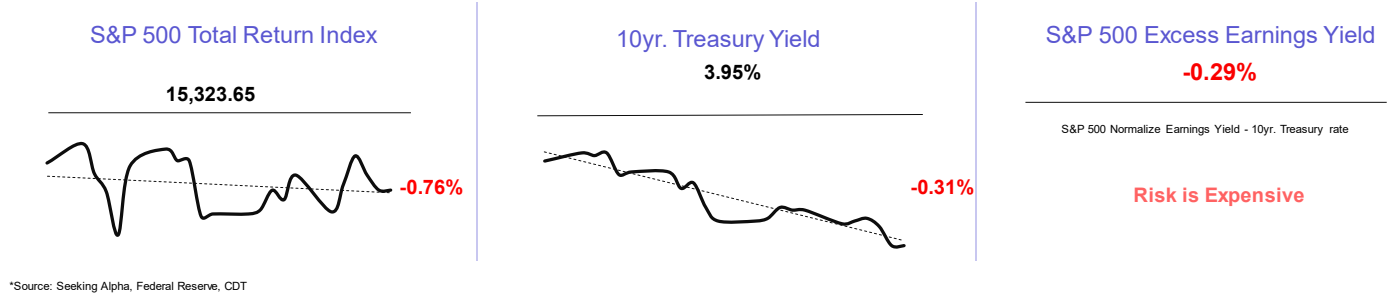


## CDT February 2026 – Antifragile

### Market Update.



\*Source: Seeking Alpha, Federal Reserve, CDT

- **The End of a Winning Streak.** After 9 months of unrelenting gains, the market did the *unthinkable* in February, it declined in value. For the month of February, the S&P 500 TR Index logged a modest **-0.75%** loss and intra month volatility ticked up as well with 2.55% pts. separating the high and the low point.
- **AI Sentiment Shift.** Sentiment around the AI stocks that have fanned the flames of this bull market dimmed this month.
  - Amazon ([AMZN](#)): **-12.2%**
  - META ([META](#)): **-9.5%**
  - Microsoft ([MSFT](#)): **-8.7%**
  - Google ([GOOG](#)): **-7.8%**
  - Nvidia ([NVDA](#)): **-7.3%**
  - Broadcom ([AVGO](#)): **-3.5%**

In part, we believe this shift has to do with AI investment exuberance shifting to *anxiety*. In the pursuit of AGI, all the major hyperscalers have announced enormous capital investment plans for 2026. As it turns out, the work of producing intelligence out of rocks and electricity is very expensive. Four wall data center construction, electrical grid connections, backup generators, water systems, cooling systems; and of course, expensive semiconductor clusters with the price tag of each chip hovering at about the same level as a mid-sized SUV.

Earlier in the month, Amazon announced the most ambitious capital plan of the bunch. Management has promised to spend **\$200B** on AI and related projects. Saying that number is *enormous* seems insufficient. It feels to us that we are now at the part of the cycle where language fails to describe the math and the market is starting to ask sensible questions. How fast, reasonable and large is the expected return on this plan? Given that decline in Amazon's stock price, the market remains skeptical, but for his part, for the last six months or so, CEO Andy Jassy has repeatedly said that *as fast as we're adding capacity [AWS – AI] right now, we're monetizing it.*

Article: [Yahoo Finance](#)

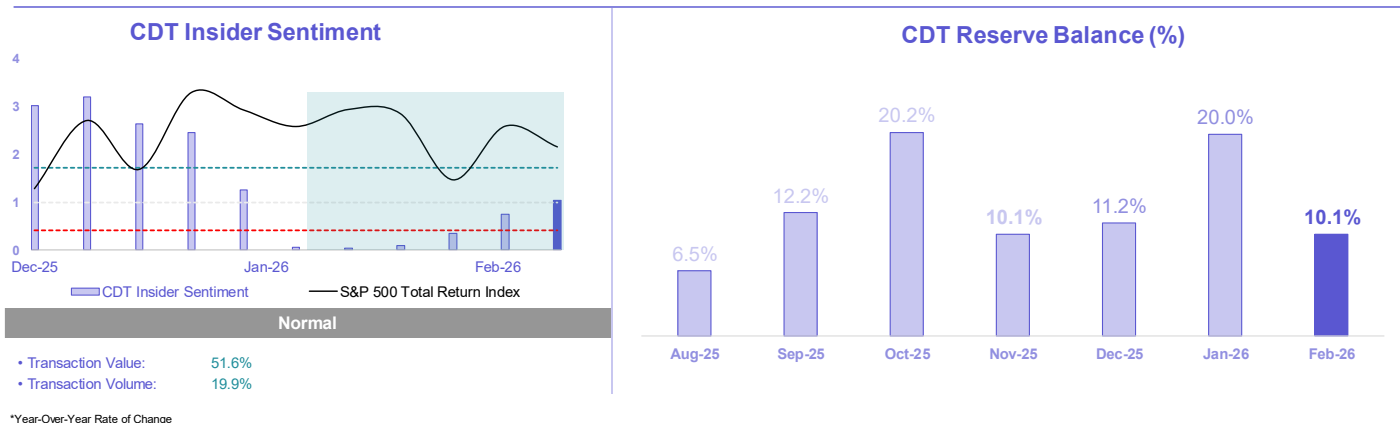
- **Private Credit, Trouble in Paradise.** Outside of the happenings of the AI world, the developments coming out of the private credit markets are the most significant under-told story of this year. We highlighted our concerns around private credit in our [annual letter](#) to partners back in January and it did not take much time for this opaque corner of the financial world to start showing signs of severe strain. The stocks of some of the largest private credit managers in the market declined significantly during the month as their managed funds reported sharp increases in default rates and declines in investor distributions ([Article](#)). Blue Owl even went as far as to gate or restrict investor redemptions from its OBDC II fund.

- Blue Owl ([OWL](#)): -22.7%
- KKR ([KKR](#)): -23.3%
- ARES ([ARES](#)): -25.2%

The problem for the public market is that according to [Moody's](#), U.S. banks hold \$1.2T in private debt originated by these folks and if these dominos start to fall and banks take big losses, the probability of a *private* market problem becoming a *public* market financial crisis increases significantly.

Article: [CNCB](#)

## Above The Clouds.



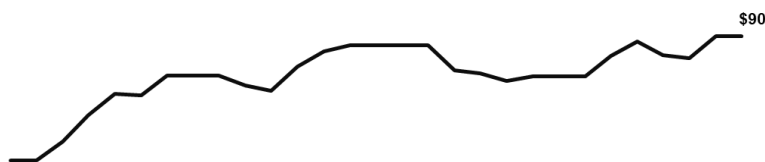
**Antifragile.** As defined by Nassim Taleb, the author of my favorite [book](#), is a system that gains from stress or in our case, a system that gains from market volatility. With a 20% reserve, we entered February with a high degree of caution and optionality. In hindsight, it was exactly the right call as AI and private credit fears flared. The small bout of volatility observed during the month, allowed us to deploy our reserve in freshly discounted shares of high-quality companies which is our definition of *benefitting from stress or antifragility*.

Some of our new portfolio companies include the likes of Microsoft ([MSFT](#)), Kimberly Clark([KMB](#)), Nasdaq([NDAQ](#)), Uber([UBER](#)) and Reddit([RDDT](#)) as well as, some lesser-known names but equally impressive like Badger Meter, Inc ([BMI](#)) and Archer Daniels Midland ([ADM](#)). Throughout the month, the pace of insider activity increased, which broadened our opportunity set and encouraged our quantitative reserve algorithm to increase our risk. As a result, we placed 10 new names into the portfolio and cut our reserve in half.

We also benefitted from the composition of our stock portfolio which was heavily weighted toward an unloved but reliable sector of the market, consumer staples. For the past six months, as market attention has been myopically honed on the promise of AI, we have observed a material pickup in consumer staple insider purchase activity and noted in our annual report that it was our largest sector allocation going into the year. Thus far, that seems to be the right call. The XLP, a broad ETF that tracks the performance of the sector significantly outperformed the market this month, up +8%. In light of the new investment opportunities that we highlighted above, the CS sector allocation has declined on an overall percentage basis, but remains a cornerstone of our portfolio.

**XLP:** +8%

- Market Cap (\$B): N/A
- Price-to-Sales: N/A

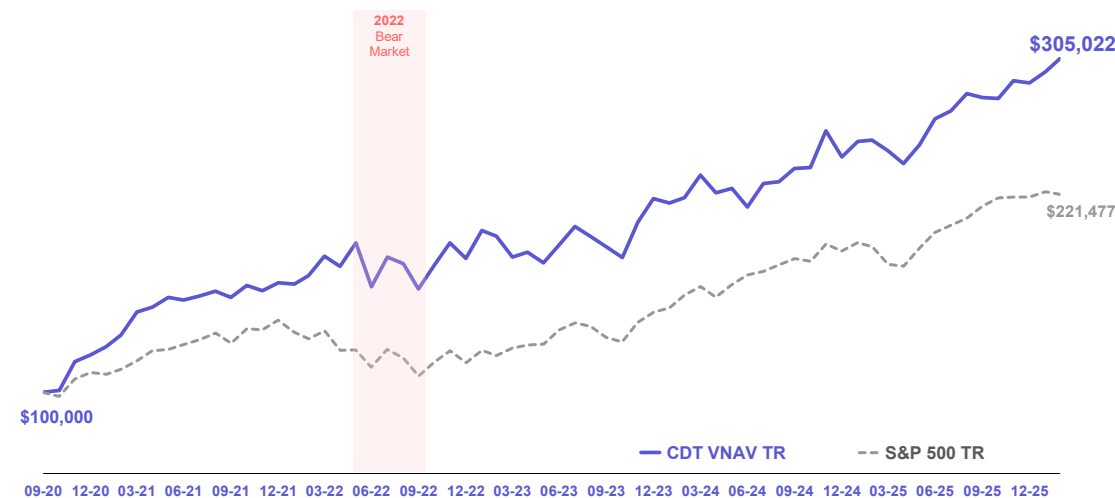


Our against the grain hedging framework and investing approach is what produces our antifragile and sometimes highly uncorrelated returns to the broader stock market. We are proud of our great results this month as we once again demonstrated our ability to *Invest Above the Clouds*.

We look forward to updating you again in April.

## VNAV Performance.

	February - 2026	Year-to-Date	Since Inception (Sep 2020)	Sharpe Ratio
CDT VNAV (Net of fees)	+2.72%	+5.18%	+205.02%	1.78
S&P 500 Total Return	-0.76%	+0.68%	+121.48%	



Monthly Performance	
• CDT VNAV CAGR	1.7%
• S&P 500 CAGR	1.2%
• Monthly Upside Capture	135%
• Monthly Downside Capture	90%

2022 Bear Market	
• CDT VNAV Total Return	+9.1%
• Low	-2.3%
• S&P 500 Total Return	-15.3%
• Low	-23.9%

**Best Regards,**

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Invest Above the Clouds.

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