

# Freedom market commentary

Q1 2026

## KEY POINTS



Iran conflict stresses global markets



After broadening, market seeks lower risk



Small-cap, value, non-US equity outperforms



US fundamentals steady

The US-Israel war against Iran produced significant uncertainties across the global market in the first quarter, driving volatility and resulting in a broad pullback across asset classes.

Through January and February, the prior quarter's trends held, with the market broadening in line with fundamentals, elevating small- and mid-cap, non-US and value equity as investors sought opportunity outside the high valuations of large US growth stocks. The onset of military operations in the Gulf region, however, led investors to flee toward quality, which benefited US equity, relatively, as Europe and Asia are seen as more reliant on Middle Eastern energy products.

Downstream effects of the conflict will likely depend on the length and intensity of hostilities, and damage done to Gulf infrastructure. Countries that rely directly on middle eastern energy exports – including Japan, South Korea, India, China and Southeast Asia – could soon experience supply shocks as the last ships to freely transit the Strait of Hormuz reach their destinations.

Domestically, the US economy showed robust growth, full employment and stable inflation, even as it remains above the target. Corporate earnings have been strong and have shown signs of improving. Significant headlines regarding tariffs and government funding have had relatively little appreciable impact on the market.

## INVESTING INSIGHT

### Wartime dips and rebounds

When geopolitics erupt into war, uncertainty peaks and selloffs are common. When that urge hits, investors are wise to look at history. A review of the US stock market amid 20th and 21st century conflicts shows war-related pullbacks to be generally limited – averaging about 4% – and to reverse within two months.

Even in World War 2, the S&P 500 lost 19.8% of its value after the attack on Pearl Harbor in 1941. Within one year, it had clawed back 11.4%. By the end of 1945, the index was up 50%.

Why is this? The US is large and geographically shielded, its cities, industries and workforce protected. And even amid war, the economy and its markets have to do the day-to-day work of commerce. While ultra-efficient supply lines can be fragile, the nation's wealth provides options. People need things; even against headwinds, other people want to find ways to sell them those things. This keeps the market moving.

## EQUITY

As seen at the end of 2025, the market continued its turn from large-cap growth stocks to small- and mid-cap and value stocks. The S&P 500, tracking US large-cap stocks, closed March -5.0% and the quarter -4.3%. The Russell 2500, an index of US small- and mid-cap stocks, finished March -5.1% and small-to-mid caps returned 2.0% for the quarter.

Non-US equity won the quarter relative to US stocks but experienced a much sharper downturn in March, likely as a result of those nations' greater reliance on Middle Eastern energy products. The US, in comparison, is a major energy-exporting country. The MSCI EAFE index of large-cap equity in developed economies outside the US closed the month with -10.3% and -1.2% for the quarter.

Energy dominated the quarter as energy stocks shot up 38% year-to-date, according to the S&P 500 sector-specific index. Utilities 8%, materials 10% and consumer staples 8% also had less stratospheric but still strong positive growth. Minus real estate and industrials, all other sectors recorded losses.

AI-related stocks broadly saw declines across the quarter as the market broadened and investors looked for earnings growth to justify high valuations. Relatedly,

firms in certain subsectors took deep losses as investors attempt to sort the AI-disruptors from the AI-disrupted, particularly in growth-oriented technology services.

## FIXED INCOME

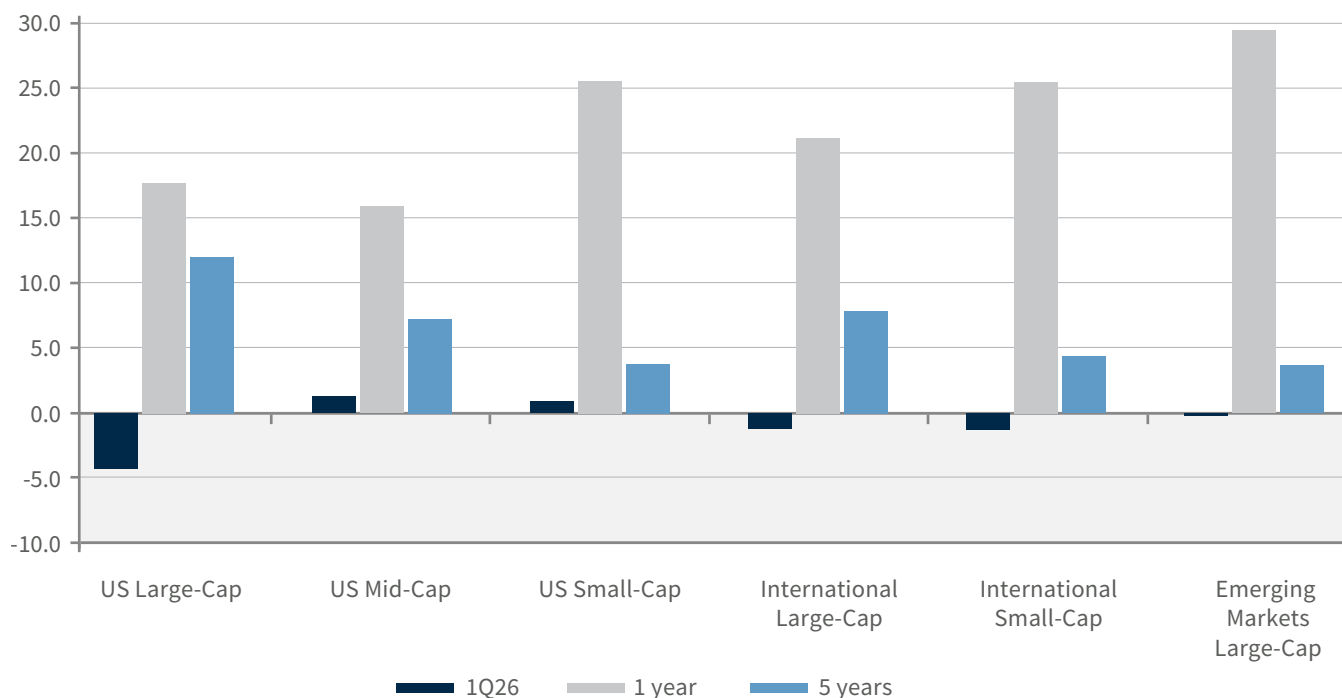
The Federal Reserve held interest rates steady through the first quarter. With the economy resilient, inflation above target and energy costs rising, the Fed is expected to likewise hold off on another cut until war impacts are clearer. Through the quarter, bond investors adjusted their expectations as condition changed – yields dipped in the lead-up to military operations in the Gulf and rose through March until it became clear a rate cut was not immediately forthcoming.

Through the quarter, bonds held value better relative to equity with the Bloomberg US Aggregate Bond index recording -0.1% for the quarter.

Sharp AI-related drops in software company valuations in the first quarter have created stresses in the private credit market. While this risk is primarily concentrated in private institutions, there is some exposure in the public market. Corporate debt yields rose through March, which could provide new opportunities on a risk-adjusted basis.

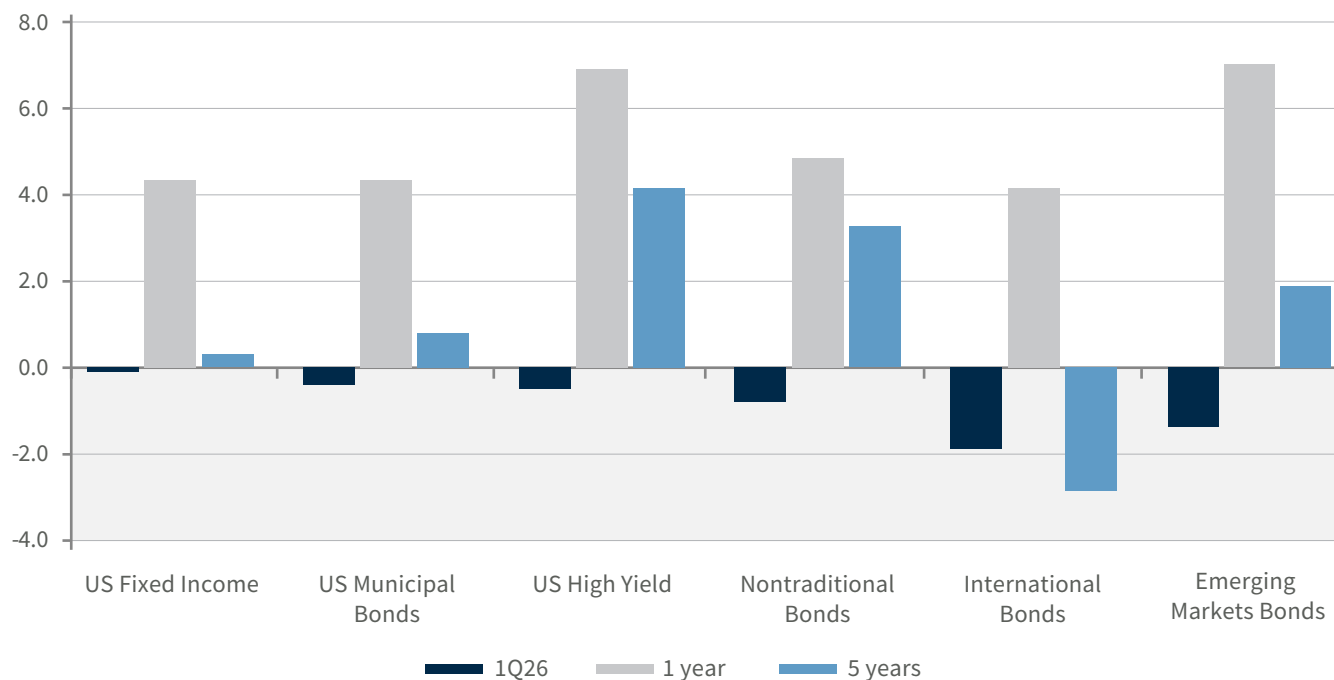
## EQUITY RETURNS

Source: Morningstar as of 3/31/2026



## FIXED INCOME RETURNS

Source: Morningstar as of 3/31/2026



### AMS INVESTMENT COMMITTEE OUTLOOK

Amid heightened market, policy and geopolitical uncertainty, the AMS Investment Committee has maintained a highly diversified exposure while identifying opportunities in market shocks to strategically reposition. Presently, Freedom portfolio allocations are neutral to equity and fixed income, with a preference on the equity side for US companies and a balance across market caps. While international stocks have outperformed in recent quarters, their reliance on Middle East energy is seen as a headwind.

It is the committee's view that despite war impacts, recession, at the moment, seems unlikely. While energy costs are an immediate strain on growth and create an inflationary pressure, it is too early to say whether energy prices will remain heightened for years to come. If the conflict continues, it is expected to have potentially longer lasting negative effects on the world economy.

## DISCLOSURE

The foregoing content reflects the opinions of Raymond James Asset Management Services and is subject to change at any time without notice. Content provided herein is for informational purposes only. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. The charts and tables presented herein are for illustrative purposes only and should not be considered as the sole basis for your investment decision.

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*Further information on the funds selected for the Freedom portfolios is available by prospectus, which can be obtained through your financial advisor. Investors should carefully consider the investment objectives, risks, charges and expenses of mutual funds and exchange traded funds before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. All investments are subject to risk, including loss.*

You should understand that the annual advisory fee charged in these programs is in addition to the management fees and operating expenses charged by mutual funds and exchange traded funds if applicable. These additional considerations, as well as the fee schedule, are listed more fully in the Client Agreement and the Raymond James & Associate's Form ADV Part 2A.

It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk and no one particular investment style or manager is suitable for all types of investors.

Additional risks may include:

- Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default or principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code) and call risks.
- There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed

income prices fall and when interest rates fall, fixed income prices generally rise. Short-term bonds with maturities of three years or less will generally have lower yields than long term bonds which are more susceptible to interest rate risk.

- International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.
- Investing in emerging markets can be riskier than investing in well-established foreign markets. Emerging and developing markets may be less liquid and more volatile because they tend to reflect economic structures that are generally less diverse and mature and political systems that may be less stable than those in more developed countries.
- Investing in small-cap stocks generally involves greater risks, and, therefore, may not be appropriate for every investor. Stocks of smaller or newer or mid-sized companies may be more likely to realize more substantial growth as well as suffer more significant losses than larger or more established issuers.
- These portfolios may be subject to international, small-cap and sector-focus exposures as well. Accounts may have over weighted sector and issuer positions, and may result in greater volatility and risk.
- Alternative investments are generally considered speculative in nature and may involve a high degree of risk, particularly if concentrating investments in one or few alternative investments. These risks are potentially greater and substantially different than those associated with traditional equity or fixed income investments. The investment strategies used by certain funds may require a substantial use of leverage. The investment strategies employed and associated risks are more fully disclosed in each fund's prospectus, which is available from your financial advisor.
- Commodities trading is generally considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of the fund's investments in commodities are cyclical economic conditions, sudden political events, changes in sectors affecting a particular industry or commodity, and adverse international monetary policies. Markets for precious metals and other commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

- Specific sector investing, such as real estate, can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.
- Companies in the technology industry are subject to fierce competition, and their products and services may be subject to rapid obsolescence.

## INDEX AND PEER GROUP DESCRIPTIONS

These indices and peer groups are not available for direct investment. Any product which attempts to mimic the performance will incur expenses, such as management fees and transaction costs, that reduce returns.

Bloomberg US Aggregate Bond TR Index (US Fixed Income): The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS and CMBS sectors. This index includes the effects of reinvested dividends.

Bloomberg Emerging Markets USD Aggregate Bond Total Return (Emerging Market Bonds): A flagship benchmark measuring the performance of fixed- and floating-rate, U.S. dollar-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. It represents a “hard currency” (USD) market, spanning investment grade and high-yield, with a minimum \$500mn par amount outstanding.

MSCI EAFE Small-Cap Net Return (International Small-Cap): a free float-adjusted market capitalization-weighted index measuring the performance of small-cap stocks across developed markets (excluding the US and Canada). It includes approximately 2,000 constituents from Europe, Australasia, and the Far East, covering about 14% of the free float-adjusted market capitalization in each country. The “Net Return” aspect indicates that performance includes reinvested dividends after deducting withholding taxes.

MSCI Emerging Markets Small-Cap Net Return (Emerging Markets Small-Cap): Measures equity performance of small-capitalization companies across 24 emerging market countries. Covering approximately 14% of the free float-adjusted market capitalization

in each country, it captures small-cap representation not included in the MSCI Emerging Markets (Standard) Index.

MSCI EAFE (Europe, Australasia, Far East) Net Return (International Large-Cap): An equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the US and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets Net Return Index (Emerging Markets Large-Cap): The index captures large and mid cap representation across 24 Emerging Markets (EM) countries\*. With 1,251 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. \*EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. This index includes the effects of reinvested dividends.

Morningstar’s US Fund Nontraditional Bond (Nontraditional Bonds): includes funds that pursue strategies that differ from traditional bond funds, with broad flexibility in interest-rate sensitivity, credit quality, sector exposure, and currency. These funds may use derivatives and may employ unconstrained or absolute return approaches across a wide range of fixed-income sectors.

Bloomberg Global Aggregate Bond ex-USD (International Bonds): The index provides a broad-based measure of the global investment grade fixed-rate debt markets, excluding the United States. Currency exposure is hedged to the US dollar.

Bloomberg Municipal Bond TR (US Municipal Bonds): The index is a measure of the long-term tax-exempt bond market with securities of investment grade (rated at least Baa by Moody’s Investors Service and BBB by Standard and Poor’s). This index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Bloomberg US Corporate High Yield 2% Issuer Capped TR (US High Yield): The index measures the performance of high yield corporate bonds, with a maximum allocation of 2% to any one issuer.

S&P 500 TR Index (US Large-Cap): This index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. It consists of 400 industrial, 40 utility, 20 transportation, and 40

financial companies listed on US market exchanges. This is a capitalization-weighted calculated on a total return basis with dividends reinvested. The S&P represents about 75% of the NYSE market capitalization.

Bloomberg Commodity Index: The index tracks prices of futures contracts on physical commodities on the commodity markets. The index is designed to minimize concentration in any one commodity or sector. It currently has 22 commodity futures in seven sectors. No one commodity can compose less than 2% or more than 15% of the index, and no sector can represent more than 33% of the index (as of the annual weightings of the components). The weightings for each commodity included in Bloomberg Commodity Index are calculated in accordance with rules that ensure that the relative proportion of each of the

underlying individual commodities reflects its global economic significance and market liquidity. Annual rebalancing and reweighting ensure that diversity is maintained over time.

Russell 2000 Total Return Index (US Small-Cap): This index covers 2000 of the smallest companies in the Russell 3000 index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

Russell Midcap TR Index (US Mid-Cap): This index consists of the bottom 800 securities in the Russell 1000 index as ranked by total market capitalization. This Index includes the effects of reinvested dividends.

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880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM