

QUARTERLY MARKET PERSPECTIVES

Q1 2026

Q1 2026 REVIEW

KEY THEMES

- Markets were shaped by a sharp escalation in geopolitical risk that drove energy prices higher and reignited inflation concerns during the quarter. Investors scaled back expectations for rate cuts in response, triggering volatility across both equities and fixed income.
- AI emerged as a source of disruption in Q1 2026, as rapid advances challenged the durability of existing business models—particularly in software—and drove sharp repricing across impacted sectors.

FIXED INCOME

- Bond yields declined early in the year but reversed course and moved higher across maturities as the quarter progressed. Inflation remained elevated even before the conflict-driven spike in oil prices, casting doubt on how quickly the Federal Reserve could cut rates. By quarter-end, expectations for any 2026 cuts had largely disappeared, pushing yields higher.
- Credit markets were relatively resilient, despite the pickup in volatility. Credit spreads widened modestly with rising rates and geopolitical uncertainty, but demand for income helped limit downside, particularly in higher-quality segments.

EQUITIES

- Market leadership quietly broadened during the quarter, with small caps, value stocks, energy, and international equities outperforming US large-cap tech, reinforcing the case for diversification after years of concentrated mega-cap dominance.
- International and emerging market equities led early in the quarter, rising nearly 10% through February, before pulling back sharply in March. The Middle East conflict and surge in energy prices hit Europe and Asia particularly hard due to their reliance on Strait of Hormuz energy flows, though both regions still outperformed US large caps for the quarter.



MARKET DASHBOARD (as of March 31, 2026)

KEY RETURNS AND STATISTICS

Bond Index Returns		Annualized			
	Q1	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Municipal 1-10Yr Index	-0.2%	-0.2%	4.2%	2.8%	1.2%
Bloomberg US Aggregate Bond Index	0.0%	0.0%	4.3%	3.6%	0.3%
Bloomberg US High Yield Index	-0.5%	-0.5%	7.0%	8.6%	4.2%

Treasury Yields					
	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
Yield by Maturity	3.7%	3.8%	3.9%	4.3%	4.9%

FX and Commodity Returns		Annualized			
	Q1	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Dollar Index	1.0%	1.0%	-4.6%	-0.4%	1.1%
Bloomberg Commodity Index	23.3%	23.3%	27.1%	8.6%	10.1%
WTI Crude Oil	79.8%	79.8%	62.1%	24.9%	24.9%
Natural Gas	-4.2%	-4.2%	-44.5%	-27.8%	-22.6%
Copper	-1.3%	-1.3%	9.4%	11.7%	7.9%
Gold	7.1%	7.1%	47.2%	32.0%	21.2%

Equity Index Returns		Annualized				
US Equities		Q1	YTD	1 Yr	3 Yr	5 Yr
Russell 3000		-4.0%	-4.0%	18.1%	17.8%	10.9%
S&P 500		-4.3%	-4.3%	17.8%	18.3%	12.1%
Russell 2000		0.9%	0.9%	25.7%	13.0%	3.8%
Non-US Equities		Q1	YTD	1 Yr	3 Yr	5 Yr
MSCI All Country World ex. US		-0.7%	-0.7%	24.9%	14.5%	7.0%
MSCI EAFE		-1.2%	-1.2%	21.3%	13.6%	7.9%
MSCI Emerging Markets		-0.2%	-0.2%	29.6%	14.8%	3.7%

US Equity Style Box Returns*								
Q1			1 Yr					
	Value	Core	Growth		Value	Core	Growth	
Large	2.1%	-4.2%	-9.8%	Large	15.9%	17.7%	18.8%	
Mid	3.7%	1.3%	-6.3%	Mid	17.6%	16.0%	9.6%	
Small	5.0%	0.9%	-2.8%	Small	28.1%	25.7%	23.6%	

Source: Bloomberg. As of March 31, 2026. *US Equity Style Box based on returns for Russell Indices. **Past performance is no guarantee of future results.** See important disclosures on the last page.



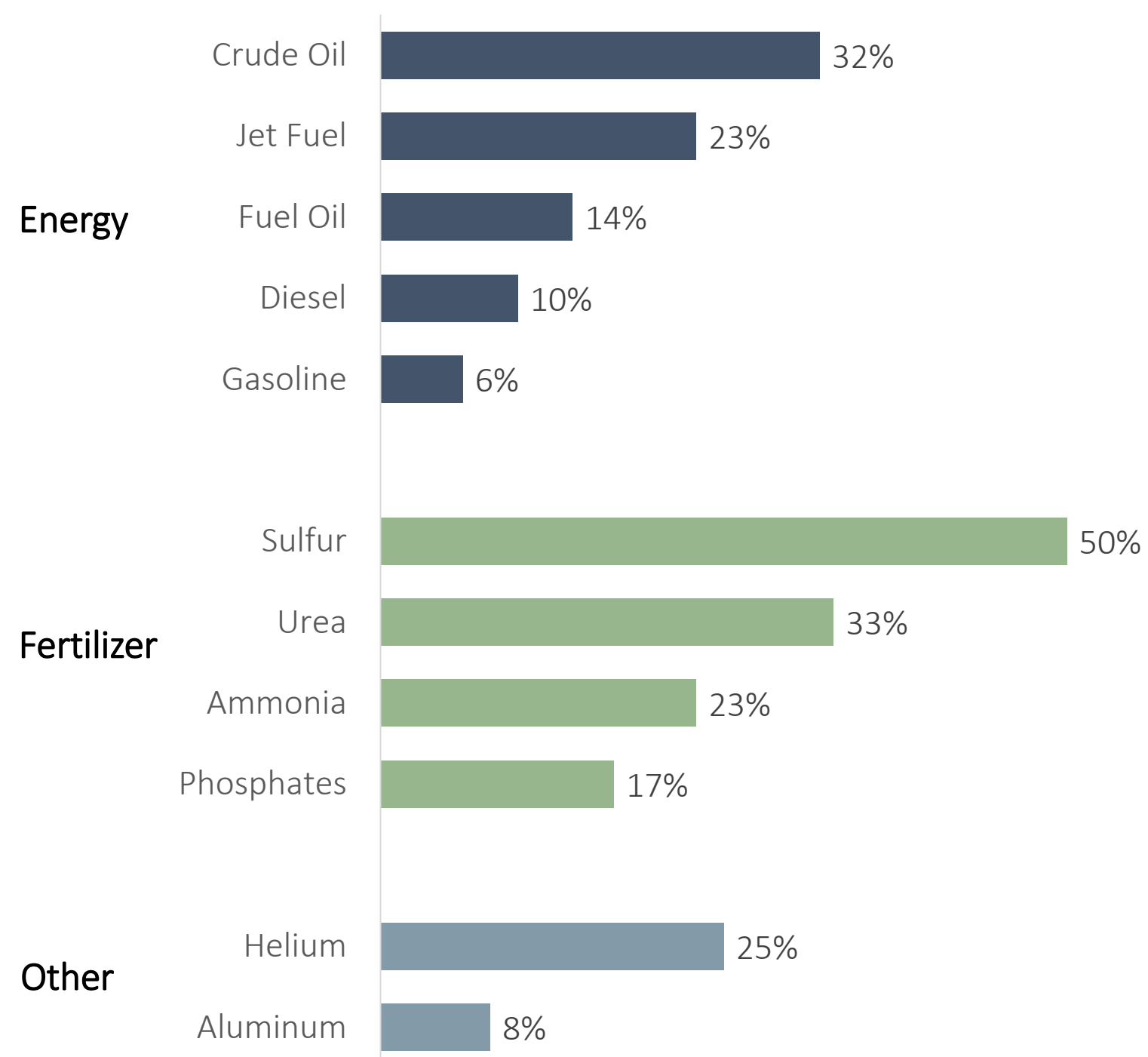
STRAIT OF HORMUZ: THE WORLD'S CRITICAL CHOKEPOINT

GLOBAL COMMODITY MARKETS RELY ON FREE FLOW OF TRADE ACROSS THE STRAIT OF HORMUZ

The Strait of Hormuz is one of the world's most critical commodity and energy chokepoints. Any disruption to the strait, whether from geopolitical conflict or military tension, creates lasting shockwaves through global markets, and threaten economic stability around the world.

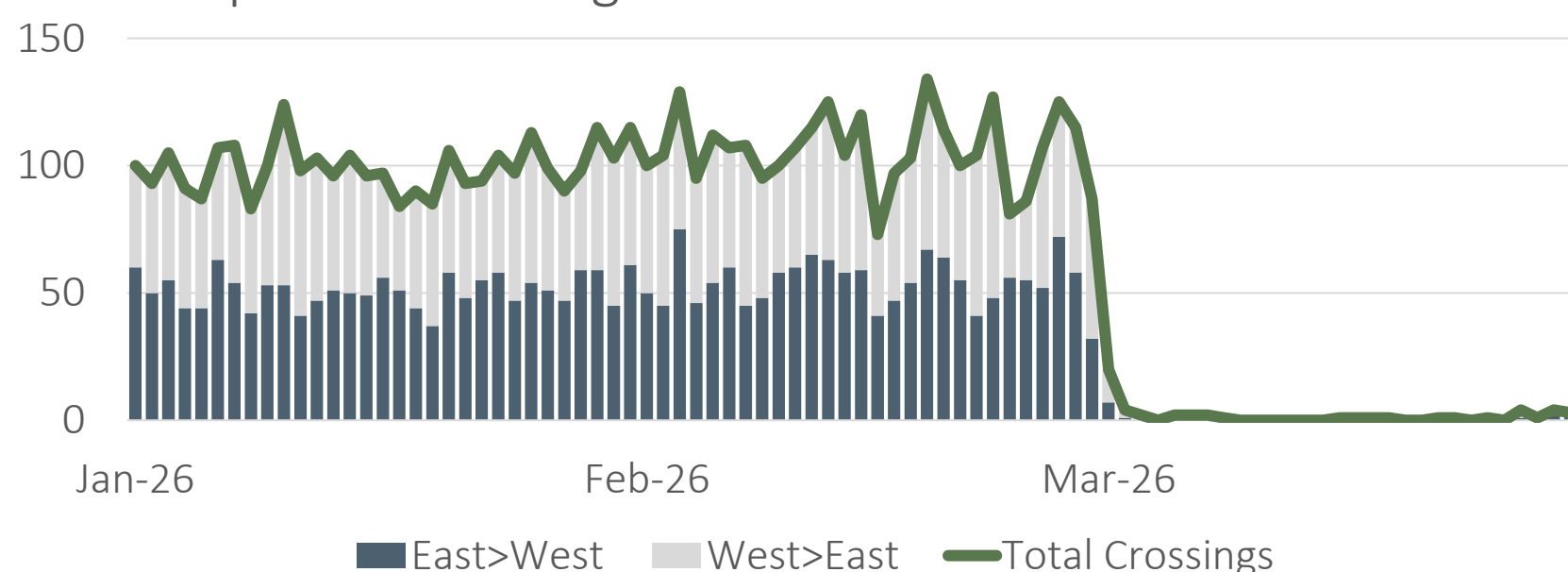
Share of Global Seaborne Trade via Strait of Hormuz

Based on 2025 Trade Volumes

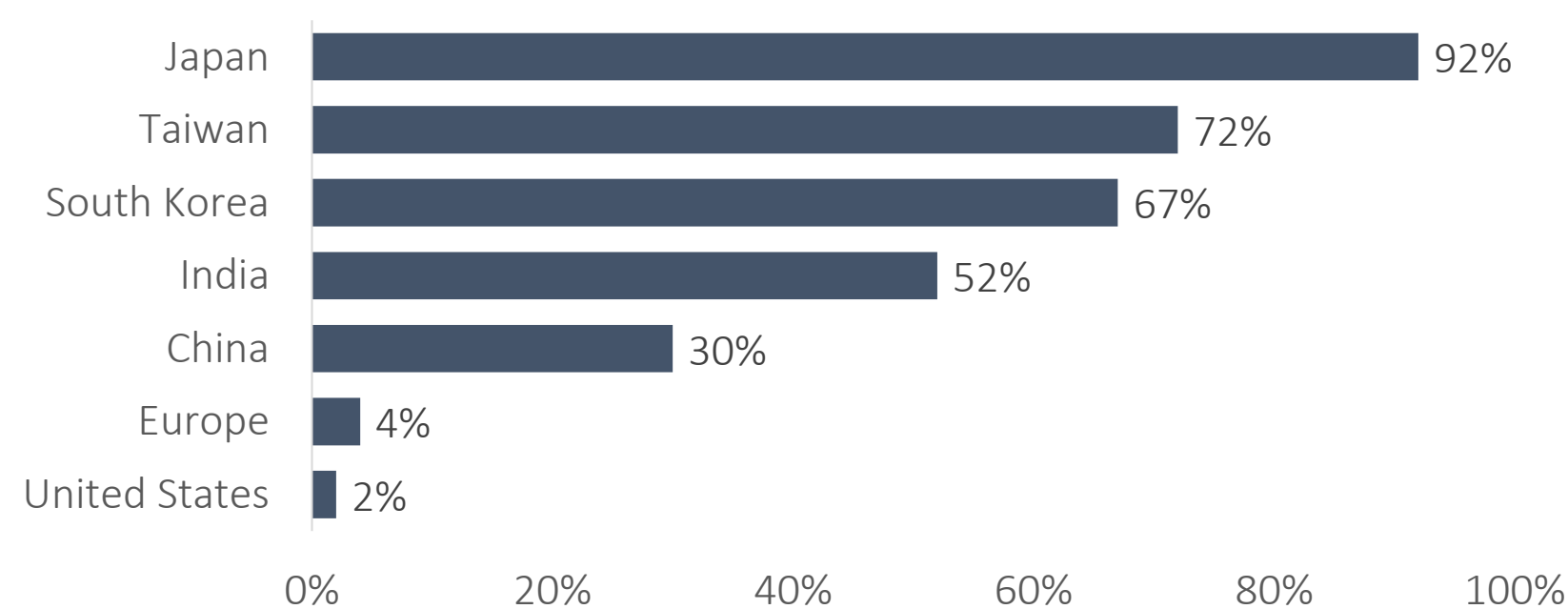


At a Standstill: Hormuz Closure Rocks Global Energy Markets

Total Ship Traffic Through the Strait of Hormuz



% of Total Country Oil Imports through Strait of Hormuz



Source: Crescent Grove Advisors, Bloomberg, Bank of America Global Research. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.



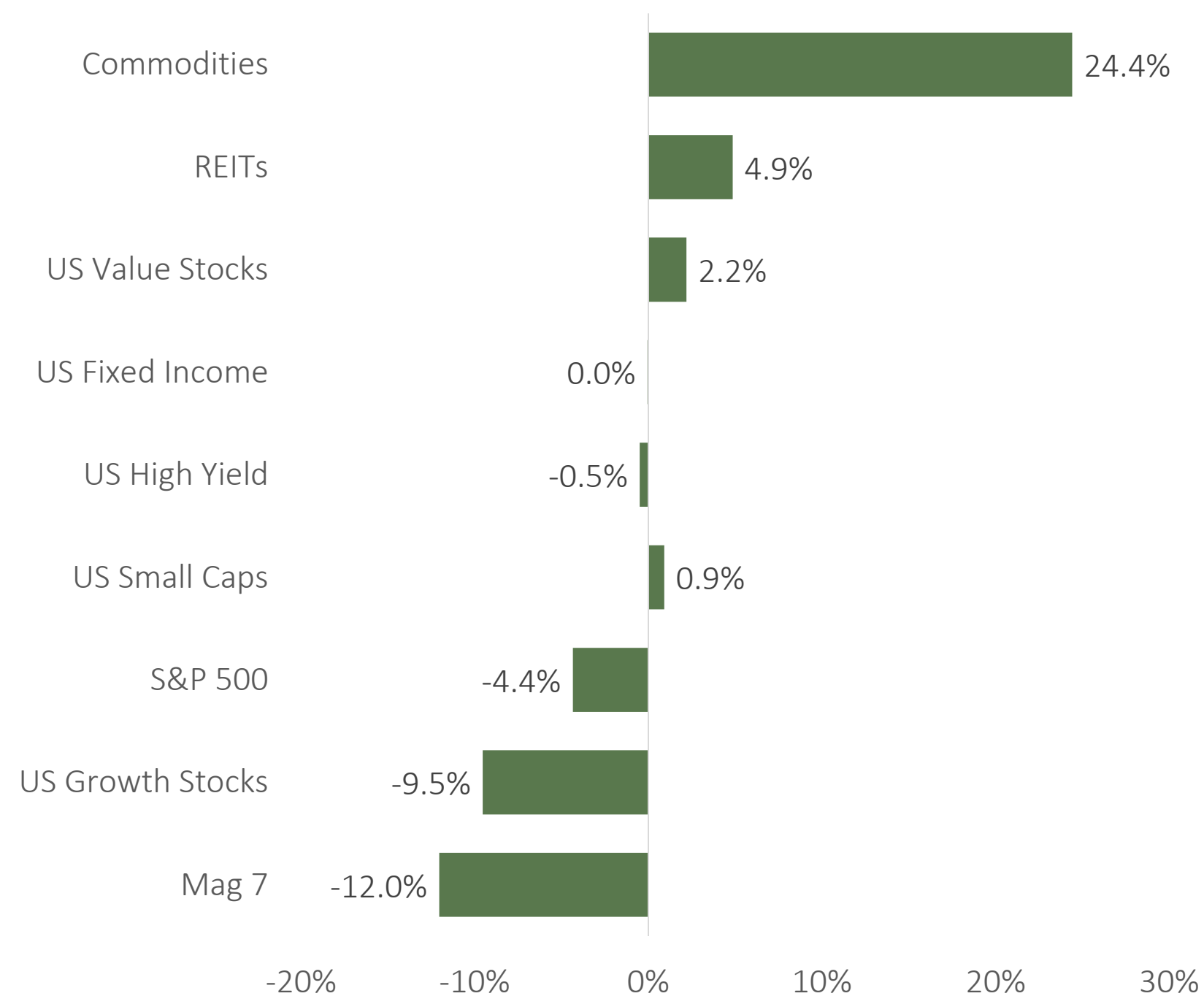
MARKET ABSORBS IRAN SHOCK WITH LIMITED FALLOUT

INVESTORS DOWNPLAY IRAN RISK AS MARKETS REMAIN ORDERLY

Markets are largely taking the Iran conflict in stride, with risk assets holding steady. Even as the odds of a near-term ceasefire appear to be fading, volatility has been manageable, suggesting confidence that the situation will stay contained.

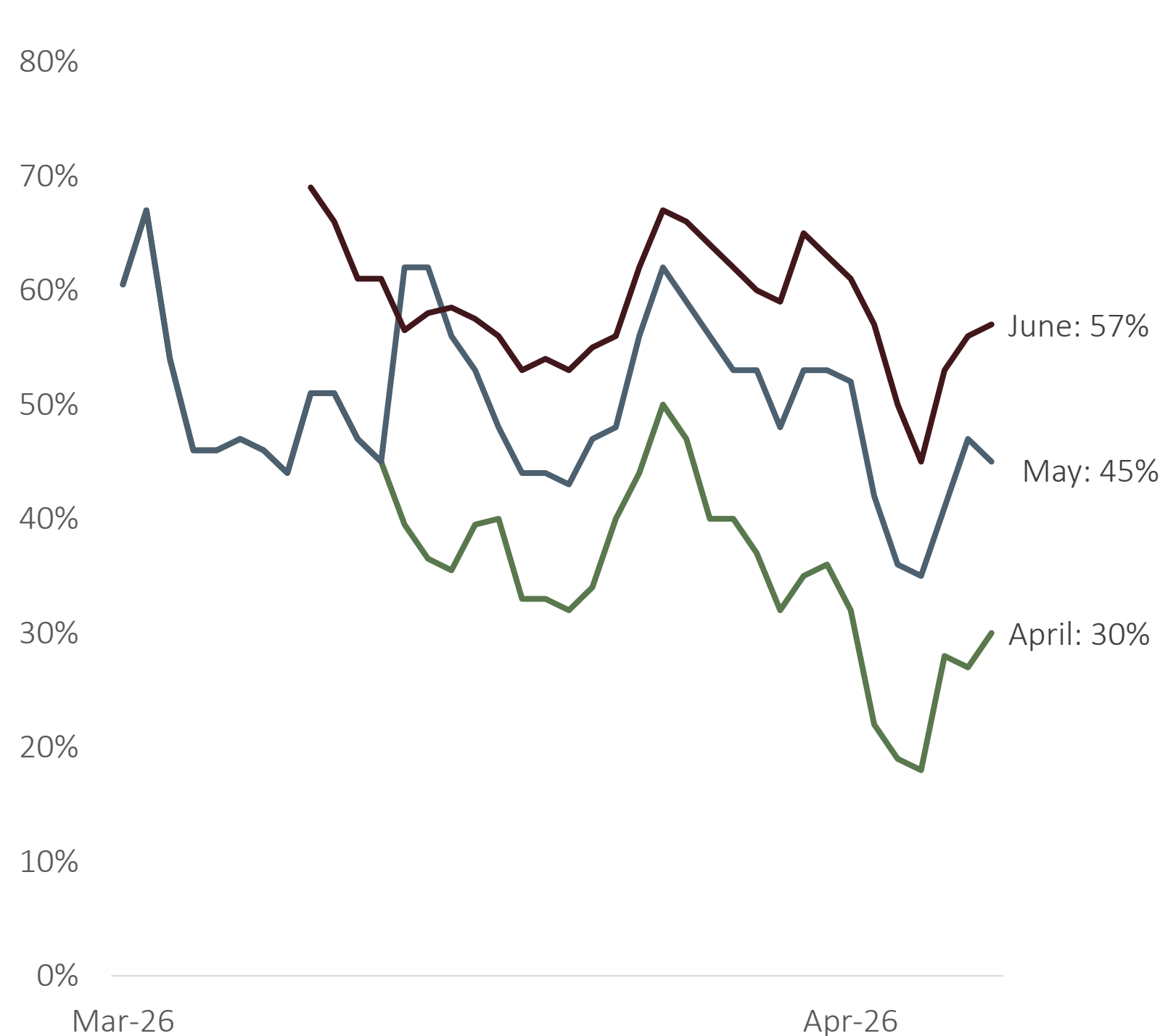
Despite Disruption, Markets Have Taken Conflict in Stride...

Asset Class Returns as of March 31, 2026



...But Odds of Conflict Ceasefire Are Falling (as of April 7, 2026)

Polymarket Ceasefire Odds: Conflict Ends By April, May, June



Source: Crescent Grove Advisors, Bloomberg. Asset class returns as of March 31, 2026. Polymarket Odds as of April 7, 2026. Polymarket is a global prediction market for real-world events. **Past performance is no guarantee of future results.** See important disclosures on the last page.



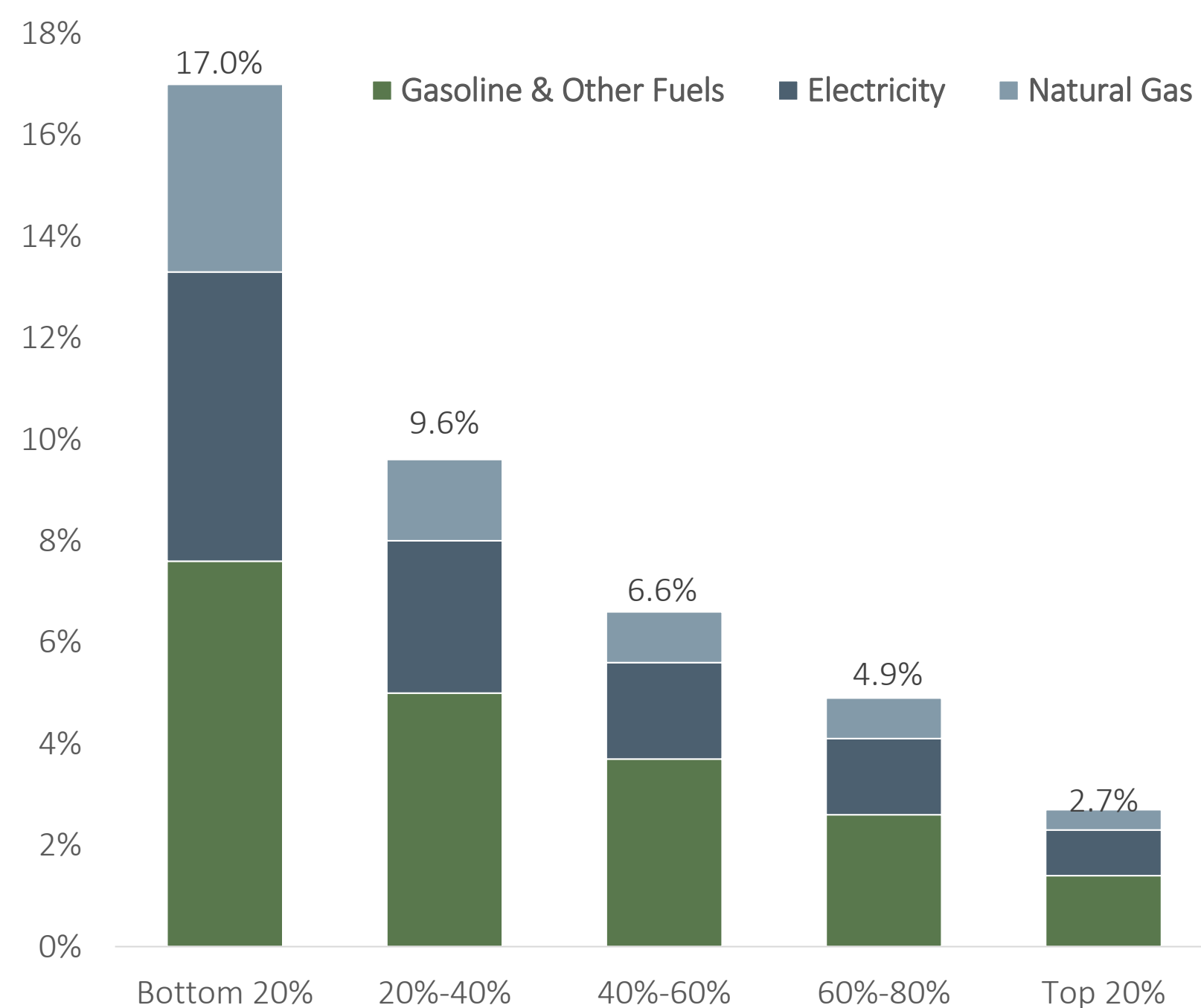
US CONSUMER BETTER POSITIONED FOR ENERGY SHOCK

ENERGY COSTS TAKE UP LESS OF THE CONSUMER BUDGET THAN AT ANY POINT IN HISTORY

US consumers appear better positioned to absorb an energy shock than in prior cycles. Energy costs account for a smaller share of household income than in past spikes, helping cushion the impact even as geopolitical risks rise.

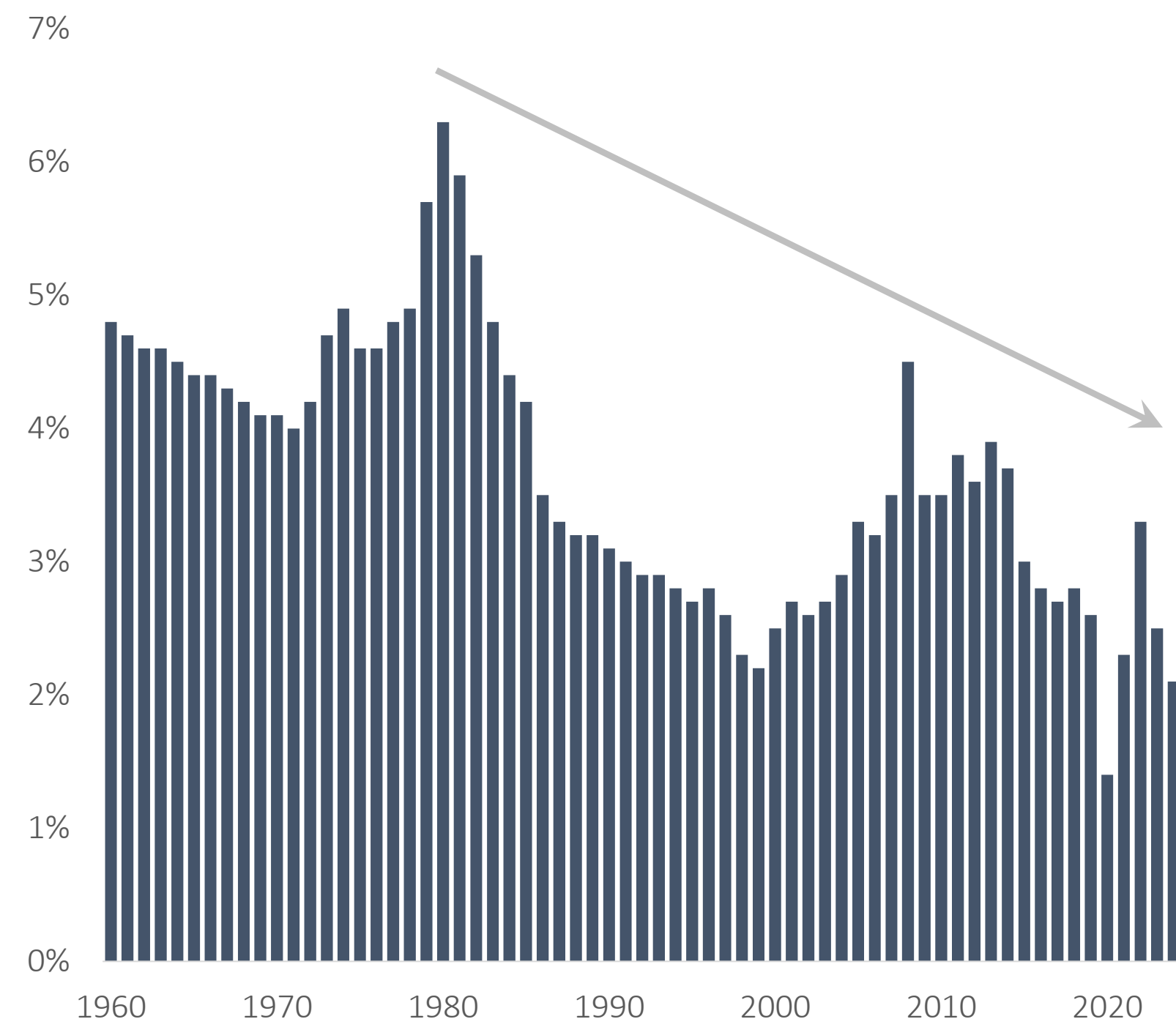
Consumers Ready for a Gas Shock

Consumer Spending on Energy: % of Total Income



US Energy Consumption is at Historical Lows

Energy Consumption as % of Total Household Consumption



Source: Crescent Grove Advisors, JPMorgan, EIA. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.

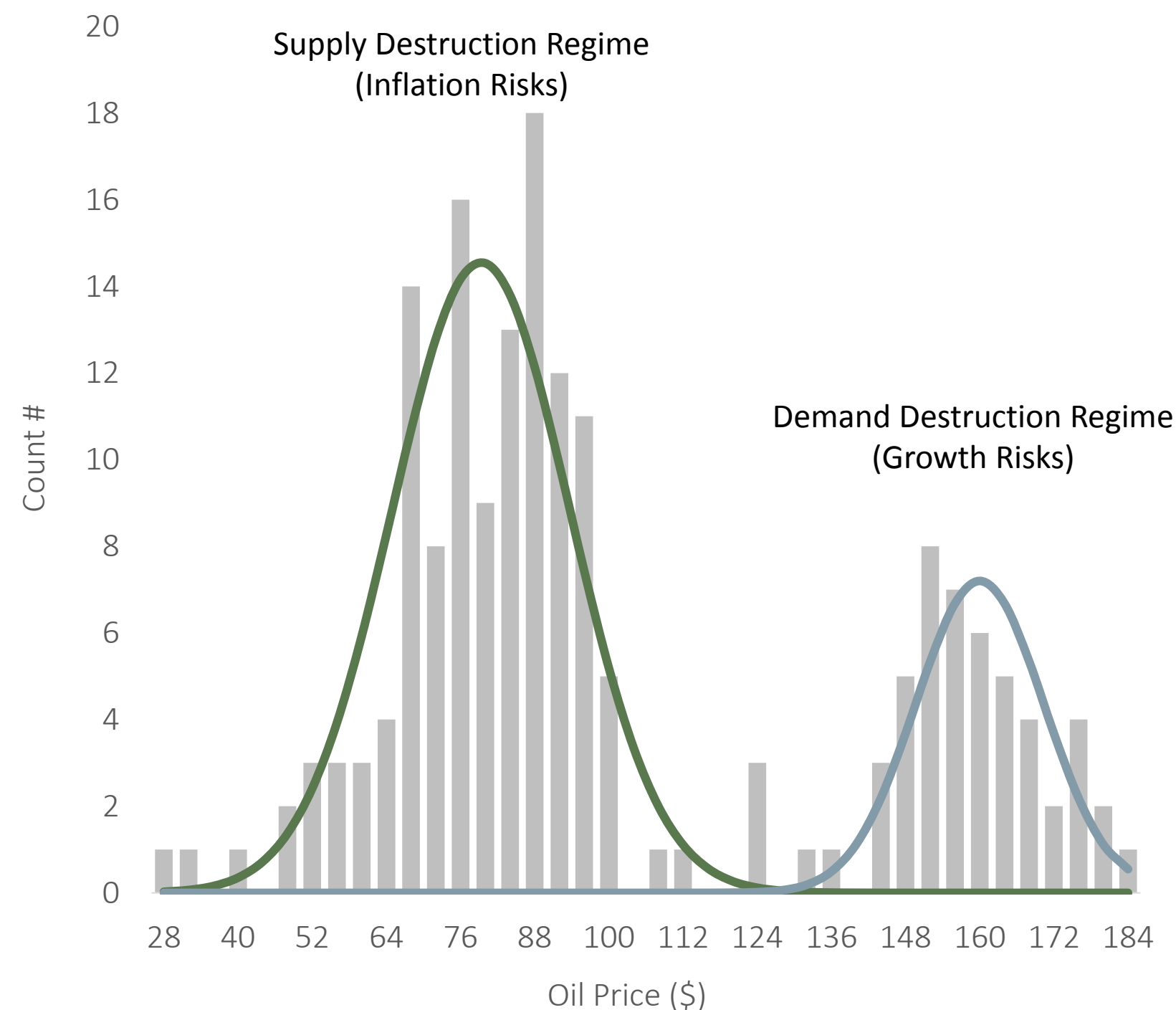


FED POLICY: WAITING ON INFLATION, MONITORING GROWTH

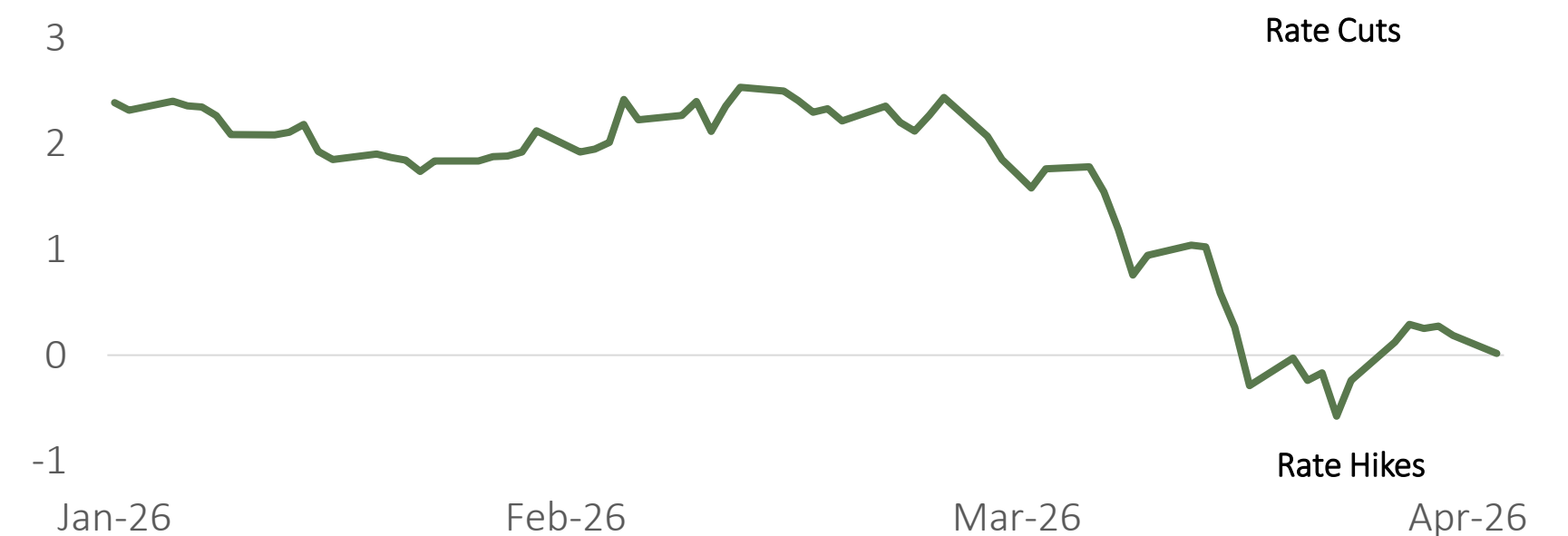
FED IS HOLDING STEADY DUE TO INFLATION RISKS, BUT FORCED TO ACT IF GROWTH WEAKENS

Spiking oil prices are likely to drive up energy costs for consumers, risking even higher inflation that keeps the Fed on hold despite earlier expectations for rate cuts in 2026. But if those higher prices begin to weigh on demand and slow growth, policymakers would be forced to shift and act more quickly.

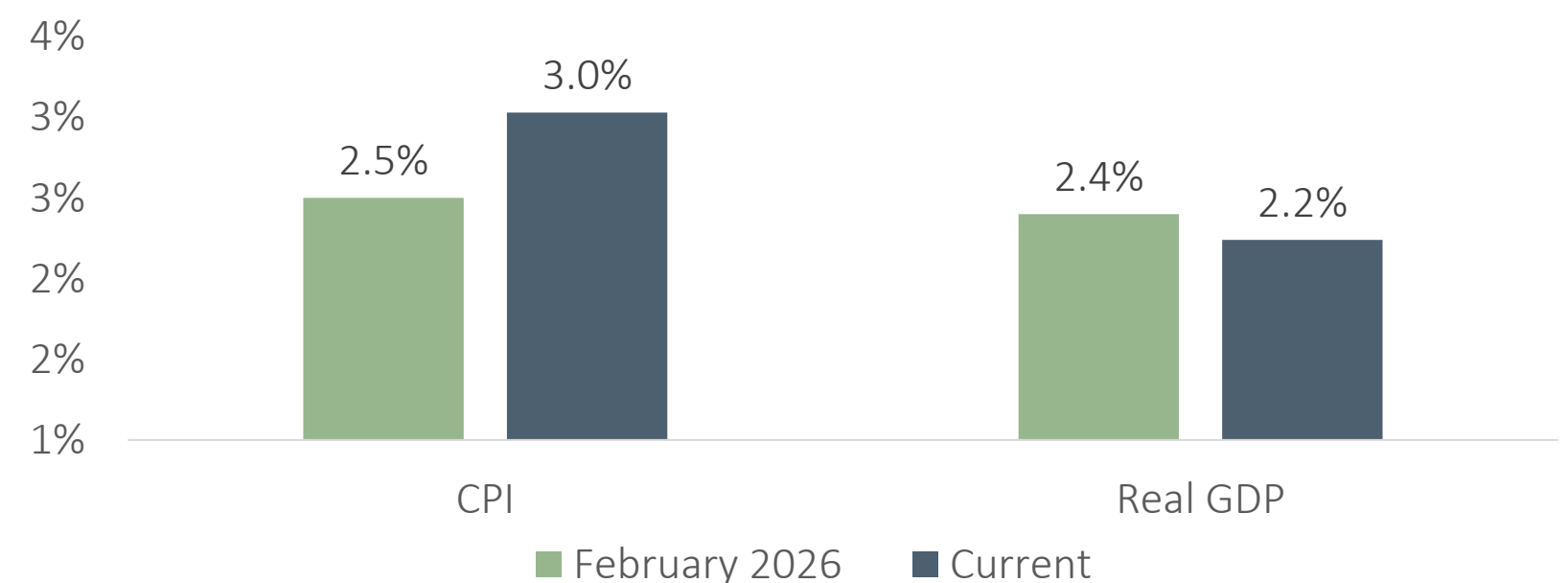
Prolonged Conflict Turns Inflation Shock Into Demand Shock
Distribution of Inflation-Adjusted Oil Prices (Since 2007)



Inflation Watch: Fed Now Unlikely to Cut Rates This Year
Expected Number of Fed Rate Cuts in 2026



Inflation and Growth Outlooks: Pre-Conflict vs Now



Source: Crescent Grove Advisors, Bloomberg, Bank of America. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.



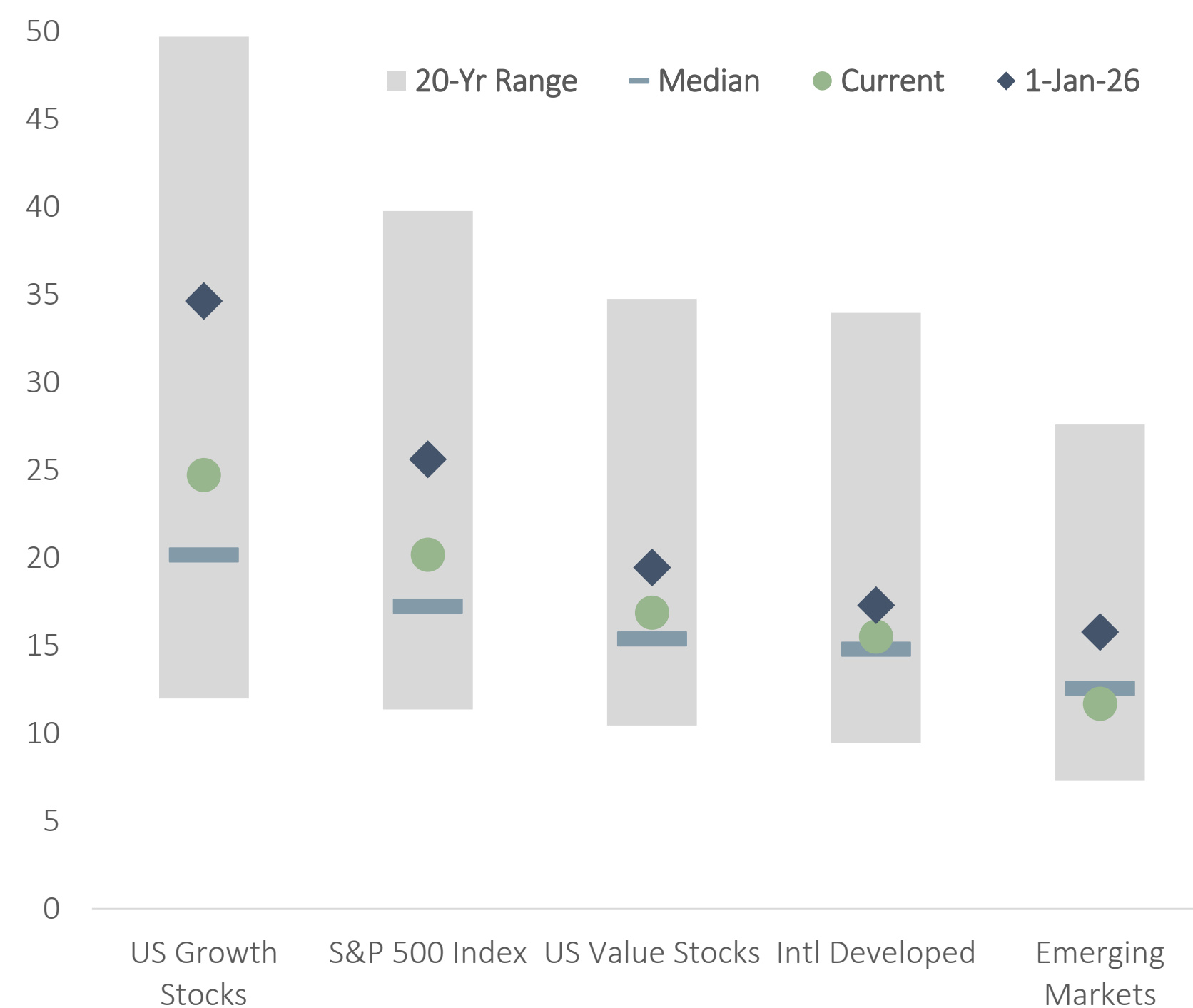
VALUATIONS RESET BACK TO EARTH

MARKET PULLBACK DRIVES LONG-AWAITED VALUATION RESET

Market valuations have reset following the recent pullback in prices, bringing multiples back closer to long-term averages. Underneath the surface, the damage is more severe, with most stocks well below index levels.

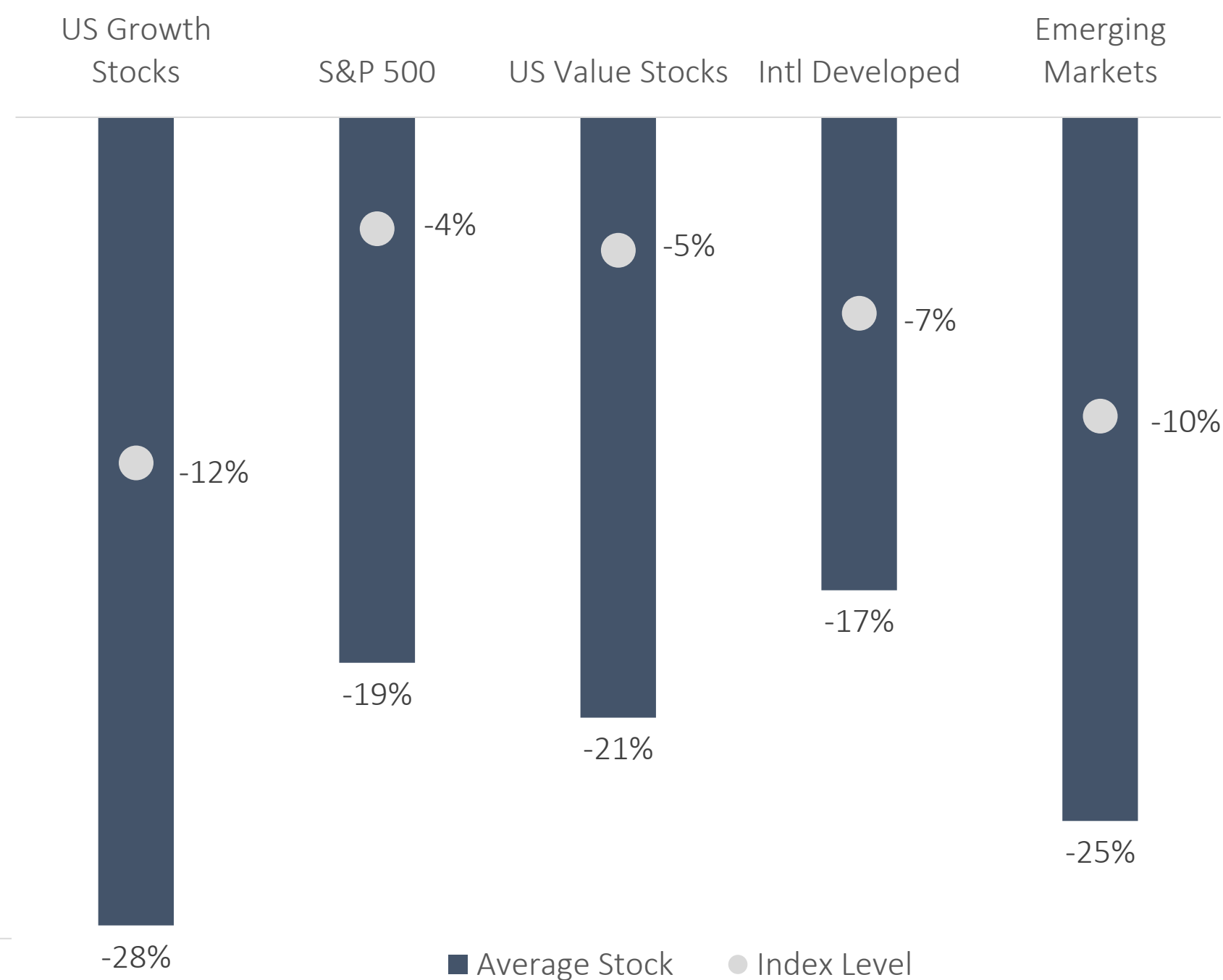
Valuation Reset Makes Case for Buying Equities

Forward P/E Ratio: Now vs Start of the Year



Under the Hood: The Market Is More on Sale Than It Looks

% from 52-Week Highs: Average Stock vs Index Level



Source: Crescent Grove Advisors, Bloomberg. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.



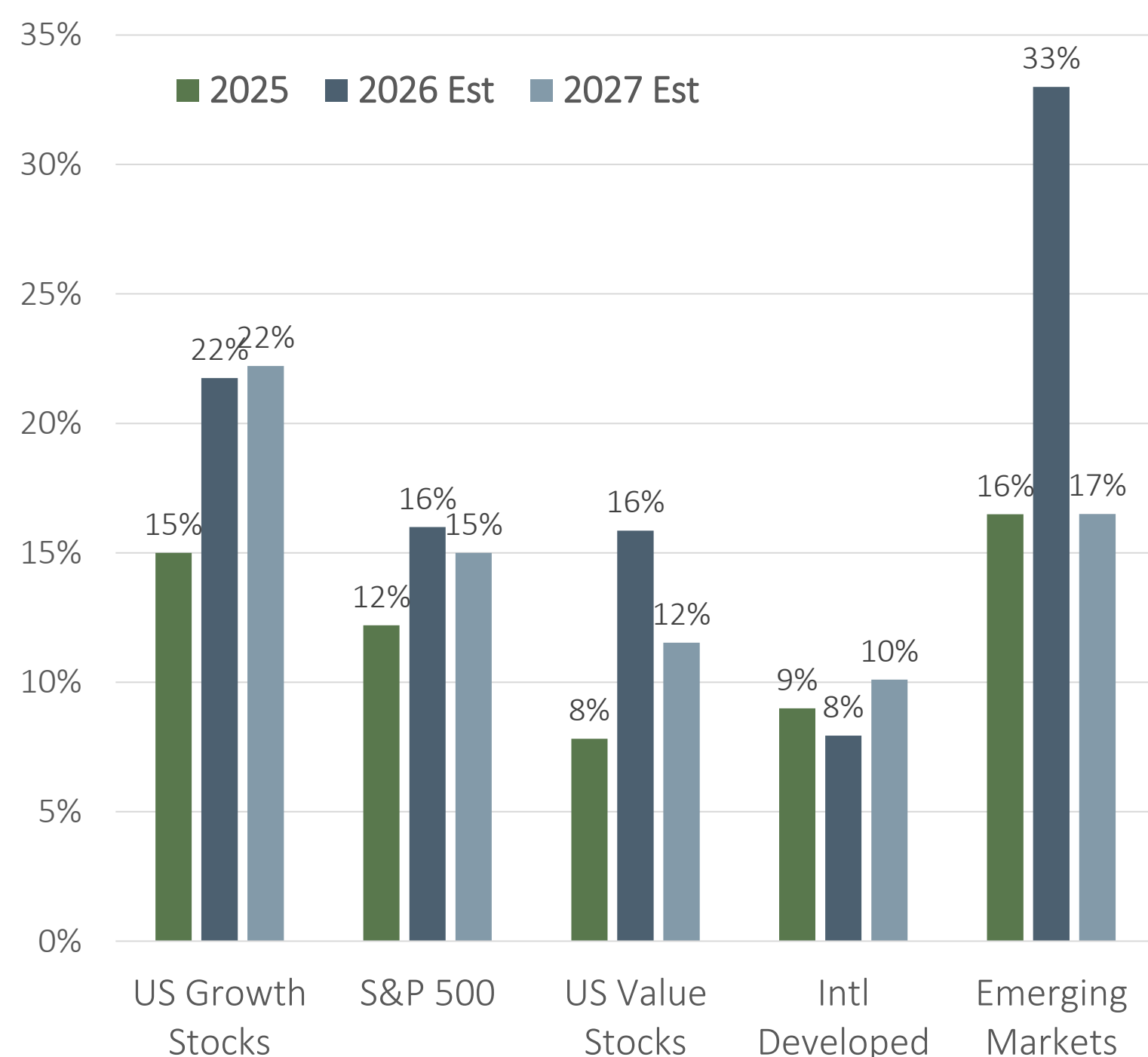
IRAN RISK? NOT EVIDENT IN EARNINGS ESTIMATES

MARKET VOLATILITY RISES, BUT EARNINGS GROWTH NARRATIVE REMAINS INTACT

The market's more compelling valuation case depends heavily on earnings delivering as expected, with current multiples assuming continued profit growth. Current forecasts still assume little lasting impact from conflict, despite the risk that sustained pressures could meaningfully erode margins.

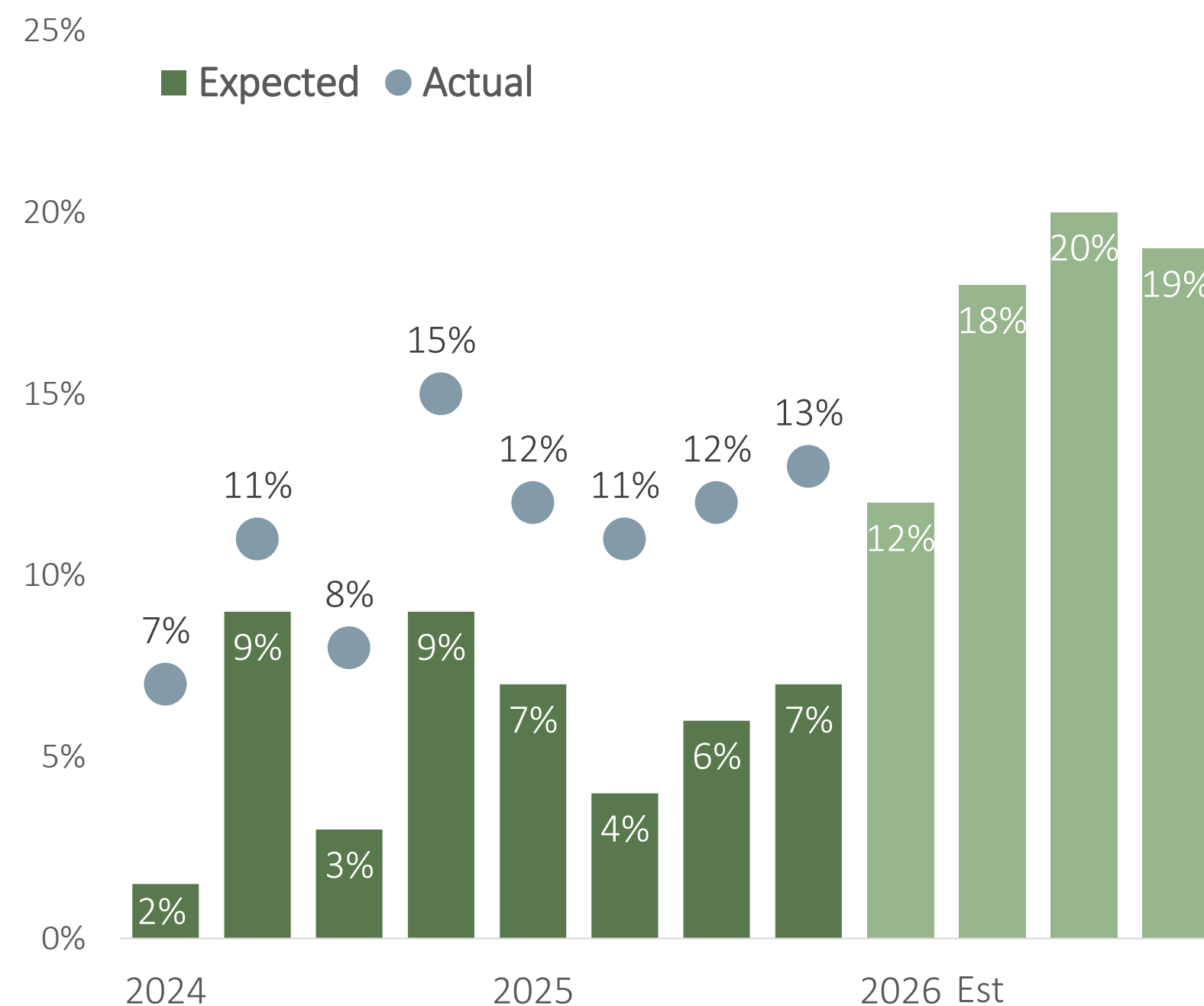
Earnings Outlook Holds Firm Despite Market Volatility

Consensus Earnings Growth (YoY%)



Earnings Growth Often Outpaces Early Forecasts

S&P 500 Quarterly YoY EPS Growth Relative to Estimates



Source: Crescent Grove Advisors, Bloomberg, Goldman Sachs. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.



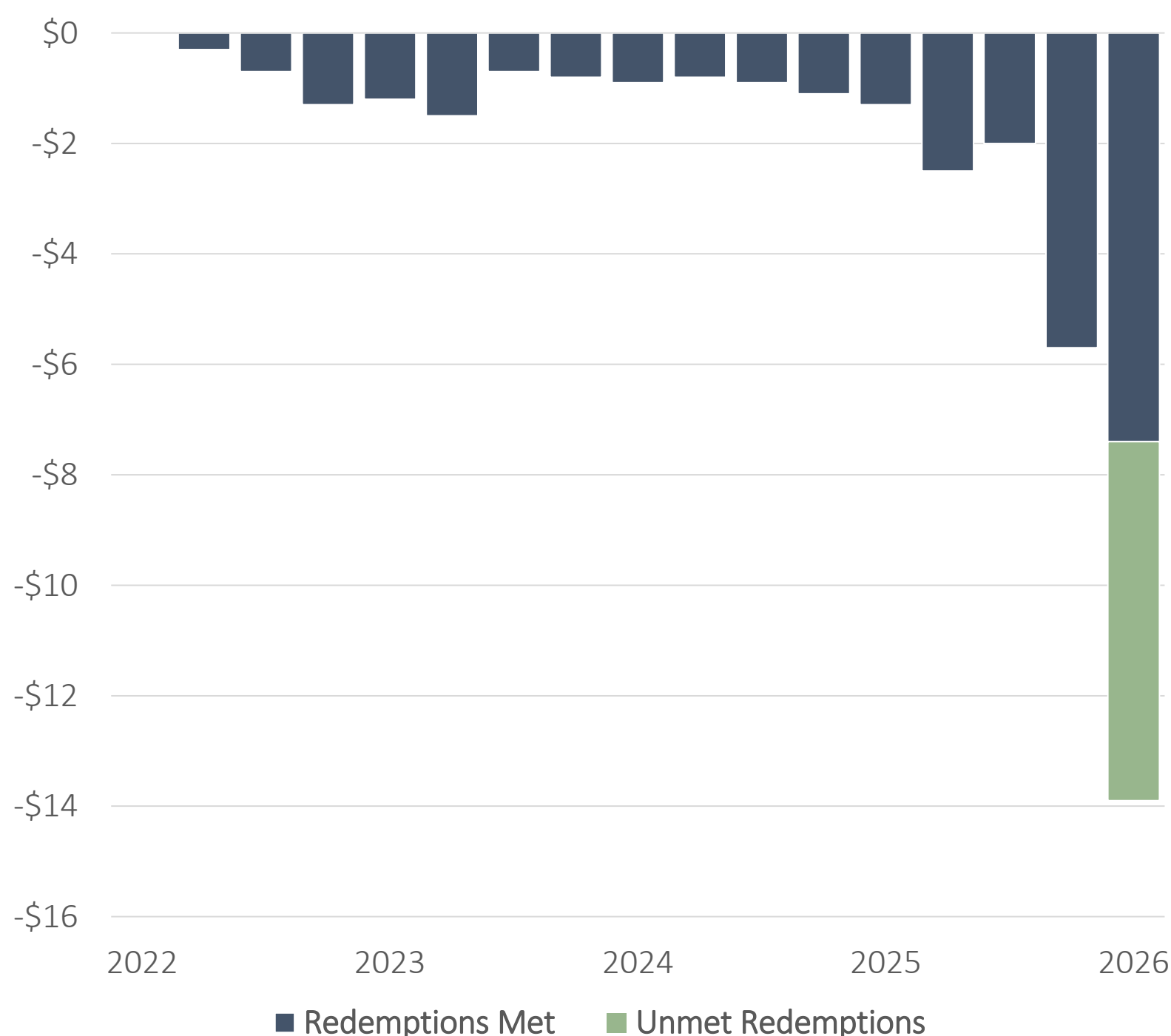
PRIVATE CREDIT: BEYOND THE HEADLINES

PRIVATE CREDIT VEHICLES STRAIN UNDER LIQUIDITY MISMATCH PRESSURE

The current turbulence in private credit is largely a mismatch between the illiquid nature of the underlying loans and the redemption features of semi-liquid retail-oriented fund structures. Concerns around AI and software-driven disruption are adding to investor unease. Beneath the surface, fundamentals remain intact, with modest defaults and stable interest coverage ratios.

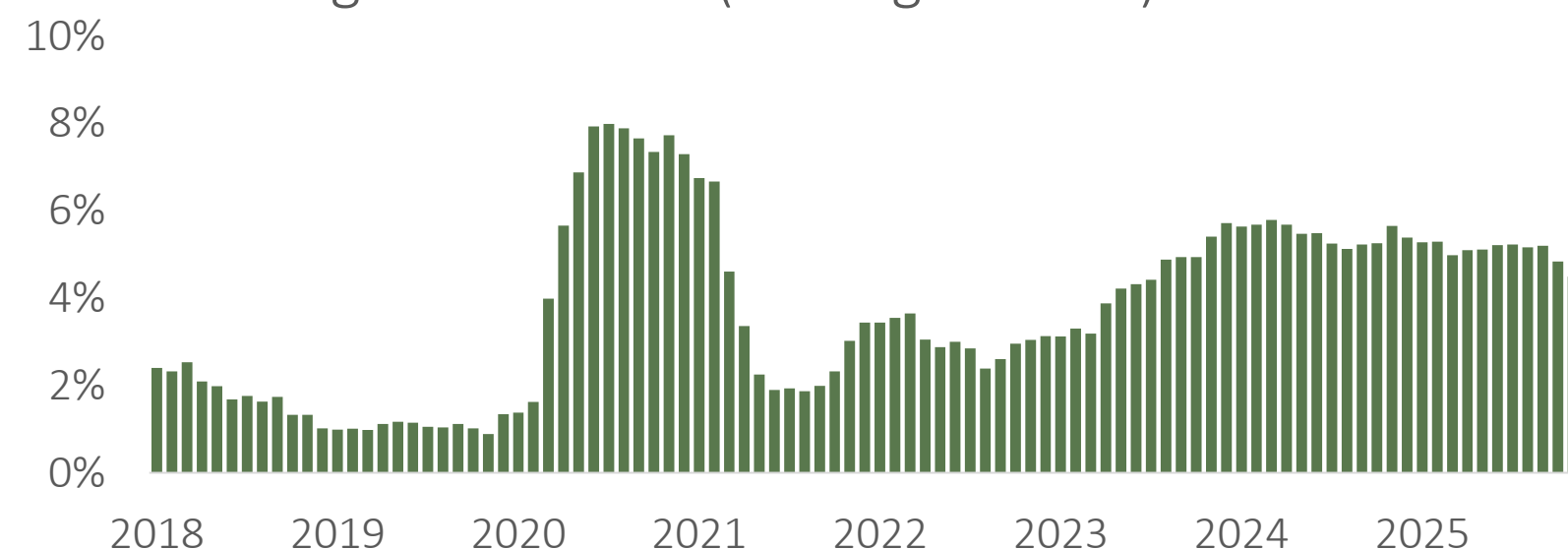
Redemptions Expose the Limits of Semi-Liquid Vehicles

Redemptions Across Private Credit Landscape (\$ Bn)



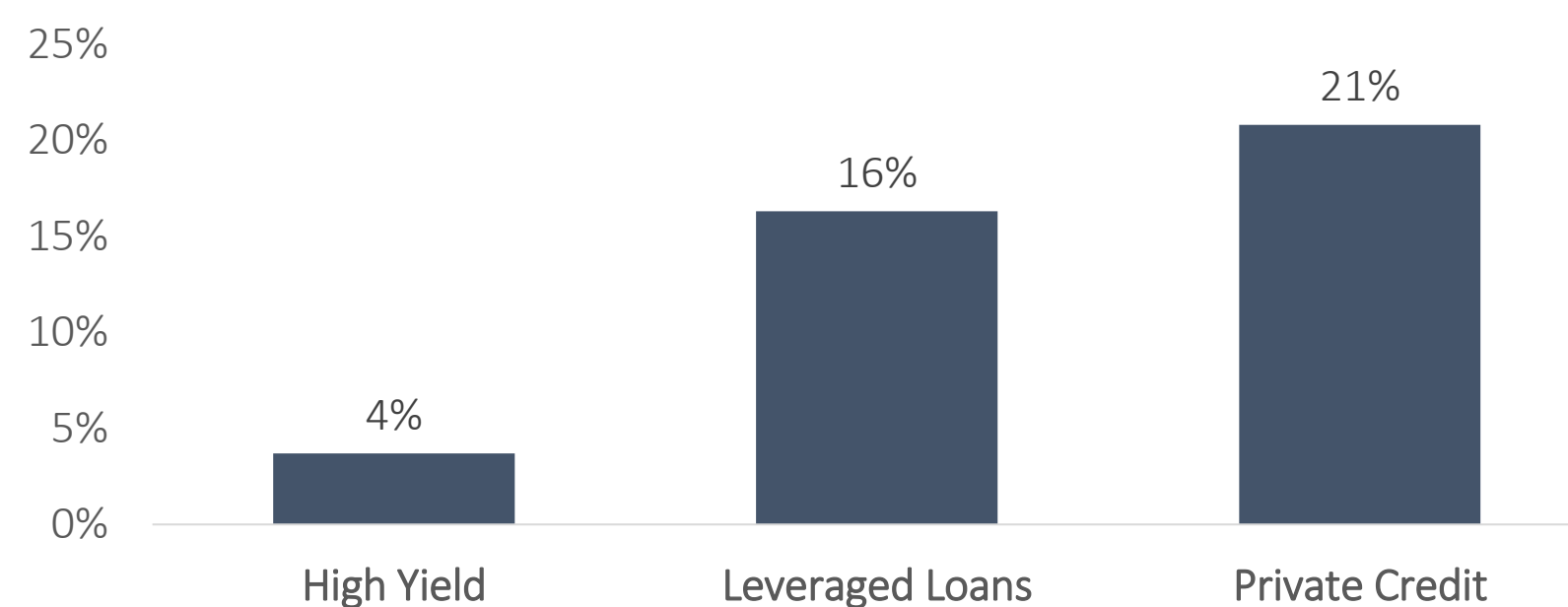
Despite Headlines, Fundamentals Remain Stable

Direct Lending Default Rate (Trailing 12-Mos)



What's Worrying Investors? Tech Exposure and AI Disruption

Software/Technology Sector Exposure (% of Assets)



Source: Crescent Grove Advisors, Wall Street Journal, Invesco, Proskauer. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.



BOND MARKET RETURNS

RETURNS FOR MAJOR BOND INDICES

Fixed income posted flat returns in Q1, as the US-Iran conflict drove an oil price spike that reignited inflation fears and triggered a rates selloff in March. Treasury yields moved higher across the curve and credit spreads widened from tight levels, even as overall yields remained historically attractive.

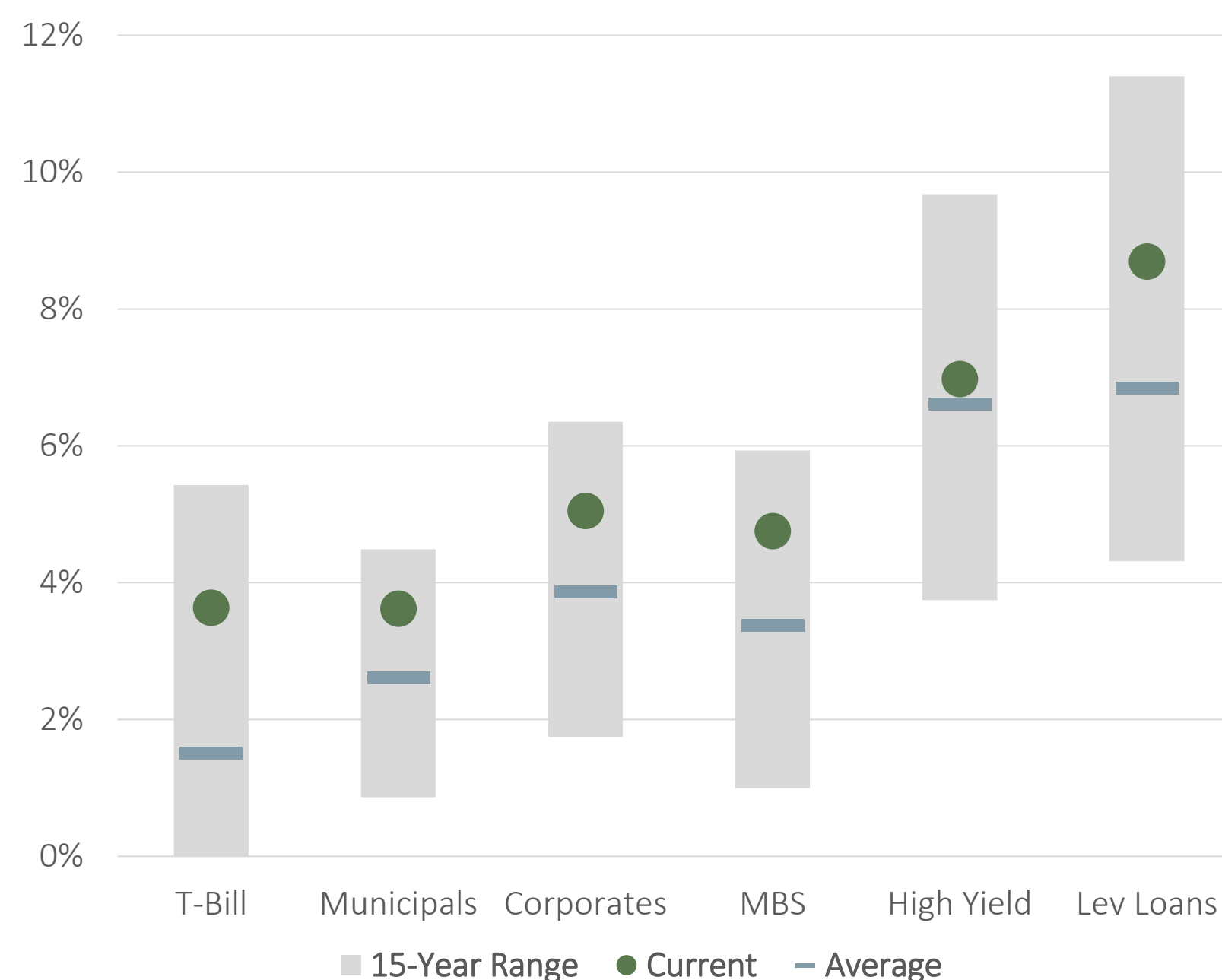
Up-and-Down Quarter for Bond Investors

Major Bond Index Returns – YTD



Fixed Income Yields Reprice Higher on Iran Risk

Yield to Worst Across Fixed Income Sectors



Source: Crescent Grove Advisors, Bloomberg. As of March 31, 2026. **Past performance is not a guarantee of future returns.** See important disclosures on the last page.



TREASURY YIELDS

BENCHMARK TREASURY YIELDS

Treasury yields rose across the curve in Q1, as the oil price spike from the Iran conflict reignited inflation concerns and pushed investors to price out expected rate cuts. Markets entered the year pricing in two cuts but repriced to effectively none by quarter-end.

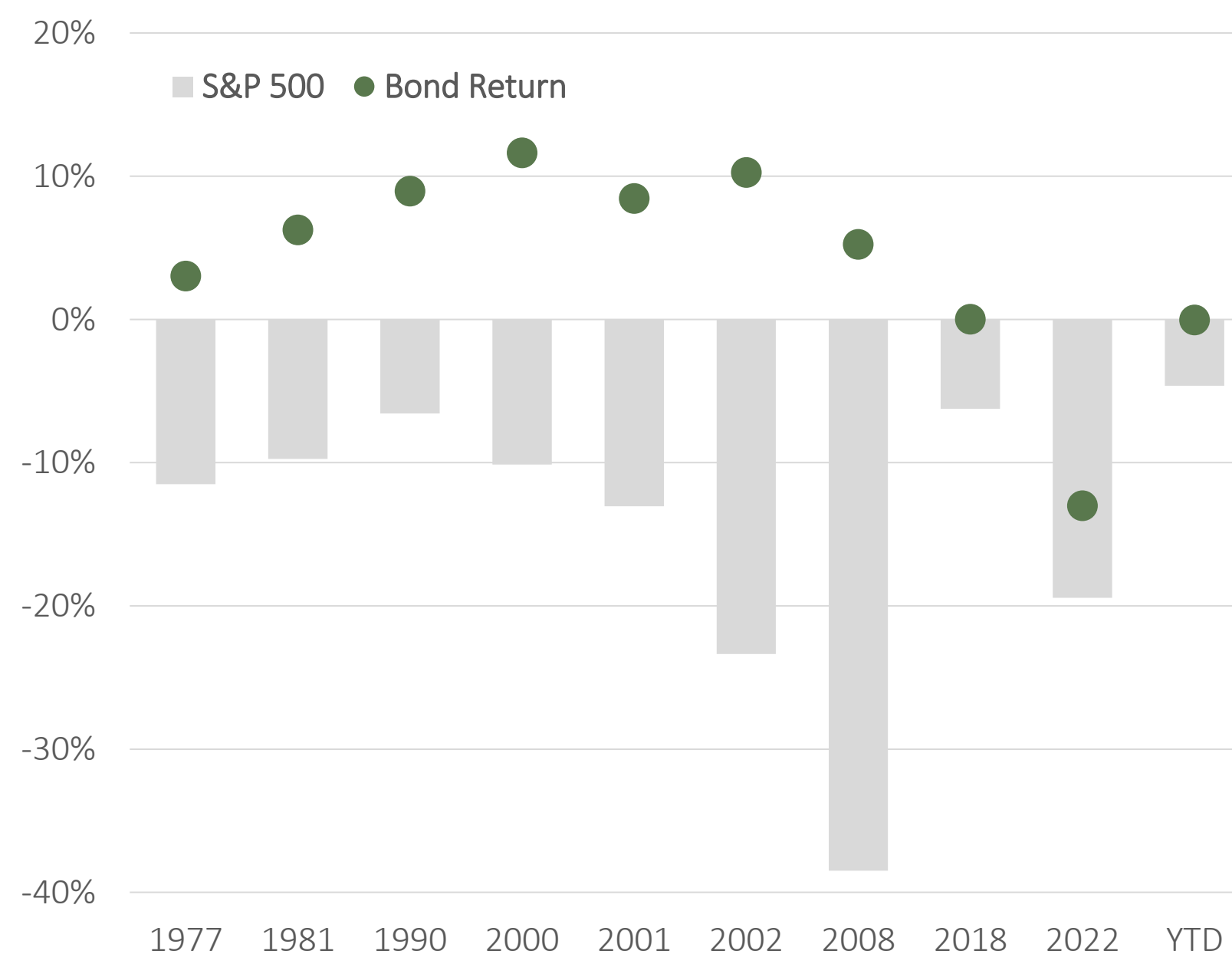
Iran Conflict Inflation Fears Push Treasury Yields Higher

Treasury Yields – YTD



Traditional Stock/Bond Relationship Has Broken Down Post-GFC

Total Returns in Negative S&P 500 Years (1975 – Current)



Source: Crescent Grove Advisors, Bloomberg. As of March 31, 2026. See important disclosures on the last page.



CREDIT SPREADS

INVESTMENT GRADE AND HIGH YIELD CREDIT SPREADS

Credit spreads widened over the quarter, as the Iran conflict and inflation fears drove a broad repricing across IG and high yield. The leveraged loan market was hit hardest, with issuance down 34% year-over-year and lower-rated borrowers effectively locked out of capital markets.

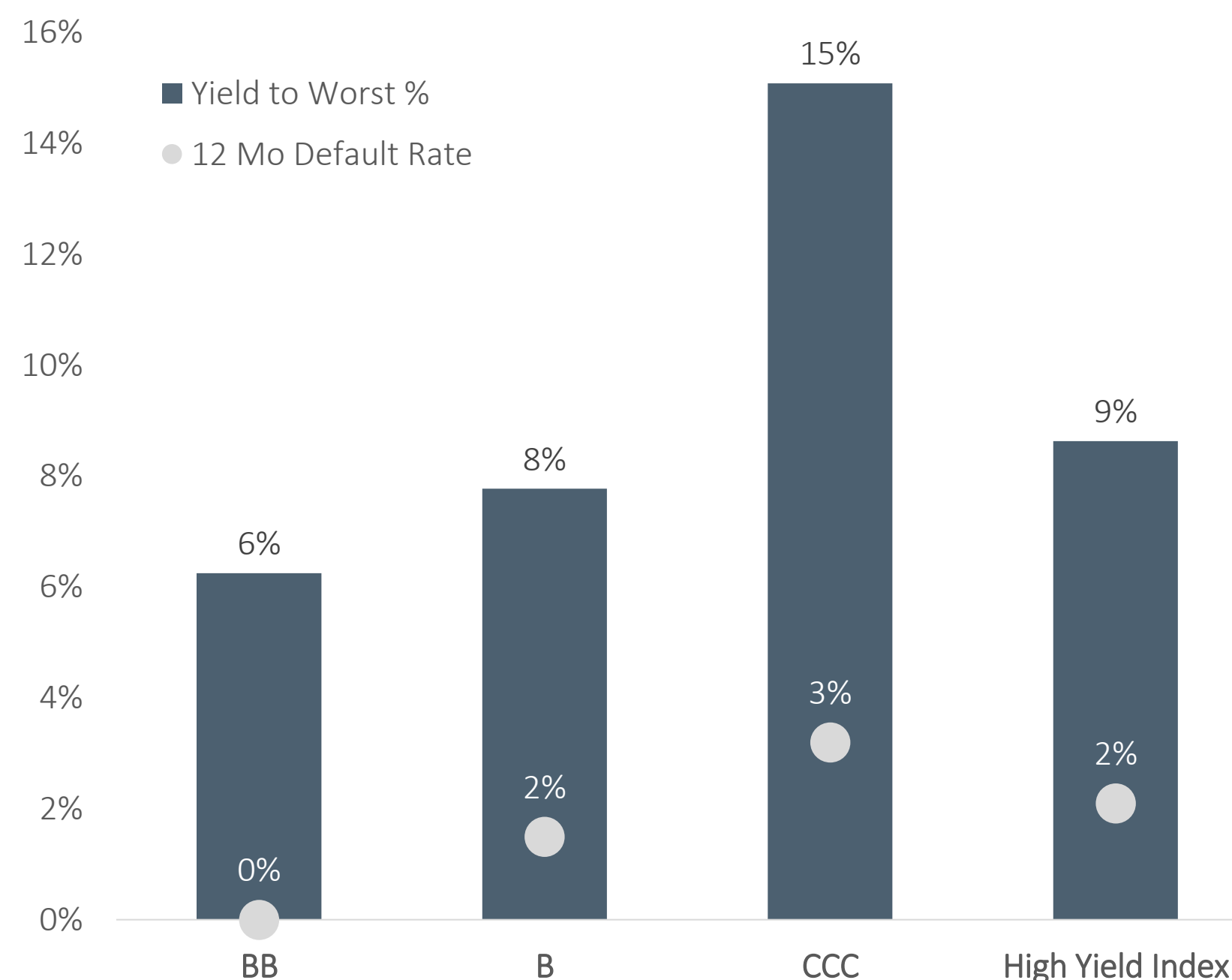
Well Behaved: Spreads Only Widen Modestly Amid Volatility

Investment Grade and High Yield Corporate Spreads



High Yield Credit Shows Resilience with Defaults Near Historic Lows

High Yield Default Rate vs Yield to Worst %



Source: Crescent Grove Advisors, Bloomberg, JPMorgan. As of March 31, 2026. Past performance is no guarantee of future results. See important disclosures on the last page.



STOCK MARKET RETURNS: US VS. NON-US

RUSSELL 3000 VS. MSCI ACWI-EX USA INDEX

The Iran conflict led to a surging dollar and pressured non-US markets, reversing the currency tailwind that had supported international outperformance in 2025. While non-US equities still outperformed overall, gains narrowed by quarter-end as rising geopolitical risk and a stronger dollar weighed on returns.

Iran Conflict Has Investors Rethinking Rush Out of US Stocks

US (Russell 3000) vs. Non-US (MSCI ACWI ex. USA)



Non-US Equities Are Cheaper, But Expensive Relative to History

MSCI Countries: 12-Mo Forward P/E Relative to Last 20 Years

Country	Fwd P/E	20-Yr % Rank
Developed International	15.5x	66%
Europe	15.0x	65%
Japan	17.0x	71%
United Kingdom	13.3x	57%
Canada	16.7x	75%
Australia	20.5x	96%
Emerging Markets	11.7x	30%
India	18.8x	39%
China	11.4x	43%
Korea	7.1x	1%

Source: Crescent Grove Advisors, Bloomberg. As of March 31, 2026. Green: 1st – 33rd Percentile; Yellow: 34th – 66th percentile; 67% - 100th Percentile. **Past performance is no guarantee of future results.** See important disclosures on the last page.

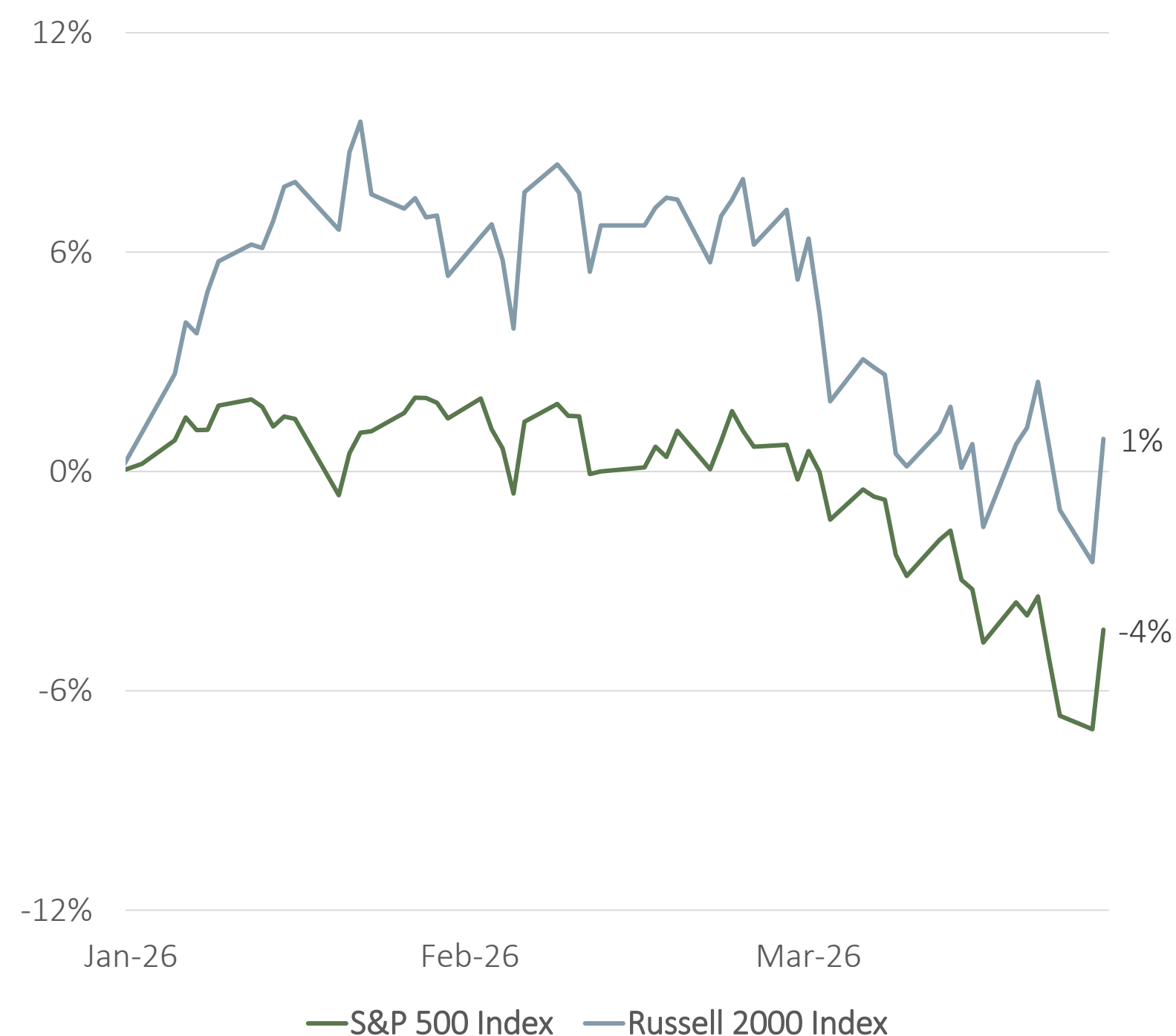


STOCK MARKET RETURNS: US LARGE VS. SMALL

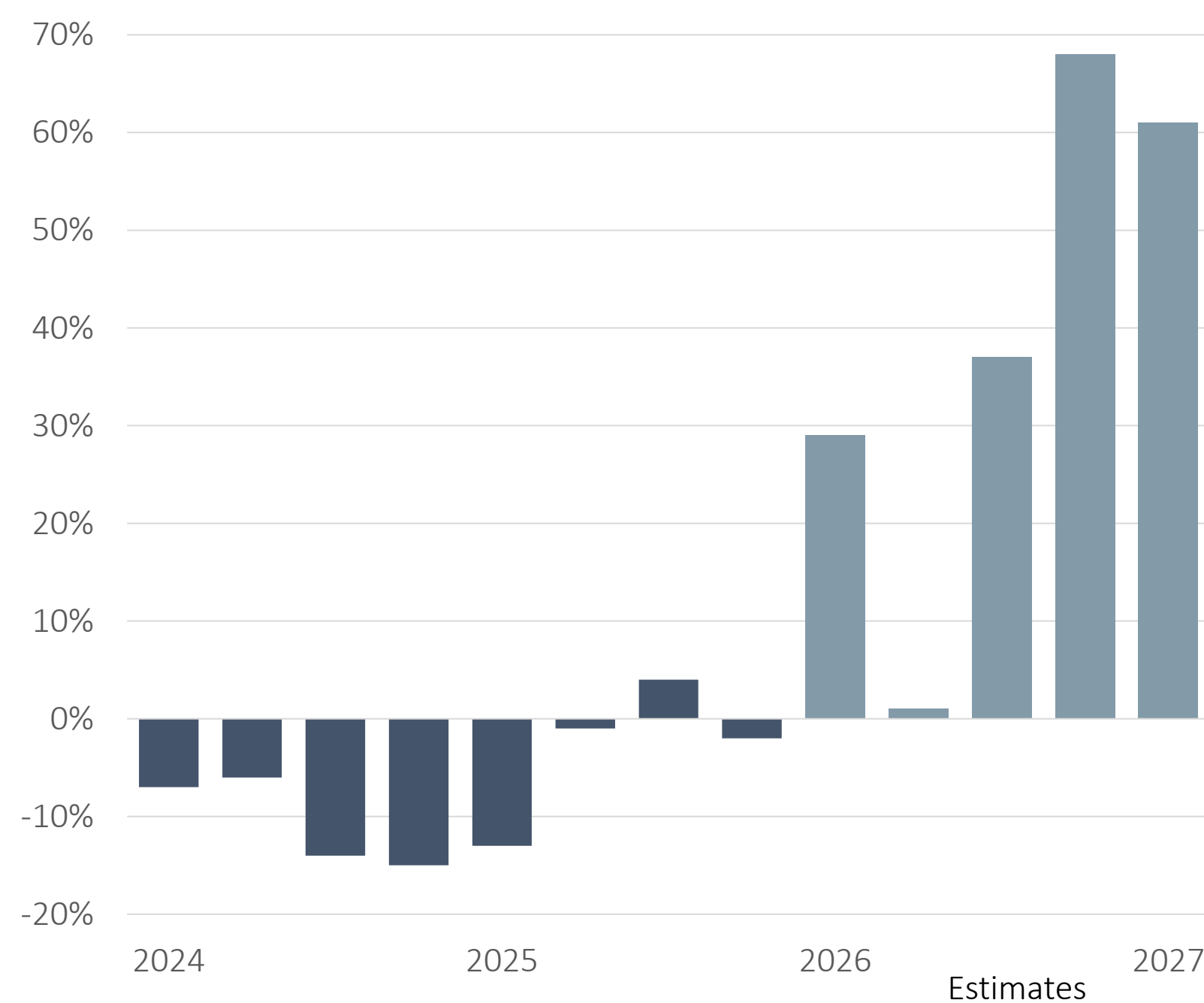
S&P 500 INDEX VS. RUSSELL 2000 INDEX

Large caps posted their worst quarter since 2022, pressured by heavy exposure to tech and growth stocks amid AI concerns and the Iran conflict. Small caps outperformed as investors rotated into value-oriented sectors like energy and industrials where valuations were more attractive.

Investors Broaden Exposures and Small Caps Outperform
US Large Caps (S&P 500) vs. Small Caps (Russell 2000)



Small Cap Earnings Are Expected to Inflect Higher
Russell 2000 Index: EPS Growth (YoY)



Source: Crescent Grove Advisors, Bloomberg, Russell. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.



STOCK MARKET RETURNS: DEVELOPED INT'L VS. EM

MSCI EAFE INDEX VS. MSCI EMERGING MARKETS INDEX

Emerging markets outperformed developed ex-US in Q1, with Taiwan and Korea benefiting early from AI-driven strength, while Europe declined on rising gas prices and Iran-related growth concerns.

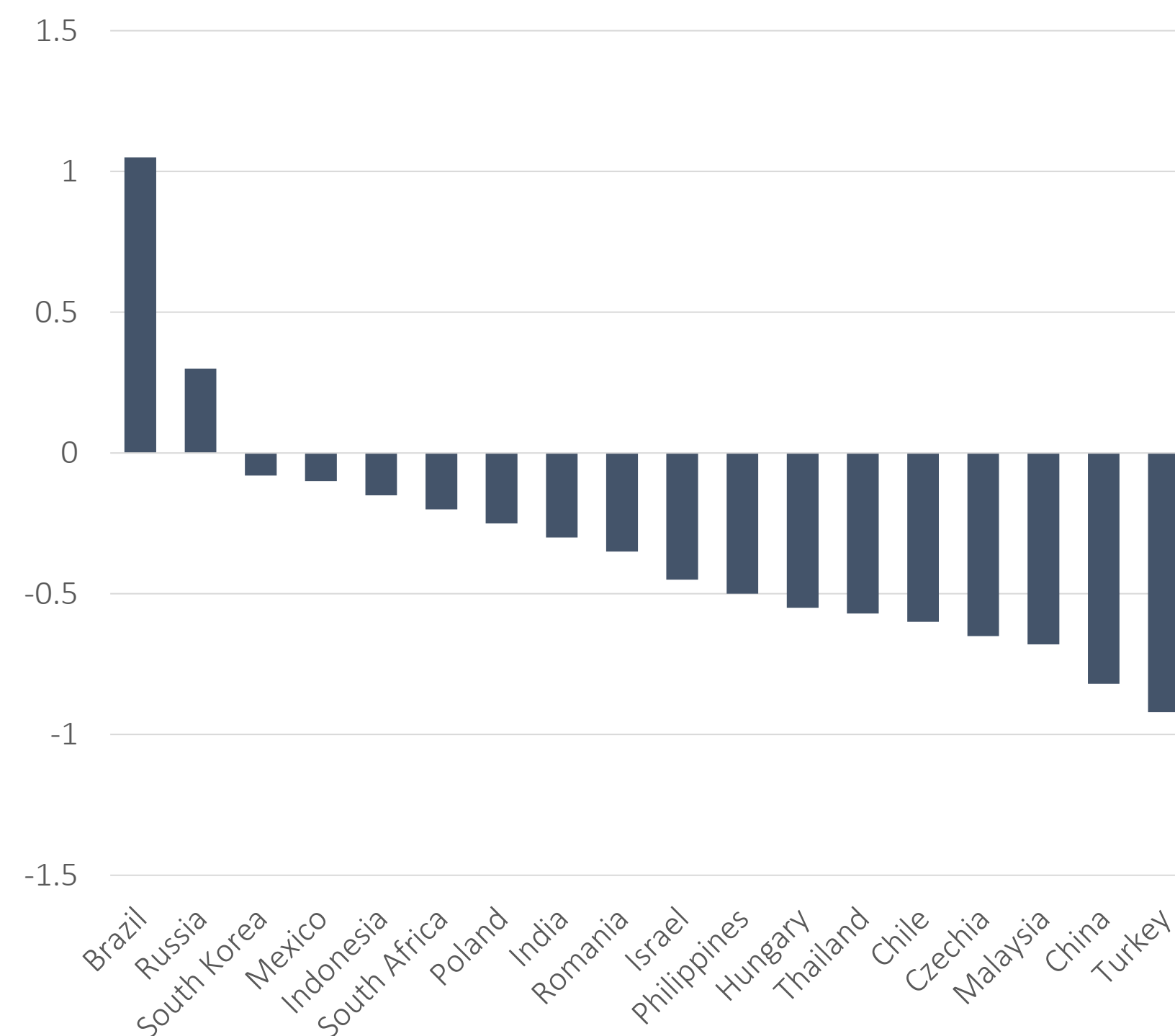
Iran Conflict Stalls Emerging Market Breakout

Dev Int'l (MSCI EAFE) vs Emerging Markets (MSCI EM)



Emerging Markets Tend to be More Exposed to Oil Shocks than DMs

EM: GDP Sensitivity to 10% Rise in Oil prices (Percentage Points)



Source: Crescent Grove Advisors, Bloomberg, Goldman Sachs Investment Research. As of March 31, 2026. **Past performance is no guarantee of future results.** See important disclosures on the last page.



DISCLOSURES

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Crescent Grove Advisors, LLC
2026

