

FROM THE OFFICE OF THE CIO

Market Observations

Jeff Sutton, CFA®, Head of Investment Platform and Due Diligence

Adam Gorlyn, SVP, Senior Investment Strategist and Communications

Overview:

The year began with no shortage of news at home, abroad, and everywhere in between. At the top of the list is the Fed pause on further rate cuts, the nomination of a new Fed chair, and the selloff of precious metals at month end. U.S. equities finished January modestly higher despite heightened volatility late in the month. U.S. indices reached new highs intra-month, supported by strong earnings reports, AI-related capital spending, and expectations for policy easing later in the year.

At the January 28 FOMC (Federal Open Market Committee) meeting, the Fed paused its rate-cutting cycle after three consecutive cuts in 2025 due to solid economic growth, a stabilizing labor market, and inflation still above the 2% target. On January 30, Kevin Warsh was announced as the nominee for next chair of the Federal Reserve.

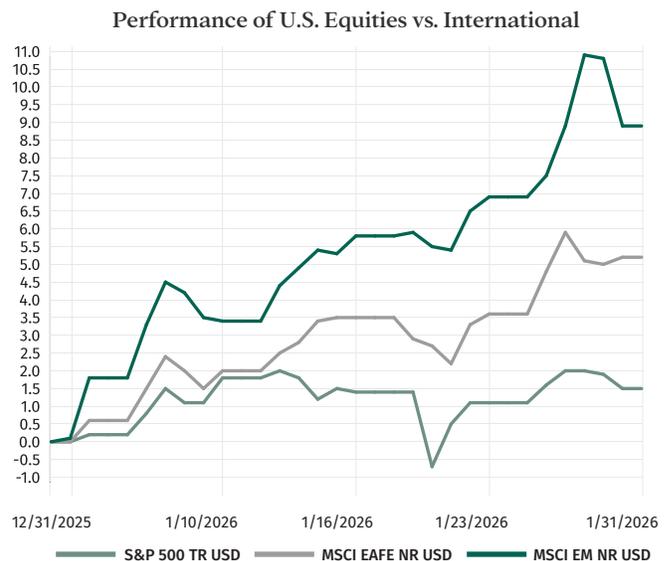
Precious metals continued to reach new all-time highs throughout the month before reversing sharply after news of the Warsh nomination, as speculative unwinding took place and profit-taking accelerated. This abrupt selloff triggered one of the sharpest price reversals in decades and coincided with a strengthening U.S. dollar. Despite the turbulence, global growth expectations remain positive while elevated valuations and persistent geopolitical risks continue to be top of mind.

Market performance

The S&P 500 and Nasdaq Composite posted gains for January, and both set multiple all-time highs mid-month before pulling back slightly into month end. The S&P 500 posted a 1.4% return while the Nasdaq Composite was up 1.0%. The commodity-driven sectors of Energy

and Materials dominated performance while financials and health care lagged. Small- and mid-capitalization companies outpaced large caps. Early Q4 earnings show a high percentage of companies beating expectations with the market fixated on forward guidance.

Non-U.S. equities showed strong performance in January, meaningfully outpacing U.S. equities. International developed market equities, represented by the MSCI EAFE NR Index, were up 5.2%. Emerging markets, represented by the MSCI EM NR Index, were up 8.9%. The Information Technology sector was a key driver across developed international and emerging markets.



Source: Factset Data as of January 31, 2026.

In fixed income markets, the Bloomberg U.S. Aggregate Bond Index was essentially flat in January. Treasury yields were range-bound, with the 10-year Treasury hovering

around the low- to mid-4% level by month end, reflecting the see-saw dynamics between growth optimism and sticky inflation expectations. Investment grade and high yield credit were both modestly negative performers for the month.

The traditional 60/40 portfolio ended January with a return of 2.2% with non-U.S. developed and emerging market equities being the primary contributors. Long-term investors with well-diversified portfolios have fared well as a traditional 60/40 portfolio — comprising 60% global equities and 40% global fixed income — has returned approximately 16.8% over the trailing 1-year period. The benefits of diversification were particularly evident as international and emerging market equities continue to significantly outperform U.S. markets.

Below is a more detailed summary of what occurred across markets during the month of January.

U.S. equities ended January higher, extending the late 2025 rally, though gains moderated after increased volatility in the final week of the month. The S&P 500 finished the month up 1.5% while the Russell 2000, representing small cap stocks, was up 5.4%. The S&P 500 reached new all-time highs intra-month before pulling back modestly at the end of the month. Small cap stocks benefited from easing financial conditions and expectations for further Fed cuts later in 2026.

U.S. Equity Summary

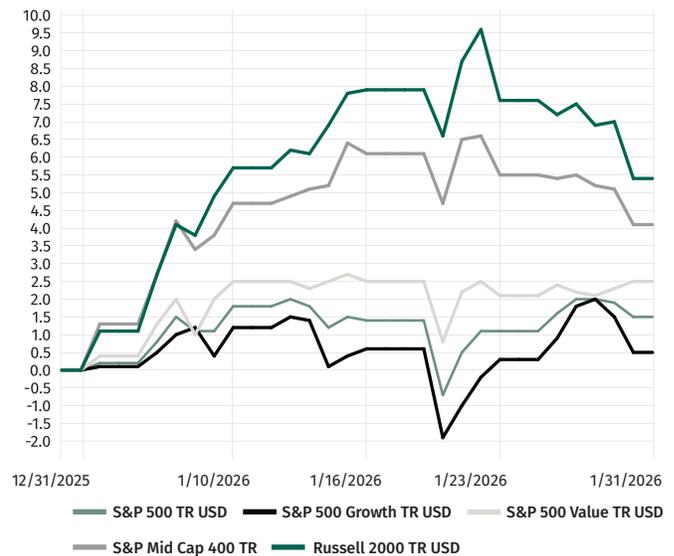
Index	January	Trailing 1 Year
S&P 500 Index	1.5%	15.8%
S&P Mid Cap 400 Index	4.1%	7.7%
Russell 2000 Index	5.4%	14.8%

Source: Factset Data as of January 31, 2026.

Mega-cap technology and AI-related stocks ceded market leadership to value-oriented sectors as concerns about valuations and capital expenditures resulted in profit taking. Leadership narrowed as January progressed, with several high-profile technology stocks experiencing negative post-earnings reactions later in the month. January

ended with outperforming growth with the Russell 1000 Value Index up 4.6% and the Russell 1000 Growth index down 1.5%. Small cap stocks significantly outperformed large cap stocks with the Russell 2000 index posting a 5.4% return, aided by the expectations of Fed rate cuts later in the year, as well as reduced recessionary concerns.

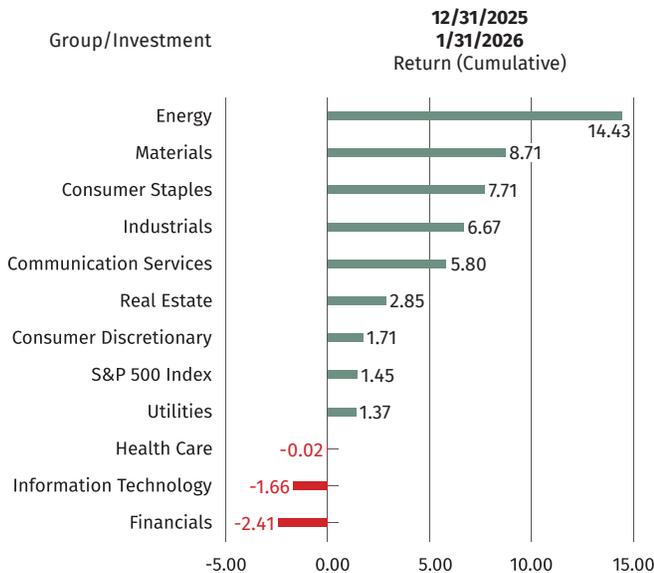
Performance of U.S. Equity Markets
Style & Market Capitalization



Source: Factset Data as of January 31, 2026.

From a sector perspective within the S&P 500 Index, Energy, Materials, Consumer Staples and Industrials were the top performers, enabling value to outpace growth style. Exxon and Chevron benefited from rising oil prices, which helped the Energy sector post a 14.4% return for the month. At the same time, miners boosted performance of the Materials sector, thanks to price appreciation of precious metals. Financials, Information Technology and Health Care were negative performing sectors during the month. The Financials sector, which was down 2.4%, was hurt by a proposal by the Trump administration to cap credit card interest rates at 10%, as well as the pause in rate cuts by the Fed. The Health Care sector was impacted by the Medicare Advantage rate being significantly lower than expected. Managed care stocks, such as United Health and Humana, declined as a result with spillover into other parts of the Health Care sector.

S&P 500 Sector Returns for January 2026



Source: Factset Data as of January 31, 2026.

From a style factor perspective, based on MSCI U.S. style factors, High Dividend Yield and Value were the top performing factors followed by Momentum, Size, and Quality. Growth was the weakest performing factor followed by Minimum Volatility.

International and Emerging Market Equity Summary:

Index	January	Trailing 1 Year
MSCI EAFE NR Index	5.2%	31.0%
MSCI EAFE Small Cap Index	5.8%	34.6%
MSCI Emerging Markets NR Index	8.9%	42.5%

Source: Factset Data as of January 31, 2026.

International developed market equities began the year on a strong note with the MSCI EAFE NR Index posting a 5.2% return. This brings the trailing one-year MSCI EAFE Index return to 31.0%, significantly ahead of the U.S. return of 15.8%, as per the S&P 500. Within broader international developed markets, value outperformed growth while small cap stocks slightly outperformed large cap.

From a regional perspective, the Pacific and Far East regions were primary drivers of performance with Hong Kong, Australia and Japan posting returns of 10.3%, 6.6% and 6.6%, respectively, based on MSCI Indices. The European region was a laggard, but still posted a respectable 4.5% return as per the MSCI Europe NR Index. Hong Kong benefited from the export momentum in China, while Australia was helped by the rally in natural resources. Japanese equities benefited from continued optimism around domestic reform, real wage growth and easing inflation around food prices.

From a sector perspective, Information Technology led the way followed by the Materials, Energy and Utilities sectors. The Information Technology sector got a boost from ASML holdings, which is the largest stock in the MSCI EAFE Index and returned 33.6% in January. The strong relative performance from the Materials, Energy and Utilities sectors enabled the value style to outperform growth. Consumer Discretionary and Communication Services were the weakest performing sectors with negative returns for the month, followed by Consumer Staples, Health Care and Financials.

From a style factor perspective based on MSCI World ex U.S. style factors, Enhanced Value, Momentum and Size were the strongest performers, while Minimum Volatility and High Dividend Yield were the weakest.

Emerging Markets significantly outperformed U.S. and international developed markets in January with the MSCI EM NR Index posting a return of 8.9%. This brings its trailing one-year return to 42.5%. Value stocks slightly edged growth stocks, and small caps underperformed large cap stocks. Emerging market sectors were led by Information Technology, Materials and Industrials, while Consumer Staples, Communication Services and Health Care were laggards.

From a regional perspective, Latin America led the emerging markets, thanks to strong performance from Brazil and Chile, which were up 16.8% and 13.2%, respectively. Both countries benefited from rising commodity prices such as oil and metals. The Asia and

Far East region also performed well, thanks to Taiwan Semiconductor, the largest weight in the index and the top contributing stock for the month. Also among the contributors were Samsung, SK Hynix and Alibaba. China performed in the middle of the pack with a return of 4.7%. India was down 5.1% due to a combination of foreign investor outflows and trade uncertainty.

From a style factor perspective based on the MSCI EM style factors, Enhanced Value and Momentum were the leading style factors while Minimum Volatility and High Dividend Yield were the weakest.

Real Assets Summary:

Index	January	Trailing 1 Year
FTSE Nareit All Equity REITs Index	2.8%	3.9%
Bloomberg Commodity Index	10.4%	22.9%
S&P Global Infrastructure Index	5.0%	23.5%

Source: Factset Data as of January 31, 2026.

All three real asset segments began 2026 with positive returns with Commodities being the standout performer as the Bloomberg Commodity Index posted a 10.4% return driven by the strong performance of metals, oil and natural gas. Gold and silver have been on a historic run, reaching new highs mid-January before a correction occurred late in the month. Gold, silver, copper and nickel all finished the month higher. However, gold and silver experienced a late-month selloff that was triggered by a strengthening U.S. dollar and an unwind of speculative bets. Silver's fall was more severe, falling 30%, compared to gold's 11%. Oil finished the month up 14.2% as per the S&P GCSI Crude Oil Index, while natural gas was up 40.5% as per the S&P GSCI Natural Gas Index. Oil rallied due to geopolitical risk, and unexpected outages and natural gas surged due to extreme winter weather driving up demand.

The S&P Global Infrastructure Index was up 5.0% for the month. Energy demand continues to increase with the buildout of AI data centers. Harsh winter weather has increased cyclical demand that has benefited pipelines,

storage and midstream companies. The Energy sector performed strongly across developed and emerging markets during the month, as did Utilities and MLPs. Industrials were a weaker component as transportation stocks delivered more modest gains.

REITs continued to be the weakest real asset segment but still posted a respectable return as the FSTE Nareit All Equity REITs Index was up 2.8% for the month. The Fed's decision to keep rates steady for the month did not bode well for REITs in general, given their interest rate sensitivity. Self-storage and Retail were the best performing segments while Office and Residential were the weakest.

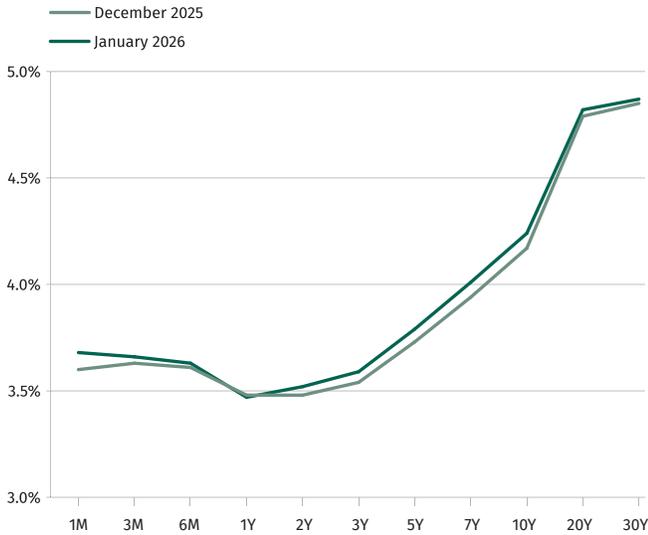
Fixed Income Summary:

Index	January	Trailing 1 Year
Bloomberg U.S. Aggregate Index	0.1%	6.7%
Bloomberg Municipal Index	0.9%	4.7%
Bloomberg U.S. Treasury Index	-0.1%	5.7%
Bloomberg U.S. Corporate Investment Grade Index	0.2%	7.4%
Bloomberg U.S. High Yield Index	0.5%	7.7%
FTSE WGBI non-USD Index	1.6%	9.7%

Source: Factset Data as of January 31, 2026.

With the exception of Treasuries, all major U.S. bond segments posted positive returns in January. Treasuries had mixed performance depending on the maturity bucket. Yields rose at the long end of the curve and, as a result, maturities beyond five years experienced modestly negative returns. The 10-year Treasury began the year at 4.17% and finished January at 4.25%, resulting in a return of -0.5%. Twenty-year Treasuries fared slightly worse. The short end of the curve posted modest gains. Early-month strength in U.S. economic data and renewed fiscal and geopolitical uncertainty pushed yields higher, driving an initial selloff. The Fed's decision to hold policy rates steady further pressured longer-dated yields.

Change of U.S. Treasury Yield Curve



Source: Factset Data as of January 31, 2026.

The Bloomberg U.S. Aggregate Bond Index posted a return of 0.1%. Treasuries, which represent 45% of the index, were a slight detractor.

Mortgage-backed securities (MBS) were up 0.4%, as per the Bloomberg MBS 1000 Index. Investment grade corporate credit was up 0.2% as per the Bloomberg U.S. Corporate Investment Grade Index. High yield credit was up 0.5% as per the Bloomberg U.S. Corporate High Yield Index. Within high yield credit, B to BB-rated issuers were the best performing credit segment while those that are CCC-rated and below lagged.

The municipal bond winning streak continued, with investment grade and high yield municipal bonds posting returns of 0.9% and 1.0%, respectively, as per the Bloomberg Municipal Bond index and the Bloomberg High Yield Municipal Bond Index. Strong demand was outweighed by new issuance and rate volatility. Tax-equivalent yields remain attractive: 4.6% for 10-year AAA-rated municipals and 5.7% for 10-year BBB-rated municipals.

U.S. Dollar Index



Source: Factset Data as of January 31, 2026.

The U.S. Dollar Index weakened by 1.4% and hit a four-year low in January. The U.S. dollar lost ground against the euro, yen, pound and many emerging market currencies. This was due to the “sell America” trade caused by heightened U.S. policy uncertainty regarding tariffs, trade tensions around Greenland, concerns over Fed independence and the risk of another government shutdown. Non-dollar denominated developed market debt benefited with the FTSE World Government Bond Index non-USD up 1.6% in January. Emerging market debt similarly posted positive numbers with local currency debt outperforming dollar-denominated debt. Emerging market economies continue to show resilience benefiting from the demand in commodities, improved fiscal positions, stable inflation and positive investor flows. The JPM EMBIG Index was up 0.3% while the GBI-EM (emerging market local currency debt) was up 1.8%. Emerging market corporate debt also finished higher by 0.6%.

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