Monthly Market Recap

March 2026

FIDELIS CAPITAL

From the Investment Committee

The Iran war, which began at the end of February, was the dominant story across markets during the month of March and closed out a quarter underscored by increasing geopolitical tensions. The S&P 500, after an extremely strong 2025, posted a -4.98% total return in March.

Factor performance deviated dramatically in the first quarter, with value stocks up 1.53% and growth stocks down 8.68%. Equities have been performing as one would traditionally expect during heightened geopolitical uncertainty, with investors rotating away from cyclical companies and into more stable value-oriented companies. The Volatility Index (VIX) spent most of the month over 20, with a few stints above 30. Markets in general continue to whipsaw based on headlines related to the war, particularly as the initial 4- to 6-week timeframe draws to a close.

Global oil prices responded quickly to the war because of Iran's ability to impact broader exports from the Persian Gulf. The Strait of Hormuz facilitates 20% of the world's oil shipments, including oil from Saudi Arabia, Kuwait, Iraq, Qatar, and the UAE, on an annual basis. In response to the war, Iran closed the strait to control economic leverage. This escalation, paired with targeted strikes on regional oil infrastructure, have worked to push oil prices higher.

Higher oil prices are already affecting many areas of the US economy. Economists will be bracing for the Consumer Price Index (CPI) to move in the wrong direction because the benchmark will be impacted immediately by higher prices at the pump. With inflation already above its 2% target, the Fed's ability to respond will potentially be handcuffed.

Speaking of the Fed, its job in 2026 got a lot harder. CPI will look unruly for the next few months as it absorbs the higher oil prices. Heading into this conflict, markets expected the Fed to cut rates in the second half of the year. Those odds quickly dissipated. The market is now expecting interest rates to remain where they are for the duration of 2026. After closing last month under 4%, the 10-year Treasury spent the month moving higher, finishing March at 4.32%. Mortgage rates also climbed in March after notching multi-year lows in February. The argument for the Fed to cut rates with inflation above its 2% target was already challenging, and higher energy prices will likely further complicate their decision-making.

As elevated volatility persists, it's important to reflect on portfolio construction. Although equity markets have yet to display volatility on par with the Liberation Day selloff last April, this has still been a challenging environment, which is why diversification and active risk management remain key tenants to our investment approach. This is a sensitive market, and it's more important than ever to separate signals from noise. As always, please reach out to any member of your Fidelis Capital team if you would like additional thoughts on the market or to discuss the impact on your portfolio.

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Key Takeaways

Iran War Drives Volatility	• The Iran war escalated throughout March, headlined by Iran closing the Strait of Hormuz to maximize its economic leverage over global energy and fertilizer markets. • The Volatility Index (VIX) remained above 20 for the month, with brief periods over 30 driven by headlines around the potential for the conflict to extend longer than the initial 4- to 6-week timeframe.
Oil Prices Take Center Stage	• Oil prices spent March fluctuating in a channel of roughly $80-$100/barrel, fluctuating based on headlines about the expected timeline of the conflict. • About 20% of the world's oil supply goes through the Strait of Hormuz. Its shutdown has led the International Energy Agency to release 400 million barrels of oil from global strategic reserves, the largest amount on record. • This is more than double the previous record of 182 million barrels, which was set at the beginning of the Russia-Ukraine war. • Markets are pricing in higher oil prices in the short term, but futures markets are trading as though higher prices will be the new normal. For now, the market looks to be pricing in an offramp in just a few months.
S&P 500 Closes Worst Quarter Since 2022	• The S&P 500 finished Q1 2026 down 4.6%, its worst quarterly performance since 2022. • Sector performance was mixed. More defensive sectors like Energy, Materials, Utilities, and Consumer Staples outperformed, while sectors like Healthcare, Technology, and Financials struggled. • Q4 2025 earnings were positive, with the S&P 500 posting +14%. The expectations for Q1 2026 also remain positive. • Interestingly, the worst-performing sectors mentioned above are the ones expected to have the largest contribution to 2026 earnings. Meanwhile, the best-performing sectors from Q1 are expected to have the lowest contribution. Something to keep an eye on.
Rate Cuts Off the Table in 2026	• The increase in expected inflation due to the hike in oil prices has put the Fed on the sidelines. • Markets no longer expect a cut in the fed funds rate for the rest of 2026.

Asset Class Performance

Equities

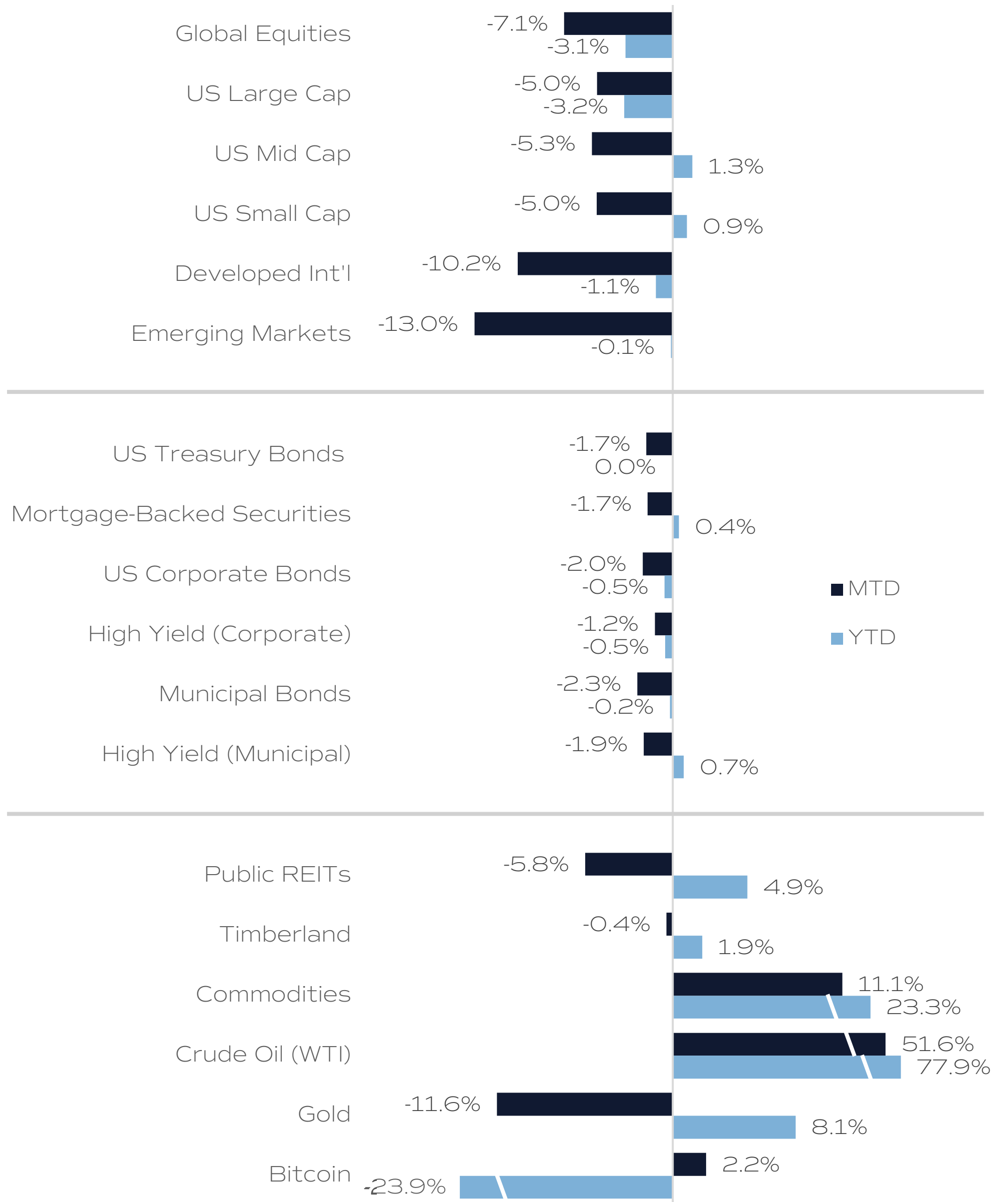
- Impacts of the Iran war—spiking oil prices and a new wave of inflation concerns—caused equities to struggle in March.
- The US equity market outperformed relative to international indexes as a result of high oil prices and domestic energy independence.

Fixed Income

- Fixed-income returns were decidedly negative for March as interest rates rose across all maturities and sectors. These losses pushed YTD returns mostly flat to negative.
- In taxable bonds, corporate and mortgage-backed securities were the worst-performing sectors, with spreads widening on increases in volatility.
- In the municipal bond sector, high yield posted the best performance for the year.

Real Assets

- Oil prices spiked dramatically due to the Iran war. Inflation worries may spread if energy prices stay elevated over the longer term.
- Investors took profits in gold and silver in March, ending recent bull runs for the precious metals. However, their overall prices remain elevated, and returns over the last year remain very strong.



Source: Bloomberg as of March 31, 2026.

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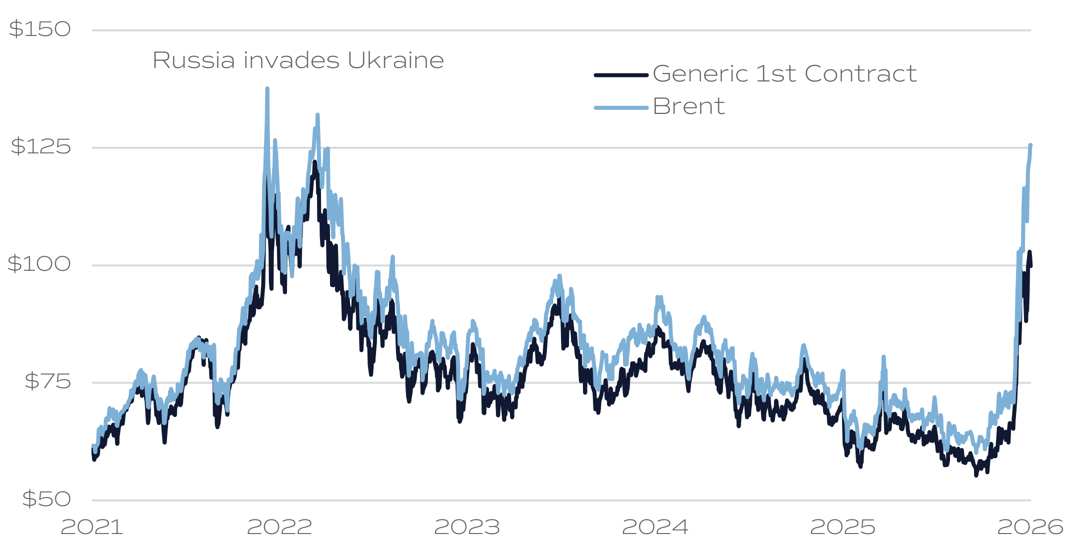
Macroeconomic Overview

	Year End 2025 %	Recent Period %	Prior Period %	YTD Change %
GDP (YoY Change)*	2.40	2.00	2.40	(0.40)
Conference Board - LEI**	(0.20)	(0.10)	(0.20)	0.10
Unemployment Rate***	4.40	4.40	4.30	0.00
CPI (YoY Change)***	2.70	2.40	2.40	(0.30)
CPI ex. Food & Energy***	2.60	2.50	2.50	(0.10)
PCE**	3.01	3.06	3.01	0.05
Effective Fed Funds Rate	3.64	3.64	3.64	0.00
10-Year U.S. Treasury	4.17	4.32	3.94	0.15

Crude Oil Prices Over the Last 5 Years**



- With oil prices sharply higher, inflation concerns have pushed 10-year Treasury yields above 4.25%. Extensive damage to oil and gas infrastructure in the Middle East could cause prices to stay higher for longer, even if the war were to end today.
- Q1 earnings season will begin mid-April, and the estimated YOY Q1 growth rate for the S&P 500 is 13.2%. Given the new reality of the war, estimate revisions and changes to earnings guidance will be front and center.
- With the S&P 500 already down 9% from its peak and more volatility expected, we will look for opportunities to deploy capital, especially in those areas that have been aggressively sold off, such as Technology, Industrials, and select software names.

- As it has for all of March, the war in the Middle East remains in focus. Most Gulf countries have become involved as the conflict passes the one-month mark.
- Oil prices, as expected, have spiked higher, with Brent closing March at ~$118 per barrel.
- The December delivery contract, however, is lower at approximately $80-$83 per barrel, which suggests the market believes prices will not stay elevated, at least for now.

Source: Bloomberg as of March 31, 2026. *December 31, 2025. **January 31, 2025. ***February 28, 2026. ****March 1, 2026.

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US Equity Markets

	MTD %	YTD %	1 Yr %
Energy	10.40	38.25	36.32
Utilities	(3.22)	8.26	19.71
Financials	(3.56)	(9.47)	0.59
Technology	(3.83)	(9.13)	29.05
S&P 500	*(4.98)*	*(4.35)*	*17.77*
Consumer Discretionary	(5.64)	(9.19)	11.72
Real Estate	(6.05)	2.76	2.33
Materials	(6.86)	9.73	17.97
Communications Services	(7.28)	(6.94)	32.51
Consumer Staples	(7.39)	7.68	13.51
Health Care	(8.11)	(4.88)	2.31
Industrials	(8.44)	4.61	25.01

Best

- The ***Energy*** sector outperformed in March as oil prices spiked amid the ongoing conflict in the Middle East. Energy was the only positive sector on the month, posting a return of 10.4% and outperforming the S&P 500 by over 15%.

Worst

- ***Industrials*** slowed thanks to rising oil and input prices. As inflation concerns resurface, the Fed is signaling there will be no further rate cuts in 2026—another hit to sector performance.

MTD (%)

	Value	Core	Growth
Large	-4.8	-5.0	-5.2
Mid	-5.1	-5.3	-6.3
Small	-3.6	-5.0	-6.3

YTD (%)

	Value	Core	Growth
Large	2.1	-4.2	-9.8
Mid	3.7	1.3	-6.3
Small	5.0	0.9	-2.8

- Value stocks outperformed relative to other styles in March. Small-value names had the best relative performance, while growth stocks posted the largest losses.
- The S&P 500 outperformed relative to international developed and emerging market stocks because those markets are more reliant upon imported oil than the US. Japan has begun to release their oil reserves as imports have slowed with the Strait of Hormuz remaining closed.

Source: Bloomberg as of March 31, 2026.

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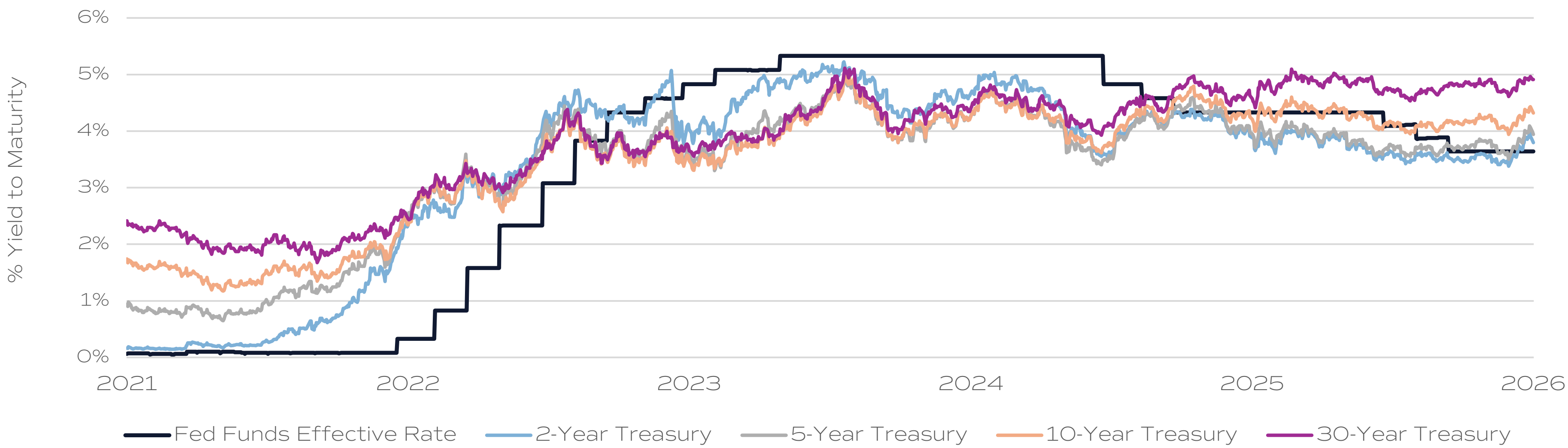
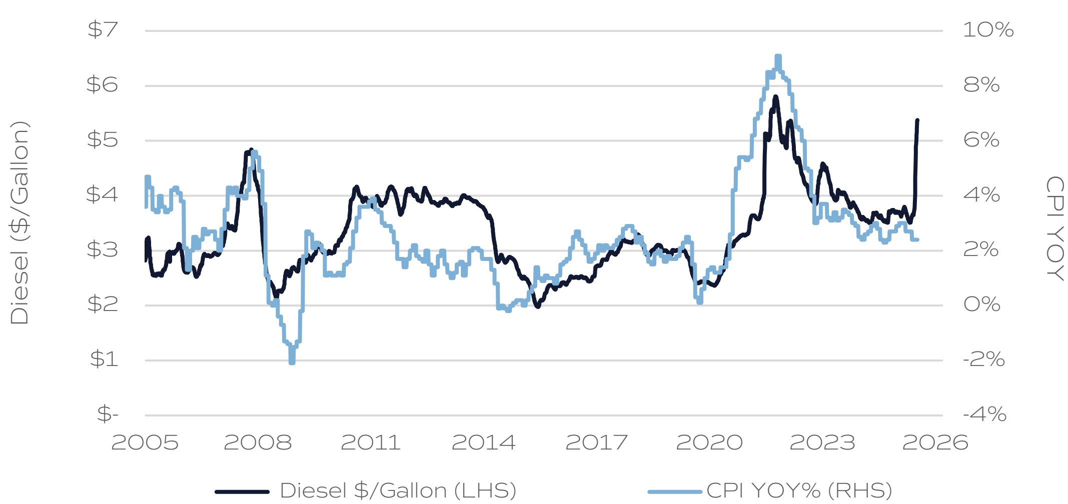
Fixed Income

Fed Funds Rate & Treasury Yields



*America Runs on Diesel: CPI YOY vs. Diesel ($/Gallon)**



- The increase in yields was notable as inflation fears gripped the bond market.
- Inflation expectations, mainly in shorter maturities, rose back to levels not seen since Liberation Day (April 2, 2025).
- Markets have long acknowledged the strong correlation between oil prices and inflation, which has driven yields higher since the conflict began.
- If diesel prices remain elevated, then we would expect inflation to move higher. If the price increase is temporary, however, then we would expect a more limited impact on inflation.

Source: Bloomberg as of March 31, 2026. *Bloomberg, American Automobile Club, Bureau of Labor Statistics as of March 27, 2026.

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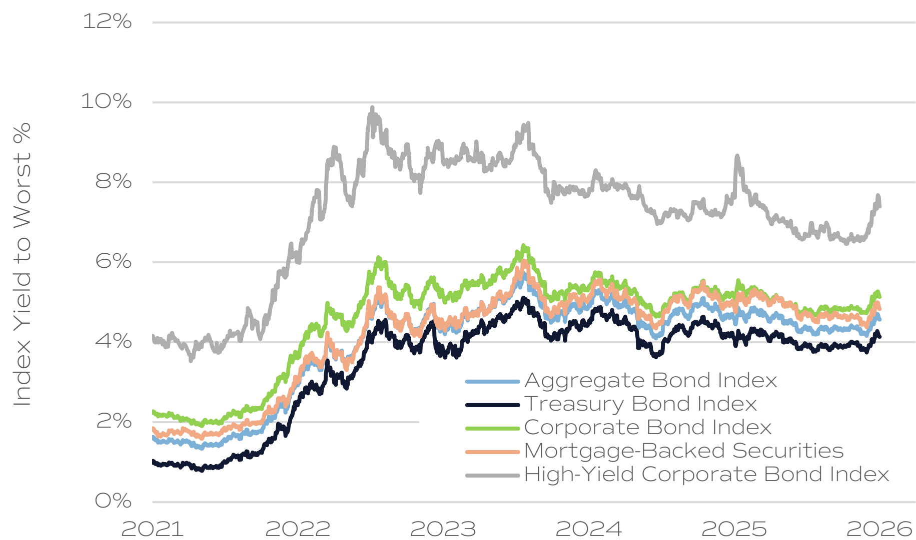
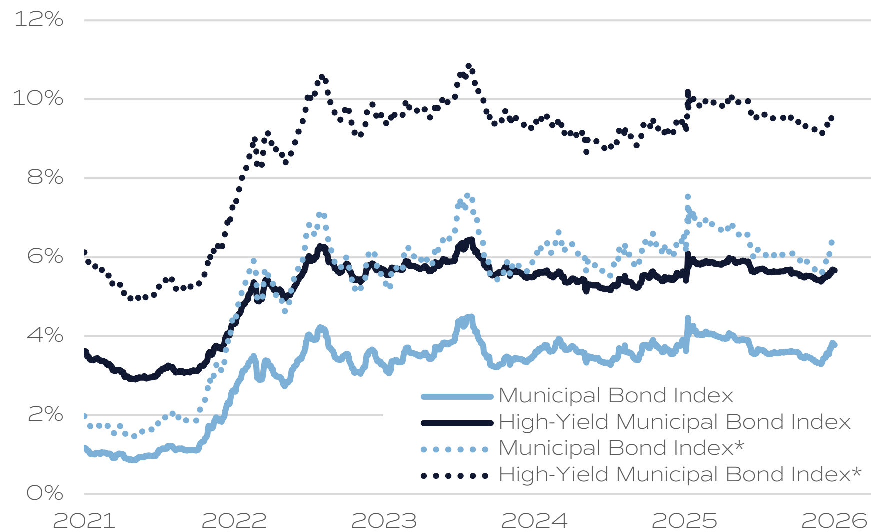
Fixed Income Yields

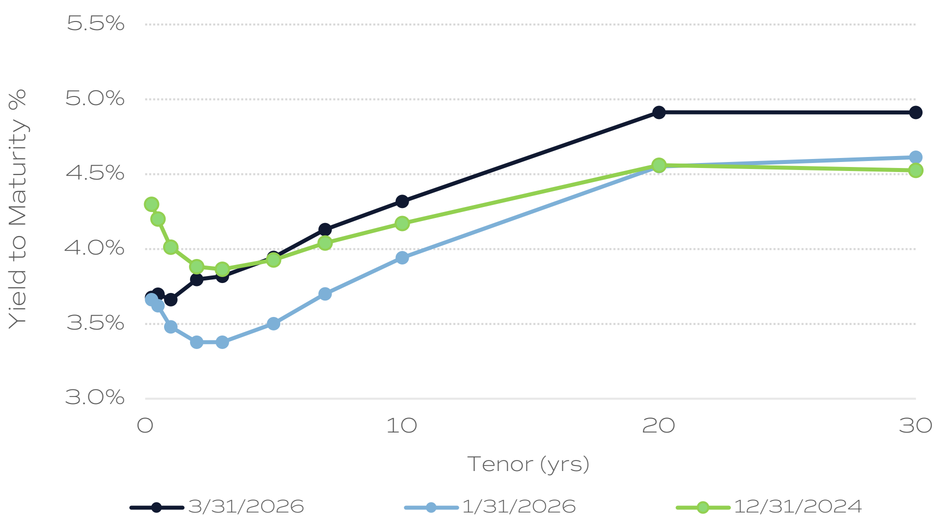
Taxable Bond Indexes Yield to Worst



*Tax-Exempt Bond Indexes Yield to Worst**



US Treasury Yield Curves



- Yield levels across all sectors and maturities rose in March as the Iran war stoked inflationary fears.
- 2-year and 5-year maturity bond yields were most impacted by the increase in yields, up over 40bp for the month as markets walked back any expectation of a near-term interest rate cut.
- Corporate bond spread levels increased for the month but not to a level that raises alarm.
- Despite the move higher in Treasury rates over the month, YTD yield changes for longer-term Treasury bonds were well contained.
- YTD bond returns remain close to unchanged for a vast majority of the investment-grade market.

Source: Bloomberg, Bloomberg BVAL as of March 31, 2026. *Tax-equivalent yield. Assumes a federal income tax rate of 37% and Medicaid surtax of 3.8%.

Real Assets

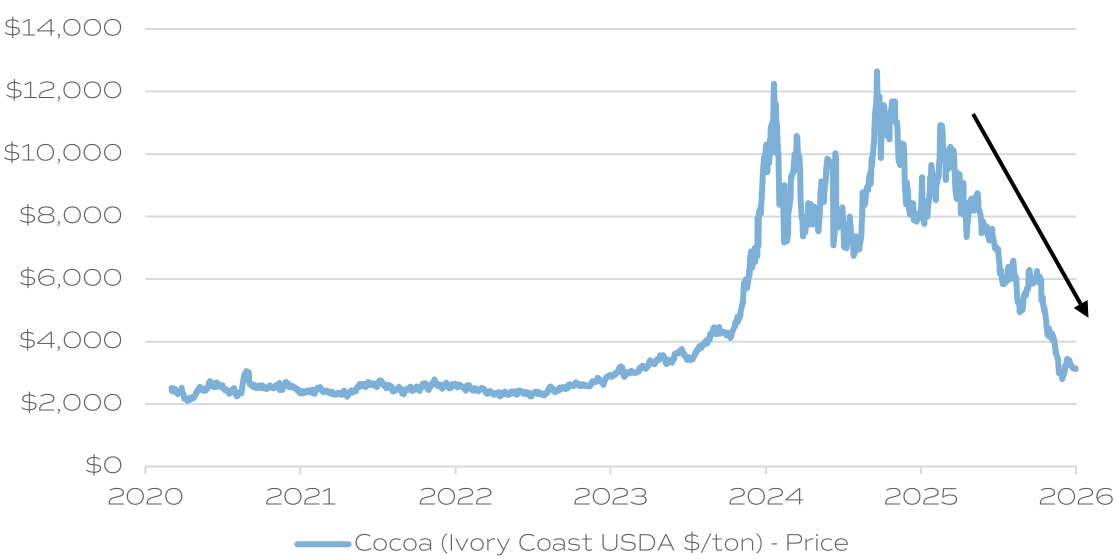
	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NAREIT	761.04	-5.76%	4.90%	6.93%
FTSE NAREIT - Timberland	125.77	-0.41%	1.94%	-14.07%
Bloomberg Commodity Index	135.25	11.15%	23.30%	27.11%
Crude Oil (WTI) [bbl.]	101.38	51.56%	77.86%	53.68%
Natural Gas [MMBtu]	3.14	5.37%	-21.30%	-23.60%
Copper [MT]	12,335.50	-7.55%	-0.70%	27.04%
Gold [oz.]	4,668.06	-11.57%	8.07%	49.45%
Silver [oz.]	75.17	-19.85%	4.89%	120.53%
Bitcoin	68,193.95	2.20%	-22.20%	-17.26%
Ethereum	2,106.13	7.54%	-29.27%	15.75%

Summary: The Iran war fueled volatility in March. Oil prices spiked dramatically due to supply chain bottlenecks caused by the closed Strait of Hormuz and damage to energy infrastructure. Many expect higher inflation as a result, particularly if energy prices stay elevated.

Crypto was generally risk-off for the month but ultimately closed positive. Year to date, the asset class has been susceptible to volatility and has not acted like the hedge some may have expected.

Gold and silver declined off recent peaks, losing 12% and 20% from their respective highs. Investors captured gains from the recent runs and demand was hurt by a stronger dollar and rising Treasury yields.

Cocoa Prices Collapsing to Pre-Pandemic Levels?*



- Back in October, we shared a chart showing that cocoa prices appeared to be collapsing from recent highs. That continues to be the case. Prices are moving back towards their pre-pandemic levels.
- The drop in prices has been driven by reduced demand due to high prices, better-than-expected weather for crops, and less speculative trading activity around the asset.

Source: Bloomberg as of March 31, 2026. *FactSet as of March 31 2026.

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Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	978.94	-7.14%	-3.11%	-3.11%	20.51%	17.08%	10.01%
U.S. Equity							
S&P 500	6,528.52	-4.98%	-4.35%	-4.53%	17.77%	18.27%	12.04%
Russell 1000	3,565.72	-4.98%	-4.20%	-4.20%	17.71%	18.10%	11.31%
Russell Mid Cap	3,879.35	-5.33%	1.30%	1.30%	15.97%	13.32%	7.25%
Russell 2000	2,496.37	-5.01%	0.92%	0.92%	25.76%	13.02%	3.75%
International Equity							
MSCI ACWI ex US	415.85	-10.73%	-0.61%	-0.61%	25.55%	15.06%	7.64%
MSCI EAFE	2,838.61	-10.20%	-1.12%	-1.12%	21.86%	14.18%	8.59%
MSCI Europe	194.69	-9.73%	8.08%	8.08%	32.76%	18.82%	12.63%
MSCI Japan	2,133.34	-12.30%	1.61%	1.61%	26.58%	16.02%	6.95%
MSCI Emerging Markets	1,397.20	-13.05%	-0.13%	-0.13%	30.22%	15.32%	4.13%
Global Fixed Income							
Bloomberg U.S. Aggregate	2,347.75	-1.76%	-0.05%	-0.05%	4.35%	3.63%	0.31%
Bloomberg Gov't/Credit	2,707.29	-1.81%	-0.20%	-0.20%	3.86%	3.41%	0.24%
Bloomberg US Treasury Total Return	2,433.83	-1.74%	-0.04%	-0.04%	3.25%	2.59%	-0.14%
Bloomberg US Corporate Total Return	3,526.16	-1.98%	-0.54%	-0.54%	4.78%	7.70%	0.76%
Bloomberg US Corporate High Yield	2,900.04	-1.18%	-0.50%	-0.50%	7.01%	8.60%	4.22%
Bloomberg Global Aggregate	495.91	-3.07%	-1.07%	-1.07%	4.26%	2.59%	-1.46%
Bloomberg Municipal Bond Index	1,390.04	-2.32%	-0.18%	-0.18%	4.29%	2.87%	0.84%
Bloomberg High Yield Municipal Bond Index	472.71	-1.90%	0.71%	0.71%	2.35%	5.26%	1.90%

Source: Bloomberg as of March 31, 2026.

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Tactical Views

Asset Class	Underweight		Neutral		Overweight
Cash	·	●	·	·	·
Equities	·	·	·	●	·
U.S. Large Cap	·	·	·	●	·
U.S. Mid Cap	·	·	●	·	·
U.S. Small Cap	·	·	●	·	·
Developed Int'l	·	●	·	·	·
Emerging Markets	·	·	●	·	·
Fixed Income	·	·	·	●	·
U.S. Government	·	·	●	·	·
MBS	·	●	·	·	·
Corporates	·	·	·	●	·
Municipals	·	·	·	●	·
Muni High Yield	·	·	·	●	·
Taxable High Yield	·	·	●	·	·
Developed Int'l	·	●	·	·	·
Emerging Markets	·	·	●	·	·
Real Assets	·	·	●	·	·
Commodities	·	·	·	●	·
Timberland	·	·	●	·	·
Private Real Estate	·	·	●	·	·
Alternatives	·	·	●	·	·
Hedge Funds	·	·	●	·	·
Private Equity	·	·	·	●	·
Private Debt	·	●	·	·	·

Equity Sectors	Underweight		Neutral		Overweight
Energy	·	·	●	·	·
Healthcare	·	●	·	·	·
Consumer Discretionary	·	·	●	·	·
Industrials	·	·	·	●	·
Technology	·	·	·	●	·
Communications	·	·	●	·	·
Financials	·	·	·	●	·
Real Estate	·	·	●	·	·
Utilities	·	·	·	●	·
Materials	·	·	●	·	·
Consumer Staples	·	●	·	·	·

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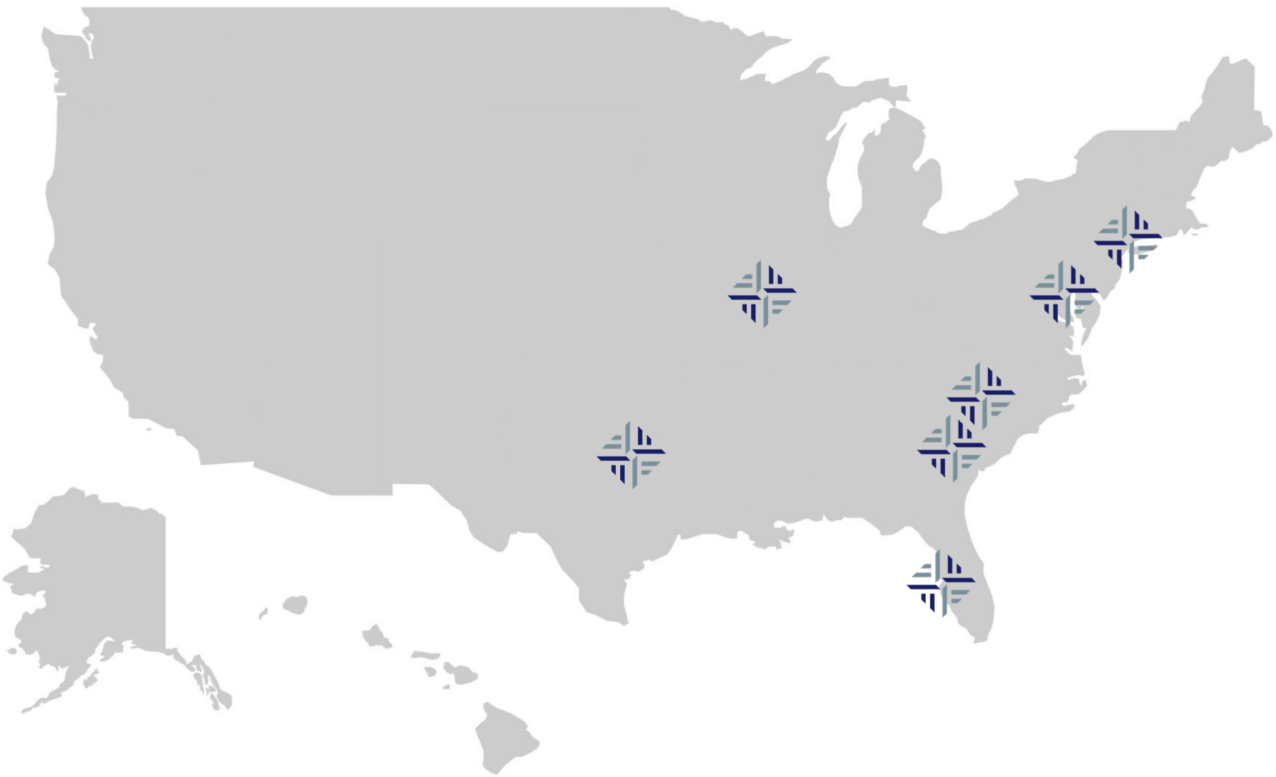

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg US Aggregate Total Return Index USD
High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long
Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
Real Assets: S&P Real Assets
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged
U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD

U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index
U.S. All Cap: Russell 3000 Total Return Index
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
US Value: Russell 3000 Value Total Return Index
US Growth: Russell 3000 Growth Total Return Index
Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index
Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index
Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index
Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index
Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index
EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index
EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index
EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index
EM Value: MSCI Emerging Markets Value Net Total Return USD Index
EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.