

Quarterly Investment Report

April 2026

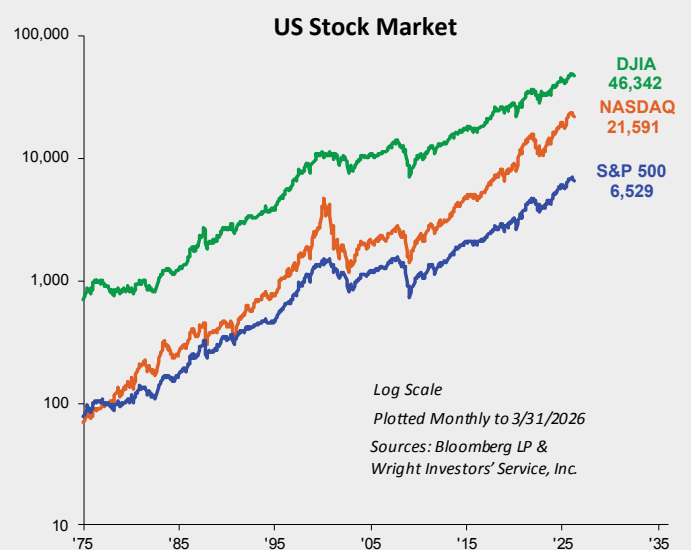
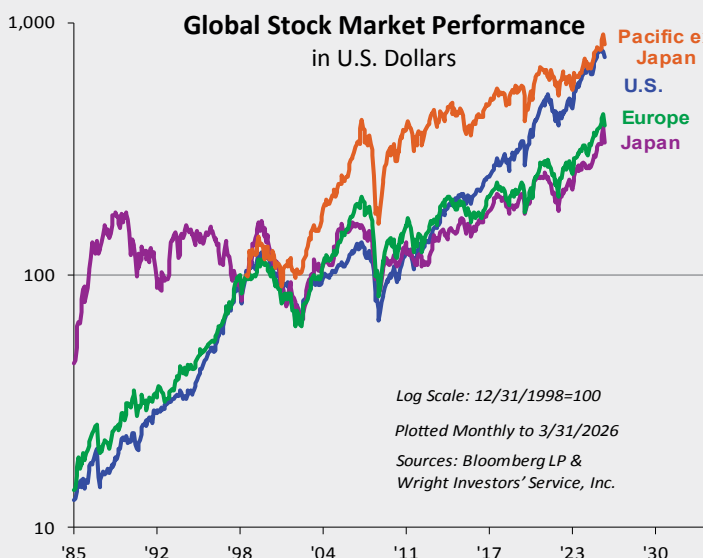


The first quarter of 2026 was a reminder that markets can absorb a great deal of bad news without breaking, but they rarely do so without changing character. Two military events, first involving Venezuela and then Iran, pushed energy back to the center of the investment discussion. Oil prices spiked, commodities surged, gold moved higher, and recession concerns became more prominent. Yet despite that backdrop, the S&P 500 was down only -4.30% for the quarter. That is a relatively muted decline given the severity of the news flow. The Nasdaq Composite fell -7.00%, but beneath the surface the picture was more mixed, with the S&P MidCap 400 up +2.50% and the S&P SmallCap 600 higher by +3.50%. In other words, this was not a broad liquidation. It was a quarter marked by rotation, caution, and a sharp change in leadership. Another important point is that the market entered the quarter with a better earnings base than the price action alone might suggest. Fourth quarter sales growth for the S&P 500 was +9.16%, while earnings growth was +13.31%, which helped cushion sentiment even as the macro backdrop became more difficult. That matters because the quarter appears to have been driven less by a collapse in fundamentals and more by a repricing of valuation, concentration, and inflation risk. Defensive sectors outperformed, commodities surged, and the largest technology names came under pressure, all signs of a market recalibrating.

Stock Market

U.S. equities declined in the first quarter, but the headline decline tells only part of the story. The S&P 500 fell -4.30%, the Dow Jones Industrial Average slipped -3.20%, and the Nasdaq Composite dropped -7.00%. By contrast, the S&P MidCap 400 gained +2.50% and the S&P SmallCap 600 advanced +3.50%. The quarter was not simply about selling risk indiscriminately. Investors reduced exposure to the most crowded and valuation-sensitive parts of the market, while showing a greater willingness to own areas where expectations were lower and starting valuations were less demanding.

Sector performance reinforced that point. Energy led by a wide margin, climbing +38.20% for the quarter. Materials rose +9.70%. Utilities gained +8.30%, and Consumer Staples added +7.70%. Real Estate advanced +4.90%, and Industrials rose +4.60%. In contrast, Information Technology fell -9.10%, Consumer Discretionary declined -9.20%, and Financials dropped -9.30%. Health Care was lower by -4.90%, and Telecoms fell -6.90%. This combination of energy leadership and defensive outperformance is usually associated with investor caution, not enthusiasm. It reflects a market that is increasingly focused on resilience, pricing power, and balance sheet stability.



The weakness in the Magnificent Seven amplified the quarter's decline in the large-cap indices. When leadership is concentrated, reversals tend to be felt quickly in headline benchmarks. That was particularly true this quarter, as the market became less willing to pay peak multiples for a narrow group of dominant growth companies. A quarter like this does not invalidate the long-term case for those businesses, but it does remind investors that concentration works in both directions.

The quarter also reinforced that earnings and price do not always move together in the short run. Based on the earnings data provided, fourth quarter sales growth for the S&P 500 was +9.16%, while earnings growth was +13.31%, and the broader profit backdrop remained firmer than equity performance might imply. In our view, the market's weakness reflected a higher discount rate being applied to future cash flows, not a broad collapse in earnings power. That is an important distinction. Markets can recover from valuation resets more easily than they recover from profit deterioration.

International markets were mixed. The MSCI Developed World excluding the U.S. fell -0.90% for the quarter, while the MSCI Emerging Markets edged down -0.20%. Japan gained +1.40%, the United Kingdom rose +2.00%, and Europe excluding the United Kingdom declined -4.20%. China was weaker, falling -8.90%. This dispersion underscores that international markets are best understood as a collection of distinct regional and country exposures rather than a single trade.

Bond Market

Fixed income was steadier than the headlines might have suggested. The Bloomberg U.S. Aggregate Bond Index was flat for the quarter. The Bloomberg U.S. Credit Index and the Bloomberg U.S. High Yield Bond Index both fell -0.50%. Bank Loans declined -0.60%. Treasury bills continued to provide carry, with the Bloomberg U.S. 3 Month T-Bills Index up +0.90%. In a quarter defined by geopolitical stress and higher

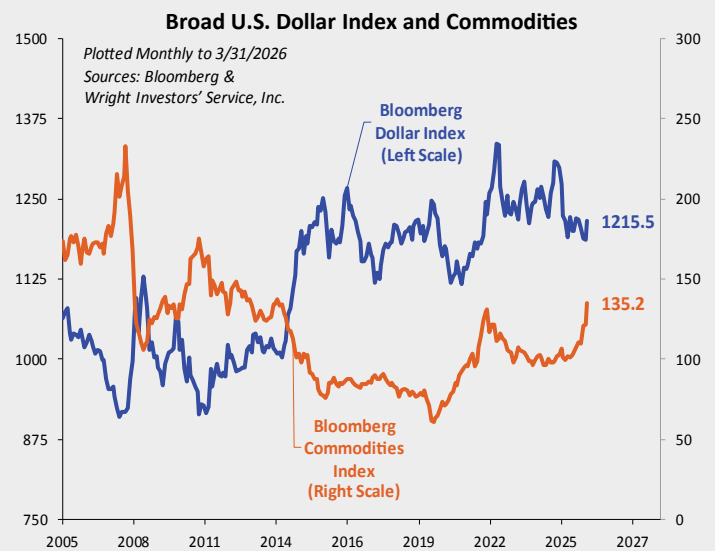
inflation concerns, flat core bond performance was a relatively stable outcome.

Treasury yields did move higher, but the increase in long rates remained relatively contained. The 2-year U.S. Treasury yield ended the quarter at 3.79%, up from 3.47% at year-end. The 10-year ended at 4.32%, up from 4.17%, and the 30-year ended at 4.91%, up from 4.84%. Given the spike in oil, gasoline, and heating oil, that move in the 10-year yield was not especially severe. One explanation may be the Treasury's continued reliance on short-end issuance. By leaning more heavily on bills while keeping coupon auction sizes broadly steady, Treasury may have reduced incremental supply pressure on longer maturities, which may help explain why the move in long rates remained relatively contained. Treasury said it anticipated maintaining nominal coupon and floating-rate note auction sizes for at least the next several quarters and that seasonal or unexpected borrowing variation in the quarter would be addressed through regular bill auction sizes and cash management bills.

Inflation pricing shifted more sharply at the front end. The 2-year breakeven inflation rate rose to 3.25% from 2.30% at year-end, while the 10-year breakeven increased more modestly to 2.31% from 2.25%. The market was clearly pricing a meaningful rise in near-term inflation uncertainty, but it was not yet concluding that the long-run inflation regime had changed in the same way. In practical terms, the quarter's energy shock was seen as acute and disruptive, but not yet fully structural.

Alternatives

Real assets were the clearest winners in the quarter. The Bloomberg Commodities Index climbed +24.40%. Crude oil surged +76.60%, ending the quarter at \$101.38 per barrel. Gold rose +7.10%. Corn gained +4.00%, and wheat advanced +21.50%. Copper slipped -1.20%, which was softer than the broader commodity complex but still left the market focused on the role of infrastructure, energy, and supply constraints.



The most striking moves were in refined fuels. Unleaded gasoline surged +94.20%, and heating oil jumped +96.30%. Those moves matter because refined product markets often react more sharply than crude when logistics tighten and spare capacity is limited. That is particularly relevant in the context of the Iran conflict. Even if markets begin to price the possibility of early de-escalation or withdrawal, the impact on refined fuel balances may persist longer than the initial geopolitical headlines. Supply chains do not normalize overnight, and product markets can stay tight even after crude volatility begins to settle.

That has longer-term implications for inflation and the consumer. Elevated gasoline and distillate prices feed more directly into household budgets and transportation costs than crude alone. They can also keep near-term inflation expectations firm even if broader price pressures remain contained. In other words, the quarter's move in energy had real economic consequences.

Gold's +7.10% gain for the quarter reflected demand for hedges at a time when both geopolitical uncertainty and recession concerns were rising. That said, the fact that gold fell -11.40% during March is a useful reminder that even defensive assets can be volatile when liquidity becomes more important than conviction.

U.S. Economy

The economic backdrop at quarter-end was mixed, but the direction of concern shifted. The debate moved away from whether inflation had been brought under control and toward whether the combination of higher energy prices, tighter financial conditions, and weaker confidence might begin to lift recession risk more meaningfully.

Survey data still suggested expansion. ISM Manufacturing was 52.40, and ISM Services was 56.10. Those are not recessionary readings. But other indicators were less reassuring. Retail sales declined -0.20% in the period covered by the data, and growth expectations became less certain as the quarter progressed. The labor market also looked less settled. The payroll figure in the period showed a decline of -92,000, while the unemployment rate stood at 4.40%. Taken together, those figures do not confirm recession, but they do suggest that the economy is becoming more sensitive to shocks.

Housing is another area worth watching more closely. The recent rise in mortgage rates is an added headwind for home buyers. Freddie Mac's average 30-year fixed mortgage rate increased from 5.98% in late February to 6.38% by March 26, 2026, a move that reduces affordability and is likely to weigh on purchase activity, particularly for first-time buyers.

That matters because housing tends to be one of the clearest transmission channels for shifts in rates and confidence.

A move higher in mortgage rates does not need to be dramatic to affect behavior. When affordability is already stretched, even a modest increase in financing costs can delay decisions, slow turnover, and reinforce caution among buyers.

Investment Outlook

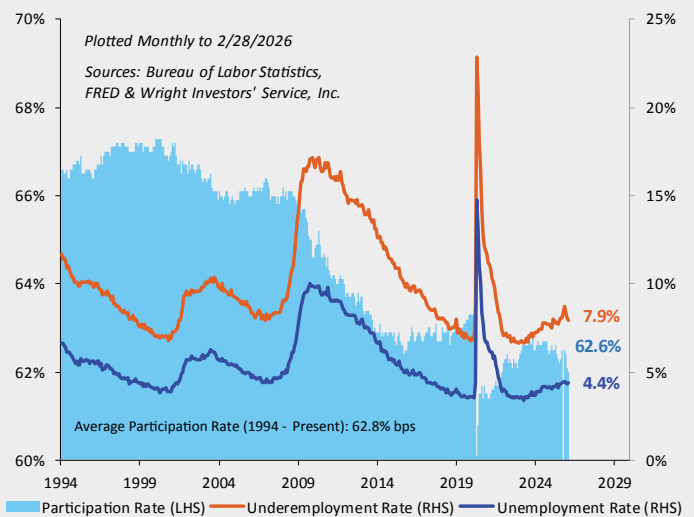
The first quarter did not break the market, but it changed the tone. Investors became more selective. They sold concentrated large-cap growth. They favored energy, materials, utilities, and consumer staples. They rewarded small-cap and mid-cap stocks over the most crowded leadership cohort. And despite a difficult quarter, the S&P 500 was down only -4.30%. That suggests the market still sees a path through the current environment, but it is demanding a higher premium for uncertainty and a better margin of safety in valuation.

The U.S. Economy 2023-2026

		% Change In			End of Period Rates	
		Real GDP*	PCE Core Deflator*	Profits from Operations#	90-Day T-Bills	10-Year T-Notes
2023	Q1	2.9%	4.7%	4.9%	4.7%	3.5%
	Q2	2.5%	4.0%	1.9%	5.3%	3.8%
	Q3	4.7%	2.4%	-1.4%	5.4%	4.6%
	Q4	3.4%	2.1%	-0.9%	5.3%	3.9%
2024	Q1	0.8%	4.0%	0.6%	5.4%	4.2%
	Q2	3.6%	2.9%	2.8%	5.4%	4.4%
	Q3	3.3%	2.4%	6.9%	4.6%	3.8%
	Q4	1.9%	2.7%	7.7%	4.3%	4.6%
2025	Q1	-0.6%	3.3%	10.6%	4.3%	4.2%
	Q2	3.8%	2.6%	11.9%	4.3%	4.2%
	Q3	4.4%	2.9%	11.9%	3.9%	4.2%
	Q4	0.7%	2.7%	12.8%	3.6%	4.2%
2026	Q1 e	2.4%	3.0%	12.8%	3.7%	4.3%
	Q2 e	1.8%	3.0%	41.7%	3.6%	4.2%
	Q3 e	1.9%	2.9%	43.7%	3.4%	4.2%
	Q4 e	2.0%	2.8%	46.9%	3.3%	4.1%

e: Bloomberg Consensus Estimates; *: Quarter-Over-Quarter Annual Rates; #: Year-Over-Year Change in S&P500 EPS Sources: Bloomberg LP, Wright Investors' Service, Inc.

U.S. Employment

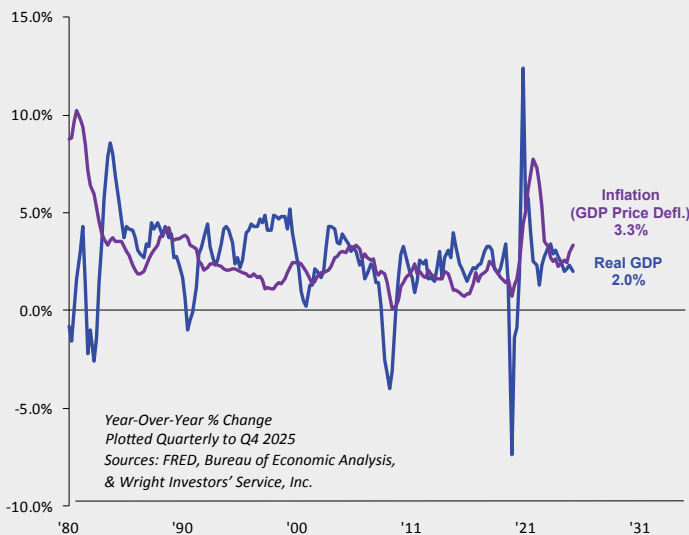


Several issues will matter from here. The first is the path of energy and refined fuel prices. The market can tolerate a short-lived energy spike more easily than a prolonged period of supply pressure. The second is the Federal Reserve. As noted above, policy is likely to remain on hold until the data weakens more clearly. The third is credit. Concerns around private credit grew during the quarter, not because stress has already become systemic, but because investors are increasingly aware that weaker liquidity, narrower refinancing windows, and slower growth can expose fragility in areas that have benefited from abundant capital.

Artificial intelligence also enters the next phase of the cycle with a more complicated market role. It remains a powerful long-term investment theme, but the market is becoming more discriminating about who actually captures the economics. For software as a service companies, the opportunity is real, but so is the threat. Artificial intelligence can deepen workflow ownership and strengthen customer relationships for some businesses, while reducing differentiation, compressing pricing power, or increasing churn for others. The implication is not that software is less important. The implication is that dispersion within software is likely to rise.

Our reading of the quarter is that markets are not dismissing the risks, but they are not yet pricing a full breakdown either. That is why the quarter's relatively modest decline in the S&P 500 matters. It suggests that fundamentals, earnings, and portfolio repositioning still matter more than headlines alone. In this environment, that argues for discipline rather than panic. Quality balance sheets, sustainable cash flows, diversified sources of return, and the flexibility to rebalance remain the right anchors.

Real GDP vs. Inflation



Global Investment Returns In U.S. Dollars

	Q1 2026		Trailing 12 Months	
	Stocks	Bonds	Stocks	Bonds
U.S.	-4.6%	0.0%	17.3%	4.3%
Canada	1.3%	-1.5%	36.7%	2.7%
Mexico	7.7%	-0.8%	54.9%	9.8%
Japan	1.4%	-3.1%	25.9%	-11.2%
Pacific ex Japan	3.0%	0.4%	23.8%	5.9%
Australia	3.3%	2.2%	21.7%	10.6%
China	-8.9%	1.8%	3.8%	6.6%
Hong Kong	5.5%	1.8%	36.3%	7.5%
Europe	-2.8%	-2.5%	19.1%	8.3%
France	-5.4%	0.0%	10.2%	8.4%
Germany	-8.5%	-2.2%	8.0%	6.8%
Italy	-3.4%	-1.1%	28.2%	12.0%
Netherlands	2.7%	-1.8%	37.9%	7.5%
Spain	-3.2%	-2.4%	44.2%	8.9%
Switzerland	-4.2%	-1.2%	14.7%	12.1%
U.K.	2.0%	-3.9%	25.7%	5.2%
World	-3.6%	-1.1%	18.9%	4.3%
World ex U.S.	-0.9%	-1.9%	23.0%	4.2%

Sources: MSCI Stock & Bloomberg Barclays Bond Indexes as of 3/31/2026

Source: Bloomberg Index Services Limited. "Bloomberg®", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.

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