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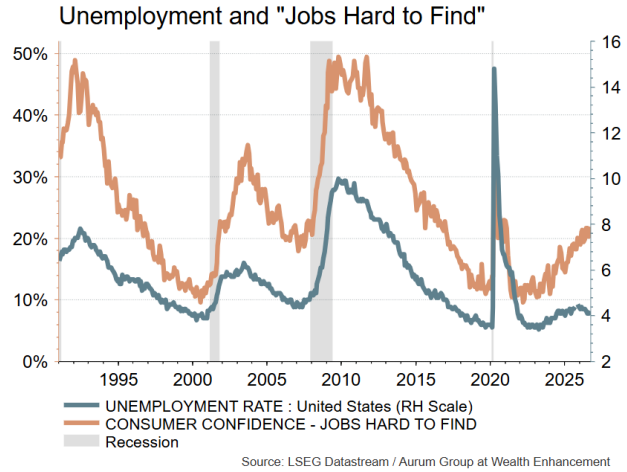
Strategy Newsletter – 4th Quarter 2026

- Unemployment rates are low around the world, but moving higher in places
- The technology sector became cheaper as industry dispersion increased.
- Interest rates moved sharply higher as more hikes are priced into the future.

Economy

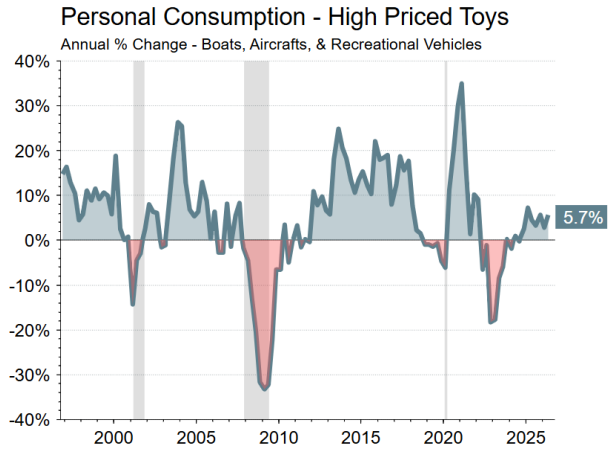
Fears the US economy falling into recession were unfounded. Last year it was tariffs last year and this year it was oil prices that worried economists.

The concern was that one of these catalysts would lead to layoffs. Although job growth has been low, so is the breakeven level needed to keep unemployment steady. Surveys show that jobs are harder to find than they were a few years ago. Historically, unemployment would be expected to move higher from here.



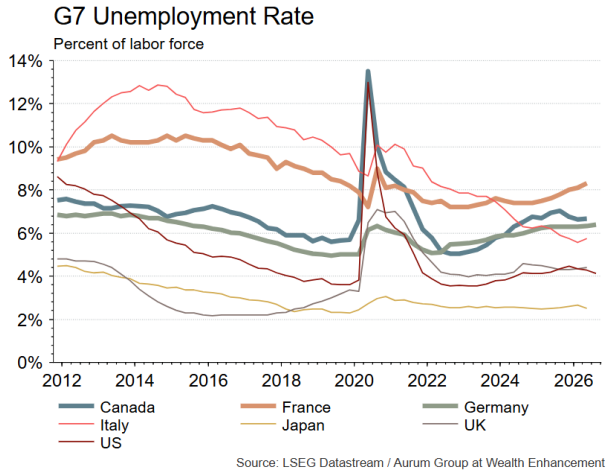
Source: LSEG Datastream / Aurum Group at Wealth Enhancement

The resilience and reliability of the American consumer continue to power the economy. Steady employment and the wealth effect from high home prices and stock values have supported confident household spending. Consumers increased purchases of recreational vehicles, boats, and aircraft by nearly 6% from last year.



Source: LSEG Datastream / Aurum Group at Wealth Enhancement

Compared to the other top seven developed countries, Japan and Italy are the only countries with lower unemployment from prior years.



Source: LSEG Datastream / Aurum Group at Wealth Enhancement

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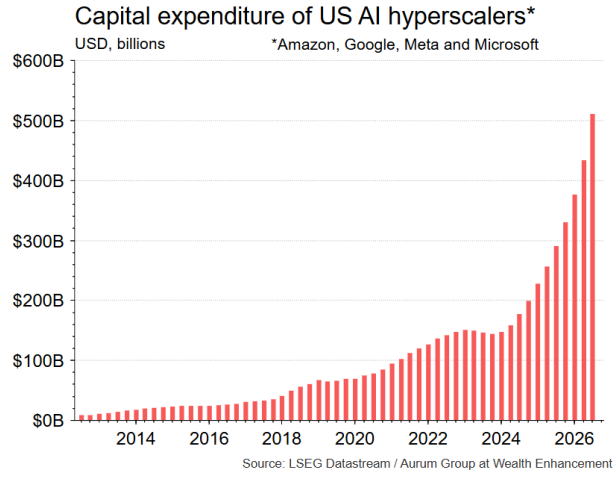
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Equity

High dispersion among sectors and styles led to an overall positive quarter for global stocks. Growth and value had different results in the US versus abroad. Large caps in the US led the way. Energy, technology, and healthcare were the top performers.

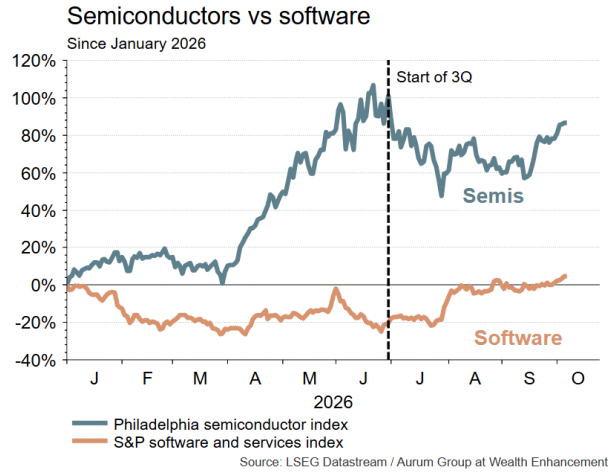
U.S. Equity	3Q 2026
Large Cap Stock	
S&P 500	2.3%
Small & Mid Cap	
S&P 400 Mid Cap	-6.4%
S&P 600 Small Cap	-7.7%
All Cap Style Indices	
S&P 1500 Value	0.3%
S&P 1500 Growth	2.6%
International Equity	**3Q 2026**
MSCI EAFE	0.9%
MSCI EAFE Value	4.4%
MSCI EAFE Growth	-2.5%
MSCI Emerging	-0.2%
MSCI EM Value	3.3%
MSCI EM Growth	-3.5%

Technology now makes up nearly 40% of the S&P 500 Index. It is an important bellwether for the market and the economy.

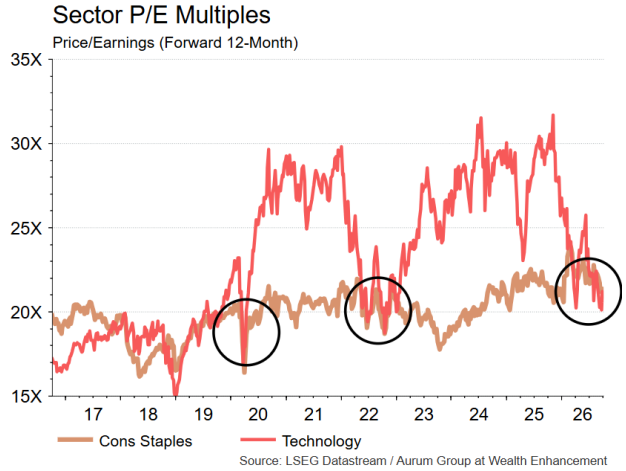


Tech earnings and the capital expenditures into artificial intelligence are driving the market. Much of that spending is flowing into semiconductor companies.

This has led to strong outperformance by semis the last few years. The third quarter witnessed a shift. The semiconductor industry fell sharply after a 100% rise in the first six months of the year. Concerns about software being completely disrupted by AI fell during the third quarter.



Multiples have come down as earnings estimates increased. For the third time in the last seven years, multiples for slow growing staples match that of technology.



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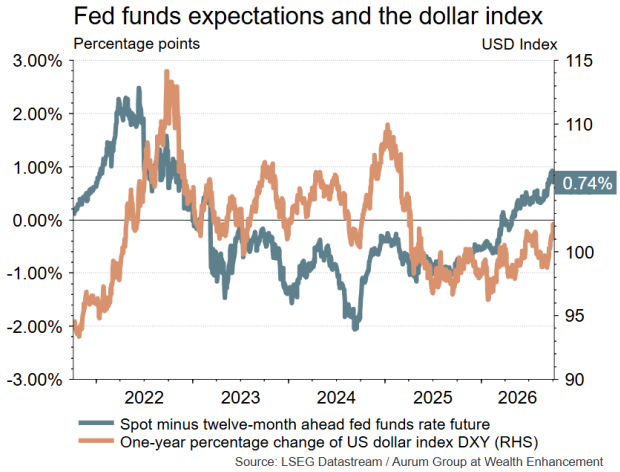
Fixed Income

Treasury yields increased sharply during the third quarter. The 10-year yield began at 4.44% and ended September at 5.29%. This led to price declines across bond markets.

Fixed Income	3Q 2026
Bloomberg U.S. Aggregate Bond	-3.5%
Bloomberg Corporate Inv. Grade	-3.4%
Bloomberg High Yield Bond	-1.8%
Bloomberg Municipal Bond	-5.9%
Bloomberg TIPS	-3.2%
FTSE World Government Bond	-2.5%

After five years of missing the inflation target, patience at the Federal Reserve wore thin on seeing data coming towards the 2% target. The Fed voted to raise interest rates without offering guidance and the next likely move.

After the first interest rate hike in three years, the market sees three more 0.25% hikes priced in. The dollar has risen modestly in the past month.



The administration believes that US rates are high relative to the rest of the world. That is true when compared to developed countries such as those in Europe, the UK, and Japan. When examining emerging markets, it is truly eye popping to see 37% interest rates in Turkey. Brazil and Russia are also exceptionally high at 14%.

G20 policy rates

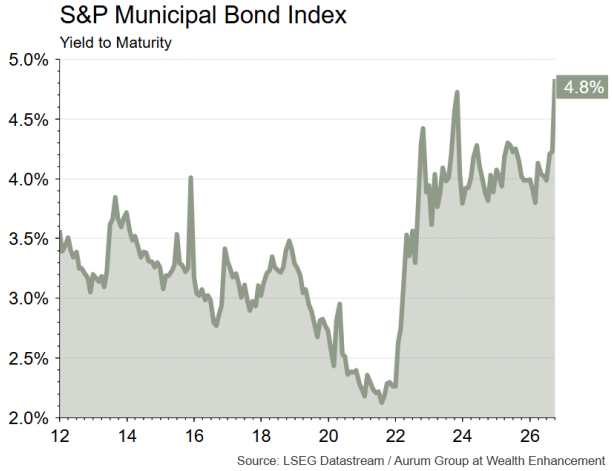
Percent

	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26	May 26	Jun 26	Jul 26	Aug 26	Sep 26
Argentina	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Australia	3.60	3.60	3.60	3.60	3.60	3.85	4.10	4.10	4.35	4.35	4.35	4.35
Brazil	15.00	15.00	15.00	15.00	15.00	15.00	14.75	14.50	14.50	14.25	14.25	14.00
Canada	2.50	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
China	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Euro Zone	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.40	2.40	2.40
France	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.40	2.40	2.40
Germany	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.40	2.40	2.40
India	5.50	5.50	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Indonesia	4.75	4.75	4.75	5.75	4.75	4.75	4.75	4.75	5.25	5.75	5.75	5.75
Italy	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.40	2.40	2.40
Japan	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
Mexico	7.50	7.50	7.25	7.00	7.00	7.00	6.75	6.75	6.50	6.50	6.50	6.50
Russia	17.00	16.50	16.50	16.00	16.00	15.50	14.00	14.50	14.50	14.25	14.00	14.00
Saudi Arabia	4.75	4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
South Africa	7.00	7.00	6.75	6.75	6.75	6.75	6.75	6.75	7.00	7.00	7.00	7.00
South Korea	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.75	3.00
Turkey	40.50	39.50	39.50	38.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00	37.00
UK	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
US	4.25	4.00	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

Highest policy rate Lowest policy rate

Source: LSEG Datastream / Aurum Group at Wealth Enhancement

Municipal bonds fell particularly sharply during the quarter. Approaching 5% tax free yields, it is likely investors begin to step in with higher demand. The supply of bond issuance in the near term could create volatility along with opportunity.



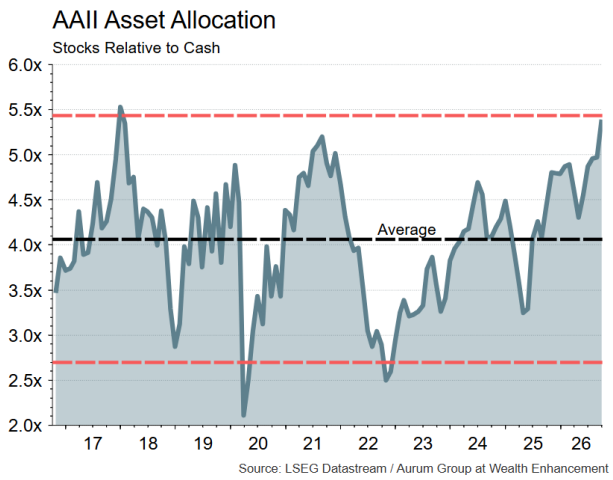
The asset allocation frameworks maintain diversified exposure within bonds across corporates, securitized bonds, global bonds, and municipals in taxable accounts.

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Closing Thoughts

Stocks moved sideways over the summer and continued higher as fall began. This reset many investor sentiment indicators and fast-moving hedge fund strategies. Among investors in the American Association of Individual Investors survey, positioning remains tilted toward stocks relative to cash. As shown in the chart, stock allocations are near their highest level of the last ten years. This suggests there is not much cash on the sidelines among survey respondents. Strong earnings growth may need to overcome the challenge of already elevated investor positioning and asset allocations.



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%

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.

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