

# Q4

## Quarterly Market Review Fourth Quarter 2025

# Quarterly Market Review

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

## Overview:

Quarterly Market Commentary

Market Summary

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# Quarterly Market Commentary

## Fourth Quarter 2025 – January 12, 2026

It has been nearly three years since the arrival of OpenAI's ChatGPT-3.5, marking generative AI's watershed moment. Suddenly, algorithms could produce text, computer code and images comparable to human output—and an AI investment boom was underway. Fast-forward to today, when the investment news is filled with comparisons to the dot-com bubble of the late 1990s and questions about whether the boom may soon turn to bust.

As in the late 1990s, a transformational technology has sparked enormous enthusiasm and aggressive capital expenditures (capex). For 2025, big tech spending clocks in at an estimated **\$400 billion**. Building the infrastructure required to support this technology is expected to cost **\$3 trillion** through 2028. Some worry that the technology will not provide enough value to justify the investment. OpenAI is planning a \$500 billion data center project, even though the company will generate only **\$13 billion** in revenue in 2025.

Yet there are important differences between 2025 and 2000. Unlike the speculative companies of the dot-com era, today's biggest public technology firms are highly profitable and funding capex out of substantial cash flows. And while valuations are elevated, they're not at the extremes seen in 2000. The S&P 500 Information Technology Index recently traded around **30 times** forward earnings, well below the dot-com era peak of 55.

### Should You Worry About a Bubble?

Reasonable arguments exist on both sides of the bubble debate. But long-term investors don't need to pick a side.

Correctly identifying a bubble is quite difficult and it's unnecessary.

Your job is not to figure out whether a particular market is moving too far or too fast. It's to invest in a way that gives you the best chance to reach your long-term goals. The key to that task is to build and maintain a portfolio that can keep you on track toward those objectives across many different market environments, including both booms and busts. That means diversifying across asset classes, sectors, company sizes and geographies.

Many investors assume their stock holdings are well diversified if they track the S&P 500. However, the so-called "Magnificent Seven"—seven of the index's largest technology companies—now account for roughly **35% of the index**. Those same companies represent about **30% of all capex within the S&P 500**, a huge portion of which is AI-related. In other words, mirroring the S&P 500 means you're betting a significant chunk of your future on AI-driven growth. If the boom hits a speedbump, you might be over-exposed to the downside.

Diversification can help limit the risk of this type of concentration. The dot-com bust offers a useful case study of the ways small-cap and international equity allocations can help reduce the impact when large growth stocks decline.

The dot-com bubble burst in March 2000, sending large growth stocks into a freefall. Over the five years through March 2005, the Russell Top 200—the market's 200 largest stocks by market capitalization—**lost more than 25%**. Meanwhile, the Russell 2000 index of small caps did almost exactly the opposite, gaining about 23% over the

same time period. **International stocks also outperformed**, beating U.S. stocks between 2000 and the 2008 financial crisis. Investors with diversified portfolios had a very different, less turbulent experience than investors who concentrated on the stocks that dominated the indexes at the end of the 1990s. Spreading their investments around may have supported their account balances during the first half of the 2000s, possibly leaving them with more assets to benefit from subsequent gains.

We're not predicting that history will repeat itself. No one knows what the future holds. The point is that market leadership can change, sometimes abruptly, and a diversified portfolio is designed to withstand those changes. With a diversified portfolio that's built around your goals, you don't have to predict when or why such shifts will occur.

Bubbles are clear only in hindsight. Diversification, on the other hand, works in real time. And it remains one of the most effective tools you have to navigate uncertainty.

As the new year begins, if you have any questions about market movements or your portfolio, don't hesitate to reach out.

Regards,

Eric Hutchens



Chief Executive Officer  
Allodium Investment Consultants

# Quarterly Market Summary

Returns (USD), as of December 31, 2025

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
<b>Q4 2025</b>	2.40%	5.20%	4.73%	<b>-0.81%</b>	1.10%	0.52%
   						
<b>Since January 2001</b>						
Average Quarterly Return	2.5%	1.8%	2.7%	2.2%	1.0%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2023 Q4</b>	<b>2023 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2022 Q1</b>	<b>2022 Q1</b>

**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2026, all rights reserved. Bloomberg data provided by Bloomberg.

# Long-Term Market Summary

Returns (USD), as of December 31, 2025

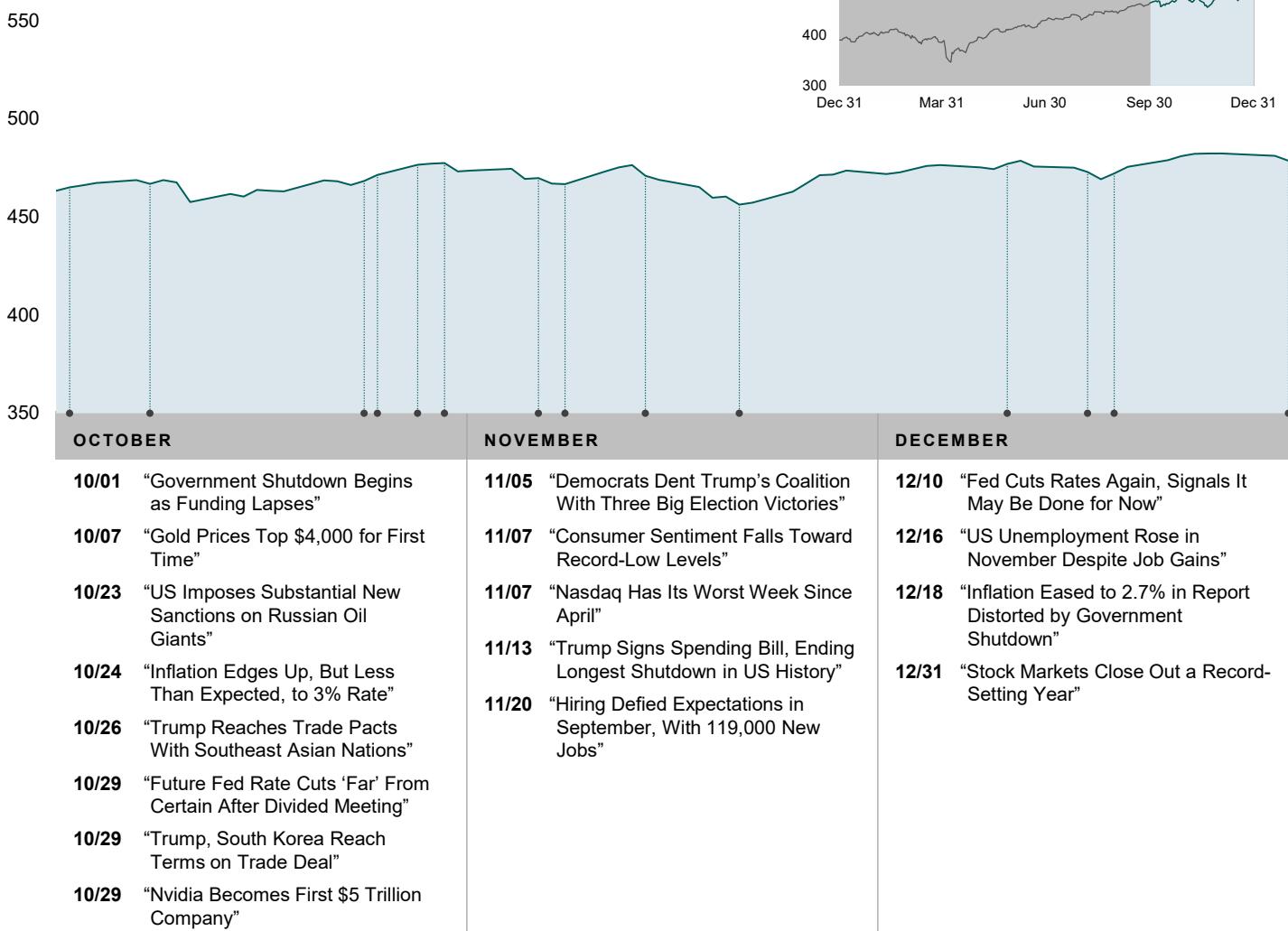
	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	17.15%	31.85%	33.57%	7.67%	7.30%	2.80%
						
5 Years	13.15%	9.46%	4.20%	3.92%	-0.36%	0.79%
						
10 Years	14.29%	8.55%	8.42%	3.79%	2.01%	2.58%
						
15 Years	13.58%	6.59%	3.82%	5.39%	2.42%	3.15%
						
20 Years	10.77%	5.69%	5.99%	4.31%	3.25%	3.41%
						

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# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2025

**Q4 2025**



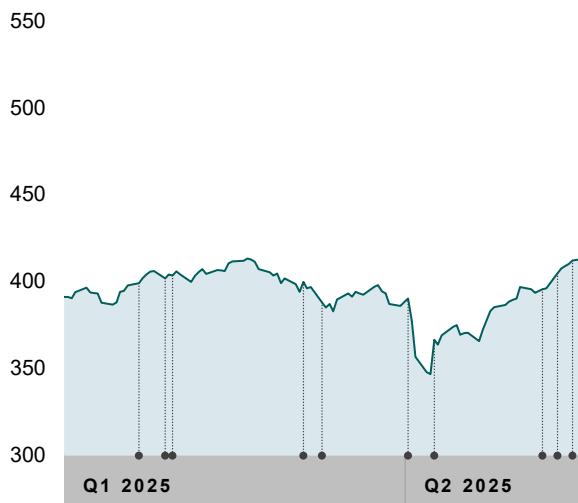
***These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.***

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2026, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# World Stock Market Performance

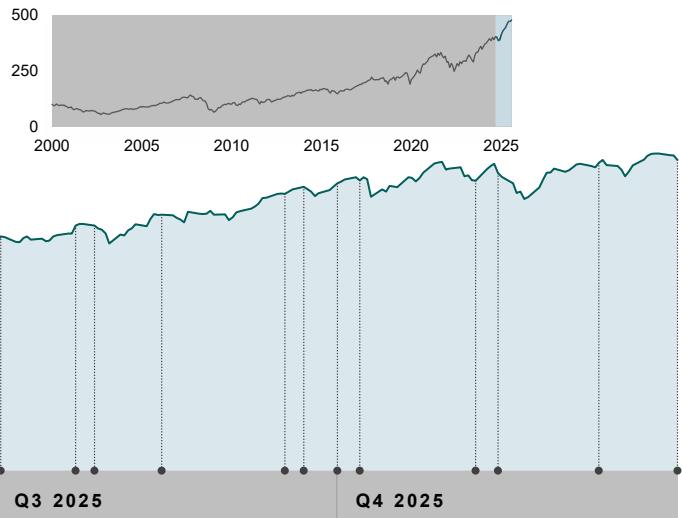
MSCI All Country World Index with selected headlines from past 12 months

## SHORT TERM (Q1 2025–Q4 2025)



01/20	"Trump Sworn In, Declares New 'Golden Age' for America"
01/27	"Tech Stocks Sink in Broad AI Rout Sparked by China's DeepSeek"
01/29	"Fed Stands Pat on Rates, Entering New Wait-and-See Phase"
03/05	"Stocks Extend Tumble as Trump's Tariffs Spark Retaliation"
03/10	"Tech Shares Lead Stock Slide as Recession Talk Roils Markets"

## LONG TERM (2000–Q4 2025)



04/02	"Trump Unveils Sweeping Tariffs in Stark Shift in US Trade Policy"
04/09	"Stocks Stage Furious Rally as Trump Pauses Some Tariffs"
05/08	"US and UK Unveil Framework for Trade Deal"
05/12	"Stocks Soar on Temporary US-China Tariff Rollback"
05/16	"US Loses Last Triple-A Credit Rating"
06/22	"Massive US Strikes Target Iranian Nuclear Sites"
06/27	"Historic Rebound Sends S&P 500 to New Highs"

07/03	"President Trump's Megabill Passes House Vote"
07/23	"US and Japan Reach Trade Deal"
07/27	"Trump and EU Reach Tariff Deal, Avoiding Trade War"
08/16	"Trump-Putin Summit Ends Without Breakthrough"
09/17	"Fed Cuts Rates by Quarter Point and Signals More Are Likely"
09/22	"A Deal Between AI Powers Lifts Stock Market to a Record"

10/01	"Government Shutdown Begins as Funding Lapses"
10/07	"Gold Prices Top \$4,000 for First Time"
11/07	"Nasdaq Has Its Worst Week Since April"
11/13	"Trump Signs Spending Bill, Ending Longest Shutdown in US History"
12/10	"Fed Cuts Rates Again, Signals It May Be Done for Now"
12/31	"Stock Markets Close Out a Record-Setting Year"

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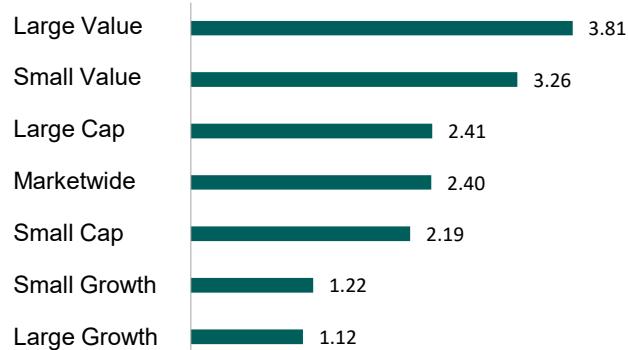
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# US Stocks

Returns (USD), 4th Quarter 2025

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value outperformed growth.
- Small caps underperformed large caps.
- REIT indices underperformed equity market indices.

## Ranked Returns (%)



## Periodic Returns (%)

ANNUALIZED

Asset Class	QTR	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Large Value	3.81	15.91	13.90	11.33	10.53	10.78	8.32
Small Value	3.26	12.59	11.73	8.88	9.27	8.73	7.40
Large Cap	2.41	17.37	22.74	13.59	14.59	13.87	10.94
Marketwide	2.40	17.15	22.25	13.15	14.29	13.58	10.77
Small Cap	2.19	12.81	13.73	6.09	9.62	9.47	8.20
Small Growth	1.22	13.01	15.59	3.18	9.57	9.94	8.76
Large Growth	1.12	18.56	31.15	15.32	18.13	16.58	13.23

## World Market Capitalization



**Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2026, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

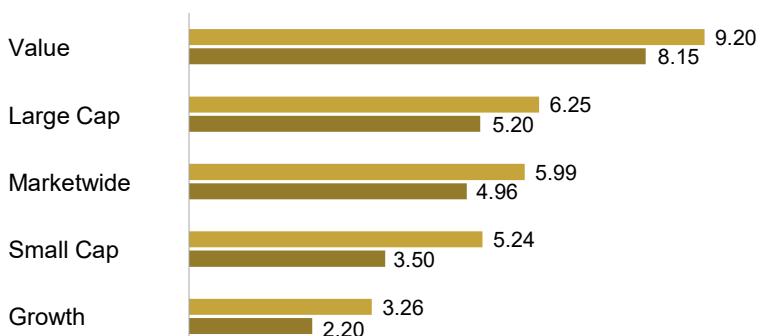
# International Developed Stocks

Returns (USD), 4th Quarter 2025

- Developed markets outside of the US posted positive returns for the quarter and outperformed both US and emerging markets.
- Value outperformed growth.
- Small caps underperformed large caps.

## Ranked Returns (%)

■ Local currency ■ US currency



## Periodic Returns (%)

ANNUALIZED

Asset Class	QTR	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Value	8.15	42.23	21.58	13.94	9.16	6.68	5.49
Large Cap	5.20	31.85	17.64	9.46	8.55	6.59	5.69
Marketwide	4.96	32.18	17.39	9.03	8.47	6.62	5.78
Small Cap	3.50	34.07	15.77	6.49	8.05	6.82	6.05
Growth	2.20	21.94	13.77	4.90	7.67	6.30	5.72

## World Market Capitalization



26% International  
Developed Markets  
\$27.1 trillion

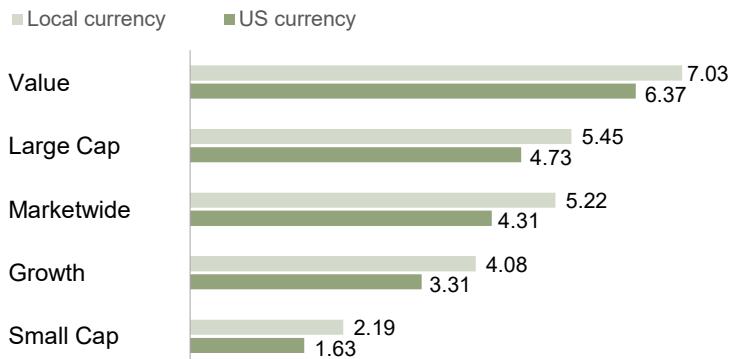
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# Emerging Markets Stocks

Returns (USD), 4th Quarter 2025

- Emerging markets posted positive returns for the quarter and outperformed US markets, but underperformed non-US developed markets.
- Value outperformed growth.
- Small caps underperformed large caps.

## Ranked Returns (%)



## Periodic Returns (%)

Asset Class	QTR	ANNUALIZED						
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
Value	6.37	32.74	16.58	6.76	7.96	2.82	5.65	
Large Cap	4.73	33.57	16.40	4.20	8.42	3.82	5.99	
Marketwide	4.31	31.38	16.25	4.66	8.37	3.87	6.13	
Growth	3.31	34.30	16.17	1.77	8.76	4.71	6.23	
Small Cap	1.63	18.58	15.47	8.43	8.31	4.30	7.20	

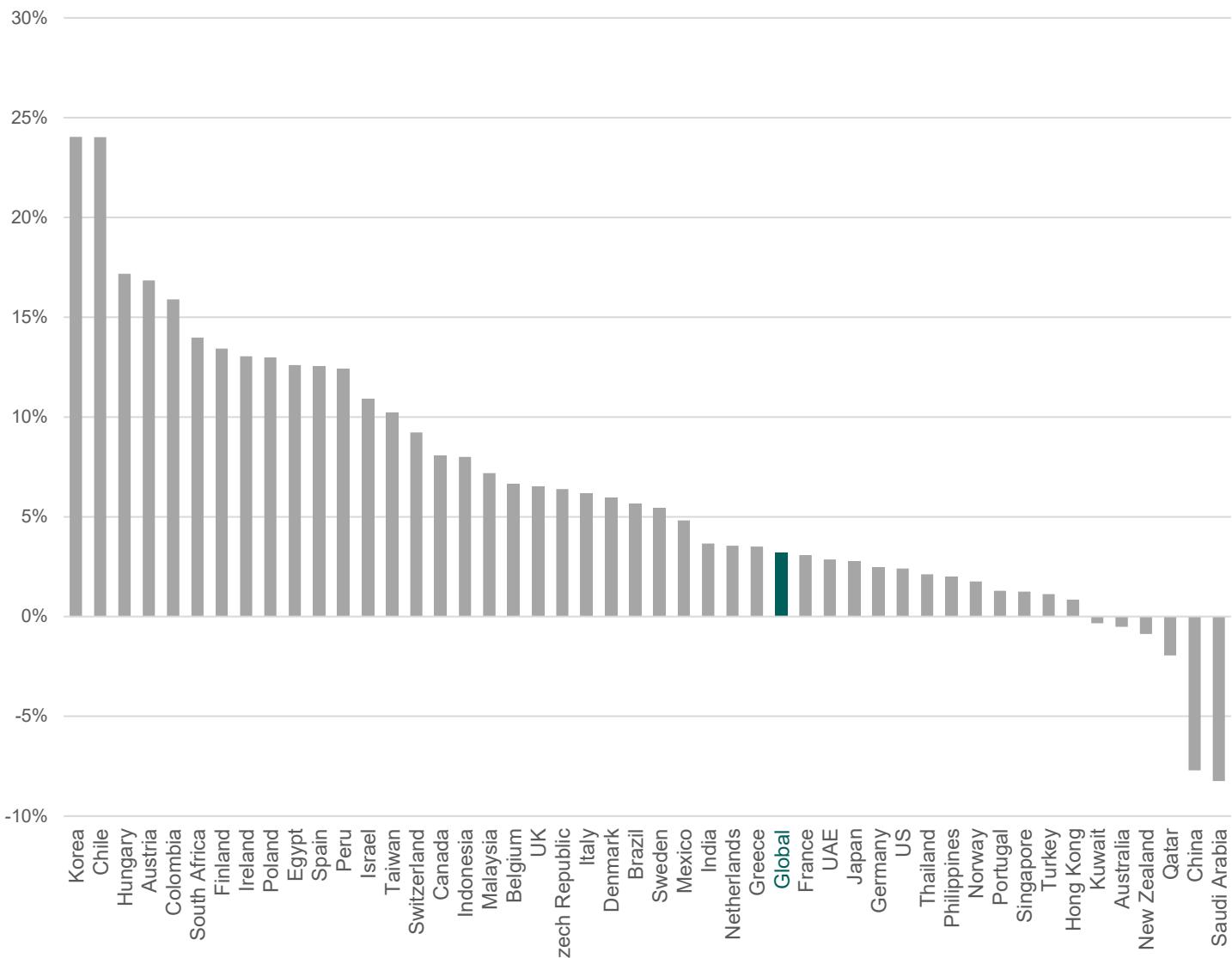
## World Market Capitalization



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# Country Returns

Returns (USD), 4th Quarter 2025



**Past performance is no guarantee of future results.** Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2026, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

# Real Estate Investment Trusts (REITs)

Returns (USD), 4th Quarter 2025

- US real estate investment trusts underperformed non-US REITs during the quarter.

## Ranked Returns (%)



## Periodic Returns (%)

Asset Class	QTR	ANNUALIZED					
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Global ex US REITS	1.53	24.29	6.55	1.09	2.62	3.64	2.97
US REITS	<b>-0.79</b>	3.67	8.50	6.65	4.81	7.26	6.00

## Total Value of REIT Stocks



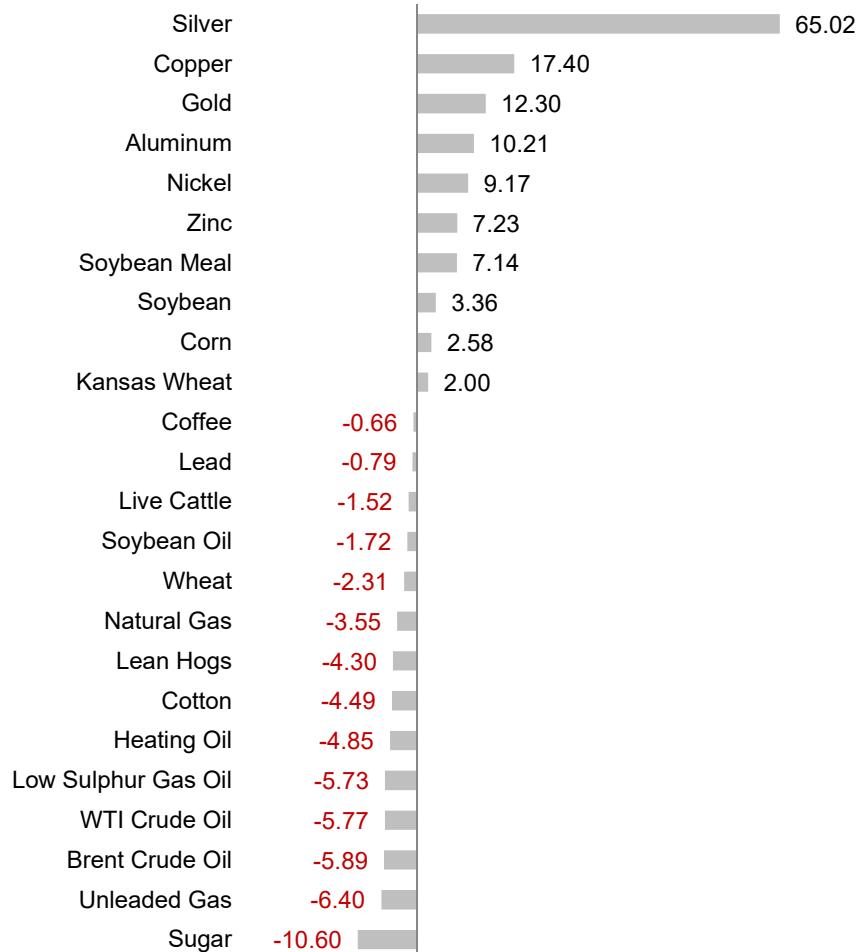
# Commodities

Returns (USD), 4th Quarter 2025

The Bloomberg Commodity Total Return Index returned +5.85% for the fourth quarter of 2025.

Silver and Copper were the best performers, returning +65.02% and +17.40% for the quarter, respectively. Sugar and Unleaded Gas were the worst performers, returning -10.60% and -6.40% for the quarter, respectively.

## Ranked Returns (%)



## Periodic Returns (%)

QTR	ANNUALIZED						
	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	
5.85	15.77	3.96	10.64	5.73	-1.10	-0.54	

# Fixed Income

## Returns (USD), 4th Quarter 2025

Within the US Treasury market, short-term interest rates generally decreased and long-term interest rates generally increased during the quarter.

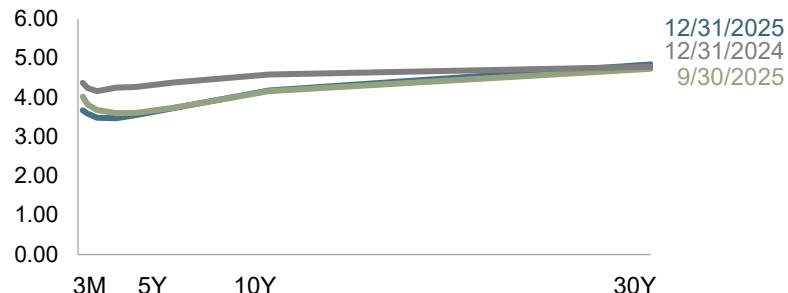
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 46 basis points (bps) to 3.74%. The 1-Year US Treasury Bill yield decreased 20 bps to 3.48%. The yield on the 2-Year US Treasury Note decreased 13 bps to 3.47%.

The yield on the 5-Year US Treasury Note decreased 1 bp to 3.73%. The yield on the 10-Year US Treasury Note increased 2 bps to 4.18%. The yield on the 30-Year US Treasury Bond increased 11 bps to 4.84%.

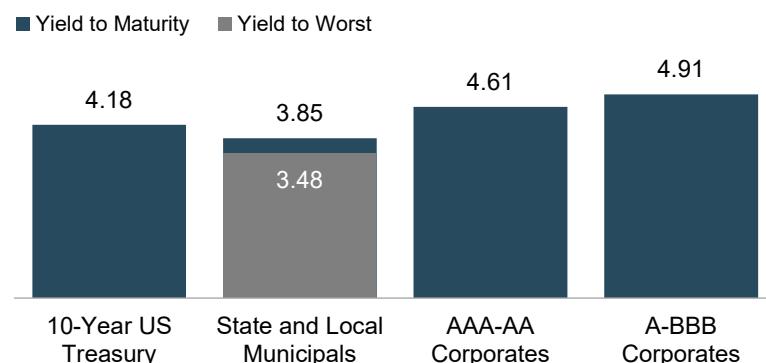
In terms of total returns, short-term US treasury bonds and intermediate-term US treasury bonds returned +1.15%. Short-term corporate bonds returned +1.26% and intermediate-term corporate bonds returned +1.29%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +0.47% and +1.02%, respectively. Within the municipal fixed income market, general obligation bonds returned +1.60% while revenue bonds returned +1.57%.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yields Across Issuers (%)



### Periodic Returns (%)

Asset Class	QTR	ANNUALIZED					
		1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Municipal Bond Index	1.56	4.25	3.88	0.80	2.34	3.34	3.52
Bloomberg U.S. High Yield Corporate Bond Index	1.31	8.62	10.06	4.51	6.53	6.03	6.74
Bloomberg U.S. Aggregate Bond Index	1.10	7.30	4.66	-0.36	2.01	2.42	3.25
FTSE World Government Bond Index 1-5 Years (hedged to USD)	1.07	5.12	4.89	1.80	2.08	1.91	2.49
ICE BofA 1-Year US Treasury Note Index	0.99	4.15	4.54	2.48	2.03	1.44	1.90
ICE BofA US 3-Month Treasury Bill Index	0.97	4.18	4.81	3.17	2.18	1.47	1.71
FTSE World Government Bond Index 1-5 Years	0.79	8.56	4.43	-0.13	1.27	0.24	1.86
Bloomberg U.S. TIPS Index	0.13	7.01	4.23	1.12	3.09	2.91	3.51
Bloomberg U.S. Government Bond Index Long	-0.04	5.61	0.65	-7.18	0.05	2.52	3.30

1. Bloomberg US Treasury and US Corporate Bond Indices

2. Bloomberg Municipal Bond Index

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). FTSE fixed income indices © 2026 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2026 ICE Data Indices, LLC. S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

# Global Fixed Income

## Yield curves, 4th Quarter 2025

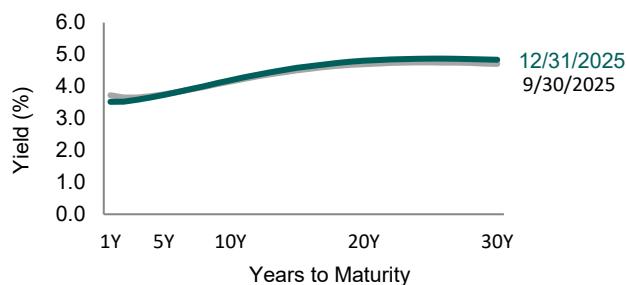
Except for the UK and US, interest rates generally increased across global developed markets for the quarter.

In the UK, interest rates decreased across all maturity ranges. In the US, short-term interest rates decreased, and long-term interest rates increased. In Canada, Germany, UK and Australia, the short-term maturity range of their yield curves was generally flat but steepened in the three- to five-year maturity range.

On aggregate, global term premiums were mixed. Realized term premiums were mixed in the US, as intermediate-term bonds generally outperformed shorter and longer-term bonds. Realized term premiums were positive in the UK, as longer-term bonds generally outperformed shorter-term bonds during the quarter.

However, realized term premiums were negative in Canada and Japan, as longer-term bonds generally underperformed shorter-term bonds during the quarter.

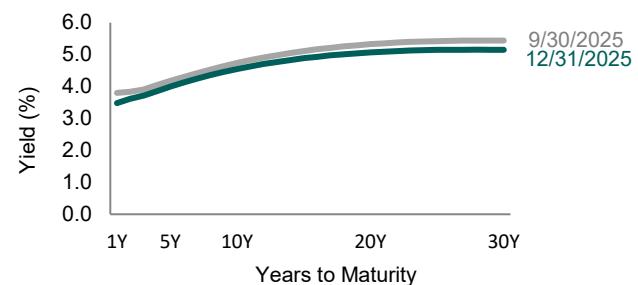
### US



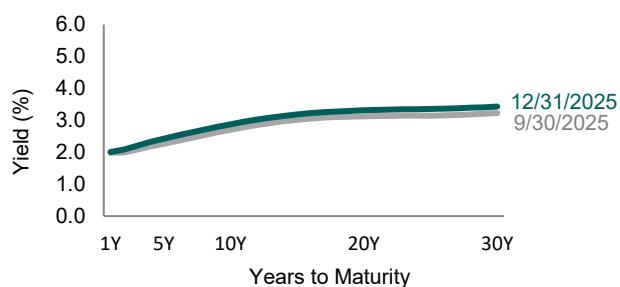
### Changes in Yields (bps) Since 09/30/2025

	1Y	5Y	10Y	20Y	30Y
US	-20.1	-1.7	3.9	10.3	13.3
UK	-32.0	-18.3	-18.7	-25.7	-28.5
Germany	2.1	16.0	16.8	18.7	20.2
Japan	11.4	30.9	39.0	34.8	31.4
Canada	-5.0	24.2	21.6	21.6	22.2
Australia	41.5	55.8	44.1	32.3	25.6

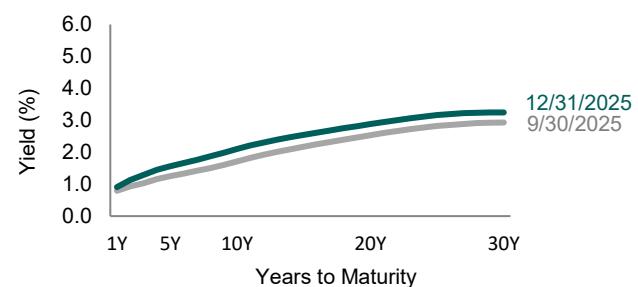
### UK



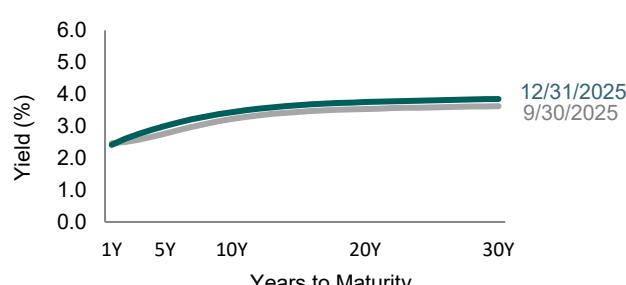
### Germany



### Japan



### Canada



### Australia

