Fourth Quarter 2025 Market Review

We've said before that the most dangerous four words in investing are: "This time it's different."

We've heard that statement frequently in recent decades, from the bursting of the dot-com bubble to the Great Recession to the Covid crash of 2020. We heard it again this past spring, when the Trump administration announced the imposition of sweeping, severe tariffs that blindsided investors and sent the stock market reeling.

Peel back the onion a bit on that statement and what you find at its core is an unspoken rationalization for market timing; i.e., "this time it's different *and so we must do something*!"

These are what we call the "blink moments"—the pivotal times when otherwise rational, level-headed investors may feel tempted to throw in the towel and decide they are going to bail out of the market "just this once. Because this time…it's different."

The thing is, it's *always* different. Every crisis is unique in its own way; after all, it wouldn't be a crisis if we already had the blueprint for how to fix the problem! The real question is—can investors avoid the fallout from these market shocks by jumping out of stocks and into the perceived safety of bonds and cash? History suggests that even a single poorly timed "blink moment" can potentially have major adverse effects on your portfolio.

This goes back to the oft-cited chart we included in this space recently showing the impact of missing even just a few of the stock market's best days over the long run. Missing out on even a handful of the market's best days over the course of two decades can mean the difference between earning equity rates of return and the lower returns associated with bonds and cash.

At its core, market timing is an emotional decision masquerading a logical decision. It's about letting fear take the reins of our decision making—and fear is no basis for an investment strategy.

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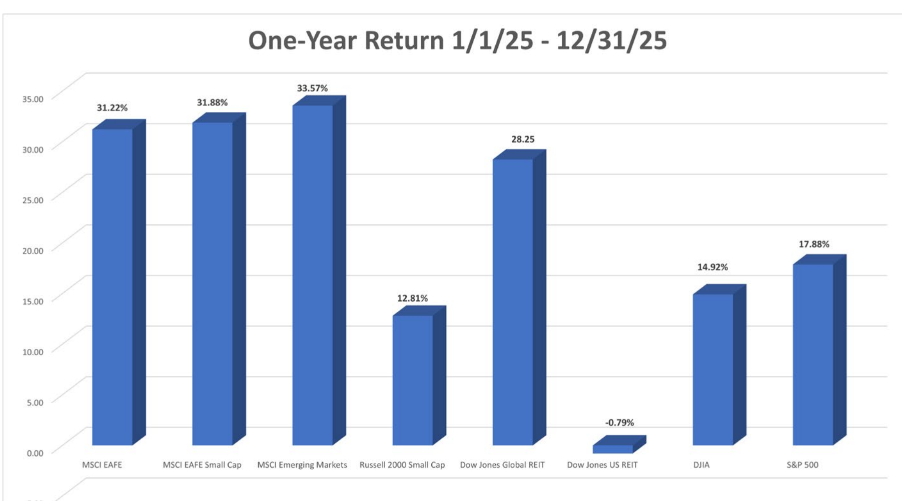
Stocks in recent years have been led by U.S. stocks, but 2025 saw a notable rotation in the capital markets. While U.S. large cap stocks (as reflected in the Dow Jones Industrial Average and S& P 500 indices) still enjoyed robust gains in 2025, international equity asset classes surged well past their U.S. counterparts:



Source: Morningstar Direct

Managed Wealth, LLC

Like the pistons on an out-of-tune engine, market sectors rise and fall in unpredictable ways—often for extended periods of time. We saw that in the decade of the 2000s, when the S&P 500 posted a negative total return while many other equity asset classes enjoyed triple-digit gains.

While it can sometimes be frustrating to see international stocks trail domestic stocks for extended periods, we believe maintaining a healthy allocation to international stocks can help support a broad representation of asset classes around the globe and not just those in our backyard.

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While well-diversified equity investors enjoyed the benefits of a major bull rally in stocks in 2025, many investors concentrated in cryptocurrencies had a very different experience.

Turmoil swept through the crypto markets during Fourth Quarter 2025. After reaching record highs in the fall, the flagship Bitcoin cryptocurrency plunged more than 30% in October and November before rebounding slightly in the new year. Some high-profile stocks of companies in the crypto sector dropped nearly 50% as speculative investors unwound their trades and the selloff spread throughout the industry.

Downturns happen in every security sector, of course. But there are some risks distinct to cryptocurrencies that conventional securities like stocks and bonds don't incur. It's worth keeping these in mind the next time your neighbor is bragging about his crypto portfolio:

- **Crypto has no intrinsic value:** Unlike companies, cryptocurrencies don't have any value beyond that which investors ascribe to them. Like gold, crypto doesn't produce anything and doesn't spin off dividends. But at least with gold you can go look at it while it's sitting in your vault. With crypto, the only thing to look at is code.

- **Crypto isn't backstopped by central banks:** Crypto enthusiasts will tell you that's the point—that it is a decentralized currency that can't be manipulated by government planners. But it is nonetheless a risk that hard currencies don't have. There is no central bank that will shore up crypto in times of turmoil, as they do with reserve currencies like the dollar, yen and Euro.

- **Cryptocurrencies have few if any investor protections:** U.S. investors in conventional liquid assets (stocks, bonds and cash) have significant protections against fraud. For example, the SEC, FDIC and SIPC are three U.S. institutions that work to ensure a fair and level playing field for investors.

  No such institutions exist to regulate the crypto market. Its decentralized nature means investors are on their own with few protections. This can cause significant spikes in volatility and potentially lead to panic selling—as we saw in Fourth Quarter 2025.

- **Crypto scams are many, varied and frequently devastating:** The virtual nature of crypto opens the door for widespread frauds and scams. According to the FBI's Internet Crime Complaint Center (IC3), there were a staggering 535,314 complaints reporting $13.7 billion in losses in 2024. The *average* loss per victim was $25,700. Between 2020 and 2024, the IC3 reported a total of $50.5 billion in losses from crypto scams and frauds.

We understand that some clients choose to hold cryptocurrencies. While we do not view crypto as a core asset class, we have no objection to maintaining a **small, risk-appropriate allocation** as part of a well-diversified portfolio. Any exposure should align with your long-term goals and tolerance for volatility.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices or categories.