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Investment & Planning Insights
Third Quarter 2026

Experienced financial guidance
for your unique journey

We are pleased to offer this quarter's "Investment and Planning Insights" newsletter summarizing our team's current views and opinions on relevant economic, geopolitical, estate/financial planning, and capital market events. Please contact us if you would like to discuss this in greater detail. As always, thank you for your business.

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Economic Summary – 2Q 2026

U.S. equities staged a powerful rally in the second quarter, with the S&P 500 logging its best quarter since Q2 of 2020. While mega-cap tech fueled much of the momentum, the rally was reasonably broad-based as investors shifted away from hyperscalers.

Geopolitical tensions, which largely began with the U.S. – Iran conflict, appeared to be nearing a resolution. The two sides signed a formal agreement in June that successfully reopened the Strait of Hormuz, allowing shipping traffic to rebound back to 75% of pre-war levels. Energy prices fell sharply as WTI crude oil plummeted 31.4% for the quarter, entirely wiping out the previous quarter's surge.

AI remained a primary catalyst. Semiconductors posted breathtaking gains as demand and memory costs continued their rise. However, the Magnificent 7 names came under greater pressure amid concerns regarding capital expenditure and token commoditization. This pressure was compounded by an unprecedented wave of equity supply, highlighted by SpaceX's historic record-breaking IPO, Alphabet's $85 billion share issuance, and confidential IPO filings from both OpenAI and Anthropic.

Against this backdrop, expectations for easing monetary policy underwent a hawkish shift. Market pricing adjusted from anticipating rate cuts to projecting a 25 basis point hike before year-end. In his first press conference as Federal Reserve Chair, Kevin Warsh adopted a more hawkish tone. Short-term Treasury yields responded in-kind, rising by nearly 25 basis points over the quarter.

U.S. economic data remained solid throughout the quarter. S&P 500 companies posted a blended year-over-year earnings growth rate of 28.6%, marking the index's strongest performance since late 2021. The labor market maintained its strength as well, with nonfarm payrolls outperforming consensus estimates.

Similarly, international equity logged strong returns over the quarter. The European Central Bank hiked rates by 25 basis points in its first policy tightening since 2023, moving to curb surging energy-driven inflation.

Notes
Source: FactSet

Capital Market Summary – 2Q 2026

The S&P 500 rebounded sharply in the second quarter, posting a gain of 15.2% and pushing its year-to-date return to 10.2%. The market broadening theme remained intact as small-cap equities surged, with the Russell 2000 index jumping 21.2%.

Sector performance marked a reversal of the first quarter's trends. Energy, the strongest sector in Q1, finished the quarter as the biggest laggard (-14.0%). On the other end, Technology led the market, posting a 31.6% return.

Emerging markets (22.8%) continued to outperform the U.S. and international developed markets (11.5%)

In a sharp reversal from their strong start to the year, precious metals and broader commodities faced steep declines late in the quarter. Gold and Silver posted losses of 13.7% and 20.0% respectively, with Gold enduring its worst quarter since 2013.

	Q2 2026	Last 12 Months
S&P 500	**15.2%**	**10.2%**
Int'l Developed Equities (MSCI EAFE)	**11.5%**	**20.9%**
Emerging Markets (MSCI EM)	**22.8%**	**44.2%**
U.S. Investment Grade Bonds (Bloomberg U.S. Corporate)	**1.8%**	**4.3%**
U.S. High Yield (Bloomberg U.S. High Yield Corporate)	**3.1%**	**5.9%**
US Municipal Bonds (Bloomberg Municipal Bond)	**2.7%**	**7.0%**

Notes

Index returns provided by Bloomberg Finance LP, 6/30/2026.

Please review the Disclosures for additional information

References to the indexes listed above are included for illustrative purposes only, as an index is not a security in which an investment can be made and an index does not reflect any of the costs associated with buying and selling individual securities or any other fees, expenses, or charges. The performance shown above does not represent the performance for any Bearing Point clients. Past performance is no guarantee of future results.

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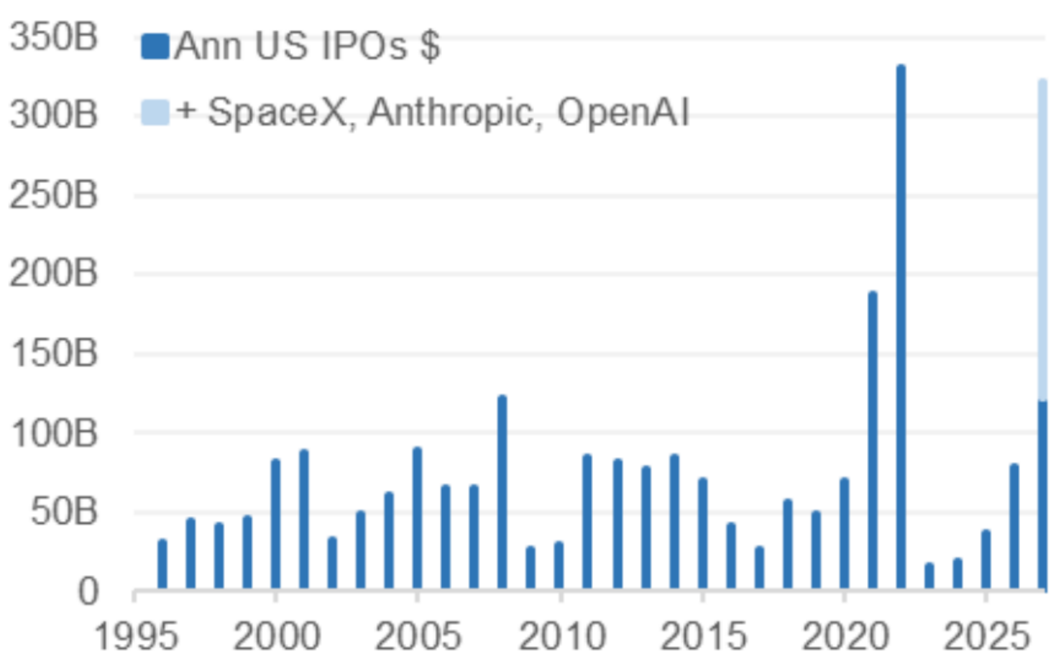
The IPO Surge

After years of drought, the initial public offering market appears to be experiencing a true renaissance year thus far. SpaceX recently made headlines with its historic market debut, raising an unprecedented $75 billion and achieving a $1.8 trillion valuation in the largest IPO ever recorded.

And the momentum is intensifying as investors now set their sights on Anthropic and OpenAI. Both AI heavyweights are gearing up for monumental public offerings, with expected valuations nearing $1 trillion apiece.

By some measures, 2026 is firmly on track to challenge the record set in 2021 as the largest IPO year in market history.

IPO Volumes[1]



Notes

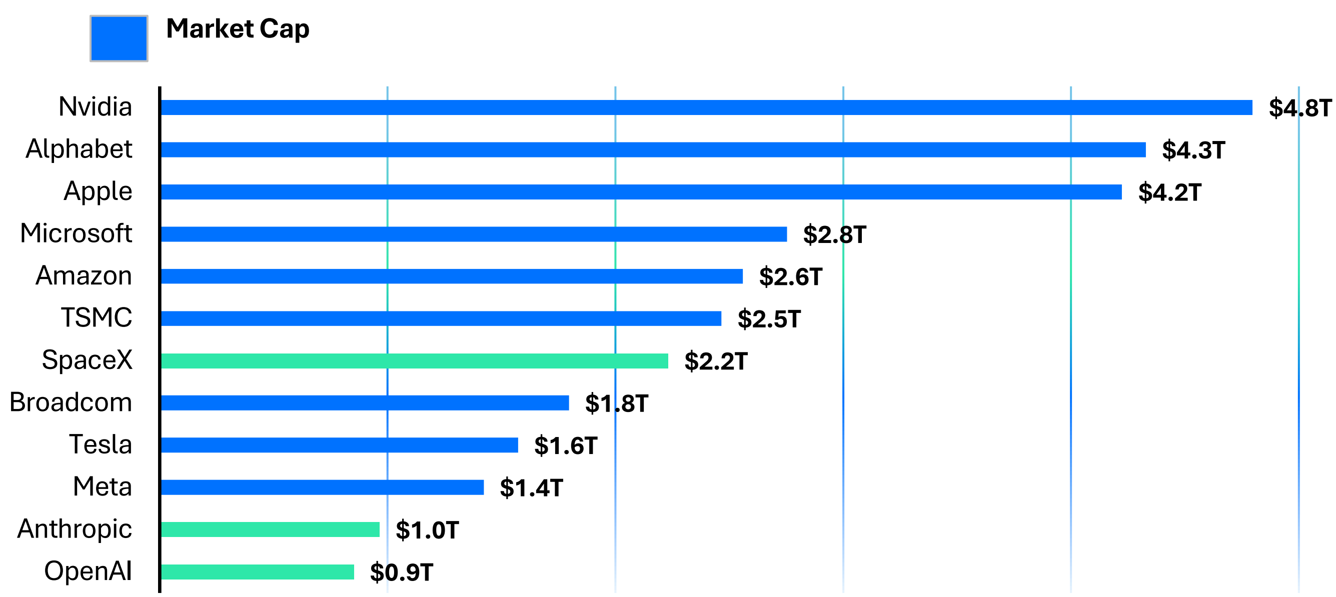
1. Bloomberg, Evercore ISI Research. Assumes SpaceX $75B, OpenAI, $60B, Anthropic $65B

The IPO Surge (cont'd)

SpaceX, now valued at ~$2 trillion dollars, ranks as the world's sixth most valuable company, sitting just behind Amazon, despite generating just a fraction of its revenues.

Similarly, at a $1 trillion valuation, OpenAI would eclipse Walmart in market value. An incredible feat considering Walmart with an identical valuation generated $681 billion of revenues in 2025 compared to OpenAI's $13.1 billion[1].

Market Capitalization of the Largest Companies[2]



Given the sheer scale of these listings and their staggering valuations, it's important to understand what this could mean for the broader markets.

While this historic IPO cycle suggests that enthusiasm for AI remains high, bears will warn that we may be approaching peak demand, pointing to the 1999 pre-telecom bubble IPO frenzy as a warning sign.

The comparisons are understandable, but there are fundamental differences in the current IPO cycle. So far this year, approximately 160 companies have announced plans to go public. This marks a sharp contrast in deal volume compared to previous peaks, which saw over 600 public debuts in 1999, 400 in 2007, and 1,200 in 2021. This shift toward fewer but larger IPOs is a reflection of how private markets have evolved since the turn of the century. With wider access to capital, companies are now able to remain private longer before entering public markets at a more mature stage.

Notes

1. Leaked financials obtained by the Financial Times
2. Bloomberg. Data as of 6/29/2026. Note: Anthropic and OpenAI valuations based on latest funding rounds reported by Bloomberg

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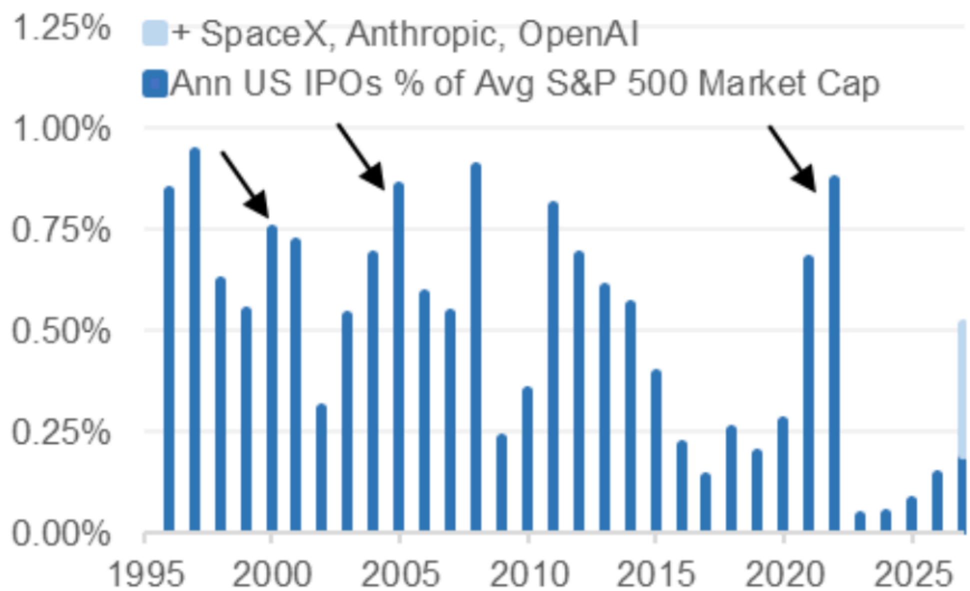
The IPO Surge (cont'd)

Furthermore, the current IPO cycle appears much less extreme when measured against total equity market capitalization. We are witnessing record-breaking IPOs, but they are launching into a market that has expanded to record levels. This year's projected capital raises represent a mere 0.5% of the S&P 500's market cap, a very modest level relative to the issuance levels seen during prior market peaks.

US IPOs Relative to S&P 500 Market Cap[1]



In isolation, we do not view the recent wave of mega-cap IPOs as a red flag on its own. However, the success of these IPOs could catalyze a broader shift that sees more private companies seeking public listings. A more pronounced risk could emerge if a spike in IPO volume coincides with existing mega-cap tech firms issuing new shares and taking on bigger debt burdens.

Consider Google's recent pivot. After years of buying back its stock, the company has recently taken on debt to fund its AI expansion and is now planning to raise capital through a historic $85 billion share sale. If the AI arms race leads to more widespread shareholder dilution, it would represent a worrying trend.

While our conviction in the AI theme remains high, we remain vigilant for any warning signs. We are closely monitoring fundamentals such as free cash flow, debt, and capital expenditure trends as proxies for any shifts in underlying demand. Additionally, we continue to exercise discipline around valuations, recognizing that greater multiples leave little room for error.

Notes

1. Bloomberg, Evercore ISI Research. Assumes SpaceX $75B, OpenAI, $60B, Anthropic $65B
2. Bloomberg. Data as of 6/29/2026. Note: Anthropic and OpenAI valuations based on latest funding rounds reported by Bloomberg

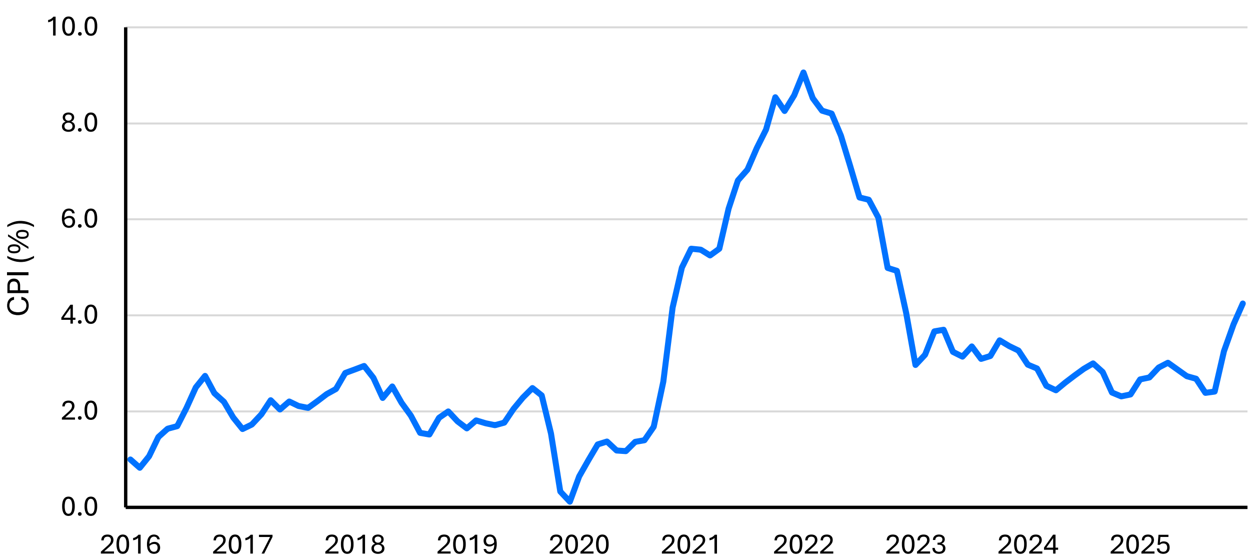
Federal Reserve, Interest Rates, & Inflation

The most meaningful development for monetary policy this quarter is the transition to new Federal Reserve leadership. Kevin Warsh was appointed Fed chair on 5/22/2026. While the Fed's mandate of maintaining maximum employment and stable prices hasn't changed, there are winds of change as it relates to the new chair and his perspective on the Fed's priorities in the short-medium term. Let's first look at the current situation as it relates to inflation and employment.

Inflation

After living in a world of exceptionally low inflation between the credit crisis and COVID, inflation has played a more meaningful role in the capital markets and policy decisions over the past 5 years. After spiking post-COVID, followed by aggressive Fed tightening (higher interest rates), inflation has come off its highs, but remained above the Fed's long-term inflation target of 2%. Given the Fed has not hiked rates for several years and has been cutting rates to stimulate growth over the past couple of years, it is clear they have been comfortable with inflation above the long-term target. The more recent levels of core inflation in the 2.8% - 3.0% range can be described as "sticky but not exploding." Headline prices have held at a higher rate closer to 4%+ considering higher energy and food prices dating back to the start of the Ukraine conflict and more recently the Iran conflict. As we look ahead, risks to higher inflation exist given fiscal deficits, tariffs, labor supply constraints from immigration restrictions, and the AI capital spending boom.

U.S. CPI[1]



Notes

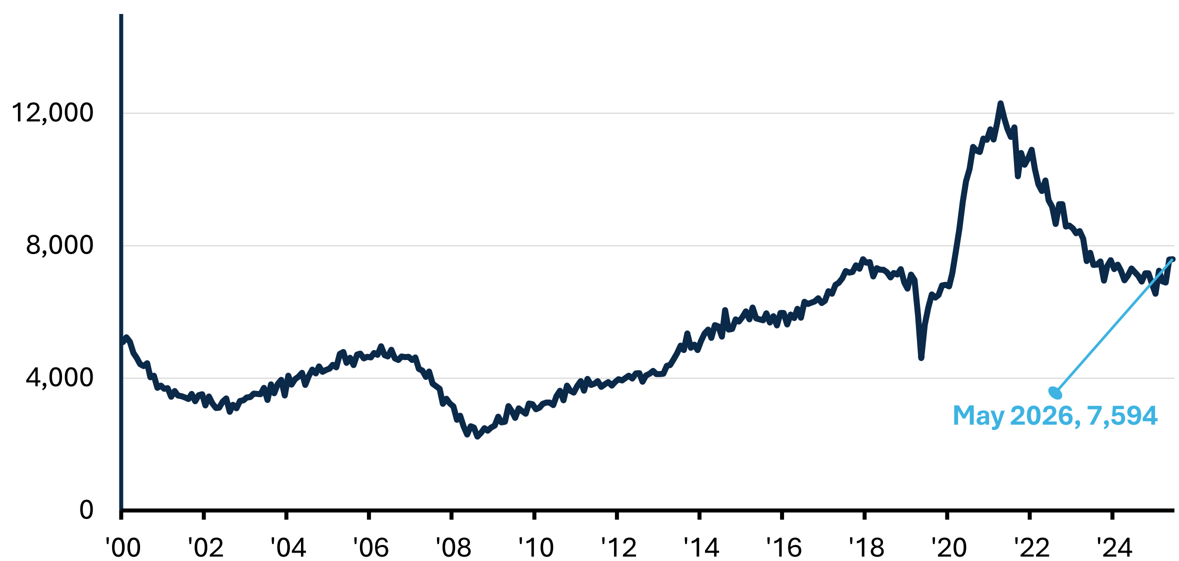
1. Bloomberg

Federal Reserve, Interest Rates, & Inflation (cont'd)

Employment

Employment is the other key policy priority, and the labor market can be described as remarkably resilient. While we have been living in what has appeared to be a late-cycle economy for an extended period of time, and have lived through a Fed tightening cycle which has historically disrupted employment, the labor market has eased from very tight levels post-COVID, but remains near levels generally considered consistent with full employment. Employers have become more selective in hiring, wage growth has slowed from its peak, and labor force participation has improved. These developments have helped reduce labor-market imbalances that contributed to inflationary pressures earlier in the cycle.

Job Openings[1]



Federal Reserve

Where does this leave the Fed and monetary policy? During his first Fed meeting, Warsh made it clear that the Fed's primary mandate going forward is inflation, not labor markets or growth, and his willingness to call out the Fed's repeated misses on its inflation target suggests a different and potentially more hawkish approach going forward. Warsh has expressed concern that central banks can become overly reliant on monetary accommodation and risk creating asset bubbles, market distortions, or future inflation problems.

Notes

1. Bloomberg

Federal Reserve, Interest Rates, & Inflation (cont'd)

Markets should expect a higher bar for cuts and a lower bar for hikes than under prior leadership. If incoming inflation data confirms re-acceleration, the new leadership has explicitly signaled a willingness to act. Conversely, the labor market softening described above could test the new framework if it persists. A "higher for longer" rate environment is more likely than the rapid easing cycle we have seen over the past couple of years and was expected to continue at the start of 2026. It is evident that Warsh's style will be vastly different from former Fed chair Jerome Powell with communication that may provide less transparency into the Fed's thinking and next steps coupled with less of a desire to use large-scale Fed balance sheet interventions.

From an investment perspective, this may create somewhat of a Fed policy headwind in the short-term as interest rates remain higher than they otherwise would have been. This is an ongoing headwind to the economy, consumer spending, and dampens the present value of future earnings/cash flows. On the other hand, over time, it is likely to produce less of an inflationary environment which will provide the Fed more flexibility to adjust and respond to some of the structural issues that exist.

Notes

1. Bloomberg

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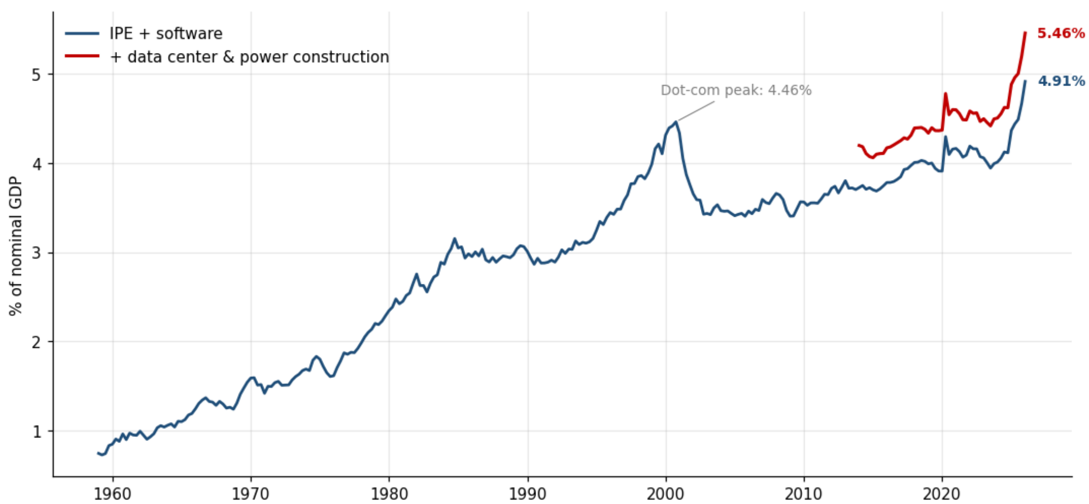
The Expanding Reach of AI Investment

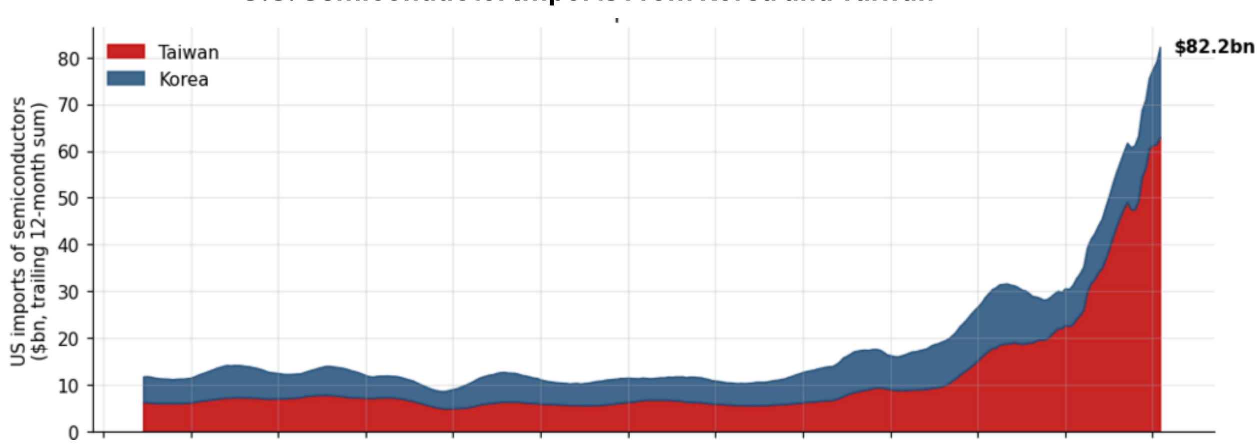
Since the launch of ChatGPT in late 2022, U.S. equities have been driven by rapid growth and heavy investment from the world's largest companies as they position for artificial intelligence. AI leaders have pushed capital spending to new highs, deploying free cash flow and raising debt and equity to fund data centers, chips, power, and software. This spending now approaches 6% of U.S. GDP, a historically large share of output committed before clear evidence that it will translate into productivity gains.

AI-Related Fixed Investment as a Share of GDP[1]



While the spending is visible, its impact on growth can be more difficult to decipher. Much of the buildout depends on imports, especially from Korea and Taiwan, which reduces measured U.S. GDP.

U.S. Semiconductor Imports From Korea and Taiwan[2]



Notes

1. BEA NIPA, Census Bureau Construction Spending. Note: 'IPE + Software' = private nonresidential fixed investment in information processing equipment plus private investment in software
2. Renaissance Macro Research

The Expanding Reach of AI Investment (cont'd)

Yet the dollars do not vanish abroad. They finance production in Asia and return to U.S. firms through revenue. Companies such as Nvidia, AMD, and Broadcom record the demand created by this cycle. The result is a feedback loop: U.S. capital funds global manufacturing, which in turn feeds U.S. earnings. This dynamic has supported international and emerging-market equities, which have outpaced the S&P 500 year-to-date, extending a trend that began in 2025.

The effects are broadening within the U.S. as well. In 2026, Energy (+19%), Industrials (+17%), and Materials (+14%) have outperformed the S&P 500 (+9%)[1]. These sectors, though outside traditional tech, now move more closely with it as their revenues tie increasingly to AI spending.

Utilities and equipment makers supply the buildout. Firms like Eaton and Caterpillar provide generators, engines, electrical systems, and construction inputs for data centers. Financial institutions, including Goldman Sachs, Morgan Stanley, and Citigroup, benefit from higher capital-markets activity tied to these projects.

The implication is clear: more of the economy now depends on the AI investment cycle. If that cycle slows, the effects would likely extend beyond technology.

Risk recognition, however, is not prediction. Consensus forecasts for AI spending continue to rise. At the same time, valuations for large AI platforms—Meta, Amazon, Alphabet, and Microsoft—have fallen to their lowest levels since ChatGPT's release and now trade at a discount to the broader market, as investors look past near-term spending toward eventual profitability.

Notes

1. FactSet

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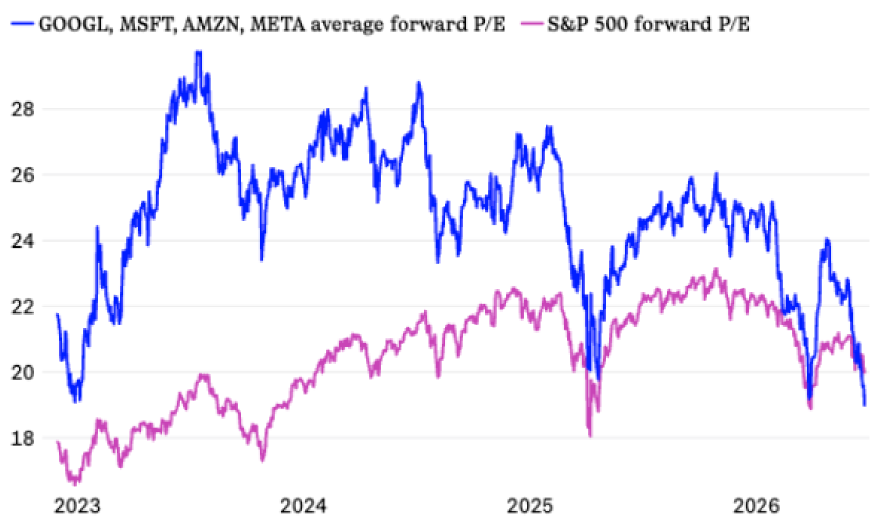
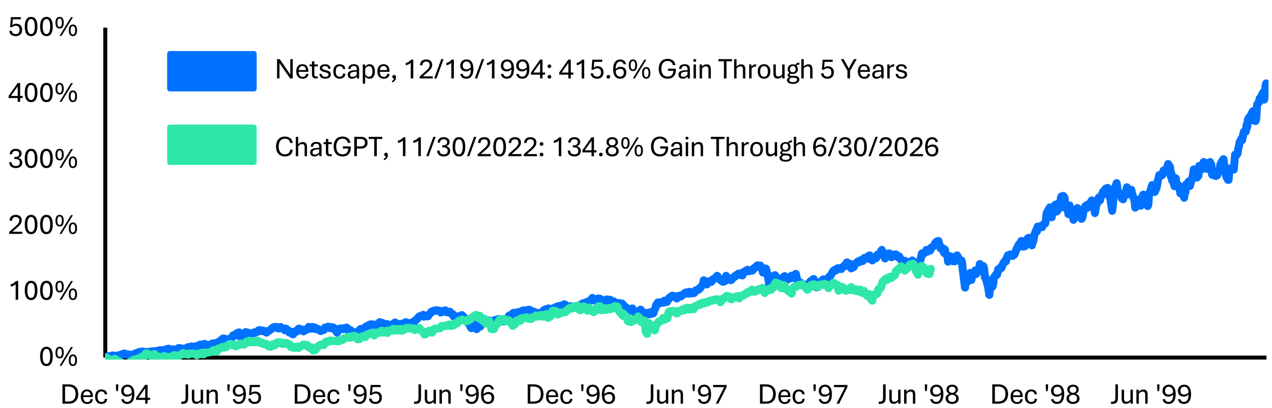
The Expanding Reach of AI Investment (cont'd)

Forward P/E of Hyperscalers[1]



Markets remain near all-time highs, with gains spread across sectors and regions. History shows that expansions can persist longer than expected, while answers on AI profitability may take years. Avoiding the market during such periods can carry a higher cost than enduring eventual pullbacks.

Nasdaq Performance Following Netscape & ChatGPT Releases[1]



We continue to focus on durable growth and allocate capital to high-quality companies positioned to benefit from this cycle. As spending matures, we expect advantages to shift toward firms that convert investment into revenue and margins. Our approach remains to identify and invest in businesses best placed to capture that transition.

Notes

1. Bloomberg

Portfolio Positioning

The 2nd quarter continued the tug-of-war we have seen over the past 18 months as it relates to a broadening of leadership away from the Mag 7 and U.S. large cap growth stocks compared to foreign, small cap, and value stocks. The quarter was once again dominated by U.S. Large Cap Growth, Technology, and AI infrastructure companies. The narrative has shifted somewhat given the massive capital spending taking place amongst the Mag 7 with companies within the AI supply chain and memory stocks in particular producing outsized returns. We also saw some of the software companies recover off the 1st quarter threat of AI disruption. Short-term rates moved higher given many of the issues addressed in the Fed discussion earlier in the letter. We continue to believe our portfolio positioning—guided by each client's unique risk and return profile—served us well. Risk-management disciplines such as rebalancing and ongoing liquidity planning remained essential given elevated valuations across segments of the equity market.

We will continue to take advantage of attractive opportunities in investment-grade bonds given interest rates remain at reasonable levels. They continue to provide attractive income opportunities relative to history with valuations competitive with equities. We continue to gradually build exposure to inflation-protected securities that can add value if inflation proves more persistent than current market expectations.

Within equities, we anticipate further broadening of leadership away from Mag 7 and look to prioritize companies aligned with powerful secular themes—artificial intelligence, cybersecurity, genomics and biotech, robotics and automation, electrification, aerospace and defense, and the ongoing resurgence of capital market activity. These areas, in our view, remain well positioned to shape economic value over the coming decade. We were able to take profits on a number of companies that have fared exceptionally well over the past couple of years and add to higher-conviction companies selling at attractive prices.

Our overarching philosophy remains grounded in clarity and conviction:

- Identify high-quality businesses with durable competitive advantages, strong growth prospects, clean balance sheets, and strong free-cash-flow characteristics.
- Invest at reasonable valuations with a margin of safety.
- Ensure the conservative side of the portfolio is well positioned to both take advantage of interest rate opportunities and to weather an economic storm.
- Rebalance to capture strength and manage risk.
- Remain opportunistic, prepared to act when the next "fat pitch" presents itself.
- Focus on being highly tax and fee efficient.

Investment Philosophy

We consider a client's complete financial situation – focusing on all aspects of their balance sheet, regardless of purpose, location or disposition – and then apply academically supported and empirical analysis (with an emphasis on after-tax risk and return parameters), astute capital market strategy (emphasis on understanding the capital market cycle), and the appropriate blend of securities in a tax and fee efficient manner.

Unlike centralized investment models, we create portfolios that are not overly diversified, giving our clients the transparency they seek, and a better opportunity to meet their targets. Our investment process is designed to help each client meet their investment objectives and income requirements over time, given acceptable parameters, tying performance to their overall plan.

Outlook & Opportunities

This section summarizes Bearing Point Capital's current views (as of June 30th, 2026) on relative attractiveness of major asset classes. We base these tactical weightings on our view of both relative and absolute attractiveness compared to the historical risk-adjusted return as well as the current opportunity set across capital markets. These suggestions DO NOT take into consideration each individual's unique situation, financial goals, risk & return preferences, tax situation, and/or constraints and therefore may not be applicable to you.

	Asset Class	View	Rationale
Fixed Income & Cash	Cash	**Equal-Weight**	Cash returns remain reasonably attractive despite the Fed having continued to cut interest rates during the quarter after a long pause. We encourage investors to maintain a liquidity reserve to satisfy any short-term liquidity needs that may arise and potentially take advantage of opportunities within the capital markets.
Fixed Income & Cash	Investment Grade Bonds	**Equal-Weight**	After selling off in 2022 and given higher interest rates today, bonds continue to provide reasonable return expectations. Our equal-weight recommendation reflects a competitive return profile in absolute terms and when compared to other asset classes.

	Asset Class	View	Rationale
Fixed Income	Opportunistic Fixed Income	Under-Weight	We have remained underweight high yield bonds given what we view as a poor risk/reward profile. Typically, the time to buy these instruments is at the start of an economic cycle and the time to sell is near the end of a cycle. Spreads remain exceptionally tight. We have continued to avoid foreign bonds as we believe they contain significant risk. We do not believe U.S. investors are properly compensated for taking on FX risk*.
Equities	US Equities	Equal-Weight	After three banner years for the S&P 500 and U.S. stocks, relative valuations continue to look comparable to fixed income (given equity risk premium). Tariffs and geopolitical issues are likely to continue to create uncertainty in the short-term. Pockets of the equity market including value, international, and smaller company stocks continue to look compelling. We advocate for prudent rebalancing in a tax-aware manner.
Equities	Foreign Equity	Under-Weight	We continue to have an emphasis on domestic over foreign. It is possible the end of this cycle will usher in new leadership – we are paying close attention and have increased our international exposure over the course of 2025/2026.
Alternatives	Alternatives -Real Assets	Equal-Weight	Given the ongoing theme of deglobalization coupled with budget deficits and implementation of tariffs, it is quite possible we will be living in a more inflationary environment over the next economic cycle which may bode well for real assets. We prefer exposure through individual REITs, miners, and select energy companies. We prefer a company versus a derivative instrument tied to a commodity.
Alternatives	Alternatives – Hedge / Private Placements	Under-Weight	Given our bias towards transparency, tax-efficiency, and minimization of fees, we have shied away from hedge assets over time. Private placement investments can make sense under certain circumstances. Now is the time to be aware of the massive influx of capital to private credit - creating a poor risk/reward environment in our opinion. In certain cases, we have chosen to buy into publicly traded alternative asset managers as an alternative to private equity / private credit (collect fees rather than pay them!).

Notes

*FX risk, or currency risk, refers to the potential financial loss that can arise from fluctuations in the exchange rates between two or more currencies.

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As a focused and experienced group, we provide the resources and expertise of a large firm, with the consideration and service typically found at a small boutique. We develop strategies with an emphasis on mitigating risk and pursuing long-term success, fortified by thorough, objective investment research and selection.

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Investing in smaller company stocks can be more speculative than investing in larger, more established, companies. These securities may also trade less frequently and in lower volumes, making their market prices more volatile.

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The **S&P 500 Index** measures the performance of the large-cap segment of the U.S. market. Considered to be a proxy of the U.S. equity market, the index is composed of 500 constituent companies.

The **S&P SmallCap 600** is designed to measure the performance of 600 small-sized companies in the U.S., reflecting this market segment's distinctive risk and return characteristics. Measuring a segment of the market that is typically known for less liquidity and potentially less financial stability than large caps, the index was constructed to be an efficient benchmark composed of small-cap companies that meet investability and financial viability criteria.

The **S&P 500 Equal Weight Index (EWI)** is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The **MSCI ACWI Investable Market Index (IMI)** captures large, mid and small cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries*. With 8,640 constituents, the index is comprehensive, covering approximately 99% of the global equity investment opportunity set.

The **MSCI EAFE Investable Market Index (IMI)**, is an equity index which captures large, mid and small cap representation across Developed Markets countries* around the world, excluding the U.S. and Canada. With 2,777 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI Emerging Markets Investable Market Index (IMI)** captures large, mid and small cap representation across Emerging Markets countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.

The **Bloomberg U.S. Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

The **Bloomberg U.S. Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The **Bloomberg U.S. Municipal Index** is a flagship measure of the US municipal tax-exempt investment grade bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

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