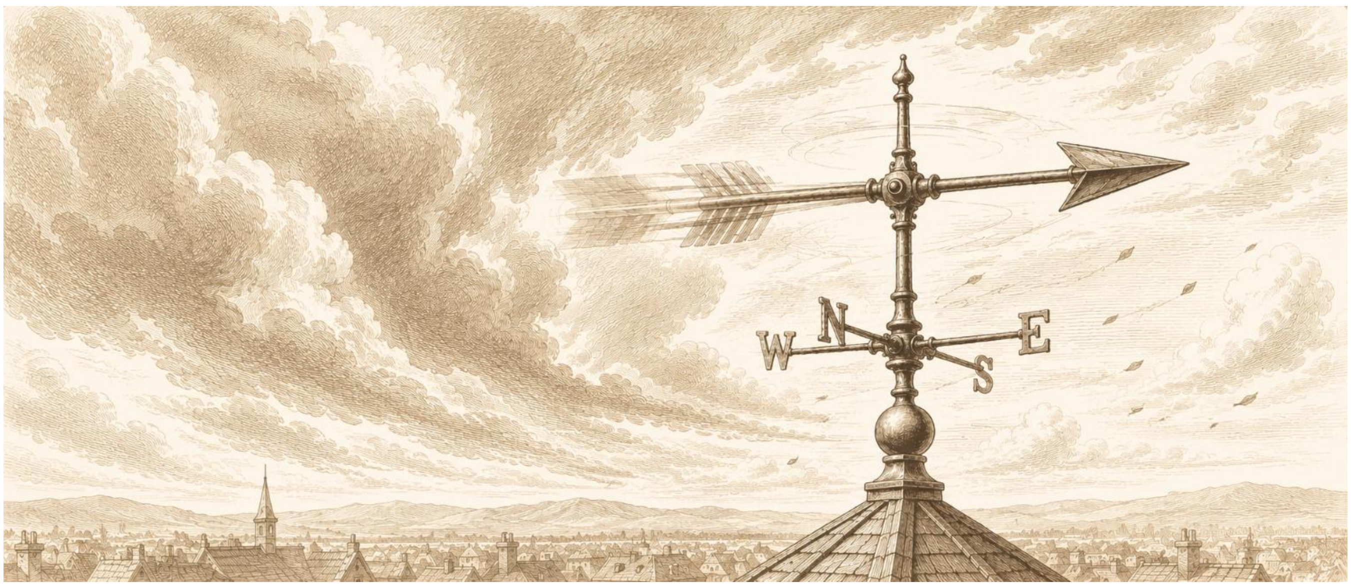
MONTHLY MARKET NOTE · AUGUST 2026

Momentum, in Reverse.

Two forces: a sharp reversal in chip and tech stocks, and the return of conflict over the Strait of Hormuz.



01 – MARKET SUMMARY

The Crowded Trades Unwind.

Renewed hostilities between the U.S. and Iran over the Strait of Hormuz added to the volatility this month, on top of a broader story: the unwinding of the momentum trade that carried the market's Q2 recovery (Lakewood's July Note "Recovery Turned into Rally."). Semiconductors, the sector behind much of 2026's gains, fell roughly -21% in July, and the Nasdaq-100 dropped about -7%, as investors reassessed the financing behind the AI buildout. Rising interest rates compounded the pressure, with oil-driven inflation concerns pushing yields higher and bond prices lower. Equities and bonds under pressure together is exactly the environment a conventional 60/40 allocation is least equipped to handle. Lakewood's architecture is built for this environment. Our Absolute Return and Alternative Income allocations exist to behave differently from stocks and bonds when the two move together, as they did this month.

This bout of volatility appears to be an unwinding of pockets of euphoria we witnessed in Q2, not a long-term threat to portfolios. Earnings growth remains strong, and the US economic backdrop remains supportive heading into the second half of the year. Interest rates and bond volatility are likely to stay elevated as recent changes at the Federal Reserve add uncertainty to that market.

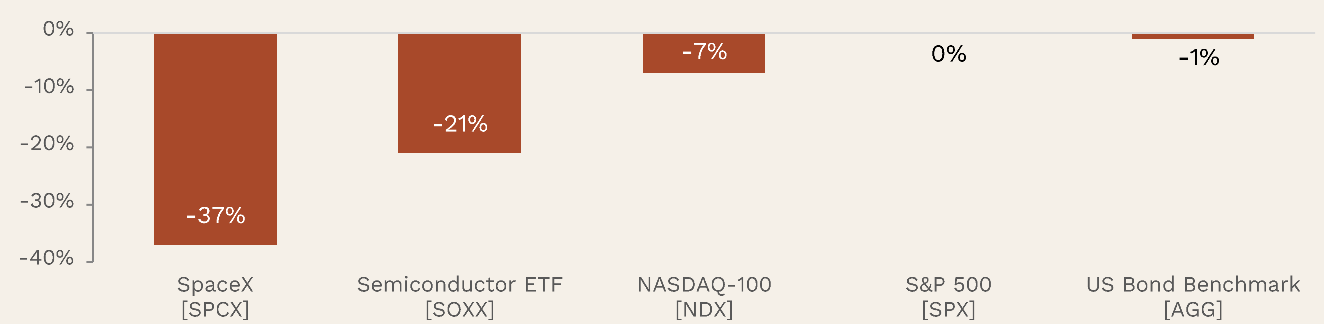
02 – MOMENTUM SHIFT

The Chip and Tech Rally Fades.

The market leaders for the year reversed sharply while the broad market remained intact.

Semiconductor stocks led the market lower in July, falling -21%, 3x the decline of the Nasdaq-100's monthly decline of -7%. The S&P 500 held up far better, flat for the month, evidence that this was a momentum unwind concentrated in one crowded theme rather than a broad market reprice. US bonds fell -1% on the month as rising interest rates pressured fixed income at the same time equities sold off. SpaceX's IPO shine has also worn off, falling -37% in July and now trading -20% below its IPO price. We flagged this risk in our June note, "SpaceX History Making IPO."

JULY 2026 – TOTAL RETURNS



Source: Bloomberg

End of July 2026

MARKET SEGMENT	BENCHMARK TICKER	MTD	QTD	YTD
US Aggregate Bond	[AGG]	-1.3%	-1.3%	-0.6%
Multi-Strat / Market Neutral	[QDSRX]	+1.8%	+1.8%	+5.7%
Defined-Outcome / Buffered Equity	[FDEC]	+0.7%	+0.7%	+7.1%
Global Equity	[ACWI]	-0.3%	-0.3%	+11.3%
Option Overlay Equity	[SPUC]	+0.8%	+0.8%	+9.9%
Diversified Income	[BINC]	-0.2%	-0.2%	+1.1%
S&P 500	[SPY]	+0.0%	+0.0%	+10.1%
Core 60/40 Balanced Allocation	[AOR]	-0.7%	-0.7%	+6.7%

As of 07/31/2026. These are unmanaged funds shown to illustrate the market environment discussed in this note. They are not Lakewood strategies and do not represent any Lakewood account, composite, or actual client performance, which will vary materially. Source: Bloomberg. US Aggregate Bond [AGG ETF], Multi-Strat/Market Neutral [QDSRX MF], Defined-Outcome / Buffered Equity [FDEC ETF], Global Equity [ACWI ETF], Diversified Income [BINC ETF], Option Overlay Equity [SPUC ETF], S&P 500 [SPY ETF], Core 60/40 Balanced Allocation [AOR ETF].

03 – LAKEWOOD'S DIVERSIFICATION

Lakewood Builds Portfolios for This.

Most portfolios have two ways to make money (stocks & bonds). Lakewood portfolios have more.

A traditional portfolio depends on two things: stocks going up, and bonds cushioning the blow when they don't. In a normal downturn, that works. But in a month like July 2026, oil prices spiking, interest rates rising, momentum unwinding all at once, stocks and bonds tend to fall together. That leaves a traditional 60/40 portfolio exposed on both sides at the same time when it needs protection the most.

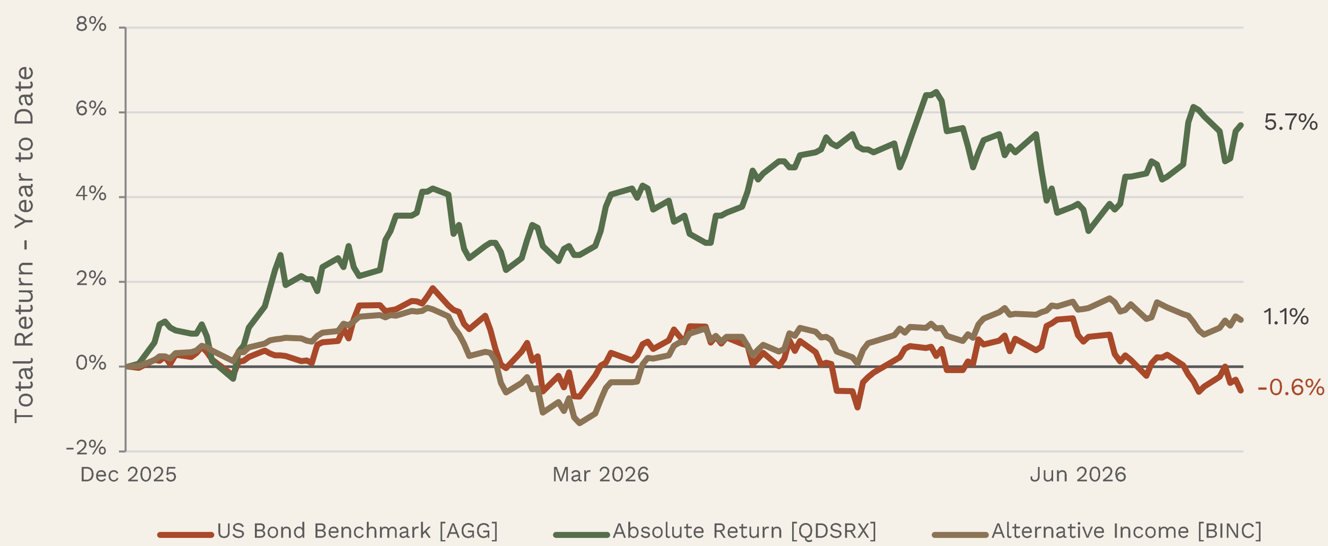
LAKEWOOD PORTFOLIOS OFFER MORE STRATEGIES

Built specifically for markets like July: designed to draw returns from sources other than stock and bond direction. *Instead of depending on stocks and bonds alone, these strategies aim to make money from different sources entirely, the gap between two related investments, or the direction of a market trend, sources that don't rise or fall simply because the stock market did well. That independence is why they held steady, and in some cases gained, during a month when both stocks and bonds struggled.*

This is why we built Lakewood's portfolio architecture: one allocation built to protect what you need, another built to grow for generations, working together instead of one at a time. See our new video linked on our homepage "Your future isn't something you find, it's something you design"

Below are example benchmarks illustrating how strategies in this category have performed this year.

CUMULATIVE TOTAL RETURN, JULY 2026



Source: Bloomberg

04 – YOUR TEAM AT LAKEWOOD

The Partners.

FROM THE PARTNERS

"We avoided the SpaceX narrative, a call we made in June and one we stand by. Our clients hold exposure to the AI theme through low-cost index funds in their Risk Capacity allocations, customized to their plan. We carry hedged equity exposure in Lifestyle Protection, built for exactly this kind of reversal. The strategies inside our Absolute Return allocation are doing their job this month, adding diversification and holding steady while stocks and bonds move lower together. We are not forecasting outcomes. We are making sure each client's allocation, customized to their goals, stays diversified and protected while still positioned for long-term growth where appropriate."

Jon Kline, Panos Grivakis, Alex Lippitt, CFA · Managing Partners, Lakewood Financial Group

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