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Wealth Advisors

Market Review Commentary

1Q
2026

Key Takeways

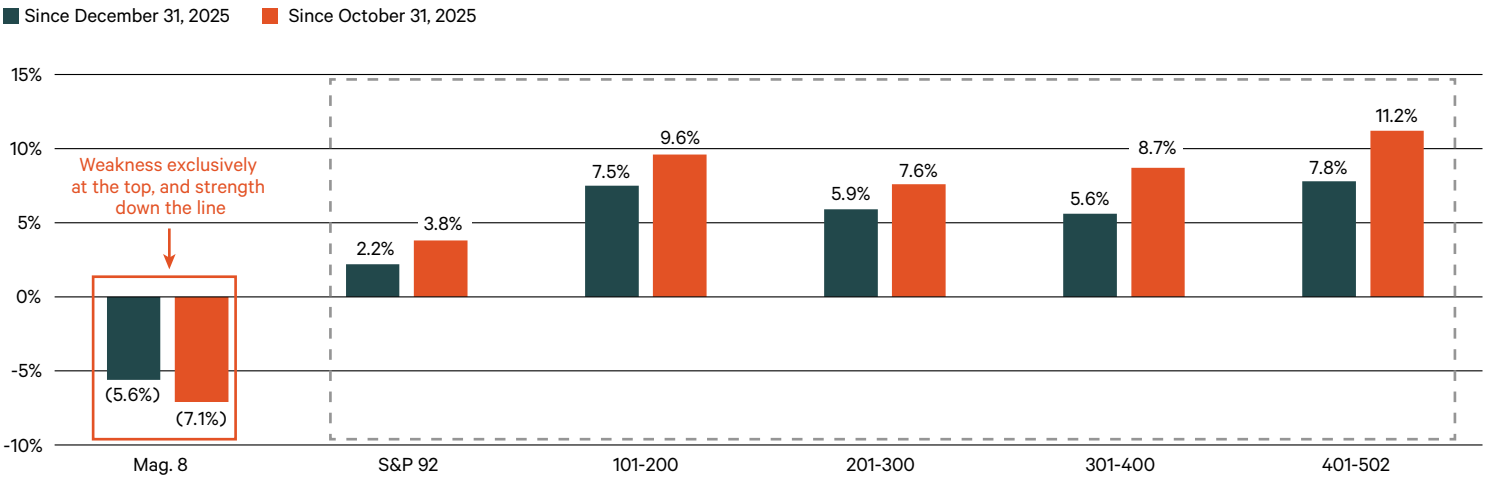
- Markets continue to experience volatility as higher rates, energy prices, and global events influence investor sentiment.
- In our view, investors with diversified portfolios and a long-term plan have generally been better positioned by staying focused on fundamentals rather than reacting to headlines.
- Leadership in the market has expanded beyond a narrow group of large companies, with broader participation across value and equal-weight segments.
- We believe international investments continue to offer diversification benefits, with emerging markets providing additional growth potential despite near-term uncertainty tied to energy markets.
- Small-cap stocks showed strength early in the year, though they remain sensitive to interest rates, reinforcing the importance of quality and balance.
- Recent moves in oil prices highlight the importance of inflation protection, where areas like infrastructure and commodities may play a supporting role.
- As we see it, higher rates support a flexible, actively managed fixed income approach, including selective exposure to TIPS, emerging market debt, and intermediate duration Treasuries.
- While private credit has continued to generate headlines, underlying fundamentals remain stable among established managers, and we maintain that these investments continue to play a role for investors comfortable with their structure and whose risk tolerance and financial plan support these types of investments.
- We believe a diversified approach across asset classes, styles, and geographies remains important in the current environment.

As we wind down the first quarter of 2026, the markets and investors are facing a vastly different dynamic than we've seen in quite some time. Geopolitical pressures, extreme rotations in the markets, spiking oil prices, higher interest rates, and questions around growth are just a few of the major topics that have left investors questioning how to be positioned within their portfolios.

The good news for investors is that a globally diversified portfolio that has been carefully thought out with realistic goals, proper planning, and a focus on separating signal from the noise, has helped avoid missteps and chasing returns. Those investors have been rewarded for staying the course, as rotations across the large cap space, large cap versus small cap, international versus U.S., and software versus other sectors have produced substantial spreads that began in the fourth quarter of 2025.

Much of our portfolio positioning remains consistent with the end of 4Q25, with selective tilts towards specific asset classes being additive, given the rotation that remains underway and very much intact.

FIGURE 1: AVERAGE PERFORMANCE BY S&P 500® INDEX MARKET CAP BUCKET
Since October 31, 2025 and December 31, 2025



Data as of March 16, 2026. Source: Strategas. The Magnificent 8 stocks include The Magnificent 7 stocks include Alphabet, Amazon, Apple, Broadcom, Meta Platforms, Microsoft, NVIDIA, and Tesla. The S&P 92 represents the 100 largest stocks in the S&P 500 (as of October 31, 2025), excluding the Magnificent 8. Please see the end of this commentary for important disclosures and additional information about the index. Indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

Equities and highly concentrated areas of the large cap space remain under pressure, dating back to the middle of the fourth quarter of 2025 and continuing year-to-date. Continued questions regarding capex and return on investment remain in focus, which has allowed the remaining 492 stocks to take over leadership within the index (Figure 1). Software has also contributed to additional pressure, and our belief is that a good portion of this is overblown, particularly among those companies that are unable to protect against AI disruption.

In our previous outlook, we discussed shifting exposure toward areas of the market such as value and equal weight within large caps. We still believe this change is warranted as the rotation continues from overvalued areas of the market and pressures from oil, inflation upticks, and cyclical tailwinds from economic growth continue to benefit these value and equal weight investment styles.

Other options we believe may provide diversification within investors' large cap allocations include taking a barbell approach, where growth managers have the flexibility to invest across the capital spectrum and own off-benchmark positions with less correlation to the S&P 500, Nasdaq, or Russell 1000, which remain mega-cap heavy and highly concentrated.

Indexes can mask what's happening beneath the surface, as the average stock in the S&P 500 is down approximately 18% from its high, while the overall index is only down 3% from its peak (Figure 2). The equal-weighted S&P 500 continues to maintain its year-to-date outperformance and in our view serves as a better measure of the health of the overall market versus its cap-weighed counterpart. If the software sector does make a meaningful comeback throughout the year, there may be an expectation that the Mag 7/8 could also see renewed interest.

FIGURE 2: S&P 500® INDEX AVERAGE STOCK DECLINE FROM 52-WEEK HIGH



Data as of March 16, 2026. Source: Strategas and Bloomberg. Please see the end of this commentary for important disclosures and additional information about the index. Indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

Developed and emerging markets started the year with considerable outperformance versus the U.S., continuing a trend from 2025. That outperformance immediately contracted following military action in Iran, which we believe can be attributed to these markets' heavy reliance on importing oil from the Middle East. The importance of energy independence has provided a buffer for the U.S. market.

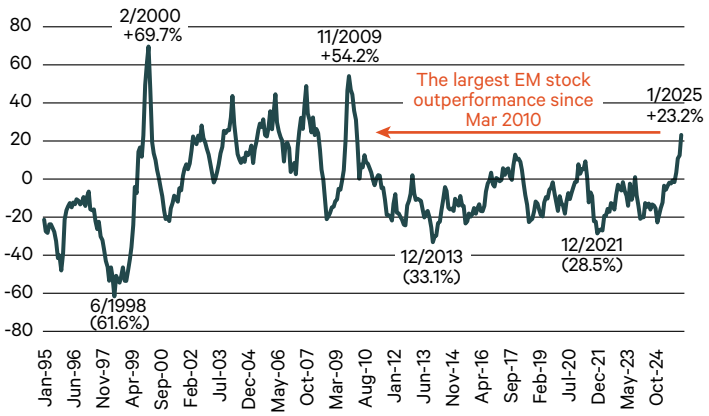
As we see it, positioning in developed and emerging markets remains attractive not only from a valuation, rotation, and diversification standpoint, but also from a growth and defense perspective. In our experience, emerging markets offer more opportunities from a growth perspective and stand to be secondary beneficiaries of the AI hardware buildout. We take the view that investors adding exposure outside the U.S. should consider an allocation toward emerging markets over developed markets.

FIGURE 3: LARGEST EMERGING MARKET STOCK OUTPERFORMANCE SINCE 2010

EM Stocks Are Up 43% in the Last 12 Months. Historically Periods of EM Stock Outperformance Cluster Together

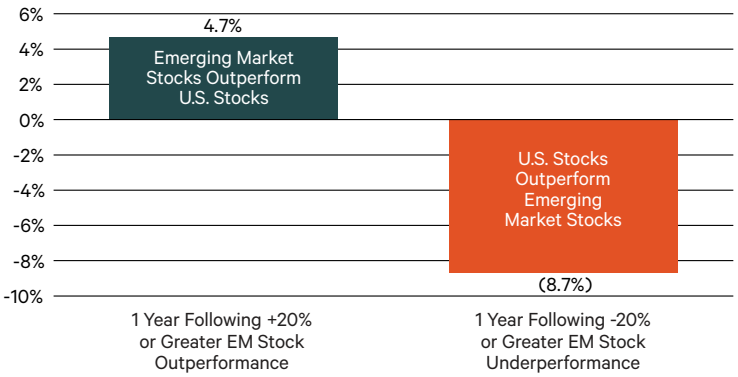
Emerging Market Stock Outperformance vs. U.S. Stocks

12-Month Rolling Average Annual Returns Emerging Markets - U.S. Stocks



Emerging Market Stocks Following Periods of Large Outperformance/ Underperformance

Average Annual Returns, Rolling 12 Months Since 1995



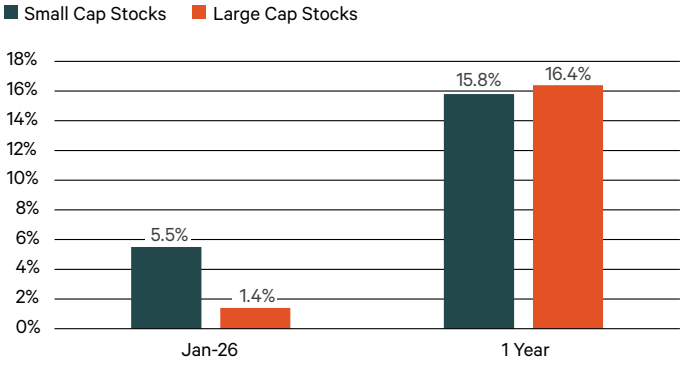
Data as of January 31, 2026. Source: Morningstar and Blackrock. U.S. stocks represented by the S&P 500 Index. Emerging market stocks represented by the Morningstar diversified emerging markets category. This illustration assumes reinvestment of dividends and capital gains. Assumes investors stays fully invested over the full period. Morningstar's Diversified Emerging Markets category includes equity funds that invest broadly across multiple emerging-market countries and regions rather than concentrating in a single country or sub-region. Please see the end of this commentary for important disclosures and additional information about the index. Indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

Strong small-cap performance continued from the fourth quarter into the first quarter of 2026, with considerable outperformance versus large caps (Figure 4). Earnings in small caps have shown meaningful signs of improvement, and importantly, the year-over-year percentage change in earnings per share versus the S&P 500 is notably attractive (Figure 5). Conversely, a meaningful portion of that outperformance was reduced following the onset of military action in the Middle East and as longer-term rates began to move higher.

The broader small-cap space remains highly sensitive to rate increases, the potential for higher-for-longer rates, and concerns that rate cuts could be taken off the table for the remainder of the year. We maintain that quality remains of the utmost importance when allocating to small caps, and we believe favoring an equal-weight approach until there is greater clarity around the Middle East and rate stabilization is preferred.

FIGURE 4: 6TH BEST START TO A YEAR FOR SMALL CAP STOCKS VERSUS LARGE CAP STOCKS

Small Caps Rallied to Start 2026
January 31, 2025 - January 31, 2026

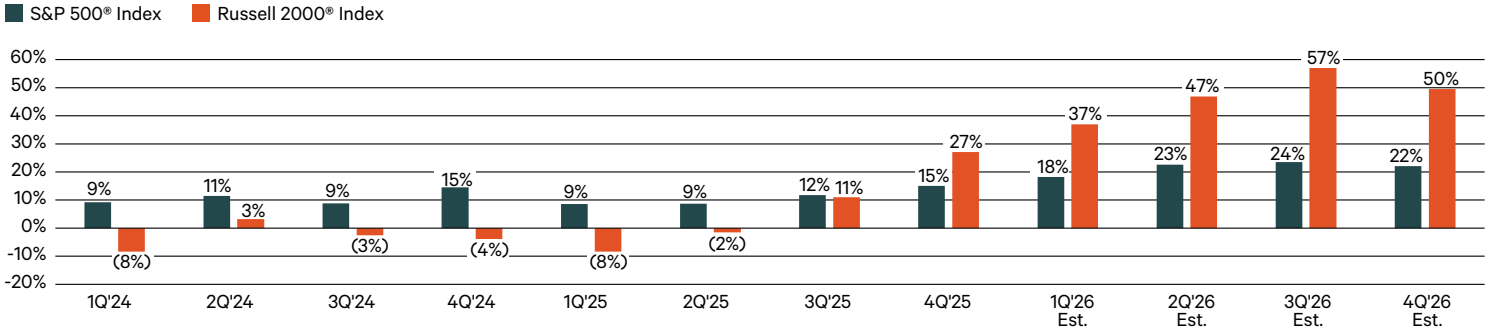


January 2026 Was the 6th Largest Best Start to a Year for Small Cap Outperformance vs. Large Caps
January 1, 1979 - January 31, 2026

	Top 10 Small Cap Outperformance to Start a Calendar Year (Jan)			Rest of the Year (11 Months Later)		
	Small Cap	Large Cap	Diff	Small Cap	Large Cap	Diff
1992	8.1	(1.9)	10.0	9.5	9.7	(0.1)
2006	9.0	2.6	6.3	8.6	12.8	(4.2)
2021	5.0	(1.0)	6.0	9.3	30.0	(20.7)
1985	13.2	7.8	5.5	15.7	22.2	(6.5)
1979	9.3	4.4	4.8	31.0	13.6	17.4
1991	9.0	4.4	4.7	33.9	25.0	8.9
2026	5.5	1.4	4.1	?	?	?
1983	7.6	3.7	3.9	20.0	18.2	1.8
1981	(0.4)	(4.2)	3.8	2.4	(0.8)	3.2
2023	9.7	6.3	3.5	6.5	18.8	(12.3)
Avg.	7.3	2.3	5.0	13.5	15.2	(1.7)

Data as of January 31, 2026. Source: Morningstar and Blackrock. U.S. small-cap stocks are represented by the Russell 2000 Index from January 1, 1984 to January 31, 2026 and the IA SBBI U.S. sml Stock Tr USD Index from January 1, 1979 to December 31, 1983. Large cap stocks are represented by the S&P 500 Index. Please see the end of this commentary for important disclosures and additional information about the index. Indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

FIGURE 5: S&P 500® INDEX VS. RUSSELL 2000® INDEX
Year-Over-Year % Change in Earnings Per Share



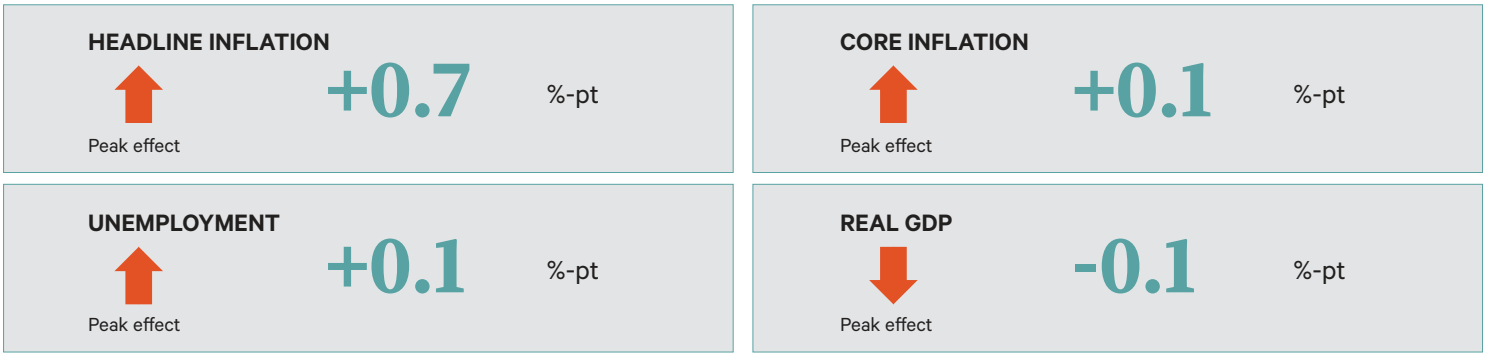
Data as of March 17, 2026. Source: Strategas and Bloomberg Consensus Estimates. Please see the end of this commentary for important disclosures and additional information about the index. Indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

The war in Iran has investors highly focused on the potential length of the conflict and the impact of higher oil prices for longer. While the outcome remains uncertain, analysts believe an earlier-than-expected resolution would likely be positive for oil prices to subside. Structurally, investors are expected to remain cautious given the potential for additional conflicts that could keep oil prices higher relative to where the year began.

In our view, oil volatility driven by headlines and actions in the Strait of Hormuz can serve as a reminder for clients to maintain some level of inflation protection within their portfolios. This is why we believe infrastructure exposure should be considered a core holding for those looking to offset potential inflationary pressures, particularly considering the most recent CPI report, which has not yet fully reflected the sharp rise in oil prices (watch March CPI). A more targeted approach is for investors to consider adding exposure to broad commodity baskets. Overall, we continue to favor exposure toward value, equal weight, and infrastructure as longer-term solutions to potential inflation headwinds.

From a fixed income standpoint, inflation concerns have contributed to higher interest rates. In this regard, we believe active management and a flexible approach allow for allocations to areas such as TIPS and emerging market debt, along with more precise management of interest-rate exposure. Managers also could add exposure toward intermediate areas of the Treasury curve, which have the potential to capture the yield available in long-term bonds, but with roughly one-third of the interest rate risk, particularly when upside in shorter-duration bonds is less attractive.

FIGURE 6: WHAT IS THE IMPACT OF $100 OIL PRICES ON THE U.S. ECONOMY?
Model Estimates from a Version of the Fed's Model Show a Modest Macroeconomic Drag from a Persistent Shock to Oil Prices



BOTTOM LINE

The U.S. is a net oil exporter, and energy efficiency has improved significantly—the economy burns less oil per unit of GDP than historical levels. This dampens the overall negative impact of price spikes, keeping drag modest.

Data as of February 26, 2026. Source: Apollo Global Management, Inc. Please see the end of this commentary for important disclosures. ***Past performance is no guarantee of future results.***

FIGURE 7: S&P 500® INDEX PERFORMANCE FOLLOWING SIGNIFICANT INCREASES IN OIL PRICES

		S&P 500® Index Performance				
Date	5D ROC in WTI	+1 Month	+3 Months	+6 Months	+9 Months	+12 Months
Jul-86	18.6%	6.0%	0.7%	15.3%	27.1%	34.9%
Aug-90	22.2%	(6.1%)	(8.7%)	1.3%	13.3%	16.2%
Mar-96	19.0%	(0.9%)	2.1%	6.0%	16.3%	23.2%
Mar-98	20.5%	0.3%	2.8%	(5.0%)	12.1%	16.4%
Sep-08	26.3%	(25.6%)	(27.3%)	(35.4%)	(24.4%)	(8.8%)
Aug-15	28.7%	(2.5%)	6.1%	(0.9%)	8.1%	12.5%
Jan-16	21.7%	3.7%	11.9%	16.4%	15.2%	24.5%
Mar-20	20.2%	14.8%	25.2%	34.5%	51.6%	60.6%
Mar-22	20.1%	3.8%	(4.4%)	(9.8%)	(6.0%)	(7.7%)
Mar-26	24.8%	?	?	?	?	?
	Average	(0.7%)	0.9%	2.5%	12.6%	19.1%
	Median	0.3%	2.1%	1.3%	13.3%	16.4%

Data as of March 6, 2026. Source: Strategas. Please see the end of this commentary for important disclosures and additional information about the index. Indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. ***Past performance is no guarantee of future results.***

Private markets have continued to generate increased headlines, particularly within direct lending in the private credit space. In today's environment, news stories are often highly sensationalized and, at times, inaccurate. Notable headlines with greater validity have largely been in the broadly syndicated loan space (bank loans), an area where we do not invest. We have noted that across top-rated managers within direct lending, default rates remain below the historical averages, especially coming off a period of historically low defaults.

Liquidity has long been a trade-off that investors accept in exchange for the potential to earn returns above a risk-free rate. In private credit, features such as gating and pro-rating are a normal part of the structure and reflect how these investments are designed. We continue allocating to direct lending strategies as a core holding and typically view them as a replacement for lower-quality, non-investment-grade liquid fixed income, assuming investors are comfortable with the liquidity terms, and their risk tolerance and financial plan support the allocation. Investors may also consider other areas of the private credit market for additional diversification, such as asset-backed finance, particularly when looking to reduce interest rate sensitivity and create the potential to enhance income within their broader fixed income allocation.

We recognize that headlines can create stress and uncertainty, but we believe it is important to provide perspective informed by historical experience with the understanding that each situation is unique and outcomes may differ. We continue to advocate for maintaining diversification within a portfolio, which can help alleviate the challenge of trying to time major allocation shifts. Guidance around portfolio positioning will vary by client, and discussing allocations with your advisor may help clarify how a long-term plan already accounts for many of these headline risks. As always, we appreciate your trust and confidence, and please reach out with any questions.



Andrew Grant
Director of Manager Research & Investment Solutions

Andrew Grant is Director of Manager Research and Investment Solutions. He began his career in the wealth management industry in 2003.

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Investments commonly known as "alternative investments" are not suitable for all investors, and "alternative investments" often have minimum eligibility requirements that must be met. Whether an investment in an "alternative investment" is suitable or appropriate for a particular investor will depend on several factors, including the investor's risk tolerance, investment time horizon, and liquidity needs. Please consult with your advisor to better understand the risks of "alternative investments" before making such investments.

The S&P 500 Index *is a market capitalization weighted index which includes 500 of the largest companies in leading industries of the U.S. economy. The index is calculated on a total return basis with dividends reinvested.* ***The S&P 500 Equal Weight Index (EWI)*** *is the equal-weight version of S&P 500 Index and includes the same constituents, but each company in the EWI is allocated a fixed weight—or 0.2%—of the index total at each quarterly rebalance.* ***The Nasdaq Composite Index*** *is a market capitalization-weighted index of all common stocks listed on the Nasdaq Stock Market. The index is calculated on a total return basis.* ***The Russell 1000 Index*** *is a free float-adjusted market capitalization-weighted index of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.* ***The Russell 2000 Index*** *is a free float-adjusted market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.* ***The IA SBBI U.S. Small Stock Total Return Index*** *tracks the long-term performance of U.S. small-company stocks, including both price changes and dividends. It is based on historical data used in the Stocks, Bonds, Bills, and Inflation (SBBI) series and reflects how smaller U.S. companies have performed over time. The indices are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.*