



MONTHLY MARKET REVIEW – January 2026

	Jan 2026	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	1.45%	16.35%	21.11%	14.99%	15.57%
U.S. Small Cap Equities Russell 2000	5.35%	15.81%	12.20%	6.16%	11.21%
Energy Infrastructure Equities Alerian U.S. Midstream	8.84%	6.44%	24.24%	29.17%	15.12%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	3.01%	5.52%	5.84%	7.33%	5.54%
Global Equities MSCI All Country World Index	2.96%	21.87%	19.06%	11.95%	12.75%
Int'l Developed Equities MSCI EAFE	5.22%	31.18%	16.17%	10.27%	9.55%
Emerging Market Equities MSCI Emerging Markets	8.85%	42.84%	16.74%	5.34%	10.08%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	0.11%	6.85%	3.65%	-0.20%	1.88%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	0.94%	4.70%	3.22%	0.86%	2.32%
High Yield Fixed Income Bloomberg U.S. Corp High Yield	0.51%	7.70%	8.88%	4.54%	6.75%
Floating Rate Loans Morningstar LSTA U.S. Loan	-0.31%	4.85%	8.28%	6.10%	5.86%
Collateralized Loan Obligations JP Morgan Collateralized Loan Index	0.53%	5.71%	7.83%	5.37%	4.79%

- Global equity markets gained in January, despite considerable geopolitical tension, notably between the U.S. and Venezuela, uncertainty surrounding the U.S administration's intention to "own" Greenland, and related tariff threats against Europe.
- U.S. equities gained 1.5% with value outperforming growth by 2.0%.
 - The S&P 500 Index remained highly concentrated, with the top-10 companies by market cap representing 40% of the Index; large cap growth traded at 27.6x vs the 19.9x average.
 - Small cap stocks experienced a "January Effect", surging 5.4% higher amid stock buybacks, an anticipation of lower interest rates and robust earnings.
- Fixed income returns were moderate, but positive, with investment grade and lower quality bond indexes reporting gains with HY outperforming investment grade bonds:
 - U.S. government bonds declined 0.5% (10-year), while the spread between 2-year and 10-year U.S Treasuries widened to 74 basis points.
 - Bonds continued to offer an attractive positive real yield, with the 10-year U.S. Treasuries yielding 4.3%, exceeding inflation by 1.6%.
 - High yield bond and loan yields increased to end the month at 6.6% (+0.1%) and 8.3% (+0.2%).

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Federal Reserve Bank of Richmond, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

Category	Comments
Growth	The U.S. economy grew 4.4% (annualized) in the third quarter: <ul style="list-style-type: none"> The growth rate was revised up from 4.3%. Growth was primarily supported by consumers, with spending up 3.5%. Business fixed investment rose 3.2%; residential fixed investment declined 7.1%.
Profits	The 4Q 2025 earnings season is in process (44% of market cap reporting): <ul style="list-style-type: none"> Consensus estimates of year-over-year earnings growth of 10.1%. Sales 6.6%; Margins 4.4%; Shares (0.8%) The Information Technology sector is expected to drive 66% of y/y EPS growth.
Jobs	The December jobs report results were mixed: <ul style="list-style-type: none"> U.S. job growth was weak at 50K new jobs added (76K jobs removed in Nov-Dec) The unemployment rate decreased by 16 basis points to 4.4%.
Inflation	Fed Gauge: Personal Consumption Expenditures Index (PCE - Core): <ul style="list-style-type: none"> As of November, Core PCE rose to 2.8%, up from 2.7% in October. The increase matched market expectations; the Fed target is 2.0%.
Interest Rates	The FOMC policy rate was unchanged in January at a range of 3.50%-3.75%: <ul style="list-style-type: none"> Two members voted in favor of a 0.25% cut. Chairman Powell suggested the Fed's next move was likely a cut, but suggested the Committee will need to confirm the inflationary effects of tariffs are temporary.

CANADA:

- The U.S. dollar index (DXY) **decreased** 1.4% in January and 10.5% over the past 12 months (see chart below). The U.S. dollar **weakened** 0.7% against the Canadian dollar to end January at an FX of **1.36**.



- The Bank of Canada's policy interest rate was **unchanged** in January at 2.25%.
- Core CPI**, referred to as "CPI-trim," **increased** to end 2025 at 2.7%.
- The Bank of Canada's efforts to revive its economy appear to have failed, despite 275 basis points of interest rates cuts that began in 2024. The country has experienced falling per-capital GDP, annual growth of only 1% and sustained weakness in housing and manufacturing. It is possible economic activity could pick up, due to policy lag, but the fourth quarter GDP projection is soft, with economists estimating a 0.5% contraction (annualized).

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Federal Reserve Bank of Richmond, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

OIL:

- **The price of crude oil was \$65.21 per barrel (WTI).**
- Oil prices **increased** \$7.79 per barrel, or 13.6%, in January.
- Crude prices recovered some of the losses from 2025 following escalated geopolitical tensions between the U.S. and Iran. Concerns about a potential military conflict in the Middle East renewed higher risk premiums, which combined with falling U.S. crude inventories suggests higher prices ahead.
- **Oil is forecasted to trade between \$55 and \$80 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$60.01	\$65.42	\$55.99	14%
2025	\$64.62	\$78.71	\$57.13	-19%
2024	\$75.83	\$87.01	\$66.37	1%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%

COPPER:

- **The price of copper was \$5.92 USD per pound.**
- Copper prices **increased** \$0.24 per pound, or 4.3%, in January.
- Copper prices moved steadily higher in January after gaining 41% in 2025. Copper prices were sheltered from the precious metals volatility in late January, due to its “safe-haven demand” categorization.
- **Copper is forecasted to trade between \$5.75 and \$6.25 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$5.90	\$6.20	\$5.68	4%
2025	\$4.86	\$5.82	\$4.03	41%
2024	\$4.23	\$5.10	\$3.68	3%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%

ALUMINUM:

- **The price of aluminum was \$3,117 USD per tonne.**
- Aluminum prices **increased** \$121.70 per tonne, or 4.1%, in January.
- Aluminum prices achieved a three-year high in January, with trading volumes for the base metal maintained at unprecedented highs in China. Prices are expected to increase due to lower forecasted supply, with China hitting its output cap in 2025.
- **Aluminum is forecasted to trade between \$2,800 USD/tonne and \$3,150 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$3,145	\$3,267	\$2,996	4%
2025	\$2,643	\$2,913	\$2,340	17%
2024	\$2,458	\$2,768	\$2,159	7%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Federal Reserve Bank of Richmond, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

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MARKET UPDATE

January 31, 2026

By Thomas Grugan, Director & Senior Investment Strategist

High Level Summary

Markets began the year well, led by small cap U.S. equities and foreign developed and emerging markets equities. Geopolitical tensions escalated, notably between the U.S. and Venezuela, with concerns accentuated by the U.S. administration's intentions to "own" Greenland.

U.S. Economy

- *The U.S. economy expanded at a greater pace than expected in Q3, growing at an annual rate of 4.4%. The growth was primarily driven by consumers, with spending up 3.5%, while a combination of higher government spending, a spike in exports and a decline in imports, further supported U.S. economic growth.*
- *The December U.S. jobs report showed 50,000 new jobs added, but negative revisions in October and November more than offset the gains; guidance suggests 130,000 new jobs were added in January.*
- *The Fed's preferred inflation gauge, the Core PCE price index, rose 2.8% year-over-year.*

U.S. Equities

- *The S&P 500 delivered a 1.5% monthly gain after recovering from a 2.6% intra-month decline.*
- *Value stocks outperformed growth by 2.0%, and Small-cap stocks benefitted from buybacks and robust earnings to gain 5.4%.*

International Markets

- *Foreign equities benefitted from rising valuations and the outperformance of cyclical stocks.*
- *Emerging markets gained 8.9%, the second highest January result in the past 20 years.*

Fixed Income

- *U.S. bond markets delivered muted to negative returns, especially across government bonds, with 5-, 10- and 30-year U.S. Treasuries declining between 0.1% and 0.6%.*
- *Municipal and High Yield bonds outperformed investment grade. Leveraged Loans declined 0.3% over credit market concerns after reporting positive returns over the prior eight months.*

Real Assets

- *Real estate, infrastructure and midstream energy indexes collectively gained in January, with the midstream energy infrastructure rallying nearly 9%.*

Investors were rewarded in 2025, and again in January, with broadly positive returns. Over the 3-, 5- and 10-year rolling return periods, all primary market indexes reported positive returns except for taxable investment grade bonds, which remain down slightly (0.2%) over 5 years due to the 2022 Fed rate rising cycle. Favorable returns have been achieved despite considerable geopolitical tension, monetary uncertainty and highly concentrated and overvalued large-cap U.S. growth stocks. The strong returns may have encouraged complacency as investors piled capital into highly appreciated sectors to chase return. In this letter, we remind investors how quickly markets can change and how important it is to diversify. We examine how prudent asset allocation positioning can enhance long-term total returns and provide downside protection in varying market conditions.

Asset Allocation

Asset allocation is widely considered the most important driver of investment performance, accounting for over 85% of portfolio risk and return. It specifically refers to an investment strategy that “allocates” invested capital across a variety of asset classes, with the intention of balancing risk and return based on predetermined goals and risk tolerances. It is one of the first ways for an investor to manage risk.

For individual investors, factors such as age/time horizon, living expenses, estate planning, taxes and income replacement, tend to dictate long-term asset allocation policy. For corporate entities, factors including the expected time horizon, profitability, and margin loan cushion protection can often serve as determinants for portfolio positioning.

There is no single “best allocation,” just as there is no single best individual investment. Market dynamics can change quickly, and as such, an investment (or investment category) that has performed well is not guaranteed to do so in the future. Simply stated, asset allocation eliminates single-investment concentration risk. In the table below, we demonstrate the variability of returns for a variety of public market investment categories, compared against an annually rebalanced portfolio composed of 60% public equities and 40% public fixed income. The “asset allocation” portfolio never produced the highest annual return, nor did it produce the lowest annual return. Instead, it delivered a smoother 7.3% average annual return. This compared favorably against both fixed income (+2.4% average) and cash (+1.5% average), and underperformed public U.S. equity (+14.1% average), but exhibited only two down years with losses over 5%.

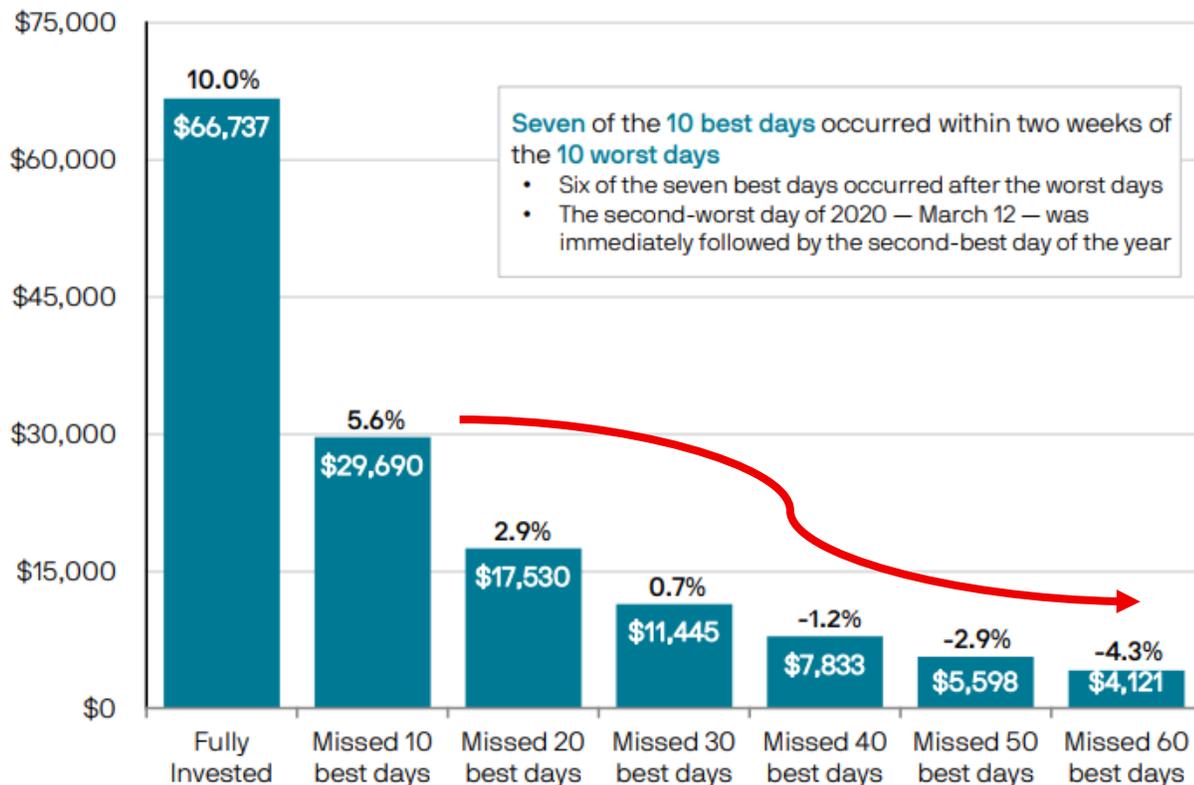
2011 - 2025		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Large Cap	Small Cap	REITs	REITs	Small Cap	REITs	REITs	Small Cap	EM Equity	Cash	Large Cap	Small Cap	REITs	Comdty.	Large Cap	Large Cap	EM Equity	Comdty.
14.1%	20.3%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	37.8%	1.8%	31.5%	20.0%	41.3%	16.1%	26.3%	25.0%	34.4%	10.4%
Small Cap	EM Equity	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	REITs	EM Equity	Large Cap	Cash	DM Equity	Small Cap	DM Equity	EM Equity
9.5%	17.5%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	18.7%	28.7%	1.5%	18.9%	11.5%	31.9%	8.9%
REITs	REITs	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	REITs	Small Cap	Large Cap	Comdty.	High Yield	Small Cap	Asset Alloc.	Large Cap	Small Cap
7.8%	16.4%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	18.4%	27.1%	-12.7%	16.9%	10.0%	17.9%	5.4%
Asset Alloc.	DM Equity	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	High Yield	DM Equity	Asset Alloc.	Small Cap	Fixed Income	Asset Alloc.	High Yield	Asset Alloc.	DM Equity
7.3%	15.7%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	22.7%	10.6%	14.8%	-13.0%	14.1%	9.2%	15.8%	5.2%
DM Equity	Comdty.	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	Asset Alloc.	DM Equity	Asset Alloc.	Asset Alloc.	High Yield	EM Equity	Comdty.	Asset Alloc.
7.1%	15.4%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	8.3%	13.5%	-13.9%	14.0%	8.1%	15.8%	2.9%
High Yield	Large Cap	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	High Yield	Asset Alloc.	EM Equity	Fixed Income	DM Equity	DM Equity	REITs	Comdty.	Small Cap	REITs
5.7%	14.7%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	-14.0%	11.4%	5.4%	12.8%	2.8%
EM Equity	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	Small Cap	High Yield	High Yield	High Yield	Large Cap	EM Equity	Cash	High Yield	Large Cap
4.2%	10.1%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	-18.1%	10.3%	5.3%	12.1%	1.5%
Fixed Income	High Yield	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Fixed Income	Cash	Cash	EM Equity	Fixed Income	REITs	Fixed Income	High Yield
2.4%	9.1%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	0.5%	0.0%	-19.7%	5.5%	4.9%	7.3%	1.0%
Cash	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Comdty.	DM Equity	Comdty.	Comdty.	Fixed Income	Small Cap	Cash	DM Equity	Cash	Cash
1.5%	4.6%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	1.7%	-13.4%	7.7%	-3.1%	-1.5%	-20.4%	5.1%	4.3%	4.3%	0.3%
Comdty.	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	REITs	EM Equity	REITs	Comdty.	Fixed Income	REITs	Fixed Income
-1.1%	0.9%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-5.1%	-2.2%	-24.9%	-7.9%	1.3%	2.3%	0.1%

Developing an asset allocation is primarily about striking an appropriate balance between potential risk and potential return. A portfolio should be constructed *strategically*, and rebalanced *tactically* as market conditions change, risks develop or new opportunities are uncovered.

Another key consideration is the impact of being out of the market. It's often said that "losses hurt more than gains feel good", and it is widely accepted that market lows can result in emotional decision making. JP Morgan said it best when they stated that "taking *control* by selling out of the market after the worst days is likely to result in missing the best days that follow." Investors are often tempted to jump in or out of certain investments in an attempt to time the market. This is a particularly risky strategy that consistently fails and might occasionally succeed. In Figure 1 below, we demonstrate how missing as few as 10 of the best days can nearly halve the return compared to staying fully invested.

Returns of the S&P 500

Performance of a \$10,000 investment between July 1, 2005 and June 30, 2025



Asset allocation has evolved over the years to include alternative, or private investments. Private credit, core infrastructure, private equity and private real estate strategies are more accessible now than ever before, and many illiquid "closed-end" funds are now being offered in more accommodative "open-ended" evergreen structures. Private investments have historically provided investors with higher long-term total returns, enhanced portfolio diversification, low public market correlations, potentially higher yield and inflation hedging. In today's market, evergreen funds allow capital to be deployed immediately, foregoing the historical 1 to 4-year investment period of traditional capital call structured funds. Endowments and foundations, insurance companies, private and public pension asset portfolios currently average a 26% allocation to private funds. Taking an institutional approach to investing can both improve long-term returns while reducing portfolio risk through broad diversification.

Managing risk in an investment portfolio is critical to building long-term wealth. Establishing a strategic asset allocation establishes the framework for managing risk and achieving financial goals. Periodic rebalancing is a core competency in prudent asset allocation management. Rebalancing acts as a counterbalance to the movement of markets to bring a portfolio back into alignment after markets appreciate or decline. While we strongly advise against trying to time

the market, portfolio rebalancing can help to manage emotional decision making and provide opportunities to buy when asset prices are lower, and rotate out of investments that have greatly appreciated.

We also recommend tactically adjusting investment portfolios to take advantage of ever-changing market conditions by putting new money to work in asset classes or sectors with more favorable risk & return factors. In the table below, we present our current tactical portfolio positions.

Tactical Positioning

We continue to advocate caution about market concentration and overvaluation of many large-cap U.S. growth stocks. We continue to emphasize implementing a balanced approach to U.S. equity management, owning both growth and value stocks with a focus on higher quality businesses with strong balance sheets.

Adding stabilizing portfolio diversifiers, like middle-market private equity, high quality private credit, and real assets like infrastructure, has helped to protect portfolios in past cycles.

Public fixed income offers some value to investors, as bond returns are typically positive when interest rates decline, but we expect fixed income returns to be driven by income with limited total return up-side.

Overall Position	UW	N	OW	Change	Notes
Equity		●	●		Neutral or Overweight
Fixed Income & Credit		●			
Alternatives			●		
Cash		●			
U.S. Equity		●	●		Neutral or Overweight
Value		●			Balanced; Growth and Value
Growth		●			
Size			●		Overweight Large Cap
▪ Quality			●		
▪ Momentum		●			Gained through Large Cap
International Equity	●	●			Underweight or Neutral
Private Equity			●		
Duration	●				Barbell; Buyer on 10-Year over 4.8%
IG Fixed Income (AGG)		●			Short Duration
▪ USD	●				
▪ Global			●		
High Yield Credit		●			Short Duration; Buyer on Spread Widening
Private Credit		●			Up in Quality
Public Real Estate (REITS)	●				
Private Core Real Estate			●		
Infrastructure		●			
Transportation			●		
Hedge Funds			●		

Sources: eVestment, Morgan Stanley, JP Morgan, FactSet, BlackRock, Invesco, Pimco, T. Rowe Price, MCFIE

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