

Quarterly Newsletter

Second Quarter 2026

Jon Marshall, MBA Chief Investment Officer
Blaine Disrud, CFA Portfolio Manager
James Marshall Chairman/Founder

Newsletter Snapshot:

Geopolitical tensions have created short-term volatility; history suggests limited long-term impact.

Inflation pressures have risen due to energy prices, but pressures should moderate through 2026.

Economic growth is expected to be about 2% this year.

The S&P 500 declined in the first quarter of 2026 with a -4.3% total return. International stocks (MSCI EAFE index) gave up a hot start to finish the quarter with a 0.2% total return. The Bloomberg US Aggregate Bond index had a -0.1% year-to-date total return through March 31, 2026.

Stocks Decline on War Worries as Oil Surges

The US and Israeli military operation against Iran started on February 28th. Markets reacted negatively as the conflict intensified. Over the course of March US Equity markets declined 5%, international stocks declined 10%. Bonds also declined by about 2% in March as inflation fears from rising energy prices pushed up yields. The S&P 500 energy sector rose 10% since the start of the attack on Iran.

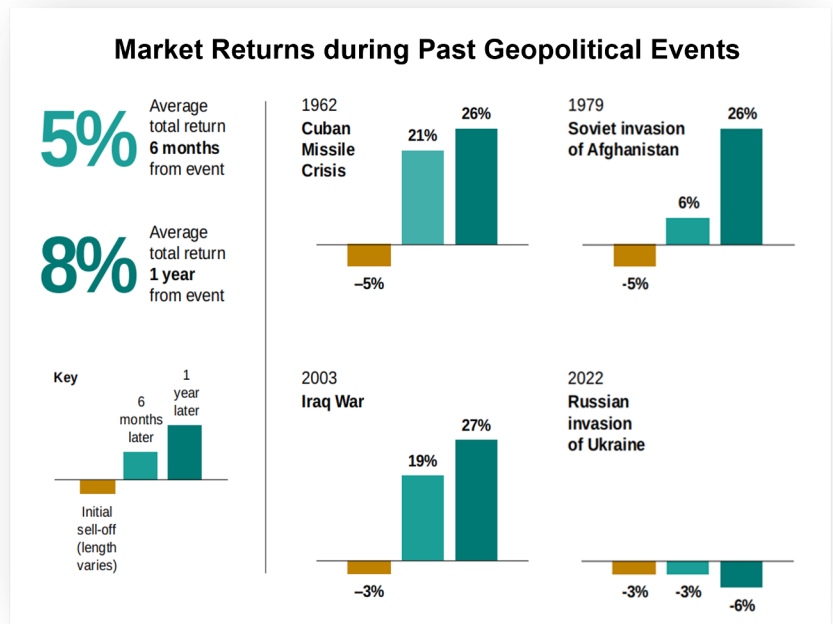
Historically, geopolitical events have not had lasting impacts on markets. Attempting to invest around (or time) these events often leads to poor outcomes. While uncertainty may rise in the short term, the chart to the right illustrates that markets typically react sharp at first, then recover over time.

Domestically economic activity remains healthy and stable. Economic estimates for 2026 are in line with historical trends. Inflation worries are present, but are mainly tied to energy prices and are forecasted to dissipate through the back half of 2026.

Within U.S. equities, technology has pulled back amid concerns that rapid advancements in artificial intelligence could disrupt existing business models. Software companies in particular entered correction territory during the quarter, with declines exceeding 20%.

Category	YTD Total Return
US Stocks	-4.3%
International Stocks	0.2%
Bonds	-0.1%
Diversified 60-40	-2.1%

Source: Morningstar as of 3/31/2026, Total Returns including dividends. US Stocks: S&P 500 Index, International Stocks: MSCI EAFE NR USD, Bonds: Bloomberg U.S. Aggregate Bond Index. Diversified 60/40: 42% S&P 500, 18% MSCI EAFE, 40% Bloomberg US Aggregate Bond. For illustrative purposes only, not indicative of portfolio returns.

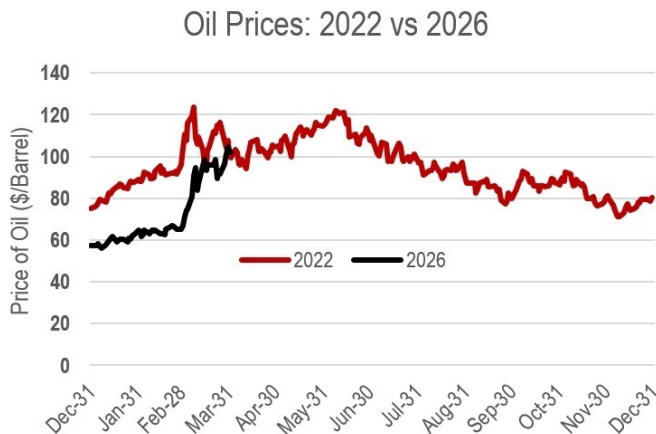


February 28, 2026. Source: Vanguard Returns are based on the Dow Jones Industrial Average through 1963 and the Standard & Poor's 500 Index thereafter. All returns are price returns. Note shown in the above charts, but included in the averages, are returns after the following events: the Suez Crisis (1956), construction of the Berlin Wall (1961), assassination of President Kennedy (1963), authorization of military operations in Vietnam (1964), Israeli-Arab Six-Day War (1967), Israeli-Arab War/oil embargo (1973), Shah of Iran's exile (1979), U.S. invasion of Grenada (1983), U.S. bombing of Libya (1986), First Gulf War (1991), President Clinton impeachment proceedings (1998), Kosovo bombings (1999), September 11 attacks (2001), multilateral intervention in Libya (2011), U.S. anti-ISIS intervention in Syria (2014), and President Trump impeachment proceedings (2019 and 2021). Past performance is not a guarantee of future results.



Iran War

The economic impact from the conflict with Iran has been most visible in energy markets. The price of oil rose sharply from \$67 at the end of February to over \$100/barrel, as tensions disrupted transit through the Strait of Hormuz—a critical shipping passage between Iran, the UAE, and Oman. Roughly 20% of energy supply travels through the Strait of Hormuz, making it one of the most important chokepoints in the world. The Russian invasion of Ukraine in late February of 2022 had similar impacts on energy and commodity prices. So far in 2026, oil prices have stayed below the extremes we saw in 2022. (see chart to the right).



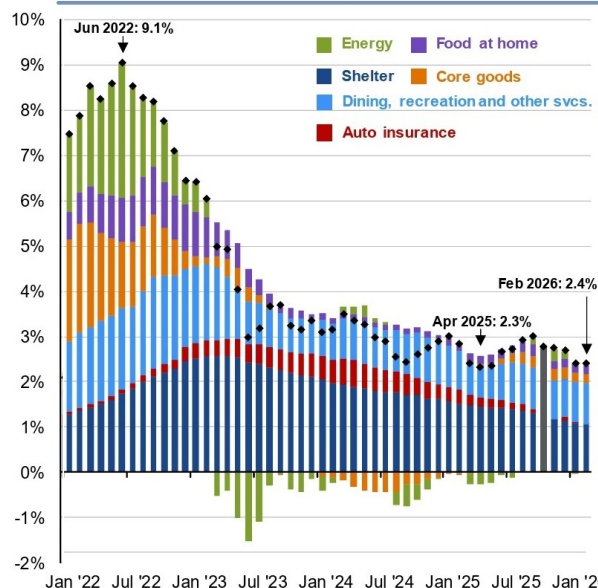
Source: YCharts, WTI Crude Oil Wholesale Spot Petroleum Price. 2026 through 3/31/26.

Renewed Inflation Concerns

Overall CPI (consumer price index) inflation could be pushed to between 3-4% with elevated oil prices. While it will be painful at the pump, overall inflation should remain well below 2022 levels. Housing inventories have doubled since 2022, which has cooled home prices and rent (dark blue bars in chart). Tariffs lead to goods inflation (orange bars), but no where near the COVID related supply chain issues. Another relief is that natural gas prices in the U.S. have actually declined in 2026 compared to rising 87% in the 12 months ending March 2022.

Contributors to Headline CPI Inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted



Source: JPMorgan, BLS - table 7 of the CPI report. Values may not sum to headline CPI figure due to rounding. Shelter includes owners' equivalent rent, rent of primary residence and home insurance. Food at home includes alcoholic beverages. Guide to Markets 3/25/26.

Oil futures markets are pricing in a drop in oil prices back down to around \$75/barrel by fall implying a de-escalation at some point. If that does occur markets and inflation pressures will get a reprieve.

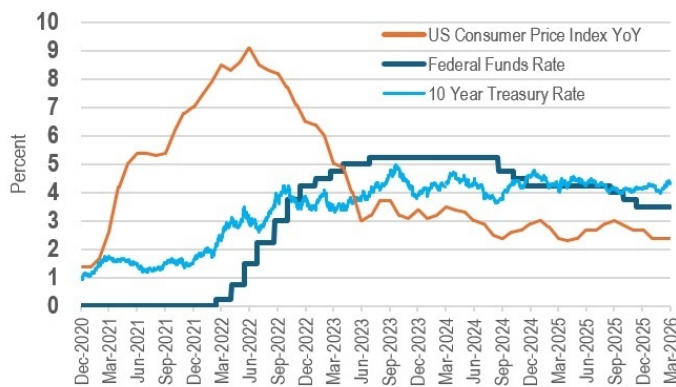
Tariffs & Supreme Court Decision

On February 20th the Supreme Court ruled that the Administration does not have the authority to impose tariffs under the International Emergency Economic Powers Act (IEEPA), effectively ending the tariffs imposed last year. In response, the administration implemented a temporary 10% import surcharge on February 26th that is in effect for 150 days. Many expect more strategic tariffs to follow with declining inflationary pressures through 2026.

Federal Reserve: "Too soon to tell"

Federal Reserve Chairman Jerome Powell mentioned Fed members are monitoring inflation. While they expect temporary pressures from energy prices, ultimately it is "too soon to tell" what the impact will be. The Fed initially expected two rate cuts, but even if we do not see any rate cuts, that is much more tolerable than the jump in the Fed Funds rate from 0% to 4.25% we experienced in 2022.

Interest Rates vs Inflation



Source: Ycharts, Federal Funds Rate represented by lower limit.



US Economic Update

The news likes to sensationalize events, but studying the facts helps reduce the noise. The chart to the right provides the facts and estimates.

Positive economic activity has continued to start 2026. GDP is expected to have grown 1-2% in the first quarter, the labor market is still healthy with unemployment at 4.3%, even with slower labor growth. Inflation and tariff concerns could create bumps along the way but overall the economy continues to be on a good footing and estimates for 2026 remain relatively positive.

AI & the Software Sell Off (AI Adoption becoming AI Disruption)

The chart below shows the Year-to-Date returns by the various asset classes. Value and smaller companies have performed relatively well compared to large companies and specifically larger growth companies. Large tech and software companies have faced some pressure to start the year. Major breakthroughs in AI have economic benefits, but investors question the earnings potential of software companies that could lose pricing power to AI alternatives.

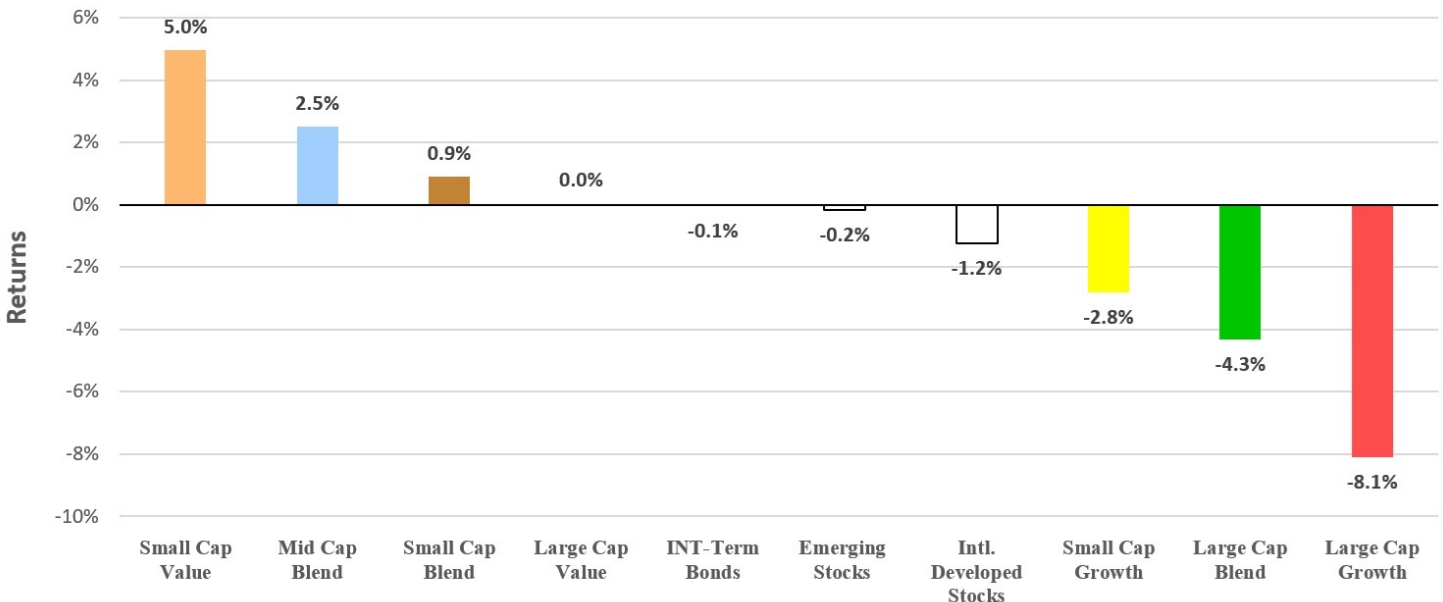
Conclusion

2022 and 2025 had similar starts to the year with an energy shock in 2022 and tariff surprise in 2025. As Charlie Munger (Warren Buffett's late partner) used to say "a man never steps in the same river twice, the man's different and so is the river." In 2022, large growth (red category below) started poorly and ended poorly, only to lead the way in each of the next three years. In 2025 growth rallied from worst to nearly first by year end. We don't know what the future will bring but having a diversified portfolio can help keep your long-term goals as the drivers of your investment decisions and avoid urges to react based on the latest news headlines.

Economic Data	2024	2025	2026 Est.
Tariff Rate	2.3%	15.6%	12%*
GDP Growth	2.8%	2.1%	2.1%
Inflation	2.9%	2.7%	2.9%
Unemployment Rate	4.1%	4.4%	4.5%
Fed Funds Rate	4.3%	3.5%	3.3%
Avg. 30Y Mortgage Rate	6.9%	6.2%	6.4%*

2026 estimates: March 2026 Wall Street Journal Survey of Economists
Tariff Rate: Average effective tariff rate applied to imports into the United States.
GDP Growth: Gross domestic product year over year growth. **Inflation:** Consumer Price Index (CPI) year over year. **Unemployment Rate:** % of unemployed in the workforce. **Federal Funds Rate:** lower limit of the range set by the Federal Reserve. **Avg. 30 Year Mortgage Rate:** an average from the Primary Mortgage Market Survey conducted by Freddie Mac. Source: Ycharts, JPMorgan Guide to the Markets, BLS, BEA. *No Estimate provided, Rate as of 3/31/2026

Year-to-Date Returns as of 03/31/2026



Source: Morningstar. Total returns, include dividends reinvested. International returns are in US dollar terms. Emerging stocks are international representing stock markets from emerging markets countries. Large cap stock returns are based on S&P 500, S&P 500 Growth, S&P 500 Value. See page 4 disclosures for remaining index information.

Spectrum Investor® Update

As of March 31, 2026

Morningstar Category Averages	3 Month	1 Year	3 Year
Intermediate-Core Bond	-0.12%	4.18%	3.69%
Moderate Allocation	-1.75%	11.79%	11.08%
Large Cap Value	1.57%	15.05%	14.14%
Large Cap Blend	-3.99%	15.62%	16.37%
Large Cap Growth	-8.96%	16.17%	18.86%
Mid Cap Value	2.87%	15.37%	12.26%
Mid Cap Blend	0.83%	15.14%	12.13%
Mid Cap Growth	-4.87%	13.51%	10.52%
Small Cap Value	3.70%	19.67%	11.64%
Small Cap Blend	1.48%	19.46%	11.27%
Small Cap Growth	-2.40%	18.06%	9.57%
Foreign Large Cap Blend	0.34%	22.84%	14.20%
Real Estate	2.58%	3.78%	7.34%
Natural Resources	12.05%	50.99%	13.33%

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in Blue = Best, Returns in Red = Worst. Please see Benchmark Disclosures below.

Data as of 3/31/26 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

As of March 31, 2026

DOW: 46,341

NASDAQ: 21,590

S&P 500: 6,528

Barrel of Oil: \$102.86

10 Yr T-Note: 4.30%

Inflation Rate: 2.4% (February, 2026)

Unemployment Rate: 4.3% (March, 2026)

Source: Yahoo Finance, bls.gov, eia.gov



Spectrum Investment Advisors

6329 West Mequon Road Mequon, WI 53092

262-238-4010 | www.spectruminvestor.com

Benchmark Disclosures: Morningstar Category Averages: Morningstar classifies mutual funds into peer groups based on their holdings. The Category Average calculates the average return of mutual funds that fall within the category during the given time period. The following indexes and their definitions provide an approximate description of the type of investments held by mutual funds in each respective Morningstar Category. One cannot invest directly in an index or category average. Index returns do not reflect trading, advisory and other fees and expenses which are incurred in your actual investment accounts and would reduce your returns. Intermediate-Term Bonds: Bloomberg US Agg Bond Index—Measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS. Allocation 50%-70% Equity—These funds invest in both stocks and bonds and maintain a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash. Large Cap Value: S&P 500 Value Index—Measures the performance of value stocks of the S&P 500 index by dividing into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Large Cap Blend: S&P 500 Index—A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Large Cap Growth: S&P 500 Growth Index—Measures the performance of growth stocks drawn from the S&P 500 index by dividing it into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Mid Cap Value/Mid Cap Growth: S&P MidCap 400 Index—A market cap weighted index that covers the complete market cap for the S&P 400 Index. All S&P 400 index stocks are represented in both and/or each Growth and Value index. Mid Cap Blend: S&P MidCap 400 Index—Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. Small Cap Value: Russell 2000 Value Index—Measures the performance of small-cap value segment of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Small Cap Blend: Russell 2000 Index—Measures the performance of the small-cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Foreign Large Cap Blend: MSCI EAFE NR Index—This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-US, developed country indexes. International Developed Stocks: MSCI EAFE NR Index. Emerging Stocks: MSCI Emerging Markets Index—captures large and mid cap representation across 24 Emerging Markets (EM) countries. Small Cap Growth: Russell 2000 Growth Index—Measures the performance of small-cap growth segment of Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. Real Estate: DJ US Select REIT Index—Measures the performance of publicly traded real estate trusts (REITs) and REIT-like securities to serve as proxy for direct real estate investment. Natural Resources: S&P North American Natural Resources Index— Measures the performance of US traded securities classified by the Global Industry Classification Standard (GICS) as energy and materials excluding the chemicals industry and steel but including energy companies, forestry services, producers of pulp and paper and plantations. MSCI ACWI Index - captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Past performance is no guarantee of future results. This report is for informational purposes only and should not be construed as a recommendation or solicitation to buy or sell any security, policy or investment. PE Ratio is the measure of the share price relative to the annual net income earned by the firm per share.