

# Performance Update

as of 05/31/2026

Fixed Income	May	YTD	Equity Sectors	May	YTD
US Treasury Index	▲ 0.11%	▼ 0.00%	Technology	▲ 19.80%	▲ 32.89%
Core Bonds	▲ 0.31%	▲ 0.38%	Health Care	▲ 2.48%	▼ -2.96%
Aa Corporate Bonds	▲ 0.67%	▲ 0.30%	Consumer Discretionary	▲ 2.18%	▲ 1.49%
High Yield Corporate	▲ 0.49%	▲ 1.64%	Materials	▼ -0.56%	▲ 13.40%
<b>US Equities</b>			Communication Services	▼ -0.65%	▼ -1.34%
S&P 500	▲ 5.26%	▲ 11.27%	Industrials	▼ -0.81%	▲ 11.99%
US Mid Caps	▲ 2.85%	▲ 11.82%	Real Estate	▼ -0.93%	▲ 9.78%
US Small Caps	▲ 4.37%	▲ 18.15%	Financials	▼ -1.06%	▼ -5.32%
<b>Non-US Equities</b>			Consumer Staples	▼ -1.60%	▲ 7.39%
International Developed	▲ 3.07%	▲ 9.37%	Utilities	▼ -5.14%	▲ 4.84%
ACWI ex-US	▲ 5.03%	▲ 14.36%	Energy	▼ -5.58%	▲ 26.75%
Emerging Market Equities	▲ 9.69%	▲ 25.61%			

Equity Style: Month | Year-to-Date

	Value	Core	Growth
Large Cap	2.95%	5.26%	7.20%
	13.68%	11.27%	8.23%
Mid Cap	2.32%	2.85%	4.75%
	14.13%	11.82%	4.45%
Small Cap	2.79%	4.37%	5.84%
	18.30%	18.15%	17.98%

## Commentary & Outlook

### Quality Unrewarded

*Traditional* (aka 'fundamental') portfolio managers often ascribe to the notion that stock prices follow corporate profits, over the long run. *Systematic* managers, who analyze historical data to identify characteristics that are rewarded by markets, have also demonstrated that owning profitable companies has historically enhanced investment performance, over the long run.

Using academic research data from the University of Dartmouth, we can verify these claims. The process is simple: calculate the profitability of all stocks in the universe, sort them based on profits, and then compare their stock returns. According to the data, investing in the more profitable companies adds value on a monthly basis with 56% frequency; and with a much stronger 67% frequency on a rolling 1-year basis.

The accompanying chart shows the monthly return (vertical bars) and rolling 1-year (blue line) return enhancements from this profitability 'factor' since January 2020. Notice that from January 2021 through Fall 2024, portfolio managers who favored high quality companies were rewarded. However, since late 2024, the market has shifted, with investors in profitable companies facing a performance headwind. Over the past 12 months (ending 3/31/2026), Profitable stocks underperformed by -10%, representing the worst 5% of outcomes since the data series began in 1963.

Empirical evidence suggests (but does not guarantee) patience will be rewarded.

Robust minus Weak Operating Profits (RMW)

