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INVESTMENT STRATEGY STATEMENT | July 1, 2026

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by Darren Hinshaw, Pierre Allard, Christopher Fidler, & Adam Newton

Performance Review & Outlook

Equity markets ended June lower, as easing geopolitical risks weren't enough to outweigh a hawkish start to Fed Chair Kevin Warsh's tenure and shifting dynamics in the megacap tech space.

The United States and Iran reached an agreement to end hostilities and reopen the Strait of Hormuz, removing one of the most significant near-term risks facing oil markets.

Technology leadership rotated away from the hyperscalers and toward the companies benefiting from AI infrastructure spending, led by semiconductor and memory/storage names

U.S. Treasury yields traveled a wide range but finished June close to where they started, with the 10-year hitting a mid-month peak of 4.56% before closing the month at 4.45%.

Kevin Warsh's first meeting as Fed Chair brought a hawkish pivot, with an updated dot plot lifting the year-end rate target to 3.8% and putting at least one rate hike on the table.

Looking ahead, July will bring considerably more clarity on the pace of AI capital expenditures, the path of inflation, and the Fed's next policy move, with CPI, PCE, the July FOMC meeting, and the start of second quarter earnings season all on the calendar.

History does not repeat itself, but it does rhyme, and right now we hear two distinct melodies playing at once. The first is the late 1990s: the AI build-out is, in our view, every bit as consequential as the internet build-out of that era. The capital being deployed is staggering, with hyperscalers alone projected to spend roughly $750 billion on capital expenditures in 2026, nearly double what was spent just last year, and that spending is not a side story to the economy, it is increasingly a driver of it. Just as the internet ultimately reshaped earnings and profitability across nearly every industry rather than remaining confined to a handful of technology stocks, we expect AI's productivity gains to broaden out across the economy in the same way, lifting margins for the companies that adopt it well beyond the infrastructure providers themselves.

We take this analog seriously because the underlying technology, like the internet before it, is genuinely transformational, and the scale of investment reflects that conviction.

S&P 500 Price Index

The second melody is the 1970s, though we would frame it less as a repeat of that era and more as a shift in the mix of inflationary pressures over this decade.

The AI build-out is part of that story. Pouring hundreds of billions of dollars into data centers, power generation, and the physical infrastructure that supports them creates incremental demand for commodities and industrial inputs, and that is likely to keep certain pockets of pricing firmer than markets have grown accustomed to. The one place we would push back on a 1970s comparison is energy. The Middle East remains a genuine source of risk, as this year has shown, but the global energy landscape today is far more distributed than it was fifty years ago.

The proliferation of fracking and oil production across a broader set of geographies, combined with the steady growth of solar and wind generation, should help contain the inflationary impact of energy shocks in a way that simply was not possible in the 1970s. The lesson we take from holding both analogs at once is not to choose a side, but to build portfolios that can participate in genuine technological transformation while staying attentive to where pricing pressures are likely to show up next.

Equity Market Overview

Equity markets ended June lower, as easing geopolitical risks weren't enough to outweigh a hawkish start to Fed Chair Kevin Warsh's tenure and shifting dynamics in the megacap tech space.

The United States and Iran reached an agreement to end hostilities and reopen the Strait of Hormuz, providing a geopolitical tailwind for global markets and energy supply chains. The deal, reached after weeks of back-channel diplomacy, removes one of the most significant near-term risks facing oil markets and represents a constructive step toward regional stability. Critics have questioned the terms of the agreement and whether all parties will fully comply, and it would be unrealistic to assume there will be no further challenges. Nevertheless, we view this outcome as positive for the broader economy: lower energy price risk, improved shipping confidence, and reduced geopolitical uncertainty are meaningful tailwinds.

> Markets will now look to upcoming inflation data to confirm how much relief the de-escalation actually delivers.

Oil (WTI $/Barrel)

Within technology, leadership continued to rotate. Rather than broad based weakness, the market saw a shift away from the hyperscalers funding massive capital expenditure budgets and toward the companies benefiting from that spending, with semiconductor and memory/storage names leading the move. This reflects current investor preference for companies with visible near-term pricing power and margin expansion tied to AI infrastructure, as opposed to the hyperscalers still in the early stages of converting heavy spending into returns.

Index and Sector Performance

-1.1%	S&P 500
+2.5%	Dow Jones Industrial Avg.
-2.8%	Nasdaq Composite

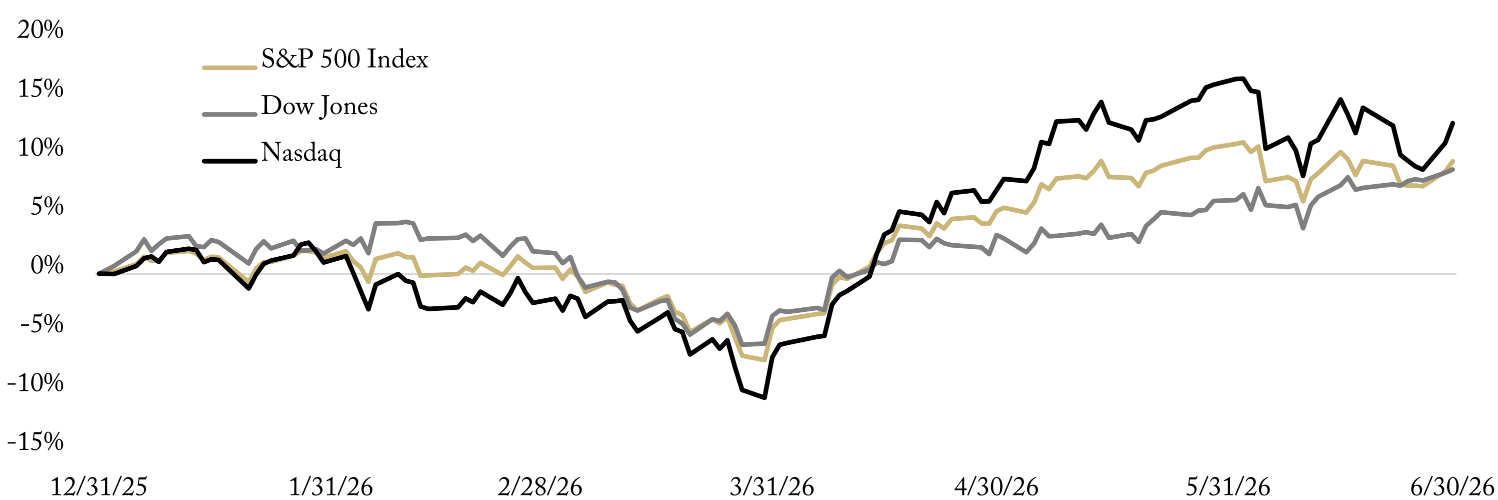
Outperforming Sectors

+7.2%	Industrials
+6.5%	Health Care
+4.2%	Financials

Underperforming Sectors

-7.9%	Communication Services
-5.1%	Energy
-4.8%	Consumer Discretionary

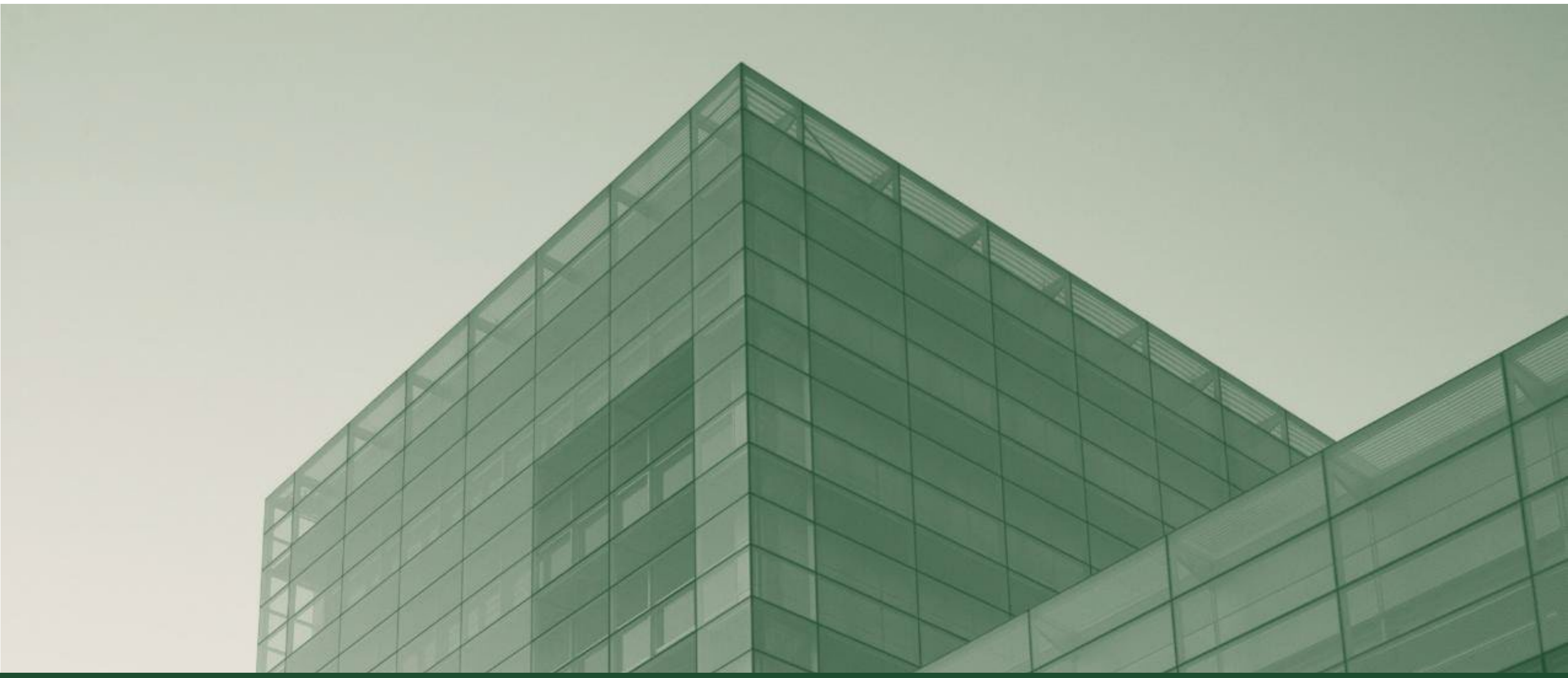
Index Performance



12-Month Percentage Change of Indices

Index (Local Currency)	Level	June	YTD	12-Month
S&P 500	7499.36	-1.0%	10.2%	22.3%
Dow Industrials (DJIA)	52319.2	2.7%	9.8%	20.6%
Nasdaq	26213.72	-2.7%	13.1%	29.5%
Russell 2000	3024.367	3.7%	22.7%	40.9%
U.S. 2yr Treasury	4.1723	4.2%	20.1%	12.2%
U.S. 10yr Treasury	4.4652	0.7%	7.2%	5.6%
Gold (NY Spot $/oz)	4008.02	-11.7%	-7.2%	21.3%
Silver (NY Spot $/oz)	58.5995	-22.2%	-18.2%	62.3%
Copper ($/metric ton)	13348.9	-1.8%	7.2%	32.8%
Oil (WTI Spot/bbl)	69.5	-20.4%	21.0%	6.7%
Oil (Brent Spot/bbl)	72.92	-20.8%	19.8%	7.9%
Natural Gas ($/mmBtu)	3.275	-0.5%	-11.2%	-5.2%

Data as of June 30, 2026. Source: FactSet/Bloomberg



In our opinion, the central themes for markets in the months ahead will be the continued pace of AI focused capital expenditures, how inflation responds to lower energy prices, and how the Fed weighs the prospect of future policy decisions. July will offer considerably more clarity on all three.

The CPI report in the middle of the month and PCE Price Index release at month end will show to what extent easing energy prices are translating into broader inflation relief.

The Fed's July meeting will also be in focus, with markets currently pricing in no change to policy.

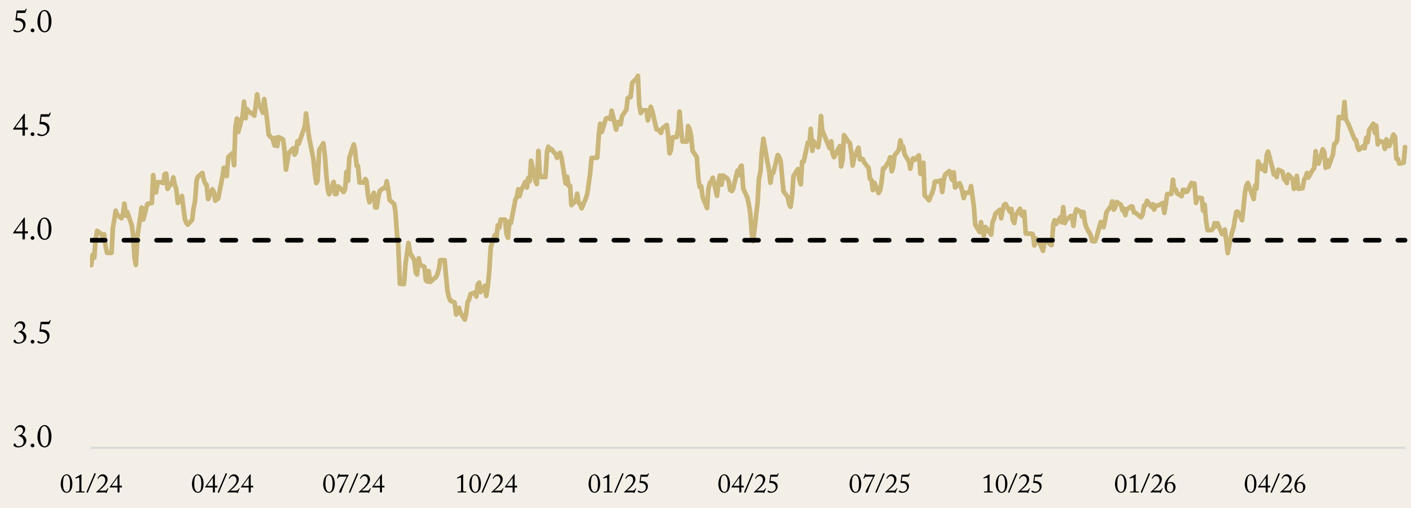
> Finally, the start of second quarter earnings season will give investors a clearer read on capex budgets and the durability of earnings growth tied to the AI buildout.

Fixed Income Market Overview

June saw U.S. bond markets start and finish in nearly the same spot, but travel quite a distance to get there. The U.S. 10-year Treasury Note began the month at 4.46%, broke out to a mid-month peak of 4.56%, fell to a low of 4.36% and then closed the month nearly unchanged at 4.45%. The month was defined by two opposing forces: a hawkish pivot from a newly led Federal Reserve mid-month, followed by a sharp Treasury rally into month-end as the Iran conflict cooled and oil prices collapsed. The 10-year yield ultimately finished roughly where it started, but the round trip masked meaningful shifts in market expectations.

At his first meeting as Fed Chair, Kevin Warsh signaled clear continuity on inflation, reaffirming the Fed's 2% target on the heels of a hot 4.2% May CPI print and stating he saw no reason to revisit that commitment until it had been reestablished.

10 Year U.S. Treasury Yield (%)



Short-term rates pushed higher in response, as an updated dot plot lifted the year-end target to 3.8% from 3.4% in March, putting at least one rate hike on the table before year-end. Yet Warsh left little doubt a new Chair was at the helm. He launched a broad overhaul of the Fed's operations, established several task forces to modernize how the central bank works, pointedly avoided any mention of the dot plot in his press conference, and trimmed the policy statement to something a bit shorter, a bit simpler, that dispenses with some older language. Taken together, we expect the new Fed Chair to lead with a more direct tone than his predecessor.

> As we closed the month, year-over-year PCE, the Fed's preferred inflation gauge, rose to 4.1%, in line with expectations but higher nonetheless.

Core PCE, excluding food and energy, ticked up to 3.4%, its highest reading since October 2023, continuing the case for potential rate hikes.

We also saw President Trump decline to sign a key housing bill passed by Congress, citing the need for lower interest rates. Opposing forces, to say the least. So what is the bond market telling us? We have written extensively in prior months about the key resistance levels on the 10-year at 4.50% and, more recently, the 30-year at 5.00%. Both broke out above those levels, which had held for multi-year periods, last month, and both have since fallen back. In the face of these competing forces, the bond market continues to be the levelheaded player in the room.

A temporary breakout does not always constitute a permanent direction, and we should always make sure we weigh all of the information in front of us before forming a final conclusion.

Economic Overview

Key Economic Indicators

JOB MARKET

Employment Report
The labor market reaccelerated in May, with nonfarm payrolls rising by 172,000, far above the consensus estimate of roughly 80,000–85,000, and down only modestly from an upwardly revised 179,000 in April. March was revised up by 29,000 to +214,000 and April was revised up by 64,000 to +179,000, leaving the two months a combined 93,000 higher than previously reported. The unemployment rate held steady at 4.3% for a third consecutive month, while average hourly earnings rose 0.3% for the month and 3.4% on an annual basis, a slight deceleration from April's 3.6% annual pace. Leisure and hospitality led with 70,000 new positions, followed by local government at 55,000.

HOUSING MARKET

House Prices
Home price appreciation remained essentially flat in April. The S&P Cotality Case-Shiller National Home Price Index posted a 0.8% annual gain for April 2026, up slightly from 0.7% in March, though regional divergence remained stark, with Chicago leading at 6.5% year over year and Seattle the weakest market at -2.3%. For the 11th consecutive month, inflation outpaced national home price appreciation, with April CPI running roughly 3 percentage points above the 0.8% annual gain, extending the streak of negative real home price returns. Mortgage rates climbed back to roughly 6.3% in April, keeping affordability constrained.

Personal Income & Spending

May brought a notably stronger picture than April's near-flat reading. Personal income rose $181.6 billion, or 0.7%, well above the 0.4% forecast, while personal consumption expenditures increased $156.1 billion, or 0.7%, reflecting gains of $94.3 billion in services spending and $61.8 billion in goods spending. The personal saving rate rose modestly to 3.0% from April's 2.6%.

Economic Overview

Key Economic Indicators

ECONOMIC GROWTH

GDP Growth
The third and final estimate for Q1 2026 GDP was revised up to an annual rate of 2.1%, from 1.6% in the second estimate and slightly above the 2.0% advance reading, following Q4 2025's 0.5% pace. The upward revision was driven primarily by a sharp downward revision to imports, which are a subtraction in the GDP calculation, partially offset by a downward revision to consumer spending. Investment, exports, government spending, and consumer spending all contributed positively to the quarter, with business investment notably strong even as residential investment declined for a fifth consecutive quarter.

INFLATION

Consumer Price Index (CPI)
Headline inflation accelerated further in May, rising 0.5% for the month and 4.2% year over year, the highest reading since April 2023. Energy prices rose 3.9% for the month and accounted for over 60% of the headline gain, putting the 12-month energy increase at 23.5%, with gasoline up 7.0% on the month and roughly 40% higher than in January. Core CPI rose a more modest 0.2% for the month and 2.9% year over year, with core goods prices actually declining for the first time in 14 months, a sign that tariff-related pass-through has largely worked its way through the data.

Personal Consumption Expenditures (PCE) Price Index
The Fed's preferred inflation gauge rose to 4.1% year over year in May, its highest level since 2023, while core PCE accelerated to 3.4% year over year, the highest reading since October 2023. On a monthly basis, the price index rose 0.3% for core, in line with expectations, with both measures continuing to run well above the Fed's 2% target as the energy-price impulse from the Iran conflict worked its way through the data.

Authors

Darren Hinshaw
Director of Research

Pierre Allard
Chief Investment Officer

Chris Fidler
Director of Fixed Income Trading

Adam Newton
Equity Desk Manager

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