September 22, 2026

Bullish, But Volatile

THE TREMLETT BRIEF

A resilient economy, exceptional earnings, and powerful investment opportunities—but higher rates, elevated valuations, and a large federal deficit warrant discipline.

THE ECONOMY IS STRONG—AND THAT'S A GOOD THING (WITH NUANCE)

The economy continues to grow, corporate earnings are exceeding expectations, and private demand remains strong. Real final sales to private domestic purchasers are running around 4.2%, and current-dollar GDP is growing at roughly an 8% annual rate.

While there are pockets of consumer weakness, the overall economic backdrop is resilient. Strong private demand, capital investment, and productivity are supporting growth.

A strong economy is a positive for markets, but it also keeps upward pressure on inflation—making the Fed's job more difficult.

A RESILIENT ECONOMY BY THE NUMBERS



A healthy economy provides a foundation for earnings, investment and long-term opportunity.

THE FEDERAL RESERVE: ANOTHER HIKE, A CLEAR MESSAGE

The Fed raised interest rates by 25 basis points, taking the target range to 3.75% – 4.00%. More important than the size of the move was the message: ***"The economy can handle this."***

Growth expectations, inflation expectations, and the projected path of interest rates all moved higher. The Fed is signaling that future decisions will depend on incoming data.

This is not the Fed tightening because something is broken. It's almost the opposite. They're tightening because the economy has remained resilient and inflation continues to be the larger concern.

Good economic news can be bad market news when it leads to higher interest rate expectations.

THE FED'S BALANCING ACT



- Inflation remains above target
- The economy is slowing, not breaking
- Labor market remains healthy
- Future decisions will depend on the data

The Fed is allowing the economy to prove its strength while keeping inflation in check.

EARNINGS ARE EXCEPTIONAL—AND BROADENING

Corporate earnings have been phenomenal, with strength spreading beyond technology. Industrials, energy, financials, healthcare, defense and other sectors are contributing to growth.

Strong earnings, healthy balance sheets, and robust capital investment are creating multiple drivers of market performance.

This is a healthier bull market—one that is less dependent on a handful of mega-cap technology companies.

BROAD-BASED EARNINGS STRENGTH



Multiple sectors. Multiple growth drivers. A more durable market.

AI IS A MULTI-YEAR OPPORTUNITY—FAR BIGGER THAN A HANDFUL OF STOCKS

AI is creating a legitimate infrastructure cycle, but it's only one part of the investment opportunity. The greatest opportunities extend beyond the largest technology companies and include semiconductors, networking, power, electrical equipment, data centers, industrial automation, and the companies enabling AI to be built and used.

We prefer to own the "picks and shovels" of the AI buildout rather than chase crowded trades.

THE AI ECOSYSTEM: A BROADER OPPORTUNITY



AI is a powerful secular theme with opportunities across the entire ecosystem.

OUR PORTFOLIO APPROACH: INTENTIONAL AND DIVERSIFIED

We build portfolios from the top down, starting with the macroeconomic environment, and then move to sectors, industries, and individual companies. Our portfolios typically have an R-squared of 65% – 70%, meaning we participate in market returns while also having meaningful exposure to independent sources of return.

We invest in high-quality businesses with durable earnings, strong balance sheets, and multiple long-term growth catalysts.

A DISCIPLINED, DIVERSIFIED APPROACH



Diversification creates more consistent, resilient outcomes over time.

WHAT I'M WATCHING



- Corporate earnings and guidance
- Inflation and energy prices
- Interest rate trends
- Labor market strength
- Capital spending and business confidence
- AI infrastructure investment
- U.S. budget deficit and fiscal policy

FINAL THOUGHT



"Don't confuse volatility with deterioration."

As long as earnings, private demand and corporate investment remain healthy, I'm willing to use volatility rather than fear it—because ultimately, capital flows toward productivity.

— Scott Tremlett
Founder, CEO & Chief Investment Officer

