



POST OAK PRIVATE WEALTH ADVISORS
ADVISORY, CONSULTING & INVESTMENT MANAGEMENT

February 2026

Monthly Market Commentary

*by Robert M. Wyrick, Jr., Managing Member/CIO
Post Oak Private Wealth Advisors*

Fifteen years ago, tech entrepreneur and venture capitalist Marc Andreessen famously wrote that “software is eating the world.” What he meant was that any service that could be automated by software eventually would be. Andreessen’s foresight has proved accurate as cloud computing, software-as-a-service and digital platforms have reshaped not only entire industries but also consumer experiences for buying goods and services.

As investors, technology’s economic transformation has important implications and is a major source of recent market volatility. AI represents the next phase of this transformation and is accelerating at a pace never seen before. As with every major technological shift, markets are trying to assess what it means specifically for businesses and consumers and broadly for the economy. For long-term investors, maintaining perspective on how these cycles have unfolded in the past can provide clarity, especially when it seems virtually all sectors of the market are being driven by the narratives around the implications of AI.

Is AI eating the world?

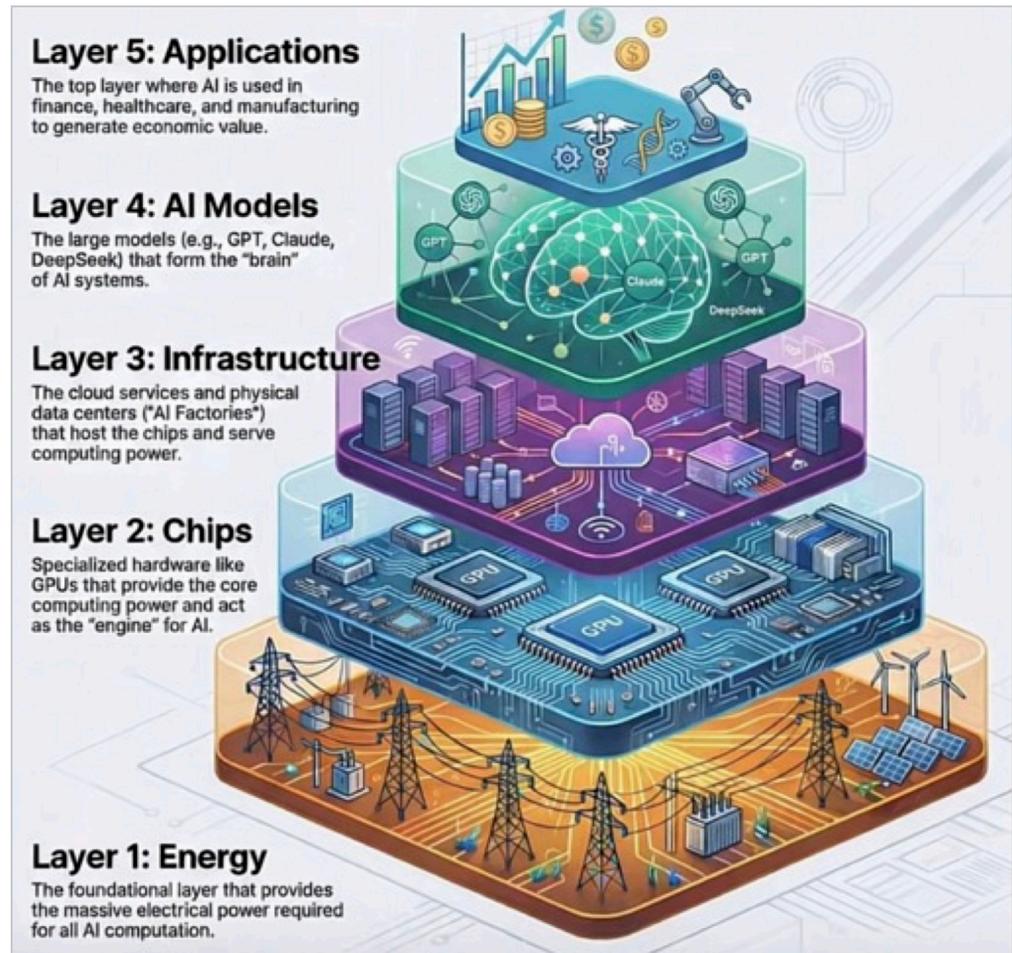
To answer that question, I believe the graphic on the following page from a presentation by Nvidia CEO Jensen Huang is a great place to begin, as it provides a great illustration of the AI universe and can help investors understand what’s been happening in the stock markets so far this year.

It’s easy to see what the different levels represent, but the picture gets more interesting and more impactful when you consider it against the backdrop of market returns over the last several years. Many companies in the foundational layers—energy, chips and infrastructure—have been exceptional performers in the bull market of the past few years. That includes the obvious standouts like chipmaker Nvidia but also a lot of industrial firms like Eaton and GE Vernova that are heavily involved in meeting the energy and infrastructure needs. These firms are seeing increased revenues and earnings in the present day as they lay the groundwork for the AI future.

It is important to understand that while there is much speculation around the impact of AI, (as I will discuss further,) there is no doubt about the ongoing buildout of AI infrastructure, including this foundational level.

The AI models (e.g., Open AI’s ChatGPT, Microsoft’s Copilot and Alphabet’s Gemini) could also be considered foundational, in that you can’t implement AI solutions without the models to run them. The companies in this space, such as Microsoft, Alphabet and Meta Platforms, have soared as investors anticipate the transformative potential for AI applications but struggled more recently over concerns about spending and borrowing. Competition is also fierce; Anthropic, another AI

Continued on the next page.



Source for graphic: Nvidia

model provider which is privately held, raised eyebrows more recently by introducing impressive upgrades to its AI models, many of which are built for enterprise-level applications.

At the application level—the top of the pyramid—is where most of the disruption will happen. You could say it’s already happening as the software companies that provide many of these application services today have suffered in the latest wave of volatility. The selloff in software so far this year (application software is down nearly 25%, systems software is down over 21%) reflects the market’s belief that AI will likely replace many of the business functions these companies provide, with adverse impacts on their revenue streams and headcount.

As with any economic transformation, there will be winners and losers. With AI, companies across the economy will benefit financially from the efficiencies AI delivers, but software firms appear vulnerable. AI’s impact on the labor market also threatens their revenue streams; many knowledge workers may find their functions replaced by AI and their jobs eliminated. Lower headcounts mean fewer software seat licenses. Again, it’s too early to know the outcome for many of the large software providers, but the market is looking forward and speculating on the potential decline. However, in many cases these are some of the strongest and most profitable companies that have ever existed, and many will evolve and maintain their relevance as AI advancements continue.

Continued on the next page.

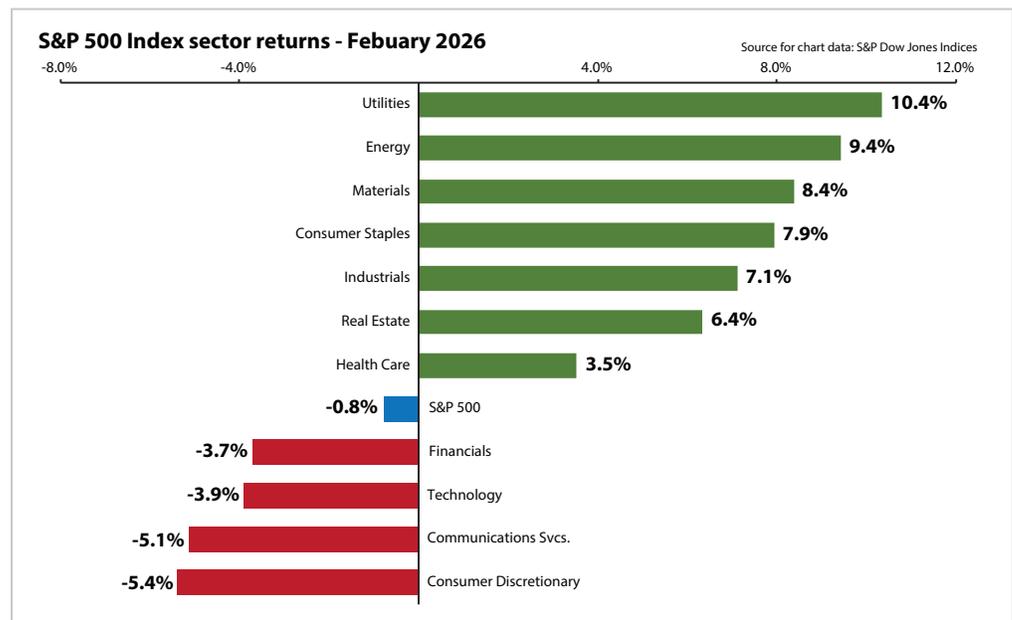


Looking at opportunities beyond tech

AI has the potential to change how services are actually created, continuing the trend of traditional processes being replaced by software. However, it's worth remembering that even the most transformative technologies don't eliminate the need for specialized expertise and services. AI systems, no matter how capable, will still require access to the best data, the most reliable platforms, and unique domain knowledge. Similarly, consumers will continue to value trust, personalization, and quality outcomes.

For investors, the market's recent volatility underscores the principle that diversification matters more than any single trend or headline. The technology and communication services sectors, while delivering strong returns in recent years, are also known to experience swings as expectations shift. These sectors are sensitive to long-term factors such as interest rates, so they're affected by uncertainty around the future direction of the Federal Reserve. While groups like the Magnificent 7 have performed well over the past several years, they can struggle in periods like 2022 just as they have over the past two months.

Perhaps the biggest question is around stock market valuations. With the S&P 500's price-to-earnings ratio near historically elevated levels, investors have been rotating into other sectors such as consumer staples, energy, materials and industrials—all of which have outperformed the market for the month and year to date. This rotation may be a sign that markets are looking for opportunities beyond AI, especially firms that produce tangible assets. On the other hand, energy, materials and industrials stocks may also represent another way for investors to participate in the AI opportunity, through businesses that are benefiting today from the massive spending on infrastructure and are also less speculative.



Stocks have struggled even as the latest earnings season continued to impress, delivering an earnings growth rate for Q4 of 14.2%, the fifth straight quarter of double-digit earnings gains. The usual suspects have done most of the heavy lifting when it comes to earnings growth—

Continued on the next page.



technology and communications—but industrials and materials also posted strong profits for Q4, demonstrating the impact of AI spending across a broader spectrum of the economy.

But even earnings beats from the big AI players—NVIDIA, Microsoft, Apple, Alphabet and Meta Platforms—couldn't dispel the worries over excessive capital expenditures and uncertain revenue flows. Right now, the market is focused on repricing elevated sectors and rotating toward undervalued areas. Perhaps the good news is, this repricing is reducing valuations—in some cases by half—and making many good companies look more attractive.

Learning from tech revolutions of the recent past

I hope this month's commentary and description of the various layers involved in AI has been helpful. As I mentioned earlier, the speed at which AI is accelerating is nothing short of astonishing. Right behind AI is quantum computing. We certainly live in interesting times.

With all this change comes significant opportunities for patient investors to grow wealth. Many market analysts compare today's investment climate to the dot-com bubble of the late 1990s. While there are similarities to the present-day opportunity with AI, these are few and far between in my opinion. I recall the massive capital expenditures associated with laying fiber-optic cables across the U.S. The companies building out the infrastructure for the early Internet Era knew there would eventually be a market for higher-speed communications. (If we build it, they will come.) However, at the time of these huge capital expenditures, fiber-optic usage was only 7% of total demand.

Ultimately, the full utilization of fiber optics did come, but many firms went bankrupt in the process. Compare this to today's near-100% utilization of current data-center capacity and we begin to understand the fast-and-furious rate at which companies are investing in this space. Yet, while AI is prompting investors to reassess specific stocks and sectors, the principles of long-term investing remain unchanged. Maintaining a portfolio aligned with your financial goals is still the best way to navigate periods of rapid change.

Returning to the foundations of prudent investing

In addition to last month's AI-driven upheavals, investors also had to contend with the return of trade policy uncertainty following the Supreme Court ruling invalidating President Trump's tariff actions from last year. For investors, the most important takeaway in this decision is not the legal ruling itself, but what the past year shows about the importance of staying invested. Trying to predict the impact of tariffs on the economy and markets is not only difficult, but counterproductive. While markets can experience swings during periods of policy uncertainty, they can also stabilize and recover when investors least expect it.

As represented in the off-schedule portfolio rebalance we did in February, our job is to be nimble in periods of rapid change. We are not being reactive, but making proactive moves that are in tune with changing market conditions. Today's trends should be viewed in a broader context with other changes to the market and economic landscape. If past cycles are any indication, markets will likely over- and under-react to these trends in the short run. History shows investors who can stay patient during these cycles and invested in quality companies will be best positioned to achieve their financial goals over the long run.

As always, please feel free to contact us if you have questions or would like to discuss current or future trends in the financial markets. On behalf of all of us at Post Oak Private Wealth Advisors, I thank you for your ongoing trust in our services.



Past performance does not guarantee future results. There is no guarantee that any investment strategy or account will be profitable or will not incur loss. Investors should consider the investment objectives, risks, charges and expenses that make up this investment strategy carefully before investing. Investing involves risk, including the possible loss of principal. Share price, principal value, and return on investments will vary, and you may have a gain or a loss when you sell your investment.

Post Oak Private Wealth Advisors may have an interest in securities or sectors highlighted in this report. This presentation and the data herein is neither an offer to sell nor a solicitation of any offer to buy any securities, investment product or investment advisory services offered by Post Oak Private Wealth Advisors. ("Post Oak") This presentation is subject to a more complete description and does not contain all of the information necessary to make an investment decision, including, but not limited to, the risks, fees and investment strategies of any Post Oak products or services. Any offering is made only pursuant to the relevant information memorandum and accompanying, subscription materials, including Post Oak's Form ADV Part 2, all of which must be read in their entirety. This information is not an advertisement and is not intended for public use or distribution and is intended exclusively for the use of the person to whom it has been delivered. The contents of this report have been compiled from original and published sources believed to be reliable, but are not guaranteed as to accuracy or completeness. Market opinions contained herein are intended as general observations and are not intended as specific investment advice. Market index performance is provided by a third-party source deemed to be reliable. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses have been reflected. Individuals cannot invest directly in an index.