

Message from the CIO

Insights from Harison Sidhu, BridgePort Chief Investment Officer

The past several weeks have delivered a meaningful uptick in market volatility, driven largely by rapid developments in artificial intelligence and shifting risk perceptions across several major asset classes. The catalyst has been the release of Claude Code, a product with the potential to disrupt a wide range of highly profitable software businesses.

While it's difficult to determine whether the market is accurately assessing winners and losers at this stage, what is clear is that AI-driven capabilities are only getting stronger, and evaluating the strength of a company's competitive moat has never been more important. We should note that we still feel strongly that in aggregate these technologies will create more business opportunities than they destroy and are likely to bring about significant productivity gains. This is desperately needed by the global economy and will not only help push stock prices higher but also aid countries with large debt servicing needs and even tame inflation.

These disruptive forces represent real risks for many existing business models, even as they create new opportunities for others. This dynamic has been especially challenging for public markets given the large weight of the technology and software sectors within major U.S. equity indices. As of February 5, 2026, the MSCI Software Index is down nearly 21% year-to-date, sharply underperforming the broader S&P 500.

Adding to the pressure, investors have become increasingly aware that large private market investment firms may hold significant exposure to the very software companies most at risk, whether through buyout strategies or private credit funds. In turn, publicly traded alternative asset managers have experienced notable share price declines, and allocators are increasingly focused on software exposure throughout their portfolios.

Crypto markets have not been immune either. Major cryptocurrencies have suffered brutal pullbacks, with Bitcoin losing nearly a third of its value in the first five weeks of this year alone. This downturn reinforces a trend we've been watching for some time: the rising correlation between digital assets and the technology sector. We hypothesize that many of the institutions and

investors that actively purchase cryptocurrencies also tend to be overweight technology stocks in their portfolios. This relationship might undermine crypto's perceived diversification benefits, particularly in chaotic environments, and contribute to deeper portfolio downturns during risk-off moments.

In our [2026 Market Outlook](#), we emphasized the importance of building more diversified, higher quality, and more defensive portfolios. Recent volatility underscores that message. Now more than ever, investors should consider expanding their opportunity set beyond U.S. large cap technology stocks, incorporating defensive and high-quality companies, international equities, smaller capitalization stocks, and healthy allocations to fixed income assets.

As always, we are here to help you navigate these shifts and assess what they mean for your portfolios. Please feel free to reach out with any questions or if you would like to discuss these developments in more detail.

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