Prime Capital FINANCIAL

MONTH IN REVIEW

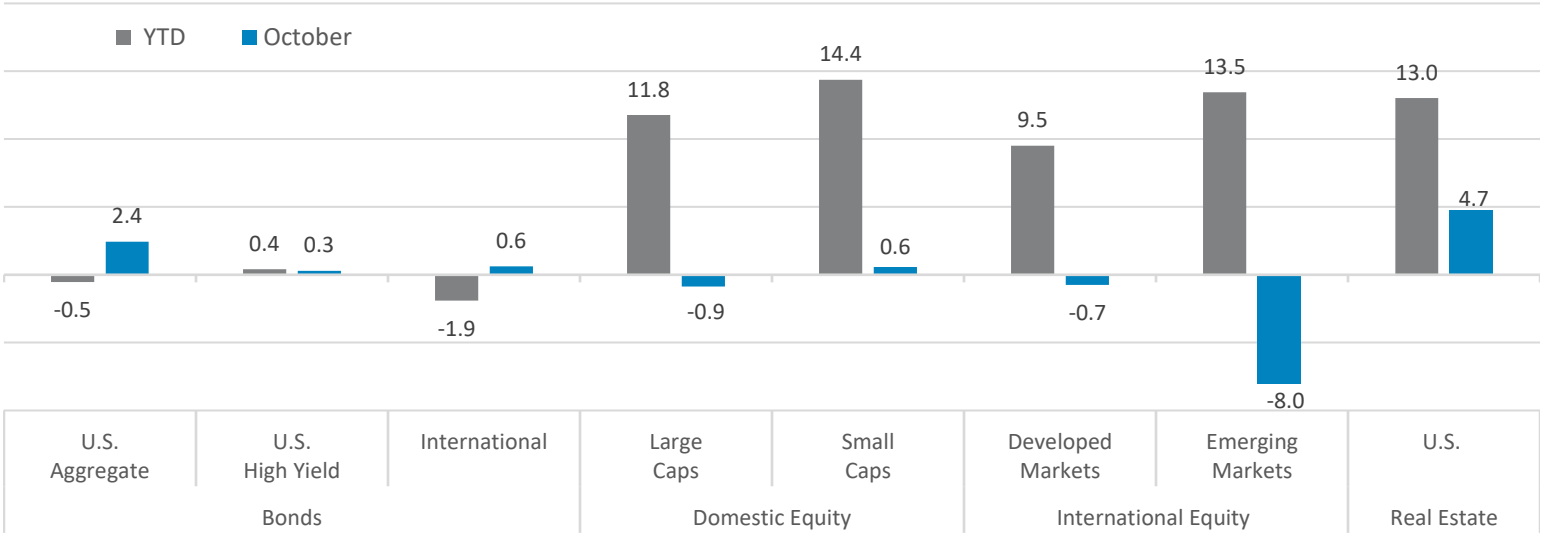
OCTOBER 2026

Quick Takes

- **Equities Rotated.** A selloff in tech stocks sent the S&P 500 0.9% lower in October, while the equal-weight S&P 500 climbed 4.9% as investors rotated into defensive sectors like staples and utilities, which both finished the month up double-digits.
- **Inflation & Interest Rates.** Headline CPI climbed 0.6% MoM in September, the fastest rate since May, with headline CPI rising 3.7% YoY and core CPI 2.6% YoY as persistently high oil prices kept energy inflation elevated. Yields moderated across the long end of the curve, with the 10Y Treasury dipping back below 5% near month-end.
- **AI Stocks Sell Off.** Renewed AI skepticism sent the broader tech sector tumbling -6.8% in October as rising corporate debt yields from hyperscalers and neoclouds, alongside worse-than-expected free cash flow burn from mega-cap AI names spooked investors out of the trade.
- **The Fed Holds**. In a 10-2 vote at its October 28 meeting, the FOMC decided to hold rates steady in the current 3.75%-4.00% range, with FOMC member Hammack and Fed Governor Cook dissenting in favor of a hike. As of month-end, markets currently expect a ~75% chance of a December rate hike.

Asset Class Performance

Equities fell for a second consecutive month in October after AI-related stocks sold off at the end of the month as investors became worried over the spending of some of the largest AI hyperscalers. Emerging market indices felt more pronounced impacts as tech-heavy markets in South Korea and Taiwan weighed on indices.



Source: Bloomberg, Goldman Sachs Investment Research, as of September 30, 2026. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

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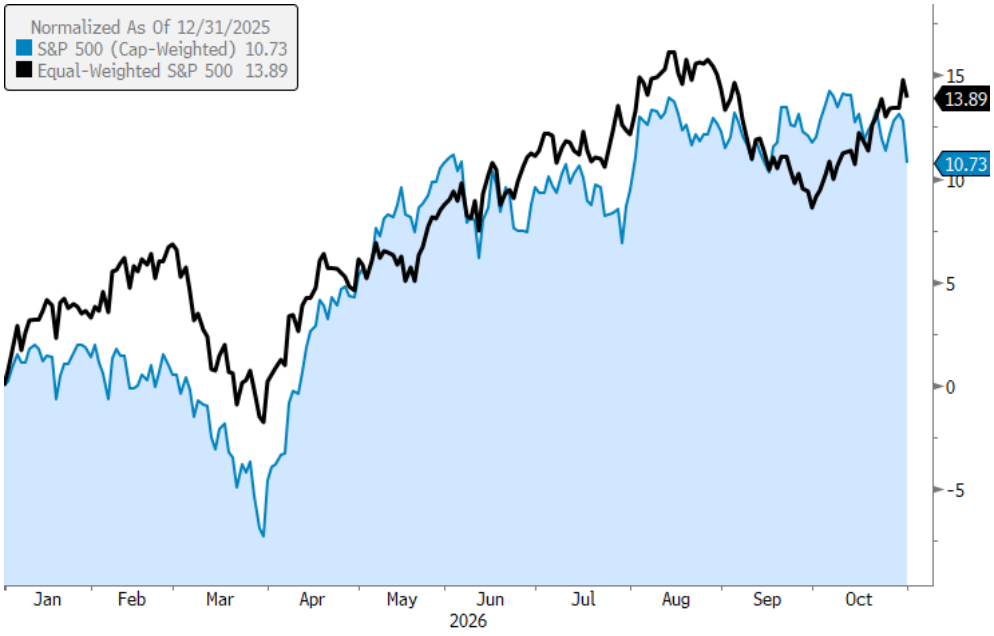
October 2026

Markets & Macroeconomics

The Fed holds as the AI trade shows cracks

Cap-Weighted vs. Equal-Weight S&P 500 YTD Return

The equal-weight S&P 500 passes the market-weighted index in October



Source: Bloomberg

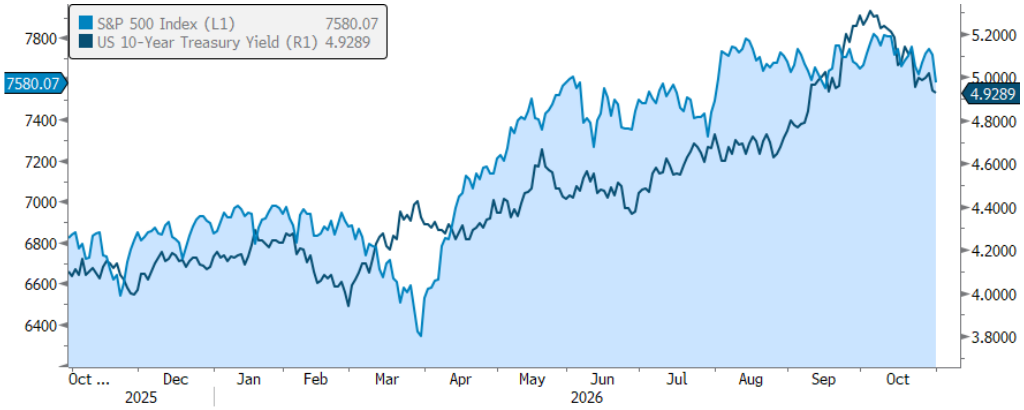
October was a turbulent month for markets as a sharp selloff in AI-linked stocks pulled the Nasdaq 100 down 6.7% and the S&P 500 falling 0.9%, leaving the S&P within one cent of its May 29 close despite a record high on October 6. The selloff came from a combination of credit stress at highly levered neoclouds alongside earnings reports showing heavy free cash flow burn from some of the largest tech companies. Market leadership broadened on the selloff: the Dow rose 1.7% and the equal-weight S&P 500 gained 4.9%, outpacing its cap-weighted peer by the widest margin since April 2009. Information Technology and Communication Services were the only two sectors to finish lower in October, while Energy, Consumer Staples, and Utilities each gained double digits. Bonds steadied after a difficult September marred by concerns over government finances, heavy debt issuance, and rising inflation. The 10-year Treasury yield fell back below 5% by month-end as investors stepped back from the AI trade and a soft labor report supported Treasury demand. October's macro releases once again left the Fed in a tricky situation. Energy prices from the Iran War continued to pressure US inflation, with Brent crude climbing past $110 late in the month and national average gas prices holding near $4.30.

Headline CPI rose 0.6% in September, its fastest pace since May, lifting annual inflation to 3.7%, while core rose 2.6% YoY. PPI followed a similar path, jumping 1.3% on the month against expectations of 0.6%, the fastest pace since 2022, and up 6.3% YoY. The PCE price index rose 3.6% YoY with core PCE up 3.1%, both in-line with estimates. The labor market was softer than expected, adding just 29,000 jobs in September against expectations of 90,000, and the unemployment rate ticked up to 4.2%. Economic growth held up, with the advance estimate of Q3 GDP showing the economy growing at a 3.4% annualized pace as AI-related investment and resilient consumer spending kept the economy expanding. Sentiment remained subdued, with the University of Michigan's consumer sentiment survey ending the month at 48.0. The FOMC ultimately voted 10-2 at its October meeting to hold rates in their current 3.75%-4.00% range, with Governor Cook and Fed President Hammack dissenting in favor of a hike. At month-end, markets implied a near-75% chance of a December rate hike.

<u>Bottom Line:</u> AI cash burn drove a rotation out of tech and into energy and defensives, while hot inflation and soft hiring kept the Fed on hold.

S&P 500 vs 10Y Treasury Yields 1Y

10Y yields fall below 5% while the S&P 500 falls for a second month



Source: Bloomberg

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October 2026

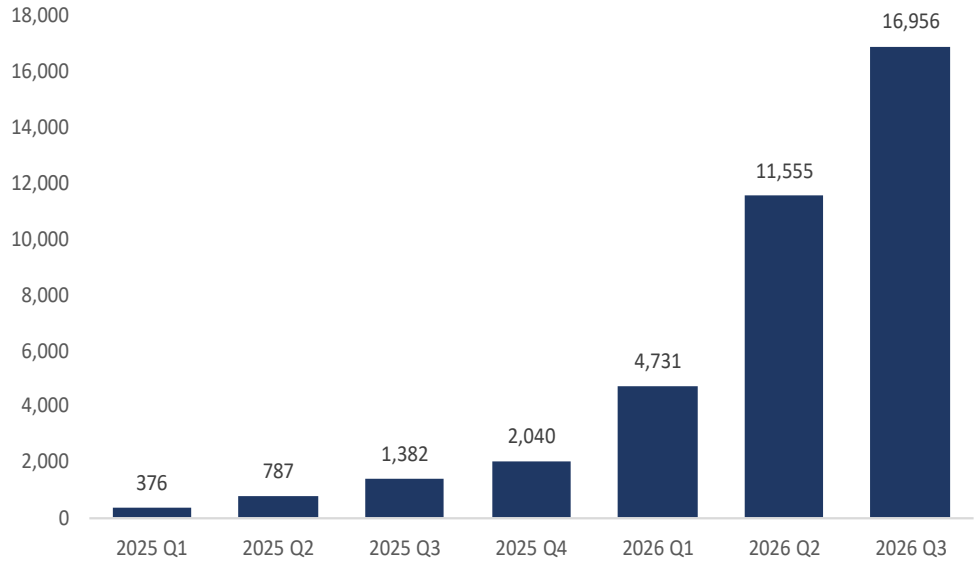
What's Ahead

The Anthropic IPO

On October 26, Anthropic, the AI lab behind the Claude AI models, publicly filed for a Nasdaq IPO under the ticker ANT, setting up what's expected to be one of the largest IPOs in market history and one of the first major firms focused solely on building frontier AI models to go public. Current reporting points to a mid-to-late November debut, though deal terms and timing remain subject to change. The public S-1 filing is over 1,000 pages long and covers the firm's organization, operation, financials, and nearly 100 pages of risk factors. Revenue reached $16.3B in the first half of 2026, up from $1.2B a year earlier, and nearly $17B in the third quarter alone. Costs have risen even faster as short-term compute costs rise, and the company reported a -$567M operating loss in the third quarter as constrained capacity sent compute costs jumping 77% sequentially to $9.9B. An amended filing also disclosed roughly $895B in compute and infrastructure purchase agreements. Investors may notice a $80.7B net loss for the first half of 2026, though roughly $72B of the net loss reflects non-cash charges tied to the rise in the company's valuation. The company's own lengthy risk disclosures highlights customer concentration, with two customers accounting for roughly a fifth of revenue, and reliance on major cloud providers like Amazon, Microsoft, and Google for compute capacity even as they directly compete with them. More unusually, the filing acknowledges concerns that sufficiently advanced AI could "pose catastrophic or existential risks to humanity" without appropriate safeguards and warns that safety-related decisions may not always maximize shareholder value. For most investors, the more relevant question is how the stock could reach their portfolios indirectly. Under rules adopted for the SpaceX IPO, a new listing can now join the Nasdaq-100 within ~15 trading days, meaning index funds tracking the index could be forced to buy Anthropic shares. Amazon and Google are also expected to own over 5% of the company after IPO, tying a portion of their reported earnings to Anthropic's share price. Governance will also differ from a typical public company. A single share held by an entity the seven co-founders own will carry 50.1% of shareholder votes, while an independent trust, whose trustees hold no financial stake in the company, will elect a majority of the board

Anthropic Quarterly Revenue Ramp ($mm)

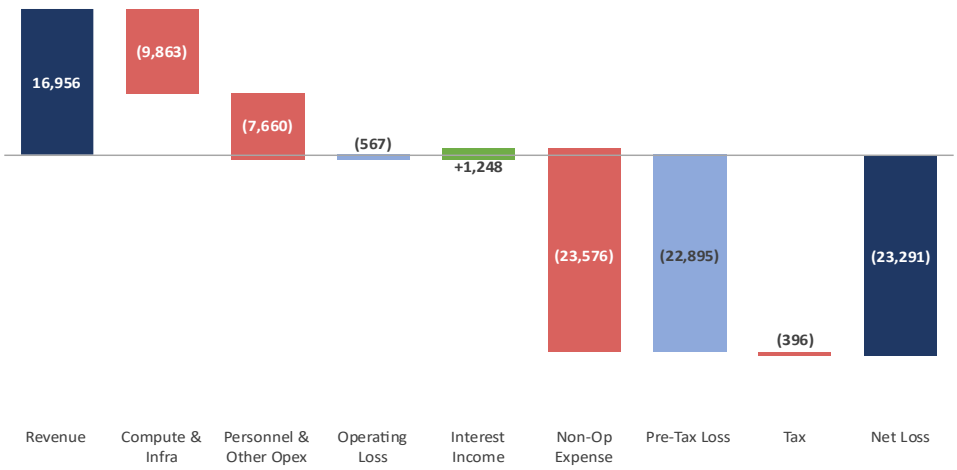
Quarterly revenue has grown more than 12x from a year ago.



Source: Bloomberg, Anthropic S-1/A

Anthropic 2026 Q3 GAAP Net Loss Bridge ($mm)

Non-operating items account for ~97% of the Q3 '26 pre-tax loss.



Source: Bloomberg, Anthropic S-1/A

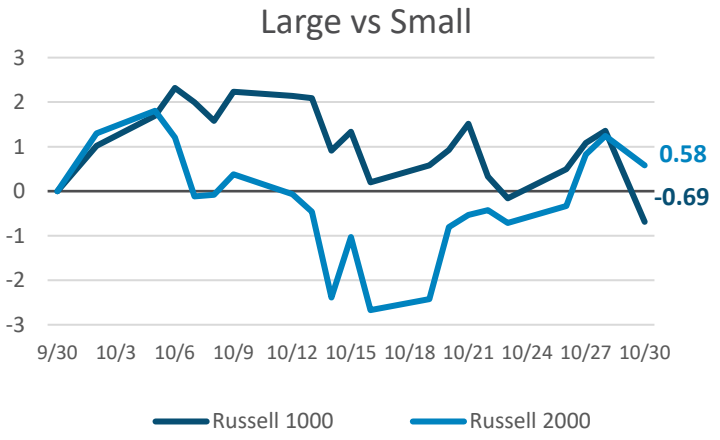
<u>Bottom Line:</u> Anthropic's long-awaited IPO filing arrives with rapid growth, steep compute commitments, and unusual governance structures, offering investors a first-look at frontier AI economics.

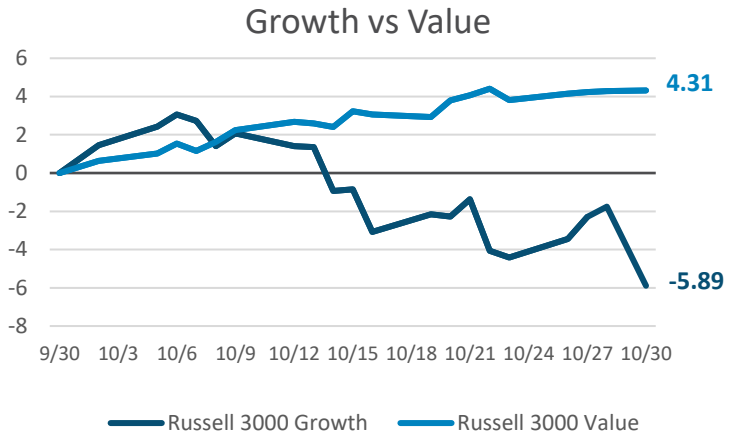
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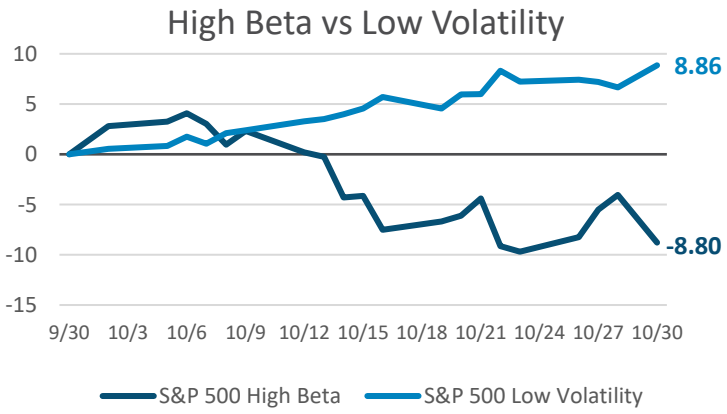
Equity Themes

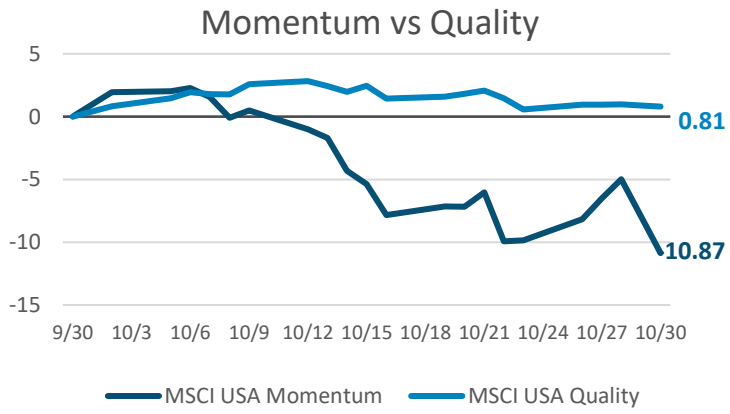
What Worked, What Didn't

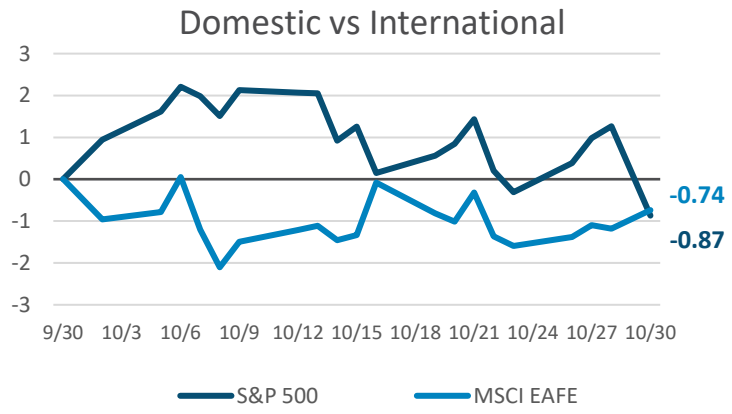
- **Small Caps Beat Large while Value Outperformed Growth.** A selloff in AI-related techs stocks sent large cap and growth indices lower as investors rotated into value stocks.
- **Low Volatility Trumped High Beta and Quality Beat Momentum.** Jitters in the AI trade sent momentum spiraling while investors flocked to lower-risk equities.
- **International Edged Out Domestic, Developed Bested Emerging.** The greater exposure of domestic and EM stocks to AI hindered their performance in October.

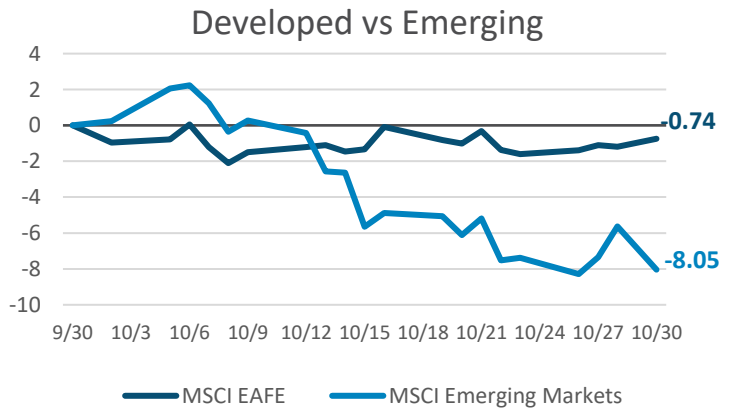












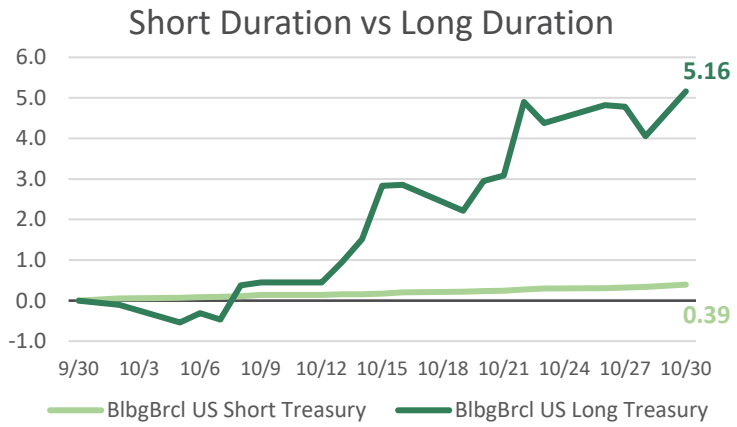
Source: Bloomberg.

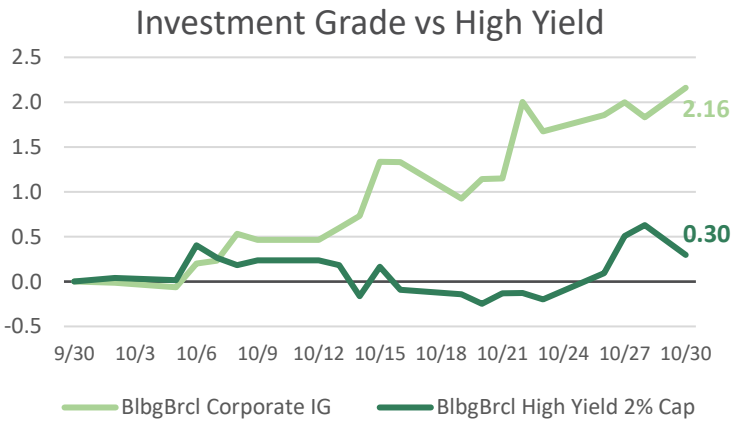
October 2026

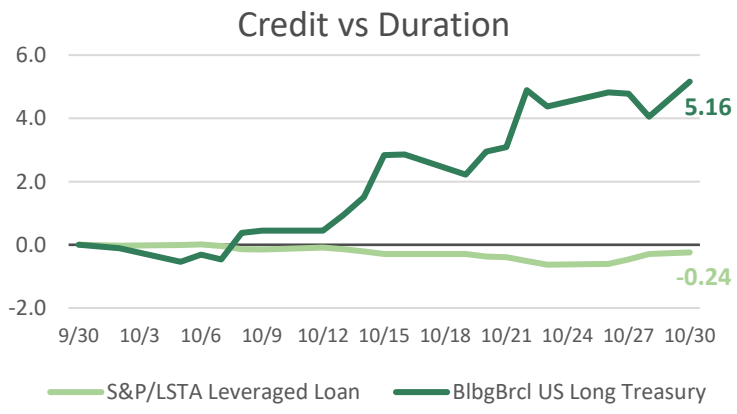
Bond Themes

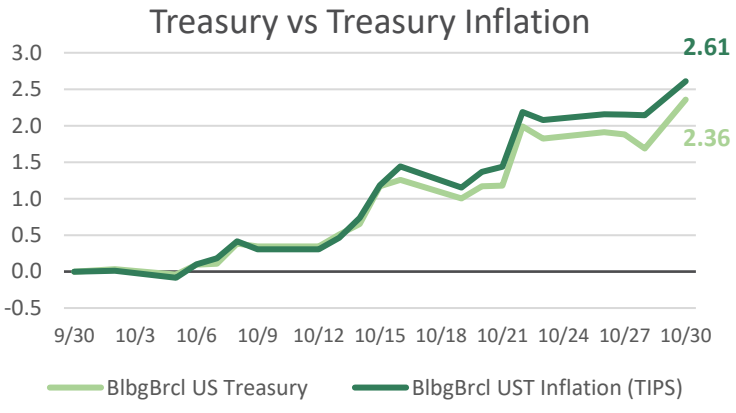
What Worked, What Didn't

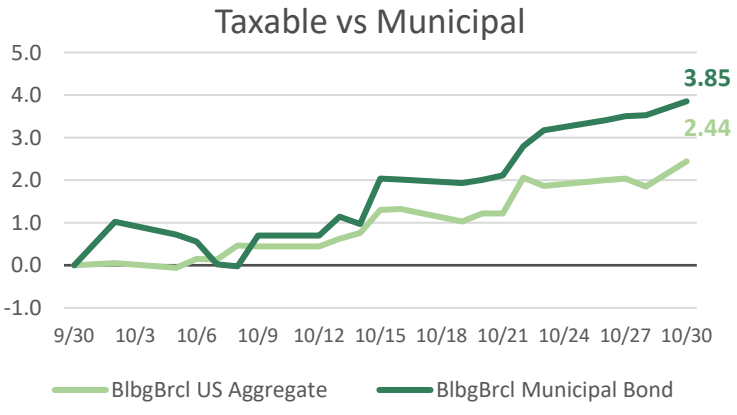
- **Long Duration Trumped Short while Investment Grade Beat High Yield.** Relief at the long-end of the yield curve helped long duration best short and propel longer-duration IG bonds past HY.
- **Duration Beat Credit, TIPS Over Treasuries.** Duration outperformed Credit as Treasury yields fell while credit spreads widened, and TIPS just outperformed Treasuries.
- **Munis Over Taxable and Domestic Beat International.** Fresh supply and returning investor demand reversed munis prior-month selloff, while French fiscal stress briefly soured EU bond markets.

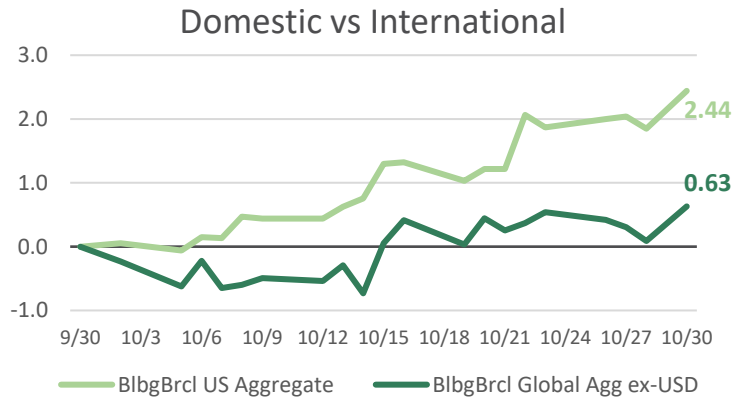












Source: Bloomberg.

October 2026

Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Oct-01	Oct-02	Oct-05	Oct-06	Oct-07	Oct-08	Oct-09	Oct-12	Oct-13	Oct-14	Oct-15	Oct-16	Oct-19	Oct-20	Oct-21	Oct-22	Oct-23	Oct-26	Oct-27	Oct-28	Oct-29	Oct-30	Oct	YTD
High	MCG 1.42	EM 1.29	EM 1.57	RE 0.95	USB -0.05	RE 0.83	MCG 1.56	RE 0.79	IBD 0.54	USB 0.12	SCG 1.41	IBD 0.37	SCG 1.06	RE 1.83	LCG 0.92	RE 1.34	EM 0.47	MCG 1.25	SCG 1.71	EM 1.60	RE 2.24	USB 0.22	RE 5.49	LCV 24.27
	MCV 0.64	MCG 1.13	LCG 1.01	MCG 0.94	HYB -0.12	MCV 0.68	RE 1.51	LCV 0.44	IEQ 0.41	LCV -0.13	MCV 1.40	RE 0.36	LCG 0.93	SCG 1.79	MCG 0.89	SCV 1.08	RE 0.03	LCG 1.07	EM 1.13	SCG 0.71	MCV 1.42	IBD 0.20	MCV 5.13	MCV 21.75
	SCV 0.53	IEQ 1.11	MCV 0.84	LCG 0.65	LCG -0.33	LCV 0.49	EM 1.06	SCV 0.10	MCV 0.26	IBD -0.30	SCV 1.36	USB -0.03	EM 0.73	SCV 1.53	SCG 0.57	USB 0.86	HYB -0.06	SCG 0.68	LCG 1.13	LCG 0.62	SCG 1.00	RE 0.19	LCV 4.19	SCV 19.65
	LCG 0.38	LCG 1.07	SCG 0.82	IBD 0.57	LCV -0.38	SCV 0.44	SCG 0.94	HYB 0.08	USB 0.05	HYB -0.36	RE 1.16	IEQ -0.12	MCG 0.52	MCV 1.39	EM 0.39	MCV 0.65	SCV -0.14	RE 0.44	MCG 0.94	MCG 0.42	SCV 0.96	HYB -0.19	USB 2.05	EM 12.13
	USB 0.23	SCG 0.89	MCG 0.63	LCV 0.55	IBD -0.50	USB 0.34	IEQ 0.68	USB 0.07	60/40 0.03	MCV -0.70	IEQ 0.90	LCV -0.14	HYB -0.04	LCV 0.89	MCV 0.38	LCV 0.29	USB -0.17	LCV 0.36	IEQ 0.66	IBD 0.24	LCV 0.79	MCV -0.64	SCV 1.91	IEQ 9.34
	SCG 0.21	SCV 0.85	SCV 0.44	HYB 0.38	60/40 -0.59	IBD 0.00	LCG 0.63	MCV 0.07	LCG -0.01	IEQ -0.70	MCG 0.78	HYB -0.35	60/40 -0.12	IEQ 0.80	IEQ 0.36	HYB 0.16	MCG -0.26	60/40 0.28	SCV 0.54	60/40 0.15	IEQ 0.65	LCV -0.81	HYB 0.69	SCG 9.18
	LCV 0.13	60/40 0.50	LCV 0.39	MCV 0.33	MCV -1.02	HYB -0.05	LCV 0.61	60/40 -0.20	LCV -0.05	RE -0.71	LCV 0.76	MCV -0.42	LCV -0.13	MCG 0.73	60/40 0.26	IBD -0.17	60/40 -0.28	IEQ 0.27	HYB 0.52	IEQ 0.09	IBD 0.31	60/40 -0.88	IEQ 0.53	RE 7.76
	HYB 0.04	MCV 0.49	60/40 0.29	60/40 0.28	IEQ -1.07	60/40 -0.15	MCV 0.61	IEQ -0.34	SCV -0.05	60/40 -0.75	USB 0.62	60/40 -0.56	USB -0.28	60/40 0.49	LCV 0.23	60/40 -0.39	LCG -0.40	SCV 0.24	60/40 0.41	LCV 0.08	USB 0.27	IEQ -0.94	60/40 0.06	60/40 6.02
	EM 0.03	LCV 0.46	HYB 0.09	USB 0.24	SCV -1.11	IEQ -0.39	60/40 0.48	LCG -0.61	RE -0.25	SCV -1.55	60/40 0.60	SCV -0.85	MCV -0.42	IBD 0.30	HYB 0.20	IEQ -0.87	MCV -0.46	MCV 0.23	MCV 0.11	SCV 0.07	60/40 0.21	SCV -1.06	IBD -0.07	HYB 0.39
	60/40 -0.01	RE 0.32	IEQ 0.07	IEQ 0.18	EM -1.32	MCG -0.40	IBD 0.24	IBD -0.71	HYB -0.26	EM -2.05	IBD 0.47	EM -1.74	SCV -0.43	USB 0.17	IBD 0.03	SCG -0.98	IBD -0.47	HYB 0.19	LCV 0.06	HYB -0.01	MCG 0.03	SCG -2.23	SCG -1.65	LCG -0.34
	IBD -0.49	IBD 0.10	USB -0.13	SCV -0.42	MCG -1.38	SCG -0.53	HYB 0.12	SCG -0.86	MCG -0.38	LCG -2.24	HYB 0.42	LCG -2.22	IBD -0.47	EM 0.02	USB 0.03	MCG -2.72	SCG -0.48	USB 0.09	USB 0.04	MCV -0.13	HYB -0.01	EM -2.68	MCG -5.73	USB -0.56
	RE -0.60	HYB 0.01	IBD -0.27	EM -0.67	SCG -1.43	LCG -1.28	SCV -0.04	EM -0.97	EM -0.62	SCG -2.36	LCG -0.02	MCG -2.50	IEQ -0.66	HYB 0.00	SCV 0.00	LCG -2.79	IEQ -0.50	EM -0.31	IBD -0.20	USB -0.21	EM -1.26	LCG -2.89	LCG -6.46	MCG -3.61
Low	IEQ -1.03	USB -0.18	RE -0.43	SCG -0.90	RE -1.44	EM -1.89	USB -0.04	MCG -1.47	SCG -0.74	MCG -2.91	EM -0.67	SCG -2.54	RE -1.18	LCG -0.16	RE -0.95	EM -2.91	LCV -0.63	IBD -0.34	RE -0.87	RE -0.69	LCG -1.54	MCG -3.45	EM -8.64	IBD -5.75

Legend

60/40 Allocation (60/40)

Large Growth (LCG) | Large Value (LCV)

Mid Growth (MCG) | Mid Value (MCV)

Small Growth (SCG) | Small Value (SCV)

Intl Equity (IEQ) | Emg Markets (EM)

U.S. Bonds (USB) | High Yield Bond (HYB)

Intl Bonds (IBD) | Real Estate (RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by Prime Capital Financial. The performance of those funds in September may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx $ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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