

Capital Market Review / 4th Quarter 2025

The Big Picture

Diversification

For casual market followers, it may seem as if we are in one continuous bull market. However, the market continues to shift below the surface.

This past quarter healthcare stocks were up 11.7 percent while the technology sector was up only 1.4 percent. The tech-driven market of the last 15 years has finally given way to diversification.



Emerging market stocks were the best place to be in 2025, followed closely by developed international stocks. Commodities have gone sky high with gold over \$5,000 per ounce, and silver has been on an even bigger run.

AI is impacting everything. On a weekly basis, we run attribution on our own core equity strategy. At one point in December, the best five stocks were all technology, and the worst five stocks were also technology. On the whole, we had a slight underweight to technology, so it is not as if this is the only area in which we are invested.

The key takeaway is that we are in an environment where diversification is not only working, but necessary.

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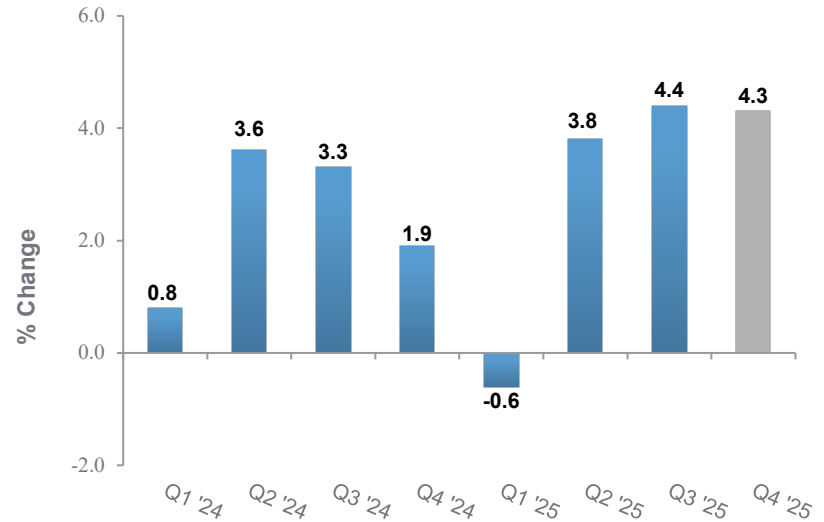
The Economy

The 3rd quarter 2025 GDP growth came in up 4.4 percent, better than we expected. GDPNow shows the economy growing by 4.3 percent in the 4th quarter, so economic growth is holding up. This fits with what we have seen from corporate earnings, which have been much better than expected through 3 quarters.

The official unemployment rate was 4.4 percent. We seem to be in a strange place where companies are neither hiring nor laying off employees, so while new job growth has been slow, the unemployment rate is still not that bad.

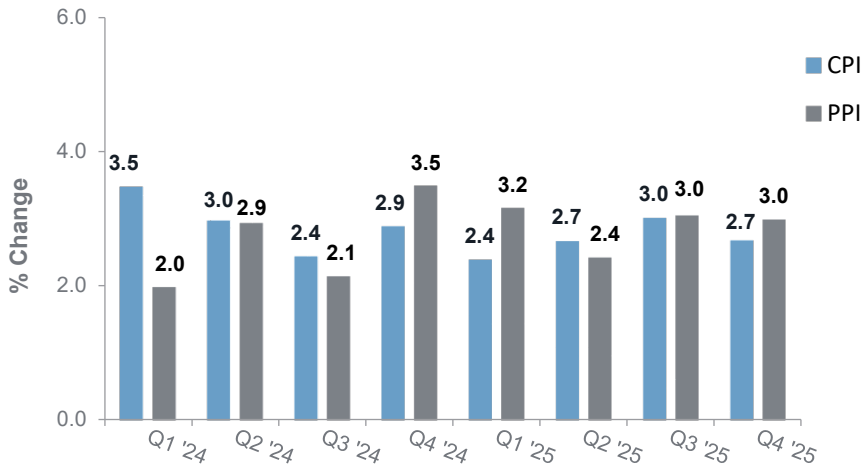
Inflation is 2.7 percent based on the latest consumer price index report. Inflation has inched down since the last quarter but is still above the 2 percent target. The producer price index is 3.0 percent.

Domestic GDP



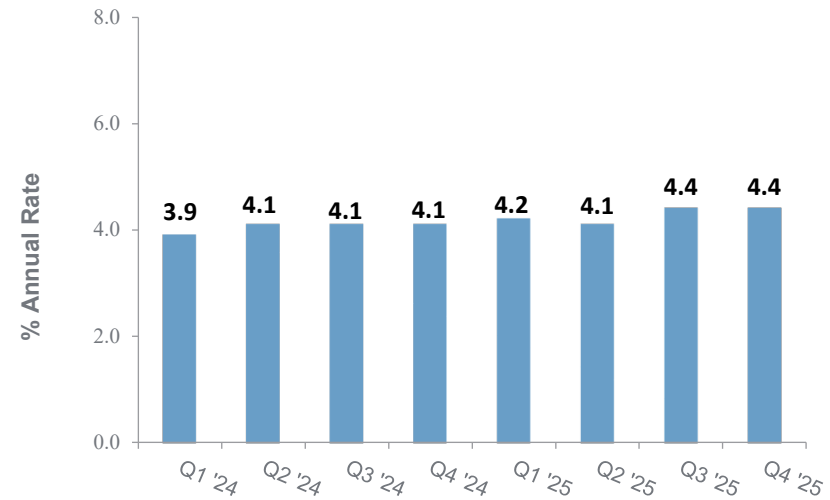
Source: Bureau of Labor Statistics, GDPNow Federal Reserve Bank of Atlanta

Inflation Indicator 12 month unadjusted



Source: Bureau of Economic Analysis

Unemployment Rate



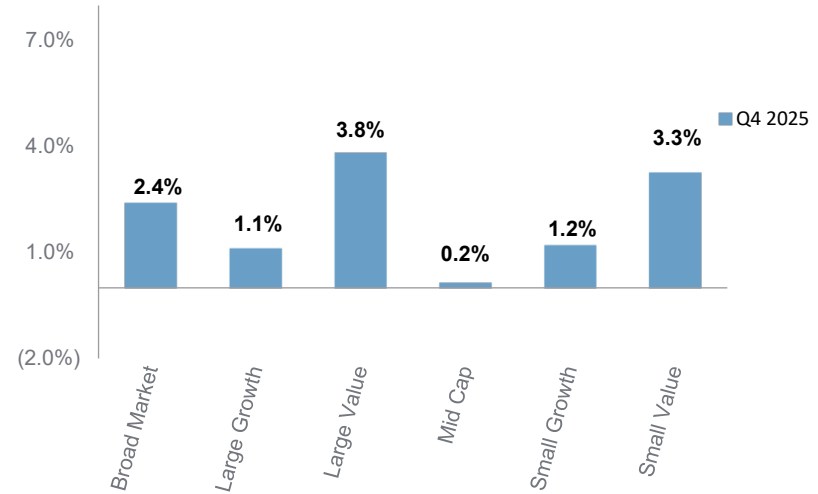
Source: Bureau of Labor Statistics

Domestic Equity Markets

The market rose in the 4th quarter. For the quarter, the S&P 500 finished up 2.66 percent, while small company stocks represented by the Russell 2000 index were up 2.19 percent. Value outperformed in large caps with the Russell 1000 Value index up 3.81 percent, while the growth index was up 1.12 percent. For small companies, value also outperformed up 3.26 percent, and the growth index was up 1.22 percent.

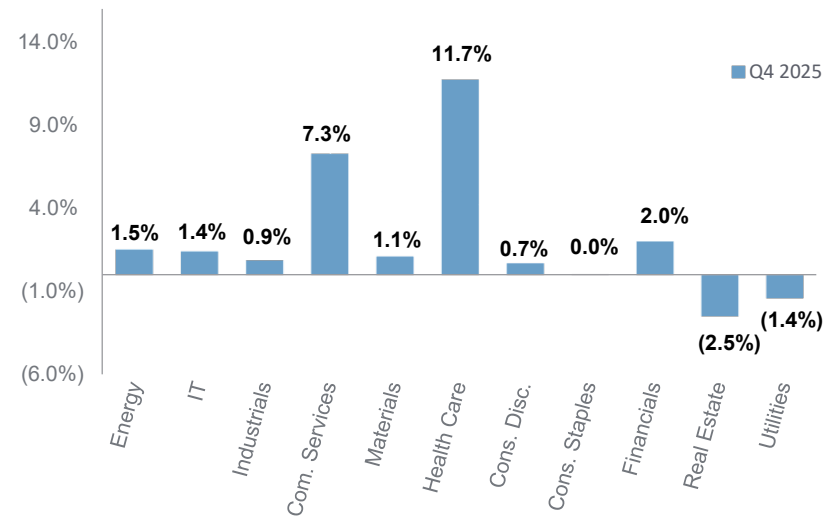
Healthcare was the standout sector up 11.7 percent followed by communication services. The rest of the market was flat with utilities and real estate showing losses.

Domestic Equity Market Returns



Source: FactSet

S&P GICS Sector Returns

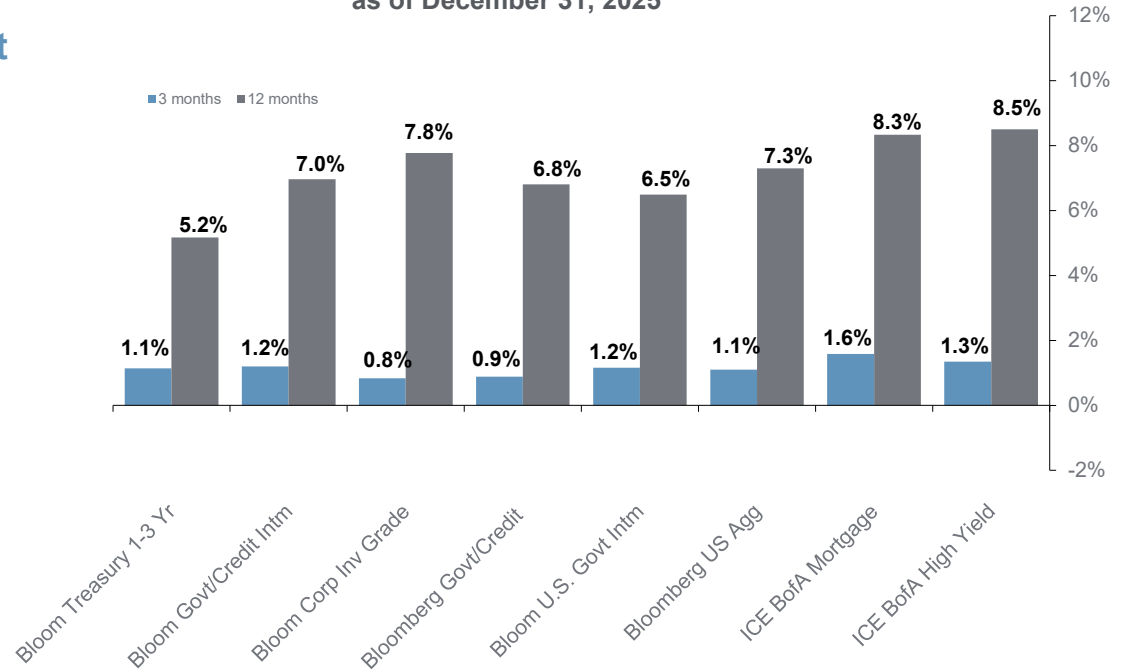


Domestic Fixed Income Market

Bonds rose slightly. The Bloomberg US Aggregate Bond index ended up 1.10 percent. High yield bonds rose 1.35 percent. Bond yields were steady.

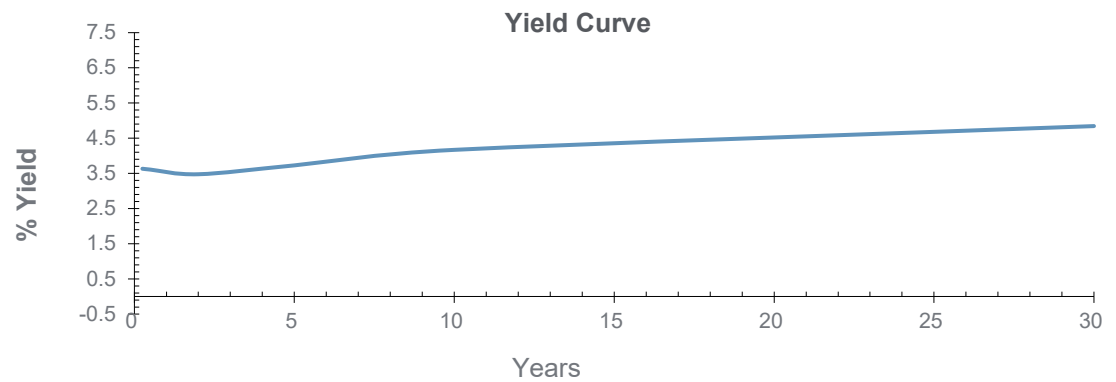
The ten-year Treasury ended the quarter with a 4.17 percent yield. The yield curve remains negative at the short end but continues to steepen from the 2 year to the 30 year.

U.S. Fixed Income Market Performance as of December 31, 2025



Yield Curve as of Dec 31, 2025

Time to Maturity	Interest Rate
3 Month	3.63
6 Month	3.61
2 Year	3.48
5 Year	3.73
10 Year	4.17
30 Year	4.84



International Markets

International stocks kept up the solid performance. The EAFE index finished up 4.91 percent and the MSCI Emerging Markets index ended the quarter up 4.78 percent.

The dollar remained weak but was stable through the quarter. European returns were 6.16 percent in local currency and 6.26 percent for American investors.

India outpaced China in the battle over the dominate emerging market. India's market was up 4.83 percent vs. down 7.35 percent for China's. This transition is fascinating to watch.

MSCI Country Returns
Three Months Ending December 31, 2025

	Return US\$ (%)	Return Local Currency (%)	Currency Effect (%)
Austria	17.92%	17.97%	-0.05%
Belgium	7.85%	7.90%	-0.05%
Denmark	5.40%	5.51%	-0.11%
Finland	14.27%	14.32%	-0.05%
France	3.46%	3.51%	-0.05%
Germany	2.58%	2.63%	-0.05%
Ireland	14.23%	14.29%	-0.05%
Italy	6.51%	6.56%	-0.05%
Netherlands	3.60%	3.69%	-0.09%
Norway	1.30%	2.40%	-1.11%
Portugal	0.69%	0.74%	-0.05%
Spain	13.22%	13.27%	-0.05%
Sweden	6.16%	4.30%	1.86%
Switzerland	9.83%	9.36%	0.47%
UK	6.99%	7.09%	-0.10%
Europe Total	6.26%	6.16%	0.11%
Australia	-0.99%	-1.59%	0.61%
Hong Kong	2.25%	2.28%	-0.04%
Japan	3.26%	9.59%	-6.34%
New Zealand	-0.39%	0.58%	-0.97%
Singapore	1.04%	0.78%	0.26%
Pacific Total	6.72%	7.66%	-0.94%
Brazil	7.18%	9.82%	-2.64%
China	-7.35%	-7.58%	0.23%
Greece	1.88%	1.93%	-0.05%
Hungary	18.43%	16.78%	1.65%
India	4.83%	6.12%	-1.29%
Indonesia	4.78%	4.85%	-0.06%
Korea	27.38%	30.79%	-3.41%
Mexico	5.58%	3.55%	2.03%
Poland	14.65%	13.62%	1.03%
Thailand	4.97%	2.05%	2.92%
Emerging Markets	4.78%	5.68%	-0.90%



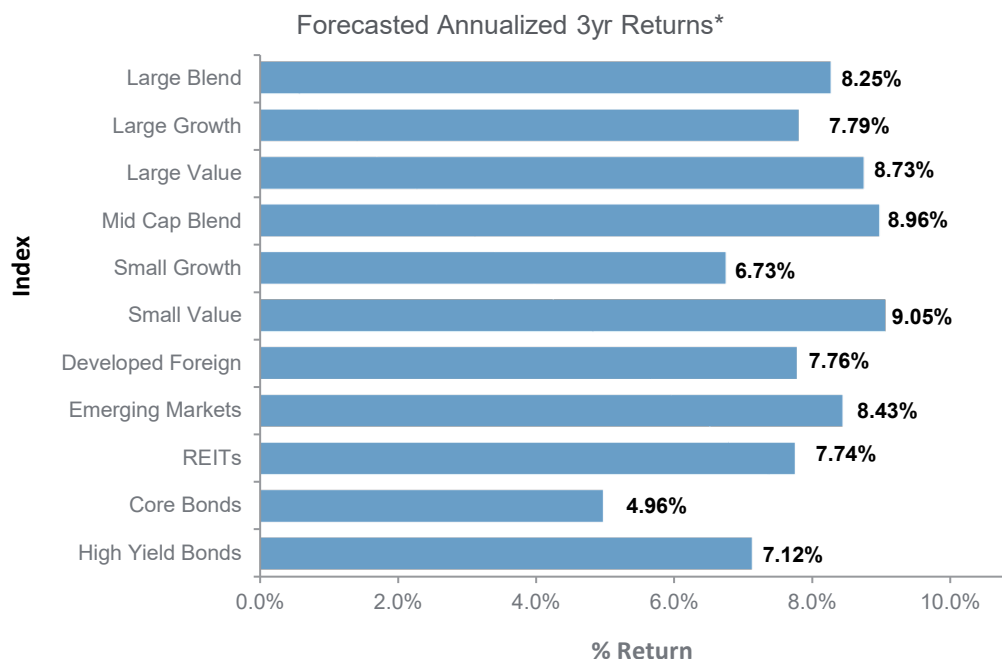
Source: T. Rowe Price

Market Forecast

The S&P 500 has delivered good returns three years in a row, but the real story is more complicated. We continue to flip back and forth in terms of leadership, and we suspect that fast growing technology stocks, which got punished last quarter, should bounce back hard to start 2026.

From there, international will likely continue to do relatively well as a weak dollar will assist US investors in foreign markets, and valuations are better overseas. Small companies remain a better value at home, and they maintained good momentum this past quarter. We suspect that will continue.

Bonds have done their job and stabilized in this range just above 4 percent. The Fed has begun to lower rates as we suspected. This will likely steepen the yield curve with short-term rates falling, but the longer-term rates remaining in their range.



Changes in Return Expectations as of December 31, 2025

Asset Class	Change Over Quarter	Change Over Year
Large Blend	0.06%	-0.44%
Large Growth	0.11%	-0.34%
Large Value	0.02%	-0.58%
Mid Cap Blend	0.08%	-0.39%
Small Growth	0.07%	-0.23%
Small Value	0.10%	-0.38%
Developed Foreign	-0.09%	-0.54%
Emerging Markets	0.11%	-0.39%
REITs	0.13%	0.02%
Core Bonds	-0.02%	-0.52%
High Yield Bonds	0.00%	-0.52%

*Forecasted 3-year annualized returns represent Iron Capital's investment return expectations for various asset classes over the next 3 years. They are calculated using a weighted average of historic returns and forward return assumptions. They are meant to be a tool to judge relative attractiveness of asset classes and not a guarantee of future investment returns.

SELECTED INDEX RETURNS - PERIODS ENDING Dec 31, 2025

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
US EQUITIES						
Broad Stock Market - Russell 3000	2.40%	17.15%	17.15%	22.25%	13.15%	14.29%
Large Stocks - S&P 500	2.66%	17.88%	17.88%	23.01%	14.42%	14.82%
Dow Jones Industrial Average	4.03%	14.92%	14.92%	15.36%	11.58%	13.11%
Medium-Size Stocks - Russell Mid-Cap	0.16%	10.60%	10.60%	14.36%	8.67%	11.01%
Small Stocks - Russell 2000	2.19%	12.81%	12.81%	13.73%	6.09%	9.62%
Small Value Stocks- Russell 2000 Value	3.26%	12.59%	12.59%	11.73%	8.88%	9.27%
Small Growth Stocks- Russell 2000 Growth	1.22%	13.01%	13.01%	15.59%	3.18%	9.57%
Large Value Stocks - Russell 1000 Value	3.81%	15.91%	15.91%	13.90%	11.33%	10.53%
Large Growth Stocks - Russell 1000 Growth	1.12%	18.56%	18.56%	31.15%	15.32%	18.13%
US FIXED INCOME						
1-3 Yr Treasury (Gov't) Bonds - Bloomberg	1.14%	5.17%	5.17%	4.51%	1.76%	1.84%
US Government Bonds Int - Bloomberg	1.15%	6.50%	6.50%	4.40%	0.64%	1.76%
US Corporate Inv Grade Bonds - Bloomberg	0.84%	7.77%	7.77%	6.10%	-0.09%	3.27%
Government/Credit (Corp) Bonds - Bloomberg	0.88%	6.81%	6.81%	4.53%	-0.64%	2.14%
Int Govt/Credit (Corp) Bond - Bloomberg	1.20%	6.97%	6.97%	5.06%	0.96%	2.29%
US Aggregate Bond Market - Bloomberg	1.10%	7.30%	7.30%	4.66%	-0.36%	2.01%
Mortgage Backed Securities - ICE BofA	1.58%	8.33%	8.33%	4.84%	0.06%	1.58%
US High Yield Bonds - ICE BofA	1.35%	8.50%	8.50%	10.03%	4.50%	6.45%
INTERNATIONAL (Measured in US Dollars)						
Non-US Stocks - MSCI EAFE	4.91%	31.89%	31.89%	17.82%	9.47%	8.72%
World Stocks (includes US) - MSCI World	3.20%	21.60%	21.60%	21.72%	12.66%	12.74%
European Stocks - MSCI Europe	6.26%	36.25%	36.25%	18.97%	10.98%	9.19%
Japanese Stocks - MSCI Japan	3.26%	25.05%	25.05%	17.96%	6.99%	8.01%
Asian Stocks (Ex-Japan) - MSCI Pacific ex-Japan	-0.03%	20.70%	20.70%	10.41%	5.84%	7.45%
Chinese Stocks - MSCI China	-7.35%	31.42%	31.42%	11.85%	-3.03%	5.71%
Indian Stocks - MSCI India	4.83%	4.29%	4.29%	12.45%	10.75%	10.17%
Emerging Markets - MSCI EM	4.78%	34.36%	34.36%	16.98%	4.67%	8.86%
Int'l Gov't Bonds -FTSE Non-USD World Gov't Bond	-0.48%	8.47%	8.47%	2.82%	-5.21%	-0.16%
REAL ESTATE						
FTSE NAREIT Equity-Reits Index	-1.56%	2.88%	2.88%	8.36%	6.63%	5.70%
SHORT TERM INTEREST RATES						
T-Bills	1.02%	4.40%	4.40%	5.03%	3.31%	2.23%

Note: Returns for periods longer than 12 months are annualized.