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11.23.26 | INVESTMENT MANAGEMENT

Keeping Perspective During Market Volatility

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Market volatility has risen sharply, initially led by technology and AI stocks before spreading across markets, including gold. Both fundamental concerns and technical selling are contributing. Bonds have provided ballast: The Bloomberg U.S. Aggregate Bond Index is up 2.3% since the October stock-market peak.

The S&P 500 has fallen approximately 11.5% from its October peak, its first 10% correction in 19 months. Historically, such declines occur roughly every 18 months. Further losses are possible, but corrections do not necessarily signal prolonged bear markets.

Our Q3 2026 Outlook highlighted strong earnings alongside inflation, high oil prices, elevated rates and increasing reliance on AI spending. Recent deleveraging may be amplifying the decline.

OUR INVESTMENT APPROACH CENTERS ON THREE PRIORITIES:

1. **Diversification:** Complementary sources of return across stocks, bonds and selected alternatives.
2. **Risk management:** Disciplined positioning with flexibility to invest opportunistically.
3. **Quality:** Financially strong businesses with attractive prospects and reasonable valuations.

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POTENTIAL POSITIVES ENTERING 2027 INCLUDE:

- Earnings growth, albeit at a slower pace, broadening beyond AI-related companies.
- Stabilizing rates and falling energy prices, easing pressure on consumers and valuations.
- Oil is down 21% over the past month; gasoline has fallen to $3.69 from $4.56 in the spring.
- Midterm election history: Since 1942, the S&P 500 has risen in each 12-month period after a midterm, averaging 14.8%; history is not a forecast.
- More attractive prices: The average Russell 3000 stock is about 32% below its 52-week high, potentially creating selective opportunities.

Risks remain real, and volatility may persist. We have proactively adjusted portfolios to manage risk while retaining flexibility to pursue opportunities.

The following five insights guide our perspective and portfolio decisions.

INSIGHT 1: CORRECTIONS ARE AN INEVITABLE ASPECT OF LONG-TERM MARKET CYCLES



Chart 1 | Source: Factset as of 11/20/2026

Corrections are uncomfortable but common after strong advances. In March–April 2025, the S&P 500 fell nearly 19% before reaching new highs by late June. Despite the current decline, it has returned approximately 39% since April 2025, or 23% annualized, versus a roughly 10% long-term annual average.

Since the October 2022 bear-market low, the S&P 500 has returned approximately 105%, or 19% annually. These substantial gains provide perspective, but neither the duration nor severity of a correction can be predicted.

Our focus is managing through corrections, not forecasting precisely when they will end.

INSIGHT 2: MARKET CORRECTIONS CAN CREATE OPPORTUNITIES FOR DISCIPLINED INVESTORS

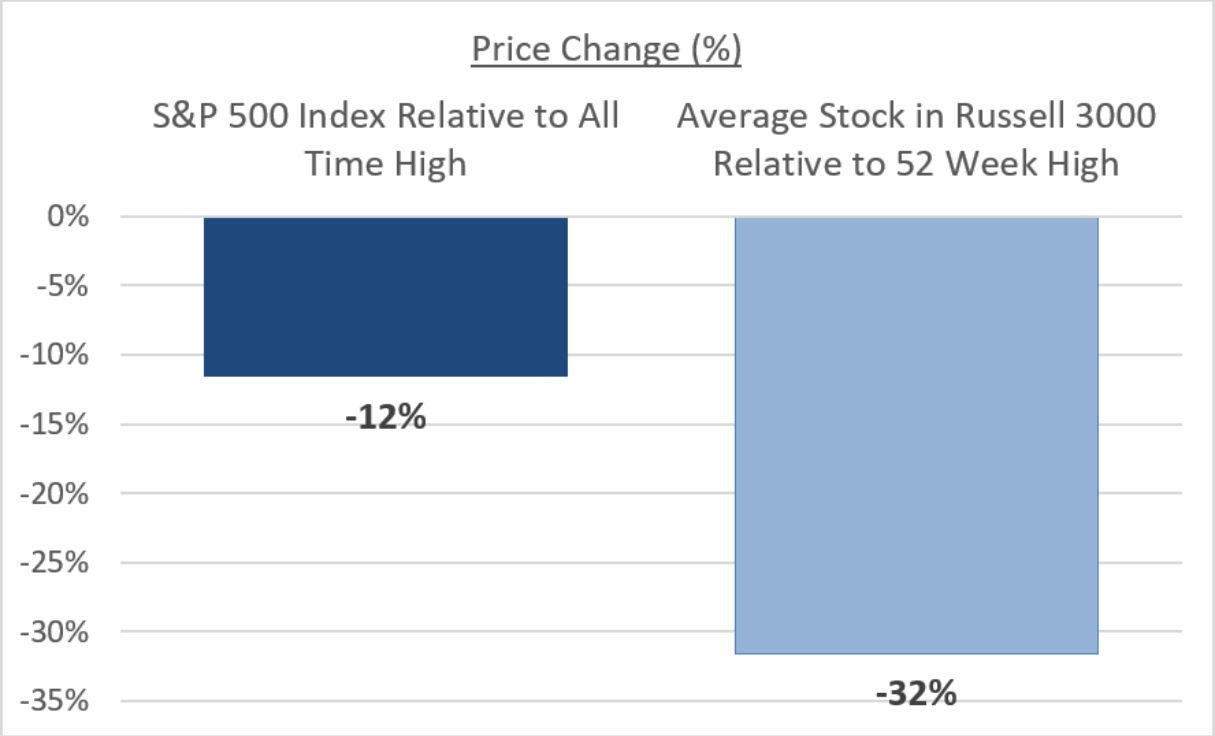


Chart 2 | Source: Factset as of 11/20/2026

The S&P 500 is down about 11.5% from its October peak; the average Russell 3000 stock has declined 32% from its individual 52-week high.

This gap creates opportunities, but selectivity is essential. We favor financially strong companies with durable earnings and attractive valuations, not simply the stocks that have declined most.

We remain alert to compelling long-term opportunities as expectations and prices adjust, while recognizing that further volatility is possible.

INSIGHT 3: OUR RESPONSIBILITY IS TO MANAGE RISK PROACTIVELY AND INVEST OPPORTUNISTICALLY

Some of the most important portfolio decisions happen before markets become unsettled.

Since late June, we have selectively trimmed semiconductor and AI exposure, reallocating to high-quality companies with different earnings drivers. While today's technology sector shares some characteristics with the late-1990s market, valuations and profitability differ substantially from the 2000 bubble, as illustrated in Chart 3 below.

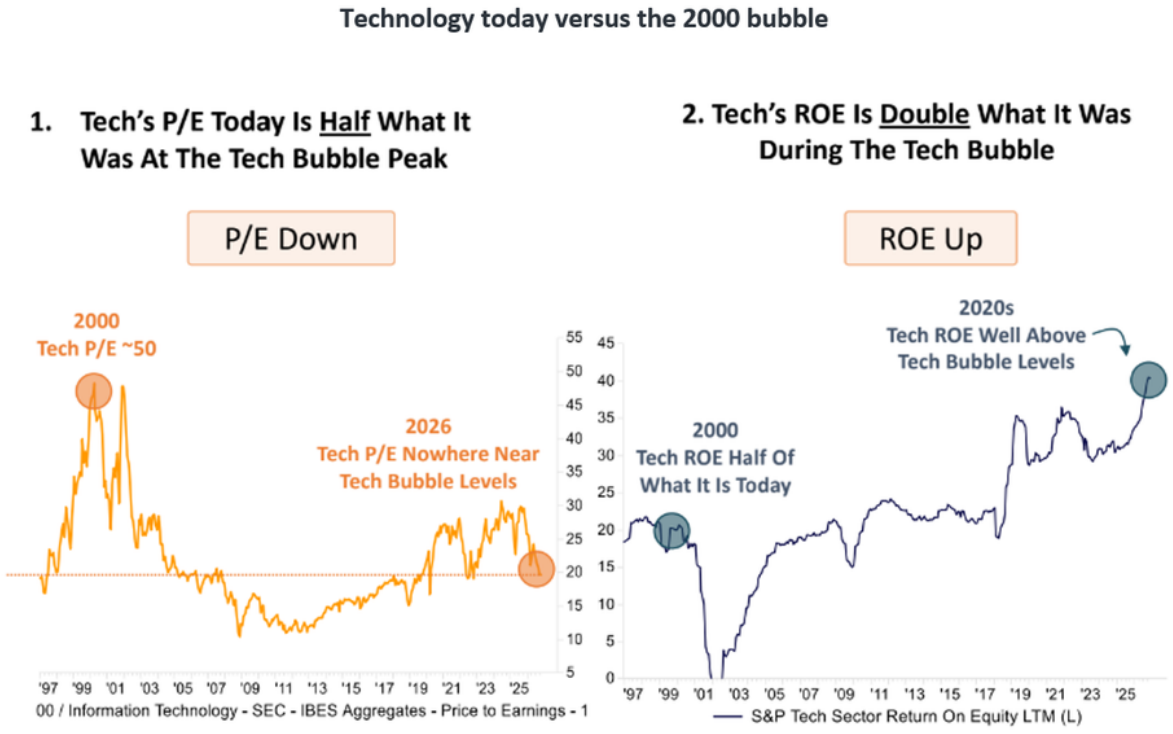


Chart 3 | Source: Piper Sandler

In fixed income, selected strategies have reduced credit exposure and increased interest-rate sensitivity to provide potential diversification if growth and yields weaken. Our tactical strategies systematically adjust risk as market conditions change, while alternatives provide differentiated sources of return.

These adjustments cannot eliminate market losses, but they demonstrate our commitment to managing risk proactively rather than reacting to short-term headlines.

INSIGHT 4: STAYING DISCIPLINED IS KEY TO LONG-TERM INVESTMENT SUCCESS

Sharp declines and negative headlines can pressure investors into poorly timed portfolio changes.

Timing market declines and recoveries is difficult; some of the strongest gains occur amid uncertainty. Staying invested, however, does not mean ignoring risk. **We combine a long-term plan with disciplined risk-management tools to help clients stay focused as conditions change.**

Missing even a few of the market's strongest days in a market cycle can materially reduce long-term results, as illustrated in Chart 4 below.

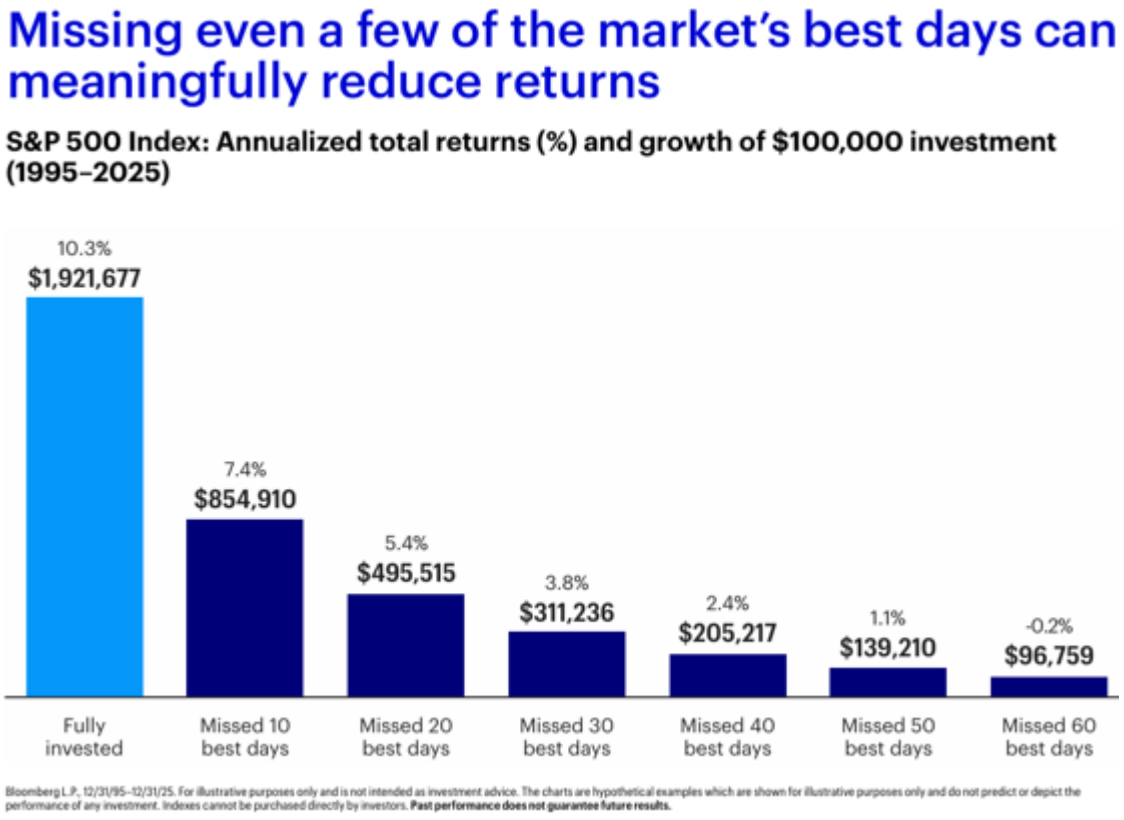


Chart 4 | Source: Invesco; Illustration shows the impact of missing the market's strongest days and does not account for the potential benefit of avoiding its weakest days.

We will stay disciplined and remain ready to pursue opportunities created by lower prices.

INSIGHT 5: WHY DIVERSIFICATION IS IMPORTANT

When gains depend on a narrow group of companies, diversification matters even more. We allocate investments across asset classes, sectors and businesses to reduce reliance on any one outcome.

Diversification cannot eliminate short-term losses, particularly during widespread selling, but different return drivers can improve resilience over time. We aim to balance long-term growth, income and risk management around each client's goals.

Higher yields have made quality bonds more attractive for income and potential diversification; in addition, selected alternatives may also offer complementary sources of return.

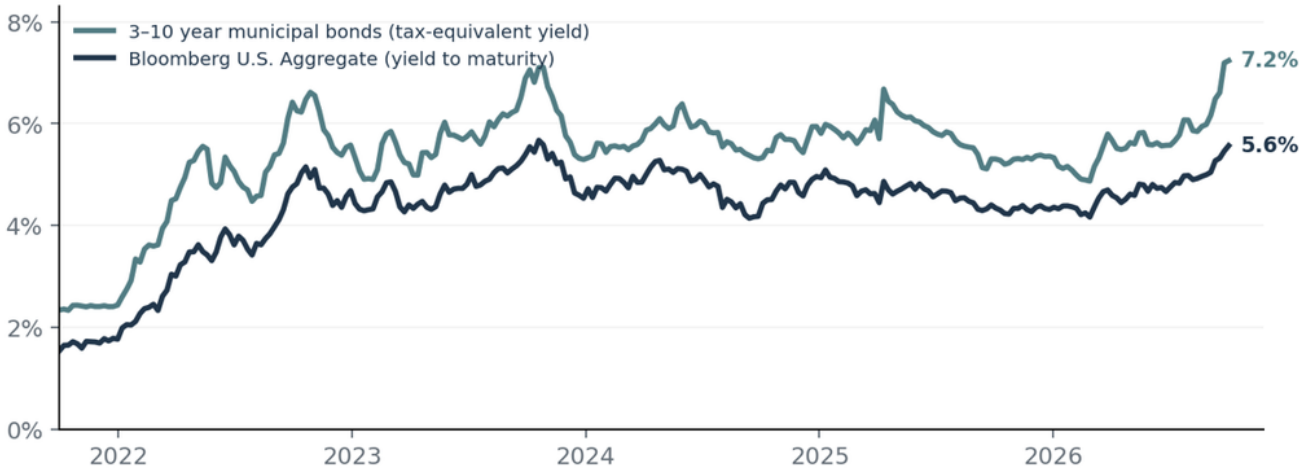


Chart 5 | Factset; assumes highest tax bracket

KEY TAKEAWAYS FOR INVESTORS

Strong earnings coexist with inflation, elevated rates, and AI-dependent growth and further market declines are possible. **We focus on what we can control: investment quality, the risks we assume, and disciplined portfolio management. Recent adjustments reflect deliberate efforts to strengthen diversification.**

We are neither complacent about risks nor discouraged by volatility. We believe a disciplined, adaptable process best positions portfolios for long-term opportunities.

As always, we welcome a conversation about market conditions and your financial goals.

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