



by DAN ZOLET, CFA

## THE WRITING TEAM

ADAM GROSSMAN, CFA  
Global Equity CIO | Partner

CHRIS KONSTANTINOS, CFA  
Managing Partner |  
Chief Investment Strategist

KEVIN NICHOLSON, CFA  
Global Fixed Income CIO | Partner

ROD SMYTH  
Vice Chairman

DAN ZOLET, CFA  
Associate Portfolio Manager

## SUMMARY

- The Energy sector led global Markets.
- US markets lagged due to growth sectors.
- We believe earnings provide a strong fundamental foundation, should tensions ease.

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## Q1 Recap: Markets Falter to Start the Year Geopolitical Headwinds Too Much to Overcome Thus Far

Note to reader: this week's Weekly View will provide a recap of Q1 returns. If you are curious about our most recent thoughts on the conflict in the Middle East, please refer to [last week's commentary](#).

Q1 2026 began as a continuation of the market broadening and strong returns of the second half of 2025. However, markets are not insulated from geopolitical shocks, and the Iranian conflict created meaningful headwinds that pushed most segments into negative territory by quarter's end. Let's take a deeper dive into the quarter that was.

**Table 1: Q1 2026 Asset Class Performance**

Broad Asset Classes	PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 3/31/2026	
	Q1 2026	Trailing Twelve Months
US SMID CAP	2.8%	18.4%
CASH	0.9%	4.1%
US TREASURIES	0.0%	3.3%
FIXED INCOME INV GRADE	-0.1%	4.4%
EMERGING MARKET EQUITIES	-0.2%	29.6%
HIGH YIELD	-0.6%	6.9%
GLOBAL EX-US EQUITIES	-0.7%	24.9%
DEVELOPED INT'L EQUITIES	-1.2%	21.3%
GLOBAL EQUITIES	-3.2%	20.0%
<b>US LARGE-CAP</b>	<b>-4.3%</b>	<b>17.8%</b>

Source: Factset, Morningstar. Data as of March 31, 2026. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. See disclosures at the end of this publication for description of asset classes and the indices for which the returns above are based. Returns above do not reflect any fees or costs associated with investing in the applicable asset classes. It is not possible to invest directly in an index.

## US Sectors: Value Rises; Growth Falls

Table 2 on the top of the next page shows US sector performance. Energy led by a wide margin, driven by the spike in oil prices over the past month – its first quarter outperforming the broad S&P 500 since Q1 of last year. This quarter illustrates our long-held view on Energy's role in a portfolio: while the sector can 'walk in the woods,' detached from broader market returns for quarters at a time, it also provides a valuable hedge against risks that are difficult to protect against – including geopolitical conflict and inflation.

Both the materials and industrials sectors also produced positive returns this quarter. Both sectors had strong January and February before March trimmed some of their gains – a potential sign that the market broadening we have discussed was underway prior to the Middle East conflict. Our earnings analysis supports the case for this trend to continue if geopolitical headwinds ease.

At the bottom of the returns table sit three traditional growth sectors – Communication Services, Technology, and Consumer Discretionary – along with Financials. These growth sectors entered the quarter with historically stretched valuations; in a market selloff, it is typically the most expensive segments that have the furthest to fall. That appears to be the case here, as underlying earnings – particularly in Technology – remain strong despite the price declines. Within Financials, every industry posted negative returns, with Consumer Finance, Capital Markets, and Financial Services contributing most to the shortfall.

**Table 2: Q1 2026 US Sector Performance**

US Sector	PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 3/31/2026	
	Q1 2026	Trailing Twelve Months
Energy	38.2%	36.3%
Materials	9.7%	18.0%
Utilities	8.3%	19.7%
Consumer Staples	7.7%	6.3%
Industrials	4.6%	25.0%
Real Estate	2.8%	2.3%
<b>S&amp;P 500</b>	<b>-4.4%</b>	<b>17.8%</b>
Health Care	-4.9%	2.3%
Communication Services	-6.9%	32.5%
Information Technology	-9.1%	29.0%
Consumer Discretionary	-9.2%	11.7%
Financials	-9.5%	0.6%

Source: Bloomberg. Data as of March 31, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns shown do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

**International Stocks: Overseas Returns Mirror US Themes**

Moving to Table 3 below, we see similar themes internationally as we saw in the US. Both the UK and Canada posted positive returns on the back of their energy sectors. Energy is the second biggest sector in Canada and the fourth biggest in the UK. These larger concentrations of overseas energy stocks had returns that were comparable to US energy, which allowed these countries to avoid negative returns. Japan was the other country that posted positive returns and similarly was driven by value sectors, though the primary driver was their industrial sector.

The notable laggard was China, the only international market in our universe with a Technology weighting comparable to the US. In a quarter where growth underperformed, China predictably lagged its international peers – for the second consecutive quarter.

On the currency front, no single currency moved dramatically, but a clear trend emerged: a strengthening US dollar. This reverses the weakening trend we saw in 2025, and if it persists, it will represent an additional headwind for international equities from the perspective of a US-based investor.

**Table 3: Q1 2026 Global Region Performance**

International Market Returns	In USD		In Local		Currency Impact	
	Q1 2026	Year Over Year	Q1 2026	Year Over Year	Q1 2026	Year Over Year
MSCI Total Return Net						
United Kingdom	2.0%	25.7%	4.0%	23.0%	-2.0%	2.7%
Japan	1.4%	25.9%	2.9%	33.9%	-1.5%	-8.0%
Canada	1.3%	36.7%	3.1%	32.5%	-1.8%	4.1%
Emerging Markets	-0.2%	29.6%	2.1%	30.6%	-2.3%	-1.0%
EAFE	-1.1%	21.9%	0.3%	18.0%	-1.4%	3.9%
Europe	-2.8%	19.1%	-1.0%	12.4%	-1.8%	6.7%
<b>United States</b>	<b>-4.3%</b>	<b>17.8%</b>	<b>-4.3%</b>	<b>17.8%</b>	<b>0.0%</b>	<b>0.0%</b>
China	-8.9%	3.8%	-8.5%	3.8%	-0.4%	0.1%

Source: Bloomberg. Data as of March 31, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns above do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

## Looking Forward: Not The Start to 2026 We Had Hoped For...but No Reason to Panic

In this section last quarter, we opined about the potential for market broadening in 2026. As we mentioned above, we saw some of this broadening early in the quarter before the current conflict in the Middle East derailed markets. However, as we discussed [last week](#), it is important not to lose the forest through the trees: earnings remain broadly strong, and that matters. Earnings will ultimately dictate both the longevity of any value-oriented broadening and the durability of the technology mega-trend that has defined the past decade. If geopolitical tensions ease, there is ample support for a resumption of the strong returns we have seen in recent years, in our view.

In the meantime, RiverFront's risk management process remains on alert, as evidenced by a second reduction in equity weighting in our two shortest-horizon balanced portfolios since the Iran war began. To be clear: in our shorter-horizon portfolios, our risk processes emphasize technical analysis and price momentum; in our longer-horizon portfolios, the risk focus is more heavily-weighted towards deterioration in market fundamentals – though all portfolios draw on a mosaic of both disciplines.

*Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.*

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*The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Opinions expressed are current as of the date shown and are subject to change. Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index.*

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*All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.*

*Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.*

### **Index Definitions**

*Standard & Poor's (S&P) 500 Index TR USD (US Large Cap) measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.*

*Standard & Poor's (S&P) 1000 Index (US SMID Cap) – the S&P MidCap 400 Index and the S&P SmallCap 600 Index are combined to form the S&P 1000.*

*MSCI EAFE Net Total Return (NR) USD Index: The index captures large and mid-cap representation in 21 developed markets around the world, excluding the US and Canada. The index covers approximately 85% of the adjusted free-float market capitalization in each country. For net returns, the regular cash dividend is reinvested after deduction of withholding tax by applying the maximum rate of the company's country of incorporation applicable to institutional investors.*

*MSCI Emerging Markets Index captures large and mid cap representation across approximately 26 Emerging Markets (EM) countries.*

*MSCI Europe Index represents the performance of large and mid-cap equities across approximately 15 developed countries in Europe.*

*MSCI Japan Index designed to measure the performance of the large and mid cap segments of the Japanese market.*

*MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).*

*MSCI United Kingdom Index (USD) is designed to measure the performance of the large and mid cap segments of the UK market.*

*MSCI Canada Index is designed to measure the performance of the large and mid cap segments of the Canada market.*

*The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.*

*MSCI ACWI Index (Global Equities) is designed to represent performance of the full opportunity set of large- and mid-cap stocks across approximately 23 developed and approximately 25 emerging markets.*

*MSCI ACWI ex USA Index (Global ex US Equities) captures large and mid cap representation across approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.*

*ICE BofA High Yield Index TR USD (High Yield) tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. Index constituents are capitalization-weighted based on their current amount outstanding times the market price plus accrued interest.*

*Emerging Market Equities is represented by the MSCI Emerging Markets Index (NET), a free-float adjusted market capitalization index that is designed to measure the equity market performance of emerging markets. The index consists of indices from approximately 25 emerging market country indices. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.*

*The Bank of Japan (BOJ) is headquartered in the Nihonbashi business district in Tokyo. The BOJ is the Japanese central bank, which is responsible for issuing and handling currency and treasury securities, implementing monetary policy, maintaining the stability of the Japanese financial system, and providing settling and clearing services. Like most central banks, the BOJ also compiles and aggregates economic data and produces economic research and analysis.*

*Bloomberg Capital US Treasury Index TR USD (Treasury Bonds) measures the performance of the US Treasury bond market.*

*Bloomberg US Aggregate Bond Index TR USD (Fixed Income Investment Grade) is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. The issues must be rated investment grade, be publicly traded and meet certain maturity and issue size requirements.*

*Bloomberg Capital 1-3 Month US Treasury Bill Index TR USD (Cash) includes all publicly issued zero-coupon US Treasury Bills with a remaining maturity between one and three months, are rated investment-grade and have an outstanding face value of \$250 million or more.*

*In a rising interest rate environment, the value of fixed-income securities generally declines.*

*Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero).*

*Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.*

*High-yield securities (including junk bonds) are subject to greater risk of loss of principal and interest, including default risk, than higher-rated securities.*

*Dividends are not guaranteed and are subject to change or elimination.*

*Investment grade fixed income securities include broad fixed income, corporate securities, municipal bonds, treasuries, and mortgage backed securities (MBS). Investment grade securities are believed to be at less risk of default and rated higher by the credit rating agencies. In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities. Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. MBS are subject to prepayment and extension risk; as such, they react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain MBS.*

*Treasuries are government debt securities issued by the US Government. Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. With relatively low yields, income produced by Treasuries may be lower than the rate of inflation.*

*US large cap equities include equities of companies with a market capitalization of over \$10 billion. Although large cap equities are generally considered to be safer securities, large cap equities are still subject to the risks associated with stocks.*

*Global equities are equities that span across both developed countries and emerging markets. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.*

*The energy sector is a category of stocks that relate to producing or supplying energy. The energy sector or industry includes companies involved in the exploration and development of oil or gas reserves, oil and gas drilling, and refining. The energy industry also includes integrated power utility companies such as renewable energy and coal.*

*Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.*

*Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.*

*Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.*

*Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.*

*Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.*

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