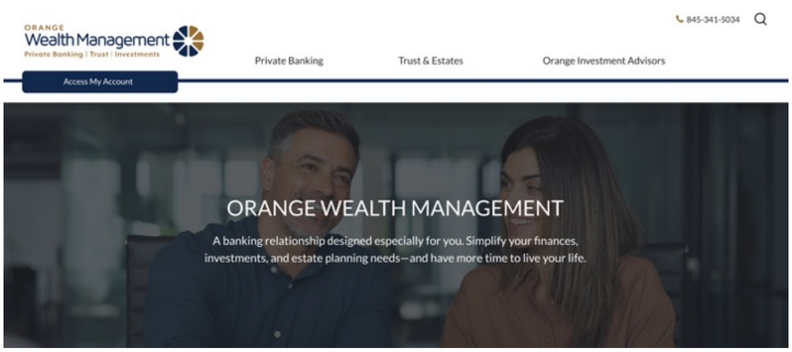
# Quarterly **Insights**

Q1.2026

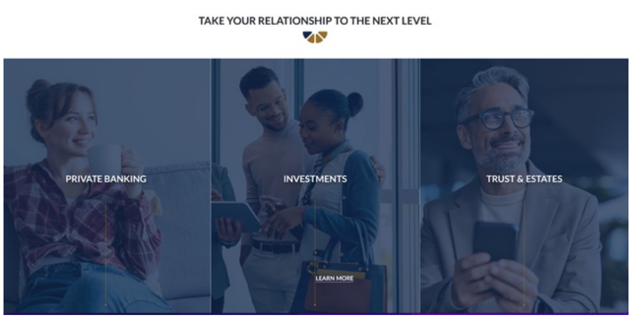
**David Dineen**
Head of Orange
Wealth Management

## Coming Soon:
## A New Digital Destination

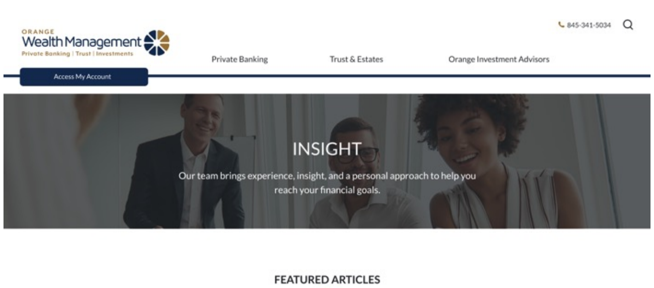
Later this spring, Orange Wealth Management will roll out a new dedicated section on the Orange Bank & Trust website. It will bring together our private banking, trust, and investment management services into a single online destination.




**One integrated landing page.** This helps to reinforce our integrated service offering, where you can easily access information and insights that help you make intentional decisions about your financial life. You can easily access your account information from here once the portal is live.




**Updated design.** The new look and feel reflects a cleaner, more simplified way to access information.




**Insights.** Keep current on market news, discover new trends, and access our thought leadership on topics relevant to your financial life.

*Keep an eye out for updates in this newsletter on the new site's rollout.*
Follow us on social!

# Expect the Unexpected:

## Five things that may surprise you about our approach

### When you hear ‘private banking’ or ‘wealth management,’ what comes to mind?

If you’ve used one of the big banks’ “private client” services, you may have felt more like a number than a person with your own unique circumstances. If you’ve banked with local institutions, you may not have received the broad and robust level of service that you needed—and expected. And if you’ve worked with a financial advisor, you may have been pitched investment ideas without a clear and cohesive investment strategy tied back to your overall wealth goals.

These are some of the things we heard when we recently surveyed our own clients as we prepared to create a better approach to wealth management with all the capabilities under our roof. We asked clients what stood out about our approach. We were able to distill it into five key things that set us apart from competitors big and small:

### 5. Highly personalized service.

We take a concierge approach all our relationships. We understand how busy and complex the lives of our clients can be, so we try to meet them where they are. Large national and multinational banks claim to have personalized service. However, big-bank service is much more standardized and often falls short of the personal high-touch service we deliver. It also often requires higher minimums just to open an account.

“A few months after a relatively new client unexpectedly passed, his widow approached us as she was not deeply involved with the household finances. It was a delicate situation, but we helped get her fully up to speed while keeping things simple. This is why we do what we do.”

—Carla Alfieri
MD/Director of Private Banking

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## Expect the Unexpected: Five things that may surprise you about our approach *(continued)*

### 4. Big-bank technology.

Clients who are used to banking with large institutions have come to expect a certain standard when it comes to accessing all their financial information, wherever and whenever they need it. Our technology support is on par with many of the larger banks, so clients who are used to that level of accessibility continue to receive it.

### 3. Trust services.

The fact that our combined wealth management offering leverages our trust capability established more than a century ago is a key competitive advantage. Most regional banks—and many larger financial institutions—do not offer trust services, which includes trust administration, estate planning, custody and tax planning services to name just a few. You can maximize the impact of your legacy by leaning on expert trust services professionals who understand how to deploy these tools in concert.

### 2. Local legacy.

We are a local banking institution with deep roots in Orange County and the surrounding communities. We first opened our doors in 1892 in Middletown, New York, under the name of Orange County Trust and Safe Deposit Company. Our founders recognized the need for trust and estate administration in a prosperous and growing industrial town. Our roots as a local banking institution specializing in trust services informs our holistic approach to this day. We've been helping Hudson Valley-based families and business owners ensure intention in their legacies ever since.

### 1. A holistic approach.

Our new model reflects our desire to put you at the center of our approach to wealth management. It's the reason we brought Orange Bank & Trust's investment, trust and private banking capabilities together in a new structure. This holistic approach recognizes that personal and business aspects of your financial life are inextricably linked.

The role of the Wealth Advisor is to serve as the client's primary financial guide—building trusted relationships, understanding their goals, and coordinating tailored strategies across banking, lending, investments, and trust services. Advisors proactively identify opportunities, simplify complex decisions, and ensure clients receive a seamless, high touch experience.


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# A Matter of Trusts:

## Top ten questions we are asked about trust services

When you have a product or service that you hope to provide to the public, your job of selling is easier when the public is already familiar with your line of work. Everyone knows what an automobile is for or what a barber does. But when unusual new products burst upon the scene, the makers of those products have to educate potential buyers about the uses and benefits.

While the financial services marketplace is not new, it is inherently complex. This means ongoing education of is quite important. It's why we take the time every day to listen to questions from our existing clients and those who might become our clients.

That said, here are the questions that we heard most often in the last year, along with our answers:

### Why set up a trust? What's the purpose?

A trust provides for family financial protection. It creates a structure for delivering financial resources to multiple beneficiaries over a span of time—sometimes generations. Current beneficiaries receive the trust income, and others receive the trust principal in the future when the trust terminates. Many trusts also authorize the distribution of principal to current beneficiaries in some circumstances. Within this framework, trusts can be remarkably flexible.

### What is a living trust? I've seen lots of advertisements about them. Are they popular?

Living trusts are so named to distinguish them from testamentary trusts, which are created with a will and take effect after death. A living trust goes into operation during a person's life. Usually, such trusts are revocable and created for the benefit of the grantor. Living trusts are popular for four key reasons:

1. **Sound asset management.** The trustee will provide professional supervision of the portfolio, consistent with the grantor's vision.

2. **Protection in the event of incapacity.** Trust management continues, even if the grantor becomes unavailable for any reason, such as a medical condition.

3. **Probate avoidance.** Estate settlement may be a public process, and can be lengthy. Living trusts normally avoid probate completely. They continue to function, providing financial resources to beneficiaries, while the estate settlement process continues under the supervision of the probate court.

4. **Financial privacy.** The terms of a will become public during the probate process, while the terms of a trust normally are not publicized.

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## A Matter of Trusts: Top ten questions we are asked about trust services *(continued)*

### How is a trust different from other investment accounts?

A trust has an independent legal existence that makes it durable. It can survive the incapacity or death of its creator. The trustee continues to manage the trust according to its stated purposes, stepping into the shoes of the person who created the trust.

### How much income does a trust generate?

Using a trust doesn't necessarily change the amount of income that an investment portfolio generates. In a traditional trust, "income" means collected interest and dividend payments. Some trusts today take alternative approaches and define income as a percentage of trust assets, as a fixed dollar amount every year, or as a dollar amount adjusted for inflation.

### Does a living trust eliminate the need for a will?

As a practical matter, no. A will is still needed to dispose of assets not placed in the trust and to tie up loose ends. Keep in mind that even a modest probate estate can have advantages. Once probate proceedings have given any alleged creditors their day in court, later claims against the estate are generally barred.

### Will a trust protect assets from creditors?

As a general rule, one cannot use a trust to shield assets from one's own past or future creditors (although a few states are experimenting with changing these laws as to future creditors). One can, however, use a trust to protect assets from the claims of beneficiaries' creditors.

### When I set up a living trust, do I lose control of my assets?

No, not unless you make your trust irrevocable. When your living trust is revocable, you're in the driver's seat. You can change successor beneficiaries, add more assets, withdraw assets, and make any other periodic adjustments you wish to make.

### Can I be my own trustee?

Yes, you can be the trustee of your trust, or you can have a trusted family member be the trustee. But that's not a course we would recommend. Some very important reasons to consider us to be the trustee of your trust are to:

- Put all the chores of trust administration into experienced hands.
- Have access to professional management of your assets.
- Provide financial support for your loved ones during your lifetime and beyond.
- Have someone available to stand in your financial shoes should illness or incapacity strike.

### Is trust service expensive?

Not when you select us as your trustee. People are often surprised to discover their annual fees compare favorably with the annual fees of other investment managers, notably hedge funds. As one of our trust customers put it recently:

> "I really feel like I'm flying first class for the price of coach!"

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## THE DELIBERATE INVESTOR

The first quarter brought significant volatility, unexpected geopolitical developments, and more than a few macroeconomic factors to consider. You may be wondering how our firm, which prides itself on fundamental bottom-up research keeps an eye on the big picture.

Because we think deliberately about how we invest on your behalf, we track all the relevant risks and opportunities associated with the macroeconomic environment. However, we do this in a very intentional way that relates directly to the businesses in which we invest. To be clear, we do not make macro bets. That is what makes our process different. Instead, we track only those metrics that impact the businesses in our portfolio.

Our feature article below explains a bit more about the macro themes we analyze, and how we integrate that thinking with our bottom-up analysis. We look forward to hearing your thoughts on this topic. Please reach out any time should you have questions.

ORANGE
Investment Advisors
A subsidiary of Orange County Bancorp, Inc.

# Seeing the Forest … and the Trees

We live in a time of uncertainty, when the bigger picture matters perhaps more than ever before. Whether it's a small business owner, a family office, or a professional money manager, investors rely on good information to make sound investment decisions.

### How businesses navigate economic forces

Geopolitical tensions around the world have reminded us just how interconnected the global economy remains. While $4/gallon gasoline catches the headlines, the price of oil is embedded into many different aspects of the economy. Monetary policy is watched more closely than ever; sometimes just a single word in a Federal Reserve official's speech can move markets. Inflation impacts different types of companies in different ways that can have a sizable impact on their performance. The overall state of the labor market impacts how easily businesses can attract, hire and retain top talent. Because consumer spending drives roughly two thirds of American GDP, how consumers feel and behave with their wallets matters when considering how you invest and in which companies.

### Keeping an eye on the forest

Ultimately, Orange Investment Advisors buys businesses. We buy companies, not securities. Not factors. Not indexes. Not country, region or sector exposure.

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So how do you invest in companies while still keeping an eye on the bigger picture? Our fundamental research methodology and investment philosophy demands that we understand the risks and opportunities of each company in which we invest. To do that we need to see both the forest and the trees—and ensure that the two are in sync.

How do we do that? We have created a proprietary framework for analyzing the macroeconomic environment. Our Investment Diffusion Index, or IDI, tracks the most important factors for our investment approach and scores each one so that buy, sell and hold decisions have an informed macro context. It's a complementary approach to our bottom-up research so we can identify the most relevant risks and opportunities to each business in which we invest.

| | | |
|---|---|---|
| ***GDP Drivers*** | *GDP Now* | 3.5 |
| | *High Frequency economic data and indicators* | 3.5 |
| | | **3.5** |
| ***The Dollar*** | *DM currencies/$* | 3.0 |
| | *EM currencies/$* | 3.0 |
| | | **3.0** |
| ***Rates and Inflation*** | *Policy rates and Central Banks* | 2.5 |
| | *CPI and PPI* | 2.3 |
| | *Commodity Prices* | 2.0 |
| | | **2.3** |
| ***Corporate Dashboard*** | *S&P Earnings Growth and Estimate Revisions* | 2.0 |
| | *ROE* | 1.8 |
| | | **1.9** |
| ***Market Expectations and Valuation*** | *S&P Relative Valuation* | 2.8 |
| | ***Credit Spreads*** | 2.5 |
| | *Technical Indicators* | 2.3 |
| | ***Changes in level and shape of yield curve*** | 3.0 |
| | *Fund Flows* | 2.5 |

## The IDI: Understanding the Direction of the Economy

**OIA's proprietary Investment Diffusion Index is an important tool the team uses to assess 14 macroeconomic factors, helping our portfolio managers contextualize bottom-up research on the businesses we own.**

In an uncertain and chaotic world, the IDI is a deliberately constructed tool that helps us deliver intentional value for clients.

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# Q1.2026 Recap

## THE ECONOMY— Snapshot

| Data point | Latest | Forecast | Prior |
|---|---|---|---|
| **GDP** (YoY) | 0.7% (Q4 2025) | 2.5% | 4.4% (Q3 2025) |
| **Inflation** – CPI (YoY) | 2.4% (Feb. 2026) | 2.4% | 2.4% (Jan. 2026) |
| **Interest rates** (Fed Funds Rate target) | 3.5% - 3.75% (March mtg.) | 3.5% - 3.75% | 3.5% - 3.75% (Jan. mtg.) |
| **Employment** Job gains/losses<br>Unemployment (YoY) | -92,000 (Feb.)<br>4.4% (Feb.) | +50,000<br>- | +126,000 (Jan.)<br>4.3% (Jan.) |
| **Retail sales** (MoM) | +0.6% (Feb.) | +0.5% | -0.1% (Jan.) |
| **Industrial prod.** (MoM) | +0.2% (Feb.) | +0.1% | +0.7% (Jan.) |
| **Existing home sales** (MoM) | +1.7% (Feb.) | -1.3% | -6.0% (Jan.) |

Source: MarketWatch.com, April 1, 2026
https://www.marketwatch.com/economy-politics/calendar?mod=home_editorspick

The U.S. economy slowed in the fourth quarter to 0.7% annualized GDP growth, revised down from an initial estimate of 1.4%, and falling short of the 2.5% growth economists expected. It marked a significant slowdown from the third quarter's 4.4% year-over-year GDP growth—the fastest pace in two years. The Federal Reserve has held interest rates steady at each of its two meetings in Q1. Unlike its Q4 meetings when the Federal Open Market Committee (the government body that votes on interest rate moves) was deeply divided over the decision to cut interest rates, in Q1 votes were nearly unanimous.

In the first quarter, the economy had to contend with a lot: geopolitical tensions over Greenland and Venezuela, residual inflationary impacts of tariffs, another government shutdown, a surprise loss of 90k jobs in February, wobbly consumer sentiment, fresh Middle East conflict, and $4/gallon gas prices by the end of March.

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## THE ECONOMY— Snapshot *(continued)*

Yet despite these headwinds, many economic indicators remained strong. Year-over-year inflation dropped from a 2.7% pace in December to 2.4% in January, where it flattened out. While the Federal Reserve hasn't cut rates, they also haven't raised rates despite a growing number of inflationary pressures. Consumer spending dipped slightly in January, but still less than economists expected and in February sales rebounded higher than expected. While the unemployment rate has ticked up, it's still low by historical standards. And people are buying homes again; existing home sales were up in February over the prior month—3 full percentage points higher than economists expected.

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https://tradingeconomics.com/united-states/inflation-rate-mom

## THE MARKET — Snapshot

| Index | Q1 2026 | Q4 2025 |
|---|---|---|
| **S&P 500 Index** | -4.6% | +2.4% |
| **Nasdaq Composite** | -7.1% | +2.6% |
| **Dow Jones Industrial Average** | -3.6% | +3.6% |
| **Russell 1000 Value Index** | +1.6% | +3.3% |
| **Russell 1000 Growth Index** | -9.9% | +1.0% |

Source: WSJ.com, March 31, 2025; https://www.wsj.com/market-data
Note: performance figures above represent the change in the level of a given index from the close of the prior quarter to the close of the current quarter. Any dividends from companies have not been accounted for; therefore this does not represent a total return calculation.

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## THE MARKET— Snapshot *(continued)*

Stocks generally retreated in the first quarter, an about-face from solid gains in Q4.

The year started out strong, with January posting solid gains as the tailwinds of strong economic data offset the headwinds of geopolitical tensions over Venezuela and Greenland. Investors cheered continued cool inflation reports and solid consumer spending, while benefiting from the artificial-intelligence (AI) trade that lifted the broader market. Markets also hit several record highs, including the S&P 500 cresting above the 7,000 level—powered in part by well-received Q4 corporate earnings. [1]

But in February, the AI trade turned into an AI disruption theme as investors fretted that the technology could upend a number of industry business models across a wide swath of the economy. And in March, the Middle East conflict dominated market sentiment, with investors fearing the ripple effects through the global economy—including the possibility of higher inflation. Reopening the strategically important Strait of Hormuz—where 20% of the world's oil exports pass—proved difficult. [2,3]

As in Q4, value stocks led once again over the first quarter. While the AI trade—dominated by growth-oriented tech stocks—drove much of market momentum in January, value swung back into favor as the quarter progressed. As you can see from the table above, the Russell 1000 Value Index of large-cap value stocks gained 1.6% in Q1. By contrast, the Russell 1000 Growth Index of large-cap growth stocks declined 10%. On a sector basis, energy stocks led by far, with the S&P 500 Index's energy sector surging north of 37% over the quarter, whereas the information technology (-7.7%) and financial (-9.9%) sectors were among the biggest detractors. [4,5]

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## Index Definitions and Benchmark Limitations

1. The MSCI EAFE Index is an unmanaged index designed to measure the equity market performance of developed markets outside of the United States and Canada.

2. The S&P 500 Index is an unmanaged index of 500 leading publicly traded companies in the United States.

3. The Dow Jones Industrial Average is an unmanaged price-weighted index of 30 major U.S. companies. The Nasdaq Composite is an unmanaged index reflecting securities listed on the Nasdaq stock market; investors cannot invest directly in an index.

4. The Russell 1000 Value Index measures the performance of the value segment of the Russell 1000 Index; the Russell 1000 Growth Index measures the performance of the growth segment of the Russell 1000 Index.

5. All market data performance figures are shown for the stated period and are based on publicly available data believed to be reliable.

6. Investors cannot invest directly in an index. Returns referenced as 'total return' include reinvested dividends; 'price return' excludes dividends. Index returns do not reflect the deduction of advisory fees, transaction costs, or other expenses, which would reduce results.

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