

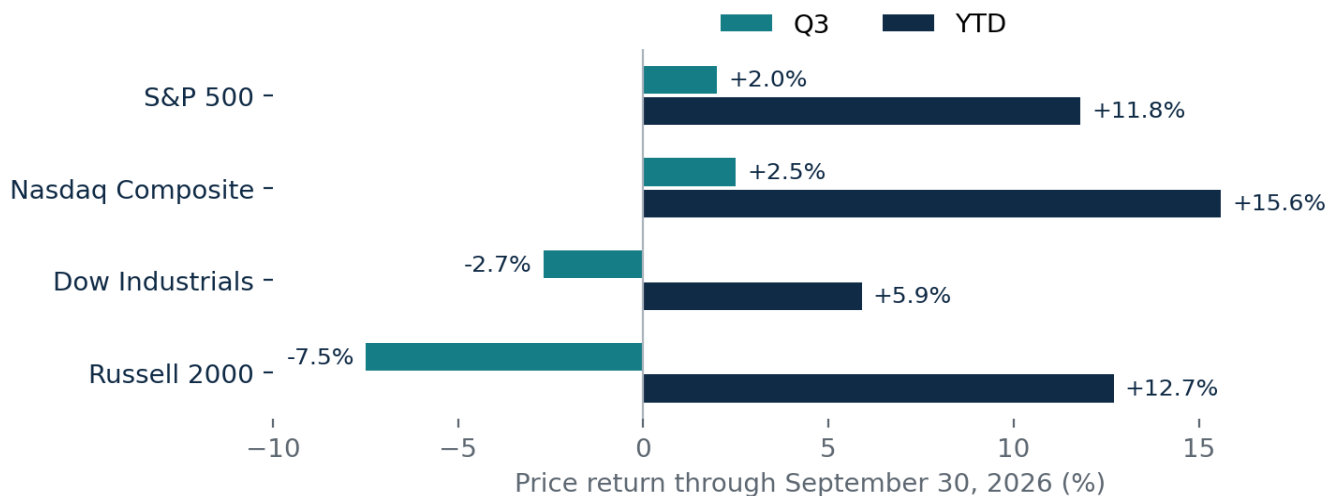
ROMAGNA WEALTH MANAGEMENT GROUP: THE QUARTER IN REVIEW

AI strength meets higher yields

July 1 to September 30, 2026 | Returns through the September 30 close

Our perspective. Stay invested according to a durable plan, while reviewing concentration, liquidity and business fundamentals. A weak quarter for parts of the market does not, by itself, establish that long-term investment cases have failed.

A difficult quarter within a positive year



Major U.S. index	Q3 2026	2026 YTD
S&P 500	+2.0%	+11.8%
Nasdaq Composite	+2.5%	+15.6%
Dow Industrials	-2.7%	+5.9%
Russell 2000	-7.5%	+12.7%

Sources [1,2]. Rounded price returns, excluding dividends. Q3 measures June 30 to September 30; YTD measures December 31, 2025 to September 30, 2026. These are index returns, not personal portfolio performance.

Different time frames tell different stories

The Russell 2000 fell in Q3 while remaining ahead for the year. That is a useful reminder to judge an investment process over an appropriate horizon. A recent setback and a strong year can both be true.

The cap-weighted S&P 500 gained about 2.0% in Q3, versus a roughly 2.3% decline for its equal-weight counterpart [1]. The 4.3 percentage-point gap suggests that large-company leadership made the headline index look healthier than the average constituent.

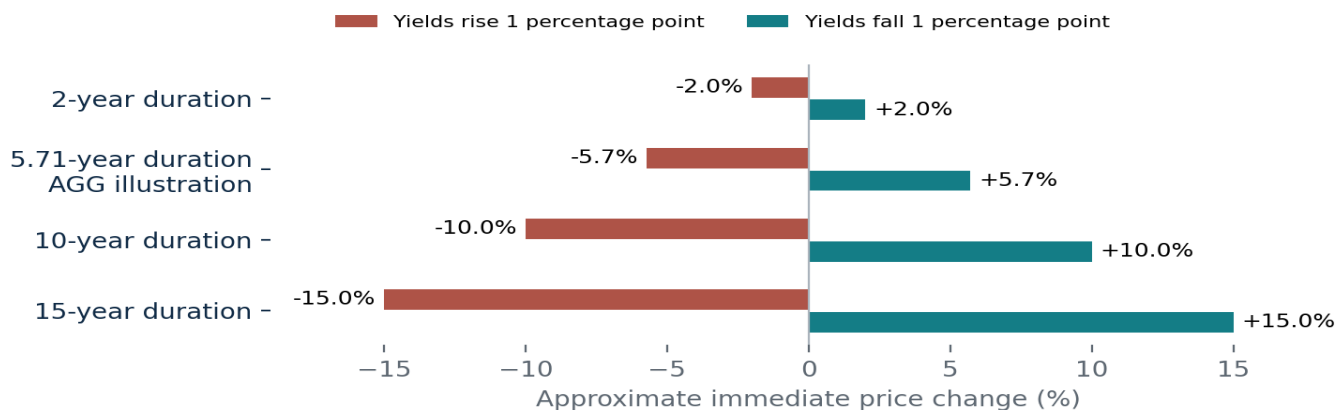
FIXED INCOME

What duration means

Duration estimates how sensitive a bond or bond fund price is to a change in its yield.

Read it as a sensitivity number. A duration of 5.71 years means an approximately 5.71% price decline if the relevant yield rises by 1 percentage point, or a similar gain if it falls by 1 point. Duration is different from maturity; it does not tell you when a fund will return your original investment.

The same yield move has a larger effect at longer duration

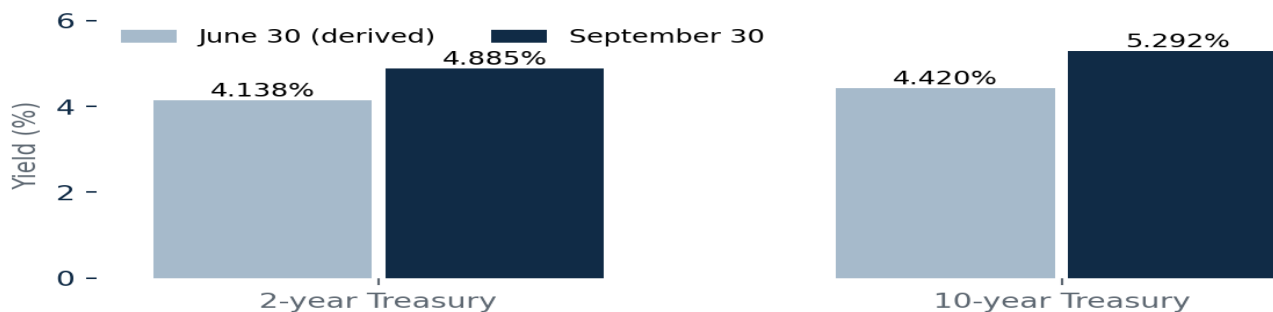


Illustrative first-order sensitivity: percentage price change $\approx$ -duration $\times$ yield change in percentage points. AGG effective duration was 5.71 years on September 30 [3]. Other durations are examples. These bars are not Q3 returns.

A \$100,000 example. With 5.71-year duration, a +1-point yield move implies an initial price loss of about \$5,710, leaving \$94,290 before income and other effects. A +0.50-point move implies about half that loss: \$2,855. If yields fall 1 point, the estimated price gain is \$5,710.

Income changes the total-return picture. Coupons and reinvestment income can offset some price losses over time. Convexity makes large up/down moves asymmetric, while credit spreads and uneven yield-curve shifts also affect results. An actual fund return will therefore differ from this simplified calculation.

The Q3 yield move that put prices under pressure



Source [4]. The 2-year yield rose 74.7 basis points; the 10-year rose 87.2. June 30 values are derived from the reported quarterly change. A Treasury yield move is not a complete return estimate for a diversified bond fund.

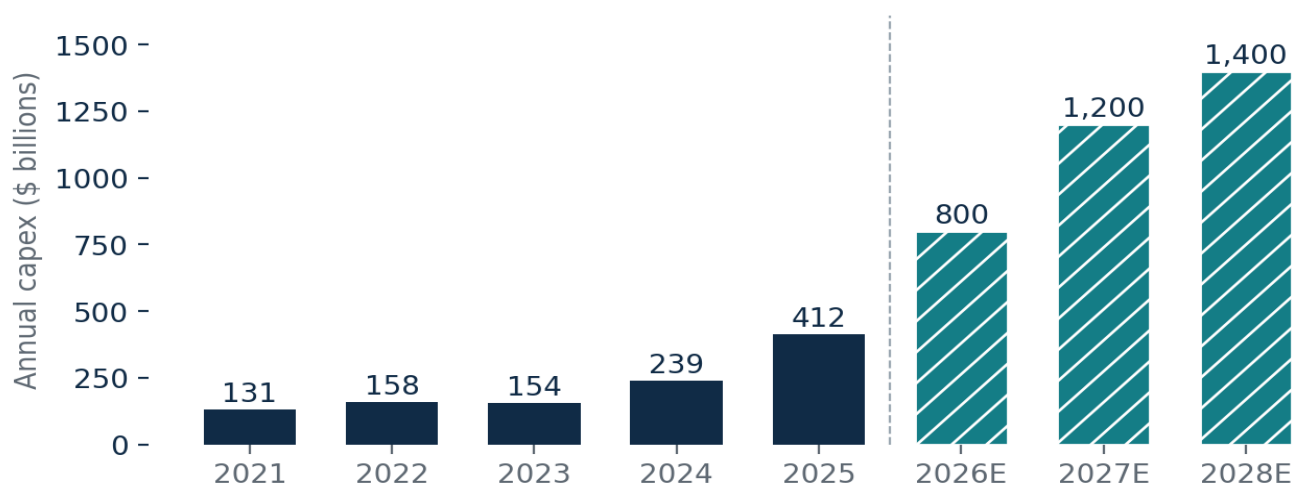
THE AI INVESTMENT CYCLE

The scale of the capital buildout

A consistent company group helps show the direction of spending, even though AI-only capex is not separately reported.

The chart tracks total worldwide capital expenditure by **Alphabet, Amazon, Meta, Microsoft and Oracle**. It is an AI-related infrastructure proxy that also includes conventional cloud capacity and other capital assets. Earlier years include substantial spending unrelated to generative AI.

Five hyperscalers from 2021 through 2028



Sources [5,6]. \$ billions, approximate annual totals. 2021-2025 historical compilation from company filings; 2026E-2028E rounded Morgan Stanley forecasts published July 28, 2026. Forecasts are not realized spending or company commitments. Calendar alignment and lease treatment can differ between compilations; interpret the joined series as a scale comparison.

Year	Capex \$bn	Year	Capex \$bn
2021	131	2025	412
2022	158	2026E	800
2023	154	2027E	1,200
2024	239	2028E	1,400

Large spending is an opportunity and an obligation

The selected forecast puts 2028 spending at roughly 3.4 times the historical 2025 total. More capacity can support growth, but it also creates depreciation, financing and utilization obligations. Forecasts are unusually sensitive to chip supply, power availability, permitting and the economics of customer demand.

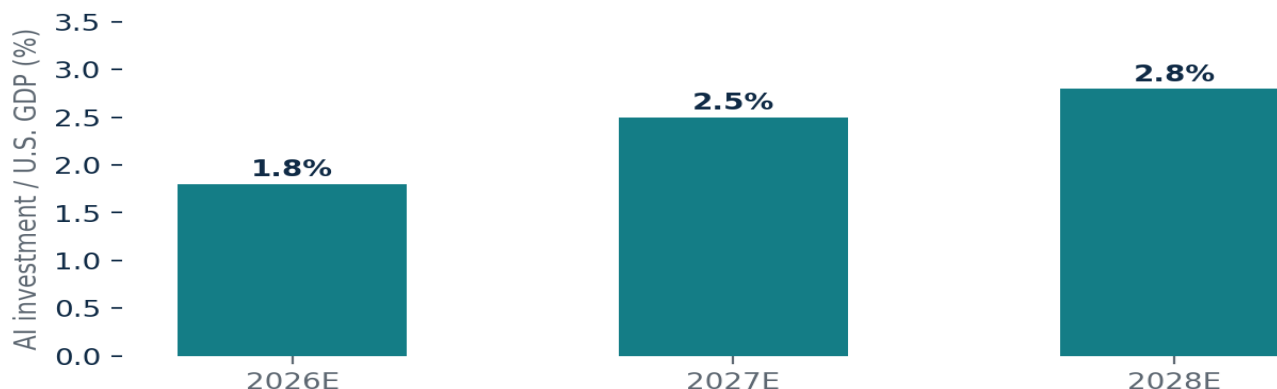
What matters for owners: incremental cash earnings relative to the capital committed. Watch customer contracts, utilization, pricing, replacement spending and returns on incremental invested capital alongside the headline capex number.

AI AND THE ECONOMY

AI investment as a share of GDP

A geographically adjusted AI estimate is more informative than dividing all global hyperscaler spending by U.S. GDP.

Estimated U.S. AI investment intensity



Source [7]. Goldman Sachs Research, August 7, 2026. Estimated annual U.S.-located AI investment divided by U.S. nominal GDP. All three bars are forecasts; no 2026 full-year actual is yet available.

Goldman Sachs estimates about **\$581 billion of U.S. AI investment in 2026**, or 1.8% of GDP, rising to 2.5% in 2027 and 2.8% in 2028. Its method adjusts for non-AI baseline spending, private and non-U.S. companies, investment location and potential lease double counting. These remain model estimates [7].

Why the denominator and definition matter

Worldwide capex of U.S.-headquartered companies includes spending outside the United States. Dividing it by U.S. GDP illustrates relative scale, but does not measure domestic investment. Conversely, restricting the numerator to five companies omits other participants in the AI buildout.

Nor is investment equal to its contribution to GDP growth. Imported hardware enters investment and is offset in imports in the expenditure accounts. A spending level expressed as a percentage of GDP is different from a percentage-point contribution to annual GDP growth [8].

The historical proxy provides another perspective

Year	Worldwide five-company capex / U.S. GDP
2021	0.55%
2022	0.61%
2023	0.55%
2024	0.82%
2025	1.34%

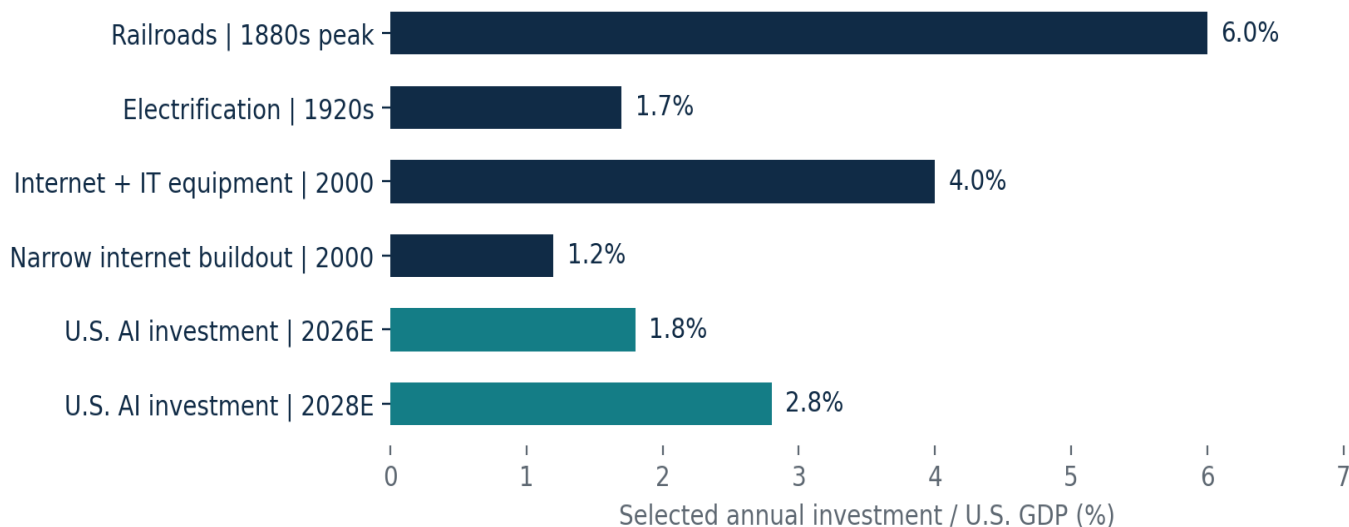
Source [5]. Published scale ratios, rounded. This historical proxy is broader in company spending and different in geography from the domestic AI forecast above. The two measures should not be joined into one continuous time series.

HISTORICAL PERSPECTIVE

Railroads electricity and the internet

Transformational technology can create lasting economic value even when some investors earn poor returns.

How selected investment waves compare



Sources [7,9,10]. Approximate annual investment shares, using different definitions. Railroads and electrification are industrial-era analogues, not a measure of the entire Industrial Revolution. Historical peak observations and AI forecasts are shown for context, not as a like-for-like ranking.

UBS cites peak railroad spending near 6% of GDP in the 1880s, electrification-related investment near 1.7% in the 1920s, and a broad internet-plus-IT-equipment measure near 4% in 2000 [9]. Capital Group uses a narrower internet-buildout estimate of 1.2% [10]. The two internet figures illustrate how much the answer depends on the assets included.

What the comparison can tell an investor

The common pattern. New infrastructure reduces the cost of a useful activity, draws competing capital and enables new businesses. Demand can expand while builders still struggle with overcapacity, price competition or excessive financing costs. Federal Reserve research describes this tension across earlier technology waves [11].

The important difference. AI chips can face faster economic obsolescence than rails or fiber. Replacement demand may sustain spending, but also raises the cash flow needed to recover each investment. Power and buildings have different useful lives from servers; assess each layer separately.

The conclusion. Being below a historical spending peak does not establish that AI is cheap or that further spending will earn adequate returns. The investable question is which firms can retain the benefits through pricing power, cost advantages, sound financing and disciplined capital allocation.

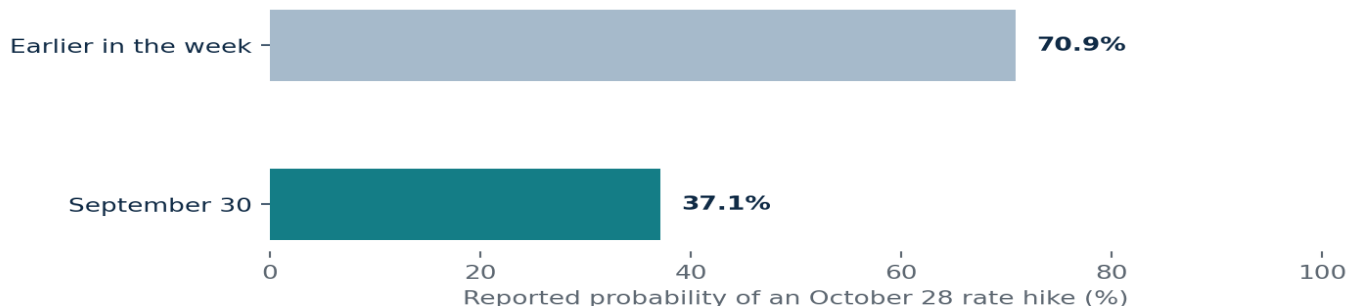
POLICY AND THE LONG VIEW

Stay disciplined as expectations shift

Protect near-term liquidity and give well-supported long-term investment theses time to develop.

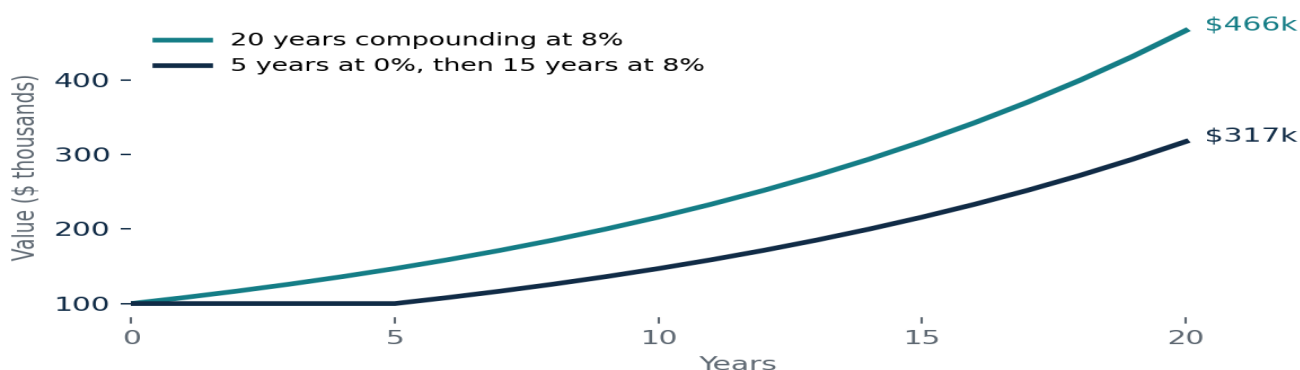
On September 16, the Fed raised its target range by 25 basis points to **3.75%-4.00%**, with a unanimous 12-0 vote [12]. Long-term yields also reflect inflation, bond supply and the compensation investors demand for holding longer maturities.

October hike expectations changed quickly



Source [13]. Reported odds for the October 28 meeting; earlier-week snapshot date unspecified. Market-implied probabilities are estimates, not Fed commitments.

Time remains a powerful input to compounding



Illustrative, not a forecast: \$100,000, 8% annual compounding, no contributions, taxes or fees. The delayed case assumes 0% for five years, then 8% for fifteen. Actual cash earns a variable return and investment outcomes fluctuate.

The illustrative ending values are about \$466,000 and \$317,000. The gap shows the effect of less time compounding under the stated assumptions; it does not imply that cash has no role or that any price is worth paying.

A practical Q4 discipline. Rebalance positions that exceed planned limits. Fund known spending needs appropriately. Evaluate cash generation, debt maturities and competitive strength. Change a holding when its investment case or valuation warrants it, rather than reacting mechanically to a market headline.

RESEARCH NOTES

Sources and chart methodology

Sources were reviewed on October 1, 2026. Links below open the underlying publications.

- [1] **WSJ.** [Q3 price returns and market breadth, September 30, 2026](#)
- [2] **Associated Press.** [Year-to-date U.S. index price returns, September 30, 2026](#)
- [3] **iShares.** [AGG portfolio characteristics, September 30, 2026](#)
- [4] **WSJ.** [Quarter-end Treasury yields and quarterly changes, September 30, 2026](#)
- [5] **TIGZIG.** [Company-filing compilation: calendar-year capex and GDP scale ratios, September 2026](#)
- [6] **Morgan Stanley.** [AI Infrastructure Stocks: Key Investment Opportunities, July 28, 2026](#)
- [7] **Goldman Sachs.** [Global AI Investment Is Forecast to Exceed \\$1 Trillion in 2026, August 7, 2026](#)
- [8] **Carpinelli, Natoli and Taboga.** [Artificial Intelligence and the US Economy: An Accounting Perspective, January 2026](#)
- [9] **Ulrike Hoffmann-Burchardi, UBS.** [What US history tells us about AI capex, June 29, 2026](#)
- [10] **Capital Group.** [The AI debt boom: Balancing risk and opportunity, September 2026](#)
- [11] **Federal Reserve.** [Do Major Technology Advancements Lead to Overinvestment, July 6, 2026](#)
- [12] **Federal Reserve.** [FOMC statement, September 16, 2026](#)
- [13] **Barron's.** [October meeting odds reported September 30, 2026](#)

Reading the figures

E denotes a full-year estimate. Forecast vintages are stated because AI spending estimates change quickly. Different analysts include different companies, leases and asset categories; dollar totals and GDP ratios from separate frameworks are not interchangeable. All capex figures are nominal.

Text and data tables are editable in Word. Chart artwork is embedded as images. Editorial interpretation is separate from reported data; market returns and illustrative scenarios are not guarantees of future outcomes.

The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market.

S&P 500 Index is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation and financial companies.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.

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