



**BlackDiamond
Financial**

INVESTMENT INSIGHTS

SECOND QUARTER 2026





The S&P 500 gained 15.2% in the second quarter, bringing its year-to-date return to 10.2%. Small-cap stocks did even better this quarter, rising 21.5%. Those gains marked a sharp reversal from the first quarter, when investors worried that war, inflation, and higher interest rates would overwhelm corporate earnings.

The world did not become less uncertain. The war in the Middle East continued. Inflation remained above the Federal Reserve's target. Interest rates stayed elevated. Despite those challenges, investors remained confident that businesses could continue their strong pace of earnings growth.

The numbers support that view. S&P 500 earnings grew 27.7% from a year earlier in the first quarter, marking the sixth consecutive quarter of double-digit earnings growth. Earnings growth was also broad. Ten of the eleven S&P 500 sectors reported higher earnings than a year earlier.

Not every part of the market participated equally. The Magnificent Seven, a group of large technology companies that includes Nvidia, Microsoft, Amazon, and Meta, collectively declined during the first half of the year. At the same time, AI-related chipmakers such as Intel and Micron continued to rise sharply. Investors remain optimistic about artificial intelligence. They are now asking a harder question: who will earn attractive returns on the enormous capital being invested?

The economy remains on solid footing, but inflation continues to be a concern. May inflation rose 4.2% from a year earlier, the highest reading in three years. Energy prices accounted for more than 60% of the monthly increase. The Federal Reserve held interest rates steady in June, reflecting its continued concern that inflation remains too high.

The quarter was a reminder that markets often recover before the headlines improve. War, inflation, and higher interest rates remained real concerns, yet businesses continued to grow earnings and the market responded. Over time, earnings drive stock prices far more than headlines. That is why we remain focused on broad diversification, controlling costs, and maintaining discipline to stay invested over decades.

Comparative Returns

	Annualized Performance					
	Q2 2026	YTD	1 Year	3 Years	5 Years	10 Years
Large Cap U.S. Stocks ¹	15.2%	10.2%	22.3%	20.6%	13.4%	15.5%
Small Cap U.S. Stocks ²	21.5%	22.6%	40.8%	18.6%	7.0%	11.6%
International Stocks ³	14.7%	14.0%	28.3%	19.4%	9.3%	10.5%
Real Estate ⁴	8.6%	10.2%	11.0%	9.0%	3.1%	5.6%
U.S. Bonds ⁵	0.7%	0.6%	3.8%	4.2%	0.1%	1.5%

(1) S&P 500 TR index (2) Russell 2000 TR index (3) MSCI ACWI ex-U.S. TR index (4) Dow Jones US Real Estate TR index (5) Bloomberg Barclays US Aggregate Bond TR index

THE LARGEST IPO IN HISTORY

What SpaceX Tells Us About Modern Markets

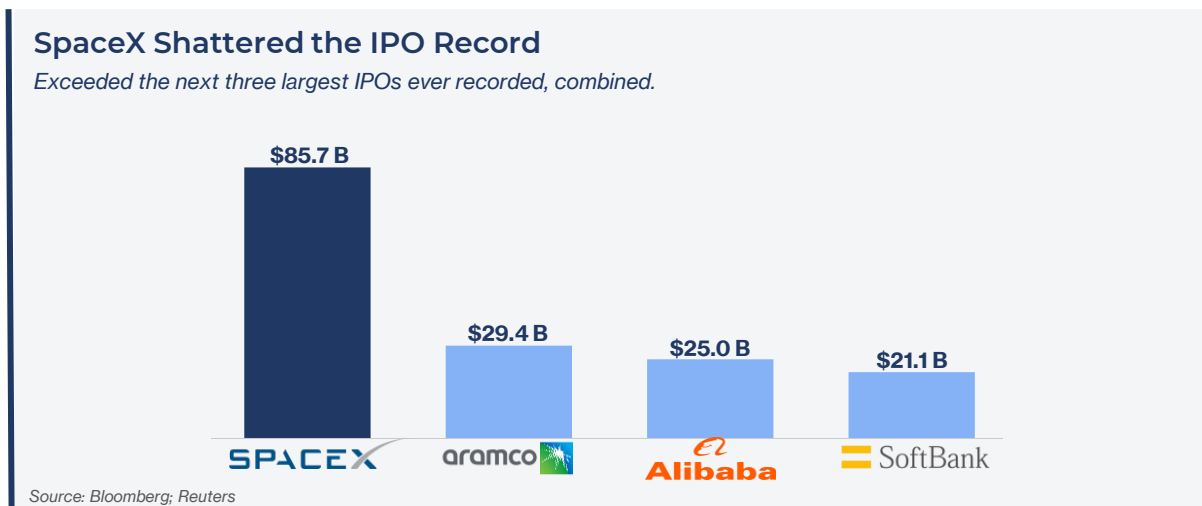
Photo: SpaceX

SpaceX became a public company in June through the largest IPO in history. The company raised approximately \$85.7 billion and debuted at a valuation of \$1.8 trillion.

The offering reflects a broader shift in how markets create and assign value. A generation ago, the largest public companies were often banks, energy producers, manufacturers, and consumer businesses. Today, investors place enormous value on companies built around software, data, networks, and intellectual property.

SpaceX sits at the intersection of several of these themes. Its businesses span reusable rockets, satellite communications, and space infrastructure. These are not traditional industries, and they are difficult to compare with the companies that dominated the market in prior decades.

The offering also highlights another important evolution in capital markets. SpaceX was already one of the world's most valuable companies before most investors could own it. Earlier generations of investors often gained access to great businesses earlier in their growth cycles. Today, many of the most successful companies remain private for much longer, concentrating much of their value creation before reaching public markets.



SpaceX serves as a reminder that market leadership constantly changes. Twenty years ago, few investors would have predicted that today's largest companies would dominate the global economy. The next generation of market leaders will likely surprise us as well.

For investors, the lesson is not that every transformational company will succeed. High expectations are already reflected in many company valuations. The enduring lesson is the value of diversification. The companies driving market returns in the future will be difficult to identify in advance. A broadly diversified, index-oriented portfolio allows investors to participate in that evolution without needing to predict the individual winners.



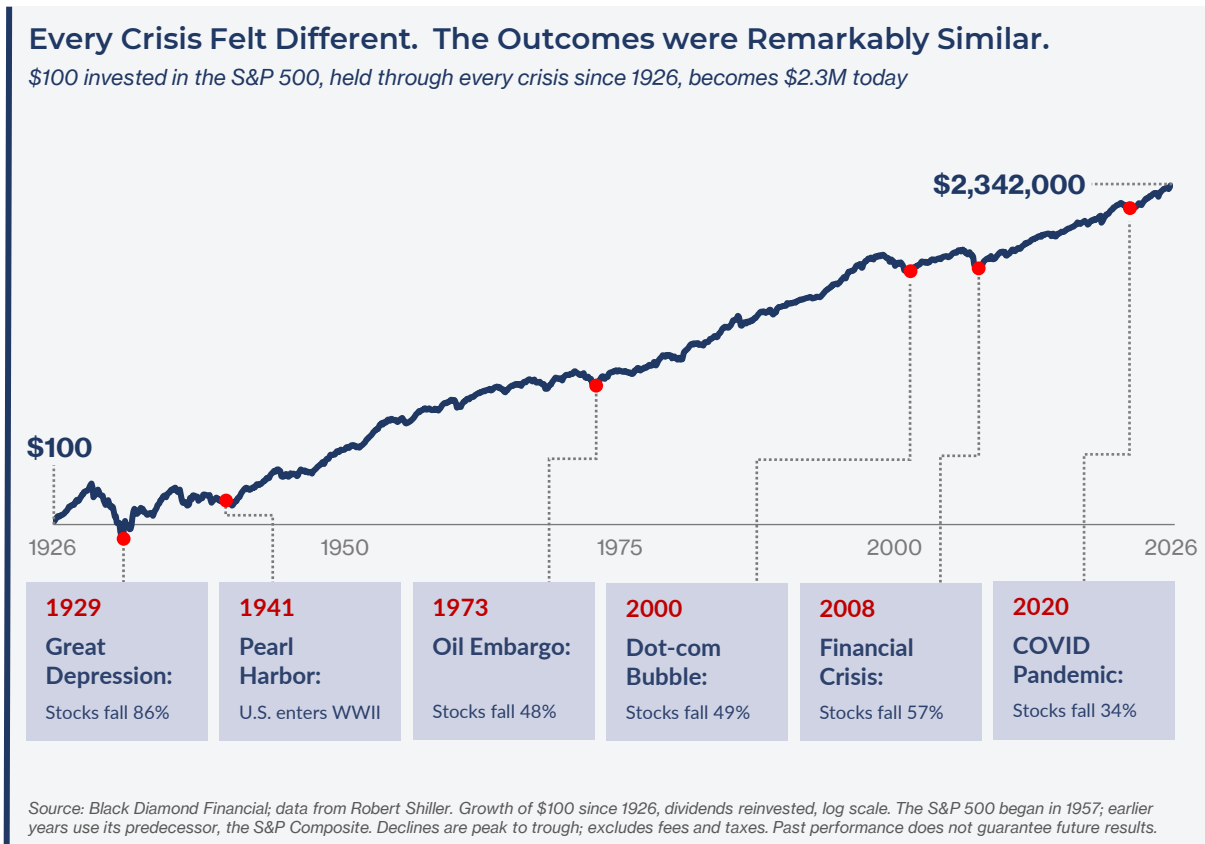
INVESTMENT GUIDANCE

Insights From 250 Years of American Resilience

This Fourth of July, the United States turns 250. Over that history, America has faced depressions, wars, inflation, financial crises, and pandemics. None of them were easy and each felt deeply uncertain at the time. Yet what has mattered most is not that these events happened, but how the country responded. Time and time again, America has absorbed shocks, adapted, and moved forward.

That ability to recover is why we continue to favor U.S. businesses for long-term investment. American companies renew themselves through difficult periods. New industries emerge, innovative businesses form, and capital flows to where it can be used most productively. The result has been one of the strongest records of wealth creation in history.

Over the past century, \$100 invested in the S&P 500 would have grown to roughly \$2.3 million today. The crises along the way each felt serious at the time. Yet, as the chart below shows, each one proved temporary. There will be challenges ahead. But America's long track record, combined with structural advantages that remain largely intact, supports our view that the U.S. remains the best place for long-term investment.



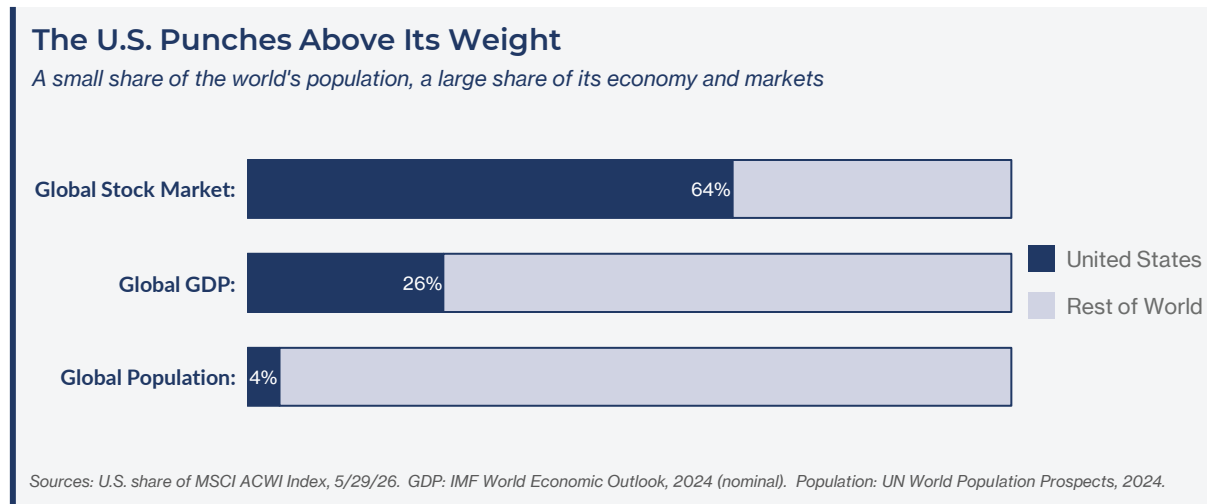
America's Enduring Advantages

The United States makes up just 4% of the world's population. Yet it produces more than a quarter of global economic output and accounts for nearly two-thirds of global stock market value. That outsized influence is not the result of any single industry, company, or policy. Instead, it reflects a system that turns ideas into businesses and businesses into wealth.

America has long combined several advantages that work together. America's strength comes from a unique combination of enduring advantages. Entrepreneurs have access to efficient capital markets. Strong property rights and the rule of law give investors' confidence to put money to work for the long-term. World-class universities drive innovation and produce new ideas. A large domestic market lets successful companies grow quickly. U.S. culture rewards competition, entrepreneurship, and reinvention. New companies emerge, established firms adapt, and capital continually flows toward its most productive uses.

Many countries have some of these strengths, but few have all of them at once. Together, they have helped create many of the world's most profitable and innovative companies.

These competitive advantages were not created overnight. They developed over centuries and are deeply embedded in the American economy. Companies, industries, and political leaders will rise and fall. But the foundations that support American prosperity remain firmly in place. These advantages have allowed American companies to generate exceptional returns for shareholders over long periods of time, and are why we believe they remain well positioned to do so in the years ahead.



What Could Challenge U.S. Leadership

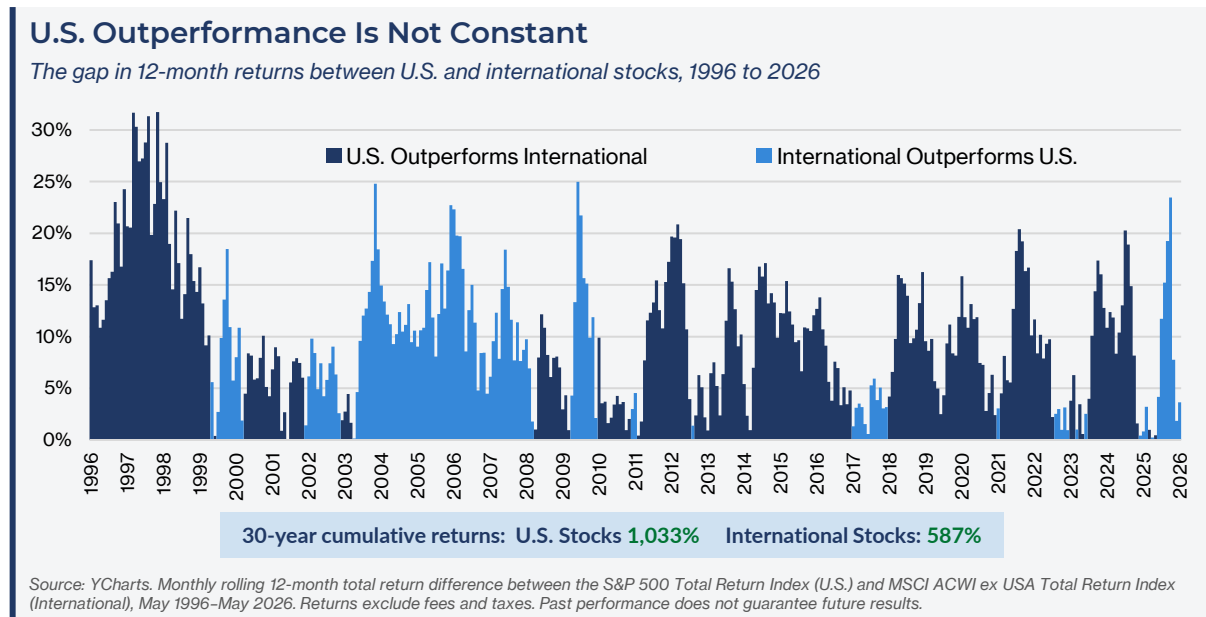
America has always faced challenges, and it always will. Federal debt is high. Valuations are elevated. The stock market is concentrated in a few large companies.

At the same time, the U.S. economy remains the largest and most productive in the world. The dollar still dominates global reserves. And history shows that markets have a way of working through geopolitical tensions and policy mistakes. We pay attention to these risks, but we don't let them drive our long-term perspective and investment decisions.

The Case for Diversification

Over the past 30 years, U.S. stocks returned 1,033% versus 587% for international stocks, yet still trailed international stocks roughly a third of the time. Market leadership is cyclical, and no one can predict when shifts will occur.

That is why we don't try to guess when market leadership will change. Instead, we own both U.S. and international equities. Maintaining exposure to international stocks ensures we participate when the rest of the world outperforms. Our overweight allocation to U.S. stocks reflects our conviction in America's long-term competitive advantages. Diversification reflects our humility about predicting the future.



Why We Remain Invested in America

Two and a half centuries of history point to the same conclusion: America's real strength is its ability to recover and adapt. Those qualities are still present today.

This conviction is why we intentionally allocate a higher share to U.S. stocks than a typical globally market weighted portfolio would imply. We do this because we believe the advantages we described earlier are real and likely to persist.

We also own international stocks. Not because we expect them to outperform, but because we know we can't predict the future with certainty. Owning a global portfolio provides participation in America's strengths while protecting against the possibility of leadership shifts.

Our goal is not to forecast what will happen next. It is to position portfolios to benefit from America's long-term progress while remaining resilient through the inevitable challenges along the way.

"For 240 years it's been a terrible mistake to bet against America, and now is no time to start."

– Warren Buffett, 2015 Berkshire Hathaway Shareholder Letter



ABOUT US

Black Diamond Financial, LLC is a fee-only registered investment adviser with a unique and holistic focus on preserving and enhancing wealth. Our mission is to help you achieve your financial goals through the use of low cost, tax-efficient investment strategies. We create individualized investment portfolios for each client that are risk-appropriate, return optimized, and tax-efficient. Where appropriate, we incorporate institutional quality private investments to capture illiquidity premiums or yield opportunities. Furthermore, we believe cost is a critical factor in any successful investment strategy and therefore offer fully transparent pricing that is below industry standard. As an employee-owned firm focused on our fiduciary duty, we make our clients' interests our highest priority.

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