

## PROCESS OVER PREDICTION WHY WE FOCUS ON WHAT GROWS, NOT WHAT SHINES

### MARKET INSIGHTS

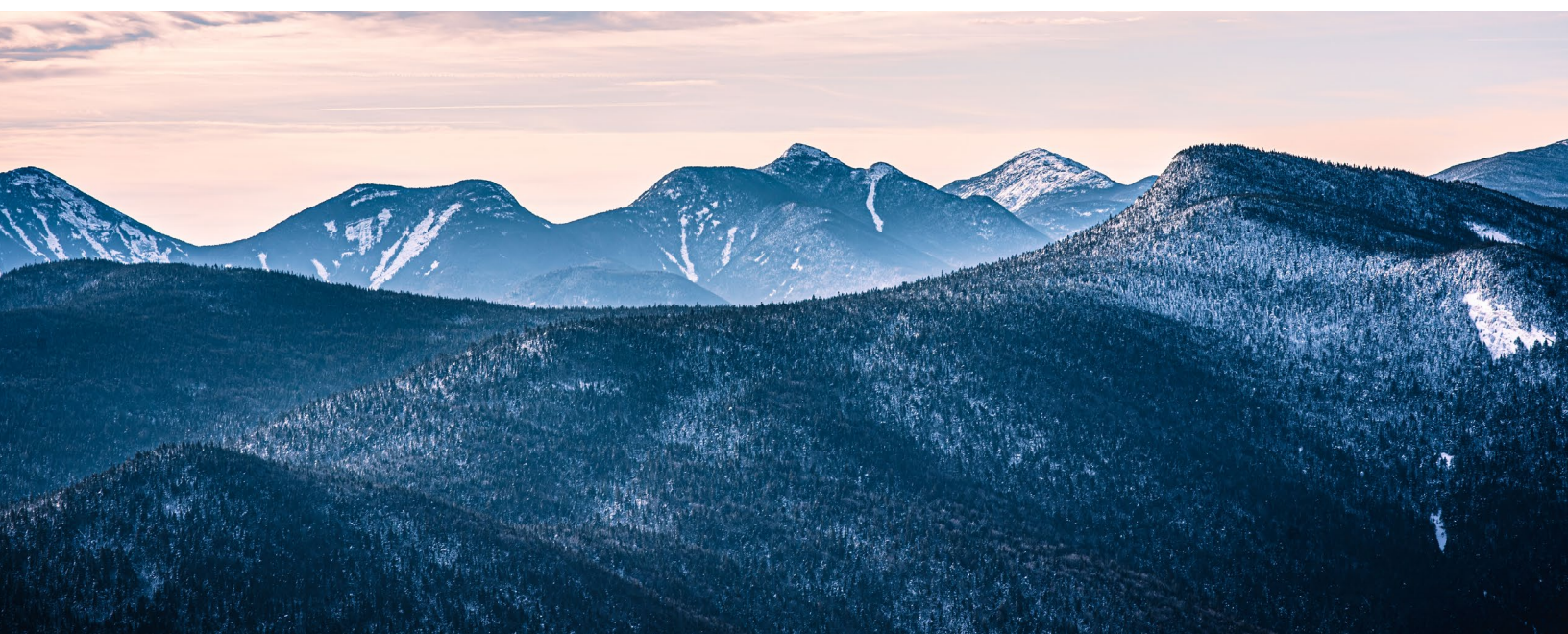
In 2025, markets have underscored the strength of our core investment philosophy: building resilient, globally diversified portfolios designed to deliver performance and stability across various economic environments. The positive outcomes we achieved last year were a direct result of this design, with strong, broad participation across global equity markets and high-quality bonds delivering both appreciation and crucial diversification benefits. International stocks and emerging markets were particularly strong contributors, delivering a 31.8%<sup>1</sup> return for the MSCI ACWI ex-USA index, while U.S. equities added a healthy 16.4%<sup>1</sup> return for the S&P 500. Crucially, our bond allocation also provided favorable returns with the Barclays Aggregate Bond Index up 7.21%<sup>1</sup>, demonstrating the power of a portfolio that does not rely solely on any single market segment, but benefits from assets that respond differently to market conditions.

U.S. equities posted healthy price gains driven by resilient corporate earnings, strong economic data, and continued investor optimism about secular growth

trends, particularly in technology and growth sectors. Even with some headwinds from elevated valuations and macro uncertainty, investors repeatedly pushed multiple benchmarks toward new highs, reflecting robust risk appetite.

International equities, as captured by the MSCI ACWI ex-USA index, delivered significantly stronger price performance than U.S. stocks. A weaker U.S. dollar boosted returns for dollar-based investors. Emerging markets, in particular, benefited from strong gains in selected Asian markets and a favorable currency backdrop that amplified local equity performance in dollar terms.

Core U.S. bonds also generated positive price returns as interest rates drifted lower through much of the year, especially in intermediate maturities. The backdrop of moderating inflation expectations and anticipation of future rate cuts pushed bond prices higher. Tight credit spreads and stable macro conditions further supported returns in investment-grade segments.







## GAINING PERSPECTIVE

These results are a good reminder that we do not need to predict the future to make progress. We just need to stay diversified, disciplined, and invested, but diversification does not mean owning everything. It means owning the things that, together, are most likely to compound wealth over time. Which raises an obvious question: if we believe so strongly in diversification, why don't we own gold?

It is a fair question, especially when inflation headlines are loud, geopolitics are tense, or confidence in fiat currencies is being questioned. Gold does have some industrial and electronic uses, and in recent years central banks have been buying it more aggressively as a reserve diversifier away from the U.S. dollar, so gold is not purely ornamental.

However, those arguments do not change the core issue. Gold is not a productive asset and it does not compound. Warren Buffett captured this distinction perfectly in his 2011 shareholder letter. He pointed out that all the gold in the world could be melted into a cube roughly 68 feet on each side, worth about \$9.6 trillion at the time. With the same money, one could instead buy all U.S. cropland, plus 16 Exxon Mobils, and still have cash left over.

A century later, the farms would have produced unimaginable quantities of food, the businesses would have paid trillions in dividends and reinvested trillions more, while the gold cube would remain, exactly the same. You could still admire it and touch it, but it would still produce nothing. Gold has no earnings, no cash flow, no productivity, and no internal engine of growth. Its long-term return depends almost entirely on what the next buyer is willing to pay for it, not on anything the asset itself does.

That doesn't mean gold can't go up in price. It often does, especially during periods of monetary stress, geopolitical fears, loss of confidence in institutions, but that's precisely the point. Gold is primarily a hedge against anxiety and monetary distrust, not a generator of wealth.

Equities represent claims on real assets and cash flows that tend to reprice with inflation over time. Great businesses own factories, software, brands, logistics networks, and intellectual property. Over time, they raise prices, grow revenues, reinvest capital, and compound value. Historically, that has made them one of the best long-term inflation hedges ever created.

Bonds provide stability, liquidity, and deflation protection. High quality bonds tend to reduce portfolio volatility, provide liquidity during crises, and protect capital in recessions. Fixed income exposure is not designed to "beat inflation," its role is to stabilize the system and carry the portfolio through periods of turbulence when it matters most.

Treasury inflation protected securities (TIPS) are bonds that adjust principal directly with the Consumer Price Index. TIPS provide contractual, mechanical inflation protection. They do not rely on narratives, fear, or speculation.

We do not manage fear with objects, we manage it with a globally diversified portfolio of productive businesses (equities), stabilizing capital (bonds), and explicit inflation protection (TIPS). This strategy provides growth, resilience, liquidity, inflation protection, and the potential to rebalance during crises. Gold may buy some psychological comfort, but a durable portfolio is what buys resilience. Ultimately, fear does not build wealth, only time and compounding do.





## PORTFOLIO IMPLICATIONS

We made some changes to our Core Model Portfolios that are designed to further improve risk control, diversification, and overall portfolio resilience

These adjustments ensure that our focus remains firmly on maintaining a high-quality, disciplined structure that prioritizes long-term compounding over short-term speculation.

We removed the Vanguard Real Estate Index fund (VNQ), which was a small post-pandemic inflation hedge that no longer serves its original purpose. Extreme inflation risks appear to be falling, REITs have structurally underperformed, and we still have adequate real estate exposure via the S&P 500 Index fund, (IVV).

In addition, we reduced exposure to credit-sensitive bonds by trimming some Lord Abbott Short Duration Income Fund (LLDYX), and consolidated our core bond holdings into Vanguard Core Bond Fund (VCRB), creating a cleaner structure. On the equity side, we slightly increased our value tilt to reduce concentration risk in the largest growth stocks.

As always, the strength of our approach is not in any individual holding, but in how the pieces of our portfolios work together as a system. This gives us the best chance to be successful across many possible futures, instead of being vulnerable to a single forecast.

**Our portfolios are designed to meet our clients' needs and help them achieve their long-term goals.  
Please contact your advisor to discuss how we balance risk and reward in your personalized plan.**

*- NorthLanding's Investment Direction Committee*

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<sup>1</sup> Investment performance data through 12/31/2025 was provided by Morningstar, Inc. and believed to be accurate as of the date of this publication, gross of any advisory fees. While all data is believed to be from reliable sources, accuracy and completeness are not guaranteed. All investment strategies including diversified asset allocation have risk. Past performance of the markets or any investment approach, as well as component holdings, does not guarantee future results.