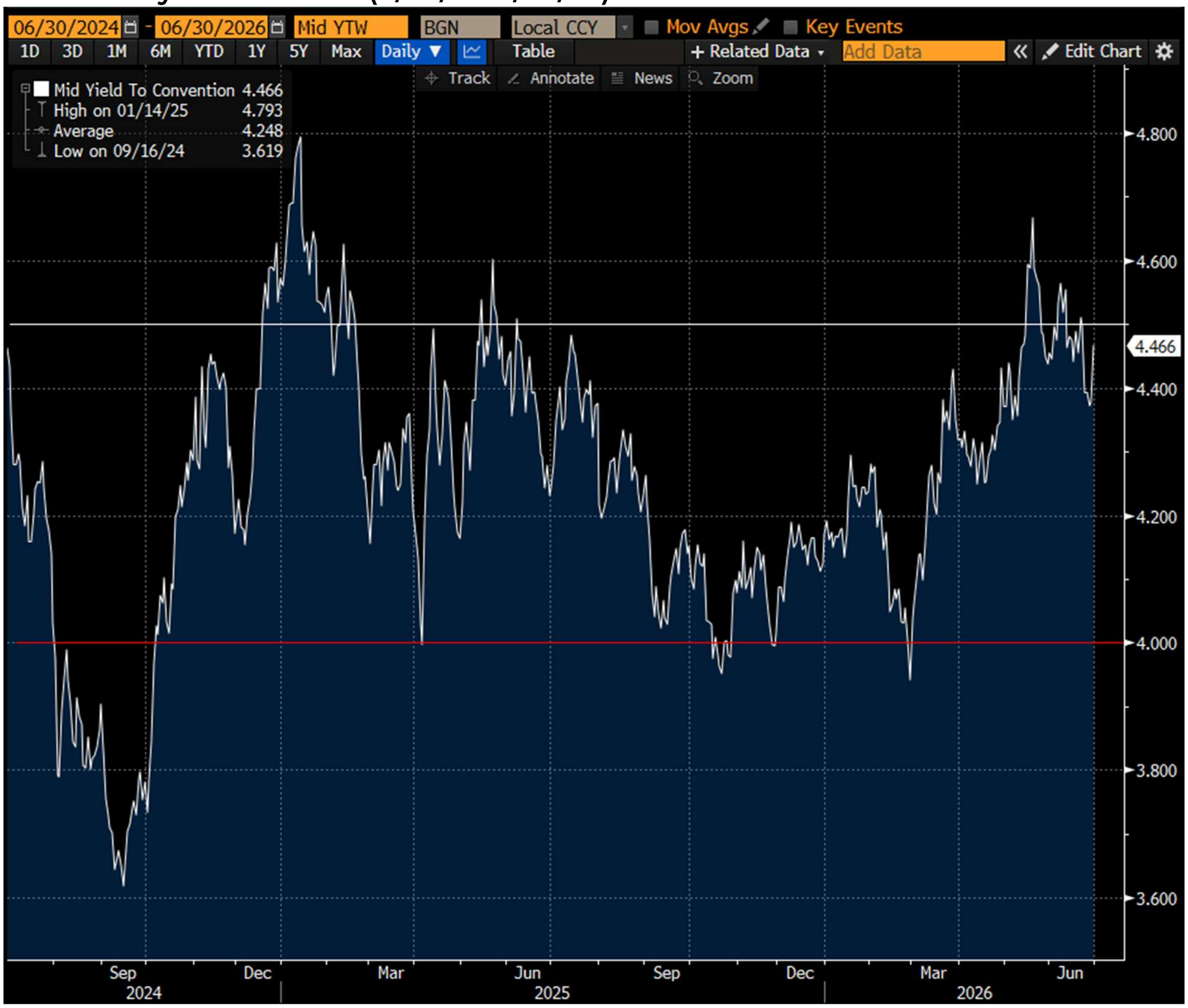
We have often written about how volatile rate expectations have been over the last few years, but a change of this magnitude/direction is obviously highly unusual. One can also see the dramatic change in investor expectations in the shape of the yield curve over the last year in the chart below. While the short end of the curve has seen a significant change, we would like to draw readers' attention to the long end (10+ years) of the curve. The Federal Reserve and its rate decisions get a lot of attention, but the long end of the curve arguably has a more significant impact on the economy (e.g., mortgage rates, corporate bond interest expense, Treasury borrowing costs, etc.). As the second chart shows even more clearly, longer-term rates have been more steady. The 10-year yield has generally been in the 4.0-4.5% range we have often cited over the last couple of years with only short bouts both above and below the range. We suspect that ex the conflict in Iran and the resultant increase in energy costs/uncertainty, the yield curve would have slowly drifted lower. However, even without the conflict/higher energy prices, we remain concerned that other economic forces (e.g., tariffs, AI induced inflation, AI capital demand, solid economic backdrop, global fiscal deficits including in the U.S., increased uncertainty regarding monetary policy under a new chairman) could mean a higher-for-longer rate environment overall.

U.S. Treasury Yield Curve



Source: Bloomberg

US Treasury 10-Year Yield (6/30/24-6/30/25)



Source: Bloomberg

The broad-based increase in Treasury rates during the quarter, while still in the range, did create a negative headwind for most fixed income markets, particularly those with longer durations. The solid economic backdrop, however, helped corporate bonds outperform treasuries as credit spreads (a key measure of credit risk) declined back toward their lows. The high yield index even posted positive returns given its relatively low duration (i.e., less interest rate risk) and positive correlation with other risk assets such as stocks.

Strategy Performance

We provide detailed second quarter performance commentary by strategy below, but returns were generally strong relative to their respective benchmarks. Individual security selection was the key driver of returns as our growth/quality bias was rewarded given the strong earnings results and expectations.

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The benchmark shown for each model is a different weighted blend of various indexes or securities. Indexes are unmanaged, statistical composites, and their returns do not reflect payment of fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index.

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Definitions

Bloomberg Barclays US Corporate High Yield Index: The Bloomberg Barclays US Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Bal/BB+/BB+ or below. The index excludes emerging markets debt. It is not possible to invest directly in an index.

Capture Ratio is a performance metric that measures how an investment's returns compare to a benchmark index during specific market conditions, particularly up markets and down markets.

FTSE (3M) Treasury Bill Index: The FTSE 3 Month US T-Bill Index Series is intended to track the daily performance of 3-month US Treasury bills. The indices are designed to operate as a reference rate for a series of funds.

Bloomberg US Agg Bond Index: The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

Max Drawdown is the largest peak-to-trough percentage decline in the value of an investment or portfolio, representing the worst-case loss from a historical peak.

MSCI EAFE: The MSCI EAFE Index (Europe, Australasia, Far East) is designed to measure the equity market performance of developed markets outside of the U.S. and Canada. You cannot directly invest in this index.

MSCI Emerging Markets Index: The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries*. With 1,330 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Russell 1000 Index: The Russell 1000 Index measures the performance of the large-cap segment of the US equity universe. It includes the approximately 1,000 largest US stocks, representing approximately 93% of the value of the US equities market. It is not possible to invest directly in an index.

Russell 2000 Index: The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index.

S&P 500: The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot directly invest in this index.

Standard Deviation is a statistical measure that quantifies the amount of variation or dispersion of a set of values around their mean.