

Market Observations

Second Quarter 2026 Recap

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The unemployment rate fell in June but due to a contracting labor force.

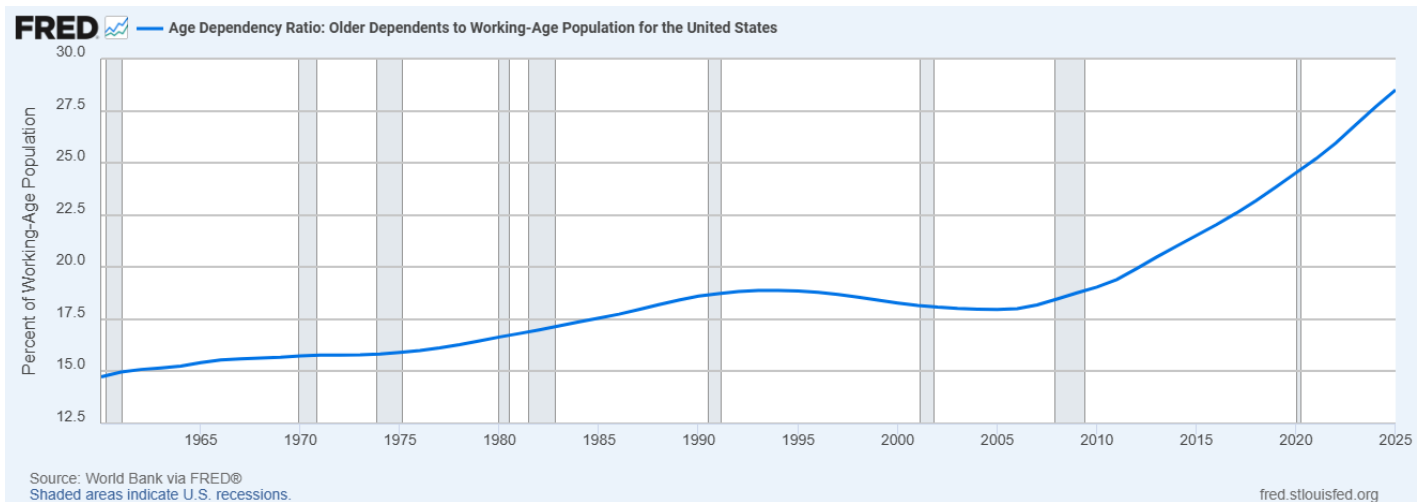
Global equity markets rose during the quarter as the S&P 500, MSCI EAFE and MSCI EM indices returned 15.2%, 10.8%, and 24.1%, respectively. The benchmark 10-year Treasury yield rose by 0.14% to 4.44% over the second quarter. The 2-year/10-year spread narrowed by 0.21%, ending the quarter at 0.30%. The U.S. dollar appreciated relative to most major currencies as the U.S. Dollar Index rose 1.2% in the quarter.



The labor force participation rate fell to 61.5%, its lower level since June 1976.¹

There are times when economic data looks good for bad reasons, and the June unemployment rate was one of those times. The unemployment rate fell to 4.2%, its lowest level in 12 months, which on its face is a positive development. Unfortunately, while the number of unemployment individuals fell by 213k, the number of employed civilians plunged by 507k. Both the number of unemployed and employed individuals declined concurrently as 720k individuals dropped out of the labor force, resulting in the U.S. economy's lowest labor force participation rate in exactly 50 years, excluding the pandemic era. Workers removed themselves from the labor market for two primary reasons, retirement and disillusionment. It is estimated that over 10k baby boomers retire per day, aided by robust investment portfolios, appreciated home values, pensions and social security. On the other end of the spectrum, individuals are suspending job searches due to growing frustration regarding the disconnect between their skills, wage expectations and locations and the current employment opportunities despite job openings reaching its highest level in two years.

¹U.S. Bureau of Labor Statistics, Labor Force Participation Rate [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CIVPART>, July 14, 2026.



The ratio of older dependents (people older than 64) to the working-age population (those aged 15-64) continues to climb.²

The ratio of older (older than 64) to working age Americans (15-64) continues to climb. This trend should drive a continued decline in the labor force participation rate and support wage gains for workers.

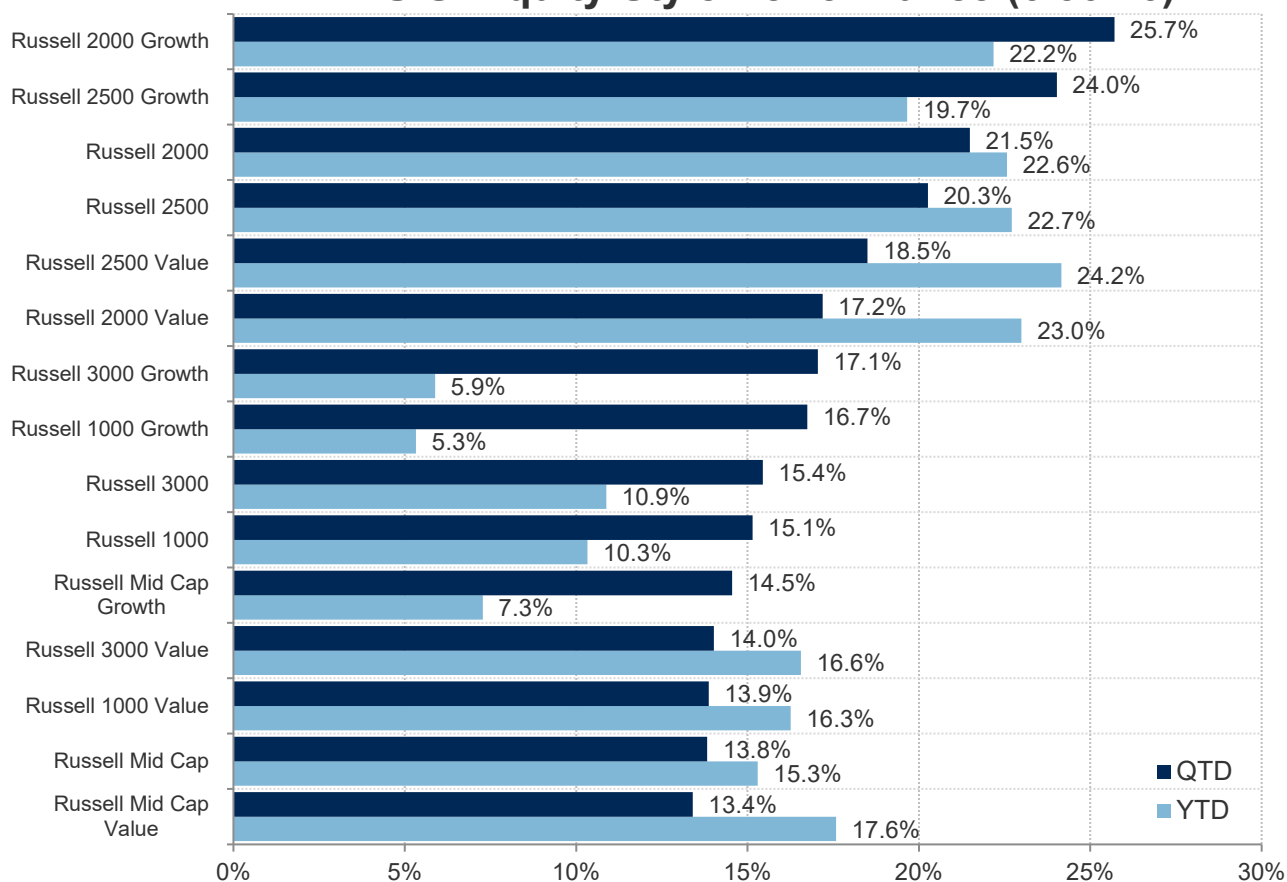
The following pages include a summary of key points that occurred in the markets globally during the quarter.

²World Bank, Age Dependency Ratio: Older Dependents to Working-Age Population for the United States [SPPODPNDOLUSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SPPODPNDOLUSA>, July 14, 2026.

U.S. Equity Style: U.S. equities generated very strong results during the quarter. The Russell 2000 Growth index was the top performing style, rising 25.7%. The Russell Mid Cap Value index was the bottom performer with a 13.4% return. Below are highlights on style performance for the quarter.

- Small cap growth led all styles according to Russell indices.
- The value style underperformed the growth style across all market cap segments.
- Momentum, Pure Growth, and High Beta were the top performing S&P 500 factors in the quarter, while Quality High Dividend, Low Volatility, and Low Volatility High Dividend lagged.
- The dispersion between the best performing style (small cap growth) and the worst performing style (mid-cap value) was 12.3%, indicating that style had a meaningful impact on active manager performance.

U.S. Equity Style Performance (6/30/26)

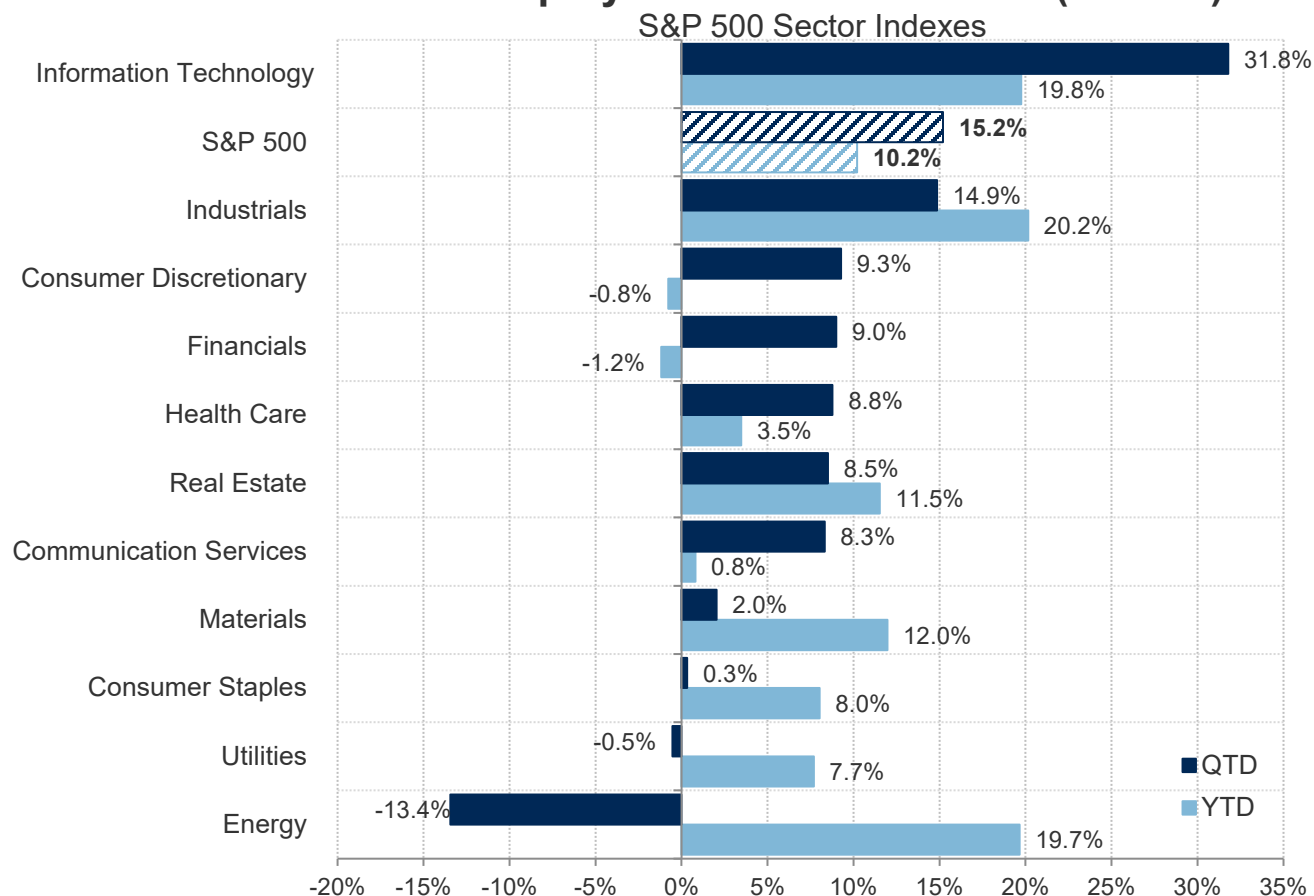


Source: Morningstar Direct. Past performance is not indicative of future results. Indices are unmanaged, and one cannot invest directly in an index.

U.S. Sectors: Nine of eleven sectors were positive, and the S&P 500 rose 15.2% in the quarter. Below are highlights on sector performance in the quarter.

- Information Technology, Industrials, and Consumer Discretionary were the best performing sectors.
- Energy, Utilities, and Consumer Staples were the weakest performing sectors.
- There was a wide degree of dispersion in sector performance for the quarter. Information Technology gained 31.8%, and Energy fell 13.4%, representing a 45.2% difference between the best and worst performing sectors. The high level of dispersion indicates that sector positioning had a meaningful impact on active manager performance.

U.S. Equity Sector Performance (6/30/26)

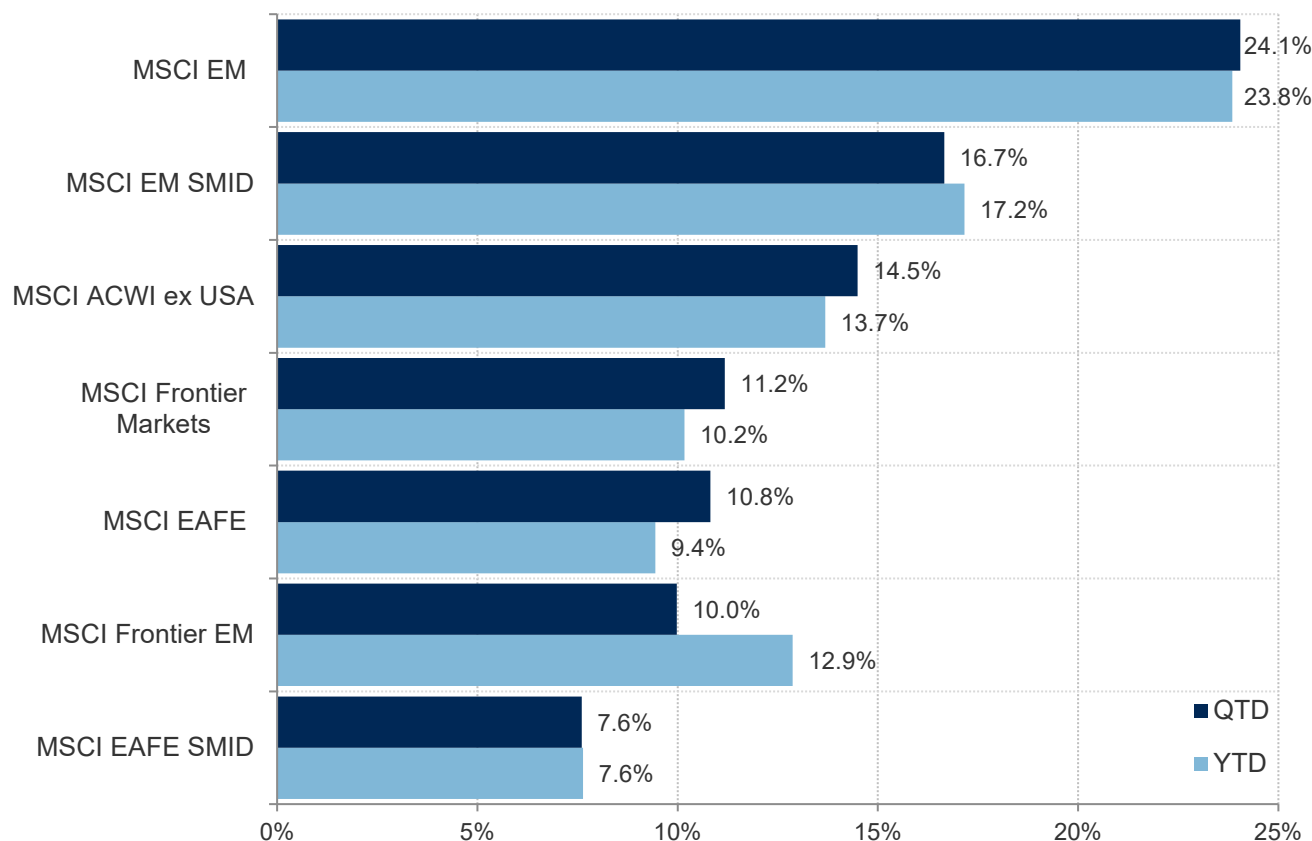


Source: Morningstar Direct. Past performance is not indicative of future results. Indices are unmanaged, and one cannot invest directly in an index.

Non-U.S. Markets: Emerging and international developed markets generated positive returns during the quarter. Below are highlights on international and emerging markets quarterly performance.

- The MSCI EAFE index returned 10.8%, underperforming the S&P 500.
- Emerging markets outperformed developed markets as the MSCI EM index returned 24.1%.
- Frontier markets underperformed the broad emerging markets index. The MSCI Frontier Markets index rose 11.2% while the MSCI Frontier Emerging Markets index returned 10.0%.
- Most major currencies declined relative to the U.S. dollar, serving as a headwind for foreign investments by U.S. investors.

Non-U.S. Equity Performance in USD (6/30/2026)

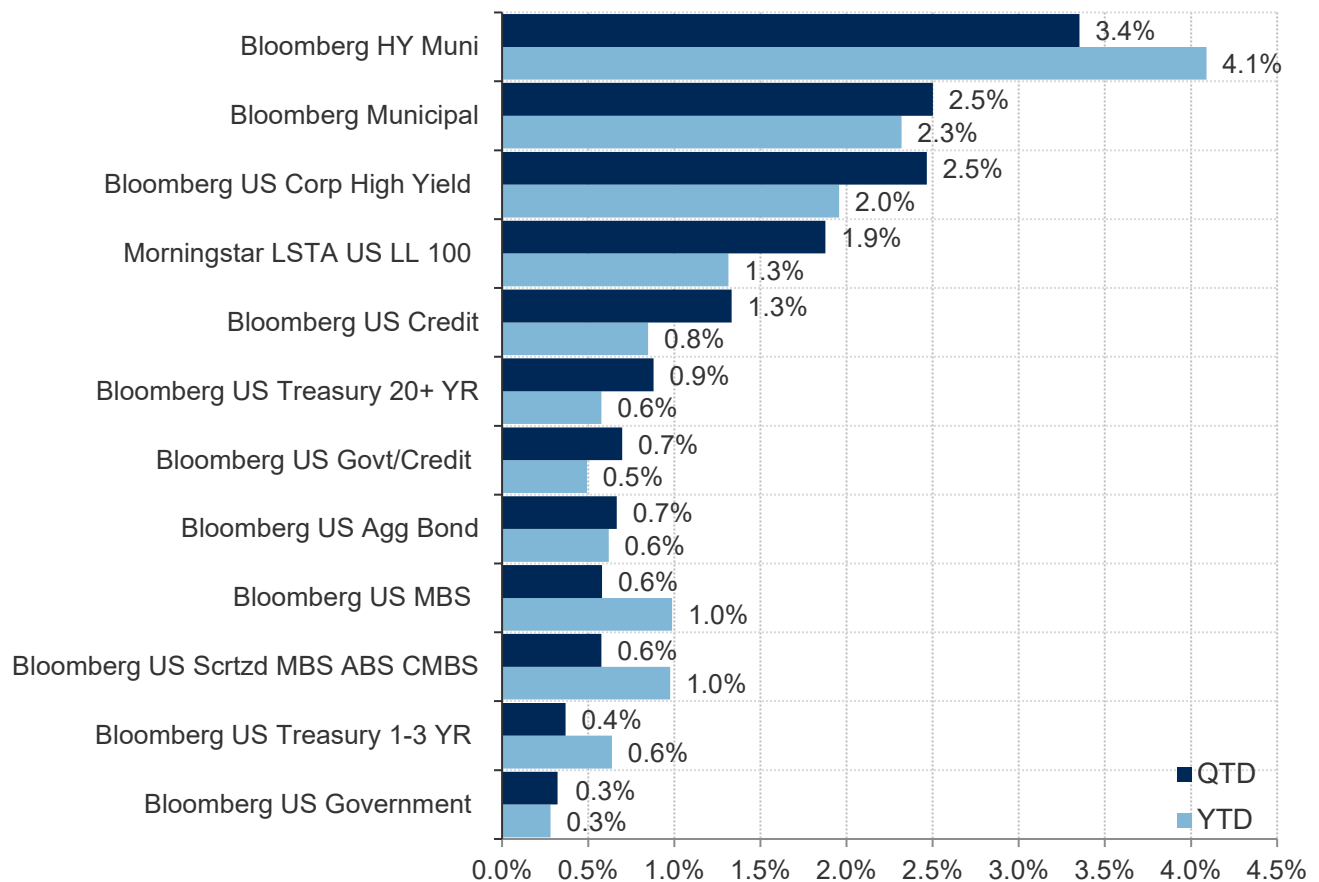


Source: Morningstar Direct. Past performance is not indicative of future results. Indices are unmanaged, and one cannot invest directly in an index.

Fixed Income: U.S. interest rates were higher as the yield curve flattened during the quarter. Below are highlights on fixed income performance in the quarter.

- The 10-year Treasury yield started the quarter at 4.30% and ended the quarter at 4.44%. Treasury prices fell as yields rose. The 2-year/10-year spread ended the quarter at 0.30% after narrowing by 0.21%.
- Investment grade and high yield credit generated positive returns. The Bloomberg U.S. Credit index returned 1.3% while the U.S. Corporate High Yield Credit index returned 2.5%.
- The best performing segment of the U.S. fixed income market was high yield municipal bonds.
- Municipal bonds generated positive results. The Bloomberg Municipal Bond index returned 2.5% while high yield municipal bonds returned 3.4%.
- Non-U.S. local currency global bond returns were positive.

U.S. Fixed Income Performance (6/30/26)



Source: Morningstar Direct. Past performance is not indicative of future results. Indices are unmanaged, and one cannot invest directly in an index.

Bloomberg U.S. Aggregate Bond Index: The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The Index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass throughs), ABS, and CMBS sectors. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. The index was created in 1986 with index history backfilled to January 1, 1976.

Bloomberg CMBS IG TR USD: The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody's Investors Services or Standard & Poor's.

Bloomberg Municipal TR USD: The Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

Bloomberg US Corp IG TR USD: The index measures the performance of investment grade corporate bonds.

Bloomberg US Corporate High Yield TR USD: Bloomberg Barclays US Corporate High Yield TR USD

Bloomberg US Govt/Credit Interm TR USD: A subgroup of the Bloomberg Barclays Government/Credit Bond Index that is based on maturity with greater than 1 to 10 years.

Bloomberg US Govt/Credit TR USD: The U.S. Government/Credit Bond Index is the non-securitized component of the U.S. Aggregate Index. Specifically, the Government/Credit Index includes treasuries (i.e., public obligations of the US Treasury that have remaining maturities of more than 1 year), Government-Related issues (i.e. agency, sovereign, supranational, and local authority debt) and Corporates (publicly issued US corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements). All issues in the Government/Credit Index are rated Baaa3/BBB-/BBB- or higher (using the middle rating of Moody's, S&P, and Fitch, respectively) and have at least one year to maturity and have an outstanding par value of at least \$250 million.

Bloomberg US MBS TR USD: The Bloomberg Barclays Mortgage-backed Securities Index is a market value-weighted index which covers the mortgage-backed securities component of the Bloomberg Barclays U.S. Aggregate Bond Index. The index is composed of agency mortgage-backed pass through securities of the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) with a minimum \$150 million par amount outstanding and a weighted-average maturity of at least 1 year. The index includes reinvestment of income

Bloomberg US Treasury 1-3 Yr TR USD: The Bloomberg Barclays Capital US Treasury Bond 1-3yr term index measures the performance of short-term government bonds issued by the US Treasury.

Bloomberg US Treasury 20+ Yr TR USD: The Index is market capitalization weighted and includes all of the securities that meet the Index criteria. The index includes all publicly issued, U.S. Treasury securities that have a remaining maturity greater than 20 years, are non-convertible, are denominated in U.S. dollars, are rated investment grade (Baa3 or better) by Moody's Investors Service, are fixed rate, and have more than \$150 million par outstanding. Excluded from the Index are certain special issues, such as flower bonds, targeted investor notes (TINs) and state and local government series bonds (SLGs), and coupon issues that have been stripped from assets already included.

Bloomberg US Treasury TR USD: The U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in

double-counting. Securities in the index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices. The U.S. Treasury Index was launched on January 1, 1973.

Bloomberg US Treasury US TIPS TR USD: The Index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least 1 year remaining to maturity, are rated investment grade and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible. The Index is market capitalization weighted and the securities in the Index are updated on the last calendar day of each month.

Europe Stoxx 600: The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Russell 1000 Growth Index (R1000 Growth): Measures the performance of the Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Index (Russell 1000): Measures the performance of the 1,000 largest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 1000 Index represents the vast majority of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Large Cap performance.

Russell 1000 Value Index (R1000 Value): Measures the performance of the Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index (R2000 Growth): Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Index (Russell 2000): Measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.

Russell 2000 Value Index (R2000 Value): Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values

Russell 3000 Growth: The Russell 3000 Growth Index measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index (Russell 3000): Measures the performance of the 3,000 largest US companies based on total market capitalization, which represents nearly the entire market capitalization of the investable US equity market. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period.

Russell 3000 Value: The Russell 3000 Value Index measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap Growth Index (Russell Midcap Growth): Contains those Russell Midcap (800) securities with a greater than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

Russell Midcap Index (Russell Midcap): Measures the performance of the mid-cap segment of the US equity universe. The Russell Midcap Index includes the smallest 800 securities in the Russell 1000.

Russell Midcap Value Index (Russell Midcap Value): Contains those Russell Midcap (800) securities with a less-than average growth orientation. Securities in this index generally have lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.

S&P 500 Sector/Consumer Discretionary Index: The S&P 500 Sector/Consumer Discretionary Index consists of stocks chosen for their representation in the Consumer Discretionary industry. The companies in the index tend to be the most sensitive to economic cycles. Manufacturing companies include automotive, household durable goods, textiles and apparel, and leisure equipment. Service companies include hotels, restaurants/leisure facilities, media production and services, consumer retailing and services and education services. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Consumer Staples Index: The S&P 500 Sector/Consumer Staples Index consists of stocks chosen for their representation in the Consumer Staples industry. The companies in the index tend to be the less sensitive to economic cycles. They include manufacturers and distributors of food, beverages and tobacco, and producers of non-durable household goods and personal products; also food and drug retailing companies. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Energy Index: The S&P 500 Sector/Energy Index consists of stocks chosen for their representation in the Energy industry. The companies in the index are dominated by either the construction for provision of oil rigs, drilling equipment and other energy-related service and equipment or the exploration, production, marketing, refining and/or transportation of oil and gas products, coal and consumable fuels. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Financials TR Index: The S&P 500 Sector/Financials Index consists of stocks chosen for their representation in the Financials industry. The companies in the index are involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investments, and real estate, including REITs. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Healthcare TR Index: The S&P 500 Sector/Healthcare Index consists of stocks chosen for their representation in the Healthcare industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Industrials TR Index: The S&P 500 Sector/Industrials Index consists of stocks chosen for their representation in the Industrials industry. Companies include those that manufacture and distribute capital goods (i.e. aerospace/defense, construction, engineering and building products, electrical equipment and industrial machinery); provide commercial services and supplies (i.e. printing, employment, environmental/office services); or provide transportation services (i.e. airlines, couriers, marine, road/rail and transportation infrastructure). It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Information Technology TR Index: The S&P 500 Sector/Information Technology Index consists of stocks chosen for their representation in the Info Tech industry. Companies considered are involved in technology software and services and technology hardware and equipment. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Materials TR Index: The S&P 500 Sector/Materials Index consists of stocks chosen for their representation in the Materials industry. These include companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining companies, including steel producers. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Telecommunication Services TR Index: The S&P 500 Sector/Telecom Services Index consists of stocks chosen for their representation in the Telecom industry. The companies in the index are involved in health care equipment and supplies, health care-related services, or in the research, development, production and marketing of pharmaceuticals and biotechnology products. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

S&P 500 Sector/Utilities TR Index: The S&P 500 Sector/Utilities Index consists of stocks chosen for their representation in the Utilities industry. Companies considered include electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value.

MSCI ACWI ex USA: captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries

MSCI EAFE Index: The MSCI EAFE Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI country indices that represent developed markets outside of North America: Europe, Australasia and the Far East.

MSCI EM Index: The MSCI Emerging Markets Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 822 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country

MSCI Frontier Index: captures large and mid cap representation across 29 Frontier Markets (FM) countries

MSCI Frontier EM Index: captures large and mid cap representation across 32 Frontier Emerging Markets countries

Morningstar /LSTA Leveraged Loan TR: The Morningstar/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market. Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro rata basis.

Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements.

West Texas Intermediate (WTI): West Texas Intermediate (WTI) crude oil is the underlying [commodity](#) of the New York Mercantile Exchange's oil [futures contracts](#).

The success of an investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio's investments. Unexpected volatility or illiquidity could result in losses.

*Investing in securities is speculative and entails risk. There can be no assurance that one's investment objectives will be achieved or that an investment strategy will be successful. Significant losses could result if a strategy involves the use of leverage, short sales and derivative transactions, investment in foreign or illiquid securities, and potentially limited diversification. Please note that the returns displayed for indices do not take into account any of the costs associated with buying and selling individual securities. **Past performance is not a guarantee of future results.***

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Risks of fixed Income Securities

For fixed income securities, there is a risk that the price of these securities will go down as interest rates rise. Another risk of fixed income securities is credit risk, which is the risk that an issuer of a bond will not be able to make principal and interest payments on time. Liquidity risk is the risk that you might not be able to buy or sell investments quickly for a price that is close to the true underlying value of the asset. When a bond is said to be liquid, there's generally an active market of investors buying and selling that type of bond. High yield fixed income securities are considered to be speculative and involve a substantial risk of default. Adverse changes in economic conditions or developments regarding the issuer are more likely to cause price volatility for issuers of high yield debt than would be the case for issuers of higher grade debt securities.

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Investments in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to, the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities.

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Investments in companies with smaller market capitalization are generally riskier than investments in larger, well-established companies. Smaller companies often are more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. These companies may not be well known to the investing public, may not have significant institutional ownership and may have cyclical, static or moderate growth prospects. There is often less publicly available information about these companies than there is for larger, more established issuers, making it more difficult for the Investment Manager to analyze that value of the company. The equity securities of small and mid-capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volume typical for securities that are traded on a national securities exchange. Consequently, the Investment Manager may be required to sell these securities over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies. In addition, the prices of the securities of small and mid-capitalization companies may be more volatile than those of larger companies.

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