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Perspective on Second Quarter 2026 Economic & Market Events

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As we reach the midpoint of 2026, we want to thank you for the confidence you continue to place in our team. We understand that financial markets can often feel uncertain, especially when headlines are dominated by political developments, economic data, and global events. While those events deserve attention, they should not distract from the principles that have guided successful investors through every market cycle: maintaining a long-term perspective, staying diversified, and making thoughtful decisions rather than emotional ones.

The first half of 2026 has provided another reminder that markets rarely move in a straight line. Economic reports have reflected both encouraging signs and ongoing challenges. Inflation has continued to moderate, although it remains above the Federal Reserve's long-term target. Interest rates have remained elevated as policymakers work to balance economic growth with price stability. At the same time, consumer spending has remained resilient, businesses have continued to invest, and the labor market has generally remained healthy. Together, these factors have supported continued economic expansion despite an environment that remains dynamic.

Government policy has also remained an important influence on financial markets. Changes in tax policy, trade negotiations, regulatory initiatives, and government spending continue to shape business decisions and investor expectations. While these developments can create periods of uncertainty, they also create opportunities as businesses adapt to changing conditions. Rather than attempting to predict every policy outcome, we believe it is more important to remain focused on building portfolios that are designed to perform across a variety of economic environments.

Technology continues to reshape the global economy at a remarkable pace. Artificial intelligence, automation, and digital innovation are driving significant investment across many industries, from healthcare and manufacturing to financial services and communications. Although technology remains an important area of growth, innovation is not limited to a single sector. Businesses across the economy are finding new ways to improve productivity, strengthen customer relationships, and operate more efficiently. We believe these long-term trends will continue to create opportunities for well-positioned companies over time.

International markets continue to present a mixed picture. Some economies are experiencing slower growth, while others are benefiting from improving fiscal conditions and expanding investment. Geopolitical tensions, changing trade relationships, and regional conflicts continue to influence global markets and may contribute to periods of volatility. These uncertainties reinforce the value of maintaining appropriate diversification rather than relying too heavily on any single market, sector, or region.

Equity investments remain an important driver of long-term portfolio growth. Although individual sectors and investment styles naturally move in and out of favor over time, broad equity markets have historically rewarded patient, long-term investors. Rather than attempting to predict which companies or sectors will lead from one year to the next, our investment approach emphasizes broad diversification through experienced professional asset managers whose investment disciplines complement one another. This approach provides exposure to a wide range of investment opportunities while helping reduce the risks associated with concentrating too heavily in any one area of the market.

Fixed income serves a different, but equally important, role within a well-constructed portfolio. Today's interest rate environment has improved the income potential available through many bond strategies while reinforcing the value of fixed income as a source of stability during periods of market volatility. Through carefully selected professional managers, we seek diversified exposure across high-quality fixed income sectors designed to generate income, preserve capital, and provide balance alongside equity investments. Together, these asset classes work to support long-term financial objectives across a variety of market environments.

As always, our investment philosophy remains centered on discipline rather than prediction. There will always be reasons to be optimistic and reasons to be cautious. Economic cycles, elections, policy changes, geopolitical events, and market corrections are all part of investing. Experience has shown that successful investing has never depended on accurately predicting every market movement. Instead, it has depended on having a thoughtful plan, maintaining appropriate diversification, and remaining focused on long-term objectives.

Our responsibility is to help you navigate changing market conditions with confidence, not by reacting to every headline, but by making thoughtful decisions that reflect your personal goals, time horizon, and tolerance for risk. We continually monitor economic conditions, evaluate investment opportunities, and review portfolios to help ensure they remain aligned with your long-term financial objectives.

Most importantly, thank you for allowing us to be part of your financial journey. We value the relationships we have built with our clients and appreciate the trust you place in our advisors. If you have questions about your portfolio, would like to discuss recent market developments, or simply want to review your financial plan, we encourage you to contact your advisor. We welcome the opportunity to visit with you and remain committed to providing the personalized guidance and service you have come to expect.

Thank you again for your continued confidence in Uwharrie Investment Advisors. We look forward to serving you and your family for many years to come.