



MONTHLY INVESTMENT UPDATE

# March 2026

*An Uncomfortable Yet Vaguely Familiar Feeling*

FROM THE PORTFOLIO MANAGER

## We Have Been Here Before.

The opening three months of 2026 bear an uncomfortable resemblance to the same period a year ago and similar scenarios years ago. Asset prices are under pressure. Sentiment is moving toward extremes. The ‘flight or fight’ instinct to reduce risk is growing louder within the space between our ears. Twelve months ago, the “Tariff Tantrum” drove the S&P 500 sharply lower, pushed bearish sentiment to levels last seen in early 2020, and generated a cascade of downside earnings revisions. By year-end, markets recovered fully and set new highs. What changed was not the tariff regime. It remains elevated and unpredictable. The big change was the market’s ability to price a new equilibrium, and the valuation compression that accompanied the tantrum created the launching pad for that recovery.

Today’s composition of headwinds is different. The escalating conflict involving Iran has introduced a genuine geopolitical risk premium: energy price volatility, widened credit spreads, and multiple compression in rate-sensitive sectors are all real and measurable. We acknowledge them plainly. However, the architecture of the moment: a geopolitical shock, compressed valuations, elevated fear, a narrative that extrapolates the worst-case scenario, sounds quite familiar and the historical record on what follows the doomscroll is not very ambiguous.

*“The question is not whether the geopolitical risk is real – it is – but whether it is permanent. History is fairly consistent on this point: it is not.”*

THE INVESTMENT CASE

## Optimism Is Not Magic Thinking. It Is a Data-Driven Recipe for Future Returns

A brief review of four comparable geopolitical or policy shocks of the past fifty-three years clearly makes the case for a constructive outlook on asset prices. In each instance, equities recovered and the investor who held through was rewarded. The market reaction has consistently overshoot the fundamental damage to the economy.



Geopolitical Shock	Peak Drawdown	Time to Prior High	12-Mo Return from Low
Arab Oil Embargo (1973–74)	-48.2%	~2 years	+37%
Gulf War (1990–91)	-16.9%	~3 months	+32%
Iraq War Onset (2003)	-14.7%	~3 months	+27%
Tariff Tantrum (Mar 2025)	-18.8%	~3 months	+27%†

† Tariff Tantrum return is ~11 months (trough Apr 2025 through Mar 30, 2026); full 12-month figure not yet available. Source: Bloomberg, S&P 500 total return. Past performance does not guarantee future results.

Persistent pessimism is not a conservative strategy, but it can be an expensive one. The companies we own do not necessarily cease to be profitable because of the news cycle. Their earnings power, pricing power, and long-term competitive position remain intact. What is temporarily impaired is the multiple the market is willing to pay for those earnings because of the fog of war. Optimism, defined this way, is not an emotional posture. It is the posture that long-run data supports.

P O R T F O L I O P O S I T I O N I N G

## How We Are Positioned

Our portfolios enter this period of uncertainty without leverage and without speculative positions on geopolitical outcomes or commodities. We hold a portfolio of high-quality businesses we know well and own at valuations we find attractive given the growth opportunity laid out in the coming years. On the fixed income side, high-quality bonds are providing the ballast they were purchased to provide. However, we are, and will remain, deficit hawks with concerns about the global rise in interest rates. It is worth noting that energy supply shocks do not necessarily lead to persistent inflation. It takes the coincidence of major policy blunders to bring that to the forefront. When valuations become genuinely attractive, we are prepared to add selectively. We cannot reliably time the bottom during adverse environments. We look for valuation opportunities and remain optimistic.

As always, I am available to discuss any of these topics in greater detail. Please reach out to discuss your concerns, your portfolio, or the broader environment.

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