MARKET MINUTE
With McGAREL

Dave McGarel, CFA, CPA
Chief Investment Officer

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Past performance is no guarantee of future results.

The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The **S&P MidCap 400 Index** is an unmanaged index of 400 companies used to measure mid-cap U.S. stock market performance. The **S&P SmallCap 600 Index** is an unmanaged index of 600 stocks used to measure small-cap U.S. stock market performance. The **MSCI ACWI EX USA Index** captures large and mid and cap representation across 22 of 23 Developed Markets countries, excluding the United States, and 24 Emerging Markets countries. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Investors cannot invest directly in an index.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

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In January 2026, the Market Minute was titled "Earnings Everywhere" and discussed a forecast for 2026 S&P 500 Index earnings growth that was higher than the above average 12.5% earnings growth experienced in 2025. We noted that earnings growth was forecast to show up in far more areas of the market than just the biggest names.

"In our view, in lieu of chasing the companies with the best past returns and the narrowness of the last 3 years' earnings growth, investors should seek to capture the earnings growth story expected in 2026." We recommended adding exposure to those areas where growth was starting to emerge, especially those with good valuations.

Halfway through the year, that growth has materialized much more broadly in 2026 and earnings are projected to be even higher than January's forecast. It is extraordinary to see that kind of growth, especially in back-to-back years.

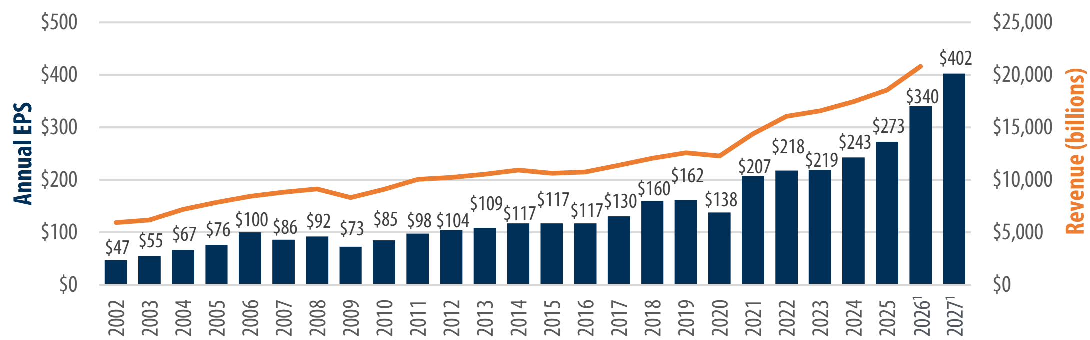
The earnings growth has been described as a "bonanza", a "golden period", "extraordinary", and "once in a generation."

Just look at the growth over the last 22 years (Chart 1). From 2002 to 2024, earnings growth averaged 7.8% annually. Revenue growth was 5.0% annually over the same period. Coming into this year earnings were expected to grow 15%, well above the long-term average. Year-to-date we have witnessed an acceleration in growth and now expect 25% growth for 2026.

What no one knows is when it will slow down. And not to be the bearer of bad news but look at the 24 years prior. Bonanzas, golden periods and extraordinary growth are, by nature, not sustainable. We do believe stocks generally follow earnings and that earnings will continue to grow going forward, although at a slower pace than the past two years. **Yet we realize the market will not cherish the decelerating growth ahead as much as the acceleration this year.** That is the period we are moving into as next year's earnings growth, while still forecast to be higher than the longer term averages, is expected to slow from this year's pace (Chart 2).

In light of that, a diversified approach across styles, sectors, and size is where we still see a risk and return profile that may benefit an investor in the equity markets.

Chart 1: S&P 500 Index EPS and Revenue Growth



Source: Capital IQ. Data from 28/2/03 – 31/7/26. [1]Estimates are based on calendar year aggregate consensus. There can be no assurance that any estimates will be achieved. This example is for illustrative purposes and does not represent any actual investment.

Chart 2: Major Indexes - Earnings [YOY Growth %]

Index	2024	2025	2026[2]	2027[2]	2026 Forward P/E[2]
S&P 500 Index	$242.58	$272.80 [12.5%]	$340.41 [24.8%]	$402.38 [18.2%]	22.0x
S&P MidCap 400 Index	$178.30	$177.62 [-0.4%]	$219.63 [23.7%]	$247.31 [12.6%]	17.1x
S&P SmallCap 600 Index	$80.47	$87.32 [8.5%]	$107.52 [23.1%]	$126.34 [17.5%]	16.4x
MSCI ACWI ex USA Index	$23.55	$24.99 [6.2%]	$32.28 [29.1%]	$37.10 [14.9%]	14.7x

Source: Bloomberg, CapitalIQ. Data as of 31/7/26. [2]Estimated. Estimates are based on calendar year 2026 and 2027 aggregate consensus. There is no assurance any forecasts will be achieved.