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Edgemoor's Quarterly Report

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Uncertainty Grips the Markets

Uncertainty was the closing theme of the first quarter of 2026, especially in the wake of the surprise attacks launched against Iran by the United States and Israel on February 28th.

After a relatively calm start to the year, which saw equity markets trade roughly flat-to-slightly positive in January and February, all major indices sold off sharply in March amid heightened concerns about the length and breadth of the war in the Middle East. By the market's close on March 30th, all three major equity indices had entered correction territory, meaning a greater than 10% decline from their recent highs in October 2025. A strong rebound on the last day of the quarter, March 31st, recovered some of those losses for investors, however each of the major indices still closed out the quarter in the red. To reiterate what all investors know, markets do not like uncertainty.

Q1 Performance Review

The S&P 500 Index, the broadest measure of the U.S. equity market, posted a negative total return of 4.3% in Q1 2026, after a 5% decline in March alone. It was the weakest first-quarter performance by the S&P 500 since 2022.

It should be noted, however, that the loss came on the heels of three consecutive years of double-digit gains for the S&P 500, where the cumulative return over that period was more than 78%.

Of the 11 industry sectors in the index, six sectors ended the first quarter in positive territory, while five posted negative returns. Not surprisingly, the energy sector led the field in terms of gains, jumping 38% during the quarter. Conversely, the technology sector was the worst performer, returning negative 9.2% for the quarter. Overall, investors continued to shift out of certain stocks heavily tied to AI and software, and into more defensive and commodity-linked investments.

The bond market, as represented by the Bloomberg Aggregate Bond Index, ended the quarter flat, though it also experienced significant volatility during the quarter. Overall, yields climbed while prices fell, with the benchmark 10-year Treasury hitting a high of 4.4% in late March.

The CBOE Volatility Index, or VIX, captured these swings, starting at a low point of 14.5 in January and peaking at a high of 31 in late March. The historical average of the index, which is a forward-looking measure of equity volatility, is 19.5.

Finally, crude oil spiked during the quarter from roughly $60 per barrel, where it hovered for most of January and February, to over $100 per barrel by mid-March. The spike reflected traders' fears of a prolonged disruption in global shipments of crude oil through the Strait of Hormuz, where roughly 20% of worldwide oil and gas shipments pass.

The U.S. Economy: Facing Heightened Uncertainty

Similar to the financial markets, the U.S. economy now faces heightened uncertainty in the near term due to the geopolitical risks coming out of the Middle East.

First, inflation. The U.S. Consumer Price Index (CPI), the broadest measure of inflation, had been stuck in the range of 2.4% to 2.9% annually for much of the last two years, above the Fed's 2% target rate. But, with the sharp rise in oil and gas prices in March, that figure surged to 3.3% year-over-year in the March reading, matching expectations.

The forecast for the full year 2026 (pre-war) had been for an annual inflation rate between 2.4% and 2.7%, but that too seems likely to go higher depending on how long energy prices stay elevated. Already though, the sting is being felt by consumers paying more than $4 per gallon at the pump, farmers facing steeper fertilizer costs just as planting season begins, and just about every business affected by increasing shipping and transportation costs.

Next, GDP growth. The U.S. GDP growth rate slowed to just 0.5% in the fourth quarter of 2025, significantly lower than the 4.4% growth registered in Q3 and primarily due to the federal government shutdown in October and November. The growth rate for the first quarter of 2026 is currently projected at 2% by the Atlanta Fed GDPNow forecast, based on the anticipated economic recovery following the re-opening of the federal government. However, what is not yet factored into the Q1 number is the impact of higher energy and related costs on U.S. economic growth during March.

We will be monitoring how these competing forces – positive but slowing GDP growth and rising inflation – might impact the U.S. economy as we move through the second quarter and the remainder of the year.

The Good Economic News

Despite the short-term uncertainty, there is good economic news worth noting.

Corporate earnings, which are the main driver of long-term stock market performance, have remained strong and resilient. The estimated growth rate for S&P 500 corporate earnings in Q1 2026 is 13% year-over-year which, if it occurs, would mark the sixth straight quarter of double-digit earnings growth for the index. The main driver of earnings growth is continued technology investments, followed by higher earnings in the energy, materials, and financial sectors.

In addition, as the tariff risk has diminished over the last several months, corporate profits have not only held up but risen in many sectors to all-time highs. While the "Liberation Day" tariffs announced in April 2025 certainly sent shockwaves through the economy, corporate America was able to weather the shock by a combination of pricing power, cost discipline, and productivity gains.

Overall, we continue to believe that the U.S. economy is the strongest and most resilient economy in the world.

What Will Be the Fed's Next Move?

After cutting its benchmark Federal Funds rate three times in the final three meetings of 2025, the Federal Reserve chose to hold rates steady at its March 2026 meeting due to elevated inflation expectations and geopolitical tensions.

In a shift from more aggressive rate-cutting hopes earlier in the year, the Fed's future "dot plot" indicated in March a median expectation for only one rate cut over the remainder of 2026.

Nobody knows for sure what actions the Fed will take over the remaining course of the year. However, we do know that there will be a change in leadership when Chairman Powell steps down in May (though he intends to stay on the Board of Governors for his remaining term through 2028). The nominee to be the next Fed Chair, Kevin Warsh, is considered a dovish choice who seems likely to align himself more closely with the administration's call for lower interest rates.

Portfolio Implications and Actions

Given the heightened volatility in equity markets, we are maintaining a cautious stance for the near term. However, we are also keenly aware that the sell-off in certain sectors does present the potential for finding new opportunities, which we are actively evaluating. So far in 2026, we have added one new stock to our buy list and returned another to buy from our hold list.

All of this underscores the importance of our active approach to individual security selection, particularly in a volatile and uncertain market environment. Equally important is broad diversification across industries, market capitalizations, and geographies, which allows client portfolios to weather market turmoil and be well-positioned for long-term growth and appreciation.

In addition, the income securities, bonds, and high dividend-paying stocks that we own for clients with balanced portfolios have performed well amidst the market volatility. With target yields of 4% – 6%, these securities offer a nice income cushion in client portfolios. Additionally, we continue to find 6-to-12 month Treasury bills with annualized yields of 3.7% - 3.8% attractive.

Overall, our long-term investment philosophy continues to favor value-oriented, dividend-paying stocks and other securities of companies that have strong revenue and cash flow characteristics, leading market shares, wide economic moats, and solid growth prospects.

Outlook

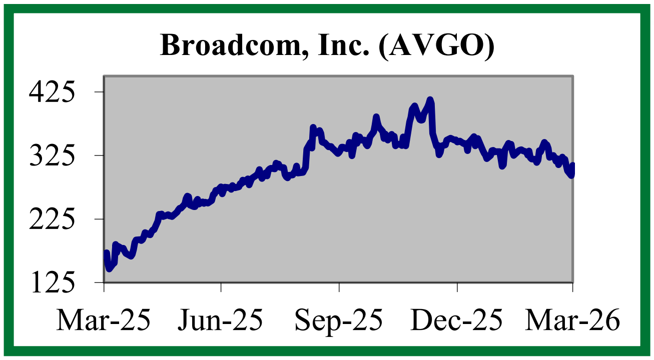
Our near-term outlook for the markets is guarded, as we believe volatility will continue until there is more clarity on the length and breadth of the conflict in the Middle East, as well as on inflation, interest rates, and overall economic growth in 2026.

Still, we remain optimistic about the long-term strength and resiliency of the U.S. economy and the innovative, productive, and profitable companies that drive it forward.

Analysis of Selected Securities

The following are reviews of three selected securities we are currently buying for client accounts.

Broadcom, Inc. (AVGO)



Source for price chart and financials: FactSet. Past performance is not indicative of future results. Please see disclosures on page 8.

Price (03/31/2026)	$ 309.51	Forward P/E	22.2
Market Cap ($T)	$ 1.47	Price/Book	18.4
Dividend Yield	0.8%	Price/Sales	22.2
Return on Equity	36.1%		

Broadcom is a global technology leader that designs, develops, and supplies a broad range of semiconductor and infrastructure software solutions. The company's global operations span the United States, Asia, Europe, and the Middle East, serving over 20 distinct semiconductor and software-related end markets. Broadcom has grown largely through acquisitions and has a long track record of strong execution, building the company into a chip and software giant that is well positioned to benefit from continued capital investments in artificial intelligence (AI).

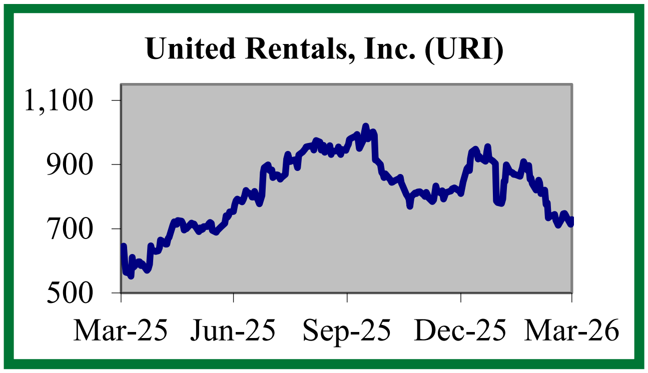
The growth in Broadcom's underlying businesses has translated into strong stock performance as well. Consequently, Broadcom is now the seventh-largest company in the world by market capitalization and is a pivotal player in the long-term trend to build out U.S. AI infrastructure.

Broadcom specializes in developing application specific integrated circuits (ASICs), which are more cost-efficient, specialized AI chips compared to competitor NVIDIA's GPU products. While GPUs are designed to run a wide array of computational workloads simultaneously, ASICs are designed to target specific workloads. Both technologies are critical to enabling AI, and large data center and cloud customers prefer to use multiple vendors to diversify their supply chains. Broadcom is under contract to sell over $100 billion worth of AI-focused ASICs in 2027, demonstrating the immense demand for these products.

Broadcom's software business is also a profitable and growing business, tied to the growth of accelerated computing and big data. Through several key acquisitions, the company has bolstered its software portfolio across cybersecurity, cloud, and other enterprise software solutions. Its software business is highly profitable, achieving 75% operating margins. As software becomes a larger component of total sales, consolidated margins should also move higher.

Broadcom shares are valued at 22 times next twelve-month earnings, slightly above the broader market's valuation. But given Broadcom's industry-leading business and strong growth and profitability prospects, we believe a premium multiple for the shares is warranted.

United Rentals Inc. (URI)



Source for price chart and financials: FactSet. Past performance is not indicative of future results. Please see disclosures on page 8.

Price (03/31/2026)	$ 728.56	Forward P/E	15.2
Market Cap ($B)	$ 45.9	Price/Book	5.1
Dividend Yield	1.0%	Price/Sales	2.9
Return on Equity	29.9%		

United Rentals is the largest equipment rental company in the world, with an integrated network of 1,520 rental locations throughout the United States, Canada, Europe, Australia, and New Zealand. The company's U.S. network, representing 91% of total revenues, operates in 49 U.S. states, predominantly in the South and West, serving the following three principal end-markets: Industrial and other Non-Construction, Commercial Construction, and Residential Construction. The breakdown of total revenues is as follows: Equipment Rentals (86%), Rental Equipment Sales (9%), Service and Other Revenues (2%), New Equipment Sales (2%), and Contractor Supplies (1%).

The company's size and scale afford it numerous competitive advantages, including a large and diverse rental fleet, significant purchasing power, operating efficiencies, and strong brand recognition. Logistics, utilization, and equipment availability are extremely important to its customers, and United Rentals' growing scale has served to cement its competitive advantage in those areas.

United Rentals has benefitted from the continuing shift by companies from owning equipment to renting, which conserves capital, reduces equipment downtime, and lowers overall costs. In addition, there are other significant tailwinds propelling the industry, including the rise in federal infrastructure programs funded by the $1.2 trillion Infrastructure Investment and Jobs Act, the reshoring of U.S. manufacturing capacity, and investments in clean energy.

United Rentals has steadily increased its dividend and stock repurchase activity over the past decade to the benefit of shareholders. The stock has also generated average annual returns above 20% per year over the past 3, 10, and 15-year periods. Still, shares trade at just 15 times next twelve-month estimated earnings, well below the market's average forward multiple of 20x. We believe the company's competitive advantages and strong growth prospects should allow it to continue to generate attractive returns for shareholders over the long term.

Evergy, Inc. (EVRG)

Source for price chart and financials: FactSet. Past performance is not indicative of future results. Please see disclosures on page 8.

Price (03/31/2026)	$ 81.92	Forward P/E	18.9
Market Cap ($B)	$ 18.9	Price/Book	1.8
Dividend Yield	3.4%	Price/Sales	3.2
Return on Equity	8.6%		

Evergy is a Missouri-based regulated electric utility holding company, serving eastern Kansas and western Missouri. The company's major operating subsidiaries include Evergy Metro, Evergy Kansas Central, Evergy Missouri West, and Evergy Transmission. The company serves approximately 1.7 million customers and has about 15,800 megawatts (MWs) of owned generating capacity and renewable power purchase agreements. Evergy is also one of the largest wind energy suppliers in the U.S.

Evergy's mix of federally regulated transmission assets and state regulated generation and distribution assets, give it efficient scale and significant competitive advantages. In particular, Evergy benefits from state regulators working together to ensure that the company has the financial resources and rate structures in place to support infrastructure investments. In general, regulators grant the company's utilities exclusive rights to charge rates necessary to build, operate, and maintain its networks. This arrangement generally allows Evergy to consistently earn normalized returns above its cost of capital and reduce regulatory risk, all of which benefit shareholders.

Evergy has increased its annual dividend every year for the last 22 years, equating to a 5.9% compounded annual growth rate over this period and a current yield of 3.4%. We think the company can continue to raise its dividend as it enjoys consistent returns on capital and a favorable regulatory environment.

We believe Evergy is well positioned to capitalize on long-term demand tailwinds, including robust industrial development, ongoing data center and AI investment, and elevated renewable energy demand. Given Evergy's solid dividend payout, powerful growth drivers, and rising earnings estimates, we believe it is an attractive income investment that could also deliver price appreciation over time.

Source for text and charts: FactSet, Morningstar, S&P/CFRA, Schwab, ValueLine, Black Diamond Performance Reporting, Yahoo Finance, Bank of America, JP Morgan Markets, MarketWatch, WSJ and Argus reports.

Edgemoor Investment Advisors is an independent wealth management firm providing investment and financial planning advice to individuals, retirement plans, trusts, family foundations, and an equity mutual fund. We manage approximately $1.5 billion as of March 31, 2026, for our clients and focus on long-term capital appreciation, preservation of capital, and income generation through disciplined management of value-oriented equity and income portfolios. Please contact us if you would like more information.

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The S&P 500 index is an unmanaged market-capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. The S&P 500 index is discussed for comparative purposes only. The comparisons have limitations because the indexes have volatility, investment, and other characteristics that differ from the investment strategies of Edgemoor. Further, it is not possible to invest directly in the indexes.

The NASDAQ measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite includes over 3,000 companies.

The Barclays U.S. Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. The Index is frequently used as a stand-in for measuring the performance of the U.S. bond market. In addition to investment grade corporate debt, the Index tracks government debt, mortgage-backed securities (MBS) and asset-backed securities (ABS) to simulate the universe of investable bonds that meet certain criteria. In order to be included in the Index, bonds must be of investment grade or higher, have an outstanding par value of at least $100 million and have at least one year until maturity.

The MSCI ACWI ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries*. With 2,308 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

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