2026 Second Quarter Recap

The second quarter marked a rebound from the initial shock of the Iranian conflict. The April ceasefire, its extension, and the June 17 U.S.–Iran Memorandum of Understanding that reopened the Strait of Hormuz helped investors look through the oil shock and refocus on resilient growth, strong capital investment, and the AI infrastructure buildout. Inflation, however, remained the chief macro constraint: June CPI rose 3.5% from a year earlier, led by a 15.7% increase in energy, even as core CPI held at a lower 2.6%. The economy saw continued growth as consumers benefited from tax rebates along with the strong wealth effect for older and wealthier households.

U.S. equity markets rebounded strongly from the March lows, as the S&P 500 gained 15% while the Nasdaq was up over 21%. Hardware for the A.I. buildout has seen the biggest gains for the year along with Energy names. The Mag 7 names that have led for the past couple of years were negative in the first half of the year. We continue to see a broadening of market leadership as small caps and emerging markets have outperformed the S&P 500.

Interest rate sentiment continued to move toward a neutral/tightening bias as the Fed seeks to keep inflation under control. Debt issuance by technology companies continued to pick up and concerns over fiscal spending weighed on interest rates, with the 10-year U.S. Treasury ending the quarter near 4.4% and moving higher. The first half of the year reinforced our view of remaining diversified and aware of portfolio concentrations.

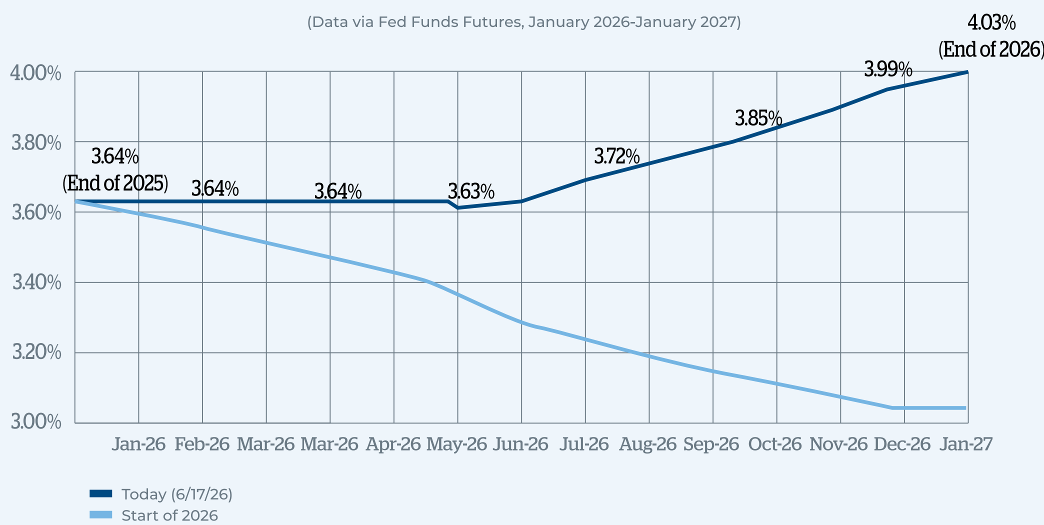
Interest Rates

Coming into the year, expectations were for the Fed to cut rates twice. Currently, expectations are for the Fed to increase one to two times by year-end.

Rates on U.S. bonds have moved higher since the beginning of the year while the yield curve has flattened.

Market Expectation for Fed Funds Rate

(Data via Fed Funds Futures, January 2026-January 2027)



Growth

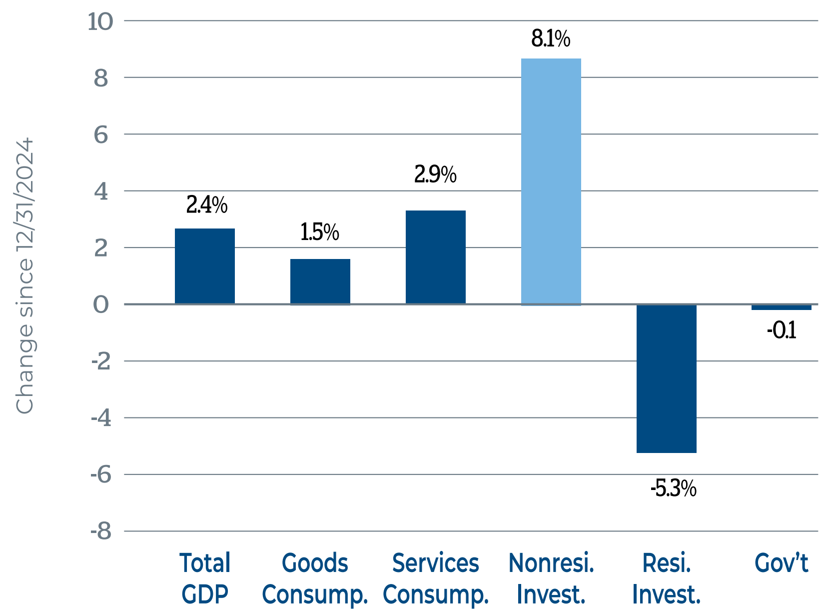
The U.S. historically has derived the largest share of growth from consumption. Since 2024, non-residential investment has been the largest contributor to growth.

A.I. data center buildout and the onshoring of manufacturing have been the main contributors to growth.

For 2026, we continue to see the economy reliant on the buildout for A.I.

Growth

Change in Real GDP since 2024



Source: Blackrock

Consumer

While inflation has eaten into consumer purchasing power, consumption continues to grow.

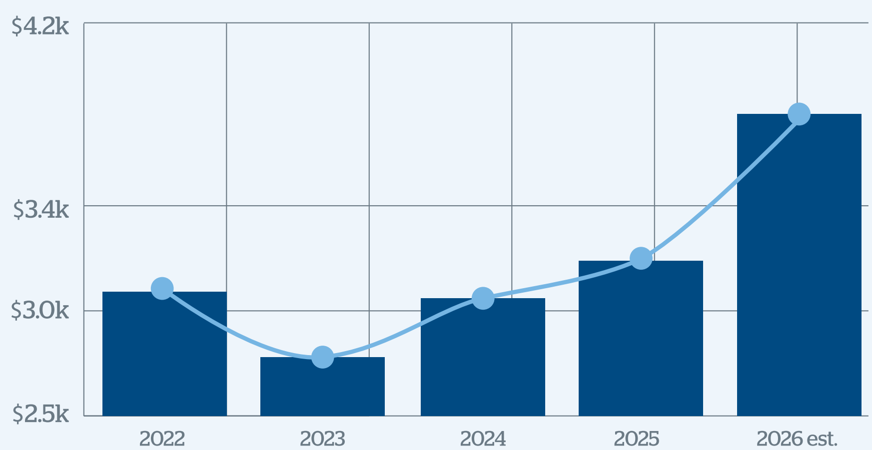
Tax refunds from the One Big Beautiful Bill Act (OBBBA) have provided fuel to offset some of the effects of higher prices.

Most of these funds will be spent by the end of the second quarter, so continued growth and strong employment will be needed to drive spending going forward.

Consumer

Average Federal Tax Refund

Per filer — 2026 estimate reflect OBBBA retroactive provisions



~$3,800 EST. AVG REFFUND 2026

+20% YOY REFUND INCREASE

$65B AGGREGATE EXTRA REFUNDS

~$150B TOTAL OBBBA STIMULUS

Source: BofA, Morgan Stanley

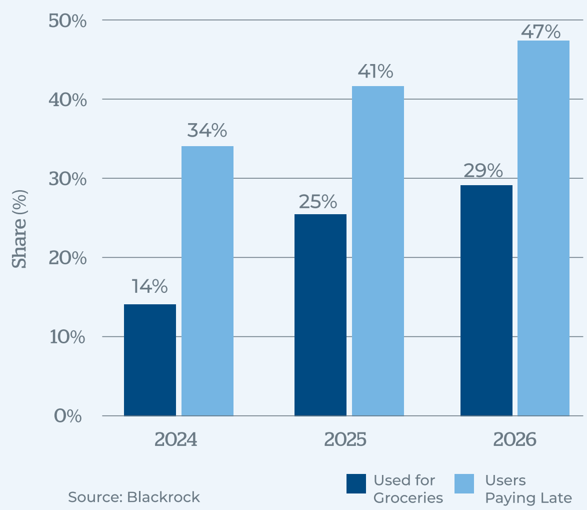
Consumer

Higher prices have disproportionately affected lower income households who haven't benefited from the wealth effect.

Although the dollar amounts are not large, the number of users of Buy Now Pay Later (BNPL) that are using the service to pay for groceries has increased along with the percentage of users paying late.

Credit card delinquencies have picked up, indicating more households are borrowing to maintain spending.

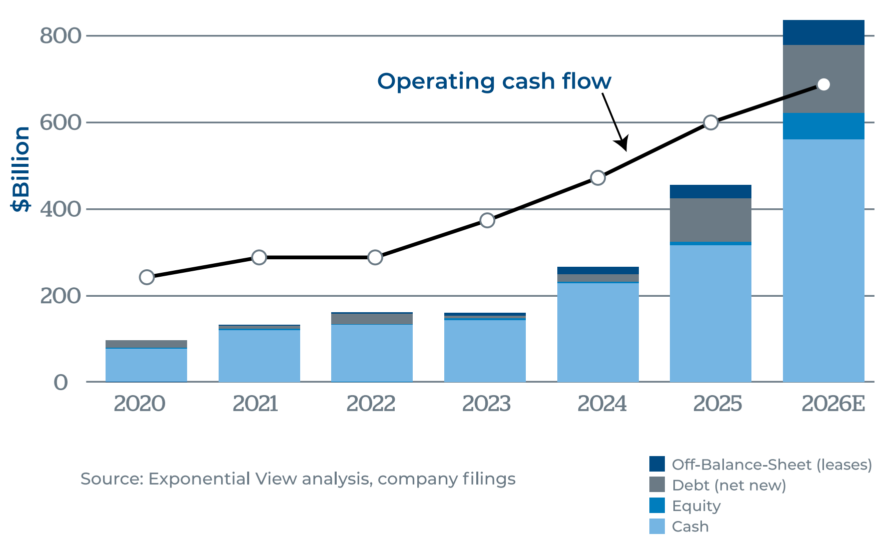
Buy Now Pay Later Usage



Source: Blackrock

Fixed Income

Hyperscaler and neocloud CapEx by funding source



Source: Exponential View analysis, company filings

Fixed Income

The issuance of corporate debt from hyperscalers has picked up significantly.

Up until recently, debt issuance was supported by operating cash flow. In 2026, funding will outpace cash flow.

Concerns are mounting that the large amount of debt being issued will lead to overbuilding. The buildout of broadband in the late 1990s and railroads in the late 1800s are viewed as potential boom-and-bust precedents.

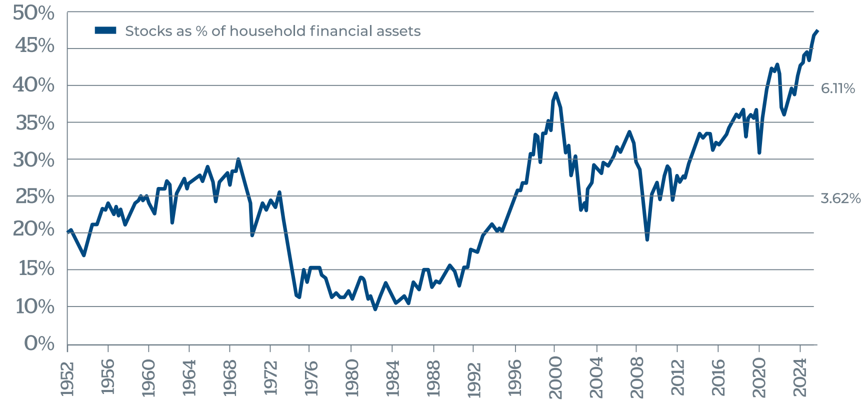
Equity

U.S. household exposure to equity is at historic levels, surpassing the previous peak in 1999.

Older and wealthier households hold an increasingly large share of these assets.

The wealth effect has helped to keep the economy growing and the concentration of holdings among fewer investors leaves markets vulnerable.

Equity

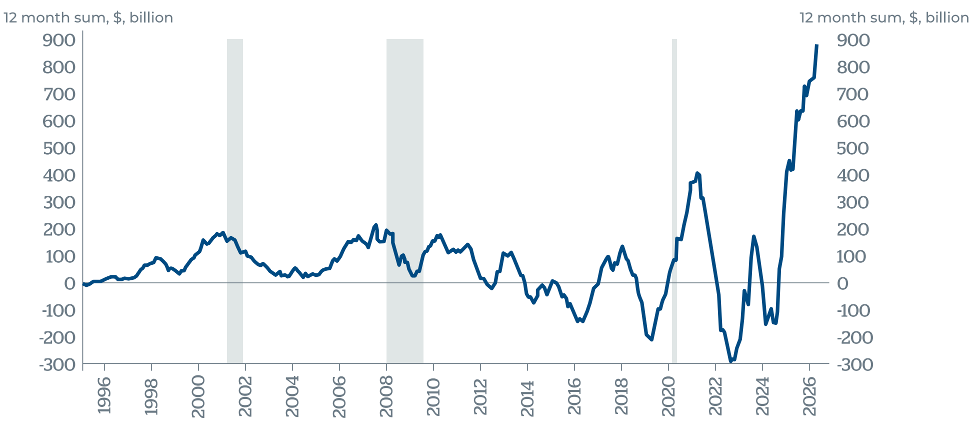


Source: Charles Schwab, Bloomberg, Federal Reserve. as of 12/31/2025

Stocks represent direction held equities and indirectly held equities, which include life insurance companies, private pension funds, government (federal, state, local) retirement funds, and mutual v funds

Equity

Record-high global demand us US equities



Sources: US Department of Treasury, Macrobond, Apollo Chief Economist

Foreign flows have accelerated over the past 12 months. At the margin, a reversal in flows could cause the market to be more vulnerable to a selloff.

The yen carry trade is a significant part of these foreign flows. A strengthening yen relative to the dollar could cause a reversal.

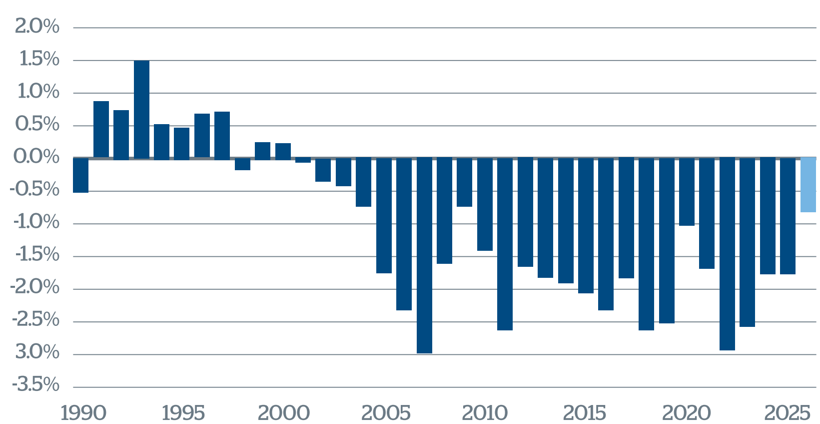
Over the past 20 years, the amount of public equity issued has been significantly less than the amount purchased through share buybacks.

New share issuance and IPOs tend to peak when valuations are at historical highs.

We have seen a pickup in equity issuance with the IPO of SpaceX and potentially OpenAI and Anthropic pushing significant shares into the public market.

Equity

Net corporate issuance (reduction, as a percent of market value



Source: Bloomberg, FactSet, UBS, as of 17 June 2026

The Family Office at Synovus

Inflation

Inflation has been evident in energy and consumer products due to the conflict between the U.S. and Iran.

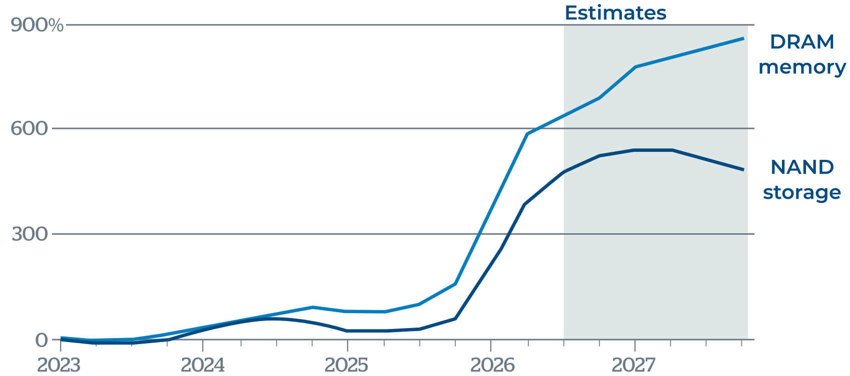
Another area where inflation is evident is in the A.I. infrastructure and data center buildout.

We see prices for memory in the form of semiconductors and hard drives rising significantly as demand outstrips supply.

The continued buildout will likely drive prices higher in areas such as computers, HVAC, wiring, generators, and many other inputs.

Inflation

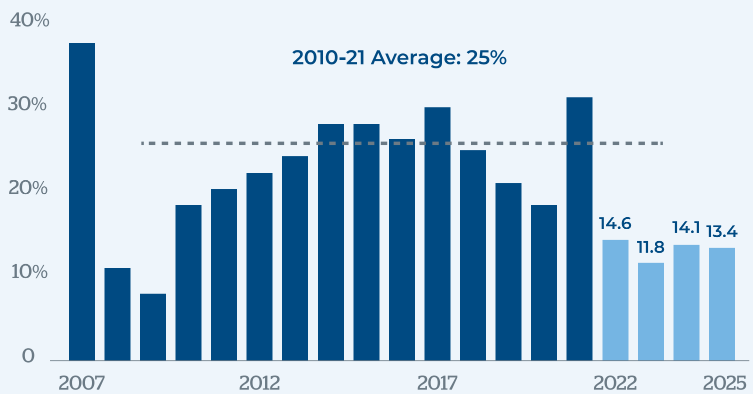
Price changes from the first quarter of 2023



Note: Based on the average price per gigabyte for each. Data from 3Q 2026 are estimates
Source: TechInsights

Alternatives

Global buyout distributions as a percentage of net asset value



Source: MSCI Private Capital Solutions

Alternatives

Private equity has been a long-term addition to investor portfolios, but has recently lagged behind public markets.

A significant amount of capital was invested at high valuations between 2021 and 2023. Managers are reluctant to sell at current valuations.

The pace of distributions over the past four years is nearly half of what it was from 2010 to 2021.

Having disciplined managers makes a difference. We see opportunities in funds deploying capital in the small-to-mid buyout space.

Private Credit

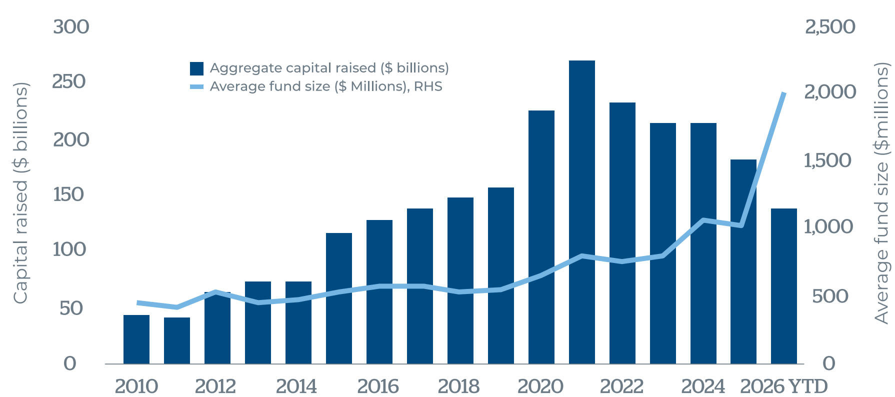
A great deal has been written about private credit over the past 6-9 months. Most of it has not been favorable.

The main issue concerns liquidity mismatches. Many new funds have been raised to attract retail investors who tend to be less patient while private credit is somewhat illiquid.

The underlying credit conditions so far have been manageable, even in software, where much attention has been focused.

Private Credit

Annual private credit fundraising, by aggregate capital raised, in $ billions, and average fund size, in $ millions, RHS



Source: Preqin, BlackRock, YTD 2026 as of June, 25, 2026. Captures closed end funds.

2026 Second Quarter Outlook

We see growth continuing to be resilient, but not necessarily strong going into the second half of the year. Expectations are for GDP to end the year up around 2%-2.4%. Growth will continue to be supported by the A.I. buildout alongside strong productivity. Tax legislation in the One Big Beautiful Bill Act along with continued geopolitical risks are encouraging manufacturers to bring production back onshore. The wealth effect from strong returns in financial assets continues to offset weakness in lower-income households.

The A.I. theme continues to be strong and will likely be a major contributor to equity markets for the remainder of the year. We do see pockets of elevated valuations and look to diversify away from what is becoming a big theme across multiple asset classes. Areas such as value and international markets still make sense in a portfolio. Corporate bond markets are seeing a large amount of issuance from hyperscalers and spreads likely need to adjust to account for the risk profile.

Interest rate expectations have shifted toward a higher-for-longer outlook with the Fed more inclined to raise rates into year-end. Inflation likely peaked in May but will continue to be above 3% for the remainder of the year. While the use of A.I. continues to increase, high profitability and productivity will keep employment stable. We are cautiously optimistic but are monitoring any signs of deterioration.