

Economic Overview

Equity markets extended their AI-driven run in May with the S&P 500 gaining 5.3% and the NASDAQ Composite surging 8.4%, pushing both indexes to fresh record highs and extending the streak of consecutive positive weeks to nine before some consolidation at month end. The narrow, semiconductor/tech-centric character of the advance, fueled by insatiable demand for CPUs and GPUs and an acute supply shortage, was pronounced, accounting for roughly half of the S&P 500's year-to-date gain. Growth outpaced value by a wide margin (10.6% vs. 1.8%) and the equal-weighted S&P 500 gained a modest 2.6%, underscoring that the broad market is participating but a narrow cohort is driving the headline index. Non-U.S. stocks also advanced with developed markets up 3.1% and emerging markets rising a notable 9.7%, the latter benefitting from AI semiconductor demand concentrated in South Korea and Taiwan. Energy stocks reversed sharply, falling 5.6% on the month as expectations for a truce in Iran sent WTI oil down 11.6%. Interest rates remained volatile with 30-year Treasury yields briefly breaking 5% for the first time since 2007. Yields rose across the curve with pressure in 2-year rates coming from rising inflation concerns stemming from the war in Iran. Higher coupons enabled Treasuries to close relatively flat for the month while narrowing credit spreads and improved supply/demand fundamentals translated to gains for corporate and municipal bonds respectively. The broad taxable bond market closed up 0.31%, municipals up 0.37%, and high yield up 0.49%.

Economic data in May continued to reflect a resilient economy navigating an elevated inflation environment. Q1 GDP settled at 1.6% with real personal consumption slowing to 1.4% as inflation continued to erode real purchasing power. Headline and core PCE inflation came in at 3.8% and 3.3% respectively, signaling the energy price pass-through is broadening. Labor market data has pivoted from stable/concerning to strength over the past few months, punctuated by May's blowout jobs number of 172,000 and a low/stable unemployment rate of 4.3%. Consumer sentiment hit record lows thanks to elevated inflation pressure, but spending continued overall and both manufacturing and service sector surveys remained solidly in expansionary territory.

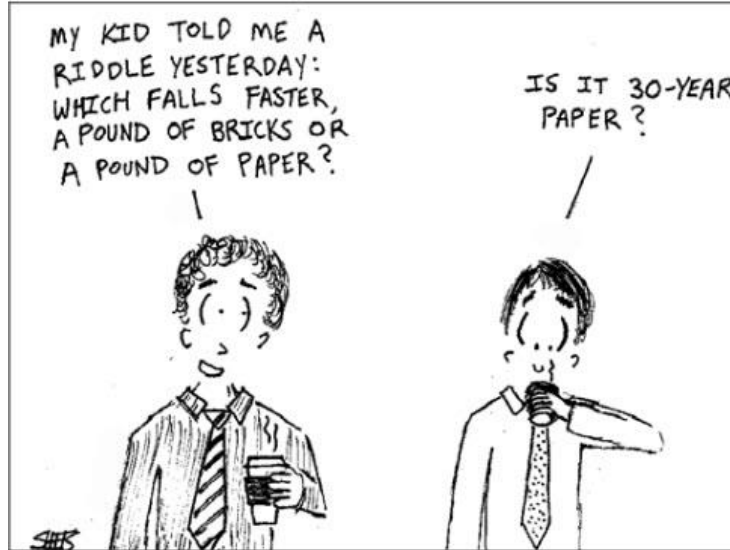
The most consequential policy development of May was the formal transition of Federal Reserve leadership as Kevin Warsh was sworn in as Fed Chair against a complicated backdrop of elevated inflation, supply chain disruptions, and a resilient economy. FOMC meeting minutes revealed a clear shift in tone toward elevated rate expectations. On the foreign policy front, the Administration signaled progress toward an extended ceasefire framework with Iran, but the geopolitical situation remained fluid with the Strait of Hormuz still closed to normal tanker traffic and nuclear negotiations proving difficult. The courts again ruled against U.S. tariff policies, translating to tariff refunds alongside significant fiscal tax refunds from the tax cut package passed last summer.

QUOTE OF THE MONTH

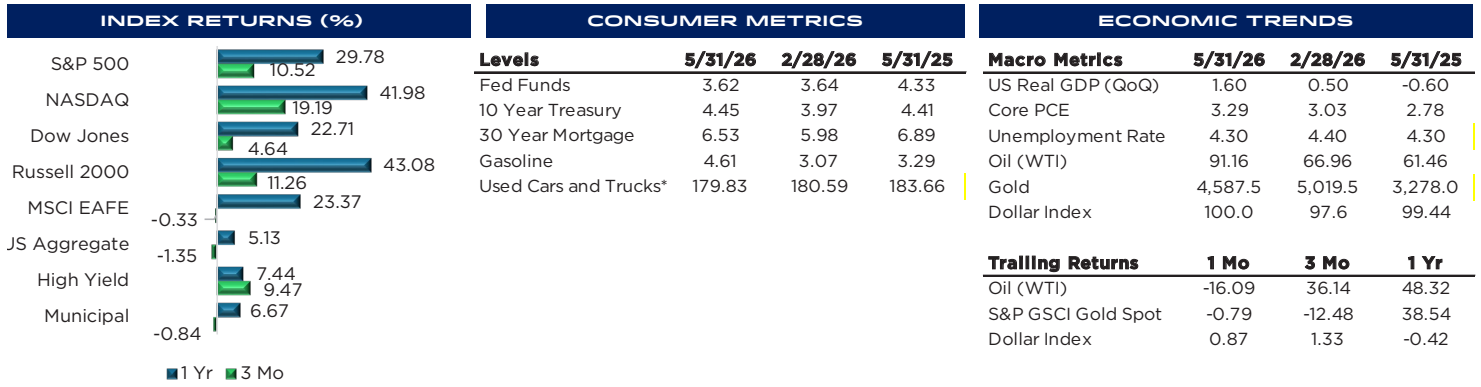
"Far more money has been lost by investors preparing for corrections than in corrections themselves."

-Peter Lynch

CARTOON OF THE MONTH



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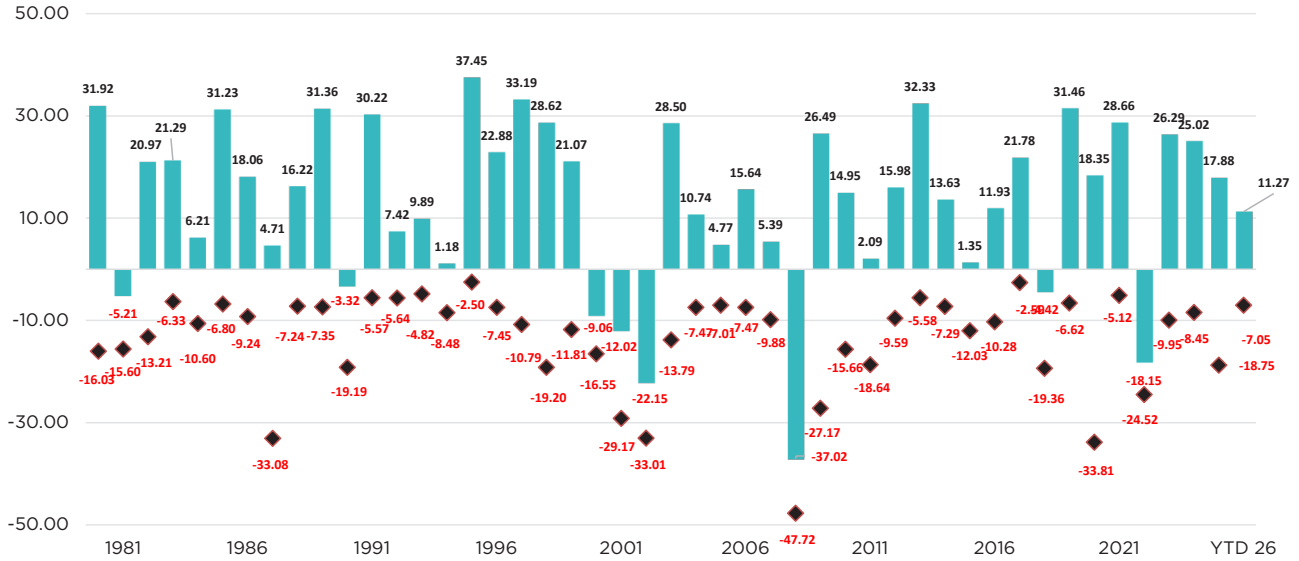
PERIODIC TABLE OF INVESTMENTS – MAY 31, 2026

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Small Cap	21.31	Emerging Markets 37.75	Private Equity 11.75	Large Cap 31.49	Private Equity 27.67	Private Equity 43.54	Commodities 16.09	Large Cap 26.29	Large Cap 25.02	Emerging Markets 34.36	Emerging Markets 25.74
High Yield	17.49	International Stocks 25.62	Private Real Estate 8.35	Mid Cap 30.54	Small Cap 19.96	Large Cap 28.71	Private Real Estate 7.46	Global Stocks 22.81	Global Stocks 18.02	International Stocks 31.89	Commodities 25.03
Mid Cap	13.80	Global Stocks 24.62	Private Credit 5.90	Global Stocks 27.30	Emerging Markets 18.69	Commodities 27.11	Private Credit 5.78	International Stocks 18.85	Mid Cap 15.34	Global Stocks 22.87	Small Cap 18.15
Private Equity	13.29	Large Cap 21.83	Bank Loans 0.35	Small Cap 25.52	Large Cap 18.40	Mid Cap 22.58	Private Equity -0.38	Mid Cap 17.23	Small Cap 11.54	Large Cap 17.88	Global Stocks 12.35
Large Cap	11.96	Private Equity 19.00	Core Fixed Income 0.01	International Stocks 22.66	Mid Cap 17.10	Private Real Estate 22.18	Bank Loans -1.25	Small Cap 16.93	Hedge Funds 9.13	Commodities 15.77	Mid Cap 11.82
Commodities	11.77	Mid Cap 18.52	High Yield -2.26	Emerging Markets 18.90	Global Stocks 16.82	Global Stocks 19.04	Hedge Funds -5.32	High Yield 13.46	Bank Loans 8.80	Small Cap 12.81	Large Cap 11.27
Emerging Markets	11.60	Small Cap 14.65	EM Debt -2.46	Private Equity 17.45	Hedge Funds 10.88	Private Credit 17.96	High Yield -11.22	Bank Loans 13.02	Private Equity 8.32	EM Debt 11.11	International Stocks 9.74
Bank Loans	10.14	Private Credit 9.53	Hedge Funds -4.02	High Yield 14.41	International Stocks 8.28	Small Cap 14.82	Core Fixed Income -13.01	Private Credit 12.63	High Yield 8.20	Mid Cap 10.60	High Yield 1.64
EM Debt	9.88	EM Debt 8.17	Large Cap -4.38	EM Debt 13.11	Core Fixed Income 7.51	International Stocks 11.78	International Stocks -14.01	Emerging Markets 10.27	Emerging Markets 8.05	Hedge Funds 10.41	EM Debt 1.46
Private Credit	10.58	Hedge Funds 7.76	Global Stocks -8.93	Core Fixed Income 8.72	EM Debt 6.52	Hedge Funds 6.2	EM Debt -15.26	Private Equity 9.91	Private Credit 6.72	High Yield 8.20	Bank Loans 1.02
Private Real Estate	8.76	Private Real Estate 7.61	Mid Cap -9.06	Private Credit 8.87	High Yield 6.17	High Yield 5.36	Mid Cap -17.32	EM Debt 9.09	EM Debt 6.58	Core Fixed Income 7.30	Hedge Funds 0.71
Global Stocks	8.48	High Yield 7.48	Small Cap -11.01	Hedge Funds 8.38	Private Credit 5.78	Bank Loans 5.14	Global Stocks -17.96	Hedge Funds 6.06	Commodities 5.38	Bank Loans 5.03	Core Fixed Income 0.38
Core Fixed Income	2.65	Core Fixed Income 3.54	Commodities -11.25	Bank Loans 7.87	Bank Loans 2.26	Core Fixed Income -1.54	Large Cap -18.11	Core Fixed Income 5.53	International Stocks 4.35	Private Real Estate 3.77	Private Real Estate -N/A
International Stocks	1.51	Bank Loans 3.29	International Stocks -13.36	Commodities 7.69	Private Real Estate 1.18	EM Debt -1.65	Emerging Markets -19.74	Commodities -7.91	Core Fixed Income 1.25	Private Equity 5.62	Private Equity -N/A
Hedge Funds	0.49	Commodities 1.70	Emerging Markets -14.25	Private Real Estate 5.34	Commodities -3.12	Emerging Markets -2.22	Small Cap -20.44	Private Real Estate -12.02	Private Real Estate -1.44	Private Credit 4.62	Private Credit -N/A

STOCK MARKETS CAN TRADE LOWER IN THE SHORT-RUN

Intra-year S&P 500 Drawdowns with Annual Returns

Market volatility is normal and can be difficult to time. History shows that staying the course has been a successful investing strategy.

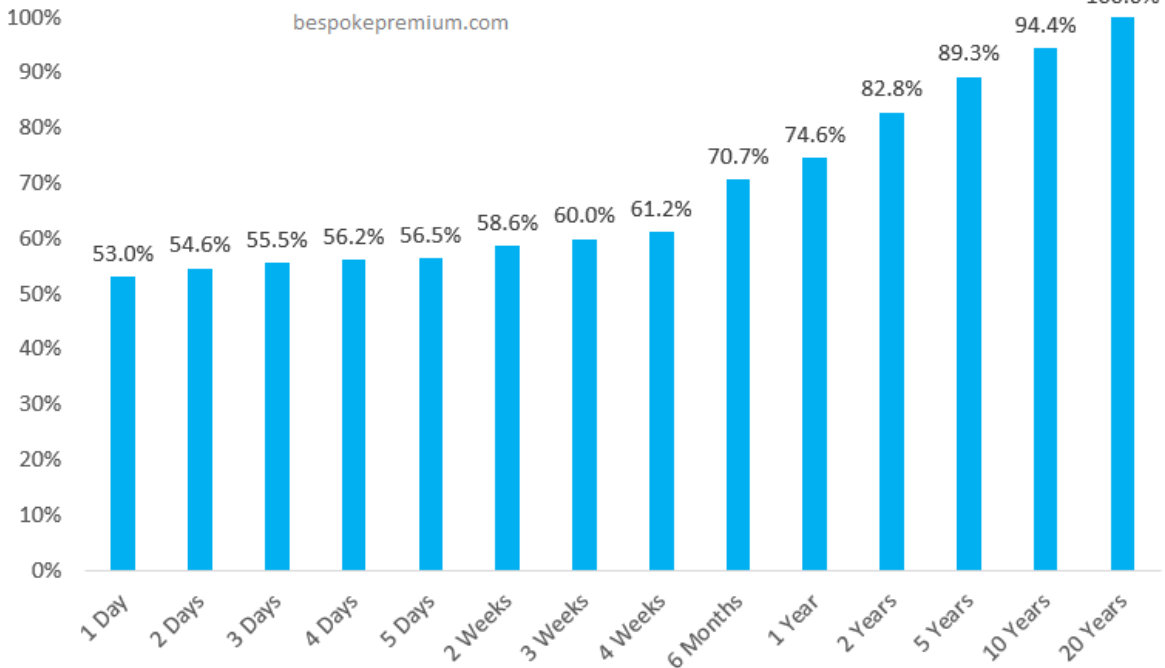


Source: Morningstar Direct, Standard & Poor's. Uses Total Return with daily closing prices.

Return Max Drawdown

STOCK MARKETS TRADE HIGHER IN THE LONG-RUN

S&P 500: % of Time Index Has Been Positive Over Various Time Frames



*Past performance is no guarantee of future results.

Source: Bespoke

Economic expansions do not die of old age, they are murdered - Rudi Dornbusch

Post WW2 Recessions and Their Triggers

Stock Market Peak	Recession Start	Stock Peak Before Recession	Recession End	"Murder Weapon"
May 28, 1946	Feb 1945	-454	Oct 1945	Dramatic Drop in Military Spending (End of WW2)
Jun 18, 1948	Nov 1948	165	Oct 1949	Demobilization of the WW2 Economy
Jan 09, 1953	Jul 1953	203	May 1954	Dramatic Drop in Military Spending (End of Korean War)
Apr 06, 1956	Aug 1957	511	Apr 1958	Suez Crisis/Sputnik
Jan 08, 1960	Apr 1960	113	Feb 1961	Tight Monetary Policy
Dec 06, 1968	Dec 1969	390	Nov 1970	Vietnam War
Jan 12, 1973	Nov 1973	322	Mar 1975	Arab Oil Embargo
Sep 15, 1978	Jan 1980	503	Jul 1980	Highest Inflation of the Century
May 01, 1981	Jul 1981	91	Nov 1982	Punishing Interest Rates (15% 10-year)
Jul 20, 1990	Jul 1990	11	Mar 1991	Iraq Invades Kuwait (~200% rise in Crude Oil)
Jan 14, 2000	Mar 2001	442	Nov 2001	Tech Bubble Popping/September 11
Oct 09, 2007	Dec 2007	83	Jun 2009	Housing Crash/\$145 Crude (July 2008)
Feb 12, 2020	Feb 2020	17	Apr 2020	COVID-19
Average		184		

Source: Bianco Research



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