



ALBION
FINANCIAL
GROUP

Guiding Clients
To A Lifetime of
Good Decisions



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INTRODUCTION

As we move into the summer season, a natural time to slow down and take stock, this quarter's letter looks at three themes that continue to shape the investment landscape. John Bird begins with a thoughtful look at trading trends and the challenge of trying to outguess the market. Jason Ware follows with a detailed perspective on the economy and markets, drawing our attention away from distracting headlines. Natalie Richards closes with a discussion of how simplifying financial decisions can reduce fatigue and improve long-term outcomes.

Together, these pieces reflect a familiar but important idea: the best results often come not from constant action, but from staying disciplined, focused, and aligned with long-term goals.

FROM JOHN BIRD'S DESK

Warrior Trading. The Trading Geek. Trendy Traders Academy.

What do these have in common? All are online courses or YouTube channels professing to help you make money through active trading. This of course begs the question; does more trading activity lead to better outcomes?

It seems like it should. You see an investment you like at a price you like. Buy it. If it rises in value, sell it. If markets are looking shaky, sell. When markets appear solid, buy. Easy, right?

But does it work? Let's break it down. Suppose you're concerned and want less risk. You decide to sell some

positions. Now you have cash and it feels good. What if the market continues its ascent. Do you buy back in at the higher price? Or stay the course and wait for the market to turn lower? Suppose the market does turn lower. You expected this which is why you raised cash in the first place. Confirmation bias kicks in so you remain out of the market until it looks better. For most of us “looks better” means the market is on a strong upward trajectory. So you wait for it to show significant gains before buying back in? Hmm. Sort of defeats the purpose.

Traders have to be right several times; first when they buy a position and next when they sell it. Then they must be right a third time when they redeploy the capital to buy the next position. And on and on and on.

To date no one has demonstrated consistent success trading in and out of the market, or in and out of individual stocks. DALBAR publishes a Quantitative Analysis of Investor Behavior survey where they track returns of mutual funds and compare those returns to the actual returns achieved by the mutual fund investors. What the data shows is that the average mutual fund investor underperforms common benchmarks, and the returns of the funds they’ve invested in, by 3.5% to 5.5% per year over multi-decade time frames. They attribute

this to investors selling out of funds during market drawdowns and buying back in when the markets have recovered. The DALBAR study quantifies the penalty the average investor pays for trying to time the market. Or put another way – for being a trader.

A well-known investor, Warren Buffett, is the antithesis of a trader. In his Berkshire Hathaway portfolio he would buy and hold good companies. Often for decades. Did that label him a lazy investor? An absent portfolio manager? No. It resulted in him being recognized as a very successful investor.

Albion follows a handful of guidelines:

- Think and act long-term
- Own good companies
- Keep portfolios as simple as possible to meet the agreed upon investment policy

Whether your investment accounts with Albion include a small contributory Roth IRA or a large multigenerational trust we employ the same philosophy and portfolio design.

We work to find, purchase, and hold good investments for long periods of time. Having said that, we work every



ECONOMY & MARKETS by Jason Ware, MBA, BFA™

day to understand the evolving dynamics of the investments we own as corporate fortunes can and do change. Sometimes for the better, sometimes for the worse.

If we determine changing a position makes sense we change that position for all accounts, from the smallest to largest.* Every client account matters.

Our favorite holding period is ... forever. However that's not the way the world works. Perhaps a stock price grew at a far faster rate than the underlying company. Still a good company but now the valuation is not as attractive as it was. Or the fortune of the company looks to be compromised for an extended period. There clearly are times when reducing or eliminating a position altogether makes sense. Yet on balance it's time in the market, not timing the market, that leads to wealth creation.

So is there money to be made with the trading tutorials listed at the top of the piece? Sure. By whoever is selling them. A lot less likely that the buyer will find them profitable. Most of us are far better off if we think and act long-term, own good companies, add additional diversification with carefully selected and managed Exchange Traded Funds, and let time in the market create wealth. That's what Albion will continue to do on your behalf.

**There are occasions where due to our clients' special circumstances their portfolios may be invested differently than those of other clients. For example, a client may have a very large inherited low basis stock position. We take such circumstances into account when designing and managing portfolios.*

Executive Summary: *Even with a lot of unsettling news this past quarter — from global tensions to questions about inflation and interest rates — the U.S. economy stayed on solid footing, with steady growth, a stable job market, and company profits climbing more than 20%. Price increases are still cooling, and while it's taking a little longer than hoped to reach the Federal Reserve's inflation goal of 2%, the new Fed Chair, Kevin Warsh, is expected to take a steady, wait-and-see approach before lowering rates again. The jump in oil prices tied to the situation in Iran looks like a short-term bump rather than a lasting problem. Markets bounced around, but because company earnings grew faster than stock prices, stocks are actually a better value today — which keeps us optimistic and focused on what matters most: owning quality investments and staying invested for the long haul.*

The second quarter reminded investors of an important truth: markets often make the news feel much worse than it actually is. While headlines remained dominated by geopolitics, inflation concerns, and questions surrounding the Federal Reserve, the *fundamental* backdrop changed very little. Growth persisted (likely mid-2%), corporate profits advanced (over +20%), and the economy proved, once again, to be hardier than many expected. From our perch, recession risk remains low. In fact, we continue to hold a somewhat out-of-consensus view. Rather than an economy gradually slowing due to purported headwinds, we believe the more likely path remains one of modest *re-acceleration* in the coming months.

The economic data continue to point toward sturdy growth. Consumer activity remains healthy, household balance sheets are solid, the labor market is stable, there's a boom in tech capital spending, and the fiscal picture has switched from headwind to tailwind. On jobs, hiring has slowed from the strong pace of recent years, but unemployment remains low and layoffs are limited.

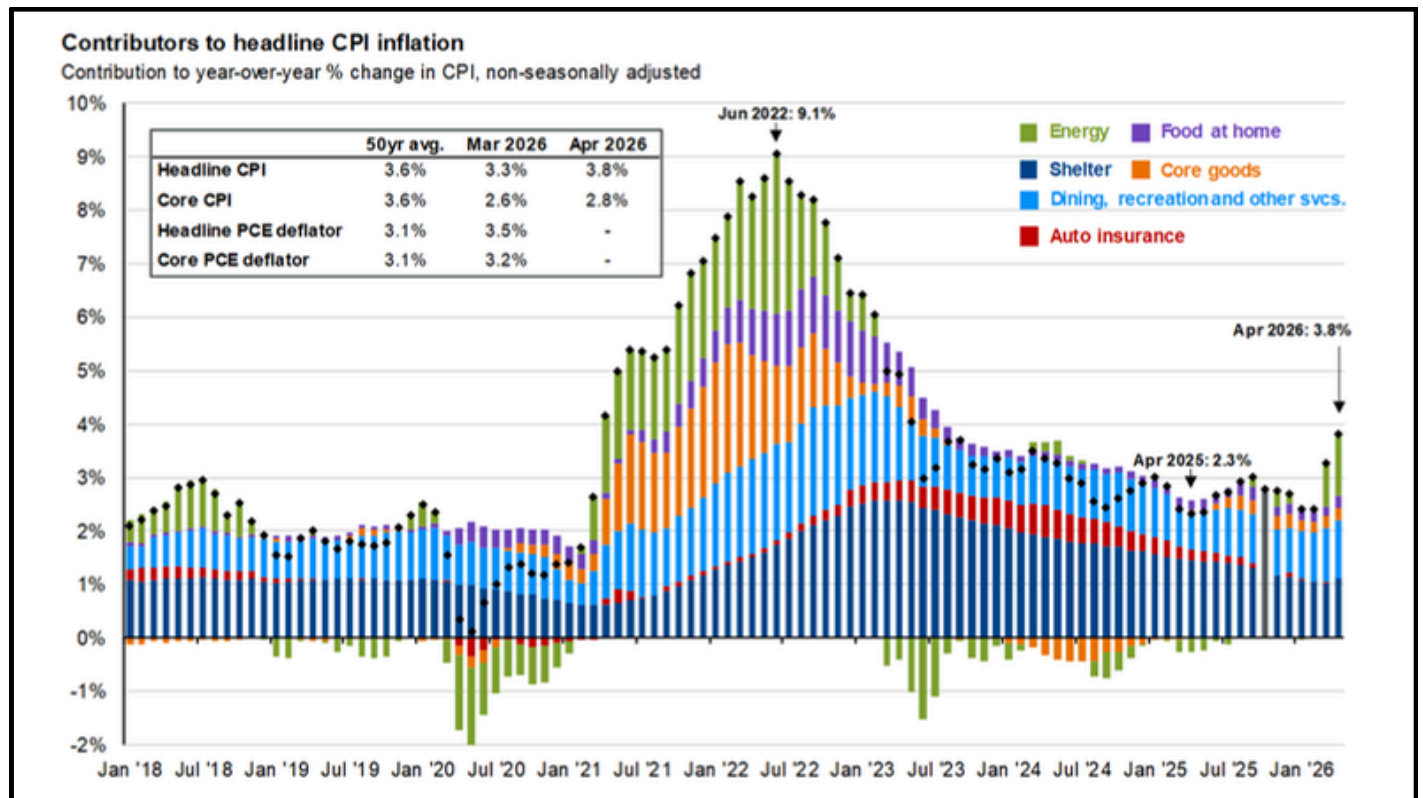
Digging a bit deeper, employment statistics around “prime” (and “super-prime”) age cohorts are encouraging and good leading indicators. On balance, there are no signs of meaningful deterioration.

Zooming out, it’s not a booming economy, but neither is it one showing signs of slowdown or recession.

Perhaps the biggest surprise, and indeed strongest boost, in 2026 has been results from corporate America. Despite persistent concerns over tariffs, higher energy prices, elevated interest rates, geopolitics, lower labor supply, businesses are executing remarkably well. Productivity is rising, investment remains healthy, and companies endure in finding ways to grow profits. We think earnings will increase more than +20% this year, with early indications for 2027 also very constructive (double-digits).

In our view, the durability of this earnings cycle remains underestimated. This, and the macro economy from which these earnings flow, are vital ingredients to stock prices.

Inflation remains the story everyone wants to be over—but it isn't quite finished. As we’ve previously described, prices have come down dramatically from their (June) 2022 highs, yet the final stretch back to the Fed’s 2% target has proven stubborn. Services inflation remains elevated, while recent increases in oil prices have added another wrinkle. Even so, today's inflation environment looks far different than the one investors faced just a few years ago. Importantly, we believe that the current inflation setup is compatible with economic growth, healthy financial markets, and expanding corporate profits. We also reason that as the conflict in the Middle



Inflation components: This chart breaks down U.S. consumer price inflation by component, providing a clear view of what has been driving inflation in recent years. Headline inflation peaked in June 2022 due to the Ukraine/Russia war and post-pandemic-related supply issues. Since then, inflation has moderated, and the contributors to inflation have narrowed considerably. Sources: BLS, FactSet, J.P. Morgan Asset Management.

East is put behind us—as has long been our base case—energy prices will fall, bringing recent inflation pressures down with it (we’re already seeing this).

That leaves the Fed in a familiar position. Interest rates now sit near levels that neither stimulate nor slow the economy, making patience the likely course of action for now. While we believe an additional rate cut or two remain probable, the hurdle for near-term easing remains high unless inflation cools further or the labor market weakens more meaningfully. Markets have spent much of the year debating exactly when the next cut will arrive (we’ve said 2027). The better question, however, is whether it materially changes the longer-term outlook. Increasingly, the answer appears to be no. Leadership at the Fed also entered a new chapter during the quarter with Kevin Warsh assuming the role of Chair. While every new Chair brings a different communication style and set of priorities, monetary policy is ultimately determined by committee, not by one individual. We therefore expect more continuity than change (though there will be some), with inflation remaining front and center.

Outside our borders, the global economy is expanding at a modest pace. Europe remains sluggish but steady, emerging markets have generally benefited from improving financial conditions, and China continues its long transition toward a more consumer-oriented economy. None of these regions are likely to drive global growth on their own, but collectively they remain supportive of a stable economic backdrop.

Geopolitics once again captured investors' attention. Conflict in Iran pushed oil and gas prices higher during the quarter and reminded markets that geopolitical events rarely unfold in a straight line. While higher energy prices can temporarily pressure consumers and lift inflation, history suggests these episodes are more often drivers of short-term volatility than long-term economic outcomes. Unless they structurally impair

global demand or energy supply for an extended period, markets have generally proven resilient.

The stock market certainly experienced its share of volatility this quarter. Sharp swings in sentiment, combined with uncertainty surrounding interest rates and geopolitics, produced another reminder that investing is rarely a smooth ride. Yet beneath those daily headlines, something important continued to happen: corporate earnings kept growing. Over long periods, that remains the single most important driver of stock prices. Valuations also became *more attractive* during the quarter, despite stocks moving higher, as profits easily outpaced price movement. Today, portions of the market appear considerably more reasonably valued than they did just six to nine months ago. At the index level, our math shows stocks sit at around fair value. For long-term investors, periods like these often create opportunity—not reasons for retreat.

One observation we've shared with clients for years bears repeating. Markets spend a tremendous amount of time near all-time highs. That isn't something to fear; it's the natural consequence of an economy that grows, businesses that innovate, and profits that compound over time. Waiting for a more comfortable entry point often proves more costly than simply remaining disciplined and invested.

All told, our outlook remains constructive. The economy is expanding, businesses are earning more money, inflation is not problematic, and the investment opportunities before us remain compelling. That doesn't mean volatility has disappeared—far from it. But volatility is a feature, not a flaw, of investing. Our approach remains grounded in quality, discipline, diversification, and maintaining a long run perspective focused on fundamentals rather than headlines.

We appreciate the continued partnership.

PLANNERS CORNER by *Natalie Richards, CFP®*

When Good is Better than Perfect

Financial Decision Fatigue and Simplifying Your Life

At some point, many of us reach a stage in life where the number of decisions we're responsible for quietly multiplies. Work becomes more complex. Family responsibilities grow. Financial life, once relatively simple, spreads across accounts, goals, and competing priorities. And somewhere along the way, even small decisions start to feel heavier than they should. Financial decisions are no exception. In fact, they may be where this shows up most clearly.

Today, investors are faced with more information, more options, and more opinions than ever before. While that might sound empowering, it often has the opposite effect. Noise is everywhere: from social media to news headlines, it's all readily available on a device most of us always keep in our pocket or our purse. We feel responsible for not just keeping up with the constant inflow of information, but processing, validating, interpreting, and taking action (or choosing not to take action) on what we're seeing, hearing, and reading. Instead of clarity, it creates friction.

Underneath this friction is a quiet but powerful force: the desire to get it exactly right.

The right time to invest.

The best allocation.

The optimal tax decision.

And while that instinct is understandable, it often leads to a surprising outcome – no decision at all, or one made under stress and fatigue. In this way, the pursuit of perfection doesn't improve decisions, it delays them. Sometimes that delay is obvious when we put something off entirely. Other times, it's quieter. We revisit the same decision again and again, looking for just a little more certainty, a slightly better answer. But the outcome rarely

changes – only the time and energy we've spent getting there. And the result isn't just inefficiency, it's mental weight.

In our experience, the most effective financial decisions share a few characteristics. They are grounded and well-informed – but not overengineered. They are aligned with long-term goals rather than short-term conditions. And perhaps most importantly, they are simple enough to stick with. Jason Ware is often reminding our team and our clients of this concept as part of Albion's investment philosophy: less is more, and the simpler the better.

Four Ways to Push Back Against Decision Fatigue

1. Define "good enough" in advance. Have a plan that reflects your full financial picture and, just as importantly, your priorities. When you know what you're working toward, it becomes easier to recognize when a decision meets the mark, even if it's not perfect. Often, the goal isn't to find the best possible answer, but one that clearly supports your desired long-term direction.
2. Automate wherever possible. Automation isn't just about efficiency, it's about reducing the number of decisions you have to make in the first place. When savings, investing, or distributions happen on a set schedule, you're no longer forced to revisit the same decision over and over again. Good decisions become habits rather than moments of effort.
3. Limit inputs. More information doesn't always lead to better decisions – often it just adds friction or confusion. Limiting the inflow doesn't mean tuning everything out, but it does mean being selective. A small number of dependable inputs – a few trusted people, a few diverse sources – can provide far more clarity than a constant stream of headlines and opinions. In many cases, reducing noise is one of the fastest ways to improve decision-making.

4. Give yourself permission to move forward. Some decisions don't become clearer with more time, they simply become heavier. There's value in being able to say: "This is sound, this is aligned, and this is enough to act on." Moving forward with a good decision rather than waiting for the perfect one is often what creates progress over time.

A significant part of our role as advisors is not introducing more decisions, but helping reduce and clarify them. Not every choice needs to be maximized. Many simply need to be made thoughtfully and then left alone. One simple question we come back to often is: "Is this decision worth optimizing?" or said another way, "Is this really going to move the needle?" Not every financial choice carries the same weight. Some, like your long-term savings rate or overall allocation, deserve careful attention. Others benefit far less from additional time and energy. Being able to distinguish between the two is often more valuable than getting any single decision exactly right.

The goal here isn't to eliminate decisions, but rather to reserve your energy for the ones that matter most.

Over time, financial success is shaped less by perfect decisions and more by consistent, thoughtful ones made along the way. In a world that encourages constant optimization, there is real value in simplicity, and in moving forward with clarity, even when the answer isn't perfect.

ALBION COMMUNITY UPDATE

Fond Farewell

After 10 wonderful years with Albion, we're sharing the bittersweet news that our friend, teammate, and Administrative Services Manager, Joe Treviño, is heading to Texas this fall to pursue his Master's in Facilities Management at UTSA. Joe's dedication, thoughtfulness, and care for our clients have left a lasting mark on our firm, and while we'll miss him dearly, we couldn't be more excited for him in this next chapter. Thank you, Joe — we wish you all the very best!

Thank You

We recently hosted our second annual client golf event at the Lake Course at Wasatch Mountain State Park, and it was a beautiful day! These gatherings give us an opportunity to deepen the long-term relationships we're committed to building with you—our clients. Thank you to everyone who participated. We look forward to seeing you all out at next year's event.



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