GOELZER
INVESTMENT MANAGEMENT

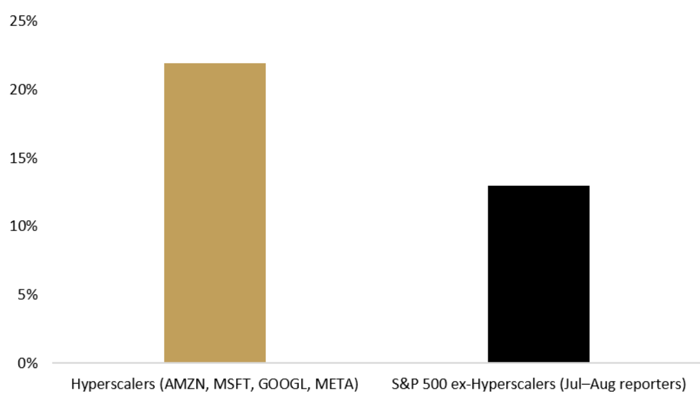
AI's Promise Remains Intact Despite Roadblocks

This earnings season reinforced a central theme that has driven equity markets over the past several quarters: artificial intelligence remains one of the most important sources of growth across the economy. Cloud demand continues to accelerate, prompting many of the largest technology platforms to once again raise their capital spending expectations. For the hyperscalers in particular, AI-related investment is still translating into meaningful revenue growth and expanding operating leverage. That strength has become a significant contributor to broader market earnings growth this quarter.

Despite this favorable backdrop, investors are increasingly focused on several potential roadblocks. Capital expenditure forecasts continue to move higher, sharpening questions about the eventual return on investment and whether spending can remain justified over time. Lower-cost Chinese AI models are gaining adoption, raising concerns about pricing pressure and competitive dynamics. And opposition to data center construction is becoming more visible, as local communities push back over power consumption, land use, and rising utility bills. While not thesis-breaking, these factors could shape the pace and economics of future AI deployment.

Still, the case for AI adoption remains compelling. Business surveys point to steadily rising usage, with AI increasingly deployed to automate tasks and augment workflows rather than replace workers outright. Operating leverage among key participants appears largely intact even as spending climbs. While the ultimate winners and business models may evolve, the broader trend looks durable—and the productivity gains may still be in their early innings.

Aggregate Quarterly Revenue Growth (Y/Y)
For Companies Reporting in July & August 2026



Sources: Bloomberg & Goelzer Investment Management

Economy

Last Week	This Week
- ISM Manufacturing (Jul): 8/3 55.6 vs. 53.3 prior	*- Existing Home Sales (Jul): 8/11*
- ISM Services (Jul): 8/5 54.1 vs. 54.0 prior	*- CPI MoM (Jul): 8/12*
- Nonfarm Payrolls (Jul): 8/7 -23k vs. 57k prior	*- PPI MoM (Jul): 8/13*
- Unemployment Rate (Jul): 8/7 4.1% vs. 4.2% prior	*- Retail Sales (Jul): 8/14*

Equities

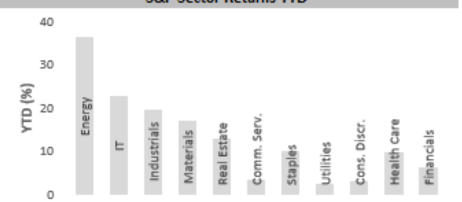
Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	7753	2.02	3.47	14.02	22.77	21.63	13.27
Russell 1000 Growth	4999	2.71	-0.06	5.26	11.97	22.64	12.77
Russell 1000 Value	2538	1.62	6.53	23.78	34.40	19.41	11.90
FTSE High Dividend Yield*	614	2.05	5.08	17.17	25.81	18.33	12.25
S&P Small and Mid Cap	21820	1.28	0.32	19.86	28.68	15.06	8.38
MSCI EAFE	3247	1.83	4.33	14.66	24.84	18.77	10.10
MSCI EM	1670	1.18	-2.72	20.63	36.21	21.86	8.20

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield
S&P 500	19.1	15.8	1.1
Russell 1000 Growth	21.4	18.3	0.5
Russell 1000 Value	17.4	13.7	1.7
FTSE High Dividend Yield*	14.1	13.1	3.5
S&P Small and Mid Cap	15.0	15.3	1.7
MSCI EAFE	15.5	13.5	2.9
MSCI EM	9.3	11.1	2.5

S&P Sector Returns YTD



** Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.*

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.96	0.02	-1.05	-0.43	2.33	4.28	-0.22
U.S. Int. Gov/Credit	4.61	0.05	-0.24	0.17	2.48	4.67	1.10
U.S. Corporates	5.45	-0.05	-1.43	-0.59	2.22	5.25	0.00
High Yield	7.25	0.35	0.39	2.35	5.58	8.58	4.26
Municipals (1-10)	3.29	0.56	-0.49	0.61	2.92	3.29	1.15

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.24	4.19	3.80	3.48	3.73	4.84	0.22
10-yr Treasury	4.71	4.62	4.32	4.17	4.29	4.11	1.33
30-yr Treasury	5.25	5.18	4.91	4.85	4.88	4.25	2.00
SOFR	3.63	3.66	3.68	3.87	4.36	5.30	
6-mo. CD rate	4.01	4.04	3.84	3.62	4.18	5.73	0.11
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.50	3.25
30-yr fixed mortgage	6.46	6.77	6.48	6.25	6.71	7.46	3.05

Data as of 4:45 PM ET, August 11, 2026. Returns through August 10, 2026.