

Market Review

as at March 31, 2026

Markets began the year strongly, continuing the bull run supported by positive economic signals. However, geopolitical uncertainty in March weighed on sentiment, resulting in negative returns across many major indices during the first quarter.

Geopolitical disruptions have tightened global oil supply and increased energy costs, highlighting limitations in short-term capacity flexibility. Financial markets continue to move through cycles of growth and adjustment, reinforcing the importance of long-term planning and resilience.

Asset Returns

The year started positively as economic data remained supportive – inflation trends were gradually improving, and growth was broadly resilient. However, geopolitical conflicts in the Middle East have since overshadowed underlying fundamentals. Until greater global certainty returns, news-driven events are expected to have an outsized influence on markets compared with traditional economic indicators.

In North America, large-cap equities struggled, with the technology sector leading the drawdown amid growing concerns around the sustainability of AI investment and the future outlook for software. The Nasdaq Index (tech and growth oriented) recorded a return of -7.0% for the quarter. The Russell 2000 Index, representing small-cap equities, benefited from early-year gains and finished the quarter positive, returning 0.9%. Meanwhile, the S&P 500 Index, representing large-cap equities, declined 4.3% over the quarter.

International equities outperformed their North American counterparts, largely due to lower starting valuations, which resulted in less downside pressure as less growth was priced in. The MSCI EAFE Index (representing Europe, Australasia, and the Far East) posted a year-to-date return of -1.1%. Emerging markets modestly outperformed developed markets, benefiting from commodity exposure.

Fixed income remained relatively stable throughout the quarter, although high-yield assets detracted from overall returns. Concerns emerged following redemption gating at private credit funds, leading to increased uncertainty around private credit and the future availability of capital for higher-risk, higher-return segments of the fixed income market.

Commodity markets had a strong start to the year, driven largely by geopolitical tensions. Oil is up 83.4% YTD. Gold also performed well in January and February; however, it experienced a pullback in March as investors appeared to lock in gains. Gold remained up 7.1% at the end of the first quarter.

Geopolitical Conflict Impact

Saudi Arabia has announced that its refining capacity has been reduced by 600,000 barrels per day due to strikes on oil facilities. A North America-based analyst has noted that damage to plants in the Middle East is expected to result in a minimum of three years of disruption, with five years more likely before production returns to pre-damage levels.

Most nations that can reliably produce oil without major geopolitical concerns, such as Canada and the Nordic countries, face significant regulatory and environmental constraints. As a result, they are unable to increase capacity quickly. Many of these countries also have limited or no strategic oil reserves available to help alleviate short-term supply pressure. The United States had already drawn down its strategic oil reserves during the early stages of the Russian conflict, and the process of rebuilding these reserves is slow. Consequently, they were not fully replenished prior to this market shock. Previously unutilised capacity has now been brought online.

Venezuelan oil is once again being refined in the United States, and the US has allowed short-term trading with Russia to help stabilise supply. Countries reliant on imported oil and fuel are likely to be disproportionately impacted by rising costs.

Market Review (continued)

Volatility

Retail investors generally believe that market returns will be stable and continuous, but this is not how markets actually behave. The S&P 500 Index is characterised by periods of strong gains followed by either a correction or a bear market, which are often larger than the strongest up years.

The median return may be higher than the mean, as negative years drag down the average due to the fact that larger gains are required to recover losses. Markets are not guaranteed to rise in a linear manner. Japan is a clear example: following its crash at the start of the 1990s, a recovery back to previous market highs did not occur until February 2024.

Outlook and Portfolio Positioning

As we enter the second quarter, financial markets are balancing de-escalation hopes against inflation uncertainty – much will depend on the duration of the energy shock. Volatility is expected to be the dominant theme in the near term. It is not possible to plan for daily market movements, as markets are reacting rapidly to press releases, which are often followed by revisions that move prices in the opposite direction. However, from a long-term perspective, we continue to believe in the resilience of markets and the importance of avoiding emotionally driven decisions.

During the first quarter, we rebalanced portfolios, with the primary change being a shift away from US equity dominance towards global ex-US exposure. This rebalance was completed at the end of January, near the peak of the S&P 500, and has been beneficial for portfolios. Our objective is not to time markets, but to maintain a disciplined, long-term investment approach with a strong focus on sustainability.

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Macro Indices Report as at March 31, 2026 (percent)

	MAR	FEB	JAN	Q1 2026	YTD	2025	Annualized	
							3 Years	5 Years
GLOBAL EQUITY								
MSCI AC World Total Return	-7.2	1.3	3.0	-3.2	-3.2	22.3	16.6	9.5
MSCI EAFE	-10.2	4.6	5.2	-1.1	-1.1	32.0	14.3	8.6
NORTH AMERICA EQUITY								
S&P 500 Total Return	-5.0	-0.8	1.5	-4.3	-4.3	17.9	18.3	12.1
DOW JONES INDUSTRIAL AVG	-5.2	0.3	1.8	-3.2	-3.2	14.9	13.8	9.1
S&P 400 Net TR	-5.4	4.1	4.0	2.4	2.4	7.0	11.6	6.4
NASDAQ COMPOSITE	-4.7	-3.3	1.0	-7.0	-7.0	21.2	21.8	11.1
RUSSELL 2000 INDEX	-5.0	0.8	5.4	0.9	0.9	12.8	13.0	3.7
S&P/TSX COMPOSITE INDEX	-4.3	7.7	0.8	4.0	4.0	31.7	21.2	15.2
EUROPE EQUITY								
S&P EUROPE 350 INDEX	-7.6	3.9	3.3	-0.8	-0.8	20.4	11.9	10.1
FTSE 100 INDEX	-6.2	7.0	3.0	3.4	3.4	25.7	14.0	12.6
CAC 40 INDEX	-8.8	5.6	-0.3	-4.0	-4.0	14.3	5.5	8.3
DAX INDEX	-10.3	3.0	0.2	-7.4	-7.4	23.0	13.2	8.6
ASIA EQUITY								
MSCI AC Far East Ex Japan	-13.7	6.6	11.0	2.1	2.1	37.2	13.3	0.7
NIKKEI 225	-12.7	10.4	5.9	2.1	2.1	28.7	24.3	14.0
HANG SENG INDEX	-6.6	-2.8	6.9	-3.0	-3.0	32.5	11.0	0.8
S&P/ASX 200 INDEX	-6.9	4.2	1.8	-1.3	-1.3	11.4	10.8	10.0
SHANGHAI SE COMPOSITE	-6.5	1.1	3.9	-1.8	-1.8	21.7	9.1	5.3
SOUTH AMERICA & EM EQUITY								
MSCI EM Net Total Return USD Index	-13.1	5.5	8.9	-0.2	-0.2	33.6	14.8	3.7
S&P LATIN AMERICA 40	-2.9	3.4	15.7	16.2	16.2	54.5	21.6	14.2
BRAZIL IBOVESPA INDEX	-0.7	4.1	12.6	16.3	16.3	34.0	22.5	9.9
S&P BSE SENSEX INDEX	-11.5	-1.1	-3.4	-15.4	-15.4	10.5	8.3	9.2
FIXED INCOME								
ICE BoA 1-3 Year US Treasury Index	-0.4	0.5	0.2	0.3	0.3	5.1	4.0	1.9
BLOOMBERG US Agg	-1.8	1.6	0.1	0.0	0.0	7.3	3.6	0.3
BLOOMBERG Multiverse (Unhedged)	-3.1	1.1	1.0	-1.1	-1.1	8.4	2.9	-1.2
Citi World BIG US Hedged	-1.9	1.5	0.3	-0.1	-0.1	5.1	3.7	0.2
ICE BoA US High Yield Index	-1.2	0.2	0.5	-0.5	-0.5	8.5	8.5	4.2
JPM EMBI Global Core – US\$	-3.5	1.4	0.3	-1.9	-1.9	13.9	10.2	1.4
JPM EM Global Cove – Local	-5.5	1.2	2.2	-2.3	-2.3	19.0	8.8	1.0
COMMODITIES								
BLOOMBERG Commodity Index	11.1	0.8	10.0	23.3	23.3	11.1	8.6	10.1
GOLD	-11.2	10.9	8.8	7.1	7.1	62.5	32.0	21.2
OIL (WTI)	55.3	3.3	14.2	83.4	83.4	-7.6	25.3	25.8

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