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Third Quarter 2026 Market Summary

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Third Quarter 2026 Market Summary

After an exceptionally strong second quarter for equity markets, the third quarter brought renewed volatility as investors digested the re-escalation of the conflict in the Middle East, rising energy prices, and higher interest rates. Oil prices increased approximately 30% during the quarter, reversing most of the decline experienced in the second quarter and renewing concerns about the potential impact on inflation and economic growth. Rising Treasury yields added further pressure, particularly for smaller companies and other interest-rate-sensitive areas of the market. Despite the pause in equity markets, asset class returns remain strong year to date.

U.S. large-company stocks, represented by the S&P 500 Index, increased 2.3% during the quarter, while U.S. small-company stocks, represented by the Russell 2000 Index, declined 7.2%. Energy, technology, and health care were the strongest-performing sectors, benefiting from higher energy prices and continued investment in technology and related infrastructure. Corporate earnings remained strong, though solid results did not always meet elevated investor expectations.

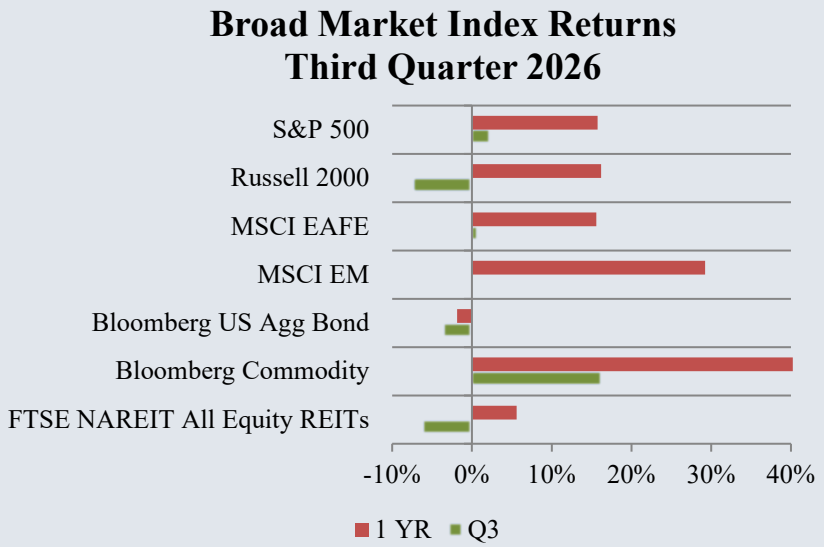
International stocks, represented by the MSCI ACWI ex U.S. Index, increased 0.5% during the quarter. Global manufacturing and services activity remained resilient across international markets, supported in part by government stimulus, AI-related capital expenditures, and increased defense spending. International diversification provides exposure to healthy earnings growth across different economic environments and sector compositions, broadening opportunities beyond the U.S. market. Across global markets this year, earnings growth has outpaced price appreciation, resulting in more moderate valuations in many areas.

Fixed income markets faced a more difficult environment. The Bloomberg U.S. Aggregate Bond Index, representing a broad basket of bonds, declined 3.5% during the quarter as Treasury yields moved higher. Elevated oil prices renewed near-term inflation concerns, while resilient economic growth added to upward pressure on rates. The 10-year and 30-year Treasury yields reached their highest levels since 2002, creating headwinds for existing bond prices. The Federal Reserve also shifted toward a more restrictive policy stance, unanimously raising the federal funds rate by 0.25% at its September meeting to a target range of 3.75%–4.00%. This marked a notable departure from expectations at the beginning of the year, when markets anticipated multiple rate cuts in 2026.

Although rising interest rates can weigh on bond returns in the short term, as they did during the quarter, income and starting yields are the main drivers of longer-term fixed income performance. Current yields have improved forward-looking returns and provide a stronger foundation for investors. Bonds can also provide valuable diversification during periods of economic weakness or recession, when declining interest rates may help offset equity market losses.

Looking Ahead

As we enter the fourth quarter, inflation, interest rates, economic growth, and the midterm elections will remain important areas of focus. Higher energy prices could complicate the inflation outlook, while the Federal Reserve's next steps will depend on incoming economic data and the persistence of price pressures. Strong economic growth is generally supportive of corporate earnings, but it can also give central banks less reason to lower rates and, if inflation remains persistent, could lead to further tightening.



While inflation and interest rates remain meaningful risks, we do not expect a repeat of the 2021–2022 market environment. That period followed the COVID-19 pandemic and was characterized by an unusual combination of supply chain disruptions, shortages of goods, a shift in consumer spending toward goods and away from services, substantial fiscal stimulus, widespread labor shortages, rapid wage growth, and higher energy prices following Russia's invasion of Ukraine. Together, these factors contributed to a sharp and broad-based acceleration in inflation, prompting the Federal Reserve to raise interest rates aggressively. Today's economic conditions are different, with labor markets more balanced and housing costs expected to remain relatively stable. While inflation risks persist, the conditions that drove the earlier inflation surge are not identical to those facing the economy today.

Third Quarter 2026 Market Summary (continued)

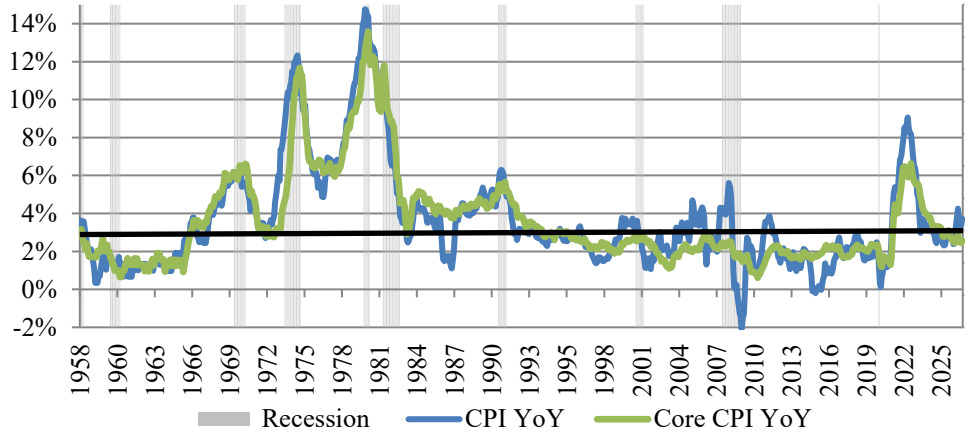
As the fourth quarter progresses, we will continue to identify opportunities for tax-loss harvesting and portfolio rebalancing while ensuring cash reserves remain aligned with clients' near-term spending needs and long-term objectives. Higher bond yields also present opportunities to improve portfolio income, particularly as the steepening yield curve allows investors to move excess cash into short- and intermediate-term bonds and capture more attractive yields while managing interest-rate risk.

Overall, we remain constructive as we close out the year. Corporate earnings continue to support equities, while higher yields improve the outlook for fixed income investors. Although geopolitical developments, monetary policy shifts, and midterm election uncertainty may contribute to short-term volatility, these events do not necessarily dictate long-term market performance. Ultimately, corporate earnings growth remains a primary driver of equity returns, reinforcing the importance of maintaining a disciplined, diversified approach through changing market conditions.

MACROECONOMICS

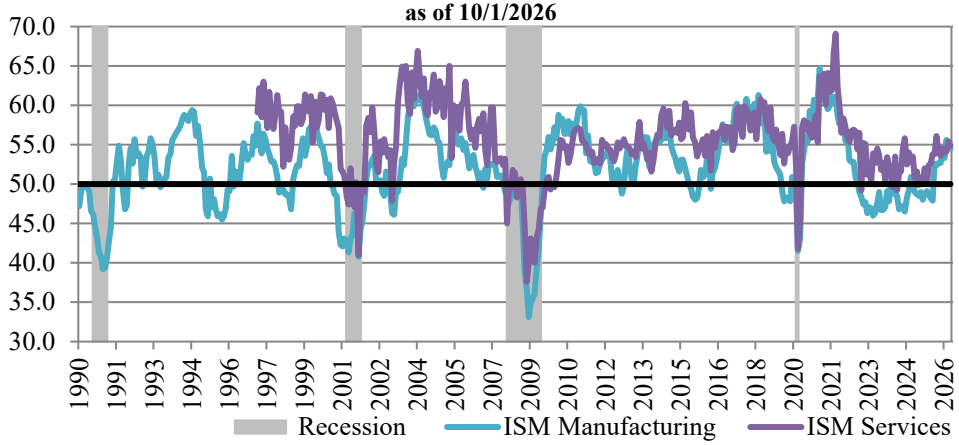
- The Bureau of Economic Analysis released the advanced estimate of third quarter 2026 real GDP, an annual rate increase of 3.4% from the preceding quarter.
- Inflation remains above the Federal Reserve's target range of 2-3%. In September, headline CPI increased 3.7% year-over-year. Core CPI, which excludes food and energy, also increased 2.6%.

Inflation - Consumer Price Index (CPI)
as of 10/14/2026



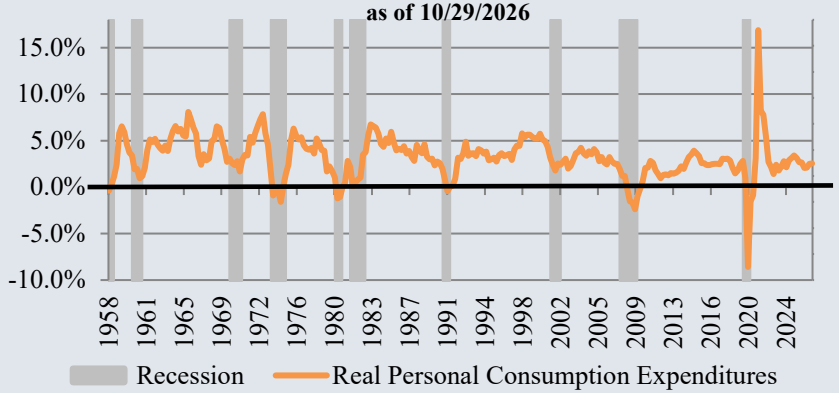
- The ISM Manufacturing Index rose during the quarter, finishing at 54.5 versus 53.3 in June. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish. The ISM Non-Manufacturing Index also rose during the quarter finishing at 54.9 in September.

ISM PMI Indices
as of 10/1/2026



- The Real Personal Consumption Expenditures grew at 2.5% year-over-year in 3Q, indicating consumers continue to fuel economic growth.

Real Personal Consumption Expenditures
as of 10/29/2026

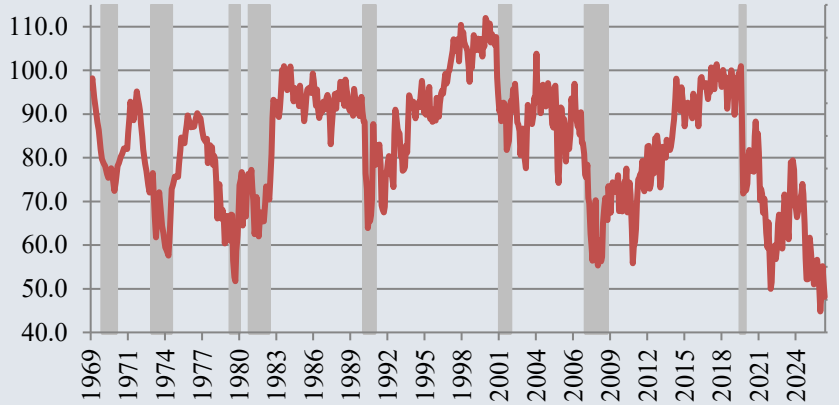


- The U.S. dollar was flat in the third quarter and has appreciated slightly in 2026. In 2025, the dollar depreciated approximately 10%.

CONFIDENCE METRICS

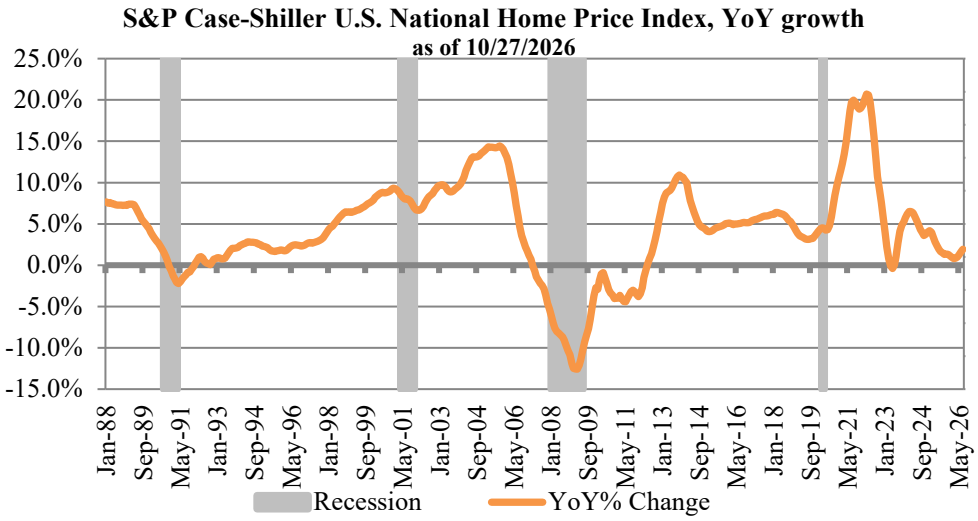
- The Conference Board's Consumer Confidence Index September reading was 81.9, a decrease from 92.2 in June. Consumers remain concerned about inflation and a weakening labor market.
- The University of Michigan Consumer Sentiment Index final reading for September was 48.1, down from the second quarter. The index can often be viewed as a contrarian indicator: low readings have historically been followed by above-average equity market returns, and vice versa.

University of Michigan Consumer Sentiment Index
as of 10/1/2026

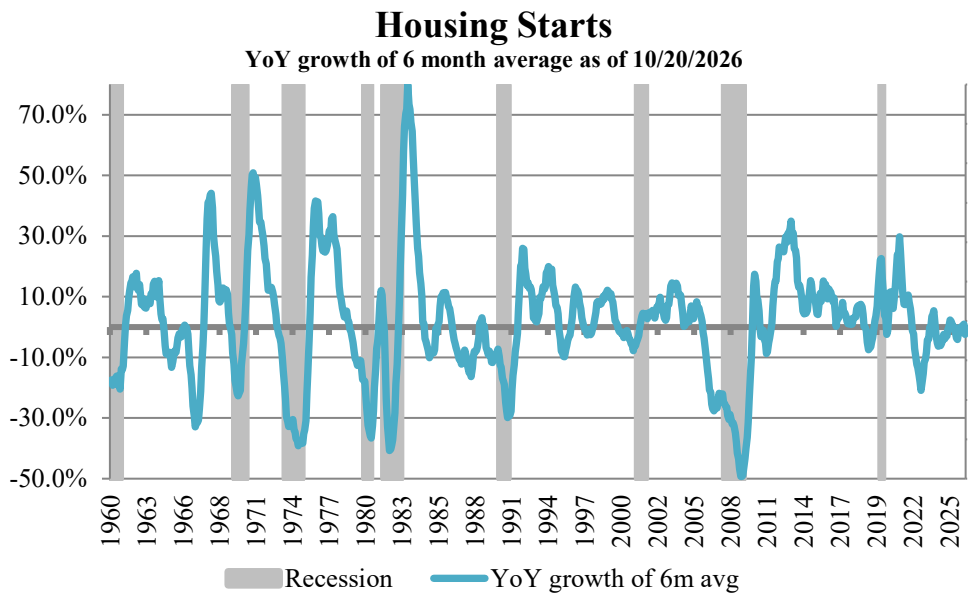


HOUSING

- S&P Case-Shiller U.S. National Home Price Index (seasonally adjusted) showed continued slowing of home prices with an increase of 1.9% year-over-year in July.

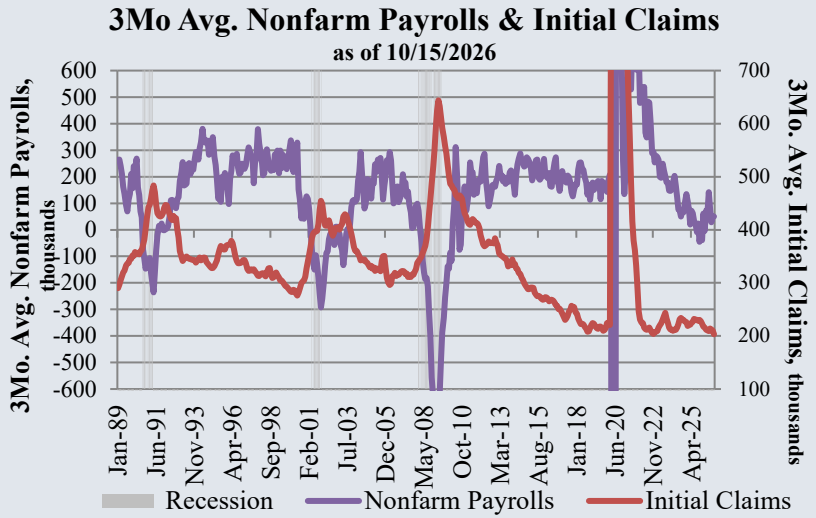


- Housing starts have remained subdued over the past two years, in part, due to higher financing costs. However, the housing market remains supply challenged.

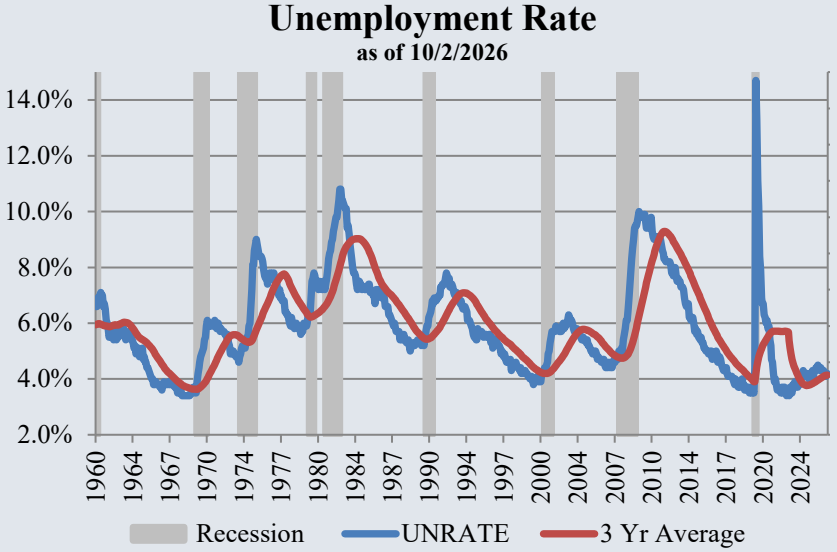


EMPLOYMENT

- During the quarter, nonfarm payrolls declined, averaging 50,667 jobs added per month, and initial claims remain low.

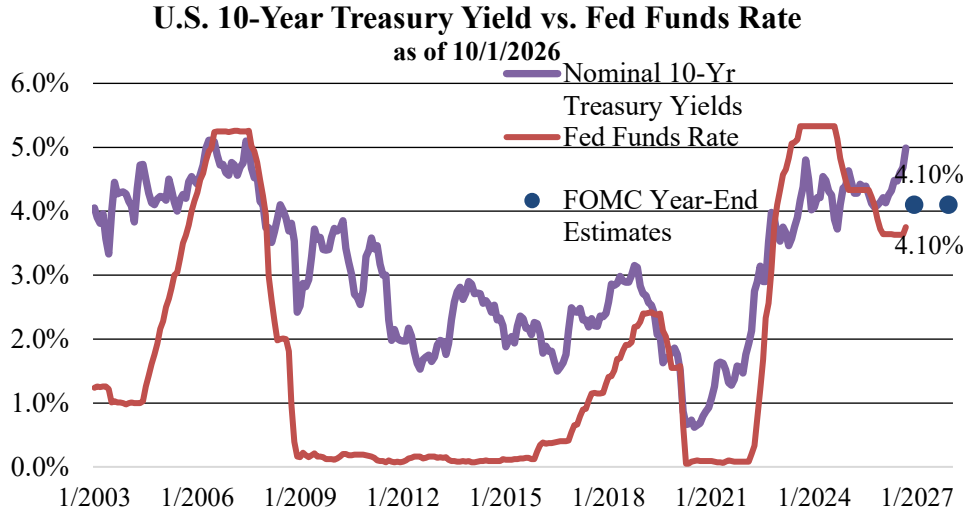


- The unemployment rate was essentially flat during the quarter at 4.2% and remains above its three-year average, showing potential weakness.

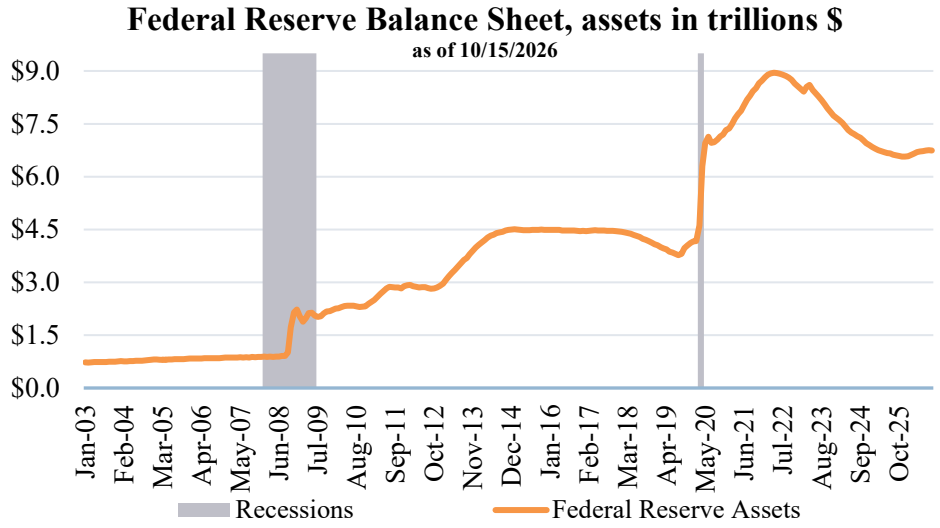


FED POLICY

- During the quarter, the Federal Open Market Committee (FOMC) raised the federal funds rate by 0.25% at its September meeting to a target range of 3.75%–4.00%. The Fed is forecasting an additional rate hike in the second half of 2026.

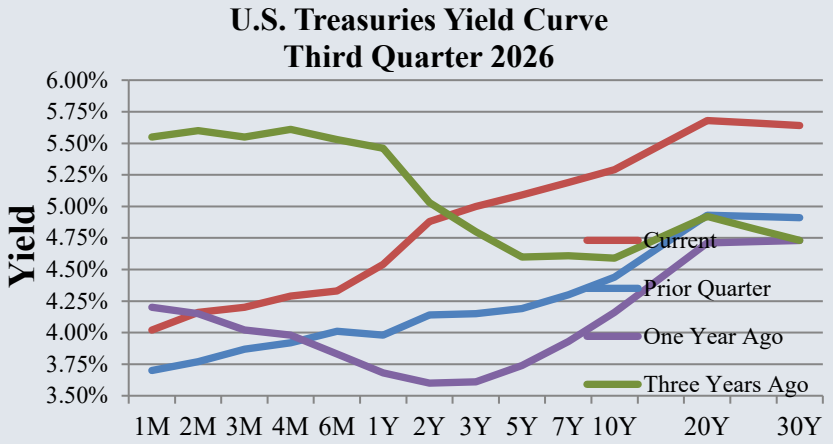


- The Fed ceased reducing its balance sheet in December but noted it could initiate further purchases of Treasuries if needed.

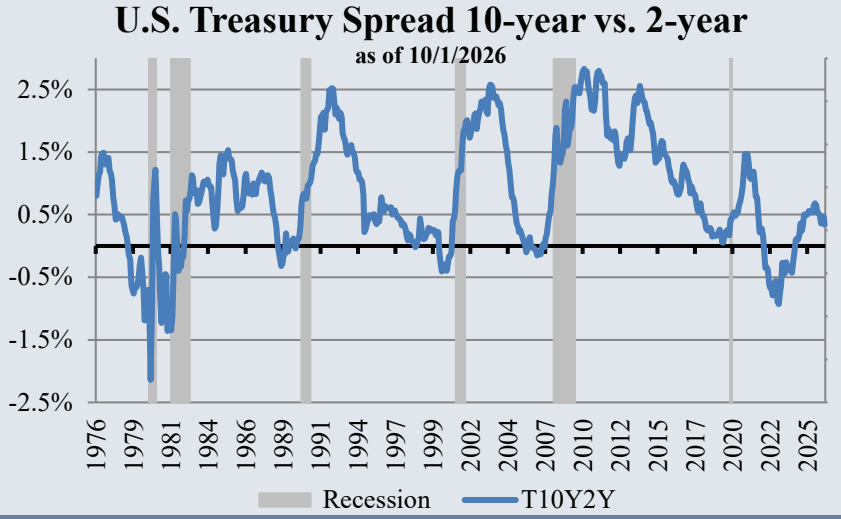


FIXED INCOME

- During the quarter, yields rose considerably across the U.S. Treasury curve. Short-term interest rates are controlled or heavily influenced by central banks, whereas long-term interest rates are affected by market forces and economic growth.



- The spread between short and intermediate-term Treasuries remained positive. The curve had been inverted for over two years, the longest such occurrence. Historically, an inverted yield curve has signaled a recession. This time, while the overall economy avoided one, certain sectors, such as manufacturing, faced downturns.



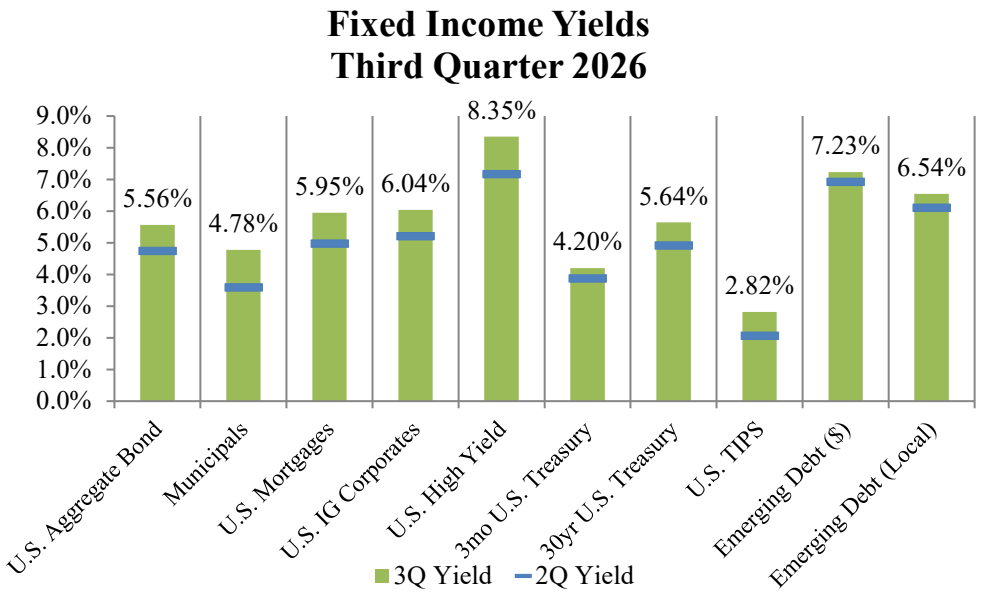
FIXED INCOME (continued)

- During the quarter, the Bloomberg Barclays U.S. Aggregate was down 3.5%, as interest rates rose. Sectors with longer durations, and thus more interest rate risk underperformed.

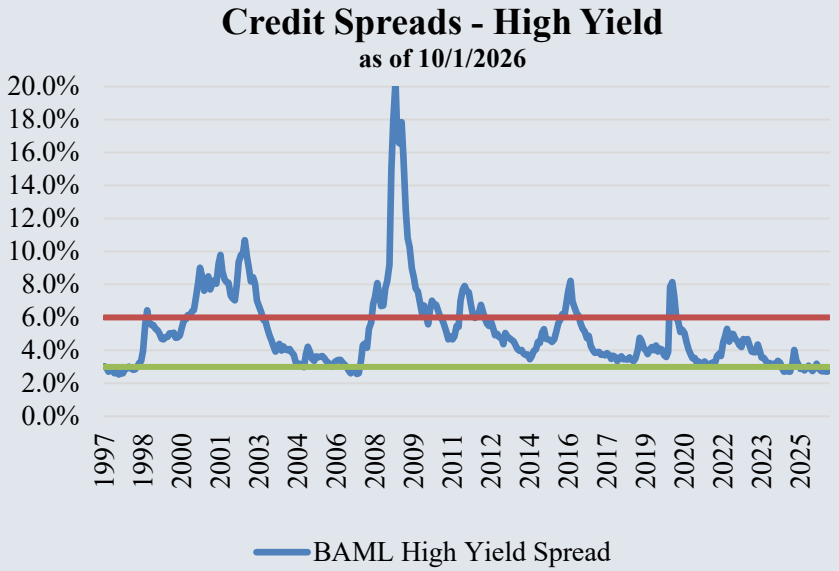
	3Q 26 Return	1-Yr Return	5-Yr Return	10-Yr Return
U.S. Aggregate Bond	-3.51%	-1.84%	-0.64%	1.14%
Municipals	-6.35%	-2.68%	-0.21%	1.51%
U.S. Mortgages	-4.25%	-1.65%	-0.39%	0.88%
U.S. IG Corporates	-3.94%	-2.30%	-0.46%	2.04%
U.S. High Yield	-1.82%	1.41%	3.60%	5.05%
3mo U.S. Treasury	0.92%	3.72%	3.77%	2.46%
30yr U.S. Treasury	-8.74%	-8.53%	-9.00%	-3.24%
U.S. TIPS	-3.24%	-1.99%	0.00%	2.15%
Emerging Debt ($)	-3.86%	2.59%	1.92%	2.90%
Emerging Debt (LCL)	-0.94%	3.92%	2.58%	2.32%

Bloomberg and JPMorgan Indices

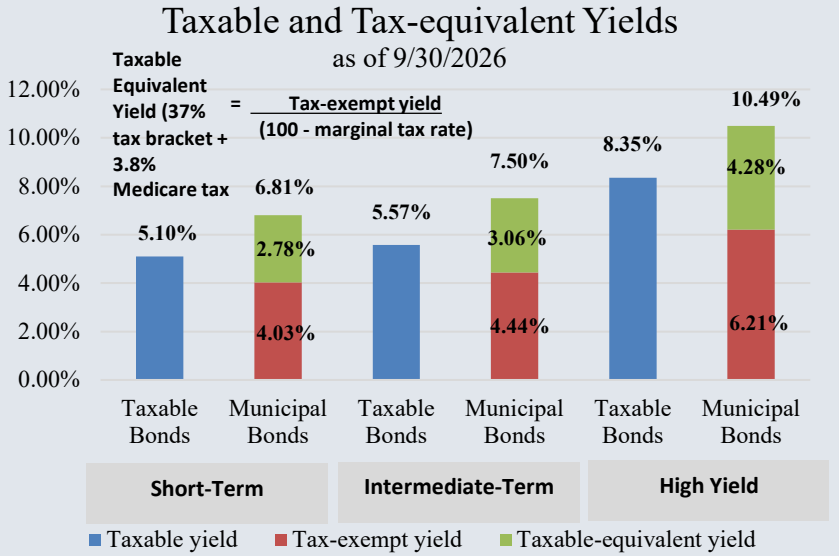
- Yields increased during the quarter and remain a positive source of income.



- Credit spreads were flat for much of the quarter but rose slightly towards the end of September. Spreads remain near historically low levels.



- Municipals are currently more attractive relative to taxable bonds on an after-tax basis for investors in the highest marginal tax bracket.



DOMESTIC EQUITIES

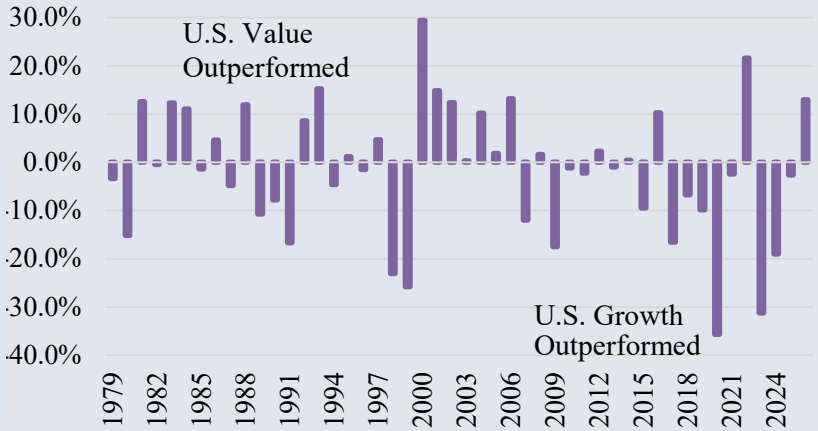
Third Quarter 2026 Returns			
	Value	Core	Growth
Mega Cap		4.1%	
Large Cap	2.6%	1.8%	0.9%
Mid Cap	-2.0%	-3.0%	-5.8%
Small Cap	-4.9%	-7.2%	-9.4%
Micro Cap	-3.3%	-7.2%	-12.2%

- The Russell 1000 Index, comprising of large and mid-capitalization stocks, posted a positive total return of 1.8% during the third quarter. On a year-over-year basis, the Russell 1000 Index has increased 15.1%.
- Small capitalization stocks, as represented by the Russell 2000 Index, decreased 7.2% during the third quarter. On a year-over-year basis, the index has increased 16.2%.

	S&P 500 Weight	Russell 1000 Value Weight	Russell 1000 Growth Weight	3Q 26 Return	1-Yr Return	10-Yr Return
Energy	3.4%	6.2%	0.5%	17.2%	42.4%	10.1%
Materials	1.7%	3.6%	0.2%	-2.8%	10.0%	9.7%
Financials	11.4%	18.3%	4.5%	-0.1%	0.7%	12.9%
Industrials	8.0%	10.5%	7.4%	-9.7%	9.5%	12.8%
Cons. Disc.	8.6%	10.2%	7.2%	-5.1%	-5.2%	12.1%
Technology	39.7%	20.6%	56.4%	7.2%	30.2%	26.0%
Comm. Services	9.9%	3.4%	16.5%	3.6%	12.1%	12.7%
Real Estate	1.7%	3.4%	0.4%	-5.6%	2.3%	6.1%
Health Care	9.3%	13.3%	5.4%	6.5%	23.0%	10.8%
Cons. Staples	4.4%	7.2%	1.2%	-1.9%	6.0%	8.0%
Utilities	1.9%	3.4%	0.2%	-12.4%	-7.0%	8.3%
S&P 500 Index	100.0%	100.0%	100.0%	2.3%	15.7%	15.3%

- During the quarter, energy, health care and technology were the strongest sectors. More interest-rate sensitive sectors underperformed such as utilities and real estate.

U.S. Value vs. Growth Relative Equity Performance (as of 9/30/26)

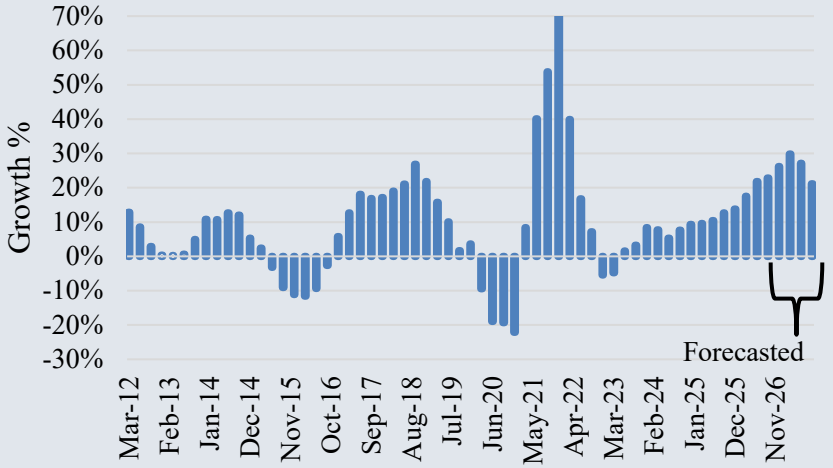


Russell 1000 Value TR vs. Russell 1000 Growth TR

- Value has outperformed growth year-to-date. However, growth has outperformed for fourteen out of the past nineteen years, as large tech companies have grown earnings and market cap significantly.

S&P 500 Earnings Growth

Trailing 12-Month Operating Earnings Growth YoY
(as of 10/21/2026)



- Corporate earnings are expected to grow more than 20% in 2026, with profit margins remaining strong. Secular growth in AI continues to boost earnings.

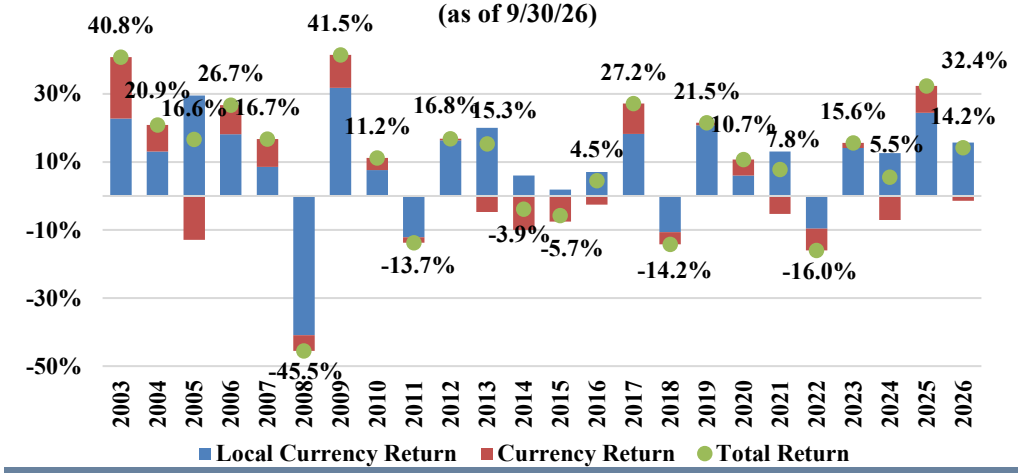
INTERNATIONAL EQUITIES

- Developed international stocks, as represented by the MSCI EAFE, were up 0.8% during the quarter, and 15.7% on a year-over-year basis.
- Emerging market stocks underperformed developed markets during the third quarter as the MSCI Emerging Markets Index was down 0.4%. On a year-over-year basis, EM stocks are outperforming developed markets with a return of 29.2%.

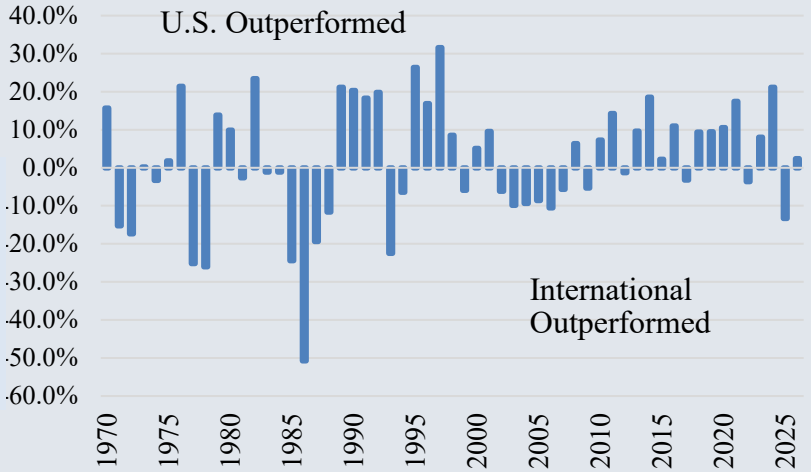
	3Q 26 Return	1-Yr Return	5-Yr Return	10-Yr Return
World	1.6%	16.8%	11.6%	12.4%
World Ex-U.S.	0.5%	20.0%	9.6%	9.2%
EAFE	0.8%	15.7%	9.3%	9.1%
Europe	-1.6%	12.6%	9.5%	9.2%
Japan	6.0%	26.6%	9.8%	9.6%
Pacific Ex-Japan	4.5%	11.6%	7.1%	7.4%
Emerging Markets	-0.4%	29.2%	8.9%	9.1%
EM (Asia)	-1.1%	32.6%	9.6%	10.1%
EM (Latin America)	3.9%	24.2%	13.0%	7.3%
EM (Eastern Europe)	11.3%	45.5%	-12.0%	0.2%

- Currency was additive to international equity returns in 2025 but has detracted slightly in 2026. The U.S. dollar has been very strong the past ten years, but currency trends tend to be cyclical.

MSCI ACWI ex U.S. Index, total return and currency impact (as of 9/30/26)



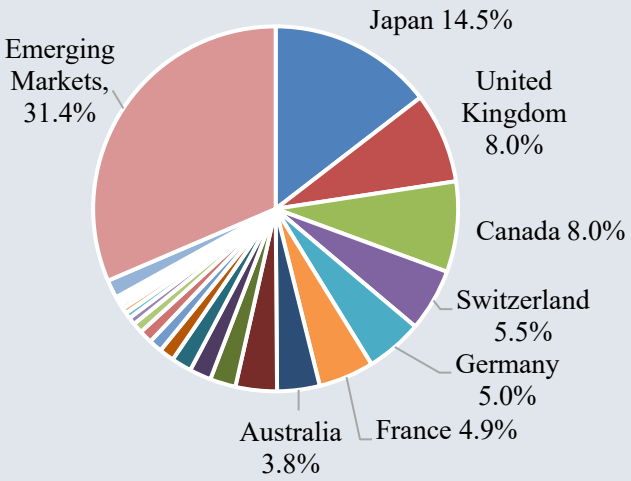
U.S. vs. International Equity Performance (as of 9/30/26)



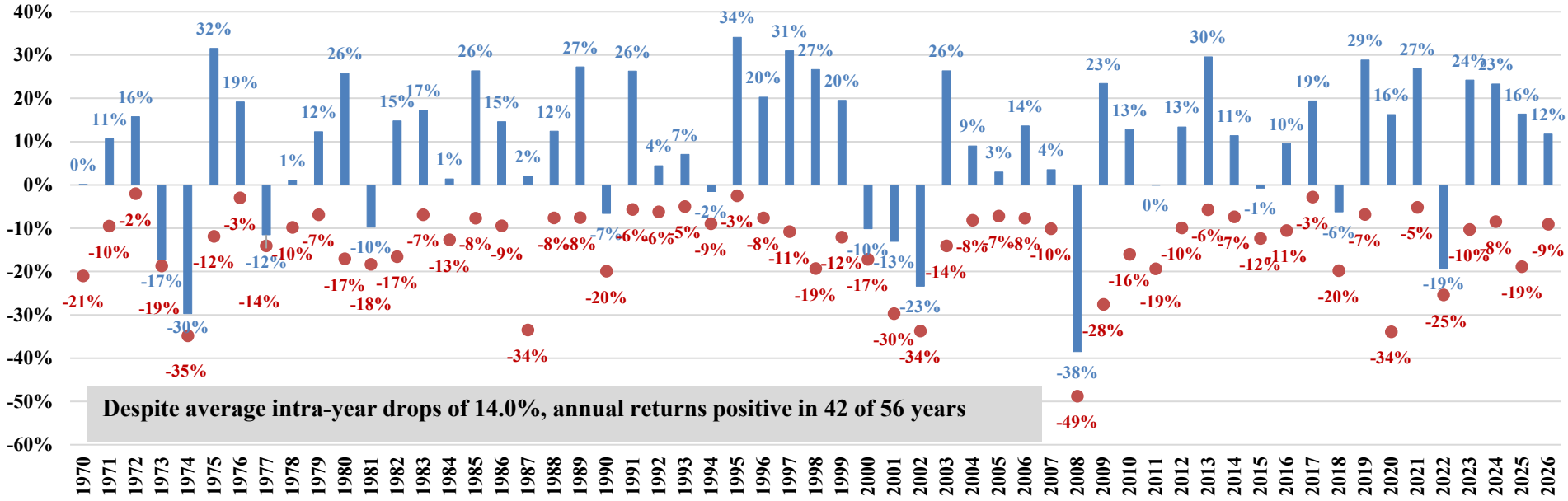
S&P 500 TR vs. MSCI EAFE NR

- International equities underperformed U.S. equities during the quarter. In 2025, International equities outperformed by the widest amount since the early 2000s. Performance is cyclical as shown in the chart above.

Country Weighting in MSCI ACWI ex U.S. (as of 9/30/2026)



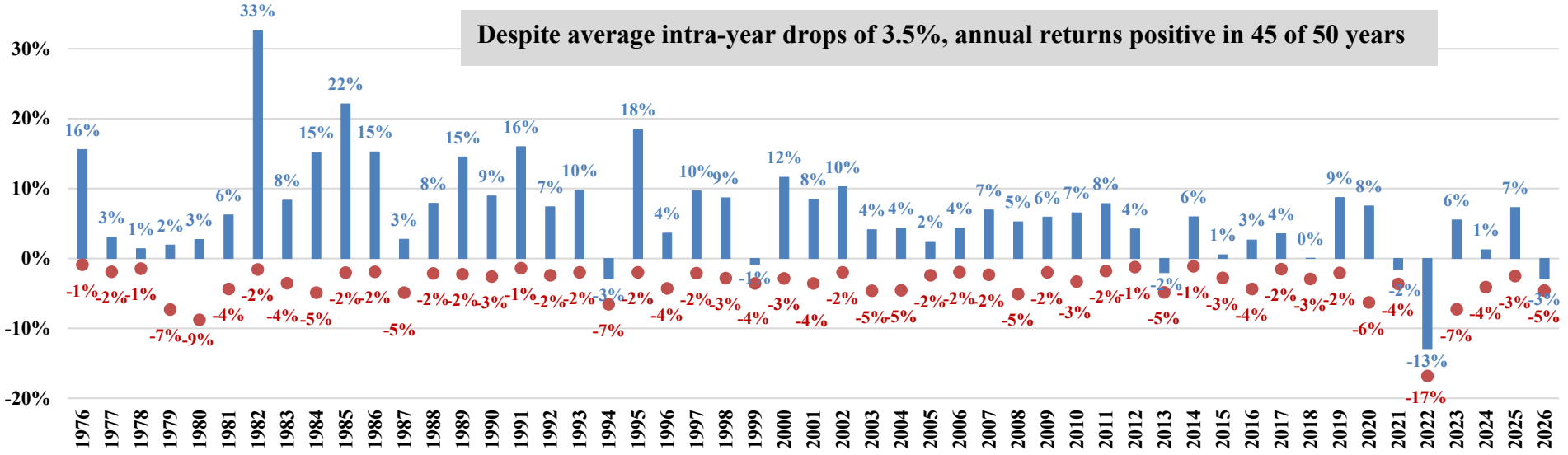
S&P 500 Intra-Year Declines vs. Calendar Year Returns



Returns are based on price index only, do not include dividends, as of 9/30/2026

■ S&P 500 Calendar Year Return ● Intra-Year Decline

Bloomberg U.S. Agg Bond Intra-Year Declines vs. Calendar Year Returns



Returns are based on total return, as of 9/30/2026

■ Bloomberg US Agg Bond Calendar Year Return ● Intra-Year Decline

Market leadership changes. Focus on asset allocation and diversification.

Best

Asset Class Performance

Worst

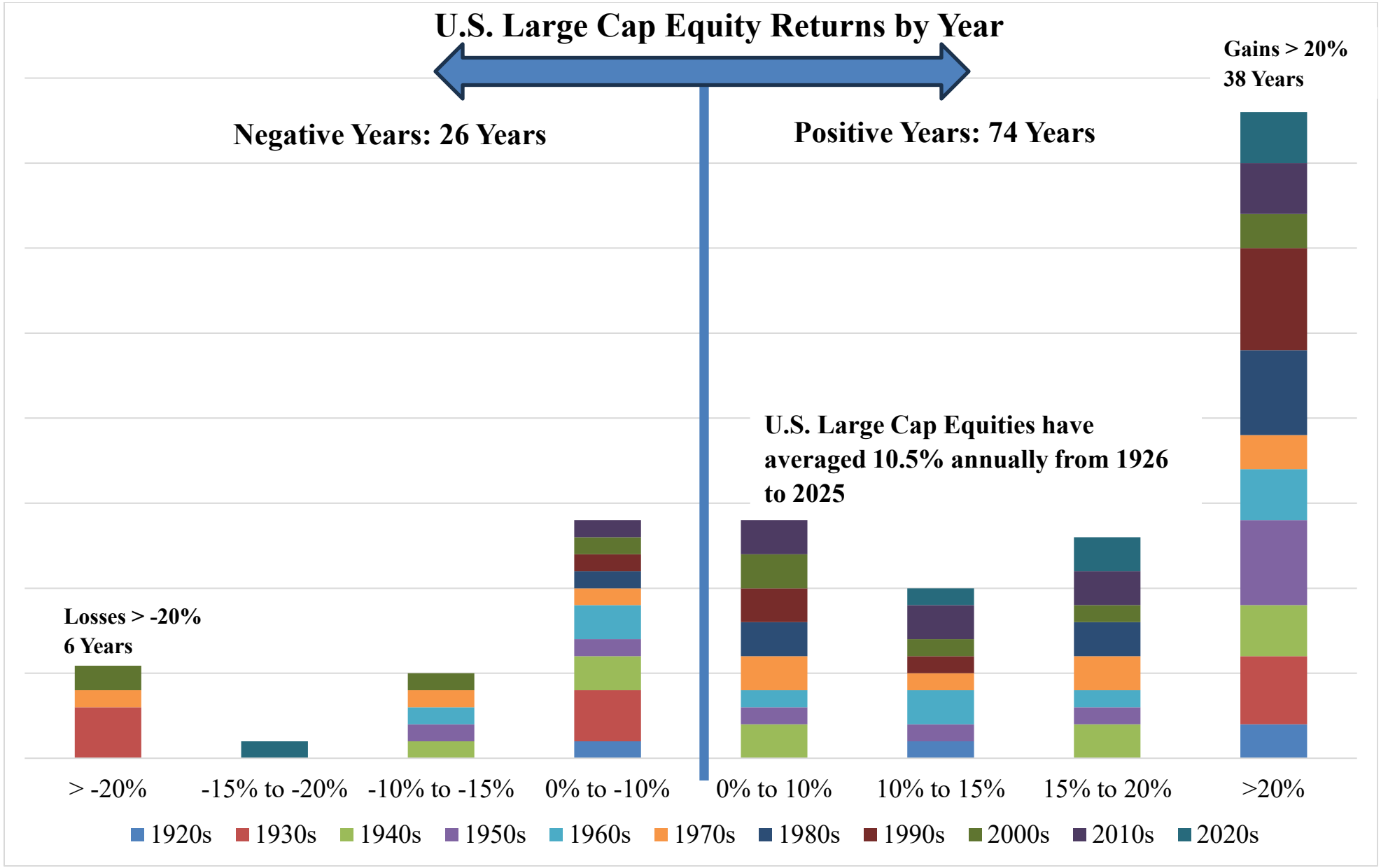
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 YTD	10-yrs '16-'25 Return	10-yrs '15-'24 Volatility
Real Estate 2.8%	Small Cap 21.3%	Emerging Markets 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Real Estate 41.3%	Commodities 16.1%	Large Cap 26.3%	Large Cap 25.0%	Emerging Markets 34.4%	Commodities 32.9%	Large Cap 14.8%	Small Cap 20.7%
Large Cap 1.4%	High Yield 14.3%	International 25.6%	Fixed Income 0.0%	Real Estate 28.7%	Emerging Markets 18.7%	Large Cap 28.7%	Cash 1.5%	International 18.9%	Small Cap 11.5%	International 31.9%	Emerging Markets 23.7%	Small Cap 9.6%	Real Estate 17.3%
Fixed Income 0.6%	Large Cap 12.0%	Large Cap 21.83%	Real Estate -4.0%	Small Cap 25.5%	Large Cap 18.4%	Commodities 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Allocation 10.2%	Large Cap 17.9%	Small Cap 13.7%	Emerging Markets 8.9%	Emerging Markets 16.5%
Cash 0.0%	Commodities 11.8%	Small Cap 14.7%	High Yield -4.1%	International 22.7%	Asset Allocation 10.5%	Small Cap 14.8%	Fixed Income -13.0%	Asset Allocation 14.2%	High Yield 9.2%	Asset Allocation 15.8%	Large Cap 12.8%	International 8.7%	Large Cap 15.1%
International -0.4%	Emerging Markets 11.6%	Asset Allocation 14.5%	Large Cap -4.4%	Asset Allocation 19.4%	International 8.3%	Asset Allocation 13.5%	Asset Allocation -13.9%	High Yield 14.0%	Emerging Markets 8.1%	Commodities 15.8%	International 10.8%	Asset Allocation 8.2%	International 14.8%
Asset Allocation -2.0%	Real Estate 8.6%	High Yield 10.4%	Asset Allocation -5.8%	Emerging Markets 18.9%	Fixed Income 7.5%	International 11.8%	International -14.0%	Real Estate 11.4%	Commodities 5.4%	Small Cap 12.8%	Asset Allocation 8.9%	High Yield 6.0%	Commodities 13.0%
High Yield -2.7%	Asset Allocation 8.3%	Real Estate 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Emerging Markets 10.3%	Cash 5.3%	High Yield 12.1%	Real Estate 7.9%	Real Estate 5.8%	Asset Allocation 10.1%
Small Cap -4.4%	Fixed Income 2.7%	Fixed Income 3.5%	Commodities -11.3%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Emerging Markets -19.7%	Fixed Income 5.5%	Real Estate 4.9%	Fixed Income 7.3%	Cash 2.8%	Commodities 5.7%	High Yield 8.4%
Emerging Markets -14.6%	International 1.5%	Commodities 1.7%	International -13.4%	Commodities 7.7%	Commodities -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	International 4.4%	Cash 4.3%	High Yield -0.1%	Cash 2.2%	Fixed Income 5.1%
Commodities -24.7%	Cash 0.3%	Cash 0.8%	Emerging Markets -14.3%	Cash 2.2%	Real Estate -5.1%	Emerging Markets -2.2%	Real Estate -25.0%	Commodities -7.9%	Fixed Income 5.5%	Real Estate 2.3%	Fixed Income -2.9%	Fixed Income 2.0%	Cash 0.6%

Performance of all sited indices is calculated on a total return basis and includes dividend reimbursement. Indices are not available for direct investment. Past performance is not indicative of future results. It is important to remember that there are risks inherent in any investment and there is no assurance that any asset class or index will provide positive performance over time.

* Large Cap – S&P 500 Index
* Small Cap – Russell 2000 Index
* International – MSCI EAFE GR Index
* Emerging Markets – MSCI EM GR Index
* Fixed Income – Barclays Capital Aggregate Bond Index
* Real Estate – FTSE NAREIT All Equity REIT Index
* Commodities – Bloomberg Commodity Index
* High Yield – Barclays Global High Yield Index
*Cash – Barclays 1-3m Treasury Index

The "Asset Allocation" portfolio assumes the following weights: 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Barclays Agg, 5% Barclays 1-3m Treasury, 5% Barclays Global High Yield Index, 5% Bloomberg Commodity Index, 5% FTSE NAREIT All Equity REIT Index

Source: Morningstar, through 9/30/2026



Source: Morningstar, through 9/30/2026. Index: IA SBBI US Large Stock TR USD Ext

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Investment decisions should be made based on an investor's specific circumstances taking into account items such as, risk tolerance, time horizon and goals and objectives. All investments have some level of risk associated with them and past performance is no guarantee of future success.