

## **George McAuliffe – Fourth Quarter 2025 Commentary**

Dear Clients,

The market in the fourth quarter of 2025 was slightly more volatile than in the prior quarter, showing a noticeable dip in November (New York City and thereby Wall Street electing their first socialist mayor? Or fear the Fed might not cut?), but the overall upwards trend continued. Headlines come and go (similarly to the government shutdown during the quarter), but the economy continued to hold together, the Fed became a bit more accommodative towards returning to a neutral rate, and many of the main economic drivers appear to exit 2025 intact.

And so we end a year where a tumultuous first half of tariffs, easing, and coming stimulus from new legislation, gave way to a calmer second half where a resilient economy and consumer, and a slightly more dovish (if still cautious) Fed, provided more stable and encouraging footing for a market that continues to have a lot of positive trends in place. We thus exit the year with a Santa Claus rally that did not really appear in the prior year, and a fairly imperturbable market (too imperturbable? is that a good thing?) that so far in the early days of 2026 could seemingly not care less about headline noise such as the US reordering Venezuela and the global oil markets.

As for the drivers in place for the new year, we have discussed these in the past, and they all seem to have progressed a bit. Of course there is AI, where we entered the year with still generally more promises than monetized tools, but where now capabilities have extended and monetization is starting to be achieved. There is also the related data center buildout with corollaries for energy and water, and while something a bit more commodity like this can become overbuilt, we do not seem to be nearing that point yet. There also remains the US housing shortage, where construction is always an economic driver, and lower interest rates and talk of 50-year mortgages should be boosters. Industry generally seems ok, and things like nearshoring and increased or restructured electrification will remain drivers. Finally, in the financial world, M&A and IPO's both seem just starting to awaken, enabled respectively by a less restrictive administration, and a better stock market.

So while this outlook seems pretty good, something can always (and usually does) go wrong at some point. What the current US administration might say on any given day remains anyone's guess, but what we have learnt from the past year is that it should be somewhat discounted. Actions have also been a bit unpredictable, but nothing approaching a gross geopolitical miscalculation, so far. In my mind, the biggest thing to watch this coming year will be valuations, where in a currently fairly "happy" market, many companies, even some of the best, have been given credit for things they have yet to fully deliver on. Some will

certainly have delays, and there are always periods in markets where stocks pause for a bit, or even take a step back, to grow into valuations granted during sunny days, or while market favor broadens to include more names. And none of this would surprise me in the coming year, but certainly not any reason to alter my strategy.

With my focus on quality companies which have needed products, good moats, and growing markets, many of these investments were thus rewarded this past quarter as well as over the past year. These are the types of companies less affected by short-term perturbations as they, and their customers, are best positioned to find ways around such problems. Investments in companies fitting this description, able to thrive longer-term through the short-term noise, are as we see what drive long-term wealth preservation and growth. I look forward to continuing to search for, and hold, such investments during the coming year. Thank you for your ongoing trust and support.

As always, I would be happy to discuss further with anyone interested.

Thank you,

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