SEMIANNUAL LETTER · JULY 2026

The Shock, the Recovery, & the Discipline in Between

A review of the first half of 2026 — the markets, our performance, and every change we made.

Dear Friends,

If you had read only the headlines through the first half of this year, you might have assumed it was not a good season to be an investor. A war began. Oil briefly crossed $100 a barrel. Inflation jumped. And yet, by June 30th, the S&P 500 had just finished its best quarter since 2020.

That is precisely the story of this letter, and one of the clearest illustrations of why we invest the way we do. This edition covers the full first half: what happened, how our strategies performed, and every change we made in the rebalance that followed.

Before walking through it, let us briefly restate the principles that guide every decision we make. They matter most in periods like this one.

Our Core Beliefs

We believe every family has the potential to properly align capital for 100+ years, and that historically only about one in ten families achieves it. The difference isn't higher returns alone; it is intention. When families pursue Return on Intention with the same discipline as Return on Investment, the probability of long-term success rises dramatically.

We are a long-term thinking organization — or as we like to put it, we are in the infinite game, and we think in infinite terms. We think like owners of excellent businesses. We value simplicity over complexity. We prepare for volatility rather than fear it, keeping the flexibility to act when opportunities appear. And we work diligently to avoid erosion, because inflation, taxes, and fees remain the greatest threats to long-term outcomes. Research, discipline, and strategy are our defense against all of them.

WHAT'S INSIDE

01 · The First Half in Review

In January, we offered three pieces of context for 2026. All three are worth revisiting.

> *"There will be another market shock. There always is — and it will likely come from an unexpected place."*
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> The shock came. War with Iran broke out late in the first quarter. The Strait of Hormuz — the narrow waterway that carries roughly a fifth of the world's oil — was closed. Oil topped $100 a barrel on April 13. March inflation jumped 0.9% in a single month. The S&P 500 finished the first quarter down 4.4%, even as energy stocks surged 38%. It was exactly the kind of moment that makes selling feel like a good idea. Emphasis on feel.

> *"Liquidity should support markets through the first two to three quarters of 2026."*
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> Discipline in action. On June 17, an interim ceasefire was signed. The Strait is now roughly half-reopened under a quota system, and Gulf oil flows have recovered to about three-quarters of prewar levels. Oil did not merely retreat — it round-tripped, ending the quarter below $70, its steepest quarterly decline since 2020. The S&P 500 returned +15.1% for the quarter, its best since 2020.
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> Here is the case study we hope you will remember. An investor who sold on the war headlines in April locked in the first-quarter decline — and then watched the strongest quarter in six years happen without them. They were whipsawed twice in ninety days; not because they misread the news, but because they let the news make the decision. The most valuable investment decisions we made this half were the ones we didn't make.

> *"Markets often become more vulnerable about six months after major IPO waves, when insider lockup periods expire."*
>
> That caution is now on the calendar. June brought the largest IPO on record — SpaceX — whose shares have struggled since their debut, while OpenAI has reportedly pushed its own offering to 2027. When a company goes public, insiders are typically restricted from selling for about six months; SpaceX's June debut places that expiration around December 2026, squarely in the window January's letter described. Late June even offered a small preview of how sentiment can turn: Oracle had its worst week since 2001 on concerns about AI financing, and investors took profits in semiconductors after an extraordinary first half. None of this predicts a decline. It is a reason to expect more volatility into year-end — and to be positioned so volatility is an opportunity rather than an emergency.

The Half in Numbers

MEASURE	WHERE IT ENDED	WORTH KNOWING
S&P 500 · Q2 return	**+15.1%**	Best quarter since 2020; closed at 7,496.31
S&P 500 · year to date	**+10.1%**	After a –4.4% first quarter
Nasdaq	**26,203**	Its best quarter since 2020
Dow Jones	**52,000+**	Crossed 52,000 for the first time; Alphabet joined the index
Crude oil	**Below $70**	From $100+ on April 13 — the steepest quarterly drop since 2020
Inflation · May CPI	**4.2%**	Highest since early 2023, driven by war-era energy; core PCE 3.4%
Federal Reserve	**Held rates**	New Chair Kevin Warsh
Q1 GDP · revised	**2.1%**	Consumer spending grew just 0.5%, the slowest in four years
Q1 earnings	**~18% above est.**	2026 earnings-growth projections raised to 22.6%; ISM at 53.3
Bitcoin	**–12%**	Near $61,000; a third straight negative quarter
Gold · VIX	**~$4,136 · 16.5**	Gold retraced 20–30%; volatility calm at quarter end

What the table doesn't show. The war's costs are still working through the economy. Refining margins remain roughly $54 a barrel against a $10–20 norm, which keeps prices at the pump elevated even with crude below $70 — a reminder that inflation erodes quietly, long after headlines fade. The consumer is showing strain: the savings rate sits at 3.0%, delinquencies are at their highest since 2012, and outside of AI-related investment, the economy grew just 0.3% in the first quarter.

02 · Audited Performance

Performance figures below are as of June 30, 2026, and are presented both gross and net of fees. The maximum fee applied is 1.5%. Periods greater than one year are annualized.

DIVIDEND STRATEGY · ANNUALIZED RETURNS

	1-Yr	3-Yr	5-Yr	10-Yr	Since Inception*
Strategy · Gross	30.49%	22.54%	16.32%	14.37%	13.84%
Strategy · Net	**28.55%**	**20.72%**	**14.59%**	**12.67%**	**12.15%**
iShares Select Dividend ETF (DVY)	21.95%	15.61%	9.91%	10.09%	11.54%
SPDR S&P 500 ETF Trust (SPY)	22.21%	20.48%	13.29%	15.39%	14.81%

*Dividend Strategy inception date is February 1, 2012.

DIVIDEND STRATEGY · CALENDAR YEAR RETURNS

	2026*	2025	2024	2023	2022
Strategy · Gross	15.15%	17.74%	19.18%	26.41%	−0.79%
Strategy · Net	**14.29%**	**15.98%**	**17.41%**	**24.53%**	**−2.27%**
iShares Select Dividend ETF (DVY)	12.47%	11.60%	16.24%	1.12%	1.80%
SPDR S&P 500 ETF Trust (SPY)	10.09%	17.72%	24.89%	26.18%	−18.18%

*Partial period ending 6/30/2026.

GROWTH STRATEGY · RETURNS

	QTD	Since Inception*
Strategy · Gross	28.58%	23.80%
Strategy · Net	**28.10%**	**23.03%**
iShares Core S&P U.S. Growth ETF (IUSG)	21.42%	11.39%
SPDR S&P 500 ETF Trust (SPY)	15.12%	8.49%

*Growth Strategy inception date is February 1, 2026; figures shown are for a partial period ending 6/30/2026 and are not annualized.

03 · The Second Half: Context, Not a Forecast

The odds of volatility rise into year-end. Three things argue for a bumpier second half: IPO lockup expirations concentrated around December; the lag between April's oil shock and its arrival in company earnings, which we would expect between late 2026 and early 2027; and a more hawkish Federal Reserve.

The AI buildout is real — and expensive. The largest technology companies are on pace to spend roughly $660–725 billion on AI infrastructure in 2026, against an industry generating perhaps $50–150 billion in AI revenue. We own this trend, and we respect the numbers in an unbiased, disciplined manner.

Electricity is the quiet theme. Powering all of this computing requires electricity the grid does not yet have, and we believe that scarcity is the more durable story. This half alone: the nation's largest grid operator moved to fast-track data-center connections, Walmart signed its first nuclear power agreement, and the Department of Energy committed $17.5 billion to new reactor construction. Many data centers have the chips they need to function, yet aren't able to plug them in due to the energy bottleneck.

Quality software looks mispriced. Some of the strongest software franchises have been repriced on fears that AI will replace them, and now trade at record-low valuations. We view this as a mispricing for some companies — the strongest of these businesses are selling AI tools and getting stronger, not weaker.

Oil has support beneath it. The world drew down inventories during the war, leaving roughly 500 million barrels of restocking demand, with the U.S. strategic reserve at a 43-year low.

04 · What Changed & Why

Those conditions drove the rebalance that followed. We realigned both portfolios — trimming what had run ahead of its fundamentals and adding durable businesses trading at unusual discounts. Every change was informed by our research library and sector-rotation framework.

THE DIVIDEND PORTFOLIO

The dividend portfolio remains at **25 holdings**. We exited three positions and added three, rotating out of commodity-cycle energy and rate-sensitive names, as the 30-Year Treasury recently hit its highest level since 2007, and we moved into durable data, power, and income businesses.

EXITS · SOLD

Valero VLO

OIL REFINING

We sold Valero into strength, near an all-time high. Refining margins — the gap between crude oil and the gasoline and diesel refiners produce — reached extreme levels during the war and are historically prone to normalizing. Consensus expects Valero's earnings to decline meaningfully next year as those margins revert. Beyond the timing, Valero also carried a low overall quality score on our screening framework. Selling at a cyclical peak — while the price was high — the idea here is to harvest a substantial gain rather than wait for the margin to compress.

Devon Energy DVN

OIL & GAS PRODUCTION

Devon trades as though it is a bet on the price of crude oil — when oil spikes it rises, and when oil round-trips it gives those gains back. It came to us through the Coterra merger, and over multiple oil cycles it has produced little net gain while swinging sharply. For an income-focused portfolio, a holding with no reliable compounding and a variable dividend wasn't the right fit.

Black Hills BKH

REGULATED UTILITY

A rate-sensitive regulated utility facing headwinds in a higher-for-longer interest-rate environment, with a pending merger that added uncertainty. We redeployed into power exposure with a stronger growth profile.

ADDITIONS · BOUGHT

Constellation Energy CEG

NUCLEAR POWER

Constellation operates the largest fleet of nuclear power plants in America — up-and-running reactors generating electricity today, not a construction project. Nuclear is the only source that is both carbon-free and available 24/7, making it exactly what AI data centers need. As technology companies compete for round-the-clock clean power, Constellation owns the scarce asset and is signing long-term contracts (such as Walmart's first nuclear agreement) that lock in that demand for years.

Yield ~0.6% | Utilities | Owns the reactors powering the AI boom | Fwd P/E ~20x

S&P Global SPGI

FINANCIAL DATA & RATINGS

S&P Global is the scorekeeper of the financial system. It's half of the credit-ratings duopoly — companies must have their debt rated to borrow — and it owns the S&P 500 and other indexes that trillions of investment dollars are benchmarked against. Everyone in finance pays it a toll, in good markets and bad. The market feared AI would erode its data business; we believe authoritative, trusted data becomes more valuable as AI spreads. We bought it close to the cheapest valuation in its public history.

Yield ~0.8% | Financials | A toll on the entire financial system | Fwd P/E ~21x

NatWest NWG

UK BANK · INCOME ANCHOR

NatWest is one of the United Kingdom's largest retail and commercial banks — well-run, profitable, and recently raising its own guidance. One role it plays in the portfolio is income: it pays a high dividend, trades cheaply, and adds exposure to a healthy non-US bank we didn't previously own. Once government-owned after the 2008 crisis, the UK Treasury fully exited its stake in 2025, and the bank now earns a strong return on equity.

Yield ~6.9% (fwd) · Financials · The income anchor — a cheap, profitable UK bank · RoTE 17%+

THE GROWTH PORTFOLIO

The growth portfolio remains at **25 holdings**. We exited two weaker positions (plus a third that was cashed out in a merger) and added three, concentrating on quality software, financial technology, and a well-priced market leader.

EXITS · SOLD

Coinbase COIN

CRYPTO EXCHANGE

Deteriorating fundamentals and one of the weakest quality profiles in the portfolio. We consolidated our financial-technology exposure into a stronger single holding.

Grupo Supervielle SUPV

ARGENTINE BANK

The lowest-quality holding in the portfolio on our screening framework, in a volatile market. We exited to raise the overall quality of the sleeve.

Clearwater Analytics CWAN

SOFTWARE · MERGER CASH-OUT

Cashed out via merger — an involuntary exit as the company was acquired.

ADDITIONS · BOUGHT

ServiceNow NOW

ENTERPRISE SOFTWARE

ServiceNow is the software large companies use to run their internal operations — IT, HR, and workflows — the digital plumbing that keeps a big organization running day to day, and difficult to rip out once installed. Investors feared AI "agents" would replace this kind of software and cut the stock in half; in reality ServiceNow is selling the AI tools and still growing about 20% a year. We bought a dominant franchise at close to its cheapest valuation as a public company.

Technology · Growth ~20%/yr · The operating system for large enterprises, on sale · Highest-conviction buy

SoFi Technologies SOFI

DIGITAL BANK

SoFi is a fast-growing, app-based bank offering loans, saving, investing, and payments with no physical branches, aimed at younger customers who do everything from their phones. Revenue is growing over 30% as it wins that demographic. This is our single consolidated bet on digital finance — we exited Coinbase to concentrate here — sized deliberately given consumer-credit risk later this year.

Financials · Revenue growth 30%+ · The digital-first bank for the phone generation

Full Truck Alliance YMM

CHINA FREIGHT PLATFORM

Full Truck Alliance runs the dominant freight-matching app in China — think "Uber for trucking" — connecting drivers with cargo and taking a fee on each load. It's the clear market leader, holds a large cash position, recently began paying a dividend, and it's inexpensive based on current valuation.

Industrials / Transport · Attractive valuation · The dominant freight app of China's trucking industry

Valuation Discipline

Discipline cuts both ways. The same framework that says quality software is cheap says a few of our winners had grown expensive. We trimmed the following — not because they're poor businesses, but because their valuations had run well ahead of their earnings. Those trims helped fund the additions above.

AMD Trim | Caterpillar Trim | Lam Research Trim

A Note for Five-Year Cash Strategy Clients

For clients following our five-year cash strategy, we added the **Invesco BulletShares 2030 Corporate Bond ETF (BSCU) for our new fifth year bond.**

Sector Allocation

Final executed target weights.

DIVIDEND · 25 HOLDINGS

SECTOR	WEIGHT	HOLDINGS
Technology	**15.0%**	QCOM, TEL, ADI, LRCX
Industrials	**16.5%**	LMT, GD, CAT, FAST, PCAR
Financials	**13.0%**	SPGI, NWG, ORI
Software	**12.0%**	SSNC, ADP
Healthcare	**12.0%**	SYK, ABT, DGX
Utilities	**11.5%**	CEG, NEE, ATO
Materials	**8.0%**	STLD, NTR
Consumer Staples	**8.0%**	CHD, CL
Consumer Disc.	**4.0%**	GPC

GROWTH · 25 HOLDINGS

SECTOR	WEIGHT	HOLDINGS
Technology	**28.5%**	NVDA, MRVL, TSM, CRDO, KEYS, NXPI, AMD
Financials	**20.5%**	SOFI, HOOD, HUT, MARA, SYF
Materials	**11.5%**	FCX, AEM
Software	**11.0%**	NOW, FTNT
Utilities	**8.5%**	VST, EIX
Energy	**7.5%**	CVX, CNX, OKE
Consumer Disc.	**5.5%**	TOL, ATAT
Industrials / Transport	**4.0%**	YMM
Healthcare	**3.0%**	HRMY

05 · In Closing

In January we wrote, “There will be another market shock. There always is.” We did not know it would arrive within weeks — and that was exactly the point. We did not need to know. The plan we built together assumed a shock would come, someday, from somewhere. When it did, discipline mattered more than prediction. It usually does.

If the second half brings more turbulence, our discipline will not change: stay invested in excellent businesses, keep flexibility for the opportunities volatility creates, and guard against the quiet erosion of inflation, taxes, and fees. And, as always, we sit ready for a full-fledged bear market, whenever that may come, with our bear market buy strategy.

Thank you for the trust you place in us. It is a privilege to serve you. We hope your summer is full of the things that matter beyond the markets, and as always, we are here to talk through any question, concern, or opportunity as it arises.

Warmly,

The Investment Committee
PARADIEM · WEALTH BEYOND TODAY

06 · Sources & References

The analysis behind this half's changes draws on the following underlying data and published research.

OIL & THE REFINING CYCLE

James D. Hamilton, oil price & recession studies (1983, 2003, 2011); Lutz Kilian (2009). U.S. Federal Reserve IFDP-1114 and FEDS Notes on oil pass-through. U.S. EIA and IEA supply & inventory data. Reuters reporting on strategic-reserve rebuilding; Goldman Sachs, Morgan Stanley, J.P. Morgan & UBS crude-price scenarios.

AI INFRASTRUCTURE & THE POWER BOTTLENECK

Company SEC filings and quarterly earnings calls for the major cloud and semiconductor operators. Sequoia Capital's AI revenue-gap analysis; J.P. Morgan, Morgan Stanley, Evercore & Bank of America capital-expenditure estimates. Cast AI Kubernetes utilization study (2025–2026) on enterprise GPU usage.

SECTOR-ROTATION METHODOLOGY

Molchanov & Stangl (2024), *International Journal of Finance & Economics*; Moskowitz & Grinblatt (1999) and Kacperczyk, Sialm & Zheng (2005), *Journal of Finance*; Conover, Jensen, Johnson & Mercer (2008), *Journal of Investing*; Stangl, Jacobsen & Visaltanachoti (2009); Doeswijk (2008). DWS CROCI Sectors Plus methodology; AQR Capital Management research. Technical signal data from StockCharts, TradingView & Barchart across the eleven S&P 500 sector ETFs.

MARKETS & MACRO DATA

FactSet Earnings Insight; MSCI multi-asset research; Oxford Economics macro estimates. Company disclosures and consensus analyst estimates for individual holdings. Full detail on our underlying research is available upon request.

Disclosure