

2025 Year in Review

Brown Rowland Wealth Management Group

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UBS Financial Services Inc.

One North Wacker Drive
Chicago, IL 60606
312-525-4187
312-525-4635
877-225-7945 fax

[advisors.ubs.com/
brownlisygroup](https://advisors.ubs.com/brownlisygroup)

"Good investments are like a good diet: natural, with no additives and minimal processing."

—John Lisy

As you may already know, John retired from UBS on December 31, 2025. We thought it would be appropriate to kick off the year-end review with this nugget from his final internal email titled "My Rules for Investing." John was a founding partner of our business at UBS and helped develop the principles and philosophy we will continue to uphold. He also remains a client and will continue to share his thoughts on the companies we own. Thank you, John—enjoy the next chapter!

2025 marked another strong year for markets. The S&P 500 index total return was 17.9% [1], driven by robust corporate earnings and a strong economy. This was the third straight year of double-digit returns, well above the 11.9% long-term average going back to 1928 [2]. Since the end of 2022, the index return is ~83.3% [3]. When 2025 began, few predicted a return of this magnitude. The change in U.S. tariff policy announced in April—the biggest since WWII—sparked concerns about higher inflation and slower global growth. The market declined sharply in April (-21.3% intraday from peak to trough) [4] but recovered quickly as fundamentals prevailed— a perfect example of why we believe attempting to time markets is a fool's errand. We believe the only way to capture the full premium return of equities is to ride out their frequent, sometimes significant—but historically temporary—declines.

Geopolitical uncertainty remains high. 2026 began with the unexpected arrest of Venezuela's (illegitimate) President, Nicholas Maduro. The move asserts U.S. dominance in the Western Hemisphere creating tensions with Russia, China, Iran, Cuba, and others allied with Maduro. Additionally, as we write, there is internal strife within Iran and Cuba. The Ukraine war continues, and NATO members remain divided on whether to persist or concede ground to Putin. While these events are unnerving and have potential to create turmoil, history shows geopolitical risks rarely have lasting market impact.[5]

There are cross currents in the economy too. Inflation remains elevated, hurting lower-income workers' discretionary spending, and overall consumption spending has slowed. Consumer sentiment is weak, the job market is softening, and there is potential for disruption driven by artificial intelligence. There is also the possibility that the Supreme Court overrules Trump's tariff policies, which could cause more uncertainty. On a positive note, the Federal Reserve has cut rates by 1.75 percentage points since July 2023 and is expected to continue into 2026, lowering borrowing costs and supporting growth. Despite the weakening job market, we remain near full employment. High-income households have benefited from rising asset values, which should support consumer spending; the top 10% of earners account for nearly 50% of consumer spending [6]. Other positives: lower income and middle-class households are expecting refund checks, more deregulation is expected, and AI should drive long-term innovation and higher living standards.

All of this suggests to us that the next significant market shock—and there always is one, will probably come out of left field (in the jargon, an unknown unknown, as opposed to a known unknown like valuation or the national debt). And like all the shocks past, and all those yet to come, it will have very little to do with your plan other than a potential bargain-hunting opportunity.

We will continue to follow the plan that we believe gives you the best chance to achieve all your most cherished financial goals. We won't accept that "this time is different" regardless of what "this" may be at any given moment and won't make abrupt changes to our strategy to accommodate any fads or fears of the moment. We don't go to cash during market panics, and we don't bet the ranch on "new era" miracles...like AI. While challenges persist, our commitment to long-term principles remains unwavering.

We treasure our relationship with you. One of our goals for the new year is to serve a few more like you. If you have a relative, friend, or colleague who could benefit from a second opinion, we'd be grateful for an introduction. We promise to provide them the same level of care we give you.

Thank you for your continued trust and confidence.

Kristan and Grant

[1] UBS CIO Portfolio Advisory Group 12/31/25

[2] Aswath Damodaran, NYU Stern https://pages.stern.nyu.edu/~adamodar/New_Home_Page/databreakdown.html

[3] Y Charts <https://ycharts.com/indices/%5ESPXTR>

[4] FactSet

[5] UBS Top 10 Questions Answered, CIO GWM 1/5/26

[6] Alliance Bernstein (Bloomberg, Bureau of Economic Analysis, Jason Furman, LSEG Data & Analytics) 12/31/25

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