



TIMBER POINT CAPITAL MANAGEMENT

POWERED BY  FORTIS CAPITAL ADVISORS

IT WAS A VERY GOOD YEAR

2025 was a year that quietly rewarded the fundamentals. Patience, diversification, and discipline carried more weight than bold macro calls or heroic market predictions. Most major asset classes delivered very strong returns, helped along by resilient corporate earnings, easing inflation, a softer U.S. dollar, and central banks slowly taking their foot off the brakes. Trade policy—especially in the first half—caused a huge bout of temporary volatility as U.S. tariffs climbed to levels not seen in decades. Dire forecasts followed, as they tend to do. But the feared cocktail of runaway inflation and collapsing growth never showed up. Instead, 2025 wrapped up with improving GDP expectations and cooling inflation—hardly the apocalypse some had penciled in.

Asset Class Summary							12/31/25	
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	-1.02%	-0.02%	2.40%	17.15%	17.15%	22.25%	13.15%	
Global Stock Ex U.S.	0.16%	3.00%	5.05%	32.39%	32.39%	17.33%	7.91%	
U.S. Bond	0.01%	-0.15%	1.10%	7.30%	7.30%	4.66%	-0.36%	
Global Bond	-0.08%	0.26%	0.24%	8.17%	8.17%	3.98%	-2.15%	
U.S. Real Estate	0.40%	-2.10%	-2.32%	3.78%	3.78%	6.90%	4.90%	

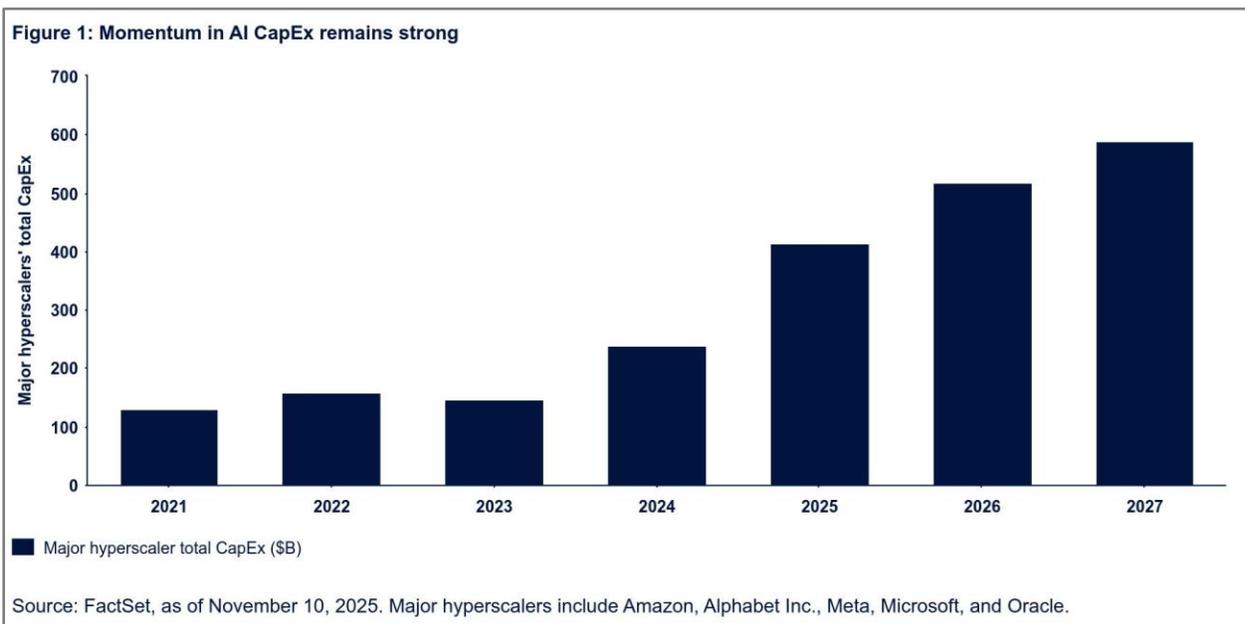
Region Summary							12/31/25	
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	-1.02%	-0.02%	2.40%	17.15%	17.15%	22.25%	13.15%	
Global Stock Ex U.S.	0.16%	3.00%	5.05%	32.39%	32.39%	17.33%	7.91%	
Emerging Markets	0.92%	2.99%	4.73%	33.57%	33.57%	16.40%	4.20%	
Europe Stock	0.29%	3.90%	6.20%	35.41%	35.41%	18.22%	10.30%	
Asia Pacific Stock	0.40%	2.11%	3.46%	28.00%	28.00%	16.05%	4.98%	
Latin America Stock	-0.01%	1.08%	8.20%	54.81%	54.81%	14.79%	8.65%	

Equity Style Summary							12/31/25	
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
Large Growth	-1.23%	-0.49%	1.78%	19.48%	19.48%	32.55%	14.67%	
Large Blend	-0.91%	-0.03%	2.48%	18.14%	18.14%	23.46%	13.95%	
Large Value	-0.48%	0.79%	2.96%	15.31%	15.31%	13.45%	12.60%	
Mid Growth	-1.74%	-1.37%	-4.76%	10.73%	10.73%	16.69%	6.39%	
Mid Blend	-1.17%	-0.30%	-0.82%	11.71%	11.71%	14.30%	8.62%	
Mid Value	-0.77%	0.47%	2.11%	12.12%	12.12%	11.97%	10.76%	
Small Growth	-2.55%	-0.66%	1.52%	8.44%	8.44%	15.27%	2.99%	
Small Blend	-1.87%	0.06%	1.82%	8.82%	8.82%	13.64%	7.31%	
Small Value	-1.35%	0.61%	2.03%	9.10%	9.10%	12.44%	10.57%	

Source: YCharts



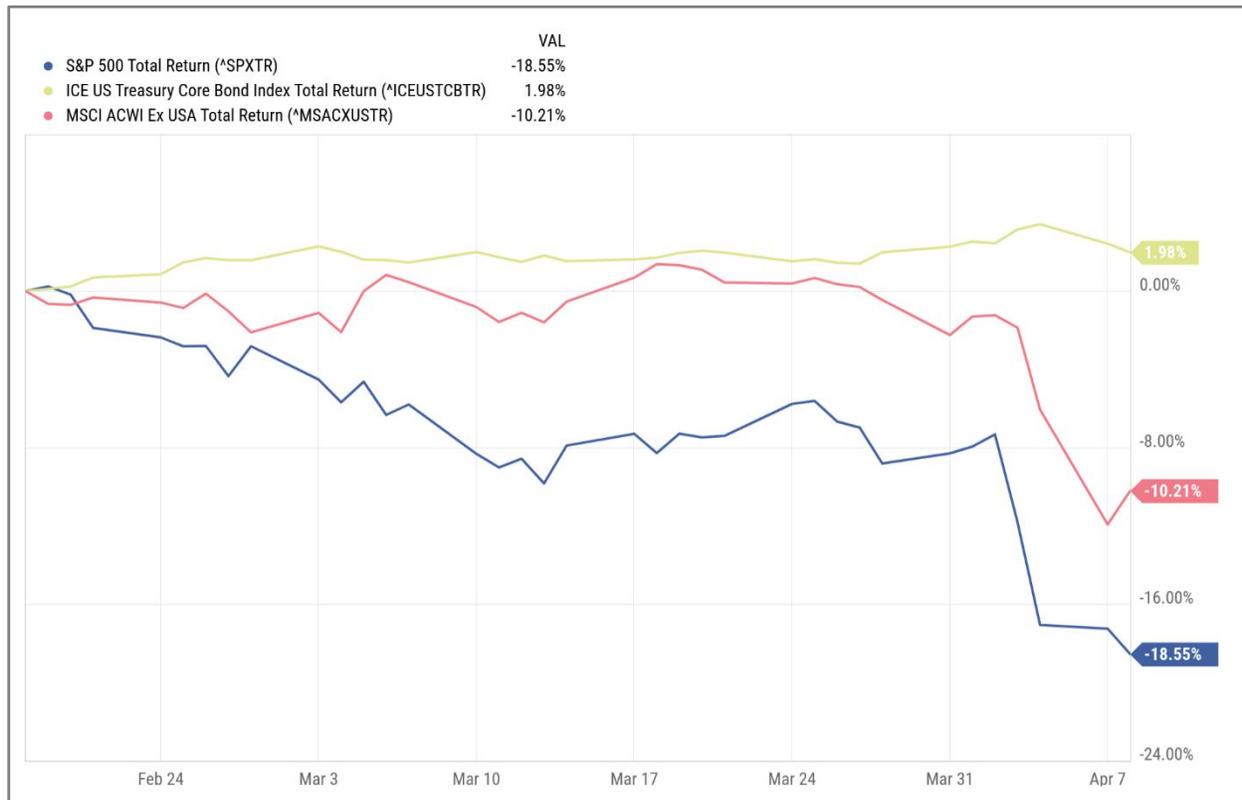
Adding to the mix, [Donald Trump’s “One Big Beautiful Bill”](#) leaned pro-business and allowed fundamentals to do what they usually do when left alone: assert themselves. Risk assets responded accordingly. Artificial intelligence remained the dominant long-term force behind both market performance and economic growth—though not without the usual bouts of skepticism. Capital spending by large U.S. hyperscalers continued to accelerate, and AI-related investment became a meaningful contributor to GDP growth. Concerns around valuations, concentration, and return on investment popped up during periodic pullbacks (as they always do), but we view these debates as a normal part of early-stage technological shifts. In our view, AI is still very much in the early innings. Over time, we expect the opportunity set to broaden well beyond a handful of mega-cap winners into infrastructure, power, data, software, and industrial applications. That dispersion reinforces our preference for active, research-driven investing over narrow, momentum-chasing exposures.



Equities also delivered a reminder that the world is bigger than the U.S. While U.S. stocks led early in the year—powered by strong earnings and large-cap tech leadership—international and emerging markets gained momentum as valuations, earnings expectations, and policy dynamics turned more favorable. In fact, international outperformance was one of the more underappreciated stories of the year, with [most non-U.S. markets comfortably outpacing U.S. returns](#). The U.S. remains the deepest and most liquid equity market on the planet—but 2025 reinforced that global diversification is not just good hygiene; it can meaningfully enhance returns while reducing risk. For example, during the tariff meltdown of the first quarter, the US equity market experienced nearly a 20% drawdown whereas international markets only declined a relatively modest 10%. Diversification benefits indeed.

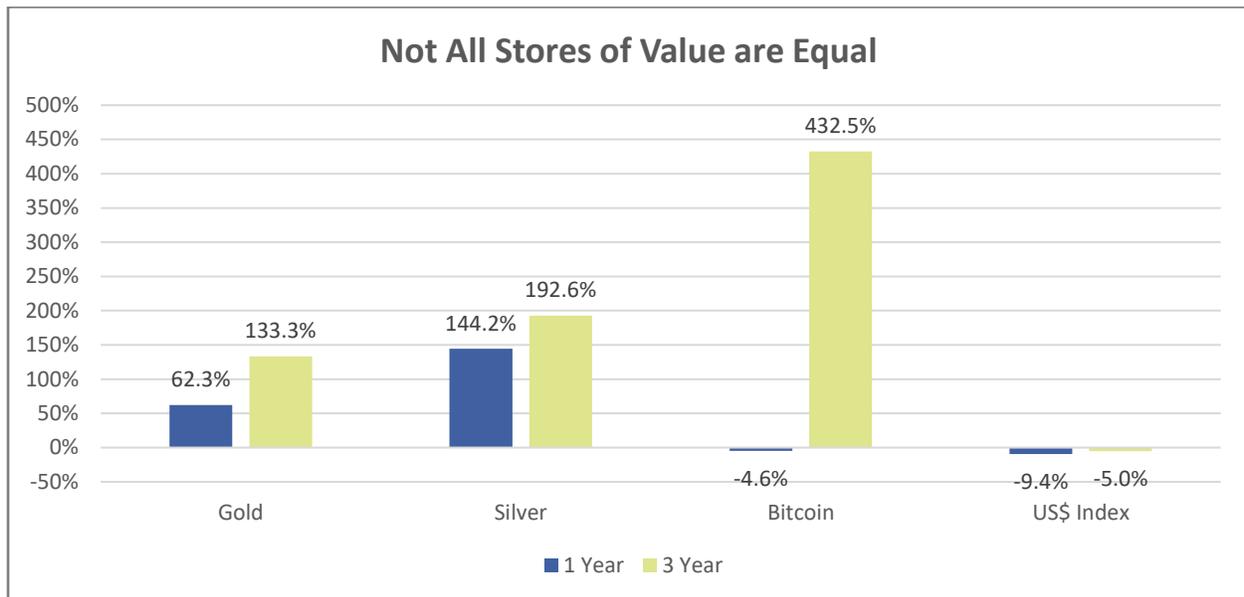


Tariff Tirade 2025



Source: YCharts

Fixed income finally reclaimed its seat at the table. As inflation continued to moderate and central banks began to ease policy, bonds once again provided a meaningful combination of income, capital preservation, and portfolio stability. Investment-grade fixed income comfortably outperformed cash, while credit markets proved resilient as corporate balance sheets remained healthy, leverage stayed manageable, and default rates remained contained. Importantly, returns were driven primarily by carry and income rather than precise duration calls or aggressive positioning—a reminder that starting yield still matters. Just as critically, bonds re-established their role as a reliable diversifier, helping to cushion portfolios during periods of equity market stress, including the tariff-driven volatility early last year. In our view, the experience reinforced a simple but important lesson: when yields are attractive, fixed income can once again do what it is supposed to do—provide income, dampen volatility, and improve overall portfolio resilience.



Source: TPCM

Real assets and alternatives told a more mixed story. Gold shined as investors navigated fiscal deficits, geopolitical tensions, and long-term monetary uncertainty, while silver meaningfully benefited from its dual role as both monetary and industrial metal. Bitcoin and other crypto currencies experienced a sharp drawdown in the second half of the year, raising doubts over the “digital gold” moniker. Private markets also faced more scrutiny late in the year. [Private equity](#) struggled with a prolonged exit drought and lagged public markets, while the rapid expansion of private credit raised valid concerns around transparency, leverage, and credit quality. None of this came as a surprise. These developments simply reinforced our long-held view that private assets demand careful manager selection, realistic return expectations, and—most importantly—a focus on actual cash realization rather than headline marks.

Looking ahead to 2026, we expect a more nuanced investment backdrop. Markets are moving away from a synchronized post-pandemic recovery toward a more fragmented environment. Central banks are becoming more accommodative as inflation eases, but large fiscal deficits continue to influence longer-term interest rates and policy flexibility. At the same time, geopolitical shifts and accelerating adoption of new technologies are reshaping productivity, capital spending, and competitive dynamics across industries. In this environment, broad beta may be less forgiving, while greater dispersion creates opportunities for active security selection, relative value, and disciplined portfolio construction.

From an economic standpoint, growth remains our base case. We expect continued real GDP expansion supported by healthy consumer balance sheets, easing financial conditions, and ongoing capital investment—particularly in AI-related infrastructure and productivity-enhancing technologies. Inflation should continue to moderate, though likely at a slower pace, as policy normalization collides with money supply growth and persistent structural spending pressures. Earnings growth should remain positive, but increasingly differentiated by sector, region, and business model.



Interest-rate expectations point toward lower rates at the short end. As inflation pressures subside, the futures markets suggest policy rates could decline meaningfully over the next several quarters, while longer-term yields remain constrained by fiscal realities and term premiums. This setup aligns with an economy that continues to grow—just more unevenly.

Fiscal policy appears poised to provide a meaningful tailwind in 2026. The Trump Administration remains firmly focused on growth, while concerns around tariffs have faded, allowing markets to shift their attention back to fundamentals. Continued momentum around tax relief and regulatory reform, coupled with a growing wave of capital investment commitments from both corporations and foreign governments, points to a supportive backdrop for business activity and economic expansion.

2026 1Q Key Economic and Investment Drivers

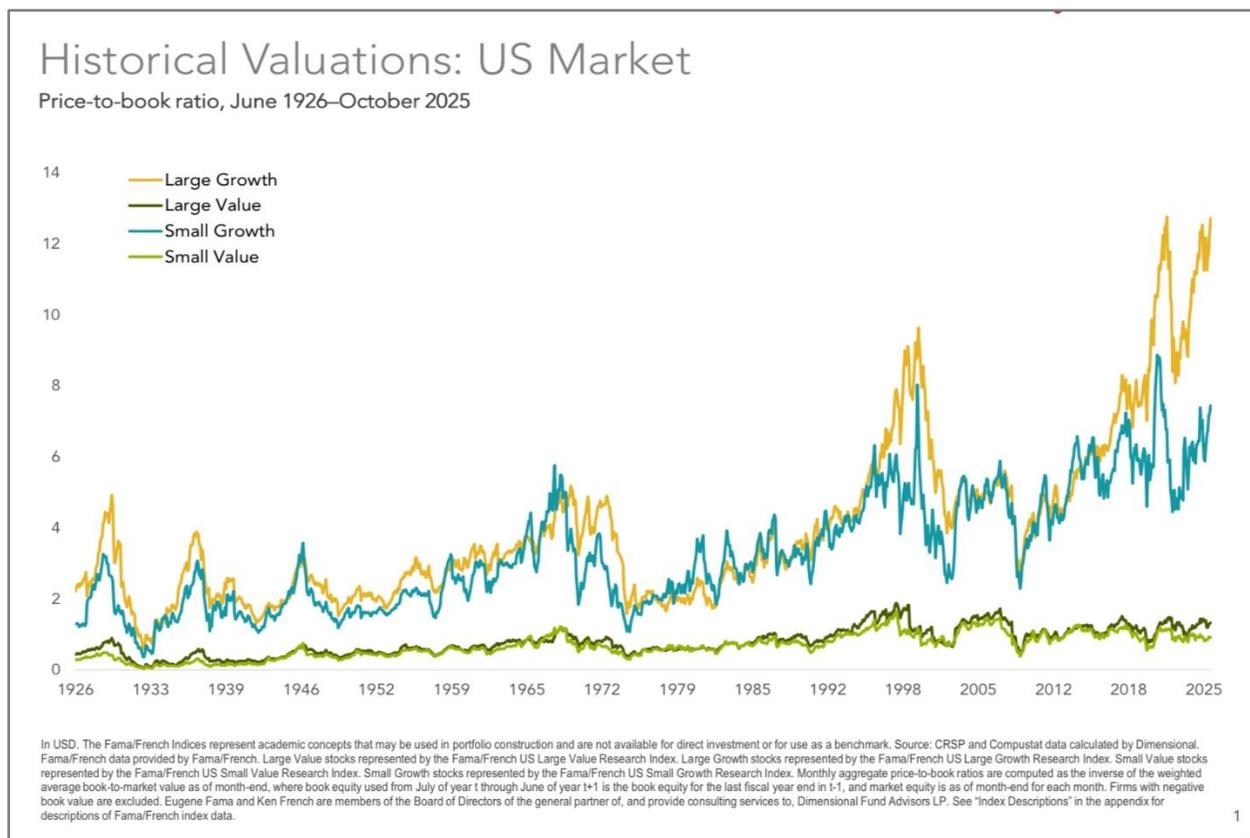
Real Economic Growth	Rising Stable Falling	Despite early economic uncertainty in 2025, the economic growth trajectory in the US has improved markedly with the Atlanta Fed now posting strong projections through 4Q and beyond.
Inflation	Rising Stable Falling	U.S. inflation has cooled meaningfully from its prior peaks, reflecting easing supply pressures, more balanced demand, and improving price discipline across much of the economy. While pockets of stickiness remain, the overall trajectory is constructive
Real Interest Rates	Rising Stable Falling	While nominal rates have fallen, real interest rates have remained stable reflecting a balanced financial backdrop where capital is still priced at levels that reward investors.
US Dollar F/X Value	Rising Stable Falling	For many years the dollar has been the king currency among global competitors but fiscal uncertainty coupled with falling interest rates and a slowing economy may result in further weakening of the greenback.
Taxes and Regulations	Rising Stable Falling	The fiscal policy outlook in the U.S. remains constructive as the Trump Administration and Congress continue to focus maintaining low taxes and reducing regulatory burden. Overall debt levels remain a concern.
P/E Ratios	Rising Stable Falling	S&P 500 earnings growth expectations are high going into the new year but so are valuations. Bulls believe equities can grow into their valuations. International equities remain inexpensive to US with attractive growth expectations.
Fixed Income Risk Premiums	Rising Stable Falling	High yield spreads remain near secular lows due to solid economic conditions. Coupled with strong corporate balance sheets and ample liquidity, we expect spreads to remain narrow.
Volatility	Rising Stable Falling	Volatility remains near cyclical lows as economic and market performance continues to exceed earlier expectations. Periodic increases are always a risk.

Source: TPCM

Bullish Neutral Bearish



Earnings expectations in the U.S. remain constructive, but valuation is a conundrum. Notably, valuation is increasingly bifurcated between growth and value segments of the market. Large-cap growth companies—particularly in technology and AI-adjacent industries—are benefiting from productivity gains, margin expansion, and strong balance sheets, supporting robust earnings forecasts despite elevated valuations. In contrast, many value-oriented sectors face more modest earnings growth but rock bottom valuations. This dispersion underscores a market environment where earnings durability and execution matter more than style labels alone.



Given our constructive view on the economic and investment backdrop, we remain bullish. As such, our portfolio allocations for the first quarter will be skewed towards risk assets and sectors. That said, the current environment is likely to be more nuanced and less forgiving than in prior broad-based rallies. Dispersion across regions, sectors, and styles is increasing, suggesting that simple beta exposure may be insufficient on its own. Instead, thoughtful portfolio construction—emphasizing selectivity, diversification, and active risk management—should be better suited to capturing opportunities while navigating a more complex market landscape.



2026 1Q Asset Class and Sector Probabilities

Major Market Asset Class	Likelihood of Outperformance
Bonds outperform Cash	58.4
Equities outperform Bonds	55.0
Non-Traditional outperforms Equities	57.0
Non-Traditional outperforms Bonds	52.0
Europe outperforms the US	48.5
Asia outperforms the US	46.5
EM outperforms the US	56.5
Small Cap outperforms Large Cap	55.5
Mid Cap outperforms Large cap	54.0
Value outperforms Growth	53.5
Credit outperforms Government bonds	53.0

Sectors v Market	Likelihood of Outperformance
Discretionary	43.6
Energy	42.7
Financials	61.3
Health Care	59.0
Industrials	44.5
Info Tech	49.9
Materials	49.5
Real Estate	59.0
Staples	45.4
Communications	49.9
Utilities	45.4

Source: TPCM Bullish Neutral Bearish

Attractive valuations and improving earnings make international equities compelling. International and emerging market companies are beginning to benefit from easing inflation, more accommodative monetary policy, and operating leverage as global demand increases. With earnings growth expected to broaden across regions and sectors—and valuations generally well below U.S. levels—non-U.S. equities offer a compelling complement to U.S. exposure, particularly in a scenario where global growth proves more resilient than currently priced.



While our outlook remains constructive, several risks warrant close attention. Chief among them is execution risk around earnings growth, particularly within large-cap technology stocks where expectations are elevated and any shortfall could be quickly penalized. Geopolitical risks are always a consideration, particularly with ongoing realignments in trade, supply chains, and global alliances creating uncertainty and the potential for episodic market disruptions. Political risk is a feature of the investment landscape in President Trump's second term. At times, markets must contend with an impetuous and unpredictable policy style, where trade threats and foreign policy pronouncements can arrive with little warning. That said, Trump's bark has frequently proven worse than his bite—as evidenced by the trade tirades of early 2025—which ultimately softened in practice. Still, the gap between rhetoric and execution keeps investors on their toes, prompting periodic and sometimes abrupt repricing of risk as headlines collide with reality. In addition, persistently large fiscal deficits and the risk of stickier-than-expected inflation could push long-term interest rates higher, tightening financial conditions and pressuring valuations. Finally, concentrated market leadership and crowded positioning raise the risk that liquidity-driven volatility could amplify market moves, even in the absence of a clear macro shock.

Taken together, the setup for 2026 remains compelling and investor-friendly. Economic growth is proving more resilient than feared, inflation continues to cool, and earnings—while increasingly differentiated—remain on a constructive trajectory across regions and sectors. Importantly, markets are being supported not by a single narrative, but by a broadening foundation that includes easing monetary policy, ongoing fiscal support, and sustained investment in productivity-enhancing technologies such as AI. While volatility and periodic pullbacks are inevitable in a more fragmented environment, we view them as opportunities rather than warnings. With discipline, diversification, and active portfolio construction, we believe investors are well positioned to participate in attractive upside while managing risk in what remains a fundamentally healthy and opportunity-rich market backdrop.



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