CORDA

TOGETHER WE'RE INVESTED

All Things Are Ready, If Our Minds Be So

December 22, 2025

It has been gratifying to see the markets reward patient, long-term investors this year. But for dedicated owners of businesses (equities (i.e. – stocks)), like CORDA and our clients, good times are precisely when we spend time focusing on risk management and long-term discipline.

Preparation is the currency of confidence. The truest measure of a sound strategy isn't how it performs when times are easy, but how well it is prepared when times are inevitably challenging.

In this letter, we want to share our thinking about why we are always mindful of what might be lurking around the corner and, more importantly, how your portfolio is built to handle it.

Market Context & Preparation

Putting economic downturns or market corrections in context is central to our committed, long-term perspective. As we assess the global landscape, indicators such as the trend toward lower interest rates while inflation seems stubbornly high, the staggering levels of sovereign debt around the world, and a continued erosion of the purchasing power of the U.S. Dollar serve as signals that potential headwinds may exist in 2026. However, we remind ourselves, has there ever been a period of time when concerns and caution were not warranted?

The drumbeat for a slowing economy has been with us since 2022. IF we were to experience a recession in the next few years, we must put this into historical context. **Recessions don't automatically mean bear markets.** We calculate:

- Since 1929, the U.S. has experienced 15 Recessions.
- In that same period, there were only 11 Bear Markets (declines of 20% or more).

In fact, stock market gyrations of that magnitude seem pretty normal these days. Recall, the market corrected nearly 20% through April of this past year and we did not have a recession. Bear markets and recessions don't go hand in hand. The exact cause of the next market shift—be it interest rate volatility, trade wars, a recession, or perhaps something like a cyber attack—is impossible to predict. **The point is not to try to time the market!**

The key is to decide what kind of investor you are and how you plan to be successful. If you are prone to anxiety and panic, the time to prepare yourself is when things are good and the market is calm, rather than after the

fact when emotions are high and prices have already declined.

The answer lies more with your appetite for risk, your ability to remain steady when experiencing temporary losses, your time horizon, and the specific uses for your hard-earned savings. These are all unique features and quantifying them is a useful exercise best undertaken when you (and the market) are calm and rational.

Side Note: We have the tools and resources to help you determine how to be invested. Please be sure to work with your Financial Advisor here at CORDA to ensure your portfolio is on the right path.

Positioning for the Future

Outside of the 1930s and the Great Recession 17 years ago, most recessions are fairly mild. The typical stock market decline during a recession is 24%, and the typical length of a bear market is just 1.4 years. This means your investments typically recover quickly.

The question then becomes: **How does one prepare and invest for the next serious, yet manageable, decline?**

This is where you need to assess your temperament. Peter Lynch once said, "Success in the stock market depends on your stomach and not the brain." Traditionally, exposure to bonds would serve as a buffer to losses. Today one must be careful about the type and duration of fixed income because, in our view, certain areas of the bond market are aggressively valued. We often hear about "private credit" as being a suitable alternative to Treasuries or investment grade corporate bonds, but these products are born out of the imagination of Wall Street and fall into the camp of being sold and not bought. For most investors, we'd urge caution when considering an alternative such as private credit.

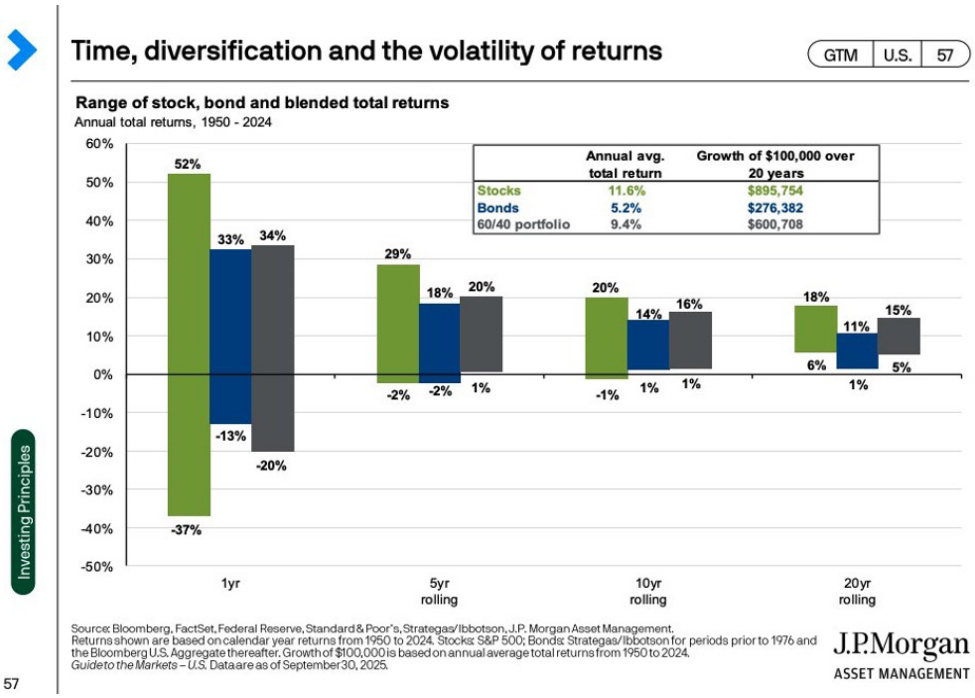
Given this complexity, **for clients with more conservative risk profiles, we advocate for a focus on short to intermediate duration, high quality investment grade bonds, U.S. Treasuries, or highly rated municipal bonds for the fixed income allocation.** This positioning reflects our belief that while bonds are a useful buffer, we must minimize exposure to the risks associated with today's longer-term debt instruments against a backdrop of persistent inflation, a deteriorating dollar, and the declining purchasing power of our hard-earned money.

In some cases, for the appropriate client situation, we may include a sleeve of investments that might also buffer against the expanding fiscal deficit and the large debt load that our country faces. This might include gold, silver, non-U.S. based currencies, and other possible securities designed to benefit if the dollar continues to debase over time.

Reinforcing the CORDA Philosophy

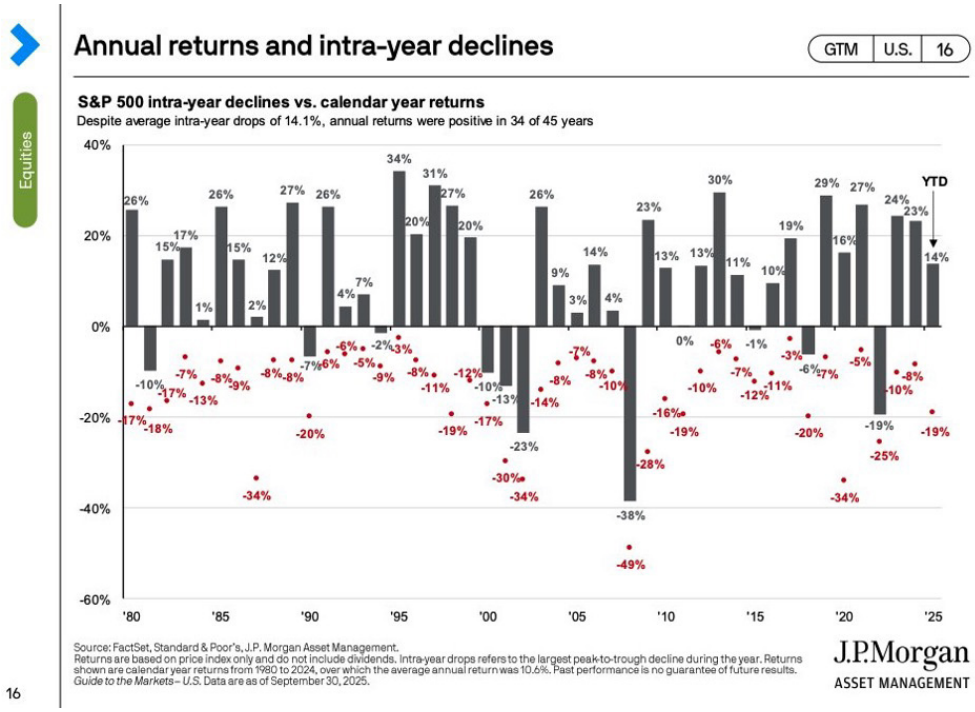
As you know, fundamentally we believe in the power of capitalism and would never bet against America or the stock market in general. Let us say this again, **fundamentally we believe in the power of capitalism and would never bet against America or the stock market in general.**

See the following chart: Since 1950, over any 1-year time period, stocks and bonds can be way up or down. When you increase your time horizon, the range of returns is lower, but the average return is higher. The neat thing is over any rolling ten-year period in the stock market; your worst return would have been -1% annualized. **A portfolio consisting of 60% stocks and 40% bonds over ten years was always positive.**



Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, JP Morgan Asset Mgmt.

Also, don't forget about the intra-year declines. We have discussed this often over the years – this is the price of admission! If you want to earn those long-term rewards, you have to assume some kind of short-term risk. Drawdowns happen every year, and despite the average intra-year decline of 14.1%, annual returns were positive 75% of the time.



Source: FactSet, Standard & Poor's, JP Morgan Asset Mgmt.

We have something we call the 15 Pillars for Wealth Preservation – it's one page from our crystal ball that we refer to often when surveying the markets and determining how we should be invested. We think it is worth sharing again.

Our 15 Pillars: The CORDA Principles for Wealth Preservation

Valuation & Entry

1. Price is the most important factor when assessing value.

2. Try to determine what a company is worth.

3. Buy assets at a discount; Book value is an important feature, while forecasting earnings is more difficult.

4. Try to buy closer to lows than highs.

5. Keep in mind overall market P/E, interest rates, optimism/pessimism, and overall market levels.

Investor Mindset

6. Remember you do not own slips of paper but shares of a business.

7. Have patience; the odds of picking the low point in any period are a million to one.

8. Have the courage of your conviction; the crowd, public, and media will try to shake your faith.

9. Fully accept there is no certainty and you can be wrong, but look for blind spots.

10. Fear and greed are the worst emotions; try to stay grounded. It's never as good as it appears and never as bad either.

11. Have a philosophy and stick to it. These rules are one way we have been successful.

Risk Management

12. Assets change slowly; earnings can change rapidly at any time.

13. Be careful of leverage, both in your own portfolio and that of the businesses you own.

Execution

14. Don't be in a hurry to sell; just because it has gone up 50% or 100% doesn't mean it should be sold.

15. Watch and learn from other successful investors.

By following these principles, we substantially reduce your risk level relative to the overall stock market averages.

In Summary: Building a Formidable Portfolio

Depending on your risk profile, we position your portfolio to perform well in both good and challenging markets by combining the right type of stocks and bonds.

Fixed Income: For our more conservative investors, we emphasize shorter duration, high quality investment grade bonds, U.S. Treasuries, and some tax-free municipals.

Equities: We continue to adhere to our value buying of growing businesses typically with good dividend trajectories—targeting high-quality, well managed, robust balance sheet companies. **The key is to buy them when they are on sale and to let them run.**

This careful construction makes for a formidable portfolio.

A Final Thought & Next Step

Regardless of maket commentary—be it the Fed "behind the curve" or we are in a "late-stage expansion" – whatever the narrative - our focus remains on maintaining flexible, strategy-driven allocations. Your risk appetite is the only true starting point for determining this structure. We have made great strides with many of you by completing a comprehensive financial plan, for those who have not gone through that process, please reach out.

Today is an excellent day to review your overall plan and allocation.

Please contact your Financial Advisor to schedule a discussion as we move into 2026 while the market is near all-time highs.

Thank you again for letting us be stewards of your capital.

Sincerely,

The CORDA Team

Special Addendum for the Capital Market Enthusiasts Out There:

We want to share an insightful take from Professor Jeremy Siegel on the Fed's latest policy tone and the resulting market rotation. His perspective aligns closely with our long-term view at CORDA on staying disciplined through changing market conditions.

Comments from Dr. Jeremy Siegel, December 15, 2025:

The Fed Signals A Dovish Tilt and Market Rotation:

The Fed delivered what I would describe as a dovish version of the "hawkish cut" and the market's reaction since then has confirmed that interpretation. Chair Powell did not pre-commit to additional easing, but almost everything surrounding the decision—his tone on inflation, his acknowledgment of labor market softness, and an underappreciated shift on the balance sheet—tilted clearly in a more accommodative direction. Equity markets heard that message immediately, with the S&P 500 and Dow moving to new highs and market leadership began to subtly change.

What I consider the surprising headline of this meeting is the effective end of quantitative tightening and a sooner-than-expected resumption on buying bills to create reserves. The Fed's decision to begin buying Treasury bills, roughly $40 billion per month, may be framed as a technical reserve-management operation rather than QE, but in practice it halts QT and adds liquidity at the margin. For markets that have been quietly worried about reserve scarcity and funding stress, this was a very important signal. The Fed is once again erring on the side of ample liquidity, and that has historically been supportive for risk assets.

Even more important was Powell's conceptual shift on inflation. For months I've argued that tariffs represent a one-time price-level adjustment, not a persistent inflationary force. This was the first press conference where the Fed chair echoed that view so explicitly. Powell emphasized that inflation pressures are concentrated in tariff-affected goods rather than services, and that much of that impulse is already behind us. He repeatedly referenced TIPS break evens as evidence that inflation expectations remain well anchored. That matters enormously. When the Fed stops treating every price shock as the beginning of a new inflation regime, the bar for restrictive policy falls.

The labor market discussion was striking. Powell essentially acknowledged that payroll data have been overstated by roughly 60,000 jobs per month due to distortions in the birth-death model. If you take that seriously, the last three months of reported job gains are effectively negative. That aligns with what I've been calling the "no-hire, no-fire" economy—firms are reluctant to lay off workers, but they are not adding aggressively either. The Fed is forecasting unemployment around 4.4–4.5%, and we are beginning to see early signs consistent with that path. Jobless claims jumped sharply the day after the meeting, reminding us how volatile the data can be, but that is a series we now need to watch carefully for confirmation rather than noise.

Putting these pieces together—the end of QT, a softer inflation framework, and growing recognition of labor market cooling—the direction for short-term rates remains clear. I continue to believe the Fed funds rate belongs in the low 3s, with roughly a 100-basis-point spread to the 10-Year Treasury. With the 10-Year hovering around 4.1–4.3%, that implies another 50 basis points of easing ahead. The timing will be data-dependent, but the destination has not changed.

Importantly, investors should not assume that Fed cuts automatically translate into a sustained rally in long-dated Treasuries. If the economy avoids recession, and that remains my base case, 10-year yields are unlikely to hold below 4% for long, if they reach that level. The benefit of easing will be concentrated at the front end of the curve, relieving pressure on households, banks, and businesses tied directly to short-term rates. A normalizing yield curve driven by lower short rates, rather than collapsing long rates, is actually a healthy backdrop for equities.

Also, since the meeting: we are seeing signs of market rotation. While the S&P and Dow have pushed to new highs, the NASDAQ has lagged, and some high-profile AI names have stumbled. Oracle's earnings were solid, but not spectacular, and the stock was punished due to fears on its spending and debt loads. The bar for AI-linked mega-caps is now extraordinarily high. This does not signal a collapse in those stocks, but it does argue for more caution.

This could be the long-anticipated broadening of the market, with non-Magnificent-7 and non-tech sectors beginning to benefit from lower rates and improving margins. That is a healthy development and one I expect to persist into next year.

There are still near-term risks that markets will have to navigate. A Supreme Court ruling on tariffs could arrive before year-end, and betting markets still suggest meaningful odds that existing tariffs are curtailed or restructured. That does not mean tariffs disappear, far from it, but even partial relief could have a significant impact on margins for many companies that have been pricing in worst-case outcomes, but also uncertainty. At the same time, the risk of another government shutdown early next year cannot be dismissed in late January.

On inflation, the news continues to improve. Gasoline prices recently hit multi-year lows, oil remains well below $60, and forward-looking inflation expectations continue to drift down.

Finally, on AI, I remain optimistic but realistic. Some recent forecasts show limited earnings impact next year, with more meaningful benefits showing up in 2027 and beyond. That can be interpreted in two ways: either AI is overhyped, or companies have yet to fully embrace tools that will eventually prove transformative. The competition for AI models and bringing costs down could lead to this rotation: beneficiaries being firms that use AI to cut costs, raise productivity, and expand margins—not just those selling the infrastructure.