QUARTERLY MARKET PERSPECTIVES

Q4 2025

Q4 2025 REVIEW

KEY THEMES

- US equities continued their march higher in Q4, capping a third straight year of outstanding returns for the S&P 500 Index. The rally was not without hiccups – late in the quarter, concerns about tech stock valuations triggered modest pullbacks that curbed some of the exuberance.
- The US economy capped 2025 with a "growth-employment" divide, as strong AI investment and consumer spending drove GDP higher while the labor market showed more signs of cooling. Despite strong topline growth, hiring slowed and unemployment climbed toward 4.4%, forcing the Fed to lean toward accommodative policy to support employment.

FIXED INCOME

- The Federal Reserve lowered interest rates again in the fourth quarter, bringing the total reduction to 1.75% since September 2024. The quarter marked a more divided and cautious tone from policymakers. This internal friction, coupled with lagging economic data, has increased uncertainty around the path for policy in 2026.
- Bond markets were supported by the Fed's continued easing cycle, with rate cuts driving lower short-term yields and lifting overall fixed income returns. Gains were concentrated in shorter maturities as investors remained cautious on inflation and fiscal risks, resulting in a modest steepening of the yield curve.

EQUITIES

- While mega-cap technology continued to lead equities in Q4, the market showed signs of broadening as small and mid-cap stocks gained momentum. Simultaneously, international markets significantly outpaced the US helped by currency tailwinds and more compelling valuations.
- A notable revival in international markets defined the 2025 investment landscape. Developed and emerging markets benefited from cheaper starting valuations, fueling a long-awaited catch up after trailing US markets for years.

MARKET DASHBOARD (as of December 31, 2025)

KEY RETURNS AND STATISTICS

Bond Index Returns

	Q4	YTD	1 Yr	3 Yr	5 Yr
				Annualized	
Bloomberg Municipal 1-10Yr Index	1.0%	5.1%	5.1%	3.5%	1.2%
Bloomberg US Aggregate Bond Index	1.1%	7.3%	7.3%	4.7%	-0.4%
Bloomberg US High Yield Index	1.3%	8.6%	8.6%	10.1%	4.5%

Treasury Yields

	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
Yield by Maturity	3.5%	3.5%	3.7%	4.2%	4.8%

FX and Commodity Returns

	Q4	YTD	1 Yr	3 Yr	5 Yr
				Annualized	
Bloomberg Dollar Index	0.3%	-8.1%	-8.1%	-1.2%	1.4%
Bloomberg Commodity Index	4.8%	11.1%	11.1%	-0.9%	7.0%
WTI Crude Oil	-5.7%	-7.9%	-7.9%	0.9%	15.7%
Natural Gas	-9.0%	-23.9%	-23.9%	-42.0%	-21.5%
Copper	16.5%	38.7%	38.7%	15.3%	11.0%
Gold	12.2%	62.5%	62.5%	32.4%	17.1%

Equity Index Returns

US Equities	Q4	YTD	1 Yr	3 Yr	5 Yr
				Annualized	
Russell 3000	2.4%	17.1%	17.1%	22.2%	13.1%
S&P 500	2.7%	17.9%	17.9%	23.0%	14.4%
Russell 2000	2.2%	12.8%	12.8%	13.7%	6.1%
Non-US Equities	**Q4**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**
MSCI All Country World ex. US	5.1%	32.4%	32.4%	17.3%	7.9%
MSCI EAFE	4.9%	31.2%	31.2%	17.2%	8.9%
MSCI Emerging Markets	4.7%	33.6%	33.6%	16.4%	4.2%

US Equity Style Box Returns*

Q4

	Value	Core	Growth
Large	3.8%	2.4%	1.1%
Mid	1.4%	0.2%	-3.7%
Small	3.3%	2.2%	1.2%

YTD

	Value	Core	Growth
Large	15.9%	17.4%	18.6%
Mid	11.0%	10.6%	8.7%
Small	12.6%	12.8%	13.0%

Source: Bloomberg. As of December 31, 2025. *US Equity Style Box based on returns for Russell Indices. **Past performance is no guarantee of future results.** See important disclosures on the last page.

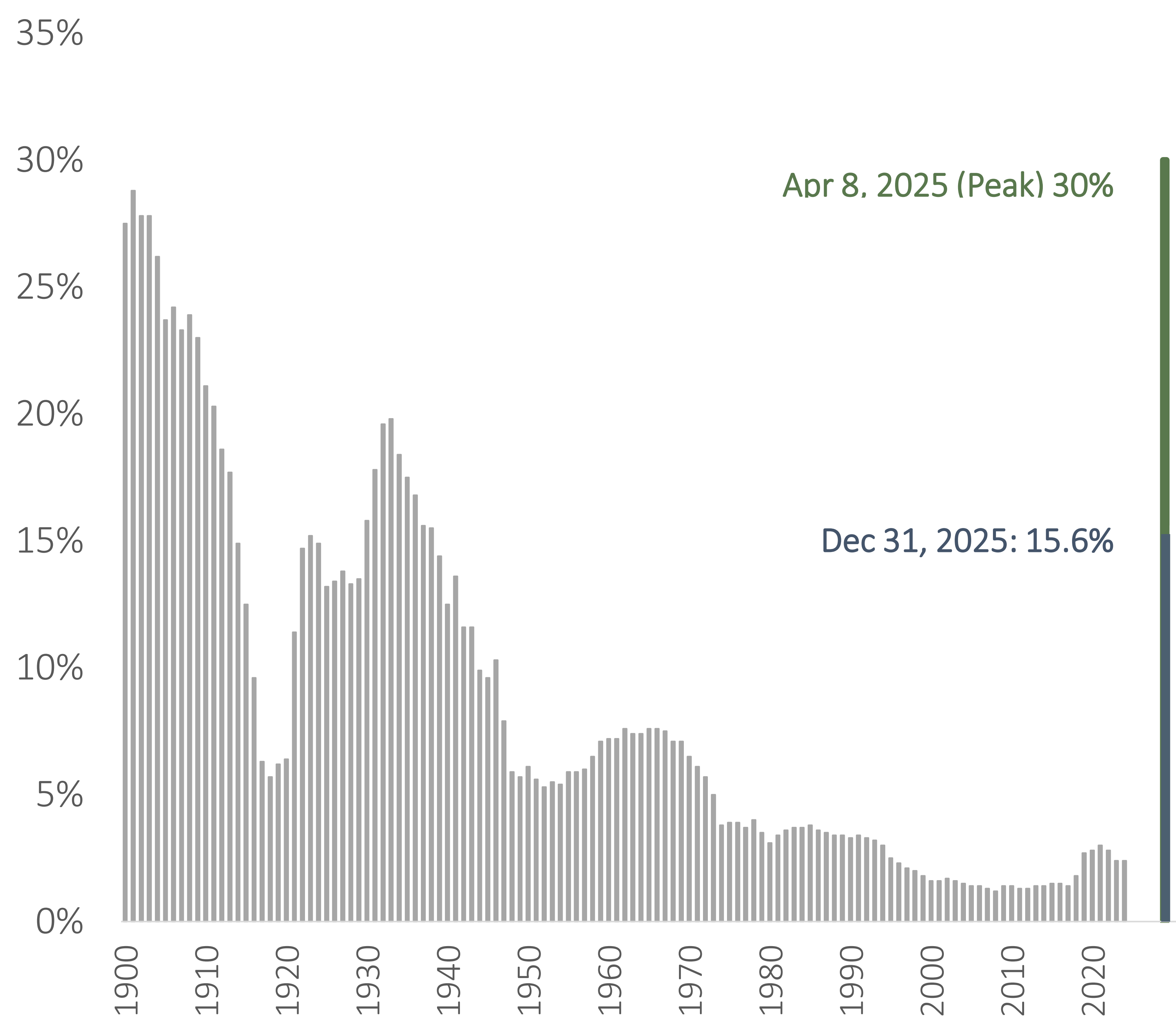
THE MACRO STORY OF 2025: RESILIENCY

TARIFFS PROVED DISRUPTIVE, BUT FAR LESS DAMAGING TO THE ECONOMY THAN EXPECTED

The US economy proved far more resilient than expected in 2025, defying widespread forecasts of a sharp slowdown. Growth held up even after the broad slate of tariffs introduced in April. Businesses largely absorbed higher input costs through margins and productivity gains, limiting the growth drag many had anticipated.

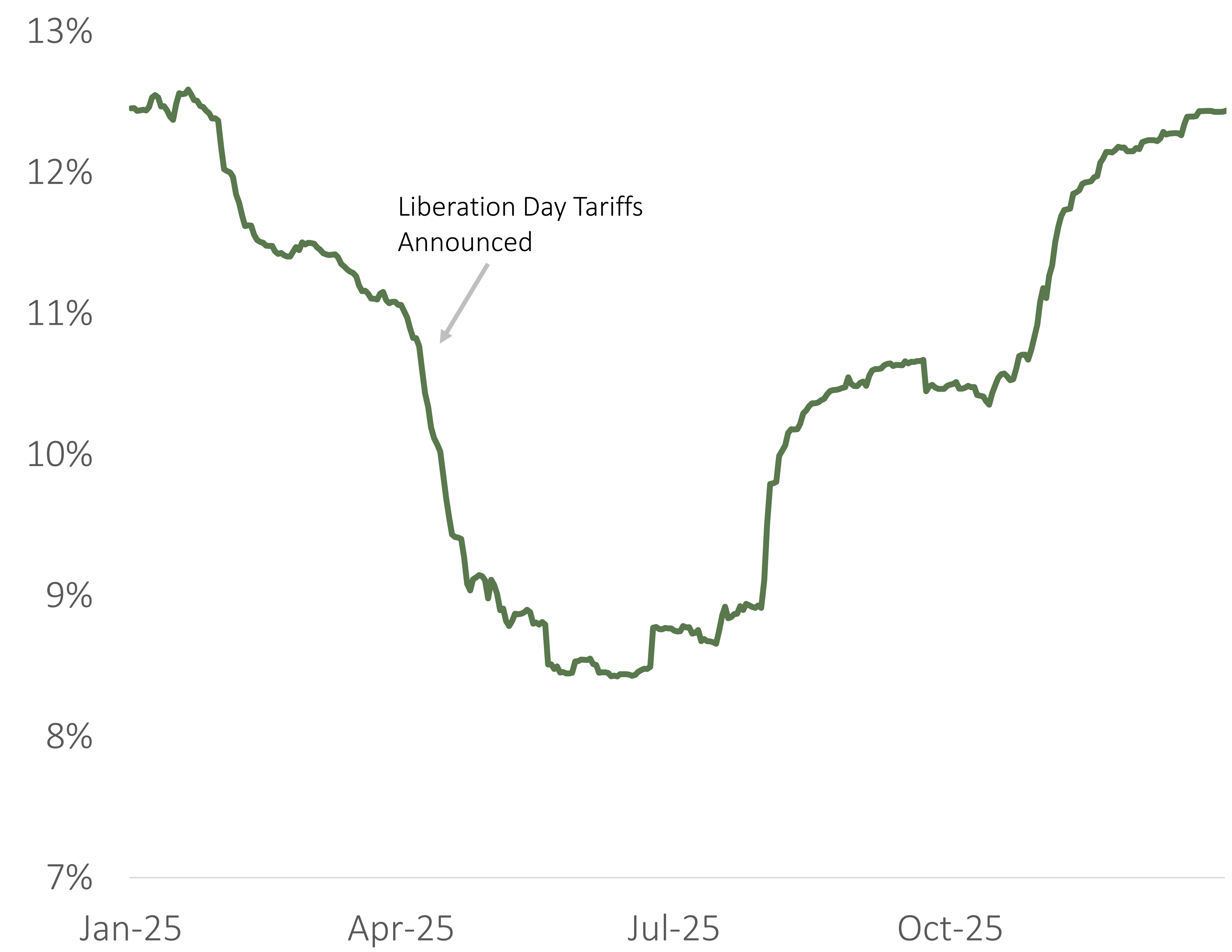
Tariffs Fell Short of the Worst Case Fears

Effective US Tariff Rate



2025: The Year of Resilience

Evolution of S&P 500 Consensus Earnings Growth Estimates



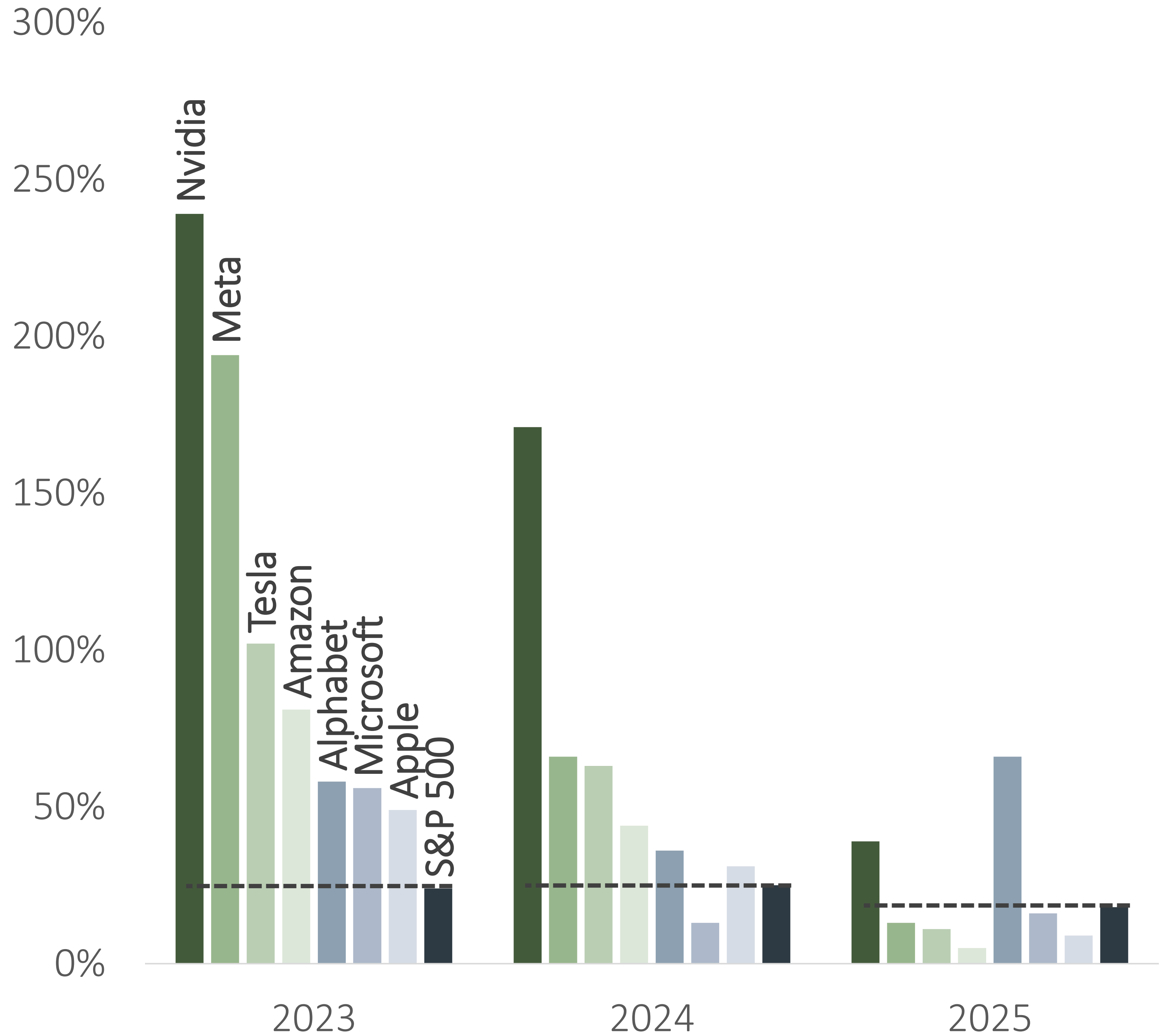
MARKET LEADERSHIP MOVES ABROAD

BIG TECH PASSES MARKET LEADERSHIP BATON TO INTERNATIONAL EQUITIES

The Magnificent 7 lost its role as the primary market leader in 2025, with returns broadening well beyond US mega-cap technology. Leadership rotated toward non-US equities, which benefited from more attractive valuations and a weaker dollar.

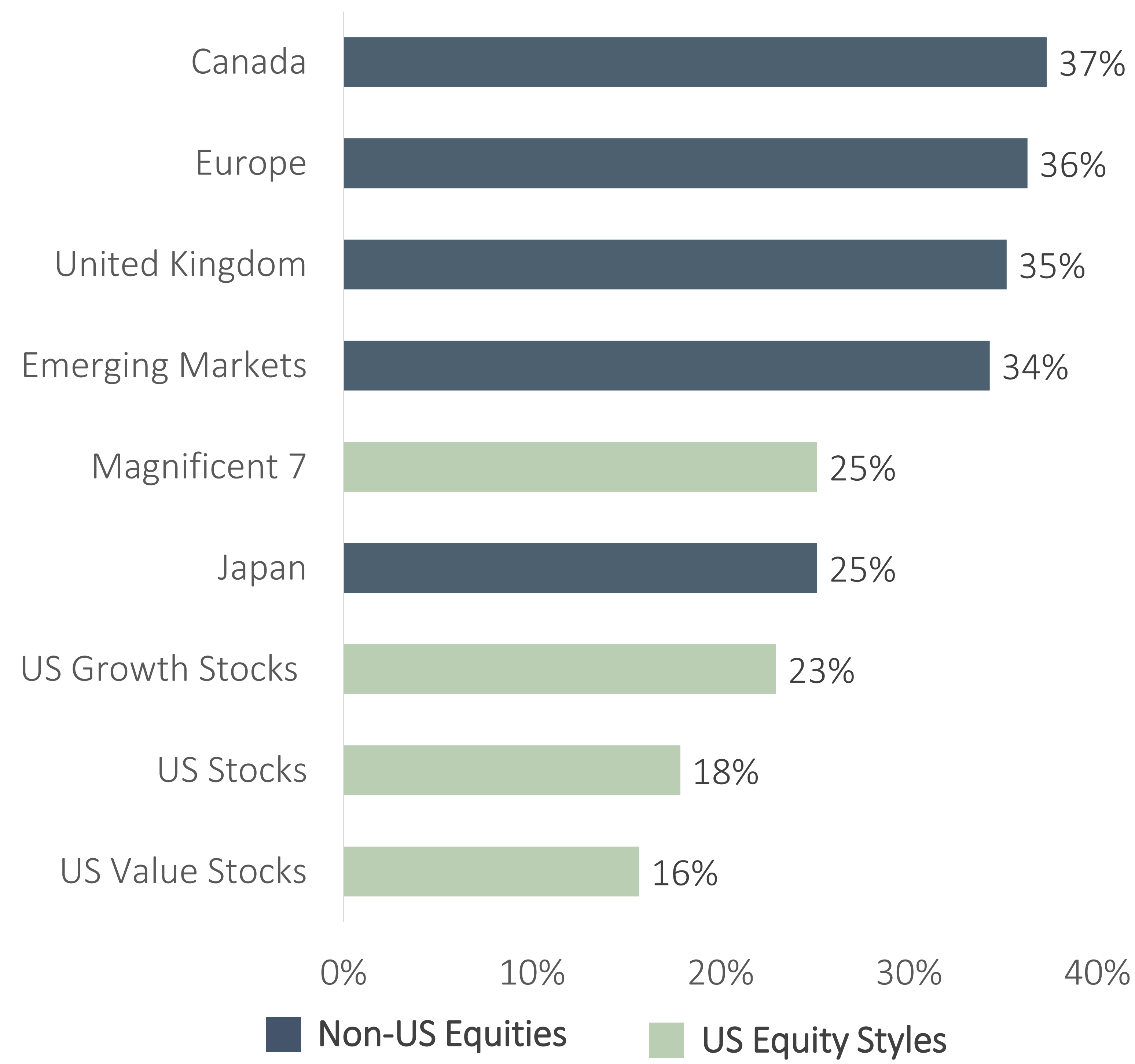
Inside the Mag 7, Winners are Getting Scarcer

Calendar Year Total Returns



International Stocks Take the Lead From US Markets

2025 Total Returns



Source: Crescent Grove Advisors, Bloomberg. As of December 31, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

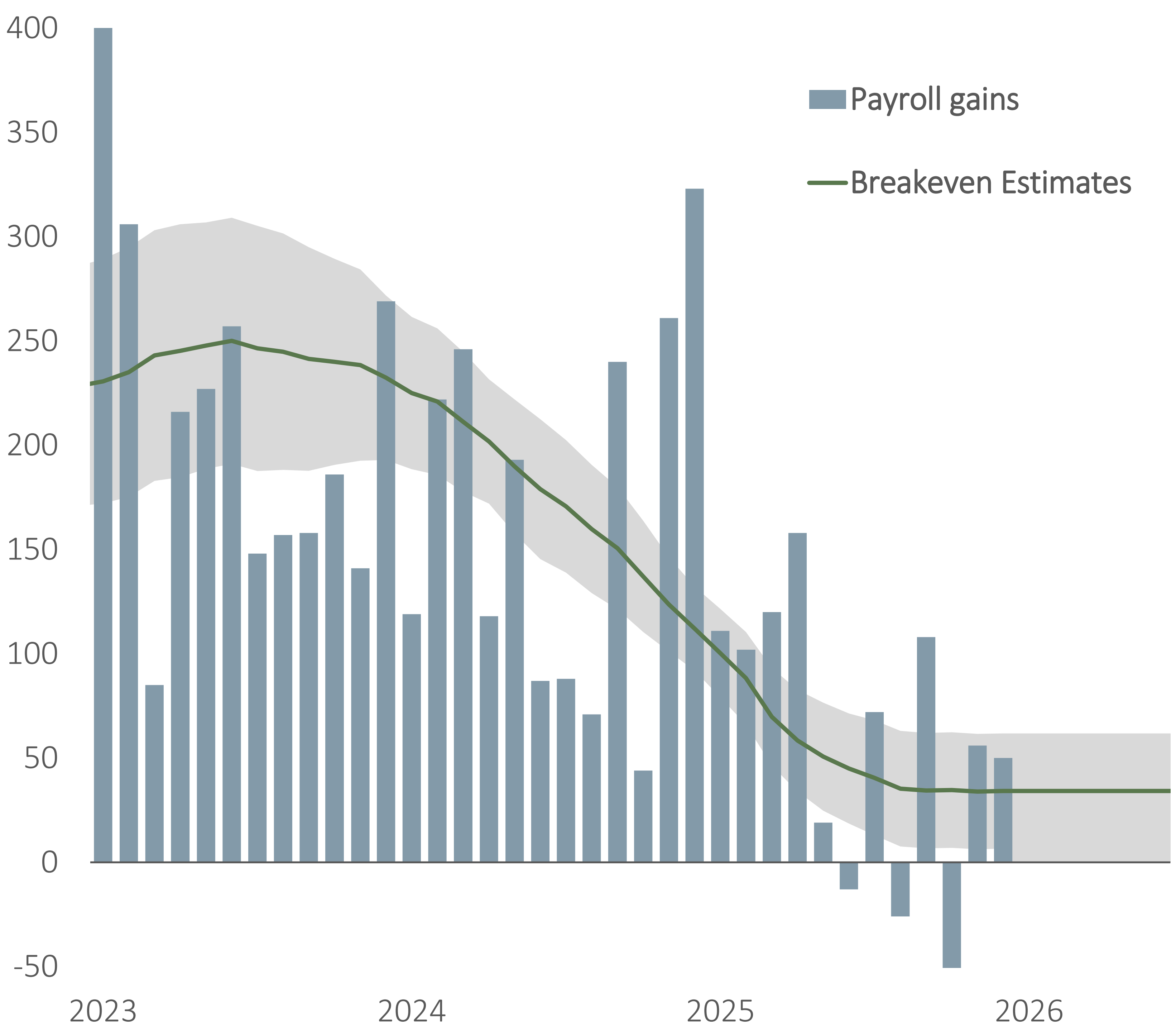
THE NEW LABOR MARKET EQUILIBRIUM

EVEN WITH WEAK HIRING, LOW IMMIGRATION SHOULD RESTRAIN A HIGHER UNEMPLOYMENT RATE

The labor market has shifted into a new equilibrium defined by low hiring and low firing. Changes in the administration's immigration policy mean the economy now requires far fewer monthly job gains to maintain a stable unemployment rate.

Restrictive Immigration Policies Rewrite the Jobs Math

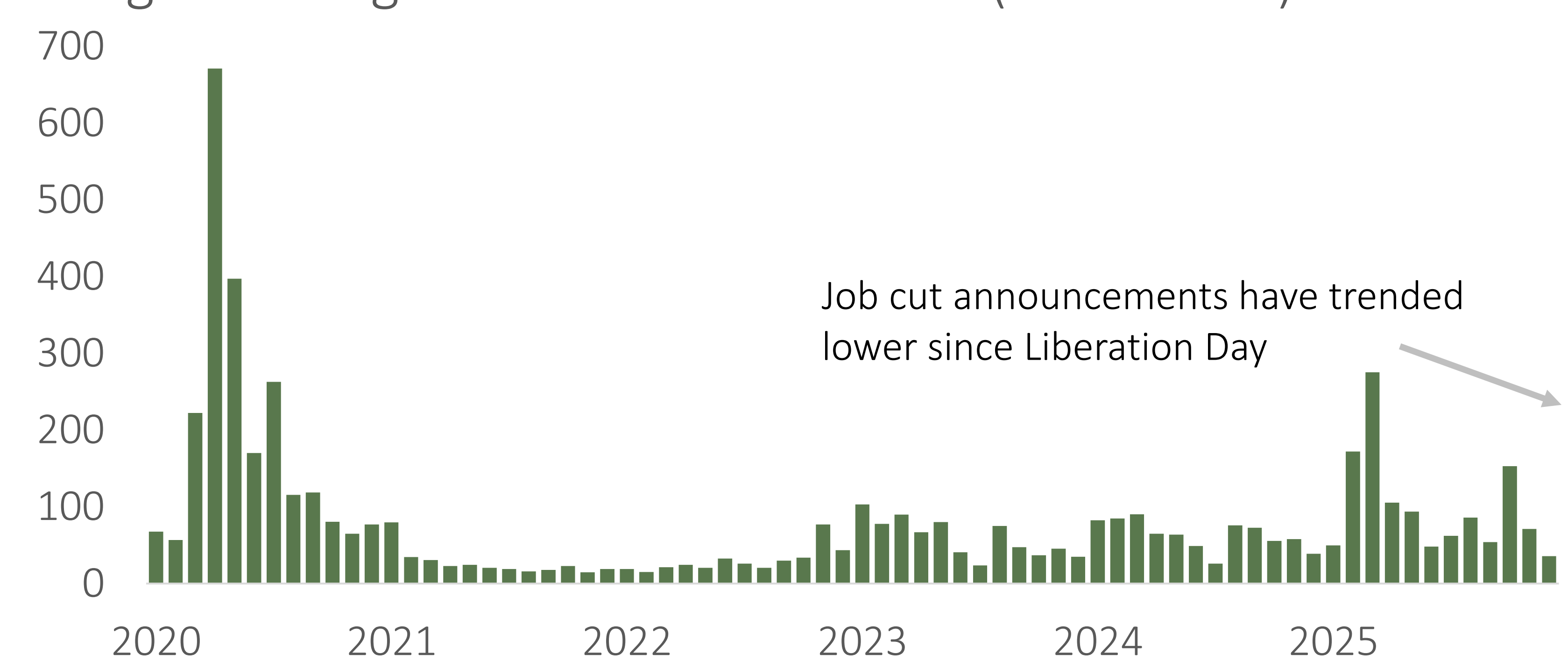
Monthly Payroll Gains vs CBO Estimated Breakeven Rate



The New Labor Reality of Low Hiring and Low Firing

Hiring: Jolts Job Openings vs Indeed # of Job Postings

Firing: Challenger Announced Job Cuts (Thousands)



Source: Crescent Grove Advisors, Bloomberg, Congressional Budget Office. As of December 31, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

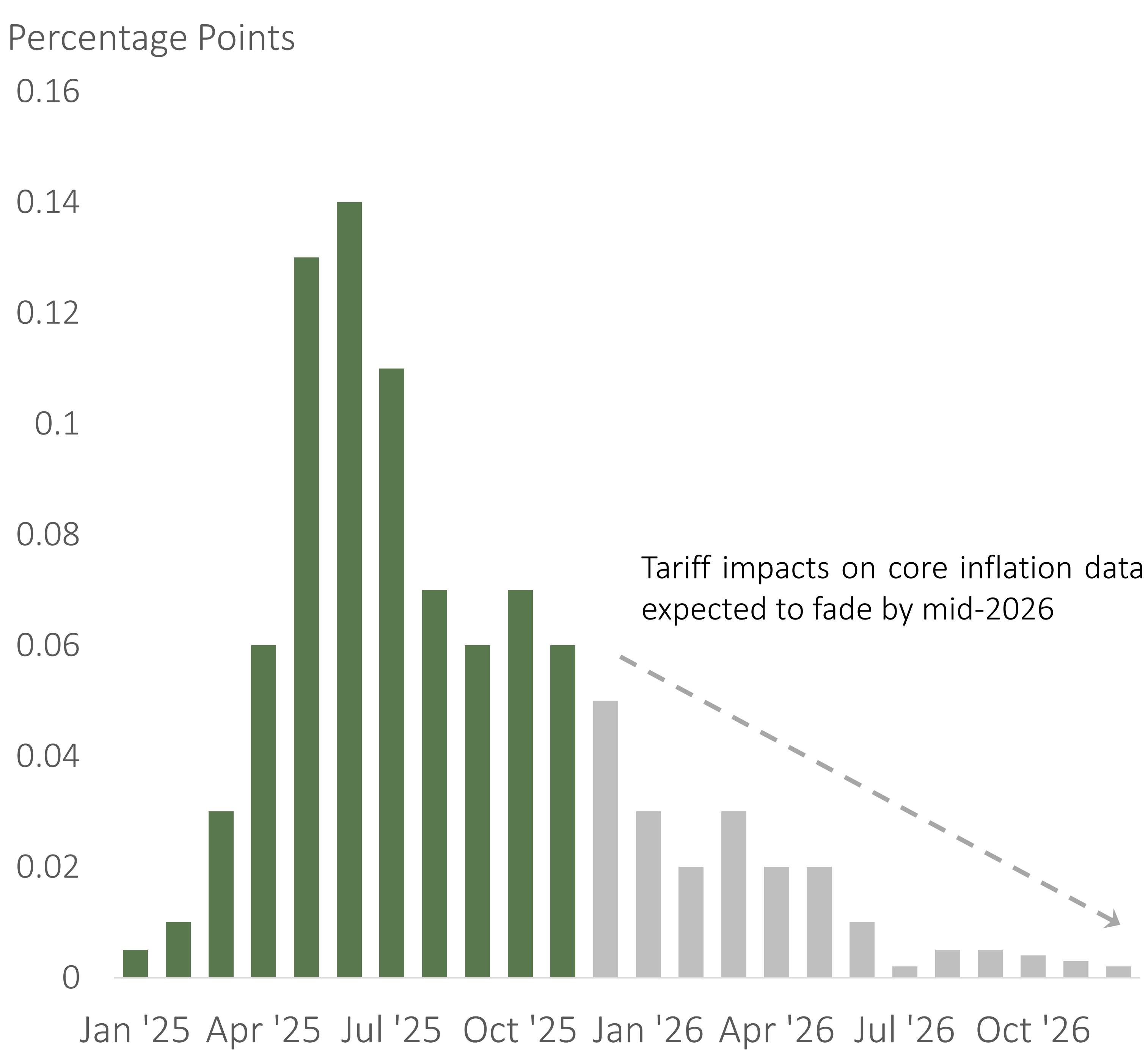
THE CASE FOR COOLING INFLATION IN 2026

INFLATION SET TO MODERATE AS TEMPORARY HEADWINDS EASE IN THE SECOND HALF

Inflation should cool in 2026 as the one-time price effects from tariffs fade. Similarly, the Fed's approach to measuring rental inflation is overstating conditions relative to current market rents. As those measurement lags unwind and tariff pressures fade, headline inflation should ease in the back half of 2026.

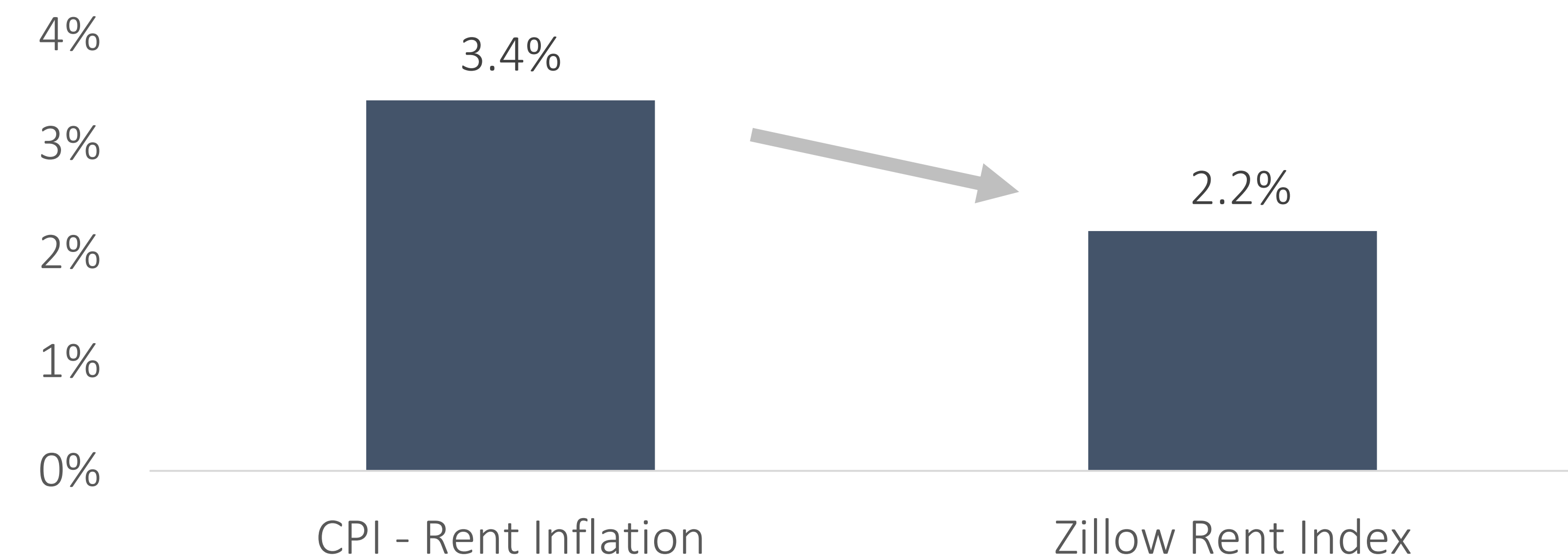
Tariff Effects on Inflation Seen Fading Next Year

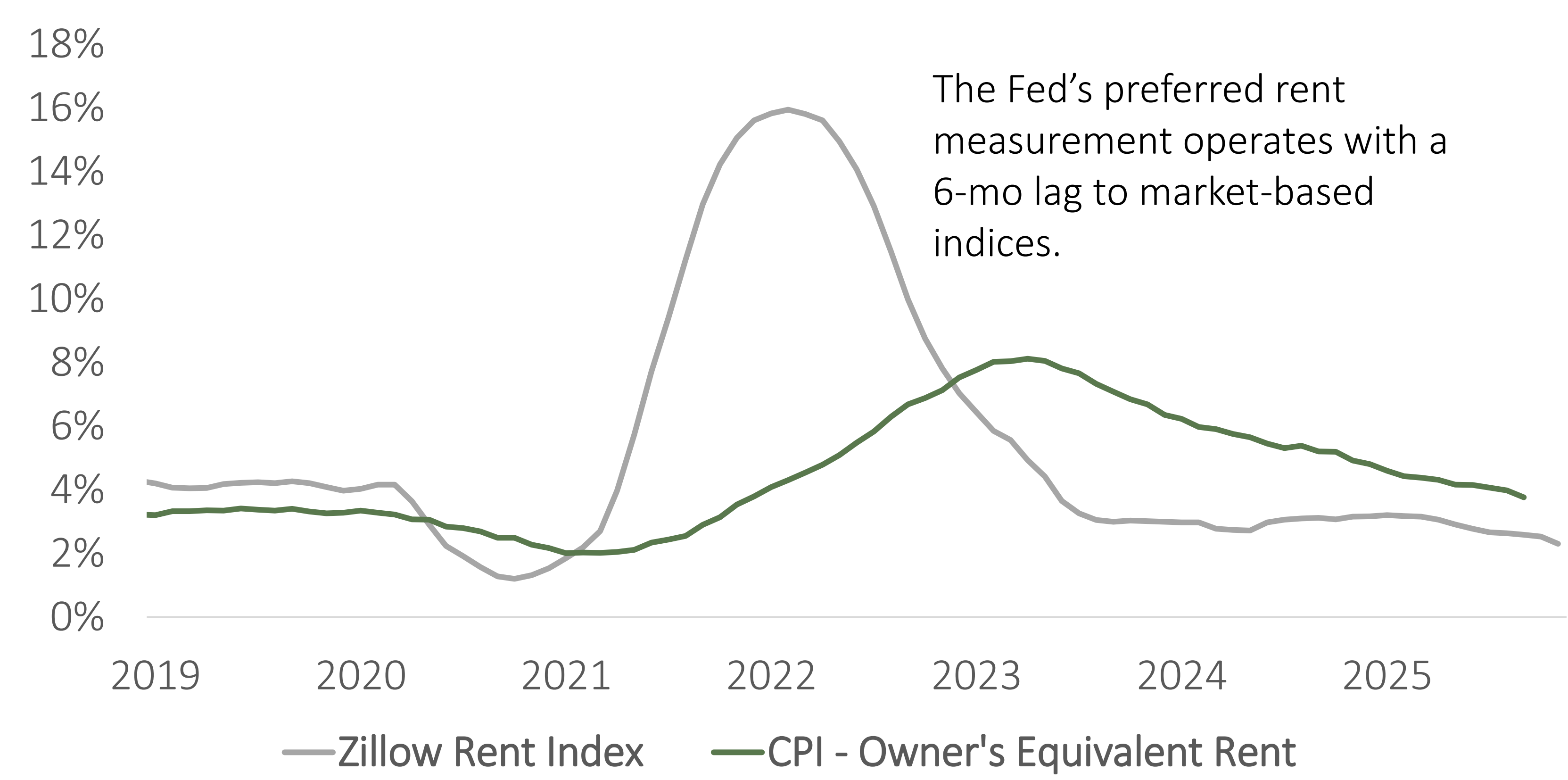
Estimated Tariff Impact on Core PCE Inflation



What the Data Isn't Capturing: Rental Inflation is Declining

Actual Measure of Rent Inflation: CPI-OER vs Zillow Rent





Source: Crescent Grove Advisors, Bloomberg. As of December 31, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

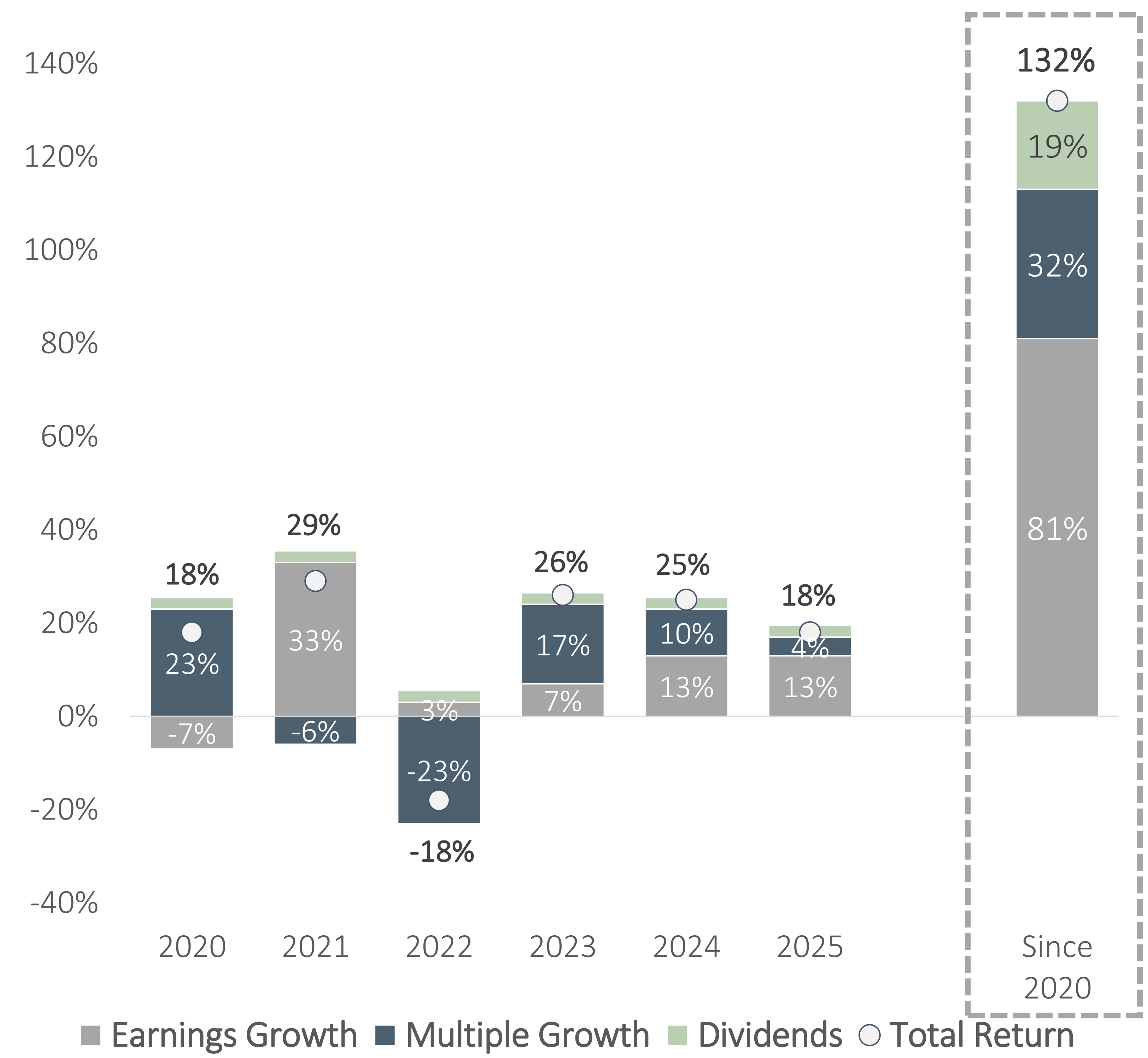
EQUITY VALUATIONS ARE FULL BUT FAR FROM FROTHY

UNLIKE THE DOT-COM BUBBLE, TODAY'S VALUATION STORY IS SUPPORTED BY FUNDAMENTALS

Today's market bears little resemblance to the dot-com era bubble, when valuations were driven by speculation rather than profits. The current market is fundamentally higher quality, with many of the largest companies generating substantial earnings and free cash flow.

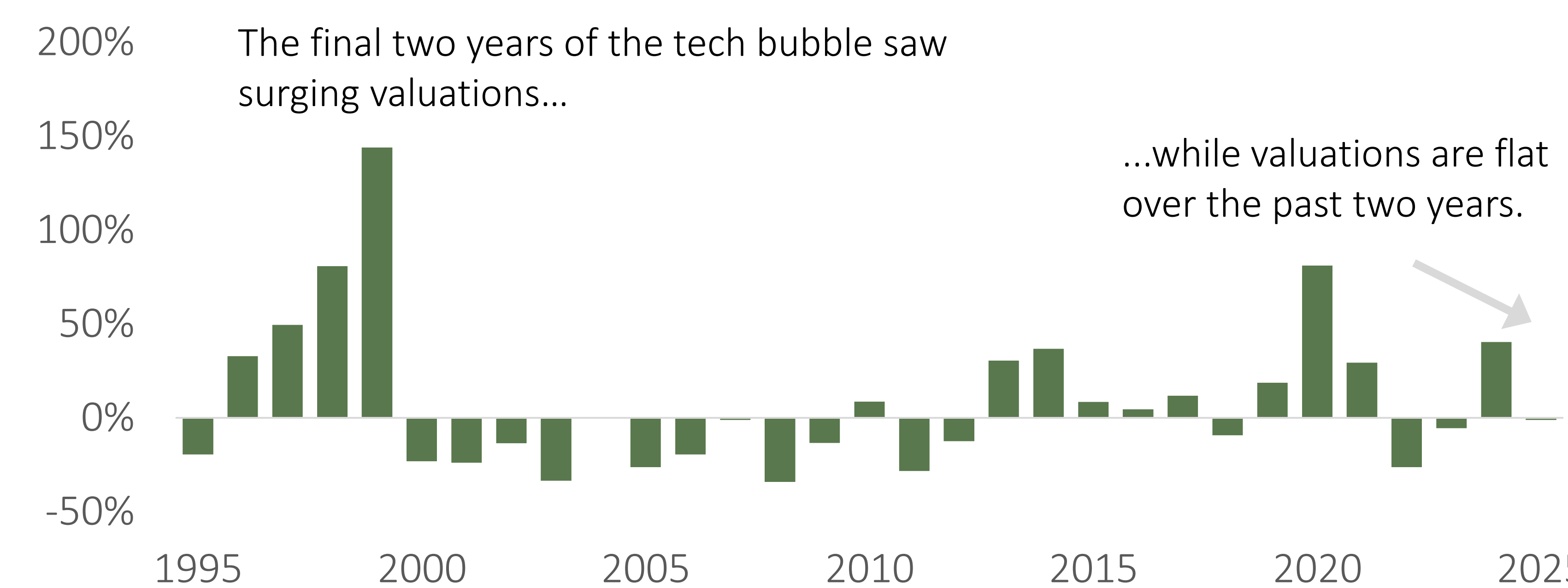
This Isn't 1999: Earnings Driving Market Gains

S&P 500 Total Return Drivers

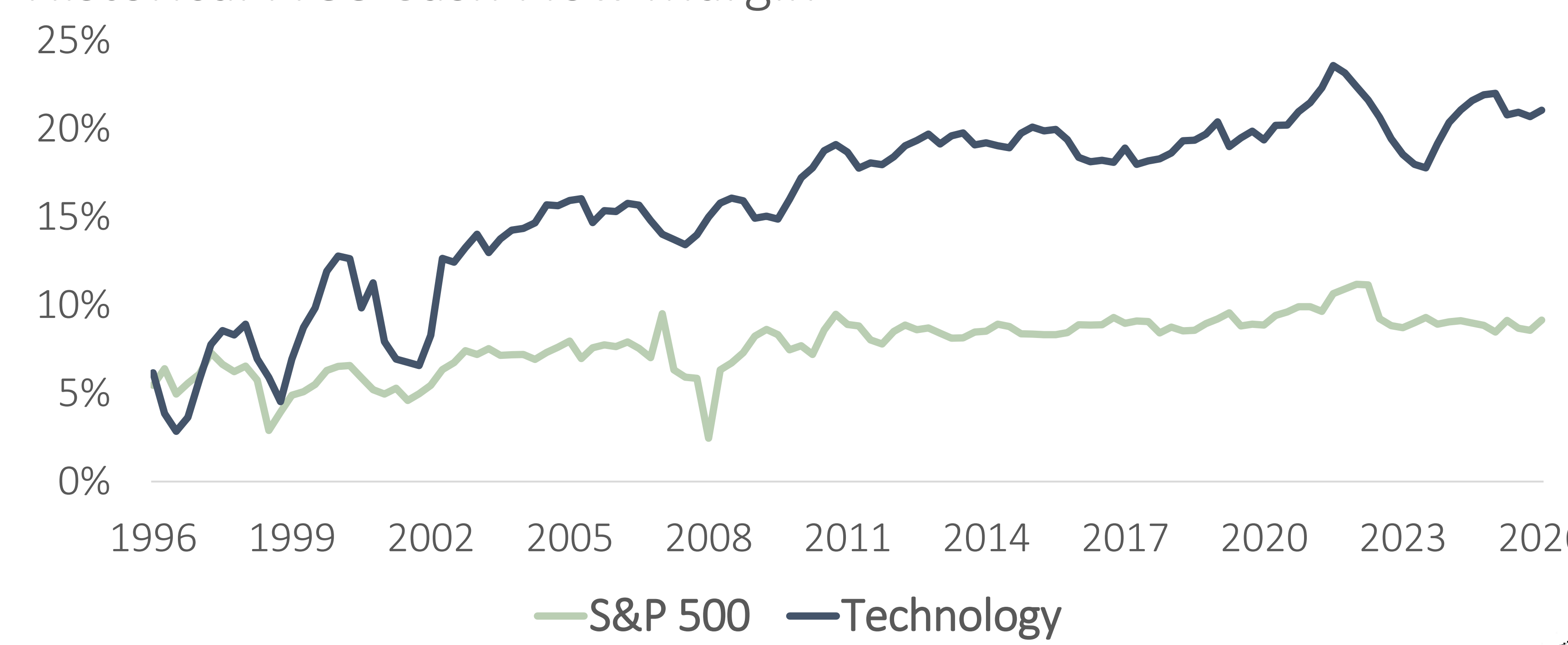


Stronger Margins Are Rewriting Today's Valuation Story

Tech Sector: 2-Yr Cumulative % Change in Forward P/E



Historical Free Cash Flow Margin



BOND MARKET RETURNS

RETURNS FOR MAJOR BOND INDICES

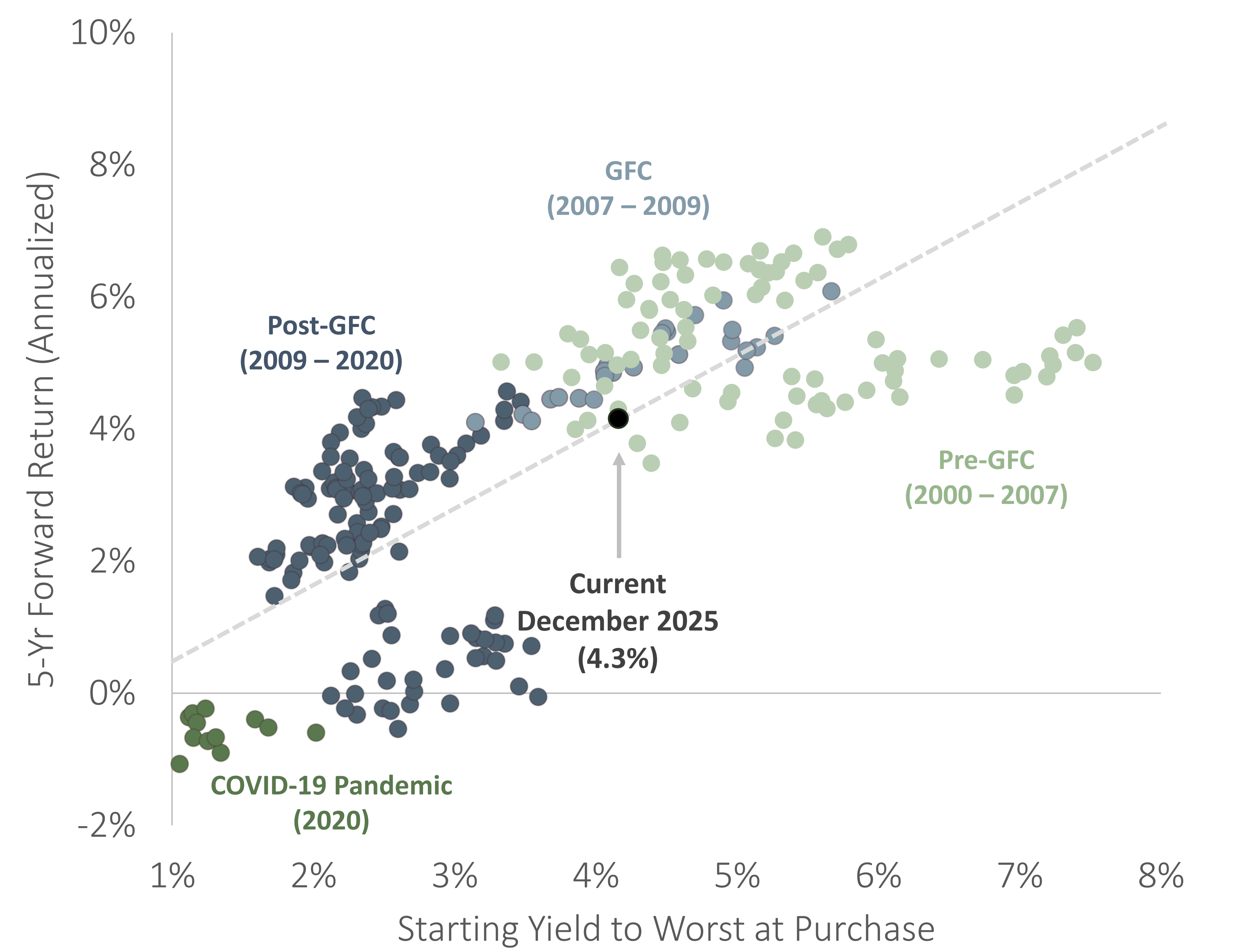
Bonds posted modest, income-driven gains in Q4 to cap one of the better years for fixed income investors. Treasuries and investment-grade credit demand remained firm on expectations of eventual Fed cuts, keeping spreads tight. Heavy issuance pointed to strong demand for yield despite ongoing policy uncertainty.

Bonds Post Solid Gains After Volatile First Half

Major Bond Index Returns – YTD

Starting Bond Yields Have Historically Tracked Forward Returns

Bloomberg US Agg Bond: 5-Yr Forward Return vs Starting Yield (%)



Source: Crescent Grove Advisors, Bloomberg. As of December 31, 2025. **Past performance is not a guarantee of future returns.** See important disclosures on the last page.

TREASURY YIELDS

BENCHMARK TREASURY YIELDS

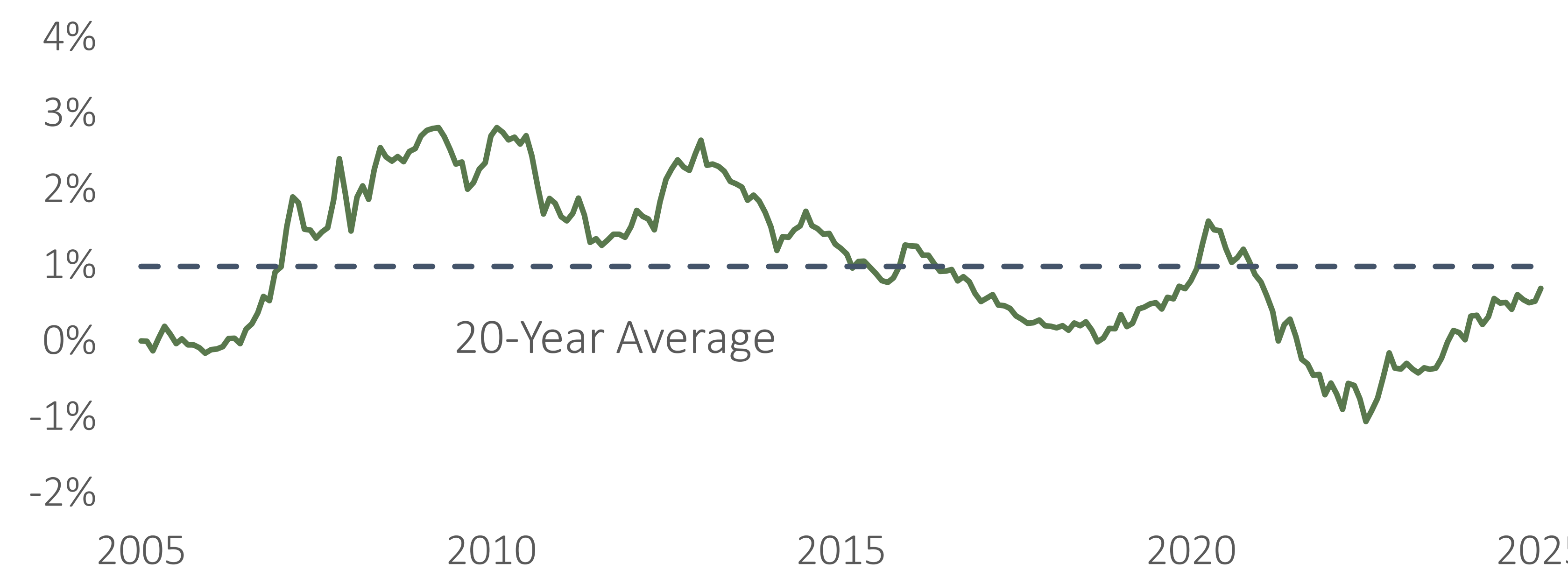
The Federal Reserve lowered interest rates again in the fourth quarter, bringing the total reduction to 1.75% since September 2024. The quarter marked a more divided and cautious tone from policymakers. This internal friction, coupled with lagging economic data, has increased uncertainty around the path for policy in 2026.

Long-End Yields Little Changed as Markets Reprice

Treasury Yields – YTD

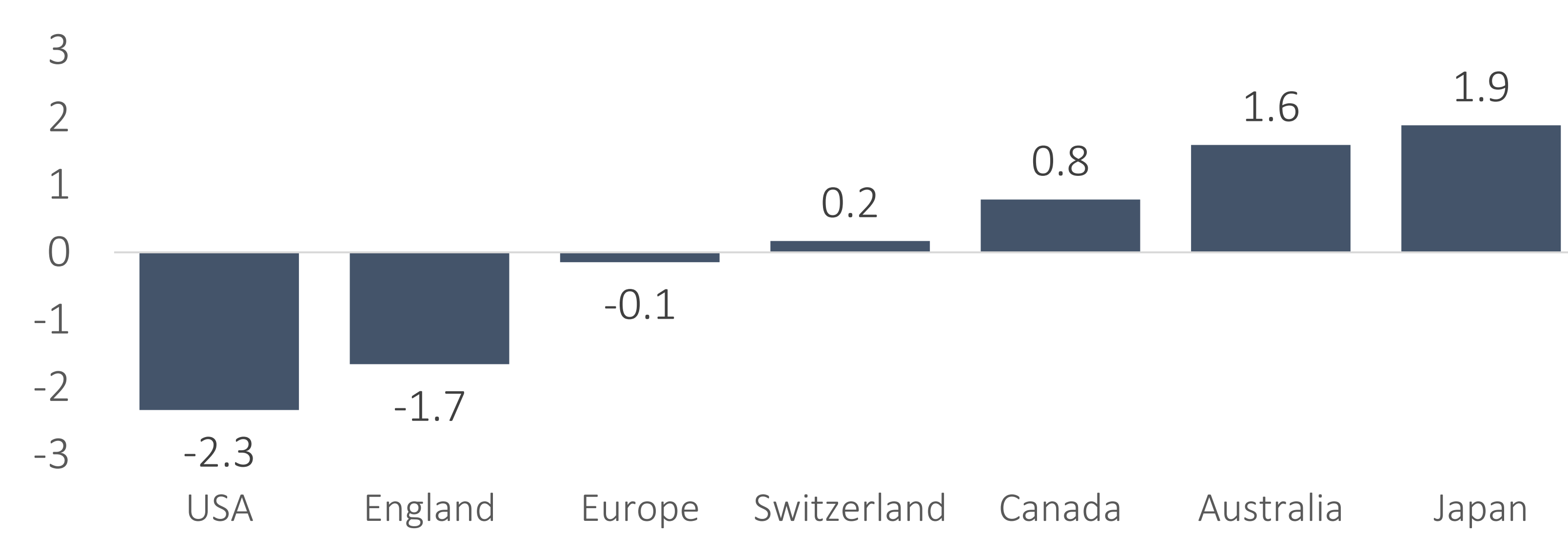
The Yield Curve is Approaching Historical Levels of Steepness

Difference Between 10 Yr and 2 Yr Treasury Yields



The US Is Likely to Lead Global Monetary Easing

of 25bps Rate Cuts Expected in 2025



Source: Crescent Grove Advisors, Bloomberg. As of December 31, 2025. See important disclosures on the last page.

CREDIT SPREADS

INVESTMENT GRADE AND HIGH YIELD CREDIT SPREADS

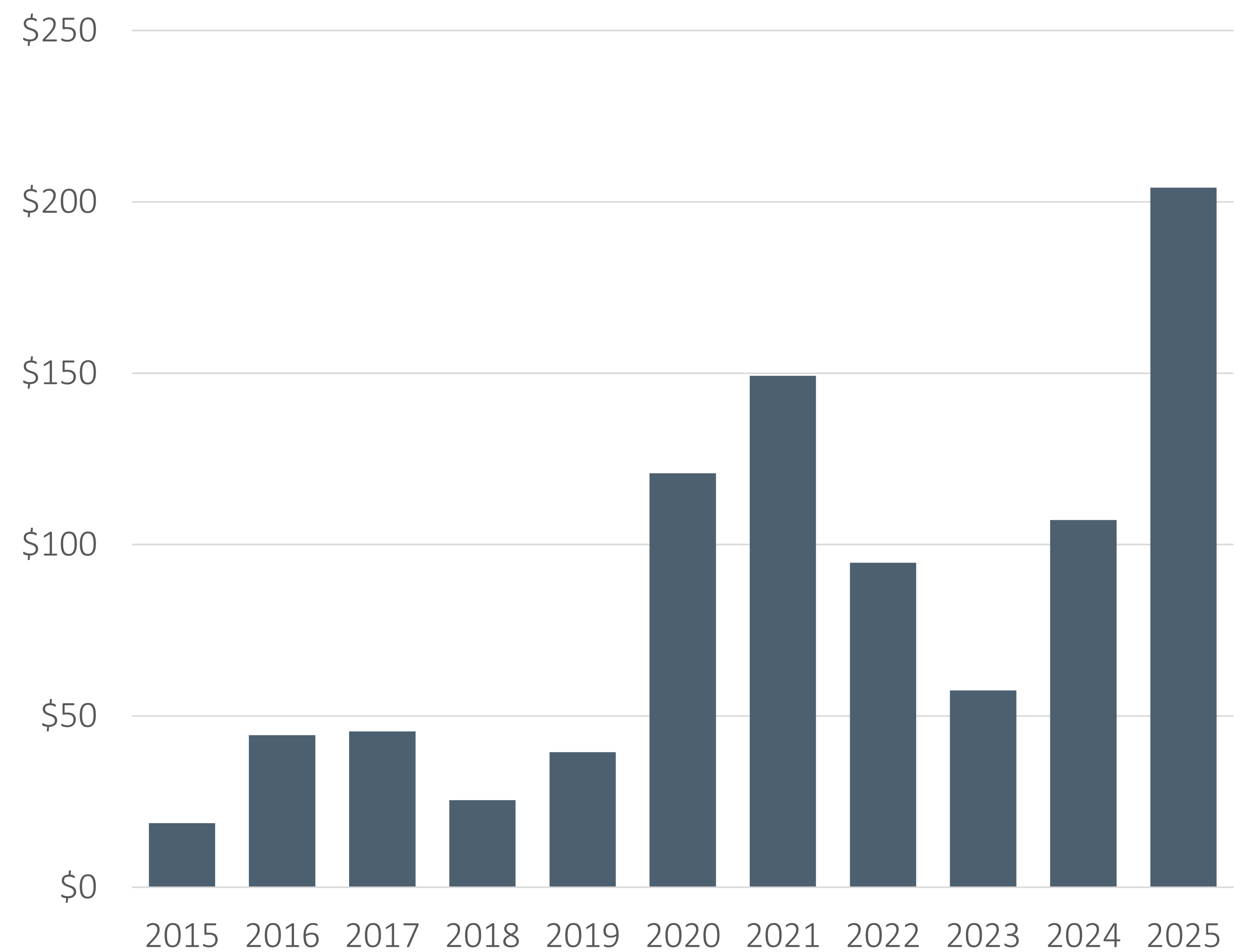
Credit markets held steady in Q4 with tight spreads and strong risk appetite as investors chased yield. Investment-grade and high-yield bonds saw solid demand alongside heavy issuance, reflecting confidence in fundamentals.

Tight Credit Spreads Signal Strong Risk Appetite

Investment Grade and High Yield Corporate Spreads

Big Tech Turns to Debt Markets to Fund AI Spend

Technology Sector: Investment Grade Issuance ($ Billions)



Source: Crescent Grove Advisors, Bloomberg. As of December 31, 2025. Credit rating returns based on data for ICE BofA. **Past performance is no guarantee of future results.** See important disclosures on the last page.

STOCK MARKET RETURNS: US VS. NON-US

RUSSELL 3000 VS. MSCI ACWI-EX USA INDEX

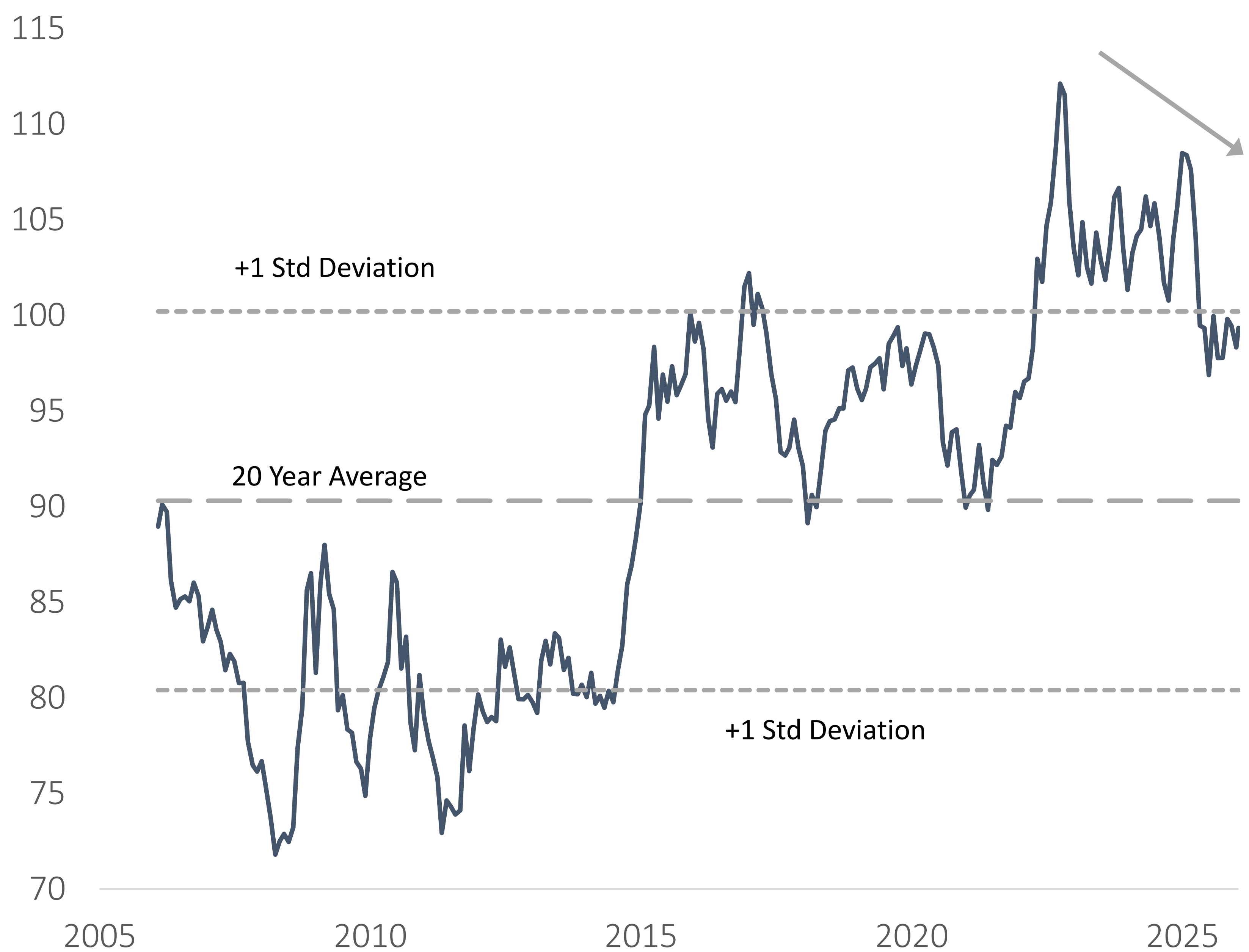
A notable revival in international markets defined the 2025 investment landscape. Non-US stocks emerged as the clear leaders, fueled by more accommodative monetary policies outside the US and a depreciating dollar. These factors allowed international returns to significantly outpace US stocks in Q4 and for the full year.

Non-US Markets Outrun US Indices in 2025

US (Russell 3000) vs. Non-US (MSCI ACWI ex. USA)

Room for Dollar Weakness Could Boost Equity Returns Abroad

US Dollar Index



Source: Crescent Grove Advisors, Bloomberg. As of December 31, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

STOCK MARKET RETURNS: US LARGE VS. SMALL

S&P 500 INDEX VS. RUSSELL 2000 INDEX

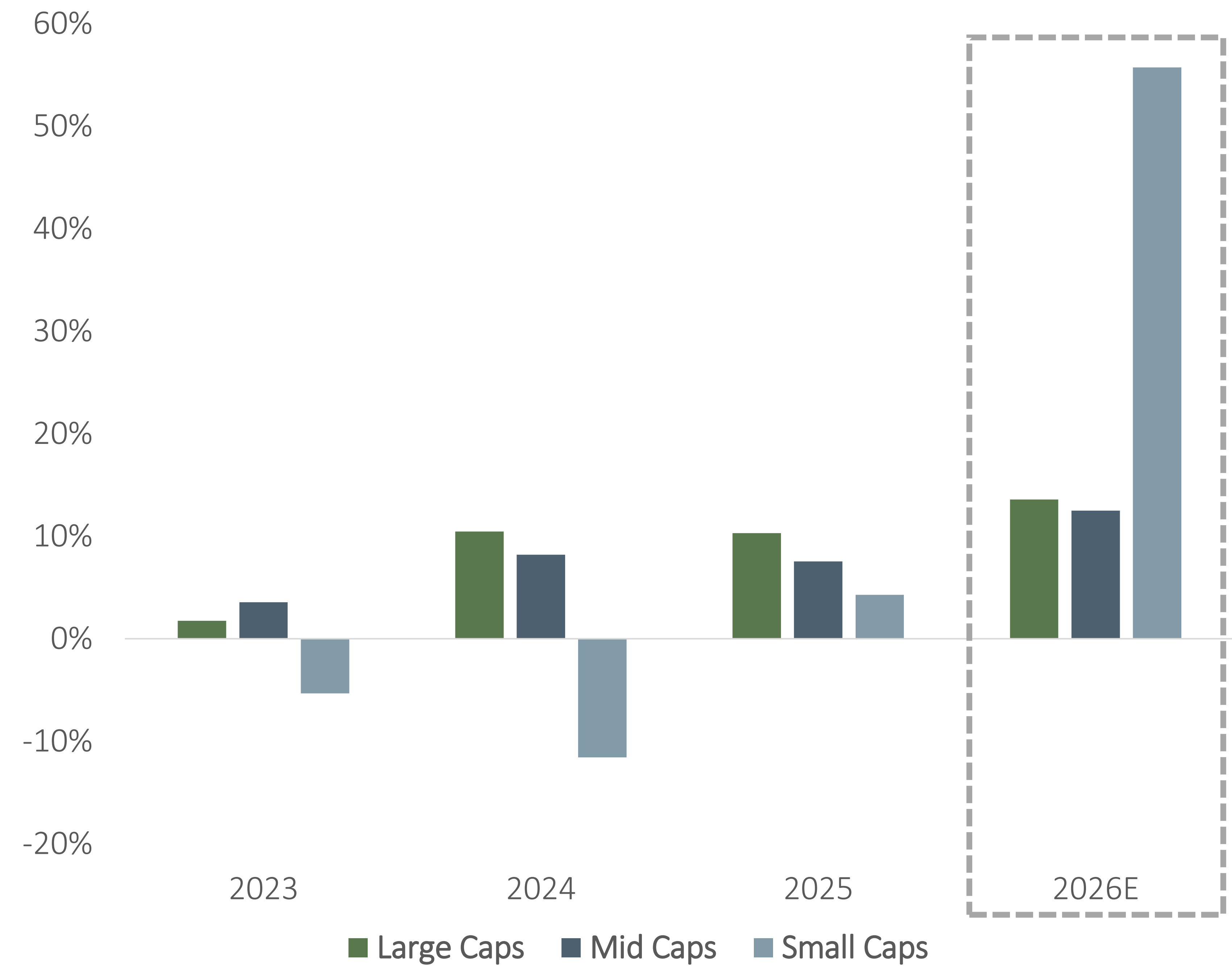
While small caps broadly lagged their larger peers in 2025, they appear well positioned for a stronger year ahead, supported by an earnings rebound and more attractive valuations. If market leadership broadens beyond mega-cap names, small caps stand to benefit the most.

Market Strength Concentrated in Large Caps in 2025

US Large Caps (S&P 500) vs. Small Caps (Russell 2000)

Small Caps Re-Enter the Conversation as Earnings Cycle Turns

Headline EPS Growth (YoY%)



Source: Crescent Grove Advisors, Bloomberg, Russell. As of December 31, 2025. **Past performance is no guarantee of future results.** See important disclosures on the last page.

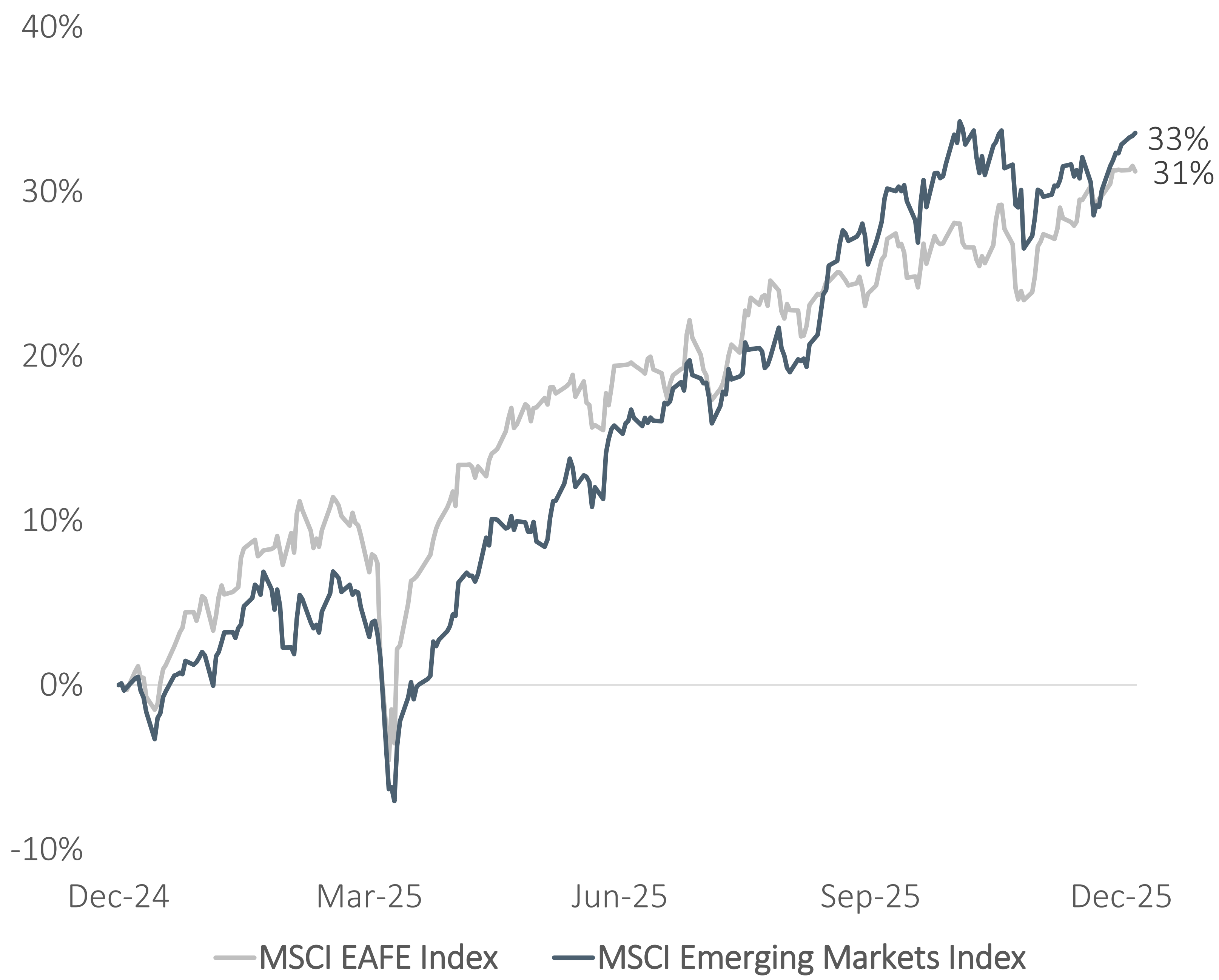
STOCK MARKET RETURNS: DEVELOPED INT'L VS. EM

MSCI EAFE INDEX VS. MSCI EMERGING MARKETS INDEX

International developed and emerging markets moved in lockstep throughout 2025, delivering synchronized gains capped by strong Q4 finish. This resurgence was sparked by a rebound from cheap valuations and sustained by accommodative policy shifts across major foreign economies.

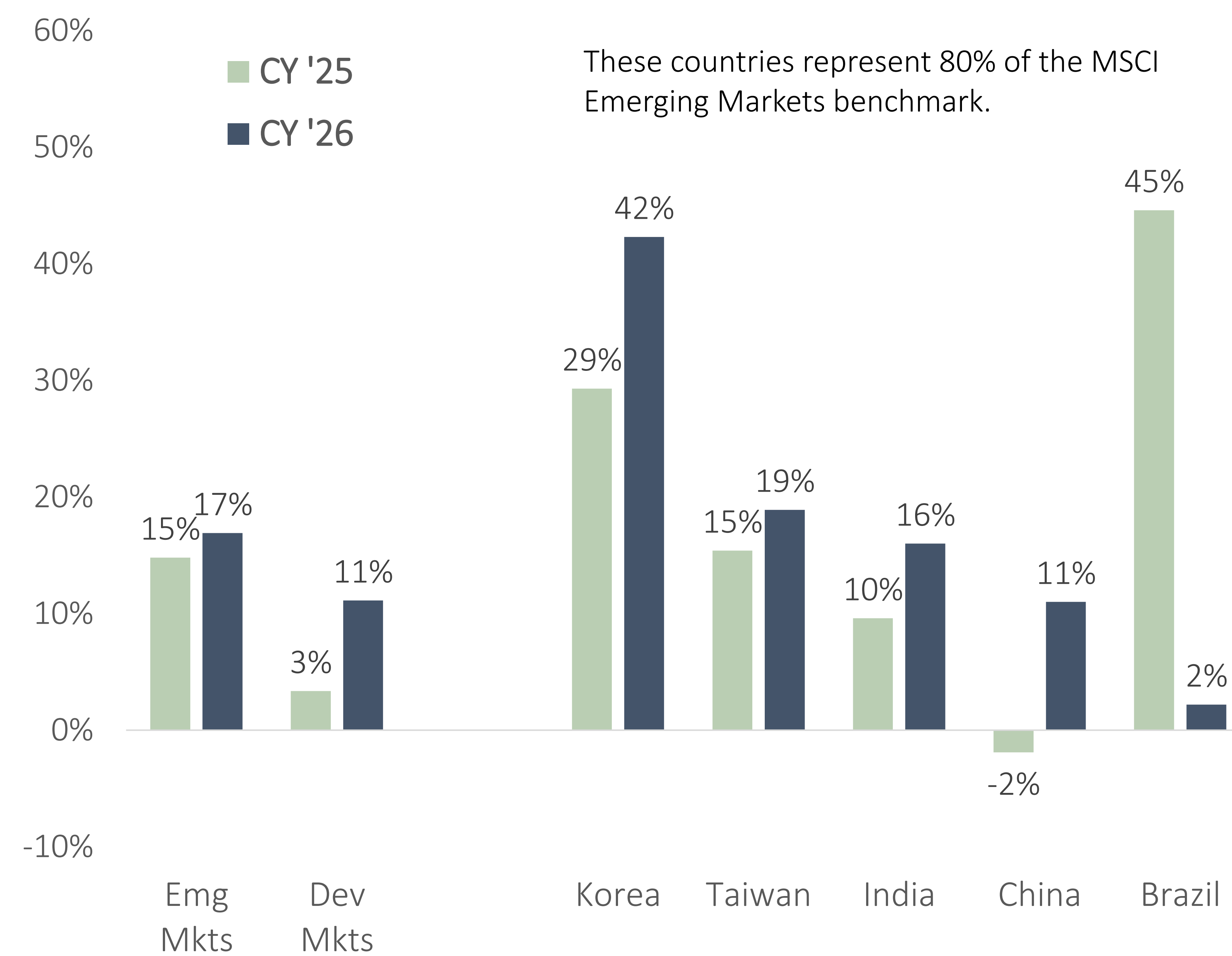
China Stimulus Sparks Broader EM Rally

Dev Int'l (MSCI EAFE) vs Emerging Markets (MSCI EM)



Emerging Market Earnings Growth Set to Accelerate in 2026

Estimated Annual Earnings Growth (YoY%)



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Crescent Grove Advisors, LLC
2026