

# Catalyst

## Portfolio Update and Market Outlook



### As of March 31, 2026

#### *I'm getting in tune to the straight and narrow – The Who*

Markets entered 2026 navigating an increasingly fragile private credit cycle, elevated interest rates, and concerns over AI's impact on everything from employment to existing business models to the existence of the human race.

The outbreak of the Iran conflict and the closing of the Strait of Hormuz didn't create these issues, but they put fuel on the fire. The closing of the strait reduced world oil supply, sending oil above \$100 per barrel. Like oil, fertilizer inputs transit the strait and have experienced price increases. This has put renewed upward pressure on food prices. Even AI, which has seemed impervious to all macro issues, has been impacted along with the rest of the semiconductor industry. Helium, critical for making semis, is significantly supplied from the Gulf region. Helium costs have soared, not

floated, higher. All of this has raised the fears of either a 1970s-like stagflation or outright recession. Others point to potential for a 2008-2009 style financial crisis from a slowing economy, rising inflation and higher-for-longer interest rates on top of an aggressively underwritten batch of private credit loans funded ultimately by banks.

Private credit has been growing rapidly, and this is the first real test for the \$1.7 trillion asset class. KBW's Q4 2025 Credit Monitor (3/26/2026) showed stressed investments averaging almost 6%. Interest paid in kind (PIK) rose to 8.3% of Business Development Company (BDC) income, up from 7.7% the prior quarter with some BDCs receiving as high as 21% of their interest income in PIK. Making interest payments by issuing more



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#### Performance (%) as of March 31, 2026

Rep. Accounts	MTD				QTD				YTD			
	Gross	Net	BM	vs BM	Gross	Net	BM	vs BM	Gross	Net	BM	vs BM
Small Cap Value	-5.01	-5.09	-3.64	-1.37	5.29	5.02	4.96	+0.33	5.29	5.02	4.96	+0.33
Small/Mid Cap Value	-6.14	-6.22	-4.76	-1.38	2.08	1.82	4.77	-2.70	2.08	1.82	4.77	-2.70
Mid Cap Value	-5.64	-5.71	-5.06	-0.59	3.71	3.51	3.68	+0.03	3.71	3.51	3.68	+0.03
Micro Cap Value	-2.28	-2.37	-3.58	+1.29	9.38	9.10	5.76	+3.62	9.38	9.10	5.76	+3.62

Source: SEI. **Past performance does not guarantee future results.** Representative accounts are those of the Integrity Small Cap Value Equity Strategy (Benchmark (BM): Russell 2000® Value Index), Integrity Small/Mid Cap Value Equity Strategy (BM: Russell 2500™ Value Index), Integrity Mid Cap Value Equity Strategy (BM: Russell Midcap® Value Index), Integrity Micro Cap Value Equity Strategy (BM: Russell Microcap® Value Index). **Benchmark comparison is versus gross performance.**

#### Market Returns (%) as of March 31, 2026

	MTD	QTD	YTD
S&P 500® Index	-4.98	-4.33	-4.33
Nasdaq 100® Index	-4.81	-5.82	-5.82
Russell 2000® Growth Index	-6.30	-2.81	-2.81
Russell 2000® Value Index	-3.64	4.96	4.96



**Past performance does not guarantee future results.** Indices are shown to represent different market segments. Except for the Russell 2000® Value Index, the benchmark for Integrity Small Cap Value Equity, they are not the strategies' benchmarks.\*

#### Composite Performance (%) as of December 31, 2025

	1 Year		5 Year		10 Year	
	Gross	Net	Gross	Net	Gross	Net
Small Cap Value	6.22	5.16	10.98	9.87	9.71	8.62
Small/Mid Cap Value	10.50	9.40	12.00	10.88	11.24	10.13
Mid Cap Value	11.27	10.33	11.67	10.72	11.24	10.32
Micro Cap Value	15.72	14.57	13.45	12.32	11.19	10.08

**Past performance does not guarantee future results.** Returns for periods greater than one year are annualized. Returns reflect the reinvestment of dividends and other earnings and are expressed in U.S. dollars. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs. Net-of-fees returns reflect net-of-model fees and are calculated in the same manner as gross-of-fee returns using the Time Weighted Rate of Return method. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV.

debt to the issuer is similar to borrowing on your credit card to make the monthly payment. Further exacerbating private credit concerns is the potential impact of AI on the software sector where a lot of private credit issuance has been concentrated. All of this has led to a rush to the exits for some private credit funds, resulting in those funds limiting redemptions.

Will there be another financial crisis like 2008, stagflation like the 1970s, mass layoffs and software bankruptcies from the impact of AI? We could write volumes on each of these, but the ultimate outcome of each is unknowable.

We do believe that the threat of AI in certain sectors has presented some interesting risk/reward opportunities. We have added several software companies to the portfolios. Our estimation is that these companies will benefit from the use of AI, not be put out of business. We have been able to purchase what we believe to be some strong long-term growth companies at value prices. We have also added some business service companies with strong market shares and solid moats. We've had our eye on these companies for some time, and the AI fear brought them to a valuation at which we feel comfortable owning them.

The private credit situation is a little different, in our opinion. We don't like the fundamentals of the sector, and the "run" on the private credit funds makes us cautious on companies with exposure. We own financials with direct and indirect exposure to private credit. We are reducing some of our exposure to those companies.

The war presents its own set of challenges. In the portfolios, we have generally decided not to trade on the war given the volatile nature of the news flow and the indeterminate time frame. Our energy exposure is relatively balanced, and we have decided no action is the best action for now.

In periods like these—when headlines grow louder and outcomes feel binary—it is easy to be pulled off course. We are reminded, however, that markets rarely reward those who react to noise and uncertainty with haste. Instead, they reward discipline. Our approach remains grounded in what we can control: focusing on businesses with durable cash flows, strong competitive positions, and valuations that provide a margin of safety. We are willing to lean into dislocations where fear has created opportunity, and just as willing to step back where risk is being underappreciated. We don't need to predict whether this environment resolves like 1974, 2008, or something entirely different. We simply need to stay on the straight and narrow—allocating capital where the bird in hand is both visible and mispriced, and avoiding situations where the promise of future birds is increasingly uncertain.

#### Attribution

U.S. equity markets declined in March primarily due to geopolitical instability from the escalating Iran war. This led to higher oil prices, fueled inflation fears, and severely dampened investor sentiment. The Russell 2000 Value Index outperformed large cap indices such as the S&P 500 and the tech heavy Nasdaq 100. For the month, value outperformed growth across all four of our benchmarks. Micro cap value outperformed its respective benchmark, while small cap value, small/mid cap value, and mid cap value underperformed.

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**All investing involves risk, including the possible loss of principal.**

An investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice from qualified tax and financial experts regarding the best options for your circumstances.

Each representative account serves as the model against which all accounts in each respective strategy are managed. The representative accounts are actual portfolios and the information provided, including performance, will vary for other accounts. The representative accounts are being used solely as tools to help demonstrate how performance can be attributed to the investment policies applied in the management of each strategy.

\*The Integrity Small-Cap Value Equity Strategy is benchmarked to the Russell 2000® Value Index. The Integrity Small/Mid-Cap Value Equity Strategy is benchmarked to the Russell 2500™ Value Index. The Integrity Mid-Cap Value Equity Strategy is benchmarked to the Russell Midcap® Value Index. The Integrity Micro-Cap Value Equity Strategy is benchmarked to the Russell Microcap® Value Index.

Index returns reflect the reinvestment of dividends and other income but do not reflect advisory fees or any other expenses. Indexes are unmanaged and one cannot invest directly in an index.

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