

# Quarterly Client Bulletin

April 15<sup>th</sup>, 2026

  
**WALKER FINANCIAL ADVISORS, INC.**  
*Registered Investment Advisor*

## Inside This Issue:

1. [Portfolio Update & Market Overview](#)
2. [Market Timing](#)
3. [Company Updates](#)
4. [Tax Savings with a Charitable Trust](#)
5. [New Holdings](#)
6. [Qualified Dividends](#)
7. [Bonds & Fixed Income Investments](#)
8. [Cryptocurrency](#)
9. [Tremors in Private Credit](#)

Dear Valued Client,

We're pleased to bring you our latest quarterly update, covering market insights, important company news, and key tax information. We always strive to keep you informed about your investments and any significant developments.

## Portfolio Update & Market Overview

The Iran war has created an unstable macro environment and elevated volatility for our portfolios. Oil & natural gas prices have shot higher with WTI (West Texas Intermediate crude oil) now at \$95 per barrel, up ~50% in three months. It's been a while since we've had this type of supply shock, so hopefully this conflict can be resolved relatively soon to minimize inflationary pressures and further economic disruption as earnings estimates have yet to be adjusted.

We did have several safe harbors that held up well last quarter amidst the storm. Our balanced portfolio structure leans on the conservative side out of the gate. We own high-quality ladders of **municipal bonds** and **5-year Treasury Inflation-Protected Securities (TIPS)**, along with some shorter duration bond ETFs for steady income with relative safety.



Exclusive  
Microsoft to Buy AI From Anthropic in Shift From OpenAI

Our stocks are diversified across several sectors, and the defensive dividend-paying names were the leaders in Q1. **Costco, Merck, Sempra, ExxonMobil,** and new holding **Cheniere Energy** all made positive contributions to our returns. In addition, the **DFA Small Cap Value ETF** and the **SPDR Dividend ETF** both bucked the general trend and were in the green.

Leading the list of laggards again last quarter was **Microsoft** as enthusiasm for the shares has evaporated given huge capital expenditures to bolster their Azure enterprise cloud offering, which is still showing strong growth. There is also a general concern that AI will displace software company products. In addition, Microsoft's current AI offering of Co-Pilot has not been well received by the public versus competing products like ChatGPT, Genimi, Grok, Claude, or Perplexity. Realizing this shortcoming, management recently inked a deal with privately-held Anthropic to incorporate LLM's (large language models) from Claude. We continue to hold the shares believing that this is a temporary lull and long-time CEO Satya Nadella will turn things around.

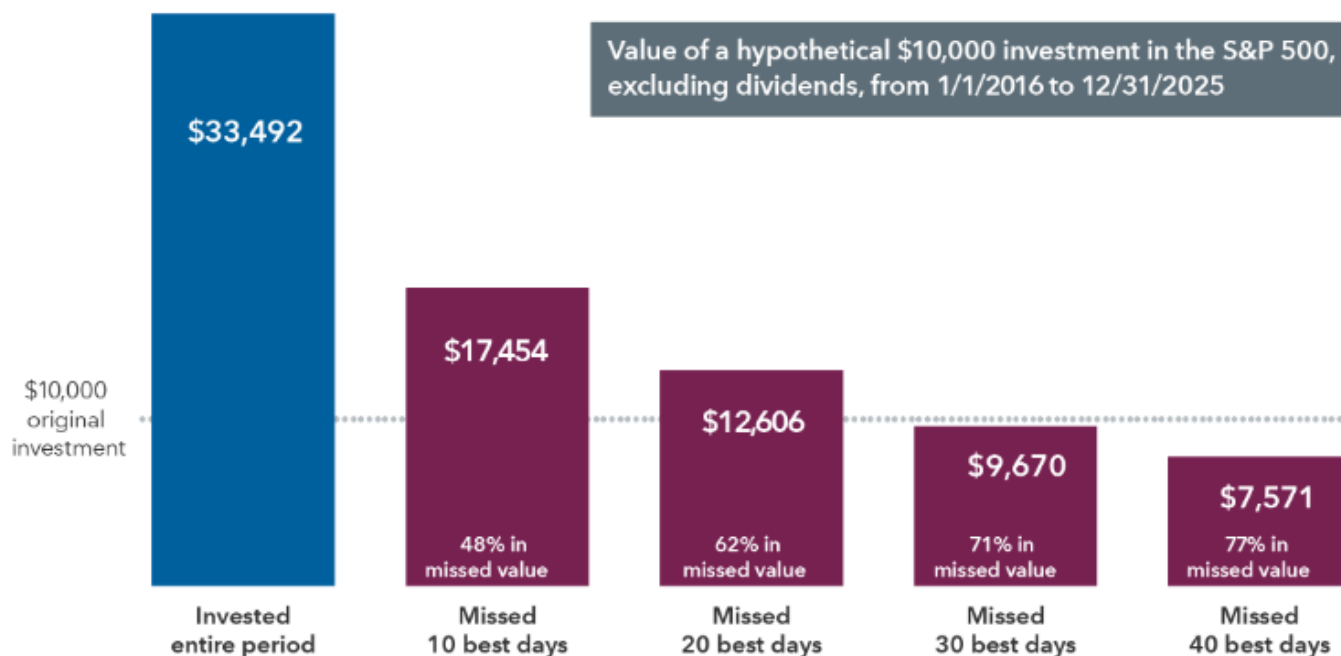
Other big laggards last quarter included **American Express, Eli Lilly,** and **Visa**. We remain committed to all three and view the weakness as a short-term correction, not a permanent impairment to capital. As with all our stocks, we will continue to closely monitor company news for any additional information.

We remain cautiously optimistic moving forward and plan to stay invested, emphasizing quality and income, expecting more modest-but still positive-returns.

## Market Timing?

When volatility increases and prices suddenly drop, the typical emotional response is to sell and go to cash. History has proven that this is a failed strategy as it's easy to sell, but no one rings a bell at the bottom for you to get back in. Market declines are to be expected and are part of investing. Rebounds can happen quickly while you're sitting on the sidelines waiting for the smoke to clear. Time in the market matters most, not market timing. Missing out on just a few trading days can make a significant difference in your returns as the chart below illustrates.

## Missing just a few days in the market can hurt market returns



Sources: RIMES, S&P. As of December 31, 2025. Values in USD.

## Company Updates

- **Costco Wholesale** – First ever “fuel-only” Costco location opening June 2026 just up the freeway from us in Mission Viejo. After a tough 2025, the stock was up 15.7% in Q1.
- **Lowe’s** – Investing \$250 million to train 250,000 skilled workers over the next decade. The Do-It-Yourself leader is aggressively going after more professional contractors.
- **ExxonMobil** – We purchased this stock in March 2025 when energy stocks were out of favor. They are the largest U.S. integrated major with a very conservative balance sheet (low debt) and a long history of annual dividend increases. The company owns minority stakes in LNG production facilities in Qatar that were recently damaged by Iranian missiles. This is a relatively small part of their business representing ~3-6% of total company earnings, but unsettling none the less.
- **Eli Lilly** – Received final FDA approval for Foundayo, an oral GLP-1 weight loss medication. The pill can be taken anytime with or without food and represents a massive revenue opportunity.

- **Apple** – Just turned 50 years old (April 1, 2026). Intuitive, innovative products have driven customer loyalty and their wide moat ecosystem. A foldable iPhone is in the works which could rekindle growth.
- **Alphabet** – Our favorite technology stock with Google Cloud as a major growth engine driven by AI workloads and enterprise adoption. Underappreciated hidden assets include Waymo (autonomous driving) and YouTube monetization growth.
- **Sempra** – The San Diego-based utility owns an interest in three LNG export terminals for a growth kicker to the traditional regulated electric and natural gas businesses. Port Arthur LNG in Texas is under construction. Phase 1, train 1 expected 2027, train 2 in 2028.



## Tax Strategy to Boost Income, Charitable Trust

For clients holding highly appreciated securities in a trust account who are reluctant to sell due to capital gains exposure, a Charitable Remainder Trust (CRT) can be a powerful planning tool, one that has delivered meaningful results for clients in similar situations.

Here's how it works:

We engage an attorney to establish a CRT, a tax-exempt trust structured to provide income to you and your heirs during the trust term, with the remaining assets ultimately passing to the charitable organizations of your choice.

The key advantages:

- **Eliminate capital gains tax** — Appreciated securities are contributed to the trust and sold within the tax-exempt structure, avoiding capital gains entirely
- **Meaningful income tax deduction** — You receive a substantial charitable deduction upfront, with a 5-year carryforward for any unused portion
- **Enhanced income stream** — We select a prudent annual distribution rate (typically 5%–7.5%), significantly increasing your cash flow compared to holding a low-yielding, concentrated position
- **Legacy impact** — At the conclusion of the income term (generally 20 years following the death of the grantor), the remaining principal transfers to your designated 501(c)(3) charity or charities

The result is a rare combination: significant tax relief, an enhanced income stream, and a lasting philanthropic legacy — making this an exceptionally effective strategy for the right portion of your estate.

## New Holdings

For electricity generation natural gas produces lower carbon emissions than coal and is essential for grid reliability. Given the increasing demand for power from data centers worldwide we purchased shares of **Cheniere Energy** in February. This company is the largest producer and exporter of liquefied natural gas (LNG) in the United States with two LNG export terminals. Many countries in Europe and Asia lack domestic supply, so Cheniere taps into cheap natural gas domestically to meet their demand needs. Customers pay a fixed liquefaction fee plus a variable fee linked to natural gas prices. The Iran war has spiked LNG prices as both physical supply and transport routes have been affected. ~20% of global LNG flows through the Strait of Hormuz, but Cheniere avoids this bottleneck and has become the incremental supplier of last resort.

**Cactus, Inc.** is a Houston-based manufacturer of highly engineered wellheads and pressure control equipment for the oil and gas industry. Three years ago, they acquired "Flexsteel", a spoolable pipe that combines the strength of steel with the corrosion resistance of polyethylene. It's a cost-effective alternative to traditional welded pipe. In January, the company closed on an acquisition of 65% of Baker Hughes surface pressure control business. Baker Hughes has relationships with the National oil companies in the Middle East, giving Flexsteel the ability to grow dramatically over time. It's a great option for the sour oil produced there, so once things stabilize in the region, Cactus will be ready to roll. Venezuela also represents another long-term opportunity with sour crude and a need to upgrade their energy infrastructure.

Occasionally we get an opportunity to access a seasoned management team via a new investment vehicle. Such was the case with the recent purchase of the **Baron First Principles ETF**. Lead manager, Ron Baron, has a long and successful history as a mutual fund portfolio manager. Baron Capital introduced new exchange-traded funds (ETFs) last December and our research zeroed in on ticker symbol: RONB, due to a 9%+ position in Space Exploration Technologies, or SpaceX. Although the company is still privately held, Baron was able to acquire shares pre-IPO. SpaceX is headed by Elon Musk and provides launch services with reusable rockets to NASA and the U.S. Department of Defense. They also own Starlink, a satellite-based internet service with over 10 million global subscribers. The company recently filed for an IPO (Initial Public Offering), with a launch expected sometime this summer.

## Qualified Dividends

Most people are not aware that the dividends paid on the common stocks we own are considered "qualified dividends" by the IRS and receive favorable tax treatment. These dividends are taxed at federal long-term capital gains rates. So, depending upon your other income, you may pay 0%, 10%, 15%, or a maximum 20%. There is a holding period requirement and this tax break does not apply to dividends from real estate investment trusts, business development companies, and bond funds/ETFs.

## Bonds & Fixed Income Investments

We own tax-exempt municipal bonds along with U.S. Treasury bills, short-term U.S. Treasury notes, and TIPS for safety and steady interest income. We are also searching for muni's on the secondary market, and the government is holding an auction of 5-year TIP's later this month that we will closely evaluate.

To capture higher yields, we also hold bond ETFs which pay monthly dividend distributions. The **JP Morgan Income ETF** is our largest holding with a 5.6% current yield. Others include **PIMCO Enhanced Short Maturity ETF**, 4.1% yield; **Invesco Variable Rate Preferred ETF**, 5% yield; and the **iShares Fallen Angels USD Bond ETF**, 6.3% yield. We plan to hold the individual securities to maturity and expect the bond ETF prices to fluctuate within an acceptable range. If prices violate that range to the downside, we will typically sell to cut a loss and preserve capital.

## Cryptocurrency

For more risk-tolerant clients, we initiated a position in the **iShares Bitcoin Trust (IBIT)** last year as an alternative asset with low long-term correlation to traditional equities. In the near term, however, that diversification benefit has not materialized, as the broader crypto complex experienced a sharp drawdown.

Encouragingly, Bitcoin has stabilized in recent weeks, recovering to approximately \$75,000 after bottoming in early February near \$60,000. Even so, prices remain well below the prior peak of roughly \$126,000 last September.

This raises a natural question: is the recent rebound a temporary "dead cat bounce," or the early stages of a renewed uptrend? Historically, Bitcoin bear markets have involved peak-to-trough declines of 70% or more. The recent drawdown, while meaningful, has been less severe by comparison—suggesting this cycle may be structurally different, though not without risk.

We did add modestly during the decline—admittedly early—and experienced some near-term pressure as a result. That said, we remain committed to our position. Our view is that Bitcoin continues to mature as an institutional asset, with improving market structure, broader adoption, and increasing integration into the financial system.

Given the inherent volatility, position sizing remains critical. We continue to view Bitcoin exposure as a **high-risk, long-duration allocation**, appropriate only within well-diversified portfolios and for clients with a tolerance for significant price fluctuations.

## Tremors in Private Credit

A double-digit yield is so enticing but one must never lose sight of the downside risk that comes with a higher than average payout. Private credit is an opaque corner of the lending world that serves small to medium-sized businesses seeking capital. These loans carry higher than average interest rates and are illiquid in nature so they are typically offered to investors via “interval funds”. We have never owned one of these funds because they limit investor liquidity with 5% quarterly caps, meaning only 5% of fund assets may be redeemed. Private credit sponsors like Blue Owl, Apollo, Ares, and Blackstone have feasted on these loans for years, but last quarter received billions in redemption requests that they are unable to meet, so cracks have appeared as defaults have ticked higher amidst negative sentiment. The technology industry has been a large borrower and fears of AI disruption in software has shaken investor confidence.

We did own the Blackstone Secure Lending Fund, a liquid business development company in the private credit space; however, when news of redemptions surfaced and the chart broke down, we chose to make an early exit in January and cut the loss at a reasonable level.

We hope this update provides valuable insights into your portfolio and the broader financial landscape. Please feel free to reach out with any questions, as we are always here to help!

*Scott Walker, CFP®*

We are a Fee-Only Independent Registered Investment Advisory firm. In addition, Warren, Nick, and I are licensed as CFP® professionals and held to the highest standards of conduct. We have a fiduciary duty to always act in your best interest. It is a privilege to serve as your advisory firm and we appreciate the opportunity to be of assistance in building and protecting your hard-earned dollars. Please let us know if you have any comments or questions.

27201 Puerta Real, Suite 465  
Mission Viejo, CA 92691  
Phone: 800-605-6777  
<https://walkerfinancial.com>