NBC | SECURITIES

INVESTMENT STRATEGY STATEMENT | January 31, 2026

Broader Market Rotation

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Performance Review & Outlook

Rotation away from mega-cap tech continued, with Value and cyclicals outperforming Growth for a third straight month as market breadth improved.

Treasury markets were range-bound in January, with the 10-year yield ending near the top of a narrow 4.13%–4.29% trading range.

Small-caps and international equities led, supported by a softer dollar, yield-curve normalization, and more attractive valuations outside U.S. mega-caps.

The Fed held rates steady and reiterated a patient, data-dependent stance; rate cuts are expected later in the year, but not imminently.

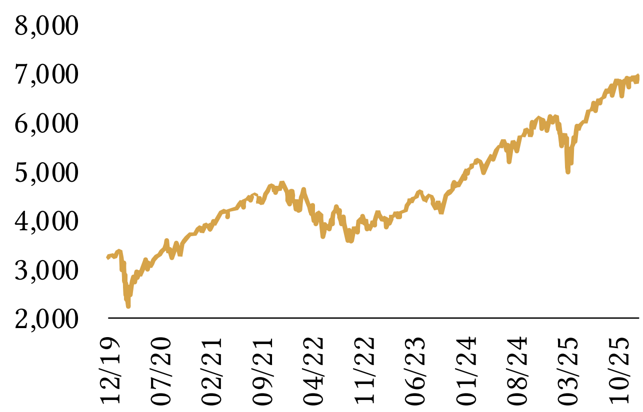
Precious metals were volatile—early strength as a macro hedge reversed sharply—highlighting the fragility of momentum trades in uncertain markets.

Market focus shifted to upcoming Fed leadership and political developments, as investors weigh potential impacts on long-term monetary policy.

Equity Market Overview

In January, the rotation that defined the late-year period solidified as a central market theme. While the "Magnificent Seven" and broader technology leadership faced continued profit-taking, the market showed healthy breadth with value and cyclical sectors outperforming growth for the third consecutive month. This shift reflects a deepening of the "**1997 Echo**" thesis, where investors are increasingly looking beyond the immediate "arms dealers" to identify broader beneficiaries of the AI build-out.

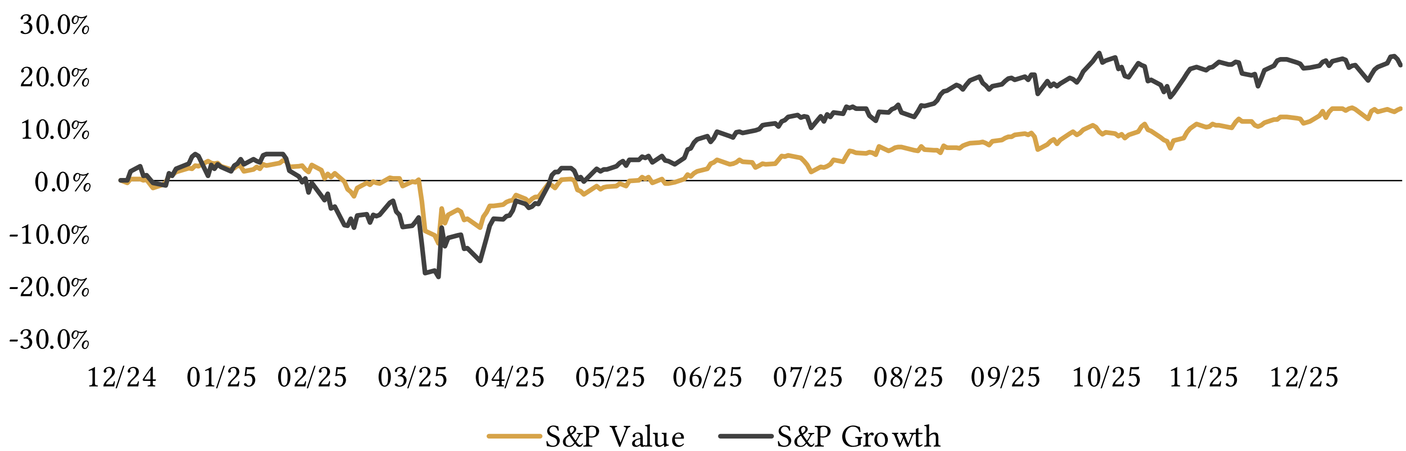
S&P 500 Price Index



The performance divergence in January was notable, as the S&P 500's heavy concentration in mega-cap tech acted as a relative drag.

For the month, Value outperformed Growth, and small caps (Russell 2000) showed renewed vigor as the normalization of the yield curve provided a more favorable backdrop for domestic, rate-sensitive companies. Additionally, international equities outperformed the S&P 500, benefiting from a softening U.S. dollar and a global search for yield and reasonable valuations outside of the stretched multiples currently seen in U.S. mega-caps.

Growth vs. Value

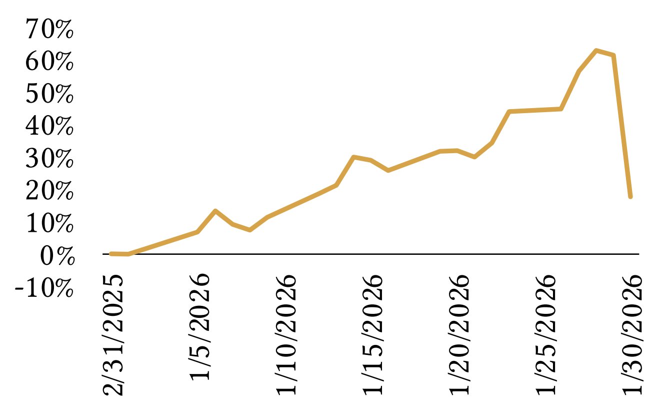


A significant highlight of January was the heightened volatility in precious metals. Both Gold and Silver saw a substantial rise early in the month, reaching multi-year highs as investors sought a hedge against the ongoing "macro fog" and geopolitical policy uncertainty.

However, this rally met a sudden and sharp reversal on the final trading day of the month. This drop underscored the fragility of momentum trades in an environment where expectations frequently collide with shifting liquidity and year-ahead positioning.

As we look forward, we continue to emphasize participation with rigor—rebalancing gains from top-performers and maintaining a disciplined focus on quality and diversification.

Silver YTD Gain



Sector and Index Performance

The S&P 500 eked out a modest 1.4% gain in a month marked by elevated geopolitical uncertainty, which weighed on sentiment but buoyed energy and defense shares.

A sharp mid-month selloff tied to geopolitical tensions and a spike in global bond yields briefly pushed equities lower, before fading risks helped propel the index above 7,000 for the first time.

Late in the month, disappointing results from software and technology stocks sparked a broad pullback, though resilient dip-buying reflected confidence in the underlying strength of the U.S. economy.

Top Index Movers

1.4%	S&P 500
+1.7%	Dow Jones Industrial Avg.
1.2%	Nasdaq Composite

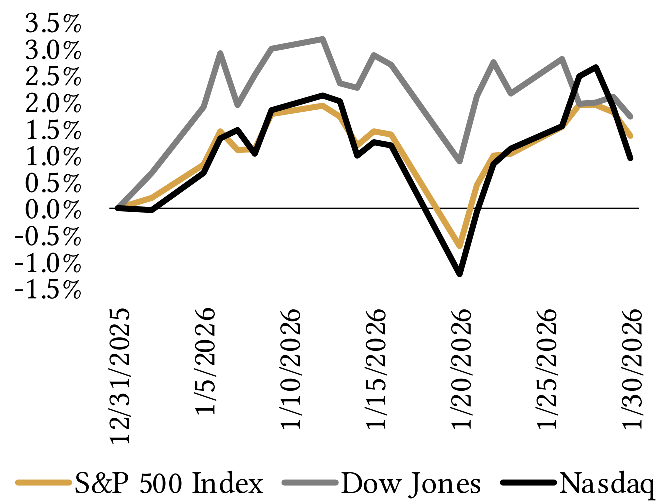
Outperforming Sectors

14.4%	Energy
8.6%	Materials
+7.5%	Consumer Staples

Underperforming Sectors

-2.6%	Financials
-1.7%	Technology
-0.2%	Health Care

Index Returns YTD



Fixed Income Market Overview

U.S. fixed income markets were relatively calm to begin the year. The U.S. 10-year Treasury traded in a narrow 16-basis-point range between 4.13% and 4.29% during January, finishing the month near its high at 4.27%.

While market movements were limited, headlines were far more active, driven primarily by the Federal Reserve's January policy meeting and increased political attention surrounding the central bank.

At its January 27–28 meeting, the Federal Reserve chose to leave interest rates unchanged for the first time since July of last year, a decision that was widely expected by both equity and bond markets. Market reaction following the announcement was minimal.

In his post-meeting press conference, Fed Chair Jerome Powell noted that the economy continues to grow at a solid pace, the labor market remains stable, and inflation is still running somewhat above the Fed's long-term target. Powell emphasized that future policy decisions will be guided by incoming economic data rather than a predetermined path, reinforcing the Fed's patient, data-dependent approach.

While the competing forces that influenced policy throughout much of 2025 remain in place, NBCS Asset Management believes the Fed is comfortable remaining on pause for now.

> *Although we expect additional rate cuts later this year, we do not anticipate immediate action.*

Political developments also captured significant attention this month. Federal prosecutors opened an investigation related to Chair Powell's June 2025 congressional testimony regarding renovations to the Federal Reserve's headquarters in Washington, D.C. Separately, President Trump announced plans to direct the purchase of $200 billion in mortgage-backed securities, an effort that appears intended to push longer-term Treasury yields and mortgage rates lower.

While targeted bond purchases can influence interest rates, many economists believe the potential impact would be limited compared to the much larger programs used during past periods of quantitative easing.

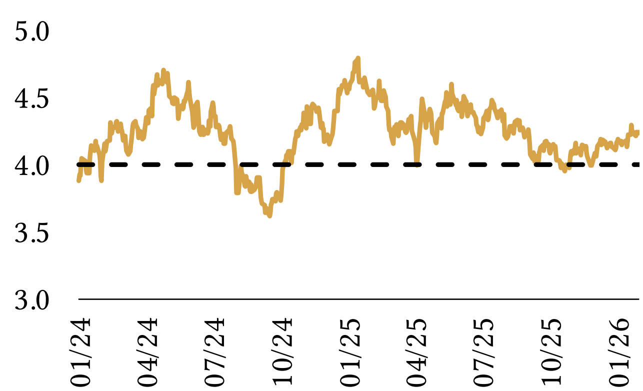
In response to these developments, Powell reiterated the importance of Federal Reserve independence during his press conference, noting that public trust depends on the perception that policy decisions are made in the best interest of the broader economy.

With his term as Fed Chair scheduled to conclude at the end of May, Powell was also asked whether he had advice for his successor. His answer was straightforward: "Don't get pulled into elected politics."

Late in the month, President Trump nominated former Federal Reserve Governor Kevin Warsh to succeed Jerome Powell as Fed Chair. Of the names most frequently discussed, Warsh is generally viewed by market participants as the steadiest option, given his prior experience at the Fed and reputation for a disciplined, policy-focused approach. Markets appeared to take the news in stride, with the U.S. dollar firming modestly and Treasury rates remaining relatively stable following the announcement. While the nomination was not a surprise, it is important to note that Warsh must still undergo the Senate confirmation process. If confirmed, Warsh will take the helm after Powell's term expires in mid-May.

One remaining unknown is whether Powell will choose to stay on and serve out the remainder of his term as a Federal Reserve Governor, which runs through January 31, 2028, after his tenure as Chair ends in May.

10 Year U.S. Treasury Yield (%)



12-Month Percentage Change of Indices

Index (Local Currency)	Level	January	YTD	12 Month
S&P 500	6,939.03	1.4%	1.4%	16.3%
Dow Industrials (DJIA)	48,892.47	1.8%	1.8%	11.7%
Nasdaq	23,461.82	1.0%	1.0%	20.3%
Russell 2000	2,613.743	5.4%	5.4%	15.8%
U.S. 2yr Treasury	3.5224	1.4%	1.4%	-17.0%
U.S. 10yr Treasury	4.2355	1.6%	1.6%	-7.3%
Gold (NY Spot $/oz)	4,894.23	13.3%	13.3%	86.5%
Silver (NY Spot $/oz)	85.1994	18.9%	18.9%	194.8%
Copper ($/metric ton)	13,067.62	4.9%	4.9%	51.0%
Oil (WTI Spot/bbl)	65.21	13.6%	13.6%	-9.1%
Oil (Brent Spot/bbl)	70.69	16.2%	16.2%	-5.3%
Natural Gas ($/mmBtu)	4.354	18.1%	18.1%	19.8%

Data as of January 31, 2026. Source: FactSet/Bloomberg

Economic Overview

Key Economic Indicators

JOB MARKET

Employment Report
U.S. employers added fewer jobs than expected in December, with nonfarm payrolls rising by just 50,000, underscoring a continued slowdown in hiring. Despite the softer job gains, the unemployment rate unexpectedly ticked down to 4.4% from a slightly revised 4.5% in the prior month, largely due to a modest decline in labor force participation. For the full year, payrolls increased by 584,000, marking the weakest annual gain since 2020, underscoring the current low hire, low fire environment.

Productivity
U.S. labor productivity surged in the third quarter of 2025, with output per hour rising at a 4.9% annualized pace — the fastest gain in two years — as businesses produced more with relatively modest increases in hours worked, according to the latest Bureau of Labor Statistics report. Unit labor costs fell, reflecting that productivity growth outpaced compensation, and the stronger-than-expected efficiency boost underscores improving business performance even as job growth remains modest.

HOUSING MARKET

House Prices
The S&P Cotality Case-Shiller U.S. National Home Price NSA Index showed a ~1.4% annual gain in November, reflecting a persistently sluggish pace of U.S. home price growth in the back half of 2025 and little change from the prior month's ~1.4% increase. This marks one of the weakest annual gains in more than two years, underscoring how elevated mortgage rates and affordability pressures have tempered price appreciation compared with much stronger gains earlier in the cycle.

Economic Overview

Key Economic Indicators

PERSONAL INCOME & SPENDING

Personal Income & Spending
Personal income increased 0.1% in October and 0.3% in November, and consumer spending rose a solid 0.5% in both months, indicating that household demand remains strong despite elevated prices. While the personal savings rate ticked down to 3.5%, the data overall suggests an economy that continues to expand, with consumers still spending ahead of inflation.

ECONOMIC GROWTH

GDP Growth
The second estimate of U.S. Q3 GDP showed the economy expanded at an annualized rate of 4.4%, revised up slightly from the original 4.3% estimate, reflecting higher exports and investments. The Atlanta Fed's GDPNow model currently forecasts Q4 GDP growth at 5.4%, but this figure should be taken with a grain of salt given the data disruptions tied to the U.S. government shutdown, which has complicated source data and model inputs. We wouldn't be surprised if this number came in lower but still shows the U.S. economy growing above trend as we exited 2025.

INFLATION

Consumer Price Index (CPI)
Headline CPI rose 2.7% year-over-year, unchanged from November, while monthly inflation came in at a manageable 0.3%. More importantly, core CPI declined to 2.6%, slightly below expectations and marking its lowest level since 2021.

Personal Consumption Expenditures (PCE) Price Index
The Personal Consumption Expenditures (PCE) price index rose 2.8% year over year on both a headline and core basis, up slightly from 2.7% in October and still above the Fed's 2% target, while monthly inflation held at a steady 0.2%.

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Disclosures