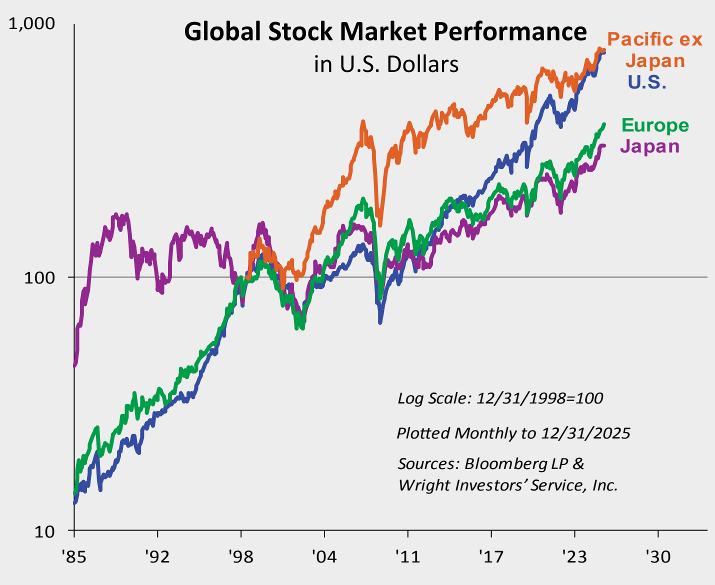
Quarterly Investment Report
January 2026

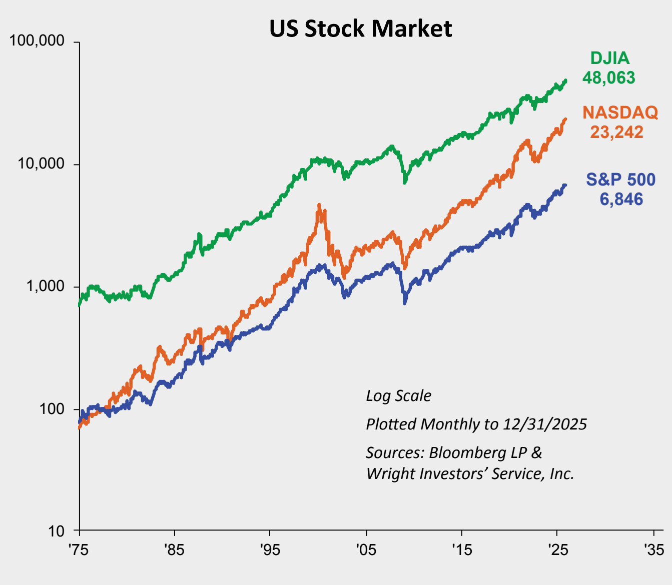
The fourth quarter of 2025 provided a constructive finish to the year, with risk assets advancing on resilient fundamentals and contained inflation expectations. U.S equities extended gains, while international equities again delivered standout results as the U.S. dollar weakened meaningfully over the full year. The S&P 500 rose +2.70% in the fourth quarter and +17.90% for 2025, while the Nasdaq Composite increased +2.70% in the quarter and +21.10% for the year. Diversification paid off, as the MSCI Developed World ex the U.S. returned +5.20% in the quarter and +31.90% for the year, and the MSCI Emerging Markets returned +4.70% in the quarter and +33.60% for the year. In fixed income, the Bloomberg U.S. Aggregate Bond Index returned +1.10% in the quarter and +7.30% for the year, supported by attractive starting yields and a modest rally in the front end of the curve. Real assets also contributed, with the Bloomberg Commodities Index returning +5.80% in the quarter and +15.80% for the year, led by a powerful advance in gold. Entering 2026, we remain constructive but disciplined. With attractive yields, bonds again provide income and diversification, while equity returns depend more on earnings delivery than multiple expansion. Valuations are elevated in parts of the market, policy uncertainty is higher than usual, and the range of outcomes has widened. In our view, the appropriate response is the same one that has served investors well across full cycles: emphasize quality, diversify intentionally, and rebalance systematically rather than react emotionally to short-term crosscurrents.

Stock Market

U.S. equities posted steady gains in the fourth quarter, extending a strong 2025 while leadership broadened at the margin. The S&P 500 returned +2.70% for the quarter, with the Dow Jones Industrial Average returning +4.00% and the Nasdaq Composite returning +2.70%. Participation below the mega-cap tier remained constructive but uneven. Mid-cap stocks returned +1.60% and small-cap stocks returned +1.70% in the quarter. Both ended the year positive, but trailed large caps, reinforcing the year's broader pattern in which investors consistently rewarded balance-sheet strength, earnings visibility, and durable cash flows.

Health Care led the quarter with a return of +11.70%, supported by improving earnings visibility and renewed investor interest in cash-flow durability. Telecommunications returned +7.30%, benefiting from a blend of defensive cash generation and selective growth narratives. Financials returned +2.00%. Rate-sensitive areas lagged, with Real Estate returning -2.50% and Utilities returning -1.40%. Information Technology rose +1.40% in the quarter. The broader takeaway is that leadership continues to rotate, and dispersion remains meaningful. That environment tends to reward disciplined research and valuation work.





Earnings fundamentals were a key support for equities. Across the S&P 500, 412 companies reported earnings above expectations, and the aggregate earnings surprise was +6.24%. Revenue results were also constructive, with the aggregate sales surprise at +2.07%. On a year-over-year basis, sales growth for the S&P 500 was +8.31%, while earnings growth was +13.17%. This outcome reflects profits expanding faster than revenues, supported by operating leverage and cost discipline, even as growth moderated.

We view the relationship between sales growth and earnings growth as a useful guide for 2026. Earnings can outpace sales for a period through operating leverage, productivity gains, and cost management, but that dynamic can be sensitive to wage pressures, input costs, and pricing power. In an environment where policy uncertainty is elevated, we prefer businesses with competitive positions, recurring revenue characteristics, and disciplined capital allocation.

International equities remained a defining feature of 2025's opportunity set as The MSCI Developed World ex. the U.S. returned +5.20% in the quarter and +31.90% for the year, while the MSCI Emerging Markets returned +4.70% in the quarter and +33.60% for the year. The Bloomberg Dollar Index returned +0.30% in the quarter but lost -8.10% for the year, which was a meaningful tailwind for U.S.-based investors holding non-dollar assets. Within emerging markets, MSCI China dropped -7.40% in the quarter, despite returning +31.20% for the year. This dispersion underscores that emerging market performance can vary widely by country, sector, and policy backdrop. We continue to view international exposure as a strategic diversifier rather than a short-term tactical allocation.

Strong markets can encourage investors to confuse good outcomes with low risk. When valuations are elevated, the margin for error narrows and markets can become more sensitive to policy surprises and earnings revisions. That is why we continue to emphasize disciplined portfolio construction and thoughtful diversification.

Bond Market

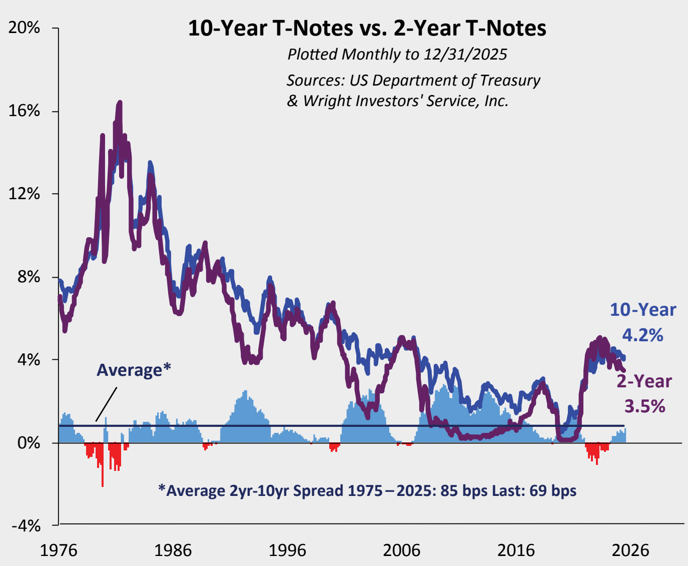
Fixed income delivered positive results in the quarter and reinforced its renewed role as a reliable source of income and diversification. The Bloomberg U.S. Aggregate Bond Index returned +1.10% in the fourth quarter and +7.30% for the year. Credit also contributed. Bloomberg U.S. Credit returned +0.90% in the quarter and +7.80% for the year, while Bloomberg U.S. High Yield returned +1.30% in the quarter and +8.60% for the year. In our view, the most important point is not that bonds were positive in a single quarter. The key point is that income has reasserted itself as a meaningful driver of total return.

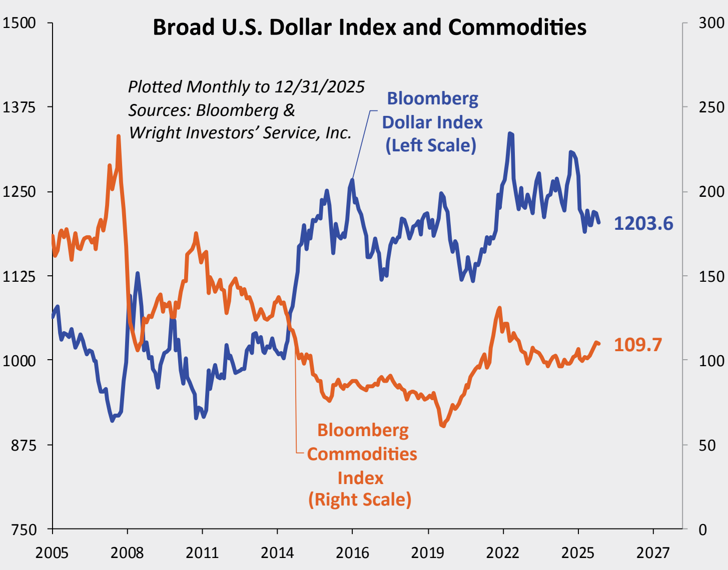
Rates moved unevenly across the curve. At year-end, the 2-year U.S. Treasury yield was 3.47%, the 10-year yield was 4.17%, and the 30-year yield was 4.84%. The curve steepened, as the long end remained firm relative to the front end. This profile reflects expectations for restrictive policy over time, while still demanding compensation for longer-maturity duration risk.

Inflation expectations remained contained. The 10-year break-even inflation rate ended at 2.25%, with the 2-year breakeven at 2.30%. In our view, this is a workable backdrop for disciplined fixed income positioning centered on capturing income, maintaining maturity balance through laddering, and underwriting credit risk rather than reaching for yield simply because recent volatility has been modest. In an environment where policy uncertainty can rise quickly, we continue to view high-quality fixed income as a core portfolio stabilizer, particularly when paired with selective credit exposure designed to enhance income without compromising overall resilience.

Alternatives

Real assets were positive in the quarter and a meaningful diversifier in 2025, particularly as investors weighed currency dynamics, fiscal uncertainty, and inflation risk premia.





The Bloomberg Commodities Index returned +5.80% in the quarter and +15.80% for the year. In multi-asset portfolios, we view commodities and real assets as complements rather than core holdings. Their value often comes from behaving differently than stocks and bonds at precisely the times when diversification is most needed.

Gold returned +13.00% in the fourth quarter and +64.40% for the year, reinforcing its role as a diversifier and hedge when policy credibility and purchasing-power protection matter most. Copper returned +17.00% in the quarter and +41.10% for the year, aligned with continued infrastructure demand and optimism around capital expenditure. This performance is consistent with ongoing demand for power and data infrastructure.

Crude oil lost -7.90% in the quarter and -19.90% for the year. Falling oil prices can act as a disinflationary tailwind and can support real household income, particularly if wage growth moderates alongside a cooling labor market. This trend can help reduce near-term inflation volatility, which can improve the policy backdrop and lower the risk of an unwanted tightening in financial conditions.

The MSCI U.S. Real Estate Investment Trust Index returned -2.00% in the fourth quarter and +1.70% for the year. We continue to view real estate exposure as most appropriate when it is sized thoughtfully and diversified across property types.

U.S. Economy

Economic conditions at year-end remained consistent with moderation rather than deterioration. The most important macro feature for markets is that the economy is slowing from prior strength, but the slowdown has not yet translated into broad stress across corporate balance sheets or credit markets. That distinction matters because it supports a base case of continued expansion, even if the path is uneven. Manufacturing remained soft, with ISM Manufacturing at 48.20, while services stayed in expansion mode with ISM Services at 52.60. This split helps explain why earnings growth has been able to remain resilient in aggregate even as certain cyclical pockets cool.

The labor market showed clearer signs of cooling and increased volatility. Payroll growth was choppy, with an October decline of -105,000 followed by a November increase of +64,000. Meanwhile the unemployment rate rose to 4.60%. In our view, the labor market is the critical variable for 2026 because it sits at the intersection of household spending power, inflation dynamics, and the policy reaction function.

Inflation continued to moderate. Consumer price inflation for November was 2.70% year over year, with core consumer price inflation at 2.60%. Housing activity showed signs of stabilization, though affordability remains a constraint. From our perspective, housing remains important because it is a primary transmission channel for monetary policy and a key determinant of household confidence.

Earnings delivery remained solid, inflation expectations stayed contained, and fixed income regained its role as both an income generator and a portfolio stabilizer. At the same time, policy uncertainty remains elevated, and that uncertainty could show up in volatility before it shows up in economic data. That is why we are entering 2026 with a constructive view, while also placing a premium on resilience and selectivity.

Investment Outlook

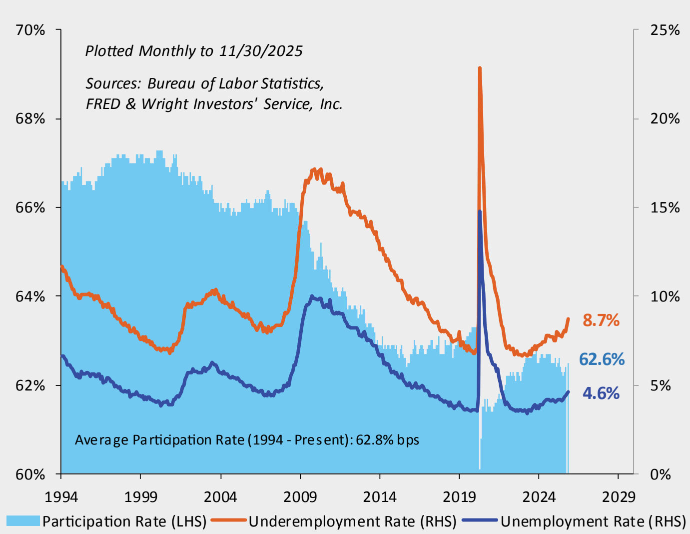
The investment backdrop entering 2026 is constructive. The economy has tailwinds that can extend the cycle, while policy headwinds and valuation starting points increase the importance of selectivity and diversification.

The U.S. Economy 2023–2026

		% Change In			End of Period Rates	
		Real GDP*	PCE Core Deflator*	Profits from Operations#	90-Day T-Bills	10-Year T-Notes
2023	Q1	**2.9%**	**4.7%**	**4.8%**	**4.7%**	**3.5%**
	Q2	2.5%	4.0%	1.7%	5.3%	3.8%
	Q3	4.7%	2.4%	-1.7%	5.4%	4.6%
	Q4	3.4%	2.1%	-1.2%	5.3%	3.9%
2024	Q1	**0.8%**	**4.0%**	**0.8%**	**5.4%**	**4.2%**
	Q2	3.6%	2.9%	3.0%	5.4%	4.4%
	Q3	3.3%	2.4%	7.1%	4.6%	3.8%
	Q4	1.9%	2.7%	7.9%	4.3%	4.6%
2025	Q1	**-0.6%**	**3.3%**	**10.4%**	**4.3%**	**4.2%**
	Q2	3.8%	2.6%	11.7%	4.3%	4.2%
	Q3	4.3%	2.9%	11.8%	3.9%	4.2%
	Q4 e	1.0%	2.9%	12.9%	3.7%	4.1%
2026	Q1 e	**2.1%**	**2.9%**	**10.8%**	**3.5%**	**4.1%**
	Q2 e	2.0%	2.9%	10.3%	3.3%	4.1%
	Q3 e	2.0%	2.7%	10.8%	3.2%	4.1%
	Q4 e	2.0%	2.5%	10.9%	3.2%	4.1%

e: Bloomberg Consensus Estimates; *: Quarter-Over-Quarter Annual Rates; #: Year-Over-Year Change in S&P500 EPS Sources: Bloomberg LP, Wright Investors' Service, Inc.

U.S. Employment



We see support from productivity-enhancing investment, especially artificial intelligence and data center buildouts, and from policy impulses. We also see higher-than-usual uncertainty around trade, immigration, and the fiscal path, factors that can widen the range of outcomes and raise volatility.

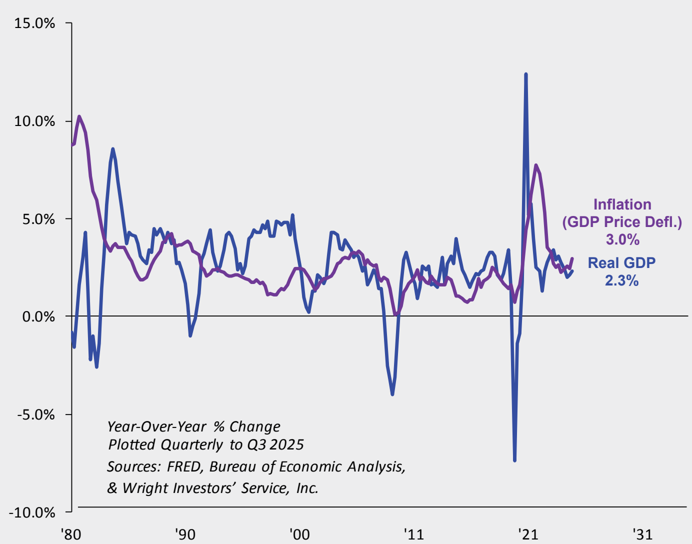
The principal headwinds are policy-driven and likely to operate through confidence, household cash flows, and business planning. Trade war and tariff uncertainty can delay capital expenditure decisions, increase supply-chain friction, and raise inflation risk, particularly in goods categories that remain sensitive to sourcing and logistics. Immigration restrictions can tighten labor supply, which can keep wage growth elevated and make services inflation stickier than expected, especially in labor-intensive industries. The restart of student loan payments is an additional headwind that can reduce discretionary flexibility, a meaningful consideration in an economy where the labor market is cooling and consumers remain sensitive to affordability.

Artificial intelligence and data center investment remains a tangible capital expenditure with spillovers into semiconductors, hardware, power infrastructure, cooling, and productivity-enhancing software. The fiscal impulse from the One Big Beautiful Bill can boost 2026 GDP growth, supporting demand even as other parts of the economy normalize. A weaker dollar can improve global earnings translation for multinational companies and ease financial conditions outside the United States, while lower oil prices can help keep inflation pressures contained and support real household income. This mix can help the economy cool without breaking, which should benefit diversified portfolios.

Fiscal policy remains important because larger deficits can keep pressure on term premia and long-maturity yields even if short rates decline. Federal Reserve independence is another key variable, because markets place value on a stable and credible monetary policy framework. If investors demand a higher risk premium to compensate for perceived political pressure, financial conditions can tighten even without a formal policy tightening. Finally, the second-order impact of artificial intelligence is a tailwind but could also be disruptive. The dispersion between winners and losers may widen across sectors as competitive dynamics evolve, pricing power shifts, and labor markets adjust.

We believe portfolios should be positioned for continued growth, but they should also be prepared for volatility that can accompany late-cycle transitions in policy and leadership. That means maintaining adequate liquidity for rebalancing, limiting uncompensated concentration risk, and pairing equity exposure with a high-quality income foundation. In 2025, earnings growth outpaced sales growth, a favorable dynamic that reflects operating leverage and improving efficiency in many sectors. If that gap narrows in 2026, equity markets may become more sensitive to revisions. At Wright, we will continue to focus on fundamentals first and valuations second, because across full market cycles, durable cash flows and disciplined risk management tend to matter more than quarter-to-quarter narrative shifts.

Real GDP vs. Inflation



Global Investment Returns In U.S. Dollars

	Q4 2025		YEAR 2025	
	Stocks	Bonds	Stocks	Bonds
U.S.	**2.3%**	**1.1%**	**17.3%**	**7.3%**
Canada	7.7%	0.8%	36.5%	6.4%
Mexico	5.4%	0.8%	56.1%	14.3%
Japan	**3.2%**	**-7.9%**	**24.6%**	**-6.0%**
Pacific ex Japan	0.0%	1.2%	20.6%	6.0%
Australia	-1.0%	-0.9%	14.7%	10.2%
China	-7.4%	2.1%	31.2%	4.5%
Hong Kong	2.2%	1.0%	34.8%	8.8%
Europe	**6.2%**	**0.2%**	**35.4%**	**14.8%**
France	3.4%	-0.3%	28.4%	12.4%
Germany	2.6%	-0.6%	36.3%	11.6%
Italy	6.2%	0.8%	55.5%	17.8%
Netherlands	3.6%	-0.5%	36.9%	11.5%
Spain	13.0%	0.5%	82.4%	15.4%
Switzerland	9.8%	-0.2%	33.5%	14.4%
U.K.	7.0%	3.0%	35.1%	13.3%
World	**3.1%**	**0.2%**	**21.1%**	**8.2%**
World ex U.S.	5.2%	-0.5%	31.9%	8.8%

Sources: MSCI Stock & Bloomberg Barclays Bond Indexes as of 12/31/2025