



FORTIS
CAPITAL ADVISORS

What We Are Thinking About (WWATA)

February 27, 2026

Periodic Market Returns



Asset Allocation

Asset Class Summary							2/26/26
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
U.S. Stock	0.69%	-0.40%	2.12%	1.57%	17.57%	21.16%	12.91%
Global Stock Ex U.S.	2.05%	5.39%	14.93%	11.18%	36.78%	20.01%	9.74%
U.S. Bond	0.32%	1.28%	1.24%	1.52%	6.31%	5.13%	0.37%
Global Bond	0.46%	0.96%	2.20%	1.89%	7.75%	4.76%	-1.26%
U.S. Real Estate	1.28%	5.57%	5.99%	7.88%	6.85%	8.43%	6.10%

Region Summary							2/26/26
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
U.S. Stock	0.69%	-0.40%	2.12%	1.57%	17.57%	21.16%	12.91%
Global Stock Ex U.S.	2.05%	5.39%	14.93%	11.18%	36.78%	20.01%	9.74%
Emerging Markets	3.62%	7.37%	18.50%	15.44%	45.74%	21.41%	6.42%
Europe Stock	1.59%	3.30%	12.41%	7.64%	29.72%	18.61%	11.72%
Asia Pacific Stock	2.52%	8.16%	17.32%	14.78%	41.04%	20.70%	7.18%
Latin America Stock	1.34%	4.57%	22.67%	20.43%	68.50%	20.76%	15.04%

Equity Style Summary							2/26/26
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
Large Growth	0.95%	-4.37%	-4.57%	-4.59%	14.45%	27.12%	13.63%
Large Blend	0.68%	-0.78%	1.15%	0.62%	17.18%	22.15%	13.69%
Large Value	0.39%	4.39%	9.92%	8.35%	20.00%	16.54%	13.48%
Mid Growth	1.69%	-1.20%	-0.20%	0.37%	8.51%	14.34%	5.96%
Mid Blend	1.33%	2.43%	6.17%	5.81%	15.74%	14.56%	8.85%
Mid Value	1.09%	4.95%	10.77%	9.70%	20.71%	14.08%	11.26%
Small Growth	1.21%	0.53%	7.47%	7.19%	17.92%	14.77%	3.32%
Small Blend	0.60%	2.17%	9.23%	8.53%	18.95%	14.03%	7.32%
Small Value	0.16%	3.42%	10.57%	9.55%	19.71%	13.47%	10.27%

Sector Summary							2/26/26
Sector	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year
Cyclical							
Consumer Cyclical	0.70%	-4.31%	-0.19%	-1.98%	9.53%	18.62%	8.62%
Financials	0.67%	-1.70%	-0.51%	-4.14%	4.67%	15.59%	12.11%
Materials	0.32%	5.94%	19.86%	16.87%	21.99%	11.45%	9.74%
Real Estate	1.00%	5.85%	6.35%	8.13%	5.76%	8.25%	6.68%
Sensitive							
Comm. Services	1.37%	-0.89%	2.30%	-0.85%	16.37%	31.31%	11.36%
Energy	-0.24%	11.84%	24.36%	23.13%	27.66%	12.89%	22.50%
Industrials	0.20%	7.49%	16.03%	13.91%	32.67%	22.63%	16.05%
Technology	0.57%	-3.47%	-0.47%	-2.06%	22.84%	28.41%	17.54%
Defensive							
Consumer Defensive	1.36%	7.34%	13.52%	14.39%	11.33%	9.83%	9.86%
Health Care	0.10%	-0.43%	-0.21%	1.69%	8.36%	8.78%	8.65%
Utilities	2.32%	10.05%	5.64%	10.52%	21.60%	15.80%	13.48%

Lots of angst in the market, but also lots of green YTD – outside of US Large Cap Growth.

International markets continue to roar ahead as earnings growth and valuation arbitrage vs. the US market continues...not to mention less tech weighted indices.

In the US, value outpaces growth across the market cap spectrum as investors seek non AI-impacted industries and believe that [HALO](#) is the answer – for the time being.

Which results in Energy, Materials and Staples outperforming...Financials bring up the rear held back by private credit concerns and AI disintermediation.

Source: Y Charts

Dispersion – A Wild Ride

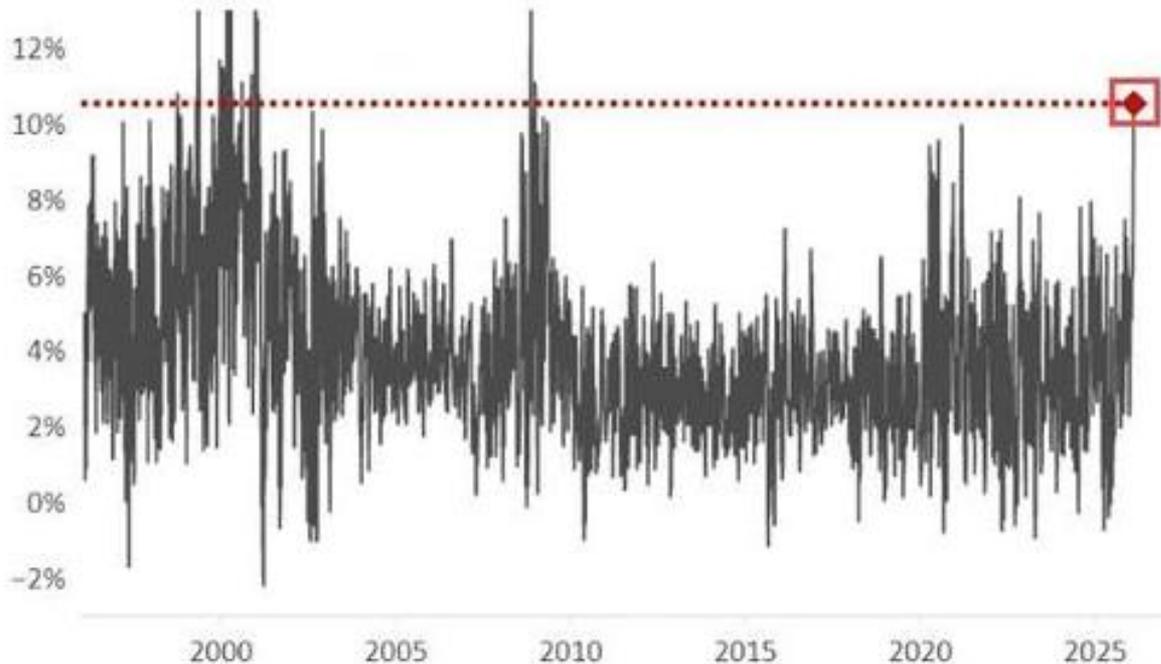
S&P500 Absolute Return Dispersion

Average S&P500 Stocks 1-Month Absolute Move - Index Absolute Move

Over the past month, SPX was up 0bps

while **stocks on average moved 10.8%**.

This spread (@10.5%) ranks **99th percentile** over the past 30 years.



Source: Nomura Vol

Despite steady as she goes market indices - the SPX is essentially flat YTD - individual stock movements have kept investors on their toes.

Absolute return dispersion in the SPX is approaching GFC crisis levels and exceeds what we saw during the Covid era.

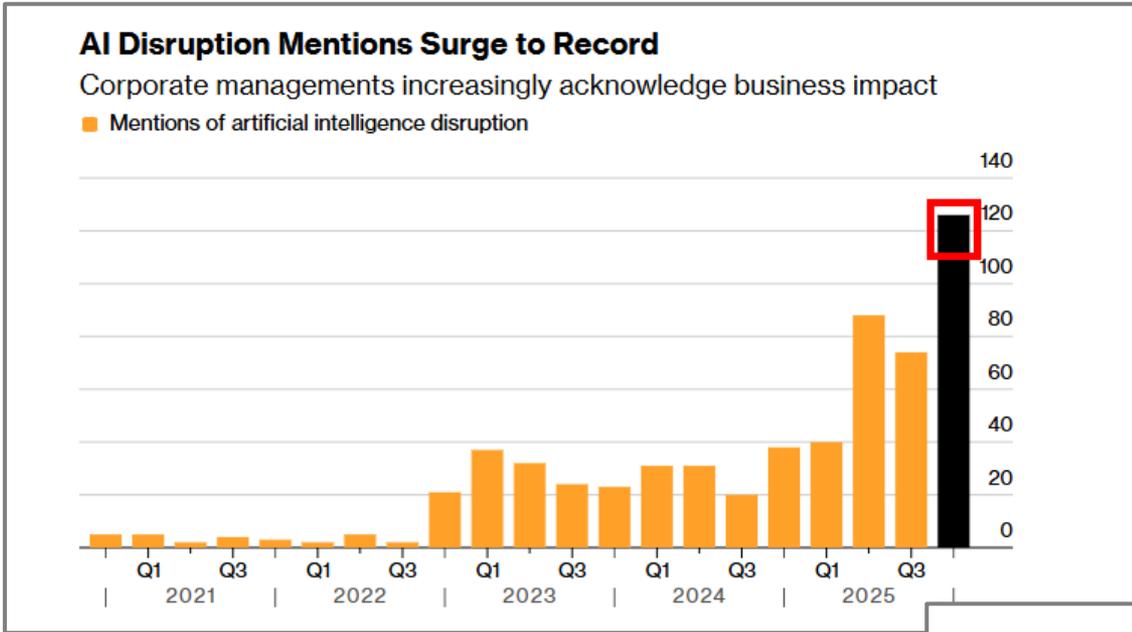
Perhaps this is warranted given the potential seismic disruption of the economy that AI could deliver – however, disruption likely cuts both ways - bad and good....It is likely the “doomers” have overstated the case and the narrative is escalating as prices head lower.

Sector Disruption: The 2028 Intelligence Crisis		
Sector	Key Entities / Examples	Nature of Disruption
Software & SaaS	ServiceNow, Salesforce, Asana, Monday.com	Mass seat cancellations as AI agents replace human workers and custom internal tools replace vendor software.
Global IT Services	TCS, Infosys, Wipro	The offshore labor model collapses as AI coding agents become cheaper and more efficient than human developers.
Residential Mortgages	Tech Hubs (SF, Seattle, Austin)	Systemic risk in the \$13T market as high-FICO borrowers lose income potential, impairing "prime" loans.
Finance & Payments	Visa, Mastercard, Amex, Capital One	AI agents bypass interchange fees using stablecoins/L2 blockchains and optimize away bank revenue.
Private Credit & PE	Blackstone, Apollo, KKR	A massive default cycle hits LBO deals that were underwritten on "recurring" revenue that no longer exists.
Professional Services	Tax Prep, Legal, Financial Advice	Autonomous agents handle complex navigation and routine tasks, removing the need for human intermediaries.
Insurance	Athene, Life Insurers	Balance sheets are threatened as the private credit assets backing annuities become impaired or toxic.
Intermediation	DoorDash, Uber Eats	Brand loyalty moats vanish as AI agents programmatically hunt for the absolute lowest delivery fees.
Real Estate	Traditional Brokers	Commissions crumble as AI agents gain direct data

The dispersion no doubt reflects panic selling that has moved beyond the tech sector as investors fear AI will displace long standing business models in the near to medium term.

Uncertainty on terminal values has resulted in "sell first, and confirm suspicions later", resulting in steep stock price declines.

What started in technology, software specifically, has now spread to former protected moats such as payment processors as investors fear AI can utilize agents to bypass existing business processes that will result in loss of network effects and scale economies.



Source: Bloomberg

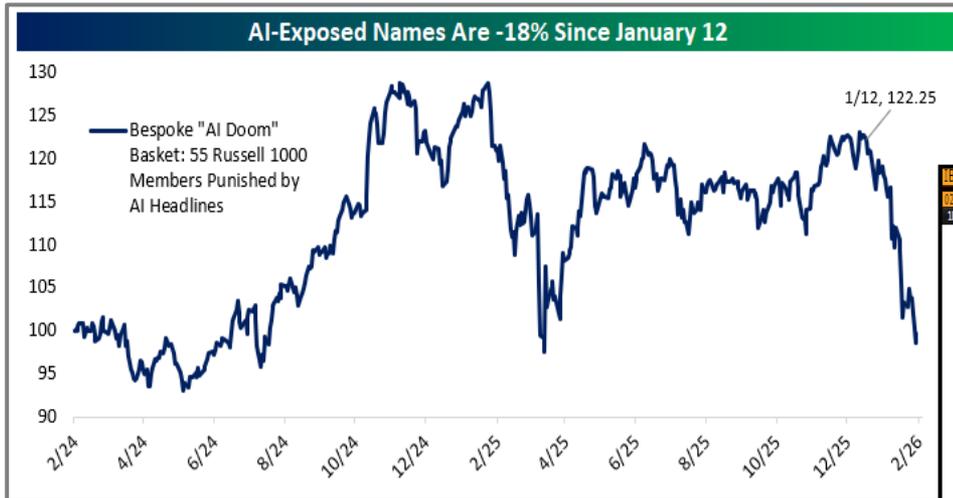
There is no shortage of discussion around the negative effects of AI adoption across industries...yes software, but also industry and processes that utilizes commodity data and are not in need of exact outcomes where probabilistic AI can interrupt legacy offerings. The number of plug-ins for new apps is likely to continue to accelerate and spur continued angst.

Perhaps a function of the prior dispersion level is the lopsided level of short interest in tech and likely other industries. When investors are caught off guard by companies, the result is a mad flush of positioning that results in outsized moves on an individual stock basis.

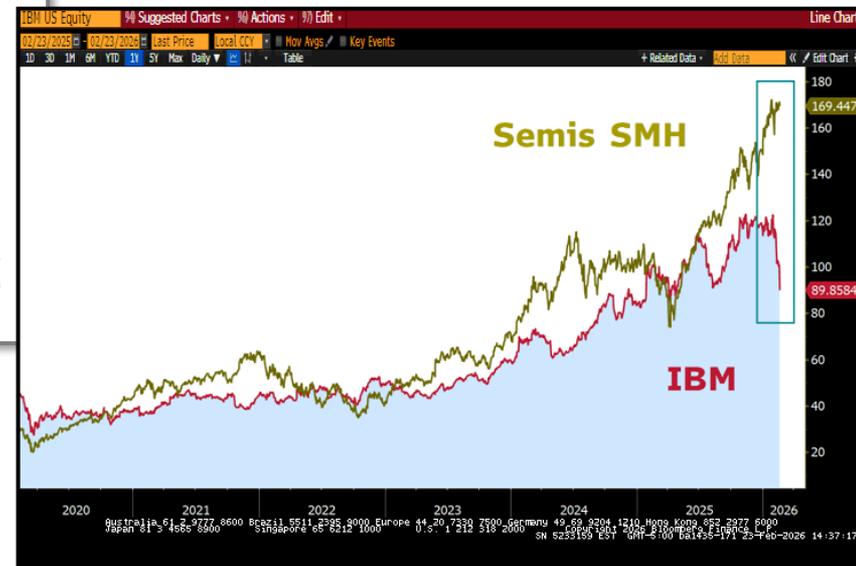


@subutrade

Back to Tariff Lows



Source: YCharts

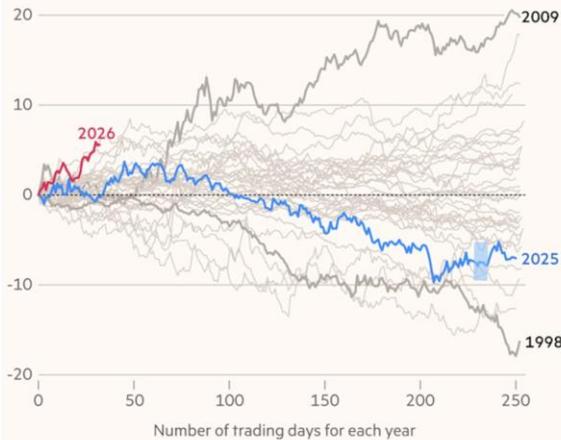


Downward price action has been reminiscent of “Liberation Day” – a quick and steep decline for stocks seen to be the most impacted by AI disintermediation. Which raises the question of whether we can expect a similar swift recovery, ala 2025, after cooler heads prevail and “boomers”, rather than “doomers” are identified. We believe there are some definite bargains to be found if investors can open the time frame aperture a bit. A “doom AND boom” scenario is most likely relative to AI adoption and investors need to sharpen the pencil and remain diligent in their analysis.

Equal Weight S&P 500 vs. S&P 500

S&P 500: equal-weighted variant has its biggest lead over cap-weighted in decades

Difference between S&P 500 and S&P 500 equal-weighted (percentage points). Each line represents a calendar year of trading days (1990-2026)



Graphic: Ray Douglas
Source: LSEG
© FT

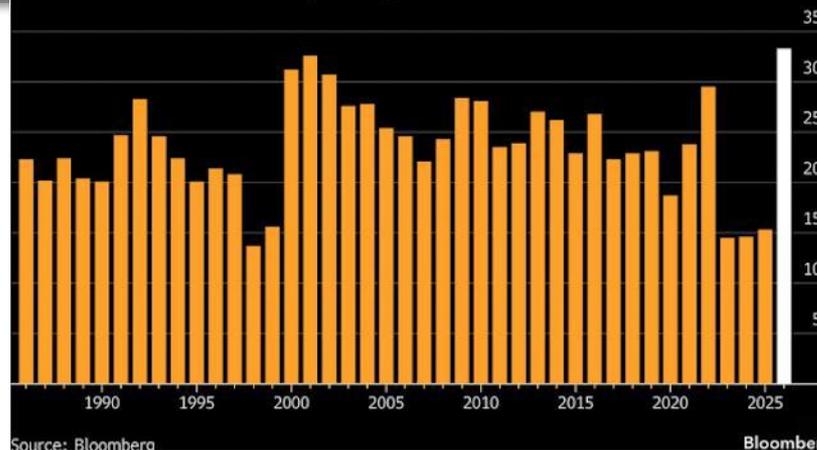
Among the good news, is that we no longer have to hear about a narrow market...good news that is if your portfolio has moved on from the Mag 7 and a heavy technology weighting...

It is still early going in 2026, but what a start for the "rest" of the SPX which has powered the equal weight SPX to its best start since 1990. A bit of caution as 2025 started in a similar manner before the SPX accelerated its relative gains through the end of the year.

Record Number of S&P 500 Members Outperform Benchmark

Year-to-date rally is the broadest ever

Number of S&P 500 members outperforming the Index



Source: Bloomberg

Bloomberg

A broad rally has ensued, one we haven't seen since post the dot-com era in the late 1990's. Using history as a guide, the last three years of narrow leadership are more the exception than the rule.

As the Mag 7 has moved from asset light to asset heavy business models to pursue the AI buildout, investors have expanded their horizon on what makes sense for their portfolio.

Staples v Tech

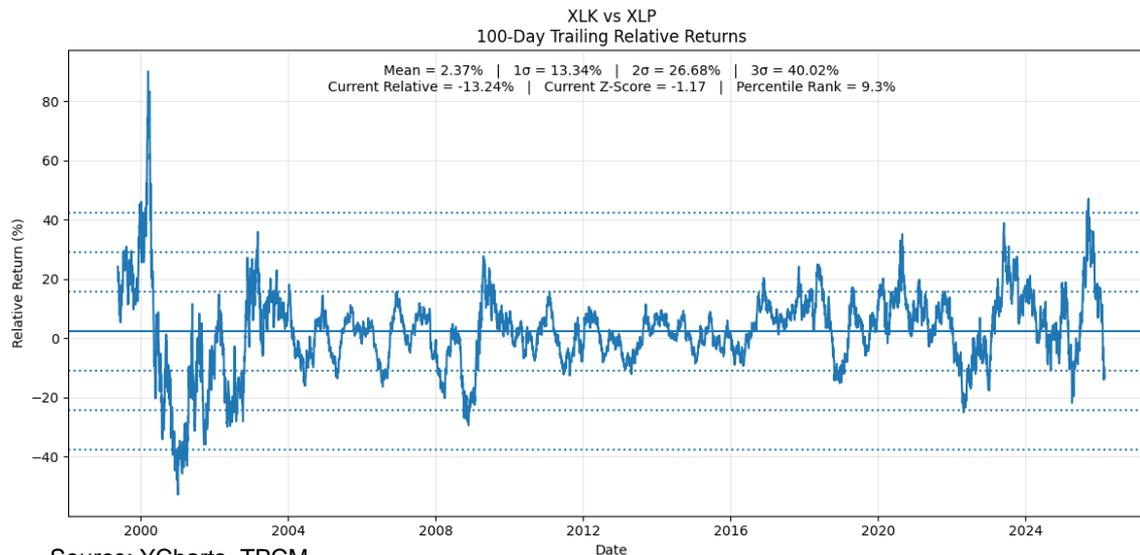


Source: Bloomberg

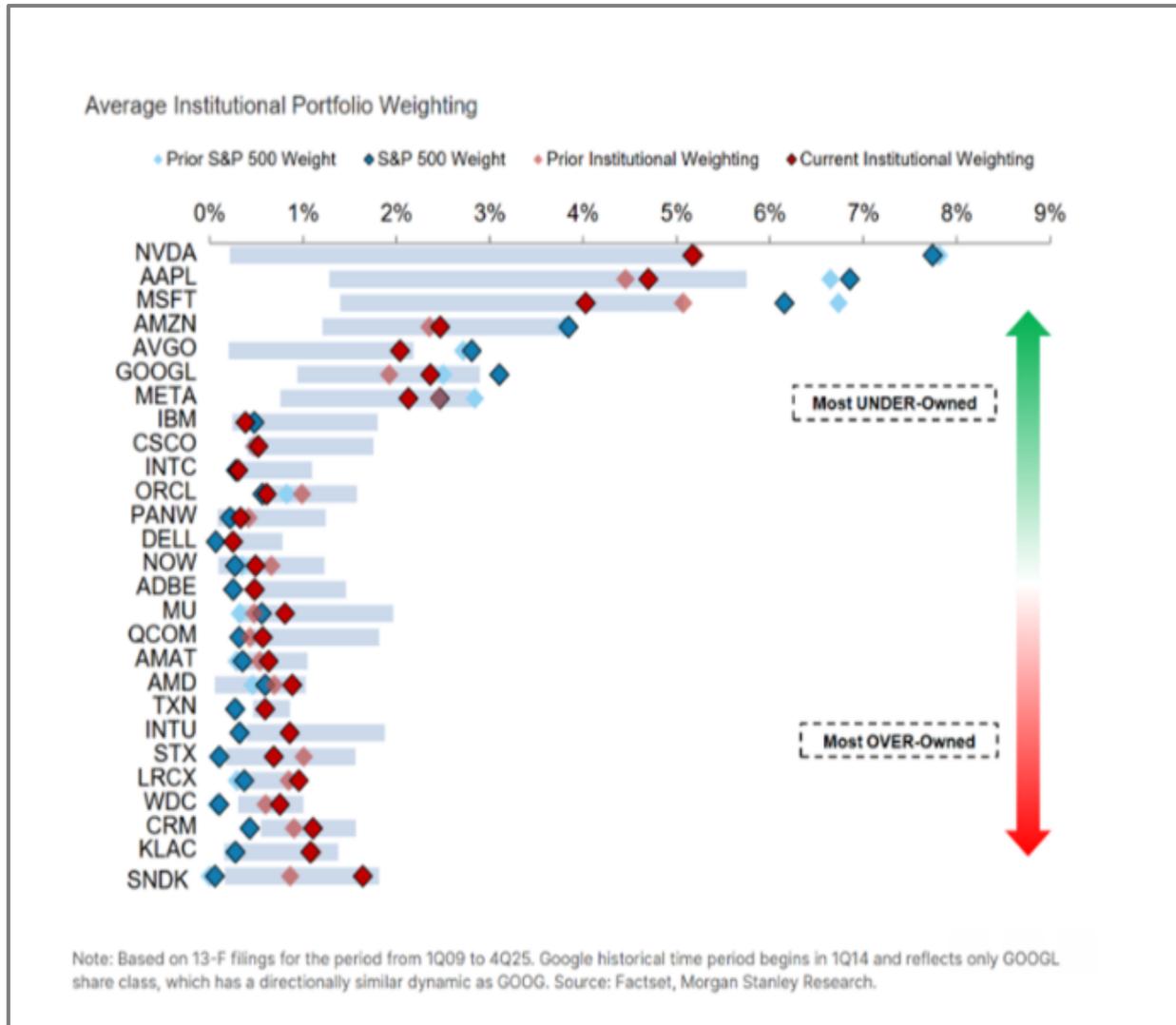
The question of whether this has gone too far could start to nag on “doomers”. Valuations for 2 disparate groups, tech and staples, have now converged which typically only occurs during extreme events in the markets – Liberation Day, higher interest rates, Covid (all shown).

This is a reflection of investors unwillingness to pay elevated multiples for long duration tech companies and the search for safety in everyday names that may have challenged economics but are not going to be displaced by AI.

100-day trailing returns for the XLP vs. the XLK also suggests this trade is getting stretched...



Source: YCharts, TPCM

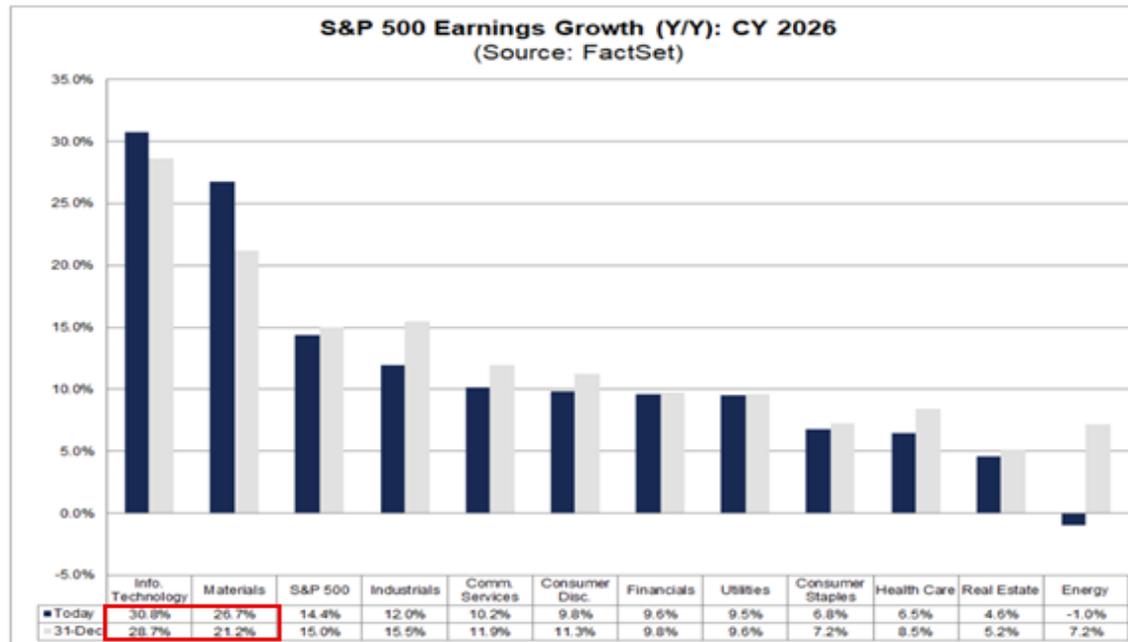


Within the tech sector, there remains a bias to underweight the Mag 7 relative to the SPX benchmark weighting. This is understandable given the large weighting of individual names, especially NVDA, AAPL and MSFT.

MSFT has seen the biggest retracement of portfolio weight, as investors question their reliance on OpenAI.

Beneficiaries of the massive AI capex spend, namely SNDK, KLAC, WDC, LRCX, and STX are all weighted well beyond the index as investors see them in the sweet spot of capex \$'s.

CY 2026: Growth



Earnings estimates for 2026 remain in the mid-teens range, only a slight decline from the estimate at year end 2025.

A broad representation of industries are expected to post EPS growth of ~ 10%...but Staples and Energy, two of the top three sector performers YTD, are not in this group...interesting.

Tech and Materials are the only two sectors where earnings estimates have actually increased since year end 2025. One could think of a broad-based earnings rally in materials, but needing to be far more selective when picking technology stocks.

GLOBAL MSCI VALUATION COMPARISON (FEB 2026) MSCI USA Commands a Significant Premium

Region/Country	TTM	Fwd	Comments
MSCI USA	24.50	22.05	Highest valuation; driven by tech sector dominance
<u>MSCI World (Developed)</u>	24.55	17.42	Heavily influenced by the ~70% US
South Korea	21.37	17.47	2025 rally
Australia	21.08	18.42*	Consistent premium due high-dividend financial/mining
MSCI AC Asia Pacific	19.45	15.64	Broad regional blend Japan and Australia
MSCI AC Asia Pacific	18.74	15.80	Trading below global averages despite strong YTD performance
Japan	17.58	16.80	Seen as "value" play relative to the index at ~9.7x
MSCI Europe	17.53	15.36	expensive US market
MSCI Emerging Markets	16.98	13.94	Historically discounted; Value-specific China stocks as weigh in.
United Kingdom	15.99	14.35	Lowest valuation in group; sensitive to commodity prices
China	11.94	10.35	
Brazil	11.86	10.17	

Key Performance Observations

- The "Price of Growth": The US (MSCI USA) and South Korea have the highest multiples, reflecting investor willingness to pay for tech and export-driven growth.
- **Earnings Momentum:** For indices like the MSCI Emerging Markets, the gap between the trailing (16.89) and Forward (13.44) P/E suggests analysts expect nearly 20% earnings growth over next year to forward basis, a trend that has persisted through the 2025 rotation into international value stocks.

*Forward PE estimates based on consensus earnings growth projections for 2026

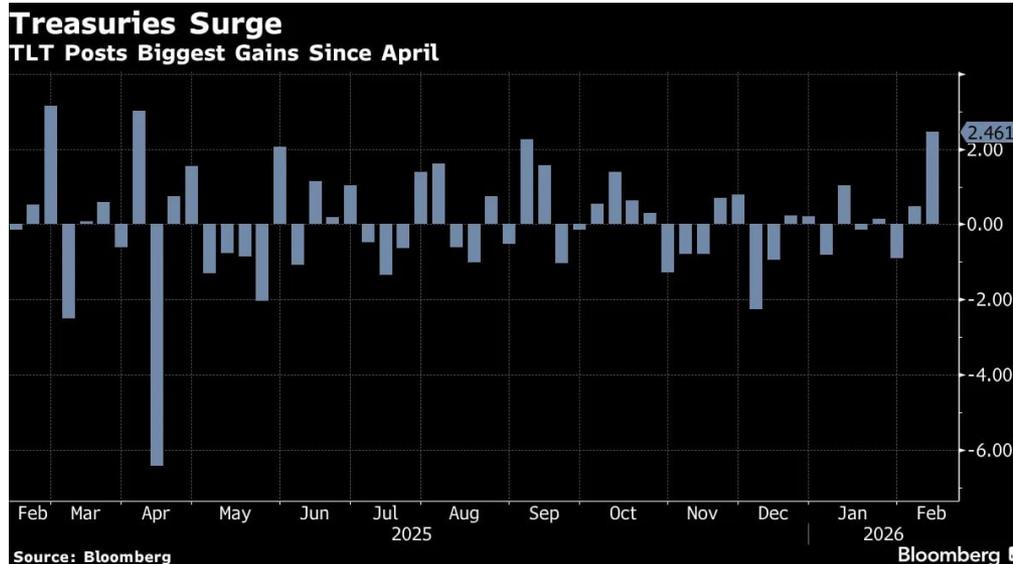


ROW forward P/E multiples continue to offer arbitrage opportunities relative to the US. Granted, growth and returns among the aggregate of ROW markets lag the US which would argue for an ongoing valuation discount.

But ROW markets have begun to take action to shore up returns, the prime example being Japan, and to support growth through fiscal expansion, notably Europe and, again, Japan.

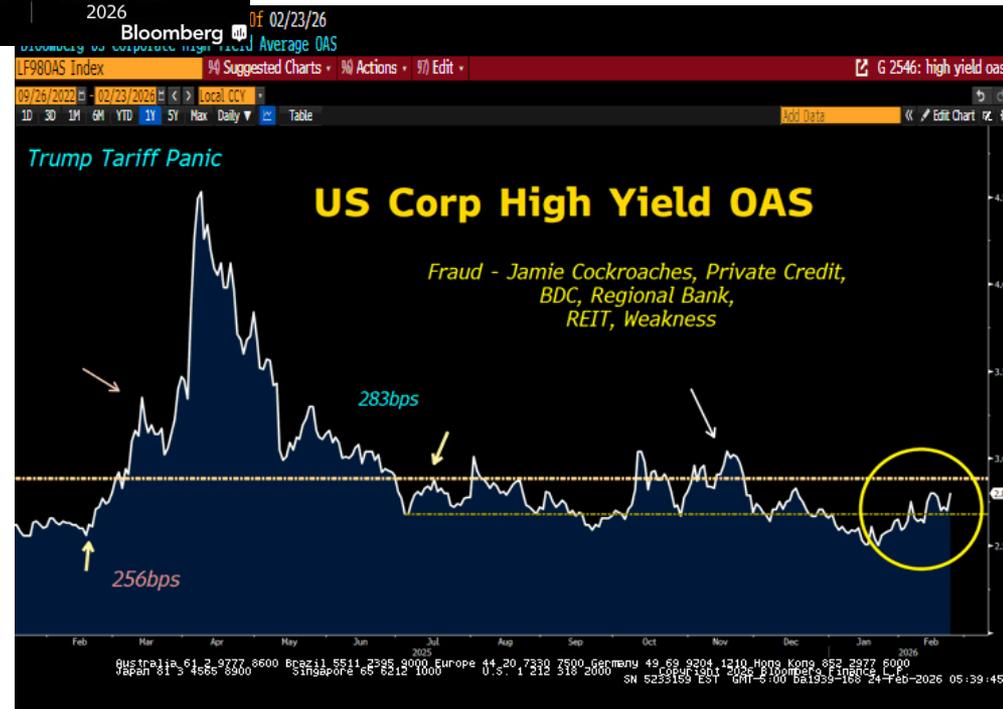
South Korea has benefitted disproportionately from the memory shortage given SK Hynix and Samsung's presence. Investors need to look under the hood there.

Australia is benefitting from its heavy resource reliant economy.



Despite all the well known issues with the federal deficit and debt load, the demand for US Government credit continues. 10-year yields are sub 4% and have been well bid in recent auctions. Yes, foreign governments are reducing their exposure but other buyers are surfacing (and it's not the Fed...).

Credit issues in the BDC space remain to be seen as spreads, while on the rise, are certainly not at distress levels. Alternative asset players like KKR, OWL, ARES, etc. have taken it on the chin as investors fear the worst case credit situation. Asset light companies (software, etc) are feared to see increasing churn and pricing pressure that may impact their ability to repay loans.



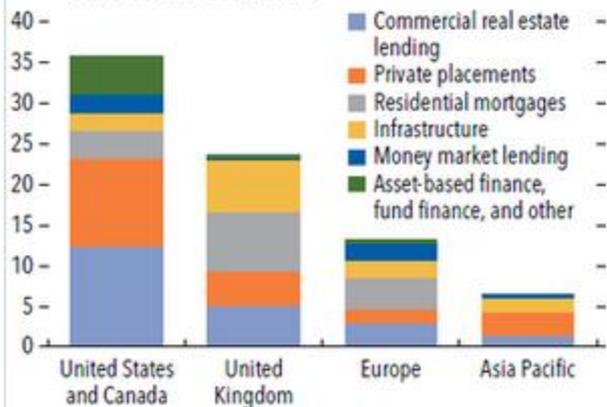
Insurers will be this generation's "widows and orphans": private credit represents 35% of total US insurers' investments

Figure 1.3.1. Insurers' Exposure to Private Credit

Insurers have diverse exposure to private credit instruments, especially in North America and the United Kingdom.

Private ratings have been growing in number and importance in the United States.

1. Moody's Survey of Insurers' Average Positions in Private Credit Instruments
(Percent of total investments)



2. Privately Rated Securities Held by US Insurers
(Number)



Sources: Moody's; NAIC; and IMF staff calculations.

Note: Panel 1 refers to Moody's 2024. In panel 2, the "Big Three rating agencies" are Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

The XLF has rolled over as private credit fears have spread to one set of large purchasers of these credits, the life insurers.

EQH, MET, PRU and LNC are all ground zero...it makes sense that they are purchasers – higher yields, a better match for long duration liabilities, stronger covenants (?) and diversification beyond the public markets are all driving factors.

Key Highlights: 2026 State of the Union

Category	Main Point	One-Sentence Description
Economy	"The Golden Age"	Trump claimed responsibility for a "turnaround for the ages," citing record stock market highs and a drop in core inflation to 1.7%.
Trade	Tariff Resilience	He vowed to bypass a recent Supreme Court setback by using alternative legal authorities to maintain 15% global tariffs.
Immigration	Border Enforcement	The President touted "the strongest border in history," claiming zero illegal entries in nine months and a 56% drop in fentanyl flow.
Energy	Energy Dominance	He reaffirmed a "Drill, Baby, Drill" policy, highlighting surged oil production and the removal of environmental regulations.
Tech & AI	Ratepayer Protection	Trump announced a "Ratepayer Protection Pledge" requiring AI companies to build their own power plants to avoid raising public utility costs.
Foreign Policy	Iran Strategy	He warned of military force against Iran's nuclear ambitions while confirming ongoing "U.S.-mediated" peace talks for Ukraine.
Governance	Stock Trading Ban	In a rare bipartisan moment, he called on Congress to pass the "Stop Insider Trading Act" to ban members from trading stocks.

Source: TPCM

It was long and laborious and highly partisan...and chock full of "accomplishments" and objectives moving forward.

What was missing was commentary on the housing market which is probably the single largest sticking point for US citizens on the affordability agenda. We expect to hear more shortly.

Energy producers are talking the talk, but the Baker Hughes rig count is flat. Efficiency gains (AI?..), however, result in record US production levels.

Expect continued LNG volume gains and curtailment of retirement of electric generating capacity.

Possible Next Steps

- **Circumventing Time Limits:** Exploring "loopholes" to re-impose [Section 122 tariffs](#) every 151 days, bypassing the 150-day Congressional cap.
- **New Trade Investigations:** Launching **Section 232** (national security) and **Section 301** (unfair practices) probes to restore higher, country-specific rates.
- **Invoking Smoot-Hawley:** Utilizing **Section 338** to levy up to 50% tariffs on countries "discriminating" against U.S. commerce without a required time limit.
- **Protecting Existing Duties:** Maintaining [standing tariffs](#) on steel, aluminum, and Chinese imports, which remain unaffected by the Supreme Court ruling.
- **Leveraging Negotiating Power:** Using the 10–15% global baseline to force new bilateral trade concessions from international partners.

Source: TPCM

Trump is a mercantilist and tariffs are not going away despite the recent SCOTUS ruling.

Section 122 allows for 150 days of what has been announced as 15% global tariffs. Would you be surprised to hear that Section 122 is going to be extended...we wouldn't.

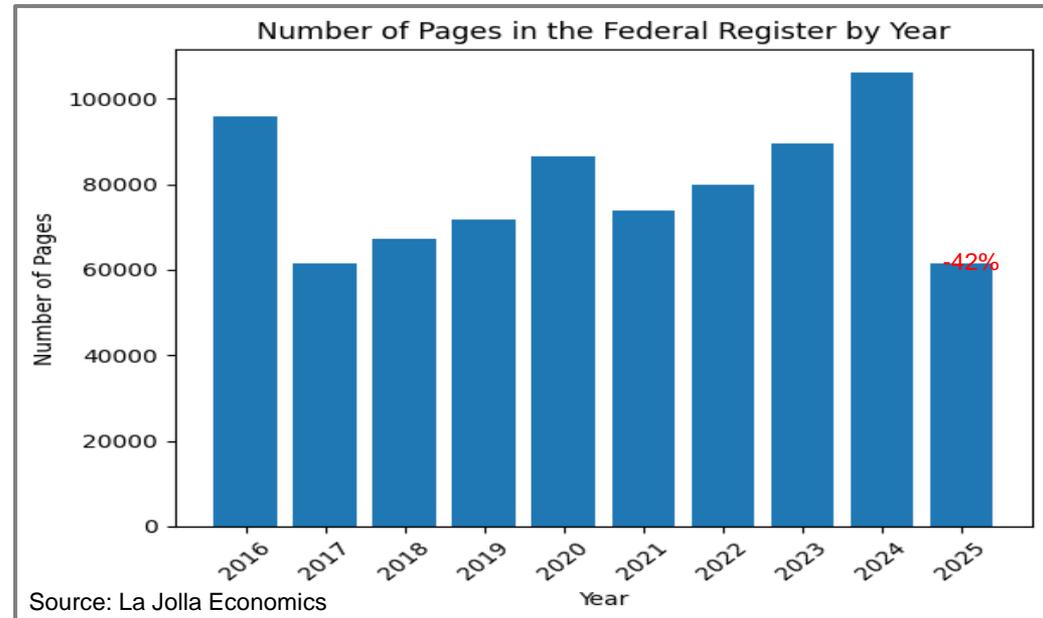
In the end, national security and unfair trade practice cases will be brought against many countries to continue the tariff regime.

Which coincides with the mid-term election timeframe...this is not a popular issue with either side of the political aisle and to the extent that specific tariff cases are brought to Congress for approval, it is unlikely to meet with support.

Lowest Level Since 1966



You can't say that Trump isn't remaining true to his pledge to slash the federal workforce and reduce regulations. The proof is in the numbers and now VP Vance is in charge of the fraud effort. While this has seen fits and starts, think DOGE, ultimately this is a positive for the US government sector as it tries to rein in wasteful spending and remove unproductive regulations that will unleash economic growth.



Source: La Jolla Economics

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