

Wealthspire 2026 Q2 Review

250 Years and Still Growing

By the Wealthspire Investment Team

As Americans mark the 250th anniversary of our nation's founding, it's easy to focus on reasons for concern: markets near all-time highs, ongoing inflation debates, and persistent geopolitical uncertainty. Milestones like this, however, also invite perspective, something that can be easy to lose when attention is focused on the near term.

History Offers Ample Lessons for the Present

In 1794, only a few years after independence, the young United States faced one of its first true financial tests. Speculation had taken hold in government debt markets, there was volatility, and confidence was fragile. At the center stood Alexander Hamilton, who understood a principle that still defines markets today: confidence is not permanent, but it can be restored. Through decisive intervention and the establishment of financial credibility, the crisis passed. What felt existential at the time became, in hindsight, foundational and the beginning of a system that would support centuries of capital formation and growth.

This pattern of fear followed by adaptation and then excess followed by progress repeats itself throughout our history.

In the mid-1800s, America experienced the canal boom, an era of enormous infrastructure ambition. Projects like the Erie Canal transformed commerce and unlocked economic expansion, but they were also fueled by speculation. Capital poured into projects that overpromised and underdelivered. Financial panics followed, including the Panic of 1837, which led to widespread bank failures and economic contraction. At the time, it felt like overreach had permanently damaged the system. But in retrospect, the canals and the railroads that followed laid the groundwork for a national economy, accelerating trade, migration, and industrialization.

The lesson is not that speculation is good but that periods of excess often finance the infrastructure of the future. This rhythm continued into the modern era:

- In 1907, a banking panic nearly collapsed the financial system before private intervention stabilized markets and ultimately led to the creation of the Federal Reserve.
- In 1929, the Great Depression challenged the very foundation of capitalism, only to be followed by structural reforms and decades of expansion.
- In the 1970s, stagflation and oil shocks led many to question whether growth itself had limits until policy adjustments restored stability and ushered in a new economic era.
- In 2008, the financial system itself was at risk, yet coordinated policy responses stabilized markets and led to the longest expansion in U.S. history.
- And in 2020, a global pandemic shut down economic activity overnight, only to be followed by one of the fastest recoveries on record.

Each episode shared a common thread: in the moment, the challenges felt nearly insurmountable, but over time, they proved manageable and often transformative. That pattern reflects something deeper about the U.S. economy, that it is a dynamic system capable of absorbing shocks, reallocating capital, and reinventing itself.

Understanding today's environment requires recognizing that markets operate across multiple cycles simultaneously:

- Business cycles expand and contract, yet expansions have historically lasted far longer than recessions.
- Credit cycles periodically tighten and loosen, often creating stress before resetting the system on stronger footing.

Innovation cycles from canals and railroads to the internet and artificial intelligence often begin with skepticism, pass through exuberance, and ultimately reshape productivity. Market leadership cycles also rotate, with periods of concentration eventually giving way to broader participation.

Today's environment appears to fit squarely within these historical patterns with a buildout in the artificial intelligence infrastructure and supply chains that raise worries about excessive capital being deployed. But growth remains persistent, policy is still restrictive, market leadership is narrow, and risks are visible. It is often during periods like these that the foundation for the next phase is quietly being built.

From History to the Present

With that historical context in mind, the events of the past quarter don't feel as unique. We entered the second quarter facing a familiar mix of concerns: geopolitical tensions, elevated oil prices, persistent inflation, higher interest rates, and political uncertainty. Each episode was concerning, but none was without historical precedent. Markets initially responded with hesitancy and volatility as they often do. By quarter-end, a different narrative had taken hold.

U.S. equities moved to new highs, with the S&P 500 up meaningfully year-to-date. The strength was not driven by speculation alone, but by corporate earnings growth. Companies across sectors continued to demonstrate resilience, with strong revenue trends and profitability exceeding expectations. First-quarter earnings growth approached 30% year-over-year, and expectations for continued double-digit growth remain intact.

Mega-cap technology companies, particularly those tied to artificial intelligence, continued to perform well. Importantly, broader participation also began to emerge. Areas such as energy, industrials, and materials contributed more meaningfully, supported by commodity trends, infrastructure investment, and reshoring activity. We also saw smaller companies start to outperform, a recognition that economic growth is accelerating and the cyclical nature of those smaller companies stands to benefit.

Broadening in markets is an important development, as history tells us that periods of narrow leadership, including the Nifty Fifty era of the 1970s and the dot-com period of the late 1990s, eventually transition either through a market correction or through wider participation. Today's market offers signs of broadening.

Balancing Strength with Caution

Despite these positive developments, concerns remain valid and familiar.

Inflation, while significantly below its peak, has proven more persistent than expected, particularly in energy-related components. Interest rates remain elevated as the Federal Reserve continues to guard against renewed inflation pressure. This backdrop creates pressure on interest-sensitive sectors and raises reasonable questions about the durability of growth.

Fiscal dynamics also remain a focal point. The U.S. has raised its debt ceiling dozens of times and navigated numerous shutdowns, including a recent extended disruption. These episodes often generate headlines and short-term volatility, but history shows they are political challenges rather than economic endpoints.

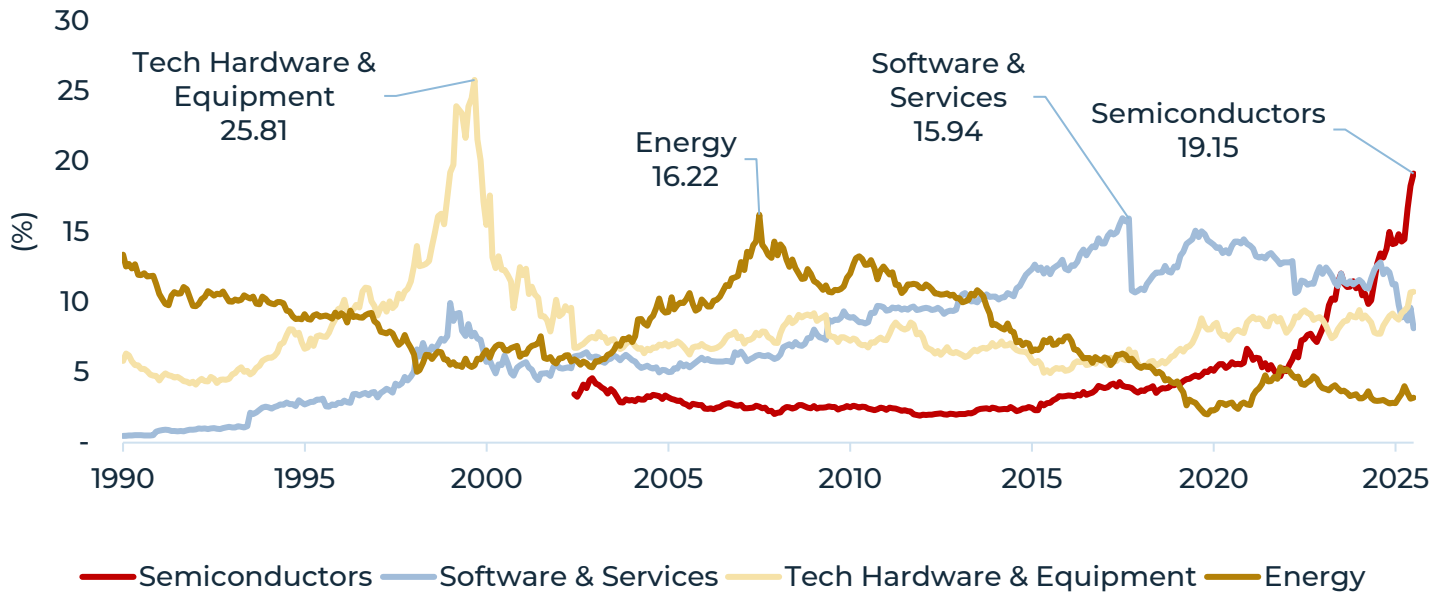
Importantly, valuations and concentration warrant attention. A relatively small group of companies still represents a significant portion of market indices, and while these companies have delivered exceptional earnings growth, history reminds us that leadership evolves and diversification remains essential.

The Role of Dynamic Industries

If there is a throughline connecting past and present, it is the role of innovation. Just as canals and railroads transformed the 19th-century economy, and the internet reshaped the late 20th century, today's artificial intelligence and digital infrastructure investments are beginning to influence productivity across industries.

These investments are substantial and, at times, speculative. History suggests, however, that even when capital is misallocated in the short term, the longer-term impact can still be positive as infrastructure, knowledge, and capability remain. Consider several of the industry weights from the graphic below. At various points, technology hardware was >25% of the index, followed by energy at 16%, software around 16%, and now semiconductors at 19%. Indices adapted, evolved, and moved towards new industries, reflecting the uniquely dynamic nature of corporate America.

Select S&P 500 Industry Weights



Source: Bloomberg Finance, LP (data through 6/30/2026)

Looking Ahead

As we stand at this 250-year milestone, the current environment feels less like an endpoint and more like a continuation of a long and familiar story. We're navigating:

- A period of elevated but moderating inflation
- A restrictive but stabilizing policy environment
- Strong corporate earnings and resilient consumers
- A transition from narrow to broader market leadership
- And the early stages of a new innovation cycle

There will undoubtedly be volatility ahead, as there always is. But if history offers any guidance, it's this: innovation, adaptability, and disciplined investing have consistently helped investors look through uncertainty and participate in long-term growth.

From Hamilton's efforts to stabilize a fragile financial system in the 1790s, to the canal builders of the 1800s, to today's buildout in artificial intelligence, the American economy has been defined not by the absence of challenges, but by its ability to evolve through them. Each generation faces its own version of uncertainty. Each believes, at times, that the moment is uniquely difficult. And each, in hindsight, becomes part of a broader narrative of progress.

As investors, our role is not to predict every turn. It is to remain grounded in long-term perspective, recognize cycles for what they are, manage risk thoughtfully, and stay aligned with the enduring forces that drive growth.

On this 250th anniversary, that perspective feels especially relevant.

We thank you for your continued trust and partnership, and we look forward to navigating the road ahead together with discipline in the present and confidence in the long arc of progress.

Markets

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Higher Return ↑	EM MKTS 8.65	EM MKTS 5.32	ALTS -1.81	EM MKTS 14.54	EM MKTS 8.86	USSM 3.68							USSM 22.71
	INTL 6.04	INTL 5.05	FIXED INC -1.76	USSM 11.15	USLC 5.26	HEDGE EQ 1.70							EM MKTS 22.41
	USSM 4.98	USSM 2.45	MUNI -2.10	USLC 10.49	INTL 4.86	ALTS 1.42							INTL 13.05
	STOCK/BOND 2.36	FIXED INC 1.64	HEDGE EQ -4.44	INTL 9.68	USSM 4.36	MUNI 0.52							USLC 10.21
	HEDGE EQ 2.26	STOCK/BOND 1.31	USLC -4.98	STOCK/BOND 6.25	STOCK/BOND 3.17	FIXED INC 0.24							HEDGE EQ 8.67
	ALTS 1.59	ALTS 1.28	USSM -5.13	HEDGE EQ 5.43	HEDGE EQ 2.87	STOCK/BOND -0.19							ALTS 7.81
	USLC 1.45	MUNI 0.91	STOCK/BOND -5.25	ALTS 3.59	ALTS 1.59	USLC -0.95							STOCK/BOND 7.50
	MUNI 0.99	HEDGE EQ 0.82	INTL -10.84	MUNI 0.58	FIXED INC 0.31	INTL -1.03							MUNI 1.11
	FIXED INC 0.11	USLC -0.76	EM MKTS -12.81	FIXED INC 0.11	MUNI 0.24	EM MKTS -1.60							FIXED INC 0.62
Lower Return ↓													

Source: Morningstar and Bloomberg Finance L.P. (data as of 6/30/2026)

- Stock markets rebounded following the geopolitical-led sell-off in March, with the S&P 500 Index up 15.2% for the quarter and 10.2% year-to-date. Domestically, small cap stocks were the top performers. Earnings growth remained resilient across the market, supported by strong spending on AI and related infrastructure. Overseas performance also improved, though developed markets lagged the U.S., gaining 10.8%, while emerging markets advanced 24.1%. Emerging market strength was led by countries such as South Korea and Taiwan, where AI-related supply chains and semiconductor exposure provided a meaningful tailwind.
- Bond markets were modestly positive in the second quarter, even as inflation pressure pushed yields higher and reduced expectations for near-term policy easing. The 10-year Treasury yield closed the quarter at 4.46%, up from 4.32% at the end of March. The Bloomberg U.S. Aggregate Bond Index, a proxy for investment-grade taxable bonds, gained 0.7% for the quarter, while municipal bonds posted a stronger return.
- Commodity market performance weakened during the quarter as oil prices fell sharply. The Bloomberg Commodity Index declined 8.1%, with energy and precious metals leading the pullback. Oil prices retreated as supply concerns eased and production remained elevated, while gold and silver moved lower after a strong start to the year amid a firmer U.S. dollar and shifting rate expectations.

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