

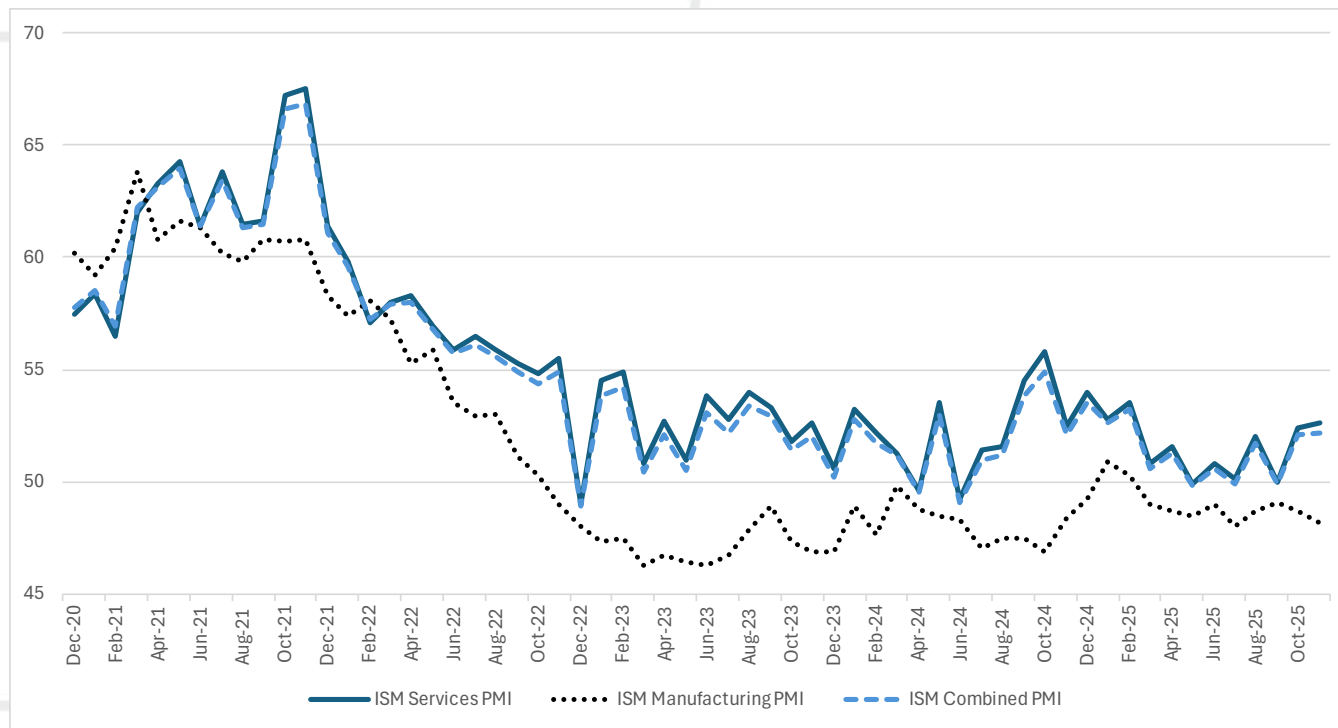


Five in Five

December 2025



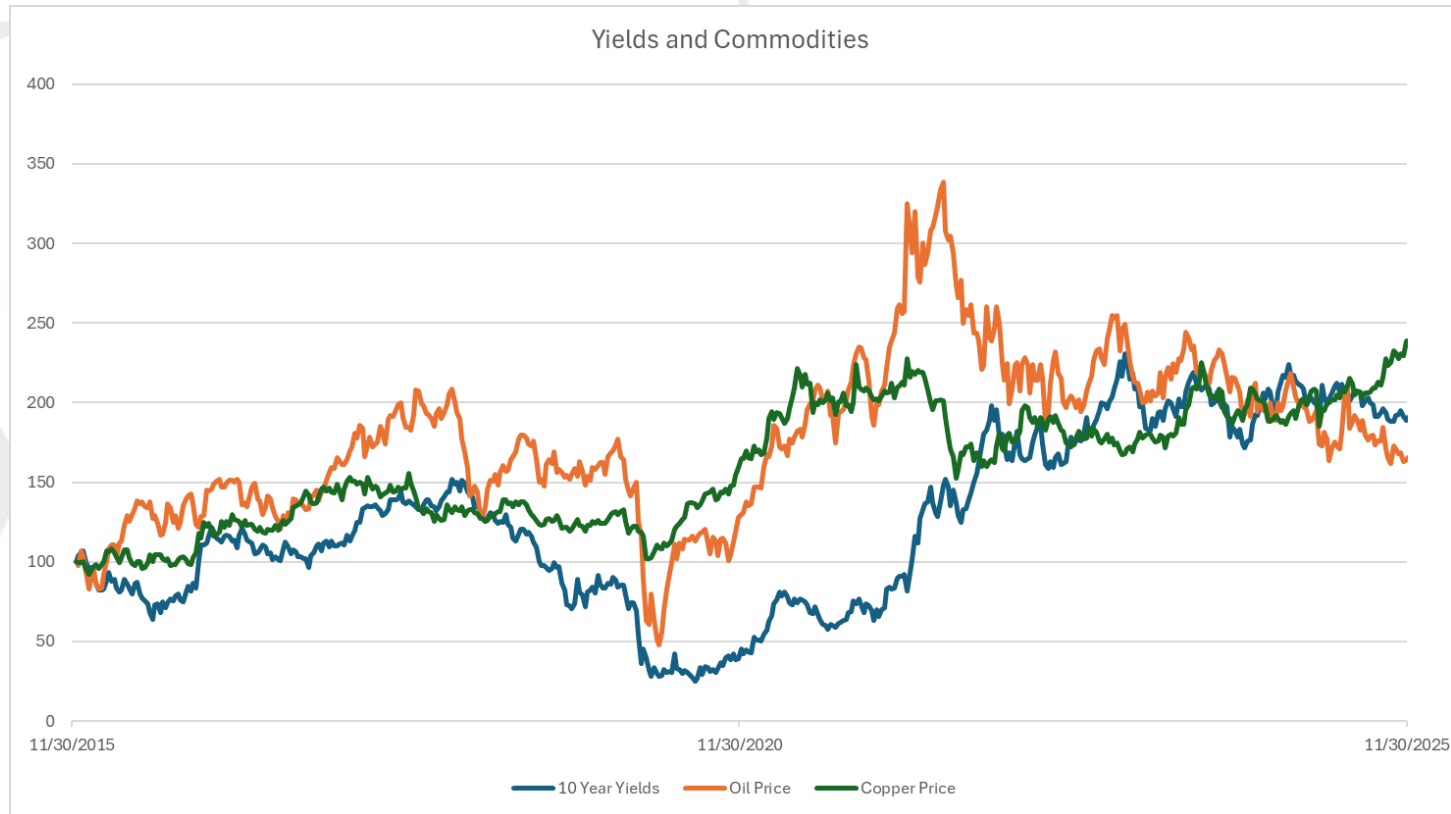
Mixed Picture – Institute of Supply Management PMI Data



Source: Institute for Supply Management

- ISM data reports track the economic health of the manufacturing and services industries.
- A reading above 50 indicates expansion, while a reading below 50 signals contraction.
- ISM Service sector which represents around 75% of the economy reported an expansionary 52.6 reading for November. Improving new orders and business activity were drivers of the expansion.
- Services suppliers also got a break in November, as cost of providing services slowed following a large jump in October.
- ISM Manufacturing data at 48.2 still reflects this part of the economy continues to contract. Declining orders, weaker hiring and faster than expected price increases were reported.

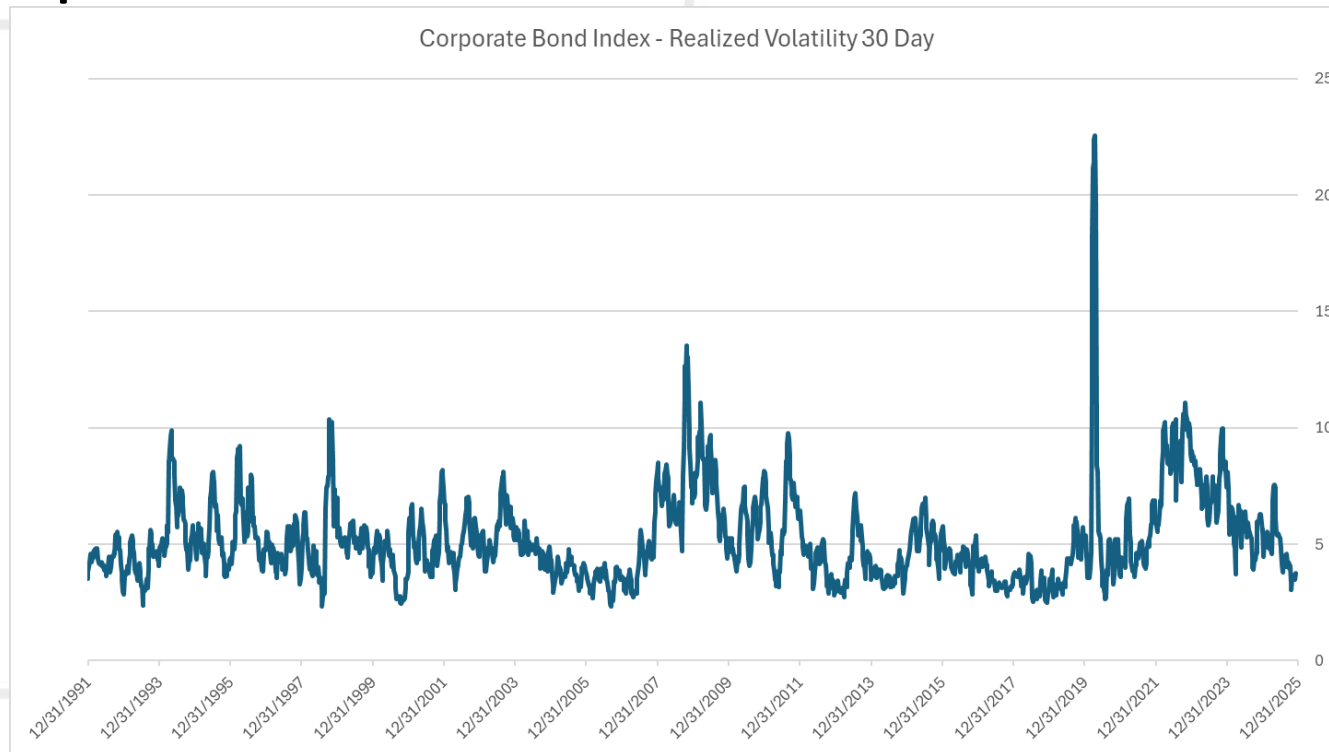
Interest Rates



Sources: BTC Capital Management, Bloomberg

- Treasury yields tend to follow the direction of commodities.
- Changes of commodity cost impact inflation and in turn cost of borrowing (yields).
- It is hard to get a significant lift in inflation without oil and copper prices moving higher.
- Bond yields seem well positioned relative to oil, but there is an unusual divergence with copper prices clearly moving higher.

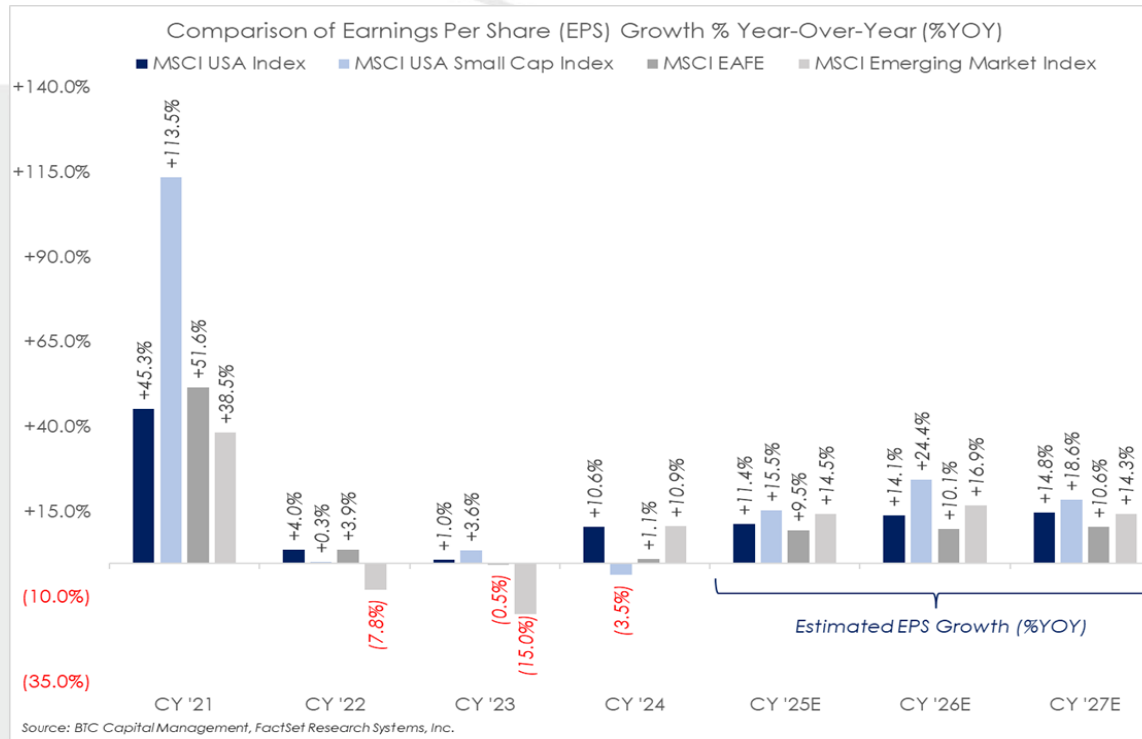
Corporate Bonds



Sources: BTC Capital Management, Bloomberg

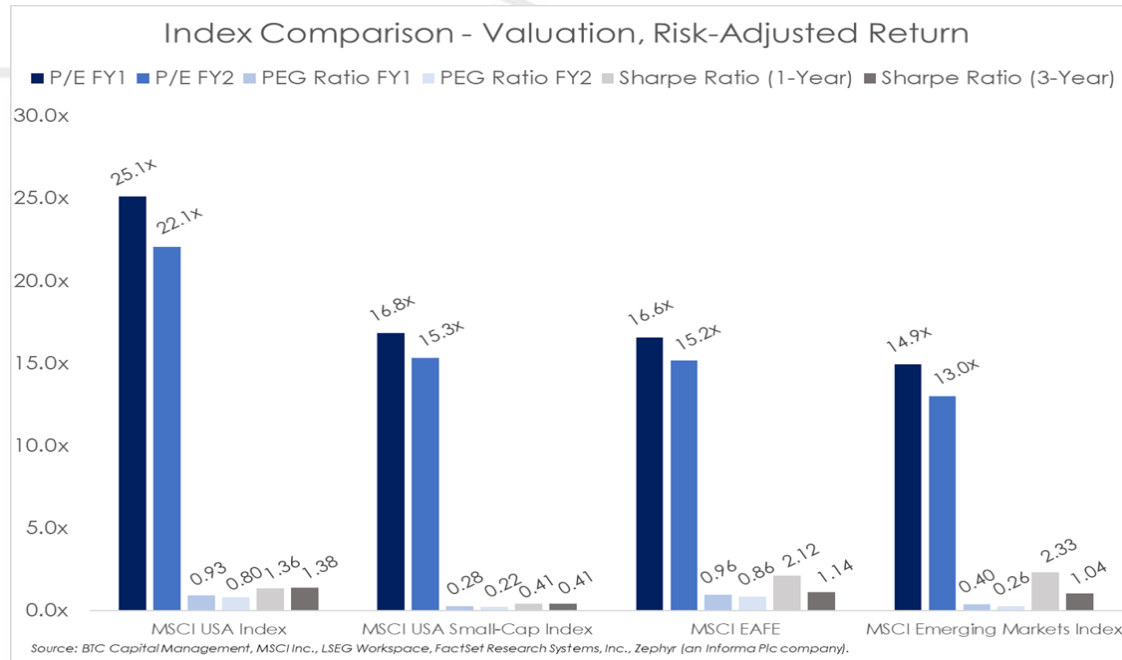
- Realized volatility bottomed under 2.5 prior to the last two recessions and it is currently at 3.5.
- Every recession in the last 50 years had Nominal GDP fall under the Federal Funds Rate.
- If we aren't already in recession, we may not get one until future rate hikes.
- The last three lows in realized volatility occurred after the last rate hike in the cycle.
- Volatility could compress (contrary to most 2026 outlooks), and spreads grind tighter.

Earnings Per Share (EPS) Growth Change Year Over Year (YOY)



- This chart exhibits the YOY growth in EPS for each calendar-year (CY) presented. For 2025 through 2027, growth rates are estimated.
- For CY '25, CY '26, and CY '27 estimated EPS growth for U.S. small-cap companies is projected to accelerate at a rate exceeding that of U.S. large-cap, foreign developed and foreign emerging market companies.
- Currently analyst revision ratio(s) for each index are positive, meaning analyst upward revisions to EPS estimates are greater than downward revisions.
- U.S. large-cap companies appear poised for sustainable, achievable growth.
- Foreign developed and emerging market EPS growth is accelerating from negative or low single-digit results of CY '22, CY '23, and CY '24.

U.S. vs. Foreign Valuation Comparison Using P/E, PEG & Sharpe Ratio



- U.S. large-cap has historically been priced at a premium to foreign developed, as exhibited by the price-to-earnings (P/E ratio) for the forward-year 1 and the forward-year 2 (P/E FY1 & P/E FY2) for the MSCI USA Index, which is materially higher than that of the MSCI EAFE Index.
- While U.S. large-cap may appear expensive to foreign developed, when considering the price-to-estimated earnings growth (PEG ratio) these two indexes appear mutually attractive. Recent earnings for U.S. large-caps have materially exceeded analyst estimates, while foreign developed has exceeded albeit at a rate below that of U.S. peers.
- Currently analyst revision ratio(s) for each index are positive, meaning analyst upward revisions to EPS estimates are greater than downward revisions.
- On a risk-adjusted return basis (Sharpe ratio), both U.S. large-cap and foreign developed have been more efficient versus U.S. small-cap. While the Sharpe ratio (1-year) for emerging markets stands out, it is skewed by recent relative performance.

Disclosures

- *Sources: BTC Capital Management, Bloomberg, FactSet, Institute for Supply Management, LSEG Workspace, MSCI, Zephyr*
- *The information provided has been obtained from sources deemed reliable, but BTC Capital Management and its affiliates cannot guarantee accuracy. Past performance is not a guarantee of future returns. Performance over periods exceeding 12 months has been annualized.*
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