

Quarterly Participant Bulletin – October 2026

Market Update: Why Markets Have Been Volatile

Equity and bond markets experienced volatility in the third quarter as the Federal Reserve raised interest rates at its September meeting in an effort to temper persistent inflation. This marked the first rate hike since July 2023, and Chairman Kevin Warsh indicated that additional increases could be considered depending on upcoming economic data. At the same time, his assessment of the broader economy remained relatively positive, citing continued economic growth and a resilient labor market.

Bonds reacted poorly to the news, but equities held up well. The S&P 500 sits less than 1% below its August record close of 7,816.70. Markets are still adjusting to shifting interest-rate expectations, yet we remain constructive. We expect inflation to moderate and bond prices to stabilize, so we are maintaining our core fixed income positions. On the equity side, corporate earnings remain robust, which keeps price-to-earnings valuations from looking stretched. History also offers some encouragement for the fourth quarter. In years when the S&P 500 entered the final quarter with a gain of at least 10%, it went on to add to those gains by year-end 84% of the time.

As we enter the final stretch of the year, we remain focused on the long term and attentive to changing market conditions. We will continue to monitor the economic and investment landscape closely and make adjustments to the model portfolios when warranted.

Investment Insights From JP Morgan

This summer, your representative, Nick Walker, had the opportunity to attend the J.P. Morgan Wealth Summit in New York City, where he heard from leading market analysts and strategists on the outlook for the economy and financial markets. Given our meaningful position in the J.P. Morgan U.S. Equity Fund, the summit provided an excellent opportunity to gain a deeper understanding of the markets and the factors influencing the fund's investment strategy.

A common theme among the speakers was strong optimism surrounding the continued buildout of artificial intelligence, along with expectations for increased investment opportunities in international markets. They also cautioned that real estate and smaller growth-oriented companies could face lasting headwinds in a higher-rate environment. Our team folded these perspectives into our ongoing investment review and made a few updates to the CA457 Lifestyle Model Portfolios. We removed the real estate and mid-cap growth funds and redeployed the proceeds into the T. Rowe Price Value Fund and our existing technology-focused and international funds.

Please reach out if you would like more information about the recent changes to the 457 Model Portfolios.

Upcoming Contribution Updates

As we begin the final quarter of 2026, we expect the IRS to announce new contribution limits for the 2027 calendar year in early November. Once the new limits are released, we'll reach out with an update and provide 457 Change Forms for those who would like to take advantage of the increased limits. If you've recently received a promotion or raise, it may also be a good time to revisit your 457 contribution. Remember paying yourself first helps ensure financial security and by increasing your contribution you can put more of your income toward your retirement savings.

For your convenience, we can process contribution changes electronically through e-Signature. Please email Nick Walker at nick@walkerfinancial.com or call 800-770-0457 to get this updated.

Costa Mesa Health Benefits Fair

We hope you had the chance to meet Nick at the City's recent Health Benefits Fair. He enjoyed connecting with everyone who stopped by and catching up with so many of you. If you couldn't attend but would still like to meet with him, you can schedule an in-person appointment at your convenience at <https://www.ca457.com/schedule> or reach out to arrange a Zoom or phone call. He is happy to offer a complimentary review to confirm that your allocation still suits your risk tolerance and time horizon. He can also provide advice on the management of your other personal assets, should you like a broader look at your financial picture.

As a reminder, he visits the Police Department and City Hall each Tuesday before payday for in-person meetings.

PERFORMANCE REPORT

California 457 Plan

<u>California 457 Plan</u>	3 Months	6 Months	One Year	Three Year	Five Year
	<u>Total Return</u>	<u>Total Return</u>	<u>Average Annual Rate of Return Thru 9/30/2026</u>		
<u>Lifestyle Model Portfolios</u>					
Conservative Allocation (20/80)	-2.23%	1.20%	2.99%	6.67%	4.02%
Moderate Conservative Allocation (40/60)	-2.02%	3.78%	5.29%	8.19%	5.37%
Balanced Allocation (50/50)	-1.76%	5.43%	6.74%	9.85%	5.29%
Moderate Growth Allocation (60/40)	-1.60%	6.77%	7.90%	10.71%	6.07%
Growth Allocation (80/20)	-1.31%	9.76%	10.48%	12.98%	6.71%
Maximum Growth Allocation (100/0)	-1.02%	12.23%	13.18%	13.76%	10.49%

Performance is based on reinvested income and capital gain distributions plus or minus any change in principal value for the respective periods ended September 30, 2026. Individual results may vary depending on timing of deposits. Results shown are not a guarantee of future performance, and account values at the time of redemption may be worth more or less than cash invested. Returns do not reflect the deduction of a net annual asset management fee equivalent to 0.34% nor the 0.026% independent 3rd party consultant the Deferred Compensation Committee utilizes.