

First Quarter 2026

# Portfolio Insights

## Trump Card Played



**Nolan Bean, CFA, CAIA**

CIO, Head of Portfolio Management

**Greg Dowling, CFA, CAIA**

CIO, Head of Research

**Nathan Werner, CFA, CAIA**

Managing Director,  
Portfolio Management – Private Capital



## In Brief

It's an understatement to say the first quarter of 2026 ushered in a colossal wave of change and disruption.

In our 2026 investment outlook in January, we had a generally positive view on the forward prospects of the economy and markets. We recognized geopolitics and the potential for policy swings as clear risk, but not likely to change the broader economic or market trajectory. We summed up these risks as the "Trump Card," because events like the U.S. capture of Venezuela's president in the first week of January proved that anything could happen on the geopolitical front. At the moment, we're experiencing geopolitical and economic upheaval centered on the conflict in the Middle East, but no one can yet confidently forecast that upheaval's depth or duration. Consequently, the cost of capital is currently in question as well, and interest-rate outlooks globally have turned from dovish to hawkish in the space of a month.

What had been prevailing investment themes continue to prevail, though with some important differences. AI continued to be a source of profound change and disruption and earnings growth generally remained robust for businesses across a variety of sectors.

In the first quarter overall, we experienced a great deal of fundamental and performance dispersion across equities, fixed income, and alternatives such as hedge funds, which in aggregate generated flat returns. Real assets were the outlier to the upside with strong returns for the quarter.

Key areas of focus for remainder 2026 include:

- **Middle East:** The duration and ultimate path to resolution of the conflict will continue to matter to markets. But the uncertainties involved are significant. As an investor, it will be critical to remain flexible without being overly reactive.
- **Cost of capital:** Fed rate cuts are no longer a forgone conclusion this year. The risk of not only a pause but also hikes is back on the table. Interest rates impact asset prices, so we're keeping a close watch on Fed policy. The outlook for rates will hinge in part on the duration of the Middle East conflict, as that affects the supply and price of oil, which in turn affects inflation and growth.
- **AI:** The massive capex spending, SaaS business integration of AI features, and venture capital financing of AI-native startup businesses marches on. It seems that AI is here to stay. Differentiation between winners and losers will be important. There will be both.

Over much, but not all, of the past 15 years, many investors have deemphasized diversification. The more equity risk one took the better, especially if you focused on large-cap U.S. growth. Loading up on the Mag 7 was all the rage. But periods of pronounced dislocations happen. That’s not an argument for avoiding risk, which is central to generating satisfactory returns over the long term. But the case for robust risk management and better diversification has never been stronger.

## Public Markets Overview

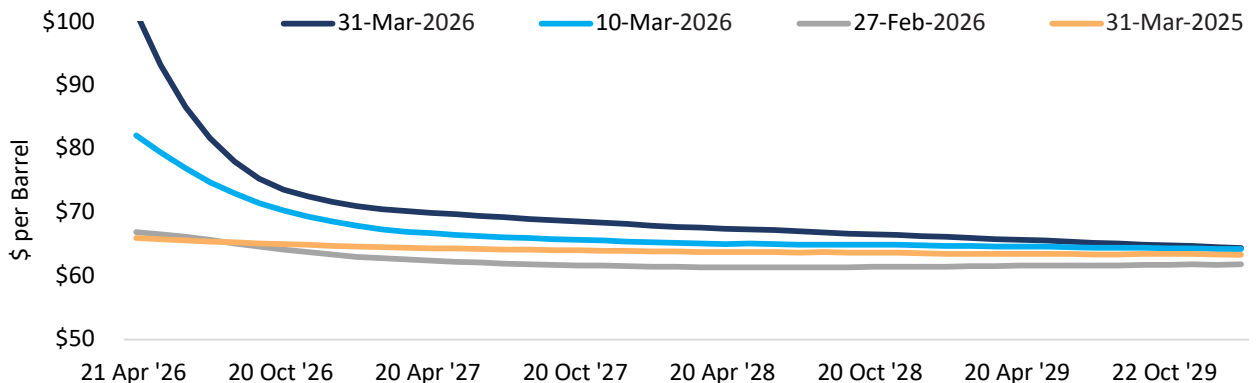
### Volatility Returns, as Markets Reprice Risk and Leadership Broadens

Public markets experienced a volatile start to 2026, reflecting a shift toward greater macro uncertainty. Equity markets broadly declined during the quarter, with global indices posting modest negative returns, while fixed income delivered largely flat performance. Beneath the surface, dispersion increased across sectors, regions, and styles, as leadership broadened beyond a narrow set of mega-cap growth stocks and outcomes became more closely tied to fundamentals.

From a macro and policy perspective, the quarter introduced a more complex set of crosscurrents. Operations in the Middle East against Iran and their transmission through energy markets became a central driver of inflation expectations and rate volatility. Oil prices moved sharply higher in response to supply disruptions and global transit constraints. While central banks entered the year with a bias toward easing, inflationary pressures—particularly those tied to energy and supply chains—introduced greater uncertainty around the path of policy rates. This has been reflected in a modest repricing higher across the yield curve, alongside increased volatility as term premiums adjusted to a more uncertain inflation outlook.

#### Markets Quickly Priced Near-Term Supply Risk

WTI Crude Oil Futures Market, Before and After Operation Epic Fury



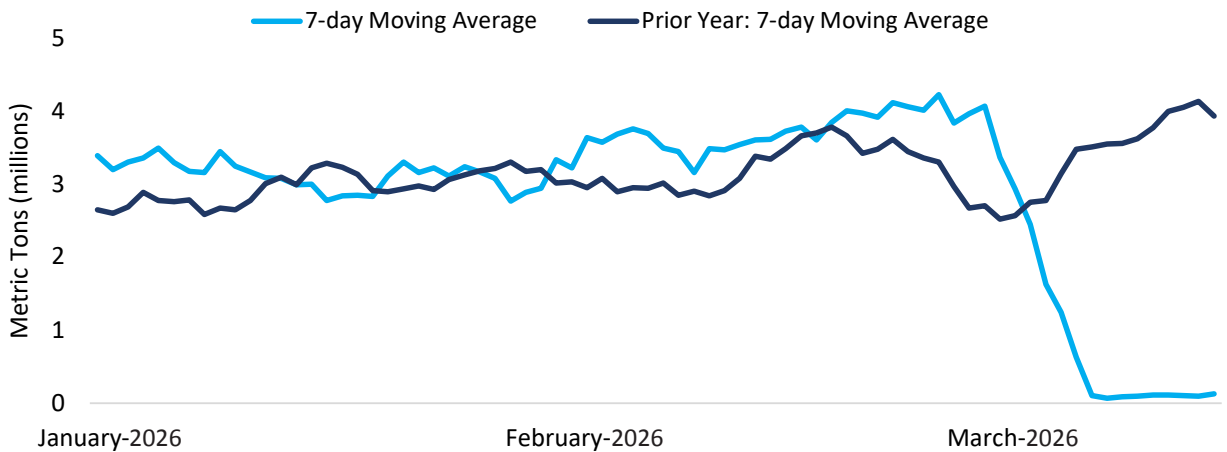
Source: FactSet

Market performance was shaped by this evolving backdrop alongside structural shifts already underway. Equity markets began the year with signs of broadening leadership with smaller capitalization equities and value-oriented segments generally outperforming large cap growth on a relative basis, even as absolute returns were pressured. Energy was a clear area of strength, benefiting from higher commodity prices, while technology—particularly software—faced headwinds as investors reassessed growth durability, capital intensity, and valuation.

The conflict with Iran amplified these trends. Disruption of energy flows through the Strait of Hormuz introduced a meaningful supply shock, with implications extending beyond energy into transportation, manufacturing, and global trade. Markets initially reacted with declines, particularly in regions more exposed to energy imports, before stabilizing as investors differentiated between short-term disruptions and longer-term impacts. The duration of the disruption remains a key variable for both inflation and growth.

**Disruption in Hormuz Led to an Effective Halt in Oil Transit Volumes**

Strait of Hormuz, Transit Trade Volume



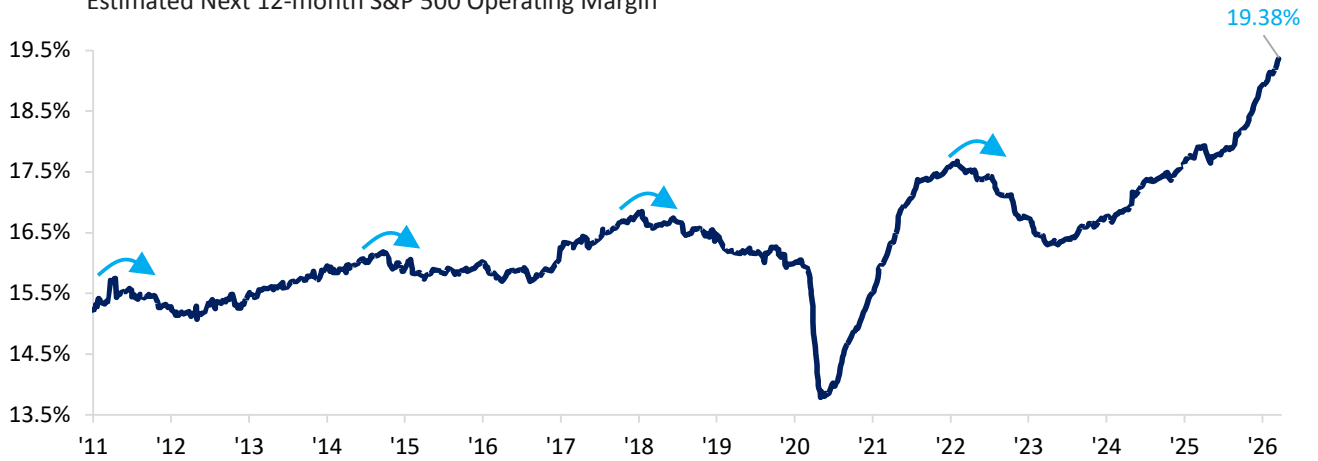
Source: IMF PortWatch; data as of March 15, 2026.

Fixed-income markets reflected this heightened uncertainty. Treasury yields moved modestly higher, with the 10-year reaching approximately 4.30% by quarter-end, as inflation expectations edged upward and term premiums adjusted. Credit markets experienced some spread widening, contributing to underperformance relative to Treasuries. Overall returns across core fixed income were flat, as carry offset modest price declines. Fixed income continues to provide income and diversification, but may be a less reliable hedge when inflation and rates rise together.

In equity markets, the drivers of returns are shifting. In contrast to prior periods when multiple expansion played a significant role, the current environment emphasizes earnings durability, margin resilience, and capital allocation. Elevated starting valuations—particularly in segments of the U.S. equity market—leave less room for multiple expansion and increase sensitivity to earnings disappointments and changes in the cost of capital. At the same time, rising input costs, particularly energy and logistics, introduce pressure on corporate margins, which remain near cyclical highs. The combination suggests forward returns are likely to be more dependent on realized earnings growth and less supported by valuation tailwinds.

**If Costs Rise Meaningfully, Margins Can Be Expected to Decline in Coming Months**

Estimated Next 12-month S&P 500 Operating Margin



Sources: Bloomberg and Strategas Research Partners; data as of March 19, 2026.

Taken together, the quarter reflects a transition toward a more balanced but more demanding market environment. Leadership is broadening, dispersion is increasing, and macro uncertainty—particularly related to energy and policy—is more directly influencing asset prices. While the economic backdrop remains generally constructive and corporate earnings continue to show resilience, the range of potential outcomes has widened. Opportunities are emerging across regions, sectors, and styles as markets place greater weight on fundamentals. However, elevated valuations, policy uncertainty, and geopolitical risks reinforce the importance of maintaining discipline and avoiding overreliance on any single narrative or market segment.

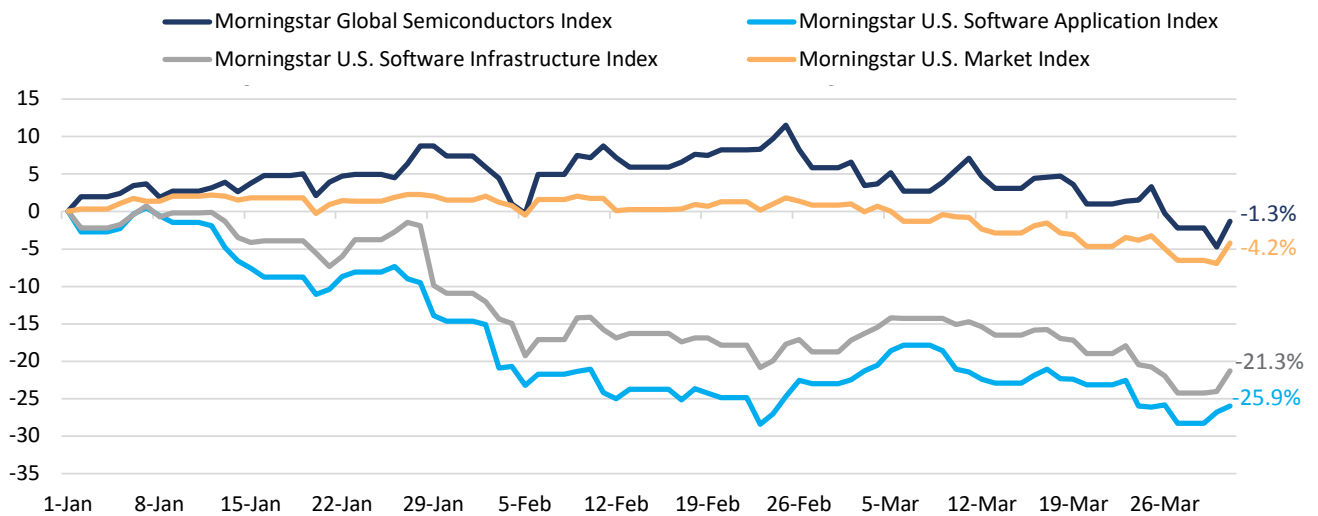
## Global Equity Market Leadership Broadens as the Backdrop Shifts

The first quarter of 2026 was a reminder that equity leadership can shift quickly. What began as a market still anchored by U.S. growth, AI enthusiasm, and confidence in a resilient economy ended in a more complicated backdrop shaped by geopolitics, higher energy prices, and a broader reassessment of risk. Global equities moved lower, but the more important development was beneath the surface: leadership widened beyond the narrow group of mega-cap-growth stocks that had dominated prior periods, while commodity-linked, value-oriented, and select international markets proved more resilient. In that sense, the quarter was less about a breakdown in the equity outlook and more about a repricing of risk against a more difficult macro backdrop.

U.S. equities absorbed much of that reset. The S&P 500 declined by more than 4%, with large-cap growth lagging value, and leadership shifted away from the mega-cap winners that had driven recent strength. Energy was the clear standout, while technology, consumer discretionary, and financials underperformed. More notably, the market became less willing to reward expensive and crowded exposures. Software stocks came under pressure as investors questioned whether generative AI would reinforce or disrupt the SaaS model, while growing scrutiny of AI-related capital spending reduced the market’s willingness to pay premium multiples for more distant payoffs. Even so, technology remains a core earnings driver for the index, suggesting the quarter was less a rejection of growth than a move toward greater selectivity within it.

### Software Was Under Pressure From AI

Software and Semiconductor Stock Performance



Source: Morningstar; data as of March 31, 2026.

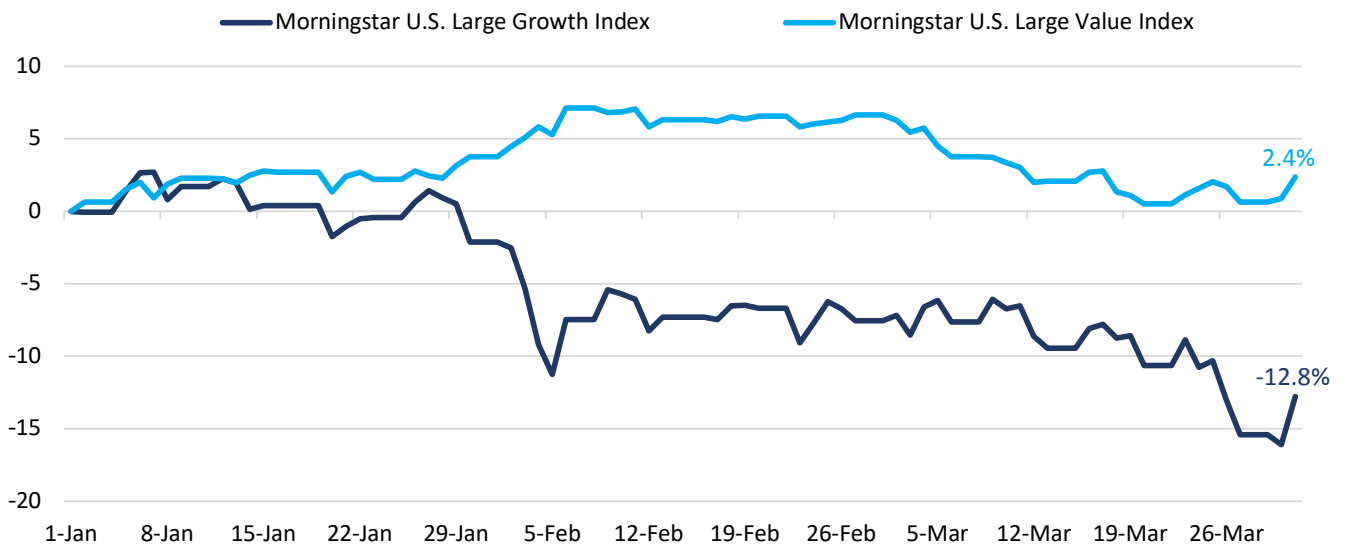
International developed markets were mixed, with performance shaped less by geography alone than by energy exposure, sector composition, and starting valuations. Europe struggled as higher oil and gas prices revived inflation concerns and weighed on more economically sensitive sectors, underscoring the region’s vulnerability to external energy shocks. The UK held up better, supported by its greater exposure to energy and materials, as well as sterling weakness, which benefited large multinational companies. Japan was the standout among developed markets, finishing the quarter higher on the back of the February election outcome, expectations for pro-growth policy, and yen weakness that supported exporters. While Japanese equities were not immune to the March risk-off move, their relative resilience reinforced the case for markets with improving domestic backdrops and less demanding valuations.

Emerging markets appeared relatively resilient at the headline level, but underlying dispersion was pronounced. South Korea and Taiwan benefited early in the quarter from AI-related optimism and a weaker U.S. dollar, but that strength reversed sharply in March as the Middle East conflict raised concerns around energy costs, supply chains, and the vulnerability of energy-importing Asian economies. More broadly, the quarter favored selective EM exposure rather than broad index beta. Latin American markets such as Brazil, Colombia, and Peru were among the strongest performers, while Saudi Arabia also benefited from higher oil prices.

India lagged amid rich valuations and sensitivity to imported energy, while China underperformed amid domestic growth concerns and weakness in internet-related equities, which outweighed its relative insulation from the energy shock. The key takeaway is that emerging markets did not trade as a single asset class in the first quarter; commodity exposure, external balance, and market composition mattered far more than usual.

**Style Rotation Toward Value**

Large Growth vs. Large Value



Source: Morningstar; data as of March 31, 2026.

## Fixed Income

### Selectivity Rises as Rates and Credit Reprice

Futures markets shifted sharply over the month, moving from pricing multiple 2026 cuts before the Iran conflict to assigning a small probability of a hike later this year.

The yield curve flattened during the first quarter of 2026, with the 10-year/2-year Treasury spread ending March at 51 basis points, down 18 basis points for the quarter. The 10-year Treasury yield finished the quarter at 4.30%, up 13 basis points, as March volatility drove yields higher across the curve. The move was tied largely to the energy-driven inflation shock stemming from the conflict in the Middle East, which reset monetary policy expectations and pushed term rates meaningfully higher.

The Fed held its benchmark rate steady at its March meeting, but its messaging turned more hawkish. Chair Powell emphasized greater uncertainty around the rate path and increased sensitivity to upside inflation risks, while noting the committee had discussed a more symmetric policy bias in which the next move could be either a cut or a hike depending on inflation data. Futures markets shifted sharply over the month, moving from pricing multiple 2026 cuts before the Iran conflict to assigning a small probability of a hike later this year.

Fixed-income markets outside the United States were also weak during March, as the energy shock from the Middle East pushed yields higher and increased expectations for more hawkish policy moves across developed markets. In Europe and the UK, both the European Central Bank (ECB) and the Bank of England held rates steady, but emphasized upside inflation risks from higher energy prices and signaled a willingness to keep policy restrictive if those pressures broadened. Unlike the Fed, which remains focused on balancing inflation and unemployment, the ECB and Bank of England remain more squarely focused on price stability.

High-yield bonds posted a slightly negative return in the first quarter, with the asset class down 0.5% as spreads widened modestly amid rising energy prices, geopolitical uncertainty, and a more hawkish policy backdrop. High-yield option-adjusted spreads (OAS) ended March at 3.28%, up 47 basis points for the quarter, reflecting a more cautious tone toward lower-quality credit even as spreads remained tight by longer-term standards. This suggests investors are demanding somewhat more compensation for macro risk, but not yet pricing in a broad deterioration in fundamentals.

Stress in lower-quality credit remained a focus, particularly in bank loans. AI disruption concerns continued to weigh on parts of the loan market, especially technology-related issuers, where dispersion remained unusually wide and average prices lagged the broader market. At the same time, other loan fundamentals were more mixed than outright weak: interest coverage improved, defaults remained relatively low, and light net supply helped technicals, though the share of loans trading below 80 cents rose to its highest level since December 2022. That backdrop suggests markets are becoming more selective, with pressure concentrated in weaker and more disruption-exposed borrowers rather than broad-based distress.

## Real Assets

### Rising Rates Weigh on Real Estate; Energy Markets Remain Unsettled

U.S. real estate investment trusts (REITs) posted modest gains in the first quarter of 2026, as investors shifted their focus to companies with exposure to tangible, physical assets amid concerns about the disruptive impact of AI on technology companies. REIT take-private transactions continued in the first quarter, with larger private equity firms targeting public real estate companies trading at discounts to net asset value. Sentiment around real estate improved, as fundamentals have stabilized after the downturn that began four years ago. U.S. REIT property sector performance was mixed during the quarter, with office REITs posting the sharpest declines, while data center REITs rose on capital expenditure forecasts from large technology companies, as they continue to aggressively build out infrastructure supporting AI. For the quarter, global REITs posted lower returns due to headwinds from strength in the U.S. dollar.

Oil prices surged during the first quarter, driven by geopolitical shocks centered on the war with Iran and the Strait of Hormuz blockage, resulting in the largest supply disruption in decades. Extreme volatility characterized the energy markets during the quarter, with sharp price swings driven by news related to the war. Oil prices peaked above \$100/barrel in early April before falling into the \$90s on news of a cease-fire with Iran. U.S. oil production peaked in late 2025 at nearly 14 million barrels per day and declined during the quarter, while the U.S. rig count declined 7% year-over-year, according to Baker Hughes. Earlier in the year, the capture of Venezuelan President Nicholas Maduro led to speculation of possible new production from the country, which quickly subsided as U.S. oil companies expressed reluctance to operate amid an uncertain political environment. Natural gas prices experienced weather-related volatility during the first quarter, rising in January on extreme cold and falling later in the quarter on warmer-than-expected seasonal weather. On a global basis, the Iran conflict led to significant supply disruptions in natural gas markets; however, the U.S. was largely unaffected due to its abundant domestic supplies.

As long as investors' appetite persists for real assets that are less susceptible to AI disruption, real estate could attract capital from other sectors.

Looking ahead, fundamentals for publicly listed real estate stocks have stabilized but significant dispersion among property types continues to characterize the market. Privatizations should continue, driven by public-private valuation disparities and dry powder at large private real estate funds. As long as investors' appetite persists for real assets that are less susceptible to AI disruption, real estate could attract capital from other sectors.

Energy markets will likely remain volatile, as supply disruptions related to the conflict in the Middle East persist over the near term. Broad-based inflation in global markets resulting from the war will be a key risk for the remainder of the year.

## Diversifying Strategies

### Macro Leads in a Mixed Quarter for Hedge Funds

Hedge fund performance was mixed for the quarter. While funds generally performed well in the first two months, gains from January and February were partially or fully reversed in March amid heightened market volatility.

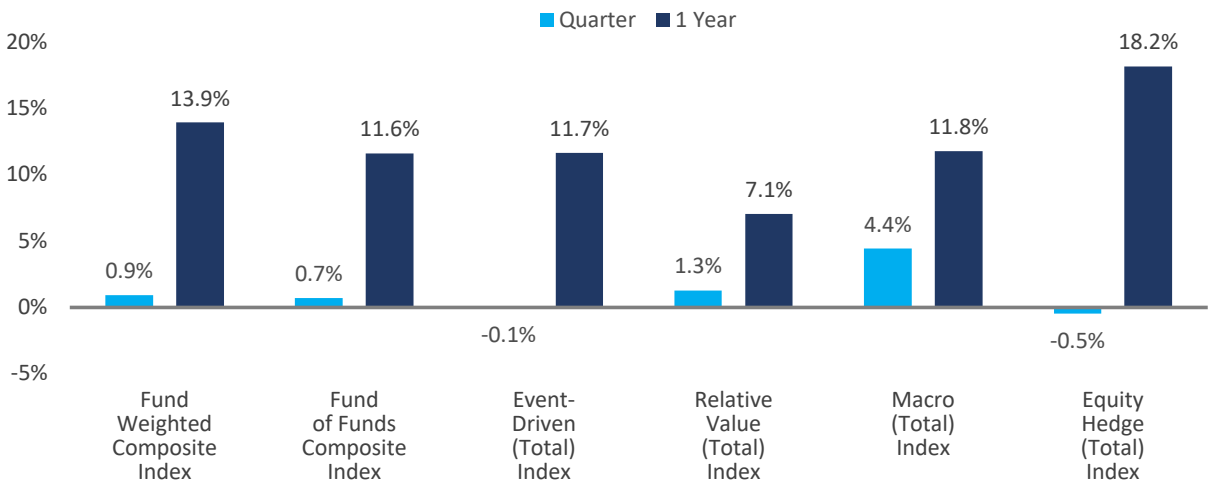
Macro strategies posted the strongest gains. Commodity trades were the most additive for the quarter, with additional contribution from currency trades. Systematic funds accelerated, with their discretionary counterparts also generating gains.

Relative value advances were led by long volatility trades and convertible arbitrage, with mixed results across other fixed-income trades.

Event-driven returns were slightly down. Distressed/restructuring and merger arbitrage delivered meaningful gains, while activism, credit arbitrage, and special situations posted losses.

Equity hedge strategies ended the quarter with slight losses, with both fundamental and quantitative approaches declining. While technology funds gave back returns, energy-oriented funds recorded sizable gains, with healthcare and equity market-neutral strategies also contributing to performance.

#### HFRI Indices Performance Returns In U.S. Dollars



Source: Hedge Fund Research; data as of March 31, 2026.

## Private Markets Show Me the Liquidity

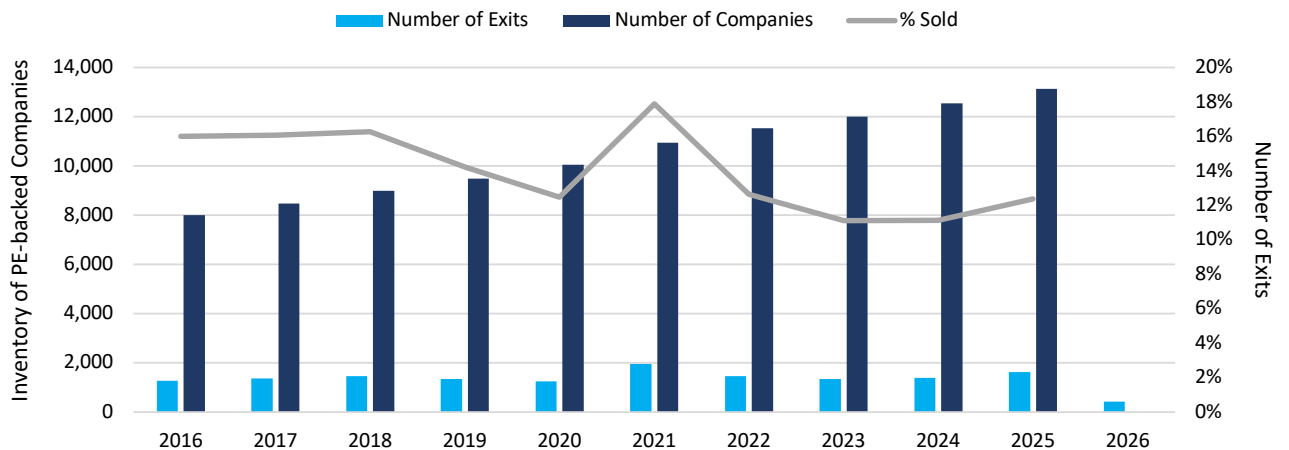
Looking back on the last three years of activity in the private capital markets, it is hard not to think of the iconic scene from Jerry Maguire. Not the hapless ending of “You had me at hello,” but the pivotal scene early in the movie where sports agent Jerry extols the virtues of professional integrity and client service to keep NFL player Rod Tidwell as a client. Rod’s only response was an emphatic “Show me the money!”

The headwinds in the private capital markets over the last three years have weighed on many portfolios, particularly for private equity funds. The public markets, particularly the S&P 500, have risen on the strength of a relatively few companies benefiting from the adoption of AI despite volatility from trade policies, rising interest rates, and geopolitical conflicts. Private equity funds have struggled to keep the pace, particularly as the slow exit market has pushed hold periods longer.

Private equity exit markets rebounded on an absolute basis in 2025, a welcome trend. The challenge is that overall private equity markets have grown significantly, leaving the effective distribution yield below longer-term averages. The chart below shows the number of companies sold divided by the total number of companies held by private equity firms. Since 2016, the industry has sold approximately 14% of the companies each year. From 2016 to 2022, the percentage sold never dropped below 12.5%. It hasn’t exceeded 12.5% since.

### Private Equity Exits Improved in 2025

Companies Sold Versus Inventory, 2016–2025



Source: Pitchbook; data as of March 31, 2026.

The story is similar with venture-backed companies. Distributions as a percentage of net asset value (NAV) remains well below the long-term average since 2022. The punchline is that distributions are increasing, but investors continue to hold meaningful exposure in private equity funds that need to get liquid.

The private real asset markets, particularly energy and power infrastructure, have been the beneficiaries of the AI capital expenditure buildout and disrupted oil and gas markets. Exits increased in FEG's portfolio of energy and infrastructure assets as managers sold assets when demand was high.

The private credit markets were in the headlines in the first quarter due to concerns about the credit quality of the software industry as it is disrupted with AI-related innovations. This was complicated by the structure some firms used for private credit investments. Specifically, Blue Owl Capital restricted investor withdrawals from its inaugural private retail debt fund. There was a mismatch in the liquidity profile of the fund structure and the liquidity profile of the underlying investments, which included exposure to technology companies across the size spectrum. FEG takes a different approach by aligning investments in privately held credit instruments with the appropriate fund structure. Further, FEG seeks to limit exposure to upper-middle market companies by focusing on the [sweet spot](#) in lower-middle market and core-middle market where yields are attractive and covenants matter.

## Private Equity Recovery Builds, but Liquidity Still Lags

### Buyout

Private equity fundraising remained weak in 2025, marking the lowest level since 2020. A total of \$277.9 billion was raised across 327 funds, as limited partner (LP) liquidity constraints and muted distributions limited new commitments. Capital continued to concentrate with large, established managers, while emerging and first-time funds faced a challenging environment.

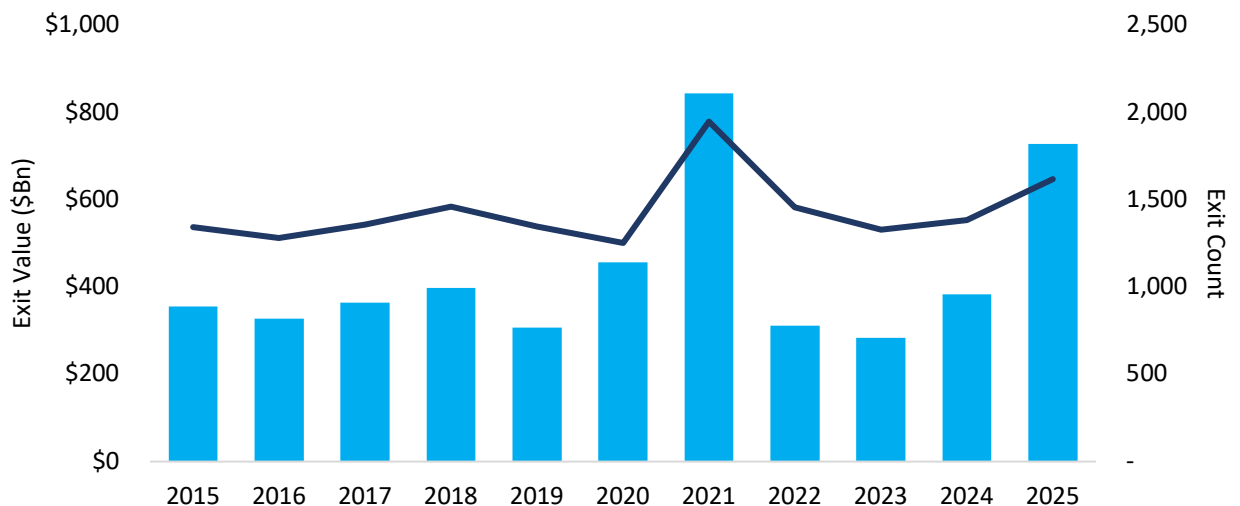
Deal activity rebounded strongly, with U.S. private equity reaching about \$1.2 trillion across more than 9,000 deals. Improved financing conditions, including lower rates and tighter spreads, supported activity. Investment was especially strong in technology and infrastructure, particularly in AI-related sectors. Exit activity also improved, with total value more than doubling year over year. However, exits remained concentrated in large deals, with megadeals driving much of the recovery. A broader increase in exit volumes will be needed to fully restore liquidity and support fundraising.

Performance has moderated, with net internal rates of return (IRRs) declining from prior peaks due to higher financing costs and slower realizations. Private equity's outperformance versus public markets has narrowed as PME spreads compressed. Going forward, returns will rely more on operational value creation than multiple expansion, with exits remaining a key driver.

We recommend clients stay selective, focusing on lower and middle market managers with strong operational capabilities. The slower fundraising environment may also create opportunities to access high-quality managers that were previously closed to new LPs.

### Exit Activity Has Improved

U.S. Private Equity Exits by Year (\$B)



Source: FEG; PitchBook, "2025 Annual U.S. PE Breakdown Summary." Most recent data available.

### Venture Capital

Venture fundraising remained weak in 2025, totaling \$66.1 billion in commitments, as fewer funds closed amid limited partner caution and liquidity constraints. Negative cash flows since 2022 and a backlog of unfunded commitments have continued to limit new allocations. Funds that did close saw only modest growth, with step-ups among the lowest in a decade.

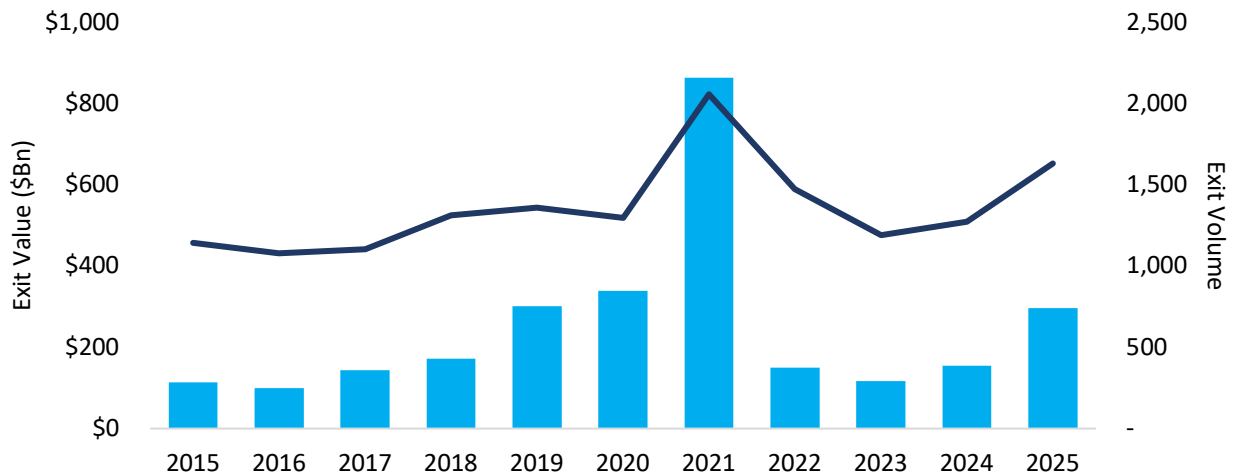
Venture capital deal activity rebounded, reaching approximately \$339 billion across more than 16,000 deals, the second-highest level in the past decade. However, activity was highly concentrated, with a small number of large artificial intelligence and machine learning deals driving a disproportionate share of capital. Investment in these sectors rose sharply, accounting for 65% of deal value in 2025. Exit activity also improved, with initial public offering proceeds reaching about \$16.8 billion, up roughly 110 percent year over year, while merger and acquisition activity increased but remained similarly concentrated.

Recent VC performance is stabilizing after the 2022–2023 downturn, with rolling one-year IRRs positive for three consecutive quarters. The recovery is uneven and concentrated, driven mainly by a small set of AI winners and large deals.

We are approaching venture commitments selectively, focusing on high-conviction managers with differentiated sourcing and consistent execution. Continued performance and fundraising softness may open access to historically constrained funds, while improved discipline and valuations could create attractive long-term entry points.

### U.S. Venture Capital Exits Have Picked Up

U.S. Venture Capital Exits by Year (\$B)



Source: FEG; PitchBook “Q4 2025 PitchBook-NVCA Venture Monitor Summary.” Most recent data available.

## Private Debt

### Headline Risk Tests Private Credit

Private credit markets faced a more mixed backdrop in the first quarter of 2026, as investor sentiment shifted. Recent headlines around liquidity, underwriting, and AI-related disruption, particularly in software, contributed to a more cautious tone and pushed investors to distinguish more carefully between headline risk and underlying borrower fundamentals. Publicly traded business development companies (BDCs) sold off over the period, while redemption requests increased across semi-liquid private credit vehicles and a number of perpetual non-traded BDCs reported first-quarter requests above typical quarterly limits. Even so, the rise in outflows appears to have been driven more by sentiment, reallocation, and a normalization in relative value than by a broad-based deterioration in credit quality. Managers responded in different ways, with some honoring requests above stated thresholds and others reaffirming caps and allocating liquidity on a pro-rata basis.

At the same time, private credit fundamentals remained resilient in aggregate, supported by steady earnings growth, improving interest coverage ratios, and still-contained realized losses. Underlying conditions were somewhat more uneven, with greater dispersion across borrowers and sectors, and with payment-in-kind (PIK) usage, covenant breaches, and software-related disruption still worth monitoring.

FEG favors strategically allocating to institutional private lending strategies to exploit the persistent illiquidity premium. If market conditions weaken further, a broader opportunity set for distressed investment could emerge, supporting a case to favor both private lenders and distressed managers.

## Private Real Assets

### Private Real Estate Values Continue to Recover Following a Four-year Downturn

Private market real estate values saw a slight increase in the fourth quarter of 2025 (the latest available data). According to the NCREIF Property Index, real estate values rose slightly, led by retail and senior housing properties. Retail continues to benefit from strong consumer spending and limited new supply relative to other property types. Alternatively, the office sector lagged due to weaker fundamentals, as occupancy in many markets has not reached pre-pandemic levels. Within private real estate, transaction volume stabilized, and fundraising improved. The influx of new supply in multifamily has been a key headwind, but is slowly abating; however, absorption for new deliveries remains slow. Property owners can no longer expect the tailwind of low interest rates to drive valuations, which means property-level execution will be the key driver of value.

The key factor for real estate recovery will be stable interest rates and modest economic growth.

While private real estate fundamentals are showing modest improvement, there are no clear catalysts driving valuations. The key factor for real estate recovery will be stable interest rates and modest economic growth. The lingering effects of the war in the Middle East could create headwinds in some sectors of the market.

#### **Geopolitical Turmoil Roils Energy Markets**

Geopolitical factors dominated the energy markets during the first quarter, as the war with Iran resulted in a major supply disruption of a magnitude not seen in decades. The result was oil prices reaching four-year highs, leading to concerns about inflation and the prospect of fewer rate cuts. The anticipated supply glut in the oil market at the beginning of the year was quickly erased, as the Strait of Hormuz, through which 20% of the world's oil supply flows, remained blocked at the end of the first quarter. Merger and acquisition activity in the energy sector was robust, and private energy funds saw strong inflows. Meanwhile, the demand picture for natural gas remains less certain, with prices falling by 8% during the quarter, largely due to weather conditions.

Large technology companies announced aggressive capital expenditure plans for 2026, which will contribute to power demand, along with demand for the basic inputs into data center construction (copper, aluminum, steel). This should directly benefit sectors within real assets. Turmoil in energy markets could lead to greater investor interest in private energy strategies.

## Looking Ahead

### Don't Forget About Diversification

Equities and fixed income make up the majority of most investors' portfolios. For many institutions the form has changed from public only to an increasingly healthy mix of public and private equity and fixed-income assets. Ultimately, the fundamental characteristics of the asset you own are the same. Equity holders own a claim on the residual cash flows of a business be it public or private. Debt holders are owed a contractual payment for lending money to the issuer, and are first in line to get paid before equity owners—again, in both public and private markets. Those are good and reasonable uses of capital and assets to own.

However, there are two other pillars we believe complete a balanced portfolio allocation. The first is real assets, including real estate, infrastructure, and natural resources. The second is diversifying strategies, or hedge funds. These asset classes enhance a portfolio's long-term resilience, enabling it to weather storms of uncertainty while providing a more consistent return profile over time. When equity markets are posting double-digit returns, it's easy to forget everything else. But shocks to the system like rising interest rates in 2022, or heightened geopolitical tensions in the first quarter of 2026, have to be guarded against through prudent asset allocation focused on the long term.

Our view is that the tails of the return distribution are currently bigger than normal. That is, we see a greater chance of larger-than-normal increases or declines in markets moving forward. As such, we are not making large moves in either direction. Tactically, we are lighter on fixed income given that yields are modest, and there is a risk of rising rates, which means fixed-income prices could decline. Equities provide exposure to the positive fundamentals and earnings backdrop, as well as to the larger upside (and downside) surprises in markets today, so we think leaning in on the margin is a sound approach. Diversifying strategies provide a reasonable return stream, in our view, that is not too highly correlated to traditional asset classes, geopolitics, interest rates, or even the AI theme, and sources of uncorrelated return have greater appeal in the current market environment. Bottom line: Balance, not big bets, is the way to play the hand today.

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The Chartered Alternative Investment Analyst Association® is an independent, not-for-profit global organization committed to education and professionalism in the field of alternative investments. Founded in 2002, the CAIA Association is the sponsoring body for the CAIA designation. Recognized globally, the designation certifies one's mastery of the concepts, tools and practices essential for understanding alternative investments and promotes adherence to high standards of professional conduct.

Neither the information nor any opinion expressed in this report constitutes an offer, or an invitation to make an offer, to buy or sell any securities.

Any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time period or that investors will not incur losses.

Diversification or asset allocation does not assure or guarantee better performance and cannot eliminate the risk of investment loss.

Past performance is not indicative of future results.

This report is prepared for informational purposes only. It does not address specific investment objectives, or the financial situation and the particular needs of any person who may receive this report.

Fund Evaluation Group, LLC, Form ADV Part 2A & 2B can be obtained by written request directed to: Fund Evaluation Group, LLC, 201 East Fifth Street, Suite 1600, Cincinnati, OH 45202 Attention: Compliance Department.

All data is as of March 31, 2026 unless otherwise noted.

## Indices

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, compiled by Hedge Fund Research Inc., and are utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 37 different categories by strategy, including the HFRI Fund Weighted Composite, which accounts for over 2000 funds listed on the internal HFR Database. The HFRI Fund of Funds Composite Index is an equal weighted, net of fee, index composed of approximately 800 fund of funds which report to HFR. See [www.hedgefundresearch.com](http://www.hedgefundresearch.com) for more information on index construction.

The FTSE Gold Mines Index Series is designed to reflect the performance of the worldwide market in the shares of companies, the revenues of which are primarily derived from the mining of gold. A company's eligibility is based on it being able to consistently produce a minimum quantity of gold per annum, and on a minimum percentage of its revenues being derived from mined gold.

The S&P 500 Index is a capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Information on any indices mentioned can be obtained either through your advisor or by written request to [information@feg.com](mailto:information@feg.com).

