



KOCAA Investment Roundtable: Year-End 2025

HOME AND AWAY –

The optics of the latest US foreign intervention, a covert military operation in Venezuela, may not be great, but the constitutional legality appears clear. The capture of dictator Nicholas Maduro is a direct manifestation of what is being called the “Donroe Doctrine” (a cringeworthy moniker) and sends a clear signal that the US is serious about reasserting control over what the administration considers the United States’ western sphere of influence.

While not the only outcome, the Venezuelan operation potentially does two things. First, it removes from the western hemisphere a regime ideologically aligned with geopolitical competitors, and second, it facilitates US access to additional oil resources (holding ~300 billion barrels of oil equivalent, Venezuela has the largest proven reserves, representing 20% of the world total) while also striking a blow to the illegal drug trade flowing from South America to the US. Along with tariff negotiations, domestic economic policy, an emphasis on critical natural resources and other foreign policy initiatives, the flexing of US military muscle is one piece of a broader global strategy under the umbrella of national security.

At the same time, Trump sees himself domestically as a populist president. With mid-term elections on the horizon, he has already followed up the One Big, Beautiful Bill Act (OBBA) with several announcements aimed at addressing affordability, which stands to be an important issue for much of the electorate. Energy prices (electricity aside) have fallen steadily over the past year, and efforts are underway to provide relief on food prices. Both costs impart a disproportionate burden on lower income consumers. But the biggest challenge may be housing, particularly for younger voters.

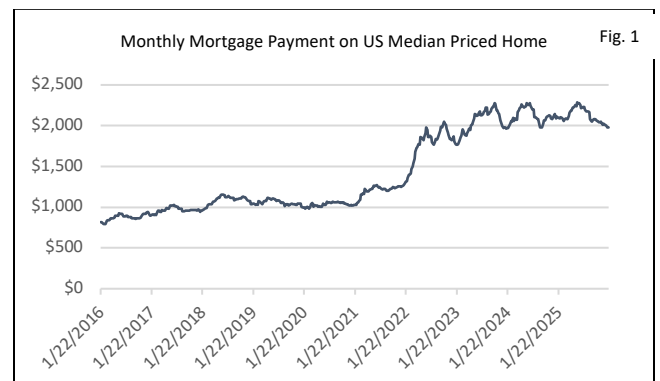
Through a combination of rising prices — especially for existing homes — and higher interest rates, the monthly mortgage payment on the median-priced home in the US has nearly doubled over the past five years, far outpacing gains in median household income. The president has been vocal about wanting the Federal Reserve to lower interest rates to help the housing market, and with current Chair Powell’s term up in May, it is widely expected that his selection for the next Chair will be sympathetic to his desire, much as recent appointee Stephen Miran has been.

A NEW GOLDEN AGE? –

It should thus not be a surprise that the dollar weakened throughout 2025, and precious metals enjoyed a banner year. Silver was the standout, breaking decisively above \$30 for the first time in a decade, finishing the year with a gain of 148%. But gold also shone, building on a 27% gain in 2024 with a 65% jump in 2025. It likely *would* come as a surprise that gold has doubled the S&P 500 Index return in the first quarter of the 21st century. It hasn’t been a straight line, however. Gold underperformed for a decade between 2012 and 2022. Scarcity has always supported gold as the primary monetary metal with an unmatched status as the ultimate store of value and safe-haven asset, but demand has also become an important driver in recent years.

Long before Trump’s first term, global central banks, (China in particular) were accumulating gold to protect against currency debasement driven by endless government deficits and exploding sovereign debt balances. Increasing use of economic sanctions by prior US administrations and the freezing of assets (such as against Russia following the Ukraine invasion) drew criticism that the US was “weaponizing” the dollar, a debatable characterization. But the second Trump administration’s far more aggressive foreign policy approach seems to have furthered that narrative, leading many central banks to diversify their foreign reserves by substituting gold for the US dollar.

Gold is unlikely to supplant the US dollar as the global reserve currency anytime soon. But given rising global geopolitical risks and uncontrolled government spending, individual investors, most with little or no precious metals exposure, have reassessed the role of gold and silver as strategic assets and appear to be upping their allocation.





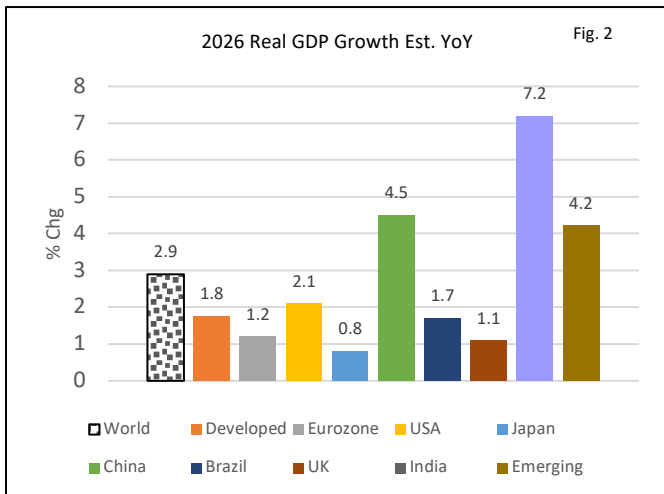
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ECONOMY –

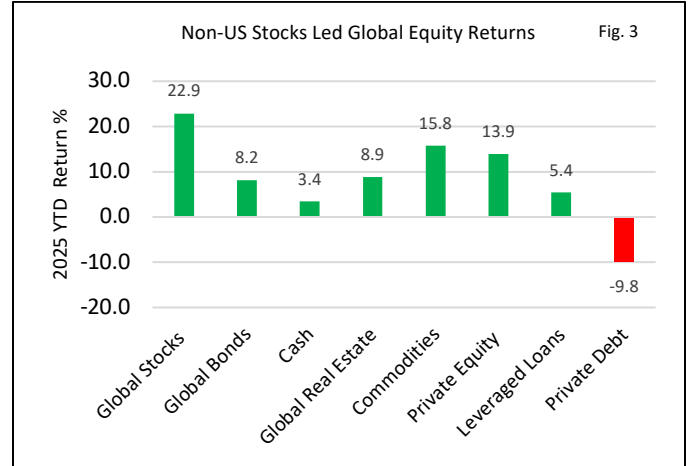
Defying virtually all forecasts, 2025 third quarter US real GDP came in at a sizzling 4.3% annualized, the strongest quarterly growth of the year, and seems likely to run ahead of muted fourth quarter expectations (adjusting for the federal government shutdown). Full year GDP growth should print at 2%+ over 2024, ahead of expectations at the start of the year after notable upward revisions in the second half, and 2026 is likewise expected to post growth above 2%. Most of the rest of the world also saw GDP estimates rise during the year. India continues to show the strongest growth, currently forecast at 7.5% in 2026 compared to expected global GDP growth of 3%.

US employment has been gradually weakening, however, evidenced by declining non-farm payroll growth and a modest rise in the unemployment rate despite new claims filings generally below expectations in recent months. All of this adds up to what many refer to as the “no-hire-no-fire” labor market. Importantly, wage growth has been resilient, supporting consumer spending, with some data suggesting employers are paying more to hold on to quality employees.

Stimulus is the name of the game throughout much of the world. A massive fiscal package announced by China last year appears to be bearing fruit, and Europe unleashed budget-busting deficit spending with specific emphasis on military spending. With mid-term elections on the horizon, the US administration is clearly viewing the economy with an eye towards “running it hot.” Japan also unveiled a stimulus package late in 2025, leading to a rise in Japanese



MARKETS –



government bond yields and weakness in the Yen. Global economic activity thus looks robust to start the new year. The aggressive new US tariff structure has not played out as the consensus expected, as the mechanism of transmission appears to be more currency driven (USD down, import prices lower) than inflation driven. But it has resulted in a nearly five-fold increase in customs duties.

It was another strong year for publicly traded equities, with global stocks topping the list of asset returns by a wide margin. Even with the surge in precious metals and copper prices, commodities were a distant second due largely to weakness in oil prices. Bonds posted very respectable returns, as did real estate, and, just as with equities, non-US assets led the way. For the broad public equity benchmarks, non-US stocks nearly doubled the return on US stocks. Private Debt struggled due to a combination of higher interest costs on floating rate debt in the first half of the year and rising concerns about the opacity of many instruments.

Interest rates behaved remarkably well in 2025 given the flood of sovereign debt issuance across the globe. But markets may not be as forgiving in 2026. In the US, roughly 30% of all federal debt outstanding comes due and needs to be refinanced in addition to funding another large budget deficit. Further, given all the fiscal stimulus measures put in place, a higher level of economic activity could put upward pressure on interest rates. At the same time, the outlook for corporate earnings in 2026 is encouraging, even if it is skewed towards AI and data center buildout activity.



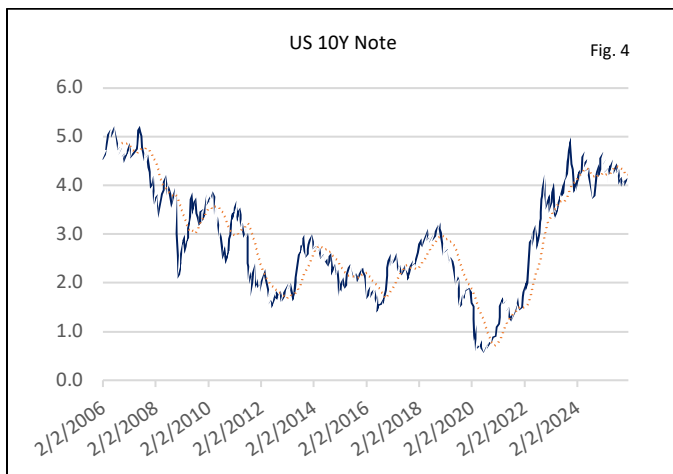
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FIXED INCOME – GOV'T

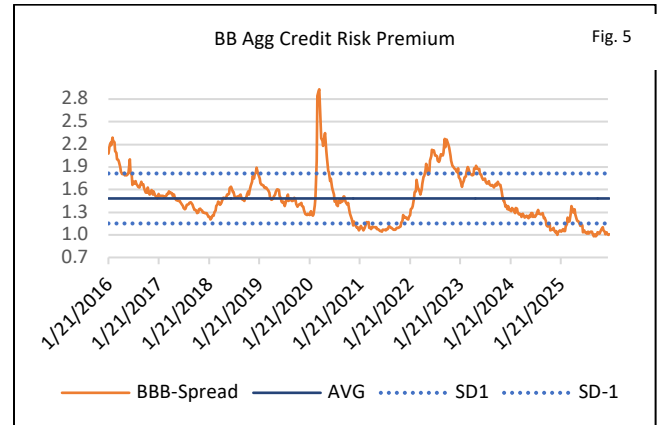
Benchmark 10-year U.S. Treasury rates trended lower over the second half of 2025. The bottom of the range held strong at 4%, with only a brief interlude below that support level in late October. The curve continues to steepen, a trend that has been in place for nearly all of 2025. Investors are awaiting the President's pick for the next Federal Reserve Chairman. The potential candidates are all aligned with the desire to lower rates further. Long end rates remain somewhat elevated, but range bound below 5% on the 30-year point on the curve. High mortgage rates remain a consumer pain point limiting affordability.

We remain somewhat cautious regarding the potential risk for a return in inflation. Though price pressures have moderated lately, a very accommodative Federal Reserve, coupled with a stimulative fiscal policy, could reaccelerate inflation readings.

We maintain our preference for the intermediate part of the curve. With front end rates likely heading lower, intermediate fixed income now has a healthy yield advantage without bearing the price volatility associated with long-term bonds. We would not be surprised to see the Trump Administration and/or the new Federal Reserve Chairman take more creative actions to lower rates across the curve.



FIXED INCOME – CREDIT



Corporate credit spreads were largely unchanged during the second half of the year and remain at multi-decade lows. Insatiable investor appetites, coupled with healthy corporate finances, have kept spreads range bound for several months. While the headline index figures were stable, we did see pockets of instability during the latter part of the year. Concerns over data center spending, media M&A activity, and private credit all drove bouts of spread volatility.

We remain tactically neutral on overall corporate credit exposure, though have tilted to be more overweight Financials and underweight Industrial credits. We continue to allocate funds towards securitized products as they have maintained their relative cheapness versus investment-grade corporate bonds.

While we do not view any spread product sector as cheap on a fundamental basis, it is difficult to take a contrary position to the messaging out of Washington. The Administration has made it clear that strong economic growth is a top priority, and the proposed fiscal and monetary policies reflect that goal. Risk assets should perform accordingly. Potential catalysts for a reversal in sentiment include any breakdown in the AI narrative or a geopolitical crisis that grows out of control.



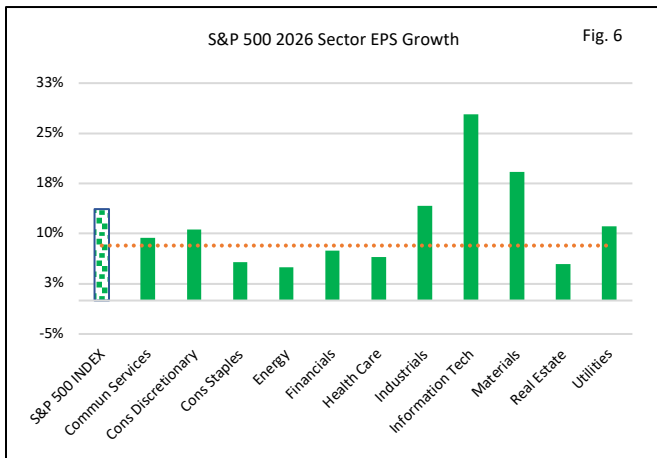
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EQUITIES –US

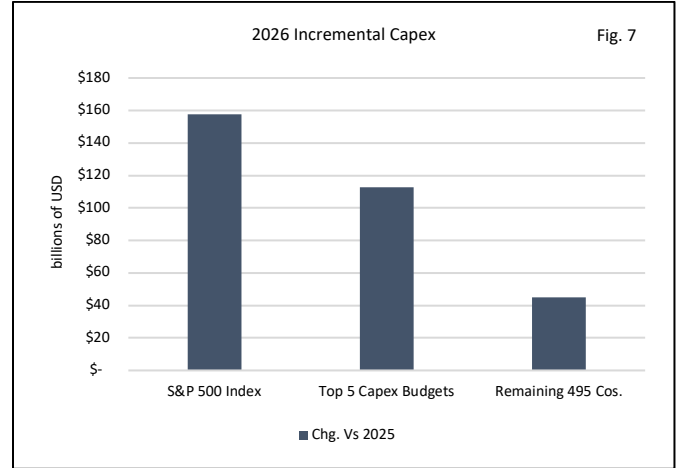
The Bloomberg 1000 Catholic Values Index returned an impressive 18.2% in 2025, a bit better than comparable large cap secular benchmarks (B1000: 17.5%, S&P 500: 17.9%). The opposite was true in the small cap space, where the Bloomberg 2000 Catholic Values Index return of 10.1% trailed the secular B2000 Index return of 11.1%. Small caps were barely positive for the year in mid-November before a late surge that has carried into January.

Market leadership was narrow for much of the year, driven by mega cap technology stocks riding the artificial intelligence (AI) wave, but began to broaden out following the passage of OBBA in July and a Federal Reserve rate cut in September. Communications Services (+32.5%) was the top performing sector in 2025, largely driven by a 66% return in Alphabet (Google), followed by Technology at 23.5%. Industrials (+19.3%) was the only other sector to outperform the benchmark, while Real Estate, Consumer Staples, Consumer Discretionary and Energy all posted single digit returns.

The strength in Technology/AI stocks was not without justification, as revenue and earnings growth across that space was far superior to the rest of the market. Not all full year results have been posted, but it is likely that Technology sector earnings will show nearly 24% growth YoY, well above the 15% growth expected for second-place Communications services. Technology is expected to lead the earnings parade again in 2026, though some other sectors should show larger improvement over 2025.



EQUITIES – US



The common denominator across top performers was AI-related infrastructure spending on semiconductors and data centers to house and run models like ChatGPT and others. Added to the already growing demand from major cloud services providers, the enormous energy needs of AI data centers are taxing the electrical grid.

A lot of economic activity and earnings growth is dependent on that spending. Consider that just five S&P 500 companies (Amazon, Microsoft, Alphabet, Meta, Oracle) account for almost three-quarters of the expected total increase in capital spending (Capex) this year. Meta alone is expected to increase Capex almost as much as the 495 remaining companies combined.

Heading into 2026, economists and strategists are both broadly optimistic regarding growth and equity market performance, respectively. Underpinned by favorable tax and regulatory policy along with ample liquidity, consensus expectations are for earnings growth of more than 13% and another double-digit advance for the large cap equity benchmark.

Those expectations are not entirely unreasonable, given the favorable tailwinds. But keep in mind that another gain of 10% or more for the S&P 500 Index this year would be the fourth consecutive year of double-digit returns. That is a milestone that the benchmark has never reached since its inception in 1958.



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EQUITIES – INTERNATIONAL

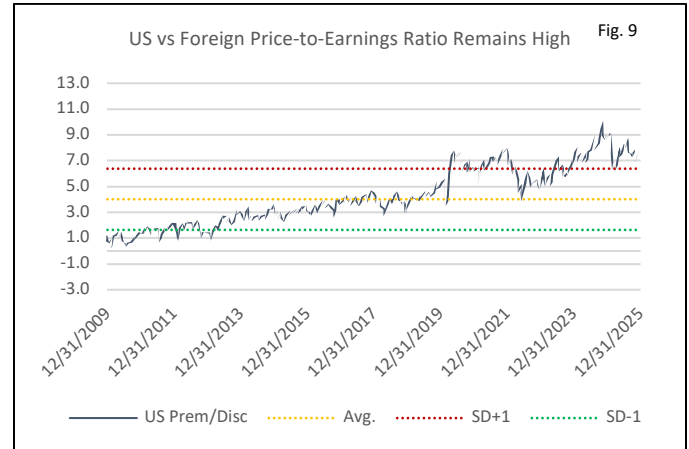
International equities delivered solid returns during the second half of 2025, though slightly less robust than the first half. The Bloomberg Catholic Values World-Ex-US Index advanced 13.3% over the period. For calendar 2025, the benchmark returned 32.7%. Overall performance was characterized by significant sector dispersion, with cyclical and commodity-sensitive sectors leading gains while defensive sectors lagged. Regional returns showed emerging markets and natural resource rich countries outperforming, driven by policy support in China and commodity exposure across emerging economies.

From a sectoral standpoint, Materials was the top-performing sector, advancing +26.2% and benefiting from surging precious metal prices. Information Technology (+25%) advanced strongly also, continuing its multi-year outperformance, with the sector posting double-digit gains for the third consecutive year. As was the case in the US, artificial intelligence was a dominant theme. Outperformance in the Financials (+43%) sector was supported by bank-heavy performance in certain markets.

Health Care (+10.2%), Consumer Staples (+11.9%), and Real Estate (+14.5%) significantly underperformed as investors favored cyclical exposure, and Real Estate was broadly pressured by elevated rates throughout the period.

Regionally, Latin America was the best-performing region (+54.9%), partly due to its exposure to metals. Europe ex-UK (+40.3%) benefited from fiscal stimulus driving

EQUITIES – INTERNATIONAL

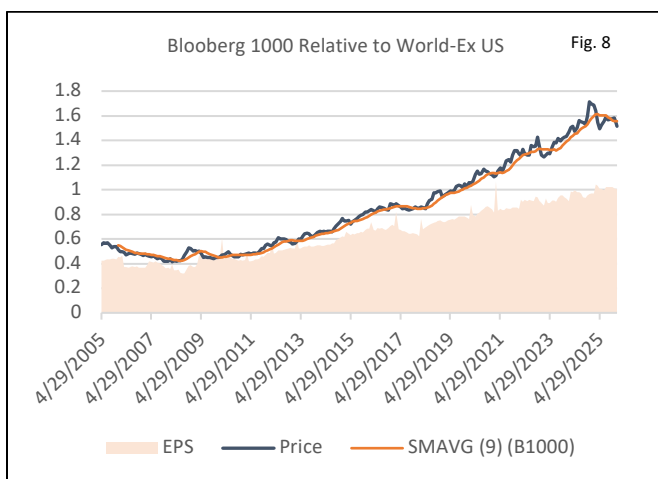


stepped up military equipment spending. Canada (+35.5%) also benefited from the outperformance of the Materials sector, which rose 42.8%. China slightly underperformed the benchmark for the year but had a strong second half following announcement of a large stimulus package.

Looking ahead to 2026, international markets will likely continue to benefit from the AI theme while facing volatility in key markets, given current geopolitical tensions. EM is expected to continue delivering double-digit growth and remains an attractive space for accessing the AI theme.

In terms of countries, South Korea is expected to benefit from 'goldilocks economic conditions' and provide equity upside via strong EPS revisions, a powerful memory upcycle driven by exponentially growing data storage needs, and less tariff uncertainty. On the other hand, China is expected to remain volatile amid less favorable EPS revision dynamics and a lackluster macroeconomic picture.

The large outperformance by non-US equities in 2025 may mark the beginning of a reversal of more than a decade of underperformance. With stimulus on the table in Europe and emerging markets benefitting from a stronger global natural resource environment (demand plus pricing), relative earnings growth versus the US should improve. The performance discrepancy last year slightly eroded the valuation discount, but US equities remain significantly more expensive.





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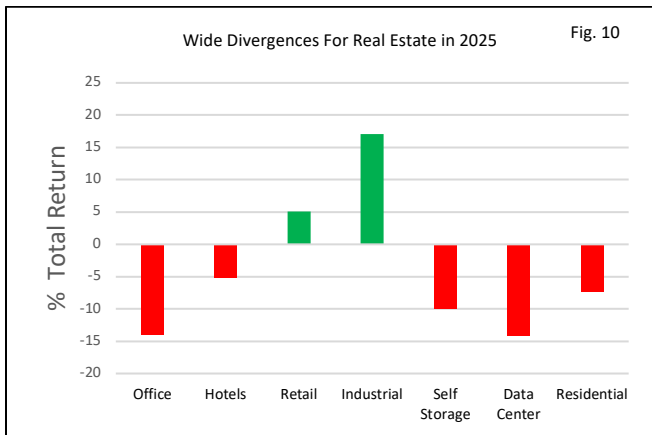
REAL ESTATE –

2025 kicked off with caution as borrowers and investors could not truly estimate the impact of overhauled tariff rates, the tax benefits of the One Big Beautiful Bill Act (OBBA), and how aggressive the Fed would be regarding interest rate cuts. The third quarter experienced signs of stabilization, including an uptick in transaction volumes for the overall real estate market. Fundamentals also held up through the longest government shut down in history when threats of disruption to income, grocery assistance, and rent subsidies did not translate to elevated delinquencies where consumers lived and shopped.

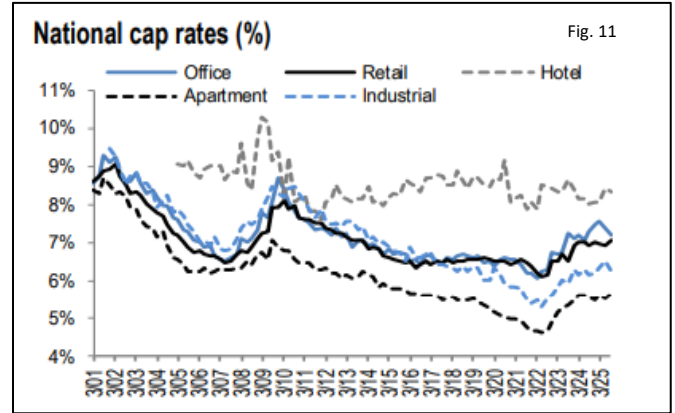
It was a mixed year overall for sector returns, with Industrial REITs thanks to rising demand for warehouse and general commercial industrial space. That followed a tough year in 2024. Storage struggled due to the persistent weakness in housing. The bottoming process in the Hotel group continued to build a solid foundation for better returns ahead, while the Retail sector remained one of the steadier sectors, posting its third consecutive positive year.

Office

The office sector reported positive net absorption for the first time since early 2022. In the 3rd quarter, net absorption grew to 19.8mm sf from negative 14.9mm sf in the previous quarter. Forecasts for net absorption in Q4 2025 and the full year 2026 are also positive. While vacancies are highest in the office sector (14% in Q3), office vacancies declined by 9bps, making this the first decline since Q4 2021.



Year-End REAL ESTATE –



Rent growth increased by only .8%. Analysts in the space continue to discuss a journey to normalization that can be derailed by slowing job growth, tenant downsizing, or tenant upgrades to modernized spaces.

Multifamily

Apartments generally underperformed in 2025 among REITs, returning -8.6% vs All REITs +2.3%. With pockets of apartments dealing with lingering oversupply, the 4th quarter returned virtually zero rent growth, the weakest quarter in five years. Consequently, multifamily was the only major property segment not to experience YOY price appreciation. Nonetheless, investors are optimistic about the space because the cost to rent is more affordable than the cost to own in all 50 of the U.S. largest metros. This juxtaposition for renters keeps apartment rents more than 20% higher than pre-pandemic levels and supports carefully managed business plans for affordable housing. Multifamily cap rates have risen to pre-pandemic levels (5.66%) and have room to continue their slow upward trajectory.

Data Centers Data centers have been a dividing topic as some investors remain engaged, but more traditional CRE investors won't touch a tech risk that they cannot confidently underwrite. Properties that cater heavily to AI training are the most nuanced and controversial projects, while colocation sites in primary or secondary markets and power constraints still exhibit high pre-lease activity and favorable pricing.



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SOURCE DATA

Exhibit	Source
Figure 1	Bloomberg, KOCAA
Figure 2	Bloomberg, KOCAA
Figure 3	Research Affiliates (RA), Bloomberg
Figure 4	Bloomberg, KOCAA
Figure 5	Bloomberg, KOCAA
Figure 6	Bloomberg, KOCAA
Figure 7	Bloomberg, KOCAA
Figure 8	Bloomberg, KOCAA
Figure 9	Bloomberg, KOCAA
Figure 10	Morgan Stanley
Figure 11	Morgan Stanley



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Figures 3, 10, Return Data

Asset Class/Segment	Index
Global Stocks	MSCI ACWI
Global Bonds	Barclays Global Agg USD
Cash	US 3M T-Bill
Global Real Estate	S&P Global REIT USD Index
Commodities	Bloomberg Commodity Index
Private Equity	Equally Weighted returns for NB Private Equity Partners, Harborvest Global Private Equity Ltd, Solactive Private Equity Select Index, FTSE Private Equity Buyout Index
Leveraged Loans	Markit iBOXX Liquid Leveraged loans
Private Debt	Indxx Private Credit Index
Office	FTSE NAREIT Office Sub Sector Total Return
Hotels	FTSE NAREIT Lodging/Resort Property Sub Sector Total Return
Commercial Mortgage	FTSE NAREIT Mortgage Commercial Financing Sub Sector Total Return
Retail	FTSE NAREIT Retail Property Sub Sector Total Return
Industrial	FTSE NAREIT Sub Sector Industrial Total Return
Data Center	FTSE NAREIT Sub Sector Sata Centers Total Return
Self-Storage	FTSE NAREIT Self Storage Property Sector Total Return
Residential	FTSE NAREIT Residential Property Sector Total Return
US LBO	RA: US LBO Simulation
US Venture Capital	RA: US VC Simulation
US Long/Short Equity	Bloomberg Equity Long/Short Hedge Fund Index
Infrastructure	Alerian MLP Index

*Europe, Middle East, Africa