



NEW REPUBLIC PARTNERS

MARKET COMMENTARY

Q4 2025

Market Commentary

Fine-tuning Portfolios: Q4 Review & 2026 Outlook

Markets navigated a complex environment in Q4. The quarter started with a U.S. government shutdown which lasted 43 days and delayed key economic data releases. The lack of timely information made it difficult to assess the U.S. economy's strength and contributed to periods of volatility as the market reacted to incomplete information. The Fed cut interest rates by -0.50% but signaled a pause, hinting it could cut less than the market expects in 2026.

Investors remain excited about the potential of AI, but they've become more focused on which companies are best positioned to turn AI demand into near-term profits. This transition is a welcomed development for the sustainability of the theme. Against this backdrop, the S&P 500, Nasdaq, and small-cap stocks each set new highs.

Seeing Through the Fog

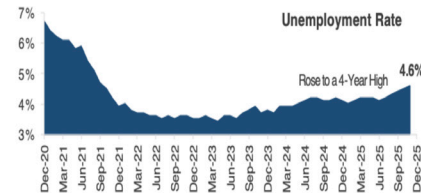
The main story in Q4 was the government shutdown and its impact on economic visibility. The shutdown started on October 1st and immediately disrupted the release of key reports on employment, inflation, and growth. To fill the data gap, the market and economists turned to corporate earnings reports and surveys from non-government sources. The shutdown lasted through mid-November, making it the longest in history, and left behind a data backlog that is still being cleared as the new year begins.

Labor, consumer spending, and housing data released post shutdown reveal a late-cycle economy that is slowing but not breaking (Exhibits 1A-1D). Labor market conditions are soft, consumer spending is slowing, and housing is under pressure, but the economy shows few signs of significant stress. The strong Q3 GDP reading indicates the economy reaccelerated after slowing in Q1, suggesting consumers and businesses altered their behavior in 2025 due to shifting trade policy and tariffs.

Market Monitor 2025

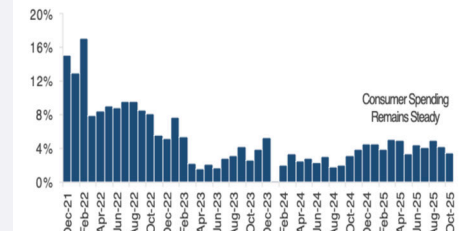
	Q4	YTD
MSCI All-Country World Index	3.3%	22.3%
S&P 500 Index	2.7%	17.9%
Bloomberg U.S. Agg. Index	1.1%	7.3%
Bloomberg Commodity Index	5.8%	15.8%

EXHIBIT 1A: THE STATE OF THE U.S. ECONOMY ENTERING 2026



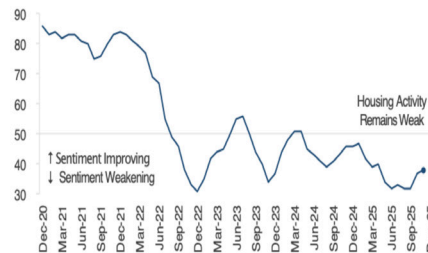
Source: MarketDesk.

EXHIBIT 1B: RETAIL SALES GROWTH (YEAR-OVER-YEAR)



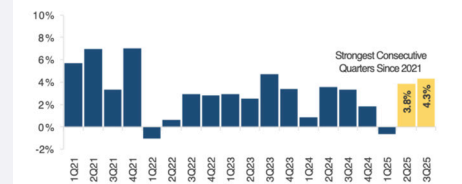
Source: MarketDesk.

EXHIBIT 1C: HOMEBUILDER SENTIMENT



Source: MarketDesk.

EXHIBIT 1D: QUARTERLY GDP GROWTH



Source: Department of Labor, U.S. Census Bureau, NAHB, and U.S. Bureau of Economic Analysis.

Market Commentary

AI Theme Becomes More Selective

The AI theme has been a major driver of market and economic performance over the past couple of years. JP Morgan strategist, Michael Cembalest, notes that since the advent of Chat GPT in Q4 2022, 65-75% of S&P returns, profits, and capital spending have come from AI-linked companies. Furthermore, tech sector capital spending contributed 40-45% of U.S. GDP growth over the last 3 quarters of 2025.

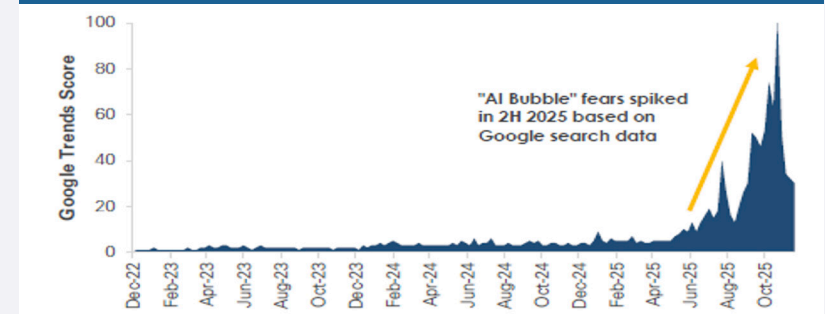
In Q4, that narrative matured. AI stocks entered the quarter with strong momentum, powered by robust earnings, a boom in data center construction, and a growing list of large-scale infrastructure investment projects. Midway through the quarter the market's focus shifted. Earnings reports continued to signal strong demand for AI-related computing power and data centers, and leading tech companies reported large, growing backlogs. However, investors started to look beyond headline growth and focus on AI's economics. As the quantum of tech spending came into focus, questions emerged about the capital needed to build and maintain data centers, the impact of aggressive capex spending on balance sheets, and whether companies could maintain the current pace of AI infrastructure spending without pressuring cash flow (Exhibit 2A).

Thus, the market became more selective. Companies involved in large-scale AI projects faced increased scrutiny, especially where spending plans outpaced near-term cash flow or relied on external financing, like debt (Exhibit 2B). The changing AI narrative created periods of volatility and rotation within the tech sector, but we believe that doesn't signal the end of the AI trade. The market's selectivity was further on display in 2025 as 5 of the Magnificent 7 stocks trailed the market's average return.

As with many transformative technologies, the initial excitement appears to be giving way to a focus on execution and profitability rather than broad enthusiasm and growth at any cost. We believe the AI infrastructure theme is durable, and we remain mindful of stretched valuations in the U.S. overall as starting valuations still matter over the long run (Exhibit 3).

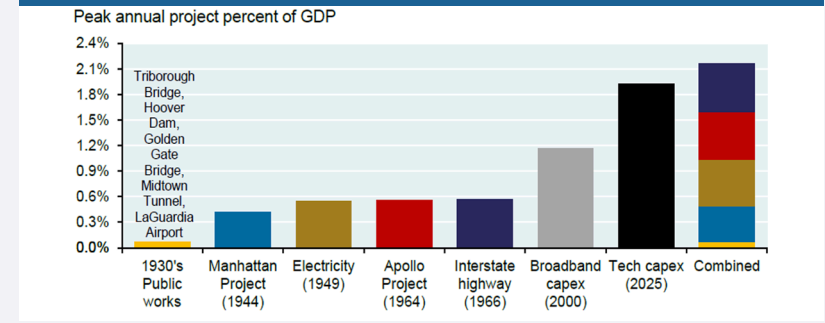
As we look out to 2026, when equity markets are at high valuations and credit market spreads register at tight levels, it behooves investors to fine-tune their portfolios and allocate incremental capital to markets with better prices and/or better growth profiles.

EXHIBIT 2A: GOOGLE TRENDS SCORE - AI BUBBLE



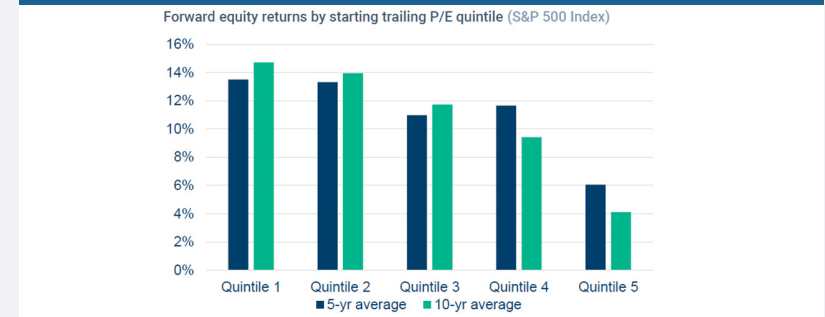
Source: MarketDesk, Google.

EXHIBIT 2B: TECH CAPITAL SPENDING IN 2025 VS. SPENDING ON MAJOR U.S. INFRASTRUCTURE PROJECTS



Source: Manhattan District History, BEA, Planetary Society, Eno Center for Transportation, San Francisco Fed, Hoover archives, Baruch, GoldenGate.org, New York Times, JPMAM, 2025.

EXHIBIT 3: STARTING POINT MATTERS



Source: Columbia Threadneedle.

Market Commentary

Equity Market Recap & Views

Stocks closed out the year with another quarter of gains, building on their momentum from earlier in the year. The S&P 500 gained +2.7% in Q4, bringing its year-to-date return to nearly +18%, and the Nasdaq 100 gained +2.5%, raising its full-year return to +21%. The full year gains are all the more remarkable since U.S. equity markets suffered a peak-to-trough drawdown of nearly 20% during 2025.

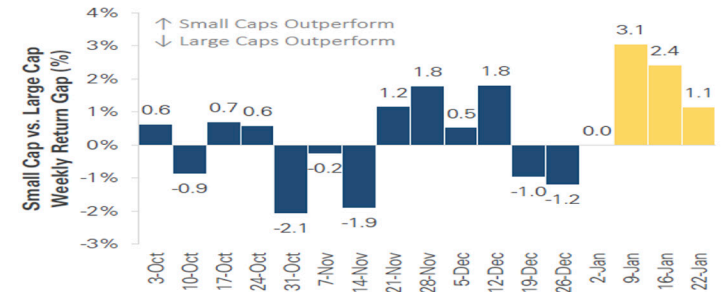
Those headline returns were constructive, but the main development in Q4 was a shift in market leadership which we believe will continue. Large-cap value proxies led the market, with the Russell 1000 Value up +5% compared to the Russell 1000 Growth up +1.1% for the quarter. The Russell 2000 gained +2.2% with small-cap stocks rallying to new highs as the Fed cut rates twice. We believe the combination of lower interest rates, a supportive economic backdrop, and increased AI scrutiny could create opportunities for new leadership (Exhibit 4). Thus, within Domestic Equity, we believe the “fine-tuning” opportunity requires a shift of some capital from the large cap-concentrated indices and managers to mid and small cap exposures that may finally benefit from a broadening of economic growth and market cap gains.

International stocks continued to outperform U.S. stocks, extending their gains from earlier in the year (Exhibit 5A). Notably, 2025 was the first year since the financial crisis that non-U.S. equity markets outperformed the U.S. Both Developed (non-U.S.) and Emerging Market indices gained nearly +5% in Q4. For the full year, they each gained over +30% and outperformed the S&P 500 by more than +13%. Their outperformance isn't a case of U.S. weakness, with the S&P 500 gaining nearly +18%, but was generated by broad international strength. A weaker U.S. dollar played a significant role, with the softness driven by rising trade tensions, policy uncertainty, and a rotation toward international equities (Exhibit 5B).

An Emerging Dawn in the Far East

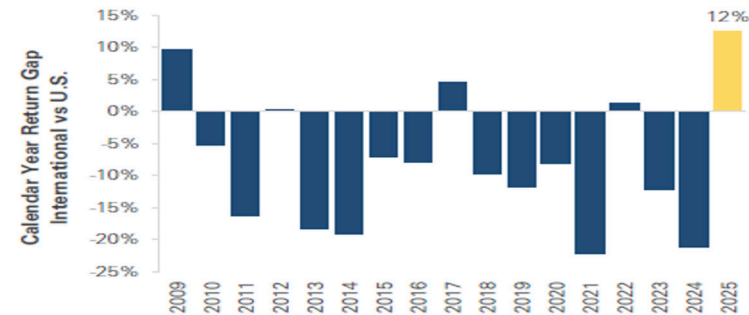
While a generous portion of International Equity performance was due to multiple expansion and currency in '25, the earnings growth gap between the U.S. and the rest of the world has narrowed, and there are signs of general broadening of earnings performance. On a country specific basis, Japan still stands out as an attractive country overweight within NRP portfolios. While trading cheaper

EXHIBIT 4: SMALL CAPS OUTPERFORM AS ROTATION CONTINUES



Source: MarketDesk.

EXHIBIT 5A: INTERNATIONAL STOCKS OUTPERFORMED BY OVER +10%



Source: MarketDesk. Analysis uses SPY and ACWX ETFs as proxies for U.S. and Intl. ex-U.S.

EXHIBIT 5B: NEXT 12-MONTH PRICE-TO-EARNINGS MULTIPLE (INTL. VS. U.S.)



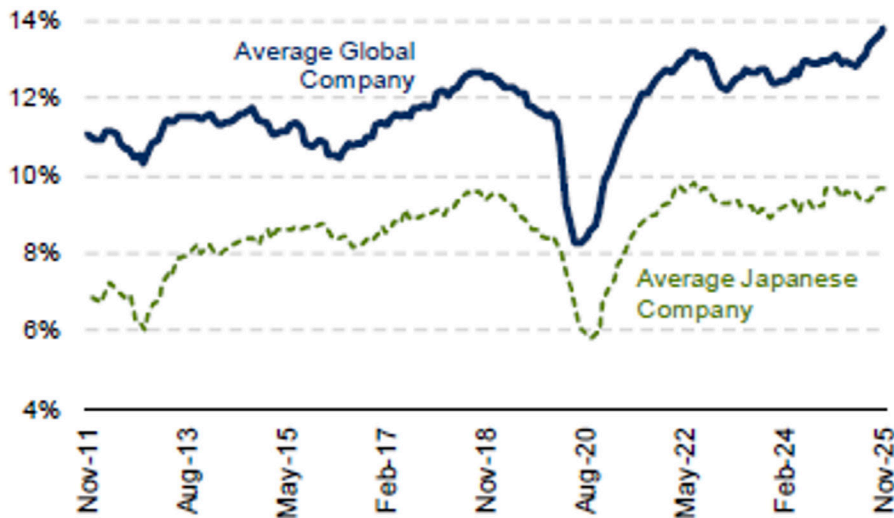
Source: MarketDesk. Analysis uses ACWX and ITOT ETFs as proxies for International XUS and U.S.

Market Commentary

An Emerging Dawn in the Far East continued

than the U.S. and international peers, corporate governance reforms have taken root to improve the growth profile of Japanese companies (Exhibit 6). As Goldman strategists recently noted, “January 2026 marks the third anniversary of the [Tokyo Stock Exchange’s] renewed emphasis on governance reform initiatives ... and since then there has been undeniable evidence of improving returns, stronger engagement, and more meaningful restructuring efforts.” Increased M&A and sector consolidation combined with improved ROEs set the stage for an attractive risk/reward profile. And, as a final support leg to the theme, the Japanese economy is on more solid footing after decades of deflation, tepid wage growth and weak domestic demand.

EXHIBIT 6: RETURN ON EQUITY FOR JAPANESE VS. GLOBAL COMPANIES



Source: Altrinsic Global Advisors.

Credit Market Recap & Views

The bond market was relatively quiet in Q4. Yields on shorter maturity U.S. Treasury bonds fell as the Fed cut rates twice, while longer maturity yields ended the quarter modestly higher as economic activity remained solid and inflation remained stuck near +3%. Overall, the bond market transitioned from a source of volatility during the Fed’s 2022-2023 rate-hiking cycle to relative stability and a source of income in 2025. This reduced bond volatility helped make mortgages an attractive sub-sector to clip yield and one of the few sub-sectors trading at elevated spread levels relative to history. The risk/reward for mortgage-backed securities still looks appealing today and provides another area for portfolio enhancement.

As the new year begins, credit spreads remain tight by historical standards. Investment-grade and high-yield spreads are at their tightest levels in decades, signaling investor confidence in corporate fundamentals and the economy. While spread tightening has supported corporate bond returns, it means valuations are no longer cheap. Corporate bonds offer compelling yields for income-focused investors, but they also come with important trade-offs. When spreads are this tight, there is less margin of safety if earnings or economic growth disappoint. For investors, it is important to balance the income potential with credit risk.

Market Commentary

Private Credit Fears Miss the Mark

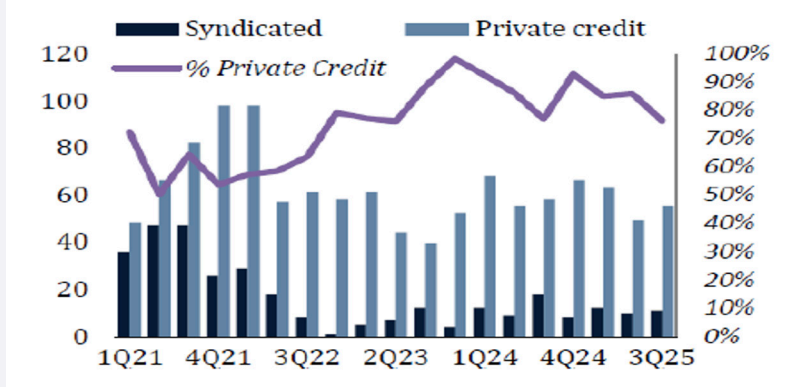
In Private Credit, tightening spreads in the public credit markets have crept down to upper middle market direct lending. However, senior secured lower middle market loans, where NRP maintains focus, continue to deliver high single-digit yields supported by elevated base rates. We continue to target sectors of the Private Credit Market that are less impacted by liquid credit market dynamics. Specifically, banks typically do not lend to middle market companies because the size of loans in that market is too small to syndicate efficiently. As shown in Exhibit 7, the number of LBOs financed in the direct lending market remains at approximately 80%. While large-cap private credit managers and the syndicated loan market will continue to fight over the largest financings, the lower middle market is not subject to this competition.

Two specific corporate defaults that grabbed headlines late in 2025 were First Brands and Tricolor. Credit market analysts characterized these failures as isolated, potentially fraudulent incidents, rather than harbingers of broad weakness in the credit markets. Importantly, neither had capital structures with private credit term loans. Despite the headlines, credit quality across our private credit portfolios has remained generally resilient. The direct lenders in the NRP portfolios have continued to perform well, with no funds having default rates greater than +1.5% for TTM period thru September 2025. This figure compares favorably to the Fitch private credit default rate of +5.2% over the same period.

Real Assets Deserving of a Portfolio Home

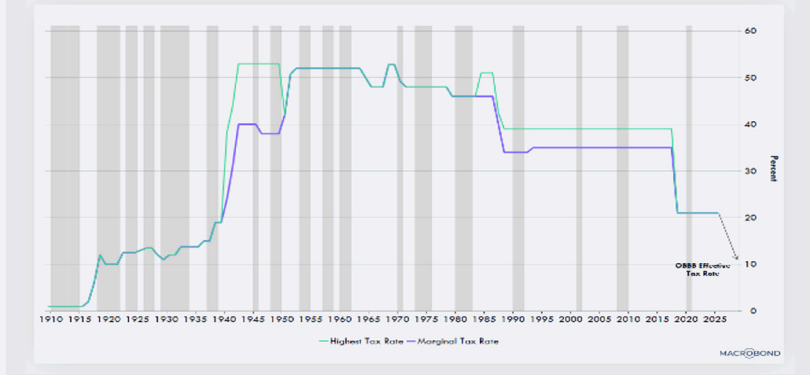
With mid-term elections on the horizon, the current administration is apt to try to run the economy hot. They are already priming the fiscal pumps via the “One Big Beautiful” bill, which is projected to lower the effective corporate tax rate towards 10% (Exhibit 8). Anticipating this approach to Real Assets for the last quarter, we raised portfolio allocations for both offensive and defensive reasons. On the defensive side, real assets exposure protects against dollar weakness, wartime-like fiscal deficits and spending, and the prospect of inflation. Gold exemplified this defensive characteristic, rising more than 60% in 2025 on the back of record central bank purchases and amplified geopolitical risk. We also view Bitcoin as a form of digital gold. Although Bitcoin fell marginally in 2025, in stark contrast to gold’s performance, we would underscore the

EXHIBIT 7: COUNT OF LBOs FINANCED IN BSL AND PRIVATE CREDIT



Source: Pitchbook, LCD.

EXHIBIT 8: U.S., FEDERAL CORPORATION INCOME TAX



Note: The shaded regions in the chart indicate U.S. Recessions as defined by the National Bureau of Economic Research (NBER) as of January 12, 2026. Source: ARK Investment Management LLC, 2026, based on data from U.S. Department of Treasury and U.S. Internal Revenue Service as of January 12, 2026. For informational purposes only and should not be used as the basis for any investment decision.

Market Commentary

Real Assets Deserving of a Portfolio Home continued

need to take a longer horizon given the high volatility of the asset. Bitcoin is up multiples over the past three years and its value as a portfolio diversifier is shown through its low correlation to all major asset classes (Exhibit 9)

On the offensive side, midstream, energy and power infrastructure assets are attractive given the durable multi-year growth theme in tech infrastructure spending and power demand. Utilities are experiencing meaningful load growth for the first time in years. This shift is catalyzing a new investment cycle in generation capacity, transmission infrastructure, energy storage and grid modernization. At NRP, we have invested in multiple opportunities positioned to benefit from rising power demand. These include public and private investments directly in power generation assets, pipelines and natural gas-oriented energy investments, which will be the primary input to fuel the power demand boom.

2026 Outlook – Market Strength Raises the Bar

Before we turn the page to 2026, it is worth reflecting on a year that was both eventful and remarkably calm. The year began with the stock market hitting new highs in February, only to reverse sharply as trade policy uncertainty triggered a nearly -20% sell-off. However, the sell-off set the stage for one of the strongest recoveries in decades. Fueled by AI enthusiasm, rate cut expectations, strong corporate earnings, and resilient economic growth, the S&P 500 finished 2025 with a nearly +18% gain, its third consecutive year of double-digit gains. Through it all, the stock market's gains have been supported by solid economic growth and strong corporate earnings.

Looking ahead, the bar is now higher. Today's starting point is very different than a few years ago, or even last year. Stock valuations are more expensive, credit spreads are near their tightest levels in decades, and expectations for earnings and economic growth are high. None of these are red flags on their own, but they frame a market that already prices in rate cuts, strong earnings, solid economic growth and the AI industry's growth. The combination doesn't necessarily signal a stock market sell-off, but it leaves less room for positive surprises.

EXHIBIT 9: CORRELATION MATRIX						
	Bitcoin	Gold	Commodities	S&P 500	Bonds	REITS
Bitcoin		0.14	0.20	0.28	0.06	0.15
Gold	0.14		0.45	0.24	0.30	0.29
Commodities	0.20	0.45		0.37	0.00	0.34
S&P 500	0.28	0.24	0.37		0.27	0.79
Bonds	0.06	0.30	0.00	0.27		0.39
REITS	0.15	0.29	0.34	0.79	0.39	

Note: The correlation matrix above uses weekly returns from 1/1/2020 through 1/6/2026. The assets are as follows: Bitcoin = Bitcoin Currency, Gold = Gold Currency, Commodities = Bloomberg Commodity Index, S&P 500 = S&P 500 Index, Bonds = Bloomberg U.S. Aggregate Bond Index, REITS = FTSE Nareit Equity REITS Index. Source: ARK Investment Management LLC, 2026, based on data from Bloomberg as of January 12, 2026. For informational purposes only and should not be used as the basis for any investment decision.

Market Commentary

2026 Outlook – Market Strength Raises the Bar continued

Despite the high bar, there are many positives. The tech sector is experiencing a wave of innovation not seen since the internet era of the late 1990s. The S&P 500's earnings grew by double digits the past two years, with expectations for solid growth in 2026. Consumers, the engine of the U.S. economy, continue to spend if they are in the higher income brackets. Interest rates are coming down, which could unlock economic activity that higher rates delayed the past few years. Financial markets are open and functioning, and there's no clear sign of systemic stress.

We are also fully aware that there may be as many risks as there are positives to the picture, including poor sentiment/survey data (Exhibit 10), weak labor markets, trade war uncertainty, housing affordability, and elevated inflation. As one of our investment managers summarized the market, "at present, the global economic picture is neither compelling enough to form a definitive investment view nor weak enough to reject taking any risks."¹

Against such a backdrop, we believe global diversification across asset classes will outshine the passive 60/40 stock/bond mix and active management will be rewarded as passive flows have swung the pendulum too far in the opposite direction. At NRP, that active management includes multiple approaches: continuous underwriting and active sourcing of a strong bench of active managers and direct investment opportunities, rotating capital into high conviction themes and geographies, avoiding lax credit standards, and maintaining valuation discipline. Now is the time to be actively fine-tuning portfolios rather than assuming historical market trends will persist.

¹ TreeLine Advisors.

—NRP Investment Committee
January 30, 2026

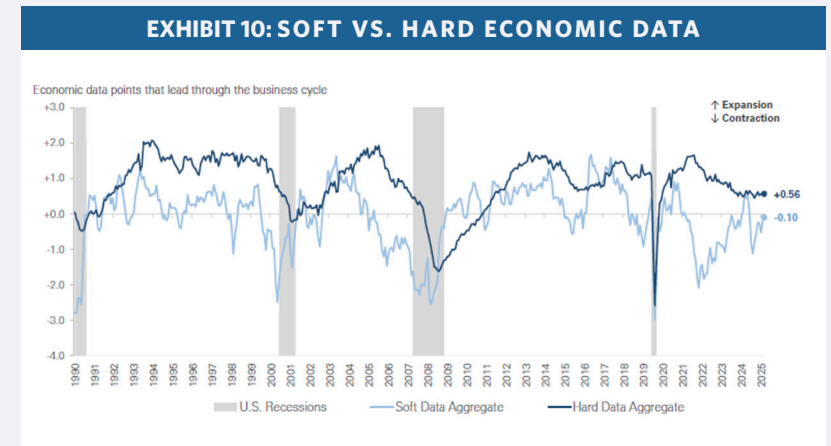
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Source: MarketDesk. Calculated as the average z-score of each soft and hard data input relative to the past five years.

Market Commentary

NRP Asset Allocation Views and Positioning 2026

ASSET CLASS	VIEWPOINT AND CURRENT STANCE
Domestic Equity	U.S. equity markets are still at full valuations and the U.S. economy has defied any tariff headwinds. Recent labor, consumer spending and housing data show a slowing but resilient economy. We view tech infrastructure spending as a durable multi-year growth time, despite periodic volatility in related equities as investors become more discerning on AI benefits. We are leaning into a quality focus with active managers and shifting capital to mid and small cap exposure.
International Equity	International investments continue to yield cheaper valuations than those in the U.S., but are elevated relative to history. Much of the 2025 performance was driven by FX and multiple expansion vs. earnings growth, however the earnings growth gap with the U.S. has narrowed. Japan bull case still has room to run. We are positioning international equities as a hedge against high U.S. valuations and as a source of diversification in non-recessionary environments.
Emerging Markets	We remain constructive on emerging markets after a standout year in 2025. Continued pressure on the U.S. Dollar provides incremental tailwind over 2026. India stood out as a laggard in 2025 due to trade headwinds, foreign selling and new issuance. Strong earnings growth and supportive domestic demand underpin a long-run growth story worth overweighting in portfolios.
Hedged Equity	The market environment remains favorable as greater dispersion equals more long-short spread for these managers to exploit. Managers are taking advantage of extra degrees of portfolio flexibility in the current late cycle environment and are beneficiaries of any market broadening.
Private Equity	Though improved since the trough in 2022, the pace of distribution from PE funds remained below historical averages in 2025. IPO activity in the U.S. is picking up which is a positive signal. NRP's lower-middle market bias still holds and helps mitigate broader market risks. We are investing in the AI theme from multiple angles, across public and private markets, while monitoring adoption trends, valuations, and speculative signals as the cycle matures.
Private Credit	A competitive dynamic is taking place in broadly syndicated loans and upper middle market direct lenders which NRP seeks to stay beneath. The increased competition at the large end of the market is notable given recent high profile defaults creating friction between private credit and traditional bank players. NRP prefers lower middle market private credit, where spreads, leverage, and covenants remain more disciplined than in large-cap deals.
Traditional Fixed Income	NRP favors mortgage-backed securities within fixed income for their attractive spreads, while keeping duration short amid steepening yield curves and rising term premiums. We continue to shift out of cash from a barbelled stance as the rate cut cycle continues. Municipals were held back in 2025 due to policy uncertainty and strong supply which is set to abate in 2026.
Absolute Return	Absolute Return's role as a ballast tool in portfolios still holds with its lack of correlation and steady return characteristics. We are currently holding a slight underweight to target in order to fund opportunities in Real Assets, Hedged Equity, and MBS within Traditional Fixed Income given higher rates and spreads for that segment.
Real Assets	We are maintaining a full allocation to real assets as protection against inflation, fiscal spending, and potential dollar weakness. Inflation has come down, but to a higher plateau. The USD is still under pressure from FX debasement, increasing the need for diversification from financial assets with real assets. The firm is sourcing opportunities in energy and power infrastructure given the dramatic increase in AI spending by the hyperscalers on data centers and semiconductors.



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