Market Commentary | December 2025

Benchmark Review & Monthly Recap

Stocks Close Out Another Year With Strong Returns; Bonds Have Solid Gains as Well

Equity Markets

Stocks bounced around in December and turned in mixed results for the month. However, the major stock indices gained ground in Q4 and had another solid year of gains in 2025. Several indices ended the year near all-time highs. See **Table 1** for December 2025, Q4, and YTD returns.

Table 1 | Equity Markets

Index	December	Q4	YTD
S&P 500	0.06%	2.66%	17.88%
S&P 500 Equal Weight	0.45%	1.39%	11.43%
DJIA	0.92%	4.03%	14.92%
Russell 3000	-0.02%	2.40%	17.15%
NASDAQ Comp.	-0.47%	2.72%	21.14%
Russell 2000	-0.58%	2.19%	12.81%
MSCI ACWI ex U.S.	3.00%	5.05%	32.39%
MSCI Emerging Mkts Net	2.99%	4.73%	33.57%

Source: Morningstar. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.

The large-cap growth pause that started in November continued in December with the Nasdaq dropping for the month. The equal-weight S&P 500 fared better than the widely followed market-cap weighted version for the second month in a row, reflecting the rally broadening beyond just the largest-cap tech names. With that said, small-cap stocks struggled in December and lagged the other equity indices for the month. Ultimately, large-cap growth was the best relative performer in U.S. stocks in 2025, but some broadening into small caps and value stocks occurred during the year. Table 1 shows that all major U.S. stock indices were up double-digits in 2025, marking a third straight year of those types of gains.

The broad measure of international stocks, the MSCI ACWI ex U.S., outperformed U.S. stocks for the month and quarter, adding to already strong outperformance for the year. Emerging market stock returns were virtually the same in December. The strong results of international stocks were one of the headline stories of 2025 after several years of lagging U.S. stocks. With gains exceeding 30%, foreign stocks surpassed U.S. stocks in a year that was good across the board for equities. Following April lows, stocks have had an impressive rally with little weakness along the

Highlights

- **Stocks:** Stocks delivered mixed results in December but finished Q4 with positive returns and posted solid gains for 2025.
- **Bonds:** Rates drifted higher in December causing a late-year headwind to bond returns, but bonds also had a solid year of gains in 2025.
- **U.S. Economy:** Government data has started to catch up, but gaps remain. While general economic readings continue to show solid U.S. growth, the job market has clearly slowed and is an area of caution entering 2026.
- **Federal Reserve:** The FOMC cut rates for a third consecutive meeting in December, as expected. However, rate cuts are expected to slow dramatically in 2026. The big news in 2026 will be who replaces Chair Powell when his term expires in May.

way – only one modest 5% correction in November. It is imperative to remember that stocks can be volatile and pullbacks like we experienced in November are not unusual and would not be unexpected moving into a midterm election year, which historically experiences some weakness during the year.

Fixed Income

Bonds faced an uphill climb as rates rose in December. Outside of high yield and munis, bonds declined in December but still posted gains for the quarter and delivered solid returns across the board for 2025. See **Table 2** for bond index returns for December 2025, Q4, and YTD.

Table 2 | Fixed Income Markets

Index	December	Q4	YTD
Bloomberg U.S. Agg	-0.15%	1.10%	7.30%
Bloomberg U.S. Credit	-0.19%	0.87%	7.83%
Bloomberg U.S. High Yld	0.57%	1.31%	8.62%
Bloomberg Muni	0.09%	1.56%	4.25%
Bloomberg 30-year U.S. TSY	-2.13%	-0.50%	3.73%
Bloomberg U.S. TSY	-0.33%	0.90%	6.32%

Source: Morningstar. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.

The 10-year U.S. Treasury yield closed 2025 at 4.18%, a notable increase from November's close at 4.02% but also meaningfully lower compared to the end of 2024 at 4.58%. Although munis lagged other bond sectors for the year, they outperformed on a relative basis for the fourth quarter as this pocket of bonds came on strong late in 2025. Returns of the Agg, Credit, and Treasury indices were all solid in 2025. High yield bonds led the way in December and led for the year with returns north of 8.5% (not surprising in another year of solid stock market gains). In general, bonds did their job in 2025 with solid gains, helping to offset some of the equity market volatility during 2025.

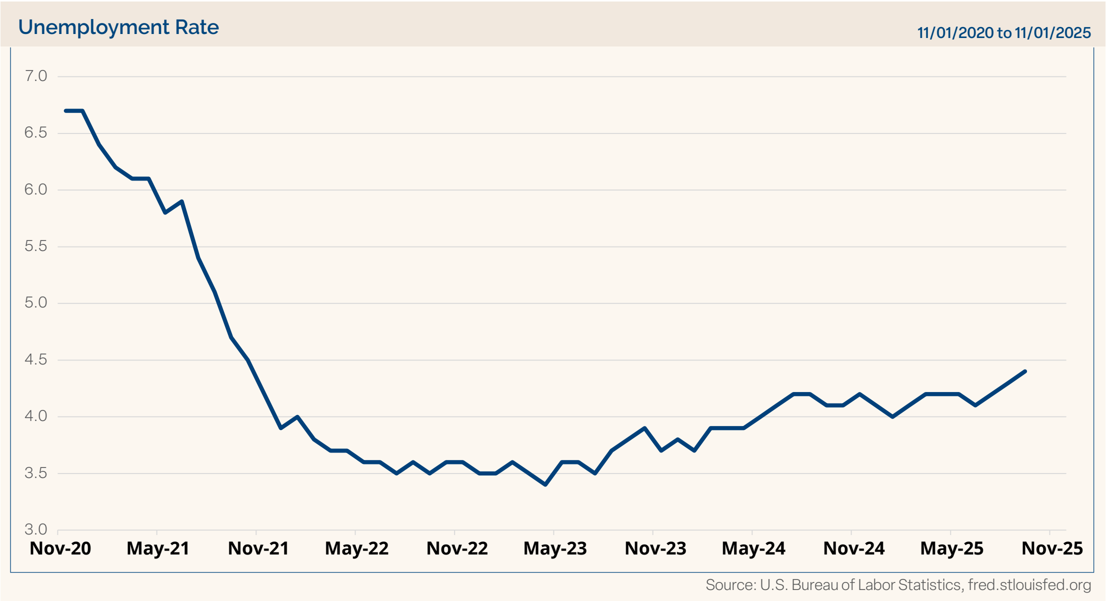
We maintain our longstanding position favoring credit versus pure rate exposure in this interest rate environment. Credit spreads have remained near historic lows as corporate bonds have outperformed Treasuries so far this year. We also believe the role bonds play in a portfolio, to provide stable cash flow and to help offset the volatility of stocks in the long run, has not changed. As the Fed resumes its rate-cutting cycle, we believe having an active bond management approach makes sense. Furthermore, we believe rates remain elevated and provide attractive opportunities for bond investors. There could be some volatility in store for bonds in the first half of 2025 as the market prepares for and then digests a new Fed Chair. However, with rate cuts likely continuing during the year, a positive backdrop still exists for bonds in 2026, in our opinion.

Economic Data Highlights and Outlook

Economic data remains somewhat clunky, but more current readings are becoming available following the government shutdown. The Consumer Price Index was released through November, but monthly changes were not included. The core and headline year-over-year increases through November came in at 2.6% and 2.7%, respectively. Both readings were better (lower) than expectations of 3.0% and 3.1%, respectively. The Personal Consumption Expenditures (PCE) price index (the preferred inflation measure of the Fed) is a few months behind, and September data was released in December. Both the core and the headline PCE indices showed a year-over-year increase of 2.8% as expected. (The October release of the Producer Price Index has been cancelled, and November data is scheduled to be released on January 14, 2026, per the BLS website.) Inflation continues to look contained at this point, albeit above the Fed's target inflation rate of 2%.

Payroll data for October and November were released at the same time in December. Nonfarm payrolls fell by -105,000 in October, worse than expectations of -25,000. The measure recovered somewhat in November with 64,000 additions. November job additions surpassed expectations of 50,000, but the unemployment rate rose to 4.6% for the month, which was above the 4.5% estimate. This reading was the highest unemployment rate since coming out of the pandemic in 2021. Please see **Chart 1** below showing the rising unemployment rate through October during the post-pandemic period.

Chart 1



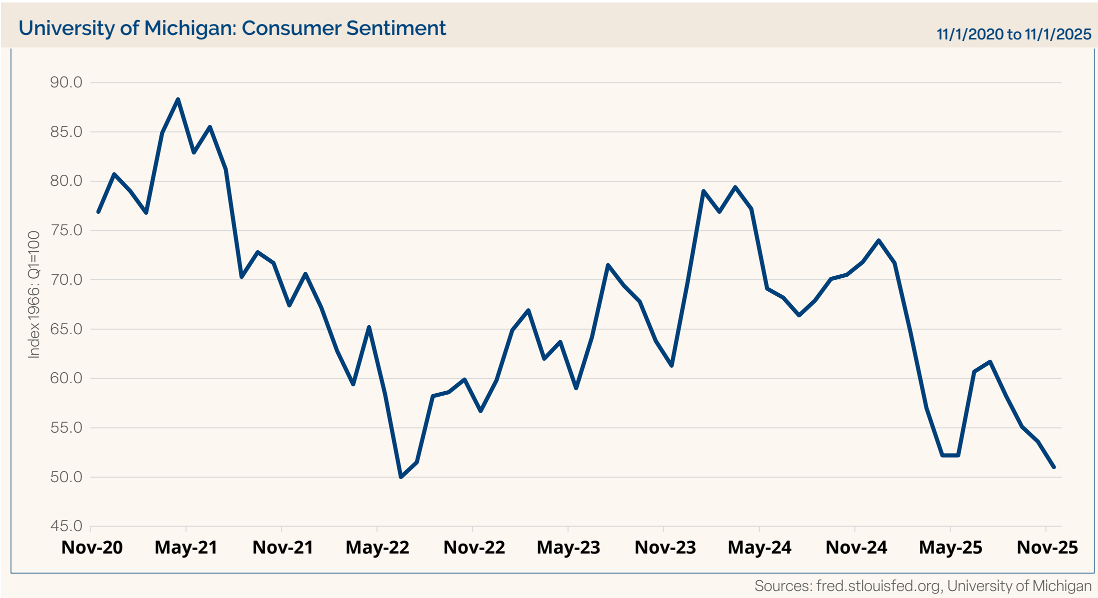
For illustrative purposes only. Past performance is not indicative of future results.

The Institute for Supply Management (ISM) Manufacturing Index continued to reflect contraction with a reading of 48.2 in November on the heels of a disappointing 48.7 reading in October. Expectations called for a modest increase in this index to 49.0. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, rose modestly to 52.6 in November from the 52.4 level in October, surpassing expectations of 52.0. Recall for the ISM indices, readings above 50 represent expansion and below 50 reflect contraction.

The preliminary University of Michigan Consumer Sentiment survey for December showed modest improvement after hitting its lowest level in over three years in November. At 53.3, this reading improved from the multi-year low of 51.0 and exceeded estimates of 52.0. The final December reading for this sentiment survey moderated to 52.9. After recovering in the summer from very pessimistic levels following the tariff announcements, consumer sentiment has slid lower through most of the fall and winter and stands near the lowest readings on record for this survey. Please see **Chart 2** below but note that the data on this chart is delayed by one month. The November reading of 51.0 is the final data point represented here

Benchmark Review & Monthly Recap

.Chart 2



For illustrative purposes only. Past performance is not indicative of future results. Surveys of Consumers, University of Michigan, University of Michigan: Consumer Sentiment © [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UMCSENT, December 31, 2025.

A December release shared the first glimpse of Q3 GDP, and it came in much stronger than expected at a 4.3% annualized growth rate, surpassing the 3.3% expectation. The personal consumption component of GDP was better than expected and helped propel this initial estimate of GDP higher. This reading will continue to be revised in the months ahead. The GDPNow forecast from the Atlanta Fed for Q4 GDP is estimated at 3.0% as of December 23, 2025.

The Federal Reserve met December 9-10 for the final time in 2025 and cut rates as expected by 25 basis points. This meeting was marked by division among policy makers. The vote to cut rates was ultimately 9 to 3 with two dissenting votes for no cut and one dissenting vote for a 50-basis point cut. This division is surprising considering the FOMC tends to be more of a consensus group. The focus now seems to be turning to who will be named the next Fed chair and whether the independence of the Federal Reserve will be maintained. Per the CME FedWatch tool on December 31, 2025, the market is pricing in the next rate cut in April, which would be the last of current Chair Powell's term. At this point, only two rate cuts are priced in for all of 2026, but the Fed "world" could change meaningfully with the new Chair talking the reins when current Chair Powell's term expires in May.

Clearly, markets have proven to be strong for most of the year. Although not quite a third consecutive year of 20%+ gains, the S&P 500 was not far off it with gains over 17%. Furthermore, 2025 was marked not only by continued large-cap growth leadership, but also by small caps hitting new highs for the first time since 2021, and international stocks outpacing the U.S. stocks for the first time in years. From tariff uncertainty to a record-long government shutdown, equity markets have been able to climb the "wall of worry" and ascend to close the year just off all-time highs. Stock valuations in the U.S. have crept higher and sit at elevated levels. However, valuations have not grown too alarming in our opinion and are supported by record high earnings and accelerating earnings growth expectations for 2026. We still see opportunities in the stock market as we move into 2026. As always, we believe it is imperative for investors to stay focused on their long-term goals and not let short-term swings in the market derail them from their longer-term objectives.

Market Commentary | December 2025

Benchmark Review & Monthly Recap

Please Note: Blue highlighted items in the table below have not been updated since the month indicated due to the government shutdown and updates to those prior readings not being available.

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	Nov	49	48.2	48.7	—
ISM Services Index	Nov	52	52.6	52.4	—
Change in Nonfarm Payrolls	Nov	50k	64k	-105k	—
Unemployment Rate	Nov	4.50%	4.60%	—	—
Average Hourly Earnings YoY	Nov	3.60%	3.50%	3.70%	—
JOLTS Job Openings	Oct	7117k	7670k	7658k	—
PPI Final Demand MoM	Sept	0.30%	0.30%	-0.10%	—
PPI Final Demand YoY	Sept	2.60%	2.70%	2.60%	2.70%
PPI Ex Food and Energy MoM	Sept	0.20%	0.10%	-0.10%	—
PPI Ex Food and Energy YoY	Sept	2.70%	2.60%	2.80%	2.90%
CPI MoM	Sept	0.40%	0.30%	0.40%	—
CPI YoY	Nov	3.10%	2.70%	—	—
CPI Ex Food and Energy MoM	Sept	0.30%	0.20%	0.30%	—
CPI Ex Food and Energy YoY	Nov	3.00%	2.60%	—	—
Retail Sales Ex Auto and Gas	Oct	0.40%	0.50%	0.10%	0.00%
Industrial Production MoM	Nov	0.10%	0.20%	-0.10%	—
Building Permits	Aug P	1370k	1312k	1362k	--
Housing Starts	Aug	1365k	1307k	1428k	1429k
New Home Sales	Aug	650k	800k	652k	664k
Existing Home Sales	Nov	4.15m	4.13m	4.10m	4.11m
Leading Index	Sept	-0.30%	-0.30%	-0.50%	-0.30%
Durable Goods Orders	Oct P	-1.50%	-2.20%	0.50%	0.70%
GDP Annualized QoQ	3Q Initial Est.	3.30%	4.30%	3.80%	—
U. of Mich. Sentiment	Dec P	52	53.3	51	—
Personal Income	Sept	0.30%	0.40%	0.40%	—
Personal Spending	Sept	0.30%	0.30%	0.60%	0.60%
S&P Cotality CS 20-City YoY NSA	Oct	1.10%	1.31%	1.36%	1.39%

Source: Bloomberg; P=Preliminary

For illustrative purposes only. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only projections and actual events or results may differ materially.

Benchmark Review & Monthly Recap

Disclosures

Forward looking statements cannot be guaranteed. Past performance is not indicative of future results. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Material presented has been derived from sources considered to be reliable and has not been independently verified by us or our personnel. Nothing herein should be construed as a solicitation, recommendation or an offer to buy, sell or hold any securities, other investments or to adopt any investment strategy or strategies. Investors must make their own decisions based on their specific investment objectives and financial circumstances. Investing involves risk, including loss of principal.

Clark Capital Management Group is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital Management Group's advisory services can be found in its Form ADV and/or Form CRS, which are available upon request.

The manager utilizes a proprietary investment model to assist with the construction of the strategy and to assist the manager with making investment decisions. Investments selected using this process may perform differently than expected as a result of the factors used in the model, the weight placed on each factor, and changes from the factors' historical trends. There is no guarantee that Clark Capital's use of a model will result in effective investment decisions.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

The value of investments, and the income from them, can go down as well as up and you may get back less than the amount invested.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to adverse market, economic, regulatory, political, or other developments affecting those sectors.

JOLTS is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment.

The Core Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Core Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

Benchmark Review & Monthly Recap

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight or 0.2% of the index total at each quarterly rebalance.

The University of Michigan Consumer Sentiment Index rates the relative level of current and future economic conditions. There are two versions of this data released two weeks apart, preliminary and revised. The preliminary data tends to have a greater impact. The reading is compiled from a survey of around 500 consumers.

The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

The Russell 2000 Index is a small-cap stock market index that represents the bottom 2,000 stocks in the Russell 3000.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell 1000 Growth Index tracks companies with higher price-to-book ratios, higher sales per share growth, and higher I/B/E/S forecast growth.

Russell 1000 Value Index tracks companies with lower price-to-book ratios and lower expected and historical growth rates. Russell's value indexes focus more on dividend yield.

Nonfarm payrolls (NFPs) are the measure of the number of workers in the United States excluding farm workers and workers in a handful of other job classifications.

A municipal bond, commonly known as a muni, is a bond issued by state or local governments, or entities they create such as authorities and special districts.

The CBOE Volatility Index (VIX) is a real-time index that measures the expected volatility of the S&P 500 over the next 30 days.

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The 30 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 30 years.

The Bloomberg Barclays U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar denominated, fixed-rate taxable corporate and government related bond markets.

The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

The Bloomberg US Trsy Bellwether 30Y is a U.S. Treasury debt obligation that has a maturity of 30 years.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

Benchmark Review & Monthly Recap

ISM Manufacturing Index measures manufacturing activity based on a monthly survey, conducted by Institute for Supply Management (ISM), of purchasing managers at more than 300 manufacturing firms.

The MSCI Emerging Markets Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries*. With 2,359 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index seeks to measures the value of residential real estate in 20 major U.S. metropolitan areas. The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

In the United States, the Core Personal Consumption Expenditure Price (CPE) Index provides a measure of the prices paid by people for domestic purchases of goods and services, excluding the prices of food and energy.

The Conference Board's Leading Indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.