



Capital Market Review  
As of December 31, 2025

# 4Q25 Market Recap

Happy New Year!

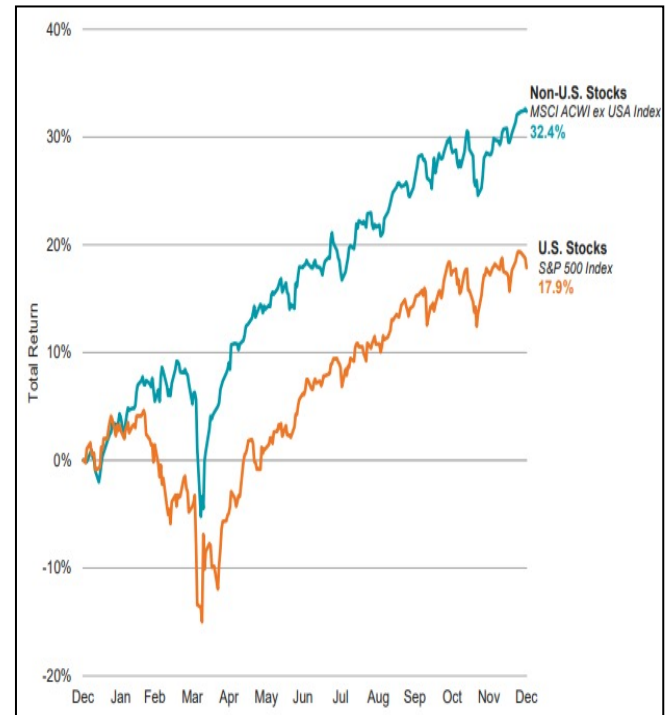
The performance trends from 3Q25 continued in 4Q with virtually all asset classes posting positive performance. International stocks outperformed large, mid and small cap domestic stocks during the quarter. Meanwhile, bonds continued to perform well with the Bloomberg Aggregate Bond Index having its best year since 2020.

Notable events during the quarter included the longest U.S. Government shutdown in history that lasted 43 days, two 0.25% Fed Fund rate cuts, and the ceasefire in Gaza. The markets are resilient and continued to rally through good and bad news during the quarter albeit with more tempered performance compared to the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of the year.

For the full year, certain asset classes had their best year in a long time. Silver was up +144%, Gold +65%, and International stocks (MSCI ACWI Ex USA Index) +32.4%. In our 2024 year-end commentary, we highlighted the long-term underperformance of International stocks vs. U.S. stocks and the valuation discrepancy that created. As displayed in the chart to the right (courtesy of Avantis Investors), International stocks significantly outperformed U.S. stocks in 2025.

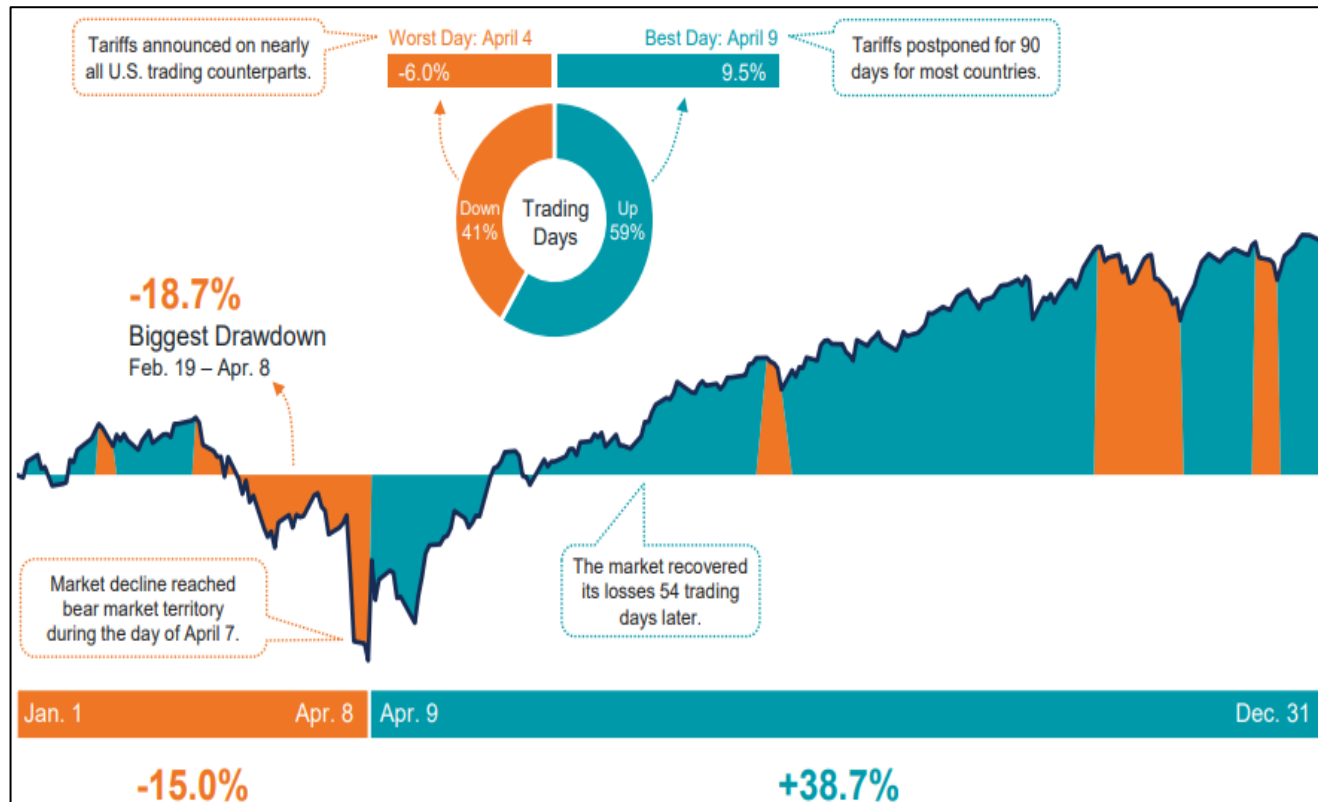
While virtually all capital markets posted solid performance in 2025, many forget it was a bumpy ride. The S&P 500, Russell 2000 and Nasdaq Composite all experienced bear markets (down 20% peak to trough) during the year. The chart on the next page (courtesy of Avantis Investors) does a good job graphically displaying what occurred during the year using the S&P 500 as the indicator.

The S&P 500 hit 46 new all-time highs during 2025. If you'd like to see a comprehensive chart displaying the S&P 500 with notable events, please see page 10 of this report.



Data from 1/1/25 – 12/31/25. Source: Bloomberg, Avantis Investors

## Recap continued...



Following are some of the trends we're watching as we enter 2026:

### U.S. Federal

#### Reserve/interest rates

The Fed Funds rate was reduced by 0.25% three times during 2025, and Fed officials are guiding toward one more 0.25% rate cut in 2026. However, the Federal Open Market Committee (FOMC), the group that decides whether to cut/raise the Fed Funds Rate, was more divided during their December meeting than normal. One FOMC Governor thought the rate should be cut 0.50%, while two Governors wanted to

leave the rate as is. With the expectation of a new Federal Reserve Chairman in 2026 and a growing tension between a cooling labor market and persistent inflation, Federal Reserve rate policy is expected to be a significant market factor in 2026.

### Global tensions/developments

As the war in Ukraine continues, tensions in the Middle East and China/Taiwan remain high. Given the global nature of trade/intertwined economies, they present potential issues for countries, industries, and companies around the globe. Following the U.S. capture of Venezuelan leader Nicholas Maduro and his wife on charges of narco-terrorism; the Venezuelan government remains largely intact with Vice President Delcy Rodriguez sworn in as acting President. The prevailing thought is that this will change to a more capitalistic economy and with Venezuela holding the world's largest proven oil reserves in addition to large gold, nickel, copper and other rare earth deposits, it's no surprise that Wall Street is keeping a keen eye on developments.

## Recap continued...

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### **Private Equity / mergers and acquisitions**

Private Equity has been experiencing a long period of reduced activity. The Initial Public Offering (IPO) market has been weak and, in general, there has been less buying and selling of private companies. During the back half of 2025, we started to see a change. Globally, there has been rebound in IPOs. Meanwhile, Global mergers and acquisitions volume was up 42% in 2025 vs. 2024. If this trend continues, it will mean a meaningful shift, not only in Private Equity, but also public companies as more stocks become listed on exchanges and there are more consolidations and spinoffs for both private and public companies.

The capital markets are constantly moving, influenced by global events, trends, interest rates, innovations, corporate events, etc. At Allium, we work hard to build investment portfolios with the goals of withstanding short-term volatility and performing well over the long-term with an eye toward seizing opportunities.

We'd like to take this opportunity to thank you for the trust you have placed in us. It's our pleasure to serve you and your family.

On the following pages, please see our Quarterly Capital Markets Review. Reach out anytime with questions or if we can be of service.

Scott Thompson, CIO and your Allium Team

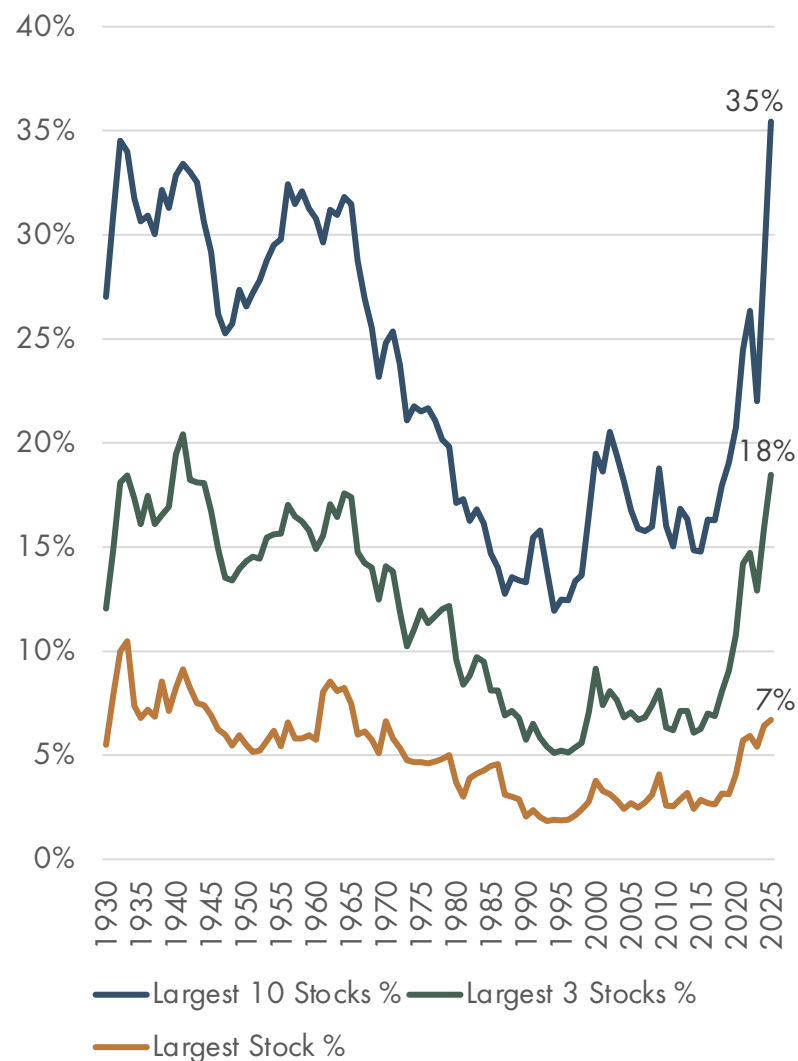
# Market Dashboard<sup>1</sup> – As of December 31, 2025

Asset Class	Quarterly Commentary				4Q25	2025
<b>Domestic Stocks</b> <i>(S&amp;P 500 Index)</i>	<ul style="list-style-type: none"> <li>Stocks continued to rise during 4Q, led by strong gains within Health Care and Communication Services. Continued optimism over the artificial intelligence boom and two Fed rate cuts during the quarter outweighed economic and inflation concerns.</li> <li>9 out of 11 sectors had positive performance for the quarter.</li> <li>The performance disparity between Large Cap Growth and Large Cap Value stocks tightened over the quarter.</li> </ul>				+2.7%	+17.9%
<b>International Stocks</b> <i>(EAFE Index)</i>	<ul style="list-style-type: none"> <li>Developed International stocks extended gains through the quarter, led by continued strength in broader Europe and Asia.</li> <li>Spain and Japan were among the strongest performers in local currency terms, while Australia was among the weakest performers.</li> </ul>				+4.9%	+31.2%
<b>Emerging Market Stocks</b> <i>(MSCI Emerging Markets Index)</i>	<ul style="list-style-type: none"> <li>Emerging Markets also continued to post positive gains, supported by improving risk sentiment and lower U.S. interest rates. A lower U.S. dollar provided a tailwind to 2025 performance.</li> <li>South Korea and Taiwan emerged as top performers when assessed in local currency terms, while China trailed.</li> </ul>				+4.7%	+33.6%
<b>Bonds</b> <i>(Bloomberg U.S. Aggregate Index)</i>	<ul style="list-style-type: none"> <li>Bond markets delivered positive results for 4Q, with U.S. Treasuries gaining after the Fed's two rate cuts in the quarter. Corporate bonds held steady, supported by modest spread tightening and resilient credit conditions. Muni Taxable and Emerging Markets bonds were among the top performing fixed income sectors.</li> <li>Shorter term yields fell while longer term yields slightly rose, with the U.S. 10-year yield ending the quarter at 4.2% and the two-year Treasury yield finished at 3.5%</li> </ul>				+1.1%	+7.3%
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>The Fed concluded 4Q with a 25-basis point rate cut at their Oct and Dec meetings lowering the target range to 3.50%-3.75%</li> <li>The 10-year yield rose 0.02%, (2 basis points) over the quarter, from 4.15% to 4.17%.</li> </ul>					
<b>Currencies</b>	<u>USD/EUR</u>	<u>USD/JPY</u>	<u>USD/GBP</u>	<u>USD/CNY</u>	<u>USD\$ (DXY)</u>	
4Q25	-0.1%	+6.0%	-0.2%	-1.8%	+0.6%	
2025	-11.9%	-0.3%	-7.1%	-4.3%	-9.4%	

<sup>1</sup>LCG Associates

# Market concentration and the A.I. boom in context

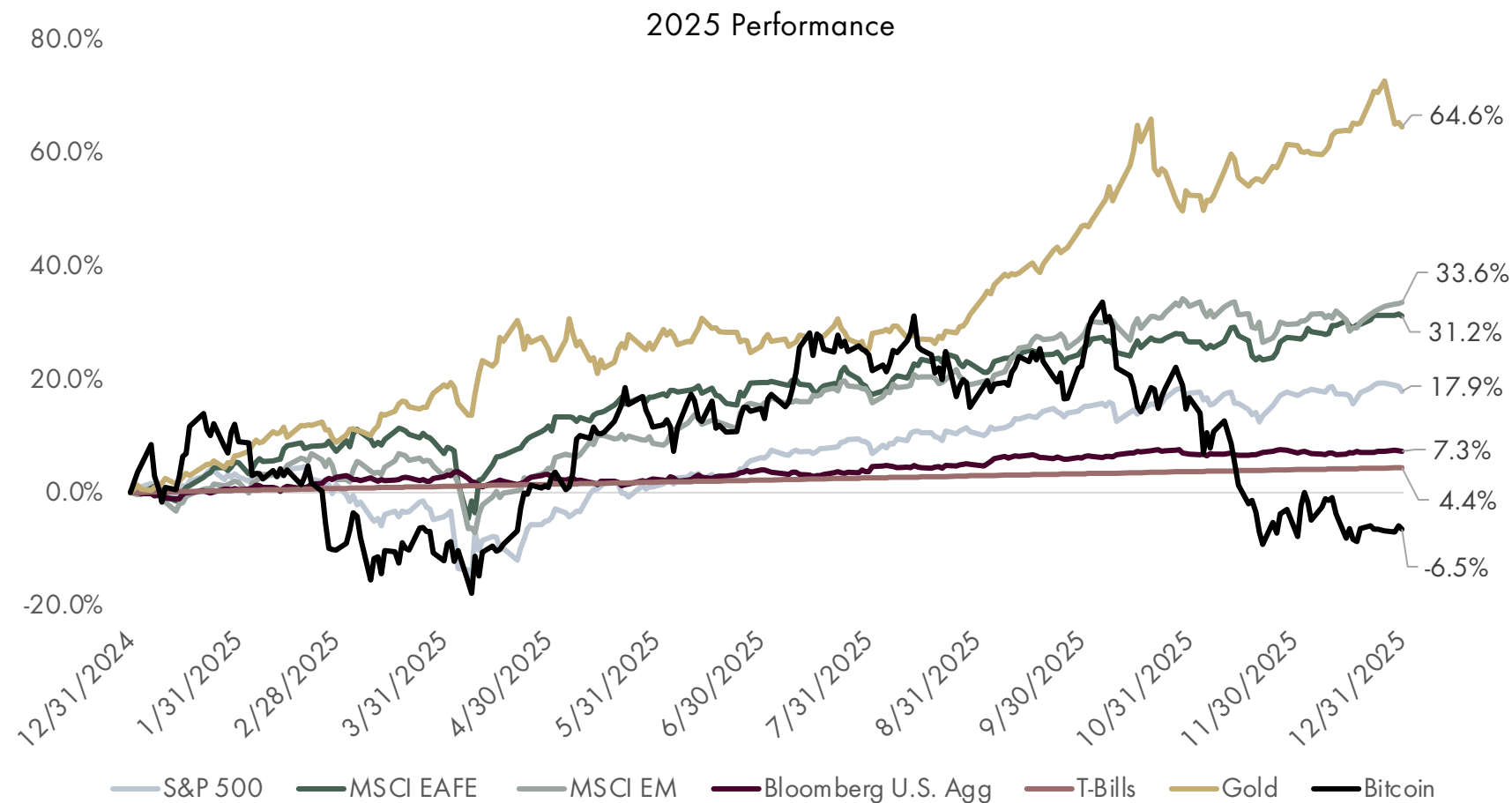
U.S. Stock Market Concentration



Market Event	Index	Years	% Gain
The Roaring Twenties (1926 - 1929)	Dow Jones	3.4	153%
Nifty Fifty (1966 - 1972)	Blue-chip NYSE stocks	6.3	153%
"Black Monday" Crash (1985 - 1987)	Dow Jones	1.9	111%
Dotcom Bubble (1998 - 2000)	Nasdaq Composite	1.5	192%
Tech Disruptors Rally Post-Covid (2020 - 2021)	ARKK ETF	0.9	384%
FAANG stock rally (2020 - 2021)	NYSE FANG+ Index	1.6	229%
Average		2.6	240%
<i>Current A.I. Stock Rally (2023 - 2025)</i>	<i>Nasdaq 100</i>	<i>3.0</i>	<i>131%</i>

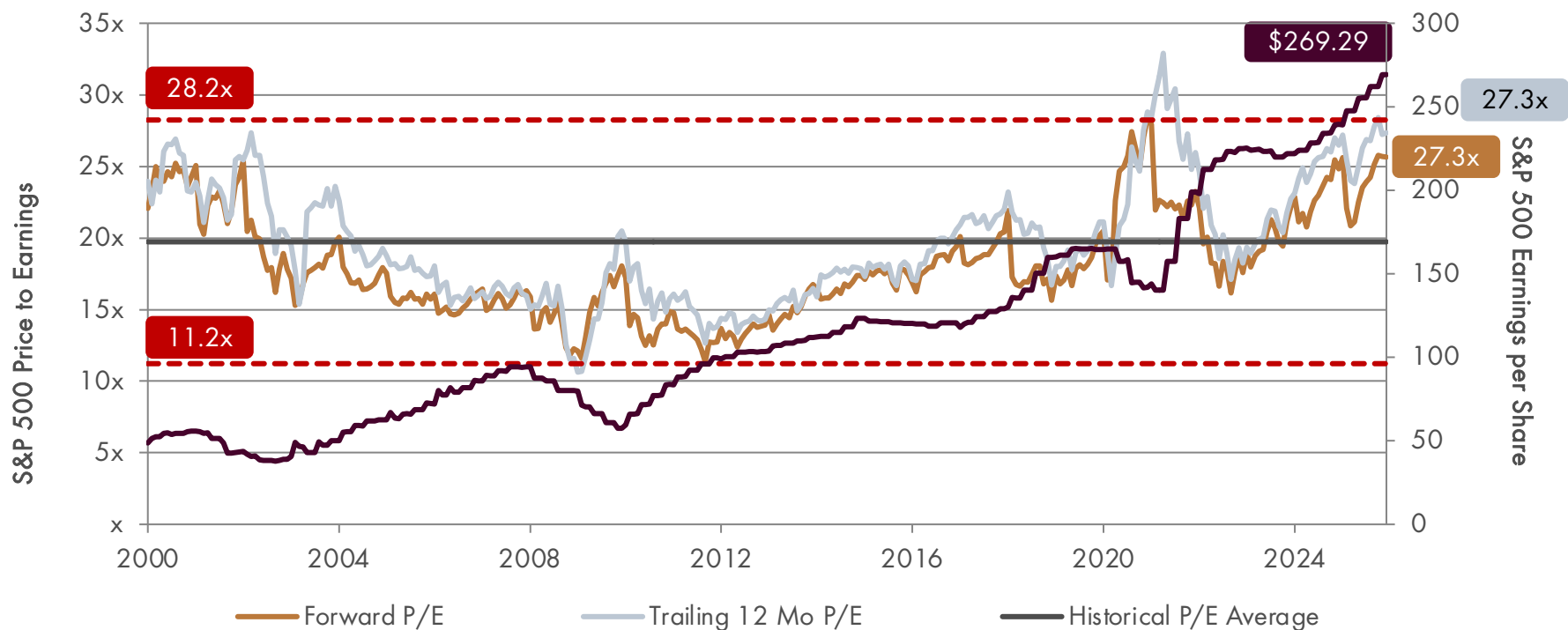
Source: UBS Global Investment Returns Yearbook 2025, Elroy Dimson, Paul Marsh and Mike Staunton, London Business School, Bloomberg, and BofA Global Research. Performance is through 12/31/25. The Nasdaq 100 Index measures the 100 largest Nasdaq-listed non-financial companies and holds significant exposure to technology stocks.

## 2025: Broadly positive performance



Source: Bloomberg

# U.S. Stock Market – Historical Valuation and Sensitivity



## S&P 500 Index

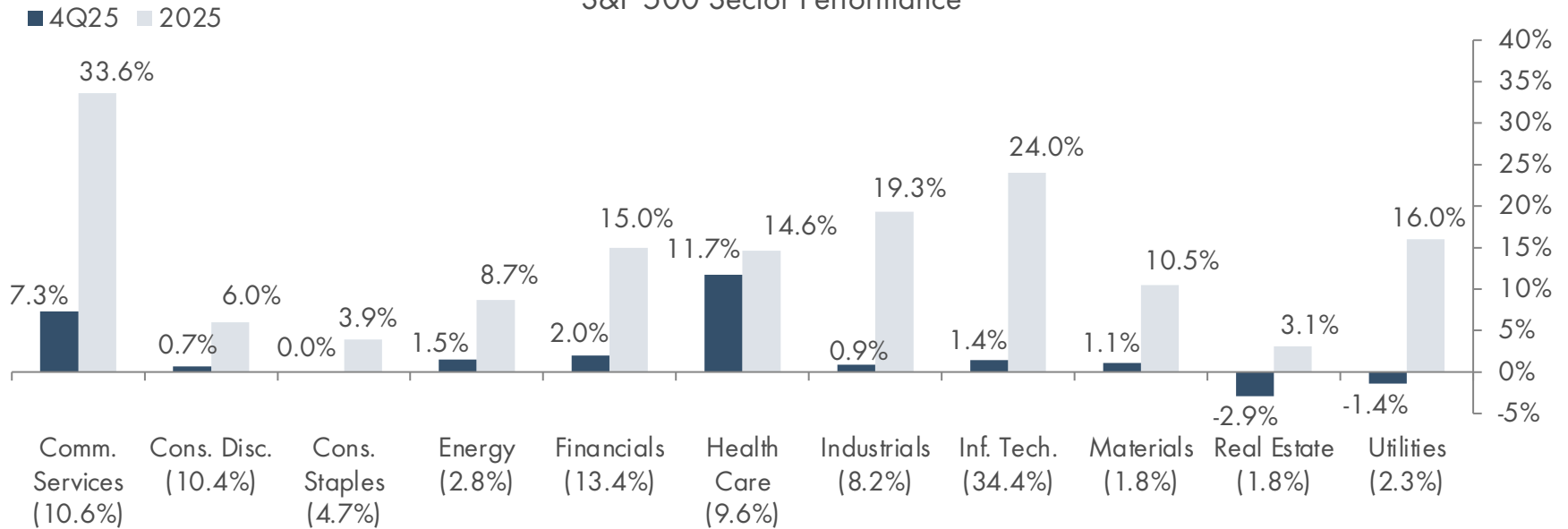
	Price	Trailing P/E
December 31, 2025	6,845.50	27.3x
December 24, 2025	6,932.05.75 (all time high)	27.9x
February 11, 2016	1,829.08 (10-year low)	16.3x

## S&P 500 Equal Weight Index

	Price	Trailing P/E
December 31, 2025	7,763.92	20.6x
December 11, 2025	7,869.39 (all time high)	21.0x
February 11, 2016	2,762.32 (10-year low)	16.1x

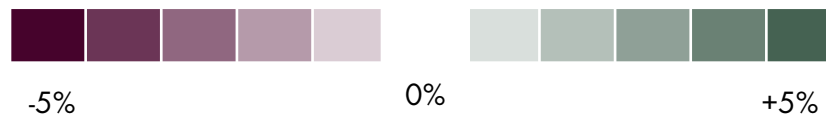
# U.S. Stock Market – sector and style

S&P 500 Sector Performance

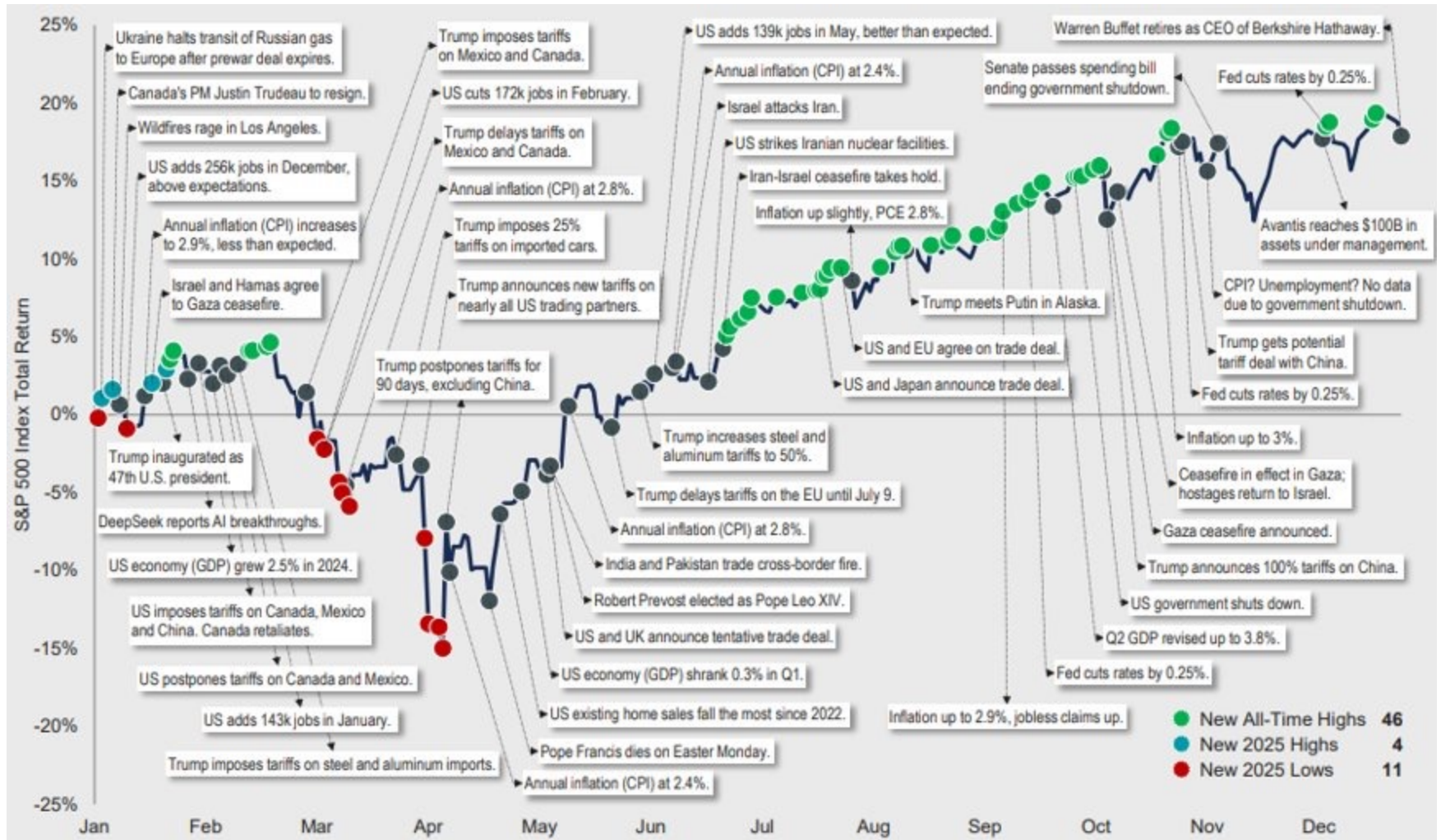


	4Q25		
S&P 500	2.7%		
Russell 3000	2.4%		
Large	3.8%	2.4%	1.1%
Mid	1.4%	0.2%	-3.7%
Small	13.3%	2.2%	1.2%
	Value	Core	Growth

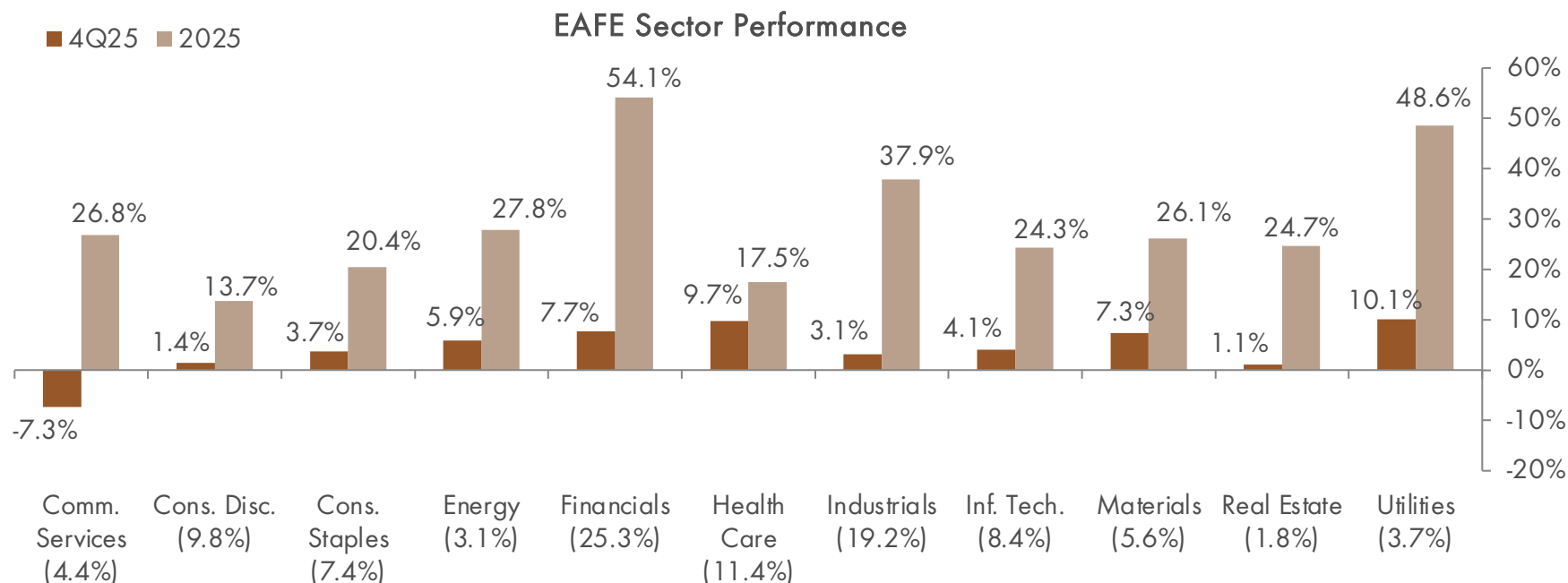
	2025		
S&P 500	17.9%		
Russell 3000	17.1%		
Large	15.9%	17.4%	18.6%
Mid	11.0%	10.6%	8.7%
Small	12.6%	12.8%	13.0%
	Value	Core	Growth



# U.S. Stock Market notable events



# International Stock Market – sector and style

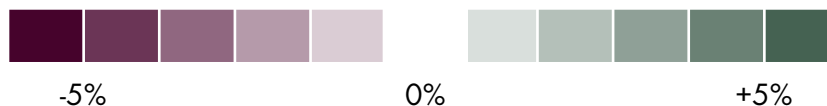


**4Q25**

EAFE	7.8%	4.9%	1.9%
EAFE Small Cap	4.7%	2.7%	0.7%
ACWI ex U.S.	7.6%	5.1%	2.6%
Emerging Mkts	6.4%	4.7%	3.3%
	Value	Core	Growth

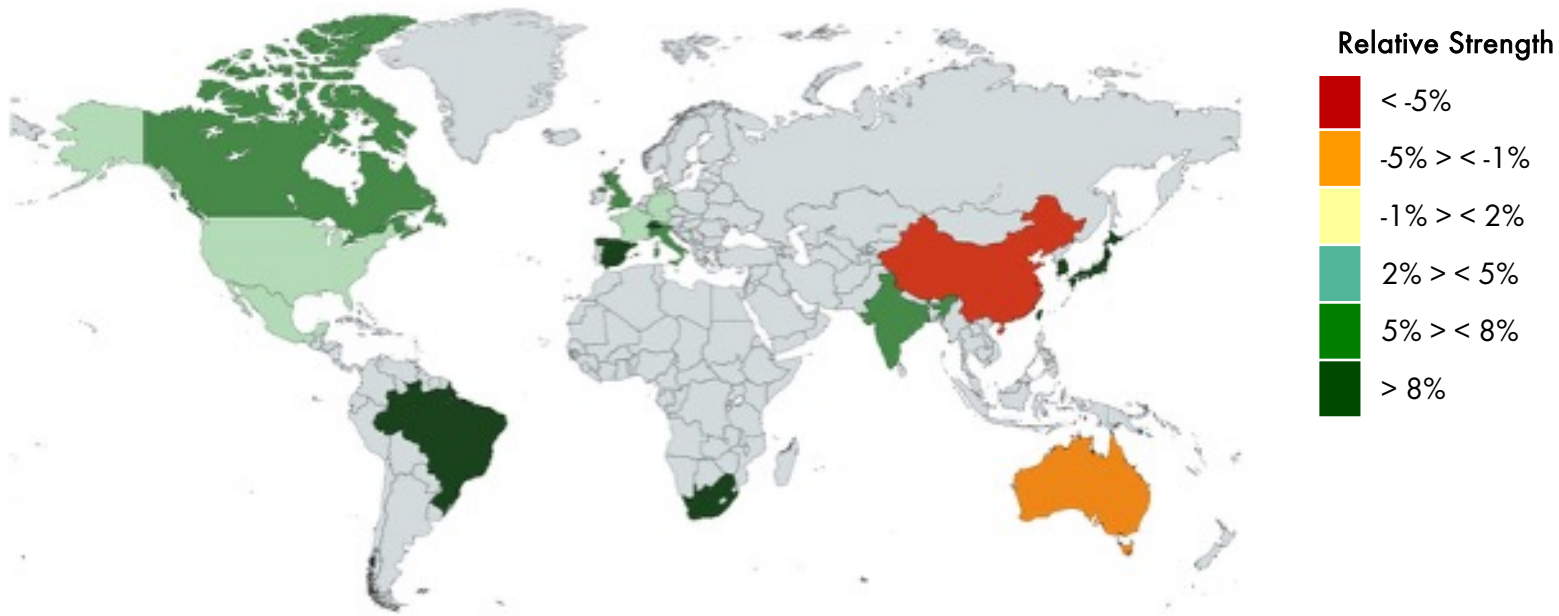
**2025**

EAFE	42.2%	31.2%	20.8%
EAFE Small Cap	38.6%	31.8%	26.6%
ACWI ex U.S.	39.5%	32.4%	25.7%
Emerging Mkts	32.7%	33.6%	34.3%
	Value	Core	Growth



# Global stock returns

## Fourth Quarter Relative Strength



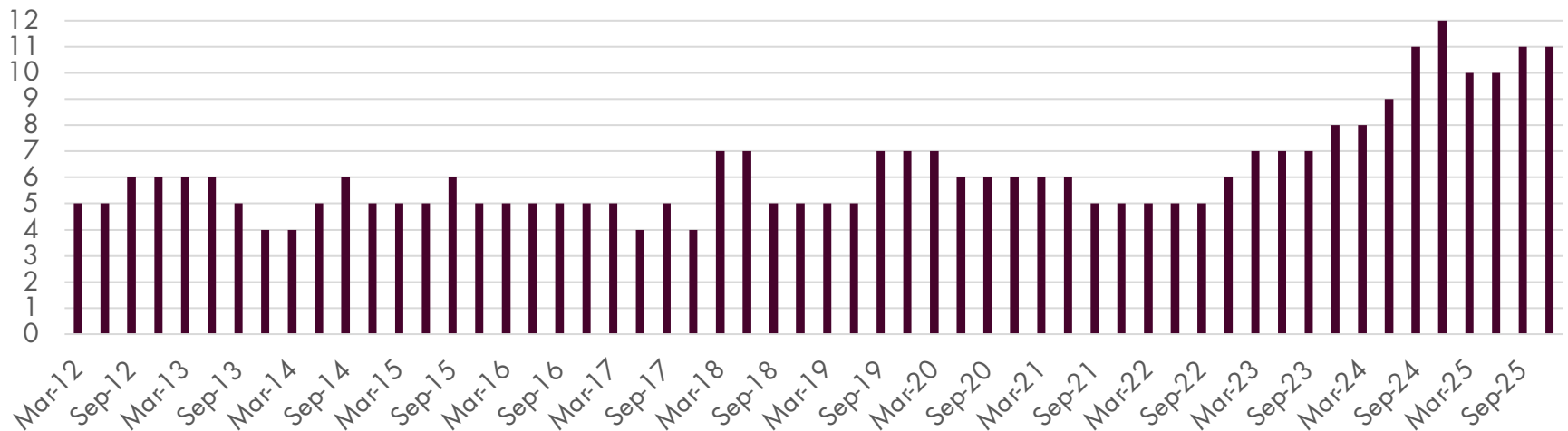
	4Q25		2025	
	Local Return	USD Return	Local Return	USD Return
<b>International Developed Markets Index</b>				
MSCI EAFE Index	6.1%	4.9%	20.6%	31.2%
<b>Emerging Markets Index</b>				
MSCI EM Index	5.6%	4.7%	31.3%	33.6%

# A divided Fed vs. inflation

## Inflation Remains above Fed's 2% Target

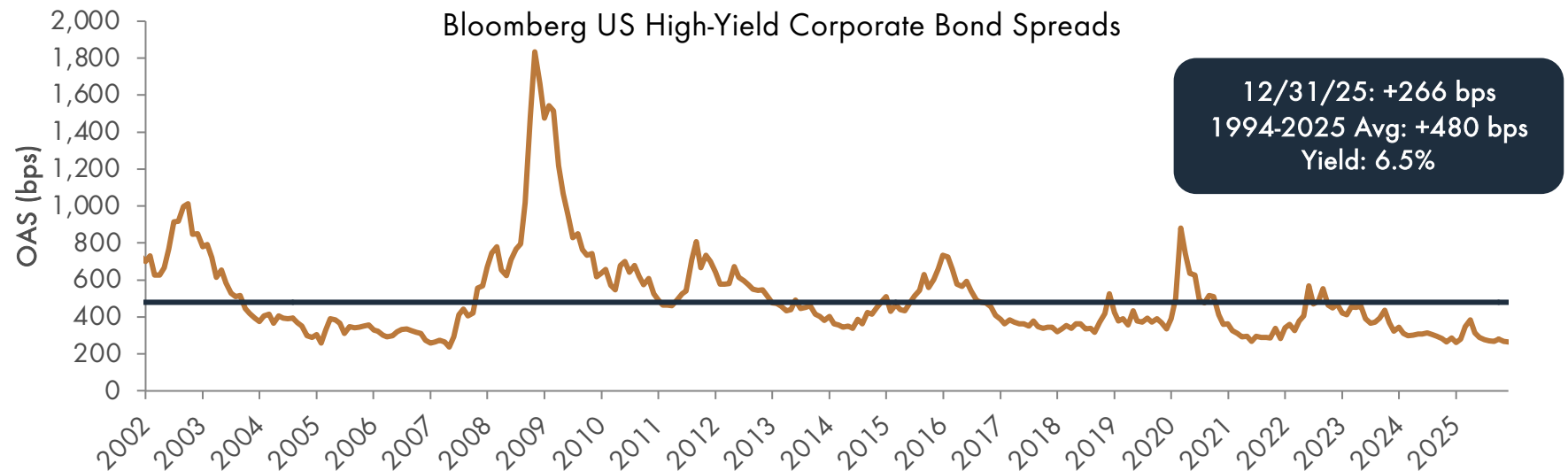
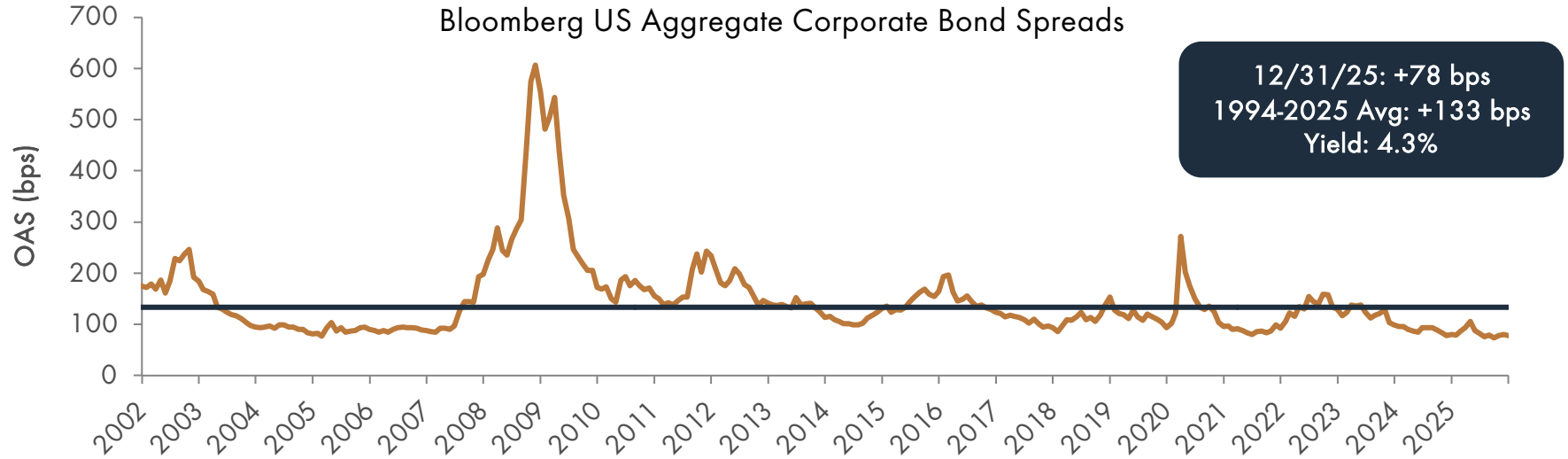


## # of Different FOMC Neutral Rate Estimates

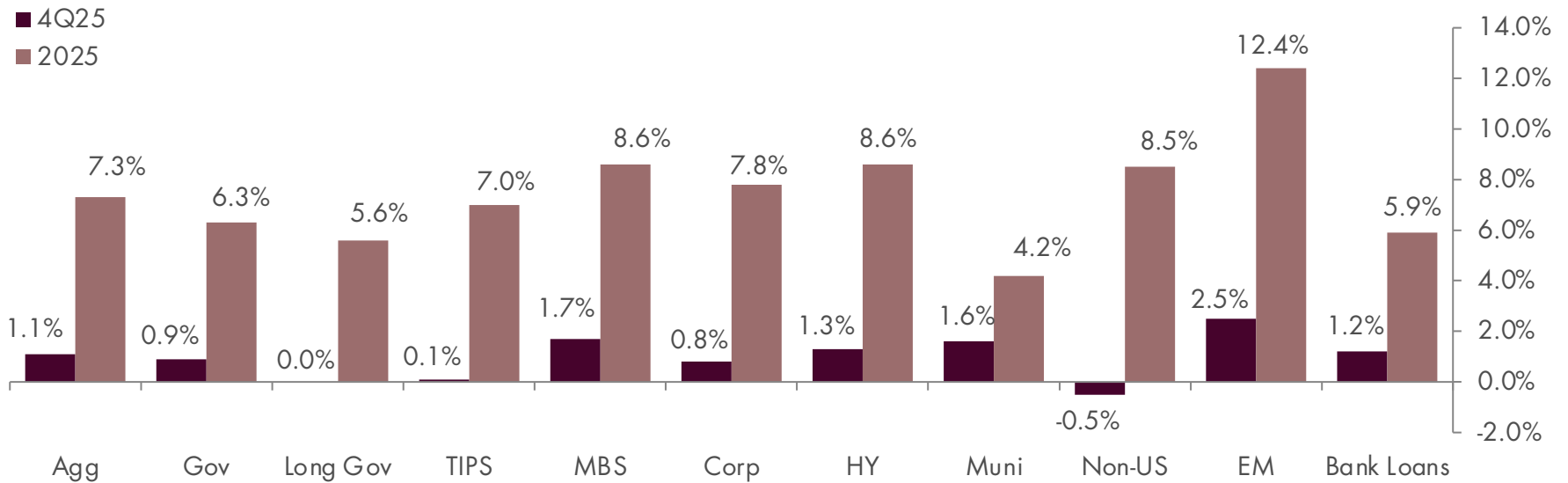
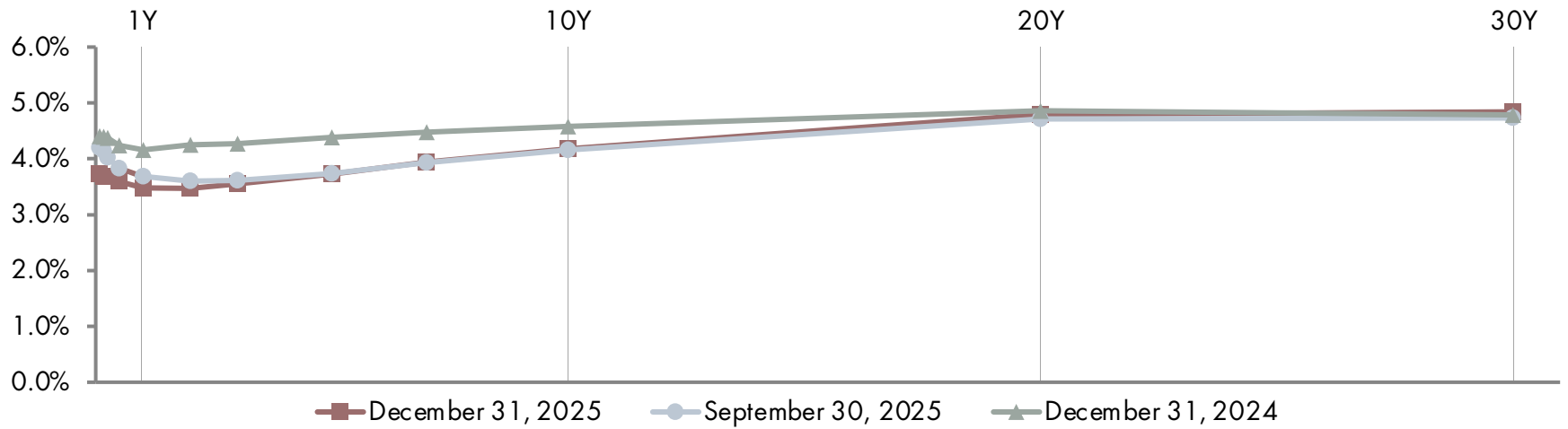


Source: Bloomberg, BLS, Apollo Chief Economist; October 2025 CPI data was not released due to the government shutdown, so September CPI data was used for October.

# Yields and forward returns



# Treasury yield curve and bond sector returns



Source: U.S. Treasury, Bloomberg

# Tactical positioning 4Q25

Asset Class	Underweight Overweight Neutral to Target	Comments
Cash	Neutral	
Short Term	Neutral to Overweight	Taking duration risk is not being rewarded
Total Return	Underweight	Duration risk not being rewarded; consider global bonds
Credit Alternatives	Overweight	Spreads are significantly wider than traditional bonds
Large Cap	Neutral	High valuations and index concentration
Mid Cap	Neutral to Overweight	Earnings expected to broaden beyond the Magnificent 7
Small Cap	Overweight	Lower interest rate environment can be favorable; attractive valuations relative to Large Cap
International	Neutral	The depreciating dollar has helped the returns for U.S. investors; relative valuation vs. U.S.
Emerging Markets	Neutral to underweight	Weaker dollar could raise fiscal stimulus and ease trade tensions; tech exposure at lower valuations than U.S.; expect continued higher volatility
Growth Alternatives	Neutral to underweight	High stock valuations and tight credit spreads could provide pockets of dislocation
Private Equity	Neutral	Merger and acquisition activity has grown; IPO markets are seeing better momentum; exit activity has picked up
Private Real Estate	Neutral	Could help protect against inflation; over \$850 billion due to be refinanced in 2026; potential pockets of dislocation

# Annual Total Returns of Key Asset Classes as of 4Q25

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	15 Year Annualized
Best	US Small Cap 21.3	Emg Mkts 37.3	Inflation 1.9	US Large Cap 31.5	US Small Cap 20.0	Real Estate 41.3	Inflation 6.5	US Large Cap 26.3	US Large Cap 25.0	Emg Mkts 33.6	US Large Cap 14.1
	US Mid Cap 13.8	Intl Equity 27.2	US Bonds 0.0	US Mid Cap 30.5	US Large Cap 18.4	US Large Cap 28.7	Growth Alts -5.8	US Mid Cap 17.2	US Mid Cap 15.3	Intl Equity 32.4	US Mid Cap 11.2
	US Large Cap 12.0	US Large Cap 21.8	Real Estate -4.0	Real Estate 28.7	Emg Mkts 18.3	US Mid Cap 22.6	US Bonds -13.0	US Small Cap 16.9	Growth Alts 14.8	US Large Cap 17.9	US Small Cap 9.5
	Emg Mkts 11.2	US Mid Cap 18.5	US Large Cap -4.4	US Small Cap 25.5	US Mid Cap 17.1	US Small Cap 14.8	Intl Equity -16.0	Intl Equity 15.6	US Small Cap 11.5	US Small Cap 12.8	Real Estate 7.8
	Real Estate 8.6	US Small Cap 14.6	Growth Alts -4.6	Intl Equity 21.5	Intl Equity 10.7	Growth Alts 8.3	US Mid Cap -17.3	Real Estate 11.4	Emg Mkts 7.5	US Mid Cap 10.6	Intl Equity 5.9
	Intl Equity 4.5	Growth Alts 13.4	US Mid Cap -9.1	Emg Mkts 18.4	Growth Alts 7.9	Intl Equity 7.8	US Large Cap -18.1	Growth Alts 10.9	Intl Equity 5.5	US Bonds 7.3	Emg Mkts 3.8
	US Bonds 2.6	Real Estate 8.7	US Small Cap -11.0	Growth Alts 12.2	US Bonds 7.5	Inflation 7.0	Emg Mkts -20.1	Emg Mkts 9.8	Real Estate 4.9	Inflation 2.7	Inflation 2.7
	Inflation 2.1	US Bonds 3.5	Intl Equity -14.2	US Bonds 8.7	Inflation 1.4	US Bonds -1.5	US Small Cap -20.4	US Bonds 5.5	Inflation 2.9	Real Estate 2.3	US Bonds 2.4
Worst	Growth Alts -3.4	Inflation 2.1	Emg Mkts -14.6	Inflation 2.3	Real Estate -5.1	Emg Mkts -2.5	Real Estate -24.9	Inflation 3.4	US Bonds 1.3		

Source: Morningstar

## Important Disclosures

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