WAINWRIGHT INVESTMENT COUNSEL, LLC

FINANCIAL MARKETS HIGHLIGHTS

Fourth Quarter 2025

The fourth quarter of 2025 saw the S&P 500 of large and mega cap stocks gain 2.7%. The index returned 17.9% for the year, leading the Dow Jones Industrial Average of blue-chip stocks, which finished up 14.9%, and trailing the tech-heavy NASDAQ, which gained 21.0%. A relatively quiet quarter (by today's standards) for the S&P 500 saw Health Care finish as far and away the best performing sector, up 11.7%. Communication Services and Financials were next best at 7.3% and 2.0%, respectively, with 11 of the 12 sectors posting fourth quarter gains (Utilities were the odd man out). Value stocks outpaced growth stocks during the quarter, and international stocks ended 2025 up smartly, with the MSCI EAFE index of developed market stocks and MSCI Emerging Market index rallying 4.9% and 4.7%, respectively, driving both indexes to return over 31.0% on the year.

The Bloomberg Aggregate Bond index gained 1.1% during the fourth quarter and finished the year up 7.3%, its best year since 2020. The 10-year US Government Bond yield which was 4.6% as of December 31, 2024, reached a high of 4.8% about 10 days later, and settled back to 4.2% as of year-end. Municipal bonds fared well, as did investment grade and high yield corporates. Solid performance across the bond landscape is partly attributable to the Federal Reserve's decision to cut its short-term Federal Funds rate twice during the quarter, each by 0.25%, ending the year with a target range of 3.5% to 3.75%. Unfortunately, inflation remains persistent and above target entering 2026, with prices rising 2.8% over the last twelve months according to the Federal Reserve's preferred inflation gauge. In attempting to satisfy its dual mandate of maximum employment and price stability, the Federal Reserve considered the upward trajectory of unemployment, to 4.6% in November, to be the more pressing matter and, in cutting interest rates, modestly eased business conditions. Those opposed to the action, concerned that it could have an inflationary impulse, point to third quarter real GDP which was up an impressive 4.3%, as a sign that the employment market will likely right itself absent any "goosing."

The story in commodities was undoubtedly silver and gold. Silver was the year's top performing asset class, surging 55.9% during the quarter and 149.1% for the year. Barron's Paul R. La Monica reported that for just the second time in history, January 2, 2026 saw an ounce of silver cost more than a barrel of oil, aided by oil falling ~20.0% last year. Gold returned 14.2% during the fourth quarter and 67.4% for the year, with catalysts for the dramatic rise in prices of both metals including investor consternation over US trade policy (*i.e.,* tariffs), interest rate cuts and, related, a weakening US dollar. The dollar was flattish against most currencies during quarter but,

Selected Index Returns (%) as of December 31, 2025 (Source: Morningstar Direct). 3, 5, 10 year returns are annualized.

	October	November	December	QTR	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2.34%	0.25%	0.06%	2.66%	17.88%	17.88%	23.00%	14.43%	14.82%
S&P 400	-0.47%	2.05%	0.07%	1.64%	7.50%	7.50%	12.56%	9.12%	10.72%
Russell 2000	1.81%	0.96%	-0.58%	2.19%	12.81%	12.81%	13.73%	6.09%	9.61%
Wilshire US REIT Index	-1.60%	2.28%	-2.32%	-1.69%	2.71%	2.71%	9.17%	6.86%	5.55%
MSCI EAFE	1.18%	0.62%	3.00%	4.86%	31.22%	31.22%	17.22%	8.93%	8.18%
MSCI Emerging Markets	4.18%	-2.39%	2.99%	4.73%	33.57%	33.57%	16.39%	4.20%	8.42%
Bloomberg US Aggregate Bond	0.62%	0.62%	-0.15%	1.10%	7.30%	7.30%	4.66%	-0.36%	2.01%
Bloomberg High Yield	0.16%	0.58%	0.57%	1.31%	8.62%	8.62%	10.06%	4.51%	6.53%

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for the full year, declined ~7.0% against a broad basket of currencies compiled by the St. Louis Federal Reserve. Those holding Bitcoin saw a price decline of 23.5% during the fourth quarter, the second worst quarterly performance in its history.

Artificial intelligence themes continued to dominate headlines and CNBC segments during the year, as OpenAI announced hundreds of billions of dollars' worth of deals with many major technology companies, including NVIDIA, Oracle, Microsoft and Broadcom. The sheer magnitude of deals, and their intertwined nature, has brought up questions about valuation and the sustainability of the so-called "AI trade" itself. It is important to remember that valuations are only a concern if earnings do not grow along with them, and to this point, earnings growth remains robust. S&P Global reports that S&P 500 earnings for the trailing 12 months ended September 30, 2025 grew 17.0% compared to the prior 12 months, and their forecast for the next 12 months' earnings growth is also 17.0%. So, while S&P 500 trading at ~24x next 12 months' earnings is expensive relative to history, that valuation is reasonably well supported by robust growth expectations. For those worried about growth concentrated in a few handfuls of technology stocks, see recent quotes from Ed Yardeni of Yardeni Research, who declared his bullishness in December on the group of stocks he calls the "Impressive 493," a reference to the S&P 500 stocks not part of Jim Cramer's "Magnificent Seven."

From all of us here at Wainwright, we hope you had a very happy holiday season, and we look forward to serving you in 2026 and beyond. Please be in touch should you require anything, and have a very Happy New Year.

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