Atlantic Retirement & Wealth Advisors LLC
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Disruptions, Distractions and Market Transitions

The first quarter felt like an entire year - or was it just us? The sheer number and pace of events that impacted the market was astounding. In conjunction with this, a surge in innovation and change is coming to fruition, which will have long term implications for investors.

As a reminder of significant events: the Russia-Ukraine war entered its fourth year, the Arms Control (Nuclear Start Treaty) expired, the Iran conflict began, oil topped $100 per barrel, inflation on food and commodities accelerated, regime change in Venezuela occurred, subpoenas were issued to the Federal Reserve Chair as a pressure tactic to lower interest rates, the US budget deficit surpassed $39 trillion, Bulgaria officially adopted the euro currency and last but not least the New England Patriots lost the Superbowl - alright, we concede the Superbowl loss did not move markets but it sure did make the quarter feel even longer.

A wave of short and long-term changes is shaping the global economy. These changes have the potential to create real, lasting and unpredictable outcomes, placing us in a period of Market Transition, which matters for long-term investors. Trends influencing these transitions include artificial intelligence and automation, infrastructure investment, global defense and supply chain realignment as well as basic food and housing operations. In just the first quarter of 2026, “early stage” venture investment reached $300 billion, up 150% quarter over quarter and funded 6,000 startups. Although investment was concentrated, 70% of venture capital spending went to these startups.

Some of the most compelling investment opportunities often come during times of economic and market strain. As an investor, we continue to look at long term opportunities but also understand short term events can derail from long term themes. We believe that investors are best served by maintaining diversified portfolios, as shown during the first quarter of 2026.

Economic and Investment Outlook Takeaways

- Energy shock raises stagflation (high inflation and low growth) risks and deepens disparities – however this is not the 1970’s. We put a 40% chance of future stagflation should the war continue into the summer. International markets would see the first impacts.

- Governments may face a policy paradox – try to keep inflation low vs try to maintain economic growth – fiscal stimulus may be required by some governments. Outsized government deficits will limit any transfer payments, although elections can change politicians' minds.
- Liquidity is important – Atlantic Retirement does not hold or recommend any private credit or private equity securities for a reason. Currently there are a number of firms struggling to meet redemption requests and/or ongoing client cash needs. Although we have experience in managing these asset classes for prior firms, we don't believe the risks outweigh the potential return differences. Our experience tells us to be concerned about specific areas in private markets, such as software companies (impact from AI) and global consumer firms (apparel, goods) debt and equity. There may be a spillover effect on to other areas as clients try to generate cash from different categories.
- Equity and fixed income quality and resilience – in times like these it is important to own high quality stocks and bonds. Speculation and / or momentum can turn very quickly (lately, by the day or hour).

First Quarter Performance Observations

- Most stock indexes were negative during the first quarter, with the exception of the Value Category which holds a large percentage in oil/commodity related firms.
- International stocks started out the quarter with strong performance but were hit hard in March given the middle east war. Many Asian and European economies are very reliant on the middle east for their energy needs, especially given the Russia-Ukraine conflict.
- Even with huge investments, many tech related stock prices experienced corrections. Such as: Microsoft -23%, Tesla -18%, Meta (Facebook) -13%, Amazon -10%, Google -9% and Apple -7%. Investors started to ask about return on investment, interest rate impact on balance sheets, as well as overall valuation metrics like price/earnings and cash flows. Over the next couple of quarters we will be sending out some of our research that focuses on AI and its impact on industries and employment. In summary, the amount of money being spent in this sector is nothing short of extraordinary. You can take all the internet ads and placements sold and still would not pay for these investments (if you're comparing current internet/social media spending vs AI spending). How will this pay-off or have a return on investment? It must remove jobs and functions as well as increase productivity in a meaningful way. These firms are betting on it.

- Fixed income / bonds reversed some of their earlier quarterly gains and ended with small losses as inflation and interest rates started to reverse course. At this time, we expect the Federal Reserve to hold rates steady until later this year. We are still penciling in one or two cuts in 2026 based on weak employment numbers we see on the horizon.

Overall Landscape

We continue to focus on long-term results, client outcomes and objectives. Our goal is to match our portfolios to our clients' goals, risk levels, timeframe, market opportunities and dynamics as well as current valuations and thoughts. These are never static given all the variables included in our analysis as well as our clients' life changes.

Atlantic Retirement & Wealth Enhancements

ARWA continues to roll-out our enhanced AI technology layout. We are now live with our additional investment analysis tools, new quarterly client account reporting module as well as our new expanded financial reporting tool. As part of this effort, Atlantic has begun implementing select AI tools to support data analysis and pattern recognition, assist with research, and improve administrative efficiency. Throughout this process, the privacy and security of our clients' information remain of the utmost importance. Our core processes are grounded in decades of industry experience, which enables us to critically monitor and interpret additional AI generated insights and results and also provide clear oversight and fundamental review.

Index Returns

Index – US Equities	Q1 2026
Dow Jones Average (TR)	-3.19%
S&P 500 (Price)	-4.63%
S&P 500 (TR)	-4.33%
Morningstar US Mid Cap Core (TR)	.74%
Morningstar US Small Cap Core (TR)	-1.28%
NASDAQ 100 (PR)	-5.98%
Morningstar Large Cap Value	2.37%
Morningstar Small Cap Value	2.75%
Russell 2000 TR	-5.02%

Index - International	Q1 2026
MSCI ACWI All cap NR	-2.74%
MSCI Emerging Markets GR	-.10%
MSCI EAFE	-1.24%

Index – Fixed Income	Q1 2026
Bloomberg US Bond Aggregate (TR)	-.05%
Bloomberg US Corporate A Inter (TR)	-.21%
BBGBARC Muni Inter-short 1-10 (TR)	-.14%
Bloomberg High Yield Muni (TR)	.43%
BBGBARC Muni 10 Yr 8-12 TR US	-.14%

S&P Target Risk Models	Q1 2026
S&P Target Risk Conservative (PR)	-.98%
S&P Target Risk Moderate (PR)	-1.09%
S&P Target Growth Aggregate (PR)	-1.32%
S&P Target Risk Aggressive (PR)	-1.54%

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