Investment Report 1T2026

Military conflicts combined with more conventional market worries about overpriced assets and potentially harmful effects of AI caused stocks to be somewhat pressured during the first quarter of 2026. However, steady economic growth and corporate earnings supported markets throughout the quarter. In the first quarter of 2026, the S&P 500 began the year somewhat lower due to a spike in market volatility brought on by a rise in geopolitical tensions, strain in private credit markets, and growing worries that AI would threaten some industries. Geopolitical surprises began on January 3, 2026, when the U.S. military conducted a risky operation in Venezuela and detained Venezuelan President Maduro. Given the ambiguity surrounding the nation's enormous oil reserves, this caused a brief increase in market volatility. However, the new Venezuelan government promised to cooperate with the United States, reducing market tensions, and the action turned out to be limited. The U.S. Attorney for the District of Columbia sent Fed Chair Powell two grand jury subpoenas regarding the refurbishment of the Federal Reserve building shortly after the markets had recovered from that initial shock. Due to weakness in several US technology sectors and the intensifying crisis in the Middle East, global equities declined throughout the quarter. Commodities performed well due to rising oil prices. As concerns about inflation and possible interest rate increases were heightened by those rising commodity prices, government bonds saw a sell-off.

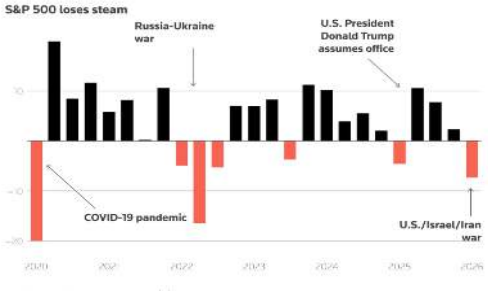
Concerns about attacks on Fed independence, which could result in sustainably higher inflation if undermined, were rekindled by that decision. Market concerns were allayed when a number of well-known Republican senators opposed the subpoenas and expressed support for Fed independence. The Fed reminded investors at the January meeting that it still intended to lower rates this year, but stable economic data and a generally strong fourth-quarter earnings season helped keep economic and earnings growth projections intact despite these unexpected headlines causing brief spikes in market volatility. The S&P 500 finished the month with a strong gain in spite of the headline volatility.

Early February saw increased volatility, but it was concentrated on particular market segments like technology and finance. The software industry had a sharp downturn after Anthropic, an AI startup, debuted a Claude Cowork app. This was due to growing concerns that AI developments would eventually render entire economic sectors obsolete. Prior beliefs that AI was almost entirely advantageous to the economy and markets were upended by that notion. Geopolitical dangers finally increased on the final day of February when the United States launched a military attack on Iran. This led to a conflict between the two nations that essentially blocked the Strait of Hormuz and substantially decreased the amount of oil available globally, causing an overnight spike in oil prices.

March saw an acceleration of market drops as expectations for a speedy conclusion to the war between the United States and Iran diminished. Iran and its proxies attacked the energy infrastructure and oil tankers of neighbouring Gulf states in the Persian Gulf, raising the price of oil above $100 per barrel and putting further strain on the world economy as the United States and Israel dominated the conventional military fight. Oil prices have skyrocketed, increasing the price of fuel and setting off a chain reaction of price increases worldwide. After rising more than 60%, Brent, the global oil benchmark, reported its biggest monthly percentage increase ever. In March, the price of U.S. West Texas Intermediate crude oil also hit the roof, rising more than 50% in its largest one-month increase since 2020.

The increase in geopolitical risks caused the S&P 500 to slightly decline, though losses were somewhat mitigated by expectations of a truce in late March. The S&P 500 ended the quarter in firmly negative territory after experiencing a little fall during the mast month of the quarter. In March, the Nasdaq Composite dropped 4.75%, while the S&P 500 sank 5.09%. Throughout the month, markets were severely impacted by the U.S.-Israeli war on Iran and the nearly complete blockage of the Strait of Hormuz, a small, Iranian-controlled waterway that normally carries a fifth of the world's crude oil every day. The S&P 500 and Nasdaq recorded their worst annual beginnings since 2022, when the Russian invasion of Ukraine rocked markets, on Tuesday 31 March 2026, which also marked the end of the first quarter of the year. The Nasdaq fell 7.1% and the S&P 500 fell 4.6% during the first quarter. FactSet projects that the S&P 500's blended profits growth rate for the quarter will be 13.2% on an annual basis. Notably, a 17.4% growth rate in earnings is anticipated for the year 2026.





Magnificent Seven

2026 hasn't been a great year for technology because of the unstable global environment and domestic business issues. According to Dow Jones Market statistics, the Nasdaq Composite Index saw its biggest quarterly percentage decline in a year during the first three months of the year, falling 7.1%. The first quarter saw declines in all of the Magnificent 7 stocks. With a 23 percent drop and its poorest quarterly performance since 2008, Microsoft had the worst start to the year of any of them. With a 13% decline, Meta Platform had its lowest point quarter since 2022. Despite falling 6.5% in the first three months of 2026, Nvidia was the top-performing Mag 7 stock in the first quarter. The entire stock market has been severely impacted by the Iranian conflict, and technology has not been exempting. As rising oil costs and growing tensions damaged morale, so investment moved away from high-growth businesses. All of the Mag 7 stocks have average price goals that are higher than their most recent closing prices, according to a FactSet survey. For instance, Apple's average price forecast of $297.97 indicates a 17% gain over its most recent closing price of $255.63. With an average price prediction of $410.63, Tesla is expected to rise by 7% from its most recent closing price of $381.26. In the foreseeable future, tech is probably going to face more challenges. It can be profitable to ride the erratic wave.



First Quarter Performance Review

The U.S.-Iran war dominated market internals and performance in the first quarter, but worries about private credit and possible adverse effects from AI also played a role. The three main large-cap stock indices experienced losses at the end of the quarter. Due to weakness in AI-related tech and software stocks, the Nasdaq performed the worst out of all of them. However, because small-cap stocks are typically thought to be more resilient to the first quarter's challenges such as geopolitical tensions, credit issues, and AI fears, small caps outperformed large caps, with the Russell 2000 ending the first quarter with a little gain.

Value-focused strategies first profited from a rotation away from tech and into sectors less susceptible to AI. In the first quarter, value significantly outpaced growth and achieved a slight gain. Furthermore, the lower-multiple energy and materials sectors, which surged after the start of the U.S./Iran war, helped value styles late in the quarter. Growth strategies that relied heavily on technology ended the quarter significantly lower. Six of the 11 S&P 500 sectors ended the quarter with a positive return, indicating mixed sector performance. Energy, which increased by more than 30% in the first quarter due to higher oil prices, was by far the best-performing sector in Q1. Following the war between the United States and Iran, the materials sector which includes businesses with significant exposure to commodities performed well in terms of increased natural resource prices. Also, when interest shifted to less volatile, more defensive segments of the market, consumer staples and utilities also saw significant increases at the end of the first quarter. When it comes to sector laggards, the banking sector had significant losses in Q1 and was the worst-performing S&P 500 sector due to the previously noted private credit issues. Concerns that rising oil costs would result in lower consumer spending also contributed to the consumer discretionary sector's somewhat negative return. Lastly, the decline in software and AI-related technology equities caused the technology sector to decline.

US Equity Indexes	Q1 Return	YTD
S&P 500	-4.33%	-4.33%
DJ Industrial Average	-3.19%	-3.19%
NASDAQ 100	-5.82%	-5.82%
S&P MidCap 400	2.50%	2.50%
Russell 2000	0.89%	0.89%

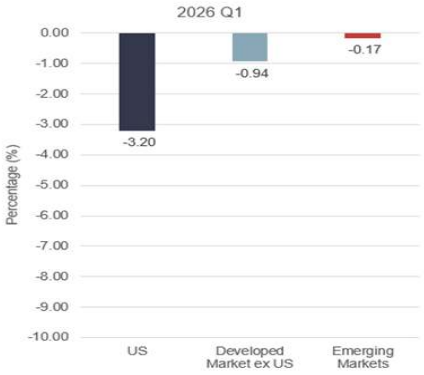
Source: YCharts

Global Equities

Resilient economic indicators and an expansion of market leadership outside US mega-cap companies helped global equities start 2026 on a positive note. But as the quarter went on, short-term shocks rather than underlying fundamentals began to influence market behaviour, which culminated in a severe decline in risk sentiment in March. According to the MSCI World index, developed market shares decreased in the first quarter. Global markets were impacted by a mix of uncertainty brought on by the Middle East conflict and weakness in US software firms. Following the elections in February, Japan was an anomaly with positive quarterly results. Early in the quarter, the technology-heavy markets of Korea and Taiwan saw gains, while emerging market stocks outperformed their counterparts in developed markets. While the

MSCI World ex USA Index dropped by a more moderate –0.9%, the MSCI USA Index plunged –4.6%, underperforming other developed markets. With a mere –0.2% decline, emerging markets maintained their impressive relative performance from 2025. Differences in valuation, sector mix, and differing sensitivity to energy prices and interest-rate forecasts all contributed to this gap.





The prominent stylistic revolution beneath the surface was one of the quarter's most notable characteristics. Value stocks significantly outpaced growth stocks following a number of years of growth leadership. The MSCI ACWI Value Index increased +1.2% while the MSCI ACWI Growth Index decreased –7.7%, creating an exceptionally large performance disparity. Simultaneously, small-cap stocks performed better than large-cap stocks; the MSCI ACWI Small Cap Index increased by +1.1%, while the MSCI ACWI Large Cap Index decreased by –3.7%. Though it was most noticeable in the US market, this pattern was present throughout other areas.



Overview

Total returns (net) % – to end March 2026

	3 months			12 months		
Equities	USD	EUR	GBP	USD	EUR	GBP
MSCI World	-3.6	-1.7	-1.6	18.9	11.5	16.4
MSCI World Value	1.2	3.1	3.2	16.6	9.3	14.1
MSCI World Growth	-8.5	-6.7	-6.6	20.2	12.7	17.7
MSCI World Smaller Companies	1.4	3.3	3.4	26.2	18.3	23.5
MSCI Emerging Markets	-0.2	1.8	1.8	29.6	21.5	26.8
MSCI AC Asia ex-Japan	-1.2	0.7	0.8	28.4	20.3	25.6
S&P500	-4.3	-2.5	-2.4	17.8	10.4	15.3
MSCI EMU	-4.3	-2.4	-2.4	19.7	12.3	17.2
FTSE Europe ex UK	-3.9	-2.0	-2.0	19.0	11.6	16.5
FTSE All-Share	0.4	2.4	2.4	24.2	16.4	21.5
TOPIX*	2.1	4.1	4.2	26.6	18.7	23.9

Despite the increase in geopolitical threats, foreign markets concluded the quarter with only a slight decrease and outperformed the S&P 500. Despite the strong dollar, emerging markets performed better than both developed markets and the S&P 500, recording only a slight loss since the increase in commodity prices was thought to counteract the increasing U.S. currency. Due mostly to the lower weighting of tech companies in foreign indices, foreign developed markets outperformed U.S. markets and only slightly dropped in Q1.

International Equity Indexes	Q1 Return	YTD
MSCI EAFE TR USD (Foreign Developed)	-1.12%	-1.12%
MSCI EM TR USD (Emerging Markets)	-0.10%	-0.10%
MSCI ACWI Ex USA TR USD (Foreign Dev & EM)	-0.60%	-0.60%

Source: YCharts

Commodities

As per FactSet, US$, With the S&P GSCI index rising 40% throughout the quarter, commodities produced significant returns. Due to the U.S.-Iran war and subsequent Iranian strikes on Gulf oil facilities, which further restricted global supply, oil prices reached their highest levels since 2022. As production and shipping in the Middle East were disrupted, the energy component skyrocketed. Approximately 20% of the world's oil supply, as well as a sizable amount of LNG and other goods like fertilizers, pass through the Strait of Hormuz, which was essentially closed by the conflict. Through the East-West pipeline, Saudi Arabia was able to redirect a portion of its oil supplies. The Ras Laffan LNG facility in Qatar was among the energy facilities that sustained a certain amount of damage. Early in the quarter, gold reached a new all-time high above $5,000/oz, but late in Q1, the rising dollar put pressure on gold prices, resulting in only a modest quarterly gain. In other areas, the components related to industrial metals, livestock, and agriculture showed fewer positive returns. Although they witnessed significant drops in March, precious metals also showed a good return for the quarter. Profit-taking following a previous strong run for both metals may have contributed to the declines in March. Additionally, the allure of gold and silver, which have no yield, was impacted by anticipation of increased interest rates.

Commodity Indexes	Q1 Return	YTD
S&P GSCI (Broad-Based Commodities)	40.02%	40.02%
S&P GSCI Crude Oil	77.70%	77.70%
GLD Gold Price	8.55%	8.55%

Source: YCharts/Koyfin.com

Global Bonds

While yields increased more significantly in other key markets (yields react oppositely to prices), US Treasuries showed the most resistance to the quarter's events among global government bond markets. Although the Iranian crisis dominated markets in March, there were several occurrences during the quarter that contributed to the increasing market anxiety. During the quarter, US interest rates stayed between 3.5% and 3.75%. President Trump selected Kevin Warsh to take Jerome Powell's place as the future chair of the Federal Reserve (Fed). Warsh is thought to be one of the more market-friendly options when compared to other candidates that have reportedly been considered. He has advocated for the Fed's balance sheet reduction in addition to lowering interest rates. Markets started to expect US interest rate reduction later in the year due to indicators of labour market weakness and growing concern over AI-driven corporate disruption. The Middle East conflict dominated markets in March, causing instability and a notable sell-off in government bonds. Government bond yields increased generally, although there was considerable regional variation. Even in certain nations where rate cuts were previously priced, the market priced in interest rate hikes due to the energy price shock and the possible pass-through into inflation. Due to the region's reliance on energy imports, European government bond markets lagged those in the US, creating concerns about longer-term inflation. According to President Lagarde, the European Central Bank (ECB) is "well positioned and well equipped to deal with a major shock," which is why they kept the deposit rate at 2%. In gilts, the market response was more dire. The Bank of England (BoE) maintained rates at 3.75% in February, but four members voted in favour of a drop. Nevertheless, the March meeting

instead saw a hawkish response, with all nine committee members advocating for the base rate to be kept at 3.75% due to the sharp increase in energy prices.

	3 months			12 months		
Government bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
JPM GBI US All Mats	0.0	1.9	2.0	3.3	-3.2	1.1
JPM GBI UK All Mats	-3.8	-2.0	-1.9	4.7	-1.9	2.5
JPM GBI Japan All Mats**	-3.1	-1.3	-1.2	-11.2	-16.7	-13.1
JPM GBI Germany All Traded	-2.2	-0.3	-0.2	6.9	0.2	4.6
Corporate bonds						
BofA ML Global Broad Market Corporate	-1.2	0.7	0.8	5.9	-0.7	3.7
BofA ML US Corporate Master	-0.4	1.5	1.6	4.8	-1.7	2.6
BofA ML EMU Corporate ex T1 (5–10Y)	-3.1	-1.2	-1.2	9.0	2.1	6.6
BofA ML £ Non-Gilts	-3.5	-1.7	-1.6	6.6	-0.1	4.3
Non-investment grade bonds						
BofA ML Global High Yield	-1.1	0.8	0.9	7.4	0.7	5.2
BofA ML Euro High Yield	-3.5	-1.6	-1.6	9.4	2.5	7.1

Source: LSEG DataStream. Local currency returns in Q1 2026: *3.6%, **-1.7%. Past performance is not a guide to future performance and may not be repeated.

Moving on to fixed income markets, the Bloomberg Barclays US Aggregate Bond Index, the primary benchmark for bonds, saw a little decline at the conclusion of the quarter. As rising oil prices and higher-than expected inflation readings reduced prospects for Fed rate cuts, bonds fell in March despite being firmly higher in the middle of the quarter. Because they are less susceptible to growing inflation threats than longer-duration debt, short-term bills slightly beat longer-duration bonds and recorded a positive return. Concerns about an economic slowdown were raised by the U.S./Iran war and rising oil costs, which led to a modest fall in both high yield and investment grade corporate bonds during the first quarter. Both lower yielding but higher quality investment grade corporate bonds and high yield bonds (which offer a better yield but also more credit risk) suffered comparable little losses for the quarter, suggesting overall concerns about economic growth given the conflict and rising oil costs.

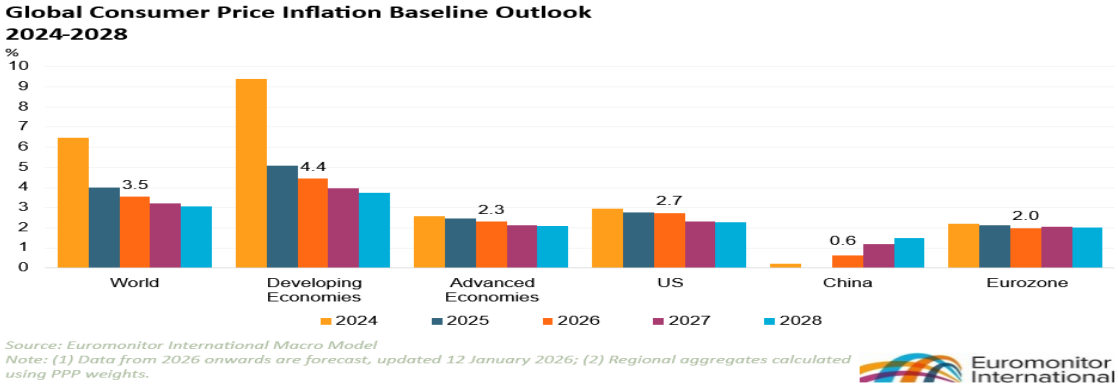
US Bond Indexes	Q1 Return	YTD
BBgBarc US Agg Bond	-0.05%	-0.05%
BBgBarc US T-Bill 1-3 Mon	0.88%	0.88%
ICE US T-Bond 7-10 Year	-0.09%	-0.09%
BBgBarc US MBS (Mortgage-backed)	0.40%	0.40%
BBgBarc Municipal	-0.18%	-0.18%
BBgBarc US Corporate Invest Grade	-0.54%	-0.54%
BBgBarc US Corporate High Yield	-0.50%	-0.50%

Source: YCharts

Global Inflation

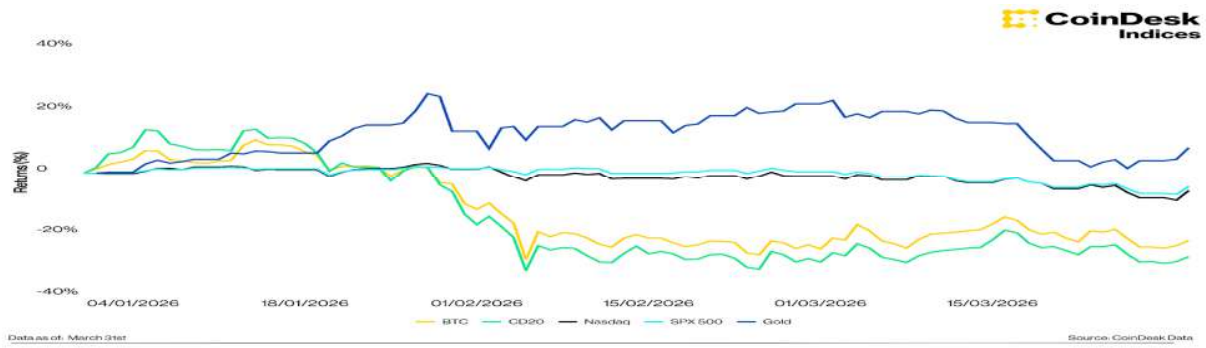
Although it is still unbalanced, global inflation is continuing to decline. Due to weaker demand, cheaper energy costs, and slowing goods inflation, consumer price inflation is predicted to drop from 4.0% in 2025 to 3.5% in 2026. Real incomes should be supported by deflation, albeit each economy's progress is different. In 2026, inflation in developed markets is expected to average 2.3%, progressively approaching central bank targets. Due to trade effects and ongoing pressure on service prices, especially in housing and healthcare, the US continues to experience higher inflation than its rivals. In contrast, reduced energy prices and less supply restrictions have helped to stabilize inflation in the Eurozone, which is now close to 2%. As deflationary factors are maintained by poor domestic demand and overcapacity, China continues to be an anomaly, with inflation muted at 0.6%. Food costs are driving up prices in India, although total inflation is predicted to stay below the central bank's goal range. Even while reduced trade tensions and demand could help moderate pricing pressures in 2026, there are still possibilities of upside inflation.

Climate-related disruptions, geopolitical escalation, and new shocks to commodity prices have the potential to turn around recent disinflation trends. In the medium to long term, rising trade protectionism and ongoing supply chain restructuring could result in structural increases in production costs and consumer prices.



Digital Assets

The quarter was challenging for digital asset markets. After the agonizing successive drawdowns in January and February, March provided a minor comeback. The markets for digital assets are still torn between two opposing narratives. Although there has never been a more advanced regulatory framework supporting long-term institutional adoption, macro-driven risk-off behaviour is still reflected in short-term market movement. Bitcoin dropped 22.1% to $68,228, its second-biggest quarterly drop since Q2 2022, while the CoinDesk 20 Index dropped 27.4% to 1,952. Before international tensions rapidly increased in late February, Bitcoin had already dropped over 30% from its February peak, indicating that a large portion of the panic and forced liquidations had been priced in beforehand. Bitcoin gained 3.54% since tensions escalated. The CoinDesk 80 outperformed bitcoin, falling 16.5%, with Hyperliquid (+43.8%) and Morpho (+40.9%) leading positive returns among its components, while the CoinDesk Memecoin Index performed the worst at -41.7%. A large portion of the institutional demand created in the previous year was eliminated by net outflows of $1.81 billion from U.S. spot bitcoin ETFs in January and February. Despite a $1.32 billion increase in inflows in March, Q1 ended with net redemptions of about $496 million. The restoration of positive net inflows in March corresponded with the stabilization of bitcoin, indicating that institutional positions had started to rebuild before to the end of the quarter. Also, significant regulatory progress was made in the United States in March. In a historic joint interpretation released on March 17, the Securities and Exchange Commission (SEC) and Commodities Future Trading Commission (CFTC) designated sixteen digital assets as digital commodities under CFTC jurisdiction.



Performance By regions

Eurozone

Following the start of hostilities in the Middle East, Eurozone shares declined during the quarter, with the majority of the reductions occurring in March. Due to the conflict's impact on both oil production and shipping, the energy industry experienced a surge in oil prices. The economically sensitive consumer discretionary sector saw some of the sharpest drops. Within the field of information technology, there were differences. The possibility of AI disruption put a lot of pressure on software equities. Hardware and semiconductors, on the other hand, performed better, showing positive returns following some well-received company earnings. The picture for interest rates in the eurozone was muddled by the inflationary threat created by rising oil prices. Christine Lagarde, the president of the European Central Bank (ECB), stated in February that inflation was "in a good place." Lagarde stated that the ECB may raise interest rates "at any meeting" if rising energy costs threatened to trigger a spike in inflation. However, interest rates were then maintained on hold during the March meeting.

UK

For the quarter, the FTSE All-Share index saw a positive return. Gains were bolstered by the energy sector's comparatively high weighting and the decreased value of sterling, which benefited larger, export-focused businesses. Additionally, there were developments in healthcare, telecommunications, and basic materials. Despite strong corporate profits and agreements to expand drug pipelines, certain major pharmaceutical stocks in the healthcare industry did well. The biggest drops were in the consumer discretionary and technology sectors. Large cap stocks performed better inside the UK index, but the FTSE 250 index, which has a stronger domestic concentration, had a negative return for the quarter. The Middle East crisis generated rising oil prices, which altered the outlook for interest rates in the UK. Markets were expecting interest rate decreases this year, possibly as early as March, at the beginning of the quarter. Nonetheless, the Bank of England maintained interest rates at 3.75% in March and adopted a hawkish stance, which the markets took to indicate that rate increases are probably in store for this year.

US

In the first quarter of 2026, the S&P 500 Index dropped 4.3% and US shares saw considerable volatility. Since 2022, that quarter was the worst for US large caps. The year began on a positive note, bolstered by strong economic indicators such as a healthy job market, declining inflation, and consistent consumer expenditure. By mid-January, the market achieved an all-time high as there was expectation for ongoing earnings growth across various sectors. However, some fluctuations were observed in late January and February, and there were concerned that robust economic expansion might postpone any additional interest rate reductions by the US Federal Reserve. Far more serious worries were raised by geopolitical developments at the end of February. The strikes on Iran by the US and Israel caused significant concern for the world economy and financial markets and interfered with the flow of oil through the Strait of Hormuz. Stocks declined as a result of rising oil costs and heightened risk aversion. Sentiment fluctuated throughout March between expectations of a protracted conflict and hopes for a de-escalation. Because integrated producers, refiners, and energy infrastructure firms all profited from rising oil prices, energy stocks were the quarter's top performers. Also, since goods were sold at greater prices despite the supply

disruptions brought on by the Iran conflict, basic materials companies such as miners, chemical manufacturers, and commodities processors also prospered.

Japan

The total returns for the quarter were good for Japanese equities. equities saw a significant increase in February, specifically, following the LDP's overwhelming victory in the House of Representatives election. Expectations for pro-growth "high-pressure economy" policies and political stability were raised as a result. Nevertheless, Japanese equities saw a decline in March, much like in other areas. This was mostly caused by external factors, such as the Middle East conflict, rising energy costs, and worries about the availability of energy, and, to a lesser degree, focus on private credit and financing to business development firms. As anticipated, the Bank of Japan kept interest rates at 0.75% in March, but cautioned that rising energy costs could fuel the fundamental rate of inflation. Fears of stagflation caused global equities, particularly those in Japan, to sharply decline during the month as concerns that the fight would go longer and raise oil costs grew.

Finally, there were a number of unfavourable surprises in the first quarter, and the second quarter started out with uncertainties around AI, credit, and geopolitics. However, there are also favourable aspects that need to be taken into account, such as the economy's continued resilience, robust corporate earnings growth, and the Federal Reserve's continued signalling of rate decreases. Despite the volatility and increased uncertainty, the prognosis for the economy and markets is not entirely dire, and as seen firsthand in Q1, the business and geopolitical picture may shift swiftly.