TILLER
PRIVATE WEALTH

Q4 2025 Market Update

Market Snapshot

Dow Index 48,063	**10-year Treasury rate** 4.18%
S&P 500 Index 6,846	**1-year Treasury rate** 3.48%
NASDAQ Index 23,242	**Prime mortgage rate** 6.75%

**As of 12/31/2025*

By the Numbers

- The S&P 500 gained 17.9% with dividends in 2025, achieving 39 new all-time highs. The Dow Jones Industrial Average rose 14.9% and the Nasdaq returned 21.2%.
- The Federal Reserve cut rates 3 times in the 2nd half of 2025 for a total reduction of 0.75% to 3.50%-3.75%. At its recent high, mid-2024, the rate was 5.25%-5.50%.
- The Bloomberg U.S. Aggregate Bond Index gained 7.3%, its best performance since 2020. The 10-year Treasury yield ended the year lower at 4.17%, down from 4.57% at the start of the year.
- International developed markets and emerging markets each gained over 30% in U.S. dollar terms based on the MSCI EAFE Index and MSCI EM Index, respectively.
- The U.S. dollar index ended the year at 98.32, falling 9.3% from 108.49 at the beginning of the year. The dollar reached a low of 96.63 in September.
- Bitcoin experienced a net annual decline of about 6.5% from $93,714 to $87,647, after rising as high as $125,260 in October.
- According to the U.S. Bureau of Statistics, the unemployment rate hit a four-year high of 4.6% in November.

2025: Tariffs vs. Artificial Intelligence

For investors 2025 was dominated by these two forces. Yes, the Federal Reserve lowered interest rates further as inflation (the major 2024 headliner) cooled, but April's tariff scare tested even seasoned investors, while the astounding growth of AI seems everywhere, all the time. The net result has been another strong year for U.S. stocks and bonds, with significant outperformance by international markets.

Tariffs on imported goods have risen sharply for many trading partners, yet the feared economic consequences largely failed to materialize. This is because companies adapted, tariffs were paused or scaled back, and consumer spending remained strong. The impact will continue to resonate into 2026.

From massive infrastructure investments to concerns about market concentration, AI grew as an important source of economic growth and market returns. The Magnificent 7 stocks now represent around one-third of the S&P 500, and tech stocks drove roughly 60% of the gains. We are in the early innings of the AI game, and hundreds of billions have been spent by the dominant players on building the AI infrastructure in 2025, with as much or more projected to be spent in 2026.

2026: Looking Ahead

While investors wrestle with the potential return on massive AI investments, the next wave we are studying is how other companies leverage AI to improve their outcomes and add investor value. Setting aside the fears that AI has produced, there is a lot of legitimate value to be discovered as smart CEOs use it to improve overall outcomes through efficiency improvements, higher accuracy or superior results.

Risk remains an ever-present element of investing, whether it was the Cold War, stagflation, the Great Recession or COVID. Despite this, remaining a steady, disciplined investor has time-after-time proved the most prudent investment strategy. That said, what are we keeping an eye on in 2026?

Unemployment: Still low by long-term standards, the unemployment rate has been creeping up. The U.S. is in a 'low-fire, low-hire' mode.

AI 'bubble' and circular deals: After explosive growth, it is natural to be concerned about elevated valuations of today's tech titans. We're not convinced (yet) that today's prices are 'bubbly', but we are observant of the so-called circular investing. As you can see in the accompanying chart, many of today's AI leaders are investing directly in one-another which blurs the lines of true value even further.

Public Policy: Tariffs are here to stay for now, and whether or not companies & consumers will continue to eat them (vs. reducing spending) is unclear. Regardless, these forces will impact both inflation and unemployment, further challenging an increasingly divided Federal Reserve. Mid-term elections will add further froth to an already contentious policy backdrop.

Venezuela

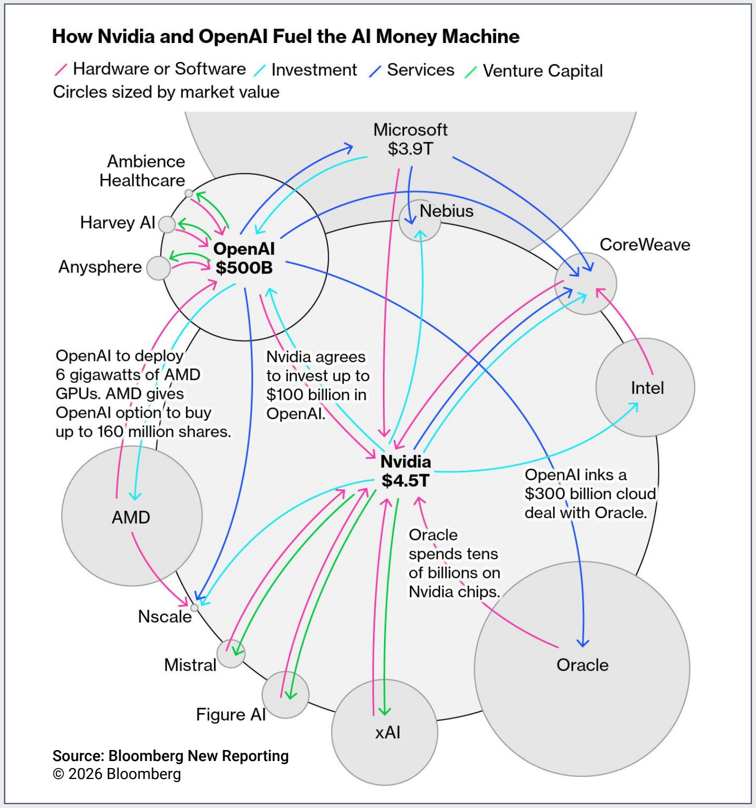
A brief word on the recent events in Venezuela as it relates to investor considerations.

Venezuela is important in this regard since the country possesses the world's largest proven oil reserves at approximately 304 billion barrels, according to the U.S. Energy Information Administration. To put this in perspective, this exceeds even Saudi Arabia's 267 billion barrels.

Despite these vast reserves, Venezuela produces far less oil than other countries. Venezuelan oil production has declined dramatically over the past two decades due to mismanagement, lack of investment in infrastructure, and sanctions. Today, production has fallen to less than 1 million barrels per day, compared to the U.S. of nearly 14 million.

Additionally, Venezuela plays an insignificant role in global financial markets. Its stock market is small and illiquid, with limited foreign participation. It is not included in the MSCI Emerging Markets Index, so most international investors have minimal or no direct exposure to Venezuelan stocks. When it comes to the bond market, Venezuela has been in default since 2017 when it failed to make payments on its debt so we have no exposure here.

Chart of the Month



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Additional information, including management fees and expenses, is provided on our Form ADV Part 2 available upon request or at the SEC's Investment Adviser Public Disclosure website. Past performance is not a guarantee of future results.

The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices.

The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The market index is unmanaged.

The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

Data sources: Clearnomics, YCharts, The Wall Street Journal, Charles Schwab Asset Management, JPMorgan, Bloomberg, U.S. Energy Information Administration, U.S. Bureau of Statistics, The Economist, Congressional Budget Office, US Treasury Department, & US Federal Reserve.