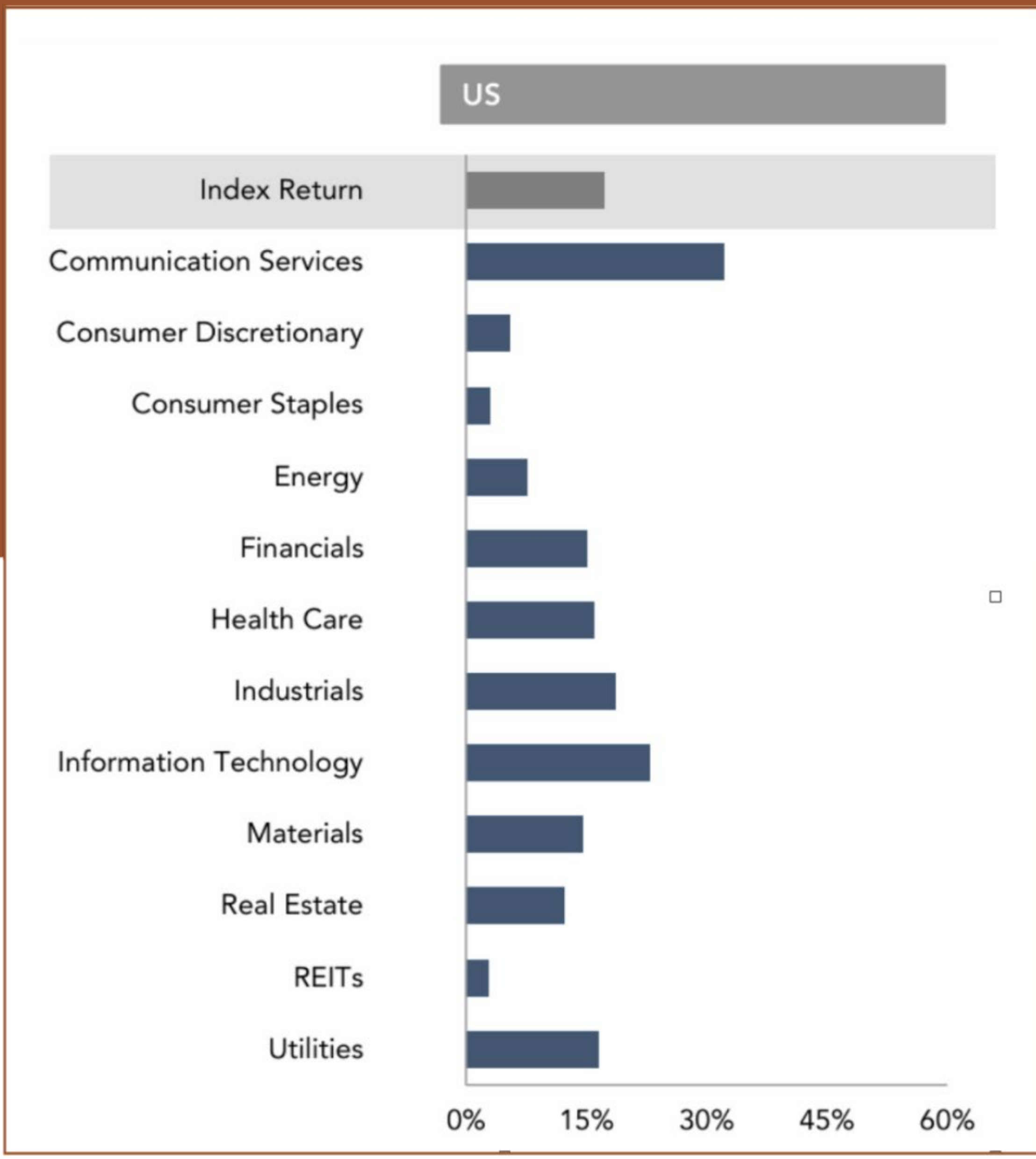
COLLECTIVE WEALTH
PARTNERS

January 2026 Investor Letter

“**May you live in interesting times**,” so the old proverb goes. 2025 certainly fit that bill. Against the backdrop of a near trade war, the longest-ever government shutdown, and erratic foreign policy moves, U.S. stock markets maintained their winning streak. The S&P 500 index of large stocks closed up 17.9%, for its third straight year of double-digit gains.

	Stocks				Bonds	
	US	Developed ex US	Emerging Markets	Global REITs	US	Global ex US
4th Quarter	2.40%	4.96%	4.31%	-0.81%	1.10%	0.52%
1 Year	17.15%	32.18%	31.38%	7.67%	7.30%	2.80%

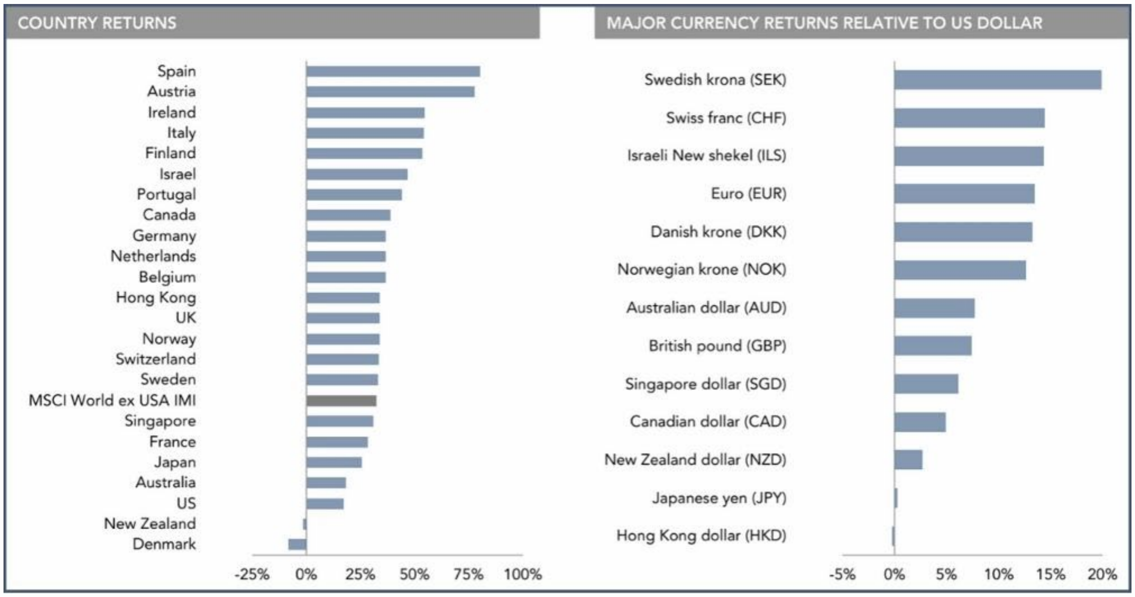
Strength ranged across **10 of the index's 11 sectors** (consistent with 2024’s performance but broader-based than 2023’s, when eight out of 11 sectors gained). However, growth was still overly concentrated in the biggest tech stocks. Key performance drivers were continuing investor enthusiasm surrounding AI, **inflation numbers** that seem to be coming under control, anticipation that the GOP's $3.4 trillion **tax cut** package will be stimulative for the economy, and continued **economic growth**.



Shaken, but not stirred (to action)

2025 opened with questions as to how far the administration and its Republican allies would go in implementing Trump's policy agenda. As the year unfolded with sweeping and constantly changing tariffs levied against both allies and rivals, wide-scale roundups of immigrants, and swift passage of the tax bill, answers started to come into focus. Faced with all those crosscurrents, consumers stayed resilient, and the economy appeared to hold firm.

With the Trump administration moving to interfere with the Fed's independence, including pressuring officials to lower interest rates at a faster pace, questions surfaced about whether global investors would reassess risk and begin reducing their exposure to U.S. assets. Investors have not shifted significant funds to date – whether Treasury bonds, stocks, or **the dollar.** But for the first time since 2009, the MSCI ACWI ex USA index of international stocks trounced the S&P 500's impressive gain, **jumping 32%**, and delivering its best return relative to U.S. equities since 2009. Some of that gain reflected the U.S dollar's falling price. But the strong performance also reflected investors' sense of the relative attractiveness and pricing of U.S. versus international stocks.



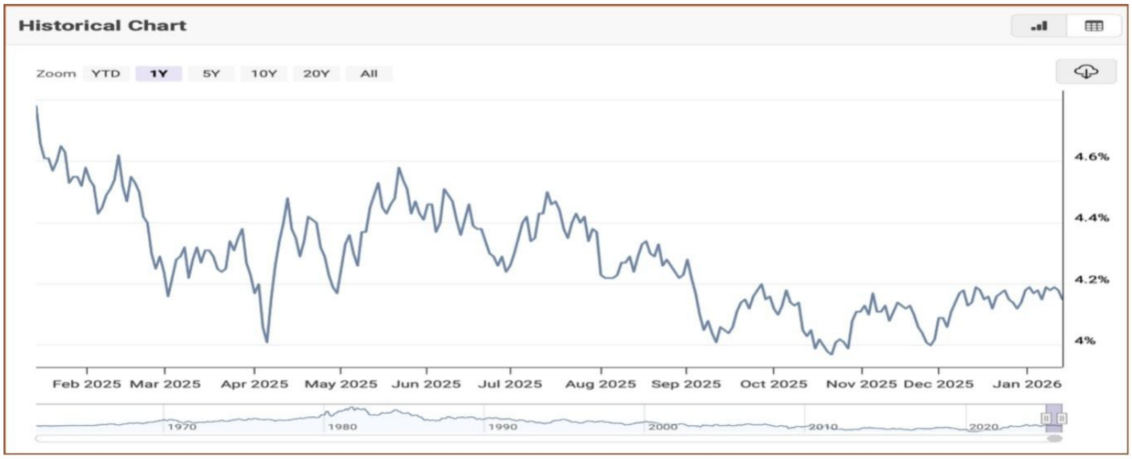
The story was different in bond markets. The Bloomberg U.S. Aggregate index rose 7.3% for the year, while the global index gained less, at close to 5%. Bonds benefitted from positive economic conditions including strong corporate earnings, receding inflation, and falling interest rates, with the Bank of England, the European Central Bank, and the Fed all lowering interest rates several times during the year. But the Fed in particular faced conflicting dynamics. With economic growth solid and inflation still above its 2% target, the case for continued reductions wasn't clearcut.

Yet, the administration's pressure campaign is fueling uncertainty.* Jerome Powell's chairmanship of the Federal Reserve ends in May 2026 and a central bank controlled by Trump raises concerns that decisions will be based on political expediency and not economic conditions. That could:

- cause investors to demand higher rates (on U.S. Treasury bonds, the dollar and other assets) to compensate for inflation (real or anticipated) and increased uncertainty.
- increase [federal government]() and consumer' borrowing costs (mortgages, student loans, and other loan rates are based on the U.S. 10-year Treasury).

Source: MSCI Index Factsheet, 2023; and MSCI Index Factsheet, Dec, 31, 2025, https://www.msci.com/documents/10199/86494e1f-914e-4aa5-82a9-

2e29ed5adbbf; and Slickcharts, S&P 500 Total Returns, accessed Jan 14, 2026.
*Bond prices gain as interest rates fall. Additionally, lower interest rates make it cheaper for borrowers, including the federal government, to finance debt.



Bottom Line

Our outlook for 2026 sees political risk (domestically and beyond) becoming a bigger consideration, with the U.S. midterm elections looming, the recent U.S. military action in Venezuela, and the administration's ongoing threats against Iran and Greenland. Financial pressures on consumers are also set to ratchet up as the cuts to healthcare subsidies included in last year's tax bill take effect. The scale of AI investment which has driven so much of the stock market rally, will at some point ebb. When, how quickly, and what takes over to drive continued price growth from there, are open questions.

Remember that uncertainty can present risks to the *upside* as well as the downside, though. Taking action now to review your portfolio for hidden risks and update your positioning accordingly is the best way to make sure you have strategies in place to help dampen the impact of unexpected market moves, so they don't knock you off your long-term course.

Please contact us with any questions or to discuss your portfolio.

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 © 2024 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 2024, all rights reserved. Bloomberg data provided by Bloomberg.