

Investments Group

October 28, 2026 at 1:30PM

Ron Reedy and Mike Flannery Co-chairs

Meeting at Church and via Zoom

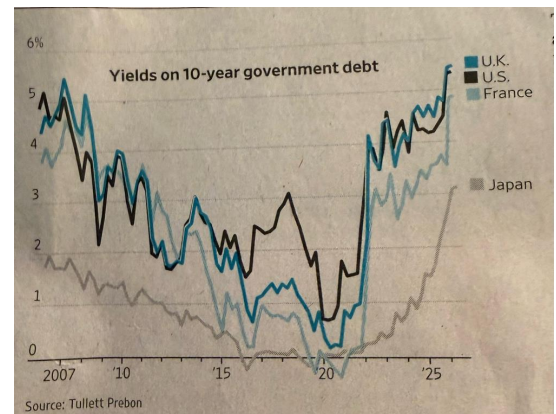
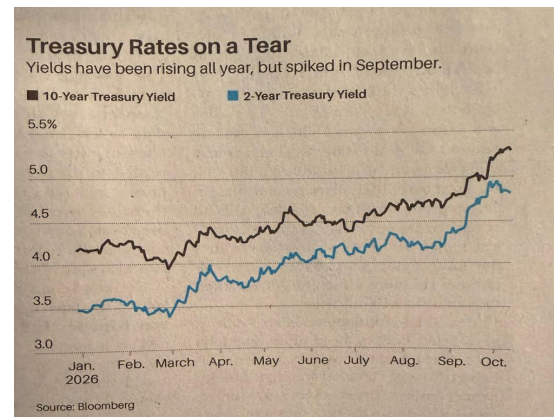
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Agenda

- ☐ Markets review
- ☐ Investment competition scorecard
- ☐ Guest speaker: Mitch Slodowitz (fellow Hobbyist)
- ☐ Review of recent interesting investments articles

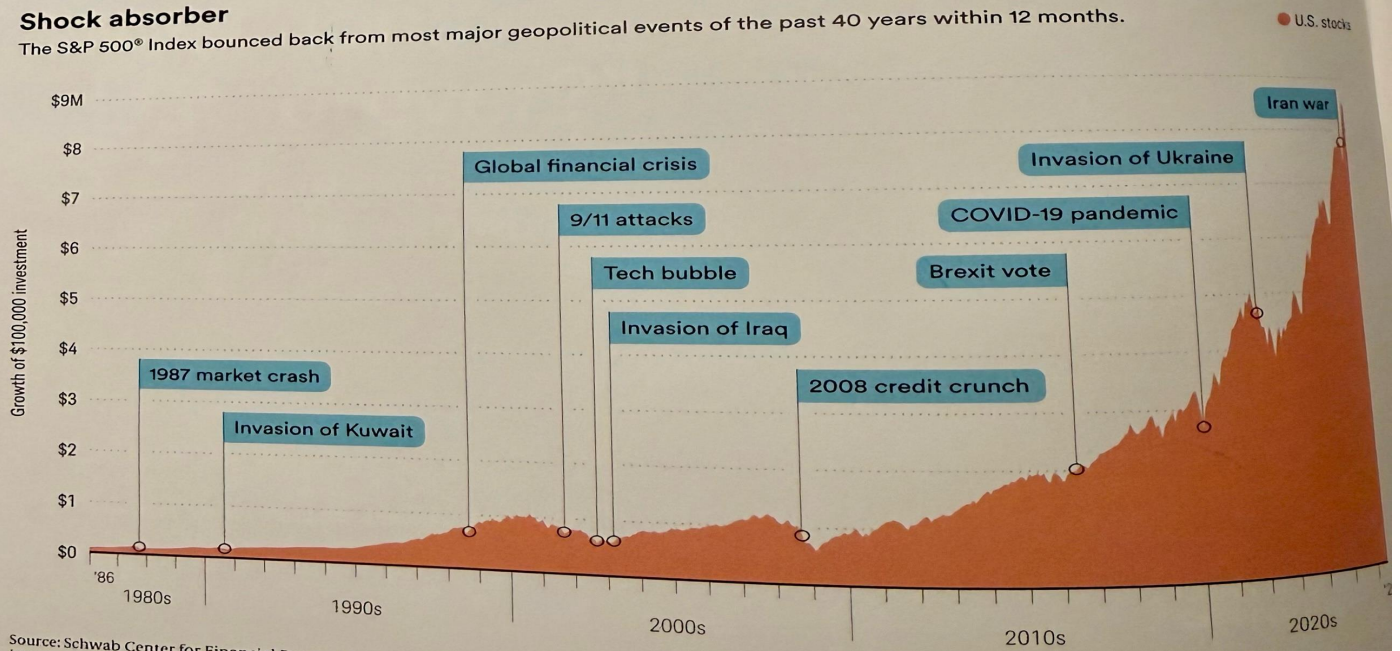
3Q Top Stories

- Jump in rates
 - TINA to TARA
- France debt “crisis”
- US growth stocks rebound
- China/India/S. Korea stock markets
 - vs Japan



Shock absorber

The S&P 500® Index bounced back from most major geopolitical events of the past 40 years within 12 months.



Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. Data is from 01/01/1986 to 06/30/2026. The chart illustrates the growth of \$100,000 invested in a fund that tracks the S&P 500 Total Return Index. For illustrative purposes only.

Market Update – U.S. Equities

Index/Market/Stock	YTD3Q 2026	Year	2025	2024	2023	2022	2021
Total US Stock Market	12.6%	15.3%	17.2%	23.8%	26.0%	-19.5%	25.7%
S&P 500	12.8%	15.7%	17.9%	25.0%	26.3%	-18.2%	28.7%
S&P 500 Equal Weight	10.0%	11.6%	11.4%	13.0%	13.8%	-11.5%	29.6%
NASDAQ 100	20.9%	23.8%	20.8%	25.9%	54.4%	-32.4%	26.9%
Russell 2000	13.7%	16.2%	12.8%	11.5%	15.1%	-21.5%	13.6%
S&P 500 Value Index	9.0%	12.5%	13.2%	11.5%	22.2%	-5.2%	24.9%
S&P 500 Growth Index	18.4%	15.9%	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	YTD3Q 2026	Year	2025	2024	2023	2022	2021
Total International Stk Mkt	13.5%	19.0%	32.0%	5.5%	15.6%	-16.0%	7.8%
Emerging Markets	10.5%	12.3%	24.5%	11.6%	9.6%	-17.6%	1.5%
China (CSI 300)	-0.2%	1.9%	26.0%	14.5%	-12.3%	-25.7%	-3.3%
India (Nifty 50)	-18.0%	-13.9%	2.4%	13.5%	17.4%	1.9%	22.4%
Europe (STOXX 600)	7.9%	16.8%	19.8%	8.8%	11.3%	-11.8%	22.3%
Japan (NIKKEI 225)	32.6%	50.9%	28.7%	21.3%	28.0%	-9.4%	22.6%
Dollar Index	101.5		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	YTD3Q 2026	Year	2025	2024	2023	2022	2021
Magnificent Seven (equal weighted)	8.7%	12.2%	23.0%	64.0%	111.0%	-45.0%	
Nvidia	22.7%	22.5%	38.9%	171.2%	239.0%	-50.0%	125.0%
Bitcoin	-4.5%	-27.2%	-6.3%	124.8%	164.3%	-64.9%	63.3%
Gold	-4.4%	8.5%	63.7%	26.0%	13.3%	0.6%	-4.2%
PCE (at end of period)	3.4%		2.8%	2.8%	4.9%	5.3%	
Oil (WTI)	68.1%	53.8%	-20.3%	-3.0%	0.0%	0.0%	53.0%
Natural Gas	-3.3%	-3.2%	29.0%	19%	-60%	22%	90%

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

Market Update - Fixed Income

Index/Market/Stock	YTD3Q	Year	2025	2024	2023	2022	2021
	2026						
US T Bond 10-year return	-5.2%	-4.3%	4.0%	1.2%	3.9%	-17.8%	-3.1%
Bond Agg Index return	-2.9%	-1.8%	7.2%	1.2%	5.7%	-13.0%	-1.8%
Intermediate Term Tax-Exempt	-3.8%	-2.4%	5.2%	0.9%	5.3%	-6.0%	0.9%
International Bonds	-1.3%	-0.8%	3.0%	3.8%	8.8%	-12.7%	-2.1%
Cash	2.4%	3.3%	4.2%	5.2%	5.1%	1.6%	0.0%
10 yr T yield (at end of period)	5.3%		4.2%	4.6%	3.9%	3.9%	1.5%
2 yr T yield (at end of period)	4.9%		3.5%	4.3%	4.2%	4.4%	0.73%
Fed Funds (at end of period)	3.9%		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	Intl	S&P 500	SP Gr	SP Val	SP EW	Gold	Mag7	BitCoin	EMkts	Intl Bonds	Total	Value end 3Q
# 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	2.4%	-2.9%	-1.3%	10.0%	18.4%	9.0%	10.0%	-4.4%	8.7%	-4.5%	10.5%	-1.3%		106.5
# players that made \$ in Q													21	
Leading player:	Steve Fonder													118

Investing in Alternatives

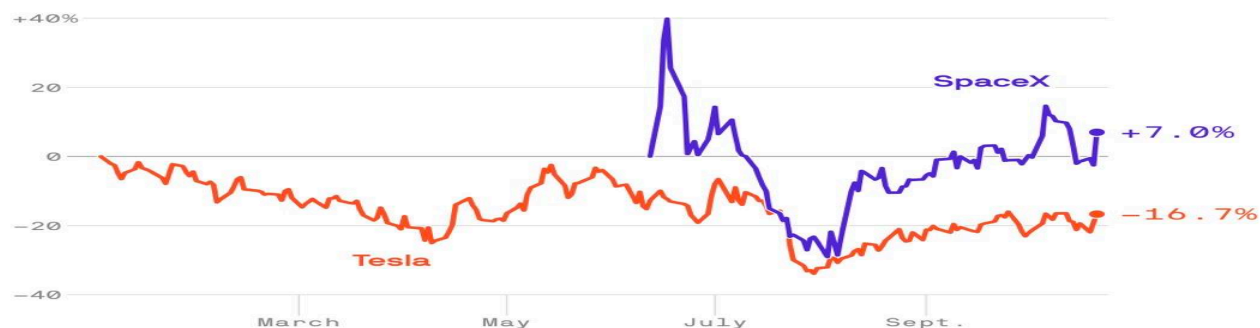
- See separate slide deck

Interesting Articles – SpaceX/Tesla Merger?

Elon Musk's Merger Math. Axios 10/21/26

Change in SpaceX and Tesla stock prices

Daily opening price; Jan. 2 to Oct. 21, 2026



Data: [Financial Modeling Prep](#). (SpaceX shares began publicly trading on June 12.) Chart: Dan Primack/Axios

Interesting Articles – SpaceX/Tesla Merger?

Elon Musk's Merger Math. Axios 10/21/26 (continued)

- Merger under consideration.
- SpaceX market cap: \$2T. Telsa \$1.5T.
- Largest merger on record: \$350B (in today's dollars) Vodafone/ Mannesmann in 2000
- Envisioned empire: Orbital data centers that are powered by the sun.
 - Telsa makes the chips
 - SpaceX responsible for launches and satellites
 - xAI builds the models and agentic networks

Interesting Articles – Bonds

Bad News in Bond Market May Help Investors. NYT 10/18/26

- Fine time to make selective purchases of **high-quality** bonds. Including: Treasuries, corporates, TIPS, munis and bond funds
- 10-yr T hovering around 5%. Near average rate of 5.4% since the 1950s.
- Reasons for decade long upward trend in interest rates:
 - Widening government deficits in US and other countries, downturn in purchases by central banks, repeated inflation shocks from disease, wars, tariffs, and lately an increase in demand for capital to finance development of AI.
- Watch out for duration

Interesting Articles –Bonds

Don't Fall for Bond Funds That Say They're Beating the Market . WSJ 9/26/26

- Higher rates are increasing investor interest in active bond funds
- There are 2,726 active bond funds
- 1,229 use Bloomberg US Aggregate Bond Index (the Agg) as primary benchmark
- YTD approximately 75% of funds have outperformed benchmark
- The Agg is 50% US Treasuries; 25% agencies; remainder – high-quality corporates < 10-year maturities
- Many funds have a much different asset composition: bank loans; high yield debt; international exposure
- Using more bespoke secondary measures, YTD, 65% of funds beat benchmarks
- Over the last 10 years, 56% of funds have beat the Agg while 45% beat a “best fit” index
- If motive to own bonds is ballast for down markets, consider high-quality fixed income. Caveat, this strategy did not work in 2022 when rates were so low, the income was too meager to provide a cushion

Interesting Articles –ROI on AI Investments

Stock Market Wobble Signals That This Time Isn't Different. WSJ 10/19/26

- AI build-out hasn't shown it can avoid the problems of past major capital projects, such as the railways and the internet.
- Share price gains have been modest compared to huge surge in profits. Investors realize current profit gains are not sustainable.
 - NVDA forward PE dropped from 23 to 15, even as shares rose by 15%
 - Micron's forward PE is just 5, after its shares tripled
- Forecasted earnings for the eight biggest AI stocks (Amazon, Alphabet, Broadcom, Meta, Microsoft, Nvidia, Oracle and Palantir plus those of the next biggest 11 AI players have risen by \$700B this year vs a forecasted increase of \$500B for the rest of the S&P 500.
- This week higher than expected inflation drove up financing costs and so threatened the AI construction boom. CoreWeave fell by 24%, Micron by 11% and Samsung and SK Hynix tumbled 2X as much. Other AI suppliers also fell hard. Shows how much it will hurt if the AI CAPEX doesn't materialize.
- The history of major capital spending booms (canals, railroads, electrification, radio, TV, fiber build out) offers good and bad news. Usually huge benefits for society. Bad news is investors were disappointed. It took too long for the benefits to be realized, profits were smaller and came later than hoped or competition meant excess profits flowed to the users, not its owners. ¹⁶

Interesting Articles –AI Bubble?

When Will the AI Bubble Burst? Not Anytime Soon. Barron's 8/31/26

- Since the start of 2024, \$1.15 trillion has been spent on chips (\$550B); power infrastructure (\$350B); construction (\$200B); and networking (\$100B)
- In 2021, the S&P 500 aggregate CAPX level was \$575B, the year before ChatGPT launched
- When funding came from free cash flow, few were worried, but \$2T is in the pipeline for the mega tech companies alone over the next two years
- Capital spending bubbles almost always pop – just not when investors suspect they will
- Over America's 250-year history, the economy has absorbed spending on transformation technology (rail, dot-com) equivalent to 25% of economic output before things get bad
- Typically bubbles pop due to outside forces like policy change (Federal Reserve rate hikes and dot-com), natural disasters (rail expansion and 1906 San Francisco earthquake)

Interesting Articles –AI Bubble?

When Will the AI Bubble Burst? Not Anytime Soon – Barron's, 8/31/26 (continued)

- Using 25% rule and a \$30T economy, CAPX of \$7.5T can be supported vs current period to date total of approximately \$1.5T or another \$5-6T to still spend (around 2030 at current planned levels)
- For a spending bubble to succeed, outlays need to slow and profitability to ramp up
- Historically, this smooth ramp up to profits, without hiccups, has never happened
- Note: this spending is the flywheel for the rest of the economy's growth (construction, utilities, etc.)
- Creative financing methods are popping up (Special Purpose Vehicles (SPV's); supplier financing; in addition to traditional debt and equity raises
- Sensitivity to interest rates may become a larger factor over time
- Even if bubble pops, the infrastructure will remain – suggesting there will still be winners

Interesting Articles –Concentration

The Stock Market has Become Very Narrow Now. WSJ 10/3/26

- In September, 10 Year Treasury moved from 4.7% to 5.3%, yet S&P 500 was only slightly down and NASDAQ 100 gained 3%
- Note: 80% of S&P was actually down an average of 5%; only 2 of 11 sectors were up, led by Tech.
 - Meta and Alphabet are considered Communications, the other up sector
- Common favorable theme was AI and data center supply chain exposure
- Outside of AI, companies and consumers are being hit with the triple whammy of higher rates, higher fuel costs, and competition from AI firms for staff, equipment and capital
- Excluding AI, CAPX is effectively \$0
- Weaker credit companies (CCC) are particularly hard hit as much of its debt is floating rate and both rates and spreads are widening
- Overall forecasts for earnings growth are starting to moderate, except in AI, where they are elevated
- Absent Middle East peace; AI gains spreading widely; or an AI pullback; the road to lower yields has the rest of the economy cooling

Q&A/General Discussion

Open forum

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

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