MH & ASSOCIATES • SECURITIES MANAGEMENT CORPORATION

INVESTMENT VIEWS

AUGUST 31, 2026

BOND MARKET SHOWDOWN

Long time readers of our newsletter should know by now that we have been bearish on bonds for nearly 10 years. Yields bottomed out around that time and while they stayed low for a few more years, it was clear to us that yields had nowhere to go but up, meaning bond prices must fall and would likely enter a longer-term bear market. We were correct in this view and expressed it in our strategy of only owning short-maturity US Treasuries and US Treasury money market funds. While it leaves us exposed to interest rate risk (the risk of interest rates falling and not having higher interest rates "locked in") we are confident that this is the long-term trend.

Over the past year, longer term (10 years+) interest rates have indeed risen, to the degree that financial authorities and experts have raised alarms. It is not the level of interest rates they are worried about but the pace at which they are rising. The cause of the increase is also up for debate. Many believe it is massive government debt and fiscal deficits along with persistent inflation. Others simply believe that it is pointing to higher growth ahead. In any regard, both Treasury Secretary Bessent and Fed Chairman Warsh have an interest in properly addressing this situation. With over $40 trillion in debt, rising interest rates have an immediate effect on the interest expense paid by the federal government. There are also other sectors of the economy that impacted by this change, most notably on mortgage rates and corporate borrowing. Higher interest rates also pressure some types of stock valuations (i.e. growth stocks) and have a general tightening effect of economic activity.

Secretary Bessent announced his first action last week where he planned to increase government buybacks of long-dated US Treasuries, thereby relieving some pressure on yields. Chairman Warsh seems to be focused on reigning in inflation as a way to ease bondholders inflation fears. Both men will probably need to take further action to get yields under control.

To be clear, their efforts are not about attempting to reverse the upward pressure on rates, but rather to ensure that rates rise at an acceptable pace that is not disruptive to financial markets or the economy. They are now facing this challenge head on.

SEPTEMBER SEASONALITY

September is a notoriously tough month for the equity markets. Since 1980, it is the only month whose average returns are negative (-0.84% average) and the month has only been positive 48% of the time. Compare that to the best months who are up over 70% of the time with some average returns exceeding 2%. Over shorter time frames there are other months which have negative average returns, but September still has the lowest returns no matter how you slice it up.

Typically the month starts slow and selling intensifies in the second half. However, it does not need to be this way as the worst Septembers are dominated by pre-existing downtrends, which is not present at the moment. Prior years that have behaved similar to 2026 (i.e. strongly positive returns) tend to have Septembers that eek out a slightly positive return on average.

As we tend to remind clients, we are not market timers and while we have seen more data pile up to indicate this month could be weak, this does not mean we exit holdings just to dodge weakness. Research shows that if you miss the best days of the market, then your returns suffer considerably.

POSITIONING REVIEW

One of our core investment philosophies is to "know what you own." Below you will find investment thesis summaries of selected portfolio positions.

ONDAS HOLDING (ONDS)

Ondas Holdings is positioning itself as an AI enabled, "system of systems" in autonomous drone industry. This is an industry that did not exist a few years ago and it is now considered a crucial part of national security and defense. ONDS has assembled a deep portfolio of drones stretching from the stratosphere to the sea that it aims to integrate into an AI powered software platform capable of operating with certain autonomy.

The stock has been under pressure recently as competition increases and the stakes rise to build one of the dominant autonomous UV (unmanned vehicle) systems. ONDS is well funded and is led by an experienced management team. We expect the company to begin demonstrating contract wins for its system over the next several months.

VEEVA SYSTEMS (VEEV)

Veeva Systems is a life sciences software company, whose specialty is enabling drug development across the various stages. From R&D, clinical trials, regulatory filings and commercial launch and sales, VEEV owns the software and cloud that many biotech startups and major pharmaceutical companies use in the myriad of their processes. Additionally, they have introduced agentic AI that promises to do high volume work more accurately. Over the past couple of years the VEEV stock price was under pressure as the impact of AI was uncertain. However, the latest earnings have put that concern away for now. The company is growing quickly, with strong free cash flow and a fortress balance sheet.

VEEV had strong earnings, which propelled the stock price about 40% higher than our initial purchase. We believe the biotech and pharmaceutical drug cycle should be resilient, as new drugs are needed for big patent losses coming over the next several years. VEEV is well positioned to benefit form this.

BOEING CO (BA)

Boeing has faced a quality crisis that propelled the stock to a nearly 70% decline from the high point in 2019. However, after an important change in management and company culture, we believe that BA is now investible as a turnaround story. Commercial airline deliveries are at the highest in years, backlog stretches out nearly 10 years, and free cash flows have turned positive. Furthermore, there are certifications looming of the 777 and upcoming milestones in the development of the F-47 fighter. On the immediate downside, there is a potential strike in October as engineers rejected a new compensation package offered by management.

As of now, BA has stalled in our portfolios as investors await further progress in the turnaround. However, when the true inflection comes the runway will provide a long trajectory higher.

PFIZER INC (PFE)

Pfizer (PFE) offers a rare mix of income, cheap valuation, and a pipeline that is starting to show up in the numbers. It offers a sizable dividend yield of 6% that management has pledged to maintain and grow, all while trading a non-demanding valuation. Their current quarter beat estimates and raised full-year sales guidance. Non-COVID products grew mid-single digits, and launched-and-acquired brands—Padcev, Nurtec, the Vyndaqel family, Lorbrena, and the Seagen oncology franchise—are expanding at double-digit rates.

Cost savings programs are expanding toward roughly $10 billion in net savings through 2029, protecting cash flow through the 2027–28 patent expiration wave. Beyond that, management is targeting high-single-digit revenue growth from 2029–33, supported by late-stage oncology, obesity (including monthly GLP-1 work from Metsera), immunology, and vaccines, plus Vyndamax settlements that stretch a key franchise. We are betting that solid execution will lead to a valuation expansion that can follow the dividend.

Recommendation List: A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email lara@mhandassociates.com or call our office for this list.

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