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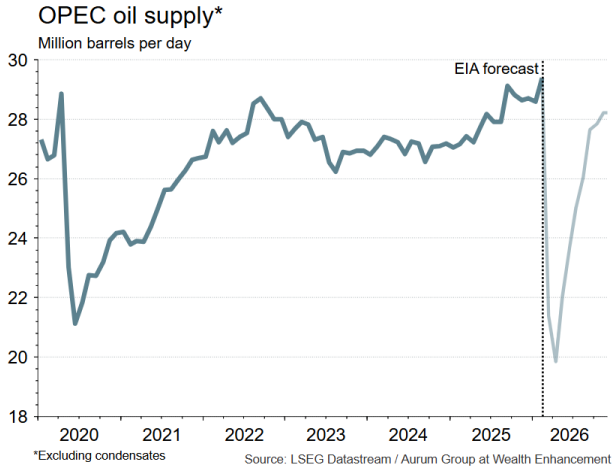
2nd Quarter 2026 – Strategy Newsletter

- The shock of war on the global economy has yet to be seen, but the US looks strong.
- After such a shallow stock market correction, is it possible the market is undervalued?
- Previously falling inflation intersects with attractive pricing for certain bonds.

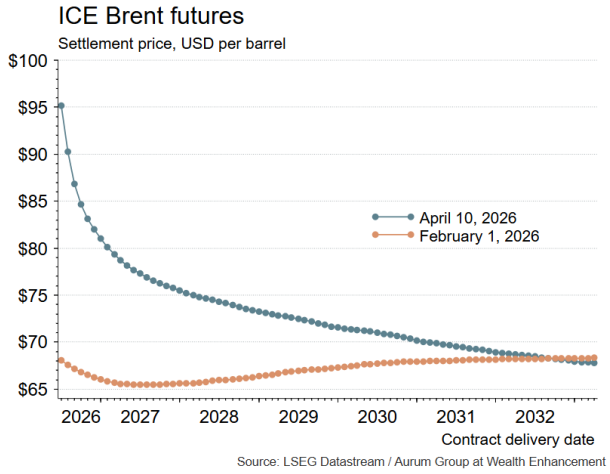
Economy

When headlines change by the hour, it shows why doing our own research matters. Short-term news can move markets quickly, but long-term trends are what truly drive results.

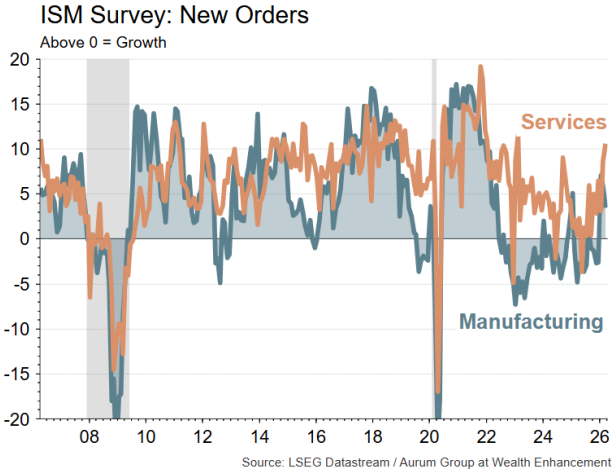
The war in Iran and across the Middle East disrupted energy supplies in the region. The key question is how long this disruption will last? The Energy Information Administration expects oil production from OPEC to fall then rebound by the end of the year.



Because of this, oil prices jumped in the short term. Brent crude peaked near $120 per barrel before falling back below $100. Over the longer term, markets expect it will take more time for supply and pricing to fully normalize.



Even with these challenges, the U.S. economy remains resilient. Manufacturing orders improved in recent months. The services sector — which makes up about 80% of the economy — saw new orders rise to a three-year high.



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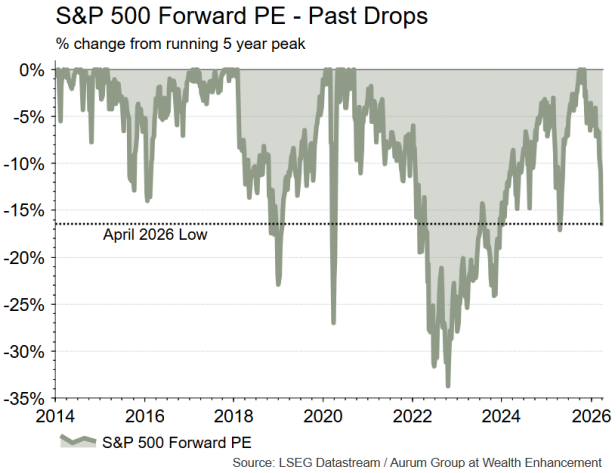
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Equity

Stocks fell sharply in March after strong gains in the prior two months. Small- and mid-cap stocks, along with international value stocks, were bright spots.

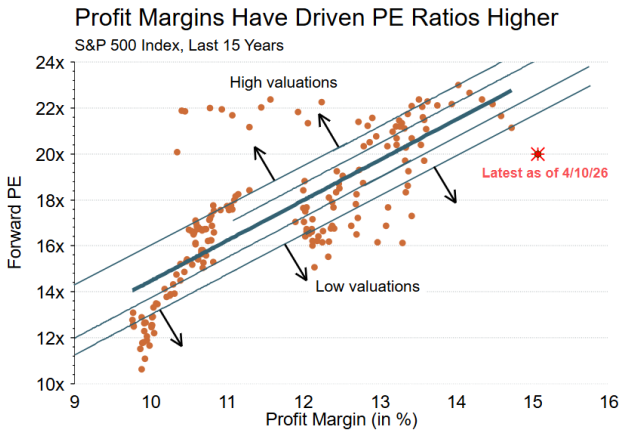
U.S. Equity	1Q 2026
Large Cap Stock	
S&P 500	-4.3%
Small & Mid Cap	
S&P 400 Mid Cap	2.4%
S&P 600 Small Cap	3.5%
All Cap Style Indices	
S&P 1500 Value	0.2%
S&P 1500 Growth	-7.3%
International Equity	**1Q 2026**
MSCI EAFE	-1.1%
MSCI EAFE Value	2.2%
MSCI EAFE Growth	-4.6%
MSCI Emerging	-0.1%
MSCI EM Value	1.2%
MSCI EM Growth	-1.4%

The U.S. market fell about 9% at its lowest point in March. During this period, the market's price-to-earnings (P/E) ratio dropped by roughly 16%. This was similar to April 2025 and marks the fifth time since 2018 that forward P/E ratios fell this much.



Source: LSEG Datastream / Aurum Group at Wealth Enhancement

Each dot below represents a month in the past 15 years. Over the past 15 years, higher profit margins have generally led to higher valuations. Today, however, the market's valuation is well below what history suggests given current profit margins near 15% for the S&P 500.



Source: LSEG Datastream / Aurum Group at Wealth Enhancement

In other words, the market looks undervalued when considering how profitable the S&P 500 Index has become. The only time it was this far below the expected value line were during market selloffs in 2011 and 2022.

During those periods, investor sentiment became quite bearish. This selloff happened so swiftly that positioning of investors and confidence among investors dropped, but not to the levels of the past. If the conflict in Iran continues to deescalate, investors can continue to focus on the strong earnings growth across US large caps, small caps, and international markets.

We continue to hold equities at our strategic weightings across the asset allocation frameworks.

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Fixed Income

The 10-year Treasury yield whipsawed during the quarter. It started at 4.14%, fell to 3.95% in February. As oil prices and inflation expectations increased, yields spiked higher to 4.43% and ended the quarter at 4.31%.

Fixed Income	1Q 2026
Bloomberg U.S. Aggregate Bond	0.4%
Bloomberg Corporate Inv. Grade	0.5%
Bloomberg High Yield Bond	0.8%
Bloomberg Global ex. U.S. Treas.	-0.1%
Bloomberg Municipal Bond	1.0%
Bloomberg TIPS	1.1%

Before the spike in oil prices, inflation outside the U.S. was much lower. That gap may narrow in the coming months. Bond markets have priced in higher yields and pushed back expectations for rate cuts by the Federal Reserve.

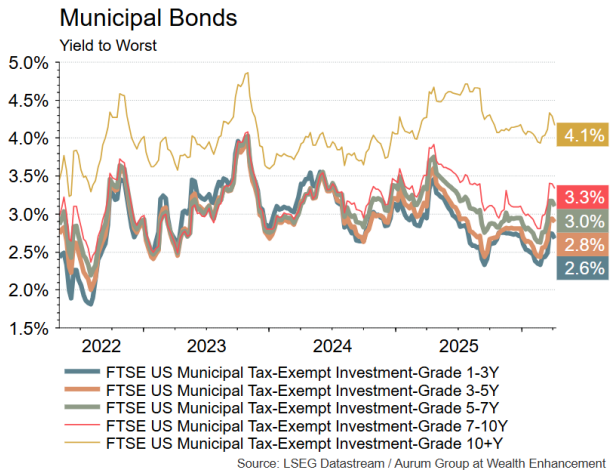
G7 - Consumer Price Index - Annual Percentage Change

Country	Canada	France	Germany	Italy	Japan	UK	US
Sep 24	1.6	1.1	1.6	0.8	2.5	1.7	2.4
Oct 24	2.0	1.2	2.0	0.9	2.2	2.3	2.6
Nov 24	1.9	1.3	2.2	1.3	2.9	2.6	2.8
Dec 24	1.8	1.3	2.6	1.3	3.7	2.5	2.9
Jan 25	1.9	1.7	2.3	1.4	4.0	3.0	3.0
Feb 25	2.6	0.8	2.3	1.6	3.7	2.8	2.8
Mar 25	2.3	0.8	2.2	1.9	3.6	2.6	2.4
Apr 25	1.7	0.8	2.1	1.9	3.5	3.5	2.3
May 25	1.7	0.7	2.1	1.5	3.4	3.4	2.4
Jun 25	1.9	1.0	2.0	1.6	3.2	3.6	2.7
Jul 25	1.7	1.0	2.0	1.6	3.0	3.8	2.7
Aug 25	1.9	0.9	2.2	1.6	2.8	3.8	2.9
Sep 25	2.4	1.2	2.4	1.5	2.9	3.8	3.0
Oct 25	2.2	0.9	2.3	1.2	3.0	3.6	N/A
Nov 25	2.2	0.9	2.3	1.0	2.9	3.3	2.7
Dec 25	2.4	0.8	1.8	1.1	2.1	3.4	2.7
Jan 26	2.3	0.3	2.1	1.0	1.5	3.0	2.4
Feb 26	1.8	0.9	1.9	1.5	1.3	3.0	2.4
Mar 26	N/A	1.7	2.7	1.7	N/A	N/A	3.3

High inflation Low inflation/deflation

Source: LSEG Datastream / Aurum Group at Wealth Enhancement

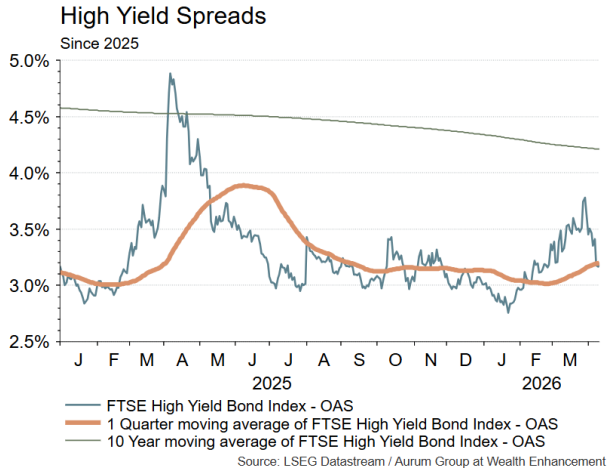
Tax-exempt municicpal bonds outperformed in the first quarter. This area of the bond market had some catch up to do with other sectors after interest rates fell the prior 15 months. Longer dated municipals, beyond 10 years in maturity, look like the biggest outlier in the chart below. Our managers see value in select bonds in longer maturities.



Source: LSEG Datastream / Aurum Group at Wealth Enhancement

Even with the volatility of risk assets, high yield corporate bonds shrugged off the pain. These usually trade in sympathy with stocks since the borrowers are below investment grade companies.

Spreads had a sharp rise and fall – just like in 2025. After crossing back through the quarterly moving average (orange line) – it trended downwards last time. It was interesting that there was less stress in bonds in March 2026 during the war than compared to April of last year during the tariff announcement.



Source: LSEG Datastream / Aurum Group at Wealth Enhancement

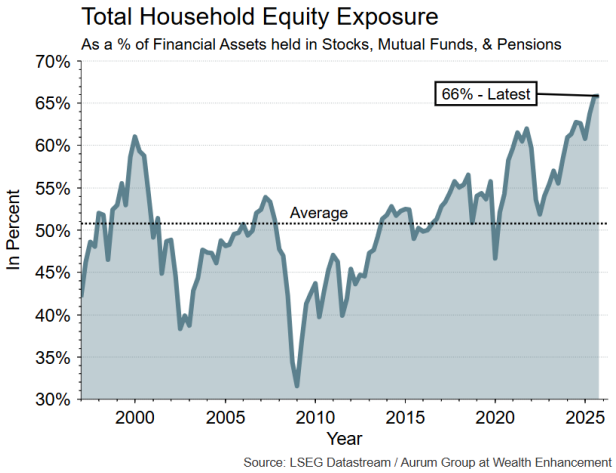
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Closing Thoughts

Markets today balance lower valuations and strong earnings against a culture of high risk-taking. From betting markets and crypto to options trading, speculation is easy and widespread.

Investors now hold a higher share of stocks than ever before. This may continue over time as more people invest through 401(k) plans and mobile trading apps. Still, when positioning becomes too one-sided, markets can also move the other way.

Remaining diversified and disciplined remains the most reliable way forward.



Asset Allocation Frameworks

	Income	Conservative	Balanced	Moderate	Growth
Asset Class	Strategic	Strategic	Strategic	Strategic	Strategic
Equity	**23%**	**38%**	**53%**	**68%**	**83%**
U.S. Equity	15%	24%	33%	42%	51%
International Equity	6%	11%	15%	20%	24%
Emerging Markets Equity	2%	4%	5%	7%	8%
Fixed Income	**77%**	**62%**	**47%**	**32%**	**17%**
US Fixed Income	69%	56%	42%	29%	15%
Global Bonds	8%	6%	5%	3%	2%

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The risk designations are relative only to the five Strategic Allocation targets and do not represent comparisons with any other investment or risk of the overall strategies.

This information is not intended as a recommendation. The opinions are subject to change at any time and no forecasts can be guaranteed. Investment decisions should always be made based on an investor's specific circumstances. Investing involves risk, including possible loss of principal.