



Capital Market Review
As of March 31, 2026

1Q26 Market Recap

For the first two months of the year, the markets performed relatively well. Through February, International stocks were up +11.3% (MSCI ACWI ex US), U.S. small cap stocks +6.2% (Russell 2000), and bonds were +1.7% (Bloomberg Aggregate Bond Index). U.S. large caps were held back due to the Artificial Intelligence (AI) "fear" trade that pushed software stocks down -21% in the first two months. However, U.S. large caps, as measured by the S&P 500, still managed a small gain, up +0.7% YTD through February.

Then the Iran war started on February 28th.

The price of oil (Brent crude) spiked 65% over the following 10 days to \$119.50, it's highest level since June 2022. US crude prices (West Texas Intermediate) also rose during the month by 48%. The inflationary effects on the global economy are inevitable. This led analysts (and Fed Futures) to predict 0-1 rate cuts in 2026. Just 3 months ago, they were predicting 2-3 cuts. As bond yields rose and credit spreads widened, bond prices fell leading the Bloomberg Aggregate Bond Index to post a negative return of -1.8% during March.

Predictably, stocks were down significantly in March. In many cases, giving back more than they made during the first two months of the year. March: S&P 500 -5.0%, ACWI ex US -10.7%. The table below displays 1Q26 performance for select domestic and international stock indices:

	1Q26				1Q26		
S&P 500	-4.3%			EAFE	2.0%	-1.2%	-4.7%
Russell 3000	-4.0%			EAFE Small Cap	-1.0%	-1.3%	-1.2%
Large	2.1%	-4.2%	-9.8%	ACWI ex U.S.	2.1%	-0.7%	-3.6%
Mid	3.7%	1.3%	-6.3%	Emerging Mkts	1.1%	-0.2%	-1.4%
Small	5.0%	0.9%	-2.8%		Value	Core	Growth
	Value	Core	Growth				

Page 6 of this report graphically displays the significant impact the war has already had on four meaningful economic indicators. In addition, the graphic on page 8 contains a historical perspective. While interesting, we almost took this page out of the report. While the information is true, it can be misleading. The page displays the return of the S&P 500 after select geopolitical events occurred and provides average and median return calculations that take into consideration all events listed. Maybe the S&P 500 will gain 12.3% over the next year (which is the average listed on the chart), but it may well post negative performance...or significantly better performance than +12.3%. Impossible to know. There are far too many additional variables at play (equity valuations, interest rates, credit, Ukraine War, China/Taiwan, AI, etc.). All that to say, the data is interesting but take it with a grain of salt and maintain a long-term investment perspective.

Recap continued...

While the war was the biggest news during the quarter, two other topics are worth mentioning.

1. AI “fear” trade mentioned previously. For 1Q26, the S&P 500 Software & Services Index was down -26.6% (blue line) over fears that AI would enable companies to develop their own software in-house, ultimately eliminating the need for standalone software companies. Meanwhile, other S&P 500 technology indices, while still down during the quarter, performed significantly better. S&P 500 Technology Hardware & Equipment Index down -2.3% (pink line) and S&P 500 Semiconductors & Semiconductor Equipment Index down -3.5% (green line).



There is an expectation that while AI will enable much fewer programmers to do much larger volumes of work (in less time), many large companies (think Ford Motor, Boeing, etc.) are deeply engrained in their sophisticated software applications and it will take time for them to create their own systems going forward. Think of it as the Yellow Pages – should have been obsolete much sooner than they were. If you'd like to dig deeper into this subject, Citrini Research published a hypothetical scenario set two years from now that describes mass unemployment for office workers, reduced consumer spending and economic contraction. A bit frightening but thought provoking. You can find the memo here: [THE 2028 GLOBAL INTELLIGENCE CRISIS](#)

Recap continued...

2. Private Credit. During the quarter, the private credit market transitioned from a period of rapid growth into a phase of heightened scrutiny and "recalibration". While high-level performance remained relatively stable, there were some "cockroaches" that emerged. Amid allegations of accounting fraud, First Brands and Tricolor were two of the larger bankruptcies that created concern. This led to liquidity issues with some of the more retail-oriented private credit offerings.

At Allium, we use a variety of alternative credit instruments and work hard to minimize the risk that the liquidity of the funds not exceed the liquidity of the underlying instruments within the funds. Our goal is to take advantage of dislocations such as this.

Events matter, but the market's interpretation of events can change quickly. So, when a major shock occurs, it may feel as if the right thing to do is to make major changes to your investment portfolio, but it's oftentimes counterproductive. It could lead you to being whipsawed, unnecessarily triggering taxable gains, and the potential for underperforming over time is heightened. Rather, we strive to build diversified, durable portfolios that can withstand volatile market events and perform well over the long term. We believe investing should be considered more of a marathon than a sprint.

On the following pages, please see our Quarterly Capital Markets Review. Reach out anytime with questions or if we can be of service.

Scott Thompson, CIO and your Allium Team

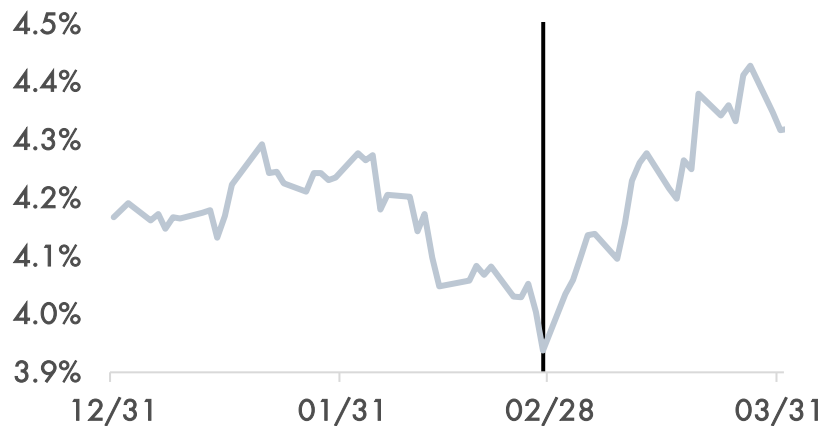
¹JP Morgan CEO, Jamie Dimon, warned that these bankruptcies were like cockroaches...if you see one, there are likely more.

Market Dashboard¹ – As of March 31, 2026

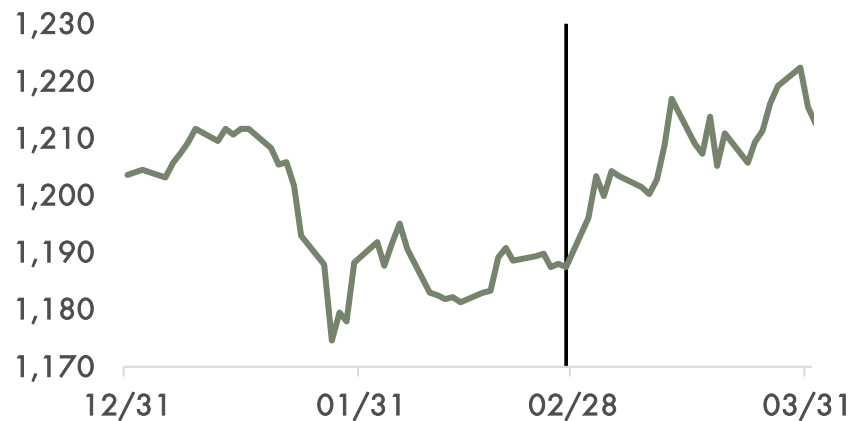
Asset Class	Quarterly Commentary				1Q26	1-Yr
Domestic Stocks <i>(S&P 500 Index)</i>	<ul style="list-style-type: none"> U.S. stocks declined in Q1, driven by the Iran conflict and AI disruption concerns that weighed heavily on mega-cap technology stocks. While the S&P 500 fell for the quarter, the S&P 500 Equal Weight Index rose, highlighting the rotation away from the mega-caps into the broader market. Energy led all sectors as oil prices surged from the Iran conflict, followed by Materials, Utilities, and Consumer Staples. Technology was among the weakest sectors, with software stocks hit particularly hard by fears over AI disruption. 				(4.3%)	17.8%
International Stocks <i>(EAFE Index)</i>	<ul style="list-style-type: none"> International developed stocks declined in Q1 but outperformed U.S. stocks. Japan posted strong performance, supported by yen weakness and expectations of fiscal stimulus following a snap election victory, while Europe lagged as rising gas and commodity prices reduced expected growth. 				(1.2%)	21.3%
Emerging Market Stocks <i>(MSCI Emerging Markets Index)</i>	<ul style="list-style-type: none"> Emerging markets finished slightly down for the quarter but outperformed international developed markets, continuing their 2025 outperformance. A stronger U.S. dollar and surging oil prices from the Iran conflict caused the index to finish slightly down. 				(0.2%)	29.6%
Bonds <i>(Bloomberg U.S. Aggregate Index)</i>	<ul style="list-style-type: none"> The bond market was a tale of two halves, as the Agg finished flat for the quarter. Softer economic data seemed to pave the way for rate cuts with markets pricing in multiple potential rate cuts in 2026. The start of the Iran conflict on February 28th triggered a sharp reversal, with rising inflation fears and heightened geopolitical markets priced out rate cuts for 2026. Corporate bonds fell as credit spreads widened modestly. Emerging market debt was hurt by a stronger dollar and inflationary pressures from the Iran conflict. 				0.0%	4.3%
Interest Rates	<ul style="list-style-type: none"> The Fed held rates steady, keeping the target range at 3.50%-3.75% amid elevated inflation and Iran conflict The 10-year yield rose 0.15%, (15 basis points) over the quarter, from 4.17% to 4.32% 					
Currencies	<u>USD/EUR</u>	<u>USD/JPY</u>	<u>USD/GBP</u>	<u>USD/CNY</u>	<u>USDX (DXY)</u>	
1Q26	1.7%	1.3%	1.9%	(1.3%)	1.7%	
1-Yr	(6.4%)	5.8%	(2.3%)	(4.9%)	(4.1%)	

Impact of the Iran War

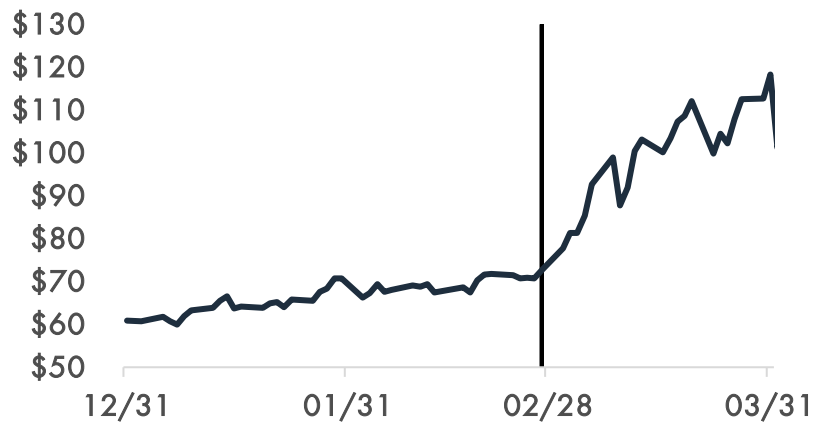
10-Year U.S. Treasury Yield



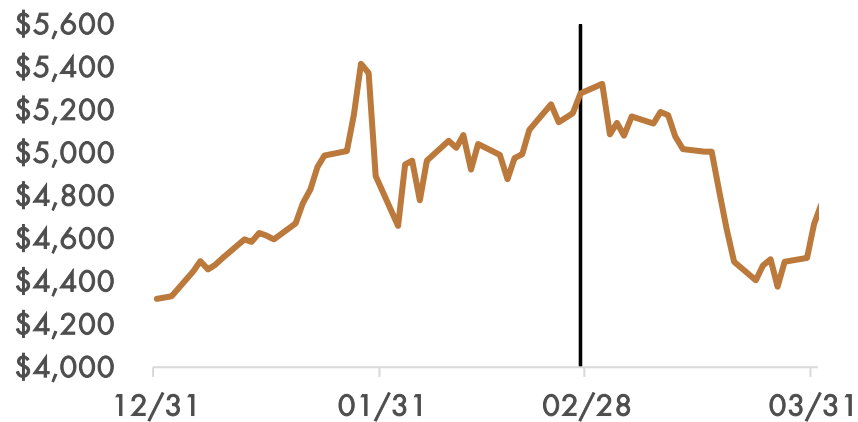
Bloomberg Dollar Index



Brent Crude Oil Price



Gold Price



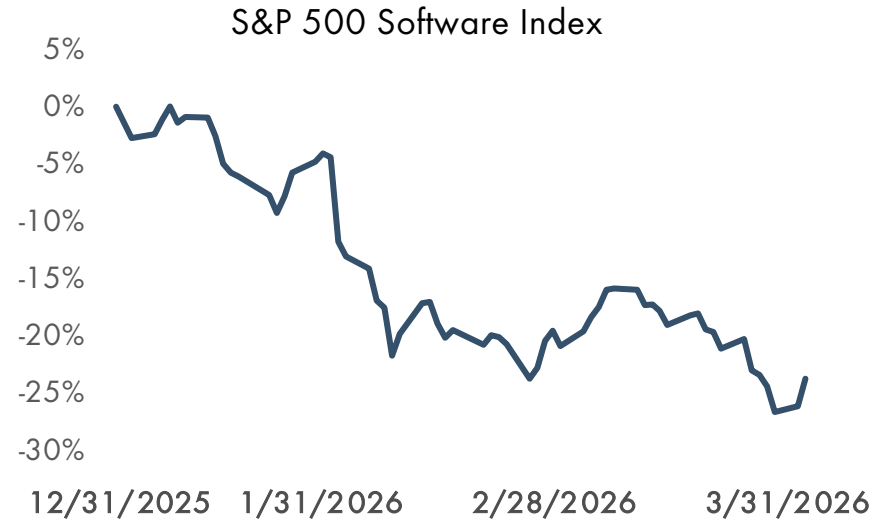
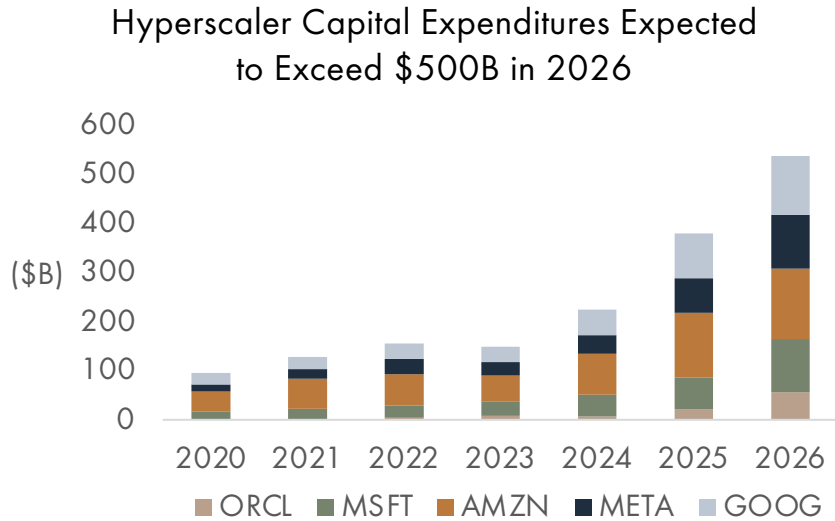
Source: Bloomberg

Geopolitical events are short-lived

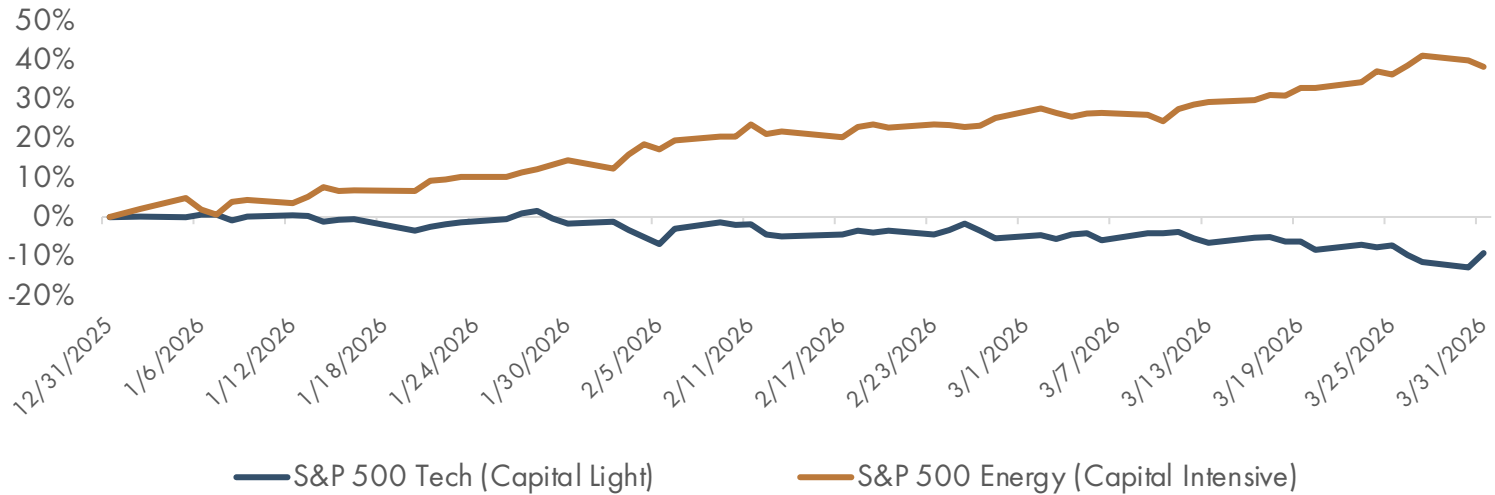
Date	Event	S&P 500 Returns		
		Next 3 months	Next 6 months	Next year
11/4/1979	Iranian Revolution/US Embassy Seizure	12.3%	4.5%	29.0%
12/24/1979	Soviet Invasion of Afghanistan	-7.8%	6.9%	26.2%
9/22/1980	Iran-Iraq War begins	4.1%	4.1%	-10.5%
4/15/1986	U.S. bombs Libya	-1.7%	0.5%	19.6%
8/2/1990	Iraq invades Kuwait	-10.4%	1.0%	14.1%
8/19/1991	Soviet Coup attempt	1.6%	10.1%	14.5%
8/7/1998	U.S. Embassy Bombings	4.2%	15.0%	20.8%
10/12/2000	USS Cole bombing	-0.6%	-10.5%	-16.9%
9/11/2001	9/11 attacks	4.4%	7.7%	-15.5%
3/20/2003	Iraq War begins	14.2%	17.8%	27.3%
2/20/2014	Russia annexes Crimea	2.3%	9.1%	17.1%
9/14/2019	Saudi Aramco drone strike	7.0%	-19.6%	15.0%
1/3/2020	Iranian General killed in airstrike	-22.7%	-0.7%	16.5%
2/24/2022	Russia Invades Ukraine	-7.7%	-2.7%	-5.9%
10/7/2023	Hamas attacks Israel	10.3%	20.9%	33.3%
6/21/2025	U.S. bombs nuclear facilities in Iran	11.4%	14.9%	??
1/3/2026	U.S. removes Maduro in Venezuela	-3.9%	??	??
	Average	1.0%	4.9%	12.3%
	Median	2.3%	5.7%	16.5%
	% Higher	58.8%	75.0%	73.3%

Source: Bloomberg, Data prior to 9/11/1989 represents S&P 500 price returns. If an event fell on a non-trading date, the next trading date was used.

Hyperscaler CapEx and HALO (heavy assets, low obsolescence)

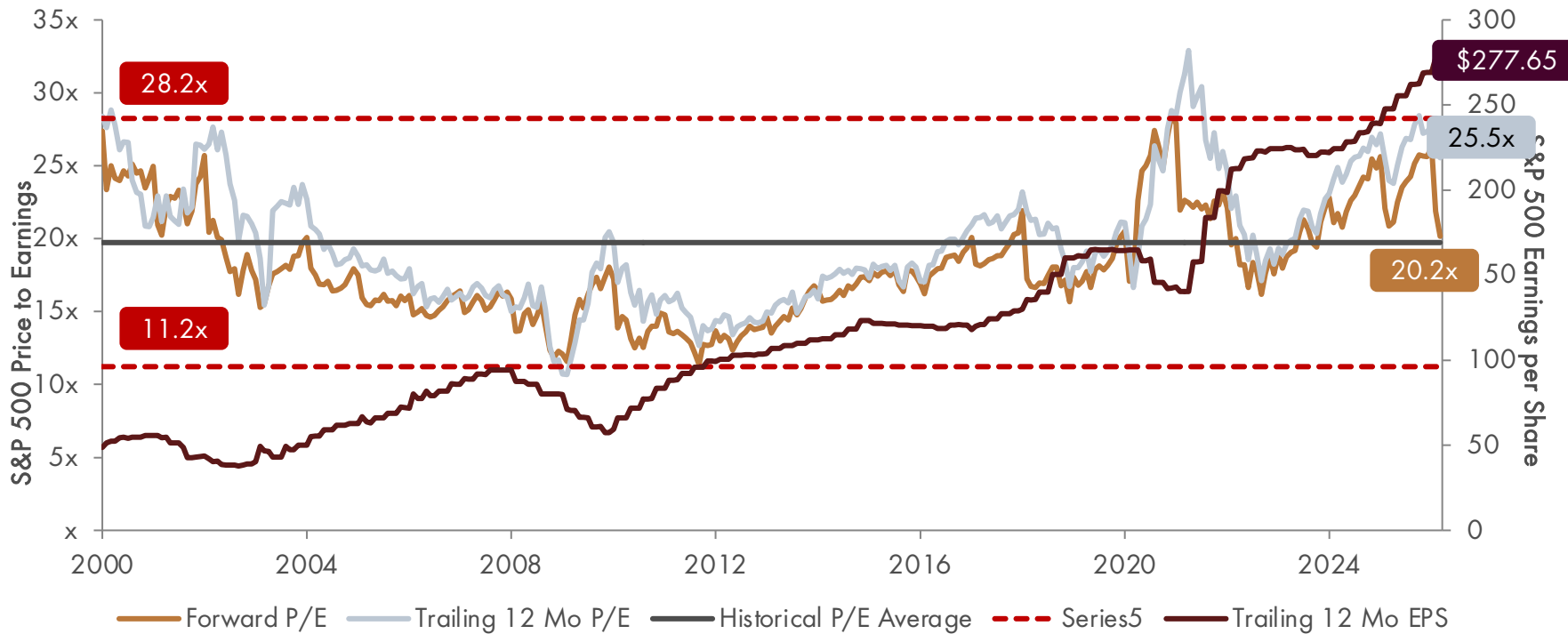


Capital-Light Sectors are Underperforming



Source: Bloomberg

U.S. Stock Market – Historical Valuation and Sensitivity



S&P 500 Index

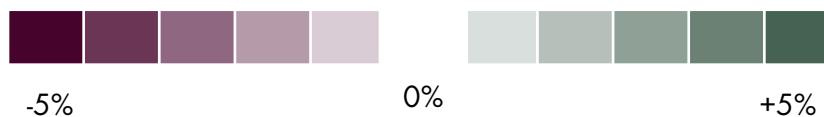
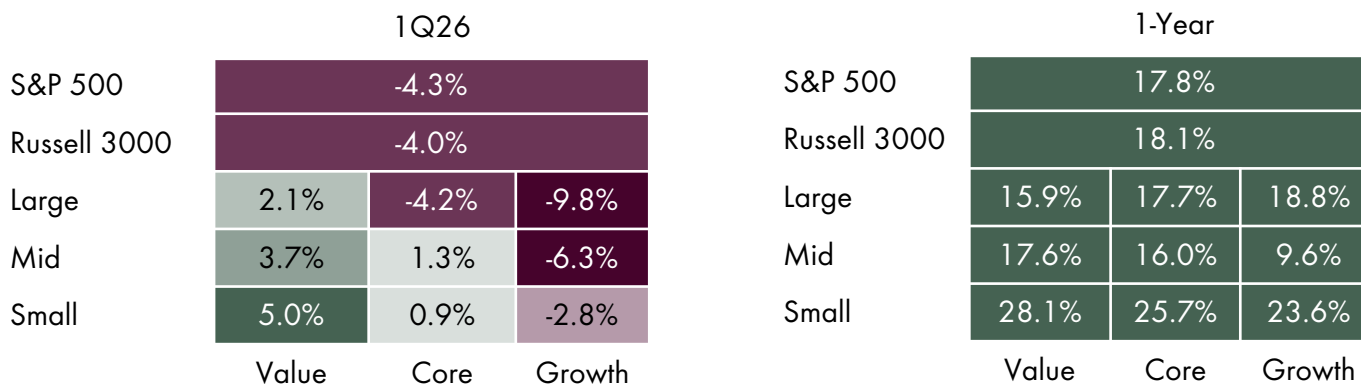
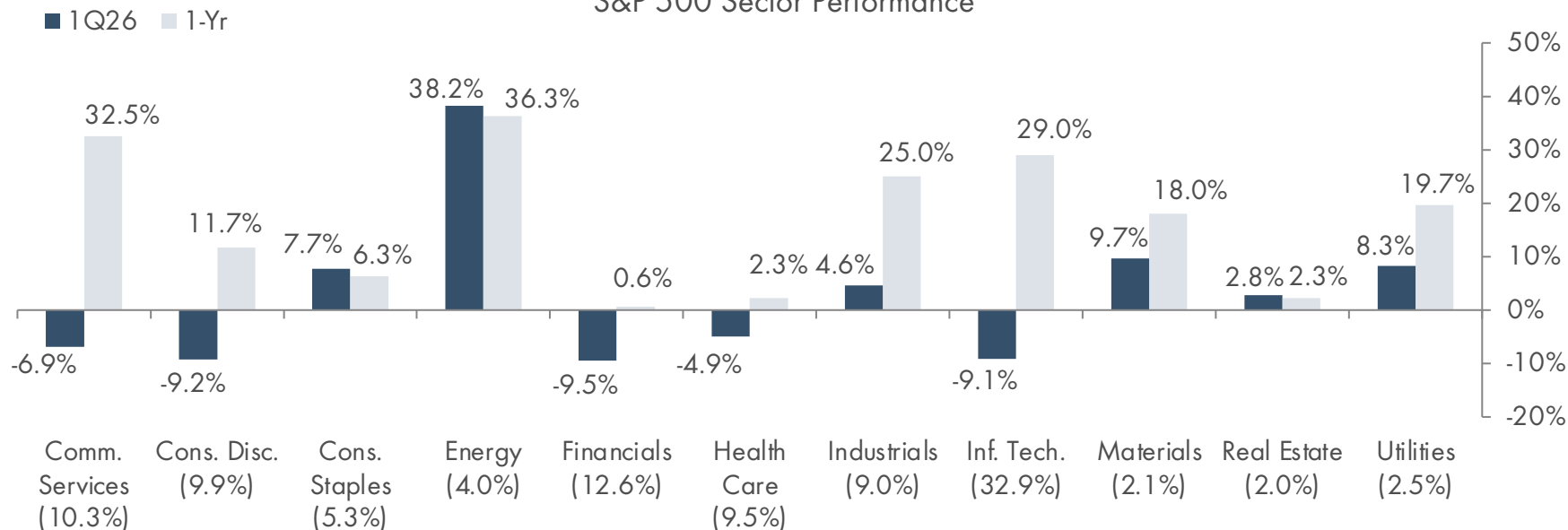
	Price	Trailing P/E
March 31, 2026	6,528.52	25.5x
January 27, 2026	6,978.60 (all time high)	27.9x
June 27, 2016	2000.54 (10-year low)	18.2x

S&P 500 Equal Weight Index

	Price	Trailing P/E
March 31, 2026	7,778.54	20.1x
February 27, 2026	8,290.64 (all time high)	21.4x
February 11, 2016	2,762.32 (10-year low)	11.5x

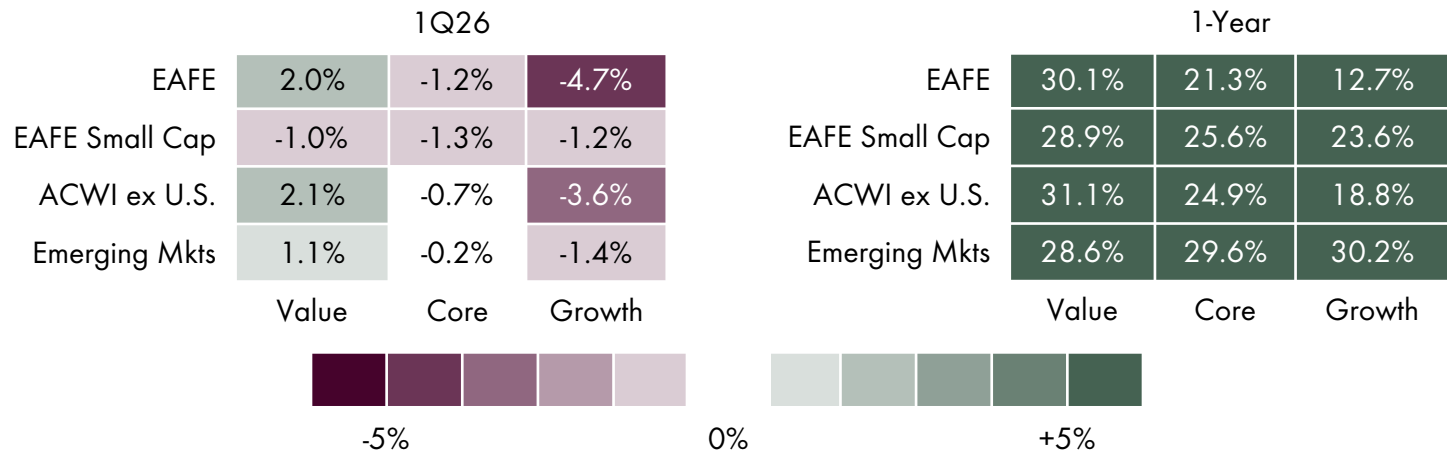
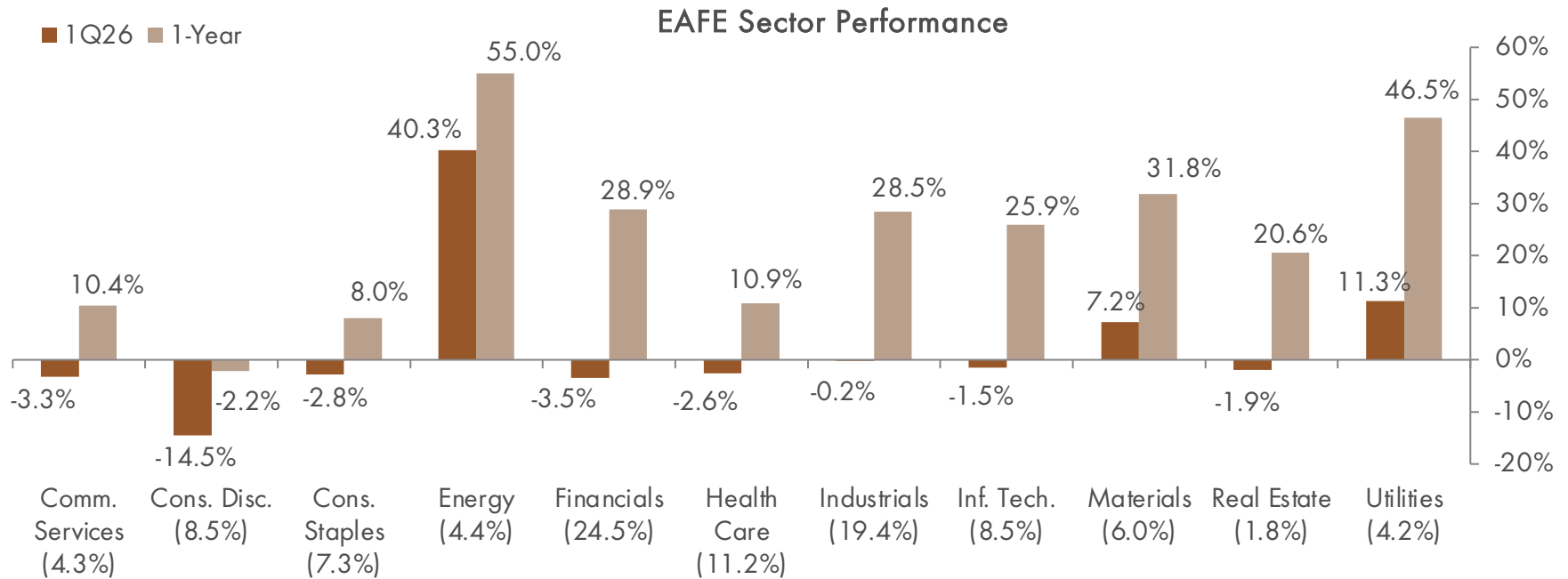
U.S. Stock Market – sector and style

S&P 500 Sector Performance



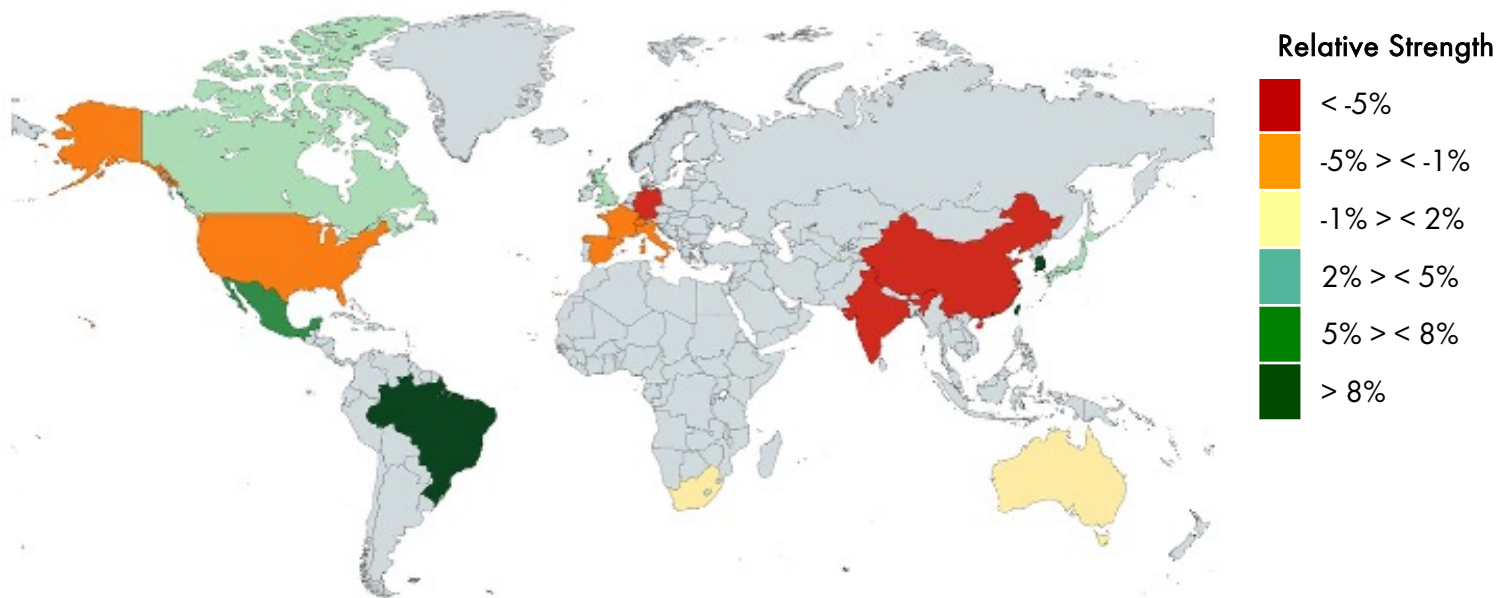
Source: Bloomberg, S&P, Russell

International Stock Market – sector and style



Global stock returns

First Quarter Relative Strength

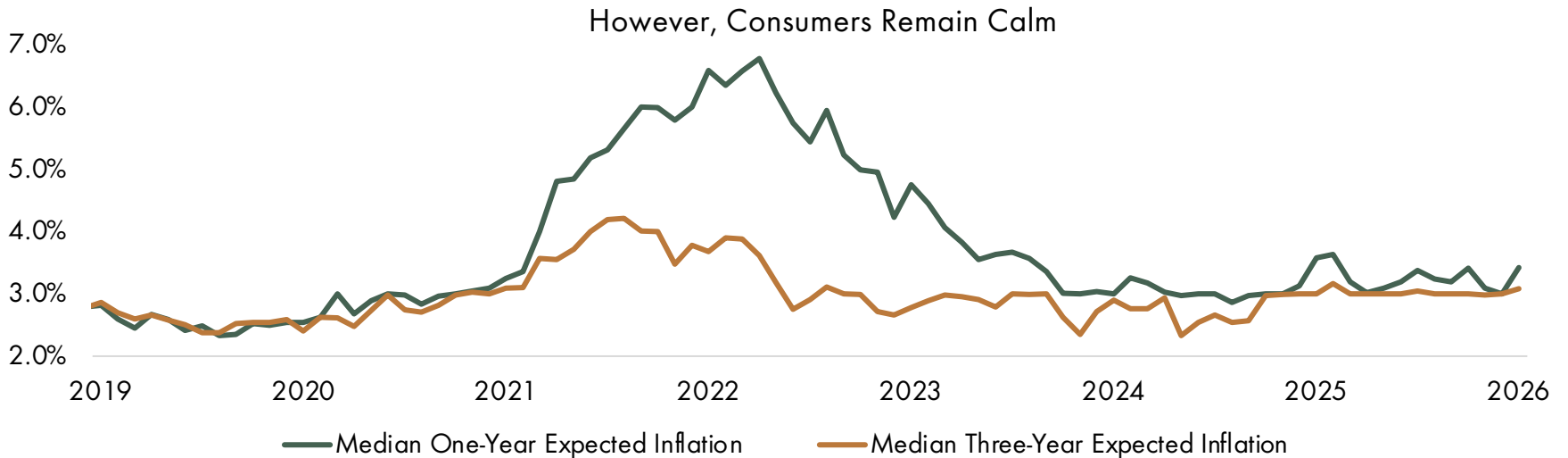
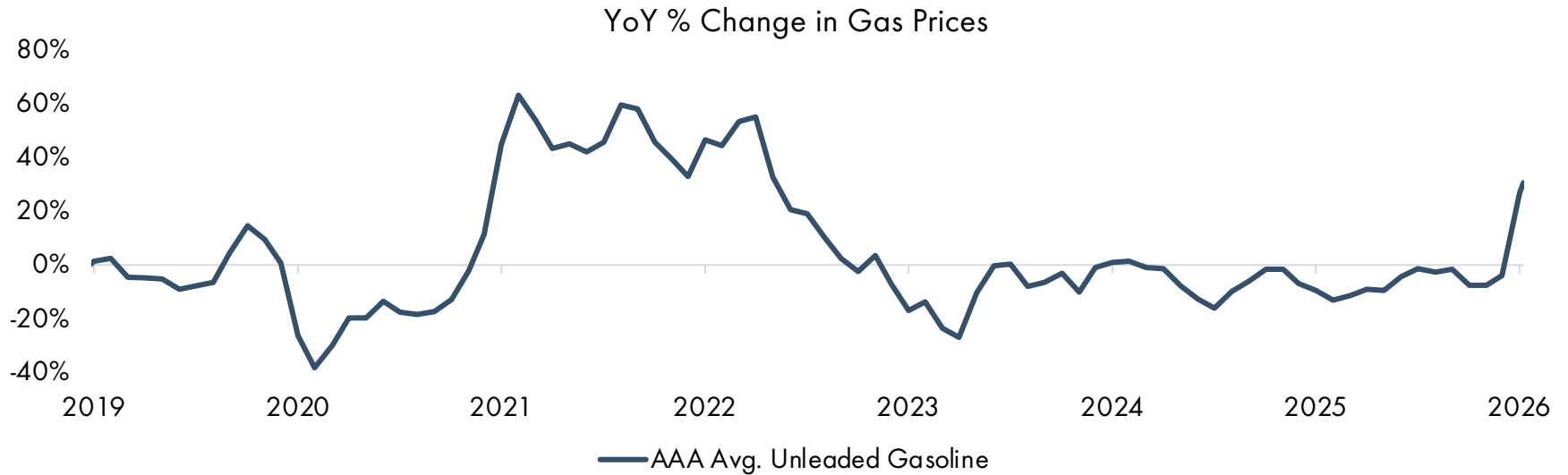


1Q26

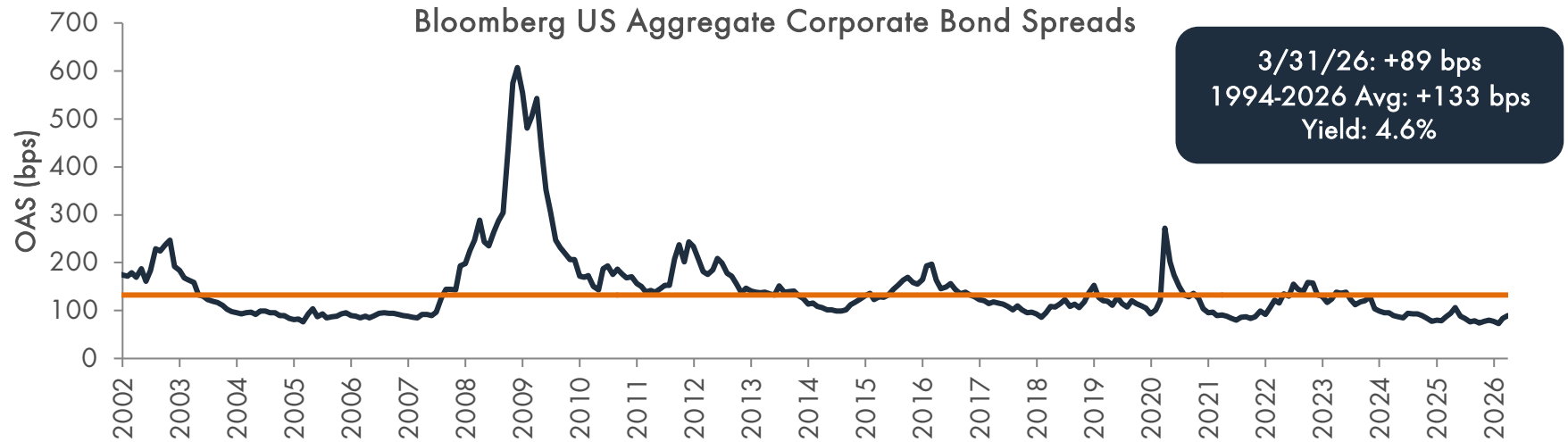
1-Year

	Local Return	USD Return	Local Return	USD Return
International Developed Markets Index				
MSCI EAFE Index	0.1%	(1.2%)	17.4%	21.3%
Emerging Markets Index				
MSCI EM Index	2.1%	(0.2%)	30.6%	29.6%

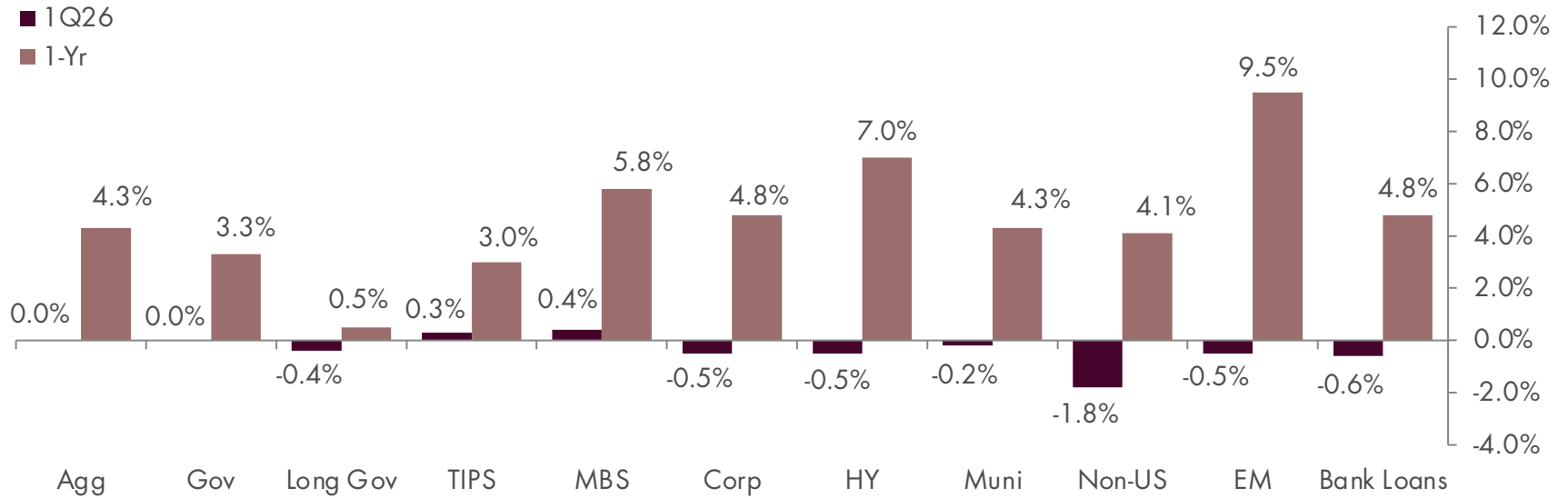
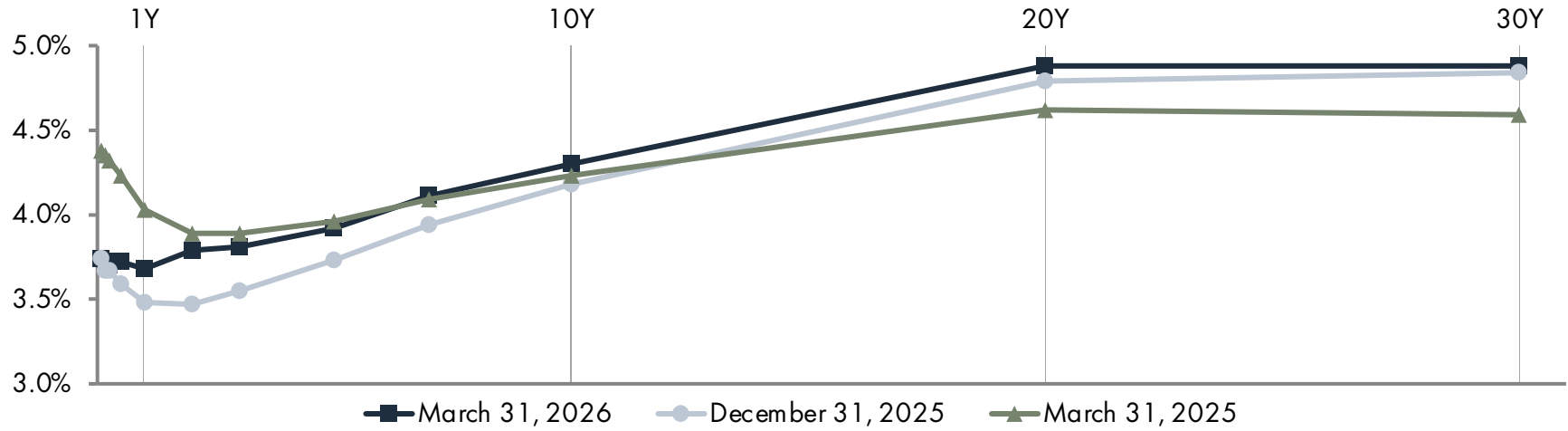
Inflation returning?



Bond yield spreads



Treasury yield curve and bond sector returns



Source: U.S. Treasury, Bloomberg

Tactical positioning 1Q26

Asset Class	Underweight Overweight Neutral to Target	Comments
Cash	Neutral	
Short Term	Neutral	
Total Return	Neutral to Underweight	Duration risk not being rewarded; consider global bonds
Credit Alternatives	Overweight	Spreads are significantly wider than traditional bonds
Large Cap	Neutral	
Mid Cap	Neutral to Overweight	Attractive valuations relative to Large Cap
Small Cap	Neutral	
International	Neutral	
Emerging Markets	Neutral	Tech exposure at lower valuations than U.S.; expect continued higher volatility
Growth Alternatives	Neutral	High stock valuations and tight credit spreads could provide pockets of dislocation
Private Equity	Neutral	Merger and acquisition activity has grown; IPO markets are seeing better momentum; exit activity has picked up
Private Real Estate	Neutral	Could help protect against inflation; over \$850 billion due to be refinanced in 2026; potential pockets of dislocation

Annual Total Returns of Key Asset Classes as of 1Q26

	2017	2018	2019	2020	2021	2022	2023	2024	2025	1Q26	15 Year Annlzd
Best ↑ ↓ Worst	Emg Mkts 37.3	Inflation 1.9	US Large Cap 31.5	US Small Cap 20.0	Real Estate 41.3	Inflation 6.5	US Large Cap 26.3	US Large Cap 25.0	Emg Mkts 33.6	Real Estate 3.8	US Large Cap 13.3
	Intl Stocks 27.2	US Bonds 0.0	US Mid Cap 30.5	US Large Cap 18.4	US Large Cap 28.7	Growth Alts -5.8	US Mid Cap 17.2	US Mid Cap 15.3	Intl Stocks 32.4	Inflation 1.9	US Mid Cap 10.7
	US Large Cap 21.8	Real Estate -4.0	Real Estate 28.7	Emg Mkts 18.3	US Mid Cap 22.6	US Bonds -13.0	US Small Cap 16.9	Growth Alts 14.8	US Large Cap 17.9	US Mid Cap 1.3	US Small Cap 9.0
	US Mid Cap 18.5	US Large Cap -4.4	US Small Cap 25.5	US Mid Cap 17.1	US Small Cap 14.8	Intl Stocks -16.0	Intl Stocks 15.6	US Small Cap 11.5	US Small Cap 12.8	US Small Cap 0.9	Real Estate 7.5
	US Small Cap 14.6	Growth Alts -4.6	Intl Stocks 21.5	Intl Stocks 10.7	Growth Alts 8.3	US Mid Cap -17.3	Real Estate 11.4	Emg Mkts 7.5	US Mid Cap 10.6	US Bonds 0.0	Intl Stocks 5.6
	Growth Alts 13.4	US Mid Cap -9.1	Emg Mkts 18.4	Growth Alts 7.9	Intl Stocks 7.8	US Large Cap -18.1	Growth Alts 10.9	Intl Stocks 5.5	US Bonds 7.3	Emg Mkts -0.2	Emg Mkts 3.7
	Real Estate 8.7	US Small Cap -11.0	Growth Alts 12.2	US Bonds 7.5	Inflation 7.0	Emg Mkts -20.1	Emg Mkts 9.8	Real Estate 4.9	Inflation 2.7	Intl Stocks -0.7	Inflation 2.6
	US Bonds 3.5	Intl Stocks -14.2	US Bonds 8.7	Inflation 1.4	US Bonds -1.5	US Small Cap -20.4	US Bonds 5.5	Inflation 2.9	Real Estate 2.3	US Large Cap -4.3	US Bonds 2.4
	Inflation 2.1	Emg Mkts -14.6	Inflation 2.3	Real Estate -5.1	Emg Mkts -2.5	Real Estate -24.9	Inflation 3.4	US Bonds 1.3			

Source: Morningstar

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