

March 11, 2026

Interesting Times...

With so much news in the last several days, we wanted to write and offer our thoughts. Over the decades there have been many news events – a good number of them somewhat alarming - and through it all investors with a long-term focus, good quality investments and a sensible investment strategy have weathered the storm.

Two Months into 2026 – A Decent Start to the Year

On a year-to-date basis the markets are holding their own – even after three strong years. As of this writing the S&P 500 Index is generally flat for the year, and the equal-weight S&P 500 (reflecting the average stock in the index) is up almost 3%. This reflects a general broadening in the market and is, in our view, a healthy development. It is refreshing to see market leadership rotating towards cyclical and value stocks.

The Russell 2000 Index of smaller companies is up almost 3% in 2026 and the international “EAFE” Index is up about 3.5%. All decent returns with the end of the first quarter still a few weeks away. Taxable and municipal bonds are also positive for the year.

The Artificial Intelligence (AI) Buildout – Early Days

One noteworthy market development has been the significant buildout of infrastructure related to AI. This seems like another “gold rush” with many companies working furiously to construct large data centers.

We are watching this situation closely as hyperscalers such as Amazon, Microsoft and Alphabet (Google) spend massive amounts of capital. Initially the spending was mostly financed with cash on hand, but increasingly it is being financed with debt. This may impact their free cash flow and the sustainability of buybacks.

For now, this spending is generating economic growth. Each data center requires construction, significant energy infrastructure and the latest in computer chips.

One consequence of AI is that some jobs will be displaced and others will evolve. We note that advances in technology can always be unsettling, but that the result is often increased growth, lower costs, new jobs and a higher standard of living. When was the last time you called the television repairman?

Geopolitics – The Middle East Conflict

The situation in the Middle East remains highly uncertain. Almost to the point that anything we write today will be out of date by the time this gets to you.

The United States has attacked Iran with much force. Iran has struck back at the U.S. and many of its immediate neighbors – most of whom did not want to be drawn into the fight. Several news sources are reporting that some Iranian people are supporting and celebrating these developments.

While the U.S. is largely energy-independent now, other countries such as China and India rely significantly on OPEC and oil moving through the Strait of Hormuz. We suspect there is work going on behind the scenes to keep that oil flowing.

For an investor there is much uncertainty – and the markets have never liked that. We take a lesson from history and include a graph of tumultuous events (including many wars) over the last 100 years. While the future is always opaque, we can take a lesson from history and observe how the markets reacted to past events. Over time the equity market trends up, and in fact many pullbacks can be viewed as buying opportunities with the benefit of hindsight.

In Summary

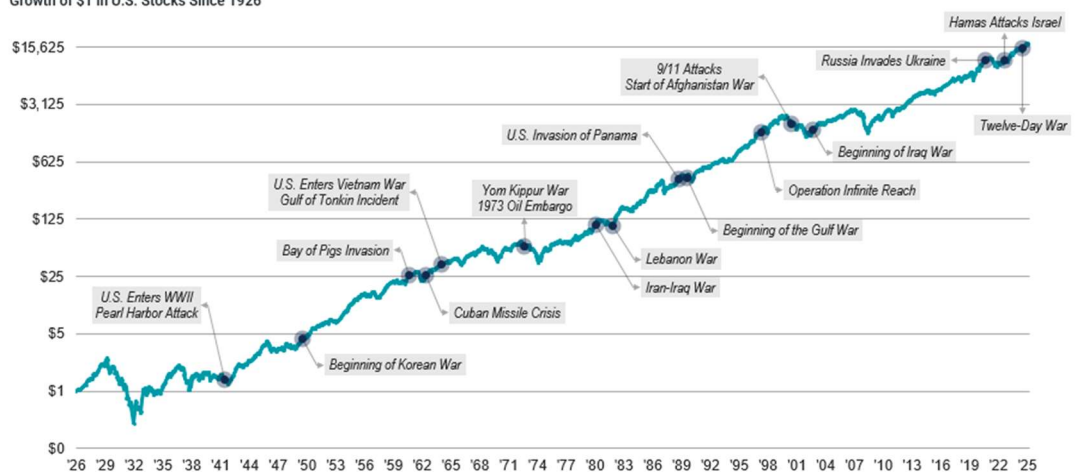
Investing is about long-term growth and long-term compounding of capital. **At Private Capital Management** we have over 25 years of experience building diversified, resilient portfolios. The bull market remains intact, with earnings growth—not valuation expansion—driving returns; S&P 500 earnings are projected to grow more than 14% over the four quarters of 2026.

In a few weeks we will be sending out reports for the 1st quarter and will include our usual commentary with an update.

In the meantime, please feel free to reach out to your Advisor with any questions. Please know that we greatly appreciate and value our wonderful clients.

Figure 2 | With Military Conflicts, Long-Term Discipline Is Key for Investors

Growth of \$1 in U.S. Stocks Since 1926



Data from July 1926 – December 2025. Source: Ken French Data Library. Past performance is no guarantee of future results.

Sincerely,

The Private Capital Management Team

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