Alexis Investment Partners

Practical | Tactical

MONTHLY NEWSLETTER
September 2026



Summary

Stocks gained in August despite growing fear that stubborn inflation would prompt a Fed rate hike as early as September. Most major indexes remain below their recent peaks having spent the last months consolidating this year's strong but volatile start. September has a sour reputation, especially in mid-term election years. Our tactical portfolio maintains benchmark equity exposure – it will be interesting to see how this evolves as we work through this challenging period.

Last month we noted that August may benefit from strong earnings growth and we are happy to report that companies (especially, but not exclusively, tech leaders) continue to exceed lofty expectations and issue compelling forward guidance. This is helpful, but historically difficult to sustain.

Key Market and Economic Drivers in August

• The S&P 500, Nasdaq, and Dow Jones Industrial Average rose 2.6%, 3.9%, and 1.3%, respectively, in August. Year-to-date, they have gained 12.3%, 13.5%, and 10.7%, respectively.
• International developed markets returned 1.8% based on the MSCI EAFE Index in U.S. dollar terms, while emerging markets returned 3.2% based on the MSCI EM Index.
• The 30-year Treasury yield reached its highest level since 2007, closing the month at 5.24%. The 10-year Treasury yield ended the month at 4.75%. The Bloomberg U.S. Aggregate Bond Index returned 0.4% for the month.
• Oil prices hovered in a range in August after climbing the previous month. Brent crude closed the month at $90.68 per barrel and WTI near $86.27 per barrel.
• Gold ended the month at $4,437.38 per ounce while silver rose to $66.58 per ounce.
• The revision to second quarter GDP remained unchanged at an annual rate of 1.5%.
• The July jobs report missed expectations with a decline of -23,000 in payrolls compared to a forecasted gain of 80,000. Unemployment fell slightly to 4.1%.
Source: Clearnomics, Investors FastTrack and Ned Davis Research

1. What to Expect in Portfolios

Last month we said, "Stocks have consolidated after a strong start to the year, and we would not be surprised by continued gains even as we anticipate further volatility, especially leading into the mid-terms."

We were happy to participate in August's gains.

The setup going into September appears tenuous. Seasonality suggests correction risks remain elevated. On a brighter note, consolidations tend to be healthy and lead to a resumption of the prior trend. Although risks remain unresolved, most concerns are known and there are potential catalysts to push stocks down or up.

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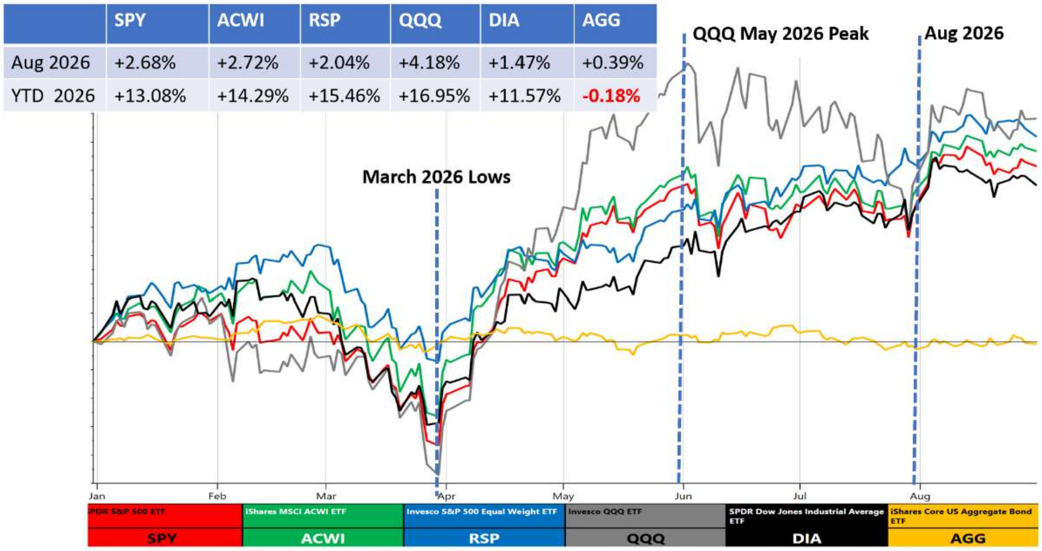
2. Current Conditions and Composite Performance

August reminds us that **strong markets do not require a flawless backdrop. Uncertainty persisted** around oil prices, Federal Reserve policy, new tariffs affecting global trade, and interest rates that remain near multi-decade highs (we note current rates are consistent with long-term inflation expectations, elevated government debt and persistent economic strength). **Stocks have spent the last few months consolidating very strong gains off the March lows.** Notably, the tech-heavy Nasdaq (QQQ) has been volatile – is the top performer for August and Year-to-date but sits well below its May 2026 peak. By contrast, the equal-weight S&P500 (RSP) has nearly caught up with QQQ year-to-date and is well above its May closing high. Bonds have struggled as losses due to rising yields fully offset income.

	SPY	ACWI	RSP	QQQ	DIA	AGG
Aug 2026	+2.68%	+2.72%	+2.04%	+4.18%	+1.47%	+0.39%
YTD 2026	+13.08%	+14.29%	+15.46%	+16.95%	+11.57%	-0.18%

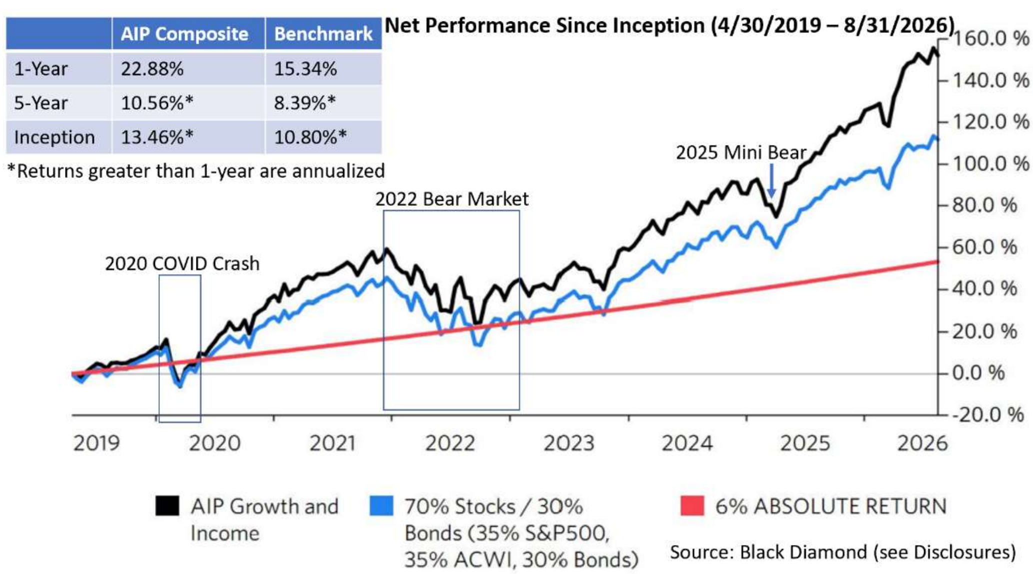


SPY (S&P500), ACWI (All Country World), RSP (S&P500 Equal Weight), DIA (Dow Jones), QQQ (Nasdaq), AGG (Aggregate Bond) Source: Investors FastTrack

The chart below shows the net performance of our most popular composite since inception (120 accounts – see disclosures on page 4). The 7+ years shown have been volatile including COVID and the 2022 Bear market. Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.

	AIP Composite	Benchmark
1-Year	22.88%	15.34%
5-Year	10.56%*	8.39%*
Inception	13.46%*	10.80%*

*Returns greater than 1-year are annualized



Source: Black Diamond (see Disclosures)

3. Indicators and Analysis

*Investing can be an emotional roller coaster, leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenets — **Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes.** The tiles below summarize current conditions:*

TREND	SENTIMENT	VALUATION	MONETARY	SEASONALITY

We evaluate market risk and return potential from a broad perspective, including a range of indicators, because markets are complex. Investors bid up stocks when they see legitimate reasons for long-term upside. Just as bull markets are born out of despair, bear markets develop on euphoria — and most are not event-driven.

Trend & Sentiment

Our indicators deteriorated as we enter a seasonally treacherous time but remain balanced. We continue to characterize our view as **cautiously optimistic** even as we prepare for more late summer turbulence.

Trend strength remains a bullish standout. Earnings growth is impressive, and both consolidation and a broadening of leadership tends to be healthy.

Trend direction is important as news and emotions can lead investors astray. It takes time for an uptrend to turn south, and **it can be tempting to front run transitions and try to sidestep corrections** – but experience tells us **we have time to react and are generally well served staying in harmony with the prevailing trend.**

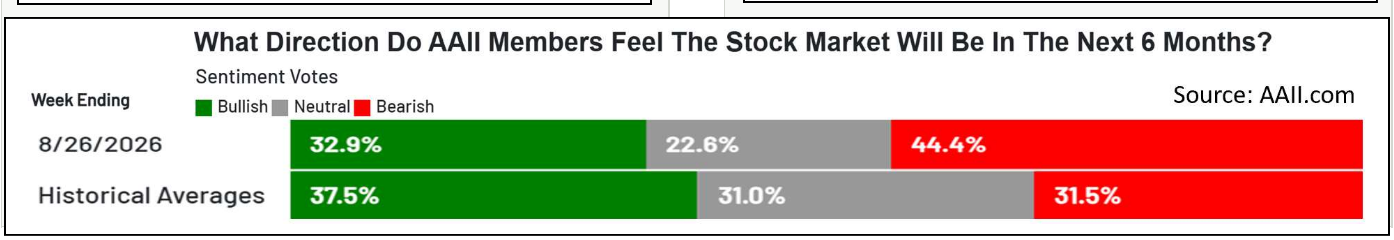
Despite August strength**, the stock market "wall of worry" remains intact.** The AAII sentiment survey (below) shows relatively few bulls relative to bears as investors ponder the prospects for the next 6 months. **Investor skepticism tends to limit drawdowns due to sidelined cash.**

Valuations, Seasonality & the Fed

Seasonality is a headwind leading into the mid-terms. Stocks pulled back a bit following Fed Chair Warsh's recent comments suggesting inflation pressures currently outweigh employment concerns.

Valuations remain a headwind for long-term investors. Earnings growth is impressive, but stocks are priced based on strong growth continuing for many years – a feat that would be unprecedented. This is unlikely to change for the foreseeable future. When valuations reflect strong expectations, **stocks can slide rather sharply on news that is less good than hoped.**

Interest rates have risen this year, but we continue to assert that this is less a function of Fed policy than a lack of Fed intervention and a "normalization**" as bond investors price in reasonable inflation expectations and credit risks.** Ironically, if the Fed were to raise rates it might cause long-term rates to dip if inflation expectations ease. **We think inflation may be peaking – but will remain above 2% regardless of Fed actions.**



4. Observations and Outlook

Our **Market Pulse** shows stocks in a **Bull (rising) market.** In a bull market, pullbacks and corrections tend to be relatively short-lived.

When valuations are elevated (as they are today), corrections tend to be more severe. Last year's 19% correction, for example, felt like a mini-Bear market. Stocks recovered quickly and forward returns were strong for those — like us — with the fortitude to invest through the volatility. That said, **at some point we will face a more protracted Bear Market** – and it will be important to adapt our tactics accordingly.

Risk is an inherent part of opportunistic investing. Some risks can be mitigated; others must be managed. Nobody has a crystal ball, but that doesn't preclude us from making educated predictions based on a mix of objective data, historical patterns, and decades of experience in the trenches.

Currently, our portfolios are aligned with our view that risks are balanced and **we are cautiously optimistic – expecting both volatility and continued upside.** It can be difficult at times to reconcile market responses to news events or the well-intended but often false narratives of the talking heads. Models and indicators are also imperfect but keep us grounded and help us find opportunities and manage risks in uncertain times.

Bonds have become more interesting as yields have risen to offer a reasonable return relative to still elevated inflation. Several stocks have faced steep pullbacks on relatively good news as they had been "priced for perfection". This offered an opportunity to buy dips, albeit incrementally.

More broadly, we are rebalancing portfolios as needed and watching for persistent leadership changes. If you have any questions, would like to discuss your portfolio, or simply want to check in – please schedule a call.

We look forward to your feedback, questions, and concerns. **We hope you are enjoying your summer and that you like the new updated format of the letter.**

Market Pulse

We try to avoid jargon, but a few terms are helpful when describing financial conditions.

Bull Market: markets trending up (higher highs on rallies, higher lows in declines). Expect periodic pullbacks and corrections – usually short and shallow – followed by resumption of the up-trend.

Consolidation: after strong gains or steep declines, markets sometimes become range-bound, moving up and down 3–5% over several weeks before the prior trend resumes.

Pullback: a decline of 3–5% that happens at least twice a year, typically resolving within a few weeks.

Correction: a decline of 5–10% that typically happens once a year, usually recovering within 3–6 months.

Bear Market: a decline of 20% or more. Most recover within 18–24 months, though severe ones (2000–03, 2007–09) can take 5–7 years or longer.

Bottoming Process: after a correction or bear market, stocks often bounce and re-test lows multiple times before recovering.

Quick Note — Roth Conversions

We get a lot of questions about Roth Conversions, and this is a good time of the year to consider this if you are interested. Unlike Roth IRA contributions that are limited based on earned income, anyone can do a Roth conversion if you have assets in a traditional IRA and are willing to pay income tax now. The benefit of a Roth IRA is that you and your heirs are not taxed when funds are withdrawn and they are not subject to required minimum distributions. That said, the decision to convert or not is nuanced and benefits from thoughtful analysis (so please don't wait until the last minute to start a conversation).

5. Closing Comments

Several clients have recently been speaking with friends who are looking to make a change, either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance, and we are very grateful for your confidence and support!

Please call and/or email us personally for most of your account servicing needs — and especially when you have questions or concerns.

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