
# Strong Start to Year Upended by Iran War

### Solid Financial Market Performance Falls Victim to Another Exogenous Event: the Iran War

Following a pattern similar to 1Q25's Liberation Day tariffs, in both timing and magnitude, global financial markets rose through Jan and much of February. But the optimism was upended by the surprise attack on Iran on Feb 28th, which immediately drove oil prices and yields dramatically higher, sunk global equities and raised concerns around stagflation.

### Rockingstone Performance

We had a solid 1Q in absolute terms as both ETF and individual stocks drove outperformance versus benchmarks. Risk adjusted performance was even better based on our use of a short position toward quarter end. Equity accounts benefited from more "value" investments, select tech winners (CLS, TSEM) and less non-US exposure.

### Despite the Conflict, Financial Market Damage Appears (for Now) Relatively Contained

Despite risks of global inflation due to disruption of the entire energy supply chain, it appears that both sides are attempting to de-escalate the situation and not target civilian infrastructure. But the longer the conflict lasts, the higher the risk of supply chain shortages, inflation, higher interest rates and lower equity prices.

### Implications for Portfolios

Even with the geopolitical uncertainty, earnings forecasts continue to be revised higher, providing support for equity markets. We closed out a short position and are now close to fully invested. We see opportunities away from the S&P 500 Index, specifically in US mid cap and small cap stocks and select non-US names that were dislocated due to volatility and AI disintermediation concerns.

### S&P500 Forecast & Other Key Indicators

We forecast: EPS (2026: $300), S&P500 (2026 year-end = 6450), GDP (2026: +2.5%), Gold ($4750), Oil ($80), 10-yr US Bond Yield (4.4%), Inflation (3.2%), 5-yr expected CAGR (US Large Cap -2%, US Mid Cap +8%, US Small Cap +9%, Developed +2%, EM +5%).

## ABOUT US

Rockingstone Advisors LLC, a boutique asset management firm founded in 2009, is co-managed by Brandt Sakakeeny and Eric Katzman, CFA.

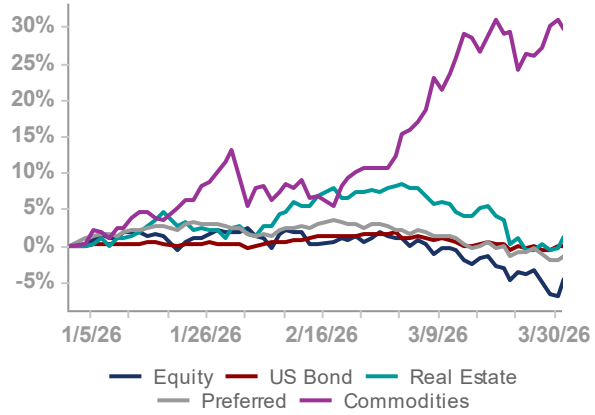
As an SEC-registered investment advisor, we provide multi-asset investment strategies to individuals, families and small institutions through separately managed accounts.

Our investment strategies aim to capitalize on pricing inefficiencies across broad asset classes and individual securities, with a strong emphasis on fundamental research and analysis.

Investors can find more information including regulatory documents at our website:

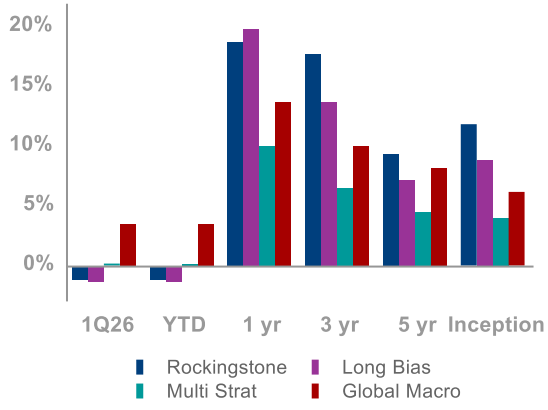
*www.rockingstoneadvisors.com*

Figure 1: 1Q26 Asset Class Performance[i]




*Source: FactSet*

Figure 2: Rockingstone: 1Q26 & Historical Annualized Returns[ii]




*Source: Rockingstone Advisors, Morningstar, Barclay Hedge Indices; Inception = 5/30/2009*



***Please see our End Notes and Disclosures (pages 27-28 of this Investor Quarterly) for important information regarding performance measures. Form ADV available upon request.***

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# The Year Ahead

## How Rockingstone is Positioned for 2026

Our 4Q25 Quarterly Newsletter published in January (and available on our web site, www.rockingstoneadvisors.com), provides detailed annual and historical performance figures for our six major investment strategies. In this Quarterly, we discuss our positioning for the year and some of the primary assumptions that are guiding portfolio sector weights and the composition of individual names within those sectors.

### Key Variables Driving Stock Selection

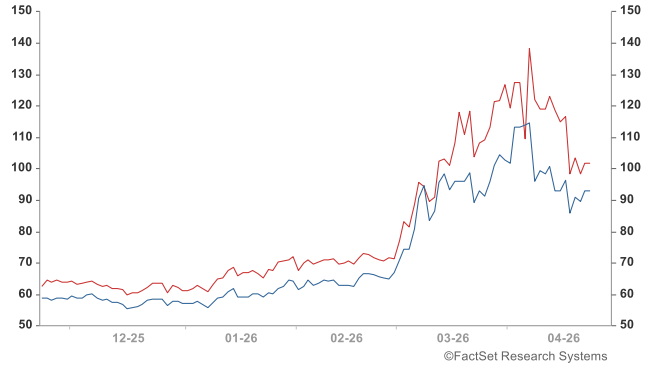
While financial markets are influenced by an almost infinite number of variables, we are focused on three key variables that may determine the performance of financial assets this coming year: (i) geopolitical events; (ii) corporate earnings; and (iii) impact from AI investment.

**Geopolitical**. Obviously, geopolitical forces are currently front and center, although it appears—based on market action—that investor consensus has emerged around some type of negotiated settlement between the US and Iran that will limit further economic damage. While it is too soon to conclude whether the consensus is correct, key indicators, from energy prices to equity values, indicate that neither side wants a protracted conflict that erodes consumer confidence and slows global growth.

The lack of interest in an extended war reflects: (i) the Iranian regime because its viability is threatened by economic distress and military losses, and (ii) the US, because the mid-term elections are just a few months away and "affordability" is a key voter concern, threatening Republican control of the House and possibly even the Senate.

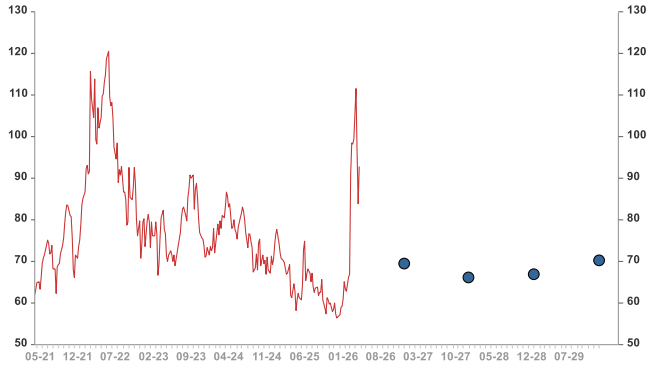
Meanwhile energy prices have declined from their war-influenced peak and are just slightly higher than they were at the beginning of the conflict (Figure 3), as this newsletter gets close to publication. Moreover, consensus estimates for crude oil prices reflect per barrel costs of around $70 by next year and through 2030 (Figure 4).

Figure 3: Energy Prices, Brent (Red) and WTI (Blue)




*Source: FactSet*

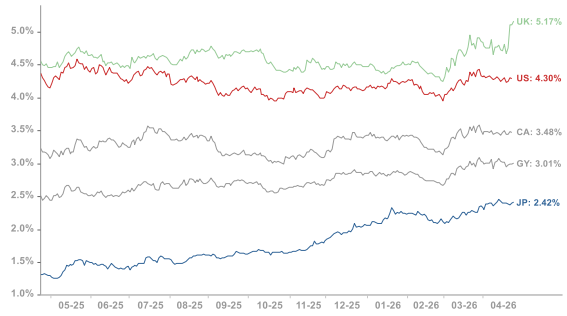
Figure 4: Crude Oil Prices, Consensus Forecast




*Source: FactSet*

Although clearly a fluid situation, recent declines in energy prices have helped to limit the downstream impact on energy-related inputs, such as fertilizer, plastics, pigments, lubricants, pharmaceuticals and clothing. This, in turn, has lessened the fear of inflation, leading to declines in sovereign bond yields (from March highs) and with lower rates, higher multiples for equity markets (See Figures 5 and 6).

Figure 5: Sovereign Bond Yields




*Source: FactSet*

Figure 6: Valuation, S&P 500


*Source: FactSet*

Implications for Portfolio Positioning. In terms of positioning, we believe global markets have currently priced in a relatively benign scenario. While the direct costs of a continued conflict are significant to both sides as well as most of the economies around the globe, we see a little more risk, perhaps, than the market. We believe there is risk around some of the supply chain disruptions that could still occur, the potential for intermediate term stagflation and consumers building in an expectation for higher inflation long term.

For these reasons and relative to client benchmarks, we are overweighting the following: US equities vs. European and Asian securities, floating vs. fixed debt and individual securities with exceptional pricing power and dominant market shares. From a "style" perspective, on the margin over the last eight to nine months, we added more "value" vs. "growth" investments. Importantly we continue to maintain diversified portfolios (i.e. using both ETFs and individual stocks), adhering to our risk management principles.

**Corporate Earnings**. Another important variable influencing stock prices is the trend in corporate earnings. As we have noted in past Quarterly Newsletters, consensus forecasts for the S&P 500 earnings had been declining steadily throughout 2024 and the first half of 2025. Yet as the table below shows, Street estimates for 2025 and 2026 troughed at the end of the second quarter 2025 and have been rising steadily since then.

Figure 7: S&P 500 Earnings Forecast

| Date of Estimate | 2025E | 2026E |
|---|---|---|
| **6/28/24** | $276.29 | |
| **9/30/24** | $274.73 | |
| **12/31/24** | $271.55 | |
| **3/31/25** | $266.39 | $304.89 |
| **6/30/25** | $255.29 | $295.32 |
| **9/30/25** | $257.99 | $303.08 |
| **Current** | $265.41 | $310.24 |

*Source: S&P Global.*

Favorable earnings revisions are an important element of rising stock prices as investors are typically willing to buy stocks despite higher P/E multiples on the assumption that earnings will ultimately be materially better than forecast. As investors may recall, "Liberation Day" resulted in some equity strategists lowering expected 2025 S&P 500 EPS to around $230 or lower!

The dramatic change in tariff policy, subsequently put under scrutiny by the fixed income market and recently struck down by the US Supreme Court, was well handled by most companies. As can be seen in the prior table, EPS in 2025 ended up being $265! Ultimately, we remind investors (and ourselves!) that portfolio holdings comprise a diversified list of companies where there is faith that management teams, regardless of what is thrown at them, will find a way to adjust and deliver on strategies and goals.

Implications for Portfolio Positioning. From a positioning standpoint, we see positive estimate revisions as bullish into the quarter and view a high likelihood of upside surprises to 1Q26 earnings. Indeed, during the early stages of the Iran War, we employed a short position for taxable accounts to lower overall portfolio risk (i.e. beta). We recently covered the short due both to greater likelihood that a negotiated resolution to the fighting is at hand and, importantly, recognition that estimate revisions for corporate profits are headed higher.

In keeping with our risk management rules, investors may have noticed that on select positions such as CLS, CSTM and TSEM, we sold 10-20% of current holdings. Part of this was due to the size of the position (due to strong price performance) as well as valuation multiples. But across both taxable and non-taxable accounts we are close to fully invested at this point. With some of the cash generated by the aforementioned sales, we have been adding to select individual stocks that are witnessing upward revisions to their earnings forecast.

**Artificial Intelligence**. Part of the reason for a higher earnings outlook for the S&P is the massive scale of investment associated with Artificial Intelligence (AI). Indeed, most economists today see minimal capital spending growth that isn't in some way connected to the AI build out! But in terms of AI, historically capital light economic models are transitioning to capital intensive models with massive investment in AI capabilities among leading technology and communication services firms.

Moreover, this AI ecosystem is broad and diversified, with beneficiaries spanning everything from chipmakers to utilities (See Figure 8). Based on the research from Opus 4.7, there are a total of 147 companies with direct roles in the AI industry build-out, of which about two-thirds are currently public. Not surprisingly, in a free market, some of these companies will succeed while others fail and the same is true for parts of the economy where AI acts as a disintermediator.

In a previous Quarterly Newsletter, we cited research from Bloomberg that noted AI related capital spending was about 5% of GDP. Similar levels of spending were reached with the 2008 housing crisis (about 6.5% of GDP) and the 2001 dot-com bubble (about 5% of GDP). No doubt AI companies such as Anthropic and OpenAI are growing at incredible rates. But investors need to be reminded that new technologies, combined with significant debt-financed spending, make for very divergent outcomes among companies' equities.

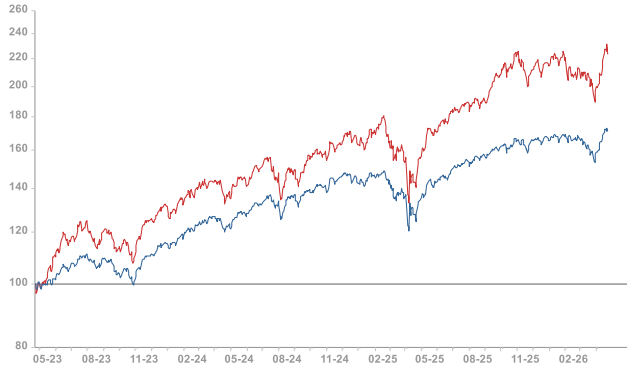
Figure 8: AI Ecosystem

| # | Layer | Role | Key takeaway | # Public | # Hyperscaler | # Private | Total |
|---|---|---|---|---|---|---|---|
| 1 | **Energy Generation** | Electrons. The new binding input for AI. | Nuclear restarts + firm gas PPAs are the 2025-2028 story; SMRs are the 2030+ bet. | 12 | 0 | 0 | 12 |
| 2 | **Grid & Power Equipment** | Transformers, switchgear, turbines, transmission EPC. | BOTTLENECK: large-power transformer lead times now 2-4 years. | 8 | 0 | 0 | 8 |
| 3 | **Data Center Real Estate** | Wholesale, colocation, and AI-native 'factory' developers. | Capacity is pre-leased 18-24 months out; power-adjacent land is the scarce asset. | 4 | 0 | 4 | 8 |
| 4 | **Cooling, Power & Thermal** | UPS, PDUs, busways, liquid cooling, interconnect inside the data hall. | Liquid cooling is now mandatory at 100kW+ racks. | 7 | 0 | 0 | 7 |
| 5 | **Semiconductor Equipment** | Lithography, deposition, etch, metrology. | BOTTLENECK: ASML is single-point-of-failure for EUV; export controls bite here first. | 6 | 0 | 0 | 6 |
| 6 | **Foundries & IDMs** | Who actually prints silicon; advanced packaging. | BOTTLENECK: TSMC CoWoS packaging is the real governor of merchant GPU supply. | 7 | 0 | 0 | 7 |
| 7 | **Memory & Storage** | HBM, DRAM, NAND, HDD. | HBM is often the binding constraint on system-level AI performance. | 6 | 0 | 0 | 6 |
| 8 | **AI Compute & Accelerators** | GPUs, custom ASICs, challenger architectures. | Highest profit pool today; hyperscaler ASICs are structurally compressing merchant margins. | 6 | 4 | 4 | 14 |
| 9 | **Networking & Interconnect** | Switching, optical transceivers, fiber, cabling. | Rising $/GPU allocated to networking as cluster sizes scale. | 8 | 1 | 0 | 9 |
| 10 | **Server OEMs & Integration** | Rack-scale system builders and ODMs. | Thin-margin but high-volume; ODMs winning share from tier-1 OEMs. | 8 | 0 | 0 | 8 |
| 11 | **Cloud & Neoclouds** | Where GPU capacity is rented. Hyperscalers vs. GPU-native specialists. | Capex intensity at all-time highs; neoclouds face refinancing risk on GPU collateral. | 5 | 3 | 4 | 12 |
| 12 | **Foundation Model Labs** | Frontier labs + open-weight ecosystem. | Today: pass-through from cloud capex to product revenue. Distribution > model quality long-term. | 1 | 2 | 8 | 11 |
| 13 | **AI Infrastructure Software** | Data platforms, MLOps, observability, security. | Agent/tool-use era drives new primitives (retrieval, evals, guardrails). | 10 | 1 | 4 | 15 |
| 14 | **AI Applications & Agents** | Horizontal copilots, AI-native apps, vertical AI. | Margin likely migrates here — especially to incumbents with distribution and verticals with data. | 8 | 2 | 5 | 15 |
| 15 | **Training Data & Human Feedback** | Labeling, licensed corpora, RLHF workforce. | Increasingly a legal / contractual choke point (content licensing, rights). | 6 | 0 | 3 | 9 |
| | **TOTAL** | | | **102** | **13** | **32** | **147** |

*Source: Rockingstone Advisors and Opus 4.7.*

Given the massive investment in infrastructure, AI-related stocks have performed exceedingly well with investors already discounting significant ROI. In the chart below (Figure 9) we use as a proxy for AI stocks the Global X AI and Technology ETF (ticker AIQ) and compare its appreciation over the last three years vs. the S&P 500, which itself is pretty tech-heavy given the size of components like Nvidia, Google, Microsoft and others. AI-related equities have clearly trounced the broader markets over a three-year time horizon.

Figure 9: AI Equities (AIQ-Red) vs. S&P 500 (SPY-Blue), 3-Years




*Source: Factset.*

We were fortunate in being relatively early to the AI trade, with long positions in Nvidia, Tower Semi, ASML, Celestica, Hubble, Equitera, and Quanta Services, as we first invested in the semis and then the derivative energy companies. Given the huge run-up in the shares of these companies, we have been selective sellers over the last few quarters.

Investment in AI technologies, while a boon for the beneficiaries, is potentially a bane for legacy companies whose operating models are at risk of rapid disintermediation and disruption. In our view, AI disintermediates wherever the business model is *"charge for routine cognitive work"* or *"sit between a customer and an answer."*

The farther a business sits from that description—toward regulated judgment, embedded workflow, proprietary data, or physical execution—the more defensible it becomes. What follows is our working map of which companies are most exposed, organized by risk tier, with representative public and private names in each category.

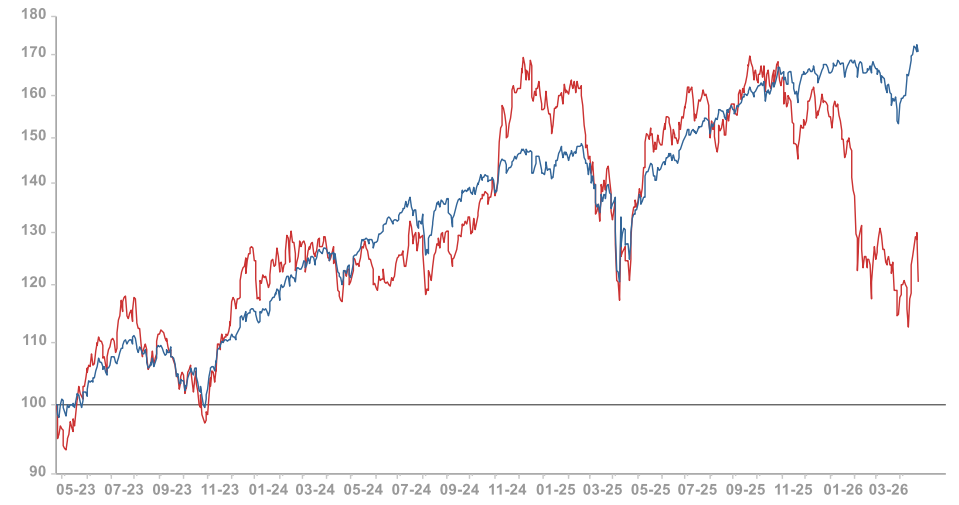
Figure 10: AI Victims

| Tier | Category | Representative Names | Core Thesis |
|---|---|---|---|
| ACUTE | **Search-adjacent content & publishing** | CHGG, PSON.L, WLY, NWSA, ZD, TRIP | Traffic and subscription moats erode as answer engines collapse the reader's path to zero clicks. |
| ACUTE | **BPO / contact centers** | TEP.PA (Teleperformance), CNXC, G (Genpact), TTEC, Conduent | Tier-1 voice and chat is being automated; labor-arbitrage pricing cannot survive 70–90% deflection. |
| ACUTE | **Language services** | Keywords Studios, RWS.L, TransPerfect, LanguageLine | Human-in-the-loop translation and QA collapse to a fraction of revenue as LLMs hit professional quality. |
| HIGH | **Low-end legal / tax / accounting** | LegalZoom, HRB, INTU (TurboTax) | DIY tooling for simple filings and boilerplate documents is the first surface to commoditize. |
| HIGH | **IT services & systems integration** | INFY, CTSH, WIT, IBM, ACN | Code generation and copilots compress time-and-materials economics; pyramids must flatten. |
| HIGH | **Advertising holdcos** | WPP, PUB.PA, OMC, IPG | Creative production and media planning shift to AI tools; clients take more in-house. |
| ELEVATED | **Syndicated market research** | Gartner (IT), FORR, Nielsen | Deliverables are packaged expertise; fast-moving substitutes are emerging from LLMs plus proprietary panels. |
| ELEVATED | **Generalist freelance marketplaces** | UPWK, FVRR | Starter-tier copywriting, design, and coding work gets absorbed by tools before it reaches a marketplace. |
| MIXED | **Defensible data & workflow SaaS** | CRM, NOW, ADBE, WDAY, FDS, SPGI, MCO | Embedded data, distribution, and compliance moats make AI a feature tailwind, not a threat. |

*Source: Rockingstone Advisors and Opus 4.7.*

Investors have generally approached these AI-victim securities with a "shoot first, ask questions later" mentality, choosing to sell any names with a hint of "dis" risk, leading to large losses among these stocks. The chart below shows the relative performance of software and services stocks (XSW) against the S&P 500. This type of dislocation creates opportunities, in our view.

Figure 11: Software & Services (XSW-Red) vs. S&P 500 (SPY-Blue), 3-Years




*Source: Factset.*

Implications for Portfolio Positioning. As noted above, we invested relatively early in companies with direct and indirect ties that would benefit from the AI build out. Based on our risk management principles, we have had to trim most of those positions over the last 6-9 months as the individual weightings approached 5%+. With the proceeds from those sales, we invested in more "value" oriented equities including VTV, EFV, OMC and TEVA. Fortunately, the move to "value" names worked well.

Yet given the significant sell off in company stocks that are viewed as vulnerable to AI, we see some opportunities, particularly in software and the services sector. We emphasize all these moves are "on the margin" in terms of portfolio construction. Regarding the software and services sector broadly and individual securities specifically, we are screening for high quality companies that have been sold off to levels unjustified by their fundamentals.

We are still making final decisions but a new software name like NAVN, adding to existing positions such as SPGI, payment processors including V or MA and even BDCs (which have declined on concerns over software related loans) appear intriguing. Suffice to say as equity volatility increases around AI winners and losers, we believe our portfolio management approach of having both passive and active investments continues to make sense and should generate alpha (i.e. positive risk adjusted returns) over the long term.

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# Forecast: 2026

## Rockingstone Advisors: Our Latest Forecasts

We attempt to lay out our view of select economic indicators for 2026. These data help us frame our investment decisions from sector and geographic weightings vs. the appropriate client benchmark as well as which individual equities fill out a portfolio.

Figure 12: Key Metric Forecast

| | Year End December | |
|---|---|---|
| Metric | Band | Point |
| US Real GDP (2026) | +2.2% to +2.7% | 2.5% |
| S&P 500 2026 EPS (RSA/Street) | NA | $300 / $310 |
| S&P 500 2026 Index | 6400 - 6750 | 6450 |
| 10-Yr US Treasury Yield | 4.3% - 4.5% | 4.4% |
| Oil (WTI-2026 End) | $75 - $100 | $80 |
| Gold (2026 End) | $4,500 - $5,000 | $4,750 |
| Inflation (PCE - NTM) | +3.0% to +3.5% | 3.2% |

*Source: Rockingstone Advisors, The Economist, Standard and Poor's, NYSE Arca, St. Louis Federal Reserve*

A few observations and comments:

1. S&P 500 2026 EPS & Index. Corporate "operating" EPS in 2025 were $265.14. This ended up being well above expectations given "Liberation Day's" impact on consensus in early April 2025. Regardless, consensus expectations are now for close to 17% YoY EPS growth in 2026 to $310. We are a bit more cautious on growth expectations as evidenced by our 13% growth forecast. A combination of ongoing consumer spending, AI related investments and government stimulus bode well for top line growth. How management teams navigate higher energy costs, continued tariff volatility and supply chain disruptions remain to be seen. As this Quarterly is set to be published, the $310 in S&P 500 operating earnings implies a consensus P/E of 23.1x. While one could argue that mid-teens EPS growth supports an above average multiple, we worry the combination of profit margin and valuation pressure result in investors assigning a lower P/E and thus reduced index value by year end.

2. Inflation. One major concern for markets, policy makers and Central Banks around the globe is inflation and consumer expectations for it over the long term. Before the pandemic, inflation was minimal and there were fears in major economies, such as Japan, that deflation was the greater of the two risks. How quickly things change! Post pandemic the combination of global fiscal stimulus, disrupted supply chains, on-shoring, numerous wars (Ukraine and now Iran), and aging demographics have all led to persistent inflation that, at least in the US, has kept the inflation rate above the preferred 2% level. Compared to our last forecast, we have raised our expectations for PCE to be above 3%. While a quick resolution to the Iran War could lower energy prices and temper fears of long term consumer expectations, the US Federal Reserve (and its new Chair) will need to weigh over stimulating the economy and inflation with a rate cuts vs. Presidential pressure to cut the discount rate.

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# Five Year Asset Value Forecast[iii]

## US Large-cap Returns Look Unattractive vs. Other Parts of the Market

We continue to believe that over the long run asset values mean-revert (with respect to operating margins and P/E multiples). Our analysis for equities uses four variables, including (i) historical sales growth, (ii) corporate profit margins, (iii) dividend yields and (iv) valuation to determine potential long-term returns. Using valuation as an example, P/E multiples should theoretically decline (if currently above the historical mean) or expand (if currently below the historical mean) over the long term.

Based on our outlook for total returns, we expect the "give" of sales growth and dividends to be partly offset by the "take" of mean-reverting margins and changes in valuation multiple. Yet it is worth noting that after a decade of growth, led mostly by US large cap tech companies, the thesis of mean reversion is being put to the test, as such companies have incredibly strong competitive moats, historically high returns on invested capital and massive addressable markets.

The current capital spending wave on AI related business by the same US large cap tech companies, however, could end up moderating margins. The risk of this development occurring is partly reflected in the significant valuation decrease (-4.9%) component to total return for the S&P 500.

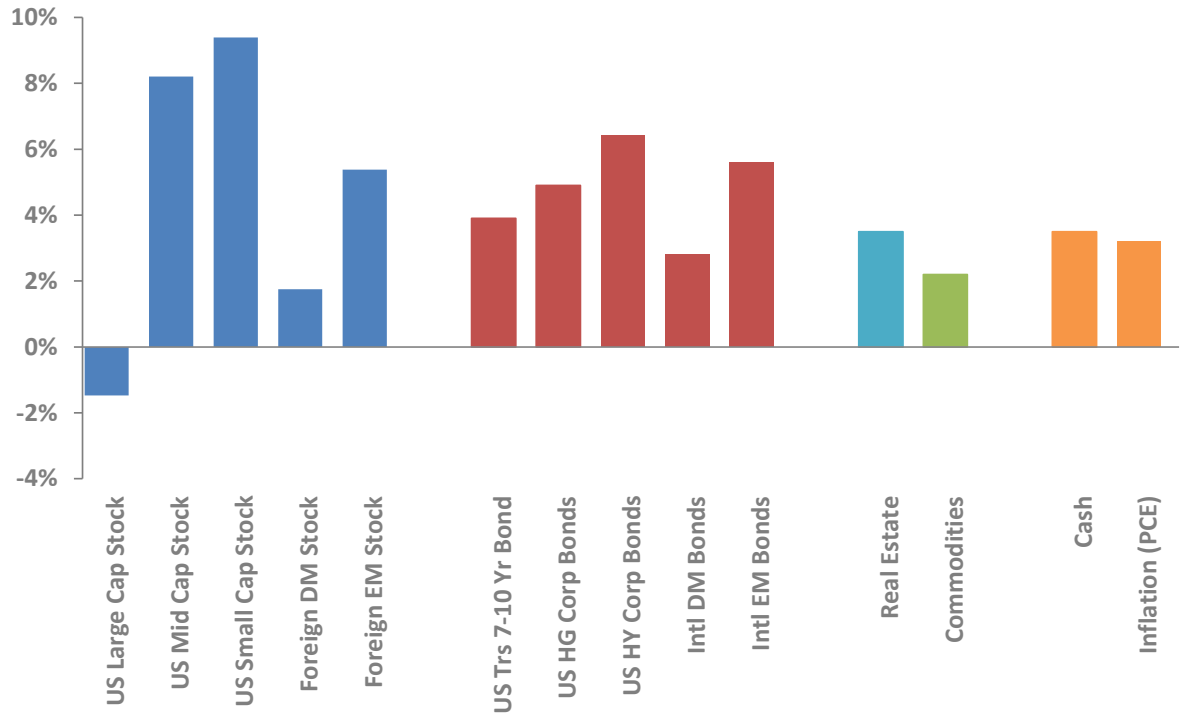
Figure 13: Five-Year Total Equity Return Calculations (Incremental Contribution)

| Asset | Index | LT Exp. Return | | Sales | | Profit Margin | | Div.Yield | | Valuation |
|---|---|---|---|---|---|---|---|---|---|---|
| US Large Cap Stock | S&P500 | -1.5% | = | 5.0% | - | 2.9% | + | 1.4% | - | 4.9% |
| US S&P Equal Weight | RSP | 5.4% | = | 4.1% | - | 1.0% | + | 2.3% | - | 0.0% |
| US Mid Cap Stock | S&P400 | 8.2% | = | 5.9% | - | 0.4% | + | 2.1% | + | 0.6% |
| US Small Cap Stock | S&P600 | 9.4% | = | 5.8% | + | 0.7% | + | 2.8% | + | 0.1% |
| Foreign DM Stock | MSCI-EAFE | 1.8% | = | 1.9% | - | 3.4% | + | 3.1% | + | 0.2% |
| Foreign EM Stock | MSCI-EM | 5.4% | = | 5.9% | - | 2.6% | + | 2.6% | - | 0.5% |

*Source: Rockingstone Advisors*

In fixed income (see the next page for various assumptions), we are assuming the yield curve and current rates move up slightly from current levels. Thus, we expect the total return to be somewhat less than existing yields would imply, as prices for fixed income instruments move in the opposite direction vs yields. Despite the world being awash in government debt and two major wars occurring, long term yields haven't moved significantly higher.

Figure 14: Five-Year Asset Class Total Return Forecast




*Source: Rockingstone Advisors*

# Equity Performance

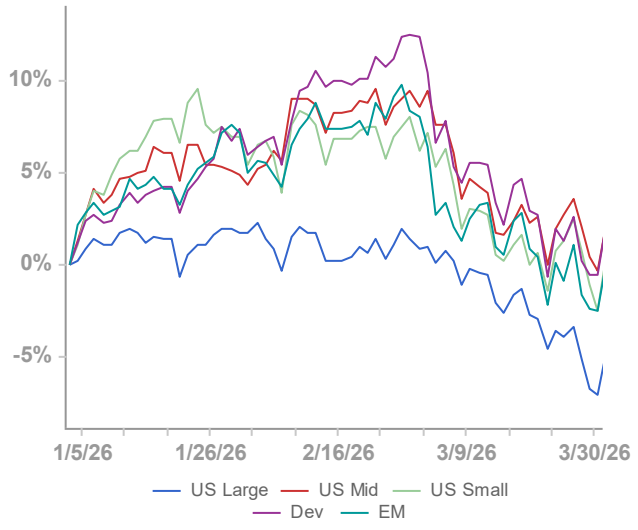
## A Tale of Two Tapes

First-quarter 2026 unfolded in two acts. Global equities rallied broadly through mid-February, with all five tracked indices near +10% at the peak. On February 28, the US and Israel launched a coordinated attack on Iran, leading to a major reversal in equity markets. By the quarter end, stocks were generally back to where they began the year: non-US developed markets held roughly +5%, emerging markets and US large-caps eked out modest gains, and US mid- and small-caps finished negative — small-caps worst, near -5%. The dispersion is consistent with themes we have flagged: dollar weakness, renewed interest in value, and mean reversion from years of US large-cap dominance, all of which continue to favor international exposure.

The trailing-twelve-month chart tells a fuller story. Starting from the "Liberation Day" tariff shock of early April 2025 — the immediate -10% drawdown is clearly visible — markets recovered through year-end, rallied sharply into February 2026, and then retreated in March after the start of the Iran War. Despite the late-quarter pullback, twelve-month returns remain robust: non-US developed markets lead near +30%, emerging markets follow in the mid-20s, US large-caps sit in the high teens, and mid- and small-caps trail in the low-to-mid teens. The 1Q26 reversal trims — but does not erase — a year of broad-based equity gains. In short: solid twelve-month returns, an uneven quarter, and a widening divide between US and non-US equity performance.

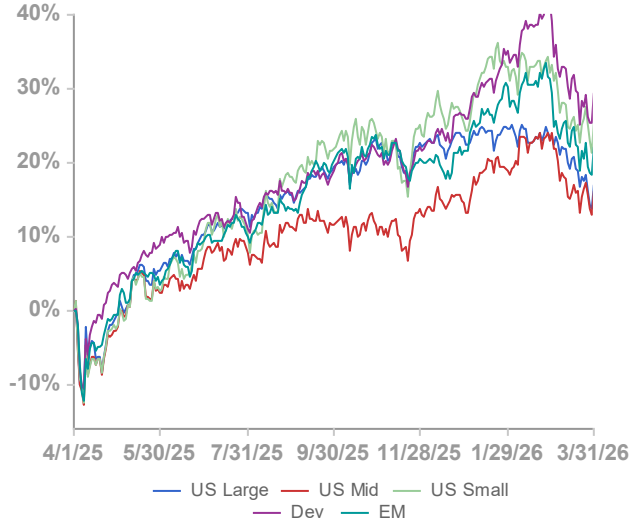
We note the following performance regarding 1Q26 and 12M26, respectively, results: US large-cap (-4.3% and +17.3%), US mid-cap (-0.7% and +12.4%), US small-cap (+0.9% and +25.6%), Developed (+2.8% and +29.3%), Emerging (+0.5% and +22.2%).

Figure 15: 1Q26 Equity Performance [iv]




*Source: FactSet*

Figure 16: 12M26 Equity Performance




*Source: FactSet*

# Fixed Income Performance

## Sovereigns Hold Up; Spread Products Decline

Fixed income returns followed a similar pattern to equity returns: a broad rally into late February followed by a rapid risk-off reversal triggered by the February 28 US/Israel strike on Iran. At the February peak, most segments were up between +2% to +4%. By March 31, gains had largely been given back. US Government bonds finished roughly flat, HG corporates, Intl corporates, and EM debt clustered in modestly negative territory, and US high-yield finished worst, declining near 2% — a reminder that spread product remains sensitive to risk-off drawdowns even when the underlying rate move is benign.

The trailing-twelve-month chart tells a more constructive story. Despite the 1Q26 pullback, emerging market debt leads at roughly +15%, with International and High Yield corporates in the high-single-digits to low teens. High Grade corporates sit in the mid-single-digits and US Governments trail in the low-single-digits. The common shape — Liberation Day dip, steady recovery, February peak, post-strike retrace — mirrors what we saw in equities and points to a broad risk reset rather than a segment-specific story. We continue to favor short-duration positioning and watch spread levels closely, particularly in lower-quality credit.

We focus on the following performance numbers for 1Q26 and 12M26, respectively: US High Grades (-0.4% and +4.5%), US Governments (-0.1% and +3.6%), US High Yield (-0.4% and +6.9%), Intl Developed (-0.1% and +2.5%), Emerging Markets (-1.6% and +8.7%).

Figure 17: 1Q26 Fixed Income Performance[v]


*Source: FactSet*

Figure 18: 12M26 Fixed Income Performance


*Source: FactSet*

# Commodity Performance

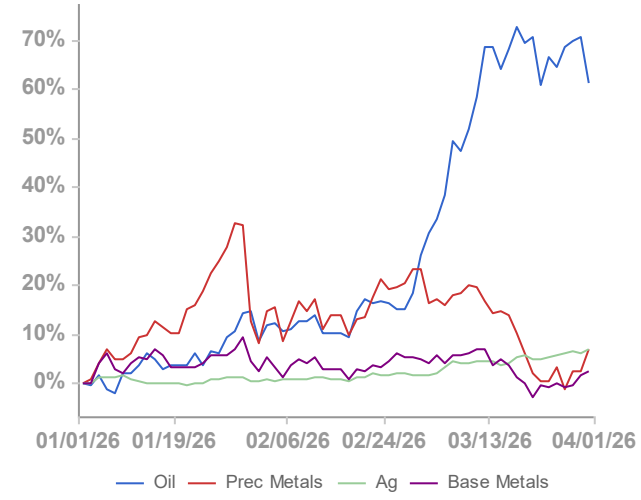
## Oil Has its Moment

Commodities were the wildcard of 1Q26 — and the wildness ran overwhelmingly in one direction: oil. After trading rangebound through most of the quarter, crude prices went vertical following the US/Israel strike on Iran on February 28, surging to finish 1Q26 up roughly +60-70%. That Q1 move alone drove the trailing twelve months to near +80-90%. The market re-priced not a hypothetical but a real supply-disruption risk — Persian Gulf transit threats, tanker insurance rates, and the prospect of a protracted conflict all pushed higher together.

The other commodity complexes were comparatively muted. Precious metals — the star of 2025 — rallied through January and early February on continued debasement-bid flows before fading into quarter-end as risk premium rotated into oil. Gold and silver finished 1Q26 up roughly +15-20%, still leaving them up meaningfully on the trailing twelve months given last year's gains. Base metals drifted higher, finishing 1Q26 in low-single-digits and the 12-month view near +20-25%. Agriculture was flat on both timeframes. With oil now far extended, and with our direct energy and precious-metals exposure both modest — something we have consistently acknowledged as an oversight — we are cautious about chasing the oil move here. We remain constructive on base metals, where the setup looks more attractive on fundamentals.

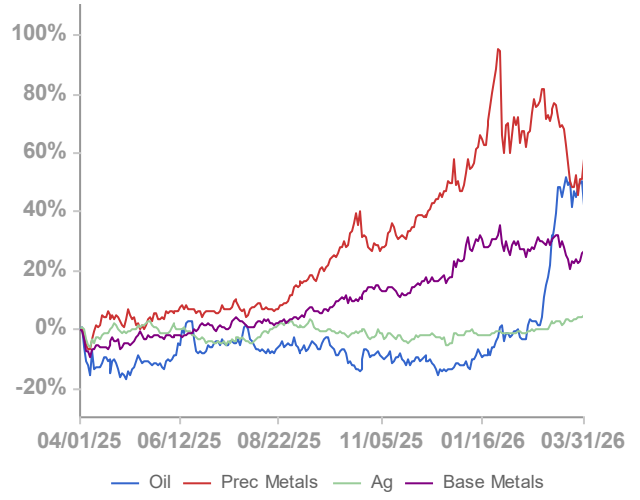
We typically invest in commodities via ETFs and the graphs below display what we view as representative performance for the underlying commodities. We highlight the following returns during the 1Q26 and 12M26, respectively: Oil (+61.2% and +40.3%), Precious Metals (+7.0% and +57.8%), Agriculture (+7.0% and +4.8%), Base Metals (+2.4% and +26.5%).

Figure 19: 1Q26 Commodity Performance[vi]




Source: FactSet

Figure 20: 12M26 Commodity Performance




Source: FactSet

# Digital Asset Performance

## Profit Taking in Digital Assets

Digital assets suffered sharply in 1Q26 after an extraordinary 2025. Both Bitcoin and Ethereum started the quarter with a bid, rising to +10% in mid-January before collapsing in early February — notably ahead of the US/Israel strike on Iran on February 28, suggesting crypto's initial drawdown was driven by deleveraging rather than geopolitics alone. The subsequent risk-off environment deepened the weakness and kept a persistent bid under precious metals at crypto's expense. Ethereum bore the brunt, bottoming below -35% in mid-February and ending the quarter near -30%. Bitcoin held up comparatively better, finishing around -22%.

The twelve-month view reveals just how dramatic the round trip was. Ethereum peaked near +150% in early autumn 2025 on enthusiasm around tokenization, staking flows, and institutional adoption — only to surrender nearly all of those gains, finishing the trailing year roughly flat. Bitcoin's narrower range reflects its lower beta and institutional positioning: it peaked near +45% in mid-2025 before fading to a trailing-twelve-month return of roughly -20%. We maintain our view that digital assets warrant a modest 1-2% allocation for most investors — as an uncorrelated holding, not a cash-flow substitute — and the 1Q26 action reinforces the "position sizing matters more than entry timing" discipline we apply to the asset class.

We note the following performance regarding 1Q26 and 12M26, respectively, results: Bitcoin (-25.7% and -31.6%) and Ethereum (-6.6% and -11.4%).

Figure 21: 1Q26 Digital Asset Performance [vii]


*Source: FactSet*

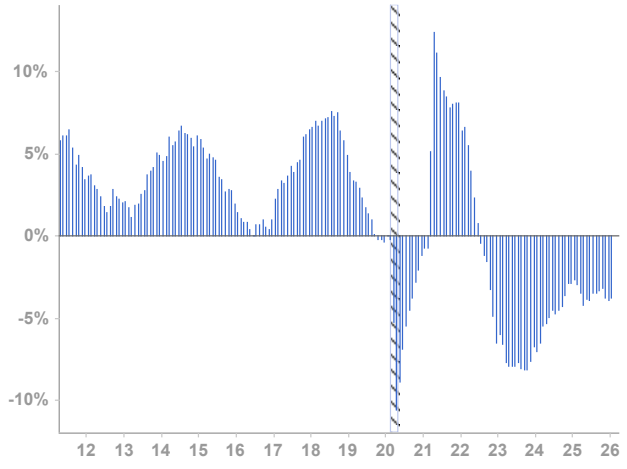
Figure 22: 12M26 Digital Asset Performance


*Source: FactSet*

# Chart Book

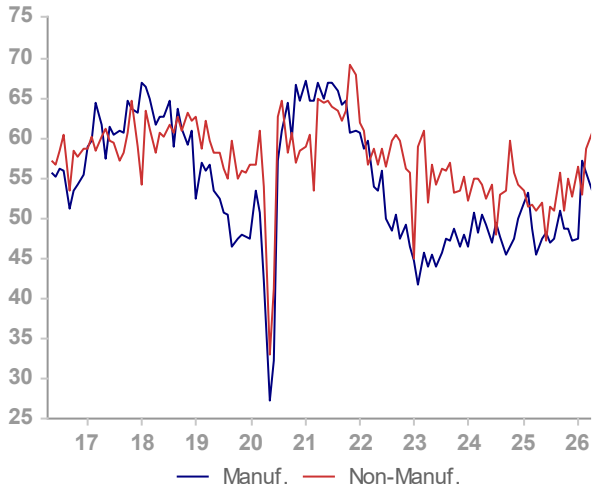
## Leading Indicators

Figure 23: Index of Leading Economic Indicators



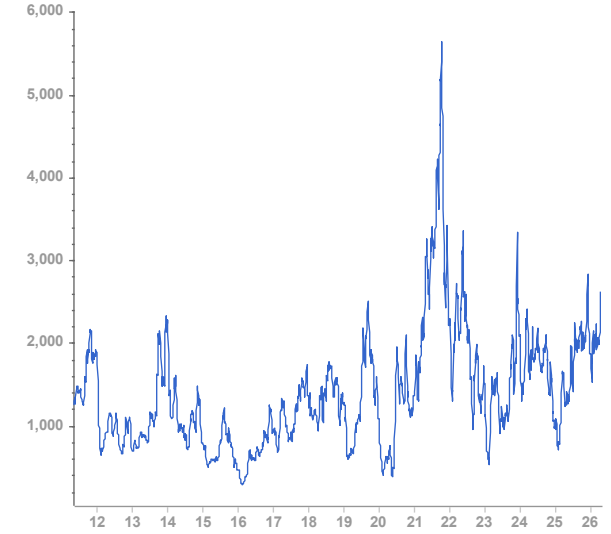

*Source: FactSet*

Figure 24: ISM New Orders



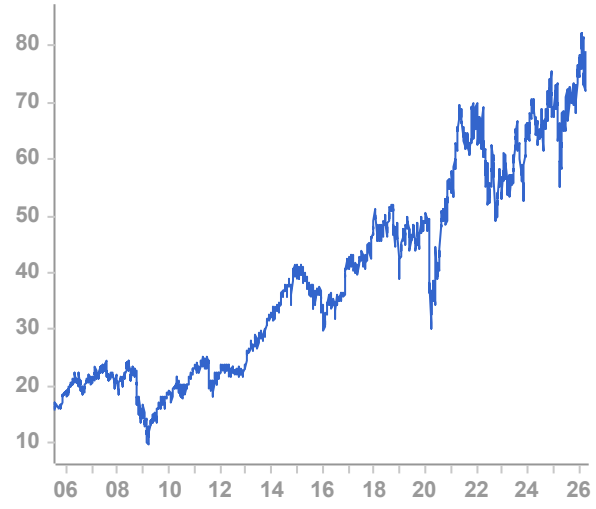

*Source: St. Louis Federal Reserve, FRED Database*

Figure 25: Baltic Freight Index




*Source: FactSet*

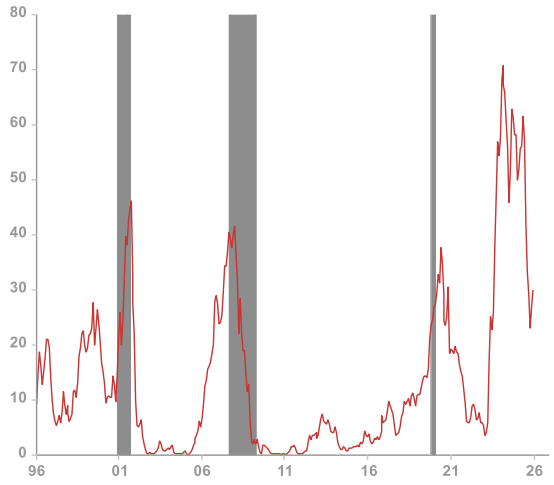
Figure 26: DJ Transports




*Source: FactSet*

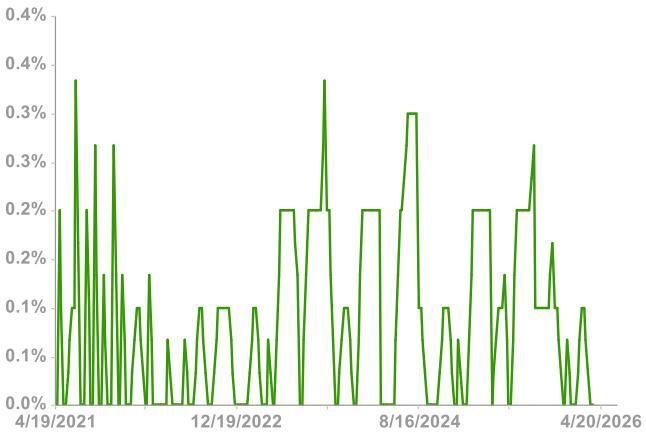
## Real-time Recession Risk Indicators

Figure 27: Treasury Spread Recession Predictor



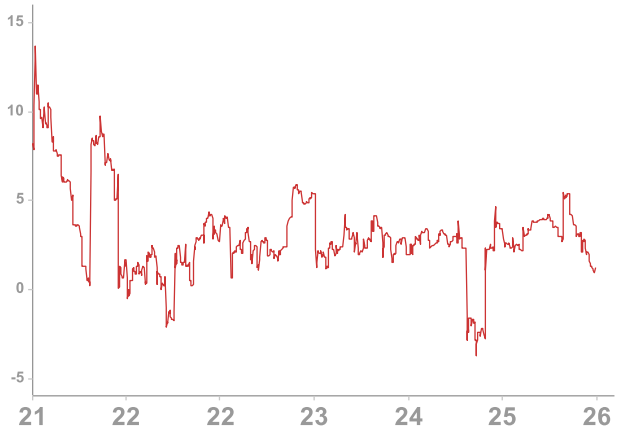

*Source: FactSet, FRED Database*

Figure 28: Sahm Real-time Recession Predictor



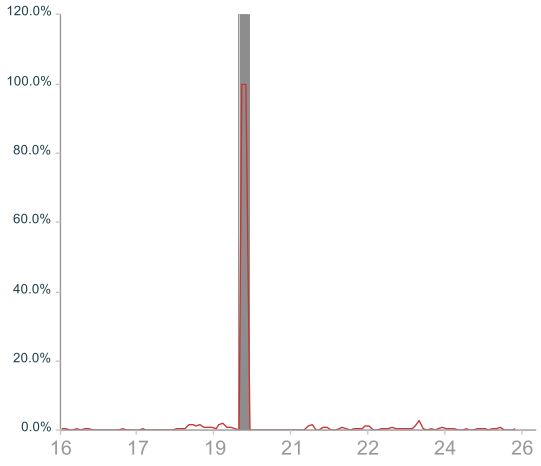

*Source: St. Louis Federal Reserve, FRED Database*

Figure 29: GDP Now (Atlanta Fed)




*Source: FactSet; FRED Database*

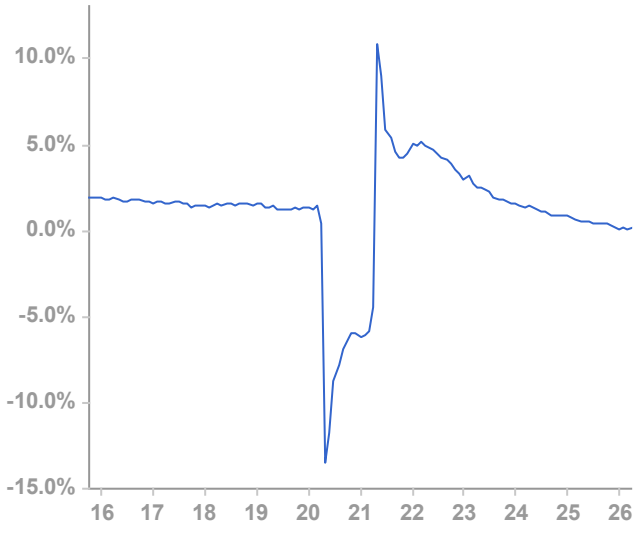
Figure 30: Smoothed US Recession Probabilities




*Source: FactSet; FRED Database*

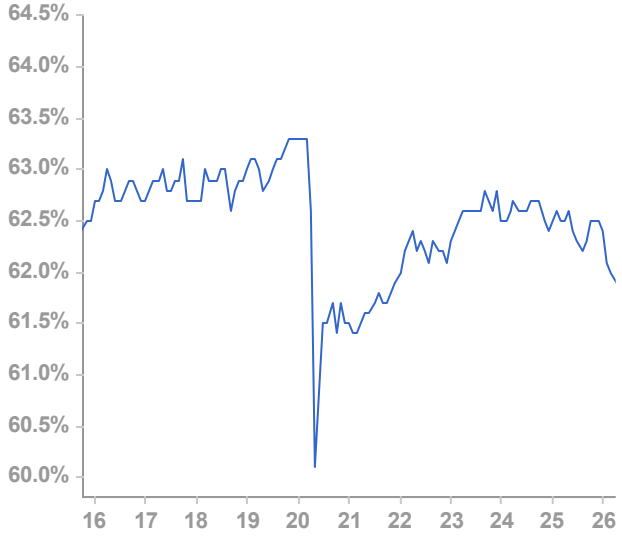
## Labor Market Indicators

Figure 31: Payroll Growth (Establishment Survey, % Chg YoY)



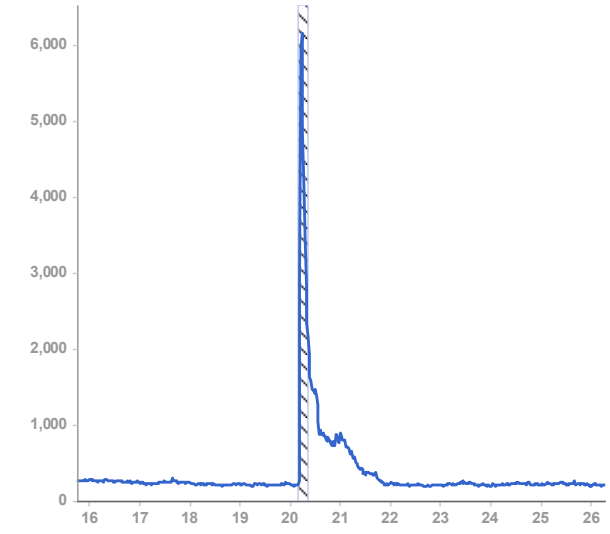

Source: FactSet

Figure 32: Labor Participation Rate (% of Workforce)



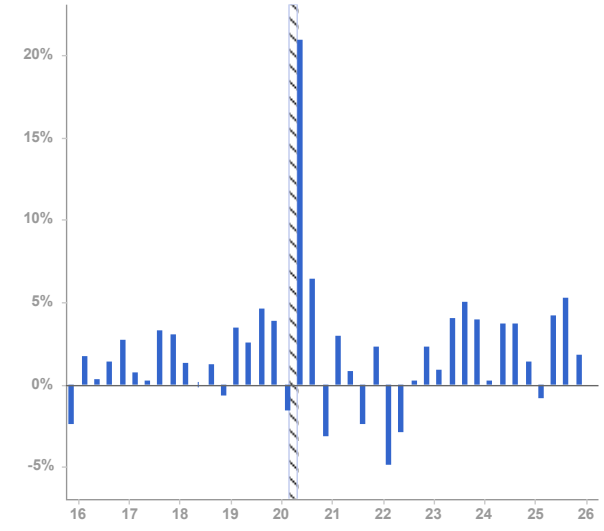

Source: FactSet

Figure 33: Initial Unemployment Claims




Source: FactSet

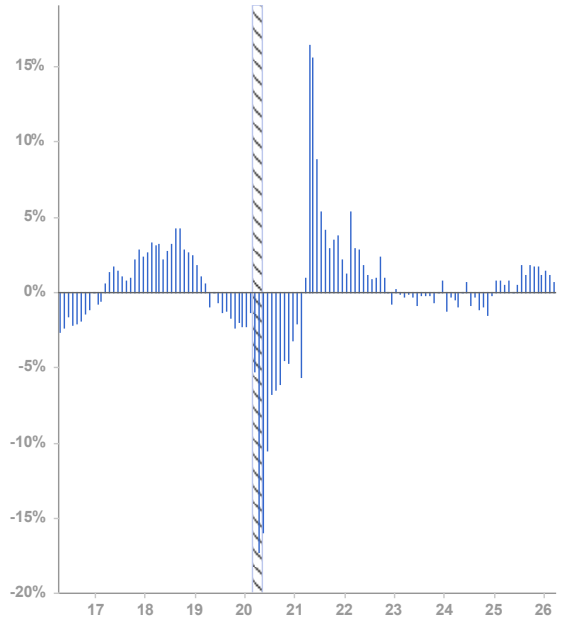
Figure 34: Non-Farm Productivity (% Chg YoY)




Source: FactSet

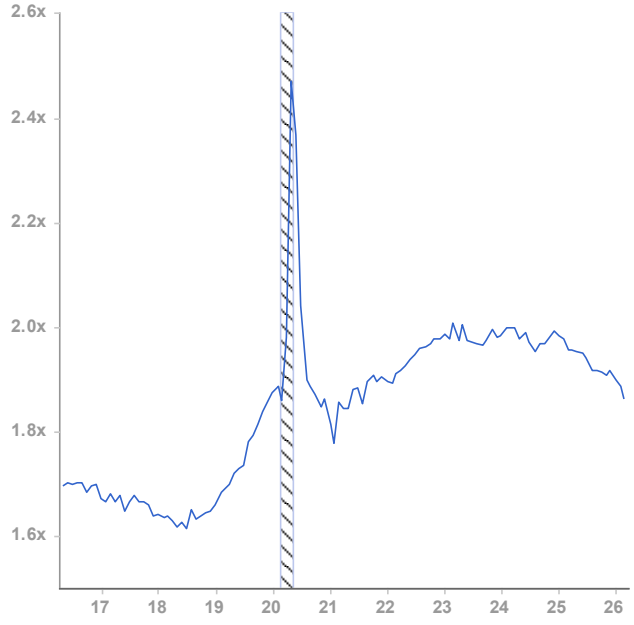
## Production and Business Activity Indicators

Figure 35: Industrial Production (% Chg YoY)



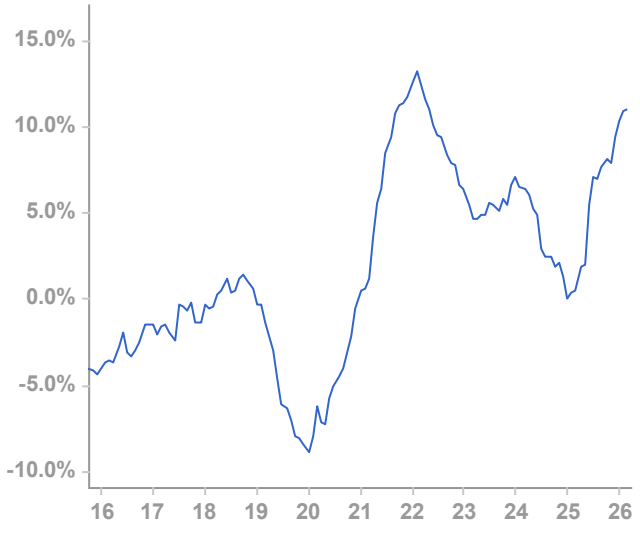

Source: FactSet

Figure 36: US Inventory to Shipment Ratio



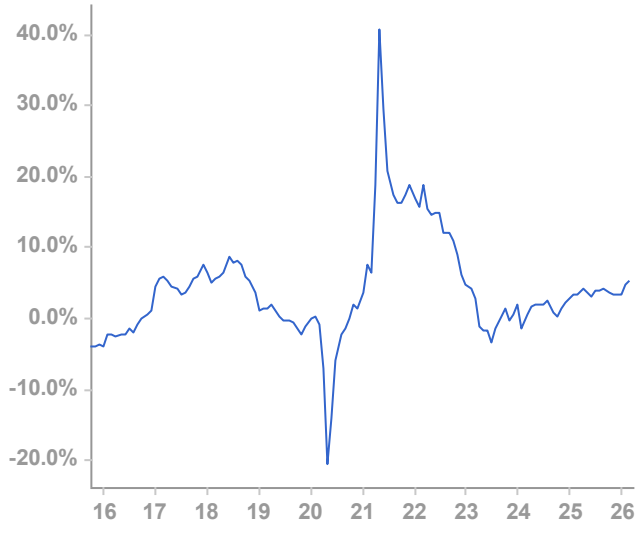

Source: FactSet

Figure 37: Unfilled Orders (% Chg. YoY)




Source: FactSet

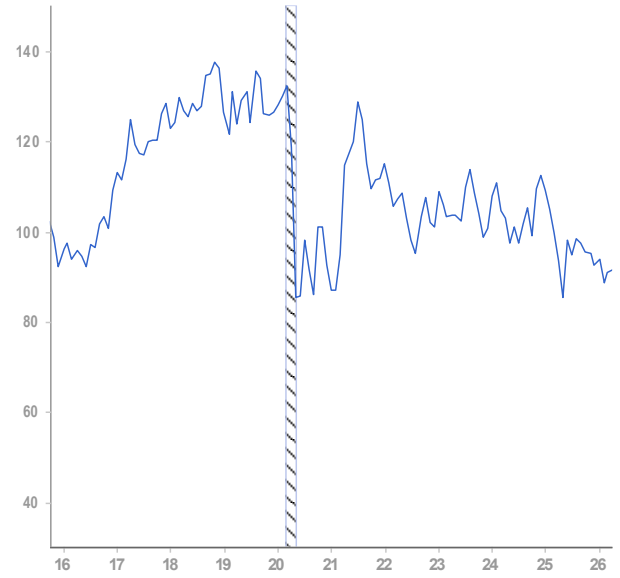
Figure 38: Business Sales (% Chg. YoY)




Source: FactSet

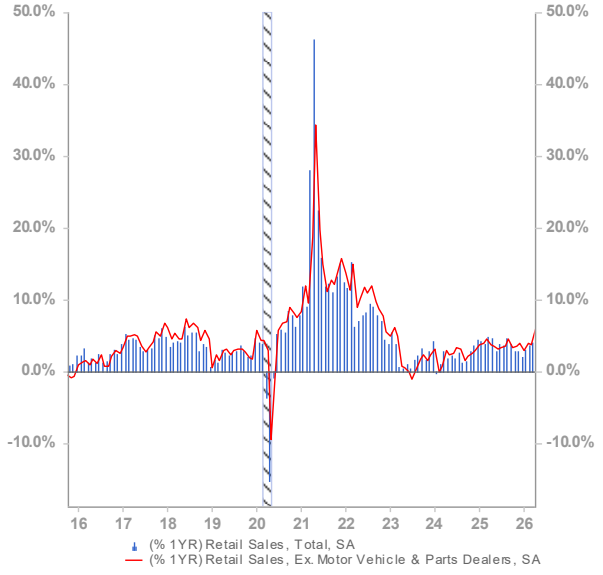
## Consumer and Household Activity Indicators

Figure 39: University of Michigan Consumer Sentiment



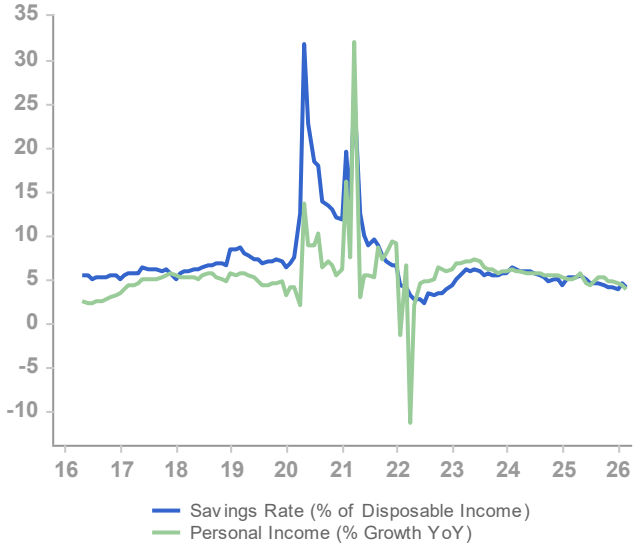

Source: FactSet

Figure 40: Retail Sales



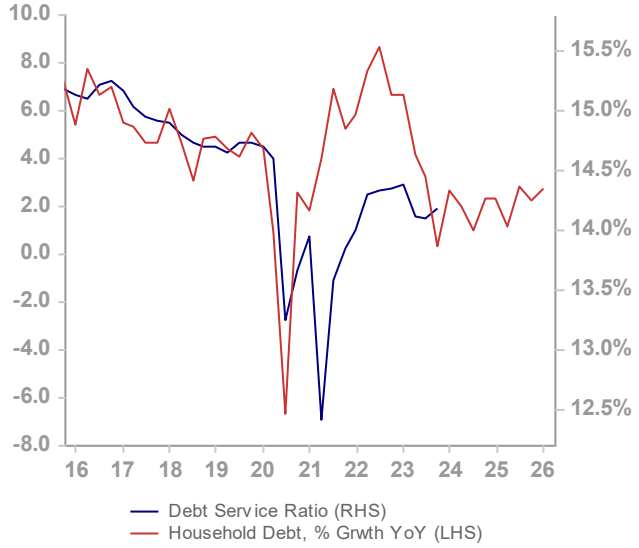

Source: FactSet

Figure 41: Personal Income and Savings Rate




Source: FactSet

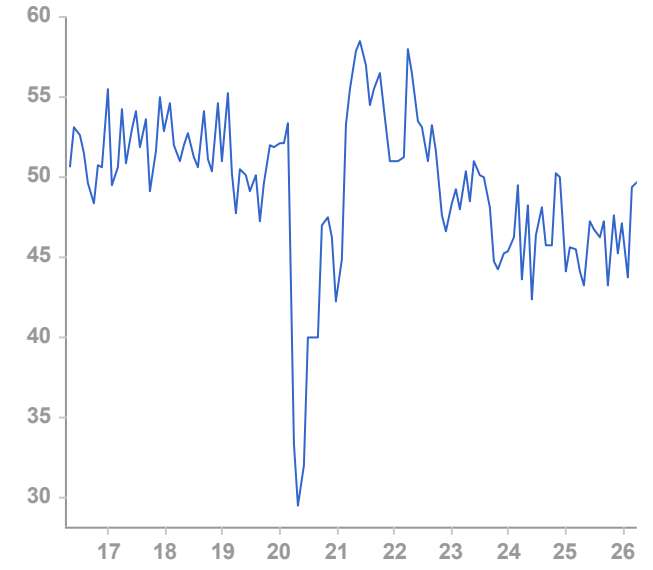
Figure 42: Household Debt




Source: FactSet

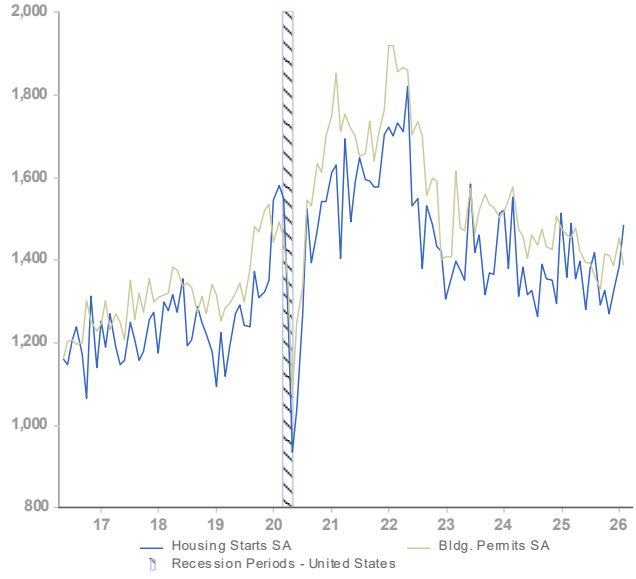
## Housing and Construction Indicators

Figure 43: Architecture Billings Index



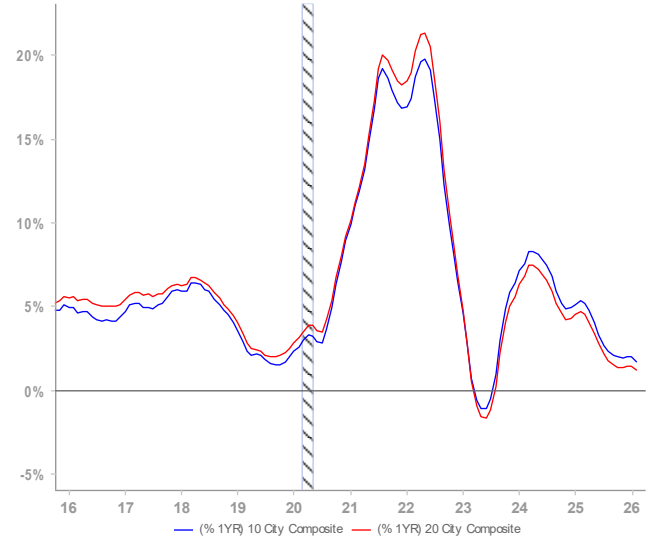

Source: FactSet

Figure 44: Housing Starts and Building Permits



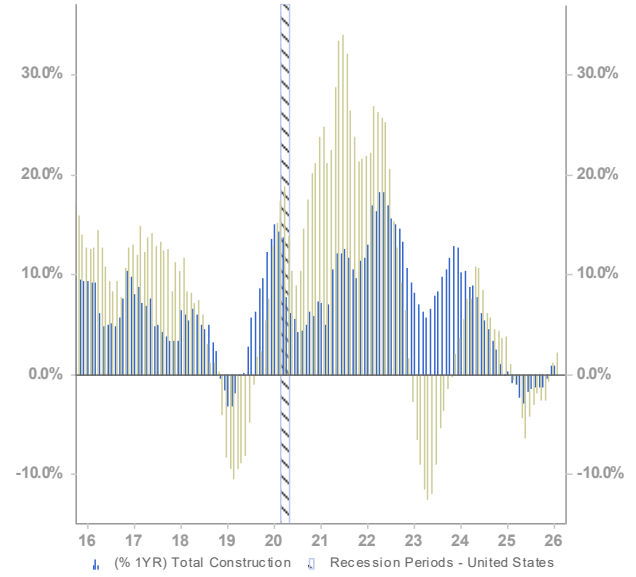

Source: FactSet

Figure 45: Case-Shiller 20-City & 10-City Index, % Chg YoY




Source: FactSet

Figure 46: Private and Total Construction (% Chg YoY)



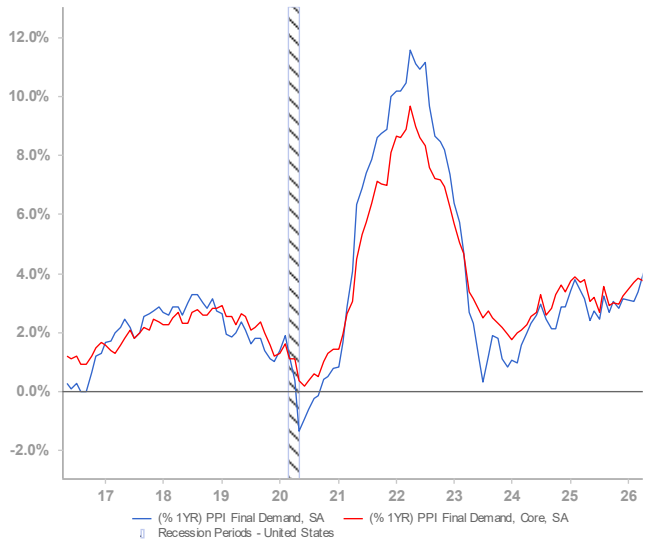

Source: FactSet

## Price Indicators

Figure 47: Consumer Price Index

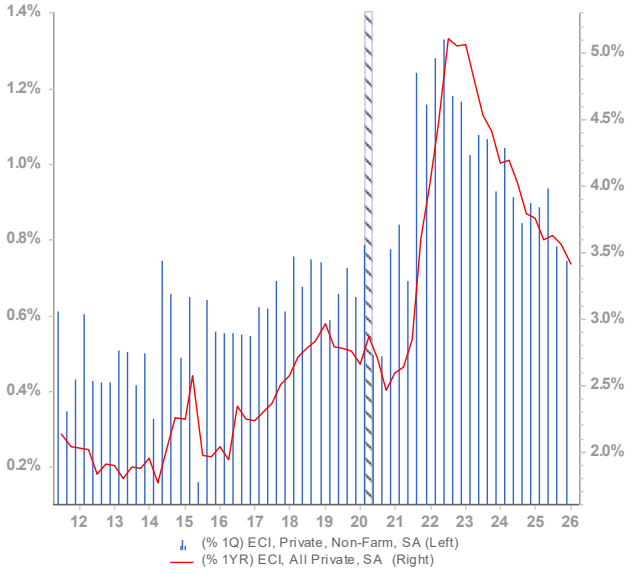

Source: FactSet

Figure 48: Producer Price Index



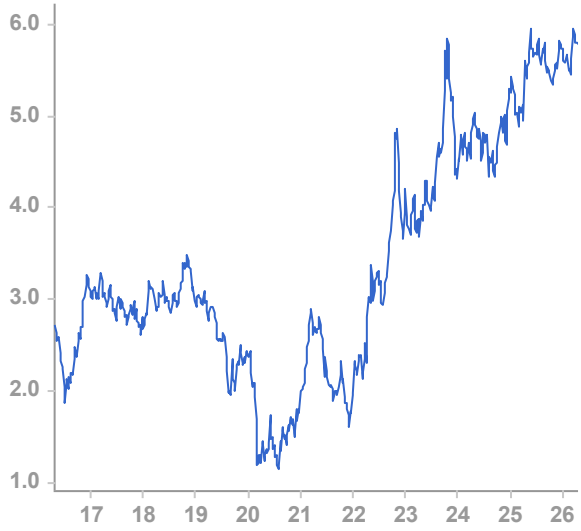

Source: FactSet

Figure 49: Employment Cost Index




Source: FactSet

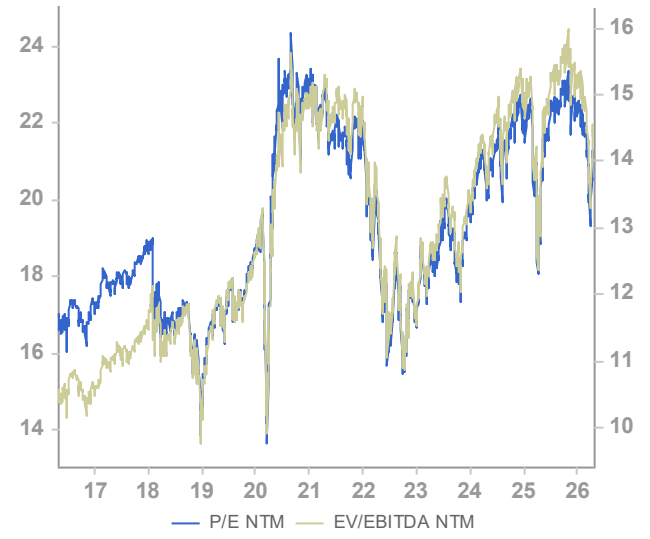
Figure 50: 10-Year, 5-Year Forward Inflation Expectations




Source: FactSet

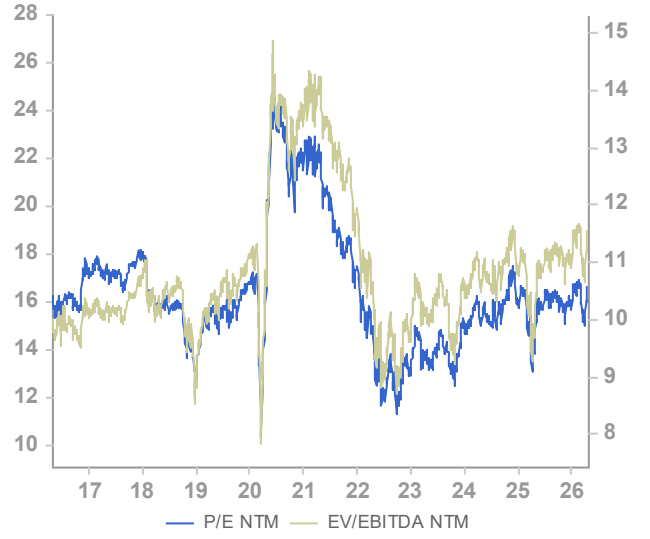
## Valuation Indicators

Figure 51: S&P 500 P/E (LHS) & EV/EBITDA (RHS)



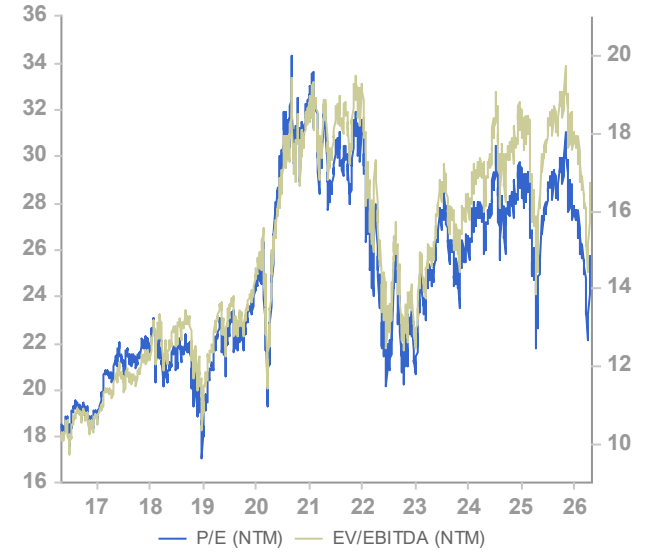

Source: FactSet

Figure 52: S&P Midcap 400 P/E (LHS) & EV/EBITDA (RHS)



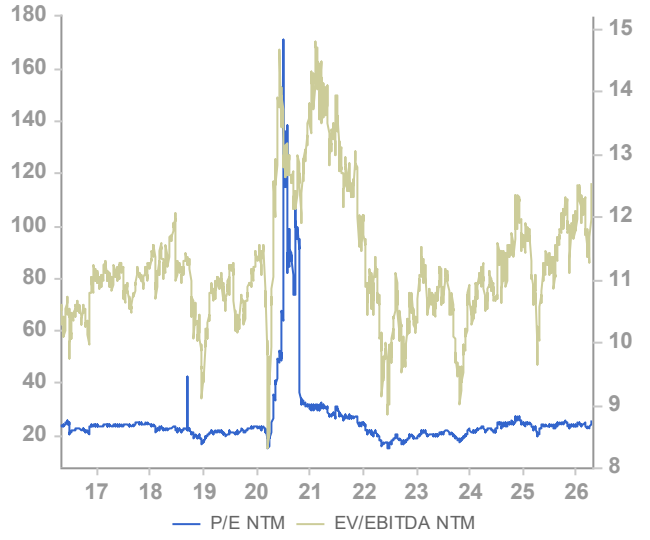

Source: FactSet

Figure 53: Nasdaq 100 P/E (LHS) & EV/EBITDA (RHS)




Source: St. Louis Federal Reserve, FRED Database

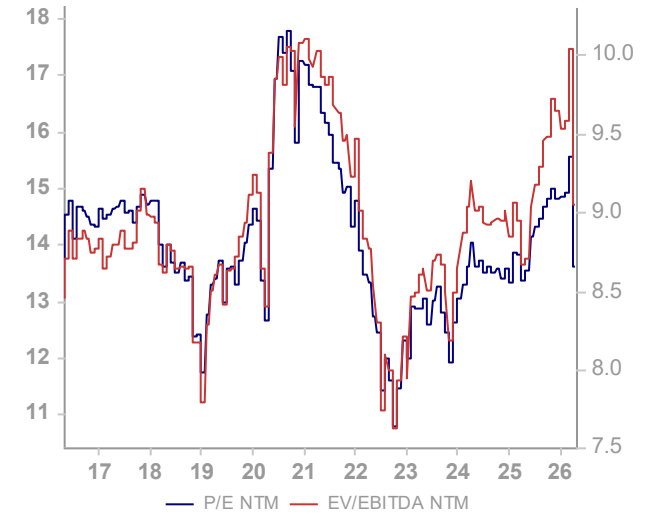
Figure 54: Russell 2000 P/E (LHS) & EV/EBITDA (RHS)




Source: St. Louis Federal Reserve, FRED Database

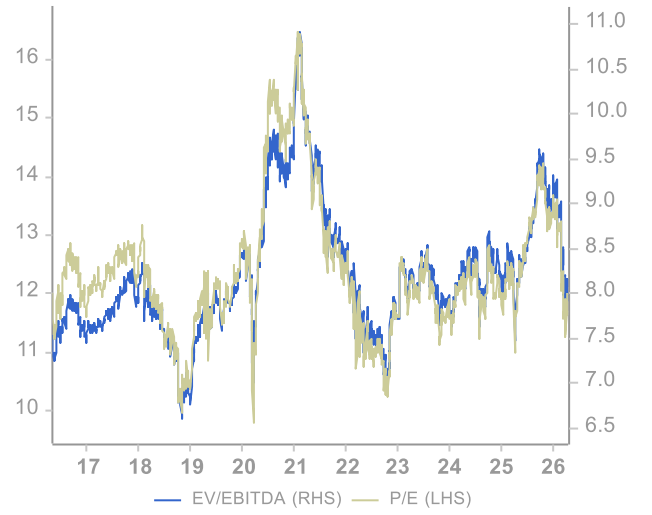
## Valuation and Volatility Indicators

Figure 55: Intl Developed P/E (LHS) & EV/EBITDA (RHS)



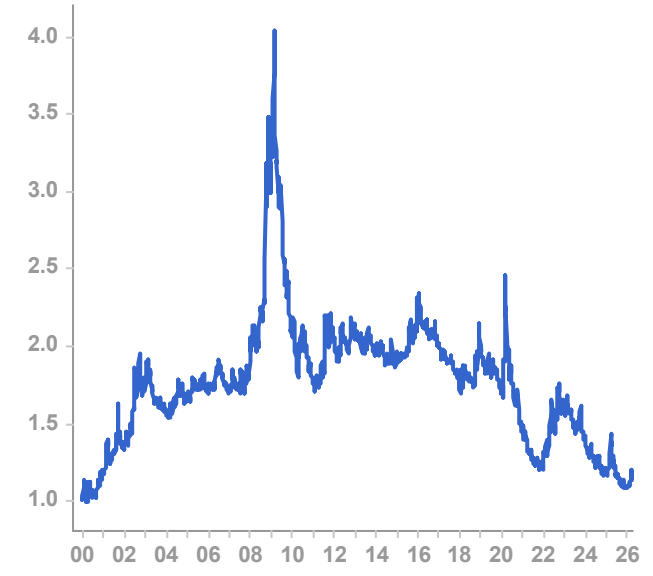

Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 56: Emerging Markets P/E (LHS) & EV/EBITDA (RHS)



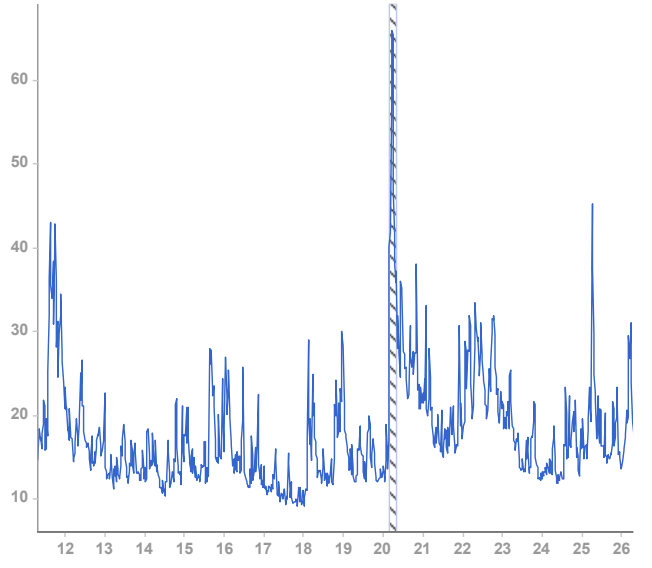

Source: Robert Shiller, Yale University, Rockingstone Advisors, Standard & Poor's

Figure 57: S&P 500 Dividend Yield




Source: FactSet

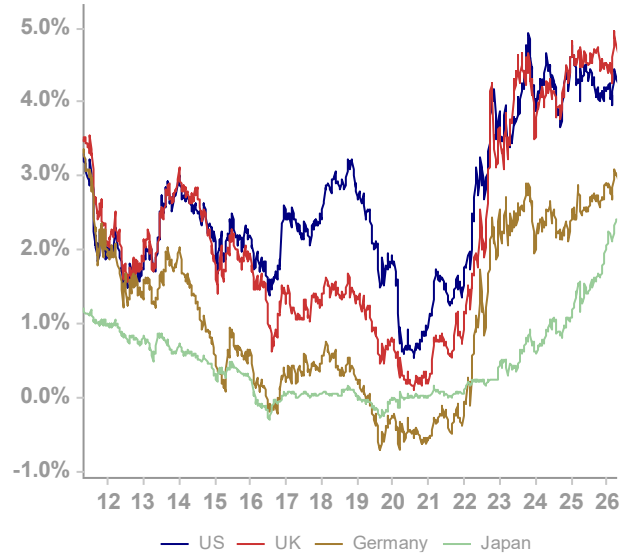
Figure 58: CBOE Volatility Index




Source: FactSet

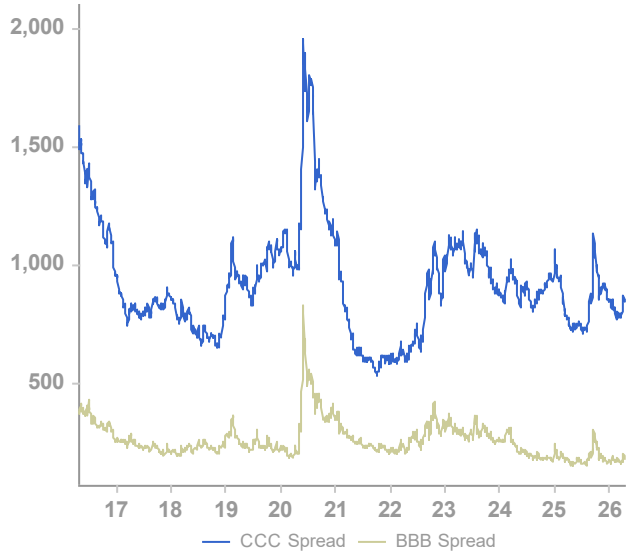
## Bond Market Indicators

Figure 59: 10-Year Global Bond Yields



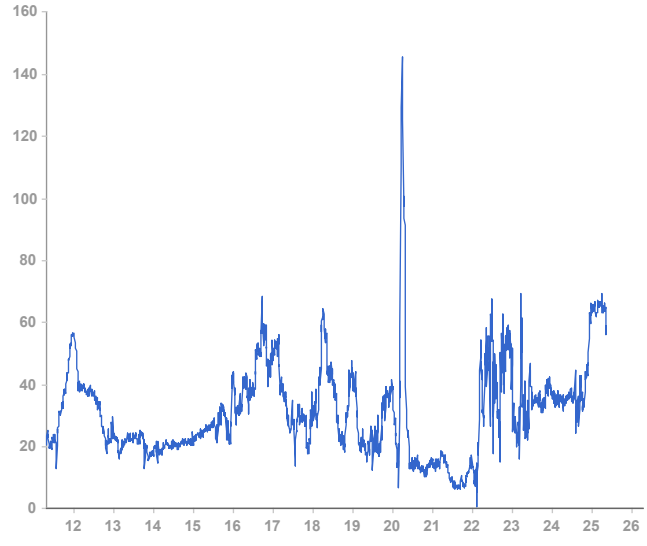

Source: FactSet

Figure 60: CCC and BBB Spreads (Option Adjusted)



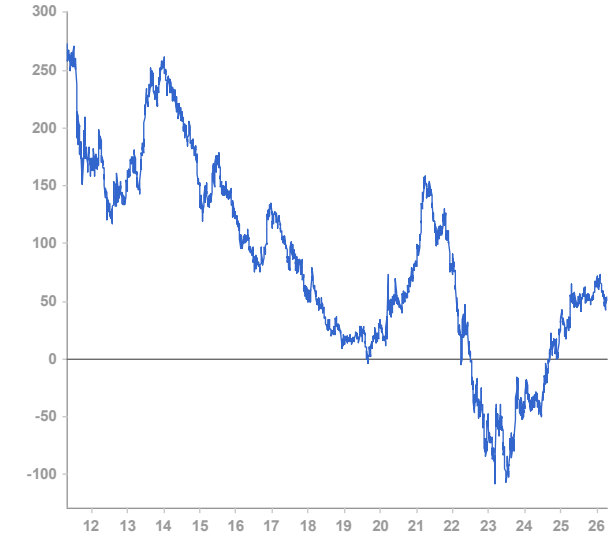

Source: FactSet

Figure 61: TED Spread (bps)




Source: FactSet

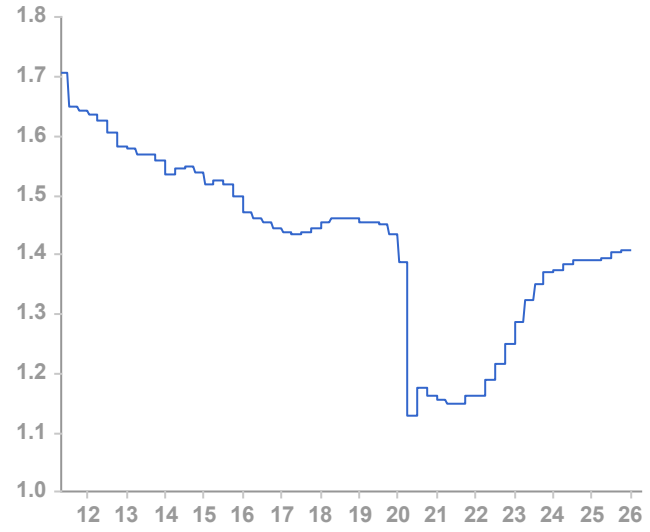
Figure 62: 10-Year Minus 2-Year Treasury




Source: FactSet

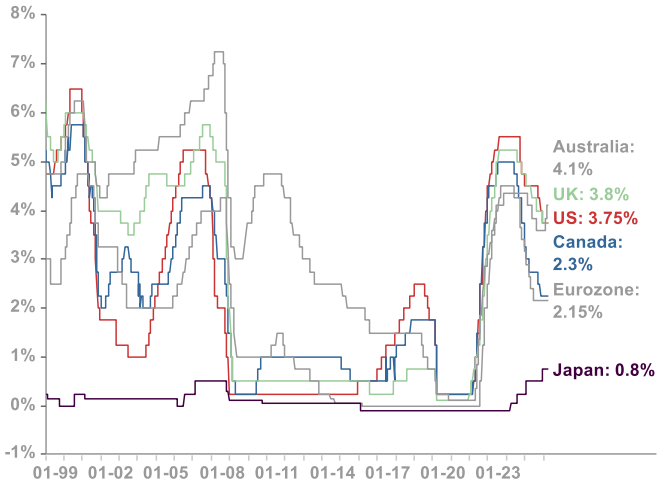
## Liquidity and Other Indicators

Figure 63: Velocity of M2 Money Stock



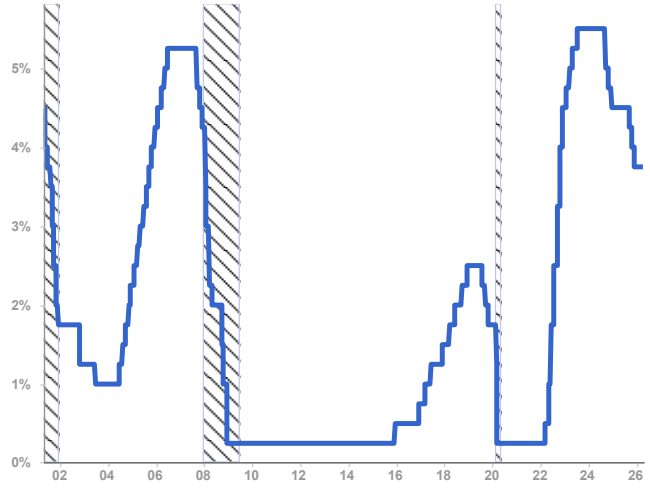

*Source: FactSet*

Figure 64: Central Bank Policy History



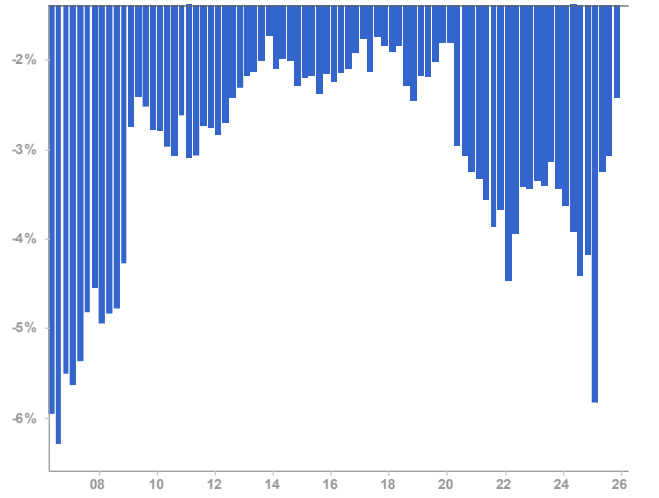

*Source: FactSet*

Figure 65: Fed Funds Target Rate




*Source: St. Louis Federal Reserve, FRED Database*

Figure 66: Current Account Deficit (as % of GDP)




*Source: St. Louis Federal Reserve, FRED Database*

ROCKINGSTONE ADVISORS LLC

# Appendix

## Important Regulatory Disclosures and End Notes

Form ADV available upon request. This quarterly is only for informational purposes and not a solicitation to buy or sell securities or as a source of specific investment, legal or tax recommendations.

Rockingstone Advisors is solely responsible for the content of this Quarterly. The information and statistical data contained herein have been obtained from sources we believe are reliable but cannot guarantee.

Rockingstone Advisors performance charts depict the mean aggregate return of all accounts invested with a similar objective and risk tolerance during the entire return period; individual account performance may materially differ according to strategy and portfolio composition. Returns are calculated using time-weighted method (TWM) and are weighted by portfolio assets. Returns can be influenced not only by the actual performance of the underlying portfolios, but by the mix (composition) of portfolios in any given year and the number of portfolios within the sample set. Public equity returns are calculated by Morningstar based on information received from our custodian(s). Other investment returns, including private equity and real estate investments are calculated based on valuation data from parties other than Rockingstone Advisors or at cost. Fixed income returns generated by private notes are recognized when the cash coupon is paid, rather than on an accrued interest basis (except for PiK securities). Annualized return is based on portfolios invested as of June 1, 2009. The sample set of portfolios within each annual cohort has increased over time and the mix changes every year. Our investment returns may reflect investment opportunities that are unavailable to all of our clients, for reasons including: (i) certain funds in which we have invested are now closed to new investors, (ii) certain clients may not meet “accredited investor” standards, (iii) certain investments are available only to officers or directors of a business, and /or (iv) we may believe that historical returns most likely will not be generated by a specific security or strategy and thus are no longer allocating new capital to a specific security or strategy. Past performance is neither indicative of-- nor a predictor of-- future performance. Mean reversion is a powerful force, meaning periods of outperformance are typically followed by periods of underperformance. All figures are net of fees and expenses. Rockingstone’s performance must be assessed in light of not just how we performed relative to the benchmarks, but how much risk we assumed in generating portfolio returns.

Quarterly Data prices are as of March 31, 2026; most other prices and yields are as of April 23, 2026.

We are happy to provide the raw data and source links for any of the charts or tables in this Quarterly. We are also happy to provide individual account performance data by annual cohort or by IRR (instead of TWM) so you can better understand the range of portfolio returns. We thank you for your interest and always appreciate any feedback.

Our contact information:

Brandt Sakakeeny & Eric Katzman, CFA
Rockingstone Advisors LLC
212-430-2240

brandt@rockingstoneadvisors.com
eric@rockingstoneadvisors.com

[i] Asset class performance charts depict Equity (SPY ETF), Bonds (BND ETF), Commodities (DBC ETF), Preferred (PFF ETF) and Real Estate (VNQ ETF) price change plus dividends and interest during the selected period.

[ii] Rockingstone Advisors performance charts depict the mean aggregate return of all accounts invested with a similar objective and risk tolerance during the entire return period; individual account performance may materially differ according to strategy and portfolio composition. Returns are calculated using time-weighted method (TWM) and are weighted by portfolio assets. Returns can be influenced not only by the actual performance of the underlying portfolios, but by the mix of portfolios in any given year. Public equity returns are calculated by Morningstar based on information received from our custodian(s). Other investment returns, including private equity and real estate investments are calculated based on valuation data from parties other than Rockingstone Advisors. Fixed income returns generated by private notes are recognized when the cash coupon is paid, rather than on an accrued interest basis. Annualized return since inception is based on portfolios invested as of June 1, 2009. The sample set of portfolios within each annual cohort has increased over time. Our investment returns may reflect investment opportunities that are unavailable to all of our clients, for reasons including: (i) certain funds in which we have invested are now closed to new investors, (ii) certain clients may not meet "accredited investor" standards, (iii) certain investments are available only to officers or directors of a business, and /or (iv) we may believe that historical returns most likely will not be generated by a specific security or strategy and thus are no longer allocating new capital to a specific security or strategy. Past performance is not indicative or a predictor of future performance. Mean reversion is a powerful force, meaning periods of outperformance are typically followed by periods of underperformance. All figures are net of fees and expenses. Rockingstone's performance must be assessed in light of not just how we performed relative to the benchmarks, but how much risk we assumed in generating portfolio returns.

[iii] Our Five-Year Forecast is updated quarterly and reflects our best judgment on future performance based on current valuations relative to historical valuations, as well as our outlook for earnings and macroeconomic conditions. We caution that predicting outcomes is inherently risky and subject to change.

[iv] Equity performance charts depict U.S. large-cap (SPY ETF), U.S. mid-cap (VO ETF), U.S. small-cap (IWM ETF), International Developed (VEA ETF), and Emerging Markets (VWO ETF) price change plus dividends and interest during the selected period. We note that Vanguard highlighted a trading glitch in the shares of VO during March 31, 2015 that led to prices materially higher than underlying NAV. Hence you should assume VO's valuation and total return was inflated as of the end of the first quarter.

[v] Fixed income performance charts depict Intermediate Government (IEF ETF), High Yield Corporates (JNK ETF), High Grade Corporates (LQD ETF), International Corporates (PICB), and Emerging Markets bonds (EMB ETF) price change plus interest income earned over the selected period.

[vi] Commodity performance charts depict Precious Metals (DBP ETF), Base Metals (DBB ETF), Oil (DBO ETF), and Agriculture (DBA ETF) price change.

[vii] Digital asset performance charts depict the price changes of Bitcoin (BTC) and Ethereum (ETH) over the selected time frame.