

WOODARD & COMPANY
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Portfolio Profile

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Our Fiduciary Commitment. We want to open this letter not with the markets but with the foundation on which this firm is built. Woodard & Company is a fee-only Registered Investment Advisor, and we manage our clients' accounts on a discretionary basis, acting in a fiduciary capacity. Those are technical terms, and they deserve plain English. Managing on a discretionary basis means you have entrusted us with the authority to make and implement investment decisions on your behalf, based upon our understanding of your objectives and risk tolerance. That is a responsibility we do not take lightly. Being a fiduciary means we are bound, legally and ethically, to place your financial interests ahead of our own in every one of those decisions. And being fee-only means we are compensated solely by the transparent management fee our clients pay. We earn no commissions, we charge no transaction fees, we collect no 12b-1 fees, we sell no products, and we accept no compensation from any third party. The structure is deliberate: it removes the conflicts of interest that burden so much of the financial industry, so that when we make a change in your portfolio, it is made for one reason only: we believe it serves you.

A Cybersecurity Guide for Our Clients. Enclosed with this newsletter is our new client guide to cybersecurity, Protecting What You Have Built. We prepared it because the threats to your information and your assets have grown more sophisticated than ever in this age of artificial intelligence, and we want to do everything in our power to protect you. The guide explains, in plain language, how we protect you, how Fidelity safeguards your accounts, and the practical

steps you can take at home. One request deserves special emphasis. We have seen scams in which criminals pose as Fidelity or as your bank and reach out about your accounts in an attempt to steal funds. If you receive a communication regarding your account with us, please call our office to confirm it before acting, no matter how legitimate it may appear. A brief phone call costs nothing, and it defeats nearly all of these schemes. We would far rather confirm a dozen harmless messages than see one client harmed.

A National Recognition. We are pleased to share that Woodard & Company has been ranked number 331 among registered investment advisors nationwide in Financial Advisor magazine's 2026 RIA Survey and Ranking. Recognition of this kind reflects the trust and loyalty of the families we serve, and for that our gratitude belongs to you, our clients. Thank you.

When You Call, a Person Answers. A brief word about something we consider a point of pride. When you call our office during business hours, a person answers the telephone. There are no automated menus, no recordings to navigate, and no hold queues. You will reach a member of our team who knows you and your accounts, and if the person you need is away from their desk, we will see to it that your call is returned promptly. In an era when nearly every institution has placed a machine between itself and its customers, we believe the telephone should still work the way it always has here, and it will.

Artificial Intelligence and Our Investment Process.

We wrote to you earlier this year, when our use of artificial intelligence was in its experimental stages. It has since become a regular part of our daily research process, and we want our clients to know that we are committed to using these tools to the fullest of their potential. The firm maintains paid subscriptions to the leading platforms, including the top tier of Anthropic's Claude, the most capable model the company offers, as well as ChatGPT. We use them to monitor news flow across our holdings, synthesize large volumes of economic and earnings data, and pressure-test the theses behind our positions. What has not changed, and will not change, is that every investment decision at this firm is made by our team. These tools extend our reach and sharpen our process; the judgment, the experience, and the fiduciary duty remain ours.

Trusted Professionals. Part of comprehensive wealth management is working alongside the other professionals in your life. With your authorization, we regularly communicate and coordinate with our clients' attorneys, accountants, and insurance agents, and over four decades we have come to know many excellent professionals across these fields. We do not provide legal, tax, or accounting advice ourselves; we work hand in hand with those who do, and we are always glad to make an introduction when a client needs one. A referral list is also never finished. If you have worked with a professional who served you exceptionally well, in law, tax, insurance, real estate, or a related field, we would welcome their name the next time we speak. A recommendation grounded in a client's own experience carries weight that no directory can match.

The Running Thesis. Finally, a reminder that The Running Thesis, our monthly market commentary written by John Woodard III, has now published three issues since launching alongside our new website this summer. It is a shorter, more immediate read between these quarterly letters, covering what has moved in the markets and why. If you would like to receive it by email each month, you may sign up at wcamg.com under the "News & Information" tab, or simply call or

email the office and we will add you. Past issues are archived on the website.

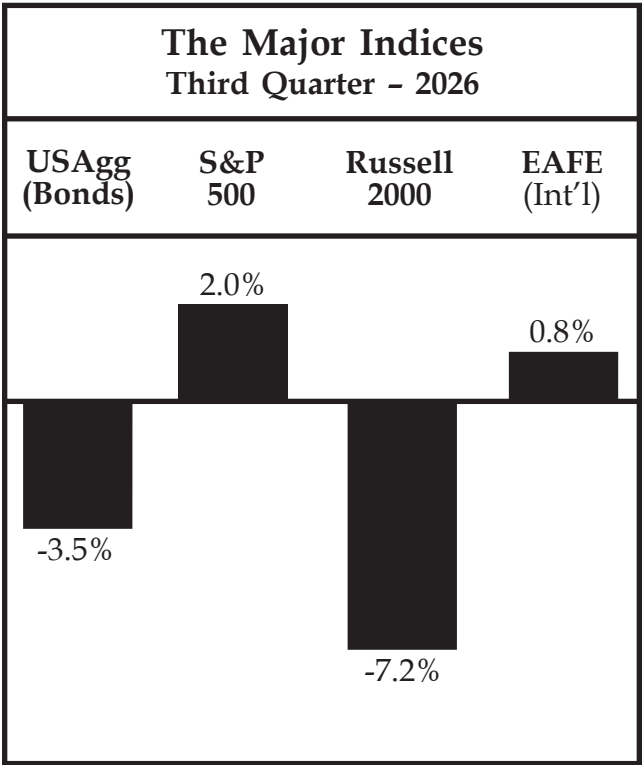
Market Review and Forecast. The third quarter was a choppy stretch, much as we suggested it might be in our last letter. The S&P 500 reached a new record high in mid-August, gave a portion of it back in September, and finished the quarter up 2.0%, still solidly higher for the year. The Dow slipped 2.7%. Small caps, which feel rising interest rates the most, had the roughest ride, with the Russell 2000 down 7.2%, while international stocks edged 0.8% higher. Technology and energy have led the way all year, and each remains up roughly 35% for 2026.

The force behind our optimism remains corporate earnings. Second-quarter results, reported over the summer, were remarkable: S&P 500 earnings grew roughly 53% from a year earlier, and 86% of companies beat expectations. Analysts expect nearly 29% growth for the third quarter, which would make three straight quarters above 25%. We return to earnings so often for a simple reason: over time, stock prices follow profits. And because profits have grown faster than prices this year, the market is actually cheaper relative to its earnings than it was in January, even after setting record highs.

The economy remains solid, though it cooled around the edges as the quarter closed. Hiring has settled into what we have called a "low-hire, low-fire" pattern. The September jobs report came in soft, with 29,000 jobs added, yet the unemployment rate remains low at 4.2% and consumers have kept spending. This is not an economy that is breaking. It is an economy catching its breath, with corporate earnings growing at some of their fastest rates in years and the buildout of artificial intelligence arguably just ramping up, and that distinction matters a great deal for the path of interest rates.

Looking ahead, there may be more volatility in the weeks around the November elections, and that would

not alarm us. Since 1950, the S&P 500 has risen over the twelve months following every one of the nineteen midterm elections, and midterm years have historically saved their strongest stretch for the final months of the year. Should weakness arrive ahead of the vote, we would treat it as an opportunity rather than an omen. The economy is strong, earnings should be good.



Interest Rates. We owe our clients a direct accounting. In our last letter we wrote that we believed a cut was more likely than a hike this year. We were wrong. On September 16 the Federal Reserve raised its benchmark rate a quarter point to a range of 3.75% to 4.00%, its first increase since 2023 and the first under Chairman Kevin Warsh. The vote was unanimous. Inflation has now run above the Fed’s 2% target for more than five years, and Chairman Warsh described the move as “removing a dose of accommodation,” easing off the gas pedal rather than pressing the brake.

What does a first hike mean for stocks? First hikes often rattle markets for a few months. The longer history is more comforting. Fidelity’s Denise Chisholm, whose

historical work we follow closely, notes that since 1954 stocks have been slightly more likely to rise when rates were rising than when they were falling, because rates usually rise when the economy is strong. When the Fed has raised rates with factory orders as strong as they are today, stocks were higher a year later nearly 80% of the time. Rates are rising because the economy is running hot, not because something is breaking.

The bond market took the move hard. The 10-Year Treasury yield rose 85 basis points during the quarter to end September at 5.29%, and in early October it pushed above 5.3%, a level last seen in 2002. Bond prices move inversely to yields, so the Bloomberg U.S. Aggregate Bond Index declined 3.5% for the quarter. During the quarter we exited a 10-Year Treasury position in our portfolios to minimize the damage rising yields inflict on longer-dated bonds. There is a silver lining: for savers and income investors, high-quality bonds now pay meaningful income again, at yields unseen in a generation.

Are these yields high, or simply normal? We believe this is largely a return to normal. The 10-Year Treasury has averaged roughly 5.9% since the early 1960s, and yields at these levels were ordinary before the 2008 financial crisis. What was abnormal was the fifteen years that followed, when the Federal Reserve bought bonds by the trillions, a policy known as quantitative easing, and held rates artificially low. Through the 1990s the 10-Year averaged nearly 7% and the S&P 500 still quadrupled across the decade. Normal yields did not stop good markets then, and we do not believe they will now.

Looking ahead, markets expect the Fed to hold in October and hike once more in December, and the path into 2027 remains an open question. The forces pulling in each direction are real. The soft September jobs report and oil, the main culprit behind this year’s inflation, now back below \$90 per barrel as supply normalizes, argue for patience. Inflation that has stayed stubbornly above target argues for further firmness, and additional

hikes into 2027 cannot be ruled out. Rather than bet your portfolio on a single forecast, we have positioned for either path: our fixed income is anchored in short-term and intermediate-term maturities, and we will let the data, rather than predictions, guide the decisions ahead. Gold and silver steadied after their sharp spring declines, and the dollar was little changed; our longer-term view of a firm dollar is intact.

Portfolio Allocations. In our Market Leaders Portfolio, we were active during the quarter. We sold Netflix, Palantir, and Tesla in tax-loss harvesting transactions, a routine discipline of taxable portfolio management in which positions trading below our cost are sold to realize losses that can offset gains taken elsewhere in the portfolio; none of the three were repurchased. We also exited Meta Platforms, Walmart, and Goldman Sachs, and we trimmed our position in Broadcom, using a portion of the proceeds to establish a new position in Coherent. We added new positions in Seagate Technology and GE Vernova as well. Each decision was grounded in our assessment of the underlying business, its earnings trajectory, its competitive position, and its valuation at current levels. Taken together, these changes leave the portfolio holding a somewhat larger cash reserve than usual at quarter end.

In our Tactical Asset Allocation Portfolios, we adjusted our equity exposure modestly lower coming into the fall, a measured step consistent with the caution about the season that we expressed in our last letter. Our fixed income positioning remains concentrated in short-term and intermediate-term maturities, the structure we described last quarter, and that discipline served our clients well in a quarter when longer-dated bonds experienced meaningful price declines as yields rose.

Market Leaders continues to be managed with a mandate to outperform the S&P 500 net of fees over a full market cycle, and we remain confident in the portfolio's positioning relative to that objective.

If you have any other questions about your account or any concerns, please give us a call at 336-998-7000. We always enjoy talking with our clients.

This newsletter represents the opinions of Woodard & Company which are subject to change and does not constitute a recommendation to purchase or sell any security. The information contained herein has been obtained from sources believed to be reliable but cannot be guaranteed for accuracy.