

MONTH IN REVIEW

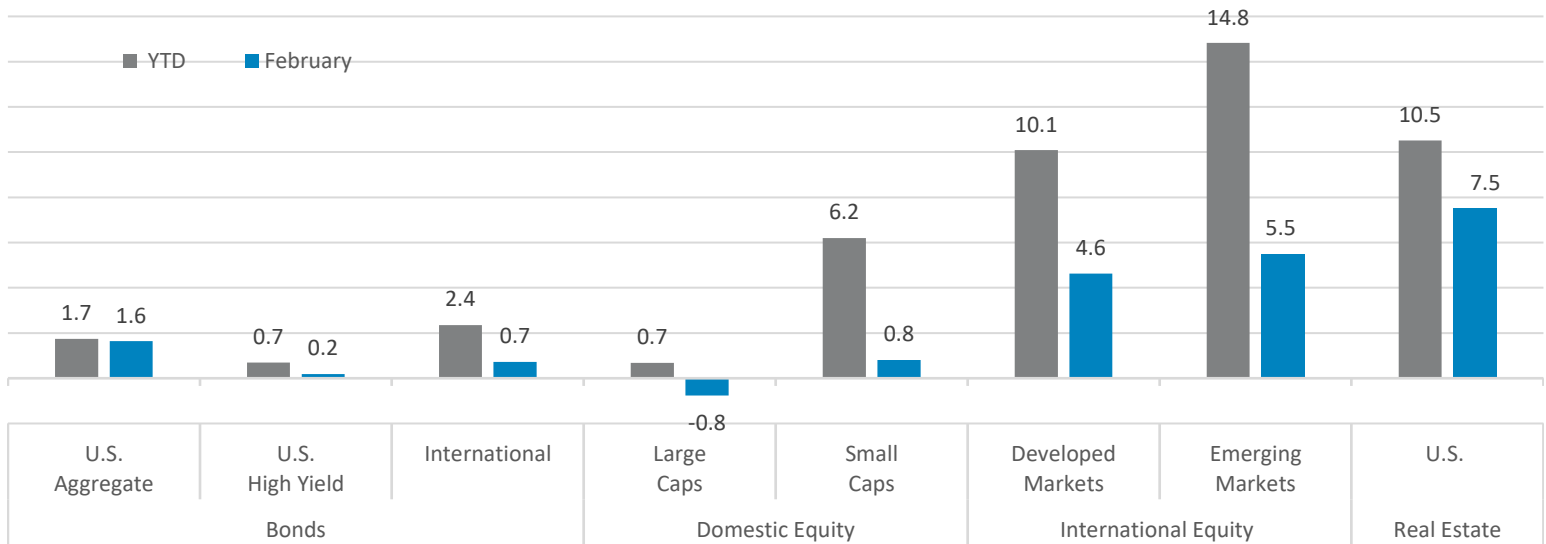
FEBRUARY 2026

Quick Takes

- Volatile Stocks.** U.S. equity indices edged down in February with the S&P 500 index falling 0.8% and the Nasdaq 100 falling 2.3%. The Dow was the only one of the three major indexes that was positive in February rising 0.3%.
- Inflation & Interest Rates.** The 10Y treasury yield fell sharply in February from over 4.2% to around 3.9%. Headline CPI inflation for January came in soft at 2.4% while core CPI inflation came in at 2.5%. Producer inflation, PPI, came in above expectations for January with the headline reading coming in at 2.9% and core PPI at 3.6%.
- Power-Cost Pledge.** Amid concerns over the cost of living and power prices amid data center construction, the Trump administration convened tech executives from Amazon, Google, and Meta to sign a pledge to pay for the electricity used by their data centers.
- Khamenei Killed in Iran.** U.S. and Israeli forces reported that the body of Ayatollah Ali Khamenei had been found after missile strikes on Tehran. Iranian state TV confirmed his death a number of hours later. He had ruled the country as its Supreme Leader since June 1989.

Asset Class Performance

Small caps outperformed large caps again in February as equity markets continue to broaden out beyond mega-cap technology stocks. Emerging and Developed market equities both outperformed large-cap U.S. stocks in February on government shutdown fears and concerns over AI disruption as companies report earnings.



Source: Bloomberg, Goldman Sachs Investment Research, as of December 31, 2025. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

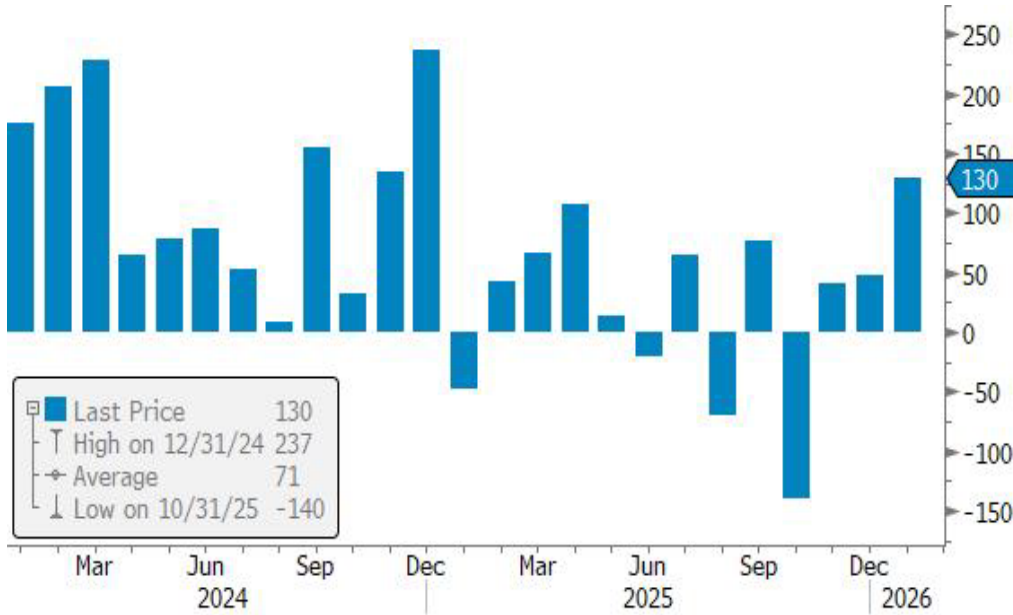
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Markets & Macroeconomics

Labor market improves on health care jobs while inflation falls.

Change in Nonfarm Payrolls

The U.S. added 130K jobs in January & Unemployment fell to 4.3%



Source: Bloomberg, BLS

The U.S. economy added 130K jobs in January, which was significantly more than the forecasted 65K jobs expected by economists and the 48K positions added in December. Hiring was strongest in health care and education services, professional and business services, and construction. If health care and education jobs are excluded from the total, the economy would have lost jobs in January. Financial services had its worst month of hiring since April 2020 with the sector cutting 22K positions during the month. The unemployment rate fell from 4.4% to 4.3% and the labor force participation rate rose slightly from 62.4% to 62.5% in January. In terms of inflation, headline CPI inflation in January was 2.4%, which was below economists' expectations of 2.5% and below December's rate of 2.7%. Core CPI for January was in line with expectations and lower than December at 2.5%. The decline in inflation in January was driven by a broad decline in the rate of price increases with energy

prices and shelter offering consumers the most relief during the month. Despite the progress on consumer price inflation, producer prices painted a very different picture in January with headline PPI inflation coming in at 2.9% versus the expected 2.6% and December's rate of 3.0%. Core PPI was even higher at 3.6% versus the 3.0% forecast and

December's level of 3.3%. Most of the acceleration in core PPI came from higher services and goods (ex. food) prices. Retail sales were flat in December versus 0.6% month-over-month growth in November. Consumer sentiment was mixed in February with the University of Michigan Consumer Sentiment index coming in at 56.6 versus 57.3 in January and Conference Board Consumer Confidence coming in at 91.2 versus 89 in January. In the housing market, MBA mortgage applications declined sharply week-to-week at the beginning of February before recovering in the back half of the month as mortgage rates declined. Pending home sales declined by 0.8% in January. Manufacturing activity rose in January with the ISM Manufacturing PMI remaining at 52.4, indicating continued expansion. ISM Services Index came in slightly ahead of expectations at 53.8 for January.

Bottom Line: January's economic data was generally stronger than what economists had anticipated with strong job growth, lower unemployment, and lower inflation. Nearly all of the job growth continues to be driven by hiring in the health care sector.

S&P 500 vs 10Y Treasury Yields 1Y

Equities were down in February despite sharply lower yields



Source: Bloomberg

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What's Ahead

Citrini vs Citadel: What will AI disruption look like?

The development and deployment of artificial intelligence (AI) tools has become a key driver of market volatility in recent months, but investors are still sorting through the impacts of new tools on markets and the broader economy. In particular, investors are trying to assess the impact on workers, and in turn on consumers, of AI tools adoption. Investors are also concerned about the business models of asset-light companies who depend on human users. A small and previously little-known research firm, Citrini, which explores mega-trends and narratives driving markets, published a piece called “The 2028 Global Intelligence Crisis: A Thought Exercise in Financial History from the Future” on Substack. The piece offers a depiction of a possible scenario created by ever-improving AI tools and widespread adoption across the economy. Citrini’s hypothetical scenario painted a picture of an economy that continued to grow as a result of AI-driven productivity growth, but in which mass layoffs of white-collar workers contributed to a financial meltdown. In the hypothetical investment memo from July 2028, GDP growth accelerated to mid-to-high single digits in the U.S., but the stock market, which peaked in October 2026,

Citrini’s Negative Feedback Loop for AI Deployment

This scenario shows AI driving layoffs creating a vicious cycle



Source: Citrini Research

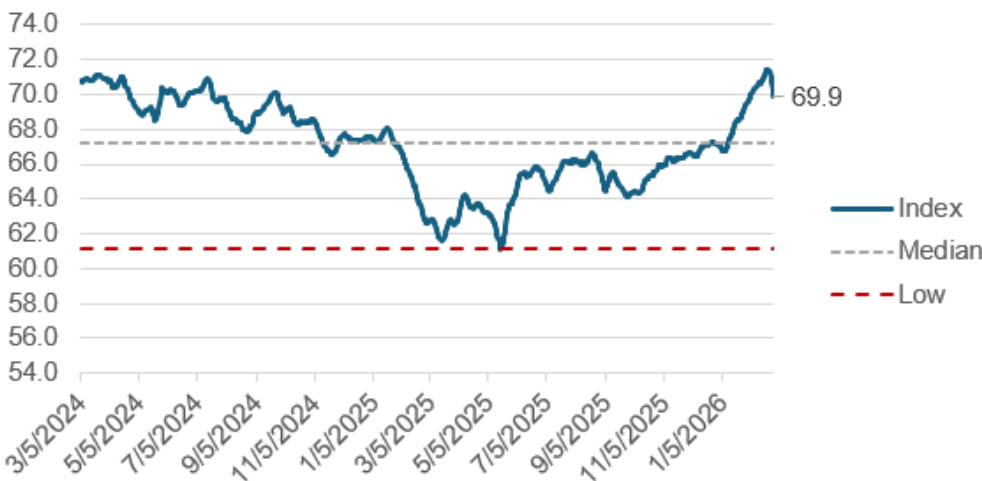
had fallen 38% from its peak nearly two years later. Owners of compute grew wealthier as companies adopted AI, laid off workers who stopped buying housing in major metropolitan areas and reduced their consumption, which then pressured profit margins for companies. The piece contributed to major selloffs in the shares of major software, e-commerce, and financial

technology names mentioned in this hypothetical including ServiceNow, Mastercard, and DoorDash. In a response, Citadel Securities indicated that while AI tools are being developed and released, adoption by users has been relatively slow, reducing the risk of a financial doomsday like what Citrini had outlined. They also indicated that for GDP growth to remain possible, demand would need to be maintained either through fiscal intervention or greater business investment, demonstrating an inconsistency in Citrini’s thought experiment. Citadel also pointed to growing job openings for software engineers and other positions as an indication that job losses will take time if they even take place at the scale that Citrini depicts. They also point to historical changes in technology which did not have long-term negative impacts on employment levels despite doomsday expectations.

Bottom Line: Investors are still weighing the impacts from AI tools on markets and the economy, but only time will tell what the ultimate impacts will be.

Indeed Job Postings Index for Software Development

Software development job openings have been recovering since June



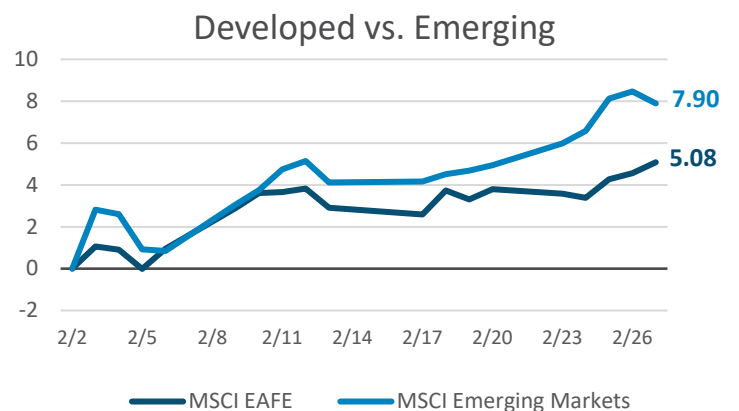
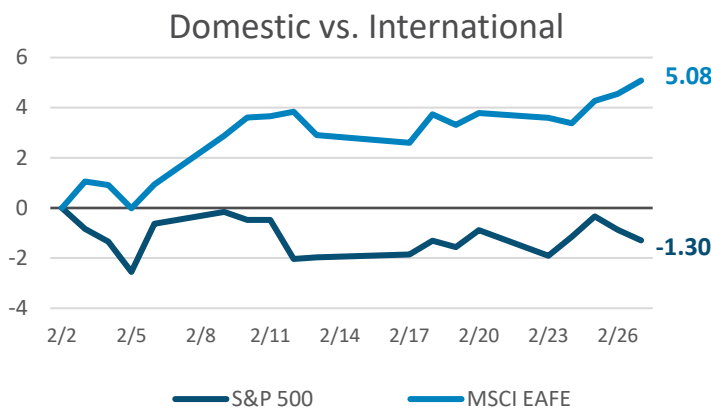
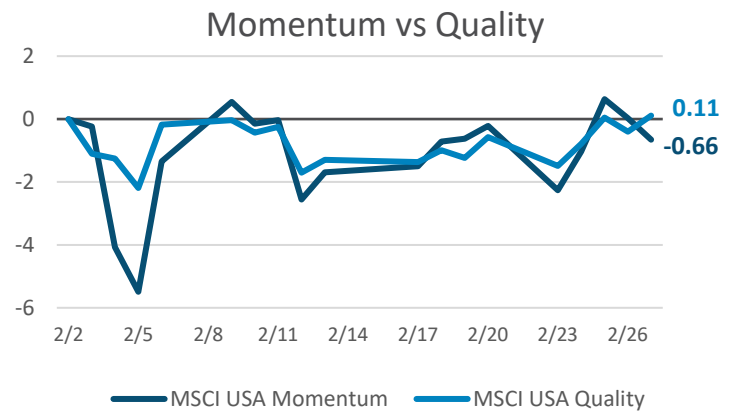
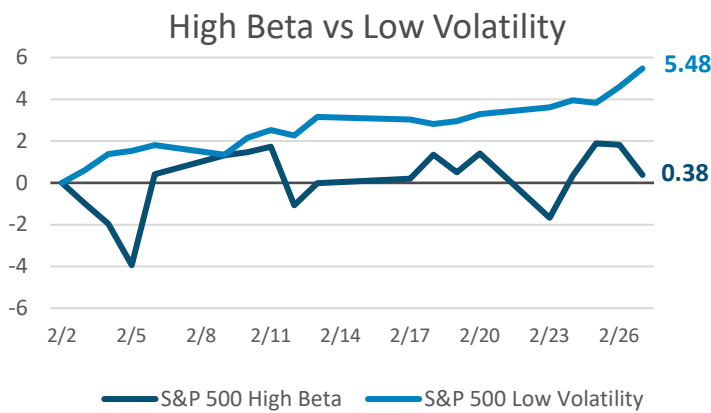
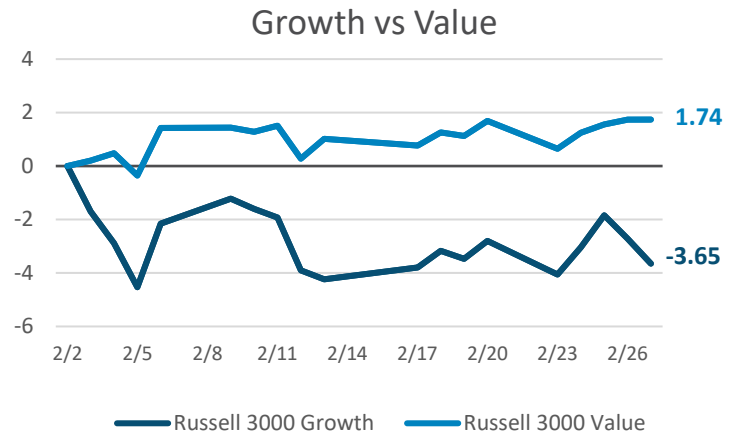
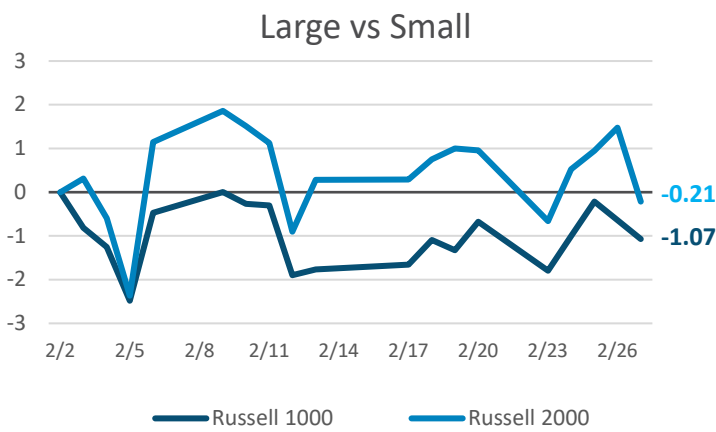
Source: Indeed

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Equity Themes

What Worked, What Didn't

- **Small Outperformed Large while Value Outperformed Growth.** Market participants moved more into small caps and value stocks in February as market broadening continued.
- **Low Volatility and Quality Outperformed.** Low volatility outperformed in February and quality outperformed momentum.
- **International Over Domestic, Emerging Over Developed.** International equities outperformed domestic stocks in February while emerging outperformed developed markets.



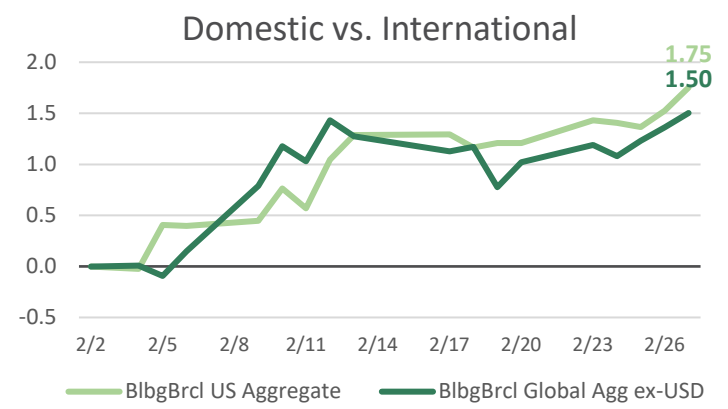
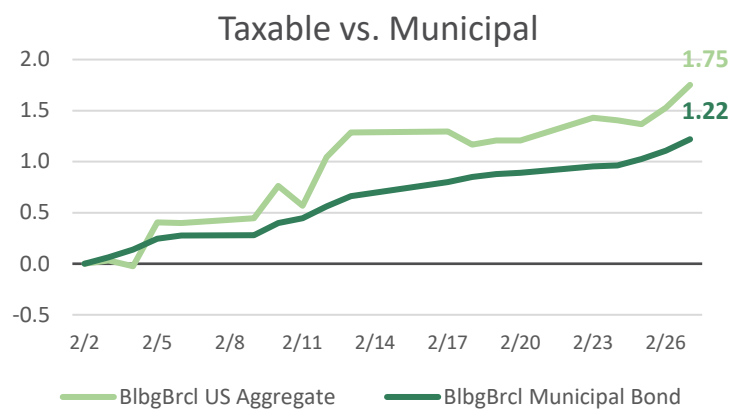
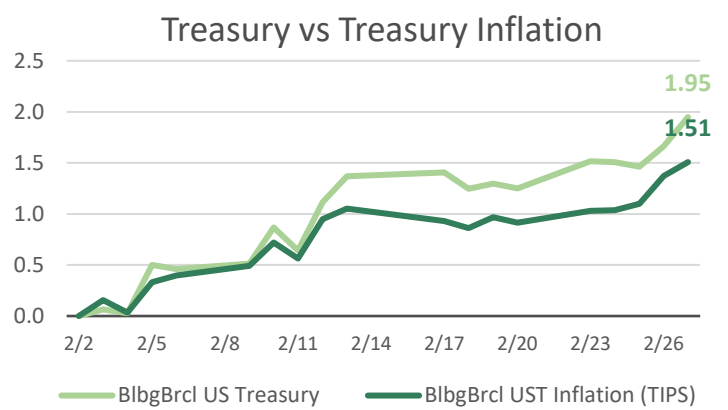
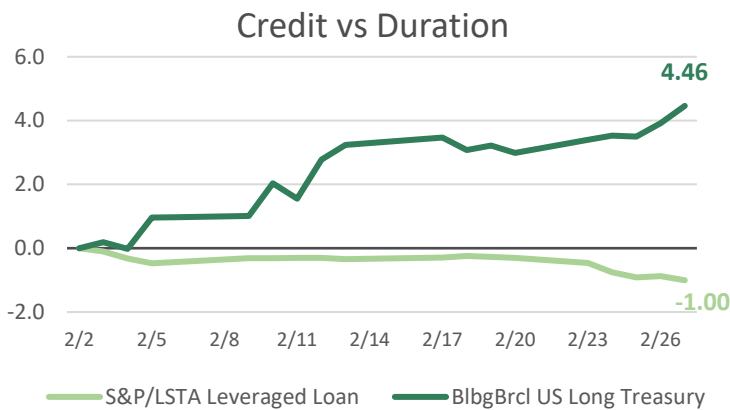
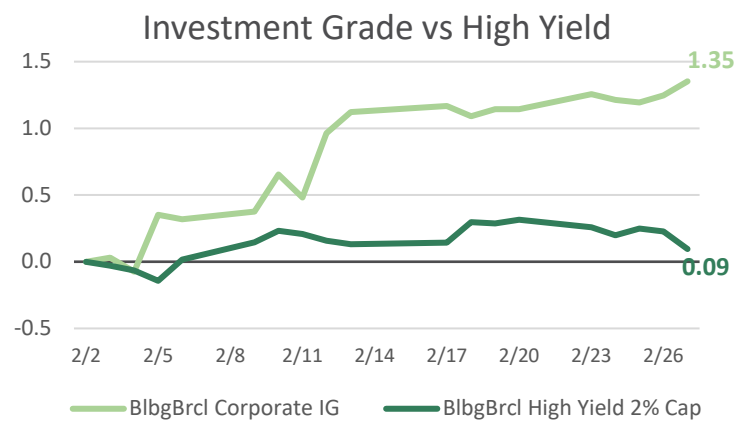
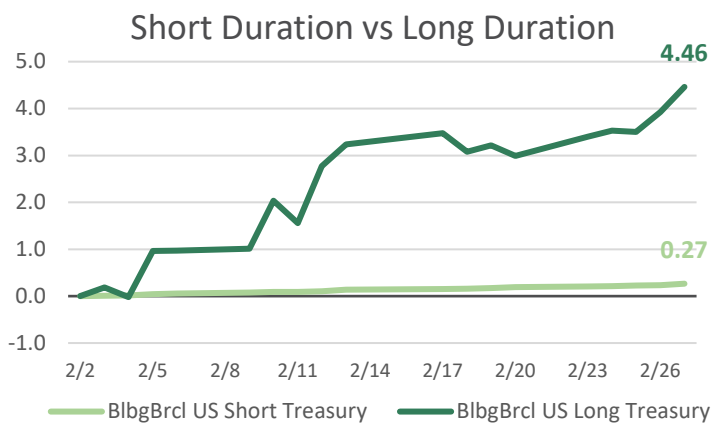
Source: Bloomberg.

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Bond Themes

What Worked, What Didn't

- **Long Duration Outperformed while Investment Grade Beat High Yield.** Long duration treasuries outperformed short duration in February. Investment grade outperformed high yield during the month.
- **Duration Tops Credit while Treasuries Beat TIPS.** In February, duration outperformed credit while TIPS outperformed treasuries.
- **Taxable Beat Munis and Domestic Outperformed International.** Taxable bonds outperformed municipals, while domestic bonds outperformed their international peers in February.



Source: Bloomberg.

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Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Feb-02	Feb-03	Feb-04	Feb-05	Feb-06	Feb-09	Feb-10	Feb-11	Feb-12	Feb-13	Feb-17	Feb-18	Feb-19	Feb-20	Feb-23	Feb-24	Feb-25	Feb-26	Feb-27	YTD	
High	SCV 1.04	SCV 0.85	RE 1.43	USB 0.43	SCG 4.23	IEQ 1.34	RE 1.28	EM 1.58	USB 0.45	SCV 1.42	RE 0.99	MCG 0.78	SCV 0.26	EM 2.13	IBD 0.22	MCG 1.65	LCG 1.29	MCG 1.39	RE 0.23	EM 14.38	High
	SCG 0.93	EM 0.54	MCV 1.03	HYB -0.11	MCG 3.46	IBD 0.99	USB 0.29	IEQ 0.67	IBD 0.00	RE 1.37	LCG 0.49	SCG 0.65	SCG 0.23	IEQ 0.82	USB 0.20	EM 1.57	EM 1.10	RE 0.68	USB 0.20	IEQ 9.74	
	LCV 0.82	MCV 0.35	IEQ 0.33	IBD -0.22	SCV 2.82	SCG 0.97	IEQ 0.24	LCV 0.22	HYB -0.05	MCV 1.22	MCG 0.37	LCG 0.63	HYB 0.04	RE 0.71	RE -0.03	SCG 1.37	IEQ 0.96	MCV 0.63	IBD 0.15	MCV 9.12	
	MCV 0.67	IBD 0.15	LCV 0.32	RE -0.23	EM 2.63	LCG 0.91	MCV 0.20	60/40 0.10	RE -0.06	SCG 1.10	SCG 0.15	MCV 0.63	USB 0.02	LCG 0.69	HYB -0.16	LCG 1.04	MCV 0.70	SCG 0.53	LCV 0.06	SCV 9.02	
	IEQ 0.66	LCV 0.11	SCV 0.14	EM -0.46	MCV 2.41	MCG 0.86	EM 0.15	MCV -0.01	60/40 -0.63	MCG 1.10	60/40 0.02	EM 0.53	MCG -0.04	MCV 0.67	IEQ -0.41	MCV 0.88	SCV 0.45	SCV 0.53	HYB -0.16	RE 7.87	
	MCG 0.37	IEQ 0.05	USB -0.06	60/40 -0.60	LCG 2.41	EM 0.73	60/40 0.12	HYB -0.01	IEQ -0.75	LCV 0.68	USB 0.01	LCV 0.50	60/40 -0.12	LCV 0.58	60/40 -0.52	SCV 0.80	60/40 0.44	USB 0.16	60/40 -0.18	LCV 7.22	
	LCG 0.33	USB 0.01	IBD -0.09	LCV -0.81	IEQ 2.27	60/40 0.53	IBD -0.06	SCV -0.13	EM -1.14	EM 0.43	IEQ -0.02	60/40 0.15	LCV -0.15	60/40 0.50	LCV -0.98	LCV 0.60	SCG 0.41	IBD 0.15	IEQ -0.18	60/40 4.52	
	EM 0.30	HYB -0.06	HYB -0.12	MCV -1.00	LCV 1.69	RE 0.41	SCV -0.06	USB -0.23	LCV -1.17	60/40 0.36	HYB -0.05	HYB 0.12	RE -0.18	SCV 0.33	EM -1.11	60/40 0.44	LCV 0.29	LCV 0.15	EM -0.21	SCG 3.79	
	60/40 0.25	60/40 -0.15	60/40 -0.13	IEQ -1.42	RE 1.58	SCV 0.32	HYB -0.10	IBD -0.24	MCV -1.40	USB 0.32	SCV -0.16	IEQ 0.12	MCV -0.20	MCG 0.21	MCV -1.18	RE 0.25	HYB 0.14	60/40 0.01	MCV -0.25	USB 1.85	
	HYB 0.06	RE -0.24	MCG -0.83	SCV -1.52	60/40 1.47	HYB 0.14	LCV -0.12	MCG -0.25	SCV -1.69	IBD 0.15	MCV -0.18	SCV 0.05	IBD -0.22	IBD 0.12	SCG -1.24	IEQ 0.18	IBD 0.09	IEQ -0.09	LCG -0.87	IBD 1.81	
	USB -0.12	SCG -0.27	LCG -1.14	MCG -1.52	HYB 0.35	MCV 0.12	MCG -0.20	LCG -0.35	LCG -1.96	IEQ 0.09	LCV -0.23	USB -0.14	EM -0.25	HYB 0.07	LCG -1.29	USB -0.01	MCV 0.09	HYB -0.09	MCG -0.99	HYB 0.61	
	IBD -0.48	MCG -1.45	EM -1.34	LCG -1.72	IBD 0.19	USB 0.03	LCG -0.32	RE -0.39	SCG -2.34	HYB 0.07	IBD -0.31	IBD -0.40	IEQ -0.28	USB 0.02	SCV -1.81	HYB -0.07	USB -0.05	EM -0.95	SCG -1.59	MCG -0.14	
Low	RE -1.02	LCG -1.78	SCG -1.93	SCG -1.89	USB 0.06	LCV 0.02	SCG -0.43	SCG -0.65	MCG -2.35	LCG -0.40	EM -0.41	RE -1.19	LCG -0.32	SCG -0.34	MCG -2.25	IBD -0.15	RE -0.39	LCG -0.95	SCV -1.63	LCG -4.88	Low

Legend

60/40 Allocation (60/40)

Large Growth (LCG)

Large Value (LCV)

Mid Growth (MCG)

Mid Value (MCV)

Small Growth (SCG)

Small Value (SCV)

Intl Equity (IEQ)

Emg Markets (EM)

U.S. Bonds (USB)

High Yield Bond (HYB)

Intl Bonds (IBD)

Real Estate (RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by Prime Capital Financial. The performance of those funds in February may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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