

Monthly Market Commentary

FEBRUARY 2026

WIP EQUITY STRATEGY

+3.4% | **+19.9%**
Feb | YTD

S & P 500

-0.9% | **+0.5%**
Feb | YTD

MSCI ACWI

+1.3% | **+4.2%**
Feb | YTD

STRATEGY OVERVIEW

The Watson Investment Partners equity strategy delivered a 3.4% return for the month of February, representing a gain of 19.9% year to date.

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 gains and allow the storm to pass.

Through the month, major benchmarks reflected an uncertain market narrative. The S&P 500 declined 0.9% for the month, up 0.5% for the year. The MSCI ACWI All World Index gained 1.3% for the month, bringing its year-to-date return to 4.2%. Markets did not break down. However, the internal instability present at the start of the month justified a measured posture.

MACRO LANDSCAPE

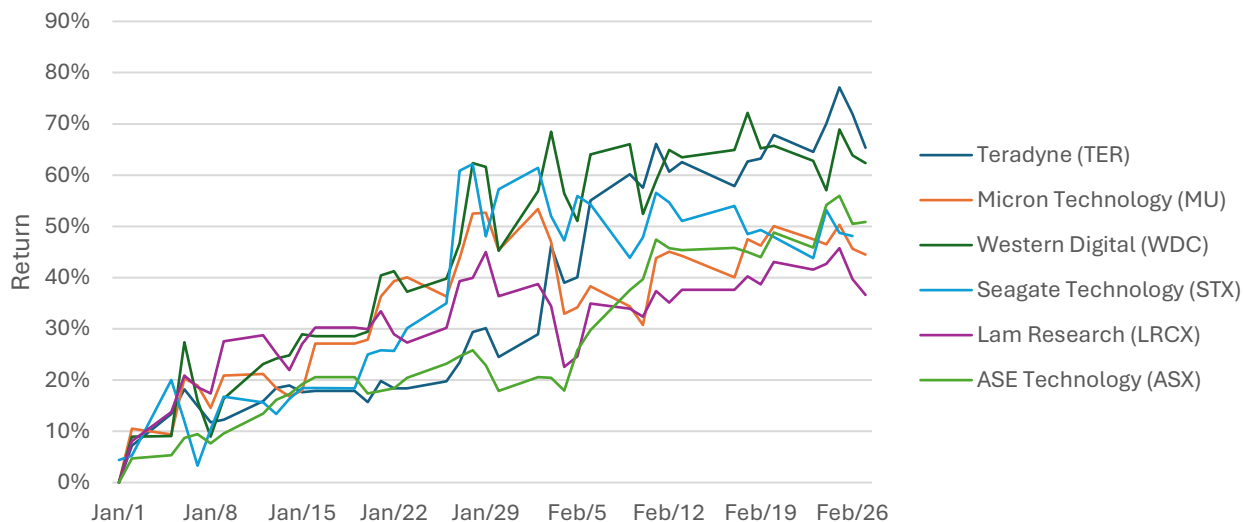
The shift in conditions was not random. The announcement of Kevin Warsh as President Trump's intended next Federal Reserve Chair introduced uncertainty around the future path of monetary policy. Mr. Warsh has expressed skepticism about the long-term effectiveness of quantitative easing and the expansion 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

The information and opinions contained in this report have been compiled from sources believed to be reliable. It is not an official statement of your positions at Richardson Wealth Limited. No representation or warranty, expressed or implied, is made to the accuracy or completeness of assumptions on certain market prices and yields.

Canadian Investor Protection Fund (CIPF) coverage may not apply to the positions provided and you should refer to your official account statement for disclosure respecting CIPF coverage.

The positions provided are for informational purposes only and do not represent an official statement. Please review your official account statement.

The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of Richardson Wealth Limited or its affiliates. Assumptions, opinions and estimates constitute the author's judgment as of the date of this material and are subject to change without notice. Richardson Wealth Limited does not warrant the completeness or accuracy of this material, and it should not be relied upon as such. Before acting on any recommendation, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. Past performance is not indicative of future results.

Richardson Wealth Limited is a subsidiary of iA Financial Corporation Inc. and is not affiliated with James Richardson & Sons, Limited. Richardson Wealth is a trade-mark of James Richardson & Sons, Limited and Richardson Wealth Limited is a licensed user of the mark. Richardson Wealth Limited, Member Canadian Investor Protection Fund.

CONTACT

WATSON INVESTMENT PARTNERS

Allyson Watson
Investment Advisor
Tel. 902.580.6680

Allyson.Watson@RichardsonWealth.com
WatsonInvestmentPartners.com

Jeffrey Watson, CFA[®], MFin
Portfolio Manager, Investment Advisor
Tel. 902.817.0394

Jeffrey.Watson@RichardsonWealth.com