

Global Asset Allocation ETF Strategies

Performance Commentary | First Quarter 2026



EQUITY ALLOCATION PERFORMANCE

Contributors

- US Small Cap
- International Equities

Detractors

- US Large Cap Equities
- US Industrials Sector

Markets entered the first quarter contending with concerns around AI margins and private credit, but the Iran war triggered an energy shock, weighing on risk sentiment. Headline uncertainty amplified volatility in oil prices and broader markets, although by quarter-end the damage, while widespread, remained modest. Global equities fell 3.3% for the quarter.

Given the challenging environment for equities on the quarter, the strategy was slightly negative but outperformed the global equity market. The strategy's allocation to US small cap and international developed market equities was the largest contributor.

Notable Portfolio Adjustments During the Quarter

- Initiated Industrials
- Increased US Growth, Banks
- Decreased International
- Exited Small Cap

OUTLOOK & CURRENT POSITIONING

- The Iran war has increased near-term tail risks and, alongside private credit concerns and rising AI skepticism, has bruised sentiment and dampened growth outlooks. Stepping back from the headlines (and tweets), market pricing and historical norms still argue for a base-case view that the Iran conflict represents more of an inflation shock than a long-lasting growth shock. The cycle is likely dented, not derailed.
- We have increased equity exposure across balanced accounts, funded from fixed income, and raised our US weighting relative to international markets. In the US, equity multiples have compressed while full-year earnings expectations remain positive, supporting a rotation toward US growth equities. In contrast, international developed markets — particularly Europe, the UK, and Japan — remain more exposed to elevated energy prices due to their reliance on energy imports.
- Within core plus fixed income strategies, we maintain moderate and well-diversified exposure to non-core sectors. We reduced high-yield and loan exposure in the second half of 2025 and exited high yield entirely in early 2026, reallocating toward preferred stock and higher-income securitized exposure.

FIXED INCOME ALLOCATION PERFORMANCE

Contributors

- MBS
- Corporate Bonds (IG/HY)

Detractors

- Preferreds
- Leveraged Loans

Bond markets have largely interpreted the oil shock as a near-term, supply-driven inflation event. During the first quarter, yields moved higher and curves flattened as markets pushed expected Fed easing out of 2026. Near-term inflation expectations repriced sharply, with one-year TIPS-implied inflation rising, but longer-term expectations remained anchored. Most investment-grade markets delivered flat total returns, as higher yields were offset by strong income. Higher-quality sectors outperformed, including agency MBS.

The fixed income strategy was largely flat on the quarter given the volatility of the bond markets. The strategy's overweight to MBS helped to balance out the negative contribution from non-core segments, such as preferreds and loans.

Notable Portfolio Adjustments During the Quarter

- Initiated Bank Loans
- Exited High Yield

Disclosures: Sage Advisory Services, Ltd. Co. (Sage, we, our and us) is a registered investment adviser that provides investment management services for a variety of institutions and high net worth individuals. The information included in this report constitute Sage's opinions as of the date of this report and are subject to change without notice due to various factors, such as market conditions. This report is for informational purposes only and is not intended as investment advice or an offer or solicitation with respect to the purchase or sale of any security, strategy or investment product. Investors should make their own decisions on investment strategies based on their specific investment objectives and financial circumstances. All investments contain risk and may lose value. Past performance is not a guarantee of future results. No part of this Material may be produced in any form, or referred to in any other publication, without our express written permission. For additional information on Sage and its investment management services, please view our web site at sageadvisory.com, or refer to our Form ADV, which is available upon request by calling 512.327.5530.

Not FDIC Insured

May Lose Value

No Bank Guarantee