

# Only getting noisier

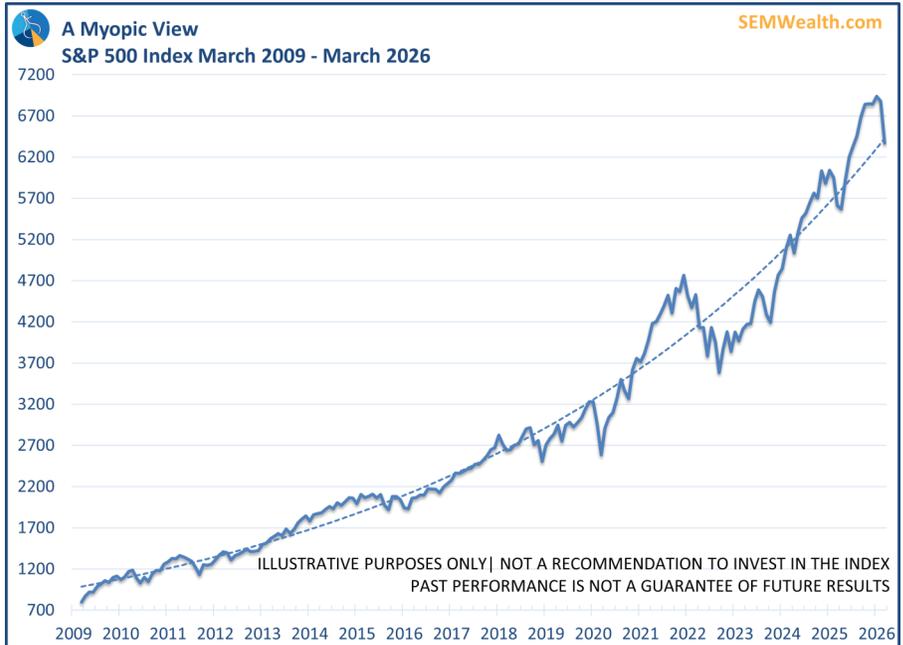
Writing a quarterly newsletter to summarize the past 3 months and look ahead at the next 3 months is never easy. It is especially difficult when you have as much happening as we do right now. Based on the market performance in the 1st quarter, you would think all of the news was bad.

Granted, most of the news wasn't great, but the market has weathered negative news quite well over the past few years. The issue the market is facing now is that EXPECTATIONS for 2026 growth was even higher than 2025. Corporate earnings growth still appears to be strong, the labor market is still

somewhat stable, and manufacturing appears to be picking up a bit. However, the headwinds for the market have also increased. This is causing investors to question the premiums they have been paying for growth stocks.

With the S&P 500 closing the quarter well off the early February highs, the next quarter could determine the direction for stocks the rest of the year. SEM will be monitoring the markets daily on behalf of our clients and advisors, allowing them to focus on the big picture and ignore what is sure to be a continuation of our already noisy environment.

For the latest market updates go to [TradersBlog.SEMWealth.com](https://TradersBlog.SEMWealth.com)



# The Value of Financial Planning

## SEM's Behavioral Portfolio Approach

All investment decisions flow up from the bottom of the pyramid.



Over the past six months the value of financial planning has been apparent. The more the markets fluctuate from seemingly non-stop headlines, the more important it is to focus on the big picture and the end goal. SEM's Behavioral Portfolio Pyramid highlights this with the foundation of every decisions starting with the Financial Plan. These plans do not have to be sophisticated, 50+ pages of paper (although some situations may call for this), but rather a roadmap for how much money is needed and how it will be used in the future.

Whenever somebody asks us whether we think they should increase (decrease) their allocation to stocks, our answer is simple – has your financial plan changed? If not, SEM's customized investment portfolios were set-up to increase (decrease) the allocation to equities based on your customized financial plan, cash flow strategy, and risk personality. This is valuable in all markets, but especially in “noisy” ones like we have had the past few months.

If you would like a personalized review of your portfolio, go to [Risk.SEMWealth.com](https://Risk.SEMWealth.com)

# Headwinds to Overcome

Stocks are facing several significant headwinds. Here are the most important ones.

## 1.) Iran / Middle East / Oil

This is stealing the headlines for obvious reasons. From a history stand point, we've seen conflicts before & know they can impact stock prices and the economy, but not always in the way we might expect. Rather than predicting the outcome, we will stick to the data to determine whether we need to make adjustments to our portfolios.

## 2.) AI / Data Center Growth

Our fall newsletter was titled "AI: Boom, Bubble, or Both". Our conclusion was "both". Since last November, market participants have been anxious about the growth prospects of some AI-related businesses, the massive amounts of spending, questions surrounding revenue, and how these projects will be financed. This is typical whenever we see major innovations. As always, rather than predicting the outcome, we will stick to the data to determine whether we need to make adjustments to our portfolios.

## 3.) Inflation & Interest Rates

Even before the War in Iran started, inflation was trending higher. It wasn't the runaway inflation we saw in 2022, but it had stopped going down and was heading back towards 3%. The thought 6 months ago was the Federal Reserve would be cutting interest rates throughout 2026. Instead interest rates have gone higher, creating a difficult environment for both consumers and businesses.

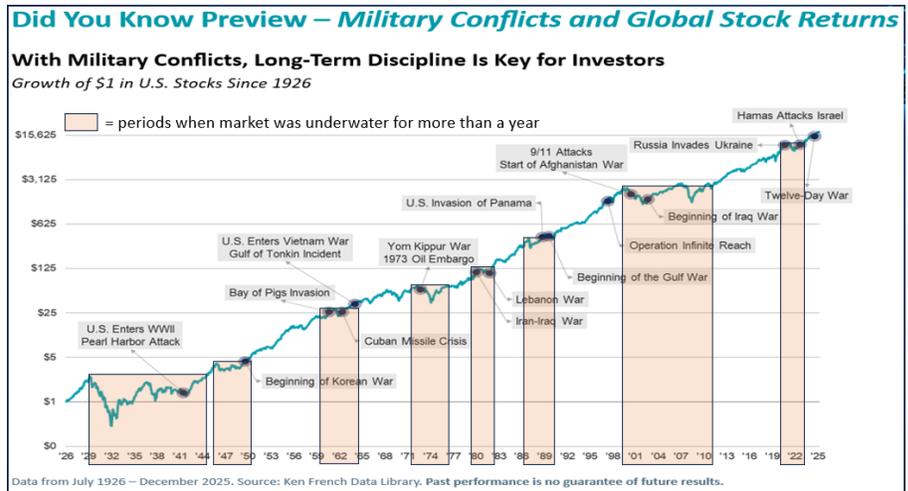
## 4.) Recession?

SEM's Economic Model was predicting a slowdown during the 2nd half of 2025. That slowdown did not occur due to the heavy capital expenditures on AI, in particular the data centers necessary to meet the increasingly high processing demands to implement AI solutions. With some of that spending and the financing behind it now being questioned, there is a growing concern the economy could fall into recession later in the year. The data isn't quite showing that slowdown just yet, but it is something we are hearing about more and more. As always, rather than predicting the outcome, we will stick to the data to determine whether we need to make adjustments to our portfolios.

## 5.) Human Nature

Our own emotions and natural biases are always there. What we know from studying the data is these reactions are much more magnified when a longer-term trend begins to shift. The "uncomfortable" feeling of growth not meeting expectations and "new" information coming along threatening our outlook can lead to investors making big adjustments to their portfolios. This is the primary reason SEM follows a data driven approach. Rather than predicting the outcome, we will stick to the data to determine whether we need to make adjustments to our portfolios.

For more, check out our bonus content at [TradersBlog.SEMWealth.com/Newsletter Q12026](https://TradersBlog.SEMWealth.com/Newsletter_Q12026)



### What is ENCORE?

ENCORE is a Quarterly Newsletter provided by SEM Wealth Management. ENCORE stands for: Engineered, Non-Correlated, Optimized & Risk Efficient. By utilizing these elements in our management style, SEM's goal is to provide risk management and capital appreciation for our clients. Each issue of ENCORE will provide insight into investments and how we managed money. To learn more about ENCORE Portfolios, please contact your financial advisor.

The information provided is for informational purposes only and should not be considered investment advice. Information gathered from third party sources are believed to be reliable, but whose accuracy we do not guarantee. Past performance is no guarantee of future results. Please see the individual Program Reports for more information. There is potential for loss as well as gain in security investments of any type, including those managed by SEM. SEM's firm brochure (ADV part 2) and Form CRS (ADV Part 3) are available upon request and must be delivered prior to entering into an advisory agreement.

# What Am I Paying For?

## SEM Investment Management Fee:

1.12% Max (based on level of monitoring & subject to breakpoints starting at \$250,000 per household)

- Daily and monthly monitoring of your portfolio
- Access to lower cost investment options
- Proprietary Portfolios with 3 distinct management styles
- Portfolio diversification
- Working with advisor to create a risk efficient investment portfolio that aligns with your financial plan
- Frequent communication with your advisor
- Economic & Investment Information via Quarterly Newsletter
- Handling of contributions, withdrawals and distributions
- Create Investment Policy Statement for the client & advisor

## Custodian (Axos): 0.12% Fee Max\*

- Access to over 8000 mutual funds & ETFs that SEM can choose from without any transaction fees
- Unlimited trading
- Real-time internet access to account information
- Tax Reporting (1099s, 5498, Cost Basis, 8949) with electronic downloads of data for CPA
- Quarterly custodian statement either paper or electronic
- Required Minimum Distribution Calculations for Clients over the age of 70.5
- ACH Withdrawals and Check processing

## Financial Advisor Fee: 1.12% Max^

^note: some advisors may charge flat rates for some of these services or may not offer all of them.

### **1. Initial Development of your customized plan**

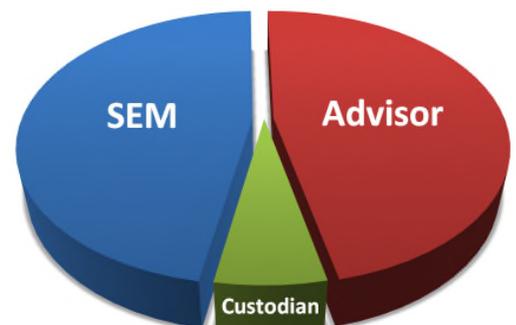
- Savings & Budgeting Goals
- Taxes & Estate planning
- Retirement Income Planning
- Determine Investment Objectives, Risk Tolerance, & time horizon

### **2. Implementation of Plan**

- Tax Management
- Select Investment Solutions
- Monitoring / Reviewing all of the above periodically
- Behavior modification (help avoid emotional decisions)

### **3. Other customized services**

- Retirement transitioning
- Social Security/Medicare/Pension assistance
- Insurance protection planning





## Privacy Policy Disclosure

Your privacy is important to us. Under federal law you have a right to know what information is being collected about you and how that information will be used. SEM's goal is to protect your privacy. To conduct regular business, we may collect nonpublic personal information from sources such as:

- Information reported by you on applications or other forms you provide to us
- Information about your transactions with us, our affiliates, or others

However, SEM does not share or disclose any nonpublic personal information about its current or former customers, except as permitted by law. All information will remain confidential.

### Information Safeguarding

SEM will internally safeguard your nonpublic personal information by restricting access to only those employees who provide products or services to you or those who need access to your information to service your account. In addition, we will maintain physical, electronic and procedural safeguards that meet federal and/or state guidelines to guard your nonpublic personal information.

This policy is provided in accordance with Title V of the Gramm-Leach-Bliley Act and Regulation S-P.

---

## Proxy Voting Policy

SEM does not vote proxies on behalf of clients.

---

## Firm Brochure (ADV Part 2)

Our current firm brochure can be reviewed online at [semwealth.com](http://semwealth.com), click on link at bottom of page for "Form ADV Part 2".

## Client Relationship Summary (Form CRS)

Our current Form CRS can be reviewed online at [semwealth.com](http://semwealth.com), click on link at bottom of page for "Client Relationship Summary (Form CRS)".

*If you would like us to mail you a current copy of our Firm Brochure or Form CRS, please contact our office at 1-800-408-2423 or your financial advisor.*

7367 East Tanque Verde Road  
Tucson, AZ 85715  
Phone: 1-800-408-2423  
Fax: 1-866-720-3226