

Chris Hyzy:

This is Chris Hyzy, Chief Investment Officer for the April Viewpoint titled, “Uncertainty Now, Better Foundation Later”.

We believe we’ve entered a phase in which uncertainty begins to weigh on investor sentiment in a much more assertive way, as questions surrounding the level of growth are now rising considerably. This tends to be the most difficult investment phase because very few asset classes tend to balance out the negative pressure.

In the U.S. equity capital markets were slightly off their highs from mid-January through mid-March, namely equities, holding strong technical levels despite the escalating tensions. Capital markets were not yet beginning to price in slower growth. This has changed somewhat recently, coming off of almost a 10% correction across all major indices in the United States.

Now, in the second quarter, the market environment could shift from pricing in higher short-term risk to pricing in a much slower growth curve if there is no resolution soon in the Middle East.

To encapsulate this dynamic, the single most important question investors are asking us is, has the Middle East conflict changed the outlook for economic growth, your capital market views, and portfolio positioning in general? The simple answer is the overall growth and market outlook has not materially changed at this time. It’s still too early for the reaction function of higher input prices and the risk-off sentiment to filter through into what we call hardline data in a material matter.

However, if geopolitical risk continues to increase and the longer the Middle East conflict lasts, the pressure on oil and gas and food prices will likely stay elevated, and this will begin to weigh on discretionary spending in a few months. Too early to tell at this point.

The economy, corporate profits and markets were on a resilient and solid footing heading into the conflict. Yields were locked in a range. Market rotation was favoring cyclicals and value, the international markets, commodities, small and mid-capitalization shares, and again, more value-oriented areas. That foundation prior to March was helping to stem the current negative cloud of uncertainty.

However, it is important to keep a watchful eye on energy prices, base metals, credit spreads, the 2- and 10-year treasury yields predominantly in the United States, employment data, consumer spending, and corporate earnings guidance in the coming weeks to assess whether a material adjustment to economic growth is forthcoming.

The current level and high level of uncertainty could switch back to a better foundation later in a moment's notice. We've seen many of these stories before. Equity volatility is on the rise again, and until we see oil prices fully peak, we expect a choppy market environment. Have investment plans ready to rebalance portfolios and add to equities over time as we still believe the overall outlook for 2026 will remain solid and eventually resume its uptrend.

We expect the foam, F-O-A-M, in other words, the F for Fed policy clouds, O for oil price volatility, A for artificial intelligence disruption concerns, and M for midterm election uncertainty. That is covering the investment environment to eventually shift from the current FOBI, F-O-B-

I, fear of being in the markets to FOMO, F-O-M-O, fear of missing out, once the conflict stabilizes and oil prices peak. Staying diversified and remaining fully invested while the market toggles between the risk-off and risk-on stages is our base case.

In addition, we have upgraded the energy in our sector portfolios to increase our positioning to areas that are directly exposed to higher-for-longer energy prices, even if they fall back into the \$70.00 per barrel range as far as West Texas Intermediate is concerned.

Stay diversified, have plans ready. We continue to emphasize buying on weakness for those with excessive cash allocations and thinking longer term.

That'll do it for today. Thanks for listening.

Operator: Please see important information provided in this report.

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