BWM Monthly

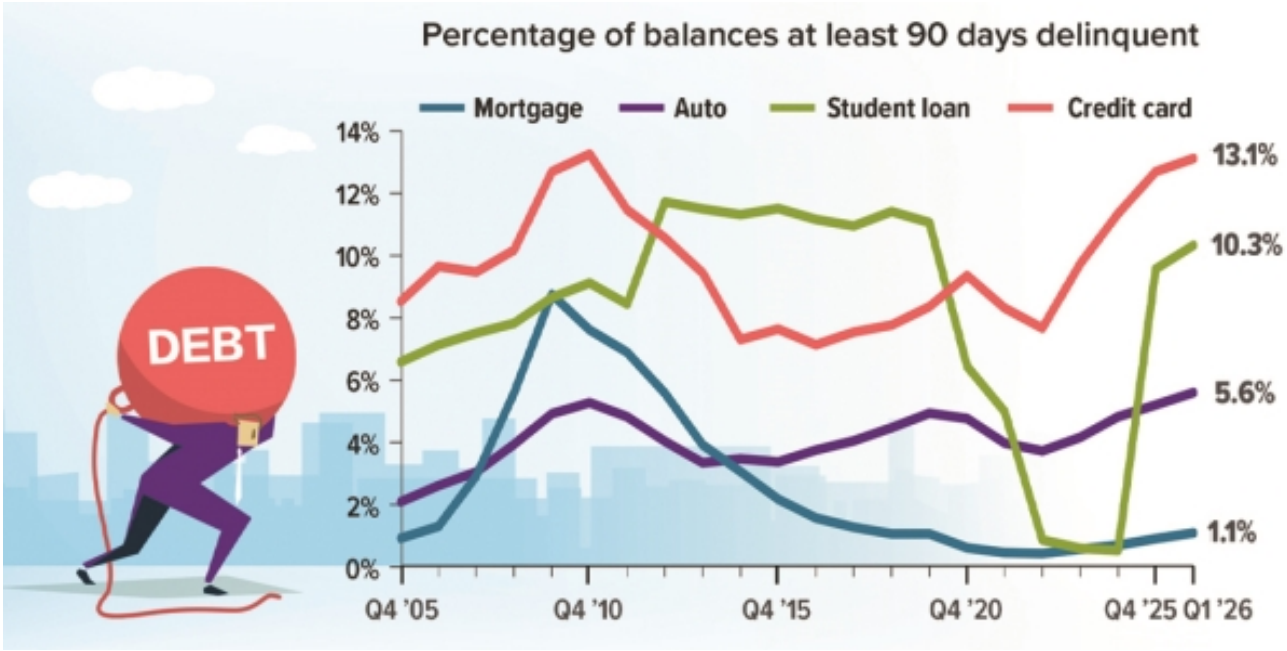
Investing Through Understanding™

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Consumer Debt Delinquencies Are on the Upswing

American consumers are falling behind on their debts, particularly on credit cards and student loans, as sticky inflation and prolonged high interest rates stretch many people to their financial limit. In the first quarter of 2026, the percentage of credit card balances that were 90 or more days delinquent hit 13.1%, the highest level in 15 years. The percentage of delinquent student loan balances was close behind at 10.3%, rising after several years of payment pauses during the pandemic.



Source: New York Federal Reserve, May 2026

A Historic Year for Mega IPOs

An IPO, or initial public offering, is when a private company offers its shares to the public for the first time, becoming a publicly traded company. In June 2026, SpaceX launched the biggest IPO in history, raising $75 billion upon its debut with a valuation of nearly $1.8 trillion.[1] The frenzied artificial intelligence (AI) race helped drive global IPO proceeds of $207 billion in the first half of 2026, by far the highest half-year total since 2021.[2]

Over the last couple of decades, many startups had access to private capital, so they could wait longer, and grow larger, before listing their shares. The median age of IPO companies was 12 years old in 2025, up from six in 2000 (at the height of the dot-com boom).[3]

IPOs help fuel the growth of innovative new companies and add more stocks to the pool of potential investments. To encourage more small and mid-size companies to join the public market, the U.S. Securities and Exchange Commission (SEC) has proposed to ease the regulatory burden by streamlining compliance and reducing reporting requirements for newly public companies.[4]

IPO hype

A large gain after the onset of trading (called a "pop") suggests that investor demand was greater than the supply of available shares. Of course, this doesn't mean that the company will outperform its peers in the long run.

Many investors who request allocated shares don't get the opportunity to buy shares at the offering price. And those who buy the stock after the market opens may miss out on the "pop," because much of the appreciation can take place between its pricing and the first stock trade.

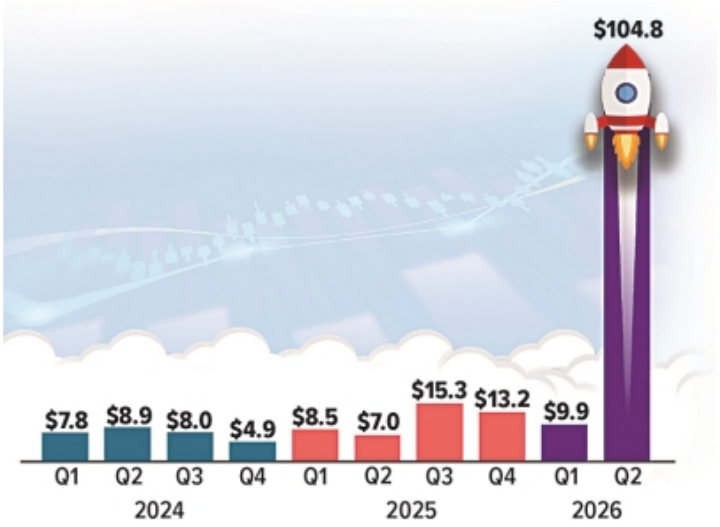
Investors who purchase the stock of a newly public company should have a relatively high tolerance for risk. A young company may have a limited track record, and an established one may have to disclose more information to the public soon after it's listed. Share prices can be volatile over the following weeks or months as the excitement dies down, and the focus turns to fundamental performance measures such as revenues and profits.

Index adjustments

SpaceX became one of the world's 10 largest companies overnight, and two leading AI companies are expected to go public in late 2026 or 2027.[5] Investors who own market-weighted index funds in a retirement or brokerage account might wonder how these and other mega IPOs could change the risk-return profile of their portfolios.

IPOs are added to indexes based on their listing exchange, size, and each index's specific rules. For example, new fast-entry rules allow Nasdaq indexes to add large IPOs in just 15 trading days. For MSCI indexes, the required waiting period is 10 days, and it's just five days for FTSE Russell and CRSP. The S&P 500, a well-known benchmark for large-cap U.S. stocks, chose to retain its profitability screen and longer 12-month seasoning period.[6]

U.S. IPO proceeds, in billions



Source: Renaissance Capital, July 2026

Moreover, most weighted indexes adjust a company's market value by how much of its stock is freely available to trade — or its "float." When an IPO's float is limited (like SpaceX at 5%), it significantly reduces the initial impact of the stock on indexes.

The return and principal value of stocks and funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Investments offering the potential for higher rates of return also involve a higher degree of risk. The S&P 500 Index is an unmanaged group of securities considered to be representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index.

Funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1, 5) Bloomberg, June 11, 2026; 2) Dealogic, 2026; 3) University of Florida IPO Initiative, December 31, 2025; 4) U.S. Securities and Exchange Commission, 2026; 6) Morningstar.com, June 12, 2026

Grocery Games: Can You Outsmart the Supermarket?

After several years of persistently elevated inflation, many shoppers still feel defeated when they check out at the grocery store. Over the 12 months that ended August 2026, prices for food at home rose a modest 2.2%, measured by the consumer price index (CPI). Unfortunately, the prices of some types of food have risen much more than others.[1]

Food prices are prone to volatility, in part because the crops grown to feed people and livestock are vulnerable to pests, extreme weather, and disease. One prominent example is the price of ground beef, which spiked 7.2% over the 12 months ended August 2026, and nearly 29% over the previous three years, with little relief in sight.[2] Despite record prices, consumer demand for beef remained strong in 2026, while the U.S. cattle herd shrunk to a 75-year low due to drought and soaring feed, transportation, and processing costs.[3]

Setting a budget for groceries can help control your spending, but unpredictable price hikes can make it difficult to stay on track. Here are a few shopping strategies that could help stretch your food budget.

1. Sign up for loyalty programs, then make stores compete for your business.

Many of the specials found in weekly ads require membership in the store's club program. So even if it feels like overkill, it may be worthwhile to download membership apps, check for the most valuable promotions, and access digital coupons or "personalized" deals before you make a list and decide where to shop.

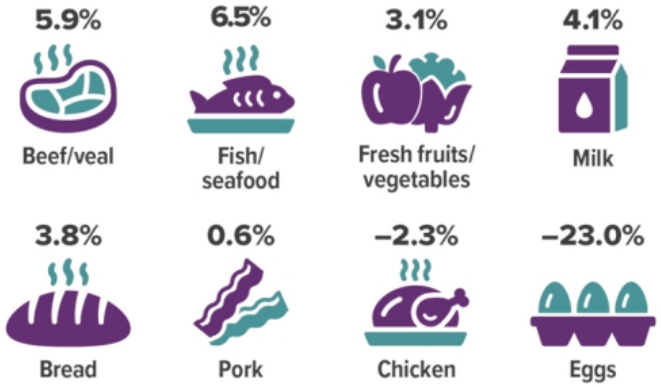
If you're concerned about your data being tracked and/or sold, you may be able to turn off tracking by store apps by adjusting the privacy and security settings in your smartphone.

2. Stock up when the price is right.

Grocery stores often rotate advertised specials for beef, chicken, and pork, so you may want to plan meals around sale-priced cuts and buy extra to freeze for later. In fact, freezing can be used to extend the shelf life of many other foods (such as bread or fruit) that might otherwise go bad before they can be eaten.

Buy extra nonperishable foods, such as rice, pasta, dried beans, canned goods, and frozen fruits and vegetables when they are on sale. You might also save money if you buy essentials in bulk at a membership store that requires an annual fee, but only if you can resist the temptation to overspend on unnecessary items and excess food that ends up going to waste.

12-month change in CPI prices, August 2026



Source: U.S. Bureau of Labor Statistics, 2026

3. Choose more affordable private-label products.

Without the high costs of research and development, marketing, and advertising associated with name brands, store brands can offer savings for consumers and higher profit margins for retailers. For this reason, most large grocery chains sell at least two levels of store brands — a basic value brand and a premium line — and some also have distinctive "organic" or "natural" product lines. A few grocery retailers stock their shelves almost entirely with their own private labels.

One study found that consumers can save 25% to 30% on their grocery bills by purchasing private-label products instead of name brands.[4] Another bonus for shoppers: More competition from private labels puts pressure on national brands to keep their regular prices low and/or to run sales promotions.

As of March 2026, private-label products accounted for about 24% of food and beverage sales in the United States.[5] Most consumers are willing to make some sacrifices to save money, but now there seems to be a more positive perception of the value and quality offered by private labels than there used to be in the past. In one 2026 survey, about 85% of consumers said the quality is generally as good as or better than the national brands.[6]

1–2) U.S. Bureau of Labor Statistics, 2026

3) *Chicago Tribune,* July 10, 2026

4–5)*Consumer Reports,* 2026

6) McKinsey, 2026

Charitable Gift Annuity: A Gift That Gives Back

For most donors, charitable giving is about supporting a cause. One tool, a charitable gift annuity (CGA), offers donors potential income and tax benefits in exchange for a one-time charitable gift.

A CGA is a contract between a donor and an eligible charity. The donor gifts cash, stocks, or other assets to the charity, and the charity agrees to pay the donor or a designated beneficiary a fixed income for life. When the lifetime payments stop, the charity keeps the remaining value of the gift.

Lifetime payments are contingent on the size of the gift and the donor's age at the time of the gift. Most charities use the lifetime payout rates established by the American Council on Gift Annuities. Generally, older donors receive higher payout rates because the charity will likely make fewer payments over the donor's lifetime. Lifetime payments may begin immediately or at a future date if the donor creates a deferred CGA. Typically, charities require a donor to be at least age 60, but younger donors may opt for a deferred CGA. Many charities require gifts of at least $10,000, though some accept lower donation amounts.

A CGA may make sense for donors who seek a steady retirement income stream or who experience a liquidity event. A CGA may also appeal to those with appreciated stocks because part of the capital gain may be recognized over time rather than all at once, depending on the annuity's structure. Individuals who are at least age 70½ may be able to fund a CGA through a Qualified Charitable Distribution (QCD) from a traditional IRA, subject to IRS rules and limits.

Donors who itemize may claim an income tax deduction for the charitable portion of the gift and may receive capital gains tax relief if the annuity is funded with appreciated assets. But donors cannot revoke a CGA, and the lifetime income is fixed, meaning inflation may reduce the income's value. Also, lifetime payments rely on the charity's solvency; if the charity cannot meet its financial obligations, payments may be affected.

A CGA can be a valuable charitable giving tool, but donors should consult a qualified tax or financial professional to determine if a CGA aligns with their financial goals.

The charitable donation tax deduction is limited to the amount contributed to the annuity in excess of its present value, as calculated using Internal Revenue Service (IRS) parameters. The money returned to an annuitant in equal installment payments is considered a partially tax-free return of the donor's gift. A charitable gift annuity continues regular payments until the death of the annuitant. Payments may be lower than with a non-charitable annuity because the primary purpose is to support the nonprofit.

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