

## A Look Back...4<sup>th</sup> Quarter 2025

We call our quarterly review “A Look Back” to remind our readers that is all it is – backward looking. While it is important to keep tabs on what your portfolio is doing, it is equally important to ignore short-term results. Keep focused on the long-term goals of your portfolio and whether it is achieving them.

### **The Markets**

During the fourth quarter of 2025, stocks continued their rise and finished the year sharply in the black across all geographies. Interestingly, the strongest month of the quarter was October, as investors ignored the ongoing effects of the longest US government shutdown in history. Not only did this lead to temporary lay-offs and furloughs, but it also left the Federal Reserve without key economic data needed to make its rate decisions. But they continued to cut their benchmark interest rate and that fed investor appetite. November and December witnessed something of a fizzle as there was some questioning of how delayed economic data was being calculated and a strengthening of the US labor market called into question how much more the Federal Reserve will cut rates, if at all. The “Santa Clause rally” never materialized. Global fixed income, as measured by the Bloomberg Barclays Global Aggregate Index, also rose for the quarter and year.



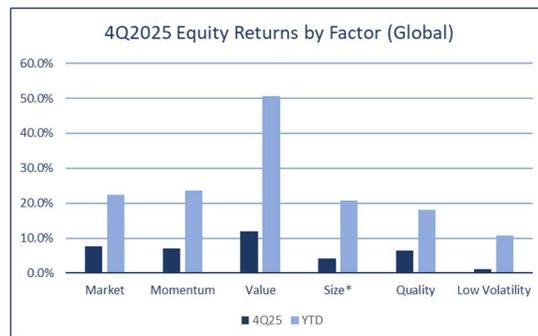
Source: Morningstar; As of 12/31/2025

### **Outlook**

2025 left us with a lot of questions for 2026. The big key, as always, will be the path for the Federal Reserve. As noted earlier, the US labor market appeared to stabilize late in the year and its weakening was one of the key motivators of Fed rate cuts. At the same time, although inflation has come down, it remains above the central bank’s target rate of 2%. There is an additional wrinkle – many investors have been betting on Chairman Powell’s replacement in May being much more open to easing on the rate front. But Powell has the option of staying on until 2028 and many believe he is likely to do that given the sparring initiated by President Trump. That has been exacerbated by the Department of Justice launching an investigation into whether Powell lied to Congress about the cost of renovations to the Federal Reserve building in DC. While these are important considerations, what really drives stocks is corporate earnings and those have remained strong of late. But that picture is blurring as Trump has now announced potential new tariffs against Europe if he does not get the support he wants on taking control of Greenland. If new tariffs go into place that could affect everything from corporate costs to hiring decisions. All of this represents sources of uncertainty and the potential for volatility. We continue to take a long-term approach and would regard pockets of weakness as potential buying opportunities.

### The Factors

As expected, factor returns were concentrated. Size was in-line with the broader MSCI All Country World Index and Quality and Low Volatility underperformed. However, Momentum bested the index for the year and Value was by far the best performer in 2025. Despite solid factor returns, the Metric all-stock model portfolio remained behind the index for the year as we have a strong overweight to the US, which has lagged International by quite a bit in 2025. For the 3-year period, we are still about even with the market net of fees.



Source: Morningstar; As of 12/31/2025

### The Long-Term Record

While factors can be cyclical in that they will go through periods of doing better and worse than a simple market index like the MSCI ACWI, the long-term track record is clear as shown below. Although some of the record includes back-tested returns (i.e. before the indexes were actually created), the methodologies (how they screen for stocks) remain consistent. We include for full disclosure the inception dates of all indexes.



Source: Morningstar; As of 12/31/2025

- Global Stocks = MSCI ACWI NR USD Index (Inception: 1/1/01)
- Global Momentum= MSCI ACWI Momentum NR USD Index (Inception: 11/30/95)
- Global Value = MSCI ACWI Enhanced Value NR USD Index (Inception: 5/29/15)
- Global Quality = MSCI ACWI Quality NR USD Index (Inception: 5/29/92)
- Global Low Vol = MSCI ACWI Minimum Volatility (USD) NR USD Index (Inception: 5/28/93)
- Global Size = MSCI ACWI Risk Weighted NR USD Index (Inception: 4/6/11)



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## Disclosures

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## The Factors

**Momentum:** Data suggests that stocks that have outperformed recently may continue to do so in the near-term.

**Value:** Data suggests that relatively cheap stocks may outperform more expensive ones over time.

**Size:** Data suggests that smaller company stocks may outperform those of larger ones over time.

**Quality:** Data suggests that stocks of high quality companies may outperform those of lesser quality over time.

**Low Volatility:** Data suggests that low volatility stocks may outperform on a risk-adjusted basis over time.