

An update of performance, trends, research, and topics for the long-term investor

Relevant rates of return a/o: **12/31/2025 vs. 12/31/2024**

Russell 1000® Growth Index: +18.6% +33.4%

*Stocks within this index include:
Amazon, Facebook, Google (Alphabet)
Home Depot, Visa

Russell 1000® Value Index: +15.9% +14.4%

*Stocks within this index include:
Berkshire Hathaway B, Exxon
Johnson & Johnson, JP Morgan

Bloomberg U.S. Agg Bond Index: +7.3% +1.3%

S&P 500 Index: +17.9% +25.0%

S&P 500 Equal Weighted Index: +11.4% +13.0%

Russell 2000® Value Index: +12.6% +8.1%

MSCI EAFE® Index: +31.9% +4.3%

*These companies represent a sample of the overall makeup of this index and are provided for informational purposes only. They do not represent a recommendation.

Celebrating Excellence:

Forbes Best-in-State Wealth Management Teams 2026

We are honored to share that The Gorton Wealth Management Group has once again been recognized by Forbes as one of the Best-in-State Wealth Management Teams for 2026. This achievement is a reflection of the trust and confidence you place in us every day. Our mission has always been simple: to put our clients first and help turn goals and dreams into reality. We are deeply grateful for the relationships we've built and the opportunity to serve not only you, but future generations as well. As our team continues to grow and evolve, our commitment remains unwavering to provide exceptional guidance and value for decades to come. Thank you for being an integral part of our journey.

2026 Forbes Best-in-State Wealth Management Teams: Awarded January 2026; Data compiled by SHOOK Research LLC based on the time period from 3/31/24 - 3/31/25 (Source: Forbes.com). The Forbes Best-in-State Wealth Management Teams rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management (variable by state), revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria. 12,787 wealth management teams were considered for the rating; 6,149 (48% of candidates) were named 2026 Forbes Best-in-State Wealth Management Teams.¹

Practice News:

Ross Gompertz, Financial Advisor, joined our team 18 months ago from Tesla. His experience in operational excellence and process efficiency has been hard at work behind the scenes, providing the team with more time to spend directly with you. In 2026, Ross will spend more time in a client-facing role assisting in annual reviews. His fresh perspective helps us to create more meaningful planning conversations and expand the value we bring to you. We're excited for you to meet and spend more time with Ross and experience firsthand the impact he brings to our group and to you.



Geopolitics, AI, and Growth: Themes Shaping the Year Ahead

Happy New Year!

We hope you had a fantastic 2025 and enjoyed the holiday season with friends and family. As we kick off 2026, we're excited to connect with each of you during annual reviews in the first quarter.

With that, we're eager to share our 2026 insights, highlight what we're watching in the markets, and outline portfolio adjustments we're considering for the year ahead.

Fragmenting Economic Blocks and Shifting Global Power

In previous newsletters, we discussed the U.S. gradually stepping back from its traditional hegemonic role. That trend continues as the world appears to be splitting into two major power blocs:

- United States: Prioritizing "America First" policies while remaining engaged in conflicts involving allies.
- China: Expanding influence across military, diplomatic, technological, and economic fronts.
- Just as we have watched over the last decade the U.S. pulling back from this role, we invade Venezuela which came as quite a surprise.

China's naval fleet now exceeds 370 ships compared to the U.S.'s 287, and its operational tempo is accelerating. Historically, when a dominant power retreats without a stabilizing force, global tensions rise, this is evident in conflicts like Russia-Ukraine and Israel-Palestine.²

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

The big question: Will China assume a policing role in its region, and how will the U.S. respond? Recent tensions over technology such as U.S. tariffs and restrictions on advanced AI chips illustrate the competitive dynamic. While tensions have cooled for now, investment in AI technology continues to surge.

The AI race: Is it a bubble?

Generative AI's public debut in late 2022 seemed to reverse a cooling market trend and sparked massive interest, helping lift markets starting in 2023. Today, AI adoption and investment remain strong, but competition between the U.S. and China to lead in AI technology resembles a modern "Sputnik moment."

- U.S. Approach: Industry-led innovation supported by public-private initiatives and government grants for domestic chip manufacturing and rare earth mining.
- China's Approach: State-guided strategy positioning AI as a national priority.

This excitement has concentrated market gains in a handful of companies. Since generative AI's launch, AI-related firms have driven 75% of S&P 500 returns, 80% of earnings growth, and 90% of capital expenditure. The top seven stocks now account for 36% of the S&P 500, the highest concentration ever recorded in the index.³

While high concentration and valuations don't guarantee a bubble, it can be a strong warning sign for future returns. Below, we will outline what we are doing in portfolios to reduce our risk and exposure to these high concentrations and valuations.

Diversification as a Defense

History offers lessons: during periods of flat or poor U.S. performance, (like the lost decade from 2000–2010), diversified allocations such as value stocks, dividend payers, small-cap equities, and international markets have delivered more consistent results.

Value vs Growth in 2025: Lessons Learned From 2000 Tech Bubble

In the late 1990s, technology and other high growth stocks reached extreme valuations which helped create what we now refer to as the tech bubble of 2000. In 1999, the concentration in these stocks helped the S&P 500 dramatically outperform value oriented equities, but when the bubble burst, the concentration in these growth-oriented stocks quickly moved back into value-oriented companies.

Today's market is showing some familiar patterns from the signs of 2000's tech bubble. Growth and, more recently, AI focused companies have dominated performance for several years, supported by heavy investment in data centers and digital infrastructure. These elevated valuations in parts of the growth universe have also introduced periods of renewed strength in the value sectors, a trend we saw emerge at various points last year.

Our position in portfolio's remains disciplined and aligned with the principles behind Wells Fargo's DSIP List which emphasizes high quality companies with strong balance sheets and the ability to deliver consistent dividend growth through market cycles. We continue to favor durable, dividend paying value names as a foundation for long term total return potential, while also maintaining exposure to profitable growth and AI companies to ensure balance across changing market environments.⁴

Expanding International Exposure: Why Now?

Global fragmentation and shifting influence make diversification more important than ever. After more than a decade of U.S.-centric portfolios, we're introducing international exposure and gradually moving toward an 80% U.S. / 20% international allocation. This shift is driven by attractive valuations in overseas markets, potential tailwinds from a weakening U.S. dollar, and regulatory changes in Europe aimed at fostering growth.

Looking Back and Ahead: Key Takeaways

As we close out 2025 and look toward 2026, it's helpful to reflect on what surprised us, what unfolded as expected, and what we're watching in the year ahead—along with a few important planning updates.

What Surprised Us in 2025

- Inflation moderated more than anticipated, though it remains a factor in the economy.
- Gold and silver staged a strong rally after years of lagging driven in part by China's accumulation, which hints at a possible move toward a gold-backed currency.
- Despite volatility, overall market returns exceeded expectations.

What We Expected - Several trends played out as forecasted:

- Tariff-related market volatility eased.
- Interest rates declined slightly.
- Housing prices have moderated.

What We're Watching in 2026 - Looking forward, we're monitoring several key developments:

- A weakening U.S. dollar.
- Deterioration in private credit and lower-quality debt.
- The eventual resolution of the Russia-Ukraine conflict.
- We're also paying attention to longevity research at the Buck Institute, which could have long-term implications for health and wealth planning.
- On the policy front, a more dovish Federal Reserve could lower rates potentially bullish for international investing.
- And of course, we continue to track the U.S.'s evolving role on the global stage.

Secure Act 2.0: Key Changes

Several important planning updates take effect:

- Higher catch-up contribution limits for ages 60-63.
- Mandatory Roth catchups for high earners starting in 2026.
- Required Minimum Distribution (RMD) age rising to 75 by 2033.
- Elimination of pre-death RMDs for Roth 401(k)/403(b) accounts.
- Ability to roll over up to \$35,000 from a 529 plan to a Roth IRA under certain conditions.

Bottom Line

We're not betting on any single narrative heading into 2026. Instead, we're broadening exposures, tightening risk controls, and leaning into cash-flow-visible value and growth companies plus a prudent international allocation. Concentration increases portfolio risk, but our focus here is to combine diversification with valuation awareness which we think is essential in an AI-fueled market.

We look forward to diving deeper during your annual review.

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Sources:

¹ Forbes Best-In-State Wealth Management Teams. Published Jan 8, 2026. Retrieved 1/8/2026 from <https://www.forbes.com/lists/wealth-management-teams-best-in-state>

² Confluence Investment Management. Fearon-Hernandez CFA, Patrick. Bi-Weekly Geopolitical Report. Published Oct 27, 2025. Retrieved 1/7/2026 from https://www.confluenceinvestment.com/wp-content/uploads/weekly_geopolitical_report_10_27_2025.pdf

³ J.P. Morgan Asset Management. Market Themes. Artificial Intelligence. Insights on Artificial Intelligence. Retrieved 1/7/2026 from <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-themes/artificial-intelligence/>

⁴ Wells Fargo Investment Institute. Buffa, Joe. DSIP List Insights. Global Securities Research. Value through dividend growth. Published Sep 9, 2025. Retrieved 1/21/2026 from https://my.advisor-connection.com/infomax/PCG/research/asg/dsip/list_insights_dsip_090925.pdf?srcApp=search

Description of Indexes:

An index is unmanaged and not available for direct investment.

S&P 500 Index - a market capitalization-weighted index, composed of 500 widely held common stocks, including reinvestment of dividends, that is generally considered representative of the US stock market.

Russell 1000 Growth Index - offers investors access to the large-cap growth segment of the US equity universe. The index is constructed to provide a comprehensive and unbiased barometer of the large-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate large-cap growth managers' opportunity set.

Russell 1000 Value Index - measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. These stocks are selected from the 1000 largest companies in the Russell 3000 Index.

MSCI EAFE Index - the MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada.

Russell 2000 Value Index - measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Barclays U.S. Aggregate Bond Index - an index comprised of approximately 6000 publicly traded bonds, including U.S. Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years.

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