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THE BEAT GOES ON

As we turn the page on another calendar year, the refrain among investors is familiar: ***the beat goes on.*** Despite a backdrop of macroeconomic uncertainty, policy debates, and geopolitical tension, U.S. equity markets continued to grind higher in 2025. For the third consecutive year, major benchmarks pushed into positive territory — affirming the resilience and adaptability of American markets in the face of evolving conditions.

In this issue of *The Cook Report*, we briefly evaluate the performance of the major U.S. indexes, review important monetary, fiscal, and trade policies, and offer perspective on what the past year's returns tell us about the market's rhythm as we enter 2026.

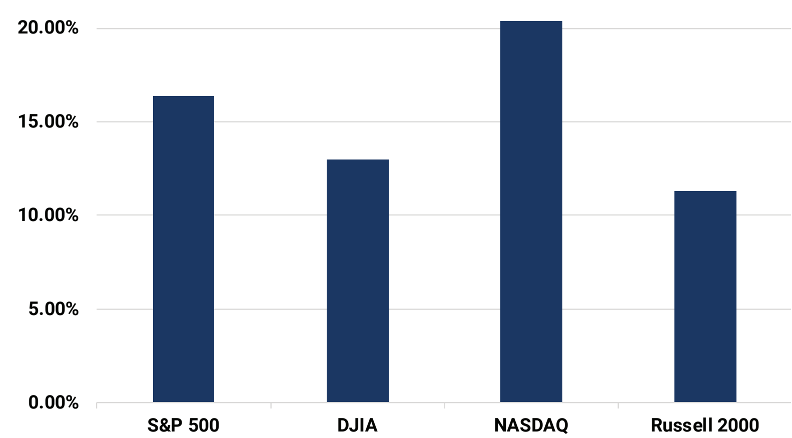
THE YEAR IN REVIEW

U.S. equity markets continued their upward march in 2025, marking the third straight year in which major indexes posted double-digit gains. Technology, artificial intelligence, and mega-cap names once again powered much of the advance, while sectors tied more directly to the economic cycle showed resilience at various points. Small caps, as captured by the Russell 2000, flirted with new highs late in the year, signaling broader participation in the rally (see chart).

Markets showed resiliency in the face of policy shifts in the monetary, fiscal, and trade realms. From a monetary perspective, the Federal Open Markets Committee (FOMC) pivoted in the second half of the year, cutting the federal funds rate multiple times and bringing the target range down to 3.50-3.75% by December. These reductions marked the first sustained easing after years of tighter policy and came amid cooling inflation and a modest slowdown in job growth. While inflation has cooled, it is still above the Fed's 2% target. As such, it remains to be seen if further cuts will take place in 2026.

From a fiscal policy perspective, the passage of the One Big Beautiful Bill Act (OBBBA) was a significant event. The sweeping tax and spending legislation permanently extends

2025 Returns of Select Market Indexes



THE BEAT GOES ON (cont.)

many of the Tax Cuts and Jobs Acts provisions while adding new individual and business tax rules that will shape financial plans in the years ahead. For individuals, expanded deductions — from overtime and tips to increased state and local tax (SALT) caps, as well as enhancements to estate and gift tax exclusions, may influence decisions about income timing, charitable giving, and wealth transfer strategies.

For business owners and investors, permanent pass-through deductions and bonus depreciation add layers of planning complexity and opportunity. The OBBBA's impact on deficits and entitlement programs bears watching, as those long-term fiscal dynamics can feed back into interest rate expectations and risk asset valuations.

Trade policy also made its mark in 2025. A series of new tariffs and reciprocal trade actions unsettled markets early in the year, triggering volatility and sparking concerns about inflation and growth. Markets briefly entered correction territory with investor confidence shaken, particularly after tariffs were targeted at key trading partners. While many of the tariffs were eased or negotiated away later in the year, the episode underscored how trade disputes can swiftly move markets and inject uncertainty into an otherwise strong economy. The upcoming Supreme Court decision on the challenge to the tariffs is sure to contribute additional complexity.

A LOOK AHEAD

As we step into 2026, the refrain remains familiar but informed by the lessons of the last several years: markets continue to reward patience, discipline, and perspective. The "beat" that carried us through 2025 doesn't promise smooth sailing ahead, but it does reinforce that markets have a way of advancing even amid complexity.

This is a perfect moment to pause, take stock, and ensure that your financial plan still reflects where you are — and where you want to go. Markets, tax laws, and interest-rate regimes change, but your plan should remain dynamic, not static. We encourage you to see us to review your plan or sit down for a strategy session. We are here to help you translate today's environment into lasting financial confidence.

As always, our philosophy remains rooted in long-term thinking, diversification, and evidence-based decision-making. We encourage you to maintain focus on your financial plans, calibrate risk appropriately, and tune out the noise that so often accompanies short-term market moves.

The beat goes on — and we are here to help you keep time with it.

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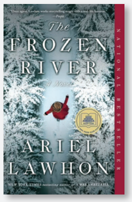
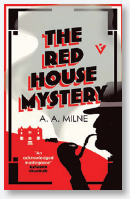
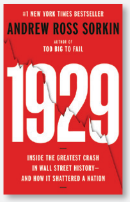
READER'S CORNER



The Frozen River, by Ariel Lawhon (Doubleday, New York, 2023) is a historical mystery based on the real life and diary of an 18th century midwife who investigates a shocking murder in her small Maine community. A well-written and gripping story!



The Red House Mystery, by A.A. Milne (Pushkin Press, London, 2024; first published in 1922 by Methuen) is a classic whodunit by the author better known for creating Winnie-the-Pooh. The story follows an amateur gumshoe as he tries to unravel a mysterious death at an English country house. A perfect escape for a cold winter day.



1929, by Andrew Ross Sorkin (Viking, New York, 2025) is a highly engaging narrative history of the people and events that led to the 1929 stock market crash and the ensuing Great Depression.

IN THE NEWS

- "Leaving the Wrong Beneficiary on Your IRA Plan Can Be a Costly Mistake," by Laura Saunders (***The Wall Street Journal***, November 6, 2025) is an important reminder to stay on top of beneficiary designations.
- "The Eerie Parallels Between AI Mania and the Dot-Com Bubble," by James Mackintosh (***The Wall Street Journal,*** December 13, 2025) offers important comparisons of the current AI-driven market boom and the dot-com boom at the turn of the century.
- "In a Wild Year for Markets, Investors Who Did Nothing Did Just Fine," by James Macintosh (***The Wall Street Journal,*** December 28, 2025) is a good synopsis of the year in investments, offering hits and misses, as well as good questions concerning the year ahead.
- "The Clock is Ticking for IRA Inheritors to Take Distributions," by Ashlea Ebeling (***The Wall Street Journal,*** December 6, 2025) highlights important information about new rules and complexities for inheritors of IRAs that may be confusing — ask us if you have questions!