HOLLOW BROOK
WEALTH MANAGEMENT

Hollow Brook Quarterly Roundup

2Q 2026

HOLLOW BROOK
WEALTH MANAGEMENT

Overview

Have you ever packed a suitcase that is just a little too full? You lean on it, pull the zipper one inch at a time, and somehow find room for one more shirt. Then another. Then another. Before long, you are surprised by how much it can hold.

Today's economy feels much the same, carrying the weight of wars and ceasefires—often announced through social media—alongside persistent inflation, rapid advances in artificial intelligence, the largest IPO in history, nearly $39 trillion in federal debt and a new Federal Reserve chair, with UFC fights on the South Lawn of the White House added for good measure.

None of these developments are occurring in isolation. Each becomes another item packed into an already full suitcase. The question is not whether the suitcase bursts since history suggests markets are remarkably resilient. The question is how each new development changes the weight and balance of everything inside.

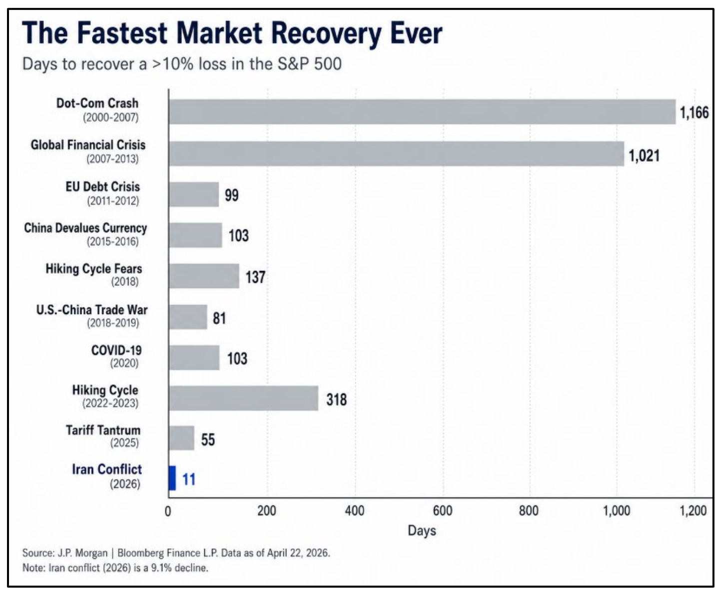
Our job is to understand how today's shifts impact market dynamics over the long term so that we can strategically position portfolios accordingly. With that perspective in mind, let us turn to the events that shaped the quarter and what they mean for investors.

Market Recovery

The current strength of public markets is both noteworthy and historic. The S&P 500 has returned +9.6%, while the Nasdaq has gained +10.6%. Those returns are fueled by the strongest quarterly rally since the recovery from the impact of COVID-19 in 2020.

What makes those returns remarkable is not simply their magnitude, but the path markets took to get there. According to data from Bespoke Investment Group, this marked the first time since records began in 1928 that the S&P 500 recovered to a new record high in 11 trading days or fewer after experiencing a drawdown of between 5% and 10%.

That statistic reinforces the broader theme we introduced earlier. Furthermore, the suitcase metaphor is not limited to headlines. Market cycles themselves are compressing while information is absorbed faster, uncertainty is repriced quicker, and recoveries that once took months or years increasingly unfold in weeks.



Source: The Quickest Comeback in History The Chart Report

Our role is to understand how today's developments reshape the long-term investment landscape, identify where durable opportunities are emerging, and position portfolios to compound capital thoughtfully and consistently above the rate of inflation.

HOLLOW BROOK
WEALTH MANAGEMENT

Three Engines of Growth; One Dominant Theme

According to Apollo Chief Economist Torsten Slok, there are three primary drivers of U.S. economic growth today: **The Industrial Renaissance, the One Big Beautiful Bill, and AI Spending.**

The Industrial Renaissance began gaining momentum following the 2022 CHIPS Act, which encouraged domestic semiconductor manufacturing and reduced reliance on overseas production. More recently, similar efforts have expanded into industries such as pharmaceuticals and defense, reflecting a broader push to reshore critical production capabilities and strengthen U.S. supply chains. Increasing domestic manufacturing capacity should be an important long-term source of economic growth.

The second driver is the One Big Beautiful Bill, which includes tax provisions designed to leave more money in consumers' pockets. Many households could see meaningful tax savings, providing additional spending power that could support economic activity over the coming year.

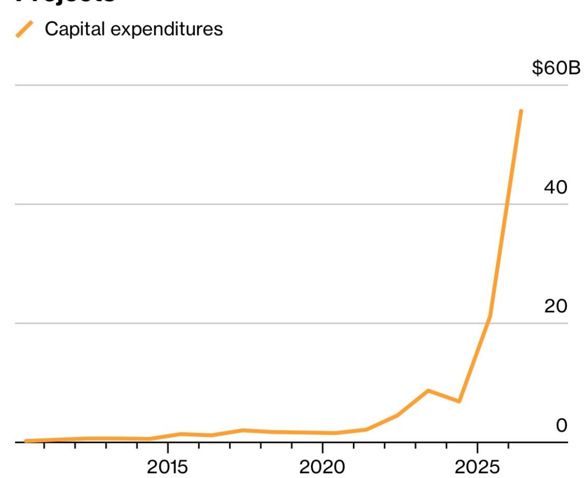
The AI build out deserves particular attention. At the time of writing, the S&P 500 has returned approximately 9.6% year to date. Four companies directly tied to the AI infrastructure buildout, Micron, SanDisk, AMD, and Intel, accounted for roughly 8.4% of that return. In other words, without those four companies, the index would be only slightly positive for the year. Micron, as the leading supplier of memory chips needed to power AI, is the clearest indication of the enthusiasm surrounding AI. Micron recently became the 12th U.S. company to surpass a $1 trillion market capitalization, reaching the milestone just 48 days after surpassing $500 billion. For comparison, Nvidia took 490 days to accomplish the same feat.

The world's largest technology companies are competing to build the infrastructure that powers AI.

Competition has spurred one of the largest capital investment cycles in modern history. Global AI capital expenditures are expected to exceed $1 trillion this year alone, which is roughly twice the amount invested in the entire fiber-optic buildout during the internet boom from 1996 through 2000. Another $1 trillion is expected to be invested in electricity generation and grid infrastructure over the next five years to support the enormous power demands of these new data centers.

AI related investment is not projected to end any time soon. Consensus estimates suggest the hyperscalers will spend nearly $2.5 trillion over the next three years, equivalent to roughly 90% of their operating cash flow. That figure has continued to move higher as companies compete for AI leadership. They have increasingly turned to debt markets to bridge the funding gap, issuing approximately $160 billion this year across both U.S. and international bond markets. This can be best exemplified through Oracle's recent spending.

Oracle's Spending Explodes on Data Center Projects



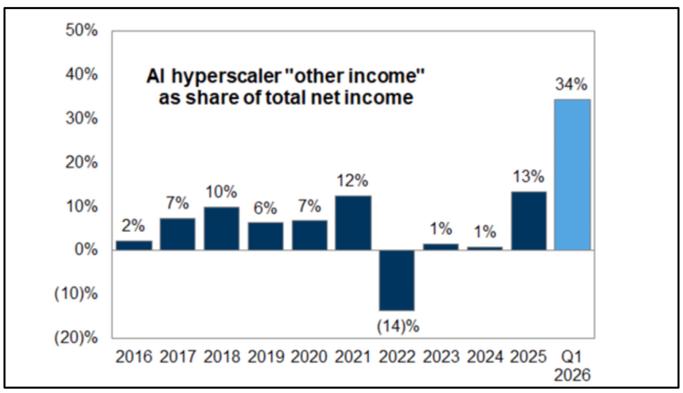
Source: Oracle

Source: [Oracle Posts Disappointing Growth, Suggested Delayed AI Payoff - Bloomberg]

Naturally, investors are asking whether this level of investment is sustainable.

There are encouraging signs that today's environment differs from the peak of the dot-com bubble. Over the past five years, the S&P 500 has generated approximately 79% earnings growth *(albeit concentrated in names related to the AI buildout),* closely matching its 85% total return. During the late 1990s, stock prices advanced more than three times faster than underlying earnings, creating a much larger disconnect between fundamentals and valuations. That said, not every earnings figure should be taken at face value.

This quarter, approximately 34% of reported net income for the largest technology companies came from "other income", well above the historical range of 1% to 10%.



Source: The mysterious $53bn 'other income' boost to AI hyperscaler earnings

Much of that increase reflected unrealized gains on private AI investments such as Anthropic and OpenAI rather than operating profits. In other words, a meaningful portion of today's earnings strength is itself being supported by rising AI valuations.

That is why we believe it is important to separate technological progress from investment returns. The introduction of the tractor may be one of the best historical examples.

In the early 20th century before widespread adoption of farm mechanization, roughly a third of U.S. employment was in farming. In 2026, it is ~2%. If automation caused permanent unemployment, the tractor should have broken the labor market forever. Instead, farm output almost tripled, which supported a massive increase in population, and far from being permanently unemployed, those workers flowed into previously unimagined industries such as factories, stores, offices, hospitals, labs, and eventually services and software. One could say that technology upended career prospects for the median farmhand; however, in doing so, it simultaneously unlocked a global labor (and resource) surplus, and an entirely new economy.

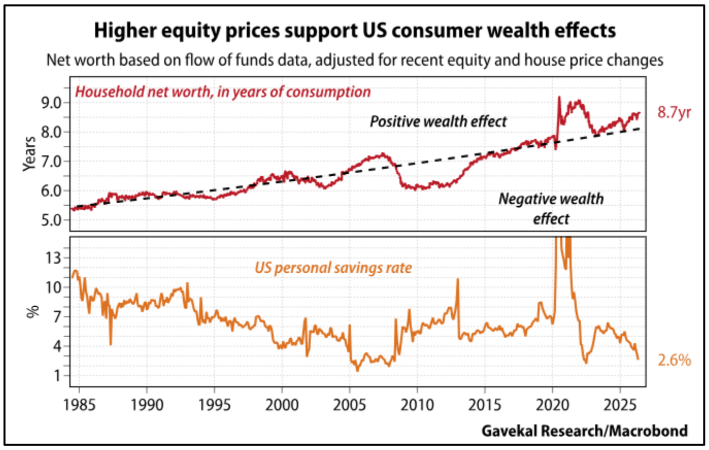
The real investment opportunity is identifying the companies that will capture the economic value created by AI and pricing those opportunities appropriately.

That distinction continues to guide our positioning. We remain constructive on the long-term productivity benefits of artificial intelligence while maintaining near-term discipline around valuation, capital allocation, and risk management.

HOLLOW BROOK
WEALTH MANAGEMENT

The Wealth Effect

As equity markets have rallied, consumers have naturally felt wealthier. When portfolios appreciate, people tend to spend more and save less.



That appears to be exactly what is happening today. Despite disposable income growth slowing from 6.8% in early 2024 to 2.6% today, consumer spending has remained resilient while the personal savings rate has fallen from 6.4% to just 2.6%. In other words, consumers are spending a larger share of their income even as income growth slows. Nominal growth remains solid enough to make the economy look healthy, but inflation is absorbing more of that growth, leaving real growth noticeably softer.

This "wealth effect" has contributed further to what economists call the K-shaped economy.

A recent *Wall Street Journal* article profiled Ezcorp, one of the nation's largest pawnshop operators with more than 600 locations across the U.S. and Puerto Rico. Pawn shops have historically served as a real-time barometer of financial stress because they provide small, short-term loans backed by personal belongings without requiring credit checks or employment verification.

At one end, its luxury stores are selling pre-owned Hermès Birkin bags for more than $30,000 and Rolex watches to affluent consumers looking for value in the secondary market. At the other end, the company's traditional pawn stores are seeing record demand from customers seeking $200 to $240 loans to help cover everyday expenses. Additionally, Experian reports that the average monthly payment for a new vehicle reached a record $770 while total pawn loans reached a record $349 million, up 33% from a year ago.

For now, asset owners continue to benefit from rising equity markets. At the same time, many households without meaningful financial assets continue to feel the impact of higher living costs. This raises an important question: if part of today's economic strength is being supported by rising asset prices, then what happens if the market is no longer experiencing a powerful bull run?

The Impact of Government Debt

We also continue to monitor the growing tension between inflation, interest rates and leverage. Inflation has shown signs of reaccelerating, driven by higher commodity prices, geopolitical uncertainty, the lingering effects of tariffs, AI-related capital spending, and persistent supply chain frictions stemming from the pandemic. Ordinarily, higher inflation would argue for higher interest rates. However, with today's debt to GDP ratio sitting at 122%, the economy becomes increasingly sensitive to higher borrowing costs. Every additional rate hike affects not only consumers and businesses but also governments refinancing ever-larger deficits.

Therefore, we still believe that one of the most important long-term questions for investors is how the United States will address the nearly $39 trillion of federal debt alongside a budget deficit that is materially adding to that amount each day.

Time Required to Reach Total U.S. Debt Levels		
Source: Treasury, Strategas, Data as of 12/31/25		
Of:		
$10 Trillion	1776 - 2008	232 Years
$20 Trillion	2008 - 2017	9 Years
$30 Trillion	2017 - 2022	4.5 Years
$31 Trillion	2022	8 Months
$32 Trillion	2023	8 Months
$33 Trillion	2023	3 Months
$34 Trillion	2023	3 Months
$35 Trillion	2024	7 Months
$36 Trillion	2024	4 Months
$37 Trillion	2025	9 Months
$38 Trillion	2025	2 Months
Latest Level		**$38.4 Trillion**

Source: Strategas Research

As our friends at Strategas Research note, countries generally have five ways to address excessive debt: default, suppress interest rates, inflate it away, reduce spending or raise taxes, or grow the economy faster than the debt. For the United States, the first four options appear difficult. Default is highly unlikely given the dollar's role as the world's reserve currency. Keeping interest rates artificially low risks fueling inflation and greater problems down the road. Meaningful spending cuts or tax increases face significant political hurdles, and deliberately pursuing inflation would be unpopular in an environment where affordability remains a primary concern for Americans.

That leaves economic growth.

Viewed through this lens, many of today's policy initiatives begin to make more sense. Encouraging investment in manufacturing, infrastructure, and artificial intelligence may not simply be about innovation. It may be about increasing productivity and expanding the economy's ability to outgrow its debt over time.

If economic growth is America's best path through a $39 trillion debt burden, then how does the Federal Reserve help create an environment where growth can continue without reigniting inflation or breaking the financial system? That is the new Fed Chair Kevin Warsh's job. His job is not to reduce the national debt or give a tail wind to markets. His job is to keep inflation under control and have full employment.

Markets, which had entered the year pricing interest rate cuts, have completed a 180-degree turn and now expect hikes by year-end. Ultimately, the direction of interest rates will remain a key determinant for equity and fixed-income markets.

Portfolio Positioning

As discussed throughout this letter, our investment philosophy has not changed.

Compounding Through Uncertainty:

We continue to invest in companies with understandable business models, durable cash flows, strong balance sheets, and management teams that allocate capital thoughtfully, while maintaining valuation discipline.

While artificial intelligence remains one of the most important long-term investment themes, we continue to believe the market's enthusiasm has become increasingly concentrated. Semiconductor companies now represent approximately 18% of the S&P 500, and we remain underweight on both semiconductor stocks and the Magnificent Seven. Our objective is not to avoid AI. It is to avoid overpaying for it.

While a small number of AI-related companies trade at demanding valuations, we believe the broader opportunity set remains reasonable. Today, 285 companies in the S&P 500 trade below 20x forward earnings, including 185 trading below 15x. The median forward price-to-earnings ratio for the index is 18.7x, highlighting that today's valuation extremes are concentrated in a relatively small group of companies rather than across corporate America. We continue to find compelling investment opportunities outside of the index's largest constituents.

For larger portfolios, this approach extends beyond our public market investments. While headlines are dominated by AI-related companies and the prospect of record-setting IPOs *(see [HB Outlook: SpaceX IPO])*, many of our private managers focus on a different part of the market. Our private equity managers acquire smaller businesses with stable cash flows at attractive valuations, improve and grow those businesses, and ultimately seek to realize value through a sale.

Our venture managers complement this approach by investing in innovative companies that may become future beneficiaries of trends such as AI, healthcare innovation, and digital infrastructure. We believe this provides differentiated exposure to opportunities beyond the companies that are driving index performance today.

Why Liquidity Matters:

We also remain mindful of the growing leverage embedded within today's market. Approximately $200 billion has flowed into nearly 700 leveraged ETFs, representing roughly $500 billion of notional market exposure. Even more striking, these products are positioned approximately 13-to-1 long versus short, with much of that leverage concentrated in technology and semiconductor stocks. While this structure has amplified gains during the recent rally, it also has the potential to magnify volatility should market sentiment change. We believe these technical forces are increasingly influencing short-term market movements, reinforcing the importance of maintaining liquidity.

Drawdown Protection:

One of the more surprising developments this year has been the performance of gold.

Historically, gold has benefited from many of the conditions present today: geopolitical conflict, persistent government deficits, and higher-than-expected inflation. Yet despite those traditionally supportive tailwinds, gold has declined approximately 7% year to date and roughly 22% since the conflict with Iran began. At the same time, equity markets have continued to reach new highs.

The conventional explanation is that a strong dollar and higher real interest rates reduce gold's appeal because the metal does not generate income. While that may be true, it raises an interesting question. If higher real rates are a headwind for gold, why have they done so little to slow enthusiasm for equities?

One possible explanation is that investors remain overwhelmingly focused on growth, particularly the opportunities created by artificial intelligence. The market has largely looked past inflation and geopolitical uncertainty, believing that future earnings growth will outweigh today's macroeconomic risks.

Whether that optimism proves justified remains to be seen. Despite the recent pullback, we continue to view gold as an important portfolio diversifier and a hedge against inflation and deflation, geopolitical uncertainty, and periods of elevated market volatility.

We also maintain elevated cash balances, providing both stability and the flexibility to deploy capital when opportunities become more attractive.

For larger portfolios, we complement public equity exposure with differentiated sources of return, including opportunistic credit, farmland, real assets, and other investments where the potential upside meaningfully outweighs the potential downside. We believe these opportunities can enhance long-term returns while reducing reliance on a single economic outcome.

The Hollow Brook Approach

In an environment like this, we remain mindful of a fundamental investing principle: liquidity is abundant until it suddenly disappears. As a result, we emphasize owning high-quality businesses, avoiding leverage, and preventing situations where we may be forced to make investment decisions on the market's terms rather than our own.

The goal is not to predict the next development, but to maintain exposure to long-term opportunities where the potential upside meaningfully outweighs the downside, while continuing to compound capital over time.

Thank you for your continued trust and partnership.

Sincerely,

The HBWM Team

Alan Bazaar	**Philip E. Richter**
CEO & Partner	President & Partner

HOLLOW BROOK
WEALTH MANAGEMENT

Equity Indices	Price	MTD	QTD	YTD
S&P 500	7,499.36	-0.95%	15.20%	10.19%
Nasdaq	30,276.35	-0.12%	27.73%	20.30%
Dow Jones Industrials	5,2319.2	2.71%	13.38%	9.76%
Russell 2000	3,024.367	3.74%	21.57%	22.69%
Russell 3000	4,279.356	-0.30%	15.45%	10.86%
S&P 500 Sectors				
Utilities	460.68	2.71%	-0.53%	7.69%
Consumer Discretionary	1,907.115	-4.69%	9.27%	-0.77%
Telco	454.4	-7.78%	8.32%	0.80%
Consumer Staples	923.02	0.50%	0.33%	8.03%
Industrials	1,568.73	7.29%	14.85%	20.15%
Technology	6,788.21	-3.28%	31.79%	19.76%
Health Care	1,852.15	6.62%	8.78%	3.47%
Materials	638.08	0.02%	2.04%	11.97%
Financials	892.84	4.37%	9.00%	-1.31%
Energy	810.954	-5.06%	-13.45%	19.66%
Real Estate	279.7	0.84%	8.52%	11.52%
U.S. Interest Rates				
3-Month	3.81	3.83%	3.78%	5.08%
2-Year Note	4.17	4.20%	10.00%	20.13%
5-Year Note	4.23	2.07%	7.20%	13.46%
10-Year Bond	4.47	0.67%	3.44%	7.16%
30-Year Bond	4.95	-0.41%	0.84%	2.22%
Commodities				
Crude (WTI)	69.50	-18.52%	-14.86%	21.84%
Brent	72.95	-18.13%	-15.09%	21.24%
N. Gas	3.28	-1.30%	-0.76%	-12.46%
Gold	4008.02	-11.72%	-14.14%	-7.21%
Silver	58.60	-22.18%	-22.04%	-18.22%
Currencies				
DXY	101.19	2.27%	1.23%	2.91%
EUR	1.14	-2.03%	-1.13%	-2.76%
CAD	0.70	-2.84%	-1.98%	-3.37%
GBP	1.33	-1.44%	0.26%	-1.43%
JPY	0.01	-2.02%	-2.35%	-3.57%

Source: Bloomberg as of 6/30/2026

HOLLOW BROOK
WEALTH MANAGEMENT

Quotes of the Quarter

Make choices that expand your worldview rather than limit it.

Wendy Kopp

It's tough to find values when everybody is preferring gambling.

Warren Buffett

Technology itself does not decide what the future looks like. People do.

Lisa Su

Start with first principles; ask hard questions; examine current practice; consider alternatives; and, ultimately, propose next steps for policymaker consideration.

Kevin Warsh

With this burn to the Moon, we do not leave Earth. We choose it.

Christina Koch

Size can often be a tremendous business disadvantage because it frequently comes with the baggage of complexity, bureaucracy and complacency.

Jamie Dimon

Persistence does not mean paralysis.

Mohammad Al-Jadaan

Headline Highlights

Knicks Capture First NBA Title in 53 Years, Defeat Spurs in 5 Games

Jalen Brunson scored 45 points, leading the Knicks to their first NBA title in 53 years with a 94-90 win over the San Antonio Spurs in Game 5 of the NBA Finals on Saturday night at Frost Bank Center.

Rory McIlroy Joins Elite List of Back-To-Back Masters Champions

Since the first Masters in 1934, only an exclusive club has achieved the feat -- a club that grew in size from three to four on Sunday when Rory McIlroy became the first golfer to go back-to-back at Augusta National since 2002.

Artemis Crew Home Safely After Completing Historic Mission to the Moon

The four astronauts who flew in NASA's Artemis II mission around the Moon splashed down safely in the Pacific Ocean after a flawless return. The crew are now safely aboard a waiting ship and recovering from a nine-day voyage that took them farther from Earth than any humans in history.

Anthropic Claims its New A.I. Model, Mythos, is a Cybersecurity 'Reckoning'

"The goal is both to raise awareness and to give good actors a head start on the process of securing open-source and private infrastructure and code," Jared Kaplan, Anthropic's chief science officer, said in an interview.

Michigan Defeats UConn 69-63 to Win First Men's NCAA Basketball Title Since 1989

The Wolverines' championship is the school's first since 1989. Michigan was the runner-up in its four previous title game appearances, losing with the famed "Fab Five" in 1992 and 1993 and then again in 2013 and 2018.

Golden Tempo Claims 152nd Kentucky Derby; Cherie DeVaux Makes History as First Female Trainer to Win

Before DeVaux's big win, the closest a female trainer had come to the winner's circle came in 1992 with the showing of Casual Lies, prepped by Shelley Riley.

Forbes Declares Elon Musk as the World's First Trillionaire

"Elon Musk's ascent to a $1 trillion fortune represents a milestone once considered unimaginable, highlighting how rapidly wealth can be created in an increasingly interconnected and technology-driven world," said Matt Durot, Deputy Editor, Wealth at Forbes.

Senate Confirms Kevin Warsh as Fed Chair

Among Mr. Warsh's first tasks will be to establish his credibility as an independent chair, rather than someone who will do the president's bidding.

Florida Sues OpenAI and Sam Altman Over Alleged Safety Lapses

Florida is accusing OpenAI and its CEO Sam Altman of putting profit over safety in the first lawsuit brought by a state against the ChatGPT maker over the alleged shortcomings of the chatbot.

The US that World Cup Fans did not Expect to Love

Before the World Cup, some European visitors held negative impressions of the United States based on what they had seen through social media and television. After experiencing the country firsthand, several said their views had become more positive or nuanced.

Legal Disclosure

This document does not constitute an offer of investment advisor services by Hollow Brook Wealth Management LLC ("HBWM") or any of its affiliates. This document has been prepared for informational purposes only and is not intended to provide specific investment advice or recommendations to any recipient.

Past performance is no guarantee of future results. Inherent in any investment is the potential for loss of all or any portion of the investment. This information is for discussion purposes only. It is not intended to supplement or replace the disclosures made in Part 2 of HBWM's Form ADV.

Market index information shown herein is included to show relative market performance for the periods indicated and not as a standard of comparison, since the indices are unmanaged, broadly based and differ in numerous respects from the account.

Market index information was compiled from sources that HBWM believes to be reliable. However, HBWM does not guarantee the accuracy or completeness of such data.

Since HBWM manages its actual client portfolios according to each client's specific investment needs and circumstances, HBWM cannot affirm that the returns of the account are similar to other accounts managed by HBWM. This is due in part to differences in investment strategy, guidelines and restrictions, the timing of trades by HBWM, market conditions, cash or cash equivalent balances maintained by the client, and the timing of client deposits and withdrawals.

This document is provided to you on a confidential basis and is intended solely for the information of the person to whom it has been delivered. Accordingly, this document may not be reproduced in whole or in part, and may not be delivered to any other person without prior written consent of HBWM.