Q2 | 2026

CELEBRATING FIFTY YEARS

FERGUSON WELLMAN

OUTLOOK *and* INSIGHTS

A QUARTERLY PUBLICATION *of* FERGUSON WELLMAN, OCTAVIA GROUP *and* WEST BEARING

WHAT'S INSIDE

Ferguson Wellman, founded in 1975 is a privately owned registered investment adviser, established in the Pacific Northwest. As of December 31, 2025, the firm manages over $10.6 billion for 1,085 clients that include individuals and families; Taft-Hartley and corporate retirement plans; and foundations and endowments with portfolios of $4 million or more.

Octavia Group, our private family office, provides fee-based personal financial services exclusively for Ferguson Wellman and West Bearing clients with a minimum of $10 million managed by our firm.

West Bearing, a division of Ferguson Wellman, serves clients with assets starting at $1 million.

Investment Excellence
Lifelong Relationships

Assessing the Shocks

George Hosfield, CFA
Chief Investment Officer, Director

In the first quarter, several market-disrupting events took place: the Supreme Court struck down International Emergency Economic Powers Act (IEEPA) tariffs, war began in the Middle East, oil prices rose over 70%, expectations for two Federal Reserve rate cuts evaporated and AI substitution fears triggered a 20% selloff in software stocks, the S&P 500's second-largest industry.

While none of these are positive developments for the capital markets, the fact that the S&P 500 is only down 4% year-to-date suggests the economic fallout may be much less than the current headlines suggest (as of March 31, 2026). To provide some perspective, we offer the following context:

War in the Middle East: Historically, wars have not been sustained capital market events. As can be seen in the accompanying graph, the initial market reaction is often to sell risk assets in the first few months after hostilities begin. Ultimately, the underlying economy and corporate earnings dictate the direction of equity markets. Case in point: sadly, the war in Ukraine is now in its fourth year, yet the S&P 500 has enjoyed three consecutive years of double-digit returns. With the current war in Iran, the key economic risk is a sustained increase in oil prices, which would lead to both inflation and an economic slowdown. It is too early to see any real impact, yet investors are handicapping a short-term spike, rather than long-term higher prices.

Tariffs: Though the effective tariff regime is now lower than it was prior to the Supreme Court ruling, this has been a decidedly negative development because the hope was that businesses by now would have visibility into the "rules of the game." However, the removal of IEEPA tariffs plunged global trade back into uncertainty, as the administration is looking to use other means to keep tariff rates high. Unfortunately, we believe this uncertainty has affected businesses' hiring decisions, with hiring remaining anemic.

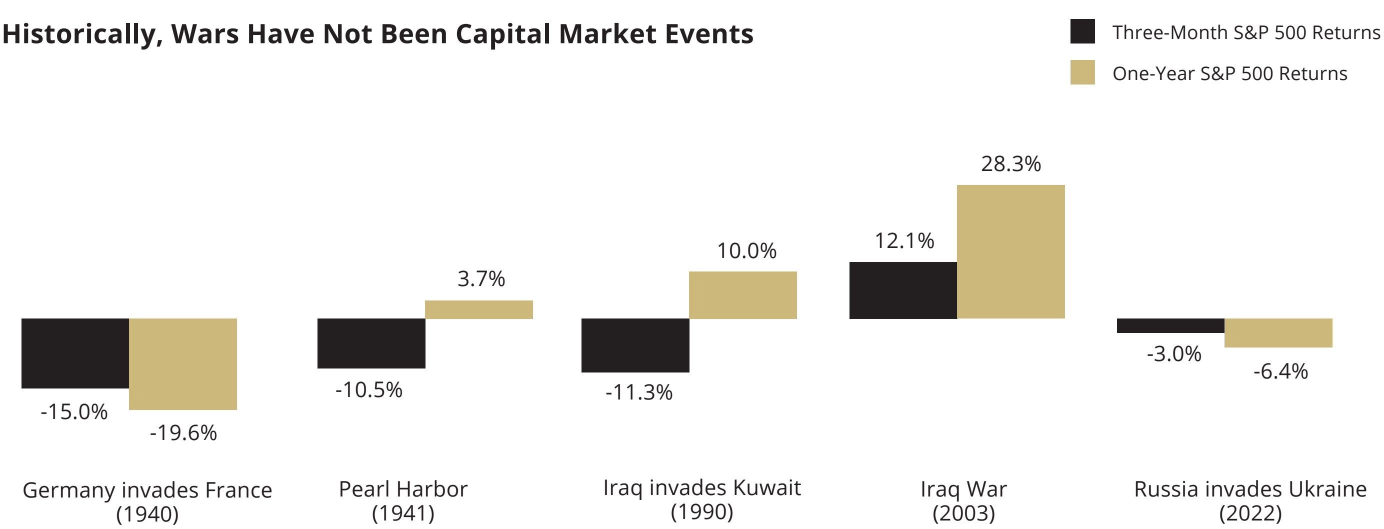
Gas Prices: Americans spent only 3.5% of their income on all types of energy in 2025: with gasoline comprising less than half of that. To give a sense of consumer sensitivity, when oil peaked at $115/barrel in 2022, energy expenditures were 5% of income. In other words, the increased price of gas has a greater emotional impact on consumers than on their budgets.

The Impact of Higher Gas Prices on Inflation

The inflation story has shifted quickly over the past few weeks, driven largely by a sharp rise in oil prices tied to geopolitical tensions. At first glance, the rise in inflation expectations looks concerning for investment portfolios. Stepping back, however, the message from the market is more reassuring.

Higher oil prices are pushing up near-term expected inflation. When energy costs rise, consumers feel it quickly at the pump and in other everyday expenses.

Historically, Wars Have Not Been Capital Market Events

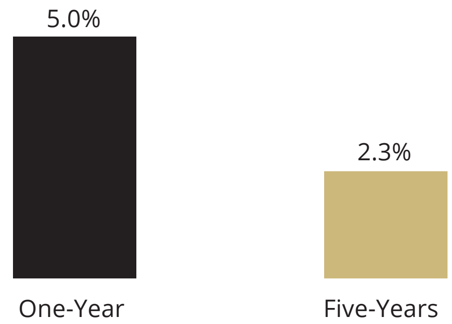


Source: Strategas
Investors cannot invest directly in an index.

This creates a temporary spike in inflation data over the next several months.

Markets are signaling that this increase in inflation is likely temporary, with investors expecting inflation to return to more normal levels once the impact of higher oil prices fades.

Inflation Expectations



Source: Bloomberg
As of March 25, 2026

If investors believed that higher energy prices would lead to sustained inflation, we would see a much stronger reaction in longer-term inflation expectations and treasury bond yields. That has not happened as long-term inflation expectations remain stable even as near-term inflation pressures increase.

Interest Rates
In January, two .25% cuts in short-term interest rates by the Federal Reserve were a foregone conclusion. Given heightened inflation concerns today, the market is pricing in zero cuts for the remainder of the year. Policymakers have made it clear that what matters most is whether inflation expectations stay anchored. So far, the market is signaling confidence that they will.

For long-term interest rates to move meaningfully higher from here, we would need to see signs that inflation is becoming more persistent. That could include rising wage pressures or a loss of confidence in the Fed's ability to control inflation. We are not seeing that today.

Our view is that the recent rise in long-term interest rates is likely to be nearing its end. As markets continue to look through the current oil-driven inflation spike, rates should stabilize and potentially move lower, supported by long-term inflation expectations that remain under control.

Client Portfolios
In the fourth quarter of last year, we modestly reduced portfolio risk in most client portfolios by trimming allocations to some of the bellwether large-cap technology companies and reinvesting the proceeds in bonds. To date, this shift has proved timely. While we were not bearish on technology stocks, we believed that bond yields offered an opportunity to increase exposure.

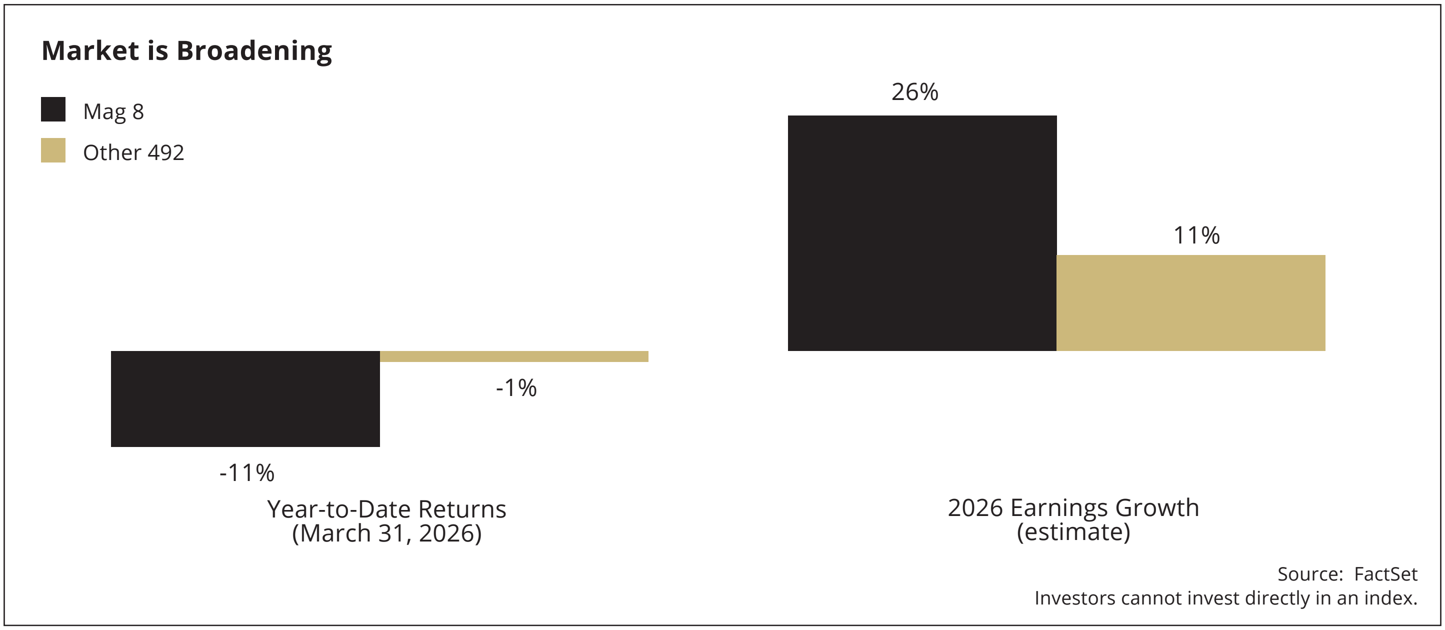
With respect to the equity markets, earnings will ultimately dictate their direction. We are heartened that, at this juncture, expectations for 2026 earnings growth remain unwaveringly strong at +15%. Of course, earnings expectations are one of the key variables we constantly monitor, and the direction of future earnings will likely carry the greatest weight in informing our risk appetite in the months ahead. ■

The Cost of Perfection

Krystal Daibes Higgins, CFA
Senior Vice President, Equity Research and Portfolio Management

Software stocks have experienced a selloff of over 30% since October 2025, largely driven by uncertainty around the competitive risks of artificial intelligence (AI). While AI will have a significant impact on software companies, the more relevant question for investors is understanding if it is an opportunity or a risk for individual businesses. Our investment approach when assessing technology stocks continues to center on three key attributes: durable earnings growth, financial strength (reflected in healthy balance sheets and cash flow generation) and, importantly, a company's ability to navigate and innovate in ways that remain essential to its customers. These characteristics are increasingly defining the separation of category leaders from less differentiated players. However, more recently the emphasis investors are placing on each has changed.

Growth, the primary driver of valuation for much of the past cycle, while necessary, is no longer sufficient on its own. In addition, investors are placing greater weight on the durability of demand over a multi-year horizon without having to re-invest a large amount of capital from operating cash flows and, worse, debt.



The shift is evident in the dispersion across the technology landscape. As of late, businesses with blowout earnings growth, strong net customer retention, resilient and/or expanding margins and improving cash flow are no longer being rewarded in the same way they once were. Some that have far surpassed expectations saw their stock prices fall as investors failed to reward them for planning to reinvest in future growth. As a result, a number of high-quality growth companies that delivered exceptional performance over the past few years have seen their valuations compress.

This reset reflects a shift in investor psychology. There is a tendency to assume that periods of strong growth are unsustainable, leading to profit-taking even when underlying long-term fundamentals remain intact.

While a degree of skepticism is always warranted, we believe the market may be underestimating the durability of growth for a subset of these businesses. The current repricing may create a better entry point, particularly within software, where long-term demand drivers remain firmly in place.

It is also worth noting that in periods of elevated volatility, management guidance is often met with increased scrutiny. In our experience, leadership teams at large, leading global companies tend to have a clearer line of sight into their demand environment than the market assumes. While not infallible, their track record of navigating prior cycles often suggests they are better than Wall Street estimates.

In our opinion, this environment creates a more favorable backdrop for individual stock selection. Periods of indiscriminate selling often obscure fundamental differences between businesses, allowing high-quality companies to be purchased at more reasonable valuations.

Market volatility tends to feel most acute in real time. However, it serves as an important function by resetting expectations and aligning valuations with fundamentals when optimism or pessimism is overdone.

This is where discipline matters most. As expectations reset and valuations adjust, the opportunity set improves. The focus should remain on owning resilient businesses with durable growth, where temporary price dislocations may create a more compelling entry point for long-term investors. ■

Practical Estate Planning for Real Families

Samantha Pahlow, CTFA, AWMA®
Wealth Management Chair
Executive Vice President

When we think of estate planning, we often think of legal documents, trusts and tax strategies. Often, the most challenging aspect of creating a successful plan is the human element: your family's unique dynamics. The good news is that many common conflicts are predictable and can be reduced with planning and clear communication.

Second Marriages

Blended families are common, and many include children from a prior marriage or relationship. U.S. Census Bureau data shows that over 20% of couples cohabitating in the U.S. have at least one partner with children from a prior marriage. These families may face competing interests between a spouse, stepchildren and children from a prior marriage. So, how do you address your spouse's needs while providing for your children or other heirs over the long term?

One approach is a marital trust, often structured as a qualified terminable interest property (QTIP) trust. In plain terms, it can provide support for a surviving spouse during life while directing where remaining assets go at their death, including to your children.

It is also important to understand spousal rights under state laws. In many states, a surviving spouse may be entitled to a legally protected share of the estate, even if a will leaves everything to children from a prior marriage. The specifics vary by state and can depend on factors such as length of marriage, terms of any premarital agreements, how assets are titled and beneficiary designations.

Unequal Inheritance

Another frequent source of tension is when "fair" does not mean "equal." Unequal inheritances can be appropriate for several legitimate reasons. The issue is rarely the math—it is what beneficiaries believe the decision means.

For example, splitting a family business between siblings may be impractical. Parents may wish to leave the business to the child most involved and use life insurance or other assets to balance inheritances for others. Thoughtful analysis and exit planning can reduce future disagreements over the transfer and valuation of the business.

If prior gifts or support are the motivation for unequal inheritance, speak with your attorney about how to track and document the intention to treat such gifts as advances on an inheritance.

Families may also consider an independent trustee, or co-trustee, which can reduce the perception that one sibling is exerting control in their own favor.

Protecting Vulnerable Beneficiaries

In some situations, direct inheritance may have unintended consequences. Leaving a sizable inheritance to a beneficiary who struggles to manage money or engages in high-risk behavior can increase the risk that assets are spent too quickly. Similarly, leaving assets outright to a person with disabilities may affect eligibility for certain government benefits.

Trust planning can help provide structure and protection. For beneficiaries who are likely to spend quickly, a spendthrift trust can limit direct access to principal, with an independent trustee overseeing assets and making distributions under guidelines set in the trust document.

For beneficiaries with certain disabilities, a properly drafted and administered special needs trust can allow a trustee to manage funds for supplemental needs while helping preserve eligibility for certain benefits.

Communicating the Rationale

Even a well-designed plan can create tension if beneficiaries are surprised by it. Proactive communication during life can help reduce misunderstandings and create an opportunity to hear concerns and explain intentions in plain language.

That said, sharing details is not always appropriate. Family dynamics, privacy concerns or safety issues may make a full discussion unhelpful or even harmful. In those situations, it can be especially important to leave clear written context to be read with the estate plan, such as a letter of intent or other documentation explaining the rationale, how decisions were made and how the structure is intended to support each beneficiary fairly, even if not equally.

Working with a qualified estate planning attorney to anticipate the unique realities of your estate can reduce avoidable misunderstandings and give your family a plan they can live with. ■

Reducing Surprises in Estate Planning

A simple communication framework for real families

1. **Clarify the "why" for your family**
2. **Align documents and designations**
3. **Choose decision-makers thoughtfully**
4. **Communicate your intent**

Impediments and Benefits of a Current Estate Plan

Mary Lago, CFP®, CTFA
Chief Wealth Strategist, Principal

It is easy to put off creating or updating an estate plan. Afterall, most of us believe we have at least a bit more time before it will be necessary and the excuses are obvious and plentiful. Herein, we will outline common impediments and corresponding benefits of a relevant plan with the intent of encouraging us all to take on the challenge.

Impediment: It can be anxiety-provoking to consider our own death.

Benefit: Completing your estate plan may increase your peace of mind knowing your desired beneficiaries will receive your assets and your estate administration will be less complex for your heirs. It can also be empowering to review your assets and reflect on how they can be used to: support your lifestyle; make gifts to family and charitable organizations during your lifetime; provide for your heirs; and offer guidance and education to help them become responsible stewards of wealth.

Impediment: I am not sure which attorney to engage and I know there will be legal fees involved.

Benefit: Those who maintain an active relationship with an estate planning attorney establish a valuable resource for heirs, which will reduce the burden during a time of loss. Without a valid personal estate plan, state intestacy laws will determine who receives your assets. For those with wealth, this will generally require a complex and expensive court supervised process. Completing an estate plan during life will likely cost a small fraction of the expense associated with administering an estate with no valid guiding document.

Impediment: I haven't made final decisions about who should receive my assets or how and when I want the funds to be available for use.

Benefit: While a small percentage of trusts are designed to be irrevocable, most estate plans are designed with fully revocable documents. In other words, individuals retain the right to change their mind so long as they are alive and have capacity. Individuals are not giving up any rights, but rather putting in place arrangements that will be carried out unless they update their plan in the future. Documents drafted by qualified legal counsel in consultation with their clients are far more likely to reflect client wishes than default state plans.

Impediment: My kids are young. I want to wait until they are a bit older so I can get more of a sense of their ability to manage wealth.

Benefit: Unfortunately, we cannot prevent our death by being underprepared. A plan that includes nominating guardians and protective provisions providing for the care of heirs is even more critical for those with minor children. Trusts can provide specific benefits for personal care, such as health, education, maintenance and support and evolve as children reach designated ages or achieve desired accomplishments. By carefully outlining the care provisions, you are also communicating your values to future generations.

Impediment: I know I have some tough decisions to make about who will serve as my personal representative under my will, successor trustee of my trust(s) and my healthcare representative.

Benefit: While it may be challenging to identify those we believe qualified to manage our affairs, we can all think of those we would not want in charge. Creating a plan gives you control over this decision rather than leaving it to chance. Before you say, "I don't care because I won't be there," consider that those over age 65 have a greater than 50% chance of requiring some form of assistance prior to death. Even worse, those who do not receive assistance when needed are vulnerable to fraud, mismanagement and financial abuse. By nominating future decision makers, you are more likely to receive support and preserve the assets for your care as well as your heirs.

Impediment: I don't want to spend my time thinking about estate tax planning. Can't they figure that out later?

Benefit: When it comes to estate taxes, ignorance is not bliss. As a simple example, gifts given during your lifetime avoid most* state level estate taxes, which run as high as 35% in the state of Washington and apply to estates exceeding $1 million in the state of Oregon. Larger estates may also be subject to the 40% federal estate tax. For couples, proper planning can often fully eliminate state and federal estate taxes upon the death of the first spouse and significantly mitigate estate taxes due when the surviving spouse passes.

While we won't suggest that estate planning is fun, we hope we have shared enough of the benefits to override the impediments and help you move forward.

Ferguson Wellman does not draft estate plans, but if you are ready to get started, we can (1) provide the names of independent estate planning attorneys for you to interview, (2) help you consider key issues to prepare for the meeting and (3) share key financial data to support thoughtful planning with your selected counsel.

**Connecticut is the only state assessing a tax for gifts made during life.* ■

Trustworthy Trustees and Punctilious Personal Representatives

Steven Bell
Senior Vice President, Wealth Strategist

Even the best estate plan will go sideways without the right fiduciaries ready to step in and manage your affairs when you are no longer able to do so, whether by reason of death or incapacity during lifetime. It can be difficult to make these selections, considering family dynamics, time burden, availability, cost and the skills required. Thoughtful consideration in advance will be a gift to your loved ones when they may be called to enact your wishes.

Not All Have the Same Talents

When considering your choices for fiduciaries, it is important to be aware of the differences between the roles. Each fiduciary position has distinct responsibilities and time obligations. The positions may benefit from different skillsets or personalities. In many cases, the same individuals may serve in multiple roles, though it is common that not all choices will be the same. The necessary fiduciaries in your plan will vary based upon your family situation, tax planning and other factors. Some of the most common roles include:

A *personal representative* (also called an executor) is appointed under your will to administer your probate estate after your death. This court supervised individual gathers assets, pays debts and taxes of the estate and distributes assets according to the terms of your will. A personal representative acts only after your death and appointment by the court, for the period of the estate administration. Attention to detail and administrative competency are needed in this regimented role.

A *trustee* manages and administers assets held in a trust according to the terms of the trust agreement, though the scope and responsibility may vary widely. Depending on the structure of your plan, a trustee may act during your lifetime (including during incapacity) and/or after your death to administer ongoing trusts for a surviving spouse, children or other beneficiaries, often for years. Trustees must be impartial, but may have substantial latitude to exercise discretion, often with limited court oversight. Tax planning objectives may limit your choices of trustee in some cases. Multiple trustees or related roles (such as a trust protector) may be appointed to address specific goals.

An *attorney-in-fact* appointed under a durable power of attorney may manage financial affairs during your lifetime. This individual may act immediately or only upon incapacity, depending on how the document is drafted, but authority ends at death. Responsibilities can include managing investments, handling real estate transactions, filing tax returns and making business decisions, though many powers may overlap with those of the trustee of your revocable trust.

A *healthcare representative* is appointed under an advance directive or health care power of attorney to make medical decisions if you are unable to communicate or provide informed consent. This authority applies only during your lifetime and ends at death. The representative works with medical providers regarding treatment, life-sustaining care and may include end-of-life decisions.

A *guardian* is an individual nominated in your will to serve if a court determines that a minor child, or in some cases, an incapacitated adult, requires a legal guardian after your death. The guardian assumes responsibility for personal care, living arrangements and general welfare, but need not be the same person as a trustee of a trust for the incapacitated person. A guardian must be formally appointed by a court before acting.

Space to Collaborate

In most roles, it is possible to name co-fiduciaries, though weighing the benefits of inclusivity against risks of disagreement and cumbersome processes is necessary. Co-fiduciaries may bring valued perspectives and expertise, but may also create deadlock, higher costs or delayed decision-making. Flexibility in selecting or appointing independent or co-trustees based on family needs and assets may serve many objectives and lessen risks of disagreement.

The Need for Neutrality

Selecting family members, friends or professionals with the right mix of integrity, availability, empathy and relationships will make a world of difference.

Some roles require more financial and business acumen, while others may be emotionally challenging. Conversations with your advisors and your loved ones can help prevent surprises and build trust.

Your Ferguson Wellman and West Bearing team are available to help you navigate these key estate planning decisions to best protect your legacy. ■

Growth and Expansion: Ferguson Wellman's Journey in Washington

Ralph Cole, CFA
Director, Equity Strategy and Portfolio Management

Opening a Washington office had long been a goal for Ferguson Wellman. In 2021, as businesses globally grappled with remote work transitions, we established our first office in the state.

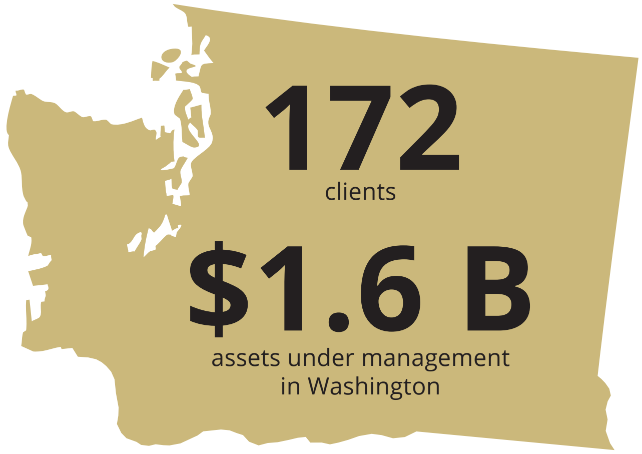
The City of Bellevue reports that nearly four million square feet of space has been added since 2021, fueled by a surge in the tech industry. Southwest Washington continues to thrive due to robust economic development incentives and favorable tax advantages for businesses and families.

On January 1, 2026, Ferguson Wellman completed its first acquisition, integrating Great Northern Asset Management's professionals with our investment and client service teams, resulting in a second Washington office. Now, with a location in Vancouver, we can serve clients on both sides of the Columbia River.

Our colleagues, Chris Bixby, CFP®, EA, Tami Oglesby, and Sheri Sanders, manage our two Washington offices and maintain direct relationships with many clients across the state. Thirty-six portfolio managers and client relationship associates in total work with Washington clients, with our assets under management totaling $1.6 billion as of December 31, 2025.

Last month, we completed our 2026 Outlook season, hosting 217 guests in Bellevue, Seattle, Spokane and Vancouver. Seattle had lighter attendance this year due to the Seahawks' Super Bowl Championship Parade coinciding with the date of our event, which we of course viewed as a fortuitous problem.

Since 2019, Washington has introduced several tax measures, increasing the importance of regularly assessing clients' wealth strategies in collaboration with their tax and estate advisors. Recent federal and state budget reductions have brought uncertainty to Washington's businesses and nonprofits, prompting increased inquiries from both individual clients and nonprofit organizations whose assets we manage.



*as of December 31, 2025

Today, our entire team serves clients in more than 30 states and closely monitors the evolving estate and tax planning scenarios shaped by ongoing policy changes. As our firm has expanded over the last decade, we continue to strengthen relationships in regions where our client base is growing. Through economic booms and downturns, we partner with both individual and institutional clients, guiding them through key planning decisions and encouraging long-term investment commitments.

As policy changes continue in 2026, we look forward to our ongoing work to adapt wealth planning strategies for families and develop sustainable income streams for nonprofits. ■