Quarterly Commentary
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The Path Forward: Keeping Focus Beyond the Headlines

Ralph Wanger, the longtime portfolio manager who guided the Acorn Fund to a market-crushing 16.3% annualized return from 1970 to 2003, once compared the stock market to an excitable dog zig-zagging on a leash through Central Park while its owner walked steadily forward down the path. In the analogy, taken from William J. Bernstein's book, "The Four Pillars of Investing," the dog represents short-term volatility. It's unpredictable, often tied to headlines, sometimes dramatic, and impossible to forecast. The owner represents the underlying economy and the long-term progress of businesses, the real drivers of long-term market returns.

That lesson feels especially relevant today, as war-driven oil spikes, shipping disruptions in the Strait of Hormuz, and the swirl of headlines about artificial intelligence, inflation, and policy uncertainty have the "dog" lurching in every direction.

The market's down thus far in 2026, and it may feel like the dog is pulling the leash harder than usual. At NewSquare Capital, we sympathize: Today's volatility feels risky, and may tempt investors to pull back or make major adjustments to their portfolios. We often write about behavioral finance and emotions, and we know that fear, loss aversion, and headline driven reactions can drive decisions that feel safe in the moment but can negatively impact long-term outcomes.

> *"Volatility actually is the opposite of risk. It's opportunity. But you need to think through and fight some basic human weaknesses."*
>
> —Jeff Ubben, billionaire activist investor, co-founder of ValueAct Capital and Inclusive Capital Partners

We also consistently talk about risk management, building a well-thought-out plan, understanding what your portfolio is designed to do, and knowing why you own what you own. ***You have that plan for a reason. Now is the reason.*** After all, these key principles aren't meant for steadily rising bull markets. They're built for times when volatility shows its teeth and emotions—or "basic human weakness," in Ubben's words—try to pull you off the path. To forget your plan or abandon it now doesn't make sense. It's better, Ubben believes, to focus on opportunity than the volatility. Or, in Wanger's tale, to focus on the owner as opposed to the dog.

> *You have that plan for a reason.* ***Now is the reason.***

What history tells us

History helps reinforce that lesson. Since 1940, across any number of conflicts, invasions, terror attacks, and geopolitical crises, U.S. equities have largely followed the same pattern over and over again. The S&P 500® Index tends to pull back briefly and temporarily amid risk and uncertainty, but tends to stabilize and recover, often surprisingly quickly, to its upward path as the market realigns to the fundamentals that ultimately matter.

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The Dog Lunges, But the Owner Keeps Moving Forward

Event	Start Date	1-month Returns	3-month Returns	1-year Returns	3-year Returns
Germany invades France	May 10, 1940	-23.55	-10.48	-14.21	24.65
Pearl Harbor attack	December 8, 1941	1.50	-6.73	12.15	74.05
Korean War begins	June 26, 1950	-2.37	8.20	27.47	62.80
Cuban Missile Crisis	October 16, 1962	5.40	14.41	32.09	75.87
JFK assassination	November 22, 1963	6.71	12.53	27.79	25.85
Six-Day War	June 5, 1967	4.12	7.37	16.57	-4.56
Tet Offensive	January 30, 1968	-3.80	5.92	13.87	14.53
Yom Kippur War	October 8, 1973	-2.63	-11.97	-38.71	5.47
Iranian Revolution	January 16, 1979	-0.36	3.02	17.92	37.06
US Embassy Hostages	November 5, 1979	5.83	14.14	36.11	64.26
USSR invades Afghanistan	December 24, 1979	6.09	-6.57	33.06	52.60
US bombs Libya	April 14, 1986	0.40	1.21	21.60	40.77
Black Monday	October 19, 1987	7.07	12.01	27.90	54.74
Panama invasion	December 20, 1989	-0.89	0.48	-0.22	41.93
Iraq invades Kuwait	August 2, 1990	-7.86	-10.44	14.02	40.66
Gulf War bombing	January 17, 1991	12.94	20.00	31.83	57.81
Soviet coup attempt	August 19, 1991	3.21	1.58	14.50	34.32
First WTC bombing	February 26, 1993	1.20	3.02	8.05	58.99
OKC bombing	April 19, 1995	3.15	9.87	30.88	136.49
US embassy bombings	August 7, 1998	-10.47	5.15	21.01	14.79
9/11 attacks	September 17, 2001	3.80	9.58	-14.64	14.26
Madrid bombings	March 11, 2004	3.03	3.07	10.34	33.86
London bombings	July 7, 2005	2.49	0.29	7.63	10.78
Russia annexes Crimea	February 27, 2014	-0.14	3.60	15.82	36.11
Paris attacks	November 13, 2015	-0.33	-7.31	9.33	43.02
Russia invades Ukraine	February 24, 2022	5.54	-7.74	-5.88	46.04
AVERAGE		**0.77**	**2.85**	**13.70**	**42.20**

Source: Bloomberg/NewSquare Capital. Based on daily S&P 500® closing levels from 1940–2025. Event dates were aligned to the nearest available trading day. Returns represent total return performance (dividends included). Past performance is not indicative of future results. Investors cannot invest directly in an index.

As the data shows, market volatility around these events tends to be sharp but short-lived. One-month outcomes are widely dispersed, with roughly equal odds of gains or losses, with a flat average return. However, the further we move away from the initial shock, the better the market tends to do. After three months, 17 of 26 (65.4%) periods were positive, with a nearly 3% gain. The S&P 500® delivered positive one-year returns after nearly 80% of the events, together with an average return just shy of 10%. Three years after the fact, the market posted gains in almost every instance, with a 42.2% average gain. We see from history that the market's initial reaction has rarely dictated longer-term outcomes. Instead, markets have been far more resilient than most investors expected.

At NewSquare, we acknowledge the weight of today's head-lines, rising gas prices, and the stress of volatile markets, but we don't allow those things to dictate our decisions. Markets will move on events no one can predict, and we've never built

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In quarters like this, discipline is not simply a guardrail. It is our strategy.

portfolios on prediction. What we can do is evaluate conditions as they evolve, listen to what markets are signaling, and adjust portfolios when the evidence—not emotion—warrants it. ***In quarters like this, discipline is not simply a guardrail. It is our strategy.*** Our responsibility is to stay aligned with long-term goals, maintain perspective amid short-term turbulence, and continue making decisions based on analysis rather than impulse.

Market Review: First Quarter 2026

U.S. stocks declined during the first quarter as rising geopolitical tensions, spiking oil prices, and renewed uncertainty around monetary policy weighed on sentiment. The S&P 500® Index fell -4.4% during the period as investors absorbed the economic impact of February's U.S.–Israel strikes on Iran and the effective shutdown of oil flows through the Strait of Hormuz. Oil prices surged in response, with West Texas Intermediate (WTI) crude rising from the high-$50s in early January to as high as $119, closing the quarter at $101. (Brent crude, the global standard, spiked to $119 before settling the quarter at almost the same price.) Rising prices added a powerful inflationary impulse and raised fears of slower growth. Meanwhile, the "Magnificent Seven[1]" leaders that had driven markets higher in prior years posted broad declines as investors reassessed stretched valuations, heavy AI-related capital spending, and rising yields. Against this backdrop, concerns about recession risk, consumer confidence, and the durability of corporate earnings weighed on investor sentiment.

Bond markets reflected the same cross-currents, with Treasury yields climbing through the quarter as investors priced in the inflationary effects of the energy shock and reduced expectations for rate cuts in 2026. The benchmark 10-year Treasury yield rose as high as 4.48%, wrapping the quarter with a 149 basis points gain to 4.31%—its highest level since mid-2025. Markets shifted from anticipating easing to assigning rising odds of a potential rate hike later in the year. Short-maturity yields moved even more abruptly, highlighting concern that higher oil prices and tariff-related pressures could keep inflation elevated longer than expected. Although fixed income returns were broadly flat for the quarter, day-to-day volatility was pronounced as markets grappled with conflicting signals.

Commodities markets were dominated by the oil shock. With the Strait of Hormuz effectively closed to commercial shipping and Gulf producers cutting output, the International Energy Agency described the disruption as the largest supply shock in the history of the global oil market, and emergency reserve releases only partially offset the loss of flows. Gold, by contrast, benefited from safe-haven demand as geopolitical risk and inflation concerns supported prices. While the quarter was defined by energy volatility, the broader commodity complex responded unevenly, reflecting uncertainty about global growth and shifting expectations around the conflict.

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[1]A group of seven large, influential, and high-performing technology-focused companies, that hold massive influence over indices like the S&P 500. The seven companies are Alphabet, Inc (GOOG) , Amazon (AMZN), Apple Inc (AAPL), Meta Platforms, Inc (META) , Microsoft Corp (MSFT), Nvidia Corp (NVDA), and Tesla Inc (TSLA).

Indexes referenced: The S&P 500® index is widely regarded as the best single gauge of large-cap US equities. The Index includes 500 leading companies and covers approximately 80% of available market capitalization.

Additional statistical data sourced from: Bloomberg Finance, LPL Research, Morningstar, and NewSquare Capital, LLC.

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