Q1, 2026 Investment Commentary: The Onslaught Continues

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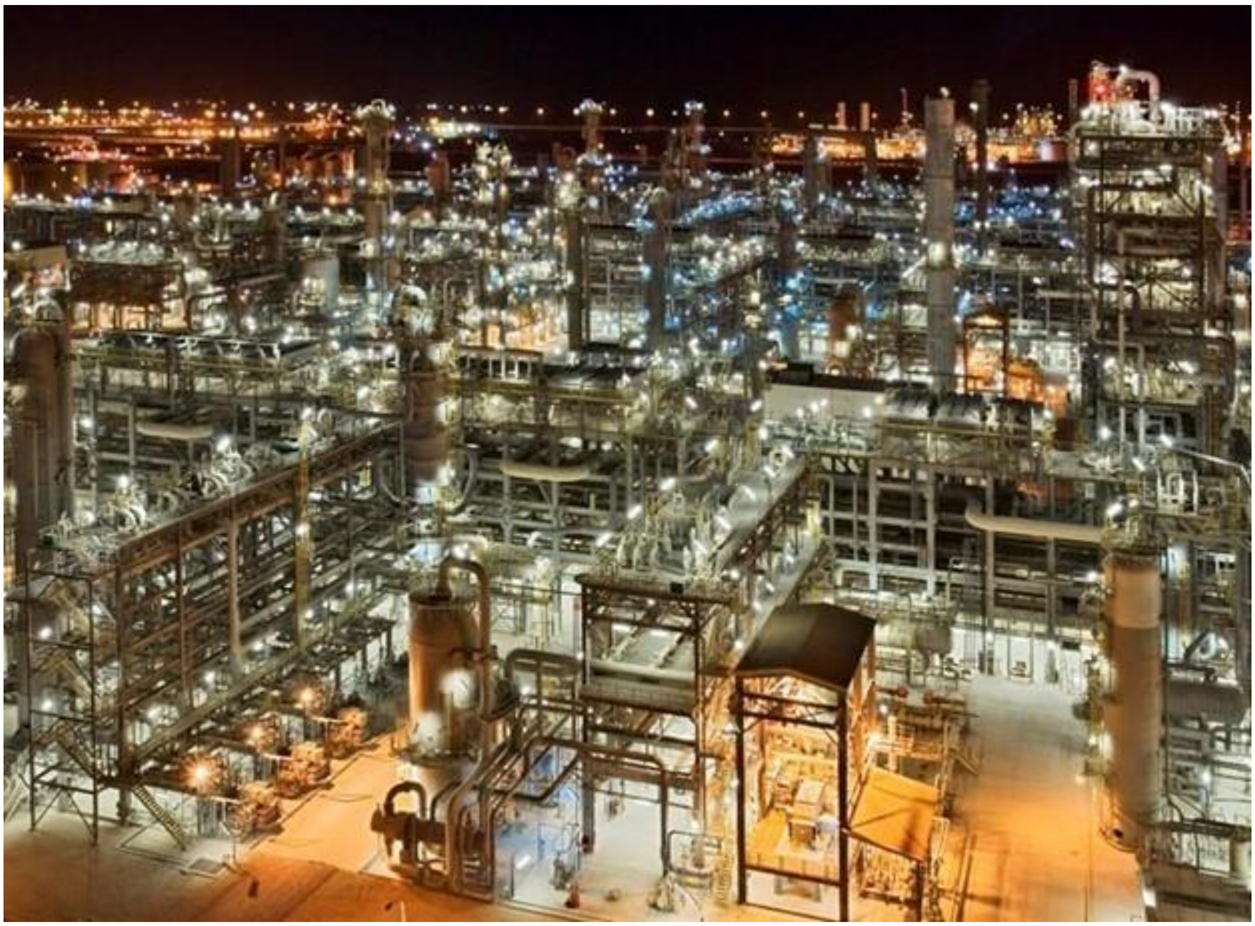
Unfortunately, we correctly anticipated the risk of geopolitical conflict escalation and the need to reassess certain investment valuations, as discussed in our Q4 2025 newsletter. The conflict in Iran and surrounding region has greatly disrupted global trade and, to a lesser extent financial markets -- at least for now. Several Southeast Asian nations have declared states of emergency, reinstating pandemic era work from home measures to curb fuel demand. Supply chains for fertilizer, chemicals, plastics, and agricultural products have been disrupted, alongside oil and natural gas, by the closure of the Strait of Hormuz. Even if the conflict ends tomorrow, normalization of supply chains, restarting shut-in energy production and repairing damaged energy infrastructure will take months and in some cases years. The resulting inflation has begun working its way through the system. The bond market is bracing for inflation, yields on long-term US Treasury bonds have shot higher, and rate cuts have been eliminated from consensus forecasts. Perhaps unsurprisingly, the pace and volatility of news flow have only increased so far in 2026 and we are pleased with how Newhaven portfolios are withstanding the onslaught of headlines.

The S&P TSX Composite Total Return Index rose 3.9% in Q1 while the S&P 500 Total Return Index dropped 4.3%. The Nasdaq declined 6.6% as software valuations contracted in the face of AI disruption fears combined with a renewed focus on tangible assets. Bonds have also had a lackluster start to the year as inflationary fears have once again ignited with the conflict in the Middle East. Newhaven portfolios have significantly outperformed all relevant benchmarks due to our focus on quality physical assets and infrastructure. Unfortunately, we see more problems ahead for the global economy. We are comforted by the resilience shown by Newhaven portfolios during this recent period and see a lasting opportunity for additional critical energy supply infrastructure to be built in safer jurisdictions like Canada.

The most significant economic implication of the current Iran conflict, in our view, is the closure and damage sustained at the Ras Laffan Energy complex in Qatar. Home to 20% of global Liquified Natural Gas (LNG) capacity, Ras Laffan is the world's largest LNG facility, covering 295 square kilometers and employing over 100,000 people. The facility operates 14 LNG "trains" which get their name because of the series of processes the raw natural gas goes through to have impurities and byproducts separated out. Ultimately the finished product super cooled into a liquified state for transport by tanker to nations in need of clean burning fuel for power generation and/or heating needs. Each train is 300-500 meters long and operates at a very high rate of pressure. The massive facilities built at Ras Laffan in the 1990's and 2000's were the first of their kind at this scale (see image below).



Ras Laffan Industrial City, pictured at night

The damage sustained to trains 4 and 6, reportedly from Iranian missile strikes, is estimated to take 3-5 years to repair at a cost exceeding $26 billion. The complexity of repairing an existing facility that operates at high pressure with parts that need to be refabricated from scratch contributes to this estimate. At present the entire facility is offline until the Strait of Hormuz opens. Even if/when Hormuz reopens the damage sustained at Ras Laffan will cause it to operate well below full capacity for years. Disruptions extend beyond energy: globally Ras Laffan supplies 14% of urea fertilizer, 33% of helium, and a significant share of sulfuric acid exports, all byproducts of the LNG separation process. These inputs are critical to agriculture, semiconductor, defense, metals, and medical device production.

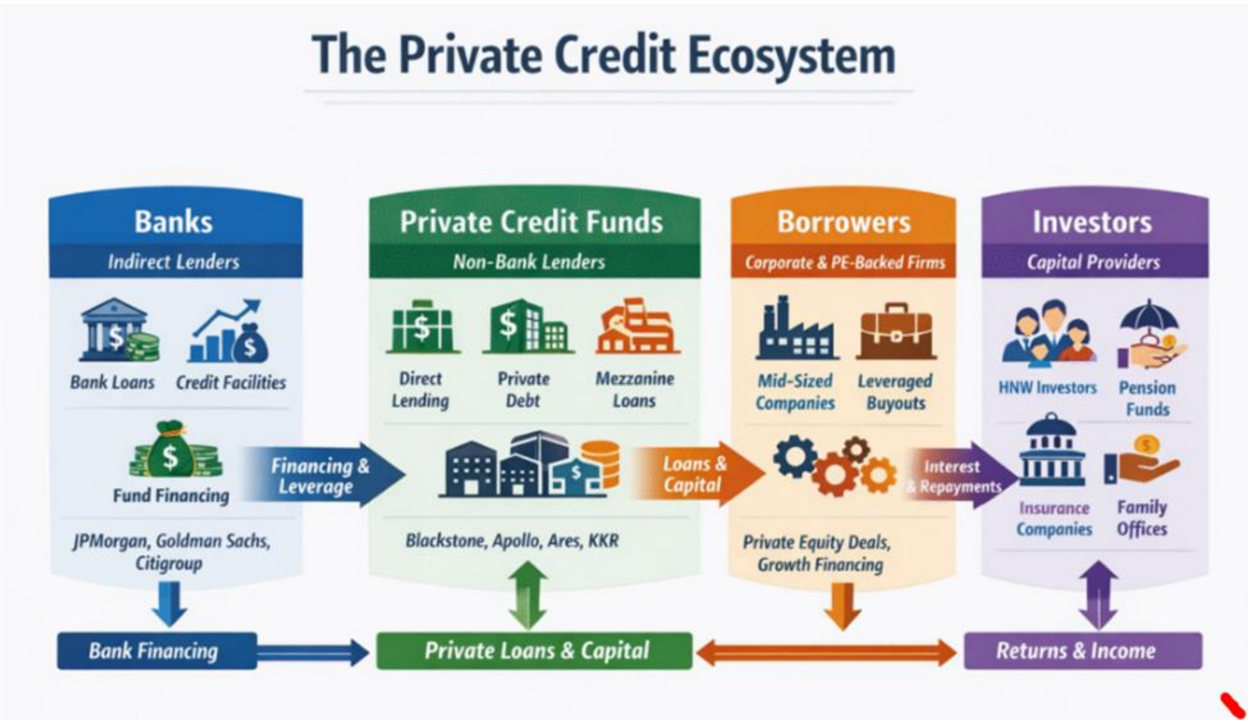
Clearly the critical impact of this singular facility was underestimated prior to the conflict and will cause companies and even nations to rethink the supply security of essential inputs and energy needs. It is important to note that this facility is only the most critical and recent example of significant geopolitical energy and critical materials supply disruptions that started with the Russian invasion of Ukraine in 2022. The destruction of the mammoth Nordstream natural gas pipelines linking Russian supply to Germany left Europe especially vulnerable to a natural gas supply contraction. The Ras Laffan closure comes at a time when European natural gas storage is sitting at both seasonal and historic lows and will need to be refilled at much higher prices. Ongoing Ukrainian strikes on Russian energy and fertilizer infrastructure, along with a recent cyclone shutting down 5% of global LNG supply in Australia, will further strain markets. The global oil price tells only a fraction of the story that is presently unfolding. Natural gas and fertilizer supplies were already very tight and have deteriorated significantly.

Global energy supply chains have become more complex just as demand accelerates. Canada remains underrepresented, with only ~3% of global LNG export capacity, despite being one of the most cost-effective and environmentally responsible producers. Colder temperatures lower liquefaction costs, our power grid is among the cleanest globally, and proximity to Asian markets provides a strategic advantage. Recent supply shocks reinforce the value of secure, reliable supply.

Newhaven's investments in natural gas producers and infrastructure are now positioned for growth over and above our original constructive thesis. Security of supply will command a premium and additional infrastructure is urgently needed. Many of our companies in these sectors are trading at or near all-time highs, and this next chapter is just beginning.

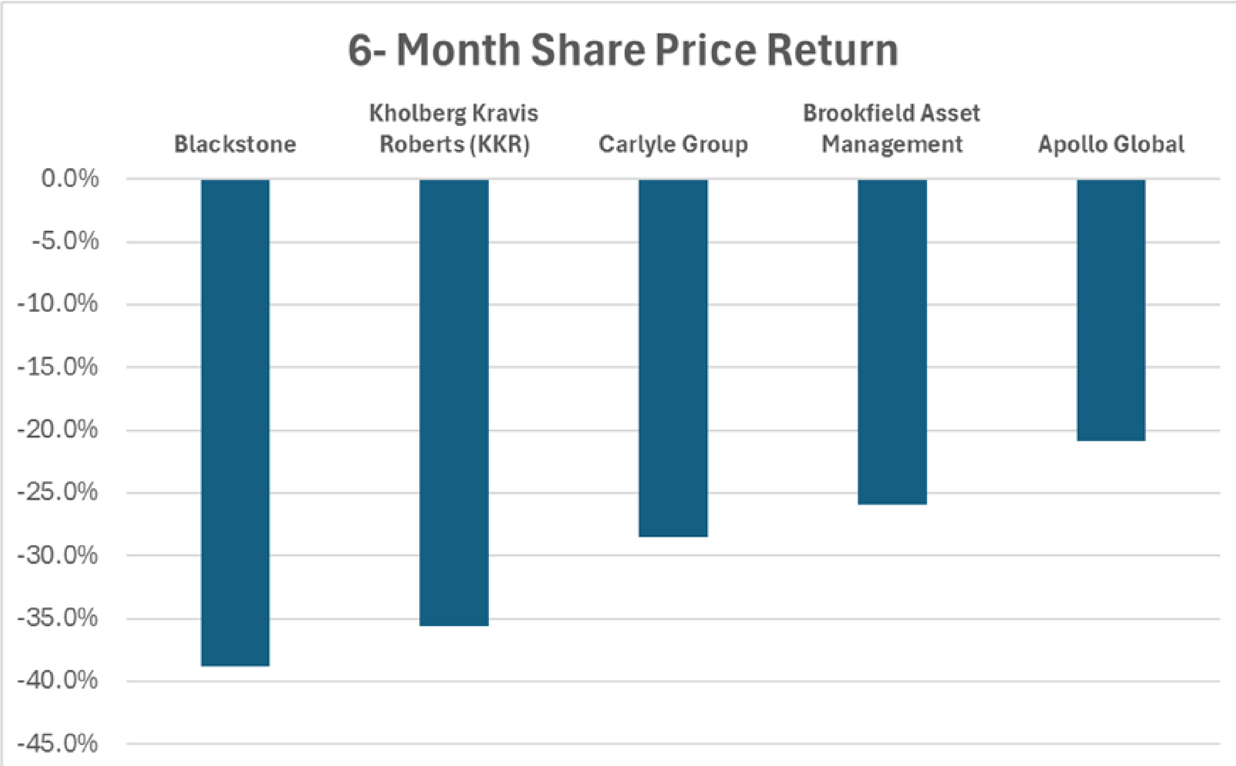
Elsewhere, the rumblings out of the private credit (PC) and private equity markets (PE) are ominous and reminiscent of the news flow surrounding subprime mortgages in 2007. Multiple reputable PE and PC funds have restricted redemptions, limiting investor withdrawals. It's a credible argument that this "gating" of redemptions is a feature rather than a bug of the private market structure. Private investments are inherently illiquid and thus the funds need to be able to restrict redemptions to allow for orderly liquidation of investments, preventing investors from panicking and selling at once. The counterpoint is that the valuation of the underlying investments in these funds and thus the funds themselves are prone to manipulation and misstatements, giving investors a false sense of security and an unrealistic view of what they own until it may be too late.

The explosive growth in demand for these asset classes, driven first by pension funds, endowments, and charities, followed by wealthy families and retail investors. The ongoing flow of funds has supported rising valuations despite declining asset quality. Private markets have exploded in the last decade and a half, tripling to over $25 trillion. Private credit has grown more than tenfold since 2007. The combination of loose monetary policy and restrictions on lending by traditional banks following the financial crisis has contributed to this rise in popularity for private markets instruments. The lack of a credit/business cycle during the last decade means they are untested for a downturn. Now, pressure is emerging as investors want liquidity, but assets are not easily sold. Fears surrounding AI's ability to disrupt profitability of software companies has raised doubts about borrowers' ability to repay private credit loans, triggering a wave of redemptions. (see infographic below on the private credit ecosystem):



A complex funding structure has emerged for businesses following the 2008-09 financial crisis

While redemption limits/suspensions may prevent panic initially, the key risk is valuation markdowns. If/when asset values are adjusted downward, it's likely to trigger further redemptions and liquidity stress. Institutional investors should reassess allocations, potentially shifting toward more transparent, income-generating public assets—like those in our portfolios. Notably, public market valuations of large private asset managers already suggest significant downside risk in private markets as shown in the chart below:



Some significant declines for the world's pre-eminent private equity firms

At Newhaven, we never considered allocating to private market funds despite promises of superior returns. Instead, we stuck to high-quality transparent businesses with durable cash flows and reliable dividends. This discipline to avoid shiny objects proves especially valuable during periods of uncertainty.

In summary, and at the risk of repeating ourselves, we remain confident in the companies we hold while being very cautious on broader equity markets and alternative assets. There are acute signs of stress in certain real estate, credit, and equity markets alongside global supply chain problems and inflationary impacts stemming from the ongoing conflicts in the Middle East and Ukraine. Even if one or both of these conflicts comes to an immediate ceasefire it is unlikely to bring lasting peace to either region, while the supply chain disruption will be felt for years into the future.

Canada remains well positioned to securely supply the world with a plethora of essential commodities. It is our sincere hope that our collective political will is now more aligned with building the critical infrastructure needed to realize our potential. When we developed our thesis to concentrate on North American energy infrastructure companies domiciled in Canada many years ago, the companies we were buying were out of favour and undervalued, leading to the outsized returns experienced in Newhaven portfolios over the last 24 months. As we look ahead, our thesis remains intact and likely enhanced by current events. We look forward to ongoing growth ahead for our portfolio companies that will flow into our accounts each quarter in the form of steadily increasing dividends.