

# Benchmark Review & Monthly Recap

## Stocks Post Impressive Second Quarter & Year-to-Date Returns Despite Mixed Results in June

### Equity Markets

The character of the rally changed in June, but overall, the second quarter results were strong. After a rather narrow rally from the March lows that large-cap growth and tech stocks led once again, some rotation occurred in June with small caps and value stocks leading the way. The Nasdaq and Russell 2000 led the pack with impressive results in the second quarter, and stocks enjoyed double-digit returns year to date across the board (outside of a minor miss by the Dow). See **Table 1** for June, Q2, and YTD returns.

Table 1 | Equity Markets

Index	June 2026	Q2 2026	YTD
S&P 500	-0.95%	15.20%	10.21%
S&P 500 Equal Weight	2.38%	11.39%	12.13%
DJIA	2.71%	13.38%	9.76%
Russell 3000	-0.30%	15.44%	10.88%
NASDAQ Comp.	-2.75%	21.60%	13.13%
Russell 2000	3.74%	21.49%	22.57%
MSCI ACWI ex U.S.	-0.59%	14.49%	13.68%
MSCI Emerging Mkts Net	-1.41%	24.05%	23.85%

Source: Morningstar. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.

Large-cap growth stocks fell behind in the first quarter but roared back in the second quarter, driven by April and May results. Small caps and value stocks fared better early in the year and recovered as well following the Iran conflict sell-off, with small caps showing the best year-to-date results of the U.S. stock indices. Earnings growth has been the key driver of stock returns so far this year as earnings estimates have gone up faster than stock prices. As a result, valuations have improved from the start of the year through the halfway point of 2026. We are mindful of potential volatility developing as we move toward midterm elections and continue to get used to the new leadership at the Fed – two scenarios that historically have tended to heighten volatility in the market. With that said, the fundamental backdrop of strong earnings growth by U.S. companies continues to keep us constructive on the stock market moving through the balance of 2026.

### Highlights

- Stocks:** Stocks turned in impressive results in the second quarter. Technology led the rally from the March lows, but small caps and value closed out the quarter with better results in June. Overall, it has been a great first half of 2026 for stocks.
- Bonds:** The 10-year U.S. Treasury yield hit its highest level in mid-May, but rates declined from that point through June. The downward move in rates helped the broad bond indices post positive results for the month and quarter.
- U.S. Economy:** Inflation data remains elevated, but the recent drop in oil prices should dampen inflation pressures in the months ahead. The job market remained strong, and consumers continue to spend.
- Federal Reserve:** Kevin Warsh chaired his first meeting at the FOMC in June and, as expected, kept rates unchanged. However, he struck a more hawkish tone in his discussion on price stability, which raised odds of a 2026 rate hike.

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International stocks, particularly emerging markets, had strong returns for the second quarter, as well. Some countries with heavy tech weights (like Taiwan and South Korea) proved especially strong during the quarter as the AI theme led much of the broader market rally. Overall, both U.S. and international stocks have turned in impressive results so far in 2026.

## Fixed Income

The 10-year U.S. Treasury closed May 19 at 4.67%, the highest level since early January 2025, but it drifted lower from that point through June. By the end of the second quarter, the 10-year closed at 4.44% and the declining rate environment created a positive backdrop for bonds to recover from what had generally been a rising rate environment in 2026. See **Table 2** for bond index returns for June, Q2, and YTD bond returns.

Table 2 | Fixed Income Markets

Index	June 2026	Q2 2026	YTD
Bloomberg U.S. Agg	0.24%	0.67%	0.62%
Bloomberg U.S. Credit	0.20%	1.33%	0.85%
Bloomberg U.S. High Yld	0.27%	2.47%	1.96%
Bloomberg Muni	0.96%	2.50%	2.32%
Bloomberg 30-year U.S. TSY	1.18%	0.88%	0.74%
Bloomberg U.S. TSY	0.28%	0.32%	0.28%

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Munis and high yield bonds were neck and neck for the quarter, with munis turning in the best results so far this year. High yield has shown strong relative performance as well, which we would expect during a time of such strong stock market returns. Treasury index returns have generally lagged this year as rates have moved higher, but they made up ground with gains in June as rates dropped. (The front end of the yield curve is a different story as those rates have trended higher as the market has gone from expecting rate cuts in 2026 to a potential increase in rates by the Fed before year end.) After a challenging first quarter for bonds, second quarter results have pushed all the bond indices tracked in the table into positive territory for the year.

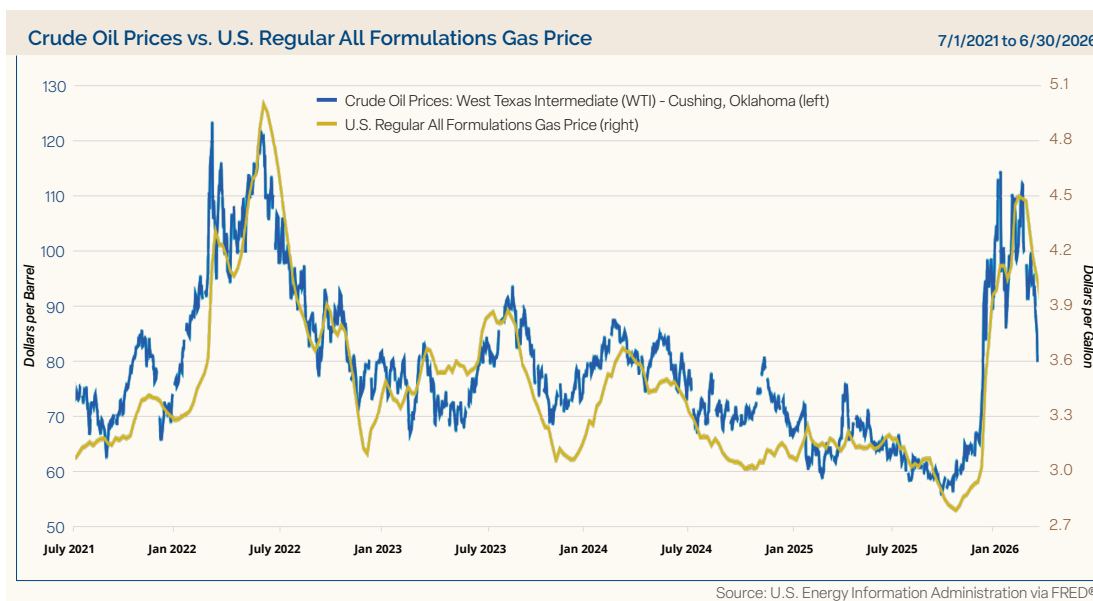
We maintain our longstanding position favoring credit versus pure rate exposure in this interest rate environment. The story has been much more about the general move higher in interest rates so far this year (not changes in credit spreads), particularly after the conflict with Iran began. However, rates have moved lower from those levels in recent weeks. We believe the role bonds play in a portfolio, to provide stable cash flow and to help offset the volatility of stocks in the long run, has not changed. With uncertainty ahead, we believe having an active bond management approach makes sense. Furthermore, rates remain elevated and we believe this provides attractive opportunities for bond investors.

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## Economic Data Highlights and Outlook

The conflict with Iran caused oil prices, and subsequently inflation data, to rise. However, with the signing of the memorandum of understanding, oil prices have tumbled and returned to near pre-conflict levels. Importantly, gasoline prices have moved lower and have taken some pressure off consumers in recent weeks. Hopefully, as gas prices continue to fall, consumers will keep spending and become more confident about their economic prospects. **Chart 1** clearly shows the strong relationship between oil prices and gas prices, which have both made dramatic moves lower in recent weeks.

Chart 1



*For illustrative purposes only. Past performance is not indicative of future results.*

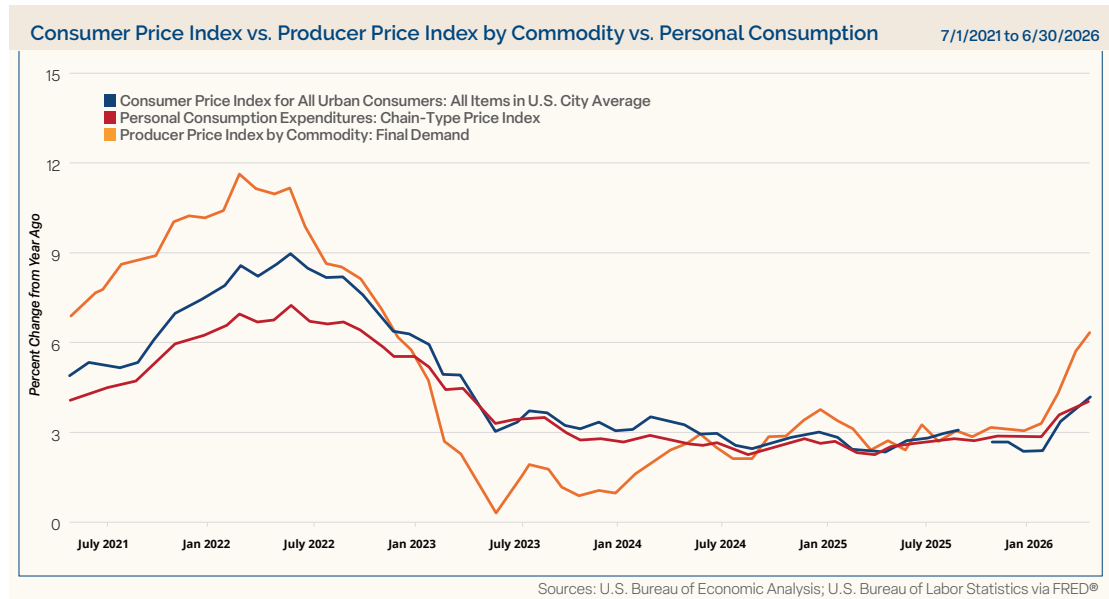
Wholesale prices continued to surge in May. The Producer Price Index (PPI) for May rose 1.1%, exceeding estimates of 0.7%. The annual reading jumped to 6.5%, which also surpassed expectations. The core PPI showed a softer increase of 0.4% with an annual increase of 4.9%. Both readings were less than expected. The Consumer Price Index (CPI) rose in May as well, but largely in line with expectations. Headline CPI was up 0.5% for the month and 4.2% for the year, with core levels up 0.2% and 2.9%, respectively.

The Personal Consumption Expenditures (PCE) price index also rose largely in line with estimates. Headline PCE increased 0.4% for the month and 4.1% for the year, with core rising 0.3% and 3.4%, respectively. Oil prices started their rather steady drop from well over \$100 per barrel in May to around \$70 per barrel by the end of June. We will watch inflation readings closely to see the impact from declining oil prices. Clearly, inflation has been heading in the wrong direction in recent months, but this trend should improve with energy prices moving lower. **Chart 2** shows the recent rise in headline inflation.

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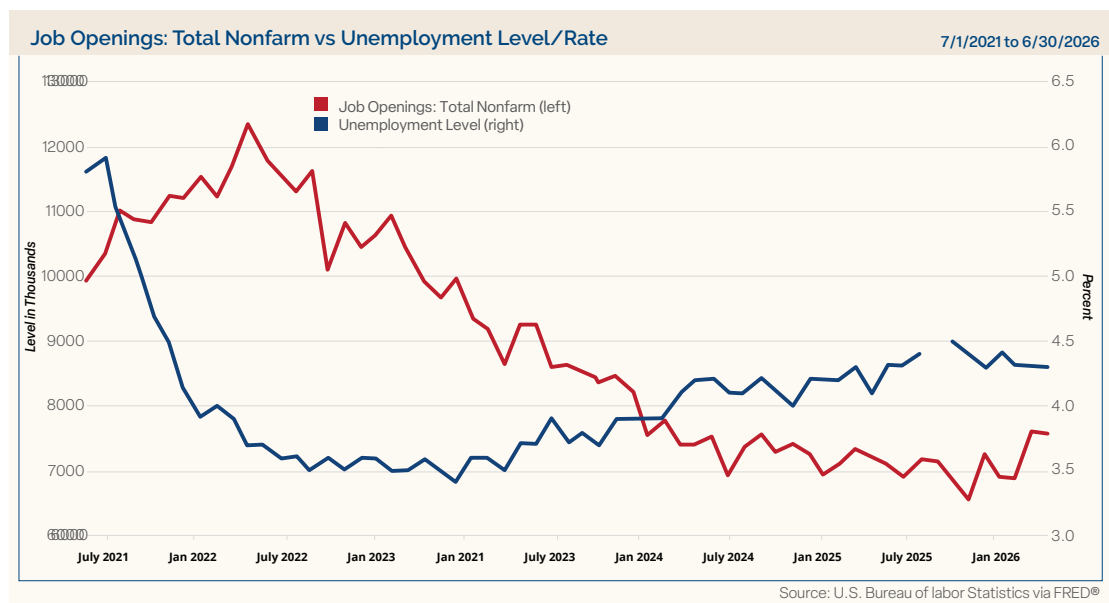
Chart 2



For illustrative purposes only. Past performance is not indicative of future results.

Broader economic data has remained solid. The labor market showed ongoing gains in May. Payrolls increased by 172,000, much stronger than the 88,000 estimate, and April payrolls were revised to 179,000 additions from the initial estimate of 115,000. The unemployment rate remained at 4.3% as expected. Average hourly earnings increased by 3.4% in May on an annual basis as expected, but this remains below headline inflation, meaning consumers are losing purchasing power. At just below 7.6 million, job openings have risen in recent months and sit at a two-year high. Job data has been stronger in recent months and could be supportive of ongoing consumer spending activity. **Chart 3** below shows the unemployment rate, which has held steady for most of the last year, and job openings, which have increased in recent months.

Chart 3



For illustrative purposes only. Past performance is not indicative of future results.

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The Institute for Supply Management (ISM) Manufacturing Index remained positive in May for the fifth consecutive month. The ISM Manufacturing Index showed expansion with a reading of 54.0 compared to estimates of 53.0. (The June mark came in at 53.3, which was below estimates of 53.9, but still in growth territory.) The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, continued to reflect expansion. This reading improved to 54.5 for May, surpassing estimates of 53.8 and the prior mark of 53.6. Non-Manufacturing has expanded in 23 of the last 25 months. Recall that for the ISM indices, readings above 50 represent expansion, while readings below 50 reflect contraction.

Consumer spending held up in May, as well. Retail sales (ex. auto and gas) increased by 0.5%, beating estimates of 0.3%. Consumer sentiment readings have been weak for some time, but we have not seen that translate into a meaningful drop in consumer spending. The preliminary University of Michigan Consumer Sentiment reading finally stopped its recent slide with a reading of 48.9 in June, surpassing estimates of 46.0 and improving from the final May reading of 44.8. Recall that the May reading was the worst in this survey's history back to 1952. Although survey data suggest consumers remain somewhat pessimistic, stocks near all-time highs and the Iran conflict now in peace negotiations seem to have pushed confidence levels higher. Lower gasoline prices should also help the mood of consumers. Despite weak confidence readings, consumers have continued to spend, and this "hard" data has lined up better with consumer actions versus the "soft" data of sentiment surveys.

The third reading of Q1 GDP was revised higher to 2.1% annualized growth from the second estimate and expectations of 1.6%. The personal consumption component dropped in the third reading, but a decline in imports more than offset that drop, resulting in a net revision higher to GDP. The GDPNow forecast from the Atlanta Fed for Q2 2026 GDP shows expected growth at a 2.5% annualized rate as of June 30, 2026.

Kevin Warsh presided over his first FOMC meeting in June. At first glance, Chairman Warsh appears to want to reduce forecast data from the Fed. The post-FOMC statement was materially shorter than prior ones, and he abstained from providing his own "dot plots," which give forward opinions of policy makers. Chairman Warsh appeared more hawkish than many expected, and the market has been pricing in the possibility of a rate hike in 2026. Currently, the market is pricing in a 65% chance of a rate hike at the September FOMC meeting, but the odds hold rates steady after that through September 2027 per the CME FedWatch tool as of June 30, 2026.

The market seems to have moved past the conflict with Iran. Reports of breaches in the ceasefire are met with little market reaction, and oil prices have plunged since the initial stages of the war and sit near pre-conflict levels. Corporate earnings growth and the disruption of the new AI technology reality have fueled stock prices higher. Earnings growth has been stronger than stock price appreciation, so valuations have improved from the beginning of the year. We believe the U.S. economy remains resilient. Inflation is elevated but might be poised to slow down with the sharp move lower in oil prices. Elevated gas prices, which clearly were a headwind for many Americans in recent months, should be easing as well in the weeks ahead. The job market continues to look stable, if not improving, which is often the key factor behind household consumption. As always, we believe it is imperative for investors to stay focused on their long-term goals and not let short-term swings in the market, which could materialize at any time, derail them from their longer-term objectives.

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### Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	May	53.0	54.0	52.7	—
ISM Services Index	May	53.8	54.5	53.6	—
Change in Nonfarm Payrolls	May	88k	172k	115k	179k
Unemployment Rate	May	4.3%	4.3%	4.3%	—
Average Hourly Earnings YoY	May	3.4%	3.4%	3.6%	—
JOLTS Job Openings	May	7296k	7594k	7618k	7585k
PPI Final Demand MoM	May	0.7%	1.1%	1.4%	1.1%
PPI Final Demand YoY	May	6.4%	6.5%	6.0%	5.7%
PPI Ex Food and Energy MoM	May	0.5%	0.4%	1.0%	0.7%
PPI Ex Food and Energy YoY	May	5.4%	4.9%	5.2%	4.9%
CPI MoM	May	0.5%	0.5%	0.6%	—
CPI YoY	May	4.2%	4.2%	3.8%	—
CPI Ex Food and Energy MoM	May	0.3%	0.2%	0.4%	—
CPI Ex Food and Energy YoY	May	2.9%	2.9%	2.8%	—
Retail Sales Ex Auto and Gas	May	0.3%	0.5%	0.5%	—
Industrial Production MoM	May	0.3%	0.1%	0.7%	0.9%
Building Permits	May P	1418k	1413k	1423k	—
Housing Starts	May	1430k	1177k	1465k	1392k
New Home Sales	May	640k	580k	622k	626k
Existing Home Sales	May	4.07m	4.17m	4.02m	4.04m
Leading Index	May	0.1%	0.1%	0.1%	0.2%
Durable Goods Orders	May P	-5.0%	-4.5%	8.0%	8.5%
GDP Annualized QoQ	1Q T	1.6%	2.1%	1.6%	—
U. of Mich. Sentiment	June P	46.0	48.9	44.8	—
Personal Income	May	0.4%	0.7%	0.0%	—
Personal Spending	May	0.6%	0.7%	0.5%	0.4%
S&P Cotality CS 20-City YoY NSA	Apr	0.90%	1.14%	0.83%	0.88%

Source: Bloomberg; P=Preliminary, T=Third Reading

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### Disclosures

Forward looking statements cannot be guaranteed. Past performance is not indicative of future results. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Material presented has been derived from sources considered to be reliable and has not been independently verified by us or our personnel. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Investing involves risk, including loss of principal.

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The manager utilizes a proprietary investment model to assist with the construction of the strategy and to assist the manager with making investment decisions. Investments selected using this process may perform differently than expected as a result of the factors used in the model, the weight placed on each factor, and changes from the factors' historical trends. There is no guarantee that Clark Capital's use of a model will result in effective investment decisions.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

The value of investments, and the income from them, can go down as well as up and you may get back less than the amount invested.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to adverse market, economic, regulatory, political, or other developments affecting those sectors.

JOLTS is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment.

The Core Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Core Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight or 0.2% of the index total at each quarterly rebalance.

The University of Michigan Consumer Sentiment Index rates the relative level of current and future economic conditions. There are two versions of this data released two weeks apart, preliminary and revised. The preliminary data tends to have a greater impact. The reading is compiled from a survey of around 500 consumers.

The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

The Russell 2000 Index is a small-cap stock market index that represents the bottom 2,000 stocks in the Russell 3000.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell 1000 Growth Index tracks companies with higher price-to-book ratios, higher sales per share growth, and higher I/B/E/S forecast growth.

Russell 1000 Value Index tracks companies with lower price-to-book ratios and lower expected and historical growth rates. Russell's value indexes focus more on dividend yield.

Nonfarm payrolls (NFPs) are the measure of the number of workers in the United States excluding farm workers and workers in a handful of other job classifications.

A municipal bond, commonly known as a muni, is a bond issued by state or local governments, or entities they create such as authorities and special districts.

The CBOE Volatility Index (VIX) is a real-time index that measures the expected volatility of the S&P 500 over the next 30 days.

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The 30 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 30 years.

The Bloomberg Barclays U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar denominated, fixed-rate taxable corporate and government related bond markets.

The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

The Bloomberg US Trsy Bellwether 30Y is a U.S. Treasury debt obligation that has a maturity of 30 years.

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The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

ISM Manufacturing Index measures manufacturing activity based on a monthly survey, conducted by Institute for Supply Management (ISM), of purchasing managers at more than 300 manufacturing firms.

The MSCI Emerging Markets Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries\*. With 2,359 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas. The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

In the United States, the Core Personal Consumption Expenditure Price (CPE) Index provides a measure of the prices paid by people for domestic purchases of goods and services, excluding the prices of food and energy.

The Conference Board's Leading Indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.