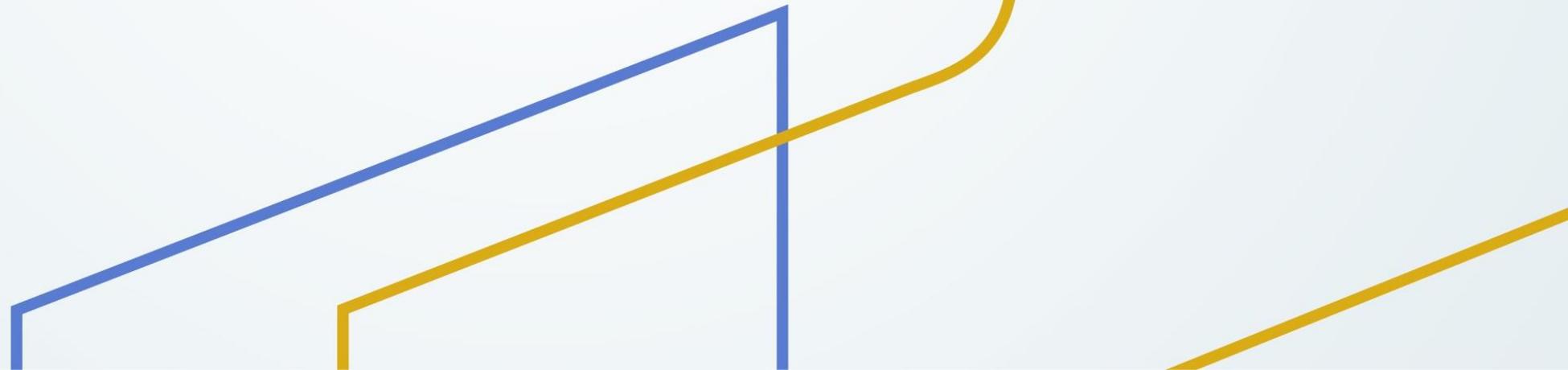


Making Sense

Quarterly Market Review – Q1 2026



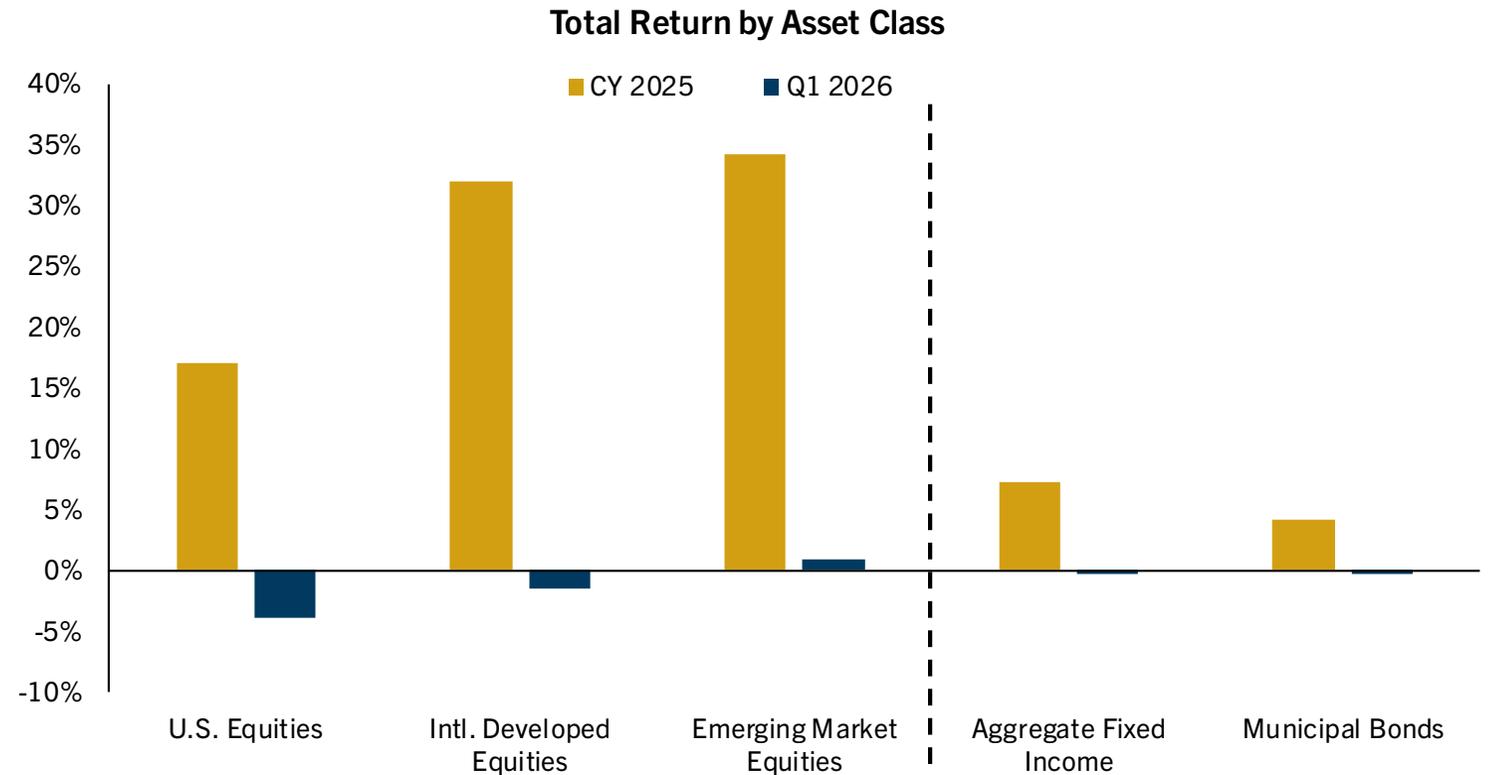
Global markets

Market volatility returned to global financial markets in the last month of the quarter. The war with Iran has triggered the largest supply shock in the history of the global oil market, driving an enormous surge in oil prices and general uncertainty. With the Strait of Hormuz effectively closed, approximately 20% of the world's oil supply has been disrupted. Energy markets have dominated the headlines as a result. WTI and Brent crude oil both closed the quarter above \$100 per barrel, their highest levels since 2022.

Equity markets pulled back across the board. The bulk of the quarter's losses occurred following the start of the Middle East war. During that period, U.S. equities declined 5%, while international and emerging market equities fell 10% and 13%, respectively. Prior to the conflict, U.S. equities were up roughly 1% for the year, while international and emerging markets had posted gains of 10% and 15%.

Fixed income was little changed for the quarter. Treasury yields rose across the board as the Middle East conflict and accompanying surge in oil prices renewed inflation fears.

Q1 2026 saw global markets pull back after strong 2025



Source: Bloomberg. Note: Chart data represents Russell 3000, MSCI EAFE, MSCI EM, Bloomberg Aggregate Bond, Bloomberg Municipal Bond. Data as of 3/31/2026.

US equity performance

The decline in U.S. equities during the quarter was concentrated in large-cap growth stocks, which moved 10% lower in Q1 after climbing 18.6% in 2025. Small- and mid-cap equities outperformed large-cap – a reversal of last year’s trend. Value stocks closed the quarter higher, continuing a trend beginning late last year of inexpensive stocks outperforming, which has led to improved market breadth.

Small cap stocks outperformed in Q1

Quarter-to-Date US Equity Returns As of 03/31/2026				Full Year 2025 US Equity Returns As of 12/31/2025			
	Value	Blend	Growth	Value	Blend	Growth	
Large	1.3%	-5.6%	-10.0%	18.4%	19.2%	18.6%	
Mid	3.7%	1.3%	-6.3%	11.0%	10.6%	8.7%	
Small	5.0%	0.9%	-2.8%	12.6%	12.8%	13.0%	

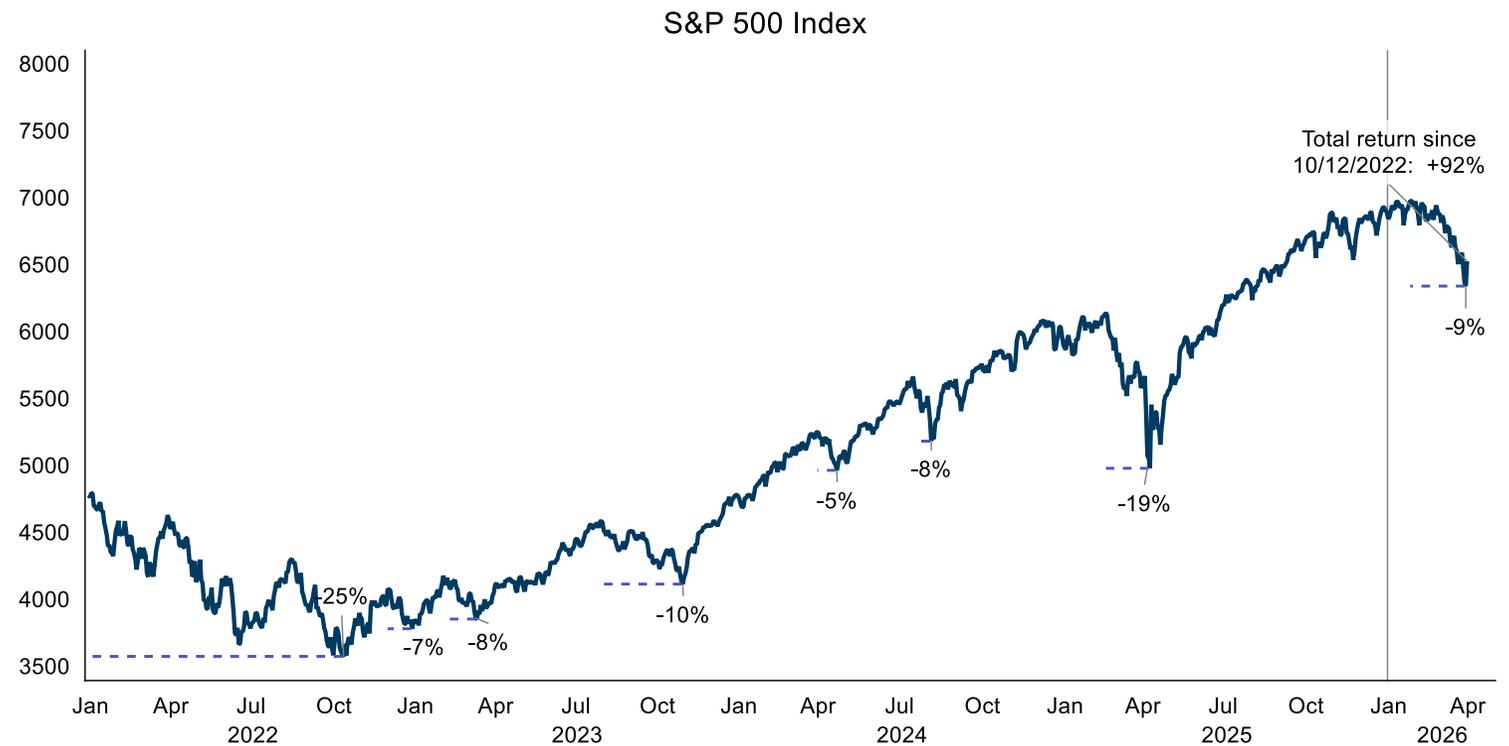
US equity performance

The S&P 500 declined 5% in Q1 – its worst quarterly performance since 2022. Losses were concentrated in the month of March, with the index falling 5% from the start of the conflict with Iran. Before this drawdown, the S&P 500 had reached a new all-time high on January 27, and since that peak, the index is down 6.4% following yesterday's +2.9% gain.

While the decline has been significant, it is worth putting the move in context. Market dislocations driven by geopolitical shocks and oil supply disruptions – such as the 1990 invasion of Kuwait and the 1973 Arab oil embargo – have historically caused significant short-term volatility, but U.S. equities have typically recovered within several months.

As highlighted in our latest monthly [Market Update](#), our 12-month price target for the S&P 500 is 7,300. We remain cautiously constructive on U.S. equities, but we are closely monitoring the evolution of the Middle East conflict, the trajectory of oil prices, and their broader economic implications.

The S&P 500 sold off in Q1, as it has in previous quarters



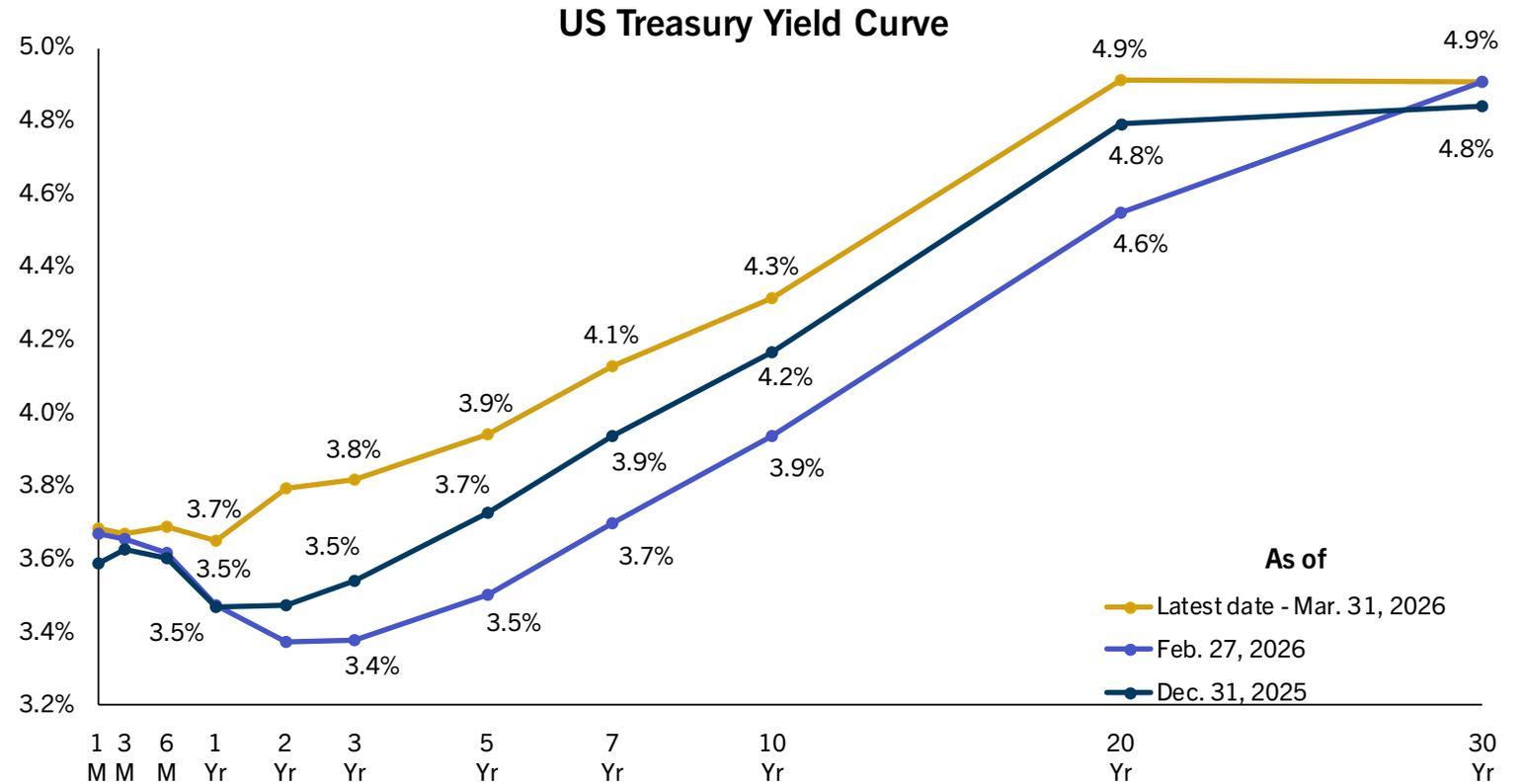
Source: Bloomberg
Data as of: 3/31/2026

Fixed income

The move higher in yields has been sharp and swift. The 10-year Treasury yield had dropped to the lowest point since August 2025 the day before the conflict began. The onset of the war and the subsequent surge in oil prices quickly reversed that trend, driving yields higher across the curve as investors priced for higher inflation and greater uncertainty. Over the course of one month, the 2-year and 10-year Treasury yields rose by 42 basis points and 38 basis points, one of the steepest increases in years.

This has led to a significant repricing of Federal Reserve rate cut expectations. Prior to the conflict, markets had been pricing in 2-3 quarter-point rate cuts this year. Those expectations have mostly disappeared, with traders now anticipating the Fed will hold rates steady well into 2027. It is worth noting that short-end yields are primarily driven by Fed expectations, while longer-end yields – such as mortgage rates – are more sensitive to growth and inflation dynamics.

Treasury yields rose across the curve in recent weeks



Source: Bloomberg. Data as of 3/31/2026.

Fixed income

Fixed income posted negative returns across the board during the quarter after rallying before the Middle East conflict began. Since the start of the war, yields have risen materially across all sectors. The 10-year Treasury climbed as high as 4.4%, its highest level since August 2025. High yield corporate bond yields climbed by over 60 basis points to 7.4%, and investment grade bond yields hit 5.1% – the highest level since June 2025. Municipal bond yields rose to 3.8%, the highest since September 2025.

After years of markets expecting rate cuts, risks are now two sided, with investors now contending with central banks across the globe leaving rates unchanged, if not raising them. However, market pricing implies the probability of rate hikes in the US remains low, and Fed officials have not indicated this is their expectation.

We think the recent rise in yields presents attractive entry points for fixed income investors.

Fixed income yields climbed higher

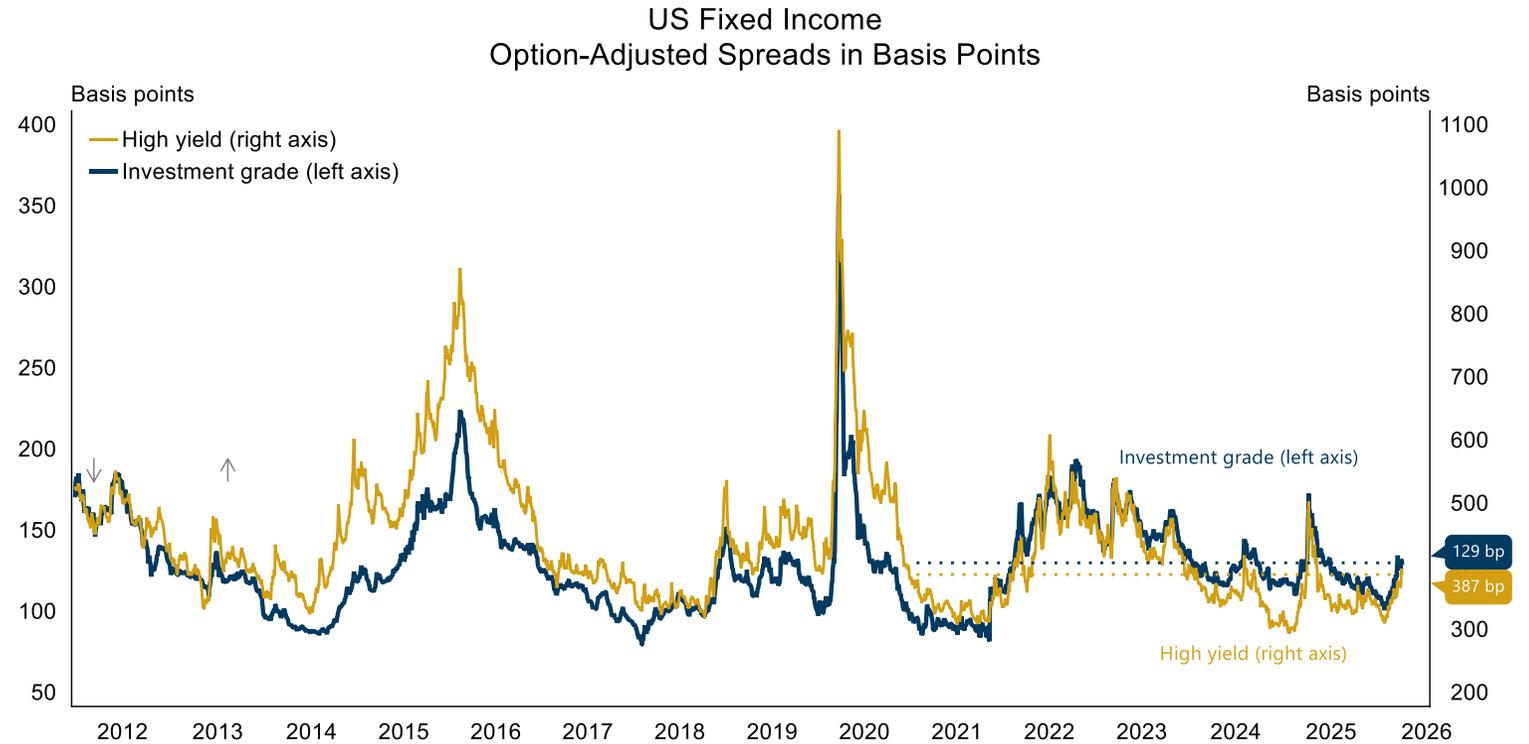
Fixed Income Indices			
	Yield to Worst		
	3/31/2026	2/27/2026	12/31/2025
2-Year Treasury	3.8%	3.4%	3.5%
10-Year Treasury	4.3%	3.9%	4.2%
Aggregate Bond	4.6%	4.2%	4.3%
Intermediate Government/Credit	4.2%	3.8%	3.9%
Municipal Bond	3.8%	3.3%	3.6%
Investment Grade Corporate Bond	5.1%	4.7%	4.8%
High Yield Corporate Bond	7.4%	6.7%	6.5%

Fixed income

Corporate bond spreads have widened throughout the quarter and are now roughly at their historical averages. This widening reflects the growing concern in the market around private credit and AI related risk around certain segments in the economy. The conflict in Iran has only compounded those pressures.

Credit spreads serve as a useful proxy for perceived market risk. While fixed income markets are not currently pricing in an immediate dislocation, the widening trend is worth monitoring closely as the macro environment continues to evolve.

Corporate credit spreads widened



Source: Bloomberg
Data as of: 3/31/2026

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