Quarterly Market Summary and Outlook 2Q 2026

Past Quarter Summary

Global equity markets rebounded sharply in the second quarter of 2026, supported by resilient corporate earnings, easing geopolitical tensions, and continued investment in artificial intelligence infrastructure. U.S. equities outperformed, with the S&P 500 gaining 15.2%, led by technology and a broadening of market leadership into smaller companies. International markets also posted strong returns as the MSCI ACWI ex-U.S. Index rose 14.5%, while emerging markets benefited from semiconductor demand, improving economic conditions, and moderating geopolitical risks. Investors entered the second half of 2026 with positive momentum but remained focused on valuations, inflation, and central bank policy.

Strategy	Performance Drivers	Key Themes
U.S. Quality Dividend	Industrials and dividend growers led.	Reliable income, quality balance sheets, downside resilience
Large Cap Growth	AI leaders and industrials outperformed.	AI leadership, earnings quality, durable competitive advantages
Focused Growth	Earnings momentum offset valuation resets.	Innovation, operating leverage, selective growth
ADR International	Developed markets and exporters strengthened.	Broadening global recovery, regional diversification
Global Strategy	Broadening earnings leadership.	Global opportunity set, balanced growth, disciplined allocation
U.S. Small Cap Growth	Market broadening favored small caps.	Broadening market, improving fundamentals, active stock selection

Source: Decatur Capital Management, Inc.

What Worked?

Market leadership broadened during the quarter as investors rewarded companies delivering consistent earnings growth and improving fundamentals. Artificial intelligence infrastructure spending continued to support technology leaders, while industrials, financials, and select healthcare companies also performed well. Businesses with strong cash flows, disciplined capital allocation, and durable competitive advantages attracted investor interest.

What Didn't?

Companies with elevated valuations but slowing earnings momentum faced greater pressure as investors became more selective. Consumer discretionary businesses tied to weaker spending trends and sectors exposed to slower global manufacturing demand lagged. Stocks that failed to meet high expectations were often punished despite otherwise solid operating performance.

What's Next?

As market leadership broadens beyond the largest technology companies, we believe the environment is becoming increasingly favorable for active stock selection. We are pleased to announce the launch of the ***Decatur Capital U.S. Small Growth Strategy***, designed to capitalize on this broader opportunity set by investing in high-quality small-cap companies with improving fundamentals, attractive valuations, and positive earnings momentum. While geopolitical developments and monetary policy remain important considerations, we believe disciplined, research-driven investing is well positioned to uncover tomorrow's market leaders.

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