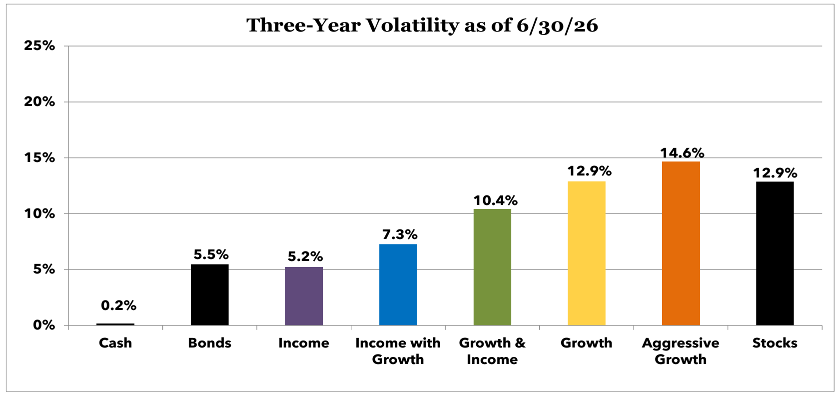
# Asset Allocation Quarterly

*Third Quarter 2026*

The Confluence Asset Allocation process is centered upon risk management. Our Asset Allocation strategies offer a broad spectrum of risk profiles, ranging from a relatively conservative posture in Income (purple) to a risk-accepting profile in Aggressive Growth (orange). The volatilities of the primary asset classes of cash, bonds, and stocks are illustrated by the black bars for reference in the accompanying chart.




*Source: Bloomberg, Confluence. Cash represented by the ML 0-3 Month T-Bill Index; Bonds are the Bloomberg US Agg Bond Index; Stocks are the S&P 500 Index.**

Risk characteristics across asset classes evolve over time as market and economic conditions change. As these cycles progress, we seek to keep each strategy aligned with its intended volatility profile. Our asset allocation decisions are guided by a forward-looking framework that incorporates a range of considerations, including economic trends, policy developments, interest rates, regulatory changes, and valuations. This approach produces diversified portfolios that can adapt to shifting conditions while remaining consistent with established risk parameters.

The Confluence Asset Allocation strategies are designed to offer distinct risk profiles. More conservative portfolios emphasize stability, accepting lower volatility in pursuit of steadier, though generally more modest, returns. More aggressive portfolios assume higher volatility in exchange for the potential to generate greater returns over time. This disciplined structure helps ensure that each portfolio remains aligned with its intended risk and return objectives.

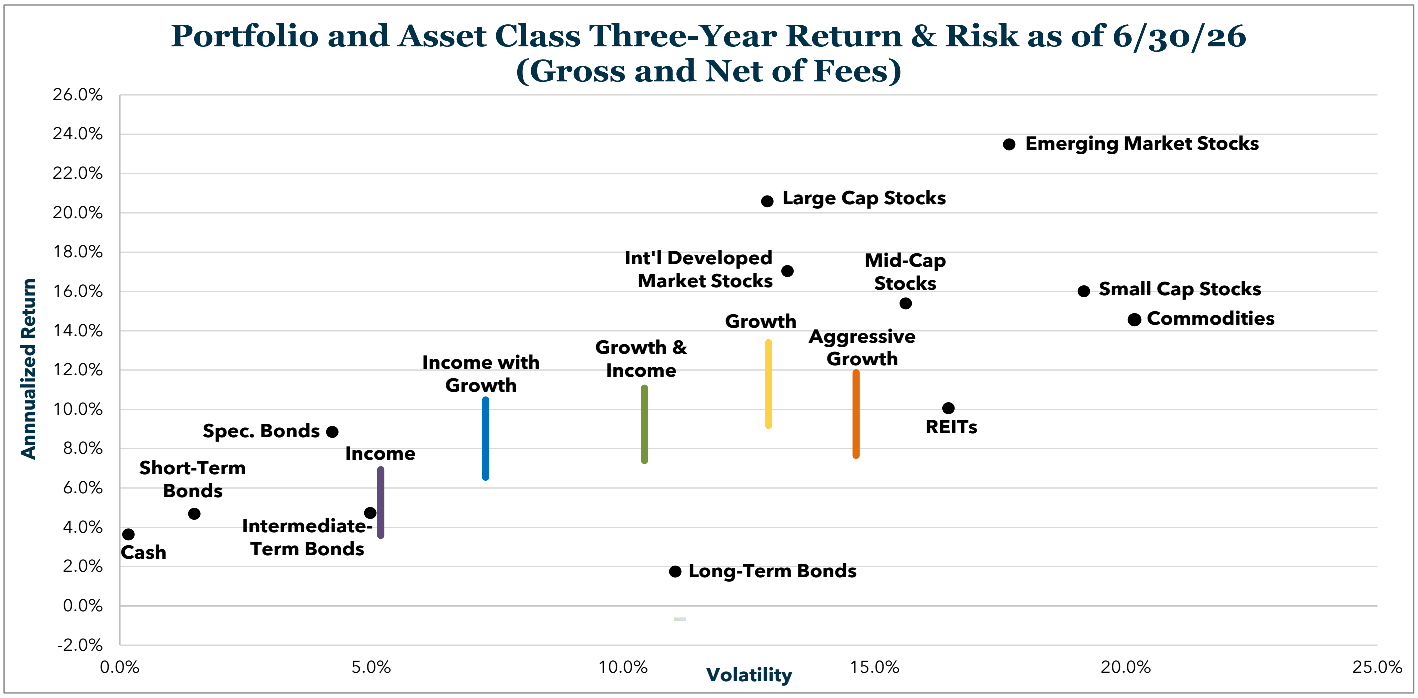
Returns were strong and broad-based during the quarter despite continued geopolitical uncertainty, evolving trade policy, and persistent inflation concerns. Equity markets were supported by resilient corporate earnings and continued AI investment, but importantly, market participation broadened beyond the narrow group of mega-cap technology companies that dominated returns in recent years. Small and mid-cap stocks, developed international markets, emerging markets, and real estate all generated strong gains alongside large cap equities. Commodities, the only negative-performing asset class for the quarter, gave back some of the remarkable Q1 gains, due in part to declines in energy and precious metal prices from the highs reached in the previous quarter.

## Quarterly Asset Class Returns as of 6/30/2026

| | Q3 2023 | Q4 2023 | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 | Q1 2026 | Q2 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash** | 1.3% | 1.4% | 1.3% | 1.3% | 1.4% | 1.2% | 1.0% | 1.1% | 1.1% | 1.0% | 0.9% | 0.9% |
| **US Short-Term Bonds** | 0.1% | 3.6% | 0.2% | 0.8% | 3.6% | -0.8% | 2.1% | 1.5% | 1.3% | 1.2% | 0.2% | 0.4% |
| **US Intermediate-Term Bonds** | -1.9% | 5.5% | -0.4% | 0.5% | 4.6% | -2.1% | 2.6% | 1.5% | 1.8% | 1.4% | 0.1% | 0.5% |
| **US Long-Term Bonds** | -8.7% | 11.9% | -2.4% | -1.7% | 7.9% | -7.4% | 3.4% | -0.1% | 3.3% | 0.0% | -0.8% | 1.5% |
| **Speculative Grade Bonds** | 0.5% | 7.2% | 1.5% | 1.1% | 5.3% | 0.2% | 1.0% | 3.5% | 2.5% | 1.3% | -0.5% | 2.5% |
| **REITs** | -7.1% | 16.2% | -0.2% | 0.1% | 16.1% | -6.2% | 0.9% | -1.2% | 4.8% | -1.6% | 4.8% | 12.4% |
| **US Large Cap Stocks** | -3.3% | 11.7% | 10.6% | 4.3% | 5.9% | 2.4% | -4.3% | 10.9% | 8.1% | 2.7% | -4.3% | 15.2% |
| **US Mid-Cap Stocks** | -4.2% | 11.7% | 10.0% | -3.4% | 6.9% | 0.3% | -6.1% | 6.7% | 5.5% | 1.6% | 2.5% | 14.5% |
| **US Small Cap Stocks** | -4.9% | 15.1% | 2.5% | -3.1% | 10.1% | -0.6% | -8.9% | 4.9% | 9.1% | 1.7% | 3.5% | 19.7% |
| **Int'l Developed Market Stocks** | -4.1% | 10.4% | 5.8% | -0.4% | 7.3% | -8.1% | 6.9% | 11.8% | 4.8% | 4.9% | -1.2% | 10.8% |
| **Emerging Market Stocks** | -2.9% | 7.9% | 2.4% | 5.0% | 8.7% | -8.0% | 2.9% | 12.0% | 10.6% | 4.7% | -0.2% | 24.1% |
| **Commodities** | 16.0% | -10.7% | 10.4% | 0.7% | -5.3% | 3.8% | 4.9% | -2.8% | 4.1% | 1.0% | 40.0% | -11.4% |

*Source: Morningstar Direct, Confluence.**

** Past performance is not indicative of future results. See last page for asset class composition/benchmark details and other important disclosures.*




*Source: Bloomberg, Confluence, using monthly data inclusive of gross and max net returns. See disclosures on last page for fee description; actual investment advisory fees may vary. Past performance is not indicative of future results. See last page for asset class composition/benchmark details and other important disclosures.**

## Portfolio and Asset Class Commentary

The chart above shows the three-year returns and volatilities of 12 sub-asset classes, along with the five Confluence Asset Allocation strategies, represented by the colored vertical bars. Note that the return range for the Confluence strategies reflects gross-of-fee returns at the top of each bar and net returns at the bottom, with net returns assuming the industry-designated maximum fee of 3.00%.

Over the past three years, risk assets remained resilient despite elevated uncertainty. Equities broadly posted strong returns, with leadership recently expanding beyond large US companies to include small cap, international, and emerging market stocks. Defensive assets generated more modest gains, while long-term bonds remained pressured by higher interest rates. Overall, the period reinforced the benefits of diversified exposure across multiple sources of return.

All five Confluence Asset Allocation strategies produced positive three-year returns. More aggressive strategies delivered higher returns with greater volatility, while conservative strategies generated steadier results. Diversification across asset classes helped the portfolios achieve competitive returns, while maintaining volatility below that of many individual equity categories.

At the core of our Asset Allocation approach is the principle that each strategy adheres to a specific and fixed volatility limit. For strategies with lower volatility thresholds, such as Income, bonds are more heavily utilized than stocks. Conversely, in strategies that have higher volatility ceilings, like Aggressive Growth, stocks play a larger role. This structured approach also explains the varying levels of exposure to sub-asset classes across different strategies. Over the past three years, higher-volatility sub-asset classes, such as small cap stocks and commodities, have tended to be more prominent in risk-tolerant strategies such as Aggressive Growth. While these asset classes offer the potential for higher returns, they also carry greater volatility. Commodities declined during the quarter as easing Middle East tensions removed much of the geopolitical risk premium embedded in oil prices, leading energy prices lower and weighing on the broader complex. Gold also retreated after its strong prior advance as some central banks took profits to raise liquidity and meet domestic funding needs. Together, weaker oil and gold prices accounted for much of the asset class's underperformance, despite firmer results in selected industrial metals and other individual commodity markets.

We remain positioned for ongoing economic growth, even as the range of potential outcomes has broadened. Our portfolios continue to favor equities complemented by targeted fixed income exposure and strategic allocations to gold. We expanded the equity allocations this quarter to capture the potential for further market rotation. Overall, Confluence's adaptive Asset Allocation strategy emphasizes diversification, driven by in-depth fundamental economic and market analysis. We selectively invest in assets that offer favorable risk/reward profiles, constructing portfolios that align with both long-term economic trends and current market conditions, while considering the investor's risk tolerance.

**Third Quarter 2026 Asset Allocation Outlook**

- We expect no recession over our three-year forecast period, with near-trend GDP growth.
- Economic growth continues to be driven by business investment.
- Inflation will likely remain above the Fed's long-term target but without further acceleration.
- We expect a cautious Federal Reserve, with inflation limiting the pace and magnitude of future policy easing.
- Geopolitical tensions will remain elevated, contributing to periodic market volatility.
- Elevated valuations among select mega-cap companies, alongside improving earnings prospects across broader segments of the market, should encourage a gradual rotation toward a wider set of equity leaders.
- International developed market equities remain and we introduce allocations to domestic small and mid-caps, given our expectations for a broadening market.
- Gold continues to serve a diversification role in the portfolios.

## Economic Viewpoints

The economy appears to be settling into a new equilibrium. Economic growth has moderated to a sustainable pace. While inflation has picked up over the last few months, there does not seem to be a fundamental shift in the underlying trend. At the same time, monetary policy remains in neutral to restrictive territory. Against this backdrop, our base case continues to call for moderate economic growth over our three-year forecast period. While the pace of expansion has slowed from the exceptionally strong growth experienced earlier in the cycle, the US economy remains structurally sound. Business investment remains supported by secular themes including artificial intelligence (AI), infrastructure investment, and domestic manufacturing, while consumer spending remains positive, albeit pressured among lower-income cohorts. The Atlanta Federal Reserve's GDPNow estimate continues to point toward positive economic growth, reinforcing our expectation that the economy is expanding at a pace closer to its long-term trend.

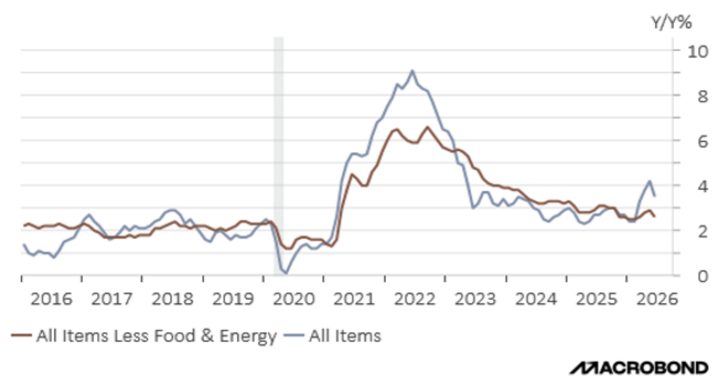
Inflation has moderated substantially from the highs reached in 2022, but we believe further progress toward the Fed's target will become more difficult, and we expect inflation to stabilize in a range of approximately 2.5% to 3.5% over the next three years. Ongoing factors such as persistent fiscal deficits, supply chain reconfiguration, and elevated geopolitical uncertainty are likely to keep underlying inflation above the Fed's 2% target. While we do not expect inflation to accelerate significantly from its current trend, we acknowledge that ongoing wars and tariff uncertainty may result in short-term spikes in inflation.

**Federal Reserve Bank of Atlanta GDP Now Estimate**

Source: Federal Reserve Bank of Atlanta


**Consumer Price Index: Headline vs Core, NSA**

Source: Bureau of Labor Statistics




This environment should allow the Federal Reserve to gradually move toward a more neutral policy stance. Each new Fed chair brings their own leadership style, yet they inherit the unique circumstances faced by their predecessor. We are monitoring the FOMC closely and anticipate that the new leadership will enable the central bank to preserve policy flexibility while contending with the economic effects of escalating geopolitical tensions and the growing influence of AI. Chair Warsh's use of task forces and preference for less transparent monetary policy may potentially increase interest rate and market volatility but could ultimately produce a more adaptable, forward-looking policy framework. So far, market expectations have increasingly shifted toward a higher long-run policy rate, which is consistent with our expectation that interest rates will remain higher for longer.

We also expect geopolitical tensions to remain elevated. While conflicts, trade realignment, and strategic competition may fuel periodic market volatility and temporary inflationary pressures, we view these as short-term shocks that should not alter the economy's long-term trajectory. As a result, we have not materially changed our base case of continued economic expansion over the next three years.

## Stock Market Outlook

Over the past several years, equity market returns have become increasingly concentrated among a handful of mega-cap technology companies, largely reflecting investor enthusiasm surrounding AI and its transformative potential. We still expect that AI will remain a powerful driver of long-term productivity and corporate profitability; however, we also believe the market has already capitalized much of AI's future value into a narrow group of companies, leaving less room for future valuation expansion. As AI-related investment translates into broader capital spending, productivity improvements, and corporate earnings across the economy, we expect market leadership to widen beyond its current concentration. We're already seeing this broadening underway as the equal-weighted S&P 500 outperformed the cap-weighted index by over 400 bps YTD (13.4% vs. 9.3%, respectively). We are not signaling the end of the AI theme, rather we anticipate the next phase of the cycle will be characterized by broader participation across sectors, market capitalizations, and investment styles, creating a more favorable environment for diversified portfolios.

Our equity positioning reflects this forecast as we added to small and mid-cap equities, where risk appropriate, but also remain constructive on US large caps. Given our market rotation expectations, our lower-risk portfolios take on a heavier value tilt, while higher-risk portfolios are more evenly balanced between growth and value. Sector positioning remains focused on areas we believe are supported by long-term secular trends and attractive valuations. We continue to favor energy and industrial companies, both of which stand to benefit from ongoing infrastructure investment, domestic manufacturing, reshoring initiatives, and increasing capital expenditures. This quarter, we replaced our Aerospace & Defense holding with one that uses an equal-weighted methodology, which we believe offers greater participation in rising global defense spending, commercial aerospace demand, and supply chain investment, while reducing concentration risk in the largest market cap companies. We continue to hold dividend-oriented ETFs as dividend income can serve as a reliable cushion in the higher-volatility environment we are forecasting. Within small and mid-caps, we focus on holdings with a quality or dividend focus.

The longer-term trends of a polarizing world and US dollar softness could support foreign investments by encouraging capital diversification and enhancing returns on overseas assets for US-based investors. Foreign investments may also benefit from more attractive relative valuations, improving earnings breadth, stronger fiscal and industrial policy support abroad, and the potential for capital to rotate away from highly concentrated US markets. Our international developed market exposure includes a broad-based holding plus several targeted positions. We continue to hold positions in global metals & miners, international small cap value, and separate Europe and Asia-Pacific-focused ETFs. This quarter, we reduced our overweight position in gold miners as these equities typically exhibit higher volatility than physical gold. In the Aggressive Growth portfolio, we also initiated a small allocation to emerging markets. Although emerging markets continue to face geopolitical and policy risks, we believe improving global manufacturing activity, attractive relative valuations, favorable long-term demographic trends, and the potential for a weaker US dollar over our forecast horizon create an attractive opportunity for long-term investors.

## Bond Market Outlook

The current fixed income environment presents a more balanced opportunity set and may offer meaningful income while providing diversification benefits during equity market volatility. Rather than relying primarily on falling interest rates to generate returns, we believe investors can benefit from today's attractive starting yields, allowing a greater share of total return to come from income over price appreciation. This reinforces our preference for high-quality fixed income as a core portfolio allocation, with a measured approach to interest rate risk. We expect the yield curve to remain positively sloped, with the potential for some flattening if tighter monetary policy pushes short-term yields higher, while longer-term yields remain anchored by growth expectations.

We have modestly increased exposure to shorter maturities, positioning the portfolios to benefit from current higher yields while preserving flexibility should interest rates or credit conditions evolve differently than expected. We continue to favor sectors that offer attractive risk-adjusted return potential without significant exposure to credit risk. We maintain overweight allocations to US Treasurys and agency mortgage-backed securities (MBS), where valuations remain attractive. MBS continue to offer compelling income opportunities, supported by favorable cash flow characteristics and limited extension risk. We remain cautious toward investment-grade corporate bonds despite their recent strong performance. Credit spreads continue to trade near historically tight levels, offering limited compensation for assuming additional credit risk, while elevated issuance — particularly from companies financing AI and other large-scale capital investment — could put upward pressure on spreads over time.

## Other Markets

We retain gold across all strategies, though we've modestly reduced our allocations. Despite the decline in gold prices, we continue to view gold as an effective store of value and a hedge against inflation, geopolitical uncertainty, and currency diversification. This recent pullback is likely due to a combination of profit taking and anticipation of rising interest rates with investors seeking investments with higher yields. Over our three-year forecast period, we expect foreign central banks to continue diversifying a portion of their reserves away from the US dollar and into gold, providing ongoing support for the asset class. We exited our platinum position during the quarter, reallocating capital to equity markets where we believe the expected risk-adjusted return opportunity is more attractive.

| Third Quarter 2026 | Income | | Income With Growth | | Growth & Income | | Growth | | Aggressive Growth | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current | Change | Current | Change | Current | Change | Current | Change | Current | Change |
| Cash | 1% | - | 1% | - | 1% | - | 1% | - | 1% | - |
| Short-Term Bonds | 13% | - | - | - | - | - | - | - | - | - |
| Intermediate-Term Bonds | 45% | 3% | 32% | (2%) | 17% | 7% | - | - | - | - |
| Long-Term Bonds | 20% | - | 15% | - | - | (7%) | - | - | - | - |
| Speculative Grade Bonds | 4% | - | 4% | 4% | - | - | - | - | - | - |
| Real Estate | - | - | - | - | - | - | - | - | - | - |
| US Large Cap Stocks | 10% | - | 25% | - | 43% | - | 50% | - | 42% | - |
| US Mid Cap Stocks | - | - | - | - | 2% | 2% | 2% | 2% | - | - |
| US Small Cap Stocks | - | - | - | - | 3% | 3% | 3% | 3% | - | - |
| Int'l Developed Market Stocks | 7% | - | 20% | - | 29% | - | 34% | - | 42% | - |
| Emerging Market Stocks | - | - | - | - | - | - | - | - | 5% | 5% |
| Commodities | - | (3%) | 3% | (2%) | 5% | (5%) | 10% | (5%) | 10% | (5%) |
| *Total* | *100%* | | *100%* | | *100%* | | *100%* | | *100%* | |

*See last page for disclosures and important details regarding portfolio allocations.*

## Income

The Income strategy emphasizes income generation through a laddered fixed income portfolio that continues to favor US Treasurys and agency mortgage-backed securities over investment-grade corporate bonds, where credit spreads remain near historically tight levels. We maintain a modest allocation to higher-quality speculative-grade bonds through BB-rated securities to enhance income, while preserving overall credit quality. Equity exposure remains focused on US large cap and international developed markets, with a value tilt reflecting our expectation that market leadership will broaden beyond the narrow group of mega-cap growth companies. The portfolio retains a strategic allocation to gold as a long-term diversifier and hedge against elevated geopolitical uncertainty.

## Income with Growth

Income with Growth balances income generation with long-term capital appreciation through a diversified mix of high-quality fixed income and equities. We moderately shorten duration this quarter, while maintaining overweight positions in US Treasurys and agency mortgage-backed securities. Within equities, we continue to emphasize domestic large cap value stocks, complemented by positions in aerospace & defense, energy, and dividend-paying companies, while broadening the international developed exposure through increased allocations to Europe and the Asia-Pacific region alongside existing diversified and international small cap holdings. A small allocation to gold continues to provide diversification during periods of heightened geopolitical and market uncertainty.

## Growth & Income

The Growth & Income strategy is focused on generating long-term capital appreciation with a meaningful allocation to high-quality fixed income. Within bonds, we remain in intermediate-maturity Treasurys and mortgage-backed securities, while maintaining a cautious stance toward corporate credit. Equities continue to favor value-oriented companies, supported by dividend-paying stocks, aerospace & defense, energy, and industrials. To position for broader market participation, we add domestic small and mid-cap quality equities, while expanding international developed exposure through increased allocations to Europe and Asia-Pacific. Gold remains an important portfolio diversifier, although we modestly reduce the overall commodity exposure this quarter.

## Growth

The Growth strategy remains primarily concentrated in equities and is positioned to benefit from broader market participation over our investment horizon. US equities favor value-oriented companies, while maintaining targeted positions in aerospace & defense, dividend-paying stocks, energy, and industrials. This quarter, we add modest allocations to domestic small and mid-cap quality companies, increasing exposure to areas we believe are well positioned as earnings growth broadens. International developed equities remain a significant allocation, with dedicated positions in Europe, Asia-Pacific, international small cap value, and global metals & mining companies. We retain a strategic, though reduced, gold allocation for diversification, while eliminating exposure to platinum.

## Aggressive Growth

Aggressive Growth pursues long-term capital appreciation through a globally diversified equity portfolio. Domestic equity positioning maintains a value orientation and targeted holdings in aerospace & defense, dividend-paying companies, energy, and industrials. International developed equities remain a core allocation, with exposures in broad international markets, Europe, Asia-Pacific, small cap value, and global metals & mining companies. We introduce an allocation to emerging markets this quarter to enhance geographic diversification and to benefit from improving global market breadth and attractive relative valuations. We reduce the commodity allocation, eliminating the platinum exposure but retaining gold as a long-term diversifier amid elevated geopolitical uncertainty.

# Performance & Disclosures

(For Periods Ending June 30, 2026)

| Strategy | ITD | 15 - year | 10 - Year | 5 - Year | 3 - Year | 1 - Year | YTD | QTD |
|---|---|---|---|---|---|---|---|---|
| Income Taxable - Gross of Fees | 6.1% | - | - | 3.2% | 6.9% | 6.8% | 2.3% | 1.7% |
| Income Taxable - Net of Fees | 3.0% | - | - | 0.1% | 3.8% | 3.7% | 0.8% | 0.9% |
| *Benchmark - 20% S&P 500 and 80% Bloomberg US Agg Bond Index* | 4.4% | - | - | 2.8% | 7.4% | 7.4% | 2.6% | 3.5% |
| Income Taxable with Growth - Gross of Fees | 9.8% | 8.5% | 8.8% | 5.9% | 10.5% | 11.9% | 4.3% | 3.9% |
| Income Taxable with Growth - Net of Fees | 6.5% | 5.3% | 5.6% | 2.8% | 7.2% | 8.6% | 2.7% | 3.1% |
| *Benchmark - 40% S&P 500 and 60% Bloomberg US Agg Bond Index* | 7.9% | 7.2% | 7.2% | 5.4% | 10.6% | 11.0% | 4.5% | 6.4% |
| Growth and Income Taxable - Gross of Fees | 8.5% | 9.2% | 9.8% | 6.6% | 11.1% | 14.2% | 4.9% | 4.4% |
| Growth and Income Taxable - Net of Fees | 5.2% | 6.0% | 6.6% | 3.4% | 7.8% | 10.8% | 3.4% | 3.6% |
| *Benchmark - 70% S&P 500 and 30% Bloomberg US Agg Bond Index* | 9.8% | 10.8% | 11.4% | 9.4% | 15.6% | 16.6% | 7.4% | 10.8% |
| Growth - Gross of Fees | 9.4% | 10.6% | 11.9% | 7.8% | 13.4% | 18.2% | 6.0% | 6.1% |
| Growth - Net of Fees | 6.1% | 7.3% | 8.6% | 4.6% | 10.0% | 14.7% | 4.4% | 5.3% |
| *Benchmark - S&P 500* | 12.5% | 14.3% | 15.5% | 13.4% | 20.6% | 22.3% | 10.2% | 15.2% |
| Aggressive Growth - Gross of Fees | 8.6% | 9.4% | 10.6% | 6.1% | 12.0% | 19.8% | 6.5% | 6.6% |
| Aggressive Growth - Net of Fees | 5.4% | 6.2% | 7.3% | 3.0% | 8.7% | 16.3% | 4.9% | 5.8% |
| *Benchmark - S&P 500* | 12.5% | 14.3% | 15.5% | 13.4% | 20.6% | 22.3% | 10.2% | 15.2% |

*ITD=Inception to Date.* Inception Dates: Income Taxable: 1/1/18; Income Taxable with Growth: 12/1/08; Growth & Income Taxable: 9/1/08; Growth: 9/1/08; Aggressive Growth: 8/1/08.

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[1] Net-of-fee performance was calculated using the highest applicable annual bundled fee of 3.00% applied quarterly. This fee includes brokerage commissions, portfolio management, consulting services and custodial services. The Confluence fee schedule for this composite is as follows: 0.40% on the first $500,000; 0.35% on the next $500,000; and 0.30% over $1,000,000. There are no incentive fees. Clients pay an all-inclusive fee based on a percentage of assets under management. The collection of fees produces a compounding effect on the total rate of return net of fees. Bundled fee accounts make up 100% of the composite for all periods. Actual investment advisory fees incurred by clients may vary. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor.

Each strategy is implemented using Exchange Traded Funds (ETFs) and the investment objective is the pursuit of nominal returns (yield and growth) in excess of inflation, subject to the limitations of the risk constraint for each strategy. The targeted risk constraint and appropriate investor risk tolerance for each strategy is as follows: Aggressive Growth (High), Growth (Average), Growth & Income (Moderate), Income with Growth (Conservative), and Income (Conservative).

The asset allocations shown represent the individual ETFs used for the asset allocations in the model portfolios as of 7/28/2026 and do not represent the precise allocation of assets in an actual client account. Asset allocation in client accounts may vary based on individual client considerations and market fluctuations. The allocation of assets in the model portfolio may be changed from time to time due to market conditions and economic factors. The investments held by the portfolio are ETFs and are not guaranteed and carry a risk of loss of principal. There are investment risks in investing in these strategies. Each asset class has specific risks associated with it and no specific asset class can prevent a loss of capital in market downturns. In a rising interest rate environment, the value of fixed income securities generally declines. Speculative grade bonds are subject to greater risk of loss of principal and interest, including default risk, than higher-rated securities. Investments in international and emerging market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. The real estate asset class contains Real Estate Investment Trust (REIT) securities.

Confluence utilizes fixed income ETFs for the bond asset classes to deliver the income and lower volatility traditionally available from a diversified bond portfolio. Fixed income ETFs are not bonds, but are pro-rata interests in publicly traded bond funds. Investors should be aware there are limitations in utilizing fixed income ETFs, which are subject to market risk, including the possible loss of principal. There may be times when an ETF's performance may vary relative to its targeted benchmark. And while ETFs generally trade very close to their net asset values, during times of market disruption they can trade at discounts or premiums, directly affecting performance. Liquidity can vary depending upon market conditions. ETFs trade like a stock but charge internal management fees; there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully before investing.

Information provided in this report is for educational and illustrative purposes only and should not be construed as individualized investment advice or a recommendation. The investment or strategy discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Opinions expressed are current as of the date shown and are subject to change.

* Benchmark returns and volatility calculations utilize monthly data through 6/30/2026. Investors cannot invest directly in an index. Past performance does not guarantee future performance. Asset class and benchmark index representation: Cash (Bloomberg T-Bill Index); Short-Term Bonds (Bloomberg 1-3 Year US Corp&Govt); Intermediate -Term Bonds (Bloomberg 5-7 Year US Corp&Govt ); Long-Term Bonds (Bloomberg 10+Yr US Corp&Govt); Speculative Grade/High-Yield Bonds (Bloomberg US High Yield); REITs (FTSE NAREIT Equity); Large Cap (S&P 500); Mid-Cap (S&P MidCap 400); Small Cap (S&P Small Cap 600); Foreign Developed Country (MSCI EAFE); Emerging Markets (MSCI Emerging Markets); Commodities (S&P GSCI).

## The Asset Allocation Committee

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*See Territory Map on the Confluence website for sales coverage.*