Shikiar

April 22, 2026

Dear Client,

Greetings from Team Shikiar. We hope that you and your family are enjoying the arrival of spring and the warmer days that come with it. Please find attached your investment performance and portfolio report for the first quarter of 2026, as well as annualized returns. The report provides the market value of your portfolio as of March 31st, 2026, along with asset allocation, security positions, cost basis, and a year-to-date capital gain/loss report.

The first quarter of 2026 was a challenging one for equity markets. Beneath the surface, the quarter was marked by increasing dispersion, with the Magnificent 7 technology stocks (Microsoft, Apple, Nvidia, Amazon, Alphabet, Meta, and Tesla) declining by roughly 15% on average. Despite the reversal following multiple years of outperformance, we have modeled the growth prospects of these companies over the next five years and remain resolute in our view that they continue to possess significant long-term upside despite the current discomfort. Positively, over the last few weeks, this group has started to find firmer footing, with prices lifting off their recent lows. Additionally, your holdings in more defensive areas such as utilities, materials, and industrials helped offset some of the weaknesses in technology, further validating prudent portfolio diversification.

Recent price action has also had an important byproduct: after several quarters of valuation scrutiny, the market's setup is beginning to look more constructive. As figure 1 illustrates, forward earnings multiples have compressed meaningfully, even as earnings expectations have continued to move higher. The

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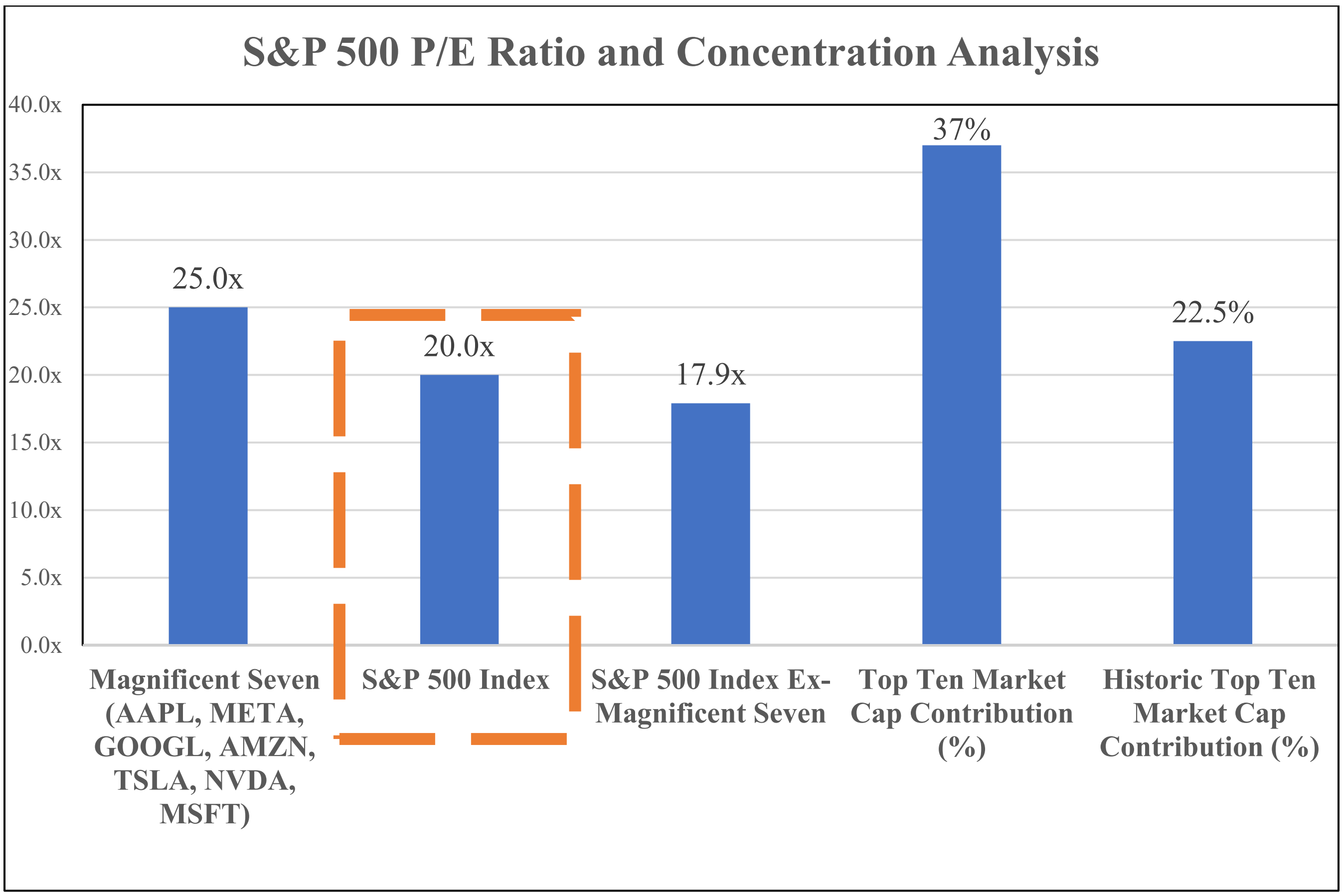
Magnificent Seven now trade at more reasonable valuations, while the broader S&P 500 trades around 20x, below the recent peak of 23x, and the S&P 493 (the remaining stocks excluding Magnificent 7) still trades under 18x. In our view, that should help support renewed demand from corporate buybacks, institutional investors, systematic strategies, and eventually retail investors as volatility continues to normalize.

Figure 1: S&P 500 P/E Ratio and Concentration Analysis



Source: Shikiar Asset Management Research

More broadly, the quarter served as a reminder that geopolitical risks had been building, with earlier tensions involving Greenland, Cuba, and Venezuela already highlighting a more complex global backdrop. The war in Iran quickly became the most consequential development, beginning on February

28th with joint U.S. and Israeli strikes on Iranian military and nuclear-related targets, including the initial strike that killed former Supreme Leader Ayatollah Ali Khamenei. More than six weeks later, and repeated strikes, missile launches, and retaliatory attacks across the region, the conflict expanded well beyond a contained exchange. Iran retaliated not only through strikes on Israel, but also by targeting or attempting to target energy and shipping-related assets across Qatar, Saudi Arabia, Kuwait, the United Arab Emirates, and Bahrain. After a two-week ceasefire was announced, Pakistan hosted an initial round of talks aimed at laying the groundwork for a broader agreement to end the conflict. Although the initial session failed to produce a breakthrough, the ceasefire has largely held and a second round of talks is now underway as both sides work up against the ceasefire deadline. Discussions appear to be evolving in real time, with intermittent progress toward a preliminary framework, but key issues remain unresolved and the situation is literally shifting on an hour-by-hour basis.

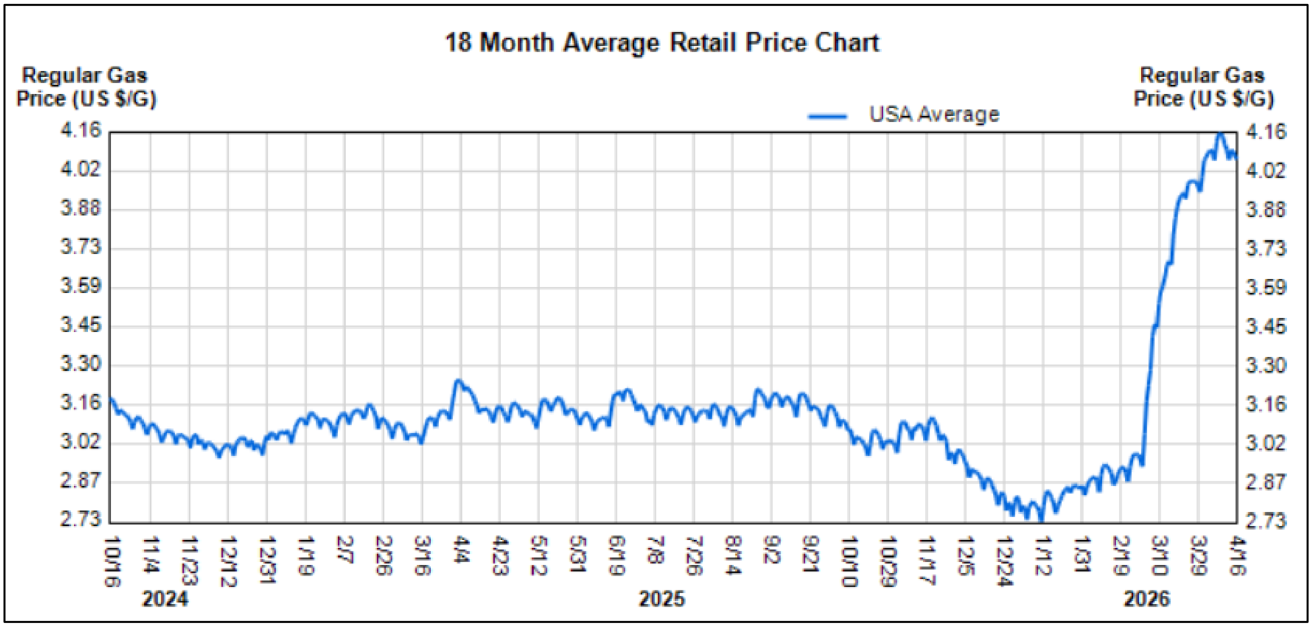
A central issue throughout the conflict has been the Strait of Hormuz, which has again proven to be one of the world's most important strategic choke points. Roughly one-fifth of global oil and liquefied natural gas flows through the waterway[1], and disruption there has had an immediate effect on energy markets. Daily crossings have remained far below normal, falling to just 15 ships per day after the ceasefire versus a pre-conflict average of 138[2], while the U.S. naval blockade has further restricted ships calling at Iranian ports. Given this disruption, prices of both WTI Crude and Brent Oil have appreciated substantially. The disruption has also pushed up diesel, jet fuel, gasoline, and other refined products. As figure 2 illustrates, the U.S. average price for regular gasoline has risen from a low of roughly $2.73 per

[1] U.S. Energy Information Administration

2 Bloomberg Data

gallon earlier in the year to approximately $4.09, a jump of nearly 50%. That increase is particularly relevant for consumers, as higher fuel costs tend to weigh most heavily on lower-income households.

Figure 2: Average Gas Price Per Gallon in U.S.



Source: Gasbuddy.com

As a result of these developments, the Federal Reserve (Fed) now faces a more complicated backdrop than many expected at the start of the year. Higher oil prices have pushed up near-term inflation expectations and made policymakers more cautious on the path forward. The March Summary of Economic Projections released by the Fed, pointed to core PCE inflation, its preferred measure, remaining just under 3.0% this year, up from a pre-Iran estimate of 2.4%. That shift has been reinforced by higher interest rates, with the 10-year Treasury bond recently trading around 4.3%, up from a low of 3.8% last fall. Against that backdrop, the market has moved from expecting two rate cuts to increasingly expecting none in 2026, with even a small probability of a hike now being priced in. We view a hike as unlikely, but no cuts as potentially appropriate given the evolving backdrop. The policy picture is further complicated by the expected Fed leadership transition in May. Likely incoming Chair Kevin Warsh is viewed as more accommodative over time, even as current conditions call for caution, and his delayed Senate confirmation means Chair Jerome Powell could remain in place on an interim basis if necessary.

At the same time, the broader economy has remained more resilient than many expected. After averaging monthly additions of around 38,000 over the last six months, March nonfarm payrolls (NFP) rose by 178,000 and the unemployment rate was 4.3%, well below 50-year historical averages of around 6.0%, suggesting the labor market remains stable even if hiring has cooled from prior years. Growth expectations have also moderated rather than collapsed, with the Atlanta Fed's GDPNow estimate for first-quarter real GDP at 1.3% as of April 9th. In our view, that remains a reasonable baseline: the economy is still expanding, consumer demand has held up, and the labor market is not yet showing recession-like stress. As Bank of America CEO, Brian Moynihan, said on the company's first quarter earnings call, "we saw healthy client activity, including solid consumer spending and stable asset quality, indicating a resilient American economy." That said, we continue to monitor pockets of weakness beneath the surface, particularly among lower-income households, where higher gasoline and goods prices are putting greater pressure on spending. We are also watching delinquency trends closely, including rising stress in credit cards, student loans, subprime lending, and pockets of mortgage delinquency in lower-income areas.

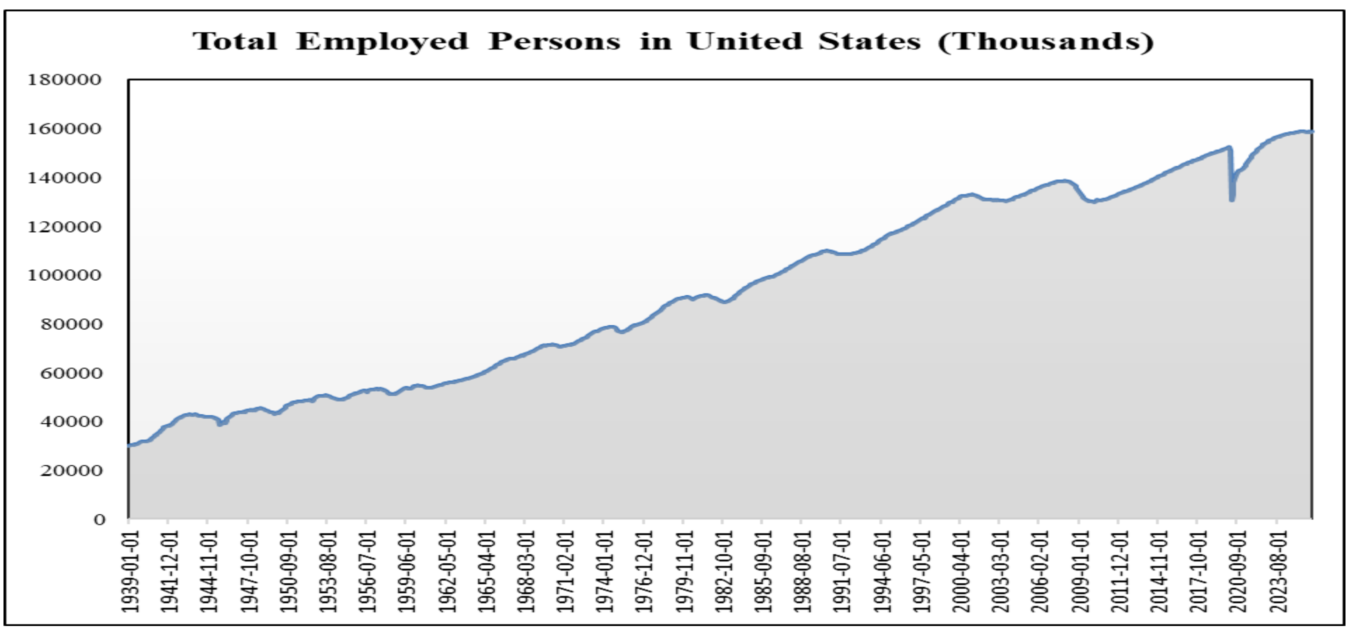
U.S. corporations, meanwhile, have remained nimble. More broadly, the earnings picture has remained solid, with Q4 2025 earnings growth of 13% year-over-year, almost double expectations coming into the quarter. **Looking ahead, consensus continues to call for double-digit S&P 500 earnings growth throughout 2026 and 2027.** Interestingly, earnings estimates have moved modestly higher since the onset of the Iran conflict, suggesting that consensus still views the underlying profit backdrop as relatively durable. As companies begin reporting first quarter 2026 results in the coming weeks, we will be listening closely to updated outlooks and management commentary on margins, capital spending, and demand in this more complicated environment.

Just as importantly, many companies entered this period from a position of strength, with healthy balance sheets, solid liquidity, strong profit margins, and continued capital return through dividend payments and share repurchases. Both remain on an upward trend at the index level, with U.S. aggregate dividends projected to grow 6.5% in 2026, while the latest published **S&P 500 buyback data showed trailing 12-month buybacks at a record $1 trillion.** U.S. initial public offering issuance has already exceeded $23 billion so far this year, up 91% from the same period last year, and the pipeline still includes several closely watched potential deals, including SpaceX, OpenAI, and Anthropic. That improving tone has extended across capital markets, with global announced mergers and acquisitions rising 37% to more than $1 trillion in the first quarter, cross-border activity up 47%, and the United States remaining the largest target market.

Artificial intelligence remained one of the market's central themes during the quarter, though the conversation became notably more complex. Enthusiasm around AI's long-term productivity benefits remained intact, but investors increasingly began to ask a more difficult question: which business models may be helped by AI, and which may be disrupted by it? That debate weighed heavily on several areas of the market, particularly software and adjacent business models tied to white-collar workflows. These concerns were amplified by several widely circulated pieces arguing that AI-driven labor displacement may arrive faster and more forcefully than many had previously assumed.

Importantly, some of the contemporaneous labor-market evidence remains more nuanced than alarmist narratives suggest. In a February investor presentation, JPMorgan Research observed that unemployment rates for AI-exposed workers have not meaningfully diverged from those of non-AI-exposed workers, and several labor indicators in technology have held up better than feared. Importantly, observed AI task capability remains well below the theoretical maximum across most occupations. The longer-run labor-market record is also instructive: as figure 3 illustrates below, total U.S. employment has continued to climb over time despite multiple waves of technological change and today remains near all-time highs. In our view, that does not mean disruption is imaginary. Rather, it suggests the path is likely to be more uneven and incremental: AI will almost certainly change workflows, pressure some business models, and reshape hiring needs, but the real-world adoption may prove slower, less linear, and more differentiated across industries than many of the loudest headlines imply.

Figure 3: Total Employed Persons in the U.S. (in thousands of people)



Source: St Louis Federal Reserve Bank

Another key trend has been the growing scrutiny around Private Credit. Concerns around redemption pressure, valuation opacity, and portfolio marks in parts of the non-traded market have nonetheless weighed on sentiment more broadly and have seeped into public market valuations as well. In our view, that has created some undue spillover, as there remains a real divergence in underwriting quality, sector exposure, and leverage levels across the asset class. Larger, more established platforms with seasoned management, deep talent, significant research capabilities, and diversified business models are not all in the same category as weaker or more opaque players, and we believe those advantages should leave them better positioned to weather the current challenges. For now, realized defaults do not appear excessively high, and the market's anxiety seems driven more by concern about where credit performance could be headed than by severe stress today. In addition, banks and other financial institutions appear to have less direct exposure than they did during past credit dislocations, reducing the likelihood, in our view, of a more systemic transmission mechanism.

In terms of portfolio activity and construction, we reduced exposure in select areas to reflect the heightened level of uncertainty while increasing our cash buffer and adding to more traditional safe-haven securities such as U.S. Treasuries. At the same time, we did not abandon our long-term discipline. We maintained exposure to our highest conviction holdings, increased allocations to preferred equities and other income-generating securities and remained nimble enough to initiate new positions in sectors we continue to find particularly attractive. With many decades of combined experience navigating a wide range of market environments, we believe it is especially important in periods such as these to keep a steady hand on the tiller, protect capital, and remain prepared to act when opportunities emerge.

As we share in each of our quarterly letters, the senior team at the firm "eats its own cooking" and is meaningfully invested in many of the same securities we hold in your portfolios. Further, we seek portfolio companies that manifest attractive, sustainable long-term fundamentals that encompass the following: leading market share, strong balance sheets, free cash flow, revenue and earnings growth, cash dividends, periodic share repurchases, and well-respected management. While the current environment presents challenges, we remain optimistic about the path forward and confident in our disciplined, research-driven approach. In moments such as these, we are reminded of Rudyard Kipling's poem, *"If"* which begins, "Keep your head when all about you are losing theirs." We believe that remains sound advice for investors.

As always, we welcome your questions and comments. Thank you for your confidence, it is greatly appreciated

Very Truly Yours,

Team Shikiar