

FOURTH QUARTER, 2025 INVESTMENT REVIEW

There's a Lady Who's Sure All That Glitters is Gold

*"There walks a lady we all know, who shines white light
and wants to show how everything still turns to gold"*
- Robert Plant, "Stairway to Heaven"

As we round out the year, the climactic ending from Led Zeppelin's Stairway to Heaven rings particularly true this quarter. Gold has had a truly banner year, leading a significant rally that has surprised many. If, just one year ago, we had predicted that gold would be up +65% and silver up +142%, while oil was simultaneously down -21%, you might have envisioned a dramatically different world: perhaps raging inflation, new global conflicts, and stock market declines of 30-40%. However, the reality has been far more nuanced and, thankfully, more mellow. Instead of a crisis, we've seen U.S. equities, as measured by the S&P 500, advance about 18%, major global conflicts winding down, and inflation rates showing signs of moderation. This juxtaposition powerfully illustrates how challenging it is to predict macroeconomic events based on one or two data points. Yet, gold's continued climb this year, even as broader markets also rallied, is not without justification. This quarter, we will explore the core reasons behind this performance and what it might signal moving forward.

Markets

The global capital markets showcased remarkable resilience in the fourth quarter, extending their rally despite persistent geopolitical uncertainty and mixed economic signals. This quarter, markets climbed what many analysts termed a "wall of worry" to deliver strong returns across major asset classes.

The rally this year was once again driven by U.S. equities, with the S&P 500 index returning +2.7% for the quarter and +17.9% for the full year. The tech-heavy NASDAQ

Composite returned +2.3% for the quarter and +20.2% for the full year, while small cap companies (as measured by the S&P 600 Small Cap Index) participated more modestly, returning +1.3% and +4.2% for the quarter and full year, respectively. Overseas, markets were particularly strong, outpacing U.S. equities year to date. The MSCI ACWI ex-U.S. Index returned +5.01% for the quarter, bringing the full year return to a remarkable +32.4%, bolstered by solid performance in emerging markets and sustained momentum in developed markets. The Bloomberg Aggregate Bond Index returned +7.3% for the year as the Federal Reserve delivered another two quarter-point rate cuts in October and December, signaling a more dovish stance amid easing inflation concerns and a softening labor market. The 10-year U.S. Treasury yield ended the quarter unchanged at approximately 4.17%. As mentioned previously, gold continued its impressive rally, climbing +11.9% for the quarter and ending up +65% for the full year at \$4,319 per ounce, while WTI Crude Oil ended the quarter at \$57 per barrel, as increased OPEC+ production offset geopolitical supply concerns.

The Golden Anomaly: Gold Prices vs. Currency Stability

Gold's impressive performance in 2025 (driven by central bank buying, geopolitical risk, and delivered and expected Federal Reserve rate cuts) highlights its ultimate purpose in a portfolio this past year: a globally accepted currency that cannot be devalued by a single nation's policy.

Understanding gold's returns requires looking at its relationship with global currencies. Gold's dynamic historically has a strong correlation with currency stability.

Though we've held a modest position in gold as an equity hedge in client portfolios for several years, we do not expect any significant, sudden deterioration or collapse of the U.S. dollar.

To truly grasp this relationship, we must look beyond gold's return in U.S. dollars. The table below (Figure 1) shows the year-to-date return of gold measured in various currencies, some of which strengthened this year while others weakened:

FIGURE ONE: GOLD'S 2025 RETURN IN LOCAL CURRENCIES

Currency	Gold Return (%)	Commentary on Return
U.S. Dollar (USD)	+65%	Strong performance driven by USD-reserve diversification and Fed rate cuts
Euro (EUR)	+46%	Positive returns, but slightly lower than USD due to stronger EUR vs. USD
Mexican Peso (MXN)	+42%	Positive return, though lower reflecting MXN's unexpected strengthening vs. USD
Russian Ruble (RBL)	+26%	Lower return than USD due to significant RBL appreciation on changing sentiment
Argentinian Peso (ARS)	+131%	Higher return due to persistent, severe domestic inflation and ongoing economic uncertainty
Venezuelan Bolivar (VES)*	+853%	Demonstrates gold's lifeline role against hyperinflation, currency destruction, and severe geopolitical risks

*Venezuela experienced a gradual, organic process known as 'de facto dollarization,' driven by the population's loss of trust in the Venezuelan Bolivar (VES).

SOURCE: RWM, BLOOMBERG L.P.

The variation in these returns shows that the price of gold is not just rising; it is the value of local currencies that is declining relative to a stable asset. Our portfolio's modest allocation to gold is designed to protect purchasing power precisely when the currency of a nation – even a major one – faces unforeseen economic or political stress.

Outlook and Investment Strategy

Our conviction in a diversified, quality-focused strategy remains steadfast, especially as market leadership continues to broaden beyond the narrow gap of U.S. technology giants. We believe this broadening will continue into 2026 as the Federal Reserve's recent rate cuts signal a shift towards a less restrictive monetary policy, which should alleviate some pressure on corporate margins and consumer debt. However, the unexpected strength of gold reminds us that latent risks – from geopolitical uncertainties to currency devaluation in parts of the world – are always present. We continue to position our portfolios not only for growth when markets rally, but also for resilience when the market "walls of worry" feel insurmountable. We continue to see compelling long-term value in our U.S. portfolio companies (our individual large cap sleeve is trading at about a 31% discount to the

S&P 500). Additionally, we see value in international equities and small cap equities, which remain attractively priced relative to U.S. large cap counterparts, and maintain our modest position in gold as a calculated insurance policy against unforeseen global volatility, rather than a prediction of it. Our ongoing focus is on patient, disciplined capital allocation to high-quality assets globally, ensuring your portfolio is prepared for a range of economic outcomes, whether the next market movement "turns to gold" or finds stability in broader asset classes.

Closing Thoughts

Though the lyrics to Stairway to Heaven are poetic and elusive, many musicologists interpret the lyrics as symbolizing an attempt to purchase or shortcut a way to higher ultimate happiness through material goods and worldly successes. As we close out the Christmas and holiday season and embark on a new year, may we always be reminded of the true wealth found not in shortcuts or accumulating riches alone, but in utilizing the resources and talents we possess to enrich the lives of those around us. Let us aim to deploy our financial successes, whether they "glitter like gold" or offer more stability, with purpose, prudence and a generous spirit.

As always, we thank you for allowing us to be on your financial team and for referring us to those you care about the most.



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