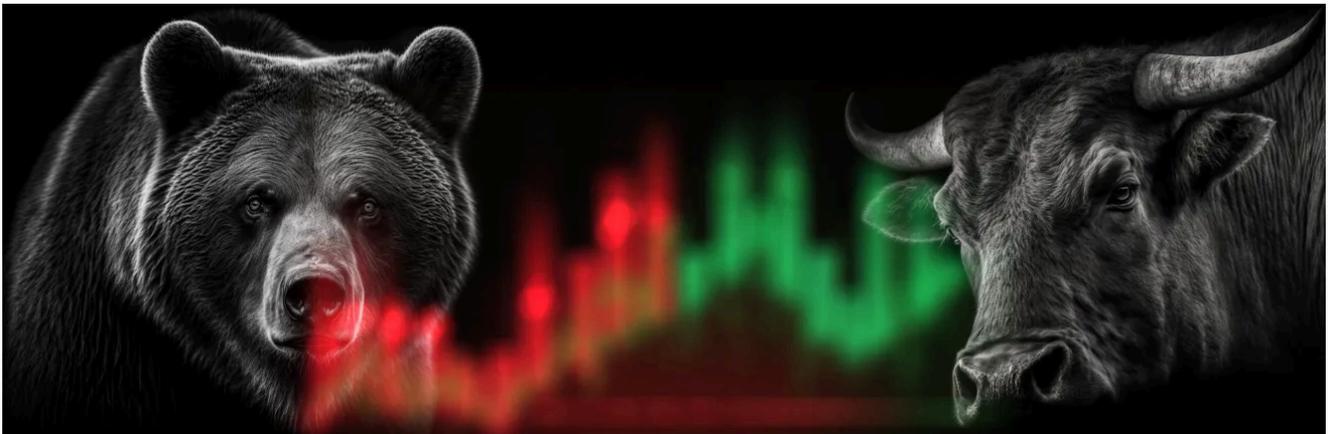


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MOTT CAPITAL MANAGEMENT

Daily Market Analysis By Michael Kramer



FOURTH-QUARTER 2025 THEMATIC GROWTH UPDATE

FEBRUARY 23, 2026

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2/6/26

Stocks seemed to stall in the fourth quarter of 2025; in fact, the S&P 500 traded virtually sideways from the end of October through year-end. While the MCM Thematic Growth Strategy's fourth-quarter performance improved, it was not enough to offset earlier-year underperformance.

In 2025, we gained 11.98%, net of fees and transaction costs, and inclusive of dividends, versus the S&P 500 total return index's 17.88% gain, which is inclusive of dividends.

	Thru 12/31/25	5-Yr Annualized	Since Inception Annualized
MCM Thematic Growth	+11.98%	+10.20%	+10.49%
S&P 500 Total Return	+17.88%	+14.43%	+13.73%

The underperformance in 2025 is a significant disappointment, but in some respects, this market doesn't align with my views on investing and long-term growth. For much of 2025, we saw a market that rewarded extreme risk-taking and tolerated significant speculation. My sense is that at some point soon, this "risk-on" attitude will shift to a more cautious, more traditionally structured outlook. My hope is that I have positioned us correctly for that reversion to a more historic mean.

An AI Bubble?

The apparent strength of the S&P in 2025 was driven largely by institutional and retail investors rushing to capitalize on the artificial intelligence boom. The chart below, which is for illustrative purposes, shows the run-up in the value of the iShares Expanded Tech-Software ETF (IGV) during 2024 and 2025 (black line) and the Invesco Global Listed Private Equity ETF (PSP) (blue line).



<https://io.wp.com/mottcapitalmanagement.com/wp-content/uploads/2026/02/igv.png?ssl=1>

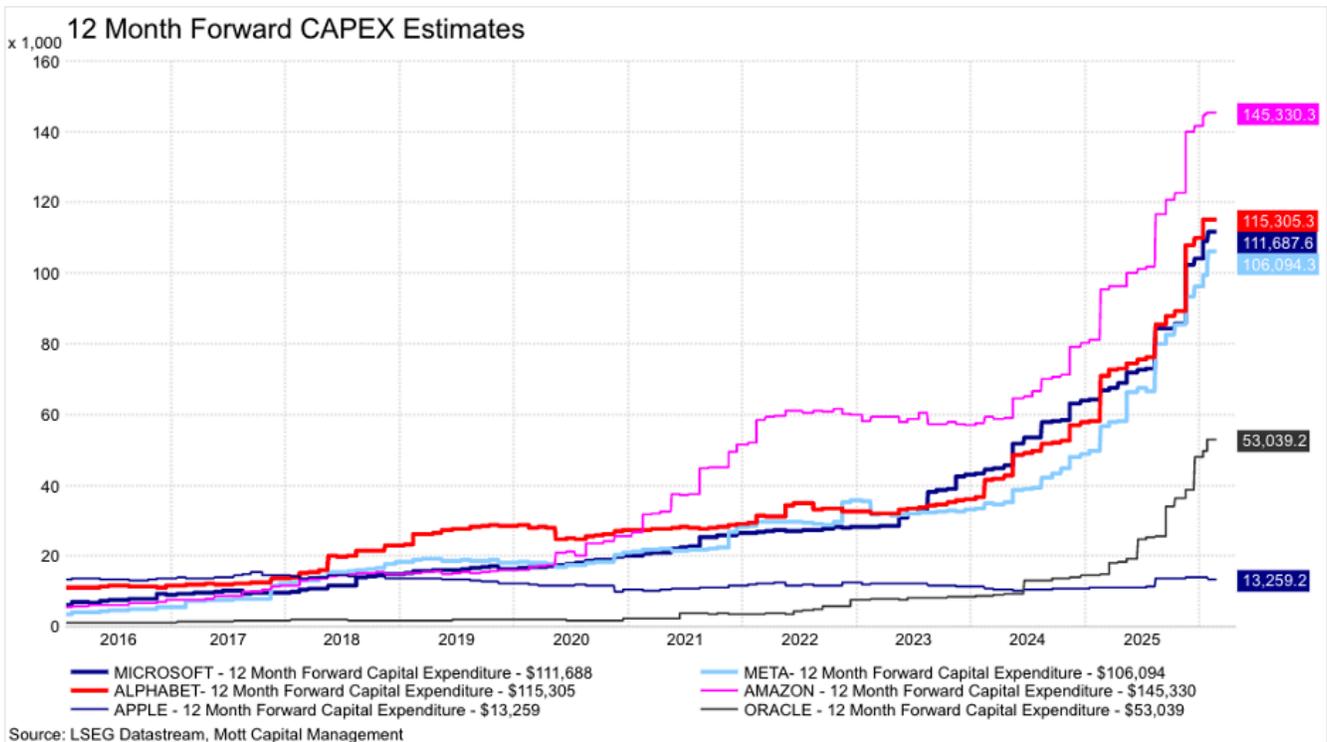
While results over the previous 24-month cycle are impressive, my cautious approach in 2025 and my continued cautious outlook for the AI sector are underscored by the tail end of the chart above, which shows that sentiment turned in late 2025. Two factors are especially concerning for the outlook for AI and AI-adjacent companies.

The first concern is the ever-increasing debt. The following line chart shows the remarkable run-up in total debt for six major tech/AI-affected players: Oracle (red), Microsoft (blue), Apple (black), Amazon (green), Meta (aqua), and Google (brown).



<https://io.wp.com/mottcapitalmanagement.com/wp-content/uploads/2026/02/cds.png?ssl=1>

A second major concern is the near-urgent push to invest in research and development of more sophisticated software, and the related burden of building and operating data centers capable of supporting these applications. Estimates for CAPEX spending have continued to rise, and in some cases, these companies are now in the process of issuing even more debt to raise capital for AI spending, because their free cash flow isn't enough to keep up with the pace. Here is a chart showing recent CAPEX commitments for the same six companies:



<https://io.wp.com/mottcapitalmanagement.com/wp-content/uploads/2026/02/capex.png?ssl=1>

Other themes are also coming into view: investors are increasingly questioning both the overall spending on operational and capital needs in the AI sector, as well as the large number of players chasing the same pot of gold.

In short, I believe that a few of my fears about AI are starting to be realized. As the first chart shows, software stocks have fallen sharply in 2026 as valuations come back to haunt them and fears of AI cannibalization rise. This diminishing enthusiasm has also spilled over into private equity stocks, which have significant investments in the software sector and data center construction.

How These Trends Are Affecting The Sector Balance in the Thematic Growth Strategy.

As the second chart above shows, Oracle carries a significant debt load, a profile that, by extension of analysis, has weighed on the stocks of Microsoft, Oracle, and Meta in recent months. While we do not own Oracle and Meta, they serve as examples of what could become weights on Amazon, Apple, and Alphabet if their spending starts to ramp up as well. Among our holdings, Microsoft has the greatest exposure to both the software and spending sides of the AI problem, and valuation is no friend of Microsoft's these days, either. That makes it a particular risk to continue to own. Additionally, Microsoft does not have a robust in-house, organic AI product. Instead, their AI services are built on the OpenAI backbone and similar platforms. We cut our Microsoft position in half last year (somewhat too early, I might add), and I'm currently being patient to see whether this fear passes or grows.

While I have done my best throughout the year to lighten the load of some of the mega-cap technology stocks we own, we still have exposure to this group, and the balance of sectors will become increasingly sensitive in the coming months.

Given that, I have also been rotating into med-tech stocks to shift our exposure into a group that hasn't performed as well as technology, but that I still think benefits from ongoing technological trends. Examples of this rotational move, both for better and ill, are our acquisition of Grail. Additionally, in the fourth quarter, I sold our Zoetis position to realize a tax loss and swapped into Boston Scientific. However, Boston Scientific has fallen sharply following an earnings report on February 4 that missed expectations.

I also made a rotational decision to purchase Occidental Petroleum at the start of 2026. The energy sector has underperformed in recent years, and I think oil prices are currently depressed. In fact, both Occidental and the energy sector haven't performed this poorly versus the S&P 500 since the dot-com bubble. Additionally, oil appears to be the only commodity that is not performing well. Occidental seemed like a good way to play a rise in oil prices, given its tight relationship with the commodity. Additionally, it has a strong shareholder base, with Berkshire Hathaway owning more than 26% of the stock. On top of that, the five largest shareholders own a combined 51.6% of the shares, which means that most of the shares are "locked up," and if buyers step into the name, there will be fewer shares available to buy, potentially adding to an advance.

Overall, managing the portfolio is a balancing act: the last thing I want to do is sell a stock I fear may decline and buy another only to see that stock decline as well. It is a bit of a tricky game to hold on to the raised capital and wait for the right sector, time, and price to redeploy it.

While there is plenty to think about and look forward to in 2026, it's important to note that, given the changes made, the concerns I had, and the slow pace of putting money to work, meant we underperformed the S&P 500 in 2025. We will strive to deliver stronger comparative results in 2026 while staying true to our core investment philosophy.

If you have any questions, please don't hesitate to reach out.

Until next time,

-Mike

Michael Kramer

Founder

Mott Capital Management, LLC

Year End	Total Assets		Number of Accounts	Composite Performance	S&P 500	Annualized 3-Year Standard Deviation**		Internal Composite
	Firm	Composite		Net	Total Return	Composite	Benchmark	Dispersion
2025	4,383	4,382	23	11.80%	17.88%	11.27%	11.79%	1.08%
2024	4,359	4,299	21	17.85%	25.02%	14.96%	17.15%	0.74%
2023	3,739	3,709	21	26.74%	26.29%	15.21%	17.29%	1.34%
2022	2,954	2,918	21	-15.08%	-18.11%	20.70%	20.87%	0.87%
2021	3,413	3,326	20	14.44%	28.72%	18.62%	17.17%	1.75%
2020	2,720	2,688	19	25.43%	18.40%	19.93%	18.53%	2.57%
2019	2,470	2,120	18	35.85%	31.49%	12.24%	11.93%	1.65%
2018	1,969	1,605	20	-7.98%	-4.38%	12.46%	10.80%	0.99%
2017	2,118	1,716	20	18.77%	21.83%	12.70%	9.92%	0.90%
2016	1,717	1,377	17	-2.10%	11.96%	-	-	0.90%
2015	1,681	1,325	17	1.52%	1.38%	-	-	0.60%
2014 [†]	1,026	628	8	3.82%	7.60%	-	-	N.A.

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Annualized Performance						
	YTD	1-Year	3-Year	5-Year	10-Year	Since Inc.
Thematic Gr. Net	11.98%	11.98%	18.70%	10.20%	11.48%	10.49%
S&P 500 TR Index	17.88%	17.88%	23.01%	14.43%	14.82%	13.73%

<https://io.wp.com/mottcapitalmanagement.com/wp-content/uploads/2026/02/annual.png?ssl=1>

N.A. – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

[†] Performance reflects the non-annualized performance from 8/1/2014 to 12/31/2014.

** For periods with less than 36 months of composite performance, no 3-year ex-post standard deviation measurement is available.

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The Thematic Growth Composite is a blend strategy of different market capitalizations, which is approximately divided equally among three sectors. The Core Growth sector includes large multi-national companies, the Growth Sector includes mid- to large-cap companies, and the Aggressive Growth sector includes small- to mid-cap companies. The strategy is concentrated, and typically includes approximately 10-20 positions, and 5% cash. The portfolio may hold fewer positions in times of market uncertainty, when raising cash as a hedge. The strategy only invests in stocks, ADRs, and ETFs denominated in USD. The Thematic Growth Composite was created June 2015. The inception date of the strategy is August 1, 2014. Prior to 12/31/2025, the composite was called the All-Cap Growth Composite.

The S&P 500 is a free-float capitalization-weighted index of 500 large-cap common stocks actively traded in the United States. The index is shown as a general market indicator and may not reflect the same exposures as the composite.

The investment management fee schedule for the composite is 2% on the first \$250,000, 1.5% on the next \$750,000, and 1.0% on the remainder. Actual investment advisory fees incurred by clients may vary. Further information regarding investment advisory fees is described in Part II of the firm's Form ADV.

Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Performance shown represents total returns that include income, realized and unrealized gains and losses. Net of fee performance was calculated using actual fees. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile.

Policies for valuing portfolios, calculating performance, and preparing GIPS reports are available upon request.

The annual composite dispersion presented is an asset-weighted standard deviation calculated using net returns of accounts in the composite the entire year. The 3-Year Standard Deviation represents the annualized standard deviation of

actual net composite and benchmark returns, using the rolling 36-months ended each year-end.

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2. Interactive Advisors clients that qualify for and subscribe to Mott Capital's model portfolio on Interactive Advisors platform are clients of Interactive Advisors. They are not Mott Capital clients.
3. Mott Capital has a financial incentive (and therefore, a conflict of interest) in a current or prospective client investing with Interactive Advisors and investing in its portfolio on the Interactive Advisors platform because Mott will receive a portion of the annual management fee (and, if applicable, performance fee) Interactive Advisors charges clients who invest in Mott's portfolio, so Mott will receive more money the more investors sign up with Interactive Advisors and select the Model based upon data provided by Mott Capital.

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