

4Q 2025 Market Summary

Markets remained buoyant during the fourth quarter of 2025, capping a strong year for most asset classes. Investor enthusiasm continued to center on artificial intelligence, while small- and mid-cap and value-oriented stocks also posted solid gains following the Federal Reserve's interest rate cuts in October and December. International equities performed well as a weakening US dollar encouraged investors to seek opportunities abroad. Declining interest rates also helped fixed income markets generate strong returns for the quarter and for the year, showing that previous rumors of the bond market's demise appear greatly exaggerated.

Looking ahead, investors will need to balance a constructive economic backdrop with emerging risks. We expect economic growth to remain resilient into 2026, supported by easing monetary policy, potential tax relief and productivity gains driven by continued advances in artificial intelligence. Corporate earnings growth remains a key pillar of this outlook, though results may become more uneven across sectors and regions.

From an opportunity-set perspective, select areas of the market appear attractively valued. Small- and mid-cap stocks trade at a meaningful discount relative to large-cap peers, and international equities continue to offer diversification benefits, particularly if the US dollar remains under pressure. In fixed income, bonds can still provide reasonable income and portfolio ballast, especially if inflation continues its gradual decline.

At the same time, elevated valuations in certain segments, most notably large-cap US equities and corporate credit, are likely to temper near-term return expectations.

Policy-related uncertainty also bears watching. Increased scrutiny of the Federal Reserve and rising fiscal deficits could contribute to volatility in interest rate and currency markets and complicate the path for inflation. While overall labor market conditions remain healthy, higher unemployment trends among younger workers may further reinforce a "K-shaped" economy, where higher-income households remain resilient while lower-income consumers face ongoing affordability challenges.

In an environment where risks and opportunities are more evenly balanced, we believe investors should remain focused on long-term, goals-based asset allocation and diversification. Equities remain essential for growth-oriented portfolios, particularly when emphasizing high-quality companies with strong balance sheets and reasonable valuations. Meanwhile, bonds continue to play a valuable role by providing income, diversification and stability as the economic cycle evolves.

Equities

The S&P 500 Index rose 2.7% during the quarter, bringing the index's 2025 calendar-year returns to 17.9%. The year's strong performance follows two consecutive strong years for the index, with the S&P

500 posting a 26.3% return in 2023 and a 25% return in 2024.

The Healthcare sector returned a notable 11.7% during the quarter, led by pharmaceutical companies. Value stocks outperformed growth, with the Russell 1000 Value Index returning 3.8% and the Russell 1000 Growth Index returning 1.1% during the quarter.

International equities finished the year strong, with the MSCI EAFE returning 4.9% during the quarter and 31.2% for 2025, the largest annual outperformance relative to the S&P 500 since 1993. Asian markets performed particularly well, with Japan up 25.3%, China up 31.4% and South Korean markets up an impressive 92.5%. From a sector perspective, non-US financials and utilities led returns with both sectors rallying approximately 50% during 2025. US investors benefited additionally from the depreciating dollar relative to other currencies, with the US Dollar Index (DXY) declining 9.7% during the year.

Emerging markets also had an exceptional year, with the MSCI Emerging Markets returning 4.7% during the quarter and 33.6% during the calendar year.

Fixed Income

Fixed income securities benefited from the Federal Reserve's continued interest rate cut cycle with rates falling from 4.25% to 3.75% during the quarter. The Bloomberg US Aggregate Bond Index returned 7.3% during the year, reflecting both high coupon payments and falling yields which pushed bond prices higher. High yield bonds benefited from higher yields, with the Bloomberg US Corporate High Yield benchmark posting an 8.6% return in 2025.

The municipal bond market lagged on a relative basis due to a large wave of new issuances as infrastructure projects related to the Build Back Better Act continued to make progress. During 2025, the Bloomberg Municipal Bond Index returned 4.3%, and the S&P Municipal Bond High Yield benchmark posted a 3.9% return.

Commodities

Oil prices were volatile but continued to fall during the quarter, ending the year near \$57 per barrel, down 22.5% from the start of 2025. Gold continued its prolonged rally, rising 12.2% during the quarter and 62.5% for the year. Gold is now up more than 135% over the past three years as investors sought safety amid uncertainty.

The Bloomberg Commodity Index posted a 5.9% return for the quarter and 15.8% for the year as prices rose across energy and industrial metals. Looking ahead, growing energy demands from expanding data center infrastructure are likely to contribute to continued volatility across commodity markets.

Important Information:

The Bloomberg Commodity Index is a broadly diversified commodity price index distributed by Bloomberg Index Services Limited.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial

issuers.

The Bloomberg US Government/Credit 1-3 Year Index is an unmanaged index considered representative of performance of short-term US corporate bonds and US government bonds with maturities from one to three years.

The Bloomberg US High Yield Corporate Bond Index is a rules-based, market-value-weighted index engineered to measure publicly issued non-investment grade USD fixed-rate, taxable and corporate bonds.

The Core Personal Consumption Price Index measures the changes in the price of goods and services purchased by consumers for the purpose of consumption, excluding food and energy.

The LBMA Gold Price Index is the global benchmark for unallocated gold and silver delivered in London.

The Morningstar US Semiconductor Index measures the performance of companies that operate in the semiconductors industry in the US. This Index does not incorporate Environmental, Social, or Governance (ESG) criteria.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the US and Canada.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries

The MSCI Emerging Markets Index is an index designed to measure equity market performance in global emerging markets.

The Russell 1000 Growth Index is a broadly diversified index predominantly made up of growth stocks of large US companies.

The Russell 1000 Value Index is a broadly diversified index predominantly made up of value stocks of large US companies.

The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index.

The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

The Russell Midcap Index is a market capitalization-weighted index comprised of 800 publicly traded US companies with market caps of between \$2 and \$10 billion.

The Standard & Poor's 500 Index, often abbreviated as S&P 500, is an American stock exchange market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS energy sector.

The S&P 500 Momentum Index is designed to measure the performance of securities in the S&P 500 universe that exhibit persistence in their relative performance.

The West Texas Intermediate (WTI) oil, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because

of its low sulfur content.

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