QUARTERLY COMMENTARY

April 2026

ROBERTS WEALTH ADVISORS

BEYOND THE SHOCK – GEOPOLITICS DRIVES MARKET UNCERTAINTY

After several years of substantial returns in global equity markets, investors were put to the test early in 2026 as geopolitical conflicts erupted onto the scene and sent most markets lower. The war in Iran was one that caught markets off guard, elevating debate on how global economies could respond to higher oil prices, higher inflation, and as a result, the potential for slowing growth.

Foreign equity markets began the year outperforming their U.S. peers, as was the case in calendar year 2025, but notably struggled vs. U.S. stocks as the situation in Iran unfolded. This was also evident in the performance of the U.S. dollar, which after struggling throughout 2025 and early 2026, saw renewed strength throughout February and March. Some of that strength was likely tied to a pause in rate cuts by the U.S. Federal Reserve, boosting the attractiveness of U.S. interest rates vs. other global rates, while the country's relative energy self-sufficiency likely also played a large role.

Equity performance reflected this transition. In the first quarter, the S&P 500 fell 4.33% and international stocks as represented by the Morgan Stanley All-World Index (ACWI ex-U.S.) fell 0.60%; conversely, U.S. small company stocks as measured by the Russell 2000 held up better and rose 0.89%. Although some consolidation was overdue following recent gains, the coincidence with a geopolitical shock has reinforced investor sensitivity to downside scenarios.

We do not typically invest based on the binary outcomes of world events, but we do actively follow their evolution as they can lead to new investable ideas and themes. And while there are indications that we may be moving toward the later stages of this conflict, the ultimate timeline remains unclear. Regardless of the duration, our focus is not on waiting for the storm to pass, but on positioning portfolios to thrive in the new economic landscape the conflict is actively forging.

Earnings Reset or Earnings Resilience?

Consensus expectations entering 2026 called for strong earnings growth, with S&P 500 earnings per share (EPS) projected to increase approximately 14.8% year-over-year. In the first few weeks of the year, optimism was shared across most sectors. The prevailing view was that the market would 'broaden' as cyclical and AI-linked companies alike began to participate in a more synchronized move higher.

Continued from page 1

While the eruption of conflict in Iran has introduced a new layer of caution, the underlying fundamental story for U.S. companies remains remarkably strong. The main question for markets now is not whether growth has ended, but how quickly it can normalize once the current geopolitical situation is resolved. The oil shock of March – which saw U.S. spot oil prices spike 56% and European spot oil prices spike 71% – triggered a swift divergence in those early performances. Energy and utilities stocks, which had lagged in January, reversed course to become the best performers in the first quarter, while transportation stocks faced immediate pressure and gave up early-year gains with fuel costs becoming a major uncertainty.

Importantly, the S&P 500 enters this period from a position of historic strength. With cash-flush balance sheets and a heavy concentration in high-margin, capital-light businesses, the index possesses a structural cushion. This composition acts as a natural buffer, allowing U.S. markets to internalize energy challenges as manageable infrastructure costs rather than unpredictable external risks.

As long as the conflict in Iran follows a path toward stabilization or remains contained in duration, we believe the impact on 2026 earnings will be broadly manageable. Many companies have already stress-tested their logistics and supply chains over the last five years, which should allow them to absorb short-term disruptions without a permanent hit to the bottom line. Analysts have marginally adjusted Q1 earnings growth expectations to a more conservative 11.2%, but we believe this should be viewed more as a reset than a sign of a broadening downturn. Our focus remains on quality companies that have shown the ability to navigate temporary volatility without detouring from their long-term growth trajectories.

Artificial Intelligence (AI): Where Do We Go from Here?

The next phase of AI investment that we had anticipated at the end of last year has arrived, but the primary constraints have shifted from financing to physical infrastructure. Total capital spending sits at historic levels – hyperscalers, this year are projected to invest nearly $700B (based on projected capex from the five largest ones) – but the major bottleneck is no longer the availability of advanced chips, it's the sheer amount of power needed to run them. Modern data centers are now being designed to handle power loads at roughly five times the levels from just two years ago.

This power crunch has been further underscored by the current geopolitical climate. As global energy markets tighten, the cost and reliability of powering the digital economy have become national strategic priorities which have accelerated the pivot noted earlier – companies like Microsoft, Amazon, and Google are increasingly bypassing traditional utility grids in favor of off-grid solutions. This includes tens of billions of dollars in commitments to the nuclear energy space as well as directly sourcing natural gas generation. From an investment perspective, this has transformed utilities and energy infrastructure companies into key cogs in the AI boom with investors recognizing that the scalability of AI is now linked to the scalability of energy infrastructure.

Where do we go from here? In 2025, the market rewarded companies simply for announcing AI partnerships. So far in 2026, the focus has shifted to the implementation phase – companies that are successfully integrating these tools to drive efficiencies throughout the business. The leap from pilot to deployment is proving more difficult and time-consuming than originally thought, but for those who are successfully navigating the transition, there have been tangible margin benefits. Within client portfolios, we are expressing this theme through exposure to the infrastructure layer that makes continued AI scaling possible, while remaining selective on hardware and semiconductor names where valuations still reflect significant execution optimism.

Geopolitical Fragmentation – Everywhere, All at Once

While the conflict in Iran appears like an isolated incident, we believe it's simply another event in the progression of global decoupling. The 40-year trend of globalization that tripled global trade to 63% of GDP at its peak in 2022 has officially moved into reverse. In its place, a more complex system is emerging that's defined by regional alignment, supply chain redundancy, and trade-offs between efficiency and security. As perhaps the best illustration of that change, the 'just-in-time' supply chain mantra of the 2000s is being replaced by 'just-in-case'—a pivot that increases operational security but also potentially introduces structural inflationary pressures.

This fragmentation is also creating a multipolar investment landscape. For the first time in a decade, we are seeing a significant divergence in international central bank policies. While the U.S. Federal Reserve and other major developed economies have paused rate cuts for the time being, several emerging market central banks have continued to ease as they try to capitalize on the relocation of global manufacturing. The result is a more fragmented and less synchronized global economy. For investors, thriving in this environment means building portfolios resilient enough to absorb disruption from multiple directions simultaneously while remaining positioned to capture the opportunities that fragmentation itself is creating.

Expectations & Strategy

As we look toward the remainder of 2026, our outlook remains constructive but highly disciplined. The era of pandemic-driven easy money has officially given way to a new regime defined by global realignment and strategic protection. We have positioned our portfolios to navigate this environment by emphasizing the intersection of structural resilience and secular growth: hard assets and real resources, domestic infrastructure leaders, and the agility of the U.S. small-cap market.

The greatest risk remains a prolonged conflict that permanently alters global energy costs, but we view that as a low likelihood event and continue to believe management teams will adapt now as they have historically through inflationary cycles. As we move into the upcoming earnings season to quantify this durability, we remain principled in our approach—leveraging a rigorous focus on fundamentals to capitalize on the structural shifts currently redefining the global order.

UNDERSTANDING EQUITY COMPENSATION: RSUs, Options, and ESPPs

Equity compensation has become an increasingly common component of compensation packages, particularly for employees at public companies and fast-growing private firms. While these benefits can be powerful wealth-building tools, they also introduce complex tax rules and planning considerations. Understanding how the most common forms—Restricted Stock Units (RSUs), Incentive Stock Options (ISOs), Non-Qualified Stock Options (NQSOs), and Employee Stock Purchase Plans (ESPPs)—work can help you make more informed decisions and manage taxes more effectively.

Restricted Stock Units (RSUs)

- RSUs are one of the most straightforward forms of equity compensation. Employees receive shares that vest over time, typically based on continued employment or performance milestones.
- When RSUs vest, the value of the shares is treated as ordinary income and taxed similarly to salary or a bonus. Employers typically withhold shares or cash to cover the tax liability before delivering the remaining shares to the employee's account.
- Once vested, any additional appreciation is taxed as a capital gain when the shares are sold. If held for more than one year, gains may qualify for long-term capital gains rates, which are frequently lower than ordinary income rates.
- Since RSUs are taxed upon vesting regardless of whether shares are sold, many employees choose to sell shares soon after vesting and reinvest the proceeds into a diversified portfolio.

Incentive Stock Options (ISOs)

- ISO grants provide employees the right to purchase company stock at a predetermined price, the strike price, once the options vest. They offer the potential for favorable tax treatment if certain holding requirements are met.
- Exercising ISOs does not create regular taxable income, but the spread between the exercise price and market value may be included in the Alternative Minimum Tax (AMT) calculation.

Example

Suppose you are granted ISOs with an exercise price of $10 per share. A few years later, the stock is worth $30 and you exercise your options. The $20 spread may be included in your AMT calculation. If you hold the shares for at least one year after exercise and two years from the grant date, and later sell at $40, the entire gain—from $10 to $40—may be taxed at long-term capital gains rates rather than ordinary income.

Because of potential AMT exposure, employees often manage ISO exercises carefully—strategically spreading exercises across multiple years, exercising earlier in the calendar year, or exercising when valuations are closest to the strike price.

Non-Qualified Stock Options (NQSOs)

- NQSOs also allow employees to purchase stock at a fixed price, but their tax treatment is simpler. When exercised, the spread is taxed as ordinary income and reported on the employee's W-2, regardless if the exercised stock shares are sold.
- Once the shares are owned, any future appreciation is taxed as a capital gain upon sale. Because the tax event occurs at exercise, timing decisions—such as exercising in lower-income years or when the stock price is lower—can help manage the tax impact.

Employee Stock Purchase Plans (ESPPs)

- ESPPs allow employees the discretion to purchase company stock through payroll deductions, often at a discount of up to 15%. Many plans also include a lookback provision, meaning the purchase price is based on the lower of the stock price at the beginning or end of the offering period—effectively increasing the potential discount if the stock appreciates.
- Tax treatment depends on how long the shares are held. If shares are held at least one year after purchase and two years after the offering date, the sale is considered a qualifying disposition. In this case, a portion of the gain (typically the discount) is taxed as ordinary income, while the remaining gain may be taxed at long-term capital gains rates.
- If shares are sold sooner, it is a disqualifying disposition, and most of the gain is taxed as ordinary income.
- Because ESPPs offer a built-in discount, many employees treat them as a disciplined savings strategy—contributing through payroll and purchasing shares at favorable terms. Some choose to sell shares relatively quickly to lock in the discount and reduce concentration risk, while others may hold shares longer for potential tax advantages. The right approach often depends on overall exposure to company stock and individual financial goals.

The Risk of Being Overexposed to Your Employer

As equity compensation accumulates, it can create a unique risk: being heavily dependent on the same company for both income and investments. If the company experiences a downturn, employees may face a double impact—reduced income or job loss alongside declining stock value.

Over time, it is common for employer stock to represent a significant portion of net worth. While confidence in your company is natural, maintaining too much exposure to a single stock can increase overall portfolio risk. For this reason, many investors implement a strategy to gradually diversify employer stock holdings.

Planning Considerations

Equity compensation can be a powerful tool for building wealth, but it requires thoughtful planning. Strategies such as diversifying over time, managing the timing of option exercises, coordinating stock sales with your broader tax picture, and balancing tax efficiency with risk can help improve outcomes. With the right approach, equity compensation can become a valuable component of a long-term financial plan—while helping you avoid unnecessary risk and tax surprises along the way.

PORTFOLIO ACTIVITY

Portfolio activity in the first quarter was focused on refining our existing exposures and remaining patient amid market volatility. We were net buyers in equities, meaning we sold more than we bought, and we were net buyers in fixed income by a narrow margin.

Within the equities portion of the portfolio, we executed several moves to right-size our exposure across core themes. In the real estate sector, we added to our stake in American Tower (AMT) as a reversal of our tax optimization moves executed in the previous quarter. On the other hand, we trimmed positions in Coherent (COHR) and Sea (SE) due to their respective price performance while exiting our stake in PayPal (PYPL). On the fixed income front, we began to find increased value in extending duration to capture a steepening yield curve.

Early in the quarter, we executed partial sales of Coherent in the portfolio. The technology hardware provider offers advanced inputs, like optical fiber and industrial laser components, that we believe will continue to play a pivotal role in AI & datacenter expansion. Coherent has delivered robust results, across operations and stock returns. The trim of the position reflected its rapid ascent to historically high valuation multiples, not the longer term opportunity for the company. Coherent remains a meaningful position in our portfolios

We closed our position in PayPal, the financial technology platform offering digital payment services and e-commerce solutions. The company has been gaining momentum across some of its newer business segments, including Venmo and debit cards, but firmwide growth has remained below our expectations.

Index Performance	2025	Q1
Dow Jones Industrial	14.92%	-3.19%
Standard & Poor's 500	17.88%	-4.33%
Nasdaq Composite	21.14%	-6.96%
MSCI EAFE (Europe, Australasia, Far East)	31.22%	-1.24%
Russell 2000 (Small Company)	12.81%	0.89%
MSCI ACWI (All Country World Index)	22.34%	-3.20%
Barclays Intermediate Term Bond	7.30%	-0.05%
Barclays Municipal Bond	4.25%	-0.18%
Barclays Short Term Bond	6.11%	0.14%

The company has been slow to bring valuable offerings for its larger merchant partnerships, and we believe the company could be weakened by outsized growth of agentic commerce. We still believe there is value to the PayPal platform, but we are shifting our focus to other options in the payments space.

Finally, we executed two tax-incentivized moves in accounts in American Tower and Sea. American Tower remains a leader on the real estate side of the telecommunication industry; we see the company as a value-oriented complement to the growth in satellite and AI infrastructure buildouts. We selectively exited Sea on a temporary basis, to capture the tax loss generated from recent stock price underperformance. We remain optimistic about the company's long-term growth in gaming and e-commerce and will be re-entering the position early in Q2.

The short end of the yield curve has adjusted, and we have focused on the 1-3 year maturity ranges with purchases of U.S. Treasury Notes and Corporate Bonds. We anticipate the FOMC will be slow to raise rates in reaction to inflationary pressures from the spike in oil. The short end of the yield curve allows us to capture more predictable return while remaining insulated from potential price swings with longer maturities.

TOP 10
U.S. HOLDINGS

- Apple
- Alphabet
- Microsoft
- Amazon
- Trane Technologies
- Coherent
- Merck & Co
- JPMorgan Chase
- NextEra Energy
- Cisco Systems

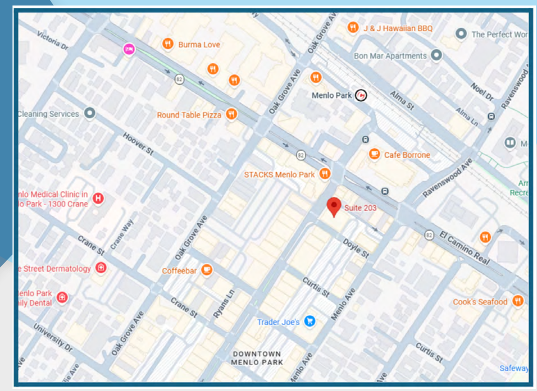
We've

Moved!

We are excited to share that RWA has recently relocated **both** our California and Utah offices. We look forward to hosting you in our new spaces soon!

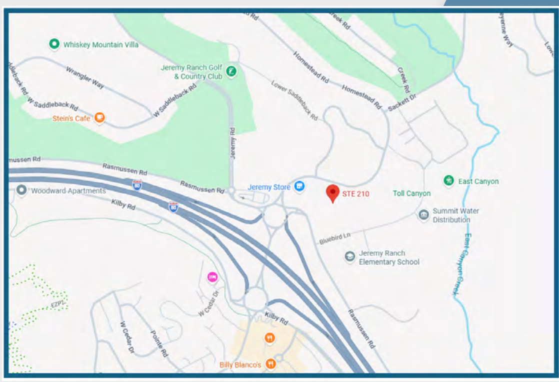
Menlo Park, CA

611 Santa Cruz Avenue
Suite 203
Menlo Park, CA 94025



Park City, UT

2700 Homestead Road
Suite 210
Park City, UT 84098



FEATURED STOCK: DIAMONDBACK ENERGY (FANG)

Diamondback Energy is an independent oil & gas producer operating across the Permian Basin in the southern United States. The company engages in "upstream" activities – a term for the start of the energy supply chain - including land acquisition, exploring for resources, and raw material extraction. Diamondback then sells its oil and natural gas on the open market.

The Permian Basin continues to be the largest source of domestic oil production[1], and with Diamondback's premier asset base and operational cost structure, we believe the company represents an attractive investment into the region.

Diamondback offers unique exposure to the traditional energy space for three key reasons: its world-class production profile, its growing role in the natural gas market, and its valuable expansion opportunities.

In terms of production, the company extracts approximately 500,000 barrels of oil per day across its acreage in Texas and New Mexico. What truly sets Diamondback apart is its "breakeven" cost. The company can maintain its production levels and continue paying dividends to shareholders when oil sinks below $40 per barrel. With the conflict in the Middle East pushing oil prices above $90 per barrel, Diamondback is perfectly positioned to capture the significant upside while staying financially secure.

Diamondback is also a major beneficiary of the surging demand for natural gas in power generation. The company extracts a significant amount of gas alongside its oil production, but due to gas oversupply in the Permian Basin, Diamondback has historically not been able to realize meaningful economic value. However, U.S. power demand growth - via AI datacenters & broader electrification trends - has led to significant investments in natural gas infrastructure. Electric gas generators, cross-country pipelines, and waterfront export hubs are coming online at a rapid pace as Permian producers like Diamondback reap the incremental financial benefits.

Finally, Diamondback continues to grow production capabilities and improve efficiency. The company recently completed its exploration of the Barnett project, located within the Permian Basin, adding to its long-duration, high-quality inventory of reserves. It also maintains a strong track record of innovation, leveraging advanced extraction techniques and material designs to preserve its low-cost edge relative to domestic competitors.

Altogether, traditional energy is an economic necessity due to persistent demand growth and ongoing supply constraints. Oil remains a critical input across the economy, including transportation and everyday consumer items, while natural gas has emerged as a "win-now" solution for electricity needs across the world. Recent disruptions in both resources, namely from conflicts in Russia and Iran, have proven that U.S. production is an enduring and profitable portion of the global economy. Diamondback Energy exemplifies this strength combining a low-cost structure with high-volume production that thrives in an ever-changing market.

[1] U.S. Crude Oil Production, March 2026, https://www.eia.gov/todayinenergy/detail.php?id=67404

Topic Spotlight

PRIVATE CREDIT LENDING

The private credit lending market is facing growing scrutiny as signs of stress emerge that echo elements of the subprime mortgage crisis preceding the 2008 Global Financial Crisis.

Private credit refers to non-bank lending to privately held companies, a sector that expanded rapidly after 2008 as increased bank regulations tightened traditional lending standards. This regulatory gap was filled by asset managers and alternative lenders that raised significant capital—often from retail investors— with the promise of higher yields than those available in public credit markets. The private credit lending market grew to $1.8 trillion in assets and largely met the expected returns of investors. These enhanced returns were largely driven by two characteristics of private credit: complex lending structures extended to borrowers unable to secure bank financing, and limited liquidity, as investments are difficult to exit quickly. While these features supported higher yields during periods of economic expansion, they also have increased risk. Nowhere was this more evident than in the technology sector, particularly software companies, which became favored borrowers due to rapid post-pandemic growth and seemingly stable, recurring revenues.

However, the emergence of artificial intelligence has disrupted traditional software business models, calling into question future growth assumptions and revenue predictability. As credit fundamentals weaken, private credit loans tied to these businesses have become riskier. In response, retail investors have begun requesting redemptions, creating liquidity pressures for private credit funds that are not designed to meet large-scale liquidation demands. This mismatch between investor expectations and asset liquidity now represents a central challenge for the private credit market.

Due to the illiquid nature of the investments, the funds are designed to limit the amount of money required by the funds sponsor to distribute during any calendar quarter. This limit or "gate" is purposefully designed on these types of funds to avoid a forced liquidation of fund investments should redemption requests become elevated. For less sophisticated investors, these gates also heighten the anxiety around the solvency of the underlying investments. In the most recent quarter, funds for the major fund sponsors, Blue Owl and Blackstone, face redemption requests that far exceeded the standard 5% gate. Blue Owl decided to meet their entire redemption request in an effort to quell anxiety but may have inadvertently set a precedent which the rest of the industry is unwilling to follow.

Adding further scrutiny is the 2025 executive order signed by President Trump allowing investments by retirement accounts, like 401(k) plans, to invest in alternative investments such as private credit funds.

The disruption in the software industry has illuminated the risk inherent in private credit lending but represents only a small portion of the entire market for private loans. We do not anticipate a reverberation through the capital markets that would result in a greater liquidity crisis. It is increasingly important for investors to understand any liquidity constraints on investments and allocate an appropriate exposure to funds that may take months, if not years, to fully liquidate.