

Month-End Summary – September 2026

Market Update – September 2026

September 2026 Market Review:

- **Equity markets became increasingly selective:** Large-cap technology and AI-related companies supported the Nasdaq, while most major indexes and the broader market weakened
- **Market breadth narrowed during the month:** Small-cap, value, international, and equal-weighted equities generally lagged, increasing dependence on a relatively small group of market leaders
- **Higher interest rates pressured valuations:** A sharp rise in long-term Treasury yields weighed on rate-sensitive sectors and increased the market's focus on earnings quality, cash flow, and balance-sheet strength
- **Economic conditions remained resilient but uneven:** Consumer spending and revised second-quarter growth remained supportive, while persistent inflation and subdued hiring increased uncertainty entering the fourth quarter

Key Drivers During September:

- **The Federal Reserve resumed tightening:** The FOMC raised its target range by 0.25 percentage point, reinforcing its commitment to containing persistent inflation
- **Artificial Intelligence regained market leadership:** Continued infrastructure spending and strong earnings expectations supported select technology companies, although narrow participation increased concentration risk
- **Long-term Treasury yields moved sharply higher:** Inflation concerns, resilient growth, and elevated government borrowing pushed yields upward, increasing financing costs throughout the economy
- **Middle East tensions intensified energy risks:** Oil prices rose as the Iran conflict and shipping disruptions constrained supply, adding potential pressure to inflation, consumer spending, and corporate margins

Investment Committee Update – Month-End Review

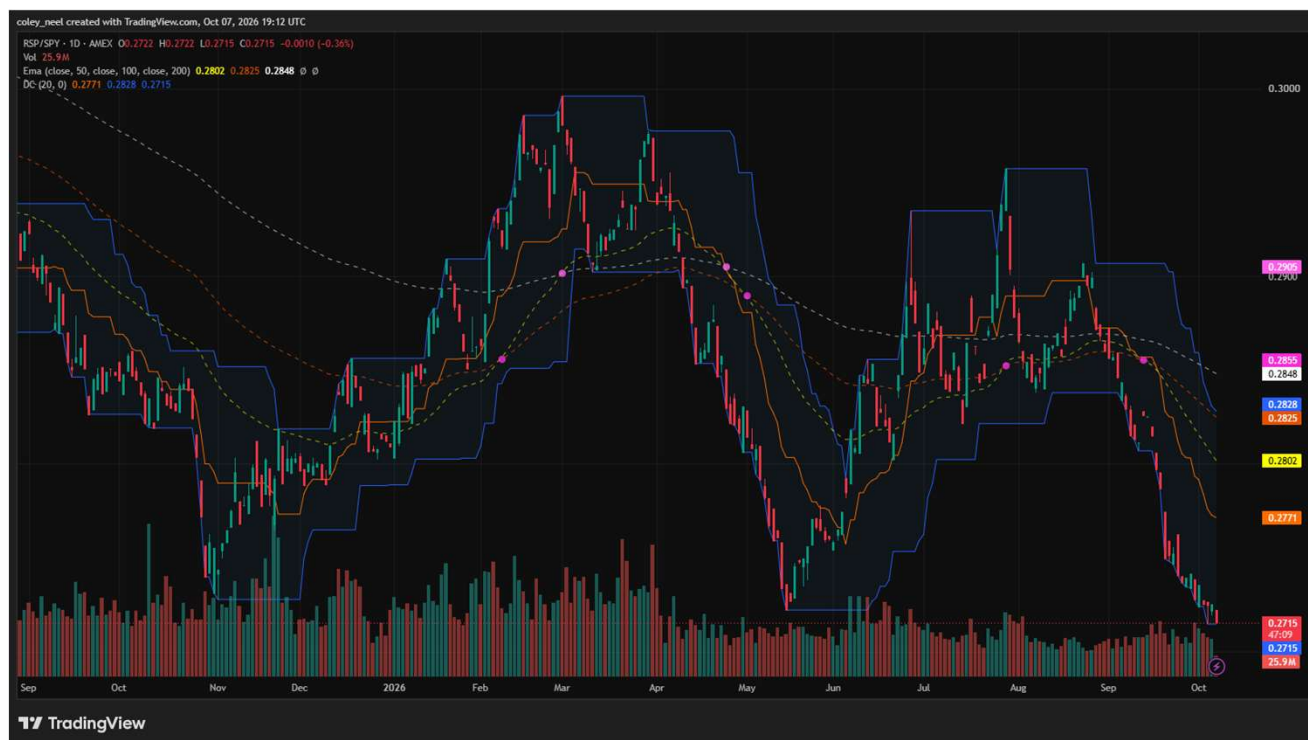
- **The Investment Committee continues to monitor the evolving environment through September:** Narrower equity leadership, higher interest rates, and elevated energy prices warrant continued discipline despite resilient economic activity
- **Potential strategy additions and removals remain under active 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
- **September reinforced the importance of diversification and selectivity:** Strong performance from a limited group of technology companies masked broader weakness, highlighting the risk of relying on narrow market leadership

Primary themes shaping our investment outlook entering the 4th Quarter of 2026:

- **Artificial Intelligence remains a long-term opportunity:** Infrastructure demand remains strong, but valuations, execution, and the potential return on substantial capital spending require careful evaluation
 - **Monetary policy may remain restrictive:** Persistent inflation and the September rate increase suggest that borrowing costs could remain elevated until policymakers gain greater confidence in price stability
 - **Fixed income offers attractive income with greater duration risk:** Higher yields improve income potential, but continued volatility favors a measured approach to maturity and credit exposure
 - **Geopolitical and energy risks warrant close monitoring:** Continued conflict could affect inflation, household spending, corporate profitability, and the path of monetary policy
- **Our long-term investment philosophy remains unchanged:** We remain focused on high-quality businesses with durable competitive advantages, consistent cash flow, strong balance sheets, and attractive long-term opportunities that meet our due diligence standards

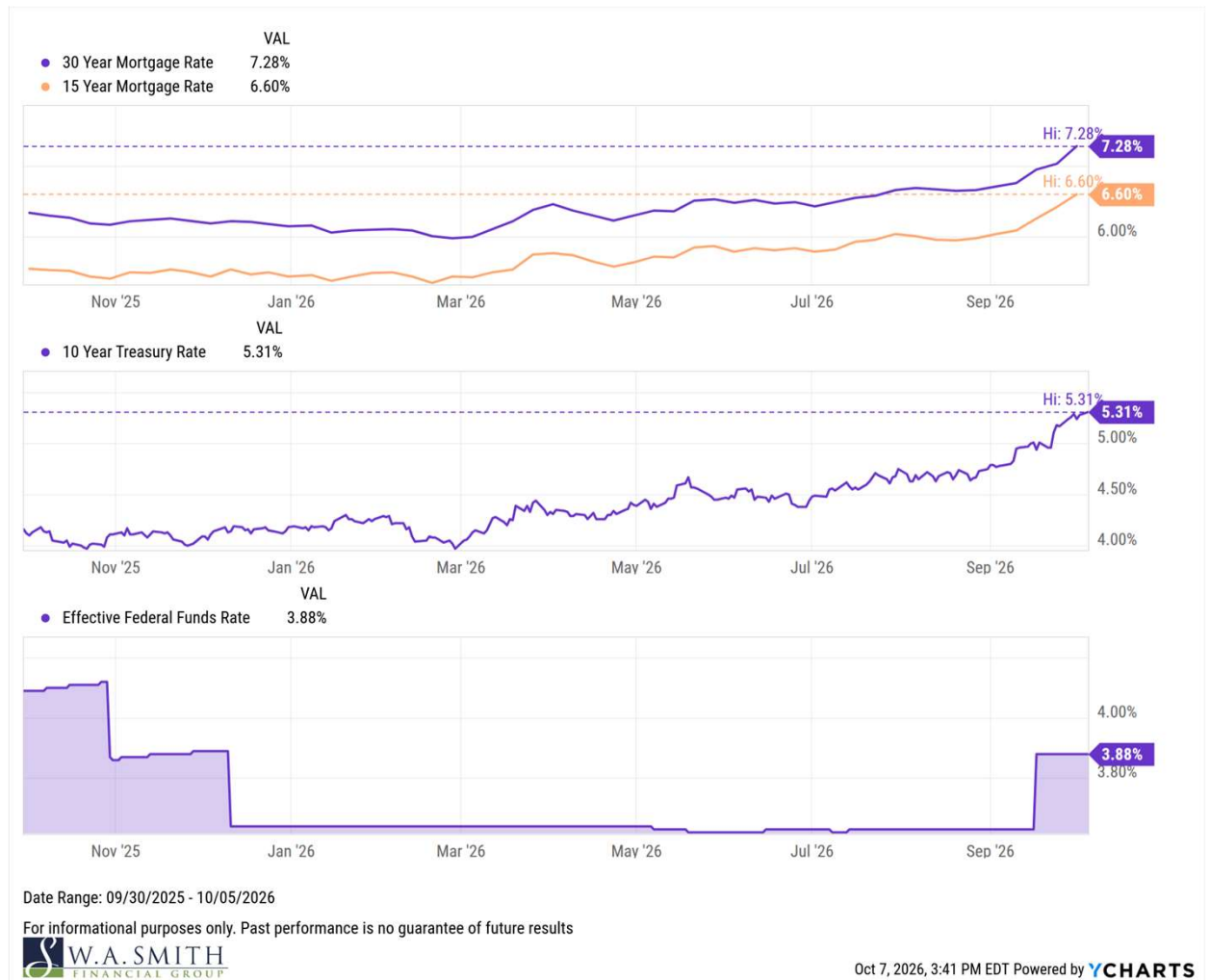
Narrowing Market Breadth Signals Greater Concentration Risk

- **Market breadth weakened sharply during September.** The declining RSP-to-SPY ratio shows that the capitalization-weighted S&P 500 materially outperformed its equal-weighted counterpart, reflecting stronger performance from the largest companies
- **The ratio has fallen below its major trend indicators and reached the lower end of its recent range.** This suggests that relative momentum continues to favor mega-cap stocks rather than the average S&P 500 company
- **The ratio reflects two distinct sources of market performance:** RSP represents the average S&P 500 company because each constituent receives equal weight, while SPY gives greater influence to the largest companies. A falling ratio indicates that mega-cap stocks are outperforming the broader index, while a rising ratio signals improving participation among the average S&P 500 company
- **How to Interpret:** Narrow leadership can support headline indexes in the near term, but it increases concentration risk and leaves the broader market more dependent on continued strength from a limited group of companies. A sustained recovery in the ratio would indicate healthier market participation



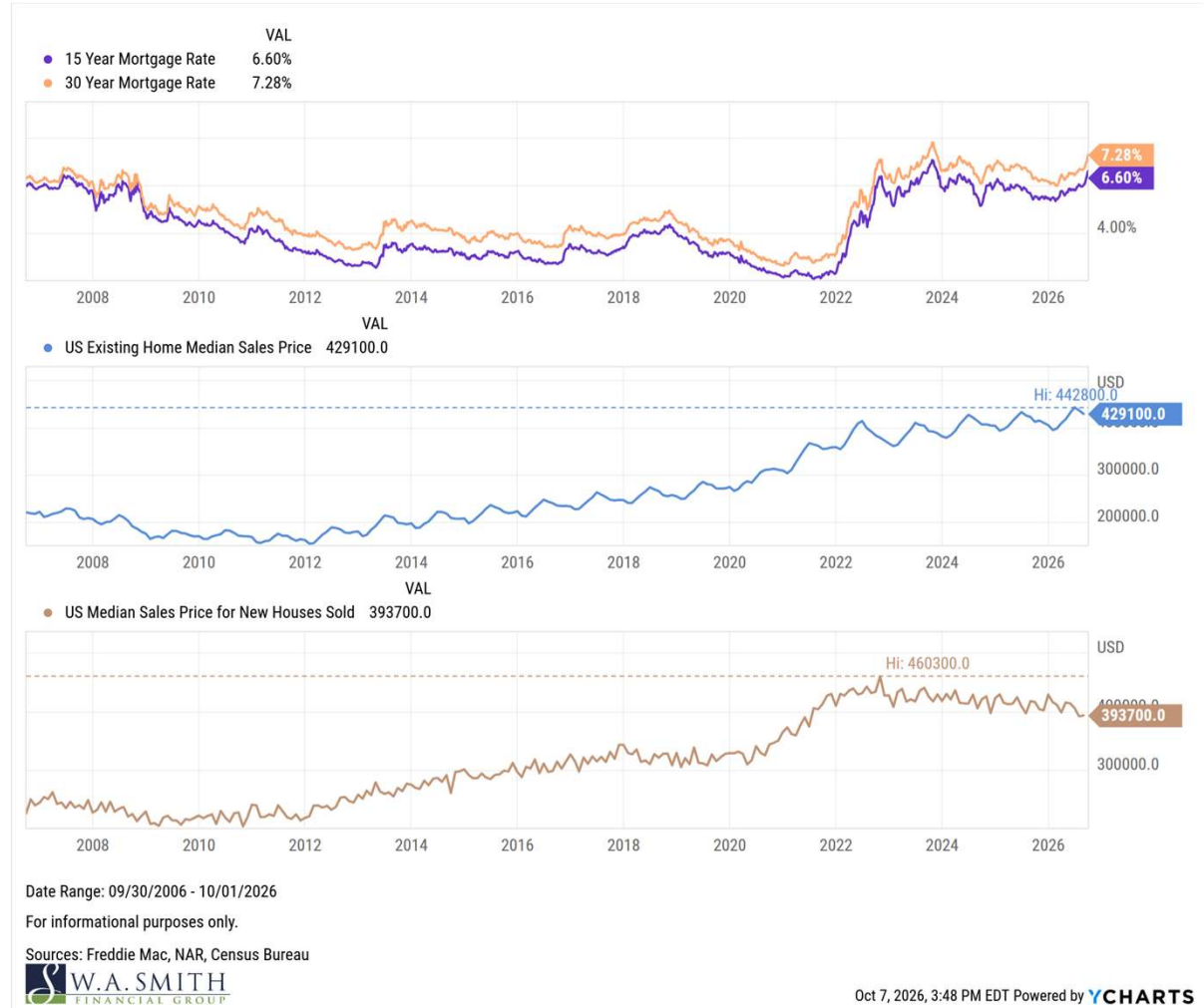
Rising Treasury Yields Push Mortgage Rates Above 7%

- **Mortgage rates have risen sharply:** The 30-year mortgage rate reached 7.28%, while the 15-year rate climbed to 6.60%. Both rates stand at their highest levels shown in the chart
- **The 10-year Treasury remains the primary market reference for mortgage rates:** Its rise to 5.31%, combined with the September increase in the federal funds rate, pushed funding costs higher. Mortgage rates may remain elevated even if the Fed pauses because long-term yields also reflect inflation, Treasury supply, and term premiums
- **Housing data may weaken further:** As you will see on the next slide, elevated mortgage rates could reduce home sales, purchase applications, and housing starts as affordability deteriorates. Limited existing-home supply may continue supporting prices, creating an environment of weak transaction activity without a comparable decline in home values
- **How to Interpret:** Higher mortgage rates reduce purchasing power, discourage refinancing, and reinforce the rate-lock effect that limits existing-home supply. Continued pressure could weaken transaction activity and housing-related spending, although limited supply may help support home prices



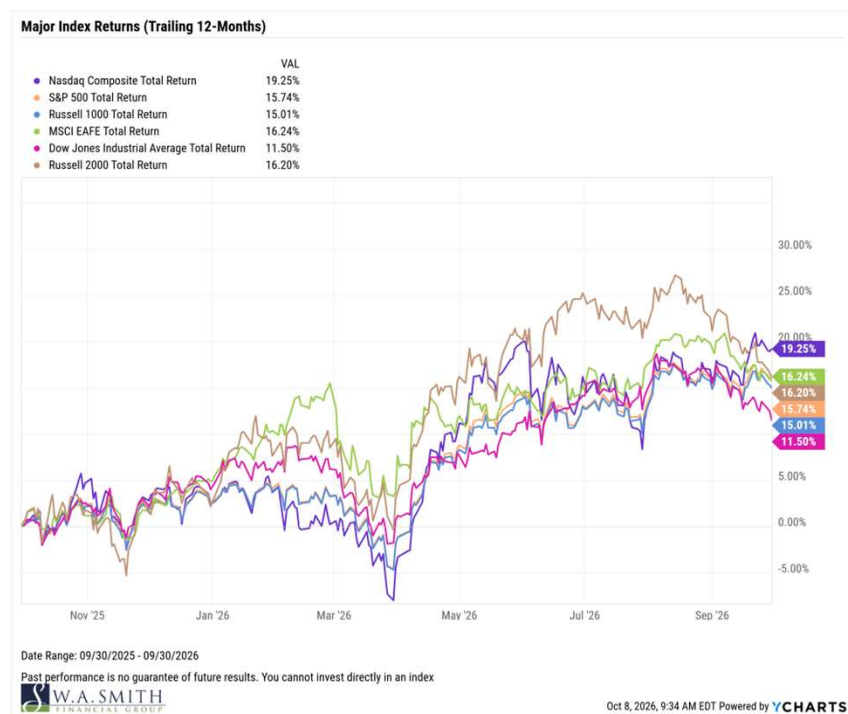
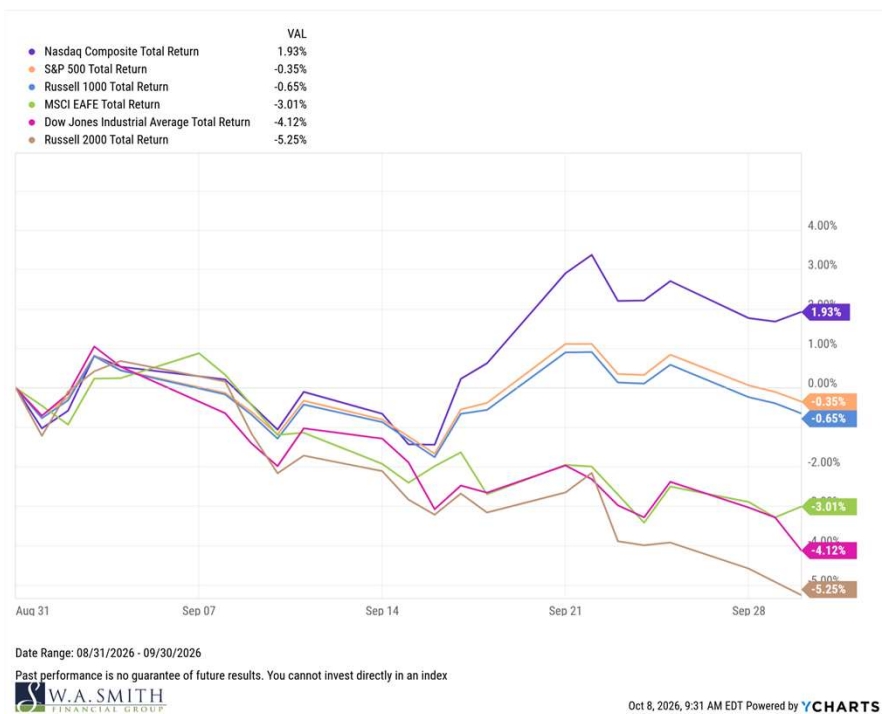
High Mortgage Rates Create Diverging Housing-Market Pressures

- **Elevated mortgage rates continue to pressure affordability:** The 30-year rate has risen to 7.28%, increasing monthly payments and limiting purchasing power for prospective buyers
- **Existing-home prices remain relatively resilient:** Median resale prices remain near their recent high as homeowners with lower mortgage rates hesitate to sell, restricting supply despite weaker affordability
- **New-home prices have adjusted more meaningfully:** Builders have responded to affordability pressure through smaller homes, price reductions, and financing incentives. The median new-home price has fallen below the existing-home median, helping builders compete with the limited resale market
- **How to Interpret:** The divergence between existing- and new-home prices reflects different supply conditions. Limited resale inventory continues to support existing-home values, while builders can adjust prices, home sizes, and financing incentives to preserve demand. This suggests continued housing-market strain may appear more clearly in sales activity and construction data than in existing-home prices



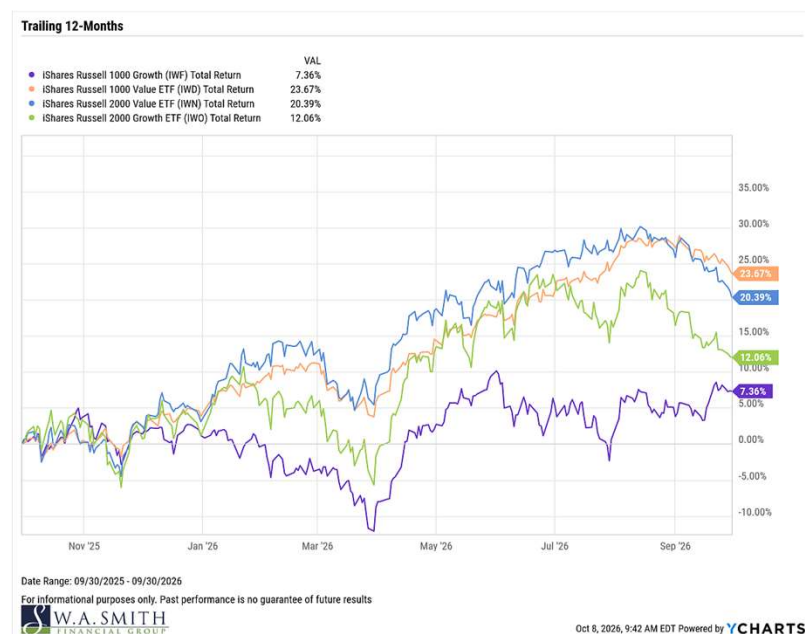
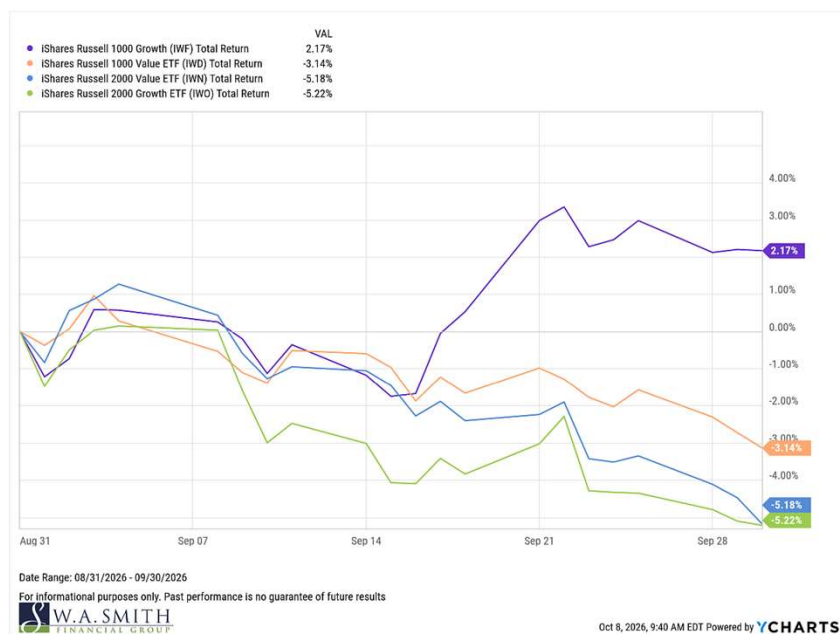
September Leadership Narrowed as Technology Outperformed

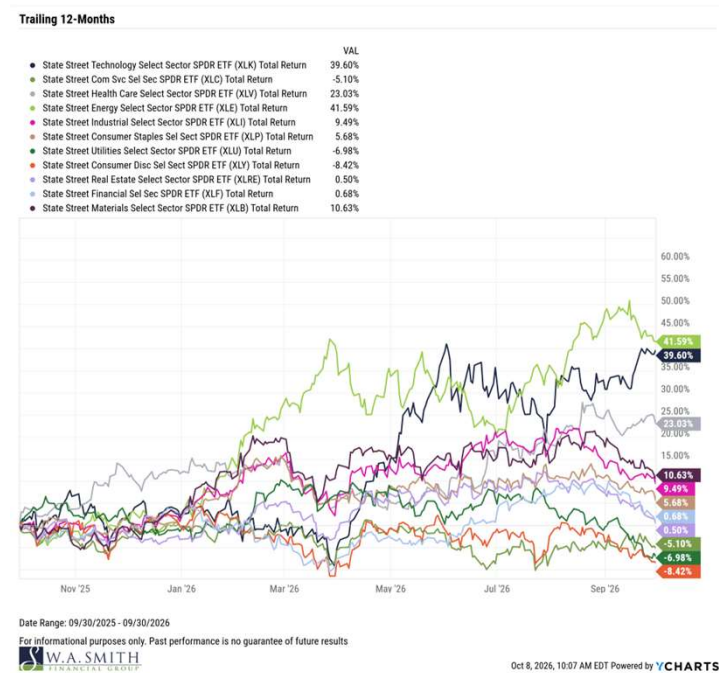
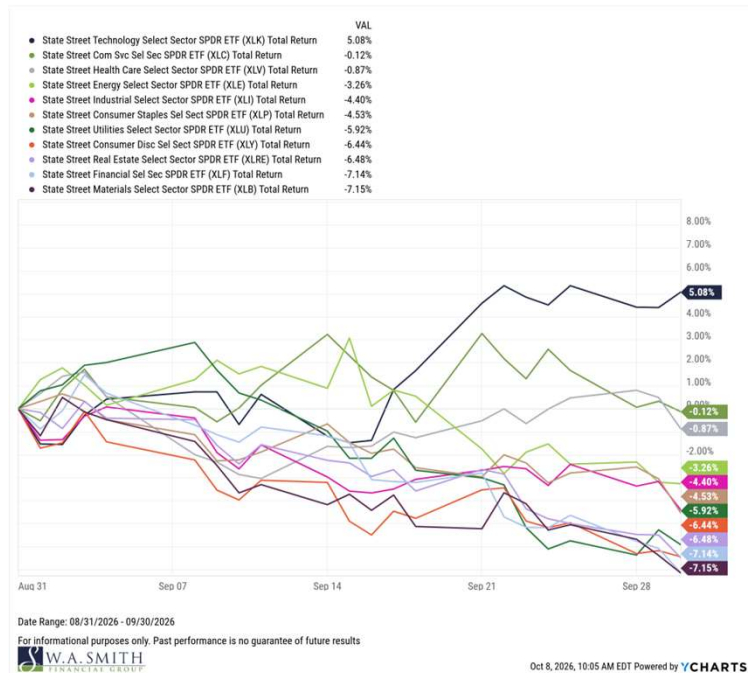
- **September produced a sharp divergence across major indexes:** The Nasdaq was the only index shown that finished higher, while the S&P 500 and Russell 1000 declined modestly. International equities, the Dow, and small-cap stocks experienced more pronounced weakness
- **The trailing 12-month trend remains constructive:** Every major index remains firmly positive, with the Nasdaq leading and the other indexes posting double-digit gains despite September's pullback
- **How to Interpret:** September's results indicate narrower leadership and renewed dependence on large-cap technology. The longer-term advance remains intact, but weaker participation increases concentration risk and reinforces the value of diversification



September Favored Large-Cap Growth, but Value Retained Its Longer-Term Lead

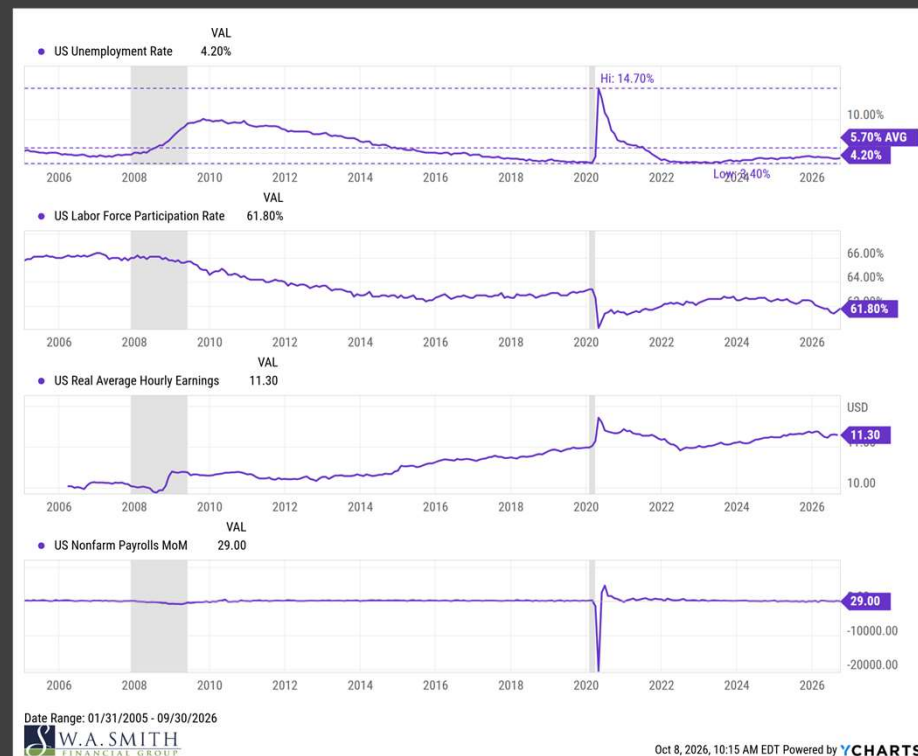
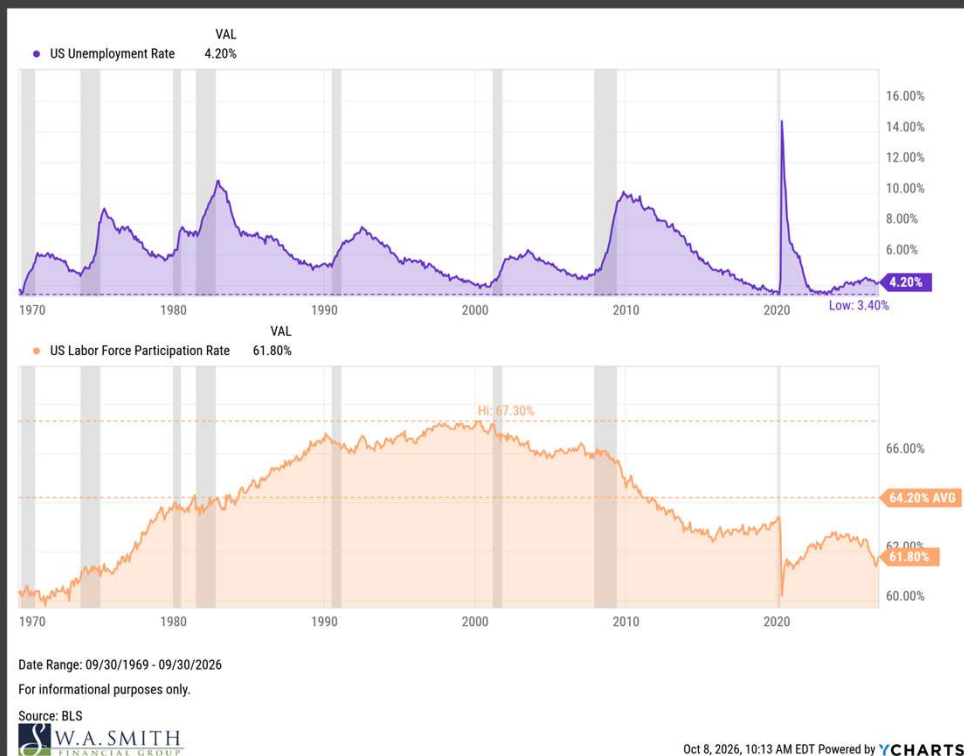
- **Large-cap growth was the clear September leader:** It was the only style category shown to finish higher, while large-cap value declined and both small-cap styles experienced sharper pullbacks
- **Value continues to lead over the trailing 12 months:** Large-cap value remains the strongest style category, followed by small-cap value. Large-cap growth has materially lagged despite its September rebound
- **How to Interpret:** September reflects a near-term rotation toward established growth companies rather than a complete reversal of the longer-term value trend. The divergence supports maintaining exposure across market capitalizations and investment styles





Technology Strength Masked Broad September Sector Weakness

- **Technology was the clear September leader:** It was the only sector to post a meaningful gain, while Communication Services and Health Care finished near flat and the remaining sectors declined
- **Rate-sensitive and economically sensitive sectors experienced the greatest pressure:** Financials, Materials, Real Estate, Consumer Discretionary, and Utilities weakened as higher long-term yields and rising energy costs increased concerns about borrowing costs and economic growth
- **How to Interpret:** Energy and Technology remain the strongest sectors over the trailing 12 months, but September's narrow participation increases concentration risk. Maintaining diversified sector exposure can reduce dependence on continued strength from a limited group of market leaders

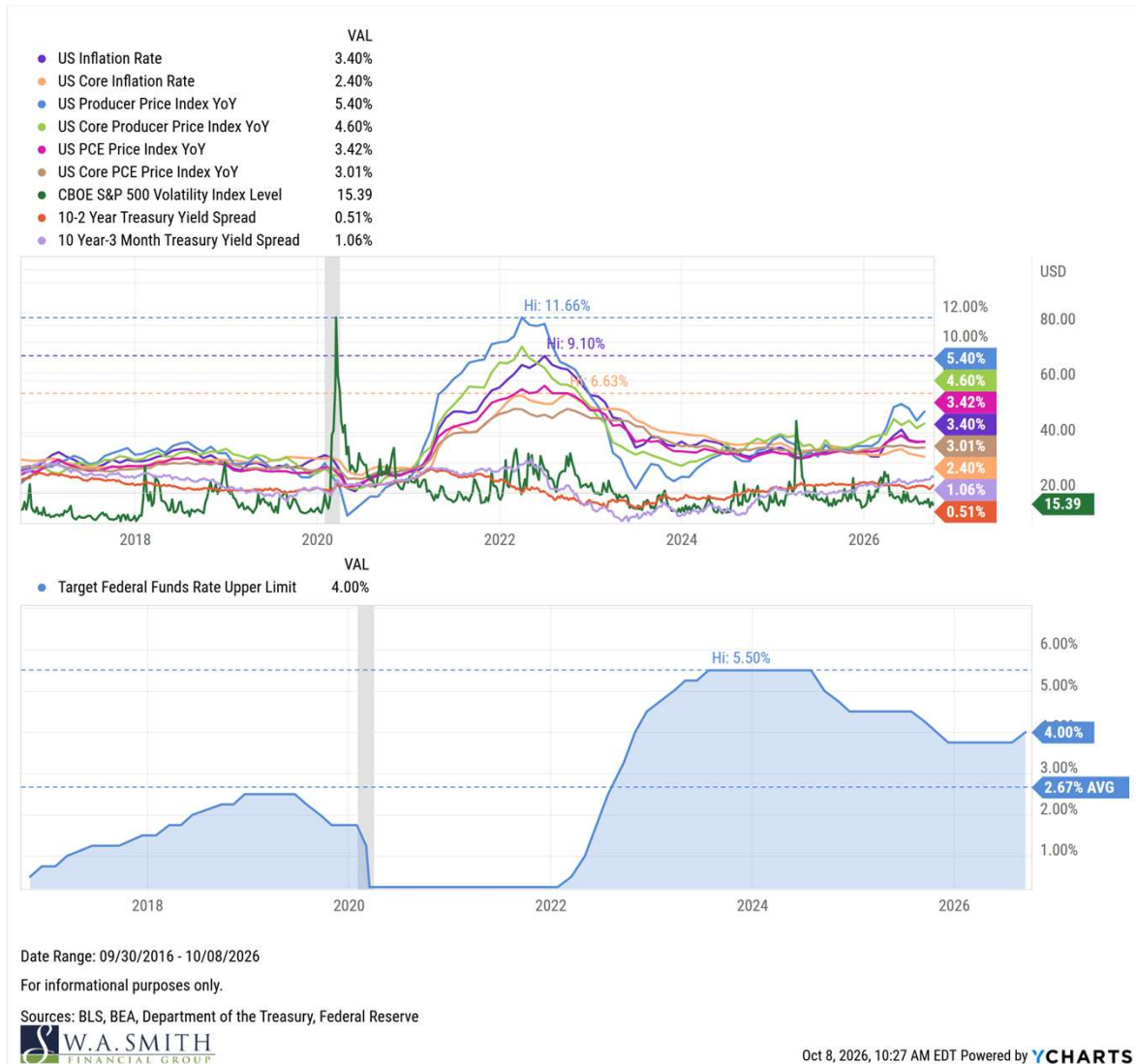


Stable Unemployment Masks Weak Hiring and Participation

- **The unemployment rate remains relatively low at 4.2%:** Labor conditions have softened from recent strength, but the current rate remains well below its longer-term average and does not yet indicate widespread job losses
- **Underlying labor-market momentum remains weak:** Payroll growth slowed to 29,000, while labor-force participation remained at 61.8%, well below its historical average. Real hourly earnings continue to support workers who remain employed
- **How to Interpret:** Stable unemployment provides some reassurance, but weak hiring and low participation suggest less economic flexibility. Further deterioration could pressure consumer confidence and spending while increasing the Federal Reserve's focus on employment risks

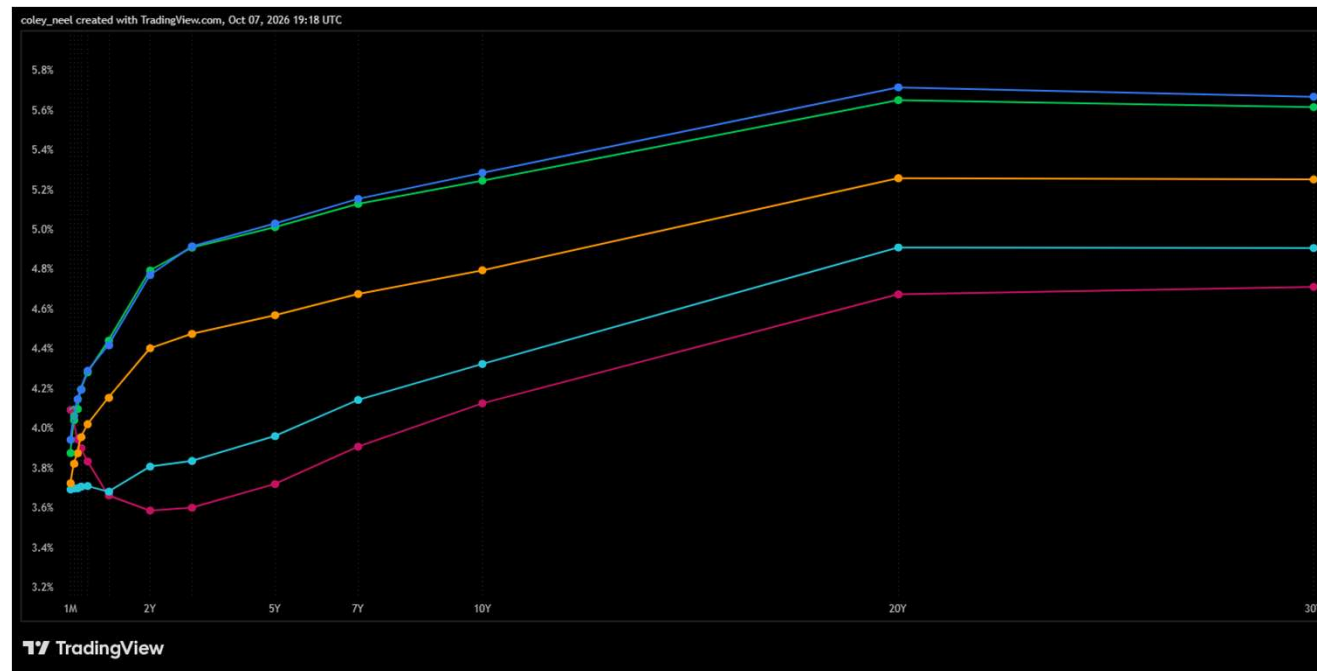
Persistent Inflation Keeps Federal Reserve Policy Restrictive

- **Inflation progress remains uneven:** Core CPI has moderated, but headline inflation and both PCE measures remain above the Federal Reserve's target. Elevated producer prices suggest that cost pressures continue within supply chains
- **The Federal Reserve remains focused on price stability:** The upper federal-funds target increased to 4.00%, reinforcing the likelihood that policy will remain restrictive until inflation shows broader and more sustained improvement
- **How to Interpret:** Positive Treasury spreads indicate a normalized yield curve, but the steepening reflects higher long-term yields and increased inflation risk. Persistent producer costs could flow into consumer prices, limiting the Fed's ability to ease policy even as labor-market growth slows



Treasury Curve Steepens as Long-Term Risk Premiums Rise

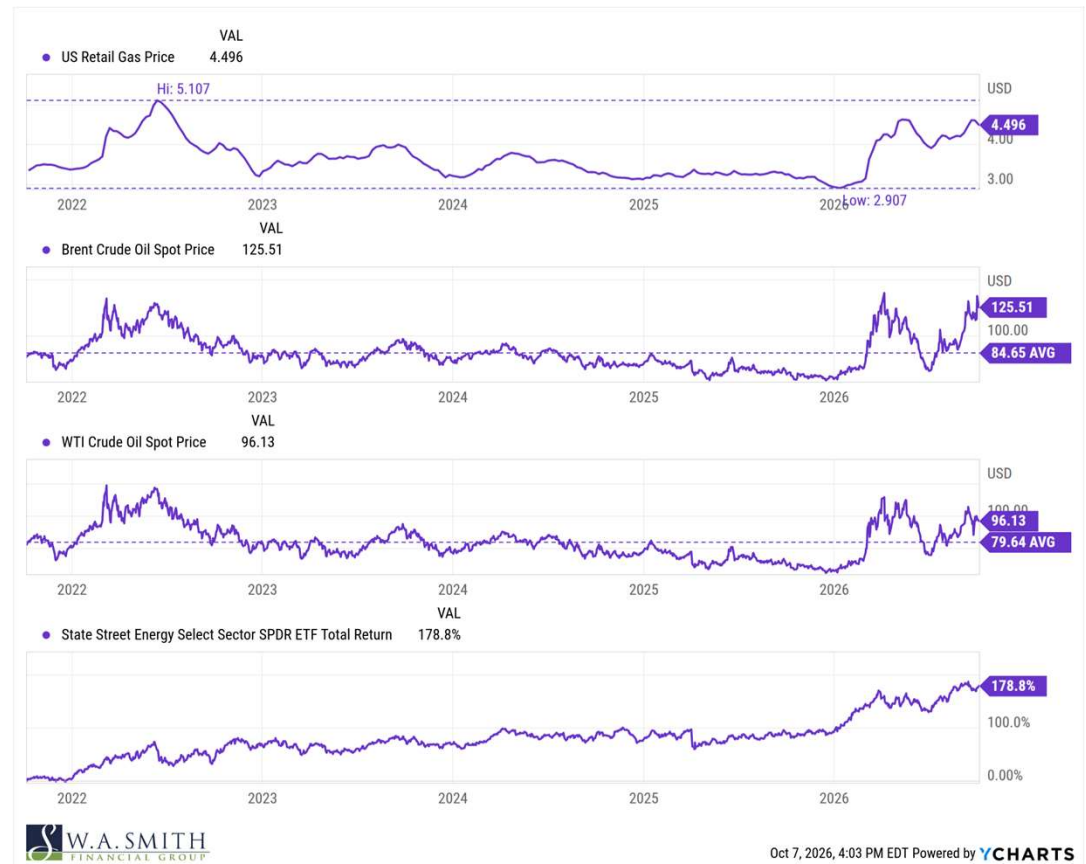
- **The Treasury curve remains positively sloped.** Yields increase from approximately 3.9% at one month to roughly 5.7% at 20 and 30 years, indicating that the market requires substantially greater compensation for longer maturities
- **The past month produced a bear steepening.** Yields rose across the curve, but intermediate and long-term rates increased more than short-term rates. This suggests that inflation concerns, Treasury supply, fiscal risk, and higher term premiums are outweighing expectations for eventual policy easing
- **Higher yields create more attractive fixed-income opportunities:** Elevated starting yields improve income potential and provide a larger cushion against modest future rate increases. Potentially extending duration may also offer capital-appreciation potential if inflation moderates and long-term yields eventually decline
- **How to Interpret:** Higher long-term yields can increase mortgage rates, corporate financing costs, and federal interest expense. They also create more attractive income opportunities in fixed income, although extending duration increases sensitivity to further rate increases



Country	On date	1M	2M	3M	4M	6M	1Y	2Y	3Y	5Y	7Y	10Y	20Y	30Y
USA	Current: Oct 7, 2026	3.940%	4.060%	4.144%	4.192%	4.287%	4.415%	4.768%	4.912%	5.027%	5.151%	5.282%	5.712%	5.665%
USA	1 week ago: Sep 30, 2026	3.873%	4.039%	4.094%	4.193%	4.279%	4.439%	4.791%	4.906%	5.009%	5.126%	5.243%	5.648%	5.613%
USA	1 month ago: Sep 7, 2026	3.721%	3.819%	3.872%	3.953%	4.018%	4.151%	4.400%	4.472%	4.566%	4.673%	4.792%	5.255%	5.249%
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: Oct 7, 2025	4.090%	4.039%	3.942%	3.898%	3.831%	3.660%	3.584%	3.598%	3.717%	3.905%	4.123%	4.671%	4.709%

Brent's Premium Signals Stress in Global Oil Markets

- **Oil and gasoline prices have risen sharply:** Brent crude has climbed well above its longer-term average, while retail gasoline approaches levels last experienced during the 2022 energy shock
- **The widening Brent–WTI spread reflects an expanding war premium:** Brent trades roughly \$29 per barrel above WTI, compared with a much narrower spread under normal market conditions. Because Brent more directly reflects seaborne global supply, its relative strength indicates that markets are placing a larger premium on risks involving the Iran conflict, the Strait of Hormuz, tanker security, and potential export disruptions. A persistently wide or expanding spread would suggest that global supply concerns remain elevated, while meaningful narrowing could indicate easing geopolitical risk
- **How to Interpret:** Higher oil prices support energy-sector earnings and relative performance, but they also increase transportation and production costs. Prolonged strength could lift inflation, constrain household spending, and keep monetary policy restrictive for longer



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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.