

October 21, 2026

Greetings,

As of the end of the 3rd quarter of 2026, net of fees, the returns of the fund models are:

As of 9/30/2026	3 rd Qtr 2026	Year to Date	Last 1 Year†	Last 3 Years†	Last 5 Years†	Last 10 Years†
Aggressive Fund	0.90%	10.26%	13.13%	17.93%	9.80%	11.53%
Agg. Climate benchmark*	0.18% 0.39%	14.13% 10.10%	19.01% 12.91%	20.73% 18.87%	11.29% 10.25%	n/a 11.44%
Moderate Fund	-0.09%	6.37%	8.69%	13.57%	7.04%	8.57%
Mod. Climate benchmark*	-0.67% -0.24%	9.06% 6.78%	12.65% 9.00%	15.78% 14.35%	8.40% 7.54%	n/a 8.66%
Conservative Fund	-1.13%	2.71%	4.32%	9.10%	4.27%	5.37%
Con. Climate benchmark*	-1.32% -0.87%	4.15% 3.27%	6.52% 4.97%	10.15% 9.73%	4.92% 4.63%	n/a 5.62%

*"Benchmark" is a blend of benchmarks for the fund's underlying portfolios of stocks and fixed income, relative to the portfolio allocations within the fund's model. †Rates of return (1+ years) are annualized.

See the monthly performance reports online: <https://midwestmethodist.org/investment-performance-reports/>

Market Commentary from Envestnet

Brandon Thomas, Co-Founder and Co-Chief Investment Officer, Envestnet, concluded their "Economic and Market Overview: Third Quarter 2026" report with the following observations and commentary:

"The economic backdrop entering the fourth quarter of 2026 is more complex than it was earlier in the year, as growth has decelerated meaningfully, while inflation has re-accelerated further. Despite intensifying geopolitical conflict, surging oil prices, and persistent inflation, the U.S. economy has continued to show underlying strength, with strong corporate earnings, resilient manufacturing activity, and a labor market that has proven more resilient than midsummer data suggested. After a weak stretch through the summer, payroll growth surged in August and prior months were revised substantially higher, shifting the narrative from a jobless summer to renewed hiring momentum, though information and financial activities remain areas of persistent contraction.

"Household conditions are more strained than earlier in the cycle. Renewed spikes in energy prices from the reescalating Iran conflict have diverted household resources toward non-discretionary spending, weighing on real consumer outlays and eroding purchasing power for many families. Wage growth, while still nominally positive, is running well below overall inflation. Consumer sentiment has weakened materially, though household balance sheets remain relatively sound and equity market gains have provided an offsetting buffer for higher-income households.

"Corporate fundamentals remain solid. An exceptional Q2 earnings season and upward revisions to full-year profit expectations underscore continued resilience, supported by AI-related capital

investment and ongoing margin discipline. Management teams continue to prioritize efficiency and productivity over broad headcount expansion, preserving operational flexibility heading into a more uncertain fourth quarter.

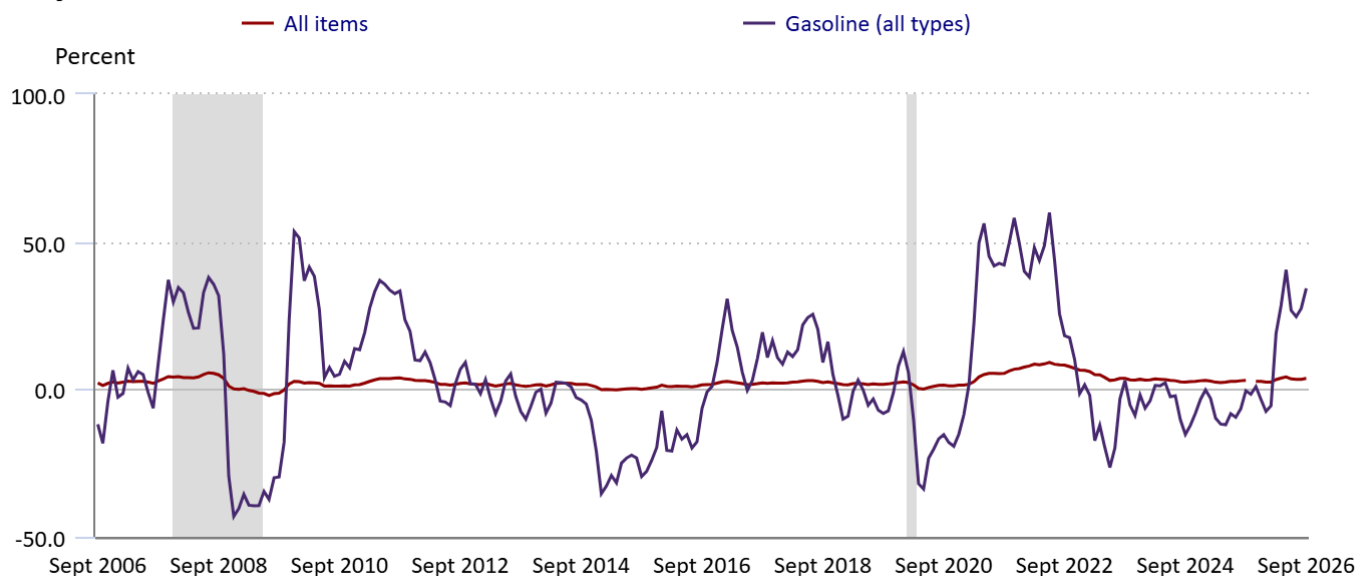
“From a macro standpoint, inflation has re-accelerated well above earlier projections, driven by energy-price pass-through, sticky services inflation, and lingering tariff effects. Under Fed Chair Warsh, the Committee has abandoned its cautious stance, raising rates in September, and additional hikes before year-end have entered the base case for many analysts, a reversal from the multiple cuts priced at the start of 2026.

“Consensus views acknowledge meaningful but manageable risks. A durable resolution of the Iran conflict and associated decline in energy prices would relieve significant pressure across both the inflation and consumer spending outlooks, though the collapse of the tentative summer peace framework has instead reignited that pressure. Conversely, second-round energy effects, a resurgence in core services inflation, or further policy tightening could dampen an otherwise resilient expansion. On balance, current evidence supports an outlook of continued but more uneven growth, with policy uncertainty, inflation persistence, and geopolitical developments remaining the primary variables shaping the path ahead.”¹

“inflation has re-accelerated further”

In recent years in this letter I have reflected on the proverbial “soft landing,” an economic cycle where the Fed successfully slows growth and lowers high inflation through interest rate hikes without triggering a recession or a sharp spike in unemployment. With the president’s tariffs and impromptu war against Iran and the subsequent choking of oil, gas, and fertilizer supplies from the Persian Gulf, a “soft landing” is in doubt. The unemployment rate has held steady, but the rate of inflation has trended back up.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

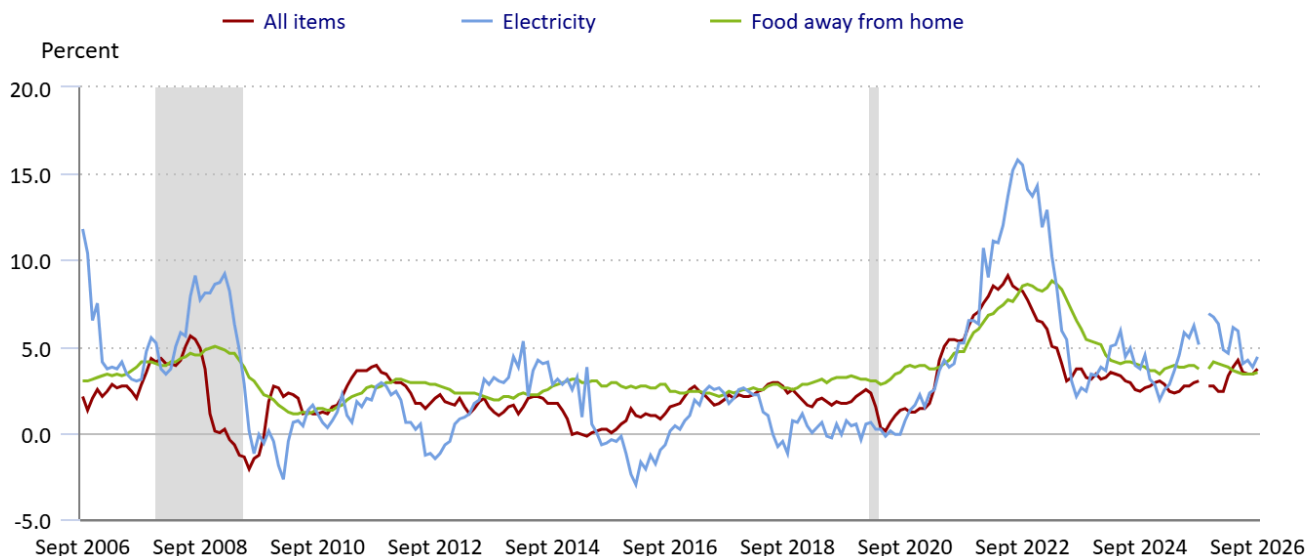


Source: U.S. Bureau of Labor Statistics.

The chart above from the Bureau of Labor Statistics juxtaposes the inflation rates of all items (red line) and the inflation rate of gasoline (blue line). The formal recessions are the gray sections. There is an old

adage in the commodity markets that “the cure for high oil prices is high oil prices.” The swings in prices have always been dramatic, but we feel the spikes most intensely. We are surrounded by gas prices everywhere we go, which are constant reminders of the seeming relentlessness of the situation. We have to trust the old adage is true and, at some point, the law of supply and demand will settle prices back down. Many economists thought the war with Iran would cause dramatically and persistently high oil prices. At the current time, oil trades at more than \$100 per barrel, but even current prices are well below the dire predictions of \$200 a barrel or more.²

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

This chart shows inflation for electricity (blue line) and restaurant (green line) prices, both, similar to gas prices, are omnipresent. Americans love eating out, and menu prices keep going up. The cost of electricity is receiving lots of attention from the public backlash to the data center buildout. The rate of inflation for electricity and eating out is higher than inflation for all items. Anecdotally, Americans report the economy is not good, but actually economic growth is doing modestly well, and corporate profit margins remain persistently elevated, which is the prime driver of stock valuations.

“Corporate fundamentals remain solid.”

The mainstream media is obsessed with pinning the tail on the donkey of the AI bubble, to mix a metaphor. Surely the AI-induced elevation in stock prices is a bubble that is about to pop?

Not so fast.

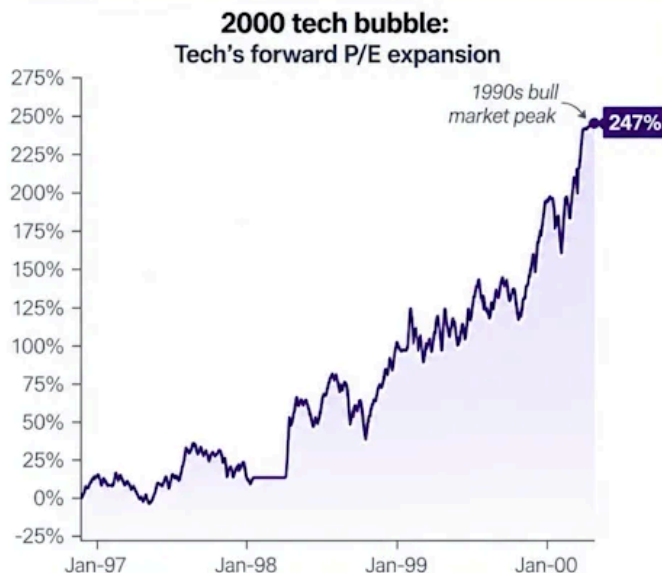
Yes, it is highly likely that at some point, which may be now, given recent market volatility, the stock market will correct downward. That is normal and should be expected. Of course no one knows when that will happen, and it will happen, but it may only happen after a continued climb in stock prices.

I recently came across an interesting story in Yahoo! Finance on October 5, “Nvidia and AMD just hit record highs, but tech stocks still look cheap.” Check out this chart:

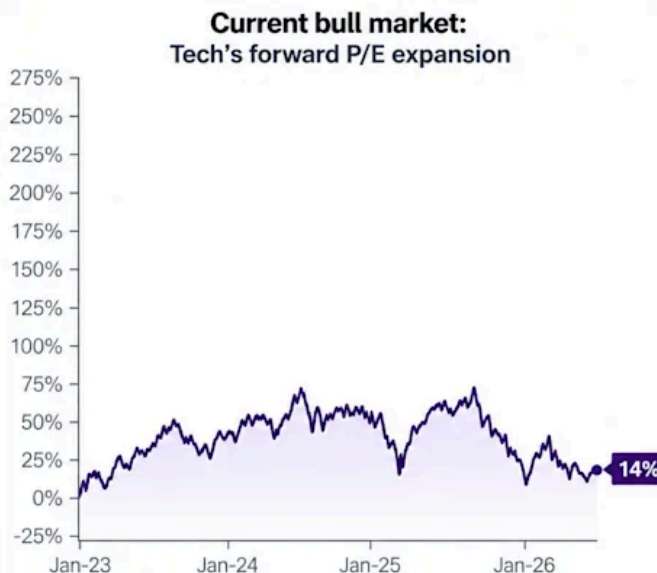
yahoo!finance

Tech's valuation expansion far more restrained than during late-90s bubble

Tech's forward P/E surged nearly 250% before the March 2000 tech bubble peak...



...compared with an expansion of just 14% th the current bull market began in October 2022



"Truist chief strategist Keith Lerner pointed out ... tech's forward price-to-earnings ratio surged nearly 250% before the March 2000 tech bubble peak. That compares with an expansion of just 14% since the current bull market began in October 2022."³ That is not to say a correction of 10%, even a bear market decline of 20% or more, isn't right around the corner, but it may be the case that such a decline could be an excellent opportunity to allocate more to stocks, especially if you have been conservatively allocated in recent years. In my 10+ year experience guiding churches about their investments, the #1 risk churches face is they are too conservative and often barely keep up with inflation or even lose to inflation.

Respectfully,

Chris Walters

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¹ https://www.investpmc.com/sites/default/files/documents/PMC_QuarterlyMarketEnvironment.pdf

² <https://www.ft.com/content/8d8c337f-e3a7-4fa5-8e9f-749a24fe3eb9?syn-25a6b1a6=1>

³ <https://finance.yahoo.com/markets/article/nvidia-and-amd-just-hit-record-highs-but-tech-stocks-still-look-cheap-135330297.html>

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