

Equity Market Commentary

SLIMMON'S TAKE | APPLIED EQUITY TEAM | March 2026

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1 In my February Slimmon's TAKE, I mentioned that I cringe whenever I hear an equity market pundit declare, "there is a lot of uncertainty out there."

When is there ever certainty?

2 Now we are dealing with (*cringe*) three uncertainties:

1. *Ai "Pac-Man" disruption.*
2. *Iran War.*
3. *Private credit liquidity angst.*

3 Here are my straightforward views on each of them:

1. The market is exhibiting a "shoot first, dig deeper later" reaction regarding who will be the losers in the Ai rollout. This is classic early cycle reaction to a wave of technological innovation, in my opinion.

*As I said last month, "eventually, the market will sort out which industries will benefit from Ai (**most**), and which will truly become obsolete (**few**)."*¹

I remain convinced that Ai will be a powerful profitability enhancer for most industries and for the S&P 500 overall, just as the internet was in the second half of the 1990s.

2. I have a simple philosophy towards oil prices that has served me well over time:

"Nobody knows nothing."

It's a concept that I first learned in the mid-2010s from Michael Goldstein, the founder of the quantitative strategy group Empirical Research Partners.

¹ Slimmon's TAKE February 2026.

The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.**

Not to mention, over time, I have heard numerous epically wrong oil predictions by Wall Street.

The past few years have been a steady exercise in market humility. 'Oil can't go negative.' It did. 'Russia will always be a reliable supplier of gas to Europe.' It wasn't. 'Hormuz is too important to actually stop.' Until it did.²

Bottom line for me is: *don't get overly bullish on oil stocks when prices are rising nor bearish when they are dropping.*

The supply of oil typically finds its way to end users especially when prices become very attractive... but reverses when it becomes too cheap.

3. I am not a fixed income manager, but it seems the swirling private credit issues are more about a mismatch between liquidity expected by investors and a lack of liquidity in **leveraged** loans with longer duration.

Granted, there have been some bankruptcies, but they have seemed to result from fraudulent activities that should have been detected.

Sloppy due diligence is most likely stemming from rapid growth of the sector rather than economically driven credit problems.

Having said that, I have learned not to take my eye off simmering fixed income problems.

I forewarned this last October on our Q3 2025 webcast highlighting the chart of an ETF, "BIZD," that lends to small and mid-sized private U.S. businesses.

Its poor performance worried me.

Since then, BIZD has dropped another -10%.³

Of the three current "uncertainties" presented here, as it relates to the impact on the equity market, this one concerns me the most and must be monitored closely.

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When I consider:

AI is a net enhancement for companies but is currently viewed negatively.

Oil is up 65% since the beginning of the year.⁴

We have a simmering private credit issue.

Should the S&P 500 only be -3% from its high?⁵

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As I have articulated all year, investors started 2026 with excessive optimism.

We need more of a shakeout to wring out the weak holders.

Ultimately that is healthy for the market.

² Morgan Stanley Sunday Start. Martijn Rats. March 8th, 2026

³ **This is provided for informational purposes only and should not be construed as a recommendation to purchase or sell any security.** Bloomberg as of March 6, 2026.

⁴ Crude oil futures. Bloomberg as of March 9th, 2026.

⁵ Bloomberg as of March 9th, 2026.

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Then what should be the response in an environment like this?

Another *cringe* moment for me is hearing a portfolio manager declare, “*it’s a great stock picking environment.*”

Isn’t that like the barber saying that you need a haircut?

Periods when the market is focused on macro-issues, such as now, do tend to create (cringe) *intriguing stock specific opportunities*.

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Here is why:

In my December Slimmon’s TAKE I mentioned the trifecta of stock picking.

Trifecta refers to the three attributes of a stock which together have been the best predictor of future returns: Momentum, Earnings Revisions, and Share Buybacks.

Here is a chart of Bloomberg’s factor performance returns over the last 10 years:

Stock picking factor	10-year absolute performance
Momentum	329%
Earnings revisions	305% ←
Share Buybacks	247%
Value	237%
Size	237%
Growth	231%
Quality	205%
Russell All-cap equal-weighted index	186%
Dividends	167%
Low volatility	133%

Past performance is no guarantee of future results.

Source: Bloomberg as of March 6, 2026. The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment.

Stock picking factors defined as top quintile of factor within Russell All-cap equal-weighted index universe.⁶

⁶ Profitability is also a high-performing factor, but this Bloomberg analysis does not include it.

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Yet look at how earnings revisions have done year-to-date.

Earnings revisions has been one of the worst factors.

Stock picking factor	Relative YTD performance
Dividends	+4.49%
Low volatility	+3.10%
Momentum	+2.50%
Value	+1.20%
Size	+0.69%
Share buybacks	+0.02%
Quality	-0.04%
Earnings Revisions	-2.11%
Growth	-4.35%

Past performance is no guarantee of future results.

Source: Bloomberg as of March 6, 2026. Relative to Russell All-Cap equal-weighted index up +1.71%. The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment.

Stock picking factors defined as top quintile of the factor within Russell All-cap Equal-weight index universe.

In my opinion, “earnings revisions” is on page 1 of the investment playbook.

A stock’s price reflects the present value of all future expectations.

If a company is performing better than the investor expectations that are reflected in the current stock price, Wall Street raises their future expectations, thereby lifting the price.

That has not happened year-to-date.

In my experience: when stock prices stray from this straightforward relationship, it creates an opportunity.

This time is not different.

A hyper-macro-focused market creates the opportunity to prioritize company-specific fundamentals.

Booking losses to redeploy capital into companies with what we believe are the best fundamentals is a strategy Applied Equity consistently employs during frenzied periods such as these.

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Finally, a reminder from Dan Clifton, a Washington, D.C. strategist at Strategas whom I respect.

The mid-term year of the four-year election cycle is on average **the most volatile year for equities**, until the actual election in November.

After the mid-terms, the market has been up over the next 12 months every time **since 1938**.⁷

Sit tight for more “uncertainties” ...at least until November.

Andrew

⁷ Strategas. February 18th, 2026. As measured, the S&P 500 back to 1950 and the Dow Jones prior to 1950.

Risk Considerations

Diversification does not eliminate the risk of loss. There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in this portfolio. Please be aware that this portfolio may be subject to certain additional risks. In general, equities securities' values also fluctuate in response to activities specific to a company. Stocks of **small- and medium-capitalization** companies entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. Investments in **foreign markets** entail special risks such as currency, political, economic, market and liquidity risks. **Illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risks). Non-diversified portfolios often invest in a more limited number of issuers. As such, changes in the financial condition or market value of a single issuer may cause greater volatility. **AI**: Investing in companies in anticipation of a catalyst event, such as AI adoption, carries the risk that such catalysts may not occur, may be delayed, or that the market may react differently than expected. Companies focused on AI may have limited product lines, markets or financial resources, and their management and performance may be particularly impacted by events that adversely affect AI adoption, such as rapid changes in product technology cycles, product obsolescence, government regulation, cybersecurity concerns and competition.

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