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# Recapping 2025

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**Year in Review[1]:**
In what will likely be remembered as one of the most bifurcated markets in recent history, 2025 saw major swings in market performance pivoting around, arguably, the most significant shift in U.S. tariff and trade policy in nearly a century. Through the volatility, economic fundamentals remained strong, with annualized average GDP growth rate of 2.5% through three quarters, low but slightly higher unemployment at 4.6%, and wage growth exceeding the rate of inflation, buoying retail spending. The Federal Reserve resumed monetary policy easing, with three consecutive 0.25% interest rate cuts at the final three meetings of the year. As a result, both corporate sales and earnings remained strong despite tariff uncertainty. Although the S&P 500 finished up 17.9%, in early April, it was down more than -15% amid concerns over the Liberation Day tariff announcements and subsequent, short-lived trade war with China. This serves as a reminder that, despite occasional and, at times, significant volatility, staying invested in markets has consistently proven to be the best investment strategy.

**Market Performance:**

Markets broadened in 2025, and although large-cap growth stocks were once again the winners among domestic equities, many value stocks and even small-cap stocks trailed closely behind. This performance marked a shift from the highly concentrated market leadership dominated by mega-cap tech names seen in the prior two years. Mid-cap stocks were the laggards of the year, overlooked by investors as “not as sensitive to interest rate cuts” as small caps, and “not as heavily invested in the AI narrative” as large-cap companies. Another pillar of performance this year came from international markets, which rallied from low valuations with the support of a declining dollar. This relative outperformance of international versus domestic markets occurred almost entirely in the first four months of the year when tariff-induced volatility was at its peak. That volatility, along with heightened geopolitical tensions and significant central bank purchases, likely contributed to an ongoing, historic rally for gold, which finished the year up over 60%. Demand for the precious metal appears to materially surpass supply, but caution may be warranted as the commodity has been trading more like a speculative asset and less like a store of value or a hedge for inflation, as it has historically.

**Ladenburg Performance:**

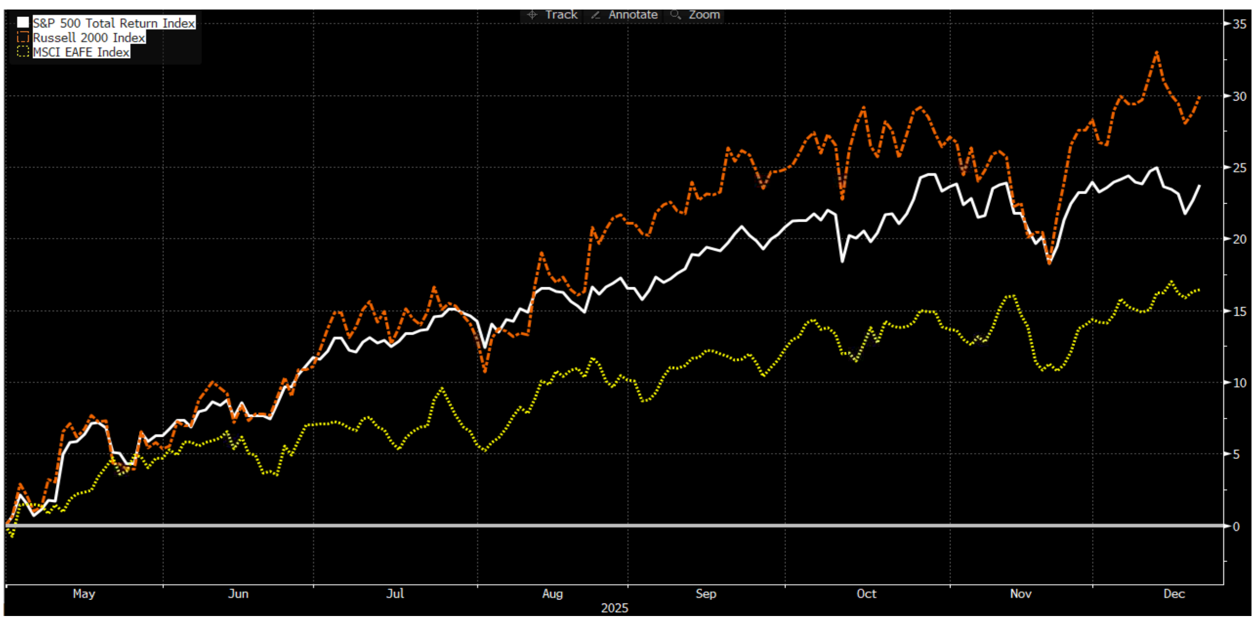
The performance across our model portfolios was not as strong as we had hoped in 2025. Despite finishing up 11.13%* in our ETF Growth & Income model, this figure lagged behind peers and the benchmark. The biggest detractor was not holding international stocks in the portfolios. A sizable allocation in the midcap space also detracted from performance, as remaining diversified in domestic equities was not accretive to performance. Lastly, in the alternative space, we held JPMorgan’s Hedged Equity strategy, which performed slightly worse than anticipated, but within the range of expected outcomes. However, returning 8.06% meant it substantially trailed gold, which some of our peers hold for similar downside protection purposes within an asset allocation context. The biggest positive contribution to returns came from fixed income. Both our duration positioning and overweight allocation to securitized credit led to very strong fixed income returns that outpaced the benchmark.

Two major factors driving our asset allocation views entering 2025, particularly the overweight positions to domestic and small-cap equities: (1) domestic economic growth would exceed international economic growth, and (2) earnings growth would be superior for domestic stocks, were ultimately proven correct. Domestic economic growth and earnings growth outpaced international markets for the year, but those factors simply could not overcome the massive headstart international stocks jumped out to through April. Furthermore, market performance of both small caps and, more broadly, domestic stocks, outpaced international benchmarks in the second half of the year. Maintaining our thesis and allocation allowed us to recover meaningful performance in the second half of the year. However, a lack of international exposure in the early months of the

* For a complete list of performance data on all our models, please contact us at Research@Osaic.com

year and missing out on the initial rally in foreign stocks, largely attributed to relative currency performance, detracted from overall returns.

The charts below[1] show the performance of the Russell 2000, S&P 500, and MSCI EAFE indices from the start of the year through the end of April, and subsequently, from the end of April to the end of the year. It highlights the strong performance of domestic and down-cap stocks through the final 8 months of the year, and why we remained overweight.


**Looking Forward:**

We are excited for the opportunity that 2026 holds. We believe we are headed back to an environment where diversification matters again, unlike the past decade and a half, with market leadership dominated by a handful of domestic large-cap companies. We are likely returning to an environment where active management and diversification can benefit investors. Despite a lackluster year for returns, Ladenburg's trailing 5- and 10-year track records remain highly competitive with peers, and we maintain a long-term history of losing less in down markets. We remain steadfast in our objective to deliver the strong, consistent returns that clients have come to expect in meeting their financial goals.

## *Economic Definitions*

**CPI (headline and core):** Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

**Unemployment Rate:** The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

**Retail Sales:** Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

**GDP:** Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America.

## *Index Definitions*

**&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**Bloomberg US Agg Bond:** The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

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Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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[1] Data Obtained from Bloomberg as of 12.31.2025