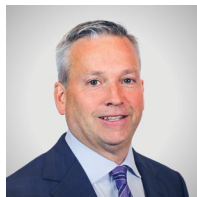


# MARKET MINUTE

## With McGAREL



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### Past performance is no guarantee of future results.

The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. **MSCI USA Momentum SR Variant Index** which aims to reflect the performance of the MSCI USA Momentum Index, wherein all changes driven by the index rebalances of the MSCI USA Momentum Index are distributed over three days leading into the rebalancing effective date. **Morningstar Dividend Yield Focus Index** which is designed to provide exposure to stocks from the Morningstar US Market Index with attractive dividend yields and strong financial quality. The **Morningstar US Market Index** measures the performance of large-, mid- and small-cap stocks in the U.S., representing the top 97% of the investable universe by market capitalization. **Technology stocks** are represented by the S&P 500 Information Technology Index which is an unmanaged index which includes the stocks in the information technology sector of the S&P 500 Index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

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*The Hot Hand*, a book written by Ben Cohen in 2020, explores the *Hot Hand in Basketball* research paper written in 1985. The book discusses the existence of streaks and whether an athlete is actually in “the zone” when she seemingly can’t miss. We have all seen it and it seems obvious when a shooter is red hot. Get her the ball! Yet Cohen’s book and various studies describe streaks as simply the randomness of a large data set and not being in any zone at all.

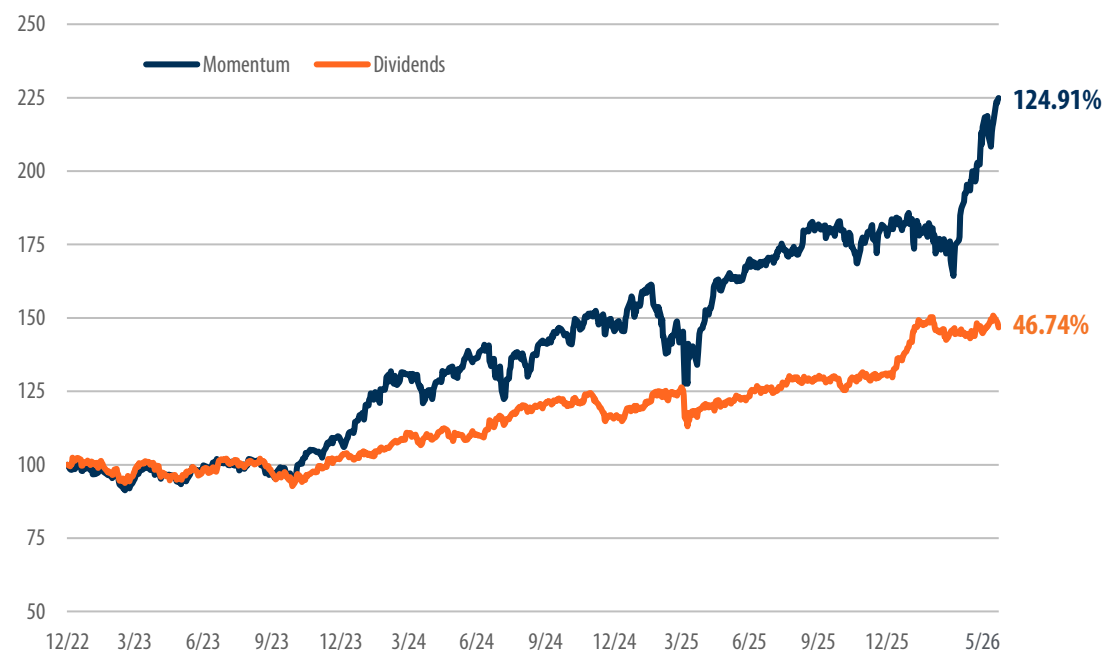
Say what you will about Cohen’s book and the evidence...to most of us, it is clear that the equity markets are in the zone! Especially the momentum factor. In the two months since March 31, 2026, the momentum factor has led the market in a massive way [See chart below]. But, momentum in equity markets, unlike streaks, has data to support its utility as a factor that can outperform. And the momentum over the last two months has been concentrated in a select group of companies that have seen first quarter earnings and their future earnings outlook increase dramatically. Exactly what the momentum factor is all about.

But just like the basketball player misses her 11th shot after making 10 straight baskets, momentum in equity markets doesn’t last forever.

The uncertainty going forward is the sustainability of the momentum factor...and this massive rally. The S&P 500 Index is up 16% in the last two months. It has been led by a handful of companies supplying hardware and semiconductor chips in the race to build out the artificial intelligence (AI) computing power necessary to harness the capabilities of AI. With technology stocks up 36% in just two months, it would be wise to review your asset allocation and factor exposures as they may have materially changed for many portfolios with the rapid move in the market.

Remember, you never know when the next shot may bounce off the rim!

### Momentum vs. Dividends



Source: Bloomberg. Data from 12/30/22 – 5/29/26. The indexes were indexed to 100 on 12/30/22. Returns represent the total return over the time period. For illustrative purposes only and not indicative of any actual investment. **Momentum** is represented by the MSCI USA Momentum SR Variant Index. **Dividends** are represented by the Morningstar Dividend Yield Focus Index. Constituents are weighted in proportion to the value of their dividend payments.