

2025 Year End Market Commentary

If an investor had stepped away from their portfolio statements in 2025 and relied solely on headlines, it would have been difficult, if not impossible, to imagine that the year would ultimately be remembered as a strong one for markets. The news cycle offered no shortage of reasons to worry: geopolitical conflict, renewed trade tensions and tariffs, government shutdowns, inflation scares, abrupt reversals in policy guidance, and persistent anxiety about the global economy. On several occasions, markets experienced sharp and unsettling drawdowns that felt, in the moment, like the start of something far worse. And yet, once again, financial markets demonstrated their remarkable ability to advance in spite of this chaos.

U.S. equities delivered another strong year, with the S&P 500 rising double digits and setting dozens of new all-time highs along the way.

But focusing solely on the final return misses the more important lesson of 2025: achieving those returns required enduring significant volatility, uncomfortable drawdowns, and periods where the prevailing narrative was decidedly pessimistic. At one point in early April, the market had declined nearly 19%, briefly flirting with bear-market territory amid rapidly shifting tariff announcements and escalating geopolitical risks.

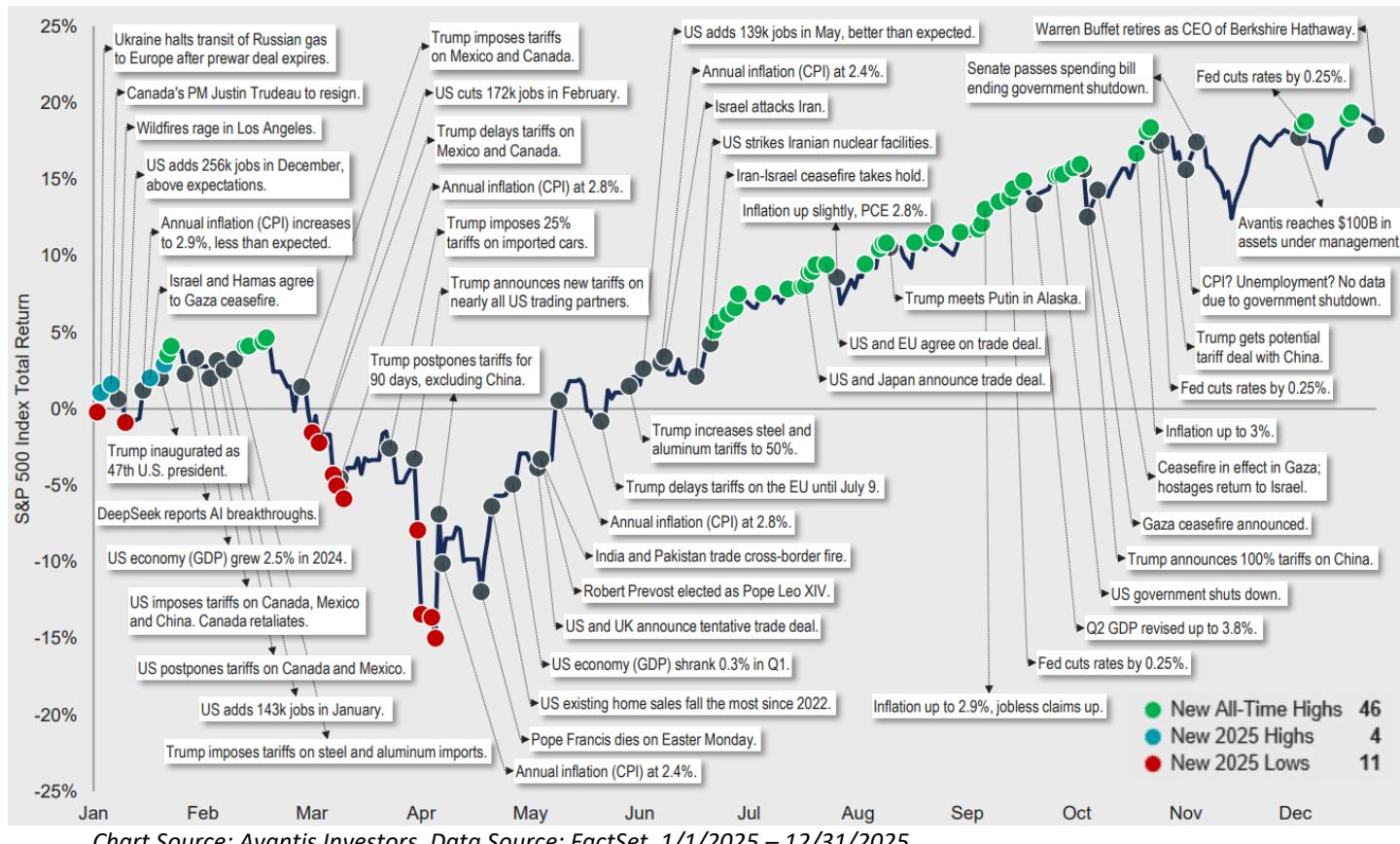


Chart Source: Avantis Investors. Data Source: FactSet. 1/1/2025 – 12/31/2025.

The lesson is not that volatility should be ignored, but that it is a normal and expected part of investing, not a signal that something is “broken.”

One of the most notable surprises of 2025 was the resurgence of non-U.S. equities. After years of U.S. dominance, international markets meaningfully outperformed. Developed and emerging markets both delivered returns north of 30%, exceeding U.S. stocks by a wide margin.

In fact, this marked the largest annual outperformance of non-U.S. stocks relative to the U.S. market in more than a decade. A modestly weaker U.S. dollar helped, but it did not fully explain the breadth of gains across international regions, sizes, and styles.

For diversified investors, this served as an important reminder: leadership rotates, often unpredictably, and portfolios built to capture returns globally can be more effective in planning for long-term goals than investments with a more narrow focus.

Bond investors were also rewarded in 2025. With the Federal Reserve implementing three rate cuts over the course of the year, yields generally declined and yield curves steepened. The U.S. Aggregate Bond Index posted its best return since 2020, while global bonds delivered even stronger results.

As ever, it can be helpful to remember that markets are forward-looking mechanisms, continuously processing new information and probabilities faster than any individual investor can react. By the time risks feel obvious, they are typically already reflected in prices.

What consistently proves more reliable than prediction is preparation. Financial plans that assume volatility, diversified portfolios that do not depend on a single market or outcome, and a disciplined commitment to staying invested have once again shown their value. We cannot control market declines, but we can avoid compounding them by reacting emotionally.

The experience of 2025 reinforces a lesson we return to often: investing success is rarely about avoiding discomfort. It is about understanding that discomfort is part of the journey and having the patience and discipline to stay the course when it arrives.

New Quarterly Report Format & Client Portal

As we discussed in last quarter’s commentary, we are now using Advyzon for performance reporting. Over the past month, we have sent out welcome emails for our clients to set up their account to access their new Client Portals. For the majority of our clients, if you are reading this letter, you are already set up and using your Client Portal!

The Client Portal will be a place to access current information about your portfolio and performance which can be found via the ‘Home’ and ‘Accounts’ tabs.

The portal also provides a convenient way to securely transmit and store files under the ‘Documents’ tab. Under ‘Shared Files’ you will find documents that you upload to us as well as documents we send to you. To upload a document to us, first ensure you are in the ‘Shared Files’ section of ‘Documents’ and you will be able to see a blue ‘Upload Files’ button on your screen. Simply click that and select the file you would like to send us.

There is also a 'Custodian Documents' section of your portal where you will find account statements and tax forms from Fidelity that will automatically be posted to your portal as Fidelity makes them available.

If you have any questions about your portal, please give us a call at (301) 670-0994 and we will be able to help troubleshoot any issues.

Past performance is no guarantee of future results.

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