

ERB Portfolio Quarterly Commentary

Q2 2026

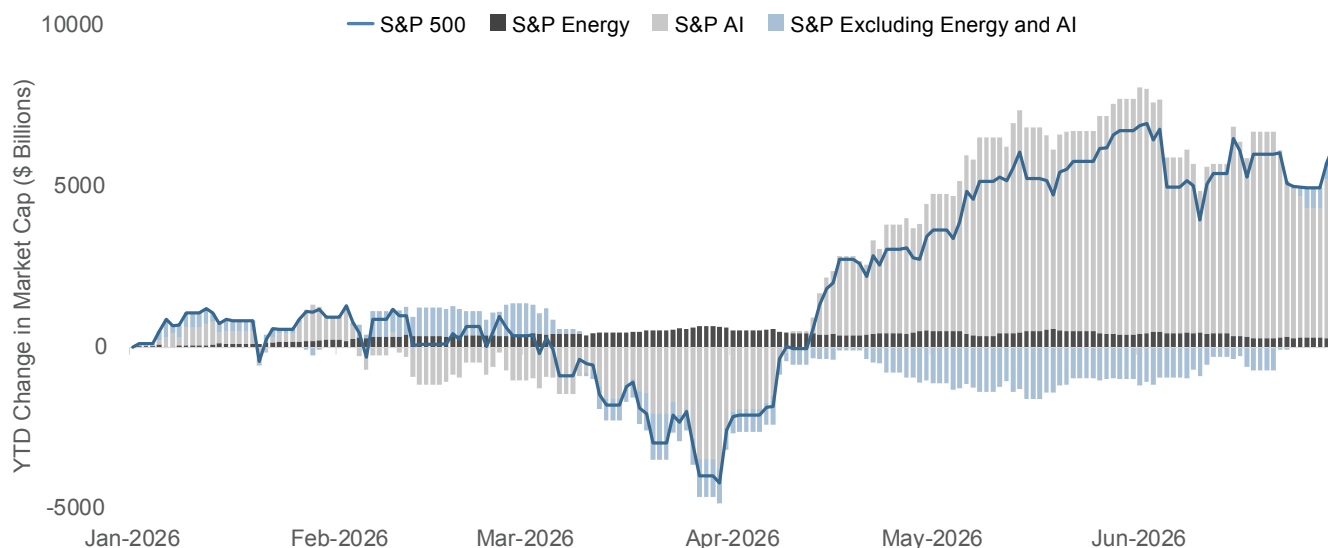
Market Review

The second quarter of 2026 marked a sharp reversal from the volatility of the prior period. As an initial ceasefire in the Iran conflict took hold, concerns about potential oil-supply disruptions began to ease, and equity markets rebounded. The S&P 500 gained 15.2% during the quarter, while the Nasdaq Composite rose 21.6%, marking the strongest quarterly advance for both indices since 2020.

The strength of the rebound, however, was narrowly concentrated. Companies tied to energy and artificial intelligence, shown in dark grey and light grey in the chart below, accounted for most of the market's gains, while the rest of the S&P 500, shown in the blue bars, spent much of Q2 in negative territory. Resilience among AI-related companies was a major driver, helping the index add over \$6 trillion in market capitalization during the quarter. Excluding AI and energy, however, the broader index would have ended the period almost flat. The result was a powerful headline rally led by a relatively small group of companies.

AI and Energy Do the Heavy Lifting

Change In Market Cap Since Jan. 1, 2026



Source: Bloomberg, Redwood. Data as of 6/30/2026.

Strategic

Fundamentally, corporate earnings remained resilient in Q2, coming in 16% above consensus estimates, the largest aggregate beat of the post-COVID era. The defining force behind the rally was the continued buildout of artificial intelligence infrastructure. Investors moved beyond the broad AI narrative and focused on the companies supplying the underlying hardware, including semiconductors, memory, networking, and data center capacity. That shift favored U.S. large-cap equities, particularly the momentum factor, which held greater exposure to the hardware companies leading the advance.

In fixed-income, rates became a central focus as Kevin Warsh succeeded Jerome Powell as Fed Chair and market expectations shifted from a more accommodative outlook in April to a more hawkish stance by June. Even so, the Federal Reserve held rates steady throughout the quarter, helping core bonds generate positive returns and perform broadly in line with expectations.

This is where the strategic portion of our Engineered Risk-Budgeted (ERB) models proved its value. At the most recent reconstitution (September 2025), the models increased market exposure, including AI-related holdings, as the portfolios' risk budgets allowed. That positioning helped capture the rally as it unfolded. Even as gains remained concentrated, the strategic allocation stayed diversified across factors, styles, and asset classes, reducing reliance on any single source of return while participating meaningfully in the upside.

Q2 Performance Attribution

Key contributors and detractors to portfolio performance during the second quarter.

+ Strategic Equity Contributors

STRATEGY	RETURN
Large Cap Equities iVesco QQQ Trust Series 1	+27.73%
Large Cap Equities iVesco S&P 500 Momentum	+44.31%

Key Takeaway: Artificial intelligence leadership and mega-cap growth concentration drove outsized gains, making Nasdaq 100 and S&P Momentum the strongest equity contributors during the quarter.

+ Strategic Fixed-Income Contributors

STRATEGY	RETURN
Core Bond iShares Core Universal USD Bond ETF	+0.95%
Investment-Grade Bond SPDR Portfolio Long Term Treasury	+0.80%
Core Bond LeaderShares® Dynamic Yield	+0.98%

Key Takeaway: Core bond positions all generated positive returns during the quarter, supported by stable credit spreads and constructive fixed-income market conditions.

⊖ Strategic Equity Detractors

STRATEGY	RETURN
Large Cap Equities Vanguard S&P 500 Index	+15.27%
Developed International iShares MSCI EAFE	+8.63%
Large-Mid Cap Blend LeaderShares® AlphaFactor® U.S. Core Equity	+12.83%

Key Takeaway: These allocations still produced strong absolute gains, but they lagged the quarter's more concentrated AI- and momentum-driven equity exposures.

⊖ Strategic Fixed-Income Detractors

Key Takeaway: All bond positions performed similarly during the quarter, with stable credit spreads limiting any meaningful fixed-income detractors.

Returns shown are for illustrative purposes and represent strategy-level performance based on model allocations or representative holdings. These results do not reflect actual client account performance and do not include advisory fees, transaction costs, or taxes, which would reduce returns. Actual client results will vary.

Defensive

As volatility subsided and equity trends recovered, the Defensive strategies that entered Q2 in risk-off positions shifted back to fully invested positions. Those strategies had reduced exposure during Q1's selloff as market volatility increased; when conditions improved, the process reversed course. By quarter-end, all Defensive strategies were fully invested, allowing them to participate in the rebound while preserving the flexibility to respond if trends weakened again.

Even with the rally, the underlying backdrop remained uneven. Consumer sentiment, a measure of how households feel about the economy, fell to its lowest level of the year even as major equity indices reached record highs. At the same time, energy prices tied to the Iran conflict pushed the Consumer Price Index to a 4.2% annual rate, its highest reading since 2023. That shift effectively ended the easing cycle and moved market attention toward the possibility of future rate hikes. Our Defensive strategies are designed to respond to these changes rather than predict them. They ended Q2 fully invested, but remain prepared to reduce exposure again if weakening economic conditions begin to show up in market trends.

Q2 Performance Attribution

Currently Invested Strategies

STRATEGY	STATUS	RETURN
Tactical Domestic LeaderShares® AlphaFactor® Tactical Focused	Fully Invested	+13.43%
Diversified Redwood Systematic Macro Trend ("SMarT")®	Fully Invested	+6.66%
Non-Traditional Bond / Tactical Redwood Managed Volatility	Fully Invested	+1.94%
Tactical International Redwood AlphaFactor® Tactical International	Fully Invested	+2.55%
Non-Traditional Bond / Tactical Redwood Managed Municipal Income	Fully Invested	+0.70%

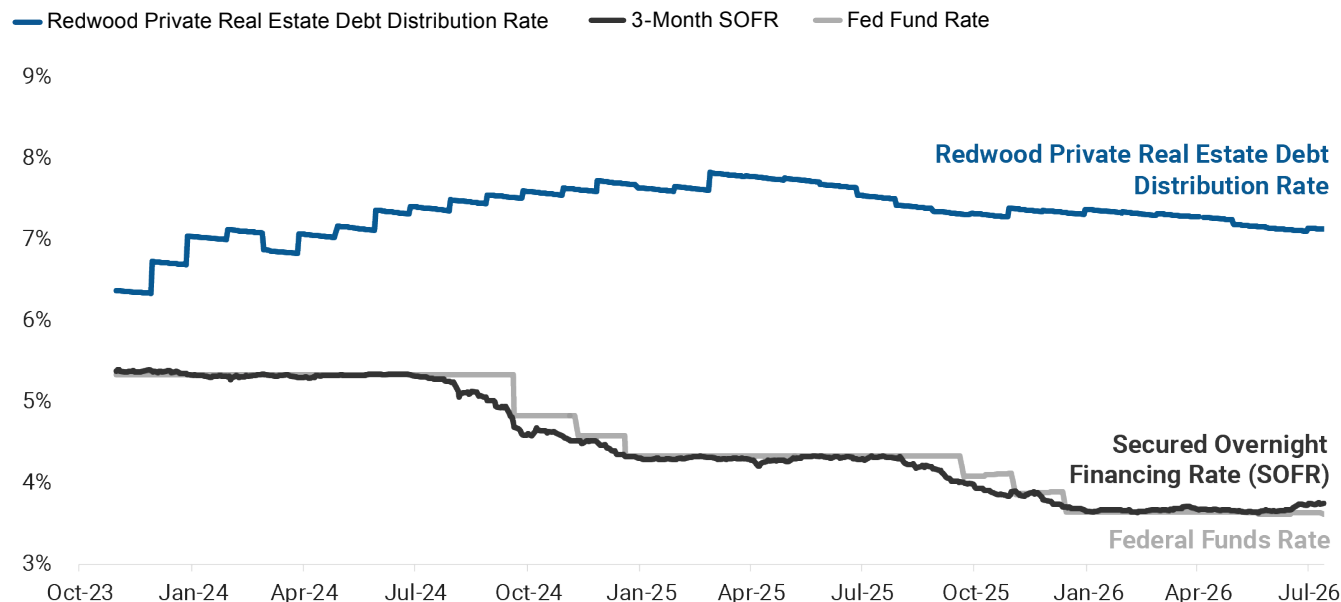
Currently Defensive Strategies

STRATEGY	STATUS	RETURN
No Current Defensive Positions	N/A	N/A

Private Real Estate Debt

Our allocation to Private Real Estate Debt continued to do what it is designed to do: provide a steady source of income away from the day-to-day volatility of public markets. Concerns that emerged in parts of private credit during the quarter were concentrated largely in direct lending to software and technology companies, a different segment of the market. Commercial real estate debt was largely unaffected. While the sleeve is not immune to risk, that distinction helped it remain a consistent contributor to portfolio results in Q2.

Steady Income, Falling Rates



Source: Bloomberg, Redwood. Data as of 7/14/2026. For illustrative purposes only. Date range 6/23/2023 - 7/14/2026. Distribution Rate is calculated as the distribution for a given month, multiplied by 12 (number of months in year) and divided by the v per share on 7/14/2026. Historical distributions have been derived solely by income from holdings in the fund. Depending on when an investor purchased their shares, the annualized distribution rate may be higher or lower. There is no guarantee that investors will receive a distribution or if source characteristics will remain the same. Past Performance is not indicative of future results.

The sleeve ended the quarter with an annualized distribution of 7.14%, maintaining a premium over cash and public bonds of similar duration and credit quality. Since inception, that premium has held even as the Federal Funds Rate and cash-equivalent yields like SOFR have fallen sharply. That income remained valuable even as public equities rallied sharply. Private Real Estate Debt is not expected to outperform strong stock markets; that is not its role. Its role is to support the portfolio with current income and capital preservation, and in Q2, it continued to deliver on that mandate.

Q2 Performance Attribution

+ Private Markets

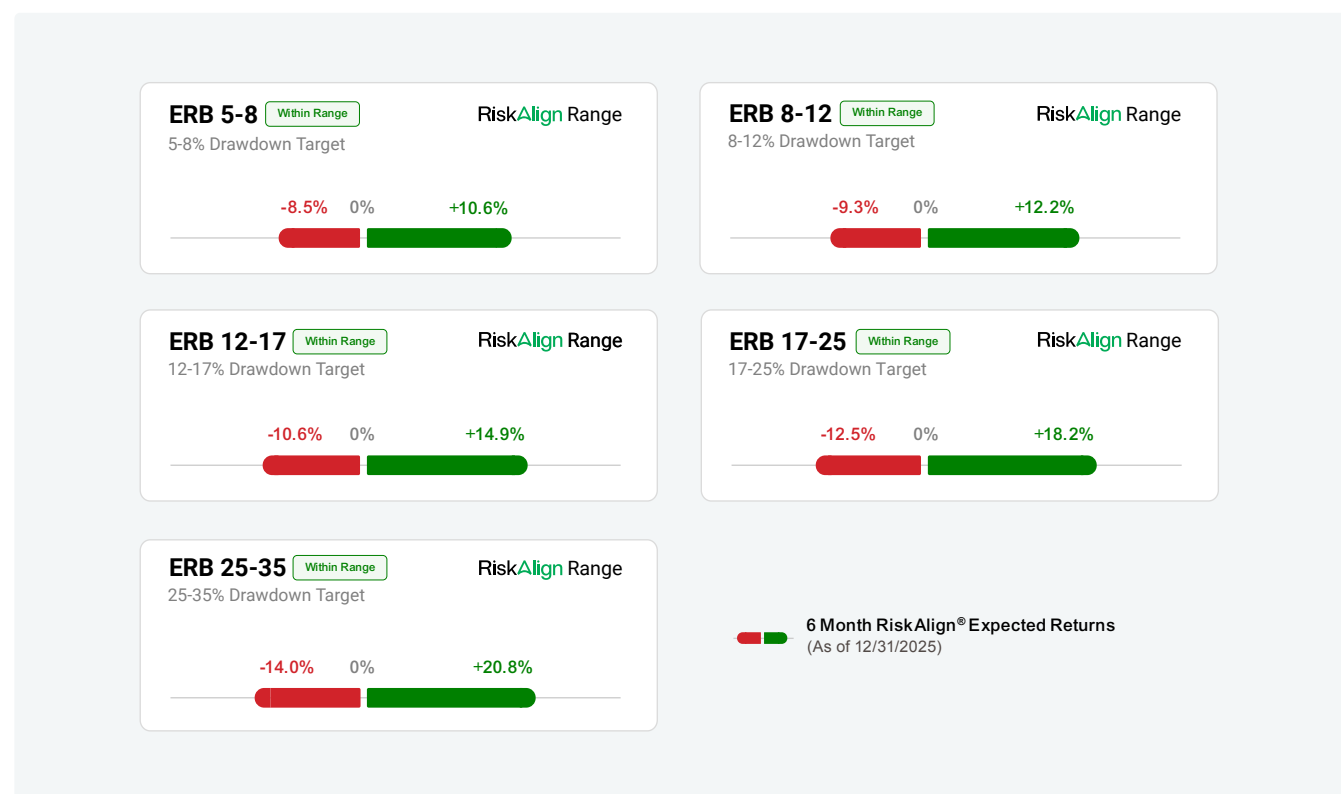
STRATEGY	RETURN	
Private Real Estate Debt Redwood Private Real Estate Debt	+1.57%	Key Takeaway: Private real estate debt provided premium income relative to cash and core investment-grade bonds during the quarter.

Why Process Matters More Than Prediction

The sharp reversal from Q1's volatility to Q2's rally illustrates why process matters more than prediction. Rather than trying to forecast the next market move, our **RiskFirst®** Process is designed to keep portfolios on track across environments. Within this framework, the strategic, defensive, and private real estate debt sleeves each have a defined role, allowing different parts of the portfolio to respond as conditions change.

This discipline matters in strong markets just as much as in difficult ones. As the broad rally lifted performance, each model remained within its **RiskAlign®** range for the period and finished toward the higher end. That is the process working as intended: participating meaningfully in the upside while staying anchored to the portfolio's designed risk profile rather than reaching for more. By maintaining that discipline, we remain on track toward long-term objectives regardless of the next quarter's headlines.

RiskAlign® Ranges



Source: Redwood. For illustrative purposes only. Drawdown Target is the peak-to-trough percentage value loss the adviser seeks to achieve for any period of portfolio downturn. **RiskAlign®** ranges are hypothetical projections based on statistical models and assumptions. They are not guarantees of future performance and actual results may differ materially. See disclaimer at the end for more information.

For the period shown in the range, the model portfolios results have fallen within the **RiskAlign®** ranges shown. However, these observations are based on hypothetical analysis and do not indicate that future results will fall within these ranges. Actual outcomes may vary significantly and may fall outside the projected ranges, including the potential for loss of principal.

Important Disclosures:

The **RiskAlign®** Range is a projection outlook and forecast based on statistical models, assumptions, methodologies, and unquantifiable opinions that are subject to change. The **RiskAlign®** Range is provided for information purposes only and reflects the views of Redwood as of the date of publication. It is intended to provide an overview of potential portfolio outcomes and should not be construed as investment advice or a recommendation for any specific investment strategy or product. Any outlook and projection has limitations due to unforeseen factors. These unforeseen factors can be external or internal financial market events.

As part of the calculation of the **RiskAlign®** Range, the following assumptions were made involving normal distribution and standard deviation, further explained hereafter. A 6-month rolling standard deviation is applied to historical returns of portfolio holdings. The bottom range number is the blended hypothetical model portfolio's 6-year rolling return mean, minus 2 standard deviations. The upper range number is the blended hypothetical model portfolio's 6-year rolling return mean, plus 2 standard deviations. Assuming a normal distribution, 95% of data points lie within 2 standard deviations about the mean. This does not imply a 95% probability of future portfolio returns. This does not include the other 5% of data points that may fall significantly above and below the mean including a 100% loss of principal. The final **RiskAlign®** ranges may contain non-quantifiable factors such as opinions of Redwood's.

The **RiskAlign®** Range is forward-looking estimation and there may be no statistical efficacy. These projections are based on assumptions that involve risk and uncertainties and are not guaranteed. Actual portfolio can experience significant differences including more loss or gain than shown. Individual holdings of a model portfolio may change for the period. Actual future results will vary materially from those expressed or implied by **RiskAlign®** Ranges due to various factors including, but not limited to, changes in economic conditions and market fluctuations.

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Also, investment strategies or objectives of the model portfolio may have changed over time and may change in the future. There is no guarantee that any portfolio will meet its objective. Holdings utilized for the testing of the strategy are positions at the point in time of calculation, which may no longer be available or are no longer recommended by the adviser. In fact, ongoing quantitative research can lead to changes in the parameters of the model in the adviser's sole discretion. Selection of securities is not static, may differ from account to account, and are subject to further change in the future. Any modifications to model portfolio constituents by an adviser will yield different range results than those shown above.

For illustration purposes only. Performance results shown do not reflect the deduction of advisory fees. If such fees were included, returns would be lower. Please refer to Form ADV Part 2A for additional information regarding fees. All statements are opinions and should not be construed as facts. This presentation is for informational purposes only and should not be deemed as a solicitation to invest, or increase investments in any products or affiliated products. The information contained herein is not intended to provide any investment advice or provide the basis for any investment decisions. Please consult a qualified professional before making decisions about your financial situation. Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Information and commentary provided by are opinions and should not be construed as facts. There can be no guarantee that any of the described objectives can be achieved. No claims are being made that asset class or strategy diversification will eliminate portfolio loss. Information provided herein from third parties is obtained from sources believed to be reliable, but no reservation or warranty is made as to its accuracy or completeness. Maximum Drawdown of blended indices are shown for informational purposes only; it is important to note that strategies differ from the indices displayed and should not be used as a benchmark for comparison to account performance. While the indices chosen represent broad market performance of each asset class, there are report limitations as to available indices and blends, which index can be selected, and how they are presented. The S&P 500 Index seeks to measure the U.S. stock market and is based on the market capitalization of 500 leading companies publicly traded in the U.S. as determined by Standard & Poor's. The Barclays U.S. Aggregate Bond Index seeks to measure the investment grade, U.S. fixed-rate taxable bond markets. **RiskFirst®** is a registered trademark of Redwood.

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Definitions:

The S&P 500 is an unmanaged index of 500 large-cap U.S. companies, which seeks to measure the U.S. stock market and is based on the market capitalization of 500 leading companies publicly traded in the U.S. as determined by Standard and Poor's. S&P Energy and S&P AI are sector subsets of the S&P 500 companies.