Palisade Capital Management | Private Wealth

Q4 2025 REVIEW AND OUTLOOK

Broad Market Indices	INDEX LEVEL	4Q 2025 RETURN (%)	YTD 2025 RETURN (%)
S&P 500® Index	6,846	2.66	17.88
Dow Jones Industrial Average	48,063	4.03	14.92
NASDAQ Composite Index	23,242	2.72	21.14
Russell 2000® Index	2,482	2.19	12.81
MSCI ACWI ex US Index	574	5.05	32.39
Barclays U.S. Aggregate Bond Index	94	1.10	7.30
VIX Volatility Index	15	-8.17	-13.83
Baltic Dry Index – Spot (Ocean Cargo Shipping Rate)	1,877	-12.04	88.26
Gold ($ per ounce) – NY Spot	4,326	12.10	65.67
Oil ($ per barrel – West Texas intermediate)	57	-9.13	-20.69
Bitcoin ($)	87,544	-23.19	-6.20

U.S. Treasury Yields	12/31/2025	9/30/2025	Change over Quarter
3-Month	3.63	3.94	(0.31)
2-Year	3.48	3.61	(0.13)
10-Year	4.17	4.15	0.02

Source: FactSet Research Systems, Inc.

Three in a row. For the third straight year, equity markets delivered double digit gains. The S&P 500® Index turned in a solid 17.9% return, following a 25% increase in 2024 and a 26.3% gain in 2023.

Beyond U.S. borders there was even better news, as the MSCI ACWI ex US Index, which covers roughly 85% of global equities outside the United States, outperformed its American cousins for only the third time in the last decade, returning 32.4%.

In the small-cap arena, the Russell 2000® Index gained a respectable 12.8% for the year, but a deeper dive into the nature of those returns is where things get quite interesting. In the fourth quarter, the index started to broaden, with a larger number of its constituents performing well. For November, 59% of index constituents outperformed the overall index, a significant improvement from the 38% which outperformed the index in October. Profitable, less volatile stocks performed better in November and December as the tide began to shift towards higher quality companies, a trend we expect will continue.

On the commodities front, gold continued its charge upward, gaining 65.7% for the year after returning 26.1% in 2024. Oil did not fare as well, with the price per barrel dropping over 20% for the year, even before the January 2026 headlines from Venezuela. Bitcoin continued its quiet retreat, dropping 6.2% for the year.

Whirlwinds and tailwinds. In a challenging environment – geopolitical, fiscal, and otherwise – markets showed tremendous resilience. The spring brought sweeping tariff announcements from the returning Trump administration, but these were quickly countered by resets and negotiations that only added to market uncertainty – and markets hate uncertainty. Still, equities recovered from their April dip. 2025 also now owns the distinction of featuring the longest government shutdown in U.S. history, as well as significant geopolitical events in Ukraine, the Middle East, and Venezuela—all of which only added more uncertainty to the hazy picture.

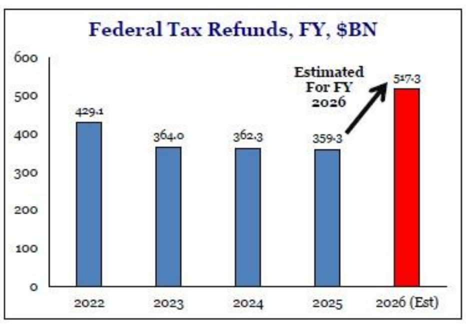
So, what made markets so resilient? Three rate cuts during the year by the Federal Reserve certainly helped given the FOMC's assessment that "downside risks to employment rose in recent months." For the moment, the full-employment half of the Fed's dual mandate outweighed inflation concerns which persist, and temper expectations for rate cuts in the year ahead.

Looking ahead

CIO Dan Veru discusses small cap outlook

Signs of a broadening but selective market. As we move into 2026, we continue to see evidence of a market broadening beyond a narrow group of large stocks. As a result, technology may lose some of its dominance, presenting an opportunity for capital rotation toward more cyclical sectors like Industrials, Financials, and Consumer Discretionary. Many of these stocks are more closely tied to the domestic economy and benefit significantly from the tailwinds we already see taking shape.

Monetary and fiscal policy provides fuel for growth. We see several strong supports for continued broadening of the market. While rate cuts and Fed Chair succession speculation have grabbed monetary policy headlines, 2025 saw the quiet but significant end of quantitative tightening. This has a similar effect to a Fed rate cut, providing more capital to banks and increasing liquidity, and adds an important dynamic as markets anticipate the Federal Reserve cutting rates one to two times in 2026. Small-cap stocks in particular benefit from this reduced pressure on borrowing as they are more sensitive to financing costs and domestic growth.



Source: Strategas Policy Outlook 11/17/25

Corporate benefits included in the One Big Beautiful Bill (OBBB) are expected to begin to materialize in 2026 – notably those which front-end load fiscal stimulus designed to support domestic growth. On the corporate front, the OBBB provides 100% bonus depreciation retroactive to the start of 2025, plus incentives for domestic manufacturing investment. Put more simply, companies can now depreciate at 100% not only the cost of building a new plant but the land cost as well, the first time U.S. tax law has allowed this. Consumers will see lower individual taxes, higher take-home pay, and larger tax refunds, all which support consumer spending, an important factor in the U.S. economy's resilience.

Small-caps well-positioned. We believe the recently arrived fiscal (tax-based) stimulus, paired with the Fed's monetary easing, creates a one-two punch of improved capital access and economic momentum. We expect this to reinforce small-cap leadership potential as these companies are greatly impacted by domestic economic conditions. Small-cap stocks also offer favorable entry points as the valuation for profitable companies in the Russell 2000® have a forward price-earnings ratio of 15.4x as compared to the S&P 500® Index P/E of 22.2x and the "Magnificent 7" technology leaders' 31.1x. As we like to say, "When you're in the basement, it's hard to break your leg when you fall out the window."

We believe the U.S. dollar is likely to stay weak, intentionally, supporting higher commodity prices, with industrial metals such as silver (up 100% this year), copper, and aluminum likely benefiting from strong demand. AI-driven development of data centers will provide an additional growth catalyst, while a deregulatory environment is likely to boost M&A activity, allowing for more consolidation.

All in all, we approach 2026 with an optimistic outlook paired with a selective, active approach to investing. We do not believe investors should merely "own the index", as going forward this rising tide is not likely to lift all boats; it's increasingly important to select the right boats. We see this as a strong endorsement of classic stock picking, finding opportunity in profitable, quality firms that will benefit from the prevailing winds.

We wish you all the best for the coming year. Thank you for allowing us to manage your investments, which we aim to honor with service and performance.

Sincerely,
Palisade Capital Management

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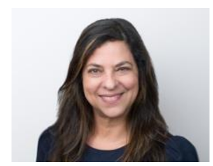

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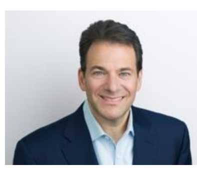

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The S&P 500® Index is an unmanaged index that is widely recognized as an indicator of general market performance, based on the market capitalizations of 500 large companies having common stocks listed on the NYSE or NASDAQ. The S&P 500® Index does not have a defined investment objective, nor does it charge fees and expenses.

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 NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock market.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. It consists of approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Source: London Stock Exchange Group plc and its group undertakings (collectively, the “LSE Group”). © LSE Group 2026. FTSE Russell is a trading name of certain of the LSE Group companies. Russell 2000® is a trade mark of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group Company which owns the index or data. Neither the LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company’s express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

The MSCI ACWI Ex-U.S. is a stock market index comprising of non-U.S. stocks from developed and emerging markets. The Index is made up of constituents which make up approximately 85% of the global equity market aside from the U.S.

VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500® Index options.

The Bloomberg Barclays U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities.

The Baltic Dry Index (BDI), is issued daily by the London-based Baltic Exchange. The BDI is a composite of the Capesize, Panamax, and Supramax Timecharter Averages. It is reported around the world as a proxy for dry bulk shipping stocks, as well as a general shipping market bellwether.

West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing and is the underlying commodity of the New York Mercantile Exchange’s oil futures contracts.

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