

Market Illumination

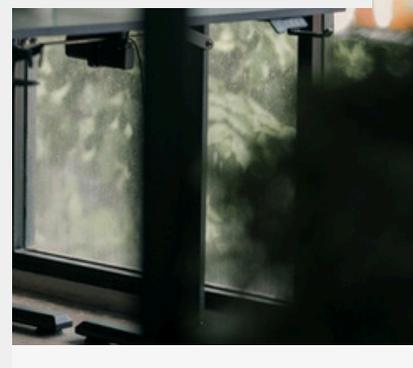
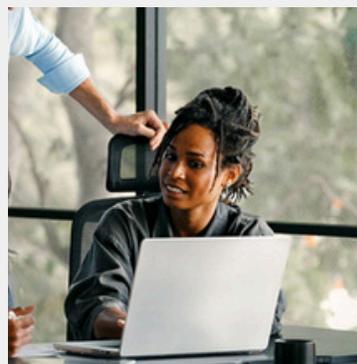
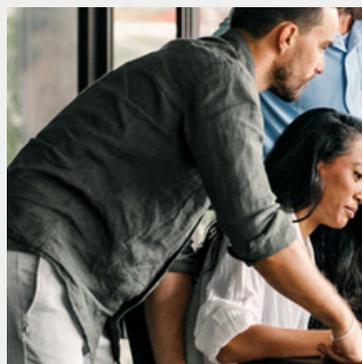
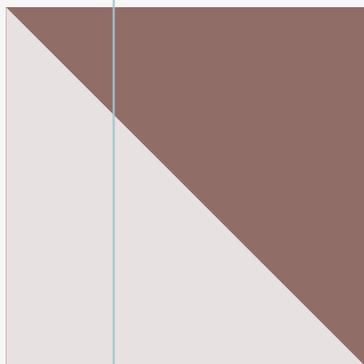
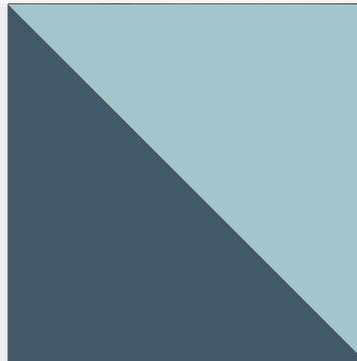
4Q 2025

Investment

Insights

“You can’t connect the dots looking forward; you can only connect them looking backward...”

— Steve Jobs



Executive Summary



The final months of 2025 offered a reminder that some of the most meaningful stretches for investors are not defined by dramatic moves, but by how uncertainty is navigated along the way. As the fourth quarter unfolded, the challenge was less about reacting to any single headline and more about staying grounded as expectations continued to evolve.

The quarter reflected a broader sense of transition. Markets appeared to settle into a more familiar rhythm, even as questions about growth, policy, and the path forward remained unanswered. Although markets often appeared calmer on the surface, underlying uncertainty remained elevated, reinforcing that periods of lower volatility do not necessarily signal reduced risk. For investors, this environment meant balancing optimism with realism and accepting that clarity often arrives gradually rather than all at once. Instead of closing with one single defining moment, the quarter ended with a sense of recalibration.

Our focus has remained on the fundamentals we emphasize most, including thoughtful planning and keeping decisions aligned with long-term goals, even as markets and conditions continue to change. Taking the time to review priorities, revisit goals, and make measured adjustments can be just as valuable as engaging with markets themselves.

While 2025 proved to be a strong year overall, that outcome is never guaranteed. Hindsight helps explain the drivers of performance, but the year ahead will demand the same steady focus and disciplined decision-making to manage whatever comes next.



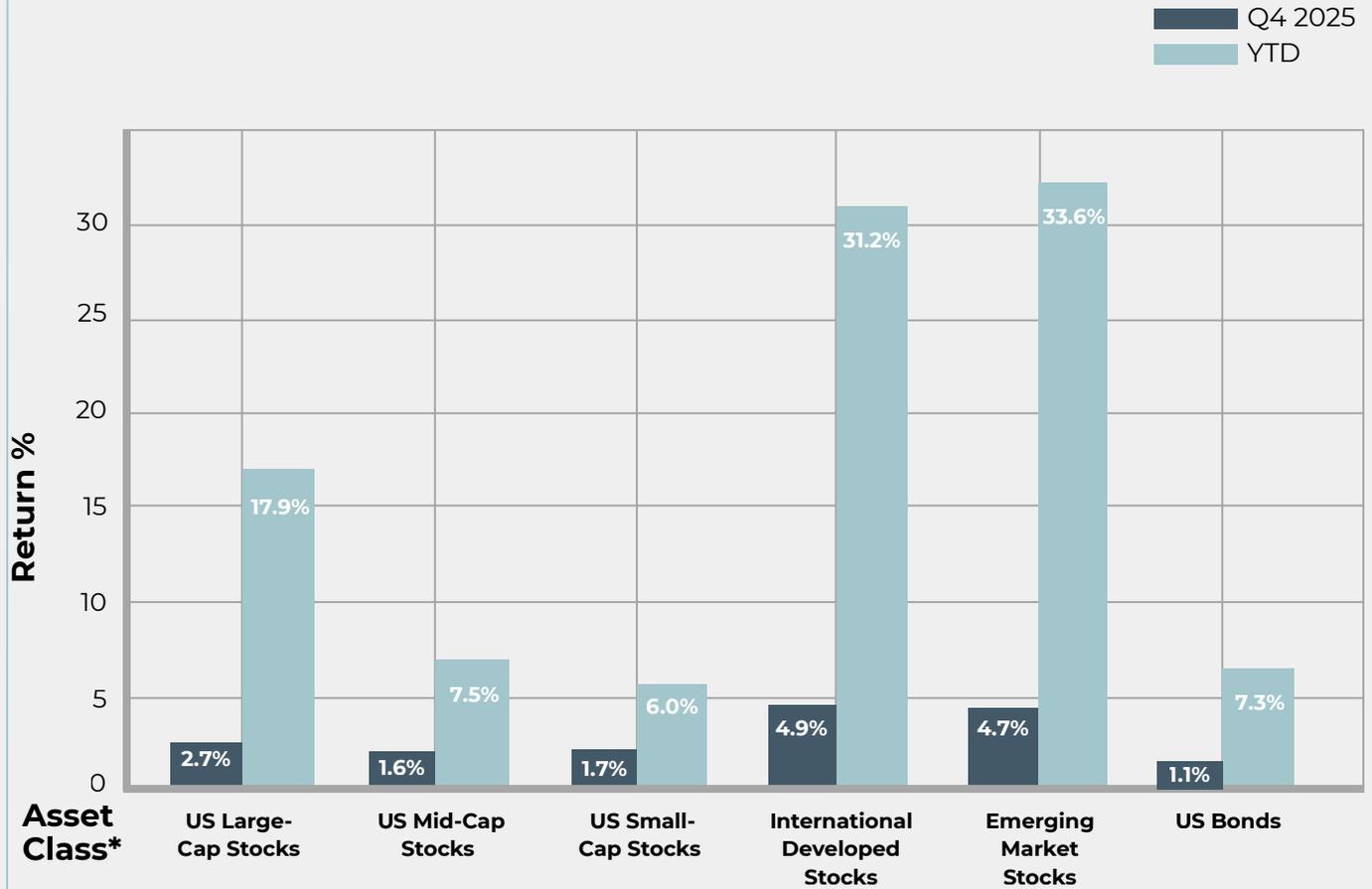
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Market Performance



Source: Morningstar

***Asset classes as represented by the following indices:**

US Large-Cap Stocks
S&P 500 TR USD

US Mid-Cap Stocks
S&P MidCap 400 TR USD

US Small-Cap Stocks
S&P SmallCap 600 TR USD

International Developed Stocks
MSCI EAFE NR USD

Emerging Market Stocks
MSCI EM NR USD

US Bonds
Bloomberg US Agg Bond TR USD

Highlights



Government Shutdown Ends

The record-long U.S. government shutdown extended into the fourth quarter before concluding as lawmakers reached an agreement that included a short-term funding package.

This resolution eased near-term policy concerns for financial markets but largely deferred more substantive fiscal negotiations, pushing broader budget and deficit discussions into 2026 rather than resolving them outright.

The shutdown temporarily disrupted the release of key economic data and government operations, and its resolution restored the flow of official economic reporting.

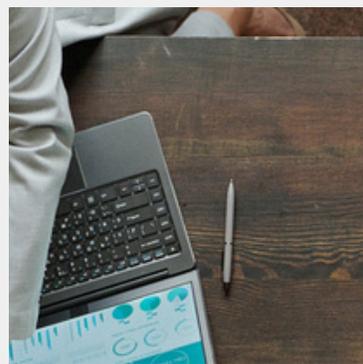
For investors, the end of the shutdown reduced immediate headline risk but did little to resolve longer-term fiscal uncertainty. With attention shifting to rising federal deficits and the increased volume of Treasury issuance required to fund government operations, markets refocused on how fiscal dynamics could influence interest rates and borrowing costs over time. While the shutdown's direct economic impact appeared contained, its resolution underscored the ongoing tension between short-term stability and longer-term fiscal challenges, which is an issue that is likely to remain relevant as policymakers and markets look ahead.



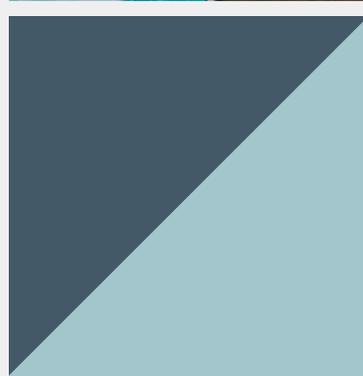
The Fed Cuts Rates Further

The Federal Reserve **lowered its benchmark interest rate in October and December, with cumulative cuts totaling 50 basis points.** These moves extended the easing cycle that began earlier in the year, as inflationary pressures continued to moderate and economic growth showed signs of cooling, particularly in interest-rate-sensitive areas of the economy. By late in the quarter, market attention shifted from whether additional cuts would occur and toward how far the easing cycle might ultimately extend into 2026.

The rate cuts reinforced the Fed's effort to balance sustaining economic momentum with preserving progress on disinflation. As markets generally welcomed the policy shift, the Fed emphasized its data-dependent approach, signaling that future decisions would remain closely tied to incoming economic information rather than a predetermined path. For investors, this environment reflects a transition toward less restrictive monetary policy, though not yet a fully accommodative stance. That distinction remains important for both equity valuations and bond market expectations.



Rates Cut by
50
Basis Points

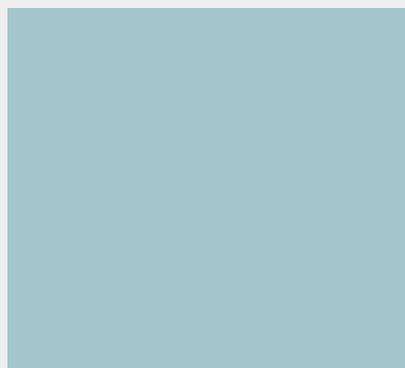




Global Economic Conditions Remain Uneven

Global economic conditions in the fourth quarter reflected increasing divergence across regions. While the U.S. economy showed signs of cooling, parts of Asia displayed signs of stabilization, and Europe navigated slower but more resilient growth than earlier in the year. The Asia-Pacific Economic Cooperation (APEC) summit held late in the quarter pointed to these contrasts, as several Asia-Pacific economies emphasized growth stabilization, trade coordination, and structural reforms, while the U.S. entered year-end with a greater focus on moderating inflation and managing a softening economy.

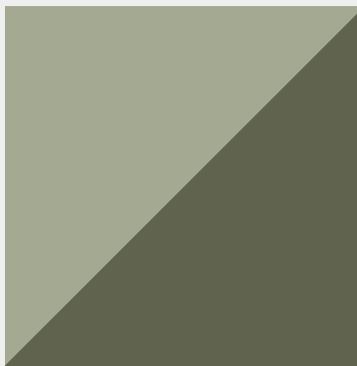
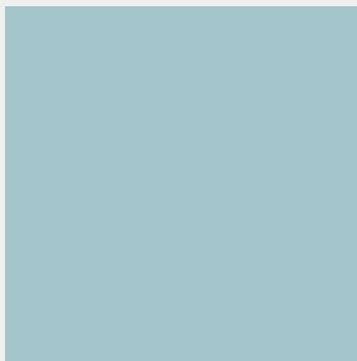
Differences in inflation trends, labor market dynamics, policy responses, interest rate paths, and shifts in currency valuations contributed to varied economic outcomes. Diverging growth paths and monetary policies can create dispersion across asset classes, currencies, and sectors, presenting both risks and opportunities. In this environment, diversification across regions and markets remains an important consideration as the global economy transitions into 2026.



AI Infrastructure and Innovation Advancements

Investment in artificial intelligence (AI) infrastructure accelerated across both the private and public sectors. Major technology “hyperscalers” (such as Amazon, Microsoft, Google, and Meta) continued to signal elevated capital spending tied to data centers and AI workloads, with Meta announcing a large-scale financing arrangement in October to support the development of a new AI-focused data center. Meanwhile, the U.S. Department of Health and Human Services released a strategic framework outlining the expanded role of artificial intelligence in healthcare delivery and innovation.

These developments highlighted how AI investment is extending beyond technology companies alone and becoming a broader focus of corporate strategy and public policy. The implications for markets and the economy may prove to be significant. Expanding AI infrastructure requires substantial investment in physical assets, energy, and related supply chains, linking technology growth more directly to commodities and power demand. For investors, sustained commitments by both hyperscalers and public institutions highlight AI’s potential role as a long-term driver of productivity and capital spending, while also introducing considerations around infrastructure capacity, energy usage, and regulatory oversight.



In Summary

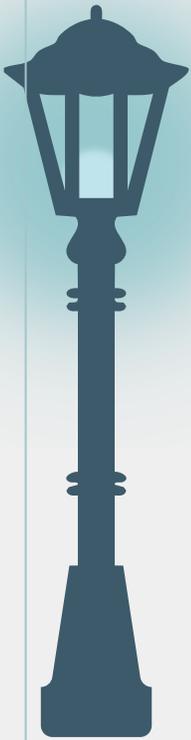
Throughout 2025, investors were reminded that progress rarely unfolds in a straight line. Shifts in monetary policy indicated growing confidence that inflation was moving in the right direction, even as caution remained a central theme. Corporate earnings, consumer behavior, and investment activity pointed to an economy that continued to expand, though at a slower and more selective pace. Globally, economic divergence became more pronounced as regions followed distinct paths rather than moving in lockstep.

Beyond the data, 2025 quietly tested patience and resolve. Investors were asked to process a steady stream of information, sit with uncertainty, and resist the urge to respond to every short-term development. Often, the challenge was less about the markets themselves and more about maintaining perspective in a noisy environment.

The experience of 2025 reinforced an enduring principle: long-term progress can be made through discipline, diversification, and trust in a well-constructed plan. As the year concluded, this environment made ongoing planning, regular portfolio reviews, and alignment with long-term objectives especially important, regardless of short-term market conditions. With uneven regional growth, shifting monetary policy, and episodic geopolitical uncertainty, a diversified approach across asset classes and markets helped reduce reliance on any single outcome. While uncertainty is an inherent part of investing, steady guidance and thoughtful decision-making can help create a sense of confidence and calm, even when the path forward is not perfectly clear.



Looking Ahead



Government Shutdown's Lingering Issues:

Broader fiscal negotiations in 2026 are likely to influence confidence in government spending and borrowing.

Federal Reserve Impact:

Lower rates may help keep inflationary pressures in check while supporting continued growth, shaping expectations for future policy decisions.

Global Economic Conditions:

Diverging trends across regions may influence how U.S. and international markets move relative to one another.

Geopolitical Developments:

Developments in Venezuela remain an area to watch as geopolitical factors continue to shape energy market conditions.

AI Infrastructure:

If hyperscaler infrastructure plans materialize as intended, they could potentially contribute to efficiencies that ripple into other sectors.

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