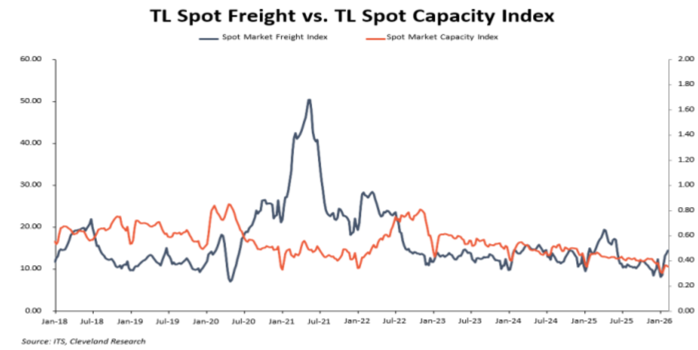
CURRENT STATE

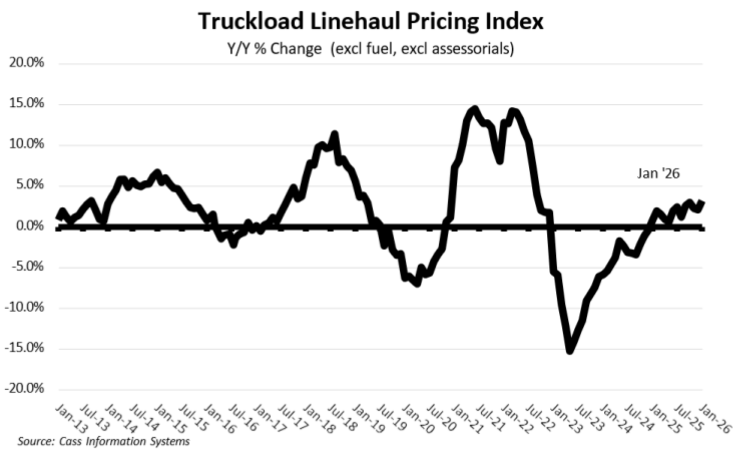
An industry analyst had a large food and beverage shipper on their podcast last week and they had the following to say about recent freight trends. **This shipper's TL tender acceptance rates have slipped from ~95% into the low-90%/high-80% range over the last 6 weeks**, although acceptance rates have recovered a bit this week in most regions (except for the Midwest and Northeast). **Accordingly, TL spot rates have also increased materially over this period**. But at this point, this shipper attributes the tightening more so to bad weather than a sustained inflection. Interestingly, most large asset-based carriers continue to deliver flawless service with 98% acceptance levels, while some smaller carriers have had acceptance rates decline to 60% in extreme scenarios. This shipper believes these carriers are trying to chase the tighter spot market at the expense of their contractual freight. As a result, this shipper plans to drop these carriers from bids moving forward. **From a contract standpoint, this shipper previously expected TL contract rates to be flat y/y in 2026, but now expects contract rates to be up low-single digits y/y.**

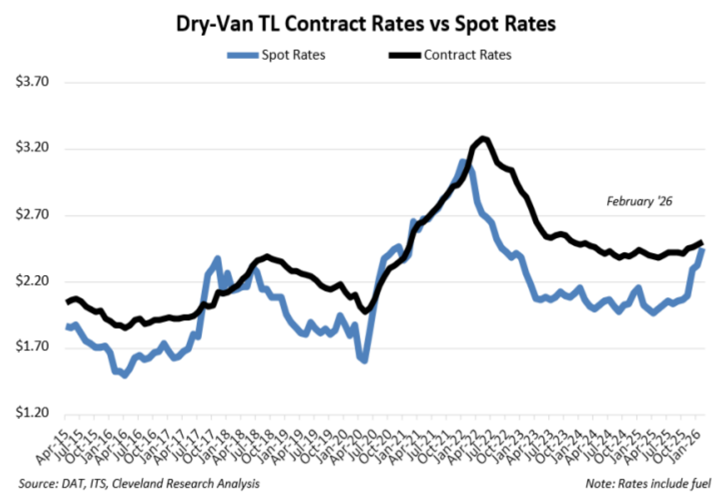


Spot market demand has risen over the last 60 days likely due primarily to capacity constraints (weather, regulatory/policy, seasonal, economic) rather than underlying volume growth. Markets remain challenging given persistently weak demand, ongoing macro environment uncertainty, and carriers shifting operations toward contract/dedicated services.

MARKET FORECAST

TL rates (ex-fuel, ex-assessorial) in January were up 2% M/M and up 3% Y/Y according to Cass Systems. While truckload linehaul rates have been modestly higher Y/Y each of the last 13 months, the pace of recovery remains modest as rates are 13% below May 2022 peak. Our work indicates 2026 contract TL pricing +0-2% Y/Y as weak demand growth offsets recent capacity shortages and spot rate increases.

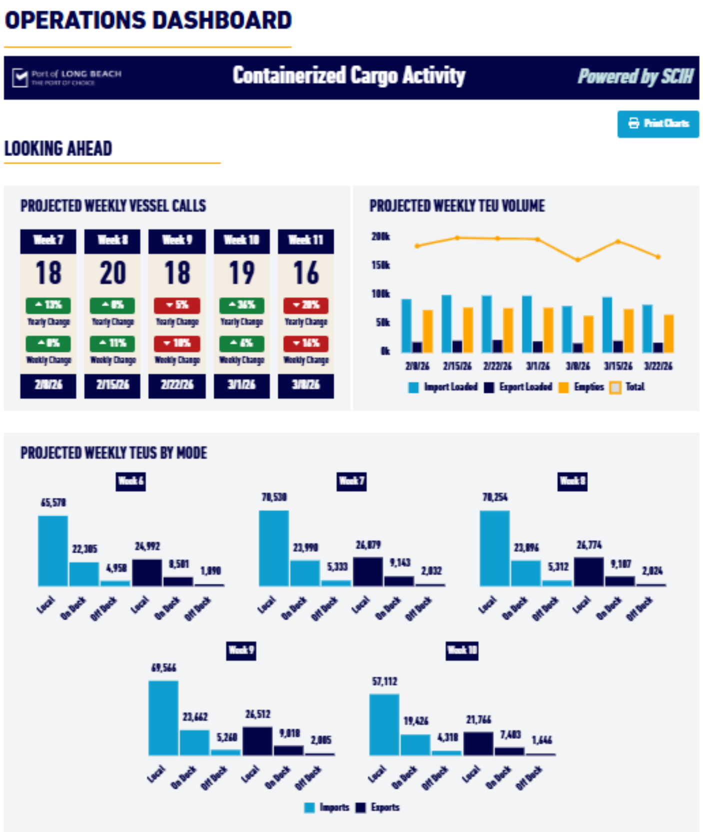




In February, contract TL rates are +3% Y/Y and spot rates are up 21% Y/Y, according to DAT. The margin between contract and spot rates appears to have compressed further as contract rates increased 1% M/M but spot rates increased 6% M/M. With muted demand, our work remains cautious as TL rates appear +0-3% in 2026 led by modest price increases by assets.

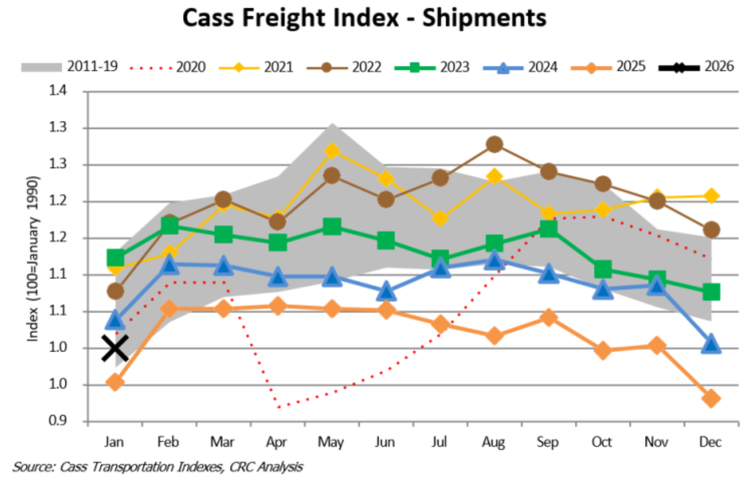
INDUSTRY INSIGHT

The Port of Long Beach currently has 10 container vessels at berth… Average at anchor is 0 days...

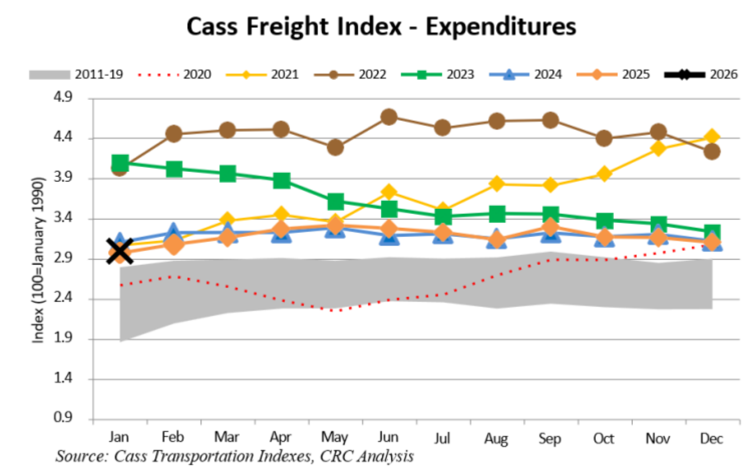


The past few months have served as a stress test for current freight market dynamics, as the holiday shipping season, complicated by recurring winter weather events and culminating in the most significant winter storm since 2021, tested both capacity and pricing resilience. The outcome reflects a meaningful shift in underlying fundamentals, with today's market operating materially differently than it did at this time last year. Although much of January was relatively free of major disruptions, the weather events that did occur generated outsized volatility, driving tender rejections sharply higher and pushing spot rates to their strongest levels of the current downcycle. Prior to the onset of Winter Storm Fern, market conditions had already begun to normalize by mid-month, and the swift retreat from holiday-driven peaks reaffirmed that structural imbalances remain tilted toward excess supply. However, the market's increasingly pronounced reaction to external shocks signals that ongoing supply-side attrition is gradually restoring leverage to carriers, particularly in the spot market, and incrementally shifting pricing power away from shippers. Even so, while many of the necessary supply conditions are aligning, a durable recovery will ultimately require a sustained improvement in demand. Looking ahead, as winter weather risks subside and seasonal disruptions fade, freight conditions are expected to stabilize and track more closely with historical seasonal patterns, albeit from a meaningfully higher floor than pre-holiday levels. Although a definitive demand catalyst has yet to emerge, several potential upside factors remain in play, most notably greater clarity around trade policy and tariff implementation. Additional support could stem from further monetary easing, continued resilience in consumer spending, higher tax refunds or targeted fiscal stimulus ahead of the midterm election cycle. However, absent a clear and sustained demand inflection, near-term performance is likely to remain predominantly seasonally driven.

During January, freight shipments across all domestic modes were down 7% Y/Y and down 5% M/M according to Cass Systems. The Y/Y and M/M declines were attributed to unfavorable weather and continued macro/inventory uncertainty across consumer and industrial end-markets. After three consecutive years of declines (2025 down 6%, 2024 down 4%, 2023 down 5%, 2022 +1%, 2021 +12%), our work indicates 2026 shipments will grow +0-3% assuming normalized inventory levels and modest organic growth.



Total freight spend in January was up ~0.5% Y/Y as shipments were down ~7% Y/Y (see above exhibit) according to Cass Information Systems. Versus prior month, expenditures were down 4% and shipments were down 5%.



The January 2026 readings in the Logistics Manager's Index (LMI) was in expansionary territory for the twenty-sixth month in a row (above 50 indicates expansion, below 50 indicates contraction) at 59.6 (54.2 in December). Most notably, Transportation Capacity increased ~28% M/M, down ~11% Y/Y. Transportation Prices increased 7% M/M, up 1.4% Y/Y.