

MARKETS IN PERSPECTIVE

Twelve Charts That Framed the 2025 Investment Landscape

Global markets in 2025 ultimately delivered strong, broad-based gains across asset classes, but the path was volatile as shifting economic data, tariff policy, and geopolitical narratives repeatedly upended consensus views.

Robust investment in tech infrastructure, particularly related to AI and data center buildouts, helped push major equity indices to new highs. U.S. growth was uneven early in the year as tariff-related inventory stockpiling distorted activity ahead of the April 2 Liberation Day, but momentum improved meaningfully thereafter amid declining imports and resilient consumer spending. The policy-driven volatility masked the underlying trend of easing inflation as growth picked up. Notably, aggregate consumer spending gains were increasingly concentrated among higher-income households, as elevated prices and borrowing costs pressured discretionary spending for lower-income consumers.

As inflation moderated and labor market momentum cooled, the Federal Reserve resumed rate cuts following a nine-month pause. The policy pivot drove a pronounced steepening of the U.S. yield curve, as short-term yields declined in lockstep with the fed funds rate, while longer-dated yields remained anchored by ongoing deficit concerns and resilient inflation. Concurrently, the U.S. Dollar Index logged its weakest calendar year performance since 2017. The sell-off was driven not just by narrowing interest rate differentials, but also by the broader geopolitical fragmentation triggered by the tariff measures, which prompted a rotation into foreign assets and precious metals as investors diversified away from U.S. trade policy risks. By year-end, markets showed signs of returning to a more familiar pre-pandemic environment, though underlying risks persist.

Credit markets reinforced this broader picture of economic resilience. Corporate credit spreads across both investment grade and high yield bond markets finished the year modestly lower, remaining near historically tight levels. This stability reflected solid corporate fundamentals and a constructive technical backdrop. While valuation upside from further spread compression appeared limited, elevated yields continued to offer attractive income and a partial buffer against rate and equity volatility.

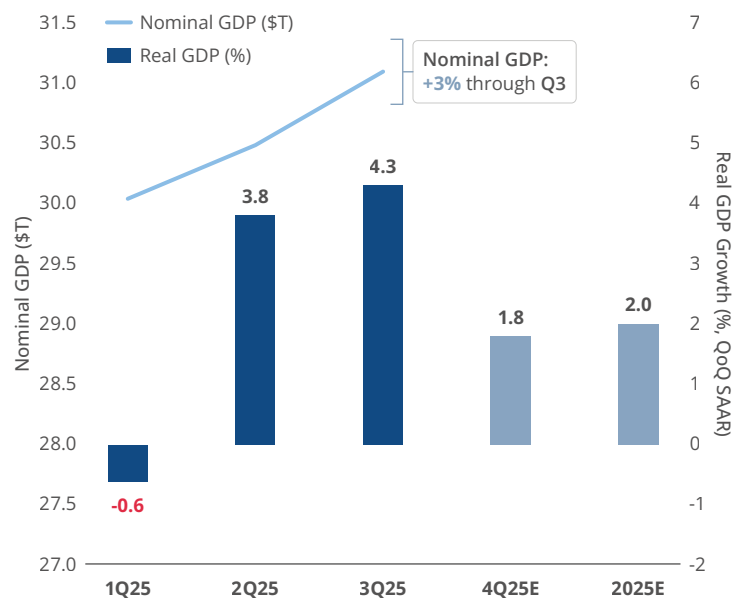
Entering 2026, we believe it's important to focus on disciplined execution and long-term decision-making. We believe the fixed income opportunity set is likely to be defined less by broad valuation shifts and more by dispersion across issuers, structures, and markets.

RETURNS %

| Index | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 2025 |
|---|--------|-------|-------|------|-------|
| S&P 500 | -4.27 | 10.94 | 8.12 | 2.66 | 17.88 |
| NASDAQ Composite | -10.26 | 17.96 | 11.41 | 2.72 | 21.14 |
| MSCI Emerging Markets | 2.73 | 8.13 | 12.49 | 5.68 | 32.06 |
| Bloomberg US Aggregate | 2.78 | 1.21 | 2.03 | 1.10 | 7.30 |
| Bloomberg US Credit | 2.36 | 1.82 | 2.57 | 0.88 | 7.83 |
| Bloomberg US Mortgage Backed Securities | 3.06 | 1.14 | 2.43 | 1.71 | 8.58 |
| Bloomberg US Treasury | 2.92 | 0.85 | 1.51 | 0.90 | 6.32 |
| Bloomberg US Corporate High Yield | 1.00 | 3.53 | 2.54 | 1.31 | 8.62 |
| Morningstar LSTA US Leveraged Loan | 0.48 | 2.32 | 1.77 | 1.22 | 5.90 |

Source: eVestment as of 12/31/2025.

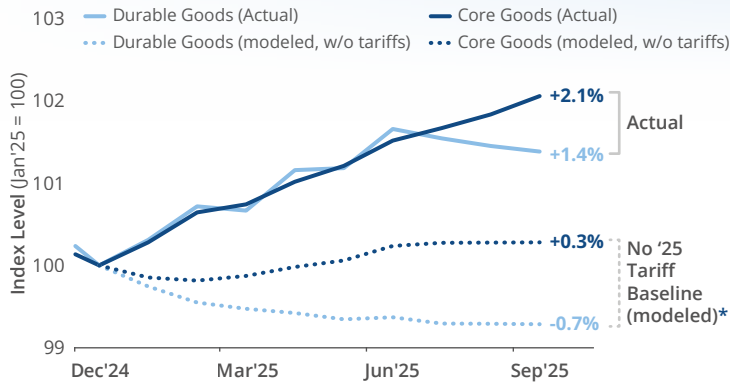
GDP GROWTH IN 2025



Source: Bloomberg as of 12/31/2025.

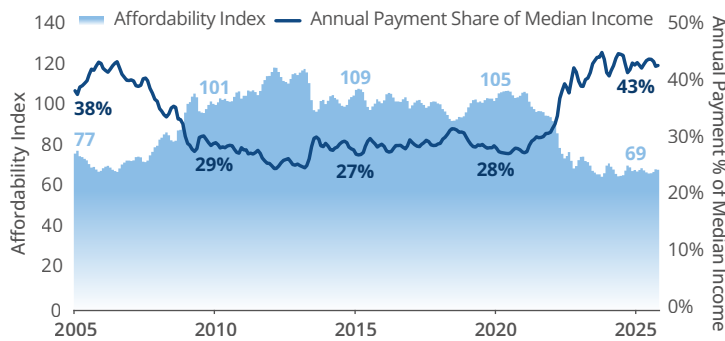
With spreads tight and yields elevated, return potential may rest predominantly on income generation and careful credit selection. Investors will need to navigate market trends, credit conditions, and global economic influences to position themselves effectively amid this dynamic and uncertain landscape.

1 TRADE POLICY INFLUENCE ON PCE



*No-2025 tariff baseline (modeled) uses the pre-2025 trend to estimate where PCE core goods prices would have been without tariffs.
Source: Aristotle Pacific Capital, BEA, BLS, The Budget Lab analysis as of 9/30/2025.

2 HOUSING AFFORDABILITY LOWEST IN 20 YEARS

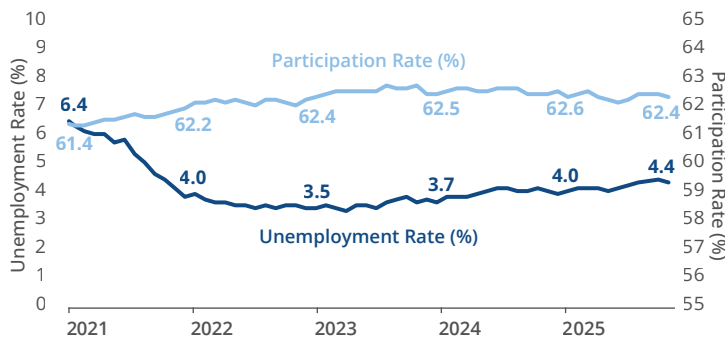


HOUSING AFFORDABILITY

| | Monthly P & I Payment | Median Family Income | Composite Affordability Index |
|----------------|-----------------------|----------------------|-------------------------------|
| 2020 | 1,044 | 68,585 | 169.9 |
| 2025 | 2,247 | 85,000 | 69.0 |
| Percent Change | 115% | 24% | -59% |

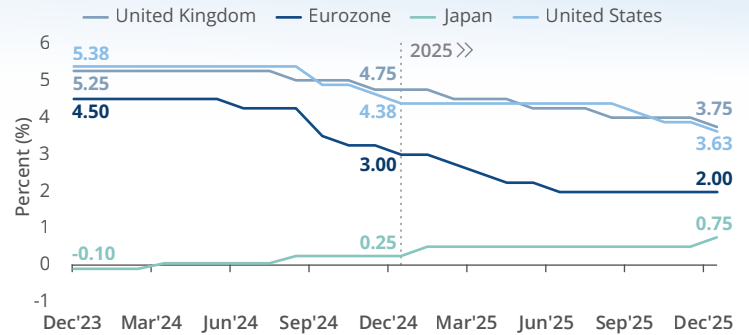
Source: Federal Reserve Bank of Atlanta as of 9/30/2025.

3 LABOR MARKET COOLING AS UNEMPLOYMENT RISES



Source: U.S. Bureau of Labor Statistics as of 12/31/2025.

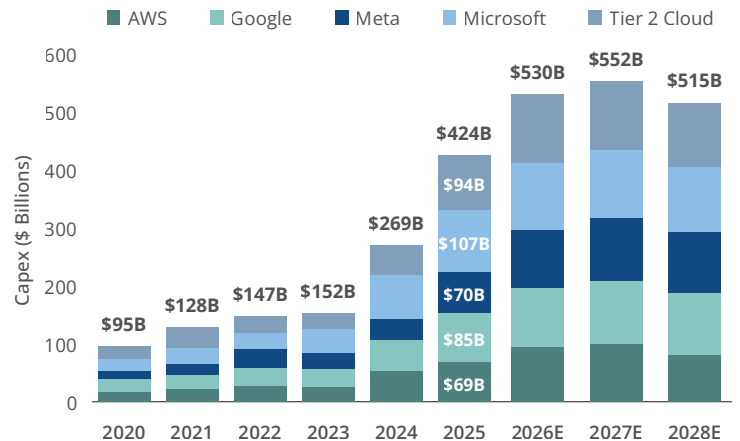
4 MONETARY POLICY CONVERGING



| | Policy Rate (%) | Annual Change (%) | | Total Change (%) |
|----------------|-----------------|-------------------|-------|------------------|
| | Dec '23 | 2024 | 2025 | Jan '23-Present |
| United States | 5.38 | -1.00 | -0.75 | -1.75 |
| Japan | -0.10 | 0.35 | 0.50 | 0.85 |
| Eurozone | 4.50 | -1.50 | -1.00 | -2.50 |
| United Kingdom | 5.25 | -0.50 | -1.00 | -1.50 |

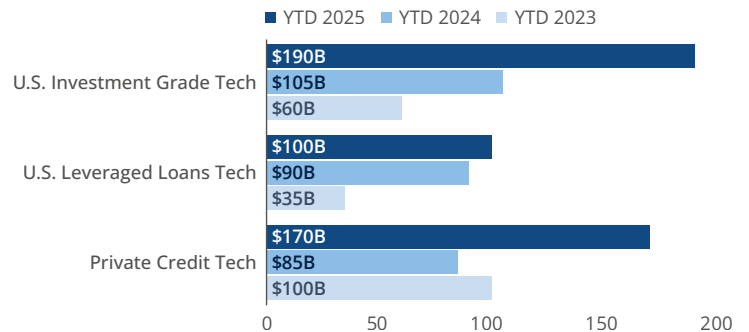
Source: Bank of International Settlements (BIS) as of 12/22/2025.

5 HYPERSCALER CAPEX ACCELERATED INTO 2025



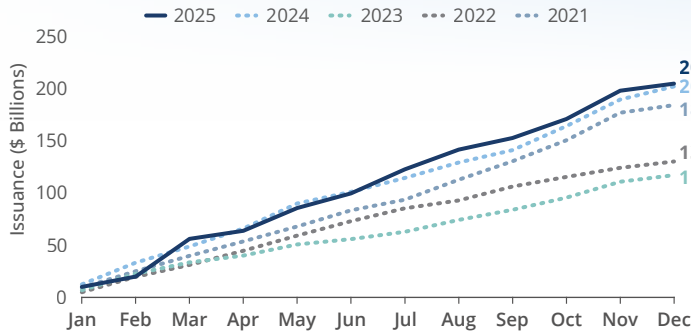
Source: Bloomberg BI as of 12/31/2025.

6 DATA CENTER BUILD OUT DROVE TECH FINANCING SURGE



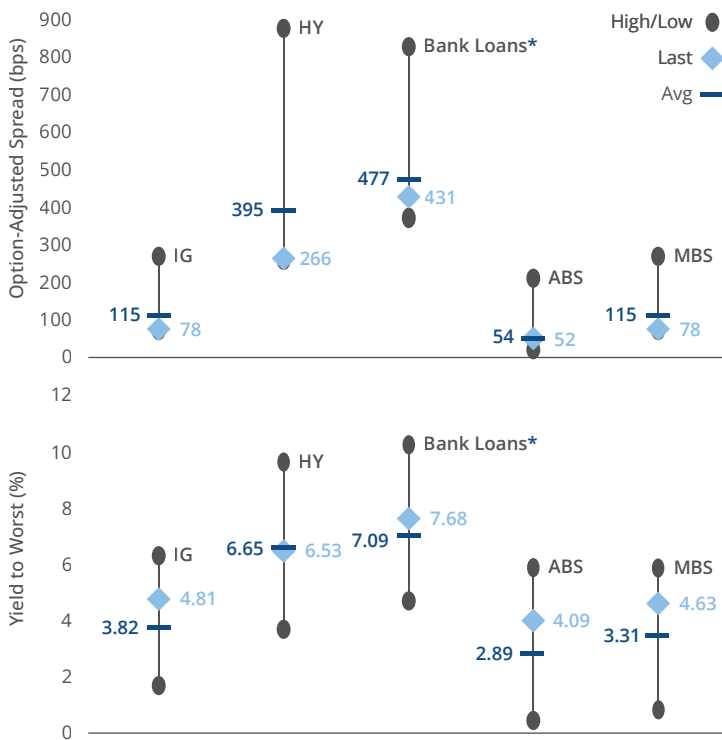
Source: UBS Global Research, Pitchbook LCD as of 12/11/2025.
All data through the 11th of December as of that year.

7 U.S. NEW CLO ISSUANCE SETS RECORD IN 2025



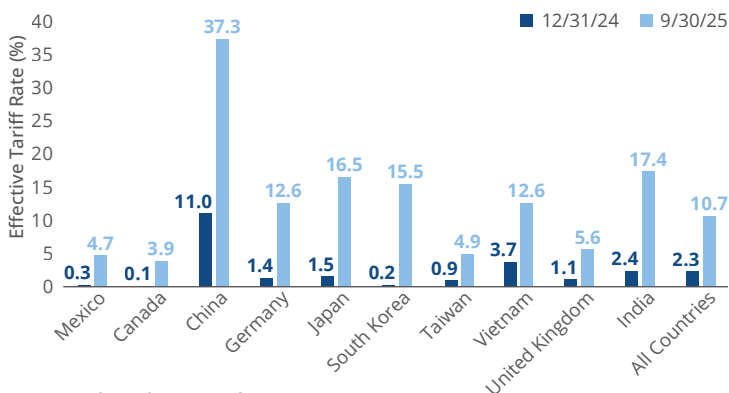
Source: J.P. Morgan as of 12/22/2025.

8 10-YEAR RANGE: OAS AND YIELD



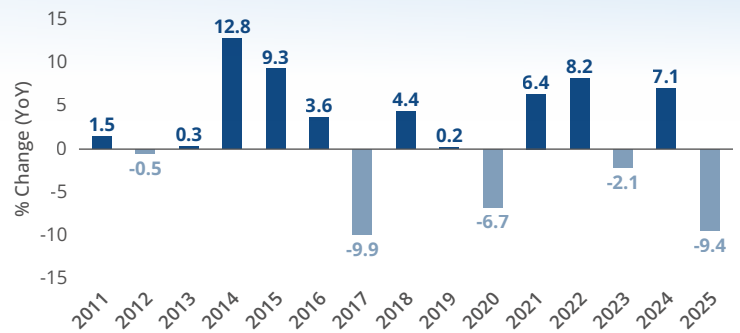
Source: Aristotle Pacific Capital, Barclays, Bloomberg, Standard & Poor's, J.P. Morgan as of 12/31/2025. *Bank Loan spread and yield refers to the Discount Margin (4-year life) and Yield (4-year life), respectively.

9 U.S. EFFECTIVE TARIFF RATES



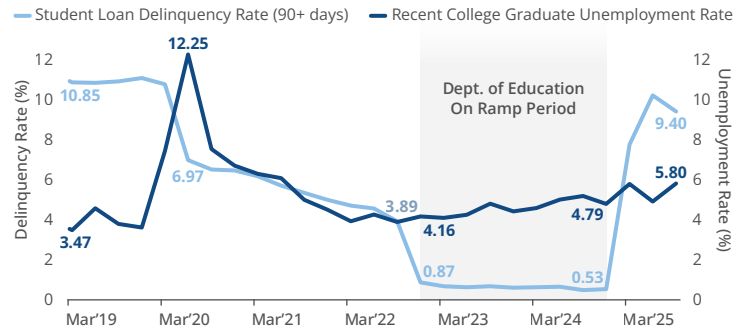
Source: Bloomberg as of 9/30/2025.
Top 10 countries shown based on trading volume in dollars with the U.S.

10 U.S. DOLLAR'S LARGEST ANNUAL DECLINE SINCE 2017



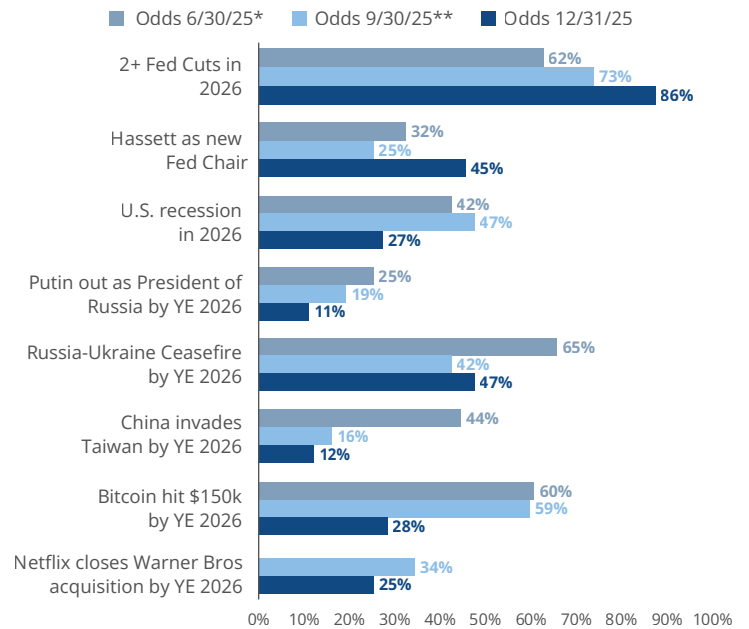
Source: Bloomberg as of 12/31/2025.

11 STUDENT LOAN DEFAULTS CLIMB AMID WEAK JOB MARKET



Source: U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey (IPUMS) as of 9/30/2025.

12 POLYMARKET BAROMETER



Source: Polymarket as of 12/31/2025. *Odds on 6/30/2025 or first trading date if after 6/30/2025. First trading dates after 6/30/2025 include: 2+ Fed Cuts in 2026 (9/29/2025), Hassett as new Fed Chair (8/6/2025), U.S. recession in 2026 (9/29/2025), Putin out as President of Russia by end of 2026 (7/6/2025), Russia-Ukraine Ceasefire by end of 2026 (7/25/2025), China invades Taiwan by end of 2026 (7/24/2025), Bitcoin hit \$150k by 12/31/2026 (8/7/2025). **Odds on 9/30/2025 or first trading date if after 9/30/2025. First trading dates after 9/30/2025 include: Netflix closes Warner Bros acquisition by end of 2026 (12/7/2025).

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ABOUT ARISTOTLE PACIFIC CAPITAL

Aristotle Pacific Capital, LLC specializes in institutional fixed income management with a focus on corporate credit. As of November 30, 2025 the firm managed \$30.73bn across bank loan, high yield, corporate, and CLO strategies.

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