

Q3 2026 Quarterly Commentary: Rethinking Diversification in an AI-Dominated Market

Adam Bernstein, Investment Analyst

In our last two articles, [Can Hyperscalers Generate Enough Revenue to Justify Their CapEx Investments?](#) and [Will AI Costs, Supply Constraints, and Competition Prevent Attractive Long-Term Returns for Hyperscalers?](#), we examined whether the unprecedented AI infrastructure investment can ultimately generate attractive shareholder returns for the hyperscalers committing the CapEx, and for investors in hyperscaler stocks. We concluded that AI is likely to remain one of the defining investment themes of the next decade, but considerable uncertainty remains regarding which companies the economic value will ultimately accrue and the timing thereof.

For much of the past 20 years, concentrating capital in the S&P 500 has been one of the most rewarding trades. U.S. large-cap company valuations, especially software firms, have benefited from abundant liquidity, substantial share repurchases, deficit-financed government spending, and successive waves of capital formation. Concurrently, index funds, ETFs, and automatic investment programs forged a steady source of demand. Diversifying away from the index has been costly for investors.

However, the environment is changing. Hyperscalers are redirecting cash from share repurchases toward capital spending while accessing debt and, in some cases, equity markets to finance their AI buildout. Meanwhile, interest rates remain elevated. As we discussed in the articles linked above, we have entered a period where the risk of lower returns from the biggest weights in the S&P 500 raises the specter of reduced overall index performance and broader economic consequences.

When considered in conjunction with the macroeconomic and geopolitical landscape, we believe that advisors and investors need to review their allocations and consider what this means for portfolios. Traditional portfolio construction via broad-based asset class diversification has been very successful historically, however traditional diversifiers are increasingly correlated with the handful of companies driving the S&P 500.

This quarter's commentary examines the growing concentration risk and why conventional asset-class diversification may provide less protection than advisors and investors currently assume. We also share insights into how core portfolios can be constructed or complemented by thematic allocations to encompass less-correlated economic return drivers and reduce risks.

Is Your Portfolio Effectively an AI Bet in an Asset Allocation Wrapper?

To examine this question, we used the Morningstar Strategic ETF Moderate Growth & Income Model as a proxy for a conventional advisor model portfolio. The model reflects the asset-class-based approach that has become standard across portfolio construction. Throughout this paper, we use “traditional” or “conventional” diversification to describe the practice of spreading capital across stocks, bonds, and other public-market asset classes.

On the surface, the Morningstar model appears broadly diversified, allocating 41.3% to U.S. stocks, 18.2% to non-U.S. stocks, 34.7% to bonds, 5.7% to cash, and 0.1% to other investments.ⁱ However, a deeper review shows that its returns remain heavily influenced by the U.S. large-cap companies driving the major market indexes.

From January 2020 through June 2026, the model exhibited a 0.95 correlation with the S&P 500, with approximately 92.1% of its monthly return variation statistically explained by movements in the index.ⁱⁱ Its estimated beta of 0.65 suggests that a 15% monthly move in the S&P 500 would historically have corresponded to an approximately 10% move in the model, all else equal. The underlying holdings tell a similar story: technology represents 31.7% of its equity exposure, 11.7% of the total portfolio is invested directly in the Magnificent Seven, and at least 13.1% overlaps with the S&P 500’s ten largest holdings.ⁱⁱⁱ

The results highlight an important concept explored throughout this paper: depending on the macroeconomic environment, diversification across asset classes may not adequately diversify the underlying sources of return. Correlations are dynamic, and asset classes that behave differently in one regime may respond more similarly as inflation, interest rates, liquidity, and investor risk appetites change. A portfolio can therefore hold numerous funds across several asset classes while remaining disproportionately dependent on U.S. large-cap equities and the continued success of the mega-cap companies leading the AI investment cycle.

Why Traditional Diversification Is Evolving

The Morningstar model is not an outlier; its concentration reflects what has worked. Over the last 20 years, the simple 60/40 portfolio produced better risk-adjusted returns than both the S&P 500 and a more broadly diversified portfolio, benefiting from declining interest rates, strong corporate share repurchases, and the extraordinary performance of U.S. mega-cap technology.



To test this, we compared the S&P 500, Bloomberg U.S. Aggregate Bond Index, a basic 60/40 portfolio^{iv} of U.S. Large-cap stocks and core bonds, and a diversified portfolio^v of 10 asset classes over three, five, ten, fifteen, and twenty years through June 30, 2026. The objective was to test whether spreading capital across a wider range of conventional asset classes consistently improved returns and/or reduced portfolio risk.

Effects of Diversification Over Time (Push Ctrl button and scroll mouse to enlarge)

	3 Years			5 Years			10 Years			15 Years			20 Years		
	Total Return (%)	Std Dev	Sharpe Ratio	Total Return (%)	Std Dev	Sharpe Ratio	Total Return (%)	Std Dev	Sharpe Ratio	Total Return (%)	Std Dev	Sharpe Ratio	Total Return (%)	Std Dev	Sharpe Ratio
S&P 500	20.58	13.06	1.33	13.36	15.85	0.64	15.47	15.37	0.80	14.32	14.34	0.78	11.35	15.31	0.53
Agg	4.16	5.51	0.17	0.09	6.36	-0.49	1.52	5.05	-0.33	2.23	4.43	-0.22	3.24	4.28	0.01
60/40 Portfolio	14.39	8.73	1.28	8.63	10.51	0.52	10.10	9.48	0.73	9.63	8.70	0.74	8.62	8.99	0.60
Diversified Portfolio	16.66	9.09	1.48	8.99	10.63	0.54	9.32	10.18	0.60	7.76	9.89	0.46	7.49	10.97	0.39

Source: Morningstar Direct monthly total return data. Trailing 3-, 5-, 10-, 15- and 20-year periods end 6/30/26. Returns are geometrically annualized from monthly U.S.-dollar returns; standard deviation is annualized from monthly returns; Sharpe ratios use a 3.20% annual risk-free rate. S&P 500 and Agg represent the corresponding U.S. large-cap equity and U.S. aggregate bond total-return series. The hypothetical 60/40 Portfolio is 60% IA SBBI U.S. Large Stock TR USD Extended and 40% Bloomberg U.S. Government Intermediate TR USD. The hypothetical Diversified Portfolio is 22.22% IA SBBI U.S. Large Stock; 11.11% each Bloomberg U.S. Government Intermediate, FTSE WGBI 1–5 Year Hedged USD, ICE BofA U.S. High Yield, MSCI EAFE and MSCI Emerging Markets; and 5.56% each IA SBBI U.S. Small Stock, Bloomberg Commodity, FTSE Gold Mines Americas and FTSE Nareit All Equity REITs. Allocations may not total 100% due to rounding. Results do not reflect management fees, transaction costs, taxes, or other implementation expenses. Indexes are unmanaged and cannot be invested in directly. Past performance does not guarantee future results.

The results illustrate why conventional diversification has often been difficult to maintain. Over the trailing 10, 15, and 20-year periods, the simple 60% U.S. large-cap equities and 40% intermediate U.S. government bonds outperformed the more broadly diversified portfolio without assuming materially greater volatility. Therefore, an investor who consistently added and rebalanced across a wider range of conventional asset classes (like the diversified portfolio depicted above) would have sacrificed returns without receiving a commensurate reduction in risk.

However, the success of the simple 60/40 portfolio became increasingly aligned with the same companies and economic forces that now drive the major indexes. **This creates the central portfolio construction tension:** the allocation that worked best in the previous regime may now leave investors unusually dependent on a small group of companies entering the next one.

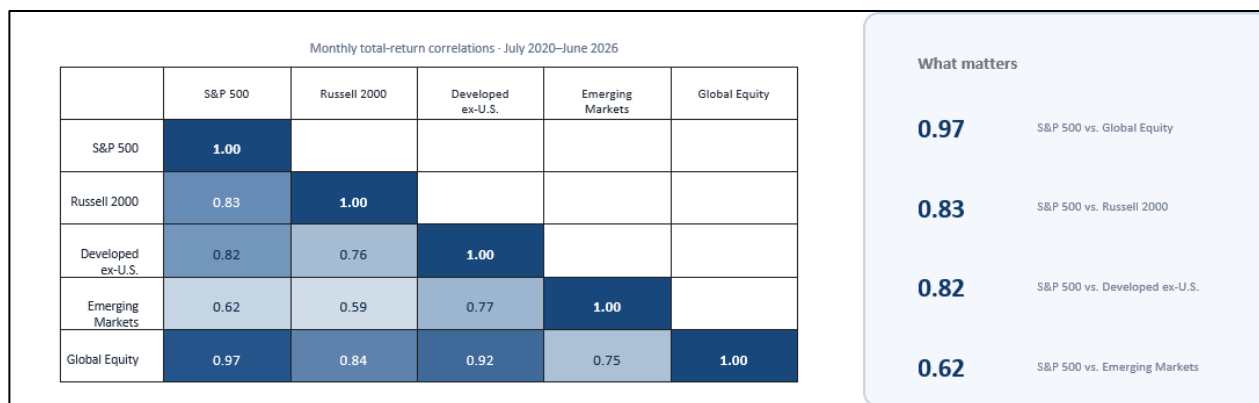
The takeaway is not that the 60/40 framework is inherently superior—or that adding more asset classes automatically improves diversification. It is that historical return, volatility, and correlation provide an incomplete picture. They describe how investments have behaved together, but not necessarily why. Evaluating diversification therefore requires looking beyond asset-class labels and historical relationships to determine whether ostensibly different investments ultimately depend on the same economic drivers.



Identifying and Selecting Distinct Return Drivers

Traditional portfolio frameworks organize investments by geography, sector, market capitalization, and style. These classifications are useful, but they do not fully capture the underlying economic dependencies that may connect otherwise differentiated investments. For example, a regulated electric utility, a natural gas producer, and a manufacturer of industrial cooling equipment occupy different sectors and appear to represent distinct exposures. Yet each may increasingly depend on the same economic outcome: continued AI data-center construction and the resulting demand for electricity, generation capacity, and cooling infrastructure. A portfolio holding all three may therefore look diversified by sector and geography while remaining dependent on the same underlying factor.

Traditional diversifiers carry substantial equity beta (Push Ctrl button and scroll mouse to enlarge)



Source: Morningstar Direct monthly total return data. Pearson correlations use 72 monthly observations in U.S. dollars from 7/1/20 through 6/30/26. ETF proxies: S&P 500—Vanguard S&P 500 ETF (VOO); Russell 2000—iShares Russell 2000 ETF (IWM); Developed ex-U.S.—Vanguard FTSE Developed Markets ETF (VEA); Emerging Markets—Vanguard FTSE Emerging Markets ETF (VWO); Global Equity—iShares MSCI ACWI ETF (ACWI). Fund returns reflect ongoing expenses deducted from fund assets and assume reinvestment of distributions; they do not reflect transaction costs, taxes, or investor-level advisory fees. Correlations may change over time and do not indicate causation.

When correlations rise during periods of stress, portfolios that appear diversified on paper can behave much more similarly than investors expect. Therefore, asset-class diversification alone is an incomplete solution depending on the macroeconomic regime. This is why we believe the next evolution in portfolio construction must look beyond asset-class labels and focus more directly on the economic forces that generate returns.

To be clear, this is not the first time in recent history that investment firms have attempted to address diversification-related problems. Factor-based diversification became popular as an alternative to allocating only by asset class, while factor-based investing works by decomposing

equity returns into factors such as value, size, quality, momentum, minimum volatility, and dividend yield. The intellectual advance was important: investments with different labels can still be driven by the same underlying risks.

In practice, however, factor diversification can result in diversification within equity beta rather than away from it. Factors can outperform one another as market leadership and valuation spreads change, but they generally remain exposed to the same earnings cycle, liquidity conditions, and investor risk appetite.

Implementation also matters. As many factor indexes are capitalization-weighted or constructed from overlapping universes, they can retain significant exposure to the same large companies dominating the broader market. Over the latest five-year period, as depicted in the image below, the equity factors maintained correlations of approximately 0.79 to 0.97 with the S&P 500.^{vi} Factor allocations may therefore diversify active returns relative to an index, but they should also not automatically be treated as independent portfolio return engines.

Five-Year Correlation Trends vs. S&P500 ETF (Push Ctrl button and scroll mouse to enlarge)

	Jul. 2006–Jun. 2011	Jul. 2011–Jun. 2016	Jul. 2016–Jun. 2021	Jul. 2021–Jun. 2026	CHANGE LATEST VS. EARLIEST
BENCHMARK State Street SPDR S&P 500 ETF	1.00	1.00	1.00	1.00	— +0.00
REAL ASSETS Bloomberg Commodity	0.54	0.44	0.61	0.15	▼ -0.39
LBMA Gold Price PM	0.00	0.09	0.06	0.13	▲ +0.13
FIXED INCOME Bloomberg Global Aggregate	0.37	0.22	0.24	0.64	▲ +0.27
Morningstar US 10+ Yr Treasury Bond	-0.18	-0.55	-0.30	0.57	▲ +0.75
Morningstar US Cash T-Bill	-0.02	0.07	-0.29	0.19	▲ +0.21
Bloomberg US Corporate High Yield	0.74	0.76	0.78	0.82	▲ +0.08
EQUITY DIVERSIFIER Morningstar US Small Cap Market	0.94	0.91	0.91	0.86	▼ -0.08
EQUITY FACTORS Quality	0.98	0.97	0.97	0.97	▼ -0.01
Minimum Volatility	0.96	0.84	0.92	0.83	▼ -0.13
Momentum	0.89	0.92	0.90	0.84	▼ -0.05
High Dividend Yield	0.92	0.91	0.94	0.79	▼ -0.13
Value	0.99	0.97	0.95	0.88	▼ -0.11

Source: Morningstar Direct monthly total-return data in U.S. dollars through June 30, 2026. Pearson correlations are calculated separately for four non-overlapping five-year periods, each containing 60 monthly observations. Series: State Street SPDR S&P 500 ETF; Bloomberg Commodity; LBMA Gold Price PM; Bloomberg Global Aggregate; Morningstar U.S. 10+ Year Treasury Bond; Morningstar U.S. Cash T-Bill; Bloomberg U.S. Corporate High Yield; and Morningstar U.S. Small Cap Market. Factor labels represent the MSCI USA Quality, MSCI USA Minimum Volatility, MSCI USA Momentum, MSCI USA High Dividend Yield and MSCI AC Americas Value indexes. The ETF return reflects ongoing fund expenses; index results do not reflect management fees or implementation expenses. Indexes are unmanaged and cannot be invested in directly. Correlations may change over time. For Internal Use Only. Not for Distribution.

Bonds have historically provided a more meaningful diversification benefit. Unlike additional equity categories, fixed income introduces exposure to a different economic driver: interest rates. Over the 20-year period depicted above, the basic 60/40 portfolio reduced volatility and improved risk-

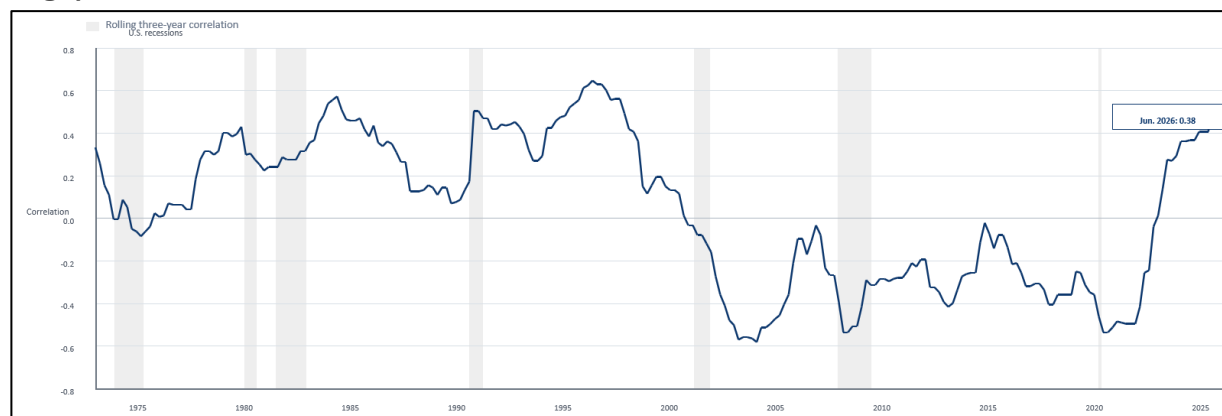


adjusted returns relative to an all-stock portfolio. This helps explain why the 60/40 framework has endured while broader equity diversification has often disappointed.

However, the relationship between stocks and bonds changes with the macroeconomic environment. During the era of low inflation and declining rates, bonds often appreciated when growth weakened and equities struggled, allowing each side of a 60/40 portfolio to offset the other. That relationship broke down sharply in 2022, when persistent inflation forced the Federal Reserve to raise rates at its fastest pace in decades. Higher discount rates reduced equity

valuations, while rising bond yields simultaneously produced losses in fixed income. Stocks and bonds have periodically moved together since then, making the traditional 60/40 portfolio less defensive than many investors expect.

Stock–bond correlations shift across market regimes (Push Ctrl button and scroll mouse to enlarge)



Source: Morningstar Direct. Data through June 30, 2026. Rolling three-year Pearson correlation calculated from monthly total returns for the S&P 500 Total Return Index and Bloomberg U.S. Aggregate Bond Total Return Index. Shaded periods denote U.S. recessions as identified by the National Bureau of Economic Research. Index results do not reflect management fees or implementation expenses; indexes are unmanaged and cannot be invested in directly. The editable line is reconstructed from the supplied source exhibit; intermediate plotted values are approximate. Correlations may change over time. For Internal Use Only. Not for Distribution.

It is therefore important to reconcile portfolio allocations with the macroeconomic regime rather than rely on historical correlations as permanent relationships.

This may seem complicated, but an advisor does not need to forecast every change in monetary or fiscal policy. The key is to recognize which economic risks dominate the current environment and ensure that portfolios contain return drivers capable of responding differently if the prevailing regime changes.

How Gitterman Asset Management Diversifies Economic Return Drivers

As we have shown, traditional diversification increasingly repackages the same underlying market beta. Our answer is to own investments with different drivers of performance: i.e. alpha diversifiers. Our definition of an alpha diversifier is an investment intended to participate in long-term structural growth while reducing the portfolio's dependence on the economic drivers already dominating traditional indexes.

Our approach begins by considering long-term structural changes in the economy, such as shifts in technology, energy systems, infrastructure needs, and resource demand. Identifying these helps us assess where changes may create durable, investable return streams. For example, our core macro themes are:

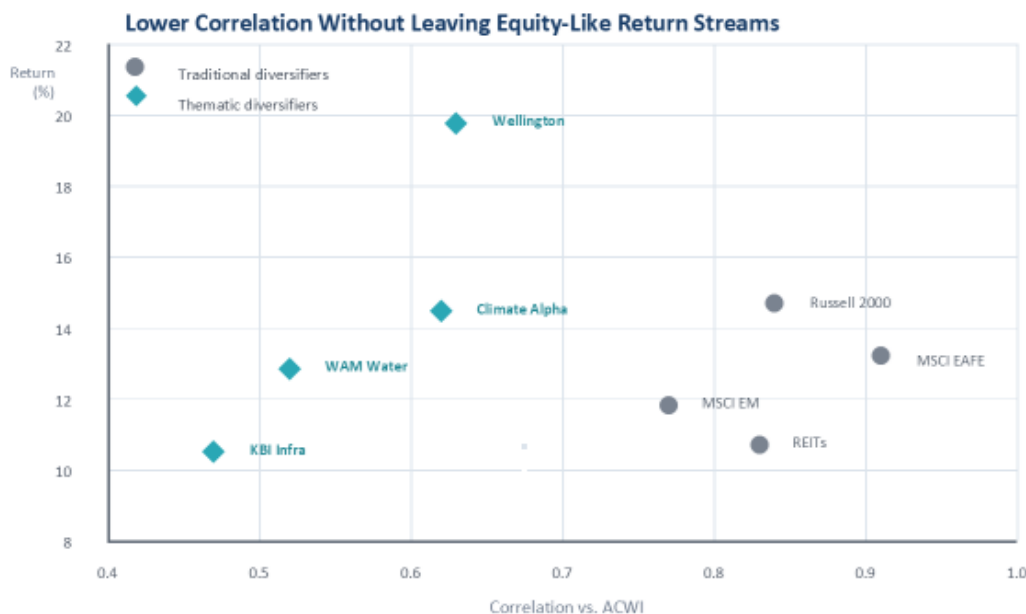
- **Energy Addition:** we do not believe the world is simply transitioning from fossil fuels to renewable energy. Historically, new energy sources have been layered on top of existing ones as total demand has grown. AI, electrification, and developing economies are accelerating that demand, creating investment opportunities across primary energy and power generation, electrical grids, efficiency technologies, and the commodities required to build them.
- **Climate Adaptation:** this theme is established from a similarly practical premise: the physical effects of climate change are already here, regardless of how quickly the world decarbonizes or the strength and consistency of climate policy. Hurricanes, wildfires, droughts, and water shortages are becoming financial events that affect real estate values, insurance costs, municipal budgets, and corporate balance sheets. These create opportunities in water infrastructure, storm-resistant construction, fire-resistant materials, cooling systems, risk analytics etc.
- **Monetary System Evolution:** this theme considers another set of forces shaping investment returns. Persistent deficits, higher sovereign debt, and geopolitical fragmentation are changing how investors think about duration, currency risk, and stores of value. Implementing this theme supports selective exposure to gold, commodities, and other real assets whose returns may be driven more by inflation, scarcity, real interest rates, and confidence in sovereign balance sheets than by the earnings cycle dominating traditional stock indexes.

We apply our themes to portfolio construction by selecting managers and strategies that can deliver more differentiated return patterns than traditional diversifiers, while still producing



equity-like returns. However, they are not hedges and will not be immune to broad market declines.

Thematic Strategies Show a Different Return / Correlation Profile (Push Ctrl button and scroll mouse to enlarge)



Net-return adjustments: Wellington 0.45%; WAM 0.35%; KBI 0.35%; Climate Alpha 0.3833% annually. Fees are applied monthly; correlations are unchanged. Source: Morningstar Direct monthly total returns in U.S. dollars, July 1, 2020–June 30, 2026 (72 observations), and Gitterman Asset Management analysis. Annualized returns are calculated from monthly observations; Pearson correlations are calculated against the MSCI ACWI total-return series. Wellington Climate Resilience, WAM Global Water and KBI Sustainable Infrastructure are SMA sleeves; their net returns are estimated by applying one-twelfth of annual fees of 0.45%, 0.35% and 0.35%, respectively, to each monthly return. Climate Alpha is shown net of a 0.3833% annual fee using the same method. Traditional benchmark and index results do not reflect management fees or implementation expenses; fund returns reflect ongoing fund expenses where applicable. Correlation does not indicate causation and may change over time. Past performance does not guarantee future results. For Internal Use Only. Not for Distribution.

Gitterman Asset Management: Practical Solutions to Diversify Your Return Drivers

At present, many investors have substantial exposure to the S&P 500 and, by extension, to the AI ecosystem. For those with significant embedded gains, materially reducing that exposure may be impractical and/or tax inefficient. Rather than abandon existing portfolios, GAM offers solutions to diversify around existing core positions to capture other sources of return. The appropriate approach depends on the investor's existing concentrations, tax circumstances, and tolerance for tracking error.

For an investor with a substantial low-basis S&P 500 position, one option is to direct new contributions, distributions, and rebalancing proceeds toward a thematic satellite, such as our **Climate Alpha portfolio**, building to a holding of 10% to 20% of the total equity allocation. Climate



Alpha is an all-equity solution that combines allocations to water, energy infrastructure, and climate Resilience. Larger allocations may be appropriate where the objective is to make thematic return drivers a more meaningful part of the portfolio, appreciating that they will experience greater deviation from conventional benchmarks.

Equity Portfolio Comparison: Return, Risk and S&P 500 Dependence (Push Ctrl button and scroll mouse to enlarge)

Portfolio	Annualized Return	Annualized Volatility	Sharpe Ratio	Correlation to S&P 500	Monthly Return Variation Explained by S&P 500 ¹	Weighted Holdings Overlap with S&P 500 ²	Maximum Drawdown
EQUITY-ORIENTED PORTFOLIOS							
S&P 500	17.53%	15.73%	0.92	1.00	100.0%	100.0%	-23.90%
Morningstar Strategic Equity Model ³	14.72%	14.25%	0.82	0.96	92.1%	≥17.9%	-23.35%
Climate Alpha ⁴	14.46%	16.67%	0.72	0.82	66.5%	≥4.3%	-23.16%
Equal-Weight Factor Portfolio ⁵	14.76%	13.90%	0.85	0.95	89.9%	≥55.8% ⁶	-21.14%

¹ Correlation squared (R^2); statistical co-movement, not direct causation. ² Climate Alpha annualized return and Sharpe ratio are shown net of a 0.3833% annual fee; other Climate Alpha statistics are unchanged. ³ Morningstar's Growth Equity Model refers to the Morningstar Strategic ETF Agg Growth Model.

⁴ Conservative lower-bound overlap: sum of the lesser position weights among matched holdings in each report's 100 disclosed stock holdings; S&P 500 set to 100%. ⁵ Factor portfolio is an equal-weight mix of quality, minimum-volatility, momentum, high-dividend-yield and Americas-value indexes. ⁶ Factor overlap uses the WisdomTree U.S. Factor Model as an implementation proxy because the return series is an equal-weight index mix.

Source: Morningstar Direct monthly total returns in U.S. dollars, July 1, 2020–June 30, 2026 (72 observations). Annualized return, annualized volatility, maximum drawdown, Pearson correlation and R^2 are calculated from monthly returns. Sharpe ratios use the Morningstar U.S. Cash T-Bill Index as the risk-free return. Climate Alpha net return is estimated by applying one-twelfth of the 0.3833% annual fee to each monthly return and annualizing the resulting series; its net Sharpe ratio is recalculated from the net return.

To test whether different equity-oriented approaches produced meaningfully different return patterns, we compared our Climate Alpha portfolio with the Morningstar Strategic ETF Agg Growth Model and a hypothetical equal-weight factor mix over their longest common period: July 2020 through June 2026. We selected Climate Alpha because it is our most differentiated thematic model and is constructed without a dedicated allocation to traditional broad-market beta. We evaluated each approach's correlation to the S&P 500, annualized return, volatility, and the proportion of monthly return variation explained by the index.

Climate Alpha produced a 0.82 correlation to the S&P 500, compared with 0.95 for the equal-weight factor mix and 0.96 for the Morningstar model. Approximately 66.5% of Climate Alpha's monthly return variation was explained by the S&P 500, versus 89.9% for the factor mix and 92.1% for the Morningstar model.^{vii} Climate Alpha also had considerably less disclosed weighted-holdings overlap with the index. These results do not imply that Climate Alpha will protect capital during an equity decline. They indicate only that its historical returns were less dependent on the securities and market exposures dominating conventional equity portfolios.

For investors seeking a core allocation, our **Gitterman Managed Models, ETF Models, and UMA/SMA portfolios** offer thematic exposure within a broad-based asset allocation wrapper. The

thematic exposure increases with the portfolio's equity allocation, allowing the role of the themes to remain consistent with the investor's overall risk profile.

Thematic allocation can therefore play multiple roles: it can both complement or replace an investor's core. This approach does not eliminate equity beta, guarantee downside protection, or ensure that every theme will perform at the same time. However, it reduces the burden placed on any single return engine. As such, if the AI investment cycle slows, market leadership broadens, or today's largest companies capture less economic value than investors expect, macro themes such as Energy Addition, Climate Adaptation, and Monetary System Evolution may provide additional opportunities for outperformance.

Disclosures

This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Gitterman Asset Management or consult with the professional advisor of their choosing.

Certain information contained herein has been obtained from third party sources and such information has not been independently verified by Gitterman Asset Management. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by Gitterman Asset Management or any other person. While such sources are believed to be reliable, Gitterman Asset Management does not assume any responsibility for the accuracy or completeness of such information. Gitterman Asset Management does not undertake any obligation to update the information contained herein as of any future date.

This presentation is confidential and is intended only for the person to whom it has been directly provided.

Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results, or actual performance may differ materially from those reflected or contemplated in such forward-looking

statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.

Gitterman Asset Management is a dba of Perigon Wealth Management, LLC ("Perigon"), a registered investment advisor registered with the U.S. Securities and Exchange Commission.

ⁱ Morningstar Direct. Asset-allocation, sector-exposure and underlying-holdings data as of June 30, 2026.

ⁱⁱ Correlation and R^2 were calculated by Gitterman Asset Management using monthly total returns for the Morningstar model and S&P 500 Index from October 2021 through June 2026. R^2 represents the percentage of the model's historical monthly return variation statistically associated with movements in the S&P 500; it does not establish causation or predict future results.

ⁱⁱⁱ The 15% S&P 500 scenario is an illustrative linear estimate based on the model's historical beta of 0.65 and implies an approximate 10% move in the model, all else equal. Technology, Magnificent Seven and S&P 500 top-ten overlap figures were estimated on a look-through basis using the latest underlying holdings available in Morningstar Direct as of June 30, 2026.

^{iv} 60/40 portfolio is made up of 60% S&P500 and 40% Bloomberg U.S. Aggregate Bond Index rebalanced annually.

^v Diversified portfolio is made up of 22.22% IA SBBI U.S. Large Stock Index; 11.11% each in the Bloomberg U.S. Government Intermediate Index, FTSE World Government Bond 1–5 Year Hedged USD Index, ICE BofA U.S. High Yield Index, MSCI EAFE Index, and MSCI Emerging Markets Index; and 5.56% each in the Bloomberg Commodity Index, FTSE Gold Mines Americas Index, FTSE Nareit All Equity REITs Index, and IA SBBI U.S. Small Stock Index. Index rebalanced annually.

^{vi} Morningstar Direct. Correlations were calculated by Gitterman Asset Management using monthly total returns for the selected factor indexes and the S&P 500 Index over the five-year period ended June 30, 2026.

^{vii} Morningstar Direct and Gitterman Asset Management analysis. Statistics are calculated from 72 monthly U.S.-dollar total-return observations from July 2020 through June 2026. The S&P 500 is represented by the Vanguard S&P 500 ETF (VOO). The Morningstar model is the Morningstar Strategic ETF Agg Growth Model. The hypothetical equal-weight factor mix comprises equal allocations to the MSCI USA Quality, MSCI USA Minimum Volatility, MSCI USA Momentum, MSCI USA High Dividend Yield, and MSCI AC Americas Value indexes. Correlations are Pearson correlations based on monthly returns. The proportion of monthly return variation explained by the S&P 500 is calculated as the squared correlation coefficient (R^2)