Market Update & Outlook 3Q 2026

Higher inflation and Federal Reserve tightening caused interest rates to rise during the third quarter, weighing heavily on bonds. Stocks proved more resilient as strong earnings offset downward pressure on valuations. Meanwhile, the U.S. economy continued to expand at a modest pace.

Moderate Economic Growth Continues

The U.S. economy expanded at a gradual pace. Real GDP grew 2.2% in the second quarter, supported by resilient consumer spending, strong business investment, and improved exports. Third-quarter growth is expected to strengthen, with estimates centering around 3%.

The labor market remained stable. The unemployment rate was 4.2% in September, unchanged from the start of the quarter. Job growth was weak, but so was labor force growth, keeping the unemployment rate in check.

Despite stable employment conditions, consumer confidence remained near historic lows. Sentiment surveys cited elevated gasoline prices, high borrowing rates, and broader cost-of-living pressures as the primary reasons for the dour mood.

With CPI inflation rising to 3.7% in September, wage growth is no longer keeping pace with price increases for many workers. This is adding to household budget strain. Persistent inflation also prompted a reversal in Fed policy during the quarter.

Stock Rally Stalls

Stocks traded within a narrow range during the third quarter and ended with small gains. Earnings growth continues to be exceptional, but rising interest rates caused a compression in price-to-earnings (P/E) multiples. The average forward P/E ratio for S&P 500 companies declined from 22 at the beginning of the year to 19 at the end of September. Investors also began to question whether future profits would justify the scale of AI and data-center spending by large technology companies. That concern also contributed to the market's loss of momentum.

MARKET SCOREBOARD	3Q 2026	2026 YTD
S&P 500 (Large U.S. stocks)	2.30%	12.75%
MSCI EAFE (Developed international stocks)	0.81%	10.33%
Bloomberg Aggregate Bond (U.S. taxable bonds)	(3.51%)	(2.91%)
Bloomberg Municipal Bond (U.S. tax-free bonds)	(6.35%)	(4.18%)
Wilshire Liquid Alternative (Alternative investments)	1.11%	3.77%

Although skepticism around the AI buildout increased, this area has been supported by meaningful revenue and earnings growth. Technology companies, along with the much smaller energy sector, have been the driving force behind expanding profit margins and corporate profit growth of more than 25% this year. S&P 500 companies have posted seven consecutive quarters of double-digit earnings growth, providing strong fundamental support for the market's above-average gains in recent years.

Market volatility often rises in the months leading up to Election Day. While the political environment is as contentious as ever, markets have largely shrugged off concerns over midterm elections. Volatility remains near the lows of the year, likely reflecting expectations of a divided government. Investors often prefer this state, due to the reduced likelihood of major legislation that could impact markets. Historically, the fourth quarter of midterm election years has been favorable; stocks have risen in 20 of the last 24 such periods since 1928.

Federal Reserve U-Turn

For much of this year investors expected the Fed to cut rates to support the economic expansion. That outlook changed by late summer as Middle East tensions, persistent inflation, and a steady job market raised the possibility that the next rate move would be higher. Chair Kevin Warsh's remarks at Jackson Hole, WY reinforced the idea that rates could move up. The policy announcement on September 16 marked a clear turning point, as the Fed raised its federal funds rate

Source: Morningstar Inc, September 30, 2026.

by 0.25%. Sixteen of 18 Fed policymakers also projected at least one more rate increase before year-end.

The Fed's updated projections also indicated higher policy rates for both 2027 and 2028. Warsh described the September increase as "removing a dose of accommodation," underscoring the Fed's shift toward a more restrictive stance. Markets responded quickly, pricing in at least 75 basis points of additional tightening by the spring of 2027.

Taken together, the Fed's actions and messaging suggest confidence in the economic outlook and a renewed focus on inflation. Earlier in the year, some questioned the Fed's commitment to bringing inflation under control. But the combination of a rate hike, higher projected rate path, and hawkish rhetoric helped alleviate those concerns. Restoring its inflation-fighting credibility now appears to be the Fed's top priority.

Bond Market Struggles

Starting in the spring, the environment for bonds became more challenging. Long-term interest rates moved higher as conflict in the Middle East raised concerns about the inflationary impact of higher oil prices. During the summer, growing attention to large government deficits placed further upward pressure on yields. Meanwhile, enormous AI infrastructure investment is increasingly being funded with debt, creating additional competition for capital. By August, bonds had surrendered most of their gains for the year.

The Fed's abrupt shift toward a more hawkish stance in September accelerated the rise in rates. Short-term yields rose sharply following the Fed's policy announcement and placed additional pressure on longer-term bonds. Selling intensified during the final week of the month, with the Bloomberg U.S. Aggregate Bond Index declining roughly 1% and municipal bonds falling more than 2%. Municipal bonds were hit particularly hard as the rise in rates coincided with a heavy calendar of new debt issuance.

The sell-off pushed yields to their highest levels in 15 to 25 years, depending on market segment. With substantial additional tightening already reflected in market prices, relative rate stability from here is base case. However, a renewed inflation surprise, heavier-than-expected Treasury issuance, or an escalation in geopolitical tensions could drive yields higher.

That said, investors are being well compensated for owning bonds. Current yield levels make fixed income attractive not only as a portfolio diversifier, but also as a meaningful source of income.

Market Outlook

Uncharacteristically, there seemed to be more turmoil in the bond market than in the stock market during the quarter. Benchmark Treasury rates rose by more than 0.50% during September alone, pushing bond prices lower. This resulted in a tough quarter of performance for both taxable and tax-free bonds. Several factors contributed to the rise in rates, including:

- Rising inflation and inflation expectations
- The Fed's shift toward rate increases
- Increased debt issuance to fund AI investment
- Larger federal deficits and government borrowing
- Resilient economic growth

Some investors may worry that 2026 will prove to be a repeat of 2022, one of the worst years ever for the bond market. But starting yields are much higher, the Fed is expected to raise rates only modestly, and much of the rise in inflation is due to volatile energy prices. Because of this, a repeat of 2022 appears unlikely.

Higher rates typically weigh on equities as well, but exceptionally strong profit growth helped stocks post incremental gains during the quarter. This provided a valuable diversification benefit during a difficult period for bonds. Double-digit stock returns in 2026 have kept diversified portfolios on pace for another solid performance year.

U.S. stocks have gained nearly 13% year-to-date, while profits have grown almost twice that fast. The result is improved valuation. Earnings estimates for 2026 and 2027 continue to rise, supported by strong AI-related profits. However, increasingly optimistic earnings expectations could become difficult to meet at some point. As more technology companies borrow at higher rates to finance AI projects, further profit margin expansion may be limited. This places greater importance on revenue growth to sustain future earnings gains.

Higher yields have significantly improved the income potential of bonds, and continued earnings growth supports a constructive outlook for stocks. At the same

Source: Morningstar Inc, September 30, 2026.

time, elevated expectations around AI and persistent inflation favor disciplined diversification rather than concentrated risk-taking. History shows that new technologies and related investments rarely advance in a straight line. There is a risk that equity markets may “overshoot” AI potential in the near term, which could result in periods of market turbulence. But over the longer run, the benefits to productivity and the economy are likely to be substantial.

Thank you for the trust and confidence you have placed in the Forvis Mazars Private Client team!

Jeff Layman & Andrew Douglas

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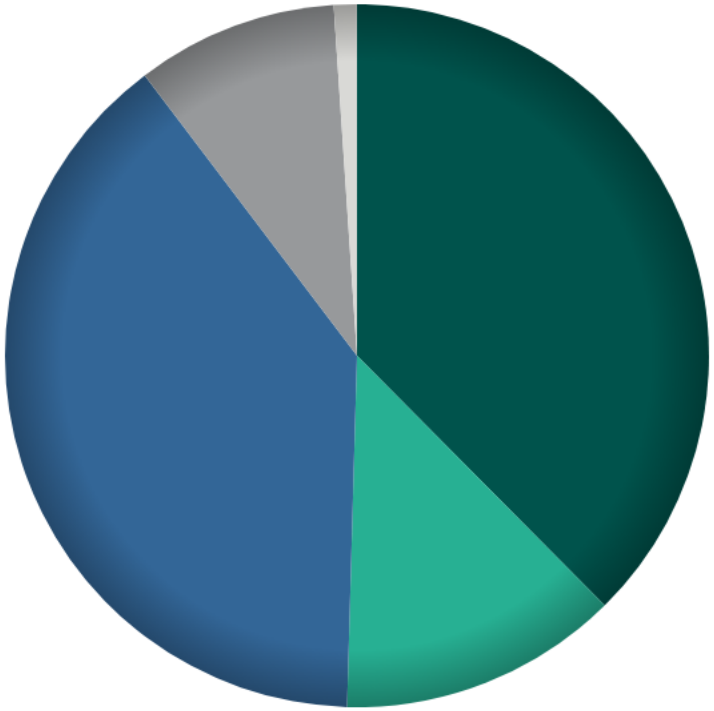
Source: Morningstar Inc, September 30, 2026.

Summary by Account

Account Name	Account Number	Objective	Inception Date	Current Value
Community Foundation of the Ozarks (Balanced)	xxxx0172	Growth & Income	12/2/2021	$6,216,425
Community Foundation of the Ozarks (Balanced)	**xxxx0172**	**Growth & Income**	**12/2/2021**	**$6,216,425**

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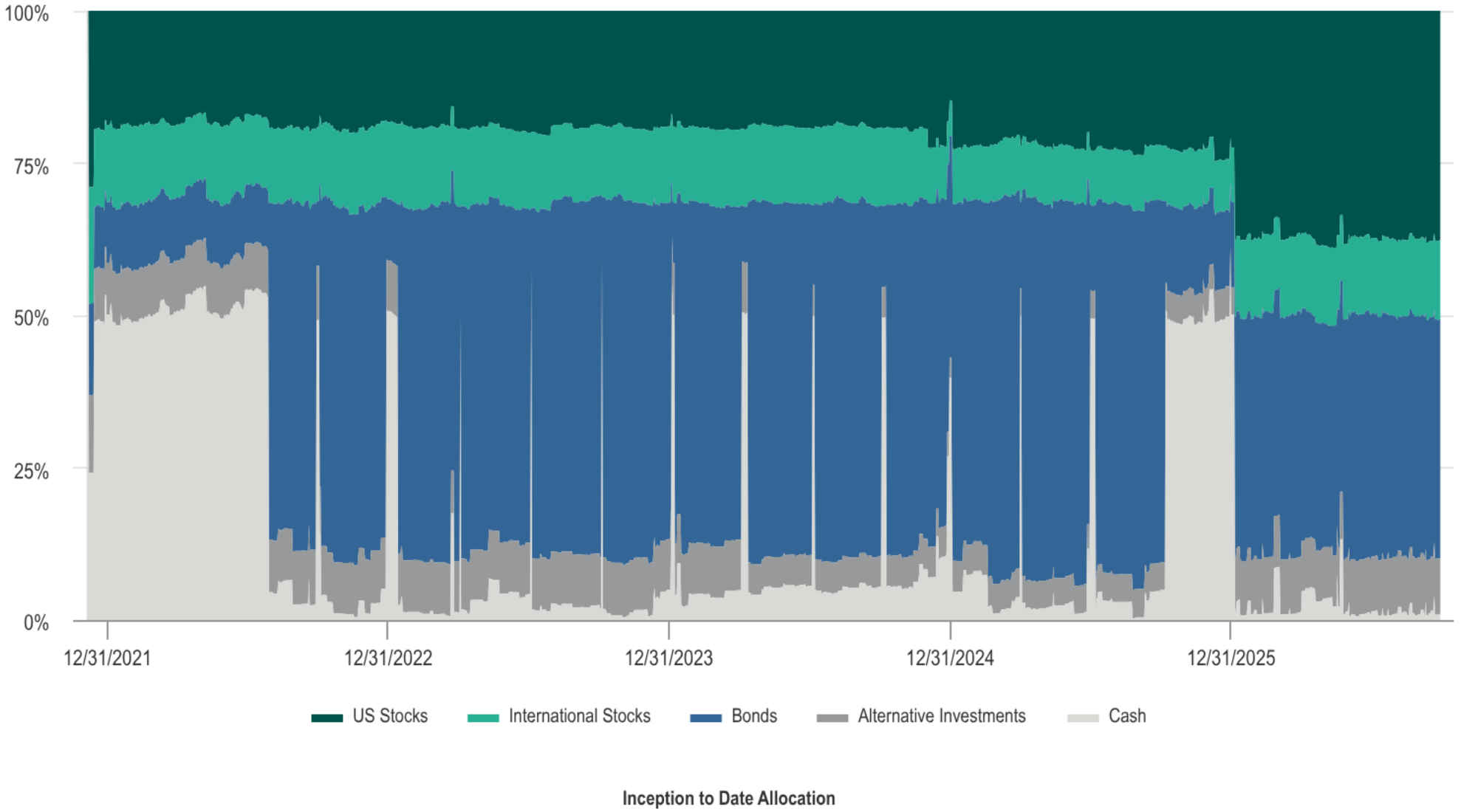
Asset Allocation



Asset Class	Current Value	Current Percent
US Stocks	$2,335,631.84	37.57%
International Stocks	$800,611.77	12.88%
Bonds	$2,439,729.96	39.25%
Alternative Investments	$574,445.28	9.24%
Cash	$66,006.20	1.06%
Total	**$6,216,425.05**	**100.00%**

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Asset Allocation Over Time



Inception to Date Allocation

* Since data availability date of 12/4/2021

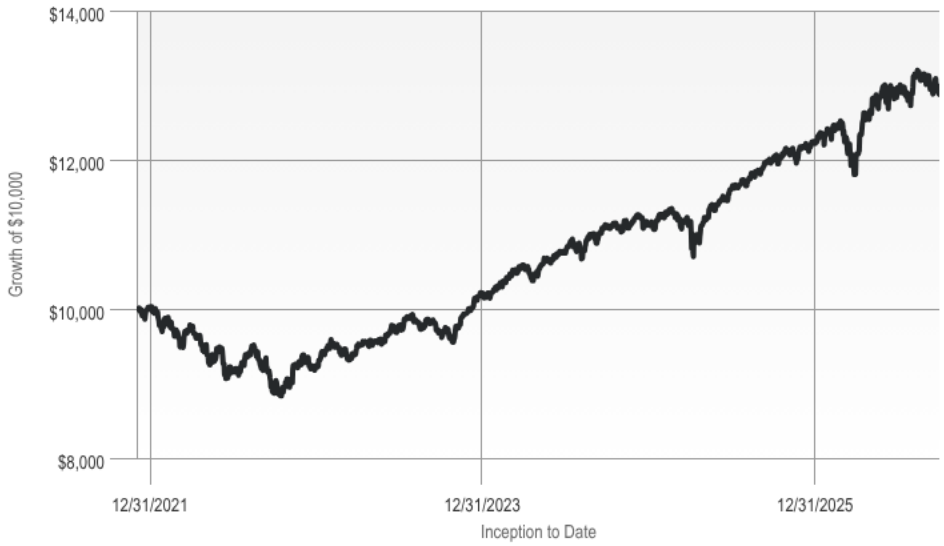
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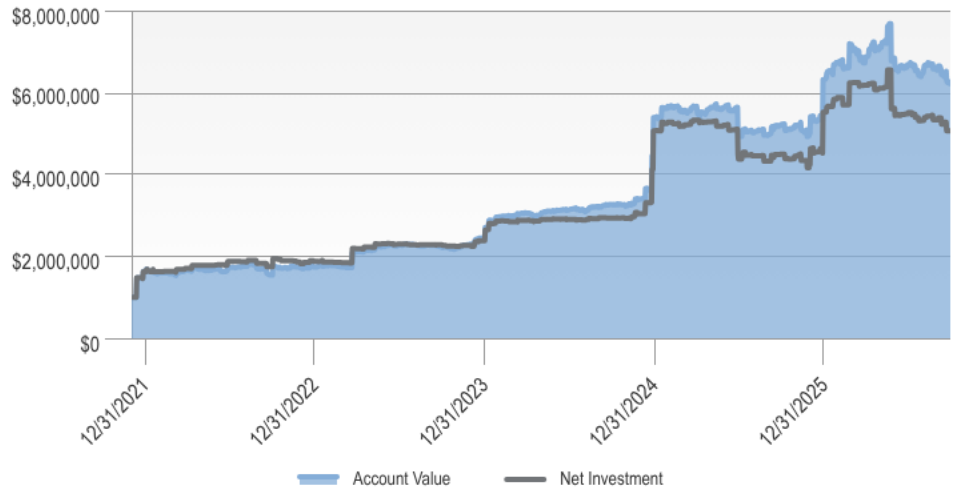
Asset Allocation by Account

Account Name	Account Number	US Stocks Weight	International Stocks Weight	Bonds Weight	Alternative Investments Weight	Cash Weight
Community Foundation of the Ozarks (Balanced)	xxxx0172	37.57%	12.88%	39.25%	9.24%	1.06%

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Portfolio Value Summary





	Previous 3 Months	Last 12 Months (D)	Previous 3 Years (D)	Inception to Date (12/2/2021)
Beginning Value	$6,679,530	$5,207,854	$2,244,373	$0
Net Contribution	($413,193)	$570,079	$2,782,217	$5,066,790
Capital Appreciation	($81,656)	$300,664	$986,886	$916,254
Net Income	$31,744	$137,827	$202,949	$233,381
Ending Value	$6,216,425	$6,216,425	$6,216,425	$6,216,425
Investment Gain	($49,913)	$438,492	$1,189,835	$1,149,635

Figures are net of fees, including management fees.

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Account Performance

Asset Class	Value	Quarter to Date Net Return	06.30.2025 FY YTD Net Return	Previous 1 Year (D) Net Return	Previous 3 Years (D) Net Return	Calendar Year 2025 Net Return	Calendar Year 2024 Net Return	Calendar Year 2023 Net Return	Inception to Date (12/2/2021) Net Return
US Stocks	$2,335,632	1.40%	19.55%	15.47%	22.05%	16.53%	23.74%	25.80%	* 11.25%
International Stocks	$800,612	(0.45%)	19.39%	17.84%	19.48%	30.77%	5.48%	14.67%	* 8.08%
Bonds	$2,439,730	(3.34%)	(0.60%)	(1.59%)	2.16%	4.40%	2.51%	7.95%	* 0.40%
Alternative Investments	$574,445	2.28%	11.72%	9.60%	12.85%	10.48%	14.79%	13.40%	* 6.76%
Cash	$66,006	0.36%	4.30%	3.20%	4.20%	4.95%	4.17%	3.73%	3.36%
Total	**$6,216,425**	**(0.79%)**	**8.15%**	**6.80%**	**9.42%**	**9.36%**	**8.37%**	**10.25%**	**4.88%**
CPI - Seasonally Adjusted		1.12%	3.66%	3.68%	3.03%	2.65%	2.87%	3.26%	3.98%
S&P 500 Composite		2.30%	19.62%	15.74%	22.91%	17.88%	25.02%	26.29%	12.83%
S&P 400 MidCap		(6.36%)	14.04%	11.69%	14.55%	7.50%	13.93%	16.44%	7.47%
Russell 2000		(7.23%)	23.77%	16.20%	17.74%	12.81%	11.54%	16.93%	6.51%
MSCI EAFE Net		0.81%	16.61%	15.69%	18.41%	31.22%	3.82%	18.24%	10.00%
MSCI EM (Emerging Markets) Net		(0.37%)	33.04%	29.22%	24.11%	33.57%	7.50%	9.83%	9.54%
Bloomberg US Aggregate		(3.51%)	0.12%	(1.84%)	4.06%	7.30%	1.25%	5.53%	(0.71%)
Bloomberg Municipal Bond		(6.35%)	0.19%	(2.68%)	2.89%	4.24%	1.05%	6.40%	(0.34%)
Wilshire Liquid Alternative		1.11%	7.08%	5.75%	6.58%	7.70%	4.44%	6.28%	3.41%

* Partial period return
Returns for periods exceeding 12 months are annualized.

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Holdings

Weight	Quantity	Symbol	Description	Price	Value
Large Cap Blend					
37.57%	6,241.00	VTI	Vanguard Morningstar Total Stock Market ETF	$374.24	$2,335,631.84
International Funds					
1.62%	4,111.672	CIVIX	Causeway International Value Instl	$24.47	$100,612.61
1.74%	2,729.00	DFEM	DIMENSIONAL EMERG MARK CRE EQY 2 ETF	$39.72	$108,395.88
2.36%	6,102.174	GSIMX	Goldman Sachs GQG Ptnrs Intl Opps Instl	$24.00	$146,452.18
0.87%	4,399.063	NWXVX	Nationwide International Sm Cp Instl Svc	$12.32	$54,196.46
6.29%	4,712.00	VEU	Vanguard FTSE All-World ex-US ETF	$82.97	$390,954.64
12.88%			**International Funds Total**		**$800,611.77**
Taxable Bond Funds					
3.94%	28,045.149	BMSIX	BlackRock Income Fund Instl	$8.73	$244,834.15
14.06%	38,669.959	GIBIX	Guggenheim Total Return Bond Instl	$22.61	$874,327.77
7.08%	4,658.00	AGG	iShares Core Total US Bond Market ETF	$94.54	$440,367.32
14.16%	11,956.00	VCRB	Vanguard Core Bond ETF	$73.62	$880,200.72
39.25%			**Taxable Bond Funds Total**		**$2,439,729.96**
Alternative Investments					
4.61%	4,142.00	HELO	JPMORGN HEDGD EQTY LAD OVRLY ETF	$69.17	$286,502.14
4.63%	15,882.137	EIVPX	Parametric Volatil Risk Prm-Defensv Insl	$18.13	$287,943.14
9.24%			**Alternative Investments Total**		**$574,445.28**
Cash					
0.65%		CASH	CASH		$40,691.91
0.41%	25,314.290	SCOXX	Schwab Treasury Obligations Money;Ultra	$1.00	$25,314.29
1.06%			**Cash Total**		**$66,006.20**

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Holdings

Weight	Quantity	Symbol	Description	Price	Value
100.00%			Total		$6,216,425.05

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Disclosure Statement

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This statement reflects the performance of the assets that we manage. If you hold other unmanaged assets in your account with us, those assets generally will not be reported with your managed assets.

Index Definitions

CPI – Seasonally Adjusted – the consumer price index is a commonly used measure of inflation
S&P 500 Composite – represents the large-cap U.S. stock market and comprises the largest 500 companies weighted by market cap
S&P 400 Mid-Cap – represents the mid-cap U.S. stock market and comprises the next 400 companies by market cap beneath the S&P 500, weighted by market cap
Russell 2000 – represents the small-cap U.S. stock market and comprises 2000 companies on the U.S. stock exchanges weighted by market cap
MSCI EAFE Net – represents the large-cap and mid-cap stock market across developed market countries, excluding the U.S. and Canada
MSCI Emerging Markets (EM) Net – represents the large-cap and mid-cap stock market across 23 emerging market countries

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