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SUMMARY

- Technology drove strong US returns.
- Emerging Markets lead global returns, despite negative Chinese returns.
- Strong earnings have allowed market to climb the “wall of worry”.

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Q2 Recap: Markets Get Back on Track

Global Equities Rally as Headwinds Begin to Clear

In financial markets, there is a concept known as “the wall of worry.” Put plainly, this concept describes how markets often see past short-term concerns to post positive returns, essentially climbing over the proverbial wall of worry. The second quarter was a great demonstration of this concept, as geopolitical and global macro concerns were not enough to stop global stocks from rebounding and posting strong returns. This rally has gained even more steam as the Iranian conflict appears to be clearing up, and oil markets have responded accordingly. With this background let’s take a deeper dive into Q2 returns.

Table 1: Q2 2026 Asset Class Performance

Broad Asset Classes	PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 6/30/2026	
	Q2 2026	Trailing Twelve Months
EMERGING MARKET EQUITIES	24.1%	43.5%
US SMID CAP	16.2%	29.5%
US LARGE-CAP	15.2%	22.3%
GLOBAL EQUITIES	14.9%	23.7%
GLOBAL EX-US EQUITIES	14.5%	27.7%
DEVELOPED INT’L EQUITIES	10.8%	20.2%
HIGH YIELD	2.5%	5.7%
CASH	0.9%	4.0%
FIXED INCOME INV GRADE	0.7%	3.8%
US TREASURIES	0.3%	2.7%

Source: Factset, Morningstar. Data as of June 30, 2026. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. See disclosures at the end of this publication for description of asset classes and the indices for which the returns above are based. Returns above do not reflect any fees or costs associated with investing in the applicable asset classes. It is not possible to invest directly in an index.

US Sectors: Technology Back in a Big Way

Table 2 (top of next page) shows US sector performance. Technology was the leader by a wide margin, after posting close to a double-digit negative return last quarter. As we discussed in our most recent [earnings recap](#), Technology earnings have continued to be very strong, driven by AI spending and efficiency gains. Similarly, the Industrials sector had a strong quarter, riding similar tailwinds as the Technology sector.

At the bottom of the returns table sits Energy. In the first quarter, the Energy sector was able to generate market-leading returns with oil prices peaking above \$100 per barrel. However, as oil prices fell in the second quarter, oil returns also lagged the remainder of the market. Even with this negative quarter, the sector only trails technology from a trailing twelve-month standpoint.

The only other negative sector for the quarter was Utilities. There are two dynamics working here, in our view. First, due to the steady cash flows of the

sector, Utility equities often behave like bonds. As such, in a quarter where rates rise, as they did in Q2, utilities will struggle to produce positive returns. Second, Utilities are often viewed as a defensive sector. In a quarter when investors begin to take a more risk-on posture, we would expect the sector to lag.

Source: Bloomberg. Data as of June 30, 2026. Chart right shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns shown do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

Table 2: Q2 2026 US Sector Performance

PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 6/30/2026		
US Sector	Q2 2026	Trailing Twelve Months
Information Technology	31.8%	37.5%
S&P 500	15.2%	22.3%
Industrials	14.9%	27.1%
Consumer Discretionary	9.3%	9.5%
Financials	9.0%	3.9%
Health Care	8.8%	19.9%
Real Estate	8.5%	11.1%
Communication Services	8.3%	21.1%
Materials	2.0%	16.7%
Consumer Staples	0.3%	5.5%
Utilities	-0.5%	14.2%
Energy	-13.4%	29.0%

International Stocks: Emerging Markets Lead the Way, Despite Poor Chinese Returns

Moving to Table 3 below, we see Emerging Markets (EM) leading all global equities. This result is somewhat surprising, especially when peeking at the bottom of the table and seeing China posting a negative return for the second quarter in a row. Over the past decade, China has been viewed as the growth engine of Emerging Markets, with the broad regional returns following China. However, both South Korea and Taiwan have stepped in as growth-oriented market drivers for EM. Both of these countries posted returns over 50% this quarter, allowing EM to overcome negative Chinese returns, as well as sluggish returns in Latin America.

On the currency front, we saw a continuation of dollar strengthening. Specifically, the yen and Canadian dollar lagged the most. For the yen, this currency cross is often seen as a risk-on/risk-off measure. The dollar strengthening here could be a reflection of the market’s more risk-on stance this quarter. For the Canadian dollar, we believe weakening oil prices was the culprit, with the Canadian economy being heavily tied to commodities. In our view, this dollar strengthening is a double-edged sword for US-based investors; a strengthening dollar is a lag on returns for US investors, but for more export-focused countries, a weaker local currency could represent a tailwind for local equity returns.

Table 3: Q2 2026 Global Region Performance

International Market Returns	In USD		In Local		Currency Impact	
	Q2 2026	Year Over Year	Q2 2026	Year Over Year	Q2 2026	Year Over Year
Emerging Markets	24.1%	43.5%	24.1%	50.2%	-0.1%	-6.7%
United States	15.2%	22.3%	15.2%	22.3%	0.0%	0.0%
Japan	14.2%	29.1%	16.7%	45.3%	-2.5%	-16.2%
EAFE	11.1%	20.8%	11.8%	25.5%	-0.7%	-4.7%
Europe	10.9%	18.6%	11.4%	21.6%	-0.5%	-2.9%
Canada	6.0%	26.9%	7.8%	32.0%	-1.8%	-5.0%
United Kingdom	4.1%	20.3%	3.4%	24.2%	0.7%	-3.9%
China	-6.6%	-4.9%	-6.9%	-5.8%	0.2%	0.8%

Source: Bloomberg. Data as of June 30, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns above do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

Looking Forward: We Continue to be Cautiously Optimistic

In this section of our quarterly recap, we have been continuously championing the importance of earnings analysis. This quarter will be no different. Tying back to the “wall of worry,” in our view, earnings are what allows the market to climb this wall. While headlines can often focus on potential market headwinds, unless those headwinds are able to cause earnings deterioration, the market will often continue to climb. We believe that this is what we saw in the second quarter; in spite of soft macro data and geopolitical worries, earnings remain broadly strong, allowing the market to climb the wall.

Even with this constructive view on earnings, we remain vigilant in our risk processes. As a refresher from last quarter, in our shorter-horizon portfolios, our risk processes emphasize technical analysis and price momentum; in our longer-horizon portfolios, the risk focus is more heavily weighted towards deterioration in market fundamentals – though all portfolios draw on a mosaic of both disciplines. **Currently, both technical and fundamental momentum remain broadly positive by our measures;** however, a Federal Reserve likely on hold and [elevated investor sentiment](#) after such a strong quarter have our shorter-horizon team cautiously monitoring tactical indicators.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

Important Disclosure Information

The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Opinions expressed are current as of the date shown and are subject to change. Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index.

Information or data shown or used in this material was received from sources believed to be reliable, but accuracy is not guaranteed.

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Chartered Financial Analyst is a professional designation given by the CFA Institute (formerly AIMR) that measures the competence and integrity of financial analysts. Candidates are required to pass three levels of exams covering areas such as accounting, economics, ethics, money management and security analysis. Four years of investment/financial career experience are required before one can become a CFA charterholder. Enrollees in the program must hold a bachelor's degree.

All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Artificial intelligence, or AI, refers to the simulation of human intelligence by software-coded heuristics. Nowadays this code is prevalent in everything from cloudbased, enterprise applications to consumer apps and even embedded firmware.

Index Definitions

Standard & Poor's (S&P) 500 Index TR USD (US Large Cap) measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

Standard & Poor's (S&P) 1000 Index (US SMID Cap) – the S&P MidCap 400 Index and the S&P SmallCap 600 Index are combined to form the S&P 1000.

MSCI EAFE Net Total Return (NR) USD Index: The index captures large and mid-cap representation in 21 developed markets around the world, excluding the US and Canada. The index covers approximately 85% of the adjusted free-float market capitalization in each country. For net returns, the regular cash dividend is reinvested after deduction of withholding tax by applying the maximum rate of the company's country of incorporation applicable to institutional investors.

MSCI Emerging Markets Index captures large and mid cap representation across approximately 26 Emerging Markets (EM) countries.

MSCI Europe Index represents the performance of large and mid-cap equities across approximately 15 developed countries in Europe.

MSCI Japan Index designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

MSCI United Kingdom Index (USD) is designed to measure the performance of the large and mid cap segments of the UK market.

MSCI Canada Index is designed to measure the performance of the large and mid cap segments of the Canada market.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI ACWI Index (Global Equities) is designed to represent performance of the full opportunity set of large- and mid-cap stocks across approximately 23 developed and approximately 25 emerging markets.

MSCI ACWI ex USA Index (Global ex US Equities) captures large and mid cap representation across approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.

ICE BofA High Yield Index TR USD (High Yield) tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. Index constituents are capitalization-weighted based on their current amount outstanding times the market price plus accrued interest.

Emerging Market Equities is represented by the MSCI Emerging Markets Index (NET), a free-float adjusted market capitalization index that is designed to measure the equity market performance of emerging markets. The index consists of indices from approximately 25 emerging market country indices. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

The Bank of Japan (BOJ) is headquartered in the Nihonbashi business district in Tokyo. The BOJ is the Japanese central bank, which is responsible for issuing and handling currency and treasury securities, implementing monetary policy, maintaining the stability of the Japanese financial system, and providing settling and clearing services. Like most central banks, the BOJ also compiles and aggregates economic data and produces economic research and analysis.

Bloomberg Capital US Treasury Index TR USD (Treasury Bonds) measures the performance of the US Treasury bond market.

Bloomberg US Aggregate Bond Index TR USD (Fixed Income Investment Grade) is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. The issues must be rated investment grade, be publicly traded and meet certain maturity and issue size requirements.

Bloomberg Capital 1-3 Month US Treasury Bill Index TR USD (Cash) includes all publicly issued zero-coupon US Treasury Bills with a remaining maturity between one and three months, are rated investment-grade and have an outstanding face value of \$250 million or more.

In a rising interest rate environment, the value of fixed-income securities generally declines.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero).

Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

High-yield securities (including junk bonds) are subject to greater risk of loss of principal and interest, including default risk, than higher-rated securities.

Dividends are not guaranteed and are subject to change or elimination.

Investment grade fixed income securities include broad fixed income, corporate securities, municipal bonds, treasuries, and mortgage backed securities (MBS). Investment grade securities are believed to be at less risk of default and rated higher by the credit rating agencies. In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities. Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. MBS are

subject to prepayment and extension risk; as such, they react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain MBS.

Treasuries are government debt securities issued by the US Government. Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. With relatively low yields, income produced by Treasuries may be lower than the rate of inflation.

US large cap equities include equities of companies with a market capitalization of over \$10 billion. Although large cap equities are generally considered to be safer securities, large cap equities are still subject to the risks associated with stocks.

Global equities are equities that span across both developed countries and emerging markets. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

The energy sector is a category of stocks that relate to producing or supplying energy. The energy sector or industry includes companies involved in the exploration and development of oil or gas reserves, oil and gas drilling, and refining. The energy industry also includes integrated power utility companies such as renewable energy and coal.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.

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