

2025 Market Review

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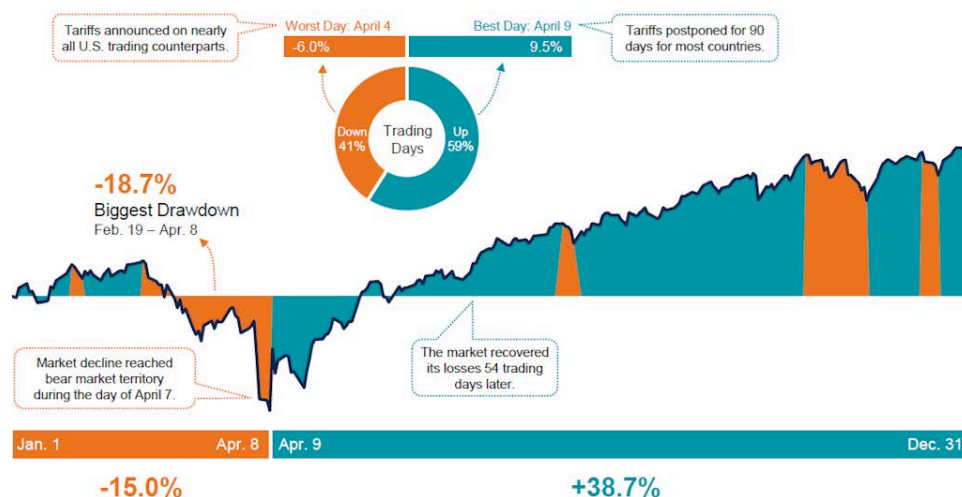
In a tumultuous 2025, investors faced unique headwinds: global trade tensions from new tariffs, the longest U.S. Government shutdown, and a relentless tech rally to name a few. Reflecting on 2025 helps reinforce foundational principles for long-term investing and offers insights into abnormal performance during an anything but normal year.

A Tale of Two Halves: Liberation Day

April 2, 2025, was a polarizing day as Trump announced tariffs on nearly all U.S. trading partners, sending shockwaves through global markets and causing significant drops that approached recession territory. During this stretch, the S&P 500 declined 15% from January 1 to April 8.¹

Following a global market meltdown, Trump paused tariffs for 90 days on most U.S. trading partners on April 9th. Global markets rallied furiously and continued to surge for the rest of the year, as the revitalized S&P 500 gained 38.7% from April 9 to year-end, marking its third straight year of growth with an annual return of 17.9%.¹

S&P 500 Index by the Numbers in 2025



Data from 1/1/2025 - 12/31/2025. Source: Bloomberg, Avantis Investors. **Past performance is no guarantee of future results**

Let this serve as a reminder that the successful investor's mindset is focused on long-term appreciation, and those who successfully blocked out the noise behind tariffs and did not sell at a low point were handsomely rewarded.

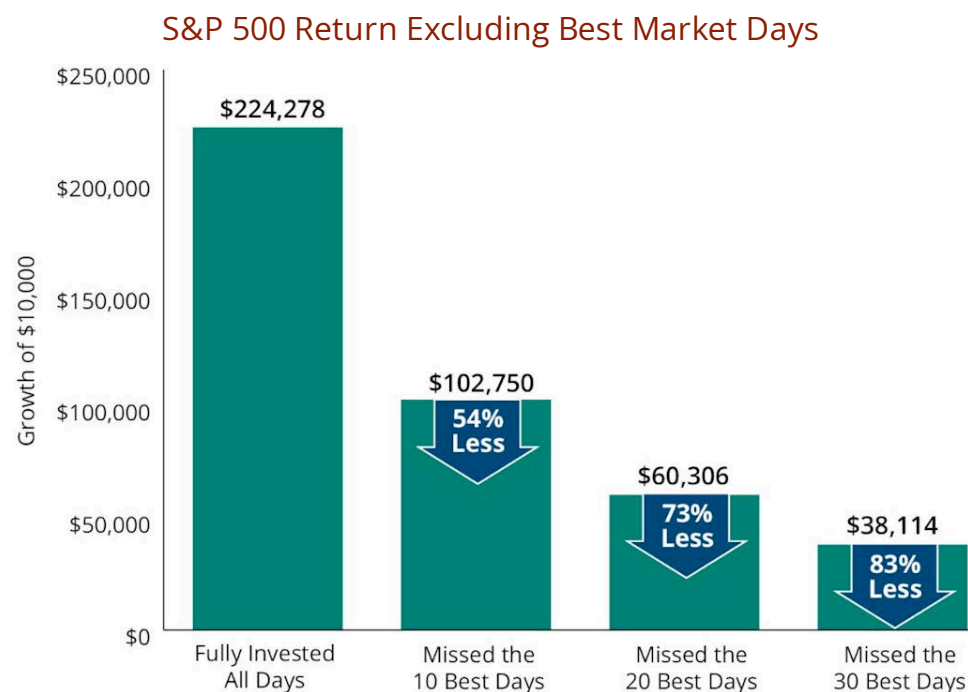
We share this so you don't have to learn the hard way, as one client chose to liquidate all his stock holdings amid the height of the Liberation Day panic. Within just a few days of the markets stabilizing, they regretted their decision and reversed course. Unfortunately, having already sold at a loss, it was impossible to fully undo the damage. This was an expensive lesson.

This anecdote can shed light on another valuable long-term investing lesson: deciding to exit the market and re-enter in better conditions often damages the long-term performance of your investments.

Thinking Long-Term: A Winner's Mindset

April's sharp reversal reinforces the long-term investing lesson: holding for growth often beats "timing the market." Look no further than that chart previously shown, as the best and worst trading days in 2025 were less than a week apart.

Effectively timing the market is a near-impossible task, as about half of the best trading days occur during periods of economic contraction, and missing even a handful of these days can significantly damage long-term returns.²



Data Sources: Ned Davis Research, Morningstar, and Hartford Funds, **Past Performance is no guarantee of future results**

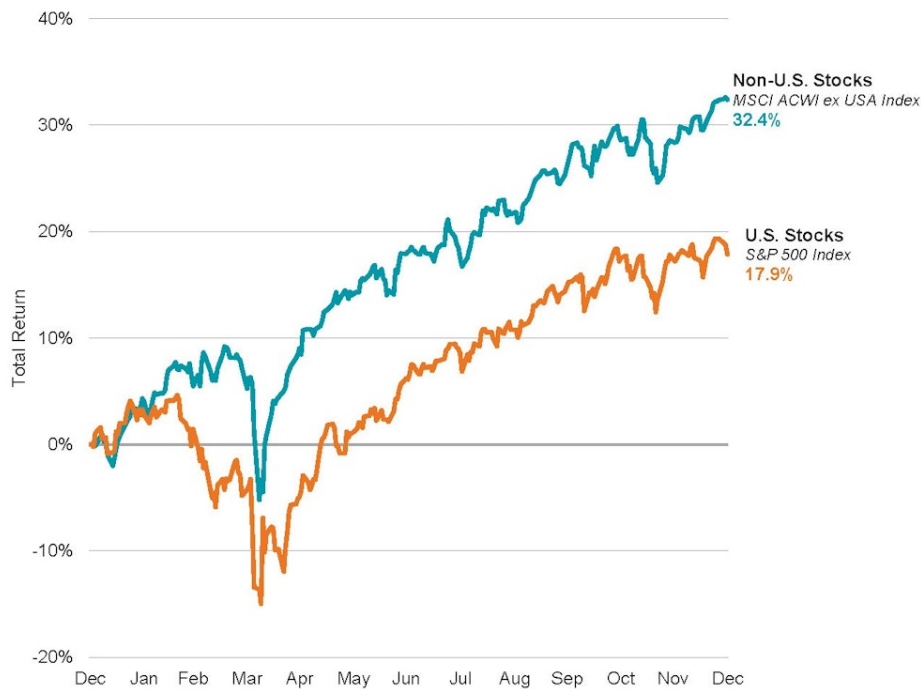
2025's Top Performing Asset Classes

In 2025, the S&P 500 reached record highs 46 times, but the tech giants that had previously led growth were dethroned at the top by different asset classes as market dynamics shifted. Notably, two asset classes stood out and deserve special recognition for their strong performance, reflecting significant changes in market leadership during the year.

Non-U.S. stocks were the first asset class to outperform, posting a 32.4% return in 2025, about 14.5% higher than the S&P 500. This shift came as a weaker dollar boosted international returns for American investors, paired with extended gains in the U.S. tech sector, prompting investors to question the surge in U.S. stock valuations.⁴ These factors, along with delayed international recovery from the 2022

recession, contributed to a shift toward international equities for a better value-adjusted return.

U.S. Stock vs. Non-U.S. Stock Performance in 2025



Data from 1/1/2025 - 12/31/2025. Source: Bloomberg, Avantis Investors. **Past performance is no guarantee of future results**

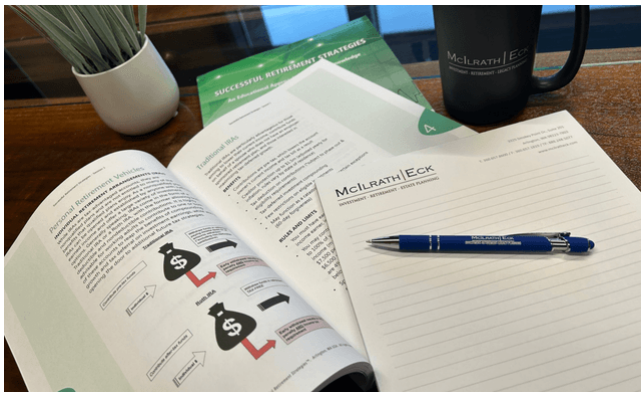
The other major asset class to rise to prominence was precious metals—especially gold and silver. Both had their strongest year since the 1970s, with Gold delivering a 57.49% return and Silver an exceptional 152.38%. Increased demand stemmed from heightened economic uncertainty over global trade tensions and a weakening dollar.³ The Central Banks' increased accumulation fortified the shift toward precious metals as a safe haven in uncertain markets.

Closing Thoughts

In 2025, investors were tested early on with volatility, global tensions, and economic uncertainty. Despite all that, 2025 rewarded those who invested in a diversified portfolio with a long-term growth mindset. As we look to the future, maintaining these core principles will help investors weather whatever challenges the markets may bring.

References

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