

# MONTHLY BRIEFING

## What the heck is going on? Quite a start to 2026

There is an old saying that goes, “The future looks about as clear as mud.” As we launch into 2026, that’s about how it feels right now. The problem is that there seems to be a random assortment of unrelated, yet important investment issues to digest, but it is difficult to weave them into a cohesive narrative. The road seems not only muddy, but rocky too, and no one seems to know where we are going.

The issues, just to name a few:

- Are we facing a continuation of the broadening trade, or a return to tech?
- Are we seeing the return of inflation?
- The Fed seems to be in a corner.
- How to hedge the “everything boom.”
- And all the other bombshell headlines that were thrown at us this month.

We are going to attempt to touch on all these important topics for 2026 in this brief format. Furthermore, we will provide the usual market and strategy positioning updates, and the much-loved Fund of the Month. As always, if this briefing stirs any questions, please reach out to us; we are a friendly bunch.

### HERE'S WHAT'S UP!

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## Major current themes

### Broadening trade

January saw a continuation of the broadening trade, with international stocks and small-cap stocks outperforming the S&P 500® Index. International stocks benefited from a continued weaker dollar, and small-cap stocks saw a “January Effect” (when last year’s unloved stocks rebound in January).

### Unexpected inflation?

Metals prices are skyrocketing. We all love gold, but the metals that matter are the basic materials of our economy, copper, steel, and aluminum. Input metals prices have a direct relationship with inflation. Data centers, energy, infrastructure, and onshore manufacturing don’t happen without them, and metals prices are passed through to consumers in the form of inflation, sooner or later. If input prices stay at these levels, this forms a floor level of inflation a year from now. The new risk – unexpected inflation.

### The Fed in a corner

One almost feels sorry for the Fed; they, too, are in a tough spot, in more ways than one. The Fed is currently in a state of forced patience, to say the least. Commodity prices are signaling that the inflationary fire is not yet out, while Washington pushes for aggressive growth-oriented fiscal policies. A realistic possibility to consider now is that if input *metals prices continue to rise, the Fed’s next move might actually be to **raise** the Fed Funds Rate.*

### How to hedge the “Everything Boom”

Now that Gold is trading near \$5,000 an ounce, everyone wants to own it, and most are expecting gold to be the “new treasuries” in terms of hedge value. At the same time, it seems like almost every asset is nearing a state of “priced to perfection.” What is a risk manager to do? The following is how Frontier Strategies are seeking to avoid potential risks:

- **Dollar hedge** – Frontier owns international stocks, and First Eagle funds own a lot of gold.
- **Market hedge** – Many of the mutual funds that Frontier employs are risk managed in their own manner.
- **Economic hedge** – We continue to believe that in the event of a poor economy, U.S. Treasuries will once again provide their hedge value.
- **Inflation hedge** – With threats of inflation bubbling up, Treasury inflation-protected securities appear to be a prudent positioning overweight.

# Performance highlights

January provided another solid month for the performance of Frontier Strategies. The following are highlights that contributed to performance for most Frontier Strategies:

## International stocks

Frontier continues to hold elevated positions (relative to peers) in international stocks and more diverse positioning. Many Strategies continue to hold core international stock funds, defensive international stock funds, international small-cap, and emerging markets.

## Small-cap stocks

Most Frontier Strategies hold measured relative overweights to small-cap stocks. Small-cap stocks experienced a solid month. Small-cap stocks now have the highest expected return of the asset classes that we model.

## Underweight large-cap stocks

Most Frontier Strategies hold relative underweights to U.S. large-cap stocks. Large-cap stocks did have an above-average month for performance, but they trailed both international stocks and small-cap stocks.

## Fund selection

Frontier Strategies also benefited from the unique performance patterns and alpha opportunities that skilled fund managers can provide. Some of our larger active holdings across the major asset classes experienced solid months to include T. Rowe Price Capital Appreciation, First Eagle Overseas, Avantis International Small Cap, and Nomura Emerging Markets.

## Are U.S. treasuries the most hated asset on earth?

High levels of government debt, a weak dollar, poor domestic and international sentiment, tariffs, rising input prices, gold as a hedge, and a booming global economy are all conspiring in what sounds like a perfect storm for treasuries. Sentiment for Treasuries is so weak that the short interest on TLT (iShares 20+ Year Treasury Bond ETF) is the highest since 2002.<sup>(1)</sup> Counterpoint, the “bond market” knows all this, yet yields have relatively remained stable. Yields on U.S. treasuries are higher than most sovereign bonds. The yield curve can change shape, and if the Fed were to tighten, long-dated yields could actually fall. While gold looks like a shiny hedge, treasury sentiment may be so poor that in the event of a weak stock market, they might, once again, prove their worth.

<sup>(1)</sup> Source: Most short in history. [LinkedIn.com post](#).

# Capital markets

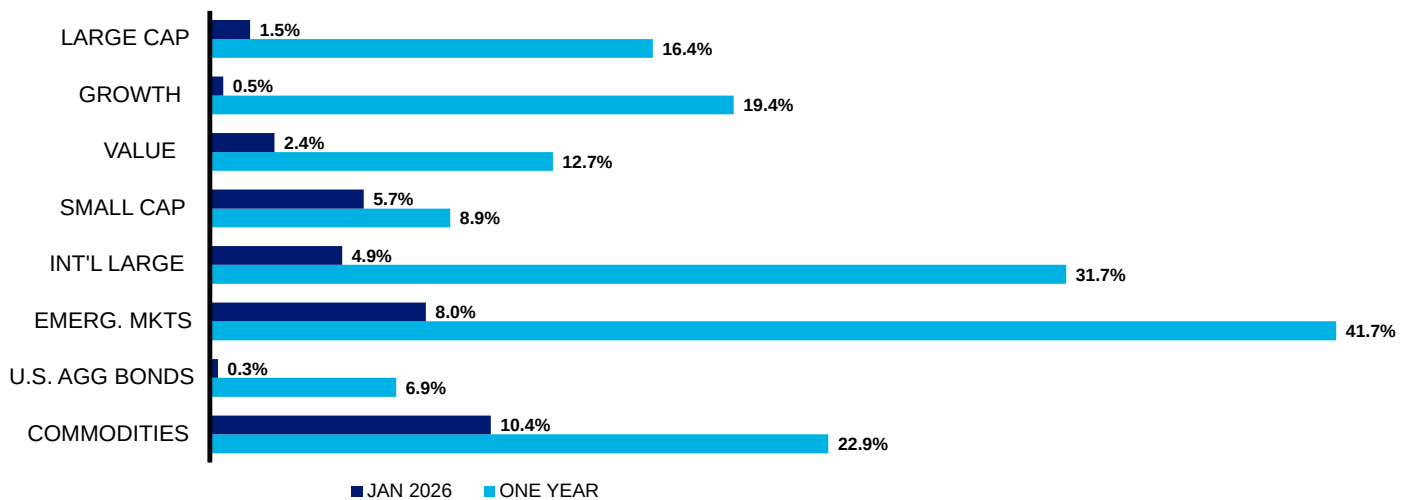
Equity markets in early 2026 picked up where they left off last year, with leadership coming from outside U.S. large-cap stocks. After a long stretch of dominance by the S&P 500, January saw stronger performance across other equity asset classes. Emerging Markets led all major equity asset classes, rising 8% for the month. Within Emerging Markets, South Korea was a standout, gaining approximately 28%.

Within U.S. large-cap stocks, Energy was the top-performing sector, up 14%, driven by rising oil prices and increased uncertainty around Middle East supply. Financials were the weakest sector, down 3%, pressured by concerns over potential government intervention in credit card interest rates. In more reversals from prior periods, U.S. value stocks led growth by almost 2% for the month. U.S. small-cap stocks rose 5.7%, supported by expectations for earnings growth beyond the large-cap segment.

U.S. fixed income was largely unchanged, up 0.3%, as the Federal Reserve met expectations by keeping short-term interest rates during their January meeting.

Commodities were the best-performing asset class in January, gaining 10.4%. Gold and silver reached all-time highs during the month, though investors were reminded of commodity volatility when silver fell 19% on the final trading day.

## HOW JANUARY AND TRAILING 12-MONTHS STACKED UP | ENDING JANUARY 31, 2026



Source: YCharts, iShares and Frontier Asset Management. Data as of January 31, 2026.

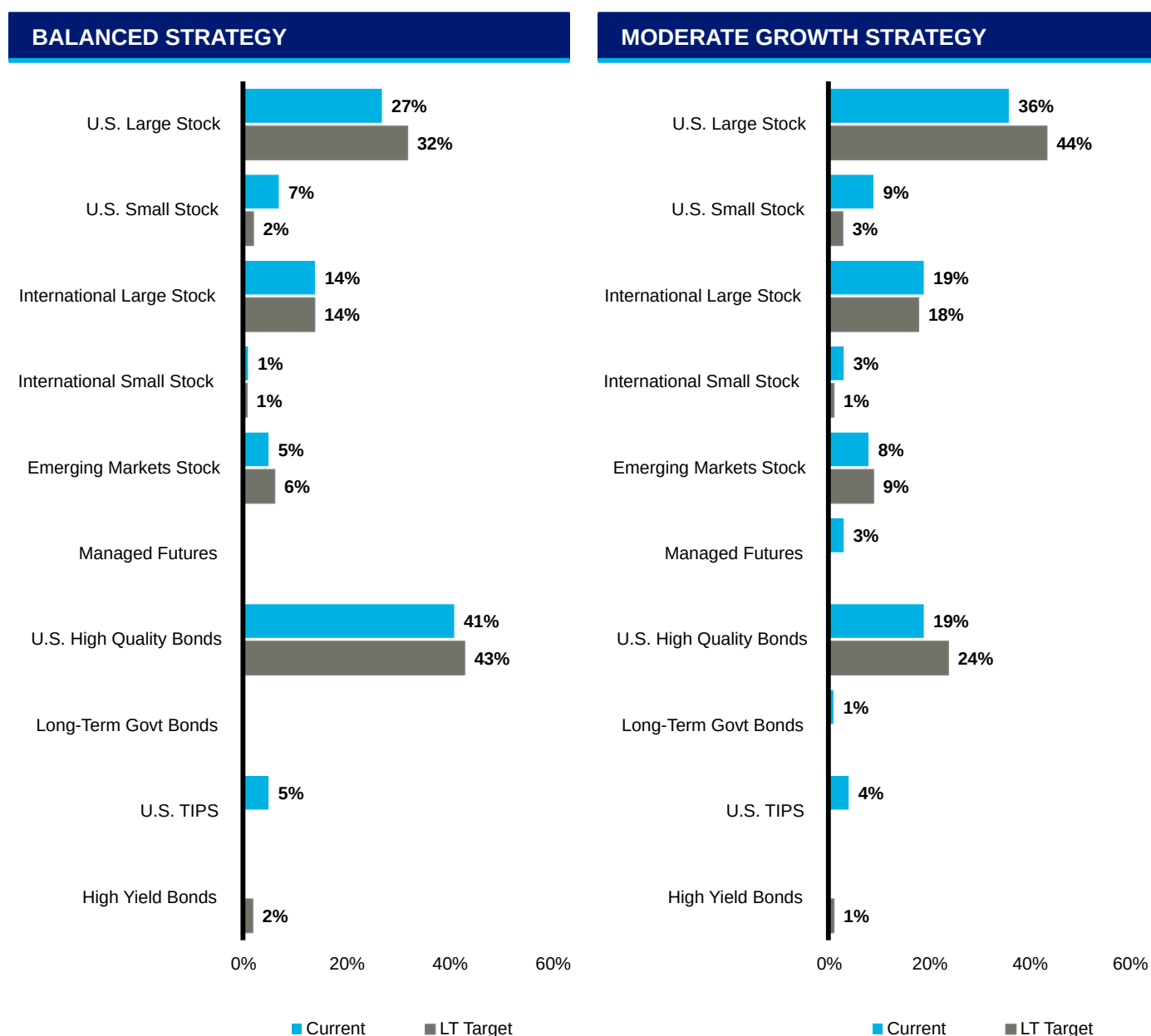
Asset Class Index Sources: Large Cap = iShares Core S&P 500 ETF (IVV); Growth = iShares S&P 500 Growth ETF (IVW); Value = iShares S&P 500 Value ETF (IVE); Small Cap = iShares Core S&P Small-Cap ETF (IJR); Int'l Large = MSCI EAFE Index (EAFE); Emerging Markets = iShares MSCI Emerging Markets ETF (EEM); U.S. Agg. Bonds = Bloomberg U.S. Aggregate Bond Index (AGG); and Commodities = Bloomberg Commodity Index (BCOM).

**Past performance is no guarantee of future returns.** Please refer to important disclosure information.

# Portfolio positioning

There were little to no changes to Frontier Strategies for the month.

In general, most Frontier Strategies hold slightly underweighted positions to U.S. large-cap stocks, overweight positions to small-cap stocks, and are on target for international exposure and duration. The following allocations of Balanced and Moderate Growth Strategies are representative of how Frontier is positioned as a firm as of February 1, 2026.



Source: Frontier Asset Management. Data as of February 1, 2026.

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# Current headlines

HEADLINE	QUICK TAKE
<b>GLOBAL RATE CUTS</b>	The U.S., Europe, and China remain on easing trajectories. However, signaling from the Fed and the price of copper imply that we might be near the end of this easing cycle.
<b>INFLATION</b>	A weak dollar, tariffs, global trade friction, geopolitical tensions, rising input and labor prices, and monetary and fiscal stimulus are all conspiring to keep inflation above the neutral rate.
<b>THE ECONOMY</b>	The modern economy has become reflexive to asset prices. Strong asset prices lead to a strong economy, and a strong economy leads to higher asset prices. The economy appears very strong.
<b>METAL PRICES</b>	The input metal prices of aluminum, steel, and copper have been soaring. These are often thought of as leading indicators of inflation. The initiatives of data centers, infrastructure, construction, onshoring, and energy buildouts depend on these inputs.
<b>WEAK DOLLAR</b>	Should we be concerned about a weaker dollar? Potentially. Because the U.S. is a net importer, sustained dollar weakness can raise import prices and add modest inflationary pressure - especially alongside tariffs. While this can support earnings for multinational companies, unexpected inflation or higher long-term rates would pose risks to elevated asset valuations. The experience of 2022 reminds us that markets are sensitive when inflation surprises to the upside.



# Fund story of the month

## T. Rowe Price Capital Appreciation Fund (TRAIX)

The T. Rowe Price Capital Appreciation Fund is distinguished by its record of consistent outperformance, having beaten its category average for 18 consecutive years under the stewardship of manager David Giroux, a feat unmatched by any U.S.-domiciled fund since 1925.

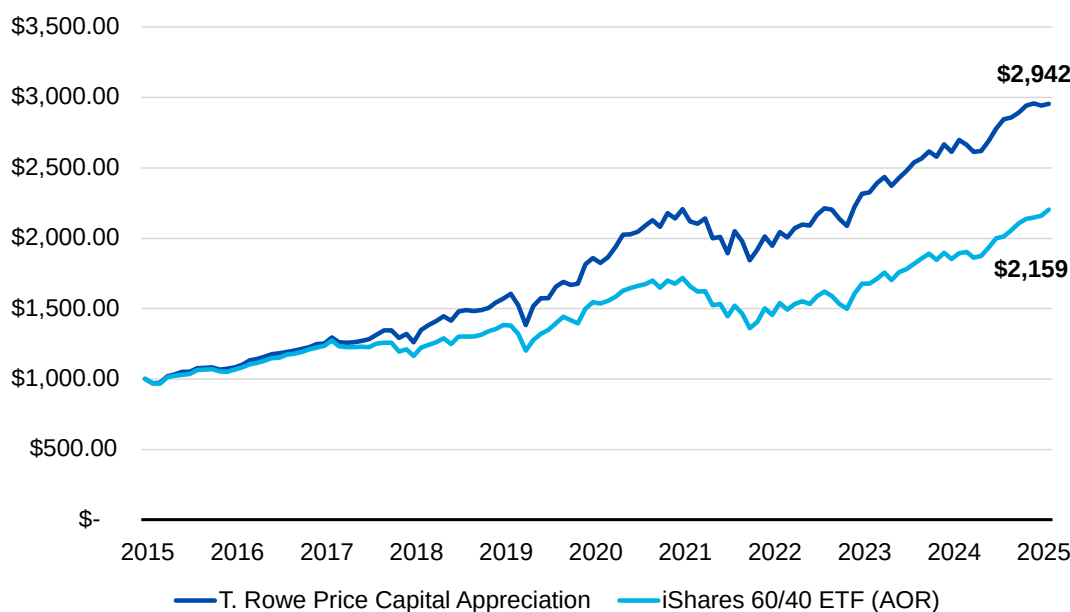
The persistence of the fund's alpha is rooted in bottom-up fundamental research and a flexible asset-allocation framework that adjusts exposures across market cycles. The management team is afforded uncommon latitude to invest opportunistically across asset classes. Further underscoring the benefits of this skill, flexibility, and independence, the fund has historically demonstrated strong judgment around major market inflection points by trimming equity exposure ahead of downturns and maintaining higher equity allocations during market recoveries.

Together, seasoned leadership, thoughtful risk management, and portfolio opportunism help explain why the fund's alpha has persisted over time and why clients may benefit from this approach.

### Key points:

- While the fund's equity exposure generally remains close to 60%, it has seen allocations as low as 55% and as high as 71%.
- Over the last 10 years, the fund has outpaced the iShares 60/40 ETF by a total return of 78%...that equates to 6% annually.
- Frontier first added TRAIX to the Conservative Strategy in April of 2005, and it is currently held in 7 of the Strategies.
- Although the fund is closed to new investors, our strong relationships with select firms provide many of our clients with exclusive access to this exceptional strategy.

### T. ROWE PRICE CAPITAL APPRECIATION VS. ISHARES BALANCED 60/40 ETF (AOR) | PAST 10-YEARS



Source: Morningstar. Data as of December 31, 2025.

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## For more information, visit [frontierasset.com](https://frontierasset.com).

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Frontier provides model strategies to various investment advisory firms and does not manage those models on a discretionary basis. The performance and holdings of model strategies may vary from strategies managed by Frontier.

Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time. The rise in the general level of prices often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods.

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The "Current Yield" is either an annualized number of the underlying funds' most recent distributions, trailing twelve-month yield, or previous five years depending on the volatility of the fund distributions. The current yield of individual portfolios may vary. Different share classes may have different current yields. The holdings of model strategies may vary from the strategies managed by Frontier, as such current yields may also vary.

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## Glossary of indices

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It is generally not possible to invest directly in an index\* therefore they do not incur frictional costs. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index.

**Bloomberg Commodity Index (BCOM):** Tracks the prices of 24 major commodity futures contracts across six sectors.

**Bloomberg U.S. Aggregate Bond Index (AGG):** The index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**iShares Core S&P 500 ETF (IVV):** Seeks to track the investment results of an index composed of large-capitalization U.S. equities.

**iShares Core S&P Small-Cap ETF (IJR):** Seeks to track the investment results of an index composed of small-capitalization U.S. equities.

**iShares S&P 500 Growth ETF (IVW):** Seeks to track the investment results of an index composed of large-capitalization U.S. equities that exhibit growth characteristics.

**iShares S&P 500 Value ETF (IVE):** Seeks to track the investment results of an index composed of large-capitalization U.S. equities that exhibit value characteristics.

**MSCI EAFE Index (EAFE):** An equity index which captures large and mid cap representation across 21 developed markets countries\* around the world, excluding the U.S. and Canada.

**MSCI Emerging Markets Index (EEM):** Captures large and mid cap representation across 24 Emerging Markets (EM) countries.

**S&P 500® Index:** A stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.