November 4, 2026

Dear Valued Investor,

As the last few votes are tallied in the midterm elections and a strong performance by the Democrats brings divided government, the same crosscurrents that have shaped markets this year remain in place:

- The artificial intelligence (AI) spending boom has drained excess cash flows from some of the biggest U.S. technology stocks and added to their debt loads. However, the investment has also contributed to solid economic and profit growth. Free cash flow, which deducts capital expenditures from operating cash flow, is still expected to increase 11% over the next year (source: FactSet).
- Interest rates are higher than in recent decades, and the Federal Reserve (Fed) may hike rates in December, but the 10-year Treasury yield has fallen 0.4% over the past month to below 5% and well within historical norms.
- Oil prices are too high, and inflation remains elevated, but we believe the chances of a diplomatic solution in the Middle East may have increased now that the election is behind us. Market-based measures of inflation expectations remain well anchored, and the Kevin Warsh-led Fed has credibility as an inflation fighter.
- Midterm elections have historically brought uncertainty and increased market volatility, but that uncertainty has tended to fade quickly once votes are counted. The S&P 500 has been positive in the 12 months after midterms 19 times in a row, dating back to 1950, averaging a gain of over 15%.

Against that backdrop, the average S&P 500 stock gained 5% in October even as the more common market capitalization-weighted index fell 0.9%. As the technology and AI-heavy communication services sectors fell, the other nine sectors rose. As the Russell 1000 Growth Index slipped 6.1%, its value counterpart gained 4.4%. As U.S. large cap benchmarks dipped, small caps eked out a gain. The benefits of diversification were also evident in bonds, as the Bloomberg Aggregate Bond Index gained 2.4% for the month.

The earnings picture is also diversifying, bolstered by a strong U.S. economy that grew at a 3.4% annualized pace in the third quarter, adjusted for inflation. While S&P 500 companies are on track to grow earnings 30% overall in the third quarter, including the big AI spenders, excluding technology, earnings are still growing at a solid mid-teens pace. That's a key benefit of diversification.

Our message for investors is this: Stay diversified. Own companies using and benefiting from AI, not just those building computing capacity. Keep your focus on strong stock market fundamentals — a resilient U.S. economy and healthy corporate sector. Finally, don't make portfolio decisions based on political outcomes. Any election-related volatility will likely present an opportunity for long-term investors.

As always, please reach out to me with questions. Thank you for your continued trust.

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References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

All data is provided as of November 4, 2026.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P 500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Bloomberg U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

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