



# Quarterly Investment Commentary

FIRST QUARTER, MARCH 2026

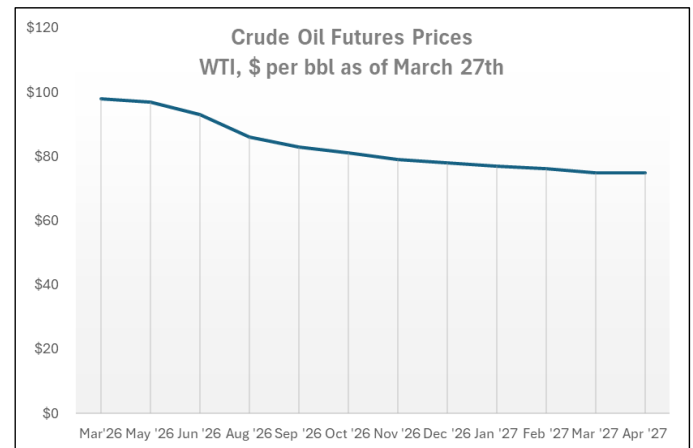
## Narrow Strait, Wide Impact

Over the past month, many of us have become more familiar with the Strait of Hormuz—the waterway connecting the Persian Gulf to the open ocean. It’s been described as a beautiful stretch of coastline, with desert landscapes, rugged cliffs, and deep blue water—but more importantly, this narrow passage also facilitates roughly 20% of the world’s oil supply.

The events over the past month have also served as a not-so-gentle reminder of how fragile the global system can be—and how quickly unexpected developments can shift the outlook. As many of you are already aware, the conflict with Iran has disrupted energy infrastructure and shipping routes through the Strait, sending oil prices higher. In turn, markets have responded by focusing on the potential domino effects of higher energy prices on the broader economy.

What’s beginning to matter for markets is that rising oil prices aren’t just felt at the pump. A prolonged increase in gas prices can weigh on consumer spending, increase costs for businesses, complicate the path for interest rates, and pressure stock valuations. As is often the case, there are many moving parts to this conflict, but one thing we know for sure is—it will eventually come to an end. The key questions weighing on markets at the moment are:

- How long will it last?
- Are higher oil prices here to stay?



Source: CME Group

While the situation remains fluid and headlines change by the hour, futures markets are indicating that the recent spike in oil prices is likely temporary. The downward-sloping oil futures curve suggests prices could trend lower over the next 12 months, gradually returning to more normal levels. Gold—a traditional “fear” trade—has also declined since the onset of the Iran conflict, suggesting that some of the initial risk-off premium may already be fading. At the same time, bond yields have edged higher, pointing to the possibility that inflationary pressures stick around, government deficits increase, and fewer (if any) Federal Reserve interest rate cuts are in the cards

Taken together, these signals point to a scenario where tensions gradually ease, but the effects on prices and the broader economy may prove more persistent. It’s also important to note that markets continuously reprice based on the information available at the time. They aren’t predicting a single outcome—they’re weighing probabilities.



While both the U.S. and Iran have incentives to resolve this conflict sooner rather than later, the path forward will likely be uneven and unpredictable—and there’s always the possibility it gets worse before it gets better.

## So, what should investors do at times like this?

The better question may be what not to do. Jason Zweig, author of the Wall Street Journal’s “Intelligent Investor” column, offered some good advice in a recent piece titled *“How to Trade the War: Avoid Gimmicky Strategies and Overheated Assets.”*

*“Surprising events and negative news can always tempt investors into suddenly adopting radically different strategies: fast trading, market timing, ultrahigh dividends and other techniques that purportedly reduce risk or raise returns. That’s why I want to recommend a quirky, metaphorical way of thinking about investing when uncertainty is high. You should think about overhauling your portfolio the way people should—but often don’t—decide about adding tattoos or body piercings.”*

While most of us aren’t in the market for a new tattoo or piercing, the message is the same: decisions made in moments of high uncertainty should be approached with caution—especially when they are difficult to reverse. In most cases, small adjustments on the margin and periodic rebalancing are far more effective than a wholesale overhaul of a portfolio—which if done incorrectly, can be both costly and difficult to undo—like a tattoo (not that we’re speaking from personal experience). The steady flow of headlines can create the urge to act, but more often than not, maintaining a disciplined, long-term approach has proven far more successful than reacting to short-term noise.

## Is the AI honeymoon over?

Another notable development this quarter has been just how markets are thinking about artificial intelligence (AI). Over the past couple of years, AI has moved quickly from the innovation phase, to infrastructure buildout, to now adoption and early impact. As this evolution unfolds, the market narrative is beginning to shift—from AI will be great for everyone-to-who is at risk of becoming obsolete. Stock prices have begun to reflect this change. Software companies seen as potentially being replaced by new AI tools have been among the hardest hit this quarter, along with some of the investment firms and banks that have lent money to those businesses. In short, the realities of how this technology will be deployed—and who ultimately is disrupted—are beginning to sink in.

While it’s easy to imagine AI reshaping parts of the software industry—replacing some, and forcing others to adapt. Many established tech companies are already incorporating AI into their offerings, and while they are unlikely to become obsolete, they will need to prove their value in a more competitive world. Although no one knows exactly how this will play out, the recent sell-off in certain areas of the market has at times felt like a “throw the baby out with the bathwater” reaction. We are using this to closely monitor high-quality businesses with durable competitive advantages and proven track records, looking for opportunities to establish positions at more attractive valuations.



## Final Thoughts

Despite high volatility, broad U.S. equity indexes have held up reasonably well in 2026, down roughly 4.40%<sup>1</sup>. This comes after three consecutive years of returns exceeding 15%. International equities have modestly outperformed, with returns around -0.60%<sup>2</sup>. While bond yields moved higher in March, causing prices to fall, the total return for most high quality bonds has been flat to slightly negative so far this year.

Investors will continue to focus on the unknowns—oil prices, the Fed’s decision on rates, the future of tariffs, and the duration of the Middle East conflict. In the coming months, we will have better clarity on many of these issues. The impact of AI, however, will remain and be more gradual.

As we move forward, we’ll continue to take a thoughtful and balanced approach. The backdrop of interest rates and earnings growth remains supportive for equities, but with valuations elevated, we continue to emphasize risk management—avoiding overexposure to any single theme, maintaining meaningful international exposure, and holding high-quality bonds to help smooth the ride.

As always, please feel free to contact us with any questions or concerns you may have.

<sup>1</sup>As measure by the S&P 500 stock index through 3/31/26

<sup>2</sup>As measured by the ACWI ex USA stock index through 3/31/26