

HORAN Wealth

Quarterly Investor Letter

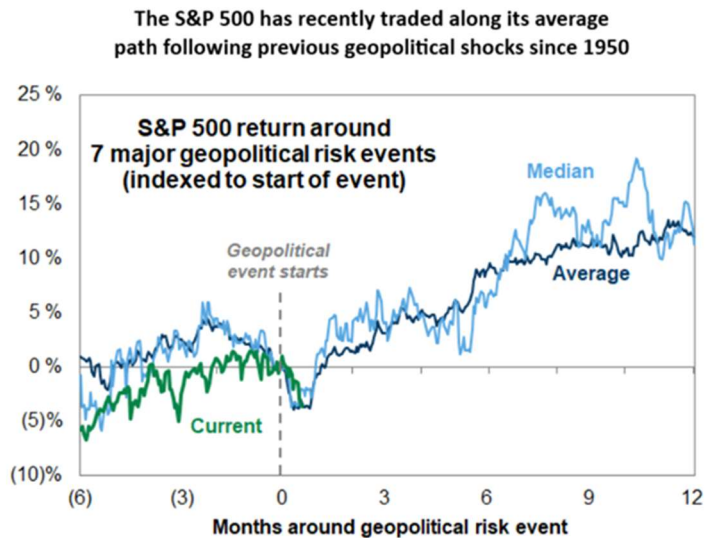
Spring 2026

*“What the wise man
does in the beginning,
the fool does in the
end.” — Howard
Marks*



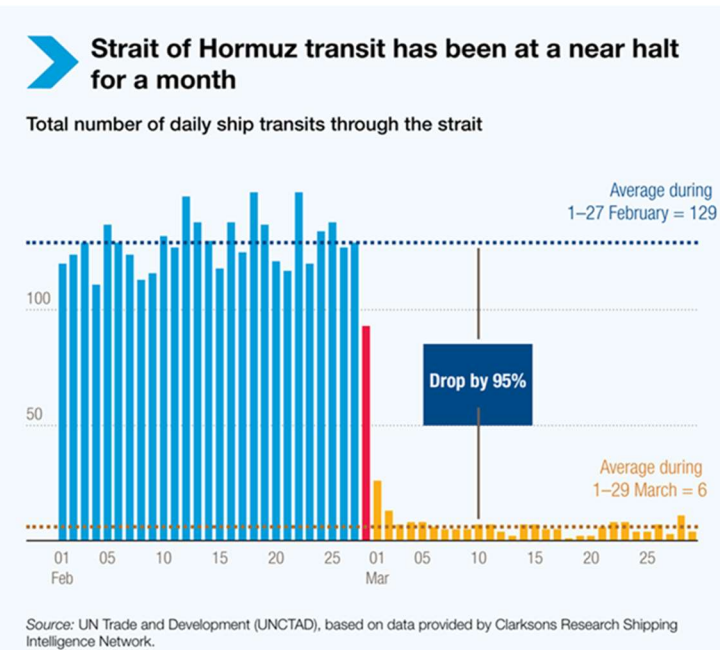
All About Sports

The Winter Olympics kicked off on February 6 and ended on February 22. Norway led the medal count with 41 total medals which included 18 gold medals. The United States had the second highest medal count total of 33 with 12 being gold. Two days after the start of the Olympics, Super Bowl LX was held on February 8. The Seattle Seahawks, an NFC team, beat the new England Patriots, an AFC team. Since the Super Bowl indicator was launched in 1978, if an NFC team wins, a bull market has followed and if an AFC team wins a bear market follows. Up until 2022 the indicator had a 75% success rate. In the 2000's though, this reversed and if an AFC team won, a bull market unfolded over the year. Over the entire time period though a bull market favors an NFC team win but it is not recommended to put much faith in this indicator for a trading strategy. The NCAA March Madness Basketball Tournament began in the first quarter and now spills over into April. And lastly, Major League Baseball's Opening Day was held near the end of the first quarter on March 25. For sports fanatics, one had a wide range of choices from which to choose.



Geopolitics

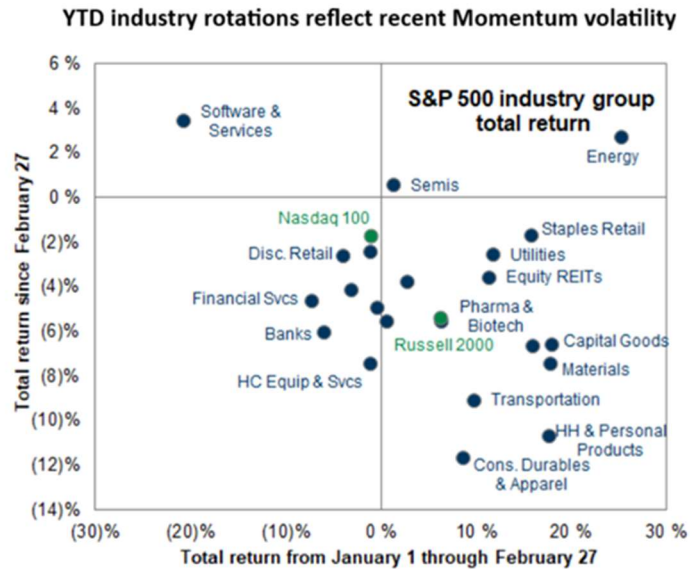
The significant geopolitical event in the first quarter was the Middle East conflict centered around Iran. The conflict began on February 28 and continues as of this writing. The impact on the global economy may not be significant if the conflict is short in duration. However, a direct impact has rippled through oil and other commodity markets. If the conflict is short in duration, history suggests the impact to economies and the stock market would be limited. As the green line on the first chart shows, this shock to the equity market seems to be following the path of earlier geopolitical events. However, the longer the conflict drags on the more significant headwind this may cause to world economic activity. Before the conflict began, roughly 130 ships passed through the Strait of Hormuz



every day and by the end of March the number of ships declined to an average of six per day according to UN Trade & Development. Recent military events have secured more control over the Strait, but shipping volume is virtually non-existent.

Equity Market Impact

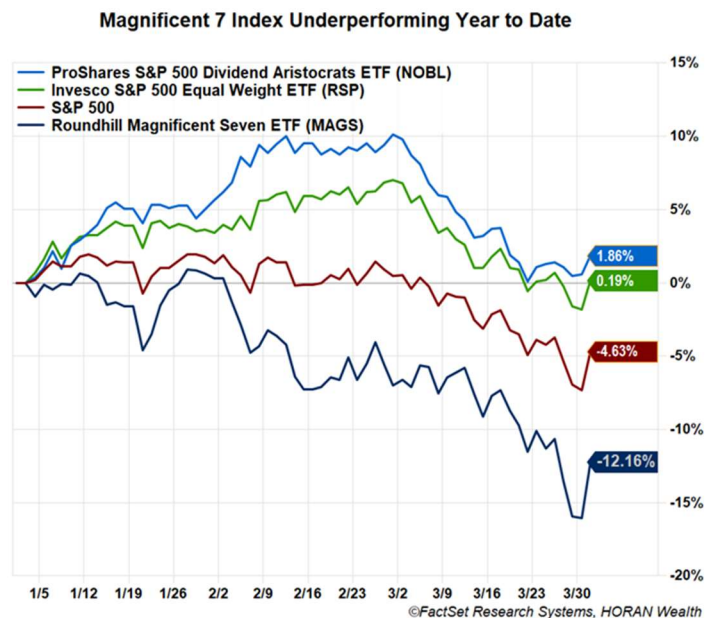
Since the beginning of the conflict the equity market has experienced rotation into industries focused on Semi-conductor stocks, Software & Services and, not surprisingly, Energy as seen in the upper quadrants of the near chart as shown on the y-axis. The lower x-axis and lower right quadrant display the performance of industries from the beginning of the year through the start of the conflict, February 27. This rotation in the first quarter, which actually began in November last year, has resulted in the Nasdaq 100 Index and many of the technology and data center-oriented stocks generating negative returns. The winning industries in the first quarter are those sectors that had lagged during the time the Mag 7 stocks were outperforming.



Source: FactSet, Goldman Sachs Global Investment Research

Again, this rotation began in November 2025, before the Middle East conflict. Several factors contributed to this rotation. One factor is the concentration in the S&P 500 Index of technology/Artificial Intelligence (AI) type stocks, mostly the Magnificent 7, and they have driven a large part of the S&P 500 Index's return over the last several years. At the beginning of November, NVIDIA and Microsoft accounted for over 14% of the index weighting. At the end of March, those two stocks represented just under 12% of the index and Microsoft stock is down 31% from its October 31, 2025 high.

Looking at the S&P 500 Index performance in the first quarter, it is down just -4.6%, on a price only basis, however, for investors, the market decline "feels" much worse. Contributing to this feeling is the fact all the Mag 7 stocks are down more than the market except Alphabet. As the near chart shows, the Magnificent 7 ETF (MAGS) is down -12.16%. An index that equally weights each S&P 500 holding, the Invesco S&P 500 Index Equal Weight ETF (RSP), is up fractionally at .19%. In other words, the market is broadening out and more stocks are participating in performance, yet the mega caps are down. Nearly half of the S&P 500 Index stocks were up in the first quarter.



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Also, the top performing sectors in the S&P 500 Index in the first quarter are four of the smallest sectors, Energy with a 4% sector weight, Materials at 2% weighting, Utilities at 3% weighting and Consumer Staples with a 5% weighting in the Index. Investors likely have a smaller weighting in most stocks in these smaller sectors that are contributing more to the market's return.

The other factor impacting the return of some larger stocks in the S&P 500 Index, specifically software stocks, is the potentially negative impact AI tools might have on these companies' business moats. Much of the software that individuals and companies use today is accessed over a cloud environment, that is, a company or individual does not need to load software on a specific computer. This has become known as technology companies delivering software as a service (SaaS). Recently some of the AI tools have been able to replicate the results provided by some software companies. The market consequence is the software stocks have fallen with the iShares Expanded Tech-Software ETF (IGV) down over 30% since its high in October last year. This has caused investors to rethink the AI impact broadly, even the impact on data-center activity. As discussed in earlier Investor Letters, the spending on data-centers has grown significantly and investors now want to see the payoff associated with this increased spending.

The Credit Market

In the third quarter of 2025, two notable bankruptcies occurred within the auto industry: First Brands, a major auto-parts supplier, and Tricolor, a subprime auto lender. Although the circumstances differed, both cases highlighted vulnerabilities tied to leverage and underwriting standards. Tricolor's failure stemmed from fraud involving collateral used to secure its loan financing, while First Brands was ultimately unable to manage the burden of excessive debt. In each instance, portions of the capital structure were financed through the private credit loan (PCL) market, which has grown meaningfully in recent years as institutional and increasingly, retail investors have sought higher-yielding alternatives.

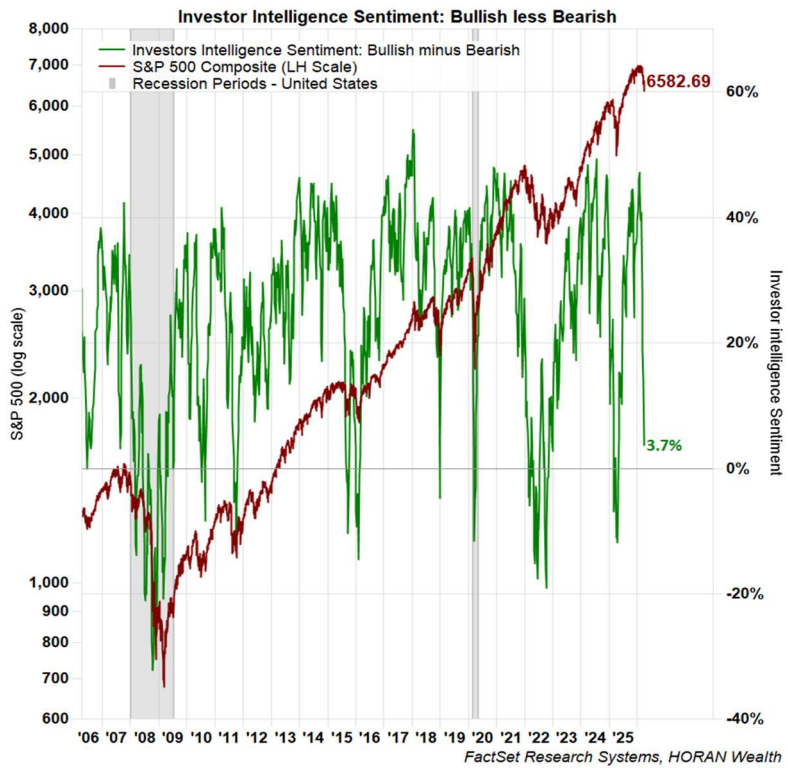
The PCL market has also been a significant source of funding for software companies. As discussed earlier in this investor letter, the software industry is undergoing rapid change as AI reshapes competitive dynamics and challenges legacy business models. This disruption has prompted lenders to reassess the durability of certain cloud-based revenue streams, adding further scrutiny to an already evolving segment of the private credit landscape.

For investors, private credit is typically classified as an alternative investment, and these vehicles often include quarterly withdrawal limits to align investor liquidity with the underlying assets. Recently, redemption requests have exceeded expectations, leading fund managers to impose withdrawal restrictions, commonly referred to as "gating." While gating is a standard feature of private market structures, it tends to draw heightened attention when retail investors are involved.

These quarterly redemption cycles may generate periodic headlines over the coming year. However, as a Goldman Sachs analyst recently noted in *Private Market Insights*, "the asset class faces legitimate headwinds from retail redemptions and software exposure, but the systemic risk fears dominating headlines are disconnected from the actual data. With retail evergreen funds likely in net outflows through 2027 and

institutional capital poised to step in at better spreads, the current dislocation may end up producing some of the best vintage years for disciplined lenders.”

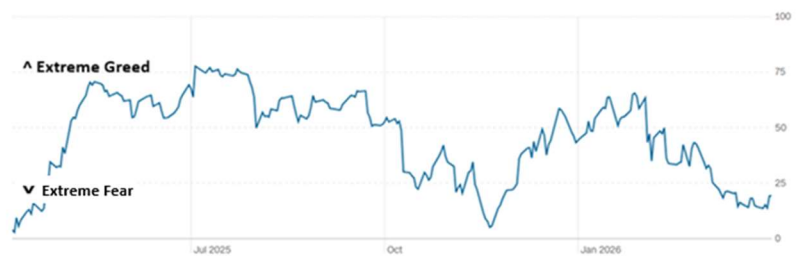
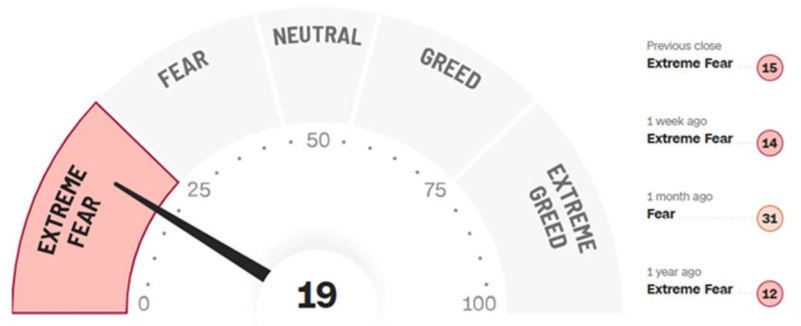
In our view, while near-term sentiment may remain volatile, periods of dislocation often create attractive opportunities for patient, selective investors. The recent challenges highlight the importance of manager selection, underwriting discipline, and avoiding overly complex or opaque loan structures. Core private credit, characterized by strong documentation, conservative leverage, and direct lender control, appears to be fundamentally sound. The current environment is likely to reward disciplined underwriting and thoughtful portfolio construction as capital scarcity improves pricing power, strengthens lender protections, and reinforces the advantages of investing with experienced, well-capitalized fund managers.



Conclusion: Investor Sentiment and Earnings

As noted earlier, the equity market “feels” like it is down more than the -4.6% result in the first quarter. This has led to investor sentiment measures falling into extreme fear or bearish levels as seen with the CNN Business Fear & Greed Index and the investor Intelligence Sentiment reading. Both sentiment measures are near a fear or bearish level reached in April last year after President Trump’s tariff announcement. Subsequent to the announcement and the market pullback, the S&P 500 Index is up over 20%. These sentiment measures are mostly contrarian ones and extreme fear, or extreme bearishness often occur near market bottoms.

Fear & Greed Index



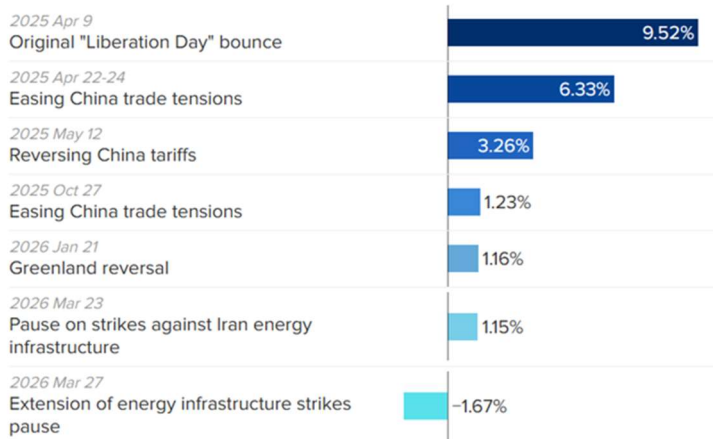
Source: CNN Business, 4/2/2026

The other factor potentially weighing on investors is the 'TACO' trade is not generating the same level of market rebound as it had earlier in President Trump's term. Some of this may be a result of the market anticipating a rebound and either recovering more quickly or not falling as much as anticipated believing President Trump will relax some of his initial announcements.

The Winter Investor Letter touched on earnings for companies in the S&P 500 Index as there remains truth to the fact that stock prices follow earnings over time. As investors evaluate company earnings, if the growth rate of earnings is anticipated to accelerate, the price of a company's stock or the S&P 500 Index itself can increase before the earnings growth is achieved. This is known as multiple expansion, i.e., the price to earnings ratio increases in anticipation of the growth in earnings. With respect to earnings, this growth has been realized. One year ago, analysts were expecting fourth quarter 2025 S&P 500 earnings to be up 10.8%.

The diminishing returns of the 'TACO' trade

Gains in the S&P 500 after Trump policy reversals



Source: FactSet, Kirk Opportunities



S&P 500 Y/Y EARNINGS AND REVENUE GROWTH SUMMARY

S&P 500 Y/Y GROWTH RATES

	25Q3	25Q4	26Q1	26Q2	26Q3	26Q4	27Q1	27Q2	2025	2026	2027
Revenue	8.3%	9.2%	9.0%	8.7%	7.9%	7.7%	7.9%	7.4%	7.2%	8.4%	7.3%
Earnings	14.9%	14.1%	14.4%	19.2%	21.3%	19.6%	21.9%	17.3%	14.0%	19.0%	16.6%

Source: LSEG IB/E/S

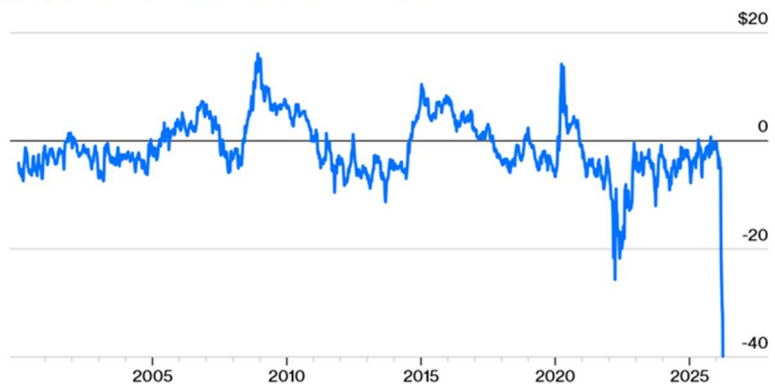
With Q4 2025 earnings season in the rearview mirror, reported results show earnings were up 14.1%, far better than expected. Looking ahead one year, in the first quarter of 2027 earnings are expected to be up 21.9%. So long as corporate earnings achieve this level of growth, the earnings growth that is anticipated should serve as a tailwind for stocks in the coming year.

And lastly, with the Middle East conflict, the one area being impacted the most is shipping through the Strait of Hormuz and the direct impact on the price of oil. Oil prices have spiked higher with West Texas Intermediate Crude trading at \$111/bbl, up from \$57/bbl at the end of 2025. A sustained higher price would be a headwind for consumers. With respect to the market, oil futures traders are anticipating the conflict is not a longer-term event. This can be seen in the near chart representing the spread between the current market price of oil and the price one

Backwardation to the Future

Oil traders have never been so confident that crude prices will fall

Spread of 12th Over 1st Month Brent Crude Futures



Source: Bloomberg, Kirk Opportunities

year from now. In other words, the market anticipates lower oil prices in the future and this is mostly predicted on a resolution of the conflict. Not that the market is always right, but this is a sign future oil prices would be lower than today.

At the end of the day, as one looks ahead, there are many underlying economic positives. The nonfarm payrolls report showing an increase of 178 thousand versus expectations of a 60 thousand increase. Earnings for companies continue to exceed analyst expectations, and oil prices are anticipated to be lower in the future. Much of this is good news, and if there is a resolution to the Middle East crisis in the near future, the year ahead could remain a favorable one for investors.

Thank you for your continued confidence and support in HORAN Wealth and we are always available to answer your questions and discuss our outlook further. Please be sure to visit us for company news, reports, and our blog at <https://horanwealth.com/insights>.

Respectfully,

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