NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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# Quarterly Update

| SCORECARD | 2026 QI | One Year | Three Years | Five Years | 10 Years |
|---|---|---|---|---|---|
| S&P 500 Index | -4.48% | 17.62% | 18.26% | 12.03% | 14.14% |
| 10-Year Treasury Note | -0.03 | 4.18 | 2.63 | -0.40 | 0.95 |
| Gold | 5.71 | 47.46 | 32.32 | 22.14 | 13.97 |

All multi-year returns are annualized, and all returns are associated with time periods ending March 31, 2026

## 2026 QI – Brand New Ballgame

Two distinct sub-periods comprised 2026's first three months. January-February was essentially a continuation of 2024-2025. Jobs and wages were growing; corporate profits were healthy; inflation was somewhat sticky, but headed in the right direction. Then came February 28. The Iranians poked the bear once too often, and the Israelis and we launched coordinated attacks on Iran's war-fighting infrastructure and leaders. Brand new ballgame, and the relative tranquility of January-February became yesterday's news. Where and how the fighting ends are anyone's guess, but one serious consequence is a closing of the Strait of Hormuz through which 20% or so of the world's oil passes. Oil prices are on the rise, of course, and that impacts inflation, which then impacts Fed policy. The other side joining the nuclear club was not going to happen – those signals were well-telegraphed. But there has been and continues to be economic fallout. The most likely outcome, history teaches, is that the fallout ultimately will be contained.

The U.S. stock market pattern in the first quarter was similar to the economy's. Granted, even in the first two months, things were not quite like 2024-2025, i.e., there was rotation from Growth/Tech/AI to the Value style of investing and small company stocks. But, in general, the market was healthy in January-February and more challenging in March as bombs dropped and oil prices rose. Our Russell 1000 Value Index provided an investment return of 2.10%. That is considerably better than the bond market's (a Treasury maturing in 10 years) -0.03%, while gold, the asset class in recent times, provided a 5.71% return.

## The Current Situation – Faraway Places with Strange Sounding Names

**Worldwide Economy**

Once upon a time (January-February), jobs and wages were growing; corporate profits were healthy; inflation was somewhat sticky, but headed in the right direction. All of that either changed or was put in jeopardy when the first missile hit Tehran and the price of oil shot up. Temporary pain, or serious game changer? So much depends on the extent of the Iranian and retaliatory Persian Gulf damage and how long the war lasts.

**Equities**

An important pillar of stock market strength the past couple of years has been accommodative Fed policy, specifically declining short-term interest rates. That trend was expected to continue this year, but now the Fed must contend with higher energy prices and their impact on the overall rate of inflation. No question, the removal of this pillar or even putting a hold on the downward trend of short rates constitutes a headwind for the worldwide markets.

**Interest Rates**

See above. Until the Fed and other central bankers get a good fix on where energy prices and inflation rates are going, the interest rates these bankers control at best will stay at current levels. That is not speculation on our part; that is what Chairman Powell said at his March 18 press conference.

Unfortunately, a number of faraway places with strange sounding names, e.g., the Strait of Hormuz, Kharg Island (as opposed to Margaret Whiting's China and Siam), have become part of the news cycle, and what happens at these places will continue to impact the markets. But risk in one form or another always will be with us. That said, the key to long-term investment success remains the same: Stay the course with a well-diversified, circumstance-appropriate portfolio structure.

Geopolitical crises? What does history teach? Check out the May Perspective.

## ABOUT THE FIRM

Nottinghill Investment Advisers, Ltd., is a registered investment adviser founded in May 1996. A long history of achievement.

Nottinghill is a team of seasoned professionals serving taxable and tax-exempt investors, as well as other investment advisers. Asset management and otherwise serving asset management clients are the Firm's only business. The twin results: commitment and focus.

Nottinghill is a manager of large capitalization equity and widely diversified balanced portfolios. The Firm can serve in a specialized role, or as a client's sole adviser.

Nottinghill's equity and balanced investment strategies constitute the Firm's Yield Plus Approach to investing. The Yield Plus Approach is a straightforward, all-encompassing investment philosophy and a set of well-defined investment processes. Precision and discipline.

A long history of achievement. Commitment and focus. Specialization, or single-manager responsibility. Precision and discipline.

Nottinghill is your ideal partner as you go down the financial path ahead.

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# Perspective

# Geopolitical Crises and U.S. Equities — A Few Examples

**May 2026**

*"Times of worldwide crisis initially can be unsettling, but the news typically proves to be of little consequence to the long-term investor."*
-Dick Davis

Strait jacket. The Strait of Hormuz, that is, and a seemingly leaderless, seemingly decimated Iran somehow has been able to prevent movement through this bottleneck, just as a conventional jacket prevents movement of the arms. The result is high oil prices everywhere and a geopolitical crisis of unknown duration. A serious matter, and we certainly are conscious of the human suffering involved; but, when such geopolitical crises develop, we often are asked about their possible impact on U.S. equities. The short answer is that crises of this nature typically do not have a lasting impact unless there is a clear, long-term economic impact beyond the crisis itself. High oil prices/long drawn-out war may qualify, but that is the question, isn't it? In the midst of a full-blown geopolitical crisis, how do we know for sure about the possible economic impact? We don't, but a look at a few past crises and their stock market impact is instructive.

## The Fall of France

Nazi Germany, the ultimate Evil Empire, had made peace with the Soviet Union; annexed the Rhineland, Austria, and Czechoslovakia; and conquered Poland. However, Britain and France still were standing. Everyone knew that an attack would come, and everyone thought it would come through Belgium as it had in 1914. Instead, as we know, the Germans attacked through the Ardennes. Then, Guderian's famous pivot north and the dash to the Channel. The British and the French, who had charged east into Belgium when the first cannons went off, were trapped, and May-June 1940 became a disaster of truly epic proportions. The French surrendered on June 22, 1940. On that date, the S&P 500 Index closed at 9.98. The following is Index performance (price only) over the next three- , six- , and nine-month periods:

| | |
|---|---|
| *Three Months* | *+6.91%* |
| *Six Months* | *+4.51* |
| *Nine Months* | *-0.50* |

## Pearl Harbor

Sunday, December 7, 1941, "the date which will live in infamy." The ill-prepared, sleeping giant was awakened and suddenly was headed into a war of unprecedented dimension against two very experienced, implacable enemies. From that date forward, nobody's life would be the same. Over the next three, six, and nine months, the Index did the following:

| | |
|---|---|
| *Three Months* | *-13.01%* |
| *Six Months* | *-10.45* |
| *Nine Months* | *-8.10* |

This disaster, also of truly epic proportions, of course, was followed by the dark pre-Midway days of 1942. Interestingly, one year later, on December 7, 1942, when we clearly were not out-of-the woods, all of the lost ground had been made up.

## The Cuban Missile Crisis

Trouble clearly had been brewing for a few days – and most people were aware of it – but JFK didn't address the nation until the evening of October 22, 1962. The address was memorable, and those late-October days in 1962 constituted his finest hour. We know this because we now know that a quarantine of Cuba was by far the least draconian of the many options put before him and, therefore, how close we actually came to Armageddon. On October 22, the S&P 500 closed at 54.96. The following is Index performance over the subsequent periods:

| | |
|---|---|
| *Three Months* | *+19.07%* |
| *Six Months* | *+26.09* |
| *Nine Months* | *+23.54* |

## Tet

General Westmoreland had decreed that there was light at the end of the tunnel; but someone forgot to tell the Viet Cong and North Vietnamese regulars who launched a series of well-coordinated attacks throughout South Vietnam on January 30, 1968. The fighting in Hué and elsewhere took a terrible toll on the enemy, however, the political battle at home was lost irretrievably. In short order, erstwhile LBJ ally, Walter Cronkite, delivered his famous position-reversing editorial; LBJ announced that he would not run in the fall election; and anti-war violence escalated across the country. The stock market seemingly took little notice that public support for the war had taken a major turn and that the tearing of the nation's fabric had moved to a new level. The subsequent market returns:

| | |
|---|---|
| *Three Months* | *+5.06%* |
| *Six Months* | *+5.22* |
| *Nine Months* | *+11.42* |

## Persian Gulf War

In 1982, the Argentinians never thought that the British fleet would sail and attempt to re-take the Falklands. Big mistake, and likewise, Sadam Hussein apparently didn't believe that anyone would retaliate if and when he invaded the lost province of Kuwait. Someone – actually many people – did retaliate in the wake of the August 2, 1990, invasion. Oil prices did spike, and that caused some stock market consternation; but the war and the oil-related stock market problems were all over by early-1991. The details:

| | |
|---|---|
| *Three Months* | *-11.28%* |
| *Six Months* | *-2.40* |
| *Nine Months* | *+8.26* |

Here, for the first time in this brief review of geopolitical crises, we see that one of them had a direct impact on worldwide business activity. Will a protracted Iran War have a similar impact in 2026? Maybe for others, but probably not for us. U.S. shale production clearly has changed the ballgame.

## September 11, 2001

One can argue that, horrific as these terrorist attacks were, they did not constitute a geopolitical crisis. And yet, they did spawn two protracted wars and countless military actions. The skies were blue and sunny that day as millions watched this string of tragedies unfold, and, like all Americans alive on the original Pearl Harbor Day, the lives of those 2001 millions (ourselves included) will never be the same. U.S. equities? The market did not open on that Tuesday, and remained closed the rest of the week. The following Monday, the market re-opened, and the S&P 500 Index sank 4.92% to 1038.77. Stocks then rallied into year-end before suffering through a difficult 2002. The three- , six- , and nine-month returns (from 1038.77) are the following:

| | |
|---|---|
| *Three Months* | *+9.20%* |
| *Six Months* | *+12.26* |
| *Nine Months* | *-0.25* |

* * * * * * * *

Again, as the missiles/drones continue to fly, and the Strait of Hormuz remains "jacketed," others and we have been asked to weigh in on the potential stock market impact. Of course, an important maxim around here is that divining the course of the overall stock market is beyond the capabilities of mere mortals under any circumstances. And yet, history shows that geopolitical crises often do prompt knee-jerk selling. History also shows that the impact of those crises on the market then is superseded on a longer-term basis by the usual, i.e., macro data, corporate earnings, etc. We believe that history is a good teacher in this case.