FEG

PORTFOLIO INSIGHTS

Having a Party

Second Quarter 2026

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In Brief

The stock market roared ahead during the second quarter. Importantly, returns were driven largely by robust profit growth rather than by multiple expansion from investor enthusiasm. Investors have corporate spending on the AI buildout to thank for this, while consumer spending didn't provide as much of a growth impulse. Markets also were glad to welcome SpaceX to the ranks of publicly traded stocks as the largest initial public offering (IPO) in history, with other mega deals slated to follow.

While the market continued to let the good times roll, there was a roller coaster of sentiment over the conflict in the Middle East. At times, the war appeared to be ending, but that continued to be subject to change. Even if the conflict comes to a definitive end, the supply chain disruptions it has caused will take time to unwind. Consequently, both the absolute level and rate of change in inflation are in question, and interest-rate outlooks globally lean hawkish as of this writing.

In the second quarter, strong public equity results were offset by flat returns from bonds and real assets. Hedge funds generally posted mid-single digit returns. This provided important diversification from stocks, bonds and real assets, which have experienced an increase in correlations of late due in part to artificial intelligence (AI) investment themes creeping into all of those asset classes.

KEY AREAS OF FOCUS FOR THE REMAINDER OF 2026 INCLUDE:

- **Inflation:** How quickly can it subside? Fed rate hikes are key risks to the current bull market continuing. Interest rates impact asset prices and economic growth potential, so FEG is keeping a close watch on Fed policy. The outlook for rates will hinge in part on the Middle East conflict supply side ripple effects and price of oil, which in turn affects inflation and growth.

- **AI:** A notable difference been 2026 and 1999 is robust stock market performance being driven by profits as opposed to multiple expansion. Strong profit growth likely needs to remain intact for the party to continue in the stock market. One company's capex is another company's revenue. In other words, the strong profit backdrop is directly related to the AI boom and something to monitor closely.

- **Capital Markets:** A side effect of a healthy investing backdrop is typically strong capital markets activity. FEG is seeing signs of life with IPOs, mergers and acquisitions (M&A), credit creation, new business formation, and more. A Goldilocks, "just right" level is what markets like best. Too little capital markets activity and perhaps an economic cooldown is underway. But too much activity could be signs of a heated bubble forming. It's helpful to follow the money to get a sense of where the economy is heading.

The stock market is on a tremendous three-and-a-half-year run. Over 20% annualized returns are not the norm. Investors should enjoy it but shouldn't get lulled into a false sense of security. In times like these it is easy to start asking "Why own anything other than equities?" It's key to remember that market cycles come and go. A well-crafted Investment Policy Statement is your best friend as a long-term investor. Clearly articulate the risk your portfolio can bear via strategic asset allocation. And have ranges around those targets wide enough to provide tactical flexibility to manage near-term opportunities and risks.

PUBLIC MARKETS OVERVIEW

Party in Moderation as Fundamentals Carry the Rally

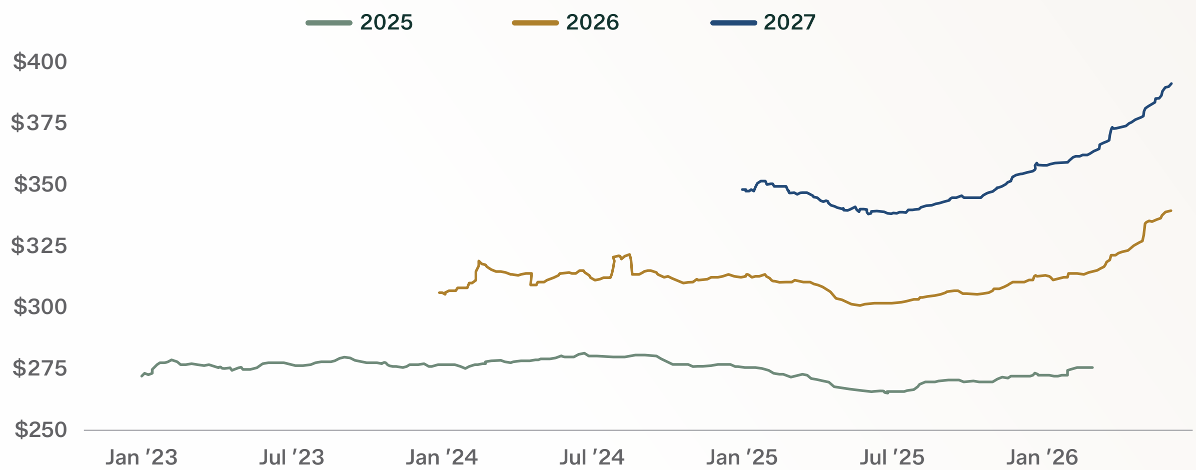
Public markets rebounded strongly in the second quarter as easing geopolitical concerns, resilient earnings, and continued investment in artificial intelligence supported risk assets. Equities led the advance across most regions, with small-cap stocks, emerging markets, and AI-linked sectors among the stronger areas of performance. Fixed income generated modest positive returns despite higher long-term yields, while real assets were mixed as REITs recovered but energy prices declined sharply. Overall, the quarter reinforced a market environment supported by improving fundamentals but increasingly dependent on sustained earnings growth, capital discipline, and the ability of AI-related investment to translate into durable returns.

The quarter also marked a partial reversal of the first quarter's energy shock. Oil prices fell as conflict in the Middle East de-escalated and shipping disruptions eased, helping reduce near-term inflation pressure. Even so, supply chain normalization may take time, and inflation remains sensitive to commodity prices, tariffs, and infrastructure demand tied to the AI buildout. Against this backdrop, the Federal Reserve remained cautious, and market expectations continued to reflect a higher-for-longer interest-rate environment. The 10-year Treasury yield ended the quarter near 4.5%, up from 4.3% at the end of March, while breakeven inflation expectations also moved higher.

The defining characteristic of the equity rally has been its foundation in earnings rather than expanding valuations. Corporate profits continued to benefit from robust AI-related capital spending, supporting elevated margins and prompting analysts to raise forward earnings expectations. This makes the current environment meaningfully different from more speculative phases of prior market cycles. The strongest companies are not simply promising future growth; many are producing current cash flow, earnings, and balance-sheet strength. That said, elevated expectations create their own risk.

S&P 500 EARNINGS EXPECTATIONS CONTINUE TO MOVE HIGHER

Consensus S&P 500 Index Earnings Estimates Progression by Year



Sources: FactSet and Strategas. Data as of 6/30/26.

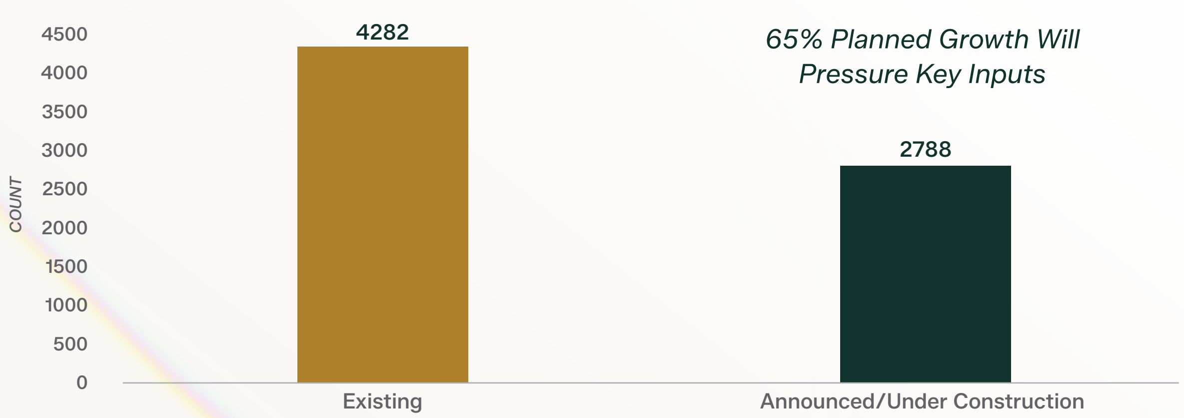
Equity leadership broadened during the quarter, though AI remained central to market performance. Semiconductor, memory, hardware, infrastructure, industrial, and power-related companies benefited as investors looked beyond the largest platform companies toward the broader ecosystem supporting AI deployment. Emerging markets were a standout, led by South Korea and Taiwan, where semiconductor and memory companies benefited from strong demand tied to the AI buildout. U.S. small and micro cap stocks also posted strong gains, helped by improved risk sentiment. Sector leadership reflected this shift, with technology and industrials performing well, while defensive and rate-sensitive areas generally lagged.

Fixed-income markets produced modestly positive returns as income helped offset pressure from elevated yields. The yield curve flattened, with the 10-year/2-year Treasury spread narrowing to 30 basis points by quarter-end. Credit markets strengthened as high yield and investment grade spreads tightened, reflecting improved risk appetite and confidence in corporate fundamentals. Still, higher long-term rates remain an important constraint. Bonds continue to provide income and portfolio stability, but their diversification role is less reliable when inflation uncertainty and rate volatility remain elevated.

Real assets presented a more varied picture. Public real estate recovered sharply, with U.S. REITs gaining more than 10% during the quarter as sentiment improved and investors reassessed property sectors after several years of pressure. Global REITs also advanced, though infrastructure was roughly flat. Energy was the clear weak spot, as crude oil prices fell substantially following the easing of Middle East supply concerns. WTI crude declined more than 30% during the quarter, while natural gas prices rose. This divergence highlights the role real assets can play in portfolios, but also the importance of distinguishing among exposures rather than treating the asset class as a single inflation hedge. The continued buildout of AI infrastructure also highlights an emerging source of demand for real assets, including power generation, land, electrical equipment, and cooling systems, even as financing costs and supply constraints may affect the pace of development.

AI INFRASTRUCTURE DEMAND HAS SURGED

Count of U.S. Existing and Planned Data Centers

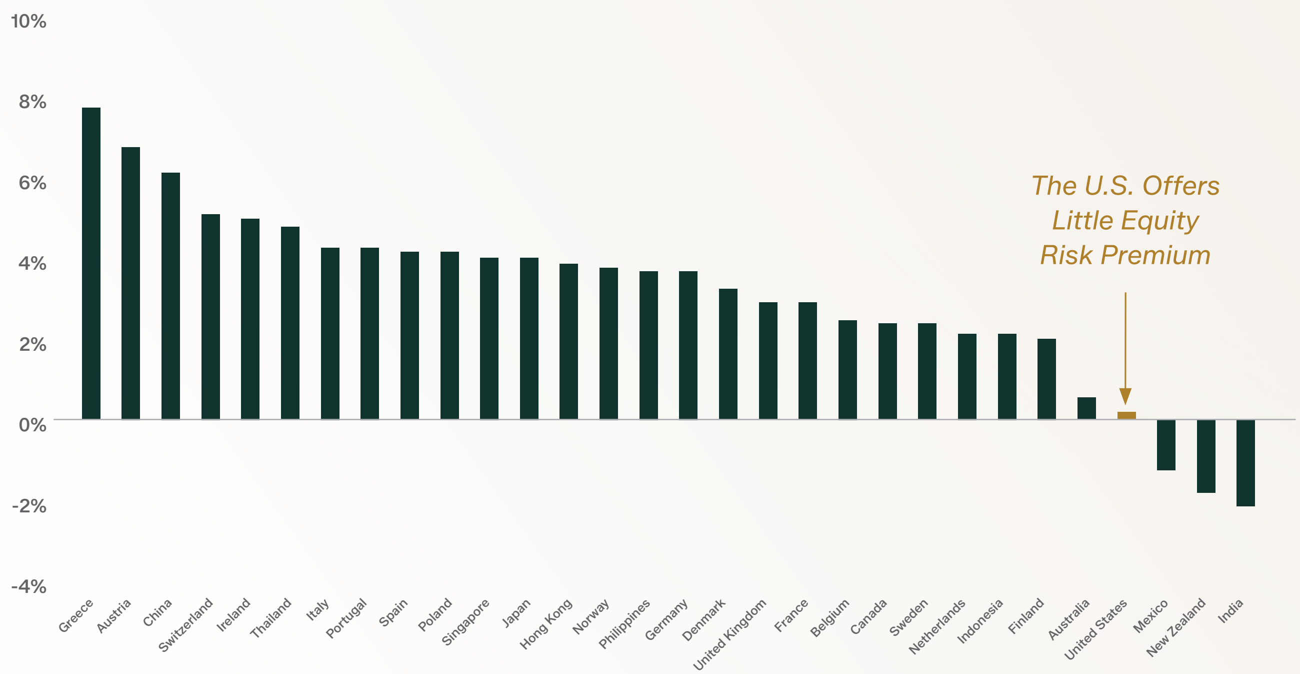


Source: Americas AI Surge Powering Growth in Every State, American Edge Project. Data as of 6/30/26.

The durability of the current market will depend on whether earnings can keep pace with expectations. AI investment has become an increasingly important source of revenue across public markets, but one company's capital expenditure is another company's revenue, and the sustainability of this cycle will depend on whether spending ultimately earns attractive returns. Competition, infrastructure constraints, falling AI model pricing, and higher financing costs remain important risks as the cycle matures. With the U.S. equity risk premium near the low end of its historical range, investors are receiving relatively little additional compensation for assuming equity risk, making continued earnings execution increasingly important.

VALUATIONS ARE ELEVATED BY HISTORICAL STANDARDS

Equity Risk Premium (Earnings Yield Less 10-year Yield by Country)



Sources: FactSet and Strategas. Data as of 6/30/26.

FEG continues to view the backdrop constructively but with appropriate caution. Strong earnings, improving productivity, and broadening AI-related investment support risk assets, yet elevated valuations and policy uncertainty leave less room for disappointment. Participation remains warranted, but so does moderation. Diversification across asset classes, sectors, geographies, and sources of return remains essential as investors participate in today's opportunities while remaining prepared for inevitable shifts in market leadership.

GLOBAL EQUITY

From Geopolitical Stress to AI-driven Strength

Risk assets rebounded sharply in the second quarter as markets looked through the severe geopolitical stress that pressured sentiment in the first quarter. The quarter was defined by a rapid reversal in the market narrative: fears around the Middle East conflict, energy supply disruption, and inflation gave way to optimism around de-escalation, falling oil prices, resilient earnings, and renewed confidence in the AI capital spending cycle. The S&P 500's approximately 15% gain was historically notable, ranking among its strongest quarterly advances in decades and marking the best second-quarter performance in a midterm election year since the 1930s. Importantly, the rally was not simply a "multiple expansion" event. Earnings expectations also moved higher, with 2026 S&P 500 EPS growth estimates increasing from 12.2% at the start of the year to 23.9% by quarter-end, while sales growth expectations rose from 6.5% to 10.6%.

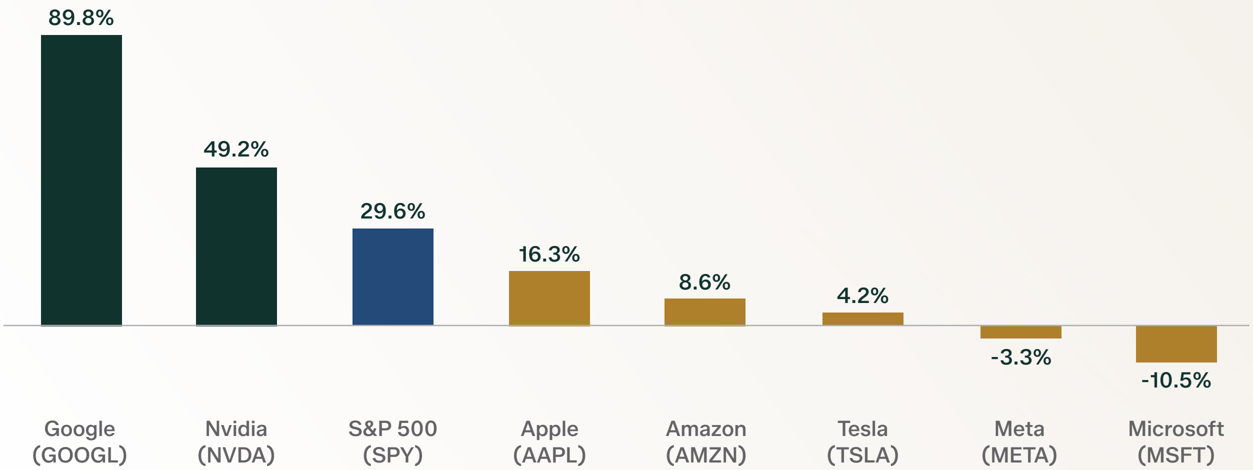
International developed markets participated in the rally, though performance varied significantly by region and sector composition. The MSCI EAFE Index gained over 10% for the quarter, trailing U.S. equities but still producing a strong absolute return. Developed markets benefited from the same broad drivers as the United States, which included de-escalation in the Middle East, improving earnings confidence, and demand for AI-related industrial and technology exposure. Japan was one of the strongest markets during the quarter. The rally was supported by a cheap currency, a steeper yield curve, and strength across exporters and financials. Large-cap Japanese equities were especially strong, with the Nikkei up more than 37% in the second quarter, reflecting the benefit of Japan's exporter-heavy market structure and its exposure to global AI supply chains. The broader reflation story also remained supportive, though the Bank of Japan's June rate hike and rising Japanese government bond yields are worth watching going forward. The international story was less about broad non-U.S. leadership and more about selective regional and sector exposure. Markets tied to exporters, financials, AI infrastructure, and cyclical manufacturing generally performed well, while commodity-heavy and defensive markets lagged. This matters for active international managers because country and sector selection were more important than simple EAFE beta.

Emerging markets were the strongest major equity region in the second quarter with the MSCI EM Index up over 24%, its best quarterly gain since the second quarter of 2009. The rally was overwhelmingly driven by Asia and, more specifically, by semiconductor and AI supply chain exposure. Asia ex-Japan returned over 27%, with South Korea up 88% and Taiwan up 49%, as investors aggressively rewarded memory, semiconductor, electrical equipment, and hardware companies tied to the AI buildout. SK Hynix and Samsung Electronics were cited as major contributors, with both benefiting from explosive earnings growth in memory and semiconductor demand. The composition of EM performance was critical. This was not a broad-based rally across all developing markets, but rather a narrow and powerful move tied to the AI supply chain. South Korea and Taiwan benefited from strong demand for the "picks and shovels" of the AI boom, while more energy-sensitive regions, including parts of the Middle East and Latin America, underperformed as oil prices declined. China also lagged due to weakness in retail and autos, reinforcing that EM performance during the quarter was driven more by technology hardware exposure than by domestic consumption or commodity-linked markets.

The broader equity environment was favorable for active management as dispersion expanded across sectors, regions, and individual companies. Markets rewarded businesses tied to AI infrastructure, semiconductors, healthcare services, and select industrials, while pressuring energy, more defensive areas, traditional software, and companies viewed as vulnerable to AI disruption or lacking pricing power. This backdrop was especially supportive for long/short equity managers, as both long-side winners and short-side opportunities contributed to performance. In other words, Q2 was not just a beta-driven rally; it was an environment where stock selection mattered and managers with exposure to the right themes were able to generate meaningful alpha.

THE NOT-SO-MAGNIFICENT 7

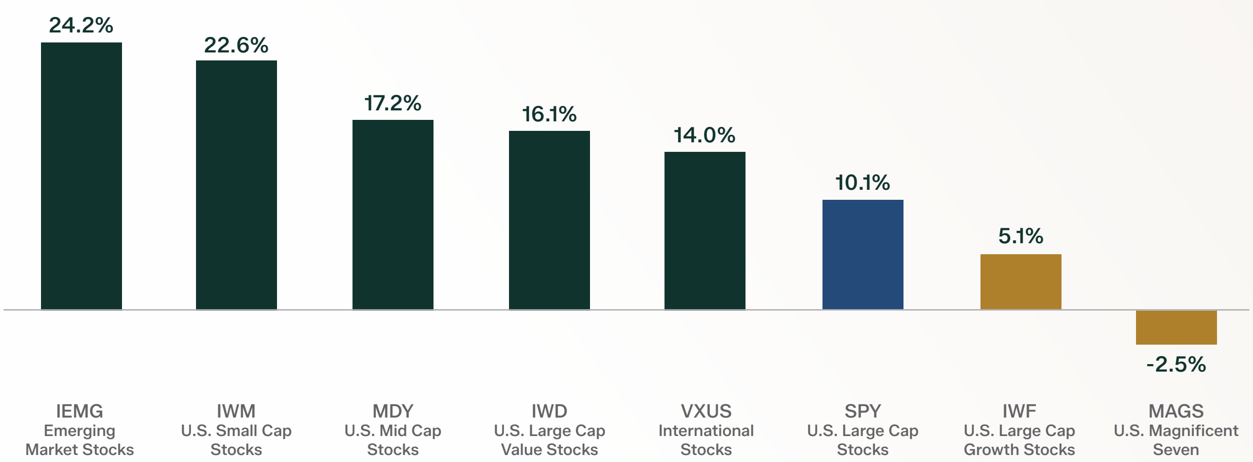
2025-2026 Total Returns



Data via YCharts as of 6/30/26.

DIVERSIFICATION MATTERS

2026 Year-to-date Total Return



Data via YCharts as of 6/30/26.

FIXED INCOME

Tighter Spreads Meet Higher Rate Risk

The yield curve continued to flatten during the second quarter of 2026, with the 10-year/2-year Treasury spread ending June at 30 basis points, down 21 basis points for the quarter. The 10-year Treasury yield finished the quarter at 4.44%, up 14 basis points, with front-end yields rising more sharply on a hawkish repricing of the policy path. Inflation readings remained elevated following the energy shock, with headline CPI reaching 4.2% in May, though pressures eased late in the quarter as oil prices retreated and supply concerns moderated.

The Fed held its benchmark rate steady at 3.50% to 3.75% at Warsh's first meeting in June, but the shift in tone was hawkish. The committee removed the easing bias, pared back prior forward guidance, and raised its median 2026 rate projection to 3.8% from 3.4%, implying the next move could be a hike. Futures markets, which entered the year pricing multiple 2026 cuts, now assign meaningful probability to a hike by the fall.

> Leadership at the Fed changed hands during the quarter, with Kevin Warsh sworn in as chair in late May.

Central banks outside the United States moved further than the Fed in responding to the energy shock. The ECB raised its key rates by 25 basis points in June, lifting the deposit rate to 2.25% after euro area inflation accelerated to 3.2% in May, and markets expect at least one additional increase this year. The Bank of England held its policy rate at 3.75%, though two members voted for a hike and messaging emphasized vigilance against second-round effects. Unlike the Fed, the ECB and Bank of England remain more squarely focused on price stability and signaled a willingness to tighten further if pressures broaden.

High-yield bonds rebounded in the second quarter, with the asset class returning roughly 2.5% as spreads retraced most of their first-quarter widening amid resilient corporate fundamentals and easing macro stress. High-yield option-adjusted spreads (OAS) ended June at 2.75%, down 53 basis points quarter to date, returning to the tight end of its longer-term range even as the rate backdrop turned less favorable. This suggests investors have largely looked through the macro noise, though tight index-level spreads leave little cushion for disappointment.

Stress in lower-quality credit remained a focus, particularly in bank loans, which continued to lag high-yield bonds. AI disruption concerns still weighed on technology and software issuers, where dispersion remained unusually wide and outcomes diverged based on business quality and exposure to structural change. Broader loan fundamentals held up, with relatively contained defaults, limited near-term maturities, and lighter net supply supporting technicals. Markets remain selective rather than broadly risk-averse, with pressure concentrated in weaker and more disruption-exposed borrowers rather than spreading into generalized distress.

REAL ASSETS

Real Estate Shows Signs of a Recovery, While Energy Prices Remain Volatile

U.S. Real Estate Investment Trusts (REITs) posted double-digit gains in the second quarter of 2026, as investors shifted their focus to companies with exposure to tangible, physical assets amid concerns about the disruptive impact of AI on technology companies. REIT take-private transactions continued in the trend of the first quarter, as private equity and institutional investors sought to take advantage of REITs trading below net asset value. Sentiment around real estate improved, as fundamentals have stabilized after the downturn that began four years ago. U.S. REIT property sector performance was positive during the quarter, with hotel and office REITs posting the largest gains, while cell tower REITs declined on concerns related to lower capital expenditure forecasts from wireless carriers, and defaults by DISH, a major tenant. For the quarter, Global REITs posted lower relative returns amid headwinds from a stronger U.S. dollar.

> Despite higher interest rates, fundamentals for publicly listed real estate stocks have stabilized, and sentiment has improved with REITs benefiting from investors shifting to assets unlikely to be disrupted by AI adoption; however, dispersion among property types continues to characterize the market. The diminishing public-private valuation disparities may lead to less privatization activity in the second half of the year.

Oil prices declined during the second quarter as the United States reached a tentative agreement to resolve the war with Iran and begin the process of opening the Strait of Hormuz to normalize global oil supplies. As a result, oil prices fell to pre-conflict levels by the end of June after peaking above $100/barrel in late April. Flare-ups in the Strait of Hormuz continued, however, as commercial vessels came under attack in early July, pushing oil prices higher. While the cease-fire provided some relief to the energy markets, a full normalization of the energy supply chain is expected to take months. U.S. oil production remained at record highs of just under 14 million barrels per day during the quarter. Meanwhile, the U.S. rig count rose 9% during the quarter, according to Baker Hughes. Natural gas prices rose during the second quarter, propelled by a heat wave that engulfed most of the country, setting record-high temperatures. While the Iran conflict led to significant natural gas supply disruptions, the United States was largely unaffected due to its abundant domestic supplies.

Energy markets will likely face continued disruption, as the conflict in the Middle East persists over the intermediate term, which could contribute to higher inflation. Broad-based inflation and the potential for higher interest rates remain a key risk for the remainder of the year.

DIVERSIFYING STRATEGIES

Hedged Equity Leads a Strong Quarter

Hedge fund performance was strong during the quarter, with June extending earlier gains. The quarter delivered the strongest returns since the fourth quarter of 2020, while the first half marked the best start to a year since 2021. This follows a volatile March, when the onset of the war led to losses across many strategies, particularly hedged equity and multi-strategy managers.

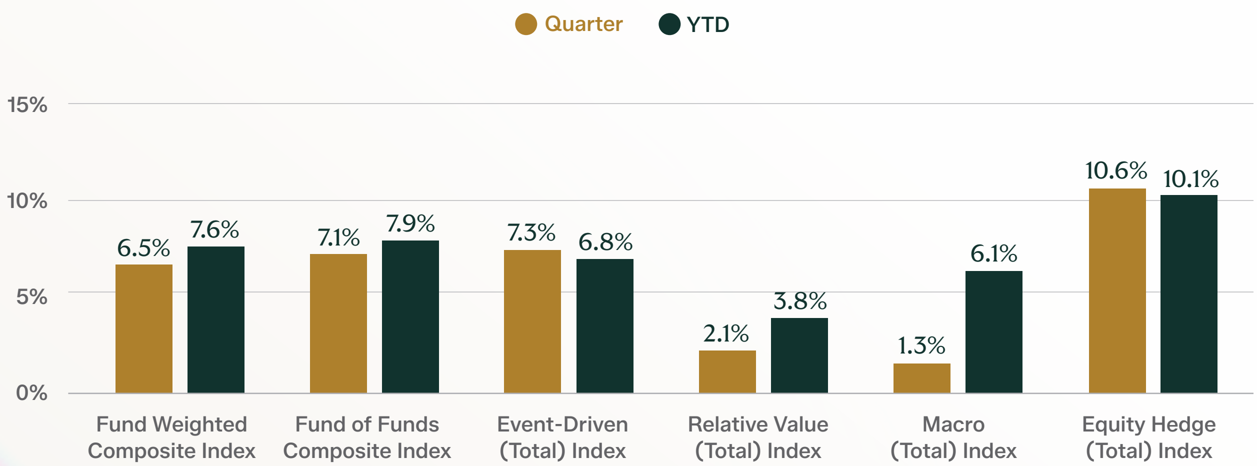
Hedged equity led performance, driven by technology and biotechnology. Gains were broad-based, with energy and equity market-neutral posting relatively softer returns.

Within event-driven strategies, activists and special situations led, while merger arbitrage and credit arbitrage posted more modest gains.

Macro also finished the quarter positive despite June's decline—only its second down month in the past 13 months. Currency trading contributed positively, offsetting losses in commodities, while both systematic and discretionary managers generated gains.

Relative value continued to post consistent gains, led by convertible, sovereign, and corporate bond strategies, while volatility strategies were broadly flat.

HFRI Indices Performance Returns in U.S. Dollars



Source: Hedge Fund Research as of 6/30/26.

PRIVATE MARKETS

Waiting for the Exit Window to Reopen

While the public market party has been in full effect in the second quarter, the private capital markets are stuck outside wondering what it takes to get in on the celebration. The public equity market rally was due, in part, to rising earning expectations and AI-related spending. Other than some isolated areas, the broader private equity markets experienced another slow quarter for distributions. There is reason to believe this can improve in the coming quarters, though a heavy lift remains ahead.

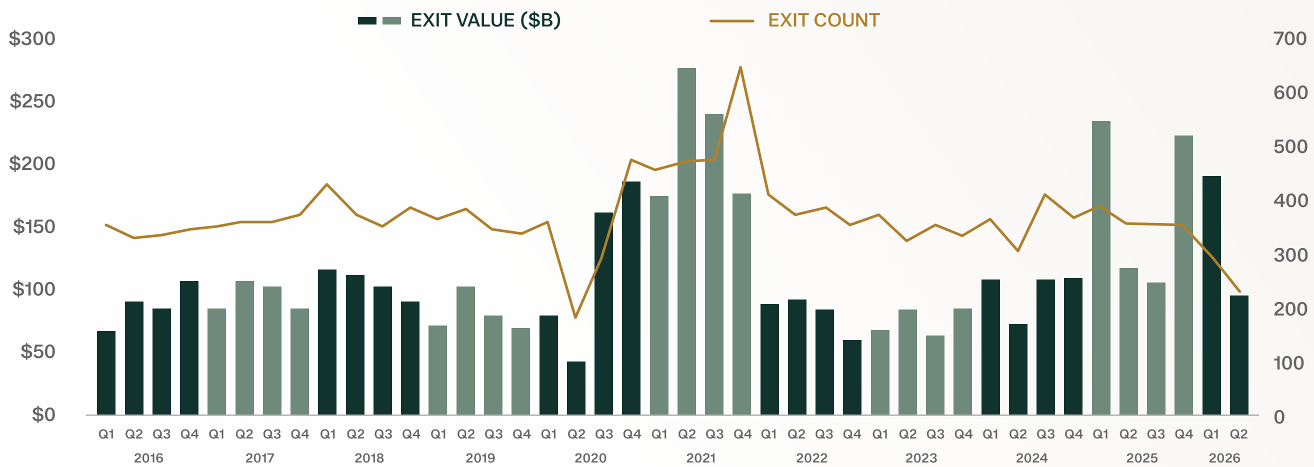
According to Pitchbook, private equity investment activity in the second quarter was resilient from a volume perspective, with approximately 2,384 transactions completed. Deal value fell 37.5% from the first quarter as private equity fund managers pulled back from larger, financing-dependent transactions. The large-cap engine that powered 2025 slowed while managers favored add-on acquisitions and smaller transactions carrying less leverage risk. Rising interest rates continue to put pressure on getting investments completed.

Private equity exit markets improved in 2025 and had a strong first quarter in 2026. The value of exits in the second quarter of 2026 was approximately half that of the first quarter. This puts the first half of 2026 behind last year's level and begs the question of what the future holds. Transactions can be uneven over the short term, so one quarter does not make a trend.

Venture-backed companies face similar challenges on the exit front. Distributions as a percentage of net asset value (NAV) remains well below the long-term average since 2022. The punchline is that distributions are increasing, but investors continue to hold meaningful exposure in private equity funds that need to get liquid.

Private energy and power generation investments have benefited from the AI capital expenditure buildout and disrupted oil and gas markets. Exits increased in FEG's portfolio of energy and infrastructure assets as managers sold holdings amid rising demand and elevated spot prices.

U.S. Private Equity Exit Activity Fell Sharply in the Second Quarter



Source: PitchBook, as of 6/30/26.

PRIVATE EQUITY

Buyout and Venture Markets Show Uneven Progress

Buyout

Buyout fundraising remains difficult despite improving market conditions. U.S. private equity managers raised $54 billion in the first quarter, but capital formation remains highly concentrated, with the top 10 funds accounting for nearly two-thirds of all dollars raised. Fundraising timelines remain extended, with the average buyout fund taking 11 months to close, as limited partner (LP) liquidity and allocation budgets remain constrained.

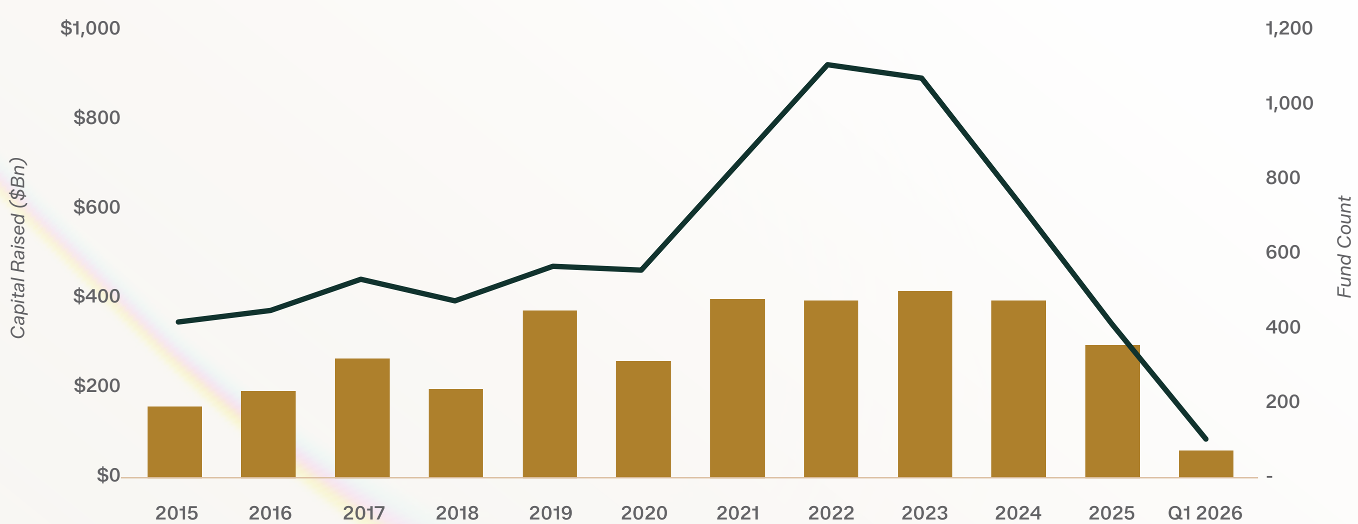
Deal activity continues to recover. During the first quarter, sponsors completed roughly 2,415 transactions totaling $260 billion in value. Activity has shifted toward smaller and middle-market transactions, although deals larger than $1 billion continue to represent the largest share of overall deal value. Valuations remain elevated, with median buyout purchase multiples at 11.9x EBITDA, above historical averages, reflecting continued competition for high-quality assets.

Performance and exits are showing gradual improvement. U.S. private equity exit activity totaled approximately $144 billion across 373 exits during the first quarter, while rolling one-year private equity returns remain in the high-single-digit range. Although exit markets remain below historical peak levels, declining hold periods and improving deal activity suggest the market is making progress in working through the backlog of aging portfolio companies.

FEG continues to favor buyout managers with strong operational value-creation capabilities. While fundraising conditions remain challenging, the slower pace of capital raising has created opportunities to access high-quality, sector-focused managers.

U.S. BUYOUT FUNDRAISING ACTIVITY ($Bn) BY YEAR

U.S. Private Equity Exits by Year ($Bn)



Source: FEG; Pitchbook "Q1 2026 US Private Equity Breakdown"; Most recent data available.

Venture Capital

Venture capital (VC) fundraising remains challenging and highly concentrated among established managers. U.S. VC funds raised $47.8 billion in the first quarter, with six firms accounting for 76% of total capital raised. While fundraising activity has improved relative to 2025, emerging managers continue to face a difficult capital-raising environment.

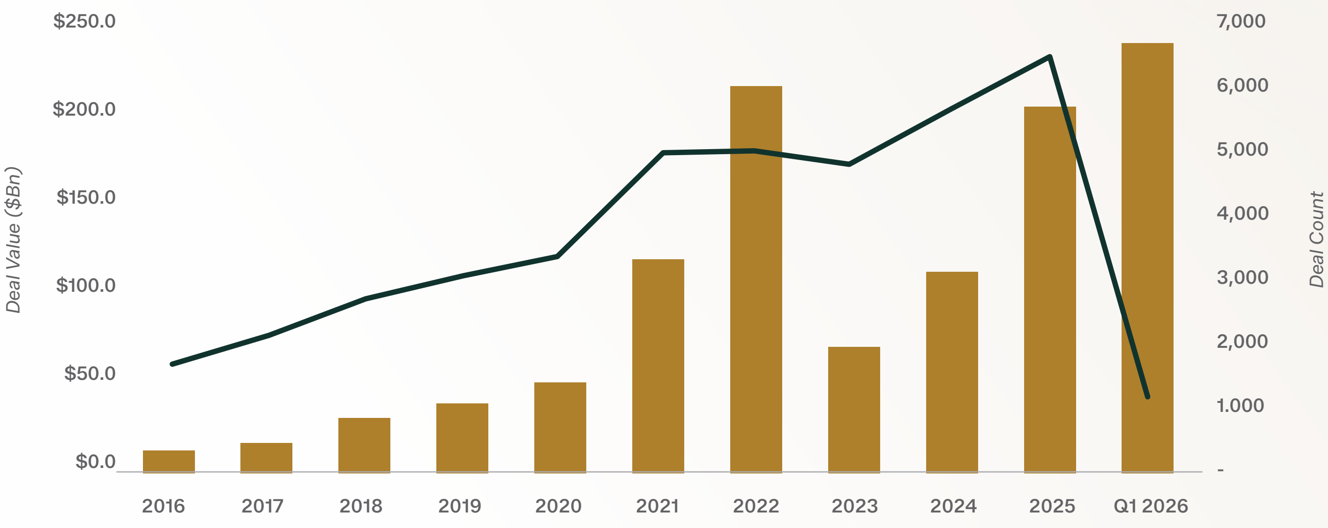
Deal activity remains concentrated in artificial intelligence (AI). AI and machine learning (ML) investments represented 89% of total VC deal value and 42% of deal count during the first quarter, highlighting investor preference for a small group of large, AI-focused opportunities. Outside of AI, investment activity remains more selective and valuation-sensitive.

Exit activity improved meaningfully, with 399 exits totaling $347 billion during the first quarter. However, much of the exit value was driven by a handful of large transactions, suggesting broader liquidity conditions remain uneven. Venture performance has also improved modestly, with positive rolling one-year returns and distribution yields trending toward historical averages, though overall cash flows to LPs remain negative.

FEG remains selective in venture capital, concentrating on high-conviction managers with differentiated sourcing capabilities and demonstrated execution. While AI continues to account for a significant share of fundraising and investment activity, FEG's focus remains on managers that combine disciplined underwriting with a clear path to durable value creation and liquidity.

U.S. VC AI & ML DEAL ACTIVITY ($BN) BY YEAR

Data as of March 31, 2026



Source: FEG; Pitchbook "Q1 2026 Pitchbook NVCA Venture Monitor Summary"; Most recent data available.

PRIVATE DEBT

Private Credit Weathers Redemption Pressure

Private credit markets remained under a cautious spotlight in the second quarter, as the redemption cycle that began earlier in the year ran its course. Withdrawal requests at perpetual non-traded business development companies (BDCs) appear to have peaked during the quarter, with repurchase demand at the largest platforms generally ranging from roughly 10% to nearly 17% of shares outstanding, and most managers enforcing their 5% quarterly caps on a pro-rata basis. New fundraising slowed sharply, with non-traded BDC inflows running at less than half of last year's pace.

At the same time, private credit fundamentals remained resilient in aggregate, supported by steady earnings growth, healthy interest coverage ratios, and contained realized losses. Software exposure, which represents roughly a quarter of median BDC portfolios, remains the key monitoring point given AI-related disruption risk. Asset quality metrics have so far stayed largely benign, and software loan maturities do not build meaningfully until 2028 and 2029, suggesting the risk is more a near-term sentiment and surveillance issue than an immediate driver of losses.

FEG favors strategically allocating to institutional private lending strategies to exploit the persistent illiquidity premium. If conditions weaken further, a broader distressed opportunity set could emerge, supporting both private lenders and distressed managers.

PRIVATE REAL ASSETS

Real Estate Recovery Remains Uneven Across Property Types

Private market real estate values saw a slight increase in the first quarter of 2026 (the latest available data). According to the NCREIF Property Index, real estate values rose slightly, led by retail and senior housing properties, continuing the trend of prior quarters. Retail continues to benefit from strong consumer spending and limited new supply relative to other property types. Alternatively, the office sector lagged due to weaker fundamentals, as occupancy in many markets has not reached pre-pandemic levels. Within private real estate, transaction volume stabilized, and fundraising improved, but remains dominated by larger fund managers. Distressed opportunities in private real estate are largely a function of debt maturities on assets acquired at peak valuations, where owners have exhausted their extension options, and may finally relinquish properties to buyers with fresh capital. The key challenge for private real estate is its ability to compete for capital versus other opportunities within the broader private capital landscape, particularly in a higher-for-longer interest rate environment.

With positive performance of listed real estate securities as a leading indicator, private real estate could be poised for a recovery, assuming stable interest rates and modest economic growth. Fundraising for private real estate, however, remains challenging, with many funds taking 18–24 months to raise capital, given the overhang of lackluster performance for fund vintages deployed at the top of the market.

Tentative Agreement to End Middle East Conflict Calms Energy Markets

Geopolitical factors dominated the energy markets during the second quarter, as the war with Iran resulted in a major supply disruption of the magnitude not seen in decades. Oil prices reached four-year highs, leading to concerns about inflation and the prospect of fewer rate cuts. A series of on-again, off-again news headlines around the conflict led to heightened volatility in oil prices before the U.S. and Iran in June agreed to a “Memorandum of Understanding” calling for an end to the conflict and a reopening of the Strait of Hormuz, through which 20% of the world’s oil supply flows. Merger and acquisition dominated the energy/power sector during the quarter, with the announcement that NextEra would acquire Dominion Energy, creating the world’s largest regulated utility. Upstream energy also saw multiple exits by private energy funds during the quarter. Natural gas prices strengthened on expectations of increased demand through the summer months due to record-high temperatures in most of the country.

Access to power, and by extension, natural gas, has emerged as the factor driving the potential build-out of AI infrastructure by the large technology companies, all of which have announced aggressive capital expenditure plans for 2026. Increased power demand, along with growth in LNG exports, should contribute to meaningful demand growth for natural gas. Other basic inputs into data center construction (copper, aluminum, steel) are also poised to benefit from the ongoing AI infrastructure buildout. A renewed focus on energy security in the wake of geopolitical conflicts should drive greater investor interest in private energy strategies in the second half of the year.

LOOKING AHEAD

Taking Active Risk Where It Counts

At the beginning of 2026, FEG said it makes sense to party in moderation. By that it was meant that leaning slightly overweight risk assets was the right posture to take at the time. Halfway through the year, that has worked, and FEG continues to hold that view looking forward. Tactically, FEG is lighter on fixed income given that yields are modest, and there is a risk of rising rates, which means fixed-income prices could decline. Equities and real assets provide more direct exposure to the positive fundamentals and earnings backdrop, as well as to AI-driven growth. Therefore, FEG believes leaning in on the margin is a sound approach. Diversifying strategies provide a reasonable return stream, in FEG's view, that is not too highly correlated to traditional asset classes, geopolitics, interest rates, or even the AI theme, and sources of uncorrelated return have greater appeal in the current market environment.

Importantly, FEG is continuing to take most of its active risk through manager selection, which complements the team's tactical views to drive results. FEG's objectives remain: 1) finding best-in-class managers, 2) identifying managers that complement each other, 3) sizing these allocations appropriately based on conviction level and risk, and 4) actively monitoring when to trim, add, or replace. FEG's work is never done as markets and managers continually evolve and change, but happily there's a love of rolling up ones sleeves and digging in every single day.

FEG

ABOUT FEG ADVISORS

FEG Investment Advisors seeks to provide clients with the exceptional investment experience they deserve. FEG provides services across the institutional portfolio management spectrum, from discretionary outsourced chief investment officer (OCIO) to traditional nondiscretionary consulting services.

FEG predominantly serves clients with a philanthropic mission to uplift individuals and local communities such as education endowments and foundations, community foundations, healthcare organizations, private foundations, faith-based organizations, charitable organizations, family offices, and other financial institutions. For more information, visit **feg.com**.

Indices

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, compiled by Hedge Fund Research Inc., and are utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 37 different categories by strategy, including the HFRI Fund Weighted Composite, which accounts for over 2000 funds listed on the internal HFR Database. The HFRI Fund of Funds Composite Index is an equal weighted, net of fee, index composed of approximately 800 fund of funds which report to HFR. See hedgefundresearch.com for more information on index construction.

The FTSE Gold Mines Index Series is designed to reflect the performance of the worldwide market in the shares of companies, the revenues of which are primarily derived from the mining of gold. A company's eligibility is based on it beingable to consistently produce a minimum quantity of gold per annum, and on a minimum percentage of its revenues being derived from mined gold.

The S&P 500 Index is a capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Information on any indices mentioned can be obtained either through your advisor or by written request to **information@feg.com**.

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All data is as of June 30, 2026 unless otherwise noted.

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