Month-End Summary – February 2026

Market Update

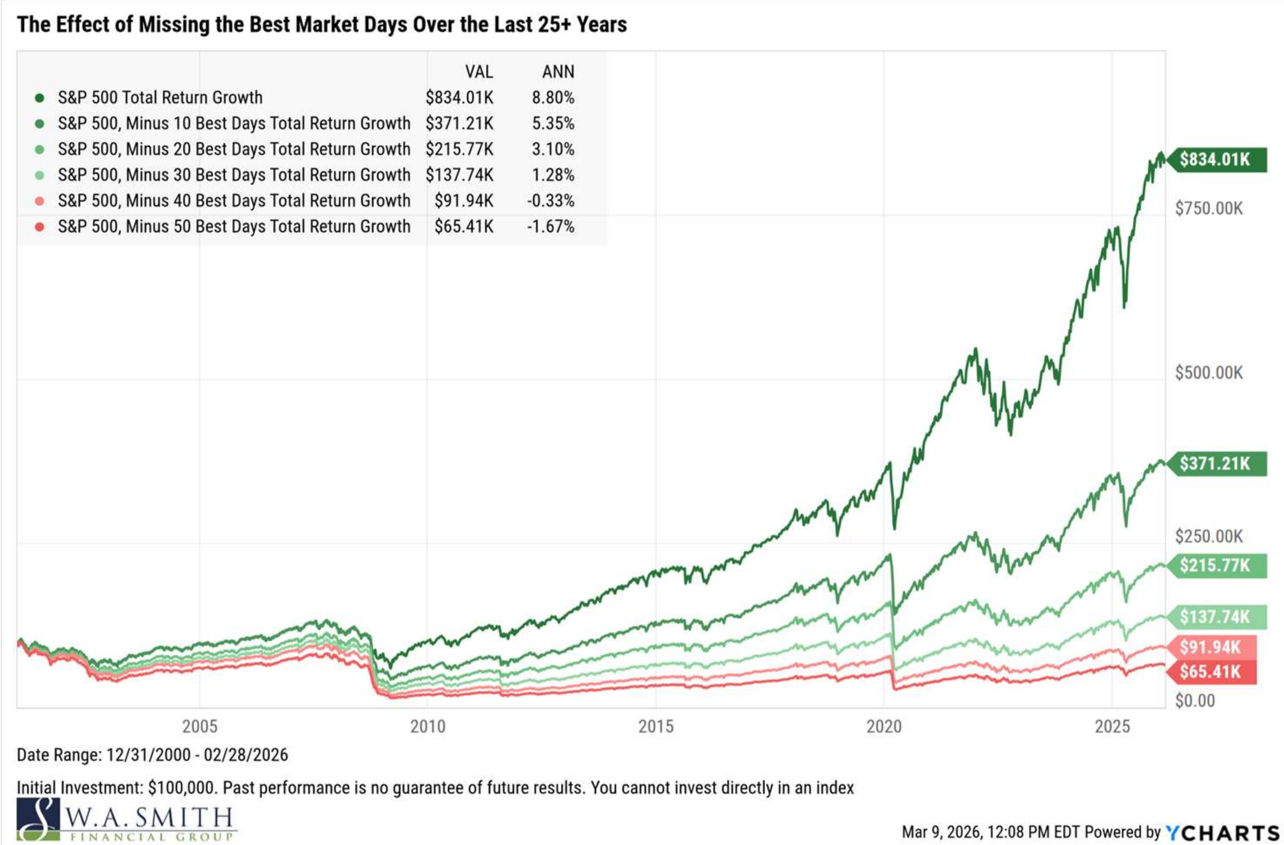
- **S&P 500 and Nasdaq Monthly Performance - February 2026**:
  - **February 2026:** U.S. equity markets experienced a more challenging month as rising geopolitical tensions, renewed inflation concerns, and a shift in economic momentum weighed on investor sentiment. The S&P 500 finished modestly lower as investors digested a sharp increase in oil prices and mixed economic data. Meanwhile, the Nasdaq Composite underperformed, pressured by continued rotation out of mega-cap technology and profit-taking within AI-related leaders following several years of outsized gains
  - **Volatility driven by macro uncertainty and energy price pressures:** Market volatility increased during February as geopolitical developments in the Middle East pushed oil prices higher and raised concerns about renewed inflationary pressures. At the same time, softer labor market data and shifting expectations for Federal Reserve policy added to investor uncertainty. Despite these headwinds, market participation remained relatively broad, with energy and defensive sectors providing pockets of relative strength
  - **Early 2026 positioning continues to evolve:** February reinforced the transition toward a more balanced market environment following several years of concentrated leadership. While long-term themes such as artificial intelligence and digital innovation remain intact, investors increasingly emphasized diversification, earnings durability, and valuation discipline as macro risks and geopolitical uncertainty moved back into focus
- **Key Drivers During February 2026**:
  - **Geopolitical tensions and rising oil prices:** Escalating conflict involving the U.S., Israel, and Iran led to a sharp increase in oil prices, contributing to market volatility and raising concerns about the potential inflationary impact of higher energy costs
  - **Labor market data signaled emerging softness:** February's Non-Farm Payrolls report surprised to the downside, indicating potential moderation in labor market momentum and reinforcing uncertainty around the economic outlook
  - **Fed policy expectations remained uncertain:** Persistent inflation pressures combined with emerging signs of economic cooling have led to a reassessment of the Federal Reserve's policy trajectory, with markets increasingly debating the timing and pace of potential rate cuts

Investment Committee Update

- The Investment Committee (IC) continues to monitor the overall economic and market environment as we progress through the early stages of 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 faced increased volatility during February as macro and geopolitical risks moved back into focus:** The second month of 2026 brought a more cautious tone to financial markets as investors balanced still-resilient economic fundamentals against rising geopolitical tensions and shifting expectations for monetary policy. Equity markets experienced periods of volatility as oil prices surged and economic data raised questions around the pace of growth. While mega-cap technology continued to face selective profit-taking following several years of strong performance, broader market participation helped cushion overall equity performance. The underlying strength of our core holdings continues to support a constructive long-term outlook despite the near-term uncertainty
- **A combination of factors drove market volatility during February:**
  - **Geopolitical tensions and rising energy prices:** Escalating tensions in the Middle East pushed oil prices sharply higher during February, raising concerns about the inflationary impact of rising energy costs and adding a layer of macro uncertainty for investors. While energy stocks benefited from the move in crude prices, broader markets evaluated the potential implications for inflation and economic growth
  - **Labor market data introduced new uncertainty around economic momentum:** February's Non-Farm Payrolls report came in weaker than expected, signaling potential moderation in labor market momentum. While the broader economy remains stable, the softer data prompted investors to reassess the trajectory of economic growth and the potential implications for Federal Reserve policy
  - **Fundamental strength continues to support the long-term outlook**: Despite elevated macro and geopolitical uncertainty, the companies held across our strategies continue to exhibit strong balance sheets, healthy cash flow generation, and resilient earnings trends. We view February's volatility as a normal market adjustment rather than a deterioration in fundamentals, and the overall environment remains constructive for long-term investors

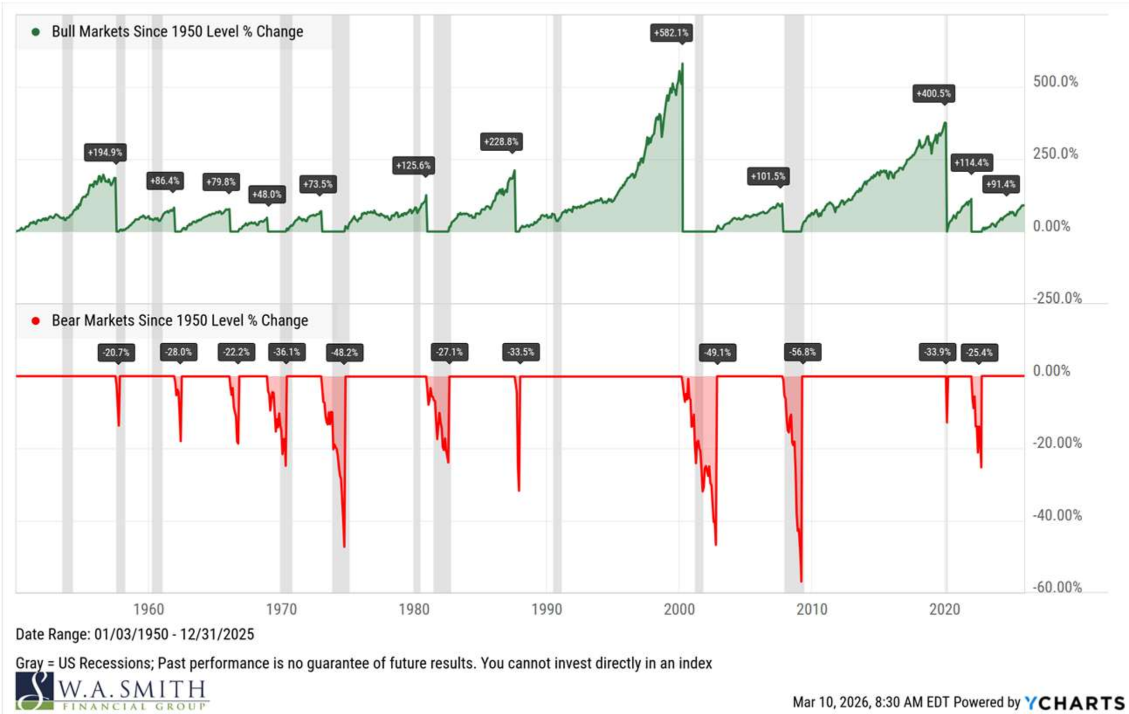
A Few Days Can Make All the Difference

- **Missing just a few of the market's best days can significantly reduce long-term returns:** A $100,000 investment in the S&P 500 since 2000 would have grown to roughly $834K (8.8% annualized), but missing the 10 best days would cut the ending value to about $371K -> less than half the total return
- **Market timing risk grows dramatically as more strong days are missed:** Missing the 20–30 best days drops annualized returns to 3.1%–1.3%, while missing 40–50 best days results in negative long-term returns, highlighting how concentrated market gains can be
- **The data reinforces the importance of staying invested:** Many of the market's strongest days occur during periods of volatility or near market bottoms, making it extremely difficult to consistently time exits and re-entries without sacrificing long-term growth



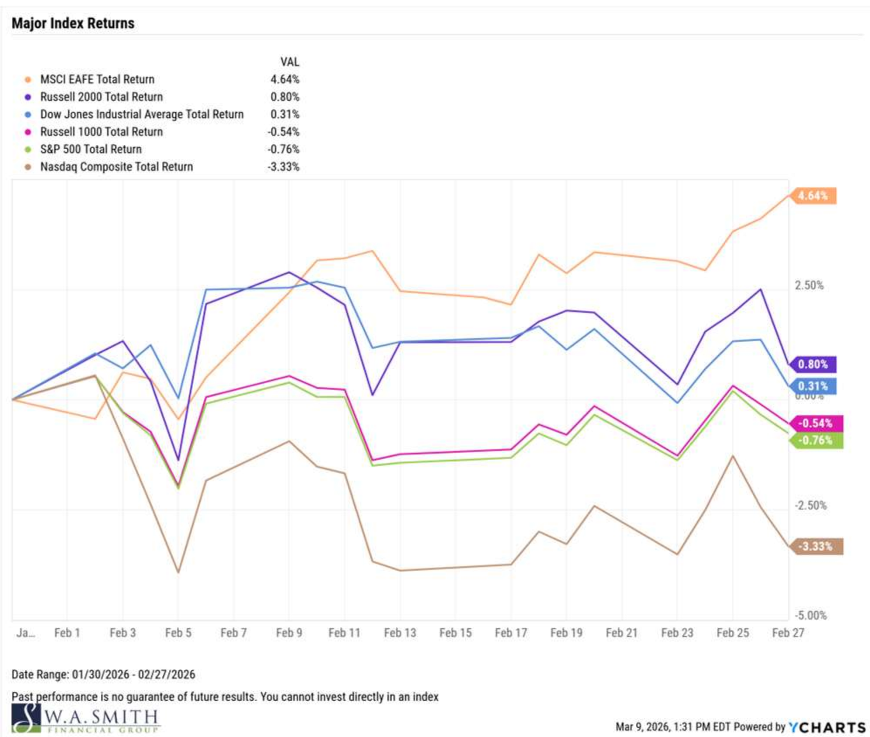
The Long-Term Power of Bull Markets

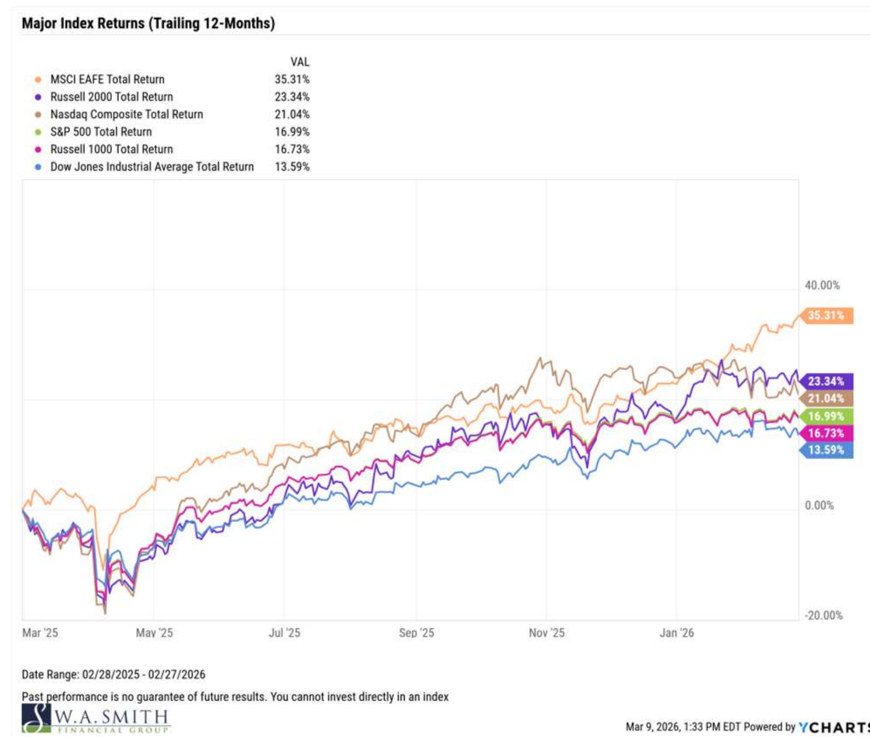
- **Long-term market history highlights the asymmetry between bull and bear cycles:** Since 1950, bull markets have historically lasted longer and produced significantly larger cumulative gains, often exceeding **100% to 500%,** while bear markets, though sharp, have typically resulted in declines of **20%–50%** and been shorter in duration, underscoring the long-term advantage of remaining invested through market cycles
- **Market downturns are typically shorter than market expansions:** Bear markets tend to be sharp but relatively brief compared to the longer and more powerful upward trends seen during bull markets
- **Economic recessions often coincide with bear markets, but markets recover ahead of the economy:** The forward-looking nature of equity markets means recoveries often begin before economic data fully improves, reinforcing the value of staying invested through cycles
- **Key Point -> Staying invested through market cycles is critical for long-term success:** While market downturns are inevitable, history shows that bull markets have been longer and significantly more powerful than bear markets, meaning investors who remain invested are better positioned to capture the substantial gains that occur during extended market expansions

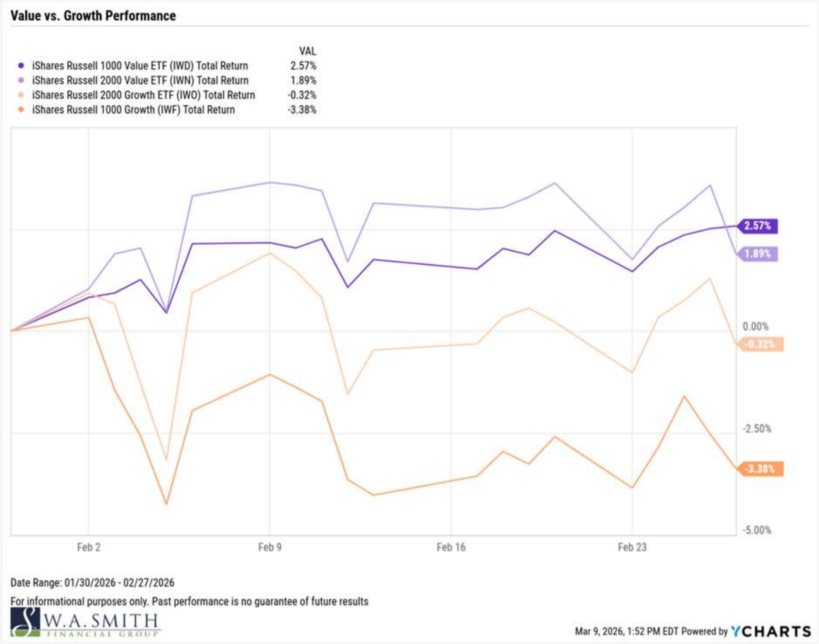


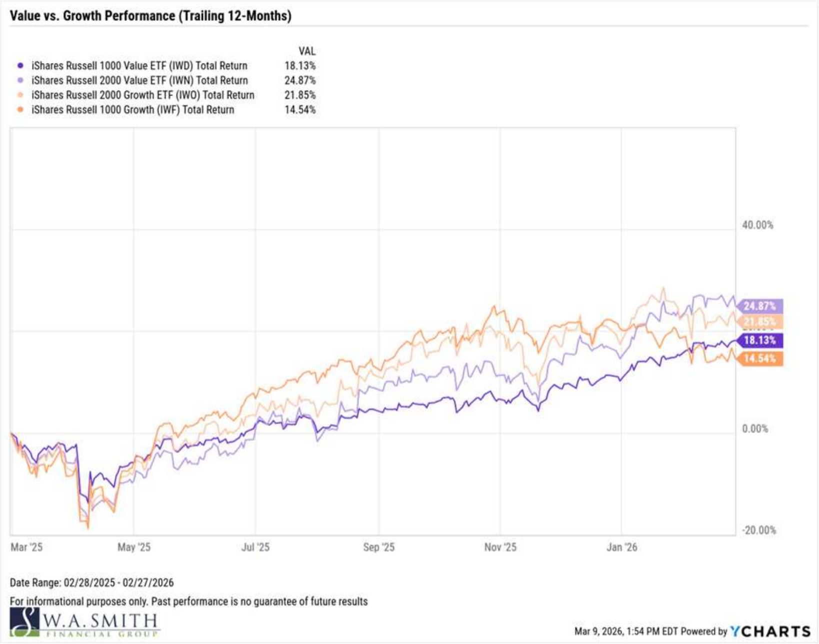
Diverging Equity Market Performance Across Regions

- **International equities outperformed during the period:** The MSCI EAFE Index gained 4.64%, significantly outperforming major US indices, highlighting stronger relative performance from developed international markets
- **U.S. equities experienced mixed results:** The Russell 2000 posted modest gains (+0.80%), and the Dow finished slightly positive (+0.31%), while the S&P 500 (-0.76%) and Nasdaq (-3.33%) declined, reflecting continued pressure on growth and technology stocks
- **Longer-term performance still favors U.S. markets, but leadership is broadening:** Over the trailing 12-months, international equities lead with 35.31% returns, while U.S. indices delivered solid gains led by the Russell 2000 (+23.34%) and Nasdaq (+21.04%), suggesting improving market breadth and diversification benefits







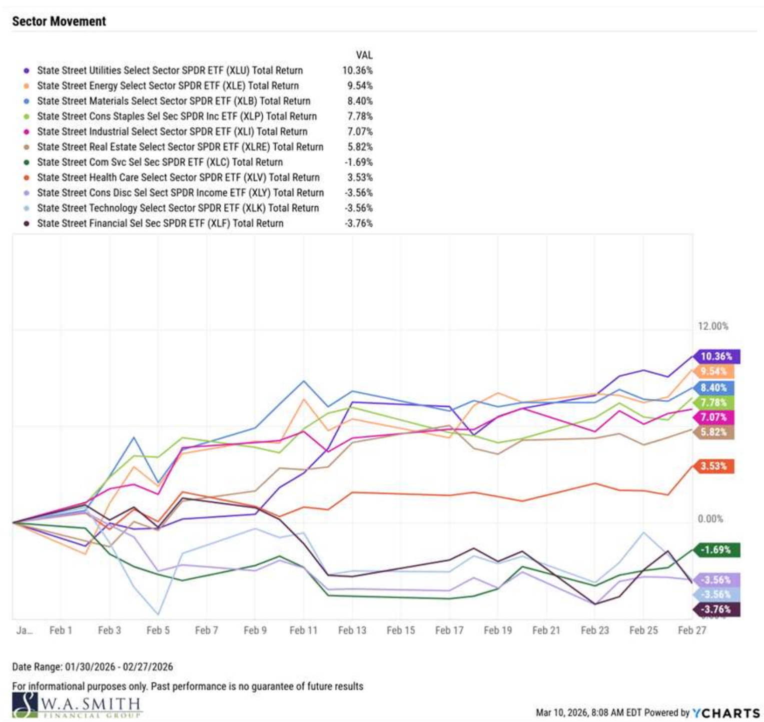


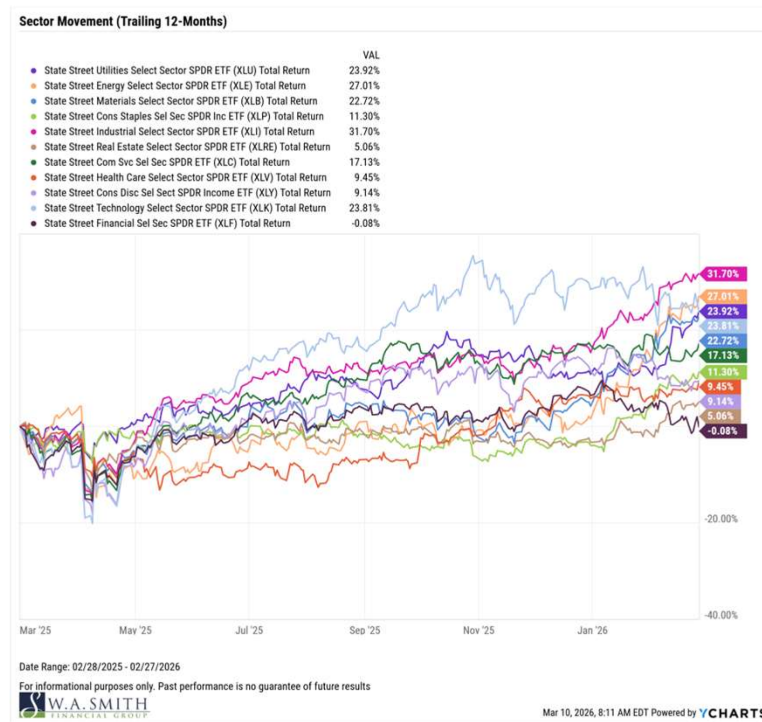
Current Market Leadership Broadens Beyond Growth

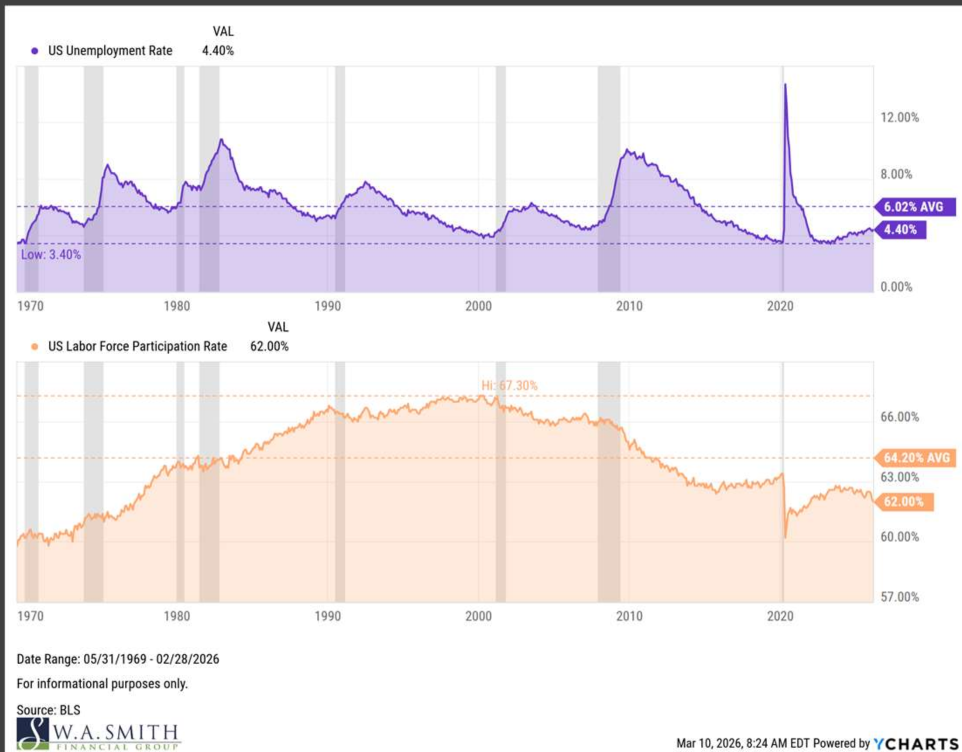
- **Value stocks outperformed growth in the short term:** During the recent period, large-cap value (IWD +2.57%) and small-cap value (IWN +1.89%) posted positive returns, while growth indices declined, with small-cap growth (-0.32%) and large-cap growth (-3.38%) lagging
- **Leadership rotation toward value remains evident:** The divergence between value and growth suggests continued sector and style rotation, as investors favored more cyclical and valuation-sensitive segments over high-multiple growth names
- **Longer-term performance still shows balanced leadership:** Over the trailing 12 months, small-cap value (+24.87%) and small-cap growth (+21.85%) have both delivered strong gains, while large-cap value (+18.13%) and large-cap growth (+14.54%) also advanced, highlighting broad participation across styles -> aka, greater breadth

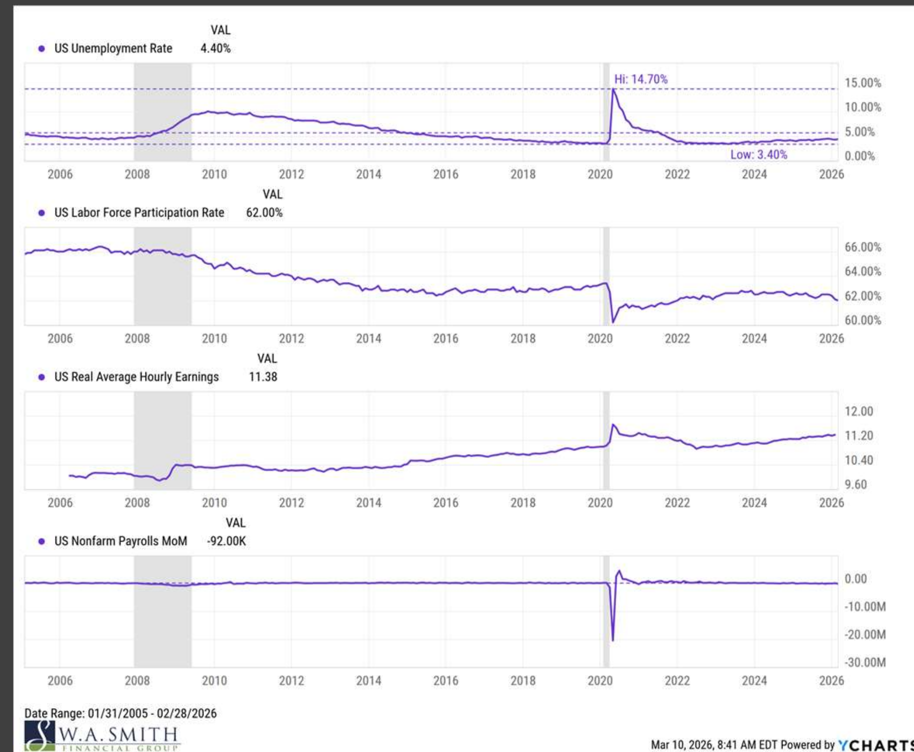
Energy and Utilities Lead as Market Rotation Continues

- **Defensive and commodity-linked sectors led in the short term:** Utilities (+10.36%), Energy (+9.54%), and Materials (+8.40%) were the top performers over the recent period, reflecting investor preference for defensive positioning and sectors benefiting from higher commodity prices. Much of this was likely in the build-up of forces in the Middle East in preparation for events currently underway
- **Growth-oriented sectors lagged during the period:** Technology (-3.56%), Consumer Discretionary (-3.56%), and Financials (-3.76%) underperformed, highlighting the impact of profit-taking in growth stocks and shifting expectations around interest rates and economic momentum
- **Over the trailing 12 months, cyclical and rate-sensitive sectors have delivered strong gains:** Real Estate (+31.70%), Energy (+27.01%), Utilities (+23.92%), and Technology (+23.81%) have led performance, indicating broad sector participation despite recent volatility







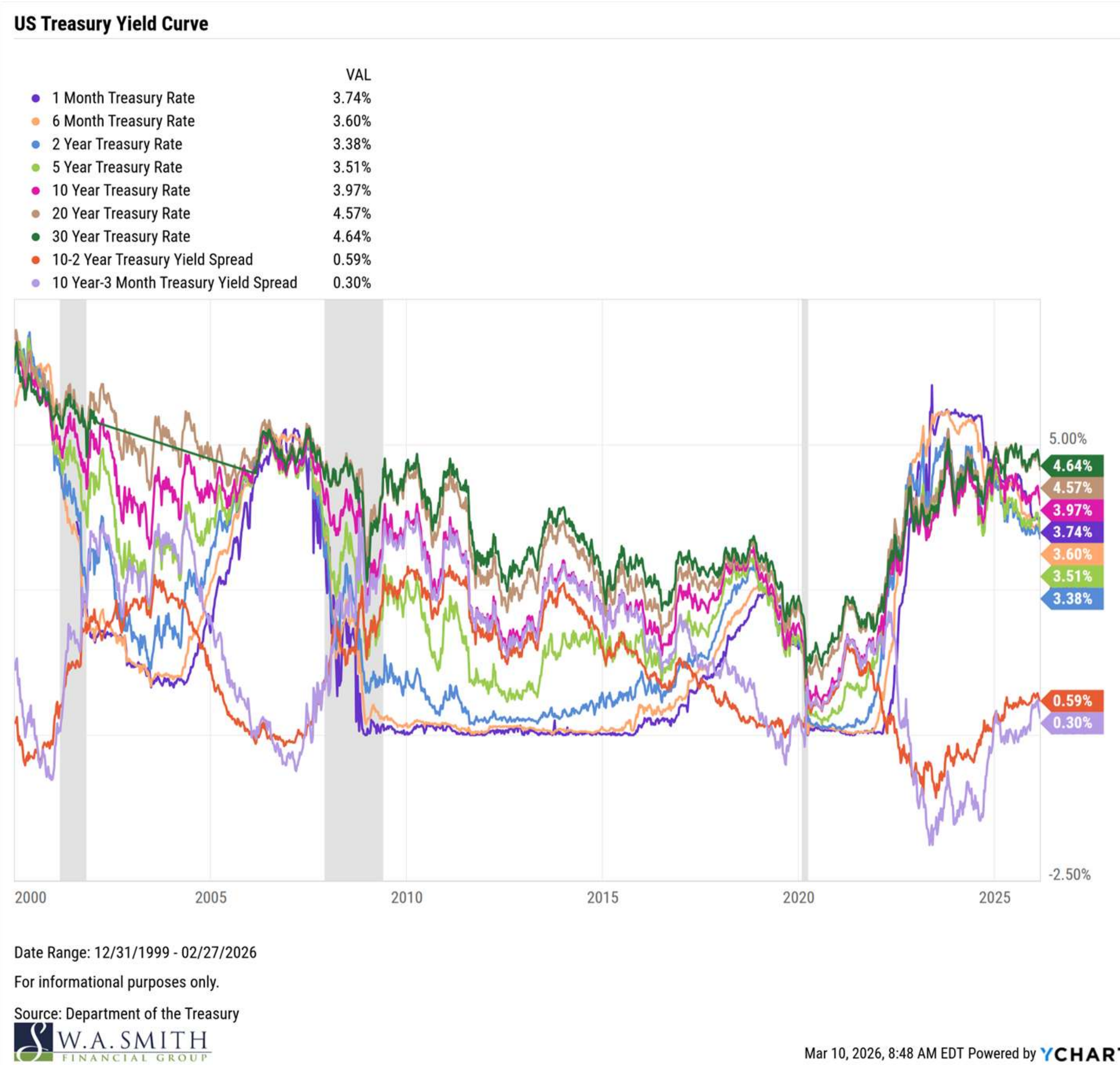


Signs of Moderation in the U.S. Labor Market

- **U.S. labor market indicators suggest continued resilience with signs of gradual cooling:** While the unemployment rate remains historically low at around 4.4% and wage growth continues to trend modestly higher, labor force participation remains below long-term highs, and recent weakness in nonfarm payroll growth indicates that hiring momentum may be slowing as the labor market moves toward a more balanced and sustainable pace
- **Labor force participation has stabilized but remains below pre-2000 highs:** Structural factors such as demographics and post-pandemic labor dynamics continue to influence workforce participation levels

Yield Curve Re-Steepening Likely Confirms a Soft-Landing Path

- **Front-end yields reflect cautious policy easing expectations:** Short-term Treasury yields moved modestly lower, with the 1-month (~3.74%), 6-month (~3.60%), and 2-year (~3.38%) indicating markets are gradually pricing in future Federal Reserve easing rather than an immediate or aggressive rate-cut cycle following the Fed's pause earlier in the year
- **Yield curve normalization continues:** Key spreads have turned positive, with the 10Y–2Y spread near +0.59% and the 10Y–3M around +0.30%, signaling that the curve has exited its prolonged inversion and suggesting improving confidence in a soft-landing economic outlook rather than recession risk
- **Long-end yields remain elevated relative to the past decade:** Longer-dated yields continue to trade near cycle highs, with the 10-year around ~3.97%, the 20-year ~4.57%, and the 30-year ~4.64%, reflecting persistent term premium, ongoing Treasury issuance, and expectations that inflation may stabilize above the ultra-low levels seen in the prior decade
- **Current curve structure supports intermediate-duration exposure:** A modestly upward-sloping curve improves carry and roll-down potential in high-quality intermediate bonds, enhancing the attractiveness of core fixed income relative to cash while maintaining valuation discipline for longer-duration risk assets



New Timeseries Analysis

Data as of: March 10, 2026

Date Range: 12/30/2022 to 03/01/2026
Frequency: Monthly
Aggregation: End of Period (default)
Fill Method: No Fill

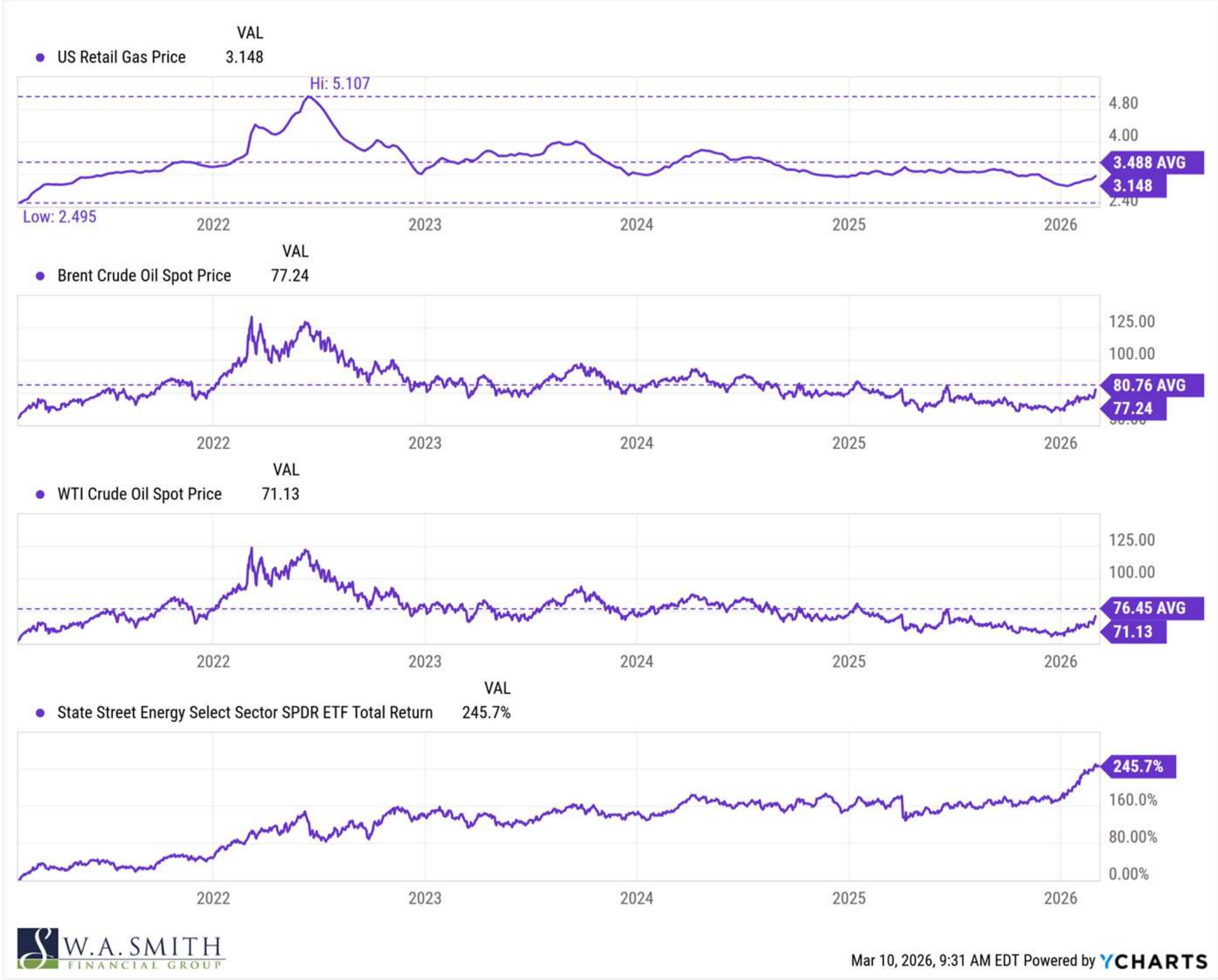
Symbol	Name	Metrics	Feb 28 '26	Jan 31 '26	Dec 31 '25	Nov 30 '25	Oct 31 '25	Sep 30 '25	Aug 31 '25	Jul 31 '25
I:10YTCMR	10 Year Treasury Rate		3.97%	4.26%	4.18%	4.02%	4.11%	4.16%	4.23%	4.37%
I:1MTCMR	1 Month Treasury Rat...		3.74%	3.72%	3.74%	4.05%	4.06%	4.20%	4.41%	4.49%
I:1YTCMR	1 Year Treasury Rate		3.48%	3.48%	3.48%	3.61%	3.70%	3.68%	3.83%	4.10%
I:20YTCMR	20 Year Treasury Rate		4.57%	4.82%	4.79%	4.62%	4.65%	4.71%	4.86%	4.89%
I:2YTCMR	2 Year Treasury Rate		3.38%	3.52%	3.47%	3.47%	3.60%	3.60%	3.59%	3.94%
I:30YTCMR	30 Year Treasury Rate		4.64%	4.87%	4.84%	4.67%	4.67%	4.73%	4.92%	4.89%
I:3MTCMR	3 Month Treasury Rat...		3.67%	3.67%	3.67%	3.88%	3.89%	4.02%	4.23%	4.41%
I:3YTCMR	3 Year Treasury Rate		3.39%	3.60%	3.55%	3.49%	3.60%	3.61%	3.58%	3.89%
I:5YTCMR	5 Year Treasury Rate		3.51%	3.79%	3.73%	3.59%	3.71%	3.74%	3.68%	3.96%
I:6MTCMR	6 Month Treasury Rat...		3.60%	3.61%	3.59%	3.74%	3.79%	3.83%	4.01%	4.31%

Rates Moderate as Fed Policy Expectations Shift

- **Broad decline in yields across the curve:** Most Treasury maturities fell over the past two months, with the largest declines occurring in intermediate maturities such as the 5-year and 10-year, reflecting shifting expectations toward future monetary easing
- **Front-end rates adjusting to policy expectations:** Short-term yields remain relatively stable but slightly lower, indicating that markets are gradually pricing in the potential for Fed rate cuts while still acknowledging a resilient economic backdrop
- **Long-term yields remain elevated:** Despite recent declines, the long end of the curve remains near cycle highs, suggesting a persistent term premium, ongoing Treasury supply, and expectations that inflation may remain structurally higher over the foreseeable time horizon

Energy Sector Strength Amid Oil Price Volatility

- **Geopolitical tensions are pushing oil prices higher:** Escalating conflict involving Iran in late February and early March has driven a rebound in crude oil prices, reflecting increased risk premiums tied to potential supply disruptions in the Middle East
- **Energy prices remain moderate relative to recent history:** Despite the recent uptick, both Brent and WTI crude prices remain below the peaks seen during the 2022 energy shock, and U.S. gasoline prices are still below their historical sample highs, suggesting the current move reflects geopolitical risk rather than a structural supply crisis
- **Energy equities continue to benefit from the environment:** The Energy Select Sector ETF (as a proxy) has maintained strong multi-year gains and has recently moved higher alongside crude prices, highlighting the sector's sensitivity to rising oil prices and its role as a potential hedge during periods of geopolitical and inflation uncertainty



Disclosure Information

- The information contained herein: (1) is proprietary to W.A. Smith Financial Group and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Any information herein about providers, speakers, and services does not constitute a recommendation or endorsement. This material is not to be distributed without express written consent of W. A. Smith Financial Group. In regards to your own financial situation, you should consult with a financial professional before acting on specific action or suggestions given. For legal or tax advice, you should contact your qualified attorney or CPA. Insurance and tax planning services offered through W. A. Smith Financial, LLC. Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Investment Advisory Services offered through Great Lakes Retirement, Inc., an SEC-Registered Investment Advisor. Registration does not denote any level of skill or qualification.

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.
- The information herein was obtained from various sources. WA Smith does not guarantee the accuracy or completeness of information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. WA Smith assumes no obligation to update this information, or to advise on further developments relating to it.
- **S&P 500 –** measures the performance of 500 widely held stocks in US equity market. Standard and Poors chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied. It is market-capitalization weighted.
- **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.