# Quarterly Commentary

NOTES FROM THE NEWSQUARE COMMUNITY

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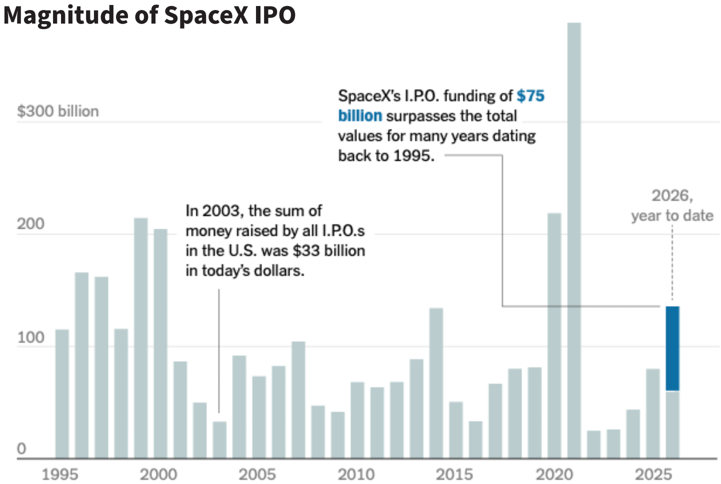
## Beyond the IPO: Investing Through the AI Shift

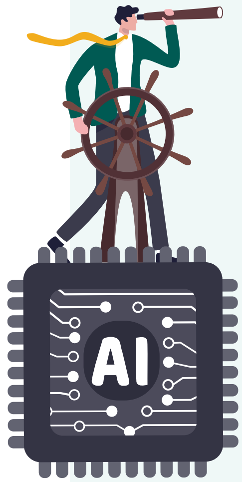
**In June, SpaceX raised roughly $75 billion in the largest IPO in history, nearly tripling the previous record. For weeks, anticipation intensified across markets, and the headlines grew increasingly breathless. Everyone, it seemed, wanted in. When trading began, demand exceeded supply several times over. Investors' reactions varied widely. Some were pleased with their small allocation. Others were frustrated that they missed out. Still others questioned the valuation, the sustainability of the stock's momentum, or the possibility of a bubble in the AI space. Those who had built meaningful exposure prior to the IPO saw immediate gains, but even they faced questions about concentration and taxes. Many wondered, "Is my portfolio falling behind in this AI race?"**

These responses may seem different, but they share a common thread: uncertainty. The overarching question is, "What happens next?" Moments like this tend to heighten investor emotions, amplifying both enthusiasm and concern, and creating a sense of urgency—as if there is something to catch up on in real time. More often, they call for the opposite: patience, discipline, and a willingness to step back from short-term noise. Feeling behind in periods like this is common, but such times rarely require immediate action. They require perspective.

### Magnitude of SpaceX IPO




Note: Monetary values have been adjusted for inflation. Source: Dealogic; The New York Times.




*"The development of AI is as fundamental as the creation of the microprocessor, the personal computer, the Internet, and the mobile phone. It will change the way people work, learn, travel, get health care, and communicate with each other. Entire industries will reorient around it. Businesses will distinguish themselves by how well they use it."*

—Bill Gates, the Microsoft co-founder, March 2023

### Not Just a Moment

At NewSquare Capital, we believe SpaceX represents a clear signal of how quickly artificial intelligence is reshaping industries—and investing. SpaceX is more than a space company, and potential future public offerings by companies such as Anthropic and OpenAI, continue to attract investor attention. AI is huge; transformational even. This shift is in its early stages, and while full of uncertainty, it is not unprecedented: Transitions like these tend to follow a familiar pattern: innovation drives disruption, markets adapt, and over time, new opportunities emerge.

This shift is not reversible.  For many investors, an important question is how to respond to the ongoing development of AI technologies.

AI is not a single opportunity, but a rapidly expanding set of them. It is beginning to influence how companies operate, compete, and allocate capital across industries, from technology and infrastructure to energy, healthcare, and beyond. While the most visible names may capture attention early, the broader impact tends to unfold over time, often in less obvious ways. For investors, exposure to companies involved in AI may arise through a variety of investment approaches and sectors.

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**A More Complex Landscape**

As that opportunity set begins to take shape, a different set of questions emerges. For those with meaningful exposure, the focus shifts quickly to managing gains—balancing concentration and taxes and figuring out what to do next. Investors who feel they missed the initial move may wonder how to engage from here. For the cautious or skeptical, the question is how to participate thoughtfully in a rapidly evolving landscape. All investors should recognize that AI is already embedded in diversified portfolios, through indexing and companies ranging from Google and NVIDIA to smaller firms that invest in, build, or apply AI. In each case, the issue is no longer simply identifying opportunity, but navigating through it over time. As innovation accelerates, these dynamics are likely to become more common.

**Navigating the New Reality**

We consistently remind advisors and clients that successful investing rests on discipline, diversification, and a long-term perspective, with a focus on generating returns over full market cycles. History shows that these principles work across a variety of market environments—from extended, exuberant bull markets to the most challenging downturns, including periods marked by excess and correction. They're hugely relevant in periods of rapid change and uncertainty. That is particularly true today, as artificial intelligence reshapes the world in ways that can feel both significant and difficult to fully interpret. It applies whether an investor approaches AI with enthusiasm, caution, or already has meaningful exposure. This environment may feel different, but the core principles of investing haven't changed.

In 2026, and since the dawn of AI as an investment theme, we are seeing performance vary widely across companies and sectors, with a smaller number of names driving markets higher. This is not a new pattern. Similar dynamics emerged during earlier waves of technological change, including the personal computer, the internet and the smartphone. Each time, gains were concentrated before spreading more broadly over time. Markets evolved as well, with changes in structure and new approaches to portfolio construction and management.

**Embracing New Tools**

Today, that evolution continues. The core principles remain the foundation, of course. At the same time, strategies that offer additional flexibility have become more relevant in certain situations.

One example that has gained attention, particularly in the current environment, is long/short direct indexing, which may provide additional flexibility for investors seeking to address concentrated positions and tax-management considerations. Some early SpaceX investors may be evaluating these issues today. As market opportunities evolve, other investors may encounter similar portfolio management considerations.

We wrote about direct indexing in 2025 as an approach that allows investors to hold individual securities rather than an index fund, in customized portfolios that can use tax-loss harvesting to help offset gains and improve after-tax outcomes. Long/short direct indexing builds on that framework by introducing selective short exposure alongside long positions. This can help investors manage concentrated positions more dynamically, navigate uneven outcomes across holdings, and maintain flexibility as opportunities continue to evolve.

**Staying Grounded Through Change**

The debut of SpaceX may feel like a defining moment, but it is better understood as part of a broader shift that will continue to unfold over time. Artificial intelligence is likely to reshape how value is created across the economy, but that process will not move in a straight line. It will include periods of rapid gains, uneven outcomes, and differing views along the way.

For investors, the objective is not to anticipate every development or capture every outcome, but to remain disciplined and focused as those changes unfold.

## Market Review: Second Quarter 2026

U.S. stocks rallied in the second quarter, driven by strong corporate earnings, continued momentum in artificial intelligence, and shifting expectations around inflation, Fed policy, and the consumer outlook. The S&P 500® Index rose sharply overall, gaining in April and May before softening in June. The late-quarter pullback reflected rising Treasury yields and more cautious Fed messaging. The Fed's dot plot and market pricing both shifted during the quarter, with investors moving from anticipating rate cuts to the probability of additional tightening in 2026 and beyond. Markets also showed greater sensitivity to signs of consumer fatigue and to how much of the year's gains had already been reflected in prices. The AI-fueled information technology sector drove the market's gains, led by semicon-

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ductors and data-center infrastructure stocks. Financials gained on higher interest rates, solid credit conditions and improving capital markets activity. Energy lagged significantly as oil prices moved sharply lower, reflecting easing expectations for severe and prolonged supply disruptions through the Strait of Hormuz.

Bond markets also contended with firm growth, persistent inflation, and shifting Fed expectations. The Bloomberg U.S. Aggregate Bond Index finished the quarter essentially flat. Treasury yields moved higher through much of the quarter as investors scaled back expectations for rate cuts and responded to Fed communication around a slower path toward inflation normalization. The 10-year Treasury yield traded up from just above 4% to near 4.5%, while shorter-maturity yields remained especially sensitive to policy expectations. As equity markets weakened in June, yields showed signs of stabilizing as investors reassessed the growth outlook and the balance between restrictive policy and economic resilience. Credit markets performed well earlier in the quarter, with spreads narrowing and supporting positive returns across both investment-grade and high-yield bonds, though conditions became more mixed as volatility increased.

Oil prices fell materially during the quarter as markets moved away from worst-case scenarios for sustained Strait of Hormuz disruptions, reversing much of the first quarter's surge. That decline weighed heavily on energy equities, making the sector the clear underperformer. Gold prices stabilized after their March decline, supported by ongoing geopolitical risk but without the sharp upward momentum seen earlier in the year. Elsewhere, commodity prices generally eased from elevated levels reached during the first quarter's supply shock, reflecting more balanced supply expectations and a steadier, though still uncertain, demand backdrop.

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Indexes referenced: The S&P 500® index is widely regarded as the best single gauge of large-cap US equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

The Bloomberg Barclays US Aggregate Bond index is a broad-based flagship benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related corporate securities, mortgage-backed securities, (MBS) (agency fixed-rate pass-throughs), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS) (agency and non-agency).

Additional statistical data sourced from: Bloomberg Finance, LPL Research, Morningstar, and NewSquare Capital, LLC.

Diversification does not guarantee a profit or protect against loss in a declining market.

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Investments in initial public offerings (IPOs) and companies associated with artificial intelligence (AI) involve substantial risks and may experience significant price volatility. The market value of these investments may be affected by factors including investor sentiment, technological developments, competition, regulatory changes, valuation concerns, and broader market conditions. There can be no assurance that companies associated with AI will achieve their expected growth objectives or that current levels of investor interest will be sustained.

Strategies designed to address concentrated stock positions, including direct indexing and long/short approaches, involve risks and may not be appropriate for all investors. Such strategies may not eliminate concentration risk, may increase portfolio complexity, and can involve additional costs, tax considerations, and risks associated with short positions. Tax benefits, if any, will vary based on an investor's individual circumstances.

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