



A Mid-Year Checkup:

Updating Our Thoughts on Market Trends



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Welcome & Introductions

Doug Couden, CFA, Chief Investment Officer, Partner

Doug leads the firm's multi-disciplined (technical, fundamental, and macro) investment approach, including BakerAvenue's Impact Strategy. He is a member of the firm's executive committee and is responsible for managing the investment team, the firm's research process, and the overall performance of the strategies.

King Lip, CFA, CMT, Chief Strategist, Partner

King leads the firm's specialized strategies on Concentrated Stock management and Options. King is also a member of the S&P Dow Jones Indices U.S. Index Committee Advisory Panel and a member of BlackRock's RIA Advisory Council. He is a regular commentator on CNBC and has been nominated as a Top 100 Independent Wealth Advisor in Barron's magazine and the San Francisco Business Times. King was named as one of the Top 10 Rising Stars of ETF investing by ETF Report and was named as an expert ETF strategist in the book, "ETF Investment Strategies".

Michael Dunn, Wealth Solutions, Managing Director

Michael is the Managing Director, Wealth Solutions for BakerAvenue and works with strategic partners, attorneys, CPAs, executives, and new clients referred to BakerAvenue to make sure we are a fit to work together. He works in states West of the Mississippi River to help match BakerAvenue's capabilities with client needs.



TODAY'S
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Q & A

Purpose. Passion. Performance.

Looking Back
Before We Move Forward

A Quick Look Back...

January 2026



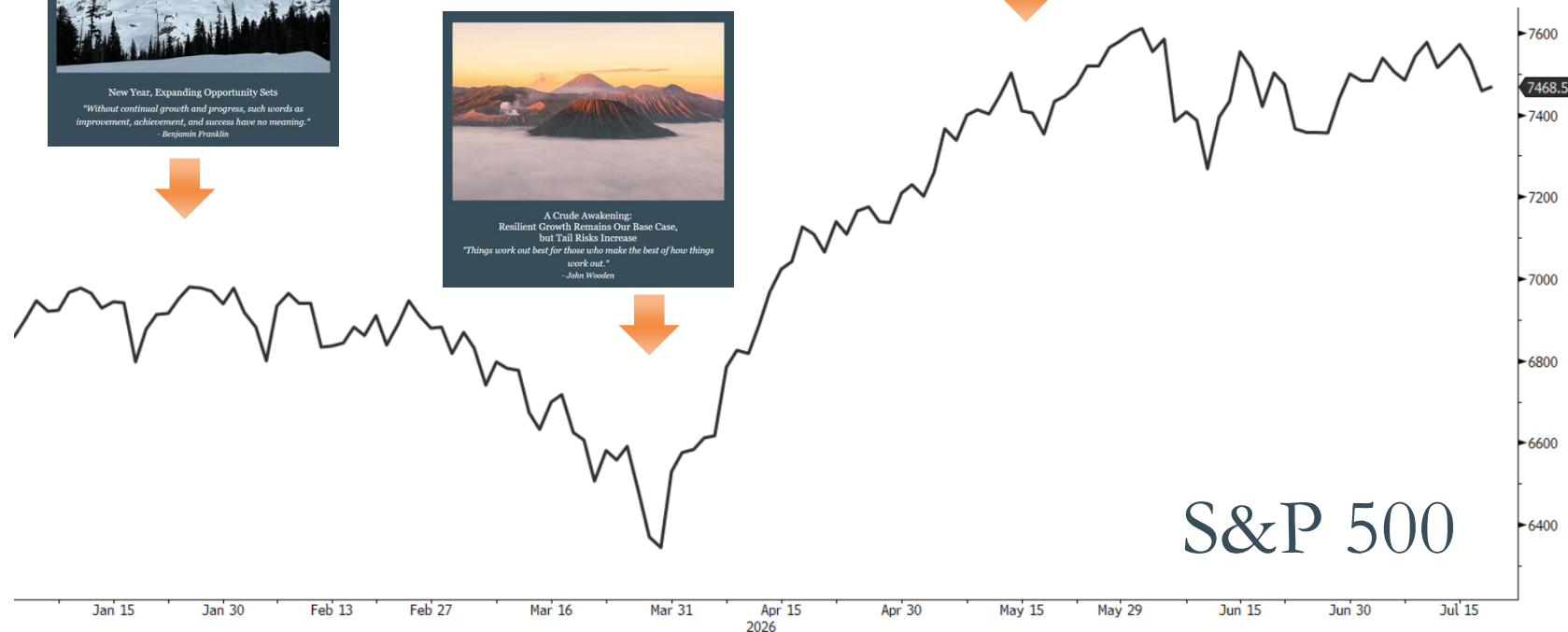
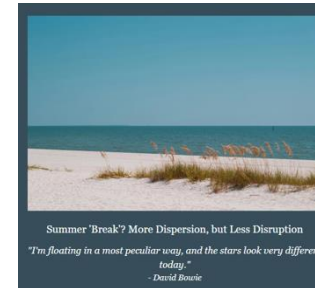
March 2026



May 2026



July 2026



July 2026 – Summer 'Break'?

More Dispersion, but Less Disruption

Markets are entering the historically volatile summer period near all-time highs but with a sharp positioning reset under way. Former leaders are giving way to laggards as rotational themes make for a bumpier, but broader, performance backdrop. Earnings results will be crucial in reconnecting price action with fundamentals, determining whether markets can extend gains and affirm leadership.

May 2026 – Earnings Learnings

Earnings momentum remains resilient with this quarter's reporting tracking well ahead of estimates. The sixth consecutive quarter of double-digit profit growth has been a notable buffer to the volatile geopolitical backdrop. Takeaways include a sustained AI-led investment supercycle and record-setting corporate margins. Selectivity is proving to be important as not all pockets are benefitting from sectoral tailwinds and dispersion has increased.

March 2026 – A Crude Awakening

The Iran conflict has led to an oil price shock, joining concerns over AI disruption and private credit to further rattle already fragile investor sentiment. In return distributions, tail risks are unlikely but possible events that need to be monitored. The latest developments have our attention.

January 2026 – New Year, Expanding Opportunity Sets

As we enter a new year, a dynamic macro environment, wide valuation spreads, and low correlations are creating a robust opportunity set for active managers. We suspect the backdrop is increasingly going to create openings for investors to exploit market inefficiencies and capitalize on mispricings.

Grow and Protect Investment Philosophy

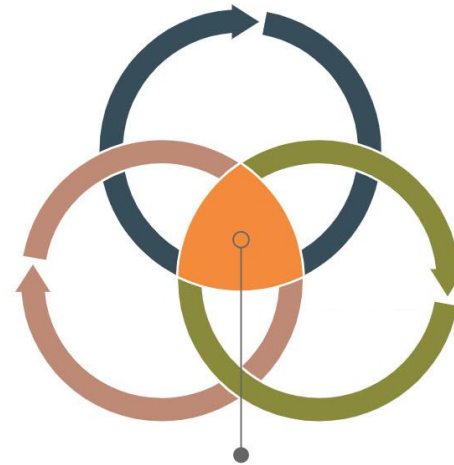
We utilize in-depth technical, macro, and fundamental analysis for long-term capital appreciation and risk control.

Macroeconomic Analysis

- Monetary Policy
- Fiscal Policy
- Interest Rate Analysis
- Currency Moves
- Geopolitical Issues
- Business Cycle Analysis
- Inflation Direction
- Credit Cycle Analysis

Technical Analysis

- Relative Strength
- Intermarket Analysis
- Market Trends
- Moving Averages
- Support & Resistance Levels
- Seasonal Patterns



Fundamental Analysis

- Revenue & Cost Drivers
- Competitive Analysis
- Positioning
- Identifiable Catalysts
- Forecasts vs. Expectations
- Sustainability Profile
- Valuation

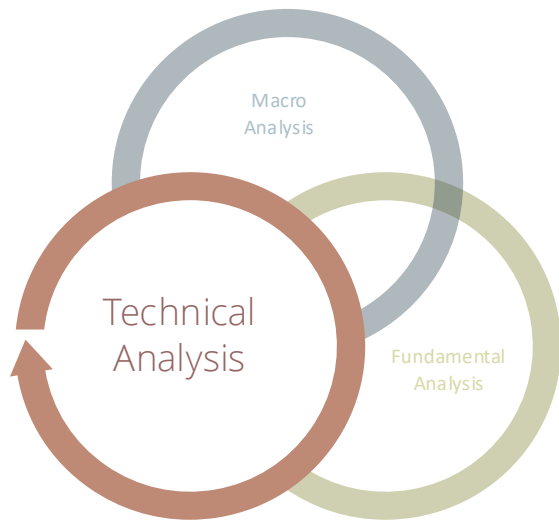
BakerAvenue Investment Committee

- Risk Exposure
- Thesis Challenges
- Portfolio Characteristics
- New Securities Selection

Polling Question #1

What is your investment outlook for
the remainder of the year?

Technicals



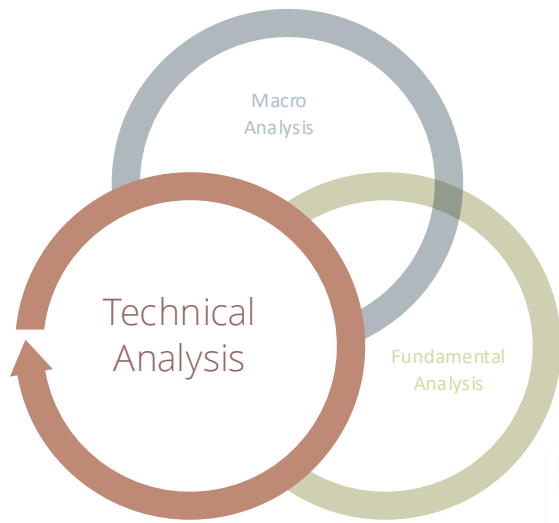
A Highly Rotational Market

Factor rotation and stock dispersion have increased since the previous high (6/2) as leadership groups have softened and laggard performance has improved. Encouragingly, the market is rotational (not distributive).



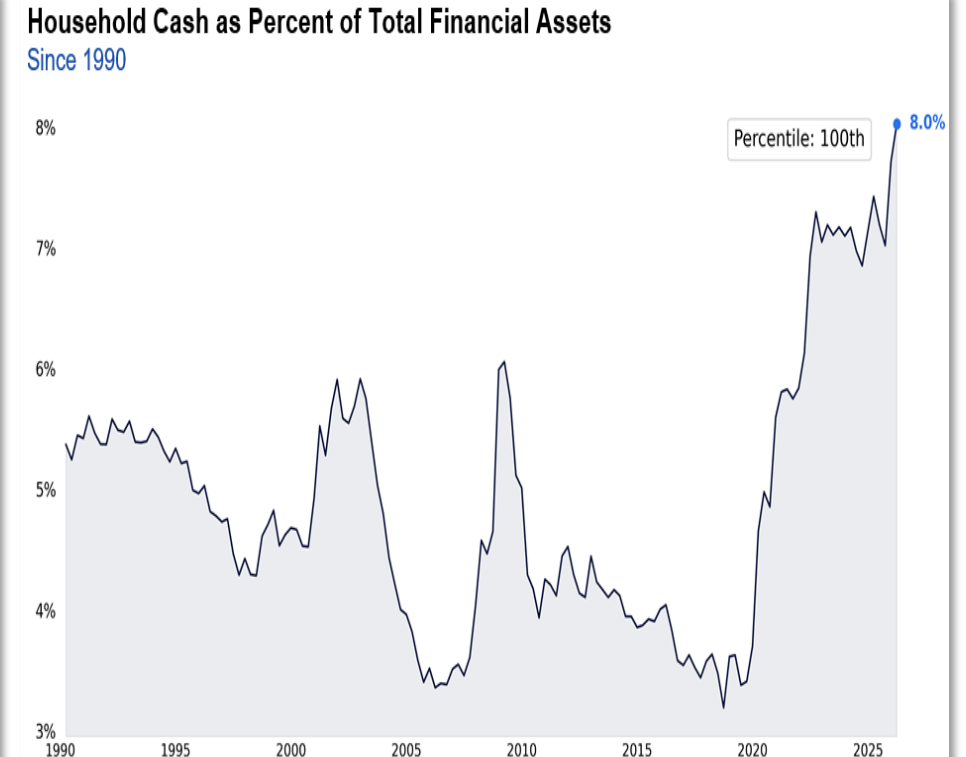
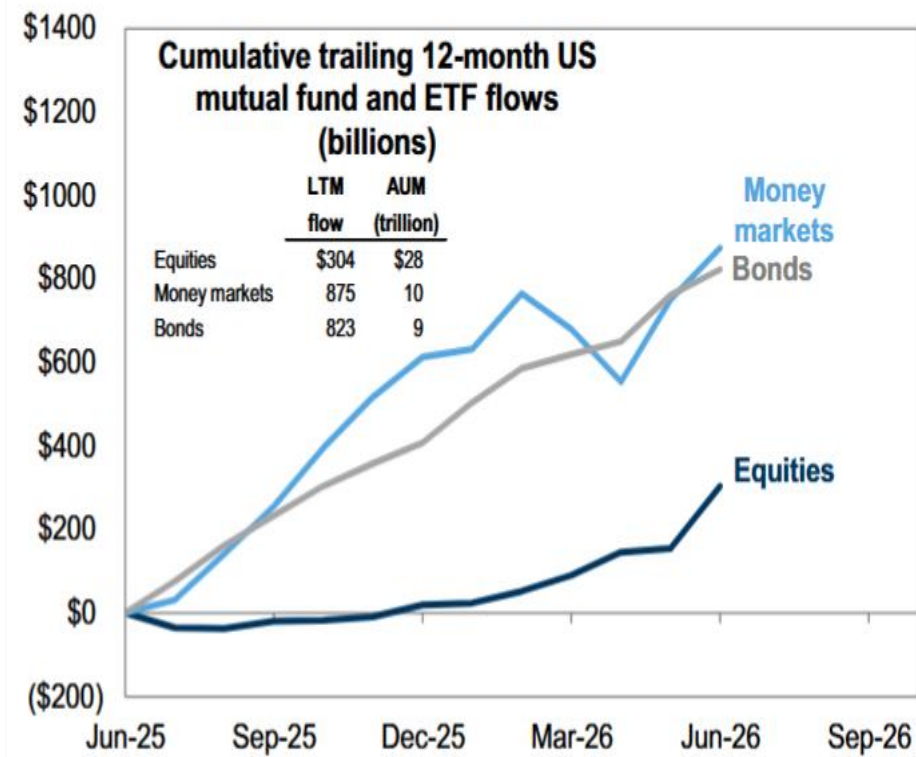
GICS Sector	YTD thru 6/2/26	6/3/26 - 7/17/26
Technology	37.7%	(11.4%)
Energy	29.6%	(0.5%)
Materials	13.6%	(1.9%)
Industrials	12.3%	3.0%
Real Estate	7.8%	4.4%
Consumer Staples	5.3%	4.1%
Utilities	2.8%	2.9%
Consumer Discretionary	(1.5%)	(1.8%)
Communication Services	(3.5%)	(2.6%)
Health Care	(5.4%)	10.0%
Financials	(6.0%)	9.3%

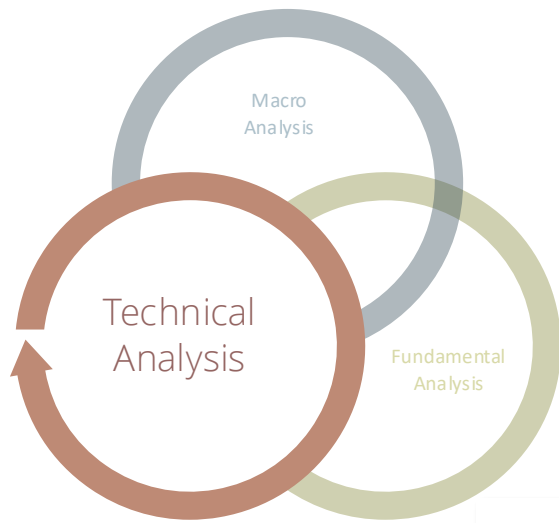




Sentiment Still Not Euphoric

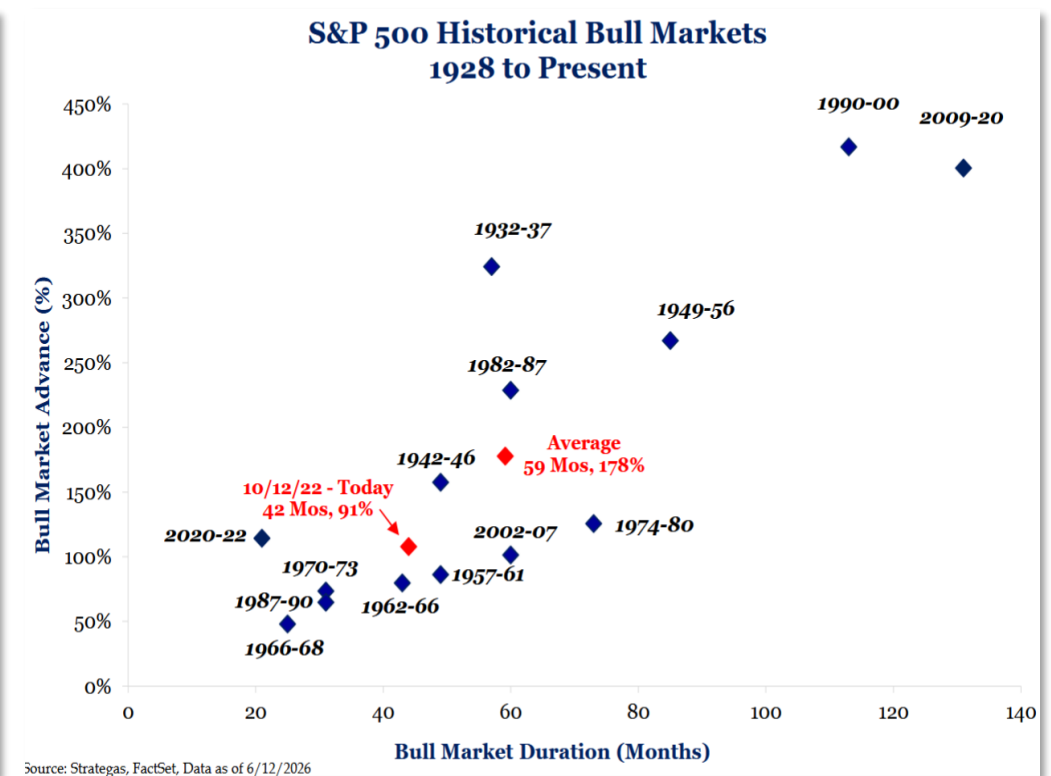
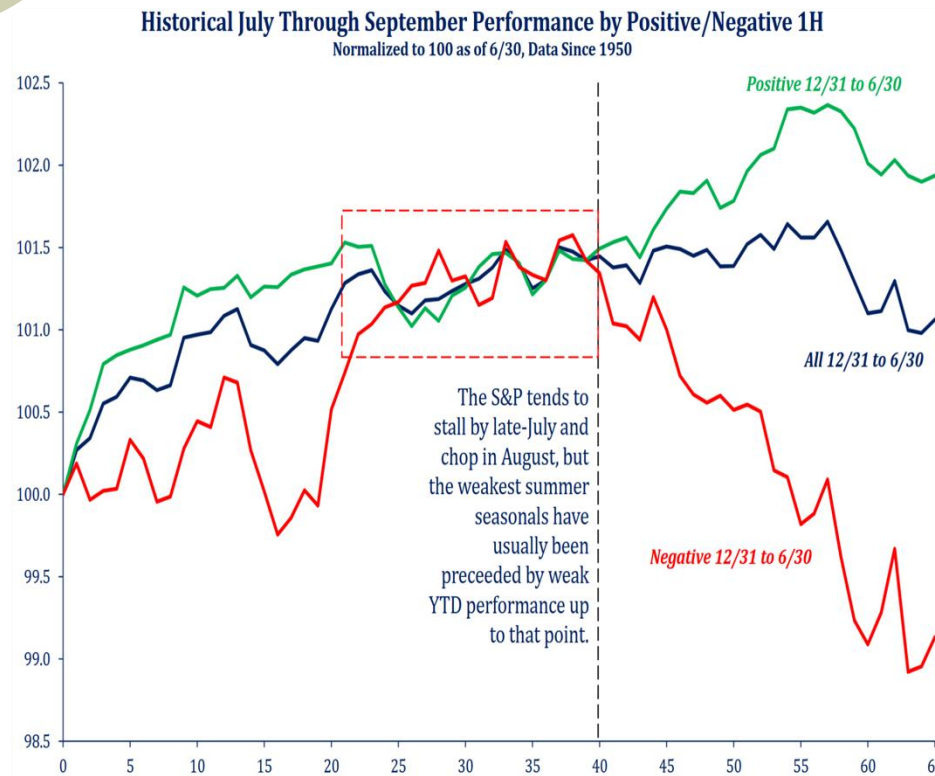
Bull markets tend to die on euphoria, not skepticism. On balance our sentiment work paints a balanced picture with neutral bull-bear surveys and asset flows. We continue to think consolidations or corrections will be bought.





Seasonals & Historical Perspective

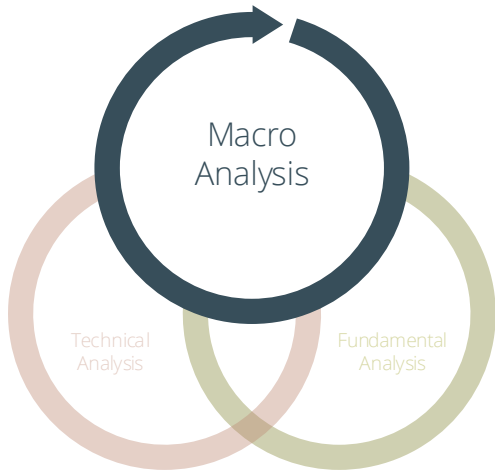
Momentum can help buffer seasonal headwinds. Given the strong run over the past few months, it is natural to assume the market is extended. However, relative to history, the advance and duration is in line.



Polling Question #2

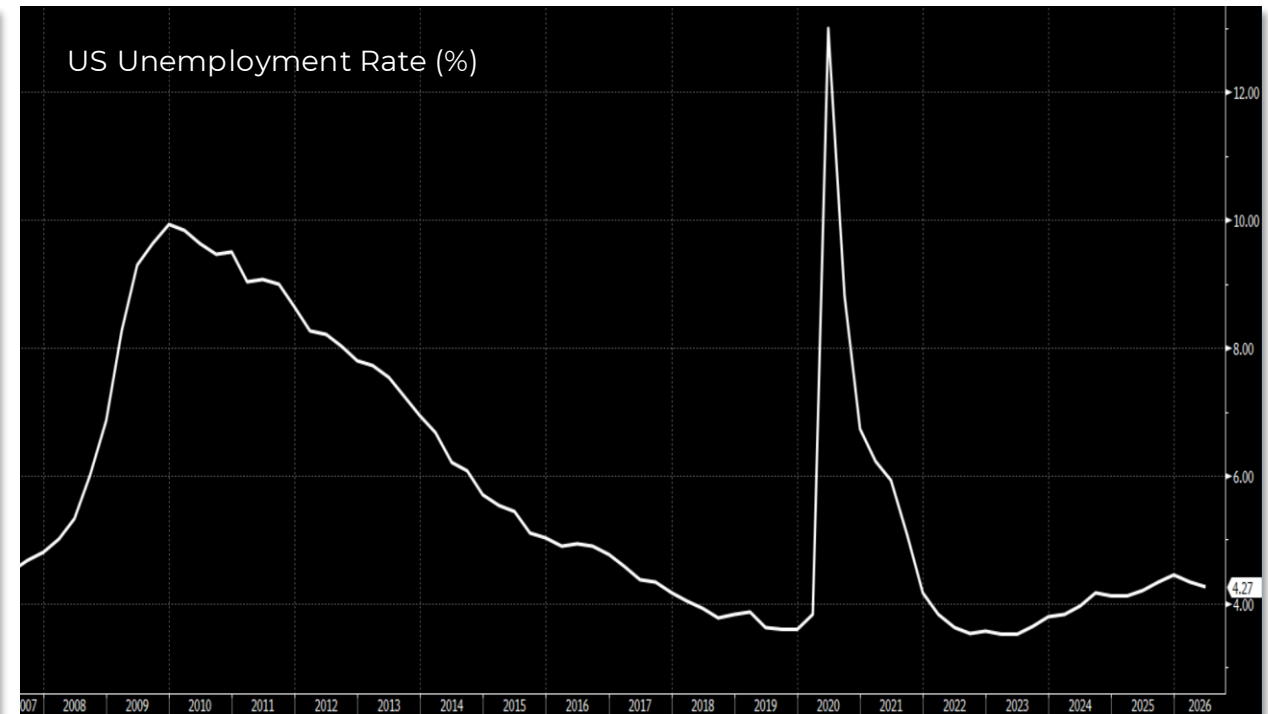
What do you think will have the most
macro influence on the rest of the
year?

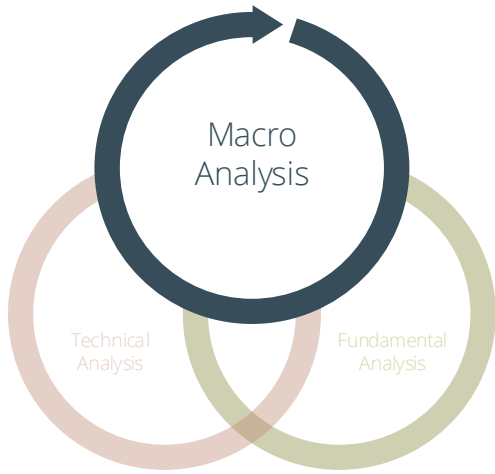
Macro



Resilient Growth Continues

We expect moderate growth and put low odds on any recessionary conditions developing; growth expectations have improved over the past year. Employment trends remain steady.

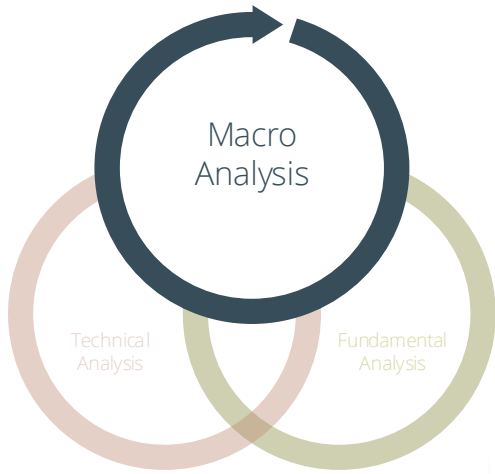




Normalized Interest Rates

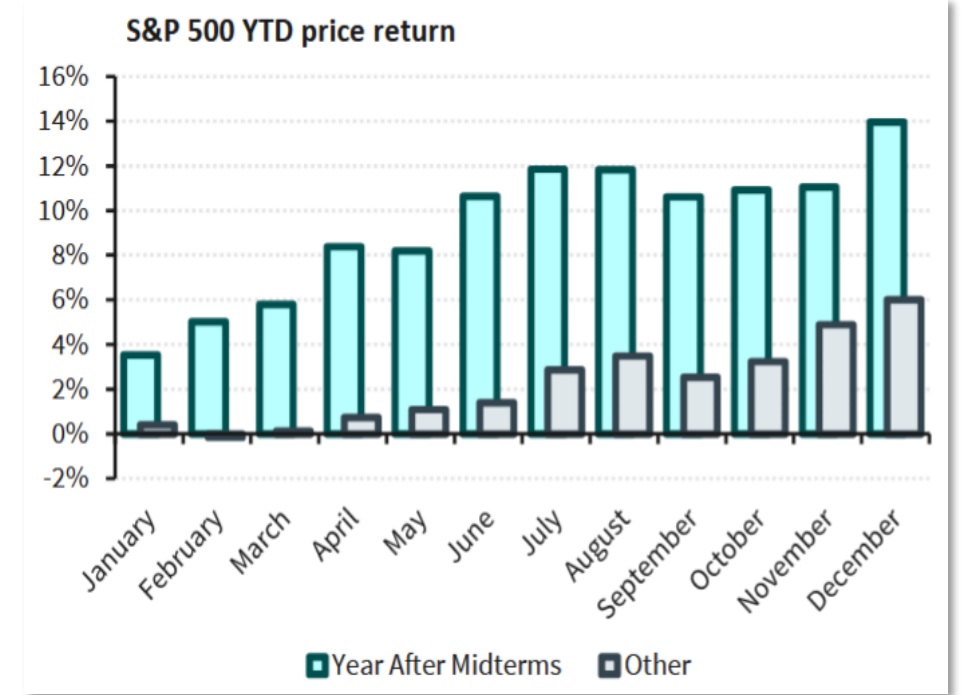
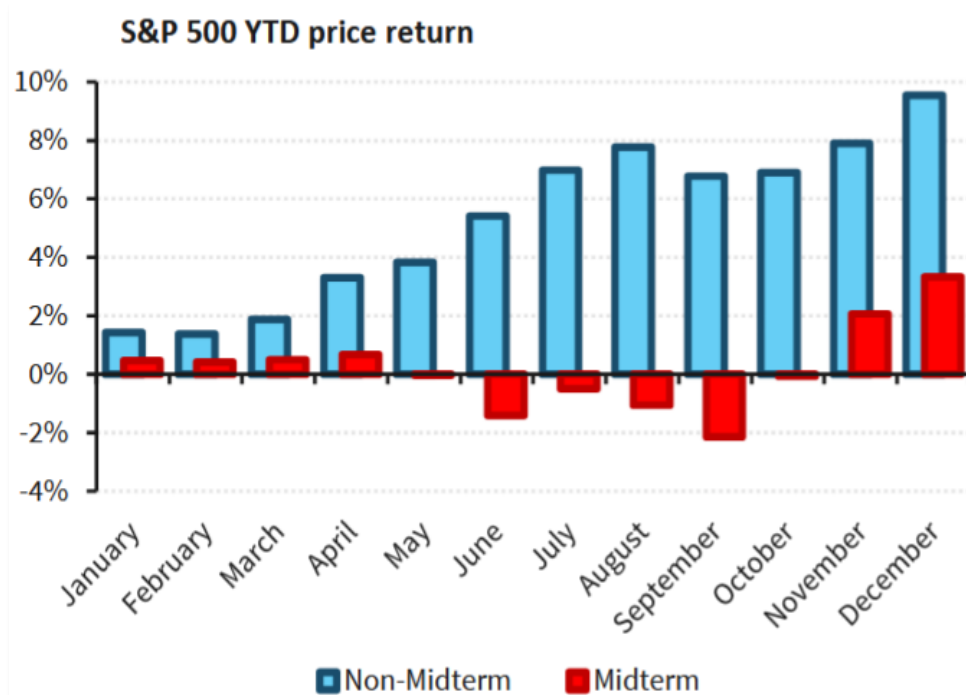
Interest rates have normalized as the tailwind of a global easing cycle has come to an end, inflation has remained elevated and, importantly, economic growth has remained resilient.





Midterm Election Years

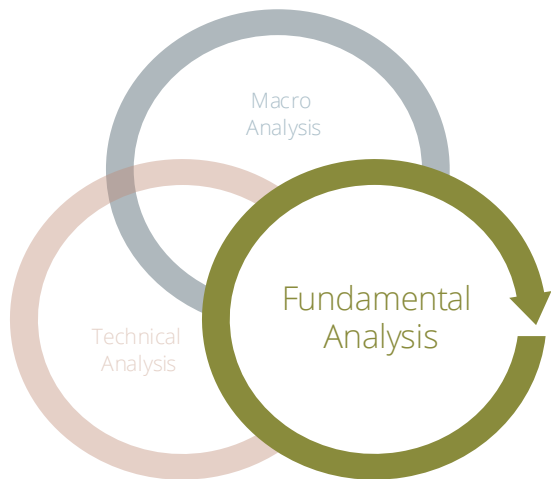
Historically, headwinds related to midterm elections tend to peak late summer. Post-midterms, volatility tends to subside and return profiles improve. We expect the midterms to result in little material legislative change.



Polling Question #3

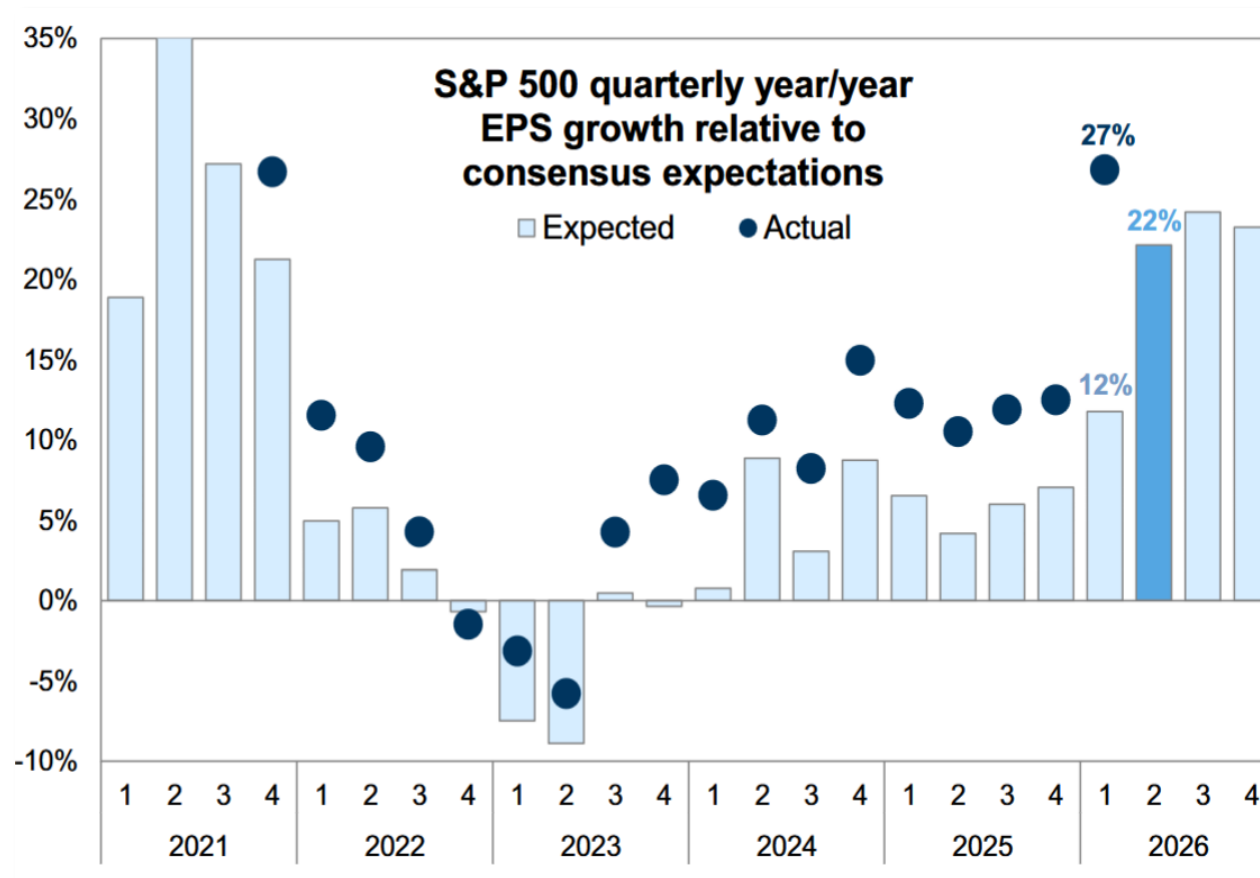
What do you think will have the most fundamental influence on the rest of this year?

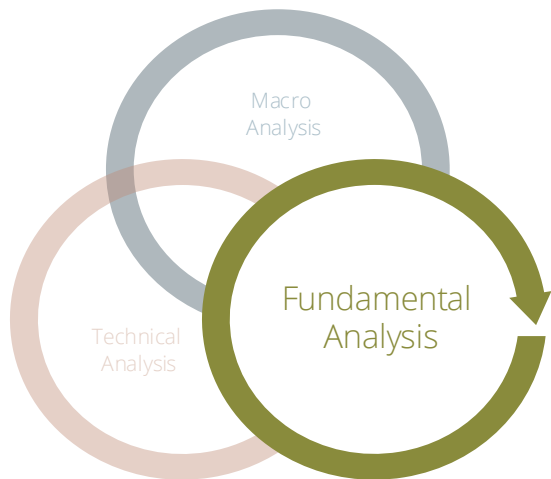
Fundamental



Earnings Growth Remains Robust

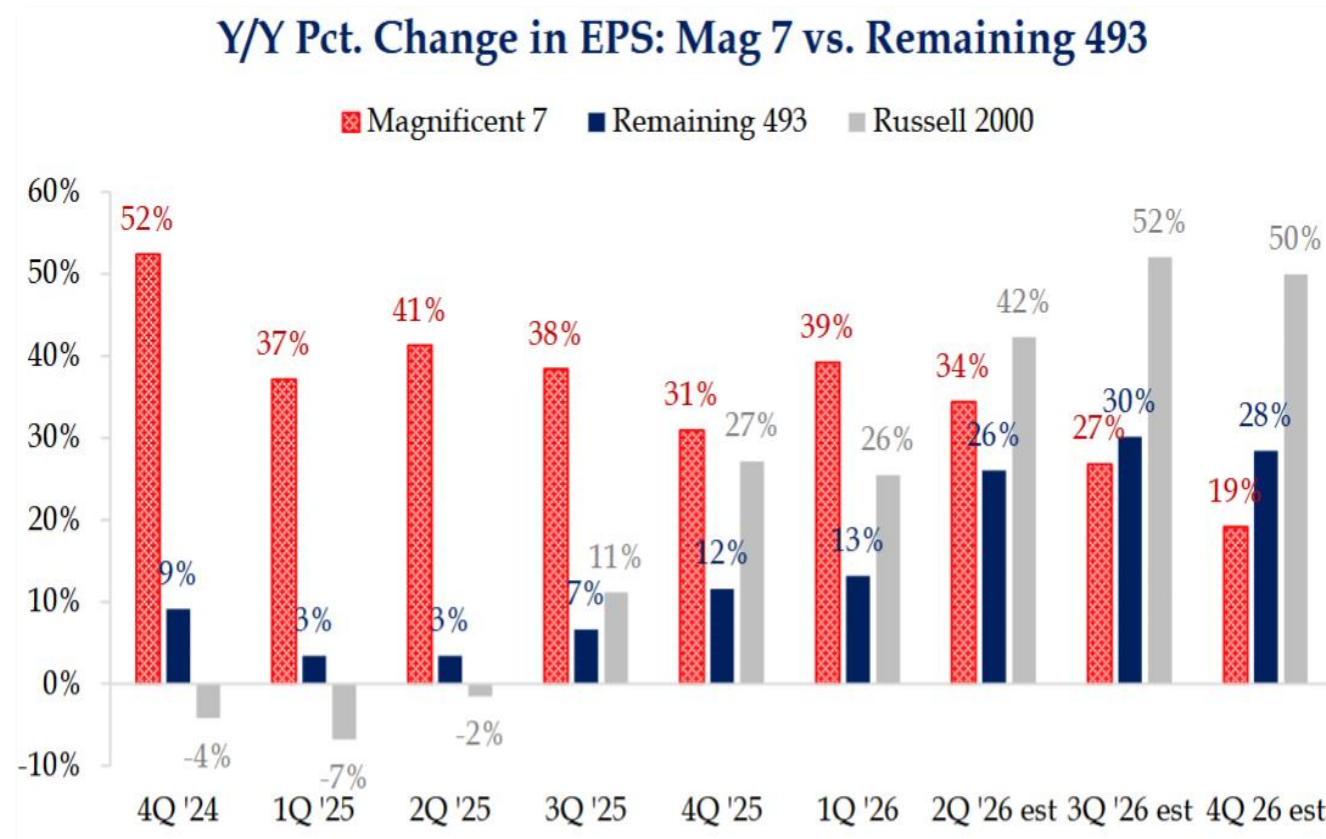
We expect earnings growth will remain the most important driver of markets in the coming months. S&P earnings growth for '26 has jumped to over 22% from 10% expected at the end of last year and is up to 15% for '27.

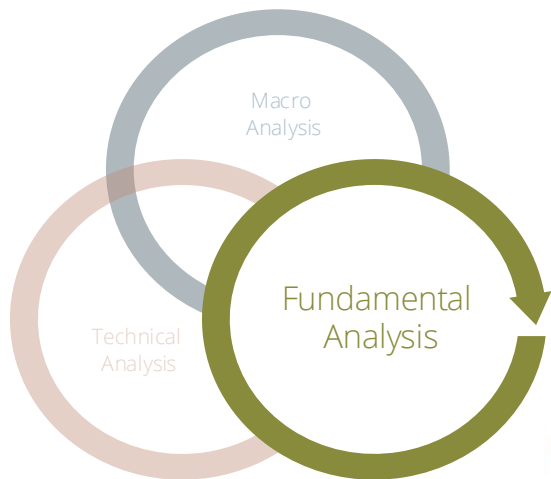




Growth Is Broadening

Earnings growth differentials between the Mag-7 and everyone else continues to narrow.

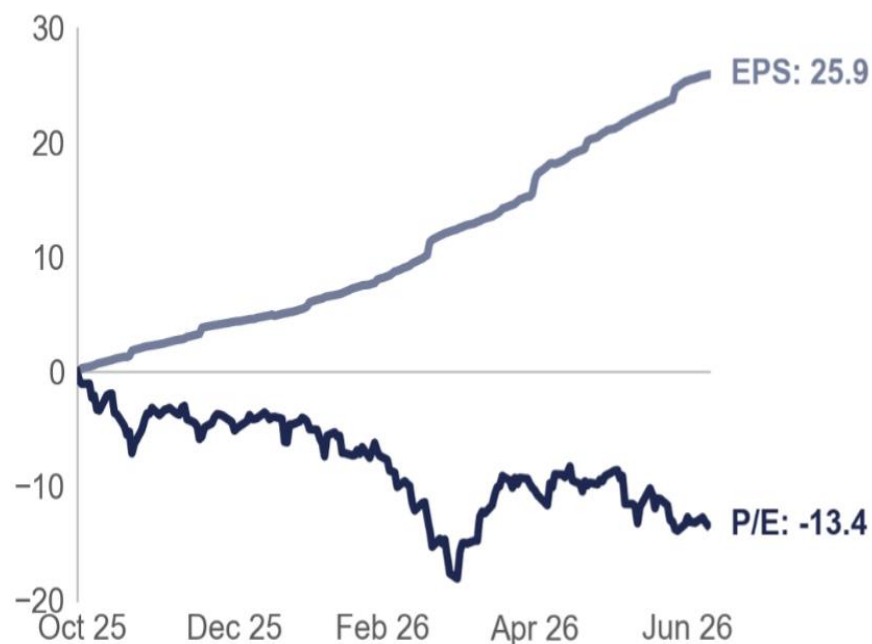




Valuations Have Come Down

Profits are moving faster than prices, keeping valuations in check. The market is quite a bit cheaper now than it was at the post-pandemic valuation highs (October '25, 23x). The average stock is trading in line with historical valuation ranges.

Change in NTM EPS vs. P/E: S&P 500



NTM P/E: Average Stock



Investable Themes

Actionable Opportunities in the Second Half of 2026



MARKET: Extension Through Rotation

- Broadening market helps with longevity
- Rotational, not distributive
- New highs for former laggards recently (e.g., value, small caps, etc.)

Actionable Opportunities: Extension Through Rotation

Asset Class & Sector Rotation

Asset class and sector rotation create avenues to stay active and reposition portfolios toward timely opportunities. Former laggards have emerged as market leaders.

Relative Performance and Timeliness Ranking							
Asset Class	YTD Return	6-Mo. Rtn	1-Yr Return	RS 3 Mo.	RS 6 Mo.	RS 1 Yr.	Blend
Commodities	33.1	24.8	36.5	-4.7	14.7	10.4	10.0
US Small Cap Value	23.6	15.3	38.6	2.0	3.2	14.5	5.2
QQQ - Technology	15.7	14.7	26.3	3.6	5.4	5.6	5.1
Emerging Markets	20.1	11.5	34.9	-1.2	2.8	11.2	3.7
US Small Cap	20.8	11.8	35.1	1.5	1.3	12.3	3.5
US Large Growth	10.8	11.6	21.5	1.1	2.3	1.6	1.9
US Small Growth	18.1	8.4	31.8	0.9	-0.5	10.2	1.9
US Large Cap Blend	10.3	10.1	20.3	0.0	0.0	-0.1	0.0
US Large Value	9.5	8.3	18.7	-1.3	-2.6	-1.9	-2.2
International Small Cap	8.5	4.3	17.1	-5.9	-6.0	-4.8	-5.8
US Dollar	3.6	3.1	6.2	-3.2	-5.5	-14.1	-6.7
Cash, T-Bills	2.0	1.8	3.8	-5.9	-8.4	-16.1	-9.4
Bonds	-0.2	0.2	3.4	-7.5	-10.5	-16.5	-11.1
Gold	-5.4	-15.9	19.7	-17.9	-22.6	0.5	-17.1
Bitcoin	-24.5	-27.3	-43.5	-17.0	-32.8	-52.5	-33.6
Volatility Factor	-18.8	-24.7	-52.1	-32.3	-26.4	-59.7	-34.2
Sector	YTD Return	6-Mo. Rtn	1-Yr Return	RS 3 Mo.	RS 6 Mo.	RS 1 Yr.	Blend
Technology	25.7	24.2	39.0	9.8	15.0	16.1	14.2
Energy	32.1	23.4	41.2	-1.8	9.5	15.1	8.4
S&P 500	10.3	10.1	20.3	0.0	0.0	-0.1	0.0
Industrials	16.0	9.5	20.4	-1.7	-1.4	-0.2	-1.2
Real Estate	13.6	10.9	11.2	-2.9	-0.5	-9.7	-2.8
Health Care	4.0	3.3	23.9	2.9	-7.6	2.3	-3.5
Financials	3.3	6.2	8.7	1.0	-3.9	-10.0	-4.1
Utilities	6.6	6.0	9.8	-6.0	-4.4	-10.2	-5.9
Materials	11.8	4.7	12.9	-8.6	-6.5	-6.8	-7.0
Staples	9.6	4.3	6.9	-3.3	-6.6	-12.6	-7.1
Communications	-5.8	-1.8	3.8	-11.4	-11.9	-13.9	-12.2
Discretionary	-3.4	-3.4	3.7	-9.1	-13.3	-13.5	-12.5

Actionable Opportunities in 2026



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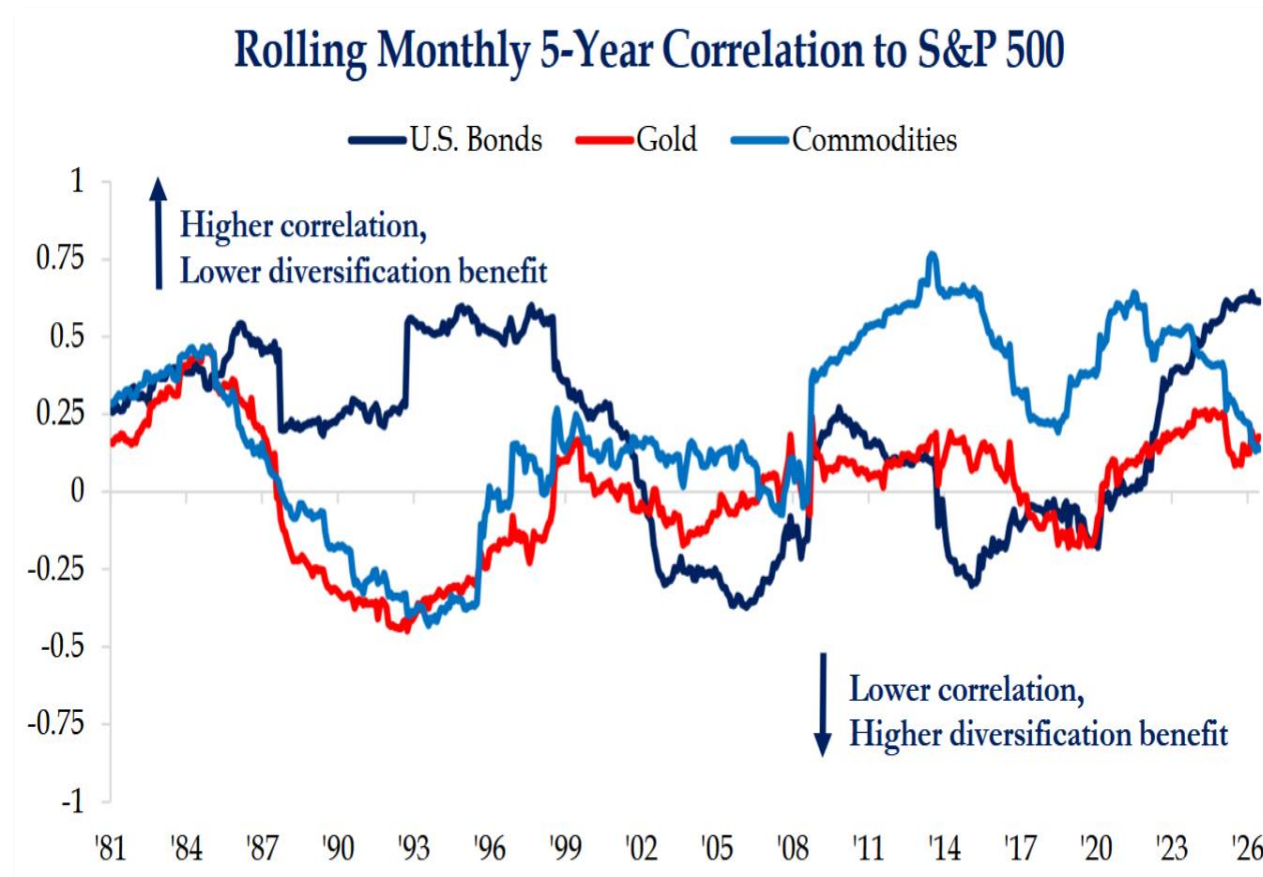
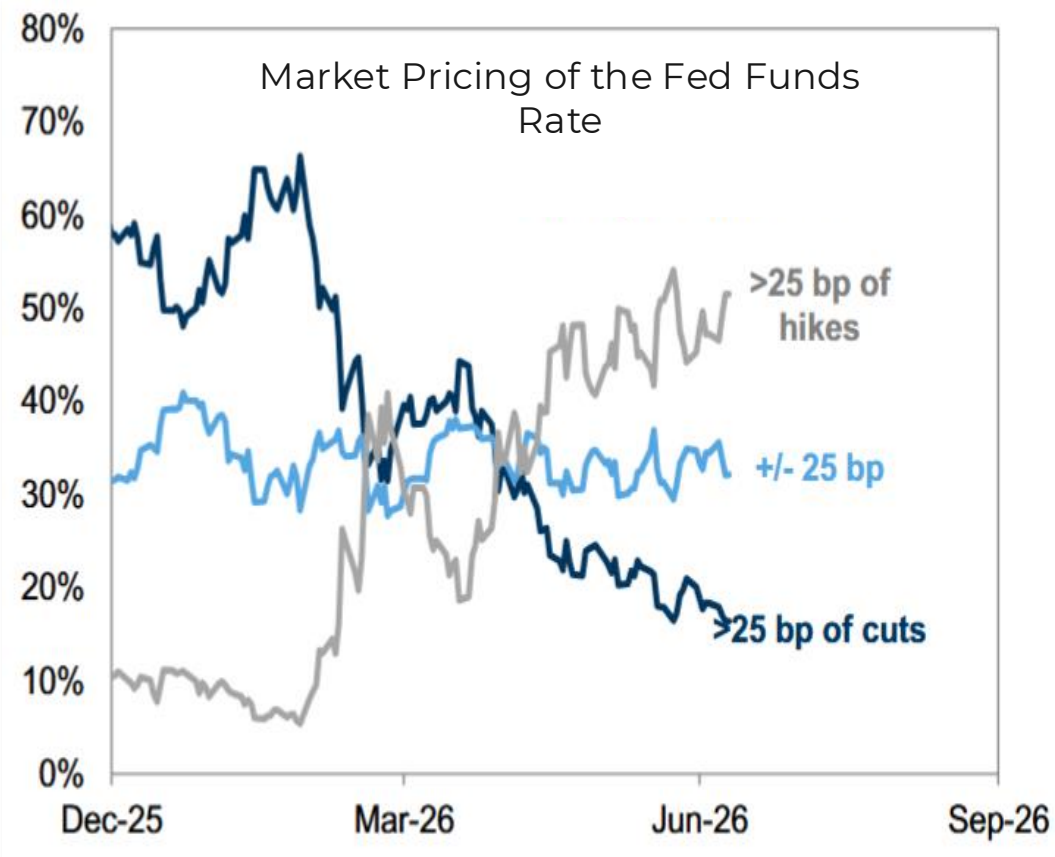
INTEREST RATES: Normalized Rates, A New Approach

- Our outlook assumes little change to interest rates
- We believe the approach of Fed policy is shifting
- Correlations across asset classes should adjust

Actionable Opportunities: Interest Rates, a New Approach

Shifting Rate Backdrop

The tailwind of a global easing cycle has come to an end as market pricing of the Fed outlook has shifted from interest rate cuts to hikes. Asset class correlations should adjust.



Source: Goldman Sachs, Strategas, Bloomberg, BakerAvenue. Data as of 7/21/2026

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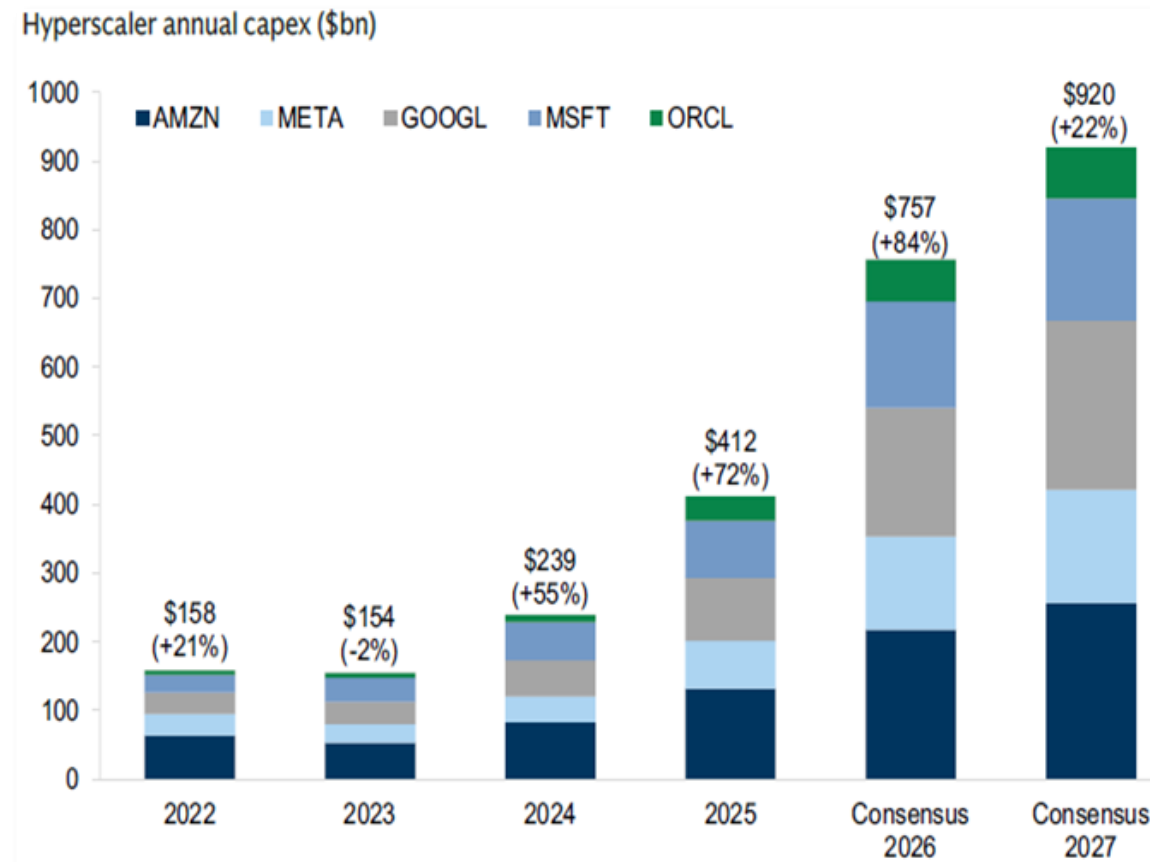
AI: The Next Phase – Sharing the Love

- Broader corporate adoption
- AI efficiency gains to inflect in '26
- Tangible signs of productivity improvement

Actionable Opportunities: AI

AI Spending Sustainability

Volatility in the AI thematic has increased amid concerns over ROI, overcapacity, fund-raising, and extended positioning. This earnings season, the market will be looking for evidence that the spending cycle is not peaking.



Source: Goldman Sachs, Bloomberg, BakerAvenue. Data as of 7/21/2026.

Actionable Opportunities in 2026



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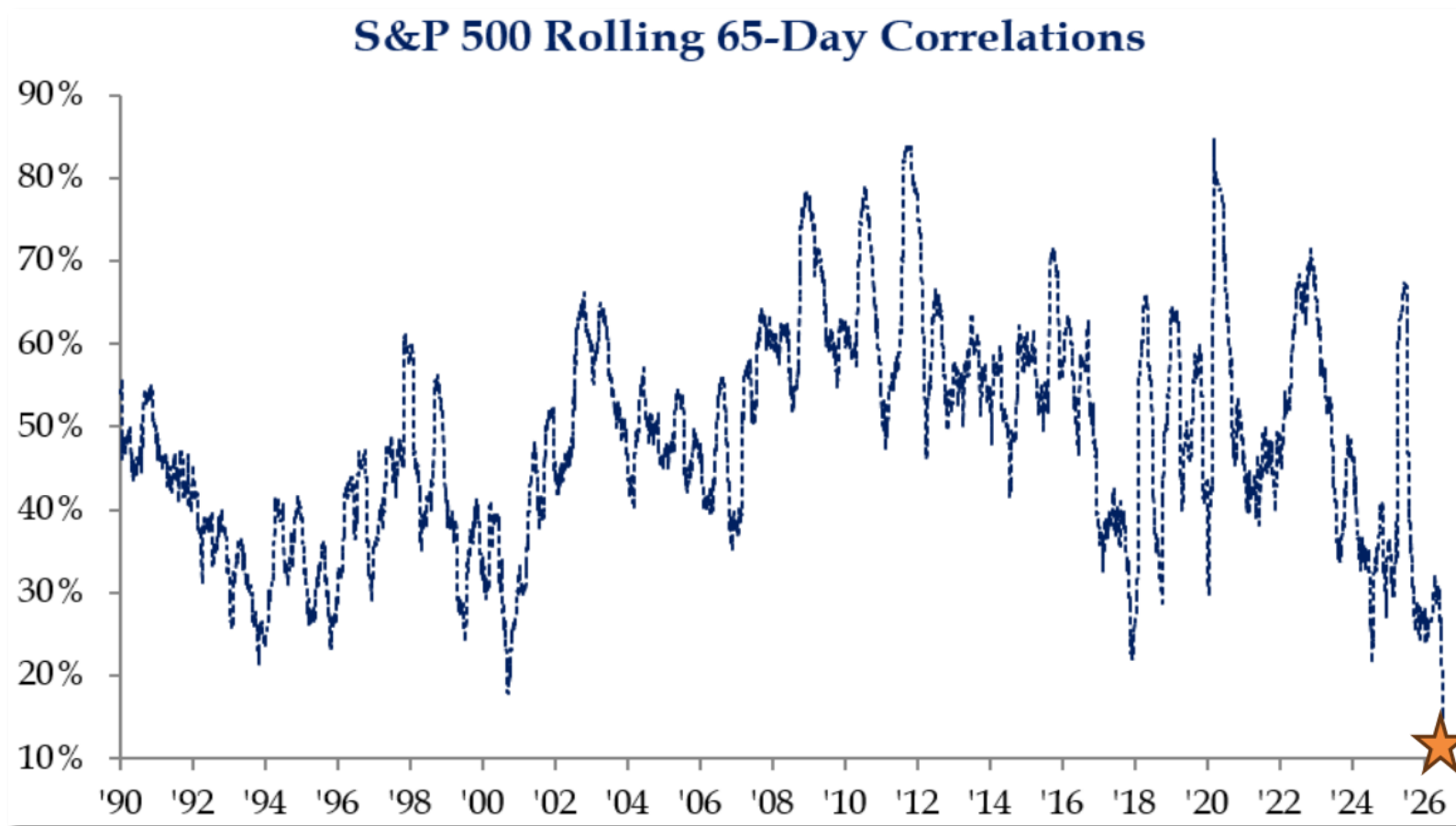
MANAGING HIGHER DISPERSION: Get Active, Stay Active

- Dynamic backdrop: sustained market themes, fresh opportunities, and percolating risks
- Historically wide valuation spreads
- Lower correlations; expect greater dispersion in investment results

Actionable Opportunities: Managing Higher Dispersion

Stock Correlations Are Near All-Time Lows

The market is increasingly reflecting a “market of stocks” rather than a “stock market.”



Q & A

Thank You

For additional questions or to schedule an introductory consultation, please contact us at
bakerave.com/contact or email us at **info@bakerave.com**



Purpose. Passion. Performance.

Since 2004, BakerAvenue has guided clients through personal and professional transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations, and endowments.

We're headquartered in San Francisco with offices in New York, Dallas, Houston, Atlanta, San Diego, and Naples.