

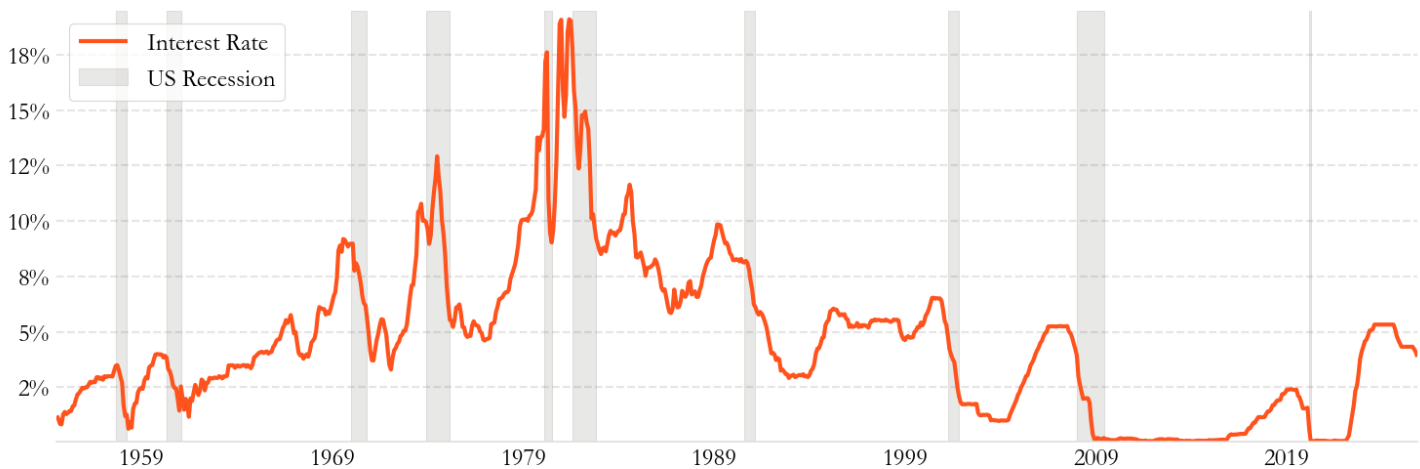
## Q4 2025 Commentary

### Economy

Historic tariffs, a US government shutdown, a sudden spike in corporate job cuts, and consumer sentiment hovering near record lows have created a "mountain of concerns" for markets. Yet, expectations of continued Federal Reserve support, deregulation, surging enthusiasm for AI-powered growth, and robust corporate earnings have seemingly eclipsed these anxieties, as the US economy continues to grow.

The Federal Reserve accelerated rate cuts in Q4, lowering the fed funds rate from 4.22% in September to 3.72% by December, continuing an easing path from 4.33% held through August. This response to softening labor data and stable inflation aimed to support growth without overheating. These "risk management cuts" brought the total reduction for 2025 to 0.75%, following 1.00% of cuts in 2024. With the effective federal funds rate closing 2025 at 3.72%, markets now anticipate the central bank will remain on hold until June to assess incoming economic data. However, there was one other key announcement effective December 12<sup>th</sup>: the Fed ended quantitative tightening and initiated quantitative easing by beginning to purchase shorter-term Treasuries.

U.S. Federal Reserve Fund Rate

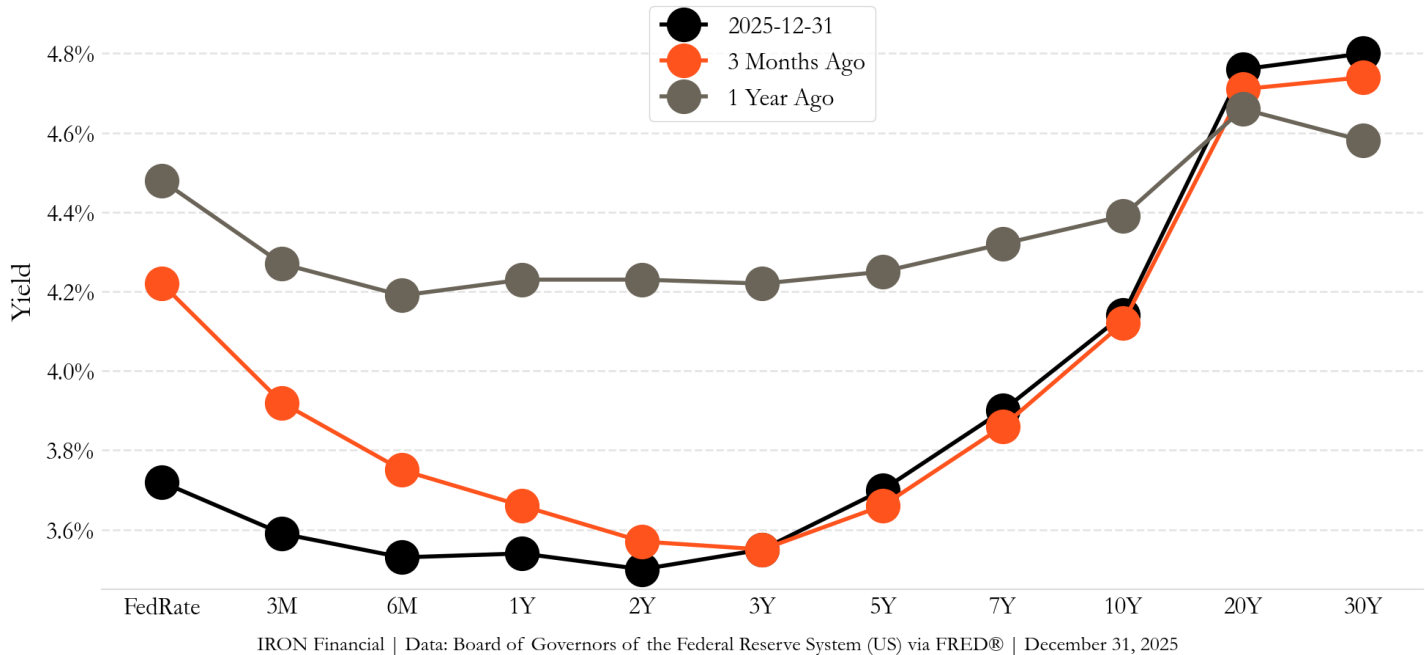


	2024-12	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11
<b>Fed Rate %</b>	4.48%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.33%	4.22%	4.09%	3.88%

IRON Financial | Data: Federal Funds Effective Rate via FRED | November 30, 2025

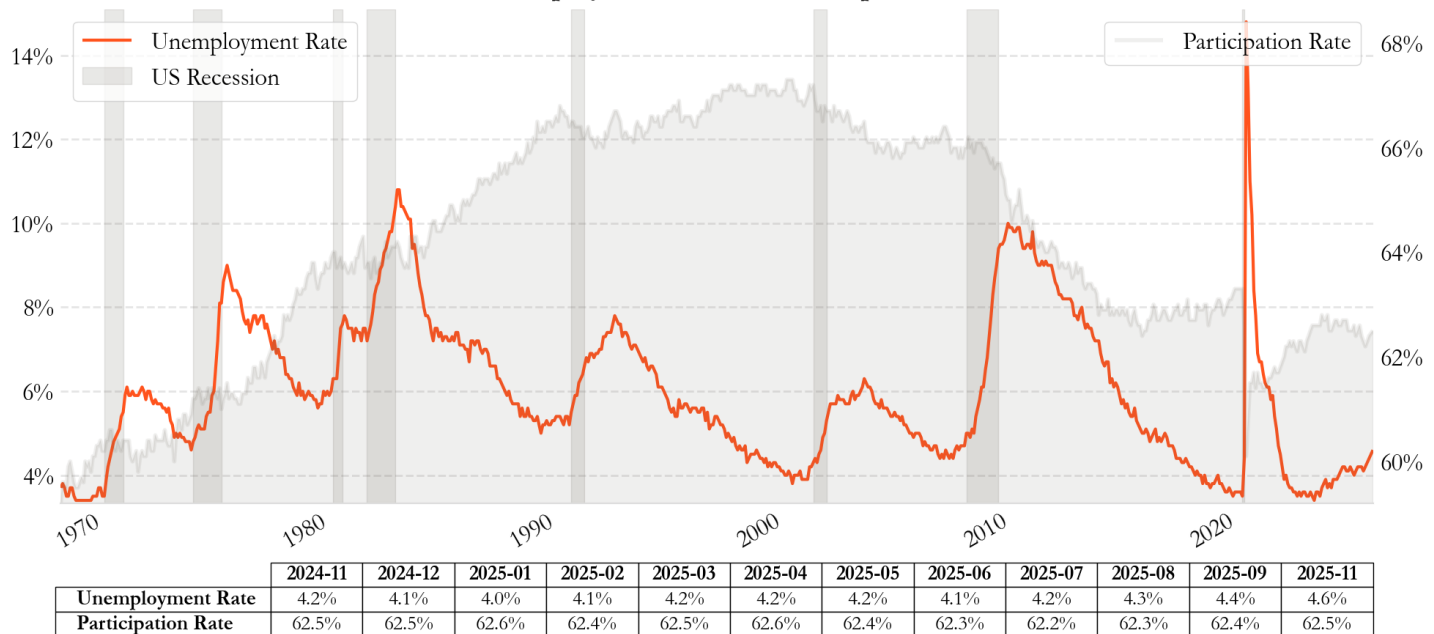
This policy shift has dramatically reshaped the bond market, steepening the yield curve and effectively ending the inversion that had persisted since 2022. While rate cuts directly pulled down the short end—the 2-year Treasury yield fell to 3.50%—yields in the belly and long end of the curve did not change much from Q3. The 10-year Treasury closed 2025 yielding 4.14%. The Treasury yield curve normalized further, shifting from inversion to a steeper profile. As of December 31, 2025, short-term yields fell (e.g., 3-month at 3.59%, down from 3.92% three months prior), while long-term yields rose slightly (30-year at 4.80%, up from 4.58% a year ago).

## U.S. Treasury Yield Curve



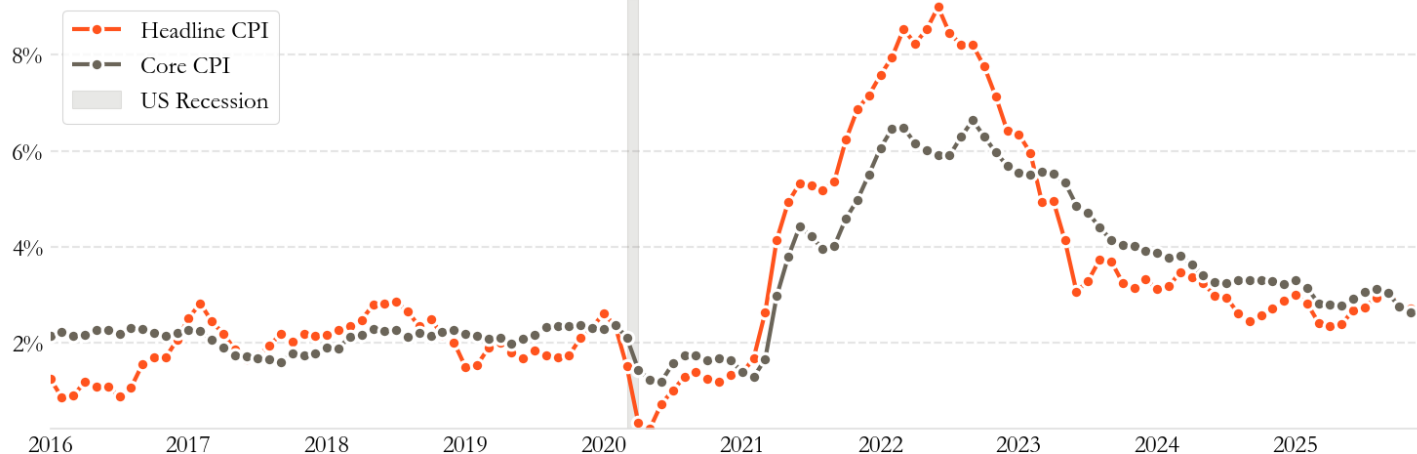
The Fed's "risk management" approach appears justified by visible cracks in the labor market. Beyond the gradual cooling seen earlier in the year, Q4 witnessed a sharp spike in job cuts, particularly in legacy sectors. The US unemployment rate continued its upward trend, rising to 4.6% in November 2025, up from 4.2% just three months earlier. Despite this rise in unemployment and layoff announcements, the labor force participation rate held steady at 62.5%.

## U.S. Unemployment &amp; Labor Participation Rates



Inflation pressures eased further in Q4, with headline CPI holding at 2.7% year-over-year in November and December—the lowest since July 2025. Core CPI dipped to around 2.7% in December. This stability, down from earlier peaks in 2025 (e.g., 3.06% headline in September), reflects cooling in energy and food prices, though services remained sticky. The trend supports the Fed's pivot toward easing, as inflation approached the 2% target without reacceleration risks from tariffs or AI-driven demand.

## U.S. Consumer Price Index (CPI)

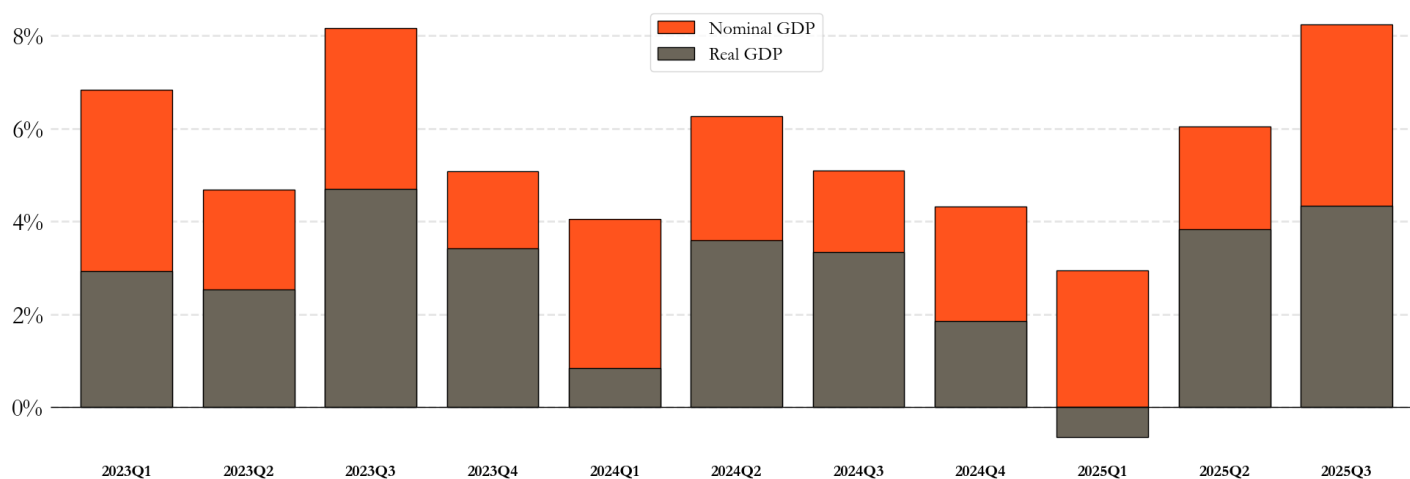


	2025-01	2025-02	2025-03	2025-04	2025-05	2025-06	2025-07	2025-08	2025-09	2025-10	2025-11	2025-12
<b>CPI: Headline</b>	3.00%	2.81%	2.41%	2.33%	2.38%	2.67%	2.73%	2.94%	3.02%	2.79%	2.71%	2.65%
<b>CPI: Core</b>	3.29%	3.14%	2.81%	2.78%	2.77%	2.91%	3.05%	3.11%	3.03%	2.75%	2.62%	2.65%

IRON Financial | Data: U.S. Bureau of Labor Statistics via FRED | December 31, 2025

US GDP growth in 2025 exhibited volatility, with Q3 delivering a substantial 4.3% annualized increase in real terms, up from 3.8% in Q2. Nominal growth in Q3 reached 8.2%.

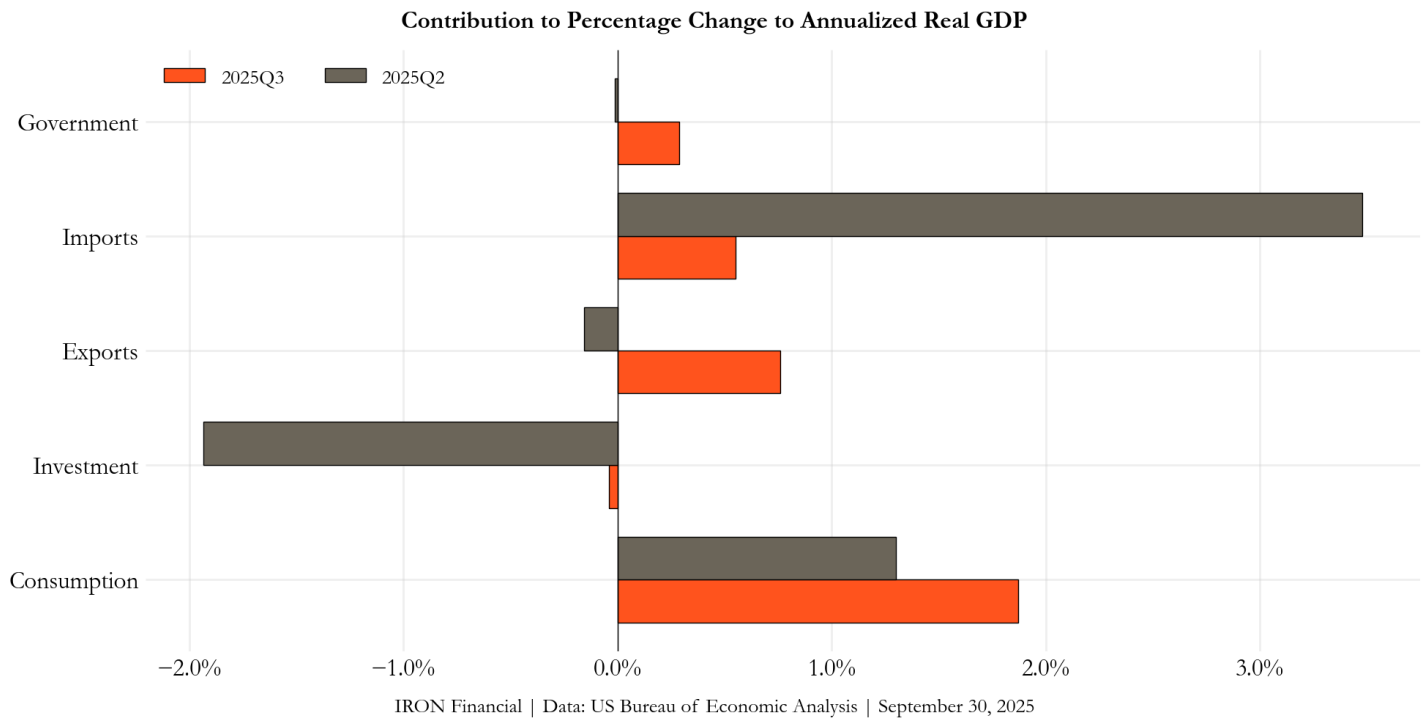
## US Nominal &amp; Real GDP Annualized Growth



	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3
<b>Nominal GDP (%)</b>	6.8%	4.7%	8.2%	5.1%	4.0%	6.3%	5.1%	4.3%	2.9%	6.0%	8.2%
<b>Real GDP (%)</b>	2.9%	2.5%	4.7%	3.4%	0.8%	3.6%	3.3%	1.9%	-0.6%	3.8%	4.3%

IRON Financial | Data: US Federal Reserve Bank of St.Louis | September 30, 2025

Contributions to Q3's annualized real GDP change were led by personal consumption (+1.4%), with modest positive contributions from government spending (+0.3%) and net positive imports contribution (+0.5%), suggesting a decrease in imports. Offsetting factors included negative contributions from investment (-0.1%) and exports (-0.4%).

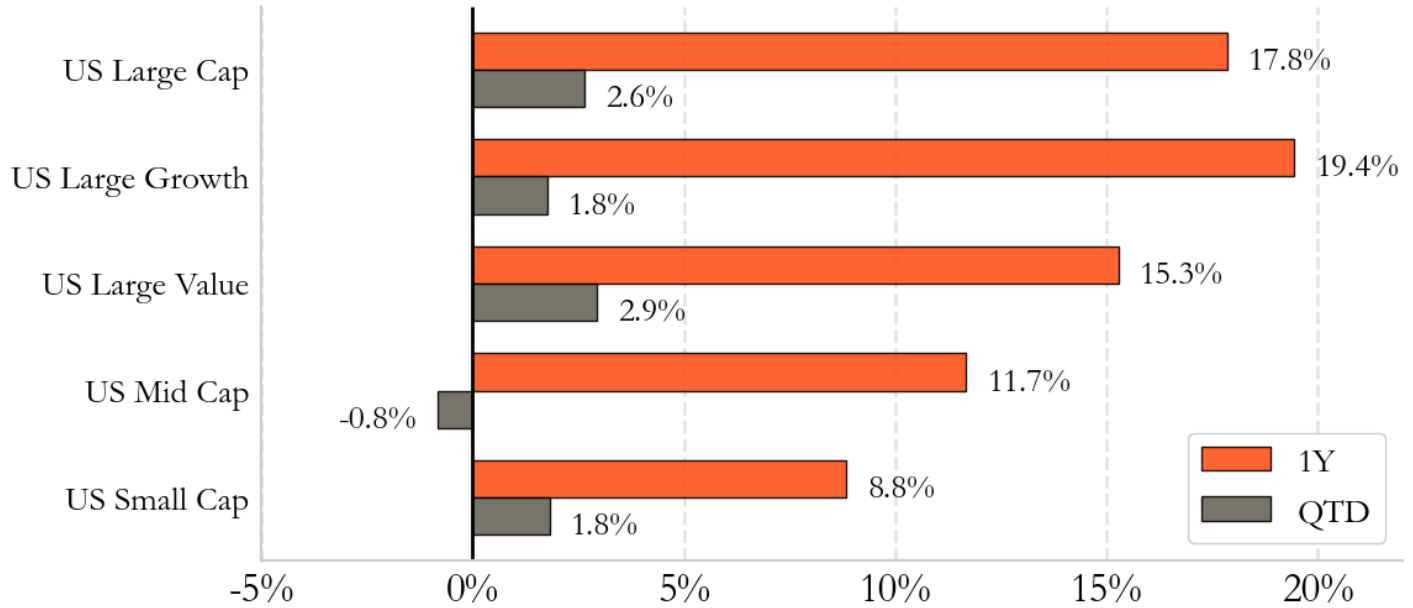


## Equity Markets

The fourth quarter of 2025 saw moderate gains for equities, though participation in these gains was uneven. The US equity market overall gained 2.4%. In a reversal of the previous quarter's trend, Value stocks outperformed Growth. US Large Value equities gained 2.9%, while US Large Growth stocks posted a smaller gain of 1.8%. Small and mid-cap equities trailed larger-cap equities. While large caps overall posted a gain of 2.6%, small caps posted a 1.8% gain, and mid-caps struggled, posting a loss of 0.8%.

Over the past year, US All-Cap Equities have gained 17.1%. During the same period, US Large Growth stocks have gained 19.4%, while US Large Value stocks posted a yearly gain of 15.3%. Small-Cap equities continued to underperform large-caps, posting an 8.8% gain. US mid-cap equities outperformed small-caps on a year-over-year basis, posting a gain of 11.7%.

## US Equity Performance

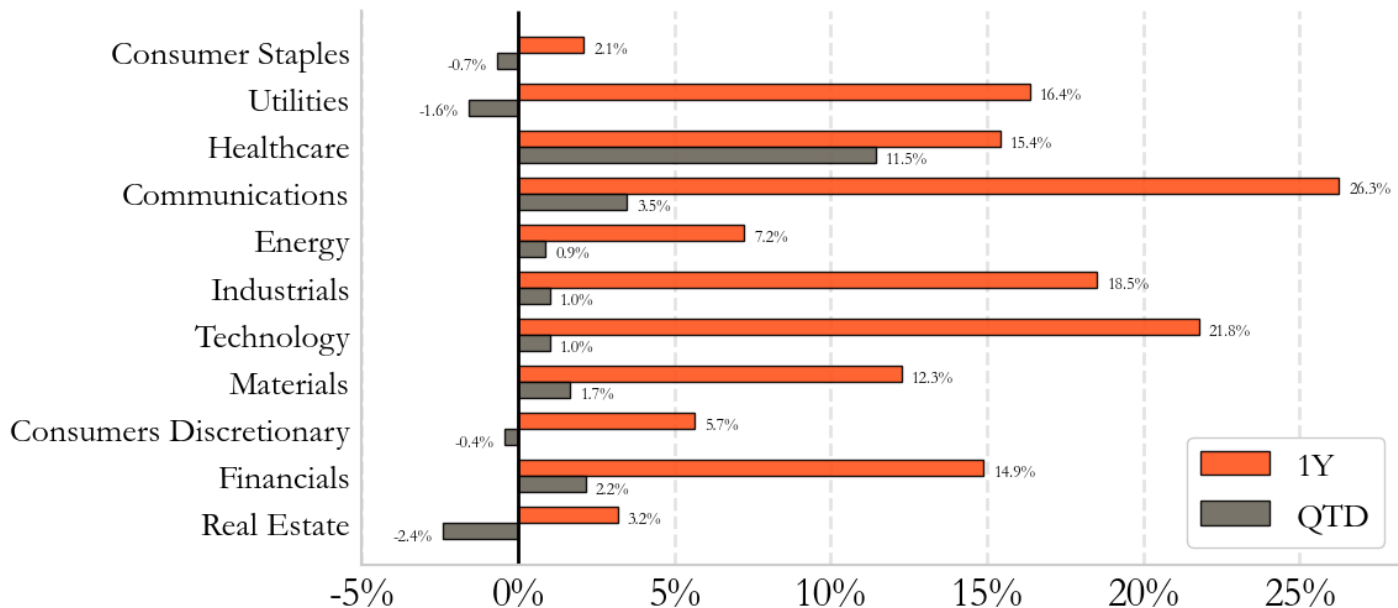


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Equity sector performance in Q4 was heavily skewed. The top-performing sector was Healthcare, which surged 11.5%. Communication Services and Financials also posted positive returns, gaining 3.5% and 2.2%, respectively. Real Estate and Utilities were the worst-performing sectors. Real Estate equities lost 2.4%, while Utilities lost 1.6%. Consumer Staples and Consumer Discretionary also trailed, posting fractional losses of 0.7% and 0.4%, respectively.

Over the past year, the top-performing sectors were Communications, Technology, and Industrials, which gained 26.3%, 21.8%, and 18.5%, respectively. Consumer Staples and Real Estate were the laggards. Consumer Staples gained 2.1%, while Real Estate equities gained 3.2%.

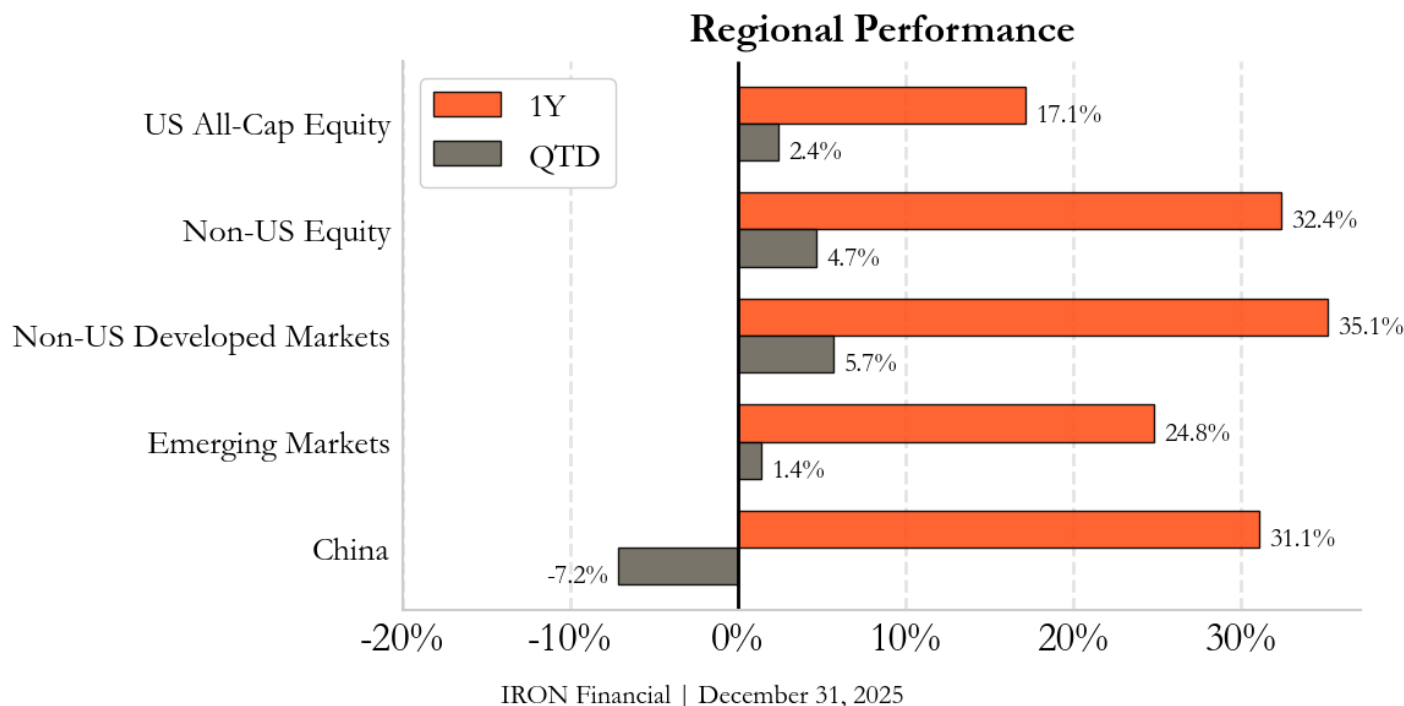
## US Sector Performance



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International stocks had a strong quarter. Non-US Equities overall gained 4.7% during Q4. Non-US Developed Markets posted a gain of 5.7%. Developed markets significantly outperformed Emerging Market equities, which posted a 1.4% gain. Chinese equities faced headwinds, posting a 7.2% loss.

Over the past year, international equities have performed exceptionally well. Non-US Equities overall posted a gain of 32.4%. Non-US Developed Markets gained 35.1%, while Emerging Markets posted a gain of 24.8% over the past year. Despite the recent quarterly pullback, Chinese equities were strong performers for the year, posting a substantial 31.1% gain.

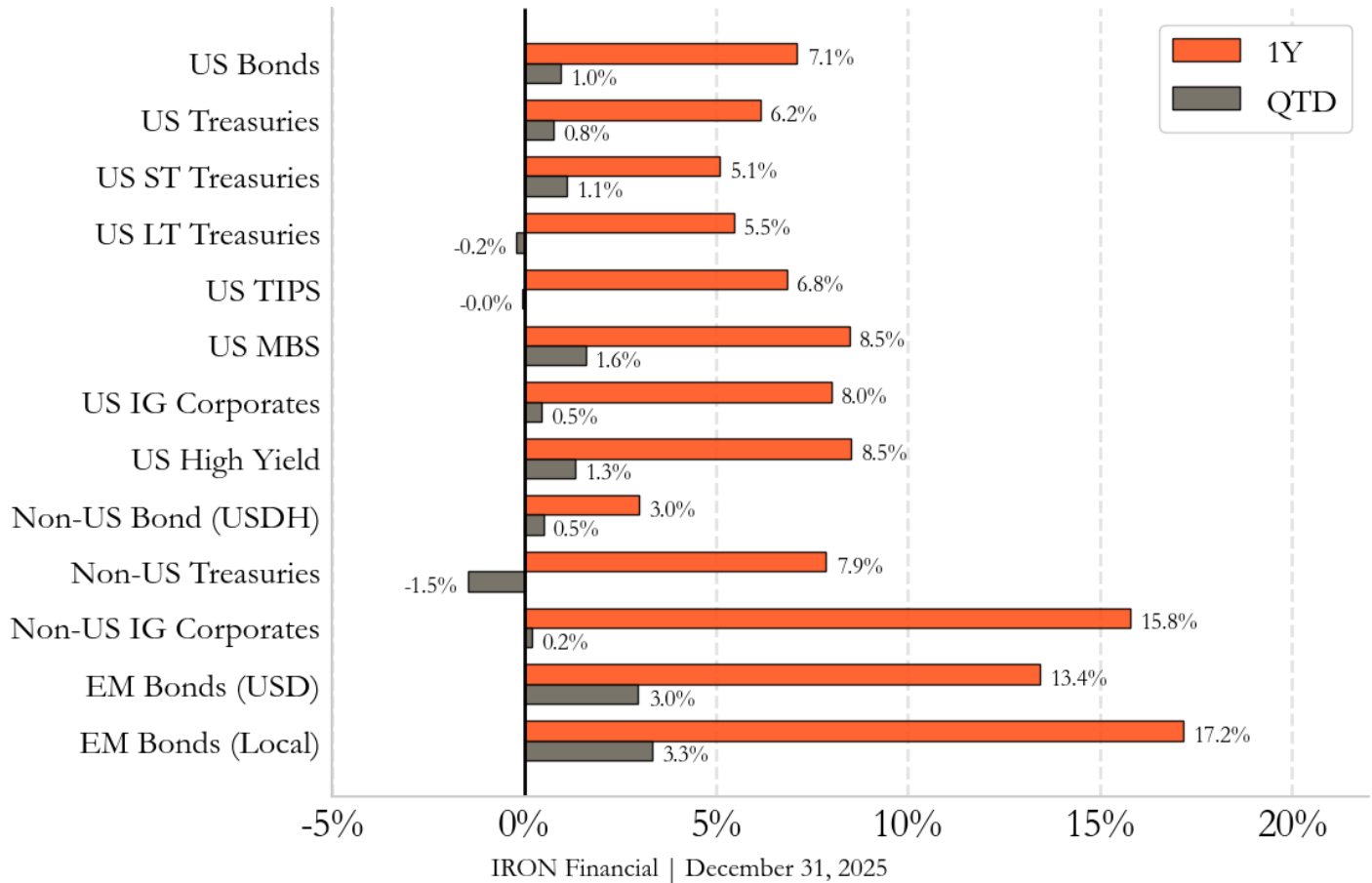


### Fixed Income Markets

The bond market posted modest gains in the fourth quarter. Overall, US Bonds gained 1.0% during the quarter. US high-yield bonds posted a gain of 1.3%, while US IG (“Investment Grade”) Corporates gained 0.5%. US MBS (“Mortgage-Backed Securities”) gained 1.6%. The worst-performing fixed-income asset was US LT (“Long Term”) Treasuries, which lost 0.2%. Shorter-duration bonds did better, as US ST (“Short Term”) Treasuries gained 1.1%. Non-US Developed Market Bonds trailed US Bonds, but EM (“Emerging Market”) Bonds were the top performers. EM bonds denominated in US Dollars gained 3.0%, while local currency EM Bonds gained 3.3%.

Bonds have performed well over the past year. US bonds have gained 7.1%. The top-performing US fixed-income instruments were US high-yield bonds, which gained 8.5%. Additionally, EM Bonds (USD) and EM Bonds (Local) posted impressive gains of 13.4% and 17.2%, respectively.

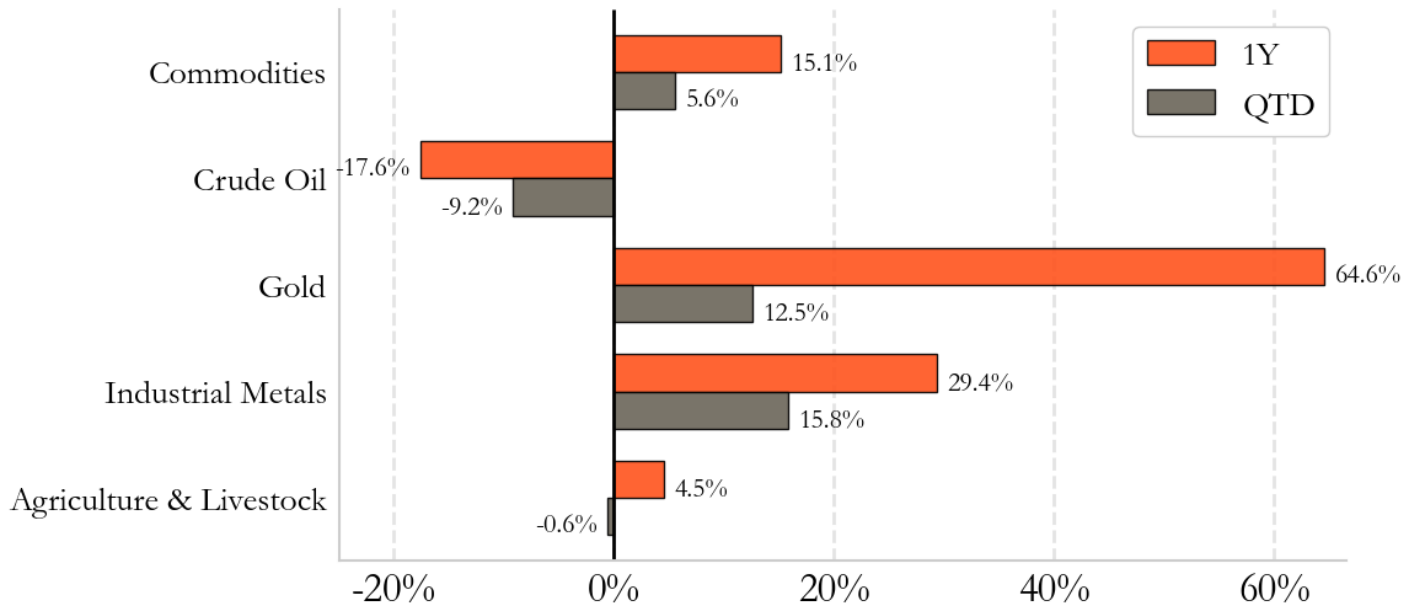
## Fixed Income Performance



## Commodities &amp; Currency Markets

Commodities overall posted a strong positive return of 5.6% for the most recent quarter and a 15.1% gain on a one-year basis. Industrial Metals and Gold were the standout performers. Industrial Metals posted a gain of 15.8%, while Gold prices continued their rally, posting a 12.5% gain for the quarter. Over the past year, gold has emerged as a standout asset class, delivering gains of 64.6%. Elsewhere, Crude Oil prices moved sharply lower by 9.2%, while Agriculture and Livestock commodity futures posted a 0.6% loss.

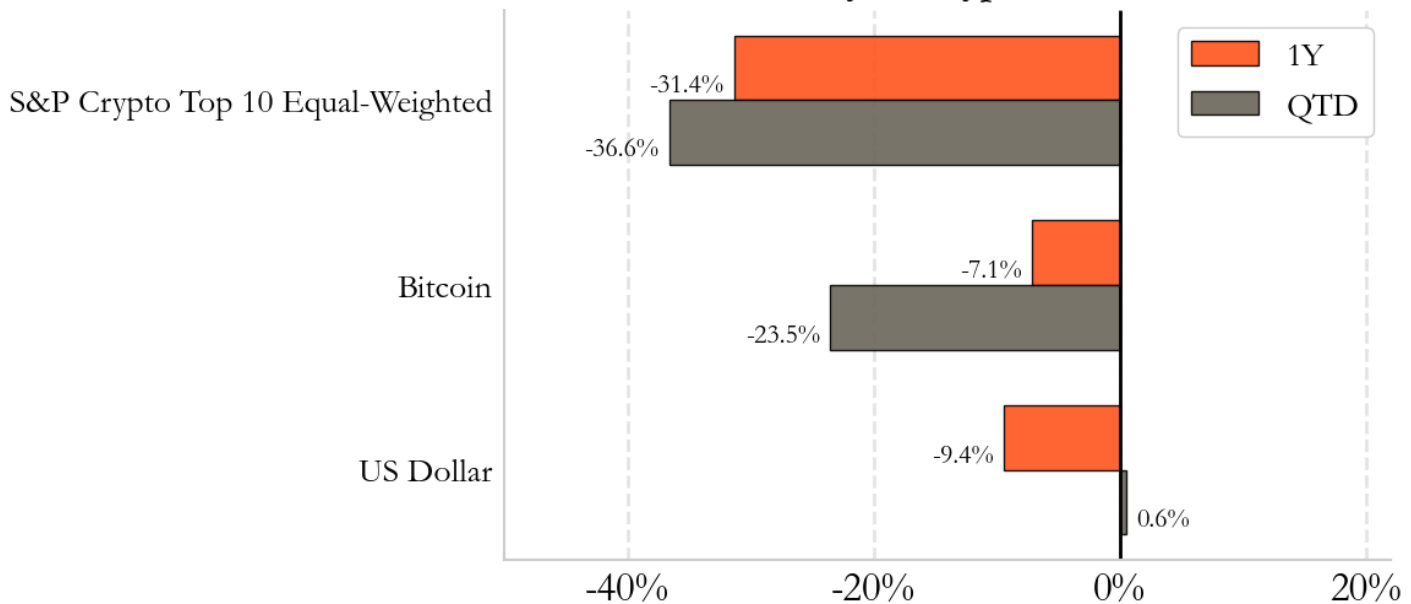
## Commodity Market



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The US dollar gained 0.6% against a basket of other major currencies in the quarter but has depreciated 9.4% over the past year. In a stark reversal from the previous quarter, the cryptocurrency market experienced a severe correction. Bitcoin plunged 23.5% in Q4, erasing much of its recent momentum and finishing the year down 7.1%. The broader crypto market fared even worse, with the S&P Crypto Top 10 Equal-Weighted Index dropping 36.6% for the quarter and 31.4% over the last year.

## Currency &amp; Crypto Markets

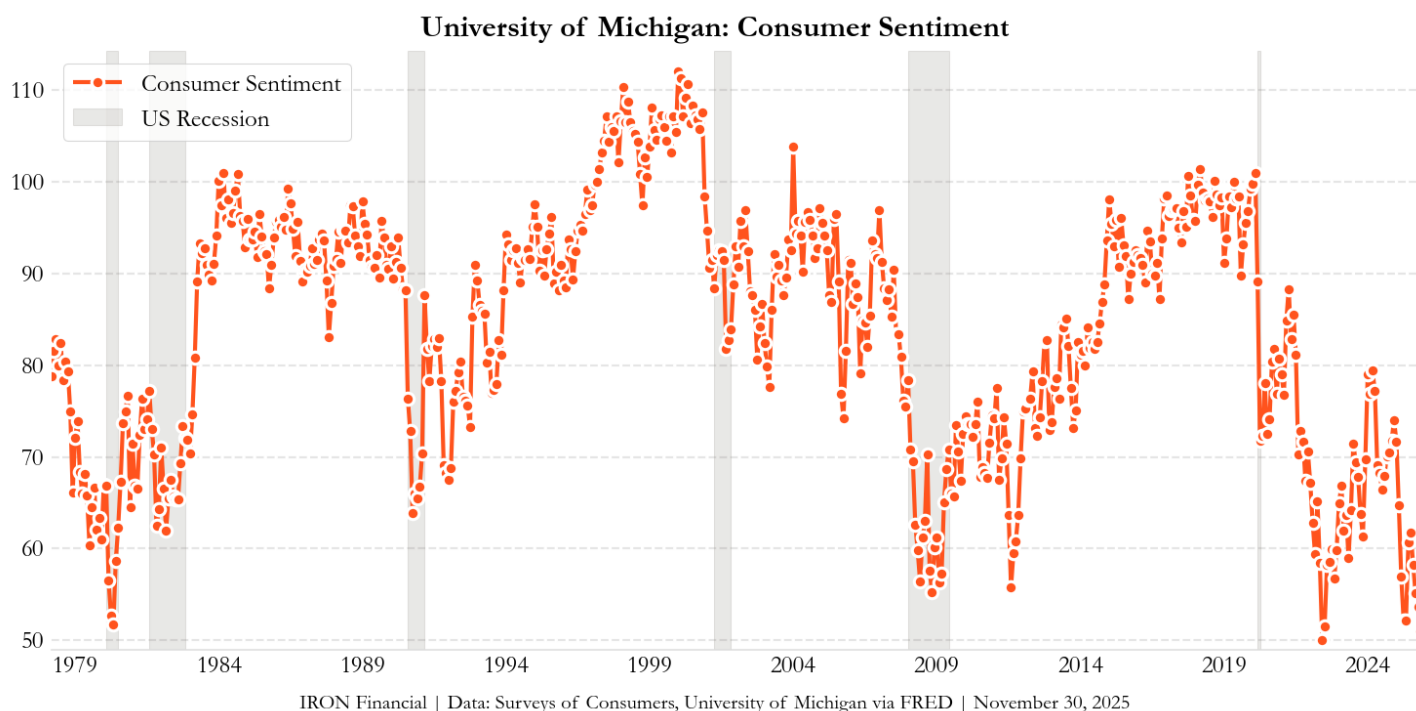


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## Outlook

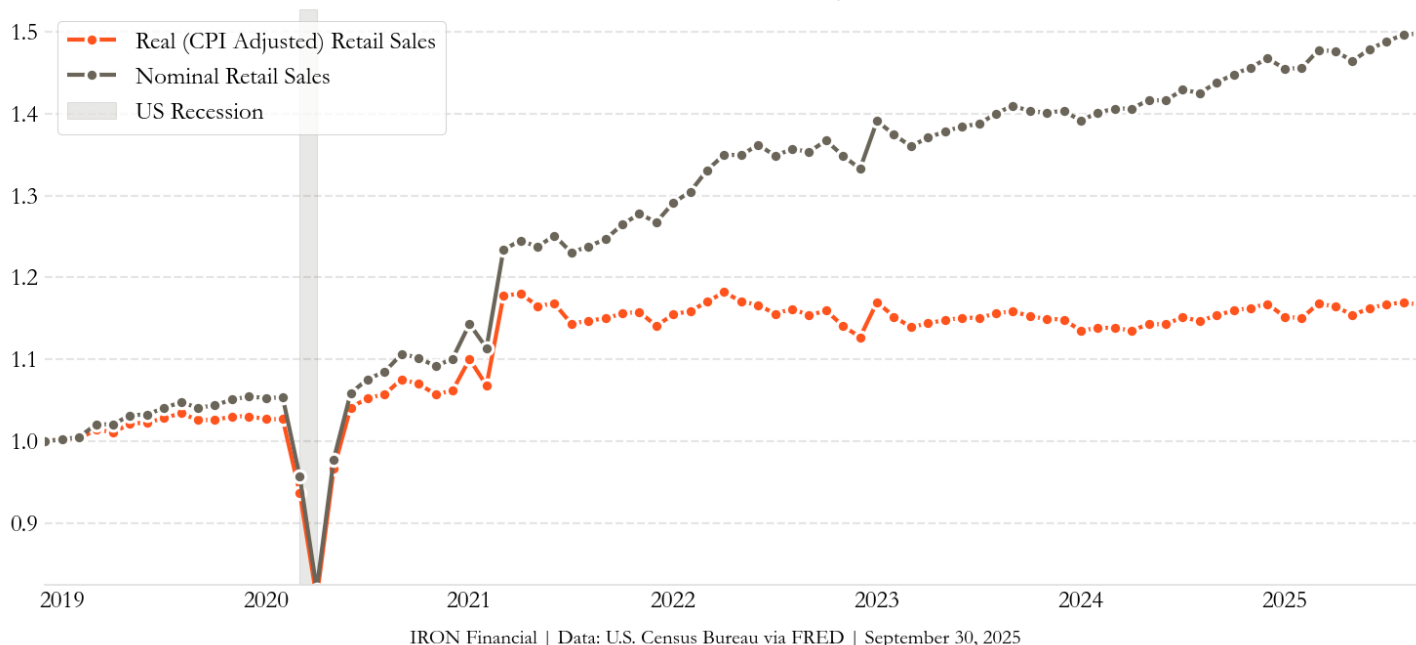
The years after the pandemic have been defined by a profound paradox: a US economy that appeared robust on paper but feels deeply unsettled to its participants. For instance, consumer sentiment is declining towards its 2022 low.



Many pundits claim that the survey is inaccurate and is easily swayed by political biases. However, looking at other consumer measures and data aligns with the poor sentiment. For example, while consumer spending on an inflation-adjusted basis tends to trend upward in a healthy economy, yielding greater purchasing power, consumer spending has not grown on an inflation-adjusted basis since 2021.

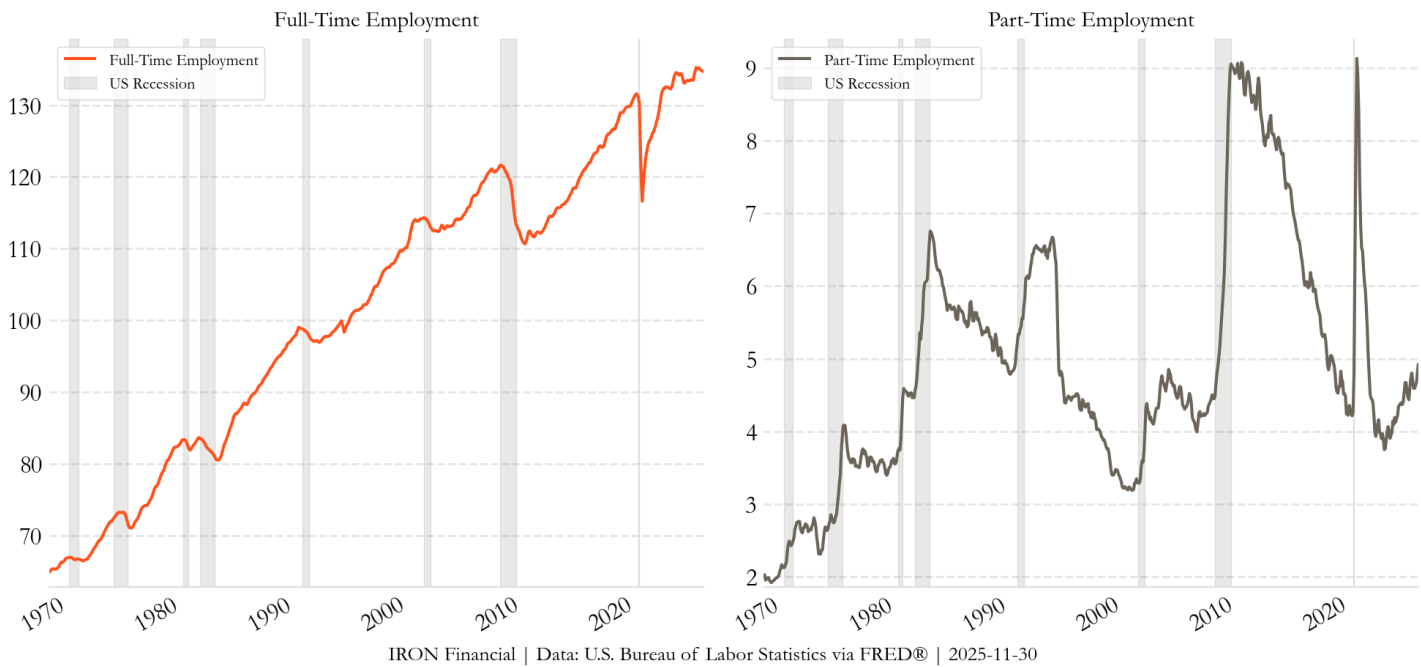
### U.S. Real vs. Nominal Retail Sales

Values are rebased to 1 as of December 31, 2018



Furthermore, consumers typically do not seek additional part-time work when they feel financially secure. However, part-time employment has been growing since late 2023.

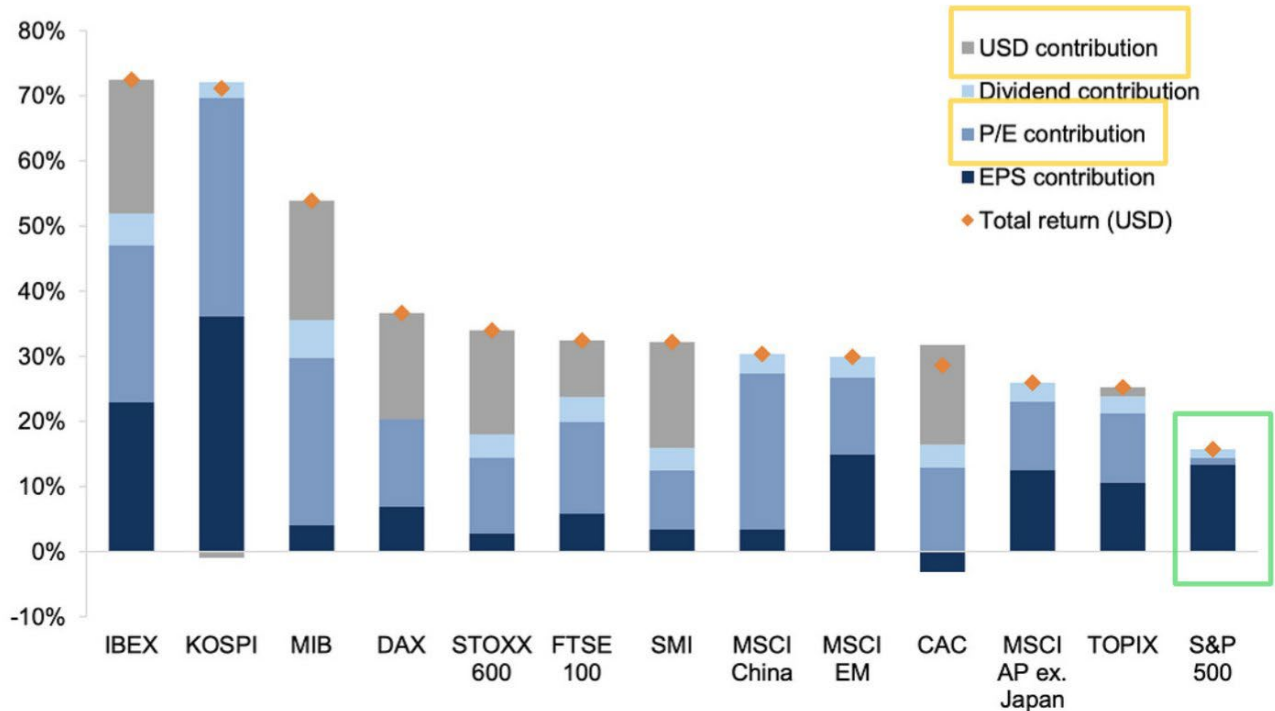
### Rolling 3-Month: Full-Time vs. Part-Time Employment (Millions)



With the US economy being highly dependent on the AI boom and high valuations, we have been urging investors to consider increasing international allocations to diversify. In 2025, nearly all major global indices outperformed the S&P 500 in USD terms, fueled by EPS growth, dividends, and currency effects. Unlike the other markets, the S&P 500's P/E contribution (multiple) was negligible or slightly negative. This suggests that while US companies grew their earnings (EPS), the market was unwilling to pay a higher multiple for those earnings - likely because US valuations started the year at much higher levels than the rest of the world.

## Exhibit 2: Nearly all major equity markets have outperformed the US in 2025 in local and in USD terms

Decomposition of YTD return in USD



Source: Datastream, STOXX, Goldman Sachs Global Investment Research

Overall, the 2026 outlook leans cautiously optimistic: sustained Fed support and AI growth could propel nominal GDP above 8%, but investors should monitor consumer metrics closely — persistent sentiment lows may foreshadow spending pullbacks, amplifying downside risks. Portfolios should have international exposure (e.g., Europe, Emerging Asia) and potential hedges, such as gold, amid dollar weakness. If sentiment rebounds and AI delivers ROI, upside could surprise; otherwise, prepare for volatility from geopolitical risks (e.g., Venezuela strikes) or valuation contraction.

Market Performance Table

Equities						
Asset Class	Proxy	Ticker	QTD	YTD	1Y	3Y
US All-Cap Equity	Vanguard Total Stock Market ETF	VTI	2.4	17.1	17.1	22.2
US Large Growth	Vanguard Growth ETF	VUG	1.8	19.4	19.4	32.5
US Large Value	Vanguard Value ETF	VTV	2.9	15.3	15.3	13.5
US Mid Cap	Vanguard Mid-Cap ETF	VO	-0.8	11.7	11.7	14.3
US Small Cap	Vanguard Small-Cap ETF	VB	1.8	8.8	8.8	13.7
US Large Cap	Vanguard S&P 500 ETF	VOO	2.6	17.8	17.8	23.0
VIX	CBOE Market Volatility (VIX) PR USD	VIX	-8.2	-13.8	-13.8	-11.6
Consumer Staples	Vanguard Consumer Staples ETF	VDC	-0.7	2.1	2.1	5.8
Utilities	Vanguard Utilities ETF	VPU	-1.6	16.4	16.4	9.8
Healthcare	Vanguard Health Care ETF	VHT	11.5	15.4	15.4	6.7
Communications	Vanguard Communication Services ETF	VOX	3.5	26.3	26.3	34.5
Energy	Vanguard Energy ETF	VDE	0.9	7.2	7.2	4.6
Industrials	Vanguard Industrials ETF	VIS	1.0	18.5	18.5	19.3
Technology	Vanguard Information Technology ETF	VGIT	1.0	21.8	21.8	34.0
Materials	Vanguard Materials ETF	VAW	1.7	12.3	12.3	8.6
Consumers Discretionary	Vanguard Consumer Discretionary ETF	VCR	-0.4	5.7	5.7	22.7
Financials	Vanguard Financials ETF	VFH	2.2	14.9	14.9	19.6
Real Estate	Vanguard Real Estate ETF	VNQ	-2.4	3.2	3.2	6.6
Non-US Equity	Vanguard FTSE All-World ex-US ETF	VEU	4.7	32.4	32.4	17.3
Non-US Developed Markets	Vanguard FTSE Developed Markets ETF	VEA	5.7	35.1	35.1	17.9
Emerging Markets	Vanguard FTSE Emerging Markets ETF	VWO	1.4	24.8	24.8	14.8
China	iShares MSCI China ETF	MCHI	-7.2	31.1	31.1	11.2

Fixed Income						
Asset Class	Proxy	Ticker	QTD	YTD	1Y	3Y
US Bonds	Vanguard Total Bond Market ETF	BND	1.0	7.1	7.1	4.7
US Treasuries	iShares US Treasury Bond ETF	GOVT	0.8	6.2	6.2	3.7
US ST Treasuries	Vanguard Short-Term Treasury ETF	VGSH	1.1	5.1	5.1	4.5
US LT Treasuries	Vanguard Long-Term Treasury ETF	VGLT	-0.2	5.5	5.5	0.8
US TIPS	Schwab US TIPS ETF™	SCHP	0.0	6.8	6.8	4.2
US MBS	Vanguard Mortgage-Backed Secs ETF	VMBS	1.6	8.5	8.5	4.9
US IG Corporates	iShares iBoxx \$ Invmt Grade Corp Bd ETF	LQD	0.5	8.0	8.0	6.0
US High Yield	SPDR® Portfolio High Yield Bond ETF	SPHY	1.3	8.5	8.5	10.1
Non-US Bonds	Vanguard Total International Bond ETF	BNDX	0.5	3.0	3.0	5.2
Non-US Treasuries	SPDR® Blmbg Intl Trs Bd ETF	BWX	-1.5	7.9	7.9	2.2
Non-US IG Corporates	SPDR® Blmbg Intl Corp Bd ETF	IBND	0.2	15.8	15.8	7.8
EM Bonds (USD)	iShares JP Morgan USD Em Mkts Bd ETF	EMB	3.0	13.4	13.4	10.0
EM Bonds (Local)	iShares JP Morgan EM Local Ccy Bd ETF	LEMB	3.3	17.2	17.2	7.5
Commodities						
Asset Class	Proxy	Ticker	QTD	YTD	1Y	3Y
Commodities	abrdn Blmb AllCmdStrK1Fr ETF	BCI	5.6	15.1	15.1	3.5
Crude Oil	Oil Price Brent Crude PR	OIL	-9.2	-17.6	-17.6	-10.9
Gold	iShares Gold Trust	IAU	12.5	64.6	64.6	33.1
Industrial Metals	S&P GSCI Industrial Metal TR USD	INDMETAL	15.8	29.4	29.4	8.3
Agriculture & Livestock	S&P GSCI Agrel&Livestock TR	AGRI&LIVES	-0.6	4.5	4.5	1.6
Currency						
Asset Class	Proxy	Ticker	QTD	YTD	1Y	3Y
US Dollar	US Dollar	DXY	0.6	-9.4	-9.4	-1.7
Bitcoin	Bitcoin	IBIT	-23.5	-7.1	-7.1	0.0
Crypto	S&P Crypto Top 10 Equal-Weighted	SPCRYPTO	-36.6	-31.4	-31.4	33.6

Source: Morningstar Direct (as of 12/31/2025)

1 With respect to valuation of the US Dollar, the basket of other currencies is defined as follows: Euro (EUR) 57.6%, Japanese Yen (JPY) 13.6%, British Pound (GBP) 11.9%, Canadian Dollar (CAD) 9.1%, (SEK) 4.2%, (CHF) 3.6%.

**Disclosure**

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