

Second Quarter 2026

The Ancora Advisory

An Investment Publication for Clients and Friends

Ancora is a private wealth advisor and institutional asset manager focused on building distinctive investment strategies and robust wealth and risk management solutions that help you achieve more

The AI Crossroads: Build, Buy or Be Left Waiting

John Micklitsch, CFA, CAIA / President

“People don’t know what they want until you show it to them.”

“You’ve got to start with the customer experience and work backwards to the technology.”

- Steve Jobs

Steve Jobs famously made these statements to describe his product development strategy at Apple. One gets the sense this is where AI is now, as it transitions from hyperscale compute buildout to actual enterprise deployment across firms, large and small. AI has so much potential, but right now, it is still

a fairly blank slate. Do we use it for research, content creation, building agents to perform tasks, creating software code or entertaining us? The answer is likely all of the above. AI can be anything we want it to be. That is both the opportunity and the problem. It is built to keep you engaged and constantly feeling on the edge of greatness, in the paraphrased words of Morgan Housel. We are reaching a critical time where we individually or as part of an organization should decide if we are going to take the reins from AI and tell it, in the words of Steve Jobs, what we A) want it to be by building agents that take tasks off our plate, B) wait for somebody else to show us what we want or C) stay stuck in purgatory of constantly feeling on the edge of greatness, but not really progressing in any meaningful or enduring way. Let's break down what each of those choices could look like.

A. Building Agents

In its simplest form, an AI agent is a custom piece of software that uses AI to perform a task with some level of autonomy. For example, you build an agent that, when prompted, either pre-scheduled or on-demand, will go and interpret a designated data set for a certain query that you seek. A radiology-focused agent might be trained to, every night, go to a designated file location and read every imaging file posted within the last 24 hours and output a description. Now, that agent must have been trained on perhaps tens of thousands of images and the correct diagnosis associated with each one to be effective, much the same way a human would be, but once it knows what it is looking for, it theoretically can conduct the task in a highly repetitive and autonomous fashion. So, a hospital system could build that agent itself, or wait for the marketplace to build it. The build vs. buy decision. Either way, the radiologist can come in the next day to review the findings and increase productivity. Everybody wins.

B. Wait for Someone Else to Show Us

If we don't roll up our sleeves and crack the agent-building code ourselves, we will need to wait for the marketplace to put solutions in front of us. This is the historical software model that Steve Jobs and others developed so well. With good taste and deep knowledge of an industry workflow, software companies were able to build one-size-fits-all solutions that companies just had to plug into. They spent years building a competitive moat around their code and then just rolled it out to as many subscribers as possible at zero marginal cost. That model is likely to remain in the form of pre-packaged agentic solutions, but the competitive moat for these packaged solutions will probably not be as large as the legacy software companies once enjoyed. For that matter, the legacy software companies still are likely to enjoy a sort of data record-of-truth status for some time. But it remains incumbent upon them to use their legacy status to introduce the agent solution option into the mix, or else the market will do it for them.

C. Stuck at the Edge of Greatness

Everybody wants to feel like they are great at what they do. AI knows this and is programmed to reinforce engagement by making you feel like your ideas are promising. Social media operates similarly. There is a risk in this echo chamber, and it is important to remain in the real world regarding what is measurably viable from a productivity and margin standpoint and what is not. There are stories of companies blowing through their annual AI spend budgets in mere months because everything looks promising in AI's eyes. This is the hook. AI encourages engagement all the while the meter is running.

In summary, we live in unbelievable times; AI is changing so much and so quickly. It is very important, however, to know where the conflicts of interest exist so that you can navigate the best possible solutions and use cases for AI in your businesses and daily lives. ◇

The Oil Market Paradox

Michael Santelli, CFA / Co-Chief Investment Officer

Short-term tightness but then long-term glut; how the heck does that happen?

We are living in the short run, and we clearly see that the crude oil markets are tight. Take a look at two datapoints: price and global inventory levels. The price of Brent crude was ~\$61 at the beginning of the year, rose to ~\$70 right before the Iran war started, then quickly spiked to \$110. It has basically traded between \$100-110 from mid-March on. Global oil inventories have been collapsing to account for the continued demand, even at these higher oil prices.

To quickly review the geopolitics here, a good portion of OPEC supply comes from the area around the Persian Gulf. The only waterway connecting the Persian Gulf oil is the Strait of Hormuz, which is currently closed. Analysts differ on the specifics, but, since the beginning of the war, roughly 15 million barrels of oil per day (MMbpd) have not reached global markets. The total daily production is about 105 MMbpd. That's almost 15% of the global market. To put that in context, in April 2020, when the economy underwent pandemic shutdowns, global crude oil demand fell by 30%. For the full year 2020, demand was down about 10 MMbpd. Another datapoint: during the Global Financial Crisis in 2008, global oil demand was down by 1-2%. To put it succinctly, a 15% hit to global supply is a big deal.

While inventories are acting as a shock absorber currently, the shocks are beginning to wear thin. What happens when inventories can no longer provide that shock absorber? Supply and demand need to match. In a free market, that happens through the price mechanism. There have certainly been some demand-side adjustments made already, given the price reaction to date. However, with inventories continuing to drop, it has not been enough to offset the reduction in supply. Since supply is inelastic in the short run, the

adjustment has to be made mostly on the demand side of the equation. Unfortunately, there is nothing short of a global recession that would reduce crude oil demand by 15%. That is the short-term risk.

“In the long run, however, the world is awash in crude oil.”

In the long run, however, the world is awash in crude oil. Before the war started, crude oil prices had been falling for four years since the start of the Ukraine war. Inventories were building. There was no supply problem.

In addition, two recent developments could add to global crude supplies: the overthrow of Maduro in Venezuela and the UAE exiting OPEC. As recently as ten years ago, Venezuela was producing 2.5-3.0 MMbpd. Recently, that was closer to half a million. If Venezuela returns to the community of nations and allows Western technology in to rebuild its oil industry, it could get back to those old numbers in perhaps 5-10 years.

Secondly, the UAE exited OPEC largely because its OPEC quotas had held back its production. Before the Iran war, the UAE produced 3.5 MMbpd; its capacity is 5 MMbpd. It could literally turn that production back on tomorrow if it had the ability to export it.

I will add a third wildcard: the return of Iran to the global markets. This is clearly speculation, but let's run out the ground ball. Given their historical numbers, Iran can likely add 1 MMbpd to global supply. Add up the three and you get an additional 4.5 MMbpd of oil production. We have plenty of oil in the long run.

How this plays out is anyone's guess, but it wouldn't be surprising if we get much higher oil prices even from where we are today, followed by a multi-year decline as inventories are rebuilt and production comes online. This is one risk among many that the future may hold.

We believe in building diversified portfolios to be resilient to many possible future scenarios. That doesn't mean portfolios won't experience volatility, but it does mean that portfolios should bounce back if and when the waters get choppy in the short term. ♦

When Winners Keep Winning ... Until They Don't

Kevin Gale / Co-Chief Investment Officer

We'll often have clients ask about differences in their returns compared to the markets, or why they don't own more of certain big-name winners. Let's look to factor investing to provide a useful lens for understanding what drives equity returns. The reality is that the markets constantly shift focus between chasing presumed winners (momentum) and rewarding fundamentals (quality), while a well-managed portfolio should do both, limiting over-exposure to any one market environment.

Ancora's traditional portfolios are designed for longevity, which means they typically involve less risk, and therefore less movement, than the overall market. We have seen historically that disciplined long-term investing has led to strong risk-adjusted returns over time. It's this discipline that keeps investors from chasing the "hot stocks" that typically involve more risk, and therefore more movement. By extension, that means there will (and, we would argue, should) often be visible short-term differences in returns between the markets and a long-term portfolio.

Quality and **momentum** are among the most important—and often most debated—factors. Both have delivered long-term outperformance relative to the broader market, yet they behave very differently across market cycles, macro regimes and sentiment environments. The past two years have offered a particularly stark illustration of this divergence, with momentum surging ahead while quality delivered steadier, more measured gains.

Factor investing in equities is an investment approach that targets specific, measurable characteristics, called factors, that have historically been associated with higher risk-adjusted returns. Instead of picking individual stocks based purely on discretionary judgment, factor investing systematically weights stocks according to attributes over time. Some of the most widely studied factors include: value, growth, momentum, quality, size (small-cap, mid-cap, large-cap) and (low) volatility.

Momentum focuses on price trends. We know historically that stocks that have performed well recently tend to continue to outperform in the near term (typically measured by 12-month price return, excluding the most recent month). They are rewarded with strong price trends, regardless of underlying fundamentals.

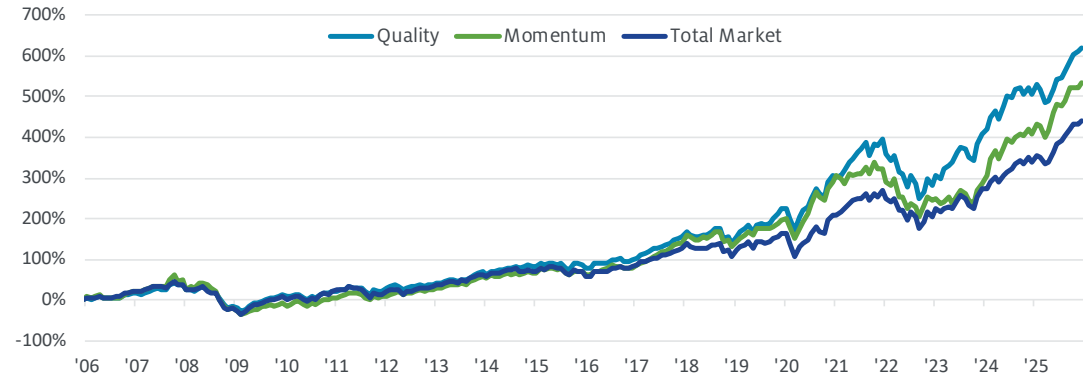
Quality focuses on fundamentals. These are companies with strong profitability, stable earnings, strong balance sheets and durable competitive advantages, like high return on equity, stable earnings growth, strong free cash flow generation and low financial leverage. Quality stocks tend to be defensive in nature, holding up better in downturns but often lagging in risk-on rallies.

A Divergence in Returns

Over the very long run, quality has demonstrated a structural advantage in consistency. Over the 20-year period ending December 31, 2025, quality stocks returned a cumulative 613.57%, outperforming momentum stocks, which returned a cumulative 528.57%. Both factors have outperformed the broader market, which returned a cumulative 436.42% during that same time period. Quality has outperformed momentum in 62.5%

of annual rolling five-year periods through December 31, 2025, and outperformed the broader global equity market in every single rolling five-year period.

Momentum vs. Quality Cumulative Returns: 2006-2025

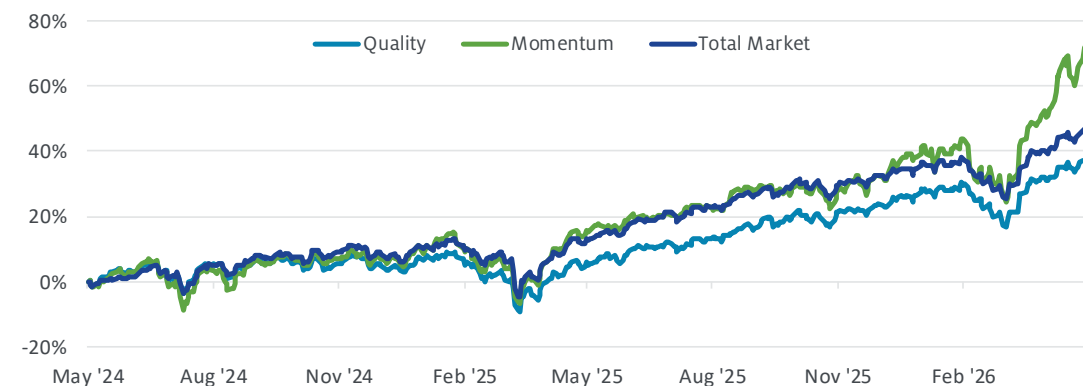


Source: Bloomberg, using MSCI ACWI Quality Index, MSCI ACWI Momentum Index and MSCI All Country World Index

The short-to-medium term picture, however, tells a starkly different story from the long-term performance. Over the two years ending May 26, 2026, momentum stocks have delivered a cumulative return of 72.00%, nearly double that of quality stocks, which returned 37.32%. The total market has returned 46.72% during that same time period.

The gap began to widen in late 2024 as the AI trade really started to take effect. In 2025, the market's appetite for quality waned, leading to a valuation de-rating for such stocks, while stocks with strong price momentum were favored instead, driving an even wider divergence from quality stocks as investors heavily favored the technology sector.

Momentum vs. Quality Cumulative Returns: 2-Year*



*5/27/2024-5/26/2026

Source: Bloomberg, using MSCI ACWI Quality Index, MSCI ACWI Momentum Index and MSCI All Country World Index

What is driving the divergence? Several macro and market forces explain momentum's recent dominance:

- > **AI-driven concentration:** The artificial intelligence investment cycle created powerful, self-reinforcing price trends in a narrow set of large-cap technology and semiconductor names — precisely the environment where momentum thrives. Chipmakers and AI-linked stocks were among the standout performers in both 2024 and 2025.
- > **Risk-on sentiment:** Broadly positive risk appetite rewarded recent winners and penalized the defensive characteristics embedded in quality portfolios, reflecting a shift in investor demand toward more speculative AI-linked exposures.
- > **Tariff shock and volatility:** The April 2025 tariff shock created a sharp but short-lived drawdown for both factors. Momentum, however, recovered more aggressively as markets rebounded, while quality's defensive characteristics provided only a modest cushion during the dislocation.

Momentum's outperformance has come at a valuation cost. High-momentum stocks are trading at over three times the valuation of their low-momentum counterparts on a price-to-sales basis, with the median price-to-sales ratio for top-quintile momentum stocks at 4.19x compared to 1.32x for the bottom quintile. Quality, meanwhile, has historically sat at the most extreme valuations of any factor — but recent de-rating has made it comparatively more attractive.

The performance of each factor is highly regime-dependent:

- > In **low-inflation, lower-rate environments**, momentum has historically delivered average excess returns of 18.7%, compared to 12.3% for quality.
- > In **higher-rate, inflationary environments**, quality's defensive characteristics become more valuable, and the gap narrows significantly — momentum's excess return falls to 4.0% versus quality's 9.0%.
- > Momentum is particularly vulnerable to **"momentum crashes"** — i.e., sharp, sudden reversals that occur when crowded trades unwind. The probability of such crashes is reduced in low-inflation, lower-rate conditions.

Portfolio Construction: Complementary, Not Competing

The key insight we take away for our portfolio construction philosophy is that momentum and quality are not mutually exclusive; they are complementary. Momentum captures trend and sentiment; quality provides a fundamental anchor. A balanced approach combining both factors can offer diversification and improve the risk-adjusted return of a portfolio, which is typically Ancora's approach for traditional, long-term portfolio construction, dependent on client needs.

With momentum valuations stretched and quality having de-rated meaningfully, the relative attractiveness of quality is improving. For investors with a longer time horizon, quality's track record of outperforming across full market cycles, and in every rolling five-year period versus the broad market, remains a compelling argument for an investor to maintain exposure to the quality bias with a healthy portion of their portfolio.

Momentum, by contrast, remains a powerful tactical tool in trending, risk-on markets, but requires active monitoring of crowding, valuation, and macro regime shifts that can trigger rapid reversals and lead to increased volatility. ◇

Building Value through Active Ownership

James Chadwick, President of Alternatives, and Fred DiSanto, Chairman & Chief Executive Officer, recently participated in a panel discussion at the Cleveland Smart Business Dealmakers Conference.

This conversation explored how modern shareholder activism has evolved into a partnership-driven practice focused on long-term value creation for shareholders. This article shares the key thinking discussed and how they impact our approach to wealth management more broadly.

Three Ways to Own Equities

There are three distinct approaches to owning equities, each with different goals and time horizons.

- › **Passive investing** means buying all stocks within an index and moving on.
- › **Active investing** means narrowing your universe to companies you believe in and waiting for markets to recognize their value. You pick your spots, you're patient, but you are passive once you own the stock.
- › **Active ownership** means identifying the opportunity, engaging directly with the company, and helping execute change that creates value. This path requires both a clear investment thesis and the relationships to see it through.

How Active Ownership Has Evolved

Ancora primarily practices active investing on behalf of our asset management clients, but our Alternatives division practices active ownership in the form of activist investment strategies. The topic of active ownership has evolved a lot since we opened our doors.

In the late nineteen nineties and early two thousands, when an activist appeared in a company's cap table, other shareholders typically grew excited. The stock often rose simply because the market anticipated change. But the environment has shifted significantly over the past two decades, particularly following major market disruptions.

The composition of the shareholder base has evolved. Passive index funds now hold enormous stakes in public companies. These firms have developed their own governance objectives, often prioritized differently than traditional metrics of shareholder value and operational performance. This creates a nuance many miss: activists and passive holders do not always align. Ancora Alternatives has witnessed this in practice, where the active shareholder vote supports our views, but resistance has come from the passive side, where governance philosophies often diverge from pure value creation.

Understanding this dynamic is essential. Activism requires persuading not just management, but shareholders. That requires credibility, clear analysis and relationships built over time.

Building Partnerships Through Dialogue

When Ancora Alternatives approaches a company, the initial conversation focuses on what the CEO and board are trying to accomplish. Often, Ancora has identified the company because its stock has underperformed both the broader market and its peer group, despite what appears to be achievable improvement.

The conversation begins with listening and learning. Ancora shares its perspective on strategy and value creation. If that resonates, the dialogue continues. Only when both parties recognize the opportunity do board members and attorneys enter the picture, at which point the formal engagement begins. By then, the relationship has a foundation.

The Timeline for Real Change

Shareholder activism is not short-termism dressed in a different suit. And it is not a strategy to buy a stock, wait for price appreciation, and exit. That approach would be unsustainable; there simply are not enough mispriced companies available to run a fund on that basis.

When Ancora identifies a company where it believes meaningful change is both achievable and necessary, the team typically thinks in terms of years, not quarters. The question is not whether the stock will rise in the next six months, but whether a disciplined, multi-year implementation of operational and strategic improvements will generate returns that justify the capital deployment and the effort required to see change through.

This longer timeline attracts a different kind of shareholder and company leadership. When a CEO knows an activist investor is committed to a multi-year partnership, not a quick trade, the conversation changes. Those relationships deepen, performance compounds and the returns reflect genuine business improvement rather than market enthusiasm.

Finding the Opportunity

Early in Ancora's history, the firm's activist strategy relied primarily on the team's due diligence to screen for companies based on various characteristics. Over time, the team has built relationships with other firms and professionals in the industries we operate in, adding another layer of insights to screen with.

Ancora typically builds a bench of director candidates during a campaign. These are individuals with deep experience in specific industries and functions. When the firm moves forward with an engagement, it may propose two board directors to work alongside existing board members. Pairing the right individuals matters. One might bring industry knowledge; the other might bring operational or financial acumen. Together, they can listen in the boardroom, build relationships with peers and execute change from inside.

The Director's Perspective

For a director placed on a board by an activist, the early days resemble those of any new hire who was recommended by someone outside the organization. Board members know the director's provenance. They interviewed the candidate and agreed to the appointment and the relationship begins there.

The most effective directors understand their role: they are neither a rubber stamp for the activist nor adversaries to the existing board. They are problem-solvers committed to operational improvement and shareholder value. When this balance holds, boards typically function better.

“Shareholder activist strategies can serve as a diversifier within a broader asset allocation.”

What This Means for Clients

Shareholder activist strategies can serve as a diversifier within a broader asset allocation. The returns generated by activist investors may be fundamentally uncorrelated with public market indices and passive equity strategies. This reduced correlation stems from the nature of the work itself, as value creation through operational improvement and strategic change happens on company-specific timelines, largely independent of broader market sentiment or economic cycles.

Consider the contrast: when equity markets decline sharply, passive holdings suffer proportional losses. A company improving its supply chain, fixing organizational misalignment or repositioning its business model creates real economic value regardless of whether the broader market is rising or falling.

This reduced-correlation return profile driven by the realization of certain event-driven catalysts may make active ownership an effective sleeve within diversified portfolios.

For many institutional and high-net-worth clients, a measured allocation to active ownership strategies, typically five to fifteen percent of overall equity exposure, may provide portfolio diversification and a source of value creation that performs meaningfully differently from the broader market. When integrated thoughtfully into an asset allocation, active ownership can complement rather than compete with passive and traditional active equity holdings, potentially reducing overall portfolio volatility while supporting long-term return potential. ◇

Market Data Center As of 5/31/2026

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	5.3%	10.5%	11.3%	11.3%	29.8%	88.9%
Dow Jones	2.9%	4.6%	7.8%	6.9%	22.7%	63.7%
Russell 2000	4.4%	11.3%	17.5%	18.2%	43.1%	73.9%
Russell 1000 Growth	7.2%	13.7%	7.6%	8.2%	28.7%	102.2%
Russell 1000 Value	2.9%	6.0%	14.5%	13.7%	28.5%	70.4%
MSCI EAFE	3.2%	-0.3%	13.0%	9.7%	23.4%	67.4%
MSCI EM	9.7%	9.5%	29.5%	25.7%	55.1%	99.0%
NASDAQ 100	10.6%	21.7%	19.6%	20.5%	43.1%	117.7%

Dividend Yield	NTM P/E	P/B
0.98%	21.1x	5.2x
1.37%	19.8x	5.4x
0.87%	26.4x	2.2x
0.33%	26.6x	12.1x
1.50%	17.1x	3.1x
3.10%	15.4x	2.2x
1.77%	12.0x	2.4x
0.38%	26.0x	8.3x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.67%	0.3%	-1.3%	0.4%	5.1%	12.3%
U.S. Corporates	5.09%	0.7%	-0.7%	0.8%	6.2%	17.6%
Municipal Bonds	3.44%	0.4%	-0.7%	1.3%	6.5%	11.6%
High Yield Bonds	6.84%	0.5%	1.0%	1.6%	7.4%	30.5%

Commodities	Level	1 month	YTD
Oil (WTI)	87.76	-16.5%	52.8%
Gasoline	3.24	-15.3%	86.4%
Natural Gas	3.27	18.3%	4.6%
Propane	0.87	7.1%	36.6%
Ethanol	1.85	-1.9%	11.8%
Gold	4,570	-1.3%	5.3%
Silver	75.58	2.1%	7.1%
Copper	6.36	7.3%	13.0%
Steel	1,123	3.9%	17.6%
Corn	4.47	-5.8%	1.5%
Soybeans	11.72	0.0%	14.8%

Key Rates	5/31/2026	4/30/2026	2/28/2026	11/30/2025	5/31/2025	5/31/2023
2 yr Treasury	4.00%	3.89%	3.39%	3.49%	3.90%	4.39%
10 yr Treasury	4.44%	4.39%	3.96%	4.01%	4.39%	3.64%
30 yr Treasury	4.98%	4.99%	4.63%	4.66%	4.91%	3.86%
30 yr Mortgage	6.63%	6.35%	6.12%	6.36%	6.95%	6.63%
Prime Rate	6.75%	6.75%	6.75%	7.00%	7.50%	8.25%

Data Reflects Most Recently Available As of 5/31/2026

As always, don't hesitate to contact your Ancora advisor or relationship team if you have any questions or would like to learn more about these topics. Visit our website to find other news and insights from the investment professionals at Ancora.

www.ancora.net / 216-825-4000

© 2026 Ancora, all rights reserved. **Disclosures:** The mention of specific securities, the securities of foreign exchanges and investment strategies in this presentation should NOT be considered an offer to sell or a solicitation of an offer to purchase any specific securities or securities listed on a particular foreign exchange. All data contained in this document is based on information and estimates from sources believed to be reliable. Please consult an Ancora Investment Professional on how the purchase or sale of specific securities can be implemented to meet your particular investment objectives, goals and risk tolerances. **Past performance of investment strategies discussed is no guarantee of future results or returns.** Investment return and principal value will fluctuate so that an investment when redeemed or sold may be worth more or less than the original cost. It is not possible to invest directly in an index. Statistics, tables, graphs and other information included in this document have been compiled from various sources and are believed to be reliable. Ancora believes the facts and information to be accurate and credible but makes no guarantee to the complete accuracy of this information, including opinions, projections or statements on economic, market or similar forward-looking views. These views or statements may reflect various assumptions concerning anticipated results that are inherently subject to significant economic, competitive and other risks, uncertainties and contingencies. Thus, actual results may vary materially from estimates and targeted or projected results contained herein. An investment is deemed to be speculative in nature. Therefore, recipients are cautioned not to place undue reliance on such statements.

This content is for informational purposes only. No part may be reproduced in any manner without the written permission of Ancora. Each person who has received or viewed this content is deemed to have agreed: (i) not to reproduce or distribute this content, in whole or part; (ii) not to disclose any information contained in this document except to the extent that such information was (a) previously known by such person through a source (other than the Fund, its partners or advisors) not bound by any obligation to keep confidential such information, (b) in the public domain through no fault of the person, or (c) later lawfully obtained by such person from sources (other than the Fund, its partners or advisors) not bound by any obligation to keep such information confidential; and (iii) to be responsible for any disclosure of this document by such person or any of its employees, agents or representatives.

Ancora Holdings Group LLC is the parent company of four registered investment advisers with the United States Securities and Exchange Commission; Ancora Advisors, LLC, Ancora Alternatives, LLC, Ancora Private Wealth Advisors, LLC and Ancora Retirement Plan Advisors, LLC. In addition, it owns two insurance agencies: Ancora Insurance Solutions LLC and Inverness Securities LLC. Inverness Securities is a FINRA & SIPC member broker dealer. A more detailed description of the firm, its products and services, management team and practices are contained in the firm brochures, Form ADV Part 2A and other disclosures upon request. Qualified prospective investors may obtain these documents by contacting the company at: 6060 Parkland Boulevard, Suite 200, Cleveland, Ohio 44124, Phone: 216-825-4000, or by visiting www.ancora.net.