

MONTH IN REVIEW

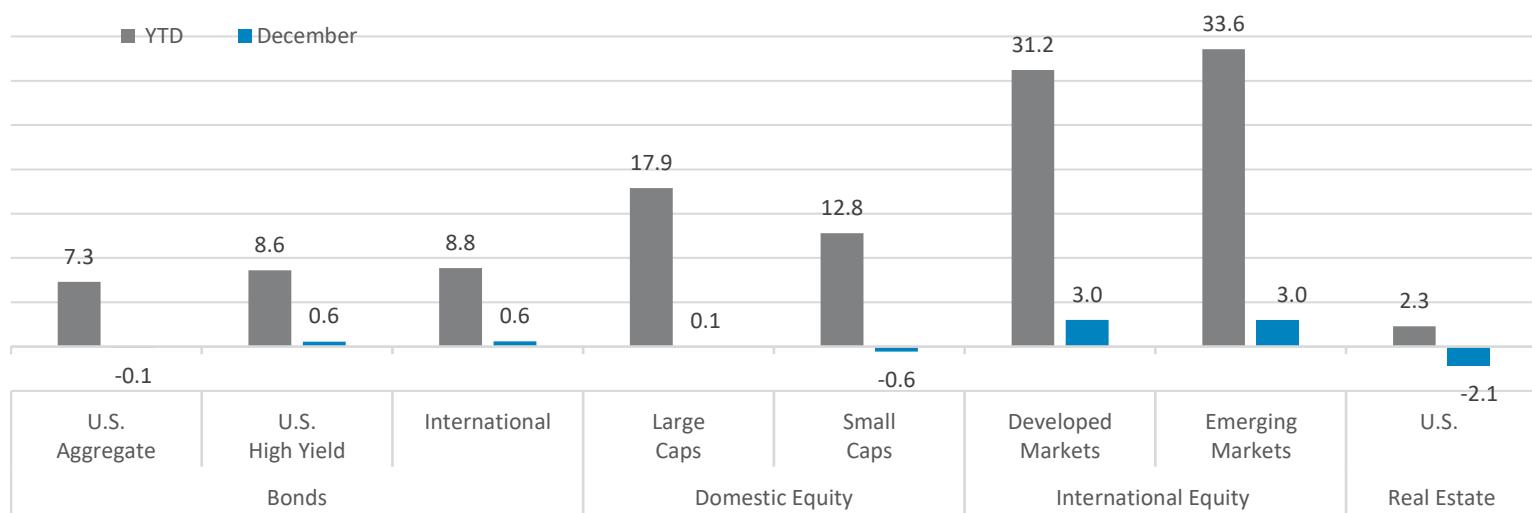
DECEMBER 2025

Quick Takes

- **Mixed Stock Market.** U.S. equity indices were mixed in December as concerns over the state of the AI trade and the labor market dominated the narrative. The S&P 500 was flat while the Nasdaq 100 fell nearly 0.7%. The Dow rose 0.9% and the small-cap heavy Russell 2000 fell 0.6%.
- **Inflation & Interest Rates.** The 10Y treasury yield inched higher in December reaching just under 4.2% by month end while the Fed reduced its policy rate by 25 bps. November headline CPI came in at 2.7% while the core figure was 2.6%, both significantly below expectations.
- **Chinese EVs.** Chinese electric vehicle (EV) brands took a record share of the European passenger car market in November capturing 12.8% market share. This feat is particularly significant given European tariffs on Chinese cars. European politicians are looking for ways to support their auto industry amid the competitive pressure.
- **Nvidia Sales to China.** December saw the Trump administration grant approval to Nvidia to sell its H200 AI accelerators to Chinese customers in exchange for a 25% surcharge. The decision provoked a backlash from congressional Democrats.

Asset Class Performance

Large caps outperformed small caps in December. Emerging and Developed market equities alike outperformed U.S. stocks in December to finish a relatively strong year. International equities, U.S. large cap stocks, international bonds, and U.S. high yield bonds rose in December while other U.S. bonds, small caps, and real estate declined.



Source: Bloomberg, Goldman Sachs Investment Research, as of December 31, 2025. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

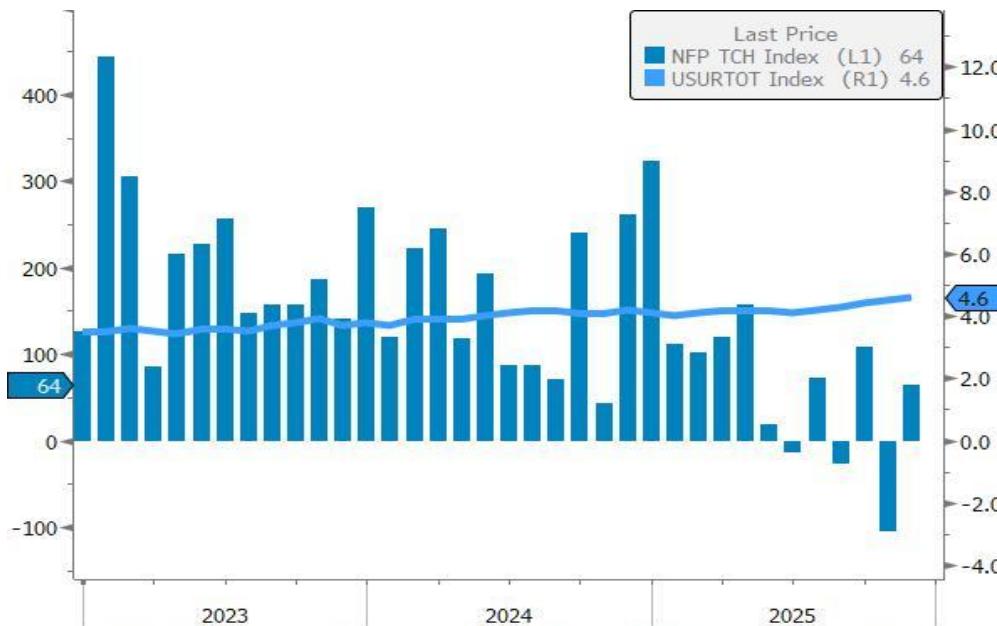
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Markets & Macroeconomics

Rate cuts and labor market weakness drove markets in December.

Change in Nonfarm Payrolls (Left) & Unemployment (Right)

The U.S. added 64K jobs in November & Unemployment rose to 4.6%



The Bureau of Labor Statistics released the jobs report for November on December 16 since it was delayed by the government shutdown in October and November. The report indicated that the U.S. economy added 64K jobs in November with all of the gains coming from hiring in health care, construction, and professional and business services. Trade, transportation, and utilities and manufacturing shed 19K combined jobs during the month and leisure and hospitality hiring was cyclically lower with the sector cutting 12K jobs. The unemployment rate also rose to 4.6% and the labor force participation rate came in ahead of expectations at 62.5%. Headline CPI inflation in November was 2.7% while core CPI was 2.6%, both of which were substantially lower than economists' forecasts and the latter of which was the lowest level since 2021. Lower core services (led by shelter), core goods, and food inflation contributed to the softer CPI prints while energy price increases accelerated.

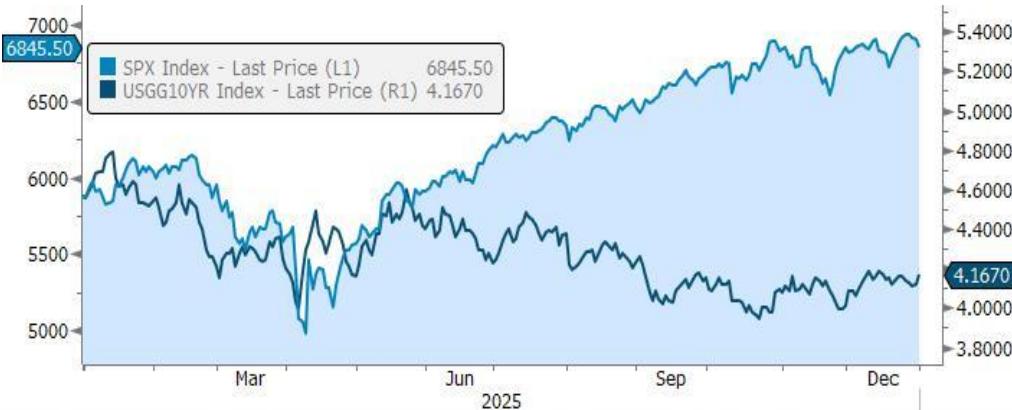
September's PCE inflation data were released on December 5 with headline PCE inflation at 2.8% versus the forecasted 2.7% and core PCE inflation at 2.8% versus the estimated 2.9%. October retail sales data was made available on December 16 and showed a retail sales month-over-month advance of 0% versus the forecasted 0.1%. Retail

sales excluding car sales were up 0.4% from the prior month versus the forecasted increase of 0.2%. Consumer confidence was mixed in December with Conference Board Consumer Confidence index rising to 89.1 versus 88.7 prior and the University of Michigan Consumer Sentiment index falling slightly to 52.9 from 53.3 prior. The Federal Reserve reduced interest rates by 25 bps at their meeting on December 10. The FOMC indicated that the bank would begin buying \$40 billion in T-bills a month until paring purchases. FOMC members forecasted one rate cut in 2026. Interest rate futures markets are pricing in a 76% likelihood of more than one rate cut largely on labor market weakness and a sharper-than-anticipated decline in inflation in November. Meanwhile, President Trump has indicated that he is in favor of either Kevin Hassett or Kevin Warsh for Fed chairmen when Jerome Powell's term ends in May 2026.

Bottom Line: The labor market improved slightly after the government shutdown ended, but jobs growth remains weak and unemployment continues to rise. The market is anticipating more rate cuts in 2026 than the FOMC has indicated that they expect.

S&P 500 vs 10Y Treasury Yields YTD

Stocks were flat in December while yields rose slightly



Source: Bloomberg

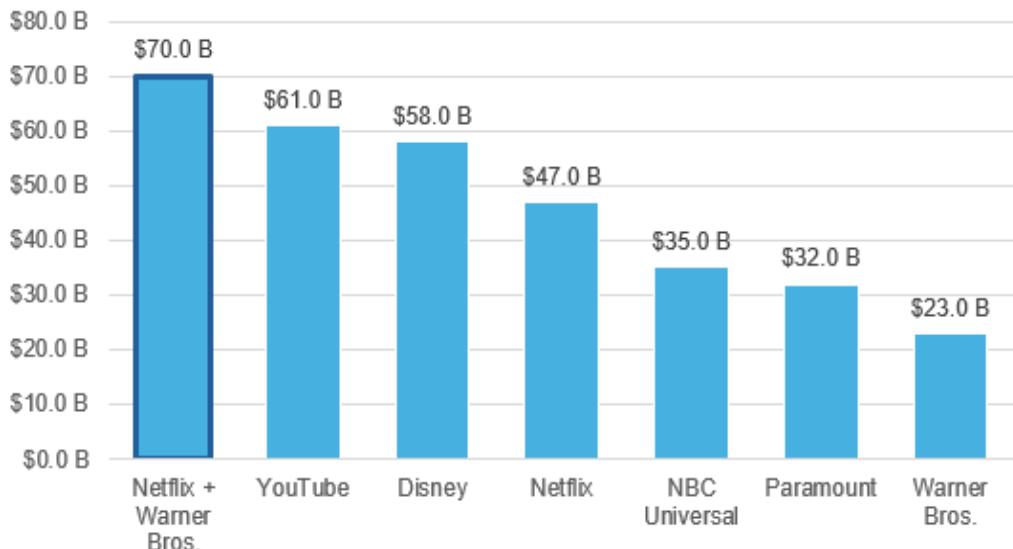
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What's Ahead

The Bidding War for Warner Brother Discovery Inc.

In the back half of November and throughout December, a number of leading media companies including Netflix, Paramount Skydance, and Comcast submitted their offers to the board of Warner Brothers Discovery to buy the company. For Netflix, entering the bidding marks a departure from Netflix's historical focus on organic growth over acquisition. Netflix co-CEO Ted Sarandos indicated on the company's Q3 earnings call in October that "historically we've been more builders than buyers and we think we have plenty of runway for growth without fundamentally changing that playbook". Less than a month and a half later, Netflix submitted a mostly cash offer for Warner Brothers Discovery's streaming and studios business, sending Netflix's shares lower. The offer was to purchase the company for \$27.75 per share for 85% in cash and 15% in stock for a total equity value of \$72 billion. Netflix then began working with banks including Wells Fargo, BNP, and HSBC to raise \$59 billion in bridge loans to finance the deal. Three days after Netflix's management held a conference call to discuss the deal, Paramount Skydance, announced a hostile takeover bid to buy Warner's entire business for \$30

Estimated Streaming, Subscriptions, & Content Creation Revenue A deal Netflix and Warner Bros. deal would likely face antitrust litigation



Source: MPA Analysis

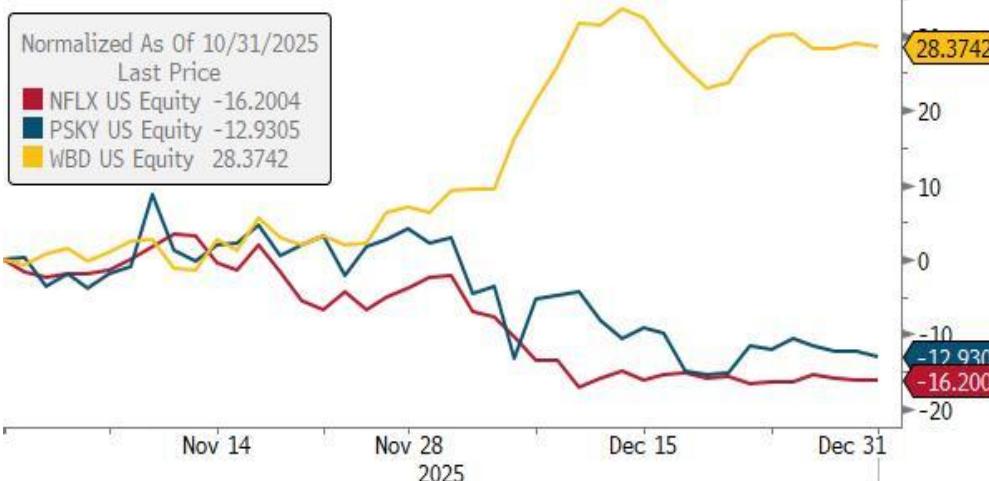
per share in cash to be financed in part by \$54 billion debt commitments from banks. In mid-December, Warner's board advised shareholders to reject Paramount's bid in favor of the original bid from Netflix indicating that David Ellison, head of Paramount and son of Oracle founder Larry Ellison, had consistently misled them. The board

also indicated that they were uncertain about the uncertainty of Paramount's financing. This concern was further reinforced by Affinity Partners, a fund formed by President Trump's son-in-law Jared Kushner in 2021, pulling out of its commitment to fund the Paramount deal. Less than a week later, Larry Ellison announced that he would personally back Paramount's bid with \$40.4 billion in equity financing. In addition to the bidding war, there are regulatory concerns about the deal. President Trump indicated in early December that the deal may pose an antitrust problem given the size of the combined entity. Trump has also indicated that new ownership of CNN, the cable news network currently owned by Warner, would be a condition of the deal being approved by administration officials.

Bottom Line: Netflix's bid to buy Warner Brothers Discovery would further consolidate the streaming and media industry globally and likely further entrench Netflix's position if successful, but Paramount's offer and legal hurdles remain barriers for the deal's completion.

Warner Brothers Discovery Inc. (WBD) Shares vs Bidders

The bidding war for Warner Brothers Discovery has hit bidders' shares



Source: Bloomberg

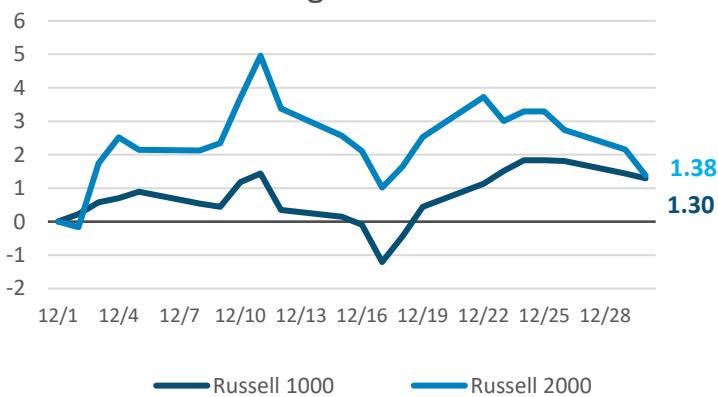
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Equity Themes

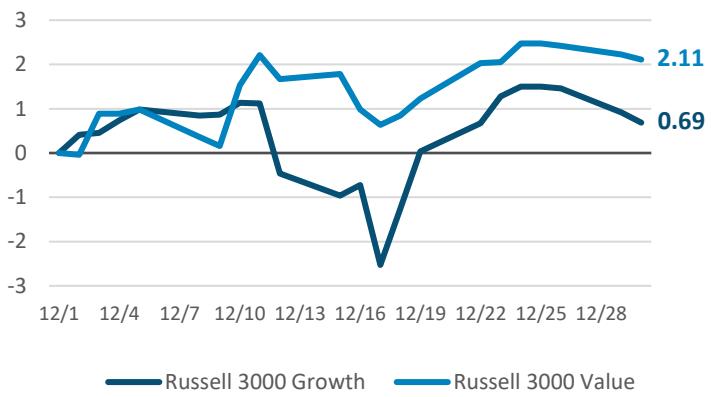
What Worked, What Didn't

- **Large Outperformed Small while Value Outperformed Growth.** Market participants moved more into large caps and value stocks in December as investors rotated into more defensive positions.
- **High Beta and Momentum Outperformed.** High-beta outperformed in December while momentum narrowly outperformed quality.
- **International Over Domestic, Developed Over Emerging.** International equities outperformed domestic stocks in December while developed outperformed emerging markets.

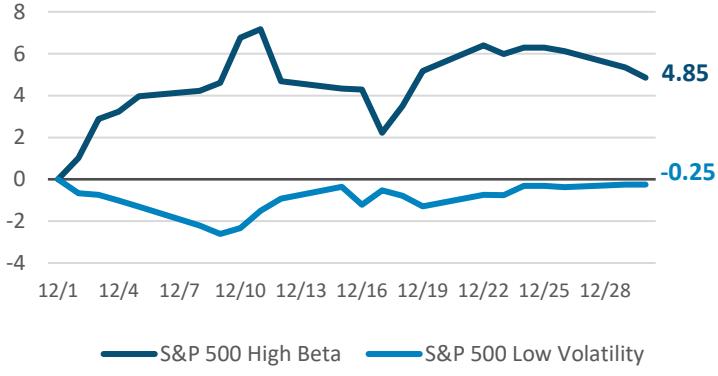
Large vs Small



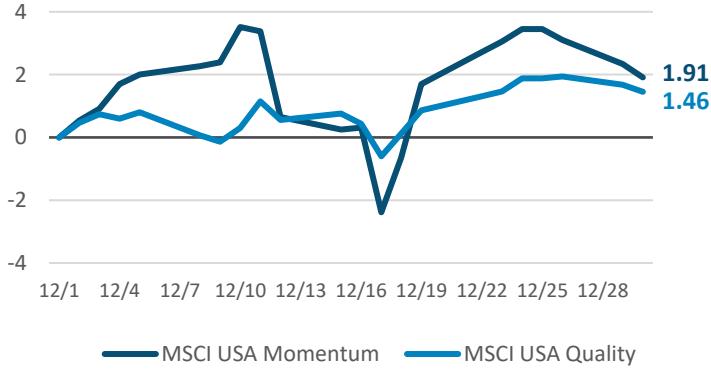
Growth vs Value



High Beta vs Low Volatility



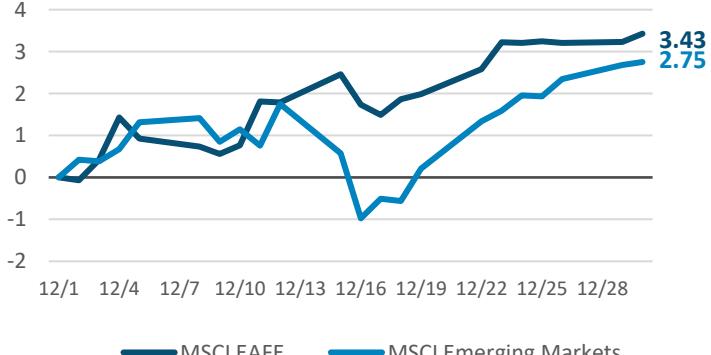
Momentum vs Quality



Domestic vs. International



Developed vs. Emerging



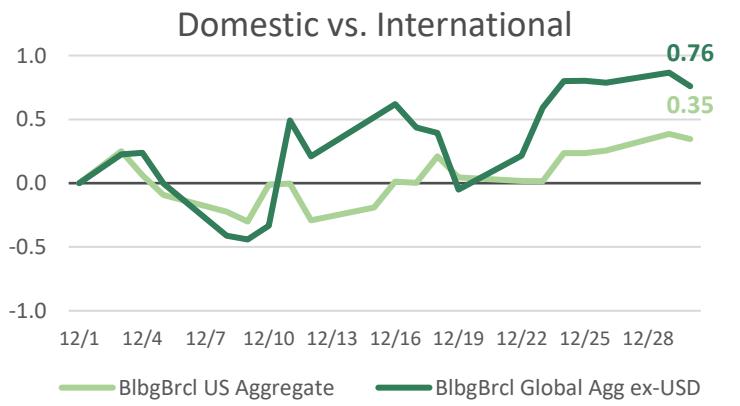
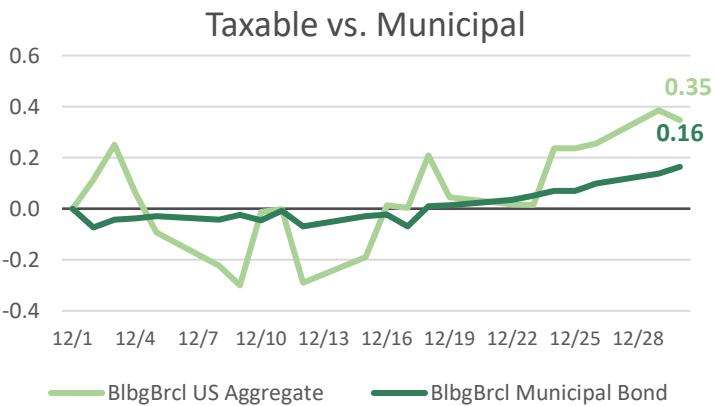
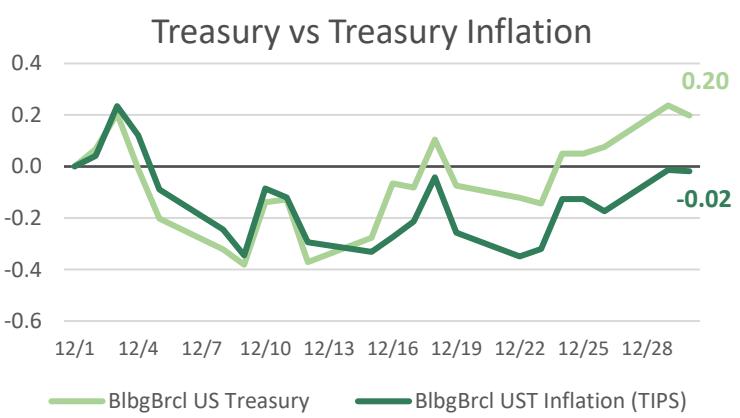
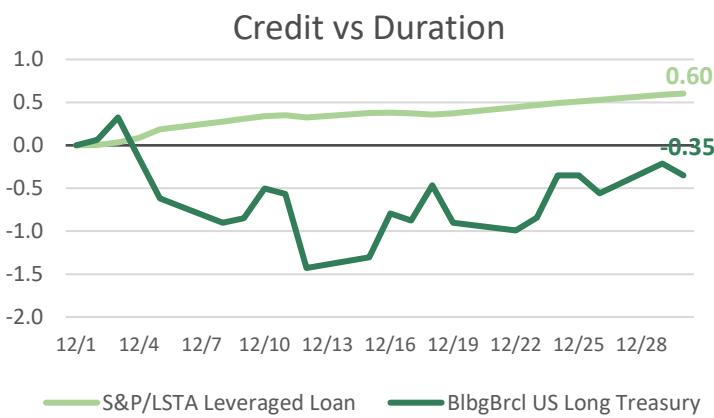
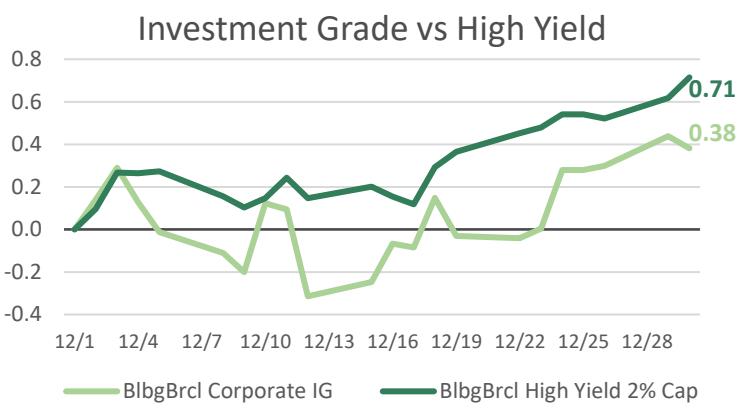
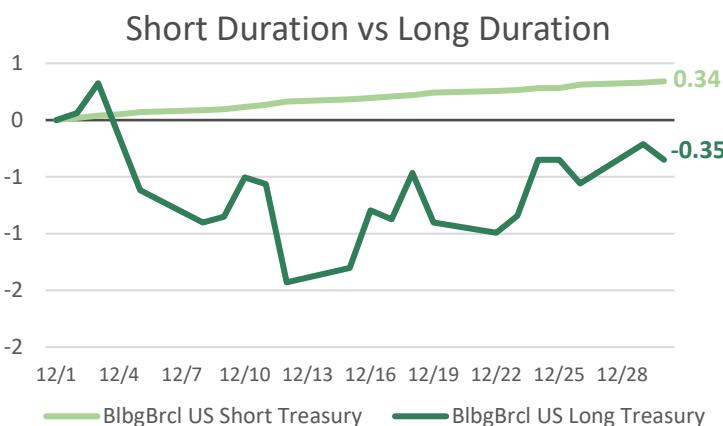
Source: Bloomberg.

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Bond Themes

What Worked, What Didn't

- Short Duration Outperformed while High Yield Beat Investment Grade.** Short duration treasuries outperformed long duration in December. High yield outperformed investment grade during the month.
- Credit Tops Duration while Treasuries Beat TIPS.** In December, credit outperformed duration while treasuries outperformed TIPS on softer inflation prints.
- Taxable Beat Munis and Domestic Outperformed International.** Taxable bonds outperformed municipal bonds, while domestic bonds outperformed their international peers in December.



Source: Bloomberg.

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Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.

	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-22	Dec-23	Dec-24	Dec-26	Dec-29	Dec-30	Dec	1Y
High	EM -0.07	LCG 0.44	SCV 1.85	SCG 1.43	EM 0.75	SCG 0.09	SCV 0.32	SCG 1.94	IBD 1.46	IEQ 0.00	LCG 0.61	RE 0.22	LCG 0.46	SCG 1.28	LCG 1.64	SCG 1.50	LCG 0.63	RE 0.73	EM 0.70	RE 0.19	EM 0.40	IEQ 3.50	EM 34.20
	IBD -0.08	IEQ 0.34	SCG 1.81	MCG 0.61	LCG 0.29	SCG -0.06	MCV 0.06	LCG 1.58	MCG 1.01	RE -0.14	RE 0.34	IBD 0.22	USB -0.03	EM 1.14	LCG 1.34	MCV 1.12	IEQ 0.62	LCV 0.44	IEQ 0.17	IBD 0.12	RE 0.22	LCV 2.17	IEQ 32.29
	HYB -0.18	HYB 0.19	LCV 0.91	IEQ 0.27	LCV 0.11	MCG -0.09	LCG -0.01	LCV 1.37	SCV 0.94	HYB -0.19	LCV 0.15	USB 0.19	HYB -0.12	SCG 0.79	MCG 1.12	MCV 0.78	EM 0.56	SCV 0.29	RE 0.11	USB 0.12	IEQ 0.17	EM 2.15	LCG 20.09
	LCG -0.34	USB 0.13	MCV 0.89	MCV 0.25	MCV 0.08	SCV -0.14	USB -0.09	EM 1.12	MCV 0.75	USB -0.31	USB 0.10	HYB 0.06	MCV -0.18	SCG 0.71	EM 0.98	LCV 0.76	60/40 0.17	MCV 0.25	60/40 0.06	HYB 0.04	HYB 0.10	SCG 2.14	60/40 16.99
	USB -0.43	60/40 0.13	IEQ 0.54	LCG 0.20	MCG 0.06	USB -0.16	MCV -0.09	IEQ 1.11	LCV 0.64	LCV -0.50	HYB 0.05	60/40 -0.20	IBD -0.22	IEQ 0.71	IEQ 0.68	SCV 0.69	IBD 0.12	LCG 0.24	USB 0.02	60/40 -0.15	60/40 -0.03	SCV 2.05	LCV 16.84
	60/40 -0.48	IBD 0.13	MCG 0.50	SCV 0.19	60/40 0.04	IBD -0.19	HYB -0.11	MCG 1.07	IEQ 0.59	IEQ -0.53	60/40 0.04	SCG -0.26	LCV -0.32	60/40 0.49	MCV 0.53	IBD 0.69	HYB 0.07	60/40 0.23	MCV 0.01	LCV -0.19	USB -0.04	MCV 1.87	IBD 16.31
	IEQ -0.49	SCG 0.11	IBD 0.47	HYB 0.07	HYB 0.00	EM -0.22	60/40 -0.13	SCG 0.84	RE 0.40	60/40 -0.65	IBD 0.00	MCG -0.32	SCV -0.41	SCV 0.42	LCV 0.39	RE 0.63	LCV 0.06	USB 0.22	IBD 0.00	EM -0.26	LCV -0.05	60/40 1.49	SCG 15.72
	MCV -0.59	EM 0.04	60/40 0.41	60/40 0.05	IEQ 0.00	HYB -0.25	IEQ -0.14	60/40 0.75	IBD 0.34	MCV -0.91	IEQ -0.12	60/40 -0.46	HYB -0.51	60/40 0.27	LCG 0.37	USB 0.59	EM 0.00	EM 0.20	LCG -0.03	MCV -0.27	MCV -0.19	IBD 1.43	SCV 14.45
	SCV -0.66	LCV -0.06	RE 0.29	EM -0.02	RE -0.06	60/40 -0.26	EM -0.16	60/40 0.66	IBD 0.29	SCV -1.07	EM -0.30	EM -0.62	EM -0.72	USB 0.25	SCV 0.02	EM 0.54	RE -0.07	MCV 0.19	LCV -0.05	IEQ -0.30	LCG -0.21	MCV 1.03	MCV 12.38
	LCV -0.68	MCG -0.09	USB 0.19	LCV -0.04	SCV -0.11	IEQ -0.31	IBD -0.22	RE 0.37	USB 0.02	EM -1.17	SCV -0.41	SCV -0.64	IEQ -0.81	LCV 0.20	HYB 60/40 -0.05	MCV 0.38	HYB -0.23	HYB 0.19	HYB -0.05	SCV -0.46	IBD -0.26	LCG 0.75	MCG 10.60
Low	MCV -0.76	MCV -0.23	HYB 0.09	IBD -0.13	USB -0.11	MCV -0.56	LCV -0.23	HYB 0.34	HYB -0.01	LCG -1.60	LCG -0.45	MCV -0.74	MCV -1.09	MCV 0.11	IEQ -0.15	MCV 0.25	MCV -0.53	SCG 0.18	MCV -0.12	MCV -0.47	MCV -0.36	HYB 0.67	HYB 8.56
	RE -1.15	RE -0.31	EM 0.07	USB -0.24	IBD -0.13	LCV -0.64	MCG -0.34	USB 0.32	LCG -0.06	MCG -1.65	MCG -0.65	LCV -0.83	SCG -1.75	IBD 0.07	RE -0.33	HYB 0.09	SCV -0.60	IEQ 0.12	SCV -0.33	LCG -0.50	SCV -0.56	USB 0.43	USB 7.36
	SCG -1.78	SCV -0.41	LCG -0.09	RE -0.25	SCG -0.60	RE -0.86	RE -0.52	LCG 0.16	EM -0.47	SCG -1.89	SCG -1.17	RE -0.84	LCG -1.79	RE -0.55	IBD -0.62	USB -0.04	SCG -0.65	IBD 0.09	SCG -0.58	SCG -0.79	SCG -0.82	RE -0.44	RE 3.87

Legend

Large Growth (LCG)	Mid Growth (MCG)	Small Growth (SCG)	Intl Equity (IEQ)	U.S. Bonds (USB)	Intl Bonds (IBD)
Large Value (LCV)	Mid Value (MCV)	Small Value (SCV)	Emg Markets (EM)	High Yield Bond (HYB)	Real Estate (RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by Prime Capital Financial. The performance of those funds in December may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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