



MARKET SNAPSHOT

Geopolitical volatility drove short-term market weakness, with the S&P 500 down 4.3% in Q1 amid the Iran/Middle East conflict, but history suggests such shocks are typically brief unless they materially alter economic fundamentals.

Since quarter-end and the time of this writing, equity markets have rebounded strongly, recovering all of the first-quarter losses and making a new all-time high on April 17.

Energy markets were the clear winners, as supply disruptions pushed energy stocks up ~38% for the quarter, while higher oil and LNG prices disproportionately hurt energy-importing regions outside the U.S.

Inflation risks have risen but differ from 2022, with current pressures driven by supply constraints rather than excess demand; central banks are more likely to hold rates steady than hike in response.

Economic and earnings fundamentals remain resilient, with global growth continuing, market leadership broadening beyond mega-cap tech, and S&P 500 earnings expected to grow ~13% in 2026.

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Market Recap

Never a dull news cycle! Investors were barraged with a staggering number of events during the quarter. There was no shortage of geopolitical headlines, with the year kicking off with the capture and extradition of Venezuela's then-president Nicolás Maduro. And as the first quarter ended, conflict in the Middle East dominated the market narrative and roiled energy markets.

In the first quarter, the S&P 500 fell 4.3%. U.S. equities were marginally positive on the year until the conflict with Iran commenced in late February. Foreign equity markets have suffered worse than domestic markets. A stronger U.S. dollar in March contributed to some of the underperformance, but another possible explanation is that higher energy prices have more of a negative impact on countries that import much of their energy. The U.S. has become a net exporter of oil in recent years and much less reliant on the Middle East for energy. Other nations, particularly many in Asia, import much of their energy through the Persian Gulf.

Unsurprisingly, energy stocks (up 38.2%) were the top performer within the S&P 500 during the first quarter. More defensive sectors, such as utilities, also outperformed. Mega-cap tech stocks were the laggards during the first two months of 2026 amid fears regarding elevated AI spend and a growing concern that many software stocks could see their moats weakened by AI agents. The S&P North American Expanded Technology Software Index has already fallen more than 24% this year and is now down in excess of 30% from its high last September.

After delivering another rate cut last December, the Fed held rates steady at their two meetings in 2026. The Fed funds rate remains at 3.5%-3.75%. Since the onset of the war, the market has priced out any additional rate cuts this year. The implied number of cuts for 2026 was about two cuts at the end of February; however, the market is now pricing a Fed that will hold rates at current levels. At one point in March, the market started pricing in Fed rate hikes in 2026; however, we believe this was an overreaction and that central banks around the world are unlikely to hike rates this year (more on that below). U.S. rates have moved higher on fears of higher inflation stemming from the spike in energy prices. After closing below 4% at the end of February, the 10-year Treasury rate jumped to nearly 4.4%. The two-year Treasury, which is often cited as a good proxy for the Fed funds rate, has increased nearly 50 basis points to 3.9%.

Investment Outlook

Despite all the events of the quarter, the S&P 500 landed only 6% off the all-time high it reached in January. Broadly, the global economy is still expanding, and inflation continues to moderate despite all the negative headlines. S&P 500 earnings growth grew at a 14% clip last year and is expected to grow 13.2% year-over-year in the first quarter, according to data from FactSet. For now, corporate profits and the broader economy continue to show resiliency despite all the gloom.

While geopolitical shocks can trigger sharp drawdowns, history suggests the impact is typically short-lived. Markets tend to re-price uncertainty quickly, with most of the reaction happening over days and weeks rather than quarters or years. Unless the event materially changes the path of the economy, inflation, or policy, risk assets can remain supported. The table below from Ned Davis Research shows the market reaction to military events since World War II. The current conflict in the Middle East has certainly resulted in negative equity returns, but nothing outside of the historical norm.

Market Reaction to Geopolitical Crises							
Crisis	Actual Event Date	S&P 500 Returns After Actual Event Date (Market Days Later)					
		5	10	21	63	126	252
Germany Invades France	5/10/1940	-14.4%	-24.6%	-23.8%	-18.4%	-11.6%	-15.8%
Pearl Harbor	12/7/1941	-5.4%	-8.1%	-6.8%	-9.1%	-15.3%	-2.0%
Korean War	6/25/1950	-9.0%	-7.8%	-8.8%	1.1%	2.9%	15.8%
Suez Canal Crisis	10/31/1956	1.6%	-0.8%	-2.8%	-3.8%	-0.1%	-11.5%
U.S. Bombs Cambodia	4/30/1970	-2.9%	-6.5%	-8.8%	-4.9%	1.8%	27.6%
U.S.S.R. Invades Afghanistan	12/26/1979	-1.8%	1.3%	5.6%	-7.9%	7.0%	25.7%
Falkland Islands War	4/2/1982	2.1%	2.7%	2.7%	-4.5%	5.8%	34.8%
U.S. Invades Grenada	10/24/1983	-1.5%	-2.5%	0.5%	0.0%	-4.8%	0.8%
U.S. Bombs Libya	4/15/1986	3.1%	2.4%	-0.4%	0.4%	-0.8%	23.3%
Invasion of Panama	12/20/1989	1.9%	3.9%	-1.0%	-0.8%	4.9%	-3.6%
Iraq Invades Kuwait	8/2/1990	-4.8%	-4.4%	-10.4%	-14.5%	-4.1%	9.1%
Gulf War	1/17/1991	4.4%	7.8%	15.2%	23.5%	20.6%	33.1%
War in Afghanistan	10/7/2001	2.6%	-0.1%	1.6%	9.6%	5.2%	-25.2%
Iraq War	3/20/2003	-0.5%	0.8%	2.2%	15.6%	17.4%	28.4%
Russia Invades Georgia	8/8/2008	2.1%	0.9%	0.1%	-24.8%	-31.4%	-20.2%
Israel Invades Gaza	12/27/2008	7.3%	2.6%	-2.6%	-6.0%	5.9%	29.8%
Russia Invades Crimea	3/7/2014	-1.6%	-0.3%	-0.6%	3.4%	6.4%	10.4%
Russia Invades Ukraine	2/9/2022	-1.1%	-6.6%	-5.8%	-11.5%	-6.9%	-9.7%
Israel-Iran 12-Day War	6/24/2025	3.0%	3.3%	5.5%	11.1%	13.4%	N/A
Mean		-0.8%	-1.9%	-2.0%	-2.2%	0.9%	8.4%
Median		-0.5%	-0.1%	-0.6%	-3.8%	2.9%	9.7%

Source: Ned Davis Research.

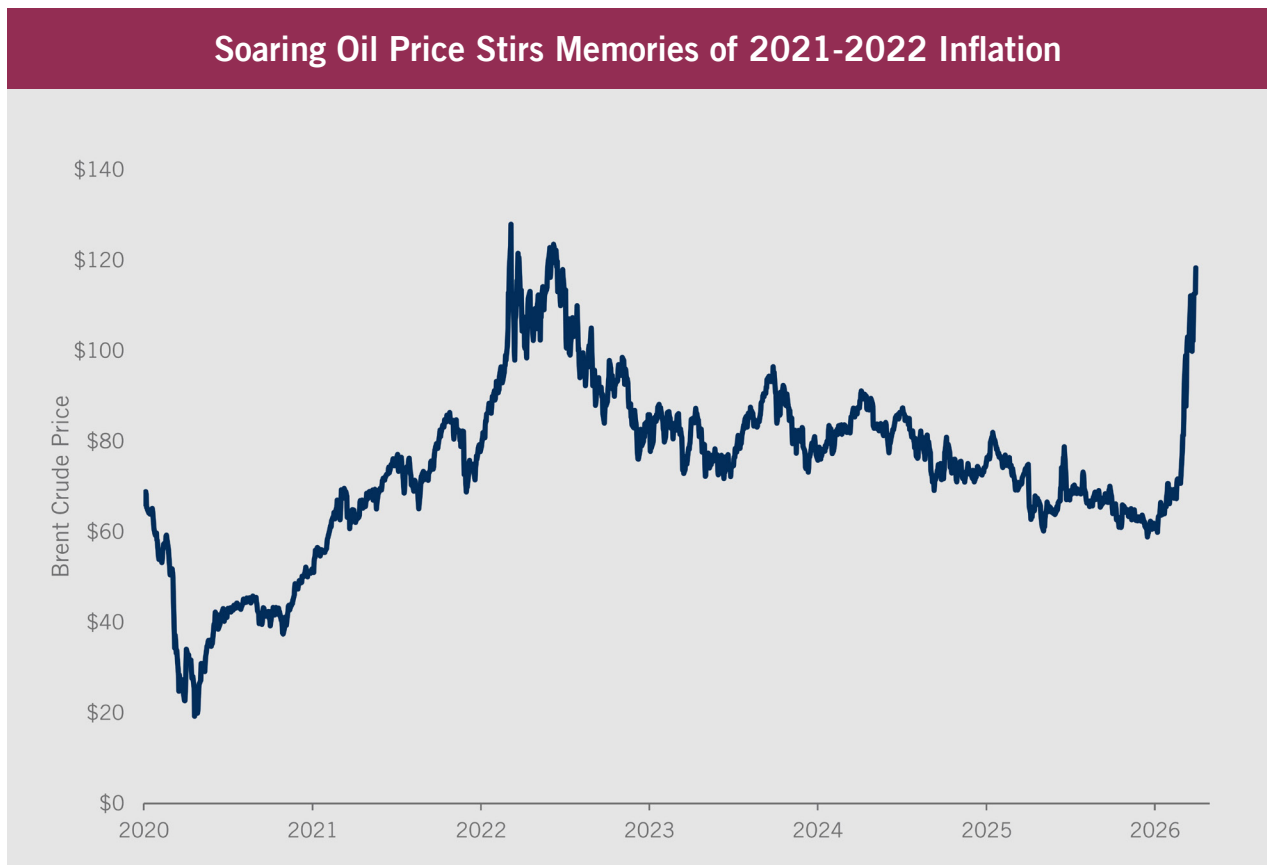
The conflict's duration will largely determine the impact on the global economy. With the Strait of Hormuz effectively shut, the 20 million barrels of oil that transit the Strait daily are stranded. This accounts for roughly 20% of daily global oil demand. Liquefied natural gas (LNG) is also heavily impacted by events in the Middle East. Qatar is responsible for 20% of global LNG supply and at the time of this writing is 100% offline due to the war. It has been reported that Iran targeted and damaged a portion of Qatar's Ras Laffan LNG complex, resulting in roughly 17% of their capacity to be taken out, and that it could be years to repair and bring back production to normal levels. Any escalation that results in additional energy infrastructure being damaged will have lasting effects on the energy market.

Oil and gas fields are not like faucets—they cannot just be turned off and on. Once they are shut, there are engineering and geological risks that don't guarantee their resumption at previous production levels. Restarting these fields will take weeks to

months, plus another 3-4 weeks for tankers to transit through the Persian Gulf and to Asia. The longer the Strait of Hormuz remains closed, the worse it will be for the global economy. Recent signs of de-escalation from President Trump have given markets some hope. And it has been reported that Iran will allow ships from “non-hostile” countries (i.e., countries that aren’t supporting acts of aggression against Iran). However, daily tanker transits through the Strait of Hormuz remain essentially non-existent.

Understandably, the conflict in Iran has sent oil prices higher and is stirring memories of the inflationary spike of 2022 following the start of the Ukraine/Russia war. Broadly speaking, the current facts lead us to believe that today’s environment is different than from a few years ago. Back in 2022, inflation was driven by multiple forces that all came together at the same time—massive fiscal stimulus, ultra-accommodative monetary policy, a surge in money supply, pent-up demand from the pandemic, and disruptions to supply chains. Higher energy costs certainly played a role in the inflation spike; however, it was far from the only factor. Today, many of these factors are not in play. Rates are significantly higher, liquidity is being pulled from the system, the labor market has cooled down, and wage growth has decelerated. For the moment, any increase in inflation in the coming months or quarters will be driven by supply constraints rather than excess consumer demand.

Research from the Federal Reserve suggests that energy prices accounted for only a portion of the overall inflation increase. The Fed estimates that the oil price spike added roughly half a percentage point to overall inflation during 2022. Inflation has certainly cooled in recent years (see chart below), however it remains above the Fed’s 2% target. Central banks tend to focus on core inflation readings, for instance those that exclude the more volatile food and energy prices. Given this, the Fed is more likely to respond to higher oil prices by holding rates where they are instead of hiking them. We are seeing this in the futures market where further rate cuts this year are being priced out of expectations. For now, our base case is that the current oil shock is far more likely to produce a temporary bump in headline inflation rather than a repeat of the broad and persistent inflation cycle experienced a few years ago.



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

Closing Thoughts

The conflict in Iran has introduced a number of unknown variables into the investment outlook. Thus far, markets have largely looked through the clash; however, with each passing day the impact on the global economy becomes greater. Energy prices are rising quickly, with Asian and European economies having more exposure than the U.S. We do not believe central banks will react to an energy price spike, though if the conflict drags on and energy prices remain elevated it is likely that other aspects of inflation will increase, pushing on living standards and potentially forcing the central bank's hand.

Absent the conflict in Iran, our outlook continues to remain constructive, with real GDP growth, supportive consumer spending, and ongoing investment in infrastructure, energy, and artificial intelligence all expected to enhance productivity.

Despite recent weakness, equity market fundamentals remain strong. We have begun to see market leadership broaden away from mega-capitalization technology stocks to smaller and more value-orientated companies, providing crucial breadth for the market. Importantly, corporate earnings expectations continue to expand, with the S&P 500 earnings expected to grow 13.2% in 2026 according to FactSet (up from 12.8% at year-end).

Credit fundamentals continue to remain sound. The market has now discounted lower policy rates; however, it is our belief this will revert with more certainty surrounding the Iranian conflict. Attractive starting yields have resulted in fixed-income returns increasingly driven by income rather than price appreciation.

There is no question the tail risks have increased as a result of the Iranian conflict. That said, with the range of outcomes so wide, we do not believe it is prudent to make any large-scale changes as a one-size solution does not fit all clients. We remain vigilant to the changing situation.

As always, we appreciate your continued confidence and trust.

Best regards,

Retirement Plan Advisors

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Market Indicators

First Quarter 2026

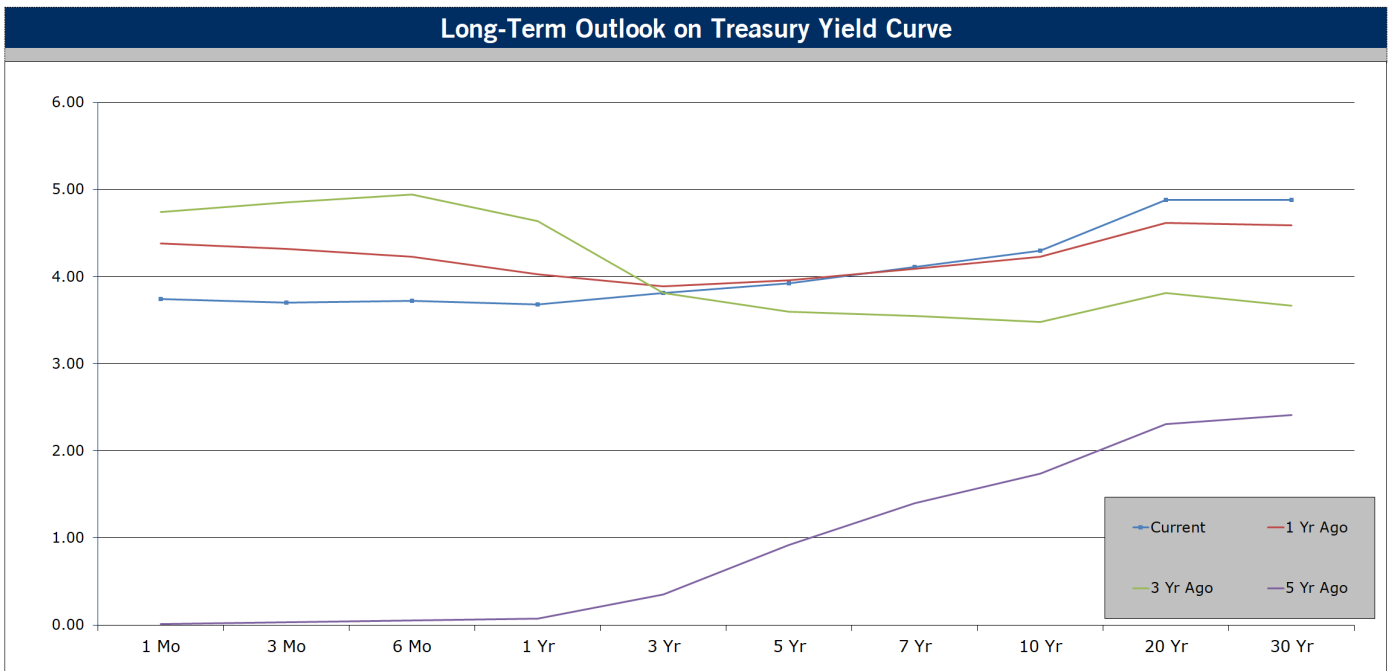
S&P Sectors	QTR	YTD	1Y	5Y
S&P Technology Select Sector TR USD	-7.51	-7.51	29.63	15.91
S&P Financial Select Sector TR USD	-9.35	-9.35	0.72	9.72
S&P Consumer Disc Select Sector TR USD	-8.53	-8.53	11.33	6.30
S&P Health Care Select Sector TR USD	-4.88	-4.88	2.31	6.46
S&P Industrial Select Sector TR USD	4.61	4.61	25.17	12.24
S&P Cons Staples Select Sector TR USD	6.12	6.12	3.21	6.62
S&P Energy Select Sector TR USD	37.87	37.87	35.42	24.75
S&P Utilities Select Sector TR USD	8.26	8.26	19.71	10.87
S&P Real Estate Select Sector TR USD	1.91	1.91	1.04	4.16
S&P Materials Select Sector TR USD	10.73	10.73	18.61	7.07
S&P Cmmnctn Svces Select Sector TR USD	-5.47	-5.47	16.36	9.80

Market Returns	QTR	YTD	1Y	5Y	10Y
S&P 500	-4.33	-4.33	17.80	12.07	14.16
Russell Mid Cap	1.29	1.29	15.98	7.26	10.91
Russell 2000	0.89	0.89	25.72	3.77	9.88
MSCI EAFE	-1.24	-1.24	21.27	7.91	8.38
MSCI Emerging Markets	-0.17	-0.17	29.55	3.69	7.80
BBgBarc U.S. Agg Bond	-0.05	-0.05	4.35	0.31	1.70
High Yield	-0.50	-0.50	7.01	4.23	6.13

Value / Growth Returns	YTD			Previous Calendar Year		
	Large	Mid	Small	Large	Mid	Small
Value	0.03	1.00	3.76	13.19	7.58	4.32
Growth	-8.11	3.92	2.74	22.18	7.46	5.37

Index Characteristics	NTM P/E	Div Yld	Earn Yld
S&P 500	20.57	1.14	4.86%
Russell Mid Cap	17.03	1.28	5.87%
Russell 2000	15.50	1.02	6.45%
MSCI EAFE	15.01	3.35	6.66%
MSCI Emerging Markets	11.79	2.16	8.49%

Benchmarks by size/style – Large Value: S&P500 Value; Large Growth: S&P500 Growth; Mid Value: S&P400 Value; Mid Growth: S&P400 Growth; Small Value: S&P600 Value; Small Growth: S&P600 Growth



Source: Morningstar

Periodic Table



Source Data: Total, Yearly Return

Best ↑	REITs 9.45	Emerging Mkts Eq 18.22	US Small Cap 38.82	REITs 28.73	REITs 4.40	US Small Cap 21.31	Emerging Mkts Eq 37.28	Cash 1.85	US Large Cap 31.43	US Large Cap 20.96	REITs 42.29	Cmdty 16.09	US Large Cap 26.53	US Large Cap 24.51	Emerging Mkts Eq 33.57
	US Bonds 7.84	REITs 18.05	US Mid Cap 34.76	US Large Cap 13.24	US Large Cap 0.92	US Mid Cap 13.80	Intl Dev Eq 25.03	US Bonds 0.01	US Mid Cap 30.54	US Small Cap 19.96	Cmdty 27.11	Cash 1.66	Intl Dev Eq 18.24	US Mid Cap 15.34	Intl Dev Eq 31.22
	US Large Cap 1.50	Intl Dev Eq 17.32	US Large Cap 33.11	US Mid Cap 13.22	US Bonds 0.55	US Large Cap 12.05	US Large Cap 21.69	REITs -2.12	REITs 29.22	Emerging Mkts Eq 18.31	US Large Cap 26.45	US Bonds -13.01	US Mid Cap 17.23	US Small Cap 11.54	US Large Cap 17.37
	Cash 0.04	US Mid Cap 17.28	Intl Dev Eq 22.78	US Bonds 5.97	Cash 0.04	Cmdty 11.77	US Mid Cap 18.52	US Large Cap -4.78	US Small Cap 25.52	US Mid Cap 17.10	US Mid Cap 22.58	Intl Dev Eq -14.45	US Small Cap 16.93	Emerging Mkts Eq 7.50	Cmdty 15.77
	US Mid Cap -1.55	US Large Cap 16.42	Cash 0.10	US Small Cap 4.89	Intl Dev Eq -0.81	Emerging Mkts Eq 11.19	US Small Cap 14.65	US Mid Cap -9.06	Intl Dev Eq 22.01	Intl Dev Eq 7.82	US Small Cap 14.82	US Mid Cap -17.32	REITs 11.28	Cmdty 5.38	US Small Cap 12.81
	US Small Cap -4.18	US Small Cap 16.35	REITs -0.53	Cash 0.03	US Mid Cap -2.44	REITs 5.52	REITs 9.23	US Small Cap -11.01	Emerging Mkts Eq 18.44	US Bonds 7.51	Intl Dev Eq 11.26	US Large Cap -19.13	Emerging Mkts Eq 9.83	Cash 5.09	US Mid Cap 10.60
	Intl Dev Eq -12.14	US Bonds 4.21	US Bonds -2.02	Emerging Mkts Eq -2.19	US Small Cap -4.41	US Bonds 2.65	US Bonds 3.54	Cmdty -11.25	US Bonds 8.72	Cash 0.36	Cash 0.04	Emerging Mkts Eq -20.09	US Bonds 5.53	REITs 4.55	US Bonds 7.30
	Cmdty -13.32	Cash 0.08	Emerging Mkts Eq -2.60	Intl Dev Eq -4.90	Emerging Mkts Eq -14.92	Intl Dev Eq 1.00	Cmdty 1.70	Intl Dev Eq -13.79	Cmdty 7.69	REITs -2.77	US Bonds -1.54	US Small Cap -20.44	Cash 5.01	Intl Dev Eq 3.82	Cash 4.15
	Emerging Mkts Eq -18.42	Cmdty -1.06	Cmdty -9.52	Cmdty -17.01	Cmdty -24.66	Cash 0.27	Cash 0.87	Emerging Mkts Eq -14.58	Cash 2.11	Cmdty -3.12	Emerging Mkts Eq -2.54	REITs -24.99	Cmdty -7.91	US Bonds 1.25	REITs 3.06
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025

- US Bonds
- Cash
- Intl Dev Eq
- US Large Cap
- US Mid Cap
- US Small Cap
- REITs
- Cmdty
- Emerging Mkts Eq

Source: Morningstar Direct

RPA Periodic Table of Investment Returns

RPA's Periodic Table of Investment Returns illustrates annual returns for eight asset classes and cash equivalents, ranked from best to worst performance for each calendar year. Each asset class is color-coded to simplify performance tracking over time. Below we detail the widely used, industry-standard market indices and benchmarks that we use as proxies for each asset class.

US Bonds (Bloomberg US Agg Bond TR USD)	The index measures the performance of investment-grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related, and corporate securities; MBS (agency fixed-rate and hybrid ARM passthroughs); ABS; and CMBS. It rolls up into other Bloomberg flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high-yield and emerging-markets debt.
US Large Cap (Russell 1000 TR USD)	The index measures the performance of the large-cap segment of US equity securities. It is a subset of the Russell 3000 index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership.
REITs (FTSE Nareit Real Estate 50 TR)	The index measures the performance of the 50 largest REITs by market cap. A REIT is a company that owns, and in most cases, operates income-producing real estate.
Cash (USTREAS T-Bill Auction Ave 1 Mon)	The index measures the performance of the average investment rate of US T-Bills securities with the maturity of one month.
US Mid Cap (Russell Mid Cap TR USD)	The index measures the performance of the mid-cap segment of the US equity universe. It is a subset of the Russell 1000 index and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The index represents approximately 31% of the total market capitalization of the Russell 1000 companies.
Cmdty (Bloomberg Commodity TR USD)	The index measures the performance of future contracts on physical commodities which traded on US exchanges and the London Metal Exchange. The commodity weightings are based on production and liquidity, subject to weighting restrictions applied annually.
Intl Dev Eq (MSCI EAFE NR USD)	The index measures the performance of the large- and mid-cap segments of developed markets, excluding the US and Canada equity securities. It is free float-adjusted market-capitalization weighted.
US Small Cap (Russell 2000 TR USD)	The index measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell indexes. Russell® is a trademark of Russell Investment Group.
Emerging Mkts Eq (MSCI EM NR USD)	The index measures the performance of the large- and mid-cap segments of emerging-market equity securities. It is free float-adjusted market-capitalization weighted.