

Carret Equity Insights

July 2026

“The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time, and still retain the ability to function.”

F. Scott Fitzgerald, 1896-1940

Co-Directors Equity

Wayne S. Reisner
212.207.2345
wreisner@carret.com

Elizabeth A. Newberry, CFA
212.207.2346
enewberry@carret.com

Firm AUM (6/30/26)

\$3.737 Billion

A friend of mine from California recently challenged me. “New York is *so* behind,” he said. “We’ve got autonomous vehicles going everywhere out here, and you guys are still using Ubers.” Fair enough. On a trip to Los Angeles, I hailed my first Waymo. After a brief kerfuffle about where exactly it would pick me up, I climbed in. I was genuinely impressed. I have come to think of autonomous driving as artificial intelligence *writ large*: the vehicle must simultaneously monitor dozens of variables, make split-second decisions, and never lose focus. The next day, as if to prove the point, I called an Uber. The driver made a U-turn in the middle of South Figueroa, a one-way street, and proceeded to drive into oncoming traffic. I told him to stop, got out, and walked for a while before summoning another Waymo. I became so enthralled by technology that I spent the rest of my trip doing something I never do in NYC, paying for coffee by tapping my phone. And then, on the flight home, I asked Claude AI to take a crack at this essay. I gave it some prompts and watched as a two-page missive that covered all of my talking points was created in five minutes. I did some editing, and then on Monday, I presented the piece to Jack Kaplan, my colleague and editor for the past twenty years. A half-hour later, Jack walked into my office, sat down and said, “It’s an okay piece, but you did not write it.” I was busted! So, I reviewed my original notes and now offer you, my loyal readers, my own thoughts.

One might tend to resist AI by comparing it to an idealized version of human performance: the expert, the veteran, the professional at the top of their game. That is the wrong comparison. The right contrast is to the actual human in front of you: the one who, on a sunny afternoon, made a U-turn into oncoming traffic and didn’t seem to think much of it. That is where AI can be argued as possibly the superior choice. It is for the harried analyst who is struggling to put together a slide deck for a presentation. It is for the human resources executive attempting to analyze compensation data across a bank with 50,000 employees. It is for the CFO who needs an analysis of a financial reporting discrepancy immediately, if not sooner. What is so compelling about the technology is its evident broad and simultaneous application across so much of our economy; this includes commerce, health, education, communication, and yes, transportation. Indeed, technology can be genuinely seen as bringing about profound change. And the stock market has embraced the arrival of *artificial intelligence* with a fervor reminiscent of *radio* in the 1920s and the *internet* in the 1990s. Both were genuinely transformative technologies, and both gave rise to speculative episodes that ended badly for those who confused the reality of the technology with the *sustainability* of the valuations attached to it.

Key Market Levels	6.30.26	12.31.25	6.30.25
S&P 500	7,499	6,845	6,205
Dow Jones Industrial Average	52,319	48,063	44,095
NASDAQ	26,214	23,242	20,370
S&P 500 Dividend Yield	1.03%	1.09%	1.17%
S&P 500 Trailing 4 Quarter P/E	27.7	27.8	26.5

Source: FactSet

Fitzgerald's observation about the ability to hold two opposed ideas simultaneously and still function describes precisely the mental posture that this market demands. While the technology is at once ubiquitous and boundless in its applications, the prices being asked of those investors who wish to participate in this transformation bear close scrutiny and a skeptical mindset. Both things are true. The investor who cannot hold that tension, and act rationally within it, will be undone by one side or the other. Put another way, we take issue with some of the assumptions surrounding this brave new world and might argue that the margin for disappointment grows thinner with each advance. There remain broad questions about *complacency*, which concern *valuation*, *concentration*, and *monetization*. The market is not pricing in next quarter's earnings. It is pricing in a limitless horizon of transformation, discounted back to today. That is either *visionary* or *dangerous*, depending on how quickly revenue catches up to the promise.

At 22 times current S&P 500 earnings, the market is trading at extended *valuation* levels, certainly below the 2000 dot-com peak, but significantly above long-term averages. What is noteworthy is that the S&P 500 earnings estimates have kept climbing during the year-to-date period. Initial forecasts for 2026 called for 15% earnings growth; as we have observed in the past, such forecasts have a reliable tendency to flatter the beginning of the year and humiliate the end of it. But in this calendar year, these estimates are rising, with S&P 500 earnings currently expected to increase by some 19%.

The AI boom has energized capital markets with an urgency not seen in some time. After years of *cash flow* financed investment, the IPO window is wide open, and companies are coming to market with compelling narratives and business models still in formation. The *capital* and the *appetite* are there; in some quarters, the *scrutiny* is not. In the debt markets, investment-grade and high-yield issuance has surged as companies race to lock in capital for AI infrastructure including data centers, power capacity, and semiconductor supply chains. After years of net equity supply decreases through buybacks and M&A, we are seeing a marked reversal, one that may in time drive prices lower, as the laws of supply and demand naturally would dictate.

Perhaps the most underappreciated structural risk in the current market is *concentration*. The S&P 500 has never been this top-heavy; a small number of AI-adjacent mega-caps now account for a disproportionate share of index returns, meaning that an investor in a *passive portfolio* carries far more *exposure* to this single theme than they may realize. We have commented at length on the risk of having some 40% of the index concentrated in two sectors, dominated by fewer than ten names; that risk has only grown with each uptick.

When the market advances, it advances because those names advance; when they stumble, the index feels it immediately. Passivity, in this market, is not neutrality, it is a *concentrated bet on a concentrated theme*. Then there is volatility: AI-driven names move with an intensity that keeps your advisor awake at night. An earnings miss or an unexplained shift in sentiment can re-price a stock by twenty percent in a session, and that volatility does not stay contained. One day chips are hot and software is dead; the next day, the trade reverses. Add a Federal Reserve no longer playing to the *accommodation* camp, and the case for skepticism writes itself. We have long believed that the tone of the Federal Reserve actions provides an important backdrop for market sentiment, even as we have railed against chronic misinterpretation of those very actions by so-called *investors*. The Warsh Fed has already signaled that it will likely be very different in its communication strategy.

The case for continued equity participation remains intact. Earnings are growing, the economy has shown resilience, and the long-term record of equities as a wealth-building instrument is unimpeachable. The technology sector remains the engine of performance, representing some 68% of aggregate S&P 500 earnings fueled by the expectation of AI's commercial dominance. The critical question is not whether AI will change the world, but whether *returns on invested capital materialize* quickly and broadly enough to justify current valuations. Some applications are generating measurable returns today; others remain promising expenditures in search of a revenue line. The market, in its enthusiasm, is not making any distinction. Disciplined investors should. In short, it is difficult to comprehend that all of these names in the technology sector will forever be so worthy of our attention. What ultimately justifies the premium the market pays for large-cap tech is not this quarter's earnings, but the sheer size of the addressable universe that AI opens: every industry, every workflow, every task now within reach is truly an opportunity that widens with each new application. As advisers, we must temper our *enthusiasm* with a healthy dose of *skepticism*.

We close with the observation that Fitzgerald's test of intelligence is a practical investment discipline, not merely a philosophical one. The technology is real and transformation is underway, but the risks of *concentration*, *valuation*, and *monetization* deserve equal examination alongside the opportunity. The ride will not always be smooth, and there will be moments that test conviction in the companies, the valuations, and the capital structures built to support them. We encourage each client to have a genuine conversation with us about risk tolerance in practice; what level of decline would compel a change in behavior, and what a shortfall costs relative to a lost opportunity. Those answers should govern asset allocation far more reliably than any market forecast, including our own.

I started this reflection in the back of a Waymo on a sunny afternoon in Los Angeles, I ended it contemplating a market making turns of its own; some precise, some sharp, and occasionally ones that make you want to get out entirely. The difference is that with the market, you rarely get to pull over; you are in the vehicle, and the question is how well you understood the route before you climbed in. Staying *invested*, and staying alert to the risks of concentration, valuation, and the distance between narrative and revenue, is the *discipline* that makes it *sustainable*. We remain more impressed by the technology than reassured by the price being asked for it, and more convinced than ever that the job of a thoughtful investor is not to chase the car, but to understand what is driving it.

Laurence R. Golding, Managing Director, July 17, 2026

Separately Managed Account Strategies:

Large Cap Equity: Carret's Large Cap Equity Strategy seeks to provide long term capital appreciation by owning companies with attractive growth prospects, and by acquiring this ownership interest at a reasonable price. We invest in seasoned companies with strong marketplace and financial characteristics. Fundamental analysis and quantitative screening drive this active management strategy. Portfolios are broadly diversified and customized to meet client objectives and risk tolerances.

Important Disclosure Information

Investment advice offered through Carret Asset Management LLC ("Carret"), a registered investment adviser. This presentation is neither an offer to sell nor a solicitation of any offer to buy any securities, investment products, or investment advisory services. All investment portfolios carry risk, including the risk of loss. No assurances can be given that Carret will attain its investment objective or that an investor will not lose invested capital. Past performance is not a guarantee of future results. This material is for informational purposes only and is not intended to serve as a substitute for personalized investment advice or as a recommendation of or solicitation of any particular security, strategy, or investment product. Carret does not provide legal or tax advice, and nothing contained in these materials should be taken as legal or tax advice. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.

Although Carret believes the data to be reliable, Carret does not guarantee the accuracy of third-party data. Indices are presented herein for illustrative and comparative purposes only. Such indices may not be available for direct investment, may be unmanaged, assume reinvestment of income, do not reflect the impact of any trading commissions and costs, management or performance fees, and have limitations when used for comparison or other purposes because they, among other things, may have different strategies, volatility, credit, or other material characteristics (such as limitations on the number and types of securities or instruments).

This material is for informational purposes only, as of the date indicated, is not complete, and is subject to change. Additional information is available upon request. Any opinions expressed herein represent current opinions as of the date of publication only and may change based on market or other conditions. This material may contain assumptions that are "forward-looking statements," which are based on certain assumptions of future events. Actual events are difficult to predict and may differ from those assumed. There can be no assurance that forward-looking statements will materialize or that actual results will not be materially different from those described here. Certain information herein has been provided by and/or is based on third-party sources and, although believed to be reliable, has not been independently verified, and Carret is not responsible for third-party errors.

No representation is made with respect to the accuracy, completeness or timeliness of information or opinions herein and Carret assumes no obligation to update or revise such information or opinions.

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by Carret Asset Management, LLC

Carret, or any non-investment related services, will be profitable, equal any historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Carret is neither a law firm nor accounting firm, and no portion of its services should be construed as legal or accounting advice. Moreover, you should not assume that any discussion or information contained in this document serves as the receipt of, or as a substitute for, personalized investment advice from Carret. Please remember that it remains your responsibility to advise Carret, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure Brochure discussing our advisory services and fees is available upon request. The scope of the services to be provided depends upon the needs of the client and the terms of the engagement.

The referenced performance results reflect the reinvestment of dividends and other account earnings and are gross of applicable account transaction fees (unless indicated) and Carret's investment management fee. In instances where performance figures are presented gross, performance would be lower as a result of transaction fees and Carret's investment management fee. Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges and the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your Carret account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your Carret accounts; and, (3) a description of each comparative benchmark/index is available upon request. The historical benchmark performance results are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or a prospective client in determining whether the investments meet, or continues to meet, his/her investment objective(s). It should not be assumed that account holdings will correspond directly to any of the comparative index benchmarks. No current or prospective client should assume that future performance will be profitable, or equal to either the composite performance results reflected above, or the performance results for any of the comparative benchmarks provided. For reasons including variances in strategy, account holdings, variances in the investment management fees incurred, market fluctuation, the date on which a client engaged Carret's investment management services, and any account contributions or withdrawals, the performance of a specific client's account may have varied substantially from the indicated composite performance results.

Neither rankings and/or recognition by unaffiliated rating services, publications, or other organizations, nor the achievement of any designation or certification, should be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if Carret is engaged, or continues to be engaged, to provide investment advisory services. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser. Rankings are generally limited to participating advisers. No ranking or recognition should be construed as a current or past endorsement of Carret by any of its clients.

Portfolio managers at Carret generally make collective investment decisions. However, in certain instances, portfolio managers may make client specific investment choices. As a result, portfolio dispersion may be increased in certain time periods. Dispersion can also be impacted by factors including but not limited to individual client investment objectives and guidelines, tax considerations, allocation of investment opportunities, order execution, and timing of funding. The material is intended as a broad overview of portfolio, philosophy, process, and style.

Holdings are as of the date indicated and subject to change without notice. The list does not constitute a recommendation to buy, sell or hold a security. Individual accounts may vary. The Representative Holdings have been selected based on objective, non-performance-based criteria. Holdings shown in this presentation may or may not be suitable for an individual's account. Holdings are provided to illustrate a broad view of a particular strategy and are for illustrative purposes only.

Due to various factors, including the passage of time and changing market conditions, content in this presentation may be outdated and no longer reflective of current conditions.