INVESTMENT MANAGEMENT TEAM

OCTOBER 2026 SPELLMAN FUND REPORT

Summary

October 2026 was a relatively volatile month for the S&P 500 as investors reacted to inflation, interest rates, corporate earnings, and concerns surrounding artificial intelligence. One of the biggest developments was the decline in major technology stocks as investors questioned whether companies were spending too much on AI infrastructure and whether those investments would generate enough future profits. Another major event was the Federal Reserve's decision to keep interest rates unchanged at 3.75%–4.00%. Inflation also became a concern as prices increased 3.7% year over year, partly due to rising energy costs. Geopolitical tensions involving Iran contributed to higher oil prices, creating additional uncertainty about future inflation. Despite technology stocks struggling, other sectors performed well. Energy, Healthcare, and Utilities attracted investors looking for more stable investments. Third-quarter earnings reports also played a major role, as investors evaluated company profitability and future growth expectations. Overall, the S&P 500 finished October, down 0.85%. The biggest takeaway was that investors were becoming more cautious about expensive technology stocks while paying closer attention to inflation, interest rates, and company valuations. Moving into November, investors will continue watching Federal Reserve decisions, corporate earnings, oil prices, and economic reports to determine the market's direction.

Interest Rates

During October 2026, interest rates experienced some volatility as investors reacted to inflation concerns, economic data, and Federal Reserve decisions. Early in the month, Treasury yields increased, with the 10-year Treasury yield reaching approximately 5.30% as investors worried about persistent inflation and government borrowing. Throughout the month, interest rates fluctuated as investors evaluated the strength of the economy and tried to predict the Federal Reserve's next move. On October 28, the Federal Reserve decided to keep its benchmark interest rate unchanged at 3.75%–4.00%. The decision reflected the Fed's desire to gather more information about inflation before making additional changes. However, two Fed officials disagreed with the decision and favored raising rates by another 0.25 percentage points, showing that there was still concern about inflation remaining above the Fed's 2% target. Following the announcement, Treasury yields moved in different directions, reflecting continued uncertainty among investors. By the end of October, the 10-year Treasury yield had fallen to approximately 4.94%. Overall, October was a month of changing interest rate expectations, with inflation, economic growth, and Federal Reserve policy continuing to influence borrowing costs and financial markets.

October Portfolio Performance

The portfolio had an overall decrease of -1.63%.

The top three performing sectors were Energy (15.24%), Consumer Cyclicals (14.36%), Healthcare (11.30%).

Top 5 Highest Performers

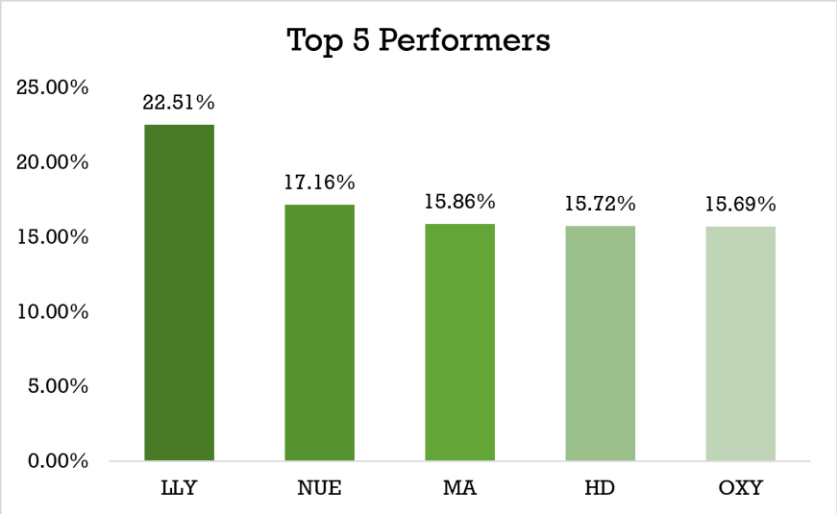
Eli Lilly and Company (LLY):
- 22.51% Increase
- 0.42% Contribution to Return

Nucor Corporation (NUE):
- 17.16% Increase
- 0.32% Contribution to Return

Mastercard Incorporated Class A (MA):
- 15.86% Increase
- 0.54% Contribution to Return

Home Depot (HD):
- 15.72% Increase
- 0.24% Contribution to Return

Occidental Petroleum Corporation (OXY):
- 15.69% Increase
- 0.14% Contribution to Return



The three lowest performing sectors were Technology (-13.14%), Consumer Services (-2.36%), Non-Energy Materials (1.43%).

Top 5 Lowest Performers

Intel Corporation (INTC):
- 45.30% Decrease
- -1.76% Contribution to Return

Applied Materials, Inc. (AMAT):
- 23.72% Decrease
- -2.35% Contribution to Return

Alphabet Inc. Class A (GOOGL):
- 18.67% Decrease
- -0.58% Contribution to Return

META Platforms Inc. Class A (META):
- 15.19% Decrease
- -0.41% Contribution to Return

Rio Tinto plc Sponsored ADR (RIO):
- 13.04% Decrease
- -0.27% Contribution to Return

