MARKET COMMENTARY **April, 2026**

2026 ASSET PERFORMANCE

	Q1 26
S&P 500 Total Return	-4.33%
NASDAQ	-6.96%
Dow Jones	-3.19%
Russell 2000	0.89%
World ex. US	-0.60%
Gold ($4667/oz)	5.51%
Oil ($101.38/bbl)	76.49%
Long Term Treasury (4.9%)	0.00%
As of March 31, 2026	

The first quarter of 2026 was defined by a complex tug-of-war between high-performance domestic growth and a volatile global environment. U.S. equities remain in a mid-cycle growth phase, supported by the historic AI technology and investment boom, resilient consumer spending and a solid job market.

U.S. economic and market resilience has defined the year to date and indeed has been the hallmark of the last 10 years. In the span of just 117 days the S&P 500 declined roughly 9% from its January highs and then recovered to post new all-time highs above 7,000. This time period encompasses the Iran Conflict and a 97% rise in the price of crude oil from $57 at the beginning of the year to over $112 on April 6. The market never lost faith in the durability of the U. S. economy, and at the same time earnings and cash flows continued to grow to record levels.

The Energy Shock and Equity Resilience

The most significant development of the quarter was the "energy shock" resulting from the conflict in Iran. Crude oil’s rapid ascent to over $112 per barrel injected fresh inflationary pressure into a system that had only recently seen price stability. While such a spike historically signaled an economic slowdown, recent performance of the U.S. economy and its unique energy independence and resources suggest a new paradigm.

Despite the S&P 500 and NASDAQ posting negative total returns for the quarter (-4.33% and -6.96% respectively), the late-quarter recovery (continued and picking up momentum in April) showcased a market that has learned to live with unresolved conflict. Investors are increasingly looking past temporary price shocks toward the underlying cash flow generation and unrivaled strengths of U.S. companies.

AI & Productivity: The $700 Billion Foundation

Despite geopolitical noise, the secular boom in technology investment has not only continued but accelerated. We now anticipate Big Tech capital expenditures to approach $650-$700 billion in 2026. This massive investment in infrastructure is the bedrock of the AI-driven productivity gains we are seeing across the economy. Just as the impact of the internet was not fully comprehensible in the early 2000s, advancements from AI are difficult to quantify.

At the same time, onshoring, supply-chain diversification, defense rearmament, and the energy infrastructure demands of AI are creating a multi-year capex boom that the industrial sector hasn't seen in decades

These gains are particularly evident in the Industrials and Technology sectors of the market, where strong forward earnings outlooks are supported by both strong demand and enhanced efficiency and output. As artificial intelligence transitions from a market theme to a foundation of economic activity, these "best-of-breed" enablers continue to justify their position as core holdings in our portfolios.

Navigating Policy and Geopolitical Headwinds

The monetary environment has stabilized following the rate cuts of 2025, and policy remains accommodative with markets pricing in the potential for modest further easing later this year. However, this accommodation is balanced against several growing macro risks outlined in the chart below.

2026 Outlook: Big Picture

- Current mid-cycle economy remains resilient for U.S. stocks, with solid growth and accelerating productivity expected to continue, though geopolitical shifts and policy uncertainty introduce notable risks.
- Although the Iran War remains unresolved, markets have learned to live with it.

POSITIVE	NEGATIVE
• U.S. Economy Still In Mid-Cycle Growth Phase with resilient consumer spending, solid job market, and productivity gains	• Iran Conflict and Resulting Energy Shock Create Significant Inflationary Pressure and Global Supply Disruptions
• AI & Technology Investment Boom Continues: Big Tech capex approaching $650-700B in 2026, laying critical foundation for long-term technological advantage	• Escalating Tariff Uncertainty and Global Trade Reassignment -- Rising Great-Power Competition, NATO Modernization tensions, and U.S. reassertion of influence in Western Hemisphere -- add heightened geopolitical risks
• Fed Rate Environment Stabilizing: Policy remains accommodative after 2025 cuts, with markets still pricing in modest further easing later in 2026	• Elevated Market Valuations: Equities trading at high multiples amid forward earnings uncertainty and geopolitical risks
• Strong Forward Earnings Outlook in Select Sectors, particularly Industrials and Technology, Supported by AI Productivity Gains	• US National Debt at Record High Level ($39T), @1.2x Greater than Nominal GDP: Raising Long-Term Sustainability Concerns and Interest Burden

Your Cypress Portfolio

In this environment of elevated valuations but structurally higher profit margins, our strategy remains unchanged: we prioritize business quality over market timing. The margin of safety in your portfolio comes from owning dominant franchises with the pricing power to navigate energy-driven inflation and the scale to benefit from the AI buildout.

While geopolitical shifts and record debt levels introduce notable risks, the U.S. remains the indispensable market. We remain committed to compounding your portfolio by focusing on companies that are not just participants in the modern economy, but its essential architects.

An Addendum: Beyond the Moon and Back

Below is a screen shot taken from a video by astronaut Reid Wiseman with his iPhone. It is an earthset, the earth setting against our moon, from NASA's recent Artemis II expedition where astronauts travelled further away from Earth than any human in history. As children who grew up watching Howdy Doody and Captain Kangaroo on black and white TV's, whose parents drove V-8's and built bomb shelters in the back yard, we are moved by the technological advancement in our lifetime. Technology has moved mankind dramatically forward, made everyday life far easier, more comfortable and safer, unimaginable in even the wildest dreams of our grandparents. Technology has made the notion of mankind's colonization of other worlds within our solar system imaginable in our children's lifetime.

We are humbled by the march of technology, at the same time excited by the possibilities of the future. We are also thankful for the portfolio appreciation that has accrued to our clients through our long-term investments in technology stocks.

We thought we might take a minute to pay homage to some of the giants in history who brought us to this place, where mankind could look back at our Blue Planet from behind our beautiful, desolate partner, the moon.

Artemis II captures breathtaking view of Earthset from moon's far side