RSD Advisors

Year end 2025 investment letter

Financial markets had a great year in 2025. The S&P 500 (US large company stocks) had a total return of about 18%. Bloomberg Aggregate Bond Index of investment grade bonds was up about 7%. Foreign developed market stocks tracked by MSCI EAFE index were up about 31%. It was a banner year for Wall Street.

In commodities, precious metals were up substantially- gold for instance was up about 67%. Oil prices were weaker, WTI the US benchmark was down 19%.

The external value of the US dollar weakened by about 8% against other developed market currencies. This was partly due to the FOMC reducing short term interest rates, and uncertainty caused by the rollout of high US tariffs on imports.

Main Street on the other hand, presented a mixed picture at best. Upper income consumers were fine and spent money. The bottom 75% of the population in income is struggling with food prices, electricity prices and housing costs going up and remaining elevated. Wages are barely keeping up with the cost of basic household expenses. The unemployment rate is creeping up, and hiring remains muted. New college graduates are struggling to obtain employment. The implementation of tariffs in 2025 in the US has put some pressure on employment and has elevated prices. This is still playing out in the real economy.

The continued development of artificial intelligence is changing the structure of the economy and is driving much of the growth in markets and the economy.

There are multiple events to watch this year that can drive markets in 2026 aside from the general state of the economy. We are watching events at the Federal Reserve which sets interest rates with a new chairman coming this May. Tariffs are still a question mark. There are many political hotspots around the world. And of course, we will be looking at midterm elections in the USA. Will AI turn out to be a bubble or will returns justify the large investments being made?

This past year has been the third year of rising markets. There is no reason we won't have another good year. But we will continue to keep our eyes out for possible downside risks and adjust portfolios where appropriate.

Thanks again

Richard Daskin CFO