January 7, 2026

Dear Valued Investor,

Stocks had another strong year in 2025 as most market benchmarks enjoyed their third straight year of double-digit returns. Last year's performance was particularly rewarding given how much stocks overcame — notably tariffs. Tariffs weren't the only obstacle, as market concentration, high valuations, deficit spending, and inflation occupied spots on investors' lists of worries. Reflecting on 2025, here are some noteworthy takeaways:

- In our view, bears are usually wrong. The stock market had plenty of skeptics when 2025 began, just like 2023 and 2024. While stocks have down years, on average, they go up about three times as often as they fall (based on S&P 500 Index returns since 1980), though past performance does not guarantee future results.
- Stocks usually follow earnings. S&P 500 companies in aggregate grew earnings at a double-digit pace in 2025 and have the potential do so again in 2026, bolstering stock performance. It's no coincidence the technology sector produced some of the strongest earnings growth and best returns last year.
- Policy matters; politics, less so. The volatility that almost ended the bull market last spring was driven mostly by tariffs, which directly impact corporate profitability. Once tariffs were reduced or removed, the major averages quickly reclaimed prior highs. If politics don't hurt corporate profits, e.g., in a government shutdown, we believe they are unlikely to hurt the stock market.
- Big market drawdowns and attractive annual returns can coexist. The S&P 500 dropped to 19% below its record high at its 2025 low on April 8 but ended more than 16% higher for the year. Since 1980, the S&P 500 has averaged an 11% annual gain (excluding dividends) and a 14% maximum intra-year drawdown. This perspective and a long-term focus can help ensure volatility doesn't knock you off course as you pursue long-term goals.
- Lower interest rates are good for both stocks and bonds. The Bloomberg U.S. Aggregate Bond Index gained more than 7% in 2025 on the back of lower interest rates as the Federal Reserve (Fed) lowered its target rate and inflation moderated. Those lower rates also helped stocks maintain lofty valuations at a price-to-earnings ratio (P/E) near 22 based on the consensus S&P 500 earnings per share estimate for the next 12 months. Valuations are not good predictors of performance year to year.

Looking ahead to 2026, stocks face some of the same challenges they did in 2025. While tariffs may play a smaller role, policy uncertainty around midterm elections could contribute to more volatility in the year ahead. With fiscal stimulus, Fed rate cuts, and huge artificial intelligence investments coming, another year of gains appears likely.

As always, please reach out to me with questions. Thank you for your continued trust.

Important Information

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

All data is provided as of January 7, 2026.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

This research material was prepared by LPL Financial, LLC.

Not Insured by FDIC/NCUA or Any Other Government Agency	**Not Bank/Credit Union Guaranteed**	**Not Bank/Credit Union Deposits or Obligations**	**May Lose Value**