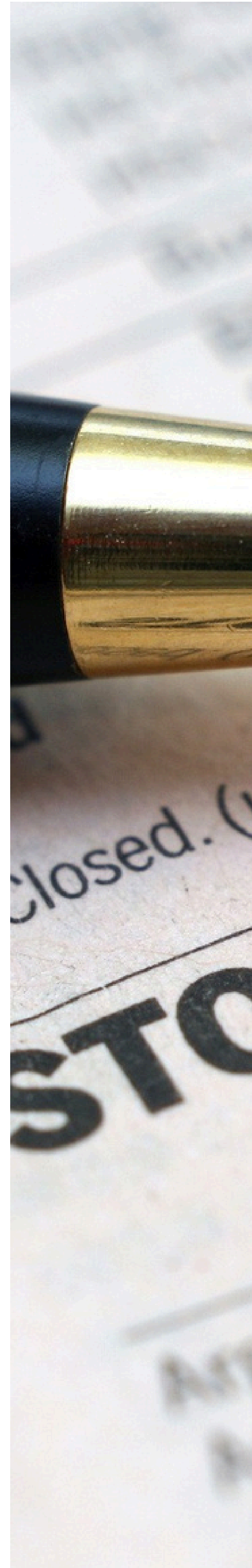
MONTHLY MARKET COMMENTARY

Michael Dashner, CFA | Director of Equity
Jon Lynn | Director of Fixed Income

STONEBRIDGE
Capital Advisors

Michael Dashner, CFA / Director of Equity, Portfolio Manager

EQUITY REVIEW



Market Recap

On the surface, most major stock indices posted losses in July. But things are not always what they seem: the average stock in the S&P 500 actually gained 1.01% last month. While the mega-cap companies stalled and weighed on major indices such as the S&P 500 and Nasdaq Composite, market breadth expanded meaningfully, with 68% of stocks trading above their 200-day moving averages.

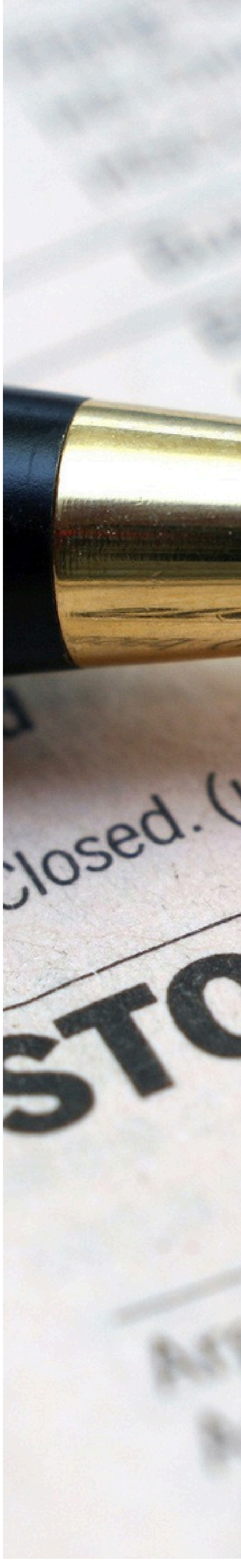
As we have anticipated for quite some time, the largest companies in the market can trade sideways, or even decline, while creating opportunities for the rest of the market to gain investor favor. We believe this handoff is healthy and could support a more durable market advance going forward.

Under the Hood

We are past the halfway point of the latest earnings season, with 309 companies in the S&P 500 having reported. Financials and Energy posted strong results, making them the top-performing sectors in July, with gains of 3.63% and 2.25%, respectively.

Technology lagged the market, although earnings were not the only source of disruption. The semiconductor industry gained a remarkable 47% in June before giving it all back in July. While the group remains positive for the year, it lost more than one-third of its value in just a few trading days. This volatility sent shockwaves through the market, particularly among leveraged strategies.

EQUITY REVIEW



While we may sound like a broken record, this episode once again demonstrated why diversification and discipline are vital components of a successful investment strategy. One of the year's best-performing hedge fund managers was forced to unwind its entire public equity portfolio following the downturn in semiconductors. The lesson? Strong performance yesterday cannot save a manager today if risk exposure is not properly controlled. Leverage magnifies these risks, which is precisely why we avoid using it in client portfolios.

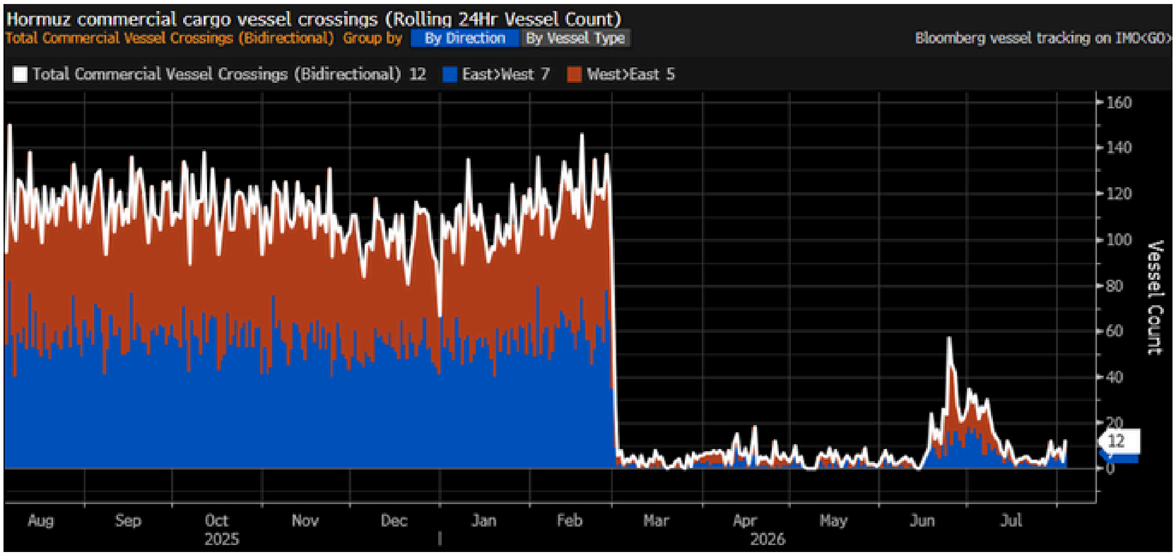
What We're Watching

Last week, the Federal Open Market Committee voted to leave the federal funds rate unchanged. With the labor market remaining stable and inflation still above the Fed's target, near-term rate cuts appear unlikely. Immediately following the press conference, 30-year U.S. Treasury yields rose, and the stock market declined as both bond and equity investors reacted negatively to the persistent inflation outlook. Chairman Warsh reiterated his intention to provide little to no forward guidance, preferring that markets interpret the economic data rather than rely on the Fed to shape the narrative.

The conflict with Iran and activity in the Strait of Hormuz remain in flux. The June ceasefire did not hold, and shipping traffic through the strait is once again effectively shut down. This has placed upward pressure on global oil prices and pushed the average price of gasoline back above $4.00 per gallon.

As of this morning, there were indications that the parties may be moving toward a framework for an agreement. We believe the market is entering a "trust but verify" mindset as it evaluates the prospects for de-escalation.

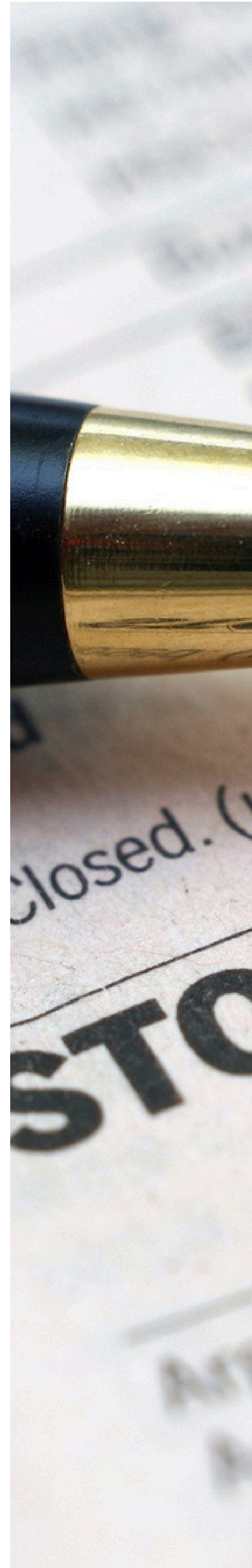
EQUITY REVIEW



Source: Bloomberg

Portfolio Implications

Given ongoing geopolitical uncertainty, market valuations, and the AI-driven investment cycle, we expect volatility to remain elevated. By remaining disciplined and appropriately diversified, we believe periods of volatility will continue to present attractive investment opportunities. Adhering to each investor's allocation ranges allows us to use market fluctuations to rebalance portfolios and selectively add exposure when opportunities arise.



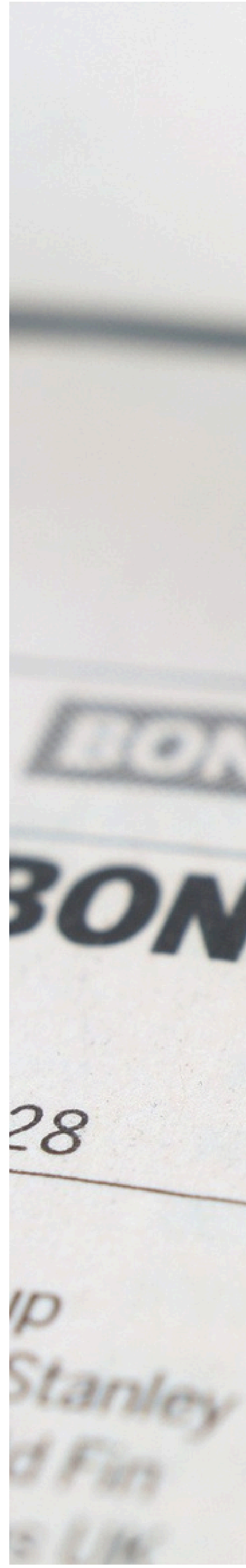
Jon Lynn / Director of Fixed Income, Portfolio Manager

FIXED INCOME REVIEW

Bonds sold off sharply during July, particularly hard on the long-end of the curve. 30-year Treasury bonds peaked at 5.25% to close the month; the highest level in almost 20 years. The yield on the 10-year Treasury jumped around 20 basis points to its highest level in a year. The moves were largely driven by continued geopolitical tensions and concerns about rising inflation. The FOMC met at the end of the month and left interest rates steady, but it was not a united front, with three members dissenting, opting for a quarter point hike.

Investment grade bond spreads remain relatively tight overall, but the jump in Treasury yields alone has pushed many short-to-intermediate BBB rated credits around or above 5%, which has given additional opportunities to add historically attractive rates to portfolios. The technology sector remains one of the areas of the market offering slightly wider credit spreads, largely reflecting the size of new issuance hitting the market from the AI borrowing boom.

Municipal bonds cheapened significantly throughout much of the month. iShares National Muni Bond ETF (MUB), a proxy for the overall market, was off by 1.5% for the month alone. The sell-off has, however, brought with it some much more attractive tax-free rates. Whether it's taxable or tax-exempt, we are more than happy to keep capitalizing on any weakness to lock in these yields and income streams for years to come.



OVERVIEW

Key Market Moves
6/30/2026 - 7/31/2026

S&P 500:
7499.36 to 7489.72 (down 9.64)
....
Dow Jones:
52319.20 to 52485.03 (up 165.83)
....
NASDAQ:
26213.72 to 25884.22 (down 329.5)
....

Key Market Moves
6/30/2026 - 7/31/2026

2-Year Treasury:
4.14% to 4.27% (up 13 bps)
....
10-Year Treasury:
4.44% to 4.70% (up 26 bps)
....
10-Year A-rated Corporate:
5.02% to 5.42% (up 18 bps)
....
10-Year AAA-rated Municipal:
2.95% to 3.37% (up 42 bps)
....

Equity

Stonebridge's equity investment style seeks to provide methods for growth and income generation. Within this style, we utilize three equity strategies to invest in industry-leading, domestic companies with solid fundamentals. We focus on companies with attractive fundamentals, highlighted by strong profit margins, cash flows, and balance sheets. Prioritizing portfolio diversification, we take advantage of lagging sectors and identify best-in-class companies on an ongoing basis. Our disciplined approach allows for us to actively manage portfolios, regardless of market conditions.

EQUITY LARGE CAP GROWTH
est. January 2001

EQUITY DIVIDEND INCOME
est. March 2011

EQUITY GROWTH & INCOME
est. March 2015

Fixed Income

Stonebridge's approach to fixed income seeks to provide principal protection, asset liquidity and income generation. We manage two fixed income strategies that both utilize individual securities, and are broadly diversified across sectors and issuers. Maintaining a conservative risk profile, we favor high quality investment-grade credit and capitalize on yield curve relative value. We focus on opportunities along the yield curve to help provide income and lower volatility.

FIXED INCOME TAX-EXEMPT
est. June 1997

FIXED INCOME TAXABLE
est. December 1998

Important Disclosure Information

Advisory services offered through Stonebridge Capital Advisors, LLC., an investment advisor registered with the U.S. Securities & Exchange Commission.

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Additional Risk Considerations
Forecasts and targets are based on certain assumptions and on our current views of market and economic conditions, which are subject to change. There can be no assurance that any investment strategy will be successful and meet its investment objectives. Investments fluctuate with changes in market and economic conditions and across different environments due to multiple factors, some of which may be unpredictable. Asset allocation and diversification do not guarantee investment returns or eliminate risk of loss.

Certain information presented in this document may be “forward-looking” in nature. Due to various risks and uncertainties, actual events or results may differ materially from those reflected in such forward-looking statements. As such, undue reliance should not be placed on such forward-looking statements, which may be identified by the use of terminology including, but not limited to, “anticipate”, “believe”, “contend”, “continue”, “expect”, “estimate”, “forecast”, “project”, “should”, “target”, or the negatives thereof or other variations or comparable terminology.

Additional information may be available upon request.

For more information: We always welcome the opportunity to work with you. If you are interested in learning more about how our expertise can elevate your investment strategies, please do not hesitate to contact us today!

651-251-1000 | www.stonebridgecap.com | info@stonebridgecap.com

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