ADAPTIVE
WEALTH ENGINEERING
The Science of Investing. The Art of People.

Monthly Market Review

February 2026

Did You Know?

Military Conflicts and Global Stock Returns

We examine how global stock markets have performed following geopolitical conflicts to show that short-term volatility hasn't prevented long-term growth. This historical context can help guide investors to stay focused on their long-term plan, not the headlines.

Academic Perspective

Can We Learn to Avoid Cognitive Errors?

By Meir Statman, Ph.D.

Drawing on insights from the late Nobel Laureate Daniel Kahneman, we examine why simply knowing about cognitive errors isn't enough – and how investors can actually avoid them.

Market Review

- U.S. stocks retreated in February, while non-U.S. stocks rallied.
- Concerns about AI spending coincided with a sell-off among technology stocks, which pushed U.S. stocks lower.
- U.S. Treasury yields declined, and the broad U.S. bond market advanced for the month.

Appendix

Did You Know?

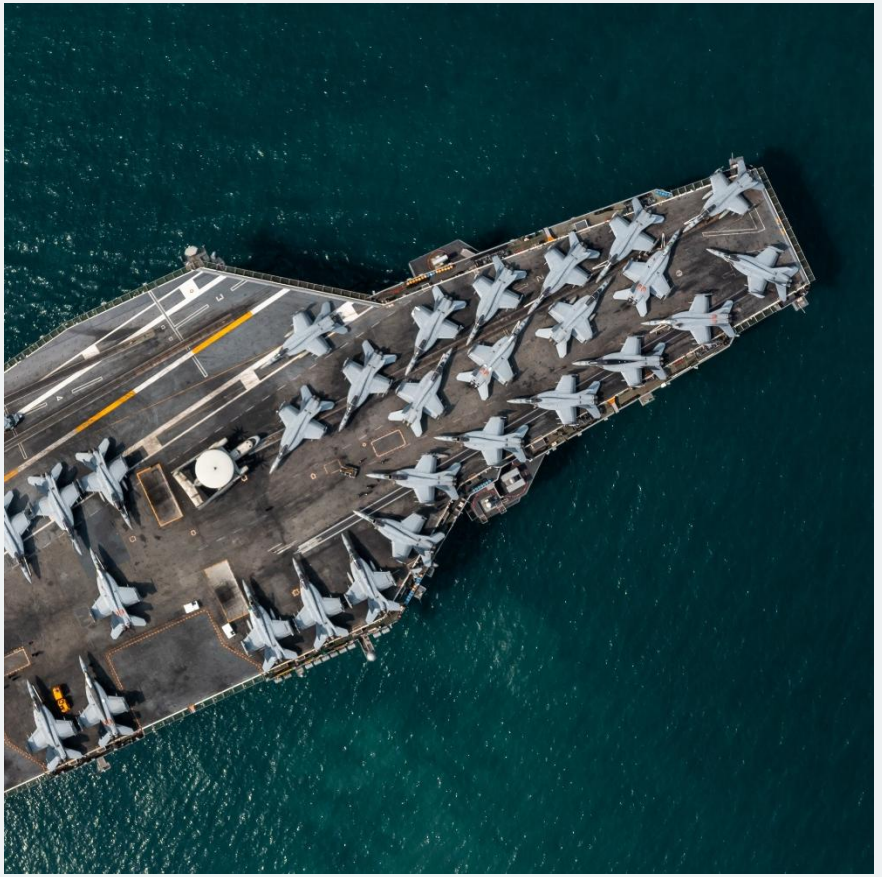
Military Conflicts and Global Stock Returns

As markets closed in the U.S. on the last trading day of February 2026, year-to-date stock market returns ranged from middling — the S&P 500® Index was up ~0.7% — to very strong — the MSCI EM IMI was up nearly 14.5% in U.S. dollar terms.

Over the weekend, geopolitical tensions in the Middle East spiked as the U.S. and Israel launched a series of coordinated strikes on Iran, with Iran responding and launching attacks at facilities in many neighboring countries.

Although the conflict has so far been limited to the region, concerns remain about its potential impact on oil supplies and energy prices, as well as downstream effects on production and supply chains. While uncertainty remains high and the ultimate effects are still unclear, it's important to remember that markets are no stranger to conflict.

There is nearly 100 years of data on the U.S. stock market, covering many episodes of geopolitical unrest. This offers a rich history we can analyze to understand stock performance after the start of militarized conflicts.



Military Conflicts and Global Stock Returns

In **Figure 1**, we examine the returns of U.S. stocks following major global events over the last 100 years. Returns are computed for three months, one year and three years after each event (starting with the first full month after each episode).

The results provide important takeaways. Regardless of the time horizon, we observe more positive than negative market returns. Following major geopolitical events, it is likely that markets may be more volatile in the short term as uncertainty rises and new information is quickly reflected in prices, but that doesn't guarantee markets will decline even three months out.

It's important to note that the effects on prices around new conflicts aren't solely due to the conflicts themselves. Other externalities exist that are also being considered by markets. Additionally, economic conditions at the time may influence the outcomes.

If a new conflict arises that affects the global economy during a period of already weak economic conditions (for example, around the 1973 oil embargo, which followed a recession just a few years earlier), that will certainly have impacted subsequent realized returns.

Figure 1 | U.S. Stocks Have Shown More Volatility in the Short-Term but Resilience Over the Longer Term Following Major Conflicts

U.S. Stock Performance After Conflicts

EVENT	DATE	3 MO (%)	1 YR (%)	3 YR (%)
U.S Enters WWII/Pearl Harbor Attack	12/8/1941	-8.14	16.49	21.96
Beginning of the Korean War	6/25/1950	11.74	27.78	16.37
Bay of Pigs Invasion	4/17/1961	2.62	1.76	8.76
Cuban Missile Crisis	10/16/1962	18.30	34.01	21.13
U.S. Enters Vietnam War/ Gulf of Tonkin Incident	8/2/1964	4.18	10.83	10.24
Yom Kippur War/1973 Oil Embargo	10/6/1973	-10.72	-31.30	1.79
Iran-Iraq War	9/22/1980	9.21	-2.01	16.65
Lebanon War	6/6/1982	11.58	67.02	26.15
U.S. Invasion of Panama	12/20/1989	-3.33	-6.02	11.62
Beginning of the Gulf War	8/2/1990	-0.22	28.85	18.36
Operation Infinite Reach	8/7/1998	21.74	39.30	7.56
9/11 Attacks/Start of the Afghanistan War	9/11/2001	12.55	-17.87	5.93
Beginning of the Iraq War	3/20/2003	16.68	39.18	19.34
Russia Invades Ukraine	2/24/2022	-6.91	-8.67	11.79
Hamas Attacks Israel	10/7/2023	16.47	38.49	-
Twelve-Day War Between Israel and Iran	6/22/2025	8.48	-	-

Data from July 1926 – December 2025. Source: Ken French Data Library. Returns greater than one year are annualized. **Past performance is no guarantee of future results.**

Military Conflicts and Global Stock Returns

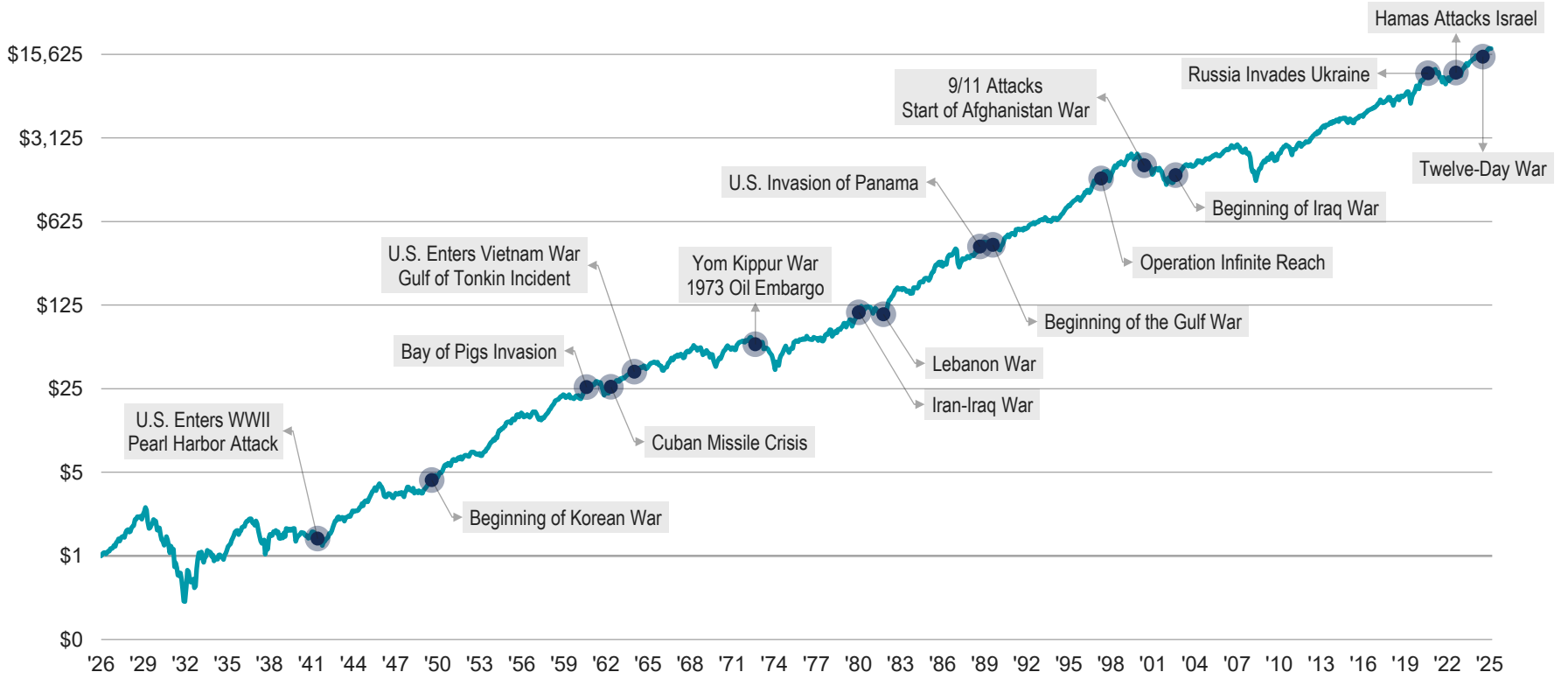
But importantly, as the time horizon extends beyond major conflicts, the likelihood of positive market returns increases. Notably, there were no negative returns in any of the three-year periods following the conflicts examined, and the average of the 3-year annualized returns in the sample was about 13%.

As time goes on, event-driven uncertainty often subsides, and investors who remain disciplined are typically rewarded for staying the course.

This key point is further demonstrated in **Figure 2**, which highlights the conflicts examined in **Figure 1** against the long-term growth of 1 U.S. dollar since 1926. This visualization emphasizes the market's resilience over the long term despite numerous wars and military actions throughout history.

Figure 2 | With Military Conflicts, Long-Term Discipline Is Key for Investors

Growth of $1 in U.S. Stocks Since 1926



Data from July 1926 – December 2025. Source: Ken French Data Library. **Past performance is no guarantee of future results.**

Military Conflicts and Global Stock Returns

Outside the U.S., markets have shown similar patterns around conflicts. There is generally less historical return data for non-U.S. markets, but within a smaller sample, we observe the same key points.

In **Figure 3**, we present returns for non-U.S. developed (**Panel A**) and emerging markets (**Panel B**) stocks following the events examined in **Figure 1**, starting in 1990. Just as in the U.S., we see greater near-term variation in outcomes after conflicts begin, but the three-year return after each event is again positive in all cases. The importance of discipline is well-supported across markets.

We recognize that investors are human and have emotions, and events like military actions can evoke strong feelings. That's natural. However, for investors, allowing emotion or anxiety about the events of the world to drive meaningful asset allocation changes is not something that's supported by historical data. Instead, it offers strong evidence that sticking to your financial plan is likely the prudent course of action during these times.

Figure 3 | Non-U.S. Stocks, Like the U.S., Have Benefited Investors Who Stay the Course Through Geopolitical Conflicts

Panel A | Non-U.S. Developed Stock Performance

EVENT	DATE	3 MO (%)	1 YR (%)	3 YR (%)
Beginning of the Gulf War	8/2/1990	-7.84	-4.43	5.75
Operation Infinite Reach	8/7/1998	10.92	30.35	2.69
9/11Attacks/Start of the Afghanistan War	9/11/2001	5.92	-12.05	12.68
Beginning of the Iraq War	3/20/2003	20.49	62.53	33.94
Russia Invades Ukraine	2/24/2022	-4.93	-4.31	5.09
Hamas Attacks Israel	10/7/2023	14.39	22.32	-
Twelve-Day War Between Israel and Iran	6/22/2025	5.03	-	-

Panel B | Emerging Markets Stock Performance

EVENT	DATE	3 MO (%)	1 YR (%)	3 YR (%)
Beginning of the Gulf War	8/2/1990	-12.90	8.51	17.87
Operation Infinite Reach	8/7/1998	19.69	59.02	6.29
9/11Attacks/Start of the Afghanistan War	9/11/2001	25.18	7.13	25.99
Beginning of the Iraq War	3/20/2003	24.16	82.21	48.29
Russia Invades Ukraine	2/24/2022	-6.48	-12.60	1.44
Hamas Attacks Israel	10/7/2023	7.40	23.33	-
Twelve-Day War Between Israel and Iran	6/22/2025	9.50	-	-

Data from July 1990 – December 2025. Source: Ken French Data Library. Returns greater than one year are annualized. **Past performance is no guarantee of future results.**

Academic Perspective

Can We Learn to Avoid Cognitive Errors?

Behavioral finance scholars often express skepticism about their own and others' ability to avoid cognitive errors. Indeed, Daniel Kahneman, who, along with Amos Tversky, identified most of the cognitive errors we know, said that despite his decades of studying decision-making, he still committed the same cognitive errors as everyone else. “Knowing is not avoiding,” he famously said, adding that we are much better at identifying cognitive errors in others than in ourselves.

In 2012, I was part of a panel at the Investment and Wealth Institute (then IMCA) that interviewed Kahneman for the Masters Series of the *Journal of Investment Consulting*. I learned that Kahneman’s views are more nuanced and optimistic than his seemingly pessimistic “knowing-is-not-avoiding” statement. Moreover, professors and financial advisors who know cognitive errors can help students and clients avoid them.

Common Cognitive Errors in Investing and How Investors Can Avoid Them

First, a few words about cognitive shortcuts and errors. Cognitive shortcuts are part of the intuitive “blink” System 1 in our minds, leading to good choices in most of life. But shortcuts turn into errors when they mislead us into poor choices.

System 2, the reflective “think” system in our minds, leads to better choices when System 1 misleads. People with knowledge of human behavior and financial facts use cognitive shortcuts correctly, whereas those lacking such knowledge commit cognitive errors when they employ them. We know cognitive shortcuts also as cognitive rules-of-thumb and as cognitive heuristics.

There is no uniform list of cognitive shortcuts and associated errors, and not all cognitive shortcuts and associated errors are distinct from one another. Moreover, the cognitive errors on many lists are tainted by hindsight errors. Action is faulted as a “jumping-to-conclusions” cognitive error once we know, in hindsight, that having refrained from action would have brought a better outcome, whereas having refrained from action is faulted as a “status-quo” cognitive error once we know, in equal hindsight, that action would have brought a better outcome.

Meir Statman, Ph.D.
Consultant to Avantis Investors

Meir Statman is the Glenn Klimek Professor of Finance at Santa Clara University and a consultant to Avantis Investors.

His research focuses on behavioral finance. He attempts to understand how investors and managers make financial decisions and how these decisions are reflected in financial markets.

His latest book, “A Wealth of Well-Being: A Holistic Approach to Behavioral Finance,” was published by Wiley in April 2024.

Can We Learn to Avoid Cognitive Errors?

The most relevant cognitive shortcuts and associated errors in finance include framing, hindsight, confirmation, anchoring and adjustment, representativeness, availability and confidence.

In the 2012 interview with Kahneman, I asked:

> "In your most recent book, 'Thinking, Fast and Slow,' you talk about the organizing principles of System 1 and System 2. I spoke to a group of wealthy investors and business owners some months ago, noting the need to check intuition against the rules of science. One participant said he still trusts his gut more than scientific evidence. How can we persuade people to check their intuition? And should we persuade people to check their intuition?"

Kahneman answered:

> "I don't know that you can persuade everybody. The confidence that people have in their intuitions is a genuine feeling; it is not an opinion. You have the immediate feeling that your thinking is right, that your intuitions are valid, and it's like something you see, an illusion. People are very resistant to changing their minds about their cognitive illusions. We're much more willing to accept visual illusions, but people really resist when you tell them that their thinking in a certain way is an illusion. It's very difficult to convince them."

Later in the interview, Kahneman said:

> "Most actions involve both systems. That is, System 1 quite often is the one that originates an idea or an impulse for an action. Then System 2 quite often endorses it without checking sufficiently. That happens a great deal; in addition, System 2 quite often lacks the necessary knowledge. So, you can slow yourself down, but mobilizing System 2 won't do anything for you if you don't have the tools to understand the situation. Slowing down is good when it allows you to deal with a situation more intelligently. Slowing down won't help when you are out of your depth."

The last point deserves special emphasis. Slowing down does little good if you lack the necessary scientific knowledge and tools. For example, you may need large samples and tools to analyze them, such as regression analysis.

Can We Learn to Avoid Cognitive Errors?

I asked:

> "The people to whom I spoke were members of families who had established very successful businesses. I was wondering whether their experience had involved one or two decisions that went spectacularly well, which persuaded them to believe in a version of the law of small numbers. (The belief in the law of small numbers is a manifestation of the representativeness shortcut when it turns into a representativeness error. We are correct when we draw conclusions from a large sample. But we tend to draw conclusions from small samples, and these are frequently erroneous.)"

Kahneman answered:

> "Absolutely. It's very clear that it doesn't take very much for people to think that there is a pattern, and it doesn't take many successes for people to think that they are very, very smart, and it doesn't take many successes for others to think that a successful person has been very smart. People can be lucky, and that will feed into overconfidence. But even without luck, people are prone to overconfidence."

Overconfidence, Fees and the Cost of Trying to Beat the Market

I asked:

> "By one reliable estimate, U.S. investors would save more than $100 billion each year if they switched to low-cost index funds. … Why aren't they more sensitive to the fees involved?"

Kahneman answered:

> "I think that most people believe they are in the market to beat the market. If they are planning to beat the market, they are willing to pay some price. If, in your imagination, you're going to beat the market by a lot, then you become insensitive to fees."

Can We Learn to Avoid Cognitive Errors?

Later, commenting on investors' attraction to high-fee investment strategies, Kahneman said:

> "This is clearly overconfidence at work, and to some extent, the people who are selling these services are themselves overconfident. I had a marvelous experience many years ago with a financial advisor, whom I actually left — well, I had already left him when we had this conversation. I had moved to a safer line of investments, and he called me and said, 'Look, what you are doing is stupid. We could make a lot of money for you. You are limiting your gains to a fixed amount, and last year we had several funds that did so much better than that amount.' Then I looked back at the letter he had written me a year earlier, in which he recommended specific funds. None of the funds he had recommended was among those that actually made a lot of money a year later. But he didn't know it."

This story is most important because it shows that Kahneman learned to overcome cognitive errors. Specifically, he used the scientific method to overcome hindsight errors. He did it by comparing what the advisor knew in foresight, a year earlier, to what the advisor thinks he knew in foresight but actually knew only in hindsight.

So, Kahneman was too modest when he said that, despite decades of studying decision-making, he still made the same cognitive errors as everyone else.

In reality, his knowledge allowed him to avoid cognitive errors by properly engaging System 2 and relying on science.

Knowing Is Not Avoiding

The important takeaway is that, while simply being aware of cognitive errors isn't enough to overcome them ("knowing is not avoiding"), we are also not incapable of avoiding them with the proper knowledge, systems or support.

For some, this might mean recognizing their own tendencies and gaining the knowledge necessary to proactively create an environment that limits their ability to fall victim to emotions in the future.

For others, like investors saving for a better future, it might mean seeking guidance from a financial advisor who offers the coaching needed to help them recognize potential cognitive errors and make better financial decisions.

Market Review

Snapshot

Global stocks and bonds were mixed in February, with non-U.S. stocks outperforming U.S. stocks and U.S. bonds outperforming global bonds.

- Amid a sell-off in the technology sector and higher-than-expected producer price inflation, U.S. stocks broadly declined in February. Large-cap stocks largely drove the sell-off, and the S&P 500 Index returned -0.8% for the month.
- Sector performance reflected a defensive tone, with utilities returning more than 10% in February. The consumer discretionary sector, down more than 5%, was the weakest. Other declining sectors included communication services, information technology and financials.
- Non-U.S. developed markets stocks advanced and outperformed U.S. stocks. Emerging markets stocks outpaced U.S. and non-U.S. developed markets stocks.
- At month-end, the futures market expected the Fed to remain on hold until at least September. Elsewhere, the European Central Bank and the Bank of England held interest rates steady at their February meetings.
- Annualized headline and core U.S. inflation (CPI) rates eased in January. Annual headline inflation edged higher in Europe in February and lower in the U.K. in January.
- Most U.S. size and style indices were mixed in February. Mid-cap stocks rallied nearly 4%, while large-caps declined modestly. Value broadly outperformed growth. Outside the U.S., major size and style indices delivered robust monthly gains.
- U.S. Treasury yields declined in February, and the broad U.S. bond market rallied.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	-0.76	0.74	0.68	16.99	21.80	14.19	15.50
U.S. Small-Cap Equity							
Russell 2000	0.80	5.58	6.20	23.34	13.14	5.05	11.30
Intl. Developed Markets Equity							
MSCI World ex USA	4.81	13.04	9.75	35.48	19.14	11.20	10.50
Emerging Markets Equity							
MSCI Emerging Markets	5.50	18.27	14.83	49.96	21.53	6.31	10.69
Global Real Estate Equity							
S&P Global REIT	6.10	7.81	9.21	12.90	8.43	5.20	4.95
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	1.64	1.60	1.75	6.26	5.12	0.42	1.97
Global Fixed Income							
Bloomberg Global Aggregate Bond	1.12	2.33	2.06	8.23	4.74	-1.23	1.16
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.28	0.93	0.58	4.17	4.88	3.36	2.23

Data as of 2/28/2026. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Inflation, sometimes referred to as headline inflation, reflects rising prices for consumer goods and services, or equivalently, a declining value of money. Core inflation excludes food and energy prices, which tend to be volatile.

Equity Returns | Size and Style

U.S.

	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	7.28	-4.82	7.28	-4.82
Small	8.92	3.72	8.92	3.72

- U.S. stock indices were mixed in February. Broadly, the S&P 500 Index returned -0.8% for the month and 0.7% year to date.
- Mid- and small-cap stocks advanced and outperformed large-cap stocks, which declined, in February. Large-caps also underperformed year to date.
- Value stocks significantly outperformed their growth-style counterparts across capitalizations for the month and year-to-date period. Mid-cap value stocks were top performers in February, up nearly 5%.

Non-U.S. Developed Markets

	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	11.57	6.84	11.57	6.84
Small	12.09	12.25	12.09	12.25

- Non-U.S. developed markets stocks significantly outperformed U.S. stocks in February and year to date. All major size and style indices advanced for both periods.
- Small-cap stocks gained nearly 6% for the month and more than 12% year to date, outperforming large-caps.
- Value stocks outperformed their growth-style peers among large-caps for the month and year to date. Among small-caps, there was little difference in February, while growth slightly outperformed year to date.

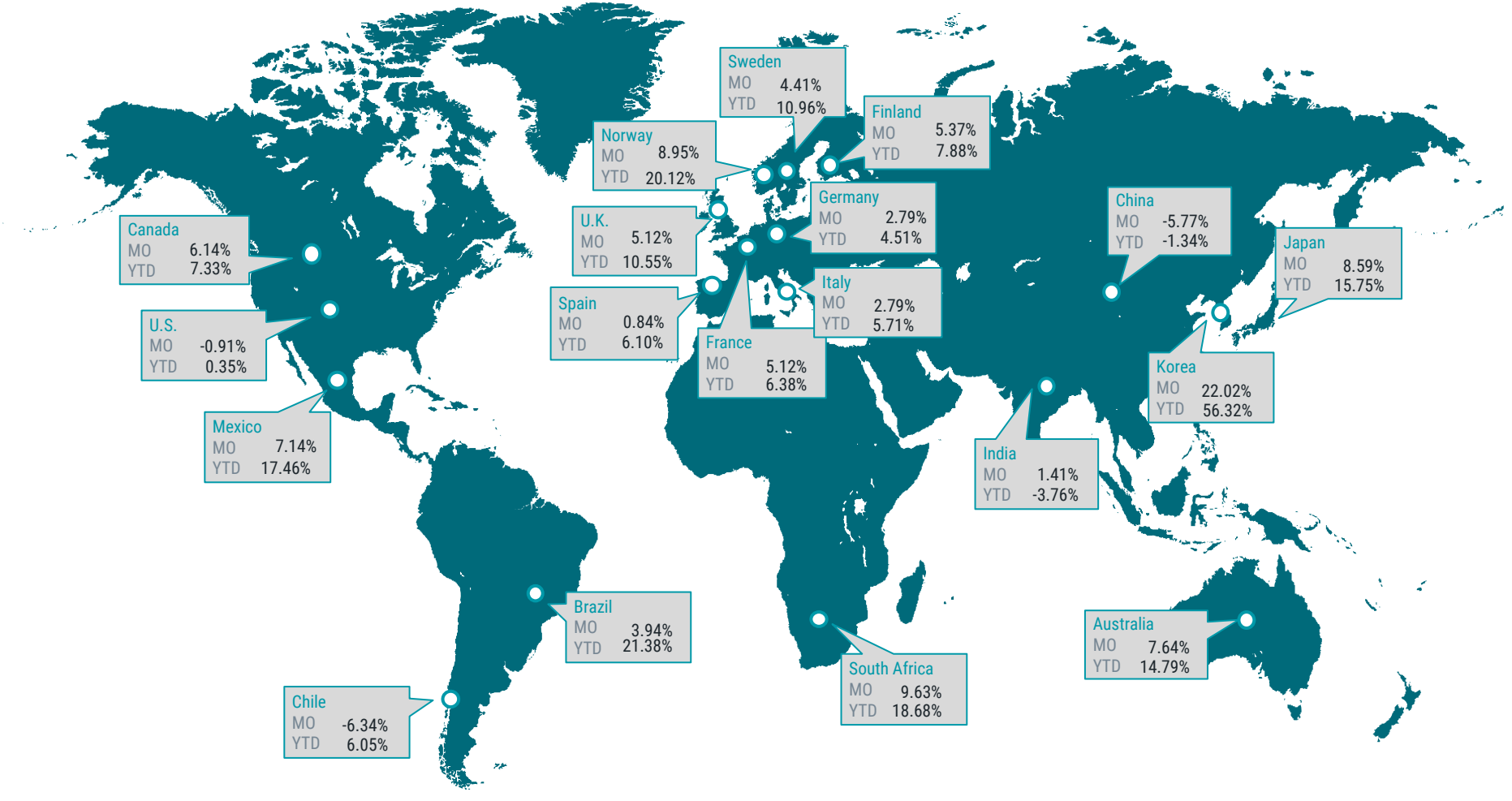
Emerging Markets

	QTD (%)		YTD (%)	
	Value	Growth	Value	Growth
Large	16.41	13.87	16.41	13.87
Small	12.37	11.02	12.37	11.02

- The broad emerging markets stock index outperformed U.S. and non-U.S. developed markets stocks for the month and year to date. The index gained nearly 6% in February and almost 15% year to date.
- Large-cap stocks outperformed small-caps in February and year to date. For the first two months of the year, large-caps gained more than 15%.
- Value stocks outperformed growth stocks across capitalizations for both periods. Large value stocks were top performers, up nearly 7% in February and more than 16% year to date.

Data as of 2/28/2026. Performance in USD. Past performance is no guarantee of future results. Source: FactSet.
U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Data as of 2/28/2026. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

The broad U.S. investment-grade bond index rallied in February, as Treasury yields declined and the yield curve flattened.

- The Bloomberg U.S. Aggregate Bond Index returned nearly 2% in February.
- The yield on the 10-year Treasury note declined 29 bps to 3.95% at month-end. The two-year Treasury yield fell 15 bps to 3.39%.
- Within the Bloomberg U.S. Aggregate Bond Index, the Treasury sector was the top performer, followed by MBS, both of which outperformed the index. Investment-grade corporates advanced but lagged the broad index.
- Investment-grade and high-yield credit spreads widened for the month. High-yield corporate bonds advanced but underperformed investment-grade corporates.
- Looking ahead to the Fed's monetary policy meeting in March, the market broadly expects the Fed to hold rates steady again. The market currently expects two more rate cuts for the remainder of the year.
- Annual headline and core CPI moderated in January to 2.4% and 2.5%, respectively. The core PCE inflation rate, the Fed's preferred inflation gauge, ended 2025 on a modest upswing, reaching 3% in December.
- Municipal bonds advanced but underperformed Treasuries and the broad U.S. bond index for the month. However, munis outperformed year to date.
- Inflation expectations declined in February. TIPS advanced but underperformed nominal Treasuries.

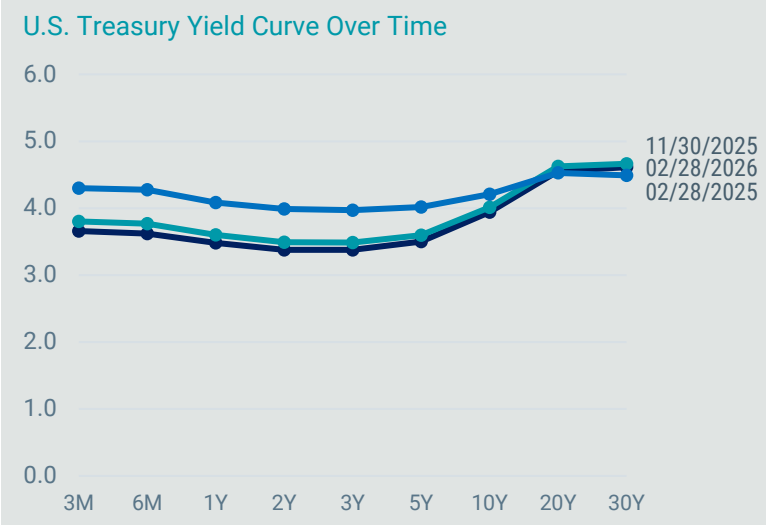
Returns (%)

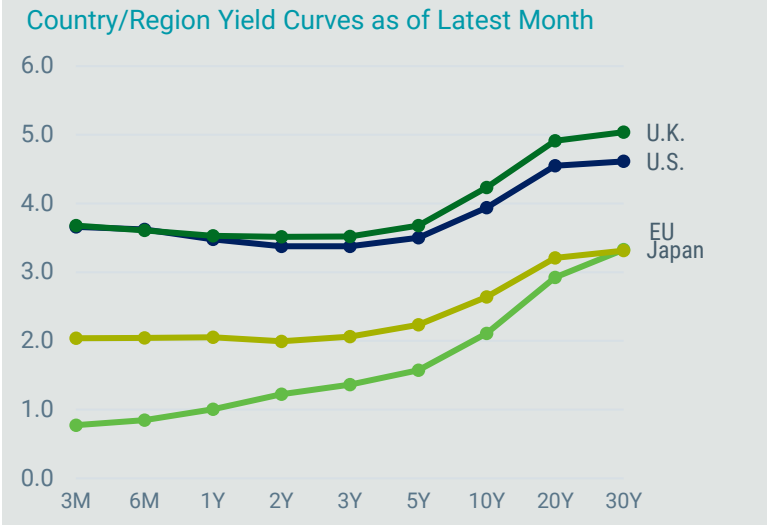
INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
Global Fixed Income							
Bloomberg Global Aggregate Bond	1.12	2.33	2.06	8.23	4.74	-1.23	1.16
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	1.64	1.60	1.75	6.26	5.12	0.42	1.97
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	0.19	1.27	0.69	7.18	9.42	4.51	6.71
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	1.29	1.27	1.47	6.58	6.37	0.81	3.30
Municipals							
Bloomberg Municipal Bond	1.25	2.29	2.20	4.96	4.44	1.44	2.43
U.S. TIPS							
Bloomberg U.S. Treasury Inflation Protected Securities (TIPS)	1.31	1.21	1.62	5.06	4.63	1.71	2.98
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	1.82	1.39	1.72	5.32	4.18	-0.10	1.23
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.28	0.93	0.58	4.17	4.88	3.36	2.23

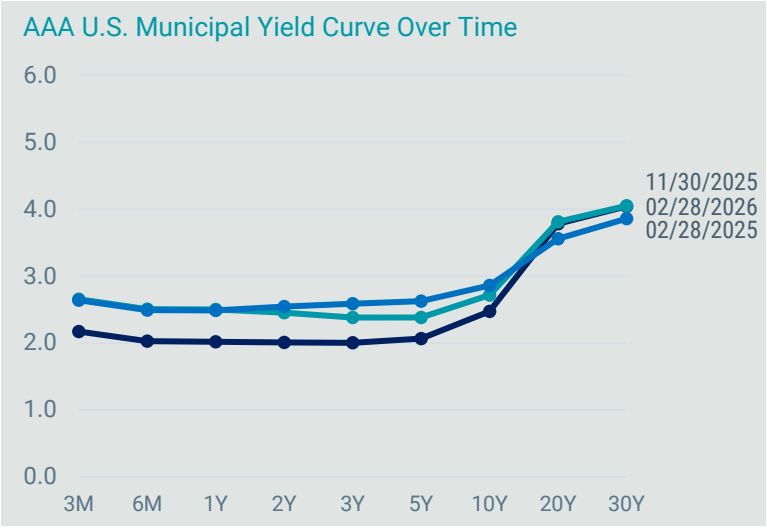
Data as of 2/28/2026. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

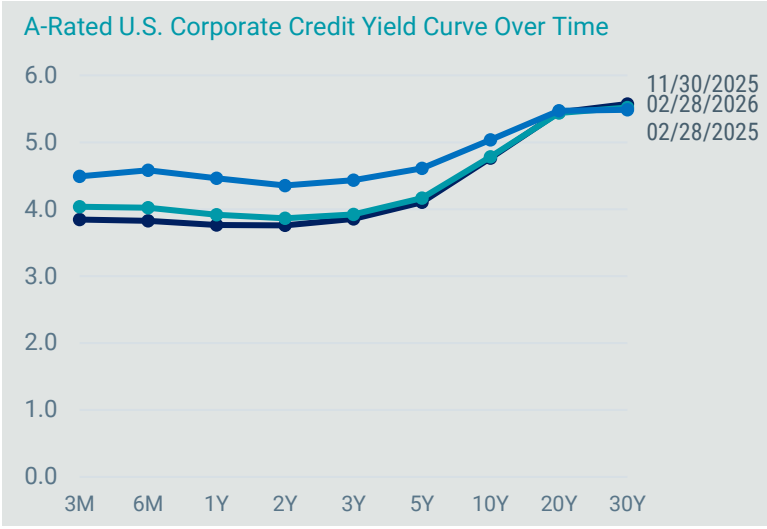
Mortgage-backed securities (MBS) are a type of securitized debt that represents ownership in pools of mortgage loans and their payments.

Global Yield Curves









Data as of 2/28/2026. Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).

Appendix

Glossary

Agencies: Agency securities are debt securities issued by U.S. government agencies such as the Federal Home Loan Bank and the Federal Farm Credit Bank. Some agency securities are backed by the full faith and credit of the U.S. government, while others are guaranteed only by the issuing agency.

Basis points (BPS): Basis points are used in financial literature to express values that are carried out to two decimal places (hundredths of a percentage point), particularly ratios, such as yields, fees, and returns. Basis points describe values that are typically on the right side of the decimal point–one basis point equals one one-hundredth of a percentage point (0.01%).

Bloomberg Global Aggregate Bond Index: A flagship measure of global investment-grade debt from 24 local currency markets. This multicurrency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Global U.S. Treasury - U.S. TIPS Index: Consists of Treasury inflation-protected securities issued by the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg Municipal Bond Index: A market value-weighted index designed for the long-term tax-exempt bond market.

Bloomberg U.S. 1-3 Month Treasury Bill Index: A subindex of the Bloomberg Barclays U.S. Short Treasury Index, the Bloomberg Barclays U.S. 1-3 Month Treasury Bill Index is composed of zero-coupon Treasury bills with a maturity between one and three months.

Bloomberg 1-5 Year U.S. Government/Credit Index: Tracks the market for investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

Bloomberg U.S. Aggregate Bond Index: Represents securities that are taxable, registered with the Securities and Exchange Commission, and U.S. dollar-denominated. The index covers the U.S. investment-grade fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

Bloomberg U.S. Corporate Bond Index: Measures the investment-grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Corporate High Yield Bond Index: Measures the U.S. dollar-denominated, high-yield (non-investment grade), fixed-rate corporate bond market.

Bloomberg U.S. Corporate High Yield Bond Index: Measures the U.S. dollar-denominated, high-yield (non-investment grade), fixed-rate corporate bond market.

Bloomberg U.S. Treasury Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Book-to-Market Ratio: Compares a company's book value relative to its market capitalization. Book value is generally a firm's reported assets minus its liabilities on its balance sheet. A firm's market capitalization is calculated by taking its share price and multiplying it by the number of shares it has outstanding.

Carbon Emissions Intensity: A measure of emissions efficiency calculated as company emissions normalized by company revenue (metric tons CO2 per USD million sales) and presented as a weighted average of fund or index holdings. Company emissions data includes reported or estimated scope 1 and scope 2 greenhouse gas emissions in carbon dioxide equivalents. If neither reported nor estimated emissions data is available for a company held by the fund or index, emissions data for that company is excluded from the carbon emissions intensity calculation. The calculation of this measure is completed by American Century Investment Management Inc, the investment advisor to the ETFs reporting the measure, based on data sources from MSCI. The Carbon Emissions Intensity figure is solely a result of a mathematical calculation based on the MSCI data, with no additional inputs. Scores and ratings across third-party providers may be inconsistent or incomparable and, in certain cases, incorrect. In addition, data is not currently available for many issuers and, when available, frequently only includes some but not all of the characteristics considered.

CBOE Volatility Index (VIX): Tracks the expected 30-day future volatility of the S&P 500 Index.

U.S. Consumer Confidence Index: A survey administered by The Conference Board that measures how optimistic or pessimistic consumers are about their expected financial situation.

Consumer Price Index (CPI): CPI is a U.S. government (Bureau of Labor Statistics) index derived from detailed consumer spending information. Headline CPI measures price changes in a market basket of consumer goods and services such as gas, food, clothing, and cars. Core CPI excludes food and energy prices, which tend to be volatile.

CRSP U.S. Total Market Index: Consists of nearly 4,000 constituents across mega, large, small and micro capitalizations, representing nearly 100% of the U.S. investable equity market.

Glossary

Credit Quality: Refers to the creditworthiness or financial health of the issuer of the bond. It reflects the likelihood that the issuer will meet its debt obligations, including interest payments and the return of principal, in a timely manner. Credit rating agencies assess and assign credit ratings to bonds based on the issuer's financial strength, stability, and ability to honor its debt commitments.

Credit Rating. Standard & Poor's credit ratings range from AAA (highest quality; perceived as least likely to default) to D (in default). Securities and issuers rated AAA to BBB are considered/perceived to be "investment-grade"; those below BBB are considered/perceived to be non-investment-grade (high yield).

Dow Jones Industrial Average: An average made up of 30 blue-chip stocks that trade daily on the New York Stock Exchange.

Duration: Measures how long it takes, in years, for an investor to be repaid a bond's price by the bond's total cash flows. It is also a measure of a bond's interest rate sensitivity. The longer the duration, the more sensitive a bond is to interest rate shifts.

Effective Duration: The average duration of all the bonds in a fund. It provides an indication of how a fund's net asset value (NAV) will change as interest rates change.

Emerging Markets Debt: Debt issued by countries whose economies are considered to be developing or emerging from underdevelopment.

Environmental, Social and Governance (ESG): Standards used to evaluate a company's operations in terms of sustainability and ethical impact. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and communities. Governance criteria assess the company's leadership, executive pay, audits, internal controls, and shareholder rights.

Exchange-Traded Fund (ETF): An ETF represents a basket of securities that trades on an exchange, similar to a stock. An ETF differs from a mutual fund in that its share price fluctuates all day as investors buy and sell the ETF. A mutual fund's net asset value (NAV) is calculated once per day after the market closes.

Expected Returns: Valuation theory shows that the expected return of a stock is a function of its current price, its book equity (assets minus liabilities) and expected future profits, and that the expected return of a bond is a function of its current yield and its expected capital appreciation (depreciation). We use information in current market prices and company financials to identify differences in expected returns among securities, seeking to overweight securities with higher expected returns based on this current market information. Actual returns may be different than expected returns, and there is no guarantee that the strategy will be successful.

Inverted Yield Curve: An interest rate environment in which long-term debt instruments have a lower yield than short-term debt instruments of the same credit quality.

Market Capitalization: The market value of all the equity of a company's common and preferred shares. It is usually estimated by multiplying the stock price by the number of shares for each share class and summing the results.

Money Market Mutual Funds: These funds invest in short-term debt instruments (e.g., commercial paper, U.S. Treasury bills, repurchase agreements) and are valued for their relative safety and liquidity.

MSCI ACWI Index: A capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

MSCI ACWI ex-USA Index: A market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States.

MSCI Emerging Markets IMI Index: Captures large-, mid- and small-cap securities across 27 emerging markets countries.

MSCI Emerging Markets IMI Value Index: Captures large-, mid- and small-cap securities exhibiting overall value style characteristics across 27 emerging markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

MSCI Emerging Markets Asia IMI Index: Captures large-, mid- and small-cap securities in China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

MSCI Emerging Markets EMEA IMI Index: Captures large-, mid- and small-cap securities across 11 emerging markets countries in Europe, the Middle East and Africa (EMEA).

MSCI Emerging Markets Latin America IMI Index: Captures large-, mid- and small-cap securities in Brazil, Chile, Colombia, Mexico and Peru.

MSCI Europe IMI Index: Captures large-, mid- and small-cap securities across 15 developed markets countries in Europe.

MSCI Pacific IMI Index: Captures large-, mid- and small-cap securities in five developed markets countries: Australia, Hong Kong, Japan, New Zealand and Singapore.

Glossary

MSCI USA Index: A market capitalization-weighted index designed to measure the performance of the large and mid-cap segments of the U.S. market.

MSCI World ex USA IMI Index: Captures large-, mid- and small-cap representation across 22 of 23 developed markets countries, excluding the U.S.

MSCI World ex USA Small Cap Index: Captures small-cap representation across 22 of 23 developed markets countries, excluding the U.S.

MSCI World ex USA Value Index: Captures large- and mid-cap securities exhibiting overall value style characteristics across 22 of 23 developed markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

Net Asset Value (NAV): The total value per share of all the underlying securities in a portfolio.

Oil and Gas Revenue Percentage: Represents the proportion of total revenue of fund or index holdings that is derived from reported or estimated oil and gas-related activities. If neither reported nor estimated oil and gas-related data is available for held by either the fund or the index, such data for that company is excluded from the calculation.

The calculation of this measure is completed by American Century Investment Management Inc, the investment advisor to the ETFs reporting the measure, based on data sourced from MSCI. The Oil and Gas Revenue Percentage figure is solely a result of a mathematical calculation based the MSCI data, with no additional inputs.

Scores and ratings across third party providers may be inconsistent or incomparable, and, in certain cases, incorrect. In addition, data is not currently available for many issuers and, when available, frequently only includes some but not all of the characteristics considered.

Option-Adjusted Spread (OAS): Measures the difference between the yield of a bond with an embedded option and the yield on Treasuries. Call options give the issuer the right to redeem the bond prior to maturity at a preset price, and put options allow the holder to sell the bond back to the company on certain dates. The OAS adjusts the spread to account for these potential changing cash flows.

Personal Consumption Expenditures (PCE): The PCE price deflator — which comes from the Bureau of Economic Analysis' quarterly report on U.S. gross domestic product — is based on a survey of businesses and is intended to capture the price changes in all final goods, no matter the purchaser. Because of its broader scope and certain differences in the methodology used to calculate the PCE price index, the Federal Reserve holds the PCE deflator as its preferred, consistent measure of inflation over time.

Price-to-Earnings Ratio (P/E): The price of a stock divided by its annual earnings per share. These earnings can be historical (the most recent 12 months) or forward-looking (an estimate of the next 12 months). A P/E ratio allows analysts to compare stocks on the basis of how much an investor is paying (in terms of price) for a dollar of recent or expected earnings. Higher P/E ratios imply that a stock's earnings are valued more highly, usually on the basis of higher expected earnings growth in the future or higher quality of earnings.

Producer Price Index (PPI): Measures the average change over time in the prices that domestic producers receive for their goods and services. It is a key indicator of inflation at the wholesale level, reflecting the prices producers charge for their output before it reaches consumers.

Profits-to-Book Ratio: Measures a company’s profits relative to its book value. A company's profits are generally calculated by subtracting operating expenses from its gross profit. Book value is generally a firm’s reported assets minus its liabilities on its balance sheet.

Responsible Equity ETFs: Because the portfolio managers screen securities based on environmental, social and governance (ESG) characteristics, the fund may exclude the securities of certain issuers or industry sectors for other than financial reasons and, as a result, the fund may perform differently or maintain a different risk profile than the market generally or compared to funds that do not use similar ESG-based screens.

Investing based on ESG considerations may also prioritize long-term rather than short-term returns. Furthermore, when analyzing ESG criteria for issuers, the portfolio management team relies on proprietary evaluations and information, ratings and scoring models published by third-party sources (collectively, “ESG Data”).

Due to the lack of regulation and uniform reporting standards with respect to ESG characteristics of issuers, ESG Data may be inconsistent across sources and, in certain cases, incorrect. In addition, ESG Data is not currently available for many issuers and, when available, frequently only includes some but not all of the ESG characteristics considered by the team when applying their ESG screens.

See Environmental, Social and Governance (ESG) in the Glossary for more information.

Glossary

Russell 1000® Growth Index: Measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index: Measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index: Measures the performance of the 2,000 smallest companies among the 3,000 largest publicly traded U.S. companies, based on total market capitalization.

Russell 2000® Growth Index: Measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index: Measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

Russell 3000® Index: Measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

S&P 500® Index: A market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The index is widely regarded as the best gauge of large-cap U.S. equities.

S&P Global REIT Index: A comprehensive benchmark of publicly traded equity REITs listed in both developed and emerging markets.

S&P National AMT-Free Municipal Bond Index: A broad, comprehensive, market value-weighted index designed to measure the performance of the investment-grade tax-exempt U.S. municipal bond market. Bonds issued by U.S. territories, including Puerto Rico, are excluded from this index. It is not possible to invest directly in an index.

SEC Yield: A calculation based on a 30-day period ending on the last day of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

Securitized Debt: Debt resulting from the process of aggregating debt instruments into a pool of similar debts, then issuing new securities backed by the pool (securitizing the debt). Examples include asset-backed and mortgage-backed securities.

Standard deviation: Standard deviation is a statistical measurement of variations from the average. In financial literature, it's often used to measure risk when risk is measured or defined in terms of volatility. In general, more risk means more volatility and more volatility means a higher standard deviation — there's more variation from the average of the data being measured.

Treasury Inflation-Protected Securities (TIPS): A special type of U.S. Treasury security that is indexed to inflation as measured by the Consumer Price Index, or CPI. At maturity, TIPS are guaranteed by the U.S. government to return at least their initial $1,000 principal value, or that principal value adjusted for inflation, whichever amount is greater. In addition, as their principal values are adjusted for inflation, their interest payments also adjust.

Treasury Yield: The yield of a Treasury security (most often refers to U.S. Treasury securities issued by the U.S. government).

U.S. Treasury securities: Debt securities issued by the U.S. Treasury and backed by the direct "full faith and credit" of the U.S. government. Treasury securities include bills (maturing in one year or less), notes (maturing in two to 10 years) and bonds (maturing in more than 10 years).

Weighted Average Book-to-Market: An average book-to-market ratio resulting from the multiplication of each security's book-to-market by its weight in the portfolio.

Weighted Average Market Capitalization: An average market capitalization resulting from the multiplication of each security's market capitalization by its weight in the portfolio.

Weighted Average Profitability-to-Book: An average profitability-to-book ratio resulting from the multiplication of each security's profitability-to-book by its weight in the portfolio.

Yield to Maturity: The rate of return an investor will receive if an interest-bearing security, such as a bond, is held to its maturity date. It considers total annual interest payments, the purchase price, the redemption value, and the amount of time remaining until maturity.

Fund Disclosures

1. The fund's performance and risks reflect the performance and risks of the underlying funds in which it invests. By investing in underlying funds, the primary fund becomes a shareholder of the underlying fund and bears its proportionate share of the underlying fees and expenses.
2. The ETF is actively managed and does not seek to replicate the performance of a specified index. To determine whether to buy or sell a security, the portfolio managers consider, among other things, various fund requirements and standards, along with economic conditions, alternative investments, interest rates and various credit metrics. If the portfolio manager considerations are inaccurate or misapplied, the fund's performance may suffer.
3. The fund's performance and risks depend in part on the managers' skill in selecting and weighting the asset classes and underlying funds and implementing any deviations from the target range, which may differ from actual market conditions.
4. International investing involves special risks, such as political instability and currency fluctuations. Investing in emerging markets may accentuate these risks.
5. Historically, small- and/or mid-cap stocks have been more volatile than the stocks of larger, more-established companies. Smaller companies may have limited resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than the securities of larger companies.
6. Generally, as interest rates rise, the value of the securities held in the fund will decline. The opposite is true when interest rates decline.
7. Lower-rated securities in which the fund invests are subject to greater credit risk, default risk and liquidity risk. If the portfolio managers' considerations are inaccurate or misapplied, the fund's performance may suffer. Derivatives may be more sensitive to changes in market conditions and may amplify risks.
8. Municipal securities investing is more sensitive to events that affect municipal markets, including legislative or political changes and the financial condition of the issuers of municipal securities. The fund may have a higher level of risk than funds that invest in a larger universe of securities. Additionally, the novel coronavirus (COVID-19) pandemic has significantly stressed the financial resources of many municipal issuers, which may impair a municipal issuer's ability to meet its financial obligations when due and could adversely impact the value of its bonds, which could negatively impact the performance of the fund.

Fund Disclosures

9. Because the portfolio managers screen securities based on environmental, social, and governance (ESG) characteristics, the fund may exclude the securities of certain issuers or industry sectors for other than financial reasons and, as a result, the fund may perform differently or maintain a different risk profile than the market generally or compared to funds that do not use similar ESG-based screens. Investing based on ESG considerations may also prioritize long term rather than short term returns. Furthermore, when analyzing ESG criteria for issuers, the portfolio management team relies on proprietary evaluations and information, ratings and scoring models published by third party sources (collectively, “ESG Data”). Due to the lack of regulation and uniform reporting standards with respect to ESG characteristics of issuers, ESG Data may be inconsistent across sources and, in certain cases, incorrect. In addition, ESG Data is not currently available for many issuers and, when available, frequently only includes some but not all of the ESG characteristics considered by the team when applying their ESG screens.
10. Inflation Focused Equity ETF’s investments are designed to correlate with inflation. There is no guarantee, however, that the value of the fund's securities will increase over time or that the future investment performance will correlate with inflation. Purchasing power decreases as inflation increases, and the future value of the fund's assets could decline. Further, to the extent the fund's investments do correlate with inflation, the value of the fund's investments could decline if inflation or inflation expectations recede. In addition, the fund invests primarily in a diverse group of U.S. equity companies in market sectors and industry groups the portfolio managers expect to appreciate in value if the U.S. inflation rate rises or is believed to be rising. The fund seeks to focus its investments in those industries that historically have had, or are expected to have, better performance in periods of rising inflation, which generally includes financial services, oil and gas, metals and mining, healthcare, and consumer staples companies. The prospectus contains very important information about the different risks associated with those types of industries and companies.
11. Real Estate ETF may be subject to many of the same risks as a direct investment in real estate. These risks include changes in economic conditions, interest rates, property values, property tax increases, overbuilding and increased competition, environmental contamination, zoning and natural disasters. This is due to the fact that the value of the fund’s investments may be affected by the value of the real estate owned by the companies in which it invests. To the extent the fund invests in companies that make loans to real estate companies, the fund also may be subject to interest rate risk and credit risk.
12. The funds' actual asset mixes will vary from the neutral mix based on investment performance. Fund managers regularly review the portfolios and will rebalance the asset mix to stay within the funds' preset operating ranges.

General Disclosures

Exchange Traded Funds (ETFs) are bought and sold through an exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

This information is for educational purposes only and is not intended as tax advice. Please consult your tax advisor for more detailed information or for advice regarding your individual situation. Portfolio holdings are as of date indicated and subject to change. It is not possible to invest directly in an index.

The opinions expressed are those of the portfolio team and are no guarantee of the future performance of any Avantis fund.

References to specific securities are for illustrative purposes only and are not intended as recommendations to purchase or sell securities. Opinions and estimates offered constitute our judgment and, along with other portfolio data, are subject to change without notice.

Exchange Traded Funds (ETFs): Foreside Fund Services, LLC - Distributor, not affiliated with American Century Investments Services, Inc.