

# Monthly Investment Report

February 2026



Financial markets started the year on a constructive footing as resilient economic activity, improving earnings trends, and sustained risk appetite supported asset prices despite elevated interest rate volatility. U.S. equities delivered broad-based gains, with the S&P 500 rising +1.5% and market participation widening meaningfully as mid-cap and small-cap stocks advanced +4.1% and +5.6%, respectively. International equities also performed strongly, aided by a -1.3% decline in the U.S. dollar, which eased financial conditions and supported global risk sentiment. Sector performance reflected a rotation toward cyclically sensitive areas, with energy up +14.4% and materials up +8.7%, while information technology declined -1.7% as investors reassessed elevated artificial intelligence spending and near-term return expectations. Economic conditions remained supportive. Growth showed signs of upside momentum, and if positive sales growth is achieved in the fourth quarter, it would represent the 21st consecutive quarter of revenue expansion. Inflation remained sticky, particularly across goods categories, while labor market conditions continued to slow in an orderly fashion. Bond markets reflected increased caution as the 10-year Treasury yield rose to 4.24%, with investors demanding greater compensation to lend money for longer periods amid uncertainty around government spending, deficits, and future inflation. Looking ahead, government policy is expected to add a meaningful boost to economic activity between February and April, including approximately \$150 billion of new spending and more than \$517 billion in tax refunds, which could support consumption, reinforce capital spending, and improve state tax revenues. Taken together, these dynamics suggest a more supportive backdrop for risk assets relative to interest rate-sensitive fixed income.

## Capital Markets

**Equity markets advanced broadly during the month as investor sentiment improved and leadership expanded beyond a narrow group of large-cap stocks.** Smaller capitalization equities outperformed, with the S&P 400 and S&P 600 rising +4.1% and +5.6%, reflecting improved risk appetite and greater sensitivity to domestic growth conditions. Sector performance showed increased differentiation. Energy, materials, and industrials benefited from firmer commodity prices and improved growth expectations, while financials declined -2.4% as higher long-term yields weighed on valuations. Within technology, performance lagged as investors became more cautious toward rising capital expenditure plans related to artificial intelligence and signs of exuberance around near-term commercialization potential, prompting greater valuation discipline rather than a retreat from longer-term innovation themes.

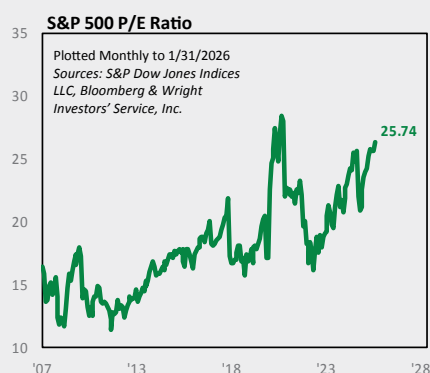
**Fixed income markets were shaped by rising long-term yields and heightened sensitivity to fiscal dynamics.** The Bloomberg U.S. Aggregate Bond Index posted a modest gain of +0.1%, while longer-dated Treasury yields moved higher, with the 10-year Treasury increasing from 4.17% to 4.24%. Credit markets remained constructive, with investment grade and high yield bonds returning +0.2% and +0.5%, respectively. Importantly, the additional yield

investors receive for owning corporate bonds and mortgage-backed securities relative to Treasuries remains very small. This reflects confidence in near-term conditions but also means there is limited cushion if growth slows or financial conditions tighten further. Commodity markets strengthened meaningfully, with the Bloomberg Commodities Index rising +10.4%. Precious metals were notable leaders, with gold up +8.6% and silver also advancing, reflecting declining real rates, a weaker dollar, and rising investor demand for diversification amid uncertainty surrounding government policy and fiscal sustainability.

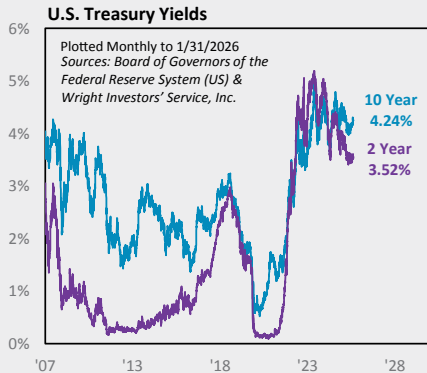
## U.S. Economy

**Economic data released during the month reinforced the view that growth is moderating but remains durable.** Consumer activity continued to show resilience, supported by stable employment conditions and real income growth, while business sentiment indicators pointed to normalization rather than contraction. Importantly, if fourth quarter sales growth remains positive, it would mark the 21st consecutive quarter of revenue expansion, underscoring the persistence of demand even as financial conditions remain restrictive.

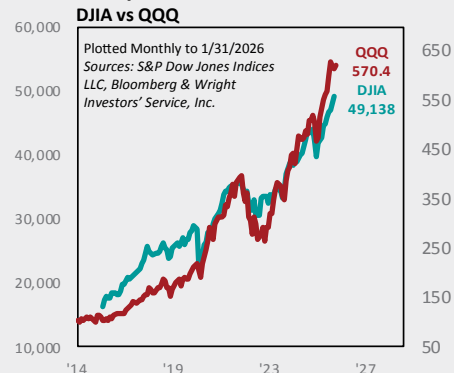
### P/Es Have Risen



### 2 Year & 10 Year Yields Both Rose



### US Equities Rallied



## Total Investment Returns—1.31.2026

	January	Last 12 Mos.
Dow Jones Industrial Average	1.8%	11.7%
Nasdaq Composite	1.0%	20.3%
S&P 500	1.5%	16.3%
S&P MidCap 400	4.1%	7.7%
S&P SmallCap 600	5.6%	8.8%
MSCI World (\$)	2.2%	19.6%
MSCI World ex U.S. (\$)	4.7%	31.5%
Bloomberg U.S. Aggregate	0.1%	6.8%
90-Day Treasury Bills (Yield)	3.7%	4.3%
CPI ex-Food & Energy SA* (Dec 2025)	0.2%	2.6%

\*SA: Seasonally Adjusted

Sources: Bloomberg LP & Wright Investors' Service, Inc.

**Labor market conditions continued to cool but did not deteriorate materially.** Hiring slowed, job openings declined further, and wage growth moderated, yet layoffs remained contained and labor demand continued to support household income. From a strategic perspective, this gradual rebalancing reduces downside growth risk while limiting the likelihood of a sharp wage-driven resurgence in inflation.

**Inflation remained sticky, particularly across goods categories, but recent developments highlight important nuance beneath the surface.**

The U.S. dollar weakened -1.3%, which tends to place upward pressure on import prices and goods inflation with a lag, while also improving export competitiveness. At the same time, tariff collections are running materially below prior assumptions. Effective tariff rates are tracking closer to +10%, compared with earlier estimates, near +18%, despite total tariff revenues exceeding \$200 billion. With headline inflation relatively contained, this gap suggests that a meaningful portion of tariff-related costs is currently being absorbed through margin compression rather than fully passed on to consumers. If demand remains resilient, margin pressure may eventually give way to delayed price transmission, particularly in goods categories with limited substitution or tighter supply chains. Bond markets appear to be pricing this uncertainty by requiring higher yields on longer-dated bonds, signaling that inflation and fiscal risks are being pushed further into the future rather than driven by near-term policy expectations.

## Investment Outlook

**The investment environment reflects a balance between resilient growth, sticky inflation, and shifting policy expectations.** Government policy is expected to provide a near-term boost to the economy, with approximately \$150 billion of new spending anticipated between February and April, alongside more than \$517 billion in tax refunds. These flows increase disposable income, support consumption, and encourage incremental capital expenditures, particularly in infrastructure, manufacturing, and technology-related investment.

**From a portfolio perspective, equities appear relatively more attractive than fixed income under current conditions.** Earnings growth, merger and acquisition activity, fiscal support, and improved export competitiveness associated with a weaker dollar provide a more constructive fundamental backdrop for equities. By contrast, higher compensation demanded by investors to hold long-dated bonds, combined with very tight credit and mortgage-backed securities spreads versus Treasuries, limits the appeal of longer-dated fixed income, even as yields remain historically elevated.

**Stress testing the outlook highlights important distinctions across asset classes.** Under scenarios of higher inflation or delayed tariff pass-through, companies with pricing power, strong balance sheets, and real asset exposure are better positioned to defend margins. Fiscal support and capital spending may help offset rate-related headwinds for cyclically exposed equities. In contrast, fixed income and spread products remain more vulnerable should long-term yields rise further or risk sentiment deteriorate, particularly given how narrowly risk is currently priced relative to Treasuries.

**Overall, this environment supports a selective pro-risk posture, emphasizing quality equities, exposure to capital spending and real assets, and disciplined diversification, while maintaining heightened vigilance toward credit conditions and policy-driven volatility.**

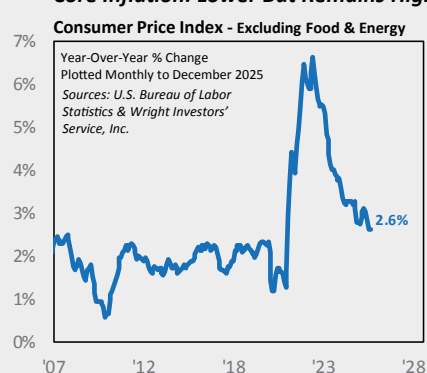
### Manufacturing: Remained Steady



### Consumer Spending: Strengthened



### Core Inflation: Lower But Remains High



**Source:** Bloomberg Index Services Limited. "Bloomberg®", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.

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