

Choose Your Illusion

MARKET SUMMARY

Equities

MSCI AC World	1,135
Price / Earnings	18.2x
Dividend Yield	1.7%
S&P 500	7,652
Price / Earnings	21.3x
Dividend Yield	1.1%

US Interest Rates

2 Year Treasury	4.9%
10 Year Treasury	5.3%
30 Year Treasury	5.6%
Bloomberg US Agg.	5.6%

US Corporate Spreads

Investment Grade	0.8%
High Yield	3.1%

Equity Volatility

CBOE SPX Volatility	16.3
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US Economic Figures

GDP Growth 2Q26	2.2%
Unemployment	4.1%
Inflation (core)	2.6%
Fed Funds Rate (mid)	3.9%
3 Month SOFR	4.1%

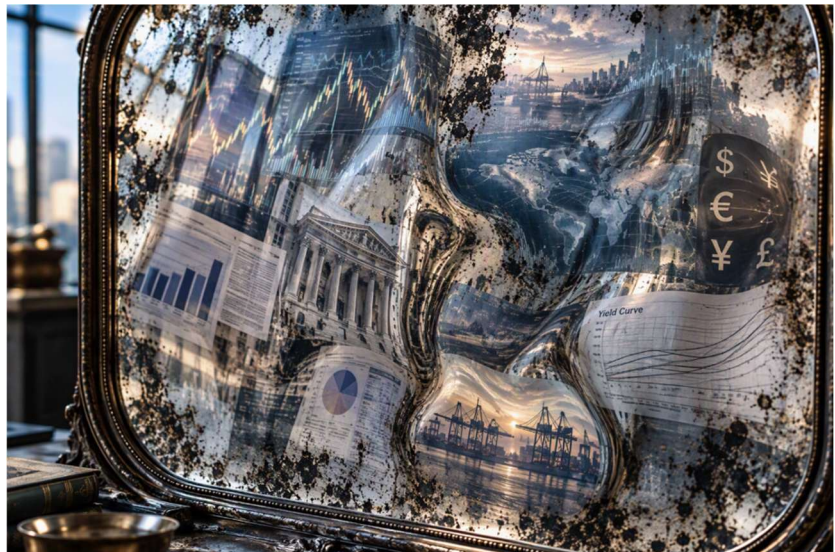
Commodities

Oil (Brent)	\$104
Natural Gas	\$3.03
Copper (\$/lb.)	\$6.62
Gold (\$/oz.)	\$4,156

Foreign Exchange

Euro	\$/€	1.13
Japanese Yen	¥/\$	157
Chinese Yuan	元/\$	6.71

Market summary data as of:
September 30, 2026



For we know in part and we prophesy in part... For now we see only a reflection as in a mirror...

St. Paul, 1 Corinthians 13

St. Paul's first letter to the Corinthians is full of timeless wisdom and is possibly the most quoted of writings. His discussion of the limits of human perception and understanding of divine truths reminds us that our difficulty with seeing and understanding extends to most things. Investing capital by analyzing companies, industries, and the economic environment while managing risk is no exception. Every decision is made with partial knowledge, using information that approximates but never exactly represents reality.

Mirrors in Paul's time were not like the smooth and clear ones in use today. They were polished metal with uneven surfaces that reflected a dim and warped view. Investors today contend with distortions that range from market prices not entirely set by market forces and financial statements that sometimes obscure important facts. Knowing when things are not as they appear and why is important.

The US Treasury Department was active during the quarter, taking steps to bend the foreign exchange and interest rate markets to its will. It intervened in July to prop up the Japanese Yen. While its commitment was described as "nominal", Treasury Secretary Bessent warned of more forceful action, saying "I am the house now... And you can bet against me if you want". In August and again in September, the Treasury Department increased the sizes of its long-dated liquidity support buyback operations. Bessent explained the moves as aimed at quelling a "fever" in the bond market, suggesting that long-term yields were something to be centrally managed and that "my job is to try to push things back toward equilibrium". Treasury officials added the possibility that it could use funds in the Treasury General Account to buy substantially larger amounts. The Yen intervention, the "twist" in bond buyback activity, and the threat of a massive buyback program can be seen as the government's attempt to rein in rising yields, first by limiting Japan's sale of US treasuries to defend its currency and second by buying long-dated bonds and suggesting a lot more could be done.

We think government attempts to manage the market will prove to be futile. In the short term, government intervention can distort prices that should otherwise be set by market participants. In the long term, fundamentals matter more. Ironically, government attempts to reduce yields reveal political unwillingness to address the reasons why they are rising -- trade and military conflicts that stoke inflation and fiscal deficits that create incentives to accept higher for longer inflation. Extending Bessent's analogy: aspirin to reduce the fever of a seriously sick patient can provide ephemeral relief but does nothing by means of a long-term cure.

The look of corporate earnings growth and balance sheets can also be distorted, especially during booms in capital investment. The surge in spending for artificial intelligence capacity and how companies account for it is flattering both earnings growth and balance sheets. Rising valuations of private stakes in AI firms held by large technology companies are flowing through reported earnings. Markups added \$98 billion to Alphabet's second-quarter earnings and represented the vast majority of headline earnings growth. They added \$53 billion to Amazon's earnings, representing most of its headline earnings growth. Earnings are also helped by asymmetric accounting, with sellers of AI equipment realizing revenue now and buyers amortizing the expense over many years. The ledgers will eventually tie, with today's tailwind to earnings becoming a headwind in coming years. Balance sheets, meanwhile, are benefiting from financing structures that remain off reported liabilities. Meta has financed a data center through an entity to keep \$27 billion of debt off its balance sheet, and researchers at Goldman Sachs and Morgan Stanley have identified \$1 trillion in data center lease commitments that do not appear as liabilities on the balance sheets of the so-called hyper-scalers.

These examples of distorted prices and reported fundamentals are illusions of choice (government interventions in markets and companies hiding liabilities) and of existing accounting rules (the treatment of corporate investments and capital spending). Both tend to appear at extremes, with today's cases being products of runaway government debt amidst higher interest rates, a shift from cash flow to debt-financed AI investments, and the unprecedented scale of capital spending for AI. The additional challenge that distorted price and fundamental data brings to financial analysis amplifies risk and reminds us that style preferences, especially quality and value, can help when there is a higher degree of uncertainty as to fundamental signals. We believe our investment philosophy that favors fundamental quality and value helps to provide a margin of error while navigating today's market.

Augustine Global Equity

Augustine Global Equity outperformed the 3Q 2026 1.6% return of the MSCI All Country World Index. The strategy is ahead of the benchmark year to date, over the last year, and since inception.

Positive contributions from US technology (Apple, Microsoft), US healthcare (Halozyme, Merck, Gilead, Regeneron), Japanese financials (Mizuho, Mitsubishi UFJ), and European energy (Shell, TotalEnergies) more than offset slight detractions from European technology (ASML), European and US industrials (Siemens, CSX), and European healthcare (Novo, Sanofi).

Artificial intelligence remains the market's primary theme with stocks related to AI models and the buildout of datacenter capacity driving the majority of index gains. While thematic leadership slightly broadened during the third quarter, 2026 returns to date remain concentrated in memory chips, logic/GPU chips, and AI infrastructure hardware. Ten large tech companies in those industries have contributed almost all of the market's gains this year, with two-thirds of stocks trailing the market index.

During the quarter, we initiated a new position in AbbVie, a US biopharmaceutical company with leadership positions in immunology, neuroscience, oncology and aesthetics. Its core long-term commercial opportunity is to convert the post-Humira portfolio into a durable, multi-franchise growth platform. The company exhibits attractive quality and valuation characteristics. Return on capital is high and improving as Skyrizi and Rinvoq drive near-term results. Beyond 2030, the investment case is pipeline dependent. Immunology combinations, Apogee's acquired portfolio, and in-vivo CAR-T could drive growth and capital returns as internal combinations and acquired assets scale through existing infrastructure. The stock trades at a discount to the global Biotechnology industry, generates above-peer return on invested capital, and has limited patent risk in the near and medium term.

We also initiated a new position in TE Connectivity, a global industrial technology company focused on connectors, sensors, and related systems that transmit power, signals, and data in demanding environments. The company's primary commercial opportunity is increasing connectivity and power intensity. In vehicles, electronic content is rising with advanced driver assistance, electrification, and edge computing. In industrial markets, AI infrastructure requires high-speed data links, greater rack-level power delivery, thermal management, and upstream grid investment. The company exhibits quality and value characteristics. Capital returns are high and improving with incremental investment as the company sees broad-based growth, strong orders, and improving margins. Upside to consensus expectations could come from data center order conversion, continued energy growth, and transportation content gains. The stock trades at a discount to peers in the global Electronic Equipment, Instruments & Components industry and to its own history.

We are optimistic that the strategy'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 faced pressure during the third quarter as resilient economic activity and persistent inflation pushed Treasury yields higher across the curve. The 10-year Treasury yield rose 82 basis points to 5.3%, its highest level of the year and a level last reached before the Great Financial Crisis in 2007.

Against this backdrop, the Federal Reserve reinforced its focus on inflation, raising the federal funds target range by 25 basis points to 3.75% - 4.00% at its September meeting after holding rates steady in July. Policymakers continued to point to persistent inflation and strong economic activity, while the Fed's projections suggested the possibility of another rate increase before year end.

Investment-grade credit spreads remained near historically tight levels, supported by generally solid corporate fundamentals and continued investor demand. Overall, the rise in Treasury yields, rather than

a broad deterioration in credit conditions, was the primary headwind for fixed income markets during the quarter.

Augustine Core Plus Fixed Income outperformed the 3Q 2026 -3.5% return of the Bloomberg US Aggregate Index. The strategy is ahead of the benchmark year to date, over the last year, and since inception. Performance benefited from the strategy's shorter overall duration, which helped mitigate the impact of the rise in yields. Sector positioning also contributed positively, particularly the strategy's underweight to agency mortgage-backed securities, which underperformed during the quarter. Security selection within investment-grade corporate bonds and asset-backed securities provided additional support. These benefits were partially offset by yield-curve positioning, as the overweight allocation to intermediate maturities weighed on relative results. Overall, the strategy's defensive duration posture and selective exposure across credit and securitized sectors helped cushion the impact of rising rates.

During the quarter, we increased duration as higher Treasury yields improved the return/risk proposition for interest rate exposure. While we have become more constructive as yields have moved closer to fair value, duration remains shorter than that of the benchmark, with limited exposure to the long end of the curve. We also increased the allocation to inflation-protected treasuries, funded from nominal treasuries, as higher real yields created a more attractive entry point.

Within credit, we continue to favor select investment-grade corporate bonds where we see attractive risk-adjusted value, while maintaining targeted exposure to securitized assets, including prime auto and mobile phone receivables. We also maintain a meaningful allocation to treasuries, which provides liquidity and stability while preserving flexibility to take advantage of opportunities that may emerge during periods of market volatility.

Augustine Short Term Fixed Income outperformed the 3Q 2026 -0.1% return of the ICE 1-3 Year Government/Corporate Index. The strategy is ahead of the benchmark year to date, over the last year, and since inception. Relative performance was driven primarily by yield curve positioning, while sector allocation and security selection were largely neutral.

Looking ahead, credit valuations remain rich by historical standards, reinforcing the importance of selectivity. We continue to emphasize high-quality credit and disciplined security selection while preserving the flexibility to capitalize on opportunities as market conditions evolve. Meanwhile, higher yields have improved the long-term return potential for fixed income, providing attractive income and a potential cushion against market volatility. We believe our focus on quality, relative value, and prudent risk management positions the strategy to navigate the continued market uncertainty and to capitalize on opportunities as they arise.

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.

A Team Announcement

We are pleased to announce that Brian W. Kahley, CFA has joined the Augustine team as Director of Institutional Relationships. Brian brings over 25 years of industry experience, with 20 years dedicated to institutional sales and relationship management. His experience includes advising chief investment officers, boards, and investment staff of public and corporate pensions, defined contribution plans, endowments, foundations, insurers, family offices, and consultants. He is responsible for business

development and client service for Augustine's institutional allocator and consultant relationships. Welcome, Brian!

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



Jeffrey E. Bernardo CFA



Milena D. Spasova CFA CIPM



Neil J. Sullivan CFA



Brian W. Kahley, CFA



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