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MARKET REVIEW

2nd QUARTER 2026

EXECUTIVE SUMMARY

- Stocks delivered strong gains during the quarter. Large U.S. companies rose 15.2%, while smaller companies gained 21.6%.
- Bond yields moved higher throughout the quarter, leaving the broad U.S. bond market with a yield of approximately 4.7% by quarter-end.
- Volatility was increased due to the ongoing promise of conflict resolution in the Middle East.
- SpaceX's IPO dominated headlines, becoming the second ever IPO over $1T.

SIMPLIFY LIFE

Quarterly Market Review

Keeping Perspective in a Story-Driven Market

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In *The Brothers Karamazov*, Fyodor Dostoyevsky writes,

"Above all, don't lie to yourself. The man who lies to himself and listens to his own lie comes to a point that he cannot distinguish the truth within him, or around him, and so loses all respect for himself and others."

Few observations capture the discipline of investing more aptly. Markets have always been influenced as much by the stories we tell ourselves as by fundamentals, and the greatest danger to investors is often not what the market believes, but what story they *convince* themselves to believe without taking pause to question whether it's true.

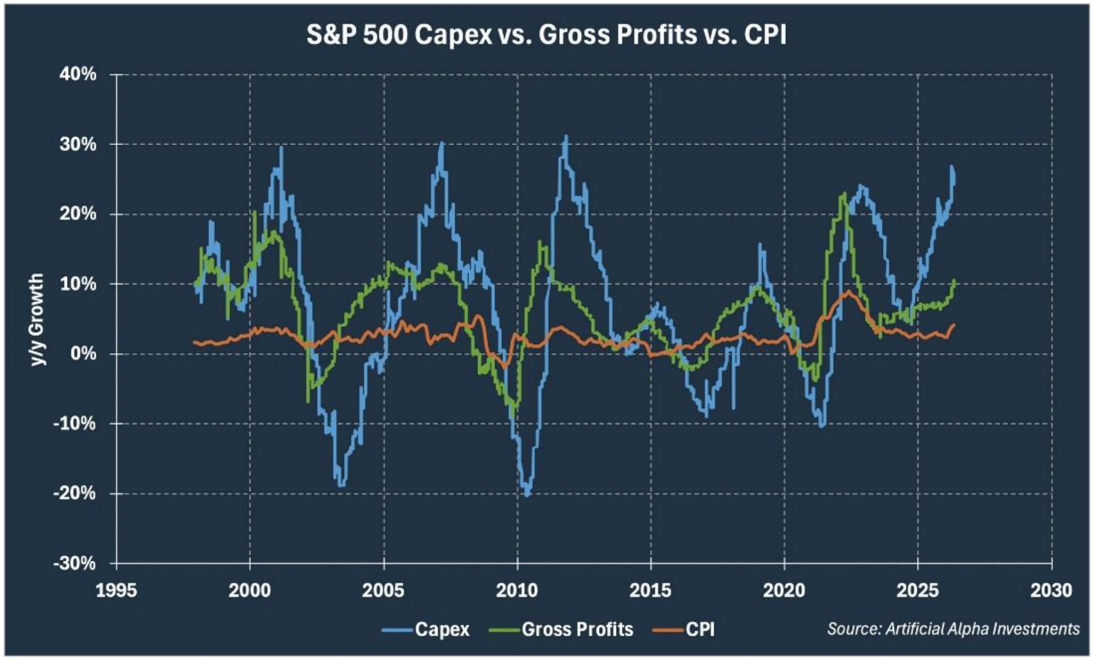
The second quarter provided another reminder of this reality.

Following the outbreak of war in the Middle East, markets briefly appeared to reach a breaking point before staging a remarkable recovery, finishing the quarter with their strongest performance in six years. The abrupt reversal recalls another observation from Dostoyevsky's *The Gambler*: "Right or wrong, it's very pleasant to break something from time to time." Markets, too, occasionally seem eager to dismantle prevailing narratives before constructing new ones just as quickly.

Overview:

These rapid shifts in sentiment reinforce an enduring lesson:

Successful investing requires a strategy capable of weathering both fear and excitement. Episodes like the tariff-driven volatility of last spring and this quarter's geopolitical uncertainty remind us that headlines can change overnight, while the underlying principles of sound investing rarely do. Moments of uncertainty provide the opportunity to revisit the foundation of those principles to ensure they remain intact.



Nowhere is that discipline more important than in today's AI-driven market. Extraordinary enthusiasm surrounding artificial intelligence has propelled earnings expectations, company spending, and stock prices to levels few would have predicted only a few years ago amid the pandemic. The investment opportunity over the next several years is increasingly clear, but eventually today's unprecedented spending must translate into lasting profits. Every dollar of capital invested today carries an expectation of future returns, and those returns must ultimately justify current prices. That reality demands investors to be honest with themselves.

Quarterly Market Review

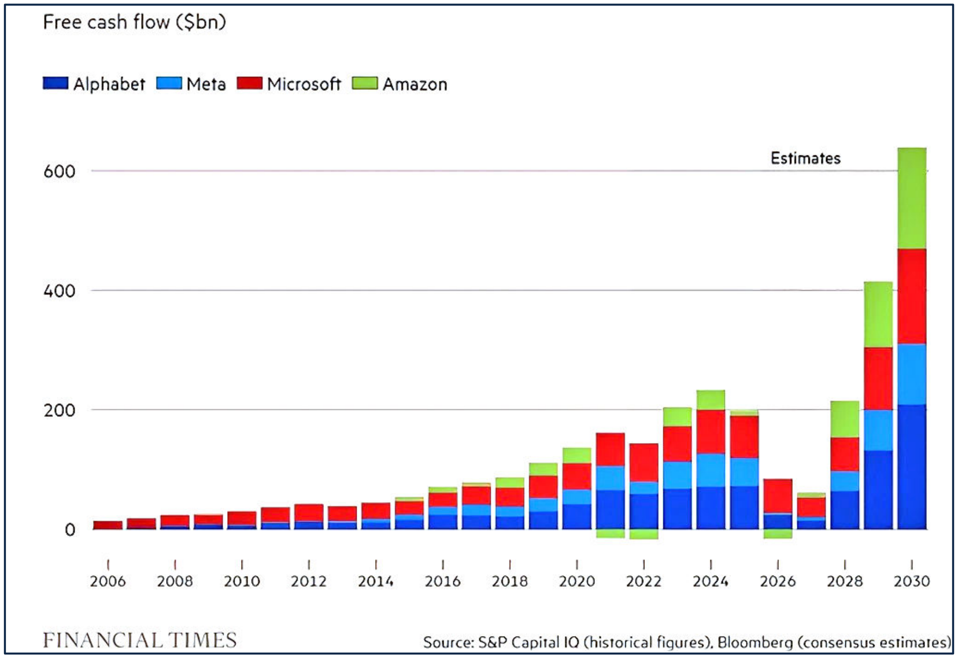
Keeping Perspective in a Story-Driven Market

Has AI fundamentally increased the long-term earnings power of businesses enough to warrant today's valuations? Or have expectations outpaced reality?

These are not questions with immediate answers, but they are questions we cannot afford to stop asking.

The same dynamic extends beyond the largest technology companies. Across the broader market, younger firms with compelling growth narratives are increasingly rewarded long before demonstrating sustained profitability.

Innovation deserves our attention, but history repeatedly shows that markets can confuse potential with certainty. When excitement becomes the reason to invest, distinguishing between promise and value becomes increasingly difficult.



Ultimately, investors don't need to know exactly how the AI story will unfold. They need only to remain honest about the assumptions behind their decisions. If today's optimism proves justified, disciplined investors will benefit alongside everyone else.

Quarterly Market Review

Keeping Perspective in a Story-Driven Market

If expectations prove excessive, discipline becomes even more valuable. The true—and greatest—risk is becoming so committed to a narrative that we stop questioning its validity. That is the self-deception Dostoyevsky warned against, and it remains as relevant to today's markets as it was to human nature nearly a century and a half ago.

Equities

Q1 closed with the uncertainty of a new war, which gave Q2 plenty of room to make sizable gains throughout the quarter, despite its lackluster close. The Nasdaq, the S&P 500, the Dow Jones Industrial Average, and the Russell 2000 each posted notable gains, ending the quarter up 27.7%, 15.2%, 13.4%, and 21.6%, respectively.

Taking a deeper look, small-cap stocks outperformed their large-cap counterparts during the quarter. Small Value exceeded Large Value by 3.32%, while Small Growth outpaced Large Growth by 8.97%. Year-to-date, small caps have returned 22.99%, surpassing large cap returns of 10.33%.

U.S. Market (Q2 2026)

	Value	Blend	Growth
Large	11.52	15.41	18.69
Mid	7.73	12.56	19.26
Small	12.35	16.03	21.11

Geopolitical Events Drove Market Volatility

Despite the great returns, the fragility of deals in the Middle East caused a great deal of market volatility, pushing the Cboe Volatility Index (VIX) to levels not seen since last year. The promise of a resolution to the war with Iran pushed equities to new all-time highs throughout the quarter.

Federal Reserve Leadership and Policy Outlook

During Q2, a transition in Federal Reserve leadership took place as Jerome Powell's term as Chair ended and Kevin Warsh succeeded him. U.S. markets are reflecting the uncertainty of a new chair, especially following the initiation of a review of the Fed's inflation metrics.

Warsh has pushed for the implementation of a **trimmed mean approach**, which excludes unusually large monthly price swings, as opposed to the historical Personal Consumption Expenditures (PCE) price index, reducing noise and painting a clearer picture of inflation rather than being affected by outliers at either end of the spectrum.

At the June meeting, no rate changes were made to the federal funds rate, with the Fed citing strong job gains, little unemployment change, and an elevated inflation rate. Whether this new inflation metric will be used to bring about more rate cuts has yet to be seen.

Fixed Income

The fixed income market experienced more volatility than usual in Q2 as well, with cracks in the Japanese bond market spilling over into the U.S. bond market. After years of keeping interest rates near—or even below—zero in an effort to stimulate growth and prevent deflation, Japan has entered a rising rate environment. Economic shifts have caused the yen to weaken, pushing inflation above the Bank of Japan's target.

As a result, Japanese bond yields are rising, which is problematic for U.S. Treasuries because Japan is one of their largest holders. As Japanese yields see an increase, holders of foreign treasuries may sell U.S. Treasuries and move their funds back into Japanese bonds. This reduces demand for U.S. Treasuries, increasing yields while reducing prices, and leading to disruptions across financial markets—even when conditions in the U.S. economy remain stable.

During the quarter, municipal bonds yielded 3.4% and returned 2.2%. US Aggregate Bonds posted a 4.7% yield and a total return of 0.7%. Corporate bonds outperformed, causing credit spreads between corporate and government bonds to retighten after widening earlier this year.

AI Earnings Continue to Shape Market Expectations

As the landscape surrounding AI continues to take shape, many companies reported higher-than-expected revenues and earnings while simultaneously experiencing very limited growth. There are two ways to think about this: 1) those companies are undervalued or 2) past price movement was accurate in predicting future cash flows.

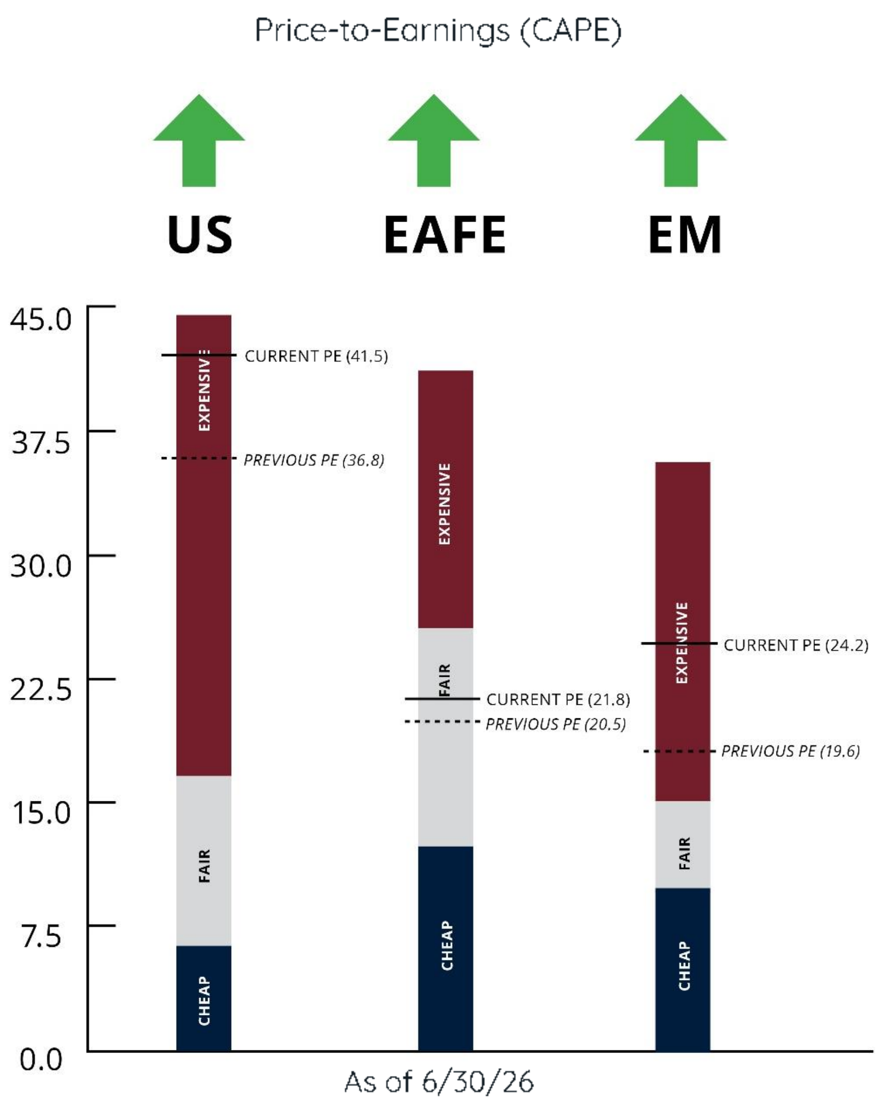
To that end, one of the biggest headlines of Q2 was the SpaceX IPO. Market dynamics are easy to spot during a major IPO like this. While SpaceX has promised future profits in a revolutionary industry, it has generated none thus far. This has led to a rush of investors seeking to get involved with the stock and take part in its future growth and earnings. As investors expect higher future earnings, prices are driven higher. SpaceX isn't the only example of this, either. Much of Small Growth's dominant performance this quarter has been led by this type of speculation.

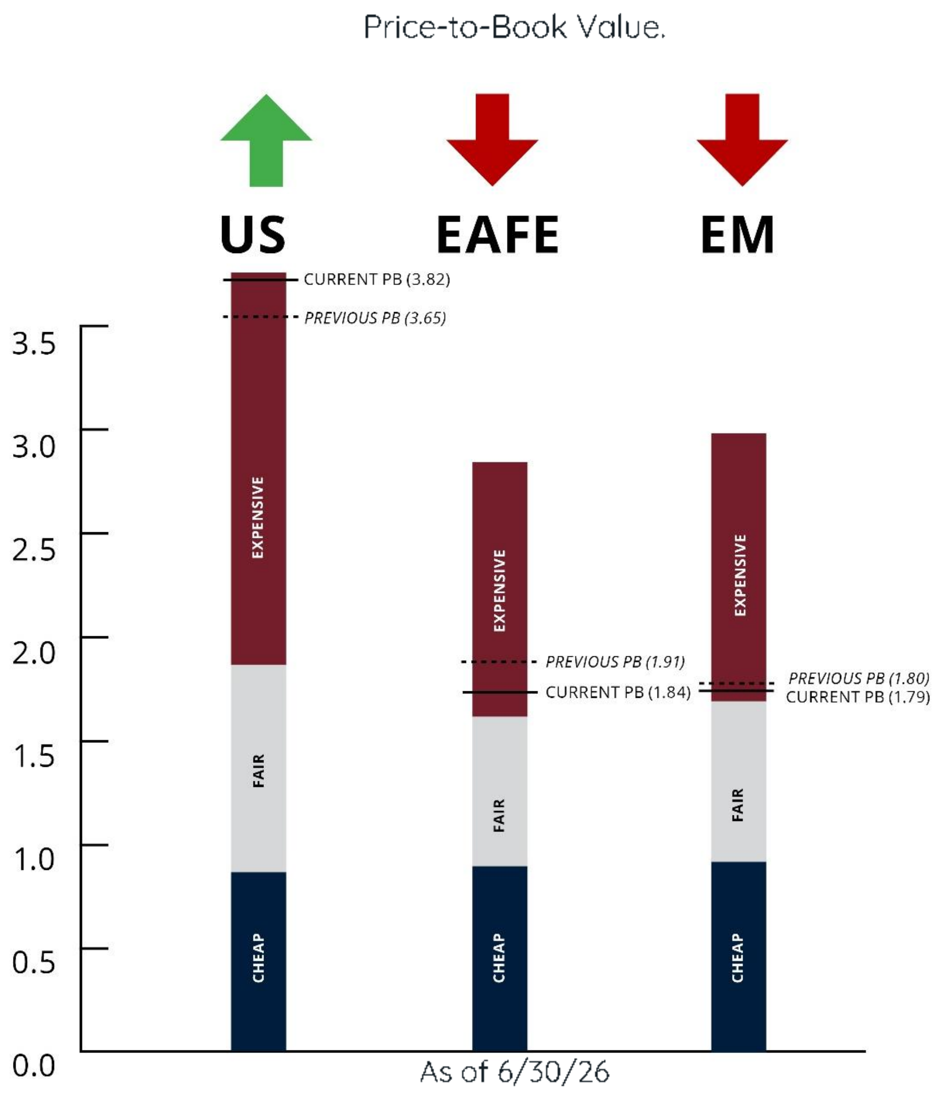
The strength of the second quarter should not tempt investors into complacency.

Whether considering AI-driven valuations, shifting monetary policy, geopolitical uncertainty, or developments in global fixed income markets, today's environment continues to reward thoughtful analysis over emotional reaction. As Dostoyevsky warned, investors must guard against the temptation to lie to themselves by allowing either optimism or pessimism to replace honest evaluation. By continually challenging our assumptions and remaining grounded in long-term fundamentals, we position our portfolios to withstand uncertainty while remaining prepared to capitalize on opportunity.

Global Valuations

What is the Investment Climate?





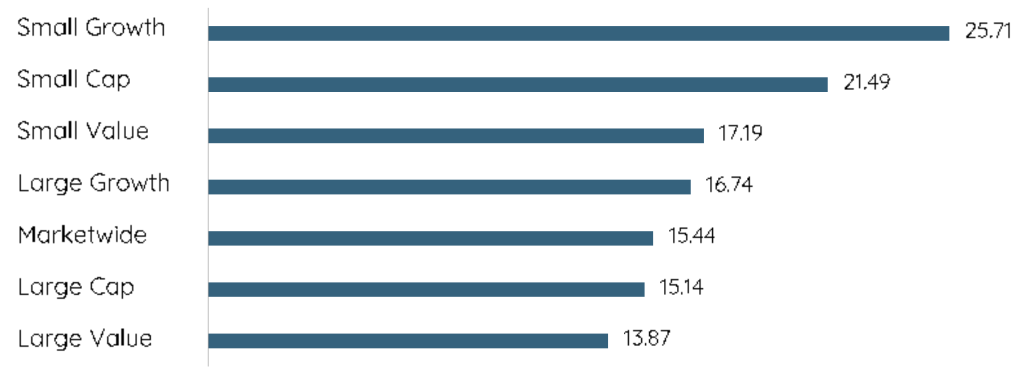
Cyclically Adjusted Price-to-Earnings or "CAPE" is a valuation metric, where the current market price is divided by the last ten years of average earnings (adjusted for inflation). The price you pay is what you get, and by utilizing average earnings over a longer period (10 years), we can put into perspective whether the current market price is trending toward expensive, undervalued, or fairly valued historically.

US Stocks

Returns (USD), 2nd Quarter 2026

- The US equity market posted positive returns for the quarter and outperformed non-US developed markets but underperformed emerging markets.
- Value underperformed growth.
- Small caps outperformed large caps.
- REIT indices underperformed equity market indices.

Ranked Returns (%)



World Market Capitalization

US Market
$72.3 trillion

Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Small Growth	25.71	22.18	38.74	18.44	5.57	11.97	10.81	9.53
Small Cap	21.49	22.57	40.78	18.60	6.98	11.62	10.52	8.88
Small Value	17.19	22.99	43.01	18.73	8.23	10.89	9.97	7.98
Large Growth	16.74	5.33	17.71	22.58	13.71	18.58	16.47	13.58
Marketwide	15.44	10.88	22.82	20.36	12.31	15.06	13.89	11.16
Large Cap	15.14	10.33	22.02	20.47	12.66	15.30	14.15	11.33
Large Value	13.87	16.26	27.12	17.79	11.17	11.52	11.47	8.79

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market.

International Developed Stocks

Returns (USD), 2nd Quarter 2026

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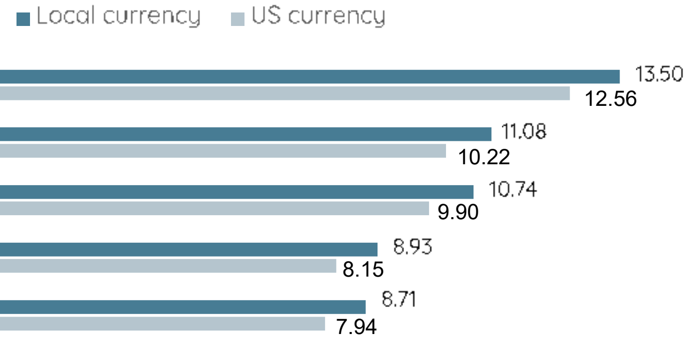
- Developed markets outside of the US posted positive returns for the quarter and underperformed both US and emerging markets.
- Value underperformed growth.
- Small caps underperformed large caps.

Ranked Returns (%)



World Market Capitalization

International Developed Markets
$28.5 trillion

Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Growth	12.56	7.37	12.86	11.60	4.93	8.58	6.54	5.62
Large Cap	10.22	9.19	20.99	16.90	9.32	9.84	6.89	5.65
Marketwide	9.90	8.96	20.76	16.85	8.84	9.70	6.91	5.73
Value	8.15	10.85	29.33	22.29	13.64	10.82	7.03	5.50
Small Cap	7.94	7.54	19.36	16.51	6.03	8.91	7.12	6.09

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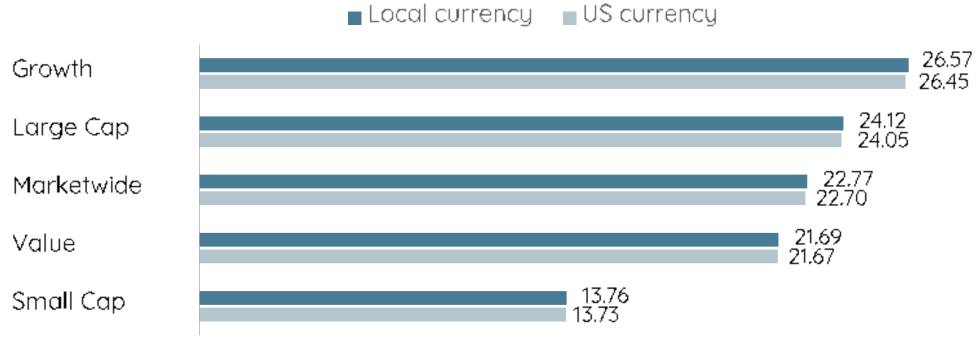
Emerging Markets Stocks

Returns (USD), 2nd Quarter 2026

- Emerging Markets posted positive returns for the quarter and outperformed both US and Non-US developed markets.
- Value underperformed growth.
- Small caps underperformed large caps.

Ranked Returns (%)



World Market Capitalization

Emerging Markets
$14.0 trillion

Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Growth	26.45	24.64	44.66	23.66	5.32	10.60	6.19	7.10
Large Cap	24.05	23.85	43.51	23.03	7.20	10.07	5.25	6.76
Marketwide	22.70	22.41	40.30	22.11	7.17	9.98	5.25	6.88
Value	21.67	23.01	42.27	22.30	9.17	9.44	4.20	6.32
Small Cap	13.73	12.89	20.89	16.30	7.16	9.48	5.41	7.72

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Fixed Income

Returns (USD), 2nd Quarter 2026

Within the US Treasury market, interest rates generally increased during the quarter.

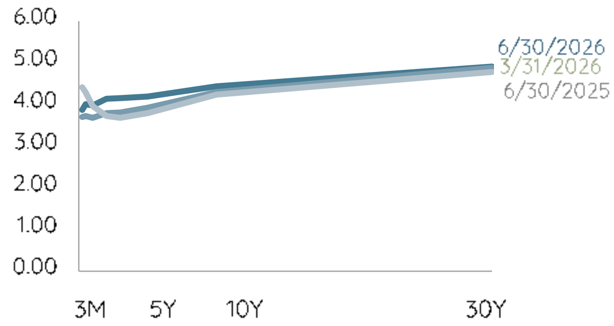
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased by 4 basis points (bps) to 3.70%. The 1-Year US Treasury Bill yield increased 30 bps to 3.98%. The yield on the 2-Year US Treasury Note increased 35 bps to 4.14%.

The yield on the 5-Year US Treasury Note increased 27 bps to 4.19%. The yield on the 10-Year US Treasury Note increased 14 bps to 4.44%. The yield on the 30-Year US Treasury Bond increased 3 bps to 4.91%.

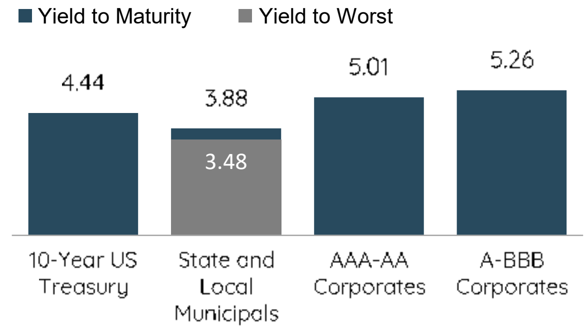
In terms of total returns, short-term US treasury bonds returned +0.18% while intermediate-term US treasury bonds returned +0.22%. Short-term corporate bonds returned +0.84% and intermediate-term corporate bonds returned +0.98%.[1]

The total returns for short- and intermediate-term municipal bonds were +0.87% and +1.51%, respectively. Within the municipal fixed income market, general obligation bonds returned +2.35% while revenue bonds returned +2.57%.[2]

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Municipal Bond Index	2.50	2.32	7.03	3.76	1.05	2.15	3.20	3.63
Bloomberg U.S. High Yield Corporate Bond Index	2.47	1.96	5.91	8.86	4.17	5.81	5.82	6.68
Bloomberg U.S. TIPS Index	0.89	1.15	3.42	3.98	1.01	2.58	2.60	3.66
ICE BofA US 3-Month Treasury Bill Index	0.89	1.74	3.84	4.64	3.52	2.34	1.58	1.69
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.86	1.09	3.20	4.74	2.08	2.00	1.95	2.49
Bloomberg U.S. Government Bond Index Long	0.85	0.45	2.91	-0.43	-5.57	-1.29	2.39	3.58
Bloomberg U.S. Aggregate Bond Index	0.67	0.62	3.79	4.16	0.08	1.54	2.28	3.32
ICE BofA 1-Year US Treasury Note Index	0.61	1.21	3.37	4.38	2.70	2.08	1.50	1.89
FTSE World Government Bond Index 1-5 Years	0.58	0.10	1.54	4.17	0.31	0.79	0.02	1.65

1. Bloomberg US Treasury and US Corporate Bond Indices.
2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). Bloomberg data provided by Bloomberg.

Real Estate Investment Trusts

Returns (USD), 2nd Quarter 2026

- US real estate investment trusts outperformed non-US REITs during the quarter.

Ranked Returns (%)

Total Value of REIT Stocks

US
$1,237 billion
99 REITs

Global ex US
$495 billion
274 REITs
(26 other countries)

Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
US REITS	12.37	17.58	22.59	12.39	5.70	5.43	7.67	6.14
Global ex US REITS	7.23	-1.22	3.92	7.52	-1.00	1.52	2.96	2.41

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