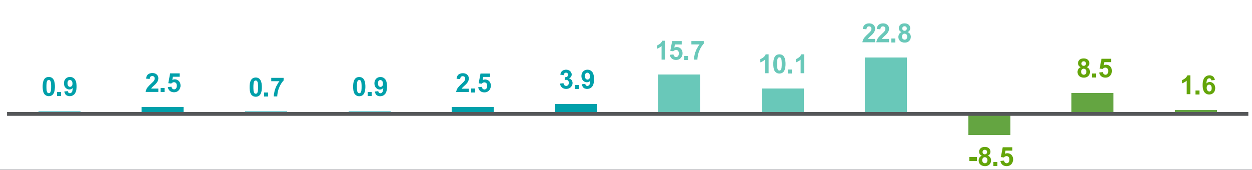
FROM SHOCK TO RECOVERY

After a difficult start to the year, equity markets rebounded sharply in the second quarter. One of the central focuses was the U.S.-Iran conflict and the prospect of reopening the Strait of Hormuz. News flow was often volatile, with reports of progress frequently interrupted by renewed tensions or conflicting comments. Despite the uneven path, markets increasingly priced in the view that a resolution would eventually emerge. As the probability of a reopening improved and negotiations advanced toward a memorandum of understanding, commodity prices retreated from their highs, helping ease concerns around both higher inflation and weaker global growth. The global economy proved more resilient than many anticipated. Economic data generally held up well, particularly in the U.S., where consumer spending continued to expand, labor market conditions showed some signs of improvement, and technology capital expenditure was strong. The combination of resilient demand and easing energy pressures helped shift the balance of risks in a more constructive direction by quarter-end. Against this backdrop, central banks signaled a bias toward a more restrictive policy posture. One of the more notable monetary policy developments came in the U.S., where Kevin Warsh's inaugural meeting as Chair of the Federal Reserve resulted in higher yields at the short-end of the Treasury curve. While policy rates were left unchanged, markets moved to price additional tightening and adjusted to Warsh's message that forward guidance would play a smaller role in future communications. Outside the U.S., policy paths were more mixed, but most major central banks enter the second half of the year with a more restrictive stance than at the start of 2026. The European Central Bank and Bank of Japan were among central banks delivering rate increases during the quarter. In terms of financial market performance, equity markets significantly outperformed fixed income markets as investors looked through near-term geopolitical uncertainty and focused on strong earnings fundamentals. Corporate profit growth trended strongly across most major regions, allowing equities to generate outsized returns without a significant increase in valuation multiples. The AI buildout continued to be a defining market theme. Persistent shortages in semiconductors and memory components, coupled with continued growth in technology investment, drove exceptional performance in AI-linked markets and sectors, including global semiconductors, Korea, emerging markets, and U.S. large-cap technology stocks. Yet the advance was broader than just remarkable returns in those pockets of the markets. Financials, banks, and small cap equities also posted strong gains, reflecting confidence in the durability of economic and corporate profit growth. Nearly every U.S. large-cap sector outside energy and utilities finished the quarter in positive territory. By the end of the quarter, technology stocks started to experience some pressure, and leadership had begun to rotate from AI beneficiaries.

SECOND QUARTER 2026 TOTAL RETURNS (%)

Equities delivered an exceptionally strong quarter on the back of receding geopolitical risks and ongoing technology strength.



	FIXED INCOME						EQUITIES			REAL ASSETS		
	Cash	Muni	Inv. Grade	TIPS	High Yield	EM Debt	U.S.	Dev. Ex-U.S.	EM	NR	GRE	GLI
2Q26	0.9	2.5	0.7	0.9	2.5	3.9	15.7	10.1	22.8	-8.5	8.5	1.6
YTD	1.8	2.3	0.6	1.2	2.0	1.5	11.2	9.3	22.6	9.7	9.4	10.0

Source: Northern Trust Asset Management, Bloomberg. NR: Natural Resources; GRE: Global Real Estate; GLI: Global Listed Infrastructure. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

KEY DEVELOPMENTS

Growth Through The Shock

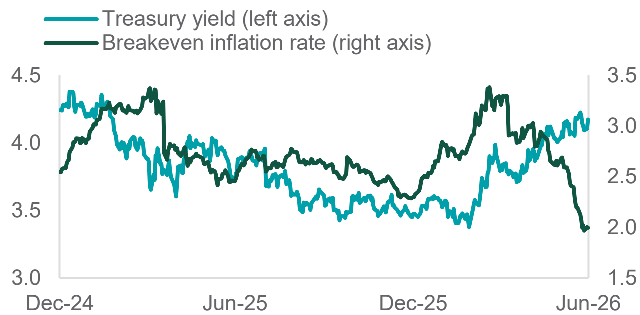
Despite one of the largest oil supply disruptions in history, oil markets and global growth proved notably resilient. While spot crude prices surged, longer-dated oil prices remained more contained, supported by existing supply buffers and confidence that disruptions would prove temporary. Amid higher headline inflation driven by energy prices, global growth remained firm, aided by reduced tariff uncertainty, accommodative financial conditions, U.S. consumer tax refunds, and continued strength in technology investment.

Price of Brent crude oil ($ per barrel)

Higher For Longer

In the face of the energy shock, many central banks continued to maintain a more restrictive posture. The agreement to reopen the strait reduced market pricing of near-term inflation pressures, but elevated core inflation and the absence of major economic cracks kept expectations for rate hikes tilted upward. This was reinforced at June's Fed meeting, where new Chair Kevin Warsh expressed a commitment to price stability and indicated that forward guidance will play a smaller role in shaping policy expectations than in the past.

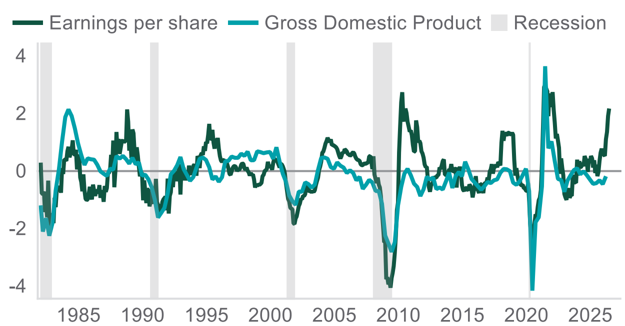
2-year Treasury yield vs. breakeven inflation rate (%)



Profitability Beyond Economic Growth

While economic growth remained resilient, corporate earnings growth was particularly exceptional. The gap between U.S. large cap profit growth and economic activity widened to one of its largest levels in decades, a dynamic more commonly seen during recoveries. This cycle has been different, with AI-related profits proving more structural than cyclical in nature. Although many sectors posted gains, the AI ecosystem was the primary driver of above-average earnings growth and the key engine behind the quarter's outsized equity returns.

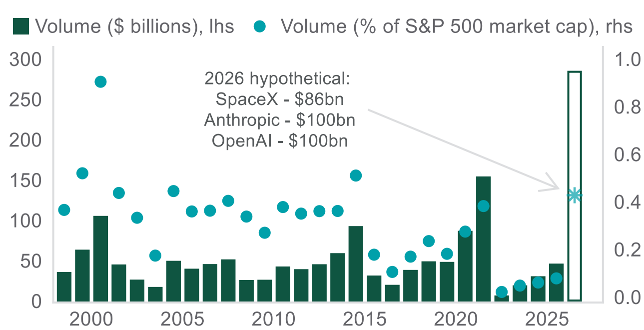
Standardized y/y change in U.S. GDP and EPS



Financing Innovation

The IPO market came back to life with the SpaceX listing and other potential mega offerings (i.e., OpenAI, Anthropic). If these deals come to market, issuance volumes could reach historic levels. While the size may be manageable relative to overall market capitalization, they reflect a broader trend: the high capital needs of next-generation technologies. From equity issuance and debt financing to index concentration and corporate fundamentals, the innovation buildout is reshaping how investors evaluate markets and allocate capital.

U.S. initial public offering (IPO) volumes by year

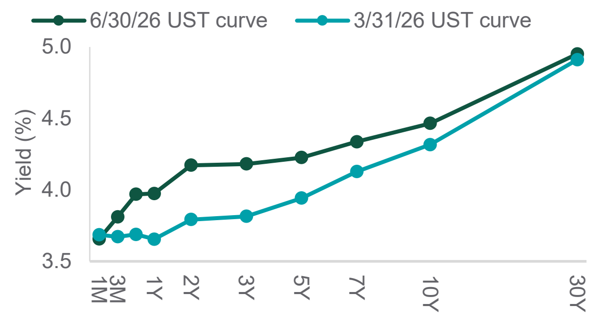


Source: Northern Trust Asset Management, Bloomberg, Macrobond. Data as of 6/30/2026. Note: EPS (earnings per share) is for the S&P 500 Index (third chart); 2026 hypothetical estimates from ASR (fourth chart). Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

Interest Rates

The 2-year Treasury yield rose 38 basis points (bps), significantly outpacing the 15-bp increase in the 10-year yield. The 10-year Treasury yield climbed through mid-May, peaking just below 4.7% alongside the peak in oil prices before retreating to under 4.5% by quarter-end as concerns surrounding the U.S.-Iran conflict eased. Beyond the energy shock, economic resilience allowed central banks to maintain a hawkish stance. While the Fed remained on hold, markets shifted from pricing 7 bps of cuts to 38 bps of hikes by year-end.

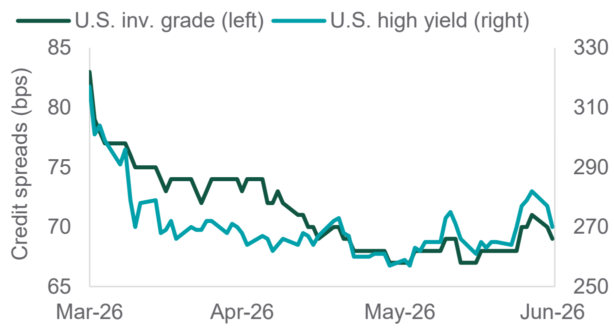
U.S. TREASURY YIELD CURVE



Credit Markets

Investment grade (IG) credit spreads contracted 14 bps to 0.69%, while high yield (HY) spreads tightened 47 bps to 2.70%. IG bonds returned 0.7%, and high yield gained 2.5%. Although U.S. interest rates moved higher, the drag was more than offset by starting yields and spread tightening for bonds with exposure to credit risk. After facing pressure in the first quarter from higher energy prices and AI-related concerns, credit spreads spent most of the second quarter retracing those moves, ending not far from record lows.

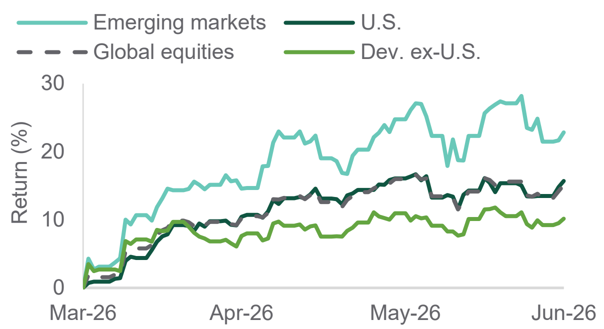
CREDIT SPREADS



Equities

Similar to oil futures, equities traded ahead of both the peak in spot oil prices and the formal reopening of the Strait of Hormuz. Global equities gained 15% during the quarter, approximately 1.5 standard deviations above their 30-year average. While U.S.-Iran de-escalation helped, technology stocks led the advance on the back of remarkable semiconductor strength. This led to outsized gains in tech-heavy markets such as Korea (+68%) and contributed to the outperformance of U.S. and emerging markets relative to developed ex-U.S.

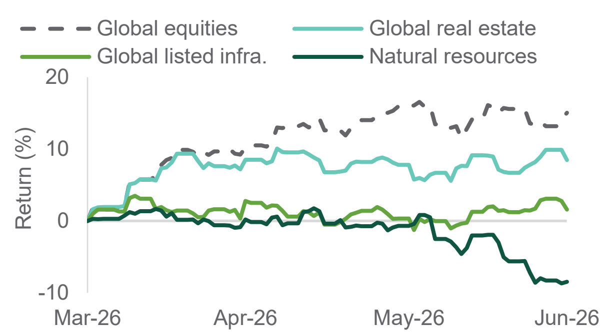
REGIONAL EQUITY INDICES



Real Assets

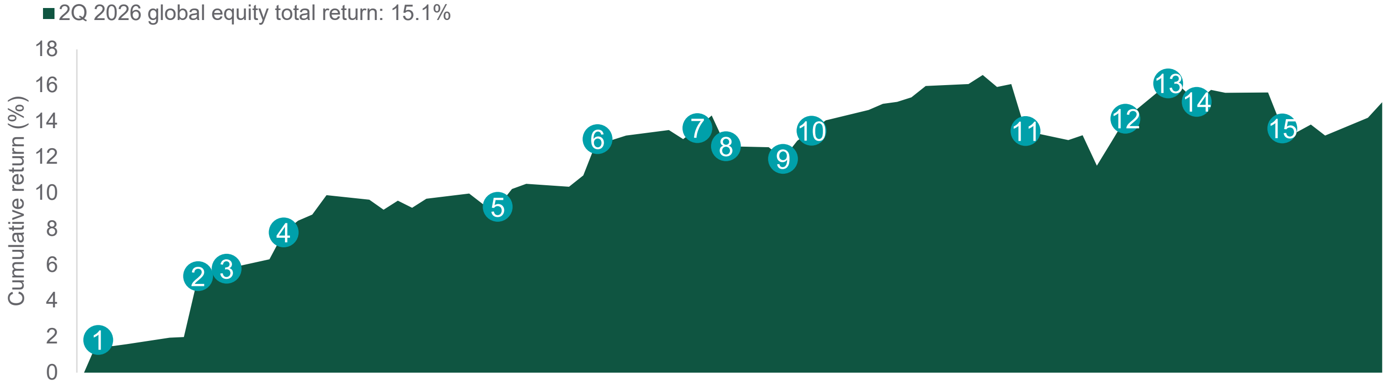
Real assets exhibited significant dispersion during the quarter. Global real estate gained 8.5%, followed by a 1.6% return for global listed infrastructure, while natural resources declined 8.5%. All three lagged global equities (15.1%). Natural resources was the clear underperformer after returning 20% in Q1, trading largely sideways before selling off in late May as commodity prices fell 14% from that point through quarter-end. Despite the volatile path, all three real asset categories remain up roughly 10% year-to-date.

REAL ASSET INDICES



Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

NOTABLE MARKET EVENTS DURING THE QUARTER



APRIL	MAY	JUNE
1 A 35-nation coalition weighed a push to persuade Iran to open the Strait of Hormuz, partially unwinding the war premium in oil prices.	6 Advanced Micro Devices (AMD) surges 19% as data center spending helped drive above-consensus revenue and guidance during its first-quarter earnings release.	11 May payrolls intensified pressure on the Fed to hike. Tech stocks sold off, contributing to one of several circuit-breaker events in South Korea during a very robust but volatile quarter.
2 A Pakistan-brokered U.S.-Iran ceasefire reduced near-term Hormuz closure risk, driving the quarter's largest single-day rally.	7 April PPI hit its fastest pace since 2022 while the 10-year Treasury yield rose to its highest level since July.	12 SpaceX's record IPO surged 19% on debut, lifting U.S. equity issuance.
3 March U.S. CPI posted its sharpest annual rise in four years, fully pricing out 2026 Fed cuts.	8 Brent oil hit $123 per barrel on its ninth consecutive daily gain.	13 The U.S. and Iran reached a peace deal, leading to lower oil prices and interest rates, while pushing equities higher.
4 The U.S. launched a formal Hormuz naval blockade and oil surged above $100 per barrel.	9 The 30-year Treasury yield hit 5.18% — its highest since 2007 — as investors considered inflation, economic resilience and a rising term premium.	14 Fed President Kevin Warsh's inaugural FOMC abandoned forward guidance and vowed price stability, prompting Treasury curve flattening.
5 Powell's final FOMC produced four dissents — the most in 34 years — as the Fed remained on hold.	10 Nvidia guided Q2 revenue higher, prompting widespread analyst upgrades and reinforcing the AI supercycle thesis.	15 Tech stocks sold off, leading to the quarter's worst single-day drop for global equities. Equities still proceeded to finish the quarter up a robust 15%.

Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

Indexes used:

Bloomberg (BBG) 1-3 Month UST (Cash): The Bloomberg U.S. Treasury Bills: 1-3 Months Index tracks the market for treasury bills issued by the U.S. government with time to maturity between 1 and 3 months. US Treasury bills are issued in fixed maturity terms of 4, 8, 13, 17, 26 and 52 weeks.

BBG Municipal (Muni): The Bloomberg Municipal Bond Index is a flagship measure of the US municipal tax-exempt investment grade bond market. Included in the index are securities from all 50 US States and four other qualifying regions (Washington DC, Puerto Rico, Guam, and the Virgin Islands). The index includes state and local general obligation bonds and revenue bonds. All bonds in the Municipal Bond Index are tax exempt and hence are not eligible for other indices that include taxable bonds, such as the Bloomberg U.S. Aggregate.

BBG Aggregate (Inv. Grade): The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index.

BBG TIPS (TIPS): The Bloomberg US Treasury Inflation-Linked Bond Index (Series-L) measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.

BBG High Yield 2% Capped (High Yield): The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded. The US Corporate High Yield Index is a component of the US Universal and Global High Yield Indices.

JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income): The J.P. Morgan Emerging Markets Bond Index Global Diversified tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities.

MSCI U.S. Equities IMI (U.S. Equities): The MSCI USA Investable Market Index (IMI) is designed to measure the performance of the large, mid and small cap segments of the US market. With around 2,320 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in the US.

MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities): The MSCI World ex USA Investable Market Index (IMI) captures large, mid and small cap representation across 22 of 23 Developed Markets (DM) countries--excluding the United States. With around 2,955 constituents, the index covers approximately 99% of the free float adjusted market capitalization in each country.

MSCI Emerging Market Equities IMI (Em. Markets Equities): The MSCI Emerging Markets Investable Market Index (IMI) captures large, mid and small cap representation across 24 Emerging Markets countries. With around 3,000 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country.

S&P Global Natural Resources (Natural Resources): The index includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across 3 primary commodity-related sectors: agribusiness, energy, and metals & mining.

MSCI ACWI IMI Core Real Estate (Global Real Estate): The MSCI ACWI IMI Core Real Estate Index is a free float-adjusted market capitalization index that consists of large, mid and small-cap stocks across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries engaged in the ownership, development and management of specific core property type real estate. The index excludes companies, such as real estate services and real estate financing companies, that do not own properties.

S&P Global Infrastructure (Global Listed Infrastructure): The S&P Global Infrastructure Index is designed to track around 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

Prepared by Northern Trust Asset Management for United Bank.

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