Dear xxxx;

Oil is the single most important natural resource on the planet. Approximately 95% of all manufactured goods rely on petrochemicals. The disruption in global shipping brought on by the Iran War have caused colossal increases in oil prices and fixed income yields, and corresponding decreases in global equities. Since the first two months of the quarter delivered strong market performance, the overall first quarter results are better than most would expect given the ongoing wars. US equities (Q: -5.68%) and international equities (Q: -1.23%) were lower, US fixed income (Q: -0.05%) was flat, and commodities (Q: +40.02%) were driven substantially higher due to increases in oil. This letter will provide an analysis of the major geopolitical, financial, and thematic events that shaped the first quarter and our thoughts on the remainder of 2026 and 2027.

Precious Metals

As a precious metal, silver is both a hedge to the stock market, and a material used in industrial production and jewelry. On April 7th, 2025, silver hit a daily low of 28.31. Nine months later, on Jan 26th, 2026, the metal hit a high of 117.20 corresponding to an increase of 314%. The last time silver went on a run like this was in the late 1970s and early 1980s when the Hunt brothers tried, and subsequently failed, to corner the silver market. This time, the price improvement was based both on the growing use case of silver in production, and on speculation and FOMO. Thus, it wasn't a complete shock that on January 30th, silver experienced its largest intraday pullback since the Hunt Brother's failure in 1980, as the price per ounce declined from $115 to $85.

The January 30th intraday decline wasn't limited to silver; gold dropped 10%, palladium 16%, and platinum 19%. All four US precious metals finished the quarter below their January 30th close. Even with these substantial first quarter declines, in the last twelve months, silver is up 120%, gold 50%, palladium 49%, and platinum 95%. As global unrest continues, we have renewed belief in the role of these metals as a market hedge, a component of jewelry, and an industrial input. We remain bullish towards the overall future performance of precious metals.

Market Performance Before Iran Strike

Stock market performance in January and February of 2026 was stable in the US. US equities were up 1-2% and US fixed income yields were declining in anticipation of future fed rate cuts. Global stock markets continued their upward trajectory from the end of 2025. The non-US developed world equities were up 12.5% while emerging markets had increased by 8.3%. On February 27th, 2025, our clients' portfolios had generated average year-to-date returns of 5.2%.

The rest of this letter will explain what happened on February 28th and what we believe will happen in the coming months and years.

US Attack on Iran

On February 28th, the United States and Israel attacked Iran. As of press time this war is ongoing.

The Straits of Hormuz & Bab el-Mandeb

The Strait of Hormuz is a waterway between the Persian Gulf and the Gulf of Oman. It's 100 miles long and 60 miles wide. Through it passes 20% of the world's oil and LNG, and 33% of the world's fertilizer and helium. Accessibility to this strait has always been controlled by Iran. As a result of the attack on Iran, they have closed the Strait. On February 27th, before the recent conflict, Brent Crude was $72.48/barrel. Today, due to the limited activity in the strait, the current price of Brent crude is $111.94, an increase of almost $40/barrel or 54%. At home, we've seen the impact from this closure through gas prices. On February 27th a gallon of gas in the US was $2.98, today it's $4.02.

The Houthis are a Yemeni militant group which has been armed and funded by Iran. The Houthis began targeting international shipping in the Red Sea after Hamas attacked Israel on October 7th, 2023. The Houthis ceased these attacks after the US-brokered ceasefire in October 2025. The Houthis entered the Iranian war on March 28th by launching missile and drone attacks on Israel. In recent days, the Houthis have threatened to close the Strait of Bab el-Mandeb, a 14-mile-wide Strait connecting the Red Sea to the Arabian Sea. Should this strait close, exporters will need to traverse around Africa to reach Asia. This journey increases the trip duration by 300% and increases the cost by 400%.

Inflation

Oil and gas aren't only needed to run your car and heat your home. They are necessary to produce thousands of products including but not limited to toys, candy, makeup, clothing, computer components, medical devices, and sports equipment. When the price of a barrel of oil increases by 54% the price of these other items increases as well. This increase in prices is the definition of inflation.

In February 2026, the US recorded an annual inflation rate of 2.5%. This proved the actions taken by the Governors of The Federal Reserve Board since 2022 were necessary to improve the economic status of the United States and the livelihood of its citizens. Inflation had cooled, interest rates were decreasing, the stock market was at all-time highs, and the economy was positioned for long-term success.

The February 28th attack on Iran altered this economic euphoria. We predict the April 10th CPI reading will be 3.0%. This 20% month-over-month increase in CPI would eliminate the hope of future rate cuts. If changes to foreign policy aren't immediately introduced, we believe the CPI print in May could be as high as 4.0%. A CPI reading of this magnitude will increase the likelihood of both stagflation and a global recession. This could cause consumer confidence to fall, spending to decrease, home buying activity to diminish, and home prices to drop.

Federal Funds Decisions

GA Pincus Funds believes that regardless of which individual serves as the Chairman of The Federal Reserve Board of Governors, that they will act in the best interest of all Americans without regard for politics. Given the incorrect decisions made by the Fed as the US CPI accelerated post-COVID, we expect the Federal Reserve will act more quickly and decisively during near term future inflationary periods.

As previously mentioned, unless there are immediate material changes in the Middle East, GA Pincus Funds anticipates seismic increases to US CPI readings in the coming months. In response, the Federal Reserve will raise rates to counter the effects of inflation. If the United States cannot find a resolution in the Middle East, we predict current CPI readings could double from 2.4% to 4.8% by the end of 2026. The ramifications of inflation will be felt globally.

Crypto is No Longer a Hedge

Bitcoin began 2026 at $87,412, well below its October 6th, 2025, all-time high of $126,198. Unfortunately, and somewhat surprisingly, the price of Bitcoin continued to fall during the 1st quarter. During the initial attacks of the Iranian war, the price of Bitcoin fell to $63,062, bringing its first quarter drawdown to -27.86%. Since the war began, Bitcoin has traded rangebound and finished the quarter at $67,820 a first quarter decline of 22.41%.

It is now clear to market participants that Bitcoin and other cryptocurrencies are no longer considered a hedge but rather a risk asset. These facts don't make it wrong; but they help market participants understand what they are buying. Cryptocurrencies tend to increase or decrease in line with the riskiest segment of market performance albeit to a greater degree. While this isn't the original expectation of the asset class, it shouldn't remove the "currency" from our vantage point.

US Treasuries

On February 27th, while equities were soaring, US Treasuries were as low as they had been in a year. Financial pundits seemed to agree that the US economy was stable, and the stock market was functioning well. The US 10-year Treasury was 3.96% and the US 2-Year Treasury was 3.38%. The US hadn't held firmly at these rates since before the recent rate increases began in 2022.

In the month since the attack on Iran, the 10-year Treasury has increased by 9% and the 2-year Treasury has increased by 12.4%. These sharp increases in a matter of weeks are extremely important to investors. Higher rates increase borrowing costs making it harder and more expensive to borrow money. Higher rates slow down spending and investments and decrease economic expansion. Ultimately, they can lead to stock market declines, higher levels of unemployment, recessions or, in extreme cases, depressions.

Conclusion

In our last newsletter, we predicted there would be a market pullback in the first quarter of 2026 due to profit-taking with a quick recovery as investors received their IRS refunds. The pullback has happened, but the anticipated cause was incorrect. We now feel that there will not be a true global economic recovery until the war in Iran ends. If the war does not end soon, the world must learn to accept $175 oil.

PORTFOLIO UPDATES

Portfolio Updates

In January, Wilshire, the owner of the index we use to track US stock performance, went bankrupt. For that reason, we switched to the Dow Jones US Total Market Index. This index is currently the broadest composite of US stocks. We have recalculated all prior benchmark performance and going forward we will use the performance of the Down Jones Total Stock Market Index instead of the Wilshire 5000.

During late March it became apparent to us that global equity markets have yet to fully price in the magnitude of the disruptions caused by the war in Iran. For this reason, we have reduced equity exposure and increased fixed income holdings for clients across the board. We took steps to reduce the tax impact of these trades; however, it is better to pay taxes today rather than lose a significant portion of your wealth in a prolonged market downturn.

Diversification

As you know, GA Pincus Funds uses a proprietary algorithm embedded within custom software to deliver tax-adjusted returns that aim to outperform your blended benchmark. We aim to use a broad set of asset classes so that each of your portfolios represents the global stock, bond, and commodity markets. Each year there will always be a best performing asset class and a worst performing asset class. Diversification ensures stability since your portfolios own a blend of the global market. Part of our investment strategy involves shifting portfolio weightings to minimize the exposure to the underperforming asset classes while maximizing exposure to the stronger asset classes. We will continue to monitor the changing ETF landscape to further diversify each of your portfolios when it is applicable.

Client Referral Network

One of the oldest and most successful methods to grow a business is through word of mouth. GA Pincus Funds has been fortunate and has grown substantially due to referrals made by you and your fellow clients. We would like to use our future quarterly newsletters to return the favor to our clients. We plan to dedicate a section of our newsletters to our client's businesses. Rather than list your name or company name, we will instead indicate the category of business and location where you operate. For example, Real Estate Professional in Chicago, or Employment Lawyer in Georgia, or Public Relations Professional in New York, etc. If you would like to participate in this program, please let us know. This referral program is **free marketing** for your business. **We will not accept payments for these referrals.**

Performance Calculations

The performance of your accounts is calculated daily, taking into consideration daily deposits and withdrawals, and those daily returns are combined to form your quarterly, YTD, and since inception returns. When we round off this enhanced precision it may shift your performance by 0.01-0.02% when compared to the calculation ((end date value – start date value)/start date value). Please note, the performance figures in your statement are accurate and are GIPS (Global Investment Performance Standards) compliant.

Exchange Traded Funds (ETFs) are required to distribute all excess cash, net income, and dividends received from their constituent companies to their shareholders annually. These distributions take the form of dividends. Many ETFs issue special dividends at the end of the year to ensure compliance with this rule. The amount of the dividend is removed from the ETF on x-date, and the shareholder receives the funds on the pay date. The x-date and the pay date can at times straddle New Year's Day. Please be aware, your full year returns on the statements we deliver may be slightly lower than the statements you receive from Schwab due to this nuance.

It is impossible to predict whether and by how much the market will increase or decrease. Our algorithm rebalances your accounts according to changes in the relative weightings of the securities you hold. As one security becomes too heavily weighted the algorithm sells shares in that security. Conversely, as one security becomes too lightly weighted, the algorithm purchases shares of that security. Instead of rebalancing based on time (as most managers do), this algorithm rebalances based on a securities' relative weighting in the portfolio. This gives GA Pincus Funds a long-term advantage. No matter what the market does in the future or has done in the past, if your time horizon is long enough (>1 year), this algorithm has proven itself to be successful.

Please stay safe and healthy. We are always available to answer any questions you may have.

Best regards,

Gabriel

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