



Q1 2026

NOTES ON THE
MARKET



Ethos

STRATEGIC INVESTMENTS

Q1 2026 RECAP

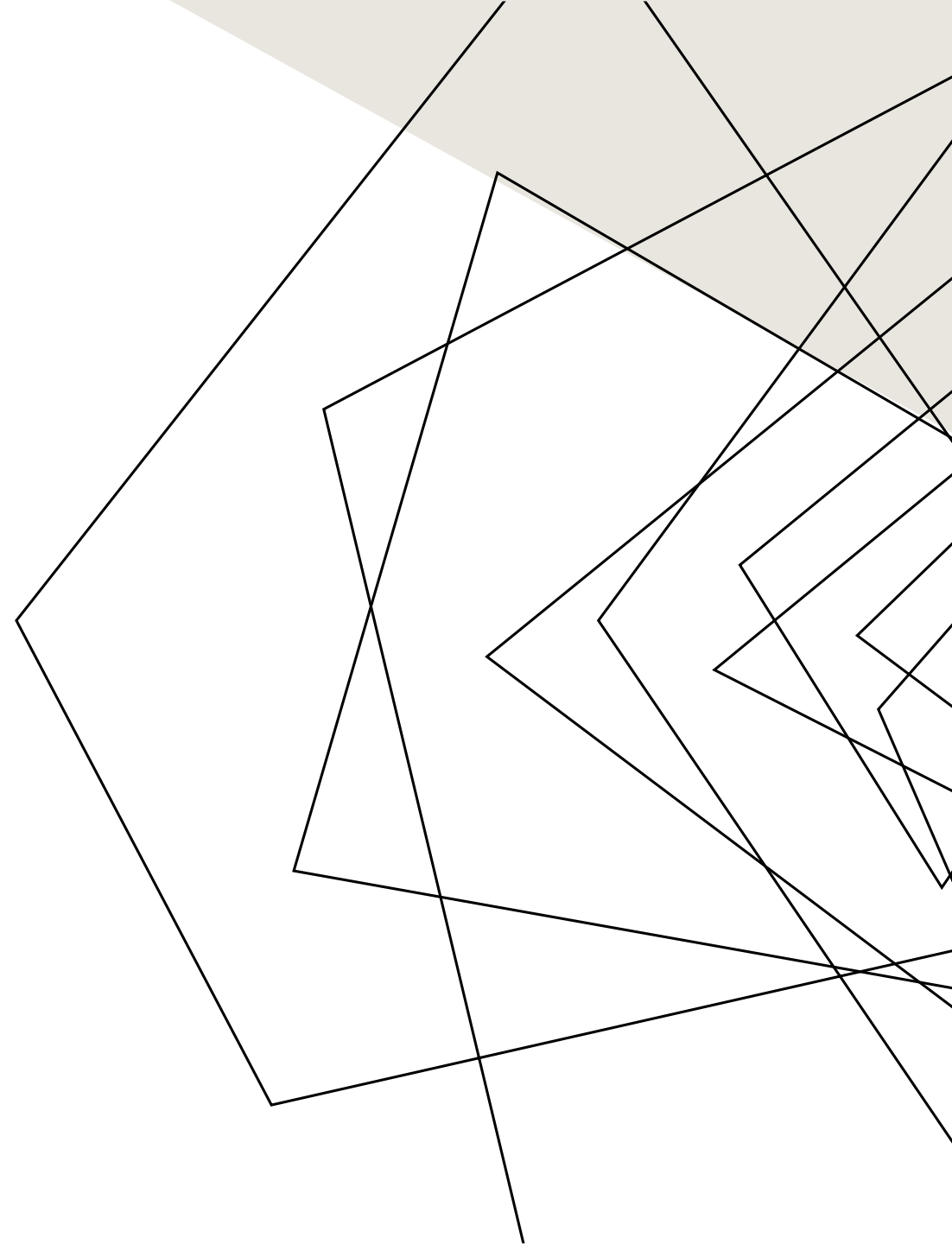
The first quarter was in many ways a continuation of themes held over from the end of the prior year. Technology stocks declined, exacerbated by rapid advancements in AI capabilities and evolving competitive dynamics. The release of new AI models, including Anthropic's "Cowork," contributed to increased uncertainty around long-term business models in certain sectors.

Beneath the surface, a rotation toward companies with more tangible asset bases emerged. Infrastructure related equities more focused in areas such as construction and base materials, for example, outperformed during the period.

Geopolitical tensions escalated in late February, particularly involving the U.S., Israel, and Iran. Disruptions to energy supply routes contributed to increased volatility in oil markets and broader uncertainty. While there are early signs of potential de-escalation, the situation remains fluid.

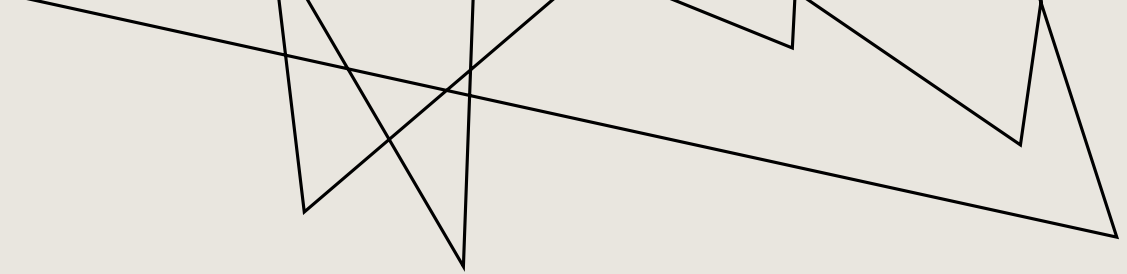
Domestic equity valuations have adjusted meaningfully, though the path forward will depend on economic data, policy decisions, and geopolitical developments.

"Through discipline comes freedom." ~Aristotle





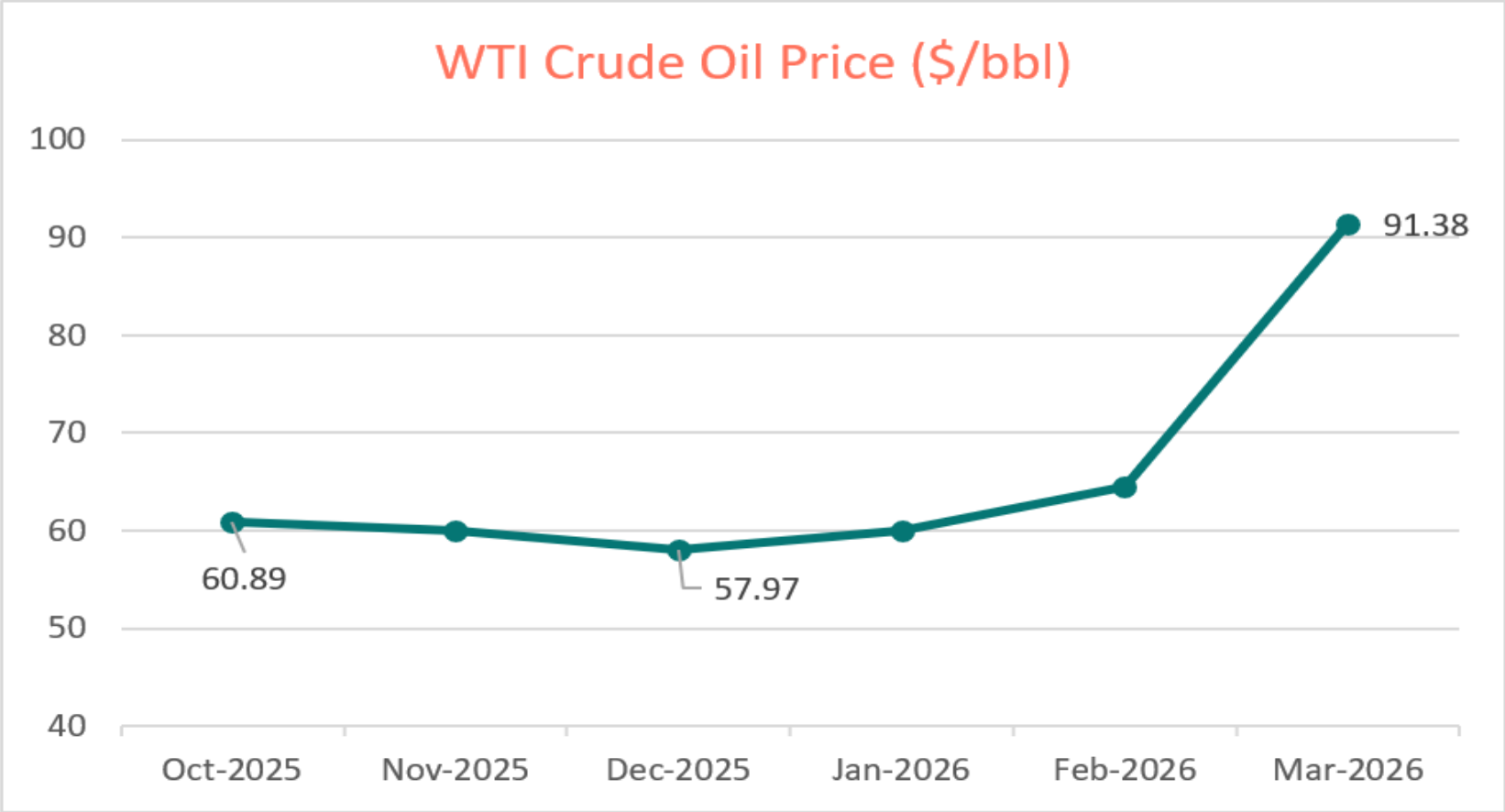
CRUDE REALITY: OIL ROARS BACK



SUPPLY, DEMAND, AND A 58% SURGE IN OIL

War, supply disruptions, and the Strait of Hormuz had significant impact on oil prices.

- The war with Iran effectively closed the Strait of Hormuz, a critical passageway for roughly 20% of the world's seaborne oil supply, contributing to one of the most significant energy supply disruptions in recent decades.
- WTI crude oil surged 58% during Q1, closing at \$91.38 per barrel.
- At the consumer level, gasoline prices rose more than a dollar per gallon in a month, jumping from \$2.98 on average to \$3.98 as of March 26th, 2026.



Source: U.S. Energy Information Administration (EIA)

Data from EIA, AAA
WTI spot price (Cushing, OK).



SAAS-POCALYPSE
NOW:
THE GREAT RESET
IN TECH



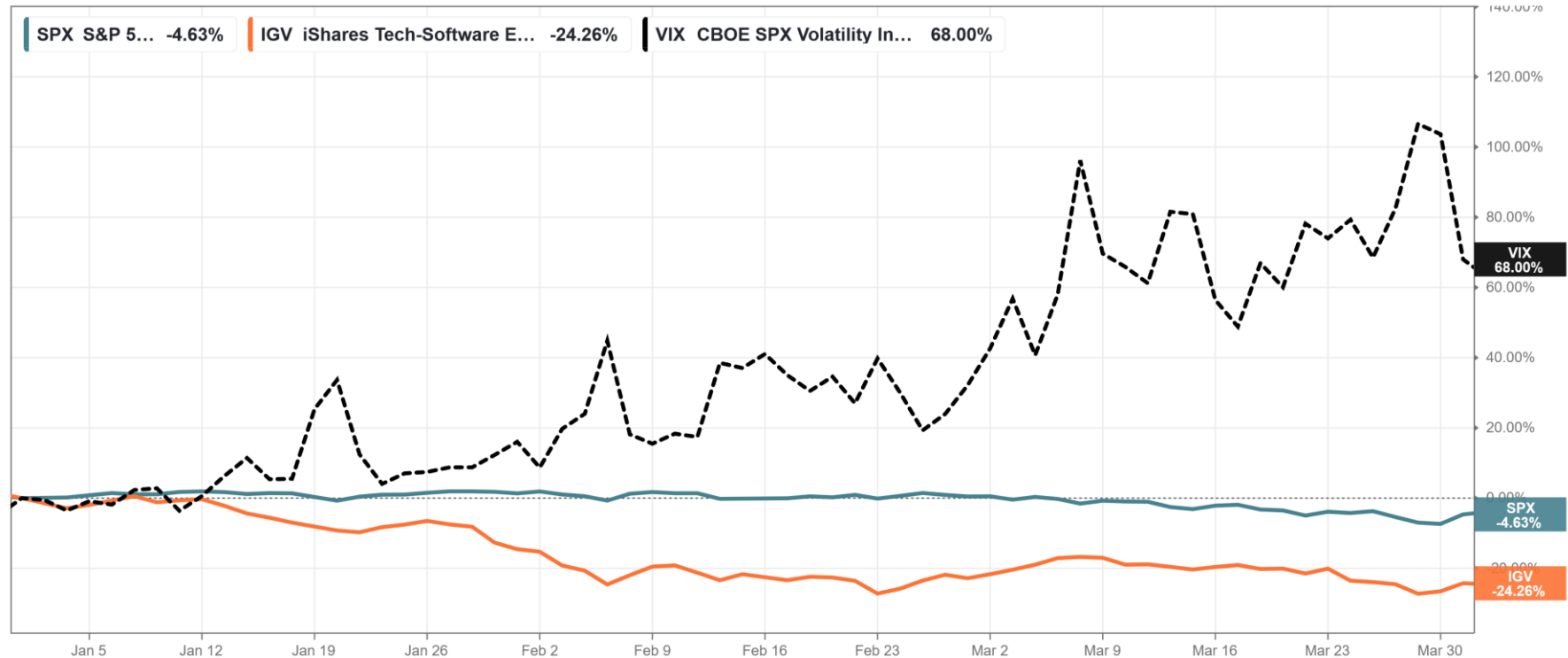
The End.

THE SAAS-POCALYPSE HAS BEGUN

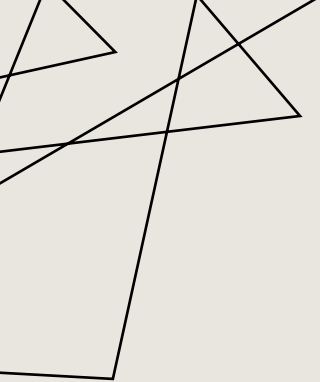
Fears grew rapidly that software-as-a-service companies were going to be replaced by advances in AI.

Software Stocks Sink as Volatility Runs Hot

- Volatility increased significantly year-to-date, rising 68% on geopolitical uncertainty and shifting market expectations.
- Software equities, as represented by the IGV, iShares Tech-Software Sector ETF, fell -24.26% for the quarter. The release of new AI tools contributed to investor reassessment of competitive advantages and long-term growth assumptions across the sector.
- The S&P 500 remained relatively stable early in the quarter before declining amid escalating geopolitical tensions, ending the quarter down -4.63%.



Data from Koyfin



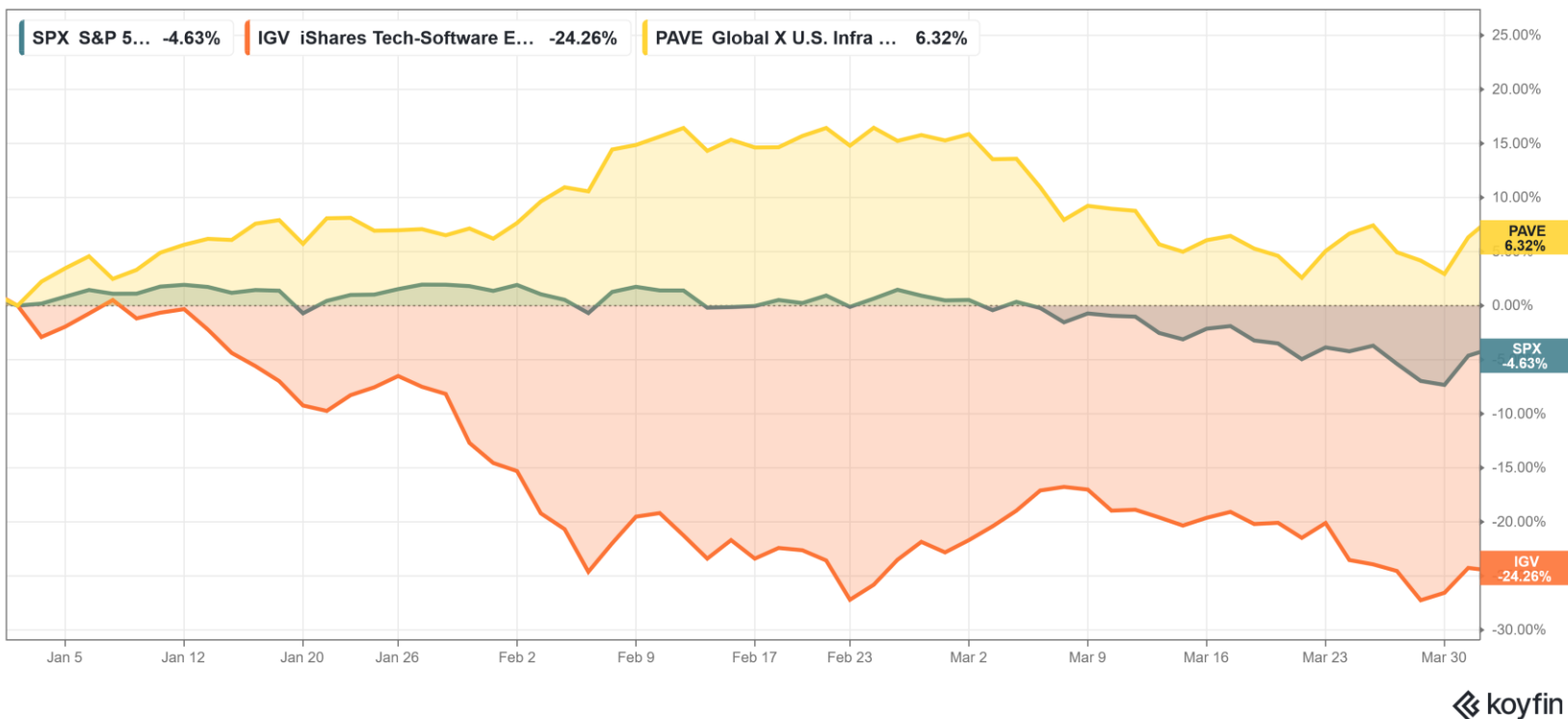
H.A.L.O.:
THE REVENGE OF REAL
ASSETS



THE HALO EFFECT, WHEN BORING BEATS BRILLIANT

As AI proved to be more disruptive than anticipated, stocks churned with clear winners and losers.

HALO- Heavy Assets, Low Obsolescence Stocks Dominated



Data from Koyfin.

HALO term coined by Josh Brown of Ritholtz Wealth Management.

- Companies with real, tangible assets outperformed during the quarter. Infrastructure-related equities, as represented by PAVE, Global X U.S. Infrastructure Development ETF, posted gains of 6.32%
- In contrast, sectors deemed to be “obsolete” by investors experienced declines as investors reassessed growth expectations and competitive positioning. Software stocks in particular were hit hard, falling -24.26% as represented by the IGV, iShares Tech-Software Sector ETF.
- This rotation contributed to relatively muted index-level performance in the S&P 500 in the early part of the year.

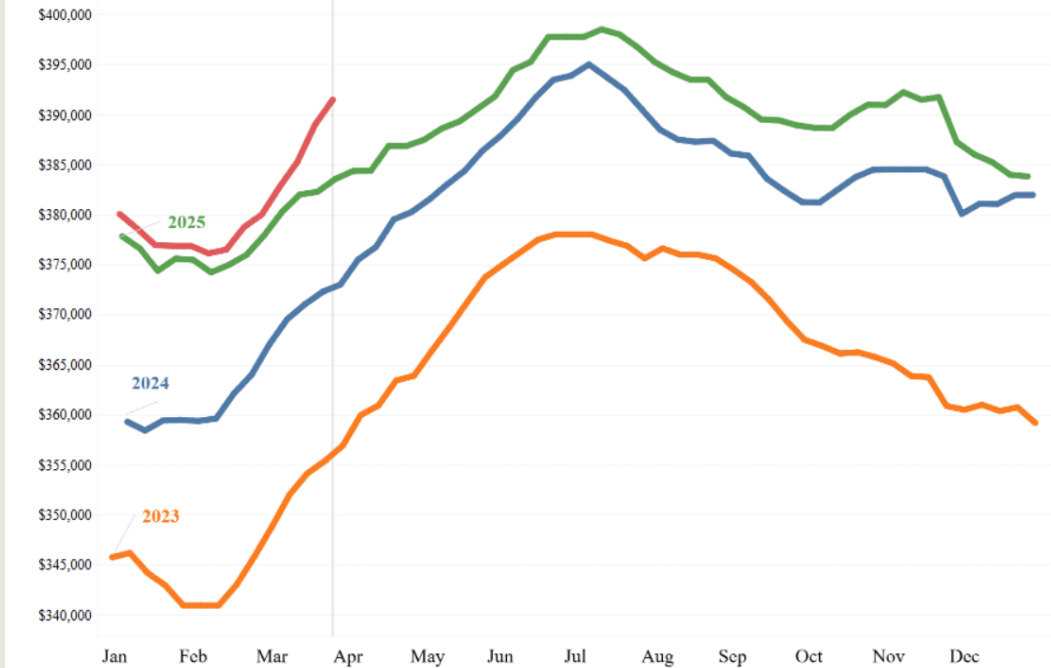
HOT PRICES,
COOL BUYERS



WHEN PRICES RISE BUT POWER SHIFTS

- Home prices continued to appreciate in Q1 2026, posting the largest year-over-year gain in the last several years.
- Fewer homes sold above list price as buyers remain cost-conscious amid elevated interest rates and economic uncertainty.
- The number of sellers exceeded buyers by the widest margin since 2013, suggesting shifting dynamics that may provide increased negotiating leverage for buyers.

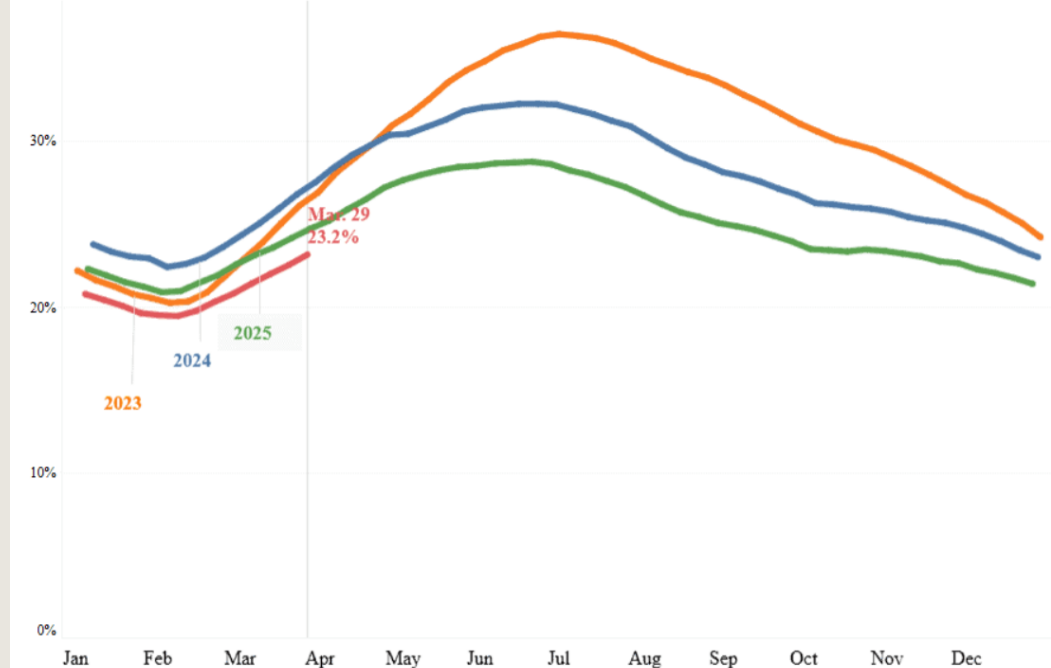
Median Sale Price +2.1% Year Over Year
4-week rolling average of the median sale price of homes sold



Source: Redfin analysis of MLS data



23% of Homes Sold Above Final List Price
4-week rolling average share of homes sold above list price



Source: Redfin analysis of MLS data





WHERE DO WE GO FROM HERE?

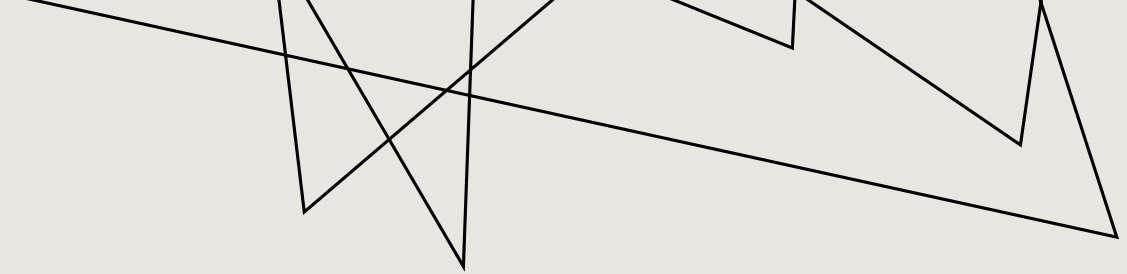
It has been a volatile start to the year, which has contributed to a repricing across several asset classes.

As geopolitical developments evolve, markets may continue to experience periods of uncertainty. Longer-term outcomes will likely depend on the trajectory of global conflict, inflation trends, and central bank policy.

Valuations in certain areas of the market have adjusted following recent rotations, particularly within technology and growth-oriented sectors. At the same time, advances in artificial intelligence continue to influence expectations for productivity and corporate earnings.

While economic pressures remain elevated for many households, there are early indications that some cost pressures may be stabilizing.

As always, maintaining a disciplined, long-term investment approach remains key in navigating changing market environments.





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STRATEGIC INVESTMENTS

Questions? Comments? Like what you read?
Reach out to chat or schedule a financial review:

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