NEW REPUBLIC PARTNERS

MARKET COMMENTARY

Q2 2026

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Market Commentary

Market Monitor 2026	Q2	YTD
MSCI All-Country World Index	14.9%	11.3%
S&P 500 Index	15.2%	10.2%
Bloomberg U.S. Agg. Index	0.7%	0.6%
Bloomberg Commodity Index	-8.1%	14.3%

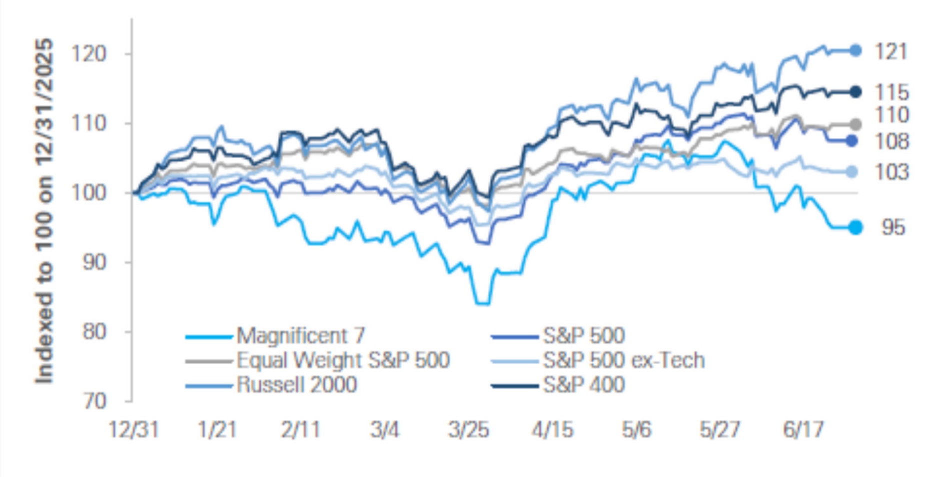
A Rising Tide, Shifting Currents

Q2 2026 was, in many respects, the mirror image of Q1. The U.S.-Iran conflict and oil shock that defined the first quarter began to unwind almost as quickly as they arrived. A ceasefire took hold, oil retraced its entire run-up, and the risk appetite that had drained out of the market in late March came flooding back.

The S&P 500 gained +15.2%, its strongest quarter since Q2 2020, and finished the period near record highs. Enthusiasm for artificial intelligence returned with force, fueling an historic rally in semiconductor stocks.

Yet the more interesting story of Q2 is what happened beneath that recovery. The quarter was a rising tide: nearly every corner of the market advanced, most by double digits — large and small, growth and value, domestic and international. But powerful currents were shifting underneath, rotating market leadership in ways the headline indices obscure. At the very top, leadership moved on from the familiar mega-cap names. The "Magnificent 7" players that led the market for years have lagged the broad index this year; the concentrated leadership now sits with a smaller set of semiconductor and AI-infrastructure names. At the same time, small caps, value, and international stocks have outpaced the S&P 500 for the first half of the year (Exhibit 1). The tide lifted almost everything, yet the underlying currents shifted. Reading the shifts correctly is the work of the quarters ahead.

EXHIBIT 1: YEAR-TO-DATE INDEXED PRICE RETURNS ACROSS THE SIZE FACTOR



Source: MarketDesk. Data as of 6/30/26.

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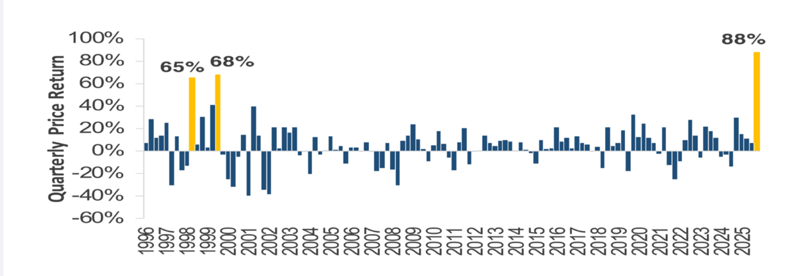
The Strongest Current: AI Spending Fuels an Historic Semiconductor Rally

Semiconductor stocks led the market's advance, posting their strongest quarter in nearly 30 years. The group returned roughly +88% for the quarter and was up nearly +100% before pulling back in the final weeks of June. The only comparable stretches occurred in the late 1990s, when the internet went mainstream.

The rally is anchored to an extraordinary wave of AI/technology investment, with much of the money flowing from the hyperscalers to the chipmakers. In 2016, the combined capital spending of the five largest hyperscalers, Microsoft, Amazon, Meta, Alphabet, and Oracle, was roughly $32 billion. By 2025 that figure had grown to about $416 billion, and the pace continues to climb: the group is projected to spend roughly $724 billion this year and nearly $900 billion next year. The hyperscalers are funding the spending out of their substantial cash flow, but notably, a few, such as Alphabet and Oracle, are issuing both stock and bonds to fund their spending. That capital pays for data centers, the chips inside them, and the equipment and power to run it all. The companies leading the buildout are reporting record earnings and growing backlogs, and many say they are constrained more by how fast they can build than by demand.

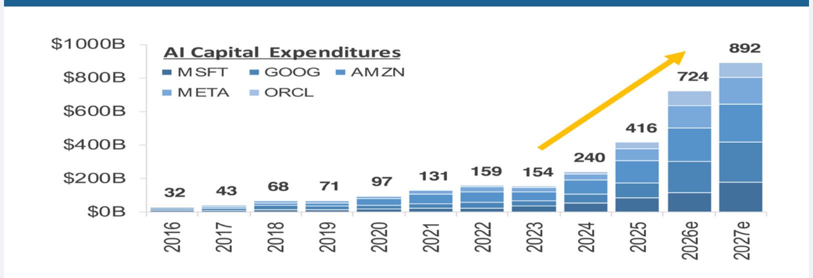
The spending surge is reshaping capital markets too. SpaceX completed the largest IPO in history during Q2, raising $85 billion, and other well-known private companies, including OpenAI and Anthropic, are expected to follow over the next year. In volatile, high-dispersion environments like this, NRP's managers who specialize in tech continue to invest behind the AI mega-theme primarily through the infrastructure layer and the leading foundational model companies. On the application and software layer, they remain selective on the long side and position against the businesses most clearly disrupted by AI. A move of this magnitude — both the spending and the share-price gains — is historic. The market is treating AI as a genuine technological shift, and the second quarter brought more spending, more earnings, and signals of still more to come. At the same time, a quarter like this is a reminder of how much future growth is already priced in. The closest historical parallel, the late 1990s, points to what rapid transformation tends to bring: real opportunity alongside high expectations.

EXHIBIT 2: SEMICONDUCTOR STOCK RETURNS



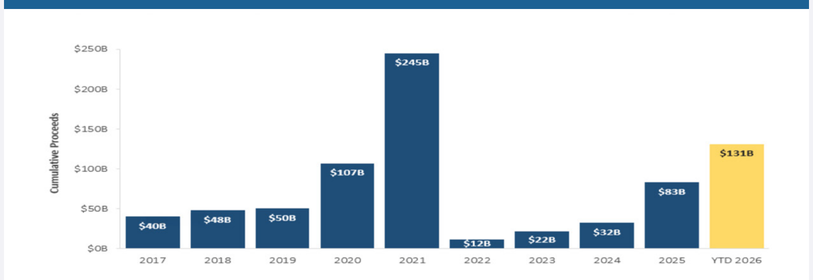
Source: PHLX Semiconductor Sector Index. Data as of 6/30/26.

EXHIBIT 3: AI CAPITAL EXPENDITURES



Source: Company public filings for Microsoft (MSFT), Alphabet (GOOG), Amazon (AMZN), Meta (META) and Oracle (ORCL). Data as of 6/30/26.

EXHIBIT 4: CAPITAL MARKETS - IPO ACTIVITY REBOUNDS WITH RECORD SPACEX LISTING



Source: S&P Global, Russell, MSCI. Data as of 6/30/26.

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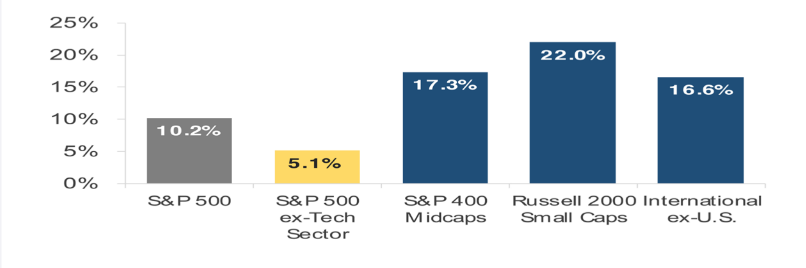
The Broadening Current: Leadership Widens Beneath the Surface

If the semiconductor complex was the strongest current, it was far from the only one. The S&P 500 has gained +10% this year through 2Q, but, excluding the technology sector, returns were roughly +5%, a measure of how much of the index's return depends on a single sector. What is striking is where the rest of the leadership came from in global equities. The Russell 2000 has gained roughly +23% year-to-date and emerging-market equities nearly +24%, both well ahead of the S&P 500. Among equities, value has outpaced growth outside of semiconductors. At the same time, the market's former engine has stalled: the "Magnificent 7" mega-caps are down modestly this year and the 50 largest companies in the index have underperformed, a reversal from the pattern of the past several years. In other words, leadership has not narrowed, it has rotated away from the mega-caps that carried the market for years and toward smaller, cheaper, and international names.

With respect to small caps outperforming large caps, several developments explain the shift. The first is profitability. Small-cap profit margins bottomed in late 2025 and are climbing again. The second is the U.S. economy. Smaller companies are more sensitive to domestic conditions, and the economy's resilience has been a direct tailwind. The third is valuation. After years of tech leadership, smaller companies trade at one of their widest discounts to large caps since the dot-com era, but improving earnings have started to close that gap.

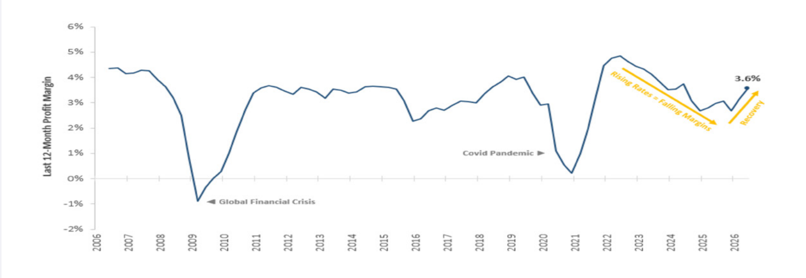
International markets advanced alongside the U.S., with the same divide between technology and the rest of the market. Emerging markets gained roughly +24%, as Asian markets, such as South Korea and Taiwan, benefited from the same semiconductor rally seen in the U.S. NRP has leaned into this broadening trend, maintaining a quality bias with active managers while incrementally shifting capital from large caps toward small- and mid-cap exposure. The firm also favors adding the incremental dollar in international over domestic equities. As this year has shown, holding a mix of company sizes, styles, and geographies means not depending on any single part of the market to perform.

EXHIBIT 5: YEAR-TO-DATE TOTAL RETURNS ACROSS EQUITY MARKETS



Source: S&P Global, Russell, MSCI. Data as of 6/30/26.

EXHIBIT 6: CORPORATE EARNINGS – RESILIENT ECONOMIC GROWTH LIFTS SMALL-CAP PROFIT MARGINS



Source: Russell 2000 Index. Data as of 6/30/26.

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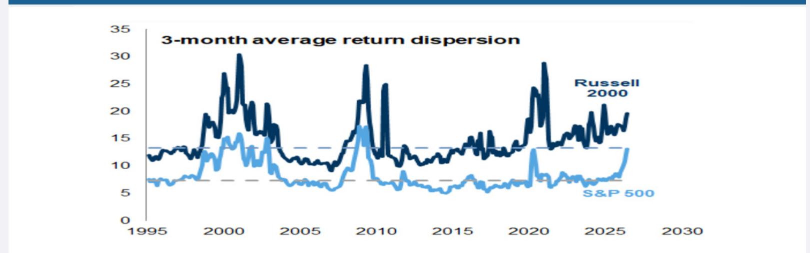
Hedged Equity Proving Worthy

As we've written over prior quarters, one asset class that thrives on these market crosscurrents is Hedged Equity. The two fundamental ingredients of an ideal stockpicking environment for these hedge funds are high stock dispersion, where the spread of individual stock performance is wide, and a market that rewards differentiated fundamental research more than the latest macro trends (Exhibit 7). As noted in a quotation attributed to famed value investor, Ben Graham, "In the short-run, the market is a voting machine, but in the long-run, the market is a weighing machine."

The general construct of Hedged Equity funds (e.g., use of leverage and shorting) gives these managers the portfolio flexibility to exploit the market's short-term "voting" gyrations and capitalize on their fundamental long-term insights. In the first half of the year, the AI software disruption, languishing Mag 7 leadership, and semiconductor and memory stock liftoff serve as prime examples of the market leadership change and high stock dispersion that directional long-short hedge funds took advantage of. At NRP, our Hedged Equity managers have been capturing this opportunity set in their results, yet we continue to hold a high bar for these managers given the higher cost model, additional degrees of portfolio flexibility, and favorable stockpicking environment. This is their time to shine in our view.

EXHIBIT 7: RETURN DISPERSION IS ELEVATED ACROSS THE US EQUITY MARKET

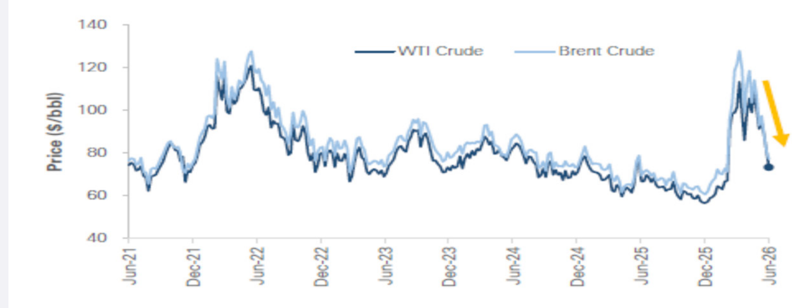


Source: Goldman Sachs Global Investment Research. Data as of 6/30/26.

The Oil Shock Unwinds

The energy shock that started in Q1 reversed almost as quickly as it began. Oil peaked near $115 in early April as the closure of the Strait of Hormuz, a chokepoint for roughly 20% of global oil flows, disrupted supply. Prices remained volatile throughout the quarter but ended Q2 near $70, right where they traded when the conflict began. The decline followed a ceasefire between the U.S. and Iran and expectations for the Strait to reopen. Gasoline prices followed the same path, spiking in the spring before retreating late in the quarter (Exhibit 8).

EXHIBIT 8: WTI & BRENT CRUDE PRICES (JUNE 2021-PRESENT)



Source: MarketDesk, NYMEX, ICE. Data as of 6/30/26.

This change in energy prices feeds directly into inflation, which in turn shapes the interest rate outlook. When oil prices increased, inflation followed: consumer prices rose +4.2% year-over-year in May, the highest reading in three years, with more than half of the monthly increase tied to

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The Oil Shock Unwinds continued

energy. Stripping out energy, the underlying rate was +2.9%, an indication that the rise was driven by oil rather than broadbased price pressure. Critically, the May reading is backward-looking; it captures oil near its peak.

The global oil shock reshaped the rate outlook. Coming into the year, the market expected the Federal Reserve to cut two or three times. During Q2, expectations swung from cuts to pricing in a rate hike this fall (Exhibit 9). The Fed held rates steady at both of its Q2 meetings but signaled that its next move could be up rather than down. The connection between oil, inflation, and Fed policy remains the thread tying the market together, and it will stay top of mind in the near term as the Iran war continues and oil prices spike in July. As we detail below, heightened geopolitical risk seems to be a given over the medium term and reunderscores the need for an allocation to real assets in portfolios.

EXHIBIT 9: WHERE DOES HEADLINE INFLATION TREND IN 2H26?

Source: MarketDesk, US Bureau of Labor Statistics. Data as of 6/30/26.

Bonds Hold Their Ground Amid Rate Volatility

The bond market had another volatile quarter, with interest rates tracking the path of oil. Treasury yields rose early in the quarter as oil remained elevated and the odds of a rate cut faded, then reversed lower in June as energy prices declined and the inflation outlook improved. The 30-year Treasury was especially volatile, spiking to roughly 5.20% in May, a 20-year high, on concerns about oil, inflation, and Fed rate hikes, before falling back near 4.90%, only modestly above where it started the year (Exhibit 10). The front end of the yield curve, most sensitive to Fed policy, repriced even harder: the market now prices in as many as two rate hikes over the coming year, a full reversal from the cuts expected in January. During the worst of it, bonds offered little diversification precisely because they were the source of the stress.

By quarter-end the volatility had eased and yields stabilized. The Bloomberg U.S. Aggregate returned +0.7% for the quarter. Corporate bonds outperformed, with high-yield gaining +2.4% and investment grade returning +1.8%. Credit spreads re-tightened after widening in the spring and once again sit near multi-decade lows. That leaves investors little compensation for taking

EXHIBIT 10: 30-YEAR U.S. TREASURY YIELD (2006-PRESENT)

Source: MarketDesk, U.S. Treasury. Data as of 6/30/26.

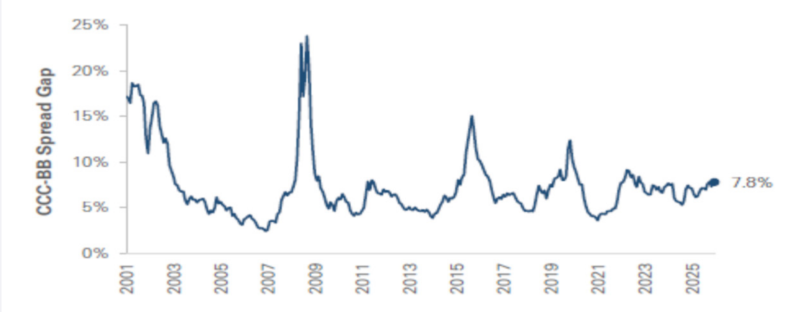
Market Commentary

Bonds Hold Their Ground Amid Rate Volatility continued

credit risk and little cushion if the outlook deteriorates. The reason to own corporate credit today is yield, not spreads. Beneath the calm, credit experienced its own broadening crosscurrent: the gap between the lowest-quality (CCC) and highest-quality (BB) high-yield bonds widened during Q2 even as the headline index tightened, a sign of caution about the weakest borrowers (Exhibit 11). The surge in investment-grade issuance, now running above $2 trillion annually and driven increasingly by AI capex, is a potential catalyst that could finally test today's tight spreads.

Within fixed income, mortgage-backed securities remain attractive for their spreads relative to Treasuries at a similar risk profile. These securities also keep duration relatively short amid a steepening curve and elevated term premiums. The greater concern remains higher long-end rates driven by inflation and fiscal imbalances rather than a near-term recession. In this environment, portfolios are better served with an allocation to Absolute Return-oriented hedge funds than to long bonds as a diversification tool.

EXHIBIT 11: SPREAD BETWEEN CCC (LOWEST HY) & BB (HIGHEST HY)



Source: MarketDesk, ICE. Data as of 6/30/26.

The Utility of Real Assets Exposure

In Q1, real assets demonstrated their defensive value, responding positively as geopolitical risk spiked and the oil shock lifted prices for energy, petrochemicals, and fertilizer inputs. Q2 gave some of that back as the conflict eased: broad commodities fell roughly -8% and gold retraced part of its Q1 surge, while master limited partnerships and energy infrastructure held roughly flat. Real estate, by contrast, advanced, with U.S. REITs gaining nearly +12% as rate volatility began to settle (Exhibit 12).

We hold a consistent, strategic allocation to real assets, as protection against inflation, fiscal spending, and potential dollar weakness. Exogenous shocks are difficult to anticipate, and a standing allocation is one of the best ways to prepare for them while still building value. Certain real assets, namely, industrial metals, energy and copper, have also provided a good hedge for fixed income portfolios in higher inflation regimes when economic growth is positive.

We are using the Q2 pullback to "buy the dip" in real assets, and we are increasingly focused on sourcing opportunities in energy and power infrastructure. The dramatic increase in data-center

EXHIBIT 12: AVERAGE REAL YEAR-OVER-YEAR RETURN BY INFLATION REGIME DURING ECONOMIC EXPANSION

CLI > 100	<2%		2-4%		>4%	
	Avg Real YoY (%)	% of Total Months	Avg Real YoY (%)	% of Total Months	Avg Real YoY (%)	% of Total Months
GSCI Index Total Return	-7.7	8.0	14.2	28.7	17.8	21.7
GSCI 5 Sector Equal-Weight Index Total Return	-0.7	8.0	11.7	28.7	15.5	21.8
Industrial Metals Index Total Return	7.5	9.2	19.2	29.9	26.9	17.0
Energy Index Total Return	-12.0	10.5	21.5	32.6	37.1	12.6
Precious Metals Index Total Return	1.2	8.5	8.3	27.6	7.4	20.4
Agriculture Index Total Return	-2.9	8.0	2.2	28.7	14.2	21.7
Livestock Index Total Return	1.8	8.0	7.0	28.7	12.7	21.7
Copper Index Total Return	11.8	9.2	26.5	29.9	30.4	17.0
Gold Index Total Return	1.0	9.4	6.9	30.6	5.3	15.2
Gold Spot	1.7	8.0	9.9	28.7	10.8	21.7
WTI Spot	-3.6	9.9	19.8	31.7	22.1	14.0
MSCI USA Equities Total Return	18.2	8.0	15.0	28.7	5.5	21.7
US 10 Year Government Bond Total Return	1.6	8.0	1.3	28.7	-1.6	21.7

Source: Macroband and AB. Data as of 6/30/26.

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The Utility of Real Assets Exposure continued

and semiconductor spending by the hyperscalers is creating durable, multi-year demand for electricity and power generation, a theme that connects the AI buildout directly to the real economy and, in our view, is among the more compelling growth opportunities in the asset class today.

Private Equity — Knowing What You Own

Private equity entered 2026 with real momentum after a strong 2025, when buyout deal value rose +44% to $904 billion and exit value climbed +47% to $717 billion. That momentum was tested in late February, when the closure of the Strait of Hormuz sent crude sharply higher and triggered a brief risk-off move. But the market absorbed the shock: global M&A reached $1.38 trillion in the first quarter, up +25.4% year-over-year.

Beneath the headlines, capital continued to rotate toward hard assets as utilities, energy, chemicals, and machinery rose to 46% of buyout transaction volume, up from 13% a year earlier, while information technology and telecom fell from 27% to 11%. Private investment in utilities and energy alone reached $52.8 billion in the quarter, approaching the entire prior-year total. AI-driven electricity demand, a renewed focus on energy security, and industrial reshoring are all behind the shift. This is not a theme NRP recently adopted: the private equity and credit vehicles began building energy and power exposure more than three years ago.

In venture, the story was activity and concentration in equal measure: global investment surged roughly +90% year-over-year, yet more than half of it flowed to just three companies: OpenAI, Anthropic, and SpaceX. These three companies equal roughly 8% of the portfolios. This exposure comes through NRP's fund commitments, and in the case of Anthropic, through a direct investment in its oversubscribed 2025 round. A widening IPO window, anchored by SpaceX, with OpenAI and Anthropic potentially to follow, points to further realizations ahead.

EXHIBIT 13: PRIVATE MARKETS GLOBAL M&A VOLUME

Source: Carlyle. Data as of 6/30/26.

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Private Credit — Taking Advantage of Choppy Waters

Private credit spent two years with the wind at its back before the first quarter interrupted the calm, as investors reassessed AI's impact on software companies and retail investors redeemed from semi-liquid credit funds. Headlines declared a crisis in private credit, but the situation is better described as a sentiment-driven repricing. Defaults in private credit remain near cyclical lows and the underlying borrowers continue to grow revenue and earnings. The redemption requests that affected the mega evergreen funds were due to a liquidity mismatch rather than loan impairment. However, these redemptions have reset the private credit market as the large lenders protect their capital. Over the past quarter spreads have widened, covenants and terms have improved for lenders. This new environment is favorable for disciplined lenders with stable capital (Exhibit 14).

Despite the headlines, the turbulence barely touched the lower middle market, where the direct lenders in NRP portfolios focus. Loans in this market carry real covenants and lower leverage and sit outside the syndicated, software-heavy corner that drove the volatility. During the quarter, lower-middle-market loans posted the lowest default rate of any segment.

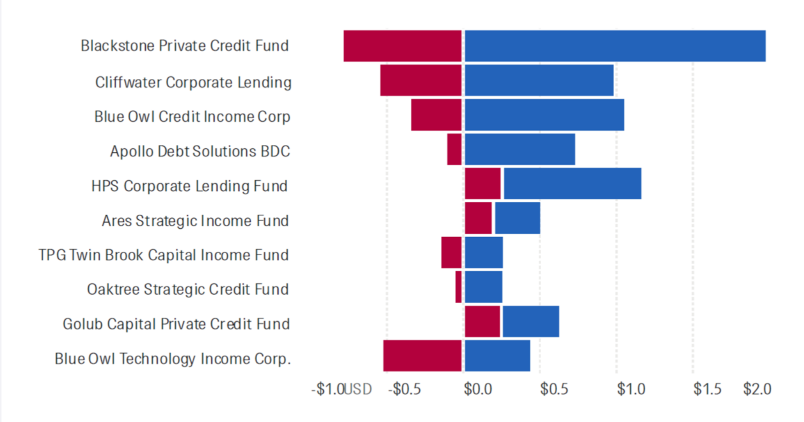
2026 2H Outlook — What to Watch in Q3

Over the first half of the year, the economy has held up with few signs of significant stress. The question for the back half of 2026 is which current prevails: will the narrow AI-led leadership keep driving the indices or will the broadening trend continue? Three threads will shape the answer.

The first thread is the path of inflation and interest rates. With oil back off its highs, inflation is widely expected to ease. The question is whether that cooling shows up in the coming reports as it did in June. If it does, it would take pressure off the Fed. If inflation stays elevated, the Fed's cautious stance is likely to persist, with a hike on the table. The next several inflation readings will go a long way toward determining the Fed's next move (Exhibit 15).

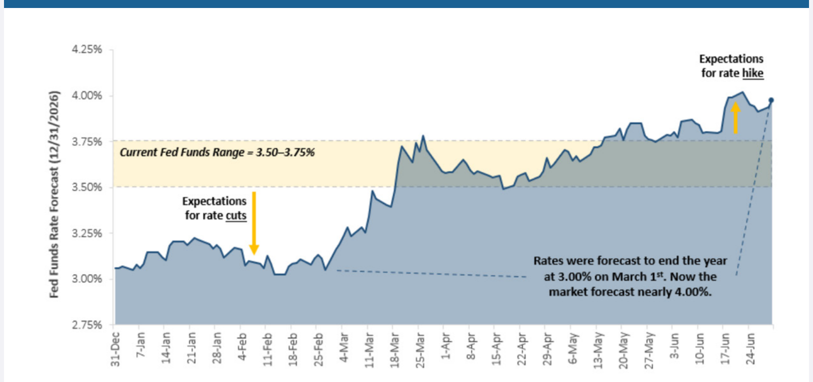
The second thread is the durability of the AI buildout. The spending has been enormous, and the stock market gains have been large. The question now is whether both can hold. The AI

EXHIBIT 14: PRIVATE CREDIT TAKING ADVANTAGE OF CHOPPY WATERS



Source: Morningstar. Data as of 6/30/26.

EXHIBIT 15: INTEREST RATES - RATE CUT EXPECTATIONS FLIP TO A POSSIBLE RATE HIKE



Source: MarketDesk. Data as of 6/30/26.

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2026 2H Outlook — What to Watch in Q3 continued

trade has become crowded, and the late-quarter pullback in technology showed how quickly prices can swing when expectations are high. Over time, the spending will need to translate into real profits to justify its scale, especially as a growing share is funded by issuing new debt and equity. The past quarter showed the promise of the technology and served as a reminder of how much is already expected of it.

The third thread is whether the market's broadening continues. This year has been unusual, with broad participation across the market existing alongside exceptionally narrow leadership at the very top. The question is whether the gains keep spreading or leadership narrows again to a handful of names.

Underlying all of this is the question we hear most often: is this a bubble? Our answer has two parts. It may well become one eventually, in a pattern that rhymes with the late 1990s: real transformation, heavy spending, and narrow leadership. But "likely to become a bubble" is not the same as being in one today. The 1990s showed that moves like this can run for years before they break, and calling the top early carries a real cost. The traits this market share with the dot-com era do rhyme with how bubbles form; they do not prove we are in one, or that it ends the same way. Rather than trying to time a reversal, we rely on diversification, disciplined manager selection, and a clear understanding of what we own to manage risk in both directions. A list of open questions can create unease, so it is worth remembering how the past two quarters unfolded. The market faced a war, an energy shock, inflation at a three-year high, and a Federal Reserve signaling a potential rate hike. Through all of it, stocks not only held their ground but traded to new highs. We cannot know exactly how these questions resolve, but a diversified portfolio and a long-term perspective remain among the most effective ways to navigate periods of uncertainty.

—NRP Investment Committee
July 31, 2026

Disclosure

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Asset Class Positioning Summary

The following summarizes how the themes discussed in this letter inform our current positioning across the major asset classes.

ASSET CLASS	VIEWPOINT AND CURRENT STANCE
Global Equities	Maintain a full, diversified equity allocation. After a technology-led rally that has left AI-related valuations stretched and much future growth already priced in, we favor broadening exposure beyond mega-cap technology toward mid- and small-cap stocks and international markets, which are participating in the rally and trade at more attractive valuations. Take opportunity to rebalance Domestic Equity exposure back to long-term targets.
Fixed Income	Emphasize high-quality bonds, MBS, and keep duration measured. Rate volatility persists as the Federal Reserve leans toward a possible hike, though easing oil and inflation could relieve that pressure. With spreads tight by historical standards, there is limited compensation for moving down in quality. We are cautious on the weakest high-yield borrowers (CCC-rated) which have not recovered to pre-conflict levels.
Public Alternatives	**Hedged Equity** — The late-quarter pullback in technology and stretched AI valuations show how quickly prices can swing when expectations are high. Hedged Equity keeps participation in the ongoing rally and market broadening while cushioning the drawdowns that elevated expectations make more likely. High stock dispersion makes for an ideal stock picking environment. **Absolute Return** — With rate volatility elevated — the 30-year Treasury reached its highest level since 2007 — and credit spreads tight, absolute return strategies deliver returns largely independent of the direction of stocks and bonds, providing ballast while the path of inflation and Fed policy remain unresolved.
Private Investments	**Private Equity** — Private equity offers the potential for high returns by providing exposure to companies in power, energy, defense, healthcare, and AI sectors of the market. Managers with sector specific expertise and experience help these companies grow and create value. As the M&A market returns, lower middle market managers will be well positioned to generate compelling returns. **Private Credit** — The turbulence in the private credit market during the first half of the year led to a market reset in favor of lenders. Today, the environment for lenders is appealing with higher spreads and increased security. Private credit funds have historically generated attractive returns in these market conditions.
Real Assets	Real Assets currently exhibit both growth and defensive value qualities. Favor real assets tied to the AI infrastructure cycle, including power, data-center, and related infrastructure, where demand is a durable tailwind, alongside inflation-sensitive exposures. Certain real assets have also shown to be a good hedge for fixed income portfolios in higher inflation regimes when economic growth is positive. Thus, take the pullback in energy and commodity prices as an opportunity to rebalance Real Assets exposure back to long-term strategic weight.

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