

# CORE

## Q4 | 2025 Commentary

The last quarter of 2025 brought higher asset prices for both equities and fixed income, two additional rate cuts from the Fed, and continued stronger than-expected corporate earnings and guidance. Viewing the fourth quarter in isolation, one would be hard-pressed to place the most recent quarter anywhere near the first half of 2025, which saw markets rocked by geopolitical shifts, tariff turmoil, and uncertainty about the future. For nearly all of Q4, the broader market shrugged off concerns of increased trade tensions and climbed to new highs.

Overall, the equity recovery from the lows of 2025 remained very divided through the end of the year, with significant performance differences between outperformers and laggards. This difference is apparent by comparing the performance of the more popular cap-weighted S&P 500, with its equal weight counterpart for the year, wherein the cap-weighted version notably outperformed. This was largely due to continued momentum and further investment in artificial intelligence and the fact that the companies best poised to benefit from increasing AI adoption are larger, more established, and had higher starting positions in the cap-weighted S&P 500. Fixed income also found a solid footing in 2025, with most rate cut expectations manifesting into reality. Overall, bonds saw strong performance, which boosted diversified portfolios to new levels.

Closing out both Q4 and 2025, the markets once again seem to be on a clear path forward and higher, setting the stage for a potentially strong 2026, across both asset classes. Volatility remains well below average and credit spreads closed out the year also near record lows.

Within equities for the fourth quarter, the total return crown went to international developed markets. The quarter's outperformance with international stocks can be mostly attributed to ongoing momentum in the international equity space, coupled with attractive relative valuations alongside the backdrop of overall weak performance of the US dollar in 2025. International and emerging market securities shined on the prospects for increased fiscal spending abroad and generally renewed interest in possible economic expansion abroad. Q4 overall saw some continued rotation into value and other inexpensive parts of the equity market.

It is likely bonds overall will continue to see a welcoming and positive total return environment if rates continue to remain rangebound to lower given overall market conditions. According to Fed Futures rate consensus information, 2-3 rate cuts are possible throughout 2026, largely dependent on updated economic and inflation data.

Fixed income in Q4 edged higher yet again, aided by ongoing subdued inflation and the materialization of highly anticipated rate cuts from the Fed that fueled declines across the yield curve. This, we believe, along with the prospect of further possible rate cuts into 2026 and historically tight credit spreads helped boost fixed income prices and returns across the curve.



### Lead Portfolio Manager Mitch Ehmka, CFA®, CIPM®

*Managing Director of  
Research and Performance*

Mitch Ehmka is the Managing Director of Research and Performance for Kingsview Partners. for Kingsview Partners. Mitch has worked with Kingsview since 2010 and has assumed increasing responsibility during his tenure, serving as Head Trader for 3 ½ years, and then as Director of Trading for five years before being named Chief Trading Officer in 2022. Mitch oversees all trading operations within the firm from Chicago, runs the day-to-day trading operations of Kingsview Investment Management and is a founding member of the Investment Committee.

Mitch helps Advisors, fellow Portfolio Managers and the Investment Committee implement investment strategy, and assists in guiding portfolio implementation within Kingsview's systems. Mitch also spearheads the GIPS efforts of Kingsview Investment Management and oversees its claim of compliance with the GIPS standards in investment performance reporting.

The broad risk yield spread, as measured by the 2/10-year treasury spread, marched higher throughout the quarter, moving slightly steeper into positive territory, a notable bull steepener pattern within the 2/10. A bull steepener is typically a traditional bullish sign for fixed income, as falling shorter-term rates help prop up bond prices. Shorter-term yields are seeing pressure from Fed rate cuts and the longer end of the curve is not seeing the same moves. Overall, the current bond environment in general is signaling strong confidence in the underlying economy, as credit spreads trade near historic lows and, at this point, the majority of the treasury yield curve, from 3 months to 30 years, is following suit.

Fixed income in general remains historically inexpensive even after recent rallies and the intermediate and longer-term bond market outlook continues to remain attractive with current pricing, in our view. The Fed's longer-term target for both inflation and its stated neutral aiming point for short-term rates still leaves opportunity on the table for fixed income.

2025 strongly illustrated the merits of owning a diversified portfolio and we expect further benefits to be demonstrated well into 2026 and beyond. In the Core Portfolio Series, our general strategy is to own a bit of everything in weights reflective of the optimized forward market opportunity. This generally means acquiring more of asset classes that are out of favor and holding them steadfast, rebalancing as needed instead of simply chasing and owning only the top performers.

One of the key pillars of CPS is rebalancing asset classes to normalize overweight winners and add to underperformers as well. This, in general, means that CORE portfolios may benefit from reversion to the mean over time. We feel that the markets ahead may bring continued widening market breadth that should reward those with well-diversified portfolios via portfolio rebalancing over time.

**We at Kingsview Investment Management appreciate your continued support of the CORE Portfolio Series. Should you wish to speak with one of our portfolio managers, please email [investments@kingsview.com](mailto:investments@kingsview.com).**

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