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Market Update & Outlook 2Q 2026

Global stock markets delivered strong returns in the second quarter, driven by robust corporate earnings and hopes for a resolution to the Iran conflict. The economy grew moderately, inflation rose due to higher energy prices, and the Federal Reserve signaled a possible shift toward rate hikes.

The U.S. Economy Posts Modest Growth

The U.S. economy expanded at an annualized rate of 2.1% in the first quarter of 2026. While consumer spending softened, increases in both business and government expenditures helped sustain a decent pace of economic growth. Much of the strength in business investment was related to the buildout of data centers, reflecting growing demand for artificial intelligence (AI) and cloud computing capabilities. Government spending rebounded from the federal shutdown in the fourth quarter of 2025.

Despite continued economic growth, consumer confidence remained fragile. The University of Michigan Consumer Sentiment Index hovered near all-time lows as households grappled with rising inflation, increased borrowing costs, elevated fuel prices, and growing concerns about job security.

The conflict in Iran continued to weigh on the economy in the second quarter. Due mainly to the sharp rise in energy prices, CPI inflation rose to a three-year high of 4.2% in May before receding to 3.5% in June. This marked a sharp increase from the recent low of 2.4% recorded in February, just before the conflict began.

The resurgence in inflation prompted a notable shift in the Fed's outlook regarding interest rate policy. While Fed policymakers left interest rates unchanged at their June meeting, most members felt that "some policy firming would likely be warranted" if inflationary pressures persist. This shift from an easing bias to a more hawkish stance increases the possibility of one or more rate hikes before year-end. At the same time, stabilization in labor market conditions provides the Fed greater flexibility to raise rates should it deem such action necessary.

Stocks Surge on Strong Earnings Growth

After a difficult start to the year, U.S. equities rebounded sharply in the second quarter with the S&P 500 reaching new all-time highs. The index gained 15%, its strongest quarterly return since the second quarter of 2020 when stocks recovered from the pandemic-driven selloff. Strong corporate earnings, continued enthusiasm for AI-related investments, and economic resilience helped lift equity markets despite rising inflation and ongoing geopolitical tensions.

MARKET SCOREBOARD	2Q 2026	2026 YTD
S&P 500 (Large U.S. stocks)	15.20%	10.21%
MSCI EAFE (Developed international stocks)	10.82%	9.44%
Bloomberg Aggregate Bond (U.S. taxable bonds)	.67%	.62%
Bloomberg Municipal Bond (U.S. tax-free bonds)	2.50%	2.32%
Wilshire Liquid Alternative (Alternative investments)	2.60%	2.63%

Corporate earnings grew faster than stock prices during the first half of the year, resulting in improved valuation despite record-high equity prices. First-quarter profits increased by more than 25%, outpacing the stock market's 10% year-to-date gain. As a result, the S&P 500 forward price-to-earnings (P/E) multiple declined from 22 to 20, reflecting strong earnings support for current market levels.

Market returns, however, remain highly concentrated. Technology was the only sector to outperform the S&P 500 index during the quarter, surging 32%. According to Bespoke Research, this marks only the second time since 1990 that just one sector exceeded the market's return while all other sectors lagged. Industrials were the next best performing segment with a gain of 14%, just shy of the index return.

Source: Morningstar Inc, June 30, 2026.

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Another notable development during the quarter was the initial public offering (IPO) of SpaceX in June. Shares debuted at $135, quickly climbed to $225 in the first few days of trading, then retraced most of those gains to end the quarter around $150. At its IPO price, the company carried a valuation of approximately 100 times revenue despite reporting an operating loss of more than $4 billion in the prior year. Given the company's lofty valuation and the inherently uncertain nature of its long-term business prospects, investor enthusiasm around this IPO stands out as one of the clearest examples of speculative behavior in the current environment.

Fed Pivots Toward Possibility of Rate Hikes

The outlook for Fed policy remains one of the most hotly debated topics among investors. A stabilizing labor market and continued resilience in consumer spending reduce the likelihood of a meaningful economic slowdown. At the same time, the tentative agreement to end the Middle East conflict has helped ease energy prices, providing some relief to consumers.

Nevertheless, inflation remains a concern. The Fed's preferred inflation gauge, core Personal Consumption Expenditures (PCE), rose 3.41% year-over-year in May, marking its highest reading in three years. The combination of a stable economic backdrop and persistent inflation has led the Fed to consider the possibility of additional monetary tightening later this year.

That shift was evident at the Federal Open Market Committee's June meeting—the first under new Chair Kevin Warsh—where policymakers reaffirmed their commitment to price stability. Nine of 18 participants projected at least one rate hike before year-end, compared to none at the March meeting. Furthermore, six officials anticipate two rate increases by December, underscoring the growing concern that inflation may remain above the Fed's target longer than previously expected.

While the Fed has shifted from an easing stance to a tightening bias, the path forward remains uncertain. Fed funds futures currently predict one quarter-point rate increase by year-end. However, we expect policymakers to remain cautious and believe that any rate move will require a meaningful shift in the economic outlook or inflation expectations.

On Markets & Bubbles

Since the market bottom on October 12, 2022, U.S. equities have experienced an extraordinary run. Since then, the S&P 500 has generated a total return of 121%, or 24% annually. This remarkable performance has been led by technology stocks, particularly those companies benefiting from the rapid expansion of AI infrastructure and capabilities. Given the tech sector's outsized influence on market returns, comparisons to the dot-com boom of the late 1990s have become increasingly common. This has led some investors to ask: Are we in a bubble?

Before addressing that question, it is important to define what constitutes a market bubble. A bubble occurs when asset prices become disconnected from the underlying fundamentals that support them. For stocks, the most important fundamental is corporate earnings. Strong price appreciation alone does not create a bubble. Instead, bubbles are typically characterized by rapidly expanding valuations, speculative excess, and widespread risk-taking often fueled by the extensive use of leverage.

While pockets of speculation certainly exist in today's market, many of the classic hallmarks of a broad-based bubble are absent. Corporate profitability has been exceptionally strong. First-quarter earnings for S&P 500 companies increased 26% from a year earlier, significantly outpacing the rise in stock prices. As a result, valuations have improved. A decline in the forward price-to-earnings ratio is the opposite of what investors would normally expect during a true bubble environment.

That said, some bubble concerns stem less from current valuations and more from the sustainability of future earnings. S&P 500 earnings grew 12% in 2025, and analysts currently project growth of 24% in 2026 and 17% in 2027. These forecasts reflect a high degree of optimism and may prove challenging to achieve. Companies have consistently exceeded profit expectations in recent years, supported by AI-driven investment and productivity gains. However, as expectations rise, they become more difficult to meet or beat. Whether or not companies can meet these ambitious forecasts will be a key determinant of market returns and volatility in the years ahead.

Source: Morningstar Inc, June 30, 2026.

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Market Outlook

The strong rally in stocks during the second quarter dramatically improved year-to-date investment results. Following three consecutive calendar years of above-average returns, markets are on a similar path at the halfway point in 2026.

Several key factors help explain the market's recent strength:

- **Corporate Earnings**: First-quarter earnings growth was exceptional, and second quarter results are also expected to be strong. Earnings forecasts for the remainder of 2026 and 2027 are well above historical averages.
- **Profit Margins**: Profitability remains robust; the average profit margin for S&P 500 companies reached 15%—nearly double the level recorded at the start of the century.
- **Improving Valuations**: Corporate earnings have grown faster than stock prices, resulting in lower valuation multiples and providing better fundamental support for current market levels.
- **AI & Data Center Investment Boom**: Massive investment in AI infrastructure and data center capacity continues to drive economic growth and technology sector profitability. Over the longer term, these investments have the potential to generate productivity improvements across a wide range of industries.

While these factors have fueled market gains, the fact they are interconnected creates some degree of risk. Much of the recent improvement in earnings, profit margins, and valuations can be traced to developments within the technology sector, particularly the rapid expansion of AI-related infrastructure. Strong activity in this area has masked weaker results elsewhere in the economy. But it has also contributed to inflationary pressures by increasing the costs of power, semiconductors, industrial metals, and skilled construction labor. Although this trend may continue to support growth in the near term, broader participation across sectors and industries would provide a more sustainable foundation for long-term economic expansion.

Investors have largely "looked through" the conflict in Iran since March, expecting the impact on inflation and financial markets to be temporary. However, the recent resumption of hostilities challenges that assumption. Higher energy prices have been the primary driver behind the recent inflation spike, and ongoing geopolitical tensions could cause those pressures to persist. If inflation expectations reset higher, both stock and bond markets could face headwinds in the second half of the year.

Despite these uncertainties, the U.S. economy and financial markets have demonstrated remarkable resilience through a series of challenges in recent years. This resilience reflects the strength, adaptability, and innovative capacity of the world's largest economy. While risk is an inherent part of investing, a disciplined investment approach, thoughtful portfolio design, and a financial plan focused on long-run objectives are key to providing a durable base for navigating uncertainty and achieving success as we enter the second half of 2026.

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

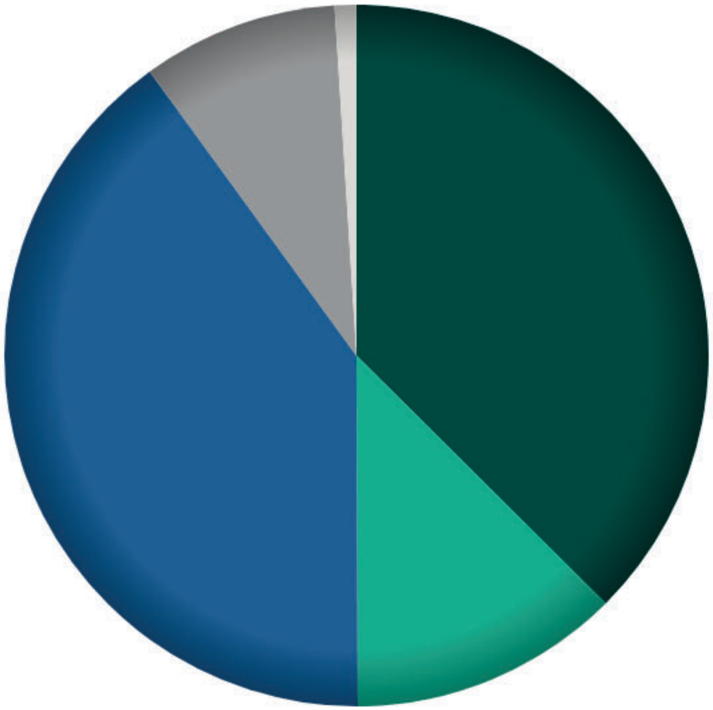
Jeff Layman & Andrew Douglas

Source: Morningstar Inc, June 30, 2026.

Summary by Account

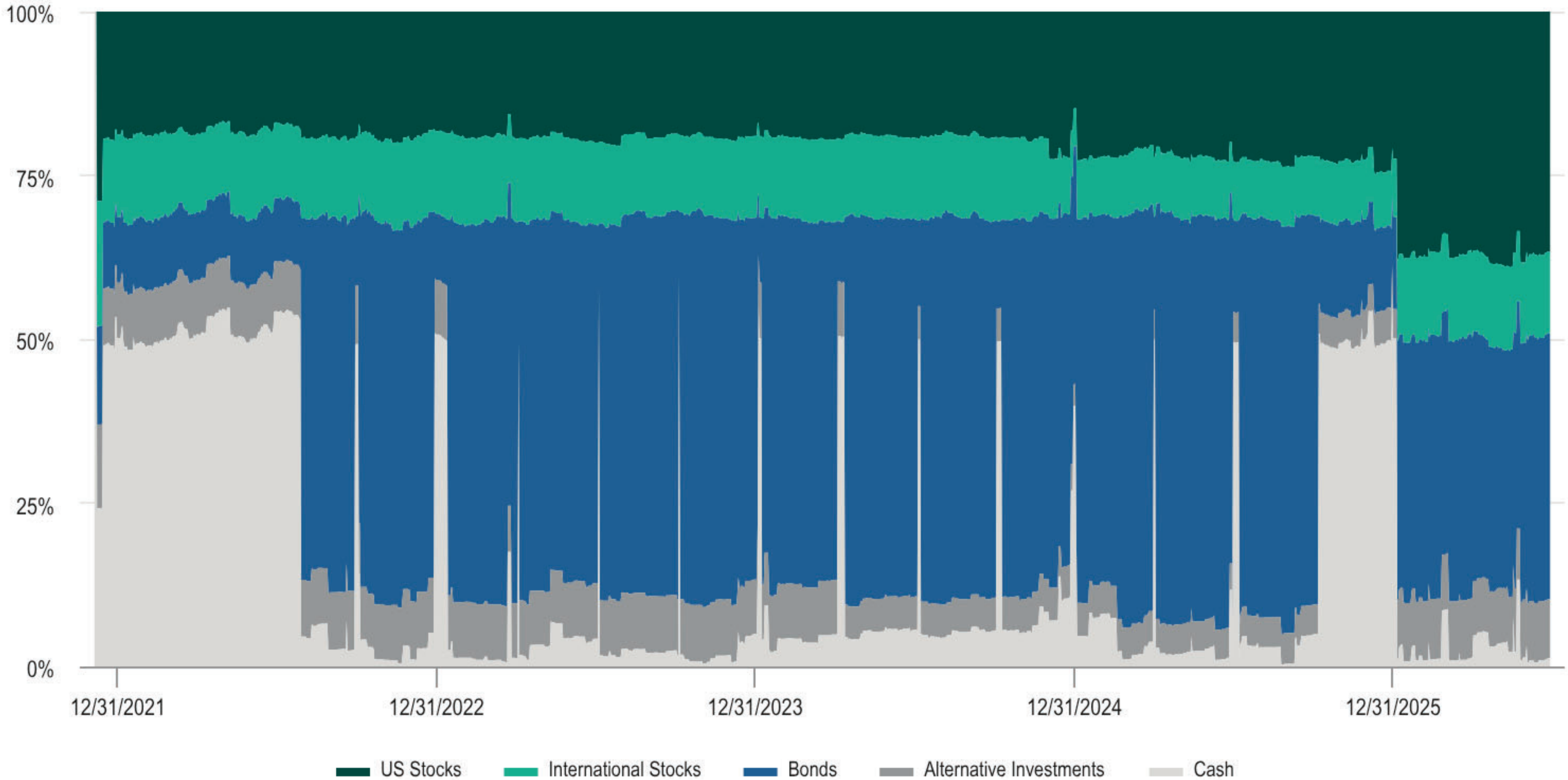
Account Name	Account Number	Objective	Inception Date	Current Value
Community Foundation of the Ozarks (Balanced)	xxxx0172	Growth & Income	12/2/2021	$6,679,530
Community Foundation of the Ozarks (Balanced)	**xxxx0172**	**Growth & Income**	**12/2/2021**	**$6,679,530**

Asset Allocation



Asset Class	Current Value	Current Percent
US Stocks	$2,502,950.56	37.47%
International Stocks	$832,988.01	12.47%
Bonds	$2,676,291.21	40.07%
Alternative Investments	$601,358.60	9.00%
Cash	$65,941.96	0.99%
Total	**$6,679,530.34**	**100.00%**

Asset Allocation Over Time



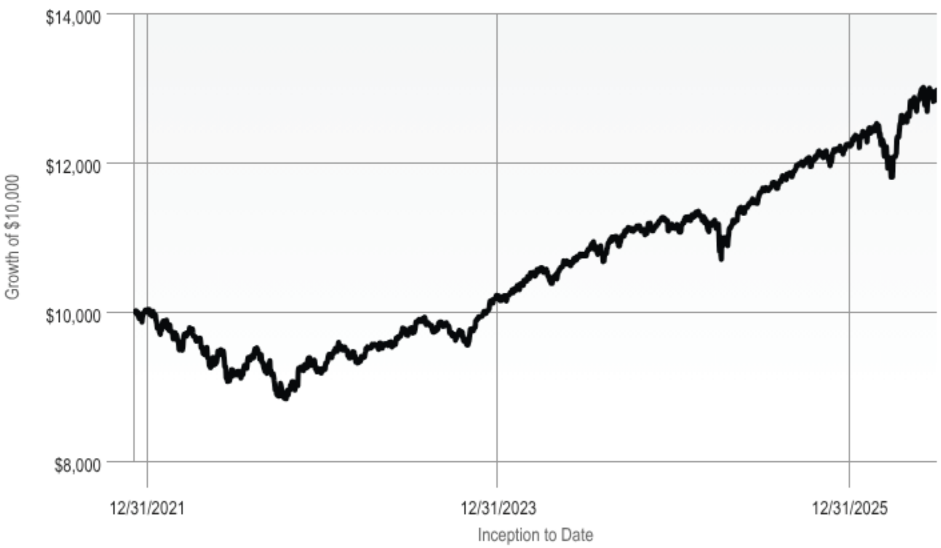
Inception to Date Allocation

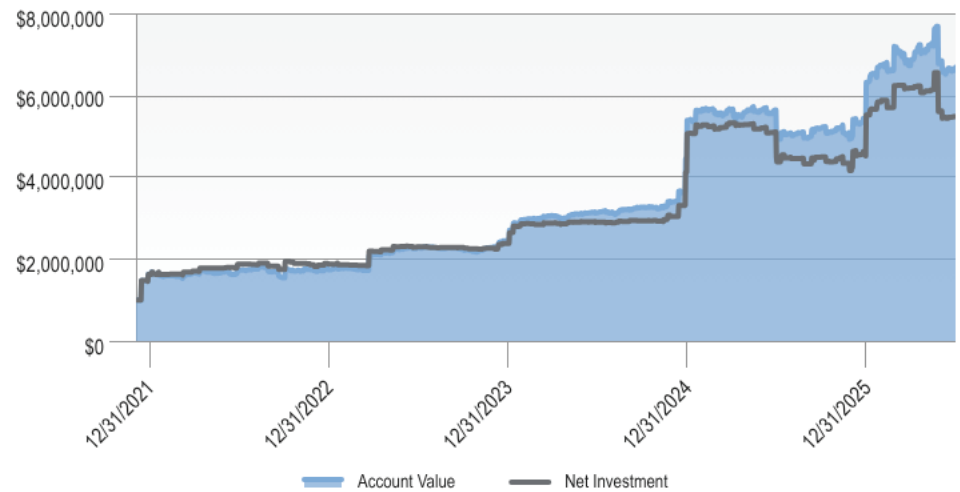
* Since data availability date of 12/4/2021

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	37.47%	12.47%	40.07%	9.00%	0.99%

Portfolio Value Summary





	Previous 3 Months	Last 12 Months (D)	Previous 3 Years (D)	Inception to Date (12/2/2021)
Beginning Value	$6,845,078	$5,039,133	$2,281,000	$0
Net Contribution	($698,862)	$988,562	$3,179,975	$5,479,983
Capital Appreciation	$497,518	$536,899	$1,043,984	$997,911
Net Income	$35,796	$114,937	$174,572	$201,637
Ending Value	$6,679,530	$6,679,530	$6,679,530	$6,679,530
Investment Gain	$533,314	$651,836	$1,218,556	$1,199,547

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	$2,502,951	15.67%	23.32%	23.32%	20.15%	16.53%	23.74%	25.80%	* 11.56%
International Stocks	$832,988	10.43%	25.40%	25.40%	17.96%	30.77%	5.48%	14.67%	* 8.65%
Bonds	$2,676,291	1.05%	2.69%	2.69%	3.54%	4.40%	2.51%	7.95%	* 1.17%
Alternative Investments	$601,359	6.27%	12.32%	12.32%	11.42%	10.48%	14.79%	13.40%	* 6.62%
Cash	$65,942	0.78%	5.03%	5.03%	4.42%	4.95%	4.17%	3.73%	3.47%
Total	**$6,679,530**	**7.75%**	**11.18%**	**11.18%**	**9.37%**	**9.36%**	**8.37%**	**10.25%**	**5.34%**
CPI - Seasonally Adjusted		1.12%	3.88%	3.88%	3.20%	2.65%	2.87%	3.26%	4.05%
S&P 500 Composite		15.20%	22.32%	22.32%	20.63%	17.88%	25.02%	26.29%	13.02%
S&P 400 MidCap		14.47%	25.89%	25.89%	15.43%	7.50%	13.93%	16.44%	9.46%
Russell 2000		21.49%	40.78%	40.78%	18.62%	12.81%	11.54%	16.93%	8.65%
MSCI EAFE Net		10.82%	20.23%	20.23%	16.45%	31.22%	3.82%	18.24%	10.38%
MSCI EM (Emerging Markets) Net		24.05%	43.51%	43.51%	23.04%	33.57%	7.50%	9.83%	10.18%
Bloomberg US Aggregate		0.67%	3.79%	3.79%	4.16%	7.30%	1.25%	5.53%	0.03%
Bloomberg Municipal Bond		2.50%	7.03%	7.03%	3.76%	4.24%	1.05%	6.40%	1.08%
Wilshire Liquid Alternative		2.60%	7.75%	7.75%	6.12%	7.70%	4.44%	6.28%	3.35%

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

Holdings

Weight	Quantity	Symbol	Description	Price	Value
Large Cap Blend					
37.47%	6,764.00	VTI	Vanguard Total Stock Market ETF	$370.04	$2,502,950.56
International Funds					
1.55%	4,111.672	CIVIX	Causeway International Value Instl	$25.14	$103,367.43
1.66%	2,729.00	DFEM	DIMENSIONAL EMERG MARK CRE EQY 2 ETF	$40.64	$110,906.56
2.15%	6,102.174	GSIMX	Goldman Sachs GQG Ptnrs Intl Opps Instl	$23.53	$143,584.15
0.80%	4,399.063	NWXVX	Nationwide International Sm Cp Instl Svc	$12.15	$53,448.62
6.31%	5,035.00	VEU	Vanguard FTSE All-World ex-US ETF	$83.75	$421,681.25
12.47%			**International Funds Total**		**$832,988.01**
Taxable Bond Funds					
3.99%	29,630.653	BMSIX	BlackRock Income Fund Instl	$8.99	$266,379.57
14.42%	40,559.920	GIBIX	Guggenheim Total Return Bond Instl	$23.75	$963,298.10
7.22%	4,871.00	AGG	iShares Core Total US Bond Market ETF	$98.98	$482,131.58
14.44%	12,488.00	VCRB	Vanguard Core Bond ETF	$77.23	$964,481.96
40.07%			**Taxable Bond Funds Total**		**$2,676,291.21**
Alternative Investments					
4.48%	4,432.00	HELO	JPMORGN HEDGD EQTY LAD OVRLY ETF	$67.58	$299,514.56
4.52%	16,995.723	EIVPX	Parametric Volatil Risk Prm-Defensv Insl	$17.76	$301,844.04
9.00%			**Alternative Investments Total**		**$601,358.60**
Cash					
0.61%		CASH	CASH		$40,627.67
0.38%	25,314.290	SCOXX	Schwab Treasury Obligations Money;Ultra	$1.00	$25,314.29
0.99%			**Cash Total**		**$65,941.96**

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Holdings

Weight	Quantity	Symbol	Description	Price	Value
100.00%			**Total**		**$6,679,530.34**

Disclosure Statement

The performance information presented in this account statement represents the total return on your assets under our management. Returns are net of applicable advisory fees unless noted as a gross return. The return information presented does not reflect any custodian or other fees you may pay, nor does it reflect the impact of any federal, state, or local taxes on your portfolio. The performance information was provided by your custodian to Tamarac, our portfolio management system. We deduct our advisory fees from your account. The custodian does not verify the accuracy of the advisory fee calculation. You should compare this statement against your custodian statements. There may be minor differences between this statement and your custodian statements due to the timing of income accruals.

Your past performance may not be indicative of future results. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. You should not assume that your account holdings correspond directly to any index.

Please remember to contact Forvis Mazars Private Client in writing, if there are any changes in your personal or financial situation or investment objectives for the purpose of reviewing or revising our previous recommendations or services. Notify us if you want to impose, add or modify any reasonable restrictions to our investment advisory services. Unless you advise, in writing, to the contrary, we will assume there are no restrictions on our services, other than to manage the account in accordance with your designated investment objective. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available upon request.

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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