AUGUSTINE
ASSET MANAGEMENT

July 2026

Buyers & Sellers

MARKET SUMMARY

Equities

MSCI AC World	1,120
Price / Earnings	19.0x
Dividend Yield	1.7%
S&P 500	7,499
Price / Earnings	22.0x
Dividend Yield	1.1%

US Interest Rates

2 Year Treasury	4.2%
10 Year Treasury	4.5%
30 Year Treasury	5.0%
Bloomberg US Agg.	4.7%

US Corporate Spreads

Investment Grade	0.8%
High Yield	2.7%

Equity Volatility

CBOE SPX Volatility	16.5

US Economic Figures

GDP Growth 1Q26	2.1%
Unemployment	4.2%
Inflation (core)	2.6%
Fed Funds Rate (mid)	3.6%
3 Month SOFR	3.7%

Commodities

Oil (Brent)	$74
Natural Gas	$3.28
Copper ($/lb.)	$6.25
Gold ($/oz.)	$4,008

Foreign Exchange

Euro	$/€	1.14
Japanese Yen	¥/$	163
Chinese Yuan	元/$	6.79

Market summary data as of:
June 30, 2026

There is an old saying in the market that stocks rise when there are "more buyers than sellers" and fall when the opposite is the case. It is a truism that is technically not true, since every trade matches one buyer with one seller. But it rightly points to the fact that the supply and demand of capital affect its price. Excess demand fuels higher asset prices, while excess supply weighs them down.

Recent developments suggest a shift in the supply-demand balance across stocks and bonds. Voracious appetite for artificial intelligence development and capacity is being financed by a surge in stock and bond issuance. Meanwhile, central bank policy is potentially shifting to one that focuses on core mandates with less unconventional use of the Fed's balance sheet. Both could make for a market that differs from the status quo and could be less accommodating than the environment to which investors have become accustomed.

Artificial intelligence continues to astound. Not just by its capabilities that have evolved well beyond chatbots, but by the amount of recent and announced fund raisings to finance further development and capacity. Alphabet (Google's parent company) launched an $85 billion offering of stock and mandatory convertible preferred in June, the largest equity raise in history. SpaceX's initial public offering later in June raised $86 billion, by far the largest IPO in history. SK Hynix, a maker of computer memory, followed with a $27 billion offering of American depositary receipts in July. It was the largest US listing by a foreign company in history.

There is more to come. Large language model developers OpenAI, Anthropic, and DeepSeek are planning IPOs that could eclipse SpaceX's fundraising record. An additional $500 billion of SpaceX shares will become available for sale by year end after IPO lockup periods expire. Meanwhile, private equity funds that have extended holdings periods and slowed distributions to their investors since 2022 could come to market with a large backlog of portfolio companies.

New equity issuance could soon reach a level that dwarfs those of the 1999-2000 technology bubble and the 2021 SPAC frenzy. Researchers at JP Morgan estimate that $1.5 trillion of new equity supply will come over the next 18 months. If so, the supply-demand balance will be different from what investors have experienced over the last fifteen years. According to Bloomberg data, share buybacks exceeded issuances in the US by $500-900 billion per year from 2010 to 2025. With a structural bid for equities and reduction of shares that created a quarter of the earnings per share growth over the period, equities experienced annual returns well above the historical average. Issuer net demand for stocks, which has provided a tailwind to stock returns, is now in net supply.

Spikes in equity issuance occur during quickly rising markets when investor sentiment is unusually optimistic. Capital-intensive new technologies that spurred investment booms, like railroads and internet communications, are potential historical analogs to what is happening now. If the surge in stock offerings were to echo past patterns, today's above average pace of market returns could be followed by a leaner period, and the kind of stock that is currently in favor – high price momentum, high volatility, high growth expectations, and lower cash flow – could yield to those that have higher quality, higher cash flow, lower valuation, and lower volatility.

Kevin Warsh was confirmed in May as the new chairman of the Federal Reserve and its monetary policy setting Federal Open Market Committee. A former Fed governor with deep experience and ties in capital markets, he assumed leadership of the Fed following many years of the institution failing to fulfill its price stability mandate. Warsh's skepticism of much of the Fed's priorities and actions over the last fifteen years is well known, and he has initiated a process of examining and potentially changing key aspects of the Fed's policy toolkit. Among the areas for which task forces have been created (communications, balance sheet, data quality, labor productivity, and inflation), the balance sheet has particular relevance for financial assets.

The Fed's balance sheet has several purposes, accommodating reserve balances held by banks, the Treasury Department's General Account balances, and currency in circulation. It has also been used unconventionally since the 2008-2009 financial crisis to support financial asset prices, suppress market volatility, and to monetize federal deficits. While the optimal extent of "ample" in the banking reserves regime and the resulting size of the balance sheet could be up for debate, a legacy of past episodes of balance sheet expansion is more straightforward. Quantitative easing, by purchasing long dated treasury and agency bonds, created a duration mismatch between a large portion of the Fed's balance sheet and what it is supposed to be there for.

Should the balance sheet be properly aligned by reducing long term and increasing short term securities, the yield curve would be steeper than it is today, and the price of high duration assets, such as long maturity bonds and equities, would be lower. Furthermore, if a new policy framework emerges from the taskforce that eschews balance sheet expansion to limit stock market drawdowns and to finance deficits, a lessening of moral hazard and the so-called Fed put could lower the market's preference for risky investments.

Augustine Global Equity

Augustine Global Equity underperformed the 2Q 2026 14.9% return of the MSCI All Country World Index. The strategy has performed in line with the benchmark year to date and is ahead of the benchmark over the last year and since inception.

Positive contributions from global technology (Taiwan Semiconductor Manufacturing, ASML, Apple), European industrials (Siemens), Japanese financials (Mizuho, Sumitomo Mitsui), and US and Asian materials (Freeport McMoran, BHP) were partially offset by Japanese industrials (Mitsui, Marubeni), US healthcare (Gilead, Regeneron, United Therapeutics, Medtronic), and European energy (Shell, TotalEnergies).

The artificial intelligence theme continues to dominate market performance. According to Bloomberg data, a basket of 23 artificial intelligence related stocks represented 80% of the 2Q 2026 return and 94% of the 1H 2026 return of the MSCI All Country World Index. A case in point, the two previously mentioned South Korean memory producers, SK Hynix and Samsung Electronics, produced a fifth of the global market's return during the last quarter.

Unsurprisingly in a narrow single-theme market, stocks tied to AI with riskier characteristics such as high momentum, high volatility, and high future earnings expectations were strong relative performers, while those exhibiting strong cash flows, strong balance sheets, and attractive relative valuations lagged. We anticipate normalization of the extreme style headwinds and contributions from stock selection will be supportive of the strategy's returns.

We initiated during the quarter a new position in Halozyme Therapeutics, a biopharmaceutical company that specializes in drug delivery platforms. We expect the company to scale its royalty-bearing installed base of partnered subcutaneous products and benefit from additional launches. The stock trades at a valuation discount to both industry peers and its own history while having strong quality characteristics and growth potential. We also increased positions in Regeneron, United Therapeutics, Shell, and TotalEnergies following recent weakness. The increased positions exhibit investment process preferences for attractive relative valuation, quality, and fundamental outlook.

We eliminated positions in Nike and Dr. Reddy's Laboratories after those holdings no longer met our investment process preferences for quality and fundamental improvement. We also reduced exposure to Taiwan Semiconductor Manufacturing per our portfolio construction rule regarding single position exposure. The stock has performed well and continues to be fundamentally attractive.

We are optimistic that the portfolio's composition, favoring securities of high-quality companies that trade at lower valuations compared with peers, is well positioned to generate attractive risk-adjusted returns.

Augustine Fixed Income

US fixed income markets during 2Q 2026 were shaped by changing monetary policy expectations and a flattening of the yield curve. Persistent inflation pressures and labor market resilience led investors to expect policy tightening, pushing front-end treasury yields higher while longer-dated yields remained stable. The June FOMC meeting reinforced this shift. Under new Federal Reserve chairman Kevin Warsh, policymakers maintained the Federal Funds rate but signaled a greater emphasis on addressing high inflation. As a result, investors increasingly embraced a "higher-for-longer" interest rate outlook, contributing to higher yields in the front and intermediate portions of the yield curve. Credit markets remained constructive. Corporate fundamentals continue to support the sector with modest spread tightening across most credit sub-sectors. As a result, credit assets generated positive returns and helped offset headwinds from rising front-end rates.

Augustine Core Plus Fixed Income outperformed the 2Q 2026 0.7% return of the Bloomberg US Aggregate Bond Index. The strategy's return is ahead of the benchmark year to date, over the last year, and since inception.

Performance was driven primarily by security selection, particularly within corporate bonds and securitized debt. Sector allocation's contribution was largely neutral, as the impact from underweights to treasuries and agency mortgage-backed securities was offset by gains from an overweight allocation to investment grade corporates. Yield curve positioning detracted modestly from performance. While the portfolio's shorter duration mitigated the impact of rising rates, the positioning among maturity segments proved less favorable. An overweight allocation to intermediate maturities, combined with an underweight position in longer-dated treasuries, weighed on relative results as yields rose more sharply across the front and intermediate portions of the curve. Nevertheless, strong bottom-up security selection helped offset these headwinds and contributed to relative outperformance.

During the quarter, we initiated a position in US dollar-denominated emerging market sovereign debt, with a particular emphasis on Brazil. Brazil offers attractive relative value, solid macroeconomic fundamentals, and potential support from favorable commodity market dynamics. Within credit markets, we remain overweight corporate bonds, focusing on issuers that offer compelling risk-adjusted return opportunities. We also continue to identify attractive investments within securitized assets, particularly asset-backed securities such as prime auto loans and mobile phone receivables.

We maintain a meaningful allocation to US treasuries, which provides liquidity, portfolio stability, and flexibility to capitalize on opportunities that may arise should market volatility create more attractive entry points. The portfolio has a defensive posture through a combination of shorter-duration positioning, high-quality credit exposure, and substantial treasury holdings.

Augustine Short Term Fixed Income outperformed the 2Q 2026 0.5% return of the ICE 1-3 Year Government/Corporate Index. The strategy's return is ahead of the benchmark year to date, over the last year, and since inception.

Relative performance was driven primarily by the portfolio's allocation to short-term investment grade corporate bonds, with security selection and yield curve positioning also contributing positively.

Valuations across credit sectors are rich by historical standards, and we believe selectivity and patience are increasingly important at this stage of the cycle. This approach allows us to generate attractive income while preserving the flexibility to deploy capital opportunistically as market conditions evolve.

Although uncertainty surrounding inflation, economic growth, and monetary policy remains elevated, we believe the current yield environment is attractive. Elevated yields offer a meaningful income cushion and foundation for returns. By emphasizing quality, attractive relative value opportunities, and disciplined security selection, we believe the portfolio is well positioned to capitalize on opportunities while prudently managing risk across a range of market environments.

We hope this review of investment strategy, the economy, and capital markets helps to inform about our investment outlook and how we have positioned client assets to achieve returns while managing risk. We welcome your questions.

With best wishes and appreciation for the opportunity to work on your behalf,

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