MTC Market Compass

September 2026

A quarterly guide to help investors stay on course toward financial success.

Navigating Inflation

The Situation: The Challenge of Inflation

Most investors understand that inflation increases the cost of goods and services. What is often overlooked is its impact on investment returns and long-term financial planning. Over time, even modest inflation can significantly increase the amount of capital required to fund retirement and other spending needs. This creates an important distinction between nominal returns and real returns. A portfolio may generate positive returns and still fall short of its objectives if those return fail to keep pace with rising costs. Successful investing is not solely about growing assets. It is about preserving purchasing power. At MTC, this principle is reflected in one of the core pillars of our investment philosophy: Real Returns Matter.

State of Affairs: Realistic Expectations Matter

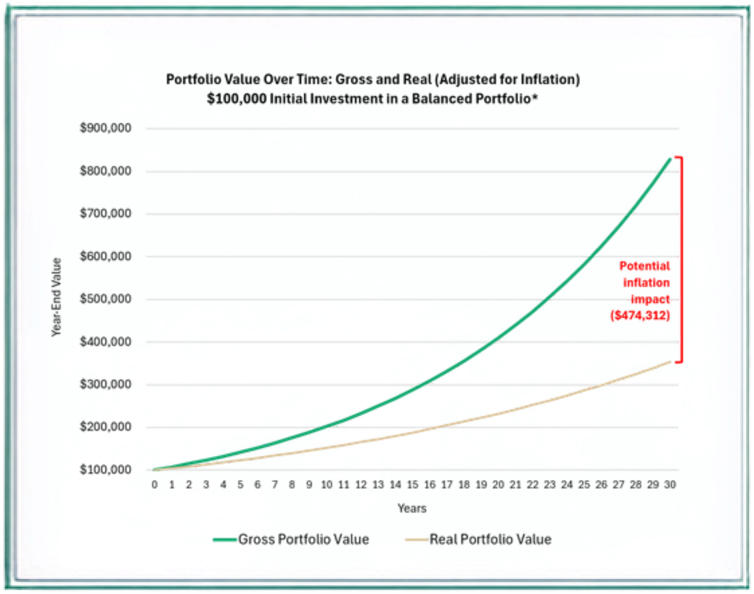
While inflation has moderated from recent peaks, a return to the exceptionally low inflation environment that followed the Global Financial Crisis may not be guaranteed. At the same time, investors have benefited from strong market returns in recent years, particularly within U.S. equities. History, however, reminds us that periods of above-average returns are often followed by more moderate outcomes. For both individual and institutional investors, this reinforces the importance of maintaining realistic expectations, and accounting for factors like inflation. Financial plans built on optimistic return assumptions or outdated spending projections can become vulnerable when inflation returns elevated or market returns normalize. As the accompanying Visual Guide demonstrates, inflation can create a significant gap between portfolio growth and purchasing power over time.

The Solution: Look Beyond Investment Returns

Investment returns are important, but they tell only part of the story. What ultimately matters is how much purchasing power those returns provide after accounting for inflation and other real-world costs. Because inflation cannot be controlled, the most effective response is thoughtful planning and disciplined portfolio construction. Long-term investors should regularly evaluate whether their financial plans reflect the future cost of their goals, not simply their cost today. Strategic asset allocation, diversification, prudent risk management, and a disciplined investment process remain essential tools for helping portfolios preserve and enhance purchasing power over time.

At MTC, our objective is simple: to help clients achieve their long-term financial goals while remaining focused on the outcomes that matter most. Investment success should not be measured solely by how much money a portfolio earns, but by whether those assets can ultimately support the goals they were intended to fund.

Visual Guide: The Hidden Cost of Inflation



Source: Members Trust Company, Financial data and analytics provider FactSet, as of 8/31/26
* Based on a 7.3% annualized gross return, representing the 10-year annualized gross return of the Balanced Strategy benchmark through June 30, 2026. The 3.0% inflation assumption is based on MTC capital market assumptions. Annual contributions of $1,000 are assumed to be made at year- end. This illustration is provided for informational purposes only and does not represent the performance of any actual portfolio. Past performance is not a guarantee of future results.