

Market Review

Snapshot

Global stocks and bonds delivered fourth-quarter gains, capping off a strong 2025. Non-U.S. stocks outperformed U.S. stocks for the quarter, while U.S. bonds outpaced global bonds.

- Stocks advanced against a fourth-quarter backdrop that included the longest U.S. government shutdown, elevated job cuts, two Fed rate reductions, tepid consumer sentiment and solid corporate earnings. In 2025, the S&P 500 Index logged a double-digit annual return for the third consecutive year.
- Sector performance was mixed in December, but most sectors delivered gains for the quarter, led by health care. For the year, all sectors logged gains, with communication services up nearly 34%.
- Non-U.S. developed markets stocks outperformed U.S. stocks for the month, quarter and year. Emerging markets stocks also outperformed U.S. stocks, but they lagged non-U.S. developed markets stocks in December and in the fourth quarter. With a return of nearly 34%, they were top year-to-date performers.
- The Fed cut rates twice, and the Bank of England eased once. The European Central Bank left interest rates unchanged.
- U.S. inflation slowed in the quarter, though the government shutdown delayed some data. Annual headline inflation steadied near the target rate in Europe and moderated in the U.K.
- U.S. size and style indices were mixed in December, and all rose for the quarter except mid-cap growth. Large-cap stocks outperformed, and value outpaced growth. Outside the U.S., major size and style indices advanced for the month and quarter.
- U.S. Treasury yields declined for the quarter, and the broad U.S. bond market advanced. Yields were mixed in December, and the bond index declined modestly.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	0.06	2.66	17.88	17.88	23.01	14.42	14.82
U.S. Small-Cap Equity							
Russell 2000	-0.58	2.19	12.81	12.81	13.73	6.09	9.62
Intl. Developed Markets Equity							
MSCI World ex USA	3.00	5.20	31.85	31.85	17.64	9.46	8.55
Emerging Markets Equity							
MSCI Emerging Markets	2.99	4.73	33.57	33.57	16.40	4.20	8.42
Global Real Estate Equity							
S&P Global REIT	-1.28	-0.81	7.67	7.67	6.84	3.92	3.79
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-0.15	1.10	7.30	7.30	4.66	-0.36	2.01
Global Fixed Income							
Bloomberg Global Aggregate Bond	0.26	0.24	8.17	8.17	3.98	-2.15	1.26
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.35	1.01	4.29	4.29	4.91	3.24	2.18

Data as of 12/31/2025. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Equity Returns | Size and Style

		U.S.			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Large	Value	3.81	1.12	15.91	18.56
	Growth				
Small	Value	3.26	1.22	12.59	13.01
	Growth				

		Non-U.S. Developed Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Large	Value	8.70	2.49	43.30	20.85
	Growth				
Small	Value	5.05	1.93	38.55	29.69
	Growth				

		Emerging Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Large	Value	7.20	3.80	34.17	34.56
	Growth				
Small	Value	2.39	0.90	18.81	18.28
	Growth				

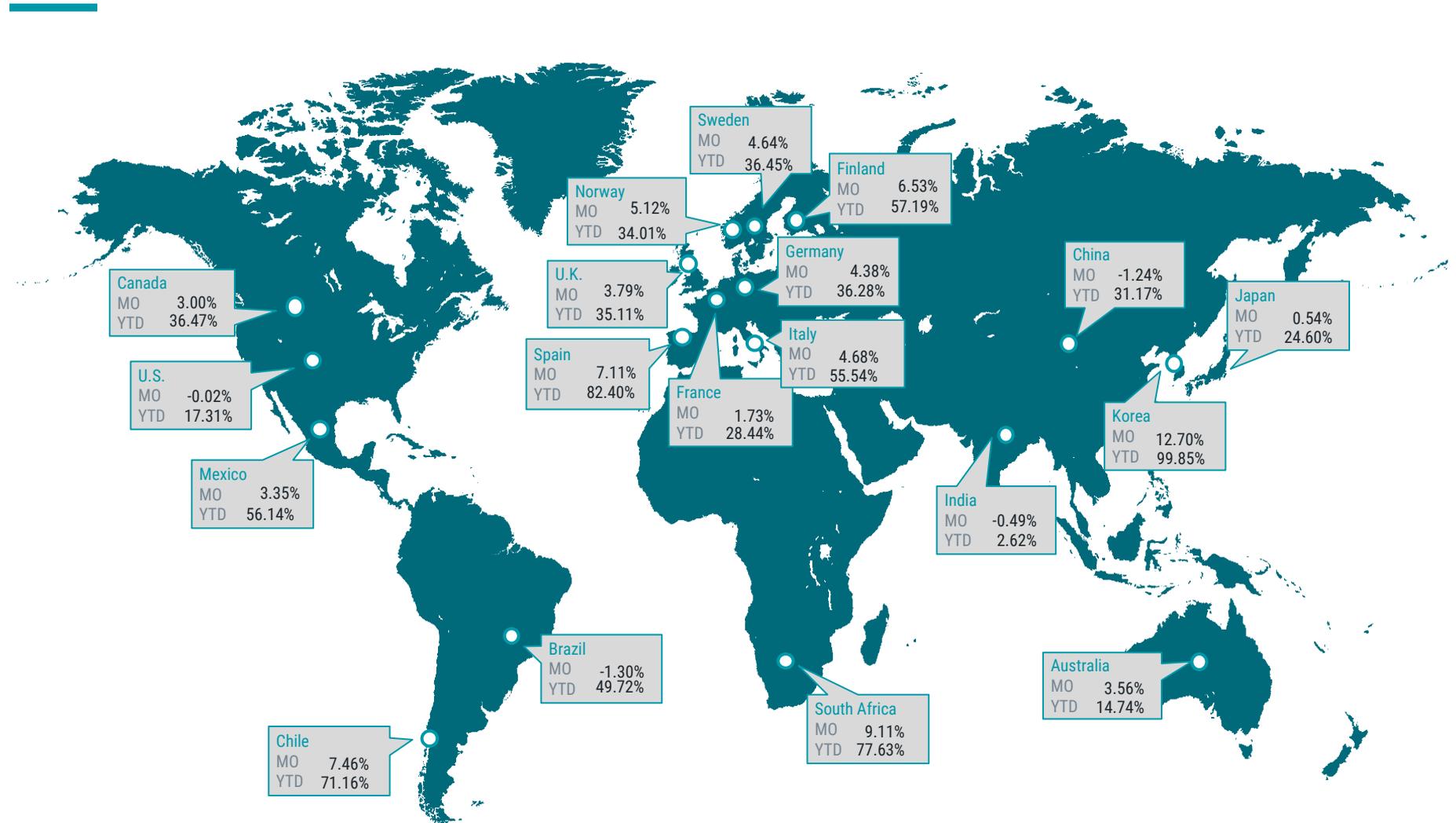
- The broad U.S. stock market index gained nearly 3% in the quarter, lifting its annual return to almost 18%. Most size and style indices advanced for the quarter, and all logged 12-month gains.
- Large-cap stocks gained more than 2% for the quarter, outpacing small-caps. Year to date, large-caps returned more than 17% and outperformed small-caps, which gained nearly 13%.
- For the quarter, value stocks outperformed their growth-style peers across capitalizations. For the year, growth stocks outperformed value stocks among large- and small-caps; value outperformed among mid-caps.

- Non-U.S. developed markets stocks outperformed U.S. stocks for the quarter and year. Key size and style indices advanced in both periods.
- Large-cap stocks gained nearly 6%, outperforming small-caps for the quarter but lagged year to date. Small-caps gained 34% for the year, while large-caps returned nearly 32%.
- Across the board, value stocks outperformed their growth-style peers in the quarter and for the year. Large-cap value stocks were top performers for both periods, advancing nearly 9% for the quarter and more than 43% for the 12 months.

- The broad emerging markets stock index outperformed U.S. stocks for the quarter and year. The index gained nearly 5% for the quarter and almost 34% for 2025.
- Large-cap stocks rose more than 5% in the quarter, outpacing small-caps, which gained nearly 2%. For the year, large-caps gained 34% to significantly outperform small-caps, which returned nearly 19%.
- Value stocks outperformed growth stocks across capitalizations for the quarter. For the year, growth stocks outperformed in the large-cap space and lagged among small-caps.

Data as of 12/31/2025. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Data as of 12/31/2025. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

The broad U.S. bond index delivered its fourth straight quarterly gain. The Fed cut rates in September and December, and short-maturity Treasury yields declined for the three-month period.

- The Bloomberg U.S. Aggregate Bond Index was up more than 1% in the quarter, and its annual return topped 7%. For December, the index declined modestly.
- The yield on the 10-year Treasury note ended the third quarter at 4.17%, 2 bps higher than on September 30. Conversely, the two-year Treasury yield declined 14 bps in the quarter to 3.48%.
- Within the broad Index, only the MBS sector rose in December. All sectors were up for the quarter, led by the outperforming MBS sector. Credit spreads widened slightly, and high-yield corporates outperformed investment-grade corporates.
- Amid persistent labor market concerns, the Fed lowered its interest rate target twice, and it ended the quarter in a range of 3.5% to 3.75%. Policymakers remained divided, with some viewing inflation as the greater worry and others insisting a softening jobs market is the bigger concern.
- Annual headline and core CPI moderated in November to 2.7% and 2.6%, respectively. Both rates were 3% in September. The government canceled the October release due to the shutdown. The government shutdown delayed the release of the core PCE inflation rate, the Fed's preferred inflation gauge.
- Municipal bonds delivered their second consecutive quarterly gain, returning more than 1.5% and outpacing Treasuries. Munis also outperformed Treasuries in December.
- Inflation expectations eased during the quarter, and TIPS lagged nominal Treasuries.

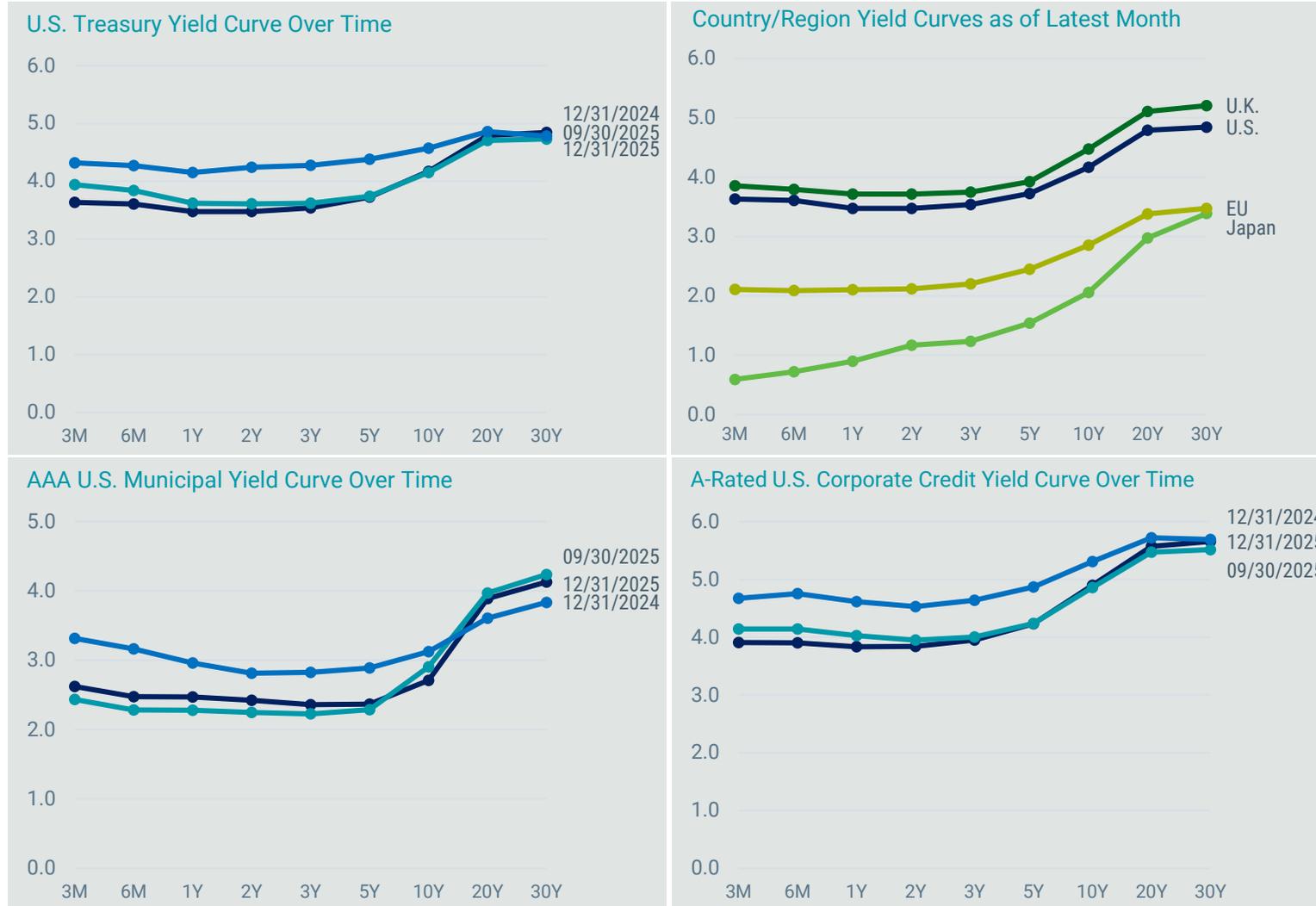
Mortgage-backed securities (MBS) are a type of securitized debt that represents ownership in pools of mortgage loans and their payments.

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U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-0.15	1.10	7.30	7.30	4.66	-0.36	2.01
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	0.57	1.31	8.62	8.62	10.06	4.51	6.53
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-0.20	0.84	7.77	7.77	6.10	-0.09	3.27
Municipals							
Bloomberg Municipal Bond	0.09	1.56	4.25	4.25	3.88	0.80	2.34
U.S. TIPS							
Bloomberg U.S. Treasury Inflation Protected Securities (TIPS)	-0.40	0.13	7.01	7.01	4.23	1.12	3.09
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-0.33	0.90	6.32	6.32	3.62	-0.99	1.36
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.35	1.01	4.29	4.29	4.91	3.24	2.18

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Global Yield Curves



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

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).