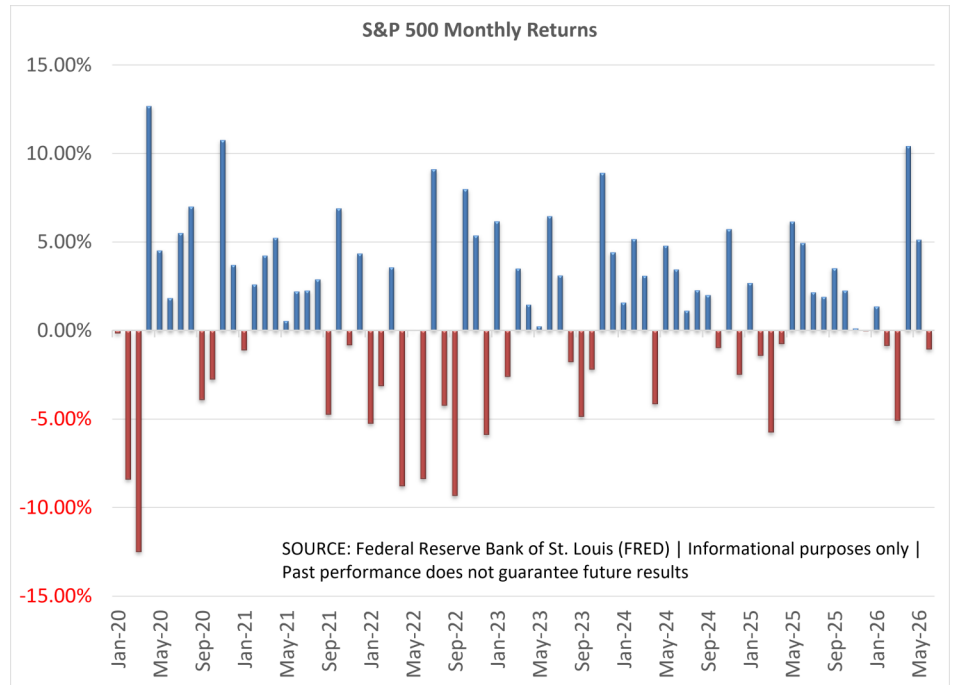


A Strong First Half

Summer 2026

The first six months of 2026 rewarded investors who stayed disciplined through the volatility (or just flat out ignored all the frantic headlines). Despite concerns over inflation, interest rates, Middle East tensions, and whether AI-related spending could continue at its blistering pace, stocks pushed higher. Through June 30, the S&P 500 gained nearly 10%, the tech heavy Nasdaq Composite advanced 13%, with the Dow Jones Industrial Average trailing at "only" a 9% gain. Small-cap stocks were an even bigger surprise, with the Russell 2000 climbing nearly 22% in its best first-half performance since 1991.

The gains were led by strong corporate earnings and continued economic resilience that overcame higher oil prices and dire consumer sentiment. The broader rally also benefited SEM's growth-oriented models. The bond market was essentially flat for the first half as the tug-of-war between inflation, oil prices, and an improving economy led to little commitment on the direction of interest rates.

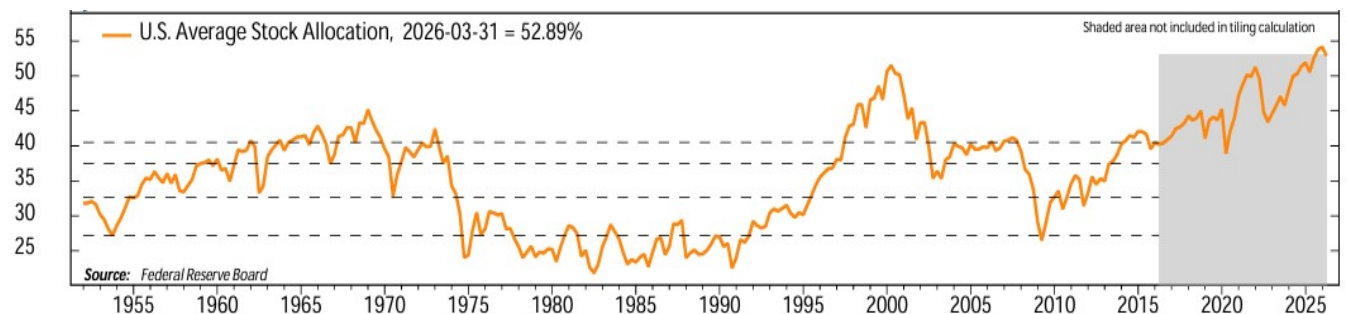


For the latest market updates go to TradersBlog.SEMWealth.com

Should you adjust your financial plan?

When markets are making new highs, it is easy to think financial planning matters less. In reality, strong markets are often the best time to revisit your plan. A rising market likely pushed stock allocations above target levels, creating more risk than intended. Retirees may find this year's gains provide an opportunity to refill cash reserves or review withdrawal strategies. For investors still accumulating wealth, higher account balances are a reminder that consistent savings and long-term discipline often matter more than trying to predict market moves. Successful investing is not just about maximizing returns. It is about making sure those returns continue working toward your goals.

Remember: The growth in the stock market has already increased your stock allocations if you haven't rebalanced. For more see our "Bonus Content".



If you would like a personalized review of your portfolio, go to Risk.SEMWealth.com

Look Ahead: Opportunities and Risk

The first half of 2026 reminded investors of an important lesson: markets rarely move in a straight line, but they often reward patience and a disciplined approach. Despite concerns surrounding inflation, interest rates, geopolitical tensions, and the sustainability of AI-driven spending, U.S. equities delivered strong gains. Corporate earnings remained healthy, economic growth proved more resilient than expected, and market leadership broadened beyond a handful of mega-cap technology companies.

Opportunity vs. Risk Matrix	
OPPORTUNITIES	RISKS
 AI productivity gains	 Elevated valuations
 Corporate earnings growth	 Inflation reacceleration
 Economic resilience	 Higher-for-longer rates
 Broadening market participation	 Geopolitical shocks
 Small-cap recovery	 Policy uncertainty

As we look toward the second half of the year, there are reasons for optimism. Businesses continue to invest heavily in productivity-enhancing technologies, consumer spending remains relatively healthy, and many companies are finding ways to grow profits even in an environment of higher financing costs. Small-cap and value-oriented stocks have also shown renewed strength, suggesting investors may be finding opportunities beyond the areas that captured most of the attention over the past few years.

That said, risks remain. Stock valuations are no longer cheap, particularly in segments tied to artificial intelligence and technology infrastructure. Interest rates are still well above the levels investors became accustomed to during the decade following the financial crisis, and any unexpected resurgence in inflation could influence Federal Reserve policy. Geopolitical developments also have the potential to create periods of market volatility with little warning. While these concerns may generate unsettling headlines, they are not unusual. Markets have always faced a wall of worry.

Rather than trying to predict the next correction or identify the next hot investment theme, we continue to believe the best approach is maintaining a disciplined process built around diversification, risk management, and long-term objectives. Opportunities will undoubtedly emerge over the coming months, but so will uncertainty. The longer the stock market hits record highs, the more risks we will see. Successful investing is rarely about making perfect predictions. More often, it is about staying committed to a sound plan while others are reacting emotionally to the latest news cycle.

The second half of 2026 may bring both surprises and opportunities. Our focus remains the same as always: protecting capital when necessary, participating in growth when available, and helping clients remain aligned with their long-term financial goals.

For more, check out our bonus content at TradersBlog.SEMWealth.com/Newsletter_Q22026

What is *ENCORE*?

ENCORE is a Quarterly Newsletter provided by SEM Wealth Management. *ENCORE* stands for: Engineered, Non-Correlated, Optimized & Risk Efficient. By utilizing these elements in our management style, SEM's goal is to provide risk management and capital appreciation for our clients. Each issue of *ENCORE* will provide insight into investments and how we managed money. To learn more about *ENCORE* Portfolios, please contact your financial advisor.

The information provided is for informational purposes only and should not be considered investment advice. Information gathered from third party sources are believed to be reliable, but whose accuracy we do not guarantee. Past performance is no guarantee of future results. Please see the individual Program Reports for more information. There is potential for loss as well as gain in security investments of any type, including those managed by SEM. SEM's firm brochure (ADV part 2) and Form CRS (ADV Part 3) are available upon request and must be delivered prior to entering into an advisory agreement.