

# Navigating 2026: Risk-Aware and Disciplined Positioning Beyond Traditional Beta

Exhibit 1: Trailing Returns as of December 31, 2025

Index/ETF	1-Mo	3-Mo	1-Y	3-Y	5-Y
Equities	International Developed Equities (SPDW)	3.1%	5.7%	34.7%	18.0%
	Broad-based Emerging Markets (SPEM)	1.2%	1.7%	25.6%	15.6%
	US Growth (SPYG)	-0.2%	2.2%	22.1%	29.2%
	US Large-Caps (SPY)	0.1%	2.7%	17.7%	22.8%
	US Value (SPYV)	0.4%	3.2%	13.2%	15.8%
	US Mid-Caps (SPMD)	0.0%	1.6%	7.4%	12.5%
US Fixed Income	US Small-Caps (SPSM)	0.0%	1.7%	6.1%	10.1%
	High Yield Credit (JNK)	0.6%	1.4%	8.8%	9.6%
	US Treasury 7-10 Year (IEF)	-0.8%	0.9%	8.0%	3.6%
	Investment Grade Corporate Bonds (SPBO)	-0.4%	0.7%	7.8%	6.4%
	US Aggregate Bond Index (SPAB)	-0.4%	1.0%	7.2%	4.6%
	Treasury Inflation Protected Notes (SPIP)	-0.6%	-0.1%	6.8%	4.0%
Commodities	Municipal Bonds (MUB)	0.2%	1.7%	3.8%	3.5%
	Silver (SLV)	25.8%	52.0%	144.7%	43.0%
	Gold (GLD)	2.2%	11.5%	63.7%	32.6%
	Broad-based Commodities (BCI)	-0.5%	5.4%	14.9%	3.4%
	Crude Oil (USO)	-2.7%	-6.2%	-8.5%	-0.5%
					15.9%

## 2025 Sees Strong Returns Across Markets

Despite geopolitical risks, tariff concerns, inflation pressures, a government shutdown, and labor market softness, equities delivered strong gains in 2025. Leadership broadened as international markets led performance alongside mega-cap strength, AI-related optimism, and interest rate cuts. The S&P 500 Index gained roughly 18% for the year, marking its third consecutive year of double-digit gains, while recording 39 all-time highs. Notably, international developed equities (+34.7%) led gains, followed by emerging market equities (+25.6%) and US growth (+22.1%). Bonds fared well as high yield credits rose 8.8%, 7-10 year US Treasuries gained 8.0%, and investment grade corporates increased 7.8%. Aside from crude oil (-8.5%), commodities produced positive returns as silver was up 144.7%, gold rose 63.7%, and broad-based commodities increased 14.9%.

## Fed Cuts Rates Again, Signals Bond Purchases

The Federal Reserve cut the federal funds rate by 25 bps with a 9-3 vote at the December FOMC meeting, lowering the target range to 3.50–3.75%. This marked the third consecutive rate cut of the same magnitude in 2025. As the government shutdown ended, incoming data pointed to slower job growth and rising unemployment. With inflation still above the Fed's 2% target, the December rate cut reflected a greater emphasis on supporting the labor market rather than curbing price pressures. Looking ahead in 2026, the Fed signaled it would resume bond purchases starting with \$40 billion in January. While many market participants view this as a form of quantitative easing, officials noted it is intended to prevent reserve shortages that could disrupt the smooth functioning of money markets. The updated Summary of Economic Projections showed an upgrade into the Fed's growth outlook, with 2026 GDP growth revised higher to 2.3% from 1.8%. At the same time, PCE inflation forecasts were slightly lowered for both 2025 and 2026. Even with these revisions, unemployment projections remained largely unchanged, along with the median 2026 year-end rate still projected at 2.9–3.6%. For the upcoming January FOMC meeting, the market is pricing in roughly an 85% chance of a hold according to the CME FedWatch Tool.

Source: FactSet. Data as of December 31, 2025. 1-Y, 3-Y, and 5-Y numbers are annualized. Past performance is not indicative of future results.

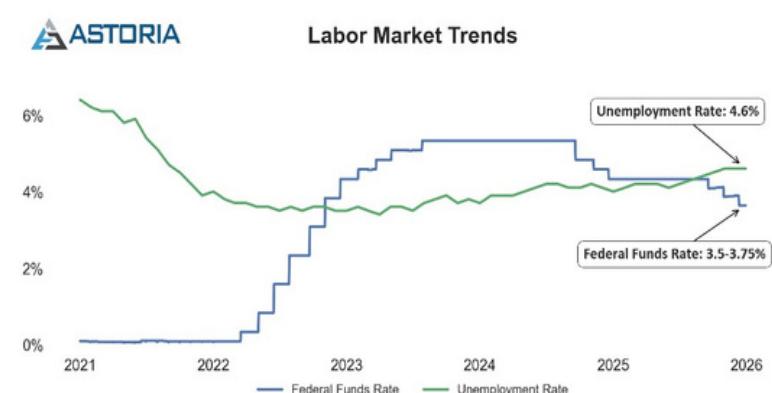
## Labor Market Softens Amid Rising Unemployment

November labor market data showed that total Nonfarm Payrolls rose by about 64k, a modest gain following little net change in employment since spring. The unemployment rate increased to 4.6%, the highest since 2021, reflecting slower job growth and an expanded labor force. The ADP Private Payrolls report showed employers shed roughly 32k jobs, mostly at small businesses. Weekly Initial Jobless Claims fell to around 199k, remaining low and indicating that layoffs have not spiked, consistent with a “low-hiring, low-firing” labor market. Given this backdrop, the Fed sees lower rates ahead to support its maximum employment mandate, while weighing soft labor signals against inflation above the 2% target. With annualized Q3 GDP up 4.3% and Core PCE at 2.8%, further rate cuts could help prevent a sharper rise in unemployment but also risk rekindling inflation.

Exhibit 2: Labor Market in Low Hiring/Low Firing State



Exhibit 3: Unemployment Rate & Federal Funds Rate



## Global Stocks Shine as Mega-Cap Leadership Narrows

In 2025, the market gradually rotated away from the leadership of the Magnificent 7. In 2023, all seven of these mega-cap tech names outpaced the broader market, and in 2024, six of the seven still delivered index-beating returns. However, this year only Alphabet and Nvidia managed to outperform the S&P 500, driven by AI initiatives and robust demand for advanced chips and cloud services. At the same time, equities outside the US and beyond Magnificent 7 have shown impressive performance. Various developed and emerging markets delivered stronger returns than the S&P 500 in 2025, supported by earlier and more pronounced dovish shifts in monetary policy, a meaningful depreciation of the US dollar that boosted foreign-currency returns, and a broad re-rating of price-to-earnings multiples globally. Could these trends signal the start of a new market regime with broader, more diversified leadership beyond the mega-cap tech stocks?

Exhibit 4: 2025 Returns – Magnificent 7 & S&P 500 Index

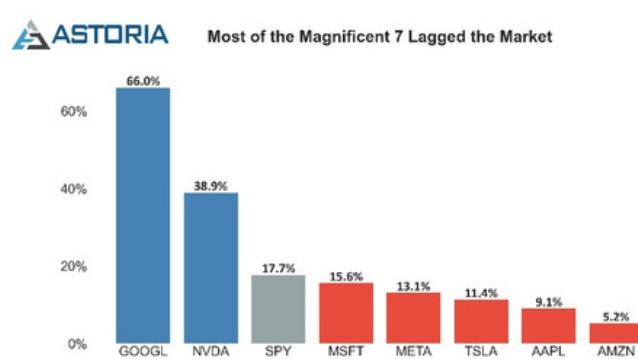
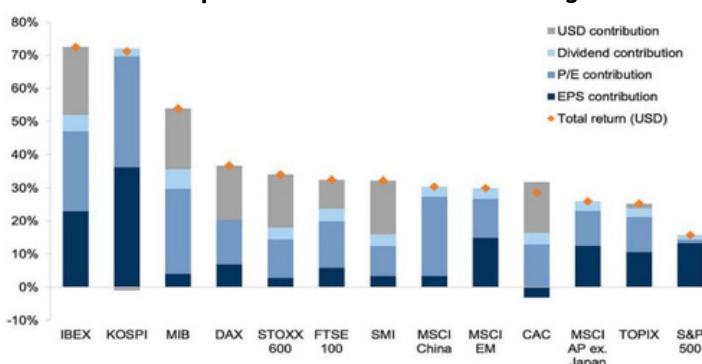


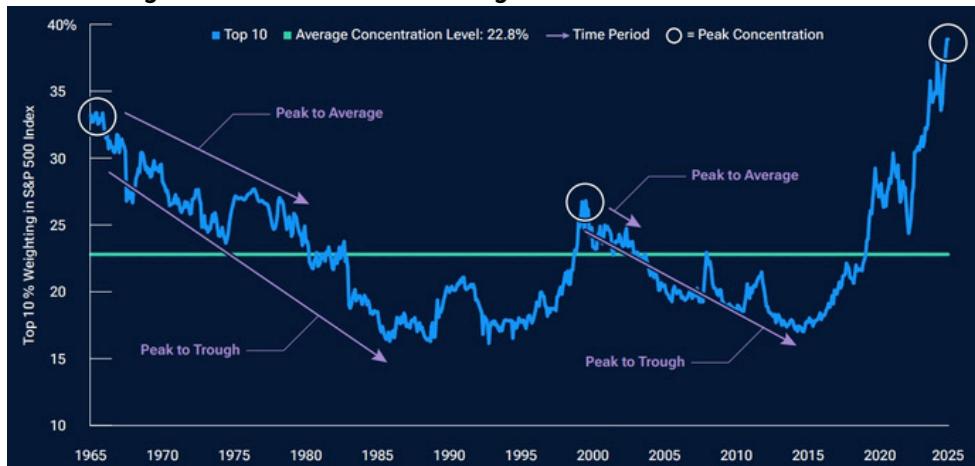
Exhibit 5: Decomposition of Returns – YTD through Dec 19



## Concentration May Be Peaking. Should Investors Broaden Their Focus?

US equity market concentration remains near historically elevated levels, with the top 10 stocks accounting for nearly 40% of the S&P 500. Historically, periods following peak-to-trough and peak-to-average declines in concentration have tended to see weaker relative returns from these top 10 stocks compared with the rest of the index. At the same time, earnings growth for the median stock is rebounding, with small-caps and mid-caps showing strong momentum relative to the market-cap spectrum. Taken together, these trends suggest a market environment where return drivers may become more evenly distributed across the index, highlighting the potential benefits of broader diversification.

### Exhibit 6: Higher Market Concentration Heightens Risk



### Exhibit 7: Index Heavyweights Have Historically Lagged when Market Concentration has Unwound

	Top 10	Rest of S&P 500
Peak-to-Trough Concentration Dec. 1965–Mar. 1986	284%	601%
Peak-to-Avg. Concentration Dec. 1965–Mar. 1981	107%	190%
Peak-to-Trough Concentration Jun. 2000–Aug. 2015	-11%	122%
Peak-to-Avg. Concentration Jun. 2000–Feb. 2004	-38%	-8%

Source: T. Rowe Price. Data from December 31, 1965, to September 30, 2025. Past performance is not a guarantee or a reliable indicator of future results. Calculations used data from FactSet. The 10 largest weightings in the S&P 500 Index are the rest of the index are reconstituted monthly. Total returns are capitalization weighted.

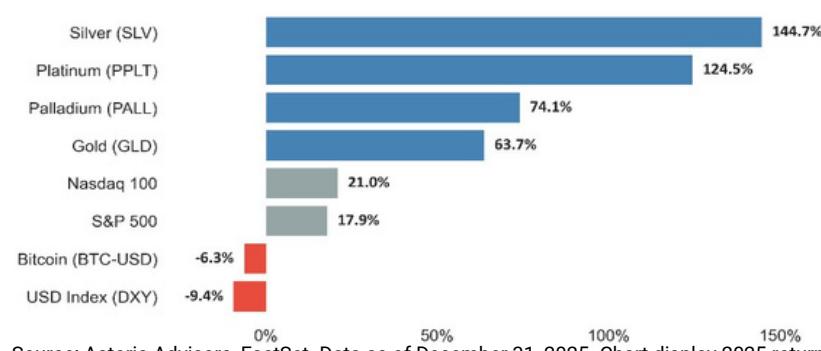
## The Year of the Debasement Trade

2025 has underscored the appeal of assets tied to the debasement trade, investments that can hold value as the purchasing power of the US dollar erodes. While inflation remains persistently above target, the debasement trade is broader, reflecting both rising prices and the dollar's 9.4% decline for the year. Precious metals such as silver, platinum, palladium, and gold surged more than 50% in 2025, significantly outperforming the S&P 500 (+17.9%) and Nasdaq 100 (+21.0%), with demand further supported by emerging market central banks diversifying reserves away from the dollar. Cryptocurrencies, particularly Bitcoin, also participated in this trend. Bitcoin rose through much of the year but pulled back from its October high, settling near \$87,000. Despite the volatility, its finite supply and growing institutional adoption suggest it could play an increasing role as a debasement hedge.

### Exhibit 8: 2025 Returns – Debasement Assets & Broad Indices



#### The Debasement Trade



Source: Astoria Advisors, FactSet. Data as of December 31, 2025. Chart display 2025 returns.

## Navigating 2026: Risk-Aware and Disciplined Positioning Beyond Traditional Beta

2026 is likely to reward thoughtful positioning. We expect the year to favor asymmetric thinking, selective risk-taking, and openness to evolving instruments. Structured-income solutions may play an increasingly important role as markets display some of the most pronounced bubble and concentration dynamics in decades. We view the current environment as more comparable to 1996–1998 than to the bursting bubble of 2000. Back then, the Fed tightened into a bubble, whereas today it is easing. Our mandate remains clear: manage risk while pursuing returns.

Bubbles typically do not unwind on their own and require a catalyst. Investors may need to sell assets to fund new opportunities, meet obligations, or reduce leverage. Potential triggers include policy shifts, labor market disruptions, or changes to taxation. Concentration risk is elevated, as passive flows into large-cap ETFs amplify momentum and valuations, making equal-weight, mid-cap, small-cap, international, and inflation-sensitive exposures increasingly relevant.

Earnings, AI investment, and corporate capex have surged, particularly among mega-cap tech names, while valuations remain high. Global equities are compelling, as a weaker US dollar, lower inflation abroad, and more aggressive central bank easing could support international outperformance. Within the US, cyclicals, mid-caps, and small-caps offer opportunities to benefit from domestic growth trends, pro-business policies, and monetary easing. Real assets, including commodities and inflation-sensitive sectors such as industrials, materials, energy, and utilities, remain attractive due to structural economic shifts and higher expected real rates. Fixed income also merits a tactical approach, where active management can navigate credit and interest-rate risks, seek relative value, and capture yield opportunities. Structured solutions, including defined-outcome strategies, puts, collars, buffered ETFs, and autocallables, can also provide additional asymmetric risk/reward opportunities in a high-valuation environment. Finally, select crypto exposures, including market-cap-weighted or diversified funds, may offer asymmetric potential and act as a hedge against debasement risk, though tactical entry and careful risk management are essential given high volatility and periodic pullbacks.

At its core, investing remains about acquiring assets below intrinsic value, identifying catalysts, and capturing favorable convexity. Navigating 2026 will likely benefit from discipline, a thoughtful, risk-aware approach, and openness to strategies beyond traditional beta.

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