

Student of the Market

January 2026



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Stocks and the economy

**U.S. stocks up 15%
three years in a row**



**Stocks rarely finish
around their average**



**Mutual funds and
ETFs versus
individual stocks**



**Stocks market
volatility**



**Technology stocks
and valuations**



**Economic recessions
and expansions**



Bonds

**Bonds calendar year
returns**



**Long term bond
returns**



Source: Morningstar as of 12/31/25. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

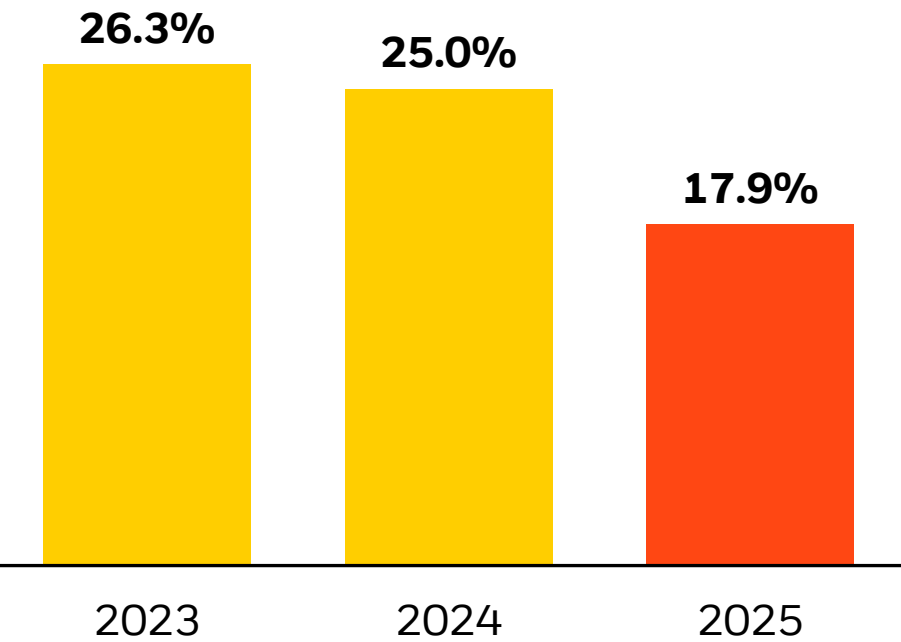
U.S. STOCKS UP 15% THREE YEARS IN A ROW

U.S. stocks have posted 15%+ gains for three straight years–8th time ever

In the prior seven instances, stocks delivered double-digit gains the following year four times.

Calendar year performance for U.S. stocks

1/1/2023 - 12/31/2025



3-year streaks of 15% or more returns for stocks

Since 1926

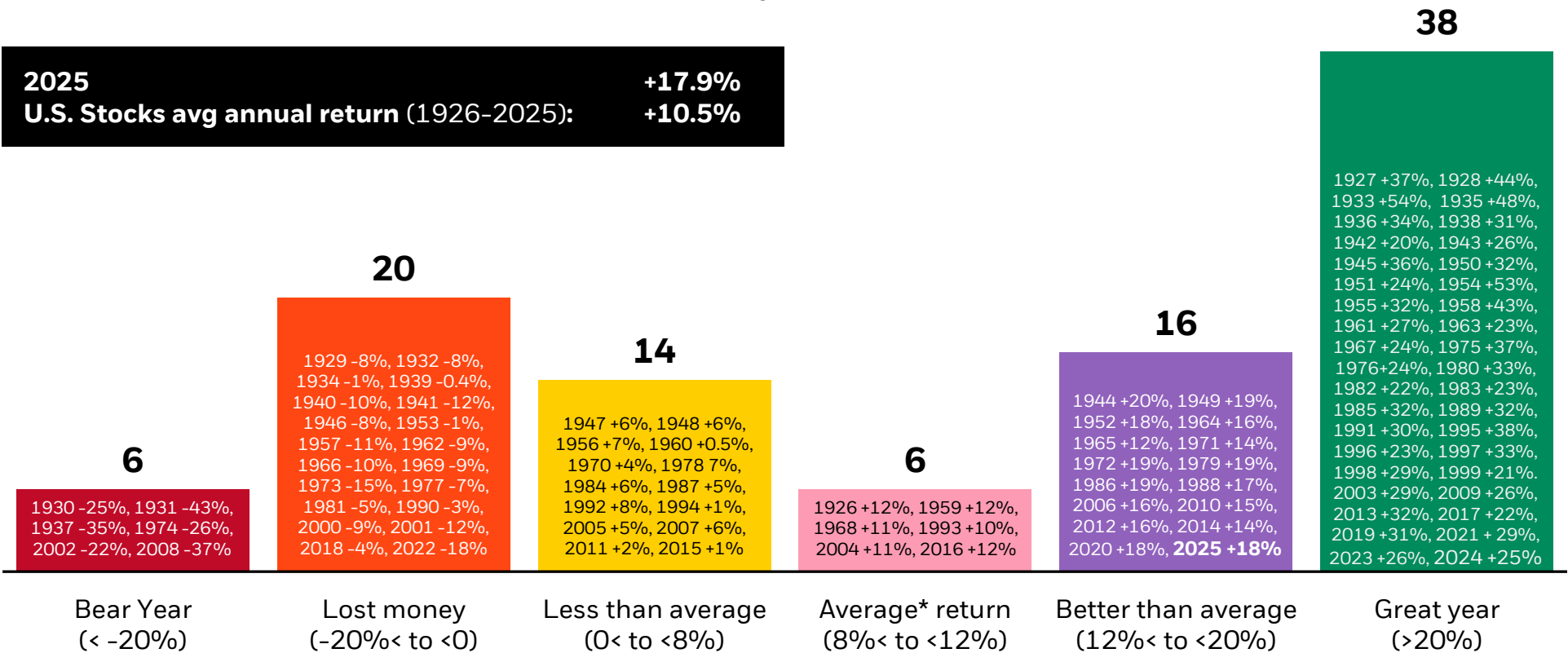
Year 1	Year 2	Year 3	The following year
1942 (20.3%)	1943 (25.9%)	1944 (19.8%)	1945 (36.4%)
1943 (25.9%)	1944 (19.8%)	1945 (36.4%)	1946 (-8.1%)
1949 (18.8%)	1950 (31.7%)	1951 (24.0%)	1952 (18.4%)
1950 (31.7%)	1951 (24.0%)	1952 (18.4%)	1953 (-1.0%)
1995 (37.6%)	1996 (23.0%)	1997 (33.4%)	1998 (28.6%)
1996 (23.0%)	1997 (33.4%)	1998 (28.6%)	1999 (21.0%)
1997 (33.4%)	1998 (28.6%)	1999 (21.0%)	2000 (-9.1%)
2023 (26.3%)	2024 (25.0%)	2025 (17.9%)	2026 ?
Avg (27.1%)	Avg (26.4%)	Avg (24.9%)	Avg (12.3%)

Morningstar as of 12/31/25. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 12/31/24 and the IASBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Although U.S. stocks average 10.5% annually, calendar-year returns rarely match the average

Over the past century, U.S. stocks have landed in their 8%–12% long-term average range just six times.

RANGE OF RETURNS FOR STOCKS BY CALENDAR YEAR, average annual return, 1/1/1926 – 12/31/2025



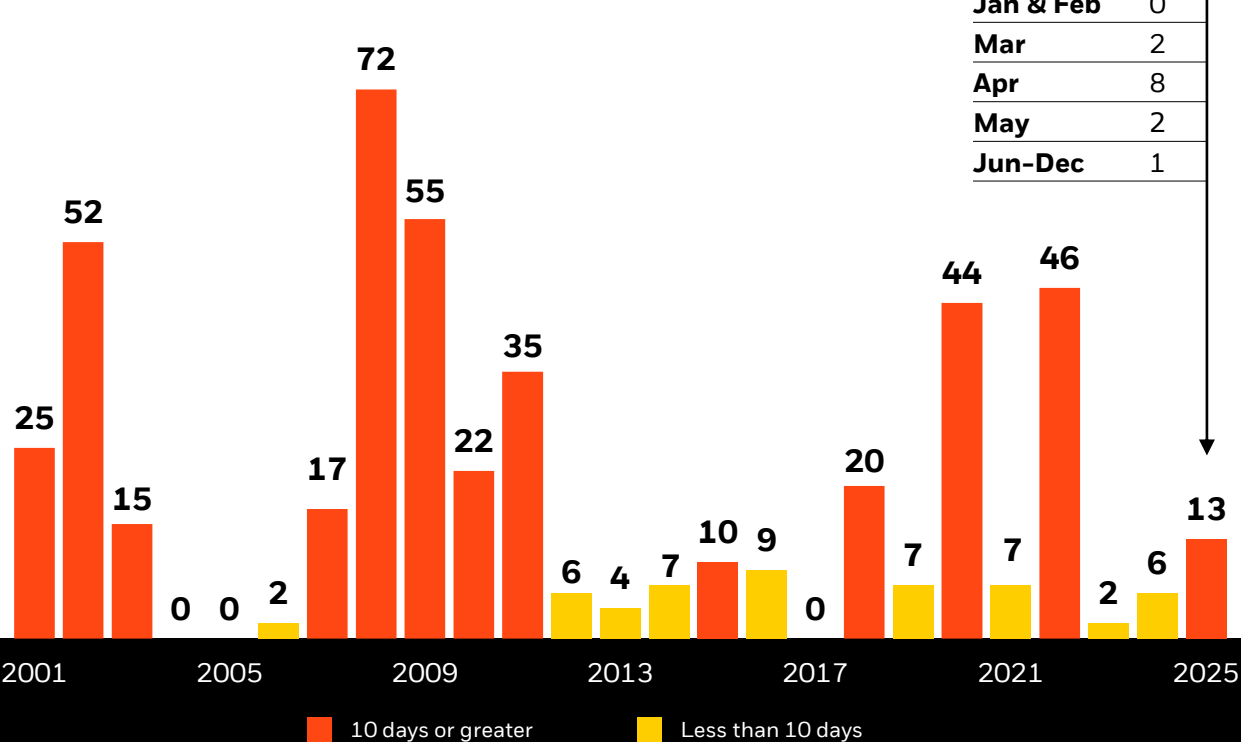
Source: Morningstar as of 12/31/25. * Average defined as a range between 8% < to <12% based on the average annual return of U.S stocks at +10.5%. All numbers rounded to the nearest whole number unless it falls within the -1 < to <1 range, where the number was rounded to the nearest tenth. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 12/31/25 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Stock market volatility proves, like always, to be unpredictable

Policy uncertainty in the first half of 2025 drove economic concerns, but volatility subsided in the latter half.

S&P 500 single-day swings of +/-2% or more

Number of single day swings (1/1/2001 – 12/31/2025)



2025	Days of +/- 2%
Jan & Feb	0
Mar	2
Apr	8
May	2
Jun-Dec	1

Months with higher volatility were associated with market weakness

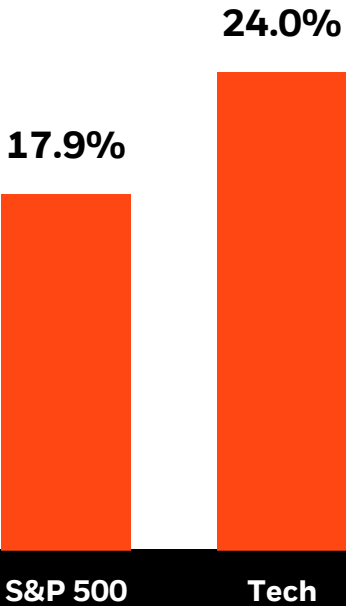
2025	Return
Jan & Feb	+1.4%
Mar	-5.6%
Apr	-0.7%
May	+6.3%
Jun-Dec	+16.6%

Source: Morningstar as of 12/31/25. Stock market represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

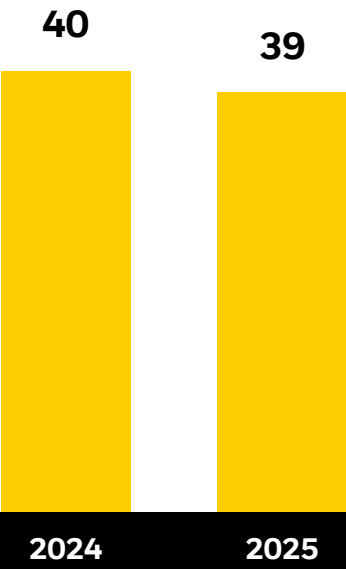
Technology stocks continued to outperform, but valuations edged lower

Robust earnings drove the U.S. equity market higher, especially within technology stocks.

Tech stocks continued to outperform in 2025

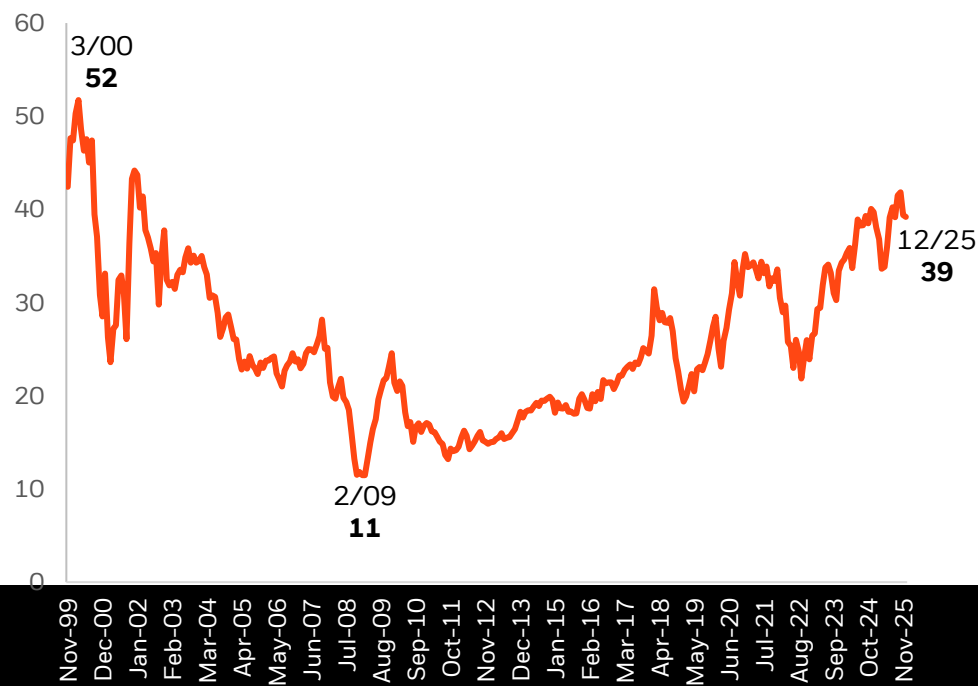


Tech stocks valuations went down slightly in 2025



Technology stock valuations are elevated but nowhere near record highs

P/E ratio, trailing 12-month earnings, 1999 – 2025

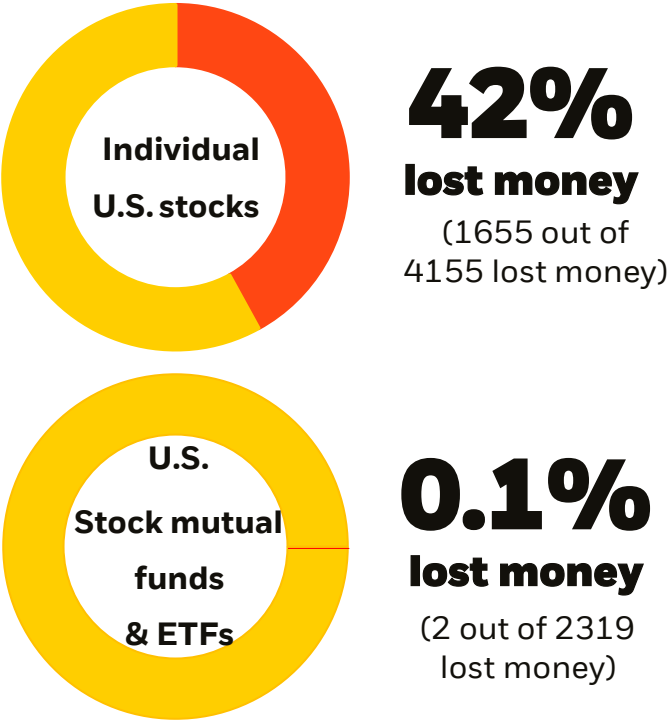


Source: Morningstar as of 12/31/25. 2024 as represented by valuations as of 12/31/24 and 2025 as represented by valuations as of 12/31/25 Stock market represented by the S&P 500 Index, Technology stocks represented by the S&P 500 Sec/Information Technology index. S&P 500 by the S&P 500 Index. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Utilizing diversified funds can reduce risk

A rising stock market can mask the risks of individual stocks, which is why diversified stock mutual funds and ETFs play an important risk-management role.

Losses are rare among stock mutual funds and ETFs—but nearly half of individual stocks declined (3 years)



Across multiple time periods, funds have limited losses compared with individual stocks

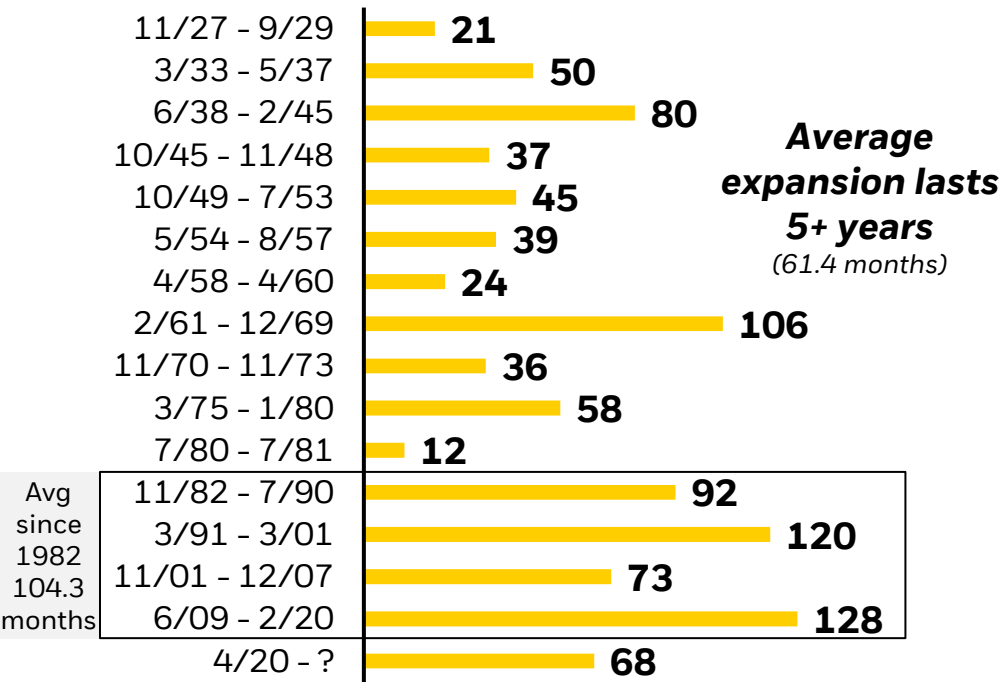
50%	Individual U.S. stocks	U.S. stock mutual funds & ETFs
Lost money over 1 year	51.0% 1862 out of 3651	4.7% 119 out of 2558
Lost money over 3 years	42.2% 1437 out of 3408	0.1% 2 out of 2319
Lost money over 5 years	43.7% 1282 out of 2933	2.8% 59 out of 2120
Lost money over 10 years	28.7% 680 out of 2371	0.0% 0 out of 1723

Source: Morningstar as of 12/31/25. **U.S. mutual funds and ETFs** are represented by the Morningstar U.S. Equity Category, oldest share class only. **Individual U.S. stocks** are represented by the Morningstar U.S. Stock Universe, all securities on the NYSE and NASDAQ. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. **Past performance does not guarantee or indicate future results**

The current economic expansion is young by recent historic standards

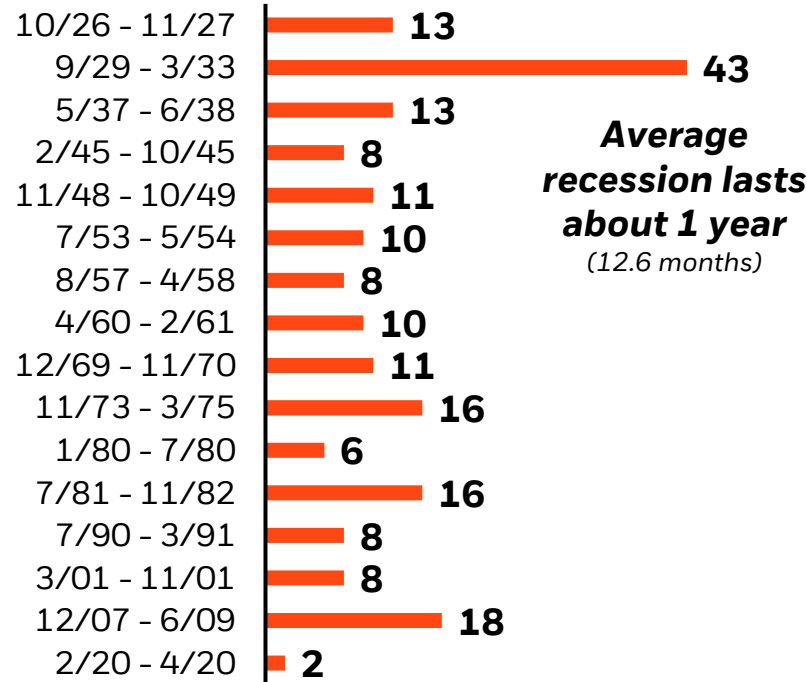
Length of U.S. economic expansion (months)

Since 1926



Length of U.S. economic recessions (months)

Since 1926

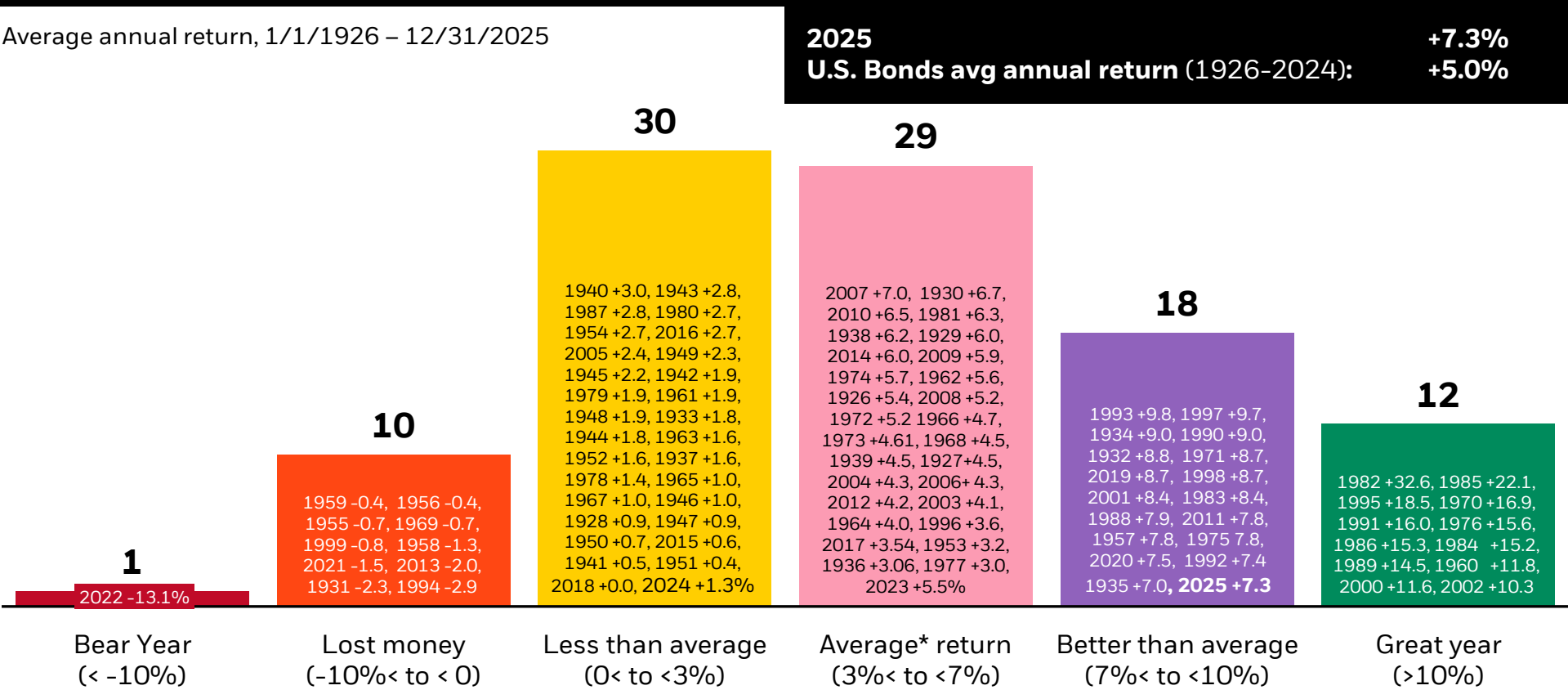


Source: National Economic Bureau of Research and Morningstar as of 12/31/25. For illustrative purposes only.

U.S. bonds outperformed their average in 2025

U.S. bonds outperformed their long-term average in 2025 and frequently deliver returns near that average.

Range of returns for bonds by calendar year



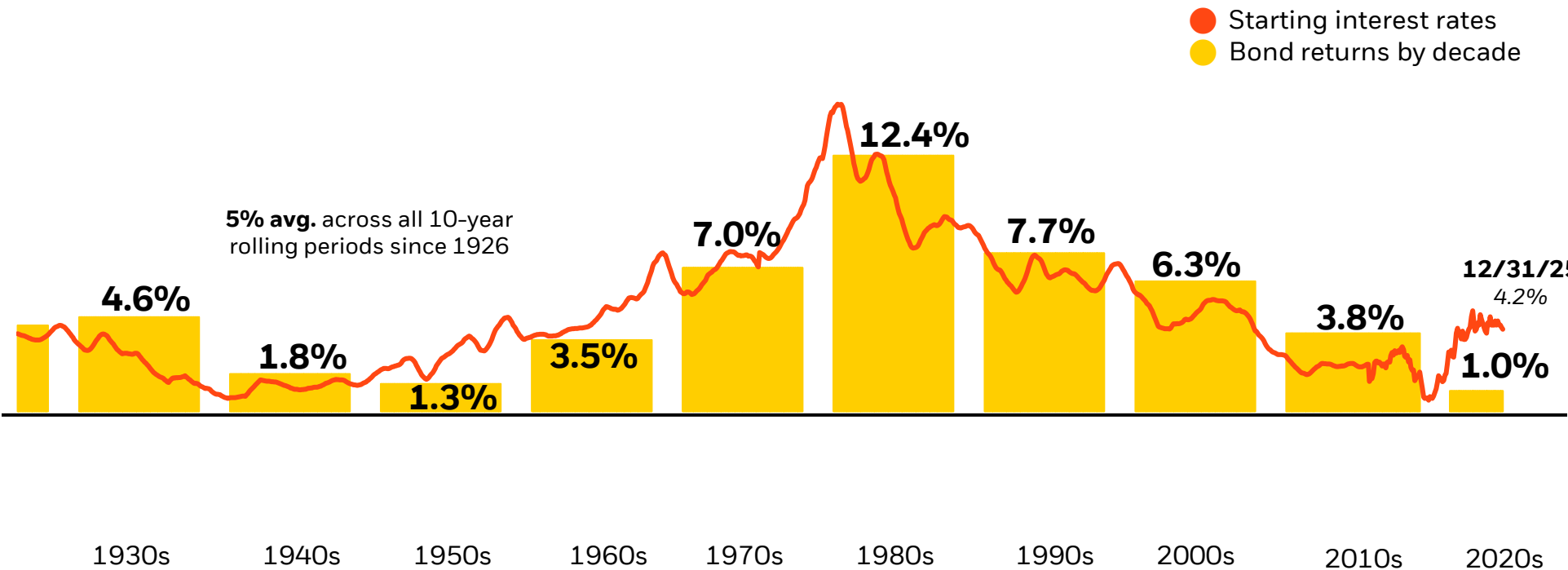
Source: Morningstar as of 12/31/25. * Average defined as a range between 3% < to < 7% based on the long-term annual average returns of U.S. bonds at 5.0%. All numbers rounded to the nearest tenth. U.S. bonds are represented by the IASBBI US Gov IT Index from 1/1/50 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 12/31/25. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can not invest directly in the index.

Interest rates and long-term bond returns

Like the 1940s–50s, low bond returns reflected rates resetting from historic lows. This cycle adjusted far more quickly—potentially improving forward bond returns.

Long-term bond returns follow interest rates- bodes well for future bond returns

Average annual 10-year returns for U.S. bonds since 1926



Source: Morningstar and U.S. Treasury as of 12/31/25. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 12/31/25. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

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Returns as of 12/31/25	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
Bloomberg US Agg Bond TR USD	7.30	-0.36	2.01
IA SBBI US Large Stock TR USD Ext	17.88	14.42	14.82
S&P 500 Sec/Information Technology TRUSD	24.04	20.91	24.30
S&P 500 TR USD	17.88	14.42	14.82

Source: Morningstar as of 12/31/25. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Index Definitions:

- The **S&P 500 TR Index** is an unmanaged index that is generally considered representative of the U.S. stock market on a total return basis. Included are the largest 500 stocks by market cap.
- The **IA SBBI IT US Large Stock TR Index** is an unmanaged index that is generally considered representative of the historical U.S. stock market on a price return basis prior to the inception of the **S&P 500 TR Index** in 1970.
- The **Bloomberg U.S. Agg Bond TR Index** is an unmanaged index that is generally considered representative of the U.S. bond market on a total return basis.
- The **S&P 500 Sec/Information Technology Index** measures the performance of all those companies held in the S&P 500 Index that are classified as an information technology (sector) company using the Global Industry Classification Standard (GICS) system.

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