

## KEY POINTS

Investors rotated away from U.S. mega-cap growth in February amid AI concerns, favoring value and defensive sectors. The S&P 500 fell 0.8%, while U.S. small- and mid-caps gained 2%, and non-U.S. developed and emerging markets outperformed. During February and early March, the U.S. dollar, oil, and gold rose simultaneously, reflecting heightened geopolitical and inflation risks. Gold rallied 10% on safe-haven demand and rising inflation expectations tied to higher oil prices, while the dollar strengthened as investors sought liquidity and safety in U.S. assets during the conflict-driven risk-off environment.

**TARIFF POLICY:** The U.S. Supreme Court struck down President Trump's tariffs under the International Emergency Economic Powers Act (IEEPA), prompting the Administration to impose a sweeping tariff under Section 122 of the 1974 Trade Act—initially 10% and later increased to 15%. Section 122 tariffs are limited to 150 days without congressional approval. The Court did not address refunds, leaving the scope and timing uncertain.

**IRAN WAR IMPACT ON U.S. AND GLOBAL ECONOMY:** The economic impact will depend on the war's duration and scale. A short conflict with limited damage to oil infrastructure and global logistics would likely have only a negligible and temporary effect on growth and inflation. A prolonged war could raise inflation as oil and other commodities are diverted to the war effort and global supply chains are disrupted. A 10% rise in oil prices typically adds 0.1–0.2 percentage points to inflation and reduces real GDP by a similar amount (*Source: NDR*). A sustained conflict would increase the risk of stagflation, with slower growth and higher inflation. This could limit the Fed's ability to cut short-term rates and reduce the stimulative impact of the OBBBA in 2026.

**VOLATILITY IS LIKELY TO BE HIGHER IN 2026:** The global macro landscape is favorable with steady to rising growth, and stable inflation prior to the Middle East conflict. Global growth is expected to be 2.6% this year. The U.S. may grow 2.0%-2.8% potentially outperforming consensus estimates due to reduced tariff drag, tax cuts, and easier financial conditions. Continued earnings growth, robust AI spending, and fiscal/monetary stimulus is a friendly backdrop for risk equities. However, volatility will be higher until the war concludes, which comes at a time of stretched equity valuations. Moreover, the current bull market is over three years old placing it above the long-term average post-World War II, which suggests tempering expectations.

**ASSET ALLOCATION – GLOBAL DIVERSIFICATION ACROSS ASSET CLASSES AND REGIONS MITIGATE RISKS:** For investors, we continue to emphasize the importance of staying invested in a diversified portfolio and focused on long-term goals. Risks include Iran war/geopolitical conflicts, trade tensions, and high global debt. We favor balanced positioning with a quality tilt and active management to navigate the road ahead. Bonds provide income and a buffer to equity drawdowns. Inflation hedges (TIPS, commodities, and alternatives) are favored due to the inflationary effects of war at a time that growth is rising. Gold provides protection against rising inflation and geopolitical uncertainty.

## KEY TAKEAWAYS FOR INVESTORS:

- Geopolitical conflicts often cause short-term volatility rather than lasting structural damage, making emotional de-risking and abandoning strategic allocations counterproductive to achieving long-term objectives. Maintaining a long-term focus and diversification across assets and regions remains the most reliable strategy.
- The global macro backdrop entering the war was favorable, with growth steady or rising across regions and inflation trending lower. U.S. growth may outperform, supported by stable inflation, Fed rate cuts, and fiscal stimulus from the OBBBA.
- Reaching long-term investment goals depends on diversification, balanced asset allocation, and a continued focus on the long-term horizon.

## SUCCESSFUL INVESTMENT PRINCIPLES: FOCUS ON THE LONG GAME

Successful investors maximize the odds of success by focusing on the long term and maintaining a long-term investment plan based on their goals. Studies show individual investors significantly underperform the broad stock market. Individuals are more likely to be driven by emotions that lead to reducing equity and risk assets after market declines during times of volatility.

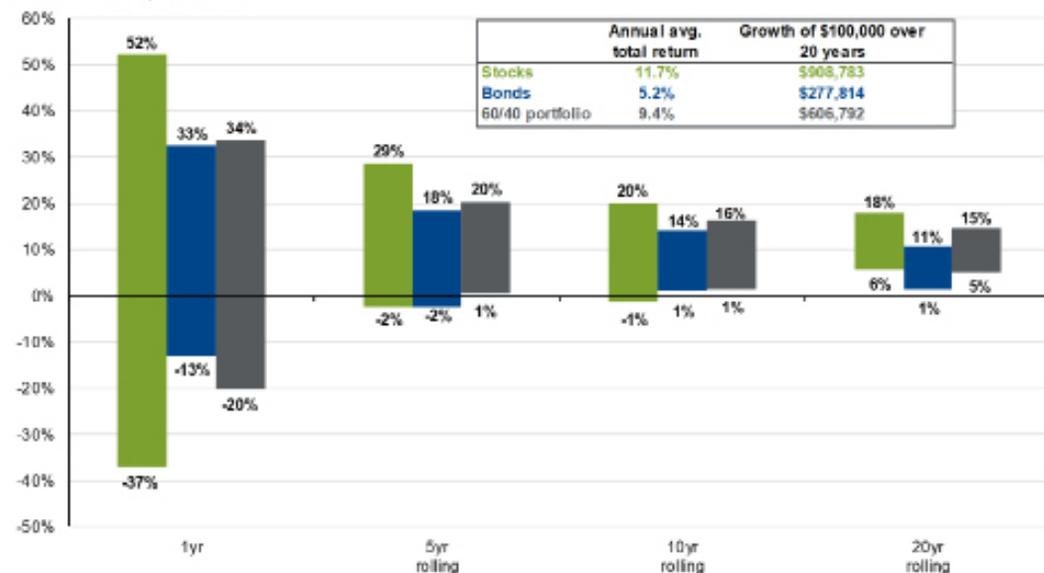
By taking a multi-year view, investors stack the odds in their favor of achieving investment success and achieving their goals. As can be seen in the chart below, over any one-year period the annual return for the S&P 500 can be volatile with returns from -37% to +52% since 1950. Over any 5-year period, the range shrinks -2% to +29%. Most importantly, there has never been a twenty-year period since 1950 where equities have experienced losses, as returns ranged from +6% to 18% per year for the S&P 500.

For balanced accounts, data shows that there has never been a rolling 5-, 10-, or 20-year period where a simple 60/40 portfolio of stocks and bonds had a negative return. Overall, from 1950 to 2025, a 60/40 portfolio compounded 9.4% per year. The lesson here is that the more time you have and the more diverse your portfolio, the less risk there tends to be and, lastly, to focus on the long term to achieve your goals.

## TIME, DIVERSIFICATION, AND THE VOLATILITY OF RETURNS

Range of stock, bond and blended total returns

Annual total returns, 1950 - 2025



Source: JP Morgan

## ECONOMIC DATA

- Global growth continues to be resilient, and revisions have edged higher to global growth of 2.6%, and U.S. growth of 2.0%. For 2027, consensus estimates for growth are global growth of 2.6%, and U.S. growth of 2.1%.
- S&P 500 earnings were \$208 (+48%) in 2021, \$219 (+5%) in 2022, \$220 (+1%) in 2023, and \$243 (+10%) in 2024 (FactSet). For 2025, analysts revised estimates higher to \$274 with earnings growth of 13.6% and revenue growth of 7.7%. For 2026, earnings estimates have increased to \$313, which represents projected growth of 14.7% and revenue growth of 7.7%.
- Valuations continue to be above the long-term historical averages.
- The trailing 12-month operating price-earnings ratio is 25.0 times operating earnings compared to the 5-year average of 25.1x, the 10-year average of 22.8x, and the 50-year average of 14.2 times earnings.
- The forward operating price-earnings ratio is 21.9 times earnings, which is above the 5-year historical average of 20.0x, above the 10-year average of 18.8x, and the 30-year average of 17.1 times earnings.

# MONTHLY INVESTMENT OUTLOOK | MARCH 2026

## MARKET RECAP (AS OF FEBRUARY 28, 2026)

- Global equities posted gains in February, led by non-U.S. developed equities and emerging markets, while U.S. large caps lagged. In fixed income, global yields moved lower amid moderating inflation and expectations for rate cuts. Globally, stocks outperformed bonds by 0.4%.
- The S&P 500 retraced 0.8%. Non-U.S. equities outperformed the U.S., as the dollar weakened and investors rotated away from U.S. mega-cap growth. International developed equities gained 4.9% and emerging markets rose 5.3%. U.S. small- and mid-cap equities outperformed the S&P 500 with a 2.4% gain, while the value factor has outperformed growth by 12% year-to-date.
- The Bloomberg U.S. Aggregate Bond Index gained 1.6% as rate-cut expectations pushed the U.S. 10-year yield below 4.0%, flattening the yield curve.
- Credit and corporate bonds lagged as spreads widened modestly amid a more cautious macro backdrop and geopolitical uncertainty late in the month. Emerging market debt gained 1.4%.
- Gold outperformed both stocks and bonds, rising 10% during the month and extending its multi-month rally as investors sought safe-haven assets amid geopolitical risks. Silver and platinum gained 10% and 8%, respectively, while oil rose 3.5% on geopolitical concerns.
- Alternatives performed well, with fixed income substitutes and unconstrained strategies matching or exceeding nominal bond returns.

Period Ending February 28, 2026

Source: Bloomberg.

Past performance is not indicative of future results.

Asset Class	Index	Trailing Performance (annualized for periods > 1 year)					
		MTD	YTD	1Y	3Y	5Y	10Y
<b>EQUITIES</b>							
<b>Benchmark</b>	MSCI All Country World IMI	1.6	4.9	25.8	20.1	11.3	12.7
Large Cap	S&P 500	(0.8)	0.7	18.8	21.7	14.2	15.4
Long-Short	[50% S&P 500, 50% ICE 0-3m T-Bill]	(0.2)	0.6	11.5	13.3	8.8	8.8
Small/Mid Cap	Russell 2500	2.4	7.6	23.2	13.8	6.9	12.0
International	MSCI World Ex US IMI (net)	4.9	10.1	36.1	19.0	10.8	10.5
Emerging Markets	MSCI Emerging Markets IMI (net)	5.3	14.4	45.1	21.0	6.7	10.6
<b>FIXED INCOME</b>							
<b>Benchmark</b>	FTSE World Broad Investment Grade	1.2	2.1	9.0	5.2	(1.2)	1.2
U.S. Aggregate	Barclays US Aggregate	1.6	1.7	5.7	5.1	0.4	2.0
U.S. TIPS	Bloomberg US TIPS	1.3	1.6	5.8	4.8	1.7	3.0
Tax Exempt	S&P Municipal Bond Index	1.2	1.9	4.9	4.6	1.6	2.5
U.S. Corp High Yield	Bloomberg US Corporate High Yield	0.2	0.7	7.2	9.5	4.5	6.8
U.S. Floating Rate	S&P/LSTA Leveraged Loan	(0.8)	(1.1)	3.8	7.8	5.8	5.9
International	FTSE Non USD WGBI	0.9	2.6	9.8	3.9	(4.0)	(0.4)
Emerging Markets	JPM Emerging Markets	1.4	2.1	13.4	11.0	3.0	4.5
<b>REAL ASSETS</b>							
<b>Benchmark</b>	Gold	10.6	20.9	81.2	42.2	24.9	15.7
Inflation	Consumer Price Index (CPI)	0.2	0.2	2.4	2.8	4.5	3.2
Commodities	Bloomberg Commodities	1.1	11.6	21.5	9.8	11.1	7.3
<b>ALTERNATIVES</b>							
<b>Benchmark</b>	[20% S&P 500, 80% ICE 0-3m T-Bill]	0.1	0.6	7.1	8.2	5.5	4.9
Multi-Strategy	Credit Suisse Multi-Strategy I		(0.5)	6.9	8.2	6.5	5.7
Global Macro	Credit Suisse Global Macro Ind		4.4	11.6	4.1	7.8	6.3
Managed Futures	Credit Suisse Managed Futures Ind		4.8	6.5	3.3	6.3	2.8