July 6, 2026

Mid-Year Market Outlook

The Supply Side is Responding

2026 is off to a constructive start for equity markets, while fixed income returns have been muted due to rising interest rates. The S&P 500 is up 10.2% through June despite a 7.7% decline during the US-Iran conflict. Market strength has broadened in 2026 with the Russell 2000 posting a 22.6% return and the S&P 500 Equal Weight Index outperforming the market cap weighted version by 2.0%. Internationally, energy price volatility drove fluctuations in equity market performance as many European and Asian economies rely on energy imports. Despite the volatility, the MSCI All-Country World ex-US Index returned 13.7% in US Dollars.

Daniel K. Stier, CFA, ASA
President & Chief Investment Officer

Fixed income assets provided minimal total return as rising US Treasury yields largely negated the yield earned. High-yield and bank loans led fixed income with total returns of 2.0% and 1.3%, respectively, through June. The Bloomberg Aggregate Index ended the first half with a total return of just 0.6%.

Commercial real estate quietly experienced improving fundamentals after years of excess supply, particularly in multi-family and industrial. Occupancy, a critical prerequisite for future rent growth, increased 0.2% nationally in Q1 2026. Institutional capital outflows have slowed dramatically, helping stabilize valuations. Public REIT stocks confirmed the improvement as the FTSE NAREIT Index returned 14.5% to investors in 2026, beating the S&P 500 by over 4%. We continue to believe that soft conditions in recent years presented a long-term buying opportunity and momentum is building.

Private credit garnered negative headlines in 2026, which we feel is largely misguided, especially relating to loans made in the post-COVID interest rate environment. We see strong underlying fundamentals, low default rates and outperformance versus public fixed income comparables from the sponsors we work with. Institutional investors are increasing their private credit allocations while retail investors drive the outflows. Terms for newly originated loans have improved with capital leaving the asset class, which will benefit investors who remain.

Outlook

We believe strength in the US economy and the broadening of equity markets are poised to continue due to supply-side business capital spending. Over time, we expect this spending to drive productivity gains and ultimately exert disinflationary pressures on the economy. Markets are rewarding businesses benefitting from capital spending and the successful adoption of new technologies while becoming more skeptical of businesses perceived to be overspending or disrupted by technology.

The Magnificent 7 stocks entered 2026 with premium valuations and large capital expenditure budgets, a combination which has led to weaker future returns historically. The Magnificent 7 trailed the S&P 500 by 9.2% year to date. We can't help but think their multi-trillion dollar market caps and increasingly asset heavy business models will present challenges to forward-looking shareholder returns.

The Trump administration's stated objective to secure critical inputs to the American economy domestically, namely energy, technology, health care, and manufacturing capacity, has been jump started by changes to tax and trade policy. These policy changes, combined with generational technology advancements, have incentivized business capital investment beyond data centers. Offshoring trends in place for over forty years will take time and capital to adjust.

The One Big Beautiful Bill Act (OBBB) was enacted into law just last year, the positive effects of which are only starting to be felt. The past year's results have been encouraging with nominal GDP growth predicted to exceed 6% annualized in Q2 2026, Q1 earnings growth up 28.8% year-over-year, and the US trade deficit declining to $166 billion for Q1 2026, less than half of the $375 billion reported in the first quarter of 2025. Only 8% of US imported goods came from China in Q1 2026. Productivity increased 2.8% year-over-year in Q1 2026 as well. Business investments tend to have long lead times meaning we expect the spending and growth to be with us for some time yet.

While we believe the economy is on solid footing, we continue to monitor potential risks such as the declining consumer savings rate, elevated equity valuations, persistent inflation, and geopolitical uncertainty. Each of these and other risks could trigger a slowdown in growth or tightening of monetary policy, although we do not see them as problematic at this time. Speaking of monetary policy, investors are adjusting to the new Federal Reserve Chairman, Kevin Warsh, who greatly reduced forward policy guidance and established five task forces in his first meeting as chair. The task forces will evaluate various aspects of Federal Reserve policymaking and suggest changes to the institution over time.

The remainder of 2026 will undoubtedly bring unexpected opportunities and challenges. Our team stands ready to react accordingly to whatever lies ahead and continues to work on behalf of clients to be effective stewards of their capital. We greatly value your ongoing partnership and confidence. Please reach out to our team anytime if we can be helpful.

Best regards,

Dan K Stier

Daniel K. Stier, CFA ASA
President & Chief Investment Officer

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About Operose

Operose delivers customized financial solutions to meet investment advisory, family office, tax and alternative investment needs. We were founded on the belief that clients deserve access to quality, tailored service and institutional resources. Backed by a robust research team, Operose prioritizes service and a commitment to excellence, providing custom offerings that align with unique financial goals. With deep respect for the responsibility entrusted to us, Operose invests in relationships to understand and proactively meet each client's needs.

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MARKET TRACKER

JUNE 2026

U.S. EQUITY RETURNS

	Jun	YTD	1 Yr	3 Yr
S&P 500	-1.0%	10.2%	22.3%	20.6%
Russell 3000	-0.3%	10.9%	22.8%	20.3%
NASDAQ	-2.8%	13.1%	29.5%	24.7%
Dow Jones	2.7%	9.8%	20.6%	17.1%

FIXED INCOME RETURNS

	Jun	YTD	1 Yr	3 Yr
Aggregate	0.2%	0.6%	3.8%	4.2%
Universal	0.3%	0.8%	4.2%	4.7%
Government	0.3%	0.3%	2.7%	3.2%
Treasury	0.3%	0.3%	2.7%	3.2%
Int. Gov/Credit	0.1%	0.4%	3.1%	4.7%
Long Gov/Credit	0.7%	0.8%	3.9%	1.9%
TIPS	-0.5%	1.2%	3.4%	4.0%
Municipal 5 Year	0.5%	1.1%	3.8%	3.4%
High Yield	0.3%	2.0%	5.9%	8.8%
Bank Loans	0.1%	1.3%	4.4%	7.6%
Global Hedged	0.4%	1.1%	3.2%	4.5%
EM Debt Hard Currency	0.7%	3.3%	11.8%	10.3%

NON-U.S. EQUITY RETURNS

	Jun	YTD	1 Yr	3 Yr
ACWI	-0.8%	11.2%	23.7%	19.7%
ACWI ex. US	-0.6%	13.7%	27.7%	18.8%
EAFE Index	0.1%	9.4%	20.2%	16.4%
EAFE Local	2.4%	11.7%	24.9%	15.8%
EAFE Growth	0.8%	9.1%	13.7%	11.5%
EAFE Value	-0.7%	9.6%	27.0%	21.5%
EAFE Small Cap	-3.7%	7.6%	17.4%	15.7%
Emerging Markets	-1.4%	23.8%	43.5%	23.0%
EM Small Cap	-3.0%	12.9%	20.9%	16.3%

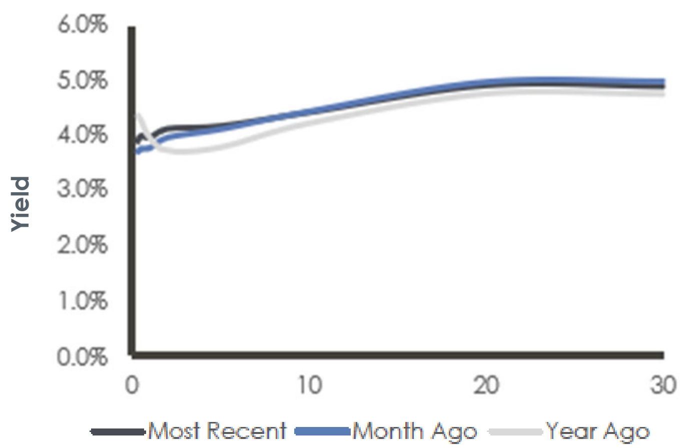
REGIONAL RETURNS

	Jun	YTD	1 Yr	3 Yr
Europe	0.9%	7.9%	18.9%	16.4%
Asia ex-Japan	-1.3%	26.2%	45.8%	24.3%
EM Latin America	-2.4%	10.5%	31.7%	12.1%
UK	-0.8%	6.2%	20.3%	17.5%
Germany	-3.2%	-1.1%	0.3%	15.7%
France	1.0%	2.8%	9.6%	8.6%
Japan	-0.3%	15.8%	29.1%	18.5%
China	-7.1%	-15.0%	-4.9%	7.7%
Brazil	-2.9%	9.3%	26.6%	9.3%
India	1.5%	-9.9%	-12.8%	5.7%

STYLE INDEX RETURNS

Month-to-Date			Year-to-Date			
Value	Core	Growth	Value	Core	Growth	
2.3%	-0.5%	-2.7%	16.3%	10.3%	5.3%	Large
3.0%	3.1%	2.7%	17.6%	15.3%	7.3%	Mid
4.0%	3.7%	3.6%	23.0%	22.6%	22.2%	Small

YIELD CURVE



HEDGE FUND RETURNS

	Jun	YTD	1 Yr	3 Yr
HFRX Equal Wtd.	0.2%	3.3%	8.2%	6.4%
HFRX Hedged Equity	1.0%	7.9%	13.8%	9.9%
HFRX Event Driven	0.4%	2.6%	5.6%	5.3%
HFRX Macro	-1.4%	5.2%	14.5%	4.2%
HFRX Relative Value	0.3%	1.9%	5.0%	5.2%
CBOE PutWrite	1.2%	5.4%	15.6%	11.3%

5/31/26 for funds reported by 6/1/26

COMMODITY RETURNS

	Jun	YTD	1 Yr	3 Yr
GSCI Total	-9.9%	24.1%	30.4%	14.5%
Precious Metals	-13.7%	-7.6%	34.2%	30.4%
Livestock	1.2%	2.9%	11.0%	12.3%
Industrial Metals	-7.6%	6.6%	19.7%	11.6%
Energy	-11.8%	38.7%	25.7%	7.1%
Agriculture	-3.7%	4.7%	4.5%	-1.7%
WTI Crude Oil	-16.8%	45.4%	38.3%	18.3%
Gold	-11.8%	-7.4%	21.0%	26.8%

REAL ESTATE RETURNS

	Qtr	YTD	1 Yr	3 Yr
NCREIF NPI National*	1.2%	1.2%	4.9%	0.2%
FTSE NAREIT	10.8%	14.5%	14.4%	9.5%

*Returns as of 3/31/26

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ASSET CLASS RETURNS

Category	Index	Category	Index
U.S. Equity		**Fixed Income**	
S&P 500	S&P 500 Index	Aggregate	Bloomberg U.S. Aggregate Index
Russell 3000	Russell 3000 Index	Universal	Bloomberg U.S. Universal Index
NASDAQ	NASDAQ Composite	Government	Bloomberg U.S. Government Index
Dow Jones	DJ U.S. Composite, Float Adjusted	Treasury	Bloomberg U.S. Treasury Index
Non-U.S. Equity		Int. Gov/Credit	Bloomberg U.S. Interm Gov/ Credit Index
ACWI	MSCI ACWI	Long Gov/Credit	Bloomberg U.S. Long Gov/Credit Index
ACWI ex. US	MSCI ACWI ex. US	TIPS	Bloomberg U.S. TIPS Index
EAFE Index	MSCI EAFE Index	Municipal	Bloomberg U.S. Municipal 5-YR Index
EAFE Local	MSCI EAFE Local	High Yield	Bloomberg U.S. High Yield Index
EAFE Growth	MSCI EAFE Growth	Bank Loans	Credit Suisse Leveraged Loan Index
EAFE Value	MSCI EAFE Value	Global Hedged	Bloomberg Global Aggregate Index
EAFE Small Cap	MSCI EAFE Small Cap	EM Debt Hard Currency	JPMorgan EMBI Global Diversified Index
Emerging Markets (EM)	MSCI Emerging Markets	**Hedge Fund**	
EM Small Cap	MSCI Emerging Markets Small Cap	HFRX Equal Weighted	HFRX Equal Weighted Strategies Index
Regional		HFRX Hedged Equity	HFRX Equity Hedge Index
Europe	MSCI AC Europe	HFRX Event Driven	HFRX Event Driven Index
Asia ex-Japan	MSCI AC Asia ex-Japan	HFRX Macro	HFRX Macro CTA Index
EM Latin America	MSCI EM Latin America	HFRX Relative Value	HFRX Relative Value Arbitrage Index
U.K.	MSCI U.K.	CBOE PutWrite	CBOE S&P 500 PutWrite Index (Defensive Equity)
Germany	MSCI Germany	**Commodity**	
France	MSCI France	GSCI Total	S&P GSCI
Japan	MSCI Japan	Precious Metals	Bloomberg Sub Precious Metals
China	MSCI China	Livestock	Bloomberg Sub Livestock
Brazil	MSCI Brazil	Industrial Metals	Bloomberg Sub Industrial Metals
India	MSCI India	Energy	Bloomberg Sub Energy
Real Estate		Agriculture	Bloomberg Sub Agriculture
NCREIF NPI National	NCREIF Property Index	WTI Crude Oil	Bloomberg Sub WTI Brent Crude
FTSE NAREIT	FTSE NAREIT All Reits Total Return Index	Gold	Bloomberg Sub Gold

STYLE BOX RETURNS

Category	Index
Large Value	Russell 1000® Value Index
Large Core	Russell 1000® Index
Large Growth	Russell 1000® Growth Index
Mid Value	Russell Midcap® Value Index
Mid Core	Russell Midcap® Index
Mid Growth	Russell Midcap® Growth Index
Small Value	Russell 2000® Value Index
Small Core	Russell 2000® Index
Small Growth	Russell 2000® Growth Index

ABOUT OPEROSE

Operose delivers customized financial solutions to meet investment advisory, family office, tax and alternative investment needs. We were founded on the belief that clients deserve access to quality, tailored service and institutional resources. Backed by a robust research team, Operose priorities service and a commitment to excellence, providing custom offerings that align with unique financial goals. With deep respect for the responsibility entrusted to us, Operose invests in relationships to understand and proactively meet each client's needs.