Q2

2026



QUARTERLY

REPORT

ACM WEALTH

ADVISORS CAPITAL MANAGEMENT

Table of Contents

Our Investment Team — 03

Macroeconomic Overview — 04

AI Winners and Losers — 07

Investing in a Multipolar World - Expanding the Global Opportunity Set — 09

Are Markets Overvalued? — 13

Are Long-Dated Bonds Necessary to Find Yield? — 15

Corporate Bonds vs. Municipal Bonds — 16

Disclosures — 17



Investment Team

The Advisors Capital Investment Committee (IC) comprises Portfolio Managers (PMs), analysts, and members of the firm's trading department. The IC takes a collaborative approach to the due diligence process in approving any security added to an investment strategy. While Portfolio Managers are individually responsible for the day-to-day management of their portfolios, the IC provides oversight, rules and guidelines for each strategy.

Our Investment Committee is designed to maintain rigor, discipline and oversight of the investment process. The role of the IC is to consider, question and challenge the PM's recommendations before voting on whether to include or drop securities from a strategy's portfolio.



Dr. Charles Lieberman
Chief Investment Officer



Dr. JoAnne Feeney
Partner & Portfolio Manager



David Lieberman, M.B.A.
Partner & Director of Investment Research



Kevin Strauss, CFA®
Partner & Portfolio Manager



David L. Ruff, CFA®
Partner & Portfolio Manager



Paul Broughton, CFA®
Portfolio Manager



Kevin Kelly
Partner & Portfolio Manager



Randall T. Coleman, CFA®
Portfolio Manager



Gus Scacco, M.B.A.
Portfolio Manager

Macroeconomic Overview



Jobs Report Soft, But That's A Good Thing

By Dr. JoAnne Feeney, Portfolio Manager & Dr. Charles Lieberman, Chief Investment Officer

A Softer Jobs Report Is Not a Weak Economy

Our new Federal Reserve Chair, Kevin Warsh, was graced with a reprieve last week in the form of surprisingly low net new additions to non-farm payrolls in June.

Coming in at 57,000, they were well below expectations (113,000) and were joined by downward revisions to the two prior months' numbers.

At first blush, some may see this report heralding a weakening economy; we do not. Equity investors can actually take comfort in this report and even in the recent "hawkish" comments of the new Fed Chair.

The U.S. economy appears to be in a slower but still expansionary phase. Growth remains positive. Real GDP rose at a 2.1% annualized rate in Q1 2026, a meaningful improvement from 0.5% in Q4 2025, with gains from investment, exports, government spending, and consumer spending. Consumer activity has also remained supportive: in May, real personal consumption expenditures rose 0.3%, while current-dollar spending increased 0.7%. That argues against a broad demand collapse.

Second-quarter growth, however, does appear to be slowing again, with trade turning into a near-term drag. The U.S. trade deficit widened sharply in May to $77.6 billion, the largest since March 2025, as imports rose and exports declined. That deterioration has been incorporated into the Atlanta Fed's GDPNow model, which marked its Q2 real GDP growth estimate down to 1.2% on July 1, from 2.5% on June 25. Net exports are now subtracting meaningfully from the quarter's growth profile. Some of this drag is likely temporary: importers appear to have accelerated purchases ahead of expected tariff changes, following the Supreme Court's February decision limiting the prior tariff regime and ahead of new tariffs expected later this summer. In that sense, the wider deficit may reflect tariff-related timing and inventory behavior more than underlying weakness in final demand. Still, for reported Q2 GDP, the arithmetic is straightforward: more imports and weaker exports mean slower measured growth. This is unlikely to change the Fed's calculus.

Macroeconomic Overview

Why Slower Job Growth Is Good News

Our positive view on the economy doesn't simply arise from other data pointing to sources of strength (they do, but it is not uniform), it comes from recognizing that this figure itself is a good sign, in our opinion.

June's report and the prior months' revisions leave the three-month average for new jobs at 111,000. This is low compared to additions in prior years, but we are living in very different times. Now, immigration as a source of workforce growth has largely disappeared, and the best guess of the number of new jobs needed to absorb new entrants to the workforce has dropped to around 60,000. Recent job gains have been running well ahead of that figure. With that understood, we come away from Thursday's report with a far more favorable picture of the health of the US economy, and so too the investing environment.



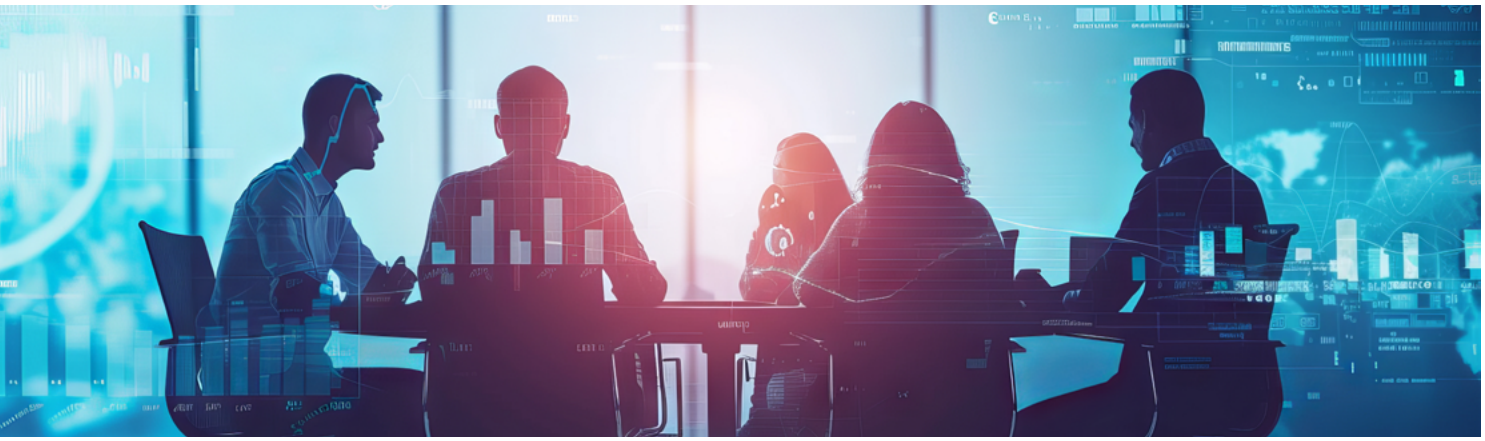
The Federal Reserve Finds More Breathing Room

One immediate implication of the balance we are seeing between the most recent month of job creation and workforce growth is less pressure on Chair Warsh to raise the Federal Funds rate. Smaller job gains, versus prior months, mean less upward pressure on wages (and so prices). This has coincided with easing gas/transportation inflation, as more oil moves through the Strait of Hormuz and hopes build for a broader resolution.

We may not see interest rates fall materially anytime soon (inflation still remains well above the Fed's target), but we now think it less likely the Fed will have to raise rates to tame that inflation. But, the usual caveat: if tensions with Iran resume and oil price declines reverse, all bets are off. Importantly, Warsh's clearly "hawkish" attitude towards one side of the Fed's mandate – to ensure price stability – should help to keep long-term inflation expectations anchored. If workers, employers, and investors believe inflation will remain contained, it's far more likely that it will.

> "If workers, employers, and investors believe inflation will remain contained, it's far more likely that it will."
>
> Dr. JoAnne Feeney

Macroeconomic Overview



A Constructive Outlook for Equities

Equity valuations don't need any new reason to contract. Higher rates would reduce the future value of earnings (and so valuations), so it's helpful to put that concern to the side for now. Other areas of strength continue to support equities. Most obviously, AI-related investments (data centers and power) are driving physical capital spending, and this is creating growth in semiconductors, construction, industrials, and beyond. Adoption is pushing investments higher in other areas of the economy, too, and these are creating new growth potential in sectors including banking, health care, and services. Headwinds remain, however, as middle- and lower-income households bear the brunt of years of high inflation.

Real disposable income has been running at slightly negative annualized growth rates in seven of the last 12 months as inflation undermines slowing wage growth. Fortunately, aggregate spending is also supported by gains in household assets. Overall, the long-term investing environment remains a healthy one, but we expect this divergence in spending patterns to persist and we will continue to select stocks with that in mind.

AI Winners and Losers

By Dr. JoAnne Feeney, Portfolio Manager

Key Takeaways

- AI infrastructure continues to drive investment opportunities.
- Competition is making AI more affordable and widely accessible.
- The next wave of growth may come from AI adopters, not just AI builders.



The Infrastructure Boom

The first phase of the AI investment cycle has been straightforward, as we see it: companies creating computing power have profited before those enabling the uses of those AI models. Since the first public unveiling of AI chat models, in November 2022, the appreciation in AI infrastructure suppliers has been substantial. From mid-October 2022 through the end of last month,

- Nvidia (NVDA) climbed roughly 1,600%
- Broadcom (AVGO) 800%
- Advanced Micro Devices (AMD) 900%
- Taiwan Semiconductor Manufacturing Co (TSM) 700%
- Micron (MU) 2,000%

The semiconductor equipment suppliers that make advanced chip production possible have also participated:

- ASML Holding N.V. (ASML) rose roughly 400%
- Applied Materials (AMAT) 800%
- Lam Research (LRCX) 1,000%
- KLA Corp (KLAC) 900%

Why Compute Still Matters

We see the reason is that generative AI's first bottleneck was computing power. The largest cloud platforms and hyperscalers – Amazon (AWS), Microsoft (Azure), and Alphabet (Google Cloud) – have been racing to build specialized AI data centers filled with accelerators, high-bandwidth memory, advanced networking, power systems, and cooling infrastructure. This year alone, hyperscalers are expected to spend hundreds of billions of dollars on AI infrastructure ($600-$700 billion, by some estimates).

That capital spending has flowed directly into the semiconductor supply chain and has created particularly high sales and profit growth. Despite the appreciation levels mentioned above, valuations for many of these companies remain attractive to us, and we think they remain well positioned for earnings growth to drive further gains. This is not to say that the path higher will be a smooth one. We have seen underperformance recently, and one likely cause is that past appreciation, which led portfolios to become overly concentrated in those winners. As investors have moved to diversify, many stocks among the other 490 of the S&P 500 have seen renewed interest.

AI Winners and Losers

Competition Shifts to the Model Layer

We are also now seeing investors turn their attention to the potentially precarious financial prospects of the AI model builders themselves, and to the implications for the enabling supply chain of compute providers. The ultimate AI winners may not be the companies building the most famous models. Model providers are operating in a far more competitive layer of the stack. Within the United States, OpenAI, Anthropic, Google, Meta, xAI, Amazon-backed efforts, and a growing number of enterprise-focused and open-source competitors are all trying to differentiate models, but those models appear to be becoming more substitutable over time. Globally, competition from Chinese and other non-U.S. model developers adds another source of pricing pressure and strategic uncertainty.

Lower Costs, Broader Adoption

At the same time, there are reports that customers increasingly want model choice rather than model lock-in. AWS Bedrock markets access to a broad catalog of foundation models from leading AI companies and now includes OpenAI models, allowing customers pick providers based on performance, cost, latency, or use case. Apple (AAPL) is also moving in this direction: its developer framework allows developers to leverage models of their choice, including Claude, Gemini, or other providers using Apple's language-model protocol. This matters because model choice weakens the pricing power of any single provider. If enterprises can route each task to the cheapest good-enough model, the model layer starts to look more like a competitive utility than a durable oligopoly.

> "The ultimate AI winners may not be the companies building the most famous models."
>
> **Dr. JoAnne Feeney**

The Next Wave of AI Winners

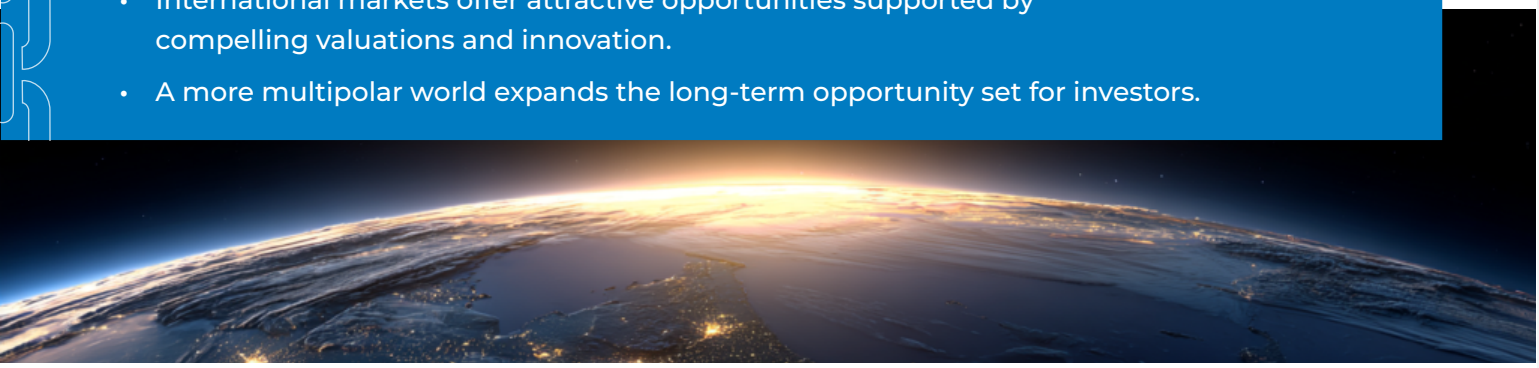
Lower costs generally bring faster adoption. And herein lies the ultimate benefit of AI. AI can help firms increase efficiency, reduce risk, speed product development, and improve services. We are beginning to see this already from banks to pharmaceutical companies. The cheaper AI deployment becomes, the faster the adoption of AI tools and the greater the potential benefits across the economy. We think the next wave of AI winners is likely to be found among the adopters, even as those providing the compute continue to see power on.

Investing in a Multipolar World - Expanding the Global Opportunity Set

By David Ruff, CFA®, Portfolio Manager

Key Takeaways

- Global market leadership evolves over time, making diversification essential.
- International markets offer attractive opportunities supported by compelling valuations and innovation.
- A more multipolar world expands the long-term opportunity set for investors.



The Case for Looking Beyond U.S. Borders

For much of the past fifteen years, investors have had little reason to question a heavy allocation to U.S. equities. The United States generated extraordinary corporate earnings growth, fostered many of the world's most innovative companies, and benefited from deep capital markets that consistently attracted global capital. A portfolio concentrated in American stocks generally outperformed almost every other major market during this period.

This remarkable success has led many investors to ask,
"Why invest internationally at all?"

The answer does not depend on the United States losing its competitive edge. Rather, the case for international investing rests on a far more enduring principle: successful long-term investors recognize that market leadership evolves, valuations influence long-term returns, and innovation increasingly emerges from every corner of the world. History repeatedly reminds us that no country outperforms forever. We believe the defining characteristic of the next decade will be the rise of a more multipolar global economy.

Leadership Rotates More than Most Investors Remember

Recency bias leads us to assume that what has worked recently will continue indefinitely. Yet history tells a different story. For example, during the 1980s, Japan became the world's investment darling, eventually representing nearly half of global market capitalization. Many believed Japanese corporations would permanently dominate global manufacturing and technology.

Instead, Japan entered a prolonged period of underperformance that lasted decades. Likewise, during the 2000–2009 period – often referred to as the "Lost Decade" for U.S. equities – international developed and emerging markets substantially outperformed the S&P 500. Investors who maintained globally diversified portfolios were rewarded while U.S.-only investors struggled.

Investing in a Multipolar World

The past fifteen years represent another chapter in this ongoing rotation. Following the Global Financial Crisis, the United States benefited from one of the most accommodative monetary environments in modern history. Combined with America's leadership in technology, superior corporate earnings growth, and deep, liquid capital markets, these factors reinforced the narrative of U.S. exceptionalism. Those competitive advantages remain very real today. However, history suggests that market leadership eventually broadens, often when investors least expect it. Successful investors adapt to expanding opportunity sets rather than anchoring portfolios to yesterday's winners.



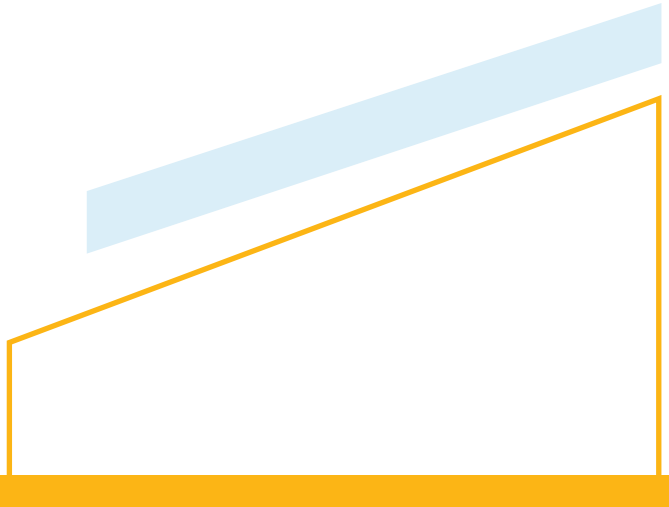
> "The lesson from history is straightforward: no country leads indefinitely, no valuation premium expands forever, and no investor consistently predicts where tomorrow's opportunities will emerge."
>
> David Ruff

Don't Ignore Valuation

Although valuation is a poor predictor of short-term market movements, it has historically been one of the better indicators of long-term expected returns. Today, U.S. equities trade at a significant premium to most international markets. The U.S. represents roughly one-quarter of global GDP, but approximately two-thirds of global public equity market capitalization. That said, history suggests that valuation differences between regions rarely remain static indefinitely. Higher valuations imply higher expectations, and even exceptional businesses can produce disappointing investment returns if future earnings fail to fully justify the prices investors were willing to pay.

For patient investors, valuation dislocations often create opportunities to acquire exceptional businesses at prices that improve long-term return potential. Moreover, many developed and emerging international markets continue to trade at considerably lower valuation multiples despite improving corporate profitability, stronger balance sheets, and ongoing corporate governance reforms.

History suggests that when valuation gaps between markets become unusually wide, as they are today, long-term returns often become more balanced as earnings growth, dividends, and valuations gradually converge. Investors need not predict when that convergence will occur. They simply need to recognize that valuation remains one of the few investment variables that has consistently mattered over full market cycles.



Investing in a Multipolar World



The Global Opportunity Set Is Much Larger Than the United States

The United States does not possess every competitive advantage. Europe leads in numerous industries including luxury goods, aerospace components, defense technologies, specialty chemicals, and pharmaceuticals. China has developed globally competitive positions in advanced manufacturing, electric vehicles, batteries, renewable energy equipment, robotics, and increasingly in the commercial applications of artificial intelligence. Taiwan and South Korea remain indispensable to advanced semiconductor and memory chip manufacturing, and India remains the world's fastest-growing major economy, rapidly expanding its digital capabilities. Canada and Australia provide crucial natural resources, and Brazil, interestingly, developed one of the most advanced real-time payment systems. These are not simply regional stories – they are global businesses serving worldwide customers. Owning international equities allows investors to broaden their participation to wherever innovation and productivity improvements occur.

The Global Economy Is Becoming More Multipolar

For much of the last decade, economic growth appeared increasingly concentrated in the United States. We're now seeing broadening, however, as Europe invests aggressively in defense, electrical infrastructure, energy and payments independence, as well as capital market reform. Japan continues implementing corporate governance improvements that encourage higher shareholder returns. India benefits from digital infrastructure investment, while Latin America becomes an increasingly important trading partner as global supply chains diversify.

Governments and corporations are increasingly integrating Latin America's abundant natural resources into global supply chains to reduce uncertainty and volatility inherent in Middle East energy sourcing as well as changing US trade policy.

Notably, U.S. trade policy appears to be accelerating shifts in global trade. With U.S. policy emphasizing tariffs, and strategic reshoring of industries, many other countries pursue the opposite strategy by expanding trade relationships with one another. The European Union, for instance, penned new trade deals with India, Southeast Asian partners, and South American countries through Mercosur. Asian economies continue to deepen regional integration through agreements such as the Regional Comprehensive Economic Partnership (RCEP), while trade and investment among emerging markets continue to expand.

Importantly, as economies mature, corporate profits often follow. Rising incomes, expanding capital markets, improving governance, and growing consumer demand create fertile conditions for long-term earnings growth. Investors need not predict which country will grow the fastest. They simply benefit from owning outstanding businesses that participate in these structural trends.

Investing in a Multipolar World

Diversification Has Value

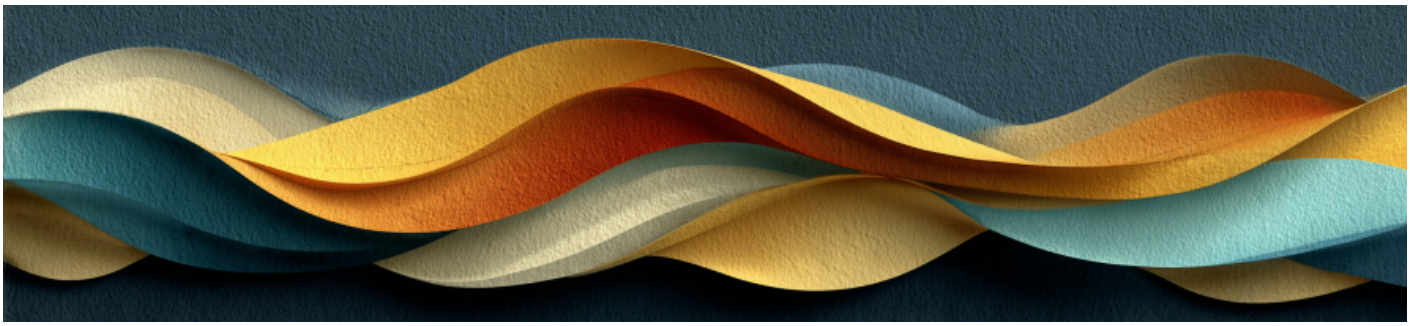
As highlighted above, international equities provide an important diversification benefit, helping to manage risk which can arise in any one market.

Perhaps the strongest argument for international investing has little to do with forecasting returns. No investor consistently predicts which country, sector, currency, or technology will lead over the next decade or the next few years. Rather than attempting to identify next year's winning market, diversified investors acknowledge that unexpected events – including policy changes, geopolitical developments, inflation, technological breakthroughs, and demographic shifts – can rapidly alter market leadership. Diversification recognizes this uncertainty as owning businesses across multiple countries reduces dependence upon any single outcome.

For long-term investors, this reinforces the value of maintaining exposure to businesses that generate revenues and assets across multiple currencies and economies. Currency diversification should not be viewed simply as a source of volatility, but as another means of reducing reliance on a single economic and financial system.

Home Country Bias Remains One of Investors' Greatest Risks

Investors everywhere exhibit a well-documented tendency toward home-country bias – Japanese investors favor Japan, British investors favor the UK, Canadian investors favor Canada – American investors are no different, and the recent success of U.S. equities has only reinforced this natural tendency. Yet concentrating portfolios in a single country – even one as dynamic as the United States – creates unnecessary geographic, political, regulatory, and valuation risk. True diversification requires looking beyond one's own borders.



Looking Ahead

To be clear, we don't believe investors should make a binary decision of choosing between the U.S. and the world. America remains the world's premier innovation economy, supported by entrepreneurial culture, flexible labor markets, world-class universities, deep capital markets, and an unmatched ability to commercialize new technologies. International equity investing should be thought of as a complement, providing investors with access to equally outstanding companies with headquarters elsewhere.

Ultimately, international equity is about maintaining exposure to the full breadth of global capitalism.

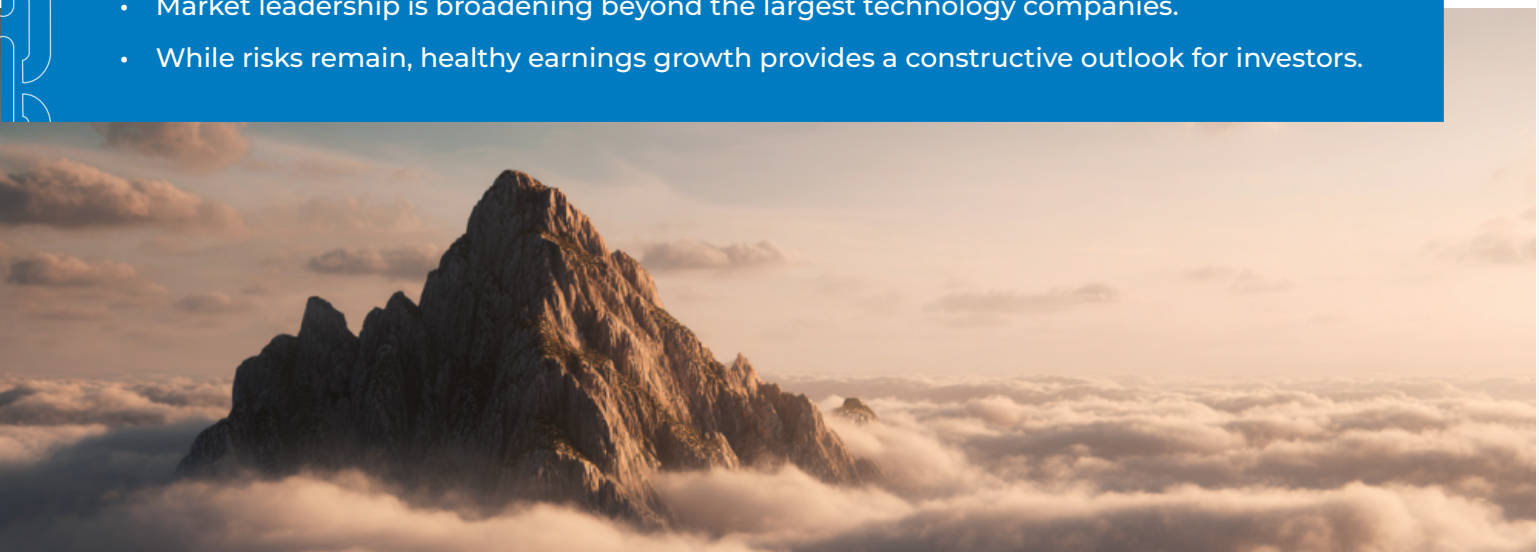
The world's future will almost certainly be larger, wealthier, and more geographically diversified than today's. Innovation, capital formation, manufacturing, and consumer demand are becoming increasingly distributed across multiple regions. The lesson from history is straightforward: no country leads indefinitely, no valuation premium expands forever, and no investor consistently predicts where tomorrow's opportunities will emerge. That is why we believe the defining investment opportunity of the next decade lies in participating in an increasingly multipolar global economy.

Are Markets Overvalued?

By Kevin Strauss, CFA®, Portfolio Manager &
Gus Scacco, M.B.A., Portfolio Manager

Key Takeaways

- Strong corporate earnings continue to support elevated market valuations.
- Market leadership is broadening beyond the largest technology companies.
- While risks remain, healthy earnings growth provides a constructive outlook for investors.



Markets Continue to Climb

The second quarter saw the U.S. equity markets reach new all-time highs. This placed valuations closer to the higher end of historical levels, perhaps making the stock market more susceptible to a correction. The market is benefiting from the surge in artificial intelligence spending, with the S&P 500 jumping 15% in Q2, and breaking above 7,600 for the first time in history.

Earnings Are Supporting Valuations

The current valuation debate, atleast in part, is based on whether corporate earnings can continue expanding rapidly enough to support higher prices. While the stock market has advanced by approximately 10% in the first half of 2026, corporate earnings have grown even faster, resulting in the stock market valuation multiple actually coming down slightly since the beginning of the year.



"Unlike pure speculative bubbles, the 2026 bull run is being driven by tangible corporate profitability."

Gus Scacco

Are Markets Overvalued?

A Broader Market Rally

Unlike pure speculative bubbles, the 2026 bull run is being driven by tangible corporate profitability.

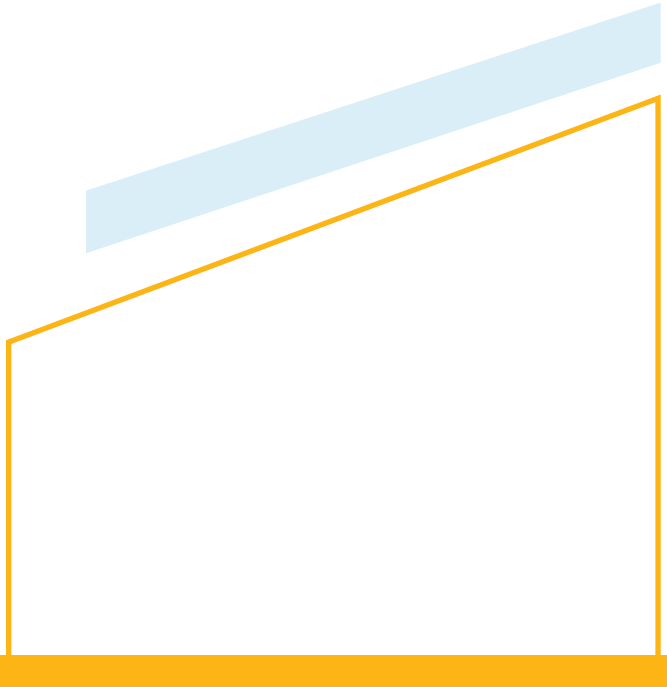
Profit expansion grew over 25% year over year in Q1, with expectations for the just completed quarter to hit 24% growth.

The other differentiators are that markets have started to broaden out as industrials, financials, and other technology areas (outside of computer chips) have seen revenues accelerate.

This change is seen in net profit margins on the way to an estimated 14.2%, which is above the five-year average of 12.3%.

Balancing Opportunity and Risk

While actual earnings and projections for the second quarter are running hot, the broader macro environment has become more volatile. We have seen a greater chance of a sharp sentiment reversal, but we believe earnings should offset any negative action. Other concerns are that the Federal Reserve has shifted to a more “hawkish” stance. We believe this will be offset by lower oil prices, labor, and housing price stability, dampening the expectation of higher longer-term inflationary trends and interest rates. Another risk factor we see is the concentration in technology stocks, which hold nearly 37.5% of in the total share of the U.S. stock market. The recent broadening out of markets has seen a rotation away from the tech Mag-7 to other industries that are benefiting from the buildout of infrastructure and capital investment.



Are Long-Dated Bonds Necessary to Find Yield?

By Kevin Kelly, Portfolio Manager

Key Takeaways

- Long-dated bonds currently offer limited additional yield relative to their added interest rate risk.
- Intermediate-duration bonds present a more attractive balance of risk and return.
- Maintaining a defensive, flexible approach allows investors to adapt as market opportunities evolve.



Balancing Yield and Risk

Our current view is that overall, long-dated bonds, which for this purpose we define as 10–15-year bonds, are not attractive. Regarding the interest rate component of long-dated bonds, 10-year Treasury rates at ~4.5% are less than 0.3% higher than 5-year Treasury rates. We do not think an additional 0.3% is sufficient for substantially more interest rate exposure; therefore, we prefer to maintain more exposure to the 5-year Treasury. We also do not think a fixed income portfolio should simply be a very large interest rate bet. With regard to credit spreads, we think the argument against long-dated bonds is even stronger, as credit spreads remain near historical lows. At the end of the day, bondholders earn yield (rate + spread), so a little extra spread for a lot more risk is simply not compelling from a risk/reward perspective. Therefore, we currently think an intermediate duration portfolio, consisting primarily of 3–7-year bonds, is most attractive.

A More Defensive Fixed Income Approach

As unconstrained, active managers, we are inherently open to any opportunity that arises. Notably, this is often untrue for many mutual funds or ETFs, which typically own all or nearly all securities that fit into pre-set parameters. As we have discussed before, we think this is a flawed approach as sometimes the investor is simply not getting paid to take interest rate risk, such as in late 2020 when the 10-year Treasury declined to below 1%. Currently, our view is investors are not getting paid sufficiently to accept substantially more credit risk; therefore, we are maintaining a more defensive posture than typical.

Corporate Bonds vs. Municipal Bonds

By Kevin Strauss, CFA®, Portfolio Manager &
Zachary Smith, Associate Portfolio Manager

Key Takeaways

- Your marginal tax rate is the primary factor in choosing between corporate and municipal bonds.
- Municipal bonds may provide greater after-tax value for higher-income investors.
- Corporate bonds offer greater liquidity and active management opportunities, while municipals may better suit more conservative investors.



Rates Drive First Quarter Weakness

Typically, the most important factor in determining whether taxable bonds or tax-exempt bonds are more attractive is a client's all-in marginal tax rate. Geography often plays a major role in this decision, as clients in certain high-income tax states are more likely to benefit from tax-exempt bonds than clients in low- or zero-income tax rate states. When comparing corporate versus municipal bonds, clients with a greater than 40% all-in marginal tax rate will currently earn a higher yield to worst in municipals. Notably, municipal bonds are higher quality, while corporate bonds have better liquidity, which allows for more active management. Therefore, the potential to enhance yield through security selection and active management in corporates is higher over time.

Finding the Right Fit

The second main consideration is whether a client is very conservative. If so, municipals or perhaps even Treasuries may make more sense. For more conservative clients, we compare the muni yields as a percent of Treasuries to help them determine a tax-neutral breakeven. Typically, clients with a greater than 30% all-in marginal tax rate will currently earn a higher yield in municipals.

5-year yields = General Obligation

A-rated Muni as a % of BBB Corporate bonds and as a % of Treasuries

Built Around You

At Advisors Capital Management, we live by the maxim that no two investors are alike. That's why we offer separate accounts with individual portfolios constructed to satisfy the full range of sophisticated needs and objectives. From managing concentrated stock positions to ensuring tax efficiencies, we invest with meticulous attention to detail.



Personalized Portfolios

Separate accounts built around each client's goals and constraints.



Customized Solutions

Solutions tailored to complex financial goals and tax considerations.



Meticulous Execution

Every portfolio constructed with discipline, precision, and care.

Disclosures

Advisors Capital Management, LLC (ACM) is an investment advisory firm registered with the United States Securities and Exchange Commission. Registration does not imply any level of skill or training. This report includes our opinions through June 30, 2026 and our opinions can change at any time. Information in this report that is not our opinion has been obtained from sources ACM believes to be reliable. Nothing mentioned in this report is a recommendation to trade any security. Consult with your advisor before investing, and note that investing involves risk and investors can lose money. Our disclosure brochure (ADV Part 2A) and customer relationship summary (ADV Part 3) are available at https://adviserinfo.sec.gov and upon request.

Visit our website at www.advisorscapital.com for additional information and commentary.

ACM WEALTH
ADVISORS CAPITAL MANAGEMENT

An Investment Advisory Firm

10 Wilsey Square, Suite 200 Ridgewood, NJ 07450 | 201-447-3400 | info@acmwealth.com
www.acmwealth.com