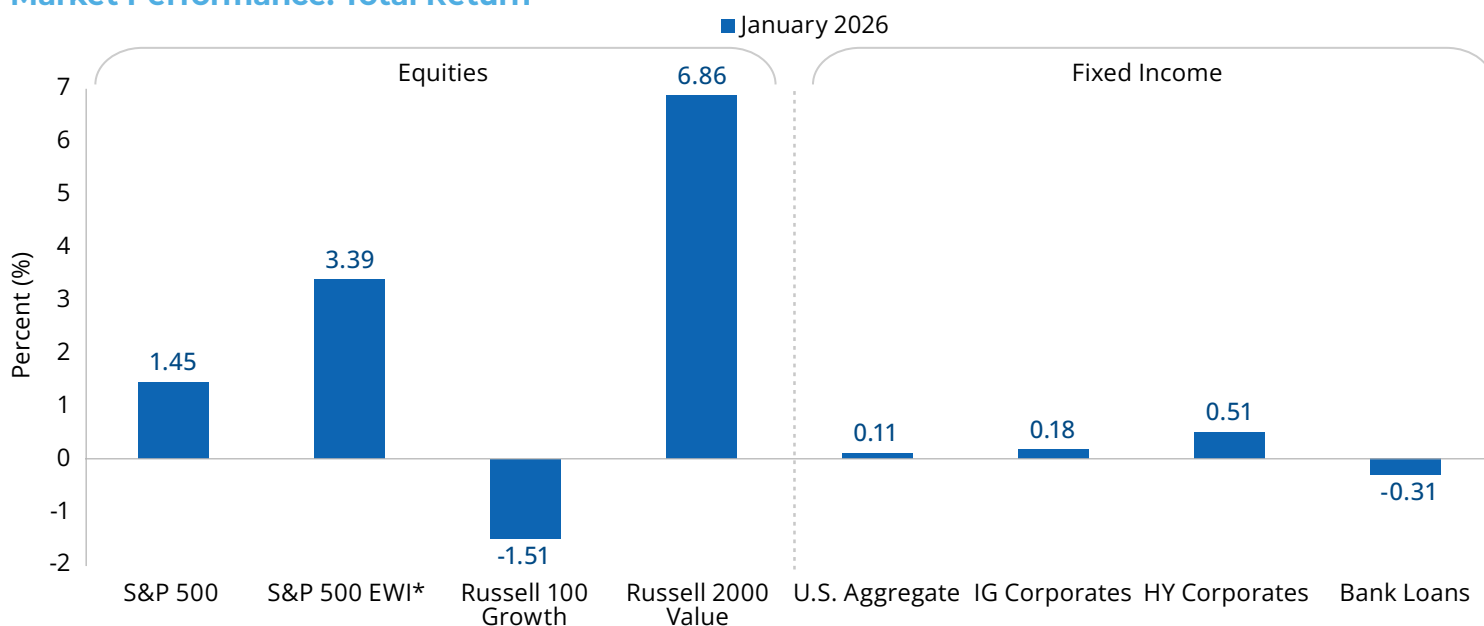


## GOLD RUSH

Plus, Aristotle Pacific CEO Dominic Nolan discusses opportunities in fixed income, the Fed under new leadership, and the latest market and economic trends

*We recently sat down with Dominic Nolan, CEO of Aristotle Pacific Capital, to get his analysis of credit markets, the Fed's upcoming leadership change, and opportunities in fixed income. We conclude with a speed round of questions and answers, and a personal reflection.*

### Market Performance: Total Return



**Past performance does not guarantee future results.** Source: Morningstar as of 1/31/26. \*Equal Weight Index HY Corporates represented by Bloomberg US Corporate High Yield Index, Bank Loans represented Morningstar LSTA Leveraged Loan Index, IG Corporates represented by Bloomberg US Corporate Index, U.S. Aggregate represented by Bloomberg US Aggregate Bond Index.

### Stocks got off to a good start in January. What happened?

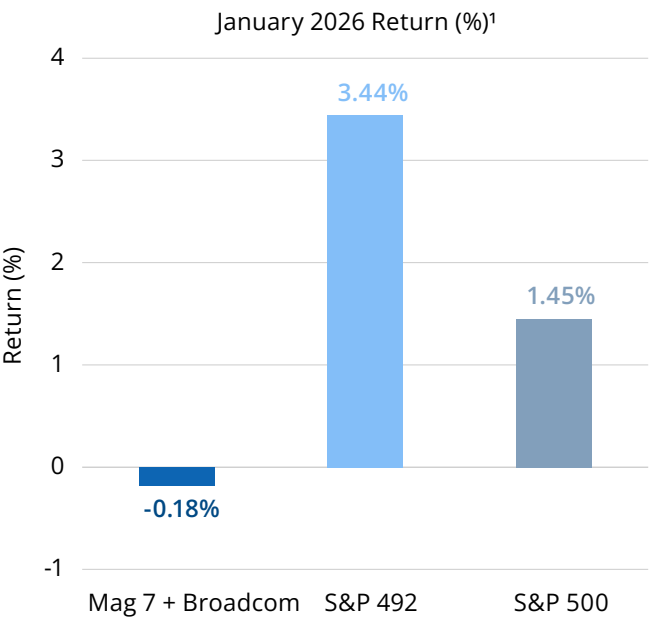
Stocks benefited from a degree of seasonality as January often begins positively, couple this with optimism about the strength of the economy and corporate earnings as a decent launch point. The Russell 2000 Value Index rose nearly 7% in January, a monstrous move for that index and notable shift after a long period of lagging the S&P 500 Index, which rose about 1.5%. Meanwhile, the Russell 1000

Growth Index declined ~1.5%. We are seeing a compression of the large valuation dispersion between growth and value, which is a healthy development for the broader market in my opinion.

The bond market sent mixed signals, and it's too early to draw conclusions. The Bloomberg US Aggregate Bond Index rose just 11 basis points (bps) in January, while high yield corporates led performance, rising 51 bps.

# Mag 7+1

## A Mixed Bag to Start 2026



	January 2026 Average Weight (%)	January 2026 Return (%)
Nvidia Corporation	7.67	2.48
Apple Inc.	6.47	-4.55
Microsoft Corporation	5.89	-11.03
Alphabet Inc.	5.80	7.99
Amazon.com, Inc.	3.92	3.67
Broadcom Inc.	2.71	-4.28
Meta Platforms, Inc.	2.39	8.55
Tesla, Inc.	2.09	-4.29
Contribution to S&P 500 Index January 2026 Performance¹		
Magnificent 7 + Broadcom		-0.22%
Rest of the Companies in S&P 500 Index		1.67%

**Past performance does not guarantee future results.** Source: FactSet 1/1/26 - 1/31/26, MAG 7 Companies Sorted By Average Weight 1Mag 7+1 and S&P 492 return reflects average return while the S&P500 is the weighted average return A full list of each fund's holdings can be found at [www.aristotlefunds.com/resources/prospectuses-reports](http://www.aristotlefunds.com/resources/prospectuses-reports) and are subject to change at anytime. Any discussion of individual companies in this presentation is not intended as a recommendation to buy, hold or sell securities issued by those companies.

## With growth down last month, how did the Magnificent 7+1 perform?

Performance was mixed, with earnings driving the dispersion. Meta led the pack, rising ~8.6% in January due to strong fourth-quarter 2025 results and positive comments on AI ad monetization.

Microsoft had the worst month, declining ~11% due to modest growth in cloud sales and investor concerns that AI could eventually replace many software applications. The Mag 8 group was down 22 basis points, meaning the S&P’s 1.5% gain is thanks to the other 492 companies in the index.

## President Trump Names Kevin Warsh as Next Fed Chair



"Regime change in how we're thinking about inflation, how we're conducting policy, how we're communicating...how we're supervising and regulating banks" – Warsh

Source: Wall Street Journal and CNBC

Stanford University (undergrad), Harvard Law

White House Economic Advisor (2002–2006) / Former member of the Federal Reserve Board of Governors (2006–2011)

Historically critiqued Fed's approach to interest rates balance sheet

Recent advocate for Trump's policy

Senate hearings start late February, vote may not happen until April

### President Donald Trump has named Kevin Warsh to succeed Jerome Powell as chair of the Federal Reserve when his term ends in May. Your thoughts?

The confirmation process may not be easy. However, Warsh checks many qualification boxes, from his education at Stanford University and Harvard Law School to his career in finance to serving as a Fed governor during two presidential administrations.

He has criticized the Fed, particularly its balance sheet expansion, and the Street views him as hawkish, which strikes me as overstated. I see a near zero chance of even being nominated if he leans hawkish on interest rates given the President's public statements.

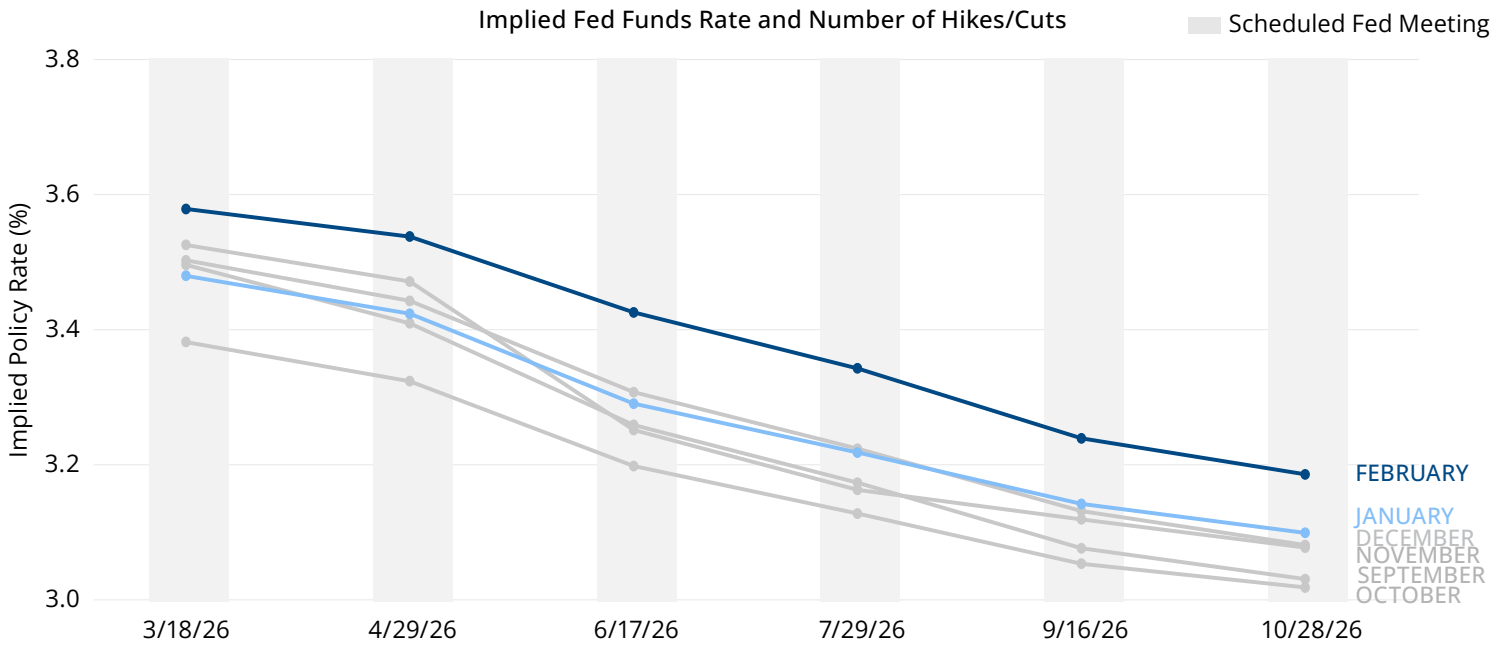
My base case is that under his leadership the Fed shrinks its balance sheet, which somewhat pressures the long end of the yield curve, while

cutting short-term rates. Lower rates reduce the cost of the budget deficit, incentivize leverage, and typically support asset prices. However, rate cuts can be viewed as inflationary, leading to higher long-term rates and thus higher financing costs. Yet if he doesn't cut rates, he should be prepared to be called many things in the press.

His path becomes easier if productivity rises – which could occur with wider AI adoption – easing inflationary pressure and thus facilitating rate cuts. Alternatively, AI-related job losses could raise the U.S. unemployment rate, which also likely would lower inflation and facilitate rate cuts. Both scenarios are uncertain. Historically, new Fed chairs have faced early challenges, as Paul Volcker did with inflation and Ben Bernanke did with the 2008 financial crisis, and Powell with the pandemic shutdown.

## Fed Futures

### Will the New Fed Chair Make The Cut?



Source: Bloomberg, as of 2/2/26.

### How did the market react to the nomination?

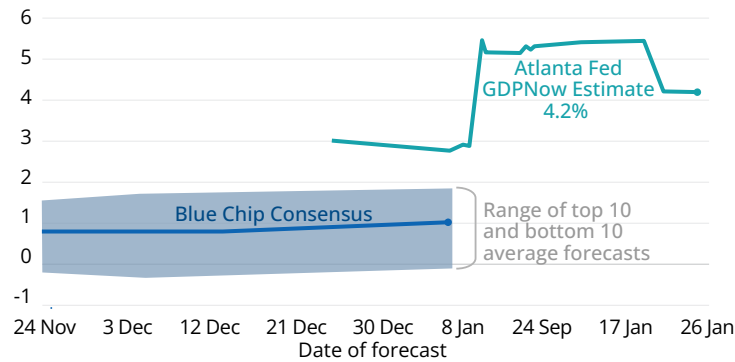
Markets are still digesting the implications. Ten-year Treasury yields initially moved slightly higher after he was nominated – consistent with balance sheet reduction pressuring the long end of the curve – then the yields dipped back down.

Fed futures are still indicating about two rate cuts. If Powell's Fed takes no action on rates through the end of his term, that would give Warsh room to enact one or two cuts in pretty short order, and then we'll see if conditions indicate a third cut is feasible by year end.

## Economic Dashboard

### Growth Within a Soft Environment

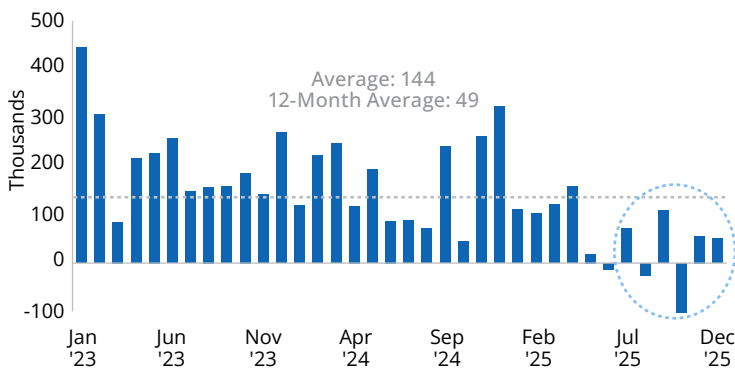
Evolution of Atlanta Fed's GDPNow Real GDP Estimate for 4Q 2025  
Quarterly percent change (Seasonally Adjusted Annualized Rate)



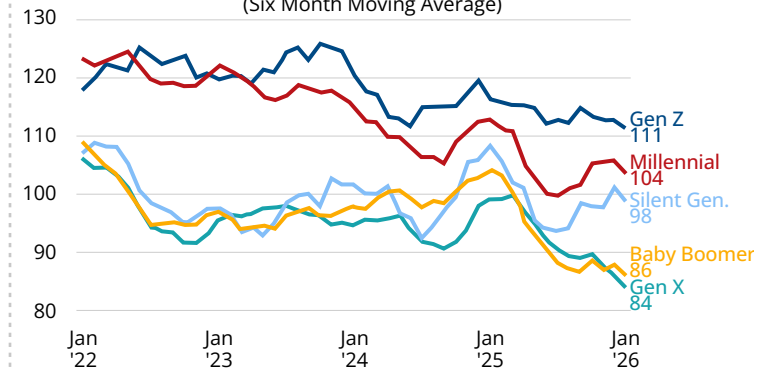
Consumer Price Index: 12-Month Percent Change  
(Not Seasonally Adjusted)



Monthly Change in Nonfarm Payrolls



Consumer Confidence by Generation  
(Six Month Moving Average)



Sources: GDP – Atlanta Fed, Blue Chip Economic Indicators and Blue Chip Financial Forecasts as of 2/2/26; CPI – U.S. Bureau of Labor Statistics as of 12/31/25, most recent data available as of 2/2/26; Payrolls – U.S. Bureau of Labor Statistics as of 12/31/25, most recent data available as of 2/2/26; Consumer Confidence, The Conference Board Consumer Confidence Survey as of 2/4/26.

### What's your view on the U.S. economy?

The outlook is mixed but includes upside potential. Employment data continues to suggest a softening labor market. The Consumer Price Index rose 2.7% year-over-year in December, the same as November – as we have this discussion, the CPI for January has yet to be released – which is higher than the Fed would prefer but not concerning.

The key data point to watch is fourth-quarter 2025 GDP growth. Several economists have estimated a roughly 1% real growth rate for the quarter; yet the Atlanta Fed's GDPNow estimate currently is showing ~4% growth for the quarter – if that proves to be true it will be a remarkable upside surprise. For 2026, I see a case for 3%+ GDP growth supported by productivity gains, investment, and tax refunds.

## Gold Rush: A Strategic Reserve?

Spot Gold Price in U.S. Dollars



### Drivers for the Surge in Gold Prices

- Use of Sanctions as a tool for U.S. Foreign Policy
- Ban of Select Russian Banks from the SWIFT System in March 2022
- Freeze of \$280 billion in Russian Foreign exchange reserves by Western Governments in February 2022
- Potential concerns over long-term outlook for U.S. Treasuries and the dollar

Source: FactSet and Aristotle Pacific Capital as of 2/2/26.

## Let's shift to our special topic: The Gold Rush. Why was 2025 such a strong year for gold?

Gold has been rising for more than two years, and 2025 was remarkable. Several tailwinds exist, though none alone explain the magnitude of the rise.

For some context, U.S. sanctions as a foreign policy tool created an incentive to marginally move away from our financial system. The consequences of Russia's invasion of Ukraine likely have been more significant. Russian banks were removed from the SWIFT payment processing system, and about \$280 billion in Russian exchange reserves were frozen by Western governments. Some countries see these actions and may have reconsidered where to park incremental reserves.

In addition, with ever-expanding U.S. government debt, there are concerns over the long-term outlook

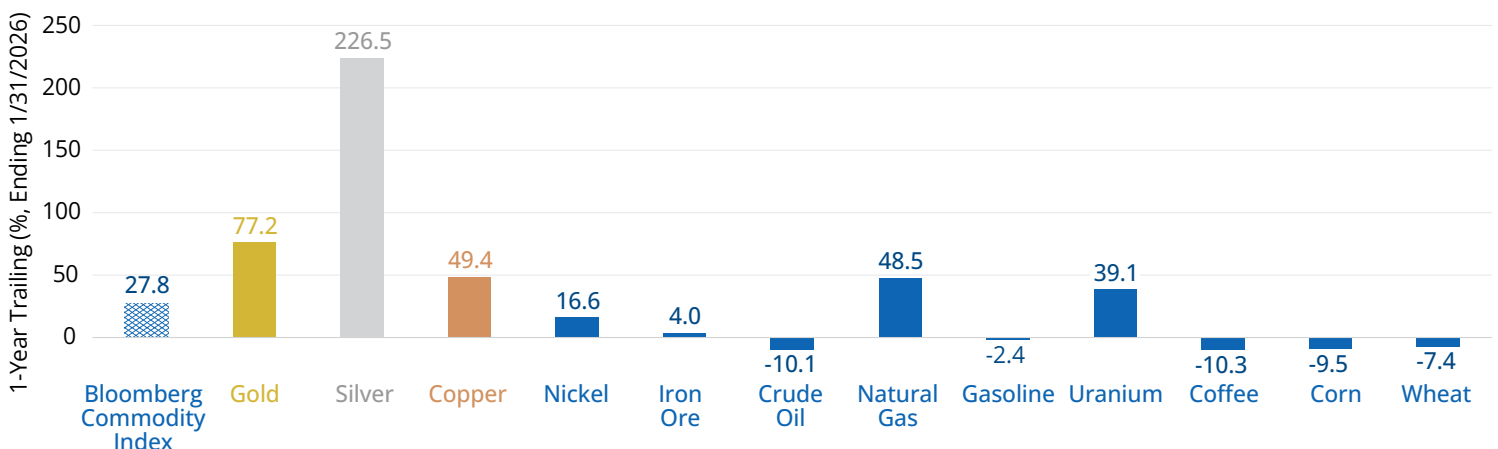
for U.S. Treasuries and the dollar. Ultimately, the dollar's value depends on trust and transparency. If those weaken, investors tend to gravitate to gold.

## How are other commodities performing?

The commodity rally has been concentrated. Silver really stands out – the metal rose an incredible 226.5% in the 12 months through the end of January. Silver is unique because it has both decorative and industrial uses, such as in semiconductors, solar panels, batteries, and medicine. Looking again at gold, 2025 was its highest performing year since 1979, and for the 12 months through January it rose 77.2%.

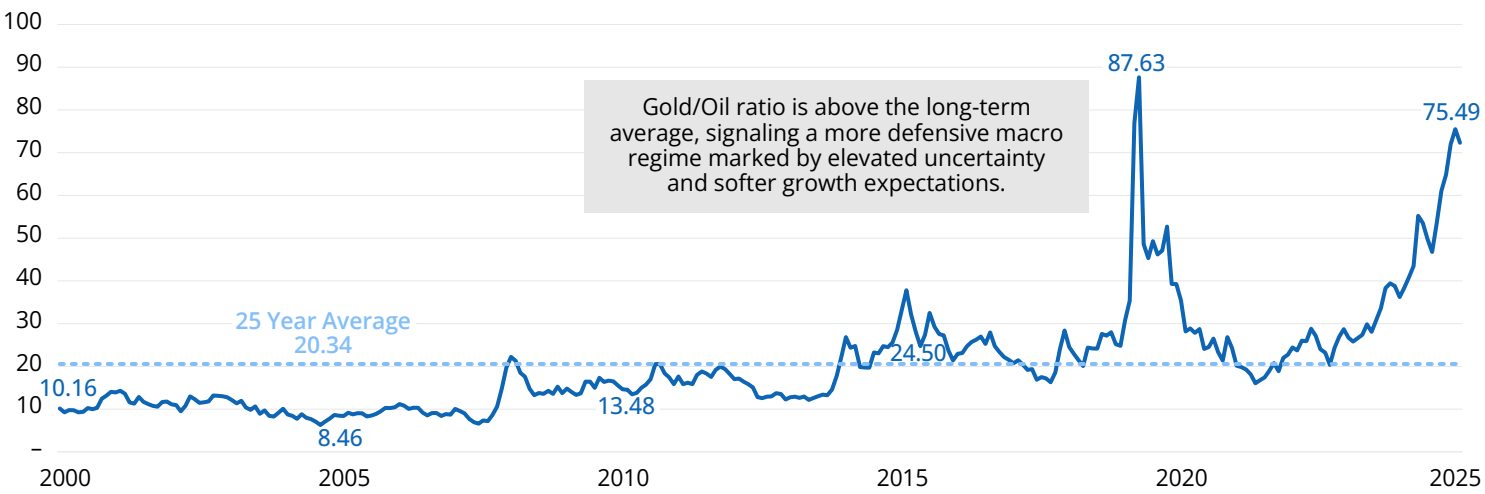
However, while copper, nickel, natural gas, and uranium all posted double-digit returns for the 12 months ending in January, several other commodities declined in value, including crude oil, coffee, corn and wheat.

## Gold Rush: Precious Metals Take The Crown



Source: FactSet and Aristotle Pacific Capital as of 1/31/2026. Past performance does not guarantee future results.

Gold Rush: The Gold-Oil Relationship



Source: FactSet, 1/1/00 to 1/30/26.

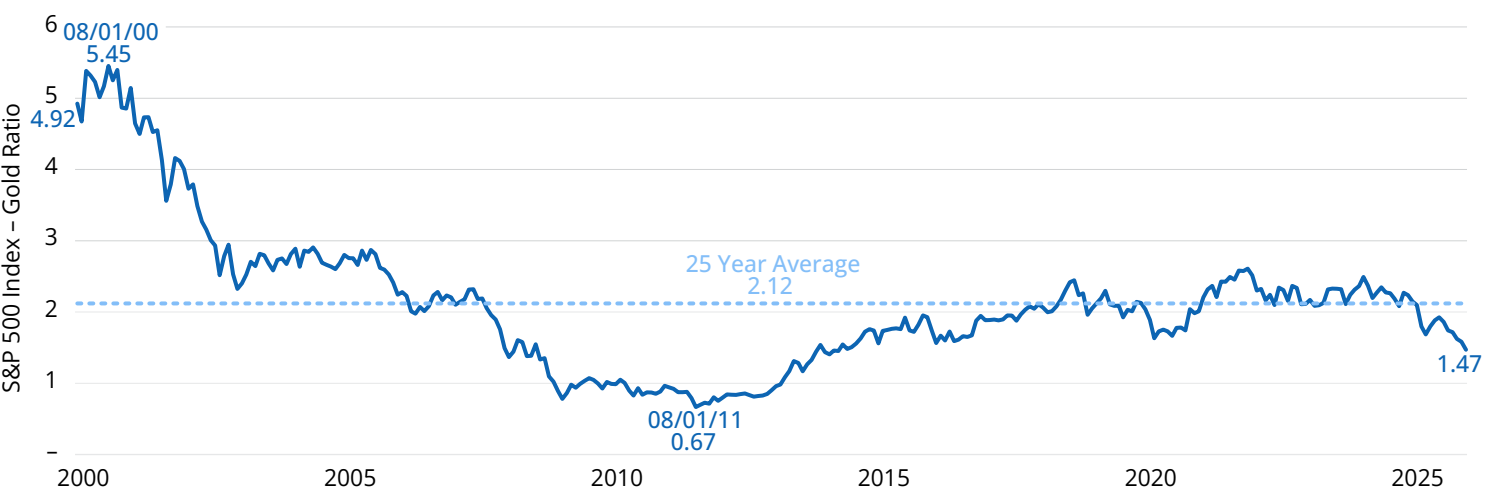
How do you assess the drivers of gold value?

A few key ratios indicate whether gold is rising as an inflation hedge or a lack of trust in the dollar and perhaps other assets. One key metric is the ratio of gold to oil – the amount of oil barrels one could purchase with an ounce of gold. At the end of January, one ounce of gold bought about 75 barrels of oil, far above the long-term average of ~20 barrels. The ratio has spiked dramatically over the past year or so. If inflation were the main tailwind, we would see a steady climb in the ratio rather than a sudden spike, since energy is a key factor in

inflation. Thus, the recent ratio spike suggests failing trust is the bigger driver, and over the past 25 years, the ratio was higher only once: during the COVID pandemic.

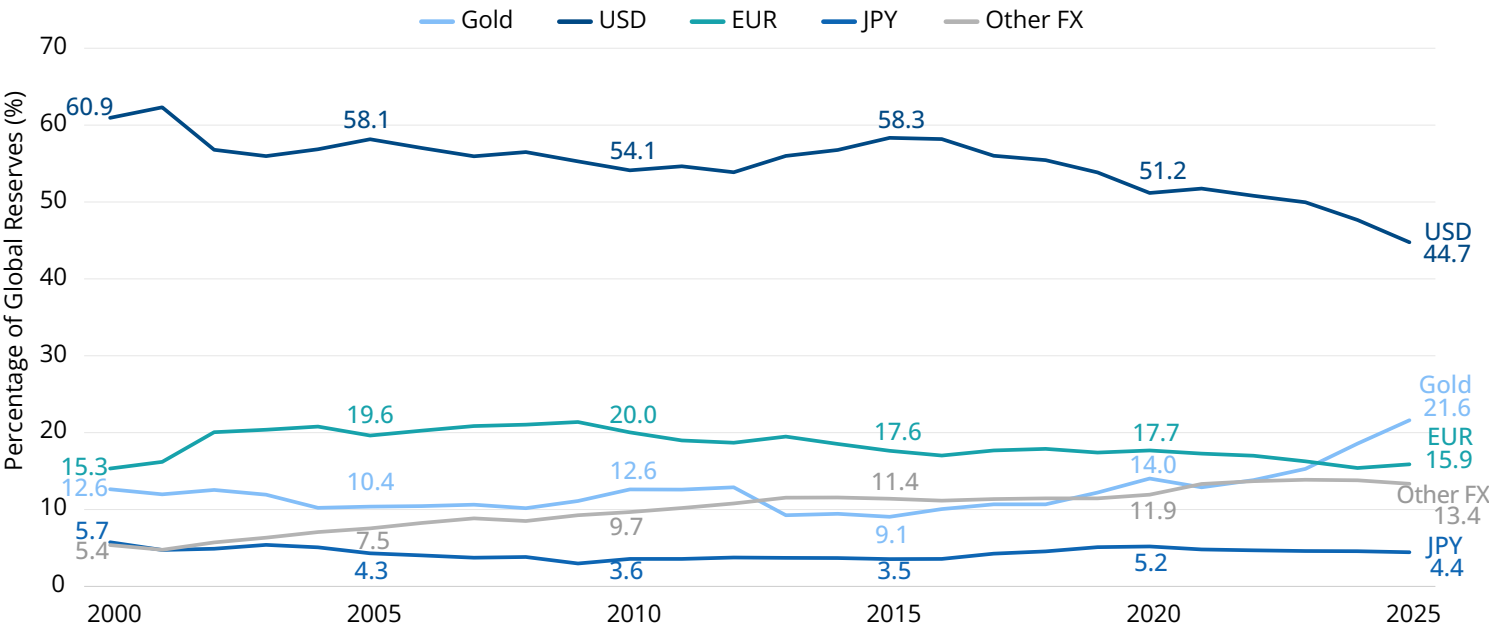
Comparing the S&P 500 Index to gold is another informative metric. Large cap stock prices tend to rise with inflation, thus if inflation were driving asset prices, we would expect large cap stocks and gold to rise in unison, and for the ratio – how many ounces of gold a unit of the S&P 500 could buy – to be stable. Instead, the ratio has been declining and ended January at about 1.5, below the 25-year average of about 2.1.

Gold Rush: Rushing Out The Gate – Gold vs. S&P 500 Index



Source: FactSet, S&P500 Index, NYMEX Spot Gold, Monthly January 2000–January 2026, US Dollars.

Gold Rush: Gold's Share of Global FX Reserves is on the Rise



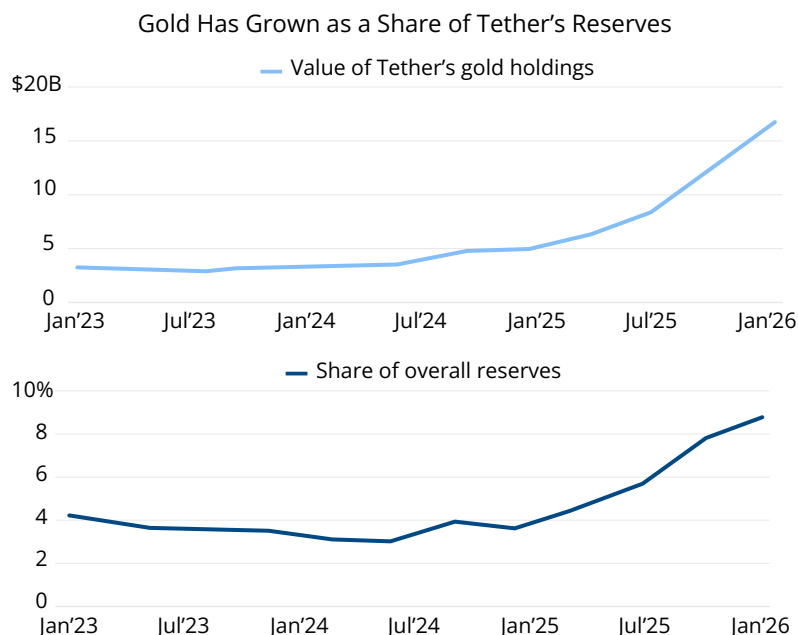
Source: Bloomberg, World Gold Council. \*Data from 1/1/1990 to 12/31/2025. IMF COFER data aggregates central banks' and monetary authority reserve holdings by currency.

Finally, consider gold's share of global FX reserves. The U.S. dollar's share has fallen roughly 15 percentage points over the past 25 years to 44.7% at the end of 2025. To be sure, the dollar is still the largest holding, but that's a substantial decline. Gold, meanwhile, has risen about 9 percentage

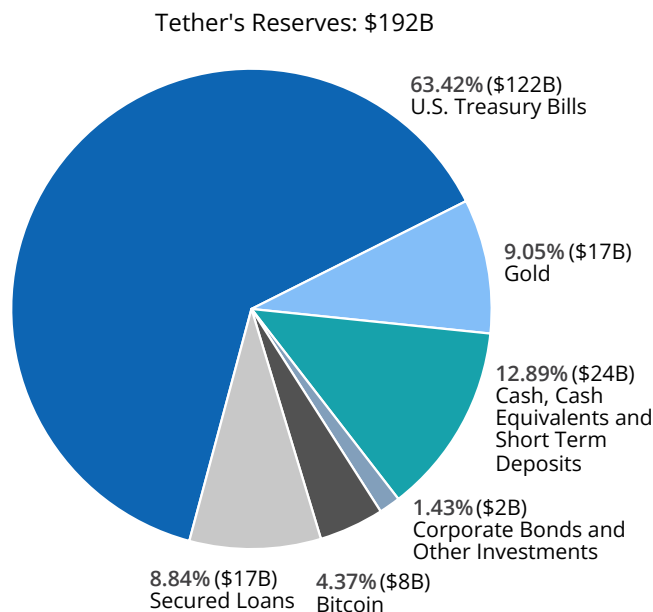
points to 21.6% over the same period. The three biggest central bank buyers of gold in 2025 might surprise: Poland, Kazakhstan and Brazil. China was also in the top 10, and they have been reducing their U.S. Treasury exposure for years.



## Gold Rush: Tether Isn't Just Buying T-Bills



Source: Bloomberg and Tether as of 2/2/26.



### What role is Tether playing in the gold story?

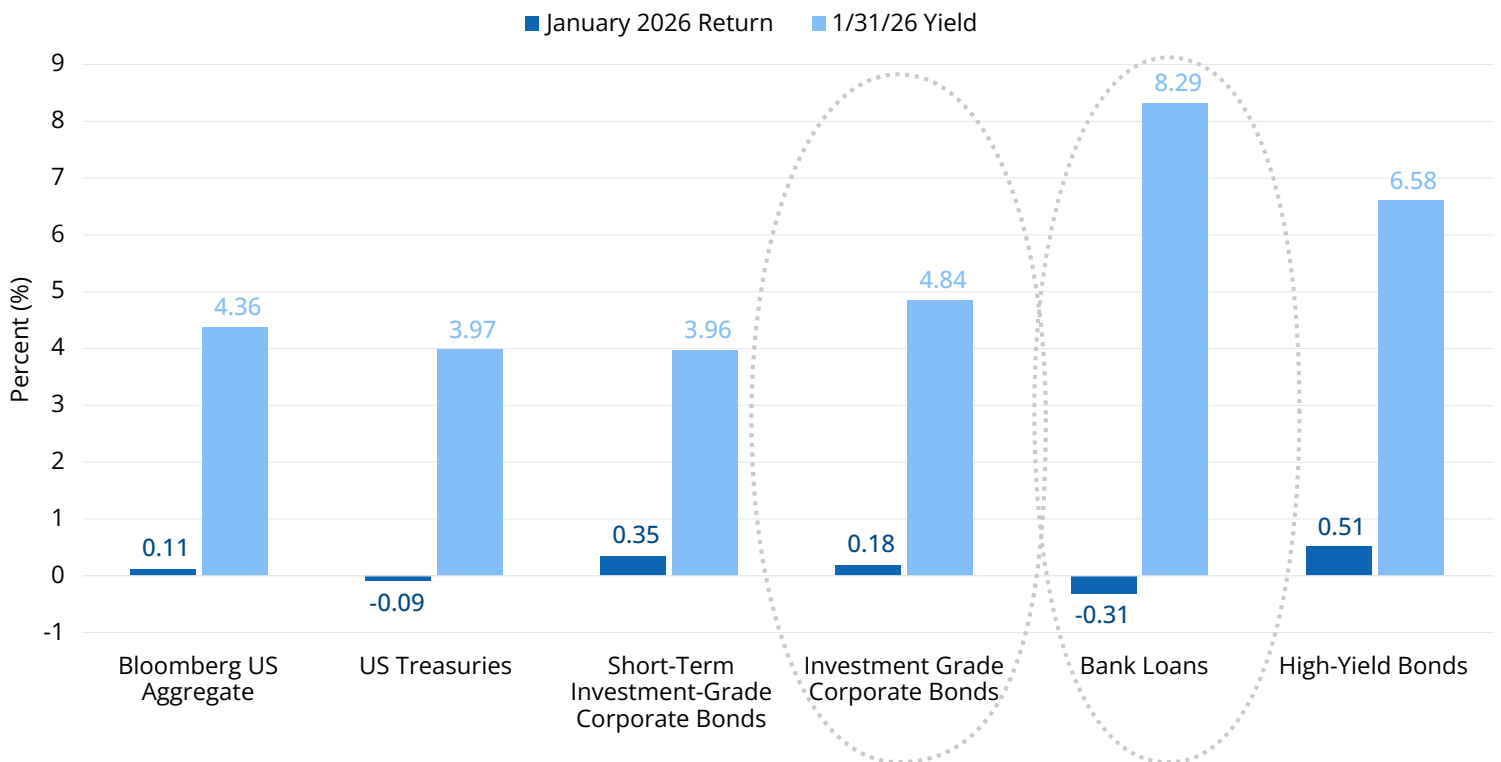
Alongside the central banks of the world, Tether Holdings SA has become one of the biggest players in the gold market. According to a Bloomberg interview with Tether's CEO Paolo Ardoio, the company has been buying one to two tons of gold a week, bought more than 70 tons in 2025, and holds a total of roughly 140 tons. They hoard their gold in a former nuclear bunker in Switzerland, and it serves as one of the assets backing Tether's stablecoin, along with U.S. Treasuries. Ardoio expects geopolitical rivals to the U.S. to eventually launch a gold-backed alternative to the dollar, according to Bloomberg. Bottom line: one can think of Tether as the largest marginal buyer of gold.

### What are the implications of gold's rise?

I view gold's rise as a reflection of decisions rather than a driver of one. The Trump administration's economic objectives are using more radical financial incentives to push the agenda. This tactic disincentivizes marginal use of our financial system, and thus, our currency by other countries and central banks. Under those circumstances, the dollar becomes a pressure release valve, and the dollar's value could weaken for years. A weaker dollar tends to translate to higher demand for gold. This is potentially a negative trend for the U.S. balance sheet and the government's ability to borrow in the future.

More broadly, a softening dollar and rise in gold reflects a broader challenge to U.S. hegemony, in my view. We have been a singular power since the collapse of the Soviet Union in the early '90s. Now there is another economic power on the rise, as well as others seeking to challenge the dominance of the U.S. and our currency.

## Fixed Income Yields and 1-Month Returns



**Past performance does not guarantee future results.** Source: Bloomberg and J.P. Morgan, as of 1/31/26. Yield quoted is yield-to-worst, except for Bank Loans which represents 4-year effective yield. US Treasury represented by the Bloomberg US Treasury Index. Investment-grade corporate bonds are represented by the Bloomberg US Corporate Index. Short term investment grade corporate bonds are the 1-3 year component of the Bloomberg US Credit Index. Bank loans are represented by the Morningstar LSTA Leveraged Loan Index and index components. High yield is represented by the Bloomberg US Corporate High Yield Index.

### Let's turn to bonds. Where are you seeing opportunities in fixed income?

In 2025, we pivoted to invest-grade corporate bonds, and duration was a helpful tailwind. In 2026, as discussed, if the new Fed chair reduces its balance sheet, we likely will see pressure on the intermediate to longer sections of the yield curve.

Still, I expect longer-term rates to settle below 4% and continue to favor an overweight to duration, though a more modest overweight.

Also, it's worth noting that floating-rate loans can hedge interest-rate risk. As rates have moved and we have seen volatility play out, I think a floating-rate component can add more value to a portfolio.

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## **Time for the random round.**

### **BlackRock's 19% mark down of TCP Capital Corp.**

There has been a lot of press on the 19% mark down of that private credit fund, which is a business development company. I think we are going to see more mark downs from others as the credit cycle plays out.

### **SpaceX and xAI merger.**

Elon Musk is doing a lot of things this year with his companies. He plans to take SpaceX public, perhaps enabling more scale. Tesla will discontinue models S and X and will focus on self-driving cars and humanoid robots dubbed Optimus. Bottomline: He is putting his grand plan together. With Elon, things tend to take longer than what he says but take him seriously on the direction.

### **Artemis launch.**

Super cool. For those not aware, NASA plans Artemis II, a mission to drive by the moon, launching next month. If that goes well, Artemis III will take humans to the lunar surface.

### **MoltBot/OpenClaw**

There is a mix of hype and confusion on this one. According to press reports, Peter Steinberger developed Clawdbot, and he and the model are

unaffiliated with Anthropic or its Claude model. After a bit of trademark dispute, Clawdbot was rebranded MoltBot and then renamed again as OpenClaw. All that aside, it's gotten people talking because it can, in theory, act as an assistant, performing tasks for the user, such as scheduling calendar entries, shopping, and sending and deleting emails. Also, it can remember what you tell it – something chat bots seem to lack – so it should better serve users. That's the dream anyway. In practice, some users seem to like it, while others find its performance inconsistent. More concerning, again according to press reports, are worries that OpenClaw could leave one's computer more vulnerable to hackers, as users run it on their own devices rather than via the cloud. Forbes described it as a potential "open door" for attackers.

### **Let's close with a personal reflection.**

Lately, I have asked a few people whether there is real chaos or simply reports of chaos. I sense a societal panic. My advice, particularly to my kids and other young adults that I speak with, is to remember "the message for the masses is for commercial purpose." Media reports generally come from profit-seeking businesses, and they exist to gather and steer emotion as much as to inform. So, please don't panic because you're being told to panic.

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## Definitions:

The **10-year Treasury note** is a debt obligation issued by the U.S. government with a maturity of 10 years upon initial issuance. It pays interest at a fixed rate every six months and pays the face value to the holder at maturity.

The **10-year Treasury yield** is the interest rate the U.S. government pays to borrow money for a decade.

The **Atlanta Fed's GDPNow** is a forecasting model that provides a "nowcast" of GDP growth.

**Bank loans** (or **floating-rate loans**) are financial instruments that pay a variable or floating interest rate. A floating rate fund invests in bonds and debt instruments whose interest payments fluctuate with an underlying interest rate level.

**Basis points**, otherwise known as bps or bips, are a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

A **bond** is a fixed-income instrument and investment product where individuals lend money to a government or company at a certain interest rate for an amount of time. The entity repays individuals with interest in addition to the original face value of the bond.

The **Consumer Confidence Index (CCI)** is a monthly report that measures how optimistic consumers are about the economy, labor market, and their finances.

The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

**Consumer Sentiment** is a statistical measurement of the overall health of the economy as determined by consumer opinion.

A **coupon** or **coupon payment** is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity. **Clipping coupons** refers to the practice of earning income through interest payments from bonds.

**Duration** is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk.

**Effective tariff rate** measures the actual protection afforded to domestic producers, considering tariffs on both the final product and imported inputs.

**Fed funds futures** is a tool used by traders and institutions to hedge or bet on changes in the federal funds rate, which is key to U.S. monetary policy.

The **federal funds rate** is the target interest rate set by the Fed at which commercial banks borrow and lend their extra reserves to one another overnight.

The **Federal Open Market Committee (FOMC)** is the branch of the Federal Reserve System that determines the direction of monetary policy and is responsible for raising or lowering interest rates.

**Fixed income** refers to assets and securities that pay a set level of income to investors, typically in the form of fixed interest or dividends.

**Gross Domestic Product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. The **nominal GDP growth rate** compares the year-over-year (or quarterly) change in a country's economic output to measure how fast an economy is growing. **Real GDP** is GDP adjusted for inflation.

**High-yield bonds** are debt securities, also known as junk bonds, that are issued by corporations.

**Investment grade** refers to the quality of a company's credit. To be considered an investment grade issue, the company must be rated at 'BBB' or higher by Standard and Poor's or Moody's.

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## Definitions (continued):

The **Personal Consumption Expenditures Index (PCE)** is a measure of consumer spending and includes all goods and services bought by U.S. households. **Core PCE** excludes the prices of food and energy.

**Risk** is defined in financial terms as the chance that an outcome or investment's actual gains will differ from an expected outcome or return.

**Spread** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, represented by treasury bonds. Spread income refers to the additional income from this difference.

**Volatility** is a statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security.

**Yield** is the income returned on an investment, such as the interest received from holding a security.

A **yield curve** plots the interest rates of bonds that have equal credit quality but different maturity dates.

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visit **AristotleFunds.com**

*Any performance data quoted represent past performance, which does not guarantee future results. Index performance is not indicative of any fund's performance. Indexes are unmanaged and it is not possible to invest directly in an index. For current standardized performance of the funds, please visit [www.AristotleFunds.com](http://www.AristotleFunds.com).*

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