

MONTHLY MARKET UPDATE

December 2025



U.S. equities finished the month of December relatively flat but closed 2025 with a third consecutive double-digit return, a rare occurrence. U.S. equity market leadership in December continued the rotation we saw in November where value outperformed growth as AI momentum-oriented stocks gave way to traditional value-oriented sectors and overall market breadth improved. Non-U.S. equities wrapped 2025 in strong fashion with both developed and emerging markets up as solid 3% in December and over 30% on the year. Of note is that while 2025 delivered the widest margin of international stock outperformance relative to U.S. since 1993, excluding currency impacts, the 14% calendar year international stock advantage narrows to less than 3%. Bond markets lost a little ground in December as interest rates edged slightly higher but, like stocks, turned in a strong year with the Aggregate Bond index up 7.3% and Municipal index 4.2%, both aided by declining interest rates and a restart of the Fed easing campaign. Commodity markets wrapped up a crazy 2025 with tariffs, geopolitics, and demand drivers translating to big volatility drivers throughout the year. December saw energy prices fall 9%, but industrial and precious (gold, silver) metals move higher, putting an exclamation mark on impressive annual gains of 21% and 80%, respectively.

Economic data slowly started to flow again following the end of the government shutdown in mid-November, but December was a restart month with lagged data and missed releases leaving some blind spots. Overall, economic data continued to point to a slowing but still resilient expansion. Labor market indicators remained mixed, reflecting a continuation of low hires low fires environment, with no material deterioration evident as unemployment is registering only 4.4%. Inflation is trending at 2.7% reinforcing the disinflation narrative. The year-over-year rate of change has continued to moderate, even as the cumulative impact of inflation since 2022 remains a challenge for lower- and middle-income households.

U.S. GDP growth for the third quarter registered a strong upside surprise at 4.3% with consumer spending and AI investment the key drivers. Spending was concentrated in July/August and has been supported by higher-income cohorts and ongoing wealth effects, while interest-rate-sensitive sectors such as housing remained constrained by affordability pressures tied to elevated prices and mortgage rates. Business surveys presented a mixed picture, with services activity holding steady and manufacturing closer to stall speed.

Monetary policy remained a key focus in December with the FOMC delivering a third consecutive 25bps rate cut after restarting the easing campaign back in September. Fed communications throughout the month underscored internal debate around the appropriate pace of easing, balancing signs of labor market cooling against continued progress on inflation. Ever-present tariff tax policy was also in focus as the year concluded with a growing list of exemptions and exceptions and anticipation of an early January SCOTUS ruling on the constitutional legality of the executive branch's use of IEEP to apply the levies. Fiscal policy was predictably quiet into year-end, though longer-term discussions around deficits, debt sustainability, and the fading impulse from prior fiscal support continued to frame the broader policy backdrop. As we begin the new year, a look back at 2025 reminds investors what markets tend to focus on as they looked right past a redux of 1930's style tariffs, a record long government shutdown, a continuation of significant federal deficit spending, and ample geopolitical flares, instead latching into booming AI momentum, resilient GDP growth, accommodative policies, and robust corporate earnings.

Quote of the Month

"There are decades where nothing happens; and there are weeks where decades happen"

| INDEX RETURNS (%) | | CONSUMER METRICS | | | ECONOMIC TRENDS | | | | |
|-------------------|-------|------------------|-----------------------|---------|-----------------|-------------------|----------|---------|----------|
| | | Levels | 12/31/25 | 9/30/25 | 12/31/24 | Macro Metrics | 12/31/25 | 9/30/25 | 12/31/24 |
| S&P 500 | 17.88 | 2.66 | 3.64 | 4.09 | 4.33 | US Real GDP | 4.30 | 4.30 | 1.90 |
| NASDAQ | 21.14 | 2.72 | 4.18 | 4.16 | 4.58 | Core PCE | 2.83 | 2.83 | 2.99 |
| Dow Jones | 14.92 | 4.03 | 6.15 | 6.30 | 6.85 | Unemployment Rate | 4.40 | 4.40 | 4.10 |
| Russell 2000 | 12.81 | 2.19 | 2.94 | 3.25 | 3.13 | Oil (WTI) | 58.10 | 63.17 | 72.44 |
| MSCI EAFE | 4.91 | 4.91 | Used Cars and Trucks* | 184.57 | 184.57 | Gold | 4,053.3 | 3,665.2 | 2,644.1 |
| US Aggregate | 7.30 | 7.30 | | | | Dollar Index | 99.1 | 97.8 | 108.48 |
| High Yield | 8.50 | 1.10 | | | | | | | |
| Municipal | 4.78 | 4.25 | | | | | | | |
| | 1.56 | 1.56 | | | | | | | |
| | | ■ 1 Yr | ■ 3 Mo | | | | | | |

*Represents level indexed to 100.

CARTOON OF THE MONTH



| Color Coded Key | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | YTD |
|-------------------------------|-------|------|------|-------|------|-------|------|-------|------|------|------|------|
| Alerian MLP | 4.2 | 7.2 | 14.6 | -14.2 | 7.9 | 18.4 | 14.8 | -26.8 | 26.6 | 24.4 | 17.9 | 34.4 |
| Bloomberg US Agg Bond | 1.4 | 12.0 | -6.5 | -13.4 | 8.7 | 16.8 | -2.2 | 30.9 | -7.9 | 25.0 | 9.8 | 31.9 |
| Bloomberg US Treasury US TIPS | 0.5 | 9.9 | 7.5 | -8.9 | 5.9 | -7.9 | 28.7 | -18.1 | 13.0 | 18.0 | 22.9 | 22.9 |
| Bloomberg Commodity | -4.4 | 2.6 | 21.8 | -4.4 | 8.4 | 20.0 | 19.0 | 16.1 | 13.5 | 4.3 | 12.8 | 17.9 |
| Markit iBoxx USD Leveded Loan | -32.6 | 1.5 | 1.7 | -11.0 | 5.3 | 8.3 | 6.0 | -18.0 | 3.9 | 11.5 | 2.7 | 15.8 |
| FTSE WGBI | 1.3 | 10.1 | 37.8 | -1.8 | 14.4 | 18.7 | -9.7 | -20.4 | 5.5 | 9.1 | 5.0 | 12.8 |
| FTSE WGBI NonUSD | -1.4 | 8.5 | 8.2 | -0.8 | 31.5 | 6.5 | 11.8 | -11.8 | 9.1 | 8.8 | 34.4 | 11.1 |
| ICE BofA US High Yield | -1.8 | 4.7 | 3.3 | -2.5 | 13.1 | 6.2 | -7.0 | -14.0 | 18.9 | 8.2 | 8.5 | 9.8 |
| Bloomberg EM USD Aggregate | -1.0 | 21.3 | 4.2 | -4.8 | 27.3 | 11.0 | -1.7 | -1.3 | 26.3 | 6.6 | 15.8 | 8.5 |
| MSCI ACWI | -4.6 | 1.6 | 24.6 | -2.3 | 25.8 | 7.5 | -1.5 | -11.2 | 22.8 | 8.1 | 11.1 | 8.5 |
| MSCI EAFE | -5.5 | 11.6 | 10.3 | -1.3 | 6.6 | -28.7 | 27.1 | -19.7 | 16.9 | -2.9 | 7.3 | 7.5 |
| MSCI EM | -3.6 | 17.5 | 3.0 | 0.0 | 25.5 | 2.3 | 5.4 | -13.0 | 5.2 | -5.3 | 31.9 | 7.3 |
| Russell 2000 | -14.6 | 1.8 | 3.5 | 0.3 | 7.7 | -3.1 | 5.1 | -15.3 | 10.3 | 1.3 | 7.0 | 7.0 |
| S&P 500 | -24.7 | 18.3 | 25.6 | -12.4 | 18.9 | 10.8 | 40.2 | -22.1 | 16.1 | 5.4 | 8.5 | 5.0 |
| Wilshire US REIT | -0.4 | 11.8 | 7.5 | -11.2 | 22.7 | 10.1 | 46.2 | -18.3 | 5.8 | 1.8 | 7.5 | 2.7 |

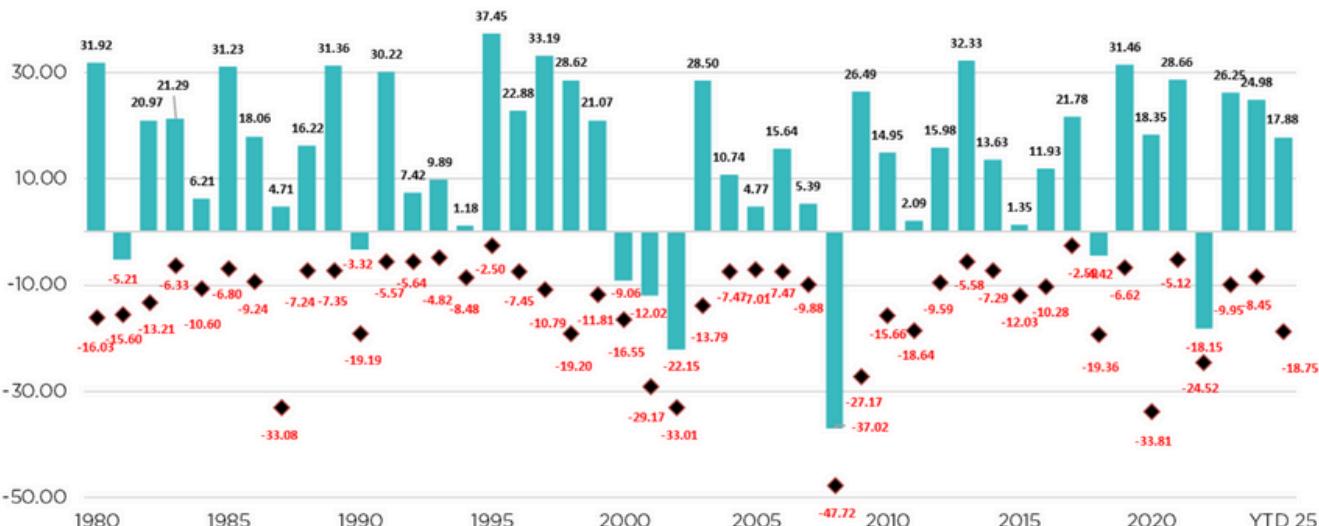
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | YTD |
|------------------------------------|-------|------|------|-------|------|-------|------|-------|------|------|------|------|
| S&P 500 Communication Services | -4.8 | -2.7 | -1.3 | -14.7 | 26.3 | 23.6 | 24.4 | -26.1 | -7.1 | 40.2 | 33.6 | 33.6 |
| S&P 500 Sec/Consumer Discretionary | 4.7 | 6.0 | -1.0 | -0.3 | 20.8 | 43.9 | 34.5 | 65.7 | -1.3 | 36.6 | 24.0 | 24.0 |
| S&P 500 Sec/Consumer Staples | -2.5 | 22.8 | 21.8 | -8.4 | 32.7 | 10.7 | 18.6 | -37.0 | 26.3 | 30.6 | 19.4 | 19.4 |
| S&P 500 Sec/Energy | 6.9 | 5.4 | 22.2 | 0.8 | 27.9 | -1.7 | 21.6 | -10.5 | 0.5 | 30.1 | 17.9 | 17.9 |
| S&P 500 Sec/Financials | 5.9 | 13.8 | 21.0 | -13.0 | 50.3 | 18.4 | 27.3 | -28.2 | 2.1 | 25.0 | 16.0 | 16.0 |
| S&P 500 Sec/Health Care | -21.1 | 27.4 | 22.1 | -12.5 | 11.8 | -33.7 | 54.6 | 1.6 | 55.8 | 23.4 | 15.0 | 15.0 |
| S&P 500 Sec/Industrials | 6.6 | 3.4 | 23.8 | 6.5 | 29.0 | 11.1 | 28.7 | -18.1 | 18.1 | 17.5 | 14.6 | 14.6 |
| S&P 500 Sec/Information Technology | -8.4 | 16.3 | 13.5 | -2.2 | 29.4 | 20.7 | 35.0 | -5.5 | 57.8 | 14.9 | 10.5 | 10.5 |
| S&P 500 Sec/Materials | 3.4 | 16.7 | 10.8 | -18.1 | 24.6 | 13.4 | 46.2 | -0.6 | 42.4 | 5.7 | 8.7 | 8.7 |
| S&P 500 Sec/Real Estate | 1.4 | 12.0 | 38.8 | -13.3 | 27.6 | 33.3 | 21.1 | -2.0 | 12.5 | 5.2 | 6.0 | 6.0 |
| S&P 500 Sec/Utilities | 10.1 | 18.9 | 23.0 | 4.1 | 32.1 | 0.5 | 17.7 | -39.9 | 12.4 | 2.6 | 3.9 | 3.9 |
| S&P 500 | -1.5 | 23.5 | 12.1 | -4.4 | 31.5 | -2.2 | 26.1 | -12.3 | 12.1 | 0.0 | 3.2 | 3.2 |

MARKET TIMING DOESN'T WORK

Intra-year S&P 500 Drawdowns with Annual Returns

Market volatility is normal and can be difficult to time. History shows that staying the course has been a successful investing strategy.

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Source: Morningstar Direct, Standard & Poor's. Uses Total Return with daily closing prices.

■ Return ◆ Max Drawdown

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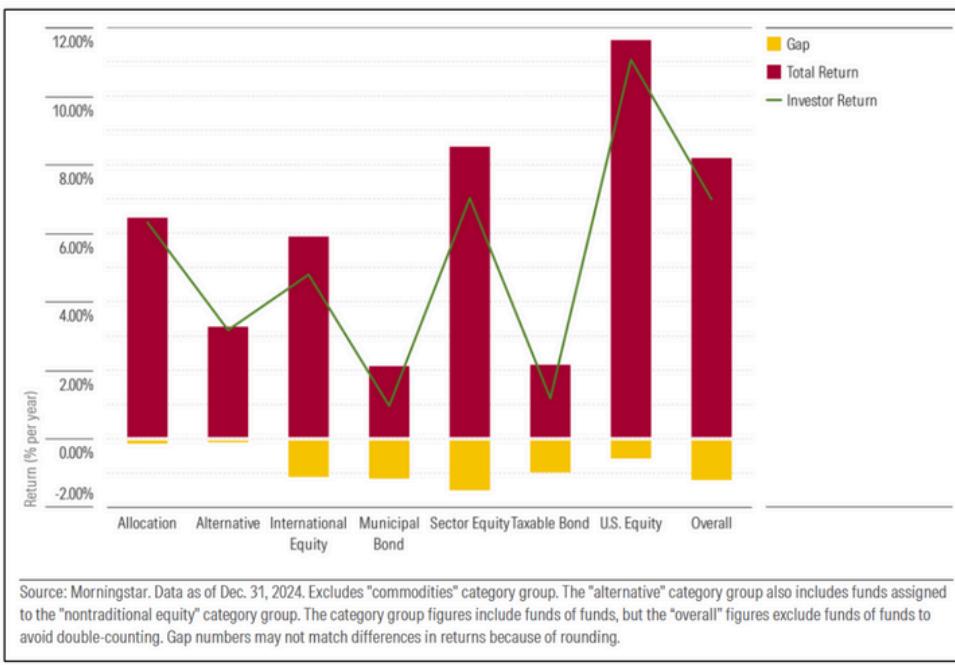


Exhibit 4 Annual Investor Return Gaps by US Category Group (10 Years Ended Dec. 31, 2024)

| US Category Group | Investor Return | Total Return | Gap |
|----------------------|-----------------|--------------|--------------|
| Allocation | 6.3% | 6.5% | -0.1% |
| Alternative | 3.2% | 3.3% | -0.1% |
| International Equity | 4.8% | 5.9% | -1.1% |
| Municipal Bond | 1.0% | 2.1% | -1.2% |
| Sector Equity | 7.0% | 8.5% | -1.5% |
| Taxable Bond | 1.2% | 2.2% | -1.0% |
| US Equity | 11.1% | 11.6% | -0.6% |
| Overall | 7.0% | 8.2% | -1.2% |

Source: Morningstar

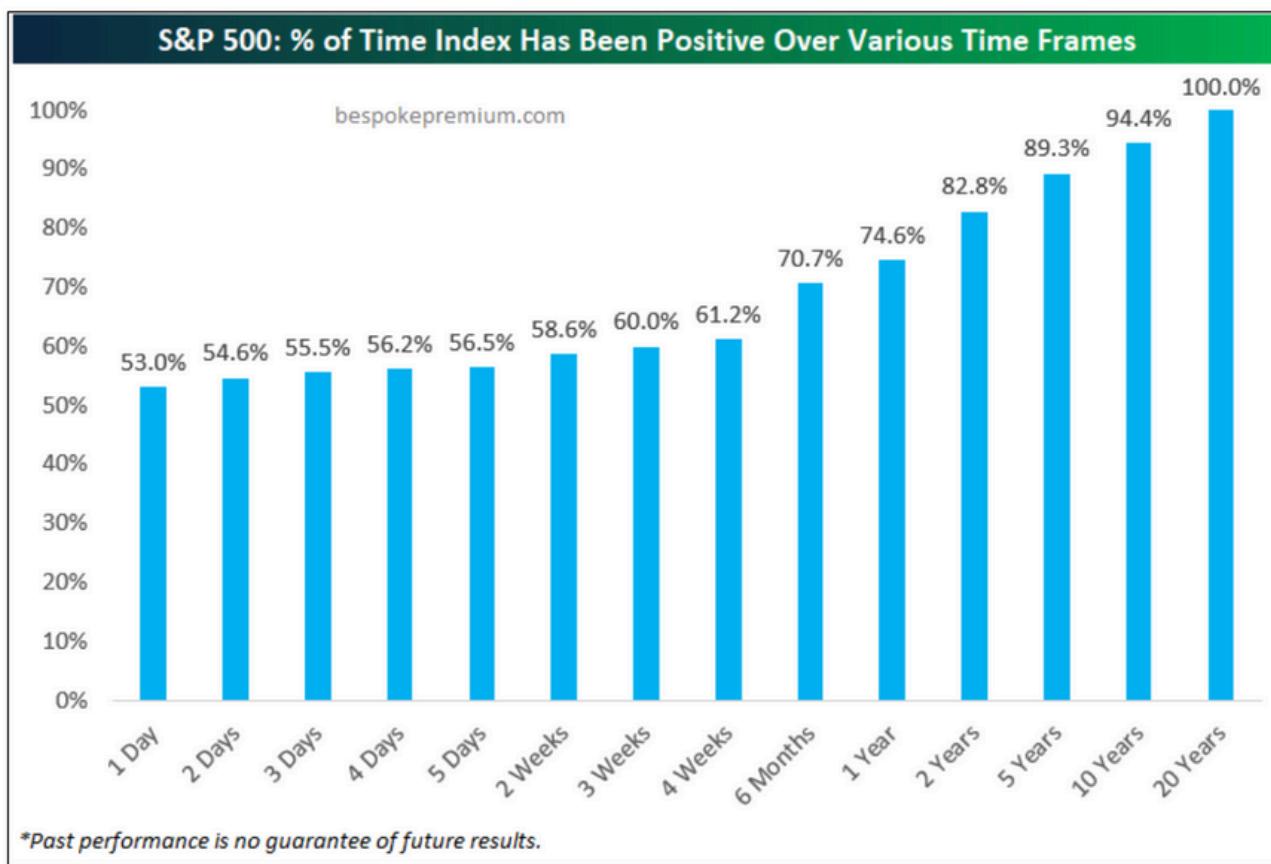
ABSENT A SHOCK, ECONOMIC EXPANSIONS TEND TO PERSIST

Economic expansions do not die of old age, they are murdered - Rudi Dornbusch

Post WW2 Recessions and Their Triggers

| Stock Market Peak | Recession Start | Stock Peak Before Recession | Recession End | "Murder Weapon" |
|-------------------|-----------------|-----------------------------|---------------|--------------------------------------------------------|
| May 28, 1946 | Feb 1945 | -454 | Oct 1945 | Dramatic Drop in Military Spending (End of WW2) |
| Jun 18, 1948 | Nov 1948 | 165 | Oct 1949 | Demobilization of the WW2 Economy |
| Jan 09, 1953 | Jul 1953 | 203 | May 1954 | Dramatic Drop in Military Spending (End of Korean War) |
| Apr 06, 1956 | Aug 1957 | 511 | Apr 1958 | Suez Crisis/Sputnik |
| Jan 08, 1960 | Apr 1960 | 113 | Feb 1961 | Tight Monetary Policy |
| Dec 06, 1968 | Dec 1969 | 390 | Nov 1970 | Vietnam War |
| Jan 12, 1973 | Nov 1973 | 322 | Mar 1975 | Arab Oil Embargo |
| Sep 15, 1978 | Jan 1980 | 503 | Jul 1980 | Highest Inflation of the Century |
| May 01, 1981 | Jul 1981 | 91 | Nov 1982 | Punishing Interest Rates (15% 10-year) |
| Jul 20, 1990 | Jul 1990 | 11 | Mar 1991 | Iraq Invades Kuwait (~200% rise in Crude Oil) |
| Jan 14, 2000 | Mar 2001 | 442 | Nov 2001 | Tech Bubble Popping/September 11 |
| Oct 09, 2007 | Dec 2007 | 83 | Jun 2009 | Housing Crash/\$145 Crude (July 2008) |
| Feb 12, 2020 | Feb 2020 | 17 | Apr 2020 | COVID-19 |
| Average | | 184 | | |

Source: Bianco Research



Source: Bespoke



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