VIEW CAPITAL
ADVISORS, LLC

Quarterly Review and Strategy Update
2nd Quarter 2026



- The apparent end of the ceasefire with Iran has pushed oil prices higher while tanker traffic through the Straits of Hormuz remains at a fraction of pre-war levels. Will the equity market be finally jolted from its complacency?
- The Federal Reserve held rates steady at new Chair Warsh's first meeting, with consensus shifting to rate hikes later this year.
- The SpaceX IPO brought hope that more late-stage private companies will find exits in the public markets. Investments in Artificial Intelligence startups dominate early-stage funding – will current venture capital vintages become too concentrated in one theme?

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THE ECONOMY

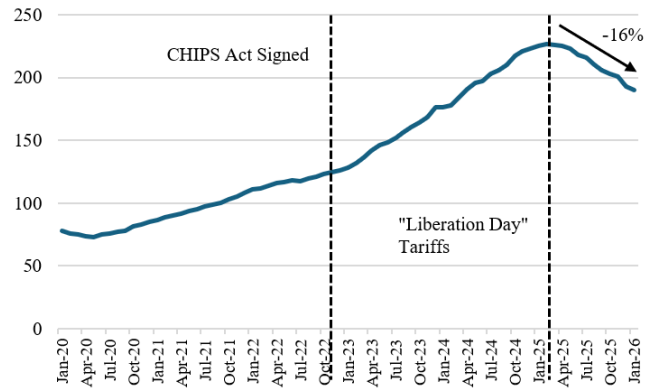
- **The Iran ceasefire** has reduced the risks of a global energy crisis, but an enduring peace agreement may be elusive. Although oil prices have fallen back to pre-war levels, the war has created scars for the global economy. The International Monetary Fund had forecasted the global economy to grow by 3.3% this year, but those estimates have been shaved by at least 0.5%. Even the U.S., less impacted than oil importers, is expected to see GDP growth decline to 1.6%. AI capital expenditure is propping up the economy, with hyperscaler (Alphabet, Amazon, Meta, Microsoft, Oracle) on track toward $677 billion for the year. Residential housing continues to be stagnant, but consumer spending has regained momentum as consumer sentiment has bounced back.

- **The Federal Reserve's** hawkish pivot is the biggest surprise this year. New Chair Kevin Warsh held the Fed Funds rate at 3.50%–3.75% at his inaugural June meeting but removed forward guidance and signaled a possible hike, a dramatic reversal from the cutting-cycle consensus that opened the year. Inflation has risen steadily since the start of the year from 2.4% in January to 4.2% in May. In response, 9 of 18 Fed officials now project at least one hike in 2026, and futures markets now price a hike as more likely than a cut by October. The Fed also raised its 2026 inflation projections to 3.6% headline and 3.3% core, well above prior estimates. that any productivity gains have not translated into higher incomes for most workers.

- Despite widespread fears of **AI displacing workers**, employment remains robust. Employers have added an average of 92,000 jobs a month this year. Claims by businesses that they are reducing labor costs with AI appear exaggerated. Research indicates that its impact shows up mainly as weaker hiring for junior and entry-level roles. . Employers citing AI as the reason for layoffs may send a more positive signal to investors than admitting weak demand or cost pressures. Nevertheless, the gap between wage growth (at 3.5%) and inflation (at 4.2%) shows that any productivity gains have not translated into higher incomes for workers.

- The president continues to disrupt **trade policy**, with the announcement that he would not renew the trade agreement between the U.S., Canada and Mexico, an agreement he crafted in his first term. Unless the U.S. withdraws from the pact entirely, it will now be subject to annual reviews, potentially creating years of uncertainty for automakers, farmers and energy companies.

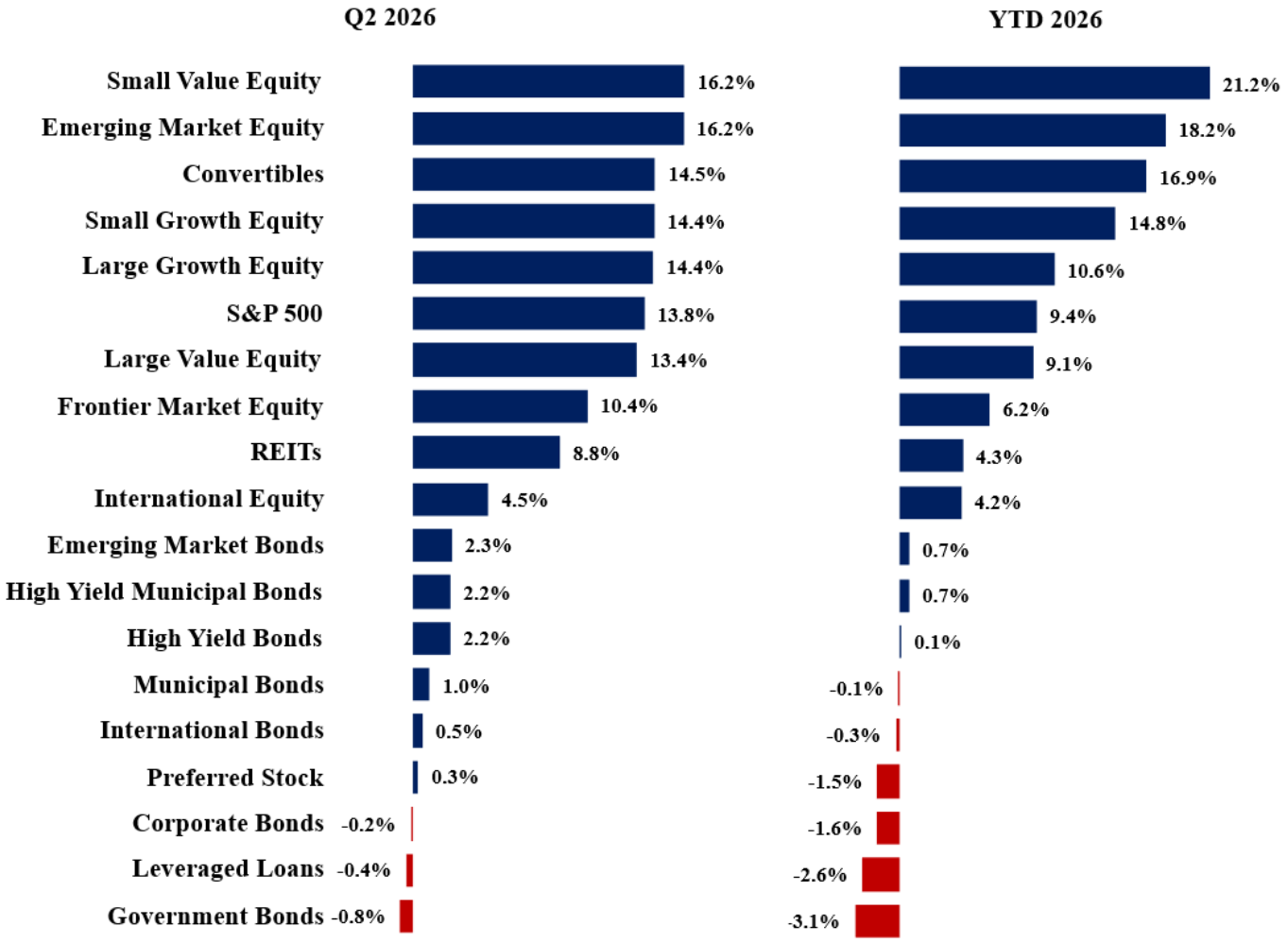
U.S. Manufacturing Construction Spending ($ Bn)



Source: IOT Analytics

- While some high-profile semiconductor, pharma, steel and auto companies have announced new, multi-billion dollar manufacturing plants, construction spending, manufacturing jobs and output show no broad-based reshoring boom. Pledges may take years to be realized, and higher inflation has killed many projects already. Some companies have chosen to substitute automation for the promised jobs. A Bain survey found that while 81% of CEOs professed to bring supply chains close to home, only 2% had actually implemented any concrete steps. Tariffs have prompted importers to find alternative foreign sources (Vietnam in lieu of China) rather than buy from domestic suppliers. The recent boom in industrial construction has been almost entirely due to data center and power infrastructure growth. Data center construction has grown from approximately $9.5 billion in 2020 to $47 billion in 2026. S&P Global forecasts $1.3 trillion in aggregate energy utility capex over the next 5 years.

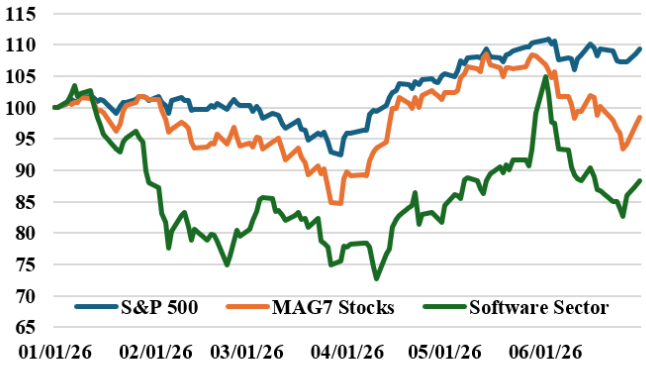
PERFORMANCE OF MAJOR ASSET CLASSES



Source: FactSet, Morningstar

EQUITIES

S&P 500, MAG7 and Software Performance 2026 YTD



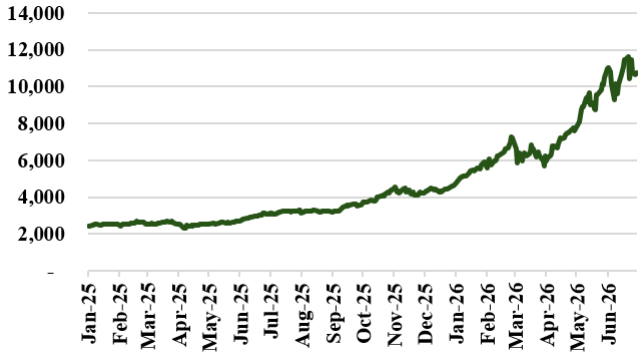
- **U.S. equities recovered sharply from their March lows**, with the S&P 500 index up 9.6% this year, hitting its all-time high in June. The provisional Iran ceasefire better-than-expected first quarter earnings (net profit margins reached a record 13.4%) and a successful SpaceX IPO all contributed to market momentum. FactSet now projects full-year S&P 500 earnings growth of 18%. Valuations have become stretched, with the forward P/E expanding to approximately 20 times earnings, above its 10-year average of 19 times.

- **The 'SaaSpocalypse'** narrative has moderated, but the debate is not over. Software stocks that fell 22%–30% in Q1 on fears of AI automation have partially recovered as investors begin to evaluate AI disruption more analytically. Technology and Communications sector margins expanded to 31% vs. 26% a year ago. Mission-critical software platforms are deploying their own AI tools to defend their franchises. Winners and losers will take time to emerge, but the indiscriminate selling in Q1 now looks overdone. Fortune 500 companies are burning full-year AI token budgets by March/April, confirming AI is now mission-critical infrastructure, not a nice-to-have. Key unresolved question: do foundational model builders (OpenAI, etc.) enter sector-specific apps, or stay as base-layer providers?

- SpaceX launched the largest IPO in history, raising $75 billion at a $1.77 trillion valuation and immediately becoming the 6th largest company in the U.S. After reaching $225 the stock settled down at $150 a share on July 10th. In their eagerness to include the stock in their indices, both NASDAQ and Russell amended their eligibility rules, so that the stock is already in many index funds. Although denied by Elon Musk, rumors that SpaceX would partner with Charter Communications to introduce a consumer mobile phone wiped out almost $45 billion of value from Verizon, AT&T and T-Mobile.

- **The U.S. IPO market** has reached historical levels, with 190 offerings raising a record $251 billion in the first half of the year. Companies in aerospace and defense, AI-related infrastructure, energy, and biotechnology have been the prominent IPO sectors. New launches have outperformed, with the Renaissance IPO Index gaining 42% from March, nearly triple the gain in the S&P 500. Both OpenAI and Anthropic have confidentially filed for an IPO, teeing up more large offerings over the next 12 months.

South Korea KOSPI 100 Index

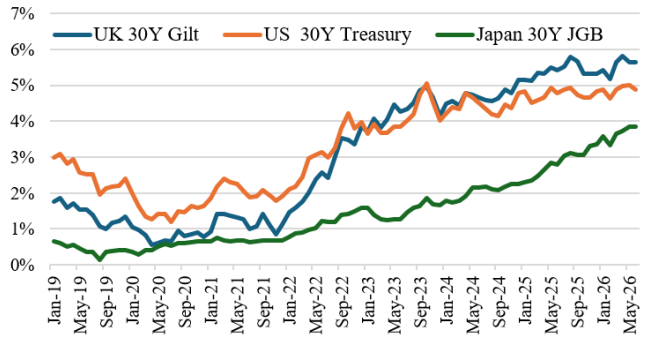


- **Emerging Market equities** continue to outperform the U.S., with the MSCI EM index up 23% year to date. South Korea has been the best performer, up 88% in local currency and 78% in Dollar terms. Companies like SK Hynix and Samsung Electronics have delivered record earnings driven by AI-driven demand for memory chips and computing infrastructure but have recently seen sharp corrections. The South Korean and Taiwanese equity markets together are now larger than those of China and India combined. The success of technology companies in Asia has skewed the composition of emerging market funds, warranting a careful assessment of their country allocations.

- **Allocation Recommendations:** The fragility of the ceasefire in Iran, increasing concerns about AI profitability and corrections in high-profile technology stocks are all likely to lead to a period of market volatility. Investors should take profits to rebalance their portfolios. As Value strategies have recovered, review balance between Growth and Value in portfolios. Consider adding to Small Cap if interest rate risks look contained; continue to favor active managers. Both International and Emerging Markets continue to offer better valuations and flow momentum than the U.S., so maintain full allocations.

BONDS

Global Giovenment Bod Yields

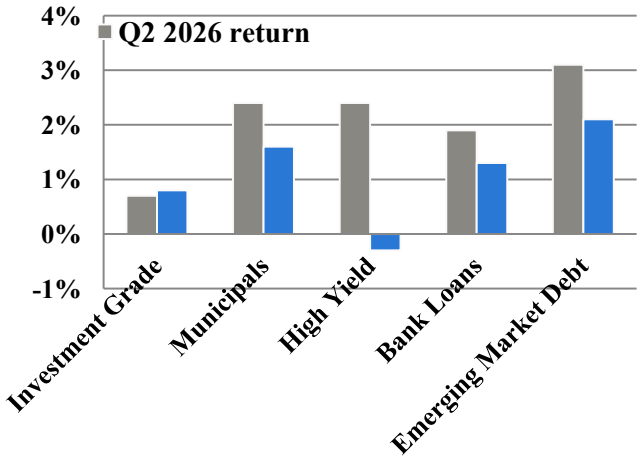


- **Treasury yields** increased over the quarter, with short rates rising more than longer rates, flattening the yield curve. The catalyst was a shift in Fed expectations, as persistent rate volatility and inflation concerns caused markets to pivot from pricing multiple rate cuts to pricing in the probability of tightening. The 10-Year Treasury traded between 4.3% and 4.7%, ending the quarter at 4.5%.

- **Long-term interest rates** have risen steadily in developed markets. Since dropping to a low of 1.1% in March 2020, the yield on 30-year Treasuries have climbed to 5%. The bond market is sending a warning about structurally higher inflation and increasing government debt. As Ajay Rajadhyaksha, Head of Research for Barclays Bank of Research, argues, the world "has too much debt, too little fiscal discipline, and no political appetite for fixing either." While the markets seem set on brushing aside these concerns, they are sowing the seeds for future market instability.

- Average 30-year **mortgage rates** rose to 6.6%, after falling to as low as 5.75% at the beginning of March, pushed up by the Iran war and consequent rise in Treasury yields. The spread of mortgages above Treasuries has been increasing, making them marginally more attractive for longer duration investors. Fed Chair Warsh now faces a dilemma reconciling pressures to improve housing affordability with his stated goals of trimming the Fed's balance sheet, which holds $2 trillion of agency mortgages. Meanwhile, the privatization of Fannie Mae and Freddie Mac appears to have been placed on the back burner following Bill Pulte's appointment as Director of National Intelligence. The end of the 17-year conservatorship of the two mortgage agencies might have introduced volatility into the mortgage markets and pushed mortgage costs even higher.

Q2 and YTD Credit Returns



- Following its massive stock IPO, SpaceX raised $25 billion in the debt markets, supported by investment grade ratings conferred by all three major rating agencies. While the offering was initially positively received, with $90 billion in orders, prices on the bonds collapsed as traders began to have second

thoughts about years of expected negative cash flow, high capex needs and the company's dependence on Elon Musk. Immediately following the offering, credit default swaps on SpaceX started trading, giving investors a new way to hedge or speculate on the company's creditworthiness. This was a meaningful market-structure development: a brand-new, multi-hundred-billion-dollar issuer suddenly getting a functioning derivatives market within two weeks of its debut bond sale.

- The dramatic widening of spreads on **SpaceX bonds** was very much an exception in the credit markets, as corporate spreads remain historically tight. Most credit assets generated positive returns during the quarter: high-yield bonds returned 2.4% and bank loans rose 1.9%, both benefiting from strong corporate fundamentals. Even emerging-market debt rebounded from a rough Q1 to return 3.1%, aided by favorable inflation dynamics. The broad investment-grade market, by contrast, lagged with just a 0.7% gain, as Treasuries and mortgages couldn't keep pace with credit-sensitive sectors.

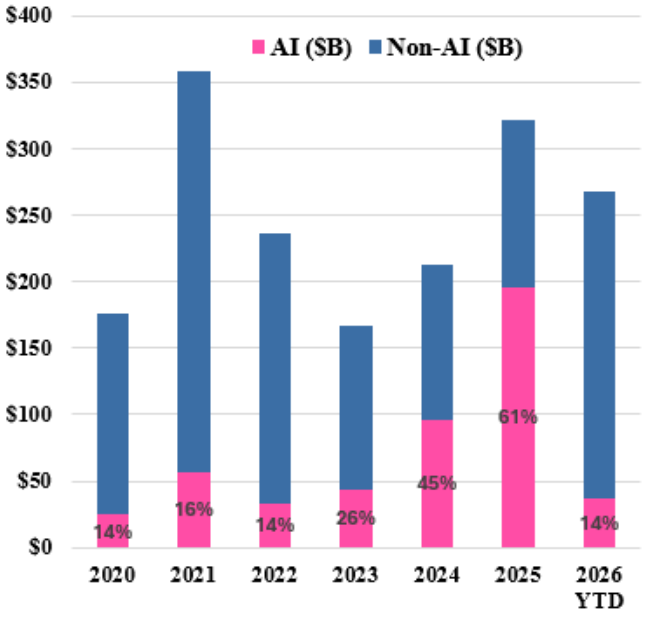
- **Allocation Recommendations:** While the market is pricing in higher interest rates, short and medium term credit offers attractive income. Municipal bonds and Structured Credit continue to be more attractive than corporate credit, as they offer higher yields with lower credit risk or better collateral. Avoid excessive duration risk. In private credit do not add to direct lending, and rotate to asset-backed strategies.

ALTERNATIVE INVETSMENTS

Private Equity

- **US private equity** deal value totaled just $117 billion in Q2, less than half of Q1 levels and the lowest quarterly reading since the onset of Covid. Meanwhile dry powder in existing funds sits at $1 trillion in the U.S. and $2.4 trillion globally. This is likely to keep pressuring fund performance and extend investment holding periods. However, the SpaceX IPO has raised hopes of more late-stage private companies going public. In contrast to the tough fundraising environment for leveraged buyout firms, venture capital sponsors have raised over $270 billion so far this year. However, 73% of commitments went to just five top firms, and larger amounts of capital are being invested in a smaller number of AI start-ups. So, market concentration is not just a public equity market phenomenon. Since the launch of ChatGPT in 2022, a growing proportion of venture capital investment has funded the development of Large Language Models by OpenAI, Anthropic, Google, and xAI. The success of these projects will have a massive and disproportionate impact on these vintage returns. The focus is now shifting to broader applications of AI, such as autonomous agents, robotics, cybersecurity and national security infrastructure, defense, space technology and biotechnology. Assessing risk diversification in venture portfolios will become critical as the AI revolution evolves.

U.S. Venture Capital Investments



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Private Credit

- As Private Credit tackles concerns about deteriorating credit quality and lack of liquidity, lenders are retreating from enterprise software. Many funds have cut their software exposure as loans are repaid and lenders reassess the impact of AI on what was previously considered a sector generating safe, recurring revenues. Even as individual investors redeem from private credit, institutions are filling the gap. U.S. life insurers grew their private credit holdings by more than 20% in 2025 to about 10% of total assets. The Treasury Department has assembled a team to assess insurer exposure and possible systemic risks, with plans to convene state insurance regulators to consider potential limitations. These initiatives could impact insurance policy and annuity returns.

Private Real Estate

- Data center development dominates infrastructure and real estate industrial investment, with the 14 largest publicly owned data center operators alone spending $750 billion globally this year. In the U.S., massive projects are under construction in Texas, Louisiana and Ohio, outpacing the saturated Northern Virginia market. Despite significant growth, vacancies are non-existent. Nevertheless, investors are questioning the sustainability of capacity expansion, and asking whether traditional real estate valuations based on cap rates on stabilized NOI are inadequate, requiring greater focus on offtake duration, counterparty credit quality, GPU cycle exposure, and power costs. Community opposition is growing, with 75 projects worth a cumulative $130 billion canceled in the first quarter of this year alone. A Gallup poll found 71% of Americans oppose a data center near them, higher than opposition to a nearby nuclear plant.

- Congress passed the 21st Century ROAD to Housing Act, which prohibits “large institutional investors” (defined as entities controlling 350 or more single-family homes) from purchasing any single-family home. The law grandfathers existing portfolios, and exempts new “build-to-rent” communities, 55+ housing, and transactions between institutions. While institutional investors own less than 1% of homes, and the larger publicly traded companies like Invitation Homes and American Homes for Rent have been pivoting to new-build projects for some time, the law will curtail many single-family rental investors, REITs and funds, whose assets have grown to over $150 billion in value.

- In Real Estate the most attractive risk-adjusted opportunities remain in distressed debt and opportunistic equity strategies targeting assets under financing or ownership stress. Be cautious of over exposure to data centers.

Hedge Funds

- Hedge funds have demonstrated ability to navigate the current market environment well. Add if opportunities to allocate to top-performers arise in Multi-Strategy and Global Macro sectors.

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Glossary and Index Definitions

Alerian MLP Index (MLP) – A composite of the 50 most prominent energy master limited partnerships, calculated by Standard & Poor's using a float-adjusted market capitalization methodology. Disseminated by the New York Stock Exchange on a price return basis (NYSE: AMZ); the total return version is ticker AMZX.

Bloomberg U.S. Municipal Index – Covers the USD-denominated long-term tax-exempt bond market, spanning state and local general obligations, revenue bonds, insured bonds, and prefunded bonds, with sub-indices by maturity and revenue source.

BofA Merrill Lynch Convertible Bond Index (Convertibles) – Tracks USD-denominated convertible bonds issued in the U.S. domestic market with at least one year to maturity, a fixed coupon schedule, and a minimum $100 million outstanding.

BofA Merrill Lynch Perpetual Preferred Securities Index (Preferred) – Tracks USD-denominated, investment-grade-rated preferred securities issued in the U.S. domestic market with an investment-grade-rated country of risk.

BofA Merrill Lynch US High Yield Master II Index – Tracks below-investment-grade USD-denominated corporate bonds publicly issued in the U.S. domestic market.

BofA Merrill Lynch EM External Debt Sovereign Index – Tracks USD-denominated debt issued by sovereign issuers in emerging market countries.

BofA Merrill Lynch Mortgage Master Index – Tracks USD-denominated mortgage securities.

BofA Merrill Lynch Municipal Bond Index – Tracks USD-denominated investment-grade tax-exempt bonds.

Credit Suisse Leveraged Loan Index – Tracks the investable U.S. dollar-denominated leveraged loan market; issues rated "5B" or lower, funded term loans with at least a one-year tenor, issued by developed-country domiciled borrowers.

JP Morgan Emerging Market Bond Index (EMBI+) – Tracks total returns for traded external debt instruments in emerging markets, including Brady bonds, loans, Eurobonds, and U.S. dollar local-market instruments; concentrated in Latin America with additional non-Latin country representation.

MSCI Emerging Market Index (Emerging Market Equities) – A free float-adjusted market capitalization index designed to measure equity market performance across emerging market countries.

MSCI Frontier Market Index – A free float-adjusted market capitalization index designed to measure equity market performance across frontier market countries.

Russell 2000 Index (TR) – Measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies by market capitalization.

Russell 1000 Index (TR) – Measures the performance of the largest 1,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies by market capitalization.

S&P 500 Index (TR) – A widely regarded gauge of the U.S. equity market, comprising 500 leading companies across leading industries; the total return version includes reinvested gross cash dividends.

FTSE NAREIT US Real Estate Index Series – A family of REIT performance indexes spanning the U.S. commercial real estate space, with narrower property-sector and sub-sector indexes available.

Data Sources: Bloomberg, L.P., JPMorgan, BofA Merrill Lynch, Standard & Poor's, Barclays Capital, Alerian, Morningstar Direct, MSCI, HFR, Goldman Sachs, Trading Economics, IHS Markit, Eurostat, Eaton Vance, IOT Analytics.