

Investment Policy

Our market view in a nutshell – February 2026

- **The “crisis” narrative looks overstated.** Early-year volatility was driven by geopolitical headlines linking tariff rhetoric with Greenland and broader great-power signaling. Yet this is neither the 1962 Cuban Missile Crisis nor the hegemonic peace that followed the fall of the Berlin Wall. We are entering a new multipolar order defined by strategic rivalry, unfolding in parallel with the rise of a transformative technology capable of reshaping economic hierarchies. The rally in gold and precious metals reflects precautionary positioning — but when trades become crowded, “safe havens” can morph into speculative havens. The fear premium expanded far faster than the underlying risk, and history suggests that positioning portfolios for the worst has rarely been a durable investment strategy.
- **The macro signal remains constructive beneath the noise.** Hard data continue to describe an economy that is neither overheating nor stalling. Manufacturing has returned to expansion, services activity remains solid, employment growth continues, and inflation is moderating toward levels consistent with medium-term stability. Importantly, improving supply dynamics — easing labor-cost pressures, normalization in goods, and resilient demand — allow growth to continue without forcing renewed tightening. This increasingly resembles a late-cycle expansion supported by productivity rather than leverage.
- **Productivity and policy are beginning to align.** The key macro development is not only slower inflation, but stronger productivity. AI and automation are increasing output per hour while expanding the supply of near-zero marginal-cost digital services. If productivity rises structurally, potential growth increases and the economy can run faster without triggering inflation. In this context, the nomination of Kevin Warsh as Fed Chairman has helped calm markets. He is perceived as independent and orthodox, yet open to forward-looking frameworks. A shift from strict “data dependency” toward more prospective policy settings could prove instrumental in an AI-driven regime transition — allowing the Fed to normalize rates gradually without waiting for lagging indicators to confirm what productivity trends may already imply.
- **Micro fundamentals validate the macro backdrop.** Q4 earnings have been robust, with broad participation and double-digit aggregate growth for the fifth consecutive quarter, helping to anchor valuations. The recent rotation toward more cyclical sectors reflects positioning adjustments rather than a deterioration in fundamentals. “Capex anxiety” around AI investment cycles is a debate about timing, not direction. In a macro environment characterized by resilient demand and improving productivity, growth is broadening rather than narrowing. The asymmetry continues to favor sustained earnings compounding over imminent contraction.

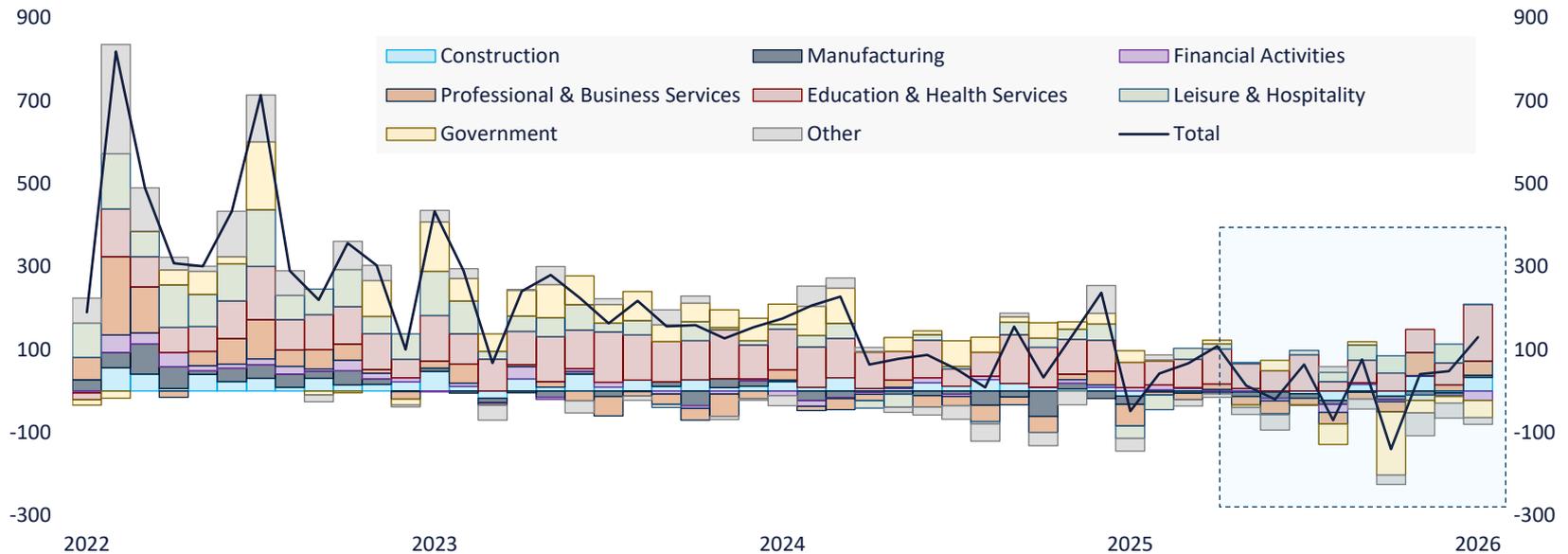
Boreal Investment Policy

| Asset Class | | View | Rationale |
|-------------------------|---------------------|------|--|
| Fixed Income | US Investment Grade | + | Treasury bonds offer protection against an economic slowdown and / or increased risk aversion. We favor short to medium maturities |
| | US Credit | + | Interest rate cuts, controlled inflation, and resilient consumption have reduced the likelihood of a recession. While credit spreads have narrowed, investment-grade bonds remain attractive, as the default rate is expected to stay low |
| | EU Investment Grade | + | The economy is showing greater signs of weakness, and inflation has fallen faster within the target range, providing the ECB with ample room for cutting rates. We prefer government bonds and high-quality corporates |
| | European Credit | = | Prospects for European credit have improved since it is expected that the ECB will follow the Fed in lowering rates. However, the European economy remains more vulnerable to a downturn |
| | Emerging Markets | = | The prospect of a weaker dollar spurred by the Fed's interest rate cuts has marginally enhanced the appeal of emerging market debt |
| Equities | US | + | Supported by earnings growth that justifies current valuations. Beyond AI-infrastructure names, we see limited signs of euphoria, and believe a broad part of the market merits an "option premium" reflecting AI-driven earnings opportunities ahead. |
| | Europe | = | The European economy is showing an unexpected resilience despite the slump in manufacturing. With the core economies barely growing and the risk that tariffs pose to the important export sector, we see less upside |
| | Asia | = | We recommend investing selectively in the region. Despite low valuations, China remains an area of concern |
| | Emerging Markets | - | Emerging market stocks tend to be more cyclical, and there are fewer high-quality stocks. The risk of tariffs diminish their appeal in the short term |
| | Sectors & Themes | + | To complement our core allocation, we favor Healthcare and companies that pay sustainable dividends |
| Alternative Investments | Hedge Funds | - | Multi-strategy / multi-manager hedge funds with daily liquidity are having a disappointing performance, particularly when compared with other less risky alternatives, like short-term corporate bonds |
| | Commodities | = | Commodity prices have been driven up by (and not caused by) inflation, as well as the war in Ukraine. We do not expect these levels to be sustainable in the long term |
| | Private Equity | = | Investing in late-stage private equity provides access to the asset class with liquidity provision up to a certain degree |

+ Overweight - Underweight = Neutral

The Only Weak Spot Is Hardening

Employment Stabilizes, Removing the Final Macro Risk

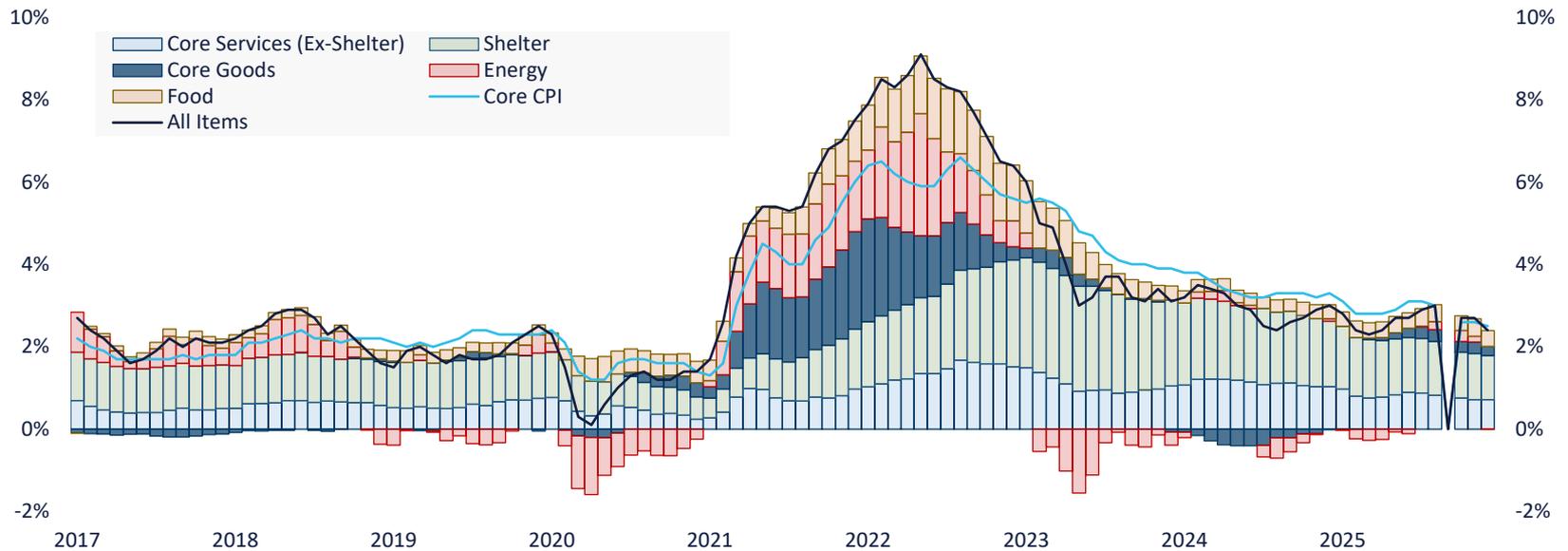


- Unemployment has declined for the second consecutive month, and payroll growth has moved **back into expansion territory**. Job creation is broadening across sectors, suggesting the labor market is stabilizing rather than slipping into contraction.
- What was perceived as the only macro weak spot is now **signaling resilience**. Employment levels remain **historically high**, reducing recession risk and reinforcing the broader narrative of steady growth alongside moderating inflation.

Source: Bloomberg

Normalization Continues

Broad-Based Stabilization Across Components

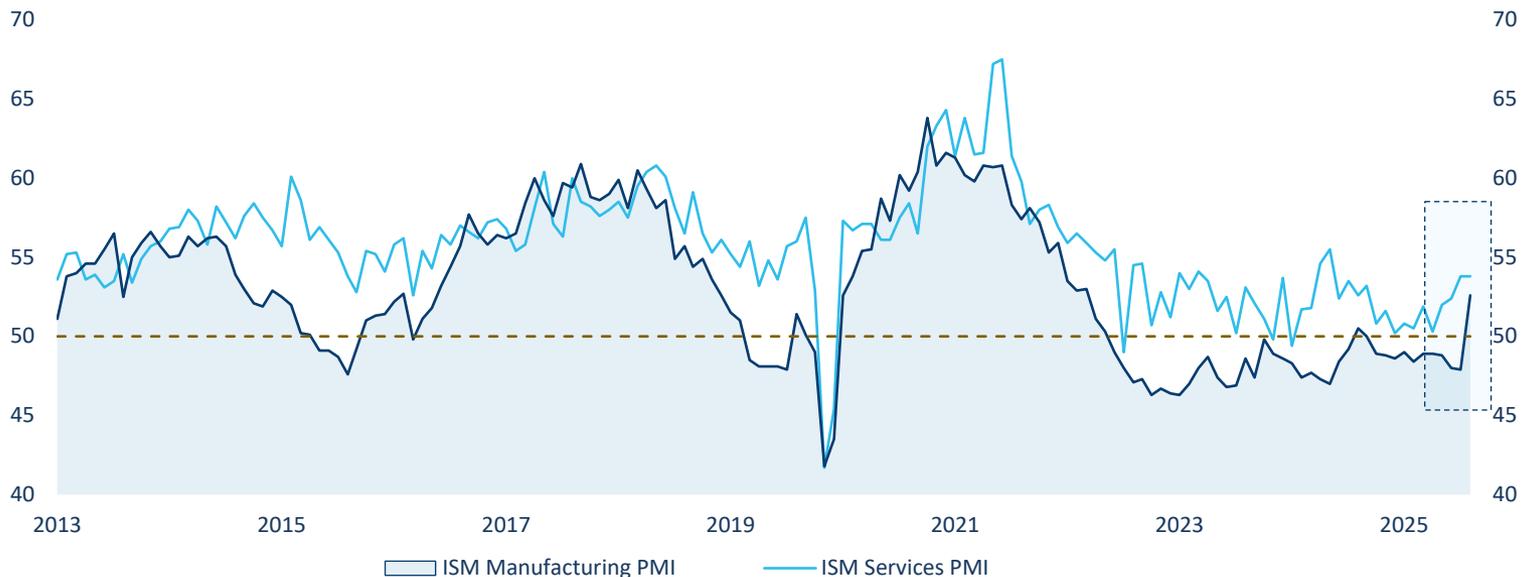


- January CPI was cooler than a typical January, with headline and core moderating. There is **little evidence of meaningful tariff pass-through** beyond a small and likely temporary pickup in select goods. Core goods were broadly flat, while energy and food contributed to disinflation.
- **Shelter continues to decelerate**, reinforcing the broader trend. Inflation is stabilizing near its historical average — still modestly above target, but not re-accelerating — supporting the case for gradual policy normalization.

Source: Bloomberg

Broadening Growth

Manufacturing Joins Services in Expansion

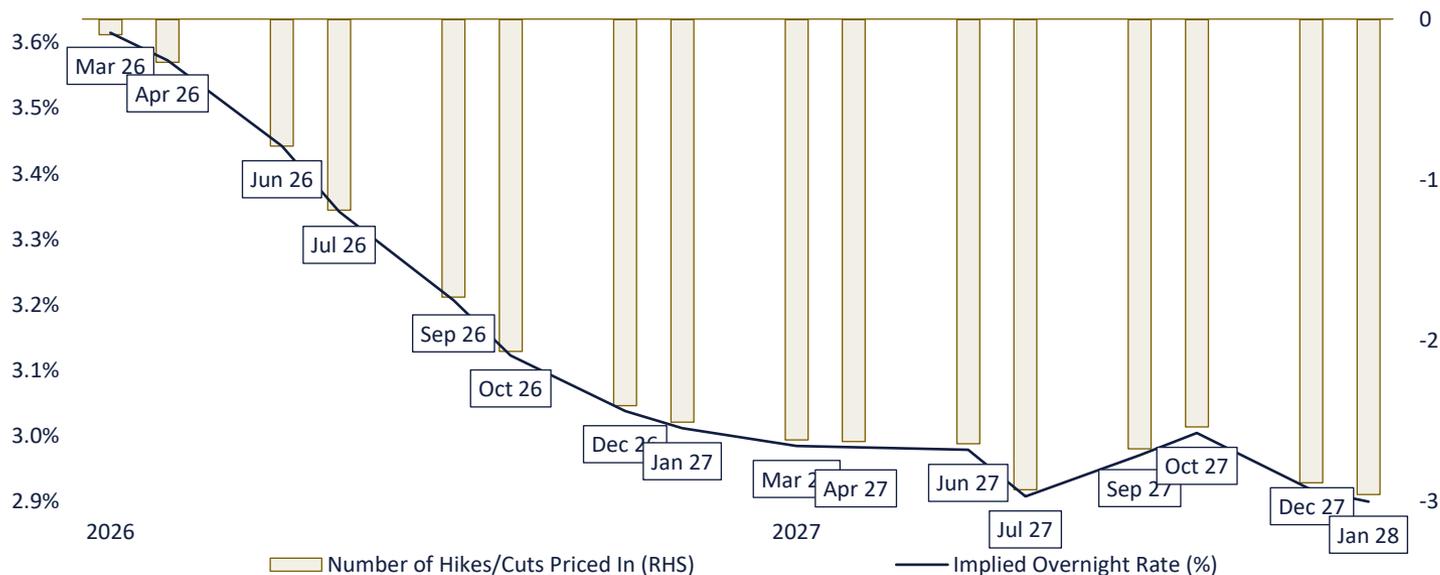


- **ISM Manufacturing has moved back above 50**, marking a return to expansion and confirming that the industrial cycle is turning up. Industrial production data are improving, reinforcing the view that activity is reaccelerating rather than contracting.
- **Services remain firmly in expansion territory**, sustaining overall momentum. With both pillars of the economy now expanding, growth is broadening — a classic mid-cycle reacceleration dynamic.

Source: Bloomberg

A Regime-Aware Fed Emerges

Forward-Looking Policy in an AI Economy

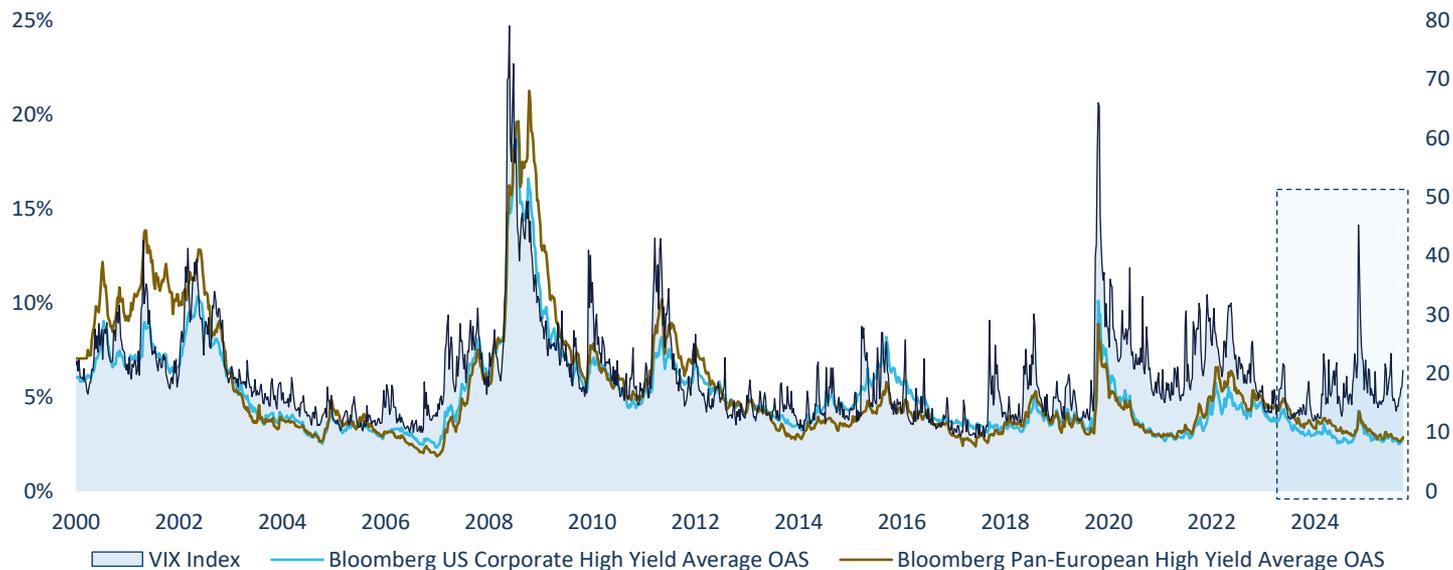


- Markets are increasingly pricing **additional rate cuts as disinflation progresses and growth stabilizes**. The implied policy path points to gradual normalization, consistent with inflation trending lower and labor markets stabilizing.
- Kevin Warsh’s nomination signals a **potential shift from strict “data dependency” toward a more prospective policy framework**. At a juncture where AI-driven productivity may be lifting potential growth, a forward-looking Fed could recalibrate policy without waiting for lagging indicators — reducing the risk of policy overshoot.

Source: Bloomberg

Credit Markets Signal Stability

Spreads Tight, Recession Risk Low

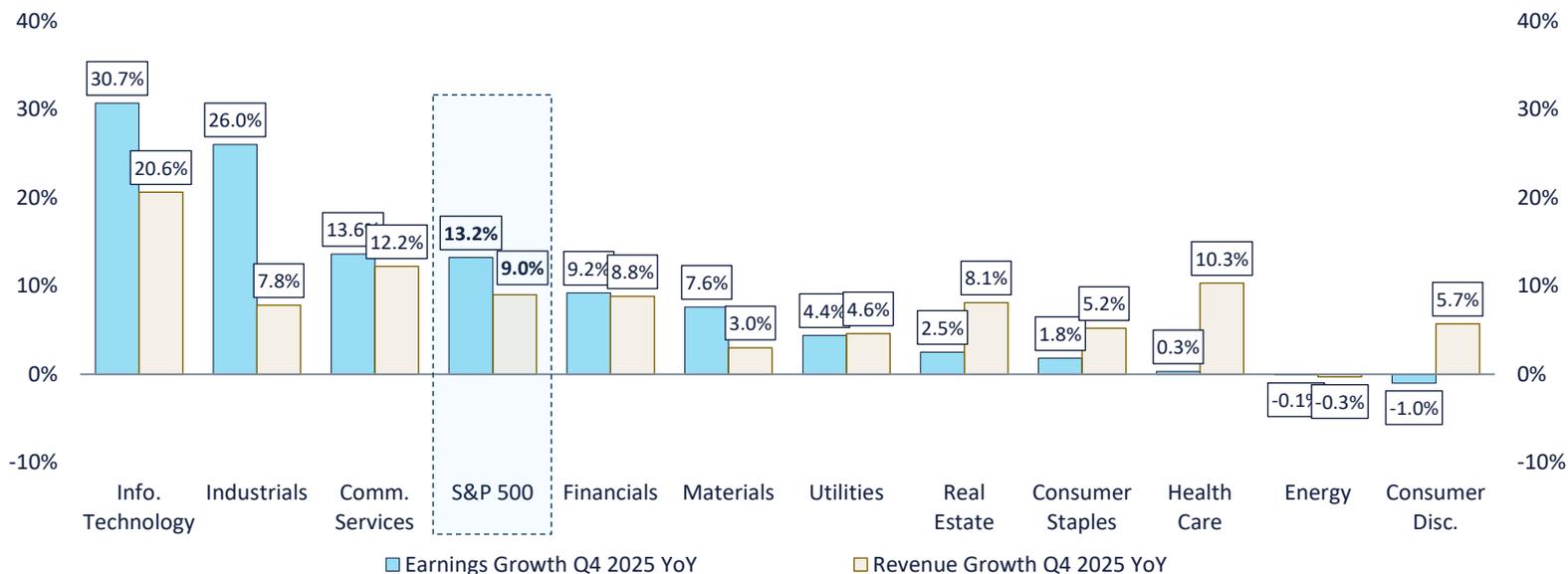


- **High-yield spreads remain near cycle lows, while volatility is stabilizing closer to historical averages.** This limits further upside in credit, as risk premia leave little room for compression.
- **Crucially, spreads are not signaling recession or systemic stress.** The divergence between headline-driven uncertainty and calm credit markets suggests that much of the recent volatility reflects narrative noise rather than deterioration in underlying fundamentals.

Source: Bloomberg

Broad-Based Earnings Growth

Cyclicals Accelerate; Tech Leads Despite Capex Anxiety



- Earnings growth is running at ~13% YoY for Q4, marking the **fifth consecutive quarter of double-digit expansion**. Industrials are showing a sharp improvement, consistent with the rebound in manufacturing PMIs and better industrial production data — confirming that the **cyclical upturn is translating into profits**.
- **Technology continues to lead earnings growth despite “capex anxiety.”** Profit expansion in Information Technology remains strong, margins are elevated, and positive revisions continue. The debate around AI spending is about timing, not profitability — delivery remains intact.

Source: Bloomberg

Earnings Pull, Not Narrative Push

Valuations Ultimately Follow Profit Growth

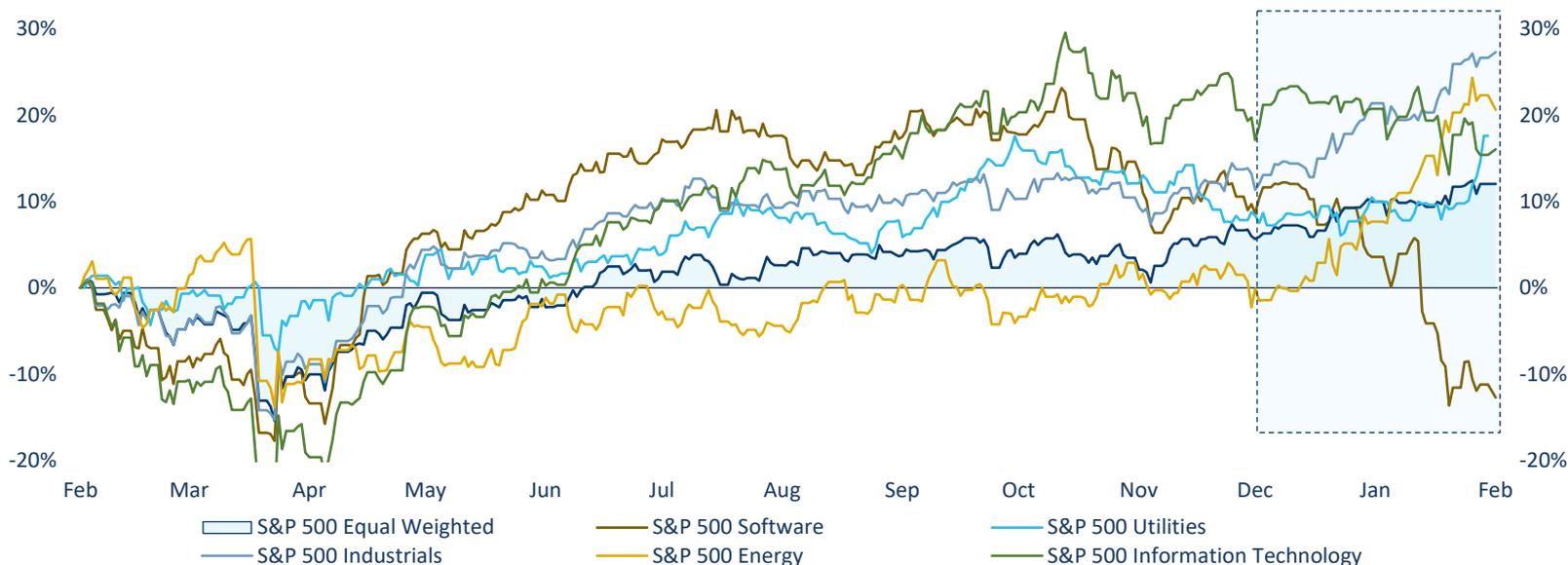


- **Equity prices may be pushed in the short term by narratives, positioning, or multiple expansion — but over time they are pulled by earnings.** The long-term co-movement between the S&P 500 and forward EPS remains intact.
- **Talking about valuations necessarily means talking about implied growth.** With double-digit earnings growth delivered and projected, profit expansion remains the central pillar supporting current multiples. As long as earnings compound, prices have a fundamental anchor.

Source: Bloomberg

AI Disrupts the Disruptors First

Rotation Within Tech — Not Away From It

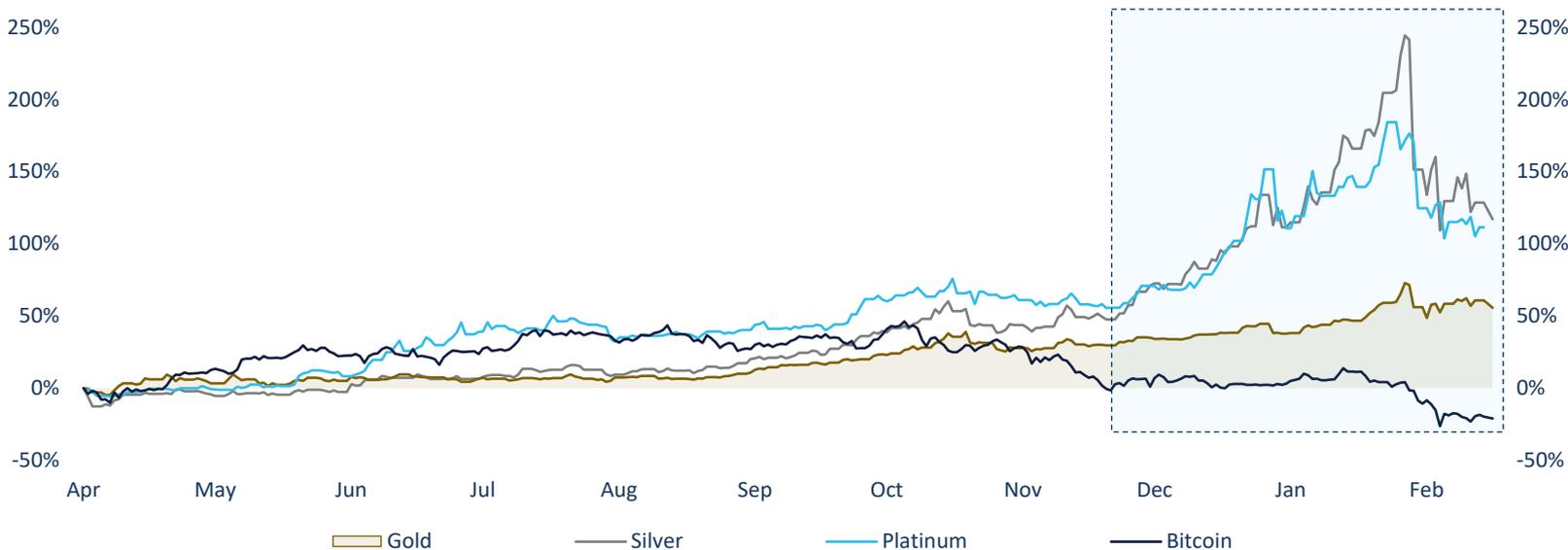


- **The recent weakness in Software (SaaS) may be an early sign of AI disruption.** Productivity gains in coding and automation are pressuring parts of the application layer, prompting rotation within technology rather than away from it.
- **AI remains a broad macro tailwind.** Infrastructure, semiconductors, and platform leaders continue to benefit, and over time productivity gains should lift profitability across sectors. The adjustment within software does not invalidate the broader IT thesis.

Source: Bloomberg

Narratives Inflate Faster Than Risk

Positioning Portfolios for the Worst Is a Doubtful Investment Strategy



- **There is a growing perception of crisis, but current geopolitical tensions do not justify that characterization.** The world has rarely been stable — with the post-Berlin Wall period being the exception, not the norm. Today’s multipolar adjustment is noisy, but not unprecedented.
- **Safe-haven flows have moved faster than fundamentals.** Gold and precious metals rallied as precautionary positioning intensified, yet when protection becomes crowded, it risks turning speculative. The fear premium expanded more rapidly than the underlying macro deterioration.

Source: Bloomberg

Investment scenarios

| | Scenario 1 Policy mistake - Too Loose, Too Tight | Scenario 2 Tailwinds Power Continued Expansion | Scenario 3 AI - Boom or Bust? |
|---------------|---|---|---|
| Drivers | <ul style="list-style-type: none"> Inflation remains above target, supported by a tight labor market, resilient housing and possible renewed trade frictions. The Fed misjudges the balance between growth and inflation: it keeps policy too restrictive for too long or, alternatively, eases prematurely and is later forced into a more aggressive tightening cycle. | <ul style="list-style-type: none"> Pro-growth policies, solid balance sheets and accommodative monetary and fiscal stances extend the business cycle. Disinflation continues, allowing the Fed to start a gradual cutting cycle toward a neutral stance without reigniting inflation. Robust real growth narrows the fiscal deficit at the margin, the yield curve steepens slightly, credit spreads stay tight and corporate earnings rise steadily. | <ul style="list-style-type: none"> AI has the potential to lift productivity and corporate earnings significantly, but also to generate economic and social disruption, as well as episodes of market euphoria and panic. Large investments in AI-related infrastructure support growth in the short term, while creating the risk of overcapacity and disappointment if the technology or its adoption falls short of expectations. |
| Market impact | <ul style="list-style-type: none"> Equities decline as earnings expectations are revised down and valuation multiples compress, although the “Fed put” limits the depth of the correction once policy turns easier. Credit underperforms as spreads widen from historically tight levels and investors demand more compensation for risk. High-quality sovereign debt rallies on “flight to quality” flows and the prospect of lower policy rates; cyclical and commodity-linked assets lag. The US dollar tends to appreciate in risk-off phases and if the Fed remains relatively hawkish, but could weaken if the US slowdown leads the global cycle and rate cuts become more aggressive. | <ul style="list-style-type: none"> Equities are supported by healthy earnings growth and broadly constructive policy, with leadership gradually broadening beyond mega-cap technology. Credit performs well: default rates stay low and spreads remain contained, allowing carry to dominate returns. High-quality and sovereign debt deliver solid income and some potential price upside if long-term yields drift lower as policy rates are cut. Commodity prices firm on economic strength; the US dollar remains broadly stable, supported by growth and positive real rate differentials versus most peers. | <ul style="list-style-type: none"> Over time, it is hard to ignore AI’s positive impact on earnings and margins across many sectors, which can “lift all boats” and justify higher valuations, especially for AI leaders. At the same time, high expectations and crowded positioning increase the risk of sharp corrections when earnings, regulation or technology outcomes disappoint, leading to boom-and-bust episodes in AI-linked assets (with spillovers to the broader market). The effect on interest rates and inflation is non-linear: a capex boom may keep demand and real rates elevated in the transition, while productivity gains could become disinflationary only with a lag, making the path for policy rates harder to read. |
| Probability | 15% | 70% | 15% |

Short-term catalyzers

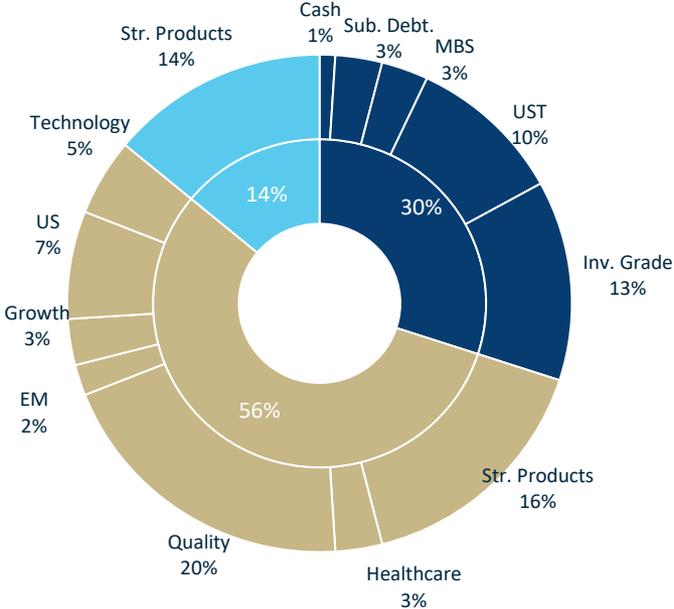
AI-driven productivity boost, De-escalation in Ukraine/Middle East conflicts drives down energy prices, Further slowdown in core inflation

Other risks

Crypto bubble, Cybersecurity, Debt ceiling, (Geo)Political risks, China/Europe slowdown, Housing market correction

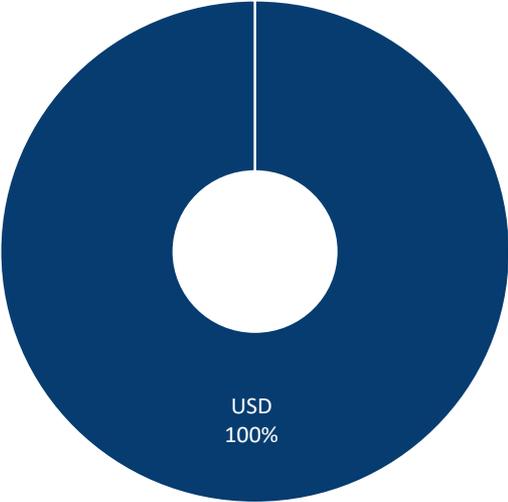
Boreal Balanced Portfolio USD

Asset Allocation



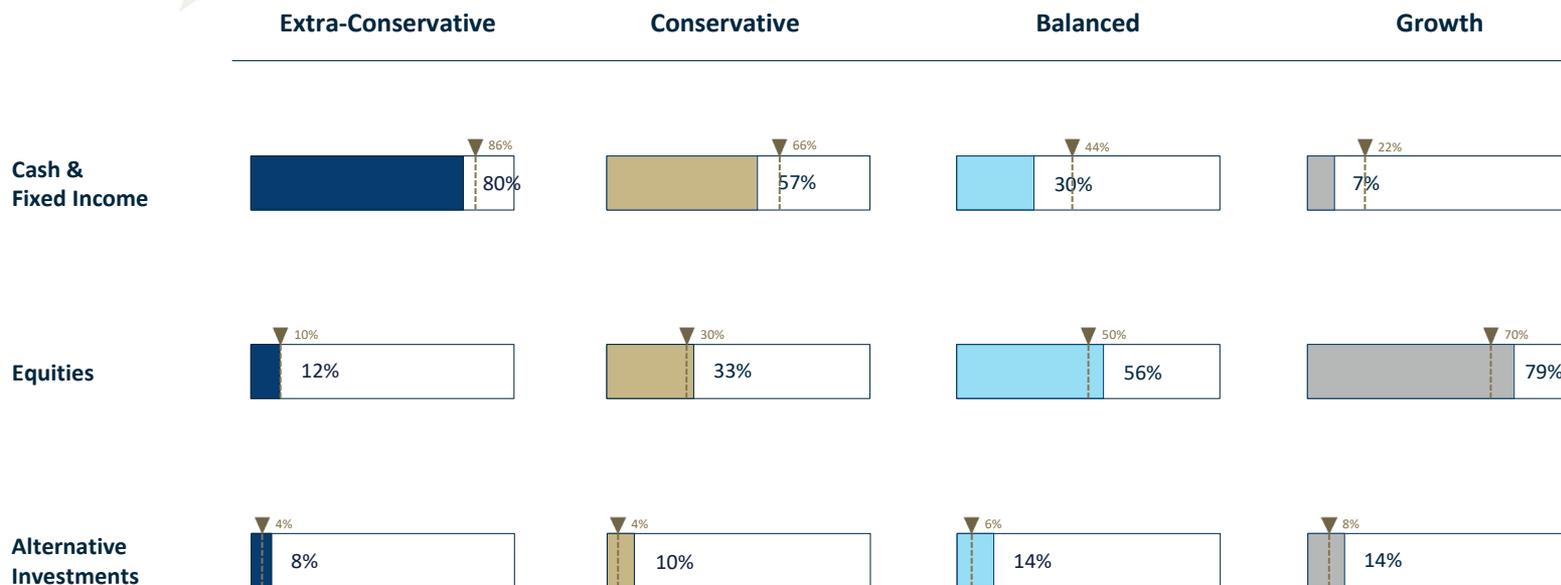
■ Fixed Income ■ Equity ■ Alternative Inv.

Currency Allocation



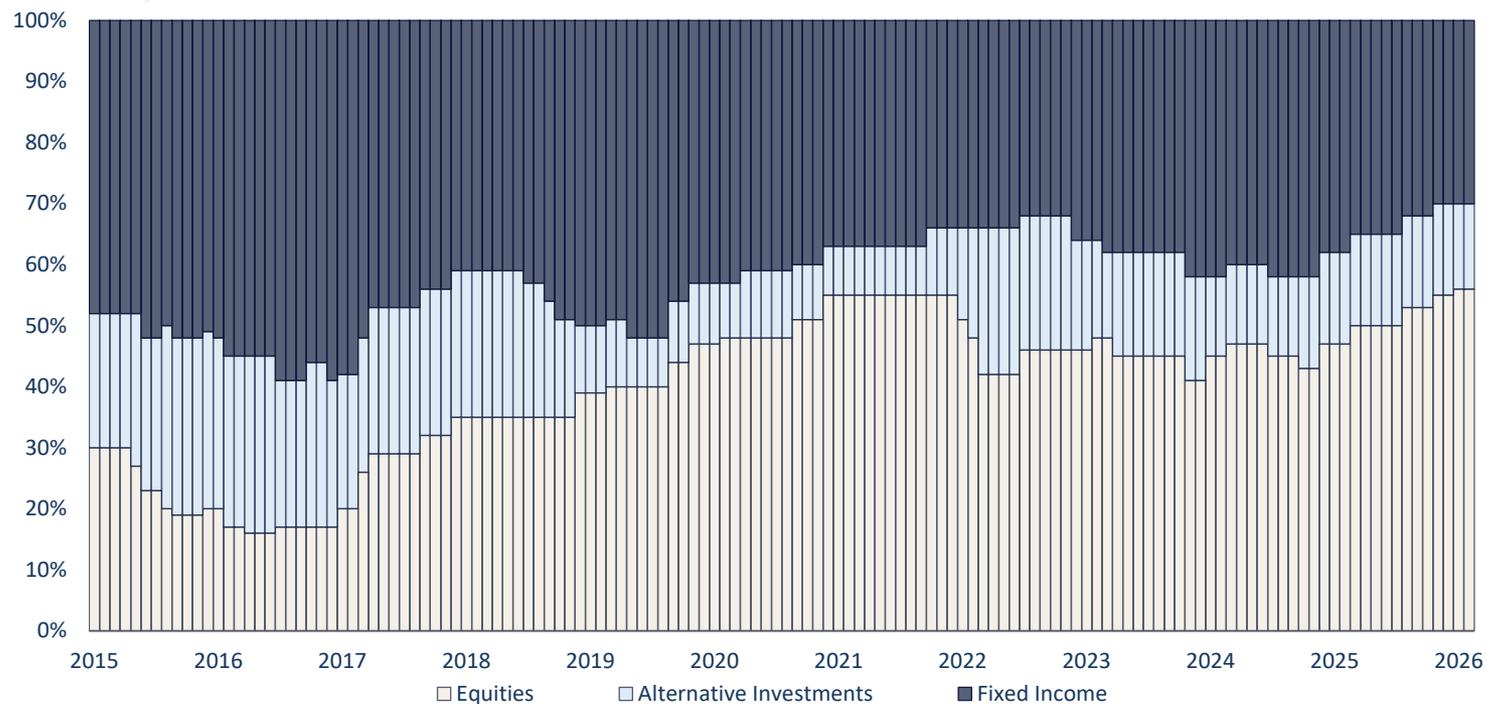
■ USD

Boreal Investment Profiles



▼ Strategic Asset Allocation

Boreal Balanced Portfolio – Asset Allocation evolution



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