HAMILTON CAPITAL

Capital Markets Review

Second Quarter - 2026

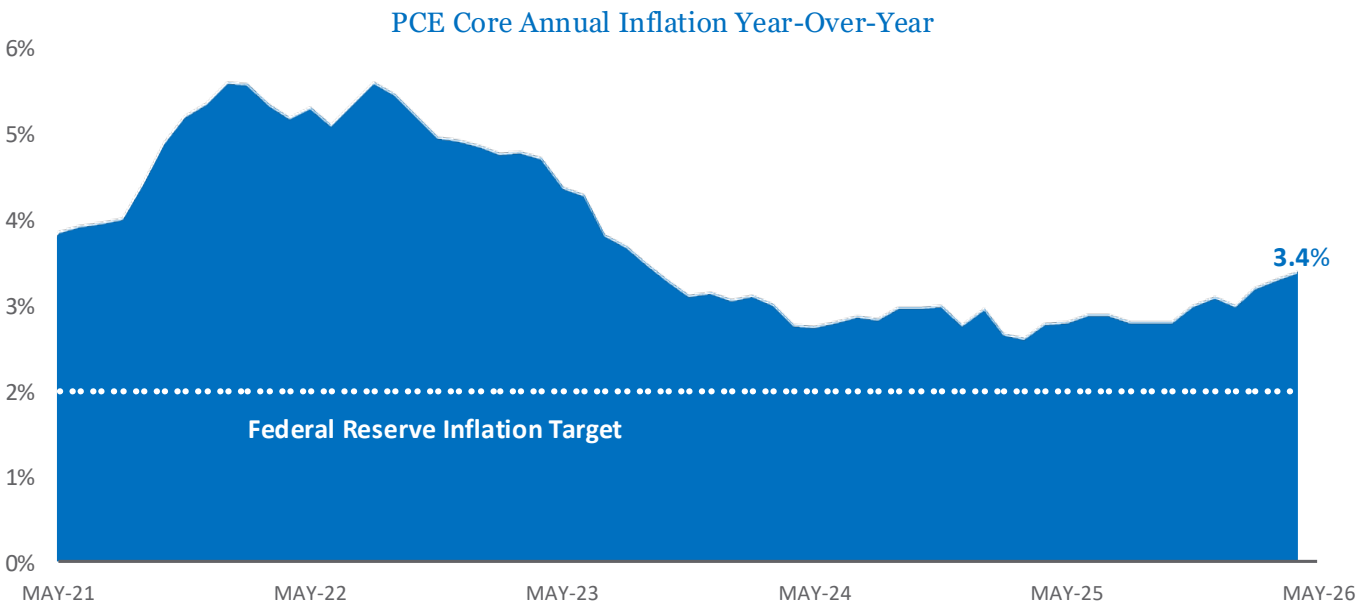
If you have been following the financial news, you have likely seen some encouraging headlines. First-quarter earnings for stocks in the S&P 500 grew a strong 12% year over year. After a tough start to the year, the S&P 500 rebounded sharply and posted one of its strongest quarters in years.

We're pleased to say our clients benefited from that strength, and across our equity-focused investment strategies, portfolios continue to meet and, in many cases, exceed their objectives. We focus on more than returns from any single quarter, because unfortunately strong markets don't last forever, and our goal is to compound returns steadily over time. This environment is genuinely strong, but it carries real risks. Significant consumer demand can lead to inflation, and high equity returns can lead to expensive stocks. So, we are participating in the opportunities we find, while keeping a close watch on those risks.

The biggest risk we currently see is inflation (*see Figure 1*). At 3.4%, core inflation is off its high but still sticky, partly due to higher energy costs tied to tensions overseas. These higher costs are filtering through the prices of everyday goods and services. The Fed is walking a tightrope because if it holds rates too high, it risks a recession. If it eases too soon, inflation could flare back up. Faced with that balance, the Fed is likely to keep rates higher for longer, which is why we watch closely how sensitive your investments are to

Inflation Is Moderating But Remains Sticky

Figure 1



Source: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis

interest rates.

The second risk we are keeping an eye on is valuations. Stocks have had a strong run, and much of it is well-earned. Companies are investing enormous sums in artificial intelligence, a real engine of future growth. In cases where prices have run ahead of fundamentals, we simply stay selective, so your portfolio is positioned to share in the upside without overpaying for it.

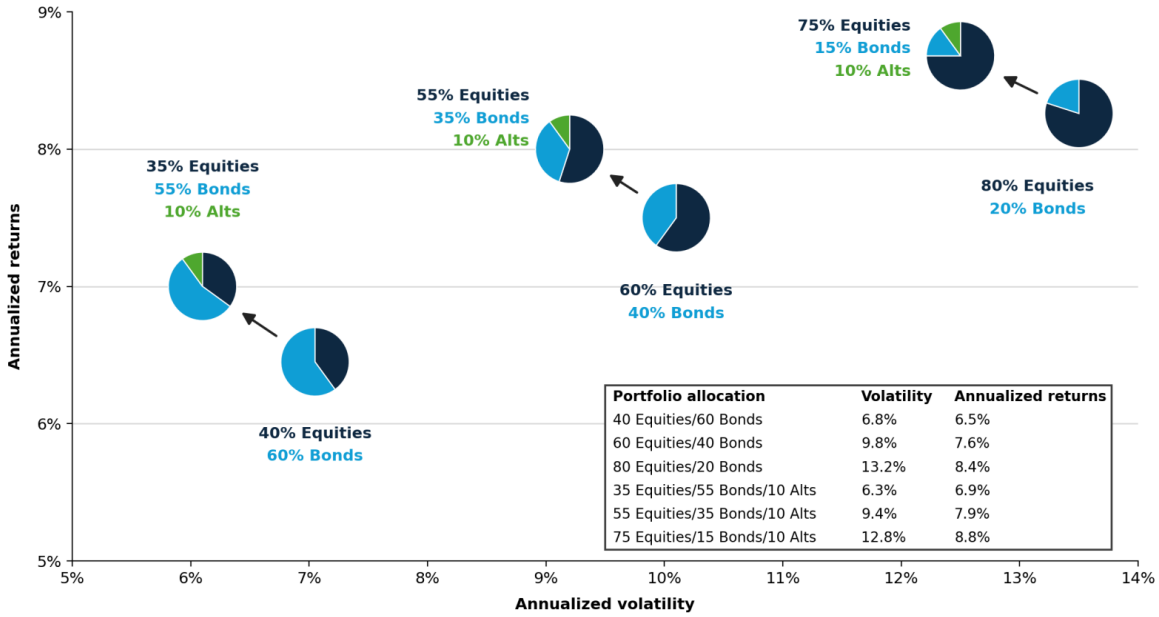
Expensive names can also be the most volatile, so we own them in measured amounts. You are positioned to participate in their growth, while the steadier parts of your portfolio help keep you on an even keel through any ups and downs.

And here is the really encouraging part. This quarter's gains broadened well beyond the handful of mega-cap AI-focused names. For example, among the companies in the S&P 500, 493 produced a combined year-to-date return of 15%, while the Magnificent 7 stocks were flat. Emerging markets, mid-caps, and developed

Alternatives and Portfolio Risk/Return

Figure 2

Annualized volatility and total return, 1Q98 - 4Q25



Portfolio allocation	Volatility	Annualized returns
40 Equities/60 Bonds	6.8%	6.5%
60 Equities/40 Bonds	9.8%	7.6%
80 Equities/20 Bonds	13.2%	8.4%
35 Equities/55 Bonds/10 Alts	6.3%	6.9%
55 Equities/35 Bonds/10 Alts	9.4%	7.9%
75 Equities/15 Bonds/10 Alts	12.8%	8.8%

Source: JPMorgan Alts include hedge funds, real estate, and private equity. with each receiving an equal weight. Portfolios are rebalanced at the start of the year

international markets all posted double-digit returns. That kind of broad participation is exactly what your diversified portfolio is built to capture.

We believe your portfolio is well-positioned for this environment because we remain focused on three objectives. We want to earn consistent returns above inflation, keep volatility low, and avoid the large drawdowns that could derail your financial plan.

In practice, that means owning quality companies and assets with strong fundamentals and reasonable valuations, which help them to weather storms. That discipline can seem boring when markets run hot, but it is exactly what you want when assets are fully priced and optimism is high.

Diversification matters too. We want to own assets that behave differently, so when one part of your portfolio struggles, another can hold steady. Bonds have historically played that role when stocks fall (*see Figure 2*). Alternatives like private equity, private credit, and real assets help as well, because their returns

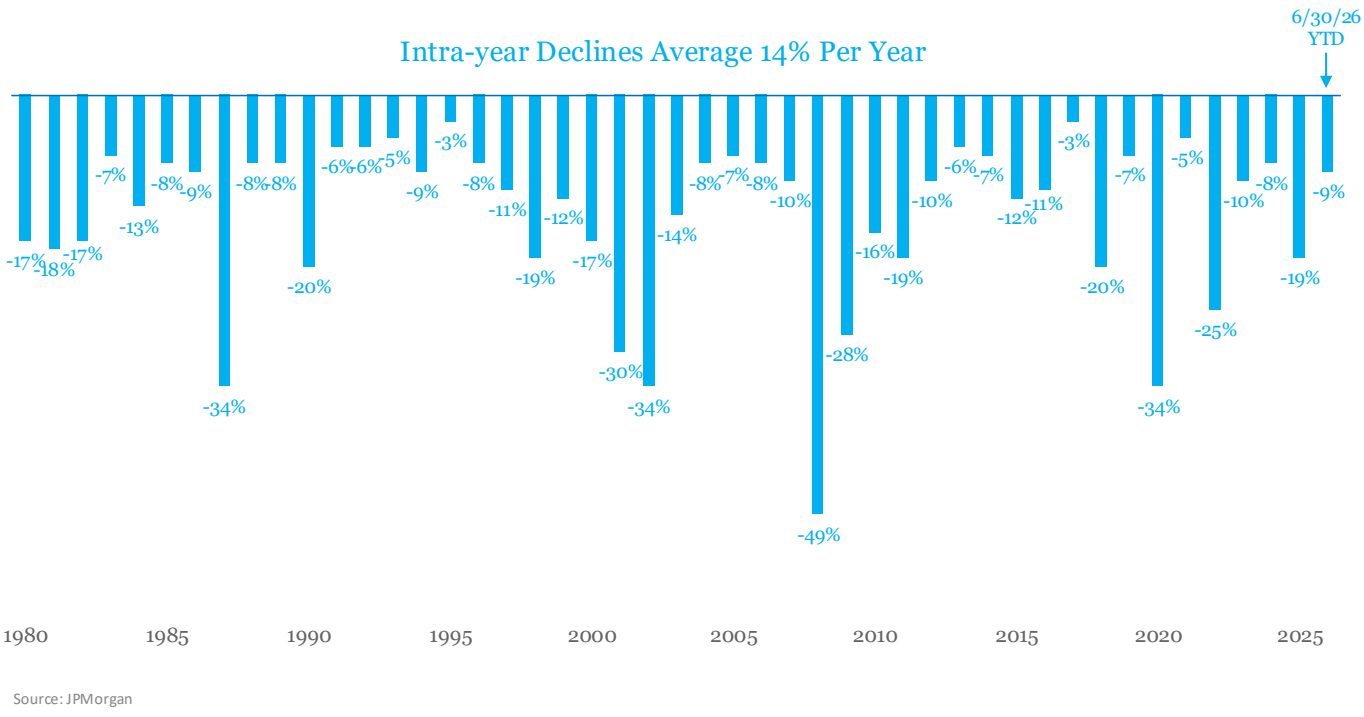
don't move with the same forces that drive public stocks and bonds.

Market volatility is normal, and a pullback is always possible (*see Figure 3*). Since 1980, the S&P 500 has declined from its high by an average of 14% each year, yet annual returns still finished positive in 35 of 46 years. We are not predicting a pullback, but we are prepared for that volatility.

Your portfolio is built to do three powerful things at once: compound returns over time, reduce the quarter-to-quarter volatility, and cushion against significant losses (*see Figure 4*). Look at how much time is lost for compounding when this occurs. Protecting against deep drawdowns is what keeps your compounding on track, year after year.

S&P 500 Price Intra-year Declines From High 1980-2026

Figure 3



Source: JPMorgan

In every market environment, part of our job is to ensure your portfolio takes no more risk than your goals require. We monitor these risks and will adjust when the data confirms the move.

The takeaway from this quarter is that markets are strong, the good news is real, and you are positioned to enjoy it. Our job is to manage the risks beneath the headlines, so you can stay focused on your goals with confidence. Your portfolio is built to make the most of strong markets and to navigate whatever comes next.

As always, your advisor and the rest of your Hamilton Capital team are here whenever you need us. We are proud to be your trusted partner.

With you, for you, for life.

Please see following page for Figure 4 and important disclosures. ⟶

Market Declines Reduce Time For Compounding Returns

Figure 4

S&P 500 ALL-TIME HIGH
7,609.78
Closing Price June 2, 2026

MARKET DECLINE FROM HIGH	NEAREST S&P 500 CLOSING PRICE	LAST DATE CLOSING BELOW DECLINE PRICE	MONTHS OF GAINS ERASED
5%	7,229	5/4/2026	1.9
10%	6,849	4/10/2026	2.7
15%	6,468	3/30/2026	3.0
20%	6,088	6/23/2025	12.2
25%	5,707	5/9/2025	13.7
30%	5,327	4/22/2025	14.3
35%	4,946	2/5/2024	28.8
40%	4,566	12/6/2023	30.8
45%	4,185	10/30/2023	32.0
50%	3,805	12/28/2022	42.1

Source: Dorsey Wright, Bloomberg

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