

# Month/Quarter-End Summary – June 2026

---

## Market Update – Second Quarter 2026

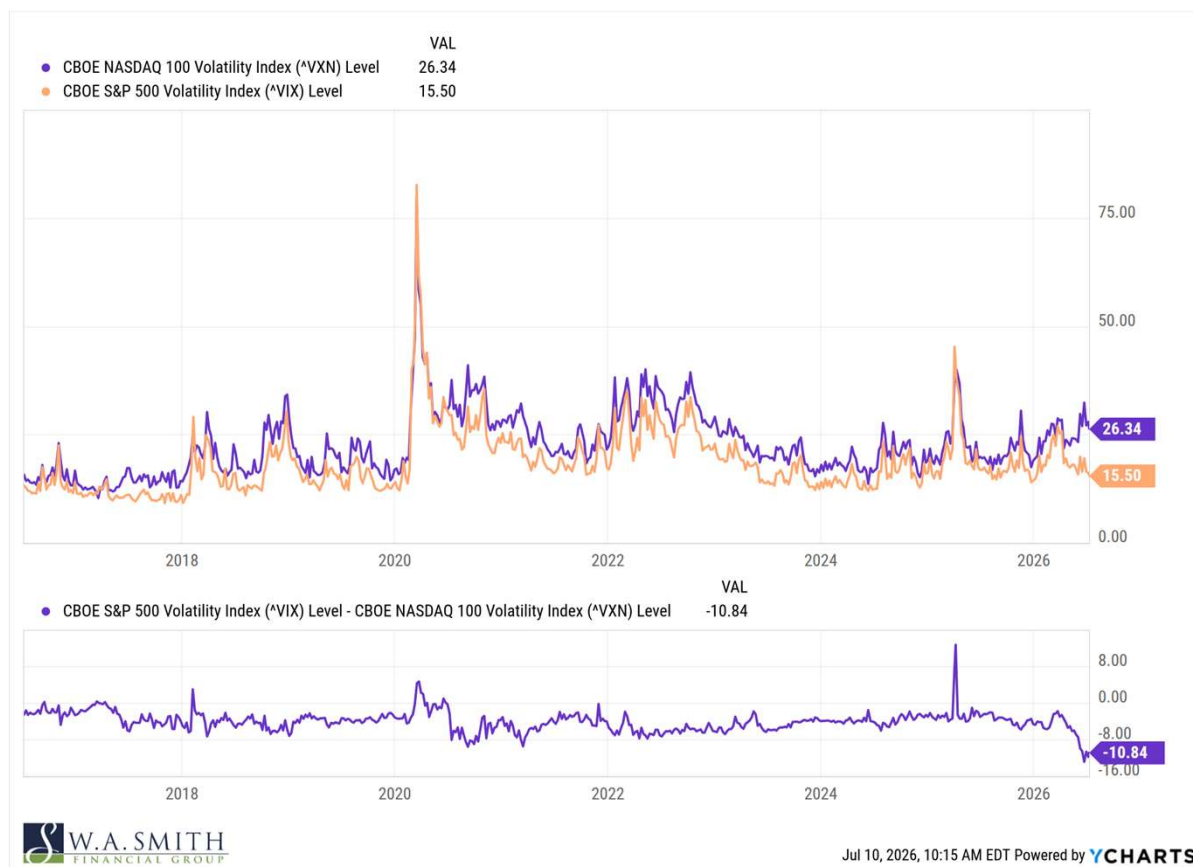
- **Second Quarter & First Half 2026 Market Review:**
  - **US equities finished a strong first half despite a modest June pullback:** The S&P 500 and Nasdaq reached new highs during the quarter before consolidating in June as profit-taking in AI-related leaders, higher energy prices, and geopolitical uncertainty temporarily weighed on market sentiment
  - **Market leadership broadened across sectors:** While artificial intelligence and technology remained important long-term drivers, leadership expanded into financials, industrials, healthcare, and select value-oriented areas as market participation became increasingly broad-based
  - **Economic fundamentals remained resilient:** Consumer spending, corporate earnings, and business investment continued to support economic growth despite elevated interest rates, while labor market data began showing signs of gradual moderation
  - **Volatility increased, but fundamentals remained intact:** Inflation, Federal Reserve expectations, and geopolitical developments created periods of market volatility during the quarter, yet underlying corporate fundamentals continued to support the long-term investment outlook
- **Key Drivers During the Second Quarter:**
  - **Artificial Intelligence remained a dominant secular growth theme:** Continued investment in AI infrastructure, cloud computing, semiconductors, and digital technologies supported earnings expectations and long-term capital spending
  - **Federal Reserve remained patient:** The FOMC left interest rates unchanged during the quarter while emphasizing a data-dependent approach as inflation gradually moderated but remained above its long-term objective
  - **Geopolitical events temporarily increased market uncertainty:** Conflict involving Iran pushed energy prices higher during June before prices moderated as supply disruption concerns eased
  - **Corporate fundamentals continued to support long-term optimism:** Companies with durable earnings growth, strong balance sheets, and healthy free cash flow continued to outperform across our investment universe

## Investment Committee Update – Quarter-End Review

- The Investment Committee (IC) continues to monitor the evolving economic and market environment as we enter the second half of 2026. As always, the bullet below remains the foundation of every investment decision we make
  - Investment Committee continues to actively identify possible alterations (additions/removals) to our various strategies by utilizing our **rigorous 5-step due diligence process**
- **The first half of 2026 reinforced the importance of maintaining a disciplined investment process:** Markets continued rewarding businesses with durable earnings growth, healthy balance sheets, and strong competitive advantages while periodically repricing companies with elevated valuations
- **Primary themes shaping our investment outlook entering the second half of 2026:**
  - **Artificial Intelligence remains a long-term investment opportunity:** While leadership broadened during the quarter, we continue to believe AI-related innovation, digital infrastructure, and productivity improvements will remain significant long-term growth drivers
  - **Monetary policy remains data dependent:** Inflation has moderated from prior highs but remains above the Federal Reserve's target. Recent labor market data suggests economic growth is gradually normalizing, keeping future policy decisions dependent upon incoming inflation and employment data
  - **Geopolitical risks remain manageable but warrant close monitoring:** Events in the Middle East demonstrated how quickly geopolitical developments can impact energy prices and market sentiment. Although conditions stabilized by quarter-end, these risks reinforce the value of maintaining diversified portfolios
- **Our long-term investment philosophy remains unchanged:** We continue to view periods of market volatility as normal components of investing rather than indications of deteriorating fundamentals. Our focus remains on identifying high-quality businesses with durable competitive advantages, consistent cash flow generation, and attractive long-term growth opportunities that meet or exceed the standards established through our rigorous due diligence process

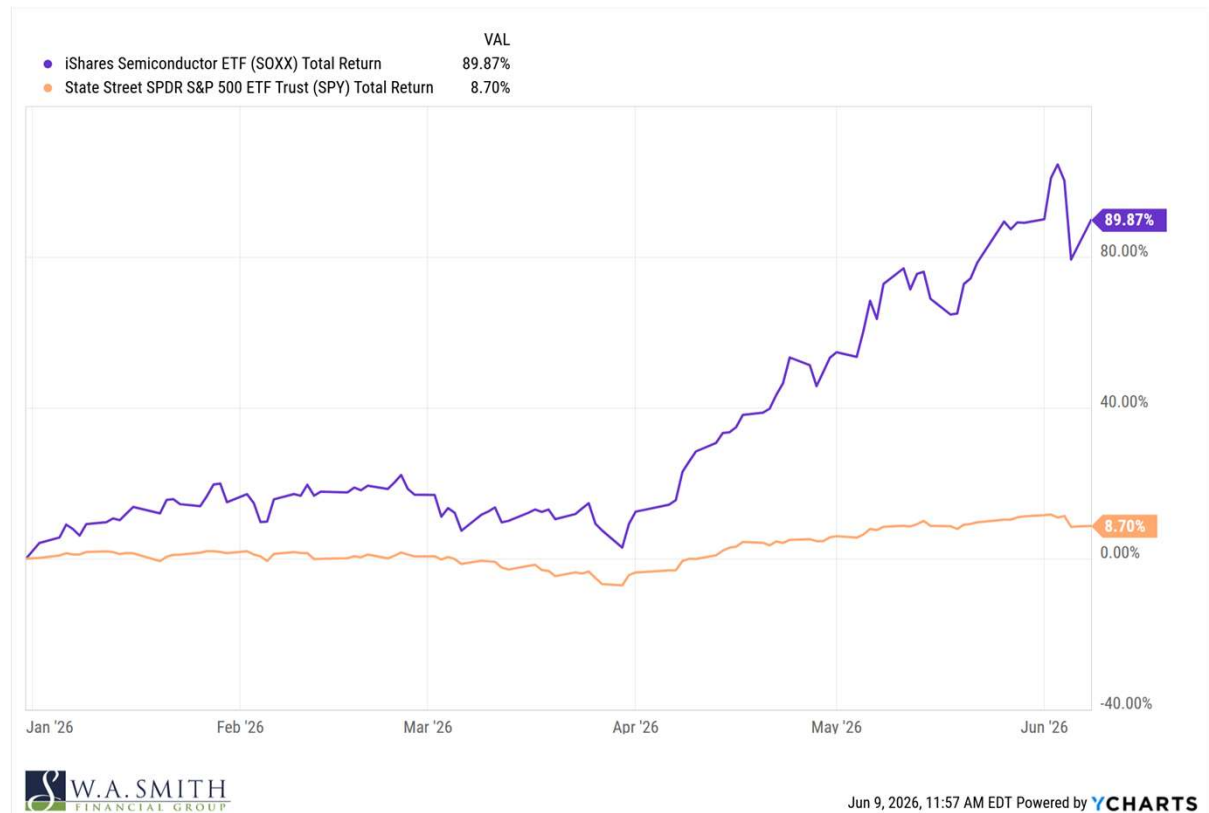
# Market Volatility Suggests Risk Appetite Remains Intact

- **Overall market volatility remains well contained.** Despite geopolitical tensions, evolving Federal Reserve expectations, and mixed economic data, the VIX remains below its long-term average, signaling that broad market risk sentiment remains relatively healthy
- **Technology continues to exhibit higher relative volatility.** The VXN remains meaningfully above the VIX as AI-related companies and semiconductor stocks continue to experience larger price swings following an exceptionally strong first half of 2026
- **How to Interpret:** Elevated volatility within technology appears to reflect sector-specific repositioning rather than broad-based market stress. We continue to view these periods as normal consolidations within a longer-term secular growth trend, while maintaining diversified exposure across multiple sectors and investment themes



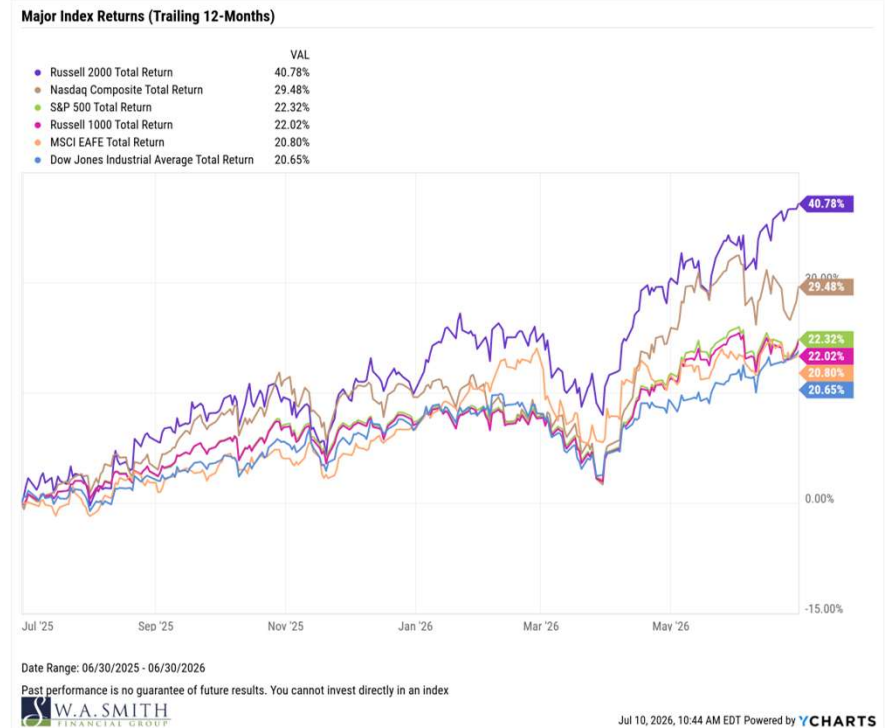
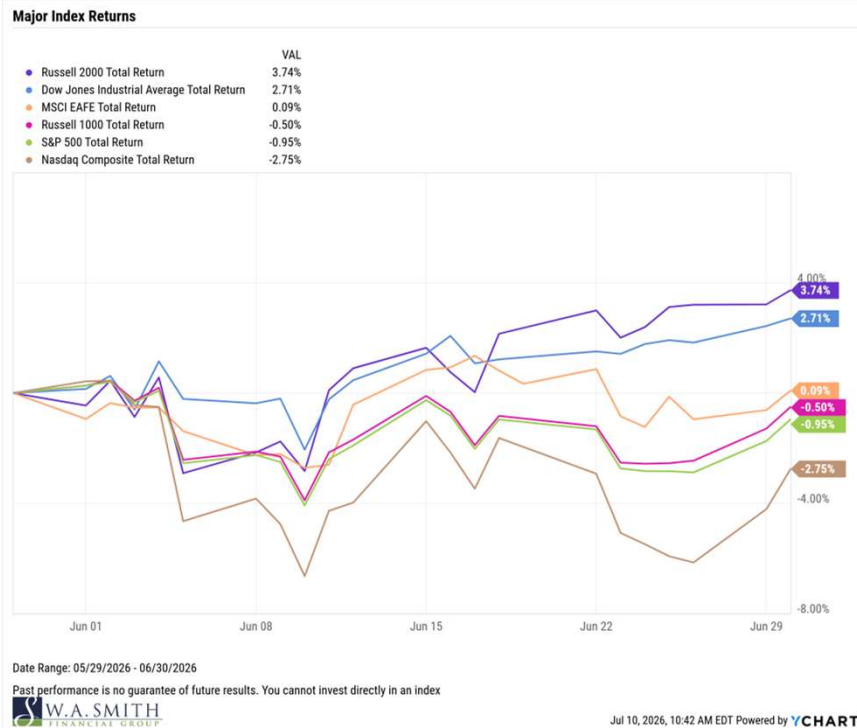
# Semiconductor Leadership Reflects the Ongoing AI Investment Cycle

- **Semiconductors remained the market's clear leadership group during the first half of 2026.** The iShares Semiconductor ETF (SOXX) gained more than 110% year-to-date through June 30, significantly outperforming both the Nasdaq Composite (+12.8%) and the S&P 500 (+9.6%) as demand for AI infrastructure continued to accelerate
- **Artificial intelligence remains the primary catalyst.** Continued investment in data centers, cloud computing, advanced networking, and next-generation semiconductor technologies has supported robust earnings expectations and capital spending across the AI ecosystem, reinforcing the sector's long-term growth outlook
- **How to Interpret:** Although semiconductor valuations have increased alongside exceptional performance, we continue to view AI as a multi-year secular investment theme rather than a short-term market cycle. At the same time, June's volatility reinforces the importance of disciplined portfolio construction, diversification, and selectively adding exposure during periods of market consolidation



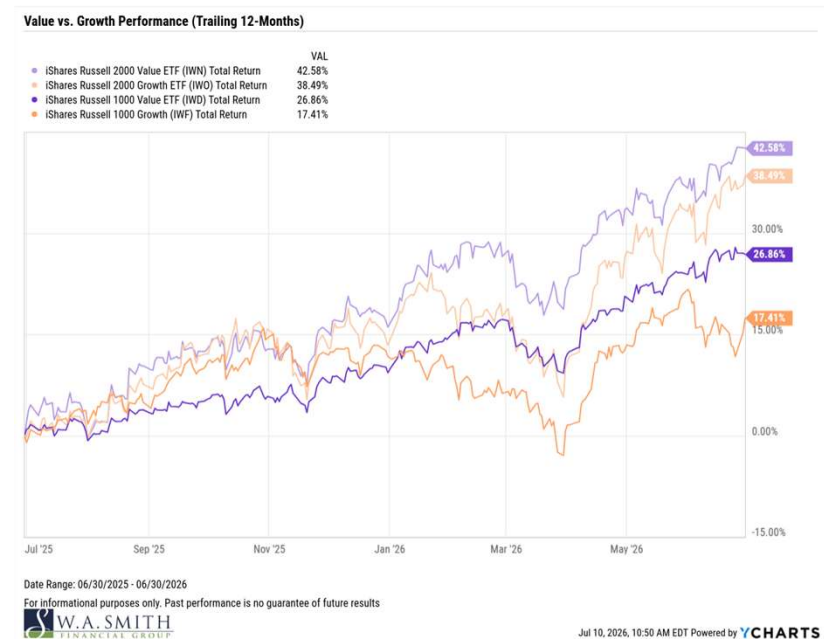
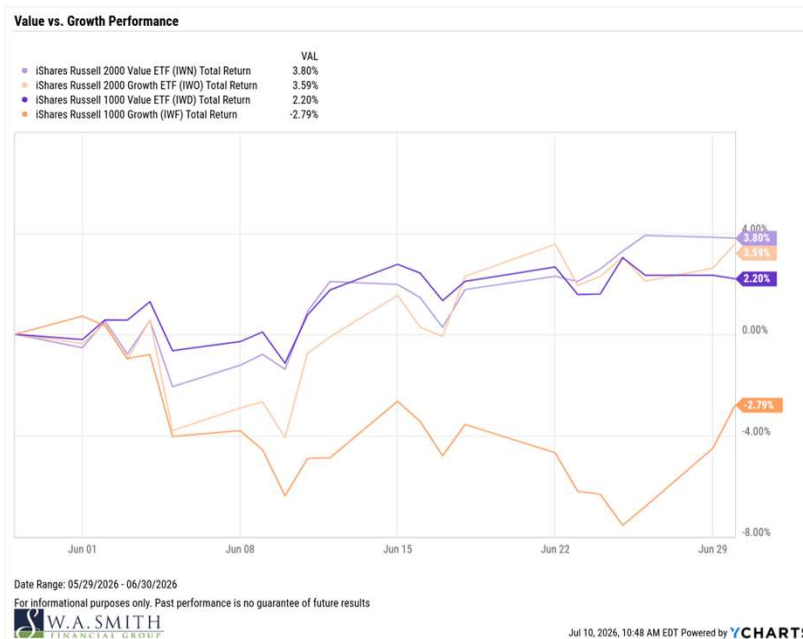
# Market Leadership Expanded During the Second Quarter

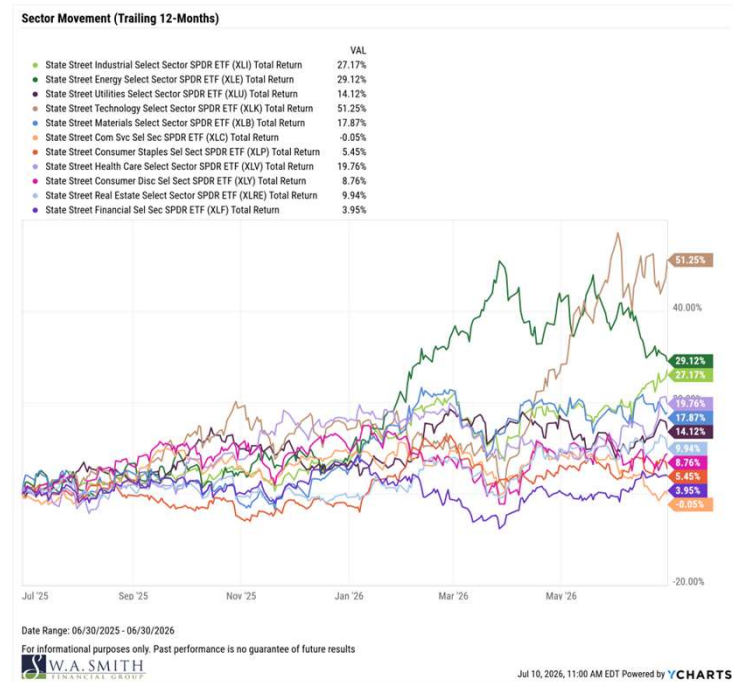
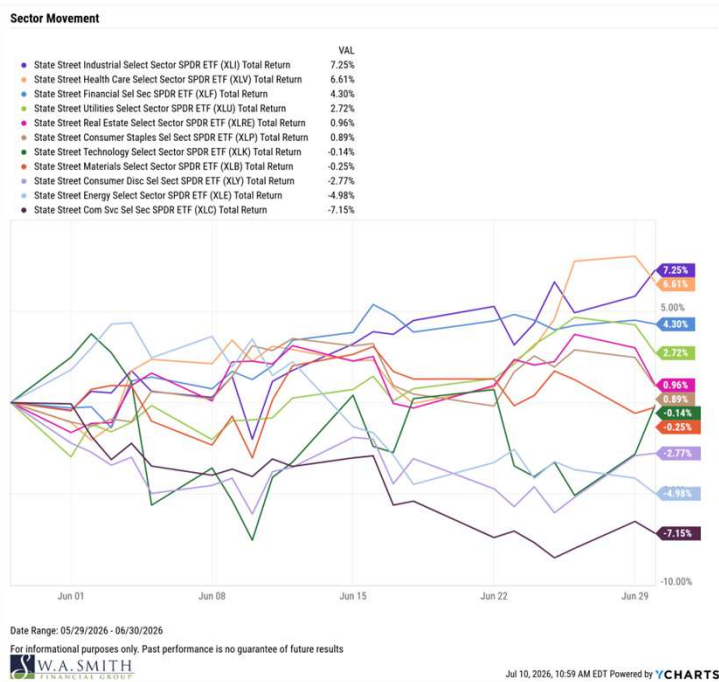
- **Market leadership broadened during June.** Small-cap equities outperformed large-cap indexes during the month, while technology-oriented indices experienced modest profit-taking following their exceptional gains earlier in the year. This rotation reflects improving participation across multiple areas of the market rather than a deterioration in overall market conditions
- **The longer-term trend remains constructive.** Over the trailing 12 months, every major equity index has generated strong positive returns, led by the Russell 2000 (+40.8%), Nasdaq (+29.5%), and S&P 500 (+22.3%), highlighting the resilience of the broader equity market despite periodic bouts of volatility
- **How to Interpret:** We view the recent rotation as a constructive development rather than a cause for concern. Expanding market participation reduces concentration risk and reinforces the importance of maintaining diversified portfolios that can benefit from multiple sources of return as the market enters the second half of 2026



# Style Leadership Reflects Improving Market Breadth

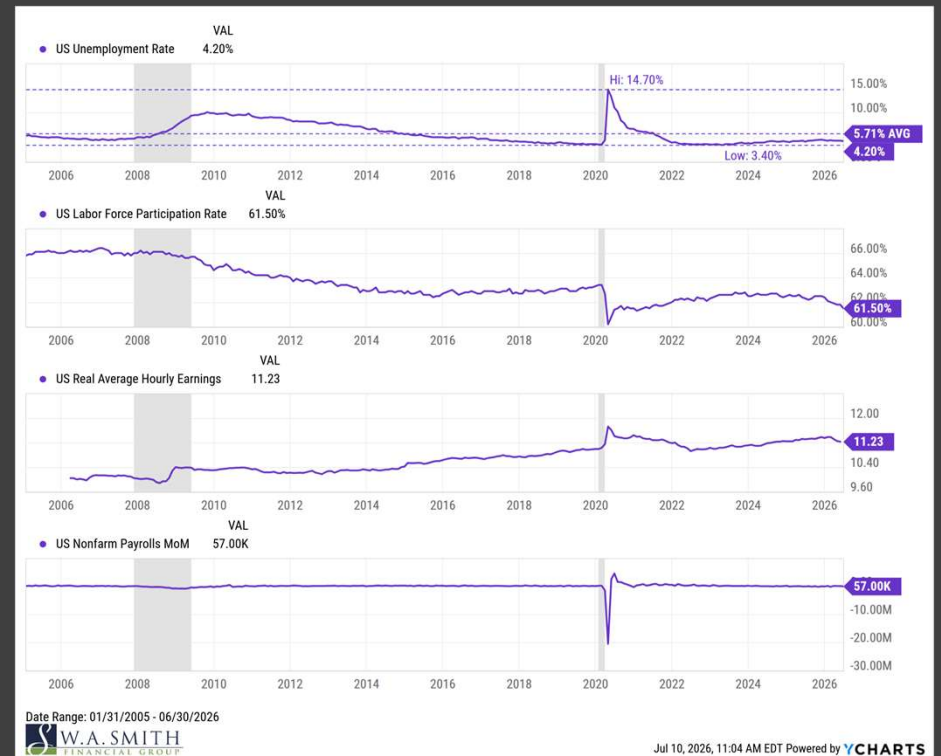
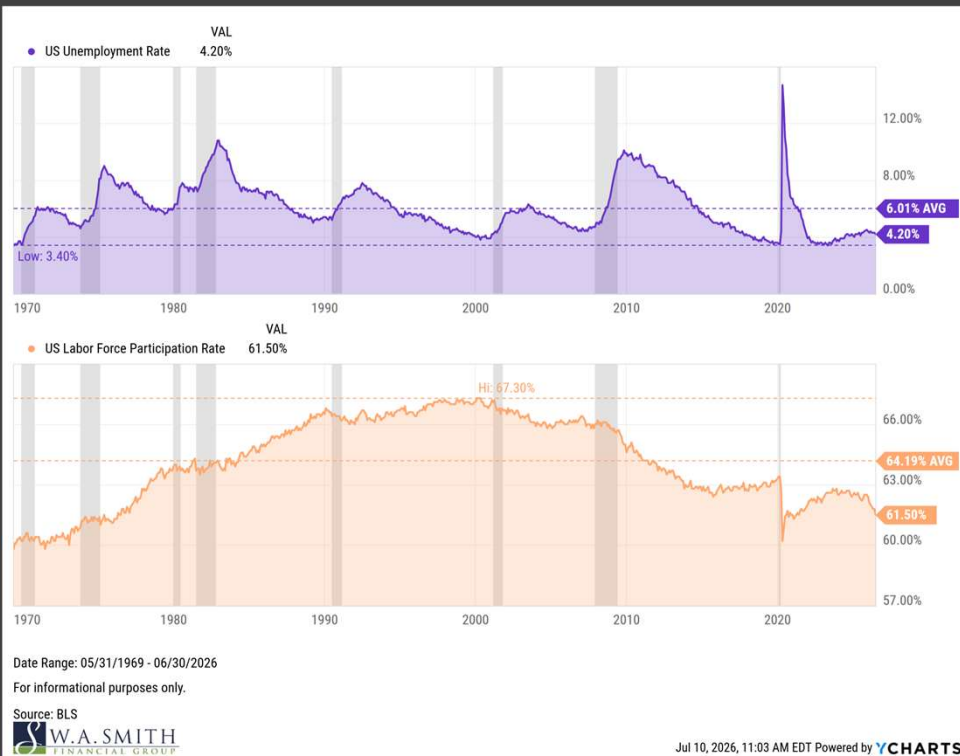
- **Value outperformed growth during June as market leadership continued to broaden.** Small-cap value and small-cap growth both posted solid gains during the month, while large-cap growth lagged following an extended period of technology-led outperformance
- **The trailing 12-month trend continues to favor value-oriented investments.** Small-cap value (+42.6%) and small-cap growth (+38.5%) significantly outperformed their large-cap counterparts, highlighting improved participation across market capitalizations and investment styles
- **How to Interpret:** We believe broadening style leadership is characteristic of healthy market advances. While we remain constructive on long-term secular growth themes such as artificial intelligence, maintaining exposure across both growth and value allows portfolios to participate as leadership evolves throughout changing market environments





# Rotation Highlights Opportunities Across Multiple Sectors

- **June reflected a healthy rotation in market leadership.** Following significant gains within technology and AI-related companies during the first half of the year, leadership broadened as Industrials, Health Care, Financials, and Utilities attracted increased investor interest
- **Long-term performance continues to demonstrate broad participation.** While Technology remains the strongest-performing sector over the past twelve months, several cyclical and defensive sectors have also delivered attractive returns, highlighting improving market breadth and a more balanced investment environment
- **How to Interpret:** We view the recent sector rotation as a constructive development rather than a change in the long-term investment outlook. As leadership expands across industries, diversified portfolios are better positioned to participate in multiple sources of return while reducing concentration risk associated with any single sector or investment theme



## Labor Market Continues to Normalize Without Meaningful Deterioration

- **The labor market continues to gradually cool.** The unemployment rate remained at 4.2% in June while payroll growth slowed to 57,000, indicating hiring has moderated from the exceptionally strong pace experienced over the past several years but remains consistent with a slowing—not contracting—economy
- **Labor market fundamentals remain relatively healthy.** Labor force participation held near 61.5%, and real average hourly earnings continued to trend higher as wage growth remained above inflation, supporting household purchasing power despite softer hiring activity
- **How to Interpret:** We view the current labor market as transitioning from an exceptionally tight environment toward a more sustainable balance. While continued moderation bears monitoring, today's conditions remain consistent with an economy that is slowing in an orderly fashion rather than entering a broad-based recession

# Sticky Inflation Reinforces the Federal Reserve's Patient Approach

- Inflation continues to moderate, although progress remains uneven.** Headline inflation remains elevated due in part to higher energy prices and lingering service-sector inflation, while Core PCE has continued to trend gradually lower, reflecting improving underlying inflation dynamics
- The Federal Reserve remains appropriately patient.** With policy rates remaining restrictive and the yield curve positively sloped, policymakers continue to balance persistent inflation risks against signs of moderating economic growth and a gradually cooling labor market
- How to Interpret:** We believe the current environment supports maintaining a balanced investment approach. Inflation is moving in the right direction, but continued uncertainty surrounding monetary policy reinforces the importance of emphasizing high-quality businesses, maintaining diversification, and focusing on long-term investment fundamentals rather than short-term economic fluctuations

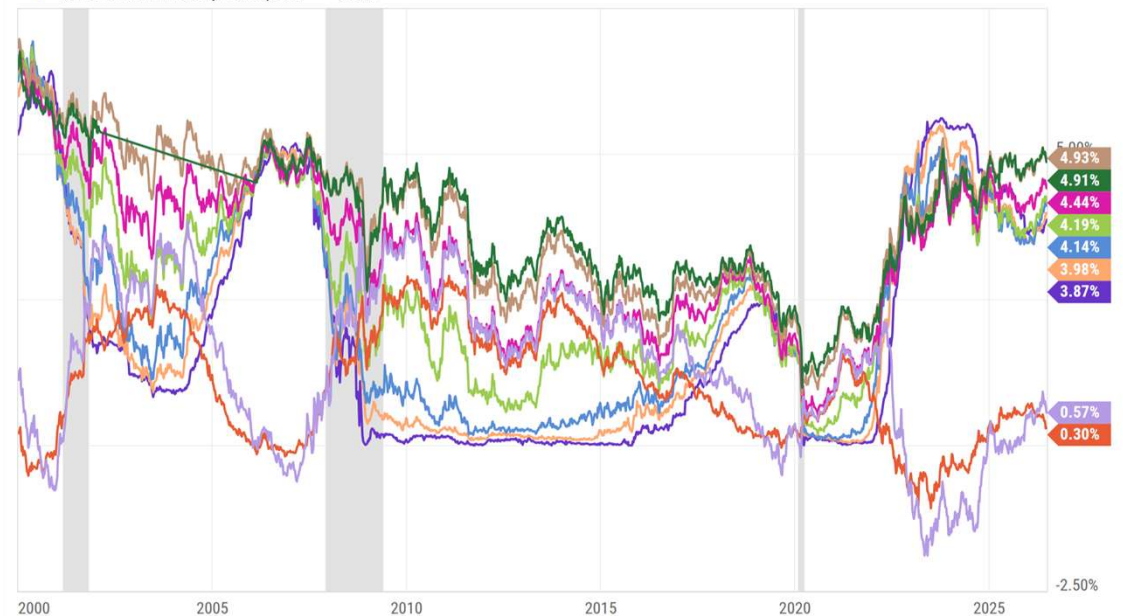


# Yield Curve Continues to Normalize as Markets Balance Growth and Monetary Policy

- **The Treasury yield curve remains positively sloped.** Following an extended period of inversion, both the 10-year/2-year (+0.30%) and 10-year/3-month (+0.57%) spreads remain positive, suggesting fixed income markets continue to anticipate slower, but still positive, economic growth rather than an imminent recession
- **Intermediate- and longer-term yields remain elevated.** The 10-year Treasury finished June at 4.44%, while the 20- and 30-year Treasury yields remained near 4.9%, reflecting persistent inflation concerns, elevated Treasury issuance, and expectations that interest rates may remain higher for longer
- **Recent spread compression:** The modest pullback in the 10-year/2-year and 10-year/3-month spreads reflects adjustments in interest rate expectations rather than a deterioration in economic fundamentals. We view this as a normal repricing within an environment where markets continue to anticipate a gradual transition toward more balanced economic growth
- **How to Interpret:** We believe the current yield curve is more consistent with a slowing—but fundamentally healthy—economy than with an approaching recession. Although recent curve flattening reflects changing expectations for Federal Reserve policy, the broader normalization trend remains constructive for both equity and fixed income markets

## US Treasury Yield Curve

|                                       | VAL   |
|---------------------------------------|-------|
| 3 Month Treasury Rate                 | 3.87% |
| 1 Year Treasury Rate                  | 3.98% |
| 2 Year Treasury Rate                  | 4.14% |
| 5 Year Treasury Rate                  | 4.19% |
| 10 Year Treasury Rate                 | 4.44% |
| 20 Year Treasury Rate                 | 4.93% |
| 30 Year Treasury Rate                 | 4.91% |
| 10-2 Year Treasury Yield Spread       | 0.30% |
| 10 Year-3 Month Treasury Yield Spread | 0.57% |



Date Range: 12/31/1999 - 06/30/2026

For informational purposes only.

Source: Department of the Treasury



Jul 10, 2026, 11:17 AM EDT Powered by YCHARTS

## New Timeseries Analysis

Data as of: Jul. 10, 2026

Date Range: 12/30/2022 to 06/30/2026

Frequency: Monthly

Aggregation: End of Period (default)

Fill Method: No Fill

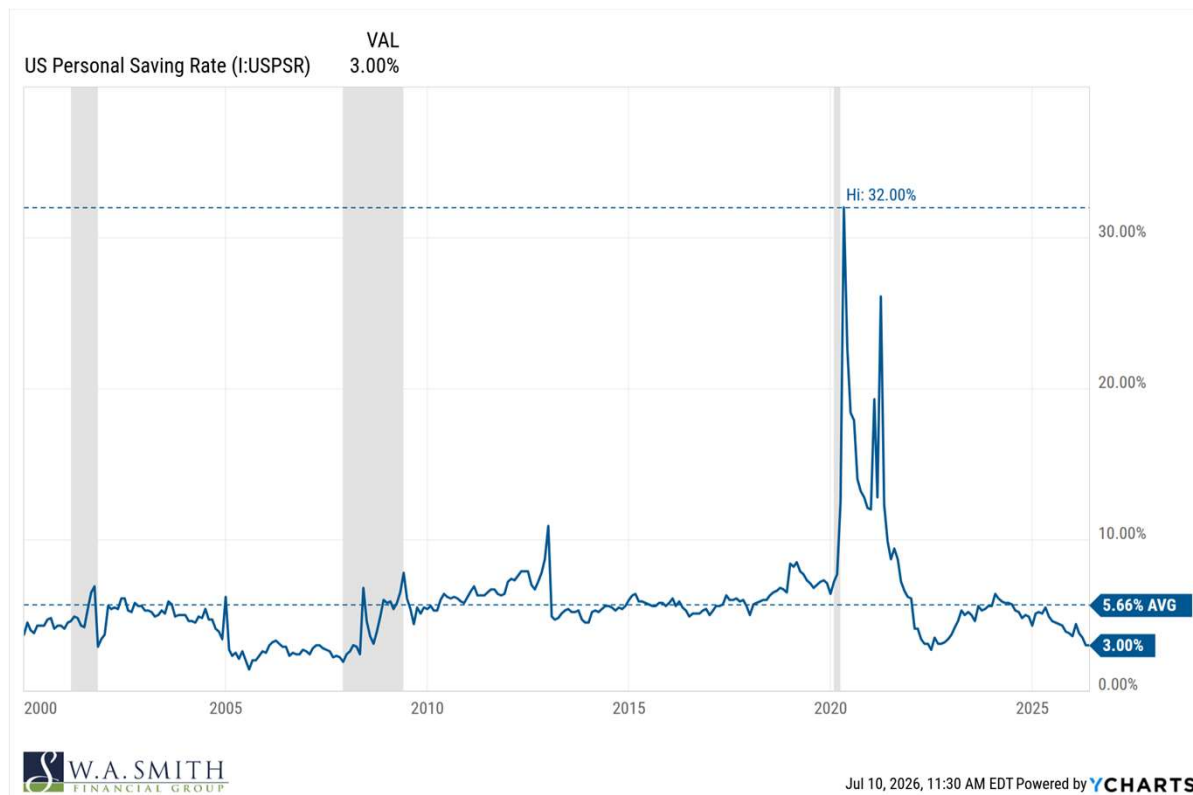
| Symbol    | Name                    | Metrics | Jun 30 '26 | May 31 '26 | Apr 30 '26 | Mar 31 '26 | Feb 28 '26 | Jan 31 '26 | Dec 31 '25 | Nov 30 '25 |
|-----------|-------------------------|---------|------------|------------|------------|------------|------------|------------|------------|------------|
| I:10YTCMR | 10 Year Treasury Rate   |         | 4.44%      | 4.45%      | 4.40%      | 4.30%      | 3.97%      | 4.26%      | 4.18%      | 4.02%      |
| I:1MTCMR  | 1 Month Treasury Rat... |         | 3.70%      | 3.72%      | 3.72%      | 3.74%      | 3.74%      | 3.72%      | 3.74%      | 4.05%      |
| I:1YTCMR  | 1 Year Treasury Rate    |         | 3.98%      | 3.79%      | 3.72%      | 3.68%      | 3.48%      | 3.48%      | 3.48%      | 3.61%      |
| I:20YTCMR | 20 Year Treasury Rate   |         | 4.93%      | 4.98%      | 4.97%      | 4.88%      | 4.57%      | 4.82%      | 4.79%      | 4.62%      |
| I:2YTCMR  | 2 Year Treasury Rate    |         | 4.14%      | 3.98%      | 3.88%      | 3.79%      | 3.38%      | 3.52%      | 3.47%      | 3.47%      |
| I:30YTCMR | 30 Year Treasury Rate   |         | 4.91%      | 4.99%      | 4.98%      | 4.88%      | 4.64%      | 4.87%      | 4.84%      | 4.67%      |
| I:3MTCMR  | 3 Month Treasury Rat... |         | 3.87%      | 3.69%      | 3.68%      | 3.70%      | 3.67%      | 3.67%      | 3.67%      | 3.88%      |
| I:3YTCMR  | 3 Year Treasury Rate    |         | 4.15%      | 4.06%      | 3.91%      | 3.81%      | 3.39%      | 3.60%      | 3.55%      | 3.49%      |
| I:5YTCMR  | 5 Year Treasury Rate    |         | 4.19%      | 4.13%      | 4.02%      | 3.92%      | 3.51%      | 3.79%      | 3.73%      | 3.59%      |
| I:6MTCMR  | 6 Month Treasury Rat... |         | 4.01%      | 3.78%      | 3.71%      | 3.72%      | 3.60%      | 3.61%      | 3.59%      | 3.74%      |

## Treasury Markets Continue to Reflect a Higher-for-Longer Rate Environment

- **Treasury markets continue to reflect a data-dependent Federal Reserve.** Short-term yields have moderated from their earlier highs as expectations for future policy easing have increased, while longer-term yields remain elevated amid persistent inflation, fiscal borrowing needs, and resilient economic activity
- **Longer-duration yields remain anchored near 4½%–5%.** The relative stability of intermediate- and long-term Treasury rates suggests bond markets continue to expect moderate economic growth and inflation that remains above pre-pandemic norms, even as overall price pressures gradually improve
- **How to Interpret:** We believe the current rate environment remains supportive for fixed income investors. Elevated starting yields continue to provide attractive income potential, while high-quality intermediate-duration bonds remain well positioned to benefit from any future moderation in interest rates without assuming excessive duration risk

# Consumer Spending Remains Resilient Despite Historically Low Savings

- **Consumers continue to support economic growth.** Although the personal saving rate remains below historical averages, resilient employment, rising real wages, and healthy household income growth continue to provide a foundation for consumer spending
- **Household financial behavior has normalized following the pandemic.** The unusually elevated saving rates experienced during 2020–2021 have largely reversed as excess savings have been spent and consumer spending patterns have returned to more typical levels
- **Additional Takeaway.** Consumer spending accounts for approximately 70% of U.S. GDP, making household financial health one of the most important indicators we monitor. Although consumers have become more selective, stable employment, rising real wages, and resilient income growth continue to support our expectation for slower, but still positive, economic growth
- **How to Interpret:** We view today's saving rate as a reflection of consumers adapting to a higher-rate environment rather than a sign of widespread financial weakness. While continued monitoring is warranted, current labor market conditions and income growth remain supportive of moderate economic expansion during the second half of 2026



# Disclosure Information

- The information contained herein: (1) is proprietary to W.A. Smith Financial Group and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Any information herein about providers, speakers, and services does not constitute a recommendation or endorsement. This material is not to be distributed without express written consent of W. A. Smith Financial Group. In regards to your own financial situation, you should consult with a financial professional before acting on specific action or suggestions given. For legal or tax advice, you should contact your qualified attorney or CPA. Insurance and tax planning services offered through W. A. Smith Financial, LLC. Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Investment Advisory Services offered through Great Lakes Retirement, Inc., an SEC-Registered Investment Advisor. Registration does not denote any level of skill or qualification.

# Additional Disclosure Information

- Index - An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.
- The information herein was obtained from various sources. WA Smith does not guarantee the accuracy or completeness of information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. WA Smith assumes no obligation to update this information, or to advise on further developments relating to it.
- **S&P 500** – measures the performance of 500 widely held stocks in US equity market. Standard and Poors chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied. It is market-capitalization weighted.
- **NASDAQ Composite Index** – a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- **Russell 1000** – The index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.
- **Dow Jones Industrial Average Price Return Index** – a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.
- **Russell 2000 Index** – measures the performance of the small-cap segment of the US equity universe.
- **MSCI EAFE Index** – a stock market index that is designed to measure the equity market performance of developed markets outside of the US & Canada. It is maintained by MSCI, Inc., a provider of investment decision support tools; the EAFE acronym stands for Europe, Australasia and Far East.