

RISING TENSIONS, STEADY DECISIONS GEOPOLITICAL RISKS “FUELING” VOLATILITY

THOUGHTS ON THE IRAN CONFLICT AND OIL MARKETS

The first quarter of 2026 has been a reminder that uncertainty is an inherent feature of investing. A sharp spike in oil prices, combined with escalating geopolitical tensions, drove volatility across global markets. While these developments can feel abrupt and destabilizing, history suggests that markets are generally resilient, even when the headlines feel most concerning.

Energy shocks tend to ripple through the economy, influencing inflation expectations, consumer sentiment, and monetary policy. The initial reaction is often swift and uncomfortable, but the longer-term impact is typically more nuanced. Markets are adaptive systems: prices adjust, supply and demand respond, and new information is continuously incorporated.

Geopolitical events, while serious, are also notoriously difficult to forecast or trade around. By the time a narrative feels clear, markets have often already adjusted. Separating signal from noise is especially challenging in real time, particularly when events are evolving quickly.

MARKET INSIGHTS

U.S. equities declined modestly, with the S&P 500 falling -4.33%¹ for the quarter, one of the weaker starts to a year in recent memory. However, the headline masks significant internal dispersion. Energy was a clear outlier, rising 38.25%¹ in the first quarter, benefiting directly from higher oil prices. The S&P 500 Information Technology sector was a meaningful drag, slipping 9.13%¹ over the same period. When leadership narrows and then shifts abruptly, broad diversification becomes less of a drag and more of a defense.

International equities provided some relative support. While still volatile, developed markets generally held up better than the U.S., aided in part by currency dynamics and less concentration in large-cap technology. For example, the S&P Developed Ex-US Index finished the first quarter essential flat, losing 0.05%¹, despite a noticeable 11.19%¹ drop in March.

Fixed income also failed to provide its typical ballast. The S&P U.S. Aggregate Bond Index fell 1.77%¹ in March and slipped 0.11%¹ in the first quarter. Longer-duration, higher-quality bonds also did not offer meaningful protection since the start of the conflict in Iran.

Thus, one of the more notable developments this quarter has been the failure of traditional hedges, at least so far. Historically, geopolitical stress and inflation shocks have supported long-duration bonds and gold. This time, both have been less reliable. Longer-term bonds have struggled as persistent inflation concerns kept yields elevated. Gold, often viewed as a geopolitical hedge, has not provided the diversification many investors expect, evidenced by the S&P GSCI Precious Metals Index declining 12.25%¹ in March. This is not a breakdown of these assets' roles, but a reminder that correlations are not static. Asset relationships shift depending on inflation, policy, and liquidity conditions, and those forces rarely align perfectly with historical patterns, especially in the short term.

GAINING PERSPECTIVE

Periods like this challenge our desire for comfort and simple answers. It is tempting to search for a single “correct” positioning: moving to cash, leaning into commodities, or attempting to time interest rates. In reality, no single scenario dominates with certainty. Rather than trying to predict what comes next, the focus shifts to building portfolios that can perform reasonably well across a range of outcomes. This is where diversification proves its value, not as a tool to maximize returns in any one environment, but as a framework for managing both financial and behavioral risk.

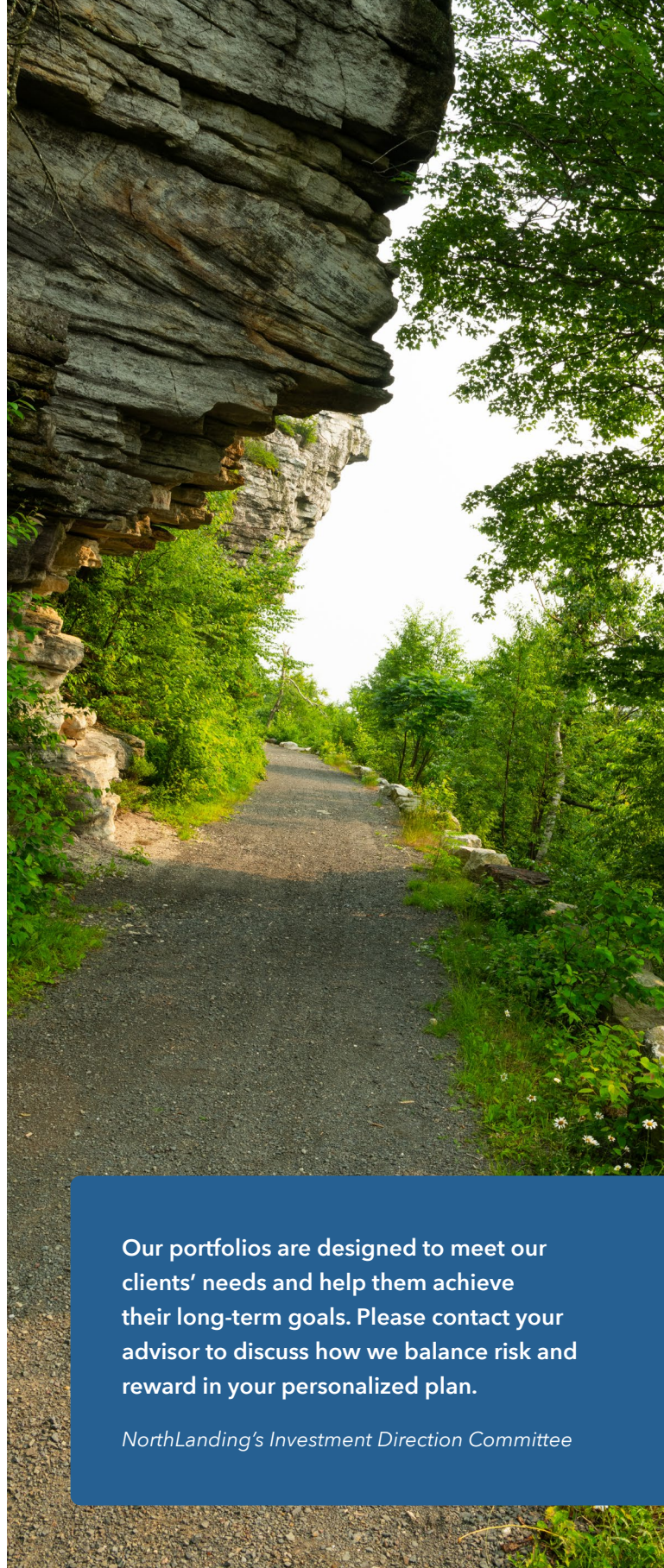
Diversification can feel frustrating in the short term, particularly when certain assets lag. However, over full market cycles, it remains one of the most reliable ways to navigate uncertainty. Short-term underperformance in any asset class does not invalidate its long-term role, just as a single at-bat does not define a hitter's baseball season.

PORTFOLIO IMPLICATIONS

Our approach remains measured and disciplined, just as it did last April when the tariff uncertainty hammered global markets. We are mindful of near-term risks, particularly those tied to inflation and geopolitical uncertainty, and are comfortable maintaining the slightly more cautious posture that we adopted at the end of 2025.

At the same time, we are not making wholesale shifts based on short-term developments. Attempting to reposition portfolios around rapidly evolving narratives often introduces more risk than it mitigates. Instead, we continue to emphasize broad diversification across asset classes and geographies, maintaining appropriate equity exposure for long-term growth, managing interest rate sensitivity within fixed income, and remaining flexible, but not unnecessarily reactive. We will continue to monitor developments and rebalance as needed.

While the current environment may feel uniquely complex, it is not unprecedented. Oil shocks, geopolitical tensions, and shifting correlations have always been part of investing. Ultimately, we believe that successful long-term investing is not about constant action, rather it is about constant discipline.



Our portfolios are designed to meet our clients' needs and help them achieve their long-term goals. Please contact your advisor to discuss how we balance risk and reward in your personalized plan.

NorthLanding's Investment Direction Committee

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¹ Investment performance data through 3/31/2026 was provided by S&P Dow Jones Indices LLC and/or its affiliates and believed to be accurate as of the date of this publication, gross of any advisory fees. While all data is believed to be from reliable sources, accuracy and completeness are not guaranteed. All investment strategies including diversified asset allocation have risk. Past performance of the markets or any investment approach, as well as component holdings, does not guarantee future results.