SEASONAL STRATEGY

The Conservative Strategist

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Investors hate uncertainty

I start here where I left off in this space last quarter. In that issue, I wrote: *Trump has been exceptionally lucky in his first year to have a solid economy and strong markets. He seems to be doing what he can to make his own luck run out.*

2025: The Tariff Tantrum

Last year's policy blunder, the so-called Liberation Day tariffs, introduced an unprecedented level of whiplash. Investors value predictability, but the administration's strategy of announcing sweeping global tariffs, only to later pivot toward country-by-country negotiations, created a climate of "management by headline."

This arbitrary approach tanked world stock markets by 10% in just two sessions, and eroded the US dollar's safe haven status, with the greenback falling steadily for months.

2026: Operation Epic FUBAR

Fast forward to March of 2026, and President Trump, in coordination with Israeli forces, launched a decapitation strike against Iran that took out not only the long-standing Supreme Leader, but our administration's first several choices for potential replacement. Iran responded by effectively closing the Strait of Hormuz, and by attacking US bases in several Arab countries, risking a region-wide conflagration.

Result: Oil saw its sharpest rise ever, from $60 a barrel to a high of nearly $120 in just a few sessions. Markets tanked, especially those of the more energy-dependent economies of Europe and Asia.

Trump bombed Iran without Congressional authorization or even consultation, without any warning, without an attempt at diplomacy, without an unambiguously stated intent (or rather, roughly five or six different stated intents), and without any clear plan for the endgame. On both tariffs and war, investors don't like arbitrary decision-making.

The pattern of war

Based on 80 years of data, war's initial impact on the S&P 500 and its subsequent recovery follows a typical pattern:

THE DAMAGE	**First day drops average 1.1%, and the market generally bottoms after a 4.7% to 5.0% total decline, lasting 19 to 22 days.**
THE RECOVERY	**The decline usually is fully recovered within 42 to 45 days after the initial breakout of hostilities.**
ONE YEAR LATER	**12 months after war breaks out, the market is higher 70% to 75% of the time, roughly consistent with all periods. Returns average 11.4%, slightly higher than the 10% non-war average.**
WINNERS & LOSERS	**Defense stocks are the obvious winners, often joined by energy and materials stocks. Gold and silver tend to benefit from safe haven status. Losers can include companies involved in international travel, such as airlines and hotels.**

A hopeful note

Despite a $6 billion price tag for the first week of the war alone, US markets have been among the world's most resilient here in mid-March. A partial explanation: The US is a net energy exporter, and therefore not adversely affected by a spike in energy prices. By the end of March, the S&P had fallen only 4.37%. Worse pain has been felt in the bond market, with fear that higher oil prices will contribute to inflationary pressures and keep the Fed from easing rates.

But through the fog of war, there remains the lingering concern that the decision-making apparatus of US economic and foreign policy has grown captive to the whims of a single man, one who has demonstrated poor judgment, unabashed self-interest, and finally, a strange affinity for the world's greatest beneficiary of the oil price spike — Russia. ■

The Markets March 31, 2026	Price/Yield	Gain, Qtr	Gain, YTD
US Stocks (S&P 500/Vanguard Index)	6528.52	-4.37%	-4.37%
International Stocks (Vanguard Index)	24.63	1.73%	1.73%
Emerging Markets Stocks (Vanguard Index)	33.91	-0.26%	-0.26%
Real Estate Stocks (Vanguard REIT Index)	29.48	1.28%	1.28%
Bonds (30 year US Treasury/Vanguard Index)	4.88%	-0.56%	-0.56%
Dollar (US Dollar Index)	99.86	1.61%	1.61%
Gold (London Afternoon Fix)	$4608.35	5.51%	5.51%
Money Market Funds (Vanguard Federal - VMRXX)	3.60%	-0.11%	-0.11%*

*change in yield

Not so much a quarter as three distinct months

By the end of February, this was one of the strongest annual starts for our portfolios. On February 27, the average *Seasonal Strategy* portfolio was already up 5.06% year-to-date. That's not only one of the top absolute returns for the first two months of the year for our portfolios. It was also nearly two points ahead of the return of our conservative benchmark, *Vanguard LifeStrategy Conservative Growth* (VSCGX; +3.16%).

War and the March lion

The next day, war broke out in the Middle East, and March came in like a lion. By end of month, our portfolios had given back two-thirds of their Jan/Feb gains.

Some of our outperforming diversifiers, including gold stocks, clean energy stocks, and emerging markets stocks, shifted into reverse and sold off quite steeply. Gold stocks, as mentioned here on page 3, were a classic "sell-on-the-event" play. Clean energy stocks sold off somewhat anomalously. (Higher energy prices and Mideast instability should increase demand for this safer alternative. But the higher interest rates that accompanied the attack, due to inflationary fears, negatively impact clean energy companies that depend on fixed-rate financing for their long-term projects.) And finally, emerging markets sold off as they often do when geopolitical instability rises.

Foreign developed stocks, where we are much more heavily weighted than in US stocks, continued their healthy 2025 returns in January and February, but sold off sharply in March, as these economies, particularly Europe and Japan, are heavy net importers of energy.

The good news

Through the tumultuous month of March, our portfolios' margin of outperformance over VSCGX maintained between 1.5 and 2 points. So our so-called alpha (risk-adjusted outperformance vs. benchmark) rose as markets rallied in January and February, but did not decline in the March crisis. This net positive performance through a highly volatile quarter is a sign that the broad diversification of our portfolios is working, at least for now.

Our edge in March

How did our portfolios maintain their edge despite the steep retracements noted above? Our Bond positions outperformed the bond averages. The Real Estate allocation, particularly triple-net-lease positions, held up nicely. Select Real Assets holdings, especially energy infrastructure and traditional energy stocks (XLE), proved resilient as the oil price soared.

And finally, our SuperCash holdings held in there, with continued steady contributions from our private credit interval funds (despite the negative headlines for that sector), our merger and convertible arbitrage funds, and our trend-following managed futures funds, which tend to perform well in difficult markets. While long/short fund *Gator Capital* suffered from its financial stock concentration, long/short fund *Invenomic Institutional* came to life as the momentum stocks it shorts ran into headwinds.

A long war, and continued elevated oil prices, will likely shrink our advantage over VSCGX. A welcome resolution in early Q3 will likely increase our edge, as we see a resumption in trends that prevailed before the conflict began. ■

A personal note

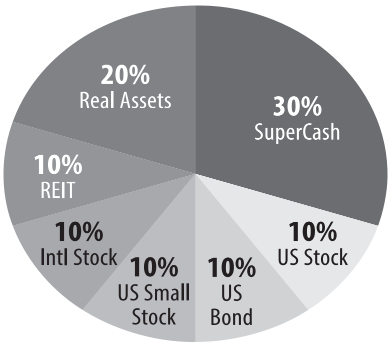
In my 66 years, I've been fortunate enough to count as friends two Iranian-Americans, both of whom are among the finest people I've known. Kind, modest, affable, hard-working, whip-smart, and proud to share their culture and heritage.

The Iranian people do not deserve what has befallen them – first, an ossified murderous regime, then a violent "act of liberation" that seems anything but. With the Supreme Leader's son now in charge, the new boss is the same as the old boss. And it's a man who not only lost his father in the strike, but his mother, his wife, and his son. Imagine his mindset toward the US. A war over in "four or five weeks?" More likely endless war.

SuperDiversified Portfolios (SDPs)

Oil soars, and SuperD leads again in Q1

SDP1 ***Conservative***

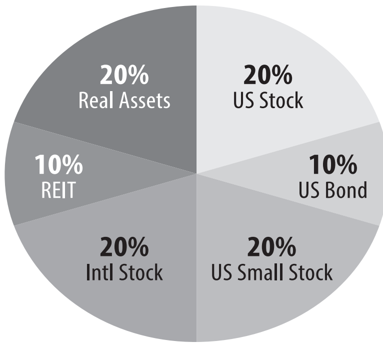


1st Quarter **4.31%**

Last 12 Months **14.09%**

Q1 saw one of the biggest beats ever of SDP1 and SDP2 over the conventional asset benchmark, *Vanguard LifeStrategy Conservative Growth* (VSCGX), which was down 0.76%. The reason was the only asset class that soared in Q1: Real Assets (obviously).

SDP2 ***Moderate***



1st Quarter **4.17%**

Last 12 Months **14.05%**

And wow, did it soar. Up 21.25%. Since Real Assets are 20% of both portfolios, the gain is responsible for precisely 4¼ percentage points in each portfolio. In other words, the entire gain in both model portfolios in Q1 was due to Real Assets.

The above model portfolios are not intended to indicate the performance of any real account, but reflect the composite performance, before fees, of the percentage allocations in the asset classes and funds listed in the table below. Seasonal Strategy's actual allocations vary from these models, and among portfolios.

How the Sectors Performed

Datacenters + Iran = Commodities surge

Asset Class	Mutual Fund	Performance 1st Quarter '26	Performance Last 12 Months	
SuperCash	PIMCO Instl Low Duration	-0.33%	3.48%	Best
	Merger	0.70%	6.51%	Worst
	Calamos Market Neutral	0.25%	5.74%	
US Stock	Vanguard Index Trust 500	-4.37%	17.64%	
US Bond	Vanguard Long-Treasury	-0.56%	0.21%	
US Small Stock	Vanguard Small-Cap Index	1.87%	19.59%	
Intl Stock	Vanguard Intl Index	1.73%	27.37%	
REIT	Vanguard REIT Index	1.28%	1.70%	
Real Assets	PIMCO Commodity Real Return	21.25%	30.18%	

Raw commodities contributed strongly to the SDP portfolios in Q1, with two mighty contributing factors. Already up substantially by late February on demand from datacenters, commodities rallied further as war broke out in the Mideast, and oil transit through the Strait of Hormuz was in peril.

20% of world oil supply flows through the Strait, contributing to a squeeze in prices of most energy products. PCRAX is allocated roughly 8% into the Brent Crude that is directly affected, 8% in West Texas crude that is rising concomitantly, and another 15% in related energy products.

Were oil & gold sell-on-the-event trades?

It is a well-worn trading tactic to buy an asset on the anticipation of an event, and then sell as the event unfolds. Both oil and gold exhibited that tendency in the run-up to the Iran War and then its breakout.

The Run-Up: Buy the Anticipation

Brent Crude Oil traded under $60 a barrel as recently as early January. But by late January, the US began its largest military buildup in the Middle East since 2003, moving carrier strike groups and bomber wings into the region. Oil traded up to the low 70s by early February. As negotiations broke down, the US executed a decapitation strike and killed Iran's leader on February 28. That was a weekend day; the next trading day, oil rose to the low 80s.

The Event: Sell the News

Then hostilities accelerated: Iran effectively closed the Straits of Hormuz (March 3; oil @ $85), the US struck 11 of Iran's 17 tactical airbases (March 4; oil @ $87), The *Axis of Resistance* struck US bases across the Gulf (March 5; oil @ $90), and then the most problematic development for investors – Iran's *Assembly of Experts* named Mojtaba Khamenei (the killed Supreme Leader's son) as the new Supreme Leader. Trump promptly deemed the choice unacceptable (March 8; oil spikes as high as $119 overnight). And finally, Trump declared the war "very complete" (March 9, oil collapses to $84, then settles around $98).

Gold stocks (GDX) followed a similar trajectory, topping out earlier, at the outbreak of bombing, in the $121 area before settling down into the $80 to $95 zone.

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What the Epstein files reveal about wealth, power, and status

The release of the Epstein Files — mandated by the Epstein Files Transparency Act of 2025 and spanning over three million pages of documents — has provided a chilling look at the mechanics of the global elite.

Epstein was a dark master of manipulating people, leveraging influence, and gaming the system. Here are seven disillusioning-to-disturbing takeaways about money, power, status, and human nature:

❶ The Brokering of Human Capital

The files reveal that Epstein didn't just trade money; he traded ***access and people.*** He functioned as a ***relational broker,*** using his wealth to create a high-pressure favor economy. In this system, human beings — particularly vulnerable women and girls — were commodified as ***social grease*** to facilitate introductions between billionaires, politicians, and scientists. A crucial element in keeping the enterprise going was that elite participants incriminated themselves, insulating Epstein from potential whistle-blowing.

❷ Reputational Insulation

High status creates a buffer that prevents scrutiny. The documents show that many elites viewed Epstein's presence in their circles as proof of his acceptability, rather than a reason for caution. This ***reputational capital*** meant that even after his 2008 conviction, his status as a half-billionaire outweighed his status as a sex offender.

❸ Networked Opacity

Power is maintained through fragmented information. The files illustrate how elite systems distribute knowledge so that ***no single actor*** sees the whole picture. By spreading his activities across different jurisdictions and social circles, Epstein ensured that individuals could claim ignorance of the broader criminal enterprise while still benefiting from the network. And that the law had difficulty putting the pieces together.

❹ The Illusion of Meritocracy

The documents highlight how elite networks bypass traditional merit-based systems. High-level appointments and business deals (such as those involving the Rothschild Group or various tech moguls) were often settled through personal favors rather than transparent processes, proving that ***who you know*** remains the primary currency of the powerful.

❺ Institutional *Moral Thinning*

Large organizations (like Harvard, MIT, and major banks) exhibited a gradual erosion of ethical standards. The files show that these institutions didn't necessarily choose to ignore harm; instead, they engaged in ***reputational caution*** and compartmentalization, prioritizing funding and prestige over the safety of those outside their elite bubble.

❻ Money as a Legal Shield

The 2026 releases emphasize how wealth is used to manufacture doubt. From hiring elite legal teams to negotiating non-prosecution agreements that paralyzed enforcement for years, the files show how Epstein worked a legal system that often treats ***justice as a privilege*** available to the highest bidder rather than a universal right.

❼ The Silence of Complicity

The files expose ***concentric circles of enablement.*** Not everyone named was a participant in crimes, but many were ***gatekeepers.*** The logs show staff, pilots, and associates enforcing a ***no-questions-asked culture,*** proving that systemic evil relies less on active villains and more on the quiet cooperation of those seeking proximity to power. ■

Respectable No More

Epstein had a knack for luring his social targets into his web, even well after his initial 2008 conviction on soliciting a minor for sex. Many luminaries have fallen, among them:

Lord Peter Mandelson A titan of British politics, former Cabinet Minister, and European Commissioner	*The files show Mandelson was allegedly sharing confidential diplomatic information with Epstein.*
Larry Summers Former US Treasury Secretary and President of Harvard University	*Summers visited the island. He sought dating advice from Epstein, after Epstein's 2008 sex conviction.*
Andrew Mountbatten-Windsor Former Prince Andrew of England	*The 2026 release of files include Andrew appearing to crouch over an unidentified young woman on the floor of Epstein's New York townhouse.*
Bill Gates Global humanitarian and founder of Microsoft	*Gates dined at Epstein's townhouse, flew on his plane and visited his island. He recently admitted extramarital relations with two Russian women to whom he was introduced by Epstein.*