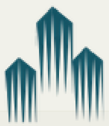
2026

FIRST QUARTER

MARKET
REVIEW
AND OUTLOOK

The Price of Uncertainty



1Q26 DATA POINTS

S&P 500 TR	-4.33%
GLOBAL EX. US	-0.71%
REAL ESTATE	+1.5%
US BOND INDEX	-0.1%
10-YEAR TREASURY YIELD	4.30%
S&P 500 LTM DIVIDEND YIELD	1.24%
S&P 500 12-MONTH EPS	$337.87
S&P Forward P/E	19.3x

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Opening Thoughts

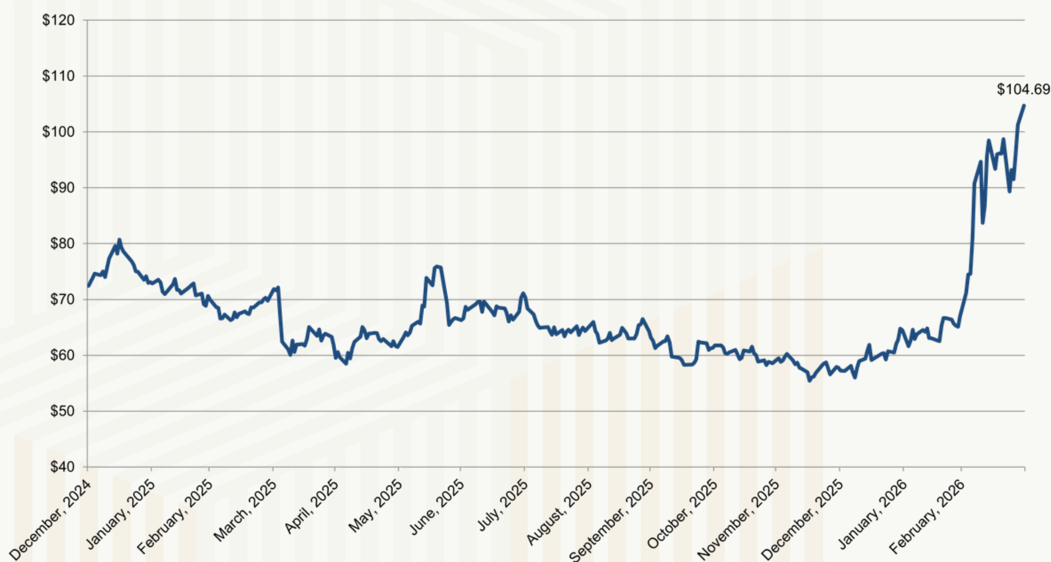
We are excited to add a new face to the team here at GKV Capital. Austin Link joined us in February as an Associate Wealth Advisor. Austin was previously a Financial Representative at Fidelity Investments in Southern California. Austin is in our Westlake Village office and will be working closely with Sarah Ellis focusing on financial planning and estate and tax strategies on behalf of our clients. Welcome to GKV, Austin! Take a look at Estate Planning 101 in the back of this quarter's issue.

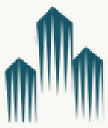
One of the things we appreciate about our business is that the investment environment is always changing. Laws are revised affecting financial plans, client circumstances are always evolving. New technologies are developed creating new opportunities and risks. And there are geopolitical events that threaten to upend the economic outlook. Every day presents new risks and new challenges.

This year is certainly no exception. Looking at equity market valuations, we see tremendous opportunity for continued gains in 2026. But the outlook is not without risks. The conflict in the Middle East has significantly increased energy costs. Inflation is once again a concern. Both opportunity and disruption from Artificial Intelligence have increased market volatility.

This year there is a price for uncertainty. Asset classes across the board are lower through the first quarter. While we think the discount is warranted, we remain optimistic that earnings growth is simply too strong and we will ultimately see investment gains in 2026.

»WEST TEXAS CRUDE OIL SPOT PRICE





1Q26 *Review*

The year started off on reasonably solid footing, with U.S. equities up modestly and even stronger gains in European and Asian markets as the rotation to international stocks continued. Precious metals surged to all-time highs. Clouds were forming over the technology sector, however, as fears of AI disruption to established software business models led investors to revalue their investments. Despite these very real concerns, economic data remained strong and the fundamentals supported another year of earnings growth.

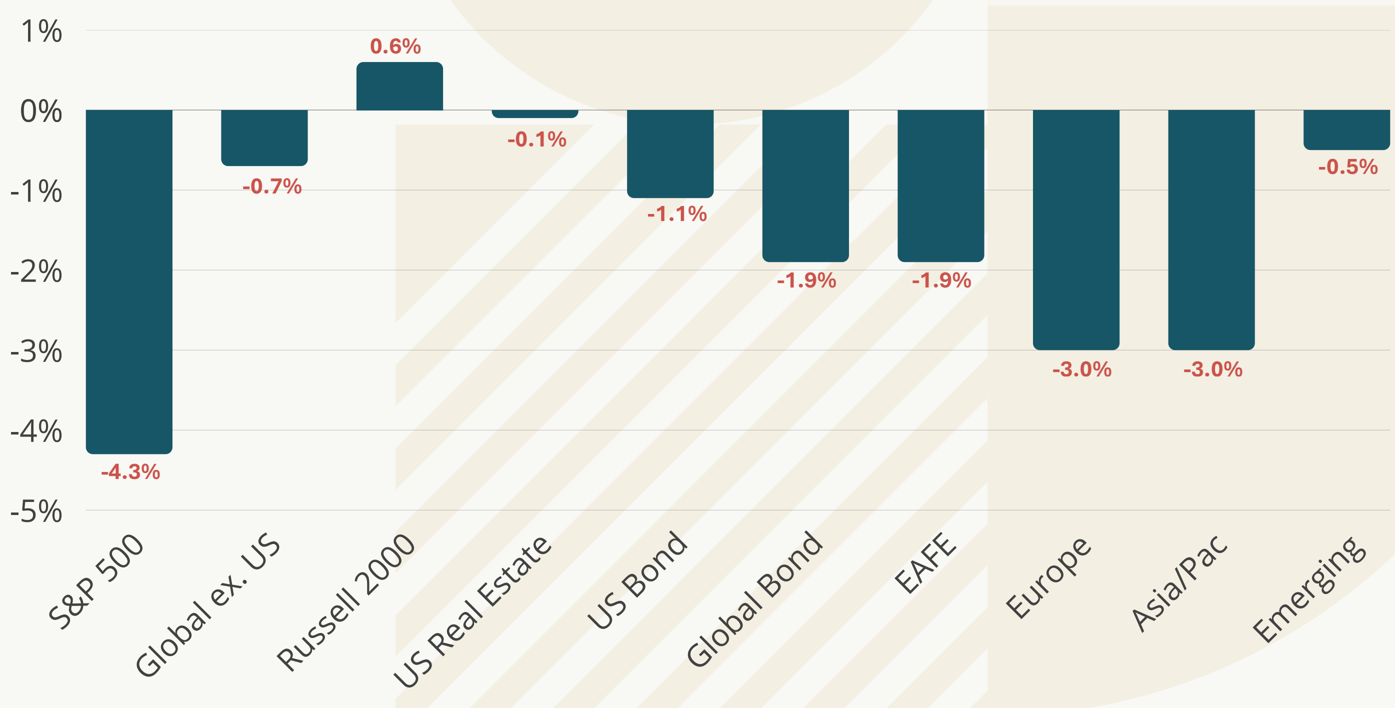
The gains for the year quickly evaporated across all asset classes with the joint U.S. and Israeli assault on Iran on February 28. Since then, the price of oil increased 50% and global equities markets reversed as critical energy supplies were stranded in the Middle East. It has become apparent that the expectations of a very short-lived conflict will take much longer to resolve. In the face of inflationary energy prices, expectations for interest rate cuts this year evaporated.

The broad S&P 500 index ended the quarter down 4.6%. The tech-heavy Nasdaq declined 7.1%, while small caps fared better, with the Russell 2000 eking out a gain of 0.6%. The Barclays U.S. Aggregate Bond Index remained essentially flat, as the 10-year Treasury yield increased modestly to 4.32%.

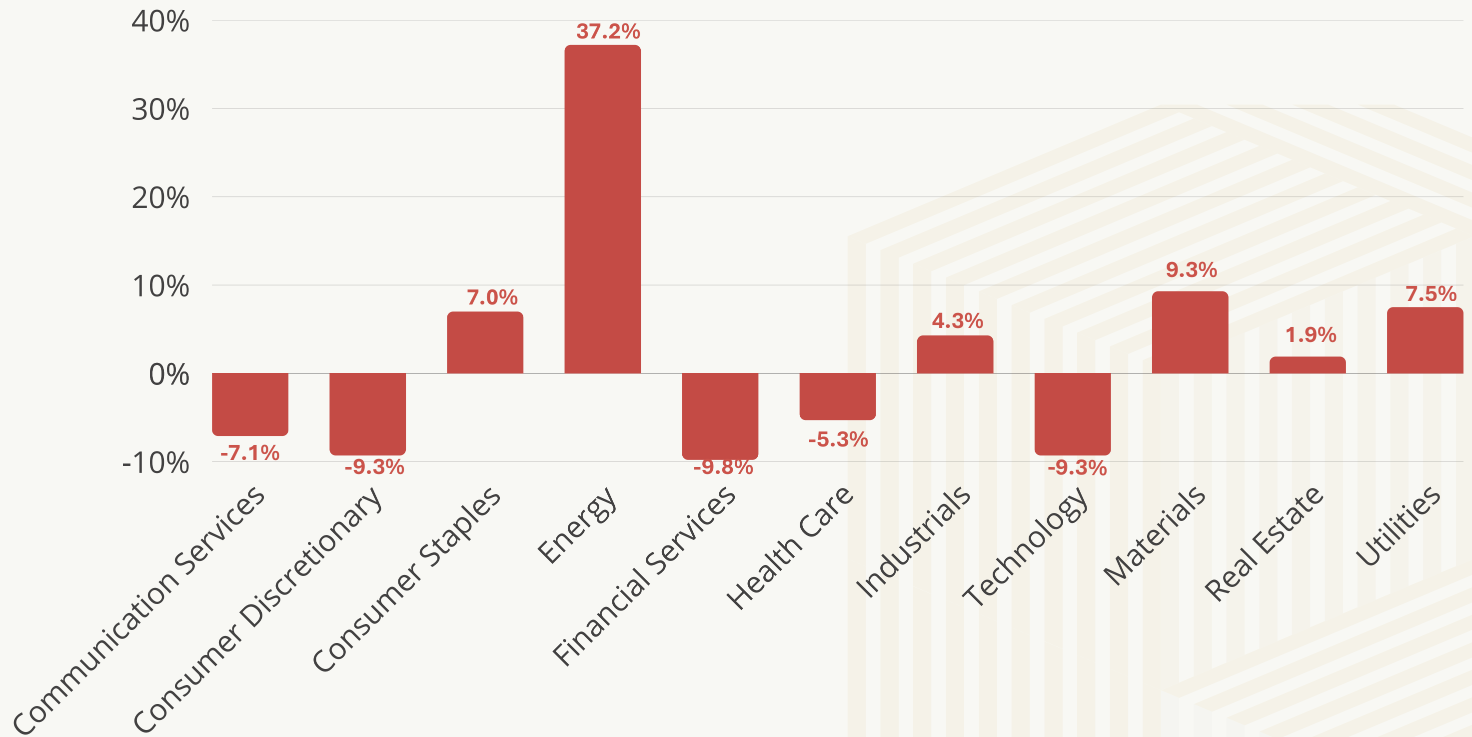
Unsurprisingly, the standout U.S. industry in the quarter was energy, gaining a whopping 37.2% by March 31. This marked a dramatic turnaround for a sector that had largely underperformed in the last two years with oil prices hovering around $60 per barrel. Materials gained 9.3%, as demand for everything from steel to concrete to fertilizer ran into tighter supply. Defensive sectors such as utilities and consumer staples gained 7.5% and 7.0%, respectively while healthcare declined 5.3% in the quarter. Industrials were off to a very strong start, driven by data center demand for construction, HVAC, and electronic components, but was offset by the negative outlook for energy costs. The sector ended the quarter up 4.3%.

Consumer discretionary and technology were among the worst performers in the quarter, each declining 9.3%, respectively, as investors weighed the impacts of massive AI capital spending and impact of inflationary energy costs. Within the technology sector, software was notably weak, falling 28% in the quarter as rapidly increasing capabilities from OpenAI and Anthropic threaten established business models. The worst performing sector was financials,

1Q26 MAJOR INDEX PERFORMANCE



1Q26 SECTOR PERFORMANCE



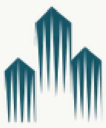
down 9.8%. Asset management firms exposed to private credit suffered the biggest losses, but the general unease spread to major banks as well. Policy risks and AI disruption anxiety also contributed to the negative sentiment in financials.

International equities were strong, with the MSCI EAFE (Europe, Australia, Far East) index up 10% in the first two months of the year. European stocks were up 7.7% and emerging markets up 14.7%. This outperformance quickly reversed course in March, as European and Asian economies are more dependent on oil and gas imports to meet industrial and consumer needs, while the U.S. is relatively more self-sufficient. This dynamic actually led to a modest strengthening in the dollar as well. The MSCI EAFE finished the quarter down 1.9%.

Core economic data in the U.S. remained solid in the first quarter of 2026, despite negative consumer sentiment. Unemployment remains low by historical measures, ending March at 4.3%. Disposable income is up a modest 1.6% over the year ago period and retail sales increased 3.7%. Many of these indicators are backward-looking: they won't tell you what is going to happen in the future but weakening trends can provide some insight into the direction of the broad economy.

The outlook for the global economy has dimmed in the quarter given the uncertain timeline and ultimate outcome of the war with Iran. Higher energy costs and the physical constraints on critical inputs including oil, gas, fertilizer, and chemical gases impact nearly every industry from agriculture to air travel to semiconductors. Prior to the war, global GDP forecasts were for 3.3% growth; the most recent OECD forecast in March pegs growth at 2.9%. This global outlook reflects a mid-4% growth forecast for China, 1.7% for the U.S., 1.2% growth in Europe, and 0.9% growth in Japan.

With this increased risk in the outlook for growth, investors have re-evaluated the price they are willing to pay for assets. Combined earnings for all companies making up the S&P 500 were forecast to reach $322.52 per share in 2026, a 17% increase compared to full year 2025. U.S. companies exhibited impressive resilience through last



year's tariff turmoil and grew earnings 12%; it remains to be seen whether the Middle East conflict will impact growth this year.

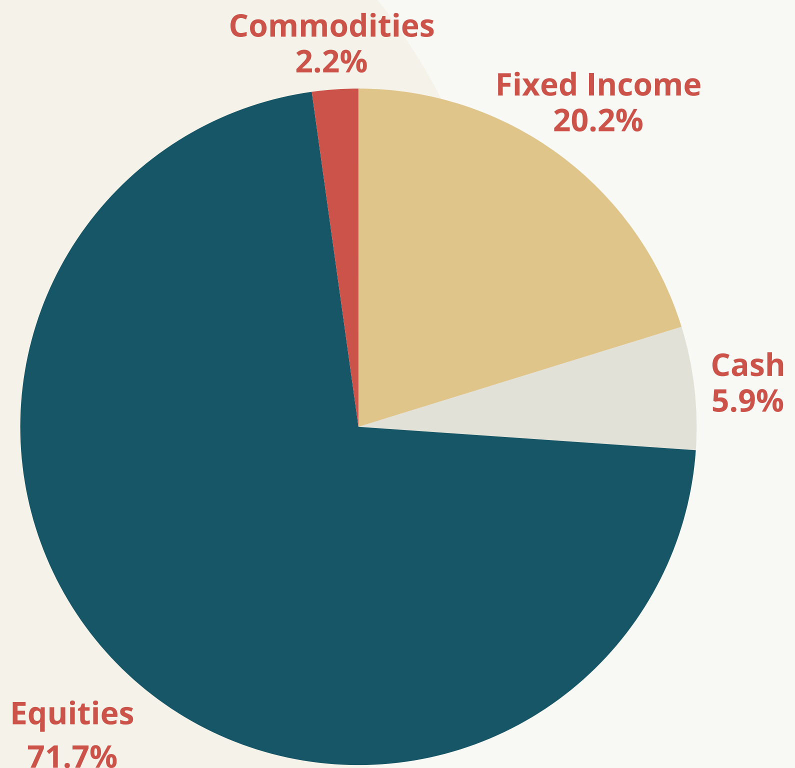
The 10-year Treasury yield ended the quarter at 4.32%. The year began with expectations for as much as two Fed rate cuts with the new incoming Federal Reserve chairman, but this has now evolved into expectations for either no cuts or even the possibility of an increase to combat inflation. Inflation moderated to 2.4% in February but is still off from the Federal Reserve's target of 2%. With the price of gasoline now averaging over $4 a gallon, there are expectations that inflation will increase.

Hopes were high for the spring home buying and selling season, as mortgage rates had recently dipped below the 6% mark back in February. However, this has also reversed course and a 30-year mortgage is now up to 6.5%. For homebuyers struggling with low inventory and affordability, this further dents their purchasing power.

Gold ended the quarter up 7.9%, even after selling off in March. Its traditional safe haven status in times of potential crisis was partially offset by concerns that higher inflation would lead to higher interest rates, increasing the opportunity cost of holding gold, which doesn't pay any interest or dividends.

Firmwide, we ended the first quarter with 72% of assets in equities, 20% of assets in fixed income securities, 2% in commodities, and 6% in cash. We are carefully monitoring economic and earnings data for the impacts of the Iran war and continue to maintain diversified portfolios. We do not hold illiquid assets such as private credit or private equity.

WE MANAGE SEPARATE ACCOUNTS FOR EACH OF OUR CLIENTS. EACH PORTFOLIO IS CUSTOM TAILORED FOR THE CLIENT



GKV FIRMWIDE

Asset Allocation

The Price of Uncertainty

U.S. equity investment fundamentals going into 2026 are surprisingly positive. Inflation is somewhat elevated, but it has moderated significantly from the highs in June of 2022. The job market has shown signs of weakness, but the unemployment rate has remained steady. Consumer sentiment is negative but disposable personal income per capita is at an all-time high. Retail sales are up this year. U.S. GDP growth has slowed but remains solid, particularly compared to the rest of the developed world. Examining the companies that comprise the S&P 500, sales growth has been very strong, profit margins are nearly the highest they have ever been, and earnings growth is nothing short of phenomenal. Yet the S&P 500 has lost nearly 5% in the first three months of the year.

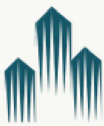
A quick look at the headlines and no one should be surprised that asset prices are lower across the board. In fact, most people are probably wondering why losses aren't greater. Haphazard tariffs did significant damage to the economy last year. Government shutdowns and increased deficit spending are not helping. The weaker dollar and elevated inflation are taking a toll. The Trump administration's demand for lower interest rates and its relentless attacks on the independence on the Federal Reserve have had the inverse effect, pushing interest rates higher.

There are the multifaceted concerns around artificial intelligence, including risk of overinvestment, and potential disruption in the labor market combined with a possible rewriting of business models for whole industries, such as software. The forced reevaluation of the software industry has imperiled the massive private credit market as loans to software companies are in greater concentration than most realized.

And then there is the war with Iran. Despite protestations to the contrary, the war with Iran is not under control. The Strait of Hormuz is closed to ship traffic and it is apparent that Iran retains the military capability to keep it closed. The price of oil has risen more than 50%. The global economy is experiencing an energy shock that will slow economic growth, disrupt supply chains and increase inflation.

These events taken together have increased the likelihood of lower growth economic scenarios. The value of a stock is not arbitrary. Markets are forward-looking and equity valuations are based on the expectation of future earnings. As earnings increase, stocks move higher. Of course, the opposite is also true. In a recession, earnings contract rapidly, and markets correct to account for the lower earnings expectations. This year, the level of uncertainty around expected earnings growth has increased, causing investors to handicap the extremely positive outlook for sales and earnings. Stock prices have declined while earnings forecasts remain intact. This is the price of uncertainty.

STOCKS ARE DOWN THIS YEAR DUE TO THE INCREASE IN UNCERTAINTY, NOT BECAUSE OF WEAKENING FUNDAMENTALS



Earnings Fundamentals
The 20% annual performance for the S&P 500 index the last three years has been driven by a rapid acceleration in earnings coupled with declining interest rates and moderating inflation. Combined earnings for the S&P 500 companies in 2025, increased an impressive 12% from $245.55 per share to $276.05. Looking forward to 2026, analysts forecast earnings to reach $322.52 resulting in an acceleration in growth to 17%. So far this year, earnings estimates have been revised 7% higher from the September 2025 forecast, despite tariffs, inflation, AI disruption and the spike in energy costs.

Earnings growth in technology is particularly impressive, 33% in the December quarter and 28% for the full year 2025. And it's not just technology earnings that are rapidly growing. Healthcare earnings grew 10.4% in the fourth quarter over the prior year.

Now that the March quarter is closed, earnings season will begin again in mid-April. First quarter technology sector earnings are expected to increase 45% from the first quarter of 2025 on 27% revenue growth. These growth rates are truly impressive. If these estimates prove accurate, we expect stock prices to move higher as investors reconcile uncertainty with financial results.

U.S. Equity Valuations
Assuming estimates can be met, equity prices are considerably more attractive than they have been in some time. The combination of rising earnings estimates and falling stock prices sets up a positive stock market outlook for the rest of the year. The caveat is whether some of the headline events, like higher energy costs or a weakening labor market will necessitate downward revisions in earnings estimates. So far that has not been the case.

At the close of the first quarter, the S&P 500 is trading at 19.3x next 12-month estimated earnings of $337.87. Over the last several years, the S&P 500 has been trading around 21x earnings. In other words, stock prices today are valued 10% lower than they have been in the last several years. Again, this is the cost of greater uncertainty.

The rapid increase in uncertainty this year can be attributed to multiple factors, but the two driving markets are rising energy costs and uncertain AI disruption. The war in Iran has the potential to increase inflation while slowing economic growth and AI risks include overinvestment, the elimination of jobs, and the disruption of whole industries, such as software for example.

Energy Shocks
If there ever was a "schedule" for our military excursion in Iran, we are no longer ahead of that schedule. Iran has made good on its threat to close the Strait of Hormuz effectively eliminating more than 20% of the world's natural gas and 25% of seaborne oil bound for Europe and Asia. As a primary input for economic activity in every country the world over, energy costs have a direct impact on inflation and economic growth. Oil above $100 or $120 per barrel is expensive and pushes inflation higher. Money spent on higher energy costs is money that can't be spent elsewhere in the

»S&P 500 VALUATION METRICS

	2020	2021	2022	2023	2024	2025	2026E	2027E
S&P 500 EPS	$143.30	$211.10	$219.90	$222.34	$245.55	$276.05	$322.52	$372.76
EPS y/y growth	-12%	47%	4%	1%	10%	12%	17%	16%
S&P 500 Index	3756	4766	3840	4770	5882	6846	6529	
Index y/y return	16%	27%	-19%	24%	23%	18%	-4.6	
Trailing P/E	26.2x	21.7x	17.3x	19.4x	24.0x	24.8x	20.2x	17.5x
Forward P/E	**17.8x**	**22.6x**	**17.5x**	**21.5x**	**21.3x**	**21.2x**	**17.5x**	

economy, so it risks slowing growth. Higher inflation coupled with slow growth results in stagflation.

The shutdown of shipping from the Persian Gulf will be resolved. It is in the interest of every country with maybe the exception of Russia to get shipping from the Persian Gulf going again. But the longer the Strait remains closed the greater the impact elevated energy costs will have on the global economy. When shipping does resume, energy prices will moderate but it will take time to ramp up production to pre-conflict levels.

Artificial Intelligence Disruption
The level of investment in AI infrastructure is staggering but it is too early to say what the return on that investment will be. Is AI an investment bubble or is this a generational investment opportunity? It could be both. The immediate concern for the market is the potential for job destruction.

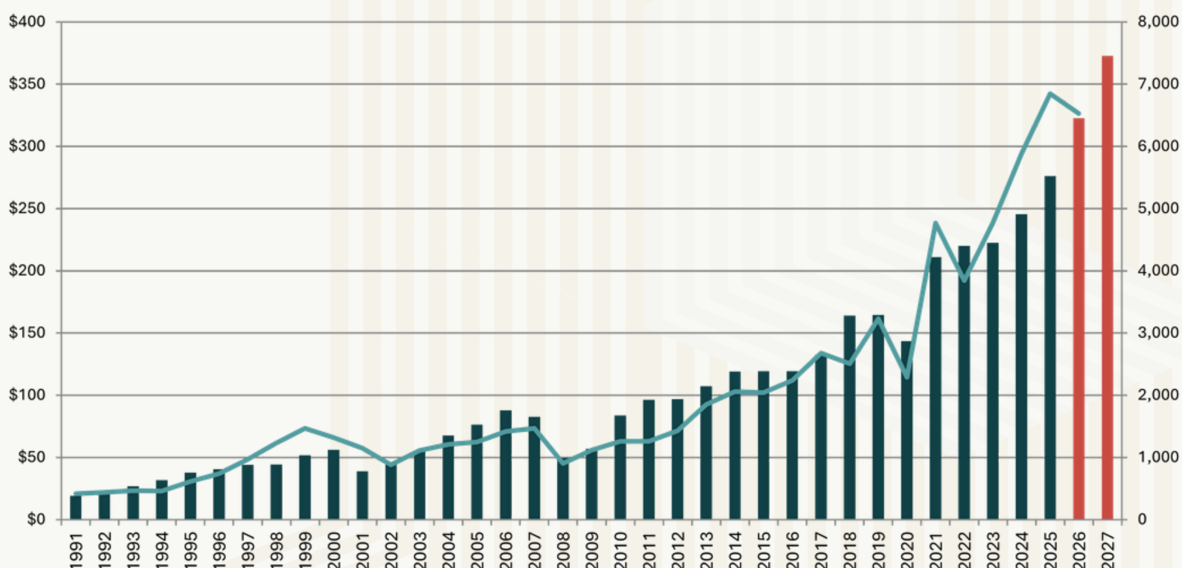
Slower growth in the job market is not yet due to AI. The job market slowdown began before OpenAI launched ChatGPT in November of 2022. Most economists postulate that the massive stimulus to get through the pandemic caused a hiring boom. Companies have been gradually reducing overhead through attrition. Hiring was further slowed with the introduction of last year's tariff announcement.

Jobs have slowed across the board, not just in AI exposed fields. The conclusion is that the slowdown in employment is due to economic weakness, not AI. That doesn't mean that there won't be an AI impact on jobs, just that we haven't seen it yet. Companies looking at a weakening economy are asking how to use AI tools to be more efficient, while holding off on hiring new employees at the same time.

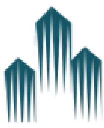
Usually, economic growth equates to job creation. As the economy grows, more workers are needed to produce goods and services. Technology earnings are growing more than 30% annually versus 17% for the S&P 500. But the growth in technology excludes labor this time around. Data centers are expensive, but they do not require very many employees. Consider that OpenAI has about 4,500 employees and is valued at approximately $852 billion. Anthropic has about 2,500 employees and a value of $380 billion. That's 5 or 6 employees per billion dollars of value. Conversely, Wal-Mart employs 2,100 employees per billion of market capitalization.

Right now, there are more questions than answers around the long-term impact of AI on economic

»S&P 500 TOTAL EARNINGS AND INDEX PRICE



Factset,, April 2, 2026



growth and employment. It's just too early to tell. Massive investment in AI infrastructure will continue presenting significant opportunities for investors, but there will also be pitfalls and uncertainty requiring diligence.

Inflation and Interest Rates

The Federal Reserve influences interest rates by setting the Fed Funds rate, which is currently at 3.75%. While interest rates are broadly influenced by this rate, interest rates on capital are established by the bond market just as in the stock market. When risk and uncertainty increase, rates move higher as investors demand more yield for the perceived risk. We use the 10-year U.S. Treasury bond yield as the benchmark for the true interest rate. So far this year, the 10-year Treasury has increased from 4.18% to 4.30%.

The market would like to see continued rate cuts. Lower interest rates push equity valuations higher, make capital less expensive, and increase growth. On the other hand, if rates are too low, inflation increases. We are unlikely to see a rate cut as long as energy prices remain elevated.

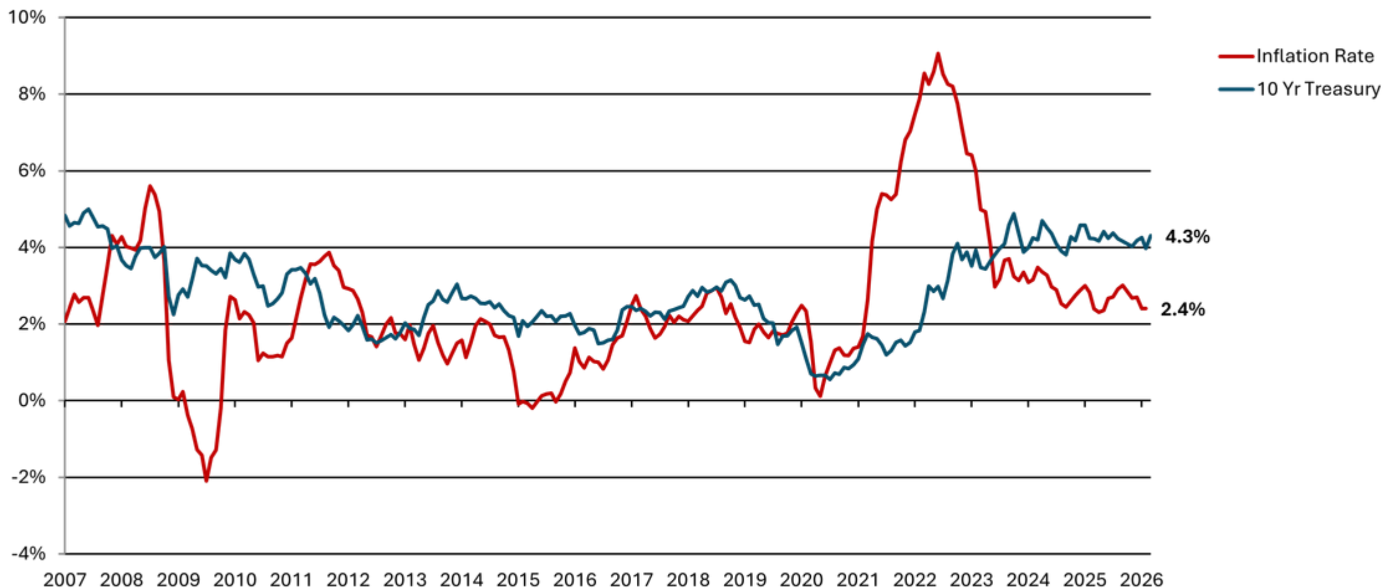
The Outlook for Stocks

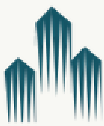
Stocks are down this year due to the increase in uncertainty, not because of weakening fundamentals. As earnings results are released and some of the uncertainty is resolved, if expected growth does meet expectations, stock prices will move higher.

Earnings growth has been impressive but that is not guaranteed to continue. Uncertainty of those future earnings has risen due to everything from energy shocks to tariffs and AI disruption. It may be that earnings assumptions for this year and next are too optimistic, but unless growth slows precipitously, we think the upside is greater than the risk to the downside. We expect the U.S. equity markets to end the year higher.

We also see opportunity in fixed income with elevated interest rates enabling diversification beyond equities. Corporate bonds yielding 6% or 7% for ten years are attractive. Lastly, we expect to see little gains in real estate as long as interest rates remain stuck at current levels.

»US INFLATION VS 10-YEAR TREASURY YIELD





Estate Planning 101

Oftentimes, people think of their wealth as what they see in their portfolio. With a quick tap on your phone (maybe inside a neatly labeled “Finance” folder), you can view bank balances, investment accounts, and market updates in real time. Wealth is so much more than a balance on a screen – it’s the culmination of hard work and values. It is the legacy you leave behind. This is where estate planning comes into play.

Estate planning is often simpler and more accessible than people expect. It’s not just for the ultra-wealthy, and it doesn’t have to cost thousands of dollars to get started. In many cases, there are practical, cost-effective options that can put the essential pieces in place without overwhelming you.

A great place to begin is with a trusted financial advisor. While we aren’t attorneys, many advisors can help you think through your goals, identify what you need, and guide you toward the right next steps - often saving you time, money, and unnecessary complexity along the way.
At its core, estate planning is about clarity, control, care for the people and causes that matter most to you.

Let’s walk through the basics.
A well-rounded estate plan typically includes several foundational components:

Revocable Living Trust
This is often the centerpiece of an estate plan. A revocable trust allows you to transfer assets out of your personal name and into a legal entity that you control during your lifetime. Upon your passing, the trust provides clear instructions for how your assets should be managed and distributed without going through probate. It also names key roles, such as trustees and beneficiaries, keeping your affairs out of the public eye.

Pour-Over Will
Think of this as a safety net. If any assets were not properly titled in your trust during your lifetime, a pour-over will directs that those assets be transferred into the trust upon your death. While it doesn’t avoid probate on its own, it reinforces your overall estate plan.

Power of Attorney
This document protects you during your lifetime. If you become unable to manage your financial affairs, a power of attorney allows a trusted individual to step in and act on your behalf. This is important for non-trust items such as personal bank accounts, paying bills, or managing Social Security. One thing to note regarding power of attorney– because the power of attorney gives someone else the ability to make decisions on your behalf, power of attorney expires when you do. If you pass away, the power ends as well. You will need to name an executor in your will to take over your personal affairs after you pass for anything not controlled by your trustee in your trust.

Advance Health Care Directive
Similar in concept to a power of attorney, this document addresses medical decisions. It allows you to outline your preferences for care and designate someone to make healthcare decisions if you’re unable to do so. This can include guidance on life-sustaining treatment, pain intervention, as well as personal or religious preferences for burial.

Additional Trust Strategies
Beyond the basics, there are many advanced planning tools designed for specific goals – tax minimization, charitable giving, providing liquidity for heirs, the list goes on. These strategies become more relevant as complexity and net worth increase, but they all stem from the same principle: aligning your resources with your values.

Key Decisions: The "Who" and the "How"
Creating an estate plan isn't just about documents – it's about decisions.

Who?

- Trustor/Grantor – That's you. You are creating and funding the plan.
- Trustee – The person (or institution) responsible for carrying out your wishes. During your lifetime, this is typically you. You should name successor trustees to step in if you become incapacitated or pass away. Choosing the right person here is critical – they will be responsible for managing and distributing your assets according to your instructions.
- Beneficiaries – The individuals or organizations who will receive the benefits of your estate. This could include family members, friends, or charitable causes.

How?
This is often where people feel overwhelmed and enter that "procrastination" phase.

For married couples, one key consideration is what happens after the first spouse passes away. Many assume everything should go outright to the surviving spouse – and oftentimes, that's appropriate. However, there may be reasons to introduce structure, especially in blended families or situations where asset protection is a concern.

For example, some plans divide assets into separate "buckets" upon the first death: one for the surviving spouse's control and another that preserves the deceased spouse's share for designated beneficiaries. This can help protect against risks like remarriage, creditor claims, or unintended changes to beneficiary designations. While effective, this approach can add administrative complexity, so it's important to evaluate whether it aligns with your goals.

Another important decision is whether beneficiaries should receive assets outright or in trust.

An outright distribution offers simplicity and freedom. Beneficiaries can use the assets however they choose, without restrictions.

Keeping assets in trust, however, adds a layer of protection. Trust-held assets are generally shielded from creditors, lawsuits, and even certain life events like divorce. For instance, if a beneficiary were involved in a legal dispute, assets held in trust may be protected, whereas assets received outright would not be.

There is no one-size-fits-all answer. The right approach depends on your family dynamics, your beneficiaries' financial maturity, and your overall priorities.

Conclusion
At the end of the day, estate planning is about intention. It's about deciding, in advance, how your life's work will be handled, who will carry out your wishes, and how the people you care about will be supported.

Without a plan, those decisions are left to the courts, to default state laws, or to loved ones who may be forced to navigate difficult choices during an already emotional time. With a plan, you bring clarity, reduce stress, and create continuity.

If you have any questions about getting started or would like our advisors here at GKV to review your current estate plan, please reach out.

2026

BUILD YOUR WEALTH

To Fund Your Passions

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Client accounts are separately managed and tailored to meet the specific needs, including risk tolerance, investment objectives, and tax consequences of each client. Client assets are held at an unaffiliated brokerage firm.

With extensive expertise in security analysis, we make direct investments on behalf of our clients buying individual securities. This eliminates costly mutual fund fees and increases the flexibility to manage volatility. We actively allocate capital to take advantage of investment opportunities altering exposure to individual companies, industry sectors, and asset classes in anticipation of the changing investment and economic environment.

We are transparent in all facets of our asset management practice and believe it is important for our clients to know what they own, why, what their performance is, and what they are paying in fees. We build comprehensive portfolios for our clients with a goal of reducing volatility and producing prudent growth.

We protect and build wealth at GKV Capital.

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