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Economic & Market Update

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MANAGER'S MESSAGE

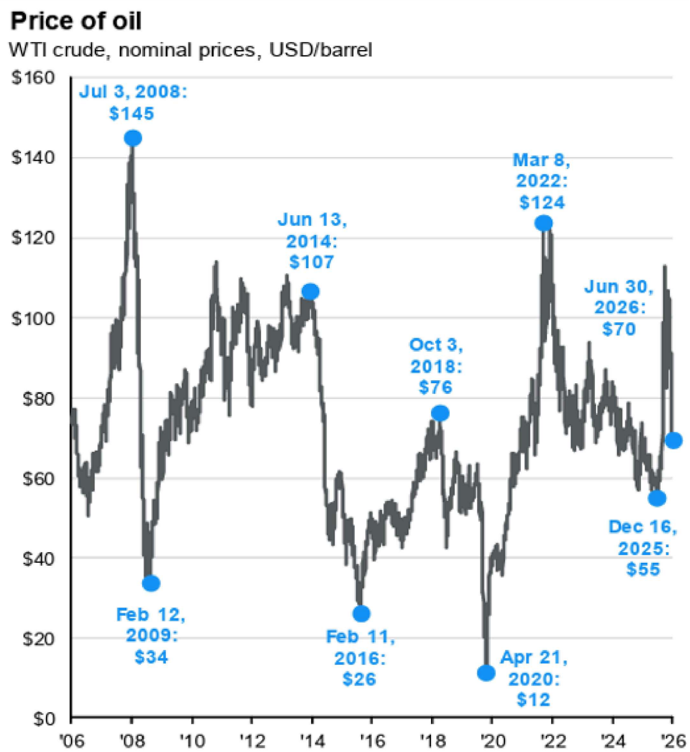
It's hard to believe we're already halfway through 2026. We hope you and your families are enjoying the summer months and finding time to relax and make the most of the season.

The second quarter of 2026 served as another reminder that markets often recover before uncertainty fully fades. Despite ongoing questions surrounding inflation, interest rates, and geopolitical events, both stocks and bonds delivered strong returns, supported by resilient economic data, solid corporate earnings, and improving global sentiment.

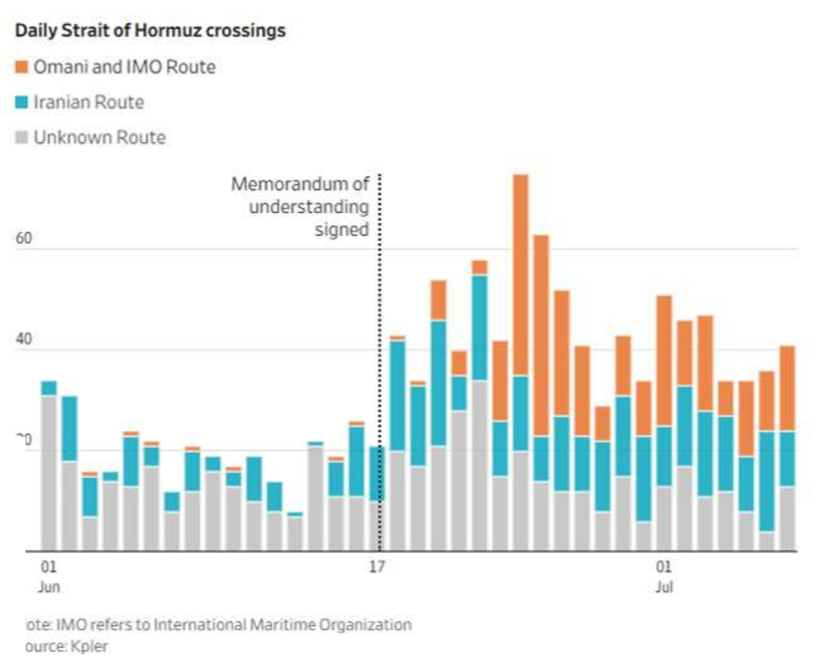
As we enter the second half of the year, the investment landscape continues to evolve. One notable trend is the level of market concentration, which has reached levels not seen since the 1960s. Today, the 10 largest companies in the S&P 500 account for nearly 40% of the index, while semiconductor-related companies represent nearly one-fifth of its total market value. As always, we will continue to monitor inflation, Federal Reserve policy, corporate earnings, and geopolitical developments, while remaining focused on helping you navigate changing market conditions with a disciplined, long-term approach. We are grateful for the trust you have placed in us and we look forward to discussing what the current environment means to your specific situation.

Geopolitical & Geoeconomic Risks

The war in Iran continued to dominate the geopolitical headlines during the second quarter of 2026. This war began in late February and led to the closure of the Strait of Hormuz. This is significant, because nearly a fifth of the world's oil flows through this Strait. The conflict triggered an energy shock and sent oil prices past $110 a barrel.



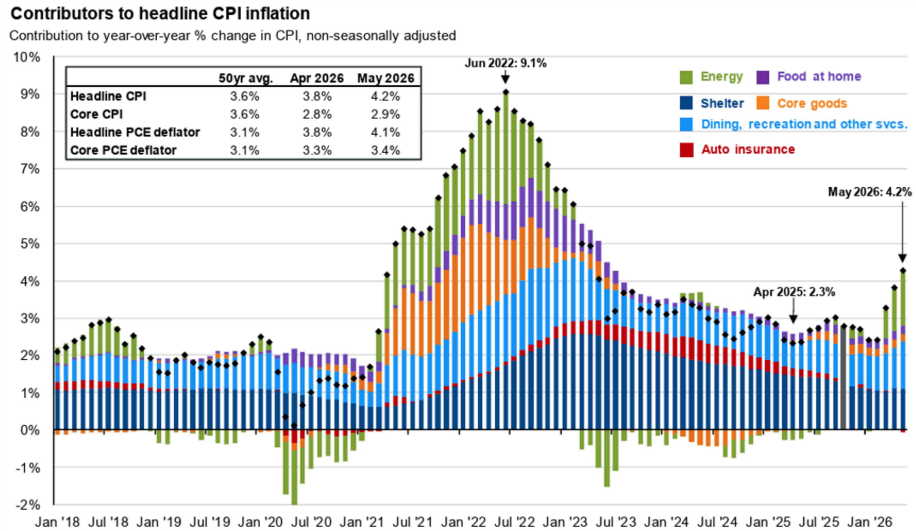
Source: JP Morgan Guide to the Markets 6/30/26



To end the quarter, prices fell back to under $70. Inventory buffers have managed to absorb some price disruption so far, but energy prices have contributed to driving up costs across the whole economy. Traffic through the Strait began to recover at quarter end, but the ongoing tension between the U.S. and Iran make the future of energy prices uncertain. With geopolitical forces that shape trade, energy, and technology coming to the forefront of the conversation surrounding the economy, companies and investors are putting greater emphasis on supply chain resilience.

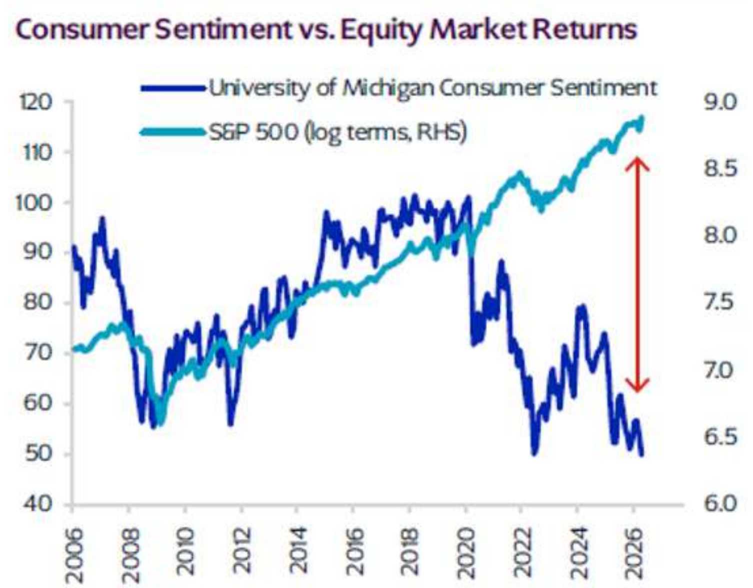
Economic Growth & Inflation

U.S. economic growth has held up through the first half of 2026, but its composition has narrowed in a way that deserves attention.Technology-related investment is making a significant contribution to growth. That concentration ties the broader outlook directly to the durability of artificial intelligence spending, and it leaves growth more exposed than usual should that spending slow. The consensus outlook has drifted toward slower growth and a wider range of possible outcomes. Most forecasts still point to modest growth of around 2% for 2026, with inflation settling near 3% and unemployment drifting higher. There is uncertainty in the economy, as sentiment in the economy sits near historic lows as equity indices set record highs.



Source: JP Morgan Guide to the Markets 6/30/26

Exhibit 129: 'Divergence Conundrum': Consumer Sentiment Is at All-Time Lows, Even As the S&P Continues to Break All-Time Highs. Should Central Banks Tighten or Ease?



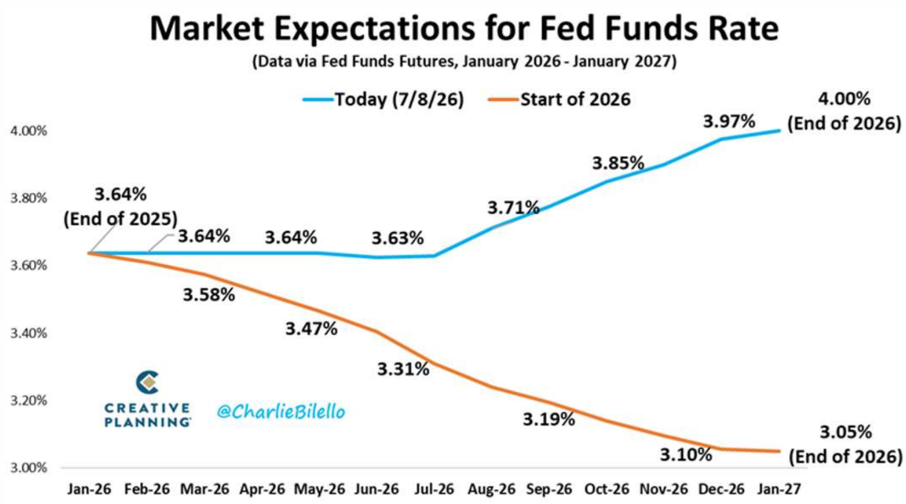
Past performance is no guarantee of future results. Data as at May 28, 2026. Source: University of Michigan Consumer Sentiment Survey, S&P.

Source: KKR Global Macro & Asset Allocation, Global Macro Trends (Insights 16.3), June 2026 (Bloomberg)

Inflation remains the variable that constrains everything else. Most forecasts see it settling above the levels of the prior decade, holding near 3% into 2027 before easing only gradually. More significant than the level is the structural shift beneath it. The long era of falling goods prices, which quietly helped hold overall inflation down for decades, appears to be ending. Reshoring, tariffs, and the rebuilding of inventories are lifting goods prices modestly above their pre-pandemic norms, and energy shocks now layer on top of that shift rather than replacing it. The balance between growth and inflation remains the key relationship to watch for the remainder of the year, because geopolitical developments have the potential to slow growth while keeping inflation elevated, a combination that is challenging for both policymakers and investors.

Federal Reserve Policy

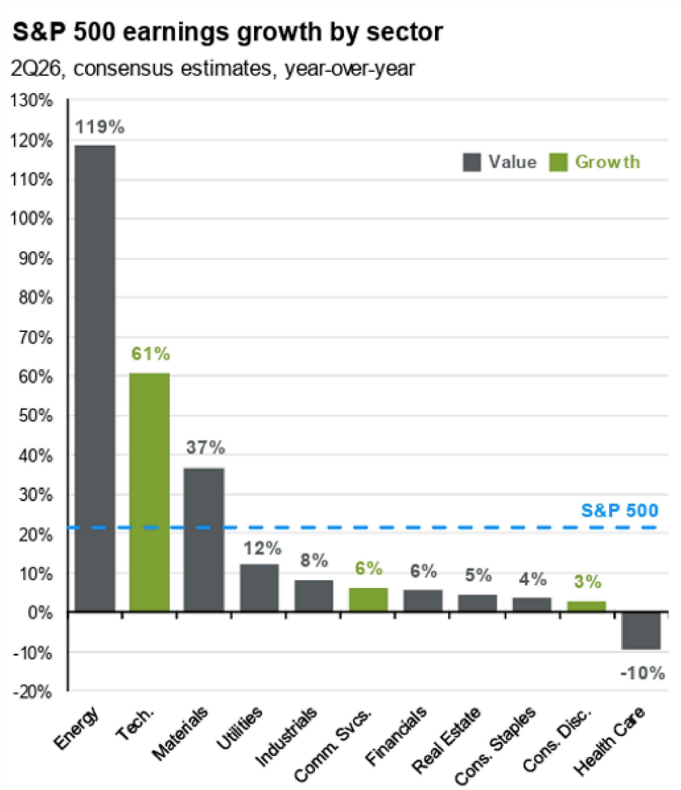
The Federal Reserve enters the second half of 2026 under new leadership with Kevin Warsh beginning his term as chair. Minutes from the most recent policy meeting made clear that the conflict in the Middle East has added upward pressure on prices, and some officials saw a case for raising rates rather than lowering them. The broader picture is one of a central bank inclined to hold a neutral, data-dependent stance.



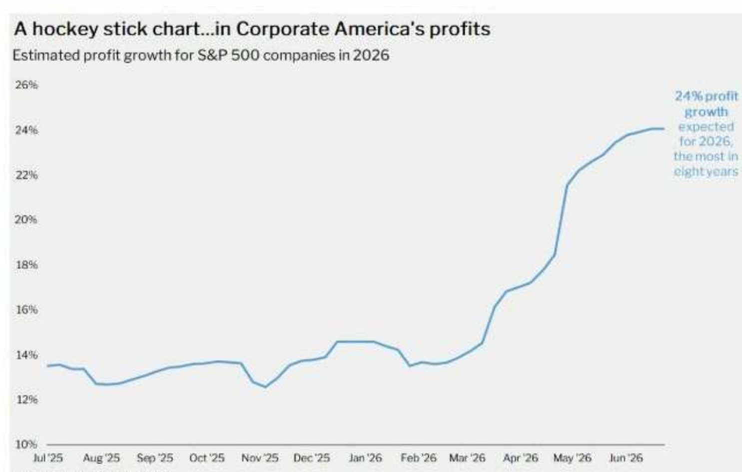
Inflation appears sticky enough to delay rate cuts without forcing a return to raising rates, and most expect short-term rates to remain elevated well into the year before easing only modestly. Longer-term interest rates are expected to drift gradually lower as markets price out the prospect of further hikes. The Fed is faced with the task of balancing the demands of higher headline inflation and a softening labor market.

Corporate Earnings

Earnings remained strong in the second quarter. Earnings growth in 2026 is primarily attributable to energy companies and technology companies. Many companies have managed to expand their margins by lifting their profitability with fewer workers.



Source: JP Morgan Guide to the Markets 6/30/26

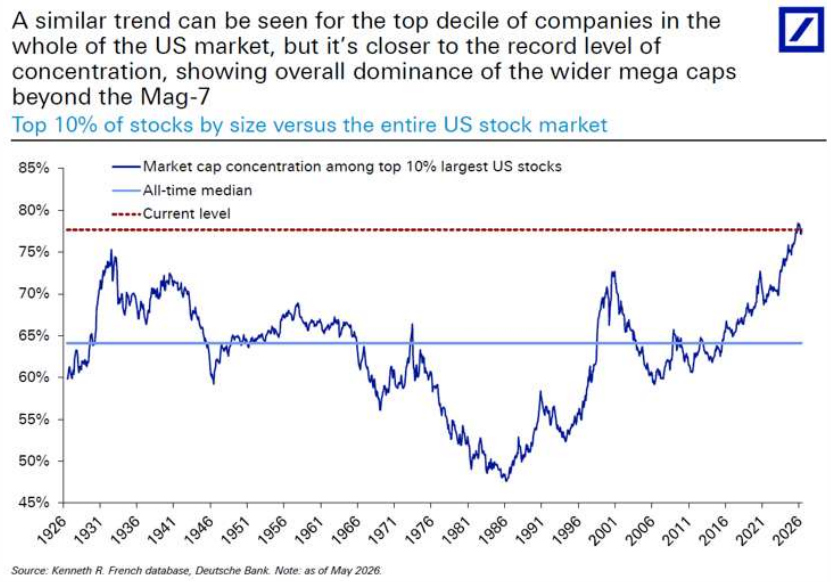


Source: Callie Cox, Callie Cox Media LLC/Bloomberg, 7/1/26

Strong AI investment and expectations of supportive fiscal policy have contributed to this earnings resilience. Long-term earnings are continuing to grow, but in the near term, investors are becoming more sensitive to macroeconomic and geopolitical events that could impact earnings.

Financial Markets Performance

Despite significant volatility due to macroeconomic concerns, the second quarter rally in the market was one of the strongest in decades. The S&P 500 rose to record highs. This rally occurred as energy prices stabilized and impressive earnings posted. Market participation across many different sectors and asset classes has been much broader year to date than in recent years, when markets were dominated by the biggest U.S. companies. However, market concentration in the United States remains historically high. The ten largest U.S. companies now account for roughly 40% of the S&P 500. Composition compounds the point. The S&P 500 is roughly half technology and communications.



Investing for a Lifetime

An environment defined by more frequent external shocks rewards preparation over prediction. Even the most sophisticated investors, with large teams devoted to anticipating how events will affect markets, are wrong a meaningful share of the time. The lesson is not that analysis is pointless but that portfolios must be built to withstand being wrong. Investment decisions are ultimately judgments about the probability of different outcomes and the costs and benefits of each, never matters of certainty.

We have long compared building a portfolio to preparing for an earthquake. Unlike storms and hurricanes, which usually offer some warning, earthquakes give none. You learn the next one has arrived only when the ground begins to shake, which means the preparation must be finished beforehand. Investment portfolios work the same way. The investment journey passes through every economic and market season, with many sunny days but also regular clouds, rain, and the occasional storm. The structures we build must be sound before the ground moves, not after.

History supplies the perspective that headlines cannot. The market has declined at some point in nearly every calendar year, often meaningfully, and has still finished higher in most of them. Short-term volatility is the price of long-term returns, not evidence that something has broken. What follows from that history is a bias toward genuine diversification, including diversification of strategy and not merely of asset class. Adding strategies does not eliminate risk so much as change its form, from market risk into strategy risk. In a period of heightened concern about the market itself, that is often a trade worth making.

OUR COMMITMENT TO OUR CLIENTS

Your IFA Wealth team is dedicated to continual collaboration, providing individualized guidance, all while building relationships that are lasting. If questions or concerns arise – no matter how small – know that we are here to help. Our team's goal for every relationship is to help instill a sense of confidence, comfort and assurance.

PRACTICE UPDATES

Community Spotlight: Two Opportunities to Give Back

During the second quarter, our team had the opportunity to volunteer at **Habitat for Humanity's ReStore** in Roanoke. Habitat for Humanity works to help local families achieve safe, affordable homeownership, and proceeds from the ReStore directly support those efforts. Our team assisted with a variety of tasks, including stocking merchandise, organizing donations, cleaning, and providing general retail support. We were grateful for the opportunity to contribute to an organization that makes such a meaningful impact in our community.

Our team also spent time volunteering with **Saint Francis Service Dogs**, an organization dedicated to training and placing highly skilled service dogs with individuals with disabilities. During our volunteer day, we helped improve the organization's facilities by painting and repairing fences, spreading mulch, and assisting with other maintenance projects, while the pavilion received a fresh cleaning thanks to the generous donated services of Hot Shot Pressure Washing. It was rewarding to support an organization whose work helps create greater independence and quality of life for those they serve.