

Your Journey Towards Financial Independence Begins Here

1Q 2026 - GWM Quarterly Letter

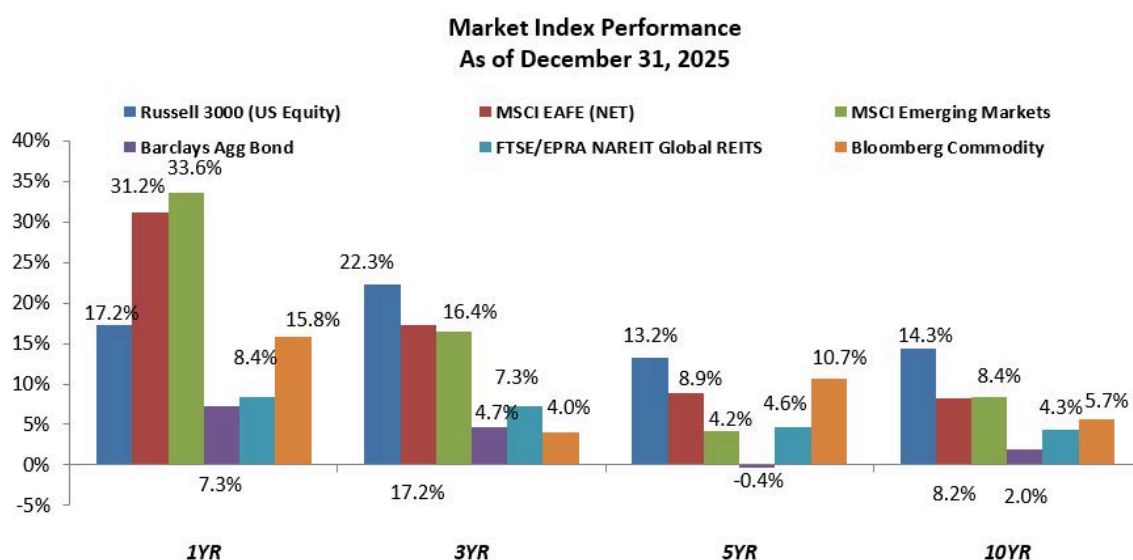
A new year often brings a welcome sense of perspective. With a bit of distance from day-to-day market noise, early 2026 offers a chance to reflect on the path we traveled over the past year and the discipline that carried us through it. In many ways, 2025 rewarded patience more than prediction.

Reflecting on the past year, markets in 2025 were defined early in the year by headline risk (namely tariff turmoil) and stable growth over the back half of the year. Markets spent much of the year recalibrating to a higher-rate environment, moderating inflation, and a shifting global growth picture. While volatility surfaced at times, the broader takeaway from 2025 was one of resilience and normalization rather than disruption.

Economic growth slowed from post-pandemic highs but remained positive, supported by steady consumer demand, continued investment in technology and infrastructure, and improving trade dynamics. Inflation moved meaningfully lower over the course of the year, allowing central banks to begin shifting away from restrictive policy while remaining cautious not to reverse progress prematurely.

Globally, leadership has broadened. International developed markets outperformed the U.S. for the first time in several years, benefiting from improving earnings trends, more attractive valuations, and easing monetary conditions. Fixed income also reasserted its role as a stabilizing component of portfolios, providing income and diversification after several challenging years.

Among asset classes, international developed markets led performance in 2025, with the MSCI EAFE up 31.2% for the year, while the U.S. equity market was broadly up 17.2%. Meanwhile, U.S. bonds were up 7.3% for 2025.



The transition into 2026 reflects an environment that is balanced — one where both risks and opportunities are present. An environment where we take confidence that long-term investors are compensated for patience and discipline while navigating the unknowns of the future.

As we look ahead to the early part of 2026, several themes remain front of mind:

- **Federal Reserve and Monetary Policy** – The Federal Reserve has begun cautiously reducing policy rates as inflation continues to moderate. The pace and extent of future cuts will depend on incoming economic data, but policy is now shifting from restrictive toward more neutral settings.

- **Inflation and Growth Dynamics** – While inflation has cooled significantly - certain components, particularly services and wages, remain elevated. Economic growth is expected to continue at a moderate pace, consistent with a soft-landing outcome rather than a sharp slowdown.
- **Corporate Earnings and Valuations** – Corporate balance sheets remain healthy, and earnings growth is expected to be modest but positive in 2026. Valuations in certain areas of the U.S. equity market remain elevated, reinforcing the importance of diversification and selectivity.
- **Evolving Market Leadership** – The leadership transition that began in 2025, away from a narrow group of U.S. mega-cap stocks and toward broader global participation, may continue. International equities and select value-oriented areas continue to trade at meaningful discounts relative to U.S. growth stocks.
- **Policy and Geopolitical Considerations** – Fiscal policy discussions, regulatory changes, and ongoing geopolitical tensions remain sources of potential short-term volatility. While these factors are difficult to predict, history suggests markets tend to adjust over time as uncertainty becomes better understood.

We continue to view this as an environment that rewards discipline, diversification, and alignment with long-term goals. Portfolios remain positioned to participate in growth while emphasizing risk management, income generation, and flexibility as conditions evolve.

We are encouraged that clients continue to stay on track for long-term objectives. Please never hesitate to let us know how we can support you during this time and be the best partner we can in achieving your most meaningful goals. As always, we will be in touch as we continue to navigate the ever-changing landscape of the world and how it might impact our clients.

Wishing everyone a Happy New Year and the best of health and happiness in 2026!



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