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ALERUS WEALTH UPDATE

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Global Stocks Rally as Geopolitical Tensions Ease

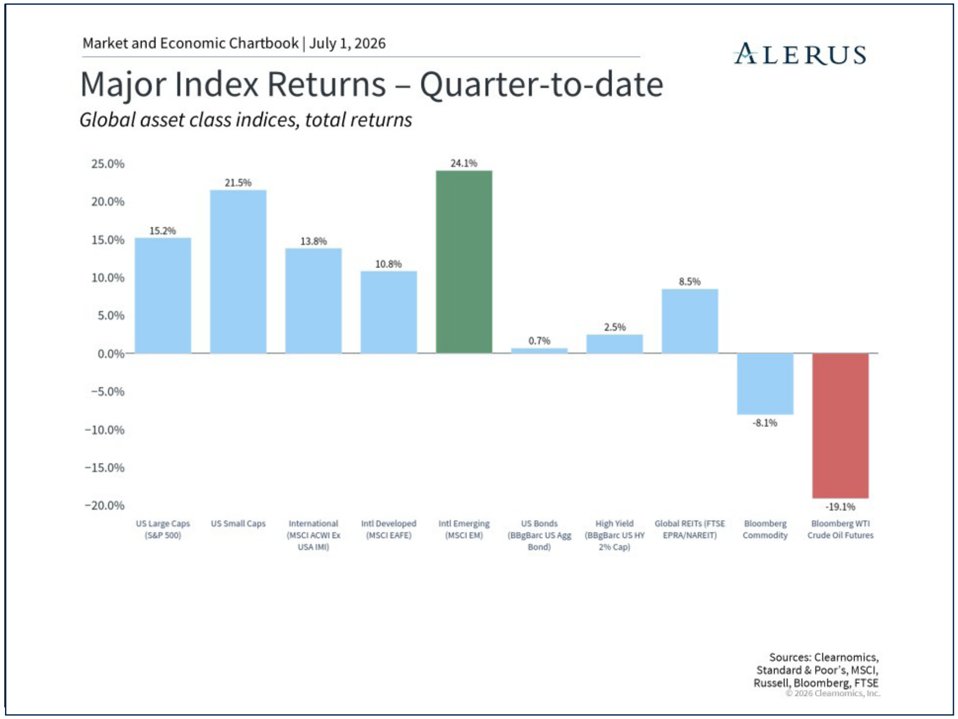
On April 7, President Trump announced a ceasefire between the United States and Iran and opened long-term negotiations between the two nations to allow for shipping of oil, natural gas, and other commodities through the Strait of Hormuz. Global equity markets rose sharply as oil prices tumbled. Emerging market and U.S. stocks recorded some of the best quarterly returns in years. The rally also drew support from strong earnings in the U.S., especially for the semiconductor companies powering the artificial intelligence (AI) buildup. Technology stocks were also partially responsible for the huge rally in emerging markets, especially Taiwan and Korea — home to companies like Taiwan Semiconductors and Samsung.

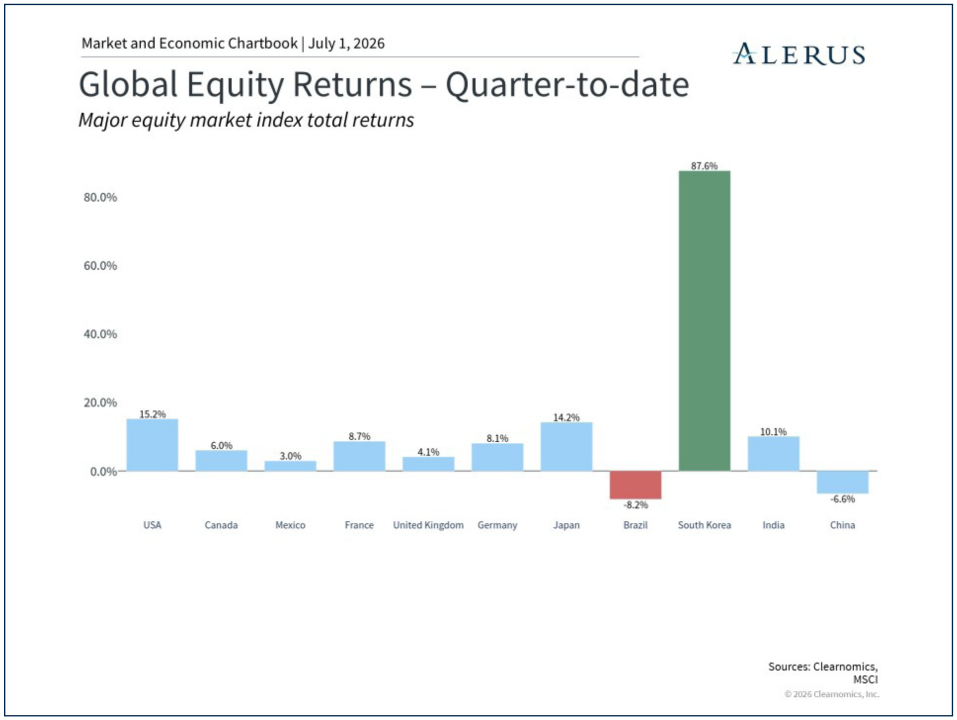
While stocks rallied, the ceasefire drove oil prices down almost 40% as the market began looking ahead to normalized flows through the Strait of Hormuz. It was a dismal quarter for commodities as precious metal prices also declined significantly due to sticky inflation, a more hawkish Federal Reserve, and higher U.S. interest rates. Thanks to interest rates staying “higher for longer,” bonds delivered muted returns during the quarter. However, bonds continue to attract investors looking for income.

Stocks: Best Quarter in Six Years

Global equities rebounded sharply in the second quarter as easing geopolitical tensions, declining energy prices, and accelerating corporate earnings growth supported risk assets. U.S. stocks delivered their strongest quarterly return since 2020, with the Standard &Poor’s 500 Index gaining approximately 15%. Investor sentiment improved as first-quarter earnings exceeded expectations and market leadership broadened beyond the largest technology companies. AI remained a dominant theme, semiconductor stocks were among the market’s strongest performers, as continued demand for AI infrastructure drove robust earnings and revenue expectations across the chip industry. The Philadelphia Semiconductor Index (SOX) surged nearly 30% during the quarter, significantly outperforming the broader market and reinforcing the semiconductor sector’s role as a key driver of equity returns. Growth extended into industrials, financials, and other cyclical sectors as confidence in the economic outlook improved.

Market leadership also became more balanced across investment styles and company sizes. Large-cap growth stocks, as measured by the Russell 1000 Growth Index, advanced nearly 17%, outperforming value stocks, represented by the Russell 1000 Value Index, which also posted





double-digit returns. Growth stocks continued to benefit from strong earnings momentum among technology and AI-related companies, as investors remained willing to pay a premium for firms with superior earnings growth prospects. Small-cap stocks, as measured by the Russell 2000 Index, significantly outperformed large caps during the quarter, gaining 21.5%. The strong performance of smaller companies reflected lower interest rates, improving earnings prospects, and a broadening of market leadership beyond the concentrated group of mega-cap technology stocks that had driven much of the market's gains in recent years. The improvement in small- and mid-cap performance was further supported by strengthening earnings expectations and still-attractive relative valuations.

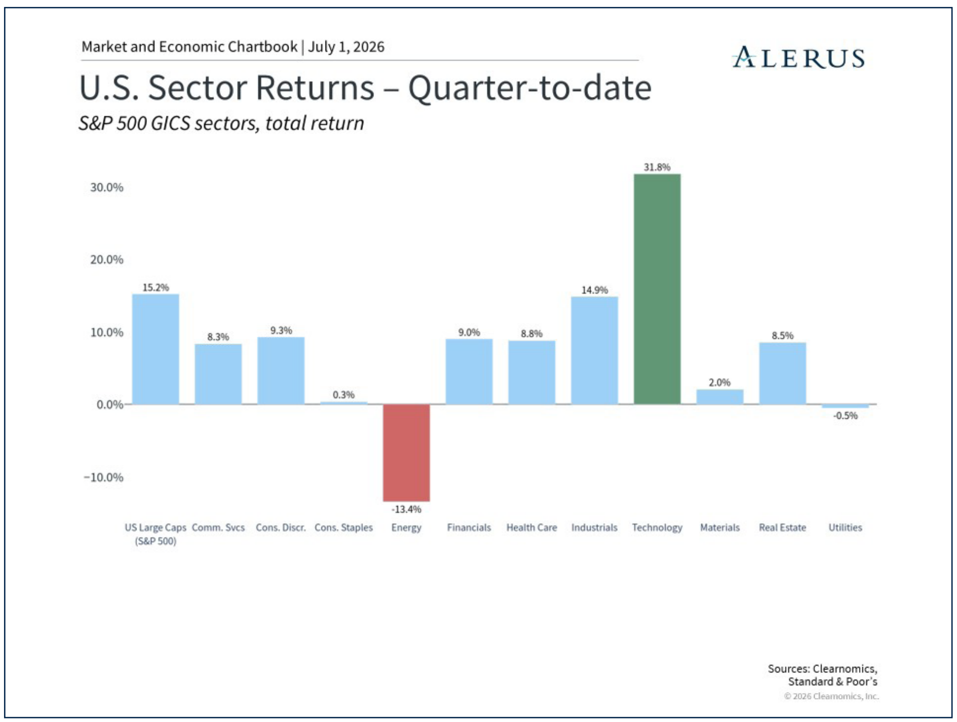
Emerging-market stocks, as measured by the MSCI Emerging Markets Index, led major asset classes, rising roughly 24%, while developed international equities, represented by the MSCI EAFE Index, gained nearly 11%. Emerging markets benefited from improving economic growth expectations, supportive monetary conditions, and greater exposure to cyclical sectors that participated in the broadening global recovery. Semiconductor and technology-related companies were among the largest contributors to performance, particularly in South Korea, mirroring the strong global demand for AI-related hardware and infrastructure. International markets also continued to benefit from diversification away from U.S. equities and favorable currency trends.

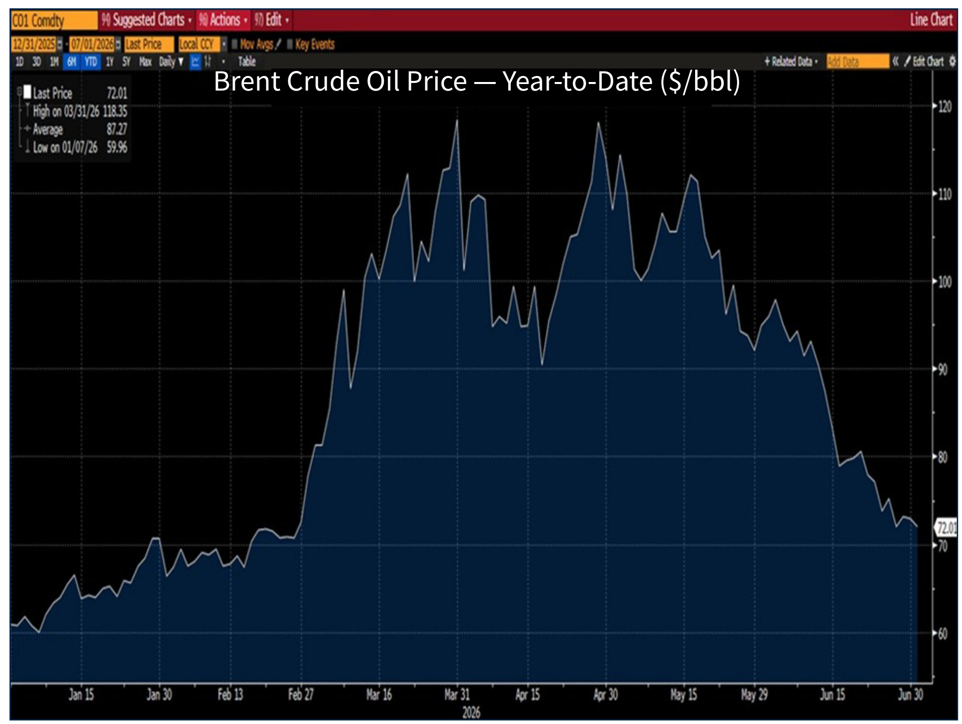
Developed European markets posted solid gains despite concerns about economic growth and energy security. Fiscal spending initiatives, particularly in defense and infrastructure, remained supportive, while a weaker U.S. dollar continued to enhance returns for domestic investors holding international assets. Emerging markets were further boosted by renewed investor enthusiasm for artificial intelligence and semiconductor-related companies, helping technology-heavy countries outperform broader global benchmarks.

Commodities: Oil Prices Tumble

As Middle East tensions eased and expectations grew for the reopening of the Strait of Hormuz, oil prices fell 38% during the second quarter, reversing a substantial portion of the conflict-driven gains of the prior three months. As a result, broad commodity benchmarks finished the quarter lower, with the Bloomberg Commodity Index declining 8.1% and the S&P Goldman Sachs Commodity Index falling 11.4% as energy markets shifted from a tailwind to a headwind.

Gold remained a focal point for investors throughout the quarter. After reaching record highs earlier in 2026, prices declined 14.1% during the quarter, falling from $4,679 per ounce at the start of April to approximately $4,019 per ounce by quarter-end. The weakness extended across the precious metals complex, with silver declining 21.8%, platinum falling 20.9%, and palladium losing 18.3%. Gold's retreat aligned with the nomination of Kevin Warsh as the new chair of the Federal Reserve. Mr. Warsh is viewed as more hawkish by the markets. Sticky inflation, a firmer





U.S. dollar, and higher real interest rates also reduced demand for precious metals. Although prices retreated significantly from earlier peaks, underlying demand remained supported by ongoing central bank purchases, reserve diversification efforts, and persistent geopolitical uncertainty.

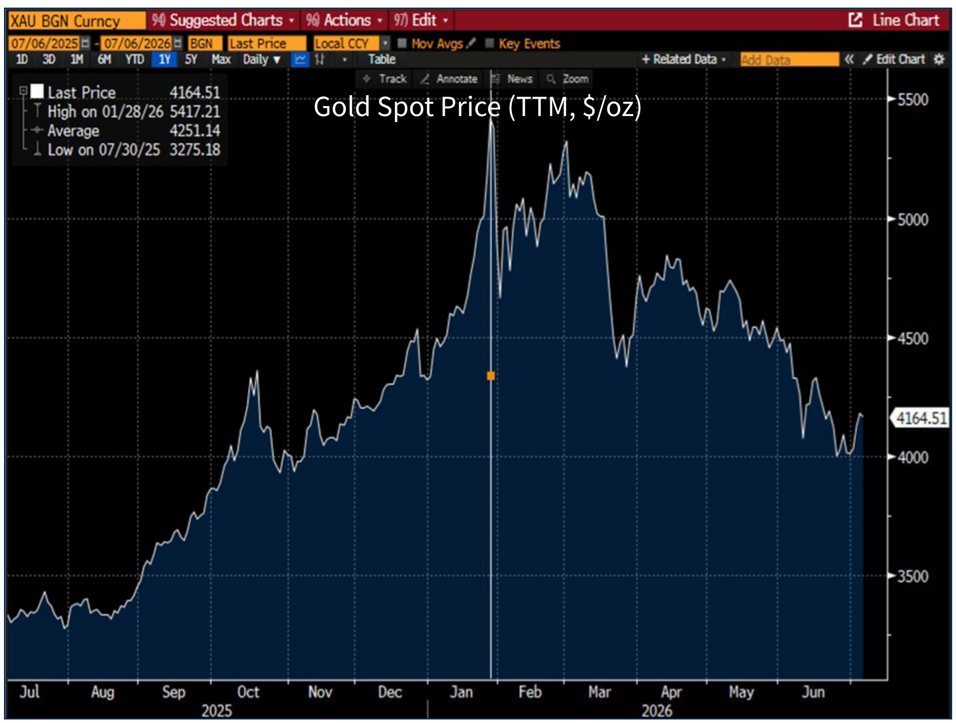
Bonds: Rising Yields Dampen Returns

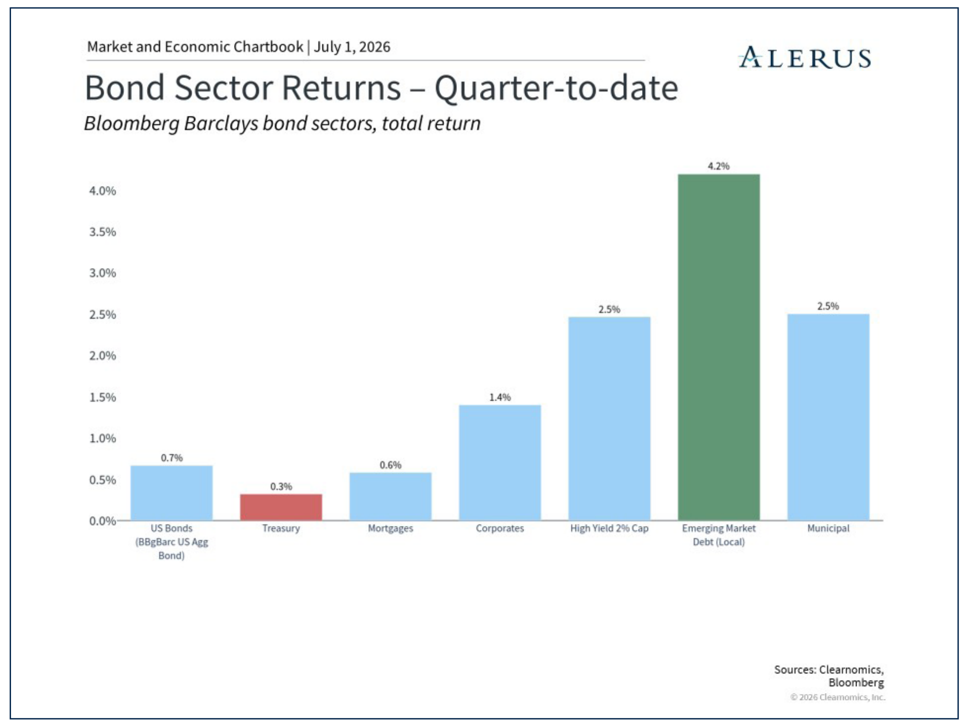
Treasury yields moved sharply higher in the second quarter, especially at the front end. The 2-year Treasury yield increased 38 basis points to 4.17%, compared with a 15-basis point rise in the 10-year Treasury yield to 4.45%, narrowing the spread between them to 29 basis points from a year-to-date high of 73 basis points in February. Despite a ceasefire in the Middle East, core inflation in the U.S. rose 4% year over year well above the Fed's target of 2%. Tariffs and services contributed to inflationary pressures. The announcement of Kevin Warsh as the new Fed chair also contributed to rising yields. Mr. Warsh has a reputation of an inflation hawk, and the market began pricing rate hikes instead of rate cuts over the next twelve months. The Bloomberg U.S. Aggregate Bond Index gained 0.7% during the quarter and 0.6% year-to-date. Elevated yields cushioned the blow from rising rates which helped deliver positive returns to bond investors.

As expected, the Fed held its policy rate steady at 3.50%–3.75% at its June meeting. New Fed chair, Kevin Warsh, emphasized a patient approach, noting that inflation remains above the Fed's long-term target of 2%. Policymakers pointed to continued economic growth and a healthy job market as reasons to keep interest rates unchanged for now. At the same time, the Fed acknowledged that earlier increases in energy prices and other cost pressures were still working their way through the economy, making it harder for inflation to return to target in the near term. As a result, investors reduced expectations for near-term rate cuts and shifted toward the view that interest rates could remain higher for longer, with some even anticipating the possibility of a rate hike over the next 12 months.

Investment-grade corporate bonds delivered solid performance during the quarter, returning 1.4% and bringing year-to-date gains to 0.9%. Credit spreads narrowed by 15 basis points despite robust new issuance, as strong investor demand absorbed debt raised to support ongoing AI-related investments. High yield corporate bonds did better and returned 2.5% for the quarter. Higher income and a resilient economy helped this sector outperform. Emerging market debt delivered strong results, as investor confidence improved and demand for higher-yielding investments increased. Easing geopolitical tensions, including progress toward reopening the Strait of Hormuz, helped reduce concerns about global energy supplies and economic disruption, supporting risk assets broadly. Emerging market debt returned 4.2% for the quarter.

Agency mortgage-backed securities (MBS) continued to provide a source of stability and income, although returns were more modest as interest rates moved higher. Strong income generation remained a key contributor to performance, helping offset the impact of rising Treasury yields.





Investor demand for agency MBS remained supported by their attractive yields relative to other high-quality fixed income sectors, while a balanced supply-demand backdrop. Municipal bonds delivered solid performance, supported by strong investor demand and favorable market conditions. Investor interest remained robust, with municipal bond funds attracting consistent inflows throughout the quarter, helping to absorb a heavy supply of new bond issuance. Municipal bonds returned, 2.5%, over the prior three months.

Outlook 2026: Normalization as Geopolitical Risks Fade

Our base case remains that it is in the interest of all parties to not resume hostilities and settle on a deal to open the Strait of Hormuz. The 60-day Memorandum of Understanding was a step in that direction. While we expect flareups and attacks during the negotiations, the path is toward normalization because the alternative is a global recession.

The U.S. economy remains relatively better positioned due to ample local production of oil and gas. The U.S. is supported by continued investment in AI, as well as pro-growth provisions of the One Big Beautiful Bill. These provisions include tax refunds and corporate incentives for capital investment. The Trump administration's deregulation agenda should also bolster growth, particularly in the banking and financial services sectors. We are already seeing recovery in the jobs market. While inflation remains higher than the Fed's target, we expect it to come down as temporary impact of tariffs and high energy prices fades. On the monetary policy front, we believe the Fed will find it difficult to cut rates this year as inflation is likely to hold above its 2% target.

We remain constructive on fixed income in 2026. Above average yields continue to offer compelling income, and the Fed is unlikely to raise rates. We maintain a favorable view of government backed mortgage securities and continue to maintain an overweight in the sector. Agency MBS offer attractive yields with no credit risk, supported by explicit government guarantees. Limited issuance — driven by elevated mortgage rates and subdued refinancing activity — has kept supply constrained and bolstered valuation stability. Institutional demand has also strengthened as money managers increasingly replace banks as key buyers, taking advantage of the sector's compelling relative value. This overweight is funded by an underweight to U.S. Treasuries, where relative yields and income potential are less compelling. We maintain a neutral stance on investment-grade corporate bonds. Valuations are rich and spreads are tight, while issuance is likely to ramp up in 2026 as companies fund AI-related capital expenditures and seek to benefit from incentives in the One Big Beautiful Bill. We are also underweighting high yield — recent performance has been strong, but current spreads offer less relative value. The municipal bond outlook remains favorable, supported by attractive yields and steady demand.

We expect a resilient U.S. economy and strong corporate earnings to offer a favorable environment for equities, as geopolitical risks fade. The ongoing adoption of AI applications and related infrastructure spending remain key drivers of the overall market, and the administration's focus on deregulation should help banks and other financial companies. International and emerging markets are more dependent on flows out of the Strait of Hormuz; however, attractive valuations and improving economic fundamentals should help boost returns. Technology companies in markets such as South Korea, Taiwan, and China have also helped boost returns in emerging markets. Conditions may also be turning in favor of small-cap stocks, which could begin to close the performance gap with large caps.

Risks:

- Geopolitical tensions persist
- Extended full or partial closure of Strait of Hormuz
- Sticky or higher inflation prompt Fed rate hikes

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Sources: FactSet, Jefferies, Morning Star, Morgan Stanley, Goldman Sachs, Wall Street Journal, Bloomberg, Financial Times