FROM THE OFFICE OF THE CIO

Market Observations

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Overview

Volatility moved higher during the month of February as dynamic developments, both domestically and internationally, impacted global equity markets. In the U.S., leading headlines on the potential disruption AI poses to the broader Software sector negatively impacted markets. From a geopolitical standpoint, energy markets rallied as a sizeable presence of U.S. armed forces gathered in the Middle East, increasing political tensions. Nevertheless, U.S. equities sustained momentum as investors continued to rotate among sectors and down in market capitalization. International equity markets also benefited from this ongoing trend. Stronger than expected corporate earnings, continued infrastructure investment in AI initiatives and anticipation of monetary easing in the second half of the year provided support. Despite an uptick in volatility, global growth projections remained optimistic, although elevated equity valuations, the AI disruption narrative and ongoing geopolitical risks somewhat weighed on investor sentiment.

From an economic perspective, better than anticipated new job creation and a lower unemployment rate in the month of January was welcomed by the markets. However, inflation readings lingered above target levels, leaving investors questioning whether the Federal Reserve will be able to lower rates by mid-2026. Other economic data remained mixed, including investor sentiment, although Institute for Supply Management (ISM) Manufacturing Purchasing Manager's Index (PMI) data spiked noticeably higher, indicating unexpected strength in manufacturing.

As we move into March, markets we will be closely monitoring developments in the Middle East. A potential new degree of uncertainty has entered the geopolitical narrative. As of this writing, it is too soon to hypothesize the political and economic ramifications, but we are closely watching the impact on oil markets. A meaningful and prolonged uptick in energy cost could potentially derail economic growth trends, particularly in the eurozone. In Washington, the nomination process for the new Fed chair will be in focus, with market participants watching for signals of how Warsh would address a variety of topics, including balance sheet reductions and changes in the way the Fed may communicate its future monetary policy intentions.

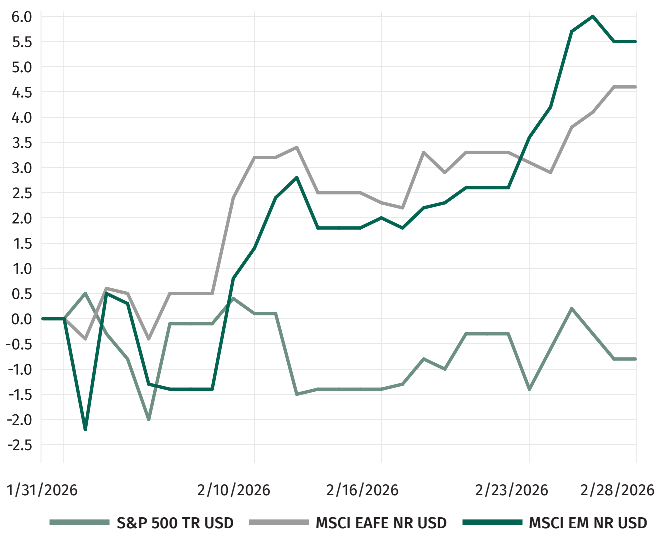
Market Performance

As mentioned, the S&P 500 posted a fractional loss for the month while the Nasdaq Composite was down 3.3%, negatively impacted by the disruption stemming from AI, particularly within the broader Software sector. At the same time, energy demand propelled the Utilities and Energy sectors higher while commodity-related materials also benefited.

Within non-U.S. equities, diversification continued to pay off with strong performance in non-U.S. markets. International developed markets, represented by the MSCI EAFE NR Index, were up 4.6%. Emerging markets, represented by the MSCI EM NR index, were up 5.5% as shown in Figure 1 on the next page.

In fixed income markets, the Bloomberg U.S. Aggregate Bond Index was up 1.6%. U.S. Treasury yields declined, with the 10-year Treasury hovering around the 4.0% level by month-end, reflecting the see-saw dynamics between growth optimism and sticky inflation expectations. Investment grade and high yield credit generated slightly higher performance for the month.

Figure 1: Performance of U.S. Equities vs. International



Source: Factset as of February 28, 2026.

The traditional 60/40 portfolio ended February with a return of 1.4% 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 18.1% over the trailing one-year period. The benefits of diversification were particularly evident as international and emerging market equities continue to significantly outperform.

The table below shows a more detailed summary of what occurred across U.S. equity markets during the month of February.

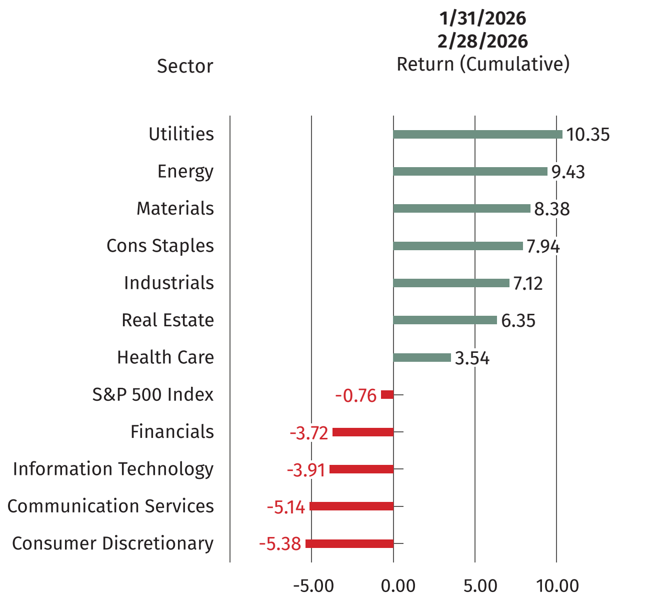
The S&P 500 Index finished the month of February slightly down with a return of -0.76%. The sizeable weighting and concentration of AI-related stocks worked against the S&P 500 Index and dragged it into negative territory thanks to NVIDIA, Amazon, Microsoft, Alphabet, Meta and Telsa being the largest detractors from S&P 500 performance. Fears of an AI trade bubble and its potential disruption into various segments of the software market were negative catalysts. As a result, growth underperformed value as the Russell 1000 Growth Index returned -3.4% while the Russell 1000 Value Index was up 2.6%. For the same reasons, the tech-heavy NASDAQ Composite Index was down 3.3%.

U.S. Equity Summary:

Index	February	YTD	Trailing 1 Year
S&P 500 Index	-0.76%	0.7%	17.0%
S&P MidCap 400 Index	4.1%	8.3%	17.2%
Russell 2000 Index	0.8%	6.2%	23.3%

Source: Factset as of February 28, 2026.

Figure 2: S&P 500 Sector Returns for February 2026



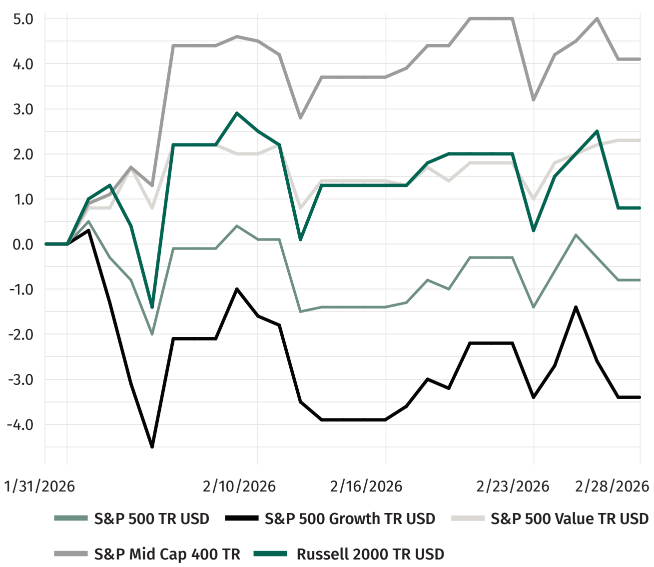
Source: Factset as of February 28, 2026.

From a sector perspective Utilities, Energy, Materials, Consumer Staples and Industrials were top performing sectors (See Figure 2). The rotation into value-oriented parts of the market was in full effect during the month benefiting from themes such as the energy needs from AI infrastructure, procuring rare earth commodities, to the defensiveness of consumer staples companies in a volatile environment. Consumer Discretionary, Communication Services, Information Technology and Financials generated negative total returns. Weakness in private credit contributed to the negative performance of Financials, with the sector down 3.7%.

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

Meanwhile, mid cap stocks benefited and outperformed both large cap and small cap with a return of 4.1% as per the S&P MidCap 400 Index (See Figure 3). Small cap stocks also finished the month with a gain as the Russell 2000 Index was up 0.8%. High quality stocks outperformed low quality as the S&P 400 MidCap Index and the S&P SmallCap 600 Index both outperformed their Russell Index counterparts.

Figure 3: Performance of U.S. Equity Markets by Style and Market Capitalization



Source: Factset as of February 28, 2026.

International and Emerging Market Equity Summary:

Index	February	YTD	Trailing 1 Year
MSCI EAFE NR Index	4.6%	10.1%	34.6%
MSCI EAFE SmallCap Index	4.8%	10.9%	41.7%
MSCI Emerging Markets NR Index	5.5%	14.8%	50.0%

Source: Factset as of February 28, 2026.

International developed market equities continued their strong run with the MSCI EAFE NR Index posting a 4.6% return, as shown in the table. It is now up 10.1% for the first two months of the year, significantly ahead of the U.S. return of 0.7%, as per the S&P 500 Index. Based on the MSCI EAFE indices, value stocks outperformed growth while small cap slightly outperformed large cap stocks.

From a regional perspective, the Pacific and Far East regions continue to be the primary drivers of performance with Japan and Australia posting returns of 8.6% and 7.6%, respectively, based on MSCI indices. The European region lagged but still posted a respectable 3.3% return as per the MSCI Europe NR Index. Japanese equities benefited from continued optimism around domestic reform, which was cemented with an election victory by current leadership, expectations for expansionary fiscal policy, easing inflation around food prices and continued structural reform. Australia benefited from the rally in banks and mining companies, with the latter benefiting from strong commodity price performance.

While all sectors were positive for the month, the dynamic was similar to the U.S. with value and defensive sectors outperforming. Consumer Staples, Materials and Energy were the top performing sectors followed by Utilities and Industrials. Financials, Health Care and Information Technology were the weakest, followed by Communication Services and Consumer Discretionary.

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

Emerging Markets outperformed both U.S. and international developed markets for the month with the MSCI EM NR Index posting a return of 5.5%. This brings its trailing one-year return to 50.0%. Value stocks continued to outperform growth and small cap trailed large cap stocks. Emerging market sectors were led by Information Technology, Materials, Industrials and Utilities, while Communication Services and Consumer Discretionary generated negative total returns. Semiconductor and memory related names continue to drive emerging markets as Taiwan Semiconductor, Samsung Electronics, and SK Hynix, drove the Information Technology sector to a 15.5% February return.

From a regional perspective, Asia was the strongest performer with a return of 6.2% led by Taiwan, Thailand and Korea. China and India were laggards with China down 5.8% while India was up 1.4%. Tencent, Alibaba, Infosys, and Meituan were top detractors from the MSCI EM Index hurting China's performance. The Latin American region was up 3.8% led by Mexico and Brazil, with both countries benefiting from rising commodity prices and strengthening currencies.

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

As shown in the table below, all three real asset segments posted positive performance and are up double digits since the beginning of the year. Given weak U.S. equity performance, real assets have been a solid diversifier.

REITS modestly outperformed infrastructure to be the best performing real asset segment for the month. REITs benefited from a combination of positive macro tailwinds given declining rates, attractive valuations and good fundamentals. Data centers were the strongest performing REIT segment, which rallied on continued AI-driven demand. Health care REITs also performed well given strong demographic tailwinds. Industrial REITs benefited from the reshoring of the supply chain due to trade and tariff-related dynamics.

Infrastructure was up 7.4% in the month as per the S&P Global Infrastructure Index and is now up 12.8% since the beginning of the year. The story is consistent with that mentioned last 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.

Commodities, the weakest performing real asset segment, posted a 1.1% return for the month, as per the Bloomberg Commodity Index. There was a divergence among the performance of various commodities. Natural gas prices sank given seasonal factors after a frigid winter, driving the S&P GSCI Natural Gas Index down 31.7%. On the flip side gold, silver and other metals continue to reach new highs given strong demand and U.S. tensions with Iran. This caused oil prices to run up near month end as tensions escalated. Agricultural commodities were up low to mid-single digits as well.

Real Assets Performance:

Index	February	YTD	Trailing 1 Year
FTSE Nareit All Equity REITs Index	7.5%	10.5%	7.4%
Bloomberg Commodity Index	1.1%	11.6%	23.3%
S&P Global Infrastructure Index	7.4%	12.8%	33.9%

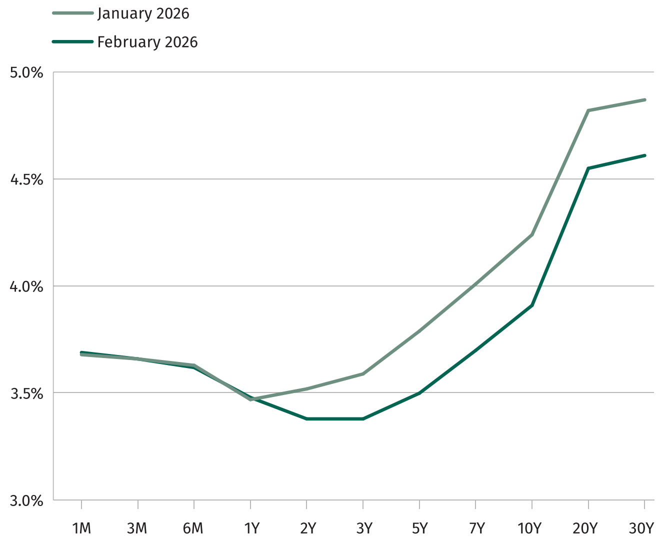
Source: Factset as of February 28, 2026.

Fixed Income Summary

All major U.S. bond segments positive returns in February. (See Figure 4, on the next page.) Yields fell across the Treasury curve resulting in strong performance for Treasuries. The long-end of the curve performed best with the 10-year Treasury posting a 4.1% return for the month as the yield fell from 4.26% to 3.96%. The 3-to-5-year segment of the curve was up 1.2% while the 5-to-7-year portion of the curve was up 1.9%. While the Fed has indicated they are on hold from further rate cuts for the time being, inflation has continued to moderate, creating renewed hope for further monetary easing.

The Bloomberg U.S. Aggregate Bond Index posted a return of 1.6%. Treasuries, which represent 45% of the index, were a strong contributor as were mortgage-

Figure 4: Change of U.S. Treasury Yield Curve



Source: Factset Data as of February 28, 2026.

backed securities (MBS), which were up 1.7%, as per the Bloomberg MBS 1000 Index. Investment grade corporate credit was up 1.3% as per the Bloomberg U.S. Corporate Investment Grade Index. High yield credit was up 0.2% as per the Bloomberg U.S. Corporate High Yield Index (see table below). Within high yield credit, B to BB-rated issuers were the best performing credit segment while CCC-rated and below was the worst performing segment. Although not shown, leveraged loans recorded negative returns for the month as they traded down in sympathy with private credit and business development companies.

Fixed Income Performance:

Index	February	YTD	Trailing 1 Year
Bloomberg U.S. Aggregate Index	1.6%	1.8%	6.3%
Bloomberg Municipal Index	1.35%	2.2%	5.0%
Bloomberg U.S. Treasury Index	1.8%	1.7%	5.3%
Bloomberg U.S. Corporate Investment Grade Index	1.3%	1.5%	6.6%
Bloomberg U.S. High Yield Index	0.2%	0.7%	7.2%
FTSE WGBI non-USD Index	0.9%	2.6%	9.8%

Source: Factset as of February 28, 2026.

Municipal bonds continued their strong run, with investment grade and high yield municipal bonds posting returns of 1.3% and 1.7%, 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; 4.2% for 10-year AAA-rated municipals and 5.3% for 10-year BBB-rated municipals.

The U.S. Dollar Index strengthened modestly by 0.6% for the month (see Figure 5), gaining some ground against major currencies. Non-dollar denominated developed market debt benefited with the FTSE World Government Bond Index non-USD, up 0.9% in February. 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 EMBI Index was up 1.3% while the GBI EM (emerging market local currency debt) was up 1.5%. Emerging market corporate debt also finished higher by 0.8%.

Figure 5: U.S. Dollar Index

Source: Factset as of February 28, 2026.

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