

To Our Clients, Family, and Friends,

As we approach the summer season, we wanted to share our latest thoughts on markets and how we are positioning portfolios.

Our goal in these letters is to provide perspective and a balanced view.

Market Perspective

As we write, equity markets have continued their rise to all-time highs, following a period of strong performance year-to-date and a sharp rebound from the volatility experienced last spring. The questions we have been hearing most often include: *“How can the markets be doing so well, when the world is in such turmoil? Consumer sentiment remains near historic lows, and there has been no shortage of negative headlines across the news media covering a range of legitimate topics of uncertainty—including politics, war, geopolitics, trade tensions, inflation, and the national debt—among a range of other factors. In short, is this a bubble?”*

In our view, the economy has proved to be quite resilient, and corporate earnings are what ultimately drive stock prices—and they have been remarkably strong. S&P 500 company earnings are tracking at over 25% year-over-year growth, representing one of the strongest periods in recent years, with expectations remaining solid through 2026.

The tremendous scale of global investment in artificial intelligence has been an important driver of current and prospective global growth. In addition, our observation is that individuals, businesses, schools, and governments are already beginning—or soon will begin—to realize meaningful productivity gains from the increased use of AI capabilities. Increased productivity leads to greater earnings.

Outlook

We remain focused on balancing emerging risks with current opportunities.

We continue to believe that artificial intelligence represents a durable, long-term investment theme with the potential to drive meaningful productivity gains and support earnings growth across the global economy for years to come. At the same time, we are cognizant that valuation and timing matter.

Recently, we have also observed several large and rapid price increases in certain AI-related stocks, driven not only by strong underlying business performance, but also by elevated expectations and, in some cases, what we perceive as performance chasing (sometimes referred to as momentum investing).

Rather than viewing the market as a broad “bubble,” we believe the environment has evolved to one where, in certain areas, there is now very little (if any) room for disappointment. Even modest changes in expectations could result in meaningful corrections of stock prices. Note that, historically, *average* intra-year equity market declines of 10%-15% have been a regular part of investing.

As a result, we have been increasingly deliberate in managing portfolio exposures, particularly in areas where equity prices have risen most significantly.

Portfolio Positioning

Within equities, we will continue to trim positions that have experienced significant gains, including in certain AI-related areas, to maintain alignment with long-term targets and to manage position concentration. These actions reflect our approach to risk management, rather than a change in our underlying view of these businesses. Our discipline is to sell into strength, which will allow us to buy into weakness.

More broadly, we see increasing value in incorporating hedging strategies alongside traditional stock and bond allocations for diversification.

Our objective is to be well-positioned to navigate future periods of volatility, while remaining able to capitalize on opportunities as they arise.

Planning Consideration: Family Conversations Around Wealth

We have increasingly been working with clients and their families across generations, particularly as many are choosing to support the next generation earlier in life. This can include helping with major life goals—such as purchasing a home or investment property, supporting education and important financial decisions, or making lifetime gifts as part of a broader estate planning strategy.

These conversations often extend beyond portfolios to include financial education, planning around key life events, and helping build healthy financial habits and a foundation for long-term success.

We view this as an important part of helping families navigate the transition of wealth over time in a thoughtful and intentional way.

As always, we remain available to support you and your family on these topics as part of our ongoing work together. We welcome introductions to your children at any age.

Final Thoughts

We sincerely appreciate the trust you continue to place in our team. Please do not hesitate to reach out if there is anything we can do for you, or if you simply want to talk.

Warm regards,

Peter, Mike, Andrew, Carl, Joe and Edita

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