ENTASIS ASSET MANAGEMENT

MARKET HIGHLIGHTS

August 2026

A Sum of the Parts Analysis

One of the key mistakes investors can make (including us) is looking at each of the pieces of a portfolio individually without looking at the impact of each piece on the whole. If done correctly, the mix of portfolio assets owned will serve to support one another in different market environments, either participating in growth or shielding from downside volatility, with the end result being a more stable return path.

It sounds like a simple concept, but it is arguably the costliest mistake made by investors over their lifecycle – concentrating portfolio risk in assets that behave too similarly. Owning high-risk growth assets helps build long-term wealth. Removing all that risk limits wealth compounding. However, owning only those type of assets (while enjoyable in good years) makes it hard to stay invested when times are difficult. It also exposes the portfolio to damage that can take years to repair. Low-risk, low-volatility assets, that generate slow and steady progress, also have a place in an appropriate asset mix. They often shield investors from poor, untimely decision-making and keep the portfolio moving forward. But a portfolio comprised only of those assets might not allow an investor to reach their goals.

This is the essence of sum-of-the-parts analysis. Individually, each of those assets has faults that make them difficult to own in isolation. Taken together, however, they play critical roles in achieving long-term portfolio outcomes and make the whole greater than the parts.

Summary

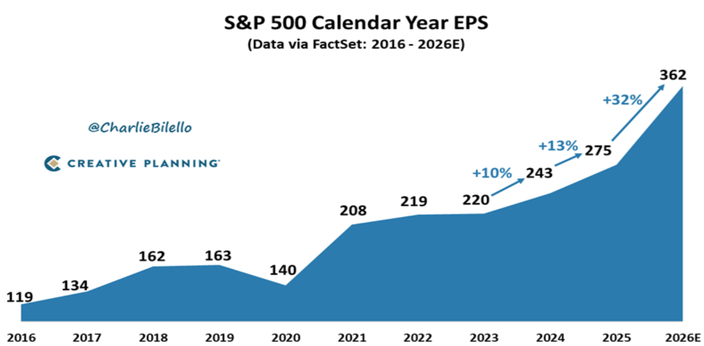
- S&P 500® earnings are now expected to grow at 32% for calendar year 2026 – more than double the 15% growth estimated at the start of the year.
- The broadening of U.S. equity returns beyond a narrow group of speculative growth stocks has been a healthy development, which we believe can continue as investors focus on underlying business fundamentals.
- The combination of U.S. dollar weakness, cheaper valuations, and an improvement in earnings, has led us to remain optimistic for foreign equity markets moving forward.
- Money-market yields have declined as short-term policy rates have come down, while Treasury yields further out on the maturity curve have moved higher. Cash remains appropriate for liquidity and near-term spending, but excess cash now carries an opportunity cost.

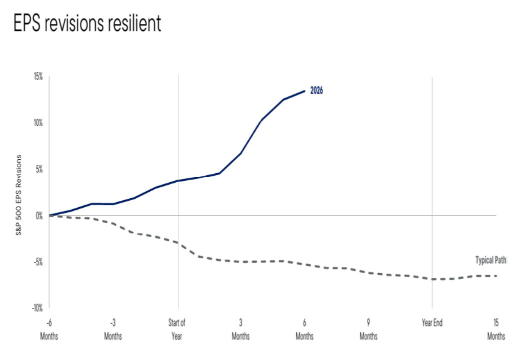
We greatly value the trust our clients have placed in us and welcome any questions you may have. Thank you for reading.

Highlight 1 – Earnings Growth

Equities rebounded sharply in the second quarter on strong earnings and a temporary pause of hostilities in the Middle East. Momentum faded in July as some of the largest second-quarter winners sold off when investors began to question capital expenditures on artificial intelligence (AI) infrastructure.

- S&P 500® earnings are now expected to grow at 32% for calendar year 2026 – more than double the 15% growth estimated at the start of the year – after a 29% upside surprise relative to expectations (see charts below).
- Sustainability is the open question. A large share of the surprise came from mark-ups ("paper gains") on investments such as SpaceX and Anthropic, especially at mega-cap technology companies where "other income" was a significant contributor. We remain constructive near term because earnings, not speculation, have underpinned 2026 returns – but we are watching earnings quality closely.





Source: Franklin Templeton – Anatomy of a Recession – 3Q 2026

Highlight 2 – U.S. Equity Positioning

In the U.S., value-oriented stocks have outpaced growth-oriented stocks by a wide margin year-to-date. The same can be said for small- and mid-cap stocks relative to larger-cap stocks.

- Relative valuations between U.S. growth and value have narrowed as earnings improved more than prices appreciated for mega-cap growth stocks (see chart top left next page). We still see an attractive runway for value on starting valuations, and we have become more constructive on growth – while watching rising capital requirements and weaker free cash flow tied to AI infrastructure spending.
- Small- and mid-cap stocks have performed well on an absolute and relative basis. (see chart top right next page) Even after those results, we remain positive as earnings improve and valuations stay attractive versus history and versus large-cap stocks.

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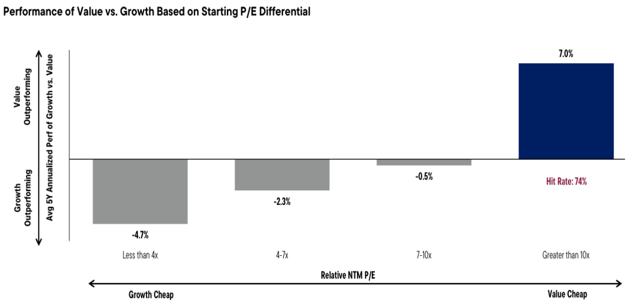


Source: Franklin Templeton – Anatomy of a Recession – 3Q 2026

Equity market	Forward P/E	Trailing P/E	P/B
US large caps	20 (15%)	27 (20%)	5.7 (69%)
US equal weighted	18 (1%)	24 (6%)	3.6 (29%)
US small caps	18 (-10%)	34 (13%)	2.6 (15%)
World ex-US	16 (11%)	19 (17%)	2.4 (41%)
World ex-US equal weighted	15 (3%)	19 (3%)	1.9 (28%)
World ex-US small caps	14 (-5%)	20 (-2%)	1.6 (10%)

Source: Schroders Equity Lens – August 2026

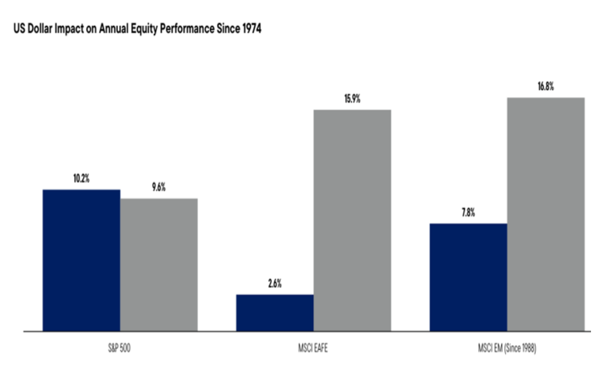
We believe the broadening of U.S. equity returns beyond a narrow group of speculative growth stocks has been a healthy development, which we believe can continue as investors focus on underlying business fundamentals.

Highlight 3 – Foreign Equity Relative Value

Foreign equity markets have delivered strong gains so far in 2026 as earnings improvements in local markets have helped to offset geopolitical turmoil.

- Developed foreign equities, as represented by the MSCI EAFE® Index, have outpaced U.S. equity returns on a year-to-date basis. Similar to the U.S. market, value-oriented stocks have outperformed growth-oriented stocks. However, unlike the U.S., value outperformance has been a trend for years.
- The story has been much different in emerging markets, as represented by the MSCI Emerging Markets Index, where a small group of stocks – primarily semiconductor/AI infrastructure names – have driven a significant portion of overall returns. This has led to a wide dispersion among individual countries and sectors.
- From a valuation perspective, foreign markets (developed and emerging combined as represented by the MSCI ACWI ex US Index) continue to be priced attractively relative to the U.S. equity market. The relative valuation spread between foreign equities and domestic equities has narrowed over the past two years but continues to be less expensive by a wide margin relative to history (see chart lower left).

Source: Franklin Templeton – Anatomy of a Recession – 3Q 2026



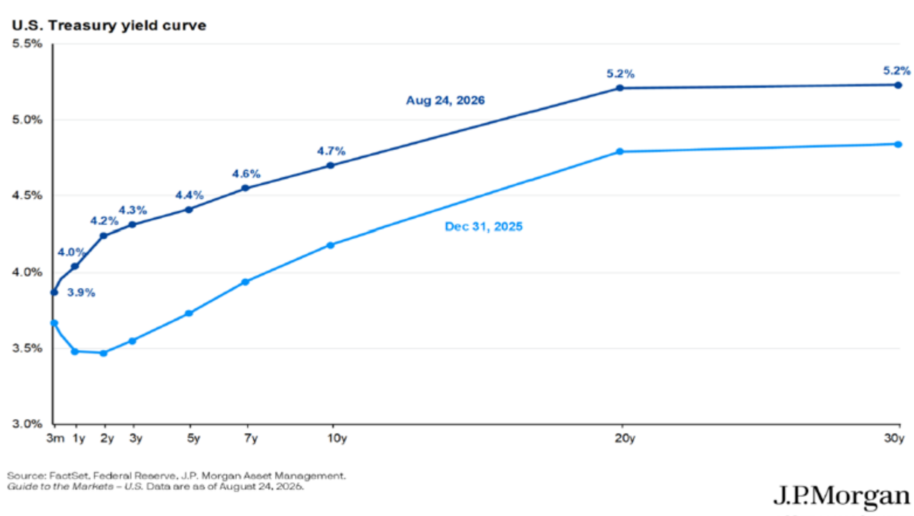
Source: Franklin Templeton – 3Q 2026

Highlight 3 – Foreign Markets (cont.)

Following a short period of recent U.S. dollar strength, we believe the U.S. dollar will gradually weaken relative to many foreign currencies over the short- to intermediate-term. Historically, a weaker U.S. dollar has provided a significant tailwind for both developed foreign and emerging markets equities (see chart lower right prior page). The combination of U.S. dollar weakness, cheaper valuations, and an improvement in earnings, has led us to remain optimistic for foreign equity markets moving forward.

Highlight 4 – Cash vs. Bonds

- Money-market yields have declined as short-term policy rates have come down, while Treasury yields further out the maturity curve have moved higher. Cash remains appropriate for liquidity and near-term spending, but excess cash now carries a more meaningful opportunity cost.
- We still do not want to aggressively extend duration. Higher long-term yields reflect fiscal deficits, heavy U.S. Treasury bond issuance, and an uncertain inflation outlook. Longer-duration bonds are far more sensitive to those risks, so we favor duration below traditional broad-market benchmarks.
- The 2–5-year maturity area is our preferred sweet spot: more yield than money markets, without the duration risk of 10- to 30-year bonds.
- Our positioning is fairly straightforward: don't hide in cash, but don't reach for duration. Lock in attractive yields in shorter- and intermediate-maturity bonds and let income generation drive the return profile.



Source: FactSet, Federal Reserve, J.P. Morgan – data as of 8/24/26

Market Performance

Annualized % Returns (As of 06/30/2026)

Index Name	Index Category	1 Year	3 Year	5 Year	10 Year
S&P 500 Index	Large Cap Stocks	22.33%	20.59%	13.40%	15.50%
Russell 1000 Index	Mid/Large Cap Stocks	22.02%	20.45%	12.65%	15.29%
Russell 1000 Growth Index	Growth Stocks	17.71%	22.55%	13.71%	18.57%
Russell 1000 Value Index	Value Stocks	27.12%	17.77%	11.17%	11.52%
Russell 2000 Index	Small Cap Stocks	40.78%	18.59%	6.98%	11.62%
MSCI EAFE Index	Non-U.S. Developed Market Stocks	20.80%	17.00%	9.60%	10.19%
MSCI Emerging Markets Index	Emerging Markets Stocks	44.18%	23.59%	7.68%	10.51%
MSCI ACWI Ex USA Small Cap Index	Non-U.S. Small Cap Stocks	20.35%	16.95%	6.81%	9.56%
Barclays Municipal Bond Index	U.S. Municipal Bonds	7.03%	3.75%	1.05%	2.14%
Barclays Aggregate Bond Index	U.S. Bonds	3.79%	4.15%	0.08%	1.54%
Barclays Intermediate U.S. Gov/Credit Index	Government/Corporate Bonds	3.14%	4.67%	1.22%	1.92%

Annualized % Returns (As of 07/31/2026)

Index Name	Index Category	1 Year	3 Year	5 Year	10 Year
S&P 500 Index	Large Cap Stocks	19.56%	19.31%	12.85%	15.07%
Russell 1000 Index	Mid/Large Cap Stocks	18.94%	18.96%	12.11%	14.82%
Russell 1000 Growth Index	Growth Stocks	8.03%	19.26%	11.88%	17.45%
Russell 1000 Value Index	Value Stocks	31.19%	17.87%	11.82%	11.61%
Russell 2000 Index	Small Cap Stocks	34.18%	15.08%	7.11%	10.63%
MSCI EAFE Index	Non-U.S. Developed Market Stocks	24.92%	16.52%	9.86%	9.86%
MSCI Emerging Markets Index	Emerging Markets Stocks	37.06%	19.87%	8.51%	9.63%
MSCI ACWI Ex USA Small Cap Index	Non-U.S. Small Cap Stocks	19.02%	14.67%	6.44%	8.87%
Barclays Municipal Bond Index	U.S. Municipal Bonds	5.27%	2.98%	0.51%	1.95%
Barclays Aggregate Bond Index	U.S. Bonds	2.71%	3.72%	-0.40%	1.35%
Barclays Intermediate U.S. Gov/Credit Index	Government/Corporate Bonds	2.84%	4.43%	0.98%	1.85%

Calendar Year % Returns (YTD as of 07/31/2026)

Index Name	YTD	2025	2024	2023	2022	2021
S&P 500 Index	10.14%	17.88%	25.02%	26.29%	-18.11%	28.71%
Russell 1000 Index	9.93%	17.37%	24.51%	26.53%	-19.13%	26.46%
Russell 1000 Growth Index	0.32%	18.56%	33.36%	42.68%	-29.14%	27.60%
Russell 1000 Value Index	20.67%	15.91%	14.37%	11.46%	-7.54%	25.16%
Russell 2000 Index	18.85%	12.81%	11.54%	16.93%	-20.44%	14.82%
MSCI EAFE Index	12.00%	31.89%	4.35%	18.85%	-14.01%	11.78%
MSCI Emerging Markets Index	20.27%	34.36%	8.05%	10.27%	-19.74%	-2.22%
MSCI ACWI Ex USA Small Cap Index	8.39%	29.88%	3.85%	16.23%	-19.57%	13.36%
Barclays Municipal Bond Index	0.43%	4.25%	1.05%	6.40%	-8.53%	1.52%
Barclays Aggregate Bond Index	-0.69%	7.30%	1.25%	5.53%	-13.01%	-1.54%
Barclays Intermediate U.S. Gov/Credit Index	-0.02%	6.97%	3.00%	5.24%	-8.23%	-1.44%

Source: YCharts. Returns less than one year are not annualized. Past performance is no guarantee future results. Current performance may be lower or higher than that shown. All indices are unmanaged. Investors cannot invest directly in an index. Index returns do not include expenses. See page 8 for index definitions and other important disclosures.

Our Team

Bob Batchelor, CFA®, CFP®
CEO
Co-Founder

Bob J. Batchelor, CFA®, CFP® is Founder and Chief Executive Officer of Entasis Asset Management. Bob has 28 years of experience in the investment industry. Prior to founding Entasis, Bob worked at Artisan Partners where he held a variety of roles including Head of Corporate Communications, Managing Director, Head of Marketing and Technology and Head of Marketing and Communications. He also served as a member of Artisan Partners Executive Committee. Before Artisan Partners, Bob worked at Strong Capital Management as Client Account Manager and Director of Investment Research and Communication.

Bob holds an M.B.A. from Marquette University and a B.B.A. from the University of Wisconsin-Madison. He has earned the right to use the CFA designation. Bob is a member of the CFA Institute and CFA Society of Milwaukee. Bob has also earned the Certified Financial Planner™ certification and SE-AWMA™ professional designation.

C.J. Batchelor, CFA®
CIO
Co-Founder

Charles J. (C.J.) Batchelor, CFA® is Founder and Chief Investment Officer of Entasis Asset Management. C.J. has 22 years of experience in the investment industry. Prior to founding Entasis, C.J. worked at Cleary Gull, a multi-billion dollar investment advisory firm, as Director of Investment Research. He also served as a member of Cleary Gull's Investment Policy Committee, Investment Committee and Equity Strategy Group.

C.J. holds a B.B.A. in Finance from the University of Wisconsin-Milwaukee. He has earned the right to use the CFA designation. C.J. is a member of the CFA Institute and CFA Society of Milwaukee.

Mike Peters, CFA®
Senior Wealth Advisor
Co-Founder

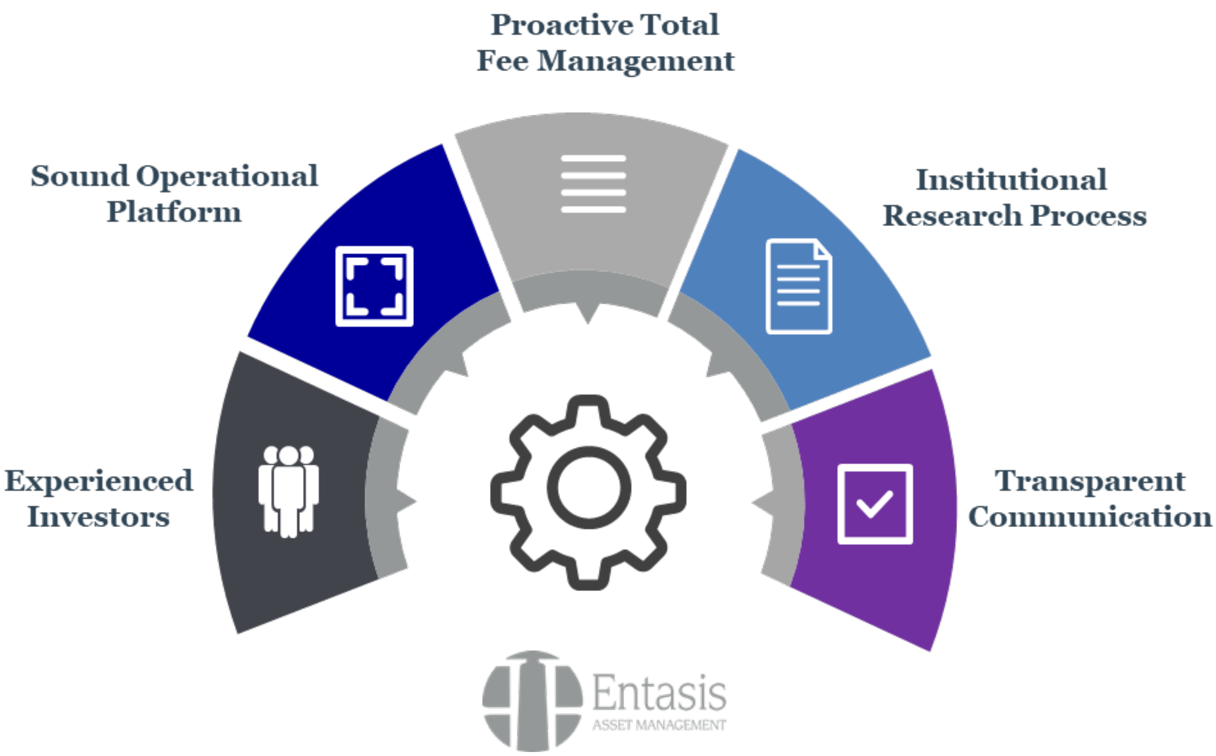
Mike Peters, CFA® is Founder and Senior Wealth Advisor at Entasis Asset Management. Mike has 22 years of experience in the investment industry. Prior to founding Entasis, Mike worked at Cleary Gull, a multi-billion dollar investment advisory firm, as Fixed Income Portfolio Manager. In his role he served as voting member of Cleary Gull's Fixed Income Strategy Group and Complement (Alternative) Strategy Group. Before Cleary Gull, Mike worked for several years at Madison Investment Advisors, a multi-billion dollar asset management firm, as a Fixed Income Analyst.

Mike holds a B.B.A. in Finance from the University of Wisconsin-Milwaukee. He has earned the right to use the CFA designation. Mike is a member of the CFA Institute and CFA Society of Milwaukee.

David LaCroix
Senior Wealth Advisor

David D. LaCroix is a Senior Wealth Advisor at Entasis Asset Management. David has more than 50 years of experience in the investment industry. Prior to joining Entasis, David worked at Cleary Gull Advisors, a Johnson Financial Group Company, and Cleary Gull Inc., a prior affiliate of Cleary Gull Advisors, where he most recently served as Vice President, Relationship Manager responsible for high net worth clients. Before Cleary Gull, David worked in a variety of portfolio management and client relationship management positions with A.G. Edwards and M&I Capital Markets Group.

David received his M.B.A. and B.B.A. in Finance from the University of Wisconsin-Madison. He has served as a member of the Archdiocese of Milwaukee Investment Committee, as a Trustee for the Village of Shorewood and as Director/Treasurer of Milwaukee Summerfest.


Proactive Total
Fee Management
Sound Operational
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IMPORTANT INFORMATION

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The **S&P 500® Index** is a market capitalization weighted index that measures the performance of 500 leading companies in leading industries of the U.S. economy. The **Russell 1000® Index** measures the performance of roughly 1,000 U.S. large-cap companies. The **Russell 1000® Growth** Index measures the performance of U.S. large-cap companies with higher price/book ratios and forecasted growth values. The **Russell 1000® Value Index** measures the performance of U.S. large-cap companies with lower price/book ratios and forecasted growth values. The **Russell 2000® Index** measures the performance of roughly 2,000 U.S. small-cap companies. The **MSCI EAFE® Index** is a market capitalization weighted index that is designed to measure the performance of developed markets, excluding the U.S. and Canada. The **MSCI Emerging Markets Index** is a market capitalization weighted index that is designed to measure equity market performance of emerging markets. **The MSCI ACWI Ex USA Small Cap Index** is a market capitalization weighted index that represents the performance of smaller capitalization companies in developed and emerging markets excluding the U.S. The **Barclays Aggregate Bond Index** tracks the performance of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities with at least one year to final maturity. The **Barclays Intermediate U.S. Gov/Credit Index** tracks the performance of intermediate U.S. government and corporate bonds. The **Barclays Municipal Bond Index** is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year. Past performance is no guarantee of future results. All indices are unmanaged. Investors cannot invest directly in an index. Index returns do not include expenses.

Investment Terms

Valuation levels are typically shown by calculating the price level of an index or a company relative to any number of characteristics of an index or company. For instance, the price-to-earnings valuation metric looks at the price of an index (or stock) divided by the total earnings of an index (or stock). Based on the multiple (in this instance, the multiple is how much investors are willing to pay – the price – for a given amount of earnings), it provides investors with a general sense of how expensive, or cheap, the overall market is at the present time. While there are a significant number of valuation metrics that are used in practice, and many ways to vary/modify the calculation of the price-to-earnings ratio, in this summary we are focused on the price investors are willing to pay (the level of the S&P 500® Index) divided by earnings expectations for the equity market (S&P 500 Index) over the next 12 months. This valuation metric is referred to as the forward P/E. A **yield curve** is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. A **basis point** is a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% (0.0001). **Interest coverage** is a measure of a company's ability to meet its interest payments on its debt. **Federal funds rate** is the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. It is one of the most influential interest rates in the U.S. economy, since it affects monetary and financial conditions, which in turn have a bearing on key aspects of the broad economy including employment, growth and inflation.

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