

## Quarterly Client Letter

### April 6, 2026

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Please find your enclosed Quarterly Report and Billing Statement for the period ending March 31, 2026.

For markets, the first quarter has felt like déjà vu. Just like last year, the quarter was marked by sharp swings; only this time, it was the war in the Middle East, not tariffs, keeping investors on edge and volatility elevated. Both episodes fueled the same concern: upside risk to inflation, and that has weighed on returns.

Looking at performance across asset classes in 1Q26, all but commodities have shed gains since the war broke out in late February, and most were down for the quarter. US large-cap stocks were down 4.3%, while small-cap stocks fared better. Foreign and emerging market stocks, while also down, performed better than the US and continued to show strong fundamentals which began last year, even with a very difficult March.

Bonds were flat to slightly down due to a jump in bond yields as inflation fears rose with energy prices. Investors shifted from expecting interest rate *cuts* this year to bracing for potential rate *hikes*.

Of course, commodities were the big winner for the quarter with energy prices driving the asset class to double-digit gains.

The Global Markets Summary shows additional detail on how various markets have performed.

## Global Markets Summary

### March 31, 2026

Index	1Q	YTD	1 Year	3 Years	5 Years	10 Years
US Large Cap Stocks <i>S&amp;P500</i>	-4.3%	-4.3%	17.8%	18.3%	12.1%	14.2%
US Small Cap Stocks <i>Russell 2000</i>	0.9%	0.9%	25.7%	13.0%	3.8%	9.9%
Foreign Developed Stocks <i>MSCI EAFE</i>	-1.2%	-1.2%	21.3%	13.6%	7.9%	8.4%
Emerging Market Stocks <i>MSCI Emerging Markets</i>	-0.2%	-0.2%	29.6%	14.8%	3.7%	7.8%
Investment Grade Bonds <i>Bloomberg US Aggregate</i>	-0.1%	-0.1%	4.4%	3.6%	0.3%	1.7%
High Yield Bonds <i>BofA Merrill Lynch US High Yield, Master II</i>	-0.6%	-0.6%	6.9%	8.5%	4.2%	6.1%
Municipal Bonds <i>Bloomberg Muni Bond: 5 Year</i>	0.0%	0.0%	4.1%	2.8%	1.1%	1.8%
Commodities <i>Bloomberg Commodity</i>	24.1%	24.1%	32.3%	13.9%	14.1%	8.0%
Cash <i>FTSE 3 Month T-Bill</i>	0.9%	0.9%	4.2%	5.0%	3.5%	2.3%

### What's happening in the economy and markets?

While many of the underlying economic fundamentals in place at the start of the year haven't changed, war in the Middle East has certainly complicated factors in the short-term. Central banks, including the Federal Reserve, are in a difficult position. While they would like to lower rates to support growth, the energy shock from high oil prices may keep inflation elevated. Therefore, we should expect rates to remain higher for longer.

The luster of the technology darlings in US stocks was already fading prior to year-end, and that trend continues. Traditional technology companies, such as software providers, are being challenged by the prospects of new AI capabilities. This is broadening the opportunity for returns within tech, while also improving prospects for other sectors, such as infrastructure.

While more conservative sectors, like Utilities and Healthcare may seem like to place to be while times are scary, last year's rocky start faded quickly, with markets finishing strong — a reminder that in markets, winters are often short and summers long. Therefore, a balanced approach is warranted given the unpredictable nature of geopolitical conflict. Historically, markets have shown a remarkable ability to recover from geopolitical shocks. While the short term may feel scary, corporate earnings have remained surprisingly resilient—actually being revised upward since the conflict began.

### **What's happening in portfolios?**

Coming into the year, portfolios had been allowed to drift above normal risk allocations given the strong performance in stocks last year. As the war progressed in March, several trades were made to bring these weightings to more neutral levels. The investment team is reluctant to take a more conservative position with the expectation that hostilities will be short-lived and the shear difficulty of predicting such. Most portfolios were down slightly for the quarter and performed favorably compared with benchmarks.

As always, we appreciate your business. Please let me know if you have any questions about your report or other matters.

Best Regards,



Mark G. Smith, CPA, CFP®  
President

Enclosures