

February 2026

Dear Clients and Friends,

“Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves.” Investor Peter Lynch’s observation from the mid-90’s has remained relevant over the decades as the financial markets often give investors a reason to hesitate. History shows that desirable long-term results are often delivered by investing in a diversified portfolio, maintaining adequate liquidity for planned spending, and a disciplined rebalancing process.

2025 in review: A volatile path, with a strong outcome

Last year delivered a clear example of why staying invested matters. Early in the year, there were growing concerns about the impact that new and extensive tariff policies could have on the economy and on business profitability. The market reacted quickly to the announced policy changes, with the S&P 500 plunging nearly 20% from its mid-February high to its early-April low. However, the market rapidly found a bottom and gained ~40% from the April low through late December. The Federal Reserve held interest rates steady for much of the year but then cut rates by 0.25% three times from September through the end of the year.¹

The stock market is a mechanism that takes into account the economic cycle, current and expected earnings potential, valuations, and fiscal and monetary policies. The markets also consider less predictable, noneconomic factors such as geopolitics, natural disasters, and technological advances. In 2025, we experienced how a sudden change in fiscal policy can affect markets over the short term. However, the market’s rapid adjustment underscores our advice to stay invested through turbulent times and resist the temptation to time the market.

Equities: US gains, with notable strength abroad

In 2025, the S&P 500 returned 17.9%, the US Russell Mid-Cap Index returned 10.6%, and the US Russell 2000 Small-Cap Index returned 12.8%. International markets were stronger than domestic markets, particularly in US dollar terms, with MSCI EAFE returning 31.9% and MSCI Emerging Markets returning 34.4%.² Diversified portfolios were effective in delivering strong returns while helping to balance risk, another reason why we believe staying diversified is so important.

¹ Source: Wells Fargo Investments Institute. *Wells Fargo Investments Institute, Inc. is a registered investment adviser and wholly-owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.*

² Source: FactSet; JP Morgan

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Concentration: A defining feature of U.S. large cap stocks

A key structural consideration for portfolio composition is concentration risk in the largest U.S. companies. As of December 31, 2025, the top 10 companies by capitalization represented 41% of the S&P 500. When concentration is high, performance can be more volatile and susceptible to the movements of a narrower set of companies. In our opinion, this structure reinforces the value of diversifying within equities (by sector, style, and geography) and of aligning equity exposure to each client's risk tolerance and time horizon.

Fixed income: An important diversification tool to reduce volatility

With bond yields higher, fixed income is more attractive than it has been over the past several years and has continued to be a meaningful source of income and diversification. As of December 31, 2025, the Bloomberg U.S. Aggregate Index yielded 4.3%.³ Historically as the Federal Reserve cuts interest rates, the yield on short-term instruments declines. Many households continue to hold significant amounts of cash and money market funds and now may be a good time to review allocations.

Municipals bonds can be an attractive option for federally tax-free income. At the highest federal tax rate of 40.8%, a 3.6% tax-free yield corresponds to roughly a 6.1% tax-equivalent yield.⁴

2026 outlook: Policy, inflation, and economic growth shape the range of outcomes

Looking forward, we expect markets to remain sensitive to policy decisions, changes in inflation expectations, and economic growth. The Wells Fargo Investment Institute anticipates continuing modest economic growth, with inflation moderating slightly from 3.0% to 2.8% and the expectation of interest-rate cuts by the Federal Reserve.⁵

Team and administrative updates

Tax forms will be distributed no later than this week. Given the strong market results over the past year, you might see a higher than expected tax bill, a slightly inconvenient byproduct of the higher returns you experienced!

³ Source: FactSet.

⁴ Source: Capital Group; Note: Income from municipal securities is generally free from federal taxes and state taxes for residents of the issuing state. While the interest income is tax-free, capital gains, if any, will be subject to taxes. Income for some investors may be subject to the federal Alternative Minimum Tax (AMT).

⁵ Source: Wells Fargo Investments Institute. *Wells Fargo Investments Institute, Inc. is a registered investment adviser and wholly-owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.*

We are excited to announce that we added two new members to the RiverFront Wealth Advisors team in 2025: Will Caudron, Financial Consultant, and Albana Droboniku, Senior Registered Client Associate. Will, a graduate of the University of Georgia's Honors College, began his career in New York City, working as an investment banking analyst on Citigroup's Global Healthcare team and an investment associate for private equity firm Eagle Merchant Partners. Albana, who joined RiverFront in October, brings a wealth of experience to our team from her time as an Assistant Vice President and Associate Director at Merrill Lynch and UBS, respectively.

As you may have noticed, we recently completed a major upgrade to our planning and forecasting platform, moving from Envision to eMoney. We believe this transition meaningfully expands the level of detail we can incorporate into your investment plans (cash-flow modeling, tax-aware assumptions, detailed scenario testing) so our recommendations are grounded in a clearer view of how today's decisions may play out over time.

Please reach out if you would like to discuss your financial goals, review your cash and short-term allocations, equity positioning, or overall asset allocation. We welcome the conversation.

On behalf of Tristan Caudron, Matt Megary, Laurie Blackburn, Ivana McNeill, and our entire team at RiverFront Wealth Advisors, we thank you for the trust and confidence you place in us and for affording us the honor and the pleasure of working with you. We hope that you had a wonderful 2025 and that your new year is off to a great start.

Sincerely,



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Indexes

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value-weighted index with each stock's weight in the Index proportionate to its market value.

The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000 index, which represent approximately 25% of the total market capitalization of the Russell 1000® Index.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

The MSCI EAFE (Europe, Australia, and the Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of 21 developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of 23 emerging markets.

The Bloomberg Municipal Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

The Bloomberg U.S. Aggregate Bond Index is a broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

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Based on accepted statistical methods, eMoney uses a mathematical process used to implement complex statistical methods that chart the probability of certain financial outcomes at certain times in the future. This charting is accomplished by generating hundreds of possible economic scenarios that could affect the

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performance of your investments. Using Monte Carlo simulation this report uses up to 1000 scenarios to determine the probability of outcomes resulting from the asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes. Some of these scenarios will assume very favorable financial market returns, consistent with some of the best periods in investing history for investors. Some scenarios will conform to the worst periods in investing history. Most scenarios will fall somewhere in between.

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