AUGUSTINE ASSET MANAGEMENT

January 2026

Betting the (Server) Farm

MARKET SUMMARY

Equities

MSCI AC World	1,015
Price / Earnings	21.8x
Dividend Yield	1.7%
S&P 500	6,845
Price / Earnings	25.6x
Dividend Yield	1.2%

US Interest Rates

2 Year Treasury	3.5%
10 Year Treasury	4.2%
30 Year Treasury	4.8%
Bloomberg US Agg.	4.3%

US Corporate Spreads

Investment Grade	0.8%
High Yield	2.8%

Equity Volatility

CBOE SPX Volatility	15.0

US Economic Figures

GDP Growth 3Q25	4.4%
Unemployment	4.4%
Inflation (core)	2.6%
Fed Funds Rate (mid)	3.6%
3 Month SOFR	3.7%

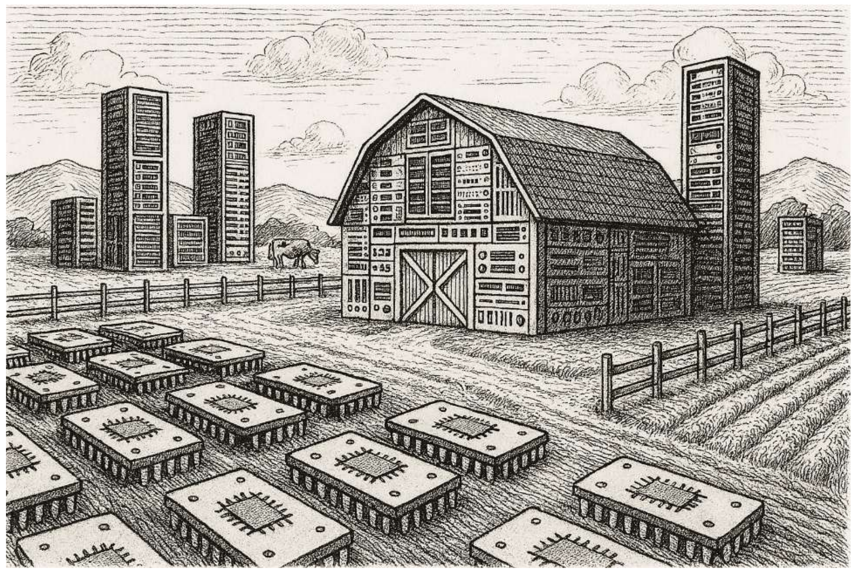
Commodities

Oil (Brent)	$61
Natural Gas	$3.69
Copper ($/lb.)	$5.68
Gold ($/oz.)	$4,319

Foreign Exchange

Euro	$/€	1.17
Japanese Yen	¥/$	157
Chinese Yuan	元/$	6.98

Market summary data as of:
December 31, 2025



2025 was a strong year in capital markets, with fourth quarter gains in global stocks (MSCI All Country World Index +3.3%) and US dollar bonds (Bloomberg US Aggregate Index +1.1%) adding to ample prior quarter returns. By year end, global stocks returned 22.3% and US dollar bonds returned 7.3% in 2025. By all accounts, a better than average year for bonds and a much better than average one for stocks.

The quarter also marked the three-year anniversary of the release of artificial intelligence large language model ChatGPT that kicked off one of the strongest multi-year rallies in stocks on record. Anniversaries and year ends are traditional points for taking measure of what has happened and what could happen. What happened in 2025 and over the last three years is simple. AI wasn't the only game in town, but it was by far the main one.

AI-related stocks are the primary drivers of global equity returns since 2022. The thematic concentration has been most acute in the US, where almost 75% of trailing three-year earnings growth and stock returns and almost half of current market capitalization comes from companies associated with the new technology. Investors have gone "all in" on artificial intelligence, betting that it will beget a brave new world of productivity-fueled abundance.

Continuation of the strong market trends will heavily depend on continued investor confidence that trillions of dollars of data center and infrastructure capital spending will persist and will eventually earn an adequate return on investment. Meanwhile, key theoretical questions about the feasibility of general or superintelligence and practical questions about the energy required to support it remain unanswered.

We don't know the answers to many of AI's key questions or whether the investment activity around AI represents a bubble. We note, however, that transformative technologies that go on to drive productivity and economic growth – railroads in the late 1800s, radio in the early 1900s, airlines in the mid-1900s, and fiber optic cable in the early 2000s – can attract massive amounts of capital for capacity that temporarily overshoots demand and results in market corrections that can be painful to investors who bet the farm on seemingly "sure things".

We believe an investment approach that incorporates exposure to new technologies while maintaining diverse sources of returns can balance return seeking and risk management objectives. With 45% of US equity market capitalization concentrated in AI related stocks, international equity markets provide useful diversification, trade at historically less elevated valuations, and are supported by currencies that could gain from relatively loose US monetary policy. A broader range of companies that could benefit from using AI, such as those in the research-intensive healthcare sector, could share in the stock returns that have thus far been concentrated among companies in the AI infrastructure supply chain.

Meanwhile, US bonds, especially those with longer maturities, appear to have an AI premium with yields lower than what escalating government indebtedness could require. An economy that can grow quickly with low inflation based on AI productivity may be the one-outer card bond investors are hoping to pull. With fiscal stimulus across the world's major economies supporting the economic cycle at the expense of longer-term budget challenges (for example, the faster depreciation, higher tax credits, higher deductions, and higher tax refunds from the One Big Beautiful Bill Act that will help keep the US federal deficit at an unsustainable 6-7% of GDP), we see various forms of credit premia providing more attractive risk adjusted returns compared with that of long-term securities.

Augustine Global Equity

Global equity markets had a strong quarter. Augustine Global Equity benefited from contributions from security selection, regional allocation, and sector allocation. Security selection drove the quarter's returns with strong results in the industrials, technology, and healthcare sectors slightly offset by financials and materials. At the country level, the portfolio's Taiwanese, Japanese, and United States exposures contributed the most to performance. Key position contributors to performance were Taiwan Semiconductor, Japanese industrials Mitsui and Marubeni, US healthcare companies Merck and Regeneron, and German utility RWE, partially offset by Microsoft, Indian financial ICICI Bank, and Ecolab.

The portfolio is underweight the US and overweight select international markets versus the index based on a strong relative value proposition, notably Japan, Taiwan, India, and Germany. International markets trade at a premium to their historical tendency but are not as speculatively valued as the US market that is trading at the high end of its long-term valuation history. While a premium valuation for US stocks is justified by higher growth of earnings and ROE of its technology companies, the current premium appears greater than what fundamentals would warrant. We see better value and risk-adjusted opportunities in international markets, where expectations are more reasonable and companies can meet or exceed expectations. During the fourth quarter, we reduced exposure to US financials while adding exposure to Australian materials.

Augustine's investment philosophy – a focus on quality and relative value – remains expressed in the portfolio. The portfolio holdings' 17x price-to-forward-earnings ratio stands at a discount to the index's 19x. Industry-comparative metrics regarding returns on capital, cash flow, and strength of balance sheet show an emphasis on quality, financially conservative businesses. While our preference for quality and value may lag index returns in high-risk, speculative periods, we remain convinced that investing with a prudent eye toward quality and value provides attractive upside participation while limiting exposure to excess market sentiment and market drawdowns.

Augustine Fixed Income

The fourth quarter of 2025 saw broadly positive conditions for fixed income investors. The US bond market delivered solid returns amid a backdrop of continued economic growth and accommodative monetary policy. The Federal Reserve delivered two additional rate cuts, bringing the Federal Funds rate into the 3.50%–3.75% range. Short-term treasury yields declined while long-term rates remained stable, resulting in a steeper yield curve. Credit markets remained resilient, with securitized sectors outperforming treasuries and investment-grade corporates.

Augustine Core Plus Fixed Income benefited the strategy's yield curve positioning – specifically, an underweight in duration and a focus on the short end of the curve, which gained from the steepening trend. Security selection in investment-grade corporates and municipal bonds added modest value. Asset allocation detracted slightly, as our underweight to securitized debt limited participation in the strong performance of mortgage-backed securities.

We made several adjustments during the quarter consistent with our outlook and areas where we identified relative value. We added exposure to asset-backed securities that offered attractive risk adjusted opportunities. We also decreased duration to be further underweight relative to the benchmark, maintaining a defensive stance against a potential rise in term premium driven by concerns over Fed independence and persistent fiscal deficits. These actions align with our focus on managing interest rate risk while pursuing incremental yield through selective credit exposure.

Augustine Short-Term Fixed Income experienced modest positive contribution from yield curve positioning, security selection, and asset allocation. The strategy is overweight credit exposure and neutral duration exposure versus its benchmark.

We remain constructive on high-quality fixed income entering 2026. While current yields offer attractive carry, tight credit spreads and macro uncertainties warrant caution and effective underwriting. We continue to favor shorter-duration exposures and high-quality credits, maintaining flexibility to navigate volatility and capitalize on dislocations. In this environment, we believe active management and disciplined risk positioning will be essential to capturing opportunities while preserving downside protection. Our focus remains on building resilient portfolios designed to deliver consistent, competitive returns with lower volatility than the benchmark over time.

We hope this review of investment strategy, the economy, and capital markets helps to inform about our investment outlook and how we have positioned client assets to achieve returns while managing risk. We welcome your questions.

With best wishes for a productive and prosperous 2026 and appreciation for the opportunity to work on your behalf,

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