

QUARTERLY COMMENTARIES

THE ROUND TRIP



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QUARTERLY COMMENTARY — JULY 1, 2026

If the first quarter of 2026 was a lesson in how quickly investor sentiment can sour, the second quarter was a lesson in how quickly it can recover, and in why we counseled against reacting to either extreme. The S&P 500 gained approximately +15% for the quarter, its strongest quarterly advance since the post-pandemic rebound of 2020, more than recovering the roughly -5% decline of the first quarter and carrying the index to new record highs. The advance was notably broad: by quarter's end, equal-weighted and value-oriented benchmarks were also setting new highs, a healthy sign that the rally extended well beyond a handful of technology giants. Nor was the strength confined to the United States. Global equities rallied sharply as well, with developed international markets (MSCI EAFE Index) posting healthy +12% gains for the first half of the year and emerging markets (MSCI Emerging Markets Index) doing even better, up more than +20%.

The 10-year Treasury yield spent most of the quarter in the upper half of the 4.0% to 4.5% range it has occupied all year, ending the period near 4.5%, as investors weighed the inflationary aftermath of the oil shock against the arrival of a new Federal Reserve chair with a decidedly hawkish message.

WANING WINDS OF WAR

In April, we wrote the following about the conflict in the Middle East: "What we expect is that an end, or even credible progress toward one, should produce a quick and meaningful reversal in oil prices and a corresponding relief rally in equities." We take no particular credit for the prediction, which required no crystal ball, only a familiarity with how these episodes have historically resolved. But that is essentially what happened.

The path was not smooth. Oil prices peaked near \$112 per barrel in April as the Strait of Hormuz remained effectively closed, and negotiations between the United States and Iran started, stopped, and started again over the ensuing weeks. But on June 17, the two sides signed a memorandum of understanding ending nearly four months of war

and reopening the Strait, with a 60-day window to negotiate a permanent agreement. Tanker traffic resumed, crude shipments surged, and by quarter's end oil had fallen all the way back to the low \$70s, within a few percent of where it traded before the first strikes in late February. There is, as we noted in April, no shortage of oil in the world; the disruption was a function of geography and geopolitics, not geology. Once ships could move, prices did what we believed supply and demand said they should.

The peace remains fragile, and prices at the pump have been slower to normalize than the price of crude, a lag familiar to anyone who has watched gasoline prices rise like a rocket and fall like a feather. But the acute phase of the energy shock appears to be behind us.

We think the lesson for investors is worth underlining. Selling into the fear of February or March meant needing to be right twice: once on the way out, and again on the way back in, at a moment when the news was still frightening. Very few investors, professional or otherwise, manage that feat consistently, which is precisely what Peter Lynch meant when he observed that far more money has been lost preparing for corrections than in the corrections themselves.

THE SENTIMENT PENDULUM SWINGS BACK

Last quarter we devoted considerable space to investor sentiment, and to its swing from near-universal optimism entering the year to something approaching universal gloom by late March. We argued then that sentiment is mostly noise: it moves fast and far, and it tells you more about how people feel right now than about what really matters for long-term returns.

The second quarter proved the point with almost comic efficiency. We saw the same Wall Street strategists who spent March quietly cutting their year-end S&P 500 targets spent June quietly raising them again; the median target among major firms now sits above where it began the year. The financial press, which in March was preoccupied with recession odds and oil shocks, is now preoccupied with speculative excess and

whether the rally has run too far. In the span of six months, the consensus has traveled from euphoria to gloom and back toward euphoria, while the actual businesses underlying the market went about their work largely unbothered.

We would gently note that the discipline we preached in March cuts both ways. Just as fear is not a reason to sell, exuberance is not a reason to chase. Certain corners of the market, semiconductors and AI infrastructure in particular, posted gains in the second quarter that we can only describe as extraordinary. The Philadelphia Semiconductor Index recorded its best quarter since its inception in 1994, and a handful of memory-chip stocks have risen several hundred percent this year. Some of this reflects genuine and dramatic improvement in business fundamentals; memory has become a critical bottleneck in AI infrastructure, and pricing power has followed. Some of it, we suspect, reflects the kind of momentum-chasing that tends to end poorly for those who arrive last. We have seen cycles in the memory chip market before, and they follow a familiar arc. Memory chips are, at the end of the day, commodities, and their prices are set by supply and demand. Today, capacity constraints relative to surging AI-driven demand are pushing prices sharply higher. But new capacity is coming, and a lot of it. Projects are underway across the globe to add supply; Samsung and SK Hynix alone have announced plans to spend more than \$800 billion on new semiconductor plants in South Korea, an effort aimed at roughly doubling that country's memory production capacity within five years, and Micron is expanding its own fabrication footprint here in the United States. When the supply and demand equation shifts, as it eventually does in every commodity market, prices will react, potentially dramatically. Our approach in such an environment is unchanged: we own businesses at prices we can defend with reference to their earnings power over a full economic cycle, and we decline to pay prices we cannot.

WHAT WE'RE WATCHING

of these stocks are priced for a level of future certainty that the underlying business models don't yet support Regular readers of this letter will recognize that

our answer to this question does not change much from quarter to quarter. It has not changed much in twenty years, and that is by design. We watch the businesses we own, and we watch them the way owners do: revenue growth, gross margins, operating cash flow, earnings per share, and the quality of the capital allocation decisions their managements and boards are making.

On that scorecard, the news this quarter was genuinely good, and that news, more than any geopolitical development, explains the market's strength. Corporate America delivered its best earnings season in years during the quarter, with S&P 500 companies reporting revenue growth of roughly +12% and earnings growth approaching +30%, both the strongest readings in several years. Analysts, who typically trim their estimates as a quarter progresses, raised them instead. Margins continue to expand. Whatever one thinks of the enormous sums being invested in AI infrastructure (and we continue to watch the gap between capital spending and demonstrated returns on that spending with a skeptical eye), the earnings power of high-quality American businesses is, at present, not a matter of sentiment or speculation. It is showing up in the numbers.

That said, the market's earnings growth remains importantly concentrated in AI-related themes, and strong as the current numbers are, the late-quarter wobble in some of the largest technology names is a reminder to us that prices in that corner of the market embed demanding assumptions about how long this growth can continue. Our view from January bears repeating: some.

Q2 PORTFOLIO CHANGES

As always, these commentaries should not be construed as a recommendation to buy or sell any security; such decisions are made only within the context of the full market environment and the specific construction of individual client portfolios.

During the quarter, we added a new name to the Core Equity strategy: Uber. The company needs little introduction, but the scale behind the familiar app may surprise

you. In the first quarter alone, Uber generated \$54 billion in gross bookings across 3.6 billion trips, serving nearly 200 million active consumers. The platform houses two profit engines pulling in the same direction: the core mobility business, which produced roughly \$2.0 billion of segment operating income last quarter, up +28% year over year, and the delivery business, now the company's fastest-growing profit stream as it expands into groceries and beyond city centers into the suburbs. Our thesis, as always, begins with the moat, and Uber's is not just wide but widening. It rests on three reinforcing pillars: global scale as the leading on-demand platform in more than 70 countries, network effects in which millions of consumers and earners build a density rivals cannot match, and the Uber One membership, which deepens loyalty in a way single-vertical competitors cannot replicate. Layered on top are newer growth drivers, including a high-margin advertising business, and the operating leverage that comes with them; earnings and free cash flow are growing faster than revenue. Under CEO Dara Khosrowshahi, whom we came to know and respect during our years owning Expedia, Uber has reached GAAP profitability, generates strong free cash flow, and has begun returning capital to shareholders through buybacks.

Why the opportunity now? In a word, autonomy. The market worries that autonomous vehicles will disrupt Uber's core rideshare business, and that concern has weighed on the shares. We see it differently. Autonomous vehicles still require demand aggregation and network liquidity, precisely where Uber's advantage lies, and we do not believe this will be a winner-take-all market. The early evidence supports that view: in San Francisco, the market furthest along in autonomous adoption, Uber has continued to grow at a healthy pace even as Waymo has scaled, suggesting that autonomy expands the overall transportation market rather than simply reallocating share. Uber, meanwhile, is positioning itself as the demand layer for autonomous vehicles, integrating leading autonomy providers into its network and increasingly serving as a partner rather than a competitor to them. We believe the market is underestimating Uber's long-term earnings power, and that the shares trade at a meaningful discount to intrinsic value, an attractive entry point for a business of this quality.

A WORD ON PERSPECTIVE

Consider an investor who reviewed their portfolio on January 1 and did not look at it again until June 30. Such an investor would observe that the market rose by a healthy but unremarkable amount over the half-year, and might reasonably conclude that not much happened. In between, of course, there was a war in the Middle East, a closed oil chokepoint, crude at \$112, a -5% market decline, a wave of near-panic in investor sentiment, one of the strongest quarterly rallies of the century, and a new chairman of the Federal Reserve. The investor who slept through all of it ended up in the same place as the one who watched every headline, minus the anxiety. And if the anxious investor acted on any of it, the sleeper quite possibly came out ahead.

We do not suggest ignoring the world. We suggest something more precise: distinguishing between what is interesting and what is actionable. Nearly everything that happened this quarter was interesting. Very little of it called for action in a portfolio of high-quality businesses purchased at reasonable prices and matched to your actual goals and time horizon.

Our job as your investment manager is to hold such businesses and to maintain the discipline to do so through quarters like the last two, the frightening kind and the euphoric kind alike. More broadly, our job as your fiduciary is to help you maintain a clear view of your own financial journey: where you are, where you're headed, and what is truly required to get there. If the events of the first half of this year have raised any questions about whether your allocation is appropriately positioned, please don't hesitate to reach out. That conversation is always worth having.

NEW ADDITIONS TO THE SUMMITRY TEAM

We have been unusually active on the recruiting front, and are pleased to welcome three new members to the Advisory team.

Jacob Kark, Financial Advisor – Jacob works with Summitry's Private Client Group, providing advisory services and comprehensive financial planning. He is a CFP® professional and holds a Bachelor's degree in Finance from Tulane University, and previously advised at True Wealth Advisory Group, a Bay Area RIA. Jacob is based in San Francisco and enjoys traveling, sports, and reading and writing about geopolitics and history.

Lacey Brundige, Financial Advisor Assistant – Lacey joins Summitry after earning a Bachelor of Science in Finance, with minors in Real Estate and Marketing, from Santa Clara University, and interning with the advisory team at Wealthspire Advisors. A Seattle native, she moved to the Bay Area for college and stayed to launch her career. She enjoys the beach, day trips, and exploring local trails.

Taya Cowan, Associate Financial Advisor – Taya partners with clients and supports Summitry's Private Client Group and Financial Advisors with planning and advisory work. She holds a Bachelor of Arts from Harvard University and, since entering financial services in 2022, has worked with high-net-worth families at Edward Jones and Northwestern Mutual. Outside of work, she enjoys traveling, new hobbies, and cooking for family and friends.

This commentary is provided for informational purposes only and reflects our views as of July 1, 2026. It is not a guarantee of future results. Any forward-looking statements are subject to uncertainty and actual outcomes may differ materially. Past performance is not indicative of future results. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. This is intended only for Summitry clients and is not intended as investment advice to buy or sell any securities. Opinions contained here are subject to change without notice.