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Market Insights

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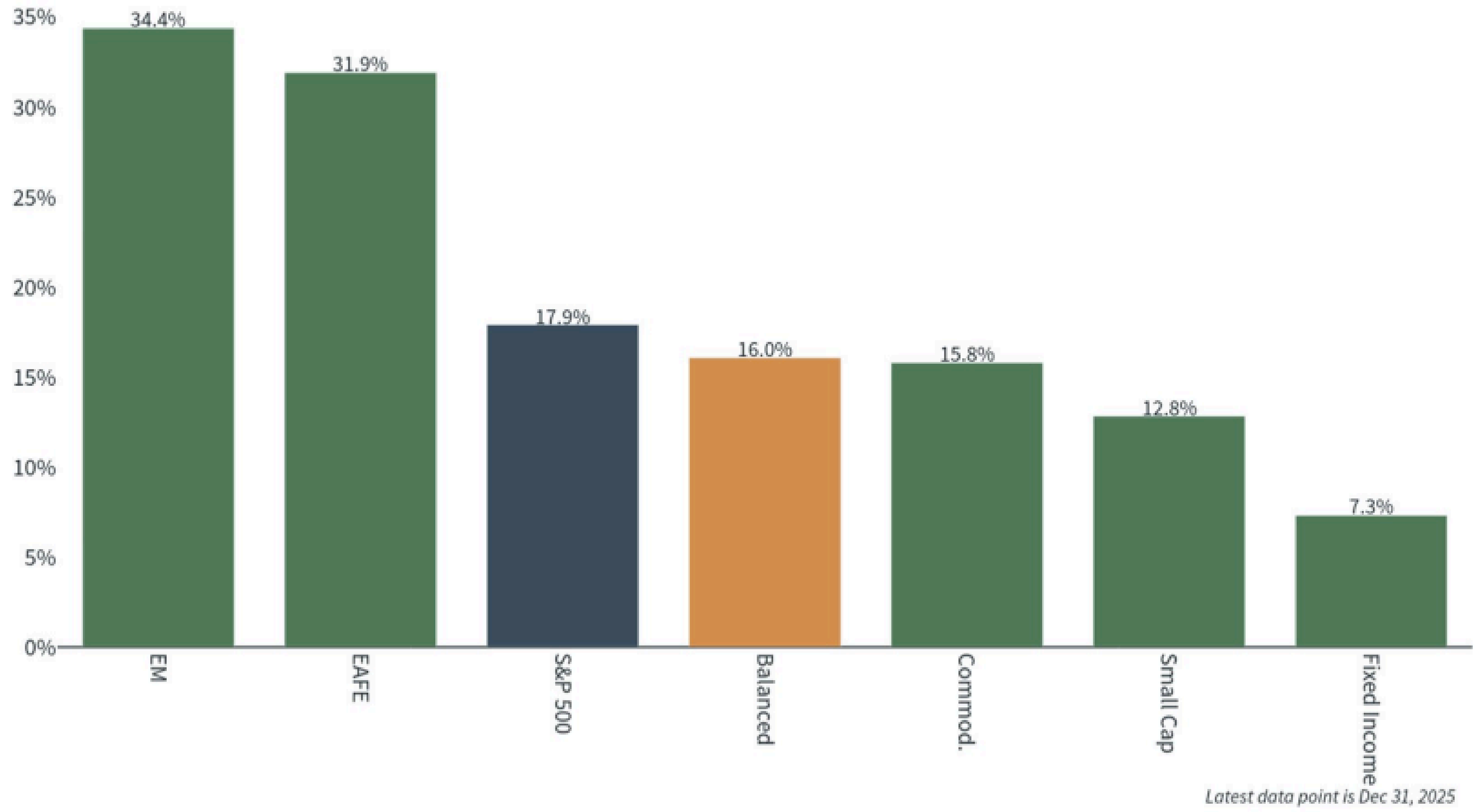
Market Update and Outlook

Asset Class Performance Year-to-Date

Total Returns



This chart shows total asset class returns year-to-date. Asset classes included are MSCI Emerging Markets Index (EM), MSCI Developed Markets Index (EAFE), MSCI World Small Cap Index (Small Cap), S&P 500, balanced portfolio, fixed income, and MSCI World Commodity Producers Index (comm.). The balanced portfolio is a historical 60/40 portfolio consisting of 40% U.S. large cap, 5% small cap, 10% international developed equities, 5% emerging market equities, 35% U.S. bonds, and 5% commodities.
Date Range: Beginning of year to present
Source: Clearnomics, LSEG

Strong year for nearly all asset classes

International stocks (ACWX) performance up 32.6% in 2025 - best performance since 2009

7.3% is a pretty good bond year

Source of ACWX performance: Morningstar

2025 Scorecard

What we got right

July: Will political noise and rhetoric finally give way to actual economic and business dissection? **Not likely.**

An abundance of news and political volatility - but it didn't hurt markets.

July: We've recovered back to **all-time highs. That alone is not a reason to sell.**

SPY up over 11%, ACWX up over 12%, and AGG up over 3% from end of June to end of December.

July: US Stocks - there are still bargains, but they are getting harder to come by. There is a potential "buy the news" **opportunity in Health Care.**

Health Care was the best performing sector in the S&P 500 from end of June to end of December.

What we got wrong

July: **Fixed Income** is providing relatively good yield, but don't chase excessive risk for small yield increases.

Longer duration and credit assets outperformed short-term treasuries.

July: Search for relative value - **don't succumb to F.O.M.O.**

Risk generally paid off in the second half - taking more would have generated more profit.

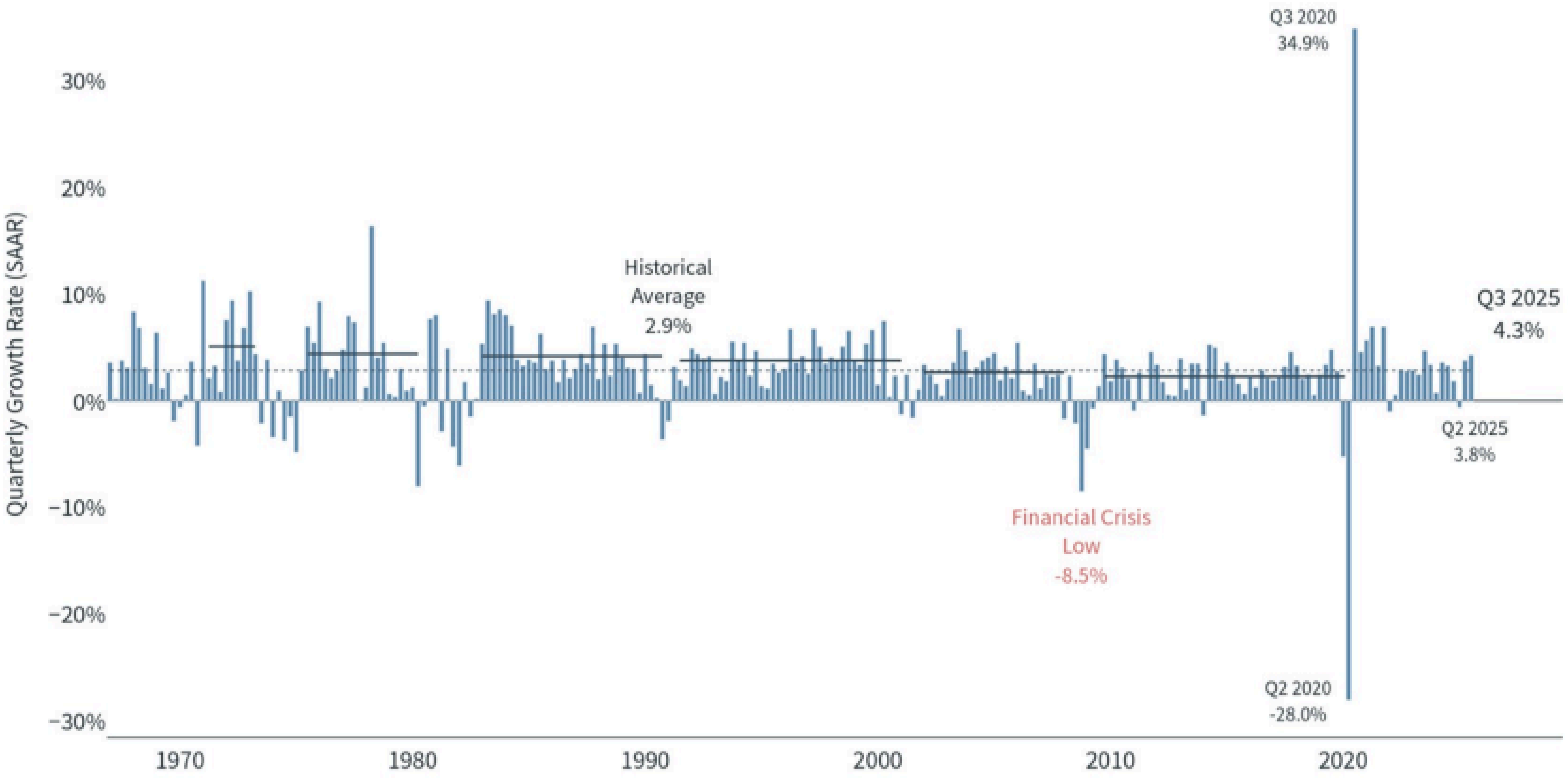
Jul/Oct: **International Stocks** - I worry about how much of their performance has been predicated on a weak dollar. I would hold, but be prepared for corrections.

US Dollar slightly strengthened in back half of 2025 - ACWX rose by 12%.

Source of performance: Koyfin

U.S. Economic Growth

Quarterly GDP, seasonally adjusted annual rate



Latest data point is Q3 2025

2025 was probably stronger than most expected - including us!

Q425 GDPNow estimate
2.7% growth
(as of 1/5/26)

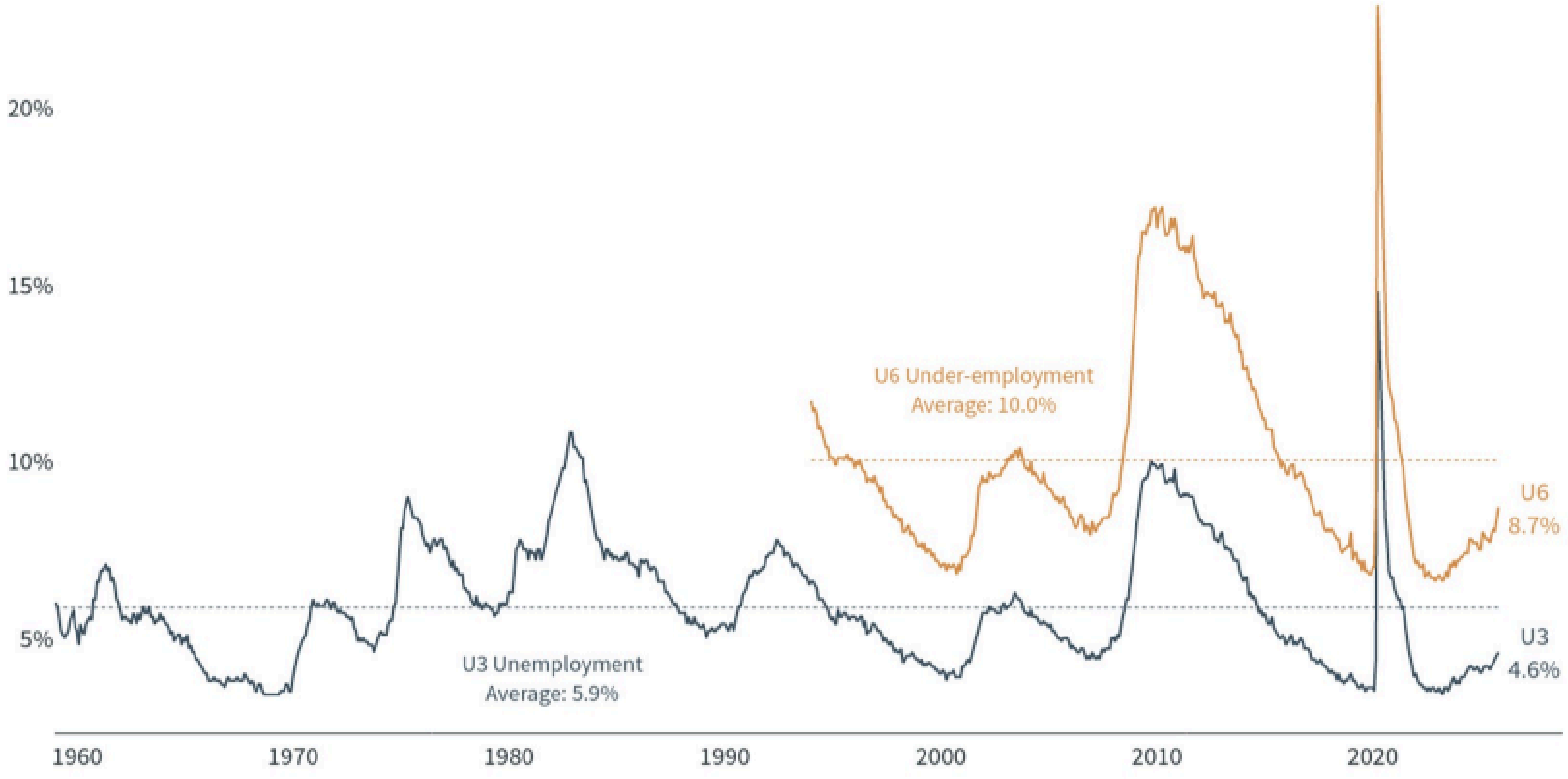
GDP is a better historical measure of growth than a future predictor

TThis chart shows quarterly GDP growth in the U.S. as reported by the Bureau of Economic Analysis. GDP growth is reported as the seasonally adjusted annual rate. The dotted line denotes the historical average, while the...
Source: Clearnomics, U.S. BEA, NBER

Source GDP Now: https://www.atlantafed.org/cqer/research/gdpnow

Unemployment Rates

U-3 unemployment and U-6 under-employment rates, since 1960



Latest data point is Nov 2025

This chart shows the unemployment rate using two measures of unemployment: U-3 and U-6 unemployment rates. U-3 unemployment tracks the total unemployed, as a percent of the civilian labor force, and is the official unemployment rate. U-6 unemployment tracks the total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

Date Range: January 1960 to present

Source: Clearnomics, Bureau of Labor Statistics

Unemployment has been rising but still below long term averages

Monthly Non-Farm Payrolls

Median Growth Since 2015

+219k

Median Growth in 2025

+68k (Incomplete)

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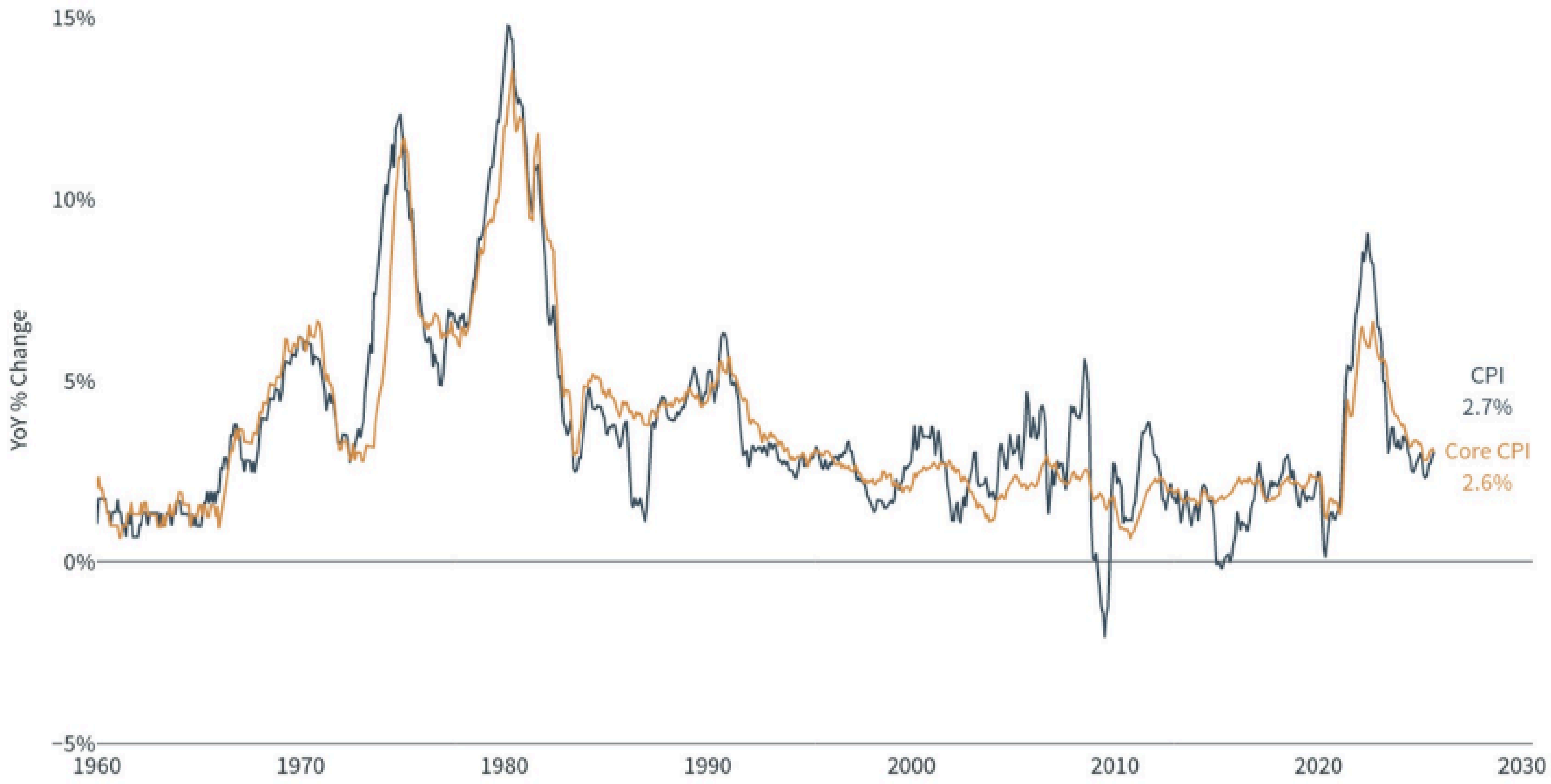
The job market is likely below average growth in 2026

Source of non-farm payrolls: Bls.gov (2025 growth based on preliminary data for Oct and Nov, December data based on 1/6/26 consensus expectation of 55k)

Consumer Price Index

CPI and Ex Food and Energy, YoY % Change



Latest data point is Nov 2025

TThis chart tracks the year-over-year changes in the Consumer Price Index (CPI) and the Consumer Price Index excluding food and energy prices (Core CPI). The CPI index measures the change in prices paid by consumers for goods and services.
Date Range: January 1960 to present
Source: Clearnomics, U.S. Bureau of Labor Statistics

CPI

Both core and headline are still above targets in a Fed cutting cycle

Tariffs

Despite rhetoric, inflation numbers have not risen substantially
(but remain a headwind)

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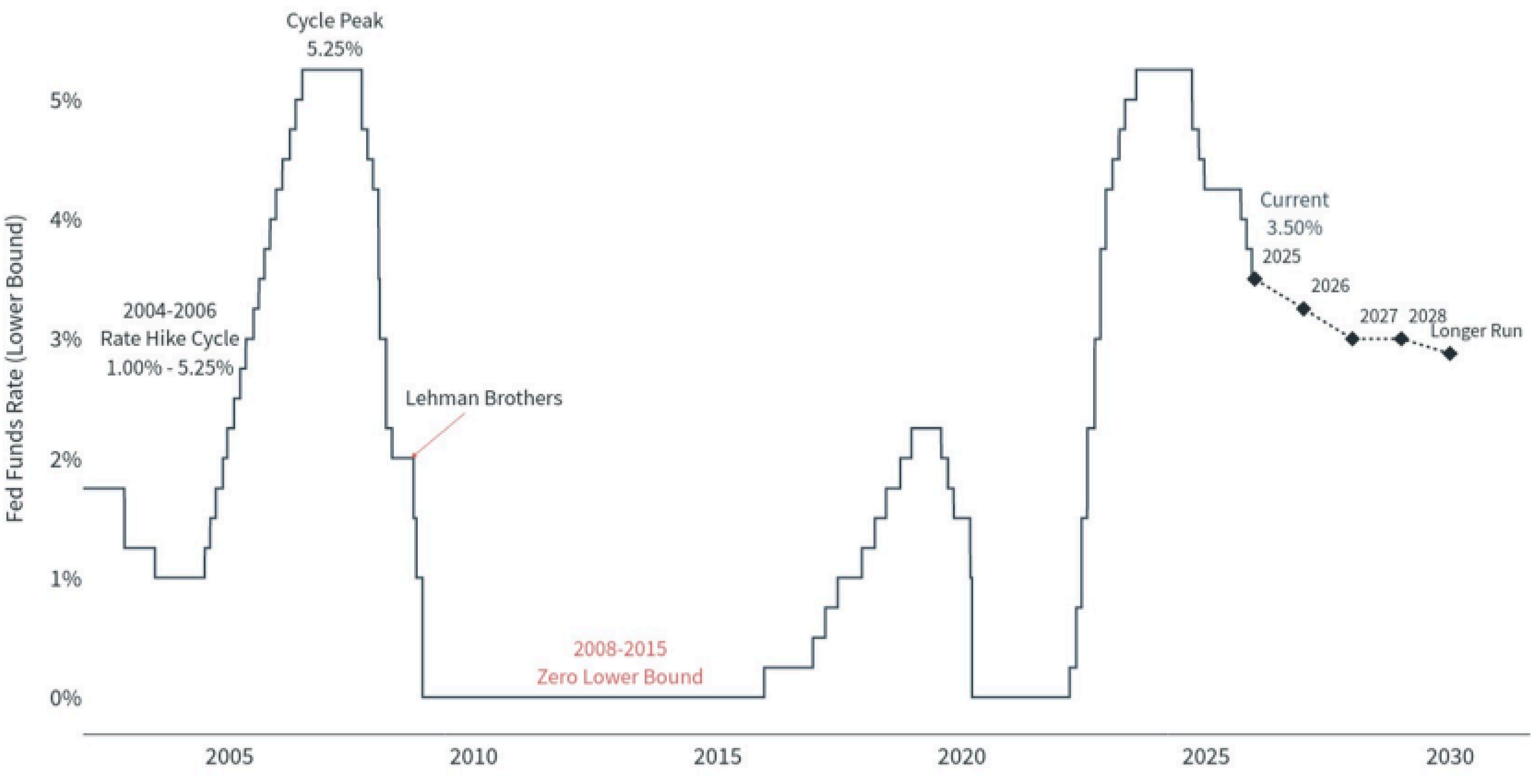
Affordability concerns are likely to continue

Electricity and food remain stubborn and watch oil & gas

Federal Funds Rate

Target range lower limit



Latest data point is Dec 2025

This chart tracks the Federal Funds Rate lower limit. The dotted lines indicate the Federal Open Market Committee's (FOMC) participants' median assessments of appropriate path for the Federal Funds Rate, based on the Summary of Economic Projections.
Date Range: January 2002 to present
Source: Clearnomics, Federal Reserve

Probability source: https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html (as of 1/6/26)

Three cuts in 2025

Fed Chair Powell term ends in May 2026 he’s likely done

As of 1/6/26

85% probability of no Fed move in January

78% probability of 1 to 3 cuts by year end

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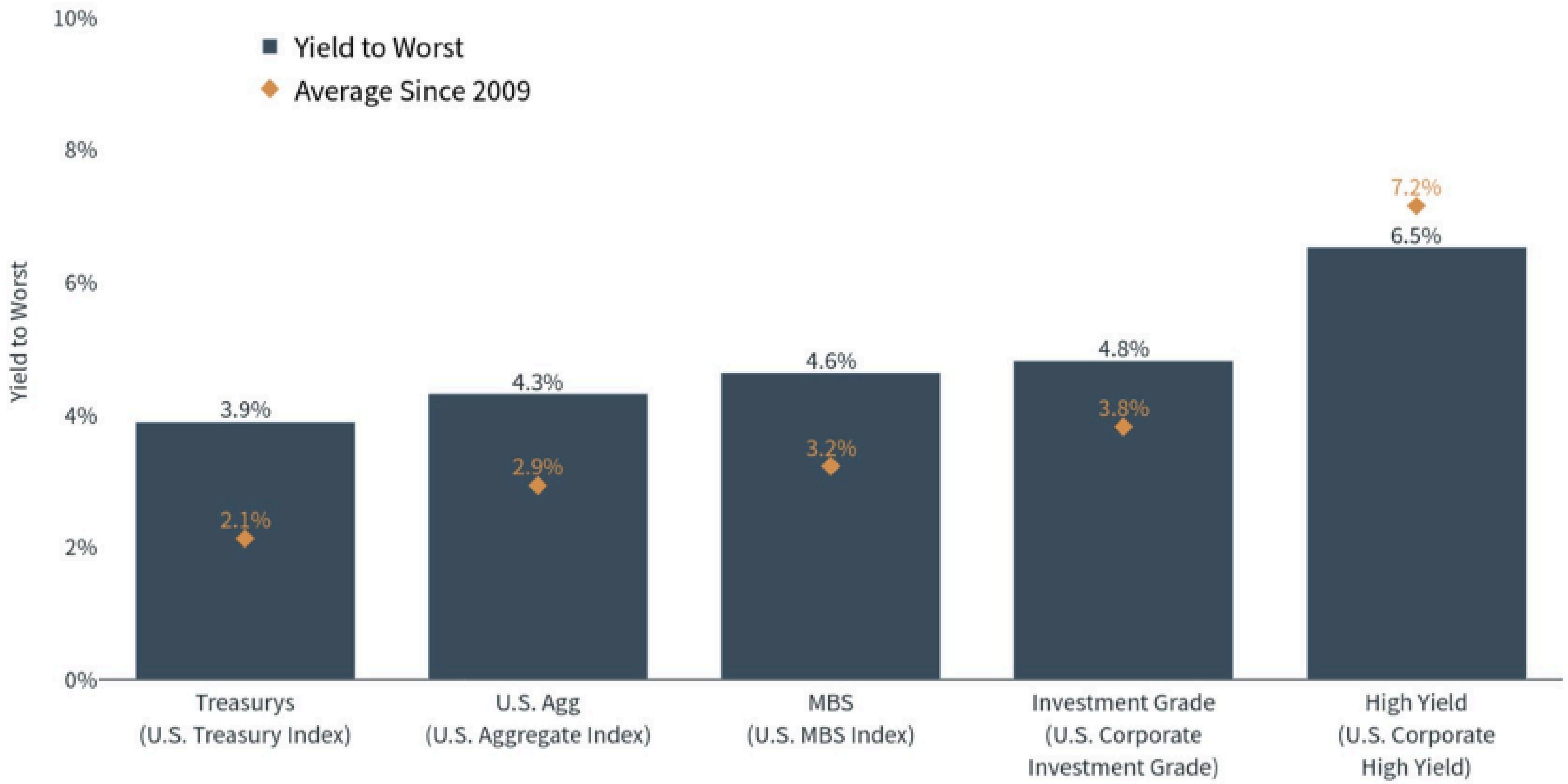
The next Fed governor will likely be pushed to cut more aggressively

Traditional Sources of Bond Yield

Yield to worst and averages since 2009



Latest data point is Dec 31, 2025

This chart shows several traditional souces of bond yield. Blue bars denote the latest yield to worst and gold diamonds indicate the yield to worst average daily average since 2009. Treasuries are represented by the Bloomberg U.S. Treasury Index, U.S. Agg by the Bloomberg U.S. Aggregate Index, MBS by the U.S. MBS Index, Investment Grade by the U.S. Corporate Investment Grade Index, and High Yield by the U.S. Corporate High Yield Index.

Date Range: January 2009 to present

Source: Clearnomics, Bloomberg

US Treasury yields fell across maturities in 2025 (good for bond prices)

Bond yields are mostly higher than average since 2009 - but average is heavily influenced by zero rate environment

Bond default premiums (spread) are well below 30 year median levels

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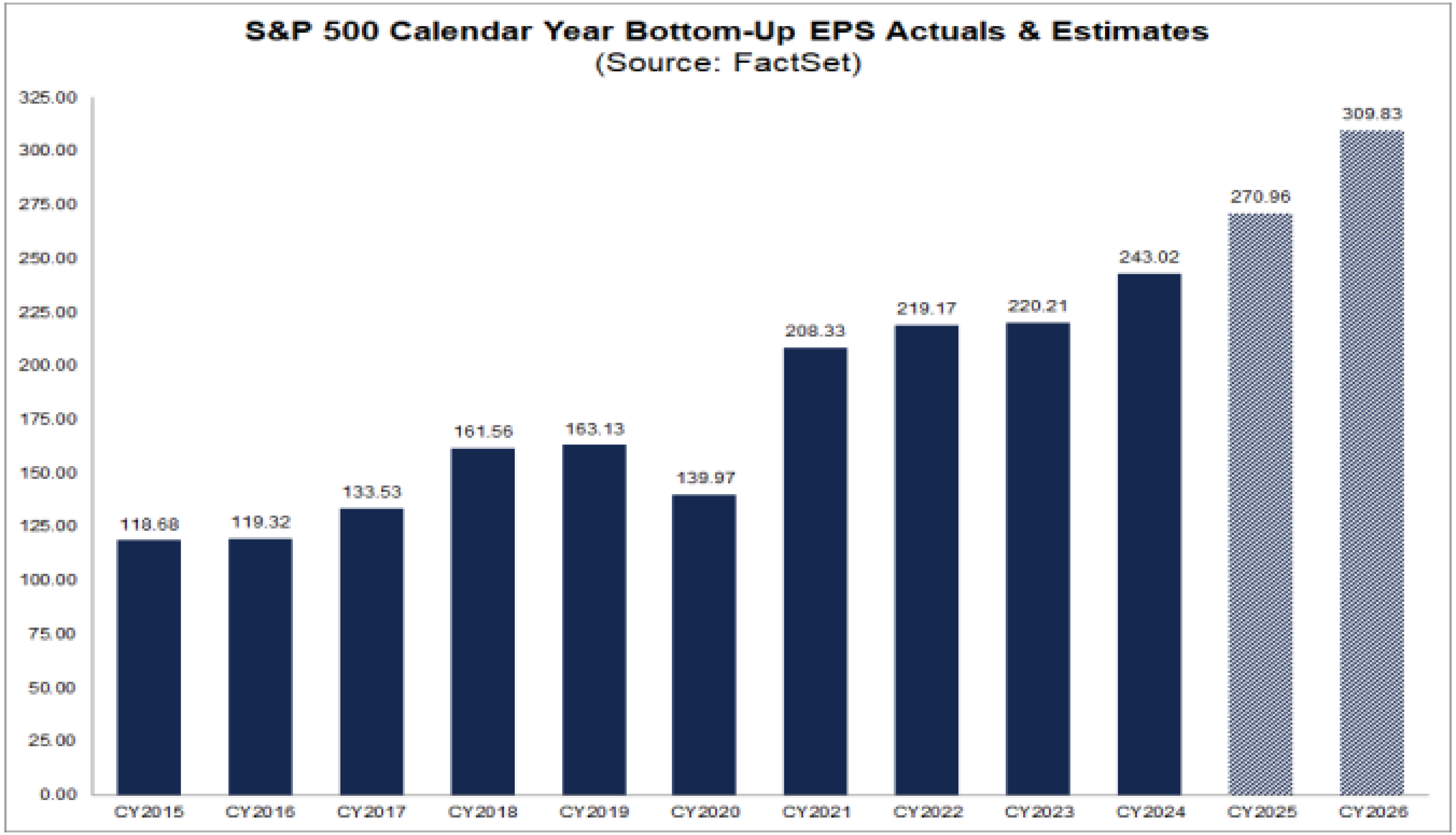
Maintain conservative stance but look for relative value



Source: Factset Earnings Insight as of 12/19/25
https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_100325A.pdf

2025 estimated S&P 500 earnings growth is 11.5%

2025 and 2026 Estimates bottomed in July - rose in back half of the year

S&P 500 net profit margins are expected to be highest ever in 2026 (tracked since 2008)

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2026 estimated growth of 14.3% is overly optimistic

Stock Market Price-to-Earnings Ratio

S&P 500 forward P/E ratio using earnings estimates over the next twelve months

Latest data point is Dec 30, 2025

This chart tracks the S&P 500 price to earnings ratio. Earnings estimates are forward estimates over the next twelve months. The dotted line denotes the average over the full period. This data is calculated weekly.
Date Range: January 22, 1985 to present
Source: Clearnomics, LSEG

The S&P 500 is expensive compared to history

Valuation is a poor predictor of short term performance

Wall St. strategists arguing justified given productivity gains and tax relief

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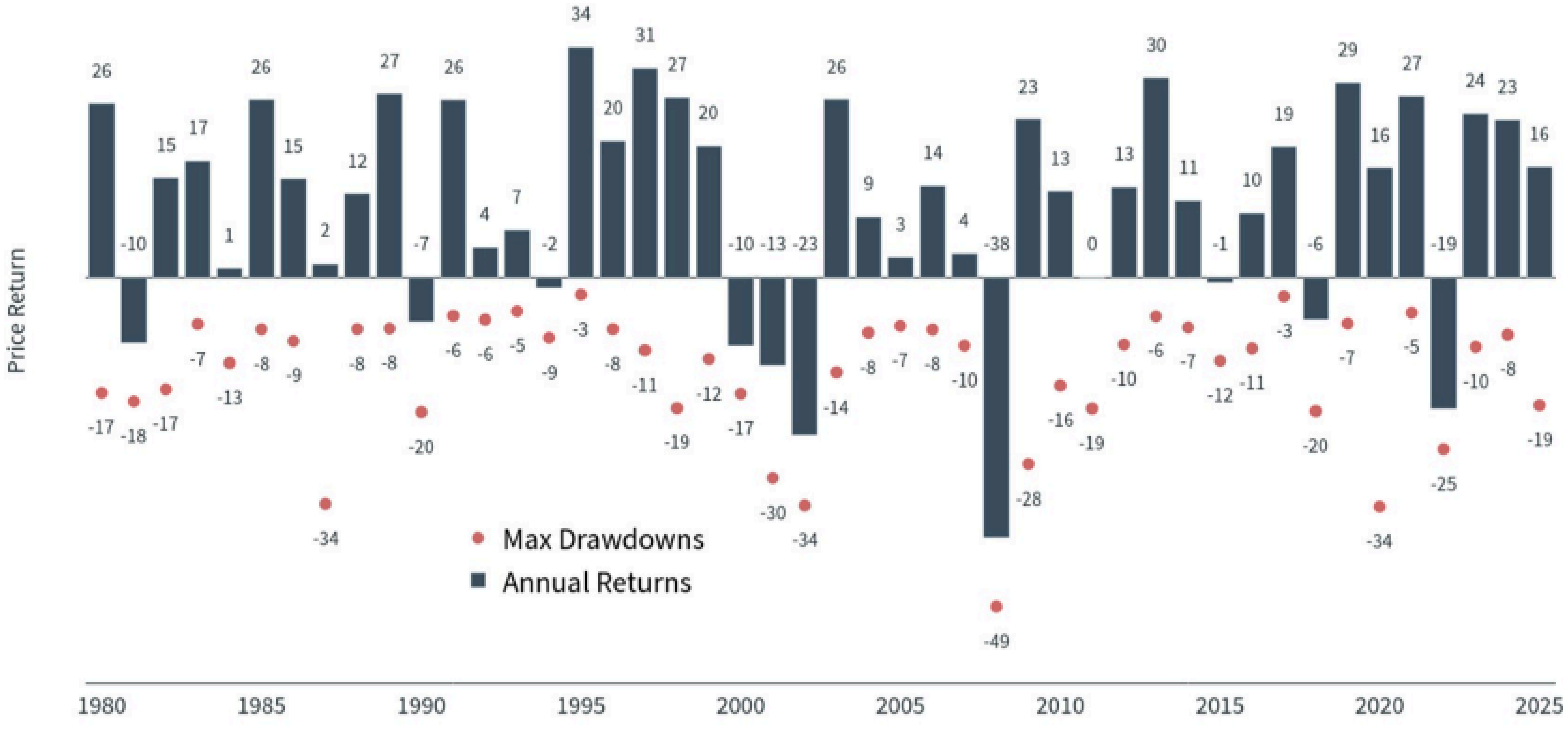
Current should be higher than historical average, but be careful with “different this time” analysis

Annual Returns and Pullbacks

S&P 500 Index. Max drawdown represents the biggest intra-year decline



Latest data point is Dec 31, 2025

This chart shows the annual returns and largest intra-year decline for the S&P 500 price index. The largest intra-year decline is measured as the steepest peak-to-trough decline for the index during the calendar year.
Date Range: January 2, 1980 to present
Source: Clearnomics, Standard & Poor's

Pullbacks happen all the time

The market usually recovers BEFORE any all clear signals are given

From 1980-2025, the S&P 500 annual performance is up 78% of the time

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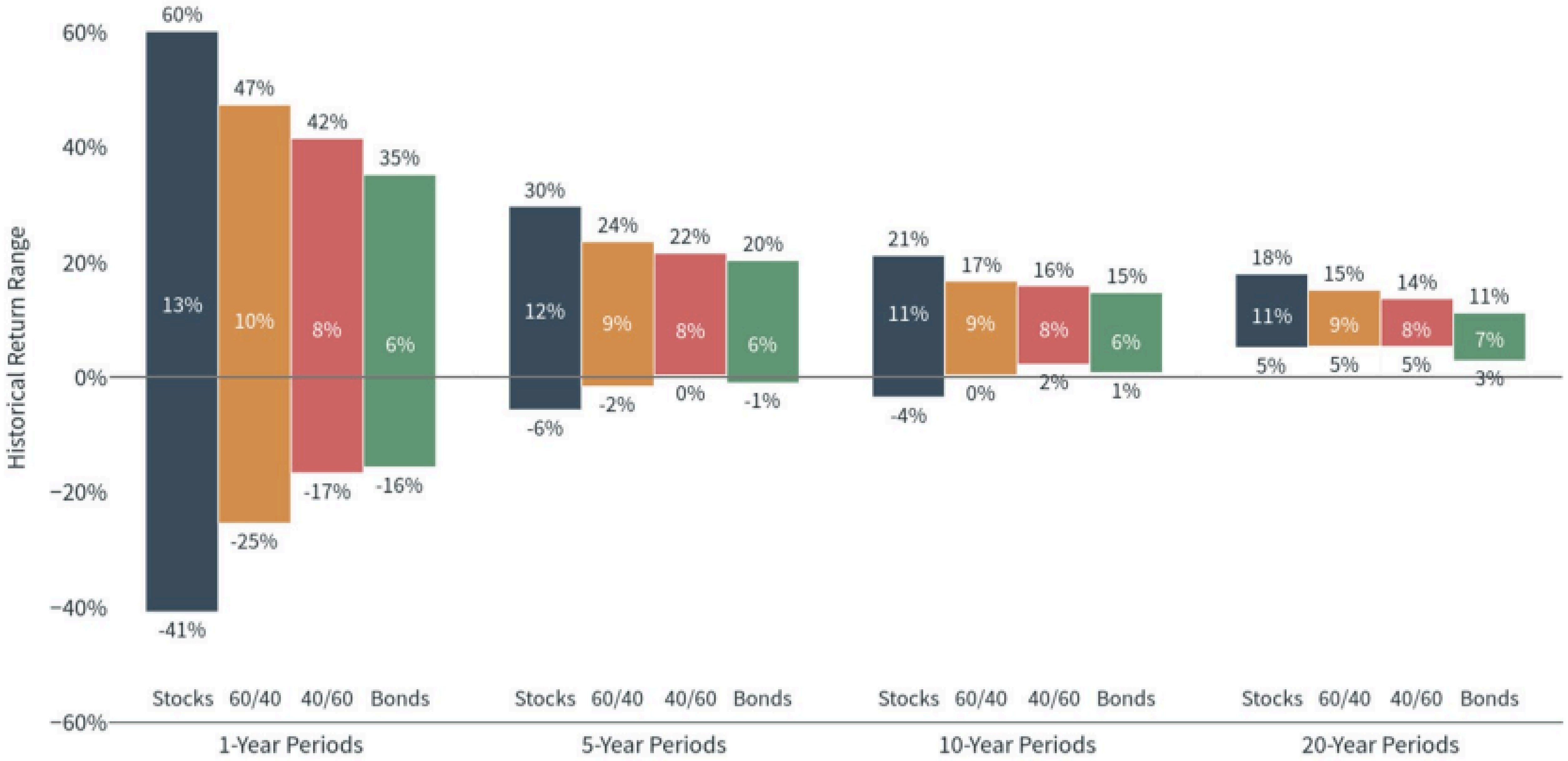
Pullbacks can be painful, but planning can reduce the harm to stay the course

Historical Stock and Bond Return Ranges

S&P Composite, 10-year Treasury bonds, U.S. Aggregate Bond Index, and asset allocation estimates
Min, max, and average annual total returns over each time horizon since World War II



Latest data point is Q4 2025

TThis chart shows the historical annual return ranges of the S&P Composite index, bonds, and asset allocations of these assets. The bond index is represented by 10-year U.S. Treasury bonds prior to 1976 and the Bloomberg U.S. Aggregate Bond Index from 1976 to the present. Each bar shows the min, max, and average annual returns over each stated time period, for each asset or portfolio. These are calculated using underlying monthly total returns. Periods longer than a year show annual returns based on their geometric means. *Note that this chart's methodology changed on April 8, 2025 - previously, the bond calculations showed the historical return ranges of a buy-and-hold approach for 10-year U.S. Treasury bonds.
Date Range: 1945 to present
Source: Clearnomics, Standard & Poor's, Bloomberg, Federal Reserve

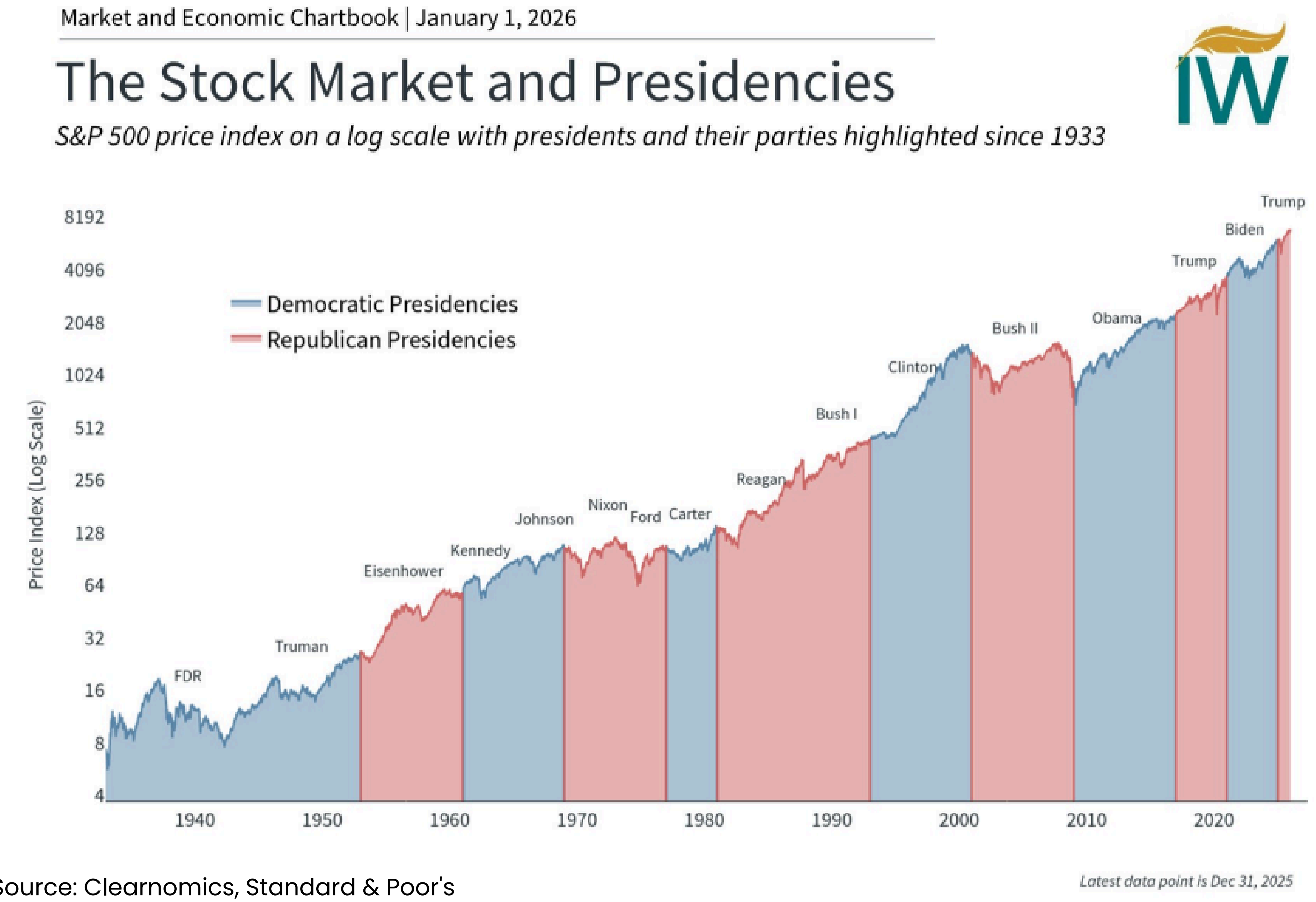
The shorter the time frame, the wider the outcome ranges

This is why
YOUR TIME MATTERS

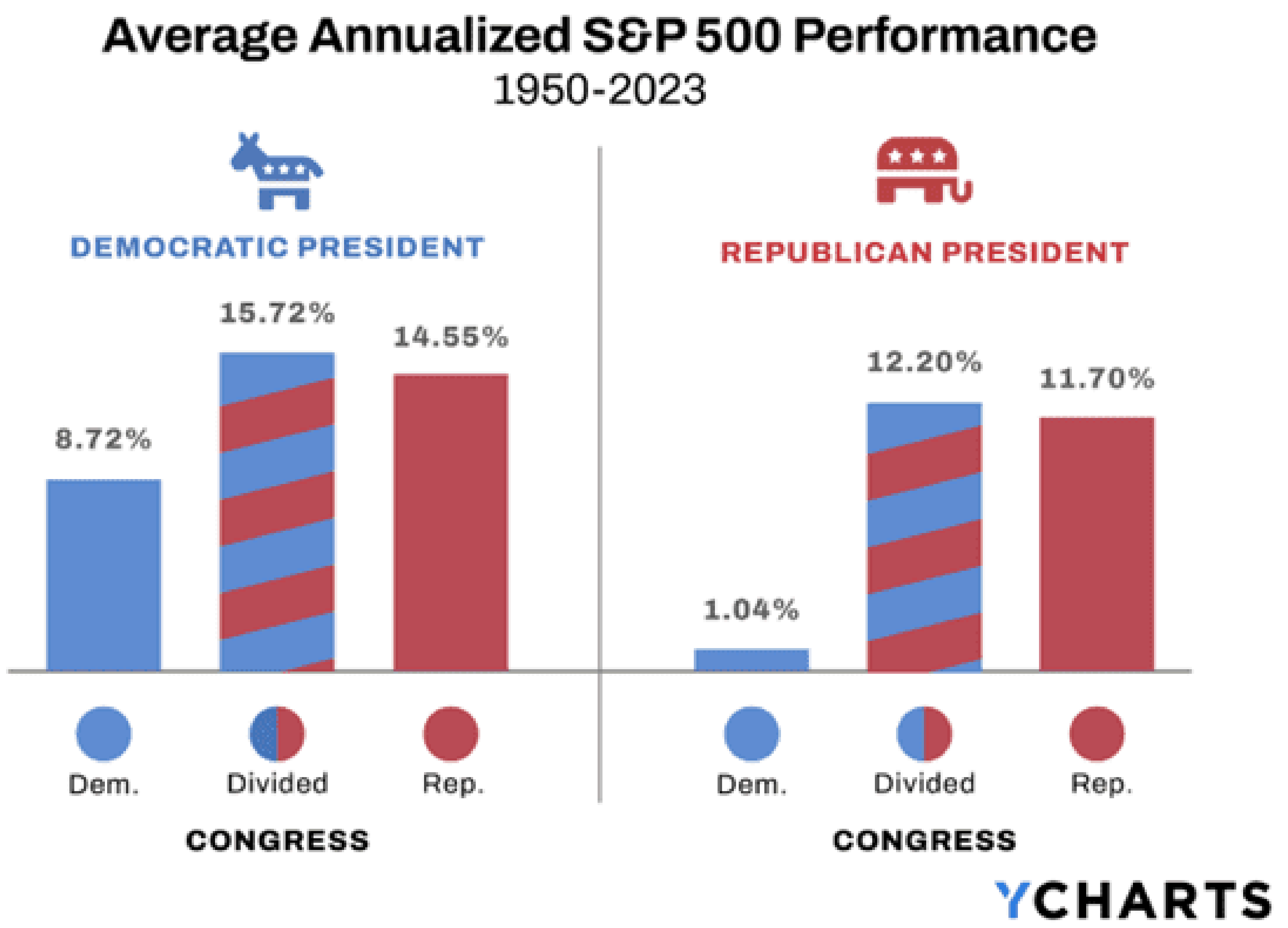
Short-term: increase certainty to reduce risk

Long-term: embrace uncertainty for higher reward

Midterms Are Coming



Source: Clearnomics, Standard & Poor's



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Politics should not have a substantial influence on portfolio decision making

IndiView: The Path Forward

Outlook

Geopolitical risk should be considered higher in 2026 - the biggest question is will markets care?

The Fed may be stagnant in the first half of 2026 unless pressed to move by changing economic data. The second half probably will be influenced by a new governor - will the President get his wish for lower rates then?

Jobs are likely in slow growth mode with potential for a slight decline as AI productivity and consumer spending uncertainty continue to affect hiring.

Housing affordability will likely get slightly better as interest rates come down, but activity will still be muted as prices remain well above income support levels.

Bond yields are near longer term averages - but spreads are very thin. We expect rates to be a bit of a tailwind in 2026, but less than 2025.

Stocks are expensive - not priced for perfection but skewed towards lower than average long-term returns. International is still underowned

Alternatives - gold and silver likely experience some level of correction in 2026. Real estate has been dormant for some time. Keep an eye on the private credit market for signs of trouble.

Positioning

Now is NOT the time to be adding to risk excessively. We remain slightly below to equal level of equilibrium risk. We would not expect another year like 2025.

Fixed Income - Spreads are minimal. Stay in shorter maturities, stay safe, have dry powder. Look for relative value for income but do not chase higher yields blindly.

US Stocks - Don't give up on the recurring revenue & defensive business models. Just because the index is high valuation doesn't mean all stocks are expensive. **Mid-cap US stocks** are interesting as they underperformed substantially in 2025 and are trading at a discount relative to the S&P 500.

International Stocks - We continue to own positions in both International Developed and Emerging Markets but we aren't substantially overweight. Out/underperformance by region tends to be glacial in pace, but is 2026 the start of a new trend? Too early to tell.

Alternatives - Rebalance gold and silver positions if you have them
Some areas of Real Estate could be attractive - but be selective. As always, know what you own and know your limitations and restrictions.

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