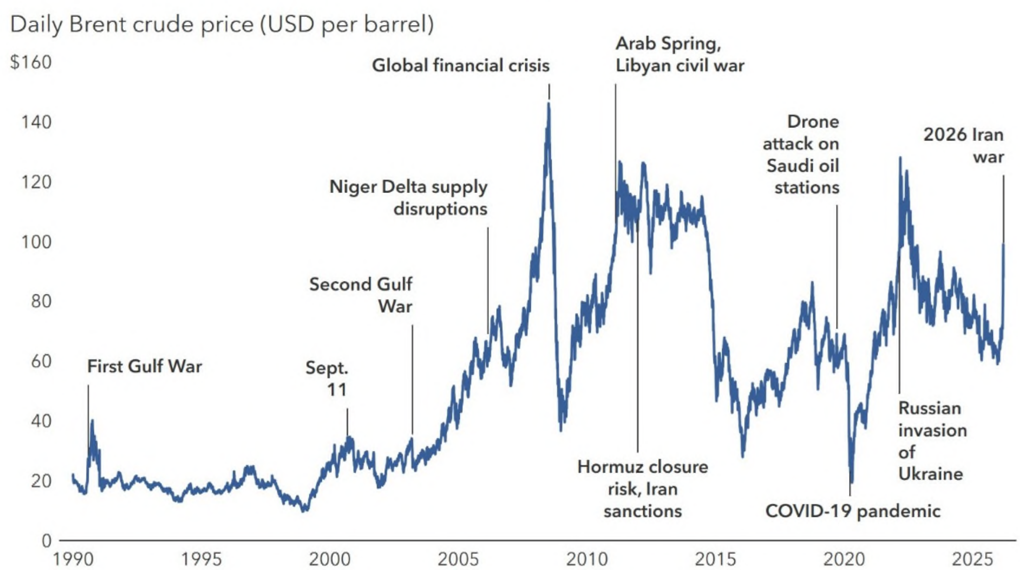
The first quarter of 2026 can be summed up in one word ‘exhausting.’ We witnessed a clear shift in market leadership and a more fragile macro backdrop. After several years of U.S. dominance, capital rotated away from U.S. equities into cheaper international markets as growth expectations improved abroad. At the same time, U.S. markets, particularly growth and technology, faced pressure from rising real interest rates. Inflation proved stickier than expected across major economies, forcing central banks to signal a slower path to rate cuts, which weighed on equity multiples. Oil prices rallied on fears of a sustained Middle East conflict. Overall, the quarter reflected a shift to a more selective, macro-sensitive, environment.

S&P 500:	-4.4%
S&P 400:	2.5%
Russell 2000:	0.9%
NASDAQ:	-5.9%
MSCI World ex-US:	2.0%
US Agg. Bond	-0.1%

Value stocks significantly outperformed Growth globally. US equities lagged their global peers on account of elevated starting valuation and tech concentration. Stronger returns abroad were driven by lower valuations, improving earnings expectations, and a weaker dollar. Markets are functioning rationally.

The elephant in the room this quarter is Iran. It is our belief that holding the world hostage via the Straight of Hormuz an unsustainable task. This will be resolved. A solution will emerge, oil prices will fall as will inflation. Stocks will rally. It is our job to stress ‘it’s not different this time.’ We have seen this before. The NASDAQ plummeted 35% in 2022 and quickly reversed course. Likewise, in the April Tariff Tantrum. The charts below detail this nicely.

Oil shocks have been common since the 1990s



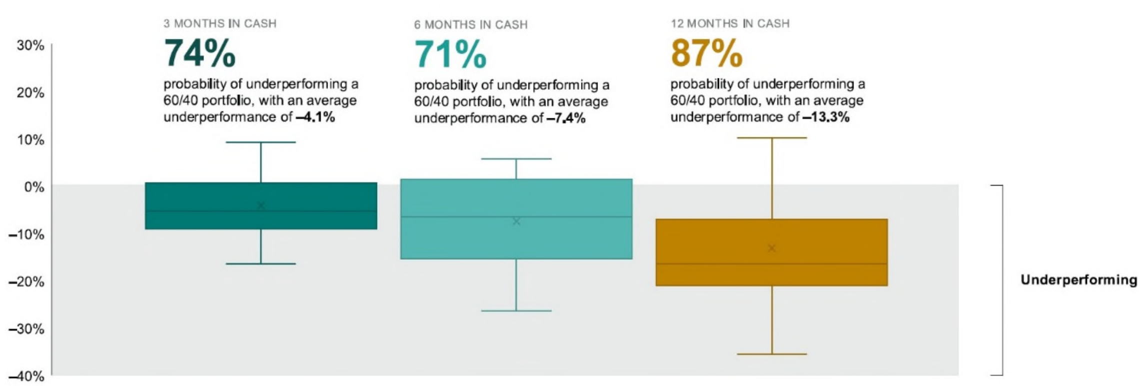
Sources: Capital Group, Bloomberg. Figures reflect daily settlement prices between January 1, 1990, and March 10, 2026. Event dates are aligned to the nearest observable market price. If an event occurs on a non-trading day, the prior trading day is used as the start date.

U.S. stock markets often recovered from geopolitical oil disruptions

S&P 500 Index returns following geopolitical-related oil supply disruptions, 1990-2024

Sources: Capital Group, Bloomberg, Standard & Poor's. Specific geopolitical events that are reflected in average returns figures include: First Gulf War (August 1990), Second Gulf War (March 2003), Niger Delta supply disruptions (February 2006), Arab Spring and Libyan civil war (February 2011), Hormuz closure risk and Iran sanctions (December 2011), drone attack on Saudi oil stations (September 2019), Russian invasion of Ukraine (February 2022). Event dates are aligned to the nearest observable market price ("T"). If a shock occurs on a non-trading day, the prior trading day is used as the start date. Horizon returns are measured using the first available trading day on or after the stated calendar horizon (e.g., "T+2 days"). Past results are not predictive of results in future periods. Figures reflect total returns. As of March 10, 2026.

Moving to cash in a panic rarely pays off



Source: Vanguard total return calculations, as of December 31, 2024.
Notes: Equities in the 60% equity/40% fixed income portfolio are represented by the Russell 3000 Index and fixed income is represented by the Bloomberg U.S. Aggregate Bond Index. Cash is represented by the FTSE 3-Month Treasury Bill Index. Monthly data are from January 1980 through December 2024. Equity losses of more than 10% over three months trigger the move from a 60/40 portfolio to all cash in the illustration.

Portfolio Positioning

We continue to employ discipline, mindful of the global investment landscape. This meant lagging when investors clamored around technology names despite the valuations. Now, high-quality international companies are coming to notice. We believe there is a lot to like in this market.

Ignoring the hyperbole of the media, underlying fundamentals remain solid. S&P 500 has delivered four consecutive quarters of double-digit earnings growth. Corporate revenues and profits remain strong, and balance sheets are healthy. Valuations appear reasonable, and interest rates, while elevated, remain manageable. Therefore, we enter the second quarter with positive sentiment. A neutral to slightly aggressive weight to equities is appropriate. Iran will pass and new all-time highs will materialize.

We look forward to connecting soon.

-Fountainhead Financial, LLC.