August 5, 2026

Dear Valued Investor,

The second half of 2026 began with investors facing no shortage of uncertainty, from the Iran conflict and higher oil prices to ongoing questions surrounding potential payoffs from massive artificial intelligence (AI) investment. Despite these challenges, the S&P 500 entered August near all-time highs, and prospects for further gains remain favorable based on a resilient economy and solid corporate fundamentals.

The AI investment cycle remains the dominant theme. As major technology companies reported second quarter earnings, it became clear that markets have shifted from rewarding the promise of AI spending to execution on that investment. Can the big hyperscalers such as Microsoft, Amazon, Alphabet, and Meta generate attractive returns on the enormous capital being deployed into data centers, chips, cloud infrastructure, and AI platforms? Second quarter results offered a mixed response. Companies demonstrating strong revenue growth, cash flow generation, and evidence of AI monetization were rewarded, while those showing rising spending with less visible returns faced increased scrutiny. Importantly, we believe the AI story remains fundamentally intact. Business investment tied to AI continues to support economic growth, productivity gains, and corporate profitability across a growing number of industries. While investors should expect periods of volatility as markets assess returns on these investments, AI remains a powerful earnings tailwind for technology leaders and business adopters.

Supported by AI investment, corporate earnings continue to provide a strong foundation for stocks. S&P 500 companies in aggregate are growing profits nearly 30% year over year in the second quarter, excluding markups of private holdings in Anthropic, OpenAI, and SpaceX. Strength has extended beyond technology, with earnings growth excluding the so-called Magnificent Seven tracking toward 20%. Encouragingly, stock market gains have been driven more by earnings growth than valuation expansion, a healthier backdrop, in our view.

The inflation picture remains muddled but poised to improve. The ongoing Iran conflict and solid economic growth have put upward pressure on long-term interest rates, leaving the Federal Reserve in a tricky spot. Renewed hopes for productive talks to open the Strait of Hormuz and weaker Chinese demand for oil have helped offset oil supply concerns, keeping WTI crude oil prices near a tolerable $80 per barrel.

Overall, we believe resilient economic growth, improving prospects for restored shipping traffic in the Persian Gulf, compelling earnings, and AI-driven innovation support a positive outlook for equities even after the recent advance. With volatility tied to geopolitics and uncertainty around returns on AI investment likely to persist, diversification remains at a premium.

As always, please reach out to me with questions. Thank you for your continued trust.

Important Information

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All data is provided as of August 5, 2026.

All index data from FactSet.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

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