

Investments Group

April 22, 2026 at 1:30PM

Ron Reedy and Mike Flannery Co-chairs

In-person and Zoom Meeting

Disclaimer: The information provided here is for informational purposes only and does not constitute individual investment advice. Investing involves inherent risks, and past performance is not necessarily indicative of future results. Always consult with a qualified financial professional before making any investment decisions. We are not your financial advisor and no advisor-client relationship is created by your use of this information.

Agenda

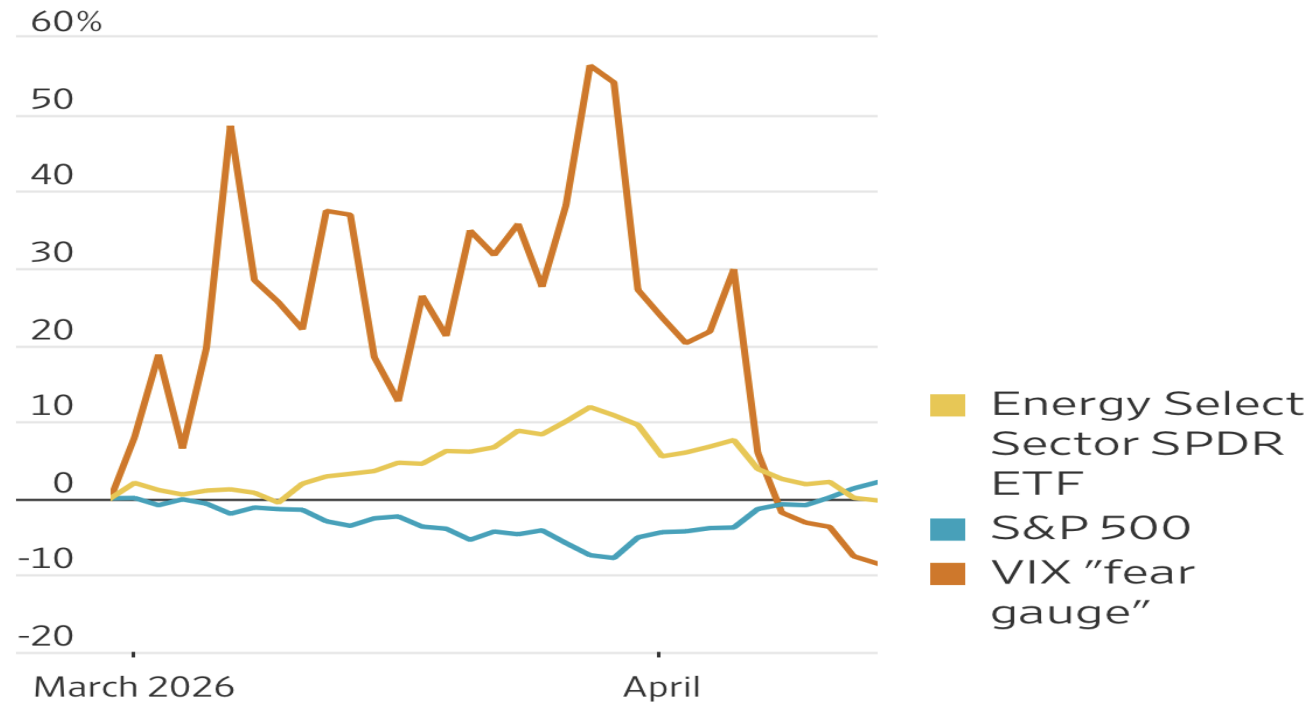
- ❖ Markets review
- ❖ Investment competition scorecard
- ❖ Review of recent interesting investments articles

Interesting Articles – Unpredictability of Markets

Mr. Market is Off His Meds. WSJ 4/17/26

The Fog of War

Change since hostilities began



Source: FactSet

Market Update – U.S. Equities

<u>Index/Market/Stock</u>	<u>1Q</u> <u>2026</u>	<u>Year</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total US Stock Market	-4.0%	18.2%	17.2%	23.8%	26.0%	-19.5%	25.7%
S&P 500	-4.3%	17.8%	17.9%	25.0%	26.3%	-18.2%	28.7%
S&P 500 Equal Weight	0.7%	12.9%	11.4%	13.0%	13.8%	-11.5%	29.6%
NASDAQ 100	-5.9%	23.8%	20.8%	25.9%	54.4%	-32.4%	26.9%
Russell 2000	0.9%	25.7%	12.8%	11.5%	15.1%	-21.5%	13.6%
S&P 500 Value Index	0.0%	12.9%	13.2%	11.5%	22.2%	-5.2%	24.9%
S&P 500 Growth Index	-8.1%	22.7%	22.2%	35.8%	30.0%	-29.4%	32.0%

Note: returns/data from outside sources presumed to be reliable

Market Update – International Equities

Index/Market/Stock	1Q 2026	Year	2025	2024	2023	2022	2021
Total International Stk Mkt	-0.6%	25.5%	32.0%	5.5%	15.6%	-16.0%	7.8%
Emerging Markets	-2.7%	19.7%	24.5%	11.6%	9.6%	-17.6%	1.5%
China (CSI 300)	-2.6%	23.2%	26.0%	14.5%	-12.3%	-25.7%	-3.3%
India (Nifty 50)	-15.6%	-15.7%	2.4%	13.5%	17.4%	1.9%	22.4%
Europe (STOXX 600)	-1.5%	12.1%	19.8%	8.8%	11.3%	-11.8%	22.3%
Japan (NIKKEI 225)	1.4%	45.9%	28.7%	21.3%	28.0%	-9.4%	22.6%
Dollar Index	100		98.3	108.9	102.4	103.5	96.0

Note: returns/data from outside sources presumed to be reliable

Market Update – Topical/Commodities

Index/Market/Stock	1Q 2026	Year	2025	2024	2023	2022	2021
Magnificent Seven (equal weighted)	-12.0%		23.0%	64.0%	111.0%	-45.0%	
Nvidia	-7.6%		38.9%	171.2%	239.0%	-50.0%	125.0%
Bitcoin	-22.5%		-6.3%	124.8%	164.3%	-64.9%	63.3%
Gold	7.4%	49.0%	63.7%	26.0%	13.3%	0.6%	
PCE (at end of period)	2.8%		2.8%	2.8%	4.9%	5.3%	
Oil (WTI)	22.0%		-20.3%	-3.0%	0.0%	0.0%	53.0%
Natural Gas	-21.8%		29.0%	19%	-60%	22%	90%

Note: returns/data from outside sources presumed to be reliable

Market Update - Fixed Income

Index/Market/Stock	1Q 2026	Year	2025	2024	2023	2022	2021
US T Bond 10-year return	-0.2%	3.7%	4.0%	1.2%	3.9%	-17.8%	
Bond Agg Index return	-0.1%	4.3%	7.2%	1.2%	5.7%	-13.0%	-1.8%
Intermediate Term Tax-Exempt	-0.3%	4.5%	5.2%	0.9%	5.3%	-6.0%	0.9%
International Bonds	-0.5%	2.6%	3.0%	3.8%	8.8%	-12.7%	-2.1%
Cash	0.8%	3.6%	4.2%	5.2%	5.1%	1.6%	0.0%
10 yr T yield (at end of period)	4.4%		4.2%	4.6%	3.9%	3.9%	1.5%
2 yr T yield (at end of period)	3.8%		3.5%	4.3%	4.2%	4.4%	0.73%
Fed Funds (at end of period)	3.6%		3.6%	4.3%	5.3%	4.3%	0.07%

Note: returns/data from outside sources presumed to be reliable

Friendly Investments Competition

- How would each of you allocate a total of \$100,000 to these options to maximize overall return for 2026:
 - Cash
 - Bonds: US, International
 - International Stocks: MSCI ACWI ex-US, Emerging markets
 - U.S. Stocks: S&P 500, S&P 500 Growth, S&P 500 Value, S&P 500 Equal Weight, Mag7
 - Gold
 - Bitcoin
- Rules:
 - \$ investment by asset class submitted by 2/6
 - Return period: full year 2026
 - Will announce who is leading competition at each quarterly meeting
 - Full year winner will be announced at January 2027 meeting

Friendly Investments Competition Scorecard

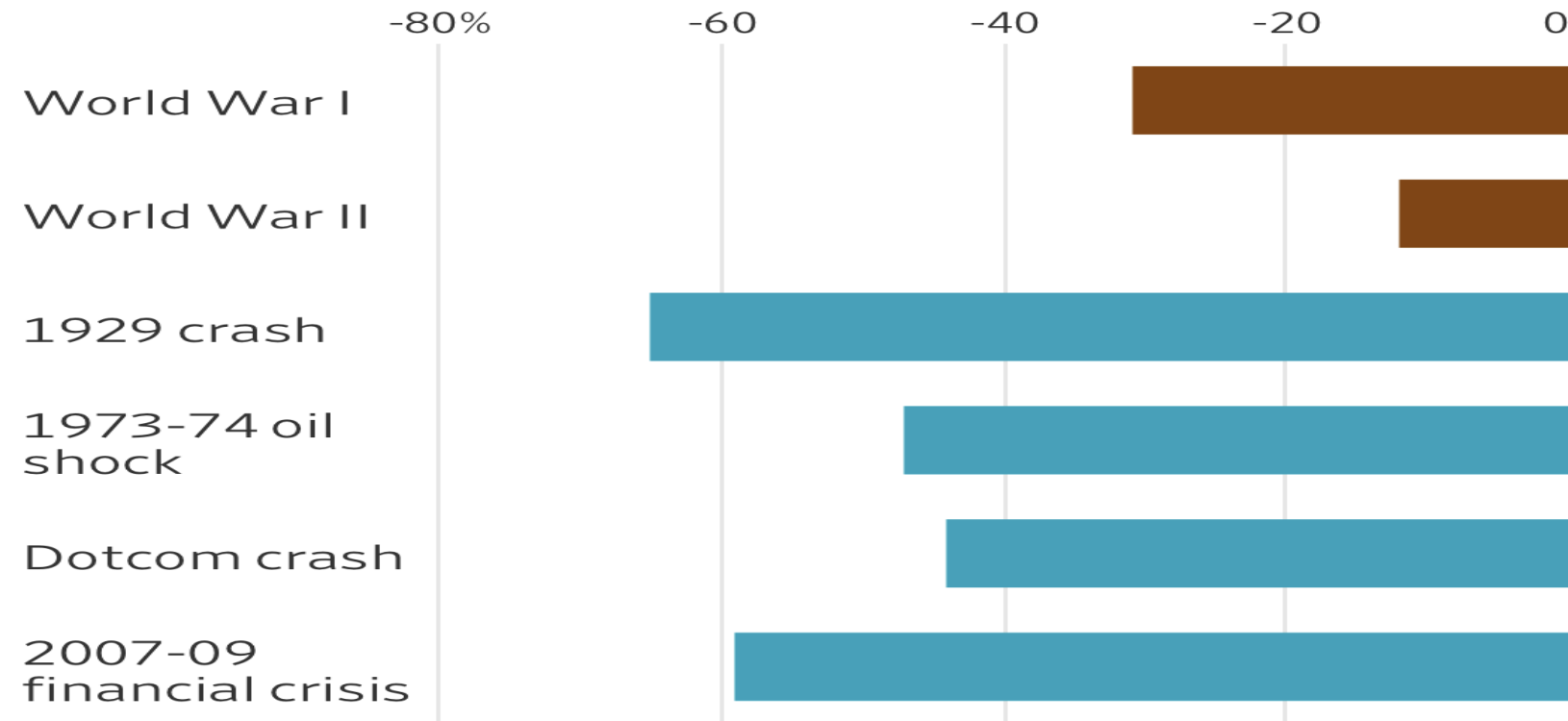
	<u>Cash</u>	<u>Bond</u> <u>Agg</u>	<u>Intl</u>	<u>S&P 500</u>	<u>SP Gr</u>	<u>SP Val</u>	<u>SP EW</u>	<u>Gold</u>	<u>Mag7</u>	<u>BitCoin</u>	<u>EMkts</u>	<u>Intl</u> <u>Bonds</u>	<u>Total</u>	<u>Value</u> <u>end 1Q</u>
# of players													22	
Top Allocation to Each Option	\$ 20	\$ 30	\$ 50	\$ 100	\$ 100	\$ 50	\$ 50	\$ 100	\$ 40	\$ 2	\$ 50	\$ 25		
Average Allocation to Options	3	6	17	18	14	9	3	10	6	0	13	1	100	
Return by Investment Option	0.8%	-0.1%	-0.6%	-4.3%	-8.1%	0.0%	0.7%	7.4%	-12.0%	-22.5%	-2.7%	-0.5%	-2.5	97.5
# players that made \$ in Q													3	
Leading player:	Bill Rooney													

Interesting Articles – War

Stock Market Can Endure War. WSJ 4/9/26

Less war, more jaw-jaw

After-inflation total return for world stocks



Source: Dimson, Marsh & Staunton, UBS

Interesting Articles – War, continued

Stock Market Can Endure War. WSJ 4/9/26

- Market is being supported by recent military history, U.S. earnings and hopes for AI.
- Military expeditions, wars and revolutions: average drop of U.S. stock market across 39 major geopolitical events since 1939 was just 4%.
 - Though stocks in Russia went to zero after the revolution and surrender in WWI, while Japanese stocks fell 96% in WWII, in real terms.

Interesting Articles – Market Returns

Markets Have Done Awfully Well in a Year of Chaos. NYT 4/12/26

- Even with the Iran/US/Israel war starting 2/28/26, average stock mutual fund/ETF was down only 1.2% in the 1Q'26.
- Average U.S. stock fund returned 16.8% for the year ended March, even with the war (and resultant oil shock) and the steepest tariffs since 1930's, announced in April 2025.
- For the last five years, including the period of runaway inflation of 2022, the average return for US stock funds was 8%.
- Cash and T-bills still a good place to be for short-term liquidity needs.

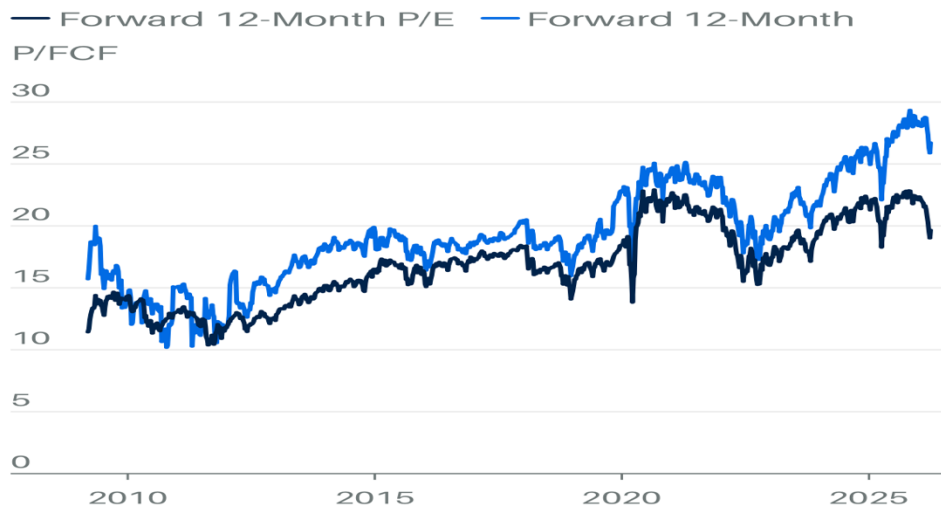
Interesting Articles – Valuation

The Stock Market Is More Expensive Than It Looks. Barron's 4/6/26

- The S&P 500 forward PE is 20, about 20% higher than 20-year average. However, the index's forward P/FCF ratio of 27.4 is 37% above its 20-year average. S&P 500 companies are expected to earn \$2.8T this year but only produce \$1.8T in free cash.

Price Check

Free cash flow is better than earnings at reflecting heavy AI spending. The Price/FCF ratio makes stocks look expensive.



Source: Bloomberg

Interesting Articles – Valuation, continued

The Stock Market Is More Expensive Than It Looks. Barron's 4/6/26

- Concerns:
 - Wealth effect driving economic growth. S&P 500 up 273% over past decade and U.S. housing up 87% in a decade.
 - Corporations taking a bigger share of earnings than employees.
 - Fed deficit has averaged 2% of GDP for last four decades. Now 5.8% going to 6.7% in a decade. Interest expense will squeeze out stimulative government spending.
- What not to do:
 - High valuation of stocks have historically been a poor indicator of return over the next year. However, it is a much stronger predictor of subsequent 10-yr returns.
 - Don't look for a miracle asset class.
 - Spend less. Save more. Be prepared to work longer. Don't go all-in stock or all-out.
 - Stick with U.S. stocks for clever tech and cheap energy and with overseas stocks for lower valuations and a currency hedge.
 - Ordinary money-market funds and dividend focused stock funds both pay close to 3.5% now, and short-term bonds closer to 4%, vs. the S&P 500's yield of just 1%.

Interesting Articles –Valuations

The Record Stock Market Rests on Some Big One-Offs. WSJ 4/18/26

- Something odd has happened: Valuations, measured as the price-to-earnings or PE ratio, have plunged, while stocks rose to a record high this week. This isn't just unusual. It is unprecedented in data back to 1985. Valuations have never fallen so much over six months without stocks falling too.
- At its October peak, the S&P 500 PE ratio was above 23 – it fell to 20 and currently rests at 22 – still above historical levels of 16/17.
- This time, there are two big reasons earnings expectations have soared—and they are both probably temporary. The first is that microchip prices have soared because of huge artificial-intelligence demand. The second is the war in Iran, which has given energy companies a huge boost.
- Questions to consider:
 - Are “AI” stocks moving from speculative to closer to money making reality?
 - Will overinvestment in data center building create a glut/overcapacity?
- Initial oil price shocks due to Iran conflict shot up energy related stock prices – P/E was 23 and now hovers around 15 as ceasefire possibilities are considered.

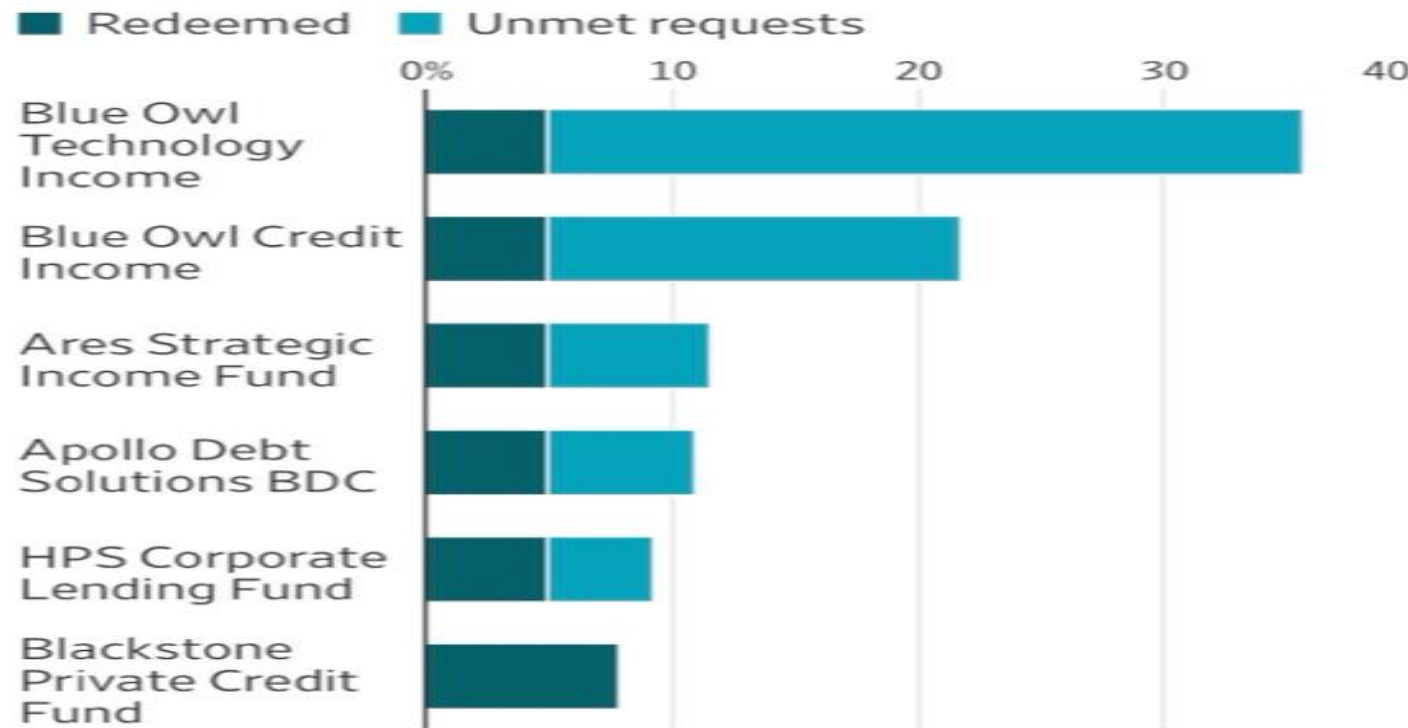
Interesting Articles – Private Markets

Private-Market Investors Face Crazy Math. WSJ 4/13/26

- Private credit investors, worried about valuations, are heading for the exits.
- Valuation issues with private equity are comparable and more extreme.
- Both PE and private credit are not very liquid investments. PE far bigger asset class.
- PE firms can mark up ownership stakes in closely-held companies or other PE funds. Common: Buy a stake in another PE fund at a discount to NAV and then immediately mark it up to NAV. Then get paid a performance fee on the higher valuation.

Interesting Articles – Private Markets, continued

Percentage of fund requested and redeemed in the first quarter



Note: Industry standard is maximum 5% redemptions allowed. Blue Owl Technology Income numbers based on net asset value on Dec. 31, not adjusted assets.
Source: Robert A. Stanger & Co.

Interesting Articles – TACO

Iran Bounce: These TACOs Are Getting Stale. WSJ 3/30/26

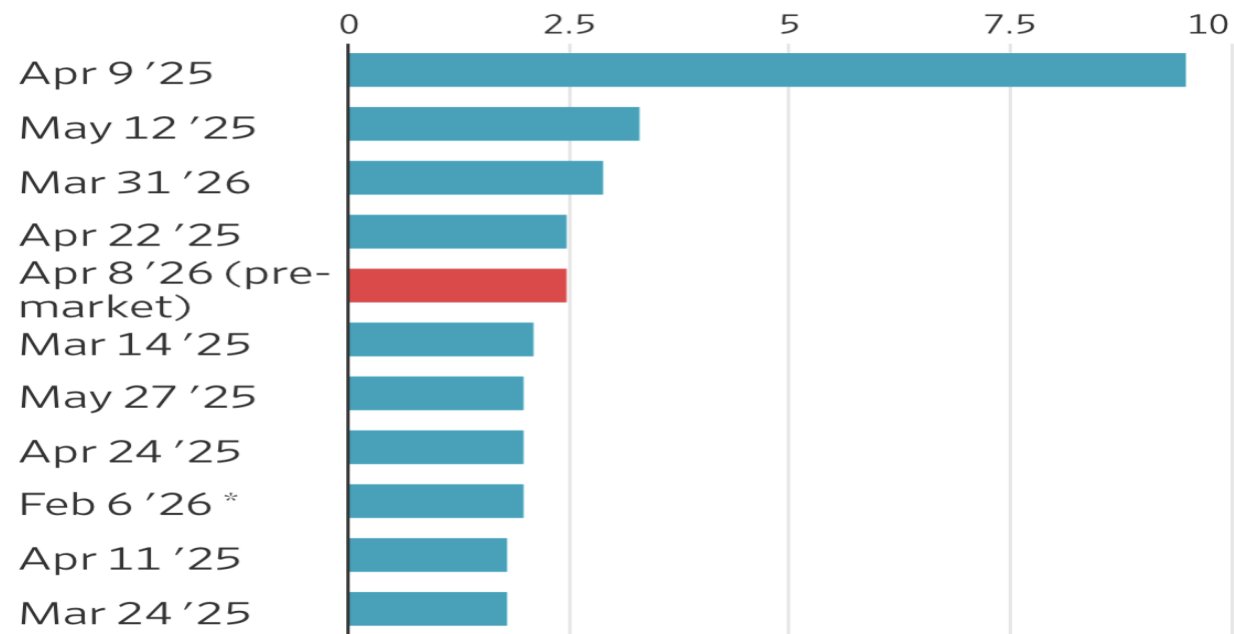
- “Trump Always Chickens Out” has become a consistently profitable trading pattern.
- Over the 300+ trading days since Trump became President, nine of the S&P 500’s ten biggest gains have had to do with relief rallies over tariffs or Iran.
- Owning stocks on those days would have earned an investor 52% compared with 12% for buying and holding an index fund throughout.

Interesting Articles – TACO, continued

Iran Bounce: These TACOs Are Getting Stale. WSJ 4/9/26

Taquito

Top S&P 500 gains of Trump's second term



Note: *Gain not related to tariffs or Iran

Source: FactSet

Interesting Articles – TIPS

Investment for Uncertain Times. WSJ 4/11/26

- One of the best ways to guard against a loss of purchasing power caused by inflation is with Treasury inflation-protected securities – TIPS.
- The real yield on TIPS, their payouts after inflation, are at or above 2% on many longer-term maturities. That's close to the most generous returns offered over the past couple of decades. Note TIPS did lose money in 2022, along with most bonds.
- Vanguard, which manages \$94B in TIPS: “definitely attractive” at these levels.
- Maturities of 5, 10 and 30 years. Principal value ratches up with inflation (and down with deflation). Interest payments are fixed.
- Can buy TIPS directly from USG, a broker or via mutual funds/ETFs.
- Can build a ladder with individual bonds. Resource: [Tipsladder.com](https://www.tipsladder.com). iShares has an “ladder” product with a series of ETFs, each holding only TIPS maturing in a specific year (but only goes out to 2036, at this point).
- Probably best to hold TIPS in a 401k/IRA.

Interesting Articles – Equity Allocation

A Yale Professor's Formula Says You Need More Stocks. WSJ 2/24/26

- Yale Professor, James Choi, suggests that more exposure to stocks may be appropriate. Research uses age and typical variables in making assessments. The younger one is, i.e., further from retirement, the more future wages and earnings resemble bond like instruments – providing an inherent balance to equity exposures.

Method	Equity Allocation	Investable assets
Age 25 – Choi	100%	\$25K
Vanguard 60/40	91%	
Middle Age – Choi	53-88%	\$400-800K
Vanguard 60/40	76%	
Retired – Choi	38-64%	\$1,000K
Vanguard	31	

- Interestingly, when we look at Choi's recommended ranges for the older scenarios, the lower percentage is associated with higher investable balances. The reason for this is that his research did not focus on maximization, but rather utility. Utility introduces risk preferences and is a more subjective variable. Limitations of this model are the lack of inclusion on any home equity/mortgage considerations as well as uncertainty over future income.

Interesting Articles – RMDs

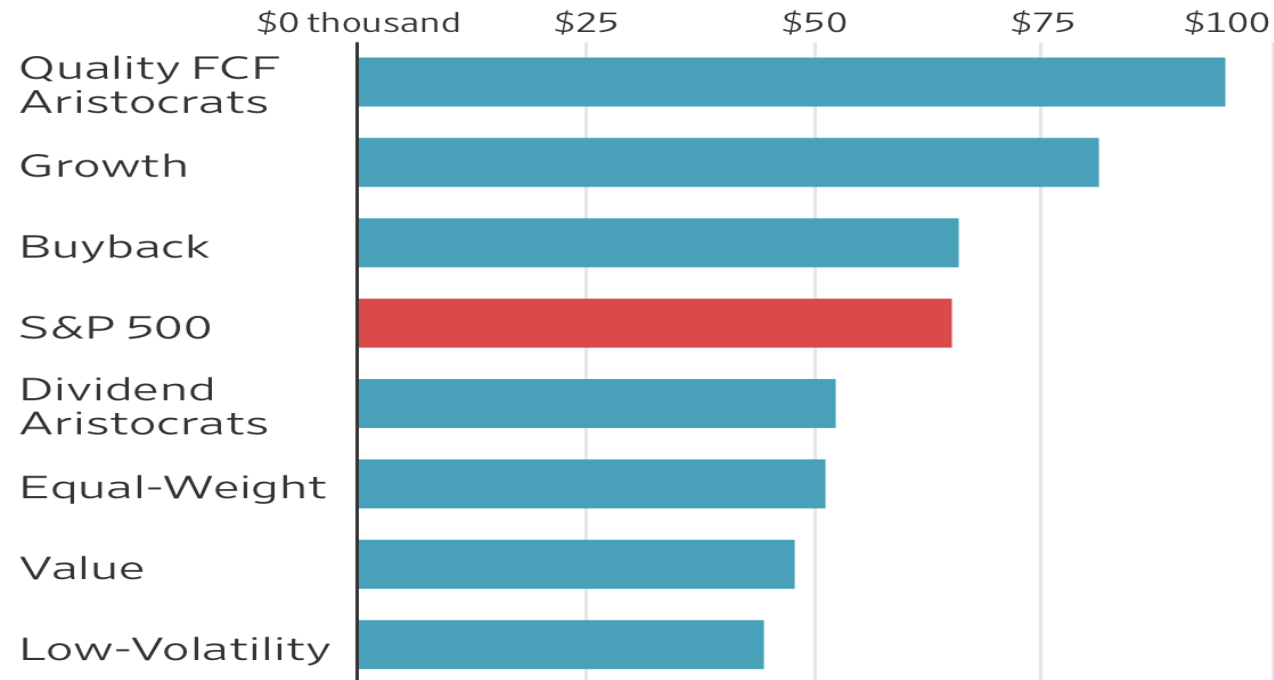
Tax-Efficient Strategies for Your RMDs. Barron's 3/9/26.

- At 73 (or 75, if born in 1960 or after), retirees must begin annual required minimum distributions, or RMDs, which are taxed at rates up to 37% rather than at capital gains tax rates, which top out at 15%. RMDs can push you into a higher tax bracket, disqualify you from income sensitive deductions and credits, and trigger higher Medicare premiums. Annual RMD roughly equal 4-6% of assets.
- Ways to reduce the tax impact of your IRA assets:
 - You can gift up to \$111,000, this year, through a QCD. This counts toward your RMD (but does not qualify as a charitable deduction).
 - Convert IRA assets to a Roth. Roth IRAs have no RMD requirements. Need to pay taxes on the conversion. Complicated. Need expert tax advice.
 - Hold lower growth assets in your IRA (and higher growth in your taxable accounts) so that future RMDs will be lower.
 - Determine withdrawal strategy. Some take it early in the year, so they don't forget (penalties for not taking). Some take at end of year to maximize tax deferral. Some take monthly to match cash flow needs.

Interesting Articles – S&P Indexes

Growth and Value are Not Your Only Options. WSJ 4/10/2625.

Value of a \$10,000 investment in each S&P 500 Index for 15 years ended March 2026



Source: S&P Global; WSJ calculations

Interesting Articles – S&P Indexes, continued

Growth and Value are Not Your Only Options. WSJ 4/10/2625.

- Price to Book: S&P Pure Value 1.02x. Pure Growth: 6.53x.
- Quality FCF Aristocrat, created in 2024 and reconstructed for these calcs. At least 10 straight years of positive FCF, in addition to a high FCF margin and a high FCF return on invested capital. Index tracked by Pacer fund (LCOW ticker). Expense ratio: 0.49%. Only \$22MM in assets.

Interesting Articles – Tech Stocks Concentration

Your Stock Portfolio has Too Much Tech. Consider These ETFs. Barron's 4/20/26

- In the S&P 500 index, the top 10 names represent 40% of the total market cap (the top 7 are all tech companies).
- To diversify, Barron's suggested 12 ETFs. The three largest are shown here:
 - Invesco S&P 500 Equal Weight (RSP). \$85B. 0.20% exp ratio
 - De-emphasize Mag 7. Lower valuations
 - Pacer U.S. Cash Cows 100 (COWZ). \$18B. 0.49%
 - Uses Russell 1000 to choose 100 companies with the highest projected free cash flow over the next two years
 - WisdomTree US Quality Dividend Growth. \$16B. 0.28%
 - Focuses on potential for future dividend growth

Interesting Articles – Benchmarks

Fund Managers Tell Tall Tales About Their Performance. WSJ 4/14/26

- In a recent study, a sample of funds changed their benchmark at least once over a 12-year period. Generally, in a way that flattered their relative returns.
- Practice most common among high fee funds, and it had a positive impact on inflows.
- 75% of funds gave no reason for the benchmark change.

Interesting Articles – Global Market Caps

	Country / Territory	Total market cap		Number of domestic companies ^[3]	Data Year
		millions of US\$ ^{[4][5]}	% of GDP ^{[6][7]}		
1	 United States	69,970,000	216.3	4,600	2026
2	 China	16,950,000	62.7	5,462	2026
3	 Japan	8,850,000	156.7	3,933	2026
4	 Hong Kong	7,348,000	1,118.2	2,673	2026
5	 India	5,180,000	131.2	5,949	2026
6	 Canada	4,185,000	157.8	3,800	2026
7	 Taiwan	4,130,000	381.7	980	2026
8	 United Kingdom	4,090,000	98.6	1,900	2026
9	 South Korea	3,700,000	190	2,446	2026

Q&A/General Discussion

Open forum

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