

# Month-End Summary – January 2026

## Market Update

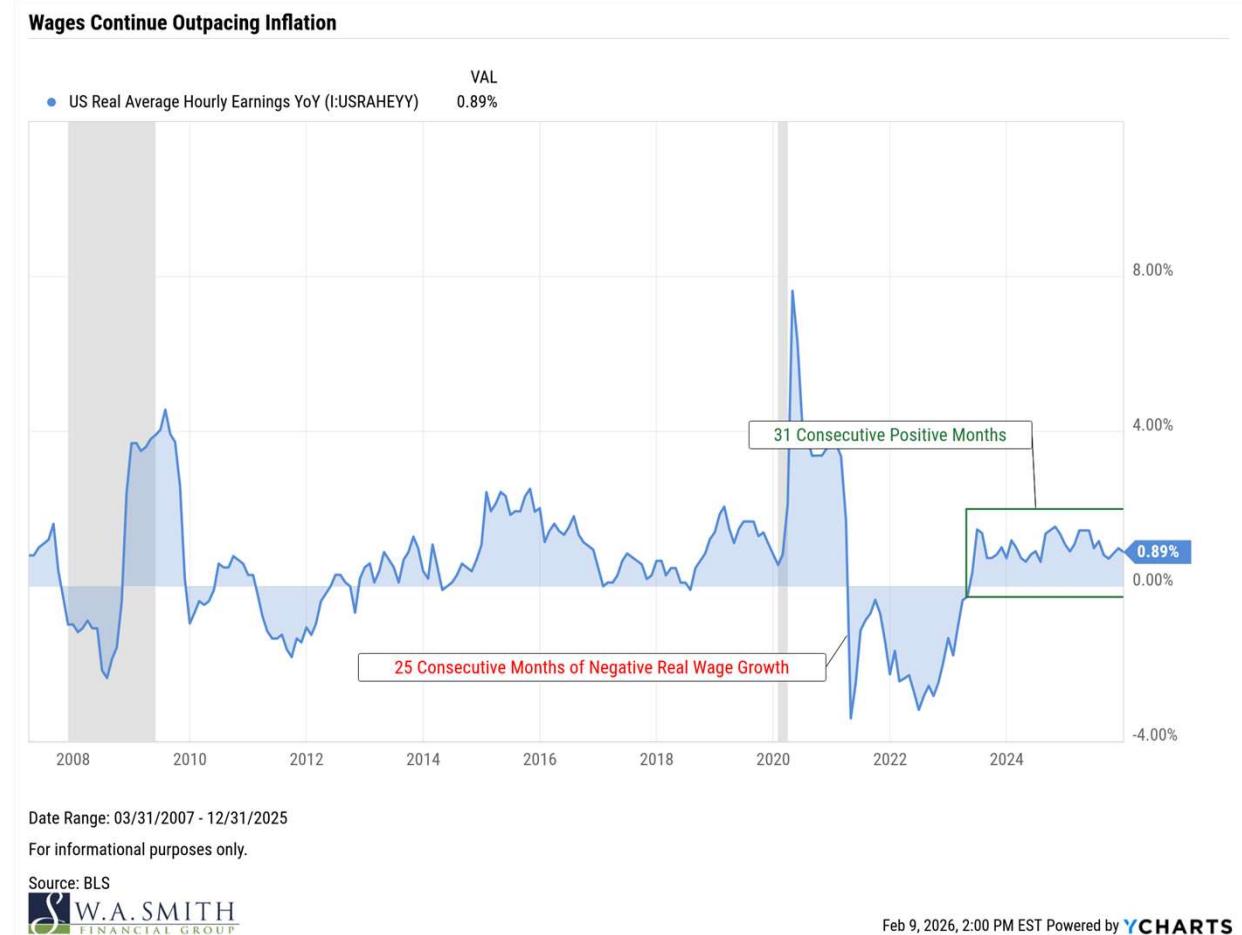
- **S&P 500 and Nasdaq Monthly Performance: January 2026:**
  - **January 2026:** U.S. equity markets began the new year with increased volatility, as investors recalibrated expectations around monetary policy, earnings growth, and valuation discipline. The S&P 500 finished the month modestly higher, supported by continued economic resilience and early earnings results that largely met expectations. In contrast, the Nasdaq Composite lagged, weighed down by profit-taking and rotation out of mega-cap technology following an extended period of outperformance, particularly within AI-related names
  - **Volatility driven by rotation rather than macro deterioration:** Market volatility was elevated throughout the month as leadership broadened beyond large-cap technology into value-oriented, cyclical, and small-cap segments. While technology stocks experienced episodic weakness, this rotation reflected a healthy rebalancing of market leadership rather than a breakdown in underlying fundamentals, as financial conditions remained supportive and recession risks stayed contained
  - **Early 2026 positioning sets the tone:** January's performance reinforced the theme of broadening participation that emerged late in 2025. While AI and growth stocks remain important long-term drivers, investors increasingly favored diversification and earnings durability as earnings season commenced
- **Key Drivers During January 2026:**
  - **Fed policy and economic recalibration:** The Fed signaled a more patient, data-dependent approach after pausing further rate cuts, as inflation remains above target and growth continues to support a soft-landing outlook
  - **Market volatility driven by rotation:** January volatility reflected sector and style rotation rather than weakening fundamentals, with leadership shifting away from mega-cap technology toward value, cycicals, and small caps
  - **January Activity Reinforced the Case for Broader Market Participation:** The early-year shift in leadership and heightened focus on earnings quality underscored a constructive setup for the remainder of 2026. As earnings season moved into full gear, investor attention shifted toward fundamentals, valuation discipline, and forward guidance, reinforcing expectations for a more balanced and diversified market environment

## Investment Committee Update

- The Investment Committee (IC) continues to monitor the overall economic and market environment as we enter into 2026. As always, the below bullet remains in place and is the foundation for our investment decisions
  - Investment Committee continues to actively identify possible alterations (additions/removals) to our various strategies by utilizing our **rigorous 5-step due diligence process**
- **U.S. equities navigated January with increased rotation and resilience:** The opening month of 2026 marked a shift from the policy-driven optimism of late 2025 toward a more fundamentals- and earnings-focused market. While volatility increased, particularly within mega-cap technology, broader equity markets held firm as investors recalibrated expectations around the timing of future rate cuts and likely adjusted positioning ahead of earnings season. The underlying strength of our core holdings continues to support a constructive outlook as we move further into 2026
- **A combination of factors was the market drivers and volatility during January:**
  - **Fed Policy and Economic Rebalancing:** Following December's rate cut, the Federal Reserve adopted a more patient, data-dependent stance, emphasizing a balanced view of inflation and labor market risks. This messaging tempered expectations for near-term easing and contributed to volatility in interest-rate-sensitive and longer-duration growth assets, even as the broader economic backdrop continued to support a soft-landing scenario
  - **Resilience Through Diversification and Broadening Leadership:** Core and Core Plus strategies once again benefited from diversification as market leadership rotated away from mega-cap technology toward value, cycicals, and small-cap equities. While AI-related names experienced near-term consolidation after strong multi-year gains, broader participation across sectors helped stabilize overall portfolio performance and reduce reliance on a narrow group of leaders. We do believe that increased breadth is an overall positive for the markets
  - **Fundamental Strength Supports the 2026 Outlook:** Despite elevated valuations in select areas, the companies held across our strategies continue to exhibit strong balance sheets, healthy free cash flow, and resilient earnings trends. We view January's consolidation and rotation as a healthy reset that improves the risk-reward profile and creates opportunities for disciplined capital deployment. Combined with expectations for continued economic growth in 2026, this backdrop positions our portfolios to participate in the next phase of the market's advance

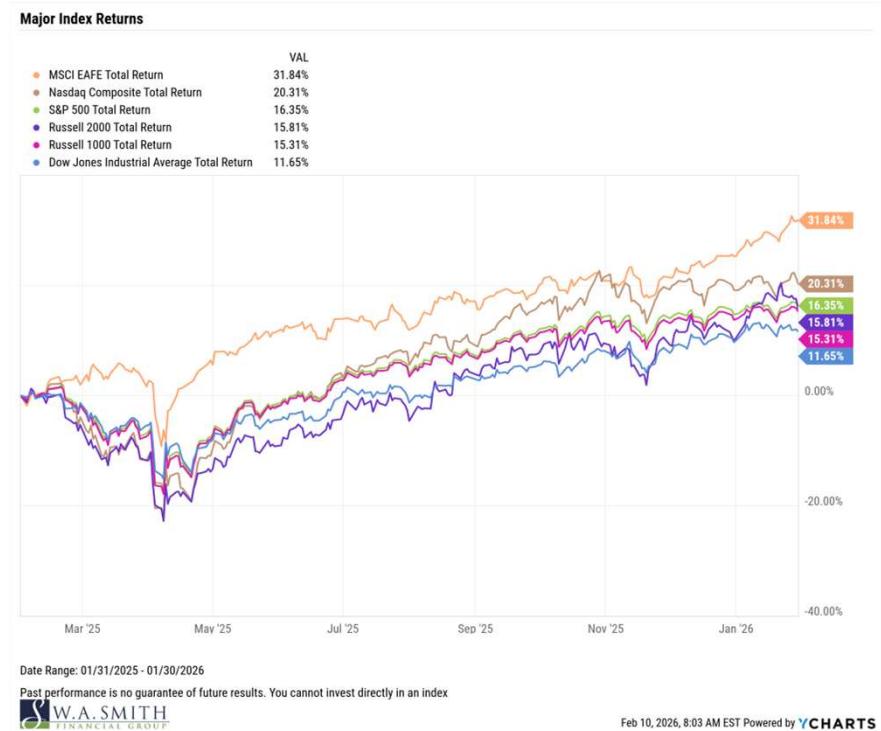
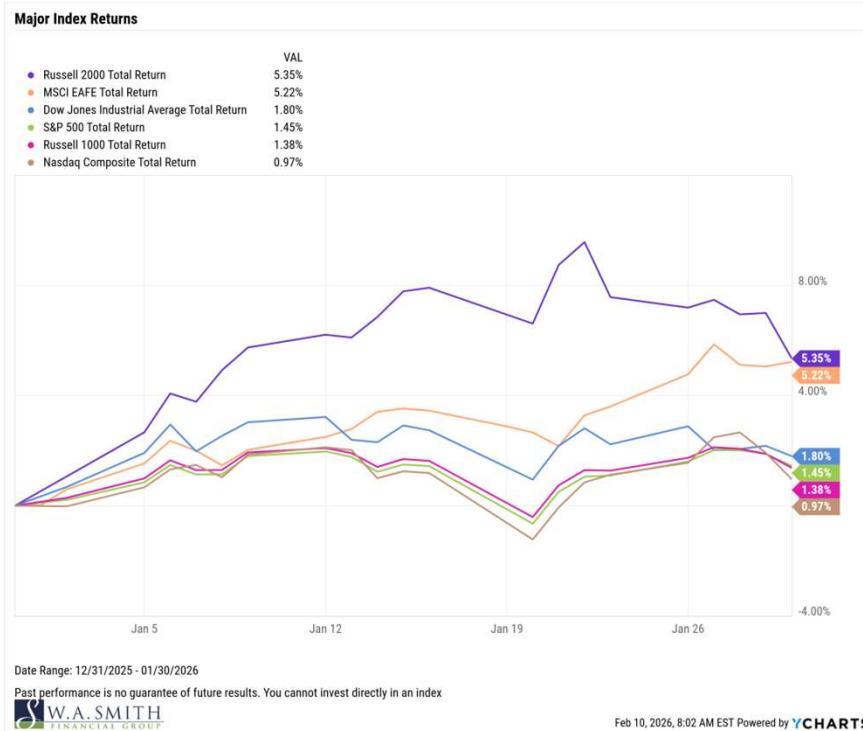
# Real Wages Turn Positive as Inflation Pressures Ease

- **Real wage growth remains positive:** U.S. real average hourly earnings are currently +0.89% Y/Y, indicating wages continue to outpace inflation
- **Sustained improvement in purchasing power:** Real wages have now increased for 31 consecutive months, marking a notable reversal from the prior inflation-driven squeeze on household income
- **Sharp contrast to prior period:** This follows a stretch of 25 consecutive months of negative real wage growth during the post-pandemic inflation surge in 2021–2022
- **Supportive backdrop for consumers:** Persistent positive real wage growth improves household purchasing power, supporting consumer spending and reinforcing the soft-landing economic narrative

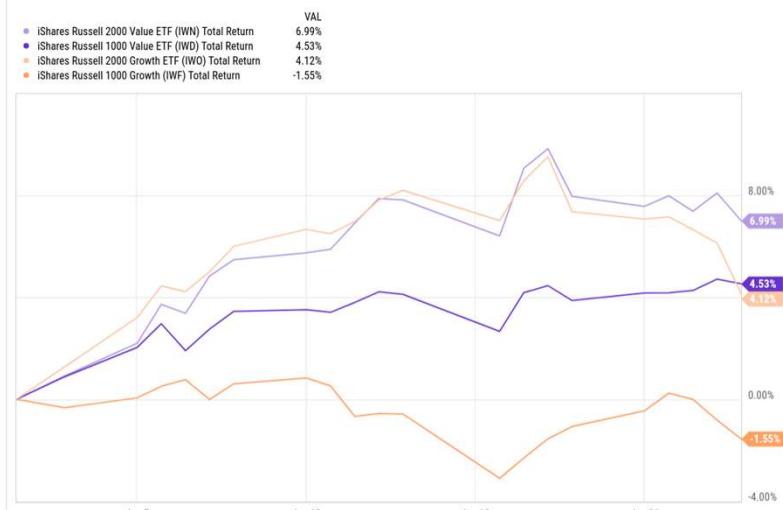


# Near-Term Shifts, Long-Term Focus Remains Intact

- **January performance favored small caps and international equities:** Over the January period, the Russell 2000 (+5.35%) and MSCI EAFE (+5.22%) led returns, reflecting a rotation toward smaller companies and non-U.S. markets, while U.S. large-cap benchmarks posted more modest gains (S&P 500 +1.45%, Nasdaq +0.97%)
- **Large-cap U.S. indices remained positive but lagged:** The DJIA(+1.80%), S&P 500 (+1.45%), and Russell 1000 (+1.38%) advanced during the month, though performance trailed the more cyclical and internationally exposed segments of the market
- **Short-term rotation contrasts with durable leadership themes:** While recent performance highlights tactical opportunities in small caps and international equities, longer-term returns continue to favor U.S. large-cap and growth-oriented indices, reinforcing the importance of disciplined diversification and balanced portfolio construction



#### Value vs. Growth Performance



Date Range: 12/31/2025 - 01/30/2026

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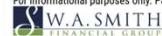
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#### Value vs. Growth Performance (Trailing 12-Months)



Date Range: 01/31/2025 - 01/30/2026

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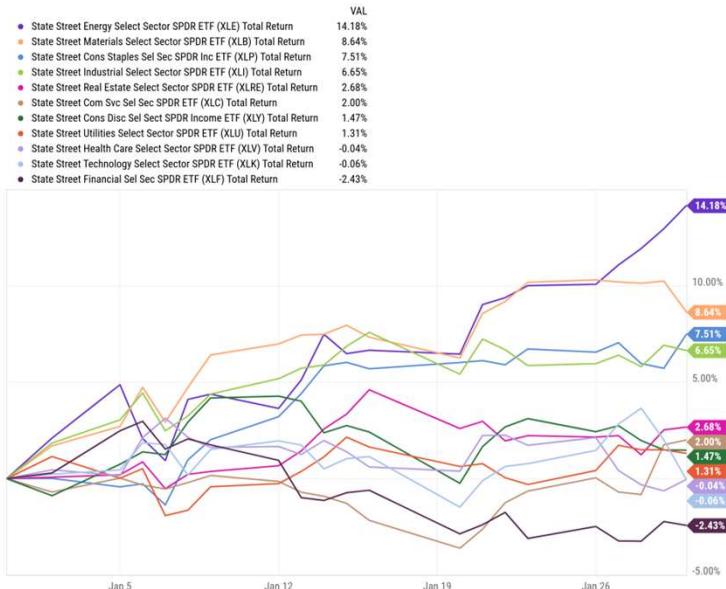
## Value Gains Momentum Amid Market Rotation

- **Value outperformed during January's rotation:** Both small-cap and large-cap value led returns during the month (Russell 2000 Value +6.99%, Russell 1000 Value +4.53%), while growth lagged, particularly large-cap growth (Russell 1000 Growth -1.55%), reflecting a defensive and valuation-driven shift
- **Trailing 12-month performance still favors value overall:** On a 12-month basis, value strategies continue to edge out growth across market caps, with Russell 2000 Value (+17.89%) and Russell 1000 Value (+15.66%) modestly outperforming their growth counterparts
- **Rotation reinforces diversification benefits:** Short-term leadership shifts between value and growth highlight the importance of maintaining balanced exposure, as style leadership remains cyclical rather than structural

# Sector Leadership Broadens Early in 2026

- **January leadership rotated toward cyclicals and real assets:** Energy (+14.18%) led the month by a wide margin, followed by Materials (+8.64%), Consumer Staples (+7.51%), and Industrials (+6.65%), signaling a shift toward cyclical and inflation-sensitive exposures
- **Technology paused after strong gains:** Technology (-0.06%) was flat to slightly negative in January, reflecting consolidation after extended outperformance, while Financials (-2.43%) lagged amid rate and margin pressure
- **Longer-term trends remain growth-oriented:** Over the trailing 12 months, Technology (+25.44%) and Industrials (+21.21%) continue to lead, with Energy (+20.40%) and Communication Services (+18.71%) also posting strong gains, underscoring durable earnings momentum despite short-term rotations

**Sector Movement**



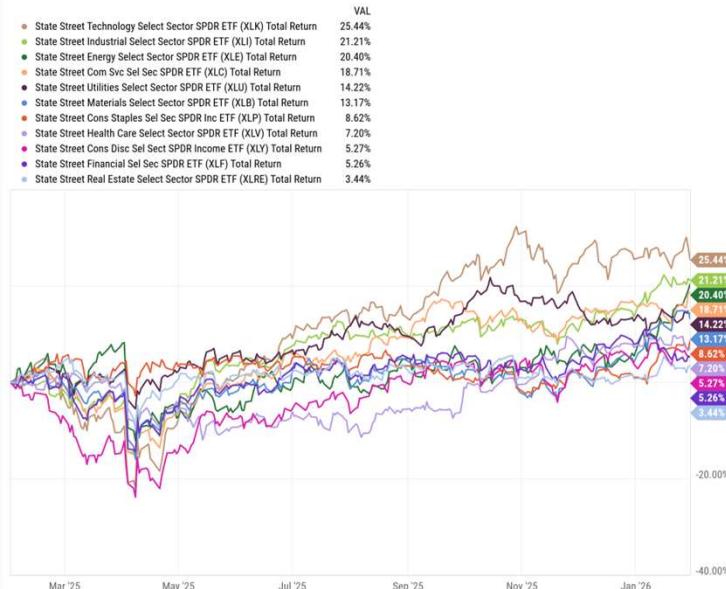
Date Range: 12/31/2025 - 01/30/2026

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**Sector Movement (Trailing 12-Month)**

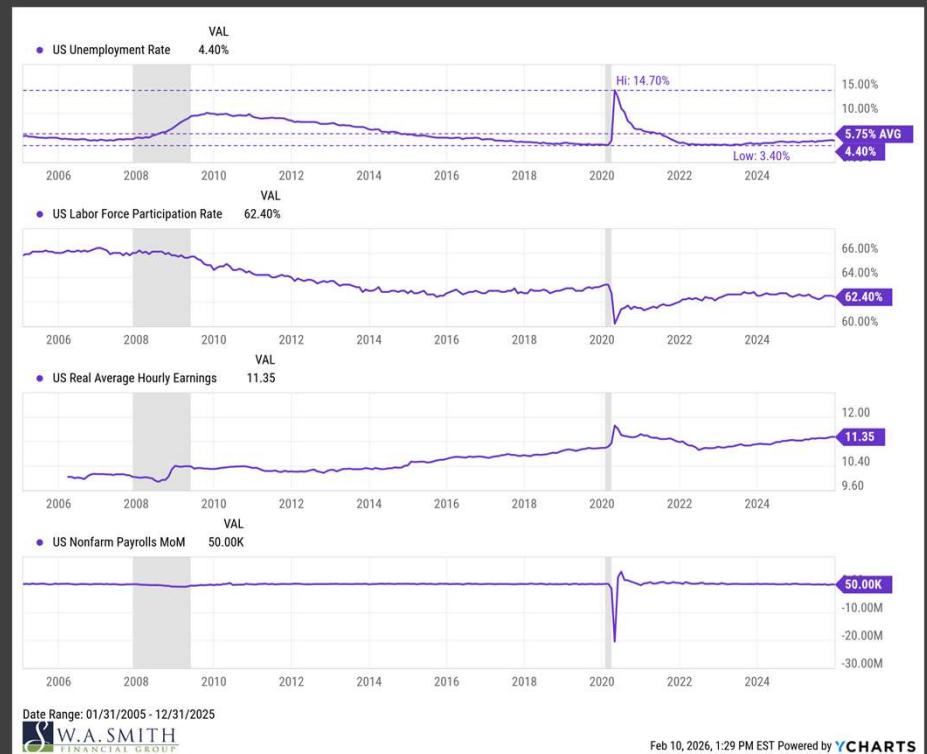
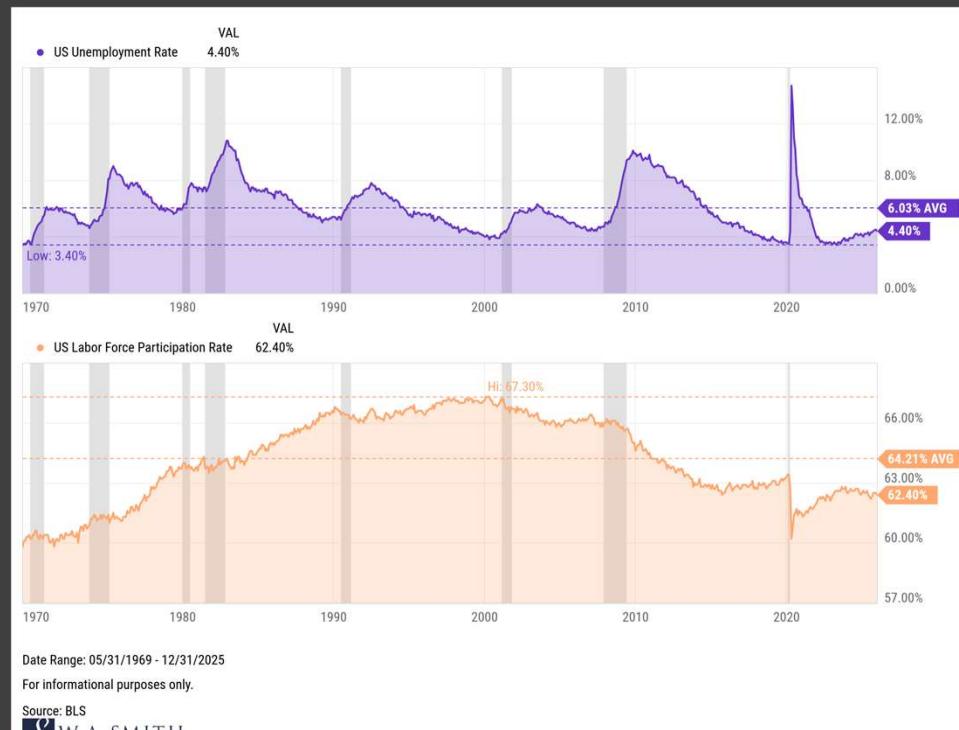


Date Range: 01/31/2025 - 01/30/2026

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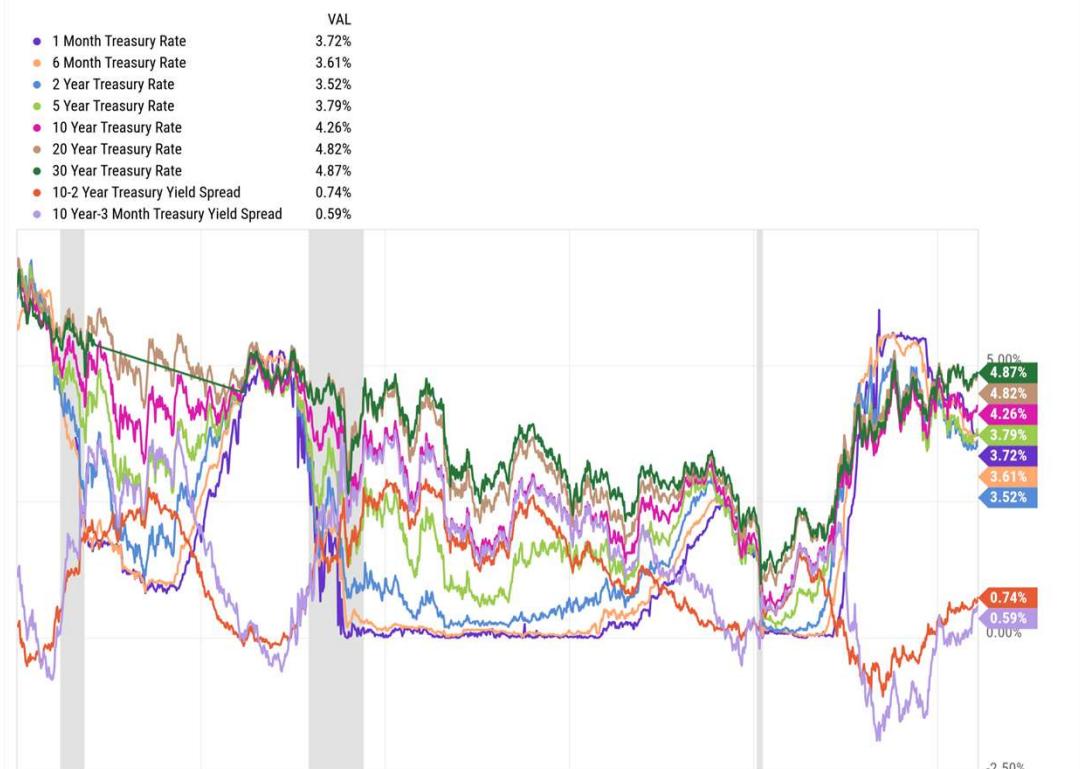
## Labor Market Stability Underpins the Economic Outlook

- Labor market cooling supports the Fed's pause:** The unemployment rate at 4.4% reflects modest softening from cycle lows but remains well below recessionary levels, reinforcing the FOMC's decision to pause further rate cuts while monitoring incoming data rather than responding to acute labor stress
- Participation remains a structural constraint:** Labor force participation stands at 62.4%, below its long-term average and well under pre-2000 peaks, suggesting that labor supply remains limited even as hiring momentum slows—an important factor in the Fed's balanced inflation-versus-employment assessment
- Real wages continue to support consumers:** Real average hourly earnings remain positive at 11.35, indicating that wage growth is still outpacing inflation, helping sustain consumer spending and reducing urgency for additional near-term policy easing

# Yield Curve Re-Steepeening Likely Confirms a Soft- Landing Path

- **Front end reflects a confirmed easing path:** Short-dated Treasury yields have moved decisively lower, with the 1-month at ~3.72%, 6-month at ~3.61%, and 2-year at ~3.52%, signaling that markets are pricing a sustained easing cycle rather than a one-off policy adjustment following the Fed's January pause
- **Yield curve re-steepeening is well established:** Key spreads have turned firmly positive, with the 10Y–2Y at +0.74% and the 10Y–3M at +0.59%, marking a clear exit from the prolonged inversion and reinforcing expectations for disinflation and a soft-landing economic outcome rather than recession stress
- **Long-end yields remain elevated due to term premium:** Despite easing at the front end, longer-dated yields remain high (10-year ~4.26%, 20-year ~4.82%, 30-year ~4.87%), reflecting persistent term premium, Treasury supply dynamics, and anchored long-run inflation expectations
- **Curve dynamics favor quality duration over cash:** A positively sloped curve enhances carry and roll-down opportunities in intermediate maturities, improving the relative appeal of high-quality fixed income, while still placing valuation discipline on the most duration-sensitive equity assets

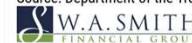
US Treasury Yield Curve



Date Range: 12/31/1999 - 01/30/2026

For informational purposes only.

Source: Department of the Treasury



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## New Timeseries Analysis

Data as of: Feb. 10, 2024

Date Range: 12/30/2022 to 02/01/2024

Frequency: Monthly

Aggregation: End of Period (default)

Fill Method: No Fill

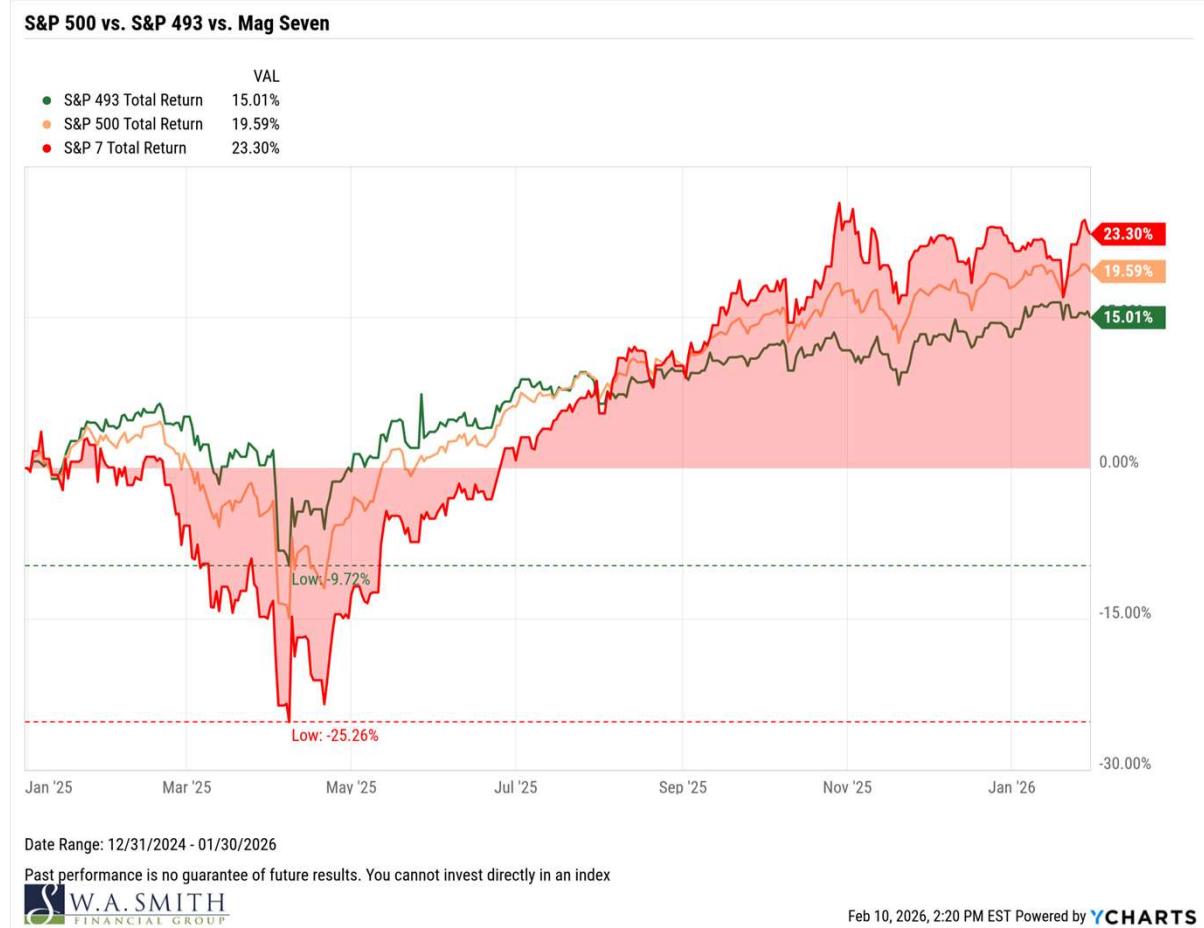
Symbol	Name	Metrics	Jan 31 '26	Dec 31 '25	Nov 30 '25	Oct 31 '25	Sep 30 '25	Aug 31 '25	Jul 31 '25	Jun 30 '25
I:10YTCMR	10 Year Treasury Rate		4.26%	4.18%	4.02%	4.11%	4.16%	4.23%	4.37%	4.24%
I:1MTCMR	1 Month Treasury Rate		3.72%	3.74%	4.05%	4.06%	4.20%	4.41%	4.49%	4.28%
I:1YTCMR	1 Year Treasury Rate		3.48%	3.48%	3.61%	3.70%	3.68%	3.83%	4.10%	3.96%
I:20YTCMR	20 Year Treasury Rate		4.82%	4.79%	4.62%	4.65%	4.71%	4.86%	4.89%	4.79%
I:2YTCMR	2 Year Treasury Rate		3.52%	3.47%	3.47%	3.60%	3.60%	3.59%	3.94%	3.72%
I:30YTCMR	30 Year Treasury Rate		4.87%	4.84%	4.67%	4.67%	4.73%	4.92%	4.89%	4.78%
I:3MTCMR	3 Month Treasury Rate		3.67%	3.67%	3.88%	3.89%	4.02%	4.23%	4.41%	4.41%
I:3YTCMR	3 Year Treasury Rate		3.60%	3.55%	3.49%	3.60%	3.61%	3.58%	3.89%	3.68%
I:5YTCMR	5 Year Treasury Rate		3.79%	3.73%	3.59%	3.71%	3.74%	3.68%	3.96%	3.79%
I:6MTCMR	6 Month Treasury Rate		3.61%	3.59%	3.74%	3.79%	3.83%	4.01%	4.31%	4.29%

## Yield Curve Normalization Continues

- **Front-end yields stabilized after late-2025 declines:** Short-term rates remain well below late-2024 highs, with the 1-month at 3.72%, 6-month at 3.61%, and 1-year at 3.48%, indicating markets continue to price an easing cycle, though the pace has moderated following the Fed's January pause
- **Intermediate yields remain range-bound:** The 2-year (3.52%), 3-year (3.60%), and 5-year (3.79%) segments have held relatively steady, suggesting expectations for gradual policy normalization rather than aggressive rate cuts
- **Curve normalization continues via front-end adjustment:** With short-term yields easing more than longer maturities, the yield curve remains positively sloped, reinforcing a soft-landing outlook and signaling normalization away from restrictive policy rather than rising recession risk

# Mega-Cap Dominance Meets Early Rotation

- Mega-cap leadership remains dominant but is moderating:** The Magnificent Seven (+23.3%) continue to outperform both the S&P 500 (+19.6%) and the S&P 493 (+15.0%), though January showed signs of consolidation as leadership began to broaden beyond the largest names
- Index-level strength still masks uneven breadth:** While headline returns remain strong, the performance gap between the Magnificent Seven and the rest of the index highlights ongoing concentration risk, even as participation across the broader market has improved modestly entering 2026
- Volatility has been most pronounced among leaders:** The Magnificent Seven experienced the deepest drawdowns during the period but also delivered the strongest recoveries, underscoring their outsized influence on both index returns and overall market volatility
- January rotation reinforces diversification benefits:** Early-2026 market action suggests a gradual shift away from extreme concentration, supporting the case for diversified exposure and active positioning as markets transition from leader-driven gains toward broader earnings participation



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# Additional Disclosure Information

- **Index** - An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.
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- **NASDAQ Composite Index** – a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- **Russell 1000** – The index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.
- **Dow Jones Industrial Average Price Return Index** – a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.
- **Russell 2000 Index** – measures the performance of the small-cap segment of the U.S. equity universe.
- **MSCI EAFE Index** – a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI, Inc., a provider of investment decision support tools; the EAFE acronym stands for Europe, Australasia and Far East.