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Market Volatility in March

- *Never let a good crisis go to waste –Winston Churchill*
- *If you hear the missiles are flying, you buy them –Art Cashin (Cuban Missile Crisis)*
- *Buy to the sound of cannons, sell to the sound of trumpets –Baron Rothschild*
- *Fear is the foe of the faddist, but the friend of the fundamentalist." – Warren Buffett*

Over the last few weeks, investors have been bombarded with market-moving headlines! Among them, joint US/Israeli military action against Iran, uncertainty surrounding Mega Cap Software companies, the Private Credit selloff, and unrest about each step in the tariff path forward. Below we have attempted to address whether/ how each of these impact you.

Iran Conflict

As with any geopolitical event, this one remains fluid. History has shown that similar events, especially those of the last 25 years, warrant modest immediate response from investors. The temptation to “do something” should be balanced by the “what has materially changed” mindset.

We are not downplaying the devastation of military episodes like those in Afghanistan, Iraq, Ukraine, and elsewhere! Conversely, outside of a short-term spike in oil prices and often elevated demand for safe-haven assets (which has yet to materialize this week) doing less is often prudent. As we’ve stated many times in recent newsletters, the key for handling a volatility episode is being properly positioned heading into it. Pivoting during a storm frequently causes more harm than good.



If this military action spills over into a protracted period of casualties and devastation in the region, we will respond further. Currently, we see limited impact on job growth, health of the global consumer, or corporate earnings outlooks (aside from an impact from higher oil prices. Federal Reserve policy could be marginally impacted if the engagement lingers and inflation fears are renewed. Time will tell, as expectations for cuts were relegated to early Summer anyway.

We will be watching closely for anything that changes our view.

Software Selloff

The last 5 months for software investors have been brutal! SAAS businesses (software as a service) are largely subscription-based companies whose revenues were highly predictable at high margins and with modest economic sensitivity. Many of these household name companies were the survivors who thrived following the TMT Bubble at the turn of the millennium.

What changed? Claude, Anthropic's AI platform, recently released an update that suggests tremendous potential disruption to the traditional software players. Unlike the entrenched base, recent AI applications don't charge by seat, but by data usage. As several portfolio managers have stated, the response to the news has been "to shoot first and ask questions later." Below is a snapshot of recent highs and Feb 28 closing levels of key software names:

As the list below shows, the hit was broad and deep. Is it overdone? That case can be made. Is it over? Perhaps for some. Will these companies go away? There will be winners and losers, but most have opportunity to adapt and reposition themselves. If their response resembles that of Blockbuster (failure to acknowledge the reality of competition), their fate could be unfortunate. With a proper response, there are likely buying opportunities in the coming months.

Company	Ticker	12-mo high	2/27 close	% from high
Microsoft	MSFT	\$555.45	\$392.74	-29.3%
Salesforce	CRM	\$303.07	\$194.79	-35.7%
Oracle	ORCL	\$345.72	\$145.40	-57.9%
Service Now	NOW	\$211.48	\$108.01	-48.9%
Palantier	PLTR	\$207.52	\$137.19	-33.9%
Crowdstrike	CRWD	\$566.90	\$371.98	-34.4%
Adobe	ADBE	\$453.26	\$262.41	-42.1%

Private Credit

This terminology may be unfamiliar to many. What is private credit and why have we been hearing so much about it recently?

To begin, we own 0.0% exposure to private credit assets for our clients. That's no accident. There are many skilled managers in the space but we have been unwilling to sacrifice our clients' liquidity for the potential for an outsized yield on illiquid fixed income.

Private credit is a broad term that refers to non-bank, privately negotiated loans made to companies (often small-to-mid-sized) or through specialized, illiquid debt investments. It acts as an alternative to traditional bank financing, offering faster, more flexible capital for borrowers while providing investors with higher yields, lower volatility, and strong, consistent income.

Most private credit vehicles offer up to 5% quarterly liquidity, thus a "rush to the exits" scenario results in pressure on prices of assets sold and results in clients only having a portion of redemptions met in each quarter.

We believe there are better, liquid, responsible ways to garner results without the sacrificed liquidity of private credit. It is our view that private credit valuations have never been tested (since the asset class largely evolved after the 2008 crisis) and we prefer not to be in the first "test class."

Tariffs Again...

In February SCOTUS ruled 6-3 that President Trump's use of IEEPA for tariffs is impermissible. Immediately following the ruling, the President imposed a 10% (then revised to 15%) universal tariff to allow time to reconfigure his tariff plans under other authority. It is generally agreed that the ultimate tariff rates will drop from the onset of the SCOTUS ruling, but exact figures are a work in progress.

Our belief is that what remains of the tariff episode falls primarily into 2 camps: (1) logistics of the new plan and (2) do courts require rebates (and to whom they are paid)? As these questions are answered, we expect the needle of impact will only slightly move one way or the other. Overall, the ruling has a potential slight negative impact on inflation but not much more. We see the likelihood that there will be no need to respond to the upcoming tariff announcements.



If you anticipated a boring 2026, we fear you are in for disappointment! Volatility is likely to remain elevated with prospects for outsized gains in the broad markets less probable. **Nonetheless, thoughtful, skillful, disciplined capital allocation offers the best opportunity to outperform in this environment.** We are working hard to manage volatility, limit drawdowns, and deliver results for you.



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