Investments Group

July 22, 2026 at 1:30PM

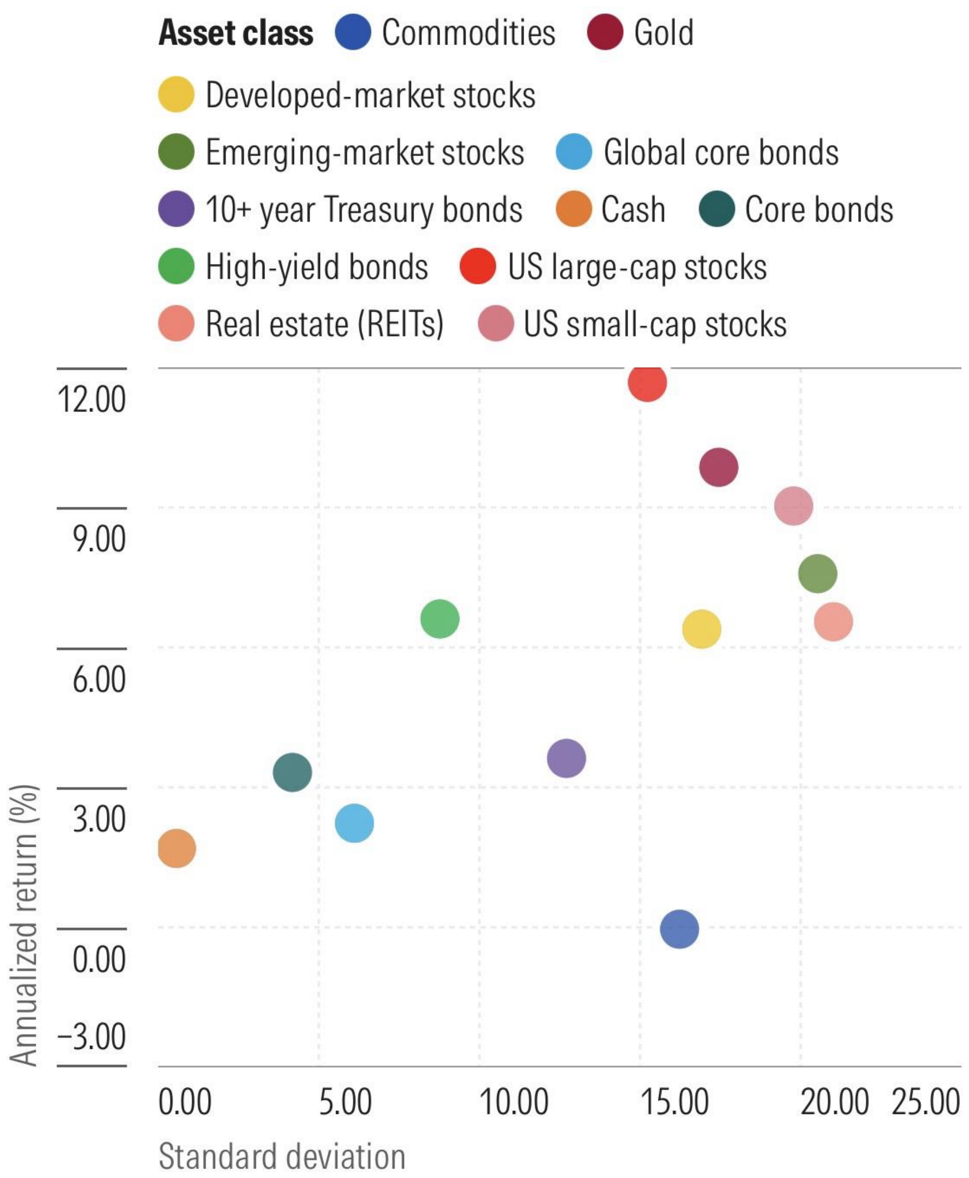
Ron Reedy and Mike Flannery Co-chairs

Zoom Meeting only

Agenda

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

Trailing 20-Year Risk and Return: Small-Cap Stocks and Other Assets



Market Update – U.S. Equities

Index/Market/Stock	YTD2Q 2026	Year	2025	2024	2023	2022	2021
Total US Stock Market	11.1%	23.2%	17.2%	23.8%	26.0%	-19.5%	25.7%
S&P 500	10.2%	22.3%	17.9%	25.0%	26.3%	-18.2%	28.7%
S&P 500 Equal Weight	12.1%	19.2%	11.4%	13.0%	13.8%	-11.5%	29.6%
NASDAQ 100	20.2%	34.2%	20.8%	25.9%	54.4%	-32.4%	26.9%
Russell 2000	22.6%	40.8%	12.8%	11.5%	15.1%	-21.5%	13.6%
S&P 500 Value Index	8.0%	18.4%	13.2%	11.5%	22.2%	-5.2%	24.9%
S&P 500 Growth Index	12.0%	25.7%	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	YTD2Q 2026	Year	2025	2024	2023	2022	2021
Total International Stk Mkt	12.9%	26.7%	32.0%	5.5%	15.6%	-16.0%	7.8%
Emerging Markets	9.3%	22.4%	24.5%	11.6%	9.6%	-17.6%	1.5%
China (CSI 300)	11.1%	35.9%	26.0%	14.5%	-12.3%	-25.7%	-3.3%
India (Nifty 50)	-8.7%	-14.3%	2.4%	13.5%	17.4%	1.9%	22.4%
Europe (STOXX 600)	8.2%	21.5%	19.8%	8.8%	11.3%	-11.8%	22.3%
Japan (NIKKEI 225)	39.2%	77.0%	28.7%	21.3%	28.0%	-9.4%	22.6%
Dollar Index	101.2		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	YTD2Q 2026	Year	2025	2024	2023	2022	2021
Magnificent Seven (equal weighted)	-2.5%	17.6%	23.0%	64.0%	111.0%	-45.0%	
Nvidia	15.1%	25.5%	38.9%	171.2%	239.0%	-50.0%	125.0%
Bitcoin	-32.6%	-44.6%	-6.3%	124.8%	164.3%	-64.9%	63.3%
Gold	-7.0%	21.6%	63.7%	26.0%	13.3%	0.6%	-4.2%
PCE (at end of period)	4.1%		2.8%	2.8%	4.9%	5.3%	
Oil (WTI)	21.1%	5.3%	-20.3%	-3.0%	0.0%	0.0%	53.0%
Natural Gas	-11.2%	-17.5%	29.0%	19%	-60%	22%	90%

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

Market Update - Fixed Income

Index/Market/Stock	YTD2Q 2026	Year	2025	2024	2023	2022	2021
US T Bond 10-year return	0.0%	3.3%	4.0%	1.2%	3.9%	-17.8%	-3.1%
Bond Agg Index return	0.6%	3.7%	7.2%	1.2%	5.7%	-13.0%	-1.8%
Intermediate Term Tax-Exempt	1.4%	5.5%	5.2%	0.9%	5.3%	-6.0%	0.9%
International Bonds	1.4%	2.6%	3.0%	3.8%	8.8%	-12.7%	-2.1%
Cash	1.6%	3.4%	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)	4.1%		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

	Cash	Bond Agg	Intll	S&P 500	SP Gr	SP Val	SP EW	Gold	Mag7	BitCoin	EMkts	Intl Bonds	Total	Value end 2Q
# 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	1.6%	0.6%	12.9%	10.2%	12.0%	8.0%	12.1%	-7.0%	-2.5%	-32.6%	9.3%	1.4%		107.2
# players that made $ in Q													21	
Leading player:	Tom Lynch													112.5

Interesting Articles – Valuations

The S&P 500 Isn't as Cheap as it Looks. WSJ 7/14/26

- The Index's price/earnings ratio depends on who is defining the earnings.
- If one uses the actual net income for the past four quarters, the index might seem pricey at 29x.
- If use analysts' estimated **adjusted** earning for 2026, the PE falls to 22x.
- FactSet: S&P 500 earnings will climb 24% in 2026.
- S&P Global: 40% rise in 2026
- Bloomberg: 34% increase for 2026
- But very likely not apples to apples comparisons

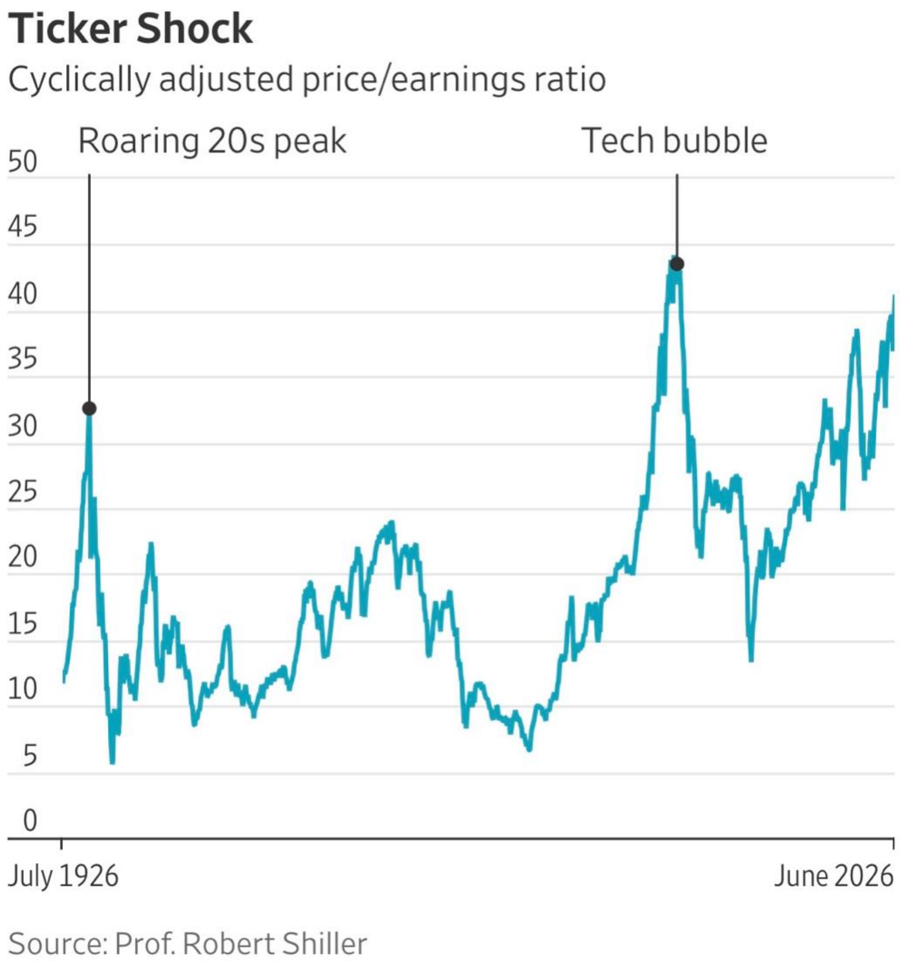
Interesting Articles – Valuations

Inflation is Picking Investors' Pockets. WSJ 6/11/26

- Inflation is the cruelest tax and has been making a comeback
- U.S. inflation at a 3-year high
  - Running above Fed target for 62 months straight
- Over past 5 years, S&P 500 up 72% but "only" 50% after inflation
- S&P 500 took 15-years on a price inflation-adjusted basis to recover from the bursting of the tech bubble in 2000.
- Far longer inflation adjusted recoveries: 1929-1956, 1965-1991
- Worst time in the last century to buy stocks when considering inflation and dividends: January 1973 or 2000 (third worst: 1929). Buying in Jan '73 or '00 left you with less wealth 10 years later

Interesting Articles – Valuations

Inflation is Picking Investors' Pockets. WSJ 6/11/26 (continued)



Interesting Articles –SpaceX (numerous articles)

- SPCX went public on 6/12/26 at $135 (no range to determine investor interest). Largest IPO in history. Raised $75B for 4.2% of the company, thus a total valuation of $1.8T.
- History of valuation as private co: 2023: $180B, 2024: $350B, 2026 $1.8T
- IPO Valuation: 100x 2025 revenue, roughly 60x 2026 revenue estimate and 33x 2027 revenue forecast. 210x 2026 est EBITDA and 91x 2027 EBITDA forecast. Note: SpaceX lost $4.9B in 2025 on revenue of $19B (up just 33% from year before).
  - Average venture-backed tech co goes public at 4x revenues. Telsa was 15x in 2010
  - Top tech companies (e.g. Google, Apple, Microsoft) trade at 10x revenue
- Two great businesses (Satellites and Rockets) and one larger opportunity (AI). "Addressable Market $28.5T"
- Started trading at $150. Closed first day at $161, up 19%. First day pop goal: 10-30%.
- Reached $226 intraday on 6/16/26 before closing at $124 on 7/19/26. Analysts' targets: $63-800, average $244.
- Announced an all-stock $60B acquisition.

Interesting Articles – SpaceX continued

- Early admission to indexes (other than S&P 500). Impact on indexes is currently minimal since less than 5% of company is public. Float-adjusted market cap is “just” $100B or so. NASDAQ index rules allow for a 3x multiple adjustment.
- Greenshoe (over-allotment) option fully executed, resulting in another $10B+ raise.
- Share lockup periods expire on a staggered basis over the next year.
  - By mid-next month, 12% of shares will be available to trade.
- Bearish investors have sold 28% of available share short. Short-selling paper profits of about $3.9B at $135.
- Elon Musk is first trillionaire.
- $25B in new debt issued. $90B orders. IG-ratings: BBB/Baa1/BBB+, all stable. Trades like a junk bond.

Interesting Articles –Tech Investing

Look to Tech for the best Investments of the Past Century – NYT – 6/28/26

- This is a review of an updated 2017 paper by ASU professor, Hendrick Bessembinder
- In that study and the current update 96% of stocks didn't return an average one-month US Treasury equivalent of 3.3%
- Top 10 wealth creators for last 100 years in 2016. Apple, Microsoft, Exxon, GE, IBM, Altria, GM, J&J, Walmart
- New top 10 in wealth creation are: Apple, Nvidia, Microsoft, Alphabet, Amazon, Broadcom, Exxon Mobil, Meta, Tesla, Walmart
- On its own, Apple accounted for 5.5% of all wealth creation for investors since 1926
- In original study five companies accounted for 10% of wealth creation, ten years later – two (Apple and Nvidia). So, even more concentration now
- Stock picking is good if one is correct; potentially disastrous if one is wrong
- High concentration of winners has implications for fund investors as well

Interesting Articles –AI Proof Funds Portfolio

How to AI Proof Your Funds Portfolio. Barron's 7/6/26

- Fear of an AI bubble bursting? Tech and Communications comprise nearly 50% of S&P 500 index. Over the last decade, tech's average return 25% vs. S&P 500 of 15%.
- AI impacting valuations of many members of the index and international stocks.
- Areas to consider: Under-performing sector funds (Healthcare and Consumer Staples), dividend funds, international funds, bond funds, alternatives (Barron's pointed to 13 funds to consider)

Interesting Articles – Infrastructure

Smart Ways to Invest in Infrastructure – Barrons – 6/15/26

- McKinsey 2025 report: $106T in cumulative investments needed to meet global infrastructure requirements thru 2040.
- Unique asset class offering demand, defensive properties and inflation-linked, above average yields.
- Investors target AI-adjacent power gen, "rebuild America" funds, and sustainable options like water and clean energy

Interesting Articles – Infrastructure (continued)

Smart Ways to Invest in Infrastructure – Barrons – 6/15/26

Fund / Ticker	Total Return 1-Year	3-Year	5-Year	AUM (billion)	Expense Ratio
State Street Utilities Select Sector SPDR / XLU	0.6%	11.9%	6.3%	$22.0	0.08%
Global X U.S. Infrastructure Development / PAVE	33.8	25.0	17.0	13.5	0.47
Lazard Global Listed Infrastructure Portfolio / GLIFX	16.7	14.1	11.3	12.5	0.96
First Trust Nasdaq Clean Edge Smart Grid Infrastructure / GRID	44.3	24.2	16.8	11.3	0.56
VanEck Uranium and Nuclear / NLR	26.7	31.3	20.2	4.6	0.52
Vanguard S&P 500 / VOO	24.9%	21.5%	13.5%	$1,700.0	0.03%

Note: Returns through June 8. Three- and five-year returns are annualized.

Sources: Morningstar, company reports

Interesting Articles – Drones

An Investor's Guide to the Cheap Drone Offensive – Barrons, 6/29/26

- Historically, the US has produced sophisticated, expensive weapons systems to defend itself and allies as well as project power. Wars in Iran and Ukraine suggest that this firepower does not assure dominance, i.e., the $10K drone. These observations show the US needs to quickly adapt to this reality.
- Drone focused startups will compete with the old guard. Many of the start-ups are still private.
- There is one ETF – REX Drone (DRNZ – down 7.3% YTD).
- Interest is being driven by battlefield realities and proposed 50% increase in defense budget which will see drone spend approaching $55B. Willaim Blair analysis suggests a $100B market in the near future.
- Most of the newly public companies (Aevex, Red Cat Holdings, Swarmer) trade at multiples of revenue – suggesting high volatility. "Good Housekeeping Seal of Approval" is if drones were successful in Ukraine. Note Ukraine is shortly expected to a net exporter of drones – adding risk to the thesis.
- Notably, while defense spending is expected to increase, Democrats may have a different appetite or set of priorities. Finally, old guard companies like RTX, L3 Harris are stepping up funding for seed companies, suggesting they will not sit by idly.

Interesting Articles –Small-Caps

Small-Caps Are Having a Monster Rally. It isn't Over Yet. Barron's 7/6/26

- Small caps had their best first half in 35 years. Russell 2000 gained 22% vs. S&P 500 10%.
- Strong economy.
- Small caps PE 26x earnings estimates next 12 months. 28% premium to S&P 500 PE.

Interesting Articles –Dividend Kings

50 Years of Dividend Hikes: These Stocks Did It. Barrons – 6/22/26

- Dividend Aristocrats have lifted their dividends for at least 25 years; Kings have done it for 50 consecutive years or more. There are more than 50 Kings (P&G, J&J, Coke)
- Another difference is that Aristocrats need to be part of the S&P 500, not so for the Kings. Average yield on Kings is 2.7% and dividend payout ratio just below 50%
- Longest record of hikes belongs to American States Water, a CA utility with 72 years of increases.
- Technology is typically missing from the Kings. This absence has contributed to the Kings lagging performance since 2014 vs. S&P 500 (8.7% vs 14%) thru end 2025
- There are no ETF's for Kings, although ProShares S&P 500 Div. Aristocrats ETF gives investors some exposure. Its top holdings are Nucor, Franklin Resources, and JM Smucker.

Interesting Articles – Bonds as a Diversifier?

Investing as Crises Never Stop. WSJ 7/13/26

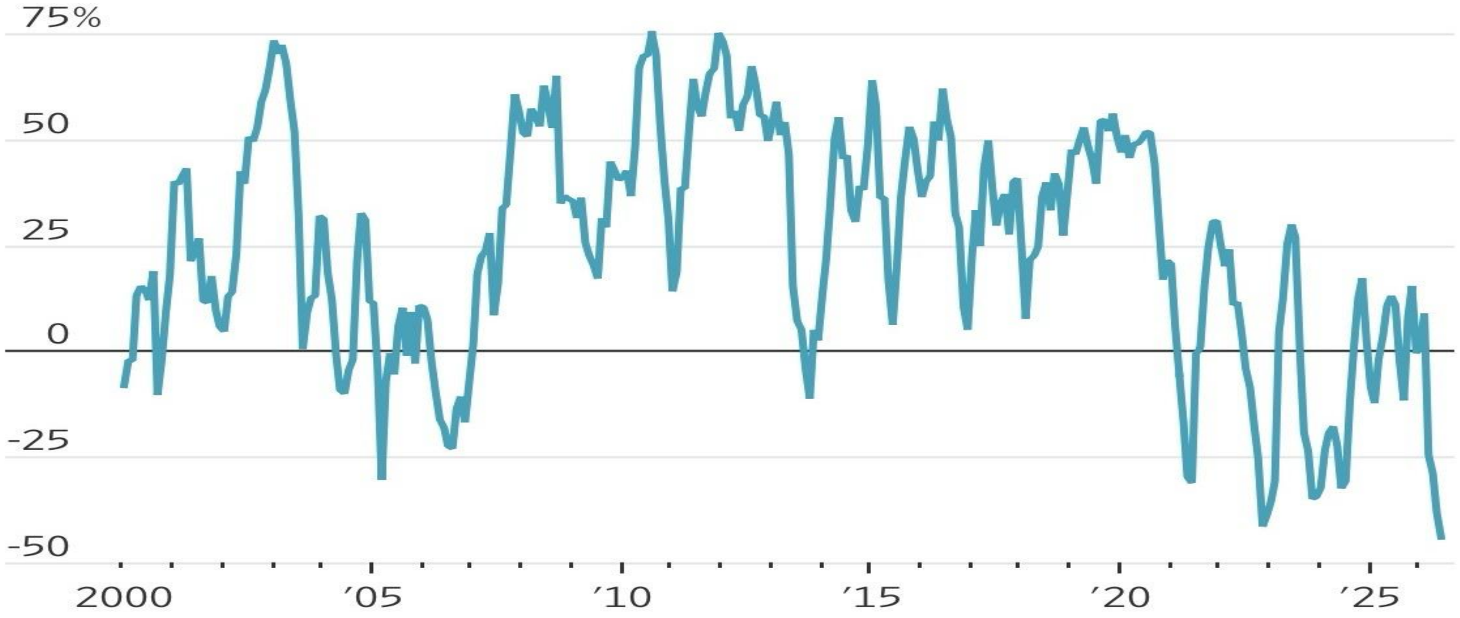
- Government bonds as protection against a major fall in AI-related stocks.
  - Traditional shock. Slowing economy/slowing inflation.
- But in a world of wars and crop failures, bond yields need to be higher because they offer so much less protection than they used to.

Interesting Articles – Bonds as a Diversifier?

Bonds No Haven Amid Inflation

In recent years bond yields tended to rise when stocks fell (correlation turned negative).

Correlation* of S&P 500 to 10-year Treasury yield



*100-day correlation of daily change; monthly data
Source: LSEG

Interesting Articles – Muni Bonds

The Case for Buying Individual Muni Bonds. Barron's 7/6/26

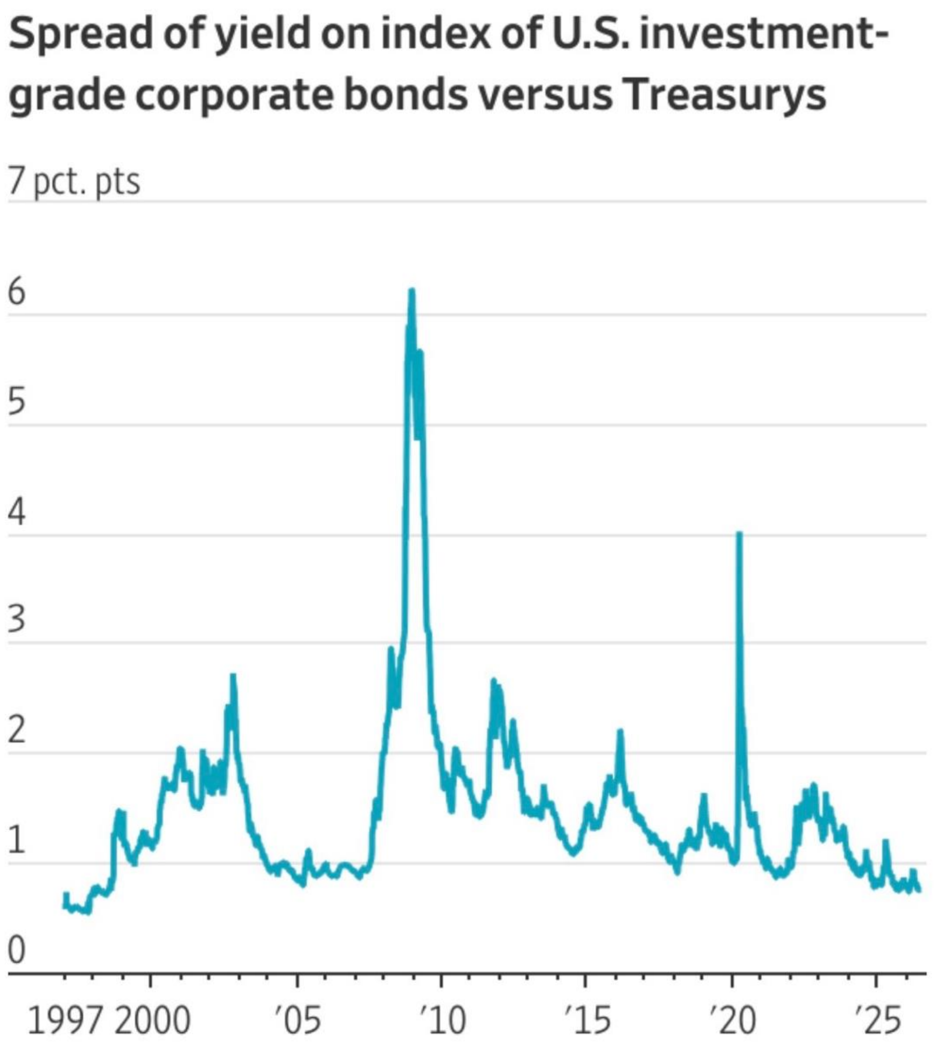
- Muni ETFs charge as little as 3 bps
- If muni holdings over $250,000, a SMA might make sense.
- Munis provide unique opportunities for active management.
- Shorter term munis have tax adjusted yields somewhat below comparable Treasuries.
- 30-year munis currently yielding (tax-adjusted) 7% vs 5% for comparable Treasury bond.

Interesting Articles – Corporate Bonds

Corporate-Bond Yields Still Aren't Enough. WSJ 7/15/26

- ICE BofA Bond Index 20-year average life yields 6%.
- Yield spread on 10-yr+ investment grade bonds vs. Treasuries is only 50bps higher than spread one 1-3 year maturities. In 2022, gap for 10-yr+ was 100bps. Limited supply of longer-dated bonds one reason for the compression.

Interesting Articles –Corp Bonds Spread (continued)



Interesting Articles –Income Investing

Best Income Investments. Where to Find 5% Yields – Barrons June 29, 2026

- Barrons' Andrew Barry is now moving to a heavier weight to bonds for H2 2026 for income investors while still hedging that stocks loom better for an overall return
- BlackRock's Russ Brownback, manager of Blackrock Strategic Income Opportunities, sees real yields at 3% above inflation. Treasuries yield 4%+; I-grade corporates 5-6%; and junk bonds are 7%+.
- Negative is that yield premium to Treasuries are historically narrow, reflecting strong investor demand.
- Traditional dividend stocks (banks, utilities, energy) have had a strong showing. Funds to consider include Vanguard High Div. ETF and Schwab US Div. Equity ETF
- Energy pipeline investments, typically midstream companies that transport oil and gas have returned 24% YTD – consider Global X MLP & Infrastructure ETF. A positive to these companies are their long term take or pay contracts. Pipelines and MLP's have unique tax considerations – check with your advisor

Interesting Articles –Social Security Problem

Social Security's Looming Problem is Already Here – WSJ – 6/18/26

- Actuaries: Old Age and Survivors Insurance Trust Fund will run dry 4Q 2032.
- Payroll taxes stopped covering retiree and disability expenses 16 years ago. Interest income kept the fund from shrinking until five years ago.
- Potential answers: Cut benefits, raise SS taxes, raise general taxes, borrow more.
    - Last major revamp 1980's

Interesting Articles –Social Security Taxation

Beware Social Security's Dreaded Tax Torpedo – Barrons – 6/29/26

- What is the tax bill on a person with a max social security benefit ($5,181/mo.) and $2MM in a ROTH IRA (Age 70)? Answer - $0
- Now change Roth to a tax deferred account like a 401K or traditional IRA and one's age to 73. Tax bite = $18,366, due the RMD of $75,472. Additionally, IRMAA will add $1,315.
- Social Security takes all your non-social security income, including muni bond interest, calls it provisional income. If greater than $34K for singles or $44K for married couples, 85% of social security income is now taxable. Someone in the general 22% tax bracket could see his marginal tax rate = 40%.
- Consider a ROTH conversion for tax deferred assets to avoid the torpedo. Consult your advisor before doing so as there are taxes to be paid immediately and the funds cannot be used for five years to preserve the tax treatment.
- This is complicated!

Interesting Articles – Withdrawal Rate

How to Avoid Blind Spots of the 4% Retirement Rule - WSJ – 7/8/26

- Now accepted withdrawal formula for retirement assets is 4%/yr and then adjusted for inflation going forward. Assumes a 30-year retirement and markets perform similar to the past century of returns
- Organizations like Morningstar are now suggesting 3.3-3.9%/yr. Note, the original deviser of the rule, William Bengen, advises 4.7%
- Big issue with any set percentage is is rigidity
- Potential alternatives:
  - Annually assess life expectancy and use the remaining years and the divisor on your portfolio
  - Concern is that significant one-year market movements create new issues
  - Introduce guardrails – an upper and lower band on spending (say 3% and 6% of portfolio)
  - Concern is a significant downturn could still result in a wrenching reduction of spending
  - Establish a shock absorber, if able. Use predictable income sources as base for required spending (Healthcare, Rent, Food, etc.)
- Note: 4% rule with a dynamic review is a pretty good starting point

Interesting Articles – PE Firms (Private Credit)

Private Equity Sits on Nine-Year Backlog. WSJ 7/8/26

- Backlog of unsold portfolio companies. PWC: nine years to clear logjam at current rate.
- About 13,500 U.S. companies sat in private equity portfolios as of 6/30/26.
  - Almost 4,000 held for 6+ years
  - 1,500 for nine or more years
  - 1,200 software companies, most purchased at elevated valuations in 2021
- Historically, PE aimed to hold investments for 3-5 years.
- Secondary market sales and continuation vehicles to ease pressure and allow investor access to some cash. Also, IPO market is starting to open up.
- Private Credit fund redemptions (WSJ 7/3/26):
  - 2Q Requests: $15.6B, up from $13.9B in 1Q
  - Payouts: 2Q: $5.9B, down from 1Q: $7.4B

Q&A/General Discussion

Open forum

- Future topics?
- Future speakers?
- Format/content suggestions?

Disclaimer

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