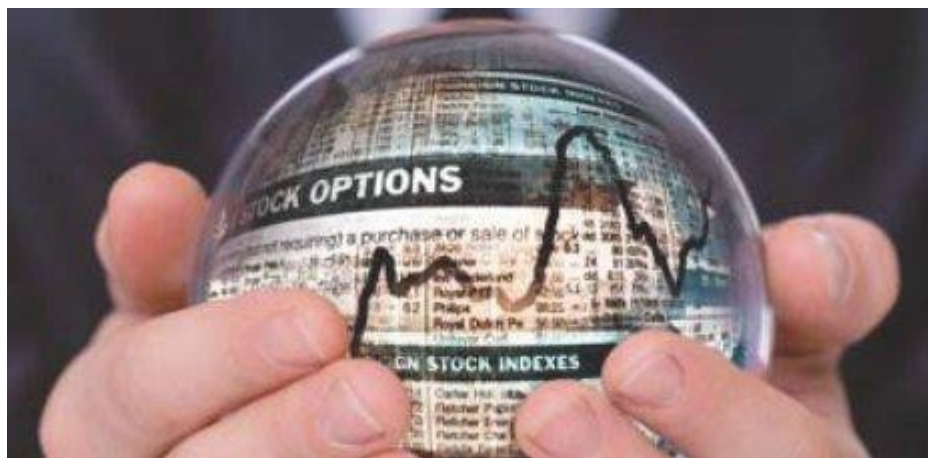


Beacon Trust Client Webinar: 2025 Market Review and 2026 Outlook



Source: www.TheDigeratiLife.com

Presented by John M. Longo, PhD, CFA
Chief Investment Officer,
Beacon Trust

January 8, 2026

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2025 Market Recap *

Equities

- S&P 500: +17.9%
- R1000 Growth: +18.3%
- R1000 Value: +15.7%
- Russell 2000: +12.7%
- MSCI Int'l: +31.5%
- MSCI EM: +34.0%

Fixed Income

- Bloomberg Barclays Agg: +7.2%

Alternatives

- Gold (GLD): +64.4%
- Hedge Funds: +15.6%
- U.S. REIT (VNQ): +3.3%
- Commodity Index (GSG): +6.2%

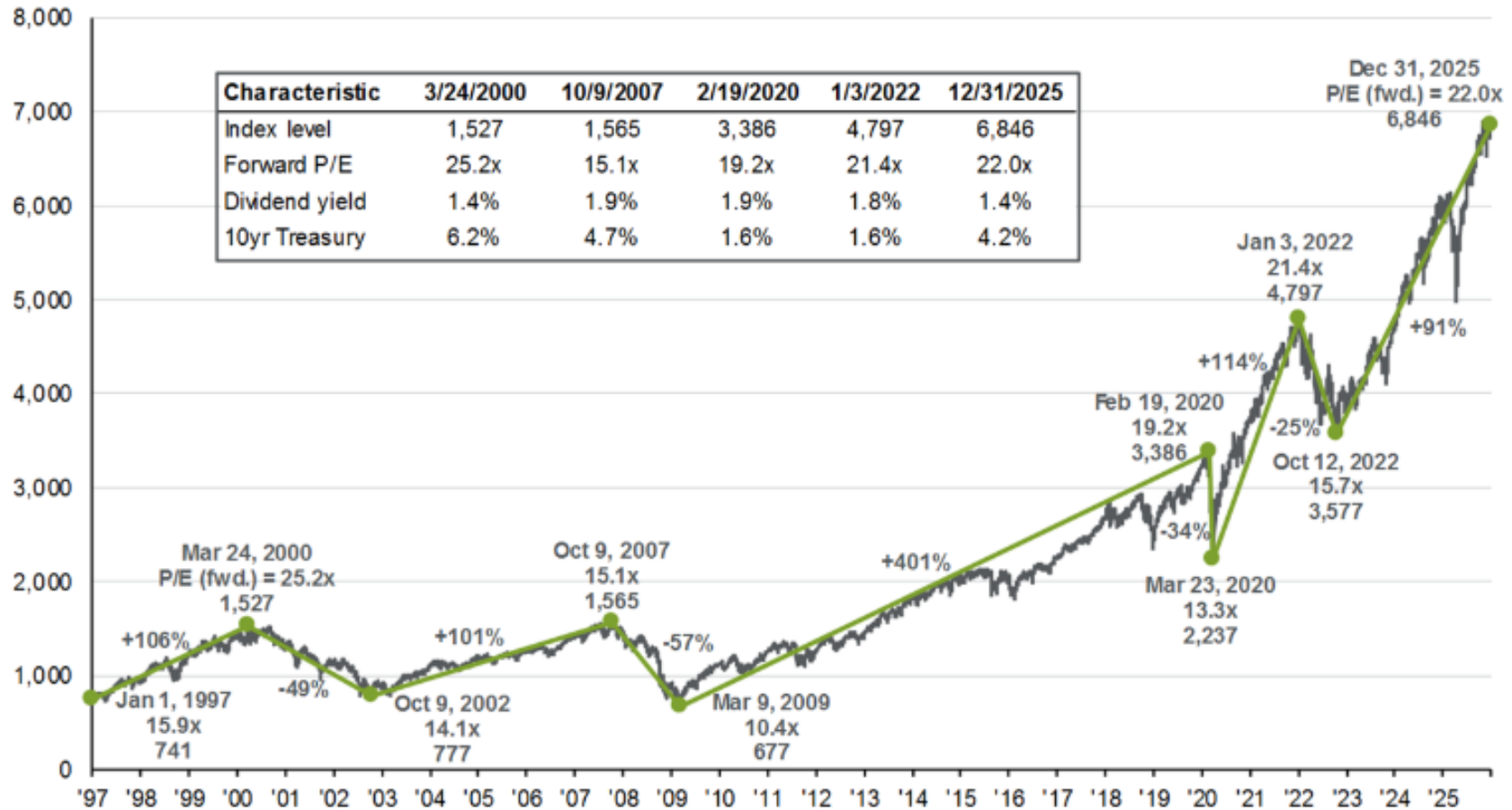
* 2025 Calendar year total return estimates ending 12/31/25. PivotPath is the source of Hedge Fund returns through 11/30/25.

Beacon “Top 10 Forecasts” 2025 Report Card

Forecast	Assessment	Rationale for Assessment
Positive stock returns, close to LT averages	Correct	The S&P 500 (Dow) rose 17.9% (14.7%) in 2025
Bonds to deliver mid-single digit returns	Correct	The Bloomberg Barclays Agg rose 7.2% in 2025
The Fed will cut rates 0.5% or less in 2025	Incorrect	The Fed lowered rates three times and 0.75% in 2025
Inflation will average more than 2% Fed target	Correct	CPI inflation averaged ~2.7% in 2025
The IPO markets will recover	Correct	More IPOs in 2025 vs. 2024; M&A also hotter than 2024
Agreement to end war in Ukraine is reached	Incorrect	The war is ongoing despite discussions for a ceasefire
The U.S. economy will expand, avoid recession	Correct	U.S. GDP is estimated to have grown 2%-3% in 2025
Consumer sentiment will increase	Incorrect	Consumer sentiment fell noticeably in 2025
The price of oil will fall in 2025 vs. 2024 prices	Correct	Oil fell from approximately \$70 to \$60 / barrel in 2025
DOGE will cut < 25% of promised target	Correct	DOGE cut < \$200b of \$2 trillion target and disbanded

1. Stocks Returns May Be Line With 2026 EPS Growth

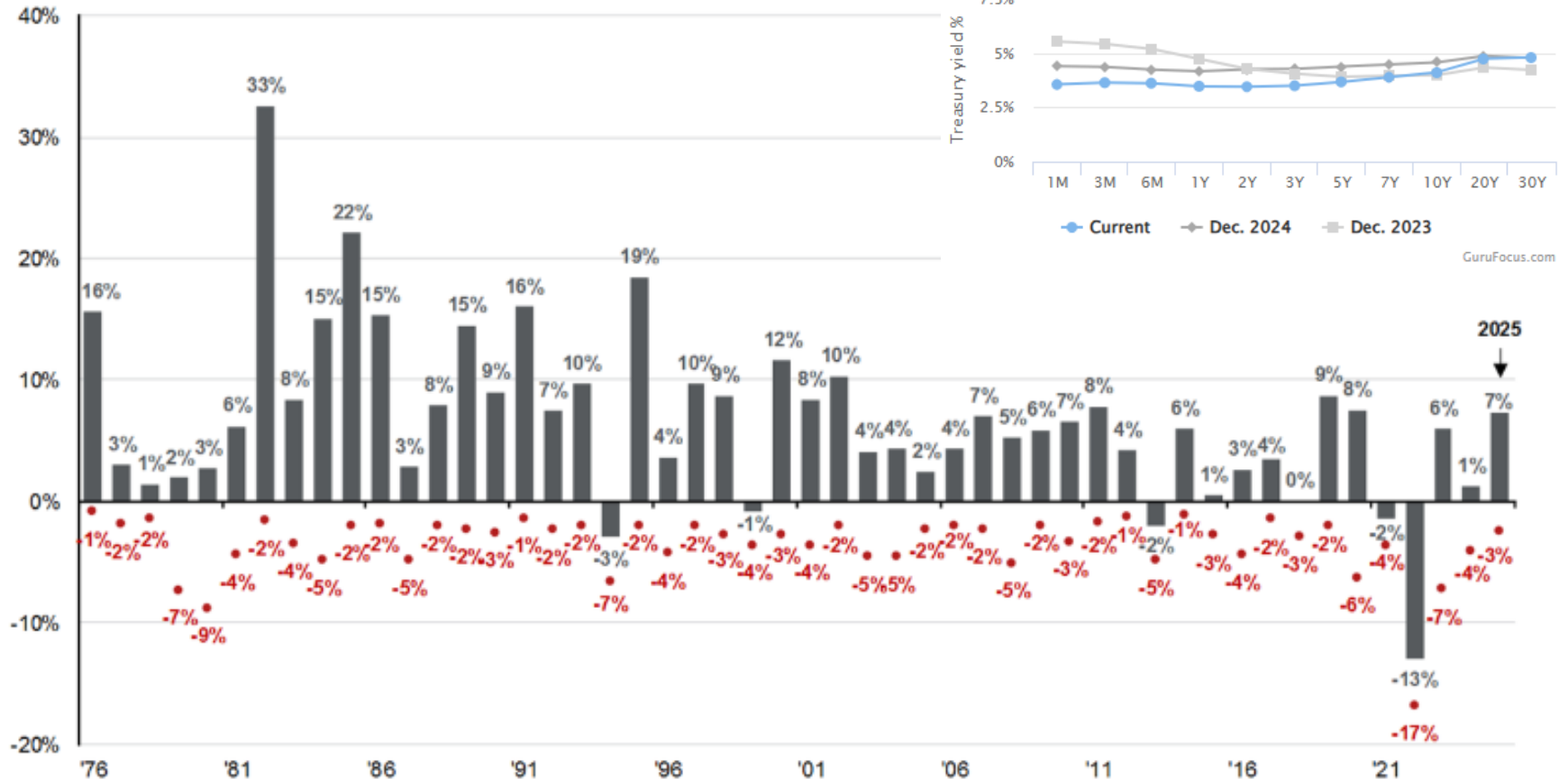
Returns may be limited to \leq earnings growth in 2026 of ~8%-12%



2. Bonds to Deliver Low to Mid-Single Digit Returns

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

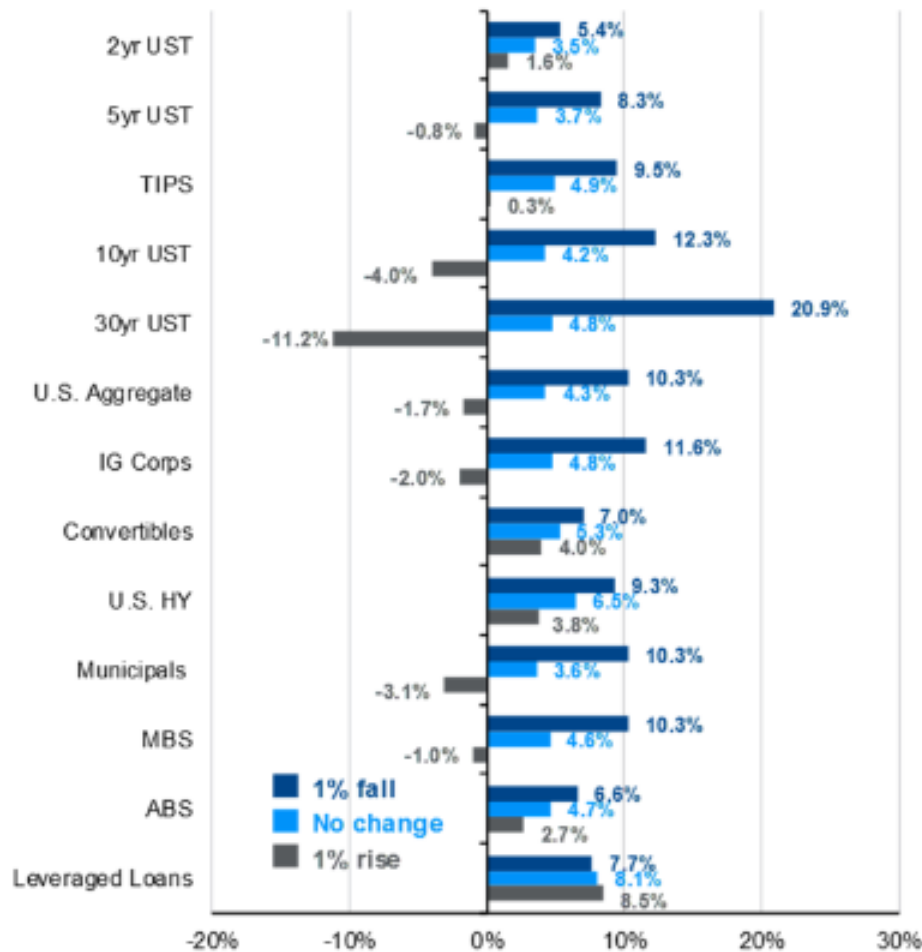
Despite average intra-year drops of 3.5%, annual returns were positive in 45 of 50 years



2. Bonds to Deliver Low to Mid-Single Digit Returns

Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



Bonds may be able to deliver positive returns even if short-term rates fall and long-term rates moderately increase.

3. The Fed Will Cut Short-Term Rates 25bps or More

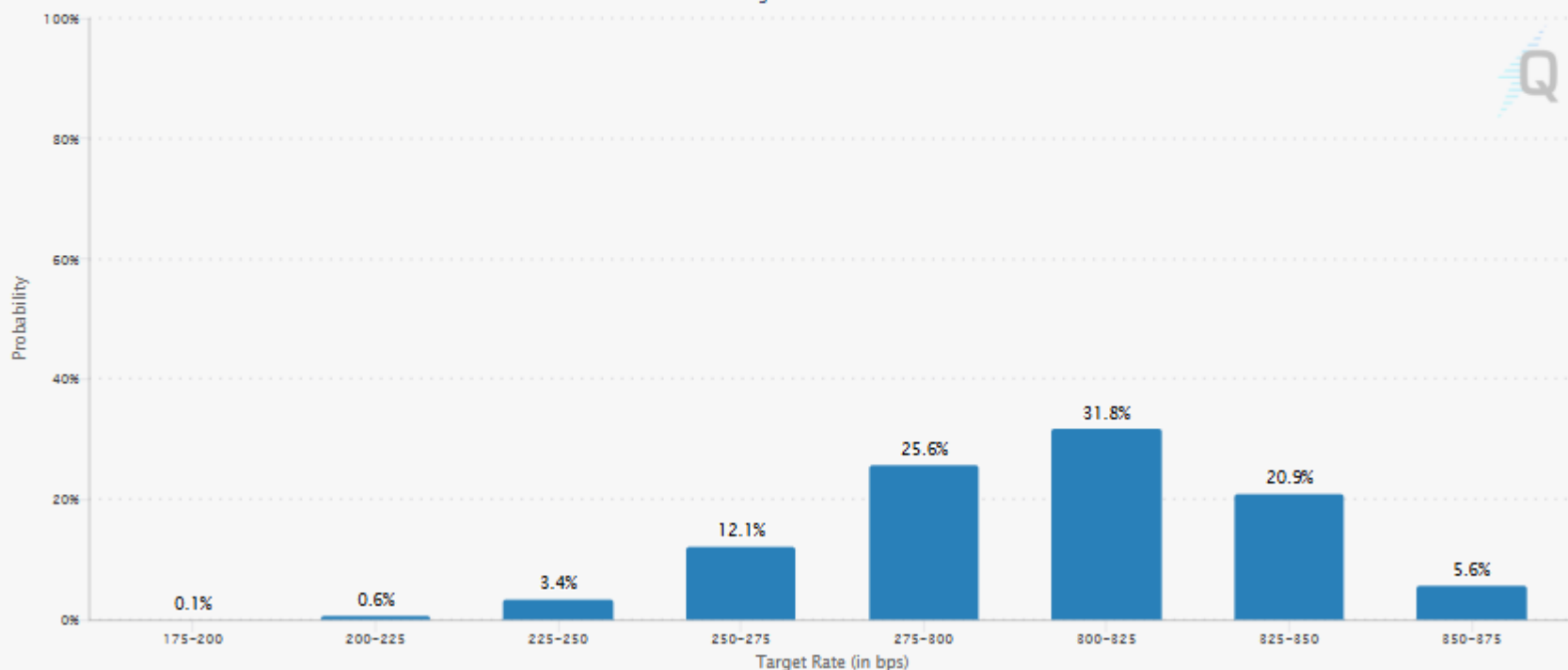
Futures markets are estimating ~58% chance of 2 or less rate cuts of 25bps

28 Jan26 18 Mar26 29 Apr26 17 Jun26 29 Jul26 16 Sep26 28 Oct26 9 Dec26 27 Jan27 17 Mar27 28 Apr27 9 Jun27 28 Jul27 15 Sep27 27 Oct27 8 Dec27

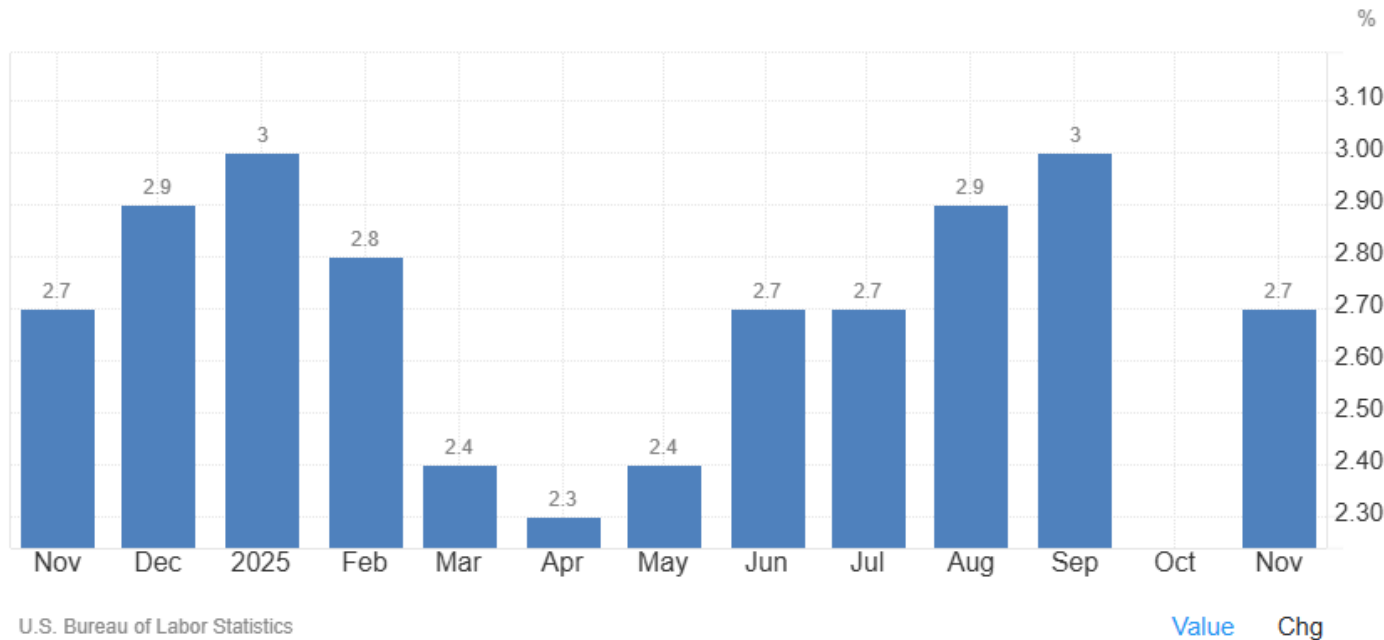
MEETING INFORMATION						PROBABILITIES		
MEETING DATE	CONTRACT	EXPIRE	MID PRICE	PRIOR VOLUME	PRIOR OI	EA SE	NO CHANGE	HIKE
9 Dec 2026	ZQZ6	31 Dec 2026	96.9300	1,378	10,605	94.4 %	5.6 %	0.0 %

Target Rate Probabilities for 9 Dec 2026 Fed Meeting

Current target rate is 350-375



4. Inflation In 2026 Will Fall, On Average, vs. 2025



Inflation is likely to remain above the Fed's 2% target, but below last year's values.

More subdued real estate and gasoline prices may contribute to moderating inflation rates.

Source: TradingEconomics.com

5. Small-Cap To Outperform Large-Cap in 2026



Source: Google Finance

Small-Cap stocks have substantially lagged large-cap stocks over the past 5 years.

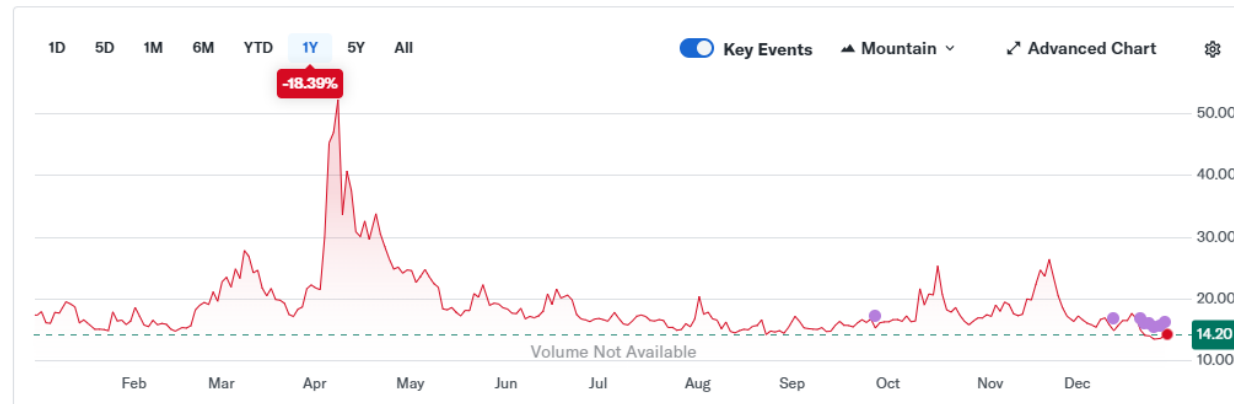
Small-cap stocks may benefit from the expected decline in short-term interest rates as well as the gains in productivity driven by AI applications

6. Volatility To Increase Near 2026 Midterm Elections

CBOE Volatility Index (^VIX) [☆ Follow](#)

14.20 0.00 (0.00%)

As of 11:40:46 AM CST. Market Open.

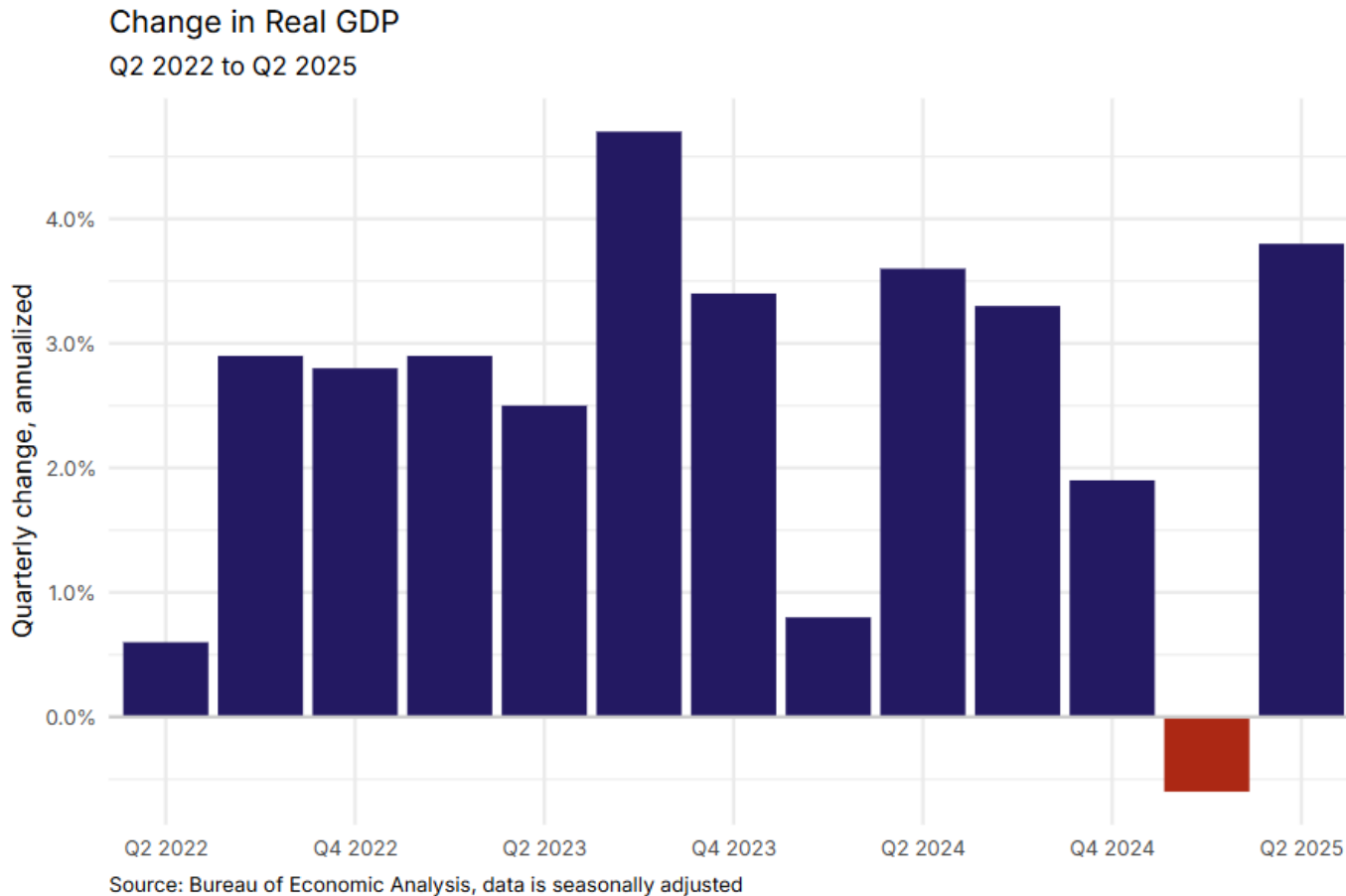


Source: Yahoo! Finance

The midterm elections may impact important government policies. Hence, we think investors will actively reposition their portfolios before and after the elections resulting in increased volatility

Downside volatility may be an opportunity for long-term investors, as it was after the “tariff tantrum” in March-April of 2025.

7. The U.S. Economy Will Expand 2%-3% In 2026



2025 GDP growth estimates are roughly 3.0%.

The tax benefits from the One Big Beautiful Bill (OBBB) and the highest expected income tax refunds on record may help all consumers in 2026.

7. The U.S. Economy Will Expand 2%-3% In 2026

Current law	Final legislation
Standard deduction	
\$15,000 single; \$30,000 married filing jointly for 2025	\$15,750 single; \$31,500 married filing jointly for 2025
'Bonus' deduction for older adults	
\$1,600 for age 65 and older for 2025; \$2,000 unmarried / not surviving spouse for 2025	\$7,600 for age 65 and older; \$8,000 for unmarried / not surviving spouse; both from 2025 through 2028
State and local tax deduction (SALT)	
\$10,000 limit through 2025	\$40,000 limit for 2025; increases by 1% through 2029; reverts to \$10,000 in 2030
Child tax credit	
Max credit of \$2,000 per child through 2025; refundable portion \$1,700 for 2025	Max credit of \$2,200 per child; refundable portion \$1,700 with inflation adjustments for 2025
Estate and gift tax exemption	
\$13.99 million single; \$27.98 million married filing jointly for 2025	\$15 million single; \$30 million married filing jointly for 2026
Tax on tips	
N/A	Deduct up to \$25,000 per year from 2025 through 2028
Overtime pay	
N/A	Deduct up to \$12,500 per taxpayer from 2025 through 2028
Auto loan interest	
N/A	Deduct up to \$10,000 of annual interest on new loans from 2025 through 2028
Trump Accounts for child savings	
N/A	One-time \$1,000 credit to account per child born between 2025 through 2028
Charitable deduction for non-itemizers	
N/A after 2021	\$1,000 single; \$2,000 married filing jointly; permanent after 2025

Summary table of One Big Beautiful Bill (OBBB).

*

In our view, OB BB will provide a boost to the lower income consumer who has struggled in recent years.

*

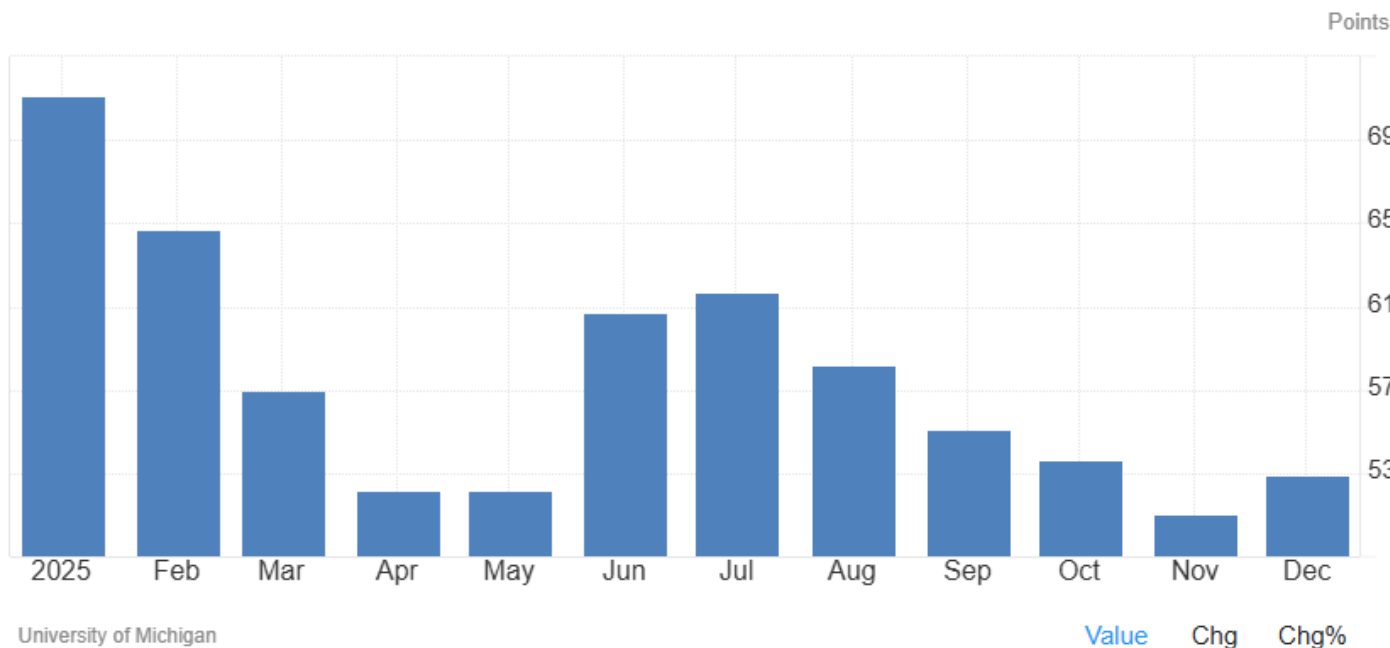
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8. Consumer Sentiment Will Increase

United States Michigan Consumer Sentiment



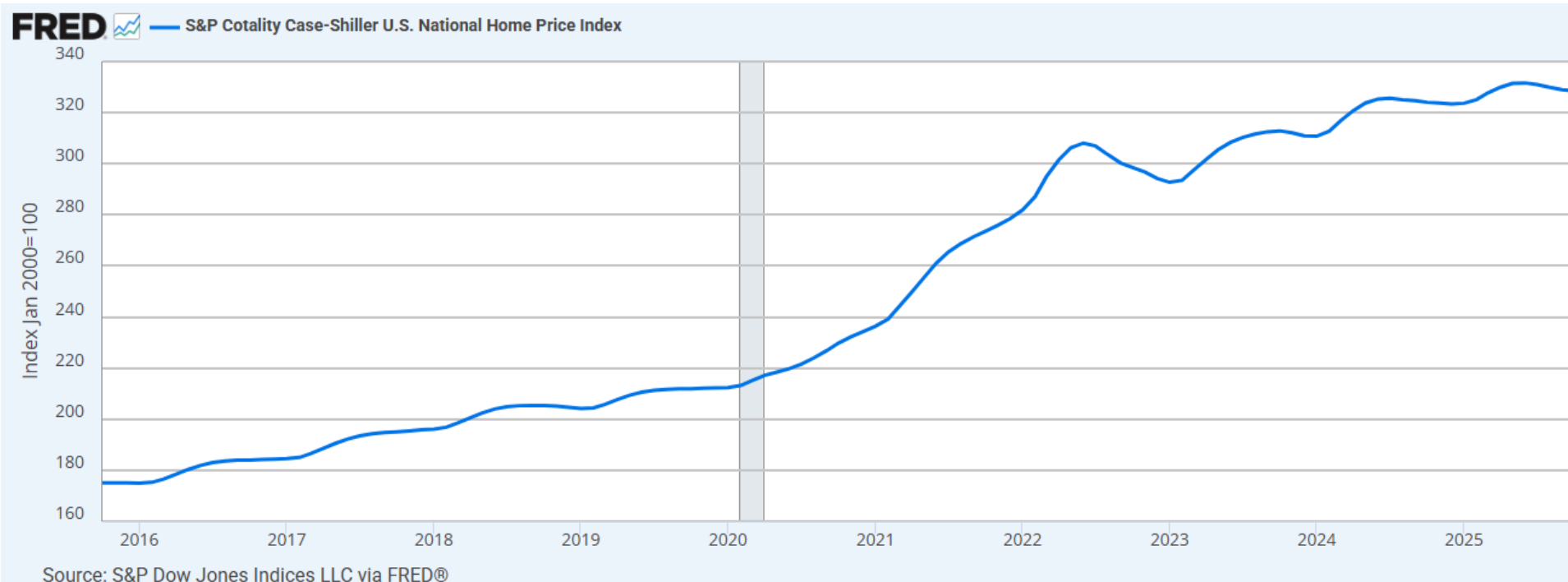
Consumption accounts for ~70% of U.S. GDP so consumer sentiment bears monitoring.

We think sentiment will increase as inflation increases at a more moderate pace and the OBDD tax benefits accrue to consumers .

Source: TradingEconomics.com

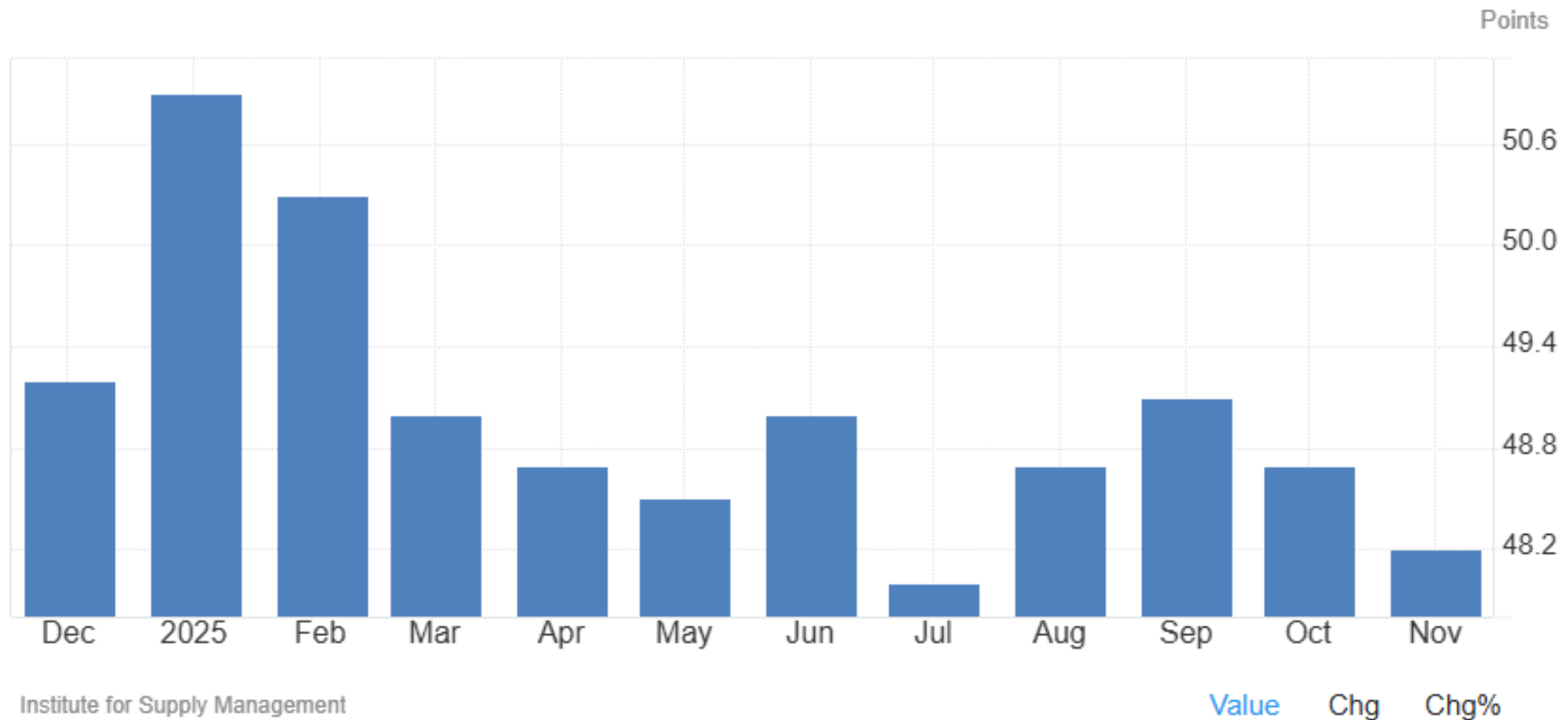
9. Real Estate Prices To Decelerate in 2026

Increased supply, high prices, and elevated mortgage rates should help limit further price appreciation for residential homes in 2026



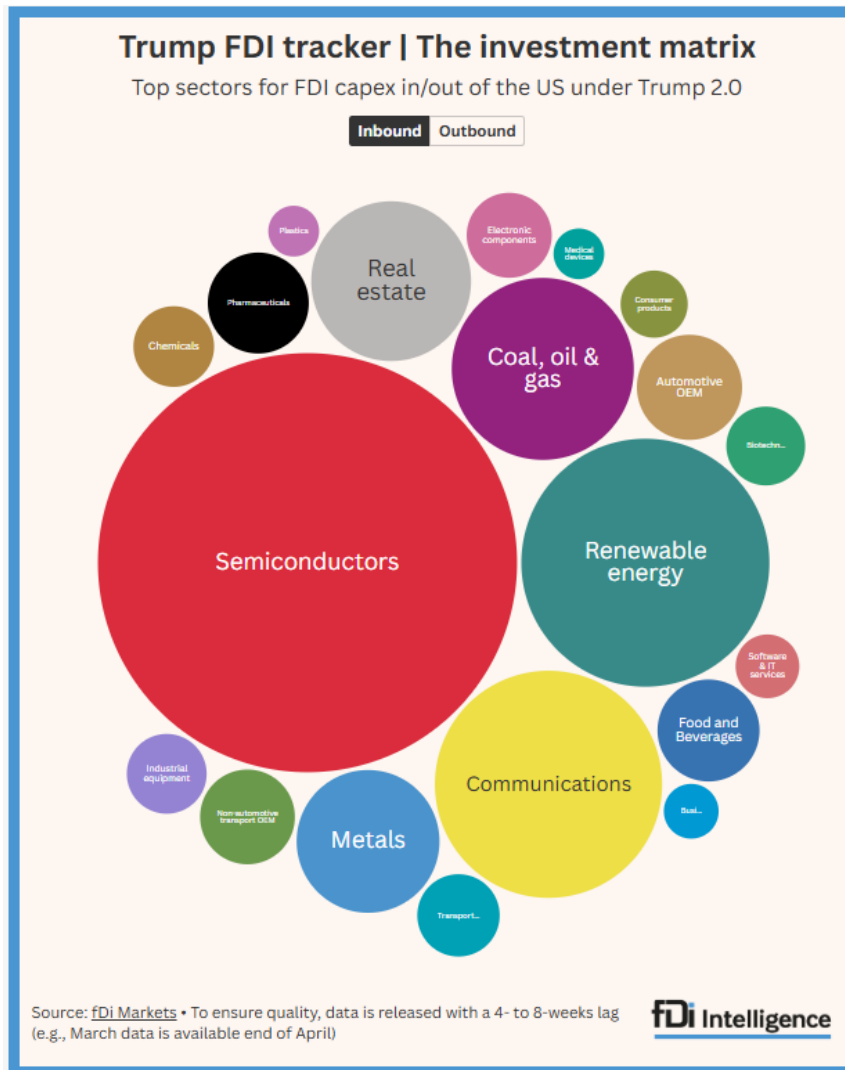
10. U.S. Manufacturing (ISM) Will Increase in 2026

In our view, prior pledges of manufacturing projects will slowly come into fruition in 2026



10. U.S. Manufacturing (ISM) Will Increase in 2026

\$21 trillion in Foreign Direct Investment (FDI) has been pledged. Implementation is TBD



We believe at least some of these pledges will come to fruition in 2026, boosting U.S. (ISM) manufacturing activity.

4 Investment Themes for 2026

1. Prepare for equity returns roughly in line with earnings growth.
 - Implication: Annual equity returns of 20%+ are not normal. Returns of mid single digits to 10%+ are more realistic over the next 3-5 years.
2. Prepare for lower short-term U.S. interest rates.
 - Implication: The days of 5% yields on money market funds are over. Consider adding fixed income securities of intermediate-term duration.
3. Emphasize and search for firms that may benefit from the productivity gains driven by the proliferation of artificial intelligence applications.
 - Implication: Tech stocks will not be the only beneficiaries of AI growth.
4. Emphasize quality investments and firms with demonstrated profitability over unprofitable ones.
 - Implication: In a more subdued return environment, we favor high quality firms trading at reasonable valuations.



Questions?