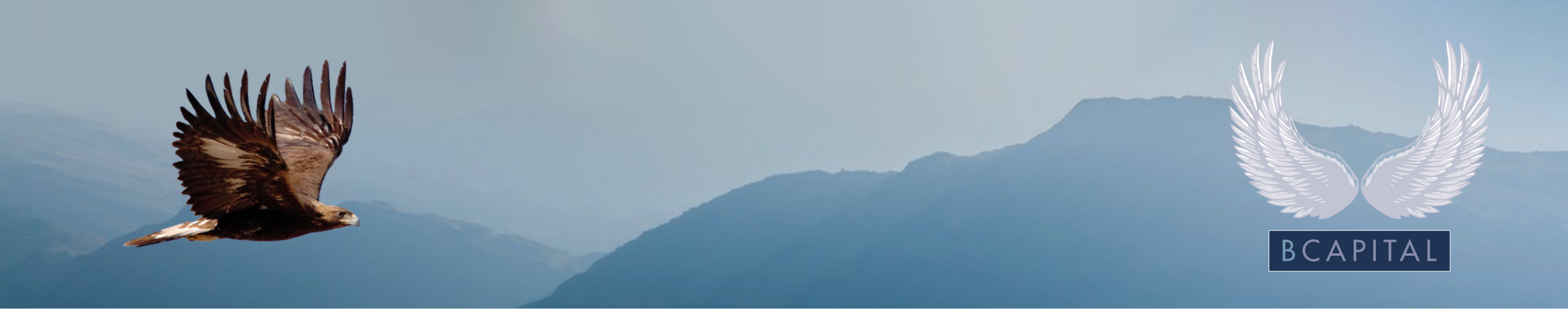

B Capital SA
Rue Jean-Calvin 14
1204 Geneva
Switzerland

Tel +41 22 317 7823
Fax +41 22 545 7714

Thursday, 9 April 2026

B Capital Commentary and Outlook Update 2Q2026

Executive Summary

Keynes famously observed that markets can remain irrational longer than an investor can remain solvent. One might add, with some relevance to the present moment, that they cannot remain irrational indefinitely. The first quarter of 2026 tested this patience in a manner few anticipated: a swift and serious geopolitical shock arrived in the final month, sending energy prices to historic levels and compressing equity valuations across the board. And yet, beneath the turbulence, the fundamental case for equities has rarely looked more compelling. This letter sets out how we have navigated the period and, more importantly, why our current positioning gives us confidence in what lies ahead.

1. Market Environment: A Show of Two Acts

The first two months of 2026 were broadly constructive. Corporate earnings momentum from 2025 carried forward with vigour, AI investment continued to accelerate, and consensus expectations for full-year S&P 500 returns remained in the region of 12%, anchored by solid economic growth forecasts. Goldman Sachs Research, for instance, projected US GDP growth of 2.7% for the year, with corporate earnings per share expanding 12–13% — consistent with a healthy mid-cycle expansion. At the same time, a broad rotation in market leadership was already under way: the equal-weight S&P 500 outperformed the headline index meaningfully as investors moved away from the concentrated mega-cap technology positions that had dominated the prior two years.

Then, on 28 February, US and Israeli forces launched coordinated military strikes on Iranian infrastructure. What followed was forty days of escalating conflict: missile exchanges, threats to the Strait of Hormuz (the conduit for approximately one-fifth of the world's daily oil supply), and a severe disruption to global energy markets that the International Energy Agency characterised as the largest supply disruption in the history of the global oil market. Brent crude surged to its highest recorded levels. Equity indices fell sharply through March, with the information technology sector bearing a disproportionate share of the correction. The Economist Intelligence Unit, observing the ceasefire announced on 7–8 April, described it as “a huge relief” whilst cautioning that what we are witnessing is best characterised as a pause in hostilities rather than a lasting resolution.

continued

The headline index returns for Q1 2026 are summarised below:

Index / Market	Q1 2026 Return
S&P 500 (total return)	-4.3%
Nasdaq 100	-5.8%
MSCI World	-3.88%
MSCI EM	-0.51%
Gold (spot)	+12.0%
WTI Crude Oil (peak, intra-quarter)	+26% (peak)

Source: S&P Global, Russell, FactSet, World Gold Council / Bloomberg. Total return basis, USD unless stated.

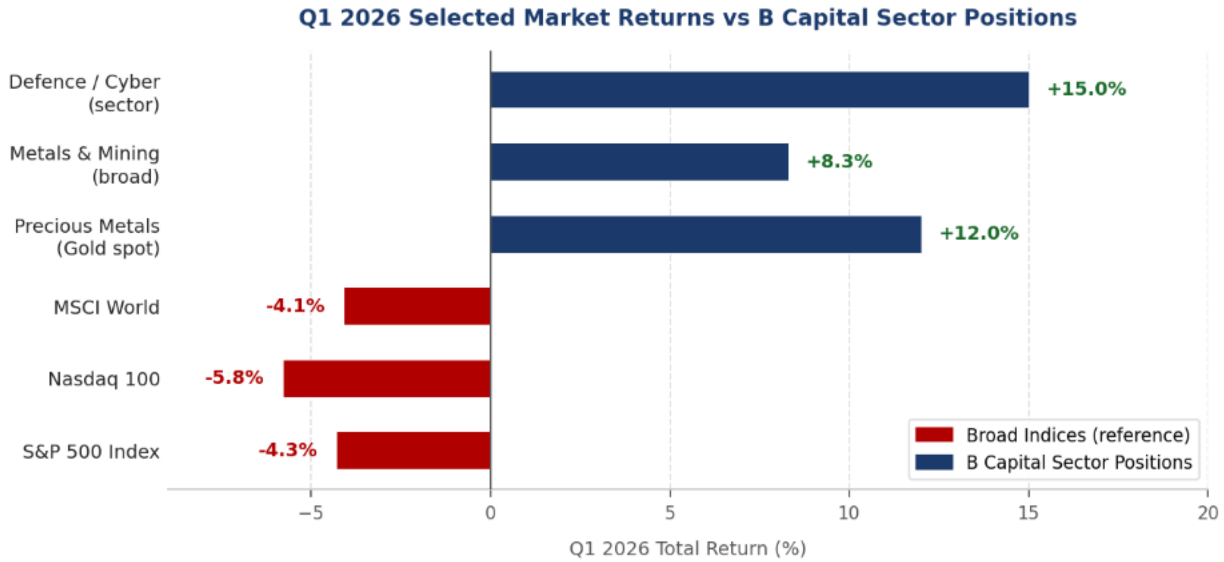

Figure 1: Q1 2026 selected market returns versus B Capital sector positions.
Source: FactSet, Bloomberg. Total return basis, USD, Q1 2026.

2. The Conflict in Iran: A Transient Shock

History has a consistent and useful message about geopolitical shocks and equity markets: they are, almost invariably, temporary in their effect on corporate fundamentals. During the First Gulf War of 1990, the S&P 500 fell approximately 16% in the opening month of the conflict, only to recover fully by year-end and deliver a return of approximately 30% in 1991. That conflict was relatively brief; the market's response proved equally short-lived.

Our view - held with conviction, though expressed with the equanimity that professional investors rightly expect - is that the current conflict is transient in nature. It is not an existential threat to corporate earnings power or to the structural drivers of global growth. It is a geopolitical dislocation of the kind that markets have absorbed many times before. The Economist has long argued that geopolitical risk tends to be mispriced by markets in both directions: excessive fear at the outset, followed by excessive complacency once the shock fades. It would not be unreasonable to suggest that we are currently in the former phase, and that the latter represents a meaningful opportunity for those prepared to look through the immediate noise.

On 7-8 April, a two-week ceasefire was announced between the United States and Iran, brokered by Pakistan. The Strait of Hormuz is being reopened to coordinated shipping traffic, and preliminary peace negotiations are scheduled to begin in Islamabad on 10 April. Markets responded immediately: oil futures fell by approximately 13% on the ceasefire announcement, and broad equity futures indicated opening gains of more than 2% the following session.

continued

One should, however, consider that this ceasefire remains fragile. The Economist Intelligence Unit has highlighted a significant trust deficit on both sides: Washington harbours longstanding concerns over Iran's nuclear intentions, whilst Tehran retains deep scepticism over US good faith following prior withdrawals from agreements. Israel's position on Lebanon adds further complexity. We believe that normalisation of the Strait may be some months away in practice, even under an enduring ceasefire. It would be imprudent to ignore these risks. Nevertheless, the direction of travel is clear, and when a permanent cessation of hostilities is agree - which we believe is a matter of weeks to months, not years - the rebound in risk assets should be sharp and sustained. We are positioned accordingly.

3. Corporate Earnings: The Signal Beneath the Noise

Amid the geopolitical noise, it would be an error to overlook the corporate earnings picture - and the picture is, by any historical measure, robust. According to FactSet's most recent Earnings Insight, the S&P 500 is expected to report year-on-year earnings growth of **13.2%** for Q1 2026 - the sixth consecutive quarter of double-digit EPS growth. Revenue growth is equally strong at an estimated 9.7% year-on-year, which would be the highest rate since Q3 2022. Moreover, the number of S&P 500 companies issuing positive EPS guidance for Q1 stands at its highest in five years, confirming that management confidence has not been materially dented by the geopolitical backdrop. We estimate around 12% EPS growth for the year, with a reasonable possibility of a better result than this.

Beyond Q1, the earnings trajectory strengthens materially. FactSet consensus estimates call for EPS growth of 19.1% in Q2, 21.2% in Q3, and 19.3% in Q4, yielding a full-year growth rate of approximately 17.4%. Goldman Sachs Research concurs, noting that “steady long-term interest rates and earnings growth rates suggest there will be little change in equity valuations” in its base case - an assessment that, if sustained, implies a meaningfully higher level of equity prices as the year progresses. J.P. Morgan Research, similarly, estimates that elevated Brent prices, if sustained at current levels through mid-year, may weigh on first-half global GDP by a modest 0.6% annualised, which is a manageable drag that does not alter the fundamental earnings trajectory.

The temporary compression in equity valuations caused by the Iran shock represents, in our assessment, an improved entry point. The S&P 500's forward 12-month price-to-earnings ratio has contracted from **22.0×** at end-Q4 2025 to **19.8×** today, which is below the five-year average of 19.9×. The Economist has observed, in its coverage of market cycles, that the most attractive purchases are rarely made when the headlines are reassuring. The present moment, with strong earnings growth available at a cheaper multiple, is precisely the environment that rewards disciplined conviction.

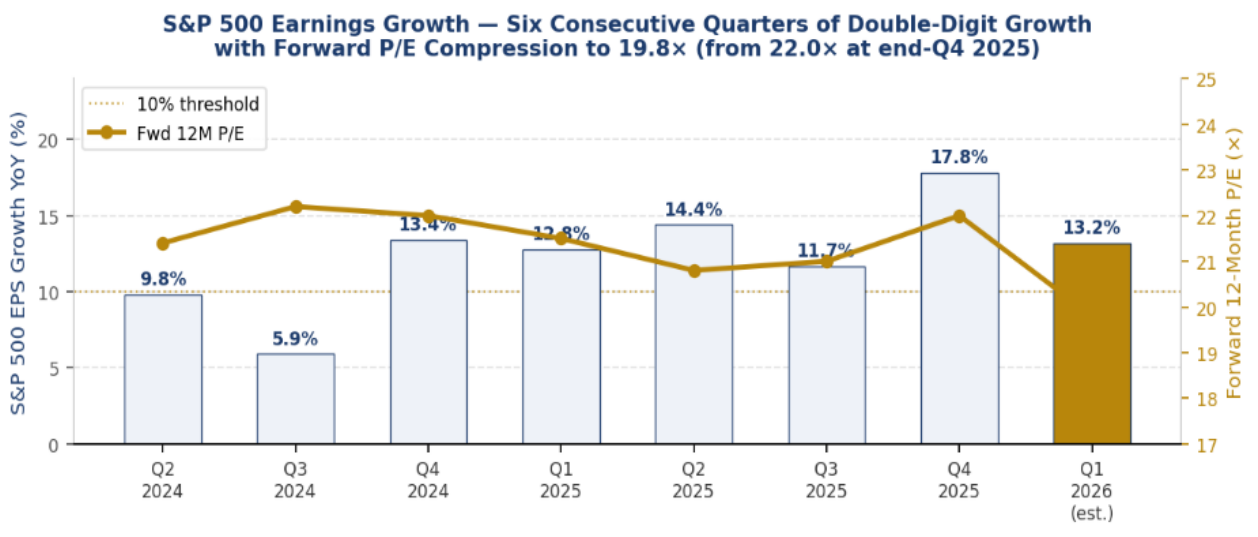

Figure 2: S&P 500 EPS growth (left axis) and forward P/E multiple (right axis, gold line). Q1 2026 estimated.
Source: FactSet Earnings Insight, April 2026; Goldman Sachs Research.

continued

continued

4. Portfolio Positioning and Sector Strategy

Our portfolios entered 2026 with a deliberate set of sector tilts, reflecting our medium-term macro convictions. These have added meaningful performance relative to the MSCI World index during a quarter in which the broad market declined. The following summarises our key strategic positions and rationale.

Reducing Technology Concentration: From Nasdaq to S&P 500, with Collar Protection

In the latter part of 2025, we took a considered decision to reduce our pure technology exposure by consolidating our Nasdaq composite tracker position into the broader S&P 500 index. Our view was that the extraordinary concentration of returns in a small number of mega-cap technology names carried increasingly asymmetric risk, and that a more diversified US equity exposure was appropriate at prevailing valuations. This decision has proved timely: the Nasdaq 100 fell 5.8% in Q1 versus a −4.3% decline for the S&P 500, and the equal-weight index actually delivered a modest positive return, reflecting precisely the broadening of market leadership that we anticipated.

Alongside this repositioning, on most accounts we implemented cashless collar structures on our S&P 500 index exposure, with a one-year horizon extending to January 2027. These collars provide approximately 10% downside protection whilst capping the upside participation at approximately 10% above entry levels, which is a trade-off we regard as attractive given the elevated starting valuations in late 2025. In our Global Tech Leaders portfolio, we similarly added protective collar structures across a number of individual technology equity positions toward year-end. This insurance proved its worth during the volatility of Q1, and we are pleased that it was put in place during calmer market conditions rather than in reaction to a crisis. The Economist has frequently noted the paradox that the best time to buy insurance is when the cost is low and the need appears remote; we agree entirely.

Defence and Cyber Security

We added a position in the defence and cyber security sector early in 2025, anchored in the conviction that NATO member states were moving irreversibly towards meaningful defence spending commitments. That thesis has been substantially vindicated. The defence sector has returned approximately **+15% year-to-date** in 2026, and approximately 72% over the trailing twelve months, against the S&P 500's decline of 4.3% in Q1. The structural demand foundation is clear: NATO's commitment to 5% of GDP in defence spending over the next nine years, combined with the lessons of the current conflict, ensures that this is a durable, multi-year opportunity rather than a cyclical trade. UBS Global Research has specifically highlighted European defence as a structural growth area with attractive portfolio protection properties in uncertain geopolitical environments.

Precious Metals and Mining

Gold has been one of the defining asset stories of the past two years, and our positioning in both the metal and related mining equities has benefited materially. J.P. Morgan Research has raised its end-2026 gold price target to **$6,300 per troy ounce**, underpinned by quarterly central bank demand averaging 585 tonnes, record ETF inflows, and the persistent erosion of confidence in dollar-denominated reserves. Gold rose approximately 12% in Q1 2026, serving precisely the role that a precious metals allocation is designed to fulfil: an uncorrelated store of value during periods of equity market stress. We have a short-term target above $5’000 / oz and a medium-term view that it could appreciate again to $5’500 levels as the US dollar resumes a trend to weakness.

Silver miners have been particularly strong performers on a twelve-month basis, reflecting silver's dual role as both a precious metal and an indispensable industrial input for solar energy, electric vehicles, and advanced electronics. We took tactical profits at the recent peak in silver pricing, consistent with our discipline of trimming when momentum becomes excessive whilst maintaining the medium-term bullish thesis, and we are actively evaluating the appropriate re-entry point. It is likely that solar energy will see increased demand following the oil price shock caused by the Iran conflict, and this adds to our view that silver will see strong future orders from solar and the tech sector.

continued

continued

In the broader metals and mining complex, our sector position has returned approximately +8% year-to-date against the broad market's decline. Sovereign mineral stockpiling, the US Project Vault ($12 billion reserve), the EU RESourceEU initiative, and similar programmes in Australia and South Korea is creating a structural demand premium for copper, lithium, and critical minerals that we believe has years yet to run.

Emerging Markets and Non-Dollar Exposure

Our conviction on US dollar weakness has driven allocations to emerging market equities, emerging market local currency bonds, and precious metals currency positions. Charles Schwab Global Investment Research has noted that, whilst the dollar saw a temporary safe-haven bid during the conflict, the underlying structural trend of geopolitical fracturing and a shift away from dollar-denominated assets remains intact and is "potentially strengthened" by recent events. UBS similarly anticipates that dollar weakness will resume once the conflict subsides, providing a further tailwind to our non-dollar holdings. The Economist has consistently argued that the era of unchallenged dollar primacy is undergoing a slow but irreversible adjustment; our positioning reflects that same structural view.

Sector / Strategy	Q1 2026 Performance vs MSCI World
Defence / Cyber Security	Approx. +15% YTD vs MSCI World -4.1%
Precious Metals (Gold)	Approx. +12% Q1 — strong diversification contribution
Metals & Mining (broad sector)	Approx. +8% YTD — significant positive alpha
Silver Mining (sector)	Strong 12M returns; tactical profit-taking applied
Copper Miners (sector)	Strong 12M returns; monitoring re-entry
S&P 500 w/ Collar (broad)	Downside protected; broad market -4.3% Q1

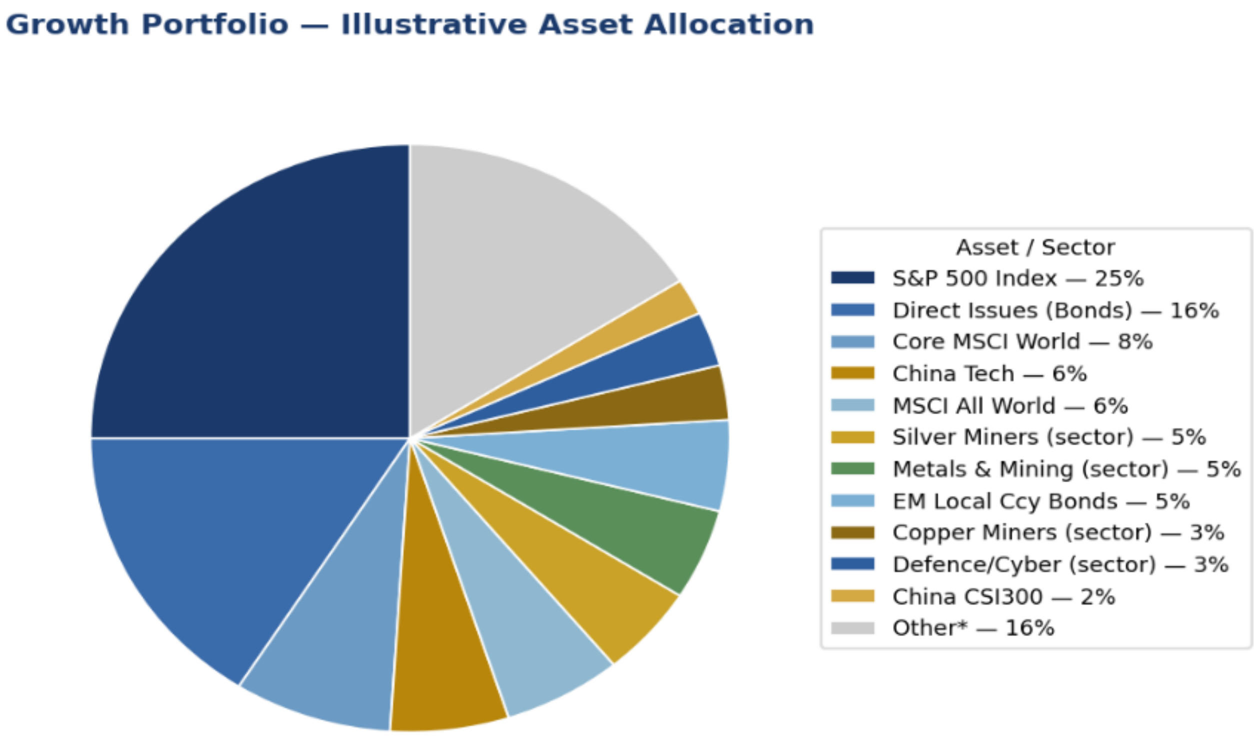

Figure 3: Illustrative Growth Portfolio allocation as at Q1 2026. Actual client allocations vary; Growth model shown for reference. Source: B Capital SA.

continued

continued

5. Looking Ahead: Staying Invested in Fundamentals

In our investment process, we distinguish carefully between signal and noise. The conflict in Iran has generated considerable noise. The signal shows robust earnings growth, a historically supported valuation, an accelerating technology adoption cycle, and broadly supportive monetary conditions that has not changed. It would not be unreasonable to suggest that the most consequential investment decisions of 2026 will, in retrospect, prove to be those made during moments of uncertainty such as this, rather than after clarity has returned and valuations have adjusted accordingly.

Our base case for the remainder of 2026 encompasses the following:

- **A durable ceasefire** from the Islamabad negotiations, bringing oil prices materially lower from their elevated levels and releasing a significant positive impulse for equity markets;
- **Earnings season confirming** the 13-17% EPS growth trajectory, with potential upside from energy sector profits, international revenue translation as the dollar moderates, and continued AI monetisation across sectors;
- **Precious metals remaining well supported**, with J.P. Morgan's $6,300/oz gold price target suggesting further upside, underpinned by structural central bank demand and continued de-dollarisation trends;
- **Our collar structures** continuing to serve their intended purpose — providing meaningful downside protection through January 2027 whilst preserving the substantial majority of any recovery rally upside;
- **Sector rotation benefiting** our overweights in defence, precious metals, mining, and emerging markets as the dollar weakens and the conflict premium in energy fades.

The temptation in moments such as this is to reduce risk and await clarity. As UBS Global Research has observed, making sudden decisions to de-risk portfolios amid geopolitical conflict has historically not been a profitable strategy. The positive global economic backdrop — robust US growth, strong corporate earnings, and high levels of fiscal spending around the world — supports, in their view, a further 10% rise for the MSCI All Country World from current levels by year-end. One should consider that the path of least resistance for equity markets, once the geopolitical premium in energy begins to dissipate, is meaningfully higher. We remain invested, we hold our convictions, and we look through the short-term volatility to the fundamentally strong earnings environment that lies beneath it.

As always, I am very happy to discuss any aspect of your portfolio or the current market environment directly. Please do not hesitate to contact me or any member of the B Capital team. I look forward to reporting back to you at the mid-year with, I trust, a considerably more settled geopolitical backdrop.

Yours sincerely,

Lorne Baring
Managing Director