Capital Market Review

June 30, 2026

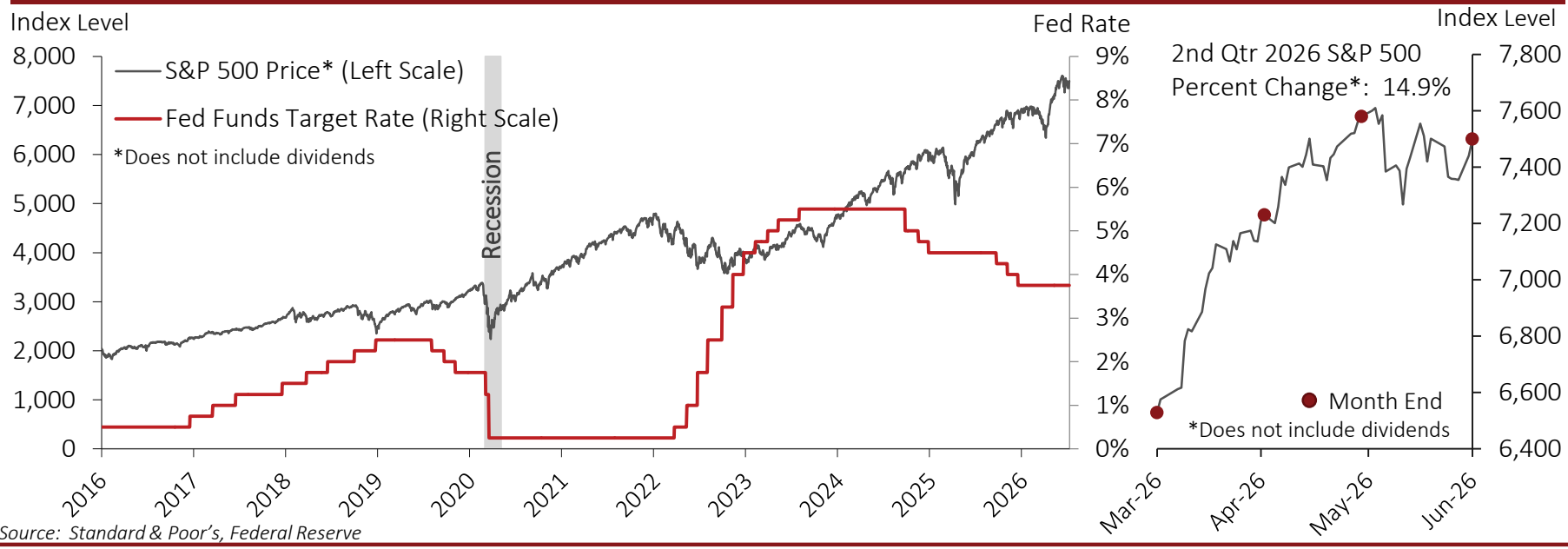




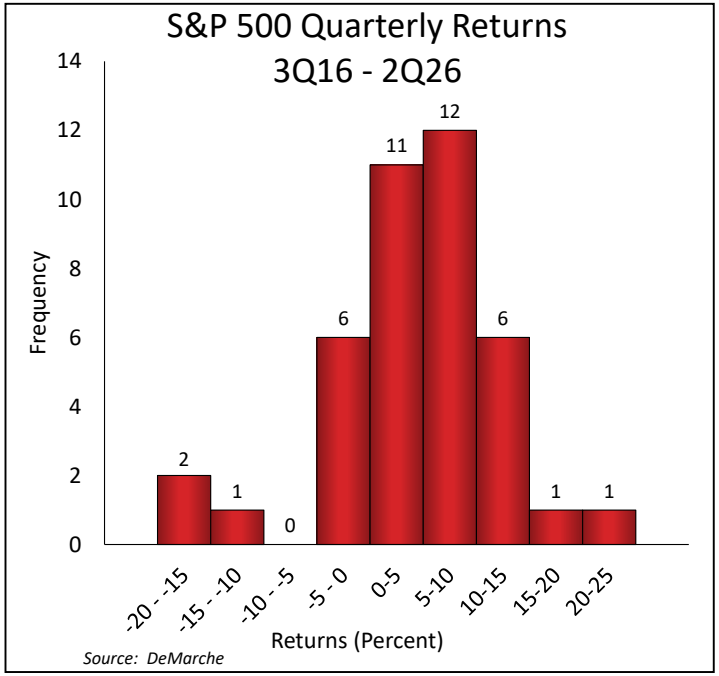

DeMarche

Watch the Capital Markets Review Key Takeaways Video

A Tale of Two Quarters

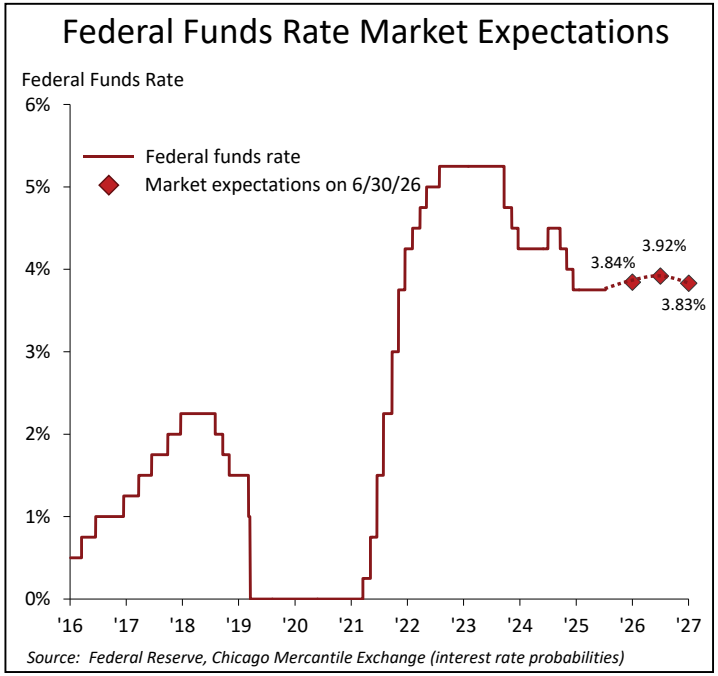


Source: Standard & Poor's, Federal Reserve



Source: DeMarche

The market rebounded fairly quickly after the drawdown of the Mideast conflict in March. In fact, Q2 has one of the best quarterly returns over the past 10 years. The chart to the left shows only one quarter was better. Oil prices still remain fairly high but moderated towards the end of the second quarter. Inflation concerns are being priced into the market and interest rates have increased as a result. At the beginning of the quarter, it was assumed by the futures market that the Federal Reserve would leave rates unchanged for the remainder of 2026. By the end of the quarter, the assumption shifted toward a Fed rate hike by year-end.



Source: Federal Reserve, Chicago Mercantile Exchange (interest rate probabilities)

Broad Market Overview

June 30, 2026

INDEX	2nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
MSCI World	13.8	9.7	21.3	19.2	11.5	13.1
Russell 3000	15.4	10.9	22.8	20.4	12.3	15.1
S&P 500	15.2	10.2	22.3	20.6	13.4	15.5
MSCI EAFE USD	10.8	9.4	20.2	16.4	9.0	9.7
MSCI Emerging Markets USD	24.1	23.8	43.5	23.0	7.2	10.1
Bloomberg Aggregate	0.7	0.6	3.8	4.2	0.1	1.5
Bloomberg Global Aggregate	0.9	-0.2	0.6	3.4	-1.5	0.4
FTSE Non-US Gov't Bond	1.0	-0.8	-2.1	2.0	-4.2	-1.5
NAREIT (Public RE)	10.8	14.5	14.4	9.5	3.2	5.6
Bloomberg Commodity	-8.1	14.4	25.5	11.7	9.4	5.8

Notes: Data are presented as percent returns. All 3-, 5-, and 10-year returns are annualized.

Indicator Year Ending 6/30	2026	2025	2024	2023	50-YEAR Average
GDP Annual Growth Rate*	1.7	2.1	3.1	2.8	2.7
Unemployment	4.2	4.1	4.1	3.6	6.0
Inflation (CPI)	3.5	2.7	3.0	3.0	3.6
10-Year Interest Rate	4.4	4.2	4.4	3.8	5.8

**Note: Prior to the GDP quarterly release from BEA, we show the most recent GDP Now growth rate estimate from the Federal Reserve Bank of Atlanta.*

Trailing One-Year Returns as of 6/30/XX

2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	10-Year Returns (Ann.)
Russell 2000 24.6%	Russell 2000 17.6%	Russell 1000 10.0%	Bloomberg Aggregate 8.7%	Russell 2000 62.0%	Bloomberg Aggregate -10.3%	Russell 1000 19.4%	Russell 1000 23.9%	MSCI EAFE 17.7%	MSCI Emg Mkt 43.5%	Russell 1000 15.3%
MSCI Emg Mkt 23.7%	Russell 1000 14.5%	Bloomberg Aggregate 7.9%	Russell 1000 7.5%	Russell 1000 43.1%	ICE BofA High Yield -12.6%	MSCI EAFE 18.8%	MSCI Emg Mkt 12.5%	Russell 1000 15.7%	Russell 2000 40.8%	Russell 2000 11.6%
MSCI EAFE 20.3%	MSCI Emg Mkt 8.2%	ICE BofA High Yield 7.6%	ICE BofA High Yield -1.1%	MSCI Emg Mkt 40.9%	Russell 1000 -13.0%	Russell 2000 12.3%	MSCI EAFE 11.5%	MSCI Emg Mkt 15.3%	Russell 1000 22.0%	MSCI Emg Mkt 10.1%
Russell 1000 18.0%	MSCI EAFE 6.8%	MSCI Emg Mkt 1.2%	MSCI Emg Mkt -3.4%	MSCI EAFE 32.4%	MSCI EAFE -17.8%	ICE BofA High Yield 8.9%	ICE BofA High Yield 10.3%	ICE BofA High Yield 10.2%	MSCI EAFE 20.2%	MSCI EAFE 9.7%
ICE BofA High Yield 12.8%	ICE BofA High Yield 2.5%	MSCI EAFE 1.1%	MSCI EAFE -5.1%	ICE BofA High Yield 15.5%	Russell 2000 -25.2%	MSCI Emg Mkt 1.7%	Russell 2000 10.1%	Russell 2000 7.7%	ICE BofA High Yield 5.8%	ICE BofA High Yield 5.7%
Bloomberg Aggregate -0.3%	Bloomberg Aggregate -0.4%	Russell 2000 -3.3%	Russell 2000 -6.6%	Bloomberg Aggregate -0.3%	MSCI Emg Mkt -25.3%	Bloomberg Aggregate -0.9%	Bloomberg Aggregate 2.6%	Bloomberg Aggregate 6.1%	Bloomberg Aggregate 3.8%	Bloomberg Aggregate 1.5%

Source: DeMarche

- Markets across the globe shrugged off high oil prices and war concerns to post strong quarterly returns. Equity sectors that have struggled against the "Mag 7" names over the longer haul have rebounded nicely over the past year
- The dollar improved in the second quarter, continuing the strengthening trend from the first quarter. Higher interest rates in the U.S., due to heightened inflation fears, and a global flight to quality boosted the dollar.
- Interest rates increased along the maturity curve, creating a headwind to bond performance. The rise in interest rates was in response to concerns about inflation due to oil price spikes. Oil prices did moderate at the end of the quarter, providing downward pressure on the commodity index.
- Emerging market stocks have been the best performing broad asset class for the quarter, year-to-date, year and three years, driven by AI-related companies out of Taiwan and South Korea. The grid to the left shows the outperformance for the year. Domestic large-cap stocks still lead over the longer term, but there have been multiple winners other than U.S. large-cap companies over the last two years.

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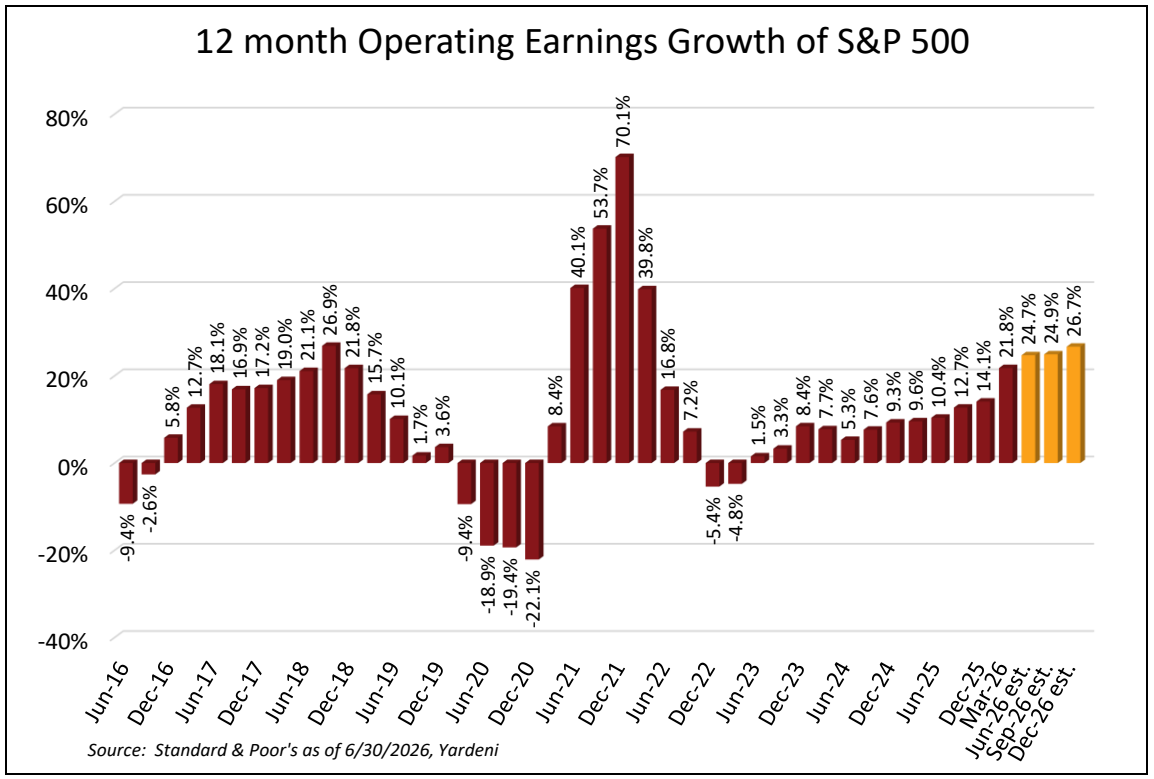
While the "Mag 7" names get a large amount of attention due to their sheer size, the seven names (Nvidia, Alphabet, Apple, Microsoft, Meta, Tesla, Amazon) have seen relatively weak performance, year to date. In fact, through the first six months of 2026, the return of these stocks was -2.5% as measured by the MAGS ETF.

Domestic Equities

June 30, 2026

INDEX	2nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
S&P 500	15.2	10.2	22.3	20.6	13.4	15.5
S&P Mid-Cap 400	14.5	17.3	25.9	15.4	9.1	11.6
S&P Small-Cap 600	19.7	23.9	37.5	16.0	7.4	11.5
Russell 1000	15.1	10.3	22.0	20.5	12.7	15.3
Russell 1000 Growth	16.7	5.3	17.7	22.6	13.7	18.6
Russell 1000 Value	13.9	16.3	27.1	17.8	11.2	11.5
Russell 2000	21.5	22.6	40.8	18.6	7.0	11.6
Russell 2000 Growth	25.7	22.2	38.7	18.4	5.6	12.0
Russell 2000 Value	17.2	23.0	43.0	18.7	8.2	10.9

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.



Source: Standard & Poor's as of 6/30/2026, Yardeni

- The S&P 500 continued to move forward despite the Middle East conflict and hit all-time highs on June 2, closing at 7,610. While inflation has proven to be stubborn, primarily due to oil prices, some measures in late May and early June showed moderation (shelter), prompting fresh market highs.
- Tech stocks were the primary driver of returns in the second quarter, advancing about 32%. Energy, the primary driver in the first quarter, retreated a little over 13% in the quarter.
- Small cap stocks continued their nice run over the past year. Small cap stocks tend to perform well in economic growth expansions and U.S. growth has shown resilience this year. Small cap tech has been leading the charge, along with industrials and energy so far this year.
- Earnings have been strong in the mega caps. The top 10 stocks by market cap contributed almost 34% of the S&P 500's earnings for the past twelve months. And looking into the future, the growth in earnings expectation for the S&P 500 looks to be accelerating, as shown by the yellow bars in the graph.

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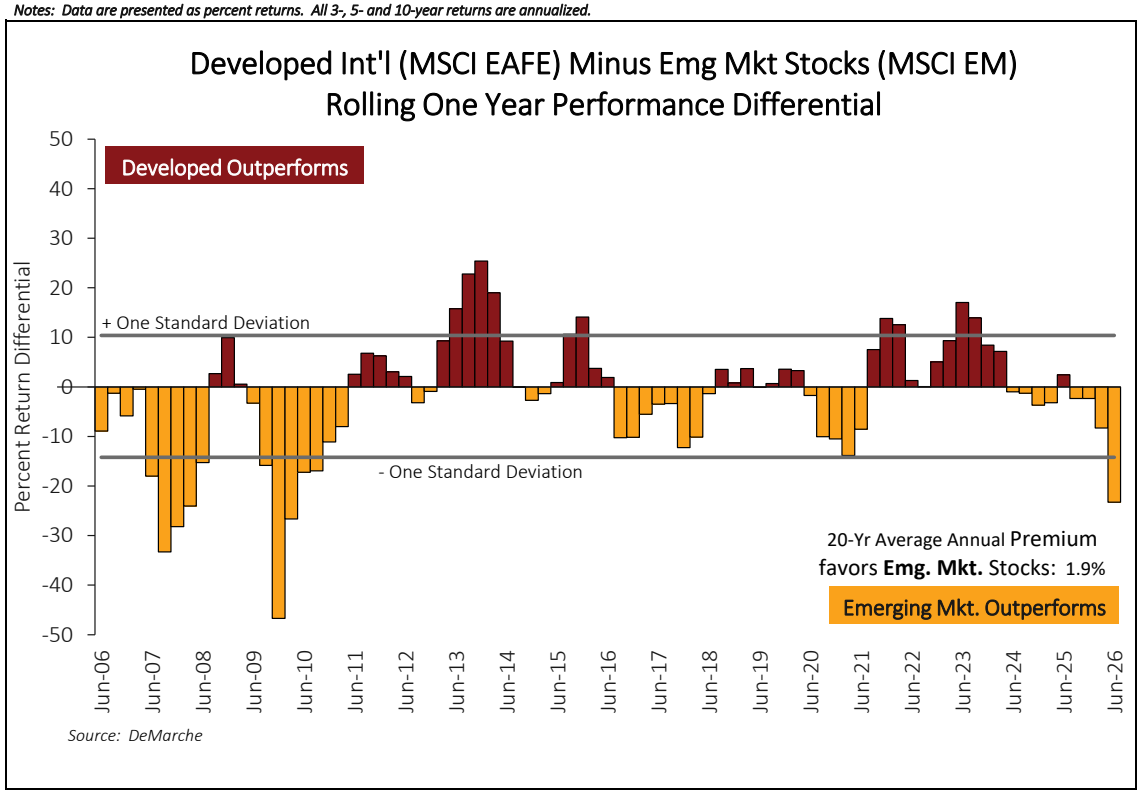
Microsoft remains the longest serving member of the "Top 10" in market capitalization. It joined the largest stocks in the mid 1990s and has stayed there ever since. After that comes Apple, which first appeared in the "Top 10" in the late 2000s. Berkshire Hathaway and JP Morgan were in the "Top 10" for a decade or more but fell out this quarter, replaced by Eli Lilly and Micron. ~JPMorgan, Investment News.

International Equities

June 30, 2026

INDEX	2nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
MSCI EAFE Local	11.5	11.7	24.9	15.8	11.3	10.6
MSCI EAFE USD	10.8	9.4	20.2	16.4	9.0	9.7
Growth	14.5	9.1	13.7	11.5	4.9	8.6
Value	7.5	9.6	27.0	21.5	13.1	10.4
MSCI All Country-ex US	14.5	13.7	27.7	18.8	8.8	9.9
MSCI AC Asia-ex Japan	27.7	26.2	45.8	24.3	7.3	10.9
MSCI Emerging Markets	24.1	23.8	43.5	23.0	7.2	10.1
MSCI EAFE Small Cap	9.0	7.6	17.4	15.7	5.4	8.6
MSCI Japan	14.2	15.8	29.1	18.5	9.5	9.8
MSCI China	-6.6	-15.0	-4.9	7.8	-6.6	4.3
MSCI Germany	8.1	-1.1	0.3	15.7	6.5	8.4
MSCI France	8.7	2.8	9.6	8.7	6.7	9.7
MSCI UK	4.1	6.2	20.3	17.5	12.0	8.8

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.



- The primary driver of 2026 returns for international stocks has been Asian semiconductors (Samsung and SK Hynix are up over 100%). Prior to that phenomenon, the primary driver was the outsized 2025 performance of European aerospace and defense contractors and, oddly enough, banks.
- Chinese stocks continue to struggle in 2026 primarily due to weak domestic economic growth, hampered by a lackluster property sector. Therefore, the weight of China in the emerging markets index has dropped below 20% and now sits in third place behind Taiwan and South Korea.
- We talk a lot about the market cap size of the top 10 in the S&P 500 (38% weight), but other indexes also carry heavy company weights. The EM index top 10 total 41%, with the top three (TSMC, Samsung, SK Hynix) comprising about 32% of the index. ASML is the largest Eurozone company, making up about 10% of the Eurozone index. ASML is a Dutch supplier to chipmakers.
- We mentioned the renewed performance of emerging market stocks against the U.S. in the past twelve months but have not looked at developed versus emerging recently. The graph to the left shows this period of outperformance for emerging markets is at its greatest point in over fifteen years. The primary reason is the strong performance of chipmakers.

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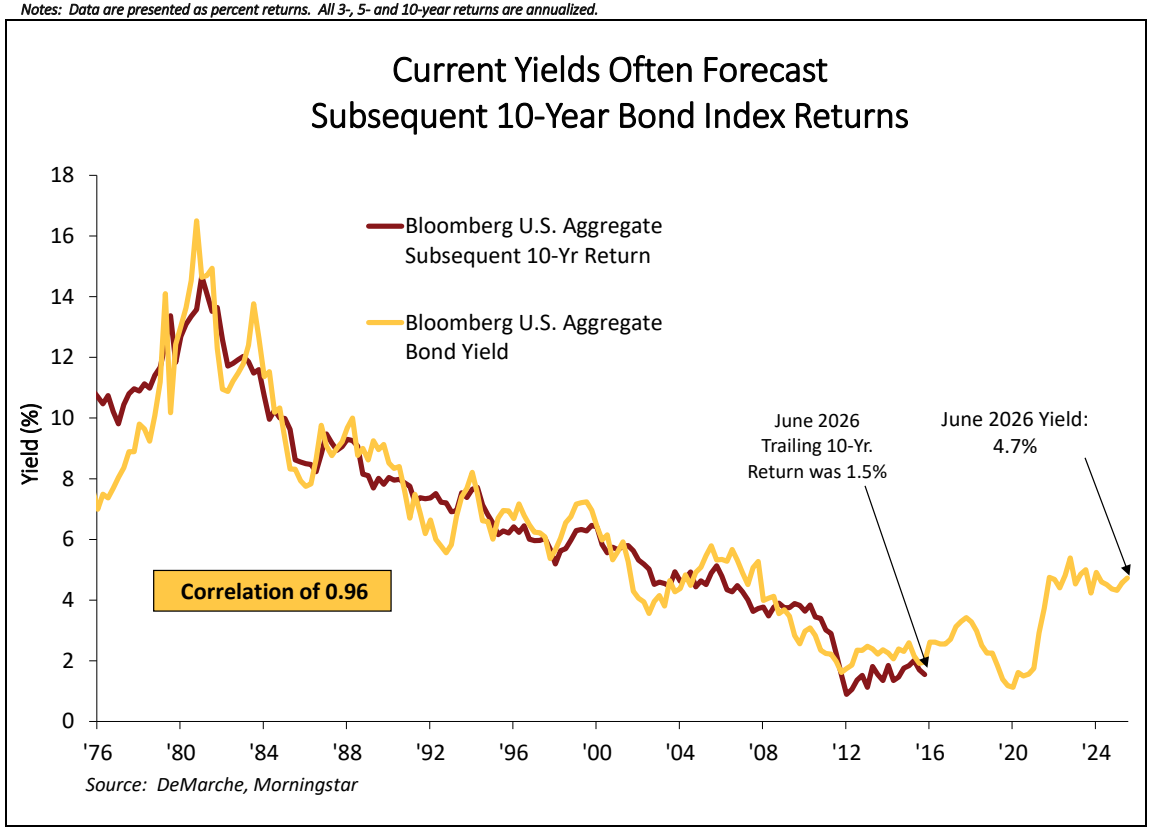
European stocks' (ex-UK) share of the global market cap has been trending lower for the past two decades from 20% to about 11% of global market cap as measured by the MSCI All Country World Index. Emerging market stocks have been trending sideways for the last two decades but are now on a slight upward trend and closed out the quarter at 12% of global market cap. ~JPMorgan

Fixed Income

June 30, 2026

INDEX	2nd Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
Bloomberg Aggregate	0.7	0.6	3.8	4.2	0.1	1.5
Bloomberg 1-3 Gov Credit	0.5	0.8	3.1	4.6	2.1	2.0
Bloomberg Gov Credit Long	1.5	0.8	3.9	1.9	-3.8	0.7
Bloomberg US TIPS	0.9	1.2	3.4	4.0	1.0	2.6
ICE BofA Merrill Lynch High Yield	2.4	1.9	5.8	8.7	4.1	5.7
S&P UBS Levrgd Loan (bank loans)	1.8	1.4	4.3	7.6	5.9	5.5
Bloomberg Global Aggregate	0.9	-0.2	0.6	3.4	-1.5	0.4
JPM EmgMkt Bd Glbl Dvrsfd (hard)	7.3	6.0	14.7	11.3	3.1	4.0

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.



- It has been a struggle for bond returns so far this year. Interest rates have increased across the maturity curve. At the end of June, the 10-year Treasury was yielding 4.44%, up from 4.18% at the end of 2025. The Aggregate was yielding 4.73%, up from 4.32% at the end of 2025.
- Credit spreads have remained tight to Treasuries primarily due to healthy looking corporate balance sheets, and U.S. economic growth is showing resilience. Profit margins and revenue growth are trending above long term averages for the S&P 500.
- The chart to the left shows the large increase in yield for the Bloomberg Aggregate in the past five years. The yield now sits at its highest level in the last fifteen years. Looking forward, for the next ten years, the return for the Aggregate will be about 4.7%, higher than the rate of inflation and offering a "real" rate of return.

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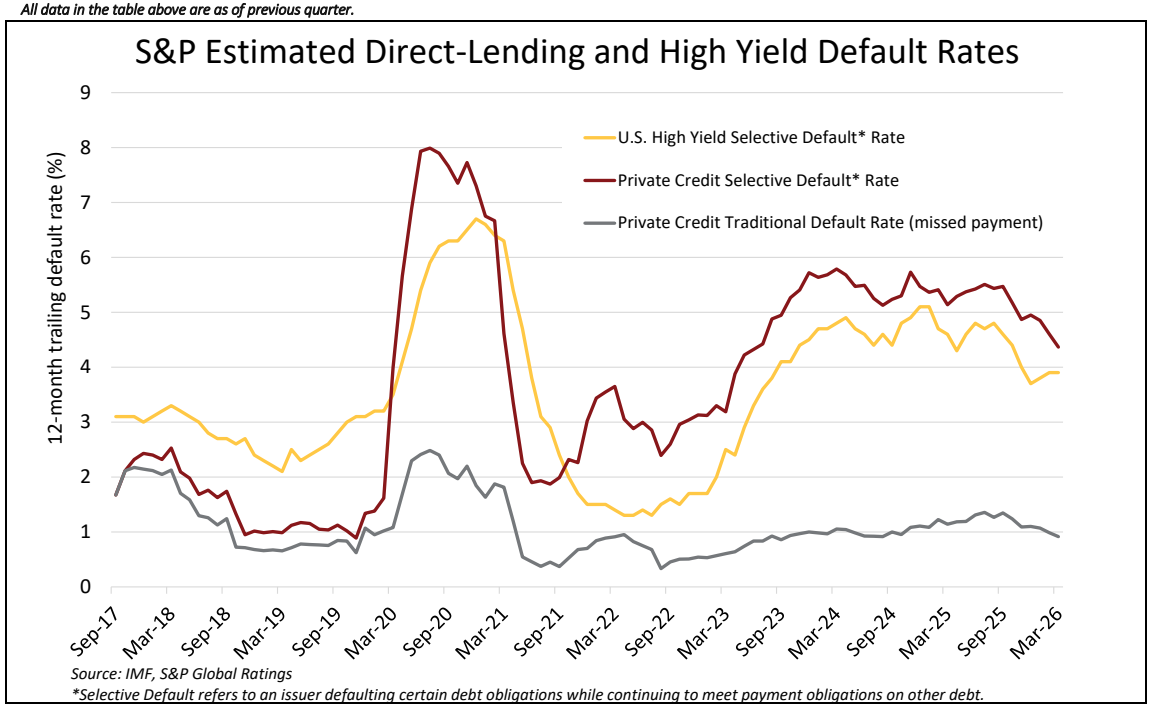
At the June 17th FOMC meeting, the committee voted unanimously to maintain the target range for the Fed Funds rate at 3.50% to 3.75%. The meeting did produce a "hawkish" turn as the year-end fed funds projection rose to 3.8% from 3.4% in March. The new chairman, Kevin Warsh, declined to submit his own dot to the dot plot, citing concerns that the forecasting tool is a poor communication device. ~Financial Times

Less Liquid Strategies – Lagged One Quarter

June 30, 2026

INDEX	Qtr	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
NCREIF ODCE	1.2	1.2	4.0	-2.0	3.2	4.7
NCREIF Property (Private RE)	1.2	1.2	4.9	0.1	3.7	4.8
Residential	0.9	0.9	4.9	0.7	4.8	5.1
Industrial	1.1	1.1	4.4	1.6	10.3	11.8
Office	1.3	1.3	3.8	-3.6	-2.7	1.2
Retail	1.8	1.8	6.9	4.1	4.1	2.7
NCREIF Timberland	1.1	1.1	4.9	6.8	8.7	5.5
NCREIF Farmland	-0.2	-0.2	-0.1	0.6	4.0	4.7
HFR FOF Composite	0.7	0.7	11.7	8.6	4.9	5.3
Conservative	0.8	0.8	8.1	6.6	4.9	4.8
Diversified	0.9	0.9	11.4	8.7	5.4	5.4
Preqin Private Equity	0.5	0.5	8.2	6.8	9.1	13.5
Preqin Private Debt	1.7	1.7	6.5	8.1	8.9	8.9
Preqin Infrastructure	2.2	2.2	9.4	8.4	10.8	10.1

Notes: Data are presented as percent returns. All 3-, 5- and 10-year returns are annualized.
All data in the table above are as of previous quarter.



Source: IMF, S&P Global Ratings
**Selective Default refers to an issuer defaulting certain debt obligations while continuing to meet payment obligations on other debt.*

- Real estate is slowly but surely stringing together positive quarters after the difficult post-2022 interest rate environment. More recently, very modest capital appreciation has been additive to returns, boosting results in addition to the income component.
- Farmland has seen pressures in the permanent crop space, as it has been constrained by the cost of capital. Annual cropland has shown stable income returns.
- The global uncertainty over the past year, from tariffs to artificial intelligence to war, seems to have benefitted hedge fund managers. Over the past year, diversified managers have posted double digit returns.
- There has been concern voiced about the creditworthiness in the private credit markets. It has attracted capital in recent years and the concern has centered on credit underwriting standards. The chart to the left shows that while the "gray" trend line for private credit defaults has trended slightly upward in the past three years, there has not been a contagion event. The "red" line shows an uptick in 2023, but what that line shows is that while private credit borrowers have faced repayment problems, the vast majority continue to service obligations, similarly to high yield.

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In the mid-90s, there were about 8,000 exchange listed companies in the U.S. Today that number is closer to 5,500. Companies are staying private for longer and when they do go public, they are larger. The average market cap of a private company going public has increased from the $1 to $2 billion range (over the past 20 years) to recently over $5 billion. ~JPM

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Evergreen Capital: The New Force in Private Markets

Tuesday, July 14, 2026
10:00-10:30 AM

Hosts:

Don Lennard
Senior Consultant

Miranda Heidemann
Analyst, Investment Manager Research

When Capital Calls, Are You Ready?

Tuesday, July 28, 2026
10:00-10:30 AM

Hosts:

Adam Strumpf, CAIA
Senior Consultant

Emma Xie, CFA
Analyst, Treasury and Investment Services

The Decumulation Decade: Redefining DC Plans

Wednesday, August 26

10:00-10:30 AM

Hosts:

Peg VanWagoner
Senior Consultant

Jake Manchion
Analyst, Investment Manager Research

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