

● ● ● ● **INVESTMENT UPDATE** ● ● ● ●

3 Charts for February

As Government shutdowns become more commonplace, we felt lending a bit of perspective for investors was worthwhile. One should not interpret this as a message to do nothing, but instead a reason to ALWAYS be mindful of risks and to allocate accordingly. Government shutdowns themselves haven't wrecked markets historically (as shown below) but remain a source of potential volatility in the years ahead.



Rather than trying to project what could go wrong as the government is shut down for a few weeks (or potentially longer), we believe it is prudent to always have defensive components in the portfolio that can help insulate against the irrational and illogical. As we've stated previously, it's far easier to enter a storm properly allocated than to try to "fix it" during the turbulence.

elections, or just normal market dynamics are the source of anxiety and volatility, we concede there will always be reasons for fear and worry. Strategies that offer cash flow, defined protection, or historical low/non-correlation (they zig when markets zag) have become an increasing part of allocations as the market has continued to press higher. We no longer feel owning "a few bonds" is sufficient.

For our clients, whether geopolitics, politics,

Can a Government Shutdown Derail Your Investments?

Despite dramatic headlines, past government shutdowns haven't caused significant market declines.

Start Date	End Date	# of Days	S&P 500 Index Price Return (%)
10/1/1976	10/11/1976	10	-3.42
10/1/1977	10/13/1977	12	-3.18
11/1/1977	11/9/1977	8	0.69
12/1/1977	12/9/1977	8	-1.24
10/1/1978	10/18/1978	17	-2.00
10/1/1979	10/12/1979	11	-4.42
11/14/1995	11/19/1995	5	1.31
12/16/1995	1/6/1996	21	0.06
10/1/2013	10/17/2013	16	3.07
12/22/2018	1/25/2019	34	10.27
10/1/2025	11/12/2025	43	2.43

Stocks averaged a

3.96%

gain during the last four shutdowns

Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. Data shown is for the S&P 500 Price Index and includes government shutdowns that lasted at least five days since the first shutdown in 1976. Data Sources: Morningstar and History, Art & Archives, US House of Representatives, 1/26.

Many investors were caught off-guard by the outperformance of Non-US equities in 2025. For point of reference, the S&P 500 posted +17.9% in 2025 vs. the ACW Ex-US at +33.1%. Europe, Asia, and the Emerging Markets all meaningfully outpaced the S&P 500.

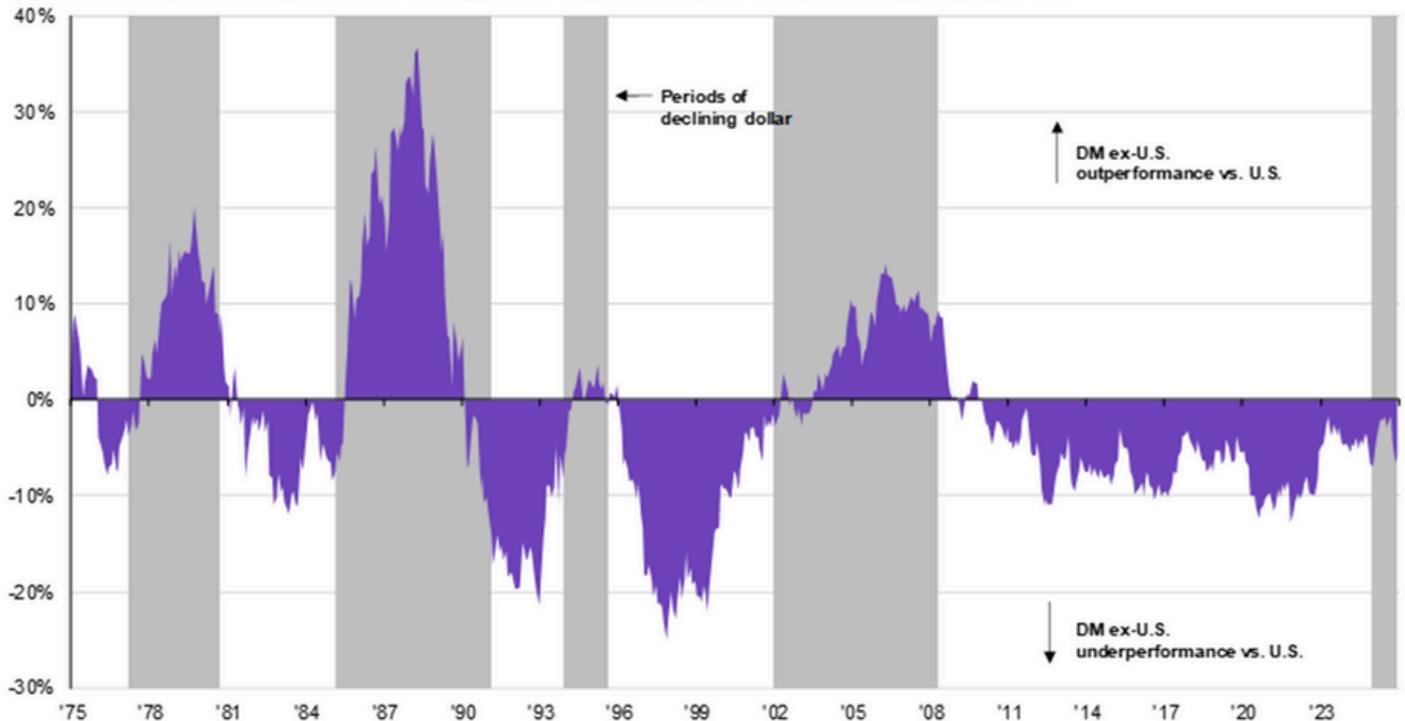
As shown below, US Equities have dominated foreign equities since the Global Financial Crisis. **Is this the beginning of a meaningful shift in leadership?** We've written a lot recently about our belief that allocating a larger percentage to Global/Non-US strategies is appropriate given today's backdrop. No longer is the story simply one of markedly cheaper valuations.

We specifically mention strategies rather than indices because non-US managers have been one of the most adept at adding value versus benchmarks historically. Whereas most US companies are covered by multiple analysts, there are many more hidden gems and underappreciated stories outside the US.

Furthermore, composition of non-US markets skews less to technology stocks and more to industrials, materials, and financials. These are among the most resilient and cheaply valued businesses as we move forward in 2026. With the prospects of further US Dollar weakness, non-US equities are among the potential beneficiaries.

Cycles of DM ex-U.S. outperformance and USD

International developed out/underperformance vs. U.S., MSCI EAFE, MSCI USA, DXY Index, total return, rolling 3-year ann.



Source: FactSet, MSCI, J.P. Morgan Asset Management.

MSCI EAFE Index: A benchmark tracking large- and mid-cap stocks in developed markets across Europe, Australasia and the Far East, excluding the U.S. and Canada.

Past performance is no guarantee of future results.

Guide to the Markets – U.S. Data are as of December 31, 2025.

J.P.Morgan
ASSET MANAGEMENT

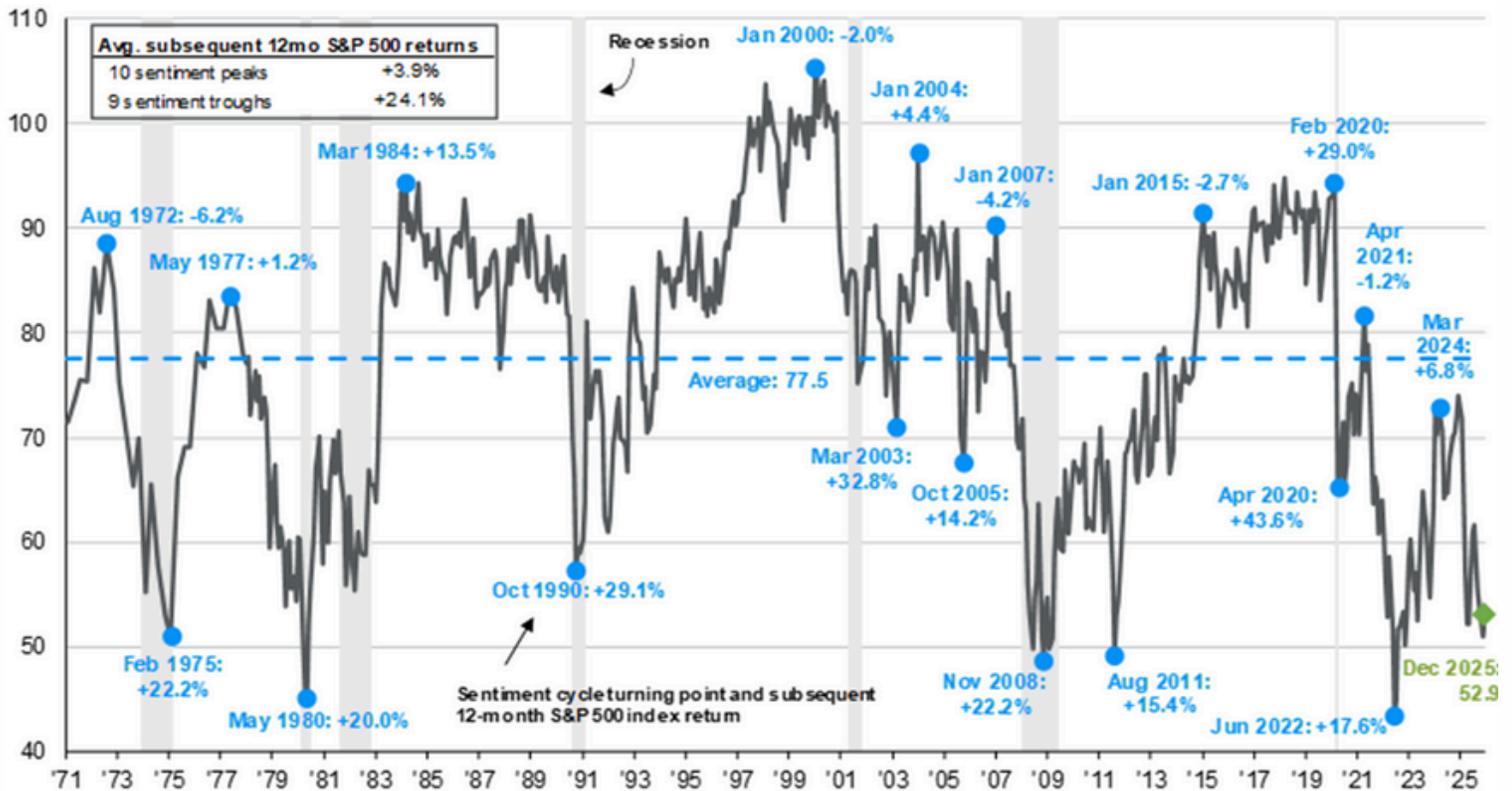
If you've ever seen a reading of consumer sentiment (especially the one conducted by the University of Michigan), this may not surprise you. When pessimism is at its highest, investment opportunity is often at its highest. March 2003, November 2008, and June 2022 are 3 such examples (shown below). Note the 12-month forward returns of each (in blue).

We are not saying today's low readings predict great forward returns. Instead, we are saying that there is and likely will persist a lot of noise. Naysayers, doubters, skeptics, and investors "talking their books" will not likely go away any time soon. We prefer a disciplined approach, based on logic, reason, and risk management rather than news headlines and emotions.

At every great entry point throughout history there were a myriad of reasons to hold cash, delay an allocation, or otherwise allocate resources. Rather than picking one right moment, elect to allocate resources over time (or allow us to do so).

In our year-end summary we referenced that we had doubled exposure to non-US equities in 2025. That transition happened in small increments over the course of the year for nearly every client. Getting a single buy/sell executed at the perfect time and price is impossible. Gradually moving assets into an asset class that is under owned and attractively priced is most efficiently and effectively done in pieces.

Consumer Sentiment Index* and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management. Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only starting from the end of the month and excluding dividends. Past performance is no guarantee of future results. *Data prior to August 2024 adjusted by J.P. Morgan Asset Management to account for methodological changes by the University of Michigan. Guide to the Markets - U.S. Data as of December 31, 2025.

We Want to Hear from You...

2026 marks another great year for our clients and our business. Over the years our practice has grown because of trusted partnerships and strategic relationships in the professional community. We do not advertise! **Our clients find us through people like you.**

Our business spans the country and ranges from young professionals to retirees. We are looking to grow in 2026, and we would be grateful for your assistance!

If any of the items below resonate, please reach out and share your thoughts with us:

- Individuals selling a business, real estate, inheriting money, settling a divorce
- People new to the area
- Individuals transitioning from one job to another
- Skeptics: an investor whose outlook is bleak/cautious or whose window is starting to close to tolerating a lot of volatility is a great fit for our approach
- Professionals looking for a trusted partner to grow alongside



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