February 2026

Alexis Investment Partners

Practical | Tactical

Summary

January finished weak but was a good month for most investors. Once again, our portfolios generally outpaced benchmarks. We continue to embrace the market's positive momentum despite expectations for heightened volatility.

Some Schwab 1099 tax forms are available with the rest ready by month-end.

We appreciate everyone's help with new AIP/ISWM agreements. As a reminder, these are sent using Adobe Sign. We typically send 2 emails. The first has your Q4 2025 performance report and the password for the agreement, along with a copy of the Nov 2025 newsletter where we went into greater detail about our intentions with ISWM. Our goal is to get everyone signed off this month and "go live" in March.

Key Market and Economic Data

- The S&P 500 advanced 1.4% during January and briefly surpassed 7,000 on an intra-day basis for the first time. The Nasdaq Composite climbed 0.9% while the Dow Jones Industrial Average increased 1.7%.
- The 10-year Treasury yield finished the month at 4.24%, marking the highest level since last September.
- International developed markets surged 5.2% in U.S. dollar terms according to the MSCI EAFE Index, while emerging markets advanced 8.8% based on the MSCI EM Index.
- President Trump announced Kevin Warsh as his nominee for the next Fed Chair. If the Senate confirms the nomination, he will assume the role in May.
- Gold climbed to a record close of $5,417 per ounce before dropping nearly 10% on January 30.
- Consumer Price Index inflation held steady at 2.7% year-over-year in December.
- Washington concluded the month experiencing a partial government shutdown.

What to Expect in Portfolios

Last month we said, "We expect 2026 will be positive but volatile. We plan to scale back equity exposure into early strength but remain overall constructive. We also plan to further broaden exposure away from large cap US tech leaders and gold."

January was good and we tactically sold gold into strength. We are modestly overweight stocks with incrementally greater emphasis on foreign and mid-caps.

We expect 2026 to be volatile, especially mid-year – but we are also optimistic that strong momentum, solid earnings and the promise of productivity gains may yield further upside. We continue to monitor and adapt to leadership changes.

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The chart below shows the trailing 3-months for US and foreign stock indexes and US bonds. January was a good month across the board despite a weak finish.

Foreign stocks (EFA) continued to outperform. Major US index consolidation may be attributed in part to the fact that tech has lagged over the past few months.

The chart below shows the net performance of **our most popular composite** since inception (120 accounts – see disclosures on page 4). The 6+ years shown have been volatile including COVID and the 2022 Bear market. **Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.**

Insights and Commentary

Investing can be an emotional roller coaster, leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenants, (Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes) The tiles below summarize current conditions:

Trend | Sentiment | Valuation | Monetary | Seasonality

Our indicators continue to balance positive momentum, supportive seasonality and stable monetary conditions against complacent sentiment and stretched valuations.

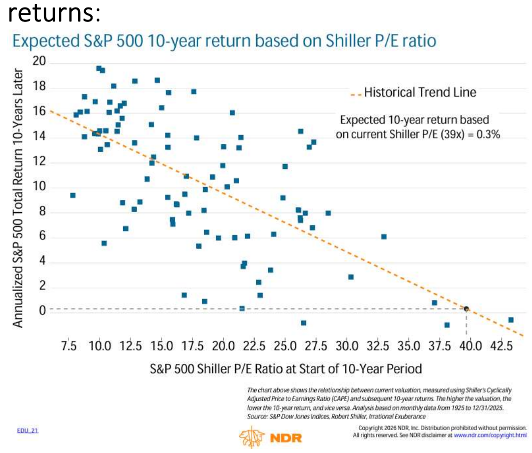
Trend strength continues to impress across major US and foreign stock market indexes. Since the April 2025 lows, pullbacks have been relatively shallow and short-lived.

Sentiment is neutral at best. Optimistic investors tend to chase recent winners and invest more aggressively. This contributes to **elevated valuations** and **makes markets more susceptible to disappointing news.**

One concerning offset to the $7+ Trillion in money market funds is relatively high margin debt and equity allocations. These are consistent with stocks having delivered exceptional returns over the last years. They also imply **elevated risk and a maturing bull market.** For now, we view monetary conditions as constructive but not stimulative.

February has a reputation as a tough month, but **we expect markets to remain resilient through Q1. Earning growth is compelling** along with the potential for AI and innovation to lead to broad productivity gains.

The chart below shows that **rich valuations** (like we see today) **have historically led to poor long-term (10y) returns**:



Rich valuations tell us little about near-term return expectations, but we find this noteworthy as we manage risk in pursuit of your long-term goals.

Update, Observations, Indicators and Outlook:

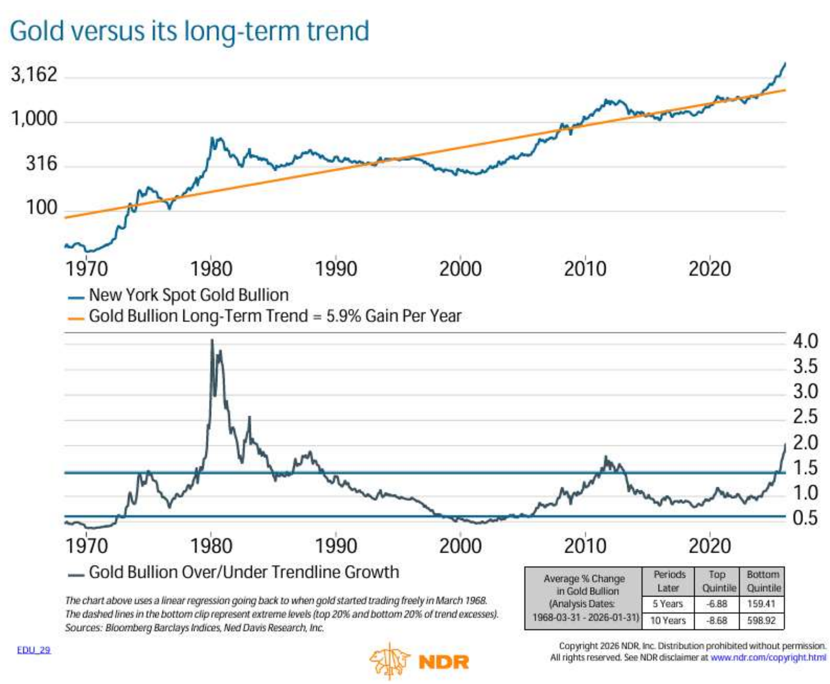
Our **Market Pulse** continues to highlight a **Bull Market supported by trend strength and an easing Fed.**

Investors **hope that innovation, extensive foreign direct investment, tax incentives and reduced regulatory burden will boost earnings and justify stretched valuations.**

Foreign stocks continue to deliver outsized gains. Value stocks have also outpaced growth lately as investors rebalance (selling long-term winners and diversifying into other areas). **We support incremental repositioning to align with potential leadership changes.**

We also note that **it's important to avoid wholesale short-term performance chasing.** Meaningful leadership trends worth pursuing last years and tend to include periodic countertrend moves.

We tactically sold our gold. This may prove premature, but **the gains of the past few years were exceptional, and we decided it was time to cash in.** Gold is a good hedge against inflation and geopolitical risks but hasn't been a great buy and hold investment.



Average % Change in Gold Bullion (Analysis Dates: 1968-03-31 - 2026-01-31)	Periods Later	Top Quintile	Bottom Quintile
	5 Years	-6.88	159.41
	10 Years	-8.68	598.92

Bond yields tend to rise in the months surrounding a change in Fed leadership. We continue to expect the yield curve to steepen anyway and maintain our low duration fixed income profile.

Thank you for your questions and confidence!

Market Pulse:

We try to avoid jargon, but a few terms are helpful when describing financial conditions.

Bull Market: markets trending up (making higher highs on rallies and higher lows in periods of decline). **We can expect periodic pullbacks and corrections, but these should be relatively short and shallow – followed by resumption of the up-trend.**

Consolidation: after a period of strong gains or steep declines sometimes markets become range bound, moving up and down by 3-5% over several weeks. After consolidation, the prior trend resumes.

Pullback: a decline of 3-5% that generally happens at least twice per year. Pullbacks often resolve within a few weeks.

Correction: a decline of 5% to 10% that typically happens once per year. Like pullbacks, markets recover quickly after corrections, generally within 3- 6 months.

Bear Market: a decline of 20% or more. Many bear markets are fully recovered within 18- 24 months, but severe bear markets like 2000-2003 and 2007-2009 can take 5-7 years or longer to recover from.

Bottoming Process: After a correction or bear market, stocks often bounce and re-test lows multiple times before recovery.

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Closing Comments:

Several clients have recently been speaking with friends who are looking to make a change either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance and we are very grateful for your confidence and support!

Although our focus is on financial planning and investments, we also have relationships and resources to help with life and LTC insurance and annuities.

AIP acts as a 3(38) Fiduciary Advisor to 401k plans and has been able to help several small business owners reduce costs, significantly improve their plans and offload some of their liability as plan sponsors while creating a better experience for employees.

Please call and/or email me personally for most of your account servicing needs and especially when you have questions or concerns.

Disclosures

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