SPECTRUM
INVESTMENT ADVISORS

Quarterly Newsletter

Fourth Quarter 2026

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Newsletter Snapshot:

Stocks held up in the third quarter even as interest rates climbed to 2026 highs

Bond prices fell as yields rose, bonds now offer higher yields

The Federal Reserve raised rates for the first time since 2023

The S&P 500 returned 2.3% in the third quarter, bringing its 2026 gain to 12.8%. International stocks, measured by the MSCI EAFE Index, gained 0.8%. The Bloomberg U.S. Aggregate Bond Index, a broad measure of U.S. bonds, fell 3.5% as interest rates rose. A diversified 60-40 investment mix returned about -0.3% for the quarter and 6% year-to-date ending September 30.

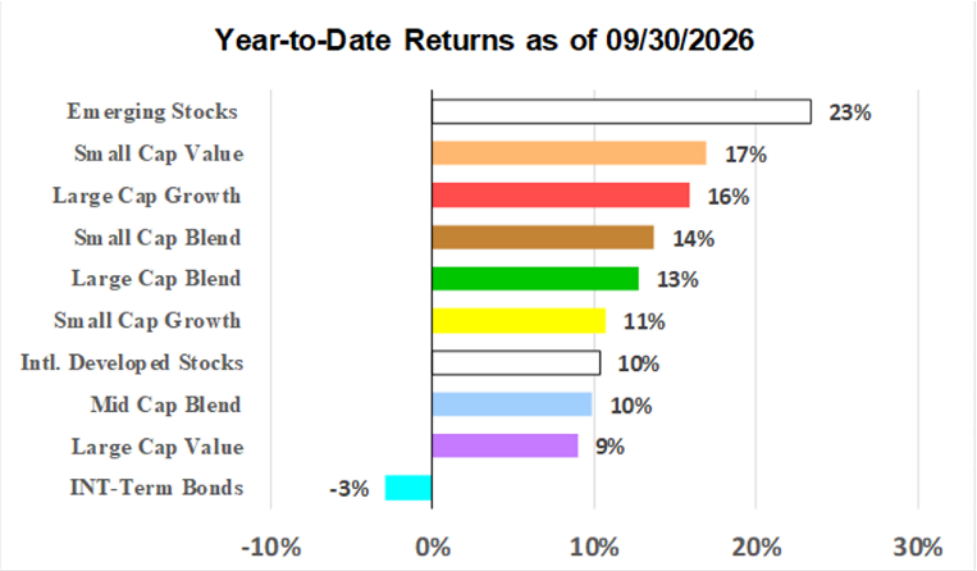
Category	YTD Total Return
US Stocks	12.8%
International Stocks	10.3%
Bonds	-2.9%
Diversified 60-40	6.0%

Source: Morningstar as of 9/30/2026, Total Returns including dividends. US Stocks: S&P 500 Index, International Stocks: MSCI EAFE NR USD, Bonds: Bloomberg U.S. Aggregate Bond Index. Diversified 60/40: 42% S&P 500, 18% MSCI EAFE, 40% Bloomberg US Aggregate Bond. For illustrative purposes only, not indicative of portfolio returns.

Year-to-Date Returns Hold Up Amid Rising Interest Rates

From July through September the S&P 500 gained 2.3%, even as the 10-year Treasury yield rose from 4.44% to 5.29%. That is unusual, since rising yields tend to pressure stock prices. Strong corporate earnings help explain the difference. Third quarter S&P 500 earnings are on pace to grow about 29% from a year ago, the third straight quarter of growth above 25%. Valuations are not stretched by recent standards with the S&P 500 trading at 19.0 times expected earnings, close to its 10-year average of 19.1 (FactSet, Earnings Insight 10/23/26).

Not every corner of the market participated in the upward price movement. Small company stocks, measured by the Russell 2000, fell 7.2% in the quarter, but have still produced about a 14% return this year. Leadership has remained narrow, Vanguard estimates that the artificial intelligence (AI) related group now makes up about 40% of U.S. stock market value, indicating index returns lean heavily on a few themes.



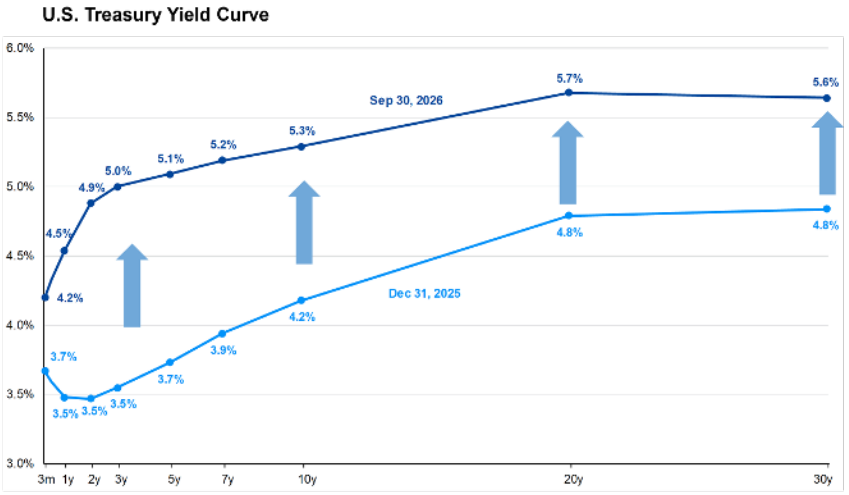
Data via Morningstar as of 9/30/2026. Please reference disclosures at the end of the letter for category indicies. Past performance is not indicative of future results.

The large growth category has rallied from being the worst performing category in the first quarter (January to March) all the way back to one of the top performers as of September. It is another reminder to stay diversified and disciplined with your portfolio allocation.

Investment advice offered through Spectrum Investment Advisors, a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Why Bonds Fell When Rates Rose

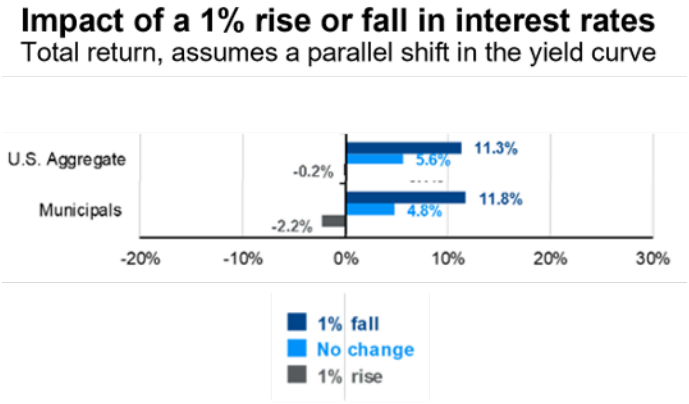
Bond prices move opposite to interest rates. When yields rise, existing bonds that pay less become less valuable, and the longer a bond has until maturity, the larger the price drop. That sensitivity is called duration. The Bloomberg U.S. Aggregate fell 3.5% in the quarter. Municipal bonds, which are issued by state and local governments and often have longer maturities, fell more than 6%.



Guide to the Markets – U.S. Data are as of September 30, 2026.
Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Most of the increase in rates came from real yields, meaning yields after inflation. Howard Marks of Oaktree and Michael Cembalest of J.P. Morgan both point to heavy government borrowing, with federal debt near 101% of GDP, as one reason investors may ask for more compensation to lend for long periods.

There is a useful flip side. Higher starting yields mean new bonds pay more income. J.P. Morgan estimates a one point decline in rates could lift the Aggregate index roughly 11% over twelve months. With higher yields today, bonds should serve as ballast when stocks stumble.

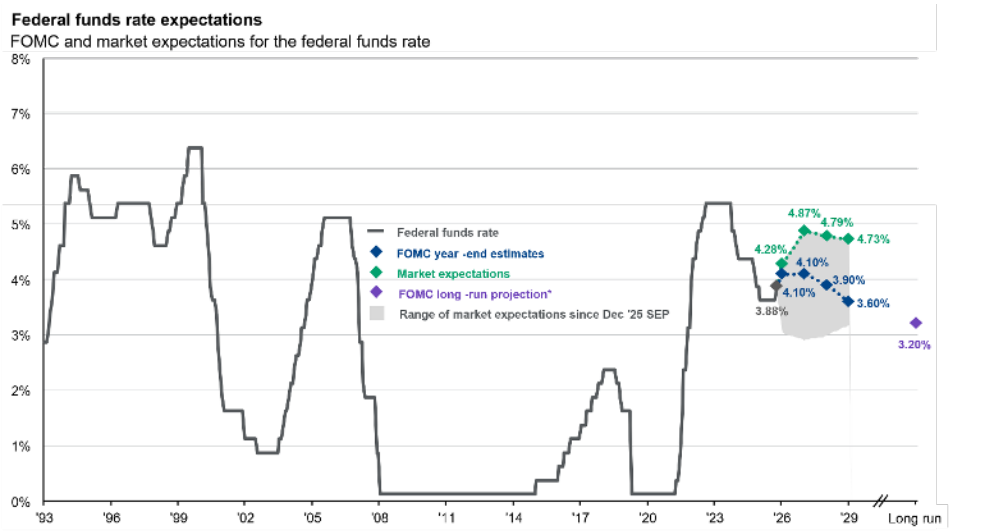


Source: Data are as of September 30, 2026. Bloomberg, Standard & Poor's, J.P. Morgan Asset Management Sectors shown above are provided by Bloomberg - US Aggregate and Municipals

The Fed Raises Rates for the First Time Since 2023

On September 16, the Federal Reserve raised its target range for the federal funds rate, the rate banks charge each other overnight, to 3.75% to 4.00%. It was the first increase since 2023, and the vote was unanimous. Recent inflation is the reason. The Consumer Price Index peaked at 4.2% in May and ran between 3.3% and 3.5% through the summer, with higher oil and gasoline prices a major driver. The September reading of 3.72%, released after quarter end, shows the pressure has not yet faded.

According to the Fed's projections, 16 of 18 officials expect at least one more increase this year in December. In the October WSJ Survey of Economists, the average probability of a recession over the next 12 months is relatively low at 24.1%, down from 33.0% a year ago, given the Fed comfort in tightening financial conditions.



Guide to the Markets – U.S. Data are as of September 30, 2026.
Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Fourth Quarter 2026

U.S. Economic Update

Economists surveyed by The Wall Street Journal expect GDP growth of about 2.4% in 2026, unemployment near 4.2%, and inflation ending the year near 3.5%. Hiring has slowed: payroll gains averaged about 50,000 a month over the last three months, and September added just 29,000 jobs. Consumers are divided. Spending has held up among higher earners, but the savings rate has fallen to 2.7% and consumer sentiment is 48.1, far below its 77.2 average, so pressure is greatest on lower and middle income households. Mortgage rates near 7.4%, up from about 6.2% in January, continue to weigh on housing.

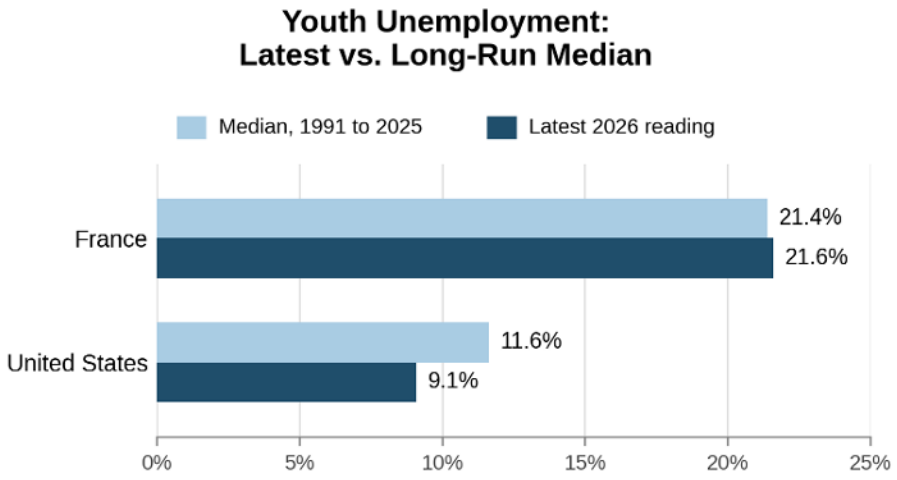
Economic Data	2024	2025	2026 Est.
Tariff Rate	2.3%	15.6%	10.6%*
GDP Growth	2.8%	2.1%	2.4%
Inflation	2.9%	2.7%	3.5%
Unemployment Rate	4.1%	4.4%	4.2%
Fed Funds Rate	4.3%	3.5%	4.0%
Avg. 30Y Mortgage Rate	6.9%	6.2%	7.4%*

Estimates October 2026 Wall Street Journal Survey of Economists
Tariff Rate: Average effective tariff rate applied to imports into the United States. **GDP Growth:** Gross domestic product year over year growth. **Inflation:** Consumer Prince Index (CPI) year over year. **Unemployment Rate:** % of unemployed in the workforce. **Federal Funds Rate:** Midpoint of the range set by the Federal Reserve. **Avg. 30 Year Mortgage Rate:** an average from the Primary Mortgage Market Survey by Freddie Mac.
Source: Ycharts, JPMorgan Guide to the Markets, BLS, BEA. *No Estimate provided, Rates as of 9/30/2026

Global Debt Update

Protests in France began in September with high school students objecting to teacher shortages and overcrowded classrooms, and they grew into nationwide cost-of-living demonstrations as fuel prices rose. Labor market data helps explain the frustration. According to INSEE, France's unemployment rate for 15- to 24-year-olds reached 21.6% in the second quarter, up 2.5 percentage points from a year ago, while overall unemployment rose to 8.3%, its highest level since 2020. In the U.S., the Bureau of Labor Statistics reported youth unemployment of 9.1% in July, below its long-run median and down from 10.8% a year earlier.

For investors, the takeaway is about the delicate balance of government budgets. France faces competing demands to fund public services while reining in debt, a tension many large economies share. The France situation connects directly to the rise in rates discussed earlier. These forces play out over years, not quarters, and a portfolio diversified across regions and asset classes remains a dependable way to manage them.



Source: World Bank modeled ILO estimates via FRED (medians, ages 15 to 24, 1991 to 2025); BLS, July 2026 (U.S., ages 16 to 24); INSEE, Q2 2026 (France, ages 15 to 24). Latest readings come from national agencies and may not be directly comparable with World Bank medians. For illustrative purposes only.

Midterm Elections

"Ignore the noise" is a common mantra for long-term investors. Election seasons can get very noisy. Remember that markets respond to earnings, interest rates, and growth over time and earnings and the economy have been in a strong position. According to BlackRock, the S&P 500's 12.7% gain through September is the fifth best start to a midterm year on record. In the 15 best starts, the index averaged a further 23.3% over the next 12 months, though past performance is not a guarantee future results.

Conclusion

This quarter showed two things at once: stocks can climb while bonds struggle, and the reasons rarely fit in a single headline. Rising rates, a Fed increase, and an election are all real, but none of them changes the plan built around your goals. We cannot know what comes next. A diversified portfolio, patience, and a long time horizon are the most dependable tools we have.

Spectrum Investor® Update

As of September 30, 2026

Morningstar Category Averages	3 Month	1 Year	3 Year
Intermediate-Core Bond	-3.54%	-1.87%	4.01%
Moderate Allocation	-0.80%	8.00%	13.20%
Large Cap Value	0.64%	15.60%	17.37%
Large Cap Blend	0.99%	13.17%	20.23%
Large Cap Growth	1.13%	10.93%	23.55%
Mid Cap Value	-1.75%	13.11%	14.79%
Mid Cap Blend	-4.69%	11.34%	15.33%
Mid Cap Growth	-5.97%	3.97%	14.06%
Small Cap Value	-5.32%	15.48%	14.25%
Small Cap Blend	-7.24%	14.52%	15.21%
Small Cap Growth	-9.58%	11.34%	14.65%
Foreign Large Cap Blend	0.10%	15.75%	18.53%
Real Estate	-6.98%	3.98%	9.98%
Natural Resources	-0.08%	19.37%	13.44%

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in Blue = Best, Returns in Red = Worst. Please see Benchmark Disclosures below.

Data as of 9/30/26 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

As of September 30, 2026

DOW: 50,906

NASDAQ: 26,861

S&P 500: 7,652

Barrel of Oil: $98.03

10 Yr T-Note: 5.23%

Inflation Rate: 3.7% (September, 2026)

Unemployment Rate: 4.2% (September, 2026)

Source: Yahoo Finance, bls.gov, eia.gov

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Benchmark Disclosures: Morningstar Category Averages: Morningstar classifies mutual funds into peer groups based on their holdings. The Category Average calculates the average return of mutual funds that fall within the category during the given time period. The following indexes and their definitions provide an approximate description of the type of investments held by mutual funds in each respective Morningstar Category. One cannot invest directly in an index or category average. Index returns do not reflect trading, advisory and other fees and expenses which are incurred in your actual investment accounts and would reduce your returns. Intermediate-Term Bonds: Bloomberg US Agg Bond Index–Measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS. Allocation 50%-70% Equity–These funds invest in both stocks and bonds and maintain a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash. Large Cap Value: S&P 500 Value Index–Measures the performance of value stocks of the S&P 500 index by dividing into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Large Cap Blend: S&P 500 Index–A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Large Cap Growth: S&P 500 Growth Index–Measures the performance of growth stocks drawn from the S&P 500 index by dividing it into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Mid Cap Value/Mid Cap Growth: S&P MidCap 400 Index–A market cap weighted index that covers the complete market cap for the S&P 400 Index. All S&P 400 index stocks are represented in both and/or each Growth and Value index. Mid Cap Blend: S&P MidCap 400 Index–Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. Small Cap Value: Russell 2000 Value Index–Measures the performance of small-cap value segment of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Small Cap Blend: Russell 2000 Index–Measures the performance of the small-cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Foreign Large Cap Blend: MSCI EAFE NR Index–This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-US, developed country indexes. International Developed Stocks: MSCI EAFE NR Index. Emerging Stocks: MSCI Emerging Markets Index-captures large and mid cap representation across 24 Emerging Markets (EM) countries. Small Cap Growth: Russell 2000 Growth Index–Measures the performance of small-cap growth segment of Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. Real Estate: DJ US Select REIT Index–Measures the performance of publicly traded real estate trusts (REITs) and REIT-like securities to serve as proxy for direct real estate investment. Natural Resources: S&P North American Natural Resources Index– Measures the performance of US traded securities classified by the Global Industry Classification Standard (GICS) as energy and materials excluding the chemicals industry and steel but including energy companies, forestry services, producers of pulp and paper and plantations. MSCI ACWI Index - captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Past performance is no guarantee of future results. This report is for informational purposes only and should not be construed as a recommendation or solicitation to buy or sell any security, policy or investment. PE Ratio is the measure of the share price relative to the annual net income earned by the firm per share.