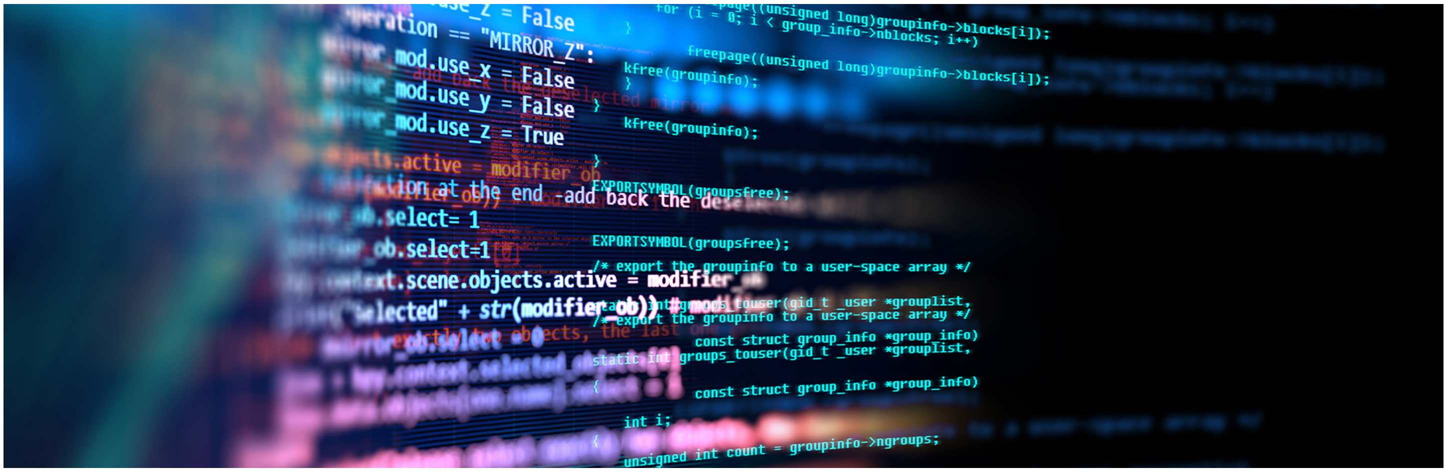


Rotation is the new momentum – software vs. semiconductors

BY JASON RICHEY, CFA, PORTFOLIO MANAGER

The Big Picture:

- To much alarm, total US debt crossed the $40 trillion mark in August.
- The US Treasury announced plans to buy long-term Treasury bonds by selling short-term Treasury bills.
- We have concerns about policy unknowns and higher interest rates exposing weaknesses within financial markets.
- We are monitoring the defense sector as well as cybersecurity for potential opportunity.

"The long-term Treasury yield is the most important price in the world. It is also the only fiscal disciplinarian the US has left. Neither party will run on entitlement reform. Both have spent the past decade expanding commitments while ignoring arithmetic."

— Stanley Druckenmiller, August 2026

The 60-day memorandum of understanding between the US and Iran expired mid-month, but fiscal concerns carried the news headlines in August. The quote above, published in the Wall Street Journal, was written by an infrequent author and famed investor. Aside from its eloquence, there was not anything particularly notable in terms of substance. US debt and deficit problems have been well known and discussed for years. However, US debt officially crossed $40 trillion in August, a proper, round number that reignited debate around the country's fiscal health and direction. Paired with Japanese currency interventions, rising bond yields, and a "Treasury twist" – its attempt to reduce borrowing costs by buying back its long-term bonds – noise around US debt and deficits felt a little louder than usual. Still, it's a recurring argument, frequently rehashed since the financial crisis nearly 20 years ago to little effect. The math may be more challenging today, but the lack of political will remains steadfast.

However, what has changed is the yield environment. Rising bond yields and rising oil prices explain a healthy portion of the Inflation within our August Macroeconomic Scenario Analysis (MES). Our Inflation scenario keeps waffling around 50%. Though we hope inflationary forces are abating, tariff-induced inflation and a glut of corporate bond issuance add to odds that we have entered a systematically higher interest rate environment. Still, higher interest rates aren't an economic death knell. The US economy performed quite well in the 1990s and early 2000s with similar or even higher interest rates.

The other notable MES change this month is the rise in our Chaos probability to 17%. It's an unusually high probability within our models, but policy risks are greater unknowns, and the US Treasury has opened the door to currency and bond market intervention. Supposing these moves are necessary, for whatever reason, they don't suggest a perfectly functioning financial system.

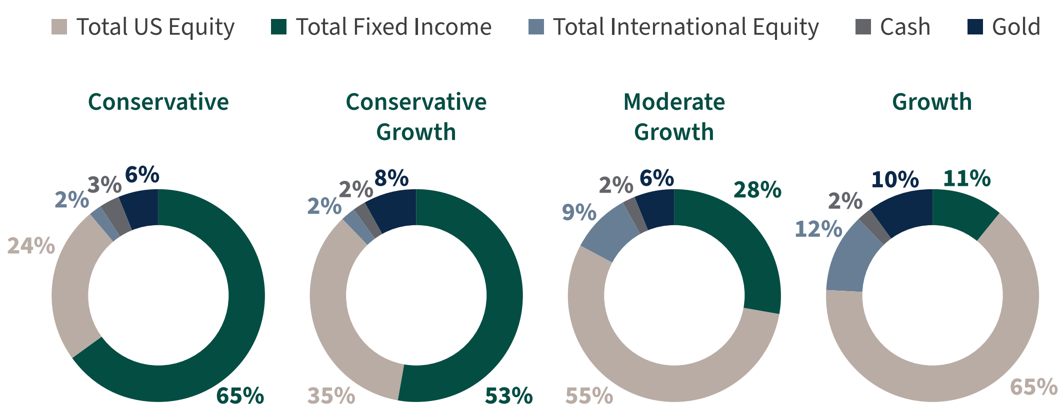
In terms of portfolio positioning, we continue to watch the day-to-day rotation within the technology sector between software and semiconductors. The performance differential between the two industries can be stark, often averaging north of 3% on any given trading day. The technology sector as a whole has chopped around for much of the past three months. Still, we're monitoring technology for a break one way or the other as these two industries duke it out. We may see an opportunity arise within an area like cybersecurity. Meanwhile, after weeks of calm, the US struck Iranian rocket launchers at the end of August, a reminder of a conflict with no end in sight. Given the recent pullback in the defense sector, it could be another attractive opportunity for portfolios.

US debt and deficit dynamics were a focus for markets in August. The US has moved from less than $10 trillion in debt 20 years ago, to about $40 trillion in debt today with no end in sight. The numbers are daunting, but the reality is that investors survived crossing the $20 trillion debt threshold in 2017, and the $30 trillion debt threshold in 2022. They didn't just survive, they thrived. The S&P 500 Index has returned about 260% since the $20 trillion threshold, and about 80% since the $30 trillion threshold. Yes, it's hard to be optimistic about the US fiscal trajectory. However, investors searching for nuggets of optimism can take solace that at least some government largesse ended in investors' pockets.

Global Tactical Strategies

Asset Allocation Shifts

As of August 2026



Asset Class	Symbol	Conservative			Conservative Growth			Moderate Growth			Growth		
		Prior Month	Current Month	Change	Prior Month	Current Month	Change	Prior Month	Current Month	Change	Prior Month	Current Month	Change
S&P 500	IVV	9	**9**	0	11	**11**	0	23	**23**	0	25	**25**	0
S&P 400	IJH	3	**3**	0	4	**4**	0	4	**4**	0	7	**7**	0
S&P 600	IJR	0	**0**	0	4	**4**	0	5	**5**	0	5	**5**	0
MSCI IEFA	IEFA	2	**2**	0	2	**2**	0	6	**6**	0	12	**12**	0
US Healthcare	XLV	5	**5**	0	6	**6**	0	6	**6**	0	8	**8**	0
Nasdaq 100	QQQ	0	**0**	0	0	**0**	0	2	**2**	0	2	**2**	0
S&P Aerospace & Defense	XAR	3	**3**	0	4	**4**	0	7	**7**	0	7	**7**	0
Financial Select Sector	XLF	2	**2**	0	4	**4**	0	5	**5**	0	7	**7**	0
U.S. Infrastructure Dev.	PAVE	2	**2**	0	2	**2**	0	3	**3**	0	4	**4**	0
TOTAL EQUITIES		26	**26**	0	37	**37**	0	61	**61**	0	77	**77**	0
Short-Term TIPS	STIP	16	**16**	0	13	**13**	0	10	**10**	0	5	**5**	0
US Aggregate Bonds	AGG	26	**26**	0	20	**20**	0	13	**13**	0	6	**6**	0
US 1–3 Year Treasury Bonds	SHY	8	**8**	0	5	**5**	0	0	**0**	0	0	**0**	0
Treasury Floating	TFLO	4	**4**	0	3	**3**	0	0	**0**	0	0	**0**	0
0–3 Month Treasury Bond	SGOV	11	**11**	0	12	**12**	0	5	**5**	0	0	**0**	0
TOTAL FIXED INCOME		65	**65**	0	53	**53**	0	28	**28**	0	11	**11**	0
Gold	IAU	6	**6**	0	8	**8**	0	9	**9**	0	10	**10**	0
Cash	CASH	3	**3**	0	2	**2**	0	2	**2**	0	2	**2**	0

The portfolios reflect the inherent risks of fluctuating prices and uncertainty of rates of returns. The cash portion of this portfolio is represented by money market instruments.

Macroeconomic Scenario Analysis

On a monthly basis, the Cougar Global investment team establishes the probabilities of the future path of the US economy over the next year and quantifies its independent global research into the following five scenarios:

GROWTH	INFLATION	STAGNATION	CHAOS	RECESSION
4%	49%	20%	17%	10%
Last month 4%	Last month 48%	Last month 22%	Last month 16%	Last month 10%
Change 0%	Change +1% ▲	Change -2% ▼	Change +1% ▲	Change 0%

Stock Market IndexTM. The Financials Sector Index (XLF) seeks to provide an effective representation of the financial sector of the S&P 500 Index. The Index includes companies from the following industries: financial services; insurance; banks; capital markets; mortgage real estate investment trusts ("REITs"); and consumer finance. The Nasdaq-100 (QQQ) is a globally recognized index that tracks the performance of 100 of the largest non-financial companies listed on the Nasdaq Stock Market® encompassing a diverse range of industries and sectors. The Global X U.S. Infrastructure Development ETF (PAVE) seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Indxx U.S. Infrastructure Development Index. The iShares MSCI Emerging Markets ex China ETF (EMXC) seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities, excluding China. The iShares 0-3 Month Treasury Bond ETF (SGOV) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities less than or equal to three months. The iShares 0-5 Year TIPS Bond ETF (STIP) seeks to track the investment results of an index composed of inflation-protected U.S. Treasury bonds with remaining maturities of less than five years. The iShares Core U.S. Aggregate Bond ETF (AGG) seeks to track the investment results of an index composed of the total U.S. investment-grade bond market. The SPDR® Bloomberg 1-10 Year TIPS ETF (TIPX) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Bloomberg 1-10 Year U.S Government Inflation-Linked Bond Index. The iShares 1-3 Year Treasury Bond ETF (SHY) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one and three years. The iShares Treasury Floating Rate Bond ETF (TFLO) seeks to track the investment results of an index composed of U.S. Treasury floating rate bonds. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Cougar Global optimizes portfolios in US dollars for four risk categories. GTS – Conservative may be appropriate for clients who have accumulated sufficient wealth to begin making regular withdrawals for income requirements while potentially achieving investment returns sufficient to preserve capital over a full investment cycle. GTS – Conservative Growth may be appropriate for clients who may have occasional income needs and are willing to take moderate downside risk to achieve investment returns GTS – Moderate Growth may be appropriate for clients who have a long term investment horizon and can tolerate downside volatility in the course of a market cycle. GTS – Growth may be appropriate for clients who have a long term investment horizon and can tolerate higher downside volatility in the course of a market cycle. The conversion dates from sub-advisors to ETFs are April 30, 2008, for GTS – Conservative; February 29, 2008 for GTS – Moderate Growth; and October 31, 2007 for GTS – Conservative Growth. As of December 31, 2008, Cougar Global stopped using sub-advisors.

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Cougar Global Investments Limited (Cougar Global) is an investment manager that utilizes tactical asset allocation to construct globally diversified portfolios. Effective 4/30/15, Cougar Global Investments is a wholly owned subsidiary of Raymond James International Canada which is a wholly owned subsidiary of Raymond James International Holdings. Raymond James International Holdings is a wholly owned subsidiary of Raymond James Financial as is Raymond James Investment Management. Prior to 4/30/15, Cougar Global was an independent investment management firm not affiliated with any parent organization. Cougar Global is registered as a Portfolio Manager with the Ontario Securities Commission (OSC) and with the United States Securities and Exchange Commission (SEC) as a Non-Resident Investment Advisor. Prior to 01/02/2013, the firm was named Cougar Global Investments LP.

ABOUT COUGAR GLOBAL INVESTMENTS

Cougar Global Investments is a global macroeconomic asset allocation manager that believes the goal of investing is to achieve compound annualized returns for clients. We use a disciplined portfolio construction methodology combining post-modern portfolio theory and risk management to pursue our clients' objectives.

ABOUT RAYMOND JAMES INVESTMENT MANAGEMENT

Raymond James Investment Management is a global asset management company that combines the exceptional insight and agility of individual investment teams with the strength and stability of a full-service firm. Together with our boutique investment managers – Eagle Asset Management, ClariVest Asset Management, Cougar Global Investments, Scout Investments, Reams Asset Management, Chartwell Investment Partners, and Clark Capital Management Group – we offer a range of investment strategies and asset classes through multiple vehicles. Our focus is on sustainable, risk-adjusted returns and alpha generation. We believe this lineup of institutional-class portfolio managers can help investors meet their long-term business and financial goals. Ultimately, our structure allows affiliated investment teams to focus on what they do best: managing portfolios..

COUGAR GLOBAL INVESTMENTS

To learn more about Cougar Global's strategies, philosophy and capabilities, visit **cougarglobal.com** or call **1.800.521.1195**

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