



## **1st QTR 2026:**

The first quarter of 2026 got off to an uneven start. After closing out a strong 2025, markets entered the new year with elevated expectations and continued momentum, but not without hesitation. Volatility picked up at times as investors worked through shifting expectations for Federal Reserve policy, persistent inflation data, and a slowing yet resilient economic backdrop.

Adding to the uncertainty has been the escalation of geopolitical tensions, most notably the ongoing conflict involving Iran. The situation has introduced additional risk to global markets, particularly around energy prices and supply chains, as disruptions to key shipping routes and rising military activity have raised concerns about broader economic impacts.

While equities have generally held their ground, sentiment has started to broaden beyond the mega-cap names that drove much of last year's performance. At the same time, markets have shown increased sensitivity to both economic data and global events, reinforcing how quickly sentiment can shift in the current environment.

As we have discussed before, these shifts are largely driven by the same two forces, fear and greed. Periods like this, where markets are searching for direction, can create both noise and opportunity. At Scarecrow, our focus remains on tracking those behavioral patterns in real time. Our systems are designed to adapt as conditions change, allowing us to respond to shifts in momentum rather than react emotionally to headlines.

While the start of the year has presented some challenges, it has also reinforced the importance of staying disciplined and process-driven. Below, I will walk through how each of our strategies is navigating the current environment and where we see opportunities moving forward.

## **Did You Know?**

*The IRS increased IRA contribution limits for 2026. You can now contribute up to \$7,500 to a Roth IRA (or Traditional IRA), up from \$7,000 in 2025. If you're age 50 or older, you can contribute an additional \$1,100 catch-up, bringing your total to \$8,600.*

## **Scarecrow Strategy Update:**

### ***Crow Chaser:***

Crow Chaser moved with the waves of the market throughout the first quarter. Although it came close to changing multiple times, it remained fully invested throughout that period. However, at the time of this writing, one of the underlying algorithms has shifted, moving Crow Chaser to a cash position at the start of the second quarter.

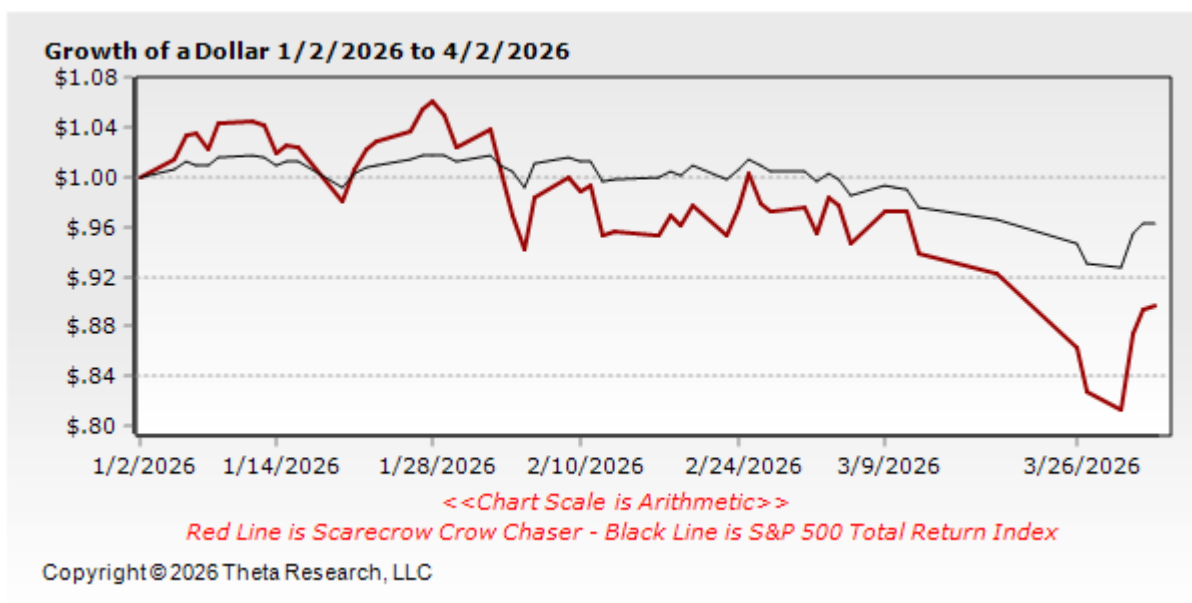
We have seen many instances where a few well-timed trades can meaningfully impact overall performance. This has played out numerous times in Crow Chaser's history, most recently last year.

By the end of the first quarter, Crow Chaser was down -13.52% net of 2.5% fees (-12.98% Gross), underperforming both the S&P 500 TR, which returned -4.33% and the Nasdaq 100 -5.98%.

Figure 1 below is an updated chart of Crow Chaser vs. the S&P 500 TR through the end of the first quarter 2026.

This chart is from Theta Research, dated April 2, 2026, and is net of a 2.5% fee.

**Figure 1:**



**High 5:**

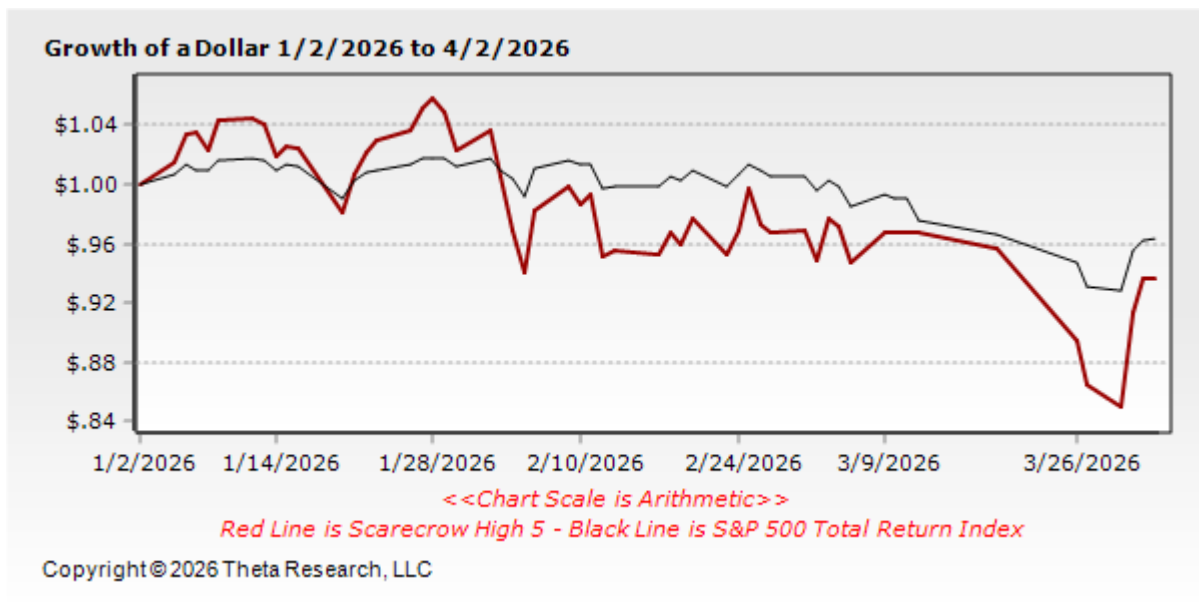
High 5 made some adjustments during the first quarter. It reduced its exposure to 60-80% multiple times and had one brief move to cash in early March. We can see the impact of those trades compared with a strategy like Crow Chaser, which was long-only during the first quarter. Crow Chaser was down -13.52% (-12.98% Gross) while High 5 was down -9.56% net of 2.5% fee (-9.01% Gross). Although High 5 is still behind the S&P 500 (-4.33%) and Nasdaq 100 (-5.98%), it is in a much better position to catch up and even pass them.

We have seen significant activity in the algorithms in High 5, and we expect the system to continue trading actively in the current market conditions. Performance can change quickly in a system like High 5

that can be long in the market one day and out (or even inverse) the next. We are in for an eventful quarter for High 5.

Figure 2 shows the updated High 5 chart through the end of the first quarter 2026. This chart is from Theta Research, dated January 2, 2026, and is net of a 2.5% fee.

**Figure 2:**

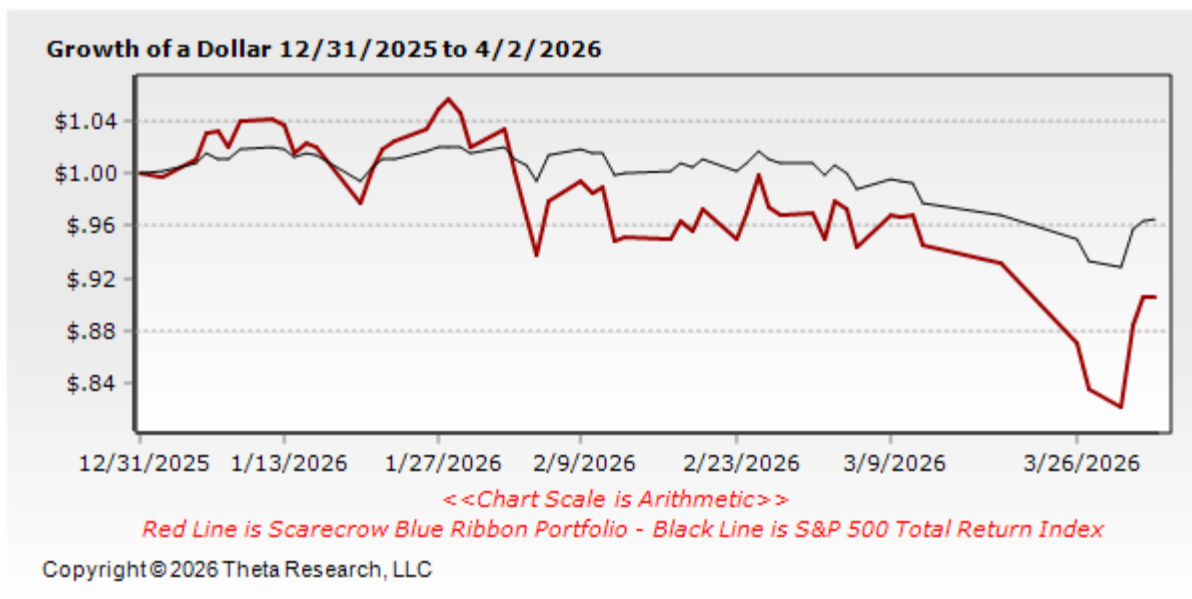


**Blue Ribbon Portfolio:**

The Blue Ribbon Portfolio, which is now one-third High 5, Crow Chaser, and Lighthouse, finished the 1<sup>st</sup> quarter down -12.17% net of 2.5% fees (-11.63% Gross), compared to the S&P 500 TR's -4.33%. As of January 1, 2026, Blue Ribbon now includes a third strategy, Lighthouse. High 5 and Crow Chaser were covered above, so I will cover the Lighthouse strategy in this section. Lighthouse followed the same path as Crow Chaser during the first quarter but will reduce its exposure at the start of April. Therefore, the second quarter of 2026 will not be like the first. All three strategies in Blue Ribbon will trade the market in different ways. This is very exciting because it will show the impact of a blended portfolio like Blue Ribbon.

Figure 3 shows the updated Blue Ribbon Portfolio chart through year-end. This chart is from Theta Research, dated April 2, 2026, and is net of a 2.5% fee.

**Figure 3:**



*This is where our strategies, the S&P 500 and the Nasdaq 100, stand at the end of the 4th quarter of 2025.*

<b>Strategy</b>	<b>Net (2.5%)</b>	<b>Gross</b>
<b>Crow Chaser</b>	<b>-13.52%</b>	<b>-12.98%</b>
<b>High 5</b>	<b>-9.56%</b>	<b>-9.01%</b>
<b>Blue Ribbon</b>	<b>-12.17%</b>	<b>-11.63%</b>

**S&P 500 YTD - -4.33%**

**Nasdaq 100 YTD - -5.98%**

**\*All Strategies, S&P 500, and Nasdaq 100 through March 31<sup>st</sup>, 2026.**

**Closing Remarks:**

The first quarter of 2026 presented a challenging environment, but it also reinforced why we rely on a disciplined, process-driven approach. Periods of volatility often create the conditions for meaningful opportunity, and we are already seeing increased activity across our strategies as the market continues to shift. We remain confident in our systems and their ability to adapt as conditions evolve.

As always, we sincerely appreciate your confidence in Scarecrow Advisors. If you have any questions about your portfolio or the updates discussed in this newsletter, please reach out to your advisor. We are happy to help!

Advisory Services are offered through Scarecrow Advisors.

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