GNH CAPITAL GROUP
of Wells Fargo Advisors

Q2 2026 — STRATEGY & MARKET UPDATE

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[*We encourage you to read—and share—our practice* ***manifesto****, which offers a deeper look into our distinctive investment management approach. We publish fresh, timely research and market commentary on* ***LinkedIn****. After debuting there, we email select pieces to our investors and followers, then archive them on our* ***website*** *for reference. Follow our LinkedIn page and share this content with your investor network.*]

EXECUTIVE SUMMARY

- Q2 proved to be a strong quarter. No recession appeared in Q2, public concern over recession risk collapsed, and the AI-led market strength still shows no credible evidence of bubble conditions under our surveillance framework.
- The Persian Gulf skirmish, oil-price fears, and broader-war narratives proved to be noise rather than durable signal: Properly measured inflation stayed near or below 2%, oil remained contained, and markets largely shrugged off war-driven derailment risk.
- Q2 also reinforced a core investor lesson: drawdowns are not an exception to compounding but a structural feature of it. While most investors get "serrated" by the market's sawtooth, our strategies seek to invest in that pattern by decoding the relationship between peaks and valleys as it unfolds.
- Our strategies participated in Q2's upside while maintaining adaptability by focusing on rotation rather than static allocation, prediction-based stock picking, or headline-driven reactions.
- **BOOST** is now embedded across our strategies as the key innovation behind their adaptive framework—designed to identify and rotate into emerging frontrunners across factors, assets, sectors, industries, and geographies, helping our portfolios stay aligned with what is actually leading rather than what narratives suggest should lead.

Q2 2026—Signal vs. Noise

In our Q1 Update we noted that

> *"Despite bearish headlines, our research indicates that recession risk remains low, inflation is cooling, and geopolitical or election noise has historically been transitory."*

And that is exactly how Q2 played out. There was no recession, real inflation only briefly rose above 2%, and even the Persian Gulf skirmish failed—predictably—to push oil prices into a higher orbit beyond a short-lived boomerang. Meanwhile, markets shined, with many indices registering their best quarterly advance since the COVID-riddled second quarter of 2020[1].

Really!?

So, what, exactly, was all the high-pitched headline noise and talking-head alarmism about?
Precious little—yet another reminder that media commentators and Wall Street desk chiefs often struggle to separate signal from noise, while needing to dramatize reality to justify their jobs as "analysts."

Here is a brief recap of how our strategies navigated Q2's battle between noise and signal:

RECESSION & BUBBLE

As we noted in our Q1 Update, there was no recession brewing—and Q2 produced no new evidence to the contrary. Google Trends confirmed the same shift, with public interest in "recession" falling from the 80s to the 20s on a 100-point scale.

And what about the daily drumbeat of an impending "bubble," this time powered by AI hyper-investment? **Bubbles are always a legitimate risk and require constant** monitoring—as our strategies do—but the devil is in the details. Today's markets cannot be measured with rusty yardsticks—old-fashioned valuation measures that ignore how modern businesses function and how regulatory reporting has evolved, as we explained in "*Rich Markets or Poor Yardsticks*."

Bottom line: while we see no signs of a bubble yet, our strategies—armed with updated proprietary surveillance tools—systematically scour the market for credible, evidence-based indications that one may be forming. And as our retirement-focused clients know, our distinctive approach to strategic investment planning—using **aftcast** methodology—**vividly stress-tests the adaptability and sustainability of our portfolios across every major bubble in modern capital-market history.**

INFLATION, WAR & OIL

Q2's Persian Gulf skirmish revived echoes of 1973-1974 oil embargo, fueling fears of runway inflation, stagflation, and generalized war. None of that materialized. And throughout Q2, our research—first appearing on LinkedIn, then landing on your inbox and being archived on our website—explained the real 'what' and 'why.' Briefly, based on those notes:

- **Real inflation**, properly measured (Trueflation™), has stayed comfortably below 2% throughout the year, with only a brief excursion just above 2% between May 13th and 31st. Even the Fed appears to be waking up to the reality that antiquated inflation measures like CPI or PCE are fundamentally flawed and distortive. We have therefore welcomed the Fed's new direction towards updating its anachronistic toolkit.
- **The Persian Gulf skirmish** sparked apocalyptic visions of an oil-price explosion and global shortages. None of that happened. As of this wring, oil—WTI Crude/NYMEX global spot—is below $70/barrel, less than 5% above its price a year ago, and has spent only a brief period above its 5-year average of roughly $75. That excursion was far shorter than the higher-price stretch in 2022-2023, when there was no Middle East war! We flagged this disconnect in our note, "Energy Crisis—Market Myopia or Market Insight?"
- Throughout the latest episode in the Persian Gulf wars saga, investors also worried about spillover into a broader war. By default, we remain agnostic and ready to adapt to any eventuality. But our market-surveillance tools indicated were largely shrugging off the risk of war-driven derailment, as we wrote in "War—What "War""?".

AVOIDING GETTING 'SERRATED' BY THE MARKET'S DRAWDOWNS

Q2 may have ended on a historically strong note, but it delivered plenty of uncertainty—and more than a few gut-wrenching drawdowns—along the way.

Really—what's new?!

All sarcasm aside, near the end of Q2 we refreshed our perennial investor guidance on how to deal with the "market sawtooth," noting the following—well worth repeating as obligatory Investor Continuing Education:

"on average, over longer periods, investments are in drawdown a whopping 93% of the time and only register new highs 7% of the time!"

In that case, as Dreaded Drawdowns rhetorically asks, how can investors "expect to build wealth if [they are] losing ground" during drawdowns that are so pervasive?

The answer is simple, but two-pronged:

- *First, over the long term, the investing sawtooth is inherently tilted 4%–6% upward, reflecting economic expansion underwritten by humanity's collective ingenuity and perseverance, iterative productivity gains, and compounding earnings. That upward tilt—corresponding to the market's long-run compound average growth rate—is what turns successive peaks into fresh all-time highs.*
- *Second—and most important—extended drawdowns, along with the reorganization and reinvigoration they catalyze, are a prerequisite for the bootstrapping through which markets ultimately rise to those new highs."*

And concluded:

"Bottom line: While most investors are "serrated" by the market's sawtooth edge, our strategies invest in it—decoding the interplay between peaks and valleys as it unfolds, not as it appears."

WHAT ANCHORS US GET'S US STRONGER

Q2 ended as a blockbuster quarter, but not before dragging investors through the proverbial valley of death. As our investors will see in their soon-to-arrive statements, our strategies participated in the upside while maintaining adaptability and avoiding getting whipsawed—the proverbial "what doesn't kill you makes you stronger."

How come?

A few days ago, we offered what may be our clearest explanation yet in "No Haystack. No Needles. Compounding Comes from Rotation." Referring to the astonishing data presented by Prof. Bessembinder showing that virtually all of the $90 trillion in wealth created by modern U.S. capital markets came from the proverbial "needles" (3.6%) of the market's "haystack" (i.e., all of its ~29K constituent stocks since 1926), we explained how our strategies shared in Q2's bounty alongside the averages by neither indexing nor getting whipsawed or making lucky bets:

"*indexing guarantees you own the winners—but also everything else. Traditional active stock picking desperately tries to predict the winners and endure the ride. Our objective is different: stay aligned with what leads, for as long as it leads, and rotate when leadership changes. That is the engineering principle behind our innovative *__BOOST__* trading engine, now embedded across all of our strategies."*

Q2 Lessons & Readiness for the Rest of 2026

What Q2 retaught us is that **investors should stop treating markets as static allocation problems**, macro-forecasting puzzles, or headline-response machines. Wealth creation is concentrated, leadership changes, official data often lags reality, and **market drawdowns are a structural feature of compounding—not a failure of it.**

Our strategies' solution is an adaptive, data-driven, rotation-based investment framework that tracks regimes and leadership directly. In this framework, **BOOST** serves as the key innovation: a trading engine designed to identify and rotate into emerging frontrunners across factors, asset classes, sectors, industries, and geographies in multiple time frames, helping portfolios stay aligned with what is actually leading rather than what narratives suggest should lead.

With the addition of BOOST, we believe our strategies have increased their independence from unfolding market conditions, enabling a more systematic pursuit of absolute returns—an added source of confidence as we look ahead to the rest of 2026.

Last Word

We invite you to share your experience with GNH Capital Group with your circles of influence. The last six years have been particularly challenging for most investors. They have been battered by the historic bond bear market and whipsawed in the steep downdraft of 2018, the CoViD crash of 2020, the rolling turmoil of 2022, and the frontrunner upsets of 2025. And throughout the last sixteen years, they have been torn between the Scylla of speculation and greed and the Charybdis of worry and indecision. As our veteran clients have likely discovered, adaptability and risk controls are excellent antidotes to haphazard performance and can be a booster of investor confidence. Please assist us in spreading the word.

We remain grateful for your trust, loyalty, support, and friendship!

On behalf of GNH Capital Group's entire team, with Henrik, Richard, Chad, and Isabel,

Kostas

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[1] Market Data throughout this Update: FactSet, S&P Dow Jones Indices, MSCI, YCharts, Truflation™.