ALPHACORE
WEALTH ADVISORY

Third Quarter Commentary

E Pluribus Unum



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This year marks 250 years since delegates from thirteen colonies met in Philadelphia and voted to break from Britain. That choice forced a hard question: how do you build something durable out of parts that do not naturally agree? Their answer is stamped on the back of every coin in your pocket. E pluribus unum. Out of many, one.

At the time of writing, AlphaCore is gearing up to host its own gathering. The AlphaCore Wealth Summit brings together industry leaders, economists, and asset managers to debate the questions weighing on markets and the country alike, timed to coincide with the nation's 250th year.

Fittingly, the third quarter made the founders' argument for them. No single asset class carried the day this quarter. Bonds fell again as yields on some maturities reached their highest levels since 2007.[1] Large cap stocks rose modestly; small caps suffered. Gold and hard assets notched solid gains, though most investors hold them at small weights given their volatility.

In short, a mix of assets held up better than the traditional stock-bond portfolio, which finished the quarter flat. That is why we believe a portfolio of just stocks and bonds is not enough for this moment. Building a portfolio for what comes next means building a union of parts, not a pair. This means introducing diversifiers into a portfolio across private markets, alternatives, and other non-traditional strategies.

[1] Source: Sam Goldfarb, "Treasury Yields Reach New Milestone and Threaten Others." The Wall Street Journal, September 29, 2026.

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The Quarter in Numbers

Despite modest index gains, market breadth weakened substantially over the quarter. While the S&P 500 is within 2% of its all-time high, the median stock is 18% below its 52-week high. Four high-flying names—Microsoft, NVIDIA, Apple and Meta—accounted for more than 100% of the index's gain.[2]

Why are most stocks slumping? It's hard to know for sure, but higher bond yields could be one contributing factor. Higher yields generally reduce equity valuations because future cash flows are discounted at a higher rate.

The Quarter in Numbers

Positive Negative

ASSET CLASS	NAME	Q3 2026	YTD 2026
US Equities – Large Cap	S&P 500	2.3%	12.7%
US Equities – Small Cap	Russell 2000	-7.2%	13.7%
International Equities	MSCI ACWI ex USA	0.5%	14.2%
Emerging Markets	MSCI EM	-0.4%	23.4%
US 60/40	U.S. 60-40	0.0%	6.4%
Investment-Grade Bonds	Bloomberg U.S. Aggregate (Bonds)	-3.5%	-2.9%
Long-Term US Treasuries	Bloomberg U.S. Treasury 10+ Year	-7.8%	-7.5%
Global Natural Resources	S&P Global Natural Resources	10.4%	21.1%
Gold	S&P GSCI Gold Index	3.2%	-4.4%
US Dollar	U.S. Dollar	0.3%	3.2%
Hedge Funds	HFRI Fund-Weighted Composite	-0.3%	7.1%

The Fed hiked instead of cutting. In a reversal few expected at the start of the year, the Federal Reserve delivered its first rate increase since 2023 under new Chair Kevin Warsh, who used his August Jackson Hole speech to reassert the Fed's commitment to its inflation target.

Bond yields broke through key levels. The Bloomberg U.S. Aggregate fell 3.5% for the quarter as the 10-year Treasury yield pushed above 5.2%, a 19-year high.[3,4] , Higher yields have several downstream effects. One example is housing affordability, since mortgage rates key off longer-term Treasury yields.

Real assets climbed. Gold rose 3.2% for the quarter. Natural resources more broadly appreciated 10.4%, extending the run that started in Q1.[5] Oil also rose, breaching $100 a barrel for the first time since May.[6]

Large caps held up; small caps did not. The S&P 500 gained 2.3% for the quarter even after pulling back from a mid-quarter high. In particular, financials struggled as banks face higher funding costs and slower loan demand when rates rise. The Russell 2000 fell 7.2%, as higher rates weigh more heavily on smaller, more leveraged companies.[7]

[2] Source: Morningstar. Data as of October 1, 2026. Morningstar Direct. U.S. 60-40 consists of 60% S&P 500 and 40% Bloomberg U.S. Aggregate Bond Index. Data as of October 1. *HFRI reports on a lag and was not yet available as of this writing.
[3]Source: Morningstar. Data as of September 30, 2026.
[4]Source: Koyfin. Data as of September 30, 2026.
[5]Source: Morningstar. Data as of September 30, 2026.
[6]Source: Koyfin. Data as of September 30, 2026.
[7]Source: Morningstar. Data as of September 30, 2026.

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The Bill Comes Due

For most of the last forty years, the 60-40 worked because stocks and bonds moved in opposite directions when it mattered. That relationship broke down when inflation returned in 2022, and Q3 confirmed it has not come back.

Stocks rose 2.3% while bonds fell 3.5%, which could look like diversification at work. We disagree with this framing—we think that rising yields weighed on both stocks and bonds. The S&P 500's forward P/E fell from 20.4 to 19.2 since the end of June, meaning the average stock got cheaper.[8] Strong earnings growth kept the index in the black, but without it, we think stocks would have declined alongside bonds.

Three forces pushed yields higher:

A more hawkish Fed. The conflict with Iran kept a floor under oil prices, and inflation expectations rose. Market-implied odds of a September hike jumped from roughly 35% to 65% after Warsh's Jackson Hole remarks.[9] The Fed followed through, raising rates for the first time since 2023.

Heavy Treasury borrowing. The federal deficit has run near $2 trillion a year, roughly 6% of GDP, a level previously associated with the World War II era and severe recessions.[10] More Treasury supply means more bonds competing for the same pool of buyers.

AI-driven corporate issuance. Companies funding the AI buildout have issued roughly $194 billion of investment-grade debt in just the first six months of this year, up 78% from the full calendar year 2025.[11] That supply glut may have helped push yields higher across the curve.

One reasonable response to higher yields that we've heard is to shorten bond maturities, hold more cash, and lean harder into equities. This strategy is not necessarily a bad one. But a portfolio built on ultra-short duration and a more aggressive equity stance is not more resilient than a traditional stocks-bonds approach. It is exposed to different risks, but not fewer.

We think there is a better answer, and it looks a lot like the founders' answer to their own problem: out of many, one. To diversify against equity drawdowns, we favor a coalition of differentiated strategies. That includes active fixed income, where we think market inefficiencies could create opportunities for skilled managers. For instance, 51% of active fixed-income managers outperformed the Agg over the last five years, though this fact provides no assurance about future outcomes.[12] Indeed, we pair that exposure with alternative strategies in an effort to build a portfolio that draws on multiple potential sources of return rather than relying on any one single driver.

[8] Source: Factset. "Earnings Insight." September 25, 2026.
[9] Source: Janus Henderson Investors. "Market moves & themes that mattered: August 2026." September 2, 2026.
[10] Source: Jack Pitcher and Sam Goldfarb, "See the 10-Year Treasury Yield's Wild Ride on the Road to 5%." The Wall Street Journal, September 20, 2026.
[11] Source: JPMorgan. "Can credit markets absorb the AI buildout?" August 5, 2026.
[12] Source: Morningstar. "US Active/Passive Barometer Report: Mid-Year 2026." August 6, 2026.

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How We're Positioned

Selectively adding fixed income exposure in the "belly" of the curve (5-7 year maturities) but staying light on interest rate risk overall. With the deficit trajectory unresolved, we see limited reason to own the most rate-sensitive part of the bond market when more interesting opportunities exist.

Adding differentiated credit strategies. For active managers, inefficient markets may create opportunities. In credit, we believe this makes manager selection especially critical.

Leaning on alternatives as a complement to traditional bonds. Multi-strategy hedge fund exposure remains a core piece of how we manage a portfolio that can no longer count on bonds alone to diversify.

Holding real assets as a diversifier. Gold has been on a tear over the past three years, partly due to historically large central bank purchases. As that trade has begun to fizzle out, we've started to consider whether to broaden our exposure to natural resources more generally.

Broadening our AI exposure beyond mega-cap tech. We prefer investments that benefit from the AI buildout without relying on a few mega-cap names, particularly in infrastructure. In portfolios that can tolerate a contrarian position, we have selectively added software exposure. We are watching how higher rates affect the pace of AI financing.

Closing Thoughts

"Out of many, one" is not a promise that every part of your portfolio will perform well. In fact, at one point or another, each individual piece of the portfolio is likely to underperform for a spell. Instead, the motto means we seek to own the right combination of parts, each contributing something the others cannot, so that the whole holds up better than any single piece would on its own.

This does not mean that we are complacent. We continually re-underwrite our investments to monitor whether our managers perform as intended, and we also evaluate the universe to identify new solutions.

Heading into Q4, we are watching a handful of things closely: whether the Fed's hawkish turn continues, how the Iran conflict and oil prices evolve, and how the path to the midterm elections unfolds. Many of these pressing topics are the same issues debated at the AlphaCore Wealth Summit on October 1.

The conversation will not end there. Recordings, interviews, and additional content from the Summit will be released in the weeks that follow, allowing clients and advisors to revisit and digest the discussions most relevant to them. **We encourage you to follow along as we continue exploring the themes shaping portfolios, markets, and opportunities in the months ahead.**

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***S&P 500 INDEX:** A float-adjusted market-cap weighted index reflecting large-cap U.S. equities, covering approximately 80% of available U.S. market capitalization.*

***RUSSELL 2000 INDEX:** Measures the performance of approximately 2,000 small-cap U.S. equities.*

***MSCI ACWI EX USA INDEX:** The MSCI ACWI ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 2,156 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.*

***MSCI EMERGING MARKETS INDEX:** Captures large- and mid-cap representation across emerging markets countries.*

***BLOOMBERG U.S. AGGREGATE BOND INDEX:** Represents a wide range of U.S. investment-grade fixed income securities.*

***BLOOMBERG U.S. TREASURY 10+ YEAR INDEX:** Tracks long-maturity, U.S. dollar-denominated Treasury securities with 10 or more years to final maturity.*

***S&P GLOBAL NATURAL RESOURCES INDEX:** Includes 90 of the largest publicly traded companies in natural resources and commodities businesses across agribusiness, energy, and metals and mining.*

***S&P GSCI GOLD INDEX:** A sub-index of the S&P GSCI providing a benchmark tracking the COMEX gold future.*

***HFRI FUND WEIGHTED COMPOSITE INDEX:** A global, equal-weighted index of single-manager hedge funds reporting to the HFR Database.*

***U.S. DOLLAR INDEX:** Measures the value of the U.S. dollar relative to a basket of foreign currencies.*

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