

Capital Market Review

March 31, 2026

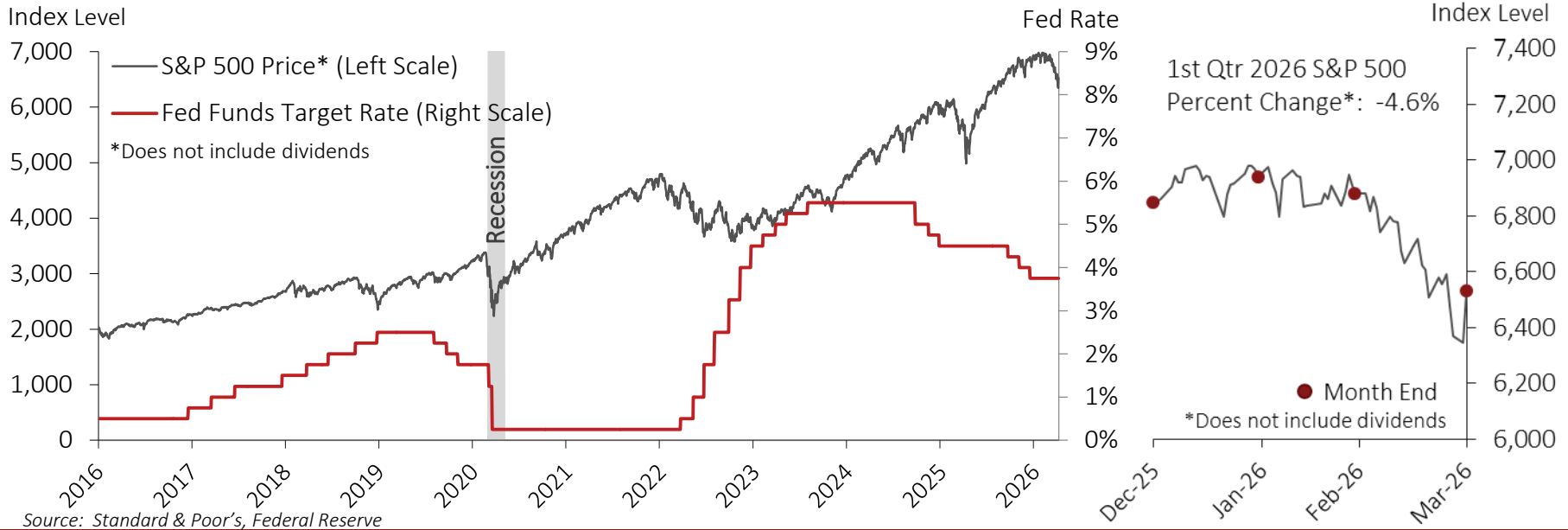


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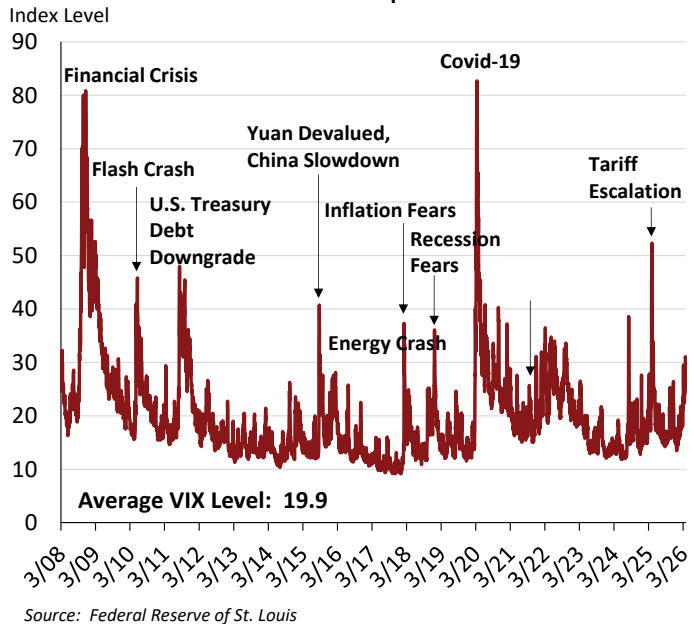


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Oil Turmoil

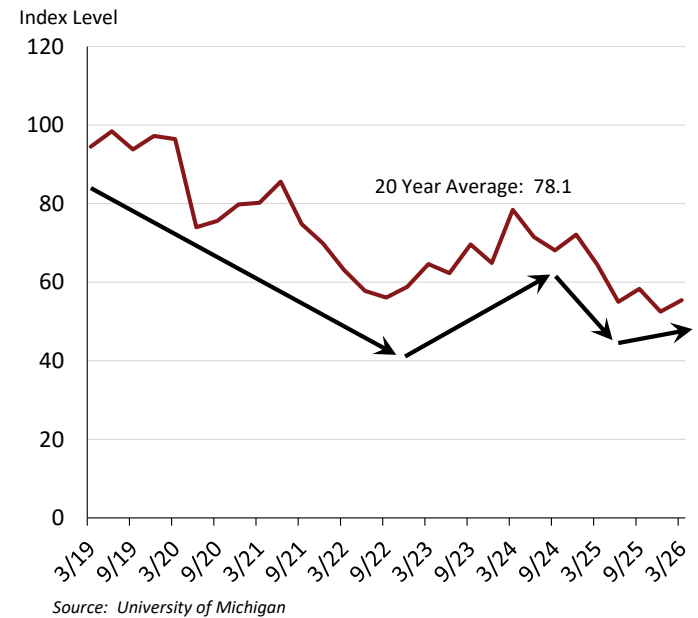


Nervous Spikes



The first quarter reminded us that markets can appear calm – until they're not. Markets began repricing in February due to Artificial Intelligence (AI) uncertainty. Then, when the conflict in Iran broke out in March, worries focused on economic slowdown, significantly higher oil prices and inflation. Despite the anxiousness, the VIX has increased but has not spiked like it did a year ago. And consumer sentiment seems to have settled after the tariff turmoil of last year. The S&P 500 fell 4.3% in the quarter (with dividends). Coincidentally, it is the first time since first quarter 2025, that the market fell in a quarter.

Index of Consumer Sentiment



Broad Market Overview

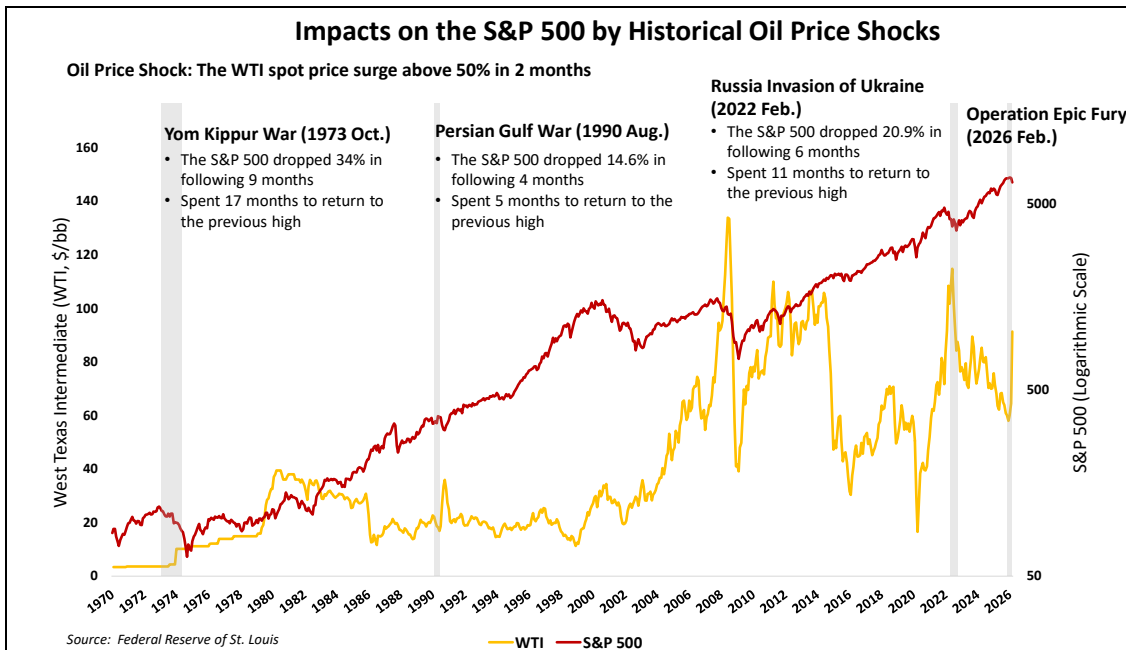
March 31, 2026

INDEX	1st Qtr	1-YEAR	3-YEAR	5-YEAR	10-YEAR
MSCI World	-3.6	18.9	16.8	10.3	11.8
Russell 3000	-4.0	18.1	17.9	10.9	13.7
S&P 500	-4.3	17.8	18.3	12.1	14.2
MSCI EAFE USD	-1.2	21.3	13.6	7.9	8.4
MSCI Emerging Markets USD	-0.2	29.6	14.8	3.7	7.8
Bloomberg Aggregate	0.0	4.3	3.6	0.3	1.7
Bloomberg Global Aggregate	-1.1	4.3	2.6	-1.5	0.6
FTSE Non-US Gov't Bond	-1.8	4.1	1.0	-4.3	-1.2
NAREIT (Public RE)	3.3	2.1	6.4	3.4	5.3
Bloomberg Commodity	24.4	32.3	13.9	14.0	8.0

Notes: Data are presented as percent returns. All 3-, 5-, and 10-year returns are annualized.

Indicator Year Ending 3/31	2026	2025	2024	2023	50-YEAR Average
GDP Annual Growth Rate*	1.3	2.0	2.9	2.3	2.7
Unemployment	4.3	4.2	3.8	3.5	6.1
Inflation (CPI)	3.3	2.4	3.5	5.0	3.6
10-Year Interest Rate	4.3	4.2	4.2	3.5	5.8

*Note: Prior to the GDP quarterly release from BEA, we show the most recent GDP Now growth rate estimate from the Federal Reserve Bank of Atlanta.



- Stocks across the globe fell in light of economic and geopolitical uncertainty in the quarter. Worries around AI spooked domestic large cap stocks earlier in the quarter, especially the “Mag 7” names. US large cap stocks struggled to find their footing even before conflict broke out.
- In February, before war opened up in the Middle East, international and emerging market stocks were leading domestic large cap by a wide margin. In March, international stocks fell but still managed to outperform US stocks for the quarter.
- Interest rates were volatile in the quarter. The ten-year Treasury opened the quarter at 4.19% and closed at 4.32%. Concerns about oil prices fueled worries about inflation. The Fed Funds futures market anticipates that the Federal Reserve will no longer cut rates in 2026. At the end of 2025, the futures market was expecting 50 basis points in cuts by the end of 2026.
- The chart to the left shows the impact of significant oil price “shocks” to stocks in the past 50+ years. While the uncertainty negatively impacts stocks prices in the near term, as months pass, more certainty enters the market and stocks seem to rebound. The next few months do bear watching closely.

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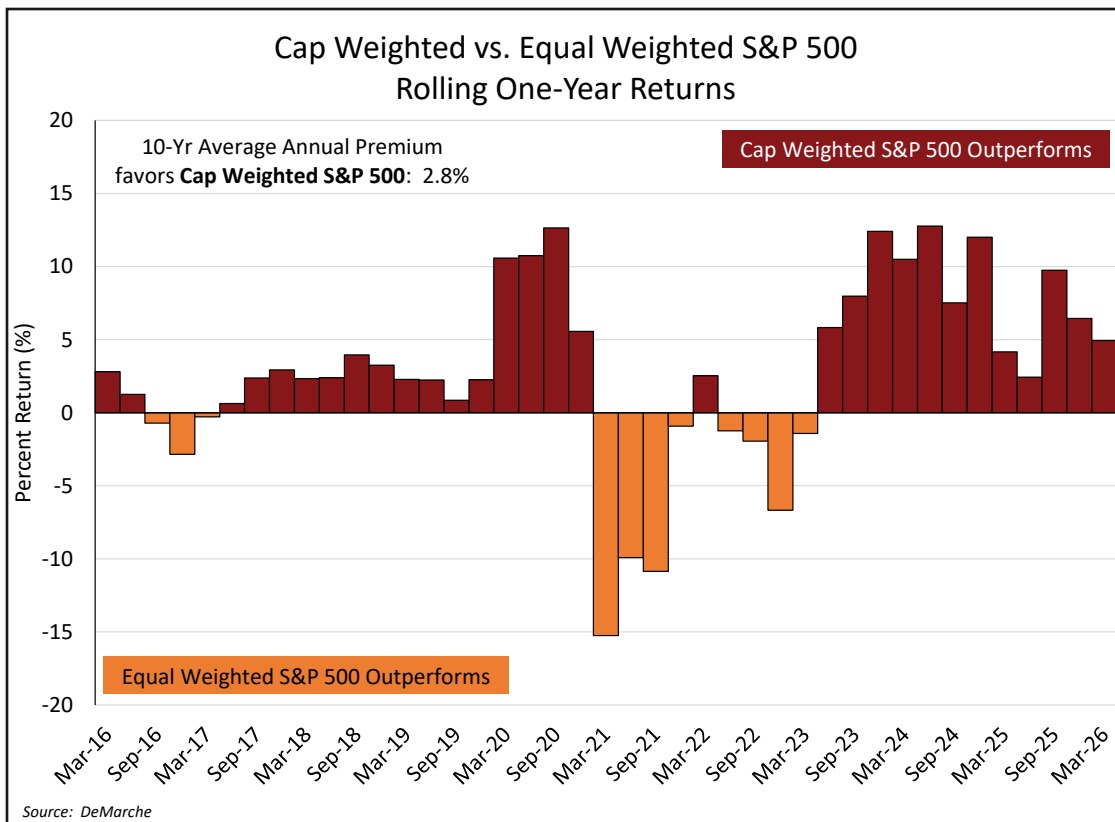
Five companies, the “hyperscalers” or Alphabet, Amazon, Meta, Microsoft, Oracle, are expected to spend over \$670 billion in AI buildout in 2026, up from over \$250 billion in 2025. The concern among investors is that this spend is occurring in a higher cost of capital environment, fueling pressure on valuations. ~JPM, Chevy Chase Trust

Domestic Equities

March 31, 2026

INDEX	1st Qtr	1-YEAR	3-YEAR	5-YEAR	10-YEAR
S&P 500	-4.3	17.8	18.3	12.1	14.2
S&P Mid-Cap 400	2.5	17.3	12.1	6.9	10.6
S&P Small-Cap 600	3.5	20.5	10.5	4.5	9.9
Russell 1000	-4.2	17.7	18.1	11.3	14.0
Russell 1000 Growth	-9.8	18.8	21.2	12.8	16.8
Russell 1000 Value	2.1	15.9	14.3	9.4	10.6
Russell 2000	0.9	25.7	13.0	3.8	9.9
Russell 2000 Growth	-2.8	23.6	12.3	1.6	9.8
Russell 2000 Value	5.0	28.1	13.8	5.8	9.6

Notes: Data are presented as percent returns. All 3-, 5-, and 10-year returns are annualized.



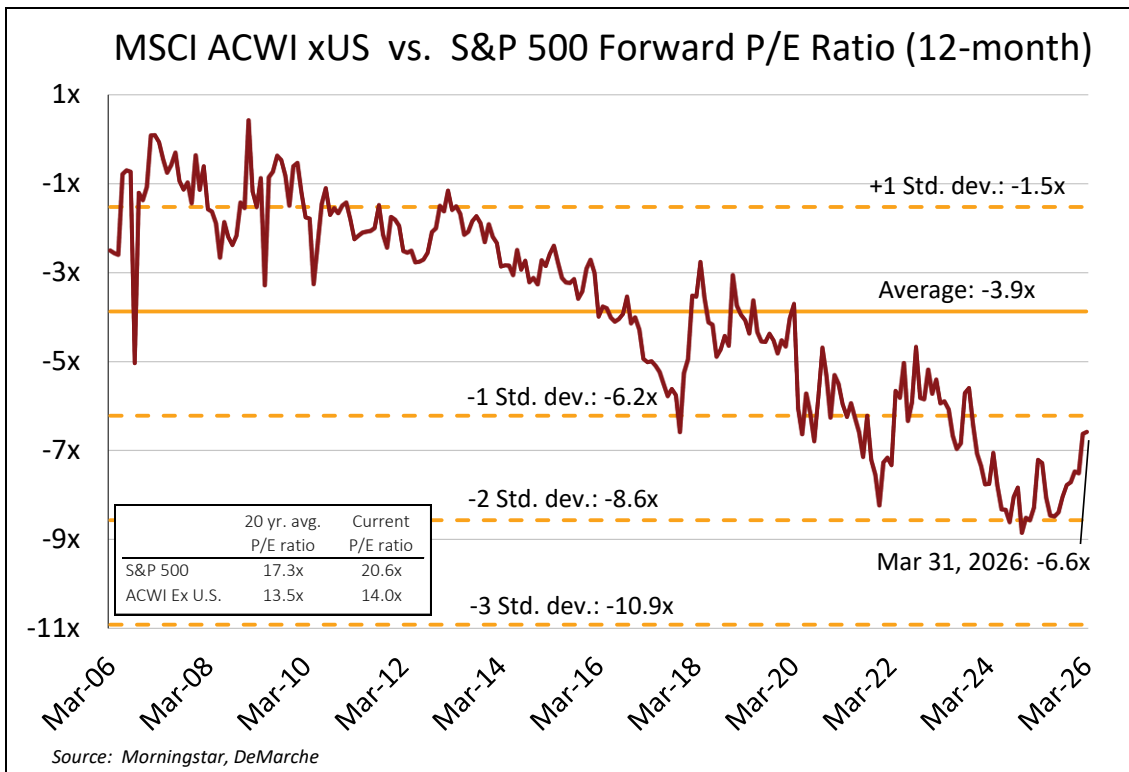
- Large cap growth stocks fell in the quarter, leading the S&P 500 lower. Investors raised concerns about continued economic growth and rotated into previously unloved value sectors of the market. Nvidia fell over 6.5%, Apple 6.7%, Meta 13.3% and Microsoft 23.3% in the quarter. Energy stocks staged a rally on the surge in oil prices, and returned over 37%.
- Small cap stocks, usually impacted more severely by concerns about economic growth, fared better than large cap stocks. Small cap value and dividend paying stocks performed well, increasing 5% as measure by the Russell 2000 Value index. Small caps have now pulled ahead of large caps for the past twelve months.
- The chart to the left shows that the cap-weighted index has outperformed the equal-weighted index. The cap-weighted index is dominated by the “mega” cap stocks, so even though those “mega” caps have repriced in recent weeks, the longer term trend still reflects leadership.

DeFact

The top ten stocks by market cap in the S&P 500 at the end of the quarter made up about 38% of the index. At the end of 2025, that percentage was about 41%. The biggest loser was Microsoft, which fell from third place to fourth place in market cap. Interestingly, Microsoft is the longest tenured member of the top ten club, first making its entrance in the mid-1990s. ~RBC, JPMorgan, Claret Asset Management

INDEX	1st Qtr	1-YEAR	3-YEAR	5-YEAR	10-YEAR
MSCI EAFE Local	0.1	17.4	13.2	9.9	9.3
MSCI EAFE USD	-1.2	21.3	13.6	7.9	8.4
Growth	-4.7	12.7	7.5	3.5	7.1
Value	2.0	30.1	19.9	12.2	9.3
MSCI All Country-ex US	-0.7	24.9	14.5	7.0	8.4
MSCI AC Asia-ex Japan	-1.2	28.4	14.1	2.9	8.2
MSCI Emerging Markets	-0.2	29.6	14.8	3.7	7.8
MSCI EAFE Small Cap	-1.3	25.6	12.7	4.4	7.4
MSCI Japan	1.4	25.9	15.7	6.6	8.5
MSCI China	-8.9	3.8	6.6	-4.9	5.1
MSCI Germany	-8.5	8.0	13.8	5.8	6.9
MSCI France	-5.4	10.2	6.8	6.7	8.3
MSCI UK	2.0	25.7	16.8	12.4	8.3

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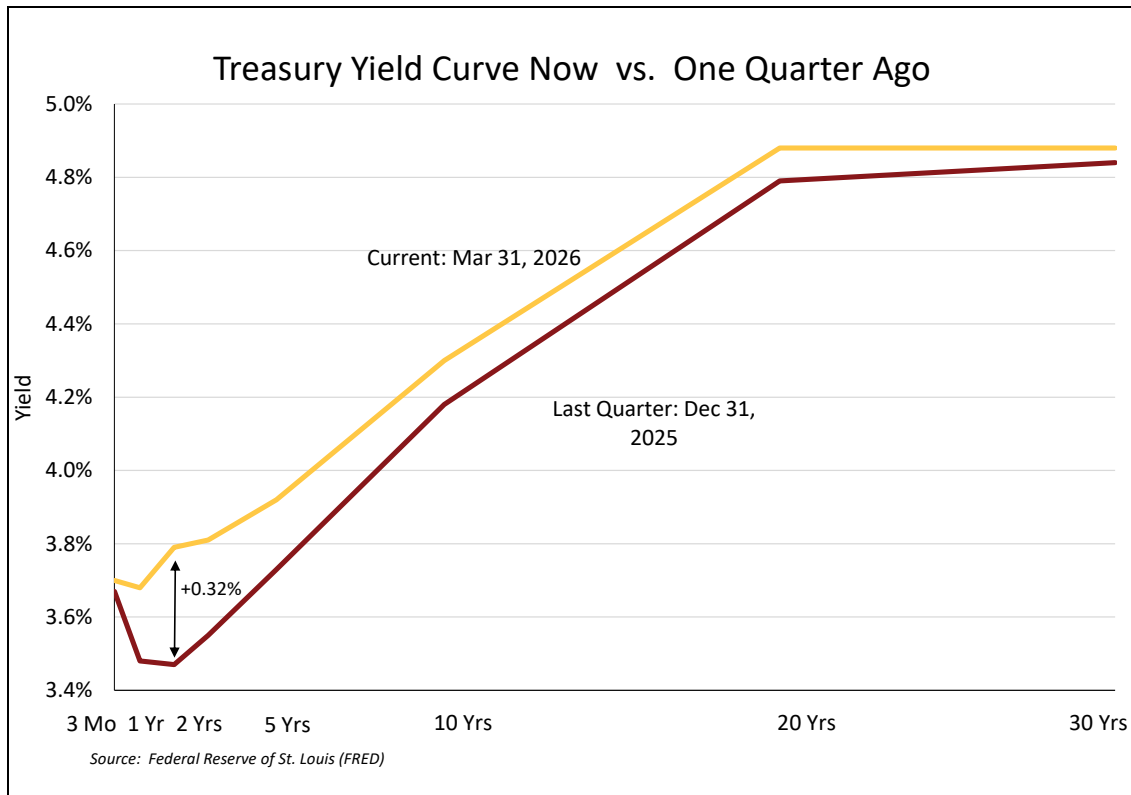
- The dollar strengthened against other currencies in the quarter. Higher interest rates and higher oil prices saw the sale of gold to buy dollars. This strengthening was a reversal of the dollar weakness of 2025. International stocks still outperformed US large caps in the quarter despite the stronger dollar.
- Emerging market stocks also had a negative quarter (only slightly). As with the developed markets, emerging stocks were performing strongly through February, at one point the index was up over 15%, then suffered a decline in the wake of the growing conflict in March.
- The chart to the left shows that international stocks are still relatively inexpensive when compared to domestic stocks. Over the long haul, international stocks average a P/E ratio of about 4x lower than domestic stocks. Currently, the P/E ratio is about 6.6x lower. We have seen a rebound in performance for international stocks in the past twelve months and despite that outperformance, these stocks look reasonably affordable compared to their U.S. counterparts.

DeFact

International stocks have performed well in the past twelve months. The market cap of the EAFE index now surpasses \$20 trillion, having first achieved that level at the end of 2025. In context, despite a negative quarter, the top ten equities in the S&P 500 at the end of March had a market cap of \$21.2 trillion. ~MSCI, JPMorgan

INDEX	1st Qtr	1-YEAR	3-YEAR	5-YEAR	10-YEAR
Bloomberg Aggregate	0.0	4.3	3.6	0.3	1.7
Bloomberg 1-3 Gov Credit	0.3	4.0	4.3	2.0	2.0
Bloomberg Gov Credit Long	-0.8	2.2	0.9	-2.9	1.2
Bloomberg US TIPS	0.3	3.0	3.2	1.5	2.7
ICE BofA Merrill Lynch High Yield	-0.5	6.9	8.5	4.2	6.0
S&P UBS Levgd. Loan (bank loans)	-0.5	4.8	8.0	5.8	5.6
Bloomberg Global Aggregate	-1.1	4.3	2.6	-1.5	0.6
Blmbrg EmgMkt Sovereign (hard)	-1.3	10.4	9.5	2.5	3.8

Notes: Data are presented as percent returns. All 3-, 5-, and 10-year returns are annualized.



- Interest rates increased in the quarter on worries that oil price increases would fuel an increase in inflation. The Fed Funds futures market repriced upward, removing expected rate cuts. The two-year Treasury yield increased from 3.47% to 3.79% in the quarter. The upward movement in rates was felt in investment grade bond returns, with the Aggregate index, posting a 0% return for the quarter and longer dated bonds posting negative results.
- Lower credit quality high yield bonds and bank loans were negatively impacted in the quarter. Concerns about slowing economic growth caused by higher oil prices led to credit spreads widening about 50 basis points during the quarter. Despite this widening, credit spreads remain narrow compared to their history.
- The concern about oil prices and its impact on inflation has changed the shape of the yield curve. As the chart shows, the “shorter” end of the curve has basically taken out the expected Fed rate cuts of 2026. The curve now is fairly upward sloping.

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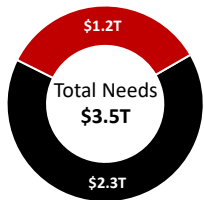
The five “hyperscalers” (Alphabet, Amazon, Meta, Microsoft, Oracle) are now in the midst of a shift in corporate finance. Traditionally, these companies have financed their activities through cash flow. However, in 2025, they collectively raised over \$120 billion in the debt markets, far above their average issuance of about \$28 billion in the previous five years. Their issuance is expected to average about \$140 billion annually over the next three years. Overall, the debt to asset ratio of these companies still trends lower than that of the investment grade bond market. ~Economic Times, JPM, Investing.com

INDEX	1st Qtr	1-YEAR	3-YEAR	5-YEAR	10-YEAR
NCREIF ODCE	0.9	3.8	-3.5	3.4	4.8
NCREIF Property (Private RE)	1.1	5.0	-0.9	3.8	4.9
Residential	1.1	5.3	-0.3	5.0	5.1
Industrial	1.2	4.5	1.0	11.1	12.0
Office	0.8	3.4	-5.3	-2.7	1.3
Retail	1.6	6.8	3.7	3.6	2.8
NCREIF Timberland	1.6	4.6	7.0	8.6	5.4
NCREIF Farmland	-0.7	0.2	1.3	4.2	4.9
HFR FOF Composite	3.3	10.0	8.5	5.1	4.8
Conservative	2.4	8.5	6.9	5.6	4.6
Diversified	3.0	9.9	8.3	5.4	4.9
Preqin Private Equity	3.0	9.6	7.4	11.3	13.5
Private Debt	1.4	5.7	8.0	9.6	8.7
Preqin Infrastructure	-0.9	5.2	7.1	10.2	9.4

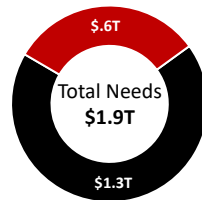
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Additional U.S. Infrastructure Investments Needed to Reach State of Good Repair in the Next Ten Years

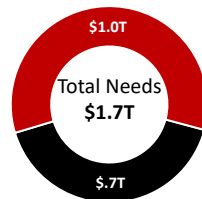
Surface Transportation



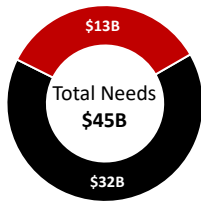
Energy



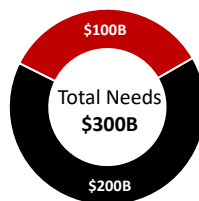
Drinking Water, Wastewater & Stormwater



Water Transportation



Aviation



■ Anticipated Investment
■ Gap

Source: ASCE, 2025

- Farmland returns were negatively impacted in the quarter by permanent crops, driven by price declines in wine grapes, almonds and apples.
- Real estate prices continue to stabilize and modestly improve. Office properties, which had experienced price corrections, have now seen four quarters in a row of positive performance. Overall, the broader index has now seen six quarters in a row of positive performance.
- Private credit has offered fairly stable returns over the longer term but has seen a more challenging environment in the near term. Negative sentiment stemming from loan underwriting standards and AI disruption weighed on the asset class.
- The chart to the left shows the tremendous need for more infrastructure improvements over the next decade. The Society of Civil Engineers estimates that an additional three trillion dollars of investment is needed to bring American infrastructure up to “good repair.” This sector may be an attractive place for private investment in the coming years.

DeFacto

We have seen significant changes in the real estate market over the past decade. Interestingly, retail space leasing continues this trend as service-orientated tenants (such as gyms and salons) are now about 50% of retail square footage in 2025. Changes in e-commerce has reduced the amount of physical space that retailers need to sell items. ~WSJ

43rd Annual Client and Investor Conference - *Change: The Only Constant*

Mark your calendars for the 43rd Annual DeMarche Client and Investor Conference, September 22-24 at the Hotel Kansas City.

Our conference theme this year is **Change: The Only Constant**. Why the paradoxical statement? 2026 is a time with as many challenges as any year in the past decade. Change is accelerating, and that is becoming the new paradigm. Institutional investors must examine whether we are experiencing permanent shifts in foundational models that govern risk policy, economies, and capital markets. Rather than ask how we should navigate temporary changes, we must consider how to level up to a different era, as if the “laws of physics” that govern asset allocation and fiduciary duty may change hereafter. In real world terms, we must consider how investors adapt policy governance and implementation to continue meeting investment and organizational objectives.

The strategic questions that institutional investors are asking require expert insight now more than ever.

Please plan to join us this September to prepare yourself and your organization for the ongoing and unavoidable changes that we are experiencing. Learn from our consultants, analysts, and invited industry experts while networking with investment leaders, colleagues, and other institutional investors.

Registration and hotel reservations will begin in early June.



**SAVE
THE
DATE**

September 22-24, 2026

Hotel Kansas City

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