



Big spenders and market sentiment

OUTLOOK & TACTICAL UPDATE | JANUARY 2026

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The Big Picture:

- It's been a busy start to the year in markets.
- We're juggling the geopolitical noise and the extreme volatility of gold.
- **Inflation** carries the highest probability in our Macroeconomic Scenario Analysis, but absent a black swan event, economic growth should continue to grind along.
- The labor market is a primary focus with a lower natural rate of job creation every month.
- Asset class correlations are changing and could impact portfolio construction.

"There are decades where nothing happens; and there are weeks where decades happen."
- Quote often attributed to Vladimir Lenin, date unknown

The origins of this quote may not be certain, but it certainly fits the first few weeks of 2026. Investors have juggled Iran, Venezuela, and Greenland on the geopolitical front. Plus, potential housing market initiatives, the notion of credit card interest rate caps, and the threat of more government shutdowns are on the domestic front. We also have a nomination for a new U.S. Federal Reserve (Fed) chair who will likely face another bruising confirmation hearing. Gold hit \$5,000 per ounce only three months removed from reaching \$4,000 per ounce – and then promptly had its worst day since 1980. This gold move is child's play compared to bitcoin's moves lately. Meanwhile, the headline S&P 500 Index appears largely stuck in place since October, with considerable chop below the surface. The first few weeks have indeed felt like a decade for investors.

In general, our 12-month Macroeconomic Scenario Analysis (MES) has tried to account for this volatility, especially policy-related, via our **Chaos** scenario. In addition to **Chaos**, our **January MES remains focused on Inflation, with a fair probability that the economy continues to provide positive gross domestic product (GDP) growth.** Most economists have thrown in the towel on tariffs causing a recession, but their attention has focused on consumer spending and the notion of a K-shaped economy. We agree that consumer spending is tilted toward the higher end, and the labor market seems to corroborate the notion of it being largely stagnant. Whether the new economic regime averages 30,000 or 50,000 jobs per month, **we're within the range of seeing a negative monthly jobs report in any given month.** This is another psychological risk to monitor and could be a source of market volatility. However, in the next few months there are hundreds of billions in additional tax refunds to be spent, which offers a tailwind to consumer spending.

In terms of portfolio positioning, **we are monitoring our winners in a volatile market.** The calendar turned, and markets rotated. This is a common occurrence, but we aren't thrilled when exposures move 15% to 20% or more in a month, even when that's in our favor. Those sorts of moves are more commonly associated with individual securities rather than with exchange-traded fund (ETF) baskets. Regarding gold, there are several structural reasons to hold an allocation. **Our biggest concern revolves around correlations and portfolio construction as asset-class relationships have shifted.** How will gold act in the event of a substantial market drawdown? Will it continue to act as a traditional equity market hedge? Or will gold be an easy sell and a source of liquidity given its positive performance in recent years? For now, we like our gold exposure and even welcomed its recent reset lower. Yet we're monitoring the shift in correlations both in our models and the broader market.

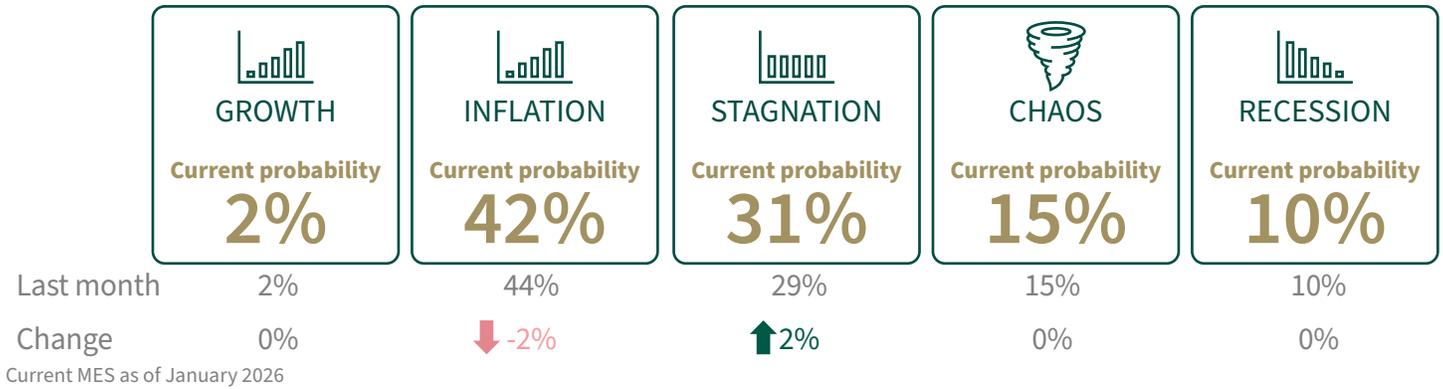
In summary, **we still do not see high odds of a recession this year, though we admit it's not the sturdiest of fundamental economic ground.** There's a substantial amount of stimulus in the system. Market participants can debate the necessity of sizable deficits and the eventual end goal, but reality suggests that the economy continues to lean on the top 10% of consumers. We would prefer to see broader participation for more overall economic stability, and **we are concerned if the positive feedback loop based on the top 10% reverses.** Bottom line: It remains a fairly narrow market dependent on the excitement of a single sector. Stay invested but know that sentiment can shift quickly.



Jason Richey, CFA
Portfolio Manager

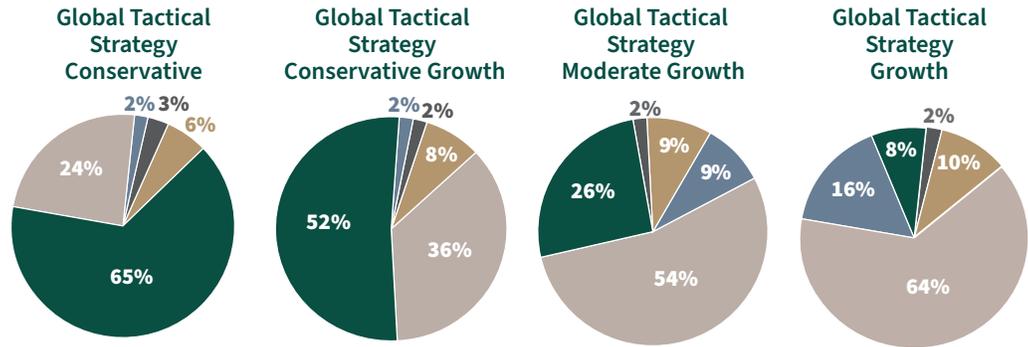
MACROECONOMIC Scenario Analysis

On a monthly basis, the Cougar Global investment team establishes the probabilities of the future path of the U.S. economy over the next 12 months and quantifies its independent global research into the following five scenarios:



ASSET ALLOCATION Shifts

As of December 2025



Asset Class	Symbol	Total US Equity			Total Fixed Income			Total International Equity			Cash			Gold		
		Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change	Previous Month	Current Month	Change
S&P 500	IVV	8	8	0	10	10	0	20	20	0	22	22	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 EAFE	IEFA	2	2	0	2	2	0	6	6	0	12	12	0			
U.S. Healthcare	XLV	5	5	0	6	6	0	6	6	0	8	8	0			
Nasdaq 100	QQQ	2	2	0	3	3	0	4	4	0	4	4	0			
S&P Aerospace & Defense	XAR	2	2	0	3	3	0	7	7	0	7	7	0			
Financial Select Sector	XLFX	2	2	0	4	4	0	5	5	0	7	7	0			
Emerging Markets ex -China	EMXC	0	0	0	0	0	0	3	3	0	4	4	0			
U.S. Infrastructure Development	PAVE	2	2	0	2	2	0	3	3	0	4	4	0			
TOTAL EQUITIES		26	26	0	38	38	0	63	63	0	80	80	0			
0-3 Month Treasury Bond	SGOV	4	4	0	3	3	0	0	0	0	0	0	0			
Short-Term TIPS	STIP	16	16	0	13	13	0	10	10	0	5	5	0			
U.S. Aggregate Bonds	AGG	23	23	0	17	17	0	10	10	0	3	3	0			
U.S. 1-3 Year Treasury Bonds	SHY	11	11	0	8	8	0	3	3	0	0	0	0			
Treasury Floating	TFLO	11	11	0	11	11	0	3	3	0	0	0	0			
TOTAL FIXED INCOME		65	65	0	52	52	0	26	26	0	8	8	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.

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Cougar Global Investments calculates the Macro Economic Scenario (MES) analysis by assigning probabilities to each of the five economic scenarios (Growth, Stagnation, Inflation, Chaos and Recession) over the next 12 months. Macroeconomic scenarios are based on quantitative data sourced from various firms and then weighted and may be adjusted based upon Cougar Global Investments thought capital. MES are subject to change. These are hypothetical examples and are not representative of any specific situation. Actual economic results may vary. Economic forecasts set forth may not develop as Cougar MES indicates and there can be no guarantee that these strategies promoted will be successful. Past performance is no guarantee of future results. Macro Economic Scenarios: Growth – U.S. economy is growing at or above its potential growth rate, Recession – U.S. economy is shrinking (negative quarter over quarter growth rate), Stagnation – U.S. economy is growing at lower than its potential growth rate, Inflation – Consumer Price Index (CPI) inflation rate is higher than U.S. economy's potential growth rate, Chaos – a high impact, low probability event ("Black Swans").

Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Small-capitalization companies are subject to higher volatility than those of large-capitalized companies. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be appropriate for all investors. Stock investing involves risk, including the risk of loss. Investments in emerging market issuers are subject to a greater risk of loss than investments in issuers located or operating in more developed markets. This is due to, among other things, the potential for greater market volatility, lower trading volume, higher levels of inflation, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments in emerging market countries. High Yield/Junk Bonds are not investment grade securities, involve substantial risks and generally should be part of the diversified portfolio of sophisticated investors. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity and redemption features. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and are subject to availability and change in price. Mortgage-Backed Securities are subject to credit, default risk, prepayment risk that acts much like call risk when you get your principal back sooner than the stated maturity, extensions risk, the opposite of prepayment risk, and interest rate risk. Investing in IAU involves additional risks. The market price of the Shares will be as unpredictable as the price of gold has historically been and the price received upon the sale of Shares may be less than the value of the gold represented by them. Government bonds and Treasury bills are guaranteed by the U.S. Government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. The fund's concentrated holding will subject it to greater volatility than a fund that invests more broadly. The fast price swings of commodities will result in significant volatility in an investor's holdings. Precious metal investing is subject to substantial fluctuation and potential for loss. All indexes mentioned are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The indexes don't reflect charges, expenses, fees and is not indicative of any particular investment. Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, disease, and regulatory developments. The Bloomberg U.S. Aggregate Bond Index is composed of the total U.S. investment-grade bond market. The market-weighted index includes Treasuries, agencies, CMBS, ABS and investment grade corporates. The MSCI ACWI® (All Country World Index) measures the performance of large and mid-cap stocks across 23 developed markets (DM) and 24 emerging markets (EM) countries. The S&P 500 or Standard & Poor's 500 Index (IVV) is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The iShares Core S&P Mid-Cap ETF (JH) seeks to track the investment results of an index composed of mid-capitalization U.S. equities. The iShares Core S&P Small-Cap ETF (IJR) seeks to track the investment results of an index composed of small-capitalization U.S. equities. The iShares Global Consumer Staples ETF (KXI) seeks to track the S&P Global 1200 Consumer Staples (Sector) Capped IndexTM. The iShares Core MSCI EAFE ETF (IEFA) seeks to track the investment results of an index composed of large-, mid- and small-capitalization developed market equities, excluding the U.S. and Canada. The Health Care Select Sector SPDR® Fund (XLV) seeks to provide investment results that, before expenses, correspond generally to the price and yield performance of the Health Care Select Sector Index (the "Index"). The S&P Aerospace & Defense Select Industry® Index (XAR) represents the aerospace & defense segment of the S&P Total 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 Index 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 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.

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