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MARKET INSIGHT | MARCH 2026

When Sentiment Breaks and Growth Doesn't

Why the Current Drawdown Is a Rare Entry Point in AI and Software — and Why History Agrees

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March 27, 2026

+109%
Peak Return (Net)
Since April 2025 Low

+32.9%
Current Return (Net)
Since April 2025 Low

~67%
Avg 1-Year Forward
Return at Extreme
Pessimism Signals

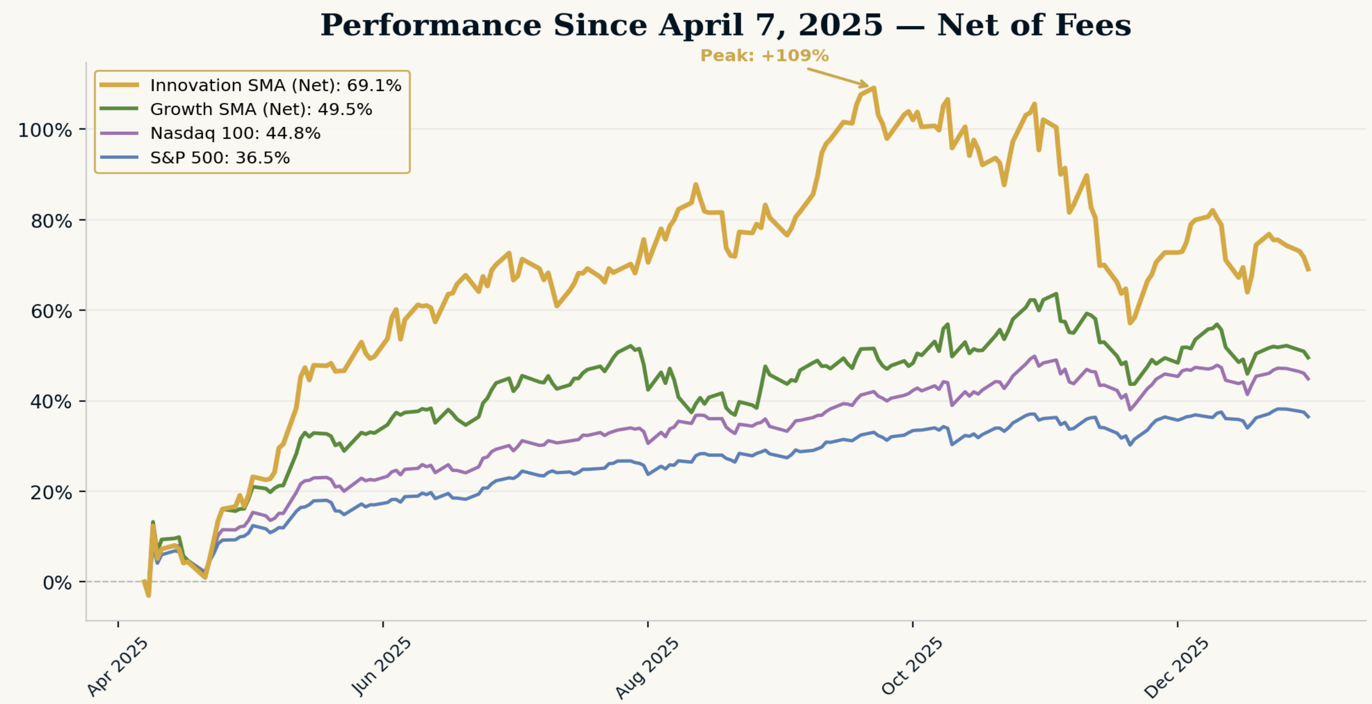
EXECUTIVE SUMMARY

Software valuations have collapsed to levels not seen since 2015 — and our Equity Innovation SMA has been built for exactly this kind of environment. Since the April 2025 low, the portfolio surged as high as **+109% net of fees** before giving back gains alongside the broader software selloff. At **+32.9% net** since April, we are still meaningfully ahead of every major benchmark. Critically, a rare sentiment indicator (IGV Optix) just flashed a signal that has historically preceded average 1-year returns of **~67%**. We expect **+50% total return** for Innovation in 2026.

Past performance is not indicative of future results. All returns are backtested unless otherwise noted. Net returns reflect a 1.50% annual advisory fee. This is not a solicitation to buy or sell any security. Please refer to our ADV Part 2A for complete disclosures.

EQUITY INNOVATION PORTFOLIO — SINCE THE APRIL 2025 LOW

Since April 7, 2025, the Equity Innovation SMA has delivered **+32.9% net of fees** through March 26, 2026 — comfortably ahead of the S&P; 500 and in line with the Nasdaq 100, while dramatically outperforming the S&P; 1500 Software Index. At its peak in September 2025, the portfolio was up **+109% net** — more than doubling in under six months. The Equity Growth SMA has also significantly outperformed, returning +49.5% net over the same period.

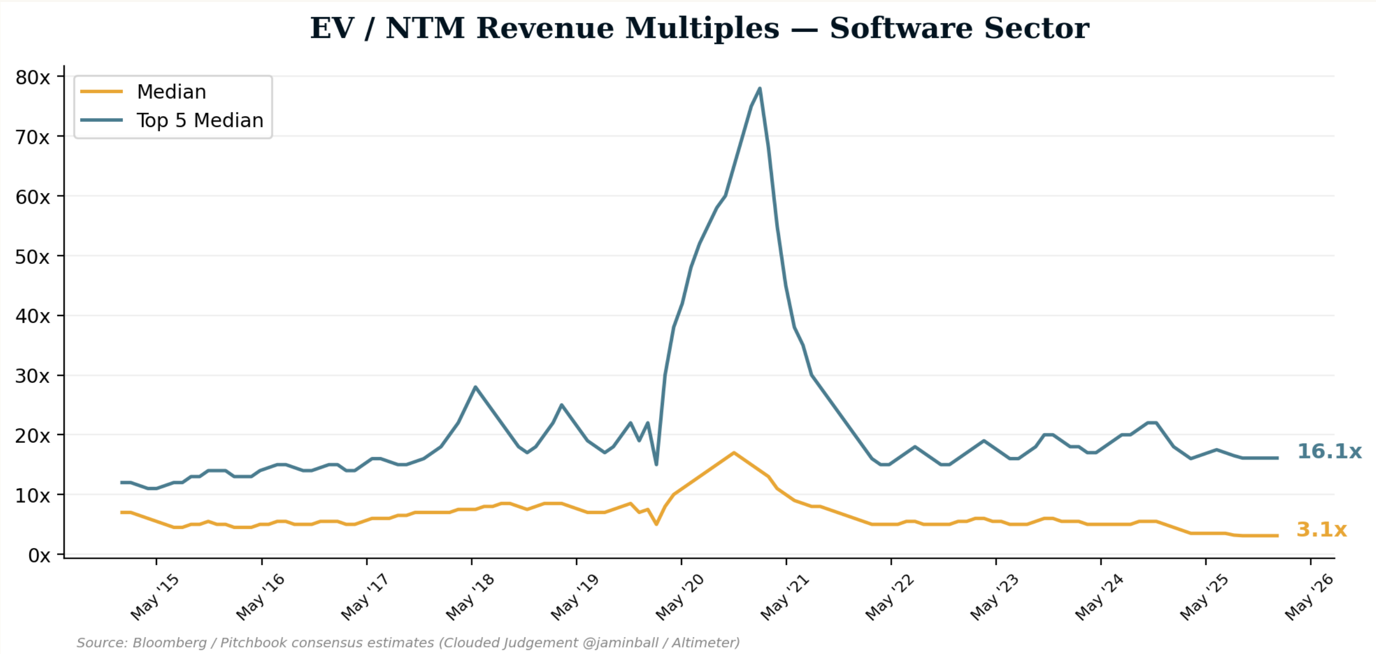


Source: BRIM Master Database. Net returns reflect 1.50% annual advisory fee. Through December 31, 2025.

VALUATIONS HAVE ONLY GOTTEN CHEAPER

Here is the critical insight: since the April 2025 low, our portfolio is up significantly — yet software valuations have *actually fallen substantially*. The median software EV/NTM revenue multiple has compressed from ~5.5x to **3.1x**, levels not seen since 2015. The top 5 names trade at 16.1x, down from peaks of nearly 80x in 2021. U.S. software earnings grew **29% year-over-year** in Q4 2025. This is not a bubble — it is a generational re-rating driven by fear, not by deteriorating fundamentals.

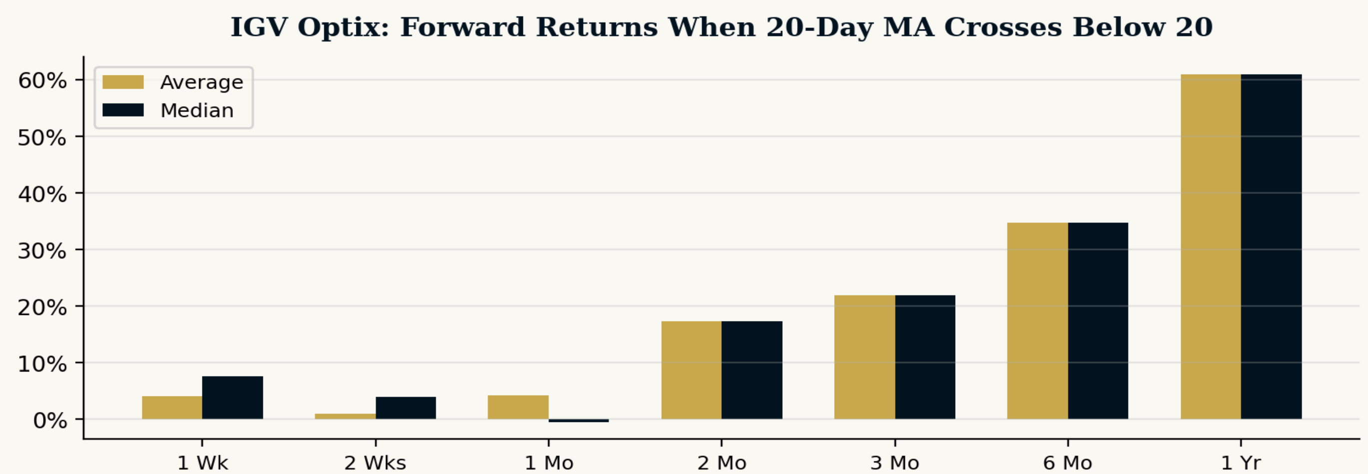
SOFTWARE VALUATIONS AT DECADE LOWS



Source: Clouded Judgement (@jaminball) / Altimeter. Bloomberg & Pitchbook consensus estimates.
View original chart (click)

THE IGV OPTIX SIGNAL — A RARE AND POWERFUL CONTRARIAN INDICATOR

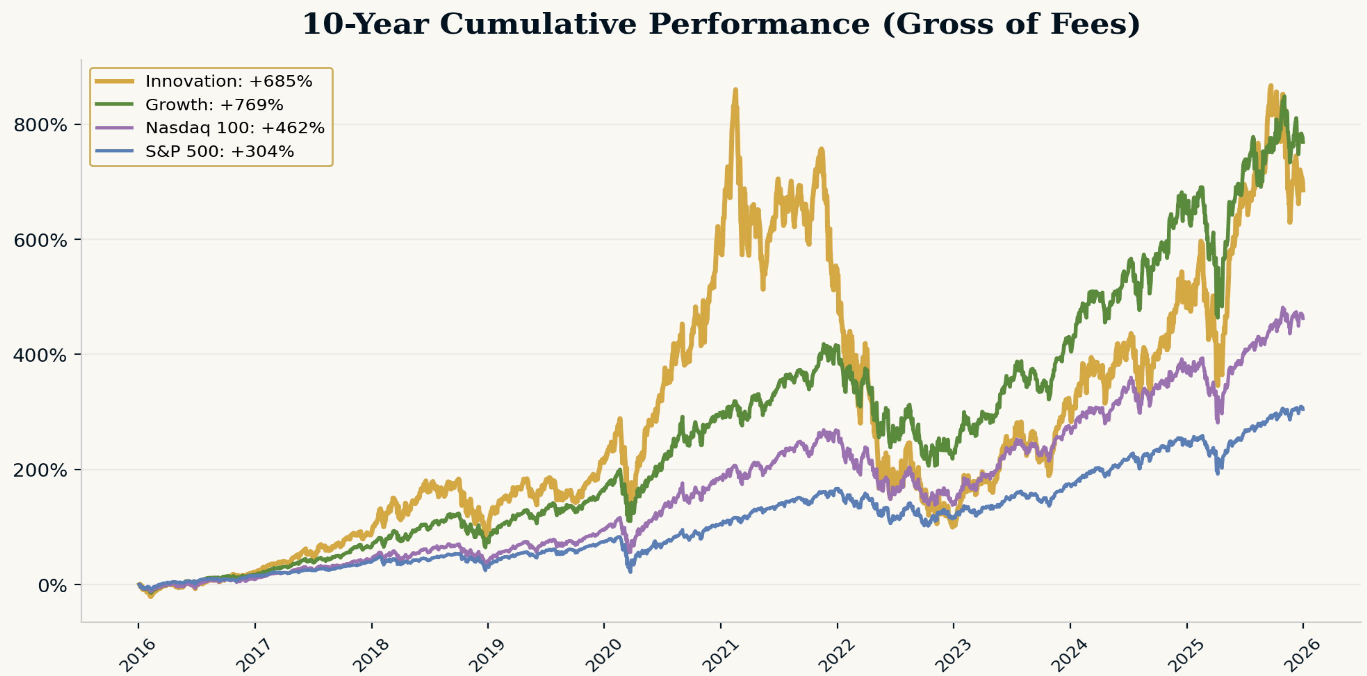
The IGV Optix from SentimentTrader is a proprietary composite sentiment indicator for the iShares Expanded Tech-Software Sector ETF (IGV). When its 20-day moving average crosses below 20, it signals **extreme pessimism** — a level so rare it has only been triggered **three times in 18 years**: October 2008 (Financial Crisis), March 2020 (COVID crash), and February 2026 (now). The average 1-year forward return from these signals is **+60.9%** — and the 6-month and 1-year win rate is **100%**. If we weight toward the most comparable setup (post-COVID), the 1-year return was **+80%**.



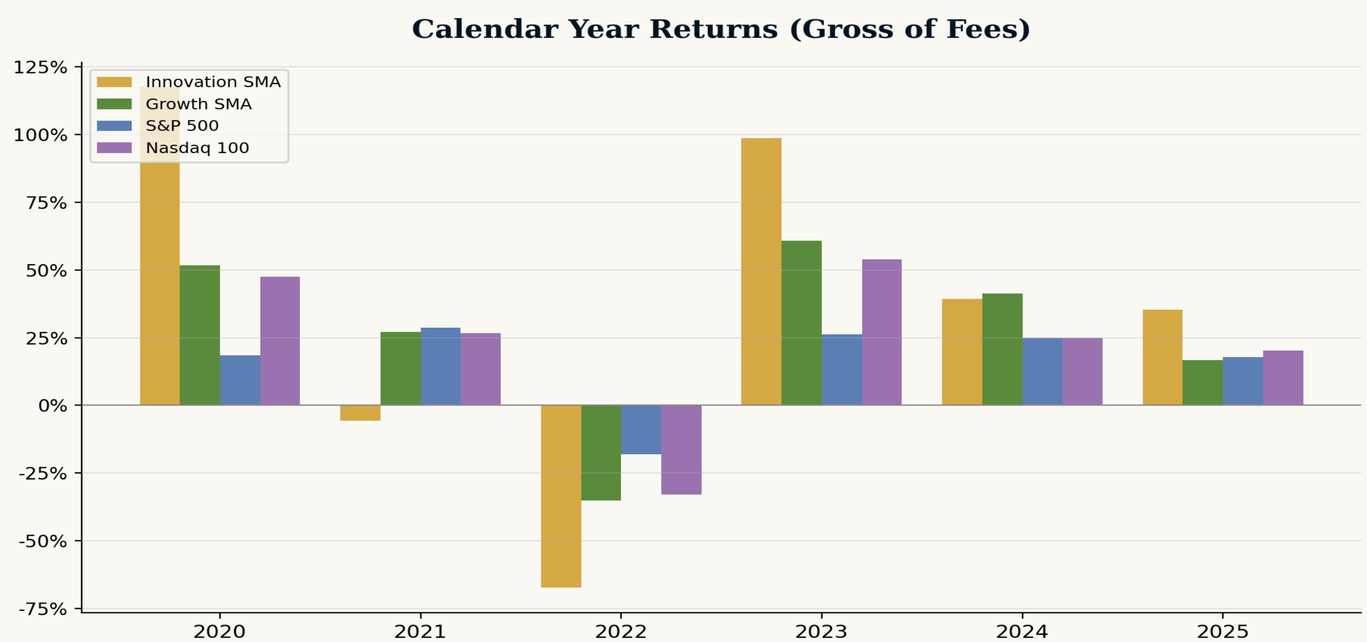
Individual Signal Results

THE BIG PICTURE — 10-YEAR CUMULATIVE PERFORMANCE

Over the past decade (2016–2025), the Equity Innovation SMA returned **+658%** and the Equity Growth SMA returned **+751%** — both dramatically outperforming the S&P; 500 (+298%) and Nasdaq 100 (+451%). Innovation's 10-year CAGR of **22.5%** and Growth's **23.9%** compare to 14.8% for the S&P; 500. This is not a one-year phenomenon — it is a decade of systematic alpha.



CALENDAR YEAR RETURNS — CONSISTENCY THROUGH CYCLES



Source: BRIM Master Database. All returns gross of fees. Innovation live 3/24/20, Growth live 4/14/22.

2026 YEAR-TO-DATE: NAVIGATING THE DRAWDOWN

Through March 26, 2026, the Equity Innovation SMA is down **-21.8% gross / -22.0% net** year-to-date. The Equity Growth SMA is down approximately **-20.2%** on a representative household basis. These drawdowns are painful but entirely consistent with how our strategies behave during sentiment-driven selloffs — and critically, they set the stage for outsized forward returns.

WHY THIS FEELS LIKE APRIL 2025 — BUT EVEN CHEAPER

The current drawdown is strikingly similar to April 2025, when tariff fears and AI uncertainty drove a sharp correction in software names. From that April low, our Innovation portfolio surged **+109% net** over the next five months. Today, we are seeing the same pattern: indiscriminate selling, extreme sentiment readings, and fundamentally strong companies trading at *even lower valuations* than they were at the April 2025 bottom.

If AI is supposed to replace software, why are *both AI stocks and software stocks* selling off together? The answer: this is a sentiment event, not a fundamental one. Software earnings grew 29% YoY in Q4 2025. Deutsche Bank has declared this moment as the likely peak of AI-driven fear, calling it a contrarian buying opportunity. JPMorgan notes the selloff has been indiscriminate. NVIDIA CEO Jensen Huang called the idea that AI will replace software "the most illogical thing in the world."

Our 2026 Innovation Return Target: +50%

Given extreme pessimism, the historically bullish IGV Optix signal, and AI-driven earnings growth, we maintain our full-year 2026 target of +50% for the Innovation SMA. If the market remains flat for 2–3 months, we may revisit — but the setup is as compelling as anything we have seen since the April 2025 low.