NEW REPUBLIC PARTNERS

MARKET COMMENTARY

Q1 2026

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Market Monitor 2026	Q1
MSCI All-Country World Index	-3.2%
S&P 500 Index	-4.3%
Bloomberg U.S. Agg. Index	0.0%
Bloomberg Commodity Index	24.4%

When In Doubt, Diversify

Q1 2026 was defined by the convergence of three powerful forces: the U.S.-Iran military conflict that sent oil prices surging, accelerating fears around AI disruption of traditional software business models, and the continuation of a broad market rotation that began in late 2025. The S&P 500 returned -4.3% with the war-induced, late-quarter volatility.

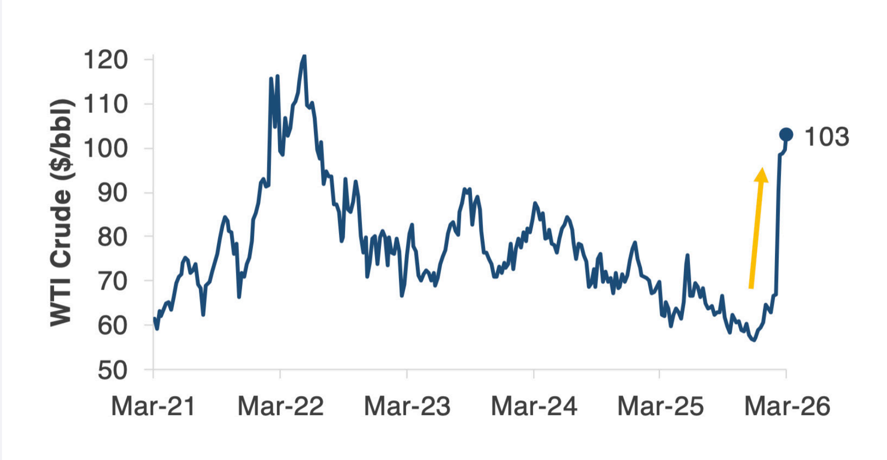
However, the average S&P 500 stock outperformed the broad index by nearly +5% as market leadership broadened. The central question entering Q2 is whether the oil shock emanating from the Iran-U.S. war remains a transient price adjustment or evolves into a structural growth headwind.

Seeing Through the Fog of War

Oil prices rose in Q1 as geopolitical tensions escalated over the course of the quarter. In January, crude oil gained nearly +13% due to supply concerns related to Venezuelan output and Middle East tensions. Prices rose another +4% in February as geopolitical tensions continued to build, followed by a sharp escalation in March. The U.S.-Iran conflict and the closure of the Strait of Hormuz, a chokepoint for roughly 20% of global oil flows, sent crude oil prices surging nearly +50% in a single month. The price of oil rose more than +70% in Q1, with Exhibit 1 showing oil trading at the highest level since mid-2022.

The rise in oil prices is justified as the current disruption is the largest in history at 11 million barrels per day. The persistence of this shock is the key variable that drives the downside risks for global markets. Higher energy costs can feed into the prices

EXHIBIT 1: OIL PRICES TRADE AT THE HIGHEST LEVEL SINCE MID-2022



Source: EIA. Time period March 2021 to March 2026. Latest available date as of 3/31/2026.

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Seeing Through the Fog of War continued

consumers and businesses pay, and the average price of a gallon of gasoline has already risen over +$1.00 since late February. Rising oil prices are particularly relevant right now because inflation was already firming before the conflict. The Federal Reserve's preferred inflation measure, Core PCE, remains near 3%, and producer-level price inflation has been rising in recent months.

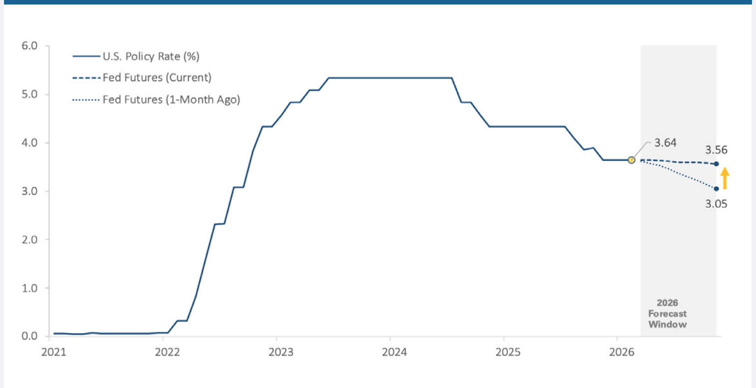
The combination of rising oil prices and the risk of renewed inflation pressure led to a shift in rate cut expectations. At the start of 2026, the market expected the Federal Reserve to cut rates two to three times by year end (Exhibit 2). However, those rate cuts were completely removed by the end of the quarter, with the possibility of a rate hike being discussed as oil prices spiked in March.

The situation remains fluid heading into Q2. The April and May inflation data will be among the first reports to capture the impact of higher energy prices, and the market will be searching for clarity around inflation outlook and interest rate policy. While the market waits for more data, headlines and developments in the Middle East will likely impact how stocks and bonds trade in early Q2. The best portfolio prescription against exogenous shocks like this and other unknowable outcomes is diversification across assets classes as well as styles and geography.

Investors Benefited from Diversification in Q1

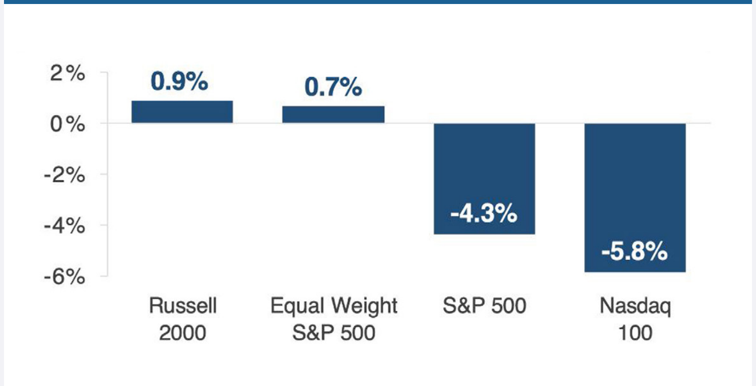
To that end, one of the quarter's most significant developments was the performance gap across different areas of the stock market. While the S&P 500 declined by -4.3%, diversified portfolios fared differently. Exhibit 3 shows a significant performance gap across company size. The Russell 2000 and equal-weight S&P 500 each gained nearly +1% in Q1, outperforming the S&P 500's -4.3% decline, an indication that smaller companies outperformed in Q1. The gap shows a clear shift in market leadership in early 2026, with multiple catalysts driving the market rotation. In a similar manner to the large-small cap rotation, the rotation from growth to value carried forward into 2026. And further on, outside the U.S., international stocks outperformed the U.S. by as much as 12% through late February. The trend reversed in March with the war, but international equities still finished ahead.

EXHIBIT 2: INTEREST RATES - HOW MANY RATE CUTS ARE FORECAST IN 2026?



Source: MarketDesk.

EXHIBIT 3: Q1 2026 TOTAL RETURNS ACROSS COMPANY SIZE



Source: S&P Global, Russell, Nasdaq.

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Investors Benefited from Diversification in Q1 continued

The result was a quarter in which market leadership shifted dramatically. We highlighted this trend in our Q4 letter, and we believe it is worth leaning into as we have increased exposure to small and mid cap companies in the U.S., added to emerging "value" opportunities within technology, and favored putting the incremental dollar in international equity exposure as opposed to the U.S. (Exhibit 4). The companies and sectors that led the market in recent years weren't the ones that outperformed in Q1. The market rotation showed the benefit of diversification. It didn't eliminate market volatility, but it helped manage it by spreading exposure across different areas of the market.

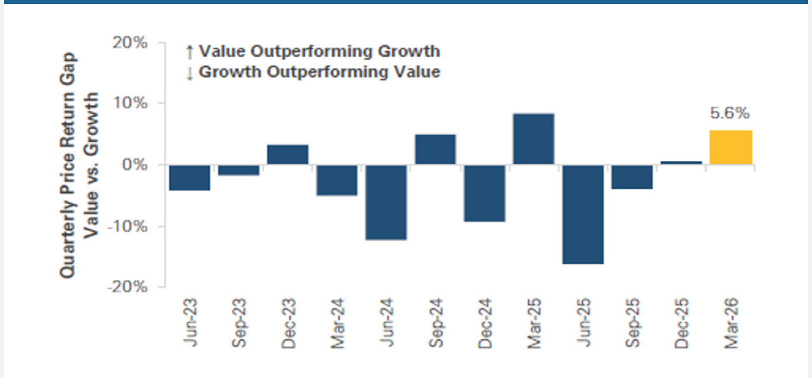
Manufacturing Data vs. Concerns of AI Disruption

Two other competing themes stood out during the quarter, both of which contributed to the rotation in the U.S. The first theme was related to manufacturing activity. The top section in Exhibit 5A graphs the ISM Manufacturing Index, which surveys purchasing managers at U.S. factories to gauge whether the sector is expanding or contracting. A reading above 50 signals expansion, while a reading below 50 signals contraction. After spending nearly a year below 50, the index crossed into expansion in February and held that level in March. The rise above 50 suggests the manufacturing sector, which has been a soft spot in the economy since 2022, was gaining traction before the conflict. Equity markets reflected that shift, with the Industrials sector setting a new all-time high in late February.

Though the economic data released in Q1 did not represent the full impact of the war, the data suggests the manufacturing sector entered the conflict with underlying momentum, which could cushion the impact. The March stock market sell-off reflected expectations about the potential impact of higher oil prices on future conditions rather than current weakness. Incoming data over the next several months will start to measure the real economic impact, and markets will be looking for clarity on the future outlook.

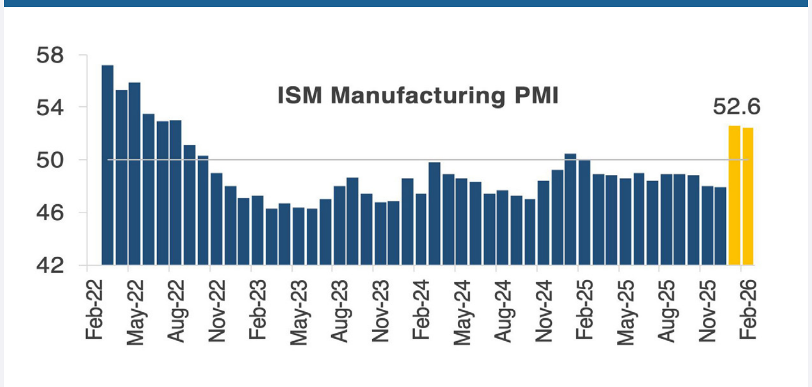
The second theme was related to AI. For the past two years, AI has been seen as a productivity tool to help existing companies do more with less. However, multiple product launches in

EXHIBIT 4: QUARTERLY PRICE RETURN GAP (VALUE VS. GROWTH)



Source: MarketDesk.

EXHIBIT 5A: MANUFACTURING DATA



Source: ISM. Time Period: Mar-2022 to Feb-2026. Latest available data as of 3/31/2026.

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Manufacturing Data vs. Concerns of AI Disruption continued

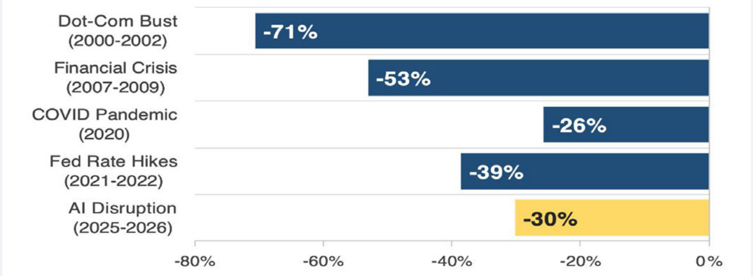
January and February changed the way investors view AI. The market started to price AI as a potential replacement for entire categories of professional services, not just a tool to make companies more efficient. The software industry was hit particularly hard and has declined nearly -30% from its peak last October, one of the largest non-recessionary drawdowns in over 30 years. Exhibit 5B puts the decline in historical context alongside the other major software sell-offs. The two largest drawdowns before the current one, the dot-com bust and the 2008 financial crisis, both occurred during recessions when corporate earnings were declining and businesses were cutting spending. However, market conditions resemble the opposite today with business investment expanding due to AI and corporate earnings continuing to increase despite the market volatility.

Against that backdrop, 2026 has showcased the ideal environment for long-short investing as 16 of the top 20 performing stocks in the S&P 500 are all beneficiaries of the AI boom while eight of the index's bottom 10 performers are software or tech-consulting companies (WSJ), (Exhibit 6). In volatile periods like these, we lean on our experts, and our tech specialists continue to invest behind the AI mega theme via the infrastructure layer and leading foundational models such as OpenAI and Anthropic. Meanwhile, they have chosen to invest in the application/software layer of the tech stack in a selective manner on the long side and shorting those software businesses that are truly disrupted by AI.

Private Equity: Momentum Returns with Caveats

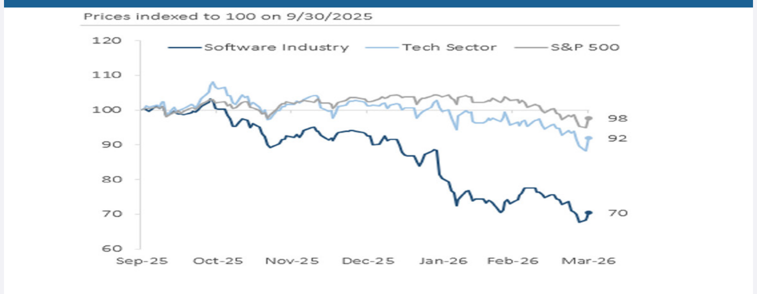
As we wrote mid-quarter regarding private credit, there have been two significant forces dominating headlines: one is the structural concerns around large evergreen private credit vehicles and the other is the AI disruption in software businesses. These twin forces revealed a wide degree of differentiation in investment approach in private markets which suggests investors should think very carefully about fund structure and fund size. If there is a mismatch in an investor's time horizon and liquidity terms and the underlying investment's liquidity profile, that is a misalignment worth analyzing. Like any investment, these developments underscore the importance of "knowing what you own" through experienced due diligence on the underlying investments and careful examination of fund structures, leverage, and liquidity (Exhibit 7). After three years in the relative doldrums, private equity finally started to build some momentum in 2025.

EXHIBIT 5B: SOFTWARE INDUSTRY SELL-OFF



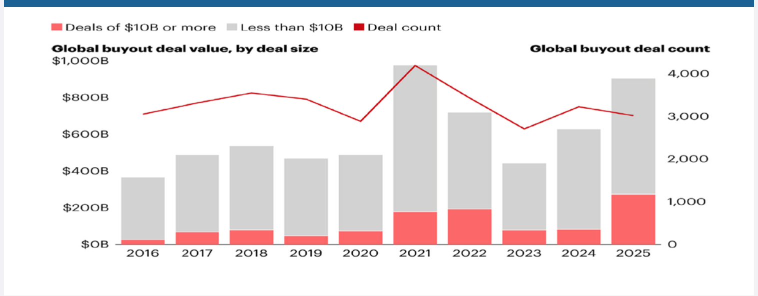
Source: S&P. Technology Software Index. Index performance is for illustrative purposes only and does not reflect any management fees or transaction costs.

EXHIBIT 6: PERFORMANCE COMPARISON



Source: MarketDesk.

EXHIBIT 7: CONTINUED THAW IN PRIVATE EQUITY ACTIVITY



Source: MarketDesk..

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Private Equity: Momentum Returns with Caveats continued

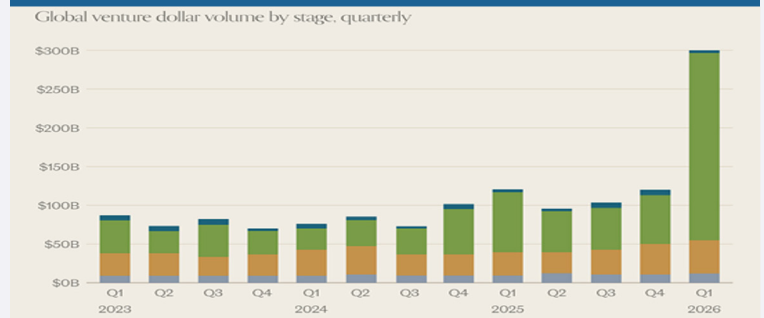
Venture-backed exits were propelled by a narrow swath of headline deals, while buyout activity was considerably broader with deal volume picking up across the year (Exhibit 8). The industry's recovery appears to be gaining traction as more private equity firms shake off economic uncertainty and valuation qualms to put more money to work and speed up distributions to investors. In Q1, AI drove a record volume of venture capital flows as investors searched for the best channels to get behind this mega theme.

In short, AI is such a rapidly evolving technology that it has the potential to transform and disrupt different industries in both the public and private markets. On the private equity side, we have substantial upside exposure to AI innovation. Our PE portfolio accesses this wave through managers we consider best-in-class across software and tech platforms of all types. Additionally, our portfolio includes a direct investment in Anthropic, one of the clearest AI beneficiaries in the private market.

Real Assets in the Rear View Mirror

In Q4, we also recommended that Real Assets deserve a spot in investor portfolios for both offensive and defensive reasons (Exhibit 9). Q1 highlighted a defensive reason for Real Assets, as they responded positively to the ramp-up in geopolitical risk/conflict between Iran, the U.S., and Israel. With the Strait of Hormuz closed, the price of oil skyrocketed, prices rose for petrochemicals used in manufactured goods, and prices increased for fertilizer ingredients such as urea, ammonia, and sulfur (Exhibit 10). The Gulf region is a major hub for agricultural exports, and impacted countries, such as Qatar, account for one-third of the global supply of helium which saw prices rip higher. Exogenous shocks are hard to anticipate; thus, in our view, having a consistent, strategic allocation to Real Assets is one of the best ways to prepare for such shocks while still building value.

EXHIBIT 8: Q1 2026 WAS THE LARGEST VENTURE QUARTER



Source: MarketDesk, Crunchbase.

EXHIBIT 9: ASSET CLASS PERFORMANCE - Q1 2026

Source: MarketDesk.

EXHIBIT 10: FERTILIZER PRICES BY REGION

Source: Bloomberg, JPMAM March 20, 2026.

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2026 Outlook – What to Watch in Q2

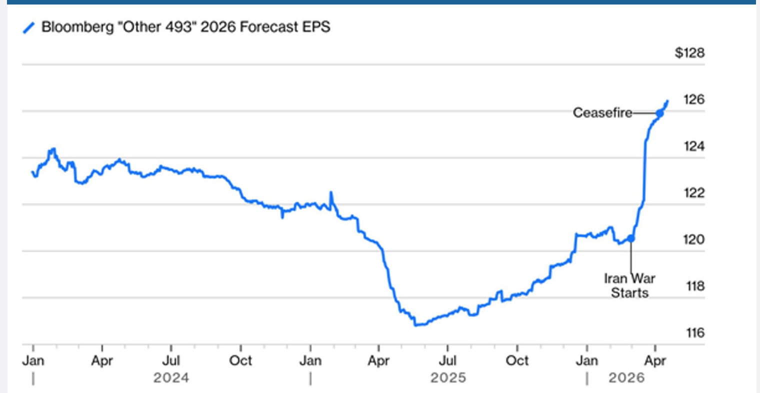
A key development to watch heading into Q2 is the situation in the Middle East and its impact on oil prices. As of the date of writing this commentary, the Strait of Hormuz remains closed with negotiations ongoing. Progress towards a resolution would likely ease energy costs and reduce inflation pressures, giving the Federal Reserve more flexibility on interest rate policy (Exhibit 11). A prolonged disruption would give higher oil prices more time to work their way through to the economy, potentially affecting consumer spending and business investment while keeping inflation elevated. Properly diversified portfolios are prepared for either scenario.

The connection between oil prices, inflation, and Federal Reserve policy is the thread that tied the quarter together and will remain top of mind in the near-term. Higher oil prices contributed to the shift in rate cut expectations, and the upcoming April and May inflation data will be the first reports to capture the full impact of higher energy costs. How those readings come in will shape the outlook for interest rates and the broader economy.

We also are watching company earnings and how businesses will adjust to higher input costs. To date, overall S&P 500 earnings are expected to hit another record high in Q1, rising another 14%. We are also monitoring company projections and other indicators to see if those higher costs begin to impact corporate strategy.

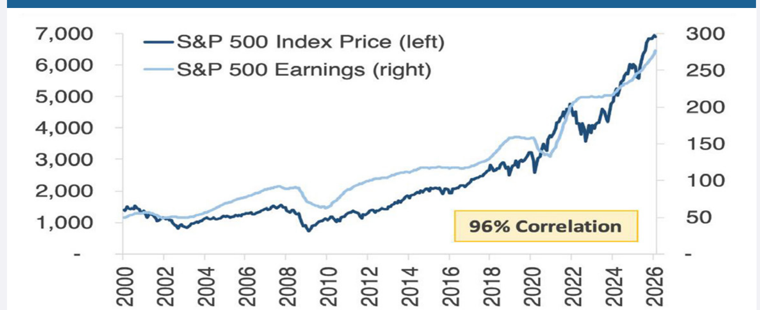
Exhibit 12 shows the relationship between the S&P 500's price and earnings over the past 26 years. The two have moved together with a 96% correlation. When earnings rise, stock prices generally follow. When earnings decline, as they did during the 2001 recession, the 2008 financial crisis, and the 2020 pandemic, stock prices tend to fall. It's worth noting that in the current environment earnings estimates have continued to rise even as the S&P 500 has pulled back. Analysts still expect earnings growth in the coming quarters, and profit margins remain healthy. The market's decline has been driven by uncertainty around oil prices, inflation, and Fed policy, not by a deterioration in the fundamentals that drive stock prices over time. That distinction is important for long-term investors.

EXHIBIT 11: FORECASTS FOR THE FULL YEAR HAVE SURGED



Source: Bloomberg Earnings Estimates Graphs.

EXHIBIT 12: S&P 500 PRICE INDEX VS. EARNINGS GROWTH



Source: MarketDesk,

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2026 Outlook – What to Watch in Q2 continued

The first quarter also reinforced the importance of portfolio diversification. The areas of the market that led over the past two years underperformed in Q1. Investors with broad exposure across company sizes, investment styles, sectors, and geographies generally experienced a more moderate decline than the S&P 500. Staying invested through periods of market volatility, maintaining portfolio diversification, and keeping a long-term perspective form one of the most effective approaches for building and maintaining wealth.

—NRP Investment Committee
April 29, 2026

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