TRIVARIATE RESEARCH

WHAT REALLY HAPPENED IN Q1 2026

ADAM S. PARKER, Ph.D., FOUNDER
adam@trivariateresearch.com
646-734-7070

CHANG GE, ANALYST
chang@trivariateresearch.com
614-397-0038

MAXWELL ARNOLD, ANALYST
maxwell@trivariateresearch.com
347-514-1234

RYAN MCGOVERN, DIR. OF RESEARCH SALES
ryan@trivariateresearch.com
973-271-8017

COLIN COONEY, HEAD OF SALES
colin@trivariateresearch.com
617-910-7934

A MUST READ TO UNDERSTAND TODAY'S US STOCK MARKET

At the start of each quarter, we compile a detailed summary of the recently completed quarter with the goal of helping investors understand what really happened, enabling them to make better investment decisions. In addition, we share insights that will facilitate investor communications, client conversations, and quarterly letters. Furthermore, this report seeks to identify and monitor emerging risk management concerns. We created this methodology to inform the letters we wrote while previously running our hedge fund. We have organized today's work into six distinct areas:

1. **Performance facts:** Indices, cohorts, sectors and industries, specialty baskets, best performers and largest contributors.
2. **Factor efficacy:** Overall, within sector, and any substantial changes or reversals.
3. **Opportunity set:** Which areas of the market were increasingly better for potential alpha generation, insights generated by assessing changes to company-specific risk, valuation dispersion, and pairwise correlations.
4. **Corporate profitability:** Where were the biggest changes to the earnings outlook from the beginning to the end of the quarter by sector, and how do we gauge estimate achievability.
5. **Macro / Economic:** What happened to level and change for US economic activity, consumer activity, financial conditions / interest rates, industrial activity, commodities / oil, the dollar, Chinese and European economies during the previous quarter.
6. **13F filings & insider transactions:** Which managers changed ownership stakes in high conviction stocks, and which stocks saw open market insider buys/sells.

ENERGY OUTPERFORMED BY 40%, CONSUMER AND TECH. LAGGED

A weak quarter: **With universal optimism in the year-ahead outlooks, contrarian caution was rewarded in Q1. The Iran conflict, a changing perception about the Fed, and concern about hyper-scaler capital spending all contributed to t**he S&P500 retreating 4.6% (down 4.3% on a total return basis). The Nasdaq was down 7.1% and the Russell 2000 was up 0.5%.

Great 8 and War: The demise of the Great 8 stocks (AAPL, AMZN, AVGO, TSLA, META, GOOGL, NVDA, and MSFT) was a big driver of Q1 returns. In fact, this was the fourth worst quarter for the Great 8 since this cohort emerged. This combined with the Iran War driving higher Energy prices, caused value to beat growth by 21% on a cap-weighted basis, the most since the TMT bubble unwind.

Substance: High-quality did not work vs. junk in a down market, which is surprising, down 5.3% on a cap-weighted basis. This is the 4^{th} worst quarter for quality vs. junk in a down market in over 25 years, with only Q4 2000, Q1 2001, and Q1 2022 worse.

Energy Outperformed by 40%: Energy (up 37.2%), Materials (up 9.3%) and Utilities (up 7.5%) were best. Financials, one of the most consensus longs in January, was the worst performing sector, down 9.8%. Consumer Discretionary, down 9.3%, and Technology, down 9.3%, round out the worst three performing sectors in Q1.

Industries: Among the S&P500 Industry Groups, Energy (37.2%), Telco Services (13.5%), and Food & Staples Retail (up 12.1%) were best, and the only three groups up double digits. Real Estate Management (down 24.9%), Software and Services (down 23.6%) and Auto & Components (down 16.6%) lagged.

INFLATION AND MOMENTUM WORKED, 5 STOCKS LOST $2T. OF CAP.

Inflation: Inflation-exposed stocks were up 22.3% in Q1, led by Energy, where stocks like APA (up 73.5%), Texas Pacific Land Corp (up 65.2%) and Occidental (up 58%) led the way. 21 of the 22 Energy stocks in the S&P500 were up more than 18% in Q1. Inflation-sensitive stocks in Materials also outperformed, with Lyondell (up 86%) leading the charge. Fears about stagflation grew during Q1.

Momentum worked: Momentum worked over 3-, 6-, and 12-month horizons during Q1, with 6-month momentum strongest – meaning stocks that were strong in the second half of 2025 outperformed stocks that were weak in the second half of 2025 by 14.6%.

5 stocks lost $2 Trillion total: Ten stocks were up more than 145% this quarter, and unlike in prior quarters these were not all Biotech. – but rather a mix of businesses. On a market-cap basis, XOM and CVX added over $300 billion market cap. combined, with WMT, JNJ, and AMAT also winners. The biggest five losers (MSFT, GOOGL, NVDA, AAPL, and AMZN) collectively shed $1.97 Trillion in market cap. during Q1.

Factor Efficacy: The most effective metric for picking winners from losers in Q1 was capex-to-sales, driven in part by the capital intensity of the Energy sector. Otherwise, valuation metrics dominated the top 10 best signals, with price-to-forecast EBITDA, price-to-trailing EBITDA, and price-to-operating cash flow the three best signals. Companies with high SG&A-to-sales and R&D-to-sales underperformed as did gross margin and 2-year forecast revenue growth, as they are classic growth stock signals.

THE ALPHA ENVIRONMENT WAS DECIDEDLY MIXED IN Q1

The alpha environment was truly mixed on all 3 key metrics we monitor:

Median pairwise correlations: During Q1, pairwise correlations (PWC) rose in 7 of 25 Industry Groups, including Semis and Capital Goods. PWC fell the most in REITs, Food, Beverage & Tobacco, and Utilities.

Company-specific risk (CSR): We have our own 7-factor model for CSR, and it was mixed in Q1. CSR rose the most in REITs, Insurance, and Consumer Durables & Apparel, fell the most in Software & Services, Consumer Services, and Capital Goods. In absolute terms, CSR is lowest in Banks.

Valuation dispersion: Valuation dispersion was quite mixed in Q1 at the industry level. Semiconductors, Transportation, and Energy saw dispersion widen the most, whereas REITs, Consumer Durables and Apparel and Telco. Services saw narrowing dispersion. Software valuation dispersion has narrowed to decade-lows, belying a view that there will be some big winners and losers.

Conviction stocks: Trivariate defines high conviction stocks as stocks in which fund managers own more than 3% of their long assets under management. Among the proprietary universe of managers we follow, investors have increased positions in stocks like V, DASH, and AMD, while fewer managers have conviction in NVDA, APP, and UNH today than at the end of Q4.

Insider activity: HTGC, TCBI, FLUT, FFIN, UAA, and INDV had the most insider buys with no sales during Q1. QSR, CF, PBF, URBN, ALNY, and JPM had the most insider sales with no insider buys.

ESTIMATES LOWER FOR Q1, HIGHER FOR FULL YR., MACRO DATA MIXED

Earnings outlook: As we start the April earnings season, we are not expecting major negative pre-releases despite the recent price action. Overall, for the S&P500, earnings expectations are 2.9% higher for the full year 2026 versus where they were at the beginning of the quarter. For Q1 2026 earnings expectations, estimates are 0.9% lower for the overall market than they were on January 1st, including 14.5% lower for Healthcare and 5.8% lower for both Consumer Staples and Consumer Discretionary. Tech. is the only sector where Q1 numbers are higher today than at the beginning of the year.

2026 Estimates seem high: Current bottom-up earnings expectations are for 17.3% EPS growth for the SP500. EPS is expected to grow in all 11 sectors. Technology at 42.9% is the highest. 63% of the entire S&P500's earnings growth is forecasted to come from the Technology sector. Materials, Energy, Communication Services, and Utilities are all forecasted to have double-digit EPS growth.

Macro data were mixed in Q1: Economic activity in Q1 2026 was broadly **stable but uneven**, with leading indicators softening and business surveys mixed, while geopolitical risks like the late-February Iran conflict had not yet flowed through the data. Consumer conditions **continued to deteriorate**, reflected in weakening sentiment, rising delinquencies, and a slight uptick in unemployment, even as labor market data remained relatively stable. Meanwhile, **financial conditions tightened meaningfully**—with higher yields and less dovish Fed expectations—amid mixed industrial activity and divergent global signals, including resilient China surprises but weakening Europe sentiment.

OIL AND COMMODITIES HIGHER, DOLLAR RELATIVELY STABLE

Oil higher: The Iran war is the major issue of Q1, driving Brent oil from $60.85 to $118.35, WTI from $57.42 to $101.38 and Gasoline at the pump from an average of $2.83 to $4.06 during Q1. Despite a brief spike in Natural Gas, it ended the quarter 21.7% lower than year-end, at $2.88. Agricultural commodities were also higher in Q1, with Wheat up 21.5%, Cotton up 8.9%, and Sugar up 3.4%. The overall Bloomberg Commodity Index was up 23.29% in Q1, finishing at highs, after rising 4.84% in Q4. Precious metals ripped higher in January, and have fallen since, but end-March data shows Gold was up 8.07% and Silver up 5.24% in Q1. Generally, we think rising input costs will be an issue for margin expansion for an increasing number of companies in Q2.

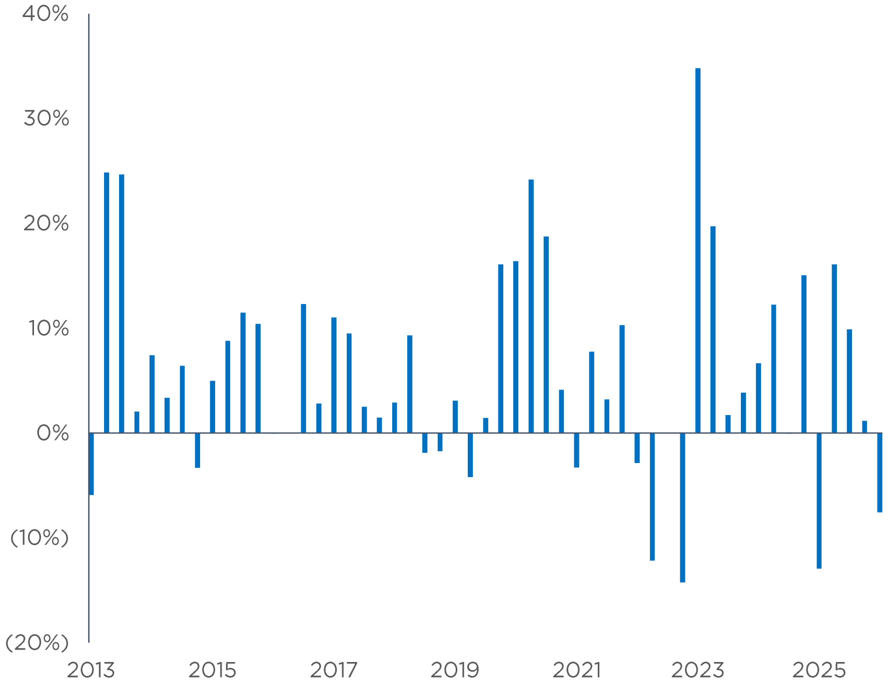
Dollar flattish: Currency movements were modest during Q1, with the dollar slightly strengthening against the DXY (99.96 vs. 98.32) during the quarter, with much of that occurring from early February on. The movements against all the major currencies (Euro, Pound, Yen, CAD) were all less than 2% from end December to end March, and as such, we don’t anticipate much incremental commentary on currency during the coming earnings season. Perhaps in aggregate this was a modest surprise, as some macro investors think the dollar will again be on a weakening path like it was in the first half of 2025.

China mixed: The Chinese economy has been mixed and level. On the positive side, the Citi Surprise Index for China rocketed higher in the quarter, near highs from 2023. However, newly built Commercial Residential Property Prices declined during Q1 after improving in the 2H of 2025 and China auto sales fell to the lowest levels since the middle of 2024.

THE GREAT 8 LAGGED AND VALUE BEAT GROWTH

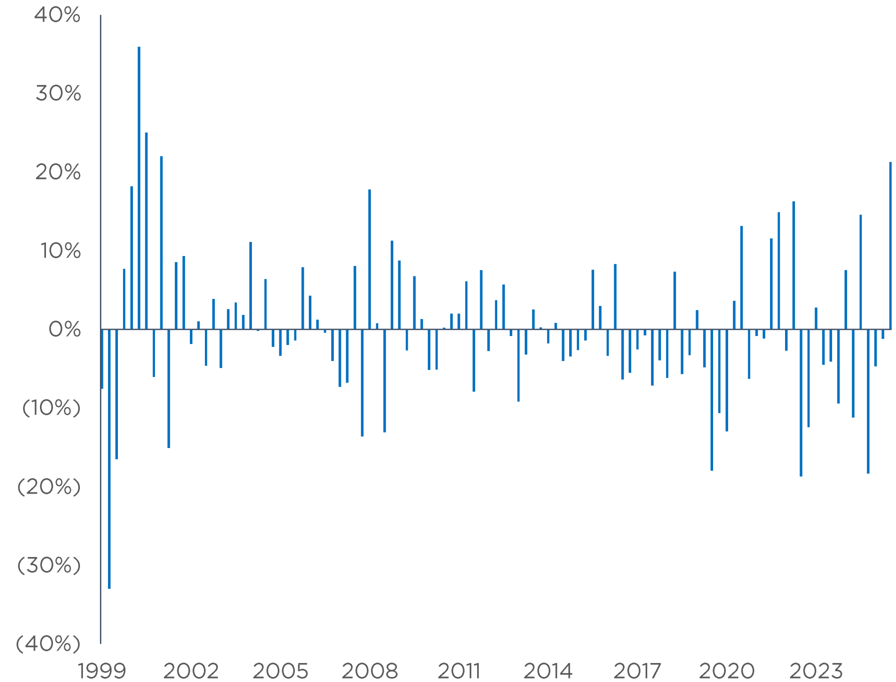
The demise of the Great 8 stocks (AAPL, AMZN, AVGO, TSLA, META, GOOGL, NVDA, and MSFT) was a big driver of Q1 returns. In fact, this was the fourth worst quarter for the Great 8 (left) since this cohort emerged. This combined with the Iran War driving much higher Energy prices, caused value to beat growth by 21% on a cap-weighted basis, the most since the TMT bubble unwind (right).

Quarterly Total Return Spread
Equally-Weighted Great 8 vs. SPX
Through End-March, 2026



Source: Trivariate Research

Quarterly Total Return Spread
Cap-Weighted Value vs. Growth
Through End-March, 2026



Source: Trivariate Research

VALUE BEAT GROWTH, QUALITY LAGGED IN A DOWN TAPE

Long value and short growth generated a 21.3% return differential in the quarter. Value was up 9.5% and growth down 10.6% on a cap-weighted basis, with the differential less pronounced equally-weighted because of the weakness of mega-cap. growth. 12-month momentum was also up 13.6%. High-quality did not work vs. junk in a down market, which is surprising, down 5.3% on a cap-weighted basis. This is the 4th worst quarter for quality vs. junk in a down market in over 25 years, with only Q4 2000, Q1 2001, and Q1 2022 worse. The weakness of the Great 8 stocks means that mega-caps were down 7.1% on a cap-weighted basis, but large-caps were down only 20bps. High yield stocks were up 9%.

Q1 2026 Portfolio Returns

Portfolio	Cap-Weighted Average Return	Simple Average Return	Difference
Long Value, Short Growth	21.3%	11.3%	10.0%
Cheap-for-a-Reason	1.3%	(5.3%)	6.6%
Value	9.5%	4.7%	4.8%
High Yield	9.0%	5.1%	3.8%
12-Month Momentum	13.6%	10.4%	3.2%
3-Month Momentum	7.5%	5.5%	2.0%
Long High Quality, Short Junk	(5.3%)	(6.9%)	1.6%
Long Mid Cap, Short Small / Micro Cap.	(0.8%)	(0.2%)	(0.6%)
Small Cap.	(0.3%)	0.3%	(0.6%)
Large Cap.	(0.2%)	0.9%	(1.0%)
High Quality	(6.0%)	(4.5%)	(1.4%)
Junk Quality	(1.4%)	1.8%	(3.3%)
Growth	(10.6%)	(6.9%)	(3.8%)
Hyper Growth	(16.8%)	(12.5%)	(4.3%)
Mega Cap.	(7.1%)	(2.2%)	(4.9%)
6-Month Momentum	9.4%	14.6%	(5.2%)
Long Mega / Large Cap, Short Mid Cap.	(3.9%)	1.4%	(5.3%)

Source: Trivariate Research

FINANCIALS, CONSUMER DISCRETIONARY AND TECH. WERE ALL WEAK

Among the Top 3000 US equities by market cap., Energy was best, followed by Materials and Utilities. Smaller cap Interactive Media & Services and Autos lagged the most on an equally-weighted basis. Financials, Consumer Discretionary, and Technology all lagged.

Q1 2026 Select GICS Industry and Sector Returns for Top 3000 Universe

Sector or Industry	Cap-Weighted Average Return	Simple Average Return	Difference
Interactive Media & Services	(10.1%)	(26.2%)	16.1%
Tobacco	7.3%	(5.2%)	12.5%
Construction & Engineering	23.0%	10.9%	12.1%
Electrical Equipment	19.3%	9.6%	9.7%
Automobiles	(16.9%)	(26.3%)	9.4%
Building Products	3.2%	(5.0%)	8.2%
Consumer Staples	7.9%	2.4%	5.4%
Energy	38.8%	35.4%	3.3%
Industrials	4.7%	2.0%	2.6%
Real Estate	1.2%	(0.8%)	2.0%
Materials	10.5%	8.6%	1.9%
Utilities	7.5%	5.9%	1.6%
Health Care	(4.6%)	(5.4%)	0.8%
Communication Services	(7.4%)	(8.0%)	0.6%
Information Technology	(9.2%)	(6.6%)	(2.5%)
Consumer Discretionary	(9.6%)	(7.0%)	(2.6%)
Financials	(9.3%)	(3.1%)	(6.2%)
Distributors	(7.1%)	(0.6%)	(6.5%)
Consumer Finance	(20.1%)	(12.5%)	(7.6%)
Textiles, Apparel & Luxury Goods	(10.5%)	(1.7%)	(8.8%)
Banks	(6.4%)	3.4%	(9.8%)
Real Estate Management & Development	(21.9%)	(9.2%)	(12.7%)
Semiconductors & Semiconductor Equipment	(1.8%)	14.7%	(16.5%)

Source: Trivariate Research

AI FAILED, INFLATION AND MOMENTUM WORKED IN Q1

Inflation and momentum worked, AI failed in Q1.

Q1 2026 Select Portfolio Returns

Sector	Return	Observation
Inflation Basket	22.3%	Inflation-exposed stocks were up 22.3% in Q1, led by Energy, where stocks like APA (up 73.5%), Texas Pacific Land Corp (up 65.23%) and Occidental (up 58%) led the way. 21 of the 22 Energy stocks in the S&P500 were up more than 18% in Q1. Inflation-sensitive stocks in Materials also outperformed, with Lyondell (up 86%) leading the charge. Fears about stagflation grew during Q1.
12-Month Momentum	10.4%	
6-Month Momentum	14.6%	We show Q1-Q5 spreads for these three different momentum metrics on an equally-weighted basis. Momentum worked over 3-, 6-, and 12-month horizons during Q1, with 6-month momentum strongest – meaning stocks that were strong in the second half of 2025 outperformed stocks that were weak in the second half of 2025 by 14.6%.
3-Month Momentum	5.5%	
AI	(14.1%)	In Q1 of 2023 we created an AI basket by using language processing on transcripts to search for terms related to AI. We then created a basket of stocks where AI-related terms were most frequently mentioned. This basket underperformed growth stocks that did not mention AI on their transcripts during Q1 by 14.1% - the most since its inception.

Source: Trivariate Research

5 STOCKS SHED NEARLY $2 TRILLION OF MARKET CAP TOTAL IN Q1

Ten stocks were up more than 145% this quarter, and unlike in prior quarters these were not all Biotechnology – but rather a mix of businesses (left). On a market-cap basis, XOM and CVX added over $300 billion market cap. combined, with WMT, JNJ, and AMAT also winners (right). The biggest five losers (MSFT, GOOGL, NVDA, AAPL, and AMZN) collectively shed $1.97 Trillion in market cap. during Q1.

Q1 2026 Select Stock Total Returns

Ticker	Company	Q1 Total Return	March 31 Market Cap. (US$ Bil.)
ERAS	Erasca, Inc.	334.9%	5.03
IBRX	ImmunityBio, Inc.	287.4%	7.92
AXTI	AXT, Inc.	248.5%	3.07
KOS	Kosmos Energy Ltd.	206.4%	1.65
SATL	Satellogic Inc.	190.9%	0.78
FSLY	Fastly, Inc.	185.5%	4.41
SNDK	Sandisk Corporation	167.6%	93.78
ELVN	Enliven Therapeutics, Inc.	154.5%	2.34
ICHR	Ichor Holdings, Ltd.	152.9%	1.61
UCTT	Ultra Clean Holdings, Inc.	145.5%	2.83
LVWR	LiveWire Group, Inc.	(62.4%)	0.34
PAR	PAR Technology Corporation	(63.3%)	0.57
RPD	Rapid7, Inc.	(63.8%)	0.36
SMWB	Similarweb Ltd.	(65.2%)	0.23
ODD	Oddity Tech Ltd.	(66.7%)	0.76
UPB	Upstream Bio, Inc.	(66.9%)	0.49
BBNX	Beta Bionics, Inc.	(67.1%)	0.44
RXT	Rackspace Technology, Inc.	(68.3%)	0.24
ALIT	Alight, Inc.	(70.1%)	0.31
FUBO	FuboTV Inc.	(70.4%)	0.28

Source: Trivariate Research

Q1 2026 Select Stock Market Cap. Delta

Ticker	Company	Q1 Market Cap. Added (Lost) (US$ Bil.)	March 31 Market Cap. (US$ Bil.)
XOM	Exxon Mobil Corporation	199.4	706.9
CVX	Chevron Corporation	108.1	412.8
WMT	Walmart Inc.	102.9	990.8
JNJ	Johnson & Johnson	90.2	588.8
AMAT	Applied Materials, Inc.	67.5	271.2
AMZN	Amazon.com, Inc.	(231.8)	2,235.8
AAPL	Apple Inc.	(291.2)	3,725.9
NVDA	NVIDIA Corporation	(294.5)	4,237.2
GOOGL	Alphabet Inc.	(306.5)	3,474.8
MSFT	Microsoft Corporation	(845.7)	2,748.7

Source: Trivariate Research

HIGH CAPEX OUTPERFORMED, HIGH SG&A AND R&D UNDERPERFORMED

We analyze the efficacy of over 200 signals to predict returns. The most effective metric for picking winners from losers in Q1 was capex-to-sales, with higher capex companies outperforming companies with low capex. This is because of the capital intensity of the Energy sector. Otherwise, for the first time in a while, valuation metrics dominated the top 10 best signals, with price-to-forecast EBITDA, price-to-trailing EBITDA, and price-to-operating cash flow the three best signals. Companies with high SG&A-to-sales and R&D-to-sales underperformed as did gross margin and 2-year forecast revenue growth, as they are classic growth stock signals.

Best and Worst Performing Signals During Q1 2026, Rebalanced Monthly (Top 500)

Signal	January Return	February Return	March Return	Q1 2026 Return
Capex-to-Sales	9.2%	10.0%	4.6%	25.6%
Capex-to-Assets	9.2%	10.2%	2.8%	23.7%
Price-to-Forecast EBITDA	8.6%	6.7%	5.3%	22.0%
Price-to-EBITDA	7.0%	7.9%	3.6%	19.6%
Price-to-Operating Cash Flow	5.8%	6.0%	6.0%	18.8%
EV-to-EBITDA	8.4%	7.0%	2.4%	18.7%
3-Month Momentum	7.4%	10.3%	0.0%	18.5%
Net Debt-to-Market Cap.	5.9%	10.3%	1.1%	18.0%
EV-to-Operating Cash Flow	6.4%	5.2%	4.9%	17.4%
Capex-to-Depreciation	5.6%	7.5%	2.8%	16.8%
Long-Term Forecast EPS Growth	(4.5%)	(10.0%)	(0.8%)	(14.8%)
Percent to Median Price Target	(6.8%)	(9.5%)	0.9%	(14.9%)
2-Year Forecast Revenue Growth	(6.3%)	(7.1%)	(2.3%)	(14.9%)
Net Cash Ratio	(5.2%)	(10.3%)	(0.2%)	(15.2%)
Cash-to-Assets	(6.8%)	(9.0%)	(0.0%)	(15.2%)
Percent to 252d High	(6.8%)	(9.7%)	0.5%	(15.4%)
Gross Margin	(10.2%)	(8.6%)	0.9%	(17.2%)
Median YoY Revenue Growth (Past 12Q)	(8.9%)	(9.9%)	(3.1%)	(20.4%)
R&D-to-Sales	(10.2%)	(13.4%)	(2.9%)	(24.4%)
SG&A-to-Sales	(13.6%)	(13.8%)	(1.5%)	(26.6%)

Source: Trivariate Research

PAIRWISE CORRS. AND COMPANY-SPECIFIC RISK WAS MIXED IN Q1

During Q1, pairwise correlations (PWC) rose in 7 of 25 Industry Groups, including Semis and Capital Goods (left). PWC fell the most in REITs, Food, Beverage & Tobacco, and Utilities. We have our own 7-factor model for company-specific risk (CSR), and it was mixed in Q1. CSR rose the most in REITs, Insurance, and Consumer Durables & Apparel, fell the most in Software & Services, Consumer Services, and Capital Goods. In absolute terms, CSR is lowest in Banks (right).

Q1 2026 Change and Level of Median Pairwise Correlation

Industry Group	Change in Median Pairwise Correlation	Level of Median Pairwise Correlation
Semiconductors & Semiconductor Equipment	5.6	40.3
Capital Goods	3.3	30.0
Consumer Staples Distribution & Retail	3.2	24.7
Technology Hardware & Equipment	1.9	30.2
Consumer Services	1.5	22.6
Financial Services	0.5	27.3
Automobiles & Components	0.4	30.4
Software & Services	(0.1)	24.7
Energy	(0.5)	28.3
Commercial & Professional Services	(0.5)	21.6
Telecommunication Services	(0.6)	11.6
Materials	(0.8)	24.1
Health Care Equipment & Services	(1.3)	17.2
Consumer Discretionary Distribution & Retail	(1.4)	25.2
Insurance	(1.5)	31.3
Pharmaceuticals, Biotechnology & Life Sciences	(2.0)	16.0
Real Estate Management & Development	(2.3)	29.9
Banks	(2.7)	66.4
Media	(3.0)	15.8
Consumer Durables & Apparel	(3.4)	36.4
Transportation	(3.5)	23.9
Household & Personal Products	(3.8)	18.9
Utilities	(4.7)	28.8
Food, Beverage & Tobacco	(6.2)	15.6
Equity Real Estate Investment Trusts (REITs)	(9.2)	32.9

Source: Trivariate Research

Q1 2026 Change and Level of Company-Specific Risk (%)

Industry Group	Change in CSR	Level of CSR
Equity Real Estate Investment Trusts (REITs)	7.3	66.0
Insurance	7.1	74.3
Real Estate Management & Development	5.4	64.6
Consumer Durables & Apparel	4.3	58.6
Household & Personal Products	4.1	73.7
Health Care Equipment & Services	3.2	75.3
Energy	1.7	65.9
Utilities	1.2	71.3
Media & Entertainment	1.1	73.3
Food, Beverage & Tobacco	0.9	77.3
Consumer Staples Distribution & Retail	0.8	79.3
Banks	0.5	37.3
Financial Services	0.3	59.7
Materials	(0.5)	60.5
Commercial & Professional Services	(1.0)	65.0
Technology Hardware & Equipment	(1.3)	58.1
Pharmaceuticals, Biotechnology & Life Sciences	(1.8)	76.1
Semiconductors & Semiconductor Equipment	(1.9)	55.7
Transportation	(2.0)	61.3
Automobiles & Components	(2.6)	58.0
Consumer Discretionary Distribution & Retail	(2.9)	65.7
Telecommunication Services	(3.5)	75.4
Capital Goods	(3.6)	53.0
Consumer Services	(3.8)	67.0
Software & Services	(7.4)	56.1

Source: Trivariate Research

DISPERSION WAS MIXED, HIGHER IN SEMIS, LOWER IN REITS

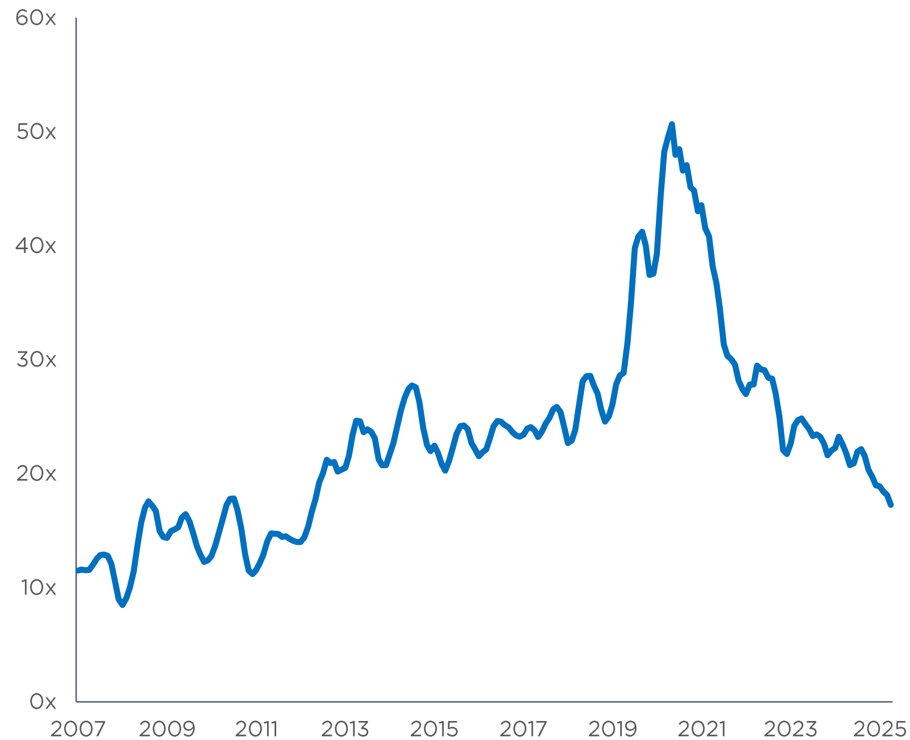
We analyzed the dispersion of price-to-forward earnings (cross-sectional standard deviation) for each industry (left table). Valuation dispersion, was quite mixed in Q1 at the industry level. Semiconductors, Transportation, and Energy saw dispersion widen the most, whereas REITs, Consumer Durables and Apparel, and Telco. Services saw narrowing dispersion. Software valuation dispersion has narrowed to decade-lows, belying a view that there will be some big winners and losers (right).

Q1 2026 Level and 3m Change in 3-Month Average of Cross-Sectional Dispersion in Price-to-Forward Earnings

Industry Group	Change of PEF Dispersion	Level of PEF Dispersion
Semiconductors & Semiconductor Equipment	2.3x	21.2x
Transportation	2.0x	16.2x
Energy	1.5x	15.7x
Consumer Staples Distribution & Retail	1.4x	11.3x
Food, Beverage & Tobacco	1.3x	10.2x
Utilities	1.0x	8.5x
Capital Goods	1.0x	15.9x
Equity Real Estate Investment Trusts (REITs)	0.9x	19.4x
Consumer Services	0.6x	14.7x
Technology Hardware & Equipment	0.6x	15.9x
Automobiles & Components	0.4x	12.4x
Banks	0.1x	3.1x
Materials	0.0x	14.7x
Commercial & Professional Services	(0.1x)	11.5x
Consumer Discretionary Distribution & Retail	(0.1x)	12.7x
Household & Personal Products	(0.3x)	9.0x
Pharmaceuticals, Biotechnology & Life Sciences	(0.3x)	17.8x
Health Care Equipment & Services	(0.8x)	18.5x
Financial Services	(1.2x)	8.2x
Media & Entertainment	(1.4x)	16.7x
Software & Services	(1.6x)	17.3x
Insurance	(1.8x)	5.8x
Telecommunication Services	(2.4x)	12.5x
Consumer Durables & Apparel	(2.5x)	8.8x
Real Estate Management & Development	(8.0x)	12.7x

Source: Trivariate Research

Software & Services Price-to-Forward Earnings Dispersion Through End-March, 2026



Source: Trivariate Research

EPS FORECASTS ARE FOR 17.3% GROWTH IN 2026, LED BY 43% IN TECH.

Current bottom-up earnings expectations are for 17.3% EPS growth for the SP500. EPS is expected to grow in all 11 sectors. Technology at 42.9% is the highest among sectors. 63% of the entire S&P500's earnings growth is forecasted to come from the Technology sector. Materials, Energy, Communication Services, and Utilities are all forecasted to have double-digit EPS growth.

Bottom-Up Analyst Earnings Growth Expectations
March 27th, 2026

Sector	2025E	1Q26E	2Q26E	3Q26E	4Q26E	2026E
S&P 500	12.1%	12.1%	18.0%	19.3%	19.4%	17.3%
S&P ex-Financials	12.1%	11.3%	20.7%	23.3%	21.5%	19.4%
Consumer Discretionary	4.2%	0.5%	5.7%	6.6%	19.1%	8.2%
Consumer Staples	(2.3%)	(2.8%)	4.6%	7.0%	8.5%	4.5%
Energy	(11.3%)	0.4%	21.3%	9.7%	13.9%	11.2%
Financials	12.1%	15.5%	6.4%	3.0%	9.8%	8.4%
Health Care	10.7%	(10.7%)	5.1%	10.0%	17.6%	5.1%
Industrials	11.0%	3.5%	13.1%	16.5%	4.5%	9.4%
Info Tech	26.2%	44.6%	49.7%	43.8%	36.2%	42.9%
Materials	7.2%	9.1%	28.0%	22.1%	30.4%	22.9%
Communication Services	16.8%	(4.0%)	6.5%	32.4%	10.1%	10.3%
Utilities	2.3%	9.4%	12.6%	7.5%	19.0%	11.5%
Real Estate	4.2%	4.2%	4.9%	5.8%	8.8%	5.9%

Source: Trivariate Research

Q1 2026 ESTIMATES ARE DOWN, BUT FULL YEAR ESTIMATES ARE UP

As we start the April earnings season, we are not expecting major negative pre-releases despite the recent price action. Overall, for the S&P500, earnings expectations are 2.9% higher for the full year 2026 versus where they were at the beginning of the quarter. For Q1 2026 earnings expectations, estimates are 0.9% lower for the overall market than they were on January 1st, including 14.5% lower for Healthcare and 5.8% lower for both Consumer Staples and Consumer Discretionary. Tech. is the only sector where Q1 numbers are higher today than at the beginning of the year.

2026 EPS Revisions: March 31st, 2026 vs. January 2nd, 2026

Sector	1Q26E	2Q26E	3Q26E	4Q26E	2026E
S&P 500	(0.9%)	2.8%	3.8%	5.4%	2.9%
Info Tech	8.3%	11.4%	12.6%	15.0%	12.1%
Materials	(6.9%)	10.4%	17.2%	12.9%	8.9%
Energy	(1.2%)	8.5%	1.5%	1.8%	2.7%
Communication Services	(0.4%)	0.5%	0.3%	0.6%	0.3%
Industrials	(2.8%)	(1.6%)	0.5%	3.6%	0.1%
Utilities	(2.2%)	0.4%	1.9%	(2.2%)	(0.4%)
Real Estate	(0.7%)	(1.3%)	(1.0%)	(1.1%)	(1.0%)
Financials	(0.7%)	(1.4%)	(1.3%)	(0.9%)	(1.1%)
Consumer Staples	(5.8%)	(1.4%)	(0.0%)	1.7%	(1.3%)
Consumer Discretionary	(5.8%)	(2.3%)	(1.1%)	1.8%	(1.6%)
Health Care	(14.5%)	(2.5%)	0.2%	1.2%	(3.9%)

Source: Trivariate Research

MIXED ECONOMY IN Q1, YIELDS BACKED UP, CONSUMER SLOWED

Q1 2026 Changes in Macro Regime

Macro Signal	Q4 2025 Regime	Q1 2026 Regime	Comments
Economic Activity	Level	Level	Trivariate's Proprietary Economic Activity Gauge remained level in Q1 2026, the same as in Q4. The US Leading Economic Indicator is lower now than it was three months ago, but we don't get the end-February data point until April 15th. The NFIB Small Business Optimism ended February below January and December, and roughly in-line with the end-November data point. However, the Philly Fed Business Outlook has improved since year end, finishing March higher than the last 5 months. The Citi Economic Surprise Index ended Q1 2026 above the 2025 levels, having sharply risen in January and trended lower since. The short-term impact of the February 27th Iran war is still not in the numbers of the major economic gauges yet.
Consumer Activity	Decreasing	Decreasing	Trivariate's Proprietary Consumer Activity gauge continued to decrease in Q1 2026, a trend that started in Q4 of 2025. The April jobs reports come out tomorrow. End-February unemployment was higher than end-January, but in-line with year-end. 90-day credit card delinquencies modestly deteriorated during the quarter, ending February at highs since June 2025. The biggest negative we see is that The University of Michigan Consumer Sentiment gauge, which while in-line with the end of December 2025 is not far above 50-year lows.
Financial Conditions	Level	Level	Overall, Financial conditions got tighter during Q1, particularly in March, The 10-year yield backed up from 4.17% to 4.32%, moving to the upper end of the range in the last year. The 2-year yield backed up more, from 3.48% to 3.80%, likely because of the higher inflation expectations and the perception about the Fed's relatively less dovish outlook. The 12-month forward Fed Funds rate expectations were 3.565% at the end of Q1, vs. 3.07% at year-end, meaning less accommodative.
Yield Curve 63d	Bear Steepening	Level	
Yield Curve 126d	Bull Steepening	Bear Steepening	
Yield Curve 252d	Bull Steepening	Bull Steepening	
Industrial Activity	Level	Level	Trivariate's Proprietary Industrial Activity gauge remained level in Q1 with mixed data. Investors started the quarter more optimistic about a rebound. On the positive side, North American Car-Loads are much higher than at the end of Q4. However, while Dry Van Rate Per Mile finished Q4 at highs for 2025, with a big move in the second half of the quarter, it fell consistently through Q1, ending at lows. Industrial production was higher in January than December but fell back in February. On the contrary, US manufacturing utilization modestly improved. The ISM slightly improved, ending March at the highest level since August of 2022. The Baker Hughes Rig Count ended Q1 near the same levels as year end-2025, as it dropped off in the second half of March. The US Auto SAAR is slightly lower today than at the end of Q4 though bounced in February from January lows.

Source: Trivariate Research

OIL AND COMMODITIES WAY HIGHER, CURRENCY RELATIVELY STABLE

Q1 2026 Changes in Macro Regime

Macro Signal	Q4 2025 Regime	Q1 2026 Regime	Comments
China	Level	Level	The Chinese economy has been mixed and level. On the positive side, the Citi Surprise Index for China rocketed higher in the quarter, near highs from 2023. However, newly built Commercial Residential Property Prices declined during Q1 after improving in the 2H of 2025 and China auto sales fell to the lowest levels since the middle of 2024.
Commodities	Increasing	Increasing	The Iran war is the major issue of Q1, driving Brent oil from $60.85 to $118.35, WTI from $57.42 to $101.38 and Gasoline at the pump from an average of $2.83 to $4.06 during Q1. Despite a brief spike in Natural Gas, it ended the quarter 21.7% lower than year-end, at $2.88. Agricultural commodities were also higher in Q1, with Wheat up 21.5%, Cotton up 8.9%, and Sugar up 3.4%. The overall Bloomberg Commodity Index was up 23.29% in Q1, finishing at highs, after rising 4.84% in Q4. Precious metals ripped higher in January, and have fallen since, but end March data shows Gold was up 8.07% and Silver up 5.24% in Q1. Generally, we think rising input costs will be an issue for margin expansion for an increasing number of companies in Q2.
Oil	Decreasing	Increasing	
Currency	Decreasing	Level	Currency movements were modest during Q1, with the dollar slightly strengthening against the DXY (99.96 vs. 98.32) during the quarter, with much of that from early February on. The movements against all the major currencies (Euro, Pound, Yen, CAD) were all less than 2% from end December to end March, and as such, we don't anticipate much incremental commentary on currency during the coming earnings season. Perhaps in aggregate this was a modest surprise, as some macro investors think the dollar will again be on a weakening path like it was in the first half of 2025.
Europe	Decreasing	Level	Signals in Europe are mixed. The Eurozone Citi Surprise fell below zero and sharply declined in March, finishing below the end Q4 levels. Both UK and Eurozone Consumer Confidence also fell sharply in March, likely the result of the war. European equities performed better than US equities in Q1, but we think sentiment is too high on a relative basis.

Source: Trivariate Research

TRIVARIATE SECTOR RECOMMENDATIONS

We are recommending Healthcare, Materials and Energy. We are underweight Consumer Staples and Consumer Discretionary.

Trivariate Sector Recommendations as of March 31st, 2026

Sector	Total S&P 500 Market Cap. (US$ Trillion.)	Current S&P 500 Weight	Trivariate Recommended Weight	Trivariate-Relative Weight	Trivariate Recommendation	Comments
Health Care	**5.46**	**9.2%**	14%	4.8%	Overweight	This could be a primary AI beneficiary, low correlation to AI Semis
Materials	**1.18**	**2.0%**	5%	3.0%	Overweight	Materials should have above avg. estimate achievability, we like Gold
Energy	**2.31**	**3.9%**	6%	2.1%	Overweight	Historically when Oil spiked, Energy outperformed 6 months later
Utilities	**1.45**	**2.4%**	3%	0.6%	Equal-Weight	Some idiosyncratic investments are sensible
Real Estate	**1.11**	**1.9%**	2%	0.1%	Equal-Weight	Metrics for stock selection are becoming more effective, commercial remains challenged.
Information Technology	**18.72**	**31.6%**	31%	(0.6%)	Equal-Weight	A balance of AI and Great 8, our North Star remains Semis over Software, but today that is market-weight Semis and Underweight Software
Financials	**7.58**	**12.8%**	12%	(0.8%)	Equal-Weight	Crowded, not as much of an AI beneficiary as people think, and private credit issues are accelerating
Communication Services	**6.60**	**11.1%**	10%	(1.1%)	Equal-Weight	Generally weak after Oil spikes
Industrials	**5.18**	**8.8%**	7%	(1.8%)	Equal-Weight	Industrial activity is modestly improving, but estimates embed a hockey-stick recovery, and certain businesses are very AI correlated
Consumer Staples	**3.50**	**5.9%**	3%	(2.9%)	Underweight	Staples have outperformed strongly, yet we see signs of deteriorating pricing power, and some major headwinds, we would be selective here
Consumer Discretionary	**6.18**	**10.4%**	7%	(3.4%)	Underweight	Despite benign rates and OBBA, the consumer is slowing and many discretionary companies do not have pricing power

Source: Trivariate Research

DISCLOSURES

Disclaimer

This presentation is confidential and may not be reproduced or distributed without the express prior written permission of Trivariate Research LP and its affiliates (collectively, "**Trivariate**").

The information contained herein reflects the opinions and projections of Trivariate as the date of publication, which are subject to change without notice at any time subsequent to the date of issue. Trivariate does not represent that any opinion or projection expressed herein will be realized. All information provided is for informational and research purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific portfolio investment, security or other asset. While the information presented herein is believed to be reliable, no representation or warranty is made concerning the accuracy of any data or other information presented. Information obtained by Trivariate from third party sources in connection with the preparation of this presentation has not been independently verified by Trivariate. Additional information regarding Trivariate is available on request.

Any projections, forecasts, targets or other estimates presented herein constitute "forward-looking statements" that can be identified by the use of forward-looking terminology such as "may," "will," "should," "could," "would," "predicts," "potential," "forecasted," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," or the negatives thereof or other variations thereon or comparable terminology. Furthermore, any projections, targets, forecasts or other estimates in this presentation are "forward-looking statements" and are based upon certain assumptions that may change. Due to various risks and uncertainties, actual events or results or the actual performance of the funds may differ materially from those reflected or contemplated in such forward-looking statements. Moreover, actual events are difficult to predict and often depend upon factors that are beyond the control of the Trivariate. Nothing herein shall under any circumstances create an implication that the information contained herein is correct as of any time after the earlier of the relevant date specified herein or the date of this presentation. In addition, unless the context otherwise requires, the words "include," "includes," "including" and other words of similar import are meant to be illustrative rather than restrictive. Forward-looking statements and discussions of the business environment included herein (e.g., With respect to financial markets, business opportunities, demand, investment pipeline and other conditions) are subject to the ongoing novel coronavirus outbreak ("**COVID**" or "**COVID-19**"). The full impact of COVID-19 is particularly uncertain and difficult to predict, therefore such forward-looking statements do not reflect its ultimate potential.

This shall not constitute an offer to sell or the solicitation of an offer to buy any interests in any fund, product or account that is or may in the future be advised or managed by, Trivariate or any of its affiliates.

All data sourced from S&P Global, Bloomberg, or our Trivariate estimates. All forward-looking-statements reflect the opinion of Trivariate.