



Q1 2026 Review

The first quarter of 2026 was characterized by significant volatility and declines for major U.S. stock indices. After rising at a 23% annualized rate from 2022 through 2025, the S&P 500 had its worst performance since the third quarter of 2022.

Although stocks started the year on a positive note with continued rotation out of AI-oriented growth into “old economy” stocks, issues in the private credit market and the conflict with Iran were the primary drivers of weak quarterly performance for the overall markets.

For the quarter, the S&P 500 declined for five consecutive weeks, finishing down 4.33% and the NASDAQ Composite Index, which briefly entered correction territory, fell 6.96%, while the Dow Jones Industrial Average lost 3.19%. However, the shift in market leadership away from mega-cap technology stocks benefitted the broader market as the S&P 500 Equal Weight Index eked out a 0.67% quarterly gain due to a much lower concentration in large growth stocks.

Six of the 11 S&P 500 sectors ended the quarter in positive territory, led by Energy (37.95%)—which benefited from a 50% surge in the price of oil—Materials (9.60%), and Utilities (8.04%), while Financials, Information Technology, and Consumer Discretionary were the worst performers.

Value stocks outperformed growth by one of the widest margins on record, with the S&P 500 Growth Index declining 8.25% during the quarter versus -0.44% for the S&P 500 Value Index.

During a quarter marked by significant repricing across a wide range of asset classes, the Bloomberg U.S. Aggregate Bond Index (AGG) outperformed the major U.S. equity indices by a significant margin, including a total return advantage of 428 basis points (bps) compared to the S&P 500 Index. However, bonds were not immune from the broader forces unleashed by this latest round of geopolitical turmoil. The 10-year U.S. Treasury yield rose by 15 bps to 4.32%, as surging oil prices led to higher inflation expectations and a lower probability of rate cuts by the Federal Reserve (Fed) this year. The price depreciation due to higher yields offset the bulk of the AGG’s quarterly interest income, resulting in a total return of -0.05%.

Allocation Overview

The primary considerations that guide the **Equity Risk Management Strategy (ERMS)** tactical allocation consist of, but are not limited to: fundamental (i.e., the trend in forward earnings expectations) and technical conditions, economic indicators, and relative valuations across various asset classes.

In the first quarter, the tactical allocation remained unchanged—approximately 63% allocated to equities and 37% to cash and short-term U.S. Treasuries.

Objective

Tactical allocation strategy that seeks to adjust a portfolio’s equity exposure to potentially provide downside risk mitigation and volatility control

Portfolio Management Team



Christopher M. Mutascio
Senior Managing Director



Timothy M. McCann
Senior Portfolio Manager

About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets of approximately \$5.9 billion as of March 31, 2026.*

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

*Total assets include assets under management and assets under advisement

	Total Returns			Annualized Returns					Calendar-Year Returns									
	3-Mos	6-Mos	YTD	1-year	3-year	5-year	10-year	Incp.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross %	0.33	2.07	0.33	12.37	10.42	6.23	7.00	7.96	7.32	21.24	-5.45	5.97	2.91	27.15	-18.75	11.60	12.04	10.50
Benchmark %	-0.47	2.43	-0.47	18.18	12.25	6.38	8.22	7.15	5.47	13.29	-7.14	13.71	17.89	11.67	-10.13	11.37	11.87	16.91
Net %	-0.41	0.56	-0.41	9.06	7.16	3.10	3.85	4.78	4.15	17.70	-8.25	2.82	-0.10	23.50	-21.19	8.33	8.71	7.25

As of 3/31/2026; Inception – October 1, 2012; Benchmark = HFRI Equity Hedge Index

ERMS performance represents the standalone Separately Managed Account (SMA) strategy on Stifel’s Custom Advisory Portfolio platform.

Net returns reflect the deduction of the potential maximum managed account fee of 3.00% which includes the wrap sponsor fee and EquityCompass investment management fees. Actual fees may vary.

While earnings expectations remain favorable—trending higher and ending the year near an all-time high of \$334.02—growth has been concentrated in AI-related sectors for the majority of the last two years but appears to be broadening. As a result, earnings expectations are accelerating, resulting in more attractive equity valuations. The trailing 12-month change in our S&P 500 forward earnings estimate through the end of March is 21%—nearly double the rate of 10.9% for the same time last year. The S&P 500 now trades at 19.5x earnings and at a far more reasonable multiple than the 23.0x peak reached at the end of October 2025.

Technical conditions were stable, with the CBOE Volatility Index (VIX)—the “Fear index”—ending the quarter at 25.2, significantly lower than its peak of 60.13 during the initial tariff turmoil early in the second quarter of last year. Credit spreads edged slightly higher in the quarter but remained fairly tight with the spread between the 10-Year U.S. Treasury to that of investment-grade corporate bonds settling at 1.81 percentage points.

Economic data continues to be mixed but points to slower growth with stabilization, not recession. Our current allocation to short-term Treasuries is a compelling approach to reduce risk without compromising long-term goals, and we remain comfortable with our current tactical positioning.

Fallout from the war with Iran will undoubtedly be a major factor influencing market action in the near-term. However, the strong stock rally on the final day of the quarter serves as a reminder to investors how rapidly sentiment can shift. Although the flame of optimism to begin the year has dimmed, it has not been extinguished. Corporate earnings are still forecast to grow low double-digits, the Fed is expected to cut interest rates later in the year, and economic data remains generally favorable.

The ultimate length of the battle and the potential aftermath of the Iran conflict are difficult to forecast with any degree of certainty. Headwinds from rising oil prices as a result of the war in the Middle East and disruptions to oil flows through the Strait of Hormuz become more significant the longer the conflict persists.

Against this backdrop of reasonably stable fundamental and technical factors but with increased uncertainty a prolonged war could have on the global economy, ERMS remains slightly more weighted to equities while maintaining exposure to 1–3 month U.S. Treasuries yielding approximately 3.6% to seek a measure of protection against the potential impacts.

EQUITY RISK MANAGEMENT STRATEGY (09/01/2016 - 12/31/2024)

Year-End	Gross-of-Fees Return*	Net-of-Fees Return**	Benchmark Return	Composite 3 Yr. Ex Post Std. Deviation	Benchmark 3 Yr. Ex Post Std. Deviation	Composite Number of Portfolios	Internal Dispersion	Composite Assets (USD Mil.)	Strategy Assets (USD Mil.)†	Firm AUM (USD Mil.)	Firm & Advisory Assets (USD Mil.)‡
2016 §	3.7%	4.3%	0.7%	N/A	N/A	9	N/A	\$4	\$236	\$676	\$2,714
2017	19.0%	18.0%	6.4%	N/A	N/A	16	0.06%	\$12	\$344	\$242	\$3,785
2018	-7.5%	-13.7%	-6.2%	N/A	N/A	18	0.05%	\$13	\$341	\$167	\$3,831
2019	13.9%	8.7%	5.0%	11.2%	6.9%	17	0.04%	\$14	\$343	\$146	\$4,294
2020	1.4%	-0.7%	-14.5%	17.6%	8.4%	18	0.10%	\$12	\$276	\$153	\$4,012
2021	24.6%	15.4%	12.6%	17.1%	8.0%	13	0.04%	\$11	\$327	\$221	\$5,038
2022	-16.0%	-10.9%	-5.1%	18.2%	8.4%	6	0.02%	\$4	\$235	\$184	\$4,469
2023	11.8%	4.6%	0.5%	12.4%	6.5%	5	N/A	\$4	\$218	\$179	\$4,707
2024	12.0%	3.1%	-6.3%	11.2%	6.1%	3	N/A	\$2	\$202	\$225	\$5,184

* Supplemental information. Please see Fees section for details. ** Net returns are calculated by subtracting the highest applicable wrap fee (3.00% on an annual basis) from the gross composite return. † Supplemental Information. ‡ Returns are for the period 08/01/2016 through 12/31/2016.

EquityCompass Investment Management, LLC ("EquityCompass") claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS standards. EquityCompass has been independently verified for the periods 06/01/2014-12/31/2024. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Definition of the Firm

EquityCompass is registered as an investment adviser with the Securities and Exchange Commission. The firm provides a broad range of investment strategies to individuals, financial intermediaries, and institutions in the United States. EquityCompass, a wholly owned subsidiary of Stifel Financial Corp., was organized as an entity in 2007, and has been registered with the SEC since May 5, 2008. SEC Registration does not imply a certain level of skill or training. Please refer to the firm's ADV Part 2 for additional disclosures regarding the firm and its practices. To obtain a GIPS Report or a list of our composite descriptions and/or policies for valuing investments, calculating performance, and preparing GIPS reports, please call (443) 224-1231 or send an e-mail to info@equitycompass.com.

Composite Description

The performance results displayed herein represent the investment performance record for the Equity Risk Management Strategy Wrap Composite. The composite includes wrap and non-wrap accounts that are invested in the composite strategy and managed on a discretionary basis by EquityCompass. Equity Risk Management Strategy is a tactical asset allocation strategy that seeks to adjust a portfolio's exposure to potentially provide downside risk mitigation and volatility control. It is available in wrap fee programs through third-party intermediaries (each, a "Sponsor") that have engaged EquityCompass to manage client accounts on a discretionary basis or to provide non-discretionary investment recommendations in the form of model portfolios. The Composite was created in January 2017 and the inception date is August 1, 2016.

Benchmark Description

The benchmark is HFRI Equity Hedge Index. The **HFRI Equity Hedge Index** is a fund-weighted index of strategies that maintain positions both long and short in primarily equity and equity derivative securities. All benchmark returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Fees

Gross-of-fees returns, are gross of portfolio management and custody fees and net of all actual transaction costs in the case of non-wrap accounts and those wrap accounts traded by EquityCompass. If the wrap account trades are executed by the Sponsor, transaction costs are bundled with the wrap fee and therefore not deducted from gross-of-fee return calculation. Net returns are calculated by subtracting the highest applicable wrap fee (3.00% on an annual basis, or 0.75% quarterly) from the gross composite return. The EquityCompass management fee schedule per annum is 0.30% on up to 1,000,000, 0.28% on 1,000,000-2,500,000 million, 0.26% on 2,500,000-5,000,000, 0.24% on 5,000,000-10,000,000, and negotiable over 10,000,000. Clients are typically charged a wrap fee which includes, in addition to the manager fee, trading expenses, as well as custody and administrative fees. The wrap fee schedule varies by Sponsor and is available upon request.

Reporting Currency

Valuations are computed and performance reported in U.S. dollars (USD).

Annualized Standard Deviation

The three-year annualized ex post standard deviation measures the variability of the monthly returns of the composite (gross-of-fee) and the benchmark over the preceding 36-month period; it is not presented for periods of less than three years.

Internal Dispersion

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of all accounts that were in the composite for the entire year; it is not presented for periods less than one year or when there were fewer than five accounts in the composite for the entire year.

Assets

Strategy Assets include all discretionary and non-discretionary accounts invested in the Equity Risk Management Strategy. Accounts that are excluded from the composite because of significant cash flows or for other reasons are also included in Strategy Assets. This is presented as supplemental information.

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Any projections, targets, or estimates in this report are forward looking statements and are based on EquityCompass research, analysis, and assumptions made by the Adviser. No representation is made that any Strategy, model, or model mix will achieve results similar to those shown in these materials. It should not be assumed that any holdings included in these materials were or will prove to be profitable, or that recommendations or decisions that the firm makes in the future will be profitable or will equal the investment performance of the securities discussed herein. Diversification and/or asset allocation does not ensure a profit or protect against loss. Rebalancing may have tax consequences, which should be discussed with your tax advisor.

The Equity Risk Management Strategy invests primarily in ETFs, which are subject to the risk that the values will fluctuate with the value of the underlying investments or indices the ETFs are tracking. **Exchange Traded Funds (ETFs) represent a share of all stocks in a respective index. ETFs trade like stocks and are subject to market risk, including the potential for loss of principal, and may trade for less than their net asset value. The value of ETFs will fluctuate with the value of the underlying securities. Investors should review the prospectus and consider the ETF’s investment objectives, risks, charges, and expenses carefully before investing. Prospectuses are available through your Financial Advisor and include this and other important information.** Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make informed investment decisions based on your individual investment objectives and suitability specifications.

The **S&P 500® Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The **S&P 500® Equal Weight Index** is based on the S&P 500. All index constituents are members of the S&P 500 and follow the eligibility criteria for that index. The S&P EWI is maintained in accordance with the index methodology of the S&P 500, which measures 500 leading companies in leading U.S. industries. The S&P EWI measures the performance of the same 500 companies, in equal weights. As such, sector exposures in the S&P EWI will differ. The **S&P 500® Growth Index** measures constituents from the S&P 500 that are classified as growth stocks based on three factors: sales growth, the ratio of earnings change to price, and momentum. The **S&P 500® Value Index** measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings and sales to price. The **Dow Jones Industrial Average (DJIA)** is an unmanaged, price-weighted index that consists of 30 blue chip U.S. stocks selected for their history of successful growth and interest among investors. The **NASDAQ Composite Index**, comprised mostly of technology and growth companies, is a market value-weighted index of all common stocks listed on NASDAQ. The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). The Chicago Board Options Exchange (CBOE) created the VIX (**CBOE Volatility Index**) to measure the 30-day expected volatility of the US stock market, sometimes called the “fear index”. The VIX is based on the prices of options on the S&P 500 Index and is calculated by aggregating weighted prices of the index’s call and put options over a wide range of strike prices.

All index returns are shown on a total return basis and assume that all cash distributions, such as dividends, are reinvested. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

*Total assets combines both Assets Under Management and Assets Under Advisement as of March 31, 2026. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Past performance does not guarantee future performance or investment results.

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