

As we look at how the quarter unfolded, it really began as a continuation of the trends we saw in 2025. Early in Q1, risk appetite was favorable. Non-U.S. equities were outperforming U.S. markets. Precious metals were exhibiting strong momentum, and corporate earnings and expectations going forward were holding up. Really.

Well, that constructive backdrop shifted meaningfully in late February. Geopolitical tensions intensified with the onset of the conflict in the Middle East and markets were forced to quickly reprice risk. Oil prices surged sharply, inflation concerns re-emerged, and volatility picked up across asset classes. As we stand today, volatility remains elevated and multiple areas of global equity markets are now trading in or near correction territory. Environments like this—geopolitical uncertainty—tend to dominate headlines, and it becomes increasingly difficult to anchor portfolios to a single macro narrative. The range of plausible outcomes is wide, and forecasting precision is very limited.

Rather than reacting to each incremental data point or headline, we believe it's more productive to focus on durable investment themes and portfolio construction decisions that are designed to remain resilient across a range of outcomes. Example ... examples of these structural themes include the AI buildout global fragmentation, inflation, volatility, and redefining portfolio diversification and resilience. Let's focus on two of these themes.

The first of these is the AI buildout. Our view remains that AI is best understood as a capital investment cycle, not as speculative excess. What we're seeing today is sustained real economy investment aimed at building out the infrastructure necessary to support broad AI adoption—that spending spans semiconductors, data centers, power generation, cooling, and grid infrastructure. Importantly, this is not just demand driven by enthusiasm. It's tied to actual deployment and usage. At the same time, market leadership within AI is becoming much more selective. This phase of the cycle places much greater emphasis on earnings delivery, prudent capital deployment, and valuation discipline. We think it's increasingly important to avoid overly concentrated positions and instead maintain diversified exposure to the broad ecosystem supporting AI growth, both the enablers of AI and the beneficiaries of AI.

The second theme—portfolio diversification and resilience. Specifically, how diversification looks different in an environment influenced by inflation risk and persistent geopolitical uncertainty. Traditional stock bond diversification. Patience has proven less reliable in regimes where inflation surprises to the upside or where real rates are volatile. That means investors need a broader and more flexible diversification tool kit. We believe this includes exposure to commodities, both precious and base metals, given their potential role as an inflation hedge and the fact that they are supply-constrained assets. Real assets also play an important role helping support income generation. And protecting purchasing power over time. In addition, liquid alternatives can provide differentiated sources of real return that are less dependent on equity beta.

The goal here isn't to make aggressive macro bets, but to construct portfolios that have multiple return and income drivers, portfolios that are better positioned to absorb shocks and adapt as conditions evolve. Ultimately, uncertainty and volatility remain elevated and that's unlikely to change in the near term. But by focusing on durable investment themes and by rethinking diversification through a wider lens, we believe investors can build more resilient portfolios.

For our full asset allocation views, please visit our website. And as always, we will continue to monitor markets closely and adjust positioning as risk and opportunities develop.