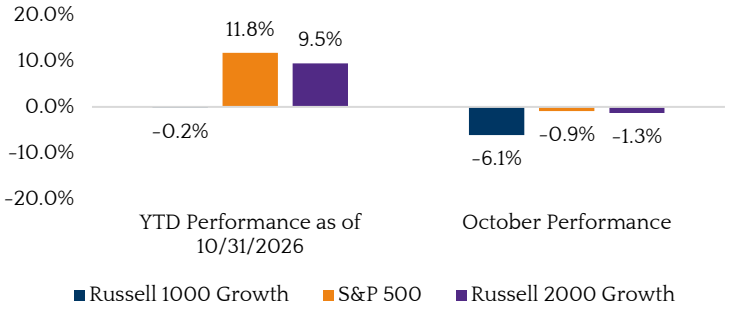
Scary Markets in October 2026

- While the month of October has largely seen positive market returns in midterm election years, this October offered some Halloween fright. Election uncertainty is one proximate cause, but it appears that on the margin investor concern about the duration of the AI infrastructure build is rising. At the same time, more are asking about the returns on the capital being dedicated to the build.
- The S&P 500 was down about 1% in the month, though it remains up 11.8% for the year. However, more Technology heavy indices have struggled to remain positive. The Russell 1000 Growth fell 6.1%, its worst month since the height of tariff concerns in March 2025, turning YTD returns negative. Small cap stocks, in contrast, performed more in line with the S&P 500.

Tech Struggled in October 2026

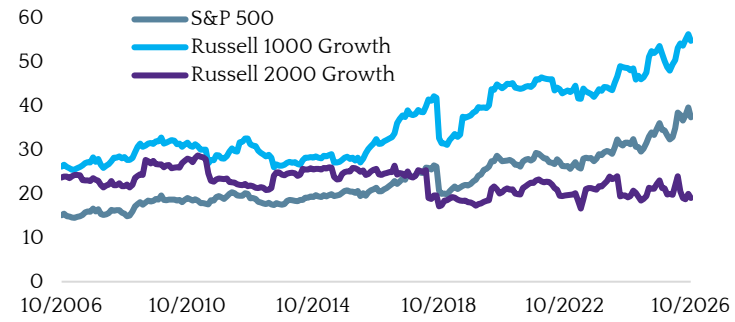


Sources: Congress Asset Management and Bloomberg

- The dispersion is larger than we've seen in recent years and can be attributed to Technology weight and selection in the respective benchmarks. The sector has become an increasingly dominant position in the Russell 1000 Growth Index at 55% but only 38% in the S&P 500 and 20% in the Russell 2000 Growth.

The Tech Sector Dominates the Russell 1000 Growth

Tech Sector Weighings 2006 - 2026

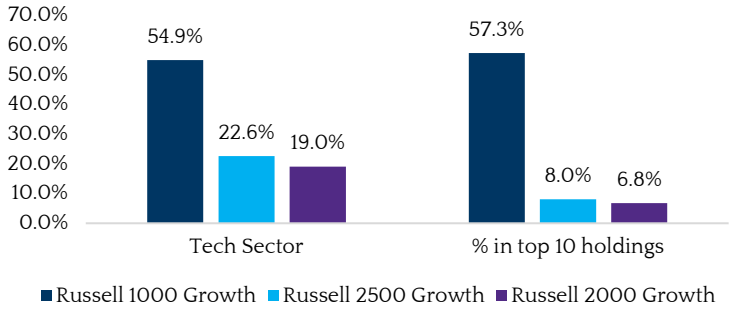


Sources: Congress Asset Management and Bloomberg

- The concentration in the Russell 1000 Growth is even starker if one includes the Communication Services sector, with the likes of Alphabet and Meta, with Technology. Combined, these two sectors make up 70% of the benchmark. While this concentration helped drive strong returns over the last 3 years, it cut the other way in October, driving negative returns.
- Despite the recent market turbulence, we believe stocks remain attractive. Economic growth is robust, with real GDP growing 3.4% in the third quarter and consumers continuing to exhibit resilience. Corporate earnings are expected to grow ~30% in the third quarter. Interest rates have stabilized at reasonable rates and do not appear to be having significant impact outside of interest-sensitive sectors such as housing. Finally, the resolution of the mid-term elections should bring some clarity to Washington, though it will have little intermediate economic impact.
- We expect market leadership to broaden as the AI investment cycle matures. Mega-cap technology companies continue to spend aggressively on AI infrastructure, benefiting suppliers across the ecosystem while prompting greater scrutiny of future growth and investment returns. Many of those suppliers are already seeing stronger earnings growth.
- Recent market performance highlights the value of diversification. We continue to view diversified large-cap strategies as a portfolio cornerstone, with smaller-cap allocations providing additional diversification through broader sector exposure and lower stock concentration.

Diversification in Down-Caps

Tech Sector Weighting and % in Top 10 Holdings as of 10/31/2026



Sources: Congress Asset Management and Bloomberg

Important Disclosures

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Definitions:

The Russell 2000 Growth Index measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. Indices are unmanaged, do not reflect fees and expenses and are not available for direct investment. The Russell 2500 Growth Index measures the performance of those Russell 2500® Index companies with higher price-to-book ratios and higher forecasted growth values. Indices are unmanaged. It is impossible to invest directly in an index. The performance of an index does not reflect any transaction costs, management fees, or taxes. The Russell 1000 Growth Index measures the performance of the Large cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-value ratios and higher forecasted growth values. It is impossible to invest directly in an index. The performance of an index does not reflect any transaction costs, management fees, or taxes. S&P 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks. It is impossible to invest directly in an index. The performance of an index does not reflect any transaction costs, management fees, or taxes.

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