



July 7, 2026

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Dear Reader,

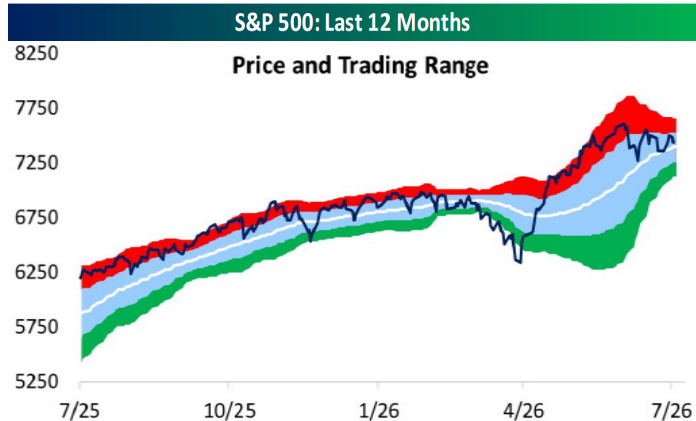
Healthy Bull **Consolidation Market** **In Remains** **June: Intact**

First and foremost, we hope you and your families enjoyed a wonderful Fourth of July and a joyous celebration of America's 250th birthday. Moments like these remind us of the remarkable resilience and opportunity that have long defined our country.

The S&P 500 was modestly lower (-1.0%) in June, taking a healthy breather after a vigorous 16% rally over the first two months of the second quarter that propelled the index to fresh highs.

Beneath the surface, the month featured clear sector rotation. While large-cap technology stocks lagged, with the "Magnificent 7" ETF (MAGS) declining approximately 9%, broader upside participation lifted the equal-weighted S&P 500 by +2.4% in June.

We view this rotation as a constructive consolidation of recent gains. Other

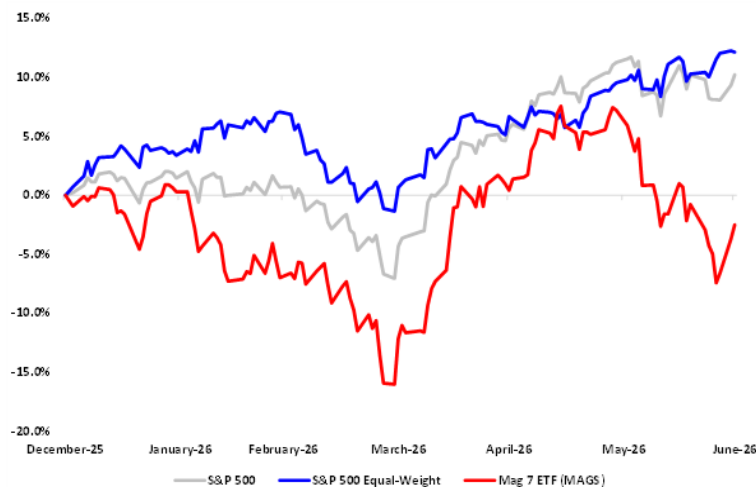


Source: Bespoke Investment Group

sectors stepped up to keep the headline index relatively flat, reflecting growing expectations that productivity gains from the AI buildout will broaden across the economy. As AI implementation continues to scale rapidly, we anticipate further margin expansion and stronger overall economic activity. Importantly, much of the AI infrastructure buildout is being funded by capital spending from the largest technology companies — suggesting investors are reallocating capital toward companies they see as future AI beneficiaries by trimming positions in the heavy spenders.



2026 YTD Returns Through June 30: S&P 500, S&P 500 Equal-Weight, & The MAG 7



Source: S&P Global, Roundhill Magnificent Seven ETF

Note: The Roundhill Magnificent Seven ETF (MAGS) is an actively managed exchange-traded fund ("ETF") that seeks to achieve its investment objective through its investment exposure to the companies comprising the "Magnificent Seven," a group of seven companies commonly recognized for their market dominance in technological innovation.

This Bull Market Runs on Earnings Growth, Not Speculation

Many pundits draw comparisons between today's bull market and the late-1990s internet boom, noting that both were propelled by transformative technology. While there are surface-level similarities, a critical difference should give investors confidence in the durability of the current rally.

Since the October 2022 prior bear market lows, the S&P 500 has surged +121%. However, unlike the 1990s, this advance has been overwhelmingly driven by earnings growth, not valuation expansion. At the end of

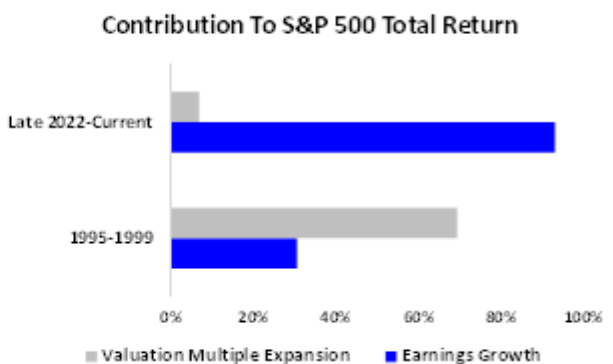
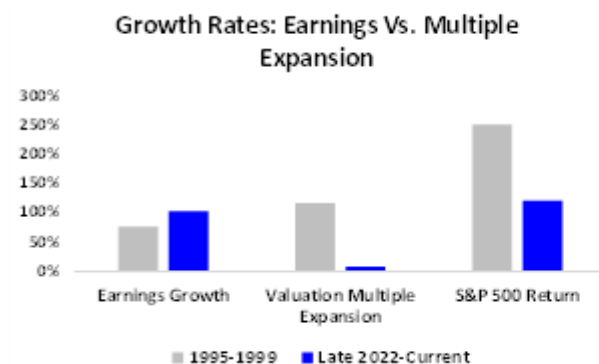
2022, the index traded at roughly 18x forward earnings. Today, that multiple has expanded only modestly to 19.5x, while corporate earnings have more than doubled. As a result, approximately 90% of the market's gains since late 2022 have come from earnings growth.

Contrast that with the 1995-1999 period: the S&P 500's forward P/E multiple exploded from ~12x to 26x, while earnings grew a more modest 77%. Of the index's staggering +251% total return, less than one-third was driven by profit growth — the rest came from multiple expansion.

While many point to the parallels between each period (robust market appreciation driven by key technological advancements), the fact that recent market gains have been predominantly driven by earnings growth suggests that core fundamentals are driving price appreciation. This should give investors greater confidence regarding the durability of this secular bull market compared to what occurred in the 1990s.

Noted economist Dr. Ed Yardeni captured the distinction perfectly. He contrasts "FOMO" markets — driven by fear of missing out and unsustainable valuation expansion, much like the "irrational exuberance" of the late 1990s — with today's "FEMO" market: fabulous earnings momentum, where stock price gains are driven by underlying profit growth.

Drivers Of Stock Market Performance – Then (1995-1999) Vs. Now (Current Bull Market): Earnings Growth Vs. Valuation Multiple Expansion



Note: valuation multiple expansion growth rate calculated by taking the end of period forward price/earnings ratio divided by the beginning of period forward price/earnings ratio; forward earnings estimates reflect consensus estimates for S&P 500 earnings; share of S&P 500 gains reflects the split between earnings growth and multiple expansion (change in the forward price/earnings ratio) over each time period as a percentage of the index's gains during that time period.

In 2026, valuation multiples have actually contracted modestly as corporate earnings have grown faster than stock prices.

It is precisely this lack of speculative froth that keeps us optimistic. We expect robust earnings expansion to continue, supported by an unprecedented wave of capital spending on AI infrastructure. Despite profits growing at roughly three times the long-term average, valuations remain reasonable. This suggests the current secular bull market may still be in its relatively early innings—the polar opposite of the late-1990s experience, when extreme valuation levels eventually gave way to disappointment and a severe bear market in the early 2000s when anticipated profits failed to materialize.

In short, while the 1990s bull market was fueled by euphoria, today's is grounded in fundamental earnings power from high-quality companies, even as cautious investors keep valuations in check.

The U.S. Economy Remains In Expansion Territory - Underlying Growth Likely Higher Than Headline GDP Suggests

The Atlanta Fed's GDPNow model currently forecasts 1.2% annualized real GDP growth for the second quarter, following 2.1% during Q1 and 0.5% in Q4 2025. While the headline figure appears modest, a deeper look reveals a much healthier underlying economy.

The two most important drivers of long-term growth — consumer spending (roughly two-thirds of the economy) and business investment — remain solid. After a soft first quarter, consumer spending growth is now tracking at approximately 2.0%, in line with typical expansionary periods. Meanwhile, hundreds of billions (and growing) in annual AI-related capital spending continues to provide a powerful and sustained boost to business investment. Stripping out the effects of net

exports and inventories, underlying “core” real GDP growth is tracking at a healthy 2.9% for the second quarter, up from 2.5% in the first.

The recent Iran-related spike in energy prices temporarily weighed on discretionary spending and pushed headline inflation higher. However, oil prices have since stabilized near \$70 per barrel. This decline should ease inflationary pressures and provide a meaningful tailwind to real consumer and business spending in the coming quarters.

Taken together — resilient consumer spending, strong AI-driven capital investment, a healthy labor market, and falling energy prices — the U.S. economy remains in solid shape. Importantly, because capital spending has an outsized direct impact on corporate profits (although it represents a smaller share of the broader economy than consumer spending), we believe this environment should continue to support robust earnings growth well above nominal GDP, which is very bullish regarding further stock price appreciation.

Looking Forward - Calendar Flips To The Back Half of 2026

Strong earnings momentum against the backdrop of geopolitical volatility and higher energy prices due to the Iran conflict were the key themes during the first half of 2026. Looking forward, we believe AI-driven capital spending will continue to accelerate, potentially reaching an annual roughly \$1 trillion run rate by the end of next year. This persistent secular tailwind should continue to drive earnings higher over the near-to-medium term. While earnings growth has been concentrated across AI beneficiaries so far, we expect profit expansion to become more broad-based as the companies and sectors reaping the benefits of enhanced productivity continue to expand.

Hyperscalers refer to massive cloud service providers that operate at an enormous, globally distributed scale to deliver the computing power, storage, networking, and specialized hardware required for modern artificial intelligence workloads. The term “hyperscaler” comes from hyperscale computing — architectures designed to scale dynamically and seamlessly to handle exponential growth in demand (millions or billions of users, or massive AI training/inference jobs). These companies run thousands of hyperscale data centers packed with servers, often containing tens of thousands of units each, optimized for high-performance, low-latency operations. In AI specifically, hyperscalers are the foundational infrastructure providers that make large-scale AI possible. These companies include Microsoft, Amazon, Google, Meta, and Oracle.

Here's what makes us most optimistic over the medium term — despite very impressive profit growth and future estimates which keep rising further, the market (i.e. S&P 500) now trades at a valuation multiple which is essentially in-line with the longer-term average.

In other words, at current levels, the market is priced relatively modestly in our view given the strong growth outlook. Recent consolidation has allowed valuations to compress while earnings growth assumptions moved higher, reducing valuation multiples as skeptical investors, mindful of the speculative excesses of the 1990s, rotated out of top performers.

From our view, this recent activity has provided an ideal set-up for long-term investors to deploy capital across high-quality growth companies with promising forward outlooks and reasonable valuations. This stands in contrast to what happened during our last “mini-bubble” at the end of 2021, where valuations became stretched prior to the run-of-the-mill bear market which hit in 2022. We believe the set-up for a sustainable, multi-year bull market is much more favorable this time around.

In summary, we remain constructive on the equity markets and continue to position portfolios to capitalize on this compelling risk/reward backdrop. Our focus remains on high-quality businesses with durable competitive advantages, strong balance sheets, and robust growth prospects — particularly those benefiting from the AI productivity surge. With the second quarter earnings season nearly underway, we will monitor results and forward guidance closely, making tactical adjustments as needed while remaining firmly committed to our long-term investment discipline.

As always, we value your trust in us and urge you to call with any questions concerning your financial matters.

Sincerely,



CJ Brott



Karen Burns



Andrew Kerai