

Prism: 2026 Q2 Brief

How strategic asset location can make a portfolio more flexible and resilient

MARCH 2026

Welcome to the first edition of *Prism Brief*. We plan to publish future issues near the end of the first and third calendar quarters to supplement our flagship [Prism investment outlook](#).

This issue:

- Recommends considering tax-efficient asset location
- Updates our asset class outlook
- Reviews our first-half recommendations
- Discusses what the Iran war means for investors

New recommendation: Tax-efficient asset location

During times of great uncertainty, it can help to focus on the things you can control — including the tax efficiency of your portfolio.

Taxes can weigh on investment returns over time. While it's impossible to eliminate tax drag, there are ways to help reduce its impact. One is strategic asset location: intentionally holding specific investments in the account types where they are taxed most efficiently.

Thoughtful asset location, paired with proactive tax planning, can increase your control over your future tax liabilities. It also may improve a portfolio's annual after-tax returns by up to 0.5% without increasing its risk.¹ Harry Markowitz, the father of modern portfolio theory, famously described diversification as "the only free lunch in investing" — but tax-efficient asset location may offer another.

An asset location strategy helps maximize the advantages of the three most common account types. Because each receives different tax treatment, certain investments are better suited to some accounts than others.

Taxable accounts

Tax treatment: Income and realized gains are subject to ongoing taxation. That said, the accounts offer significant flexibility for tax management. They enable investors to capture preferential tax rates for qualified dividends and long-term capital gains, harvest tax losses, and receive a step-up in cost basis at the owner's passing.

Investments suited to taxable accounts: Ideal investments include higher-growth assets such as public or private equities, particularly those with low turnover. These types of assets primarily generate long-term capital gains. When they are realized, those gains generally are taxed at around 20%. By contrast, an investor in the highest income tax bracket could pay 37% federal income tax on withdrawals (plus relevant state taxes) if the same assets were held in a tax-deferred account.

Key advantages: These accounts offer flexibility, a lack of restrictions on contributions and redemptions, and no forced distributions.

¹ Gobind Daryanani and Chris Cordaro, "Asset Location: A Generic Framework for Maximizing After-Tax Wealth," *Journal of Financial Planning* 18(1), 2005, and David Blanchett and Paul Kaplan, "Alpha, Beta, and Now ... Gamma," *Journal of Retirement*, Fall 2013.

Tax-deferred accounts such as traditional IRAs

Tax treatment: You do not pay tax on investment income or gains while assets are in the accounts, but any money you withdraw is taxed as ordinary income. You are required to withdraw a specific amount, called required minimum distributions (RMDs), each year after you reach either 73 or 75, depending on your date of birth. Heirs inheriting traditional IRAs also must take RMDs.

Investments suited to tax-deferred accounts: These accounts are useful for tax-inefficient investments, which include high-turnover strategies and high income-producing assets, such as taxable bonds and corporate and private credit.

Key advantages: These accounts can make rebalancing and other portfolio changes simple and efficient, because sales within them have no immediate tax implications.

Tax-free accounts such as Roth IRAs

Tax treatment: Assets in the accounts — for example, as the result of a Roth conversion — are not taxed on withdrawal, meaning any investment growth in the account is tax-free. Roth owners do not have to take RMDs.

Investments suited to tax-free accounts: Ideal investments include high-growth and/or high-turnover assets, because the accounts allow investors to prioritize growth potential over tax considerations.

Key advantages: There are no RMDs, and the rules governing distribution of inherited assets are more flexible than in tax-deferred accounts. As with tax-deferred accounts, the lack of tax implications on sales in the accounts makes them useful for rebalancing and other portfolio changes.

Roth conversions

Strategically converting assets to a Roth IRA may help accelerate an asset location strategy. Roth conversions effectively let you prepay taxes at current rates in exchange for tax-free potential growth and withdrawals over the long term. Potential benefits include:

- **Greater control over income tax rates.** You can sequence withdrawals from different account types to manage your tax rate. For example, you might take RMDs from traditional accounts, then pull additional income from Roth or taxable accounts. Since withdrawals from Roth or taxable accounts generally don't add to taxable income, they may not push you into a higher tax bracket.
- **RMD management.** Assets converted to a Roth IRA are excluded from RMD calculations, so a conversion may lower future RMDs. Reducing RMDs can help manage taxable income later in retirement, which

in turn may reduce your exposure to stealth taxes such as Medicare premium surtaxes. In addition, inherited Roth IRAs have more flexible distribution rules than inherited tax-deferred accounts.

- **More tax-efficient portfolio management.** When rebalancing, you may be able to perform necessary sales within tax-advantaged accounts so they don't trigger taxable capital gains.
- **Protection against higher future tax rates.** Holding some assets in a tax-free account can help hedge against the risk of tax rates rising.

Your financial advisor can help evaluate whether a Roth conversion aligns with your broader tax picture. They also can model the up-front tax cost and design strategies — such as phased conversions or offsetting deductions — to manage the impact efficiently.

&Partners' investment outlook for major asset classes

	Unfavorable	Cautious	Neutral	Somewhat favorable	Favorable
U.S. equities		●			
International equities				●	
Fixed income				●	
Alternatives				●	

Asset class outlook

U.S. equities: **Cautious**

The prospect of rising inflation could weigh on equity prices. Meanwhile, risks are high due to fast-evolving geopolitics and an unclear outlook for consumer demand and the labor market. These considerations keep us cautious on U.S. equities despite the recent drop in prices and valuations.

International equities: **Somewhat favorable**

Fundamentals and valuations remain supportive, while rising uncertainty reinforces the case for international equities' diversification potential. Recent gains in the U.S. dollar have weighed on international stocks relative to U.S. equities, but we think that trend may fade.

Fixed income: **Somewhat favorable**

We believe fixed income continues to be important for hedging equity positions. In addition, the recent rise in yields has made bonds more attractive, in our view, even with the risk of higher inflation. Continued geopolitical uncertainty may lead to a flight to quality, which could boost fixed-income prices.

Alternatives: **Somewhat favorable**

The potential for growth, income, and diversification remains appealing in alternatives, though we remain cautious about the largest private credit funds. When building alternatives portfolios for clients, we focus on investing across complementary private market segments.

H1 recommendations review

We believe the rise in uncertainty and market volatility this year reinforces the recommendations we made in December:

- Evaluate your portfolio's exposure to AI risks
- Consider reducing concentrated positions
- Manage the tax impact of any changes

Investment implications of the Iran war

The war has squeezed oil and gas supplies, pushing the price of a barrel of Brent crude oil from \$73 on February 27, just before the U.S. and Israel launched the first air strikes, to more than \$100 in late March.² Higher energy prices are likely to have important repercussions on economies and markets, including:

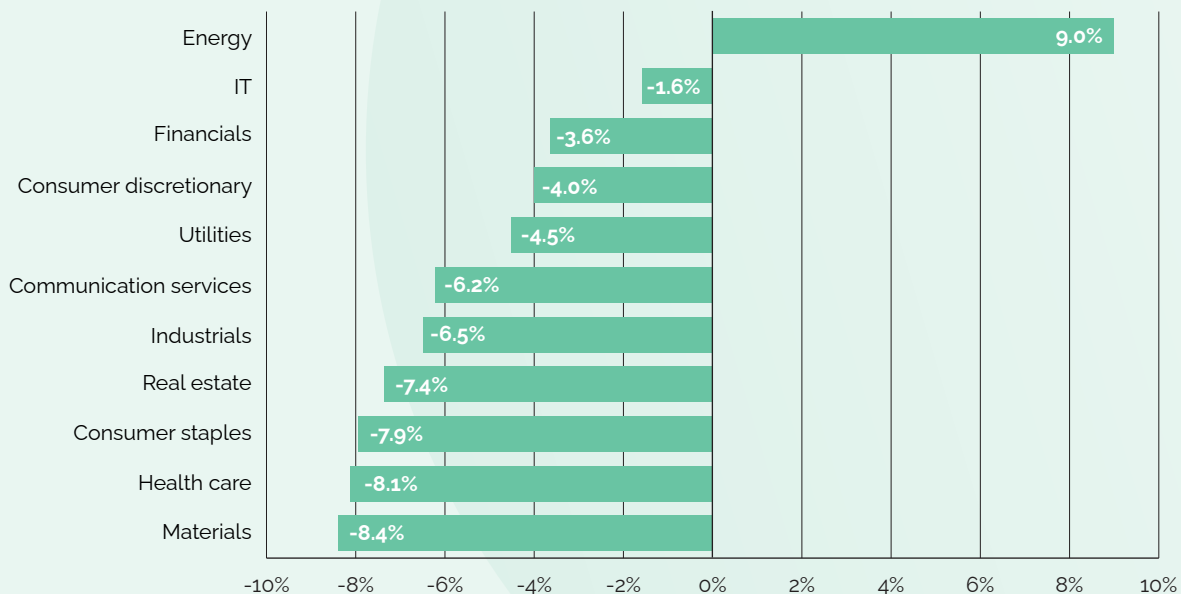
Higher inflation. Goldman Sachs estimates that for every 10% rise in oil prices, U.S. PCE* inflation increases by 0.2%. The firm recently raised its forecast for U.S. PCE inflation to 3.1%.³ The Organisation for Economic Co-operation and Development recently boosted its 2026 U.S. inflation forecast from 3% to 4.2%.⁴

Higher interest rates. Elevated inflation may prevent the Federal Reserve and other central banks from lowering interest rates, and it may even force central banks to raise rates. The bond market just prior to the war was pricing in two to three Federal Reserve rate cuts in 2026; now it is priced for the possibility of a rate hike.

Weaker economic growth. Higher inflation and interest rates, combined with greater uncertainty, are likely to weigh on economic growth and earnings projections.

The combination of higher inflation, higher interest rates, and weaker economic growth are generally negative for the equity market as a whole. The implications for fixed income are less clear. To this point, investors' concerns about inflation risk have pushed bond yields higher and prices lower. On the other hand, investors historically tend to consider bonds a safe haven during periods of macroeconomic turbulence. If a protracted conflict causes a flight to safety, the effect could be lower yields and higher prices on bonds.

Sector performance, one month into the war



February 27, 2026–March 26, 2026
Source: MSCI, Bloomberg, March 27, 2026

*PCE: Personal consumption expenditures, the Federal Reserve's preferred gauge of inflation.

² WSJ Market Data, March 30, 2026. [wsj.com/market-data/quotes/futures/UK/IFEU/BRN00?mod=md_home_overview_quote](https://www.wsj.com/market-data/quotes/futures/UK/IFEU/BRN00?mod=md_home_overview_quote).

³ Goldman Sachs, "US Economics Analyst: The Risks to US Inflation from the War with Iran," March 23, 2026.

⁴ OECD, "Economic Outlook, Interim Report March 2026: Testing Resilience," March 26, 2026. [oecd.org/en/publications/oecd-economic-outlook-interim-report-march-2026_d4623013-en.html](https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-march-2026_d4623013-en.html).

Other market implications include:

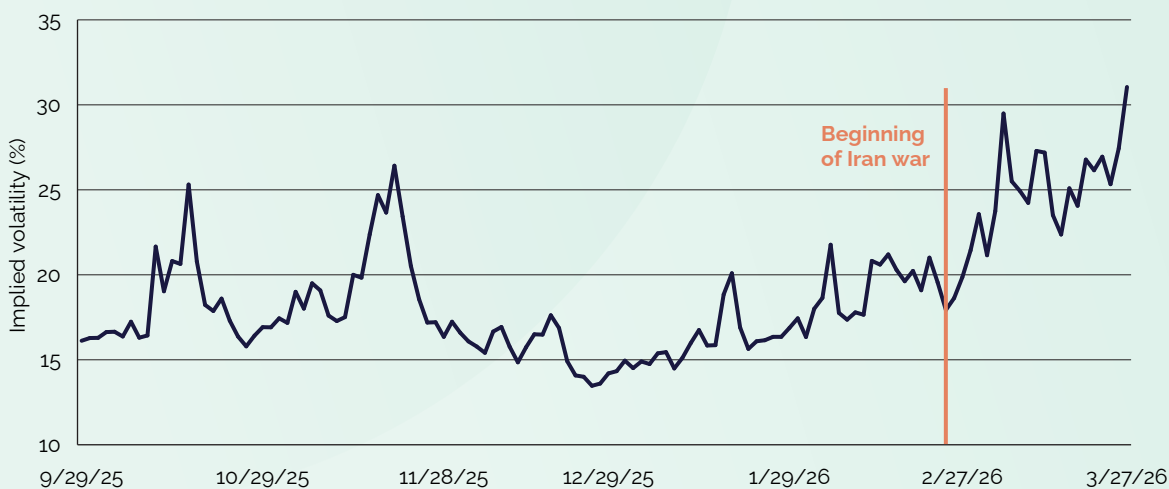
- **Potential energy sector outperformance.** Rising oil prices can increase profits for energy companies, supporting higher stock prices. Energy stocks have returned 9% since the crisis began.
- **Support for defense and real assets stocks.** Shares of these companies tend to hold up relatively well during periods of heightened geopolitical risk.
- **Pressure on rate-sensitive sectors.** Higher interest rates can be especially negative for certain sectors, including real estate, health care, and utilities.
- **Difficulty for cyclical sectors.** The prospect of weaker economic growth can hamper returns of economically cyclical sectors such as consumer discretionary and technology.
- **Greater volatility and market uncertainty.** Elevated geopolitical risk typically drives higher implied volatility, a forward-looking measure of market uncertainty. Higher implied volatility can enhance the attractiveness of income-oriented option strategies, but it increases the cost of using options to help protect against losses. Elevated volatility also may create greater opportunities for tax-loss harvesting.

For investors with diversified portfolios that are appropriate for their goals, we recommend staying focused on the long term rather than making sudden changes. The market is forward-looking, so current stock prices already reflect a range of potential outcomes from the war. Moreover, well-diversified portfolios include assets that may hold up well during times like these, potentially including energy stocks, defensive equities, Treasuries and other high-quality fixed income, and inflation hedges such as commodities.



For investors with diversified portfolios that are appropriate for their goals, we recommend staying focused on the long term rather than making sudden changes.

The VIX volatility index has jumped



Source: Bloomberg, March 29, 2026

&Partners Investment Team

The &Partners Investment Team brings extensive experience, deep market knowledge, and a disciplined approach to managing capital.

In keeping with our mission to bring institutional-quality research, analysis, and strategies to financial advisors and their clients, we make ourselves readily available to &Partners' advisors. Our concierge orientation results in highly personalized investment advice that allows clients to better achieve their financial goals.

Reach out to the investment team for more:

investments@andpartners.com.

*Fredrik and Alan are third-party consultants affiliated with &Partners.



Kristi Mitchem
Founder



John Crowley
Partner



Fredrik Axsater, CFA®
Partner*



Erik Baas, CFA®, CAIA®
Partner



Alan Nolan, CFA®
Partner*



 **PARTNERS**
Visit us at andpartners.com

The material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Please consult with your financial professional to determine what might be appropriate for your situation. Past performance is not indicative of future results. Investment and portfolio diversification is generally recommended to reduce the overall volatility of a portfolio, but diversification will not assure a gain or prevent a loss (especially in declining markets). Diversification is generally more effective to reduce volatility when a portfolio includes investments that are uncorrelated or negatively correlated with one another from a performance and investment risk standpoint. Historical correlation of investment performance correlation (or lack thereof) is, by its nature, backward looking and does not guarantee the correlation (or lack thereof) will continue or remain constant.

&Partners does not render legal or tax advice. Please consult your tax or legal advisors before taking any action that may have tax consequences. Investments in fixed-income securities, including bonds and municipal securities, are subject to issuer, credit rate, interest rate, liquidity, inflation, prepayment, extension, and other similar risks that will affect the market price of those investments. Bond pricing will generally fluctuate inversely with changes to interest rates, but not all bonds follow the same patterns depending on specific bond terms and other risk considerations. Municipal bonds are most suitable for investors in the highest federal marginal tax brackets within taxable accounts. Please consider other bond options if this does not apply to you. Alternative investments (such as hedge funds, private capital, and real estate funds) are speculative, illiquid, and intended for long-term investors who meet specific income and net worth requirements. They involve high fees, complex strategies, and greater risks, including loss of capital, use of leverage, limited liquidity, and reduced regulatory oversight compared to mutual funds. Investors should carefully review all offering materials, including the private placement memorandum, for full details on fees, risks, and investment terms before investing.

&PartnersSM is the enterprise trade/marketing name for Ampersand Partners LLC, a Delaware limited liability holding company, and its subsidiary, &Partners LLC, a Tennessee limited liability company. Securities and advisory services offered through &Partners LLC, member [FINRA](#), [SIPC](#). Please see [FINRA's BrokerCheck](#) for information on our firm and representatives as well as these important [disclosures](#). AndPartners_Prism2026Q2Brief_March2026 (MR8660793.2)

© 2026 &Partners. All rights reserved.