Monthly Market Commentary

FEBRUARY 2026

STRATEGY OVERVIEW

Coming into February, we entered a bloated volatility regime and reduced portfolio risk accordingly. When volatility expands and trend authority weakens, the probability of sharp drawdowns increases, and the prudent approach is to protect capital, manage risk, and allow the storm to pass.

Throughout the month, major benchmarks reflected an uncertain market narrative. While markets experienced periods of volatility, they ultimately remained resilient. Although broad indices avoided a meaningful breakdown, the internal instability that emerged early in the month continued to justify a measured and disciplined posture.

Our investment process remained focused on preserving flexibility, emphasizing risk management over short-term market movements, and positioning the portfolio to capitalize when stronger trend conditions re-emerge.

MACRO LANDSCAPE

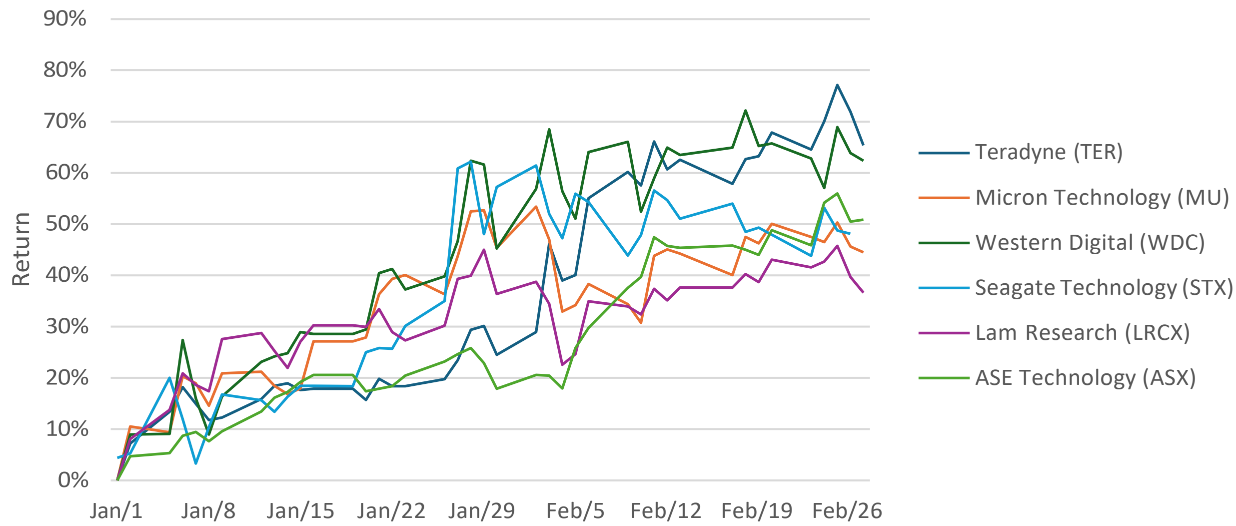
The shift in conditions was not random. The announcement of Kevin Warsh as President Trump's intended next Federal Reserve Chair introduced uncertainty around the future path of monetary policy. Mr. Warsh has expressed skepticism about the long-term effectiveness of quantitative easing and the expansion of the Fed's balance sheet. Investors interpreted this as a possible shift away from liquidity-driven support for asset prices, commonly cited as the "Fed Put." At the same time, rising concern around Iranian nuclear negotiations added a geopolitical layer of risk.

BENEATH THE SURFACE

Pressure built across large-cap software through the first two months of the year. Oracle is down 25% year to date, Microsoft (YTD: -19%), Salesforce (YTD: -26%), and IBM (YTD: -18%), reflecting valuation compression and concern around AI-driven disruption in software. WIP holds none of these names or software-exposed stocks. Our focus in the AI build-out remains on the infrastructure layer, where capital spending and structural demand continue to expand.

AI INFRASTRUCTURE EXPOSURE

The chart below shows the performance of WIP's AI infrastructure holdings through January and February 2026.



Source: FactSet; all stocks held throughout period in the WIP Equity Strategy.

VOLATILITY AS A LEADING INDICATOR

Volatility expansion is an early signal of rising downside risk. For example, volatility began building in late 2019, well before the 2020 pandemic-driven drawdown. In 2022, sustained elevated volatility accompanied a prolonged equity decline. In April 2025, the tariff shock hit an already unstable backdrop, leading to sharp cross-sector dislocations.

In each break in the bull trend, underlying volatility expansion had been growing in the weeks leading up to the eventual catalyst. When volatility expands, the odds of a downtrend and a shift in sentiment increase.

Large drawdowns are damaging because of their effect on compounding. For example, a portfolio that declines 25% must gain 33% to recover. Avoiding deep setbacks meaningfully improves long-term geometric returns. Our framework is built around that arithmetic reality. When volatility exceeds our measured thresholds and trend authority deteriorates, we reduce exposure. When volatility contracts and sponsorship improves, we re-engage methodically.

OUTLOOK

February ultimately remained range-bound. A severe break did not materialize. Despite this, the equity strategy outperformed relative to benchmarks. The objective is to guard against catastrophic downside while preserving the ability to compound capital steadily.

Moving into the end of the month, volatility began to moderate but had not fully normalized as geopolitical risks remain elevated. We are prepared to increase exposure as conditions confirm improvement. Risk is added according to process; we do not forecast crises, we respond to regimes. February serves as a clear example of that discipline and its benefits in practice.

IMPORTANT DISCLOSURES

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