



December 3, 2025

Dear Valued Investor,

Stock investors were rewarded for staying the course in November as broad stock market averages recovered from a mid-month dip to end near record highs. The comeback extended the S&P 500 Index's streak of monthly gains to seven – something to be thankful for alongside the arrival of the holiday season. Increasing confidence in Federal Reserve (Fed) rate cuts was a key driver, but renewed confidence in the economic and corporate profit outlook and artificial intelligence (AI) investment certainly played a role, in our view.

As December begins, markets will continue to take directional cues from the job market, which will be key to preserving consumer spending during the important holiday shopping season. We expect slower but still positive job growth as government data delayed by the recent shutdown fills in. The approximately \$130 billion in annualized incremental consumer tax cuts from the One Big Beautiful Bill Act (OBBBA) will start flowing in February 2026, not far off. The White House has also pivoted toward tackling affordability challenges. The K-shaped economy — where upper-income folks enjoy rising asset values while those living paycheck-to-paycheck struggle — remains a challenge. Policies to help lift the bottom half of the “K”, perhaps through the housing market, may help shore up the overall consumer spending picture.

As U.S. consumers hang in there, corporate America is thriving. The just-completed third quarter earnings season underscored companies' ability to clear a higher bar. More than 82% of S&P 500 companies beat consensus earnings targets, the highest rate since at least 2009. Earnings grew 13%, extending the streak of double-digit increases to four quarters. Profit margins unexpectedly expanded despite increased tariff costs, supported by disciplined cost management and productivity gains. And management teams generally signaled confidence in demand, causing analysts to lift earnings estimates for 2026. Corporate America's resilience reinforces the case for maintaining equity exposure in line with long-term targets.

As we prepare to turn the page to 2026, several factors warrant close attention. The Fed's policy trajectory remains central, with inflation trends and the labor market guiding the central bank. While a rate cut is now fully anticipated in December, the number of cuts beyond that will hinge on incoming data. Other factors to consider as investor attention shifts to the year ahead include increasing scrutiny around AI investment, midterm elections, the U.S. dollar, and ongoing geopolitical threats.

Against this backdrop, investors may benefit from prioritizing diversification and risk mitigation in 2026. Bouts of volatility are likely and may present attractive entry points for disciplined investors. Opportunities exist in sectors aligned with growth drivers such as AI, fiscal stimulus from the One Big Beautiful Bill Act (OBBBA), and changes in regulatory policy, but investors will want to maintain flexibility. We believe corrections are a price we must pay to pursue compelling returns over the long term. Thank you for your continued trust.

Sincerely,

Rick Fisher, CFP®

Important Information

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

All data is provided as of December 3, 2025.

All index data from FactSet.

The Standard & Poor’s 500 Index (S&P500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

This research material was prepared by LPL Financial, LLC.

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