

**MB FOUNDATION
INVESTMENT SUMMARY
6/30/2026**

Index Name	QTD Return	YTD Return
Dow Jones Industrial Average	13.38	9.76
S&P 500 (U.S. Large Co. Index)	15.20	10.21
Russell 2000 (U.S. Small Co. Index)	21.49	22.57
MSCI EAFE (Int'l Equity Index)	10.82	9.44
Bloomberg U.S. Aggregate Bond	0.67	0.62

Market Commentary

Performance for the second quarter of 2026 was strong. Most sub asset classes were up significantly. The S&P 500 was up 15% for the quarter. International markets were also up, with Developed Markets up 11%. Small Cap U.S. equities outperformed Large Cap U.S. equities, with small caps up 21%. Real Estate Investment Trusts ("REITs") were up 12%. Bonds were slightly positive during the quarter, with the Bloomberg U.S. Aggregate up 70 basis points.

The U.S. Federal Reserve cut interest rates 0.75% in the back half of 2025 but has held steady at 3.50%–3.75% through all of its 2026 meetings, including its June 2026 meeting — the first led by new Chairman Kevin Warsh, who succeeded Jerome Powell. Notably, the Fed's outlook has shifted meaningfully more hawkish since the start of the year. The Fed's March 2026 Summary of Economic Projections ("SEP") had indicated that the median FOMC member anticipated an additional 25 basis points of cuts in 2026, with a year-end Fed Funds projection of 3.4%. By the June 2026 SEP, however, that median projection had jumped to 3.8%. The Futures Market has repriced accordingly and is now pricing in the possibility of a 25-basis point hike by October 2026, a sharp reversal from expectations earlier in the year. This shift reflects a resilient labor market, elevated inflation (fueled by the Iran conflict's effect on energy prices), and Chairman Warsh's more data-dependent, less forward-guidance-oriented communication style. Energy price volatility tied to the conflict in the Middle East remains a key swing factor the Fed is watching closely.

Looking ahead, the macro backdrop remains fluid and volatile. The market continues to focus on the war in Iran and its knock-on effects — a ceasefire has been in place since April 2026, and a memorandum of understanding reached in mid-June aims to bring the conflict to a formal close, though tensions around the Strait of Hormuz and global energy markets persist. Despite this uncertainty, economic growth remains positive, corporate earnings have surprised meaningfully to the upside and fiscal policy (namely tax cuts) remains stimulative. Themes around AI investment, AI adoption, deregulation, and consumer spending are still positive, and equity markets have responded. However, after three-plus years of a bull market, equity valuations remain elevated in many areas, and market concentration risk remains high. We expect markets to continue to fluctuate as energy prices move, geopolitical headlines develop, and the Fed's policy path becomes clearer under its new leadership. We are confident that investors are well served by remaining diversified across asset classes in anticipation of a broadening out of the market, and positioned appropriately for anticipated risks, while still participating in this bull market.

**Market
Highlights**

- Markets rebounded in the 2nd quarter with strong results from most sub-asset classes
- In Q2 2026, Small Cap Growth stocks were the leading sub-asset class, up 25%
- The Federal Reserve, under new chairman Kevin Warsh, has shifted to a tighter rate outlook

Market commentary provided in partnership with Cornerstone Management, Inc.