Monthly Investment Report

March 2026

Simmons Bank WEALTH MANAGEMENT

Financial markets navigated a more complex environment in February as shifting interest rate expectations, geopolitical uncertainty, and artificial intelligence related volatility reshaped investor positioning. U.S. equities were mixed, with the S&P 500 declining -0.8% and the Nasdaq Composite falling −3.3%. In contrast, mid-cap and small-cap stocks advanced +4.1% and +2.2%, respectively. International markets outperformed broadly, with developed markets ex U.S. rising +4.8% and emerging markets gaining +5.5%. Fixed income markets delivered strong performance as yields declined across maturities. The Bloomberg U.S. Aggregate Bond Index gained +1.6%, supported by a rally in Treasurys. The 10-year Treasury yield fell from 4.24% to 3.94%, roughly −0.30% from its recent high and about −0.23% from year end levels, marking a meaningful reversal in rate momentum. However, optimism regarding prospective rate cuts was tempered late in the month following a higher-than-expected Producer Price Index release and government commentary noting that tariff-related costs are increasingly being passed through to U.S. consumers. Geopolitical tensions intensified late in the month as military action involving the United States and Israel in Iran began on February 28. While the direct price impact during February was limited due to timing, crude oil rose +2.8% in February and is up +16.7% year-to-date, reflecting precautionary positioning and a growing geopolitical risk premium. Artificial intelligence related volatility remained the dominant capital markets theme. Significant price deterioration in software and software-as-a-service companies reflected investor reassessment of earnings durability, competitive positioning, and capital intensity. The implications extend beyond public equities into capital allocation, financing conditions, and private market valuation practices.

Capital Markets

Leadership dispersion widened meaningfully during February. Within the S&P 500, energy advanced +9.4%, materials gained +8.4%, utilities rose +10.3%, and industrials increased +7.1%. Conversely, information technology declined −3.9%, consumer discretionary fell −5.4%, and financials dropped −3.7%. The rotation away from concentrated mega-cap leadership toward cyclicals and defensives reflected both valuation recalibration and evolving macro expectations.

Artificial intelligence remains a structural growth theme, but recent price action indicates markets are differentiating more sharply between enablers and users. Infrastructure beneficiaries tied to semiconductor manufacturing, data center expansion, and power demand may benefit from sustained capital expenditure. However, application-layer software companies face increasing scrutiny as automation lowers barriers to entry, intensifies pricing competition, and compresses margins for undifferentiated offerings. Investors are increasingly rewarding balance sheet strength and free cash flow visibility overgrowth dependent valuation narratives.

Fixed income markets benefited from lower yields across the curve. The 2-year Treasury declined to 3.37%, while the 10-year Treasury fell to 3.94%. The 2-year to 10-year spread widened to +0.56%, reflecting partial normalization of the yield curve. Despite improved total returns, credit spreads remain narrow relative to Treasurys. Bank loans declined -0.8% while high yield bonds gained +0.2%, highlighting that more levered and floating rate exposures can behave differently even when broad credit is stable. Mortgage-backed securities spreads versus Treasurys also remain very tight, indicating limited additional compensation for spread risk if volatility rises.

Gold surged +11.3% for the month and is up +20.9% year-to-date, signaling investor demand for diversification amid geopolitical and inflation uncertainty.

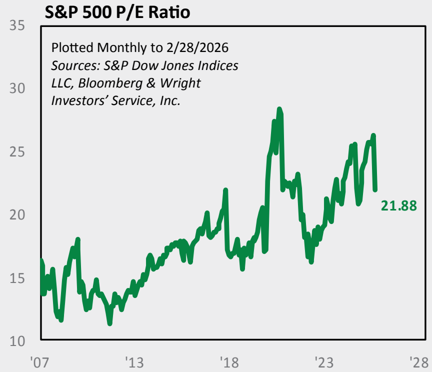
U.S. Economy

The economic backdrop remained resilient but increasingly nuanced. Labor markets continued to moderate without signaling contraction. Wage growth has eased from prior peaks yet remains supportive of household income. Growth remains positive, supported by consumption and business investment, while markets continue to debate whether inflation is slowing enough to allow policy easing.

The Producer Price Index release reinforced a more complicated inflation narrative. Producer prices rose more than expected, suggesting upstream cost pressures remain persistent. Government commentary indicating tariff-related costs are being passed through to consumers challenges earlier assumptions that producers would absorb most of the burden through margin compression.

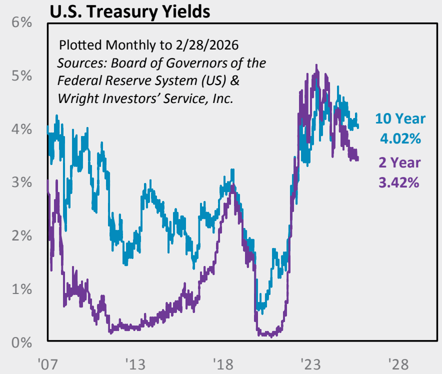
P/Es Fell

S&P 500 P/E Ratio



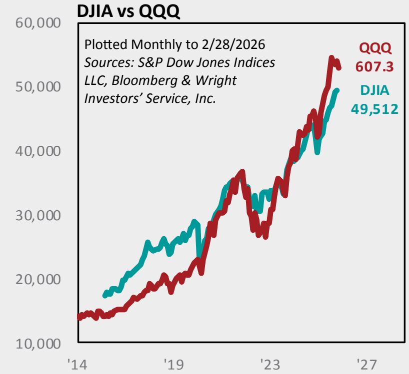
2 Year & 10 Year Yields Both Fell

U.S. Treasury Yields



US Equities Were Mixed

DJIA vs QQQ



Total Investment Returns—2.28.2026

	February	Last 12 Mos.
Dow Jones Industrial Average	0.3%	13.6%
Nasdaq Composite	-3.3%	21.0%
S&P 500	-0.8%	17.0%
S&P MidCap 400	4.1%	17.2%
S&P SmallCap 600	2.2%	17.9%
MSCI World ($)	0.7%	21.3%
MSCI World ex U.S. ($)	4.8%	35.5%
Bloomberg U.S. Aggregate	1.6%	6.3%
90-Day Treasury Bills (Yield)	3.7%	4.3%
CPI ex-Food & Energy SA* (Jan 2026)	0.3%	2.5%

*SA: Seasonally Adjusted
Sources: Bloomberg LP & Wright Investors' Service, Inc.

This raises the probability that goods inflation remains firmer if demand conditions hold and the U.S. dollar does not strengthen meaningfully. In that setting, policy easing may be slower and more conditional, keeping rates and risk assets sensitive to each inflation print.

At the macro level, artificial intelligence has the potential to be deflationary for certain services while supportive of productivity growth over time. Automation and generative AI may enhance output per worker, but the timing and magnitude of those gains remain uncertain, and the transition is unlikely to be uniform across industries. Market based inflation expectations remain contained, with 10-year breakeven inflation near 2.26%, suggesting that the primary inflation concern is persistence rather than a near-term unanchoring.

Private markets add an additional layer of risk management consideration. Certain software and business service models exposed to pricing compression may require valuation adjustments, particularly where revenue durability assumptions prove optimistic. Private credit lenders may respond by tightening underwriting standards and increasing covenant discipline in segments exposed to technological disruption. These risks appear more consistent with dispersion and selective repricing than with systemic stress, but they bear monitoring because liquidity is limited and feedback loops can form through refinancing channels.

Investment Outlook

The investment landscape is increasingly defined by dispersion and selectivity rather than broad directional conviction. The rally in Treasurys has improved the attractiveness of high-quality duration, particularly as the 10-year Treasury yield has declined to 3.94%. However, narrow credit spreads and very tight mortgage-backed spreads versus Treasurys limit the margin of safety in spread products. In this environment, core government exposure appears more balanced than spread heavy credit allocations, and credit risk should remain selective and liquidity aware.

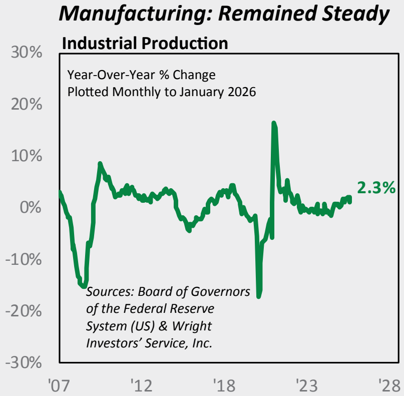
Equities continue to present relatively more compelling long-term opportunities, particularly in segments aligned with structural capital investment and productivity enhancement. Companies with durable balance sheets, strong free cash flow generation, and pricing flexibility remain preferable. Infrastructure beneficiaries of artificial intelligence expansion, semiconductor-linked manufacturers, industrial automation firms, utilities supporting data center demand, and select energy producers positioned for supply volatility appear structurally advantaged.

Caution is warranted in highly leveraged structures and business models dependent on aggressive growth assumptions. Software and service companies facing potential margin compression from AI-driven competition may continue to experience valuation volatility. Selectivity within technology remains essential, with preference toward infrastructure and enabling platforms rather than commoditized application models.

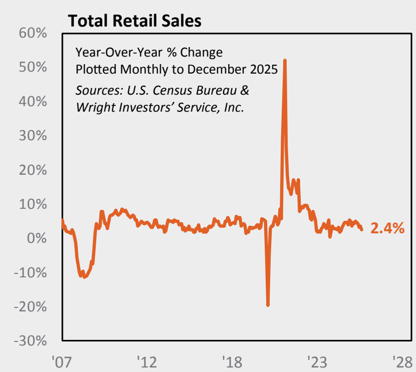
From a portfolio construction perspective, emphasis on quality equities over tight spread credit exposure appears appropriate. A balanced duration allocation can provide ballast against geopolitical escalation or growth moderation, while real assets and infrastructure-linked businesses offer diversification against energy and inflation volatility. Maintaining liquidity flexibility and avoiding excessive thematic concentration remain prudent.

If artificial intelligence ultimately enhances productivity, equities are positioned to capture that upside more directly than fixed income. However, the transition phase may involve continued sector rotation and valuation recalibration. Risk discipline, balance sheet strength, and prudent diversification remain central.

Manufacturing: Remained Steady



Consumer Spending: Weakened



Core Inflation: Remains High