PERKINS
CAPITAL
MANAGEMENT, INC.

May 4, 2026

Dear PCM Clients and Friends:

At this time, investors are asking the same question, but in different ways. Why have the market averages gone straight back up toward their highs now during a war with all of the continued political discourse and uncertainty around us? Isn't this one of the weirdest rallies on record? Is it different this time? What's next?

The Iran conflict and its shock to the global oil markets pushed the markets down dramatically in March in a correction which was actually less in time and scope than prior geopolitical events like the Ukraine War, the Gulf War, or the Arab oil embargo. Then, after the initial crisis reaction, with fear subsiding and shown to be overstated, the markets have behaved as they normally do and rallied. The rally off the March 30 lows has been impressive; yet, at the same time, it has been selective. The rally has been described as both broad enough to be good; but not extensive enough to be considered great.

The initial fear and confusion about Iran, oil prices, and the effect of this on the global economy has been thought about and processed by the "markets," which are now looking forward past the unresolved conflict. Investors are anticipating a resolution and focusing on what really matters – corporate earnings. The underlying strength of the U.S. economy continues to be strong. GDP growth will be positive; in the 2% to 3% area in 2026. S&P earnings are still expected to grow at a rate greater than the past several years. According to *FactSet Research Systems, Inc.* the consensus 2026 S&P earnings estimate of $325, if achieved, would be a dramatic increase and the highest earnings since the 2021 pandemic recovery. Key supports for the economy and equities, which we have discussed, remain in place: an accommodative Fed, fiscal stimulus for consumers, reduced regulations and lower tax rates for corporations which are driving very robust corporate capital expenditures, and the very important dramatic action by large corporations to move operations and manufacturing onshore to the U.S. These key positive supports for the economy remain firmly in place.

What do we do as investors now in this current environment? First, we want you to know that we feel strongly that we have been taking the appropriate and correct actions during this period. We have reviewed your portfolio and its investments. We have not let the current "crisis" change our investment policy. As we stated in our February letter, we intend to "stay grounded and away from investment extremes." We continue to meet with the managements of our investments to review their plans and update ourselves on their progress. We are learning, as earnings are released, that most of the companies we are invested in are continuing to grow and do well. We will continue to make changes which we feel are necessary. We, of course, want to stay invested in and improve over time the broadly diversified portfolios which we have built for you. We also continue to meet with many new attractive opportunities and feel that now is a particularly good time to prudently add to investments.

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INVESTMENT MANAGEMENT

THE MARKET SCOREBOARD

The first quarter of 2026 started positively with a continuation of the advance from the April 2025 tariff correction low. The quarter was highlighted by geopolitical tensions and growing AI concerns which created surges of volatility; although still-stable economic growth and positive corporate earnings helped to support the markets throughout the quarter.

Geopolitical surprises started immediately in 2026 on January 3 when the U.S. military performed a daring raid in Venezuela and arrested Venezuelan President Maduro. When the Fed reminded investors at its January meeting that it still planned to cut rates again this year; despite the headline volatility, the S&P 500 ended January with a solid gain.

Volatility continued in early February, but this time it was more focused on specific sectors of the market. The software sector had a broad and significant decline, as fears surged that AI advancements could ultimately eliminate the need for entire sectors and many jobs within the economy. Finally, on the last day of February, geopolitical risks surged as the U.S. launched a massive attack on Iran, sparking a war between the two countries that effectively closed the Strait of Hormuz and drastically reduced available global oil supplies. This caused oil prices to surge overnight. The S&P 500 ended slightly lower for the month; but still positive for the year.

While the U.S. and Israel dominated the conventional military conflict, Iran and its proxies attacked neighboring Gulf states' energy infrastructure and oil tankers in the Persian Gulf, causing the price of oil to surge. This increased economic risk and put pressure on the global economy. The market's reaction to the U.S./Israeli/Iran war was to decline most days in March resulting in the worst quarter for the S&P since 2022. Most indexes finished the quarter in solidly negative territory and experienced -10% or greater intra-quarter declines.

By sectors, performance was mixed with six of the eleven S&P 500 sectors finishing the quarter with a positive return. The best performing sector in Q1, by a large margin, was energy, which surged more than 35% in the first quarter, thanks to rising oil prices. The three worst sectors, all with greater than -9% declines were the financial, technology, and consumer discretionary sectors.

Ranked by Q1 Return Indexes	% Return Q1 2026
NYSE Composite	0.39
Dow Jones Industrial Average	-3.58
Wilshire 5000	-4.25
S&P 500 Total Return	-4.33
NASDAQ Composite	-7.11

On March 31, the last day of the quarter, in reaction to a ceasefire, the markets started a strong positive increase which continued throughout April and quickly reversed the March declines. With the background of a strong growing economy and continued solid corporate earnings, investors are now hopeful for a resolution to the conflict and an opening of the Strait of Hormuz in order for the markets to continue their rebound and return to normal.

STOCK MARKET OBSERVATIONS

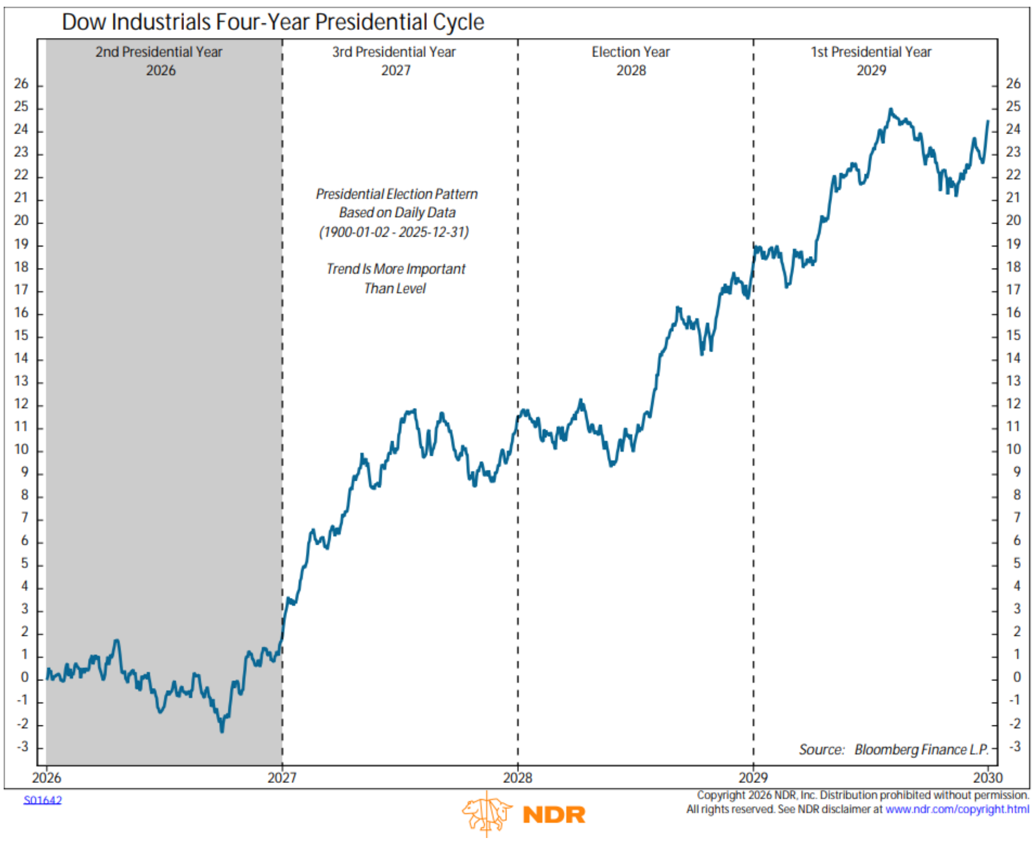
As we think about our Stock Market Observation for the year ahead, into 2027 and beyond, our thoughts about the markets have not changed dramatically during the past several months, quarters or even several years. We have re-read recent quarterly letters where we wrote about the long-term trends and positive returns from investing in equities; which do include numerous and expected corrections along the way. We have discussed the effects of cycles on the markets; including the important effects of the Four-Year Presidential Cycle.

A year ago in our February 24, 2025 letter, after the presidential inauguration, we stated that "the pendulum" had begun to swing in a dramatically different direction than previous years and that 2025 and beyond would be a period of dramatic change. We included the quote, attributed to General George Patton, that *"A good plan, violently executed now, is better than a perfect plan next week."* The emphasis now would be on "decisive action." Even if there are some speed bumps along the way. We stated that we felt Donald Trump viewed his presidency as being on "a war footing." We wrote that change, in general, is feared by many; and early in the process of change, it can be difficult to digest. This has certainly been the case. This dramatic change will continue and has made the U.S. economy resemble an "early economic expansion." Over the past year, approximately 850 companies have announced on-shoring or capacity expansions and increased capex expenditures.

Last year, in both February and May, we featured the Ned Davis chart, "Historical comparisons of long-term bull and bear markets." Which showed the decades-long continuous historical increase in the S&P 500 since its inception. During our country's past, change has been the one constant. This work, by *Ned Davis Research,* highlights, in different colors, periods when the markets went up during corrective or "bear" markets and also periods when it went down during long-term up or "bull" periods. Bear periods within "bull markets" and Bull periods within "bear markets." We will feature this work again. We feel it provides a clear perspective to the long-term investor. It reflects progress during change.

During the almost two-decade period since the 2008 financial crisis, including during the severe Covid crisis, the S&P has moved up and down within a channel of higher highs and higher lows to its present all-time market highs. We have included, discussed, and reviewed, in several of our recent quarterly letters, a chart from the technical work of RBC's Technical Analyst, Robert Sluymer, which visualizes this. We noted then and again note now that the S&P 500 is near the top of this positively sloping channel which is currently above 7,500 in the S&P 500. We continue to feel, at this time, that the S&P will continue to stay within this channel; the price channel it has traded within since 2009.

We have often included in our letters a copy of the Ned Davis Dow Industrials Four-Year Presidential Cycle chart, which we include on the next page. This chart, which is based on over 125 years of daily data from January 2, 1900 through December 31, 2025, starts with this year, the off-presidential or mid-term 2026 election year, includes 2027, the third Presidential year, which is often the strongest year of the presidential cycle, includes the next presidential election year, 2028, and then into 2029, the first presidential year of the next President. As we have discussed, NDR says that in their work, the trend is more important than any absolute level. Conceptually, the broad trends in this cycle reflect the uncertainty prior to both the mid-term elections and the presidential election; with a sideways market prior to the elections. After the election uncertainty is removed, there is often a strong market for the next year; until investors start thinking about the next election uncertainty and what the elections may mean. There is also what is referred to as a "honeymoon" period after each new President's inauguration. Looking at and reviewing the current four-year cycle, from 2026 thru 2029, suggests a generally positive market from this year's lows into the end of the honeymoon period for the next President.



The beginning of 2026 can certainly be described as dramatic; yet, in terms of the markets, with the historic strength of this past month's recovery, it has been positive. At this time, it looks to us that the remainder of this year will also likely be volatile; but, end positive.

This would address the current geopolitical and election uncertainty. We are also now moving into the "seasonally weak" portion of the year from May through the summer and into October, which is reflected in the middle of this year's markets cycle composite.

What is important to know, then, about this year is that the year should be divided into three sections. An early upward first third of the year; which we had with the Iran volatility and recovery. A mid-year period which has often contained a correction or can be sideways to neutral or lower into October. Then, after the uncertainty of the mid-term elections is removed, a strong year-end market up into the year-end and 2027.

The cartoon speaks to the continued uses and expansion of AI into our lives and business processes. It is both, as the cartoon parodies, an “answer”, which many people are joking about, but also does appear to be a tool which we are just beginning to use and learn about.

We want to thank you for your continuing confidence and trust. We are always available to meet with you by phone, Zoom, FaceTime, or in person to review your investments or for you to update us with any change in your investment objectives. If you have any questions, please give us a call. Or call and ask to schedule a time to talk or meet in person.

Sincerely,

Richard C. Perkins, C.F.A.
President
Portfolio Manager

Daniel S. Perkins, C.F.A.
Chief Operating Officer
Portfolio Manager

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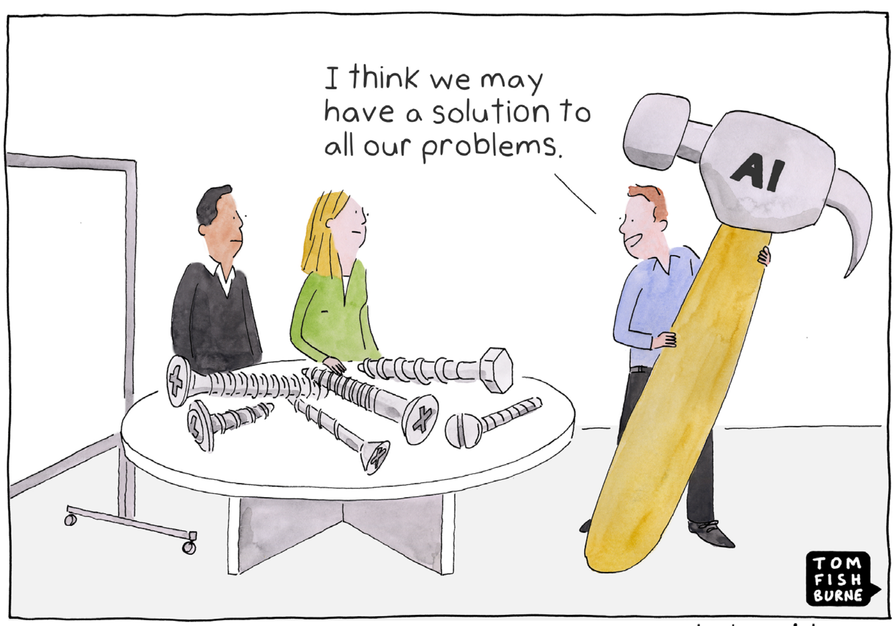

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A Norwegian and Irishman applied for the same job, and since both applicants had similar qualifications, they were asked to take a test and were led to a quiet room with no interruptions by the Manager. When the results were in, both men had scored 19 out of 20. The manager went to Murphy and said, "Thank you for coming to the interview, but we've decided to give the Norwegian the job."

Murphy asked, "And why would you be doing that? We both got 19 questions correct. This being Ireland and me being Irish, surely I should get the job."

The manager replied, "We have made our decision not on the correct answers, but on the question you got wrong."

Murphy, "And just how would one incorrect answer be better than another?”

Manager, "That's simple - on question number 7 the Norwegian wrote down, 'I don't know.’ You put down, 'Neither do I.' "

"Ole and Lena were visited by a door-to-door salesman, Lowell Thompson. He tried to convince them if they bought the large freezer he was selling, they would save enough on food bills to pay for the freezer. Ole responded, “Vere paying for da house on vhat vere saving on rent. And vere saving on movie tickets vith the price of cable." Finally, Ole said, "And vere saving on da laundry vith da new washer and dryer. So, I guess ve have to say, ve can't afford to save any more right now."

Sven came home to his apartment one night, all upset. "Dat yanitor, vot a bragger. He says he's made love to every voman in dis building except one. "Hmmph," said his wife. "Must be dat snooty Mrs. Johnson on da second floor."

Lars was staggering home after a night in the tavern. A Lutheran minister saw him and offered to help him get home safely. As they approached the house, Lars asked the minister to step inside for a moment. He explained, "I vant Lena to see who I have been out vith."

Ole walks by Sven's house and sees a sign that says "Boat for sale". He walks up the driveway and only sees a tractor and a lawn mower. He goes up to the door and says, "Ole, I see dat sign dat says 'boat for sale,' but alls I see is a tractor and a lawn mower." Sven says, "Yup, and dey're boat for sale.”

Ole is taking Lena out on a date. He gets home, and goes upstairs where Lena is standing in the middle of the bedroom naked. “Lena, vhy are yew standing in da middle of da room naked?” asks Ole.

“Ohh Ole, I have absolutely nuttin ta vear!” Ole walks over to Lena’s closet and opens it.

“Lena! Vut da ya mean yew have nuttin ta vear? Here’s yer white dress, here’s yer black dress, Hello Sven, here’s yer orange dress.”

Ole came home from a long business trip to find his son riding a new 21-speed mountain bike. "Vere did yew get da money for da bike? Dat musta cost $500," he asked. "It vas easy, Dad," little Lars replied. "I earned it hiking." "Come on, Lars," Ole said. "Tell me da truth."

"Dat is da truth, Dad!" Lars replied. "Every night yew ver gone, Sven vould come over to see Mom. He'd give me a $10 bill and tell me ta take a hike.”

A pastor dies and goes to heaven. He is standing in a slow-moving line in front of heaven’s gates, where each person is welcomed to heaven by St. Peter individually. The pastor starts chatting with the man in front of him, who tells him he was a New York City taxi driver when he was alive.

The pastor notices that each person, when they get to the front of the line, gets welcomed by St. Peter, and then St. Peter gives each one a robe, a set of wings, a staff, and a new car. But he also notices that the quality of these items varies from person-to-person.

Finally, the man in front of him reaches the front of the line. “Welcome to heaven,” St. Peter tells him. “Here’s your silk robe, your satin wings, your platinum staff, and your new Lexus!” The man drives away happily with his new items.

Then the pastor reaches the front of the line. “Welcome to heaven,” says St. Peter. “Here’s your burlap robe, your cotton wings, your wooden staff, and your new VW!” The pastor says, “Wait a minute! I’ve spent my life serving the Lord, but I don’t get as good of reward as a New York taxi driver?” St. Peter responds, “You don’t understand. Up here, we judge people by results only.” The paster replies, “Results only? What’s that supposed to mean?”

St. Peter replies, “While you preached, people slept.” Then he points to the taxi driver and says, “While he drove, people prayed!”