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Q2 2026

Market & Economic Update

Macro Landscape & Portfolio Performance

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Your Presenters

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Agenda

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01 **Economic Overview**

Oil · Inflation · Labor · The Fed · GDP

02 **Market & AI Outlook**

How markets and the portfolio performed

03 **Summary**

Where things stand and what we are watching

Our Positioning

How the equity sleeve is currently tilted.

OVERWEIGHT

▲ **US Equities**
leadership and strong inflows

▲ **Growth**
AI-led earnings momentum

▲ **Chips**
semiconductor demand

▲ **Memory**
the DRAM upcycle

▲ **Infrastructure**
AI power and data centers

UNDERWEIGHT

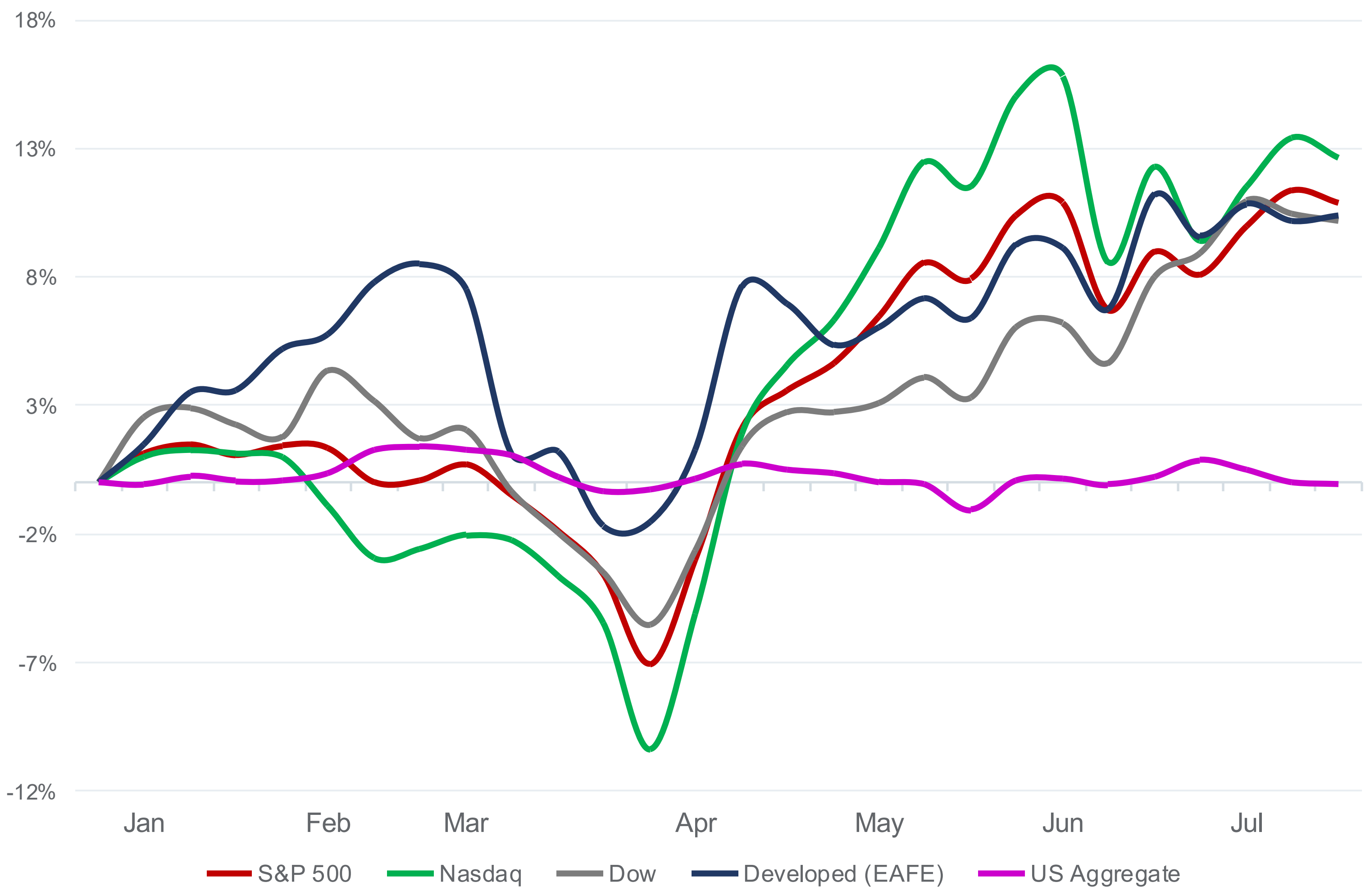
▼ **International**
we favor US exposure

▼ **Sector-specific**
select sector underweights

▼ **Short Duration**
More opportunities in falling rates

Markets at a Glance

Cumulative total-return paths and period returns for the major equity indices.



Index	YTD
S&P 500	+ 10.9%
Nasdaq	+ 12.7%
Dow	+ 14.4%
Developed (EAFE)	+ 10.4%
US Aggregate	0.0%

Total return. Dow shown is the Composite Average.

S E C T I O N O N E

Economic Overview

The quarter's story: a supply shock, the inflation it caused, and the Fed's response

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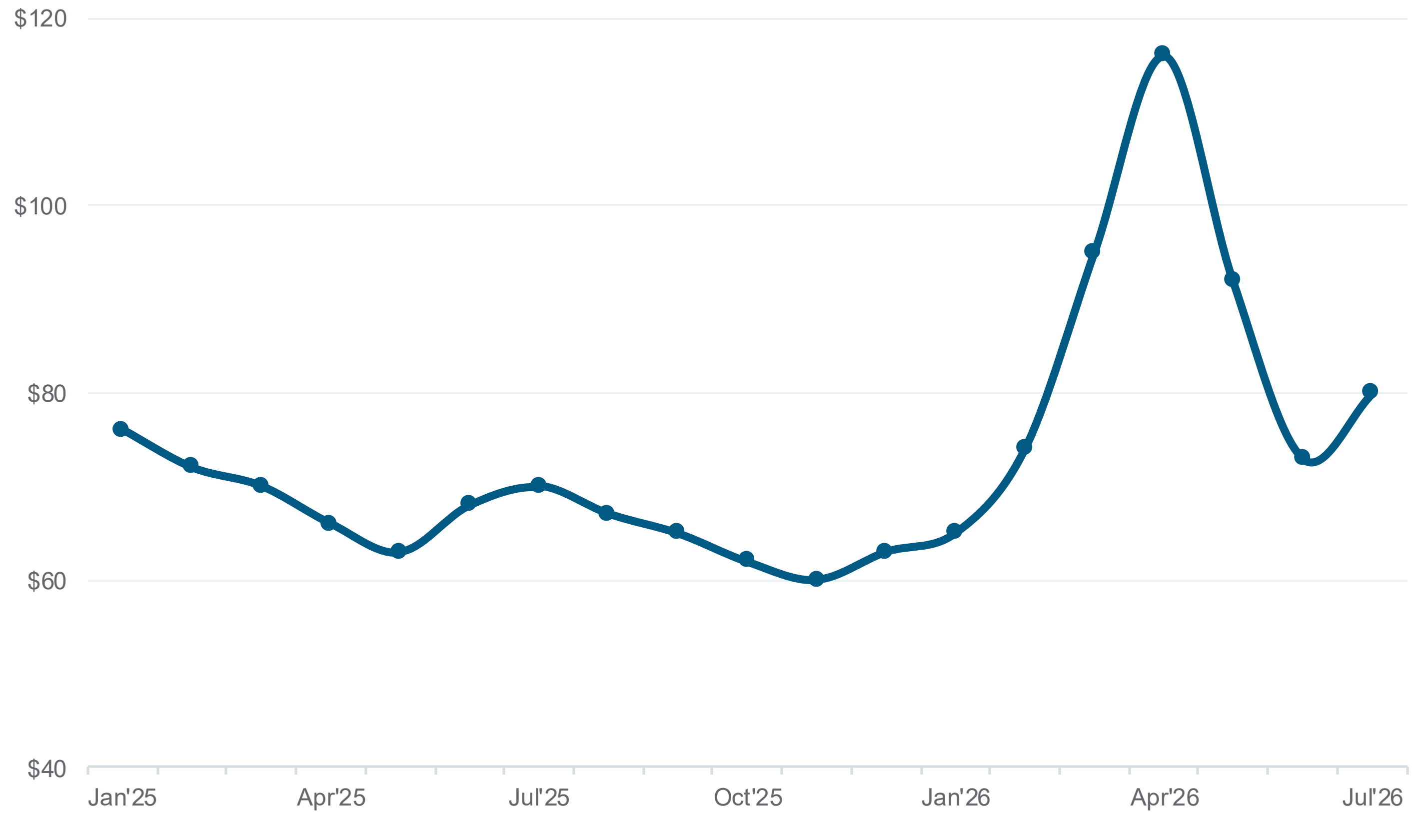
Oil

The quarter's swing factor, flaring up again this week as the US reimposes a Hormuz blockade.



~$80

WTI crude, July 14

Brent ~$86, a one-month high

- A US-Iran conflict since late February has choked the Strait of Hormuz, the route for about a fifth of the world's oil.
- Crude peaked near $117 in late April, fell back under a June ceasefire, then jumped again this week as the US reimposed the blockade and set a 20% transit toll.

Source: market data, as of July 14, 2026

Inflation

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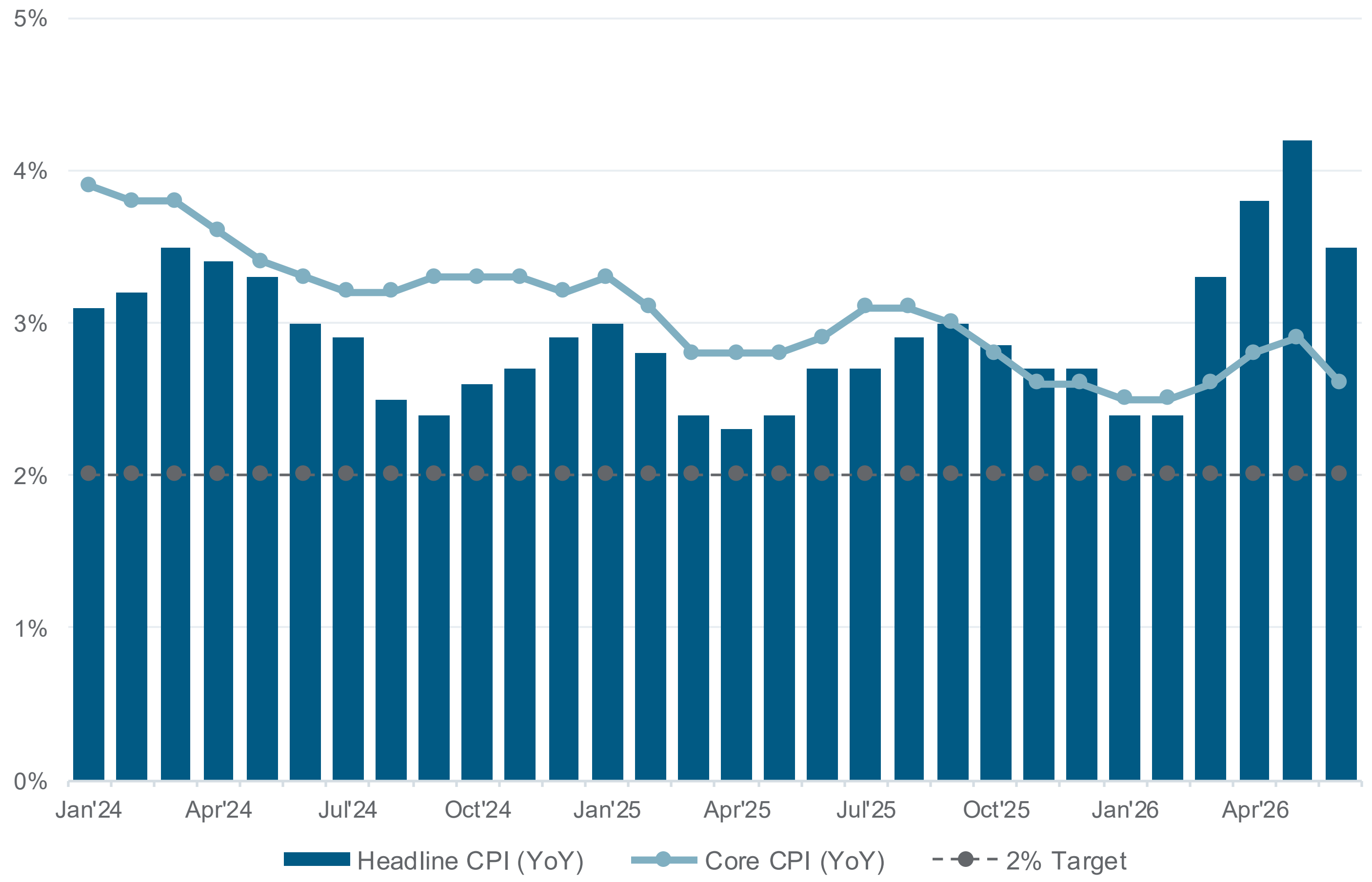
Inflation cooled sharply in June as energy reversed; May now looks like the peak.



3.5%

Headline CPI, June 2026

Core 2.6% · both cooled

- June headline fell to 3.5% from 4.2%, the biggest monthly drop since 2020, as gasoline tumbled nearly 10%.
- Core eased to 2.6% and came in below forecasts, a sign the spike stayed contained to energy.
- The catch: this print predates the early-July jump in oil, which will not show up until next month.

Source: BLS, as of July 14, 2026

The Labor Market

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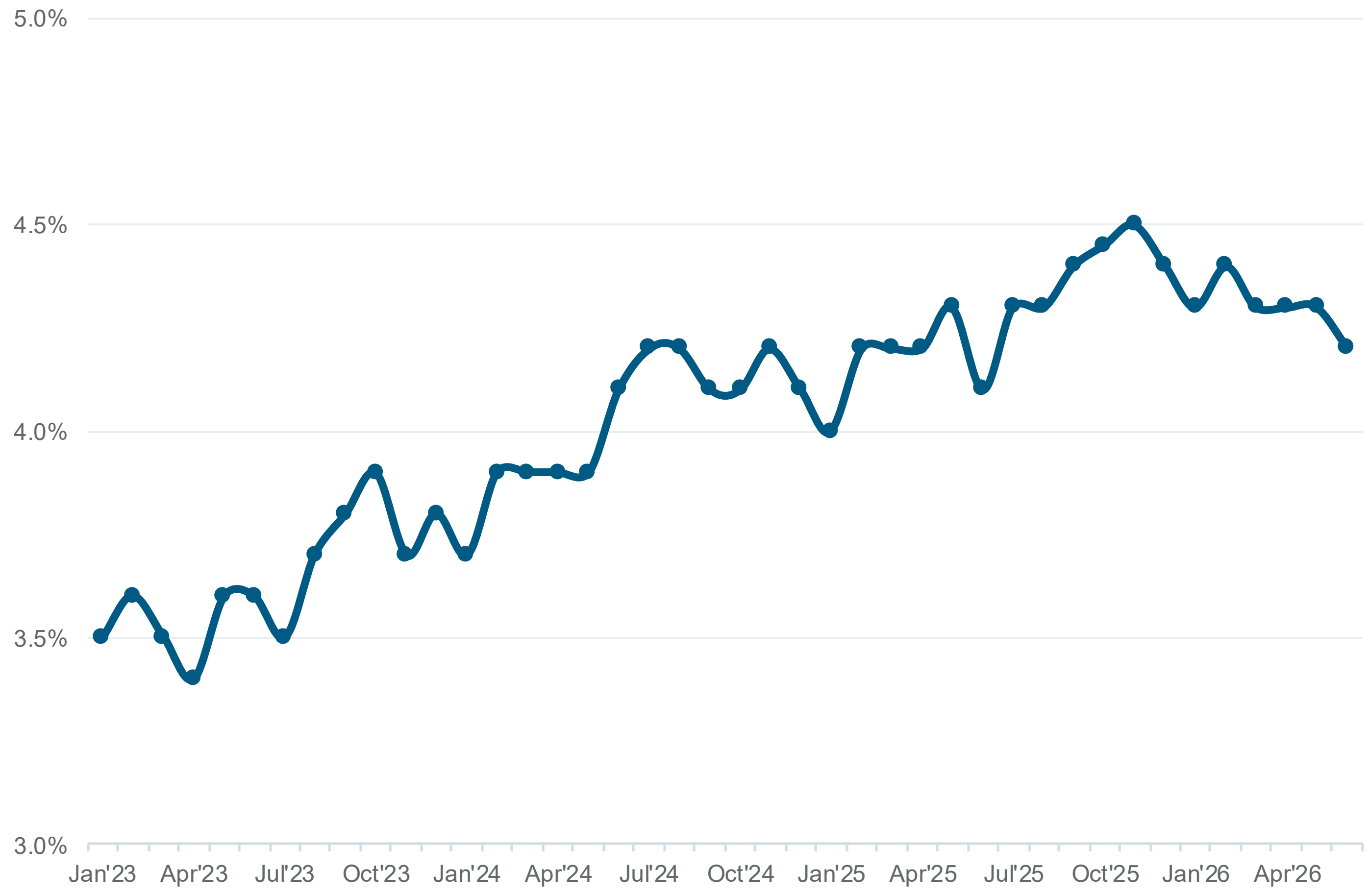
Pulling the other way: hiring is cooling, which argues against tighter policy.



4.2%

Unemployment, June 2026

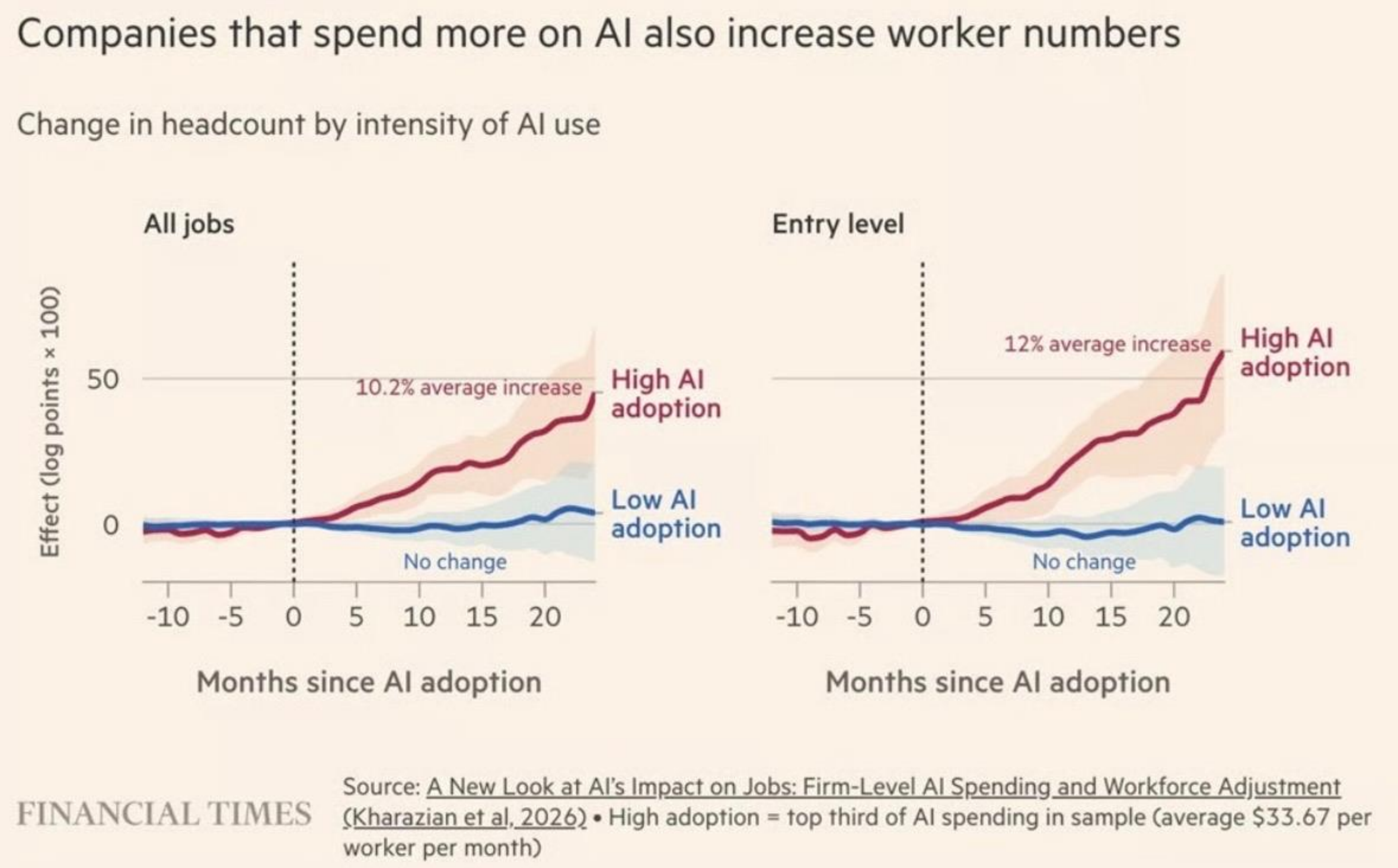
Range-bound near a cycle high

- June payrolls added just 57,000, the weakest in four months, with April and May revised down a combined 74,000.
- Unemployment has drifted from 3.5% to the low-4s: gradual normalization, not a break.
- A softening jobs market is the main brake on the Fed's hawkish lean.

Source: YCharts (BLS)

AI and Hiring

So far, the heaviest AI adopters are adding workers, not cutting them.



+10.2%

headcount growth

at heavy AI adopters

- Firms in the top third of AI spending grew headcount about 10%, while low-adoption firms saw no change.
- The effect is larger for entry-level roles, up about 12%, cutting against fears that AI is hollowing out junior jobs.
- Early days, and this reflects AI-spending leaders, but adoption so far comes with hiring, not cuts.

Source: Financial Times; Kharazian et al. (2026)

The Federal Reserve

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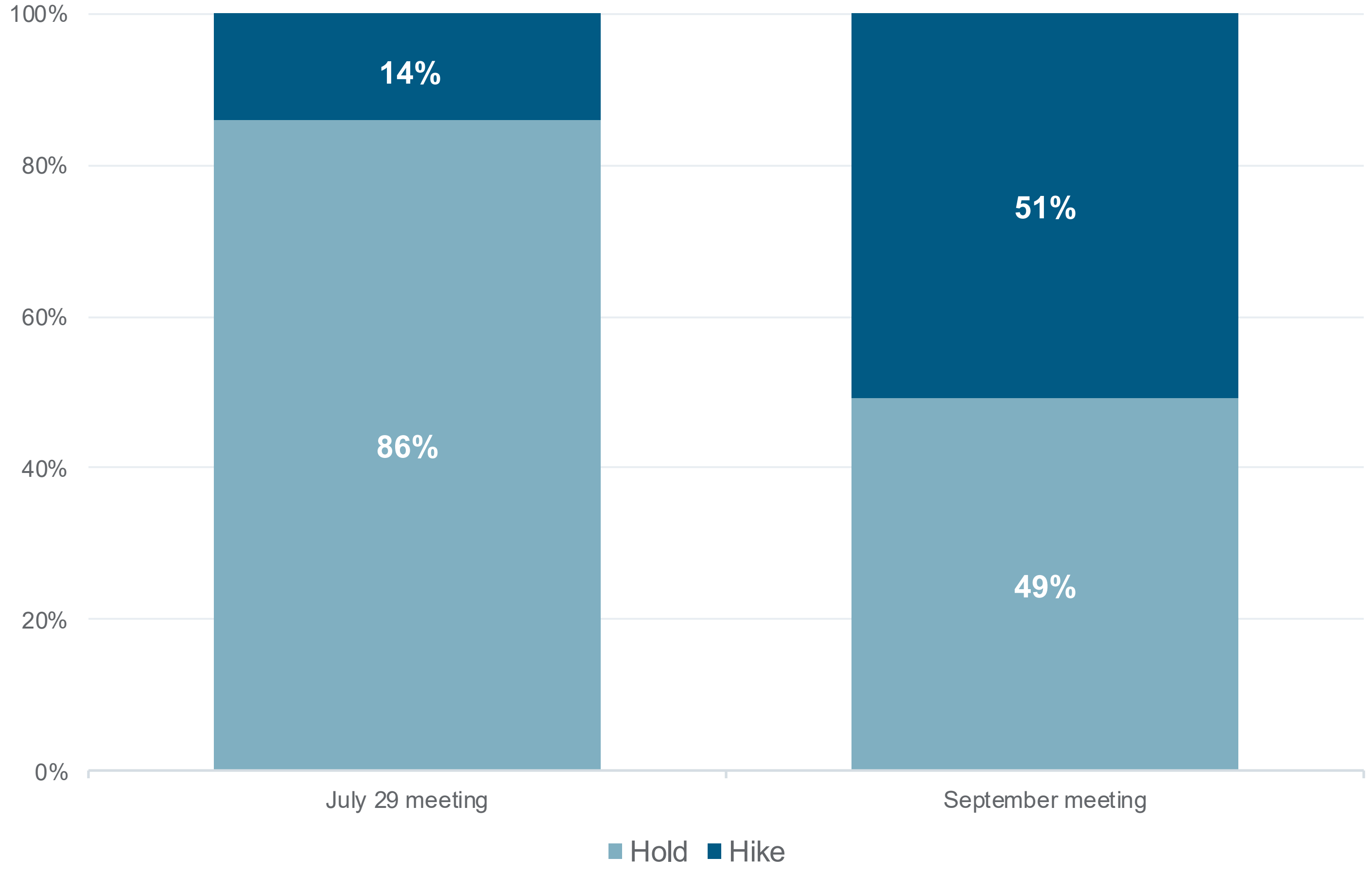
Today's soft print cooled the hawkish talk: markets now lean to a hold, with a hike still possible later.



86%

odds of a hold on July 29

up sharply after today's CPI

- After the soft print, the odds of a hold at the July 29 meeting jumped to about 86%.
- September hike odds eased to roughly 50/50, down from over 75% from Monday.
- Rate cuts stay off the table for 2026; with the range at 3.50-3.75%, Warsh remains focused on 2% inflation.

Source: CME FedWatch, as of July 14, 2026

Economic Growth

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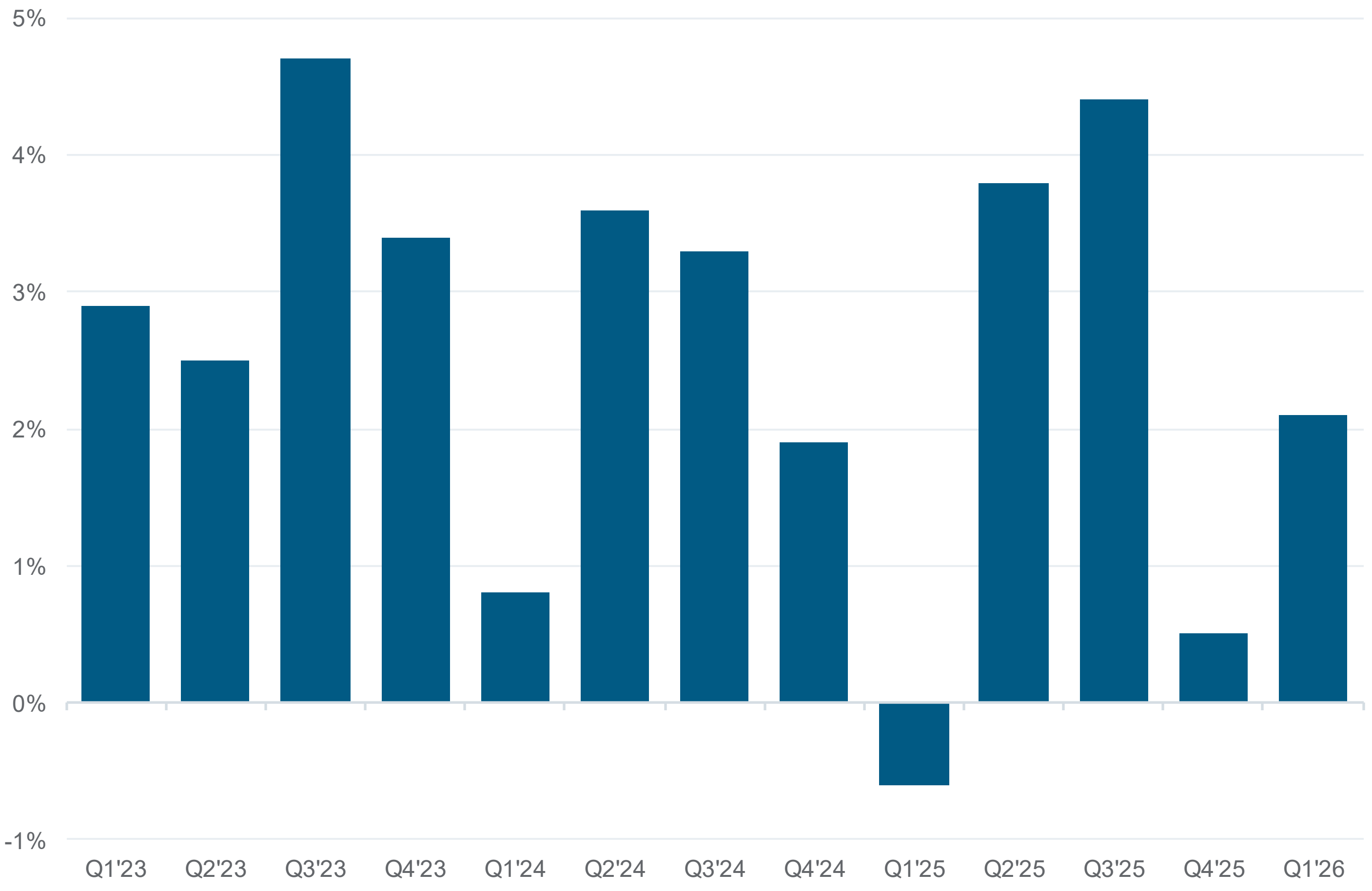
The net of it all: growth is choppy quarter to quarter but still positive.



+2.1%

Real GDP, Q1 2026

Q2 advance estimate late July

- Growth rebounded to 2.1% in Q1 after a soft 0.5% finish to 2025; the 2025 dip was a trade-flow distortion, not weak demand.
- Consumer spending remains the engine; most of the quarter-to-quarter noise is trade and inventories.
- The Fed's June projections see about 2.2% growth for 2026, a slower but durable pace.

Source: YCharts (BEA)

SECTION TWO

Market & AI Outlook

The AI theme shaping the market

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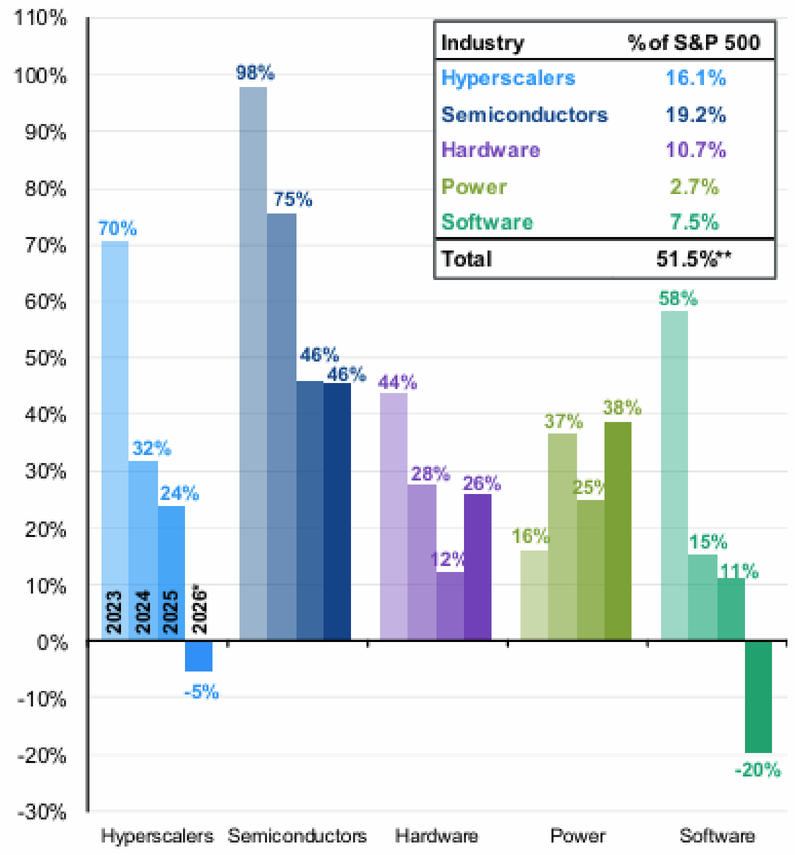
The AI Trade

AI-related industries now make up over half the S&P 500, and earnings are catching up to prices.

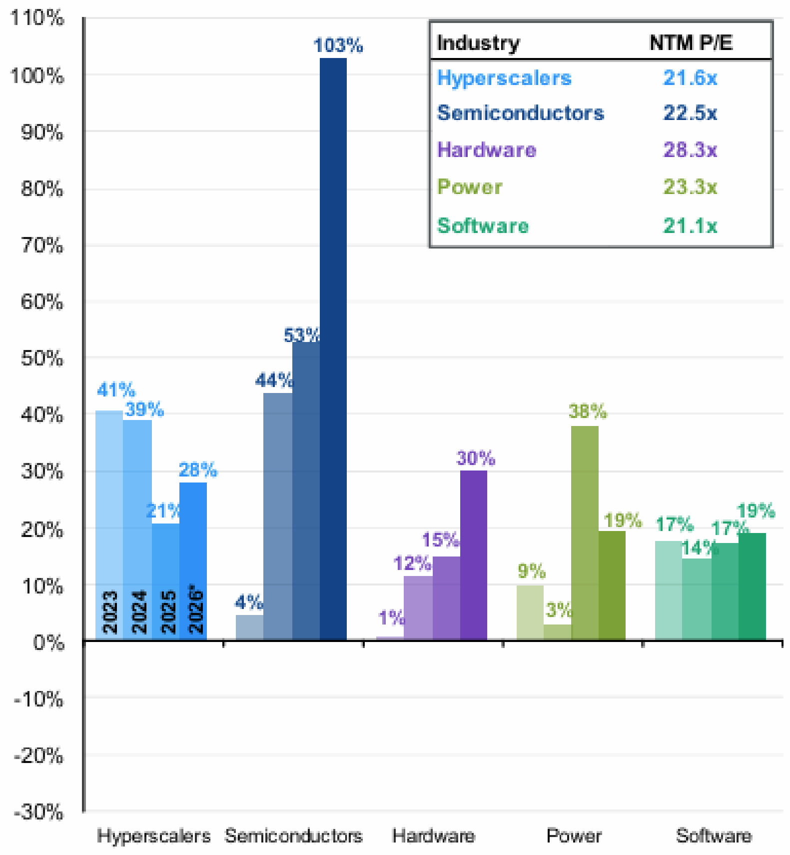
AI-related industry performance

Price return



AI-related industry earnings growth

Year-over-year



51.5%

of the S&P 500

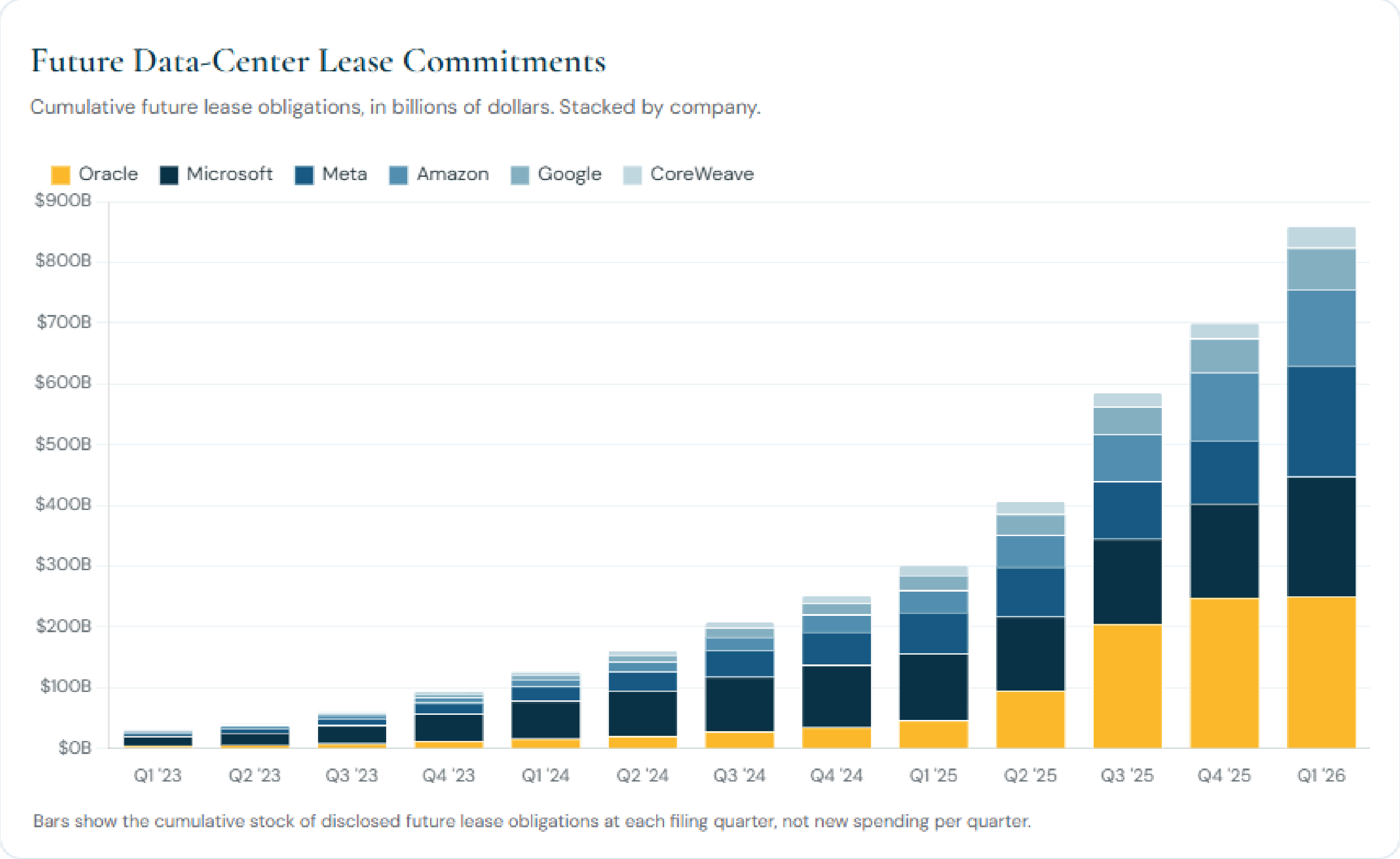
is now AI-related

- Over half the S&P 500 is now AI-related, led by semiconductors and hyperscalers.
- Earnings are carrying the move: semiconductor profits rose 103% over the past year.
- Forward valuations are elevated but not extreme.

Source: add attribution

The AI Buildout

The infrastructure bill for AI is exploding: future data-center lease commitments now top $800 billion.



~$850B

future lease commitments

- Oracle and Microsoft anchor the total, with Amazon, Google, Meta, and CoreWeave scaling quickly behind them.
- This is the capital-spending backbone of the AI trade, and a tailwind for the power and infrastructure that supplies it.

Source: add attribution

AI Adoption

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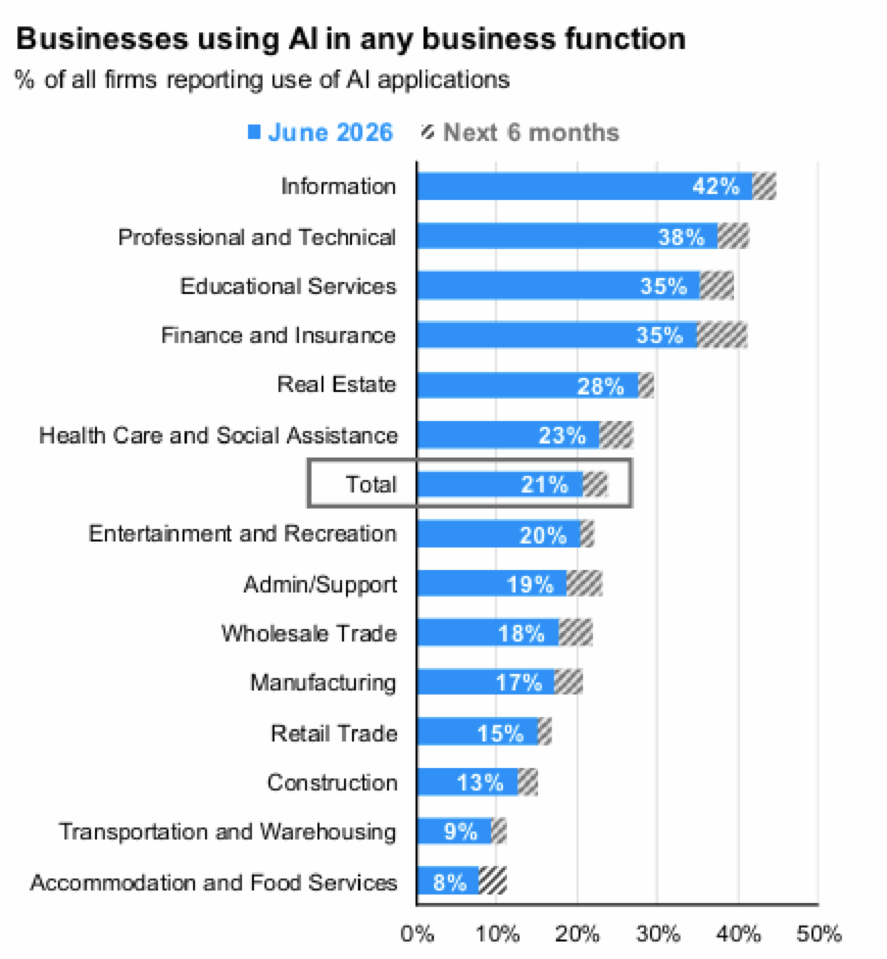
Use of AI is spreading well beyond the technology sector.



21%

of all firms

now use AI in some function

- Adoption is broadening beyond tech: Information (42%), Professional and Technical (38%), Educational Services (35%), and Finance and Insurance (35%) lead.
- About one in five firms across the economy now use AI, and the share keeps climbing.
- Every industry expects further gains over the next six months.

Source: add attribution

Stocks After an Oil Surge

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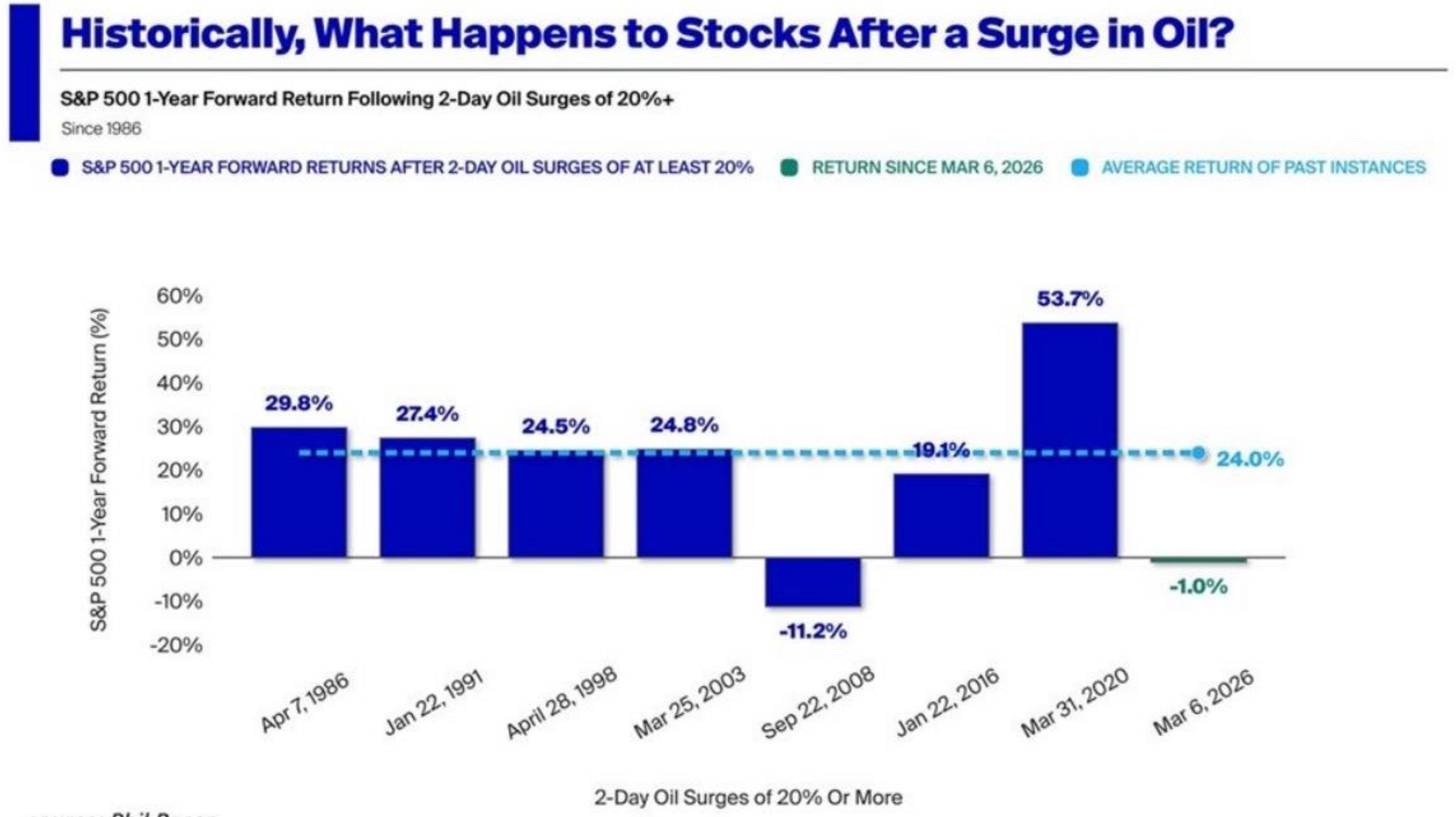
History says equity weakness around oil spikes has usually been short-lived.



source: Phil Rosen

+24%

average S&P 500 return

one year after a 20%+ oil surge

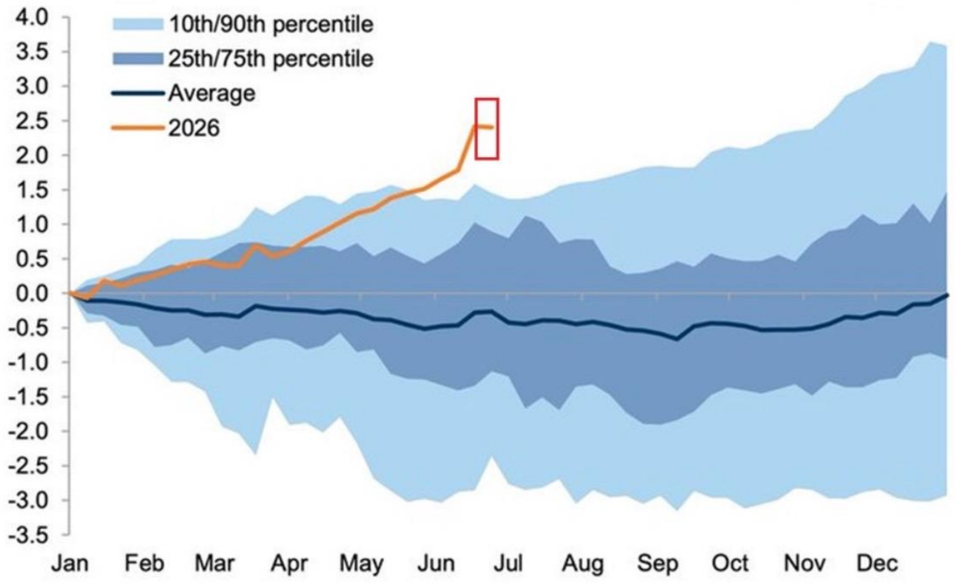
- Since 1986, the S&P 500 has averaged a 24% gain in the year after a two-day oil surge of 20% or more.
- Six of the seven prior episodes were positive; the exception was the 2008 crisis.
- S&P 500 is up 12.5% since March 6th

Source: Phil Rosen

Flows Into US Equities

Global fund flows into US stocks are running well above their historical range.

Exhibit 1: Flows into US equities have been remarkably strong so far
YTD cumulative global fund flows into US equities (% AUM)



2002-2025 for average and percentiles.

Source: EPFR, Goldman Sachs Global Investment Research

+2.4%

YTD flows, % of AUM

vs a ~0% historical average

- Year-to-date flows into US equities are near 2.4% of assets, far above the long-run average of roughly zero.
- The pace is tracking at or above the 90th percentile of the past two decades.
- Persistent demand for US stocks underpins our overweight to US equities.

Source: EPFR; Goldman Sachs Global Investment Research

Summary

The setup as we head into the second half of the year.

Overall positive macro backdrop

growth near 2%, inflation cooling, and a resilient consumer

Fed reverts focus to its dual mandate

a July hold looks likely as the soft CPI eases the hawkish tilt

AI outlook remains strong (capex and adoption)

record data-center spending and broadening business use

Earnings justify valuations

AI-related profits are growing into still-elevated multiples

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