



**MEDALLION**  
WEALTH MANAGEMENT

*May 2026 Market Commentary*

*We built this city  
We built this city on rock and roll  
Built this city  
We built this city on rock and roll*

[https://www.youtube.com/watch?v=K1b8AhlSYQ&list=RDK1b8AhlSYQ&start\\_radio=1](https://www.youtube.com/watch?v=K1b8AhlSYQ&list=RDK1b8AhlSYQ&start_radio=1)



I was watching *Paradise* on Hulu the other night when "*We Built This City*" came on in the background. If you haven't seen it, the show is set in an underground city built to survive the apocalypse. Good watch. But the moment that song kicked in, my mind went somewhere else entirely — straight to portfolio construction.

I know. Occupational hazard.

Here's the thing though: humans are builders. It's in our DNA. We build homes, cities, careers, and families. There's a particular satisfaction in building that's hard to replicate anywhere else. For me, that satisfaction lies in building investment portfolios. A well-constructed portfolio scratches two itches at once — it works toward a goal, and it allows me to satiate my competitive hunger by competing against a benchmark or peer group. Providing tangible proof that the work was worth it.

After 40 years of doing this professionally, I figured it was time to pull back the curtain on how I actually do it — both for myself and for our clients at Medallion. Like architecture, building a good investment portfolio is a combination of both art and science. You must have a good vision of what you are trying to accomplish, but it also must be grounded in fundamental science. Whether you are a seasoned investor or just beginning your journey, understanding how to construct a portfolio that aligns with your goals, risk tolerance, and market outlook is essential.

### **Two Hats, One Philosophy**

I approach portfolio construction from two perspectives. There's my personal portfolio, which is built around my own goals and my own tolerance for risk. And then there's the work I do alongside my co-managers Scott Elliott and Mike Flickinger at Medallion Wealth Management, where we're building portfolios for a much broader range of investors with very different needs and objectives.

The two share more in common than you might expect: but the differences matter, and I'll get to those.

### **Start With the Foundation**

When you're building anything — a house, a city, a portfolio — job one is laying the right foundation. That starts with a simple question: *What are you actually trying to accomplish?*

Retirement? Income? Passing something on to your kids? The answer shapes everything that follows — what you own, how much risk you take, how you respond when markets get ugly.

I'm 66. My goals are a blend of current income and long-term accumulation. I have a number in my head — a specific amount my portfolio needs to generate to keep my wife living in the style she's become accustomed to. Everything above that is a buffer: rainy day money, or eventually, the kids' inheritance.

Simple. Clear. That clarity makes every subsequent decision easier.

## **Risk Isn't What Most People Think It Is**

Here's something I tell people all the time, and I mean it: **volatility and risk are not the same thing.**

Almost every asset is volatile to some degree. Prices move. Markets fluctuate. That's just how it works. But volatility doesn't mean you're going to lose money — it means prices are moving.

After four decades of watching markets, I've stopped seeing volatility as a threat. I see it as an opportunity.

Real risk, to me, is permanent loss. That's what I'm trying to avoid. I'll happily ride out a rough quarter if the long-term case is still intact. What I won't do is own something that could go to zero and never come back.

Know the difference. It'll change how you invest.

## **Diversification: The Double-Edged Sword**

Everyone's heard the diversification speech. Spread your money around, reduce your risk, and smooth out the ride. And yes — that's basically right. If you want growth *and* income, a mix of stocks and bonds makes sense. Diversification helps you get there.

But there's a dark side nobody talks about enough: over-diversification.

Own too many individual stocks, too many funds, too many asset classes, and a few things happen. Your returns drift toward mediocre. Your portfolio becomes impossible to manage. Your fees quietly compound in the background, eating into everything you've built.

I'm reminded of another great Warren Buffett quote, **"Diversification is protection against ignorance. It makes little sense if you know what you are doing."**

The best investors I've known — and I've known quite a few — run clean, relatively concentrated portfolios. They know exactly what they own and exactly why they own it. That's the standard I hold myself to, and it's the standard I'd encourage you to hold yourself to as well.

## **Asset Allocation: Get the Mix Right**

If diversification is the philosophy, asset allocation is where you actually put it into practice. It's one of the biggest drivers of portfolio performance — arguably *the* biggest — and it deserves serious thought.

The question is straightforward: what percentage of your portfolio belongs in each asset class? The answer depends entirely on what you're trying to accomplish. Are you looking for growth? Income? Some combination of both? Your allocation should reflect that, and it should reflect how much volatility you're genuinely willing to sit through.

For me, the answer has always come back to simplicity. I'm a stocks, bonds, and cash guy. Over 40 years I've experimented with options, futures, private equity — you name it. And almost without exception, the added complexity and cost wasn't worth it. The simpler the portfolio, the easier it is to manage, the easier it is to understand, and more often than not, the better it performs. Don't let anyone convince you that complicated is the same thing as sophisticated.

## **Rebalancing: Stay Honest with Yourself**

Markets move. That's their job. And as they do, your carefully constructed allocation drifts. The stock that doubled is now a much bigger piece of your portfolio than you intended. The bond position that lagged is now undersized. Left unchecked, you can end up with a portfolio that looks nothing like what you set out to build.

Rebalancing is how you stay honest. It's the discipline of periodically bringing things back in line with your original intention — selling what's grown too large, adding to what's been left behind. But it's also important to not be overly aggressive in trimming your winners just because they've grown or adding to losers just because they've shrunk in size. Someone once said that you don't want your rebalancing to look like the gardener cutting his flowers and watering his weeds.

At Medallion, we review every portfolio strategy weekly and make adjustments where the data warrants it. I do the same with my own accounts, though in practice I rarely find myself needing to rebalance more than twice a month. The cadence matters less than the habit. Just make sure you're looking.

## **Cost Management: The Expense That Compounds Against You**

Here's something that doesn't get nearly enough attention: costs compound just like returns do — except they work against you.

An advisor fee. An ETF expense ratio. A mutual fund load. Capital gains taxes every time you turn over a position. Individually, none of these feels like a big deal. Together, over time, they can do serious damage to what you actually end up with.

I'm not saying costs should drive every decision — sometimes paying more for the right manager, or the right strategy is absolutely worth it. But you should always know exactly what you're paying and be able to clearly articulate what you're getting in return. Full transparency, no exceptions. If someone can't give you a straight answer on fees, that tells you something.

## **The Strategies Worth Knowing**

There are a lot of ways to get to investment heaven when it comes to portfolio strategy. Here are the three I work with most, and my honest take on each:

*Individual security selection* is the OG — picking stocks and bonds yourself, doing the research, listening to the earnings calls. It's the most labor-intensive approach, but also the most rewarding. Think of it like designing and building your own home versus buying one off the lot. More work, more control, more satisfaction when it goes right. This is how I manage my personal portfolio. I love the research — understanding a company's competitive advantages, assessing its valuation, figuring out where it fits in the bigger picture.

We also run individual equity portfolios at Medallion, both Large-cap Growth and Equity-Income styles, that have a lot of similarities to my personal portfolio. Our goal is to outperform a passive benchmark on a risk-adjusted basis.

*Passive investing* gets a lot of well-deserved attention. Index funds and ETFs, low costs, and broad exposure. The catch? It's not quite as passive as it sounds — you still have to choose the right indices and think about how they work together. At Medallion we run diversified ETF portfolios using a mix of low-cost funds across different investment styles.

*Mutual fund investing* is the middle ground — you're outsourcing the stock-picking to active managers and betting on their ability to beat a benchmark. More complex and more expensive than ETFs, but done well, it can be worth it. We manage mutual fund portfolios at Medallion too, identifying managers we believe have the edge in their specific market segments.

## **The Mistakes That Quietly Kill Returns**

I've watched investors make the same errors for decades. A few worth naming:

Chasing last year's winner. By the time something is obviously the best-performing asset, the easy money is usually gone — and the price often reflects expectations that the underlying business can't meet.

Ignoring costs. A management fee here, a fund expense ratio there, taxes on every realized gain — these things compound just like returns do, except in the wrong direction. Know what you're paying. Make sure you're getting value for it.

Never rebalancing. Markets move. Your allocation drifts. What started as a balanced portfolio can quietly become a concentrated bet if you're not paying attention. At Medallion, we review every strategy weekly. I do the same for my own accounts.

## **One Last Thing**

I'll be honest with you: market outlooks are mostly noise. Nobody knows what's coming — not me, not the strategists on TV, not the economists with the fancy models. What you can control is the quality of what you build.

Just like a well-designed house, a well-constructed portfolio is built to weather whatever gets thrown at it. Financial collapses. Pandemics. Wars. Inflation. The point isn't to predict those things. The point is to still be standing — and still be growing — when they're over.

That's what good portfolio construction does. And honestly? It's one of my favorite things to do.

If you want to talk about what that looks like for you, we're here.

## **Our Current Market Environment**

The last couple of months have been proof of the need for a solid portfolio foundation. We are in the midst of massive economic change brought on by Artificial Intelligence, as well as a steady dose of geopolitical upheaval. Again, the goal is not trying to forecast the next shock, but the ability to survive it when it inevitably arrives.

As of this writing, the S&P 500 is up about 9% month-to-date and 4% year-to-date. Sounds great, but it masks a lot of volatility in both the headline numbers and in the underlying industries. A good example of this volatility is the performance discrepancy between the overall Technology sector, which is up about 10% YTD, versus the historically steady Software industry which is down about 20% YTD.

Navigating these changes has been a lot of fun. We are seeing a lot of performance divergences between stocks, industries, sectors, and investment managers. Volatility creates opportunities.

Comparatively speaking, the bond market has been relatively quiet. The yield on the 10-year Treasury bond has gone from 4.16% to 4.40% this year, reflecting stubbornly higher inflation. The spread between high-yield bonds and investment grade bonds is nearly unchanged with the YTD spread at 2.85%. In other words, the bond market is not showing many signs of overall economic weakness.

Our economy is amazingly resilient. While there is clearly pressure on the lower income half of the economy, the higher income half continues to carry on. Corporate profits and profit margins are at record highs, and subsequently the S&P 500 is near record highs.

Focus on the building, not on the weather.

As always, be careful out there.

Chris Wiles, CFA



Where Trust is Earned

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