ALM FIRST

for a partnership built on trust.

ALM FIRST

MONTHLY MARKET COMMENTARY

March 2026

TABLE OF CONTENTS

I. Economic Update 3

II. Contact Information 5

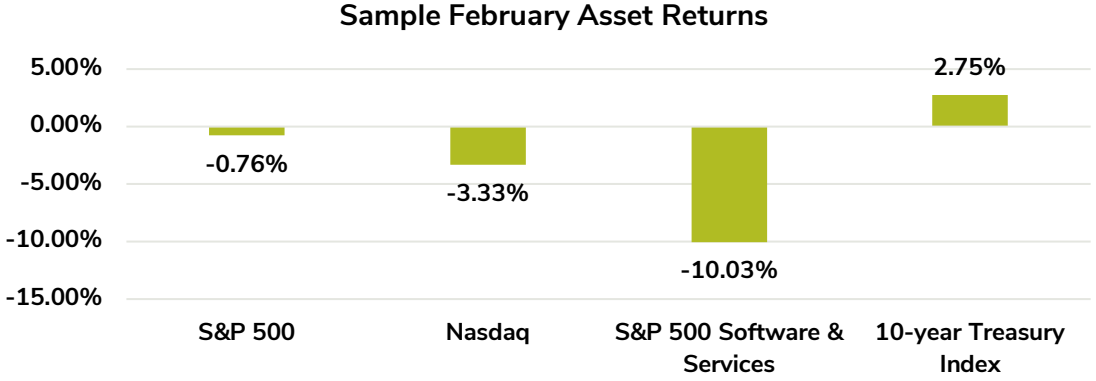
I. ECONOMIC UPDATE

- **Financial market jitters increased in February amid heightened AI disruption fears and geopolitical tensions**
- **The U.S. and Israel launched a major military operation against Iran, sending oil prices and Treasury yields sharply higher**
- **Speculation that AI advancements posed a threat to traditional software companies sparked fears in both equities and private credit**

Financial market jitters escalated in February, even as economic data releases remained generally encouraging. Market anxiety has been driven primarily by two issues: AI disruption fears and geopolitical tensions. The latter came to fruition this past weekend when American and Israeli forces launched a major joint military campaign against Iran, reportedly killing much of the nation's senior leadership. The initial market reaction included sharply higher oil and natural gas prices, a selloff in equities, and higher global bond yields. The latter was attributable to inflation concerns from higher energy prices. The Strait of Hormuz, just off the coast of Iran, was effectively shut down, cutting off the distribution channel for 20% of the world's daily oil and light natural gas consumption. It will likely take some time for the dust to settle and markets to get a better idea of the ultimate objectives and potential timeline for U.S. military operations.

Before the U.S. military action on Iran, risk markets had been reeling from worries that accelerating AI development, particularly agentic systems, could cause significant disruption to many white-collar industries, most notably the software as a service (SaaS) sector. **Exhibit 1** provides summary return information for various asset classes. The S&P 500 posted its first negative monthly return since last April amid tariff volatility, and the tech-heavy Nasdaq composite index dropped 3.3% in February. The software & services sub-index of the S&P 500 produced a -10% return in February, illustrating the heightened SaaS concerns, and the index is down nearly 21% through the first two months of 2026.

Exhibit 1



Source: S&P Global; NASDAQ Global Market; ICE BofA; Bloomberg

The Fuss About AI

There are other information sources more equipped to provide a deep dive into the risks and opportunities presented by the various potential applications of artificial intelligence. This includes recent essays and articles penned by owners of leading AI companies, including Anthropic's Dario Amodei. Here, we provide a high-level overview of some of the AI-related scenarios that have been spooking equity investors and creditors alike in recent weeks. Some of these concerns may very well be overblown, but as renowned economist John Maynard Keynes once said: "Markets can remain irrational longer than you can remain solvent." That's not to say we're anywhere close to the point of broad insolvency concerns at this point, but at the same time there have been a growing number of negative headlines in credit markets, particularly surrounding private credit. The latter has included a material focus on exposures to software companies.

We would categorize the recent AI worries into two basic categories – more narrow disruption to technology (e.g., SaaS) and more broad disruption to the overall economy. On the software front, the general worry is that an AI platform like Claude (Anthropic) could write code in hours that previously took thousands of engineers months to complete, potentially allowing large companies to replicate SaaS platforms internally at a fraction of the cost they pay the software service providers. Alternatively, just the threat of internal replication could push software prices down, which unsurprisingly weighed on lofty valuations for those tech companies in February. Private equity firms have been actively targeting software companies for leveraged buyouts over the last several years, using private credit to finance the deals, on the assumption of steady revenue growth. While not exactly the same, one could draw parallels to the mid-2000s when a significant amount of leverage backed an idea that home prices only went higher.

While proponents of AI development highlight significant productivity gains as a large economic benefit, critics suggest that too much too fast threatens a broad surge in unemployment and economic disruption. On February 22, Citrini Research released a blog post titled "The 2028 Global Intelligence Crisis" that sparked a risk-off move in financial markets the following morning. The article was structured as a fictional memo from the future, and it implied that sophisticated AI agents could dramatically reduce staffing needs in several "white-collar" professions, including technology, finance/accounting, and law. In theory, companies would be pressured to cut staff and keep margins high by investing more into AI capabilities instead. While perhaps good for individual companies, the collective effect on the economy would be more draconian from the author's perspective. That said, it is true that AI agents aren't consumers of goods and services. They don't buy cars or homes or Chipotle. This would present obvious risks to credit exposures to those displaced workers and a reduction in demand for goods, services, and credit.

In market terms, it's a classic sell first, ask questions later. No one knows for certain the ultimate disruption AI will cause to labor markets, or to society, nor the pace at which it will happen. As highlighted in our 2026 market themes, this year is more about digital infrastructure buildout, which is a major economic tailwind given the amount of financing being raised. That said, we don't expect related anxiety to fully dissipate anytime soon, which would imply more volatile markets in 2026.

II. CONTACT INFORMATION

Investment Management Group

img@almfirst.com
800-752-4628

Jason Haley
Chief Investment Officer
jhaley@almfirst.com

Michael Oravetz
Managing Director
moravetz@almfirst.com

Hafizan Hamzah
Senior Director
hhamzah@almfirst.com

Chris Eckhoff
Director
ceckhoff@almfirst.com

Conrad Lofton
Director
clofton@almfirst.com

Kirby Hart
Director
khart@almfirst.com

Max Guo
Associate
mguo@almfirst.com

Matthew McClean
Analyst
mmcclean@almfirst.com

Mortgage Secondary Services

Alec Hollis, CFA
Principal
ahollis@almfirst.com

Jake Silvey
Director
jsilvey@almfirst.com

Thomas Kotecki
Director
tkotecki@almfirst.com

ALM First Financial Advisors is an SEC registered investment advisor with a fiduciary duty that requires it to act in the best interests of clients and to place the interests of clients before its own; however, registration as an investment advisor does not imply any level of skill or training. ALM First Financial Advisors, LLC ("ALM First Financial Advisors"), an affiliate of ALM First Group, LLC ("ALM First"), is a separate entity and all investment decisions are made independently by the asset managers at ALM First Financial Advisors. Access to ALM First Financial Advisors is only available to clients pursuant to an Investment Advisory Agreement and acceptance of ALM First Financial Advisors' Brochure. You are encouraged to read these documents carefully. All investments involve risk and may lose money.

The content in this article is provided for informational purposes and should not be relied upon as recommendations or financial planning advice. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues. While such information is believed to be reliable, no representation or warranty is made concerning the accuracy of any information presented. Statements herein that reflect projections or expectations of future financial or economic performance are forward-looking statements. Such "forward-looking" statements are based on various assumptions, which assumptions may not prove to be correct. Accordingly, there can be no assurance that such assumptions and statements will accurately predict future events or actual performance. No representation or warranty can be given that the estimates, opinions or assumptions made herein will prove to be accurate. Actual results for any period may or may not approximate such forward-looking statements. No representations or warranties whatsoever are made by ALM First Financial Advisors as to the future profitability of investments recommended by ALM First Financial Advisors.

Moreover, this report was prepared as of the date indicated herein. No representation or warranty is made by ALM First that any of the returns or financial metrics detailed herein will be achieved in the future, as past performance is not a reliable indicator of future results. Certain assumptions may have been made in preparing this material that have resulted in the returns and financial metrics detailed herein. Changes to the assumptions may have a material impact on any returns or financial metrics herein. Furthermore, ALM First gives no representation, warranty or undertaking, or accepts any liability, as to the accuracy or completeness of the information contained this report. This report was prepared for informational purposes only without regard to any particular user's investment objectives, financial situation, or means, and ALM First is not soliciting any action based upon it. This material is not intended as, nor should it be construed in any way as accounting, tax, legal, or investment advice including within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Certain transactions give rise to substantial risk and are not suitable for all investors. The strategies discussed herein can have volatile performance and may employ leverage. Moreover, investment advisory fees and expenses may offset trading gains. This report was prepared by ALM First Financial Advisors, LLC. The hereto mentioned report contains information which is confidential and may also be privileged. It is for the exclusive use of the intended recipient(s). If you are not the intended recipient(s), please note that any distribution, copying, or use of this report or the information contained herein is strictly prohibited. If you have received this report in error, please notify the sender immediately and then destroy any copies of it. ALM First neither owes nor accepts any duty or responsibility to the unauthorized reader. ALM First shall not be liable in respect of any loss, damage, or expense of whatsoever nature which is caused by any use the unauthorized reader may choose to make of this report, or which is otherwise a result of gaining access to the report by the unauthorized reader. This content contains information derived from third-party sources. We believe that this third-party data is reliable; however, we cannot guarantee this data's currency, accuracy, timeliness, completeness, or fitness for any particular purpose.

INDEX BENCHMARKS: Index performance is discussed for illustrative purposes only as a benchmark for each strategy's performance and does not predict or depict performance of that strategy. While index comparisons may be useful to provide a benchmark for a strategy's performance, it must be noted that investments are not limited to the investments comprising the indices. Each of the strategy benchmark indices are unmanaged and cannot be purchased directly by investors.

HYPOTHETICAL PERFORMANCE DISCLAIMERS: Performance figures derived from model portfolios are hypothetical in nature and the results of any individual investor will differ as a result of various factors, including investment limitations relative to model portfolio guidelines, availability of same or similar assets, and fee structures. Investments are presumed to have been made at the beginning of the time period and there are no inflows or outflows of cash during the period. There are limitations and risks associated with the use of model performance or hypothetical performance information, and you should be cautious when looking at any presentation of model or hypothetical performance information. Investment strategies should not be based solely on the use of model or hypothetical information. Actual results will be different from those shown in model or hypothetical performance. The model portfolio returns reflect actual trading including the reinvestment of coupon payments and are net of transaction costs, administrative costs and a strategy-specific per annum fee ranging from 5 bps to 50 bps, which is the amount of the highest fee charged to any ALM First Financial Advisors, LLC customer employing that particular strategy during the period under consideration (the "Model Fee"). Actual fees will vary depending on, among other things, the applicable fee schedule and portfolio size. ALM First's fees are available upon request and also may be found in its Form ADV Part 2A. Past performance does not guarantee future results.

© 2026 ALM First Group, LLC. All rights reserved.