Riverside Wealth Partners 4Q25 Newsletter

We hope all of you enjoyed the end of the year with family and friends and enter 2026 refreshed and renewed for a successful 2026.

Below outlines our 4th quarter 2025 market commentary. Please follow us on LinkedIn RWP LinkedIn Page Facebook RWP Facebook Page for more timely updates on the markets and our practice.

The Movie of 2025

The movie of the 2025 market has concluded. If you plainly viewed only your statement at the beginning and the end of the year, this year's movie would have been standard fare, showing a meaningful advance for both stocks and bonds.

If the movie were Christmas Vacation and you fell asleep after the beginning, you'd have only seen Clark Griswold's holiday optimism at a high only to be challenged as he sought out a Christmas tree in the Illinois wilderness, meeting terrible drivers, a logging truck, and forgetting the saw necessary to cut the tree down. And you'd have been woken up to his boss, Mr. Shirley, awarding him with a large enough bonus to put in his long-awaited pool with an audience of the SWAT team and all of his extended family. Again, standard fare, a protagonist facing unexpected challenges only to experience the usual happy ending that moviegoers love.

Cousin Eddie aka Tariffs

However you would have missed the best parts of the movie, which are, of course, the unexpected events that keep us glued to the screen in between. Just like Clark, we had an unexpected visitor this year. Our Cousin Eddie was the tariff announcement in early April which announced statutory tariffs of 30% affecting goods of nearly every US trading partner. As we covered in detail earlier in the year, the announced tariffs were far greater than expected and caused anxiety over their impact, sending the market lower by 20% in a matter of a few short weeks.

The official tally on tariffs this year has been much less than the originally announced 30% headlines but certainly impactful to companies across various industries as the chart following outlines, they averaged 6.7% for the full year with the dividing line in early spring showing tariffs quadrupling between March and June 2025.

Average tariff rate on U.S. goods imports for consumption

2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD total
Tariff revenue (bn)	$7	$7	$8	$16	$22	$27	$28	$30	$30	$174
Imports (bn)	$317	$288	$343	$276	$276	$266	$292	$263	$276	$2,597
Effective tariff rate	2.3%	2.5%	2.4%	5.7%	8.0%	10.0%	9.5%	11.2%	10.8%	6.7%

Source: US Census Bureau, US Department of Treasury, US International Trade Commission, JP Morgan Asset Management

Tarriff negotiations are ongoing and have been digested by the market as best as possible with some industries being largely absolved of tariff increases and others remaining firmly in the crosshairs. This continues to demonstrate the benefits of a fully diversified portfolio across industries and countries.

The Sled

Another important announcement this year was the passing of the 2025 Tax Bill in Congress. I'd equate this to the oil that Clark Griswold applies to his sled before ultimately ending up far beyond the hill in the Walmart Parking Lot. More seriously, the 2025 Tax Bill has provided the impetus for businesses and individuals to make proactive decisions for themselves knowing the guidelines they are working with this year and for years to come. In our opinion it did add some momentum to the market and the economy, but we as market participants did end up at the bottom of the hill as its improvements over existing legislation were more measured.

For individuals the tax bill does provide some potential reduction in tax through a $6,000 deduction for individuals making $175,000 or less and $250,000 or less for married couples. Additionally, a much higher $40,000 deduction is available for State and Local Taxes including property taxes for married couples making under $500,000. Lastly, legislation allowing for increased expensing of capital investments made by business has provided a lift to the economy.

Stock prices reacted to the tax bill positively along with positive earnings growth, moderating inflation, and the Federal Reserve lowering interest rates in a measured way logging double digit gains for most indices.

We've published its provisions before but given its importance it's worth publishing again below

Provision	Current Law	One, Big, Beautiful Bill
Individual Rates	2017 preferential tax rates (highest at 37%); set to expire 2025	Made permanent
Pass-Thru (199A) Deduction	Deduction of up to 20% of Qualified Business Income (QBI)	Made permanent at 20% (not 23%, as proposed in the House)
Estate Tax Exemption	$12.9MM exemption for single/$25.8MM for married filers	$15MM for single/$30MM for married filers; made permanent
SALT	$10K SALT deduction; expires 2025	$40K SALT for <$500K income, w/phase-out at $600K; reverts in 2029
Standard deduction	$15,000 (single) $30,000 (married)	$16,000 (single) $32,000 (married)
Child Tax Credit	$2K/child, set to expire in 2025; refundable up to $1.4K/child	Increase to $2.2K/child; made permanent; refundable up to $1.4K/child
No Taxes on Tips	Taxed as ordinary income	Deduction up to $25K for incomes <$150K; expires end of 2028
No Taxes on Overtime	Taxed as ordinary income	Deduction up to $25K for incomes <$150K; expires end of 2028
Tax Deduction for Seniors	$1.6K deduction for ages 65+	Additional $6K deduction for ages 65+ through 2028
No Taxes on Auto Loan Interest	N/A	Up to $10K deduction for "made in USA" cars through 2028
Remittances	N/A	1% tax surcharge
Endowment Tax	Top rate of 1.4%	Top rate of 8%
Bonus Depreciation	40% bonus depreciation	100% bonus depreciation from Jan. 19, 2025; made permanent
R&D	5-year amortization for domestic R&D	Full expensing restored; made permanent
Expensing for structures	N/A	100% for manufacturing structures starting Jan. 19, 2025
Not in bill	N/A	Section 899 ("revenge tax"); PTET elimination

Source: Bloomberg, EY, Senate Finance Committee; As of July 2025

The Jelly of the Month Club

As markets advance, skepticism arrives, just like when Clark receives his invitation to the "Jelly of the Month Club". Unlike his famous rant, ending with "where's the Tylenol?" were going to take a more measured review as to whether this skepticism is warranted. We're going to particularly focus on the Magnificent 7, the seven largest stocks in the US. Particular focus has been valuations of these stocks which are elevated relative to historical norms.

That elevation is clearly illustrated on the "Index Concentration" chart on the next page. While not eclipsing peaks in 2000 and 2021, valuations of the top 10 stocks in the S&P 500 are elevated, trading at a 28.1x Price/Earnings ratio. The remaining 490 index constituent are higher than historical norms but about 33% cheaper as measured by a P/E ratio of 19.2x. The important question for investors with S&P 500 exposure (as our clients have) are the top 10 stocks worth this valuation difference or this valuation at all.

Counter to that skepticism is the earnings growth and cash flow produced by these companies, as illustrated on the page following may warrant this valuation difference. With the exception of 2022, the earnings growth of the Mag 7 has eclipsed the rest of the stocks by a very significant amount.

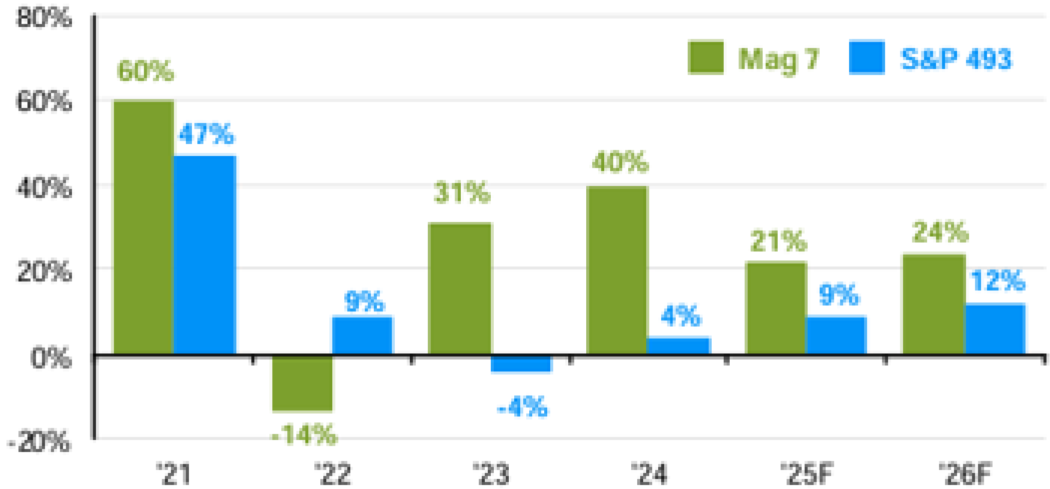
Our client portfolios are diversified with the US being the anchor of portfolios and making up 75% of stock holdings meaning that the top 10 stocks in the US make up approximately 30% of the stock holdings of our average client portfolio, an amount we are comfortable with as we remain widely diversified across other markets.

S&P 500: Index concentration

P/E of top 10 and remaining companies in S&P 500
Next 12 months

Source: FactSet, S&P and JP Morgan Asset Management

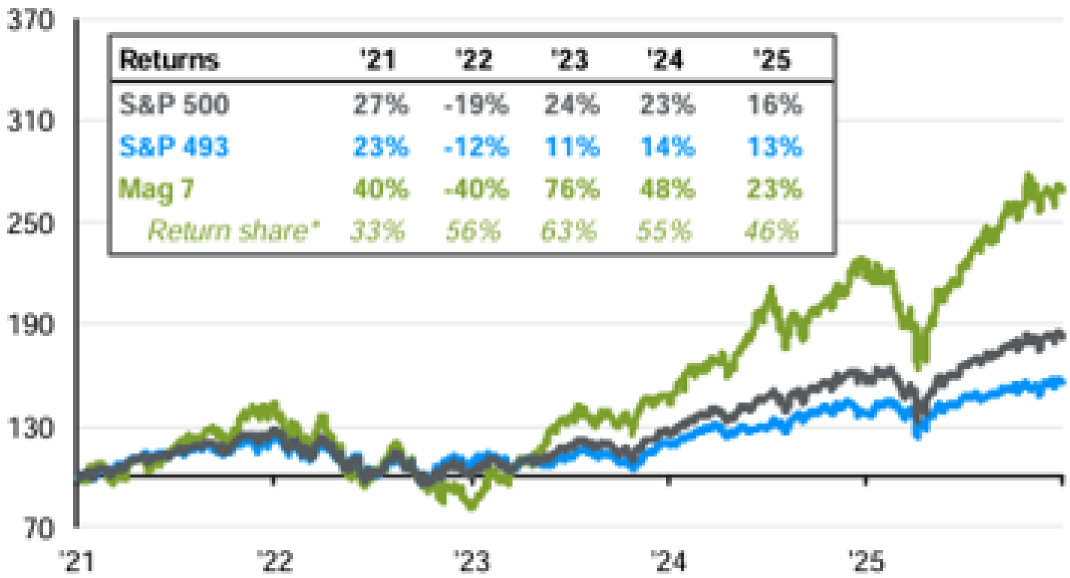
Year-over-year earnings growth



Source: FactSet, S&P and JP Morgan Asset Management

Magnificent 7 performance in the S&P 500

Indexed to 100 on 1/1/2021, price return



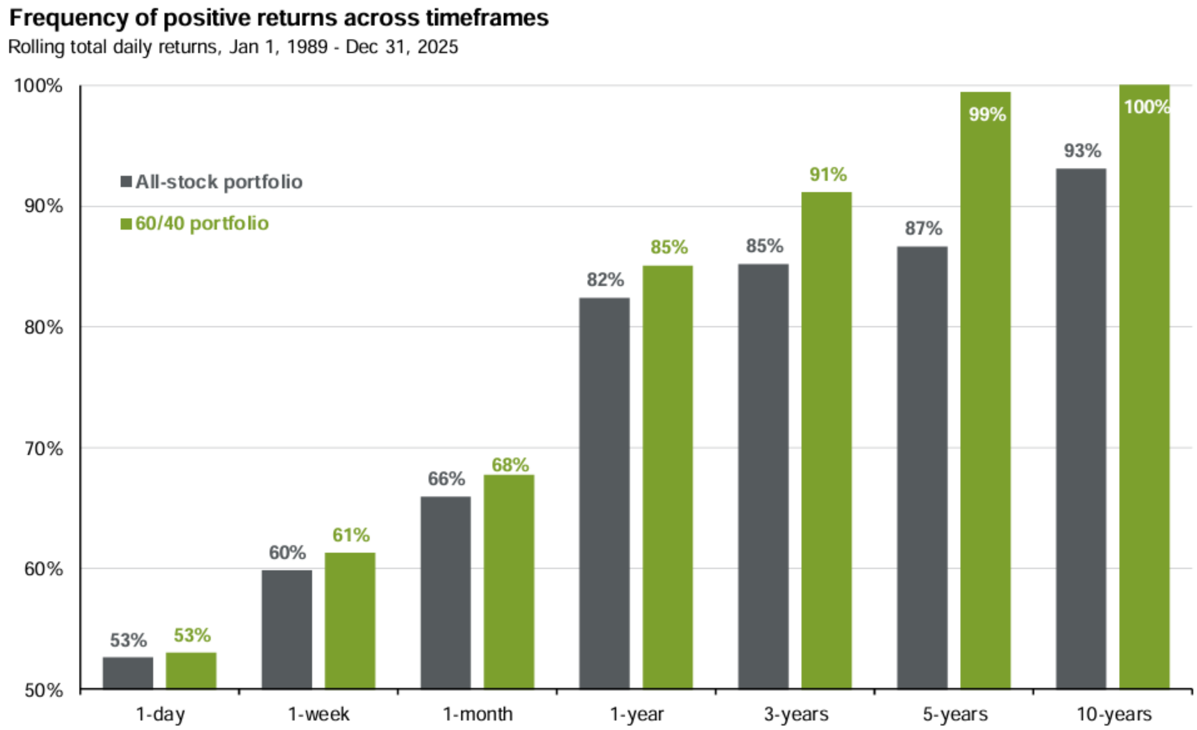
Returns	'21	'22	'23	'24	'25
S&P 500	27%	-19%	24%	23%	16%
S&P 493	23%	-12%	11%	14%	13%
Mag 7	40%	-40%	76%	48%	23%
*Return share**	*33%*	*56%*	*63%*	*55%*	*46%*

Source: FactSet, S&P and JP Morgan Asset Management

The Long View

Taking all of this macro and microeconomic data together, we can conclude that it's clear to us that the outlook is not as bright as Clark's light display but not as dismal as the turkey served by Catherine for dinner.   While we pay attention to these events, it does not spur proactive activity for our clients on a daily or weekly basis but more subtle shifts to portfolio construction over time.   The frequency of positive results by simply participating in the growth of the economy through stock and bond ownership is very high as illustrated below. We seek to do so with a risk level that is appropriate for each of our clients' personal situation.

The tenants that guide our decisions are long term in nature and are academically tested, as we seek to keep our clients within the well-marked channel of market wisdom.



Source: FactSet, S&P and JP Morgan Asset Management

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Riverside Wealth Partners Winter Moments

We hope you enjoyed some quality time with your family this holiday season and wanted to share a few of us doing the same.   Pictured below are Bill and his daughter cheering on the Jags, Bill and Michellle celebrating Senior Night at Episcopal High School with their son and Bill celebrating a practice award for Riverside Wealth with colleagues at the NewEdge Advisors conference in Park City, Utah.

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