

**HORAN Wealth**

**Quarterly  
Investor Letter**

Summer 2026

*“Successful investing  
is about having  
people agree with  
you...later” - James  
Grant*



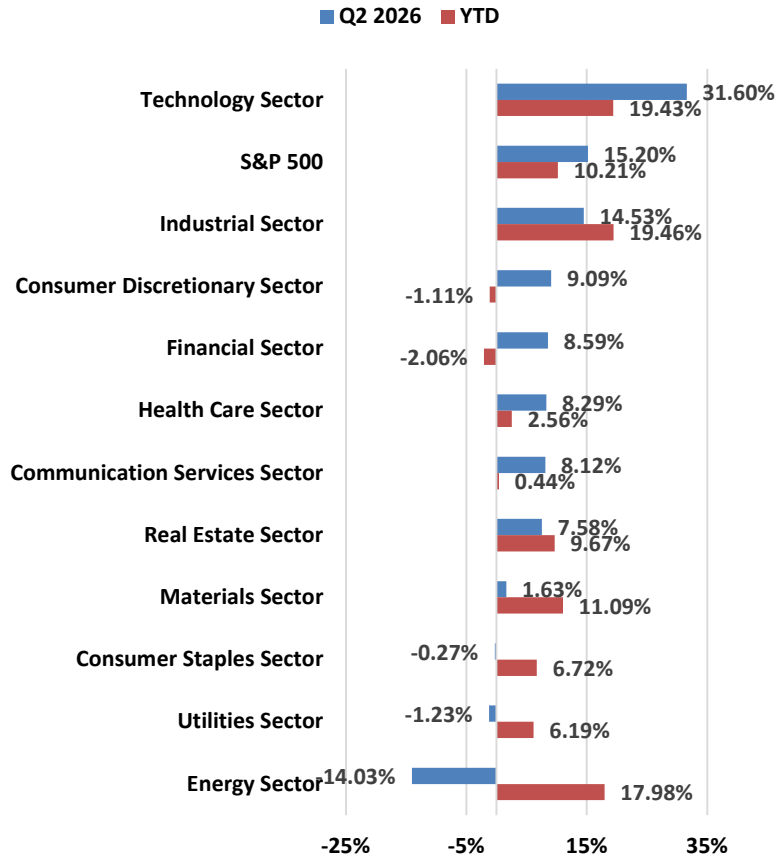
250  
YEARS



## Aim for the Stars

During the first half of 2026 several events triggered market volatility. The Magnificent 7 group of stocks continued to lag the market, as they did in 2025, and a general broadening of stock participation helped to drive market returns. However, at the end of February, the Department of Defense reinitiated its targeted strikes on Iran, with the magnitude of these strikes being significant. The Iranian regime responded by cutting the oil supply coming out of the Persian Gulf by closing the Straits of Hormuz. The following month saw oil prices rise more than 80% to just above \$110 a barrel. This increase in oil prices sent a shock wave through the market, driving equities lower and interest rates higher. During the balance of March, the S&P 500 declined nearly 10% while the 10-year U.S. Treasury moved nearly 60 basis points higher to 4.43 percent. At the same time fears of an energy related recession climbed with recession odds on prediction markets jumping to nearly 30% for 2026. Inflation expectations also increased with the market predicting the Federal Reserve would not cut interest rates in 2026 because of the increase in energy prices and its potential impact on inflation. However, as the second quarter started, markets began looking through these existential threats and refocused on explosive earnings growth powered by an elevated AI investment cycle.

### S&P 500 Sector Performance



Source: HORAN Wealth & FactSet

## Strong Earnings

April's 10.49% return for the S&P 500 Index became the index's best returning month since 2021 and the best month since October 2003 for the NASDAQ. This turnaround in the market was supported by higher earnings revisions for 2026. As the year began, the market expected 2026 earnings to increase around 15%; however, during the April rally, revisions grew nine percentage points with the market now expecting 2026 S&P 500 earnings to increase by 26.6% as noted in the table below. While the increase in growth estimates was broad based, the market performance remained bifurcated between technology

related stocks and non-technology related stocks. More specifically, this rally is being led by hardware related technology stocks like semiconductors and server manufacturers.

**EXHIBIT 16A. S&P 500 Y/Y GROWTH RATES**

	25Q3	25Q4	26Q1	26Q2	26Q3	26Q4	27Q1	27Q2	2025	2026	2027
Revenue	8.3%	9.2%	11.4%	11.7%	10.4%	10.0%	9.0%	7.3%	7.2%	10.8%	7.7%
Earnings	14.9%	14.1%	29.4%	24.3%	27.6%	25.1%	16.1%	19.6%	14.0%	26.6%	17.5%

Source: LSEG I/B/E/S

## Tech Sector Outperformance

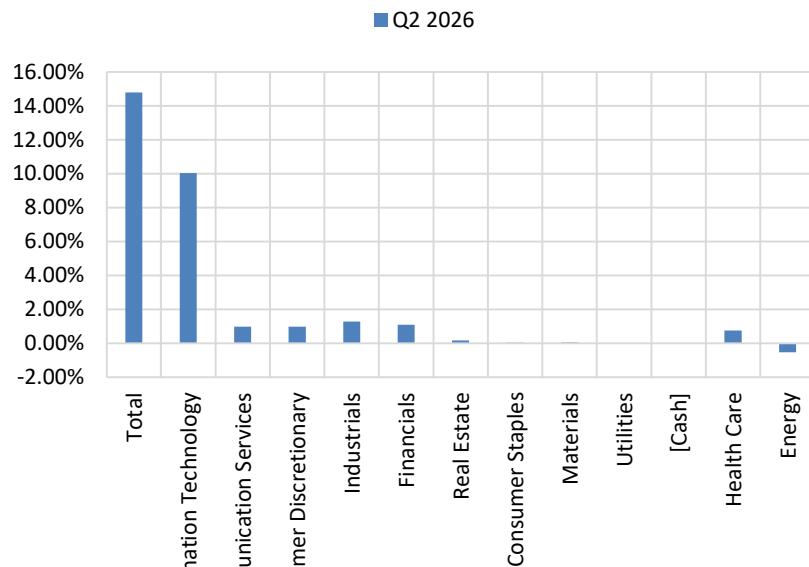
From the market bottom in March through June 30, the technology sector returned 42.5% while semiconductors gained 71% and the S&P 500 Index increased 15%. Also, since March, technology has been the only sector outperforming the market. In fact, during this recovery, technology has been responsible for 65% of the index's return. This outperformance has been driven by the anticipated profits from the significant capital expenditure spending by the top five hyperscalers: Meta, Microsoft, Amazon, Oracle and Google. These five companies alone are expected to spend a combined \$725

billion in capital expenditures this year. This equates to roughly 3% of US GDP and is benefiting smaller companies such as hardware technology companies that participate in this investment. The market seems to be looking through any inflation and economic impact that may occur due to the Iran conflict and is refocused on earnings.

## Historical Concentration

Given the strong return from the semiconductor industry, the S&P 500 index is now as concentrated as other high historical environments when concentration peaked. This can be seen in the table below. Indeed, the Information Technology sector, as classified by S&P Global, now represents 38% of the S&P 500 Index. However, the weight of the technology sector becomes 51.2% of the S&P 500 Index when

**Q2 S&P 500 Return Contribution by Sector**



Source: HORAN Wealth & FactSet

accounting for the technology stock exposure of the Mag 7 that are not included in the technology sector. Additionally, due to the law of diminishing returns and the concentration of the index, market returns are effectively being derived from the equivalent of a 41-stock portfolio, notwithstanding the index constituency of 500 companies. While concentration might be a feature of capitalism with the best companies gravitating to the top, this lack of diversification can open investors up to additional risk. Indeed, returns for June were much more broad-based than the early parts of the quarter.

More specifically, the S&P 500 equal-weight index returned +2.28% in June, while the cap-weighted S&P 500 declined -0.95%. Seven out of the eleven sectors outperformed in June, while technology underperformed the broader index, declining -3.27%. In fact, the S&P 500's decline for June was broadly due to the weakness in the technology sector. Information Technology contributed -1.3% to the index's return partly due to the index's allocation weight. The top two performing sectors for June, Healthcare and Industrials, averaged a positive roughly 7% but only contributed +1.18% to the overall return. Other outperforming sectors, like Utilities and Real Estate returned 2.73% and 0.84% while only contributing a combined 0.08% to the S&P for June. Tech's concentration in the index has become the proverbial tail that wags the dog.

**Chart 6: Historical concentration peaks**

Concentration of Nifty Fifty in '70s, Japan in '80s, Tech in '00s, AI in 2020s



Source: BofA Global Investment Strategy, Bloomberg, Global Financial Data, BofA Global Research Investment Committee.

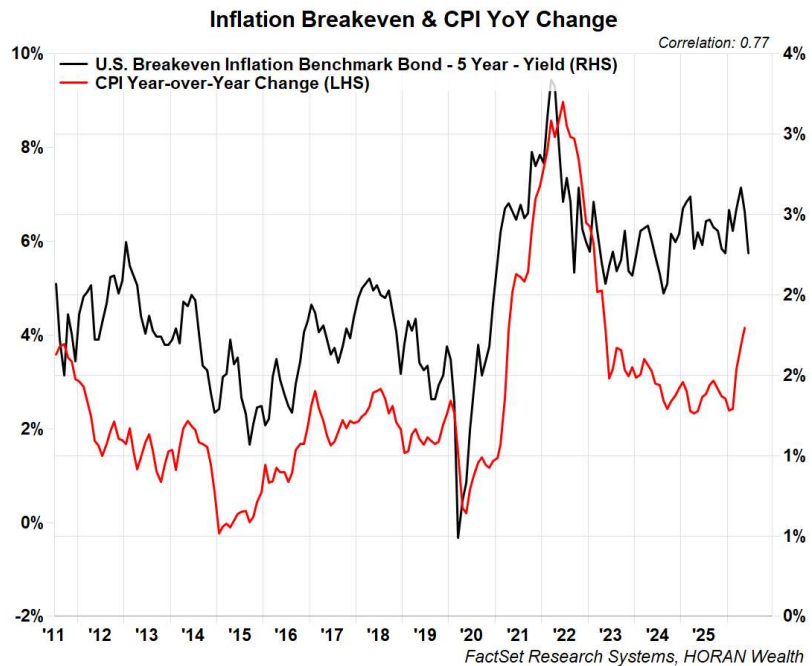
## SpaceX IPO

In addition to increased concentration, investors witnessed the largest IPO in history, Space Exploration Technologies Corp, or SpaceX (SPCX). The company came public at roughly a \$1.75 trillion valuation, or at a price equal to one hundred times sales. This solidified Elon Musk as the richest person in the world, by far. So, the question is, with an IPO being successful at this valuation is this an indicator that markets are beginning to become frothy? There are several parts to this answer. First, the goal of IPO's is to raise as much money as the company can, and they are likely to be more successful with that goal when markets are near peaks rather than near bottoms. Second, when looking at the last 25 years, calendar years with higher than normal IPO activity tend to be followed by years with weaker market returns. However, there may be a positive economic impact related to the sheer amount of wealth created from this IPO. According to the New York Times, approximately 4,400 new millionaires were created as a result of the IPO. This could be a tailwind for the overall economy. Assuming employee ownership was 35% of total equity, then the value of this cohort would be ~\$600Bln or ~2.5% of US Real GDP.

## New Fed Chair

Kevin Warsh, the new Federal Reserve chair, addressed capital markets for the first time at the June Federal Open Market Committee (FOMC) meeting. Already there are some noticeable differences between his approach and the previous Fed Chair, Jerome Powell. First and foremost, the FOMC

statement was considerably shorter than previous statements. The focus of the most recent statement was more direct with the committee recommitting to their goal of price stability. The part of the statement that stood out the most was the final paragraph: "Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The Committee will deliver price stability." Additionally, this statement did not include the Fed's guidance on where interest rate policy could be going. At the press conference that followed the meeting, when Fed Chair Walsh



was asked about the lack of guidance, he responded it is not the Fed's responsibility to communicate to markets what the Fed's future actions might be. Following these remarks the market began pricing-in higher rate expectations and increased the probability of a rate hike in September to 44%. However, the bond market is not necessarily pricing-in higher inflation over the intermediate term. The near chart highlights the current inflation rate in red, and the return needed to breakeven against inflation on a bond over the next five years, in black. While inflation has seen a recent spike higher, the bond market is predicting this to be a short-term problem with breakeven rates decreasing over the past quarter.

## Conclusion

The technology sector has been the best performing sector in 2026 as the AI trade is in full swing driven by the \$725 billion in capex being spent by Meta, Microsoft, Amazon, Oracle and Google. This outperformance has further increased the technology sector's concentration in the S&P 500 Index. In June, new Fed Chair Kevin Warsh led his first FOMC meeting and struck a hawkish tone, with the market broadly expecting a bias towards higher interest rates to combat inflation. With the volatile off and on cease fire in the Middle East, crude oil prices have fallen from over \$100/barrel in May to the low \$70's per barrel which should help the inflation picture moving forward. A recent escalation in Iran hostilities though is resulting in higher oil prices. Another positive is company earnings expectations continue to be strong which could provide a favorable backdrop for investors.

Thank you for your continued confidence and support in HORAN Wealth and we are always available to answer your questions and discuss our outlook further. Please be sure to visit us for company news, reports, and our blog at <https://horanwealth.com/insights>.

Respectfully,

HORAN Wealth

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