

## Hillman Capital Management 1st Quarter 2026 Market Commentary

At Hillman Capital Management (HCM), we strive to prudently add value for our clients over the long term. In doing so, we work hard to construct and maintain portfolios appropriate for the goals, risk tolerance and time horizon of each client. Within the equity component of our portfolios, we take a long-term approach, investing in companies that we believe enjoy sustainable competitive advantage. Our goal is to purchase securities of advantaged firms when they sell at a discount to estimates of fair market value. We believe that our approach may offer a prudent way to control risk, with the potential to outperform the market over time. Within that context, we offer a quarterly commentary.

During the first quarter of 2026, the US Federal Reserve Bank's Open Market Committee paused its normalization campaign as it awaited evidence that inflation is abating. The target federal funds rate was held steady at a range of 3.50% to 3.75%.

U.S. Large Cap Equities provided mixed returns, with the Russell 1000 Value TR Index rising 2.10% and the S&P 500 TR Index declining 4.33%. U.S. Small Cap Stocks, as measured by the Russell 2000 TR Index, added 0.89%. International equities, measured by the MSCI EAFE TR Index, dropped 1.12%, and the MSCI Emerging Markets TR Index eased 0.10% downward.

The United States military attacked both Venezuela and Iran. Oil prices rose sharply, stoking inflation fears. The yield on the Ten-Year US Treasury Note climbed from 4.18% to 4.30%. Abroad, the German Ten-Year Government Bond yield and the Japanese Ten-Year Government Bond yield continued their ascent, rising from 2.86% to 3.01%, and from 2.08% to 2.359%, respectively.

International economic growth may be tempered by wars in the Middle East and Ukraine, political and military tensions in the Americas, US fiscal uncertainty, tariff adjustments, and trade disputes. Developed economies and large companies are adept at navigating these types of disruptions, and we caution against investing based upon overly optimistic or unnecessarily dire scenarios. We implore investors to adhere to their long-term asset allocation programs.

We will continue to focus our energies on making prudent long-term investment decisions within the context of our clients' needs. Our equity strategies continue to be driven by our core belief that competitively advantaged companies will outperform their peers through economic cycles and market cycles. Our goal is to invest in great enterprises at attractive prices. We will continue to invest according to this precept for the long-term interests of our clients

Regards,



Mark A. Hillman  
CEO and Chief Investment Officer