

**Monthly Market Commentary****Summary**

1. 2025 was a year filled with lots of action for markets both on the upside and downside.
2. Major uncertainties that prevailed throughout the year regarding trade and One Big Beautiful Bill Act (OBBB) are now resolved.
3. 2026 should be a year where growth inflects higher while inflation surprises to the downside relative to expectations.
4. Elevated stock valuations persist but earnings growth in the mid-teens should be able to justify them for now.

As Christmas and the New Year approach, we want to thank you for your continued trust and partnership. May this holiday season bring you joy, warmth, and precious moments with family and friends. Please stay safe, stay healthy, and take time to truly enjoy the festivities. Wishing you a Merry Christmas and a happy, prosperous New Year!

We are in the final stretch of an action-packed year for markets globally. The year started with a lot of optimism as the new administration took office and expectations of a business-friendly environment were perceived to be eminent. However, participants were quickly surprised by the aggressive trade policy and spending cuts unveiled to which markets reacted rather negatively shortly after. With some resolution on trade and passage of the OBBB act, markets reversed course to rally thus far. Along the way, there have been several bouts of volatility which have created numerous opportunities to take advantage of and reposition portfolios to adapt to the changing landscape. All along, fundamentally, the economy continued to be resilient broadly with revolving areas of stress in certain industries and sectors. Labor, one of the lagging indicators, is the latest area where some weakness can be seen and accordingly the FED has responded with some rate cuts and signaled more to come. With all the overhang from covid era and inflation reduction act spending behind us, the economy should normalize and move closer to trend growth which is well understood now by most market participants. As we progress into 2026, we should start to see an inflection higher in growth while inflation will likely surprise to the downside relative to expectations with an accommodative monetary and fiscal policy. With this backdrop, risk assets remain attractive for the coming year with the caveat of changes in policy dynamics. Valuations remain elevated but it is rare to see them contract when expectations for earnings growth are solid with mid-teens growth over the next year for both large and small cap indices.

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