RPg asset management
Defending Capital. Redefining Risk.

MONTHLY COMMENTARY
December 2025
Solutions Based on TAG Macro & RPg Quantitative Strategies

The following commentary is the opinion of our Portfolio Manager at the time of its writing. Please see important disclosures.

The Year in Review

OVERVIEW

Two themes dominated financial market action throughout the year. It started out with a sell off in technology stocks tied to the Artificial Intelligence (AI) trade, prompted by the announcement of Chinese company DeepSeek's new AI technology. With AI stocks priced for perfection, they were vulnerable to any challenges to their future assumptions. Then in March, talk of tariffs resurfaced with the upcoming Liberation Day unveiling of Trump's new tariff policy, which promptly took the S&P 500 down -5.65% for the month. The actual April 2 Liberation Day unveiling proved a shock from tariffs that were much higher than previously thought, which sent US stocks down hard again. Apparently, the market action caught President Trump's attention and he soon after announced a 90 day pause in the tariffs' effective date, to allow for negotiations, which sent stocks rallying back up. After all that roller coaster action, the S&P 500 ended the month down -0.68%. In August, the focus shifted to potential Federal Reserve rate cuts in September. When the Fed signaled the cuts were likely, that set off rally with the S&P 500 up 1.91% and US Small Caps up a whopping 6.89% for the month. The Fed did cut rates by 0.25% (25 basis points or bps) in September. The rest of the year was a back and forth over the AI trade which, once again, was propping up the S&P 500's return. The actual economic news reinforced the picture of a resilient economy and minimal effects from tariffs on inflation. Overseas, the Eurozone, led by Germany, announced billions of dollars to be invested in defense and infrastructure which drove renewed interest in those economies. Brazil's economy managed steady growth despite previous concerns over restrictive monetary policy, which reversed concerns that had dragged down that market in 2024. The business growth index for China, India and Brazil Emerging Markets and for Germany, UK and Japan Developed Foreign Markets all remained at moderate to strong growth levels.

The S&P 500 ended the year at 16.68% with Foreign Developed at 31.33% and Emerging Markets at 34.03%. In the US, Large Caps outperformed Small Caps and Growth bested Value. Large Cap Growth is the asset class wherein the technology stocks related to the AI trade reside. In a similar replay of the S&P 500's performance for 2023 and 2024, the AI trade drove the performance of the S&P 500. Four (4) of those stocks – which is less than 1% of the 500 stocks in the S&P, which made up 22% of the entire structure weighting of the S&P, accounted for 42% of the S&P's return for the year! To us, that doesn't look like an "index" that is representative of the US stock market, let alone a "benchmark" against which to measure investment performance. Better growth rates and valuations drove the outperformance of foreign equity markets, aided further by the decline in the Dollar.

Treasury Bond yields generally declined during the year. Coupled with a positive outlook on the economy, Interest and Blend generated strong returns with Credit outperforming. The Dollar declined -8.21% for the year which led Global Bonds to outperform US Bonds.

Natural Resources were the stars of the year led by stunning returns in Precious Metals and very strong returns in Industrial Metals. Energy was negative for the year which is in part an intended consequence of the Trump "drill baby drill" energy policy.

PERFORMANCE

TAG TACTICAL STRATEGIES: Global Macro

All three *Core Strategies- Tactical Conservative, Tactical Moderate, Tactical Growth-* substantially outperformed their domestic and global proxies. Allocations to Natural Resources, Foreign Equities and Foreign and US Credit Bonds drove the outperformance.

Tactical Income outperformed its domestic and global proxies. Allocations to US and Foreign Credit Income Securities drove the outperformance. The yield as of December 31, 2025, is at 5.63%.

Tactical Equity significantly outperformed its domestic and global proxies. Allocations to Metals Miners, Brazil Small Cap, Aerospace & Defense and Biotechnology drove the outperformance.

RPg STRATEGIES: Quantitative Formula

Tactical US Equity garnered a substantial portion of the S&P 500 return. A broad based sector allocation drove performance. *Tactical US Equity FT* garnered a lesser amount of return due to its Small/Mid Cap weighting.

Tactical Global Balanced substantially outperformed its domestic and global proxies. Allocations to Foreign Developed Equities, Foreign Bonds and Natural Resources drove the outperformance

2026 OUTLOOK

The economy in 2025 withstood the fiscal drag from DOGE and the illegal immigrant deportations. We believe the tax incentives in the One Big Beautiful Bill will be felt by taxpayers beginning in the first quarter of 2026. The impact on new jobs and incomes from the massive foreign direct investment pledges should begin sometime by midyear. The substantial decline in energy prices is already benefiting consumers at the gas pump and should work its way through price reductions in other segments of the economy during the year. Whether the Fed cuts rates again or not, we view the current rate as accommodative, thus supportive of further economic growth. Housing affordability remains an issue that ultimately must be primarily resolved through greater supply. Toward that end, the Trump regulatory reforms will likely help. Therefore, we expect solid economic growth in 2026. We do not expect the midterm elections to derail the growth initiatives in place.

Overseas, we expect the Eurozone's commitments to economic investments to help drive improved and sustainable growth. We expect China to take further measures to shore up their growth to strengthen their geopolitical positioning with the US. We see South America continuing to move to less socialistic governments in Argentina, Chile and Brazil. The recent events in Venezuela may expand that movement. It is always possible that the more assertive US posture in foreign problem areas could lead to some unforeseen problems.

The proprietary TAG and RPg research systems will continue to analyze data and events and drive our tactical asset allocation decisions.

Your RPg Investment Team

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We welcome your comments and questions regarding the foregoing.

Please direct them to: support@riskparadigmgroup.com

Please read and refer to important disclosures that follow.

Important Disclosures:
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References to Indexes: The S&P 500 Index is an unmanaged index of 500 stocks that is generally representative of the equity performance of larger companies in the U.S. Please note that an investor cannot invest directly into an index.

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