

Month-End Summary – August 2026

Market Update – August 2026

August 2026 Market Review:

- **US equities rebounded during August:** Healthy earnings and resilient economic activity restored risk appetite after July's rotation, although leadership remained selective
- **Technology momentum resumed:** Semiconductors recovered following strong AI-related results, while software improved as earnings helped offset concerns about disruption and elevated valuations
- **Market participation broadened:** Small-cap and international equities advanced alongside large-cap leaders, reinforcing the value of diversification across market segments
- **Economic conditions remained supportive but uneven:** Business activity stayed in expansion territory, while elevated energy prices and borrowing costs continued to pressure rate-sensitive areas

Key Drivers During August:

- **Artificial Intelligence remained a major earnings and capital-spending theme:** NVDA's results supported the AI infrastructure outlook, but company-level dispersion continued
- **Federal Reserve expectations became more cautious:** Chair Warsh emphasized persistent inflation at Jackson Hole, lifting rate expectations and flattening the Treasury curve
- **Middle East tensions kept energy risks elevated:** Oil remained high as supply concerns persisted, increasing the potential pressure on inflation, consumers, and corporate margins
- **Corporate earnings supported the broader outlook:** Results remained healthy across sectors, favoring companies with durable growth, strong balance sheets, and dependable cash flow. Continue to see increased spending on capital expenditures related to AI, and expectations remain elevated that we will start to see a return on invested capital (ROIC) in the coming quarters

Investment Committee Update – Month-End Review

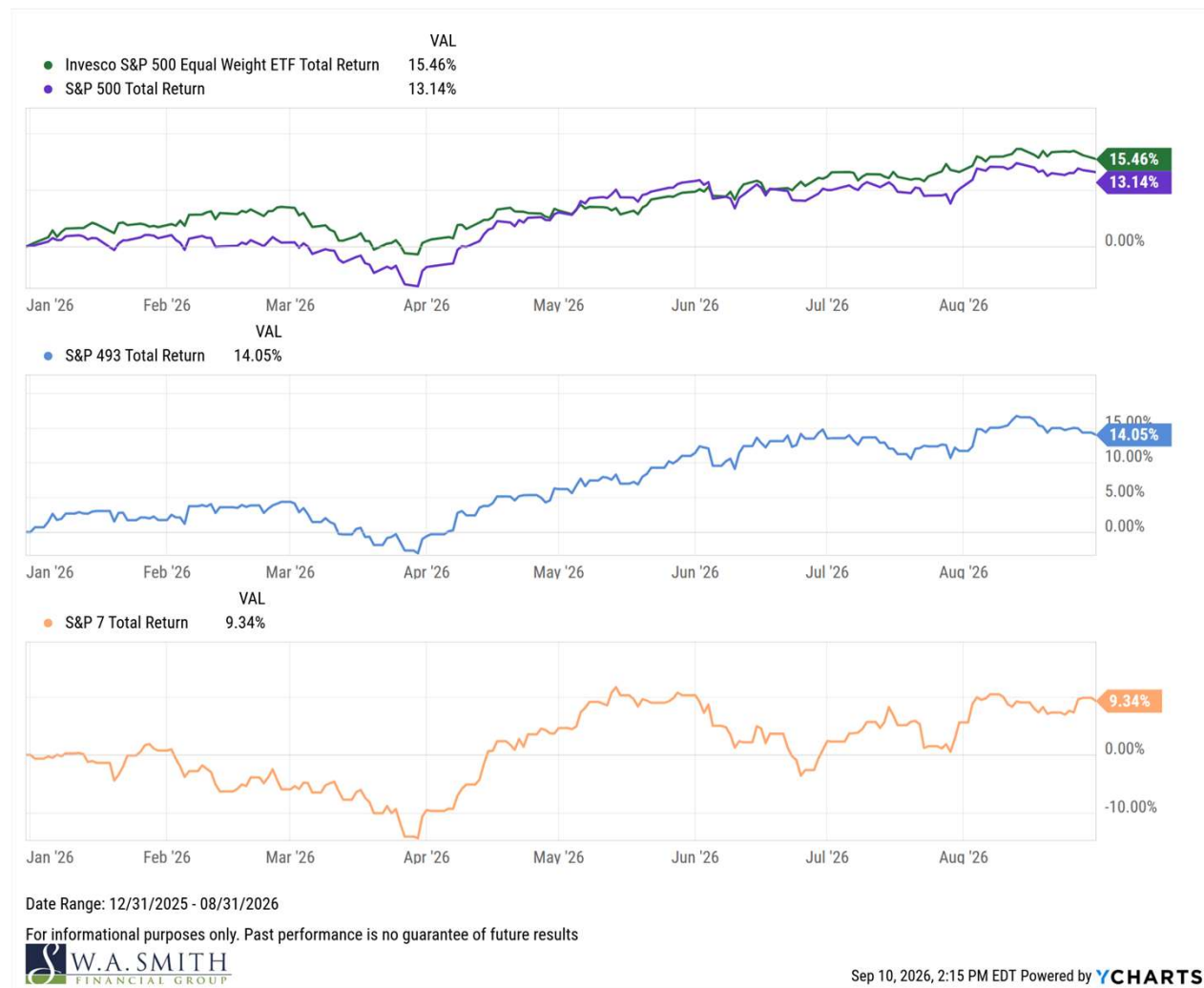
- **The Investment Committee continues to monitor the evolving environment through August:** Improving equity momentum and healthy earnings remained constructive, while inflation, energy prices, and higher borrowing costs required continued discipline
- **Potential strategy additions and removals remain under active review:** Any proposed changes will continue to be evaluated through our rigorous 5-step due diligence process, with emphasis on quality, valuation, cash-flow durability, and downside risk
- **August reinforced the importance of selectivity within a broader market advance:** Technology regained momentum, but uneven company results showed that durable earnings and execution still matter more than exposure to a popular theme

Primary themes shaping our investment outlook for the remainder of 2026:

- **Artificial Intelligence remains a long-term opportunity:** Strong demand supports continued infrastructure investment, while valuation and capital-spending discipline remain essential
- **Monetary policy remains data-dependent:** Persistent inflation and Chair Warsh's hawkish tone reduced confidence in near-term easing and increased the possibility of tighter policy
- **Fixed income offers income but requires duration discipline:** Elevated yields remain attractive, although shifting inflation and policy expectations can produce meaningful price volatility
- **Geopolitical risks warrant close monitoring:** Middle East tensions could affect inflation and household spending, reinforcing the value of diversification and balance-sheet strength
- **Our long-term investment philosophy remains unchanged:** We remain focused on high-quality businesses with durable advantages, consistent cash flow, and attractive long-term opportunities that meet our due diligence standards.

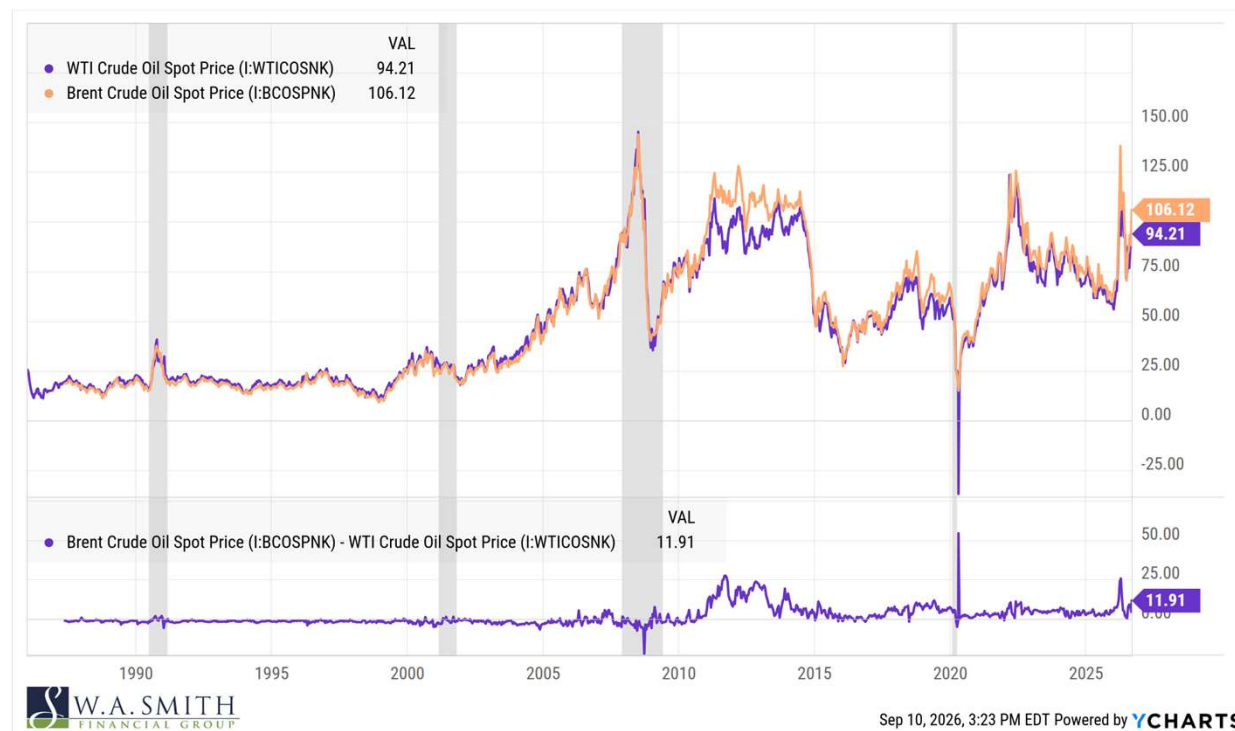
Equal-Weight Leadership Signals Broader Market Participation

- **Market leadership broadened meaningfully through August.** The equal-weight S&P 500 led the capitalization-weighted index, showing that performance extended beyond the largest companies
- **The S&P 493 also outperformed the Magnificent Seven.** The broader group gained 14.05% compared with 9.34% for the seven mega-cap leaders, reversing the narrow leadership seen in prior periods
- **Participation improved following the early-April pullback.** All three measures recovered, but the equal-weight index and S&P 493 followed steadier paths as the Magnificent Seven experienced greater volatility
- **How to Interpret:** Broader participation supports a healthier and potentially more durable market advance while reinforcing the value of diversification beyond a small group of technology-oriented companies



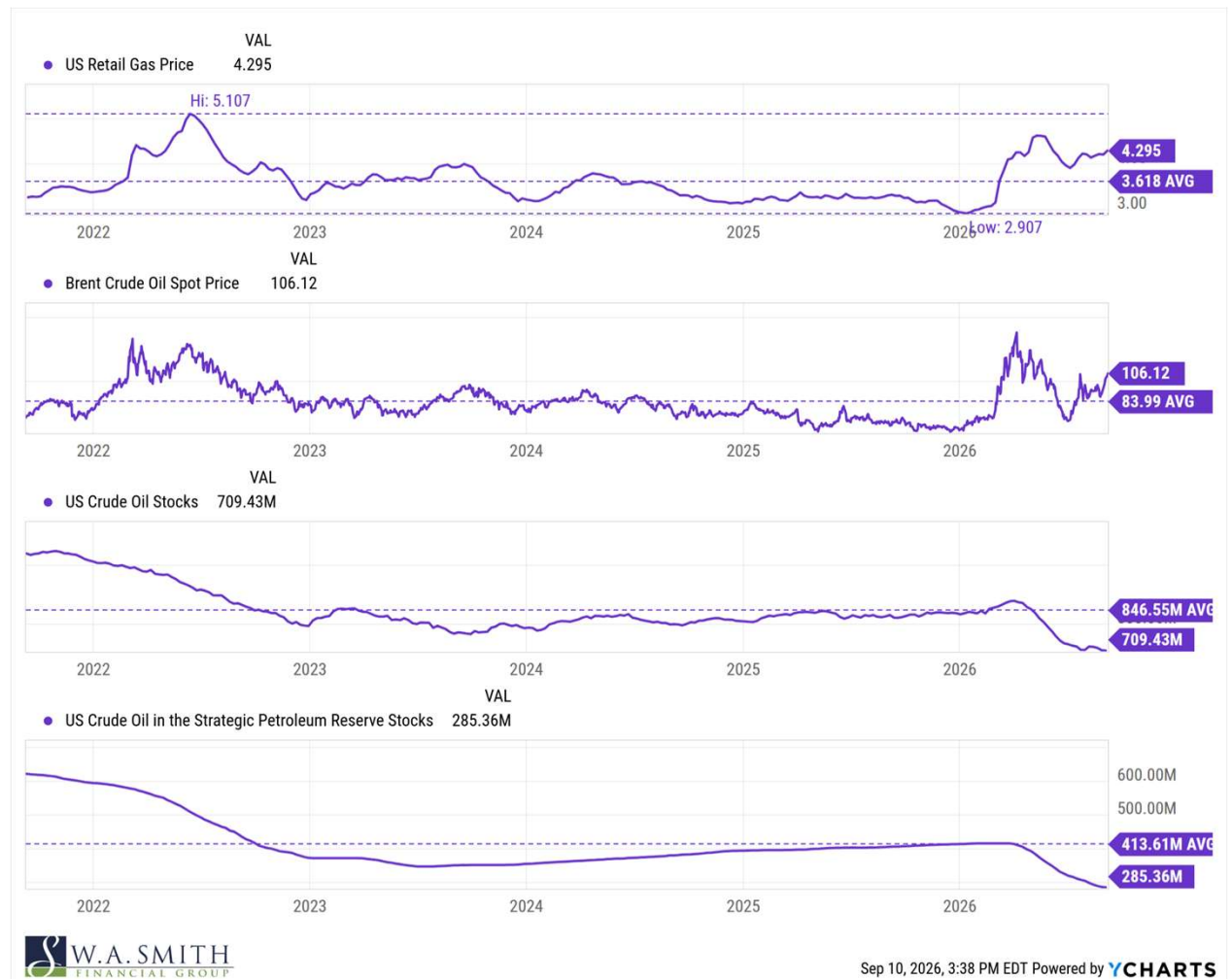
Brent Premium Widens as Maritime Risks Intensify

- **Oil prices have risen sharply amid renewed supply concerns.** Brent reached approximately \$106 per barrel, while WTI climbed above \$94, increasing potential pressure on inflation and consumer spending
- **Brent's premium has widened to nearly \$12 per barrel.** This is well above typical levels and suggests that global seaborne supplies face greater stress than the domestic US market
- **The benchmarks reflect different supply conditions.** WTI pricing centers on Cushing and responds more directly to US inventories and pipeline capacity, while Brent carries greater exposure to global shipping routes and maritime disruptions
- **How to Interpret:** A rapidly widening spread can indicate an active geopolitical or supply crisis. Continued widening could signal growing uncertainty, while sustained narrowing may suggest improving supply conditions or reduced concern about the conflict
- *As stated previously: during times of international turmoil (i.e., Iran War), this spread can be used as a loose indicator of how the conflict is progressing. If the spread widens, it may show that there is greater uncertainty around the conflict outcome*



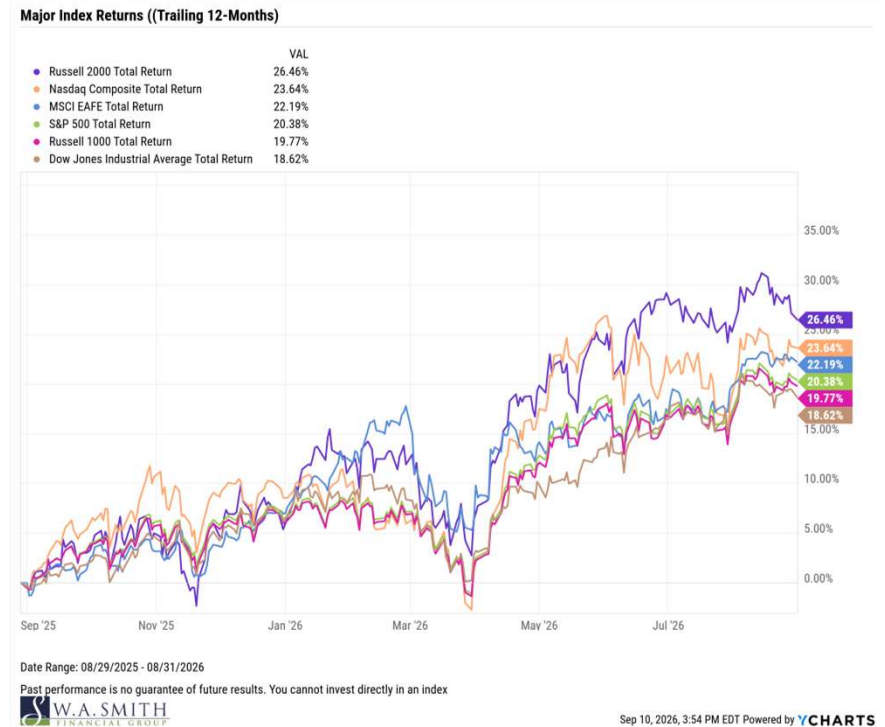
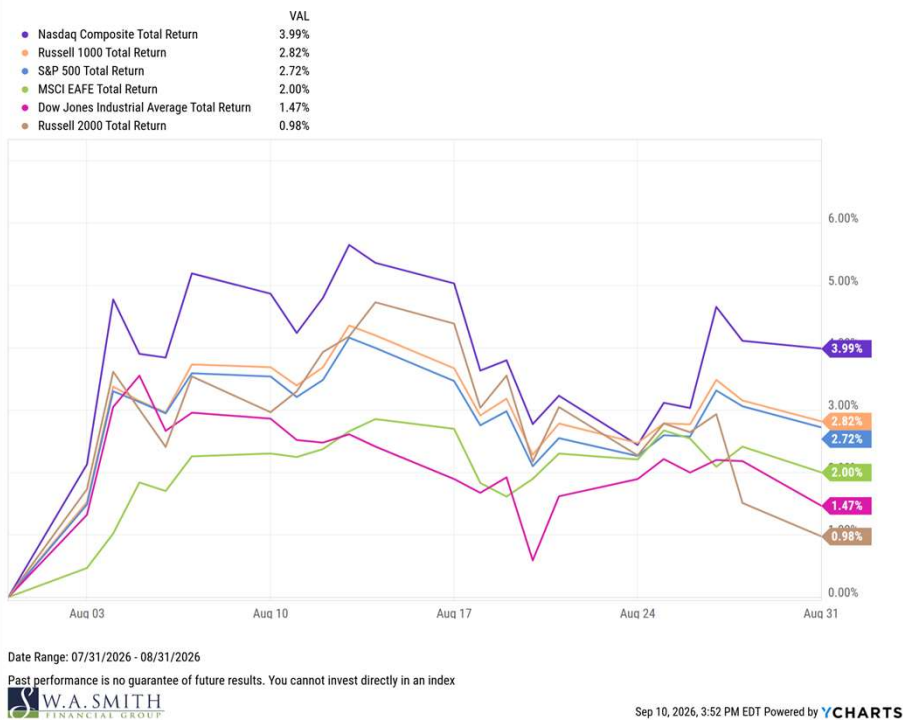
Rising Energy Prices Meet a Reduced Supply Cushion

- **Energy prices remain elevated.** Brent crude is trading near \$106 per barrel, while retail gasoline prices are above their recent average, increasing pressure on household budgets and transportation costs
- **The US oil supply cushion has contracted significantly.** Total crude stocks stand near 709 million barrels, well below the period average shown in the chart
- **The Strategic Petroleum Reserve has fallen to approximately 285 million barrels.** This leaves policymakers with less flexibility to offset another major supply disruption or price spike
- **How to Interpret:** Elevated prices combined with reduced reserves increase US exposure to renewed geopolitical escalation, shipping disruptions, or production outages, potentially adding to inflation and slowing consumer spending



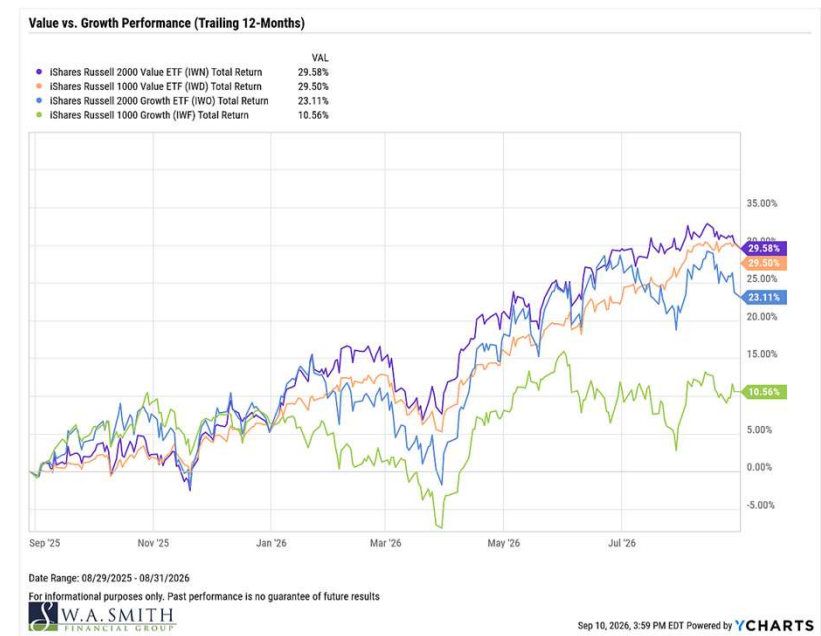
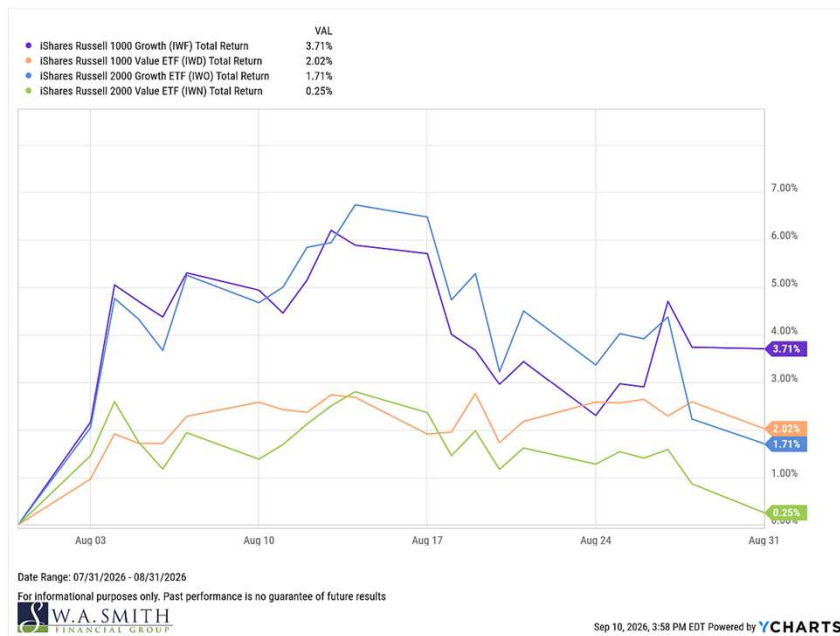
August Gains Reflected Broad Market Participation

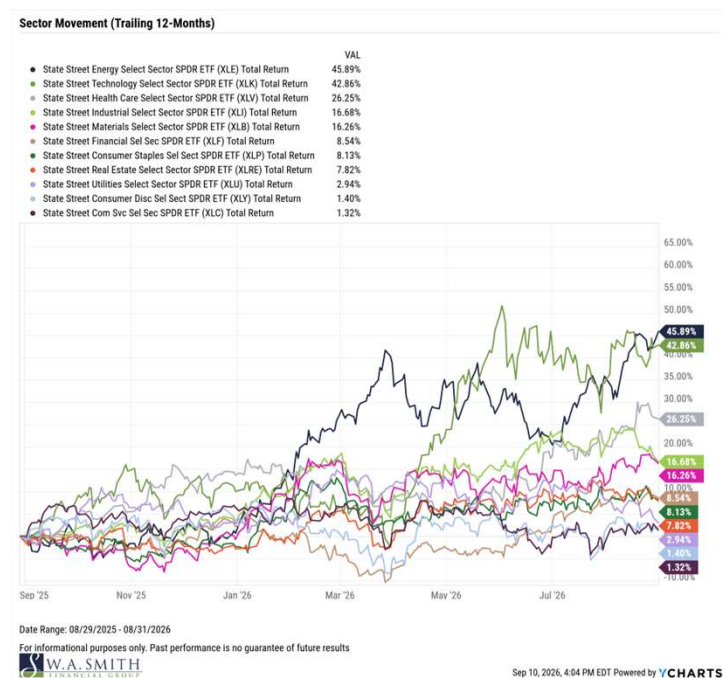
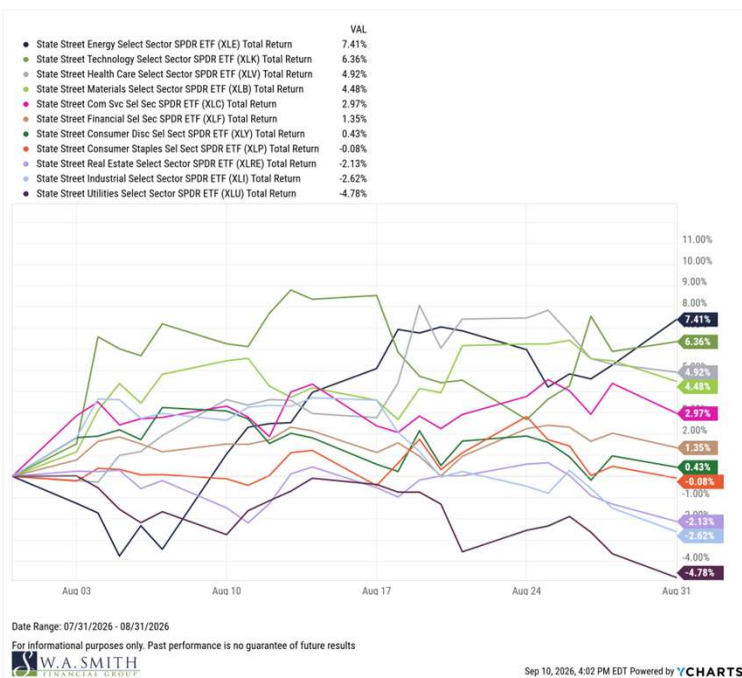
- **Every major index advanced during August.** The Nasdaq led the month, followed by the Russell 2000 and S&P 500, as technology momentum resumed and smaller companies participated in the rally
- **Leadership remained broad but uneven.** Growth-oriented and small-cap equities outperformed, while international markets and blue-chip stocks produced more moderate gains
- **The trailing 12-month trend remains constructive across market segments.** Small caps led the period, but US large caps, international equities, and the Dow also generated meaningful gains
- **How to Interpret:** August's broad participation suggests improving market breadth rather than dependence on a narrow group of mega-cap companies, supporting continued diversification across market capitalizations, styles, and regions



Growth Rebounded in August, but Value Retained Its Long-Term Lead

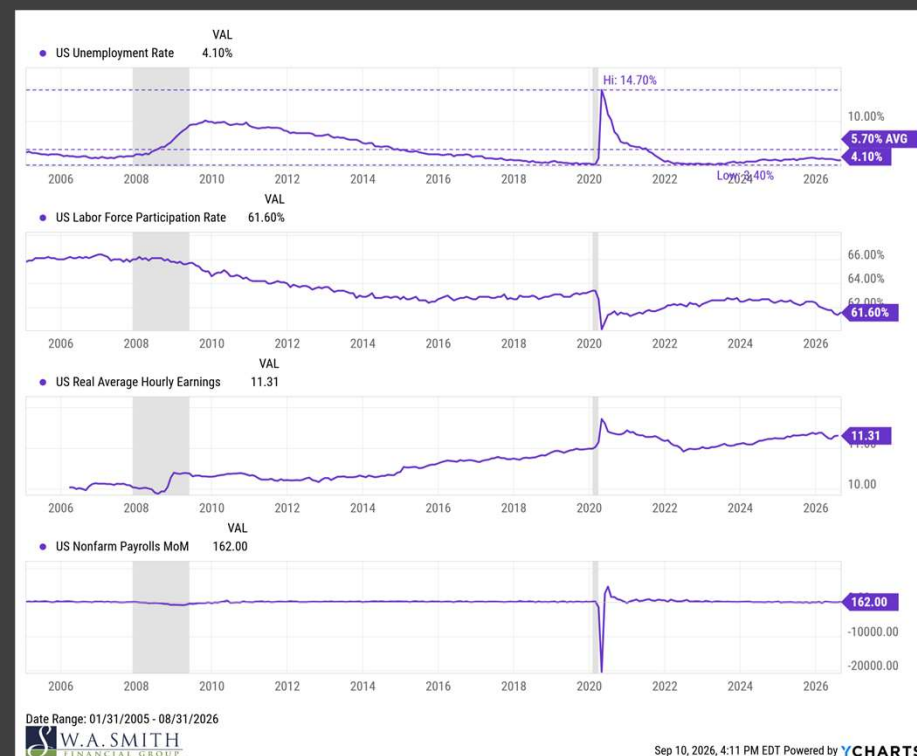
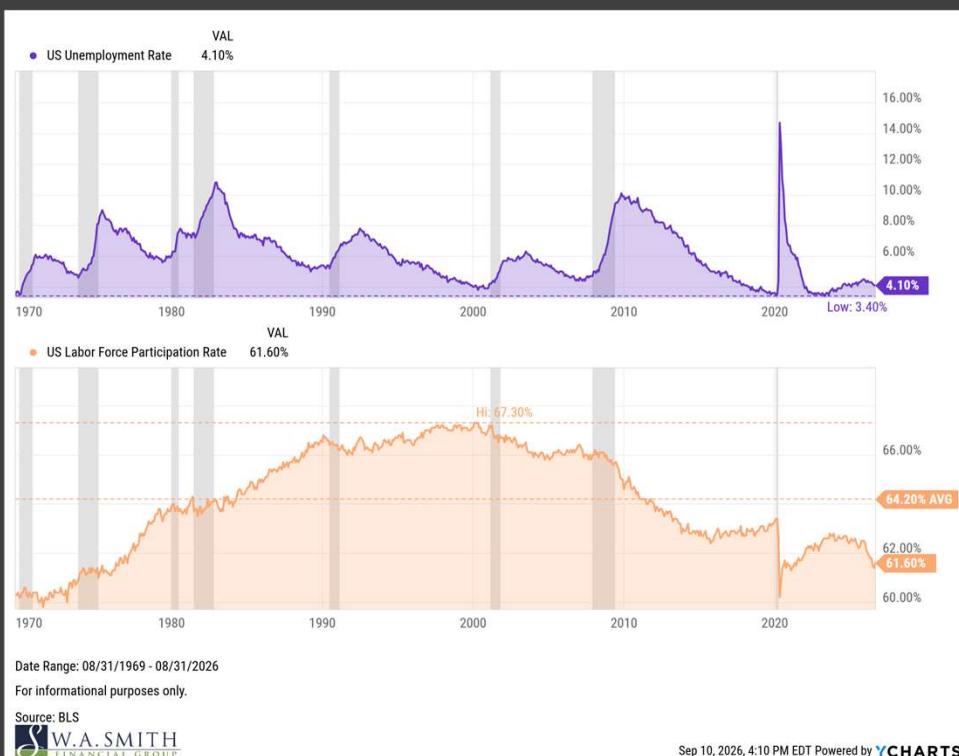
- **Growth regained leadership during August.** Large-cap growth led the four style categories, while small-cap growth also advanced, reversing July's value-led pattern
- **The trailing 12-month trend continues to favor value.** Small- and large-cap value generated nearly identical leading results, while large-cap growth remained the clear laggard
- **How to Interpret:** The contrast between August and the trailing year demonstrates how quickly style leadership can change. Maintaining exposure to both growth and value can help portfolios participate without relying on one market environment





Energy and Technology Led a Sharply Divided August

- **Energy led the market during August, followed by Technology.** Rising oil prices supported energy companies, while strong AI-related earnings helped technology recover from July's pullback
- **Leadership extended beyond the two strongest sectors.** Health Care and Materials also posted meaningful gains, suggesting participation remained broader than a single investment theme
- **Defensive and rate-sensitive sectors generally lagged.** Utilities, Real Estate, and Consumer Staples declined, while Industrials also weakened despite their stronger longer-term performance
- **How to Interpret:** Wide sector dispersion reinforces the importance of diversification. Energy and Technology continue to lead over the trailing year, but shifting economic, inflation, and interest-rate expectations can quickly change monthly leadership

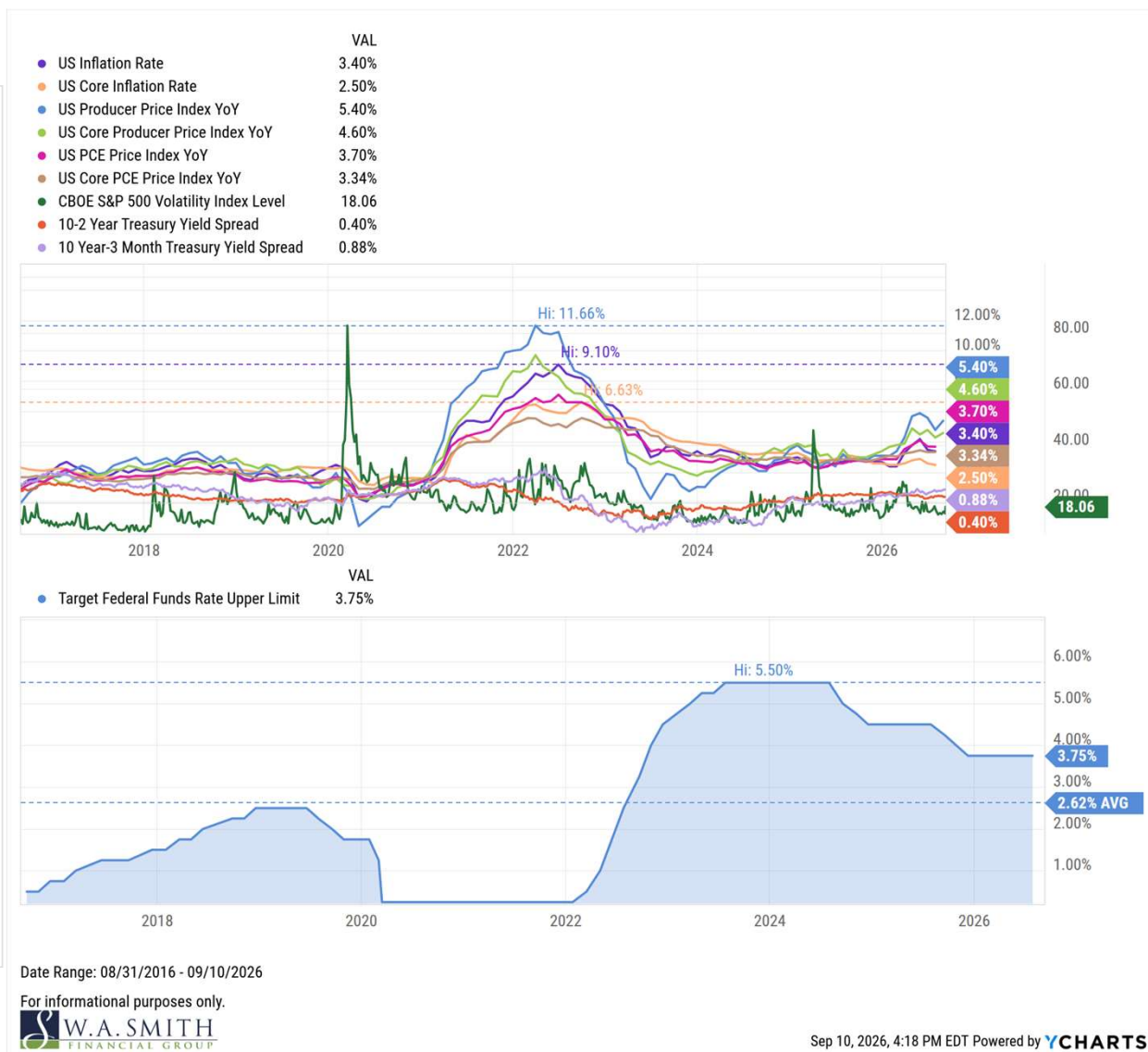


Hiring Rebounded while Unemployment Remained Stable

- **Hiring recovered during August.** Nonfarm payrolls increased by 162,000 following July's decline, easing concerns that the labor market was moving rapidly toward contraction
- **The unemployment rate remained relatively low at 4.1%.** Labor-force participation improved modestly to 61.6% but remains well below its longer-term average, indicating that labor supply continues to be constrained
- **How to Interpret:** Stronger hiring and positive real wage growth remain supportive of household spending. However, low participation and the recent volatility in payroll growth warrant continued monitoring for signs of a broader slowdown

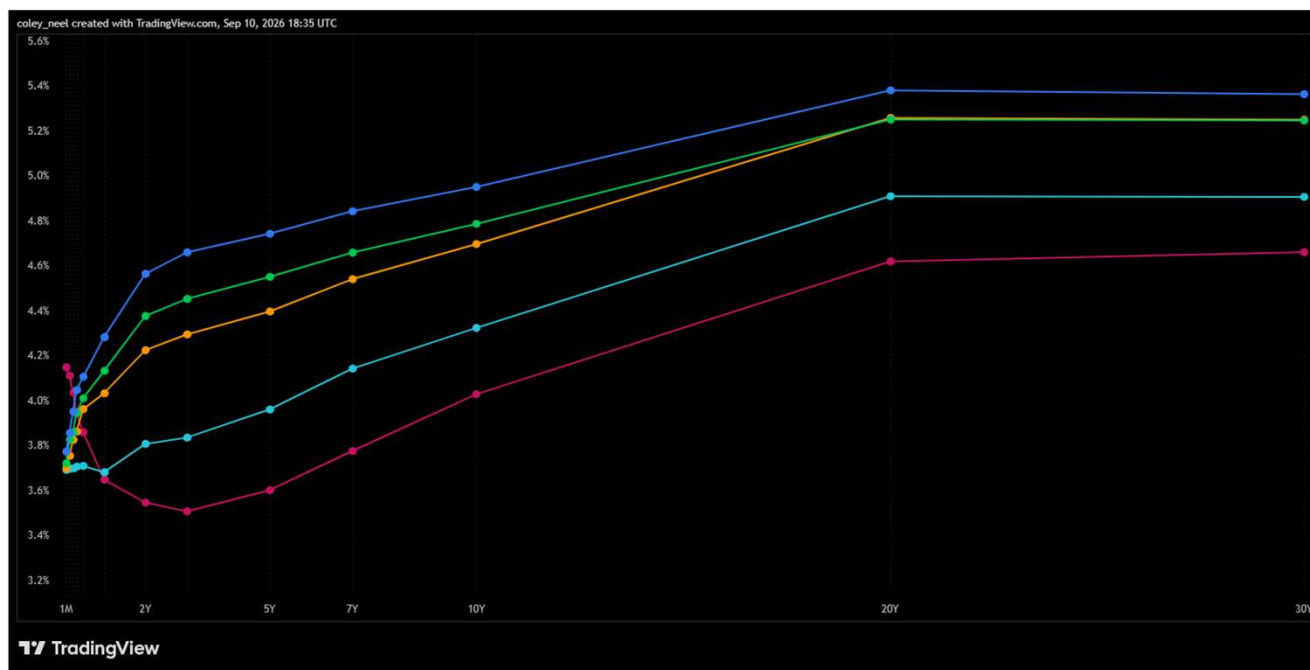
Elevated Producer Prices May Complicate the Fed's Inflation Outlook

- **Inflation remains above the Federal Reserve's objective, but the underlying signals differ.** Core CPI has moderated to 2.5%, while headline and core PCE remain more elevated
- **Producer-price inflation presents the greatest near-term concern.** Headline PPI has risen to 5.4% and core PPI to 4.6%, indicating that businesses continue to face substantial input-cost pressure that could eventually reach consumer prices
- **How to Interpret:** Persistent wholesale inflation, positive Treasury spreads, and a relatively stable volatility index support a patient Fed. Policymakers must weigh the risk of renewed inflation against signs that economic and labor-market growth are becoming less consistent



Higher Yields Reflect Persistent Inflation and Policy Uncertainty

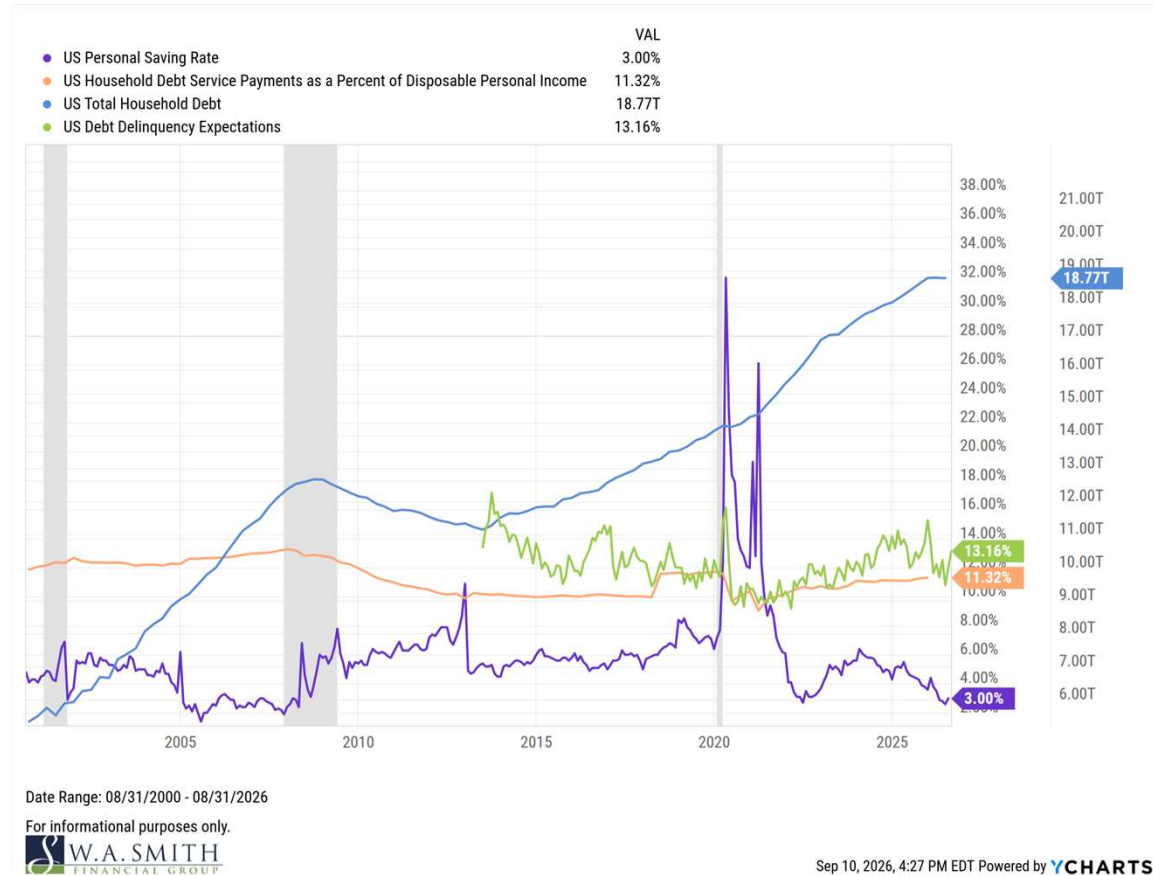
- **Treasury yields have moved higher across nearly every maturity.** The increase has been especially pronounced from two through ten years, reflecting firmer inflation concerns and expectations that Federal Reserve policy may remain restrictive
- **The curve remains positively sloped.** The 10-year Treasury remains above both the 2-year and 3-month yields, continuing the normalization that followed the prolonged inversion
- **Recent movement represents a modest flattening within a positive curve.** Short- and intermediate-term yields have risen faster than the longest maturities, suggesting markets have reduced expectations for near-term policy easing
- **How to Interpret:** Higher yields provide attractive income opportunities, particularly across intermediate maturities, but they also raise mortgage and business borrowing costs while increasing price volatility for longer-duration bonds



Country	On date	1M	2M	3M	4M	6M	1Y	2Y	3Y	5Y	7Y	10Y	20Y	30Y
USA	Current: Sep 10, 2026	3.771%	3.854%	3.949%	4.045%	4.104%	4.277%	4.558%	4.657%	4.740%	4.840%	4.946%	5.378%	5.359%
USA	1 week ago: Sep 3, 2026	3.719%	3.824%	3.857%	3.943%	4.008%	4.130%	4.374%	4.450%	4.548%	4.656%	4.784%	5.248%	5.244%
USA	1 month ago: Aug 10, 2026	3.696%	3.752%	3.823%	3.860%	3.960%	4.030%	4.222%	4.292%	4.394%	4.538%	4.694%	5.255%	5.247%
USA	Mar 31, 2026	3.690%	3.695%	3.696%	3.704%	3.707%	3.679%	3.805%	3.833%	3.958%	4.140%	4.321%	4.907%	4.904%
USA	1 year ago: Sep 10, 2025	4.146%	4.108%	4.034%	3.946%	3.857%	3.646%	3.544%	3.505%	3.599%	3.773%	4.026%	4.617%	4.658%

Low Savings and Rising Debt Reduce Household Flexibility

- **Households have a limited financial cushion.** The personal saving rate stands at 3.0%, leaving consumers more exposed to unexpected expenses, job losses, or persistent inflation
- **Debt and required payments continue to rise.** Total household debt has reached approximately \$18.8 trillion, while debt-service payments consume 11.3% of disposable income
- **How to Interpret:** Elevated delinquency expectations suggest households anticipate greater difficulty meeting their obligations. A slowdown in employment or income growth could lead to weaker discretionary spending and increased credit stress
 - *As noted previously, we regularly monitor financial institutions' delinquent and non-performing loans to see if there are higher Q/Q variances, which is usually an early warning signal that consumers are encountering issues*



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- **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.