

April 22, 2026



“The reason gas prices are so high is because the oil is in Texas and Oklahoma and all the dipsticks are in Washington.”

- Unknown

Dear Client,

The Grey Owl All-Season Strategy’s objectives are to minimize drawdowns, outperform short-term bonds by several hundred basis points each year (i.e., beat “cash”), and participate meaningfully in risk-on rallies.

In the first quarter of 2026, we, again, demonstrated an ability to minimize drawdowns during a meaningful risk-off period. The Nasdaq-100 Index¹ was hit the hardest of the major indices. It dropped -13% from January 28 through March 30, 2026. The first month of the drop, from late January to late February, appeared catalyzed by decelerating earnings for artificial intelligence-linked firms. Equity ownership has crowded into these names, so when they turned, the selling fed on itself. Through the end of February, global equities² continued to make new highs. Then the United States and Israel launched a war against Iran and equities broadly declined for the next month. The Grey Owl All-Season Strategy remained positive on a year-to-date basis during this entire period. Subsequently, the strategy joined (though, as expected, less aggressively) the April equity rally.

Despite different catalysts and narratives, this pattern looks like the beginning of 2025. Recall that the popular “Magnificent 7” group of stocks declined roughly -30% from its December 17,

¹ We use the ETF QQQ to represent the Nasdaq-100 Index.

² We use the ETF ACWI (the MSCI ACWI - All Country World Index) to represent global equities.

2024 peak to the April 8, 2025 low³. During that period, the Grey Owl All-Season (GOAS) portfolio was down less than -3% at its worst point in early April of 2025. The rebound that followed was rapid, and the year ultimately proved strong for most risk assets. GOAS managed risk during the drawdown and then repositioned to participate as conditions turned risk-on.

We don't know if the remainder of 2026 will play out similarly to 2025. Our objective remains to construct an all-season portfolio that can make steady progress in all (or most) environments and to tilt it toward the prevailing conditions. As we write, a fragile ceasefire with Iran remains in place, but unresolved — the Strait of Hormuz blockade continues, and oil is still well above pre-war levels. Yet, economic and corporate earnings growth remains strong, and inflation is once again accelerating. From our perspective, this calls for a balanced portfolio with a cautious bent.

A few specifics below on the present environment and our current positioning, but first a more detailed review of the performance of the “primary” asset classes.⁴

For the first quarter of 2026, commodities were the big gainers. War in the Middle East drove oil from under \$60 to a peak above \$115 before settling near \$90. This sharp move rippled through all global assets. Commodities shot up +39.9% and gold gained +8.6%. Bonds were flat — seemingly torn between their “risk-off” nature (a “flight-to-safety”) and the accelerating Consumer Price Index (CPI)⁵ presaged by the rapidly accelerating price of oil: US Treasury Bonds were +0.2%. Global equities finished down -2.2% and U.S. equities were hit harder, down -4.4%. Over this period, GOAS delivered a +1.7% return.

Economic Growth

Hedgeye's real GDP projection model continues to show a reacceleration in growth through the first half of 2026. Growth is then set to moderate as the third quarter looks to be slightly slower than the previous year. The fourth quarter's pace is forecasted to just modestly beat 2025. Absent a re-escalation of war in the Middle East and/or a prolonged stalemate that traps

³ We use the ETF MAGS to represent the “Magnificent 7” stocks.

⁴ We refer to US equities, long-dated US Treasury bonds, gold, and commodities as “primary” asset classes borrowing the language of HCWE & Company. These four assets best capture two variables that explain a significant amount of asset price movement: global growth and inflation. This framework is the basis for a permanent portfolio, an “all-season” portfolio, risk-parity, etc. US equities and commodities are “risk” assets, while US Treasury bonds and gold are “haven” assets. Returns are measured on a total return basis using index exchange traded funds (ETFs): SPY for the S&P 500, ACWI for the MSCI All-Country World Index, GSG for the S&P GSCI Commodity Index, TLT for 20+ Year Treasury Bond index (i.e. “long-dated” US Treasury bonds), and GLD for gold.

⁵ We specifically use the government statistic CPI to try to avoid a theoretical discussion around inflation. Regardless of whether there is true inflation from monetary debasement, when the oil price increases, it flows through to CPI, and bond yields adjust.

Middle Eastern oil, we expect risk assets to continue performing well while this acceleration holds.

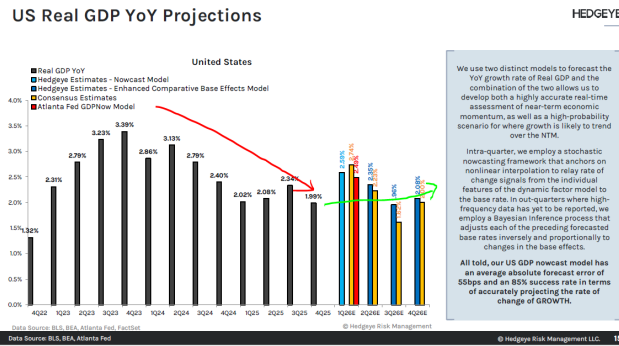


Figure 1 – GDP Projections (www.hedgeye.com)

Economic growth is accelerating, which historically supports risk assets—particularly cyclical equities and commodities.

Inflation

On the other hand, Hedgeye’s CPI model forecasts significant and consistent CPI acceleration.

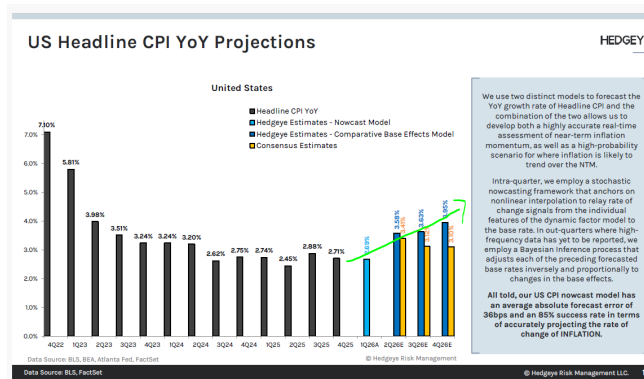


Figure 2 – Inflation Projections (www.hedgeye.com)

Inflation pressures are increasing, creating a backdrop that favors some risk-assets over others.

Market Signals

Lowry’s analysis showed an intense and rapid pickup in Selling Pressure during the first quarter

of 2026. That pickup has abated since early April, which is encouraging, but a few weeks is not enough to confirm the all-clear, and Lowry's own longer-term indicators still signal caution.

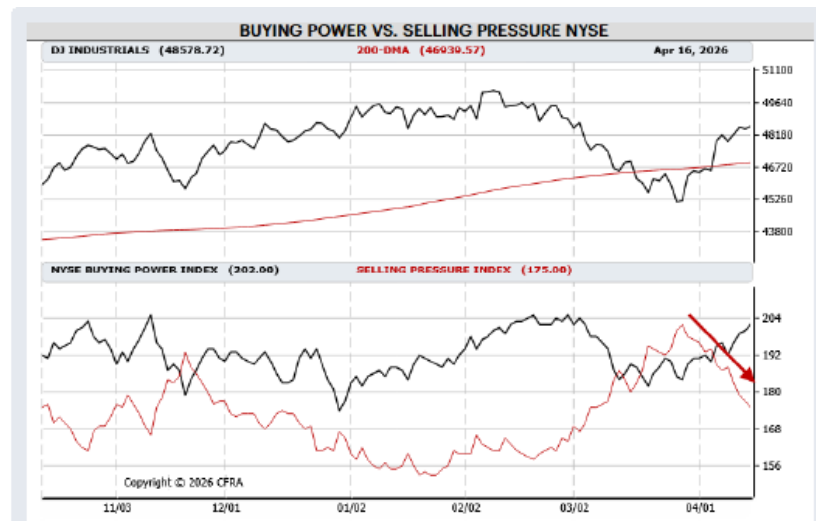


Figure 3 – <https://www2.lowryondemand.com/members/markets/marketchart.cfm>

While the current trend of increasing Buying Power and decreasing Selling Pressure is positive, there are more subtle indicators that have yet to flash “risk-on.” Lowry’s writes, “News aside, the weight of evidence is starting to land for the bulls, and fresh all-time highs in several important price indexes certainly can brighten the mood. However, the Lowry Analysis needs just a bit more confirmation from our longer-term indicators to reflect sustainable intermediate term strength.”

Market internals support the case for a continued advance, but longer-term indicators have yet to confirm sustainable strength.

Current Positioning

Our current portfolio remains balanced within an all-season framework but is less aggressive than in January. Since last quarter, we have increased fixed income and cash allocations. Gold and commodity allocations decreased (though very recently after the big ramp in oil and the multi-year ramp in gold). Our US equity exposure is more heavily weighted to energy today, but was even larger a month ago – we locked in some gains. Global equity exposure is more concentrated in Latin America and Asia than in Europe. At the highest level, the specific

holdings are unconventional, but the aggregate risk exposure lines up almost perfectly with a 60% equity / 40% bond benchmark.

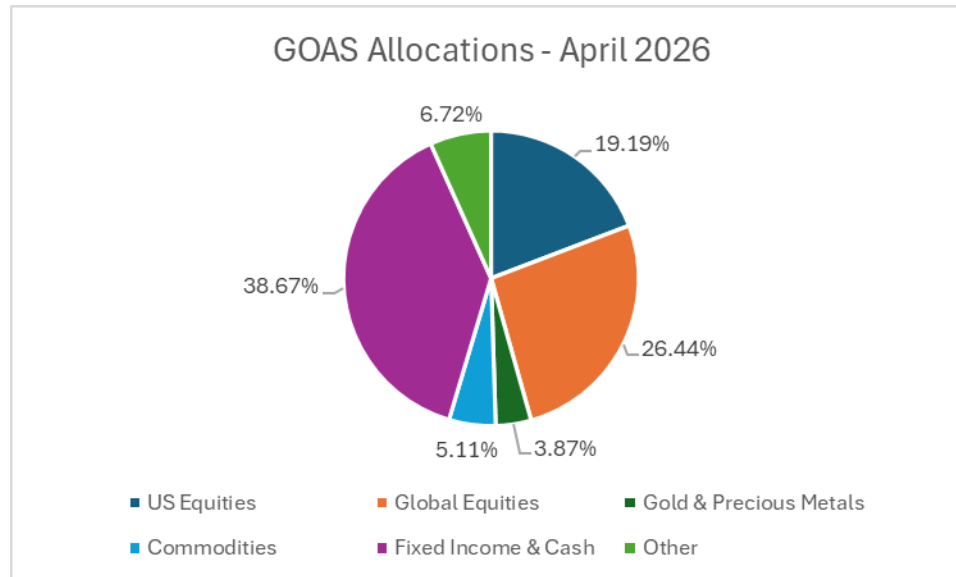


Figure 4 – GOAS Allocation

This positioning maintains meaningful protection against inflation or market stress while attempting to capture growth where it is most likely to be rewarded by the predominant environmental conditions. The larger fixed income and cash position is optionality, not a view — it lets us deploy into weakness if the ceasefire breaks, even as we accept the drag while we wait. This balance—rooted in our all-season philosophy and adjusted for present conditions—reflects our core belief: **don't try to predict the future; position with prevailing conditions while diversifying to enable success across many possible futures.**

The portfolio remains balanced but is intentionally tilted toward capital preservation.

As always, if you have any thoughts regarding the above ideas or your specific portfolio that you would like to discuss, please feel free to call us at 1-888-GREY-OWL.

Sincerely,

Grey Owl Capital Management

Grey Owl Capital Management, LLC

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