

Spring 2026

On the afternoon of March 11, 2011, the people of Tokyo felt the ground begin to shake. Not uncommon. The country experiences thousands of earthquakes that can be felt every year. But what started as a familiar tremor quickly grew into one of the most violent and powerful geophysical events in recorded history—and lasted an agonizing six minutes. The “megathrust” quake, caused by the Pacific Plate sliding beneath the Eurasian Plate, was so immense it shifted the Earth on its axis by up to ten inches and moved Japan’s main island, Honshu, roughly eight feet.

Despite, and in the face of, this historic earthquake, the Tokyo Skytree, the tallest tower in Japan, which was nearing completion at the time, suffered no structural damage. In fact, just one week later, workers successfully installed the final lightning rod, reaching the tower’s full height of 2080 feet.

Based on history and science, the architects of the Skytree knew the skyscraper would, at different points in time, have to withstand major earthquakes. That reality was a core consideration in the design of the building. Just as it is with your investment portfolio.

We bring this up, of course, because the war in Iran is, or may seem like, a megathrust shaking all corners of global financial markets. Crude oil (the raw material for gasoline, diesel, and countless products) has risen from \$66 per barrel the day before the war began to \$104 as of this writing. As a result, global equities declined.

Using the principles of diversification, we constructed your portfolio knowing a seismic event, at some point, was inevitable. In other words, we built in flexibility and structural independence in an effort to mitigate the impact of such events. Just like the Skytree...

The *Shinbashira* and Core Investments

The Skytree’s *Shinbashira* is the central pillar, made of reinforced concrete and rising over 1,000 feet, of the tower’s earthquake defense. Importantly, as we’ll see, it is separate from the outer steel frame for most of its height. It acts as a stabilizer since it doesn’t move as much as the outer frame.

Like the central pillar, our portfolios consist of high-quality equities and fixed income investments, which serve as the core of our overall investment strategy.

Independent Sway and Diversification

As noted, the Skytree’s core and the outer frame are structurally separate. So, when the ground moves, they sway at different frequencies and in opposite directions. This is designed to minimize vibrations.

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The Skytree has a triangular base with three “knuckled” (protrusions along the vertical surface) columns. When the ground shifts, the foundations make sure the tower remains standing when the surface environment becomes turbulent.

Your portfolio is also structured to sway. Diversification is rooted in low correlation—things tend to move at different magnitudes or in different directions when subject to the same exogenous forces.

In addition to owning high-quality company stocks and fixed income, we include private assets—from equity to fixed income and infrastructure.

Diving deeper within each asset class, we continue to seek diversification to attempt to tamp down the swings of a megathrust. Within fixed income, for example, we buy bonds that mature at different times and have different credit ratings—including government-issued bonds along with corporate and municipal bonds.

Within equities, we add even more diversification by purchasing large-, mid-, and small-cap companies. Further, we invest in companies from around the globe in both developed and emerging economies.

Not to focus too much on the short term, but to make the point of how diversification can tamp down earth rattling shocks, consider that since the start of the war, global stocks declined (7%), U.S. large company stocks are down less than (1%), U.S. small company stocks are up 0.5%, and 10-year U.S. Treasury bonds are down (2.2%). These things moved at a different cadence and that makes all the difference.

Damping and Rebalancing

When an earthquake hits, the Skytree’s oil dampers—located between 400 and 1,230 feet above the base—act as cushions, absorbing excess kinetic energy. This prevents the core from slamming into the structure.

When a jolt hits the stock market, the diversification across asset classes acts as our first damper to try to absorb the energy of the quake. The periodic rebalancing of the portfolios helps maintain the integrity of the structure.

The bottom line, literally and figuratively, is that like the Skytree, your portfolio is designed with resiliency in mind. Whether it’s the eruption of a 9.0 earthquake or a war, rigidity is never the goal because rigidity can break under pressure. Instead, we construct well diversified portfolios, allocating to components that behave differently in the short run and rebalancing along the way, all in an effort to keep your portfolio flexible and upright.

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