



# Retirement Market Recap

## Markets Stabilize Despite Opaque Policy, Domestically and Abroad

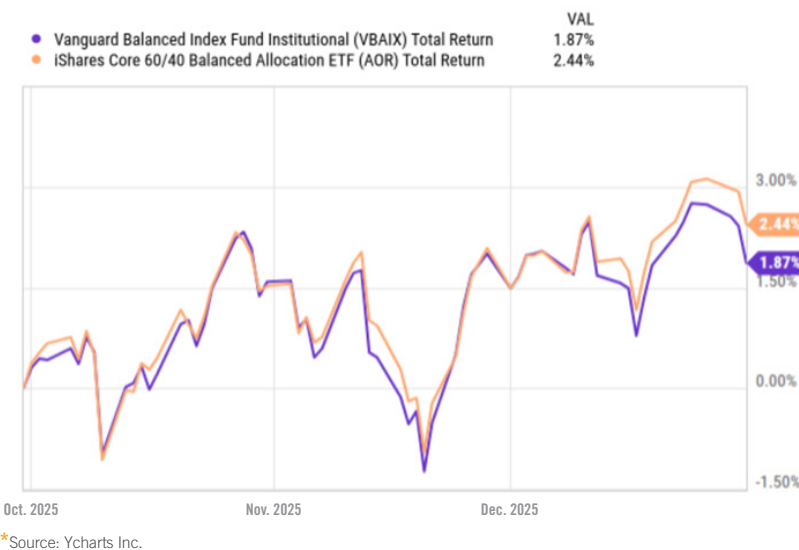
Following a stellar and relatively stable third quarter, the final three months of 2025 had episodic volatility in stock and bond markets. Nonetheless, there were solid gains in absolute (stand-alone) and relative terms for the fourth quarter and calendar year.

Once the dust settled, the balanced fund investments noted to the right (U.S.-only and global) showed that applicable retirement savers – including many invested in comparable target date funds – experienced total returns in line with recent historical averages (10 years ending December 2025). Specifically, the 10-year quarterly average of +2.45% vs. +1.87% for VBAIX in Q4 and +2.08% vs. +2.44% for AOR in Q4. For the full calendar year, gains of 13.59% and 16.43% compared favorably to 10-year annualized returns of +9.57% and +7.98% (through December 2025).

However, unlike the positive sentiment in the summer months when trade agreements were reached between the U.S., various Asian nations and the European Union, domestic and geopolitical uncertainty resumed in October and November.

The federal government shutdown in the U.S. began on Oct. 1 and extended

**Balanced fund performance – Q4 2025\***  
**VBAIX and AOR represent U.S.-only and global 60/40 stock-bond (balanced) index funds**



into November, becoming the longest in the country's history. In addition to the many federal employees facing temporary layoffs, economic data releases were delayed, creating uncertainty among high-level financial institutions and "real economy" small businesses and consumers.

Internationally, trade tensions escalated between the U.S. and China in October, along with political uncertainty

in France and leadership changes in Japan, which for the latter raised the possibility of more government spending and loose monetary policy. The eventual meeting between President Trump and President Xi Jinping of China in late October was perceived as de-escalating and a "tactical truce" but the varying signs and narratives drove more volatile, choppy performance in global stock and bond markets, as seen on page two.

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Domestic and international equity markets finished the year strong with the partial de-escalation of trade and geopolitical tensions and signs that economic growth was slowing rather than showing material declines. Another important driver was the resilience of corporate earnings, especially in the technology and artificial intelligence related areas of the market.

2025 overall showed a large increase in performance dispersion across regions and asset classes (see page three). A combination of local political dynamics, divergent central bank policies (e.g., interest rates) and differences in fiscal stimulus (e.g., government spending) were all key drivers of performance dispersion.

As noted in our prior quarterly market commentaries, recent drivers of retirement plan participants' gains have been the outperformance of international stocks over U.S. stocks. The fourth quarter indicated a resumption of this leadership change, as shown in the top right chart.

For perspective, during the post-financial crisis following March 2009 through year-end 2024, the S&P 500's annualized total return was +15.73% while the noted international and emerging market equity indices had annualized total returns of just +7.54% and +6.66%. With the compounding effect of returns over time, that ~15.5-year period resulted in U.S. equities (S&P 500 Index) outperforming international and emerging market stocks by approximately 680% and 720% cumulatively (Source: Ycharts).

### Stock market performance – Q4 2025\*

MSCI ACWI net total return index is a global equity index (U.S. and international stocks)

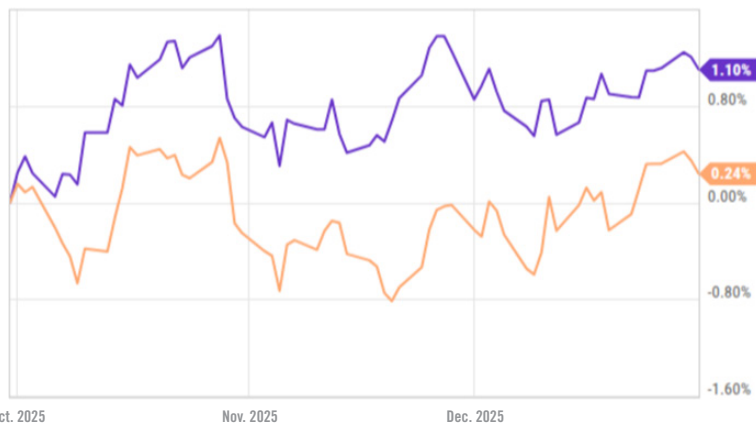
	VAL
MSCI ACWI Ex USA Net Total Return (*MSACXUSNTR)	5.05%
MSCI Emerging Markets Net Total Return (*MSEMNTR)	4.73%
MSCI ACWI Net Total Return (*MSACWINTR)	3.29%
S&P 500 Total Return (*SPXTR)	2.65%



\*Source: Ycharts Inc.

### Bond market performance – Q4 2025\*

	VAL
Bloomberg US Aggregate (*BBUSATR)	1.10%
Bloomberg Global Aggregate (*BBGATR)	0.24%



\*Source: Ycharts Inc.

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There continue to be an immense number of contributors and detractors to performance comparisons over varying periods and across regions, which can change abruptly. However, equity

market performance in 2025 warrants attention. Diversification, long-term perspective and appreciating how conditions can materially evolve over time is important for investors of different

experience and interest levels to understand and put into practice, whether through passive or actively managed solutions.

	Total Returns Through Dec. 30, 2025				
	3 month total return	1 year total return	3 year annualized total return	5 year annualized total return	10 year annualized total return
<b>S&amp;P 500 Total Return (US Stocks)</b>	<b>2.66%</b>	<b>17.88%</b>	<b>23.01%</b>	<b>14.42%</b>	<b>14.82%</b>
<b>(Global Stocks) MSCI ACWI Net Total Return</b>	<b>3.29%</b>	<b>22.34%</b>	<b>20.65%</b>	<b>11.19%</b>	<b>11.72%</b>
<b>(International Stocks) MSCI ACWI Ex USA Net Total Return</b>	<b>5.05%</b>	<b>32.39%</b>	<b>17.33%</b>	<b>7.91%</b>	<b>8.41%</b>
<b>(International Developed Stocks) MSCI EAFE Net Total Return</b>	<b>4.86%</b>	<b>31.22%</b>	<b>17.22%</b>	<b>8.92%</b>	<b>8.18%</b>
<b>MSCI Emerging Markets Net Total Return (stocks)</b>	<b>4.73%</b>	<b>33.57%</b>	<b>18.21%</b>	<b>7.02%</b>	<b>7.99%</b>
<b>Russell Midcap Total Return (US mid-cap stocks)</b>	<b>0.16%</b>	<b>10.60%</b>	<b>14.36%</b>	<b>8.67%</b>	<b>11.01%</b>
<b>Russell 3000 Total Return (US broad market stocks)</b>	<b>2.40%</b>	<b>17.15%</b>	<b>22.25%</b>	<b>13.15%</b>	<b>14.29%</b>
<b>Russell 1000 Total Return (US large cap stocks)</b>	<b>2.41%</b>	<b>17.37%</b>	<b>22.74%</b>	<b>13.59%</b>	<b>14.59%</b>
<b>Russell 2000 Total Return (US small cap stocks)</b>	<b>2.19%</b>	<b>12.81%</b>	<b>13.73%</b>	<b>6.09%</b>	<b>9.62%</b>
<b>(Public Real Estate Securities) S&amp;P US REIT Net Total Return</b>	<b>-1.78%</b>	<b>1.77%</b>	<b>7.01%</b>	<b>5.38%</b>	N/A
<b>(Global Bonds) Bloomberg Global Aggregate Index Return</b>	<b>0.24%</b>	<b>8.17%</b>	<b>3.98%</b>	<b>-2.15%</b>	<b>1.26%</b>
<b>Bloomberg US Aggregate Bond Index</b>	<b>1.10%</b>	<b>7.30%</b>	<b>4.66%</b>	<b>-0.36%</b>	<b>2.01%</b>
<b>Bloomberg US Corporate High Yield Bond Index</b>	<b>1.31%</b>	<b>8.62%</b>	<b>10.06%</b>	<b>4.51%</b>	<b>6.53%</b>
<b>(Cash) Bloomberg US Treasury Bills 1-3 Month Index</b>	<b>1.01%</b>	<b>4.29%</b>	<b>4.91%</b>	<b>3.24%</b>	<b>2.18%</b>
<b>Bloomberg US TIPS Index</b>	<b>0.13%</b>	<b>7.01%</b>	<b>4.23%</b>	<b>1.13%</b>	<b>3.09%</b>
<b>(60/40 Global Stock-Bond) iShares Core 60/40 Balanced Allocation</b>	<b>2.44%</b>	<b>16.43%</b>	<b>14.26%</b>	<b>6.94%</b>	<b>7.98%</b>

Source: Ycharts Inc., data as of Dec. 30, 2025.

AOR seeks to track the investment results of the S&P Target Risk Balanced Index composed of a portfolio of underlying equity and fixed income funds intended to represent a balanced allocation target risk strategy. The fund is a fund of funds and seeks its investment objective by investing primarily in underlying funds that themselves seek investment results corresponding to their own respective underlying indexes. It generally will invest at least 80% of its assets in the component securities of its underlying index. The index measures the performance of the S&P Dow Jones Indices LLC proprietary allocation model (Source: Ycharts Inc).

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