

RE: INVESTMENT COMMENTARY FOR PERIOD ENDING MARCH 31, 2026

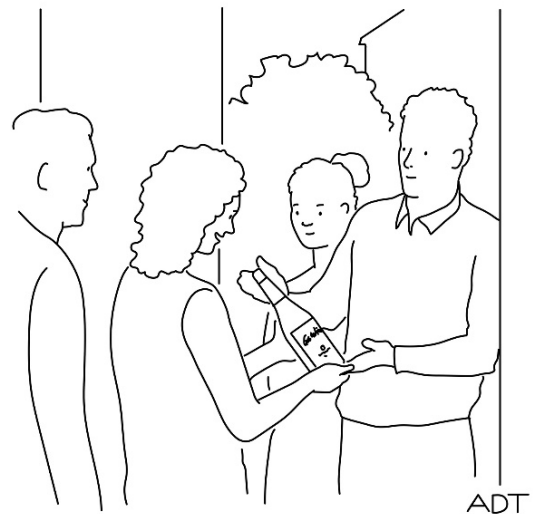
FROM: ARGENT CAPITAL MANAGEMENT

“There was a reviewer who wrote that my pictures didn’t have a beginning or an end. He didn’t mean that as a compliment, but it was. It was a fine compliment.”

Jackson Pollock

Financial commentator, Nick Murray, called the first quarter of 2026 a Jackson Pollock splatter painting. Pollock was famous for dripping, pouring, and splashing paint over a canvas, a technique he called *action* painting. A lot of *action* is exactly what we saw in the first quarter:

- The President of Venezuela was extracted from his palace and escorted by the U.S. military to jail in Brooklyn.
- The U.S. President continued to exert foreign policy in a very unorthodox fashion, whether he was demanding Greenland or using inflammatory rhetoric with allies.
- The Supreme Court struck down tariffs imposed by the U.S. President.
- Bitcoin continued with its significant decline. Gold hit new highs, then dropped, while silver had one day in which it dropped 30 percent.
- The stars of 2025, the Magnificent 7, declined by double digits on average.
- The U.S. and Israel decapitated the leadership of Iran and annihilated much of its military resources. Oil skyrocketed.



“Oh, wow! A bottle of gasoline!”

That is enough market-churning headlines for any year, let alone thirteen weeks. When all was said and done, however, interest rates were only slightly higher, and the stock market was down, but not by much. What is the lesson to be learned? Stock markets are, and always have been, resilient, and quarters like the one we have just experienced are to be expected by any long-term investor.

Rest assured, we are not naïve. In the short-term, there is a lot to worry about. The world has experienced a serious energy shock, and no one knows how long hostilities will last in the Middle East. Higher oil prices generally mean higher inflation, and that certainly will cause the Fed to think twice prior to lowering interest rates. In addition, the rest of the world is more economically at risk than the U.S. as oil prices climb. Slower growth overseas usually impacts growth for U.S. businesses. What’s more, while we are finding prices of many stocks attractive, the overall valuation of the stock market – current prices relative to historical norms – is still on the high side. Not expensive, but far from cheap. Finally, there have been some worrying signals from what is known as the “private credit” world, an industry in which big investment banks, such as BlackRock and Morgan Stanley, sponsor leveraged investment funds to make high-interest loans to companies, many of which are in the software industry. Investors have begun to question whether they are being adequately compensated for the risks posed by artificial intelligence (AI) to software businesses. Redemptions of private credit funds have, therefore, accelerated dramatically. Many don’t seem too worried about this, but as the old saying goes, “where there is one cockroach, there are usually more.” It is something to watch carefully.



“He’s hit, and he’s hurt. Now we’ll follow his audit trail and finish him off.”

More positively, corporate earnings remain strong in the U.S., traditional banks appear healthy, employment and labor data are still decent, and productivity is high. Given that, predictions for stock market performance for the balance of 2026 are all over the map. Of course, that is not unusual, for the truth is no one knows about the short-term direction of this, *or any*, market.

Because of our inability to predict short-term market movements, the statistic on which we always reflect is that the S&P 500 Index since 1950 has compounded at 11.5 percent a year. After an inflation adjustment, that is a real return of 8.0 percent, over double the return provided by bonds. In addition, we know that dividends in that 75-year period have grown, on average, at 5.5 percent per year, creating a solid inflation hedge for any long-term investor. Thus, when we hear politicians and journalists say there have never been “challenging times

like the present,” to us it only shows how little education and insight most of these folks must have. Times are *always* challenging. That is why in portfolio management it is important not to overreact to current events that are both unpredictable and unnerving. Foreign entanglements, controversial political policies and unexpected world events come and go. They are unknown in advance and never evolve as many predict. But they always end, usually sooner than expected. What has consistently sustained itself, however, for over two centuries is *productivity growth* and *innovation*, particularly in the U.S. That is why despite the current stock market doldrums we are comfortable with the companies in which we invest. They are the epitome of growing businesses benefiting from good management and innovation. While the world may seem like a Jackson Pollock painting, those who stay invested will undoubtedly reap the long-term reward.