



SAM NEWS

3rd Quarter Report
October 2026

Surprisingly Steady The Bull Market Continues

With the war in Iran still ongoing after seven long months, the stock market has remained remarkably resilient. Volatility in stock prices did increase during the quarter in response to headlines and developments, but U.S. stocks ended the quarter very near all-time highs. Clients often call in or email and are surprised at their account values and year-to-date performance. If you only watched the nightly news, you may be led to believe that the economy is in shambles and that stocks have done poorly. Sadly, negative media is what dominates our attention.

Fortunately, the underlying domestic economic fundamentals have remained strong despite the incessant negative headlines, high oil prices and stubborn inflation. U.S. corporations are reporting record earnings and earnings forecasts going into 2027 are trending positively. Stock prices closely track corporate earnings over time, so it makes sense that the indices are near their record highs. We believe that many of the issues threatening our generally strong economy are being driven by the Iran War. When the war ends and oil prices eventually decline, we may see the stock market do even better than anticipated. Please read our SAM Outlook and SAM Strategy sections on the following page.

3rd QUARTER 2026 INVESTMENT REPORT

Stock market investors might have been expected to run for the hills in the face of an extraordinary surge in global borrowing costs, currency interventions, wars, oil back above \$100 a barrel and warnings that AI might wipe out humanity. Counter to the scary headlines, stocks generally gained during the 3rd quarter and the Nasdaq Composite set a new all-time high. Year-to-date, the S&P 500 is up 12.8%, the tech-heavy Nasdaq Composite has gained 16%, small company stocks represented by the Russell 2000 are up 13.7%, and the DOW is positive by 7.2%. Developed international stocks (MSCI EAFE) are now trailing U.S. stocks- up 10.3%. Emerging markets are up 22.4% year-to-date. Bonds, as represented by the Bloomberg U.S. Aggregate had a historically bad quarter (down 3.5%) with 2026 year-to-date total return losses of 2.9%.

INVESTMENT INDICES

All numbers listed below are total returns (including dividends) and are percentage gains or losses.

	3rd Quarter	YTD	2025	2024
Dow 30	-2.3%	7.2%	14.9%	15.0%
S&P 500	2.3%	12.8%	17.9%	25.0%
Nasdaq Composite	2.6%	16.0%	21.1%	29.5%
Russell 2000	-7.2%	13.7%	12.8%	11.5%
MSCI EAFE (International Stocks)	0.8%	10.3%	31.2%	1.1%
Bloomberg Aggregate (Bonds)	-3.5%	-2.9%	7.3%	1.3%

These are not the rates of return for SAM accounts, but are shown as a historical benchmark for various asset classes. SAM does not guarantee account performance. Accounts may lose value. Information taken from sources believed to be reliable, but its accuracy cannot be guaranteed.

SAM Office Renovations

Beginning in early October we will begin a full office refresh. According to our contractor, the renovation is expected to last about a month. There may be certain days where we are working remotely due to construction activity. Our main telephone lines (559-658-5193 and 877-658-5193) will continue to work and will be answered remotely during normal business hours. All of our individual emails will be monitored and responded to in a timely manner. kimberly@sierraam.com, will@sierraam.com, don@sierraam.com and info@sierraam.com.

Our goal is to provide uninterrupted client service during the renovation. Thank you for your understanding and we look forward to welcoming you soon to see our improvements!

Upcoming Stock Market & SAM Office Closures

Thanksgiving Day, November 26th
SAM Closed Friday, November 27th
Christmas, December 25th
New Year's, January 1st

**SAM Outlook & SAM Strategy
on the following page**

SIERRA ASSET MANAGEMENT

Serving Central California

40312 Junction Drive
PO Box 2389
Oakhurst, CA 93644

PH: 559-658-5193
www.SierraAM.com
Email: info@SierraAM.com



SAM OUTLOOK

It has been just a month and a half since the S&P 500 Index reached a new all-time high on August 13. Investors have had to contend with what appears to be a daunting list of new economic and geopolitical developments. Oil prices have surged by more than 44% during the quarter and over 73% in 2026. In the \$29-trillion US Treasury market, which anchors pricing for virtually all financial assets, the key 10-year yield has soared past 5% to its highest level since just before the 2007 great financial crisis. The Federal Reserve has raised interest rates to combat inflation and another rate hike may occur before year end. The Bank of Japan has tightened monetary policy. The Saudi East-West Pipeline was bombed and the Houthis are threatening additional waterways in the Red Sea, raising additional concerns about the global energy supply.

And yet through all of that, the S&P 500 Index sits just 2% below its record high. Markets don't operate in a vacuum- they are discounting mechanisms, weighing risks against economic and corporate fundamentals. Right now, the fundamentals have continued to look considerably better than many expected. Strong nominal growth and another round of outsized corporate earnings have helped offset a growing wall of worry. Because of increased earnings (a seventh consecutive quarter of double-digit earnings growth), stocks still look reasonably valued and could offer more upside through the end of the year.

While stocks have done well, bonds have struggled so far in 2026- especially during the quarter. The broad U.S. Bloomberg Aggregate Bond Index is down 3.5% as of the end of the quarter. Interest rates and bond prices have an inverse relationship. As inflation and interest rates have spiked recently, bond prices have declined. There is still plenty of time for bonds to recover into the end of the year. If there is a resolution to the war, the main causes of inflation could subside and bond prices could rise. Based on history, bonds have positive annual returns about 85% of the time and any calendar year losses that do occur tend to be minimal.

SAM STRATEGY

During the 3rd quarter, remaining diversified and fully invested paid off across all strategies. They say that markets climb a "wall of worry" and that was definitely the case over the last three months. The market faced many challenges as outlined above in our SAM Outlook. We are constantly reviewing our client portfolio holdings and benchmarking them to their appropriate indices. Our core and explore approach is working well with our chosen sectors and individual stocks adding to performance.

The main investment change that we made during the quarter affected our balanced and conservative portfolios. We sold our core bond fund which was underperforming and had slight long-term capital losses and replaced it with a different bond fund that offers a higher yield and has a solid long-term track record. If you are in an investment strategy that held the core bond fund, you will see this change reflected in your Charles Schwab trade confirmations and also detailed on your September statement. As always, you are welcome to contact us if you have specific questions.

We do not foresee any major changes to our investment strategy as we enter the 4th quarter. Statistically, the 4th quarter outperforms other quarters due to positive year-end seasonality and retail momentum around the holidays. Over the long run, the S&P 500 Index has averaged gains of 4-5% in the final three months of the year.

We sincerely appreciate your continued trust and confidence. If you know of someone who may benefit from our service, please pass along our contact information. As always, there is no cost for an initial consultation.

TIME FOR TAX PLANNING

It's Less Than 90 Days To Year-End! Time to start thinking about...

Tax planning: Schedule an appointment with your CPA or tax preparer.

IRA and retirement plan contributions: Be sure to fund by the IRS deadlines.

Gifting Appreciated Securities

With stock prices at all time highs, now may be a great time to consider donating appreciated securities from your non-IRA brokerage accounts to charity. There are major advantages in donating appreciated securities instead of cash. When you donate an appreciated security, you don't have to pay capital gains tax on the gain, and generally you get a tax deduction for the full value of the security on the day it is donated. Giving appreciated securities instead of cash can save you hundreds or even thousands of dollars versus a cash gift. Contact our office or see your tax preparer to find out if you should take advantage of this unique way of giving.

RMD's (Required Minimum Distributions) for IRA's:

Charles Schwab will notify clients who have required minimum distribution requirements in 2026 of their Required Minimum Distribution (RMD) from all types of IRA accounts. The RMD must be taken this year in order to avoid severe penalties. If you have any taxable accounts with us, we can arrange to have the RMD amount directly transferred from your IRA to your after-tax account - no hassle! We will be reaching out this month or just call our office at 559-658-5193.

*"The key to making money in stocks is not to get scared out of them."
Peter Lynch*