

December Observations

Subdued Month Brings the End to a Solid Year

U.S. equity markets closed a robust year in a more subdued fashion, with the S&P 500 essentially flat for the month. To be sure, the year-end marked the third straight year of the S&P 500 finishing with a return of over 15%, a historical rarity. Underneath the hood there were signs of broadening participation with the equal-weighted S&P 500 finishing ahead of the market-weighted version. While U.S. equity markets were fairly benign, non-U.S. and emerging markets shined, both up 3% in December, finishing 2025 with +30% returns. Leading EM in December was South Korea, which was up nearly 13%, driven by a 21% return by country's largest company, Samsung Electronics. Bond market returns were mixed with Treasuries and investment grade credit lower on higher rates, while high yield's larger coupon and modestly tighter spreads helped deflect rising rate pressure. Listed real assets - real estate and infrastructure - ended lower on the month and showcased widely divergent 2025 full-year returns.

Fed Wraps Up 2025 with a Final Rate Cut

December's Fed meeting was a key focus for the markets, with the Fed easing by the widely expected 25 bps. The combined message from both the post-meeting statement and Jerome Powell's press conference was that with policy rates close to neutral, the time for risk management cuts is past and that further cuts would only come with a material deterioration in the labor market. Markets currently do not expect another rate cut until June 2026.

Gold Breaks Through All-Time High

Gold wrapped up a banner year breaking through its all-time high of \$4500/oz late in December before sliding to end 2025 up more than 60%. Not to be outdone, silver powered to a record high as well and finished the year nearly 150%. Demand from electronics manufacturers and expected silver export restrictions from China, the second largest exporter of silver, drove prices higher.

Asset Manager Commentary

2026 Manager Macro Outlook Summary

Asset managers broadly expect the global economy to remain resilient through 2026, with the U.S. again outperforming other developed markets despite late-cycle dynamics. Growth leadership is expected to remain concentrated in the U.S., while Europe faces structural and political headwinds and China delivers uneven but policy-supported expansion.

2026 Manager Equity Outlook Summary

Most managers remain constructive on equities, but there's an unusually loud split between "stay pro-risk" and "don't own broad beta blindly." Several managers expect leadership to broaden beyond the original AI winners and potentially into small/mid-cap if earnings breadth improves. A meaningful camp argues non-U.S. equities have improved appeal while still acknowledging the U.S. retains the strongest policy/earnings tailwinds.

2026 Manager Fixed Income Outlook Summary

Managers broadly see fixed income as more useful than it's been in years, but they're cautious about assuming a smooth duration rally. The common view is that 2026 bond returns are likely to come more from income than large price appreciation, with curve steepening a recurring theme.

Market Returns - 12.31.2025

		1-Mo	QTD	YTD	2024	2023	2022
Equity	S&P 500	0.1%	2.7%	17.9%	25.0%	26.3%	-18.1%
	Nasdaq Composite	-0.5%	2.7%	21.1%	29.6%	44.6%	-32.5%
	Russell 1000 Growth	-0.6%	1.1%	18.6%	33.4%	42.7%	-29.1%
	Russell 1000 Value	0.7%	3.8%	15.9%	14.4%	11.5%	-7.5%
	Russell 2000	-0.6%	2.2%	12.8%	11.5%	16.9%	-20.4%
	MSCI EAFE	3.0%	4.9%	31.2%	3.8%	18.2%	-14.5%
	MSCI Emerging Markets	3.0%	4.7%	33.6%	7.5%	9.8%	-20.1%
Fixed Income	Treasury	-0.3%	0.9%	6.3%	0.6%	4.1%	-12.5%
	Municipal	0.1%	1.6%	4.2%	1.1%	6.4%	-8.5%
	Aggregate	-0.1%	1.1%	7.3%	1.3%	5.5%	-13.0%
	Investment Grade Corporate	-0.2%	0.8%	7.8%	2.1%	8.5%	-15.8%
	High Yield Corporate	0.6%	1.3%	8.6%	8.2%	13.4%	-11.2%
FX	US Dollar Index	-1.1%	0.6%	-9.4%	7.1%	-2.1%	7.9%
Real Assets	Real Estate	-2.3%	-2.7%	1.7%	4.3%	11.5%	-25.1%
	Infrastructure	-0.7%	2.2%	21.5%	14.0%	5.8%	-1.0%
	Oil	-3.7%	-9.2%	-17.6%	-4.2%	-10.3%	10.5%
	Gold	2.4%	12.2%	62.5%	26.6%	12.8%	-0.7%

Asset Class Valuations - 12.31.2025*

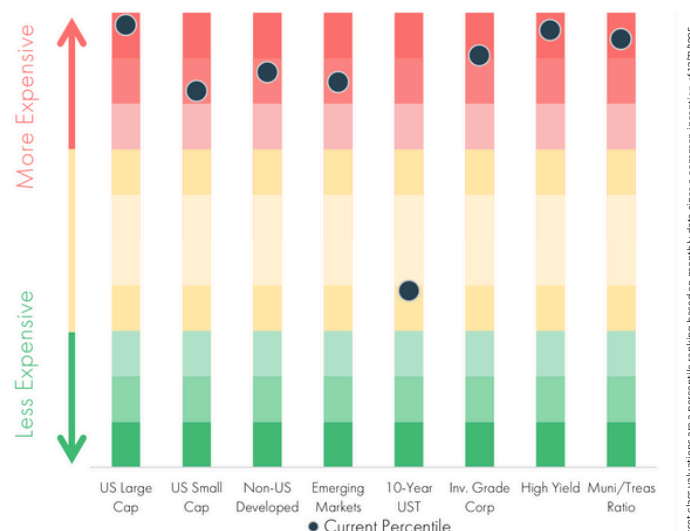
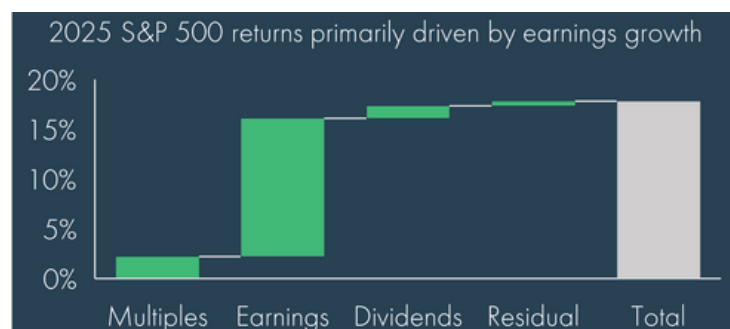


Chart of the Month



Source: Bloomberg, J.P. Morgan as of 12/31/2025; See important information in the disclosures.

For all the concerns over stretched valuations, it is noteworthy that S&P 500 returns were primarily driven by earnings growth in 2025, with an estimated 80% of the 17.9% return coming from earnings. While the famed "Magnificent 7" still accounted for about 40% of the index's earnings growth, that is down from an estimated 67% in 2024.

Disclosures

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Sources

Morningstar Direct, Bloomberg as of 12/31/2025

Composition of 2025 S&P 500 returns estimated using dividends paid and the change in 1-year forward price-to-earnings and earnings-per-share estimates.

2026 manager outlook summaries sourced from multiple asset manager 2026 outlook reports and should not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group .

Definitions

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ..

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

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 Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure Index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent Crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BofA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

*We have updated our valuation chart data source to expand our observation period to 1995, resulting in some minor changes in the valuation estimates. Asset class valuations are a percentile ranking based on monthly data going back to common inception of 12/31/1995. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BofA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BofA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.