

MARKET RECAP

A PAUSE FOR PERSPECTIVE

What the recent commotion in markets reveals about the underlying cycle.

KEY OBSERVATIONS

- **Hold up:** After a brisk rally in October, November saw muted returns across most asset classes.
- **Mixed outlook:** Policy participants have expressed sharply divergent views on future interest rate decisions, leaving investors cautiously optimistic.
- **Leadership rotation:** Real assets and commodities led the way, while emerging markets lagged.
- **Market fragility on the rise:** Persistent concentration and high valuations raise the possibility of fragility in markets and warrant thoughtful portfolio construction as we look to 2026.

RECAP

November's market action was defined by turbulence. The S&P 500 fell over 3.0% during the first three weeks of the month on fears of an AI Bubble. However, near the end of the month fears receded on expectations for interest rate cuts. Therefore, the S&P 500 posted a modest gain of 0.2%. Small caps, represented by the Russell 2000, outperformed with a 1.0% advance, hinting at a tentative rotation away from mega-cap dominance.

ASSET CLASS	INDEX	NOVEMBER	YTD
Global Equity	MSCI ACWI All Cap Index	0.13%	20.87%
US Large Cap	S&P 500 Index	0.25%	17.81%
US Mid Cap	Russell Mid Cap Index	1.27%	10.90%
US Small Cap	Russell Small Cap Index	0.96%	13.47%
Us Real Estate	FTSE NAREIT REITs Index	2.25%	4.50%
Non-US Large Cap	MSCI EAFE Index	0.62%	27.40%
Non-US Small Cap	MSCI EAFE SC Index	1.22%	28.90%
Emerging Markets	MSCI EM Index	-2.39%	29.69%
Cash Equivalent	US 90 Day T-Bills	0.30%	3.85%
US Bonds	Bloomberg Agg. Index	0.62%	7.46%
US Municipal Bonds	Bloomberg Muni Index	0.23%	4.15%
US High Yield Bonds	Bloomberg HY Bond Index	0.58%	8.01%

Source: Morningstar as of November 30, 2025

RECAP cont.

International developed equities, as measured by the MSCI EAFE Index, rose 0.6%, supported by a softer dollar and improving sentiment in Europe and Japan. In contrast, emerging markets declined 2.4%, as China's recovery stalled and geopolitical risks weighed on sentiment.

Bond markets saw modest gains, as both the Bloomberg U.S. Aggregate and High Yield Indexes advanced 0.6% amid falling rates and resilient credit fundamentals. Attention now turns to the Fed's December meeting, where views on policy direction vary widely. Many expect another cut could be warranted, though several caution against moving too quickly. Others argue that maintaining the current range may be the prudent course if economic trends hold. The outcome will likely hinge on whether incoming data confirms expectations for continued economic stability.

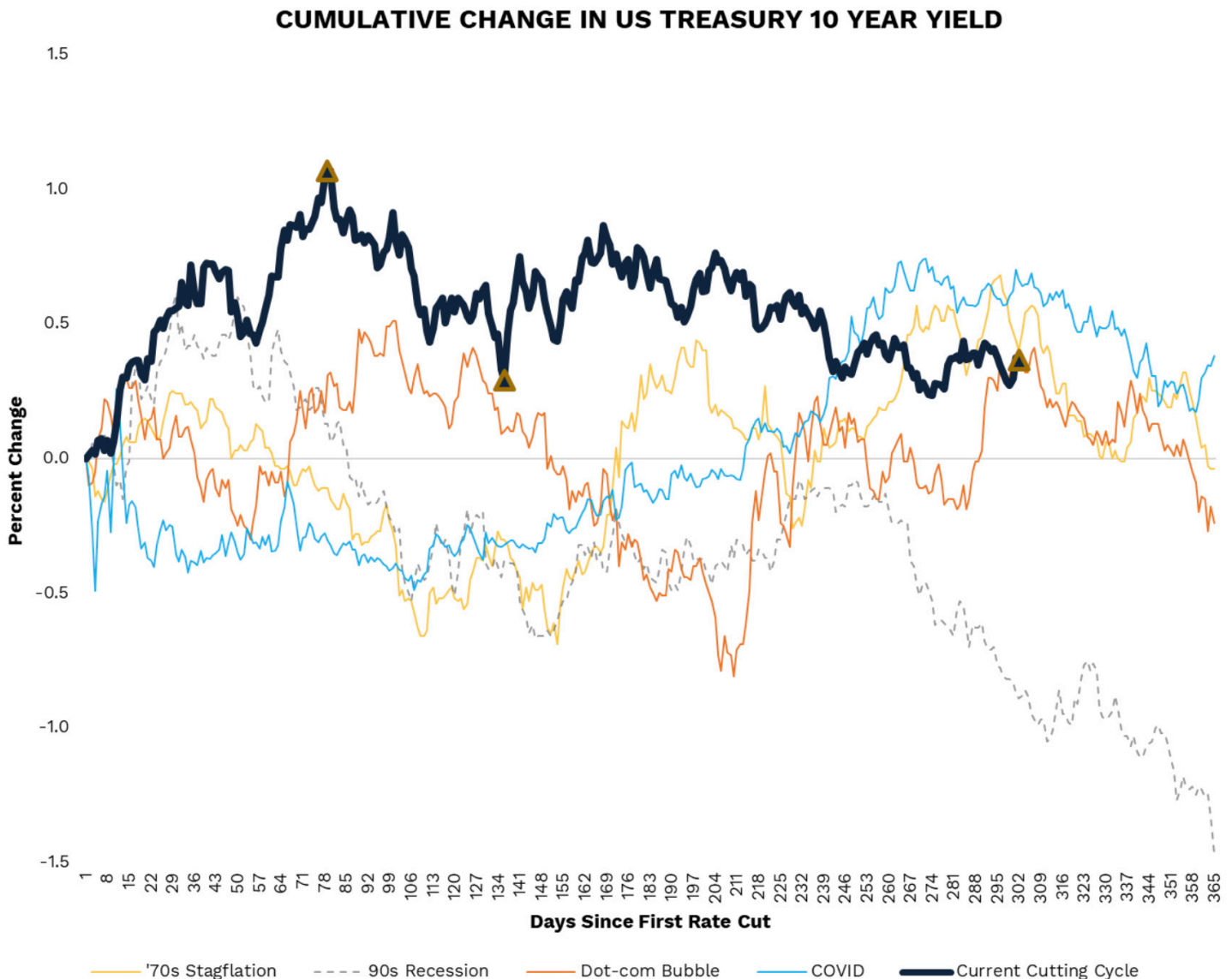
Real assets led the month, with REITs up 2.2% and commodities rallying 3.2% on renewed demand and supply constraints. Lodging/resorts and Healthcare were the best performing REIT sectors on a resilient consumer and improving fundamentals. Precious metals boosted commodities on the back of inflation concern and a depreciating U.S. Dollar.



A PAUSE FOR PERSPECTIVE

Markets navigated a turbulent November as headlines shifted from government shutdown risks to delayed economic releases and renewed debate over AI valuations. While price action captured attention, it tells only part of the story. The market's recent behavior invites a deeper look at what is driving returns beneath the surface.

We have now had 150 basis points (or 1.50%) of rate cuts since the first cut in 2024. The bond market has exhibited a unique response to Fed action, with the long end of the curve persistently rising. In fact, the only significant historical period with similar market action was during 1970's stagflation. Today, the bond market is seemingly pricing in similar concerns on inflation. This raises the question, what happens when the Fed stops cutting rates? For investors, active management in fixed income may help navigate what could be a non-linear rate environment.



Valuations remain elevated across major indices. The S&P 500's year-to-date gain of 17.8% leaves earnings multiples above historical averages. Positive earnings growth provides some justification, but the margin for error narrows. For long-term investors, being mindful of current valuations and thoughtfully allocating portfolios may help attain investment goals.



Source: FactSet, as of November 30, 2025.

Market concentration remains a defining feature and creates structural risk in portfolios that are not diversified. Today, the top ten stocks in the S&P 500 make up 40% of the total market capitalization, driven predominately by enthusiasm in AI related constituents. Astonishingly, NVIDIA's market cap has grown to nearly twice the size of the entire Russell 2000. Market leadership has created significant performance dispersion amongst index constituents. This has become more profound since the beginning of 2024. Concentration amplifies both risk and opportunity. Understanding how portfolios are positioned and the underlying exposures will help investors weigh potential market scenarios and the impact they may have on investment outcomes.



Source: Morningstar, as of November 30, 2025.

LOOKING AHEAD

As the year winds down, markets remain supported by moderating inflation, stable monetary policy and a favorable corporate fundamental backdrop. However, elevated valuations, concentration driven by the strength in AI related securities, and persistent macro uncertainty call for thoughtful diversification and disciplined risk management.