DAUNTLESS ADVISORY

QUARTERLY INVESTOR NOTE

Third Quarter 2026

The Fed acts, earnings keep climbing, and the case for staying invested holds

FOR CLIENTS & PROSPECTIVE CLIENTS · SEPTEMBER 2026

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QUARTER IN REVIEW

The Fed acts, earnings keep climbing, and the case for staying invested holds

In June we wrote that inflation was proving sticky and that the Fed had turned more hawkish in its rhetoric. This quarter the Fed turned that rhetoric into action, raising its policy rate for the first time since 2023, and markets have spent September debating how many more increases will follow. That is the headline most investors noticed. The more important story, in our view, sits underneath it: U.S. companies are on track for a third straight quarter of earnings growth above 25%, analysts are raising rather than cutting their estimates, and because stock prices have risen more slowly than profits, the market is actually cheaper on forward earnings than it was three months ago. History suggests that measured rate increases in a strong economy are a headwind for equities, not a verdict against them. Investors who stayed the course through this year's energy shock participated in the market's recovery, and we believe the same discipline applies to the rate cycle now underway.

The Fed moves from words to action

At its September 15–16 meeting, the Federal Open Market Committee voted 12–0 to raise the target range for the federal funds rate by a quarter point, to 3.75%–4.00%. Chair Kevin Warsh described the increase as removing "a dose of accommodation,"[1] language that signals the Committee no longer views policy as restrictive. The projections moved in the same direction: 16 of the 18 participants who submitted forecasts now expect at least one more hike this year, and the median year-end policy rate rose to 4.1% from 3.8% in June.

MEDIAN FOMC PROJECTION	JUNE 2026	SEPTEMBER 2026
Real GDP growth, 2026 (Q4/Q4)	2.2%	2.3%
Unemployment rate, year-end 2026	4.3%	4.1%
Core PCE inflation, 2026	3.3%	3.4%
Headline PCE inflation, 2026	3.6%	3.7%
Fed funds rate, year-end 2026	3.8%	4.1%
Fed funds rate, year-end 2027	3.6%	4.1%
Implied 2026 policy path	Bias toward a hike	One more 25 bp hike

Source: Federal Reserve, Summary of Economic Projections, September 16 and June 17, 2026 (median projections).

Read together, the numbers describe an economy that is running warmer, not cooler. The Committee raised its growth forecast and lowered its unemployment forecast and at the same time it nudged its inflation forecast higher. That combination matters: the Fed is tightening because demand is firm and energy prices remain elevated, not because something is breaking. For the long-term investor, the practical implication is a higher-for-longer environment for cash and bond yields — the 10-year Treasury yield climbed above 5% in September, its highest level since 2002[2] — alongside an earnings backdrop that remains unusually supportive.

A new kind of Fed: when the market helps set the path

The more lasting change this quarter may be in how the Fed communicates. For more than fifteen years, under Chairs Bernanke, Yellen, and Powell, the Fed practiced "forward guidance," telling markets in increasingly granular detail where it expected rates to go. Chair Warsh has deliberately stepped back from that practice. In his Jackson Hole address in August, he argued that forward guidance, adopted as an emergency tool during the financial crisis, has outlived its usefulness in normal times, and that the Fed should not encourage a regime in which investors look to it primarily for their next trade. He has declined to submit his own projection to the dot plot, shortened the post-meeting press conference, and avoided telegraphing the Committee's next move.[3]

That shift has a subtle but important consequence for tools such as the CME FedWatch tool, which translates fed funds futures prices into the probability of a hike, hold, or cut at each upcoming meeting. In the forward-guidance era, FedWatch largely measured what the Fed was going to do, because the Fed had effectively told the market in advance. Going forward, with less official guidance to anchor it, the same tool increasingly reflects what the market thinks the Fed should do — a collective judgment formed from inflation data, jobs reports, oil prices, and the shape of the yield

curve. Warsh has framed interest rates as prices that carry information and has suggested the Fed should take more of its cues from those market signals, rather than simply leading them. The table below shows how far the two views currently diverge.

	WHAT THE FED PROJECTS (DOT PLOT)	WHAT THE MARKET PRICES (FUTURES)
Further hikes in 2026	One more 25 bp (median); 16 of 18 see at least one	≈87% odds of at least one; ≈37% odds of two
Timing of the next move	No guidance offered	≈73% odds of a hike on Oct. 28
Fed funds rate, end of 2027	4.1% (median)	≈4.6%
Total hikes this cycle	Two (September plus one)	Roughly three, with some odds of a fourth

Source: Federal Reserve SEP (September 16, 2026); CME FedWatch and fed funds futures as reported by Charles Schwab and CNBC, September 16–23, 2026. Market-implied probabilities change daily.

Put simply, the market is leaning further than the Fed. Futures imply roughly three quarter-point hikes in total for this cycle — September's plus two more — and a policy rate in the mid-4% range by late 2027, while the median Fed official sees one more hike and a plateau near 4.1%. The 2-year Treasury yield, a market-set rate that is particularly sensitive to Fed expectations, has climbed to nearly a full percentage point above the effective fed funds rate, its widest gap since late 2022.[4] For a chair who prides himself on reading market signals, that spread is itself a message.

What does this mean for investors? First, expect more volatility around economic releases, because each inflation or jobs report now does more of the work that Fed speeches used to do. We saw a preview on September 16, when the S&P 500 fell as much as 1% intraday to a six-week low as the chair declined to signal what comes next, and then recovered to near-record levels within a week.[5] Second, market-implied probabilities should be read as a vote rather than a verdict; they can and will swing sharply as new data arrives. Third, and most important, none of this changes the fundamentals that drive long-term returns. A Fed that says less does not make companies earn less.

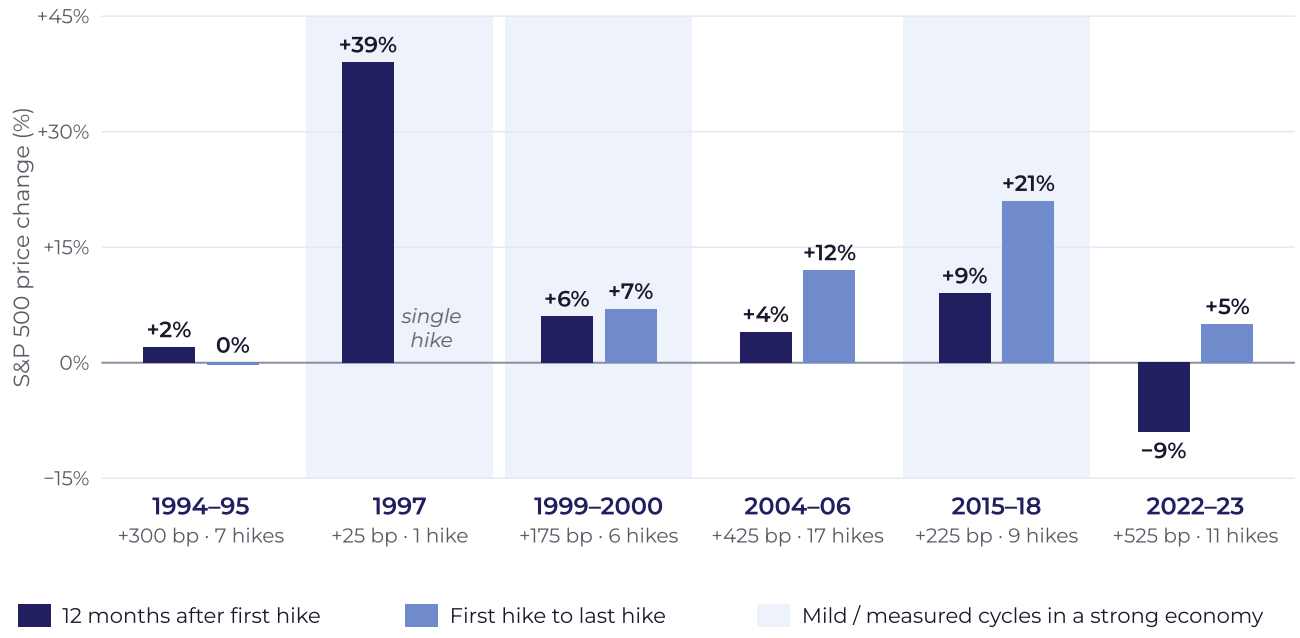
What mild hiking cycles have meant for stocks

With markets now pricing roughly three quarter-point increases in total, the natural question is what a modest tightening cycle has historically meant for equities. The answer, particularly when the economy has been strong, is more reassuring than the headlines suggest. The table below reviews the six Fed tightening cycles since 1994 and the S&P 500's price change over the twelve months after the first hike and across the full cycle, from first hike to last.

CYCLE	TOTAL TIGHTENING	ECONOMIC BACKDROP	12 MONTHS AFTER FIRST HIKE	FIRST HIKE TO LAST HIKE
1994–95	+300 bp (7 hikes)	Strong growth; abrupt, surprising pace	≈ +2%	≈ 0%
1997	+25 bp (1 hike)	Strong growth; technology boom	≈ +39%	Single hike
1999–2000	+175 bp (6 hikes)	Strong growth; late-cycle boom	≈ +6%	≈ +7%
2004–06	+425 bp (17 hikes)	Steady expansion; measured pace	≈ +4%	≈ +12%
2015–18	+225 bp (9 hikes)	Moderate growth; low inflation	≈ +9%	≈ +21%
2022–23	+525 bp (11 hikes)	Inflation surge; Fed catching up	≈ −9%	≈ +5%

Source: Dauntless Advisory calculations from S&P 500 closing prices; price return excluding dividends; figures approximate. Past performance does not guarantee future results.

S&P 500 PRICE CHANGE DURING FED TIGHTENING CYCLES SINCE 1994 (SHADED = MILD OR MEASURED CYCLES IN A STRONG ECONOMY)



Source: Dauntless Advisory calculations; S&P 500 closing prices.

Three patterns stand out. First, rate hikes on their own have rarely ended bull markets. In five of the six cycles the index was higher a year after the first hike, and in every cycle it finished higher at the last hike than at the first (or roughly flat, in 1994). The mild, measured cycles — 1997, 1999–2000, and 2015–18 — all unfolded in strong or steady economies, and stocks rose through each of them. Second, the early months can be bumpy. LPL Research finds that across these cycles the S&P 500 was, on average,

lower during the first four months after the initial hike before recovering meaningfully by months five and six[6] — precisely the window in which nervous investors are most tempted to sell. Third, the exceptions prove the rule. In 2022 the Fed was forced to catch up to a surge in inflation, lifting rates by more than five percentage points in about sixteen months, and stocks suffered a bear market along the way. In 1994 an abrupt doubling of the policy rate caught markets off guard and produced a flat year for stocks and a historic bond sell-off, yet the economy avoided recession and the S&P 500 rose more than 30% the following year.

Today's setup looks far more like the mild cycles than like 2022. Growth is solid, with September business surveys showing manufacturing and services activity accelerating; earnings are growing near 30%; and the economy is less sensitive to higher rates than in past cycles, because most homeowners locked in low fixed-rate mortgages and household debt-service burdens remain modest by historical standards.[7] The market is pricing about 75 basis points of total tightening, not 525. The risk we are watching is less the level of rates than the speed of the move: rapid spikes in bond yields have historically been harder on stocks than gradual increases, and the 10-year yield's run above 5% bears watching. But the historical lesson is consistent. In a strong economy, a measured Fed has been a headwind to navigate, not a reason to leave the market.

The earnings story: estimates keep rising, and valuations have become more reasonable

Last quarter we highlighted how unusual it was for analysts to raise earnings estimates as the year progressed. That pattern has continued. S&P 500 companies are now expected to grow earnings by about 32% in 2026, up from roughly 24% in June and less than 16% at the start of the year. Third-quarter earnings track growth of about 29%, which would mark the third consecutive quarter above 25%, and analysts raised their third-quarter estimates by 1.3% during the quarter; over the past five years, estimates have typically fallen by about 2% over the same stretch. Profit margins remain near record levels.[8]

The drivers are familiar but broadening. Semiconductors remain the single largest engine, with the industry's third-quarter earnings expected to more than double from a year ago, while higher oil prices — up about 36% since the end of June[8] — have lifted energy-sector profit estimates by roughly 18%.[8] What stands out most, however, is what happened to valuation. From June 30 to late September, forward earnings estimates for the S&P 500 rose nearly 9% while the index rose less than 3%, so the forward price-to-earnings ratio fell from 20.4 to 19.2, now below its five-year average.[8] In other words, the market spent the quarter growing into its valuation rather than stretching it. Analysts' bottom-up price targets imply roughly 20% upside over the next twelve months[9]; we treat such targets with appropriate skepticism, but the direction of travel is notable.

A WORLD TOUR: GROWTH, INFLATION, POLICY RATES, CURRENCIES, AND EARNINGS

The tables below update where the major economies outside the United States stand at the end of the third quarter. Last quarter's theme was divergence. This quarter the common thread is a broad tilt toward tighter policy, as most major central banks respond to energy-driven inflation with rate increases or a bias toward them.

Economic growth

The IMF's July update trimmed global growth to 3.0% for 2026, followed by a rebound to 3.4% in 2027. The pattern of revisions tells the story of the year: economies plugged into the AI hardware supply chain, such as Korea and Taiwan, were revised up even though they import most of their energy, while energy importers with little technology exposure, including much of Europe, were revised down. The United States is holding steady at 2.3%.

ECONOMY	2026 REAL GDP GROWTH	COMMENT
World	3.0%	Energy drag; rebound to 3.4% in 2027
United States	2.3%	Unchanged; investment and productivity strength
Eurozone	0.9%	Cut 0.2 pt; energy costs, weak confidence
Germany	0.7%	Net exports strong early in the year
United Kingdom	1.0%	Energy shock; 1.3% expected in 2027
Japan	0.6%	Energy hit partly cushioned by fiscal support
China	4.6%	High-tech exports vs. soft consumption
India	6.4%	Fastest-growing major economy
Korea	2.6%	Semiconductor boom; revised up 0.7 pt
Emerging markets (agg.)	3.8%	Wide dispersion; 4.5% in 2027

Source: IMF World Economic Outlook Update, July 2026; India on a fiscal-year basis.

Inflation

The IMF now describes global disinflation as having stalled. Headline inflation is back above 3% in the United States, the euro area, and the United Kingdom, driven largely by energy — Brent crude briefly climbed back above $100 a barrel in early September after attacks on Saudi energy infrastructure[10] — while core measures have been steadier. China remains the outlier, with inflation still below 1%.

ECONOMY	LATEST HEADLINE INFLATION	COMMENT
United States	3.4% (CPI, Aug.)	PCE 3.7% (Jul.); Fed sees 3.7% for 2026
Eurozone	3.3% (HICP, Aug.)	Three-year high; ECB sees 3.0% for 2026
United Kingdom	3.1% (CPI, Aug.)	BoE sees slightly above 4% in early 2027
Japan	≈ 1.9% (Tokyo, Aug.)	Ex-food and energy near 2%
China	0.8% (CPI, Aug.)	Still close to deflation
World	4.7% (IMF, 2026)	Disinflation stalled; 3.9% in 2027

Source: U.S. BLS and BEA; Eurostat; U.K. ONS; Statistics Bureau of Japan; National Bureau of Statistics of China; IMF WEO Update, July 2026. "≈" marks a proxy or estimate.

Central-bank policy rates

Three months ago the story was a fracturing of the easing cycle. Now the tightening bias is broad: the Fed, the European Central Bank, and the Bank of Japan all raised rates within eight days of one another in September, and the Bank of England held only by a 6–3 vote, with three members pushing for an increase. The Bank of Canada is one of the few major central banks still sitting firmly on hold. When most central banks tighten together, interest-rate differentials change less, which helps explain why currency moves were more muted this quarter.

CENTRAL BANK	POLICY RATE (LATE SEPT. 2026)	RECENT DIRECTION
Federal Reserve (US)	3.75%–4.00%	Hiked +25 bp Sept. 16; first since 2023
ECB (Eurozone)	2.50%	Hiked +25 bp Sept. 10; second of 2026
Bank of England	3.75%	Held 6–3; three votes to hike
Bank of Japan	1.25%	Hiked Sept. 18; highest since 1995
Bank of Canada	2.25%	Held Sept. 2; seventh straight hold
Swiss National Bank	0.00%	On hold at the lower bound
People's Bank of China	≈ 3.0%	Easing bias; rates near record lows

Source: respective central banks, as of late September 2026.

Currencies

The dollar made a round trip. After rebounding in the second quarter, it softened over the summer before a late-September rally, fueled by bets on further Fed tightening, pushing the dollar index back to about 101.5 — close to where it began the quarter. The yen remains the weak link, trading near 157 per dollar despite the Bank of Japan's hike and joint U.S.–Japan intervention in July.[11] As it has in the past, currency-hedged European equity exposure continues to serve its purpose as a volatility dampener rather than a return driver.

CURRENCY / INDEX	LEVEL (SEPT. 30, 2026)	Q3 THEME
U.S. Dollar Index (DXY)	≈ 101.5	Round trip; near two-month high on Fed bets
EUR / USD	≈ 1.13	Lowest since May 2025 despite ECB hikes
GBP / USD	≈ 1.33	Near three-month low after BoE hold
USD / JPY	≈ 157	Yen weak despite BoJ hike and intervention

Source: ICE U.S. Dollar Index; market data as of September 30, 2026.

Corporate earnings around the world

Global profit growth remains strong but narrow. Technology represents about 31% of the MSCI All Country World Index by weight yet is expected to account for roughly 55% of its 2026 earnings growth, and in emerging markets and Japan the concentration is even more pronounced. That is a reason for optimism about the earnings trajectory and, at the same time, a reason for discipline about diversification.

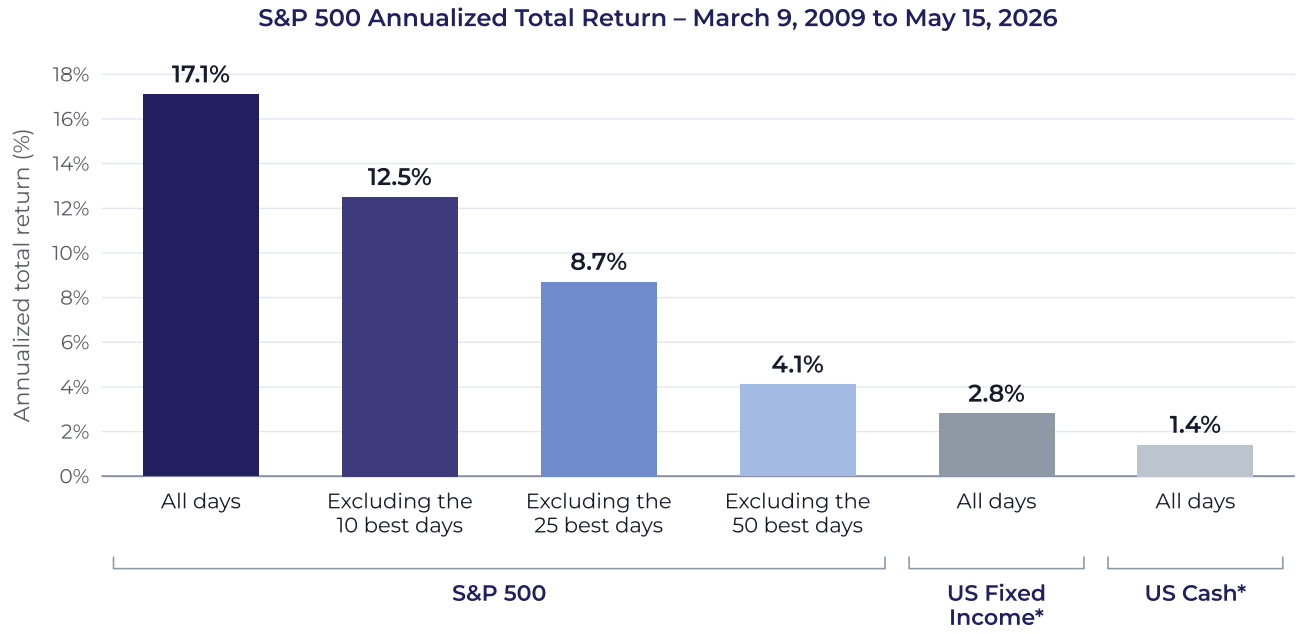
REGION / INDEX	2026 EPS GROWTH (CONSENSUS)	COMMENT
S&P 500 (US)	≈ 32%	Up from ≈24% in June and <16% in January
MSCI All-Country World	≈ 24% (12-mo. fwd.)	Tech: 31% of weight, 55% of growth
MSCI Europe	≈ 9%–12%	Energy costs weigh on the outlook
MSCI Japan	≈ 8%–11%	Tech ≈70% of expected growth
MSCI Emerging Markets	≈ 25%–50%	Tech ≈83% of expected growth
MSCI China	≈ 13%–15%	Tech and exports driving growth

Source: FactSet; Charles Schwab/Bloomberg; RBC Wealth Management; J.P. Morgan Asset Management — 2026 consensus estimates.

The penalty for not staying invested

Periods like this one — a new hiking cycle, a Fed that has stopped signaling its next move, and oil flirting with $100 — are exactly when the urge to "step aside until things settle down" is strongest. The exhibit below remains the clearest answer we know to that urge. It shows the annualized total return of the S&P 500 from the Global Financial Crisis (GFC) low on March 9, 2009, through May 15, 2026, and how sharply that return shrinks when an investor misses just a handful of the market's best days.

THE PENALTY FOR NOT STAYING INVESTED



*Source: Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook. Historical index illustration only; not Dauntless client performance; does not reflect advisory fees, transaction costs, or taxes. *US fixed income is measured using the Bloomberg US Intermediate Government/Credit Index, and US cash is measured using the Bloomberg 1–3 Months US Treasury Bill Index.*

Illustration limitations: This analysis begins at the March 9, 2009 Global Financial Crisis market low and therefore reflects a specific historical starting point. It illustrates the effect of removing only the market's strongest days and does not model the effect of avoiding the market's worst days. Strong and weak market days can occur in close proximity. The illustration is not an investment strategy, does not represent Dauntless client performance, and should not be interpreted as demonstrating that remaining fully invested will outperform every alternative strategy or in every market environment.

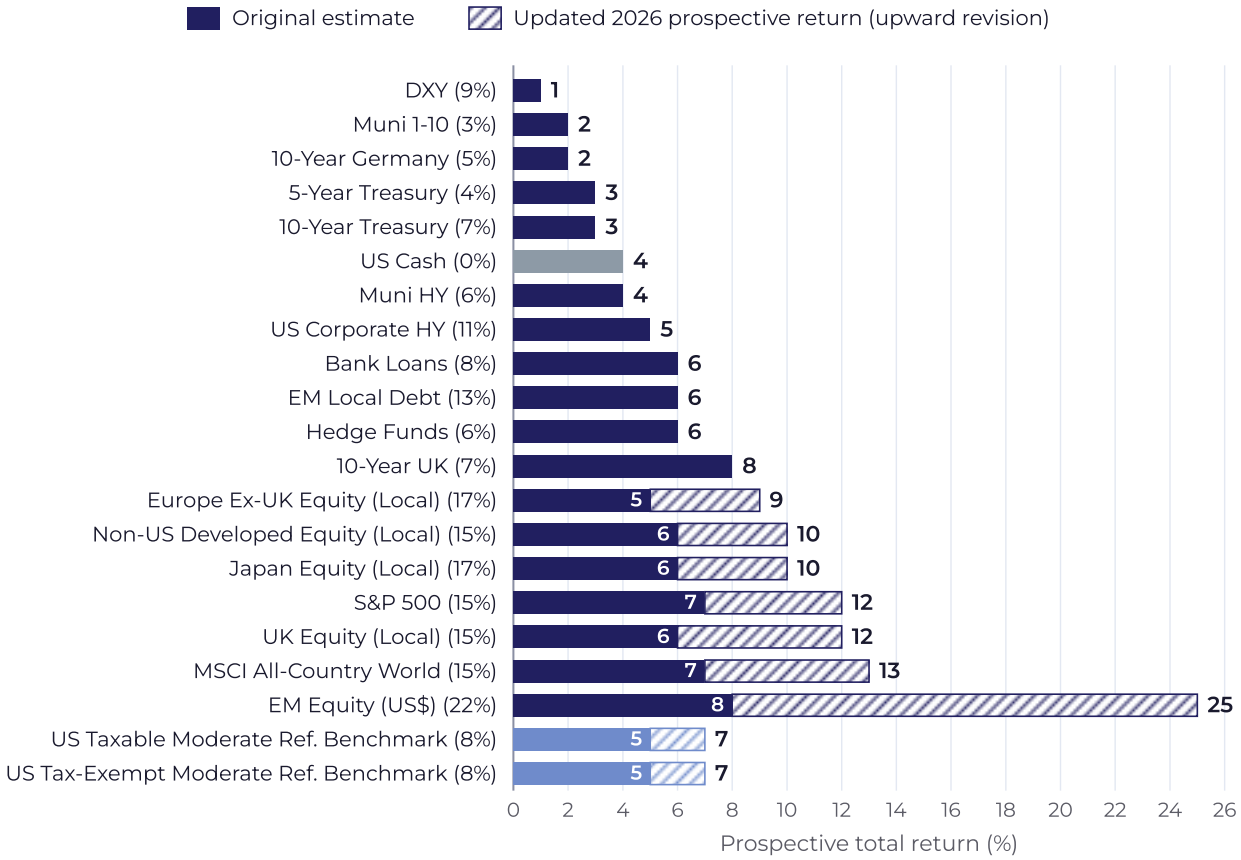
Missing only the 10 best days cuts the roughly 17% annualized return to 12.5%; missing the best 25 lowers it to 8.7%; missing the best 50 leaves just 4.1%, little better than cash. And the best days tend to arrive at the worst-feeling moments, often during bear markets or in the early months of a recovery. The hiking-cycle history above adds a timely footnote: the weakest stretch for stocks has typically come in the first few months after the Fed begins raising rates, followed by a recovery that rewarded those who stayed put. Hartford Funds reaches a similar conclusion over a recent 30-year window, finding that missing the 10 best days would have cut an investor's ending wealth by more than half.[12]

That is why we build portfolios to withstand volatility before it arrives. A portfolio sized correctly for your goals and tolerance for risk means you are far less dependent on guessing when to leave the market and when to come back.

Expected returns: the earnings engine behind the outlook

If staying invested is the discipline, the forward return outlook is what that discipline is designed to capture. The exhibit below shows one- to five-year prospective total returns across the major asset classes. The solid bars are the original estimates; the hatched extensions reflect the upward revision driven by stronger-than-expected earnings.

UPDATED 2026 PROSPECTIVE RETURN BY ASSET CLASS (HATCHED = UPWARD REVISION)



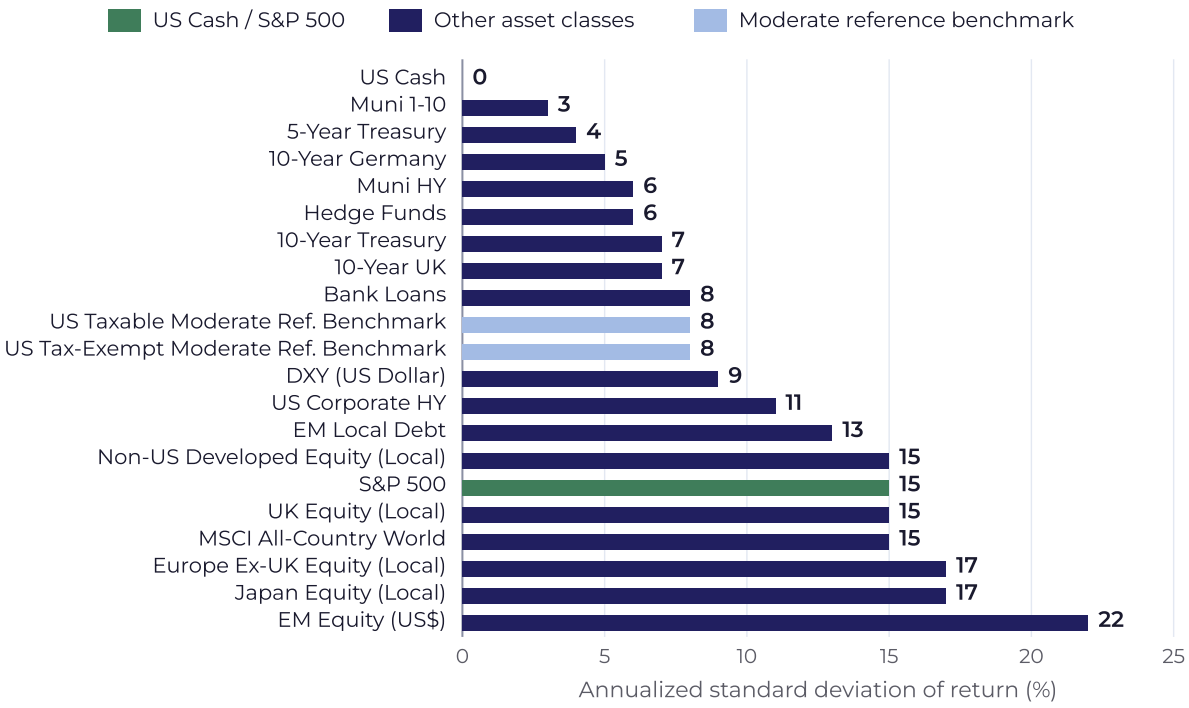
Source: Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook.

Two conclusions continue to hold. Equities, and the diversified benchmarks anchored in them, offer the highest expected returns, with the S&P 500, the all-country index, and emerging-market equities revised up the most as profit forecasts climbed. And the upgrade is global rather than purely American, which argues for holding a broad equity sleeve alongside the U.S. core. If anything, this quarter's combination of rising earnings estimates and a falling forward P/E has strengthened, not weakened, the arithmetic behind these projections.

Return is only half the story: the volatility of those same assets

Higher expected returns come with wider expected swings. The companion exhibit plots the model-based volatility — the annualized standard deviation of return — for each of the same asset classes, ordered from least to most volatile.

ASSET-CLASS VOLATILITY (STANDARD DEVIATION OF RETURN)



Built from the model-based volatility figures in the GS ISG prospective-return exhibit above.

Note: These structural advantages do not ensure U.S. equity outperformance. U.S. markets may be affected by elevated valuations, sector concentration, fiscal and regulatory developments, currency movements, geopolitical events, and periods in which international markets outperform. Historical leadership by U.S. equities may not persist.

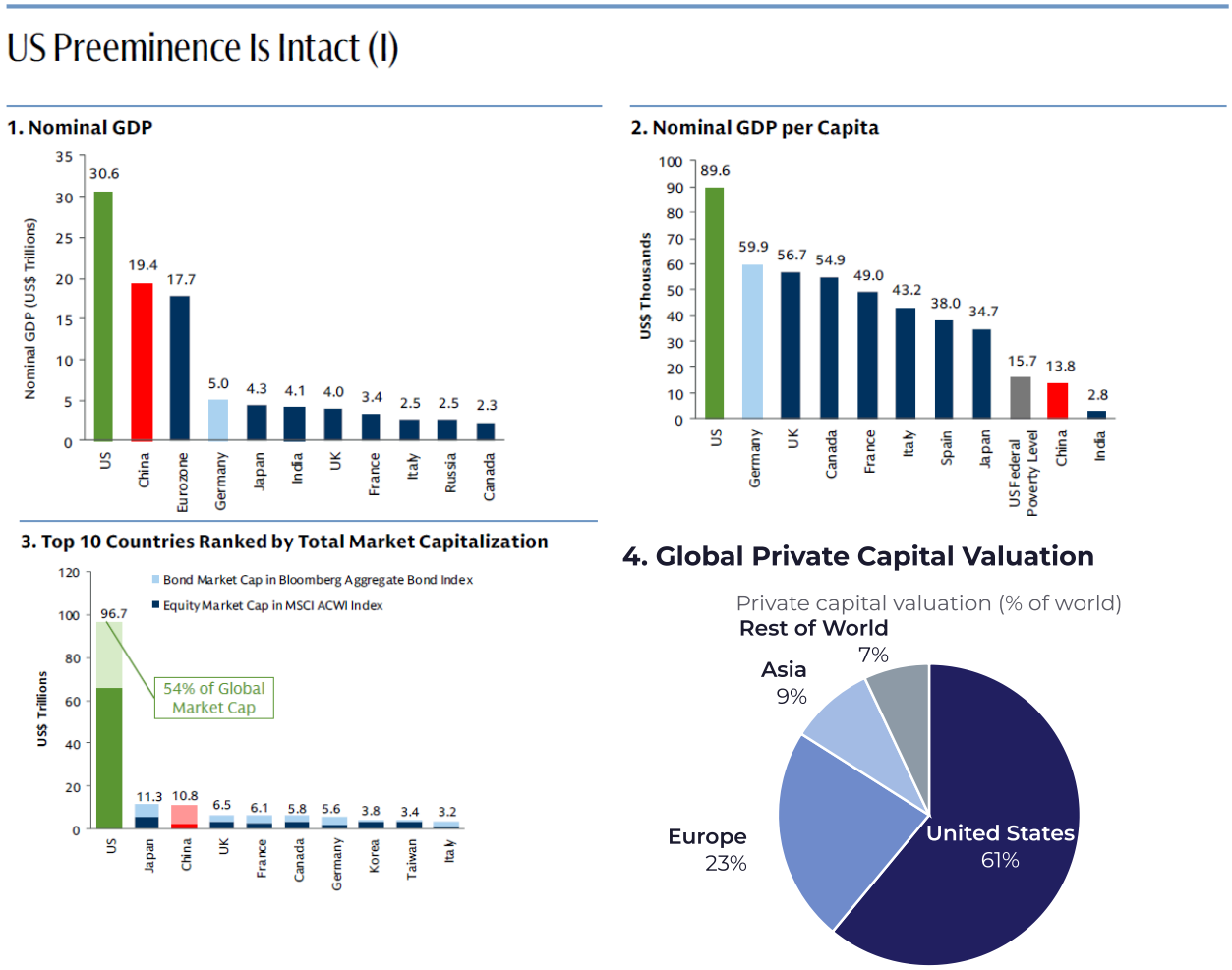
The two exhibits are meant to be read together. Cash offers roughly 4% with essentially no volatility; the S&P 500 about 12% expected return for about 15% volatility; emerging-market equities the highest expected return (about 25%) with the highest volatility (about 22%). High-quality bonds and municipals sit at the calm end of the spectrum, and with yields now near their highest levels in more than two decades, investors are being paid more to hold that stabilizing ballast than at any point in years. We combine these building blocks deliberately so that the risk of the whole portfolio matches your plan, rather than the risk of its most volatile piece.

U.S. PREEMINENCE IS INTACT

Beneath all of this sits a structural conviction we share with the Goldman Sachs Investment Strategy Group, whose 18th annual Outlook is built around two themes: "U.S. Preeminence" and "Staying Invested."[13] The logic runs in a straight line. The features that make the U.S. economy unusually large, productive, and innovative produce faster and more durable corporate earnings; equity returns follow earnings over time; and that, in turn, supports our preference for U.S. equities as the core of many diversified portfolios, where appropriate.

The exhibits that follow lay out the evidence, beginning with scale and wealth: nominal GDP, GDP per capita, total stock market capitalization, and the U.S. share of global private capital.

ECONOMIC SCALE AND WEALTH

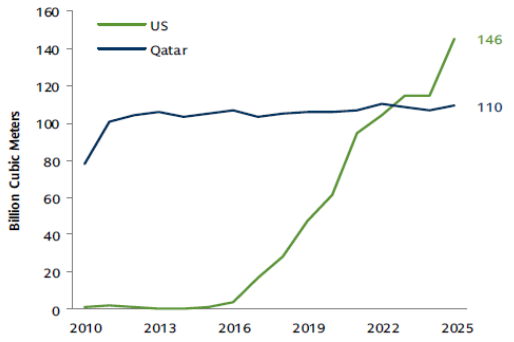


Source: GS ISG 2026 Outlook; underlying data: IMF, World Bank, MSCI, Bloomberg. Panel 4 redrawn by Dauntless Advisory from GS ISG, Outlook 2026 (January 2026), Exhibit 10; data as of 2025; source: Investment Strategy Group, MSCI.

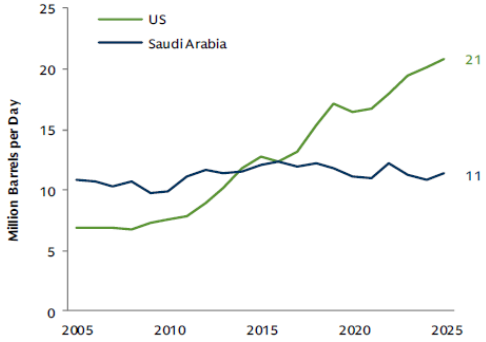
Next come the advantages that are hardest for other economies to replicate: energy abundance (the U.S. is now the world's largest LNG exporter and oil-and-gas-liquids producer[14], an edge that has proven its worth during this year's Middle East energy shock), leadership across critical and emerging technologies, and the quality of corporate management.

ENERGY, TECHNOLOGY, AND MANAGEMENT QUALITY

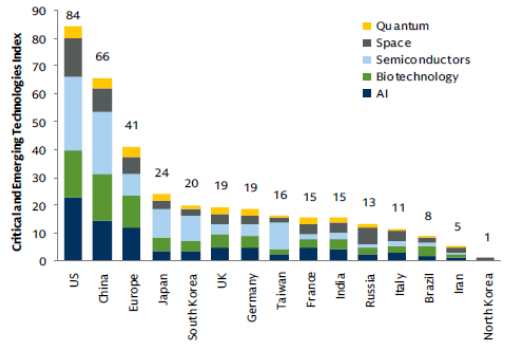
1. US and Qatar Annual Liquefied Natural Gas (LNG) Exports



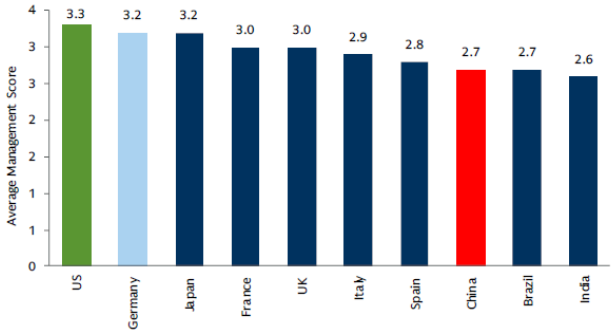
2. US and Saudi Arabia Annual Oil and Natural Gas Liquids Production



3. Belfer Center Critical and Emerging Technologies Index



4. Average Management Score – as of 2024



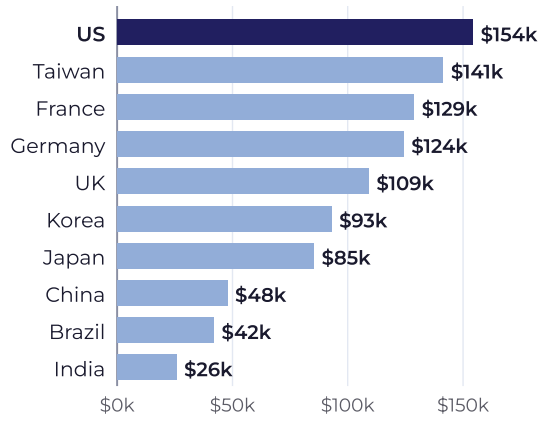
Source: GS ISG 2026 Outlook; underlying data: U.S. EIA, Belfer Center Critical & Emerging Technologies Index, World Management Survey.

Those advantages compound. The U.S. leads on labor productivity per worker, and a dollar invested in U.S. equities at the GFC low has grown far more than the same dollar invested almost anywhere else, even where annualized volatility was higher.

PRODUCTIVITY AND LONG-RUN EQUITY RETURNS

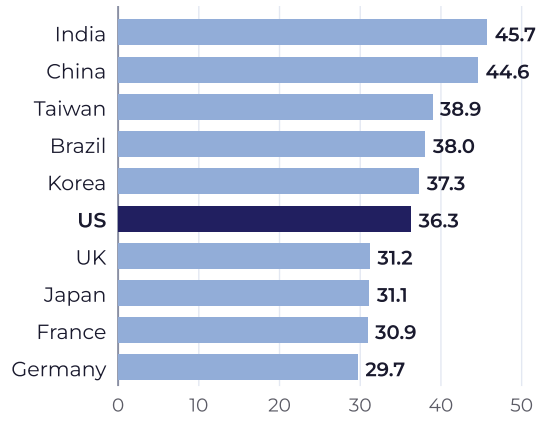
Output per Worker, 2025

GDP per employed person, 2021 international $ (PPP)



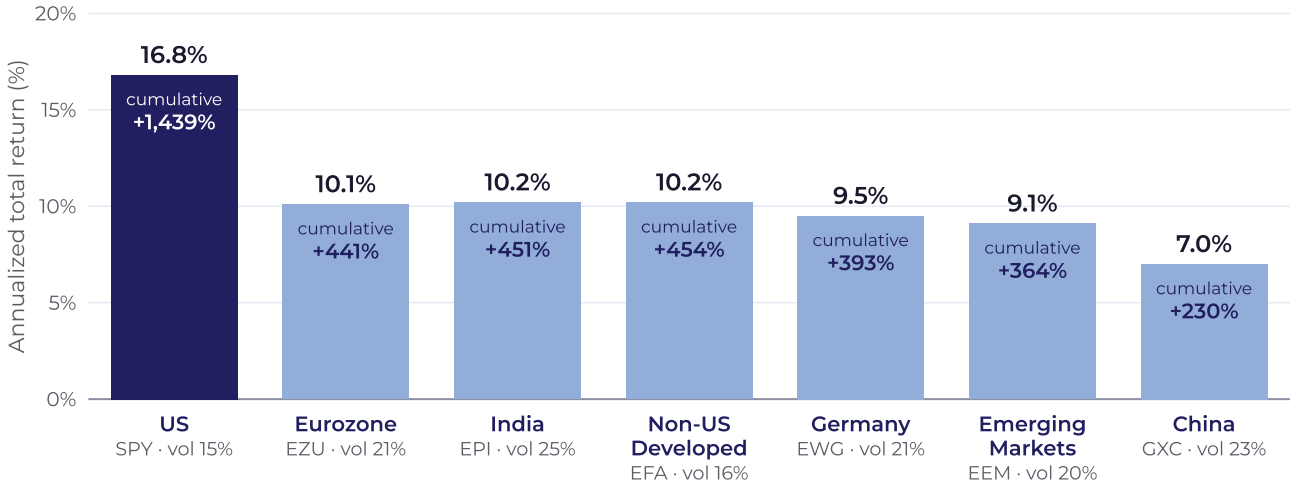
Average Workweek, 2025

Hours actually worked per employed person, per week



Growth Since the March 2009 Market Low, by Region

Annualized total return (bars) and cumulative return, March 9, 2009 – September 30, 2026



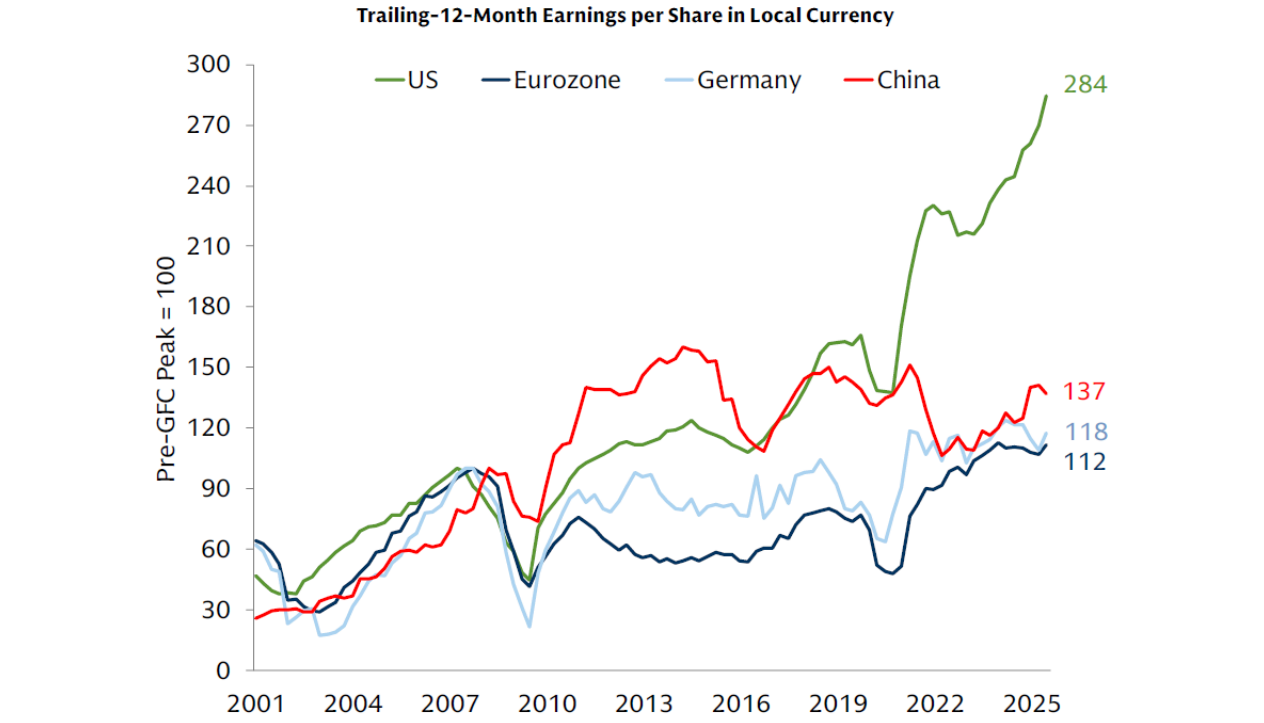
Source: Dauntless Advisory, from International Labour Organization modelled estimates (Nov. 2025) and public ETF prices. Panel 1: output per worker (GDP in constant 2021 international dollars at purchasing power parity), 2025. Panel 2: average weekly hours actually worked per employed person, 2025; the ILO does not publish a euro-area aggregate. Both panels: ILO modelled estimates, November 2025 release (ILOSTAT indicators GDP_211P_NOC_NB and HOW_2EMP_SEX_NB), retrieved 2026-09-30. Panel 3 rebuilt by Dauntless Advisory from public ETF prices: total return at market price with distributions reinvested, from the March 9, 2009 close through September 30, 2026, using ETF proxies (SPY, EZU, EPI, EFA, EWG, EEM, GXC). ETF returns include fund expenses and differ from index returns; volatility is the annualized standard deviation of monthly returns. Historical illustration only; not Dauntless client performance. Sources: Yahoo Finance; Dauntless Advisory calculations.

Period-selection note: March 9, 2009 was selected because it marks the Global Financial Crisis market low. Relative-return comparisons are sensitive to the chosen start and end dates, and different measurement periods may produce materially different results.

Finally, the link to the one variable that ultimately drives markets: earnings. Since the GFC, U.S. trailing earnings per share have pulled decisively ahead of those in the Eurozone, Germany, and China, which is the channel through which structural advantage becomes shareholder return.

U.S. EARNINGS HAVE OUTPACED PEERS SINCE THE GFC (PRE-GFC PEAK = 100)

The Earnings Growth Rate in the US Has Picked Up Momentum Since the GFC



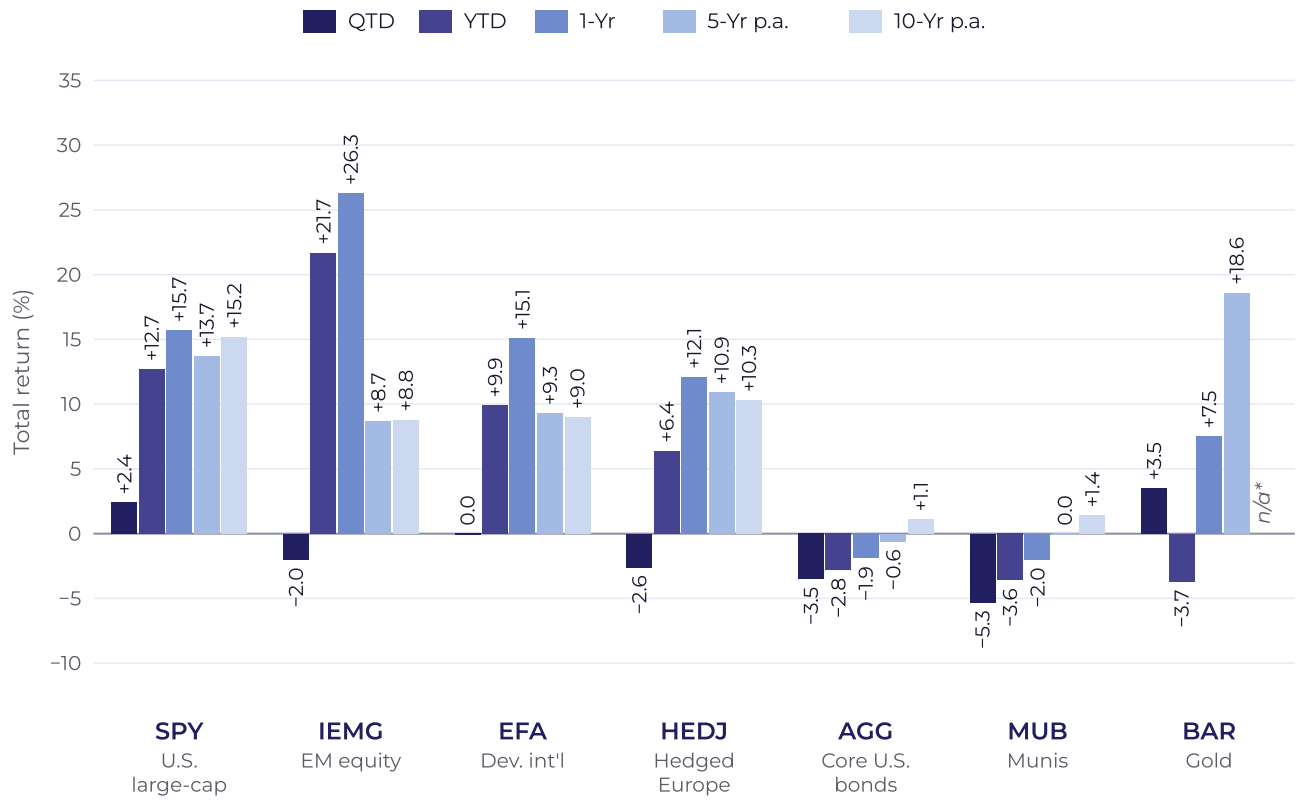
Source: GS ISG 2026 Outlook.

Our balance: we continue to pair the U.S.-preeminence conviction with the staying-invested discipline. Confidence in U.S. earnings power is why the U.S. anchors the equity allocation. The breadth of the global earnings upswing, and the reminder from 2025 that a weaker dollar can hand the lead to international markets, are why we keep a meaningful, partly currency-hedged allocation abroad. Holding both reduces dependence on any single region, sector, or policy regime — including any single central bank — though diversification does not eliminate the risk of loss.

How the Core Building Blocks Have Behaved

For illustrative purposes only, the following familiar ETF building blocks are used as broad market proxies — MUB (munis), AGG (core U.S. bonds), SPY (U.S. large-cap), IEMG (emerging-market equity), EAFE (developed international), HEDJ (currency-hedged Europe), and BAR (physical gold). These examples are not recommendations to buy, sell, or hold any ETF, and not all clients hold these ETFs or exposures. Through September 30, 2026, the third quarter unfolded as follows:

Developed equities SPY · EAFE · HEDJ	MIXED IN A CHOPPY QUARTER	U.S. large caps slipped to six-week lows on the day of the Fed hike, then recovered to near record highs within a week before easing in the final days of the quarter, with energy, health care, and technology leading. That left SPY up about 2.4% for the quarter and 13% for the year. Developed international (EFA) finished the quarter flat, while currency-hedged Europe (HEDJ) slipped about 2.6% as Eurozone stocks lagged, so the hedge dampened currency swings without adding return this quarter.
Emerging-market equities IEMG	STILL THE YEAR'S LEADER, BUT A PAUSE THIS QUARTER	IEMG remains up more than 20% year-to-date on the semiconductor cycle in Korea and Taiwan, where AI-hardware demand continues to drive exceptional earnings growth, yet it finished the third quarter about 2% lower after a sharp July sell-off, as higher U.S. yields and a firmer dollar weighed on emerging markets.
Core bonds and munis AGG · MUB	A SECOND DIFFICULT QUARTER	The Fed's hike and hotter-than-expected inflation pushed the 10-year Treasury yield above 5%, its highest level since 2002, leaving core bonds down roughly 3.5% and munis down about 5% for the quarter. The silver lining is meaningful: starting yields are now the highest in more than two decades, and starting yield has historically been a reliable guide to fixed income's returns over the following five to ten years.[15]
Gold BAR	A ROUND TRIP	Gold rallied to nearly $4,700 an ounce in late August before giving back much of that gain in September, as rising real yields increased the opportunity cost of holding a non-yielding asset. Net, gold is still up roughly 3.5% for the quarter, having started it near its June lows, but it is down about 4% for the year and up about 7.5% over the past twelve months, and central-bank purchases, which set a second-quarter record this year, continue to provide a floor under demand.[16]



*Total return by core ETF building block, market price with distributions reinvested, through the close on Wednesday, September 30, 2026. QTD is measured from the June 30, 2026 close; QTD, YTD and 1-year figures are cumulative; 5- and 10-year figures are annualized. *BAR launched in August 2017 and has no 10-year record; its annualized return since inception is +13.2%. Sources: Yahoo Finance (distribution-adjusted prices); Dauntless Advisory calculations. ETF returns referenced are fund-level market returns and are not Dauntless client account returns. Returns do not reflect Dauntless advisory fees, client-specific taxes, transaction costs, timing, cash flows, or account restrictions.*

The longer-term hierarchy has not changed: equities have delivered the highest returns along with the deepest drawdowns; bonds and munis have delivered lower but steadier returns whose role is income and risk reduction; and gold has contributed modest returns but valuable diversification when investors are most anxious.

Bringing it back to your plan

The through-line of this quarter is that the Fed and the market have both turned more hawkish while the fundamentals have continued to improve. Earnings are growing faster than expected, valuations have become more reasonable, and history suggests that measured rate increases in a strong economy are something to navigate rather than something to flee. At the same time, rates are higher, the Fed is offering less guidance, and markets are likely to swing more on each new data point. Neither side of that ledger is a reason to abandon the plan. Together, they are a good reason to make sure the plan still fits.

Our role at Dauntless is to build portfolios that can absorb volatile headlines while still participating in the long-term growth of the global economy. If this quarter's developments — in rates, in the dollar, or in your own circumstances — have changed your comfort level or your upcoming cash needs, now is a good time to revisit your allocation and confirm that the strategies Dauntless Advisory builds for clients remain aligned with your real-world life. We look forward to being in touch.

> *This note is provided for educational and informational purposes only and does not constitute investment, legal, or tax advice or a recommendation to buy or sell any security. Forecasts, projections, and market-implied probabilities are estimates, are subject to change, and may not be realized. Historical rate-cycle figures are approximate S&P 500 price returns calculated by Dauntless Advisory and exclude dividends. Figures are sourced as cited and are current as of late September 2026. Past performance does not guarantee future results.*

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