# QUARTERLY MARKET REVIEW

## SECOND QUARTER 2026




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JULY 2026

Dear Investors,

As American showman P.T. Barnum once said, "Comfort is the enemy of progress." Despite strong returns, markets have been anything but comfortable. In the face of a war in Iran, higher oil prices and inflation, and increasing uncertainty surrounding the evolution of artificial intelligence, most assets rose in the second quarter of 2026.

In the U.S., the S&P 500, Nasdaq, and Dow Jones Industrial Average posted returns of +15.2%, +21.6%, and +13.4%, respectively. International equity markets also rallied across the board with the MSCI EAFE, MSCI World Ex U.S., and MSCI Emerging Markets indices posting quarterly returns of +10.8%, +14.7%, and +24.1%. In U.S. fixed income markets, intermediate duration bonds, represented by the Bloomberg U.S. Aggregate Bond Index, returned +0.7%.[i] As investors may have noticed, the sharply positive returns experienced in Q2 represent a complete reversal from the first quarter of 2026 when all major market indices noted above posted negative returns.

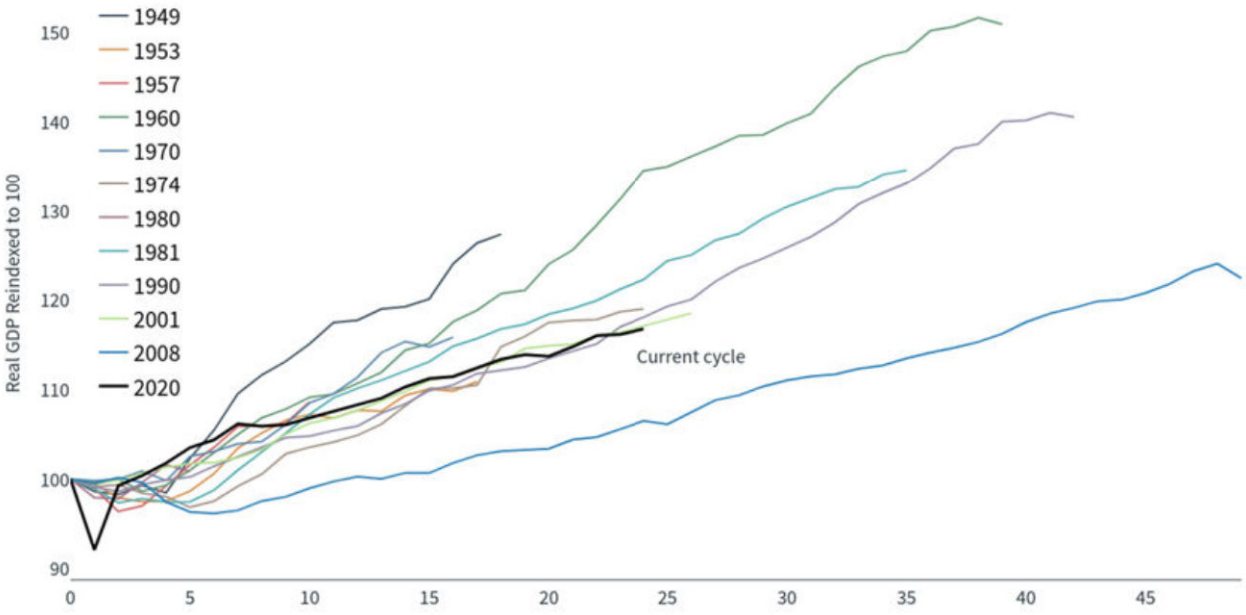
The one part of the global markets that fell materially in the quarter was crude oil. After nearly doubling in the prior quarter due to the sudden escalation of conflict with Iran, Brent Crude prices fell from ~$118 per barrel on March 31, 2026, to ~$73 per barrel on June 30, 2026, on hopes for remediation.

What may have been most notable about this past quarter was that equity returns began broadening across asset classes and industries as corporate earnings grew at a double-digit pace.[ii] The first six months of the year served as a powerful reminder to stay invested and focus on the longer horizon.

This concept is particularly important today with the business cycle entering its seventh year while the market cycle approaches its fifth. Within these environments, it seems like market participants have revisited the same core risks repeatedly, including inflation, Federal Reserve policy uncertainty, equity valuation levels, and geopolitical conflicts. Though near-term headwinds continue to arise, investors who have focused on long-term market fundamentals have been rewarded by significant economic expansion and market growth. As seen in the chart below, the current duration and GDP growth experienced in this current cycle is normal relative to past business cycles.

# U.S. Business Cycles

*Since World War II, Relative to Prior Cycle Peak, Duration in Quarters*




Sources: Clearnomics, BEA, NBER
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*Latest data point is Q1 2026*

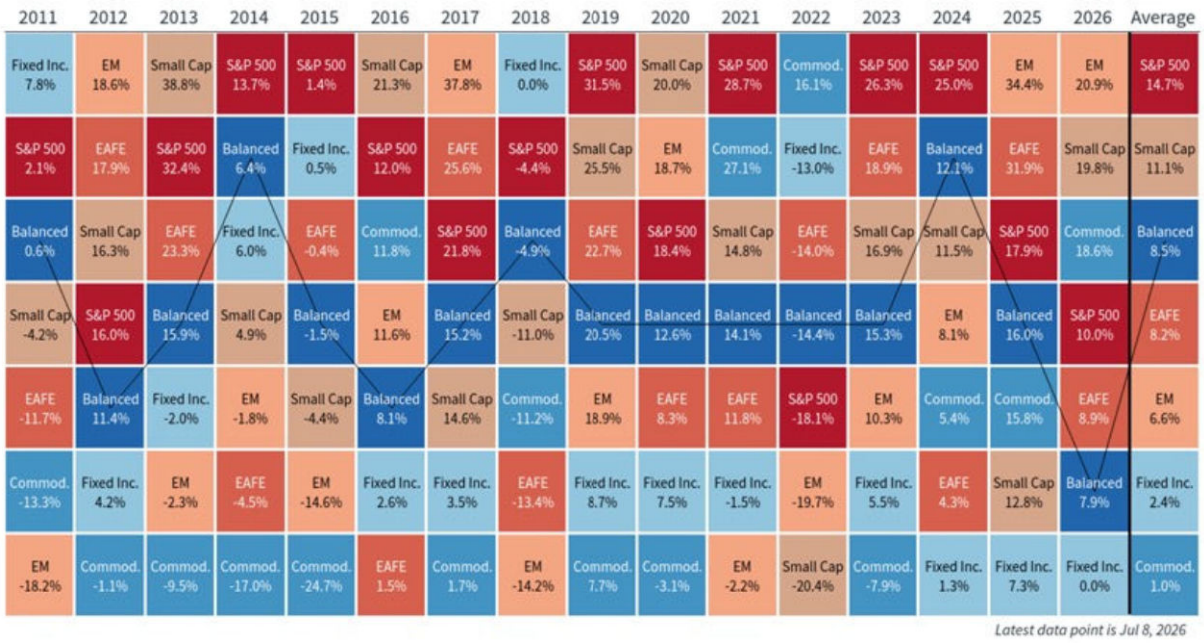
Throughout this cycle, economists and market participants feared that a recession was imminent, particularly when inflation peaked in 2022 and tariffs disrupted global trade in 2025. The U.S. economy proved resilient through those challenges and avoided recession while equity markets rebounded off short-term dips to reach record highs. A healthy economy usually supports consumer spending and business investment, which in turn fuels corporate earnings and, ultimately, stock market returns. Looking at our current economic climate, most economic components remain positive with the dollar stabilizing, the labor market gaining momentum, and business investment increasing. Even though consumer sentiment data remains pessimistic, these studies may hold less weight than in the past due to a fundamental break beginning in 2015 between consumer confidence surveys and actual economic outputs.

During this market cycle, two key risks have been repeatedly covered by headlines and feared by investors: the concentration of equity returns and elevated market valuations.

Over the past 15 years, investors have witnessed the dominance of U.S. equity markets over international and emerging markets. Within the U.S. markets, large-cap companies, driven primarily by the Magnificent 7 companies, have dramatically outperformed their small-cap counterparts. As seen in the chart below, year-to-date 2026 returns have broadened past the S&P 500 with emerging markets, U.S. small-cap, and commodities leading the way. Within U.S. markets, industrials, technology, and energy were the top three performing sectors.[iii]

# Asset Class Performance

*Total returns and annual averages over the period shown*



| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fixed Inc. 7.8% | EM 18.6% | Small Cap 38.8% | S&P 500 13.7% | S&P 500 1.4% | Small Cap 21.3% | EM 37.8% | Fixed Inc. 0.0% | S&P 500 31.5% | Small Cap 20.0% | S&P 500 28.7% | Commod. 16.1% | S&P 500 26.3% | S&P 500 25.0% | EM 34.4% | EM 20.9% | S&P 500 14.7% |
| S&P 500 2.1% | EAFE 17.9% | S&P 500 32.4% | Balanced 6.4% | Fixed Inc. 0.5% | S&P 500 12.0% | EAFE 25.6% | S&P 500 -4.4% | Small Cap 25.5% | EM 18.7% | Commod. 27.1% | Fixed Inc. -13.0% | EAFE 18.9% | Balanced 12.1% | EAFE 31.9% | Small Cap 19.8% | Small Cap 11.1% |
| Balanced 0.6% | Small Cap 16.3% | EAFE 23.3% | Fixed Inc. 6.0% | EAFE -0.4% | Commod. 11.8% | S&P 500 21.8% | Balanced -4.9% | EAFE 22.7% | S&P 500 18.4% | Small Cap 14.8% | EAFE -14.0% | Small Cap 16.9% | Small Cap 11.5% | S&P 500 17.9% | Commod. 18.6% | Balanced 8.5% |
| Small Cap -4.2% | S&P 500 16.0% | Balanced 15.9% | Small Cap 4.9% | Balanced -1.5% | EM 11.6% | Balanced 15.2% | Small Cap -11.0% | Balanced 20.5% | Balanced 12.6% | Balanced 14.1% | Balanced -14.4% | Balanced 15.3% | EM 8.1% | Balanced 16.0% | S&P 500 10.0% | EAFE 8.2% |
| EAFE -11.7% | Balanced 11.4% | Fixed Inc. -2.0% | EM -1.8% | Small Cap -4.4% | Balanced 8.1% | Small Cap 14.6% | Commod. -11.2% | EM 18.9% | EAFE 8.3% | EAFE 11.8% | S&P 500 -18.1% | EM 10.3% | Commod. 5.4% | Commod. 15.8% | EAFE 8.9% | EM 6.6% |
| Commod. -13.3% | Fixed Inc. 4.2% | EM -2.3% | EAFE -4.5% | EM -14.6% | Fixed Inc. 2.6% | Fixed Inc. 3.5% | EAFE -13.4% | Fixed Inc. 8.7% | Fixed Inc. 7.5% | Fixed Inc. -1.5% | EM -19.7% | Fixed Inc. 5.5% | EAFE 4.3% | Small Cap 12.8% | Balanced 7.9% | Fixed Inc. 2.4% |
| EM -18.2% | Commod. -1.1% | Commod. -9.5% | Commod. -17.0% | Commod. -24.7% | EAFE 1.5% | Commod. 1.7% | EM -14.2% | Commod. 7.7% | Commod. -3.1% | EM -2.2% | Small Cap -20.4% | Commod. -7.9% | Fixed Inc. 1.3% | Fixed Inc. 7.3% | Fixed Inc. 0.0% | Commod. 1.0% |

*Latest data point is Jul 8, 2026*

The Balanced Portfolio is a 60/40 historical index calculation consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 35% U.S. Bonds, and 5% Commodities.

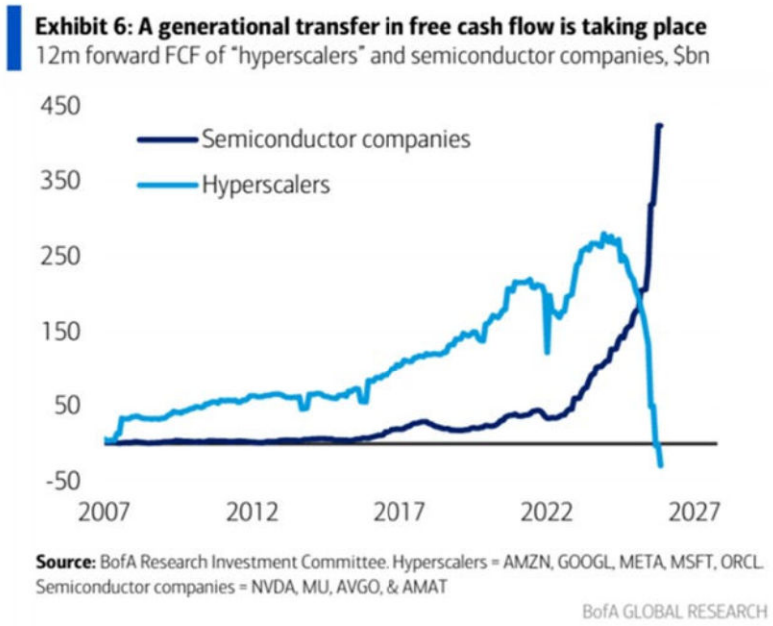
Sources: Clearnomics, LSEG

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Clearnomics. *Mid-Year 2026: What the First Half Teaches Investors About What Comes Next.* 9 July 2026.

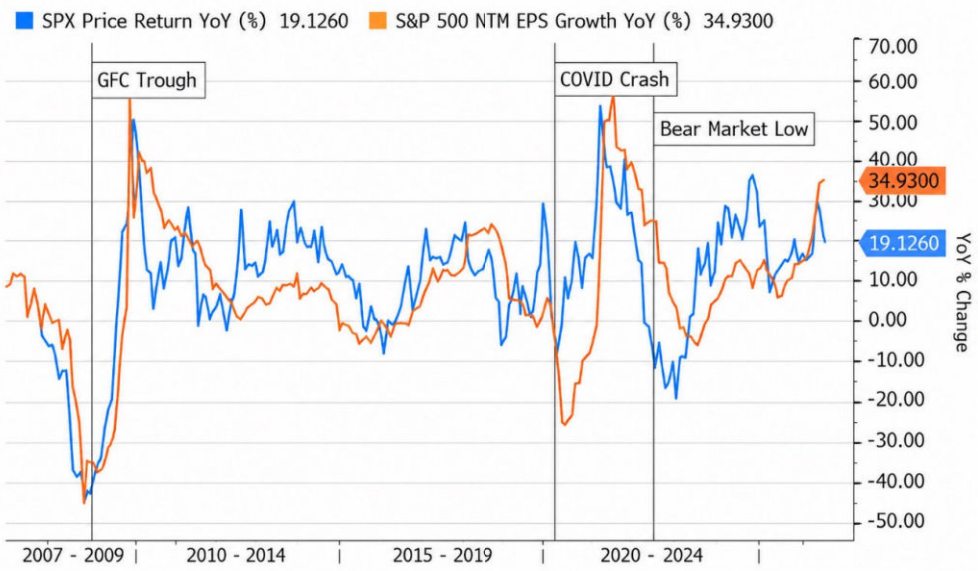
The broadening within U.S. equities was less sector-related, rather more focused on the outperformance of the S&P 493 over the Magnificent 7 companies.

Year-to-date, the Magnificent 7, returned 0% as a group relative to the S&P 493 that returned +15%.[iv] Part of this dynamic relates to the significant capital spending campaigns that the Magnificent 7 companies have embarked on to build data centers and develop artificial intelligence solutions. The beneficiaries of their spending are primarily companies involved in the buildout of artificial intelligence infrastructure, i.e., industrials, tech-hardware companies, and energy providers. The market has rewarded the companies experiencing a sharp increase in their revenue, margins, and earnings, while subsequently punishing the Magnificent 7 which are choosing to reinvest their free-cash-flow into developing hard assets, thereby reducing profit margins.[v]




BofA Global Research. *A generation transfer in free cash flow is taking place*. 11 July 2026.

Equity valuations have also drawn concern after the S&P 500's strong performance over the past 15+ years. These concerns have intensified over the last two years as rapid gains in A.I.-related equities have fueled talk of a potential market bubble and pushed several of those companies into the index's top ten holdings. A company's stock becomes more expensive when its price rises faster than its earnings, increasing its price-to-earnings (P/E) multiple. The chart below compares the S&P 500's year-over-year return since 2007 (blue) with next-12-month earnings growth for the underlying companies (orange). The relationship between these two measures shows that S&P 500 returns have generally been supported by corporate earnings growth. Over the past year, earnings growth of 34% exceeded the index's 19% price return by 15 percentage points, lowering overall market valuations rather than raising them.[vi] The key risk is whether corporate earnings can continue to meet rising expectations. If earnings growth falls short after stock prices have already risen, valuations would become more expensive and likely unsettle investors.




Bloomberg L.P. *Bloomberg Terminal (ASKB): S&P500 price return and next-twelve-month EPS growth chart.* Bloomberg Terminal. 16 July 2026.

Harking back to the P.T. Barnum quote, investing has always required embracing periods of uncertainty in pursuit of long-term success. Said another way, volatility is the price of admission to investing.

The first half of 2026 reinforced that markets often reward patience over prediction and disciplined investors over reactive ones. While we cannot control the next geopolitical event, inflation reading, or market headline, we can control our process—remaining disciplined, diversified, and focused on the fundamentals that drive wealth creation over time.

Thank you for your continued confidence in Sargent Investment Group. We look forward to helping you capitalize on the opportunities that lie ahead while remaining steadfast stewards of your capital.

Sincerely,

Your Sargent Investment Group Team

Important Considerations:

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[i] Orion Advisor Solutions. *Benchmark Performance*. 30 June 2026.
[ii] Skulic, Jelena. J.P. Morgan Private Bank. *Q2 2026 Investment Review: A constructive outlook fuelled by strong corporate earnings*. 8 July 2026.
[iii] Clearnomics. *Mid-Year 2026: What the First Half Teaches Investors About What Comes Next*. 9 July 2026.
[iv] J.P. Morgan Asset Management. *Guide to the Markets – U.S., 3Q 2026*. 30 June 2026.
[v] BofA Global Research. *A generation transfer in free cash flow is taking place*. 11 July 2026.
[vi] Bloomberg L.P. *Bloomberg Terminal (ASKB): S&P500 price return and next-twelve-month EPS growth chart*. Bloomberg Terminal. 16 July 2026.