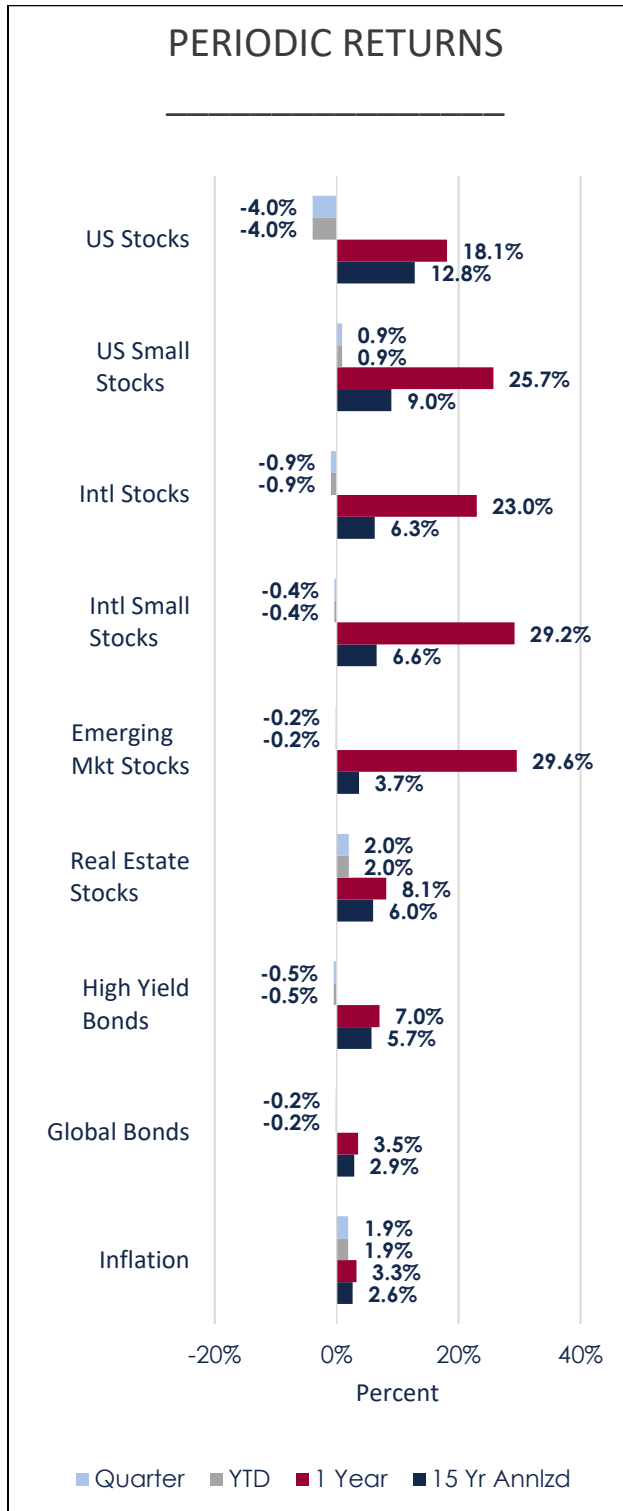


Quarterly Investment Commentary – Q1 2026



EXECUTIVE SUMMARY

Summary

- Q1 2026 saw a major geopolitical shock with the invasion of Iran, closure of the Strait of Hormuz, and skyrocketing oil prices – leading to renewed inflation concerns.
- Oil prices jumped roughly 50% during the quarter, pushing headline inflation higher and prompting the Federal Reserve to pause rate cuts and adopt a cautious, “wait-and-see” policy stance.
- Despite the challenging environment, global stock markets held up fairly well – up strongly prior to the invasion, then pulling back with the unrest – with a globally diversified portfolio ending the quarter largely flat.

Positive Signals

- ✓ Despite a challenging environment, equity markets remained relatively stable.
- ✓ Labor markets remained resilient, with U.S. unemployment at 4.3% and job growth rebounding in March, helping support consumer demand.
- ✓ Market breadth improved meaningfully, with value stocks, cyclicals, and non-U.S. markets outperforming mega-cap growth.
- ✓ Lower U.S. tariff rates following a court ruling could modestly ease global supply-chain costs and inflation pressures.

Reasons for Concern

- ? Elevated energy prices risk keeping headline inflation higher for longer and could affect long-term inflation expectations.
- ? U.S. equity valuations remain above historical norms, with heavy concentration in the largest stocks leaving markets vulnerable to leadership setbacks.
- ? Rising long-term interest rates increase borrowing costs and could strain growth.
- ? Global growth is expected to slow meaningfully in 2026, increasing recession risk if additional shocks emerge.

Source: Morningstar; Russell, MSCI, Dow Jones, Bloomberg, ICE BofA ML; past performance is not indicative of future results

Macroeconomic Overview

The first quarter of 2026 was shaped by the sudden external shock of war in Iran. Oil prices surged roughly 50%, at times exceeding \$100 per barrel. This supply-driven shock reversed a year-long disinflation trend, pushed headline inflation higher globally, and tested economies that had been growing at a moderate pace.

<p>U.S. CPI Inflation</p> <p>3.4% YoY</p> <p>Headline CPI in March, up from 2.4% in Dec. due to energy surge</p>	<p>Core CPI (ex food and energy)</p> <p>2.6% YoY</p> <p>Core YOY inflation unchanged from Dec, indicating stable inflation excluding energy effects.</p>
<p>Oil Price (Mar 31, 2026)</p> <p>\$101/barrel</p> <p>WTI crude up - 85% from \$55 in late 2025 amid Middle East conflict</p>	<p>Unemployment Rate</p> <p>4.3%</p> <p>U.S. jobless rate in March, steady vs. 4.4% at 2025 year end</p>

Inflation and Policy Response

Inflation had been easing entering 2026, but higher energy prices lifted headline readings across regions. In the U.S., year-over-year CPI rose from about 2.4% in December to roughly 3.3% in March, almost entirely due to higher gasoline and utility costs. Core inflation remained stable, with U.S. core CPI around 2.6%, reflecting continued cooling in shelter and services. Europe and Japan saw similar dynamics. Importantly, longer-term inflation expectations stayed well anchored, giving central banks room to respond cautiously.

The Federal Reserve paused after rate cuts late in 2025, leaving rates unchanged at its March meeting (around 3.5–3.75%). Policymakers emphasized patience given the supply-driven nature of the shock — a stance mirrored by the European Central Bank and Bank of England. As long as energy-driven inflation proves temporary, supportive policy can remain in place.

Growth and Economic Resilience

Before the conflict, global growth momentum was stronger than expected. The U.S. ended 2025 with positive GDP growth (+0.5% annualized in Q4), and early Q1 indicators for consumption and investment were solid. Europe and the U.K. entered the year with near-flat growth but avoided contraction. China returned to a more moderate pace following strong post-COVID growth in 2025, supported by targeted stimulus.

Rising energy prices dimmed the outlook, particularly for energy-importing regions. The OECD lowered its 2026 global growth forecast to about 2.9%. Eurozone growth is now expected to remain below 1%, while U.S. forecasts were trimmed to around 2%. The U.S. appears more insulated than in prior oil shocks due to energy exports and strong household balance sheets. Job growth rebounded in March (+178,000), unemployment held near 4.3%, and wage growth continued to moderate toward 4%.

Trade, Fiscal Policy, and Global Tailwinds

Policy offsets emerged later in the quarter. The U.S. reduced certain long-standing tariffs, reinforced by a U.S.–E.U. agreement, modestly easing goods inflation. Fiscal policy also turned slightly supportive, with targeted energy subsidies — particularly in Europe.

Bottom Line

Q1 2026 slowed, but did not derail, the global expansion. Core inflation remains stable, labor markets are supportive, and financial systems have weathered volatility, suggesting slower growth rather than recession, though heightened geopolitical risks warrant vigilance.

Geopolitical Risk & Market Response

The first quarter of 2026 highlighted how quickly global events can unsettle markets. The oil-related supply shock triggered a sharp equity selloff and higher bond yields as investors feared rising inflation and slower growth. While these events certainly warranted concern, history suggests these reactions to geopolitical shocks are often short-lived if broader economic damage is limited. By late March, oil prices began to stabilize, extreme downside scenarios did not materialize, and markets started to recover.

The takeaway is clear: reacting emotionally during periods of market strain can be counter-productive, while diversified portfolios and patient rebalancing tend to be very effective. While we continue to monitor geopolitical risks and make modest adjustments where appropriate, our long-term approach remains unchanged — focus on fundamentals, not short-term fear.

The chart below demonstrates how over the past 50+ years, markets have continued to recover and march onward despite many material geopolitical events.



Chart and data supplied by Dimensional Fund Advisors. Past performance is no guarantee of future results. Actual returns may be lower. Data shown in USD. MSCI data © MSCI 2026, all rights reserved. Data presented in the Growth of \$1 chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Investment Markets

Q1 2026 proved to be a challenging quarter across most asset classes, as the Iran conflict and the resulting disruption to oil supply sent energy prices sharply higher, reignited inflation fears, and prompted a broad risk-off rotation in global markets. Despite the turbulence, diversified portfolios held up much better than more concentrated investments in major market equity indices, reinforcing the value of a broadly diversified portfolio.

Global Equity Valuations — A World of Dispersion

Valuation gaps across global equity markets remain striking. As of March 31, 2026, the S&P 500 traded at ~19.7x forward earnings — roughly 15% above its 30-year average (~17x). By contrast, developed international stocks (MSCI EAFE) trade at 13-14x, and emerging markets (MSCI EM) at ~11x, near their long-term averages. Non-U.S. equities are priced at a meaningful discount both in absolute terms and relative to history.

Even with the reversal of mega-cap U.S. stocks in the Q1, the growth/value gap remains wide: large-cap growth trades at ~24x versus ~16x for value, a 50% relative premium. The top 10 S&P 500 names trade at ~23x, versus ~18x for the other 490, reflecting high expectations tied largely to AI and cloud computing themes.

Elevated U.S. valuations suggest the potential for more modest long-term returns and greater downside risk if earnings disappoint. By contrast, international markets — trading closer to historical norms with dividend yields of 3.0–3.5% (versus the S&P 500's 1.6%) — offer a more attractive starting point for future returns. Historically, wide U.S. valuation premiums over international peers have preceded periods of relative outperformance by cheaper markets.

This dynamic has been playing out since the start of 2025 and into 2026: international stocks have outperformed U.S. markets by nearly 14% in local currency terms over that 15-month period, with U.S. investors capturing an additional ~6% from dollar depreciation. Yet despite this relative underperformance, U.S. valuations still remain significantly elevated relative to non-U.S. valuations, as noted above.

That said, valuation is not a timing tool. The U.S. premium reflects real structural advantages — superior corporate margins, technology sector dominance, and the dollar's safe-haven status. If AI-driven growth materializes, not just in the technology sector but throughout the economy, today's elevated multiples may prove justified.

Today's valuation landscape speaks to global diversification, and meaningful diversification within sectors of the market such as value versus growth. Non-U.S. equities (~35–40% of world market cap) offer different economic exposures and more attractive valuations. Additionally, a globally diversified equity mix

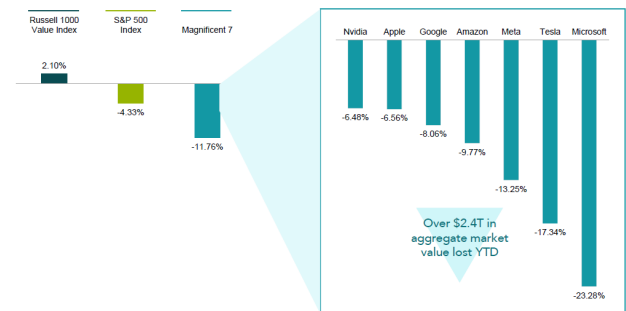
reduces the risks associated with any single region: if U.S. leadership falters, other regions can take the baton — and if the U.S. continues to perform, diversified investors still participate, with potentially less volatility when valuations ultimately converge.

U.S. Stocks

The first quarter of 2026 was a vivid reminder of why a diversified portfolio is so important. Within U.S. stocks, after dominating returns last year, a handful of mega-cap U.S. growth (mostly technology) stocks, the “Magnificent Seven,” stumbled badly in Q1. These highly valued market leaders all underperformed the broader market, as shown in the chart below:

Challenging Year for the Mag 7

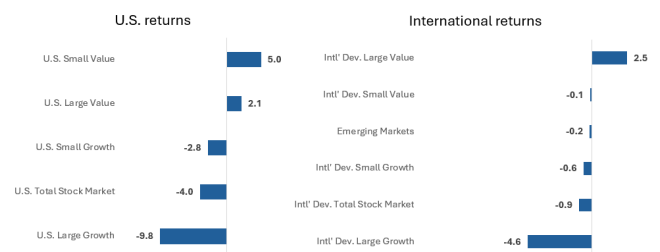
Magnificent 7 vs. S&P 500 Index & Russell 1000 Value Index, year-to-date returns as of March 31, 2026



Past performance is no guarantee of future results. In USD. Source: Dimensional Fund Advisors and Bloomberg, calculated by Dimensional. S&P 500 Index returns are total return. Indices shown for comparative purposes. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

Because large technology companies represent an outsized share of major indexes, their declines weighed heavily on the broader U.S. market. The Russell 3000 fell –4.0% in the first quarter, while the more widely cited S&P 500 declined a similar –4.3%, reflecting the fact that the top 500 stocks account for roughly 85% of the Russell 3000. The concentration risk was on full display this quarter, as a single stock — Microsoft — accounted for roughly one quarter of the S&P 500's total decline.

Meanwhile, other parts of the market provided healthy balance. Value stocks and smaller companies — areas often underrepresented in portfolios that invest in broad indices — did materially better than their growth and larger company counterparts, as can be seen below.



Source: Morningstar, Russell benchmarks shown for U.S. returns and MSCI benchmarks shown for international developed and emerging markets returns. Past performance is not indicative of future results. Returns per region ranked in descending order from highest to lowest. Data as of 3/31/26.

Investors who diversified beyond broad, capitalization-weighted indexes and made deliberate allocations to small-cap and value segments saw more resilient performance during the U.S. mega-cap/tech pullback.

International Developed Equities

Non-U.S. developed markets (MSCI World ex-US) returned –0.9% for the quarter in USD, outperforming U.S. large-cap equities by roughly 3.5% for the quarter — a continuation of the international recovery theme. In local currency terms, returns were modestly better, but the U.S. dollar strengthened ~1–2% against major currencies, trimming USD-converted results.

Regional performance was mixed. The UK (MSCI UK) held up well at +2.0% on the quarter, given its heavy commodity and energy weighting. Japan (MSCI Japan –12.4% in USD) and the Eurozone (MSCI Euro –5.0%) were the laggards, reflecting their energy import dependence and sensitivity to the oil shock. The U.S.-E.U. trade deal ratified on March 25th, erasing tariffs on U.S. industrial goods and setting a 15% ceiling on E.U. exports, was a modest positive for the region.

As noted above, International developed stocks trade at roughly 13–14× forward earnings vs. ~19.7× for the S&P 500, with dividend yields of 3%+. The valuation gap remains one of the widest in decades and supports a constructive long-term case for non-U.S. exposure.

Emerging Markets

The MSCI Emerging Markets Index returned –0.2% for the quarter — essentially flat, but masking wide regional divergence. EM Asia (MSCI EM Asia –1.5% QTD, –13.1% in March alone) was the weakest region, reflecting sensitivity to global trade disruption and energy import costs. In sharp contrast, Latin America (MSCI EM Latin America +14.6% QTD) was a standout, buoyed by commodity-exporting economies that benefited directly from rising energy prices. Brazil and Mexico were notable contributors.

Emerging market valuations remain the most attractive globally at approximately 11× forward earnings. However, near-term catalysts depend on China's growth trajectory and U.S. dollar direction.

Global REITs (Real Estate Investment Trusts)

Global REITs was the best performing equity-adjacent asset class in Q1, with the Dow Jones Select Global REIT index generating a 2.0% return for the quarter, as stabilizing interest rate expectations and the search for inflation-resistant income supported the sector. U.S. real estate stocks were stronger than the International stocks in Q1, with the FTSE NAREIT Equity REIT Index gaining +4.8% for the quarter.

High Yield Bonds

The Bloomberg U.S. Corp High Yield Index returned –0.5% for the quarter and –1.2% in March alone, as credit spreads between high yield and investment grade bonds widened amid the broader risk-off move triggered by the Iran conflict. High yield significantly outperformed U.S. equities (S&P 500 –4.3%), however, which is consistent with its historical pattern of providing partial insulation during equity selloffs. Over the trailing one year, high yield has returned a solid +7.0%.

HY credit spreads widened approximately 26 bps in March, driven by the broader risk-off market environment and some industry-specific concerns about potential credit stress in pockets of the market. Despite the widening, spreads remain historically tight overall — near the lows of the past 30 years. While this speaks to little potential price-appreciation upside from a compression of yield spreads, the fundamentals are still supportive for now — default rates on high-yield debt remain under 2%, below the ~3% long-term average, and interest coverage ratios of high yield issuers are decent. Many issuers took advantage of the 2020–2021 low-rate environment to refinance, so near-term maturity events are manageable. These fundamentals help justify the tight spreads to a degree.

Global Fixed Income (Bonds)

Global bonds were down –0.15% for the quarter (Bloomberg Global Aggregate USD hedged), though March alone was painful at –1.77% as Treasury yields rose sharply. The 2-year Treasury yield jumped 41 bps in March to 3.8% and the 10-year rose 33 bps to 4.3%, driven by inflation fears tied to the Middle East conflict. The Federal Reserve held rates steady at 3.50%–3.75% at its March meeting.

Within fixed income, performance diverged significantly by duration and credit quality:

- **Short-duration** (Bloomberg U.S. Govt/Credit 1–3Y: +0.28% QTD) held up best.
- **Long-duration bonds** were punished — the Bloomberg U.S. Govt/Credit Long fell –0.76% QTD, and the 20+ Year Treasury was down –0.3% for the quarter.
- **TIPS** posted a small gain (+0.26% for the quarter), providing modest inflation protection.

Investment-grade bond yields averaging 4–5% (including both government and high-quality corporate bonds) now offer attractive income relative to history, above the 20-year average, suggesting bonds offer better prospective returns than they have in many years.

Growth versus Preservation

At Integrus we characterize investment portfolios in terms of an allocation between “growth” and “preservation” assets.

The Purpose of Growth

Growth assets are intended to drive long-term returns and offset the effects of inflation. The growth asset allocation is made up primarily of stocks, but also includes asset classes such as high-yield bonds and emerging market bonds. The defining characteristic is higher expected long-term returns, and commensurately higher expected risk and therefore volatility.

The Purpose of Preservation

Preservation assets are intended to preserve capital, serving as a ballast during difficult times for growth assets. The preservation asset allocation is made up of bonds with short- to intermediate-term maturities and with high credit quality. Specifically, the goal of the preservation assets is to avoid a decrease of more than 5% in any one-year period within the preservation allocation. With the expectation of more stability among preservation assets compared to growth assets, these assets can be a good source of funds when growth markets are down.

The Final Word: Focus on what you can control!

In closing, we continue to reiterate what we see as the key components of long-term investing success:

1. Maintaining the “right” asset allocation between Growth and Preservation assets for your specific situation.
2. Maintaining broad global diversification to limit risk exposure to any particular security, industry, market, region, or asset class.
3. Sticking to your plan through thick and thin. Investment plans should be designed for the tough times.

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Index Returns

In our Market Commentary we may use monthly return information on market indices supplied by Morningstar and other industry sources. All index returns used are total returns, which include any increase or decrease in market price and reinvestment of all dividends and interest earned on any investments. An index is an unmanaged, statistical composite and its return does not reflect payment of any brokerage commissions or fees an investor would pay to purchase the securities it represents, nor does it include the market impact of trading the securities in the index. Such costs would lower performance. It is not possible to invest directly in an index. Past performance is not indicative of future returns. Data for the CPI Index may only be available through the month prior to quarter-end, in which case we estimate the final month of the quarter for that index by taking the average of the previous eleven months.

Third Party Research and Consulting Services

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