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SUMMARY

- International led US Equities for Q4 and 2025.
- Few US sectors post strong Q4 returns, but AI-related sectors were strong for the year.
- Earnings confirmation needed for broader international investment, in our view.

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Q4 Recap: International Wins the Year

Global Equities Overcome Economic Uncertainty

The fourth quarter of 2025 capped off a strong year for equity returns with the third quarter in a row of positive returns across the board. Additionally, in three of the four quarters last year, international equities outpaced US equities, resulting in international equities returning close to double the US large-cap's return for the calendar year, despite a strong showing from Technology and AI-like sectors. As we discussed earlier this month, International's strong returns are beginning to be supported by [improving earnings](#), though we would like to see this trend strengthen. Let's take a deeper dive into these returns to see how these themes played out.

Table 1: Q4 2025 Asset Class Performance

	PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 12/31/2025	
Broad Asset Classes	Q4 2025	Trailing Twelve Months
GLOBAL EX-US EQUITIES	5.1%	32.4%
DEVELOPED INT'L EQUITIES	4.9%	31.2%
EMERGING MARKET EQUITIES	4.7%	33.6%
GLOBAL EQUITIES	3.3%	22.3%
US LARGE-CAP	2.7%	17.9%
US SMID CAP	1.7%	7.0%
HIGH YIELD	1.4%	8.5%
FIXED INCOME INV GRADE	1.1%	7.3%
CASH	1.0%	4.3%
US TREASURIES	0.9%	6.3%

Source: Factset, Morningstar. Data as of December 31, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. See disclosures at the end of this publication for description of asset classes and the indices for which the returns above are based. Returns above do not reflect any fees or costs associated with investing in the applicable asset classes. It is not possible to invest directly in an index.

US Sectors: Muted Returns Across the Board

Table 2 on the top of the next page shows US sector performance. Apart from Health Care and Communication Services, US sector returns were muted across the board. Looking at these two top-performing sectors, it is tough to identify a single thematic throughline. Within Health Care, it was the pharmaceutical stocks that led sector returns; pharmaceutical returns were driven by favorable news regarding government negotiations and perhaps some catch up after a poor first three quarters. For Communication Services, there seems to be no unifying theme. Only 3 of the companies in this sector outperformed the sector's average return, while over half of the companies posted negative returns.

Looking at the bottom of the table, we see two ‘defensive’ sectors which posted a negative return. Specifically, Real Estate and Utilities are what we would consider ‘rate-sensitive’ sectors. Both these sectors have high amounts of debt and rely on cash distributions as a large portion of their total return, giving them bond-like qualities. As such, with the market cooled on expectations of cuts from the Fed, and these sectors struggled to keep up with the rest of the market.

Table 2: Q4 2025 US Sector Performance

PERFORMANCE TOTAL RETURN PERCENTAGE AS OF 12/31/2025		
US Sector	Q4 2025	Trailing Twelve Months
Health Care	11.7%	14.6%
Communication Services	7.3%	33.6%
S&P 500	2.7%	17.9%
Financials	2.0%	15.0%
Energy	1.5%	8.7%
Information Technology	1.4%	24.0%
Materials	1.1%	10.5%
Industrials	0.9%	19.3%
Consumer Discretionary	0.7%	6.0%
Consumer Staples	0.0%	3.9%
Utilities	-1.4%	16.0%
Real Estate	-2.9%	3.1%

Source: Bloomberg. Data as of December 31, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns shown do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

International Stocks: China Leads, While the Dollar Stabilizes

Moving to Table 3 (below), Developed Markets led the way with Emerging Markets being hampered by poor Chinese returns. The negative quarter for China continued a trend we saw the entirety of 2025. Both the first quarter and third quarter saw China posting the best return of all indices in our global universe, while the second and fourth quarter saw China posting the worst return in our universe. We believe this volatility is characteristic of the reality of investing in China as a non-Chinese investor, coupled with their AI theme exposure being the highest after the US. While there are lots of cheap companies and companies with attractive growth prospects in China, the geopolitical and macroeconomic backdrops provide a strong headwind that may represent a ceiling to a sustainable Chinese equity rally, in our view.

Table 3: Q4 2025 Global Region Performance

International Market Returns	In USD		In Local		Currency Impact	
	Q4 2025	Year Over Year	Q4 2025	Year Over Year	Q4 2025	Year Over Year
Canada	7.7%	36.5%	6.1%	30.1%	1.6%	6.4%
United Kingdom	7.0%	35.1%	7.1%	25.8%	-0.1%	9.3%
Europe	6.2%	35.4%	6.1%	20.6%	0.1%	14.8%
EAFE	4.9%	31.9%	6.2%	21.2%	-1.3%	10.7%
Emerging Markets	4.7%	33.6%	5.6%	31.3%	-0.9%	2.3%
Japan	3.2%	24.6%	9.6%	24.3%	-6.3%	0.3%
United States	2.7%	17.9%	2.7%	17.9%	0.0%	0.0%
China	-7.4%	31.2%	-7.6%	30.5%	0.2%	0.7%

Source: Bloomberg. Data as of December 31, 2025. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns above do not reflect any fees or costs associated with investing in the listed sectors. the applicable asset classes. It is not possible to invest directly in an index.

At the top of the returns table excluding currency effects, we find Canada, which was only outpaced this year by China. Canada also posted returns above the US in all four quarters this year, with both equity returns, and currency returns contributing at different points in the year. In our view, this rally can primarily be attributed to strong precious metal prices.

Finally, on the currency front, only the Yen made a large move this quarter, depreciating 6.3 percent. Japanese inflation remains higher than the Bank of Japan would like it and with the Fed pausing on cuts, Japan's low policy rate caused downward pressure on their currency. For the full year, international currency returns added to US investors' total returns as the dollar continued to weaken throughout the year.

Looking Forward: 2026 Provides Opportunity

The fourth quarter was an example of the potential for market broadening. Over the past decade, Technology, and by extension Technology-related indices, have contributed a large portion of market returns. While we believe that these names could continue to be attractive investments if their earnings growth keeps pace with their price appreciation, both earnings and market returns are also pointing to potential in other market segments.

As such, we believe that 2026 will present opportunities to invest in markets that have lagged tech. However, we do not view this as an easy task. As we saw in 2025, market rotations are full of starts and stops. Thus, we will continue to lean on our earnings analysis to help guide our asset allocation. Additionally, we will rely more heavily on our individual security selection, as we attempt to identify specific themes and companies that are best positioned for market rotation.

For International equities specifically, we are waiting for earnings confirmation before we more broadly invest. Until then, our international positioning is dependent on our portfolio's risk tolerance. In our short horizon portfolios, we have relatively little exposure to international markets, concentrating on Europe and Japan. For our long horizon portfolios, we are slightly overweight to international relative to our global benchmarks with an emphasis on selection, preferring European Banks, Japan and value-oriented themes, while avoiding Chinese equities. We believe this is sufficient exposure to capture the upside of these markets while we wait for more concrete earnings evidence to emerge.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

Important Disclosure Information

The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Opinions expressed are current as of the date shown and are subject to change. Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index.

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analysis. Four years of investment/financial career experience are required before one can become a CFA charterholder. Enrollees in the program must hold a bachelor's degree.

All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Artificial intelligence, or AI, refers to the simulation of human intelligence by software-coded heuristics. Nowadays this code is prevalent in everything from cloudbased, enterprise applications to consumer apps and even embedded firmware.

Index Definitions

Standard & Poor's (S&P) 500 Index TR USD (US Large Cap) measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

Standard & Poor's (S&P) 1000 Index (US SMID Cap) – the S&P MidCap 400 Index and the S&P SmallCap 600 Index are combined to form the S&P 1000.

MSCI EAFE Index NR USD (Developed International Equities) is designed to represent the performance of large and mid -cap securities across approximately 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the US and Canada. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to nonresident institutional investors who do not benefit from double-taxation treaties.

MSCI Emerging Markets Index captures large and mid cap representation across approximately 26 Emerging Markets (EM) countries.

MSCI Europe Index represents the performance of large and mid-cap equities across approximately 15 developed countries in Europe.

MSCI Japan Index designed to measure the performance of the large and mid cap segments of the Japanese market.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

MSCI United Kingdom Index (USD) is designed to measure the performance of the large and mid cap segments of the UK market.

MSCI Canada Index is designed to measure the performance of the large and mid cap segments of the Canada market.

The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI ACWI Index (Global Equities) is designed to represent performance of the full opportunity set of large- and mid-cap stocks across approximately 23 developed and approximately 25 emerging markets.

MSCI ACWI ex USA Index (Global ex US Equities) captures large and mid cap representation across approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.

ICE BofA High Yield Index TR USD (High Yield) tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. Index constituents are capitalization-weighted based on their current amount outstanding times the market price plus accrued interest.

Emerging Market Equities is represented by the MSCI Emerging Markets Index (NET), a free-float adjusted market capitalization index that is designed to measure the equity market performance of emerging markets. The index consists of indices from approximately 25 emerging market country indices. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

The Bank of Japan (BOJ) is headquartered in the Nihonbashi business district in Tokyo. The BOJ is the Japanese central bank, which is responsible for issuing and handling currency and treasury securities, implementing monetary policy, maintaining the stability of the Japanese financial system, and providing settling and clearing services. Like most central banks, the BOJ also compiles and aggregates economic data and produces economic research and analysis.

Bloomberg Capital US Treasury Index TR USD (Treasury Bonds) measures the performance of the US Treasury bond market.

Bloomberg US Aggregate Bond Index TR USD (Fixed Income Investment Grade) is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. The issues must be rated investment grade, be publicly traded and meet certain maturity and issue size requirements.

Bloomberg Capital 1-3 Month US Treasury Bill Index TR USD (Cash) includes all publicly issued zero-coupon US Treasury Bills with a remaining maturity between one and three months, are rated investment-grade and have an outstanding face value of \$250 million or more.

In a rising interest rate environment, the value of fixed-income securities generally declines.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero).

Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

High-yield securities (including junk bonds) are subject to greater risk of loss of principal and interest, including default risk, than higher-rated securities.

Dividends are not guaranteed and are subject to change or elimination.

Investment grade fixed income securities include broad fixed income, corporate securities, municipal bonds, treasuries, and mortgage backed securities (MBS). Investment grade securities are believed to be at less risk of default and rated higher by the credit rating agencies. In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities. Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. MBS are subject to prepayment and extension risk; as such, they react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain MBS.

Treasuries are government debt securities issued by the US Government. Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. With relatively low yields, income produced by Treasuries may be lower than the rate of inflation.

US large cap equities include equities of companies with a market capitalization of over \$10 billion. Although large cap equities are generally considered to be safer securities, large cap equities are still subject to the risks associated with stocks.

Global equities are equities that span across both developed countries and emerging markets. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

The energy sector is a category of stocks that relate to producing or supplying energy. The energy sector or industry includes companies involved in the exploration and development of oil or gas reserves, oil and gas drilling, and refining. The energy industry also includes integrated power utility companies such as renewable energy and coal.

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Small-, mid- and micro-cap companies may be hindered as a result of limited resources or less diverse products or services and have therefore historically been more volatile than the stocks of larger, more established companies.

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